AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2014

May 2015

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Board of Directors' Annual Management Report for the Financial Year 2014

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 2014, 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 2014, world economic activity rebounded from three consecutive years of slowdown, growing by 3.3% in comparison to 3.0% in 2013. However, opposing trends prevailed between the advanced and the developing economies, as well as among the developed economies themselves. These imbalances cast their shadow on world trade, hampering its growth to 3.1% from 3.4% in 2013, despite the beneficial reduction of oil prices in 4Q2014.

After 6 years of economic depression, Greece returned to positive growth rates in terms of real GDP (0.7%), yet the nominal GDP remained on negative grounds (-1.9% y-o-y) due to the persistence of deflationary pressures. Unemployment contracted marginally from the historical peak of 2013, while the stabilisation of wages was combined with an improvement in private spending, stimulation of total investments and increase of exports of goods and services. Greece kept up with its fiscal adjustment, achieving a primary surplus for a second consecutive year, however the ratio of public debt to (nominal) GDP rose to 177% from 175% in 2013. In 2Q2014 the domestic banking sector successfully completed the second recapitalisation phase, continuing its overall reconstruction. At the same time, the growth rate of NPLs decelerated and credit contraction slowed down, while its dependence for funding from the Eurosystem's ELA mechanism was almost eliminated by the summer. The aforesaid positive developments were intercepted in 4Q2014, following the resurgence of political and economic uncertainty in view of the possibility of early elections. The consolidation of the sentiment of uncertainty in December further hindered economic activity and led to extensive loss of deposits from the banking sector.

2014 was one more year of profitable performance for Aegean Baltic Bank. The Bank's capital adequacy remained at strong levels, despite the extensive credit expansion, which was encouraged by the significantly improved liquidity balance during the first 10 months of the year. Non-performing loans were down by 12%, and the ratio of non-performing loans to total loans declined to 3.8% from 6.4% in 2013. At year-end the Total Capital Adequacy Ratio improved further to 30.42% (2013: 30.25%), entirely consisting of CET-1 Capital. Net Profit for the FY2014 marginally contracted at €1.91 million, from €2.02 million in FY2013, while Total Assets grew by 5% y-o-y. However, the aforesaid adverse developments towards the end of the year impacted the Bank's liquidity position, as a result of which, on 31.12.2014 the annual increase in Customer Deposits was limited to 12%. At the same time, Customer Loans had grown by 47%, elevating the Loans-to-Deposits ratio to 121%, from 92% in 2013. Nevertheless, the Bank's interbank funding as at YE2014, in the amount of €30.0 million, consisted exclusively of LTROs of the ECB.

Economic and Financial Environment

Global Developments

In 2014 World GDP grew by 3.3%, reflecting the underlying fragile recovery in world economic activity. Key characteristic of the aforesaid recovery was the acceleration demonstrated by the advanced economies (1.8% from 1.3% in 2013), in contrast to the slowdown of the developing economies (4.4% from 4.7% in 2013). The beneficial effects of the expansionary monetary policy adopted by the advanced economies, the overall improvement in the financial environment and the lower oil prices during the second half of 2014 were counterweighed by the escalation of geopolitical risks and the weaker domestic demand among the advanced economies, as well as towards the developing economies, which in turn hampered the momentum of international trade (+3.1% from +3.4% in 2013). The major bourses generally recorded gains, whereas the government bond rates in advanced economies followed a steep downward trajectory, reflecting deflationary expectations.

Economic trends amongst leading economies maintained divergent characteristics. In the US, GDP growth outpaced expectations, rising by 2.4% from 2.2% in 2013, in spite of the deterioration of net exports. The economic activity was propelled by stronger private spending and the continuing improvement in the labour market, with unemployment rate subsiding below 6%, thus contributing to FED's decision to conclude the third quantitative easing programme. Expectations for 2015 are positive, while in the second half of the year FED is anticipated to raise the benchmark rate, which remains since 2009 unaltered and marginally positive (0.0%-0.25%). The substantial increase of consumption tax in Japan was successful in stimulating inflation to 2.7% (2013: 0.4%), however at the expense of economic growth, which was almost brought to a halt (+0.1% from 1.6% in 2013) and is projected to rebound to 0.6% in 2015. China's GDP growth rate of 7.4%, albeit strong, constitutes probably the weakest performance since the Asian Crisis. This development fuels concerns regarding the prevalence of a permanent (as opposed to cyclical) nature of economic slowdown, and its ensuing impact on international trade and oceangoing shipping.

After a recessionary 2-year period, economic activity in the Eurozone returned to positive grounds (+0.9%) in 2014, mainly on the back of the recovery in private consumption, given the protractedly modest contribution of net exports and the anaemic fixed capital investment. The efforts to manage the debt crisis through fiscal adjustment policies proved fruitful, as they allowed economies which had been excluded from the global markets in the recent past to reinstate their access, causing a general easing of funding costs and putting a leash on the increase of the public-debt-to-GDP ratio. However, the alarmingly high unemployment rate (11.6%, marginally improved from the historical peak of 11.9% in 2013), in conjunction with the escalation of deflationary pressures, sustain the considerations surrounding the fragile nature of the undergoing recovery. In light of the aforesaid risks, the ECB proceeded with a further reduction of its benchmark rate to the historical low of 0.05%, new targeted LTROs and the implementation of an asset purchase programme. In the beginning of 2015, this programme was broadened so as to accommodate purchases of government bonds in the amount of €60 billion per month, until September 2016, with the purpose to stimulate inflation "close to, but below" 2%. The Euro depreciated against both the US Dollar and the GB Pound from the summer onwards, with the trend persisting also in 2015.

Expectations for global economic growth in 2015 are cautiously positive, raising the bar to 3.5% from 3.3% in 2014 (IMF, World Economic Outlook, January 2015). Optimism is largely based on the dynamics built up in the activity of advanced economies (especially the US), which are projected to accelerate to 2.4%, whereas the developing economies are expected to decelerate further, to 4.3%, before they rebound in 2016. The upside potential is threatened by the low degree of new investments (particularly of fixed capital), the intense volatility in the major markets, the deflationary environment in the Eurozone and Japan and the geopolitical developments (especially in the Russia-Ukraine area). In the Eurozone, a slight improvement of growth rate for 2015 is expected (to 1.5%), mainly stemming from the results of ECB's new monetary policy and the gradual neutralisation of the fiscal adjustment policies. On the downside, the inequalities and asymmetries permeating the individual Eurozone economies, combined with the continuing deleveraging which takes place in the European banking sector, undoubtedly constitute impeding elements toward the recovery prospects.

Greek Economic Developments

For the first time after a recessionary 6-year route, in 2Q2014 the Greek economy achieved a positive growth rate, which accelerated during the third quarter of the year, resulting in a 0.7% annual growth of real GDP. The two main pillars of this reversal were the strengthening of private consumption (+1.4%), which is linked with the easing in the contraction rate of household net disposable income, and the boost from the tourism industry (+10.6%). The latter led to the increase of exports of goods and services by 8.8% in 2014 and, with the shipping industry's contribution, to the maintenance of a positive current account balance at 0.9% of GDP (2013: 0.6%). Moreover, total investments returned to positive grounds (+2.7% from -9.5% in 2013), since the increase of corporate investment outweighed the continuously plummeting housing investment. Despite the gradual improvement in employment levels (+0.6%) and the stabilisation of wages, the unemployment rate remains critically high (26.5% from 27.5% in 2013) and constitutes an issue with crucial economic and social consequences. On the inflation front, the persistence of deflationary pressures, especially following the decline in oil prices, led to the contraction of nominal GDP by 1.9% (ca. 25% cumulatively since 2008).

The fiscal performance of Greece in 2014 hovered, for the largest part of the year, around the edges of the annual targets framework, as a result of which, the General Government achieved a primary surplus for a second consecutive year, in the vicinity of 1% of GDP (2013: 0.8%, 2012: -1.5%). In addition, total public deficit was limited to 3.5% of GDP. However, in spite of its contraction in numerical terms (€317.1 billion, 2013: €319.1 billion), public debt increased as a percentage of GDP to 177% from 175% in 2013, manifesting the width of the gap which must be bridged by the Greek Government, so as to approach the Eurozone averages. Indicatively, the combined fiscal deficit of the 19 Eurozone countries shrunk to 2.4%, while total public debt rose to 91.9% of GDP (2013: 2.9% and 90.9%, respectively).

In 4Q2014, fiscal performance deviated from the Government's budget, due to the shortfall in the collection of public revenue and the sluggishness in the cutback rate of public expenditure. The political uncertainty was intensified as a consequence of the non-conclusion of the negotiations with the creditors on the one hand, and on the other due to the early proclamation of national elections, hence causing a slowdown of economic activity. These developments not only entailed negative repercussions in the achievement of budgeted targets for 2014, but, in combination with the formation of a new government in February 2015 and the further delays in the negotiations with the creditors, have given rise to crucial hysteresis vis-à-vis the fiscal targets for 2015 too. The successful conclusion of the negotiations and the subsequent implementation of the agreed terms comprise the greatest challenge faced by the Country, in its struggle to deescalate the suffocating 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

Following the successful consummation of additional recapitalisations during the second quarter of 2014, the Greek banking system participated successfully in ECB's Comprehensive Assessment, which was conducted in cooperation with the European Banking Association and the Bank of Greece, demonstrating a reinforced position in comparison to the preceding 3-year period. Moreover, since November 2014, the supervision of Eurozone's "systemic" banks has fallen under the responsibilities of ECB, through the Single Supervisory Mechanism in cooperation with the national pertinent authorities, with the purpose of enhancing supervision and further shielding the European financial system.

