AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2015

May 2016

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Board of Directors' Annual Management Report for the Financial Year 2015

Dear Shareholders,

We hereby submit for approval the Financial Statements and the Annual Report of the Board of Directors' of Aegean Baltic Bank S.A. (hereinafter "ABBank" or the "Bank") for the year ended 31 December 2015, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU.

AB Bank is a Greek banking institution, specializing in corporate banking, ancillary, treasury and advisory financial products and services to enterprises of the shipping sector. AB Bank operates through its head office at Maroussi, Athens, Greece and two branches located in Piraeus and Glyfada. The Bank does not maintain other offices or subsidiaries in Greece or abroad.

Overview

In 2015 world economic activity grew by 3.1% from 3.3% in 2014, marking a return to the decelerating trend observed since 2011. Opposing dynamics prevailed between the advanced and the developing economies, as well as among the developed economies themselves. These imbalances cast their shadow on world trade, slowing down its growth to 2.8% from 3.5% in 2014, despite the beneficial reduction of oil prices throughout the year.

Following a short-lived rebound in 2014, the Greek economy returned to negative growth rates (2015: -0.3%), nevertheless demonstrating remarkable resilience to the unprecedented political and economic headwinds of the first 9 months. Deflationary pressures prevailed while unemployment remained at crucial levels, albeit deescalating. The strenuous fiscal adjustment of the previous years was intensified, yielding a primary budget surplus for a third consecutive year and allowing certain optimism towards the achievement of the targets set out in the new financing programme of August 2015. The domestic banking sector successfully concluded a further Comprehensive Assessment by the ECB, with the resulting €14.4 billion recapitalisation requirement of the systemic banks eventually calling for only a fraction of the originally estimated contribution by the official sector. Nevertheless, although alleviated during the fourth quarter, the unprecedented liquidity strain persists in line with the dearth of funding sources. The restoration of confidence in the Greek economy is deemed as a catalyst for its recovery whereas the implementation of the terms of the new programme constitutes the Country's major challenge for 2016.

2015 was one more profitable year for Aegean Baltic Bank in spite of the considerable credit and liquidity contraction. Customer loans contracted by 22% y-o-y, in line with the deleveraging policy followed as a response to the Bank's deteriorating liquidity position and narrowing availability of funding sources, which were induced by the mounting political and economic uncertainties that prevailed during the year. The challenging conditions in the shipping industry in conjunction with the contraction of the loans portfolio size are reflected in the increase of the NPLs ratio to 7.4%, from 3.8% in 2014. At year-end the Total Capital Adequacy Ratio improved further to 33.46% (2014: 30.42%), entirely consisting of CET-1 Capital. Net Profit for the FY2015 marginally decreased at €1.7 million, from €1.9 million in FY2014. The deterioration of depositors' sentiment, which had commenced since the fourth quarter of 2014, impacted substantially the Bank's liquidity position with the Customer Deposits recording a 59% annual reduction, elevating the Loans-to-Deposits ratio to 231%, from 121% in 2014. The Bank's reliance to the Eurosystem increased from €30 Mio at YE2014 to €78 Mio on 31.12.2015, but following a downward trajectory since November 2015 which continues into 2016.

Economic and Financial Environment

Global Developments

In 2015 World GDP grew by 3.1%, with the global recovery losing steam in comparison to the previous year (2014: +3.3%), as the marginal acceleration demonstrated by the advanced economies (1.9% from 1.8% in 2014) was offset by the slowdown in the developing markets (4.0% from 4.6% in 2014). The year was characterised by the significant decline in commodity prices (heralded by a -47.2% slide in oil price alone), the prevalence of low inflationary pressures and the interventions by the major Central Banks, amidst an environment of shifting tectonic plates in the global economy, caused by the gradual rebalancing in the Chinese economy away from manufacturing and towards consumption and services. Economic multipliers further hampered the momentum of international trade (+2.8% from +3.5% in 2014). Volatility prevailed in the major bourses, as the gains recorded in the first half of the year were generally relinquished in the second half, whereas the nominal government bond yields in key advanced economies declined, reflecting the rekindled deflation concerns coupled with higher risk aversion, despite the first interest-rate increase by the FED in 7 years.

Economic trends amongst leading economies maintained divergent characteristics. In the US, GDP growth maintained the pace gathered in the previous year (2.4%), after certain temporary hindering factors of the first quarter started fading. The zero inflation levels in conjunction with positive market data (such as employment figures exceeding expectations) allowed the FED to increase its main intervention rate by 0.25 bps to 0.25%-0.50% in December 2015, for the first time since 2008, signalling its intentions to return to market normalcy. However, the lack of major growth levers, combined with ambivalent growth indicators at year-end, advocate a slow and mild tightening of its monetary policy. Fiscal support, lower oil prices and higher household income drove Japan’s growth to positive grounds (0.5% from 0.0% in 2014). The deceleration in China’s growth rates continues (6.9% from 7.3% in 2014, the lowest in 25 years) in line with the ongoing rebalancing of the local economy, fuelling the concerns regarding the global demand for commodities and its ensuing impact on international trade and oceangoing shipping.

In 2015 economic activity in the Eurozone recorded a second consecutive year of growth as it accelerated to the still soft 1.5% (2014: 0.9%), on the back of weak domestic demand, currency depreciation and improving bank credit conditions. The ECB maintains its target to stimulate the worryingly low inflation to the desired levels of slightly lower than 2%, and in this respect has extended its asset purchasing programme (€60 billion per month) for an additional year to March 2017.

Expectations for global economic growth in 2016 are marginally positive, raising the bar from 3.1% to 3.2% (IMF, World Economic Outlook, April 2016). Major macroeconomic realignments such as the slowdown of the Chinese economy (projected further deceleration to 6.4% in 2016), the low prices for energy and other commodities and the gradual further tightening of the US monetary policy are combined with non-economic factors such as the lurking threat of an escalation in the various ongoing geopolitical tensions, to create a subdued outlook for world economy and world trade volumes. In advanced economies, active inflation treatment shall remain at the epicentre of the Central Banks’ targets, whereas Europe is additionally facing the challenge of managing the unfolding refugee crisis and the implications of the upcoming Brexit referendum. In the Eurozone, the ECB proceeded, in March 2016, to further cuts in its intervention rates to historical low levels, simultaneously announcing expansions to its targeted LTROs, in order among others to revive bank lending towards the private sector. Overall, the US, Japanese and Euro Area economies are projected to consolidate their growth rate of 2.4%, 0.5% and 1.5%, respectively.

Greek Economic Developments

In 2015 the Greek economy has proved resilient in one of the most intense years in Greek politics and economics, as it managed to withstand (a) the mounting uncertainty fuelled by the protracted negotiations with the lenders and a referendum held between two national elections in the shadow of resurging Grexit scenarios and (b) the ensuing liquidity drain in the public and private sectors, following a combination of fleeing deposits and absence of external funding sources, which led to the bank holiday and the imposition of capital controls in July 2015. The aforesaid resilience is associated with the milder-than-expected consequences of the capital controls, the substantial contribution of tourism income and the lower oil prices. In August 2015 Greece signed with its lenders a third economic adjustment programme of up to €86 billion, covering the country’s financing needs over the next 3 years, with the aim to reset the Greek economy towards a course of sustainable growth and financial stability through reforms targeting at the rationalisation of public finances, enhancement of competitiveness and stimulation of employment.

Eventually, the marginal recession demonstrated by the 0.3% annual contraction of real GDP was particularly milder than the relevant expectations (-2.3%). Deflationary pressures sharpened (CPI declined by 1.7% on average versus 1.3% in 2014), with the deceleration of the fourth quarter attributed mainly to the increase in VAT from 13% to 23% for a large range of food products and services since August. Private consumption contracted on a yearly basis, adversely affected by the negative consumer sentiment and the tax increase. Part of the liquidity shock was absorbed by the doubling in volumes of cashless transactions, to the benefit of medium-to-large-sized companies but at the expense of SMEs, which account for a considerable portion of the Greek private sector. Industrial production grew by 0.6%, whereas residential construction decreased by 23.3% and house prices slid further by 5.1%. The improvement in employment levels accelerated by 3.2% y-o-y while the deescalation of unemployment rates continued, reaching 24.0% in December 2015, which, despite representing the lowest value since mid-2011, still remains at critical levels and constitutes an issue with crucial economic and social consequences.

The fiscal adjustment in 2015 gathered pace in the second half, boosted by the increased tax revenue and further restraint in public spending, and recorded a primary surplus in the vicinity of 2% of GDP for the year (2014: 1%), which infuses certain optimism regarding the achievability of the fiscal targets under the new programme. On the other hand, the aforesaid overperformance has come at a price, as the accumulation of arrears towards the private sector increased by €1.6 billion. The debt-to-GDP ratio is estimated to reach 179% in 2015 and peak at 185% in 2016, which is also an improvement in comparison to the preliminary projections of mid-2015, largely due to the lower-than-expected requirement for the recapitalisation of the Greek banking system from the official sector (€5.4 billion versus €25 billion).

Overall, it appears that the consecutive adjustment programmes, which have been carried out since 2010, have to a certain extent reshaped the major macroeconomic and fiscal imbalances in the Greek economy, albeit with significant delays and deviations. The implementation of the agreed terms still comprises the greatest challenge faced by the Country, in its struggle to alleviate the pressures on the liquidity conditions in the public and private sector and in the banking system, and to stimulate the anaemic corporate and investment climate.

The Greek Financial Environment

In 2015, the Greek banking system encountered an unprecedented combination of challenges, such as the accelerating rate in deposits outflow and growing number of NPLs amidst an environment of mounting uncertainty, liquidity strain and restraints in the movement of capital after the bank holiday in July. Concerns surrounding the viability of the domestic banking system led to a further Comprehensive Assessment by the ECB and the recapitalisation of all 4 systemic banks, so as to cover the projected €14.4 billion deficit under the Adverse Scenario of the stress test. Notably, the required participation of the official sector through the Hellenic Financial Stability Fund was limited to €5.4 billion, far below the €25 billion estimated prior to the Assessment.

The deleveraging trend continued in 2015, with the annual contraction in financing towards the private sector accelerating to 2.0% in December and total loans shrinking to €204 billion. Private sector deposits at end-2015 stood at €123 billion, marking an annual decline of 23% (2014: €160 billion), however with a significant improvement during the second half of the year, which is reflected in the 128% loans-to-deposits ratio in December from 137% in June.

Developments in Shipping and Shipping Finance

Shipping Markets

In 2015 shipping economic developments largely followed the trends outlined above regarding the global economy and international trade. Seaborne trade growth decelerated to 2.0% from 3.2% in 2014, as a result of the weaker demand for dry and containerized cargoes following the rebalancing of demand dynamics in the Chinese economy, which was only partially offset by the increase in wet cargoes mainly stemming from the low oil price environment. World fleet expanded by ca. 3.8%, with demolitions and new vessel deliveries slightly increasing. Indicative of the bearish market sentiment in 2015 is the 38% annual decline in contracting activity, despite the continuing reduction in newbuilding prices. The freight market trends reflected the divergent developments in the underlying markets, with tankers recording clear gains, while bulker and containership rates challenged historical low levels. Analogous trends prevailed also in respect of asset values. With regards to 2016 forecasts, sentiment remains subdued in the shadow of the concerns relating to the developments in the Chinese economy, as well as the longevity of the tanker market recovery, on top of the massive scheduled inflow of tonnage (56% of current orderbook for all vessel types).

<u>Tankers:</u> In 2015 crude oil trade rebounded strongly to 3.8% in volume terms (2014: -1.5%), propelled by the increased refinery throughput and stockbuilding incentives following the heavy decline in oil prices. Seaborne oil products trade growth accelerated to 6.3% (2014: 2.0%), bolstered by firmer demand for transportation fuels and expansion of the refinery capacity in the Middle East. Average annual earnings improved significantly throughout the year and averaged up to 70% higher than those of 2014 for crude oil tankers, while more moderate recovery was recorded also in most product tanker segments. However, asset prices across all tanker segments edged only marginally higher. On the supply side, the growth rate of the crude tanker fleet was soft (2.4%) in contrast to the firmer rate of the products segments (5.8%). The improvement in freight markets rekindled shipbuilding activity, especially for crude tankers (+60%), with the overall orderbook size elevating at cautionary levels (19.2% of the operating fleet, from 15.5% in 2014, one of the highest among the major shipping sectors). Expectations for 2016 are very cautiously positive, with concerns stemming from the premise that the undergoing recovery is based on circumstantial factors rather than on strong global underlying end-user demand.

<u>Bulkers:</u> In 2015 the Baltic Dry Index broke twice its historical low, initially in February (539) and then in December (519) after a short-lived rebound during the summer, with the downward trajectory persisting into early 2016. The pressure came from both sides of the supply-demand equation, as the continuing tonnage oversupply has been coupled with the adverse developments in the Chinese economy, which has been immensely important for the sector, given that it accounts for ca. 50% of the dry bulk trade. Seaborne iron ore trade, which represents ca. 30% of total dry bulk cargo, rose by a marginal 1% y-o-y, whereas coal trade (ca. 27% of dry cargo) declined for the first time in almost 3 decades (-3%) despite the expanding domestic production in India. On the supply side, the 2.4% growth rate is the slowest since 1999 and while demolitions have doubled (involving vessels below 20 years of age) and lay-ups increase, vessel deliveries continue at a relatively steady pace. Consequently, both freight rates and asset values recorded further losses in all bulker segments, with larger sizes suffering the most (ca. 44% decline in capesize spot earnings). The positive reaction of market mechanisms (scrapping, halted contracting activity – the current orderbook accounts for 16.3% of the operating fleet, which is the lowest in years) alleviate the oversupply pressure, nevertheless the dry bulk fleet needs to adjust to a new demand scenario, which does not leave much room for optimism as far as the 2016 outlook is concerned.

