AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2016

June 2017

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Board of Directors' Annual Management Report
for the Financial Year 2016

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 2016, 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 business enterprises of the shipping sector. ABBank operates through its head office at Maroussi, Athens, Greece and two branches located in Piraeus and Glyfada. The Bank does not maintain other offices, branches or subsidiary companies in Greece or abroad.

Overview

In 2016 the rate of world economic growth marginally softened to 3.1% (2015: 3.2%), whereas the rate of world trade growth contracted further, to 1.9% (2015: 2.8%, 2014: 3.8%), reflecting the continuing slow-down observed since 2011 in international consumer demand and new investment. The downward trajectory of 2015 experienced by the shipping freight markets carried on also in the First Half of 2016. However, during the larger part of the Second Half, freight levels moved upwards in the bulk carrier and tanker sectors. The foreign exchange and the stock markets demonstrated fierce volatility, albeit closing the year with positive annual changes.

The main macroeconomic and fiscal indicators of the Greek economy improved tangibly in 2016, over-performing the targets set for the year by the Greek Government and the country's creditors. The GDP presented zero growth, instead of a -0.3% recession projected. The Primary Budget Surplus exceeded 4.0% of GDP, against a target of 0.5%. Unemployment fell at 23.1%, having decreased by approximately 1.2% for a second consecutive year. Yet, liquidity remained particularly constrained in the real economy and, despite the relaxation of certain rules, the regime of capital controls imposed in June 2015 remained in force. In the Greek banking sector the deleveraging process persisted, the loans to the private sector subsiding by -1.4% (2015: -2.0%). The private sector's bank deposits marked a 5.1% annual increase which, however, was absorbed by the banking system's effort to reduce the funding raised through the emergency liquidity assistance mechanism (ELA) of the Eurosystem.

During 2016 ABBank continued its deleveraging policy in an effort to outbalance the pressures exercised on its liquidity in 2015. The loans portfolio contracted by 17%, following a 20% contraction in 2015. In contrast, customer deposit balances demonstrated an upward volatility in the latter five months of the year, to stand on 31.12.2016 at 20% higher levels than those of 31.12.2015. The liquidity recovered from the combined effect of deleveraging and higher deposit balances allowed the Bank to repay in full the ELA at the end of the year, as well as in large part of the 4th Quarter. Despite the still prevailing rough conditions in the shipping markets, the Bank's ratio of Non-Performing Exposures (NPEs) over Total Loans increased to 14.2% from 11.7% in 2015 – an increase, though, largely reflecting the contraction of the loans portfolio given that, in absolute figures, NPEs increased by merely €0.35 million. Deleveraging also had a negative impact to the Bank's income, with the Net Income before Provisions and Tax dropping to €0.4 million (2015: €3.4 million) whereas, following an annual loans loss provision charge of €1.6 million, the net result of 2016 amounted to a €0.9 million Loss (2015: €1.7 million Net Profit). Nevertheless, the Bank's capital adequacy was strengthened further, with the CET-1 ratio standing at 37.35% as of 31.12.2016 (31.12.2015: 33.46%).

Economic and Financial Environment

Global developments

In 2016 World GDP grew by 3.1%, with the growth rate of the global economic activity stabilizing at similar levels with 2015 (3.2%). The growth acceleration demonstrated by some advanced economies (e.g. Germany 1.9% from 1.5% in 2015) was offset by a slowdown in others (e.g. US 1.6% from 2.6%), while the lower-than-expected decline in China's growth rate (6.7% versus estimates of 6.4%, from 6.9% in 2015) has had a positive effect on the overall result.

In the Eurozone, economic recovery continued in 2016, albeit at a slower pace, as GDP grew by 1.7% in 2016 from 2.0% in 2015. Improved employment has supported domestic demand while ECB's expansionary monetary policy has assisted the increase of bank lending to businesses and households. In 2016, ECB reduced its intervention rates to zero, further reduced the deposit rates to Central Banks to -0.40% and proceeded to new targeted LTROs. In the US, GDP grew by 1.6% from 2.6% in the previous year, with the growth effort being negatively affected in the first half of the year by the slowdown in both the commercial stock build-up and new investment. The US Federal Reserve (FED) continued to pursue an accommodative monetary policy with gradual increases in its reference rate at the level of 0.50%-0.75% at the end of the year and the reinvestment (albeit reducing) of the revenue from government and mortgage bonds into new issues. The performance of the Japanese economy demonstrated greater stability, with the GDP growing by 1.0% (2015: 1.2%) as a result of increased investment, consumption and exports and continuing supportive policies both by the Government, in fiscal matters, and the central bank, in monetary ones. Since the beginning of 2016, the Central Bank of Japan has reduced its deposit rates to zero, has implemented an asset and government bonds purchase program and has aimed at yields of 10-year government bonds close to zero as well, in order to boost economic growth. The gradual shift of China's economy from industrial production towards consumption and services has had a lower than expected negative effect on the country's GDP, which grew by 6.7% from 6.9% in 2015, reflecting the decline in external demand and private investment, but also the Chinese government's determination to maintain the growth rate of the economy above 6.5%.

The growth of global trade of goods and services slowed down in 2016, for a second consecutive year, recording an increase of 1.9%, compared to 2.7% in the previous year and 3.8% in 2014. In addition, in the past few years, the divergence between growth of trade of goods and that of services has widened, with the former slowing down (1.1% in 2016) and the latter recovering. This development has been decisively affected by the sustainability of most commodity prices at last year's levels (including oil price until November 2016), as well as the recessionary, even though reducing, pressures that continue to prevail in the global economy, despite the wide-ranging interventions of the Central Banks through expansive monetary policies aimed at stimulating recovery, improving the financial conditions of the private sector and increasing investment.