2014 saw a slowdown in the growth rate of non-performing loans (payment delinquency in excess of 90 days), which accounted for 34% of the total versus 32% in 2013, as well as in the degree of credit contraction among Greek banks (-2%), nevertheless with simultaneous reduction of customer deposits, also by 2%. It is worth mentioning that, until the fourth quarter of the year the course of deposits was developing favourably, thus limiting the dependence of the Greek banks on Eurosystem's funding sources. From December 2014 onwards, the aforesaid course has been reversed, since the hefty flee of deposits, in conjunction with ECB's decision to discontinue accepting bonds issued or guaranteed by the Greek Government as refinancing collateral, has reinstated the high levels of funding from the ELA mechanism.

Developments in Shipping and Shipping Finance

Shipping Markets

In 2014 shipping economic developments largely followed the trends outlined above regarding the global economy and international trade. The volume of seaborne trade grew by 3.4% y-o-y, assimilating increases in the containerized and dry cargoes and marginal reduction in wet cargoes. World fleet also expanded by 3.4%, with slightly lower demolitions and new vessel deliveries in comparison to 2013. In the beginning of 2014, the freight market did not manage to sustain the momentum which was accumulated in the last quarter of 2013. Nevertheless, in the second half of the year, market rates rose by ca. 30% compared to the first semester, but with divergent dynamics among the individual sectors. The abrupt fall in oil prices during the second half of the year benefitted directly the tanker sector, which recorded a significant improvement, while the containership sector remained at the soft levels established during the previous years and the dry bulk sector deteriorated further. Analogous trends prevailed also in respect of asset values. With regards to 2015 forecasts, it is expected that the world fleet expansion shall be counterbalanced by the world seaborne trade growth, and to the extent that the low oil price environment persists, the gains in international trade and shipping shall be medium-to-longterm. However, the tonnage oversupply concerns linger.

<u>Tankers:</u> In 2014 crude oil trade contracted by 1.5% in volume terms, since the firm demand in Asia (mainly China and India) did not fill the gap of the continuing decline of US and European imports. However, the expansion of trade on relatively longer-haul routes bolstered demand for tanker vessels. Seaborne oil products trade grew further, albeit at a soft 2.0% rate, mainly supported by the increasing exports from the Middle East and the US, which more than covered the sluggishness in the intra-Asian and intra-European trades. Average annual earnings improved significantly (particularly in the fourth quarter, reversing the negative course of the first semester) and landed on levels 40% higher than those of 2013 for crude oil tankers, while more moderate recovery was recorded also in many product tanker segments. Asset prices moved in parallel with freight rates, but within a milder range, with larger sizes gaining 25-30% y-o-y and smaller ones recapturing the YE2013 levels. Expectations for 2015 are cautiously positive, with concerns stemming from the premise that the 4Q2014 boom (which continues to accelerate in 1Q2015) was based on seasonal and circumstantial factors. On the supply side, the tanker fleet growth rate was relatively soft in 2014 (1.5% for crude oil tankers and 3-4% for product tankers). Nevertheless, even though the overall orderbook size is not considered alarming (15.5% of the operating fleet, which is the lowest percentage among the major shipping sectors), it is likely that a further improvement in freight markets shall rekindle shipbuilding activity.

<u>Bulkers:</u> In the first weeks of 2014 the Baltic Dry Index lost the head of steam it had built up at the end of the previous year and continues to lose ground (with certain fluctuations) until today, to decade low levels, as a combined result of weak demand and more importantly tonnage oversupply. Seaborne iron ore trade, which represents 30% of total dry bulk cargo, rose by 12% y-o-y, driven by the increased production in Australia. Nonetheless, the marginal 2% annual growth of the rest of dry bulk trade, including coal (27% of the total), held the total bulk trade growth back at only 4% for 2014, versus 6% in 2013. On the supply side, despite the undergoing recessionary period, which now extends over 6 consecutive years, the fleet enlargement rate remains particularly vigorous. Indicatively, newbuilding deliveries in 2014 retracted to 48 million dwt from 63 million in 2013 (i.e. two times the average delivery rate during the booming period 2004-2008) and are expected to accelerate in the next 2 years. Consequently, both freight rates and asset values recorded losses in all bulker segments (ca. 10-15% annually on average), with larger sizes suffering the most. Given that the present orderbook accounts for 20% of the operating fleet (which has already doubled in size since 2007), the

combination of tonnage oversupply and hypotonic projected bulk trade growth rate does not leave much room for optimism as far as the 2015 outlook is concerned.

Containerships: Regardless of the marginal improvement recorded in containership earnings and asset values during 2014, they still reside close to the bottom of the cycle, in which they remain entangled for some years now, as a result of the recession in the Western economies and the fleet enlargement caused by the massive ordering of previous years. In 2014 the market fundamentals marked an overall improvement, since the reinvigorated demand in both the mainlane and intra-regional trades boosted annual trade growth by 6%, marginally absorbing the increased fleet capacity. Similar fragile conditions are expected to prevail in 2015, giving rise to cautiously positive expectations, nevertheless without undermining the sector's extended volatility, or its vulnerability to a series of exogenous factors. The positive expectations are underpinned by the gradual deceleration in the newbuilding delivery rate (given that the containership orderbook has shrunk, but still accounts for 18% of the operating fleet) and the consolidation of "slow steaming". On the other hand, uncertainty is spurred by the impact of "cascading" (from which e.g. the panamax segment benefitted in 2014 whereas in the previous years it had particularly suffered), the effect of the alliances and zymoses taking place between the major groups in the industry, as well as the management of idle capacity (2014: 1.3% of the operating fleet, 2013: 3.4%).

Newbuilding Activity: 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. At present, the market is divided between shipyards aiming to scale up capacity (mainly upper-tier constructors) and those struggling for survival, with the market dynamics moving against the latter. Newbuilding prices follow a downward trajectory since 2010, bottoming-out in 2013 – however, the short-lived upward spike between March 2013 and May 2014 led average prices in 2014 ca. 10% higher, before declining again in 2015. New orders placed in 2014 reached 41 million tonnes, or 5% of world operating fleet, a ratio which, although reduced since 2013, remains overwhelming for the shipping market prospects given the underlying oversupply of tonnage, especially in the bulker sector, which accounts for the majority of the orderbook. China continues to hold the largest market share with 39%, while S. Korea follows in the second place with 29% and Japan with 18% in the third. Shipyard output in 2014 was reduced to 36 million tonnes (75% of the scheduled output) and is expected to increase to 41 million tonnes (out of 55 million scheduled) in the current year. The 2015 outlook involves further contraction of global yard capacity and reduction of prices, as a result of weaker demand for newbuildings.

Shipping Finance

It is estimated that European banks historically account for approximately 75% of global bank lending to shipping ($475-$500 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 16% of the world fleet in the major shipping sectors. The Greek-owned fleet comprises also the largest single borrowing group in shipping finance, accounting for some 13% 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 18%.

According to the latest annual report of Petrofin Bank Research, on 31.12.2014 total lending to the Greek-owned fleet had risen to $64 billion, from $61.5 billion in 2013, marking an annual growth rate of 4% – the largest since 2008. Another positive development is the expansion of the participating financial institutions from 46 to 49 in 2014. The market share of European banks has increased to 85%, with Greek banks still representing ca. 17%. British and German banks remain in leading positions with a 40% combined market share (2013: 45%), whereas evident market share gains have only been recorded by Far Eastern banks (2014: 9%, 2013: 6%) and especially certain Chinese banks. The amalgamation between Greek banks with large shipping portfolios (due to the reconstruction of the Greek banking system during the last couple or years) has increased concentrations. The market is now serviced by only 5 Greek banks with shipping portfolios (from previously 12), the 4 larger thereof now holding 96% of the total Greek share, and the largest one now accounting for some 35% 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 (also engaged in acquisitions of shipping loans at discount), which is presently considered to entail a short calibre (and remains hardly measurable at the time), but to the extent that the underlying conditions persist, it is expected to expand further.

The contraction in the supply of ship financing has upgraded lending standards, bringing loan advance ratios at more conservative levels, enhancing the required collateral, and substantially increasing credit yields. Moreover, the policy of several banks to deleverage faster by selling loan portfolios at prices that would attract prospective buyers, 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

FY2014 was one more profitable year for the Bank. ABBank maintained its solid capital adequacy, despite the substantial credit expansion performed. The high credit quality of its loans portfolio was also maintained as the NPLs decreased and no further past due loans emerged. In the same period the second branch of the Bank, located in the Glyfada area, commenced its operations. As at 31.12.2014 the full time personnel of the Bank counted 73 employees, from 62 on the 31st of December, 2013. The Senior Management believes that 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 the financial exposures of ABBank. Nevertheless, the re-emergence, in 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 FY2014

In January 2014 the Extraordinary General Meeting of the Shareholders approved a dividend distribution in the amount of €2.1 million, out of the Bank's Net Profit for the financial year 2012 which had been carried forward in the Retained Earnings account of the Net Worth.

