



Annual Report 2020

Amsterdam Trade Bank N.v.



Amsterdam Trade Bank
Member of Alfa•Bank Group

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About Amsterdam Trade Bank

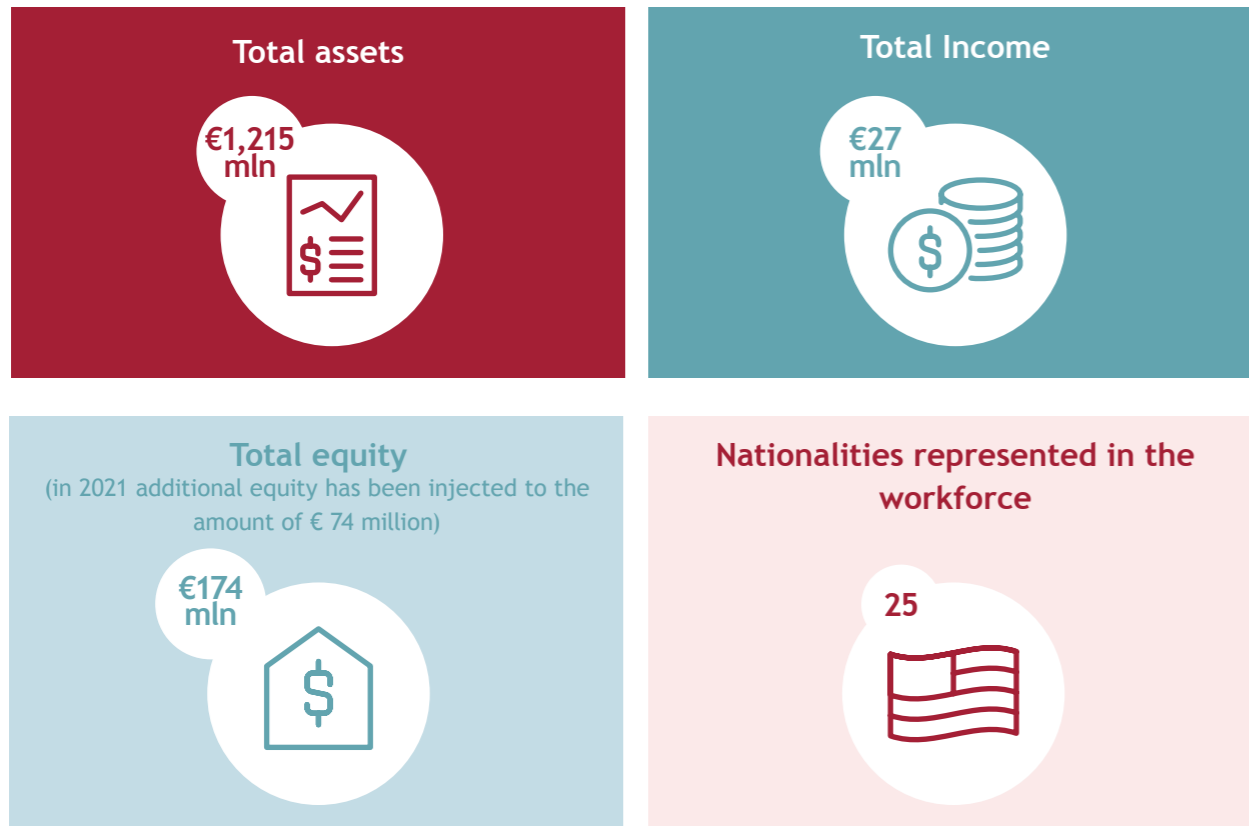
Transforming into a digital bank

Amsterdam Trade Bank N.V. (ATB) is a fully-licensed financial institution. We were established in the Netherlands in 1994 and are located in Amsterdam, historically one of the world's most important financial, commodity, maritime and technology hubs. We currently serve a wide range of customers active in all aspects of international trade. Since 2003, we have been providing retail services in the Netherlands, offering savings and deposit products. In 2006, we expanded our internet retail operations to Germany, followed by Austria in 2011 and the UK in 2019.

In 2020, we decided to revise our strategy by focusing on delivering digital banking services to small and medium-sized enterprises (SMEs) in Europe. We will invest in offering a digital banking platform that will enable us to provide a range of financial products to European SMEs. Over time, our exposures to trade, commodity and shipping finance will be reduced as we focus more on financing European SMEs.

We are regulated by The Dutch Central Bank (De Nederlandsche Bank, DNB) and the Netherlands Authority for the Financial Markets (Autoriteit Financiële Markten, AFM).

ATB at-a-glance 2020



The annual report 2020 has been adapted in order to correctly phrase the involvement of the regulator with the process to design and decide on a revised strategy for the bank. This is further explained in the Report of the Management Board.



Mission and Vision

Our mission is to leverage best in class technology and data analytics to become the centre of excellence for financial solutions for SMEs across Europe & United Kingdom.

It is our vision to revolutionise the banking experience for SMEs across Europe & the United Kingdom and become the leading provider of financial solutions to empower their growth and sustainability.

Core Values

We are in the process of refreshing and refining our core values to align with our new strategy and reflect our modern digital bank. Our refreshed core values will build off our existing four core values of:



Client orientation

We interact with our clients and financial institutions on the basis of collaboration and trust. Traditional values that have allowed us to build close, long-term partnerships.



Professionalism

We have the necessary knowledge, experience and skills to serve our clients well and perform our duties effectively.



Integrity

We adhere to the highest integrity standards for corporate and individual behaviour. We are committed to fostering and maintaining a sound corporate culture of honesty and accountability in order to protect the interests of all relevant stakeholders.



Teamwork

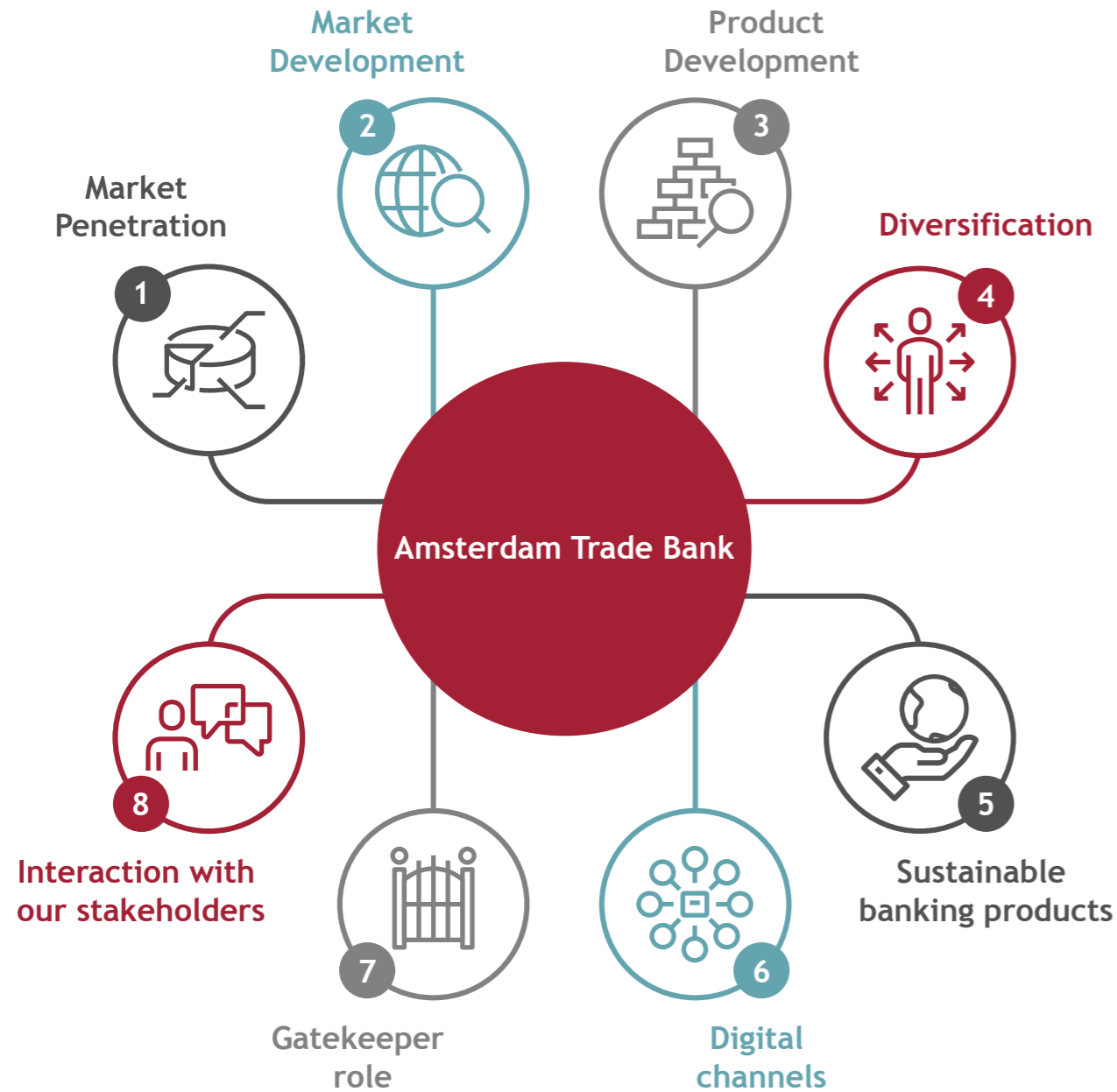
We believe that we achieve our best results only when we work together as a team. By cooperating, teams achieve what individuals cannot.

Strategy

We are a bank that is going through a transformation to become a truly digital bank focused on serving the needs of SMEs across Europe and the United Kingdom. Through our new banking platform we will provide a variety of digitally offered products and services. For this purpose we will continue to invest in technology and new capability development. We distinguish ourselves by providing value-adding solutions to our carefully selected customer base, with the aim of creating mutual long-term value.

Good citizenship and responsible entrepreneurship are embedded at the very core of our strategy. We continuously balance our financial return ambitions with the impact of our actions on society and environment.

Our growth strategy is built around the following pillars:



- 1 We focus on rolling out our SME product offerings across Netherlands, the U.K. and the rest of Europe whilst enhancing our retail product offering.
- 2 We will focus on the Netherlands and the United Kingdom as two key markets whilst then expanding across the rest of Europe.
- 3 We continuously work on widening our product offering for new and existing corporate and retail clients in our current target markets.
- 4 We strive for continuous improvement of our existing products, operations and processes. We work on more automated, lighter-touch and smarter ways to conduct our business, and on new digital product offerings for new markets.
- 5 We focus on the development of new sustainable banking products for a wider range of corporate and non-corporate clients.
- 6 We continue to work on the development, acquisition and/or deployment of digital channels of communication and service provision to a wider range of clients in the OECD economies.
- 7 As a gatekeeper to the financial system, we are committed to complying with all applicable laws and regulations.
- 8 We continuously work on enhancing our interaction with all of our stakeholders.

Letter from the Management Board

The year 2020 has been a year to look back upon with mixed emotions, a year of significant change, both for the bank and the world.

First of all, we are happy to state that we have made major progress in starting the strategic transformation of the bank towards becoming a pan-European bank providing digital banking services to SMEs. Upon the arrival of our new CEO, Oren Bass, we have further refined our strategic plans and have received approval for our revised strategy from both our Supervisory Board and our shareholders. Our shareholders have shown their demonstration of support for our new strategy by providing additional capital in 2020 in the amount of € 39.2 million (partially through the conversion of a subordinated loan) and in 2021 through further significant capital injections in the amount of € 73.8 million of tier one equity. These capital injections will enable the bank to make the necessary investments to transform. We are very thankful for this support that gives us the confidence to successfully execute our revised strategy.

Taking steps towards a new strategic ambition

Despite the difficult environment in which we found ourselves as a result of the Covid-19 pandemic the bank is now well underway towards its goal of transforming into a digital SME bank. In particular, we have already managed to hire a top-quality executive team who have both the technological and SME expertise to execute on our strategy. We have begun financing SMEs both in the Netherlands and in the U.K. and forged several key partnerships across Europe to allow us to fund SMEs across the Netherlands, Germany, Spain and the Nordics. By the end of the year our new banking platform will be live and we will have launched our new retail savings product allowing savers across Europe to back SMEs.

We have also been informed by De Nederlandsche Bank that we may proceed to execute on our revised strategy. This was following a robust process we initiated to

validate our strategic plans and ensure we have taken all possible risk perspectives into consideration and tested against our strategy.

The Covid-19 pandemic

The Covid-19 pandemic has had a major impact on the bank, as it had on the global economy and on most other banks. The restructuring we executed by the end of 2019 was aimed to ensure that our operating platform was fit for purpose and our results, even when some of the business declined, would substantially improve compared to 2019.

As a result of the Covid-19 pandemic the bank has witnessed a decline of the overall size of its loan portfolio, although we have still been able to attract new business. However, we have also seen that some clients were severely impacted by the changed economic situation caused by the pandemic and in one particular case we have had a client defaulting on their loan obligation, due to a Covid-19 related fraud situation. Consequently we have taken a substantial additional provision on this client which eroded our capital base to a level that required us to call upon DNB's Covid-19 relaxation measures.

The impact on capital due to this client default was included in the capital plan and is remediated by the capital injection by our shareholders.

Our Board

On 1 May 2020 Oren Bass started in his role as the new CEO of Amsterdam Trade Bank. Oren brings to the bank extensive experience in finance, digital transformation and financial technology having founded and scaled one of the leading online lenders in the United States. He has led the strategic efforts in the bank resulting in a revised strategy and a clearly outlined plan to execute that strategy.

Meanwhile Tabor Smeets, who joined the bank at the end of 2019 has stepped down from his role as the Chief Digital Officer, a function which will no longer be a

management board position. Furthermore Peter Ullmann has decided to step down as the Chief Risk Officer of the bank. He has been succeeded by Vladimir Brodski who has broad experience in various roles in the financial industry, including Treasury and Risk Management across a number of European banks including most recently being the Chief Risk Officer at Revolut.

Through these management board changes, a new leadership team has been appointed to lead the bank in the execution of its revised strategy.

Regulatory and risk management

In relation to Integrity, last year DNB has executed an on-site inspection on our overall compliance with the applicable laws and regulations. The report concluding on the findings during this inspection has been discussed with DNB and although in general we are pleased to state that no major findings were reported, still a number of improvements were indicated to which we have made an action plan to remediate these. All actions identified in that plan have now been completed.

In view of the revised strategy we have gone through all of our policies and procedures, including those relevant for integrity, (credit) risk management and operations and have adapted those to be fit for the new business the bank will be pursuing, both through direct lending to SMEs and through third party originated SME lending. Within the context of these adjusted policies and procedures we continue to adhere to the strictest norms regarding compliance to legal and regulatory requirements.

In order to address the risks related to our strategic plan we have made an additional ICAAP that incorporates the longer term perspective of our revised strategy and the changed risk parameters that will result from that strategy revision. In conjunction

with the ICAAP we have developed a capital plan to ensure that we will have a sufficiently strong capital base to execute the transformation to the new business model. In a special General Meeting of Shareholders that was held in February 2021, both our revised strategy and the capital plan were approved and in July 2021 the shareholders injected €71 million of fresh capital, sufficient for the execution of the revised strategy.

With respect to the ongoing investigation by the FIOD, there were no major developments. We received limited additional information about possible charges regarding culpable money laundering and bribery. To date, the allegations mentioned above have not resulted in any indictment by the Dutch public prosecutor. Further details have been included in the Risk Management section of the Report of the Management Board.

ATB has carefully considered all the allegations mentioned by the Dutch public prosecutor and performed internal investigations to the extent deemed necessary in order to assess whether current processes and procedures are adequately addressing legal and regulatory requirements. To the best of our knowledge we have concluded that this is the case.

On the basis of our efforts in 2020, we are confident that with the support of all of our stakeholders, in particular our employees and our shareholders, we will be able to successfully execute our revised strategy aiming to become a pan-European bank offering digital services to SMEs.

Amsterdam, 19 November 2021

The Management Board of Amsterdam Trade Bank

*Oren Bass
Eric Steeghs
Vladimir Brodski*

Report of the Management Board

Revised version

The annual report 2020 has been lodged with the Chamber of Commerce in an earlier version (dated 29 July 2021) early August 2021. In view of the need to correct some wording in the directors report and the financial statements regarding the involvement of the regulator (DNB) in the process to revise the strategy (notably pages 6, 10, 44, 64 and 65 of the version dated 29 July 2021) that version has been subjected to revocation by the shareholders and accordingly this corrected version has been adopted by the Management Board and Supervisory Board, approved by the shareholders and lodged with the Chamber of Commerce. The corrections only relate to those specific wordings; the financials have remained unadjusted. In view of the lapse of time since the earlier approval, the subsequent events section has also been updated to take account of the situation as of the date of approval of this version.

Financial and Operational Performance

The financial performance in 2020 has been impacted by a number of important internal and external developments.

Firstly, after the restructuring that was implemented by the end of 2019 we were able to substantially reduce the cost level of the bank by around 25%. On the basis of our overall income with a loan book that was at that moment € 806 million, the bank became operationally profitable in the first quarter of 2020.

In March 2020, the Covid-19 pandemic reached Europe and other western countries which had a significant impact on our clients and on us. Although we continued to support our clients by extending credit lines (also to new clients), the combination of Covid-19 and the gradual shift of our strategic direction to a revised business model caused our overall loan book to gradually decline over the remaining period of 2020 to a level of just below € 600 million at the end of the year. The Covid-19 impact as well as a fraud case caused one client to default on its loan obligations which resulted in a provision of € 25 million. Next to this specific case, we also had to increase our general provisioning levels, although we did not encounter any further major specific credit loss in our loan book. Our revenue line suffered as a result of the pandemic and this led to an operational loss on our core business (when excluding the provisioning).

As we had already announced by the end of the year 2019, a major development in 2020 was the initiation of a shift in our strategic direction aiming for a digital, pan-European bank offering its services to SMEs. We have made substantial progress in further detailing the plans to execute this strategy, recruit key staff and take some first

steps. The costs incurred for these efforts amounted to around € 4.5 million in 2020.

As a result of the above developments, for the full year 2020, we incurred a net loss before tax (including impairments) of € 36.6 million (2019: € 20.4 million).

The total income from operating activities increased in 2020 to € 27.0 million (2019: € 24.2 million). This increase of income from operating activities is mainly caused by the combination of a better result on financial transactions of € 0.8 million and a small increase in net commission income of € 0.1 million, partially offset by a decrease of our net interest income of € 3.7 million (13%).

The decrease in net interest income of € 3.7 million to € 25.0 million (2019: € 28.7 million) is mainly caused by the decrease of the interest income of € 16.7 million as a result of the decrease in the loan portfolio, as was explained above. As a result of the lower level of our loan book, we have also incurred additional costs for our excessive liquidity considering the negative baseline interest rates. This was partially offset by lower interest expenses of € 13.0 million due to the termination of the securitisation position in 2019, lower interest cost due to the converted subordinated loan and lower swap costs.

With respect to our retail funding, we have followed the general trend to lower our interest rates for retail saving clients, although as is still customary in the market, we still pay minimal interest for our clients who typically have savings/deposits below a level of € 100,000.

The improved result on financial transactions is mainly explained by lower realized losses on hedging derivatives (mainly cross

currency swaps) of € 2.0 million (2019: € 4.3 million) and an unrealized gain on loan participations of € 0.8 million (2019: € 0.1 million).

Total expenses excluding impairments of financial instruments amounts to € 35.1 million (2019: € 45.3 million). The decrease of € 10.2 million is related to a € 8.4 million decrease in staff expenses due to the restructuring initiated end 2019 (restructuring costs were provided for in 2019 and thus not impacted 2020 result) and € 4.0 million less depreciation and impairments of intangible assets and property and equipment (due to high impairments of intangibles in 2019). This is partly offset by an increase of general and administrative expenses of € 2.5 million.

Significant one-off expenses in 2020 were incurred in relation to credit losses (legal costs € 1.0 million), changes in the board composition (€ 0.6 million) and in development, validation of the revised strategy and the follow-up on the on-site inspection by DNB on business model/strategy (€ 5.3 million).

The revised strategy is expected to lead to a further reorganisation. The impact of these plans will be recognized in 2021 when the plan will be formally approved, communicated and executed.

The Expected Credit Losses (ECL) provisions in Stages 1 and 2 amounted to € 7.0 million (2019: € 4.8 million), and in Stage 3 to € 26.9 million (2019: € 1.9 million). The provisions are all for the corporate portfolio.

Total assets decreased to € 1,215 million at year-end 2020 (€ 1,394 million at year-end 2019), mostly related to decreased volume in loans and advances to customers, loans

and advances to banks and interest-bearing securities. This was offset by the increase of Cash and balances with central banks.

In order to improve ATB's capital position, in March 2020 we converted the subordinated loan with a nominal value of € 35 million, granted by ABH Holdings S.A. to equity. Before conversion the loan has been transferred from ABH Holdings S.A. to Alfa Bank Russia. After transfer, the subordinated loan has been converted into 141,391 ordinary shares issued to Alfa Bank Russia. Besides this, an additional capital injection of € 4.2 million from ABH Holdings S.A. took place in August 2020. As a result, the ownership structure of the bank at the end of 2020 was as follows: Alfa Bank Russia (75.47%), ATB Holdings S.A. (10.19%) and ABH Holdings S.A. (6.52%) and ESPP B.V. (7.82%).

Considering the conversion of the subordinated loan to equity and the additional capital injection, offset by the net loss of € 36.6 million made this year, our equity position remained reasonably stable at € 174 million at year-end 2020 (year-end 2019: € 172 million).

At year-end 2020, our total capital ratio was 26.0% compared to 19.8% at year-end 2019. Since our capital structure does not include any hybrid capital instruments qualifying as additional Tier 1 capital or Tier 2 capital, our T1 capital ratio and Core Equity Tier 1 equal our total capital ratio (year-end 2019: 17.4% for both CET 1 ratio and T1 ratio). During 2020 we have applied for the Covid-19 related capital requirement relaxation measures related to the Pillar 2 guidance and the Capital Conservation Buffer due to the credit loss on the specific client loan default that was mentioned before. Based on the recent injection of

fresh capital (€ 71 million) meanwhile we have restored normal capital levels in 2021, well before the relaxation measures may be terminated at the end of 2022.

We apply the standardised approach when calculating our capital ratios under Pillar 1 of the Basel III framework. We also continuously apply the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Assessment Process (ILAAP) to meet Pillar 2 requirements, under which internal capital requirement is calculated for additional risks that are not captured under Pillar 1 (i.e. concentration risk, country risk, interest rate risk in the banking book, strategic risk and liquidity risk). On an ongoing basis, we monitor solvency and liquidity to ensure compliance with internal limits and regulatory requirements. Additionally, capital and liquidity adequacy are evaluated through regular stress tests. The internal assessments were subject to the Supervisory Review and Evaluation Process (SREP) conducted by the DNB.

Commercial Activities and Developments

In 2020 we maintained a clear focus on servicing the international commodities supply chain and in particular the markets of major commodities (e.g. energy, agricultural and metals) and shipping finance. In addition, in line with our earlier announced strategy, we initiated our entry into European SME lending. The total loan portfolio reduced the first half of 2020 due to the impact of Covid-19 lockdowns on commodity supply chains and prices as well as due to clients responding to our announcement to revise our strategy. Additionally, a large exposure defaulted for which the bank has provisioned with a negative impact on its financial performance. The performance of the book stabilized during the second half of 2020 and is producing steady returns.

Covid-19 lockdowns during the first and second quarter of the year had significant impact on our client's operations and the market in general. As a reaction major commodities finance banks reviewed their business and as a result significantly

reduced their lending to commodity trade finance. ATBs response was, in line with the market, to reduce the large single exposures within its portfolio from € 30 million to € 20 million during the second half of 2020. Customers understood ATB response and appreciated the continued support at a reduced level. Utilizations at the end of the year recovered and stood at +/- 50% for its Commodities Finance business line. As a result of the changed market circumstances financing margins within trade commodity finance increased.

In addition to our existing commercial pillars, we have made progress in our SME business strategy and are gradually expanding our services to SMEs via third party originators and direct lending. ATB has taken a prudent approach to expanding its European SME lending efforts by leveraging its current manual underwriting capabilities and expertise with corporate lending. Overtime ATB will diversify its portfolio, predominantly in respect of the counterparties and industries.

Human Resources

Human Resources develops and implements policies and initiatives with respect to diversity and leadership development. It also leads on the fulfilment of legislative and delegated responsibilities for recruitment, compensation, pensions & benefits, employee development, organisational health and labour relations.

We focused in 2020 on employee well-being and engagement, also as a result of different circumstances coming together in one year. As stated, the bank is undergoing a strategic transformation towards becoming a pan-European bank providing digital banking services to SMEs. The first step towards this transformation was the reorganization that took place in Q4 2019 and was completed in Q1 2020. At the same time, the Covid-19 pandemic arrived changing the way we work and interact. Virtually all of our employees have been working from home during most of the year. We have tried to ensure we remain in good contact with each of our team members and address their concerns. Thanks to our staff's continuing dedication we did not encounter any serious operational issue in our business-as-usual.

Our Human Resources department plays a critical role in supporting our strategic transformation. Our success depends on the skills and professionalism of our employees. We have made significant progress in aligning our human capabilities through the recruitment of new staff members, while also continuing to invest in our existing workforce. In addition, we consider strong leadership and a strong organizational culture as the key drivers to a successful

transformation. A leadership training programme for our senior managers will be rolled out in 2021 to further develop and define the management style required to achieve our strategic ambitions.

We realise it is vital to foster an engaging work environment. To this end, we made a further analysis of the outcomes of the employee survey conducted in 2020. In addition to noting the positive findings, every manager worked with their teams on action plans for further improvements.

We are proud on our diverse workforce in terms of gender, culture, age and nationality. Looking ahead, strengthening our performance driven culture with engaged and happy employees remains our top focus.

Finally, we continuously review the effectiveness and efficiency of our organization, also taking into account external, internal and digital developments. Also Human Resources itself is undergoing a transformation by further automating its HR processes.

Risk Management

Exposure to risk, carefully balanced with its expected rewards, lies at the core of the operations of a bank. Every product offered, every client serviced, every decision and action taken, may lead to financial, reputational, operational and/or strategic risks, contributing to either success or failure. Our philosophy regarding risk management is one of a continuous process that should be aligned with the strategy of the bank and support decision-making. The governance of risk management is arranged in a committee structure, with the Management and Supervisory Boards supported by these committees in managing relevant risk areas. The committees act within the mandates derived from our policies, Risk Appetite Statement and Committee Charters. Please see the risk management section in the notes to the financial statements for an organogram of the committee structure.

Risk Appetite

Our risk appetite is defined in three stages. In the first stage, the Baseline Risk Analysis (BRA) is conducted. This seeks to identify and assess at high level the risk areas that are relevant to ATB given its business profile and strategy. The BRA identifies the risk universe (or 'taxonomy'), the inherent and residual risk exposure to each of the risks.

The second stage consists of a review of the assessed risk taxonomy and sets qualitative boundaries for acceptable levels of (residual) risk. The difference between inherent and acceptable risk determines the level of governance to employ, and is taken into account in the third stage. The inherent and residual exposures are set out in a qualitative 4-point scale (Low, Minor, Moderate, High). The levels under a risk appetite statement are classified into 'risk averse', 'risk neutral', 'risk flexible' and 'risk seeking' categories.

The third stage identifies relevant risk drivers and sets quantitative limits to each risk driver. Each driver has its own assigned risk weighting, based on our business model and local circumstances, and taking into account banking regulations. These risk weightings and metrics are summarized in the Risk Appetite Dashboard, which is regularly reported to all relevant governance bodies within our bank.

The Management Board monitors the metrics on a monthly basis and instigates action plans in cases where limits are breached. The Risk and Compliance Committee of the Supervisory Board discusses the Risk Appetite Dashboard during their regular meetings and, if necessary, raises issues at the plenary meeting of the Supervisory Board.

Risk Reporting

As previously stated, each risk committee is provided with detailed reporting on trends and developments in their respective areas. Comprehensive risk dashboards are reported to the Management Board on a weekly, monthly and quarterly basis. The quarterly report consists of a full overview of all risk categories, whereas the weekly report provides a more focused update on credit developments.

Risk Taxonomy

In 2020, our top-level risk areas and their corresponding appetite for residual risk were defined as follows:

Strategic Risk

The risk of non-compliance with the strategic objectives that can arise from adverse business decisions, improper implementation of decisions, or a lack of responsiveness to industry / market changes.

Appetite 2020: RISK NEUTRAL

Operational Risk

The risk of loss resulting from inadequate or failed internal processes, people, systems or external events.

Appetite 2020: RISK NEUTRAL

Regulatory Risk

The risk of loss or impaired capacity to do business due to failure to adhere to regulatory or market standards, legal proceedings or inaccurate disclosure of formal reporting.

Appetite 2020: RISK AVERSE

Credit Risk

The risk of loss of principal or adequate financial reward stemming from a counterparty's deterioration of financial stability or failure to meet obligations.

Appetite 2020: RISK FLEXIBLE

Liquidity & Funding Risk

The risk that the bank will fail to fund increases in assets and meet obligations as they come due at reasonable cost. Liquidity Risk arises from the inability of ATB to accommodate decreases in liabilities or to fund current (and increases in) assets in full, at the right time and in the right currency.

Appetite 2020: RISK AVERSE

Market Risk

The risk of loss of principal or adequate financial reward due to movements in financial markets (including, but not limited to FX rates, interest rates, credit spreads, equity prices and commodity prices).

Appetite 2020: RISK AVERSE

In terms of the levels and attitude these qualitative risk appetites were largely unchanged compared to 2019. There were methodological changes, namely shifting from 3 point scale in 2019 to a 4 point scale in 2020 with different names given to each risk appetite level, i.e. risk averse, risk neutral, risk flexible and risk seeking.

Strategic Risk

Capital availability and cost efficiency are the main drivers of risk related to the realisation of our business plan. Growing the portfolio, while effectively managing financial risks and maintaining full compliance with regulatory requirements is a key focus under strategic risk.

We recognize the rapid technology innovation trend in the financial industry, raising customer expectations and competition from B2C FinTech(s) but also opportunities from cooperation with B2B FinTech service providers. In response, the bank launched a transformation program to digitalize its product offering and internal processes aiming at making its services more competitive and decreasing costs. As part of the transformation and to address the portfolio growth together with concentration risks we started developing (digital) lending proposition (and provided our first loans) to European SME clients, whom we intend to approach directly and via third party originators.

Covid-19, its macro-economic and social consequences had negative impact on our overall strategic risk assessment and led to various mitigating measures. The effect of the pandemic on our customers, employees and communities (as well as other strategic risks) has been and continues being monitored and reported to the Management and Supervisory Boards.

This capital risk is managed through capital planning and continuous daily tracking of developments in available and required capital and pipeline projections.

All strategic initiatives require Strategic Risk Assessment that is challenged by the Management Board. Measurement

and monitoring of strategic risks are also embedded in the monthly Risk Appetite Dashboard.

Operational Risk

Oversight of operational risk is coordinated by the Operational Risk Committee (ORC). The permanent members of the ORC consist of representatives from the Management Board and all three lines of defense. The ORC monitors trends and developments in operational risk through the relevant section(s) of the Risk Appetite Dashboard and additional reporting, including key risk overviews based on the output of Risk and Control Self-Assessments (RCSAs), and the testing of internal controls by the 1st and 2nd lines of defense. Scenario analysis is employed to ensure that less probable but still plausible events with a high potential impact are adequately taken into account when assessing operational risk exposure. The inherent volatility of such operational risk is demonstrated in our loss experience: the total direct financial impact after recoveries remained low.

Operational risk is considered a non-rewarding risk, and as such the overall principle is to mitigate and/or transfer operational risk exposure while taking cost of control into account. Given the strategic transformation program we pursue, a 'Neutral' residual risk was accepted in the Risk Appetite.

ATB's long-term ambition is, however, to achieve operational excellence within its organisation, minimizing risks due to errors and/or suboptimal design, particularly by way of digitizing our processes and automating controls. In terms of longer term strategic outlook ATB has the ambition to decrease its operational risk appetite to "Risk Averse" level. Although this ambition

remains our goal, due to ongoing transformation, we will accept a delay in reaching this ambition while we will ensure that our level of operational control is sufficient and remains within our current risk appetite. The proper functioning of our internal control mechanisms continues to be closely monitored, through the three lines of defense model that we apply.

Credit Risk

Credit risk is one of our most significant risks in terms of capital consumption. It also includes all other forms of counterparty exposure, where counterparties default on their obligations to us in relation to hedging or other financial activities. Measurement and monitoring of credit risks are embedded in the Risk Appetite Dashboard via credit metrics, which include metrics for one obligor exposure, minimum credit quality, country risk and industry concentration risk.

In 2020, the risk appetite threshold for the average one-year expected loss of the portfolio was maintained at 0.6% and the risk tolerance threshold remained unchanged at 0.8%. Despite the Covid-19 pandemic, the quality of the portfolio (apart from a single exceptional case that also involved fraudulent behaviour on the client side) remained relatively robust, as we continue to select and approve facilities with strong collateral and structural properties on the one hand and we increased monitoring specifically with regard to potential Covid-19 impact on our borrowers' performance and collateral values on the other hand. As a result of that focus and despite a higher volatility of the ratio throughout the year due to a decreasing loan book, the average expected loss of the portfolio remained within risk appetite end 2020.

The year was also marked by an increase in non-performing exposure, mainly due to one major default in the commodity finance portfolio as a result of fraud in Q2 2020, but also due to implementation of more stringent Unlikely To Pay triggers as part of our (early) implementation of the 'new Definition of Default' as of Q2 2020. Whereas we only had two non-performing clients at the beginning of 2020, this number increased to six by the end of the year. Our recovery expectation is high however due to appropriate collateralization (partly including credit insurance reducing our net exposure considerably) and restructuring in cooperation with the client for most of the exposure. Those clients are performing under the restructured terms and in the mandatory one-year cure period.

Despite the still relative low number of defaults, they had a significant impact on the NPL-ratio. To mitigate counterparty concentration risk, the overall one obligor exposure limit was reduced.

With significant exposure to commodity trade and trade-related sectors, such as shipping, we are exposed to industry-concentration risk. Having said that, commodity trade itself is a diversified industry where different sub-sectors react differently to related economic cycles. Our shipping portfolio is well diversified within shipping subsectors.

The diversification into SME business (which is an element of our revised strategy) will further de-risk the bank, both in terms of industry and counterparty concentration risk.

Liquidity & Funding Risk

The liquidity monitoring is based on a set of ratios, including regulatory ratios, liquidity buffers and a stress test that is designed to measure the liquidity survival for different horizons and scenarios.

We put a high priority on establishing an internal funding and liquidity risk strategy that ensures we measure, monitor and manage our liquidity risk so we can withstand a range of stress circumstances, without endangering the continuing viability of our business.

We manage our liquidity profile through short-term liquidity risk management combined with a long-term funding strategy. We maintain sufficient liquidity including a cushion of unencumbered, high quality liquid assets to withstand a range of stress events. With the liquidity coverage ratio (LCR) at the beginning and the end of 2020 of 401% and 872% (related to our high level of liquidity) and the net stable funding ratio (NSFR) of 181% and 278% we maintained a very conservative liquidity risk profile in line with our “Risk Averse” appetite to the risk (In 2020 Risk Appetite/Risk Tolerance thresholds for both LCR and NSFR were defined at 120%/110%).

Liquidity risk stress testing is also an important element of our liquidity risk measurement, risk evaluation and contingency funding planning for all potential contingent or improbable-but-plausible stress events.

We use liquidity stress tests as a management tool to identify our potential vulnerabilities and worst-case liquidity risks on our current cash flows, liquidity position and liquidity risk mitigation.

Detailed metrics for liquidity are included in the monthly Risk Appetite Dashboard. Given their importance, we have also implemented a separate daily Liquidity Dashboard, which provides granular information on metrics, liquidity buffers and stress test which enables us to foresee any liquidity stress.

In 2020, the main driver of both liquidity and funding risk came from the fact that the majority of our funding is raised in the form of Dutch, German and Austrian retail deposits (denominated in Euros), while the majority of lending is conducted in USD denominated advances. The market risk of this currency mismatch was successfully managed down to acceptable exposure levels through the use of derivative instruments.