<u>Containerships:</u> The subsidence, in the second half of 2015, of temporary demand-inducing factors evaporated the gains recorded in the first half, pushing rates and values back to historical low grounds in which they remain entangled for some years now, as a result of the softer Western (and lately Chinese) demand and the fleet enlargement caused by the massive ordering of previous years, which continued also in 2015 with respect to the mega-ships. In 2015 the demand-side fundamentals deteriorated, with the poor performance of the mainlane Asia-Europe route and the intra-regional Asian trades, which reflect the disappointing European container demand (-1%) and the ongoing transition in the Chinese economy, outweighing the reinvigorated demand in the westbound Transantlantic route, which was boosted by the gradual strengthening of the US dollar. Macroeconomic factors underpin a negative outlook for the next years, especially taking into account that market correction mechanisms such as idle capacity and slow steaming are already consolidated. Notably, the segments below 8,000 teu, despite entailing certain distinctively superior industry-specific conditions (e.g. 5% orderbook versus 40% for the larger vessels), are also shrouded in uncertainty due to the impact of the cascading effect and of the alliances and zymoses taking place between the major groups in the industry.

<u>Newbuilding Activity:</u> The shipbuilding industry undergoes a transitional phase of adjustment to the new conditions which are dictated by the expectations for a medium-to-longterm horizon of reducing newbuilding demand. In 2015, low contracting has accelerated the consolidation process among yards, while it is estimated that commercial available capacity has fallen over 20% since its peak in 2011. Newbuilding prices declined by 5% y-o-y and generally follow a downward trend since 2008, with a short-lived upward spike between March 2013 and May 2014 after bottoming-out in early 2013. New orders placed in 2015 were among the lowest of the last decade in terms of investment cost and number of vessels, while in capacity they marginally exceeded 100 million dwt, or 5% of world operating fleet, a ratio which remains overwhelming for the shipping market prospects given the underlying oversupply of tonnage in most sectors. The minimal bulkcarrier ordering activity impacted the Chinese shipbuilding industry in particular, whose global market share fell to 36% in 2015 (2014: 38%), followed by S. Korea (28%) and Japan (21%). Shipyard output in 2015 increased for the first time in five years to 37 million tonnes (ca. 70% of the scheduled output). The 2016 outlook involves further contraction of global yard capacity and reduction of prices, as a result of weaker demand for newbuildings, and possibly lower orderbook size, especially taking into account that ca. 56% of the existing orders are due for delivery in 2016.

Shipping Finance

It is estimated that European banks historically account for approximately 75% of global bank lending to shipping (ca. $475 billion). Given that shipping credit ranks among the exposures of higher regulatory capital requirement, supply of new bank finance for shipping has contracted and a number of banks are also in the process of gradually reducing their exposure to the sector. With the supply of financing falling short of demand, the evident gap has attracted the interest of, mainly, non-banking financial institutions and, to a lesser extent, a handful of banks maintaining a strategic interest in the shipping sectors, predominantly from the Far East.

The Greek-owned fleet ranks first in size globally, controlling approximately 20% of the world fleet in the major shipping sectors (from ca. 17% a year ago). The Greek-owned fleet comprises also the largest single borrowing group in shipping finance, accounting for some 14% of the total lending to global shipping. However, the aforementioned European banking trends have had a noticeable impact on Greek shipping finance, given that other European banks (i.e. non-Greek) historically account for more than 80% of the total lending to Greek shipping. The financing of Greek shipping has been further affected by the consolidation and recapitalization process being under way in the Greek banking system, thus reducing the market share of Greek banks below 15% (2014: 17%).

According to the latest annual report of Petrofin Bank Research, on 31.12.2015 total lending to the Greek-owned fleet had subsided to $62 billion, from $64 billion in 2014, marking an annual contraction rate of 2% – essentially returning on a downward trajectory, which since 2009 has been interrupted only in 2011 and 2014. On the other hand, the participating financial institutions increased, for a second consecutive year in 2015, from 49 to 51. Notably, the Greek-owned fleet is estimated to carry a total market value in the region of $91 billion, thus boiling down to an overall loan-to-value ratio below 70%, which is considered satisfactory given the conditions in the shipping industry (of course such ratio may differ substantially among the individual sectors). The market share of European banks has declined to 81% (2014: 85%), with German and British banks remaining in leading positions with a 34% combined market share (2014: 41%), whereas evident market share gains have only been recorded by Far Eastern banks (2015: 11%, 2014: 9%) and especially certain Chinese banks associated with newbuilding export financings. The amalgamation between Greek banks with large shipping portfolios (due to the reconstruction of the Greek banking system during the last few years) has increased concentrations in the market, which is serviced by only 5 Greek banks (from previously 12), the 4 larger thereof now holding 97% of the total Greek share, and the largest one accounting for some 33% of such. It is of note however that many of the top-ranking shipping banks, including German, British and Greek, have entered a mode of portfolio rationalization and consolidation, being in need to economise capital and liquidity. It should be also mentioned that, the reduced attractiveness of shipping finance to banking institutions, as a result of the unfavourable shipping market conditions, has instigated the development of a non-banking shipfinancing sector, which is presently considered to entail a short calibre, but may expand further, especially taking into account the two-tier segmentation trend of the

Greek shipping market, whereby the second tier (small-medium owners) found minimal access to conventional bank financing in 2015.

The contraction in the supply of ship financing, in conjunction with shipping market conditions, has upgraded lending standards, bringing loan advance ratios at more conservative levels, enhancing the required collateral and increasing credit yields (particularly regarding non-banking institutions). Moreover, the policy of several banks to deleverage faster (either by selling loans at discount or by prompting the refinancing of their mortgaged fleet), has further raised expected returns for the assumption of shipping risks, paving the way to a small number of financial institutions possessing specialized knowhow and solid capitalization to participate in the reshaping of the ship financing environment at advantageous terms.

ABBank Financial Results

2015 was one more year of profitability for the Bank, despite the headwinds from the Greek economic and political environment. The delay in reaching an agreement with lenders, the referendum held, the bank holiday and the imposition of restrictions on withdrawals and transfers of capital, plus the snap elections declaration for a second time within the year in September 2015, constituted major factors of uncertainty. Under these adverse circumstances, ABBank continued its profitability and recorded profits of €1.7 million, slightly lower than in the previous year (€1.9 million), while the CET1 ratio of the Bank remained at the solid level of 33.46% (2014: 30.42%).

The Senior Management believes that the Bank's specialization in corporate banking for the shipping industry, the oceangoing sector in particular, minimizes the impact of the Greek economic recession and fiscal crisis in the quality of its financial exposures. Nevertheless, the re-emergence since late 2014 of the liquidity crisis in the Greek banking sector raises significant challenges for the growth potential of the Bank's business.

Significant Events for the FY2015

In January 2015 the Extraordinary General Meeting of the Shareholders approved a dividend distribution in the amount of €0.9 million, out of the Bank's Net Profit for the financial year 2013 which had been carried forward in the Retained Earnings account of the Net Worth.

On 29 June 2015, the banks operating in Greece were put under a banking holiday, while restrictions in the movement of capital abroad and in cash withdrawals were imposed. The banking holiday ended on 20 July 2015, but the restrictions, albeit gradually relaxed, are still in force until the time of publication of the annual financial statements of 2015.

In October 2015 the ECB announced the results of the comprehensive assessment ("Comprehensive Assessment") conducted for the four Greek systemic banks, according to which, the total capital shortfall stood at €4.4 billion under the baseline scenario and €14.4 billion under the adverse. ABBank did not participate in this or any other, for the non-systemic banks, similar review due to its overcapacity of capital.

With effect from 1st January 2016, the Directive 2014/59/EU (the Bank Recovery Resolution Directive, or "BRRD") is fully operational. The Directive was incorporated into Greek Law by law 4335/2015 and establishes the framework for the recovery and resolution of credit institutions and investment firms, which includes, among others, provisions for the recovery of a bank through a "bail-in" mechanism.

Statement of Financial Position and Profitability

The Bank for economic hedging purposes and in order to cover its foreign exchange risk exposure in US dollars has used a lending facility in foreign currency provided to Eurosystem counterparties under the terms of the "Tender Procedure for the Provision of US dollars to Eurosystem counterparties" issued by the ECB on 6 December 2011 and has borrowed $ 125 million as at 31.12.2015 depositing the equivalent amount of euros to the Central Bank as cash collateral.

At the time of the issuance of these financial statements, the abovementioned transaction has been fully replaced by currency SWAP derivatives with other financial institutions.

Considering the short term nature and the purpose of the above transaction and in order to ensure comparability of the annual figures, the Bank has offset this liability in US Dollars with the euro equivalent cash collateral for the purpose of analyzing the variations in the Assets and Liabilities further below.

Should the above transaction had been offset in the Statement of Financial position the latter would be presented as follows:

Statement of Financial position (€' 000)	Amounts Before Offsetting	Amounts After Offsetting
ASSETS		
Cash and balances with Central Bank	130,639	15,823
Due from banks	11,581	11,581
Loans and advances to customers	234,127	234,127
Investment securities – available for sale	402	402
Other remaining assets	14,758	14,758
TOTAL ASSETS	**391,507**	**276,691**
LIABILITIES		
Due to banks	192,819	78,003
Due to customers	101,510	101,510
Other remaining liabilities	3,811	3,811
TOTAL LIABILITIES	**298,140**	**183,324**
TOTAL EQUITY	**93,367**	**93,367**
TOTAL LIABILITIES AND EQUITY	**391,507**	**276,691**

As at 31.12.2015 the Bank's Total Assets amounted to €276.7 million, from €374.6 million on 31.12.2014.

The Loans and Advances to Customers portfolio declined to €234 million from €299 million a year ago, recording an annual reduction of 22%. Non-Performing Loans (the "NPLs", i.e. Loans and Advances to Customers remaining past due for more than 90 days) rose to €17.2 million on 31.12.2015 (2014: €11.6 million), thus accounting for 7.2% of the Bank's total loans portfolio, which nevertheless still remains the lowest in the Greek banking system.

Affected by the mounting uncertainty towards the Greek banking system, the Bank's customer deposits recorded a significant contraction of 59% to €101.5 million as at 31.12.2015. The protracted outflow of deposits was initially offset by the increased usage of the Emergency Liquidity Assistance mechanism of the Eurosystem (the "ELA"). However, regular loan repayments within the year and the Bank's decision not to renew certain limits, together with the liquidation of the larger part of its remaining Available for Sale bonds portfolio eventually led to a substantially reduced reliance to the Eurosystem, which stood at €78 million at the end of 2015 from €92 million a month earlier. This trend continues into 2016, with the ELA usage shrinking further to €45 million as at 30.04.2016. At the end of 2014 the amount due to Banks stood at €30 million, fully consisting of refinancings from ECB's regular mechanism of open market operations.

The above-described combination is reflected in the reduction of the Balance with Central Bank and Due from Banks amount by 54% y-o-y to €27.4 million at YE2015 from €59.2 million in 2014.

In FY2015 ABBank generated Net Profits of €1.72 million, versus €1.91 million in 2014 (-€1.9 million, or -10% y-o-y).

Total Operating Income amounted to €11.4 million in 2015, marginally increased from 2014 (€50 th). Such performance was mainly the result of substantially increased Net Interest Income, in spite of the lower Fee and Commission Income, the lower Net Income from Financial Transactions and the negative results from the sale of investments securities.

Net Interest Income in 2015 stood at €9.12 million (2014: €7.17 million), recording an increase of €1.95 million, or 27.1% y-o-y. The Interest Income and Similar Income recorded a remarkable annual increase of 12.8% (+€1.37 million), driven by the substantially improved income generation of the loans portfolio (+€1.83 million) due to the higher average loan balances in comparison to the previous year. To the contrary, the Bank recorded lower interest income from bonds (-€ 0.37 million, due the substantial liquidation of the relevant portfolio in 2014) and interest income from interbank placements (-€0.09 million, due to lower available cash and negative interest rates).

The Interest Expense and Similar Charges declined by 16.6% (-€ 0.58 million) in comparison to the previous year. This comes as a result of the lower interest expense on customer deposits (-€2.05 million) due to their lower average balance and average cost (by 39bps), which outbalanced the increased cost of interbank borrowings (+€1.47) due to the higher usage of the more expensive ELA funding. The cost of interbank borrowings also includes the cost of the US dollars that the Bank has borrowed under a facility provided by the European Central Bank in foreign currency ($125 million on 31.12.2015), depositing the EUR equivalent as cash collateral.

The interaction of the above factors, coupled with the €66 million reduction of average annual balance of Total Assets, increased the Bank's Net Interest Margin at 2.91%, from 1.89% in 2014.

Net Fee and Commission Income declined by 11.9% on an annual basis to €1.87 million, from €2.13 million in 2014, mainly as a result of lower loan-related commissions (-25.9% on a gross basis) due to the credit contraction policy followed by the Bank. Gross fee and commission income decreased by 11.5%, but with opposing dynamics with regards to fees and commissions not related to loans, which grew by 12%. In the same period, Fee and Commission Expenses recorded a 9.9% annual reduction.