In March 2014, the Bank of Greece published the capitalization requirements of Greek banks, as a result of the second simulation exercise it had conducted with the cooperation of BlackRock Solutions and Rothchild as advisors (the "Second Assessment"). As in the case of the first such assessment, the Second Assessment also affirmed ABBank's capital solidity, being probably the only Greek bank exempt from the requirement to carry out a capital increase ("BoG 2013 Stress Test Report for the Greek Banking Sector", 6th March, 2014). Moreover, similarly with the first diagnostic survey of BlackRock (4Q2011), the second survey also calculated that the loans portfolio of ABBank bears the lowest Expected Loss amongst the shipping loans portfolios of all Greek banks, measuring that the lifetime Expected Losses of the Bank's loans stand at less than one third of those found for the entire Greek system, under either the Baseline or the Adverse scenarios.

In May 2014 the Bank acquired, at a total acquisition and refurbishment cost of €5.8 million, a 2,200 sq.m office building located in the area of Maroussi, Athens, at which the head-office was relocated on November 30th, 2014. The Senior Management of the Bank believes that significant economic benefits arise from the purchase of the building and the head-office relocation, given that its acquisition and operating costs favorably compare with the corresponding longer term financial burden of the (smaller) building rented for that purpose until November 2014.

In July 2014 the Bank commenced operations of its second branch, which is located in Glyfada. Glyfada and the greater area of the southern suburbs of Athens comprise the business center of numerous shipping companies. A branch operating in that area aims at facilitating the access of existing clients, as well as at attracting new ones, to the products and services of the Bank.

Statement of Financial Position

As at 31.12.2014 the Bank's Total Assets amounted to €374.6 million, in comparison to €355.3 million on 31.12.2013, recording a 5.4% annual growth.

Total Assets growth was the result of the combined effect of a remarkable loan balances increase, to the tune of 47% year-on-year, and a more than threefold increase of the amount of Cash and Balances with the Central Bank, together however with a 95% reduction of the Available for Sale bonds portfolio and a 72% decrease of the Due from Banks balances. At the same time, customer deposits ("Due to Customers") recorded a 12% annual growth whereas the Due to Banks balances decreased from €40 million at year-end 2013 to €30 million on 31.12.2014, i.e. accounting for 8% of Total Assets in 2014 from 11% in 2013. In both years the entire amount of the Due to Banks liabilities consisted of ECB's regular refinancing transactions (TROs).

On 31.12.2014 the Loans and Advances to Customers portfolio amounted to €299 million from €204 million on 31.12.2013. The appreciation of the US Dollar exchange rate against the EURO, by 12% y-o-y (from €/$= 1.3791 to 1.2141), especially from August onwards, had an enhancing effect in the EUR-equivalent value of the Bank's loans portfolio given that the vast majority of the portfolio consists of USD-denominated loans. It is worth noting that despite the 47% y-o-y growth of the year-end loan balances, the average balances of the year increased by merely 16%.

Customer deposits had grown on 31.12.2014 to €248 million from €221 million a year before i.e. by 12% y-o-y. Customer deposit balances, which also largely comprise USD-denominated deposits, were adjusted upwards, similarly to loans, by the aforesaid exchange rate appreciation of the USD. In contrast though to the annual average loan balances, the average deposit balances recorded a 38% annual increase (or €74 million, to €270 million in 2014 in comparison to €196 million in 2013). It is worth mentioning that up until October 2014, the increase of the average deposit balances had exceeded 41% in comparison to the same period of the previous year, reflecting not only the enlargement of the Bank's clientele, but also an improvement of the overall depositors' confidence towards the stability and the prospects of the country's financial sector. This trend encouraged the Bank towards a more vigorous credit expansion effort after two consecutive years of credit contraction (2013/2012: -16%, 2012/2011: -10%). In the period of the first 10 months of 2014 the Bank's Loans to Deposits Ratio averaged 88% (30.10.2014: 97%)

As of the end of October however, a reversal of the confidence climate and a deposits contraction trend emerged. The difficulties of the government to arrive at an agreement with its creditors in relation to the consummation of the country's financial program, together with the intensifying political risk coming out of the expected proclamation of early national elections in Q1-2015 led into an escalating concern which, from early December onwards (when elections and the possibility of political change were accelerated to January 2015), formed a stronger trend of deposits fleeing the Greek system. During the last two months of the year the total deposit balances of the Bank contracted by 11% in comparison to that of the end of October, whereas in the same period customer loans increased by 9% due to the drawdown of loan facilities contractually agreed or committed prior to November. The concurrent inverse development, towards the end of the year, of the previously prevailing trends between loans and deposits impacted the Loans to Deposits Ratio, which on 31.12.2014 stood at 121% from 92% on 31.12.2013.

Non-Performing Loans (the "NPLs" i.e. Loans and Advances to Customers remaining past due for more than 90 days) decreased y-o-y by €1.6 million and amounted to €11.6 million on 31.12.2014 (2013: €13.2 million), thus accounting for 3.9% of the total loans portfolio of the Bank, from 6.5% on 31.12.2013. It is worth noting that approximately 86% of the NPLs amount refers to obligors of the Greek ferry sector (2013: 89%).

The Bank follows a specific provisions policy whereby specific loans (e.g. all loans of lower internal credit rating and all NPLs) are submitted to an impairment test and the resulting impairment loss forms the accounting provision. As at 31.12.2014 the accumulated balance of impairment loss provisions of the Bank's credit portfolio stood at €4.83 million (2013: €4.92 million), following however the write-off during the year of a €0.51 million provision referring to an NPL which was repaid during 2014. Approximately 52% of the total amount of impairment provisions accumulated as of 31.12.2014 was taken against the NPLs, covering them by 21.4%, whereas the remaining 48% of the total amount was taken against performing loans, accounting for 0.8% of their total balance.

In June 2014 ABBank liquidated the larger part of its Available for Sale bonds portfolio which consisted of government bonds of Eurozone member states, of higher credit rating. Taking advantage of the increasing prices in this bonds class, a €1.14 million profit was recorded, in comparison to €0.59 million in 2013. As prices remained at very firm levels for the rest of 2014, the Bank was deterred from reinvesting/replacing its government bonds portfolio until the end of the year.

As already mentioned above, the Bank's interbank liabilities at the end of 2014 had been reduced to €30.0 million from €40.0 million at the end of the year before, fully comprising refinancings from ECB's regular mechanism of open market operations. Notably, because of sufficient liquidity, the Bank's interbank borrowing balances stood at zero levels during the second half of the year, up until mid-December when the aforesaid amount was drawn from ECB.

Finally, the Bank's tangible fixed assets increased significantly due to the acquisition of the office building and relevant equipment required for the optimization of its operation as an up-to-date bank head office.

Profitability

In FY2014 ABBank generated a €1.91 million Net Profit, in comparison to €2.02 million in 2013, marking a 5.6% annual decrease (-€0.11 million). This marginal reduction was the result of a €0.80 million improvement of Total Operating Income (+7.6%) together with a slightly higher increase, by €0.90 million (+11.5%) of Total Operating Expenses (pre-tax). The Cost-Income Ratio rose to 73.8% from 69.2% in 2013 and the Total Costs to Income Ratio (i.e. the credit impairment loss inclusive) to 77.0% from 74.3%, respectively.

Total Operating Income amounted to €11.4 million in 2014 from €10.6 million in 2013. The main drivers of such improvement were the gains recorded from the liquidation of the Available for Sale portfolio, the increased trading income (mainly referring to foreign exchange transactions) as well as the higher Net Fee and Commissions Income. In contrast, Net Interest Income softened marginally, largely due to increased Interest Expenses.

Net interest Income in 2014 amounted to €7.17 million (2013: €7.33 million), recording an annual reduction of €0.15 million or 2.1%. Although Gross Interest and Similar Income remained unchanged between the two years (€10.6 million), the Gross Interest Expense and Similar Charges marked a 4.6% increase. A decomposition of the relevant variations demonstrates that loans interest income improved by 3.9% y-o-y. However, the higher interest income brought by the credit expansion was offset by decreased income from the amortization of the discount of loans acquired in the past, as a result of their gradual repayment/reduction. This development impacted negatively, by 45 bps, the average annual yield of the loans portfolio. Excluding this impact, the loans net interest income increased by 19% y-o-y whereas the yield of the loans portfolio improved by 10 bps.

Bonds interest income was also lower in 2014, as a result of the portfolio's liquidation mentioned above, and same applies to the interest income from the Bank's interbank placements (in spite of their much higher average annual balances) owing to the extensive drop of the interbank market interest rates. The interest expense for customer deposits increased marginally, as a result of higher deposit balances rather than higher pricing which, actually, marked a 42 bps annual reduction, in contrast to the interbank takings cost which dropped mainly as a result of much lower balances. The interaction of all the above factors, in conjunction with the €72 million y-o-y increase in the annual average balance of Total Assets, brought the Bank's 2014 Net Interest Margin at 1.89% from 2.38% in 2013.