ATB was in a good position to weather any potential liquidity issues arising from unprecedented Covid-19 market turmoil for the reason of practically phasing out the FI funding for the costs-saving reasons at the end of 2019. This left ATB with relatively stable retail funding base (€ 884 million at the beginning of 2020, € 836 million at the year-end). In order to monitor liquidity & funding position more closely, ATB initially (March 2020) organized regular calls between CFO and ALM specifically on liquidity.

We continue to strive for further diversification of the funding base and have taken several initiatives in 2020 to improve it, such as repos of assets in the securities portfolio with commercial European banks and TLTRO III operations.

Market Risk

It is our policy not to be exposed to significant open positions in interest rate and foreign currency risk in the Banking Book, and our strategy for 2020 and the coming years includes no treasury trading activities in the Trading Book.

We have interest-rate-risk measurement systems that capture all material sources of interest rate risk and assess the effect of interest rate changes in ways that are consistent with the scope of our activities: sensitivity analysis, stress scenarios and

Interest rate risk in the Banking Book (IRRBB) limits. Key metrics for market risk are included in the Risk Appetite Dashboard.

We manage Interest rate risk in the Banking Book by matching interest rate profiles of asset and liabilities as well as using interest rate derivatives. Our delta Net Interest Income (NII) in 2020 (2% rate shift) was not higher than 15% of total interest income and our delta Economic Value of Equity (EVE) (2% rate shift) was not higher than 1% of our Tier I that is in line with our Risk Averse appetite towards market risk.

The Bank effectively hedges foreign exchange risk by using FX spot and swaps. We measure and monitor FX risk in the Banking Book through Value at Risk (VaR) and notional limits. FX VaR through 2020 stayed close to zero.

Regulatory Risk

As a gatekeeper to the financial system, we are committed to complying with all applicable laws and regulations. Based on our analysis of these laws and regulations, and the impact they have on our clients, products and countries of operation, we have concluded that our inherent risk profile is relatively high compared with the Dutch financial sector as a whole. We will therefore be continuing to pay attention to the high-risk elements, including money laundering, and sanction and corruption risks. However, the residual risks in this area are judged acceptable, due to our extensive investment in remedial policies, processes, systems and behaviours.

We are committed to fostering and maintaining a sound corporate culture of integrity and accountability, to protect both the interests of all relevant stakeholders and the sound functioning of the financial sector

in general and stay within our “Risk Averse” appetite towards Regulatory Risks. We have adopted the following measures:

Risk-based approach

We are required to establish, implement and maintain adequate policies and procedures to detect any risk of failure by our bank and/or employees to comply with their obligations. As part of this, the Integrity Department continuously identifies and assesses integrity risks, based upon all relevant laws, regulations, internal policies, market standards and best practices, ATB’s Code of Conduct, and moral and ethical standards. ATB’s integrity risks are thoroughly and demonstrably assessed periodically and measures to mitigate these risks are duly implemented within the bank, as described in the Systematic Integrity Risk Analysis (SIRA). Based on these considerations annually we determine the focus and the scope of the monitoring, reporting and advisory activities. For 2020 the main theme has been: Next Steps. The Integrity Department selected the main theme to express the needed next steps to adapt the changes of the digitalization & SME lending strategy within the bank as a whole and more specifically the Integrity Department. Subsequently the Integrity Department has chosen quarterly themes to group the activities around the chosen topics. For 2020 these themes were: Q1 Internal Documentation (amend the internal documentation as a result of the revised strategy), Q2 Wwft and Sanctions Legislation or Sw (ensure the SIRA scenarios and the Measures of Control were aligned with the revised strategy), Q3 Tax integrity (ensure the timely implementation of new rules and regulation aligned with the revised strategy) and Q4 Code of Conduct (ensure the awareness and the adherence to the Core Values of ATB, especially during the Week of the Integrity),

Policies and guidance

Our business principles, outlined in our Code of Conduct, provide the minimum standards of expected behaviour. In addition to the Code of Conduct itself, we have a policy framework that includes our Anti-Corruption Policy, Market Abuse Policy, Speak Up Policy, Client Due Diligence (CDD) Policy, Complaints Management Policy and Incident Management Policy. It is the Integrity Department's responsibility to ensure the framework is kept up-to-date at all times, and to continuously monitor relevant legal, social and other international developments in order to accordingly ensure the timely update of policies and guidelines.

Based on a continuous dialogue with all ATB departments, the Integrity Department not only detects and resolves potential hurdles, but also provides support that enables our employees to exercise their individual responsibility to act with integrity and adhere to applicable laws and regulations. In this year, within the scope of our annual theme, we have focused on the adjustment of the integrity policies to the revised strategy of the bank.

Education and awareness

The Integrity Department puts special effort into outlining to employees their individual responsibility to continuously take time to gain the knowledge and understanding required to exercise good judgement, adhere to the policy framework and apply ATB's business principles. This included re-emphasizing the Bankers' Oath principles, during a number of mandatory sessions for all employees in the Week of the Integrity. All new employees participate in a mandatory introduction program, due to the Covid restrictions we have not been able to perform the usual interactive sessions and the sessions were limited to the session in

the Week of the Integrity by focusing on the individual employee's responsibilities. In this way, the Integrity Department contributes to a clear narrative that underlines the importance we place on our business principles, policies and moral standards.

In 2020, the Integrity Department has performed the annual update of the e-learning modules related to the Code of Conduct, Client Due diligence and Anti-Corruption and we have organised several sessions in which certain integrity topics as laid down in our integrity policies have been addressed. During these sessions employees received information on regulatory changes and other relevant developments. The changes and developments were also communicated digitally to the relevant employees.

Monitoring and reporting

The risks relating to integrity, and adherence to applicable laws and regulations, are thoroughly and demonstrably assessed periodically. Measures mitigating these risks are duly implemented within our bank as described in the SIRA, which is updated permanently.

We recognize our responsibility to prevent crime in any form, and to participate in the international fight against any form of money laundering and/or terrorism financing. When negative coverage is published relating to any of these subjects, we perform internal look-backs. In 2020 we, amongst others, have performed lookbacks related to transactions of (former) clients mentioned in publications around Swedbank and the FinCEN papers. We also request our corporate clients to provide an 'Annual Compliance Letter', in which they confirm that they have acted in compliance with applicable laws and regulations (in particular with regard to Anti-Money

Laundering, Anti-Corruption and (inter) national sanctions) in the previous year and will continue to do so in the years to come.

We periodically conduct thematic reviews. In 2020, these focused on the awareness of the Speak up Policy and the adherence to the MiFID requirements by the Treasury Department. Findings and/or recommendations are included in the reports to the Management Board via the Integrity Committee. As mentioned earlier the Integrity Committee consists of representatives from all three lines of defense.

ATB's Incident Management Policy and Speak Up Policy aim to ensure that anything that may cause harm or damage to our organisation, including our employees, are reported and dealt with in a timely and adequate manner. In 2020, there were no incidents that required reporting to DNB or the AFM. As the 'rules of the financial game' are permanently changing, our policies and procedures will change accordingly and as a result thereof we will continuously focus on implementation of these changes and make sure that the staff of ATB is able to mitigate the identified integrity risks.

In 2017, the FIOD (Dutch Fiscal Intelligence and Investigation Department) initiated a criminal investigation for possible breaches by ATB in earlier years regarding the Wwft (law against money laundering and terrorist financing). The scope of the investigation includes suspicions of non-compliance such as to client due diligence, timely reporting of unusual transactions, sanction monitoring, bribery, forgery of documents and culpable money laundering. It is unclear which specific consequences (if any) the examination may have. The investigation is still ongoing and ATB continues to fully cooperate. ATB has carefully considered all

the suspicions mentioned by the FIOD and performed internal investigations to the extent deemed necessary at this moment without having gone into the detail of a full rebuttal on all aspects mentioned. Since the investigation is not yet completed, the ultimate suspicions against the bank have not yet been formulated by the Dutch public prosecutor and the bank has consequently not fully developed a defense strategy. ATB has also carefully reviewed all the allegations mentioned by the Dutch public prosecutor and performed internal investigations to the extent deemed necessary in order to assess whether current processes and procedures are adequately addressing legal and regulatory requirements. To the best of our knowledge we have concluded that this is the case.

Possible measures may include a penalty payment or a fine, which would mean that a present obligation per 31 December 2020 could exist and that an outflow of resources may result as a consequence. Management is not able to assess reliably if such penalty or fine might be the outcome of this investigation and if so, what the possible timing, scope or amounts of any such fines, penalties and/or other outcome would be. Accordingly, no provision has been recognized at 31 December 2020, neither has a provision been recognised at 31 December 2019.

Corporate Social Responsibility

Being a good corporate citizen in the local and global communities in which we operate is at the heart of our culture. The scope and ambitions of our commitment to sustainability come through actions in four areas: our employees, our economic activities, the environment and ethical behaviour, as these four dimensions are the drivers of our organisation and business model. We are proud to be one of the first signatories to the Poseidon Principles. The Poseidon Principles are a framework for assessing and disclosing the climate alignment of ship finance portfolio, creating a global baseline to support and work towards the greater goals for our society by ensuring our portfolios are environmentally responsible.

Another important pillar of our CSR strategy is to support education since we strongly believe that education unites people and cultures. We partner with United World Colleges to contribute to a better world through education and the Erasmus University Rotterdam by providing students with business challenges to consult on as part of their curriculum. We are located in the World Trade Center building that enables us to make our operations more sustainable. The building's electricity is generated by Dutch wind turbines and we have introduced a separate-waste system.

Outlook 2021

Due to the continuing impact of the Covid-19 pandemic, the economic outlook remains uncertain. Key risks include the possibility of increasing inflation, rising interest rates and geopolitical impact on trade relationships. We will closely monitor these developments and have implemented measures to respond timely and adequately to mitigate these risks.

While we are in the midst of the transformation of our bank to focus on the European & UK SME sector, the speed of this transformation may be impacted by in particular the economic circumstances for SMEs in Western Europe & UK. At this moment it is not possible to accurately and reliably assess whether this will have a material impact on our results.

Responsibility Statement

Pursuant to section 5:25c sub 2 part c of the Dutch Financial Supervision Act, the members of the Management Board state that to the best of their knowledge:

- The Annual Financial Statements give a true and fair view of the assets, liabilities, financial position and profit or loss of Amsterdam Trade Bank N.V. (and the companies included in the consolidation);
- The Annual Report gives a true and fair view of the state of affairs on the balance sheet date and the course of business during the financial year 2020 of Amsterdam Trade Bank N.V. and of its affiliated entities, of which data is included in its Annual Financial Statements;
- The Annual Report describes the material risks with which Amsterdam Trade Bank N.V. is faced.

Amsterdam, 19 November 2021

Management Board

Oren Bass, Chief Executive Officer and Chairman

Eric Steeghs, Chief Financial Officer

Vladimir Brodski, Chief Risk Officer

Report of the Supervisory Board

Letter from the Supervisory Board

During 2020, we made good progress in developing our capabilities for the strategic transformation of the bank towards becoming a pan-European bank providing digital banking services to SMEs. Our success will depend on our execution capabilities. That is why we are pleased to see that we have been able to attract top quality talent with demonstrated experience in this field across the bank.

We have seen changes in the composition of the Management Board and Supervisory Board during 2020 and early 2021. On 1 May 2020, Mr Oren Bass was appointed as the Chief Executive Officer and Chairman of the Management Board to lead the bank through the transformation. Mr Bass brings significant experience in setting up online lending platforms, advising the SME sector and asset management. Mr Tabor Smeets stepped down as Chief Digital Officer and statutory board member on 1 December 2020. Mr Smeets started in September 2019 and delivered an investment case which was the start of the new strategic direction of the bank. As the roll out of the revised strategy has shifted towards technology, the Chief Digital Officer position is no longer a board position. Mr Peter Ullmann stepped down as CRO and statutory board member on 16 April 2021, after having served for nearly seven years. He has been succeeded

by Mr Vladimir Brodski. Regarding the Supervisory Board, on 31 January 2020, Mr Ron Emerson stepped down after having served for three years as Chairman of the Supervisory Board in view of a potential conflict of interest with one of his other roles. Mr Ruut Meijer has taken over the role of Chairman of the Supervisory Board as of 5 March 2020. The Supervisory Board is pleased to announce the appointment of Mr Lex Hoogduin on 8 February 2021 as an independent member and the appointment of Mr Poul Thomsen on 15 September 2021. The Supervisory Board wishes to express its gratitude to Mr Emerson, Mr Smeets, and Mr Ullmann for their valuable work and continuous support during the years they served.

With the support of ATB's long term shareholders and dedicated staff, we will support the Management Board to continue developing new capabilities aiming to service our clients in the SME world and we are confident in the bank's ability to do so. The Supervisory Board has focused and will continue to focus on the progress and delivery under the new strategic direction.

ATB Supervisory Board

Supervisory Board meetings

The Supervisory Board consists of six members¹. All members share equal responsibility for the execution of the Supervisory Board's function. In 2020, the Supervisory Board had six regular meetings in January, February, April, July, September, and November. In addition, three combined meetings via video conferences were held to discuss specific topics. When required, the Supervisory Board also organized closed sessions. All members of the Supervisory Board and Management Board participated in the regular Supervisory Board meetings and combined video conferences. The main theme for the year 2020 was the design of the revised strategy. Other topics discussed during the Supervisory Board meetings included the following: our long-term strategy and the implementation thereof, commercial activities and new strategic initiatives, human resources, risk management and risk appetite, the credit portfolio, financial performance, capital, the funding profile, IT risks and operations, integrity, the regulatory environment and reporting, culture and the internal organisation as well as management board composition. Furthermore, the Supervisory Board devoted time to reflect on and address the FIOD investigation and other regulatory and compliance related subjects. The composition of the Supervisory Board and its committees were also discussed. There were no transactions in the financial year 2020 in which the members of the Supervisory Board had a conflict of interest. The Supervisory Board maintains good relationships and has regular meetings with key stakeholders like our regulators, our shareholders and employees through the Works Council.

While retaining overall responsibility, the Supervisory Board assigns tasks to the following four permanent committees:

The **Audit Committee** met 7 times in 2020 with the required quorum. Members of the Management Board, the external auditor and the Head of Internal Audit were present at these meetings. The Audit Committee discussed the strategy process, the audit plans and reports of the internal and external auditor, the financial statements, the ICAAP and ILAAP process and progress in the resolution of audit issues. The Audit Committee annually evaluates the functioning of the internal audit function and the external auditor, and the external auditor's independence and fees. Key audit matters, as included in the external auditors' report and opinion, were also a topic of discussion. During 2020, the committee consisted of Mr H.C.M. van Damme (Chairman), Mr R. Meijer and Mr A.J. Baxter.

The **Risk and Compliance Committee** met 5 times and monitored ATB's risk policies, appetite and profile, as well as its governance and compliance with laws and codes. To this end, the Risk and Compliance Committee discussed ATB's policies and appetite on credit risk, market risk, capital and liquidity adequacy, operational risk, regulatory risk and strategic risk. On an ongoing basis during the year, the committee also took several decisions on credit proposals escalated in accordance with ATB's internal governance. During 2020, the committee consisted of Mr. H.C.M. van Damme, (Chairman), Mr A.B. Sokolov, and Mr O. Vaksman.

The Remuneration and Nominating Committee met 5 times and discussed, amongst other things, recruitment and succession planning of the Management Board and Supervisory Board, ATB's Remuneration Policy, as well as the Employee Share Purchase Plan and the alignment thereof with Dutch and European banking regulations, expectations of the various stakeholders and social acceptance. The Remuneration and Nominating Committee discussed the performances of the Supervisory Board, its committees, its members and the individual members of the Management Board. During 2020, the committee consisted of Mr A.J. Baxter (Chairman), Mr R. Meijer and Mr H.C.M. van Damme.

The **Digital Transformation Committee** met 6 times and monitored ATB's digital transformation strategy and initiatives. During 2020, the committee consisted of Mr. R. Meijer (Chairman), Mr A.J. Baxter and Mr O. Vaksman.

The Supervisory Board committee meetings were, in nearly all cases, attended by all members of the committees and the members of the Management Board (with the exception of the Remuneration and Nominating Committee, which is attended only by the CEO).

The Supervisory Board has been involved in ATB's compliance with the Dutch Banking Code. In support of this role, the permanent education programme (through which the expertise of the members of the Management Board and Supervisory Board is maintained and expanded) was

continued during 2020. The permanent education programme consisted of two sessions on (i) IFRS and provisioning and (ii) micro-prudential supervision within the EU. The financial statements and the findings of the external auditor were discussed in the external auditor's presence. The annual report (including the financial statements) have been drawn up by the Management Board and audited by Ernst & Young Accountants LLP, who issued an unqualified audit opinion dated 19 November 2021. We recommend that the shareholders adopt the 2020 financial statements, and discharge the Management Board and Supervisory Board for their respective management and supervision during the financial year 2020. On adoption of the 2020 annual report, no dividend will be distributed for the financial year 2020.

We would like to thank the members of the Management Board, all employees and shareholders for their ongoing commitment to ATB.

Amsterdam, 19 November 2021

The Supervisory Board

*R. Meijer, Chairman
H.C.M. van Damme, Vice-Chairman
A.B. Sokolov
A.J. Baxter
O. Vaksman
L.H. Hoogduin
P.M. Thomsen*

¹ During 2020, the Supervisory Board temporarily consisted of five members due to one vacancy.



Corporate Governance

ATB has a two-tier governance structure, comprising a management board and a supervisory board. The (mitigated) Dutch large structure regime applies to ATB.

The Management Board

The Management Board is collectively responsible for the management of ATB and the general course of affairs, while each of its members has specific roles and responsibilities. Each member of the Management Board possesses a thorough knowledge of the financial sector in general and banking sector in particular. Each member of the Management Board is required to act in accordance with the interest of ATB and its business, and is aware of the social role of a bank and of the interests of the various stakeholders. The members of the Management Board are appointed by the General Meeting upon nomination of the Supervisory Board. Taking into account the risk appetite approved by the Supervisory Board, the Management

Board ensures for a balanced assessment between the commercial interests of ATB and the risks to be taken. One member is responsible for risk management and does not bear any individual commercial responsibilities. In accordance with best practice, the Management Board submits ATB's operational and financial objectives, together with the strategy to achieve its stated goals, to the Supervisory Board for the latter's consideration and approval. The composition of the Management Board makes it possible for it to perform its tasks properly. The outlined objectives and strategy include detailed parameters to be applied in relation to the strategy, such as ATB's financial ratios, and capital and liquidity adequacy levels.

The composition of the Management Board as per 31 December 2020 was:

<p>O. Bass (Chairman, CEO) Year of birth: 1977 Nationality: British Member Since: 2020 End of term: 2024 Areas: Commercial activities, Business Strategy & Development, Human Resources, Internal Audit, Corporate Office.</p>	<p>H.P.M.G. Steeghs (CFO) Year of birth: 1957 Nationality: Dutch Member Since: 2014 End of term: 2022 Areas: Finance & Control, Regulatory Office, Operations, ICT</p>	<p>P.J. Ullmann (CRO)² Year of birth: 1958 Nationality: British Member Since: 2014 End of term: 2022 Areas: Risk Management, Integrity, Credit Support, Financial Restructuring & Recovery.</p>
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² Mr Ullmann stepped down as of 16 April 2021 and is succeeded by Mr V. Brodski as per the same date.

The Supervisory Board

The role of the Supervisory Board is to supervise the policies of the Management Board and the general course of affairs of ATB. The Supervisory Board assesses periodically, at the strategic level, whether the commercial activities in the general sense are appropriate in the context of ATB's risk appetite. The Supervisory Board consists of six non-managing members (as from 2021: seven, of which four are independent). Up to three members are affiliated with the Alfa Bank Group, the majority shareholder of ATB. The other members, including the chairman, are independent. The members of the Supervisory Board have a collective responsibility. Each member is required to act in accordance with the interest of ATB, and is aware of the social role of a bank and of the interests of its various stakeholders. Pursuant to the Articles of Association, Supervisory Board members are empowered to obtain any information they deem necessary for the performance of their duties. Members of the Supervisory Board are appointed by the General Meeting. Each member is expected to be capable of assessing the main aspects

of ATB's overall policy in order to form a balanced and independent opinion about the basic risks involved. Each member also possesses the specific expertise needed to perform their role on the Supervisory Board. The composition of the Supervisory Board makes it possible for it to perform its tasks properly. The Supervisory Board ultimately adopts ATB's remuneration policy, and is responsible for the implementation and evaluation of the remuneration policy adopted. The Supervisory Board discusses annually the variable incomes. Specific issues are dealt with and prepared in the Audit Committee, the Risk and Compliance Committee, the Remuneration and Nominating Committee, and the Digital Transformation Committee. Members of these committees are appointed by and consist of a number of members of the Supervisory Board. The assessment of the effectiveness of the permanent education programme for the Supervisory Board and Management Board is part of the annual evaluation performed by the Supervisory Board.

The composition of the Supervisory Board as per 31 December 2020 was:

<p style="text-align: center;">P.M. Thomsen (independent)⁴ Year of birth: 1955 Nationality: Danish Member Since: 2021 End of term: 2025 Other positions: Visiting Professor London School of Economics (United Kingdom)</p>	<p style="text-align: center;">A.B. Sokolov (dependent) Year of birth: 1955 Nationality: Russian Member Since: 2016 End of term: 2024 Other positions: Chairman Executive Board OJSC Alfa Bank Russia</p>	
<p style="text-align: center;">R. Meijer Chairman (independent) Year of birth: 1958 Nationality: Dutch Member Since: 2018 End of term: 2022 Other positions: Chairman of the Board of Directors of Buckaroo B.V. (The Netherlands) Director Xenia Consulting B.V. (The Netherlands) Chairman Supervisory Board Sisow Payments B.V. (The Netherlands)</p>	<p style="text-align: center;">H.C.M. van Damme Vice-Chairman (independent) Year of birth: 1951 Nationality: Dutch Member Since: 2013 End of term: 2023 Other positions: Director Checkmates B.V. (The Netherlands), Supervisory Board Member ATB ESPP B.V. (The Netherlands)</p>	
<p style="text-align: center;">L.H. Hoogduin (independent)³ Year of birth: 1956 Nationality: Dutch Member Since: 2021 End of term: 2025 Other positions: Professor Economics of Complexity and Uncertainty at Groningen University (The Netherlands), Chairman Supervisory Board Wilgenhage (The Netherlands), Director Lex Hoogduin B.V. (The Netherlands), Director GloComNet B.V. (The Netherlands), Director Foundation Inphykem</p>	<p style="text-align: center;">A.J. Baxter (dependent) Year of birth: 1966 Nationality: British Member Since: 2016 End of term: 2024 Other positions: Director and CFO ABH Holdings S.A. (Luxembourg), Director OJSC Alfa-Bank (Russia), Director PJSC Alfa-Bank (Ukraine), Director FIBR Financial Technologies Holdings S.A. (Luxembourg), Director Absolutely No Nonsense Admin Limited (United Kingdom), Supervisory Board Member ATB ESPP B.V. (The Netherlands)</p>	<p style="text-align: center;">O. Vaksman (dependent) Year of birth: 1977 Nationality: South African Member Since: 2019 End of term: 2023 Other positions: Managing partner Digital Horizon (United Kingdom), Director YesGrowth (United Kingdom), Independent Chairman Supervisory Board Gazprombank (Switzerland), Director Absolutely No Nonsense Admin Limited (United Kingdom), Director FIBR Technology Holdings S.A. (Luxembourg), Director FIBR Tech Limited (United Kingdom)</p>

In accordance with ATB's charter governing the rules and procedures of the Supervisory Board, three of the six Supervisory Board members are considered independent.

³ Mr Hoogduin was appointed to the SB on 15 February 2021.
⁴ Mr Thomsen was appointed to the SB on 15 September 2021.

Dutch Banking Code

Audit Committee (AC)

The main responsibility of the Audit Committee is to assist the Supervisory Board in monitoring the preparation and audit of ATB's financial statements, and ATB's capital and liquidity adequacy assessment reports, monitoring the quality and effectiveness of ATB's system of governance, risk management and control procedures, and monitoring the external and internal audit governance and quality, including IT audits and IT security. The AC reports its findings to the Supervisory Board and these findings are discussed in its plenary meetings.

Risk and Compliance Committee (RCC)

The main responsibility of the Risk and Compliance Committee is to assist the Supervisory Board in supervising ATB's risk policy, appetite and profile on credit risk, market risk, capital and liquidity adequacy, operational risk, regulatory risk and strategic risk. In addition, the RCC assists the Supervisory Board in the overall oversight of ATB's compliance function and internal governance, and ATB's adherence to corporate governance principles and its Code of Conduct. Furthermore, the RCC has authority to decide on credit proposals escalated in accordance with ATB's internal governance rules. The RCC reports its findings to the Supervisory Board and these findings are discussed in its plenary meetings.

Remuneration and Nominating Committee (RNC)

The main responsibilities of the Remuneration and Nominating Committee are to advise the Supervisory Board on the remunerations policy for the members of the Supervisory Board, members of the Management Board and senior management;

to implement, evaluate and oversee the implementation of the remuneration policy adopted with regard to the members of the Management Board and senior management; and to approve the principles of the remuneration policy for other bank employees. The RNC's responsibilities include the monitoring of the performance of the Supervisory Board, its committees, its members and the individual members of the Management Board. The RNC prepares the profiles of individual Supervisory Board and Management Board positions, considering the required specific expertise, complementarity, collegiality and diversity. The RNC prepares the proposals for appointment, re-appointment and dismissal of Management Board members, Supervisory Board members and the composition of the Supervisory Board committees. The RNC prepares the proposals for the Supervisory Board and reports its monitoring findings to the Supervisory Board in order that these can be discussed in its plenary meetings.

Digital Transformation Committee (DTC)

The main responsibilities of the DTC are to support the Supervisory Board in fulfilling its oversight responsibilities and to provide strategic advice to the Management Board relating to ATB's digital transformation strategy and initiatives. The DTC reports its findings to the Supervisory Board and these findings are discussed in its plenary meetings.

The Dutch Banking Code, drawn up by the Dutch Association of Banks, came into force on 1 January 2010. The Code focuses on making the best interests of the customer a priority, on the principles of risk management, auditing and governance, and on compensation policies. The Banking Code applies to all banks with a banking licence. Deviations from the principles of the Banking Code are allowed, provided that the reasons are explained.

We adhere to the Banking Code and have taken into account the recommendations following the report 'Bridging the differences' from the Monitoring Committee Codes of Conduct 2016. More information on our implementation of the Banking Code, including the full comply-or-explain statement as required under the Banking Code, is available at www.amsterdamtradebank.com/about-us/corporate-governance/

Remuneration Report

We practice a restrained and sustainable remuneration policy that is in line with our long-term strategy, risk appetite, goals and values. Our remuneration policy aims in its execution to avoid conflicts of interest and excessive risk-taking, and has the protection of our customers' interests at heart. Furthermore, it is designed to support us in achieving our strategic HR objectives:

- (i) attracting, retaining, motivating and rewarding the required levels of highly-qualified employees, and
- (ii) fostering an alignment of interests between our employees and our bank in general.

Within the framework of a restrained and sustainable remuneration policy, we aim to offer competitive remuneration levels, in accordance with relevant regulations and accepted standard and market practices, and taking into account our size, the diversity of our workforce and the international context in which we operate.

Our remuneration principles are as follows:

Remuneration is employee-oriented by:

- fostering a sense of value and appreciation in each individual employee;
- promoting the shorter and longer-term interests and well-being of all employees via adequate compensation, pension and/or other benefits;
- supporting the career development of our employees.

Remuneration is performance-related by:

- establishing a clear link between performance and pay, and aligning adequate indicators and target-setting with performance evaluation and remuneration;
- reflecting individual as well as collective performance in line with our long-term interests;
- avoiding any 'pay-for-non-performance'.

Remuneration is equality-driven by:

- promoting fairness, consistency and alignment in our remuneration policies and practices, with balanced proportions in the remuneration packages across the different echelons (internal equality);
- avoiding any discrimination on nationality, race, gender, religion, sexual orientation and/or cultural beliefs in our remuneration structures (internal equality);
- aiming at controlled market competitive remuneration in comparison with an appropriately established peer group (external equality).

Remuneration is risk-prudent by:

- aligning business objectives with risk management requirements in target-setting practices;
- limiting the variable pay of all staff to 20% of fixed pay (with limited exceptions, but never exceeding 100% of fixed pay);
- limiting the potential score of financial KPIs to 50% of total overall performance, leaving 50% of the potential score for non-financial-related targets;
- having variable pay based on a combination of individual, business unit and overall group performance;
- remunerating control functions independently from the business they oversee;
- implementing various ex-ante and ex-post-risk assessments, including malus and clawback.

In 2020, the total amount of remuneration paid to the Management Board was € 2.1 million (2019: € 1.9 million) and to the Supervisory Board € 0.3 million (2019: € 0.5 million). In relation to the financial year 2020, variable remuneration has been awarded to employees and Management Board members in the total amount of € 0.3 million (2019: € 0.1 million).



Financial Statements 2020

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Consolidated Financial Statements 2020

Consolidated statement of financial position

at 31 December before appropriation of result

(in 1,000 euro's)

		31/12/2020	31/12/2019
Assets			
	Note*		
Cash and balances with central banks	1	210,244	210,244
Loans and advances to banks	2	105,443	105,443
Loans and advances to customers	3	799,604	799,604
Interest-bearing securities	4	253,930	253,930
Shares and other non-interest-bearing securities	5	198	198
Intangible assets	6	5,849	5,849
Property and equipment	7	1,850	1,850
Prepayments and accrued income	8	12,086	12,086
Other assets	9	4,315	4,315
Total assets		1,214,961	1,393,519
Liabilities and equity			
Amounts due to banks	10	113,703	161,578
Funds entrusted	11	909,498	993,388
Accruals and deferred income	12	6,354	9,613
Other liabilities	13	11,025	22,217
Provisions	14	136	106
Subordinated loans	15	-	35,000
Total liabilities		1,040,716	1,221,902
Equity:			
• Issued share capital		129,251	105,408
• Share premium reserve		107,721	92,364
• Retained earnings		-27,790	-6,793
• Legal reserve		1,635	1,069
• Undistributed result		-36,572	-20,431
Total equity	16	174,245	171,617
Total liabilities and equity		1,214,961	1,393,519
Contingent liabilities	17	27,242	26,266
Irrevocable commitments	18	38,650	22,340

* The number beside each item refers to the relevant note

Consolidated statement of income

(in 1,000 euro's)

			2020		2019
Income from operating activities	Note*				
Interest income	19	36,213		52,900	
Interest expense	20	11,209		24,232	
Net interest income			25,004		28,668
Commission income		1,385		1,835	
Commission expense		179		750	
Net commission income	21		1,206		1,085
Result on financial transactions	22		777		-5,574
Other income	23		28		64
Total income from operating activities			27,015		24,243
Expenses					
Staff expenses	24	15,335		23,753	
General and administrative expenses	25	15,541		13,063	
Depreciation and impairments of intangible assets and property and equipment	26	3,024		7,024	
Resolution charge	27	1,218		1,488	
Impairments of financial instruments	28	28,469		-654	
Total expenses			63,587		44,674
Operating result before tax			-36,572		-20,431
Income tax	29		-		-
Net result			-36,572		-20,431

* The number beside each item refers to the relevant note

Consolidated statement of changes in equity

(in 1,000 euro's)

	Share capital	Share premium reserve	Retained earnings	Legal Reserve	Undistributed result	Total equity
Balance at 1 January 2019	99,763	88,186	-6,875	1,013	138	182,225
Net result (as per statement of income)	-	-	-	-	-20,431	-20,431
Movement from/to legal reserve			-56	56		
Appropriation of result	-	-	138	-	-138	-
Issue of shares	5,645	4,178	-	-	-	9,823
Balance at 31 December 2019	105,408	92,364	-6,793	1,069	-20,431	171,617
Net result (as per statement of income)	-	-	-	-	-36,572	-36,572
Movement from/to legal reserve			-566	566		
Appropriation of result	-	-	-20,431	-	20,431	-
Issue of shares	23,843	15,357	-	-	-	39,200
Balance at 31 December 2020	129,251	107,721	-27,790	1,635	-36,572	174,245

Consolidated statement of cash flows

(in 1,000 euro's)

	2020	2019
Cash flow from operating activities		
Operating result before tax	-36,572	-20,431
Adjustment for		
• Depreciation and impairments of intangible assets and property and equipment	3,024	7,024
• Impairments of financial instruments	28,469	2,703
• Amortisation premium and discounts	2,900	2,772
• Result from sale of non-core loans	-	70
• Unrealized result on loan participations	-808	-56
• Result from sale of shares	-	-11
• Utilisation of restructuring provision	-3,545	-
• FX revaluation effects	-1,583	-82
Cash flow from operating activities	-8,115	-8,011
Net increase (decrease) in operating assets and liabilities		
• Loans and advances to banks	79,243	-35,942
• Amounts due to banks	-42,683	90,037
• Loans and advances to customers	224,096	36,102
• Funds entrusted	-83,890	-81,525
• Prepayments and accrued income / Accruals and deferred income	2,768	4,718
• Other assets / liabilities	-21,609	2,174
Total movement in assets and liabilities	157,925	15,564
Net cash flow from operating activities	149,810	7,553
Cash flow from investing activities		
Investments and acquisitions		
• Interest-bearing securities	-35,353	-20,131
• Intangible assets	-859	-1,380
• Property and equipment	-3	-132
Divestments, repayments and sales		
• Interest-bearing securities	63,000	70,000
• Shares	184	-
Net cash flow from investing activities	26,969	48,357

Consolidated statement of cash flows

	2020	2019
Cash flow from financing activities		
• Issuance of capital	2,634	5,645
• Share premium	1,566	4,178
Net cash flow from financing activities	4,200	9,823
Net increase / (decrease) in cashflows	180,979	65,733
Cash and cash equivalents		
• Cash and balances with central banks	210,244	138,867
• Banks available on demand	8,484	14,675
• Restricted demand deposits at central banks	-8,673	-9,220
Balance at 1 January	210,055	144,322
• Cash and balances with central banks	383,387	210,244
• Banks, available on demand	14,893	8,484
• Restricted demand deposits at central banks	-7,246	-8,673
Balance at 31 December	391,034	210,055
Increase / (decrease) in cash and cash equivalents	180,979	65,733
Additional information		
Cash flows from interest received	41,012	56,884
Cash flows from interest paid	-11,990	-24,940
Cash flows from income tax	-	6,055



Notes to the Consolidated Financial Statements 2020

Summary Of Significant Accounting Principles

A. General

Amsterdam Trade Bank N.V. (ATB) is an independent financial institution founded in 1994 that obtained its banking license in the same year. ATB provides financing for the entire spectrum of the international trade and commodity logistics chain including asset based and corporate finance. ATB serves a wide range of customers active across all aspects of international trade, including commodity traders, producers, processors, manufacturers and ship-owners. Since 2003, ATB has been providing retail services in The Netherlands, offering savings and deposit products. In 2006, ATB expanded its internet retail operations to Germany, followed by Austria in 2011 and the United Kingdom in 2019. In 2020, we decided to revise our strategy by adding a focus on delivering digital banking services to small and medium-sized enterprises (SMEs) in North-West Europe. We will invest in offering a digital banking platform that will enable us to provide a range of financial and non-financial products to European SMEs.

ATB's registered office is at Strawinskylaan 1939, 1077 XX, Amsterdam, the Netherlands. ATB is a company incorporated and established in the Netherlands and registered under number 33260432 at the Chamber of Commerce. The ultimate shareholders of ATB are Alfa Bank Group and ATB Holdings S.A. The consolidated financial statements of Amsterdam Trade Bank N.V. at 31 December 2020 were prepared by the Management Board, approved by the Supervisory Board on 19 November 2021 and will be submitted to the General Meeting of Shareholders for adoption within the regulatory time period.

B. Basis of preparation

B.1.1 General

The financial statements have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. The accounting policies applied for measuring assets and liabilities and profit determination are based on the historical cost basis unless stated otherwise. All amounts are expressed in thousands of euros, unless stated otherwise. The totals may not always match the sum of the individuals due to rounding. The accounting policies for the consolidated financial statements are equal to the company only financial statements.

B.1.2 Revised version

The annual report 2020 has been lodged with the Chamber of Commerce in an earlier version (dated 29 July 2021) early August 2021. In view of the need to correct some wording in the directors report and the financial statements regarding the involvement of the regulator (DNB) in the process to revise the strategy (notably pages 6, 10, 44, 64 and 65 of the version dated 29 July 2021) that version has been subjected to revocation by the shareholders and accordingly this corrected version has been adopted by the management board and supervisory board, approved by the shareholders and lodged with the Chamber of Commerce. The corrections only relate to those specific wordings; the financials have remained unadjusted. In view of the lapse of time since the earlier approval, the subsequent events section has also been updated to take account of the situation as of the date of approval of this version.