For 2017, expectations for the growth of the global economy and global trade are generally positive, while concerns focus more on the impact of the ongoing geopolitical tensions in the Middle East and the Korean peninsula, as well as of the elections in several major European countries. Global GDP is expected to grow by 3.5%, with the US and Japan improving their rates to 2.3% and 1.2%, respectively, and the Eurozone and China stabilizing at the 2016 levels (1.7% and 6.7%, respectively). Global trade growth in goods and services is projected to accelerate significantly, at 3.8% (IMF forecast, January 2017). The accommodative monetary policies of the Central Banks are expected to continue in 2017, with the Fed maintaining its policy of gradually raising the benchmark interest rate to 1.25%-1.50%, depending on the degree of improvement of the US economic fundamentals, as well as its policy of re-investing its income from bonds in new issues. In December 2016, the ECB announced the prolongation of its asset repurchase program ("QE") until, at least, December 2017, scaling down however, as of April 2017, the amount of its monthly purchases to €60 billion from €80 billion.

The Greek Economy and the Greek Financial Environment

Over the past two years, the Greek economy has demonstrated greater resilience than expected against significant negative developments such as the lack of liquidity, the imposition of controls on capital movements as of June 2015, as well as the uncertainty brought about by the prolonged negotiations of the Greek Government with the country's creditors, regarding the progress in the implementation of the Third Program and the disbursement of the financing installments included therein. In 2016, the growth rate of the economy was zero – yet a higher performance than that of 2015 (-0.2%), as well as the one projected by Greece's creditors and the Greek Government's budget for 2016 (-0.3%). The stagnation of GDP in 2016 was the result of counterbalancing trends. On the one hand, there was an improvement in private consumption and a decline in deflation, a fall in unemployment and an increase, for the second consecutive year, in industrial production and exports of goods. On the other hand, investment activity was sluggish, public consumption declined and the services surplus shrank.

On the fiscal front, the country's performance was remarkable, with the Government Primary Surplus exceeding 4.0% of GDP (2015: 0.25%) against a 0.5% target. Such outperformance against the target was due to the better-than-expected revenue growth, even though a significant portion of the government's overdue obligations was settled during 2016, having dropped to €4.4 billion on 31.12.2016 from €7.4 billion a year earlier. The increase in public revenues is attributable to the rise in taxation rates on consumption as well as the broadening of the tax base through the enhancement of electronic transactions following the imposition of capital controls. The containment, once again, of the Public Investment Program also contributed to the overall primary result.

In the Greek financial system stabilization trends prevailed in 2016. Almost all banks arrived at, even marginal, profitability (before tax) and the capital base of the banking system hovered at strong levels (CET1 18% on a consolidated basis, September 2016, Bank of Greece). The NPE coverage ratio by accumulated provisions stood at approximately 50%, while ELA funding was reduced by €21.2 billion or 31% YoY. Nevertheless, the deleveraging process was sustained, albeit more mildly, with the private sector lending marking a further decline of -1,4% (2015: -2,0%). Strong pressures on liquidity persisted, despite the annual increase in private sector deposits (+ 5.1%). The accumulated NPE balances remain at the very high level of around 45% of total loans, although their growth rate declined in the second half of the year.

The tangible reduction of the NPEs in combination with a steady improvement in the level of deposits and overall liquidity constitute objectives of prime importance for both the stabilization of the banking system's viability prospects as well as the stimulation of the financing of the real economy. Towards achieving these goals, the delays caused by the ongoing reorganization and business rationalization of the activities of the systemically important banks must be overcome, together with the instability in building confidence regarding the prospects of the Greek economy, caused by the prolonged negotiation of the Greek Government with the country's creditors to complete the 2nd Assessment. Already, the non-completion of the 2nd Assessment in December 2016 and the looming since January 2017 further extension of the negotiations has refueled economic uncertainty, leading to a new €2.0 billion reduction of deposits and an Increase in NPLs during the first quarter of 2017.

The completion of the 2nd Assessment in conjunction with the agreement regarding medium-term measures to alleviate the Greek Public Debt burden are considered to be of the utmost importance for a more permanent improvement of the investment environment, the strengthening of growth and the stabilization of the prospects of the Greek economy. According to the European Commission's estimates, if the 2nd Assessment is completed within the second half of 2017, GDP growth may exceed 2.0% in 2017 and 2.5% in 2018, while the disbursement of the final installment of €6.1 billion of the Program is expected to boost liquidity immediately. In the medium term, a further improvement of liquidity can also be expected, given that the consummation of the Assessment and the debt relief measures lead to a positive debt sustainability assessment, which is a prerequisite for the ECB's approval of the Greek banks' participation in the quantitative easing (QE) measures.

Developments in Shipping and Shipping Finance

Shipping Markets

In 2016, the developments in the shipping markets have largely followed the aforementioned trends in global economy and international trade. Seaborne transportation volumes increased by 2.7% (2015: 1.9%). This encouraging performance on the demand side is mainly driven by the trade activity during the second half of the year, incorporating also significant variations between different shipping sectors. In particular, transportation volumes increased by 4.5% in the tanker sector (2015: 4.4%), 1.4% in dry bulk carriers (2015: 0.0%) and 3.6% in the containership sector (2015: 2.5%). On the supply side, the tanker fleet grew by 5.9% in 2016 (2015: 3.0%), i.e. to a much larger extent than demand. The dry bulk carrier fleet grew by 2.2% (2015: 2.4%), while the containership fleet by only 1.3% (2015: 8.1%). In the first seven months of the year freight rates fell sharply across all shipping sectors. In the last five months, however, the tanker and dry bulk freight markets followed an upward trend, while the containership rates continued to subside. Consequently, although in all sectors the average annual freights were lower than the previous year, at the end of 2016 tanker and containership freight rates hovered at 35% and 12%, respectively, lower levels than those of December 2015, whereas dry bulk rates stood at 75% higher levels. Analogous trends, yet with a smaller range of fluctuations, also prevailed in the market values for second-hand ships. At the same time, shipbuilding activity declined significantly, with the number of new orders marking an annual reduction of 70%, dragging along also newbuilding prices, which dropped by 10%.

The recovery in the level of freight rates and asset prices in the dry bulk sector from the summer of 2016 onwards, continued in the first quarter of 2017, constituting a very positive development. Although the level of freight rates should rise further to restore profitability in the sector and the upward trend should have more permanent characteristics, it is a fact that a sharp downward course of about two years, which caused considerable financial losses to the sector's participants, was reversed. The anticipated acceleration of the international economic growth and the projected growth rate of global trade for 2017, together with the forecasts of shipping analysts for the prospective freight rates, create optimism for the gradual improvement of the sector's financial performance in 2017 and 2018 and the stabilization of freight rates at profitable levels from 2018 onwards.