Net Income from Financial Transactions, which mostly comprise income from foreign exchange transactions, declined to €0.50 million from €0.94 million in 2014, mainly due to the capital controls imposed in the middle of the year. Portfolio Investment securities recorded marginal loss as a result of the further liquidation of the portfolio consisting of bonds non-eligible by the ECB as collateral for its refinancing operations.

Total Operating Expenses in 2015, including the impairment loss provisions for the loans portfolio, amounted to €8.98 million, registering a €0.2 million or 2.3% increase from the €8.78 million of 2014.

The annual charge for impairment loss provisions in relation to the Bank's Loans and Advances to Customers amounted to €0.96 million, in comparison to €0.37 million recorded in the previous year. As at 31.12.2015 the accumulated balance of impairment loss provisions of the Bank's credit portfolio stood at €5.79 million (2014: €4.83 million), consisting entirely of specific loan provisions, in accordance with the Bank's policy. Approximately 67% of the total amount of accumulated impairment provisions is booked against the Bank's NPLs, covering them by 22.4%, whereas the remaining 33% of the total amount refers to certain performing loans and accounts for 17.7% of their respective balance.

Personnel Expenses increased marginally by 1% due to the full year impact of the 11 new hirings carried out in 2014, despite the marginal reduction in the total number of personnel at YE2015 to 71 from 73 at the previous year-end. The General Administrative Expenses were reduced by 22%, or €0.67 million, benefitting from the lower expenses for rents (following the relocation, in late 2014, of the Bank's headquarters to the fully-owned building acquired earlier that year) and the absence of the extraordinary relocation expenses of the previous year. On the other hand, the depreciation and amortization expenses increased by 163% (€ 0.21 million) due to the depreciation charge associated with the new building.

Shareholders' Equity – Capital Adequacy

As at 31.12.2015, the book value of the Bank's Shareholders' Equity increased by €0.89 million, to €93.37 million from €92.48 million on 31.12.2014. The Retained Earnings incorporate the dividend distribution of January 2015 in the amount of €0.9 million and the annual Net Profit of €1.63 million (net of statutory reserve held).

The Bank's regulatory Own Capital, which consists exclusively of Common Equity Tier-1 Capital (CET1 under Basel III) rose in 2015 to €93.4 million, from €92.5 million in 2014, whereas the Total Risk Weighted Assets decreased to €278.8 million from €303.9 million, respectively. Consequently, the CET1 Ratio which, in the case of the Bank, equals the Total Capital Ratio stood at 33.46% on 31.12.2015 (2014: 30.42%).

Important Post Balance Sheet Events

On 4 March 2016, the total amount of special securities with nominal value of € 40 million that the Bank possessed through its participation in Pillar III of Law 3723/2008, were returned to the PDMA. These securities had been provided to the Bank in return for pledging shipping loans as collateral by virtue of a bilateral agreement executed between ABBank and the Greek State with maturity on 29 April 2016.

Risk Management

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

A prime objective of the Bank is to comply with the standards of corporate governance and risk management set out by the at each time applicable regulatory and supervisory framework which governs the operation of the European banking sector, taking also into account the particular characteristics of ABBank's specialist activity, its organic and economic size and the relevant best market practices. Since 1st January 2014 the Directive 2013/26/EU (CRD IV) and the Regulation 575/2013 of the European Parliament and the European Council have been applicable, which gradually introduce to the European financial sector the new Basel III capital adequacy framework. Further to new criteria for the qualitative and quantitative adequacy of own capital, Basel III also introduces new minimum standards for liquidity and leverage.

Moreover, since November 2014, the Single Supervisory Mechanism (the "SSM") has been implemented, being the new system of financial supervision under the auspices of the ECB. The SSM supervises directly the "important" (or "systemic") financial institutions of the Eurozone, whereas it exercises indirect monitoring ("oversight") to the "less-important" (or "non-systemic") ones, which are still being closely supervised directly by the local supervising authority. Having been categorized as a non-systemic bank, ABBank does not fall under the direct supervision of the SSM and the ECB. Furthermore, given its new responsibilities, the ECB conducts European Comprehensive Assessment Tests for the systemic banks, including Asset Quality Reviews and Stress Tests under various macroeconomic scenarios. As a non-systemic bank, the Bank has not participated in such European assessments, including the one conducted in Q4-2015 and called for the last €14.4 billion recapitalization of the Greek systemic banks.

ABBank has successfully participated in the past in two similar exercises which were conducted by the Bank of Greece, with the assistance of specialist external advisors, for all Greek banks and the relevant results were published by the BoG in Q1-2012 and Q1-2014, respectively. In both of those exercises ABBank was ascertained to be a bank with sound capital solidity and has not been required to proceed in either any capital increase or other measures of restructuring its activities and enforcing its capital base.

Detailed information about the core risks borne by the Bank through its activities and financial exposures as of 31st December 2015 is provided in Note 4 of the Financial Statements, whereas Note 4.7 makes specific reference to the Bank's capital adequacy calculation.

Credit Risk

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

The Bank follows specific procedures that support the continuing monitoring, measurement and assessment of credit risk and has compiled documented relevant risk management policies. Given that the Bank's loans portfolio exclusively consists of unrated (by ECAIs) obligors of the shipping sector, ABBank has established and follows its own, ten-grade, credit risk assessment and rating system. The Bank has also developed internally a shipping credit rating interface between its ten-grade rating system and that of the object finance slotting criteria methodology of the IRB-Basic approach included in the current regulatory framework. This model is being used by the Bank's Risk Management Unit to back-test, validate and re-evaluate the credit ratings of the ten-grade risk methodology used internally as well as for credit risk stress-testing purposes of its shipping loans portfolio.

The Bank's methodologies for the monitoring and assessment of credit risk primarily aim at promptly identifying and optimizing the management of expected and unexpected loss which could possibly be incurred. With the view to contribute in the Bank's best possible protection against such losses, credit operations include specific lending criteria, involving the purpose and type of each financial facility, the formation of appropriate limits per obligor or group of obligors, limits of individual or sectoral concentrations, the use of credit risk containment techniques by obtaining security and guarantee covers and the implementation of risk-related pricing in order to improve the use and yield of the corresponding capital requirements. The Bank's credit operations also involve the regular screening and review of credit procedures, with the purpose to improve the efficiency of the management of the credit function, as well as the independent assessment of the procedures of credit operations and credit risk management by the Internal Audit Unit.

The procedures of approving new credits and regularly reviewing and reassessing the existing ones until their full repayment are clearly set out and centralized, and constitute an exclusive competence of the Credit Committee. Moreover, in accordance with the Act of the Executive Committee of the Bank of Greece ("ECA/BoG") Nr. 42/2014 and the ECA/BoG Nr. 47/2015 in relation to the Arrears and Non-Performing Loans, the Bank has established a relevant documented strategy and relevant procedures and methodologies which comply also with the best practices of the shipping finance industry in conjunction with the requirements of the current regulatory framework.

As to the supervisory approach for the calculation of capital requirements for credit risk, the Bank follows the Standardized Approach.

Details on Credit Risk are included in Note 4.2 of the Financial Statements.

Liquidity Risk

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

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

The Bank's Risk Management Unit regularly performs stress tests for the Bank's liquidity, under mild and extreme volatility scenarios of both, idiosyncratic (company-specific) and systemic nature. The Risk Management Unit closely monitors customer deposits concentrations at individual or time zone level, depository behavioural trends of the Bank's clientele, as well as the evolution of the Bank's Loans to Deposits Ratio. Potential liquidity gaps and refinancing gaps are also analysed and the implementation of the liquidity management policy in relation to the enhancement of the funding sources and the availability of adequate amount of liquid assets and assets eligible for liquidation or refinancing are also closely monitored. Ongoing liquidity risk analysis, stress test results under certain scenarios and the results of monitoring the sources, uses and cost of funds are submitted for the consideration and appropriate decisions to the ALCO and the Senior Management of the Bank.

During 2016 the Bank shall complete the customization of the relevant software applications necessary for the continuous follow up of the Liquidity Risk related to the new supervisory requirements under the Basel III regulatory framework (Liquidity Cover Ratio and Net Stable Funding Ratio), which are coming gradually into effect since October 2015.

Details on Liquidity Risk are included in Note 4.3 of the Financial Statements and also in Note 2.2 in relation to the Bank's Eurosystem funding.

Market Risk

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

ABBank follows a policy of maintaining very limited market risk positions. However, through documented policies and procedures being followed for the assumption and management of market risk, the Bank aims at timely identifying, evaluating and monitoring such, in conjunction with complying with the relevant principles and limits having been set out and approved by its pertinent internal bodies.

The Bank regularly conducts stress tests in relation to all major market risks, such as Interest Rates risk, Foreign Exchange Risk, Re-pricing Risk in relation to its banking book as well as its Marketable Securities holdings etc. Although ABBank has selected the Standardized Approach for the calculation of market risk capital requirements and the relevant supervisory reporting, for the sake of observing more effectively its market risk positions the VaR is calculated on a daily basis, at an overall as well as itemized level (interest rate, foreign exchange, securities price), through the RiskValue application of Systemic.

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

Operational Risk

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

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

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

Goals and Potential

The Senior Management of ABBank considers that the successful consummation of the country's assessment by its creditors shall increase financial stability and shall benefit economic development, thus comprising a significant prerequisite for the improvement of the liquidity equilibrium of the local banking sector and the restoration of depositor's confidence. Given the Bank's specialization in corporate banking for the shipping sector and the soft correlation between most of the risks borne by the Bank and the economic and fiscal conditions of the Country, ABBank has laid the following goals for 2016:

- To gradually improve the Bank's liquidity proportions and repay the funding drawn from the ELA;
- To enhance the medium-longer term sources of funding;
- To reduce its exposure in NPLs, continuing its proactive shipping credit risk management;
- Given a sufficient liquidity recovery, to continue growing its shipping loans portfolio by selectively expanding it through custom-made forms of financing, thus taking advantage of the apparent gap between the lagging-behind supply in comparison to the demand for shipping finance;
- To also take advantage of its solid capital adequacy and its specialist know-how in order to develop partnerships with other financial groups in the area of managing and/or acquiring shipping portfolios which have become available by local and European financial institutions;
- To further broaden its customer base in tandem with the enhancement of its ancillary and operational/transactional banking products and services, through its branches and the implementation of electronic banking services;
- To accomplish strategic investment partnerships and synergies in the international financial sector with financial groups and institutions sharing the aim of providing specialized forms of financing, banking products and services.

Athens, 17 May 2016
The Vice Chairman of the BoD

Theodore Afthonidis

Auditors' Report

Deloitte.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of "AEGEAN BALTIC BANK S.A."

Report on the Financial Statements
We have audited the accompanying financial statements of the "AEGEAN BALTIC BANK S.A." (the "Bank"), which comprise the statement of financial position as of 31 December 2015, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as these have been adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2015, and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards as these have been adopted by the European Union.

Emphasis of Matter
We draw attention to the disclosures made in Note 2.2 to the financial statements, which refer to the material uncertainties associated with the current economic conditions in Greece and the ongoing developments that may affect access to certain liquidity facilities and could adversely affect the Bank's going concern assumption. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements
We have agreed and confirmed the content and consistency of the Directors' Report to the accompanying financial statements according to the provisions of the article 43a (para.3a) and 37 of the codified law 2190/1920.

Athens, 18 May 2016

The Certified Public Accountant

Nikolaos Sofianos
Reg. No. SOEL: 12231
Deloitte. Hadjipavlou Sofianos & Cambanis S.A.
3a Fragoklissias & Granikou str., GR 151 25 Maroussi
Reg. No. SOEL: E. 120

AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2015

May 2016

Income Statement

	Note	2015 €' 000	2014 €' 000
Interest and similar income		12,020	10,651
Interest expense and similar charges		(2,901)	(3,477)
Net interest income	5	9,119	7,174
Fee and commission income		2,386	2,696
Fee and commission expense		(513)	(570)
Net fee and commission income	6	1,873	2,126
Net trading income	7	495	943
Net result from sale of investment securities	8	(56)	1,140
Other operating income		13	11
Total income		**11,444**	**11,394**
Personnel expenses	9	(5,296)	(5,235)
General administrative expenses	10	(2,377)	(3,043)
Depreciation and amortization	11	(344)	(131)
Impairment losses on loans and advances	12	(962)	(366)
Profit before tax		**2,465**	**2,619**
Income Tax	13	(748)	(711)
Profit for the year		**1,717**	**1,908**
Attributable to:			
Equity holders of the Bank		1,717	1,908
Profit for the year		**1,717**	**1,908**

Athens, May 17, 2016

The Vice Chairman	The Deputy Managing Director	The Chief Financial Officer
Theodore A. Afthonidis	Konstantinos N. Hadjipanayotis	George E. Kalantzis

The notes on pages 21 to 53 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2015 €' 000	2014 €' 000
Profit for the year		**1,717**	**1,908**
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (Available for sale financial assets)	18	(8)	2,133
Related Tax	22	8	(555)
Total items that may be reclassified subsequently to profit or loss		**-**	**1,578**
Items that will not be reclassified subsequently to profit or loss			
Actuarial Gain (Loss) of Retirement Benefit Obligations	27	84	(256)
Related Tax	22	(15)	67
Total items that will not be reclassified subsequently to profit or loss		**69**	**(189)**
Other comprehensive income / (expense) for the year		**69**	**1,389**
Total comprehensive income for the year		**1,786**	**3,297**
Attributable to:			
Equity holders of the Bank		1,786	3,297
Total recognized income for the year		**1,786**	**3,297**

Athens, May 17, 2016

The Vice Chairman	The Deputy Managing Director	The Chief Financial Officer
Theodore A. Afthonidis	Konstantinos N. Hadjipanayotis	George E. Kalantzis

The notes on pages 21 to 53 are an integral part of these financial statements.