Net Fee and Commission Income marked an 18.6% annual improvement to €2.1 million from €1.8 million in the year prior. Gross fee and commissions income increased by 13.6% and can be differentiated between fees and commissions not related to loans, which grew by 17.7% y-o-y and those being loans-related (ca. 60% of the total fees and commissions) which marked a 11.2% growth. Alike the previous year, the contribution of the Bank's branches was particularly important for the growth of the not-loans-related fee and commission income. In the same period, Fee and Commission Expenses recorded a 1.9% annual reduction.

A large part of the Bank's loans-related fee and commission income comes from fees received for the management of syndicated loans in its capacity as the Agent. Since its establishment ABBank has been particularly active in the arrangement and agency of syndicated loans, in which it also participates as a lender. As at 31.12.2014 the total portfolio of loans and commitments under management by the Bank amounted to €1.30 billion or $1.58 billion (2013: €1.16 billion or $1.59 billion), including its lending participations thereof, as well as its bilateral loans and commitments of €305 million or $370 million.

Net Income from Financial Transactions, largely consisting of foreign exchange transactions, continued in 2014 the upward trend of the last years, amounting to €0.94 million (+45.3% y-o-y) from €0.66 million in 2013 and €0.20 million in 2012. The Net Result from the sale of Investment Securities stood at €1.14 million i.e. 92% higher than the 2013 figure of €0.59 million.

Operating Expenses

Total Operating Expenses of 2014, including the impairment loss provisions of the loans portfolio, amounted to €8.77 million, registering a €0.90 million or 11.5% rise from the €7.87 million of 2013. Such rise is attributed to (a) an 11.9% increase in Personnel Expenses as a result of hiring 11 more members of staff during the year, thus bringing the number of full time employees to 73 as of 31.12.2014 from 62 on 31.12.2013, and (b) higher General Administrative Expenses by 21.9% y-o-y, mainly due to the full amortization of the refurbishment cost of the previous rented head-office premises of the Bank, the increased annual contribution to the rationalization arm of the Greek Deposits Guarantee Fund, and the higher other costs and expenses relating to the relocation of the head-office of the Bank and the opening of the new Glyfada branch.

The annual charge for impairment loss provisions in relation to the Bank's Loans and Advances to Customers amounted to €0.37 million, in comparison to €0.54 million recorded in the previous year. The lower amount of annual provisions mainly reflects the €1.6 million decline in the NPLs balance during the year, together with the fact that no new past due loans emerged and the improved impairment calculation of certain performing loans of the tanker sector which during 2014 performed much better in terms of both income and ship values.

Shareholders' Equity – Capital Adequacy

In 2014 the accounting value of the Bank's Shareholders' Equity increased by €1.2 million, to €92.5 million from €91.3 million in 2013. The Retained Earnings account balance benefitted from the 2014 Net Profit of €1.9 million, following however a €2.1 million reduction, effected in January 2014, for dividends distribution. In the same period the Reserves account was augmented by €1.48 million y-o-y, largely due to the reversal of the valuation loss incurred on 31.12.2013 in connection with the portfolio of Investment Securities Available for Sale.

The Bank's regulatory Own Capital, which consists exclusively of Common Equity Tier-1 Capital (CET1 under Basel III) rose in 2014 to €92.4 million, from €91.2 million in 2013, whereas the Total Risk Weighted Assets increased by €2.3

million to €303.9 million from €301.6 million, respectively. Consequently, the CET1 Ratio which, in the case of the Bank, equals the Total Capital Ratio, stood at 30.42% on 31.12.2014 (2013: 30.25%)

Important Post Balance Sheet Events

The Shareholders' Extraordinary General Meeting of 21st January 2015 approved a €0.9 million dividend distribution out of the FY2013 Net Profit which had been carried forward in the Retained Earnings account.

On 11th February 2015, the ECB ceased accepting securities issued or guaranteed by the Greek Government as collateral for its regular refinancing operations, relegating their refinancing to the Emergency Liquidity Assistance mechanism of the Eurosystem (the "ELA"). As of 31.12.2014 as well as in early February 2015 ABBank was financed by ECB in the amount of €30 million, having provided as collateral zero-coupon Greek Government Bonds of €40.0 million Face Value, maturing in April 2016, that were obtained through the Bank's participation in Pillar 3 of Law 3723/2008 referring to "Measures for the Amplification of Liquidity in the Greek Economy". Since the 11th of February, the refinancing of the above bonds is effected through the Bank's participation in the ELA. On April 30th, 2015 the total funding raised by the Bank from the ELA amounted to €50.0 million on the basis of encumbering the aforesaid bonds as well as certain of its Loans and Advances to Customers. As of the same date, the Bank had available unencumbered to the ELA loans (fulfilling the Eurosystem's eligibility requirements for that purpose), of an incremental refinancing cash value of €66.3 million, being equivalent to approximately 38.4% of its total customer deposit balances as of the same date.

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. Nevertheless, ABBank has successfully participated in two similar exercises which have been conducted by the Bank of Greece, with the assistance of specialist external advisors, for all Greek banks and the relevant results have been published by the BoG in Q1-2012 and Q1-2014, respectively. In both of those exercises ABBank has been 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 2014 are 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 2015 the Bank is expected to 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 become gradually into effect from October 2015 onwards.

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 negotiation between the Greek Government and the Institutions shall increase financial stability, thus comprising a significant prerequisite for the improvement of the liquidity equilibrium of the local banking sector and the restoration of depositor's confidence. Those prerequisites will also facilitate ABBank to take advantage of its solid capital adequacy and to continue its strategy of balanced and counter-cyclical growth, which has been successfully and profitably followed to date in shipping finance, and of providing targeted banking products and services to the shipping sector. Given that its specialization in shipping minimizes the 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 2015:

- To gradually improve the Bank's liquidity proportions and to repay in full the funding drawn from the ELA;
- To enhance the medium-longer term sources of funding its Assets;
- To further 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 clear gap between the lacking-behind supply in comparison to the demand for financing of the shipping sector.
- 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 and the offering of its ancillary and operational/transactional banking products and services, through its two branches located in Piraeus and Glyfada;
- 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, 28 May 2015
The Vice Chairman of the BoD

Theodore Afthonidis

Auditors' Report

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 "AEGEAN BALTIC BANK S.A." (the "Bank"), which comprise the statement of financial position as at December 31, 2014, 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 at December 31, 2014, and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Emphasis of Matter
Without qualifying our opinion, 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 affect the banking sector and in particular its liquidity. These material uncertainties may cast significant doubt on the the Bank's ability to continue as a going concern.

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, and 37 of the Codified Law 2190/1920.

Athens, 28 May 2015

The Certified Public Accountant

Nikolaos Sofianos
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AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2014

May 2015

Income Statement

	Note	2014 €' 000	2013 €' 000
Interest and similar income		10,651	10,655
Interest expense and similar charges		(3,477)	(3,326)
Net interest income	5	7,174	7,329
Fee and commission income		2,696	2,373
Fee and commission expense		(570)	(581)
Net fee and commission income	6	2,126	1,792
Net trading income	7	943	657
Net result from sale of investment securities	8	1,140	592
Net result from financial instruments at fair value through profit or loss	9	-	156
Other operating income		11	66
Total income		**11,394**	**10,592**
Personnel expenses	10	(5,235)	(4,679)
General administrative expenses	11	(3,043)	(2,497)
Depreciation and amortization	12	(131)	(156)
Impairment losses on loans and advances	13	(366)	(541)
Profit before tax		**2,619**	**2,719**
Income Tax	14	(711)	(698)
Profit for the year		**1,908**	**2,021**
Attributable to:			
Equity holders of the Bank		1,908	2,021
Profit for the year		**1,908**	**2,021**

Athens, May 28, 2015

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	2014 €' 000	2013 €' 000
Profit for the year		**1,908**	**2,021**
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (Available for sale financial assets)	19	2,133	(1,637)
Related Tax	23	(555)	466
Total items that may be reclassified subsequently to profit or loss		**1,578**	**(1,171)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial Gain (Loss) of Retirement Benefit Obligations	28	(256)	83
Related Tax	23	67	(14)
Total items that will not be reclassified subsequently to profit or loss		**(189)**	**69**
Other comprehensive income / (expense) for the year		**1,389**	**(1,102)**
Total comprehensive income for the year		**3,297**	**919**
Attributable to:			
Equity holders of the Bank		3,297	919
Total recognized income for the year		**3,297**	**919**

Athens, May 28, 2015

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	2014 €' 000	2013 €' 000
ASSETS			
Cash and balances with Central Bank	15	33,792	7,395
Due from banks	17	25,365	89,956
Loans and advances to customers	18	299,116	203,776
Investment securities – Available for sale	19	2,088	46,023
Derivative financial instruments	20	20	167
Intangible assets	21	54	44
Property and equipment	22	6,420	335
Deferred tax assets	23	-	566
Other assets	24	7,786	7,087
Total assets		**374,641**	**355,349**
LIABILITIES			
Due to banks	25	30,000	40,004
Due to customers	26	248,151	221,395
Derivative financial instruments	20	865	1
Retirement benefit obligations	28	1,253	922
Deferred tax Liabilities	23	163	-
Other liabilities	27	1,728	1,743
Total liabilities		**282,160**	**264,065**
SHAREHOLDERS' EQUITY			
Share capital	29	37,980	37,980
Share premium	30	50,207	50,207
Reserves	31	188	(1,296)
Retained earnings	32	4,106	4,393
Total shareholders' equity		**92,481**	**91,284**
Total liabilities and equity		**374,641**	**355,349**