B.1.3 Basis for consolidation

The consolidated financial statements of ATB comprise the financial statements of Amsterdam Trade Bank N.V., its subsidiaries and other companies controlled by ATB and are prepared at 31 December. The financial year is the same as the calendar year. Intra group payables and receivables and any unrealized profit and losses within the group or income and expense from such transactions are eliminated upon preparing the consolidated financial statements.

The following entities are part of the consolidation group as per 31 December 2020:

- Amsterdam Trade Capital Administration Corporation B.V. (ATCAC), a 100% owned subsidiary.
- ATB ESPP B.V. in Amsterdam, a pooling entity only for the purpose of holding the shares of the employee share purchase plan (ESPP) in which ATB has 39.4% ownership. See paragraph B.3 for more information on the consolidation criteria for this entity.
- ATB Shipping Finance I B.V., a Special Purpose Entity (SPE) to facilitate a securitisation structure which ATB does not own, but which is included in the consolidated financial statements as all risks and rewards of the shipping loan portfolio sold and assigned to the SPE are retained with ATB. In December 2019 the funding structure was terminated and all legal obligations towards Citibank have been settled. The legal title of the loans have been transferred back to ATB in March 2020. The entity is in the process of liquidation and expected to be deregistered in the second quarter of 2021.

B.1.4 Going concern

The Management Board has made an extensive analysis of the possible developments over the next twelve months in order to assess the potential impact on the results of the Bank and the Bank's capital position. The analysis takes into account the 2021-2025 business plan for the revised strategy (approved by the management board and the supervisory board in November 2020), the Bank's financial position

and liquidity position as per year-end 2020, the latest actuals and forecast, the Covid-19 pandemic, the regulatory assessments by DNB (such as the SREP, the business model/strategy assessment, the Covid-19 relief measures and the capital restoration plan) and ATB's subsequent action plan on these assessments, the Shareholders resolution for the capital injection dated 23 February 2021 and the general commitment of the UBO to continue providing support to ensure that the bank can meet the minimum SREP requirements. In the Going Concern assessment the capital injections of € 73.8 million in total received in January and July 2021 have also been taken into account.

The Management Board has also considered risks embedded in its business plan around the revised strategy and the Covid-19 pandemic and has concluded that the Bank is strong enough to continue with its normal business operations into the foreseeable future and is well positioned to take its next steps in achieving the strategic targets in accordance with the business plan.

The Management Board is aware of risks and dependencies associated with the execution of the current operations, the development of the revised strategy and the combination thereof. The main risk areas are considered to be the business plan, the availability of capital funding and liquidity, operational risk, corporate culture & integrity, legal concerns and Covid-19. These risks have been assessed and we consider all of them manageable.

Furthermore, the Management Board would like to point out that it also values the support of the ultimate shareholders of ATB. The shareholders have reiterated their willingness and ability to provide support for the Bank to meet its regulatory requirements. The promise to uphold regulatory ratios of ATB is a clear commitment to ensure ATB's continued operation by being fully compliant with the solvency and liquidity requirements set by the regulator.

Based on the assessment of ATB's current financials, the conditions present at ATB today in order to fulfil the projections made

in the business plan and the assessment of ATB's capability to mitigate the risks relating to the delivery of its business plan as well as other risks that could potentially endanger ATB as a going concern, management concludes that ATB has the ability to continue as a going concern.

B.1.5 Judgement and estimates

The preparation of the financial statements requires management to make estimates and assumptions that affect the amounts reported for assets and liabilities, the reporting of contingent assets and liabilities at the date of the financial statements, as well as the amounts reported for income and expenses during the reporting period. The situations that are assessed based on available financial data and information mainly relate to the determination of the expected credit losses, legal cases, the fair value of financial assets and liabilities as well as the identification of impairments. Although management based its estimates on the most careful assessment of the current circumstances and activities, the actual results might deviate from these estimates. The use of different assumptions and methods may, due to the subjective nature involved, result in different outcomes.

Critical accounting estimates and judgments

ATB makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The main items subject to accounting estimates where changes in the underlying assumptions may impact the financial statements are the following:

a. Impairments of financial instruments

ATB reviews its loan portfolio and other financial instruments to assess impairment at least on an annual basis. In determining whether an impairment should be recorded in the statement of income, the Bank makes judgements as to whether there is any observable data

indicating that there is a measurable decrease in the estimated future cash flow from loans and other financial instruments in the portfolio.

ATB applies Dutch Accounting Standard 290 Financial Instruments, which allows companies to account for impairments on financial assets based on expected credit loss (ECL) in accordance with IFRS 9 Financial instruments. ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. Changes in impairment stages will occur when the criteria for the original stage classification are no longer met. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, ATB takes into account qualitative and quantitative reasonable and supportable forward looking information.

Besides this, exposures included on the Watch list and forborne exposures are transferred to stage 2 as the risks of these customers are considered significantly increased.

A loan is not automatically considered to have lower credit risk. Typically a borrower would need to demonstrate consistently good payment behaviour over a period of time (probation period of twelve months) before the credit risk is considered to have decreased and the loan moves from stage 3 to stage 2, or from stage 2 to stage 1.

When estimating the ECL, the Bank considers three scenarios (a base case, a good and a bad scenario). For the good scenario, ATB applied a good scenario weight of 12% (2019: 12%) with a multiplier of 0.3 (2019: 0.3) and a bad case scenario of 4% (2019: 4%) with a multiplier of 4 (2019: 4).

b. Litigation / legal cases

From time to time ATB is involved in claims and litigations. The Management Board makes estimates as to whether provisions are needed on a case-by-case basis. The Bank has a number of litigations and legal cases, most important one being the ongoing FIOD case. Litigation provisions, if any, are monitored by management on a periodic basis. The amount recognised as a provision for litigation and claims represents the best estimate of the expenditure required to settle at the balance sheet date. The Management Board implemented internal processes, controls and procedures in order to make the best estimate of provision for litigation and claims on an individual (case-by-case) basis. The process involves the Integrity department and assessment performed by external legal experts.

c. Deferred tax asset

Deferred tax assets arise from tax losses that can be carried forward to be utilised against profits in future years. The level of deferred tax asset recognition is influenced by management's assessment of future profitability. At each balance sheet date, existing assessments are reviewed and, if necessary, revised to reflect changed circumstances.

d. Amortisation of intangible assets

The amortisation of intangible assets reflects the pattern of how assets contribute to future cash flows. At balance sheet date, management assessed whether the pattern of future economic benefits expected to flow from the Bank's intangible assets that are subject to amortisation had changed. Furthermore, ATB assesses whether there are indications of impairment of intangible assets. Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use.

e. Unconsolidated structured entities

A structured entity is an entity for which voting rights are not the dominant factor in deciding control. Structured entities have restricted activities and are generally designed to achieve a narrow and well-defined objective. An interest in a structured entity is any form of contractual or non-contractual involvement with variable returns arising from the performance of the entity for the Group. ATB does not have any unconsolidated structured entities.

f. Restructuring provision

ATB has accounted for a restructuring provision as of 31 December 2019. In determining the cost related to the restructuring, ATB makes judgements based on the latest expectations with respect to the execution of the restructuring plans and the expected outflow.

Estimates and assumptions

The bank based its assumptions and estimates on circumstances and information available when the consolidated financial statements were prepared. Assumptions about future developments (or future developments that do not occur), may change due to market changes or circumstances arising that are beyond the control of the bank or the availability of new information regarding the estimated amount. These changes in estimates will be accounted for prospectively.

In 2020 the bank revised its methodology to determine the ECL on its shipping portfolio by using the shipping matrix which defines an average volume weighted multiplier based on Marsoft's base case forecast. This caused a higher impairment charge of approximately € 1.2 million.

B.2 Recognition and de-recognition

An asset is recognised in the statement of financial position when it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. A liability is recognised in the statement of financial position when it is expected to result in an outflow from the entity of resources embodying economic benefits and the amount of the obligation can be measured reliably.

An asset or liability that is recognised in the statement of financial position remains on the statement of financial position if a transaction (with respect to the asset or liability) does not lead to a mayor change in the economic reality with respect to the asset or liability. An asset or liability is no longer recognised in the balance sheet when a transaction results in the position that all or substantially all rights to economic benefits and / or all of the risks related to the asset or liability have been transferred to a third party.

A debt remains on the balance sheet if a transaction does not lead to a significant change in the economic reality with regard to this debt. Such transactions should not give rise to the justification of results.

If a transaction leads to a significant change in part of the economic benefits and risks with respect to an asset or asset that has previously been recognised in the assets, the economic reality of the transaction determines to what extent the asset is partially or fully included in the balance sheet.

The assessment of whether there is a significant change in economic reality is based on those economic benefits and risks that are likely to occur in practice, and not on benefits and risks that cannot reasonably be expected to occur.

Income is recognised in the statement of income when an increase in future economic potential related to an increase in an asset or

a decrease of a liability has arisen, the size of which can be measured reliably. Expenses are recognised when a decrease in the economic potential related to a decrease in an asset or an increase of a liability has arisen, the size of which can be measured with sufficient reliability.

B.3 Subsidiaries

The participating interests over which ATB has control are considered group companies and these are consolidated. Control is exercised over a participating interest if the investor is exposed to, or is entitled to, fluctuating income in respect of his involvement in the participating interest and has the opportunity to influence this income by using his control over the participating interest. The assets, liabilities and profit/loss of these companies are fully consolidated.

Participating interests are consolidated as of the date on which the effective control is transferred to ATB and will no longer be consolidated as of the date on which this control is terminated. All transactions, balances and unrealised gains and losses from transactions between ATB and its group companies have been eliminated on consolidation.

At year-end 2020, ATB has all voting rights in a 100% owned subsidiary, Amsterdam Trade Capital Administration Corporation B.V. (ATCAC). This subsidiary is an empty shell company.

At year-end 2020, ATB has 39.4% ownership in ATB ESPP B.V., a pooling entity only for the purpose of holding the shares of the employee share purchase plan (ESPP). In 2020 the decision was made to terminate the ESPP plan. The balances with all participants were settled in 2020, except for the share of the former CEO.

The Management Board of ATB ESPP B.V. consists of ATB's Chief Financial Officer and ATB's Head of Corporate Office and the Supervisory Board of ATB ESPP B.V. consists of 2 members of ATB's Supervisory Board.

B.4 Securitisation

ATB entered into an arrangement to securitise part of its financial assets in order to expand its funding facilities. These assets have been transferred to a special purpose entity (SPE) in 2019. This transaction does not meet the conditions for de-recognition as the majority of risks and rewards have not been transferred to the SPE and remain on the balance sheet of ATB, and therefore the loans remain recognised within the statement of financial position of ATB. The loans that are assigned to this transaction are pledged to this facility and considered encumbered assets.

In 2019 ATB had a shipping loan portfolio that is denominated in USD currency. In 2018 ATB established ATB Shipping Finance I B.V., a Special Purpose Entity (SPE) in order to transfer part of its portfolio to this SPE.

The purpose of this structure was to receive wholesale funding in order to diversify the funding profile and to mitigate foreign currency risk by receiving funding in USD currency. The SPE is established as an independent structure, commonly used for this type of transactions. The SPE is a Dutch limited liability company (“besloten vennootschap”), of which all shares are held by a Dutch foundation. The management of the SPE is outsourced to an external party (Vistra) who acts as director and is also the administrator. There is also a security trustee being Citibank Agency and Trust. Citibank, N.A. London Branch acts as Account Bank, Cash Manager and Loan Agent for the transaction. ATB acts as servicer of the portfolio while Citibank, N.A. London Branch is available as a Substitute Servicer. Commitment and standby fees have been recognised as of the start of the facility and are amortised until the ending of the facility agreement. Per 18 December 2019 the funding structure was terminated and all legal obligations towards Citibank have been settled. As per 18 December 2019, Citibank does not have any rights nor has the SPE any obligations towards Citibank. The legal title of the loans has been transferred back to ATB in March 2020.

During 2019 the securitisation period was running within the triggering events of the securitisation program. Due to the termination on 18 December 2019, the triggering events were not applicable anymore on 31 December 2019.

B.5 Derivative financial instruments and hedging

Derivative financial instruments generally comprise foreign exchange contracts, currency and interest rate swaps, and interest rate options (written as well as acquired). Derivative financial instruments can be traded either on the stock exchange or over the counter (OTC) between ATB and a client. Initially all derivative financial instruments are recognised at fair value. Subsequent measurement of derivative financial instruments is at fair value. All derivative financial instruments are included under assets if their value is positive and under liabilities if their value is negative. Derivative financial instruments that are embedded in other financial instruments are treated separately if their risks and characteristics are not closely related to those of the underlying derivative contract and this contract is not classified as at fair value through profit and loss.

Instruments not used for hedging

When ATB enters into derivatives for trading purposes, realised and unrealised gains and losses are accounted for under ‘Result on financial transactions’.

Hedging instruments

ATB does not apply hedge accounting.

Embedded derivatives

Embedded derivatives are treated as separate derivatives when their economic characteristics are not closely related to those of the financial host contract. The embedded derivative is measured separately if the financial contract itself is not recognised at fair value. A determination is carried out in advance as to whether an embedded derivative is closely related.

B.6 Trading financial assets

Trading financial assets are financial assets acquired with the objective of generating profit from short-term fluctuations in prices or traders’ margins, or financial assets that form part of portfolios characterized by patterns of short-term profit participation. Financial assets held for trading are measured at fair value based on listed bid prices. All related comprehensive income is included under Result on financial transactions. Interest earned on financial assets is recognised as interest income. All acquisitions and sales of financial assets held for trading which require delivery within a time limit prescribed under the regulations or in accordance with market conventions are accounted for on the transaction date.

B.7 Repo transactions and reverse repo transactions

Securities sold subject to repurchase agreements (repos) continue to be included in the statement of financial position. The related liability is included under the line item concerned (mainly Due to banks). Securities purchased subject to resale agreements (reverse repos) are presented under the line item Due from banks or Loans and advances to customers. The difference between the sales price and the purchase price is recognised in the statement of income as interest during the term of the agreement.

B.8 Cash and balances withdrawable with central banks

Cash equivalents are highly liquid short-term investments held to meet current obligations in cash, rather than for investments or other purposes. Such investments have remaining terms of less than 90 days at inception. Cash equivalents are readily convertible to known amounts of cash and subject to an insignificant risk of changes in value. The amount due from DNB from the minimum reserve requirement is also included in this item.

B.9 Netting of financial assets and liabilities

Financial assets and liabilities can be netted and presented in the financial statements at the net amount when ATB has a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realize the asset and settle the liability simultaneously.

B.10 Foreign currency transactions

Monetary assets and liabilities denominated in foreign currencies are converted at closing rate at reporting date. Exchange rate effects arising from the conversion of assets and liabilities are stated in the statement of income as ‘Result on financial transactions’. Transactions in foreign currencies are translated at the exchange rate prevailing on the transaction date.

B.11 Loans and advances to customers and Due from banks

Loans and advances to customers and Due from banks are non-derivative financial instruments with fixed or defined payments, not listed on an active market. Loans and advances to customers and Due from banks are initially recognised at fair value, including transaction costs.

For each individually assessed loan, the losses are estimated based on the expected credit worthiness of the borrowers and the value of the collateral provided to ATB, taking into account the actual economic conditions under which the borrowers conduct their activities. The carrying amount of the loans is reduced by an impairment charge and the loss is taken to the statement of income. Write-offs of impairments for expected loan losses are made as soon as virtually no other means of recovery are to be expected. Any amounts subsequently collected are included as negative amounts under the item Impairments of financial instruments in the statement of income.

ATB sometimes renegotiates or otherwise modifies the contractual cash flows of loans to customers. When this happens, ATB assesses whether or not the new terms are substantially different to the original terms.

Modified loans are assessed whether there is a significant change in economic reality and should be based on those economic benefits and risks that are likely to occur in practice, and not on benefits and risks that cannot reasonably be expected to occur. If there is no significant change of the reality of the transaction the (modified) old loans should still be recognised on the balance sheet date. A loan is no longer included in the balance sheet if the transaction results in all or virtually all rights to economic benefits and all or after all risks associated with the asset or the financial liability are transferred to a third party.

If a transaction leads to a significant change in part of the economic benefits and risks with respect to an asset or asset that has previously been recognised in the assets, the economic reality of the transaction determines to what extent the asset or asset of the foreign asset capital is partially or fully included in the balance sheet.

Management continually assesses these renegotiated loans to ensure that all criteria are satisfied with a view to expected future cash flows.

Purchased or credit impaired loans are classified in stage 3 and measurement is based on discounted expected cash flows of the outstanding loan. This includes a cash flow for the collateral value based on the estimated market value, as and when foreclosure of collateral is foreseen.

As part of the revised strategy ATB now has a stronger focus on SME loans. In some cases the loan is provided towards a SPV structure where ATB provides a loan or bond to a financial institution that serves a particular sector of the SME market. These distribution structures are all analysed in order to apply the proper accounting treatment.

B.12 Expected credit losses of financial instruments

The Bank's ECL framework facilitates the calculation of one-year expected credit losses and lifetime expected credit losses, individually for all ATB's (non-retail) counterparties and determines the final impairment charge based on the identified stage.

ATB recognises an impairment charge at an amount equal to 12-month expected credit losses, if the credit risk at the reporting date has not increased significantly since initial recognition (Stage 1). This amount represents the expected credit losses resulting from default events that are possible within the next 12 months. The interest revenue is calculated on the gross carrying amount for financial assets in Stage 1.

IFRS 9 requires for recognition of credit losses over the remaining life of the financial assets ('lifetime expected losses') which are considered to have experienced a significant increase in credit risk (Stage 2) and for financial assets that are credit impaired at the reporting date (Stage 3). The lifetime expected credit losses represent all possible default events over the expected life of a financial instrument. ATB leverages existing risk management indicators (e.g. watch list and forbearance trigger), credit rating changes and takes into consideration reasonable and supportable information which allows ATB to identify whether the credit risk of financial assets has significantly increased. This process includes consideration of forward-looking information and macro-economic factors. Furthermore, financial assets will be transferred to Stage 2 when 30 days past due. The interest revenue is calculated on the gross carrying amount of financial assets in Stage 2.

As the primary definition for credit impaired financial assets moving to Stage 3, ATB applies the default definition as laid out in the Capital Requirements Regulation ("CRR") article 178. Interest revenues are calculated on the net carrying amount for these financial assets only. Forward-looking information, including macro-economic factors, is taken into account to measure IFRS 9 compliant expected credit losses. IFRS 9 does not distinguish between individually significant or not individually significant financial instruments. Therefore, ATB decided to measure the impairment charge for credit losses on an individual transaction basis. Similarly, the assessment for transferring financial assets between Stages 1, 2 and 3 are prepared on an individual transaction basis. Loans with UTP (unlikely to pay) assessment are considered to be part of loans in stage 3.

The rules governing impairments apply to financial assets at amortised cost as well as to loan commitments and financial

guarantees. At initial recognition, an impairment charge will be formed for the amount of the expected credit losses from possible defaults in the coming 12 months ('12-months expected credit loss' (ECL). If credit risk increased significantly since origination (but remains non-credit-impaired), an impairment charge will be required for the amount that equals the expected credit losses stemming from possible defaults during the expected lifetime of the financial asset ('Lifetime ECL'). If the financial instrument becomes credit-impaired the impairment charge will remain at the Lifetime ECL. However, for these instruments the interest income will be recognised by applying the effective interest rate on the net carrying amount (including the impairment charge). Financial instruments become credit-impaired when one or more events have occurred that had a detrimental impact on estimated future cash flows.

The ECL on an instrument are based on an unbiased probability-weighted amount that is determined by evaluating a range of possible and reasonable outcomes and reflect information available on current conditions and forecasts of future economic conditions, such as e.g. gross domestic product growth, unemployment rates, interest rates.

In order to allocate financial instruments between stages 1 and 2, ATB uses criteria that are currently applied in the credit process. Also the quantitative criteria that will be used are related to the probability of default (PD), where a financial instrument is allocated to stage 2 when an increase in the weighted average PD since origination exceeds a predefined threshold.

In order to ensure that ATB is following the best practice in recognising the asset quality deterioration, the consistent approach in defining forbearance has been established in accordance with the European Banking Authority (EBA) regulation.

EBA defines forbearance exposure as a debt contract in respect of which forbearance measures have been extended. Forbearance measures consist of concession towards a debtor facing or about to face difficulties in meeting its financial obligation (“financial difficulties”). For significant NPL’s likelihood scenarios are chosen taking into consideration past events, current conditions and forecast information.

Changes in impairment stages will occur when the criteria for the original stage classification are no longer met.

A loan is not automatically considered to have lower credit risk. Typically a borrower would need to demonstrate consistently good payment behaviour over a period of time (probation period of twelve months) before the credit risk is considered to have decreased and the loan moves from stage 3 to stage 2, or from stage 2 to stage 1.

The movements from stage 2 back to stage 1 are decided on the criteria defined below. While essentially the same as the criteria on the increased credit risk, a buffer is defined, i.e. the performance has to be better than the initial threshold to be allowed back into stage 1. This serves two reasons. First, it puts the customer (exposure) on a probation period: it has to prove that stage 1 is indeed the right classification before returning back to it. Secondly, it lessens unnecessary volatility. Moving back and forth between stage 1 and stage 2, just because of minor changes is neither desirable nor informative.

In the assessment of the criteria for the rating override indicators a similar approach is taken: a certain improvement or ‘cure’ period has to be taken into account before reconsidering any previous override.

According to the Doubtful and Problem Loan Procedure the forbearance classification can only be removed after a probation period, under certain conditions. This reclassification is also the trigger to review any rating override that followed the forbearance.

A removal of a customer off the watch list, back to satisfactory, will trigger a review of the rating.

For the watch list no “cure” period will be defined as this is implicit in the notion of the watch list itself. Customers are only removed from the watch list when it is judged, and Credit Committee has approved, that all potential risks responsible for inclusion on the watch list are no longer present.

A similar approach is taken for the non-performing loan (NPL) classification, which also determines the treatment of any past due customers, because of the NPL classification of any customers with an over 30 days past due facility. Their classification can only be changed after confirmation of the FR&R committee.

The backstop of 30 days past due remains. Any customer with a 30 days past due cannot be moved back to stage 1, regardless of any decision and changes to the rating of the involved customer.

B.12.1 Significant increase in credit risk

ATB is basing its staging (12-month versus lifetime expected credit losses) on quantitative changes in the PDs, however a process is in place that allows qualitative elements to be incorporated into its PDs. As such, all relevant factors are captured in the PD which is used as the basis for the staging assessment.

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, ATB compares the risk of a default occurring on the financial instrument at the reporting date with the risk of a default occurring on the financial instrument at the date of initial recognition. In making this assessment, ATB considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort. Forward-looking information

considered includes future economic conditions, such as e.g. gross domestic product growth, unemployment rates and interest rates.

The ECL framework uses the Bank’s internal rating models as well as external credit ratings. ATB’s credit risk approach for IFRS 9 purposes aligns with the general credit risk approach at the Bank:

- governments are externally rated;
- financial institutions are usually externally rated, otherwise a proxy rating is assigned;
- the corporate customers are rated with internal rating models, even when external ratings are available;
- for shipping exposures, the CCA factor is compared with the Marsoft base case trade outlook.

The internal rating models used for the corporate customers are sourced from a software application provided by Moody’s. This software application consists of Moody’s CreditLens and RiskCalc. CreditLens is the comprehensive tool used for credit analysis purposes of corporate customers. RiskCalc is the calculation engine used by the Bank to determine the ratings based on quantitative information only, i.e. financials of corporate customers. The RiskCalc model provides for each corporate customer a one-year PD, a five-year PD term structure and a forward-looking credit cycle adjusted (CCA) PD for scenario analysis.

For the PDs, a term structure derived from RiskCalc is used as input for ECL calculations. From this curve, the probability of a default between the reporting date and maturity date of a contract is derived via linear interpolation. The calculation of the PDs depends on several building blocks. The counterparty ratings (either internal or external) are used as the starting point. Ultimately, based on the ratings and the macroeconomic expectations, PD curves are produced for every counterparty which is the basis of the forward-looking scenario analysis.

For financial instruments on-balance, the EAD is calculated as the present value of future cash flows. For off-balance commitments and guarantee contracts, the EAD is equal to the nominal exposure multiplied by a credit conversion factor (CCF) based on Foundation Internal-Ratings Based Basel values.

For the Loss given default (LGD) calculation, a straightforward approach is applied described in an internal LGD policy which is providing guidance to decide on the LGD covering a specific sector.

ATB applies the following approach for the forward looking scenarios:

- good and bad scenarios are always applied for all transactions according to an automated procedure;
- retrieve the credit cycle adjustment (CCA) factor from RiskCalc;
- compare the CCA factor against 12-month GDP growth forecasts;
- for shipping exposures, compare the CCA factor against Marsoft base case outlook.

When estimating the ECL, the Bank considers three scenarios (a base case, a good and a bad scenario). For the good scenario, ATB applied a good scenario weight of 12% (2019: 12%) with a multiplier of 0.3 (2019: 0.3) and a bad case scenario of 4% (2019: 4%) with a multiplier of 4 (2019: 4).

The IFRS 9 required forward looking component is effectively incorporated into the CCA adjustment, based on Moody’s Distance-to-Default approach, which in turn is based on equity markets as an early warning indicator as explained earlier and in Moody’s documentation. It creates a full credit cycle adjusted PD term structure (up to 5 years).

The Moody’s CCA factors are compared to GDP growth forecasts as provided by the IMF, World Bank and OECD, for the world, Euro area and Russia.

Shipping exposures are compared with the Marsoft forecasts for Shipping, which are forward looking.

In the Risk management section a detailed explanation is provided with respect to ATB's impairment process and ECL model applied to financial instruments.

In principle, ATB does not rebut the presumption of 30 days past due exposures in stage 2. Only in individual cases, where a past due is clearly the result of some technical issue not related to credit risk, this principle will not apply.

B.12.2 Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above.

As for the exposure at default, for financial assets, this is represented by the assets gross carrying amount at the reporting date; for financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, ATB's understanding of the specific future financing needs of the debtors and other relevant forward-looking information.

If ATB has measured the impairment charge for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions

for lifetime ECL are no longer met, ATB measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

ATB recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount.

B.13 Interest-bearing securities

Interest-bearing securities are debt securities held in the investment portfolio, with the general intent to hold the securities until redemption date. The investment portfolio is measured at amortised cost including premiums and discounts less impairment charges, if necessary. Premiums and discounts are amortised over the remaining life of the securities on a straight line basis.

B.14 Shares and other non-interest-bearing securities

Shares and other non-interest-bearing securities are initially recognised at fair value and subsequently at cost less impairment charges. Impairment charges or the reversal (until cost) of the impairment is recognised in the statement of income.

Equity instruments are impaired if their cost permanently exceeds their recoverable amount, i.e. their fair value is permanently or significantly lower than their cost. The recoverable amount of investments in unlisted equity instruments is determined using an internal valuation model using quotations, cash flow projections as well as the development of commodity prices.

B.15 Intangible assets

Costs related to the implementation or maintenance of software are recognised as an expense at the time they are incurred. Costs directly incurred in connection with identifiable and unique software products over which ATB has control and that will probably provide economic benefits exceeding the costs for longer than a year are recognised as intangible assets.

Expenditures that improve the performance of software compared with their original specifications are added to the original cost of the software. Software implementation costs are recognised as assets and amortised on a straight-line basis over a period not exceeding five years.

Impairment losses on Intangible assets

At reporting date, ATB assesses whether there are indications of impairment of intangible assets. Intangible assets are tested for impairment by comparing the carrying value with the best estimate of the recoverable amount. The recoverable amount is estimated as the higher of fair value less cost to sell and value in use.

An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Impairment losses and reversed impairments of other intangible assets are included in the statement of income.

B.16 Property and equipment

Property and equipment is initially carried at cost and subsequently at historical cost less accumulated depreciation and accumulated impairments. Depreciation is calculated on a straight-line basis over the useful lives of the assets concerned.

Estimated useful lives of property and equipment are as follows:

Leasehold improvement	: 10 years
Computer equipment	: 5 years
Other equipment	: 5 years

At reporting date ATB assesses whether there is objective evidence for an impairment of Property and equipment. Property and equipment is impaired if loss event(s) occurred that had an impact on the estimated net realisable value of these assets. If the carrying amount of an asset exceeds its estimated recoverable amount, the carrying amount is written down immediately to the recoverable amount. Impairment losses and reversed impairments of property and equipment are included in 'Depreciation and impairments of intangible assets and property and equipment' in the statement of income. Gains and losses on the disposal of items of property and equipment are determined in proportion to their carrying amounts and taken into account when determining the operating result.

Repair and maintenance work is charged to the statement of income at the time the relevant costs are incurred.

B.17 Leases / ATB as lessor Finance leases

If assets are leased under a finance lease, the present value of the lease payments is recognised as a receivable under 'Due from banks' or 'Loans to customers'. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised as interest income over the term of the lease using the net investment method, which results in a constant rate of return on the investment.

B.18 Employee benefits / Pension

ATB has defined contribution plans under which ATB pays contributions to publicly or privately managed insured pension schemes on a compulsory, contractual or voluntary basis. Once the contributions have been made, ATB has no further payment obligations. The regular contributions are net period costs for the year in which they are due and are included on this basis under 'Staff expense'.

B.19 Tax

Current tax receivables and payables are set off if there is a legally enforceable right to set off such items and if simultaneous treatment or settlement is intended. Deferred tax assets and liabilities are set off if there is a legally enforceable right to set off such items and if they relate to the same tax authority and arise from the same tax group.

Provisions are formed in full for deferred tax liabilities, using the liability method, arising from temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred income tax assets and liabilities are measured at the tax rates that have been enacted or substantively enacted at the reporting date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available within the period available to compensate taxable losses according to applicable tax laws, against which the temporary differences can be utilised. Taxes on profit are calculated in accordance with the tax legislation of the relevant jurisdiction and recognised as an expense in the period in which the profit is realised. The tax effects of the carry-forward of unused tax losses are recognised

as an asset if it is probable that future taxable profits will be available against which the losses can be utilised. Deferred taxes are recorded at nominal value.

B.20 Due to banks, due to customers

These borrowings are initially recognised at fair value, i.e. the issue price less directly allocable and non-recurring transaction costs, and subsequently carried at amortised cost, including transaction costs.

In 2020, the bank subscribed to ECB funding programs. One of the programs is the Targeted Longer-Term Refinancing Operation (TLTRO). The bank accounts for this kind of government grant initially at fair value. The subsequent valuation is at amortised cost. The interest charged by the ECB on the financing is assumed to be in line with market conditions and recognised as variable interest in the statement of income using the effective interest method. The terms and conditions of the financing stipulate that if specific targets are met by the bank, a discount will be applied to the interest rate.

B.21 Employee Share Purchase Plan

ATB operates a cash settled employee share purchase plan (ESPP). For this plan, during the employment period of the employees, the share-based investment by the employees is recognised as a liability. The liability is re-measured at each reporting date up to and including the settlement date with changes in fair value recognised in the general and administrative expenses, taken into account the estimated leavers if any.

The fair value change is based on the positive/negative difference between the fair value of the underlying share and the exercise price. The visible intrinsic value

of an ATB share with certain adjustments is considered as the proxy for the fair value.

The fair value change of the employee share purchase plan as calculated for the year is recognized in full in the general and administrative expenses.

The ESPP requires the employees to hold their shares for a period of at least four years or up until the moment their employment with Amsterdam Trade Bank N.V. will be terminated. In view of the four year holding period the acquisition price has a discount of 15% that will be amortized during the holding period. The discount is treated as general and administrative expenses during the vesting period of 48 months, with a corresponding adjustment to Other liabilities.

The employees participating in this share-based investment have agreed to the terms and conditions laid down in an investment agreement which is signed by ATB, ATB ESPP B.V. and the Participant.

The price payable for the shares is subject to the leaver qualification (Good or Bad Leaver). A participant is considered a Bad leaver if employment is terminated for cause ('dringende redenen'). In all other cases a leaver is considered a Good Leaver. Subject to the discretion of the Supervisory Board and dependent on the circumstance applicable to a Good Leaver (e.g. death, disability, redundancy), repayment of the non-amortized discount and/or the remainder of a loan can be waived (limited recourse).

In case of a Good Leaver the price payable is the fair market value minus the non-amortized discount and in case of a Bad Leaver the price is the lower of the investment price and the fair market value minus the non-amortized discount.

With the settlement of the ESPP with the participant, the loans with the ESPP participant is also settled. When a participant leaves the ESPP, shares are sold by the Participant back to ATB.

Staff is entitled to finance up to 90 per cent of their investment via a loan, granted by ATB. The total amount of these loans are classified as Staff Loans.

B.22 Provisions

Provisions are recognised for obligations (both legal and constructive) arising as a result of a past event where it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If ATB expects a provision to be reimbursed, for example under an insurance policy, the reimbursement is recognised as a separate asset but only if the reimbursement is virtually certain. Provisions that have an expected maturity over one year are carried at the discounted value of the expected future cash flows and are classified under Provisions. Provisions that have an expected maturity less than one year are carried at nominal value (expected cash outflow) and are classified under Other Liabilities. Additions to and releases of provisions are recognised in the statement of income.

In the case of off-balance sheet commitments, which is mainly consisting of committed facilities and guarantee contracts, ATB classified the provisions for these items in Provisions and other liabilities. As at 31 December 2020, the provision for off-balance sheet commitments amounts to € 136 thousand (2019 € 106 thousand).

A provision for restructuring costs is formed when a formal detailed plan has been developed and a justified expectation has

been raised with the employees affected that the reorganisation will be carried out. The provision consists of direct costs as described and agreed in the restructuring plan. With respect to reorganisations for which a formal plan has been developed as at the balance sheet date, but for which either a justified expectation has been raised with those employees affected by the reorganisation will be carried out or implementation of the reorganisation plan has commenced only after the balance sheet date, information has been included under events after the balance sheet date.

B.23 Equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under 'Equity'. Payments to holders of these instruments are deducted from 'Equity' as part of profit distribution.

Direct costs of new shares issued are deducted from equity, taking taxes into account.

The Company must maintain a legal reserve for the unrealized result of embedded derivatives relating to a few shipping loans.

B.24 Obligations not recognised in the statement of financial position

This relates to the obligations that represent a potential credit or other risk and consists of the off-balance sheet items: contingent liabilities and irrevocable commitments.

Contingent liabilities

Contingent liabilities are carried at the contract value and consist of guarantees and irrevocable letters of credit.

Financial guarantee contracts require the issuer to compensate the holder for losses incurred when the debtor fails to meet its obligations under the terms of the related debt instrument. The guarantees are initially recognised at fair value and subsequently measured at the higher of the discounted best estimate of the obligation under the guarantee and the amount initially recognised less cumulative amortisation.

Other contingent liabilities

Other contingent liabilities relate to a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ATB; or a present obligation that arises from past events but is not recognised because it is either not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the statement of financial position, but are rather disclosed in the notes unless the possibility of the outflow of economic benefits is remote.

Irrevocable commitments

Irrevocable commitments consist of unused facilities, sale and repurchase commitments and all other obligations resulting from irrevocable commitments that can give rise to loans.

B.25 Revenue

Revenue is recognised insofar it is likely that the economic benefits will flow to ATB and can be measured reliably. Costs are allocated as far as possible to the period in which the services were rendered or to the relevant proceeds.

B.26 Interest income and interest expenses

Interest income and expense for all interest-bearing instruments is recognised in the statement of income on an accrual basis, with the effective interest method being applied. Interest income includes coupons relating to fixed interest financial assets and interest-bearing securities.

Recognition of interest income for interest-bearing financial instruments assigned to stage 1 and stage 2 are based on their gross carrying amount. Recognition of interest income for financial instruments assigned to stage 3 is based on their net carrying value after deduction of impairments.

Arrangement fees are administration charges directly linked to arranging credit to lenders and are therefore as part of the effective interest rate recognized as interest income and amortised over the life of the legal term of the underlying credit for future handling.

Interest paid on assets with a negative interest yield is classified as interest expense. Interest received from liabilities with a negative interest yield is classified as interest income.