In contrast, 2017 is expected to be a year with significant challenges for the containership sector. Its prolonged recession, combined with the structural reforms caused in 2016 both by the financial difficulties of leading companies in the sector (Hanjin, Hyundai) as well as the new developments in the transportation of containers (China's economic turnaround, widening of the Panama canal, large annual fleet growth until 2016) will take time to be absorbed, shifting the prospects for a more substantial market recovery from 2018 onwards.

Finally, the two main tanker sectors (crude oil and oil products) are considered to have entered, as of the end of 2015, in a, possibly long, period of decline in freight rates. The fall in the sectors' average annual earnings during 2016 reduced the high returns of 2015, but both sectors remained profitable. Market analysts estimate that in 2017 the decline will continue and the financial performance of both tanker sectors may not escape the loss-making zone. From 2018 onwards, a recovery is expected in the product tanker sector, the projections being less optimistic though for the crude tankers.

Shipping Finance

The effects of the 2008 global financial crisis on the banking system have gradually brought about structural changes in shipping finance. Comprising loans of relatively large amounts, to a highly cyclical economic activity, shipping credit is among the financing sectors with the highest bank capital requirements. Hence, several banks with long-term activity in the sector have adopted policies of contracting their shipping portfolios, while others, which have suffered losses from the crisis and have been forced to restructure and shrink their activity range, have chosen to exit the shipping industry. Moreover, the recession in most shipping markets during the recent years has further exacerbated the downward trend in shipping loan portfolios and has discouraged new ship-financing transactions even from banks which maintain a significant presence in the market.

As a result of these trends, there is a widening imbalance between supply and demand for shipping finance and more stringent lending criteria prevail. The advance ratios are now more conservative, the required collateral and securities have been enhanced and the expected returns have risen, while a two-tier borrower market has been formed. The first tier includes a relatively small number of robust business groups that comfortably meet the criteria and constitute target clientele for all financiers, while the second tier includes a much larger number of medium and smaller sized groups that hardly meet the criteria and their access to new funding has gradually become difficult.

The obvious gap in "traditional" bank financing has attracted the interest of non-banking financial institutions as well as banks, mainly from the Far East, with a strategic orientation in the transportation or the shipbuilding sector. Moreover, the policy of quicker deleveraging followed by several banks, through the sale of loan portfolios at discount, has further increased the expected returns from assuming ship-financing risks, thus paving the way for a small number of financial institutions with know-how and strong capital base to participate at privileged terms in the reshaping of the shipping finance market.

According to Petrofin's latest annual report (15th Annual Research of Loans to Greek Shipping, May 5, 2016), as of 31.12.2015 the total Greek ship-finance portfolio declined to $ 63 billion, from $ 64 billion in 2014, 80% thereof being covered by European credit institutions and less than 15% being financed by Greek banks, as the reconstruction that has taken place in the Greek banking system has significantly reduced its market share (e.g. 2010: 24%). Market analysts estimate that by the end of 2016, total lending to Greek shipping had fallen to the level of € 60 billion and the share of Greek and European banks to below 14% and 80%, respectively, with the lost territory being mainly covered by non-banking institutions that are either buyers of bank portfolios or new financiers who see the aforementioned financing gap towards the second tier customers as an opportunity to enter a market with interesting returns.

ABBank Financial Results

In 2016 the Greek macroeconomic environment continued to be difficult. Despite the signs of stabilization of the economy and the local banking system, successive delays in the negotiations with the country's creditors and volatile liquidity conditions have inhibited economic growth and the reduction of uncertainty in business activity. In such a demanding environment, ABBank managed to improve its liquidity and to further strengthen its CET1 capital adequacy ratio to 37.35% - the highest among Greek banks.

The Senior Management of the ABBank believes that the Bank's specialization in corporate banking for the shipping industry, oceangoing shipping in particular, minimizes the impact of the Greek economic recession and the fiscal crisis in the quality of its financial exposures. Nevertheless, the liquidity crisis, the sustenance of capital controls and the climate of business uncertainty, pose significant challenges to the growth potential of the Bank.

Significant Events for the FY2016

Since the 1st of January 2016, the Directive 2014/59/EE, regarding the recovery and resolution of Banks (the Banking Recovery and Resolution Directive, "BRRD") has been implemented and incorporated into Greek legislation through Law 4335/2015. The above Directive sets out the procedures for the reorganization of a bank, including, inter alia, the restructuring of its liabilities (bail-in).

On the 4th of March 2016, the Bank returned to the Organization for the Management of Public Debt of the Hellenic Ministry of Finance (ΟΔΔΗΧ) all the zero-coupon Greek Government Bonds it had received pursuant to Pillar III of Law 3723/2008 (the "Special Securities"), of a total nominal value of € 40 million. These Special Securities had been provided to the Bank against the assignment by the Bank of shipping loans in favor of the OMPD, under the terms of a lending agreement between ABBank and the OMPD, expiring on 29 April 2016. The above loans were released by the OMPD and, as of April 2016, have enhanced the Bank's assets encumbered in favor of the ELA for the assumption of emergency liquidity assistance.

Statement of Financial Position and Profitability

For foreign exchange risk hedging purposes, between June 2015 and April 2016 the Bank made use of the Eurosystem's foreign currency (US Dollars) lending facility, depositing at the same time to the Central Bank the equivalent amount in Euro as security, plus a collateral margin, in accordance with the ECB Board decision of December 6th, 2011. As of 31.12.2015, the Bank's borrowing from the above facility of the Eurosystem amounted to $125 million and the corresponding deposit amounted to €114.8 million. As of April 2016, the above transaction has been fully replaced by foreign exchange swap transactions (FX SWAP) with other banks.

In order to facilitate the comparison of the balances in the Statement of Financial Position of 31.12.2016 with those of 31.12.2015, and taking also into account the short period, the purpose and nature of the above transaction of ABBank with the Eurosystem, in the column "Balances 31.12.2015 after offsetting" of table below, the Bank's US Dollar liability towards the Eurosystem (included in "Due to Banks ") has been offset against the equivalent asset amount of Euros deposited as collateral with the Central Bank (included in "Cash and Balances with Central Bank ").