Athens, May 28, 2015

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 01.01.2013	**37,980**	**50,182**	**(236)**	**3,314**	**91,240**
Movement in the AFS reserve – valuation	-	-	(1,171)	-	(1,171)
Actuarial Gain (Loss) of Retirement Benefit Obligations	-	-	69	-	69
Profit for the year	-	-	-	2,021	2,021
Statutory reserve	-	-	42	(42)	-
Interim Dividends paid	-	-	-	(900)	(900)
Effect of the increased corporate tax rate	-	25	-	-	25
Balance at 31.12.2013	**37,980**	**50,207**	**(1,296)**	**4,393**	**91,284**
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**

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

Cash Flow Statement

	Note	2014 €' 000	2013 €' 000
Cash flows from operating activities			
Profit before tax		**2,619**	**2,719**
Adjustments for:			
Depreciation and amortization charges	12	131	156
(Gain) / Loss from write off of property & equipment		192	-
Impairment loss on loans	13	366	541
Provisions for retirement benefit obligations	28	74	81
(Gain) / Loss from valuation or sale of financial assets at fair value through P&L	9	-	(156)
(Gain) / Loss from sale of securities-available for sale	8	(1,140)	(592)
(Gain) / Loss from exchange difference of securities-available for sale	19	(198)	66
Foreign exchange (profit) / loss on cash and cash equivalents		(8,940)	729
		(6,896)	**3,544**
Net (increase)/decrease in operating assets:			
Financial assets at fair value through P&L		-	556
Loans and advances to customers		(95,251)	39,097
Derivative financial assets		147	(147)
Other assets		(484)	33
Net increase/(decrease) in operating liabilities:			
Due to banks		(10,004)	11
Due to customers		26,756	22,799
Derivative financial liabilities		864	(245)
Other liabilities		(15)	(448)
Cash flow from operating activities before tax payment		(84,883)	65,200
Income tax paid		-	(260)
Net cash flow from operating activities		**(84,883)**	**64,940**
Cash flows from investing activities			
Acquisition of property and equipment	22	(6,380)	(32)
Acquisition of intangible assets	21	(37)	(16)
Acquisition of investment securities – available for sale	19	(50)	(76,559)
Proceeds from disposal of investment securities – available for sale	19	46,316	36,248
Net cash flow from investing activities		**39,849**	**(40,359)**
Cash flows from financing activities			
Dividends paid		(2,100)	(900)
Net cash flow from financing activities		**(2,100)**	**(900)**
Net increase / (decrease) in cash and cash equivalents		**(47,134)**	**23,681**
Cash and cash equivalents at beginning of period	16	**97,351**	**74,399**
Foreign exchange profit /(loss) on cash and cash equivalents		8,940	(729)
Cash and cash equivalents at end of period	16	**59,157**	**97,351**

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 28 May 2014.

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 2014, there were no unendorsed standards effective for the year ended 31 December 2014, 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 2014 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, 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 2014</u>

- IFRS 10, "Consolidated Financial Statements"
(Effective for annual periods beginning on or after 1 January 2014)
IFRS 10 establishes principles for the presentation and preparation of consolidated financial statements when an entity controls one or more entities. The adoption of this IFRS had no impact on the Bank's financial statements.

- IFRS 11, "Joint Arrangements"
(Effective for annual periods beginning on or after 1 January 2014) IFRS 11 establishes principles for financial reporting by parties to a joint arrangement. Joint arrangements are either classified as joint operations or joint ventures. Equity accounting is mandatory for participants in joint ventures. The adoption of this IFRS had no impact on the Bank's financial statements.

- IFRS 12, "Disclosure of Interests in Other Entities"
(Effective for annual periods beginning on or after 1 January 2014) IFRS 12 applies to entities that have an interest in a subsidiary, a joint arrangement, an associate or an unconsolidated structured entity. IFRS 12 requires entities to disclose information that enables users of financial statements to evaluate the nature and risks associated with the entity's interests in other entities and the effects of those interests in the entity's financial statements. The adoption of this IFRS had no impact on the Bank's financial statements.

- IAS 27 (Amendment), "Separate Financial Statements"
(Effective for annual periods beginning on or after 1 January 2014) Following the issue of IFRS 10 that replaced all the guidance on control and consolidation in IAS 27, IAS 27 was renamed "Separate Financial Statements" and contains accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates when an entity prepares separate financial statements. The adoption of this IFRS had no impact on the Bank's financial statements.

- IAS 28 (Amendment), "Investments in Associates and Joint Ventures"
(Effective for annual periods beginning on or after 1 January 2014) IAS 28 prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The adoption of this IFRS had no impact on the Bank's financial statements.

- IAS 32 (Amendment) "Financial Instruments: Presentation"
(Effective for annual periods beginning on or after 1 January 2014) The amendment provides clarifications on the application of the offsetting rules. The adoption of this amendment had no impact on the Bank's financial statements.

- **IAS 36 (Amendment), "Impairment of Assets"**
(Effective for annual periods beginning on or after 1 January 2014) The amendment requires the disclosure of the recoverable amount of an asset or cash generating unit (CGU) when an impairment loss has been recognized or reversed. The adoption of this amendment had no impact on the Bank's financial statements.

- **IAS 39 (Amendment), "Financial Instruments: Recognition and Measurement"**
(Effective for annual periods beginning on or after 1 January 2014) The amendment will allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulations. The adoption of this amendment had no impact on the Bank's financial statements.

- IFRS 10, IFRS 11 and IFRS 12 (Amendments), "Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance"
(Effective for annual periods beginning on or after 1 January 2014) The amendments in IFRS 10, 11 and 12 clarify the transition guidance in IFRS 10 and provide relief from the presentation or adjustment of comparative periods prior to the immediately preceding period. The adoption of these amendments had no impact on the Bank's financial statements.

- **IFRS 10, IFRS 12 and IAS 27 (Amendments), "Investment Entities"**
(Effective for annual periods beginning on or after 1 January 2014) The amendments define an investment entity and introduce an exception to consolidating particular subsidiaries for investment entities, as well as new disclosure requirements for investment entities in IFRS 12 and IAS 27. The adoption of these amendments had no impact on the Bank's financial statements.

- IFRIC 21 "Levies"
(Effective for annual periods beginning on or after 1 January 2014)The interpretation sets out the accounting for an obligation to pay a levy imposed by government that is not income tax. The adoption of this interprentation had no impact on the Bank's financial statements.

b) <u>New standards, amendments and interpretations to existing standards, effective after 2014.</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 2017) 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 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.

<u>Annual Improvements to IFRSs 2010-2012 Cycle</u>
- **IFRS 2 (Amendment), "Share-based Payment"**
(Effective for annual periods beginning on or after 1 July 2014) 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 July 2014) The objective of the first amendment is to clarify certain aspects of accounting for contingent consideration in a business combination. The second amendment also clarifies that joint arrangements are outside the scope of IFRS 3, not just joint ventures. These amendments are 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 July 2014) 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 (Amendments), “Fair Value Measurement**”
(Effective for annual periods beginning on or after 1 July 2014) The first 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. The second one clarifies that the portfolio exception (scope exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis) in IFRS 13 applies to all contracts within the scope of IAS 39, regardless of whether they meet the definitions of financial assets or financial liabilities. These amendments are not expected to have significant impact on the Bank’s financial statements.

- **IAS 24 (Amendment), “Related Party Disclosures**”
(Effective for annual periods beginning on or after 1 July 2014) 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.

Annual Improvements to IFRSs 2011-2013 Cycle

- IFRS 3 (Amendment), “Business Combinations”
(Effective for annual periods beginning on or after 1 July 2014) The amendment clarifies that joint arrangements as well as joint ventures are outside the scope of IFRS 3. 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 July 2014) 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 is not expected to have significant impact on the Bank’s financial statements.

- IAS 40 (Amendment), “Investment Property”
(Effective for annual periods beginning on or after 1 July 2014) 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 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 amendment 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.

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

AB Bank's funding needs are covered by the European Central Bank through regular funding transactions (repo) amounting, as at 31 December 2014, to €30 million of which, none through ELA. These repo transactions were collateralized by Greek government bonds issued for this purpose under Pillar III of L.3723/2008.

During the negotiations between the New Greek government and the European Commission, the ECB and IMF, the ECB lifted the waiver on the eligibility of Greek Government bonds as collateral for ECB funding. Consequently, an increased reliance is placed on the Bank of Greece via its Emergency Liquidity Assistance ("ELA") facility which is under strict control by the ECB.

The uncertainties regarding the negotiations led to a significant outflow of customers' deposits during the first four months of 2015. The Bank's access to liquidity through the interbank market also remains highly uncertain and, barring customers' deposits, the Eurosystem is the major source of liquidity for the Bank.

AB Bank's reliance on the Eurosystem's funding source has increased from €30 million in 31 December 2014 as cited above, to €50 million in 30 April 2015 of which, €30 million were transferred to ELA (following the lift of the waiver on the eligibility of the Greek Government bonds by ECB) and €20 million being the product of new funding, collateralized by Loans.