B.27 Commission income and expenses

This item consists of income, other than income similar to interest, earned on banking services provided to third parties. Commission received from and paid to third parties is generally accounted for as commission income and commission expense over the life of the underlying contracts.

B.28 Result on financial transactions

Other foreign exchange results consists of the revaluation effects of balance sheet positions in foreign currencies.

Sale of interest-bearing securities and loans and advances represents the financial result on exited positions in the respective portfolio. The result on derivatives represents the result on trade derivatives. Exchange and price gains and losses on trading in other financial instruments on behalf of clients are recognised under Result on foreign currency trading.

B.29 Other income

Other income comprises non-banking income.

B.30 Staff expenses

Staff costs comprise wages and salaries, pension costs, other social costs and other staff costs.

B.31 General and administrative expense

General and administrative expenses comprise costs related to support of the Bank's operational activities such as IT expenses, costs of marketing and communication, cost of credit insurance, accommodation expenses, office expenses and other administrative expenses. Recovered VAT is classified in and deducted from general and administrative expense.

B.32 Cash flow statement

The cash flow statement has been drawn up in accordance with the indirect method, distinguishing between cash flows from operating, investing and financing activities. Cash and cash equivalents comprise, at face value, all cash in hand and balances withdrawable on demand with central banks and other banks in respect of which the risk of value changes is insignificant. Cash flows arising from foreign currency transactions are translated into the functional currency using the exchange rates at the date of the cash flows. Loans to customers are presented as part of operating activities in the cash flow statement.

B.33 Fair value

The fair value of financial assets and liabilities is derived from active markets. Where the fair value cannot be derived from active markets, these are determined using valuation techniques that include the use of mathematical models. The input to these models is taken from observable markets where possible, but where this is not possible a degree of judgment may be required in establishing the fair value.

The following summarises the major methods and assumptions used in estimating the fair values:

- The estimated fair value of Loans and advances to customers represents the discounted amount of estimated future cash flows of individual loans expected to be received. Expected cash flows are discounted using market rates as discount rate. Given the volatile economic environment the realisable value may differ significantly from the disclosed fair value in the event the loans would be sold before maturity.
- The carrying amount of the short-term floating rate inter-bank placements, overnight deposits and fixed deposits placed with banks is deemed to be a good estimate of their fair value given.
- The fair value of the interest-bearing securities in the investment portfolio is based on the active market prices at reporting date.

- The fair value of derivatives is based on observable market data. The fair value is determined using listed market prices (a small bid-ask range applies to derivatives quoted in euros, US dollars and/or pound sterling, and mid prices are used), along with prices offered by traders, cash flow discounting models and option valuation models based on current market prices and contracted prices for the underlying instruments, as well as the time value of money, yield curves and the volatility of the underlying assets and liabilities.
- The fair value of liabilities to banks, funds entrusted and subordinated liabilities is determined using discounted cash flows using applicable money market rates for debt instruments with a comparable term to maturity, taking account of own credit risk.

Risk Management

This section consists of a general description of ATB's approach to risk management (C); a description and explanation of risk governance (D); and explanation of the management of various categories of risk, as defined in the Bank's risk taxonomy (E).

C. Risk Management Approach

ATB adopts an integrated approach to risk management as laid down in its Enterprise Risk Management (ERM) Policy (updated in July 2020).

ATB takes its definition of ERM from that proposed by COSO: "a process effected by the Executive Board, management and other personnel; applied in strategy setting and across the bank; designed to identify potential events that may affect ATB, to manage risk to be within its risk appetite and to provide reasonable assurance regarding the achievement of ATB's objectives". By means of this approach, ATB seeks to:

- **Align risk and strategy:** by considering risk appetite in making strategic choices, setting related objectives, and developing mechanisms to measure and manage related risks.
- **Enhance risk-based decision making** by providing clear direction and guidance to identify and select among alternative responses to risk (avoidance, reduction, sharing, acceptance and pursuance).
- **Reduce surprises and losses:** ATB continuously seeks to enhance the capability to identify potential events and establish responses, reducing surprises and associated costs or losses. Note that ATB does not intend to completely remove exposure to risk, but to ensure that

exposure is knowingly assumed and adequately managed.

- **Identify and manage multiple and cross-enterprise risk:** ATB faces risks affecting different parts of the organization. Our risk management approach facilitates integrated responses to risks.
- **Seize opportunities:** by considering a full range of potential events, management is positioned to identify and proactively realise opportunities, within risk appetite.
- **Improve deployment of capital:** obtaining robust risk information allows management to effectively assess overall capital needs and enhance capital allocation.

ATB's ERM components follow the COSO-ERM principles for risk framework(s):

- **Objective setting:** establishing the context for risk analysis and assessment;
- **Risk identification:** identifying potential risks that could threaten the achievement of objectives;
- **Risk assessment:** assessing the potential impact of identified risks on the operations, financial resources and reputation of the bank;
- **Risk mitigating measures:** consideration of the adequacy and effectiveness of risk mitigating measures and assessing the likelihood of risks materialising;
- **Areas for improvement:** identifying areas where existing measures can or should be improved;
- **Action plans:** to implement new or enhance existing risk mitigating measures;
- **Follow up:** monitoring the status of implementation of action plans;

- **Reporting:** reporting to the risk management oversight committees on the results of risk assessments and the status of implementation of action plans;
- **Monitoring:** monitoring the adequacy and effectiveness of the risk management process.

Actual exposure on all risk types is monitored on a monthly basis in the ERM report, and through more specialized reporting (e.g. the Portfolio Management Report for credit risks, the ALCO reports for market, liquidity and funding risks).

D. Risk Governance

ATB's ERM framework consists of three layers of risk governance, also known as the three lines of defence model.

First line of defence - Risk awareness in day-to-day business

The person or organisational unit that, through its actions, gives rise to a risk is responsible for that risk and its management, within defined boundaries. This is the "first line of defence", and acts as the risk owner. The first line of defence / risk owner should have sufficient authority and accountability to take those actions necessary to manage the risk, or if necessary ensure that the risk is escalated to the appropriate level of management.

Second line of defence - Countervailing powers

The second line of defence maintains oversight on control mechanisms and monitors their effectiveness. Control mechanisms are methods, measures and tools (including but not limited to policies, procedural requirements and reporting) to measure and reduce consequences and/or likelihood of the related risk.

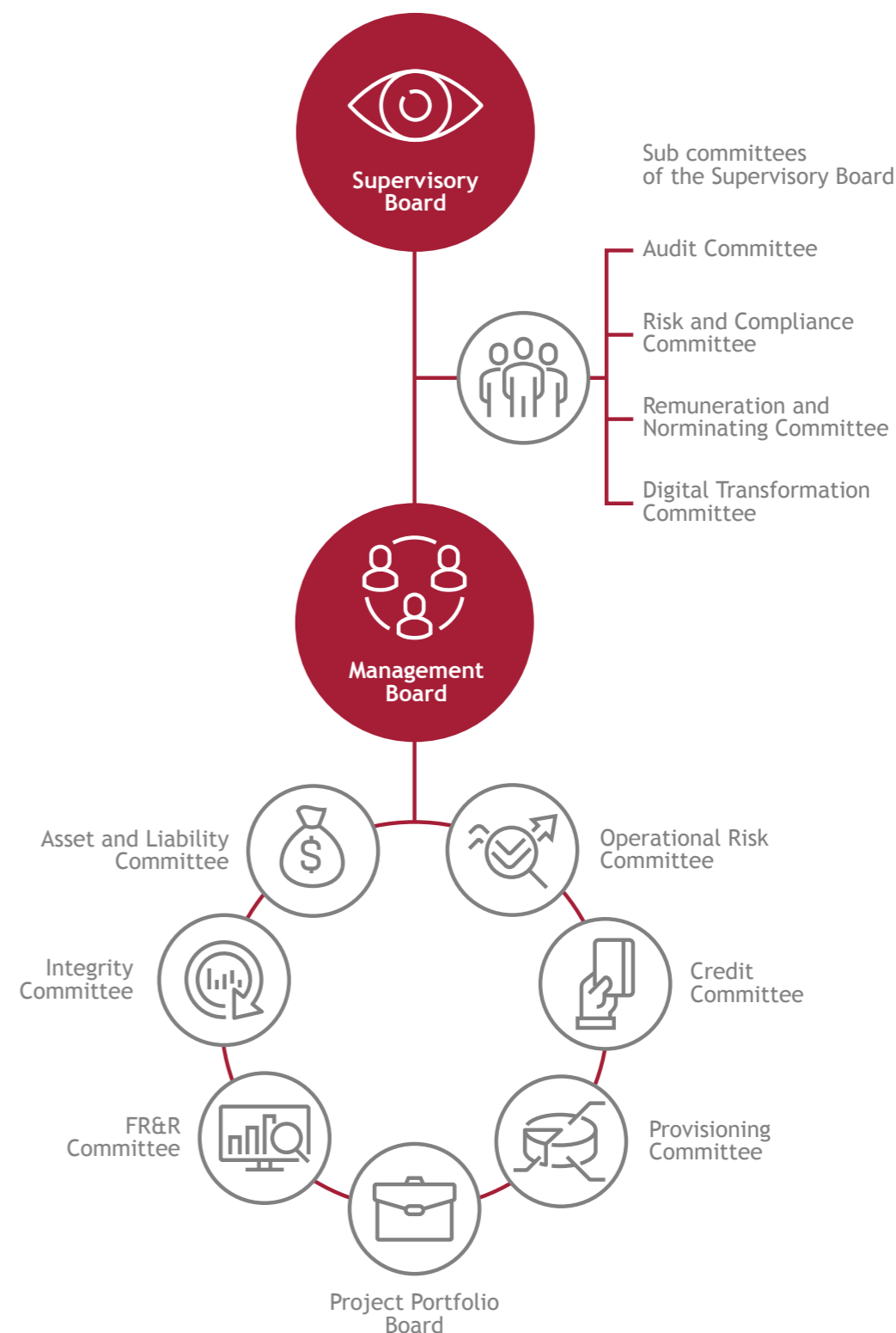
The second line of defence acts independently from the first line of defence and provides its view on risks (and associated mitigating actions) taken by the risk owners.

The second line of defence has the authority to instruct the first line of defence on actions to be taken to ensure compliance with the bank's risk appetite and risk frameworks (within the boundaries of established policies and procedures) and to propose new mechanisms for measuring and managing risks. The Risk Management functions and Integrity Department as part of the second line of defence have direct access to the Supervisory Board. The second line of defence is composed of such functions as Credit Risk, Enterprise & Market Risk, Human Resources, Finance and Integrity.

Third line of defence - Independent oversight

The third line of defence provides independent assessment of the effectiveness of governance, risk management, and internal controls. Internal Audit (IA) acts as the third line of defence. IA provides its recommendations based on independent and objective assurance.

In the monitoring and day-to-day management of identified risks, the Management Board, and in its oversight capacity, the Supervisory Board, are supported by a number of committees. The key risk categories from the risk taxonomy are discussed and managed in delegation in one (or more) of these committees. These committees also approve and review policies supporting relevant departments that are responsible for managing the risks in their activities within approved risk tolerance limits.



Supervisory Board Committees

Audit Committee

The Audit Committee assists the Supervisory Board in monitoring the adequacy and integrity of ATB's financial statements, the auditor's competence and independence, the performance of the internal audit function, and the audit findings on the quality and effectiveness of the system of governance, risk management and the Bank's control procedures. The Audit Committee reports its findings to the Supervisory Board and these findings are disclosed in the plenary meetings of the Supervisory Board.

Risk and Compliance Committee

Risk and Compliance Committee assists the Supervisory Board in supervising ATB's risk policy, appetite and profile regarding all Bank's risks as well as Code of Conduct, compliance and internal governance. The Risk and Compliance Committee reports its findings to the Supervisory Board and these findings are discussed in the plenary meetings of the Supervisory Board.

Remuneration and Nomination Committee

The Remuneration and Nominating Committee assists the Supervisory Board in issuing proposals for the remuneration for Supervisory Board members, Management Board members and ATB's senior management, and principles for the remuneration policy of other staff. The Committee designs, monitors and evaluates the remuneration policies for the Supervisory Board, Management Board, and senior management and other staff. It also proposes the remuneration evaluation of Supervisory Board members, Management Board members and selected

senior management, issues proposals for the management development policy and succession planning for Management Board and Supervisory Board members. Lastly, the Committee presents proposals for the appointment, re-appointment and dismissal of members of the Supervisory Board (and its sub-committees) and the Management Board. The RNC reports its findings to the Supervisory Board, which are discussed in the plenary meetings of the Supervisory Board.

Digital Transformation Committee

Digital Transformation Committee supports the Supervisory Board in fulfilling its oversight responsibilities and provides strategic advice to the Management Board relating to ATB's digital transformation strategy and initiatives. The Committee reports its findings to the Supervisory Board and these findings are discussed in the plenary meetings of the Supervisory Board.

Management Board Committees

Asset & Liability Committee (ALCO)

The ALCO consists of the members of the Management Board as well as the representatives of Treasury/ALM, Risk Management functions, Finance and commercial business representatives. The ALCO meets at least once a month to monitor funding, interest rate, foreign exchange, market, liquidity and capital risks. In addition, the ALCO discusses market developments and provides recommendations on managing liquidity.

Operational Risk Committee (ORC)

The Operational Risk Committee consists of members of the Management Board, as well as the representatives of Risk Management functions, Integrity, Internal Audit and identified Risk Owners. It meets monthly and monitors issues relating to the maintenance of an adequate operational risk management framework (in which all operational risks as mentioned in ERM are monitored) and the assessment of operational risk incidents.

Furthermore, the committee monitors the effectiveness of the internal control framework and the resolution of control issues identified by Enterprise & Market Risk, Internal Audit, External Audit and the Supervisory Authorities. Lastly, the committee approves new product approval proposals and policies.

Integrity Committee

The Integrity Committee consists of representatives of all 3 Lines of defence, including the Management Board as well as the head of the Integrity Department and the representatives of the commercial departments. This enables each of the lines of defence to take responsibility for maintaining a sound corporate culture of integrity and accountability. To safeguard a safe balance between business and integrity, the Head of the Integrity Department is the Chair of the meetings. In general, its meetings are held weekly to accept new clients, review client files, and to discuss and decide upon new integrity related policies or frameworks, covering risks as defined in the Systematic Integrity Risk Analysis (SIRA).

Credit Committee

The Credit Committee consists of members of the Management Board, representatives of Credit Risk and commercial business departments as well as (representatives of) Integrity. Meetings are held at least bi-weekly to decide on new credit applications and proposals related to the performing loan portfolio as well as non-performing exposures which are not managed by Financial Restructuring and Recovery, and to monitor credit risk developments in the portfolio. The Credit Committee is responsible for the establishment of country and industry limits. The Committee, in its considerations, takes economic and legal circumstances into account. Individual transactions are allocated to specific country limits by the Credit Committee. In a limited number of cases of deviations from the risk appetite thresholds and based on a predetermined escalation model, credit and/or country limit decisions are taken by the Risk and Compliance Committee of the Supervisory Board.

Provisioning Committee

The Provisioning Committee consists of the Management Board as well as representatives of Credit Risk and Finance. It convenes at least on a quarterly basis. All relevant loans and their staging classification are discussed based on the ECL model methodology. Potential non-performing loans are put under special monitoring for industry and company specific developments. The Provisioning Committee decides on loan impairments to be taken.

Financial Restructuring & Recovery Committee (FR&R)

The Financial Restructuring & Recovery Committee consists of members of the Management Board and Financial Restructuring & Recovery. The committee is the platform where the non-performing portfolio managed by Financial Restructuring & Recovery is discussed and relevant developments are escalated for decision.

Project Portfolio Board

The Project Portfolio Board consists of the Management Board as well as representatives of Information Technologies, the Head of Operations, representatives of commercial business departments, the Head of Finance and the Head of Integrity.

The Project Portfolio Board monitors projects within the bank aiming to improve ATB's systems and processes in an efficient and effective way. This will be achieved by providing the project framework and delivery means, control and quality measures. Meetings are held on a monthly basis.

E. Risk Categories

ATB classifies business risk in the categories: strategic risk, regulatory risk, credit risk, market risk, liquidity risk and operational risk.

E.1 Strategic risks

Strategic risk is defined as the risk of non-compliance with the strategic objectives that can arise from adverse business decisions, improper implementation of decisions, or a lack of responsiveness to industry / market changes. Strategic risk assessments are performed periodically at the Management Board level and mitigating strategies are discussed and applied as appropriate. ATB has defined key risk indicators (KRI's) to monitor trends and developments under the strategic risk category. Such indicators are principally quantitative.

During 2020 ATB was developing and preparing for the execution of its revised

asset strategy, that is focused on the creation of a (pan-European) (digital) banking platform offering a variety of financial services to SMEs. The risk of strategy execution is closely monitored by the Management Board with the next milestone being the capital injection to support its execution and asset growth.

An important strategy execution risk is to ensure the right people and operational / procedural systems in place internally. In 2020 key hires have been made to support Third Party SME Origination, Direct SME Lending and Digital Transformation. Ensuring the stability of the existing team supporting the Commodity Finance and Shipping portfolio is another attention point as maintaining the income from these business lines is crucial. In addition an orderly wind down of certain parts of the existing portfolio is crucial during the transition phase.

The Covid-19 outbreak is impacting the global economy and the financial position of banks, including ATB. ATB is closely monitoring any financial impact attributable to the Covid-19 outbreak on specific industry sectors such as shipping and trade and has ensured continuity of client servicing. As part of the SME strategy, in 2020 ATB started piloting providing loans to European SME customers. ATB places more emphasis on lending to SMEs through credit enhanced structures via partnerships with European originators. Ability to grow the loan book by adding SME exposures is affected by Covid-19 as we are extra cautious with new investments, which could lead to a longer ramp up period for the revised strategy and lower than planned income. This is somewhat mitigated through tight control on spending.

Strategic risks that could have a negative impact on (some of) our client's business and thereby on ATB are also recognized in developments concerning a new deterioration of the geopolitical situation and increasing tensions around Russia (particularly as far as some of our Commodity Finance exposures are concerned), Brexit

consequences and continued escalation of trade tariffs. Each of these potential developments are monitored, with scenario analyses and/or response plans in place.

The speed of technology innovation in the banking sector rapidly increases, particularly, with FinTech players shaking up the industry and reinventing the way people bank. Inevitably, this presents a strategic threat, but also an opportunity for ATB. Today consumers expect a modernised banking experience, one which is complemented by online and mobile banking. At the same time, the number of security breaches last years pushed cyber safety to the top of the priority list. In cooperation with innovative FinTech service providers, while carefully managing supplier/ outsourcing risks, ATB started digitalizing its products and internal processes with the Management Board closely monitoring the development.

E.2 Regulatory risks

The bank recognizes its responsibility as a gatekeeper to the financial system not to facilitate crime and, more generally, is committed to comply with all applicable laws and regulations. Based on the analysis of clients, products countries and the channels through the transactions run, in combination with the strategy and business operations, the likelihood of inherent regulatory (also referred to as "integrity") risks occurring is considered to be 'very likely'.

Since ATB's customer portfolio typically includes many customers operating in high risk political and economic environments, ATB has stringent procedures with respect to the mitigation of its reputation and integrity risk to strengthen our internal controls in this area. ATB has taken several measures to further improve its compliance framework, including related processes and procedures, next to the intense efforts of de-risking its exposures by reducing its legacy portfolio. ATB continues to closely monitor also the latest (geo-) political developments with respect to sanctions and measures taken by various governments

and will do its utmost to comply with all relevant laws and regulations in this field.

A thematic inspection by DNB in the area of integrity risk management in July 2019 resulted in a number of findings where ATB could further improve its governance and process framework. ATB has implemented these improvements in 2020, which has been validated by the Internal Audit Department. No sanction has been imposed by DNB.

An onsite investigation by DNB with regard to the revised SME focused strategy as well as the impact on the organization following the decision to stop with certain activities at the end of 2019 was performed in the beginning of 2020. This onsite investigation resulted in a number of findings to which ATB agrees. During 2020 and early 2021 we have developed and executed an action plan in order to address these findings. By April 2021 most of these actions have been completed which allows us to take the next steps in the execution of our strategy.

It is the Integrity Department's responsibility to ensure the integrity framework is kept up-to-date at all times, and to continuously monitor relevant legal, social and other international developments in order to accordingly ensure the timely update of policies and guidelines. Further changes in the fields of financial crime and environmental, social and corporate governance (ESG) risks are foreseen. The upcoming changes will be monitored and timely implemented in the relevant policy. These changes and the agendas of the Supervisory Authorities are leading the Annual Plan 2021 of the Integrity Department. Testing the knowledge about the Dutch Anti Money Laundering rules of the relevant staff is also part of the Annual Plan of the Integrity Department.

E.3 Credit risk

Credit risk is the current or prospective threat to ATB's earnings, liquidity and capital as a result of a counterparty's failure to comply with financial or other contractual obligations stemming from a credit relationship.

Credit risk comprises of four separately defined subcategories, which relate to the main possible reasons of the counterparty's failure to comply as indicated above: counterparty default risk, concentration risk, country risk and climate related risks.

Credit risk constitutes ATB's most significant financial risk and arises mostly from the lending business.

In the light of credit risk, FX risk for clients is addressed in credit applications and risk opinions. For each client or prospect client, the FX position given FX mismatches on purchase and sale side is analysed.

Counterparty default risk

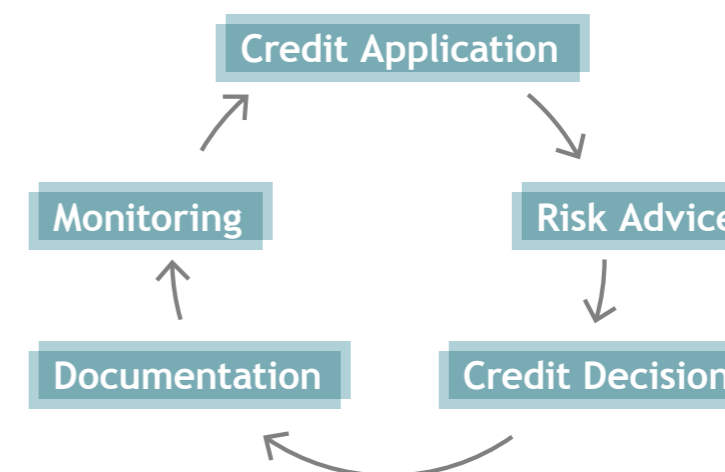
Counterparty default risk follows the principles as set out in the Enterprise Risk Management framework and is primarily managed within the front offices as first line of defence. Credit Risk is responsible for creating and maintaining credit policies and frameworks, for monitoring the portfolio developments as well as for independent assessments of the individual risks originated by the first line. Decisions regarding credit risk are taken in the Credit Committee, in delegated authority or in the Financial Restructuring and Recovery Committee.

Monitoring of credit risks against individually established limits and portfolio established risk appetite limits takes place on an ongoing basis. Specific portfolio reports are created weekly, monthly and quarterly (with varying scopes) to provide complete and timely overviews to senior management for steering if and when required.

Although ATB uses the standardized approach for credit risk (following the Basel models), continuous development of internal rating methodologies as well as further integration of the internal rating system into the risk management processes are considered to be important to further strengthen ATB's credit risk management system. ATB's borrowers are mainly rated in the B-/BB+ range. Credit enhancements and collateral are therefore important credit risk mitigants and are extensively used:

- exposures to counterparties in low rated/high risk countries are (partly) credit insured;
- shipping loans are secured by first priority mortgages and provided against fairly conservative advance rates with initial loan-to-values depending amongst other things on the age of the financed assets and employment in combination with repayment profile and with security coverage ratio covenants monitoring the loan-to-value throughout the tenor of the loan on at least semi-annual basis;
- transactional financing is provided in structures providing control and often include cash margins and in general advance rates below 100% with pledges over receivables and/or inventory in place when appropriate;
- when SME financing is provided with third-party originators, SPV structures and (especially for uninsured exposures) credit enhancements are typically considered as per our strategy.

figure 1



The normal credit risk cycle of a client (figure 1), product or transaction begins as the business analyses the risks of a client and prepares a credit application highlighting the structure of the proposed transaction or products and analysing the financial soundness of the relevant counterparties. This credit application is sent to Credit Risk who prepares an independent opinion on the content of the credit application, and advises the Credit Committee on the appropriateness of the transaction in view of the business, financial and structural risks including climate and other ESG related risks as well as matching the proposed transaction with the strategic fit and portfolio objectives of ATB. The Credit Committee then balances the business and credit risk views and decides on the application. On the basis of this decision documentation is being drafted by the business, which is reviewed for sign-off by our legal specialists.

During the lifetime of a loan or a transaction, formal reviews (at least annually) are prepared by the business following a similar routine as for new applications.

In addition, the borrower's behaviour, market circumstances and compliance with covenants are monitored by the business (and periodically by Credit Risk as part of the review process) in order to assess

whether increased monitoring (closely monitored list or watch list) or amendments are required. In case a significant deterioration is flagged by the business department or risk department, the client is placed on a watch list. In this case, developments with the client are monitored and reported to the Credit Committee on a monthly basis. When a client requires temporary close monitoring but the underlying reasons are not deemed material enough to warrant watch list status, they are added to the closely monitored list. These exposures are also reported to the Credit Committee on a monthly basis. The closely monitored list was introduced at the end of 2019 in order to have more granularity in monitoring. Watch list status reflects a significant increase in credit risk and implies stage 2 for expected credit loss calculations. Closely monitored remains stage 1. In 2020 bi-weekly analysis of a Covid-19 effect on all borrowers have been introduced formally at the Credit Committee and it will continue to be performed for as long as the pandemic stalks the world.

Should a client still deteriorate and become non-performing, the client is transferred from the business to Financial Restructuring and Recovery who will take over day-to-day responsibility for the client and whose aim it is to ensure optimal recovery for ATB. If a client becomes non-performing but does not require the expertise of Financial

Restructuring and Recovery then the Credit Committee may decide to maintain the client under the management of the business.

Credit risk mitigations

In order to optimally manage the credit risk on counterparties ATB employs various formal credit risk mitigations. These relate to collateral (assets with material value which are pledged or mortgaged to ATB), guarantees received and netting agreements. While ATB attaches some value to most types of collateral received, for risk mitigation and risk reduction purposes only so-called eligible collateral is taken into account. Eligible collateral is defined as collateral which reduces the capital charge of certain exposures and needs to follow certain predefined eligibility criteria. ATB only uses credit insurance and cash collateral as eligible collateral.

In those cases where collateral is not deemed eligible for capital reduction; it may still be considered a credit enhancement and hence may play a role in the individual credit assessments. Shipping loans are always secured by a first priority mortgage over the financed assets, with limitations in terms of initial loan-to-value as well as loan-to-value development over the tenor of the loan, monitored via a Security Coverage Ratio covenant.

The value of the collateral is based on valuation reports received from approved external appraisers (always for Shipping) or other sources (including warehouses and as provided by customers for Commodity Finance exposure). It is ATB's policy to require for periodic updates on these valuation reports. For shipping loans a formal Security Coverage Ratio test takes place at least twice per year. Valuations of immovable property are updated at least once per year. Due to volatile market conditions in both the Shipping and Commodity Finance markets the value of the collateral can differ significantly from the value as stated in the latest available reports. This is monitored on a daily basis by the Collateral Monitoring Department for

Commodity Finance loans and on the basis of VesselsValue data by the Shipping team. Credit Risk also performs a quarterly Key Risk Indicator test on the Shipping portfolio, which may result in additional testing of the asset coverage. In addition to other collateral, both personal and corporate guarantees may be included in the security package for repayment of the underlying principal and interest amounts.

Credit Portfolio Characteristics

Measurement and monitoring of credit risk is embedded by means of its Key Risk Indicators. These KRI's include metrics for one obligor exposure, minimum (average) credit quality, country risk and sector concentration risk.

In 2020 the internal monitoring of the pre-determined risk appetite and tolerance for the average expected loss (EL) of the core performing portfolio were 0.6% and 0.8% respectively. The average expected loss at year-end was of 0.60% (2019: 0.50%); It fluctuated around the risk appetite since July 2020 temporally exceeding it, but staying within the tolerance level. The average expected loss is the volume weighted average expected loss calculated over the performing loan portfolio: $PD \cdot LGD \cdot EAD$, whereby PD stands for Probability of Default, LGD for Loss Given Default and EAD for Exposure at Default. The deterioration in this key risk indicator over 2020 is mainly the result of gradually increasing PD's over the year as credit ratings of (mainly Shipping) obligors were reviewed downwards. Ratings for Shipping clients are based on historical financials as well as forward looking information (cash flow projections) due to the market risk they are exposed to, with part of the financed fleet being operated spot or coming off charter contracts in 2020. The dry bulk and product tanker markets were volatile and the Marsoft outlook for (mainly) these shipping sub-sectors for the next 12 months was subdued due to amongst other things the Covid-19 pandemic (and despite materialized temporary spikes in earnings for tankers and capsized dry bulk vessels), leading to an overall deteriorating

average EL on the Shipping portfolio. The expected loss is intrinsically volatile due to the nature of the Commodity Finance business (uncommitted facilities, exposure fluctuating on the basis of individual transactions with varying risk metrics such as PD and LGD). Its temporal increase above the risk appetite in 2020 was caused amongst other things by agricultural season (higher EL CF facilities drawn in the second half of the year).

The net performing portfolio consisted of mainly Shipping (40%), Trading companies (18%) and Energy (13%). Despite prepayments and fairly limited new origination, concentration risk within the Shipping portfolio as per end 2020 still has a relatively balanced diversification over the main shipping sub-sectors (dry bulk 20%, product tankers 28%, chemical tanker 20%, container vessels 13%, LPG and LNG carriers ca.19%). Exposure to SME (through third party originators) remained limited at 6.3% per year end 2020.

On a regular basis ATB performs stress tests related to its entire portfolio to assess the potential impact on its capital position. The Shipping portfolio is subjected to a quarterly Key Risk Indicator test linked to the development of indices which in turn trigger collateral value and cash flow tests when certain thresholds are met.

Impairments on Non-performing and Forborne Loans

In the context of the provisioning process, ATB reviews on a quarterly basis all relevant loans and advances to each individual customer based upon objective impairment triggers, such as non-performing loans or forborne loans, in order to assess whether the impairment charge for expected credit losses is sufficient. This review is based on the identification of impairment indicators (such as amounts overdue or requests for restructuring) in order to assess the likelihood and magnitude of incurred losses.

Non-performing status is assigned to a customer when any of the below conditions apply:

Based on Days past due (automatic reclassification):

- A customer is past due¹ for more than 30 calendar days on any material² payment obligation³ to ATB; or
- A coupon or principal payment on an interest bearing security is overdue for at least 5 business days; or
- A customer breaches a granted overdraft facility limit for longer than 5 business days; or

Based on indications of Unlikely to Pay which trigger an automatic reclassification as defaulted exposure:

- A cross-default is declared on a customer by any third party creditor unless revoked within 10 business days; or
- An exposure has been found impaired in accordance with the definition described in the Policy and IFRS9; or
- A customer is declared insolvent by itself, a court of law or other competent governmental authority thus restricting its normal business activities (e.g. by introducing an external administration, full bankruptcy, rehabilitation, other reorganisation procedures similar to those established under chapter 11 of the US Bankruptcy Code); or
- A customer goes into insolvency or liquidation procedures, i.e. all business activities are completely suspended/terminated; or
- A customer enters into any of the arrangements listed in Annex A to Regulation (EU) 2015/848 which are considered as an order or as a protection similar to bankruptcy; or
- A customer (including, for the avoidance of doubt, any other obligor under the loan) indicates inability to comply with payment terms; or
- The customer has a default status at other financial institution(s); or

¹ Counting of past due starts irrespective of the reason unless if 1) due to technical reasons but technical reasons can only be caused at bank level, not borrower level; and 2) the obligor has a legal option for not paying or there is an unsettled legal dispute; 3) there is a change in the obligor due to M&A or related activity. When there are modifications of the schedule of credit obligations, the counting of days past due is based on the modified schedule of payments.

² Material = more than € 500,00 and 1% of on balance exposure to this client.

³ Payment obligation is broader than debt service and also includes e.g. fees

- Due to credit deterioration⁴ the bank decides to sell the credit exposure at a discount of 5% or more; or
- Exposure is the object of distressed restructuring (see forbearance below) AND the present value of cash flows after restructuring is 1% lower than before (using the original effective interest rate); or
- Fraudulent activities have been identified; or
- When (additional or new) forbearance measures have been granted (see below) and either
 - The payment plan is not supported by the macro-economic forecast
 - Unwillingness of the borrower to cooperate
 - Repeated failure under the forbearance measures by the borrower or repeated changes to avoid breaches
 - Forbearance measure include a grace period of more than 2 years; or

Based on indications of Unlikely to Pay subject to a case-by-case assessment and approval by CC/FRRC:

- in any other cases - and subject to CC/FRRC approval - when the Bank considers that the obligor is unlikely to pay (UTP) its credit obligations to the institution, the parent or any of its subsidiaries in time or in full, without recourse by the bank to actions such as realizing security.
 - For Shipping exposure this will be considered applicable when:
 - Non-recourse financing (or guarantor without substance) and the financed assets have no fixed employment at a rate above break-even resulting in a projected cash flow shortage within 3 months (base case assumptions) and overall insufficient projected cash flow (base case) to repay the facility in full over the remaining tenor.

- Non-recourse financing (or guarantor without substance) and balloon due within 6 months and not covered by the lower of depreciated current market value and projected market value.

Extensive use of granting concessions leads to delayed loss recognition and masking asset quality deterioration. In order to ensure that ATB is following the best practice in recognising asset quality deterioration, a consistent approach in defining forbearance has been established in accordance with the European Banking Authority (EBA) regulation.

EBA defines forborne exposure as a debt contract in respect of which forbearance measures have been extended. Forbearance measures consist of concession towards a debtor facing or about to face difficulties in meeting its financial obligation (“financial difficulties”).

As per EBA’s view a forbearance measure can be qualified as a modification or refinancing:

- A modification of the previous terms and conditions of a contract the debtor is considered unable to comply with, due to its financial difficulties (“troubled debt”) to allow for sufficient debt service ability that would not have been granted had the debtor not been in financial difficulties. Exposures shall not be treated as forborne when the debtor is not in financial difficulties.
- A total or partial refinancing of a troubled debt contract that would not have been granted had the debtor not been in financial difficulties. Refinancing means the use of debt contracts to ensure the total or partial payment of other debt contracts the current terms of which the debtor is unable to comply with. For instance, a contract has been refinanced if it is completely repaid with a new contract granted on or close to the day when the initial contract expires.

Evidence of a concession includes:

- A difference in favour of the debtor between the modified and the previous terms of the contract;
- Cases where a modified contract includes more favourable terms than other debtors with a similar risk profile could have obtained from the same institution.
- An exercise of clauses which, when enforced at the discretion of the debtor, enable the latter to change the terms of the contract (“embedded forbearance clauses”), when the institution approves the exercise of the clauses and assesses that the debtor is in financial difficulties.

In order to classify an exposure as forborne both conditions shall be satisfied:

- The financial difficulties of the debtor, and
- A modification of the previous terms and conditions of a contract due to the debtor’s situation (including waiver of actual or potential breaches).

Definition of default

ATB reviewed its definition of default in June 2020 to comply with the EBA “Guidelines on the application of the definition of default under Article 178 of Regulation (EU) No 575/2013” which became mandatory as of 1 January 2021. (see above mentioned definition and criteria for non-performing classification)

Exposures triggering the definition of default are classified as non-performing and are assigned the default rating (D, PD = 1). Defaulted exposure will automatically be assigned to Stage 3 based on IFRS 9 guidelines.

The Management Board is responsible for decisions made regarding impairment charges or release, write-off of an exposure and status of current interest charges of an exposure to be non-accrued. Notwithstanding the aforementioned, the Management Board delegated its decision authority to the Provisioning

Committee. The Provisioning Committee includes Management Board Members as voting members. All considerations for assessment of impairment triggers and related impairment charges are discussed in the Provisioning Committee. Impairment losses are classified in stage 3 and based on discounted expected cash flows of the outstanding loan (including a cash flow for the collateral value based on the estimated market value, as and when foreclosure of collateral is foreseen).

For the loans and advances to customers that are under restructuring, the impairment loss is measured as the difference between the carrying amount of the asset and the present value of estimated future cash flows discounted at the asset’s original effective interest rate. Such estimation is by its nature based on assumptions and actual results may differ.