STATEMENT OF FINANCIAL POSITION (€' 000)	**Balances 31.12.2015 Before Offsetting**	**Balances 31.12.2015 After Offsetting**	**Balances 31.12.2016**	**Difference**	**%**
ASSETS					
Cash and Balances with the Central Bank	130,639	15,823	6,205	(9,618)	-60.8%
Due from Bank	11,581	11,581	10,068	(1,513)	-13.1%
Loans and Advances to Customers	234,127	234,127	193,575	(40,552)	-17.3%
Bonds and Securities – Available for Sale	402	402	358	(44)	-10.9%
Other Remaining Assets	14,758	14,758	15,790	1,032	+7.0%
TOTAL ASSETS	**391,507**	**276,691**	**225,996**	**(50,695)**	**-18.3%**
LIABILITIES					
Due to Banks	192,819	78,003	8,001	(70,002)	-89.7%
Due to Customers	101,510	101,510	122,024	20,514	+20.2%
Other Remaining Liabilities	3,811	3,811	3,599	(212)	-5.6%
TOTAL LIABILITIES	**298,140**	**183,324**	**133,624**	**(49,700)**	**-27.1%**
TOTAL SHAREHOLDERS' EQUITY	**93,367**	**93,367**	**92,372**	**(995)**	**-1.1%**
TOTAL LIABILTIIES AND SHAREHOLDERS' EQUITY	**391,507**	**276,691**	**225,996**	**(50,695)**	**-18.3%**

Hereafter, the Balance Sheet figures of 31.12.2016 are analyzed as compared to those of 31.12.2015 after offsetting, of the above table.

In 2016, ABBank followed a deleveraging policy in its attempt to balance out the pressures exercised in 2015 on its liquidity and to minimize the funding obtained from the Emergency Liquidity Assistance mechanism (ELA) of the Eurosystem. On 31.12.2016 the Bank's Total Assets had declined by €50.7 million, or 18.3% year-on-year, balancing €226.0 million in comparison to €276.7 million on 31.12.2015.

Deleveraging is mainly reflected in the portfolio of Loans and Advances to Customers, which decreased to € 193.6 million at 31.12.2016 (2015: €234.1 million) i.e. is by €40.6 million or 17.3% YoY. The contraction of the loan portfolio was the result of loan repayments and prepayments, while the granting of new credits during 2016 was very limited. At the same time, in the last five months of the year there was a significant improvement in customers' deposit balances. On 31.12.2016, customers' deposits amounted to €122.0 million (2015: €101.5 million), marking an annual increase of 20.2%, which brought the Loans (Gross Pre-Provision Balance) to Deposits Ratio to 165%, from 237% in 2015. Access to the local interbank market also improved from June 2016 onwards. On 31.12.2016 the Bank's takings from the interbank market takings amounted to € 8.0 million, from zero a year earlier.

The liquidity recovered from the reduction of the loan portfolio as well as from the increase of deposits and of interbank takings, in combination with the reduction of the cash balances maintained with the Central Bank and other banks (-€11.1 million on 31.12.2016 against the balances of 31.12.2015) allowed the Bank to zero on 31.12.2016 the emergency funding obtained from the Eurosystem (2015: €78 million). As early as the end of September, and for a large part of the fourth quarter of 2016, the Bank was not in need to obtain any liquidity from the ELA, whereas in periods of downward volatility of customers' deposits, in the fourth quarter of 2016 as well as the first quarter of 2017, the amounts drawn from the ELA were relatively limited (€10.0- € 20.0 million). As of 30.4.2017, the Bank's borrowing from the ELA stood at € 10.0 million.

With regards to the qualitative aspect of the Bank's Assets, as at 31.12.2016 the Non-performing Loans (NPLs)[1] amounted to €22.2 million (2015: € 17.2 million), representing 11.0% of the Bank's total loans portfolio (2015: 7.2%), whereas Non-Performing Exposures (NPEs)[2] amounted to €28.5 million, or 14.2% of total loans (2015: €28.1 million and 11.7%, respectively). The increased amount of NPLs is due to the transition during 2016 in this category of amounts classified as NPE's as at 31.12.2015, while the percentage increase in NPEs is mainly due to the decrease in the total amount of loans as, in absolute terms, NPEs recorded a marginal increase (+ € 0.35 million). However, ABBank's NPEs and NPLs remain the lowest among the shipping portfolios of the Greek banking system.

The Income Statement for the year 2016 recorded a marginal Net Loss of €0.9 million, compared to the €1.72 million a Net Profit of 2015, being the first loss-making year of the Bank since 2006 (with the exception of 2011 due to the impact of the PSI on the Bank's net result).

In 2016, Total Income amounted to €9.1 million, showing a significant decrease (-20%) compared to 2015 (€ 11.4 million). The above decrease is primarily attributed to the negative financial result of derivative transactions (FX swaps) effected by the Bank in order to hedge its foreign exchange position in US Dollars and, secondarily, to reduced interest income.

Net Interest Income amounted to €8.8 million, compared to €9.1 million in 2015 (-€0.3 million or -3.4% YoY). In 2016 interest and similar income declined by 10.2% (€1.23 million) YoY, as the deleveraging policy followed by the Bank led to 22% lower average annual loan balances. The Interest Expense and Similar Charges also decreased by 32% YoY (-€0.91 million). The interest expense paid to the Eurosystem fell by €0.65 million due to the shorter (in terms of both time and quantity) usage of the ELA and the limited usage (until April 2016) of the Eurosystem's US Dollar lending facility. In addition, the interest cost for customers' deposits declined by €0.32 million as a result of a 29% lower average annual deposits balance (-€42.6 million).

The net result from derivatives and the securities of the investment portfolio amounted to a €1.45 million loss in 2016, against a €0.44 million profit in 2015. The loss of 2016 by-and-large was the result of the higher cost involved in the FX Swaps entered into by the Bank for hedging purposes. In 2016 the aggregate cost of FX Swaps stood at €1.72 million, compared to €0.49 million in 2015, when, for the same purpose, it was extensively used the US Dollar lending facility of the Eurosystem which incurred an interest cost (included in last year's Interest Expense and Similar Charges).