Furthermore, as of 30 April 2015, additional financial assets of a cash value of €66.3 million were available for further liquidity.

From the perspective of capital adequacy, the Bank's Common Equity Tier 1 (CET1) ratio stands at very high levels, exceeding 30% (see note 4.7).

<u>Going Concern Conclusion</u>

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 2014, its current limited usage of the ELA facility and, the remaining amount of assets available for collateralization to ELA (see above).

It also considers that an agreement between the Greek government and the Institutions will lead to the re-establishment of the waiver by ECB as to the eligibility of the Greek government and government-guaranteed bonds in the Eurosystem, and to the redirection of customers' deposits back to AB Bank which will easily enable the cover of the ELA funding of €50 million, as at 30 April 2015.

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 reorganisation;
(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 categories 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.

- Interest Rate Swaps. The Bank uses interest rate swaps (IRSs) to hedge interest risks relating to customer's loans. 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
- 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 2014. 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 6 grades correspond to obligors that have not defaulted on their contractual obligations, 1 grade corresponds to obligors who have recorded or are expected to record sporadic (non-continuing) payment defaults, or who have undergone a mild 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
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 loan, at least annually, 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 guarantees 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 2014 and 31 December 2013, 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.

	2014 €' 000	2013 €' 000
ASSETS		
Due from banks	25,365	89,956
Loans and advances to customers	299,116	203,776
Investment securities – available for sale	2,088	46,023
Derivative financial instruments	20	167
Other assets	7,786	7,087
Maximum exposure from assets	**334,375**	**347,009**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	4,530	834
Financial guarantees written	1,469	735
Maximum exposure from off balance sheet items	**5,999**	**1,569**

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

31.12.2014 (€' 000)	Real estate collateral	Financial collateral	Other collateral / Vessels	Total value of collateral	Guarantees
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**	**-**

31.12.2013 (€' 000)	Real estate collateral	Financial collateral	Other collateral / Vessels	Total value of collateral	Guarantees (Gov)
Loans and advances to shipping Corporations	8,100	7,255	189,019	**204,374**	7,678
Other loans and advances	-	-	-	**-**	-
Total	**8,100**	**7,255**	**189,019**	**204,374**	**7,678**

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

31.12.2014 (€' 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**

31.12.2013 (€' 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	180,230	26,755	**206,985**	(4,922)	**202,063**	204,374
Other loans and advances	1,713	-	**1,713**	-	**1,713**	-
Total	**181,943**	**26,755**	**208,698**	**(4,922)**	**203,776**	**204.374**

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

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**

31.12.2013 (€' 000)	Satisfactory risk	Watch list or substandard	Total neither past due nor impaired	Value of Collateral
Loans and advances to shipping corporations	173,378	6,852	180,230	183,820
Other loans and advances	1,713	-	1,713	-
Total	**175,091**	**6,852**	**181,943**	**183,820**

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

	31/12/2014 (€' 000)		**31/12/2013 (€' 000)**	
	Loans and advances to shipping corporations	Total Impaired Loans	Loans and advances to shipping corporations	Total Impaired Loans
Performing	16,320	16,320	16,120	16,120
1-30 days	-	-	-	-
31-60 days	177	177	-	-
61-90 days	-	-	-	-
91-180 days	44	44	188	188
Past due over 180 days	10,342	10,342	10,447	10,447
Total	**26,883**	**26,883**	**26,755**	**26,755**

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

	31.12.2014	(€' 000)	
(€' 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**

	31.12.2013	(€' 000)	
(€' 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	8,063	1,588	9,651
Other loans and advances	22	-	22
Total interest Income	**8,085**	**1,588**	**9,673**

4.2.6.5 Movement of impaired Loans and advances to customers

	2014 (€' 000)	2013 (€' 000)
	Loans and advances to shipping Corporations	**Loans and advances to shipping Corporations**
Gross opening balance 1.1	26,755	29,832
Repayments	(1,475)	(2,311)
Impaired Loans and advances written-off	(454)	-
Foreign exchange differences and other movements	2,056	(766)
Gross balance as at 31.12	**26,883**	**26,755**
Impairment allowance (Balance)	(4,833)	(4,922)
Net balance as at 31.12	**22,050**	**21,833**

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 2014 and 2013.

Bond portfolios as at	**31.12.2014**	**31.12.2013**
(€' 000)	Available For Sale	Available For Sale
AAA	-	24,187
A- till AA+	-	19,467
B- till BBB+	2,088	2,369
Total	**2,088**	**46,023**

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 31.12.2014

(€' 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

Contractual undiscounted cash outflow as at 31.12.2013

(€' 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	30,005	10,007	-	-	-	40,012
Due to customers	164,199	42,894	8,622	4,717	1,756	222,188
Derivatives financial instruments	1	-	-	-	-	1
Total on balance sheet	194,205	52,901	8,622	4,717	1,756	262,201
Off Balance sheet (Loan Commitments)	-	-	834	-	-	834
Total (On & Off Balance sheet)	194,205	52,901	9,456	4,717	1,756	263,035

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.

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 31.12.2014

(€' 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	190,885	35,438	9,222	12,476	-	129	**248,151**
Other remaining liabilities	-	-	-	-	-	4,009	**4,009**
TOTAL LIABILITIES	220,885	35,438	9,222	12,476	-	4,138	**282,160**
Total interest sensitivity gap	**15,738**	**91,853**	**(7,976)**	**(12,160)**	**-**	**5,027**	**92,481**

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 31.12.2013

(€' 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	6,607	-	-	-	-	788	**7,395**
Due from banks	89,956	-	-	-	-	-	**89,956**
Loans and advances to customers	133,062	74,264	209	3,608	-	(7,367)	**203,776**
Investment securities – available for sale	1,886	483	326	165	43,163	-	**46,023**
Other remaining assets	-	-	-	-	-	8,198	**8,198**
TOTAL ASSETS	231,511	74,746	535	3,773	43,163	1,621	**355,349**
LIABILITIES							
Due to banks	30,004	10,000	-	-	-	-	**40,004**
Due to customers	170,549	42,926	5,809	1,586	-	524	**221,395**
Other remaining liabilities	-	-	-	-	-	2,667	**2,667**
TOTAL LIABILITIES	200,553	52,926	5,809	1,586	-	3,190	**264,065**
Total interest sensitivity gap	**30,959**	**21,820**	**(5,274)**	**2,187**	**43,163**	**(1,570)**	**91,284**

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 2014 and 31 December 2013 respectively is as follows:

Foreign exchange position as at 31.12.2014

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	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**

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.

Foreign exchange position as at 31.12.2013

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Banks	213	7,120	62	7,395
Due from banks	62,707	21,379	5,870	89,956
Loans and advances to customers	187,180	16,596	-	203,776
Investment securities – available for sale	1,455	44,568	-	46,023
Other remaining assets	77	8,122	-	8,199
TOTAL ASSETS	**251,632**	**97,785**	**5,932**	**355,349**
LIABILITIES				
Due to banks	-	40,004	-	40,004
Due to customers	198,633	17,080	5,682	221,395
Other remaining liabilities	732	1,934	-	2,666
TOTAL LIABILITIES	**199,365**	**59,018**	**5,682**	**264,065**
Net balance sheet position	**52,267**	**38,767**	**250**	**91,284**
Off balance sheet net notional position	(52,164)	52,123	41	-
Total FX position	**103**	**90,890**	**291**	**91,284**

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 2014 and 2013:

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 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**

31 December 2013

(€' 000)	Level-1	Level-2	Level-3	TOTAL
ASSETS				
Investment securities – available for sale	45,954	69	-	**46,023**
Derivatives	-	167	-	**167**
TOTAL ASSETS	45,954	236	-	**46,190**
LIABILITIES				
Derivatives	-	1	-	**1**
TOTAL LIABILITIES	**-**	**1**	**-**	**1**

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 2013 and 2014. The 2013 figures were calculated under the prevailing at that time regulatory framework, taking into account all applicable regulation active at the time. The 2014 figures have been calculated using CRD IV rules.

	2014 €' 000	2013 €' 000
Tier I capital		
Share capital	37,980	37,980
Share premium	50,207	50,207
Retained earnings	4,106	4,393
Statutory reserve	537	442
Reserve from remeasurement of the defined benefit obligations	(222)	(32)
Available for sale reserve	(127)	(1,706)
	92,481	**91,284**
Regulatory adjustments on Tier I capital		
Less: intangible assets	(54)	(44)
Total regulatory adjustments on Tier I capital	**(54)**	**(44)**
Total Core Tier I capital	**92,427**	**91,240**
Risk weighted assets		
Risk weighted assets (credit risk)	281,090	279,196
Risk weighted assets (market risk)	-	750
Risk weighted assets (operational risk)	22,782	21,643
Total Risk Weighted Assets	**303,872**	**301,589**
Core Tier I ratio	**-**	**30.25%**
Common Equity Tier 1 Ratio (CET1)	**30.42%**	**-**
Tier 1 Ratio (T1)	**30.42%**	**30.25%**
CAD Ratio	**30.42%**	**30.25%**

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

	2014 €' 000	2013 €' 000
Interest and similar income		
Available for sale and Fair Value through P&L securities	411	726
Interest due from banks	89	101
Interest from loans and advances to customers	10,053	9,673
Other	98	155
Total Interest and similar income	**10,651**	**10,655**
Interest expense and similar charges		
Interest due to customers	(3,425)	(3,241)
Interest due to banks	(52)	(85)
Total Interest expense and similar charges	**(3,477)**	**(3,326)**
Net interest income	**7,174**	**7,329**

Note 6: Net fee and commission income

	2014 €' 000	2013 €' 000
Fee and commission income		
Loan origination fees and commissions	1,672	1,503
Funds transfers	994	712
Other	30	158
Total Fee and commission income	**2,696**	**2,373**
Fee and commission expense		
Banks	(117)	(85)
Central Bank	(360)	(323)
Other	(93)	(173)
Total Fee and commission expense	**(570)**	**(581)**
Net fee and commission income	**2,126**	**1,792**

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 2014 € 881 thousands (€ 612 thousands for 2013).