The total (gross) amount of non-performing loans as at 2020 is € 80.9 million (2019: € 18.4 million). The total amount of forborne loans in 2020 is € 62.1 million (2019: € 58.1 million), of which € 15.9 million performing. All performing forborne loans are in Stage 2, non-performing in Stage 3.

Proposals for impairments are discussed and approved in the Provisioning Committee. Impairment losses are based on discounted expected cash flows of the outstanding loan (including a cash flow for the collateral value based on the estimated market value, as and when foreclosure of collateral is foreseen).

During 2020 no loans were completely written off (2019: fully impaired loans for a total loan amount of € 0.7 million were written off).

The amount of loans, subject to ATB recovery activities, amounts to € 92.7 million at year end 2020 (2019: € 59 million). Net exposure amounts to € 50.7 million. € 73.1 million of loans is managed by Financial Restructuring and Recovery.

⁴ Not when for liquidity purposes or change in business strategy

Concentration risk

Concentration risk is the credit risk related to the degree of diversification in the credit portfolio. ATB takes separately into account the single name concentration, country concentration, and industry concentration. Due to the significance of country risks for ATB, these risks are managed and reported upon separately. In addition, ATB has implemented a framework to measure concentration risk quantitatively and established an approach that links concentration risk levels to capital allocation under Pillar 2 of Basel III (the ICAAP approach).

Single name concentration risk is managed both on an individual and on a portfolio level.

On an **individual** level it is managed in such a way that it ensures that each single exposure to a (group of connected) client(s), when defaulting, would remain manageable from a capital point of view. The definition of 'connected' includes exposures which are connected through, for example, common ownership, management or guarantors. ATB manages single name concentration risk and calculates internal capital for this risk under the current Basel framework.

After a significant default in the Commodity Finance portfolio ATB revised its risk appetite for single name concentration (One Obligor Exposure limit/OOE) and reduced it from € 30 million to € 20 million for new exposures in October 2020. For existing clients with uncommitted credit facilities exceeding € 20 million the implementation is gradual as and when repayments come in on drawn amounts. Only 4 names were approved as an exception to this. Committed exposures exceeding € 20mln are limited and will reach the new risk appetite level over time on the basis of their repayment schedules.

On a **portfolio** level the risk appetite is set on the basis of the total of the 10 largest exposures versus the total loan portfolio. The risk appetite threshold for this key risk indicator was breached slightly end 2020 mainly due to lower than anticipated total loan book at the end of the year, but remained well within risk tolerance.

Sector concentration relates to the risk that sector or industry factors drive the likelihood of default for a significant number of counterparties in the portfolio. Industry concentration risk arises if the portfolio is unbalanced in exposures to certain sectors, entailing dependencies between default events.

With a specific focus on commodity trade and trade related sectors (like shipping) there is an obvious sector concentration. Having said that, commodity trade itself is a diversified industry where different sections react differently to related economic cycles. Commodity finance loans are distributed across firms trading different commodities. The profitability of these clients is more dependent on volumes of commodities traded than on the price level. Price declines of commodities are still a risk factor if the client is involved in commodity trades that are not hedged. The Shipping portfolio is spread over the shipping sub-sectors (dry bulk 20 %, product tankers 28%, chemical tanker 20%, container vessels 13 %, LPG and LNG carriers ca.19%), which are each impacted by their own supply/demand balance and not necessarily correlated. This was confirmed by a study performed in 2018 and demonstrated in 2020 by the diverse performance of dry bulk, tanker and container vessel markets during the year and during the pandemic.

ATB uses the Herfindahl-Hirschman Index (HHI) to measure concentration levels. The HHI is a commonly accepted measure of market concentration.

Country risk

Country risk is the risk of losses due to country-specific events or circumstances. It is also an exposure to cross-border risk, especially convertibility and transfer risk, i.e. the risk of obligations not being repaid as a consequence of a debt moratorium or similar payment restriction. Cross-border risk is the risk that funds in foreign currencies cannot be transferred out of a risk country as a result of a specific event or circumstance.

ATB's approach to measure country risk is based on a more strict interpretation of regulations for assigning countries of risk. The country of risk is defined in line with the DNB policy rule as "the risk that a borrower fails to meet his credit obligations owing to transfer or foreign currency risk and the risk of losses related to developments in a specific country, over which the government has some degree of influence, but private companies or individuals certainly have not".

The assignment of country of risk follows an approach which is geared towards identifying any single country where a potential country event will have a substantial effect on the overall financial performance of the counterparty. As guidance, this may be based on the country of incorporation of a company, the country where cash flows are generated or the country where the majority of supplies/production assets are situated.

The credit risk analysis of relevant countries is performed at least annually by Credit Risk. On the basis of this analysis, recommendations are made to establish or amend country limits. The analysis is based on the macro-economic circumstances of the countries, but also on the compliance and legal aspects of the country including ESG and climate related risks. These elements, combined with an indication from the business with regard to their pipeline and strategy involving certain countries, lead to a recommended maximum country limit.

Credit Committee is responsible for the establishment of country limits. The committee, in its considerations, explicitly takes economic, compliance and legal circumstances into account. Individual transactions are allocated to specific country limits by the Credit Committee. New or increased country limits are in a limited number of cases and based on a predetermined escalation model, decided upon by the Risk and Compliance Committee of the Supervisory Board.

Climate Related Risk

Climate related risk is the risk of potential losses due to impacts of, and vulnerability to, climate change, current and future climate variability and extreme events.

Climate-related and environmental risks are commonly understood to comprise two main risk drivers (as per the ECB's Guide on climate-related and environmental risks):

- **Physical risk** refers to the financial impact of a changing climate, including more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation, such as air, water and land pollution, water stress, biodiversity loss and deforestation.
- Physical risk is therefore categorised as "acute" when it arises from extreme events, such as droughts, floods and storms, and
- "chronic" when it arises from progressive shifts, such as increasing temperatures, sea-level rises, water stress, biodiversity loss, land use change, habitat destruction and resource scarcity.

This can directly result in, for example, damage to property or reduced productivity, or indirectly lead to subsequent events, such as the disruption of supply chains.

- **Transition risk** refers to an institution's financial loss that can result, directly or indirectly, from the process of adjustment towards a lower-carbon and more environmentally sustainable economy. This could be triggered, for example, by a relatively abrupt adoption of climate and environmental policies, technological progress or changes in market sentiment and preferences.

Physical and transition risk drivers impact economic activities, which in turn impact the financial system. This impact can occur directly, through for example lower corporate profitability or the devaluation of assets, or indirectly, through macro-financial changes.

These risks also affect the resilience of an institution's business model over the medium to longer term, and predominantly those institutions with business models that are reliant on sectors and markets which are particularly vulnerable to climate-related and environmental risks. In addition, physical and transition risks can trigger further losses, stemming directly or indirectly from legal claims (commonly referred to as "liability risk" and reputational loss as a result of the public, the institution's counterparties and/or investors associating the institution with adverse environmental impacts ("reputational risk").

With exposure mainly in Commodity Finance and Shipping Finance, ATB's business model is exposed to climate risk. With the implementation of the SME strategy including SME financing in the EU, Switzerland and the UK, this risk is expected to decrease.

Climate-related risks that may affect ATB are either physical risk, mainly arising from storms and flooding, and transition risk, related to exposure to sectors and assets which emit high levels of greenhouse gases.

With regard to **physical risk**, ATB's exposure is fairly limited to:

- **Office building:** The Business Contingency Plan describes the action plan in case ATB's premises would not be available or reachable.
- **Exposure to business located in the Netherlands and exposed to flood risk** is limited, mainly consisting of one terminal (Amsterdam).
- **In trade finance**, ATB does not have direct exposure to mines.

However, indirectly, ATB would be affected by secondary effects of climate-related events (lower economic growth, political instability etc.) and could be affected in its funding if savings deposits would decrease. This is mitigated to a certain extent by country diversification (Germany, Austria), assuming such event would not affect all markets at the same time.

With regard to **transition risks**, ATB's core business is generally related to sectors and assets which emit high levels of greenhouse gases, but ATB is not directly exposed to fossil fuel producers.

- **Commodity Finance:** ATB has no direct exposure to fossil fuel producers and limited exposure to producers in general (mainly via limited prepayment sub-limits). The Bank finances trade flows related to transition-sensitive products, such as agricultural products and fossil fuels, and metals related to the construction sector. Trade finance is however characterized by mainly uncommitted credit facilities, with short maturities. This allows for a gradual transition and is the main mitigant for the risks inherent to trade finance, including climate-related risks.
- **Shipping:** Vessels are carbon-intensive assets which may have a reduced economical life if rapid technological developments or a stricter climate policy render more polluting technologies obsolete. The impact will largely depend on the speed of the transition. For vessels this is expected to happen

rather gradually, through implementation of stricter IMO regulation, although local authorities such as ports may impose restrictions on shorter notice. The risks for ATB's shipping exposure are mitigated by a) relatively low Loan-to-Values (volume weighed average Loan to Value per end 2020 of 55%), resulting in moderate break-evens with a buffer in case for example charters pay less for less fuel efficient ships or ships without scrubbers and in general catering for unexpected changes in markets, b) ATB's portfolio also includes some very modern vessels which will withstand the higher expected standards c) ATB endorsed the Poseidon Principles as a sign of commitment to improving asset quality in the shipping portfolio. (see further down below)

We have incorporated the assessment of climate-related risks in our processes.

In general, ATB addresses risks related to climate change and sustainability in a broader sense at the earliest possible stage, when onboarding clients (RAF = Risk Assessment Form integrity/compliance) and when assessing new credit proposals (credit risk), as well as in the periodic reviews, in line with the Shipping Finance and Commodity Finance Policies.

In assessing those risks, ATB uses available data such as Rightship's Class for oceangoing vessels and more 'sustainable' scrap rates for the assessment of downside risk if vessels have to be demolished.

One of the risks generated by global climate change is posed by the direction of policy initiatives, social reaction, and consumer behaviour (either singly or in combination), which may lead to the accelerated devaluation of assets most closely associated with the carbon economy (the 'stranded asset' phenomenon). This may in the future be most readily noticeable in the change in market value of older vessels, storage facilities, or "dirty cargoes". ATB considers its medium and long term sensitivity to this risk to be

moderate and manageable, as: i) a large part of ATB's lending book is transactional and short term, allowing bank policy makers to anticipate trends in this area of lending; ii) loan to values on assets underpinning medium-term lending are not aggressive; and iii) the bulk of the medium term loan portfolio is amortising, which means that the future balloon risk is quantifiable and time-limited.

ATB is also in the process of offering services to SMEs in diversified sectors which would further de-risk the bank in this respect.

Although potential sustainability issues are part of the risk assessment, we have so far not quantified this in any other way except for the impact on residual values, which is reflected in our relatively conservative LGD floor of 20% for vessel financings.

With regard to our endorsement of the Poseidon Principles:

The Poseidon Principles ('PP') establish a global framework for assessing and disclosing whether ship finance portfolios align with the International Maritime Organisation's ("IMO") goal of reducing shipping's total annual greenhouse gas emissions by at least 50% of 2008 levels by 2050.

They take as their basis the IMO's MARPOL Annex VI Data Collection System for fuel oil consumption of ships, adopted by resolution MEPC.278(70) which entered into force on 1 March 2018. 2019 was the first year that ships of 5,000 gross tonnage and above were required to collect data relating to:

1. The amount of fuel consumption for each type of fuel in metric tonnes;
2. Distance travelled;
3. Hours underway; and
4. The technical characteristics of the ship including design deadweight.

The aggregated data are reported to the flag State at the end of each calendar year and the flag State, having determined said data has been reported in accordance with the IMO's requirements, issues a Statement of Compliance ('SoC') to the ship. Flag States are then required to transfer this data to an IMO Ship Fuel Oil Consumption Database. Flag States are expected to delegate these responsibilities to a Recognised Organisation (usually classification societies). The IMO is required to produce an annual report to the Marine Environment Protection Committee, summarising the data collected.

The Poseidon Principles Association calculate and publish the target carbon intensity for given ship types and size classes in a given year by calculating a decarbonisation-consistent carbon intensity trajectory up to 2050, which ends with the IMO target of 50% reduction in greenhouse gas emissions. To conclude this exercise, the same DCS data with those supplied to the IMO (and the accompanying Statement of Compliance) are used in order to calculate the carbon intensity of each ship.

The methodology for executing this process involves four distinct steps. First, signatory financiers source the IMO DCS data and the SoC via a Recognised Organisation (usually classification societies) or directly from

the shipowners. Secondly, by using the IMO DCS data, parties calculate i) each vessels' carbon intensity via the Annual Efficiency Ratio ['AER'] as well as ii) each vessels' alignment with the decarbonization trajectories. Calculations can either be done internally by Signatories or outsourced to an independent third party. Thirdly, a portfolio climate alignment is calculated by using the vessel climate alignment data from step 2 and Signatories' loan book data (i.e., debt outstanding). The Fourth step establishes disclosure requirements that will serve as a quality control mechanism. This involves all Signatories submitting once per year their portfolio information to the PP secretariat as well as annually publish their overall portfolio's climate alignment on their annual report. Overall, the aforementioned process allows financiers to identify to what extent their portfolio as a whole meets the IMO target for the reporting year.

The aim of the PP is that lenders, lessors and guarantee providers take carbon intensity into account when considering the ships they are prepared to finance which will in turn encourage 'greener' ships that are aligned with the IMO targets.

For FY2020, ATB's shipping finance portfolio was found to be out of alignment with the emissions reduction targets set in the Poseidon Principles. This indicates that there is a lot of room for improvement. However, as we are not actively expanding our Shipping portfolio anymore, the development of this number will largely depend on the amortization of our current Shipping book, as well as on trading patterns of the financed assets. As mentioned earlier, vessels with similar technical specifications (including fuel consumption) may perform better or worse depending on whether they do short haul or long haul voyages, how much time they spend in ports etc.

E.3.1 Expected Credit Losses - IFRS 9

Specific ECL requirements based on IFRS 9 prescribe to determine an allowance for expected credit losses with respect to the performing part of the portfolio. Subject to the 'Staging' of a financial asset, IFRS 9 principles determine whether a 12 month ECL (Stage 1), lifetime ECL (Stage 2) or credit impairment (Stage 3) is taken as a loss provision. The distinction between Stage 1 and Stage 2 is identified by a 'significant' increase in credit risk since origination for each specific exposure. Stage 3 applies if impairment triggers are met in line with the current practice (see next chapter). The ECL calculation based on this staging process is performed on a quarterly basis.

Finance prepares the impairment charge calculations based on ATB's ECL model and provides the reports to Credit Risk. Credit Risk reviews the outcome of the standard scenario. The standard scenario is based on a) the RiskCalc application data (i.e. software application supplied by Moody's) and b) the Shipping matrix which was developed by ATB in 2020 to better reflect the specific outlook for ATB's Shipping portfolio on the basis of the Marsoft 12-month forecast for relevant Shipping sub-sectors. Credit Risk specifically checks the plausibility of the scenarios (standard scenario includes a high (good) and low (bad) scenario) sourced from the ECL model, including a comparison of credit cycle adjustments vs. economic outlook as provided by IMF, World Bank, OECD and ECB. Credit Risk then prepares an analysis for the quarterly Provisioning Committee meeting. This analysis focuses on a comparison to the previous quarter and any expert based adjustments (for example longer assumed tenor for trade finance transactions due to expected and/or witnessed delays in the logistics chain caused by the Covid-19 pandemic and leading to longer transaction tenors). Even if no expert based adjustments are necessary, the analysis explains the reasoning behind this decision. The ECL recommendation including analysis is presented by Credit Risk to the Provisioning Committee.

Staging

Staging guidelines in accordance with amended IFRS 9 determines whether a 12 month ECL (stage 1), lifetime ECL (stage 2) or a credit impairment (stage 3) is taken as an impairment charge.

The distinction between stage 1 and stage 2 is identified by a 'significant' increase in credit risk since origination for each specific exposure. Stage 3 applies if impairment triggers are met. In the IFRS 9 Standard, guidelines and indications for staging movements between stage 1 and stage 2 are provided and translated into practical policies that can be applied to ATB's portfolio.

ATB has decided to implement a staging policy that covers its entire portfolio. ATB's portfolio mainly consists of Corporates, Financial Institutions and Government exposures. From a credit risk perspective those are approached in a similar way: All exposures are individually assessed and accompanied with credit ratings which provide indications of default probabilities and LGDs, which provide indications of losses in case of default. ATB does not have any retail exposures. The staging decision process is based on developments in the credit rating and the associated probabilities of default (PD), representing the indication for an increase in credit risk. The credit ratings include both quantitative and qualitative factors. The staging assessment is subsequently based on the change in PD since origination.

A threshold by means of a multiplier (2.5x) is applied by ATB to assess whether the default probability has 'significantly' increased. An absolute threshold is used of 0.35% and an upper threshold of 10%, comparing the current default probability with the default probability at origination. No significant increase in credit risk can be assumed for financial instruments with low credit risk. Low credit risk means investment grade, based on IFRS 9 Article B5.5.23. The Bank only applies the low credit risk assumption to the interest bearing securities portfolio.

In addition to the change in PD ATB also introduced some hard stops triggering a staging movement from Stage 1 to Stage 2, such as forbearance and Watch List status.

Although all exposures are individually assessed, there is a collective element in the credit cycle adjusted PDs based on countries and industry sectors. On top of that, additional scenarios can be defined on countries and/or industries which can effectively override the modelled cycle adjustment. In this way, the collective assessments for staging are already captured in the individual, cycle adjusted, PD assessments.

ATB is basing its staging (12-month versus lifetime expected credit losses) on quantitative changes in the PDs, however a process is in place that allows qualitative elements to be incorporated into its PDs. As such, all relevant factors are captured in the PD which is used as the basis for the staging assessment.

New originations are in principle recognised in stage 1, even if other exposures of the same customers are already recognised in stage 2. This is based on the amended IFRS 9 guidelines that an increase in credit risk is measured from origination. For this reason it is important to establish what constitutes a 'new origination'.

- Drawings of loans, Letter of Credits or guarantees under an existing uncommitted facility are considered new originations with the origination date at the date of the actual drawing.
- Drawings of loans, Letter of Credits or guarantees under an existing committed facility are not considered new originations but originations with the origination date at the facility start date.
- Drawings under an overdraft facility are not considered new originations, but originations at the facility start date.

This principle can however be overridden by hard stop stage 2 triggers such as watch list status of the borrower.

Policy for return from stage 2 to stage 1

Increased credit risk can result in financial instruments moving from stage 1 to stage 2. Subsequent improvements in credit risk can result in a reclassification of financial instruments back from stage 2 to stage 1. The movements from stage 2 back to stage 1 are decided on the criteria defined below. While essentially a buffer is defined, i.e. the performance has to be better than the initial threshold to be allowed back into stage 1. This puts the customer (exposure) on a probation period: it has to prove that stage 1 is indeed the right classification before returning back to it.

Default probability criteria

The quantitative criteria are an exact mirror image of the criteria for increased credit risk, except for an allowance to see a certain minimum improvement in credit risk before returning the exposure to stage 1.

The multiplier: A movement of the multiplier back below the threshold of 2 (2.5 minus 20%) will move the exposure back to stage 1, unless the difference with the origination PD is above the upper limit threshold.

- The lower limit threshold: A movement of the PD below the absolute lower threshold (0.28%, 0.35% minus 20%) limit will move the exposure back to stage 1.
- The upper limit threshold: A movement of the PD below the upper limit threshold (8%, 10% minus 20%) will move the exposure back to stage 1, unless the multiplier threshold is above 2.0.
- An exposure in stage 2 that is upgraded to investment grade will move to stage 1, regardless of the multiplier threshold or absolute limits.
- An exposure upgraded from the "CCC" rating category will not be automatically classified in stage 2 but will be re-assessed against the multiplier threshold and the absolute limits.

A backstop of 30 days past due remains. Any customer with a 30 days past due cannot be moved back to stage 1, regardless of any decision and changes to the rating of the involved customer.

A return from Stage 3 to Stage 2 is subject to a one year probation period.

Impaired loans and non-performing loans are classified as stage 3 loans. These loans are assessed individually and the impairment amounts are based on individual (discounted) cash flow analysis.

Impairment process, staging assessment and responsibilities

The staging assessment is based on the PDs which result from the rating process. Some of the qualitative elements of the staging assessment are captured in the rating override process. The rating process, including the overrides, is therefore an essential part of the IFRS 9 staging process. Additionally there are some qualitative backstops triggering a movement stage from stage 1 to stage 2 (forbearance, watch list).

For stage 3 impaired exposures, overrides and any other designation is assigned on an individual basis. All other exposures, stage 1 and 2, are regularly assessed in order to determine the staging level. At new origination, stage 1 is assigned to a financial instrument.

The rating process is triggered by new originations and reviews. Next to those regular triggers the rating process can also be triggered by certain events that require a review of the rating (event driven rating reviews), including the IFRS 9 qualitative triggers: forbearance, past due and other triggers (through the NPL classification and the 30 days past due backstop).

The reviews are at least annual but can be more frequent depending on the rating or classification of the customer. Overdue reviews automatically end up on the closely monitored list to allow close follow-up. Reviews are also triggered by a classification move to watch list, NPL or forbearance or by a move back to performing or the removal of the forbearance qualifier. Separately, the 30 past due status is taken into account for the final IFRS 9 staging designation.

The result of the staging process is presented to the Provisioning Committee on a quarterly basis. To this end, an impairment analysis is prepared which is including the results of the staging assessment process:

- The exposures that are breaching PD thresholds may result in a movement between stage 1 and 2.
- A summary overview of all financial instruments subject to the impairment process and effected by the staging process as well as an assessment of the impairment charge.

The conclusions of the staging process are part of the impairment analysis which summarises in detail the movements of loss allowances assigned to the related financial instruments at the current reporting period as compared to the previous period.

Credit Risk has a key responsibility for the IFRS 9 staging assessment process. It ensures that all the required qualitative assessments and judgements in the rating overrides are provided for performing loans and non-performing loans managed by the business.

Financial Restructuring and Recovery has a key responsibility for stage 3 loans and their individual assessment.

Finance prepares the loss allowance overview pack for the Provisioning Committee. The staging information is part of that overview. The final result, i.e. the impairment stage per exposure, is used by Finance for the final calculation of the loss allowance at quarter-end.

Sensitivity analysis

ATB applies the following approach for the forward looking scenarios:

- good and bad scenarios are always applied for all transactions according to an automated procedure;
- retrieve the credit cycle adjustment (CCA) factor from RiskCalc;
- compare the CCA factor against 12-month GDP growth forecasts (IMF, World Bank, ECB, OECD)
- for shipping exposures, the shipping matrix defines an average volume weighted multiplier based on Marsoft's base case forecast. The weight of this scenario is based on the likelihood assigned by Marsoft to their base case.

When estimating the ECL, ATB considers three scenarios (a base case, a good and a bad scenario). For the good scenario, ATB applied a good scenario weight of 12% with a multiplier of 0.3 and a bad case scenario of 4% with a multiplier of 4. The good and bad scenario weights and multipliers are updated annually on the basis of historical default data from S&P.

The IFRS 9 required forward looking component is effectively incorporated into the credit cycle adjustment, based on Moody's Distance-to-Default approach, which in turn is based on equity markets as an early warning indicator. It creates a full credit cycle adjusted PD term structure (up to 5 years).

The Moody's credit cycle adjustment factors (<1 indicating a slightly better than historical average outlook and the average being 1) are compared to GDP growth forecasts as provided by the IMF, World Bank and OECD, for the world, Euro area and Russia. In 2020 we also added the ECB outlook.

Shipping exposures ECL is calculated including the impact of the shipping matrix.

In the annual report, both the bad and the good scenario have been applied in the ECL calculation. The impact with regard to the scenarios applied can be summarised as follows:

- The effect of the good and the bad scenarios as applied in the ECL calculation is an increase of the impairment charge of € 258,763. Without these scenarios, the allowance for ECL would be € 258,763 higher.
- When only applying the good scenario to the ECL calculation, the total ECL provision would have decreased with € 214,339.
- The effect of only applying the bad scenario in the ECL calculation would result in an increase of the ECL provision of € 471,476.

Management overlay

Management overlay or expert scenarios are applied when the comparison of credit cycle adjustments with GDP growth shows a discrepancy between model outcome and economic outlook. 2020 was particularly challenging in that respect due to the uncertainty around economic outlook following the impact of the Covid-19 pandemic, the specific impact on sectors, clients and exposures financed by ATB and the expected duration of the pandemic.

ATB's provisioning and expert scenarios take into account ATB's exposure to specific sectors and also take into account the specific borrowers and type of exposure/facilities ATB has.

Final ECL for both Q4 2019 and Q4 2020 were based on substantial management overlay, although it is has to be noted that part of the 'management overlay' in 2019 was related to an expert scenario for the Shipping portfolio, which in 2020 was replaced by embedding the shipping matrix in the standard model outcome.

An overview of the impact of overlay in Q4 2020 in comparison with Q4 2019 can be found in next table:

Management overlay

(in 1,000 euro's)

	31 December 2020		
	Exposure	ECL	ECL %
ECL S1 and S2 standard	746,802	5,040	0.67%
ECL Shipping standard	185,451	3,109	1.68%
ECL S1 and S2 expert	746,802	6,476	0.87%
ECL Shipping expert	185,451	4,307	2.32%
15% mark-up on S1 and S2	n/a	971	15.00%
additional mark up on Shipping portfolio	n/a	-	-
total ECL S1&2 incl. 15% mark-up	746,802	7,447	1.00%
total ECL S1&2 incl. 15% mark-up and shipping add-on	n/a	-	-
ECL Shipping incl standard shipping matrix	185,451	4,340	2.34%
total management overlay impact	746,802	2,407	0.32%

(in 1,000 euro's)

	31 December 2019		
	Exposure	ECL	ECL %
ECL S1 and S2 standard	1,150,045	3,792	0.33%
ECL Shipping standard	311,203	1,650	0.53%
ECL S1 and S2 expert	1,150,045	4,508	0.39%
ECL Shipping expert	311,203	2,081	0.67%
15% mark-up on S1 and S2	n/a	676	15.00%
additional mark up on Shipping portfolio	n/a	751	25.00%
total ECL S1&2 incl. 15% mark-up	1,150,045	5,185	0.45%
total ECL S1&2 incl. 15% mark-up and shipping add-on	-	5,936	0.52%
ECL Shipping incl standard shipping matrix	n/a	-	-
total management overlay impact	1,150,045	2,144	0.19%

The management overlay 2019 was based on a) US/China trade tensions and b) cycle adjustments as provided by Moody's being not in line with economic outlook for specific segments (*shipping and manufacturing*), and c) a mark-up for inherent model uncertainties.

This resulted in an overall impact of management overlay of € 2.1mln, an increase in ECL percentage on stage 1 and stage 2 exposure by 0.19%, from 0.39% to 0.52%.

For 2020 the impact of management overlay is higher amounting to € 2.4mln (on lower total exposure) and in percentage the increase is by 0.31% (from 0.68% to 1%).

The management overlay 2020 included longer assumed drawings to reflect delays in the logistical chain leading to longer overall transaction tenors, an additional bad scenario for CIS exposure to counterbalance the Moody's cycle adjustment factor which was not in line with market outlook and an expert scenario for the shipping portfolio based on Marsoft's low case forecast to reflect the uncertainties with regard to Covid-19 pandemic. Same as 2019, ATB included a mark-up for inherent model uncertainties.

The ECL% including all overlay effectively almost doubled from 0.52% to 1% for stage 1 and stage 2 in 2020 compared to 2019, reflecting the extreme circumstances and uncertainties related to the Covid-19 pandemic.

E.4 Market risk

Market Risk is the risk that movements in market risk factors, including foreign exchange rates, interest rates, credit spreads, equity prices and commodity prices, will negatively impact the Bank's capital, income or the liquidity position.

The Bank differentiates between two types of market risk:

1. Market risk in the Trading Book that arises primarily through taking positions held for active trading in debt, foreign exchange and derivatives.
2. Market risk in the Banking Book that arises from market movements (foreign exchange, interest rates, etc.) primarily outside the activities of trading units, in the banking book for positions held for long-term or until maturity.

ATB recognises the importance of sound market risk management and bases its market risk management framework on the approach to identify, assess, control and manage market risks.

ATB assesses inherent Market Risk as Minor, with risk appetite being set as Risk Averse. Market limits are set to prevent the accumulation of market risk beyond the market risk tolerance level. Market risk management is governed through a dedicated framework through which the Bank allows market risk exposures in our Trading and Banking book without unduly compromising its capital and the stability of its earnings.

Key metrics for market risk are set and periodically review in the Risk Appetite Dashboard. At year end 2020 the Bank had no material market risk exposure.

Our Treasury department focuses primarily on Asset-Liability Management and is not engaged in any trading activity. As a result there are no active positions in the Trading Book and no market risk in the Trading Book. All the positions are stemming from the Banking Book.

E.4.1 Interest rate risk management

In line with the internal risk governance system Interest Rate Risk in the Banking Book (IRRBB) is defined as a sub-section of the Market Risk, hence inherent risk (Minor) and risk appetite (Risk Averse) are the same.

The Bank's IRRBB management strategy aims to establish an effective risk management process that maintains interest rate risk within prudent levels. The aim of the Bank is to measure IRRBB across the whole balance sheet (including balance and off-balance sheet positions).

Main principals in hedging and managing interest rate risk (IRR) exposure are 1) maintaining sufficient capital buffer to sustain interest rate shocks, 2) continuous ability to generate stable earnings sufficient to maintain bank's normal business operations, and 3) macro level active hedging using derivative instruments.

ATB is measuring IRRBB using both earnings and economic value perspective. Monitoring tools include Economic Value of Equity (EVE), Gap analysis and Earnings at Risk (EaR). In repricing gap report (prepared separately for EUR and USD) interest rate sensitive assets are compared to interest rate sensitive liabilities. The net position per time period and cumulative

gap is then calculated for each material currency. Furthermore, ATB stresses yield curve movements through parallel and nonparallel shifts to calculate interest rate risk sensitivity. The interest rate limit utilizations for all risk calculations are then reported and discussed during regular ALCO meetings. Key metrics for market risk are set and periodically reviewed in the Risk Appetite Dashboard.

Interest risk is also managed by adjusting the interest rates charged to customers (borrowers as well as savings clients) to the interest rate fluctuations on the money market. The adjustments of interest rates show a delay compared to the market fluctuation, especially when funding has a longer term. This could lead to a risk exposure which is being mitigated through capital and interest margin.

ATB's IRR arises from non-trading asset and liability positions. In 2020 the overall IRR sensitivity decreased since ATB reduced average duration of the assets and reduced gaps in the longer-term buckets as part of business transformation. The Interest Risk as calculated and presented in the next overview is based on the contractual interest revision dates and gives information per balance sheet item per time bucket.

Interest rate risk

at 31 December 2020

(in 1,000 euro's)	On demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No interest rate maturity	Total
Assets								
Cash and balances with central banks	383,387	-	-	-	-	-	-	383,387
Loans and advances to banks	17,530	1,604	-	10,520	-	-	-	29,654
Loans and advances to customers	153,012	135,256	195,240	43,298	16,120	5,310	-	548,236
Interest-bearing securities	-	20,000	-	70,000	133,309	-	-	223,309
Shares and other non-interest-bearing securities	-	-	-	-	-	-	3	3
Intangible assets	-	-	-	-	-	-	3,999	3,999
Property and equipment	-	-	-	-	-	-	1,538	1,538
Prepayments and accrued income	-	-	-	-	-	-	10,103	10,103
Other assets	-	3,251	2,380	1	-	-	9,100	14,732
Total assets	553,929	160,111	197,620	123,819	149,429	5,310	24,743	1,214,961
Liabilities and equity								
Amounts due to banks	13,703	-	-	-	100,000	-	-	113,703
Funds entrusted	444,618	30,529	69,618	179,530	185,203	-	-	909,498
Accruals and deferred income	-	-	-	-	-	-	6,354	6,354
Provisions and other liabilities	-	-	287	2	-	-	10,872	11,161
Total liabilities	458,321	30,529	69,905	179,532	285,203	-	17,226	1,040,716
Equity	-	-	-	-	-	-	174,245	174,245
Total equity	-	-	-	-	-	-	174,245	174,245
Total liabilities and equity	458,321	30,529	69,905	179,532	285,203	-	191,471	1,214,961
Net interest position	95,608	129,582	127,715	-55,713	-135,774	5,310	-166,728	-

Interest rate risk

at 31 December 2019

(in 1,000 euro's)	On demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No interest rate maturity	Total
Assets								
Cash and balances with central banks	210,244	-	-	-	-	-	-	210,244
Loans and advances to banks	13,690	2,478	54,468	33,217	1,590	-	-	105,443
Loans and advances to customers	280,835	150,322	239,566	-	114,388	14,493	-	799,604
Interest-bearing securities	-	9,993	-	35,031	208,906	-	-	253,930
Shares and other non-interest-bearing securities	-	-	-	-	-	-	198	198
Intangible assets	-	-	-	-	-	-	5,849	5,849
Property and equipment	-	-	-	-	-	-	1,850	1,850
Prepayments and accrued income	-	-	-	-	-	-	12,086	12,086
Other assets	-	2,325	804	94	-	-	1,092	4,315
Total assets	504,769	165,118	294,838	68,342	324,884	14,493	21,075	1,393,519
Liabilities and equity								
Amounts due to banks	5,205	87,690	68,683	-	-	-	-	161,578
Funds entrusted	441,024	46,987	63,623	239,204	202,550	-	-	993,388
Accruals and deferred income	-	-	-	-	-	-	9,613	9,613
Provisions and other liabilities	-	1,859	2,485	241	4,001	-	13,737	22,323
Subordinated loans	-	35,000	-	-	-	-	-	35,000
Total liabilities	446,229	171,536	134,791	239,445	206,551	-	23,350	1,221,902
Equity	-	-	-	-	-	-	171,617	171,617
Total equity	-	-	-	-	-	-	171,617	171,617
Total liabilities and equity	446,229	171,536	134,791	239,445	206,551	-	194,967	1,393,519
Net interest position	58,540	-6,418	160,047	-171,103	118,333	14,493	-173,892	-

Effective interest rates at:

(in % per annum)	31 December 2020		31 December 2019	
	EUR	USD	EUR	USD
Assets				
Loans and advances to banks	2.53	-	0.52	5.25
Loans and advances to customers	4.52	4.49	3.46	5.77
Interest-bearing securities	0.13	-	0.22	-
Liabilities				
Amounts due to banks	0.42	-	0.39	3.09
Savings and savings deposits	0.41	-	0.58	2.39
Other funds entrusted	0.05	0.02	0.03	0.49
Subordinated loans			4.50	-

E.4.2 Foreign exchange risk management

In line with the internal risk governance system, foreign currency (FX) risk is defined as a sub-section of the Market Risk, hence inherent risk (Minor) and risk appetite (Risk Averse) are the same. The Bank conducts business in various currencies, with EUR and USD being the most material currencies in which the business is conducted, and CHF, GBP, RUB and JPY being other relevant currencies. For hedging and managing foreign exchange exposure derivative transactions are used. FX risk arises due to activities in the Banking Book.

The Bank expresses the FX Limits in term of Value at Risk (VaR) and notional limits.

VaR limit for the Banking Book (1 year 99% VaR) and the Trading Book (1 day 99% VaR) are defined and managed separately by Risk Management. Key metrics for market risk are set and periodically review in the Risk Appetite Dashboard. At year ended 2020 the Bank had no material net FX risk exposure. We note FX derivatives hedges executed to hedge future (budgeted) income of 2021 which can lead to short-term fluctuations of P&L but provide stability to earnings on a longer term. Those hedges, though influence our VaR metrics are excluded from the reported below FX positions as being considered to be compensated by the future income.

The Foreign exchange contracts at ATB relates to FX forwards.

Foreign exchange position

(in 1,000 euro's)	31 December 2020			31 December 2019		
	Long	Short	Net	Long	Short	Net
Pound sterling	1,219	1,229	-10	5,435	5,692	-257
Japanes Yen	9	-	9	9	-	9
Russian Ruble	419	418	1	367	349	18
Swiss Franc	42	-	42	69	-	69
US Dollar	528,962	528,963	-1	732,959	732,436	523
Other	-	21	-21	28	26	2
Total	530,651	530,631	20	738,867	738,503	364

Foreign exchange contracts

(in 1,000 euro's)	Year	Notional amount			Market value		
		Total	<= 1 year	1-< 5 year	> 5 year	Positive	Negative
	2020	334,961	334,961	-	-	5,633	-288
	2019	460,581	460,581	-	-	1,754	-3,624

The foreign exchange contracts consist mainly on USD contracts.