The interaction of the above factors, in conjunction with the €68.5 million YoY reduction of the average annual balance of Total Assets, increased the Bank's Net Interest Margin to 3.65%, from 2.94% in 2015. For reasons of comparability between the two years, it is worth noting that if the above derivative cost was included in the gross interest income, the Bank's Net Interest Margin would read 2.94% for 2016 and 2.79% for last year.

Net Fee and Commission Income declined by 6.6% YoY, to €1.75 million, compared to €1.87 million in 2015. Commissions related to loans decreased by €0.21 million YoY (-18.7%) due to the credit contraction of the Bank's loans portfolio. The fall of the commissions for money transfers was also significant (-12.5% YoY), reflecting the impact of the capital controls throughout the year 2016 on international fund transfers and payments. Also, in 2016 no commissions were received for the provision of advisory services (2015: €0.10 million). However, Fee and Commission Expenses were also reduced (by € 0.29 million or -57.3% YoY), as a result of the aforementioned return in March 2016 to the OMPD of the Special Securities the Bank possessed, of €40.0 million nominal value, pursuant to its participation in Pillar III of Law 3723/2008.

In 2016, Total Operating Expenses (prior to the annual provision for loans impairment loss) amounted to €8.68 million (2015: €8.02 million), marking an increase of €0.66 million or 8.3% YoY.

Personnel Expenses increased marginally (+3.2% YoY), mainly due to new recruitments made in 2016 as well as the relatively higher staff training costs and the cost of non-utilized annual leave by certain members of staff. At the end of 2016, the total number of Bank employees had increased to 76, from 71 on 31.12.2015.

The General Administrative Expenses were also 15.9% higher (€0.38 million) in 2016. More than 73% of this increase is due to extraordinary costs, such as VAT (receiver transactions), which surcharged the cost of renewal of the Bank's core software licenses, as well as due to higher contributions ought to be made to the recovery arm of the Greek Deposits and Investments Guarantee Fund (TEKE). Depreciation charges also increased by 33% (€ 0.11 million), incorporating the cost of renewing the licenses of the Bank's software.

[1] NPLs are the Loans and Advances to Customers being past due for longer than 90 days.

[2] NPEs is the sum of (i) NPLs, (ii) Loans and Advances to Customers which are performing but a provision for their potential impairment has been registered, and (iii) Loans and Advances to Customers which have been restructured in the last two years as a result of the respective obligors' inability to service them as per the terms of the original loan agreement (forborne due to distress restructuring).

The annual provision charge for the impairment of Loans and Advances to Customers stood at €1.6 million in 2016, from €0.96 million in the prior year. On 31.12.2016 the cumulative balance of provisions for credit losses read €7.41 million (2015: €5.79 million), consisting exclusively of specific provisions, in accordance to the Bank's Impairments Policy. The total gross balance of impaired loans stood at €28.5 million, from € 8.1 million the year before. Out of the total amount, €22.2 million (2015: €16.8 million) were in more than 90 days past due status (NPLs) and had a 19.9% coverage by provisions (2015: 22.5%), whereas the remaining €6.3 million (2015: €11.3 million) comprised loans with signs of possible future impairment, with a 47.5% provisions coverage (17.7% in 2015).

Shareholders' Equity – Capital Adequacy

As at 31.12.2016, the accounting book value of the Bank's Shareholders' Equity declined to €92.4 million, from €93.4 million on 31.12.2015, reflecting the effect of the negative net result of 2016, whereas the regulatory Shareholders' Equity, exclusively consisting of Common Equity Tier-1 Capital (CET1), stood at €91.5 million (2015: €93.3 million). Total Risk Weighted Assets decreased to €245.0 million, from €278.8 million last year, mainly due to the contraction of the Bank's loans portfolio, thus the Bank's CET1 Ratio (which is equal to the Total Capital Adequacy Ratio in the case of ABBank) stood at 37.35% on 31.12.2016 (2015Q 33.46%).

Disclosures pursuant to Article 6 of Law 4374/2016

In the context of complying with the provisions of paragraph 4, Article 6 of Law 4374/2016 (Hellenic Government's Gazette A'50/1.4.2016) pertaining to the "Transparency in the relationship of credit institutions with media companies and sponsored persons or entities", ABBank is hereby disclosing the following information with regards to payments made to natural persons and/or legal entities during 2016.

During 2016:

a) No payments were effected for marketing, advertisement or promotion, in the context of paragraph 1, Article 6 of Law 4374/2016; and
b) The payments effected for donations, sponsorships or grants, in the context of paragraph 2, Article 6 of Law 4374/2016, were the following:

NAME/TITLE	NET PAYMENT
FOODS DONATION FOR FAMILIES IN POVERTY OF THE HOLLY DIOCESE OF NEA IONIA & PHILADELPHIA	2,571.57 €
PARENTS SOCIETY OF CHILDREN WITH NEOPLASMATIC DESEASE "FLOGA"	100.00 €
NON-PROFIT CIVIL PARTNERSHIP FOR MEDICAL CARE AND ASSISTANCE "MISSION ANTHROPOS"	500.00 €
CATHEDRAL OF AGIOS IOANNIS O THEOLOGOS, HOLY DIOCESE OF METHYMNA	500.00 €
GRAND TOTAL	**3,671.56 €**

In compliance with the current legislative, tax and regulatory framework, with respect to the above payments the Bank paid in addition the amount of €331.31, in total, for VAT and other charges.

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 implemented, 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") operates as the new system of financial supervision under the auspices of the ECB. The SSM supervises directly the "important" (or "systemic") financial institutions of the Eurozone, whereas it exercises indirect monitoring ("oversight") to the "less-important" (or "non-systemic") ones, the latte being closely supervised directly by the local supervising authority (the Bank of Greece, in the case of Greek banks). Having been categorized as a non-systemic bank, ABBank does not fall under the direct supervision of the SSM and the ECB.

Pursuant to 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 pan-European assessments, including the one conducted in Q4-2015 which called for anew €14.4 billion recapitalization of the Greek systemic banks. Nevertheless, ABBank successfully participated in the past in two similar exercises which were conducted by the Bank of Greece (BoG), with the assistance of specialist external advisors, for all Greek banks and the relevant results were published by the BoG in Q1-2012 and Q1-2014, respectively. In both of those exercises ABBank was ascertained to be a bank with sound capital solidity and was not required to increase its capital or to take any measures towards the restructuring of its activities and the strengthening of its capital base.