Statement of Financial Position

	Note	2015 €' 000	2014 €' 000
ASSETS			
Cash and balances with Central Bank	14	130,639	33,792
Due from banks	16	11,581	25,365
Loans and advances to customers	17	234,127	299,116
Investment securities – Available for sale	18	402	2,088
Derivative financial instruments	19	132	20
Intangible assets	20	74	54
Property and equipment	21	6,547	6,420
Other assets	23	8,005	7,786
Total assets		**391,507**	**374,641**
LIABILITIES			
Due to banks	24	192,819	30,000
Due to customers	25	101,510	248,151
Derivative financial instruments	19	211	865
Retirement benefit obligations	27	1,270	1,253
Deferred tax Liabilities	22	919	163
Other liabilities	26	1,411	1,728
Total liabilities		**298,140**	**282,160**
SHAREHOLDERS' EQUITY			
Share capital	28	37,980	37,980
Share premium	29	50,207	50,207
Reserves	30	343	188
Retained earnings	31	4,837	4,106
Total shareholders' equity		**93,367**	**92,481**
Total liabilities and equity		**391,507**	**374,641**

Athens, May 17, 2016

The Vice Chairman	The Deputy Managing Director	The Chief Financial Officer
Theodore A. Afthonidis	Konstantinos N. Hadjipanayotis	George E. Kalantzis

The notes on pages 21 to 53 are an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2014	**37,980**	**50,207**	**(1,296)**	**4,393**	**91,284**
Movement in the AFS reserve – valuation	-	-	1,578	-	1,578
Actuarial Gain (Loss) of Retirement Benefit Obligations	-	-	(189)	-	(189)
Profit for the year	-	-	-	1,908	1,908
Statutory reserve	-	-	95	(95)	-
Dividends paid	-	-	-	(2,100)	(2,100)
Balance at 31.12.2014	**37,980**	**50,207**	**188**	**4,106**	**92,481**
Balance at 01.01.2015	**37,980**	**50,207**	**188**	**4,106**	**92,481**
Movement in the AFS reserve – valuation	-	-	-	-	-
Actuarial Gain (Loss) of Retirement Benefit Obligations	-	-	69	-	69
Profit for the year	-	-	-	1,717	1,717
Statutory reserve	-	-	86	(86)	-
Dividends paid	-	-	-	(900)	(900)
Balance at 31.12.2015	**37,980**	**50,207**	**343**	**4,837**	**93,367**

The notes on pages 21 to 53 are an integral part of these financial statements

Cash Flow Statement

	Note	2015 €' 000	2014 €' 000
Cash flows from operating activities			
Profit before tax		**2,465**	**2,619**
Adjustments for:			
Depreciation and amortization charges	11	344	131
(Gain) / Loss from write off of property & equipment		(1)	192
Impairment loss on loans	12	962	366
Provisions for retirement benefit obligations	27	101	74
(Gain) / Loss from sale of securities-available for sale	8	56	(1,140)
(Gain) / Loss from exchange difference of securities-available for sale	18	(173)	(198)
Foreign exchange (profit) / loss on cash and cash equivalents		(2,207)	(8,940)
		1,546	**(6,896)**
Net (increase)/decrease in operating assets:			
Cash Collateral given for US Dollars provided through Eurosystem	14	(128,200)	-
Loans and advances to customers		64,028	(95,251)
Derivative financial assets		(112)	147
Other assets		(274)	(484)
Net increase/(decrease) in operating liabilities:			
Due to banks	24	162,819	(10,004)
Due to customers		(146,641)	26,756
Derivative financial liabilities		(655)	864
Other liabilities		(318)	(15)
Cash flow from operating activities before tax payment		(47,806)	(84,883)
Income tax paid		-	-
Net cash flow from operating activities		**(47,806)**	**(84,883)**
Cash flows from investing activities			
Acquisition of property and equipment	21	(453)	(6,380)
Acquisition of intangible assets	20	(37)	(37)
Acquisition of investment securities – available for sale	18	(870)	(50)
Proceeds from disposal of investment securities – available for sale	18	2,722	46,316
Net cash flow from investing activities		**1,362**	**39,849**
Cash flows from financing activities			
Dividends paid		(900)	(2,100)
Net cash flow from financing activities		**(900)**	**(2,100)**
Net increase / (decrease) in cash and cash equivalents		**(47,344)**	**(47,134)**
Cash and cash equivalents at beginning of period	15	**59,157**	**97,351**
Foreign exchange profit /(loss) on cash and cash equivalents		2,207	8,940
Cash and cash equivalents at end of period	15	**14,020**	**59,157**

The notes on pages 21 to 53 are an integral part of these financial statements.

Note 1: General Information

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

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

A significant activity of the Bank is the contracting and the administration of syndicated loans granted to shipping corporations. The Bank participates in these syndicated loans with a different percentage each time according to the total amount of the loan.

The term of the Board of Directors (BoD) of the Bank, elected by the General Assembly of the Shareholders, on 22 June 2012, terminates on 30 June 2017.

The composition of BoD is as follows:

Hubert Esperon	Chairman	Non-Executive
Theodore Afthonidis	Vice Chairman and Managing Director	Executive Member
Konstantinos Hadjipanayotis	Member & Deputy Managing Director	Executive Member
Stephane Daillencourt	Member	Non-Executive
Paolo Braghieri	Member	Non-Executive
Dimitris Potamitis	Member	Non-Executive, Independent
Emmanuel Kavussanos	Member	Non-Executive, Independent
Dimitris Anagnostopoulos	Member	Non-Executive
Panagiotis Constantaras	Member	Non-Executive, Independent

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on 17 May 2016.

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

Note 2: Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRSs) as endorsed by the European Union (the E.U.). E.U. endorsed IFRSs may differ from IFRSs as issued by the International Accounting Standards Board (IASB) if at any point in time, new or amended IFRSs have not been endorsed by the E.U. At 31 December 2015, there were no unendorsed standards effective for the year ended 31 December 2015, which affect these financial statements, and there was no difference between IFRSs endorsed by the E.U. and IFRSs issued by the IASB in terms of their application to the Bank. Accordingly, the Bank's financial statements for the year ended 31 December 2015 are prepared in accordance with IFRSs as issued by the IASB. The financial statements were prepared under the historical cost convention, as modified by the revaluation of available for sale investment securities, and all derivative contracts measured at fair value.

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

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

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

a) <u>Standards, interpretations and amendments to published standards effective in 2015</u>

- IFRIC 21 "Levies"
(Effective for annual periods beginning on or after 1 January 2015). The interpretation sets out the accounting for an obligation to pay a levy imposed by government that is not income tax. The interpretation clarifies that the obligating event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy. This amendment had no impact on the Bank's financial statements.

<u>Annual Improvements to IFRSs 2011-2013 Cycle</u>
- IFRS 3 (Amendment), "Business Combinations"
(Effective for annual periods beginning on or after 1 January 2015) The amendment clarifies that joint arrangements as well as joint ventures are outside the scope of IFRS 3. This amendment had no impact on the Bank's financial statements.

- IFRS 13 (Amendment), "Fair Value Measurement"
(Effective for annual periods beginning on or after 1 January 2015) The amendment clarifies that the exception in IFRS 13 for measuring the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts within the scope of IAS 39. This amendment had no impact on the Bank's financial statements.

- IAS 40 (Amendment), "Investment Property"
(Effective for annual periods beginning on or after 1 January 2015) The objective of this amendment is to clarify that judgment is needed to determine whether the acquisition of investment property is the acquisition of an asset, a group of assets or a business combination in the scope of IFRS 3. This amendment had no impact on the Bank's financial statements.

<u>New standards, amendments and interpretations to existing standards, effective after 2015.</u>

- IFRS 9, "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7
(Effective for annual periods beginning on or after 1 January 2018) IFRS 9 "Financial instruments" includes the provisions concerning the classification and measurement of financial assets and financial liabilities, as well as the revised expected credit losses model that replaces the incurred loss impairment model used today. In addition to this, the standard includes the revised provisions relating to hedge accounting that align the accounting treatment of hedging relations with risk management activities. The bank is currently investigating the impact of IFRS 9 on its financial statements.

- IFRS 15, "Revenue from Contracts with Customers"
(Effective for annual periods beginning on or after 1 January 2018) This standard establishes the principles that an entity shall apply to report useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from a contract with a customer. This standard is not expected to have any impact on the Bank's financial statements.

- IFRS 16 "Leases"
(Effective for annual periods beginning on or after 1 January 2019). IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors disclose information in a manner that faithfully represents those transactions, as well as introduces a single lessee accounting model and requires to recognize assets and liabilities of lessee with a term of more than 12 months, unless the underlying asset is of low value. This standard is not expected to have any impact on the Bank's financial statements.

- IFRS 11 (Amendment), "Accounting for Acquisitions of Interest in Joint Operations"
(Effective for annual periods beginning on or after 1 January 2016) The amendment provides guidance on the accounting for acquisition of an interest in a joint operation, in which the activity constitutes a business. This amendment is not expected to have any impact on the Bank's financial statements.

- IAS 1 (Amendment) "Presentation of Financial Statements"
(Effective for annual periods beginning on or after 1 January 2016). The amendment provides clarifications concerning the structure of financial statements and the disclosures of accounting policies, as well as the presentation of items of other comprehensive income arising from equity accounted investments. Also, the amendment clarifies that the minimum required disclosures by any I.F.R.S. may not be provided in the financial statements, if they are considered immaterial. This amendment is not expected to have any impact on the Bank's financial statements.

Annual Improvements to IFRSs 2010-2012 Cycle
- **IFRS 2 (Amendment), "Share-based Payment"**
(Effective for annual periods beginning on or after 1 February 2015) The amendment clarifies the definition of vesting conditions. This amendment is not expected to have any impact on the Bank's financial statements.

- **IFRS 3 (Amendments), "Business Combinations"**
(Effective for annual periods beginning on or after 1 February 2015) The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination. This amendment is not expected to have any impact on the Bank's financial statements.

- **IFRS 8 (Amendment), "Operating Segments**"
(Effective for annual periods beginning on or after 1 February 2015) The amendment requires entities to disclose the factors used to identify the entity's reportable segments when operating segments have been aggregated. This amendment is not expected to have any impact on the Bank's financial statements.

- IFRS 13 (Amendment), "Fair Value Measurement"
(Effective for annual periods beginning on or after 1 February 2015) The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment is not expected to have any impact on the Bank's financial statements.

- **IAS 24 (Amendment), "Related Party Disclosures**"
(Effective for annual periods beginning on or after 1 February 2015) The amendment clarifies that an entity providing Key Management Personnel services to the reporting entity is a related party of the reporting entity. This amendment is not expected to have any impact on the Bank's financial statements.

- IAS 27 (Amendment), "Separate Financial Statements"
(Effective for annual periods beginning on or after 1 July 2016) The amendment allows to an entity to use the equity method to account for investments in subsidiaries, associates and joint ventures in its separate financial statements. This amendment is not expected to have any impact on the Bank's financial statements.

Annual Improvements to IFRSs 2012-2014 Cycle
- IFRS 5 (Amendment) "Non-current assets held for sale and discontinued operations
(Effective for annual periods beginning on or after 1 January 2016) Assets are disposed of either through sale or through distribution to owners. This amendment clarifies that changing from one of these disposal methods to the other should not be considered to be a new plan of disposal and therefore should not be accounted for as such. This Amendment is not expected to have any impact on the Bank's financial statements.

- IFRS 7 (Amendments) "Financial instruments: Disclosures"
(Effective for annual periods beginning on or after 1 January 2016) The amendments adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, Disclosure Offsetting financial assets and financial liabilities is not specifically required for all interim periods, unless required by IAS 34. These amendments are not expected to have any impact on the Bank's financial statements.

- IAS 19 "Employee benefits
(Effective for annual periods beginning on or after 1 January 2016) The amendment clarifies that the determination of the discount rate for post-employment benefit obligations depends on the currency that the liabilities are denominated rather than the country where these arise. This amendment is not expected to have any impact on the Bank's financial statements.

- IAS 12 (Amendment) "Recognition of Deferred Tax Assets for Unrealized Losses"
(Effective for annual periods beginning on or after 1 January 2017). These amendments clarify the accounting for deferred tax assets for unrealized losses on debt instruments measured at fair value. This amendment is not expected to have any impact on the Bank's financial statements.

- IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of Acceptable Methods of Depreciation and Amortization" (effective for annual periods beginning on or after 1 January 2016). The amendment clarifies acceptable methods of depreciation and amortization. This amendment is not expected to have any impact on the Bank's financial statements.

- IAS 7 (Amendments) "Disclosure initiative"
(Effective for annual periods beginning on or after 1 January 2017). These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are not expected to have any impact on the Bank's financial statements.

There are no other IFRSs or IFRIC interpretations that are not yet effective that is expected to have a material impact on the Bank's financial statements.