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

	2014 €' 000	2013 €' 000
Foreign exchange contracts and derivatives	943	657
Net trading income	**943**	**657**

Note 8: Net result from sale of investment securities

	2014 €' 000	2013 €' 000
Net gain from sale of available for sale financial assets	1,140	592
Net result from sale of investment securities	**1,140**	**592**

Note 9: Net result from financial instruments at fair value through profit or loss

	2014 €' 000	2013 €' 000
Gain / (Loss) from sale of financial assets at fair value through P & L	-	156
Net result from financial instruments at fair value through profit or loss	**-**	**156**

Note 10: Personnel expenses

	2014 €' 000	**2013 €' 000**
Wages and salaries	(3,874)	(3,470)
Social security contributions	(787)	(743)
Defined contribution plans	(118)	(111)
Defined benefit plans (see Note 28)	(74)	(81)
Other	(382)	(274)
Personnel expenses	**(5,235)**	**(4,679)**

The number of employees of the Bank at 31 December 2014 was 73 (62 as at 31 December 2013). The average number of employees for the period 1 January 2014 to 31 December 2014 was 71.

Note 11: General administrative expenses

	2014 €' 000	**2013 €' 000**
Rental expense for buildings	(409)	(351)
Rental expense for cars	(62)	(69)
Third party fees	(641)	(599)
IT expense	(367)	(347)
Telecommunication – mail expense	(111)	(101)
Promotion and advertising expense	(82)	(34)
Office material	(35)	(30)
Utilities	(110)	(75)
Taxes and duties	(271)	(273)
Maintenance and other related expenses	(94)	(50)
Subscription expenses	(42)	(34)
Fixed assets destroyed	(191)	-
Contributions	(265)	(182)
Officers and directors insurance	(113)	(130)
Other general administrative expenses	(250)	(222)
General and administrative expenses	**(3,043)**	**(2,497)**

Note 12: Depreciation and amortization

	2014 €' 000	**2013 €' 000**
Property and equipment	(104)	(84)
Intangible assets	(27)	(72)
Depreciation and amortization	**(131)**	**(156)**

Note 13: Impairment losses on loans and advances

Impairment losses on loans and advances movement:

	2014 €' 000	2013 €' 000
Balance as at 1 January	**(4,922)**	**(4,381)**
Impairment losses on loans and advances for the year	(780)	(1,332)
Amounts recovered	712	674
Effect of foreign currency movements	(298)	117
Impairment losses on loans and advances charged in Income Statement	**(366)**	**(541)**
Loans written off	455	-
Balance as at 31 December	**(4,833)**	**(4,922)**

Note 14: Income tax

	2014 €' 000	2013 €' 000
Income tax for the year	(470)	(112)
Deferred income tax	(241)	(586)
Income tax	**(711)**	**(698)**
The calculation of the income tax expense is as follows:		
Profit before tax	**2,620**	**2,719**
Tax calculation at 26%	(681)	(707)
Non tax deductible expenses	(11)	(107)
Impact of tax change rate on Deferred Tax	-	203
Other	(19)	(87)
Income tax	**(711)**	**(698)**

The Law 4172/2013 provides that for the periods commencing from 1 January 2014 thereon, the nominal corporation tax rate is 26%. Also, the same law provides that for profit distributions approved from 01/01/2014 onwards, the withholding tax is 10%.

Further information concerning the income tax contingent liabilities is presented in Note 33.

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 23.

Note 15: Cash and balances with Central Bank

	2014 €' 000	2013 €' 000
Cash on hand	806	788
Balance with Central Bank	32,986	6,607
Cash and balances with Central Bank	**33,792**	**7,395**

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 31.12.2014 and 0.25% at 31.12.2013). 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.

Note 16: Cash and cash equivalents

	2014 €' 000	2013 €' 000
Cash on hand	806	788
Non-restricted placements with Central Bank	32,986	6,607
Short-term balances due from banks	25,365	89,956
Cash and cash equivalents	**59,157**	**97,351**

Note 17: Due from banks

	2014 €' 000	2013 €' 000
Current accounts	25,365	11,928
Money Market Placements	-	78,028
Due from banks	**25,365**	**89,956**

Note 18: Loans and advances to customers

	2014 €' 000	2013 €' 000
Loans and advances to shipping corporations at amortized cost	297,332	202,063
Other loans and advances	1,784	1,713
Loans and advances to customers	**299,116**	**203,776**

Included within loans and advances to customers are loans amounting to € 85 Million (€88 in 2013) 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.

Loans and advances to customers are analyzed:

	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**

	2013 €'000		
	Gross amount	Impairment allowance	Net amount
Loans and advances to shipping corporations at amortized cost	206,985	(4,922)	202,063
Other loans and advances	1,713		1,713
Loans and advances to customers	**208,698**	**(4,922)**	**203,776**

Note 19: Investment securities – Available for sale

Analysis per Issuer

	2013 €' 000	2012 €' 000
Government	-	43,654
Banks – Financial institutions	2,013	2,300
Corporate	75	69
Investment securities – Available for sale	**2,088**	**46,023**

Movement for the year:

Balance as 1 January	**46,023**	**7,415**
Additions	50	76,559
Disposals (Sales and redemptions)	(46,316)	(36,248)
Profit / (Loss) from changes in fair value	2,133	(1,637)
Exchange differences	198	(66)
Balance as 31 December	**2,088**	**46,023**

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

Note 20: Derivative financial instruments

	31.12.2014(€' 000)			31.12.2013 (€' 000)		
	Nominal value	Fair value Assets	Fair value Liabilities	Nominal value	Fair value Assets	Fair value Liabilities
FX swaps / forwards	87,888	-	865	49,868	134	1
Warrant Linked to Greek GDP	2,835	20	-	2,835	33	-
Derivative financial instruments	**90,723**	**20**	**865**	**52,703**	**167**	**1**

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 21: Intangible assets

	2014 €' 000	2013 €' 000
Cost:		
Opening balance as at 1 January	1,784	1,768
Additions	37	16
Closing balance as at 31 December	**1,821**	**1,784**
Accumulated amortization:		
Opening balance as at 1 January	1,740	1,669
Amortization	27	71
Closing balance as at 31 December	**1,767**	**1,740**
Net book value:		
Opening net book value as at 1 January	**44**	**99**
Closing net book value as at 31 December	**54**	**44**

Intangible assets include only software.

Note 22: Property and equipment

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**

Property and equipment as at 31.12.2013

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Total
Cost:							
Opening balance as at 1.1.2013	-	-	456	15	503	746	1,721
Additions	-	-	-	-	13	19	31
Disposals and Write offs	-	-	-	-	-	-	-
Closing balance as at 31.12.2013	**-**	**-**	**456**	**15**	**516**	**765**	**1,752**
Accumulated depreciation:							
Opening balance as at 1.1.2013	-	-	162	11	458	702	1,333
Depreciation	-	-	37	2	24	21	84
Disposals and Write offs	-	-	-	-	-	-	-
Closing balance as at 31.12.2013	**-**	**-**	**199**	**13**	**482**	**723**	**1,417**
Net book value:							
Closing net book value as at 31.12.2013	**-**	**-**	**257**	**2**	**34**	**42**	**335**

No property and equipment has been pledged as collateral.