Detailed information about the core risks borne by the Bank through its activities and financial exposures as of 31st December 2016 are provided in Note 4 of the Financial Statements, whereas Note 4.7 makes specific reference to the Bank's capital adequacy calculation under both, Pillar I and Pillar II of the Basel-III framework.

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 which support the continuing monitoring, measurement and assessment of credit risk and has compiled and documented relevant risk management policies. Given that the Bank's loans portfolio exclusively consists of unrated (by External Credit Agencies) obligors of the shipping sector, ABBank has established and follows its own, ten-grade, credit risk assessment and rating system. The Bank has also developed internally a 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 for credit risk. This model is 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 credit pricing in order to improve the use and yield of the corresponding capital requirements. The Bank's credit operations also involve the regular screening and review of credit procedures, with the purpose to improve the efficiency of the management of the whole 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 of performing credits. Moreover, pursuant to the Act of the Executive Committee of the Bank of Greece ("ECA/BoG") Nr. 42/2014 and the ECA/BoG Nr. 47/2015 regarding the Arrears and Non-Performing Loans, the Bank has established a relevant documented strategy and relevant policies and procedures which also comply with the best practices of the shipping finance industry in relation to such loans.

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

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 commitments.

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

The Bank's Risk Management Unit regularly performs stress tests for the Bank's liquidity, under mild and extreme volatility scenarios of both, idiosyncratic (company-specific) and systemic nature. 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 to the Bank's Assets-Liabilities Committee (ALCO) for its consideration and the appropriate decision-making by the committee and/or the Senior Management.

Pursuant to the new regulatory framework of Basel III which has been implemented since the 1st of January, 2014, (Directive 2013/26/EE and Regulation 575/2013 of the European Parliament and the Commission) the supervisory requirements for Liquidity Risk include the continuous calculation, monitoring and adherence to specific liquidity ratios, the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) which have gradually come into effect since October.

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 liquidity drawings from emergency mechanism of the Eurosystem.

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

The Bank regularly conducts stress tests in relation to all major market risks, such as Interest Rates risk, Foreign Exchange Risk, Re-pricing Risk in the banking book as well as to 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 believes that the successful consummation within the 2nd Quarter of 2017 of the second assessment of the country's creditors will materially contribute to the improvement of financial stability and economic development in Greece, and to the gradual enhancement of the local banking system's liquidity and the restoration of depositor's confidence. Given the specialization of ABBank in corporate banking for the shipping sector and the low correlation of the Bank's credit risk with the economic and fiscal conditions of the Greece, ABBank has laid the following goals for 2017:

- To gradually improve the Bank's liquidity proportions and to permanently cease resorting to the emergency liquidity assistance mechanism of the Eurosystem;
- To enhance its sources of medium and longer term funding from the wholesale markets;
- To reduce its exposure in NPLs;
- Given a sufficient liquidity recovery, to continue growing its shipping loans portfolio through a selective credit expansion, taking advantage of the apparent gap between the lagging-behind supply and the demand for shipping finance;
- To further broaden its customer base as well as the range of its banking products and services;
- To make use of its solid capital adequacy and its specialist know-how towards the development of strategic partnerships in the area of the management and/or acquisition of shipping loan portfolios becoming available in the market by local and European financial institutions;

Athens, 2 June 2017
The Vice Chairman of the BoD

Theodore Afthonidis

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Independent Auditors' 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 of December 31, 2016, the statements of income and 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 endorsed by the European Union, and for such internal controls as management determines are necessary to enable the preparation of the 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 that have been transposed into the Greek Law (Official Government Gazette/B'/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to 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 controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2016, its financial performance and cash flows for the year then ended in accordance with the International Financial Reporting Standards, as endorsed by the European Union.

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Report on Other Legal and Regulatory Requirements

Taking into consideration, that management is responsible for the preparation of the Board of Directors' Report according to the provisions of paragraph 5 art. 2 of Law 4336/2016 (part B), we note the following:

a) In our opinion, the Board of Directors' report has been prepared in accordance with the applicable legal requirements of articles 43a of the Greek Company Law 2190/1920 and its content is consistent with the accompanying financial statements for the year ended December 31, 2016.

b) Based on the knowledge we obtained during our audit of the Bank and its environment, we have not identified any material inconsistencies in the Board of Directors' report.

Athens, 2 June 2017
The Certified Public Accountant

Michalis Karavas
Reg. No. SOEL: 13371
Deloitte Certified Public Accountants S.A.
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GR-151 25 Maroussi, Athens, Greece
Reg. No. SOEL: E. 120

AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2016

June 2017

Income Statement

	Note	2016 €' 000	2015 €' 000
Interest and similar income		10,790	12,020
Interest expense and similar charges		(1,985)	(2,901)
Net interest income	5	8,805	9,119
Fee and commission income		1,969	2,386
Fee and commission expense		(219)	(513)
Net fee and commission income	6	1,750	1,873
Net result from derivatives and investment securities	7	(1,455)	439
Other operating income		17	13
Total income		**9,117**	**11,444**
Personnel expenses	8	(5,466)	(5,296)
General administrative expenses	9	(2,757)	(2,377)
Depreciation and amortization	10	(457)	(344)
Impairment losses on loans and advances	11	(1,614)	(962)
Profit/(Loss) before tax		**(1,177)**	**2,465**
Income Tax	12	297	(748)
Profit/(Loss) for the year		**(880)**	1,717
Attributable to:			
Equity holders of the Bank		(880)	1,717
Profit/(Loss) for the year		**(880)**	1,717

Athens, 2 June 2017

The Vice Chairman	The Deputy Managing Director	The Chief Financial Officer
Theodore Afthonidis	Konstantinos Hadjipanayotis	George Kalantzis

The notes on pages 22 to 54 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2016 €' 000	2015 €' 000
Profit /(Loss) for the year		**(880)**	**1,717**
Other comprehensive income / (expense)			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (Available for sale financial assets)	17	(34)	(8)
Related Tax	21	10	8
Total off items that may be reclassified subsequently to profit or loss		**(24)**	**-**
Items that will not be reclassified subsequently to profit or loss			
Actuarial Gain / (Loss) of Retirement Benefit Obligations	26	(128)	84
Related Tax	21	37	(15)
Total off items that will not be reclassified subsequently to profit or loss		**(91)**	**69**
Other comprehensive income / (expense) for the year, net of tax		**(115)**	**69**
Total comprehensive income / (expense) for the year		**(995)**	**1,786**
Attributable to:			
Equity holders of the Bank		(995)	1,786
Total recognized income / (expense) for the year		**(995)**	**1,786**

Athens, 2 June 2017

The Vice Chairman	The Deputy Managing Director	The Chief Financial Officer
Theodore Afthonidis	Konstantinos Hadjipanayotis	George Kalantzis

The notes on pages 22 to 54 are an integral part of these financial statements.