In the statement of financial position the total euro equivalent in foreign currency of assets amounts to € 469 million (2019: € 701 million), and of liabilities amounts to € 227 million (2019: € 298 million).

ATB's cross currency swaps portfolio can be detailed as follows:

(in 1,000 euro's)	Year	Notional amount			Market value		
		Total	<= 1 year	1-< 5 year	> 5 year	Positive	Negative
	2020	135,361	50,000	85,361	-	7,433	-
	2019	135,361	-	135,361	-	-	-4,743

Cross currency swaps consist of USD - EUR swap positions. The notional amount is expressed in EUR currency at contract date FX rate.

E.5 Liquidity risk

As a key area of focus, ATB puts a high priority on establishing an internal funding and liquidity risk strategy that ensures ATB measures, monitors and manages its liquidity risk to be able to withstand a range of stress circumstances without endangering the continuing viability of its business. ATB assesses inherent Liquidity and Funding Risk as Minor, with risk appetite being set as Risk Averse.

The Bank manages its liquidity profile by short-term liquidity risk management combined with a long-term funding strategy. Additionally, liquidity risk stress testing is an important element of liquidity risk measurement, risk evaluation and contingency funding planning for all potential contingent as well as improbable, but plausible stress events.

ATB uses liquidity stress tests as a management tool to identify the potential vulnerabilities and worst-case liquidity risks of ATB on its current cash flows and liquidity position. Key metrics for liquidity risk are set and periodically reviewed in the Risk Appetite Dashboard. Due to the importance, the Bank also implemented a separate liquidity dashboard.

In 2020, the main driver of both liquidity and funding risk came from the fact that the majority of our funding is raised in the form of Dutch, German and Austrian retail deposits (denominated in Euros), while the majority of lending is conducted in USD denominated advances. The market risk of this currency mismatch was successfully managed down to acceptable exposure levels. However, we recognise high dependency on the retail funding and the need for further diversification of the funding base and have used several instruments to improve it, such as repos of assets in the securities portfolio with commercial European banks, LTRO and TLTRO III operations (LTRO funding of € 20 million was received and paid back in 2020).

Stable retail customer base and ATB's ability to manage it is a strong side of ATB liabilities. There are examples of successful expansion to German, Austrian and UK markets, number of efforts to raise or reduce rates (e.g. successful management of both in and out-flows) and corresponding marketing campaigns.

Stress testing

Stress testing is an important risk management tool that provides input for strategic decisions and capital planning.

The stress testing program in ATB, in line with the EBA Guidelines on institutions' stress testing at least consists of the following steps:

- i) identify all relevant risk factors based on a vulnerability analysis,
- ii) apply appropriate, meaningful and robust mechanisms for translating risk factors into relevant risk parameters,
- iii) draft relevant scenarios which comprise of a set of risk factors with a projection horizon of at least three years,
- iv) aggregate the impact of all the risk factors on capital and liquidity for each scenario,
- v) identify credible management actions addressing the outputs of the stress testing. Institutions should cover all material risk categories that the institution is exposed to with regard to both on- and off-balance sheet assets and liabilities.

Stress testing aims on exposing the material risk at which the bank is sensitive and which therefore should be given more attention from the risk management perspective. The relevant output of the stress tests is taken into account as part of a range of risk management tool to support different business decisions and processes, keeping in mind the assumptions made and limitations of the stress testing exercise. The integral aspect of the testing strategy is involvement of the Board and Senior Management in ensuring the appropriate use of stress testing in the capital planning.

The Bank regularly performs stress tests related to its entire portfolio to assess the potential impact on its capital, earnings and liquidity position. Stress testing is also embedded into the Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP).

Furthermore, ATB applies reverse stress testing to further explore the vulnerabilities of ATB's risk profile and identify a scenario with a higher likelihood that could threaten ATB's viability. The reverse stress test is performed on an annual basis and integrated into the annual ILAAP and ICAAP process. In the light of any substantial changes in the market or other factors affecting the financial strength of the bank, reverse stress testing might be updated more frequently to assist in mitigating potential risks to the Bank.

Liquidity requirements under CRR

On a daily basis, ATB monitors the regulatory risk indicators of Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR), as well as other internal liquidity measures such as survival period (calculated based on internal stress test), Non-EEA ratio, asset encumbrance ratio, etc. Both LCR and NSFR are measured based on regulatory run off and recovery factors. The Bank monitors and manages its compliance with these ratios based on the minimum regulatory and internally set risk tolerance levels.

LCR and NSFR both remained above 100% throughout 2020. With LCR of 401% and 726% and NSFR of 181% and 278% at the beginning and the end of 2020 we maintained a very conservative liquidity risk profile in line with our "Risk Averse" appetite to the risk (In 2020 Risk Appetite/Risk Tolerance thresholds for both LCR and NSFR were defined at 120%/110%).

The next tables represent the assets and liabilities based on their remaining contractual terms to maturity at reporting date. Retail savings accounts that are on demand (€ 370.8 million) are presented based on expected maturity.

Liquidity risk

at 31 December 2020

(in 1,000 euro's)	On demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No cash flow	Total
Assets								
Cash and balances with central banks	376,141	-	-	-	-	-	7,246	383,387
Loans and advances to banks	14,906	1,601	-	13,147	-	-	-	29,654
Loans and advances to customers	7,129	22,231	118,408	153,546	236,632	10,290	-	548,236
Interest-bearing securities	-	20,024	-	70,298	132,987	-	-	223,309
Shares and other non-interest-bearing securities	-	-	-	-	-	-	3	3
Intangible assets	-	-	-	-	-	-	3,999	3,999
Property and equipment	-	-	-	-	-	-	1,538	1,538
Prepayments and accrued income	380	3,023	103	5,102	1,495	-	-	10,103
Other assets	-	3,203	2,380	4,627	3,861	-	661	14,732
Total assets	398,556	50,082	120,891	246,720	374,975	10,290	13,447	1,214,961
Liabilities and equity								
Amounts due to banks	13	-	-	13,690	100,000	-	-	113,703
Funds entrusted	112,731	67,808	88,110	218,659	277,438	144,752	-	909,498
Accruals and deferred income	-	4,230	-	2,025	99	-	-	6,354
Provisions and other liabilities	-	-	288	10,873	-	-	-	11,161
Total liabilities	112,744	72,038	88,398	245,247	377,537	144,752	-	1,040,716
Equity	-	-	-	-	-	-	174,245	174,245
Total equity	-	-	-	-	-	-	174,245	174,245
Total liabilities and equity	112,744	72,038	88,398	245,247	377,537	144,752	174,245	1,214,961
Liquidity GAP	285,812	-21,956	32,493	1,473	-2,562	-134,462	-160,798	-

Liquidity risk

at 31 December 2019

(in 1,000 euro's)	On demand	Within 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 year and 5 years	Over 5 years	No cash flow	Total
Assets								
Cash and balances with central banks	201,571	-	-	-	-	-	8,673	210,244
Loans and advances to banks	13,689	-	6,946	83,218	1,590	-	-	105,443
Loans and advances to customers	71,843	146,310	130,373	110,384	328,651	12,043	-	799,604
Interest-bearing securities	-	9,993	-	35,031	208,906	-	-	253,930
Shares and other non-interest-bearing securities	-	-	-	-	-	-	198	198
Intangible assets	-	-	-	-	-	-	5,849	5,849
Property and equipment	-	-	-	-	-	-	1,850	1,850
Prepayments and accrued income	-	2,850	128	4,863	4,245	-	-	12,086
Other assets	-	2,325	804	94	-	-	1,092	4,315
Total assets	287,103	161,478	138,251	233,590	543,392	12,043	17,662	1,393,519
Liabilities and equity								
Amounts due to banks	5,205	87,690	59,778	8,905	-	-	-	161,578
Funds entrusted	133,974	81,476	80,730	275,404	287,884	133,920	-	993,388
Accruals and deferred income	-	7,158	42	2,129	284	-	-	9,613
Provisions and other liabilities	-	1,818	2,485	14,019	4,001	-	-	22,323
Subordinated loans	-	-	-	-	35,000	-	-	35,000
Total liabilities	139,179	178,142	143,035	300,457	327,169	133,920	-	1,221,902
Equity	-	-	-	-	-	-	171,617	171,617
Total equity	-	-	-	-	-	-	171,617	171,617
Total liabilities and equity	139,179	178,142	143,035	300,457	327,169	133,920	171,617	1,393,519
Liquidity GAP	147,924	-16,664	-4,784	-66,867	216,223	-121,877	-153,955	-

E.6 Operational risk

During 2020 operational risk was at the forefront of our collective consciousness as several strategic initiatives were rolled out in parallel, introducing interdependencies and potential spill-over risks between processes, systems and the organisation.

At the end of 2019 - beginning of 2020 the bank underwent significant restructuring and reorganisation as a result of ATB's enhanced strategic direction and planned changes to the operating model. Changes in the processes and significant reduction of staff were key risk factors by which the operational risk profile could have been impacted. Practices of switching to the working from home environment was another factor to consider from the operational risk perspective.

During this period, the infrastructure and systems proved to be fully capable to support the business continuity with the staff working from home in the changed business environment. All the staff members were asked to work from home unless there was an inevitable driver to be in the office. For such exceptional cases a special approval was required from the Management Board. These conditions are still in place until the situation with Covid-19 improves. To support employees in their working from home conditions, a special compensation scheme was developed and implemented. In general, there were no material changes in the internal control framework as a result of the changed environment.

ATB is expected to operate in a turn-around state in 2021 and undergo significant transformation in line with the revised strategy. To reflect the potential challenges in the new environment, for the year of 2021 ATB is ready to accept some inefficiencies in process setup and systems' functionalities as well as volatility in headcount and staff expertise. However, there is a longer term ambition to achieve operational excellence, minimizing risks due to errors and/or suboptimal design. ATB is exposed

to potential losses caused by failures in information, system processing, settlement of transactions and procedures.

Operational risk management entails Identification, Assessment, Response and Monitoring of operational risks. These components form an iterative process. The identification of new risks (or new developments in existing risks) leads to an assessment of the nature and significance of each risk. Based on the resulting classification of a risk, the appropriate risk response can be determined. Timely and effective implementation the actions associated with the appropriate response is then monitored, alongside other indicators which can then lead to new identification of risks. To support and embed this cycle throughout the organisation, a set of methods and tools is employed. Such tools include:

1. Risk and Control Self-Assessment (RCSA);
2. Events Reporting (internal and external);
3. Scenario Analysis used to identify and assess risks that are less likely to occur, but still plausible in a stress situation;
4. Internal Control framework employed to provide reasonable assurance that mitigating actions as defined during the assessment / response stages are effective;
5. Key Risk Indicators provide insight in the current state of risks, enabling active monitoring and assurance that risks remain within permissible limits;
6. Corrective Action Plans (CAP List) which is a central overview of remediation actions in response to operational risks.

Operational risk management is designed in accordance with the Three Lines Model. The oversight on operational risk is coordinated by the Operational Risk Committee (ORC).

Capital requirements for operational risk are calculated using the Basic Indicator Approach (BIA).

In 2020 RCSAs continue to be conducted for the selected key value chains. These RCSAs result in the identification and assessment

of operational risks; the residual impact and likelihood of these risks are taken as input for ATB forward-looking assessment of potential operational risk materialization (i.e. scenario analysis). The RCSAs are followed by the control monitoring and testing aimed at validating the key controls' design and effectiveness.

Part of continuous activity in operational risk management, operational risk incidents are collected and analysed with defined follow-up actions.

Due to reorganisation of 2019 and revision of the strategy in 2020, the maintenance and update of the CAP List actions were temporarily frozen in 2020. This break in active CAP List monitoring resulted in a built-up backlog of CAP actions which after "post-freeze" period had to be explored as per validity in line with the revised strategy and new ownership in the changed organizational structure where applicable. In the overview of the year:

- There were no High CAP actions identified and reported as overdue in CAP List in 2020.
- The "post-freeze" period's closure rate for CAP items has been significantly higher if compared with the previous years. This is a valuable achievement taking into account limited sizes of the teams, new challenges as per the revised strategy and transformation period.
- ATB takes continuous efforts to maintain the CAP List actions within its risk appetite and tolerance levels. The progress monitoring is currently performed at the Management Board level on a bi-weekly basis. We expect CAP List Monitoring be back to business as usual by June 2021.

During 2020 ATB completed a unified Risk Register which consists of standardized risk definitions agreed and used by the 1st, the 2nd and the 3rd lines of defence in their day-to-day activities. Such register helps to provide a consolidated overview and makes it more explicit how identified risks are related to (key) controls, processes,

findings and risk issues, incidents and action plans. As the next step, the Risk Register will serve as the basis for automating the Operational Risk Management Framework to bring the operational risk management maturity to the next level.

In the light of increasing outsourcing as triggered by the revised strategy, in 2020 ATB profoundly revised its Sourcing and Supplier Management Policy. The Policy was further detailed into templates and explanatory notes and was fully effected by the end of 2020. At the beginning of 2021 a company-wide training has been organized to ensure all the new aspects of the policy are understood, the process steps and requirements are clear.

IT Security risks are part of operation risk domain. The position of Information Security was further improved by appointing the Director of Information Security / Data Protection Officer in the Risk Management function, directly reporting to the CRO.

During 2020 no major IT incidents occurred. IT General Controls were tested in Q3 and Q4 2020 according to the yearly plan (no significant findings). Cybersecurity risks were also mitigated by the yearly penetration testing in December 2020 and follow-up actions. The Information Security officers are involved in the Digital Transformation process and the migration to the Digital Bank. GDPR has been addressed in ATB Information Security Policy and IT General Controls Framework; ATB Records of Data Processing Activities have been maintained.

In 2021 the bank will undergo transformation process as per the revised strategy. This will require increased attention to the operational risk profile. The bank has prepared itself by enhancing the change management procedures, and organizing a set of awareness sessions to make sure all type of changes (such as product, IT-driven, process, outsourcing) are managed in an orderly manner.

E.7 Solvency risk

For regulatory reporting ATB applies IFRS accounting principles and therefore amounts, equity and results differ from the accounting principles as used in these financial statements. The total IFRS P&L adjustments amount to negative € 21 thousand and results from the valuation of IRS instruments and Bonds Available for Sale which under IFRS is classified as 'At Fair Value through Other Comprehensive Income' with revaluation in Equity.

Capital management

The key objective of ATB capital management is optimizing the balance between return and risk, whilst maintaining regulatory capital in accordance with ATB's risk appetite and regulatory requirements. ATB capital management and risk management objectives are closely linked. The bank's profitability and desired growth of the business is pursued whilst fully recognizing the importance of protecting depositors and other stakeholder interests.

ATB's capital management and solvency risk management starts with the risk identification & risk assessment process. At least on an annual basis, ATB performs a thorough

review of its solvency risks to capital. Our Internal Capital Adequacy Assessment Processes (ICAAP) aims to ensure that capital levels are adequate to cover all material risks at all levels and to ensure compliance with regulations. The results of ICAAP are discussed with Management Board. Solvency stress testing allows a bank to examine the effect of exceptional but plausible future events on the solvency position of ATB. ICAAP stress testing is an important tool in identifying, assessing, measuring and controlling risks to capital, providing a forward-looking perspective to future capital position.

ATB capital planning processes are being executed consistently and have their starting point in the strategy of ATB and subsequent budget plans. An important input to the capital policy is an expression of risk tolerance by the Supervisory Board and Management Board. ATB has identified a range of capital restoration options available to respond to (severe) financial stress scenarios and which could reasonably be expected to contribute to maintaining or restoring the viability and financial position of the bank.

Capital information

Capital and solvency ratios are:

	31/12/2020	31/12/2019
Total capital ratio	26.0%	19.8%
CET1 capital ratio	26.0%	17.4%
Total capital available (in € million)	172	192
CET1 capital available (in € million)	172	168
SREP requirements *)		
Total capital ratio	29.1%	17.9%
Tier 1 capital ratio	25.7%	15.9%
CET1 capital ratio	23.1%	14.4%

*) including Capital Conservation Buffer

SREP requirements in the table above are based on SREP capital requirements communicated by DNB in January 2020. Capital requirements consist of a fixed width minimum capital combined with a percentage based on RWA. Required capital ratios therefore vary with RWA values. Since 2021 ATB uses an additional 0.75% risk appetite buffer on top of the regulatory requirements (in addition to a 0.5% risk tolerance buffer that was already in place in 2020). Capital in January 2020 was insufficient to meet the new capital requirements. To arrange for additional capital a grace period was granted until 31 March 2020. Per the end of March 2020 the subordinated loan of € 35.0 million was converted to equity which ensured compliance to the SREP capital requirements. Due to loan impairments regular Pillar II guidance (P2G) capital requirements were breached starting June 2020. DNB has granted LSI's (Less Significant Institutions) temporary relief from P2G and CCB buffers related to the Covid-19 crisis until further notice (at least until end 2022). ATB has provided a capital plan with measures to restore full compliance to regular capital ratios including internal risk appetite buffer. Per year-end 2020 ATB did not comply with the 2020 SREP requirements however there was no regulatory breach due to the general Covid-19 solvency relief measures for banking institutions as announced by the regulator in 2020.

Per 17 May 2021 the SREP 2021 requirements are applicable for ATB (SREP letter dated 17 May 2021). The new capital requirements are as follows: Total capital ratio 24%, T1 ratio 19.4%, CET1 ratio 15.9%. At the capital position per year-end 2020, ATB complies to all new capital requirements.

Basel requirements

ATB has implemented the standardized approach for credit risk capital adequacy calculation and the Basic Indicator Approach for Operational Risk capital calculation. ATB has also developed its Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP) frameworks to meet Basel requirements, under which internal capital is calculated for concentration risk, country risk,

and interest rate risk in the banking book. Reports based upon ICAAP and ILAAP are submitted to Dutch Central Bank annually, or more frequent should material developments require this. The reports are subject to the annual Supervisory Review and Evaluation Process (SREP). On 31st August 2020, ATB submitted its annual ICAAP and ILAAP to Dutch Central Bank in compliance with Basel requirements. In December 2020 ATB submitted an additional ICAAP to reflect the impact of the revised strategy.

Stress test framework

ATB uses scenario analysis and stress testing to measure sensitivity of its main risk drivers:

- The liquidity stress testing is performed and reported to the Management Board on a daily basis. The assumptions are developed with quantitative analysis, regulatory framework and, where appropriate, according to hypothetical assumptions to identify the bank's most important vulnerabilities under various stress events.
- The solvency stress testing is performed on a regular basis, with application of severe but plausible scenarios. These have been built in compliance with the stress testing guidelines issued by the European Banking Authority (EBA). The stress tests program ranges from simple sensitivity analysis on single portfolios to complex macroeconomic scenario stress testing on a company-wide basis.
- The Interest rate risk stress testing is performed on a regular basis. In line with EBA guidelines and BIS standard, the Bank calculates the impact on its EVE as a result of parallel shock (up&down), steepener shock, flattener shock and short rate shock (up&down). ATB uses 2.0% shock in interest rates for earning measure.

The results of stress test analysis are part of regular reporting to ALCO and the regulator.

ATB on regular basis also performs stress tests for the market risk (trading and investment portfolio), credit portfolio and operational risk. Outcomes are reported to relevant internal bodies, the Management Board and the regulator.



Notes to the consolidated statement of financial position

Notes to the consolidated statement of financial position

(in 1,000 euro's)

1	31/12/2020	31/12/2019
Cash and balances with central banks	383,387	210,244
Non-restricted demand deposits at Dutch Central Bank	376,141	201,571
Restricted demand deposits at Dutch Central Bank	7,246	8,673
Total	383,387	210,244

The mandatory cash reserve was recognised under the restricted demand deposits at Dutch Central Bank. The average minimum reserve to be held at Dutch Central Bank for the month of December 2020 amounts to € 7.2 million (December 2019: € 8.7 million). The outstanding balance held with DNB is negative interest-bearing.

2	31/12/2020	31/12/2019
Loans and advances to banks	29,654	105,443
By type:		
Nostro current accounts	14,906	2,551
Letter of Credit-loans	12,123	86,162
Deposits - not freely available	2,665	11,161
Deposits - freely available	-	6,419
Impairments	-40	-850
Total	29,654	105,443

Deposits - not freely available serve as collateral for liabilities arising from derivative transactions.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	31/12/2020	%	31/12/2019	%
By geographical concentration:				
CIS countries	12,316	41.4	85,715	81.3
United States	10,633	35.9	6,721	6.4
EUR utilising countries	4,021	13.6	5,477	5.2
Other European countries	2,684	9.1	7,530	7.1
Total	29,654	100.0	105,443	100.0

	31/12/2020	31/12/2019
By counterparty:		
Parent bank and related banks	8,383	402
Other banks	21,271	105,041
Total	29,654	105,443

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	Total 31/12/2020
By credit rating class:				
AA+ - AA-	2,684	-	-	2,684
A+ - A-	190	-	-	190
B+ - B-	22,847	3,973	-	26,820
Impairments	-	-40	-	-40
Total	25,721	3,933	-	29,654

	Stage 1	Stage 2	Stage 3	Total 31/12/2019
By credit rating class:				
AA+ - AA-	1,794	-	-	1,794
A+ - A-	12,104	-	-	12,104
BBB+ - BBB-	4,578	-	-	4,578
BB+ - BB-	30,685	-	-	30,685
B+ - B-	12,132	45,000	-	57,132
Impairments	-467	-383	-	-850
Total	60,826	44,617	-	105,443

The rating system of ATB is further explained in note B11.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	31/12/2020
Gross loans and advances to banks	25,721	3,973	-	29,694
Movement in Impairments				
Balance at 1 January 2020	467	383	-	850
Matured or repaid	-450	-372	-	-822
Transfer to/from other stage (net)	-5	5	-	-
Re-measurement	-12	24	-	12
Impairments as at 31 December 2020	-	40	-	40
Net loans and advances to banks	25,721	3,933	-	29,654

	Stage 1	Stage 2	Stage 3	31/12/2019
Gross loans and advances to banks	61,293	45,000	-	106,293
Movement in Impairments				
Balance at 1 January 2019	128	-	-	128
Matured or repaid	-148	-	-	-148
Transfer to/from other stage (net)	-	-	-	-
Re-measurement	487	383	-	870
Impairments as at 31 December 2019	467	383	-	850
Net loans and advances to banks	60,826	44,617	-	105,443

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	31/12/2020	31/12/2019
3 Loans and advances to customers	548,236	799,604
By type:		
Loans	258,605	378,797
Overdraft and current accounts	173,443	279,071
Syndicated loans	139,459	138,510
Staff loans (includes former staff)	10,739	9,964
Impairments	-34,010	-6,738
Total	548,236	799,604

	31/12/2020	%	31/12/2019	%
By geographical concentration:				
EUR utilising countries	190,799	34.8	188,213	23.7
Other European countries	161,416	29.4	145,126	18.1
Marshall Islands	91,163	16.6	153,015	19.1
Singapore	18,552	3.4	85,732	10.7
Other CIS countries	18,461	3.4	50,282	6.3
United States	14,773	2.7	57,012	7.1
Russia	-	-	28,263	3.5
Turkey	-	-	34,067	4.3
Other countries	53,072	9.7	57,894	7.2
Total	548,236	100.0	799,604	100.0

The staff loan as per 31 December 2020 solely comprises of the loan with the former CEO in relation with the ESPP program. Further information on the balance can be found in note 13 'other liabilities'.

Exposures in Other European countries mainly consist of exposures in Switzerland, United Kingdom and Croatia. Exposures in Other countries mainly consist of exposures in Liberia, United Arab Emirates and Canada.

The tables presented in this note include a loan of € 0.4 million with FIBR Capital Ltd, a UK-based financing company within the Alfa Bank Group.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	31/12/2020	%	31/12/2019	%
By sector and industry:				
Shipping	220,813	40.2	319,315	40.0
Trading companies	96,861	17.7	118,617	14.8
Energy	69,640	12.7	161,161	20.2
Finance	51,715	9.4	8,770	1.1
Industry and construction	52,552	9.6	116,274	14.5
Agriculture	46,911	8.6	65,503	8.2
Others	9,744	1.8	9,964	1.2
Total	548,236	100.0	799,604	100.0

The table below is a breakdown of the carrying value of loans and advances to customers reported by type of collateral. If the collateral value is lower than the carrying value of the loan, the remaining part is classified as 'Various unsecured'. The valuation methods of collateral are described in the Risk paragraph under E.3 credit risk.

	31/12/2020	%	31/12/2019	%
By type of collateral:				
Secured by real estate (inc. ships)	228,441	41.6	311,690	38.9
Secured by moveable goods	89,636	16.3	268,452	33.6
Secured by guarantees	49,653	9.1	7,261	0.9
Secured by bill of lading	28,285	5.2	13,459	1.7
Partly secured by deposits	7,623	1.4	21,354	2.7
Various secured	32,675	6.0	47,760	6.0
Various unsecured	111,923	20.4	129,628	16.2
Total	548,236	100.0	799,604	100.0

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	Total 31/12/2020
By credit rating class:				
BBB+ - BBB-	14,850	40,691	-	55,541
BB+ - BB-	175,535	38,600	-	214,135
B+ - B-	89,575	120,472	-	210,047
D+ - D-	10,859	-	73,230	84,089
Not rated	10,738	-	-	10,738
Impairments	-3,065	-3,959	-26,876	-33,900
Total	298,492	195,804	46,354	540,650

Purchase of credit impaired loans (rating: D)	7,586
Balance at 31 December 2020	548,236

	Stage 1	Stage 2	Stage 3	Total 31/12/2019
By credit rating class:				
BBB+ - BBB-	26,352	-	-	26,352
BB+ - BB-	471,059	27,417	-	498,476
B+ - B-	194,387	58,754	-	253,141
D+ - D-	-	-	18,409	18,409
Not rated	9,964	-	-	9,964
Impairments	-3,572	-1,231	-1,935	-6,738
Total	698,190	84,940	4,845	799,604

ATB uses an internal rating system.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Gross loans and advances to customers	Stage 1	Stage 2	Stage 3	31/12/2020
Movements in gross carrying amount				
Balance at 1 January 2020	701,762	86,171	18,409	806,342
New Assets originated or purchased	105,162	-	-	105,162
Matured and repaid	-331,133	-4,914	-618	-336,665
Transfer to Stage 1	8,384	-8,384	-	-
Transfer to Stage 2	-127,781	127,781	-	-
Transfer to Stage 3	-54,837	-891	55,728	-
Modification loss	-	-	-289	-289
Amounts written off	-	-	-	-
Total	301,557	199,763	73,230	574,550
Purchase of credit impaired loans (gross)				7,696
Balance at 31 December 2020				582,246

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Gross loans and advances to customers	Stage 1	Stage 2	Stage 3	31/12/2020
Gross loans and advances to customers	301,557	199,763	73,230	574,550
Movement in allowance for Impairments				
Balance at 1 January 2020	3,572	1,231	1,935	6,738
New Assets originated or purchased	818	-	-	818
Matured and repaid	-1,404	-1,499	-	-2,903
Transfer to Stage 1	15	-15	-	-
Transfer to Stage 2	-410	410	-	-
Transfer to Stage 3	-84	-9	93	-
Re-measurement	684	4,152	26,005	30,841
FX impact	-126	-311	-1,157	-1,594
Amounts recovered	-	-	-	-
Amounts written off	-	-	-	-
Total	3,065	3,959	26,876	33,900
Purchase of credit impaired loans				110
Balance at 31 December 2020				34,010
Net loans and advances to customers	298,492	195,804	46,354	540,650
Purchase of credit impaired loans (net)				7,586
Balance at 31 December 2020				548,236

The stage 3 allowance as per 31 December 2020 mainly relate to re-measurement of balances present in the loan portfolio at prior year end and is dominated by one borrower with a provision of € 25.0 million. For this Commodity Finance client ATB financed the receivables stage of the supply chain at time of default.

Other provisioning mainly relates to shipping clients whose income was impacted by deteriorating charter income following the Covid-19 pandemic.

The POCI (Purchase of Credit Impaired) loan that is presented on a separate line in the table above is a newly acquired borrower in 2020. In 2019 there were no purchases of credit-impaired loans in portfolio.

Foreign currency effects from movements in the gross loans are included in the movements itself. FX exposure on loans is hedged by FX derivatives. Imperfect hedge results are recognised in the result on financial transactions (see note 22). The value of the FX derivatives is recognised under other assets (note 9) and other liabilities (note 13). FX risk management is described in the Risk paragraph in section E4.2.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	31/12/2019
Gross loans and advances to customers				
Movements in gross carrying amount				
Balance at 1 January 2019	822,541	13,106	7,605	843,252
New Assets originated or purchased	246,494	-	-	246,494
Matured and repaid	-278,770	1,945	-5,830	-282,655
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-88,503	88,503	-	-
Transfer to Stage 3	-	-17,383	17,383	-
Modification loss	-	-	-	-
Amounts written off	-	-	-749	-749
Balance at 31 December 2019	701,762	86,171	18,409	806,342

	Stage 1	Stage 2	Stage 3	31/12/2019
Gross loans and advances to customers	701,762	86,171	18,409	806,342
Movement in allowance for Impairments				
Balance at 1 January 2019	2,760	19	2,760	5,539
New Assets originated or purchased	2,701	-	-	2,701
Matured and repaid	-1,118	-275	-584	-1,977
Transfer to/from other stage (net)	-546	181	365	-
Re-measurement	-225	1,306	3,579	4,660
FX impact	-	-	-79	-79
Amounts recovered	-	-	-3,357	-3,357
Amounts written off	-	-	-749	-749
Impairments at 31 December 2019	3,572	1,231	1,935	6,738
Net loans and advances to customers	698,190	84,940	16,474	799,604

Notes to the consolidated statement of financial position

(in 1,000 euro's)

The bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that ATB will have to exercise a collateral claim.

In March 2020 ATB ended an arrangement to securitise part of its financial assets via the SPE ATB Shipping Finance I B.V. Under this arrangement, loans were pledged to this facility and considered encumbered assets. The loans have never been de-recognised from the ATB balance sheet, because the majority of risks and rewards were not transferred to the SPE. The entity is expected to be liquidated in the second quarter of 2021.

As a consequence of the decision in 2020 to settle and wind down the ESPP program and the early retirement of the former CEO there are no loans to current members of the Management Board. The settlement with the former CEO is awaiting approval from the Russian Central Bank, because it would transfer the majority ownership of ESPP B.V. to ATB. The outstanding loan including accrued interest of € 10.7 million is kept on the line 'staff loan' in the table 'per loan type' above. In 2019 the balance with members of the Management Board was € 9.0 million. The increase of the outstanding balance compared to 2019 is a result of adding the settlement with the former CEO minus payments to other participants.

No loans and advances are outstanding to members of the Supervisory Board (2019: Nil).

Notes to the consolidated statement of financial position

(in 1,000 euro's)

4	31/12/2020	31/12/2019
Interest-bearing securities	223,309	253,930

Interest-bearing debt securities represent listed debt instruments, issued by:

	31/12/2020	31/12/2019
Governments	221,556	254,103
Corporates	2,000	-
Impairments	-247	-173
Total debt securities	223,309	253,930

	31/12/2020	%	31/12/2019	%
By geographical concentration:				
Ireland	50,124	22.5	50,086	19.6
Spain	44,970	20.1	44,983	17.7
Portugal	30,684	13.7	31,160	12.3
Netherlands	30,615	13.7	41,294	16.3
France	20,060	9.0	20,090	7.9
Slovenia	20,046	9.0	20,952	8.3
Italy	14,688	6.6	35,036	13.8
Germany	10,132	4.5	10,329	4.1
Luxembourg	1,990	0.9	-	-
Total	223,309	100.0	253,930	100.0

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	31/12/2020	31/12/2019
By credit rating class:		
AAA+ - AAA-	60,799	51,627
AA+ - AA-	70,222	20,100
A+ - A-	45,012	116,094
BBB+ - BBB-	45,523	66,282
B+ - B-	2,000	-
Impairments	-247	-173
Total	223,309	253,930

ATB uses an internal rating system.

All securities are identified in stage 1 for the assessment of the expected credit loss.

Movements in the interest-bearing securities were as follows:

	2020	2019
Balance at 1 January	253,930	306,479
Purchases	35,353	20,131
Redemptions	-63,000	-70,000
Amortisation premium and discount	-2,900	-2,772
Releases/remeasurements and impairments	-74	92
Balance at 31 December	223,309	253,930

Movements in the allowance for ECL were as follows:

	2020	2019
Gross Interest-bearing securities	223,556	254,103
Movement in allowance for ECL (stage 1)		
Balance at 1 January	173	265
New Assets originated or purchased	67	8
Matured or repaid	-37	-3
Re-measurement	44	-97
Impairments at 31 December	247	173
Net Interest-bearing securities	223,309	253,930

Notes to the consolidated statement of financial position

(in 1,000 euro's)

5	2020	2019
Shares and other non-interest-bearing securities	3	198

The movements in Shares and other non-interest-bearing securities were as follows:

	2020	2019
Balance at 1 January	198	194
Sales	-184	-
FX impact	-11	4
Balance at 31 December	3	198

Shares and other non-interest-bearing securities consist of unlisted shares. The balance of € 3 thousand at 31 December 2020 consists of 2 shares of Swift (Society for Worldwide Interbank Financial Telecommunication) only. In 2020 ATB sold its share in Stemcor Global Holding Ltd.

6	2020	2019
Intangible assets	3,999	5,849

Movements in intangible assets were as follows:

	2020	2019
Balance at 1 January	5,849	11,136
Additions	859	1,380
Depreciation	-1,556	-2,887
Impairments	-1,153	-3,780
Balance at 31 December	3,999	5,849
Gross carrying amount	14,070	13,211
Accumulated depreciation	-10,071	-7,362
Balance at 31 December	3,999	5,849

Intangible assets refer to capitalized software expenses. Investments mainly consists of the cost of banking software. In 2020 the impairment charge mainly relates to adjustment of the depreciation period to bring this in line with the shorter expected economic use of banking software that will be replaced as part of the revised strategy.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

7	31/12/2020	31/12/2019
Property and equipment	1,538	1,850

Movements in property and equipment were as follows:

	Leasehold improvement	Computer equipment	Other	Total 2020	Total 2019
Balance at 1 January	998	347	505	1,850	2,075
Additions	-	-	3	3	132
Depreciation	-123	-112	-80	-315	-357
Balance at 31 December	875	235	428	1,538	1,850
Gross carrying amount	1,227	559	785	2,571	2,568
Accumulated depreciation	-352	-324	-357	-1,033	-718
Balance at 31 December	875	235	428	1,538	1,850

8	31/12/2020	31/12/2019
Prepayments and accrued income	10,103	12,086

Prepayments and accrued income can be specified as follows:

	31/12/2020	31/12/2019
Interest receivable		
• Loans and advances to customers	2,449	4,117
• Interest-bearing securities	1,453	1,488
• Banks	93	729
• Related group companies	454	14
Prepayments	5,379	5,738
Dutch Value Added Tax	275	-
Total	10,103	12,086

Prepayments in table above mainly relate to fees for IT services and office space rent and deposit.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

9	31/12/2020	31/12/2019
Other assets	14,732	4,315

Other assets consist for € 13.0 million of FX derivatives kept for hedging purposes whereas per 31 December 2019 FX derivatives were valued € 3.2 million in other assets and € 9.9 million was presented under 'other liabilities'. The main reason for the increase of the valuation of FX derivatives per year-end 2020 compared to year-end 2019 can be described to the devaluation of the USD over 2020. As a consequence margin calls appear on the liability side of the balance sheet at 31 December 2020 as presented in note 10. At 31 December 2020 € 0.3 million of FX forward contracts with a negative value were presented in the other liabilities.

The € 13.0 million fair value in FX derivatives consists of cross-currency swaps (€ 7.4 million) and FX forward contracts (€ 5.6 million) and are done with large European financial institutions or parent company Alfa Bank Russia. FX derivatives are further explained in the Risk paragraph section E.4.2 Foreign exchange risk management.

Besides FX derivatives and a receivable of € 0.1 million (2019: € nil) other assets contains a value of € 1.6 million (2019: € 1.1 million) embedded derivatives. The embedded derivatives relates to three shipping loans of which one loan has been restructured in 2020. This resulted in a modification result of € 0.8 million as the derivative has been taken out of the agreement. The modification result has been netted with the value of the derivatives.