Note 23: Deferred tax assets / liabilities

Deferred tax assets	**2014** €' 000	**2013** €' 000
Loans and advances to customers	364	283
Defined benefits obligations	326	247
Derivatives and financial instruments	263	556
Greek Government Bonds (PSI)	1,562	1,620
Other temporary differences	100	91
Total Deferred tax assets	**2,615**	**2,797**
Deferred tax liabilities		
Loans and advances to customers	2,778	2,231
Total Deferred tax liabilities	**2,778**	**2,231**
Net Deferred tax (Liabilities) Assets	**(163)**	**566**

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 financial instruments	556	262	(555)	263
Greek Government Bonds (PSI)	1,620	(58)	-	1,562
Other temporary differences	91	10	-	100
Total	**566**	**(240)**	**(488)**	**(163)**

Movement of temporary differences during the year 2013:

Movement of 2013 (€' 000)	Balance as at 1/1/2013	Recognized through income statement 2013	Recognized through equity 2013	Balance as at 31/12/2013
Write-offs and amortization of intangible assets	1	(26)	25	(0)
Loans and advances to customers	(1,212)	(735)	-	(1,947)
Defined benefits obligations	206	54	(14)	246
Derivatives and financial instruments	265	(175)	466	556
Greek Government Bonds (PSI)	1,291	329	-	1,620
Other temporary differences	124	(33)	-	91
Total	**675**	**(586)**	**477**	**566**

Note 24: Other assets

	2014 €' 000	**2013** €' 000
Accrued income	35	73
Prepaid expenses	354	344
Hellenic Deposit and Investment Guarantee Fund	6,497	5,950
Tax prepayments and other recoverable taxes	758	579
Other receivables	142	141
Other assets	**7,786**	**7,087**

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 25: Due to banks

	2014 €' 000	**2013** €' 000
Amounts due to ECB	30,000	40,004
Due to banks	**30,000**	**40,004**

The amounts due to ECB is funding from ECB with collateral €40 Million Greek government bonds from the participation of the Bank in the Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008).

Note 26: Due to customers

	2014 €' 000	2013 €' 000
Sight deposits	109,808	72,719
Term deposits	138,214	148,152
Other	129	524
Due to customers	**248,151**	**221,395**

Due to customers include blocked deposits of:

	2014 €' 000	2013 €' 000
Blocked deposits for the issuance of Guarantee Letters	1,451	1,019
Blocked deposits for loans granted	48,624	7,289
Total	**50,075**	**8,308**

The only concentration relates to deposits of five (5) customers that represent approximately 40% of the amounts due to customers (€ 99 Million out of € 248 Million). In 2013 five (5) customers represented approximately 49% of the amounts due to customers (€ 108 Million out of € 221 Million).

Note 27: Other liabilities

	2014 €' 000	2013 €' 000
Taxes – duties (other than income tax)	270	159
Amounts due to social security funds	179	164
Accrued expenses and deferred income	398	357
Suppliers	356	111
Hellenic Deposit and Investment Guarantee Fund	383	103
Other payables	142	849
Other liabilities	**1,728**	**1,743**

Note 28: 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 2014 the present value of the liability amounted to €1.253 thousand (2013 € 922 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.

	2014 €' 000	2013 €' 000
Amounts recognized in the Statement of Financial Position (SOFP)		
Present value of obligations	1,253	922
Net Liability in SOFP	**1,253**	**922**
Amounts recognized in the Income Statement		
Service cost	49	54
Net interest on the net defined benefit liability	25	27
Regular P&L Charge	**74**	**81**
Recognition of past service cost		
Total P&L Charge	**74**	**81**
Reconciliation of benefit obligation		
DBO at start of period	922	1,024
Service cost	49	54
Interest cost	25	27
Benefits paid directly by the Company	-	(99)
Past service cost arising over last period	-	-
Actuarial (gain)/loss - financial assumptions	182	(77)
Actuarial (gain)/loss - demographic assumptions	-	(13)
Actuarial (gain)/loss - experience	75	6
DBO at end of period	**1,253**	**922**
Remeasurements		
Liability gain/(loss) due to changes in assumptions	(182)	90
Liability experience gain/(loss) arising during the year	(75)	(7)
Total actuarial gain/(loss) recognized in OCI	**(256)**	**83**
Other adjustments recognized in OCI		
Total amount recognized in OCI over the period	**(256)**	**83**
Movements in Net Liability in SOFP		
Net Liability in SOFP at the beginning of the period	922	1,024
Benefits paid directly	-	(99)
Total expense recognized in the income statement	75	81
Total amount recognized in the OCI	256	(83)
Net Liability in SOFP	**1,253**	**922**
Cash flows		
Expected benefits paid by the plan for next financial year	592	529

Assumptions		
Discount rate	2.12%	3.87%
Price inflation	1.75%	1.75%
Rate of compensation increase	2.75%	2.75%
Plan duration	9.73	8.60

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

	2014 €' 000	2013 €' 000	2012 €' 000	2011 €' 000	2010 €' 000
Present value of obligations	1,253	922	1,024	578	490
Total obligation	**1,253**	**922**	**1,024**	**578**	**490**

Sensitivity analysis

• If the discount rate used were 0.5% higher (i.e. 2.67% p.a. rather than 2.12% p.a.), then the DBO would be lower by about 4.64%.

• If the discount rate used were 0.5% lower (i.e. 1.62% p.a. rather than 2,12% p.a.) then the DBO would be higher by about 5.18%.

Note 29: Share capital

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

	31.12.2014			31.12.2013		
	Number of Shares	**Nominal Value**	**Share Capital**	**Number of Shares**	**Nominal Value**	**Share Capital**
Opening balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000
Issue of new shares	-	-	-	-	-	-
Closing balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000

Note 30: Share premium

	2014	**2013**
	€' 000	€' 000
Share premium	50,513	50,513
Less: Share capital issue related expenses (net of tax)	(306)	(306)
Share premium	**50,207**	**50,207**

Note 31: Reserves

	2014	**2013**
	€' 000	€' 000
Statutory reserve	537	442
Valuation of available for sale portfolio	(172)	(2,305)
Deferred tax on valuation of AFS portfolio	45	599
Actuarial Gain (Loss) of Retirement Benefit Obligations	(299)	(43)
Deferred tax on Remeasurement of the defined benefit obligations	77	11
Reserves	**188**	**(1,296)**

Movement of Reserves

Opening Balance	**(1,296)**	**(236)**
Statutory reserve	95	42
Net gain/(losses) transferred to income statement upon disposal	2,078	105
Net gain/(losses) from changes in fair value of AFS investments	55	(1,742)
Deferred tax on valuation of AFS portfolio	(555)	466
Net change in Fair value	**1,578**	**(1,171)**
Actuarial Gain (Loss) of Retirement Benefit Obligations	(256)	83
Deferred tax on Remeasurement of the defined benefit obligations	67	(14)
Net change from the remeasurement of the defined benefit obligations	**(189)**	**69**
Closing Balance	**188**	**(1,296)**

Note 32: Retained earnings

	2014	**2013**
	€' 000	€' 000
Opening balance	**4,393**	**3,314**
Dividends distributed	(2,100)	(900)
Statutory reserve for the year	(95)	(42)
Profit / (Loss) for the year	1,908	2,021
Closing balance	**4,106**	**4,393**

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.

Note 33: 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 and 2013, the Bank has been audited by its certified auditors, Deloitte Hadjipavlou Sofianos & Cambanis S.A., in accordance with article 82 of Law 2238/1994. The tax audit certificates for the years 2011, 2012 and 2013 were issued at 11 July 2012, 26 September 2013 and 10 July 2014 respectively. For the financial year 2014, is currently being audited by the same audit firm.

As for the financial year 2014, the Bank is being audited by its certified auditors under Article 65(A) of Law 4174/2013. 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 article 6 of Ministerial Decision 1159/22.7.2011, the years 2011 and 2012 considered final for tax audit purposes and the financial year 2013 will be considered final for tax audit purposes 18 months after the issue of the tax audit certificate (10 July 2014) during which period, the tax authorities are entitled to re examine the tax books of the Bank.

Capital commitments

	2014	2013
	€' 000	€' 000
Unused credit facilities	4,530	834
Financial guarantees written	1,469	735
Total	**5,999**	**1,569**

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 € 409 thousand for 2014 (€ 351 thousand for 2013).
The minimum lease payments until the end of the lease period are as follows:

	2014	2013
	€' 000	€' 000
No later than 1 year	147	418
Later than 1 year and no later than 5 years	420	1,631
Later than 5 years	487	922
Total	**1,054**	**2,971**

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:

	2014	2013
	€' 000	€' 000
Participation of other banks in drawdowned syndicated loans	986,275	934,580
AB Bank's participation in drawdown syndicated loans	47,447	45,658
Total amount of drawdowned syndicated loans	**1,033,722**	**980,238**
Other banks participation in unused credit facilities of syndicated loans	3,706	8,138
AB Bank's participation in unused credit facilities of syndicated loans	412	834
Total amount of unused credit facilities of syndicated loans	**4,118**	**8,972**
Total amount of syndicated loans administrated with the participation of AB Bank	**1,037,840**	**989,210**

Note 34: Events after the reporting period

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.

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

Note 35: 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.

Outstanding balances and results of related transactions are as follows:

	2014 €' 000	2013 €' 000
Assets		
Loans and advances to customers	1,470	1,288
Total assets	**1,470**	**1,288**
Liabilities		
Due to customers	96	71
Total liabilities	**96**	**71**
Income		
Interest and similar income	42	46
Total income	**42**	**46**
Expenses		
Interest expense and similar charges	-	2
Fees and commission expense	5	10
Total expenses	**5**	**12**

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:

	2014 €' 000	2013 €' 000
Remuneration	1,234	1,234
Short Term employee and post-employment benefits	96	90
Total	**1,330**	**1,324**

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

Note 36: Independent auditor's fees

Deloitte Hadjipavlou Sofianos & Cambanis S.A. is our independent public accountant for the year ended 31 December 2014. The following table presents the fees for professional audit and other services rendered:

	2014 €' 000	2013 €' 000
Audit fees	76	76
Audit-related fees	27	27
Total	**103**	**103**