Statement of Financial Position

	Note	2016 €' 000	2015 €' 000
ASSETS			
Cash and balances with Central Bank	13	6,205	130,639
Due from banks	15	10,069	11,581
Loans and advances to customers	16	193,575	234,127
Investment securities – Available for sale	17	358	402
Derivative financial instruments	18	220	132
Intangible assets	19	875	74
Property and equipment	20	6,274	6,547
Other assets	22	8,421	8,005
Total assets		**225,997**	**391,507**
LIABILITIES			
Due to banks	23	8,001	192,819
Due to customers	24	122,024	101,510
Derivative financial instruments	18	298	211
Retirement benefit obligations	26	1,495	1,270
Deferred tax Liabilities	21	575	919
Other liabilities	25	1,232	1,411
Total liabilities		**133,625**	**298,140**
SHAREHOLDERS' EQUITY			
Share capital	27	37,980	37,980
Share premium	28	50,207	50,207
Reserves	29	228	343
Retained earnings	30	3,957	4,837
Total shareholders' equity		**92,372**	**93,367**
Total liabilities and equity		**225,997**	**391,507**

Athens, 2 June 2017

The Vice Chairman	The Deputy Managing Director	The Chief Financial Officer
Theodore Afthonidis	Konstantinos Hadjipanayotis	George Kalantzis

The notes on pages 22 to 54 are an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2015	**37,980**	**50,207**	**188**	**4,106**	**92,481**
Retirement Benefit Obligations	-	-	69	-	69
Profit for the year	-	-	-	1,717	1,717
Statutory reserve	-	-	86	(86)	-
Dividends paid	-	-	-	(900)	(900)
Balance at 31.12.2015	**37,980**	**50,207**	**343**	**4,837**	**93,367**
Balance at 01.01.2016	**37,980**	**50,207**	**343**	**4,837**	**93,367**
Available for Sale reserve	-	-	(24)	-	(24)
Retirement Benefit Obligations	-	-	(91)	-	(91)
Profit for the year	-	-	-	(880)	(880)
Balance at 31.12.2016	**37,980**	**50,207**	**228**	**3,957**	**92,372**

The notes on pages 22 to 54 are an integral part of these financial statements

Cash Flow Statement

	Note	2016 €' 000	2015 €' 000
Cash flows from operating activities			
Profit before tax		**(1,177)**	**2,465**
Adjustments for:			
Depreciation and amortization charges	10	457	344
(Gain) / Loss from write off of property & equipment		(1)	(1)
Impairment losses on loans and advances to customers	11	1,614	962
Provisions for retirement benefit obligations	26	97	101
(Gain) / Loss from sale of securities-available for sale	7	-	56
(Gain) / Loss from exchange difference of securities-available for sale	17	-	(173)
Foreign exchange (Gain) / Loss on cash and cash equivalents		(139)	(2,207)
		852	**1,546**
Net (increase)/decrease in operating assets:			
Cash Collateral given for US Dollars provided through Eurosystem	13 (*)	13,384	(13,384)
Loans and advances to customers		38,938	64,028
Derivative financial assets		(88)	(112)
Other assets		(417)	(274)
Net increase/(decrease) in operating liabilities:			
Due to banks	23 (*)	(70,002)	48,003
Due to customers		20,514	(146,641)
Derivative financial liabilities		87	(655)
Other liabilities		(178)	(318)
Cash flow from operating activities before tax payment		3,090	(47,806)
Income tax paid		-	-
Net cash flow from / (for) operating activities		**3,090**	**(47,806)**
Cash flows from investing activities			
Acquisition of property and equipment	20	(78)	(453)
Acquisition of intangible assets	19	(907)	(37)
Acquisition of investment securities – available for sale	17	-	(870)
Proceeds from disposal of investment securities – available for sale	17	10	2,722
Net cash flow from / (for) investing activities		**(975)**	**1,362**
Cash flows from financing activities			
Dividends paid		-	(900)
Net cash flow from / (for) financing activities		**-**	**(900)**
Net increase / (decrease) in cash and cash equivalents		**2,115**	**(47,344)**
Cash and cash equivalents at beginning of period	14	**14,020**	**59,157**
Foreign exchange Gain /(Loss) on cash and cash equivalents		139	2,207
Cash and cash equivalents at end of period	14	**16,274**	**14,020**

(*) The Bank for economic hedging purposes and in order to cover its foreign exchange risk exposure in US dollars has used a lending facility in foreign currency provided to Eurosystem counterparties under the terms of the "Tender Procedure for the Provision of US dollars to Eurosystem counterparties" issued by the ECB on 6 December 2011 and has borrowed $ 125 (€ 114.8) million as at 31.12.2015 depositing the equivalent amount of euros to the Central Bank as cash collateral.
Considering the short term nature and the purpose of the above transaction, the bank has decided to make use of the option provided by the IAS 7 par.24 and present on a net basis in the cash flow statement the cash flows arising from this transaction. Such option has retrospectively been applied to the 2015 figures for comparability reasons. The amount presented in the cash flow on a net basis is € 114.816 thousands as at 31.12.2016 and 31.12.2015 (see notes 13 and 23).

The notes on pages 22 to 54 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 current BoD constituted in body on 12 December 2016.