10	31/12/2020	31/12/2019
Amounts due to banks	113,703	161,578

Amounts due to banks can be specified as follows:

By type:		
Deposits	100,000	31,167
Margin calls	13,690	-
Current accounts	13	5,205
Repurchase agreements	-	116,301
Syndicated loan	-	8,905
Total	113,703	161,578

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Amounts due to banks in deposits solely relate to ATB's participation in ECB's targeted longer-term refinancing operations III (TLTRO III) programme in 2020. Prior year balance was a syndicated loan that matured without the appetite to roll-over. The charged interest rate under the TLTRO III programme contains a discount which is linked to the amount of loans granted to non-financial corporations and households (excluding mortgages) and a positive net growth of these loans during a reference period. ATB did not account for this discount. The TLTRO III programme has a legal maturity of three years though there is a voluntary repayment option as of September 2021. With regard to the TLTRO-III participation high government rated bonds for the full amount of € 100 million are deposited as collateral.

The margin calls balance that serves as a collateral for the counterparty of the derivative transaction follows the higher valuation of FX derivatives as explained in note 9. In previous year the margin call balance was completely presented as an asset under Deposits - not freely available in note 2 'Loans and advances to banks'.

	31/12/2020	%	31/12/2019	%
By geographical concentration:				
EUR utilising countries	103,795	91.3	40,812	25.3
United States	350	0.3	75,783	46.9
CIS countries	13	-	31,187	19.3
Other countries	9,545	8.4	13,796	8.5
Total	113,703	100.0	161,578	100.0

	31/12/2020	31/12/2019
By counterparty:		
Dutch Central Bank	100,000	-
Parent bank and related banks	13	22,275
Other banks	13,690	139,303
Total	113,703	161,578

Notes to the consolidated statement of financial position

(in 1,000 euro's)

11	31/12/2020	31/12/2019
Funds entrusted	909,498	993,388

Funds entrusted can be specified as follows:

	31/12/2020	%	31/12/2019	%
By type:				
Retail accounts				
• Savings deposits	464,881	51.1	542,087	54.6
• Savings accounts	370,821	40.8	342,156	34.4
Corporate accounts				
• Current accounts	73,796	8.1	84,125	8.5
• Deposit accounts pledged to ATB	-	-	15,634	1.6
• Fixed deposit accounts	-	-	9,386	0.9
Total	909,498	100,0	993,388	100,0

	31/12/2020	31/12/2019
By counterparty:		
Related parties	1,970	5,409
Other customers	907,528	987,979
Total	909,498	993,388

Notes to the consolidated statement of financial position

(in 1,000 euro's)

12	31/12/2020	31/12/2019
Accruals and deferred income	6,354	9,613

Accruals and deferred income can be specified as follows:

Interest payable		
• Parent bank and related banks	84	69
• Related group companies	-	284
• Banks	273	607
• Customers	144	322
Deferred fee income	144	-
Dutch Value Added Tax	-	139
Wage Tax & Social security premiums to be paid	760	769
Other accruals	4,949	7,423
Total	6,354	9,613

Other accruals mainly comprise of staff expenses to be paid (holidays, severance) and other expenses to be paid (accounts payable, expense payable and other costs to be paid). Included in the other accruals of 2019 was a provision for restructuring amounting to € 3.9 million which was utilised in 2020 as specified in the table below.

	31/12/2020	31/12/2019
Movement in provision for restructuring		
Balance at 1 January 2019	3,889	-
Addition	-	3,889
Utilisation	-3,545	-
Releases	-344	-
Total	-	3,889

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	31/12/2020	31/12/2019
13		
Other liabilities	11,025	22,217
Other liabilities can be specified as follows:		
ESPP (Employee Share Purchase Plan)	10,737	12,332
Fair value of FX derivatives	288	9,885
Total	11,025	22,217

The fair value of FX derivatives as per 31 December 2020 consists of FX forward contracts with a negative fair value. The overall devaluation of the USD in 2020 has resulted in a significantly lower liability compared to 31 December 2019 when the balance consisted of cross currency swaps (€ 4.8 million) and FX forward agreements (€ 5.1 million).

Employee Share Purchase Plan

In 2017 ATB implemented a cash settled Employee Share Purchase Plan (ESPP) that was ended in 2020 based on the share value of 31 December 2019. During this period a selective number of employees was offered to invest in the bank. To this end 73,078 shares of Amsterdam Trade Bank N.V. have been issued in 2017 for a total price of € 14.9 million.

In order to finance the purchase of the shares, the bank offered employees a loan to a maximum of 90% of the initial value of the shares that were acquired by the employee. These loans are now settled via the ESPP Plan in 2020 based on the value as of 31 December 2019, except for the loan with the former CEO. The value of the shares purchased by the former CEO is recorded under other liabilities in table above and for the same amount on the asset side of the balance sheet of ATB as a staff loan. The staff loan is specified in the first table in note 3 where loans are specified by loan type.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	01/01/2020	Movement 2020	31/12/2020
Movement of shares aquired by the Managing Board Members			
C. Antoniou *	44,290	-	44,290
H.P.M.G. Steeghs	1,250	-1,250	-
P.J. Ullmann	1,250	-1,250	-

* Mr Antoniou stepped down as CEO as per 1st December 2019.

	01/01/2019	Movement 2019	31/12/2019
C. Antoniou *	44,290	-	44,290
H.P.M.G. Steeghs	1,250	-	1,250
P.J. Ullmann	1,250	-	1,250

* Mr Antoniou stepped down as CEO as per 1st December 2019.

	01/01/2020	Movement 2020	31/12/2020
Movement of shares aquired by key staff			
Key staff	4,709	-4,709	-

	01/01/2019	Movement 2019	31/12/2019
Key staff	4,984	-275	4,709

Notes to the consolidated statement of financial position

(in 1,000 euro's)

14	31/12/2020	31/12/2019
Provisions	136	106

Movement in allowance for Provisions Off Balance and Guarantees

	Stage 1	Stage 2	Stage 3	31/12/2019
Balance at 1 January 2020	105	1	-	106
New Assets originated or purchased	2	75	-	77
Matured or repaid	-46	-1	-	-47
Re-measurement	-1	1	-	-
Impairments at 31 December 2020	60	76	-	136

	Stage 1	Stage 2	Stage 3	31/12/2019
Balance at 1 January 2019	58	2	-	60
New Assets originated or purchased	105	-	-	105
Matured or repaid	-47	-2	-	-49
Re-measurement	-11	1	-	-10
Impairments at 31 December 2019	105	1	-	106

15	31/12/2020	31/12/2019
Subordinated loans	-	35,000

The subordinated loan balance as of 31 December 2019 was converted into equity in March 2020 for which permission by the DNB was obtained on 26 March 2020. For further explanation we refer to note 16.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

16	31/12/2020	31/12/2019
Equity	174,245	171,617

Issued Capital

Authorized share capital	450,000	450,000
Unissued share capital	-320,749	-344,592
Issued share capital	129,251	105,408
Number of authorized shares	3,000,000	3,000,000
Number of shares issued and fully paid	861,672	702,716
Par value per share in EURO's	150	150

Movement in issued capital

	2020		2019	
	Number	Amount	Number	Amount
Issued share capital as at 1 January	702,716	105,408	665,086	99,763
Issue of shares (nominal € 150)	158,956	23,843	37,630	5,645
Issued share capital as at 31 December	861,672	129,251	702,716	105,408

In order to improve its capital position, ATB converted its subordinated loan with a nominal value of € 35.0 million, granted by ABH Holdings S.A. in March 2020. Before conversion the loan was transferred from ABH Holdings S.A. to Alfa Bank Russia. After transfer, the subordinated loan was converted into 141,391 ordinary shares of ATB. With this conversion Alfa Bank Russia's share in ATB increased from 72.2% to 76.9%. Besides this, ABH Holdings S.A. sold 14,685 shares to ATB Holdings S.A. decreasing the share of ABH Holdings from 7.5% to 5.6% and increasing the share from ATB Holdings from 10.4% to 12.3%.

In order to further improve its capital position, ATB received a capital injection of € 4.2 million from ABH Holdings S.A. in August 2020 and issued another 17,565 shares in return.

Of the total capital increase of € 39.2 in 2020 an amount of € 23.8 is added to share capital and € 15.4 to share premium.

As further disclosed in the note on subsequent events the total equity position increased in the course of 2021 as a result of capital injections for the total amount of €73.8 million.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Reserves	Share premium	Retained earnings	Currency translation reserve	Undistributed result
Balance at 1 January 2020	92,364	-6,793	1,069	-20,431
Net result	-	-	-	-36,572
Net result	-	-	-	-36,572
Movement from/to legal reserve	-	-566	566	-
Appropriation of result	-	-20,431	-	20,431
Issue of shares	15,357	-	-	-
Balance at 31 December 2020	107,721	-27,790	1,635	-36,572
Balance at 1 January 2019	88,186	-6,987	1,013	138
Net result	-	-	-	-20,431
Net result	-	-	-	-20,431
Movement from/to legal reserve	-	-56	56	-
Appropriation of result	-	138	-	-138
Net result	4,178	-	-	-
Balance at 31 December 2019	92,364	-6,793	1,069	-20,431

Share premium

This reserve reflects amounts paid to ATB by shareholders above the nominal value of purchased shares. The addition to the share premium of € 15.4 million can be explained by the conversion of the subordinated loan on 31 March 2020 (€ 13.8 million) and a capital injection on 10 August 2020 (€ 1.6 million).

Retained earnings

The General Meeting of Shareholders held on 19 August 2020, decided to transfer the 2019 loss of € 20.4 million to Retained Earnings.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Legal reserve

The change in legal reserve is due to the change in the unrealised result of the embedded derivatives relating to a few shipping loans.

	31/12/2020	31/12/2019
17		
Contingent liabilities	27,242	26,266

These are irrevocable contingent liabilities pursuant to guarantees.

By product:		
Guarantees issued	15,525	10,072
Letters of credit	11,717	16,194
Total	27,242	26,266

By geographical concentration:		
EUR utilising countries	5,044	8,641
Other European countries	11,277	448
China	10,921	11,932
CIS countries	-	4,245
Other countries	-	1,000
Total	27,242	26,266

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Other contingent liabilities

During the past 7 years, ATB has increased its effort to implement a strong compliance culture and organisation, processes and tooling. As a result of this and also due to increased specific monitoring of its client files and business transactions, ATB identified and reported past unusual transactions to the authorities.

ATB is subject to a criminal investigation initiated by the FIOD (Dutch Fiscal Intelligence and Investigation Department) in 2017 for possible breaches by the bank in earlier years regarding the Wwft (law against money laundering and terrorist financing). The scope of the investigation includes suspicions of non-compliance such as to client due diligence, timely reporting of unusual transactions, sanction monitoring, bribery, forgery of documents and culpable money laundering. It is unclear which specific consequences (if any) the examination may have. The investigation is still ongoing and ATB continues to fully cooperate. Possible measures may include a penalty payment or a fine, which would mean that a present obligation per 31 December 2020 could exist and that an outflow of resources may result as a consequence. Management is not able to assess reliably if such penalty or fine might be the outcome of this investigation and if so, what the possible timing, scope or amounts of any such fines, penalties and/or other outcome would be. Accordingly, no provision has been recognised at 31 December 2020, neither was a provision recognised at 31 December 2019.

The Bank is involved in a limited number of court procedures. It is not possible to predict the outcome of these procedures, but it is not expected that these will have a material negative effect on ATB's financial position.

18	31/12/2020	31/12/2019
Irrevocable commitments	38,650	22,340

Irrevocable credit facilities comprise the total amount of commitments in respect to undrawn irrevocable credit facilities.

By geographical concentration:		
EUR utilising countries	31,839	14,678
Other European countries	6,112	7,662
Other countries	699	-
Total	38,650	22,340

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Liabilities pledged to ATB

As per 31 December 2020 ATB holds no liabilities that are subject to pledge agreements. As a consequence hereof, all liabilities are available for ATB's banking activities. As per 31 December 2019 a balance of € 15.6 million Funds entrusted were pledged.

Related parties

The consolidated statement of financial position and consolidated statement of income include the subsidiary Amsterdam Trade Capital Administration Corporation (Amsterdam) which is fully owned.

Transactions are at arm's length basis, are based upon contractual arrangements and are separately disclosed in the related notes of the balance sheet and the income statement. Amounts receivable or payable to related parties and income and expenses regarding related parties are disclosed in the notes to the financial statements.

Related parties of ATB include, amongst others, its subsidiaries, associated companies within Alfa Bank Group, key staff, Management Board members and shareholders. Transactions between related parties mainly consist of forex transactions and financing activities. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Related parties: Parent and related bank

This relates to ATB's direct majority shareholder Alfa Bank Russia and its related banks within the Alfa Bank Group.

Related parties: Other group companies

Other group companies include all group companies (including other minority shareholders), exclusive of Parent and related banks, within the Alfa Bank Group.

For the financial year 2020 related parties mainly consist of:

- Funds received from Banks within the Alfa Bank Group (disclosed under Banks) and funds received from shareholders (disclosed under Funds entrusted) with expense disclosed under Interest expenses.
- Shares acquired by Management Board members and key staff as part of the now discontinued ESPP program are disclosed under Other liabilities. The related costs are disclosed under expenses.
- Loan to FIBR Capital Ltd, a member of the Alfa Bank Group. FIBR Capital Ltd has been incorporated and set up by Alfa Bank Group in order to gain access to the UK SME loan sector.
- In the notes on Results on financial transactions and Impairments of financial instruments other transactions with group companies are disclosed.

Some members of the management and supervisory board keep a personal saving account with ATB.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Rental commitments

ATB has entered into rental agreements for its office premises and office equipment amounting to € 1.7 million (2019: € 2.9 million). The contract includes an option to terminate early after 5 years against additional costs.

Of this amount € 1.0 million is payable within 1 year (2019: € 1.2 million), an amount of € 0.7 million is payable between 1 and 5 years (2019: € 1.6 million). There are no commitments after five years (2019: € nil).

Fair value of financial assets and liabilities

The following table presents the fair value of ATB's financial assets and liabilities. Certain balance sheet items are not included in the table, as they do not meet the definition of a financial instrument. The aggregation of the fair value presented below does not represent, and should not be construed as representing, the underlying value of ATB. Carrying value is presented without accrued interest. Fair values include accrued interest.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	Fair value		Carrying value	
	2020	2019	2020	2019
Financial assets				
Cash and balances with central banks	383,387	210,244	383,387	210,244
Loans and advances to banks	29,789	106,881	29,654	105,443
Loans and advances to customers	594,823	831,459	548,236	799,604
Interest-bearing securities	226,445	257,378	223,309	253,930
Shares and other non-interest-bearing securities	3	198	3	198
Prepayments and accrued income	10,103	12,086	10,103	12,086
Other assets	14,732	4,315	14,732	4,315
Financial assets	1,259,282	1,422,561	1,209,424	1,385,820
Financial liabilities				
Amounts due to banks	116,323	161,854	113,703	161,578
Funds entrusted	913,212	995,952	909,498	993,388
Accruals and deferred income	6,354	9,613	6,354	9,613
Provisions and other liabilities	11,161	22,323	11,161	22,323
Subordinated liabilities	-	35,638	-	35,000
Financial liabilities	1,047,050	1,225,380	1,040,716	1,221,902



Notes to the Consolidated Statement of income

Notes to the consolidated statement of income

at 31 December 2019 (in 1,000 euro's)

19	2020	2019
Interest income	36,213	52,900
Interest income comprise interest from:		
Loans and advances to customers	33,843	50,347
Loans and advances to banks	1,663	2,004
Interest-bearing securities	707	549
Total	36,213	52,900

An amount of € 3.6 million (2019: € 3.7 million) included in the interest income is related to arrangement fees received from customers. An amount of € 1 thousand is interest income from related party FIBR Capital Ltd who became a borrower in December 2020.

	2020	%	2019	%
By geographical concentration:				
EUR utilising countries	11,209	31.0	16,528	31.2
Other European countries	8,445	23.3	13,113	24.8
Marshall Islands	7,797	21.5	10,553	19.9
United States	1,922	5.3	4,285	8.1
CIS countries	1,254	3.5	2,534	4.8
Singapore	570	1.6	1,676	3.2
Other countries	5,016	13.8	4,211	8.0
Total	36,213	100.0	52,900	100.0

Interest income in Other countries mainly relates to exposures in the United Arab Emirates, Uganda and Liberia.

	2020	2019
Interest income from parent and related banks	28	436

Notes to the consolidated statement of financial position

(in 1,000 euro's)

20	2020	2019
Interest expense	11,209	24,232

Interest expense comprise interest from:

Funds entrusted	4,881	6,577
Interest expense FX swaps	4,880	10,264
Central banks	979	699
Subordinated loans	284	1,597
Other banks	185	5,095
Total	11,209	24,232

Interest income from assets with a negative interest rate is classified as interest expense and amounts to € 1.0 million in 2020 (2019: € 0.7 million).

Interest expense FX swaps represents the cost of acquiring FX forward instruments to hedge the USD exposure on the balance sheet. The decrease compared to last year is mainly caused by lower interest rates in 2020 and less USD exposure on ATB's balance sheet.

	2020	%	2019	%
By geographical concentration:				
EUR utilising countries	10,126	90.4	18,669	77.0
Other European countries	456	4.1	3,879	16.0
CIS countries	510	4.5	1,469	6.1
Other countries	117	1.0	215	0.9
Total	11,209	100.0	24,232	100.0

	2020	2019
Interest expense from parent and related banks	305	371

Notes to the consolidated statement of financial position

(in 1,000 euro's)

21	2020	2019
Net commission income	1,206	1,085

net commission income consists of:

	2020	%	2019	%
Trade finance fees	482	34.8	1,046	57.0
Money transfer fees	97	7.0	118	6.4
Other fees	806	58.2	671	36.6
Commission income	1,385	100.0	1,835	100.0
Commission expense	179		750	
Total	1,206		1,085	

22	2020	2019
Result on financial transactions	777	-5,574

Result on financial transactions consist of:

Other foreign exchange results	2,474	-1,093
Unrealized result on loan participations	808	56
Modification loss	-289	-
FX results on derivatives	-199	-259
Interest on cross currency swaps	-2,017	-4,278
Sale of shares	-	11
Sale of non-core loans and advances	-	-11
Total	777	-5,574

Notes to the consolidated statement of financial position

(in 1,000 euro's)

23	2020	2019
Other income	28	64
24	2020	2019
Staff expenses	15,335	23,753
Staff expenses comprise:		
Wages and salaries	10,339	14,279
Social cost	1,106	1,501
Pension cost	1,065	1,787
Other staff cost	2,825	6,186
Total	15,335	23,753

At 31 December 2020, the total number of employees expressed in full-time equivalents was 98 (2019: 116). The decrease in other staff cost can be explained by the restructuring provision of € 3.9 million that was expensed in 2019.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Remuneration of Supervisory Board and Management Board

The remuneration of the Supervisory Board in 2020 totalled € 0.3 million (2019: € 0.5 million). Members of the Supervisory Board employed within the Group are not remunerated.

Supervisory Board

	2020	2019
R. Meijer	159	210
R.V. Emerson	13	150
H.C.M. van Damme	70	70
D. Vovk	6	76
A. Vaksman	70	12
L.H. Hoogduin	-	-
Total remuneration	318	518

On 31 January 2020, Mr R.V. Emerson stepped down after having served for 3 years as Chairman of the Supervisory Board. Mr R. Meijer has taken over the role of Chairman as from 5 March 2020. Mr L.H. Hoogduin has been appointed as an independent member in February 2021 and Mr P.M. Thomsen has been appointed as independent member in September 2021.

Remuneration of the Management Board includes pension and other benefits paid by ATB and amounts to € 2.1 million in 2020 (2019: € 1.9 million). Amounts reflect the total remuneration of current and former members of the Management Board.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

Remuneration Management Board in 2020

	Salary	Pension cost	Variable pay	Other compensation	Total remuneration
O. Bass	400	9	70	13	492
H.P.M.G. Steeghs	432	27	-	27	486
<i>Former members</i>					
P.J. Ullmann	408	27	-	45	480
T. Smeets	386	17	-	253	656
Total	1,626	80	70	338	2,114

On 1 May 2020 Mr O. Bass started in his role as the new CEO of ATB. Mr T. Smeets, who joined the bank at the end of 2019, left the company per December 2020 in his role as the Chief Digital Officer. The CDO role will no longer be a management board position. Furthermore as of 16 April 2021 Mr P. Ullmann stepped down as the CRO. He has been succeeded by Mr V. Brodski as from this date.

Remuneration Management Board in 2019

	Salary	Pension cost	Variable pay	Other compensation	Total remuneration
C. Antoniou *	758	26	31	103	918
H.P.M.G. Steeghs	432	29	-	27	488
P.J. Ullmann	408	29	6	42	485
T. Smeets (as of September 1, 2019)	41	2	-	6	49
Total	1,639	86	37	178	1,940

* Mr Antoniou stepped down as CEO as per 1st December 2019.

As of 2016 the members of the Management Board invested indirectly in ATB via the ESPP Plan. In view of the strategy revision that was initiated in 2019/2020 the ESPP program was terminated early, at the end of 2019; settlement is done on the basis of the fair value as of 31 December 2019.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	2020	2019
25		
General and administrative expenses	15,541	13,063
General and administrative expenses comprise:		
Professional services	6,211	5,400
ICT / communication	5,874	5,158
Housing	1,335	1,303
Information cost	1,144	1,216
Credit Insurance	1,018	1,163
Public relations	62	250
Fair value change ESPP shares	59	-662
Recovered VAT	-1,726	-1,618
Other cost	1,564	853
Total	15,541	13,063

The ESPP expense in 2020 relates to the realised result from the final settlement calculation that was performed in 2020 and based on the values as per 31 December 2019.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

External auditor's cost:

2020	EY Accountants LLP	Other EY	Total EY
Audit services	849	-	849
Audit-related services	-	-	-
Tax advice services	-	-	-
Other non-audit services	-	-	-
Total	849	-	849

2019	EY Accountants LLP	Other EY	Total EY
Audit services	930	-	930
Audit-related services	-	-	-
Tax advice services	-	-	-
Other non-audit services	-	-	-
Total	930	-	930

The audit fees relate to the financial year to which the financial statements pertain, regardless of whether the external auditor and the audit firm performed the work during the financial year. The amounts include the execution of other audits at request of the group auditors of Alfa Bank Group companies.

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	2020	2019
26		
Depreciation and impairments of intangible assets and property and equipment	3,024	7,024

Depreciation comprise the depreciation cost of:

	2020	2019
Depreciation of intangible assets	1,556	2,887
Depreciation of property and equipment	315	357
Impairment on intangible assets	1,153	3,780
Total	3,024	7,024

The impairment charge on intangible assets in both 2020 and 2019 consists of additional depreciation on banking software. In 2020 the impairment charge mainly relates to adjustment of the depreciation period to bring this in line with the shorter expected economic use of banking software that will be replaced as part of the revised strategy.

	2020	2019
27		
Resolution charge	1,218	1,488

Resolution charge consists of levies for the Deposit Guarantee Fund € 1.2 million (2019: € 1.3 million) and the Single Resolution Fund € 0.1 million (2019: € 0.2 million).

Notes to the consolidated statement of financial position

(in 1,000 euro's)

	2020	2019
28		
Impairments of financial instruments	28,469	-654
Charge relating to loans and advances	31,769	4,004
Release relating to loans and advances	-2,903	-1,977
Recoveries for write-off and modification	-	-3,357
Charge relating to banks	12	870
Release relating to banks	-822	-148
Charge relating to interest-bearing securities	111	8
Release relating to interest-bearing securities	-37	-100
Charge relating to prepayments	309	-
Charge relating to off-balance items	77	105
Release relating to off-balance items	-47	-59
Total	28,469	-654
29		
Income tax	-	-

Notes to the consolidated statement of financial position

(in 1,000 euro's)

The statutory applicable corporate tax rate for 2020 in the Netherlands is 25% (2019: 25%). Taxes are calculated on the result before taxation, based on the applicable profit tax rate.

During the financial years 2019 and 2020 ATB realised operational losses leading to tax losses. For tax accounting purposes tax losses are accrued only for the amount at which tax losses can be offset against past taxable profits. At year-end 2020 no amount has been accrued as current tax receivable.

No deferred tax assets that depend on future profitability of ATB are taken into account due to the uncertainty on sufficient taxable profits during the taxable period that these losses can be offset. The tax receivable on the negative result of the financial year 2019 and 2020 are added to the non-recognised future tax assets (carry forward) and therefore do not lead to a tax position in the Statement of financial position.

For 2020 this resulted in an overall effective tax rate of 0.0% (2019: 0.0%).

The differences between the statutory applicable corporate tax rate and effective tax rate can be explained as follows:

	2020	2019
Operating result before tax	-36,572	-20,431
Income tax		
Theoretical tax charge at the statutory rate of 25%	-9,143	-5,108
Non recognised future tax assets	9,143	5,108
Total	-	-

At year-end 2020 an amount of € 320 million (2019: € 284 million) of losses available for carry forward have not been included in the measurement of deferred tax assets.



Company Financial Statements 2020

Company statement of financial position

at 31 December before appropriation of result

(in 1,000 euro's)

	Note*	31-12-2020	31-12-2019
Assets			
Cash and balances with central banks	1	383,387	210,244
Loans and advances to banks	30	29,654	99,024
Loans and advances to customers	31	551,774	803,144
Interest-bearing securities	4	223,309	253,930
Shares and other non-interest-bearing securities	5	3	198
Intangible assets	6	3,999	5,849
Property and equipment	7	1,538	1,850
Prepayments and accrued income	32	10,103	18,502
Other assets	9	14,732	4,315
Total assets		1,218,499	1,397,056
Liabilities and equity			
Amounts due to banks	10	113,703	161,578
Funds entrusted	11	909,498	993,388
Accruals and deferred income	12	6,354	9,613
Other liabilities	13	11,025	22,217
Provisions	33	3,674	3,643
Subordinated loan	15	-	35,000
Total liabilities		1,044,254	1,225,439
Equity:			
• Issued share capital		129,251	105,408
• Share premium reserve		107,721	92,364
• Retained earnings		-27,790	-6,793
• Legal reserve		1,635	1,069
• Undistributed result		-36,572	-20,431
Total equity	16	174,245	171,617
Total liabilities and equity		1,218,499	1,397,056
Contingent liabilities	17	27,242	26,266
Irrevocable commitments	18	38,650	22,340

*The number beside each item refers to the relevant note. Where the note for the company statement of financial position is equal to the consolidated statement of financial position we make reference to the note with the consolidated statement of financial position.

Company statement of income

(in 1,000 euro's)

		2020	2019
Income from operating activities	Note*		
Interest income	19	36,213	52,900
Interest expense	20	11,209	24,232
Net interest income		25,004	28,668
Commission income		1,385	1,835
Commission expense		179	750
Net commission income	21	1,206	1,085
Result on financial transactions	22	777	-5,574
Other income	23	28	64
Total income from operating activities		27,015	24,243
Expenses			
Staff expenses	24	15,335	23,753
General and administrative expenses	25	15,541	13,063
Depreciation and impairments of intangible assets and property and equipment	26	3,024	7,024
Resolution charge	27	1,218	1,488
Impairments of financial instruments	28	28,469	-654
Total expenses		63,587	44,674
Operating result before tax		-36,572	-20,431
Income tax	29	-	-
Net result		-36,572	-20,431

*The number beside each item refers to the relevant note in the consolidated statement of income. The company statement of income (for both 2020 and 2019) is equal to the consolidated statement of income.

Notes to the company statement of financial position

General

The company financial statements of Amsterdam Trade Bank N.V. (ATB) have been prepared in conformity with section 14, "Provisions for banks", of Book 2, Title 9 of the Netherlands Civil Code with the allowed application of the accounting policies (Dutch GAAP) as also applied in the consolidated annual accounts. The principles of valuation and determination of results stated in connection with the consolidated statement of financial position and consolidated statement of income are also applied to the corporate statement of financial position and corporate statement of income.

When the amounts included in the company statement of financial position or the statement of income are equal to the amounts as included in the consolidated statement of financial position or statement of income, no separate notes are included at company level. We refer to the notes as included in the consolidated financial statements.

Foreign currencies

Translation differences on loans granted in foreign currencies from ATB to Group companies, which do not qualify as part of the net investment in foreign investment, are recognised in the statement of income.

Subsidiaries

ATCAC (Amsterdam Trade Capital Administration Corporation B.V.) a 100% owned Subsidiary, of which ATB has all voting rights. ATCAC had no activity since 2016.

Investments and subsidiaries are valued using the net asset value method. A provision is formed if and to the extent that the company stands surety for all or part of the debt of the participating interest or if it has a constructive obligation to enable the participating interest to repay its debts.

Equity

Financial instruments that are designated as equity instruments by virtue of the economic reality are presented under 'Equity'. Payments to holders of these instruments are deducted from 'Equity' as part of profit distribution.

ATB has only one type of share and all shares have equal rights.

The Company must maintain a legal reserve for the unrealized result of embedded derivatives relating to a few shipping loans.

Notes to the company statement of financial position

(in 1,000 euro's)

30	31/12/2020	31/12/2019
Loans and advances to banks	29,654	99,024

Loans and advances to banks can be classified as follows:

By type:		
Nostro current accounts	14,906	2,551
Letter of Credit-loans	12,123	86,162
Deposits - not freely available	2,665	11,161
Impairments	-40	-850
Total	29,654	99,024

Deposits - not freely available serve as collateral for liabilities arising from derivative transactions

	31/12/2020	%	31/12/2019	%
By geographical concentration:				
CIS countries	12,316	41.4	85,715	86.6
United States	10,633	35.9	302	0.3
EUR utilising countries	4,021	13.6	5,477	5.5
Other European countries	2,684	9.1	7,530	7.6
Total	29,654	100.0	99,024	100.0

	31/12/2020	31/12/2019
By counterparty:		
Parent bank and related banks	8,383	402
Other banks	21,271	98,622
Total	29,654	99,024

Notes to the company statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	Total 31/12/2020
By credit rating class:				
AA+ - AA-	2,684	-	-	2,684
A+ - A-	190	-	-	190
B+ - B-	22,847	3,973	-	26,820
Impairments	-	-40	-	-40
Total	25,721	3,933	-	29,654

	Stage 1	Stage 2	Stage 3	Total 31/12/2019
AA+ - AA-	1,794	-	-	1,794
A+ - A-	5,687	-	-	5,687
BBB+ - BBB-	4,578	-	-	4,578
BB+ - BB-	30,683	-	-	30,683
B+ - B-	12,132	45,000	-	57,132
Impairments	-467	-383	-	-850
Total	54,407	44,617	-	99,024

ATB uses an internal rating system.

Notes to the company statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	31/12/2020
Gross loans and advances to banks	25,721	3,973	-	29,694
Movement in Impairments				
Balance at 1 January 2020	467	383	-	850
Matured or repaid	-450	-372	-	-822
Transfer to/from other stage (net)	-5	5	-	-
Re-measurement	-12	24	-	12
Impairments as at 31 December 2020	-	40	-	40
Net loans and advances to banks	25,721	3,933	-	29,654

	Stage 1	Stage 2	Stage 3	31/12/2019
Gross loans and advances to banks	54,874	45,000	-	99,874
Movement in Impairments				
Balance at 1 January 2019	128	-	-	128
New Assets originated or purchased	-148	-	-	-148
Re-measurement	487	383	-	870
Impairments as at 31 December 2019	467	383	-	850
Net loans and advances to banks	54,407	44,617	-	99,024

Notes to the company statement of financial position

(in 1,000 euro's)

31	31/12/2020	31/12/2019
Loans and advances to customers	551,774	803,144

Loans and advances to customers can be classified as follows:

By type:		
Loans	258,605	378,798
Overdraft and current accounts	176,981	282,610
Syndicated loans	139,459	138,510
Staff loans (includes former staff)	10,739	9,964
Impairments	-34,010	-6,738
Total	551,774	803,144

	31/12/2020	%	31/12/2019	%
By geographical concentration:				
EUR utilising countries	194,337	35.2	191,753	23.8
Other European countries	161,416	29.3	145,126	18.1
Marshall Islands	91,163	16.5	153,015	19.1
Singapore	18,552	3.4	85,732	10.7
Other CIS countries	18,461	3.3	50,282	6.3
United States	14,773	2.7	57,012	7.1
Turkey	-	-	34,067	4.2
Russia	-	-	28,263	3.5
Other countries	53,072	9.6	57,894	7.2
Total	551,774	100.0	803,144	100.0

The staff loan as per 31 December 2020 solely comprises of the loan with the former CEO in relation with the ESPP program. Further information on the balance can be found in note 13 'other liabilities'.

Exposures in Other European countries mainly consist of exposures in Switzerland, United Kingdom and Croatia. Exposures in Other countries mainly consist of exposures in Liberia, United Arab Emirates and Canada.

The tables presented in this note include a loan of € 0.4 million with FIBR Capital Ltd, a UK-based financing company within the Alfa Bank Group.

Notes to the company statement of financial position

(in 1,000 euro's)

	31/12/2020	%	31/12/2019	%
By sector and industry:				
Shipping	220,813	40.0	319,316	39.8
Trading companies	96,861	17.6	118,617	14.7
Energy	69,640	12.6	161,161	20.1
Industry and construction	52,552	9.5	116,274	14.5
Finance	51,715	9.4	8,770	1.1
Agriculture	46,911	8.5	65,503	8.2
Others	13,282	2.4	13,503	1.6
Total	551,774	100.0	803,144	100.0

The table below is a breakdown of the carrying value of loans and advances to customers reported by type of collateral. If the collateral value is lower than the carrying value of the loan, the remaining part is classified as 'Various unsecured'. The valuation methods of collateral are described in the Risk paragraph under E.3 credit risk.

	31/12/2020	%	31/12/2019	%
By type of collateral:				
Secured by real estate (inc.ships)	228,441	41.5	311,690	38.8
Secured by moveable goods	89,636	16.2	268,452	33.4
Secured by guarantees	49,653	9.0	7,261	0.9
Secured by bill of lading	28,285	5.1	13,459	1.7
Secured by deposits	7,623	1.4	21,354	2.7
Various secured	32,675	5.9	47,760	5.9
Various unsecured	115,461	20.9	133,168	16.6
Total	551,774	100.0	803,144	100.00

Notes to the company statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	Total 31/12/2020
By credit rating class:				
BBB+ - BBB-	14,850	40,691	-	55,541
BB+ - BB-	175,535	38,600	-	214,135
B+ - B-	89,575	120,472	-	210,047
D+ - D-	10,859	-	73,230	84,089
Not rated	14,276	-	-	14,276
Impairments	-3,065	-3,959	-26,876	-33,900
Total	302,030	195,804	46,354	544,188

Purchase of credit impaired loans (rating: D) 7,586

Balance at 31 December 2020 551,774

	Stage 1	Stage 2	Stage 3	Total 31/12/2019
BBB+ - BBB-	26,352	-	-	26,352
BB+ - BB-	471,059	27,417	-	498,476
B+ - B-	194,387	58,754	-	253,141
D+ - D-	-	-	18,409	18,409
Not rated	13,504	-	-	13,504
Impairments	-3,572	-1,231	-1,935	-6,738
Total	701,730	84,940	16,474	803,144

ATB uses an internal rating system

Notes to the company statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers				
Movements in gross carrying amount				
Balance at 1 January 2020	705,303	86,171	18,408	809,882
New Assets originated or purchased	105,160	-	-	105,160
Matured and repaid	-331,133	-4,914	-618	-336,665
Transfer to Stage 1	8,384	-8,384	-	-
Transfer to Stage 2	-127,781	127,781	-	-
Transfer to Stage 3	-54,837	-891	55,728	-
Modification loss	-	-	-289	-289
Amounts written off	-	-	-	-
Total	305,096	199,763	73,229	578,088
Purchase of credit impaired loans (gross)				7,696
Balance at 31 December 2020				585,784

	Stage 1	Stage 2	Stage 3	31/12/2020
Gross loans and advances to customers				
Movements in allowance for Impairments				
Balance at 1 January 2020	3,572	1,231	1,935	6,738
New Assets originated or purchased	818	-	-	818
Matured or repaid	-1,404	-1,499	-	-2,903
Transfer to Stage 1	15	-15	-	-
Transfer to Stage 2	-410	410	-	-
Transfer to Stage 3	-84	-9	93	-
Re-measurement	684	4,152	26,005	30,841
FX impact	-126	-311	-1,157	-1,594
Amounts recovered	-	-	-	-
Amounts written off	-	-	-	-
Total	3,065	3,959	26,876	33,900
Purchase of credit impaired loans				110
Impairments at 31 December 2020				34,010

Notes to the company statement of financial position

(in 1,000 euro's)

Net loans and advances to customers	302,031	195,804	46,353	544,188
Purchase of credit impaired loans (net)				7,586
Balance at 31 December 2020				551,774

The stage 3 allowance as per 31 December 2020 mainly relate to re-measurement of balances present in the loan portfolio at prior year end and is dominated by one borrower with a provision of € 25.0 million. For this Commodity Finance client ATB financed the receivables stage of the supply chain at time of default.