2.2 Going Concern

The annual financial statements have been prepared on a going concern basis, as the Board of the Directors considered as appropriate, taking into consideration the following:

Macroeconomic environment
In 2015, the macroeconomic environment in Greece has been very challenging for the Greek banking system. In the first half of the year, the uncertainty relating to an agreement with the Eurozone partners over the implementation of the required reforms for the conclusion of the Second Economic Adjustment Program, the unsuccessful expiration of the former, the tightened liquidity conditions of the Greek State and the significant deposit outflows led to the imposition of capital controls together with a temporary bank holiday on 28 June 2015.

In August the Greek Government reached a final agreement with its European partners on a new 3 -year European Stability Mechanism (ESM) program – the Third Economic Adjustment Program.

Currently, the economic conditions in Greece remain challenging. The main risks and uncertainties are associated with the delay in the conclusion of the first review of the Third Economic Adjustment Program and the further delay in the lift of capital controls.

The management of the Bank believes that a swift completion of the program review will lead to the reinstatement by ECB of the waiver for the instruments issued by the Hellenic Republic, the initiation of the official discussions on additional debt relief measures to Greece and the gradual relaxation of the capital controls that will eventually lead to their full removal.

Solvency risk
From the perspective of capital adequacy, the Bank's Common Equity Tier 1 (CET1) ratio stands at very high levels, exceeding 33% (see note 4.7)

Liquidity risk
ABBank's funding needs are covered by the European Central Bank through ELA amounting to €78 million as at 31 December 2015. These transactions are collateralized by Greek government bonds issued for this purpose under Pillar III of L.3723/2008 as well as shipping loans.

On 4 March 2016 the total amount of special securities of total nominal value of € 40 million that ABBank had received as part of Pillar III of Law 3723/2008, were returned to the PDMA. These securities had been provided to the Bank in return for pledging shipping loans as collateral by virtue of a bilateral agreement executed between ABBank and the Greek State with maturity on 29 April 2016. The specific loans are at the date of issuance of these Financial Statements pledged for ELA funding.

AB Bank's reliance on the ELA has decreased from €78 million in 31 December 2015 as cited above, to €45 million in 30 April 2015.

Furthermore, as of 30 April 2015, additional financial assets of a cash value of €48 million were available for further liquidity.

Going Concern Conclusion
In conclusion, the Management of the Bank strongly believes that the Bank is a healthy going concern taking into account its high Capital ratios as at 31 December 2015, its current usage of the ELA facility and, the remaining availability of ELA funding.

2.3 Foreign currency transactions

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

2.4 Interest income and expense

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

2.5 Fee and commission income

Fee and commission income is recognized on an accrual basis over the period the relevant services have been provided. Transaction revenues relating to the origination of a financial instrument which is measured at amortized cost, such as loans and receivables, are capitalized and recognized in the income statement using the effective interest rate method.

2.6 Financial instruments

The Bank, for valuation purposes, classifies its financial assets in the following categories:

a. Loans and receivables**:** Included here are loans given to customers and all receivables from customers, banks etc. Loans and receivables are initially recognized at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs, and subsequently measured at amortized cost using the effective interest rate method.

b. Held to maturity investments**:** Includes securities which the Bank's management has the ability and intention to hold to maturity. Held to maturity investment securities are carried at amortized cost using the effective interest rate method. Held to maturity investments are recognized on the trade date, which is the date that the Bank commits to purchase or sell the asset.

c. Financial assets at fair value through profit or loss: All financial assets acquired principally for the purpose of selling in the short term or if so designated by the management, are recognized on the trade date, which is the date that the Bank commits to purchase or sell the asset and are classified under this category which has the following two sub-categories:

c1: Trading securities:
Trading securities are securities, which are either acquired for generating a profit from short term fluctuations or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognized at cost and subsequently re-measured at fair value. Gains and losses realized on disposal or redemption and unrealized gains and losses from changes in fair value are included in net trading income/ (loss). Interest earned with holding trading securities is reported in interest income. Trading securities held are not reclassified out of the respective category. Respectively, investment securities are not reclassified into trading securities category while they are held.

c2 : Designated at fair value through profit or loss.
Upon initial recognition the Bank may designate any financial assets as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when either;

- **i)** The Bank estimates or significantly reduces a measurement or recognition in consistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases.
- **ii)** A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel.

This category is measured at fair value. The determination of fair values of financial assets at fair value though profit or loss securities is based on quoted market prices, dealer price quotation and pricing models, as appropriate. Changes in fair value are included in net trading income.

d. Financial assets available for sale: Available for sale financial assets are investments that have not been classified in any of the previous categories. The Bank includes floating rate bonds and fixed rate bonds for which a specific decision has been made. Available for sale investment securities are initially recorded at cost (including transaction costs) and subsequently re-measured at fair value based on quoted bid prices in active markets, dealer price quotations or discounted expected cash flows on the trade date, which is the date that the Bank commits to purchase or sell the asset. Fair values for unquoted equity investments are determined by applying recognized valuation techniques such as price/earnings or price/cash flow ratios, refined to reflect the specific circumstances of the issuer. Changes in fair value are recognized directly in equity until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is transferred in profit or loss.

2.7 Fair value of financial instruments

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

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

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

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

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

2.8 Impairment losses on loans and advances to customers

The Bank assesses at each reporting date whether there is objective evidence that a loan is impaired. A loan is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan and that loss event has an impact on the estimated future cash flows of the loan that can be reliably estimated.

Examples of objective evidence of impairment are:
(a) significant financial difficulty of the obligor
(b) a breach of contract, such as a default or delinquency in interest or principal payments.
(c) it becoming probable that the borrower will enter bankruptcy or other financial reorganization;
(d) national or local economic conditions that correlate with defaults in a group of loans (ie loans collateralized with specific type of vessel).

The impairment loss is reported through the use of an allowance account on the Statement of Financial Position. Additions to impairment losses are made through credit provisions and other impairment charges in the Income statement.

If there is objective evidence that an impairment loss on loans and advances to customers carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the loans carrying amount and the present value of estimated future cash flows.

The adequacy of provisions is reassessed at each reporting date, loans and receivables are grouped per counterparty group, per industry or per type of loan and impairment provisions are calculated individually.

2.9 Derivative financial instruments

Derivative financial instruments are initially recognized in the statement of financial position at fair value and subsequently are re-measured at their fair value. All derivatives are presented in assets when favorable to the Bank and in liabilities when unfavorable to the Bank.

Derivatives are entered into for either hedging or trading purposes and they are recognized at fair value irrespective of the purpose for which they have been entered into. Valuation differences arising from these derivatives are recognized in net trading income/(loss). The Bank uses the following category of Derivatives:

FX Swaps. These types of Swaps are entered into primarily to hedge the exposures arising from customer loans and deposits. The Bank does not use hedge accounting and therefore the gains and losses from derivative financial instruments are recognized in trading income. However, the above instruments are effective economic hedges. The result arising from these derivatives is recognized as net trading income/ loss from foreign exchange differences and derivative transactions.

2.10 Intangible assets

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

2.11 Property and equipment

Includes land, buildings, additions and improvements cost to leased property and other equipment. Property and equipment are initially recorded at cost. Subsequent to initial recognition, property and equipment are measured at cost less accumulated depreciation and accumulated impairment losses if any.

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

Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of each part of an item of property, plant and equipment taking into account residual value.

The estimated useful lives are as follows:

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

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

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

2.12 Deferred and Current Income Tax

Deferred tax

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

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

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

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

Current Income tax

Current Income tax liability is based on taxable profit for the year. Taxable profit differs from profit/(loss) for the period as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible.

The current income tax liability is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

2.13 Provisions and other liabilities

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

2.14 Employee benefits

Defined contribution plan

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

Defined benefit plan

The net liability of the Bank, in respect of defined benefit plans, is calculated based on the amount of the future benefits, for which the employees are entitled to and is dependent on their present and former service. The liability recognized in the statement of financial position with respect to defined benefit plan is the present value of the defined benefit obligation at the reporting. The defined benefit obligation is calculated annually based on actuarial valuation performed by independent actuaries using the projected unit credit method. Actuarial gains and losses are recognized directly to the equity of the Bank, as they occur. These gains and losses are not recycled to profit or loss. Past service cost is the change in the present value of the defined benefit obligation resulting from a plan amendment and is recognized directly to profit or loss, when the plan amendment occurs.

2.15 Offsetting

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

2.16 Share issue expenses

Incremental costs of share capital increase

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

Share premium

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

2.17 Related party transactions

Related parties include shareholders, directors and their close relatives, companies owned or controlled by them and companies over which they can influence their financial and operating policies.

2.18 Cash and cash equivalents

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

2.19 Leases

The Bank is involved only in operating leases and is acting only as a Lessee.

Operating leases

Leases of fixed assets under which the lessor retains a significant portion of risks and rewards related to the leased assets, are recognized as operating leases. The Bank does not recognize the leased asset in its financial statements. Lease payments under an operating lease, are recognized as an expense in the Income Statement of the lessee on a straight line basis over the lease term.

Note 3: Critical accounting policies, estimates and judgments

The preparation of financial statements in accordance with IFRSs requires management to make subjective judgments, estimates and assumptions, which affect not only the carrying amount of assets and liabilities, but also the level of the income and expenses recognized in the financial statements and the notes which are an integral part of the financial statements. Management considers that the subjective judgments, estimates and assumptions, made for the preparation of the financial statements are appropriate and reflect the facts and conditions prevailing on 31 December 2015. The accounting principles, estimates and judgments adopted by the Bank which are material for the understanding of the financial statements are as follows:

3.1 Critical accounting principles and estimates

Recognition and valuation of financial instruments at fair value

In accordance with IAS 39, financial assets and liabilities, held for trading purposes, are measured at their fair value as at reporting date and fair value differences are reflected in the income statement. Fair values of financial instruments traded in stock exchanges, are determined in accordance with their respective market values. In cases where the instruments are not traded in stock exchanges, or when no publicly available market prices exist, their fair value is determined with the use of various valuation models. Valuation models are mainly used for the valuation of over the counter (OTC) derivative instruments. Although the calculation of fair values requires the application of a high degree of subjective judgment, management believes that fair values used in the preparation of the financial statements reflect prevailing financial conditions and a degree of caution (prudence) in the exercise of judgments, in compliance with the applicable controlling procedures.

Impairment losses on loans and advances to customers

The impairment loss on loans and advances to customers results from a continuous evaluation of the customer's portfolio for possible losses. The evaluation of the customer's portfolio is performed by officers responsible for each credit category, using specific methodology and guidance in accordance with IAS 39, which are continuously reexamined. Management of the Bank makes individual assessment of customers and searches for objective evidence of impairment. A loan is tested for impairment, when there is objective evidence of impairment, as at the date of the test indicating that the borrower cannot meet its obligations. Usually, as objective evidence of impairment the following cases are considered among others: important financial difficulty of the borrower, deterioration of its credit standing, possible bankruptcy, etc. The individual provisions relate to loans and advances separately examined for impairment based in the best management's estimation for the present value of future cash flows. Estimating the present value of future cash flows, the management evaluates the financial position of each customer and the recoverable amount of the collateralized assets (e.g. prenotation on Vessels and property). Each case is evaluated separately, whereas the followed methodology is reviewed periodically.

Retirement benefit obligations

The retirement benefit obligations are estimated with actuarial techniques using assumptions for future salary levels and discounting factors. These assumptions are in compliance with annual salary increases affected by the Bank's labour agreements and relevant policies.

3.2 Critical accounting judgments

Impairment of available for sale financial assets

Management has implemented IAS 39 provisions relating to the impairment of available for sale financial assets. Subjective judgment is required for assessing the duration and extent of fair value reduction.

Income tax

The Bank is subject to income tax according to the Greek Tax Legislation. The calculation of income tax expense requires the exercise of significant subjective judgment. In the context of normal bank activity, there are many transactions and calculations for which the final tax assessment is not certain. The Bank recognizes liabilities for anticipated tax audit issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences impact the current and deferred income tax assets and liabilities in the period in which the final outcome is determined.

Note 4: Financial risk management

4.1 Introduction and overview

The Bank is exposed to the following risks:

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

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

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

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

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

4.2 Credit risk

4.2.1 Credit risk management strategies and procedures

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

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

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

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

4.2.2 Credit risk measurement and reporting systems

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

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

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

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

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

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

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

4.2.3 Maximum exposure to credit risk before collateral held and other credit enhancements

The following table presents the Bank's maximum credit risk exposure as at 31 December 2015 and 31 December 2014, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported in the statement of financial position.

	2015 €' 000	2014 €' 000
ASSETS		
Due from banks	11,581	25,365
Loans and advances to customers	234,127	299,116
Investment securities – available for sale	402	2,088
Derivative financial instruments	132	20
Other assets	8,005	7,786
Maximum exposure from assets	**254,247**	**334,375**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	-	4,530
Financial guarantees written	1,101	1,469
Maximum exposure from off balance sheet items	**1,101**	**5,999**

4.2.4 Collaterals and guarantees

The value of collateral reflects the fair value of the collateral. When the value of the collateralized property exceeds the loan balance, the value of collateral is capped to the loan balance before allowance for impairment.

Breakdown of collateral and guarantees

31.12.2015 (€' 000)	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Loans and advances to shipping Corporations	8,431	11,253	214,371	234,055
Other loans and advances	-	-	-	-
Total	**8,431**	**11,253**	**214,371**	**234,055**

31.12.2014 (€' 000)	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Loans and advances to shipping Corporations	8,101	48,977	246,418	**303,496**
Other loans and advances	-	-	-	**-**
Total	**8,101**	**48,977**	**246,418**	**303,496**

4.2.5 Concentration Risk Management

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

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

4.2.6 Loans and advances to customers

4.2.6.1 Credit Quality of Loans and advances to customers

31.12.2015 (€' 000)	Neither past due nor impaired	Impaired	Total Before Allowance for impairment	Allowance for impairment	**Total**	Value of collateral
Loans and advances to shipping Corporations	209,862	28,131	237,993	(5,795)	**232,199**	234,055
Other loans and advances	1,928	-	1,928	-	**1,928**	-
Total	**211,790**	**28,131**	**239,922**	**(5,795)**	**234,127**	**234,055**

31.12.2014 (€' 000)	Neither past due nor impaired	Impaired	Total Before Allowance for impairment	Allowance for impairment	**Total**	Value of collateral
Loans and advances to shipping Corporations	275,282	26,883	**302,165**	(4,833)	**297,332**	303,496
Other loans and advances	1,784	-	**1,784**	-	**1,784**	-
Total	**277,066**	**26,883**	**303,949**	**(4,833)**	**299,116**	**303,496**

4.2.6.2 Credit Quality of loans and advances neither past due nor impaired

	31.12.2015			(€' 000)
	Satisfactory risk	Watch list or substandard	Total neither past due nor impaired	Value of Collateral
Loans and advances to shipping corporations	199,658	10,205	209,862	204,675
Other loans and advances	335	1,593	1,928	-
Total	**199,993**	**11,797**	**211,790**	**204,675**

	31.12.2014			(€' 000)
	Satisfactory risk	Watch list or substandard	Total neither past due nor impaired	Value of Collateral
Loans and advances to shipping corporations	267,358	7,924	275,282	273,854
Other loans and advances	1,784	-	1,784	-
Total	**269,142**	**7,924**	**277,066**	**273,854**

4.2.6.3 Ageing analysis of impaired loans and advances to by type of loan

	31/12/2015 (€' 000)		31/12/2014 (€' 000)	
	Loans and advances to shipping corporations	Total Impaired Loans	Loans and advances to shipping corporations	Total Impaired Loans
Performing	10,952	10,952	16,320	16,320
1-30 days	72	72	-	-
31-60 days	227	227	177	177
61-90 days	55	55	-	-
91-180 days	6,653	6,653	44	44
Past due over 180 days	10,173	10,173	10,342	10,342
Total	**28,131**	**28,131**	**26,883**	**26,883**

There are no past due but not impaired loans and advances at the end of the reporting period.

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

	31.12.2015		(€' 000)
	Interest Income on Neither past due nor impaired Loans	Interest Income on impaired Loans	Total interest income on loans
Loans and advances to shipping corporations	11,163	643	11,806
Other loans and advances	76	-	76
Total interest Income	**11,239**	**643**	**11,882**

	31.12.2014		(€' 000)
	Interest Income on Neither past due nor impaired Loans	Interest Income on impaired Loans	Total interest income on loans
Loans and advances to shipping corporations	9,311	691	10,003
Other loans and advances	50	-	50
Total interest Income	**9,362**	**691**	**10,053**

4.2.6.5 Movement of impaired Loans and advances to customers

	2015 (€' 000)	2014 (€' 000)
	Loans and advances to shipping Corporations	Loans and advances to shipping Corporations
Gross opening balance 1.1	**26,883**	**26,755**
New loans Impaired	4,905	**-**
Repayments	(2,110)	(1,475)
Transferred to neither past due nor impaired	(3,493)	-
Impaired L&As written-off	-	(454)
Foreign exchange differences and other movements	1,947	2,056
Gross balance as at 31.12	**28,131**	**26,883**
Impairment allowance (Balance)	(5,795)	(4,833)
Net balance as at 31.12	**22,336**	**22,050**

4.2.7 Bond portfolios

The table below present an analysis of the Bank's bond portfolios, using the higher of the two lower rating of Moody's, Standard & Poor's and Fitch as at 31 December 2015 and 2014.

Bond portfolios as at	**31.12.2015 (€'000)**	**31.12.2014 (€'000)**
	Available For Sale	Available For Sale
B- till BBB+	402	2,088
Total	**402**	**2,088**

4.3 Liquidity risk

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

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

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

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

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

Contractual undiscounted cash outflow as at 31.12.2015

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	192,851	-	-	-	-	192,851
Due to customers	61,645	20,076	6,110	14,231	-	102,063
Derivatives financial instruments	211	-	-	-	-	211
Total on balance sheet	**254,707**	**20,076**	**6,110**	**14,231**	**-**	**295,125**
Off Balance sheet (Loan Commitments)	-	-	-	-	-	-
Total (On & Off Balance sheet)	**254,707**	**20,076**	**6,110**	**14,231**	**-**	**295,125**

Contractual undiscounted cash outflow as at 31.12.2014

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	30,000	-	-	-	-	30,000
Due to customers	151,339	35,581	11,046	50,807	-	248,773
Derivatives financial instruments	865	-	-	-	-	865
Total on balance sheet	**182,204**	**35,581**	**11,046**	**50,807**	**-**	**279,638**
Off Balance sheet (Loan Commitments)	-	4,118	412	-	-	4,530
Total (On & Off Balance sheet)	**182,204**	**39,699**	**11,458**	**50,807**	**-**	**284,168**

From the 21st of April 2010 the Bank participates in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) with the amount for €40 Million of a three-year time horizon (until 18.04.2013). The participation was renewed at 29 April 2013 for the same amount and new maturity the 22nd of April 2016. These bonds returned to the Greek State at 4 March 2016, before its final maturity (See note 33).

4.4 Market risks

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

Specifically for the Bank, market risk is further analyzed in the following risks:

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

4.4.1 Interest rate risk

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

Interest Rate Risk as at 31.12.2015

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	130,639	-	-	-	-	-	**130,639**
Due from banks	11,571	-	-	-	-	10	**11,581**
Loans and advances to customers	105,932	118,703	15,866	445	-	(6,819)	**234,127**
Investment securities – available for sale	58	343	-	-	-	-	**402**
Other remaining assets	-	-	-	-	-	14,758	**14,758**
TOTAL ASSETS	**248,200**	**119,046**	**15,866**	**445**	**-**	**7,949**	**391,507**
LIABILITIES							
Due to banks	192,819	-	-	-	-	-	**192,819**
Due to customers	74,553	23,385	3,538	-	-	34	**101,510**
Other remaining liabilities	-	-	-	-	-	3,811	**3,811**
TOTAL LIABILITIES	**267,372**	**23,385**	**3,538**	**-**	**-**	**3,845**	**298,140**
Total interest sensitivity gap	**(19,172)**	**95,661**	**12,328**	**445**	**-**	**4,104**	**93,367**

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

Interest Rate Risk as at 31.12.2014

(€' 000)	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non-interest bearing	Total
ASSETS							
Cash and balances with Central Bank	32,986	-	-	-	-	806	**33,792**
Due from banks	25,053	-	-	-	-	312	**25,365**
Loans and advances to customers	176,948	126,838	1,246	316	-	(6,232)	**299,116**
Investment securities – available for sale	1,636	453	-	-	-	-	**2,088**
Other remaining assets	-	-	-	-	-	14,280	**14,280**
TOTAL ASSETS	**236,623**	**127,290**	**1,246**	**316**	**-**	**9,166**	**374,641**
LIABILITIES							
Due to banks	30,000	-	-	-	-	-	**30,000**
Due to customers	201,548	37,252	9,222		-	129	**248,151**
Other remaining liabilities	-	-	-	-	-	4,009	**4,009**
TOTAL LIABILITIES	231,548	37,252	9,222	-	-	4,138	**282,160**
Total interest sensitivity gap	**5,075**	**90,039**	**(7,976)**	**316**	**-**	**5,028**	**92,481**

4.4.2 Foreign exchange risk

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

The foreign exchange position of the Bank as at 31 December 2015 and 31 December 2014 respectively is as follows:

Foreign exchange position as at 31.12.2015

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank (*)	339	130,163	137	130,639
Due from banks	4,832	6,051	698	11,581
Loans and advances to customers	228,261	5,866	-	234,127
Investment securities – available for sale	-	402	-	402
Other remaining assets	149	14,609	-	14,758
TOTAL ASSETS	**233,581**	**157,091**	**835**	**391,507**
LIABILITIES				
Due to banks (*)	114,816	78,003	-	192,819
Due to customers	62,942	37,995	573	101,510
Other remaining liabilities	50	3,753	8	3,811
TOTAL LIABILITIES	177,808	119,751	581	298,140
Net balance sheet position	**55,773**	**37,340**	**254**	**93,367**
Off balance sheet net notional position	(55,685)	55,690	(5)	-
Total FX position	**88**	**93,030**	**249**	**93,367**

The measurement of foreign exchange risk sensitivity of the Bank's Statement of Financial Position items in respect to a parallel shift of 1% in foreign currency rates showed no material effect on the net position of the Bank.

(*) The Bank for economic hedging purposes and in order to cover its foreign exchange risk exposure in US dollars has used a lending facility in foreign currency provided to Eurosystem counterparties under the terms of the "Tender Procedure for the Provision of US dollars to Eurosystem counterparties" issued by the ECB on 6 December 2011 and has borrowed $ 125 million (€ 114.8 million) as at 31.12.2015 depositing the equivalent amount of euros to the Central Bank as cash collateral plus 12% margin (€ 13.4 million).

At the time of the issuance of these financial statements, the abovementioned transaction has been fully replaced by currency SWAP derivatives with other financial institutions.

Foreign exchange position as at 31.12.2014

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Banks	296	33,369	127	33,792
Due from banks	15,248	2,728	7,389	25,365
Loans and advances to customers	290,980	8,136	-	299,116
Investment securities – available for sale	1,652	436	-	2,088
Other remaining assets	126	14,154	-	14,280
TOTAL ASSETS	308,302	58,823	7,516	374,641
LIABILITIES				
Due to banks	-	30,000	-	30,000
Due to customers	219,331	21,704	7,116	248,151
Other remaining liabilities	(13)	4,022	-	4,009
TOTAL LIABILITIES	219,318	55,726	7,116	282,160
Net balance sheet position	**88,984**	**3,097**	**400**	**92,481**
Off balance sheet net notional position	(88,936)	88,941	(5)	-
Total FX position	**48**	**92,038**	**395**	**92,481**

4.5 Fair value of financial assets and liabilities

The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments at 31 December 2015 and 2014:

Cash and balances with Central Bank, due from and due to banks: The carrying amount of cash and balances with Central Bank and due from-to banks approximates their fair value.

Available for sale securities: Fair value for available for sale securities, which is also the amount recognized in the statement of financial position, is based on quoted market prices.

Derivative Financial Instruments: All derivatives are recognized in the statement of financial position at fair value. All derivatives are non-exchange traded contracts and their fair value is based on dealer quotes, pricing models, discounted cash flow analysis or quoted prices for instruments with similar characteristics.

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

Due to customers: The fair value for demand deposits and deposits with no defined maturity is determined to be the amount payable on demand at the reporting date. The fair value for fixed maturity deposits is estimated using discounted cash flow models based on rates currently offered for relevant product types with similar remaining maturities. The carrying amount of term deposits approximates their fair value because the re-pricing date of their interest rate is too short and reflects the current interest rates of the market.

4.6 Financial assets and liabilities measured at fair value

31 December 2015

(€' 000)	Level-1	Level-2	Level-3	TOTAL
ASSETS				
Investment securities – available for sale	402	-	-	**402**
Derivatives	-	132	-	**132**
TOTAL ASSETS	402	132	-	**534**
LIABILITIES				
Derivatives	-	211	-	**211**
TOTAL LIABILITIES	**-**	**211**	**-**	**211**

31 December 2014

(€' 000)	Level-1	Level-2	Level-3	TOTAL
ASSETS				
Investment securities – available for sale	2,088	-	-	**2,088**
Derivatives	-	20	-	**20**
TOTAL ASSETS	2,088	20	-	**2,108**
LIABILITIES				
Derivatives	-	865	-	**865**
TOTAL LIABILITIES	**-**	**865**	**-**	**865**

4.7 Capital adequacy

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

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

- Common Equity Tier 1 Ratio (CET1): 4.5%
- Tier 1 Ratio (T1): 6%
- Total Capital Ratio (TC): 8%

The Bank actively manages its capital base by taking advantage of the contemporary means for raising capital, with the objective to sustain its capital adequacy ratios well above the minimum regulatory levels and, at the same time, to improve the weighted average cost of capital to the benefit of its shareholders. In this framework, both the calculation of the capital requirements and the dynamic management of the capital base are embedded in the business plan and the annual budgeting processes.

The risk-weighted assets arise from the credit risk of the banking book and the market risk of the trading book as well as the operational risk.

The current capital ratios (Tier I ratio and capital adequacy ratio) are greater than the regulatory limits set by the relevant directive and the capital base is capable of supporting the business growth of the Bank in all areas for the next years.

For the calculation of regulatory capital, own share capital must undergo some regulatory adjustments, such as the deduction of intangible assets. The regulatory capital of the Bank, as defined by the Bank of Greece is comprised of two tiers, Tier I and Tier II capital. AB Bank has only Tier I capital.

Presented below, are the year-end capital adequacy ratios of 2015 and 2014. The figures have been calculated using CRD IV rules.