Other provisioning mainly relates to shipping clients whose income was impacted by deteriorating charter income following the Covid-19 pandemic.

The POCI (Purchase of Credit Impaired) loan that is presented on a separate line in the table above is a newly acquired borrower in 2020. In 2019 there were no purchases of credit-impaired loans in portfolio.

Foreign currency effects from movements in the gross loans are included in the movements itself. FX exposure on loans is hedged by FX derivatives. Imperfect hedge results are recognised in the result on financial transactions (see note 22). The value of the FX derivatives is recognised under other assets (note 9) and other liabilities (note 13). FX risk management is described in the Risk paragraph in section E4.2.

Notes to the company statement of financial position

(in 1,000 euro's)

	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers				
Movements in gross carrying amount				
Balance at 1 January 2019	826,079	13,106	7,605	846,790
New Assets originated or purchased	246,496	-	-	246,496
Matured and repaid	-278,769	1,945	-5,831	-282,655
Transfer to Stage 1	-	-	-	-
Transfer to Stage 2	-88,503	88,503	-	-
Transfer to Stage 3	-	-17,383	17,383	-
Modification loss	-	-	-	-
Amounts written off	-	-	-749	-749
Balance at 31 December 2019	705,303	86,171	18,408	809,882

	Stage 1	Stage 2	Stage 3	Total
Gross loans and advances to customers	705,303	86,171	18,408	809,882
Movements in allowance for Impairments				
Balance at 1 January 2019	2,760	19	2,760	5,539
New Assets originated or purchased	2,701	-	-	2,701
Matured or repaid	-1,118	-275	-584	-1,977
Transfer to/from other stage (net)	-546	181	365	-
Re-measurement	-225	1,306	3,579	4,660
FX impact	-	-	-79	-79
Amounts recovered	-	-	-3,357	-3,357
Amounts written off	-	-	-749	-749
Impairments at 31 December 2019	3,572	1,231	1,935	6,738
Net loans and advances to customers	701,731	84,940	16,473	803,144

Notes to the company statement of financial position

(in 1,000 euro's)

The bank closely monitors collateral held for financial assets considered to be credit-impaired, as it becomes more likely that ATB will have to exercise a collateral claim.

In March 2020 ATB ended an arrangement to securitise part of its financial assets via the SPE ATB Shipping Finance I B.V. Under this arrangement, loans were pledged to this facility and considered encumbered assets. The loans have never been de-recognised from the ATB balance sheet, because the majority of risks and rewards were not transferred to the SPE. The entity is expected to be liquidated in the second quarter of 2021.

As a consequence of the decision in 2020 to settle and wind down the ESPP program and the early retirement of the former CEO there are no loans to current members of the Management Board. The settlement with the former CEO is awaiting approval from the Russian Central Bank, because it would transfer the majority ownership of ESPP B.V. to ATB. The outstanding loan including accrued interest of € 10.7 million is kept on the line 'staff loan' in the table 'per loan type' above. In 2019 the balance with members of the Management Board was € 9.0 million. The increase of the outstanding balance compared to 2019 is a result of adding the settlement with the former CEO minus payments to other participants.

No loans and advances are outstanding to members of the Supervisory Board (2019: Nil).

	31/12/2020	31/12/2019
32		
Prepayments and accrued income	10,103	18,502
Prepayments and accrued income can be specified as follows:		
Interest receivable		
• Loans and advances to customers	2,449	4,117
• Interest bearing securities	1,453	1,488
• Banks	93	729
• Related group companies	454	14
Prepayments	5,379	12,154
Value Added Tax	275	-
Total	10,103	18,502

Notes to the company statement of financial position

(in 1,000 euro's)

33	31/12/2020	31/12/2019
Provisions	3,674	3,643
Provisions can be specified as follows:		
Participating Interests	3,538	3,538
Provisions Off Balance and Guarantees	136	105
Total	3,674	3,643

This provision on participating interests amount represents the full provision of the participating interest in ATCAC (Amsterdam Trade Capital Administration Corporation B.V.). There were no movements in 2020 and 2019 as there were no operational activities within this company.

Other contingent liabilities

During the past 7 years, ATB has increased its effort to implement a strong compliance culture and organisation, processes and tooling. As a result of this and also due to increased specific monitoring of its client files and business transactions, ATB identifies and reports unusual transactions to the authorities and has reported such past transactions when these were identified.

ATB is subject to a criminal investigation initiated by the FIOD (Dutch Fiscal Intelligence and Investigation Department) in 2017. For further details we refer to the information provided in the Other contingent liability section in the Notes to the consolidated statement of the financial position. Management is not able to assess reliably if a penalty or fine might be the outcome of this investigation and if so, what the possible timing, scope or amounts of any such fines, penalties and/or other outcome would be. Accordingly, no provision has been recognised at 31 December 2020, neither was a provision recognised at 31 December 2019.

The Bank is involved in a limited number of court procedures. It is not possible to predict the outcome of these procedures, but it is not expected that these will have a material negative effect on ATB's financial position.

Subsequent events

In January 2021 ABH Holdings S.A. provided an additional capital injection of € 2.8 million.

In February 2021 the Shareholders committed to provide additional capital of € 71.0 million to strengthen the capital position which was received in July 2021.

On May 19, 2021 ATB announced that in 2021 a reorganisation will take place. The reorganisation has been approved by the Workers Council in May 2021. The announced changes will have substantial effect on the organisation which could cause additional costs to an amount of approximately € 1.5 million.

On 15 September 2021 Mr. Poul M. Thomsen has been appointed in the Supervisory Board. Mr. Thomsen has had a long and impressive career in the international financial world, notably with the International Monetary Fund in Washington. In the IMF he has been responsible for the European Department supervising the IMF's surveillance for 44 countries.

On October 18, 2021, we have introduced the bank's trademark for the SME related business under the name of FIBR.com, which marks an important next step in the execution of the revised strategy. FIBR is positioned as the connected digital bank, launched with the sole focus of servicing European SMEs, through combining the stability of a bank with the agility and technology of a fintech.

Amsterdam, 19 November 2021

Management Board:

*O. Bass, Chief Executive Officer and Chairman
H.P.M.G. Steeghs, Chief Financial Officer
V. Brodski, Chief Risk Officer*

Supervisory Board:

*R.Meijer, Chairman
H.C.M. van Damme
A.B. Sokolov
A.J. Baxter
O. Vaksman
L.H. Hoogduin
P.M. Thomsen*



Other information

Independent auditor's report

To: the shareholders and the supervisory board of Amsterdam Trade Bank N.V.

Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 of Amsterdam Trade Bank N.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Amsterdam Trade Bank N.V. as at 31 December 2020, and of its result for 2020 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The consolidated and company statement of financial position as at 31 December 2020
- The consolidated and company statement of income for 2020
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing.

Our responsibilities under those standards are further described in the "Our responsibilities for the audit of the financial statements" section of our report.

We are independent of Amsterdam Trade Bank N.V. (the company) in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants

(VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our audit approach

Our understanding of the business

Amsterdam Trade Bank N.V. is a bank with focus on corporate lending to trade and commodity and shipping clients in Europe and other countries. Funding is predominantly attracted through retail saving and deposits in the Netherlands, Germany and Austria. We paid specific attention in our audit to areas driven by these operations and our risk assessment.

In order to obtain sufficient and appropriate audit evidence to provide an opinion about the consolidated financial statements, we have performed a full-scope audit on the consolidated financial information of Amsterdam Trade Bank N.V. as a whole (no components) and by one audit team. The audit procedures have been performed by the audit team in Amsterdam. We start by determining materiality and identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud, non-compliance with laws and regulations or error in order to design audit procedures responsive to those risks and to 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.

We were forced to perform our procedures related to the audit of the 2020 financial statements to a great extent remotely due to the COVID-19 measures. This limits our observation and increases the risk of missing certain signals. In order to compensate for the limitations related to physical presence and direct observation, we more extensively used electronic communication technologies and written information exchange to obtain the audit evidence that is sufficient and appropriate to provide a basis for our opinion.

Materiality

Materiality	€1.7 million (2019: €1.7 million)
Benchmark applied	1% (rounded) of total equity
Explanation	Based on our professional judgment, the benchmark of total equity is an appropriate quantitative indicator of materiality as it is one of the key performance indicators for Amsterdam Trade Bank N.V. and is the basis for assessing its solvency.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of €85,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a bank. We included specialists in the areas of IT audit, forensics, legal and income tax. Furthermore, we have made use of our own experts in the areas of the loan loss provisioning and valuation of derivatives and shipping collateral.

Our focus on fraud and non-compliance with laws and regulations

Our responsibility

Although we are not responsible for preventing fraud or non-compliance and cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. Non-compliance with laws and regulations may result in fines, litigation or other consequences for the company that may have a material effect on the financial statements.

Our audit response related to fraud risks

In order to identify and assess the risks of material misstatements of the financial statements due to fraud, we obtained an understanding of the company and its environment, including the company's internal control relevant to the audit, and in order to design audit procedures that are appropriate in the circumstances. As in all of our audits, we addressed the risk of management override of internal control. We do not audit internal control per se for the purpose of expressing an opinion on the effectiveness of the company's internal control.

We considered available information and made enquiries of relevant executives, directors (including risk, compliance, internal audit and legal) and the supervisory board. As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. In our risk assessment we considered the potential impact of among others developments of key financial ratios,

the business development, organizational changes and board dynamics. Additionally, we considered whether the COVID-19 pandemic gives rise to specific fraud risk factors with remote working, or illness possibly diluting the effectiveness of internal controls.

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in note B.1.4 'judgement and estimates' to the consolidated financial statements. We have also used data analysis to identify and address high-risk journal entries.

Our audit procedures to address the assessed fraud risks did not result in a key audit matter. However,

we describe the audit procedures responsive to the assessed fraud risk related to the risk of incorrect and unauthorized payments due to an internal restructuring in the description of our audit approach for the key audit matter on the impact of COVID-19.

We incorporated elements of unpredictability in our audit. We considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance. If so, we reevaluate our assessment of fraud risk and its resulting impact on our audit procedures.

Our audit response related to risks of non-compliance with laws and regulations

We assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general banking industry experience, through discussions with the management board, reading minutes, inspection of reports from risk, compliance and internal audit, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally we obtained written representations from the management board that all known instances of non-compliance with laws and regulations have been disclosed to us. In cases of instances of non-compliance with laws and regulations (with the potential of having a material effect) we assessed whether the company has a process in place to evaluate the impact of non-compliance for its operations and financial reporting and, where relevant, the company implemented remediation plans amongst which for client integrity.

We make reference to the key audit matters on the ongoing investigation on compliance with the Dutch act on the prevention of money laundering and financing of terrorism, and on the estimation of other, non-credit, provisions and related disclosures and compliance matters.

Going concern

We performed procedures in order to identify and assess the risks of going concern and to conclude on the appropriateness of the management board's use of the going concern basis of accounting.

The management board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for at least the next 12 months. We discussed and evaluated the assessment with the management board exercising professional judgment and maintaining professional skepticism, and specifically focused on the process followed by the management board to make the assessment, management bias that could represent a risk, the impact current events and conditions may have on the company's operations and forecasted cash flows, particularly whether the company will meet the minimal regulatory solvency requirements. We reviewed the prospective financial information and underlying assumptions including involving our specialist. We refer to the key audit matter on the going concern assumption.

Based on the audit evidence obtained, we consider whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company'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 company to cease to continue as a going concern.

General audit procedures

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Our key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison to the audit of the 2019 financial statements of Amsterdam Trade Bank N.V. we identified the impact of COVID-19 as a new key audit matter, given the effect of the pandemic on the operations of the company. The key audit matter in relation to the newly developed business strategy has changed from the recognition of impairments and a restructuring provision to incorporation in key audit matter on the estimation of other non-credit related provisions, particularly regarding the recognition of the costs in connection with the current transition phase.

These matters 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.

Risk	Our audit approach	Key observations
The impact of the COVID-19 pandemic		
<p>The developments around the COVID-19 pandemic have a profound impact on society and the economy and also effects the operational and financial performance of organizations. Early 2020 the Dutch Central Bank named the impact of COVID-19 as a material risk for the financial stability of banks and announced certain solvency relief measures for COVID-19 related impairments. The situation continues to evolve, giving rise to inherent uncertainty with impact on, among others, the expected credit losses on loans and advances and the fair valuation of financial instruments and therefore we consider the impact of COVID-19 a key audit matter.</p> <p>We also considered whether the remote working, combined with the internal restructuring that is taking place at Amsterdam Trade Bank N.V., diluted the effectiveness of internal controls, specifically relating to payments.</p> <p>Amsterdam Trade Bank N.V. is confronted with this uncertainty and disclosed this in the notes to the consolidated financial statements in the sections B.1.4 going concern, E.1 strategic risk, E.3 credit risk, E.6 operational risk, E.7 solvency risk and note 3 loans and advances to customers of the consolidated financial statements. Particular reference is made to the €25 million impairment loss on one of the loans for which a temporary solvency relief is allowed by the supervisory authorities.</p>	<p>We discussed and evaluated the impact of the COVID-19 pandemic on the operational and financial performance of Amsterdam Trade Bank N.V. and focused particularly on the effectiveness of internal controls while working remote in combination with the scale-down in headcount following the restructuring activities that were implemented at the end of 2019. Accordingly, we designed and performed specific audit procedures responsive to this development, including inspection of the monitoring conducted by the second and third line functions of Amsterdam Trade Bank N.V. on internal control effectiveness and performing incremental test procedures through data-analyses on the authorizations of outgoing payments.</p> <p>Additionally, we assessed the applicability of the temporary solvency relief measures by inspecting the underlying impairment losses and the related correspondence with the supervisory authorities, including the preparation of a capital restoration plan. Finally, we evaluated the overall view of the financial statements, including the disclosures, related to the impact of the COVID-19 pandemic.</p>	<p>Based on our procedures performed we consider that the main issues, elaborations and assumptions in respect of the impact of COVID-19 on the operational and financial performance of Amsterdam Trade Bank N.V. have been properly disclosed in above noted risk management paragraphs of the annual report and in the disclosures to the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code.</p>

Risk	Our audit approach	Key observations
Going concern assumption		
<p>Due to the negative operational results in past years and solvency limitations in the further growth of the business, Amsterdam Trade Bank N.V. is revising its business model. Accordingly, the management board, with oversight of the supervisory board, developed a revised strategy, initiated restructuring measures, and decided to stop with activities in certain of its segments. Following reviews by the supervisory authorities, the management board further enhanced its plans in 2020 and started the preparations for developing a pan-European digital business offering to small and medium sized enterprises. In addition to capital contributions in 2020 for a combined amount of €39.2 million an updated capital management plan was approved by the shareholders and €2.8 million and €71 million were contributed in January 2021 respectively July 2021 to strengthen the capital position and invest in the plans for the new business operations.</p> <p>Meeting the minimal prudential solvency and liquidity requirements is relevant for the assessment of the financial position of Amsterdam Trade Bank N.V. As disclosed in notes E.1, E.6 and E.7 to the financial statements the solvency ratio is below the minimum requirements as per 31 December 2020, however, temporary relief has been granted by the supervisory authorities on the basis of specific COVID-19 measures applicable for banks.</p> <p>As disclosed in note B.1.4 of the financial statements, the availability of sufficient capital and liquidity and the testing of whether the company with help of its shareholders will be able to continue meeting its obligations under the prudential requirements are important for the going concern assumption that is underlying the preparation of the financial statements, and as such are considered to be a key matter for the audit.</p>	<p>We evaluated the management board's assessment for going concern through multiple scenarios and the underlying assumptions for the calculations of the capital and liquidity ratios, taking into account the business plan forecast for 2021 to 2024, as well as the impact of the COVID-19 pandemic on the operational and financial performance of the company. This evaluation included examining of subsequent events and, with the assistance of our corporate finance specialists, challenging the plausibility of the forecasted assumptions on expected results. We have validated the contribution of incremental capital by the shareholders in January 2021 and July 2021 and we have read the letters from the supervisory authorities noting their observations and requirements with regard to the strategy enhancements and business operations. Where appropriate, we involved our regulatory and legal specialists. We have specifically paid attention to the solvency and liquidity requirements set by the supervisory authorities towards Amsterdam Trade Bank N.V. and compliance with these requirements as prevailing per 31 December 2020 and further determined thereafter. Additionally, we assessed the appropriateness of the related disclosures.</p>	<p>Based on our procedures performed, we consider that the analyses, elaborations and assumptions in respect of the going concern basis of accounting have been properly disclosed in the notes B.1.4, E.1, E.6 and E.7 to the financial statements.</p>

Risk	Our audit approach	Key observations
<p>Investigation on compliance with the Dutch Act on the prevention of money laundering and financing of terrorism, the Dutch Criminal Code and the Sanctions Act 1977</p> <p>In 2014 non-compliance at Amsterdam Trade Bank N.V. with the Dutch act on the prevention of money laundering and financing of terrorism (in Dutch: Wwft) was identified by the Dutch Central Bank. Structural shortcomings in the underlying processes were noted during different inspections, followed by the execution of a detailed remediation and repair program. Since the end of 2017 Amsterdam Trade Bank N.V. has been subject of an investigation by the Dutch public prosecutor. The scope of the investigation includes suspicions of non-compliance with the Wwft, such as no or insufficient client due diligence, no or insufficient enhanced client due diligence, no or insufficient monitoring of business relationships and transactions, the entering into business relationships without having completed the appropriate client due diligence, and the failure to (completely and timely) report unusual transactions. The scope of the investigation also includes suspicions of non-compliance with sanctions regulations, sanctions monitoring, forgery, bribery and suspicions of culpable money laundering.</p> <p>It is not yet known which specific consequences the investigation may have and how long the investigation may take. A provision for any potential fine or settlement can only be recorded if there is a legal or constructive obligation as a result of a past event, and it is probable that an economic outflow will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. If the outflow of economic resources is uncertain or cannot be reliably estimated, a contingent liability is disclosed.</p> <p>As the timing of the completion of the investigation and the outcome is uncertain, the management board concluded that no reliable estimate can be made of any potential outflow and consequently a contingent liability related to the investigation has been disclosed in note 17 Contingent liabilities.</p> <p>Due to the significance of the investigation and its possible outcome for the financial statements, we consider this a key audit matter.</p>	<p>We evaluated the design and implementation of the controls by Amsterdam Trade Bank N.V. relating to identifying, monitoring and disclosing potential obligations arising from legal or regulatory matters and other contingencies. We considered whether obligations exist, and the appropriateness of provisioning and disclosure based on the facts and circumstances available. We periodically met with the management board of Amsterdam Trade Bank N.V. to understand the potential obligations and the progress of the investigation of the public prosecutor. We read the minutes of the management board and supervisory board and attended audit committee meetings throughout the audit. Furthermore, we inspected the company's internal compliance reports, the results of specific lookback analyses, and read regulatory and legal correspondence to assess the developments with regard to the investigation. We obtained a legal letter from and inquired with external legal counsel to understand any potential obligation. We involved our own legal specialists, and obtained external legal advice, to assist in evaluating management assertions. We involved our own legal specialists to assist in evaluating management assertions. Finally, we evaluated the completeness and accuracy of the disclosure related to other contingent liabilities as included in note 17 and whether these disclosures are in compliance with Part 9 of Book 2 of the Dutch Civil Code.</p>	<p>Based on our procedures performed, we concur that no provision is recorded as per 31 December 2020 due to the fact that the investigation is still ongoing and no reliable estimate can be made of the outcome. The disclosure on contingent liabilities related to the investigation is considered adequate and appropriate and meets the requirements in accordance with Part 9 of Book 2 of the Dutch Civil Code.</p>

Risk	Our audit approach	Key observations
<p>Estimation of impairment losses on loans and advances to customers</p> <p>The portfolio of loans and advances to customers of Amsterdam Trade Bank N.V. is measured at amortized cost, less a provision for impairment losses. At 31 December 2020 total gross loans of €583 million and €34 million of provisions for estimated impairment losses are reported and disclosed in the financial statements in the summary of significant accounting policies section, note B.1.4 judgement and estimates, note C.4.3 credit risk, note C.5 expected credit losses - financial instruments and note 3 loans and advances to customers.</p> <p>In accordance with the expected credit losses option of Dutch Accounting Standard 290 "Financial Instruments" (DAS 290), the provision for impairment losses is based on expected credit losses which includes assumptions such as the probability of default, the loss given default, the allocation of loans to stages and the use of macro-economic scenarios and forward looking information. In response to the higher estimation uncertainties under the current economic situation following the COVID-19 pandemic, a number of sector and model overlays have been recognized.</p> <p>The appropriateness of loan loss provisions is a key area of judgment for the management board. The identification of impairment and the determination of the recoverable amount are an inherently uncertain process involving various assumptions and factors including the financial condition of the counterparty, expected future cash flows, the value of collateral and the assessment of objective evidence for impairment of a loan. The use of different assumptions could produce significantly different estimates of loan loss provisions.</p>	<p>Our audit procedures included, amongst others, evaluating the appropriateness of the accounting policies of Amsterdam Trade Bank N.V. related to expected credit losses according to DAS 290. We have obtained an understanding of the loan loss provisioning process and, where possible, tested the design and operating effectiveness of internal controls related to loan origination, credit risk management and the determination of the provisions for impairment losses. This included testing data accuracy and completeness, data transfers, staging, impairment calculation and reporting. With the support of our risk specialists, we inspected and discussed the outcome of the model validation procedures as conducted by the management board. We analyzed the staging of the loans in relation to developments in the loan portfolio, as influenced by the Covid-19 pandemic and the company's decision to wind-down lending operations in certain of its segments.</p> <p>For the calculation of the expected credit loss allowance per 31 December 2020, we selected a sample of individual loans and performed detailed credit file reviews and challenged the internal assessment of impairment identification and measurement. In addition we assessed the assumptions underlying the impairment identification and quantification, including forecasts of future cash flows and valuation of underlying collateral. We applied professional judgment in selecting those exposures for our detailed inspection and engaged our shipping valuation specialists to assist us with the audit of the reasonableness of management's valuation of collateral for certain loans. We challenged the criteria used to allocate loans and tested a sample of loans on appropriate staging.</p>	<p>We consider the allowance for expected credit losses on loans and advances to customers to be reasonable and in compliance with Dutch law. The disclosures relating to the provision for impairment losses meet the requirements as defined in DAS 290.</p>

Risk	Our audit approach	Key observations
Estimation of impairment losses on loans and advances to customers		
Given that the loans and advances to customers are material to the Company's financial position and result, the accounting requirements with respect to calculating provisions for expected credit losses are complex and judgmental, and the economic sensitivity especially in the shipping loan business and under the current COVID-19 pandemic, we considered this to be a key audit matter.	We tested the data used in the expected credit losses calculation by reconciliation to source systems. Finally, we assessed the completeness and accuracy of the disclosures relating to the allowance for expected credit losses, as disclosed in note 3 to the financial statements, to evaluate compliance with disclosure requirements of EU-IFRS 7 as defined in DAS 290.	Based on our procedures performed, we concur that no provision is recorded as per 31 December 2020 due to the fact that the investigation is still ongoing and no reliable estimate can be made of the outcome. The disclosure on contingent liabilities related to the investigation is considered adequate and appropriate and meets the requirements in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Risk	Our audit approach	Key observations
Estimation of other, non-credit, provisions and related disclosures and compliance matters		
In accordance with Dutch Accounting Standard 252 'Provisions, contingent liabilities and contingent assets' (DAS 252), Amsterdam Trade Bank N.V. provides for liabilities related to restructuring activities, legal claims, compliance and other matters. Following the announcement, last year restructuring costs of €8.8 million for asset impairments and severance costs were recognized and disclosed in notes 6 and 12 to the financial statements. During 2020 these provisions have mostly been utilized and no additional amounts were recorded. In note 17 the off balance sheet commitments including legal proceedings are presented. Furthermore, in the risk management paragraph E.2 developments with regard to compliance risk are disclosed. Organizational developments at Amsterdam Trade Bank N.V. with regard to the implementation of a new business model, as well as matters such as acting as gatekeeper under laws and regulations related to client acceptance and transaction monitoring, require increased attention from the management board when identifying contingencies and recognizing provisions, specifically in the determination of whether outflows in respect of identified matters are probable and can be estimated reliably and the appropriateness of assumptions and judgments used in the estimation of the provisions. Therefore, we consider this a key audit matter.	We obtained an understanding of the entity level controls of the company and evaluated the design and implementation of controls by Amsterdam Trade Bank N.V. related to identifying, monitoring and disclosing the obligations arising from the current business activities and organizational developments. On a periodic basis, we enquired with the management board, finance, risk, compliance and internal audit functions to understand and assess existing and potentially new constructive and legal obligations, and any compliance matters. Related to the roll out of the new business model development we examined the project documentation and board minutes and reviewed the management board's assessment of the status of the plans and communication with regard to reorganizations of personnel, as well as any indicators for impairment or onerous contracts because of winding down certain activities. We compared actual project expenses against internal budgets and discussed the project progress with the management board. For the restructuring provisions that were recognized in 2019 we validated the utilization and considered any remaining uncertainties. For legal and compliance matters we specifically read the correspondence from the regulator, minutes of the management board and the supervisory board to assess any developments and the adequacy of risk management disclosures. We inspected internal compliance reports and internal audit reports, and also took note of the findings from the supervisory authorities following an earlier investigation at the compliance department of Amsterdam Trade Bank N.V. and the remedial actions taken to address these findings. Where appropriate, we involved our regulatory and forensic specialists.	Based on our procedures performed we consider the provisions and disclosures on off balance sheet commitments to be reasonable and appropriate and in compliance with the requirements in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Risk	Our audit approach	Key observations
Estimation of other, non-credit, provisions and related disclosures and compliance matters	Furthermore, we assessed whether the disclosures provided on the other provisions and off balance sheet commitments with regard to restructuring, legal claims and compliance matters in note 17 of the financial statements are in compliance with Part 9 of Book 2 of the Dutch Civil Code. Finally, we evaluated the appropriateness of the compliance and legal risk disclosures in the risk management paragraph.	

Report on other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- The report of the management board
- The report of the supervisory board
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code
- About Amsterdam Trade Bank, Corporate governance, and Glossary

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the report of the management board in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Engagement

We were engaged by the supervisory board as auditor of Amsterdam Trade Bank N.V. on 22 April 2016 as of the audit for the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

Description of responsibilities for the financial statements

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial

statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The *Our audit approach* section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board 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 the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

Amsterdam, 19 November 2021

Ernst & Young Accountants LLP

signed by A.B. Roeders

Appropriation of result

Statutory regulation on Profit and distributions

Article 32 of the Articles of association describes the statutory regulation on Profit and distribution.

Article 32:

1. The profits shall be at free disposal of the general meeting of shareholders. The management board shall, subject to the approval of the supervisory board, make a proposal to distribute (a part of) such profits or, as the case may be, allocate (a part of) these profits to the reserves. The proposal to distribute dividend shall be discussed as a separate item on the agenda of the general meeting of shareholders.
2. The management board may, subject to the approval of the supervisory board and provided that the profits as evidenced by an interim balance sheet prepared in accordance with Section 2:105 paragraph 4 of the Dutch Civil Code permit this, resolve to make interim-distributions on the shares on one or more occasions during the financial year prior to the adoption of the annual accounts by the general meeting of shareholders.

3. The general meeting of shareholders may resolve to make cash or stock distributions on account of the reserves. The general meeting of shareholders shall refrain from doing this without consulting the management board and supervisory board, which may also make a proposal to that extent.
4. The management board shall determine the date on which (interim) distributions shall be payable, which date shall be no later than the fifth business day following the day of the resolution to make the distribution. A claim of a shareholder for payment of a distribution shall be barred after five years have elapsed.

It is proposed to transfer the net loss of € 36.6 million to Retained earnings.

Glossary

Amortised cost

The amount for which financial assets or liabilities are initially recognised minus redemptions, plus or minus the accumulated depreciation/amortization using the effective interest rate method for the difference between the original amount and the amount on maturity date, and minus impairments.

Basic Indicator Approach

The Basic Indicator Approach is an approach to calculate operational risk capital under the Basel Accord, and uses the bank's total gross income as a risk indicator for the bank's operational risk exposure and sets the required level of operational risk capital as 15% of the bank's annual positive gross income averaged over the previous three years.

Basel III

The framework drawn up by the Basel Committee on Banking Supervision which provides a stricter definition of capital and introduces several new ratios and buffers to be complied with by banks. The period for gradual transition from Basel II to Basel III is five years and starting in January 2014.

BIS total capital ratio

The percentage of a bank's capital adequacy calculated by dividing qualifying capital by the risk-weighted assets as defined by the Bank for International Settlements (BIS).

CEE (Central and Eastern Europe)

CEE is a generic term for countries in Central Europe, Southeast Europe and Eastern Europe, usually meaning former communist states in Europe. The term is used following the collapse of the Iron Curtain in 1989-90.

CIS (Commonwealth of Independent States)

An alliance made up of states that had been Soviet Socialist Republics in the Soviet Union prior to its dissolution in December 1991.

Contingent liabilities

All commitments arising from transactions for which ATB has given a guarantee to third parties.

CET1 capital

Common Equity Tier 1 capital also referred to as the core capital. ATB's CET1 capital represents share capital, share premium and other reserves, adjusted for certain deductions set by the regulatory authorities, such as intangible assets.

CET1 capital ratio

The CET1 capital of ATB as a percentage of risk weighted assets.

COSO

The Committee of Sponsoring Organizations of the Treadway Commission.

Credit derivatives (credit default swaps)

In this type of swaps, variable interest payments, linked to Euribor, are exchanged with credit guarantees vis-a-vis a third party. The counterparty is required to pay if the third party cannot meet its payment obligations. The specific events which are followed by payments are recorded in the contract.

CRR

Capital Requirement Regulation.

Derivative

A financial instrument whose value has been derived from the value of another financial instrument, an index or other variables. ATB holds both derivatives whose size (face value), conditions and price are determined between ATB and the counterparties (OTC derivatives), as well as standardized derivatives negotiable on organised markets.

Earnings at Risk (EaR)

Earnings at risk assesses the amount that net income may change due to a change in interest rates over a specified period. Value at risk measures the overall change in value over a specified period within a certain degree of confidence.

Economic Value of Equity at Risk (EVEaR)

Economic value of equity at risk is a cash flow calculation that takes the present value of all asset cash flows and subtracts the present value of all liability cash flows. In this calculation the bank uses Equity at Risk to manage its assets and liabilities.

European Banking Authority (EBA)

The European Banking Authority (EBA) is a regulatory body that works to maintain financial stability in the European Union's (EU) banking industry.

ERM

Enterprise Risk Management.

Expected Credit Loss (ECL)

An average, or mathematically expected, credit loss, generally determined through a combination of expected credit risk exposure, probability of default, and anticipated recovery in default.

Exposure at default (EAD)

Exposure at the time of a client's default, also referred to as net exposure.

Fair value

The fair value of a financial instrument is the amount for which an asset could be exchanged or a liability can be settled between knowledgeable parties that are willing to trade and are independent from each other.

Gross Domestic Product (GDP)

The market value of all officially recognised final goods and services produced within a country in a year, or other given period.

ICAAP

The purpose of the Internal Capital Adequacy Assessment Process (ICAAP) is to inform the Board of the ongoing assessment of the bank's risks, how the bank intends to mitigate those risks and how much current and future capital is necessary having considered other mitigating factors.

ILAAP

Strategies and procedures designed for the bank's continuous assessment as to whether the liquidity position still reconcile with the size and nature of its current and potential future liquidity risks (Internal Liquidity Adequacy Assessment Process)

Impairments

Amount charged to the statement of income for possible losses on financial instruments or because an impairment test has shown that the asset has to be valued lower, because the fair value is lower than the carrying amount or because the fair value of investments and associates is lower than cost.

Internal Capital Adequacy Assessment Process (ICAAP)

Strategies and procedures designed for ATB's continuous assessment whether the amount, composition and distribution of equity still reconcile with the size and nature of its current and potential future risks.

IRRBB

Interest Rate Risk Banking Book within ATB is defined as a sub-section of Market Risk and provides insights on the amount of the interest rate risk that is significantly influenced by the extent of the maturity transformation between the fixed-interest periods on both the assets and liabilities side. This particularly applies to the retail business with long-term customer loans on the assets side, which are refinanced with variable-rate deposits on the liabilities side.

Irrevocable commitments

All obligations that could give rise to the granting of loans.

Letter of credit (LC)

A letter of credit is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover the full or remaining amount of the purchase.

Leverage Ratio Basel III (LR)

The LR represents the ratio between total assets plus contingent items and the Basel III CET1 capital.

Liquidity Coverage Ratio (LCR)

The LCR represents the ratio between high quality liquid assets and the balance of cash outflows and cash inflows over the next 30 days.

Lifetime Expected Credit Losses (LECL)

The expected credit losses that result from all possible default events over the expected life of a financial instrument.

Loss given default (LGD)

An estimate of the loss for ATB after liquidation of the received collateral.

LTRO

LTRO's (long-term refinancing operations) are one of ECB's non-standard monetary policy tools. The ECB uses LTRO's to provide an injection of low interest rate funding to eurozone banks with sovereign debt as collateral on the loans.

Management Board (MB)

CEO - Chief Executive Officer
CFO - Chief Financial Officer
CRO - Chief Risk Officer

Net Stable Funding Ratio (NSFR)

The NSFR represents the available stable funding sources related to the required amount of stable funding.

Probability of default (PD)

The likelihood that a client will default within one year.

Total capital

The sum of total CET1 capital and total Tier II capital.

TLTRO

TLTRO's (targeted longer-term refinancing operations) are one of ECB's non-standard monetary policy tools. The ECB uses TLTRO's to provide long-term loans to banks and offer them an incentive to increase their lending to businesses and consumers in the euro area.

Related party

In the normal course of business, ATB enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. Related parties of ATB include, amongst others, its subsidiaries, associated companies within Alfa Bank Group, key management personnel and shareholders. Transactions between related parties mainly consist of forex transactions and financing activities. There are no significant provisions for doubtful debts or individually significant bad debt expenses recognised on outstanding balances with related parties.

Related parties: Parent and related bank

This relates to ATB's direct majority shareholder Alfa Bank Russia and its related banks within the Alfa Bank Group.

Related parties: Other group companies

Other group companies included all group companies (including other minority shareholders), exclusive of Parent and related banks, within the Alfa Bank Group.

Risk-weighted assets (RWA)

The assets of a financial institution after being adjusted by a weighting factor, as determined by the regulatory authorities, that reflects the relative risk attached to the relevant assets. Risk weighted assets are used to calculate the minimum amount of capital that has to be held.

SIRA

Systematic Integrity Risk Analysis.

SME

Small and medium sized enterprises.

Solvency

ATB's buffer capital expressed as a percentage of risk weighted assets.

Standardised Approach (SA)

A method used under Basel III to measure a bank's operational, market and credit risk. This method is based on the approach, in which the risk weighting of an item is prescribed by the regulatory authorities.

Supervisory Review Evaluation Process (SREP)

The SREP is a set of procedures carried out on an annual basis by the supervisory authorities to ensure each credit institution has in place the strategies, processes, capital and liquidity that are appropriate to the risks to which it is or might be exposed to.

Total capital

The sum of total CET1 capital and total Tier II capital.

Total Tier II capital

Also referred to as supplementary or secondary capital. The total Tier II capital comprises of the revaluation reserves and certain subordinated liabilities, adjusted for certain deductions set by the regulatory authorities, if applicable.

Total Capital Ratio

The percentage of a bank's capital adequacy, calculated by dividing qualifying capital by the risk-weighted assets as defined by the Bank for International Settlements (BIS).

UTP

Unlikely to pay; customers that are unlikely to meet the loan's interest and repayment schedules.

Value-at-Risk (VaR)

Statistical analysis of historical market developments and volatility in order to estimate the probability of a loss on a portfolio exceeding a certain amount.

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