	2015 €' 000	2014 €' 000
Tier I capital		
Share capital	37,980	37,980
Share premium	50,207	50,207
Retained earnings	4,837	4,106
Statutory reserve	623	537
Reserve from remeasurement of the defined benefit obligations	(153)	(222)
Available for sale reserve	(128)	(127)
	93,366	**92,481**
Regulatory adjustments on Tier I capital		
Less: intangible assets	(74)	(54)
Total regulatory adjustments on Tier I capital	**(74)**	**(54)**
Total Core Tier I capital	**93,292**	**92,427**
Risk weighted assets		
Risk weighted assets (credit risk)	257,902	281,090
Risk weighted assets (market risk)	-	-
Risk weighted assets (operational risk)	20,893	22,782
Total Risk Weighted Assets	**278,795**	**303,872**
Common Equity Tier 1 Ratio (CET1)	**33.46%**	**30.42%**
Tier 1 Ratio (T1)	**33.46%**	**30.42%**
CAD Ratio	**33.46%**	**30.42%**

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

Note 5: Net interest income

	2015 €' 000	2014 €' 000
Interest and similar income		
Available for sale and Fair Value through P&L securities	40	411
Interest due from banks	6	89
Interest from loans and advances to customers	11,882	10,053
Other	92	98
Total Interest and similar income	**12,020**	**10,651**
Interest expense and similar charges		
Interest due to customers	(1,375)	(3,425)
Interest due to banks	(1,526)	(52)
Total Interest expense and similar charges	**(2,901)**	**(3,477)**
Net interest income	**9,119**	**7,174**

Note 6: Net fee and commission income

	2015 €' 000	2014 €' 000
Fee and commission income		
Loan origination fees and commissions	1,335	1,672
Funds transfers	1,006	994
Other	45	30
Total Fee and commission income	**2,386**	**2,696**
Fee and commission expense		
Banks	(124)	(117)
Central Bank	(360)	(360)
Other	(29)	(93)
Total Fee and commission expense	**(513)**	**(570)**
Net fee and commission income	**1,873**	**2,126**

The Bank's main activity is the contracting and management of syndicated loans to shipping companies in which the Bank also participates. The result of the Bank's main activity is the collection of commissions for both the contracting of the syndicated loans as an arranger, as an agent and as a participant to the loan.

The commissions received by the Bank as a participant in the syndicated loans are capitalized, then amortized over the life of the loan with the effective interest rate method and included in the interest from loans and advances to customers.

The commissions received by the Bank and amortized over the life of the financial instrument with the effective interest rate method are for the year 2015 € 78 thousands (€ 881 thousands for 2014).

The commissions received by the Bank as an arranger and as an agent are recognized in the income statement when collected.

Note 7: Net trading income

	2015 €' 000	2014 €' 000
Foreign exchange contracts and derivatives	495	943
Net trading income	**495**	**943**

Note 8: Net result from sale of investment securities

	2015 €' 000	2014 €' 000
Net gain from sale of available for sale financial assets	(56)	1,140
Net result from sale of investment securities	**(56)**	**1,140**

Note 9: Personnel expenses

	2015 €' 000	2014 €' 000
Wages and salaries	(3,955)	(3,874)
Social security contributions	(757)	(787)
Defined contribution plans	(127)	(118)
Defined benefit plans (see Note 28)	(101)	(74)
Other	(356)	(382)
Personnel expenses	**(5,296)**	**(5,235)**

The number of employees of the Bank at 31 December 2015 was 71 (73 as at 31 December 2014). The average number of employees for the period 1 January 2015 to 31 December 2015 was 72.

Note 10: General administrative expenses

	2015 €' 000	2014 €' 000
Rental expense for buildings	(92)	(409)
Rental expense for cars	(60)	(62)
Third party fees	(627)	(641)
IT expense	(396)	(367)
Telecommunication – mail expense	(111)	(111)
Promotion and advertising expense	(17)	(82)
Office material	(35)	(35)
Utilities	(109)	(110)
Taxes and duties	(237)	(271)
Maintenance and other related expenses	(78)	(94)
Subscription expenses	(37)	(42)
Fixed assets destroyed	-	(191)
Contributions	(262)	(265)
Officers and directors insurance	(107)	(113)
Other general administrative expenses	(209)	(250)
General and administrative expenses	**(2,377)**	**(3,043)**

Note 11: Depreciation and amortization

	2015 €' 000	2014 €' 000
Property and equipment	(326)	(104)
Intangible assets	(18)	(27)
Depreciation and amortization	**(344)**	**(131)**

Note 12: Impairment losses on loans and advances

Impairment losses on loans and advances movement:

	2015 €' 000	2014 €' 000
Balance as at 1 January	**(4,833)**	**(4,922)**
Impairment losses on loans and advances for the year	(997)	(780)
Amounts recovered	314	712
Effect of foreign currency movements	(279)	(298)
Impairment losses on loans and advances charged in Income Statement	**(962)**	**(366)**
Loans written off	-	455
Balance as at 31 December	**(5,795)**	**(4,833)**

Note 13: Income tax

	2015 €' 000	2014 €' 000
Income tax for the year	-	(470)
Deferred income tax	(748)	(241)
Income tax	**(748)**	**(711)**

The calculation of the income tax expense is as follows:

Profit before tax	**2,465**	**2,620**
Tax calculation at 29% (26% for 2014)	(715)	(681)
Non tax deductible expenses	(15)	(11)
Impact of tax change rate on Deferred Tax	19	-
Other	(37)	(19)
Income tax	**(748)**	**(711)**

The corporate tax rate is 26% for 2014 and 29% for 2015. The new law 4334/2015, voted on July 16, 2015 provides the increase of the corporation tax from 26% to 29%. The increase has a retrospective application from January 1st 2015.
Further information concerning the income tax contingent liabilities is presented in Note 32.
According to Greek tax legislation, losses can be carried forward and off-set against future gains over the next 5 years. There is no tax loss carried forward by the Bank.
Further information concerning deferred tax is presented in Note 22.

Note 14: Cash and balances with Central Bank

	2015 €' 000	2014 €' 000
Cash on hand	1,110	806
Balance with Central Bank	1,329	32,986
Cash Collateral given for US Dollars provided through Eurosystem	128,200	-
Cash and balances with Central Bank	**130,639**	**33,792**

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

BoG requires all banks established in Greece to maintain deposits with BoG equal to 1% of total customer deposits as these are defined by the European Central Bank. From 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB (0.05% at 31.12.2015 and 0.05% at 31.12.2014). It is at the Bank's discretion to withdraw the total amount of the balance with Central Bank under the condition that the average balance during the period (month) will not be less than the minimum required amount.

The Bank for economic hedging purposes and in order to cover its foreign exchange risk exposure in US dollars has used a lending facility in foreign currency provided to Eurosystem counterparties under the terms of the "Tender Procedure for the Provision of US dollars to Eurosystem counterparties" issued by the ECB on 6 December 2011 and has borrowed $ 125 million (€ 114.8 million) as at 31.12.2015 depositing the equivalent amount of euros to the Central Bank as cash collateral plus 12% margin (€ 13.4 million).

At the time of the issuance of these financial statements, the abovementioned transaction has been fully replaced by currency SWAP derivatives with other financial institutions.

Note 15: Cash and cash equivalents

	2015 €' 000	2014 €' 000
Cash on hand	1,110	806
Non-restricted placements with Central Bank	1,329	32,986
Short-term balances due from banks	11,581	25,365
Cash and cash equivalents	**14,020**	**59,157**

Note 16: Due from banks

	2015 €' 000	2014 €' 000
Current accounts	11,581	25,365
Due from banks	**11,581**	**25,365**

Note 17: Loans and advances to customers

	2015 €' 000	2014 €' 000
Loans and advances to shipping corporations at amortized cost	232,199	297,332
Other loans and advances	1,928	1,784
Loans and advances to customers	**234,127**	**299,116**

Included within loans and advances to customers are loans amounting to € 82 Million (€85 in 2014) that have been pledged as security for the participation of the Bank in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) with the amount of €40 Million for a three-year time horizon (until 18.04.2013). The Bank's participation was renewed at 29 April 2013 for the same amount and new maturity date the 22nd of April 2016. On March 4, 2016 the total amount of the above mentioned special securities were returned to the Greek State before its final maturity releasing the loans given as collateral.

Loans and advances to customers are analyzed:

	2015 €'000		
	Gross amount	Impairment allowance	Net amount
Loans and advances to shipping corporations at amortized cost	237,994	(5,795)	232,199
Other loans and advances	1,928	-	1,928
Loans and advances to customers	**239,922**	**(5,795)**	**234,127**

	2014 €'000		
	Gross amount	Impairment allowance	Net amount
Loans and advances to shipping corporations at amortized cost	302,165	(4,833)	297,332
Other loans and advances	1,784	-	1,784
Loans and advances to customers	**303,949**	**(4,833)**	**299,116**

Note 18: Investment securities – Available for sale

Analysis per Issuer

	2015 €' 000	2014 €' 000
Banks – Financial institutions	344	2,013
Corporate	58	75
Investment securities – Available for sale	**402**	**2,088**

Movement for the year:

	2015	2014
Balance as 1 January	**2,088**	**46,023**
Additions	870	50
Disposals (Sales and redemptions)	(2,722)	(46,316)
Profit / (Loss) from changes in fair value	(8)	2,133
Exchange differences	173	198
Balance as 31 December	**402**	**2,088**

All the bonds in the available for sale portfolio are traded in public markets.

Note 19: Derivative financial instruments

	31.12.2015(€' 000)			31.12.2014 (€' 000)		
	Nominal value	Fair value Assets	Fair value Liabilities	Nominal value	Fair value Assets	Fair value Liabilities
FX swaps / forwards	93,548	120	211	87,888	-	865
Warrant Linked to Greek GDP	2,835	12	-	2,835	20	-
Derivative financial instruments	**96,383**	**132**	**211**	**90,723**	**20**	**865**

The Bank does not use hedge accounting and therefore the gains and losses from derivative financial instruments are recognized in trading income. The FX swaps referred above are effective economic hedges.

Note 20: Intangible assets

	2015	2014
Cost:	€' 000	€' 000
Opening balance as at 1 January	1,821	1,784
Additions	37	37
Closing balance as at 31 December	**1,858**	**1,821**
Accumulated amortization:		
Opening balance as at 1 January	1,767	1,740
Amortization	18	27
Closing balance as at 31 December	**1,784**	**1,767**
Net book value:		
Opening net book value as at 1 January	**54**	**44**
Closing net book value as at 31 December	**74**	**54**

Intangible assets include only software.

Note 21: Property and equipment

Property and equipment as at 31.12.2015

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Total
Cost:							
Opening balance as at 1.1.2015	1,051	4,612	341	16	754	950	7,724
Additions	-	241	-	-	106	106	453
Disposals and Write offs	-	-	-	(1)	(1)	-	(2)
Closing balance as at 31.12.2015	**1,051**	**4,853**	**341**	**15**	**859**	**1,056**	**8,175**
Accumulated depreciation:							
Opening balance as at 1.1.2015	-	16	31	15	492	750	1,304
Depreciation	-	211	28	-	35	51	325
Disposals and Write offs	-	-	-	-	(1)	-	(1)
Closing balance as at 31.12.2015	**-**	**227**	**59**	**15**	**526**	**801**	**1,628**
Net book value:							
Closing net book value as at 31.12.2015	**1,051**	**4,626**	**282**	**-**	**333**	**255**	**6,547**

Property and equipment as at 31.12.2014

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Total
Cost:							
Opening balance as at 1.1.2014	-	-	456	15	516	765	1,752
Additions	1,051	4,612	288	1	242	186	6,380
Disposals and Write offs	-	-	(403)	-	(4)	(1)	(408)
Closing balance as at 31.12.2014	**1,051**	**4,612**	**341**	**16**	**754**	**950**	**7,724**
Accumulated depreciation:							
Opening balance as at 1.1.2014	-	-	199	13	482	723	1,417
Depreciation	-	16	44	2	13	28	103
Disposals and Write offs	-	-	(212)	-	(3)	(1)	(216)
Closing balance as at 31.12.2014	**-**	**16**	**31**	**15**	**492**	**750**	**1,304**
Net book value:							
Closing net book value as at 31.12.2014	**1,051**	**4,596**	**310**	**1**	**262**	**200**	**6,420**

No property and equipment has been pledged as collateral.

Note 22: Deferred tax assets / liabilities

	2015 €' 000	**2014** €' 000
Deferred tax assets		
Loans and advances to customers	276	364
Defined benefits obligations	368	326
Derivatives and financial instruments	72	263
Greek Government Bonds (PSI)	1,678	1,562
Other temporary differences	250	100
Total Deferred tax assets	**2,644**	**2,615**
Deferred tax liabilities		
Loans and advances to customers	3,563	2,778
Total Deferred tax Liabilities	**3,563**	**2,778**
Net Deferred tax (Liabilities)	**(919)**	**(163)**

Movement of temporary differences during the year 2015:

Movement of 2015 (€' 000)	Balance as at 1/1/2015	Recognized through income statement 2015	Recognized through equity 2015	Balance as at 31/12/2015
Loans and advances to customers	(2,414)	(873)	-	(3,287)
Defined benefits obligations	326	58	(15)	369
Derivatives and Investment Securities	263	(199)	7	72
Greek Government Bonds (PSI)	1,562	116	-	1,678
Other temporary differences	100	150	-	250
Total	**(163)**	**(749)**	**(8)**	**(919)**

Movement of temporary differences during the year 2014:

	Balance as at	Recognized through income statement	Recognized through equity	Balance as at
Movement of 2014 (€' 000)	1/1/2014	2014	2014	31/12/2014
Loans and advances to customers	(1,947)	(467)	-	(2,414)
Defined benefits obligations	246	13	67	326
Derivatives and Investment Securities	556	262	(555)	263
Greek Government Bonds (PSI)	1,620	(58)	-	1,562
Other temporary differences	91	10	-	100
Total	**566**	**(240)**	**(488)**	**(163)**

Note 23: Other assets

	2015	2014
	€' 000	€' 000
Accrued income	16	35
Prepaid expenses	348	354
Hellenic Deposit and Investment Guarantee Fund	6,586	6,497
Tax prepayments and other recoverable taxes	862	758
Other receivables	193	142
Other assets	**8,005**	**7,786**

Hellenic Deposit and Investment Guarantee Fund

Per Greek Government's decision in November 2008 (Article 6 of Law 3714/2008), the amount of banks' customer deposits guaranteed by the Hellenic Deposit and Investment Guarantee Fund, increased from €20,000 to €100,000, per client. According to the decision, the annual contributions paid by banks to the Hellenic Deposit and Investment Guarantee Fund shall increase proportionately to the increase of the guaranteed deposits amount (i.e. fivefold), for as long as such increased guaranteed amount provision remains in effect.

Law 3746/16.2.2009 concerning the "Hellenic Deposit and Investment Guarantee Fund (HDIGF)" further specified that, the incremental annual contributions of banks resulting from the application of the aforesaid decision shall be contributed by each bank to a special purpose assets group of the HDIGF, operating in the style of joint and mutual cover fund of the participating banks.

In accordance with article 10 of Law 3746/16.2.2009, HDIGF guarantees up to the amount of €30,000 per client for investing activities. In 2010, the participating credit institutions paid the first contributions relating to article 10 of Law 3746/16.2.2009 which provides that the said contributions are included in a special reserve which is jointly owned by the credit institutions in proportion to their participation.

Note 24: Due to banks

	2015	2014
	€' 000	€' 000
Amounts due to Central Bank	78,003	30,000
US Dollars provided though Eurosystem against Cash Collateral	114.816	-
Due to banks	**192,819**	**30,000**

The amount due to Central Bank, for the year 2015 is only ELA funding with collateral shipping loans and Greek government bonds (Law 3723/2008). For the year 2014 is only ECB regular funding with collateral € 40 mio Bonds of the pillar III of the Law 3723/2008.

The Bank for economic hedging purposes and in order to cover its foreign exchange risk exposure in US dollars has used a lending facility in foreign currency provided to Eurosystem counterparties under the terms of the "Tender Procedure for the Provision of US dollars to Eurosystem counterparties" issued by the ECB on 6 December 2011 and has borrowed $ 125 million (€ 114.8 million) as at 31.12.2015 depositing the equivalent amount of euros to the Central Bank as cash collateral. At the time of the issuance of these financial statements, the abovementioned transaction has been fully replaced by currency SWAP derivatives with other financial institutions.

Note 25: Due to customers

	2015 €' 000	2014 €' 000
Sight deposits	48,133	109,808
Term deposits	53,343	138,214
Other	34	129
Due to customers	**101,510**	**248,151**

Due to customers include blocked deposits of:

	2015 €' 000	2014 €' 000
Blocked deposits for the issuance of Guarantee Letters	1,054	1,451
Blocked deposits for loans granted	11,253	48,624
Total	**12,307**	**50,075**

The only concentration relates to deposits of five (5) customers that represent approximately 39% of the amounts due to customers (€ 39 Million out of € 101 Million). In 2014 five (5) customers represented approximately 40% of the amounts due to customers (€ 99 Million out of € 248 Million).

Note 26: Other liabilities

	2015 €' 000	2014 €' 000
Taxes – duties (other than income tax)	261	270
Amounts due to social security funds	171	179
Accrued expenses and deferred income	433	398
Suppliers	294	356
Hellenic Deposit and Investment Guarantee Fund	88	383
Other payables	164	142
Other liabilities	**1,411**	**1,728**

Note 27: Retirement benefit obligations

Defined benefit plans

According to Greek labor law, employees are entitled to a one-off payment when they retire.

The amount differs according to the salary of the employees and the years of their employment up to the date of retirement. In the event that an employee voluntarily leaves, there is no similar liability. This one-off payment meets the definition of a defined benefit plan and at 31 December 2015 the present value of the liability amounted to €1,270 thousand (2014 € 1,253 thousand).

The retirement benefit obligations were calculated in compliance with the provisions of Greek Law 2112/20. Law 4093/12 decreased the minimum statutory indemnity. The Bank has decided to maintain the pre L.4093/12 benefit formula.

The provision is based on an independent actuarial study using the "Projected Unit Credit Method", according to which the cost of employee retirement indemnities is charged to the income statement.

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

	2015 €' 000	2014 €' 000
Amounts recognized in the Statement of Financial Position (SOFP)		
Present value of obligations	1,270	1,253
Net Liability in SOFP	**1,270**	**1,253**
Amounts recognized in the Income Statement		
Service cost	81	49
Net interest on the net defined benefit liability	20	25
Regular P&L Charge	**101**	**74**
Recognition of past service cost		
Total P&L Charge	**101**	**74**
Reconciliation of benefit obligation		
DBO at start of period	1,253	922
Service cost	81	49
Interest cost	20	25
Benefits paid directly by the Company	-	-
Past service cost arising over last period	-	-
Actuarial (gain)/loss - financial assumptions	(63)	182
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - experience	(22)	75
DBO at end of period	**1,270**	**1,253**
Remeasurements		
Liability gain/(loss) due to changes in assumptions	63	(182)
Liability experience gain/(loss) arising during the year	22	(75)
Total actuarial gain/(loss) recognized in OCI	**84**	**(256)**
Other adjustments recognized in OCI		
Total amount recognized in OCI over the period	**84**	**(256)**
Movements in Net Liability in SOFP		
Net Liability in SOFP at the beginning of the period	1,253	922
Benefits paid directly	-	-
Total expense recognized in the income statement	101	75
Total amount recognized in the OCI	(84)	256
Net Liability in SOFP	**1,270**	**1,253**
Cash flows		
Expected benefits paid by the plan for next financial year	594	592

Assumptions		
Discount rate	2.62%	2.12%
Price inflation	1.75%	1.75%
Rate of compensation increase	2.75%	2.75%
Plan duration	9.87	9.73

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

	2015 €' 000	2014 €' 000	2013 €' 000	2012 €' 000	2011 €' 000
Present value of obligations	1,270	1,253	922	1,024	578
Total obligation	**1,270**	**1,253**	**922**	**1,024**	**578**

Sensitivity analysis

• If the discount rate used were 0.5% higher (i.e. 3.12% p.a. rather than 2.62% p.a.), then the DBO would be lower by about 4.42%.

• If the discount rate used were 0.5% lower (i.e. 2.12% p.a. rather than 2.62% p.a.) then the DBO would be higher by about 4.91%.

Note 28: Share capital

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

	31.12.2015			31.12.2014		
	Number of Shares	**Nominal Value**	**Share Capital**	**Number of Shares**	**Nominal Value**	**Share Capital**
Opening balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000
Issue of new shares	-	-	-	-	-	-
Closing balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000

Note 29: Share premium

	2015 €' 000	2014 €' 000
Share premium	50,513	50,513
Less: Share capital issue related expenses (net of tax)	(306)	(306)
Share premium	**50,207**	**50,207**

Note 30: Reserves

	2015 €' 000	2014 €' 000
Statutory reserve	623	537
Valuation of available for sale portfolio	(180)	(172)
Deferred tax on valuation of AFS portfolio	52	45
Actuarial Gain (Loss) of Retirement Benefit Obligations	(215)	(299)
Deferred tax on Remeasurement of the defined benefit obligations	63	77
Reserves	**343**	**188**

Movement of Reserves

Opening Balance	**188**	**(1,296)**
Statutory reserve	86	95
Net gain/(losses) transferred to income statement upon disposal	92	2,078
Net gain/(losses) from changes in fair value of AFS investments	(99)	55
Deferred tax on valuation of AFS portfolio	7	(555)
Net change in Fair value	**0**	**1,578**
Actuarial Gain (Loss) of Retirement Benefit Obligations	84	(256)
Deferred tax on Remeasurement of the defined benefit obligations	(15)	67
Net change from the remeasurment of the defined benefit obligations	**69**	**(189)**
Closing Balance	**343**	**188**

Note 31: Retained earnings

	2015 €' 000	2014 €' 000
Opening balance	**4,106**	**4,393**
Dividends distributed	(900)	(2,100)
Statutory reserve for the year	(86)	(95)
Profit / (Loss) for the year	1,717	1,908
Closing balance	**4,837**	**4,106**

The Extraordinary General Meeting of the Shareholders of the Bank dated 23 January 2014 decided the distribution of dividends, in the amount of €2.1 Million, out of the Bank's Net Profit for the financial year 2012 having been carried forward.

The Extraordinary General Meeting of the Shareholders of the Bank dated 21 January 2015 decided the distribution of dividends, in the amount of €0.9 Million, out of the Bank's Net Profit for the financial year 2013 having been carried forward.

Note 32: Contingent liabilities and commitments

Legal issues
There are no pending legal actions for or against the Bank.

Tax issues
The Greek tax authorities have not yet audited the year 2010. It is possible, as a result of the tax audit, that some of the Bank's expenses relating to this year may be disallowed. Consequently, additional taxes may be assessed for the year 2010. However, it is not expected to have a material effect on the Bank's financial statements.

For the financial years 2011, 2012, 2013, and 2014 the Bank has been audited by its certified auditors, Deloitte Hadjipavlou Sofianos & Cambanis S.A., in accordance with article 82 of Law 2238/1994 and article 65A of law 4174/2013. The tax audit certificates for the years 2011, 2012, 2013 and 2014 were issued at 11 July 2012, 26 September 2013, 10 July 2014 and 29 September 2015 respectively. For the financial year 2015, is currently being audited by the same audit firm. This audit is underway and the relevant tax compliance report is expected to be granted after the publication of the financial statements of the year ended. If any additional tax liabilities arise after the completion of the tax audit, we estimate that they will not have significant effect on the financial statements.

Based on Ministerial Decision 1006/05.01.2016 there is no exception from tax audit by the tax authorities to those entities that have been tax audited by the independent auditor and its tax audit certificate was unqualified. Therefore, the tax authorities may re-audit the tax books of the Bank for previous years 2011, 2012, 2013 and 2014, for which a tax audit certificate has been issued by the independent auditor.

Capital commitments

	2015 €' 000	2014 €' 000
Unused credit facilities	-	4,530
Financial guarantees written	1,101	1,469
Total	**1,101**	**5,999**

Operating lease commitments
Operating leases
The Bank has liabilities from the lease of its branches in Piraeus and Glyfada and company cars that it uses.
The duration of the lease contract is 12 years for the buildings and 3 to 6 years for the company cars.
The rents are usually subject to annual adjustments due to inflation. It is the Bank's policy to renew these contracts.
The rent expenses concerning the buildings amounted to € 92 thousand for 2015 (€ 409 thousand for 2014).
The minimum lease payments until the end of the lease period are as follows:

	2015 €' 000	2014 €' 000
No later than 1 year	144	147
Later than 1 year and no later than 5 years	397	420
Later than 5 years	455	487
Total	**996**	**1,054**

Syndicated Loans

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

	2015 €' 000	2014 €' 000
Participation of other banks in drawdowned syndicated loans	914,049	986,275
AB Bank's participation in drawdown syndicated loans	33,437	47,447
Total amount of drawdowned syndicated loans	**947,486**	**1,033,722**
Other banks participation in unused credit facilities of syndicated loans	-	3,706
AB Bank's participation in unused credit facilities of syndicated loans	-	412
Total amount of unused credit facilities of syndicated loans	**-**	**4,118**
Total amount of syndicated loans administrated with the participation of ABBank	**947,486**	**1,037,840**

Note 33: Events after the reporting period

On March 4, 2016 total amount of special securities of total nominal value of € 40 million that AB-Bank had received as part of Pillar III of Law 3723/2008, were returned to the PDMA. These securities had been provided to the Bank in return for pledging shipping loans as collateral by virtue of a bilateral agreement executed between AB-Bank and the Greek State with maturity on April 29, 2016.

There are no other events after the reporting date requiring disclosure.

Note 34: Related party transactions

Related parties include shareholdes, general managers and their close relatives, companies owned or controlled by them and companies over which they can influence their financial and operating policies.
Main shareholders of the Bank are Costanus Limited, Mr Theodore Afthonidis personally and Vealmont Limited which is controlled by Mr Afthonidis.
Outstanding balances and results of related transactions are as follows:

	2015 €' 000	2014 €' 000
Assets		
Loans and advances to customers	1,593	1,470
Total assets	**1,593**	**1,470**
Liabilities		
Due to customers	34	96
Total liabilities	**34**	**96**
Income		
Interest and similar income	60	42
Interest and commission income	5	5
Total income	**65**	**47**

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

	2015 €' 000	2014 €' 000
Remuneration	1,242	1,234
Short Term employee and post-employment benefits	99	96
Total	**1,341**	**1,330**

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

Note 35: Independent auditor’s fees

Deloitte Hadjipavlou Sofianos & Cambanis S.A. is our independent public accountant for the year ended 31 December 2015. The following table presents the fees for professional audit and other services rendered:

	2015	2014
	€’ 000	€’ 000
Audit fees	76	76
Audit-related fees	27	27
Total	**103**	**103**