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

Peter Salzer (1)	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
Uwe Seedorf (2)	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

(1) On 9 September 2016, the Board of Directors appointed Mr. Peter Salzer as new Chairman in replacement of Mr. Hubert Esperon, for an equal term to the remaining term of the resigned member.

(2) On 12 December 2016, the Board of Directors appointed Mr. Uwe Seedorf as new Board member in replacement of the resigned board member Mr. Paolo Braghieri, for an equal term to the remaining term of the resigned member.

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on 2 June 2017.

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 2016, there were no unendorsed standards effective for the year ended 31 December 2016, 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 2016 are prepared in accordance with IFRSs as issued by the IASB. The financial statements were prepared under the historical cost convention, as modified by the revaluation of available for sale investment securities, and all derivative contracts measured at fair value.

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

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

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

a) <u>Standards, interpretations and amendments to published standards effective in 2016</u>

- 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 had no impact on the Bank's financial statements.

- IAS 1 (Amendment) "Presentation of Financial Statements"
(Effective for annual periods beginning on or after 1 January 2016) The amendment provides clarifications concerning the structure of financial statements and the disclosures of accounting policies, as well as the presentation of items of other comprehensive income arising from equity accounted investments. Also, the amendment clarifies that the minimum required disclosures by any I.F.R.S. may not be provided in the financial statements, if they are considered immaterial. This amendment had no 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 February 2015) The amendment clarifies the definition of vesting conditions. This amendment had no impact on the Bank's financial statements.

- **IFRS 3 (Amendments), "Business Combinations"**
(Effective for annual periods beginning on or after 1 February 2015) The objective of this amendment is to clarify certain aspects of accounting for contingent consideration in a business combination. This amendment had no impact on the Bank's financial statements.

- **IFRS 8 (Amendment), "Operating Segments**"
(Effective for annual periods beginning on or after 1 February 2015) The amendment requires entities to disclose the factors used to identify the entity's reportable segments when operating segments have been aggregated. This amendment had no impact on the Bank's financial statements.

- IFRS 13 (Amendment), "Fair Value Measurement"
(Effective for annual periods beginning on or after 1 February 2015) The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. This amendment had no impact on the Bank's financial statements.

- **IAS 24 (Amendment), "Related Party Disclosures**"
(Effective for annual periods beginning on or after 1 February 2015) The amendment clarifies that an entity providing Key Management Personnel services to the reporting entity is a related party of the reporting entity. This amendment had no 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 had no 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. There was no impact from this amendment on the Bank's financial statements.

- IFRS 7 (Amendments) "Financial instruments: Disclosures"
(Effective for annual periods beginning on or after 1 January 2016) The amendments adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, Disclosure Offsetting financial assets and financial liabilities is not specifically required for all interim periods, unless required by IAS 34. There was no impact from this amendment 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. There was no impact from this amendment on the Bank's financial statements.

-IAS 16 (Amendment) and IAS 38 (Amendment) "Clarification of Acceptable Methods of Depreciation and Amortization")
(Effective for annual periods beginning on or after 1 January 2016) The amendment clarifies acceptable methods of depreciation and amortization. There was no impact from these amendments on the Bank's financial statements.

- IAS 19 (Amendment), "Employee Benefits"
(Effective for annual periods beginning on or after 1 February 2015) The amendment allows an entity to recognize contributions as a reduction in the service cost in the period in which the related service is rendered, if the amount of such contributions is independent of the number of years of service. There was no impact from this amendment on the Bank's financial statements.

b) New standards, amendments and interpretations to existing standards, effective after 2016.

- 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.

ABBank is in the process of evaluating the parameters of credit risk for the calculation of lifetime expected credit losses on financial assets under examination and also of defining the criteria for the identification of the financial assets whose credit risk since initial recognition has significantly increased, according to IFRS 9 requirements. Furthermore, the Bank is in the process of implementing relevant structures and processes for the calculation of impairment on financial instruments according to IFRS 9 requirements

The Bank will fully implement IFRS 9 as at 1/1/2018, without restating the relevant comparatives and with all required transitional disclosures. A detailed analysis is taking place in order to determine the impact from the IFRS 9 implementation and ABBank has the intention to quantify the impact of the new standard when it is practically possible to provide reliable estimates.

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

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

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

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

-IFRIC 22 "Foreign currency transactions and advance consideration"
(Effective for annual periods beginning on or after 1 January 2018) The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation has not yet been endorsed by the EU.

- IFRS 15 (Amendment) Clarifications to IFRS 15 Revenue from Contracts with Customers
(Effective for annual periods beginning on or after 1 January 2018 as issued by the IASB) The amendment clarifies three aspects of the standard (identifying performance obligations, principal versus agent considerations, and licensing) and provides some transition relief for modified contracts and completed contracts. The amendment has not yet been endorsed by the EU.

-IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions"
(Effective for annual periods beginning on or after 1 January 2018) The amendment clarifies the measurement basis for cash-settled, share-based payments and also the accounting for modifications that change an award from cash-settled to equity-settled. Also an exception to the principles in IFRS 2 is introduced, that will require an award to be treated as if it was wholly equity settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendment has not yet been endorsed by the EU.

-IFRS 4 (Amendments) "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts"
(Effective for annual periods beginning on or after 1 January 2018) The amendments introduce two approaches. The amended standard will give a) all companies that issue insurance contracts the option to recognize in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued, and b) companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The amendments have not yet been endorsed by the EU.

-IAS 40 (Amendments) "Transfers of Investment Property"
(Effective for annual periods beginning on or after 1 January 2018) The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. The amendments have not yet been endorsed by the EU.

Annual Improvements to IFRSs 2014-2016

- IFRS 12 "Disclosures of Interests in Other Entities"
(Effective for annual periods beginning on or after 1 January 2017) The amendment clarifies the disclosures requirements of IFRS 12 to interest in entities classified as held for sale.

- IAS 28 "Investments in associates and Joint ventures"
(Effective for annual periods beginning on or after 1 January 2018) The amendments clarify that when venture capital organizations, mutual funds, unit trusts and similar entities elect to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition.
There are no other IFRSs or IFRIC interpretations that are not yet effective that is expected to have a material impact on the Bank's financial statements.

2.2 Going Concern

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

Macroeconomic environment
In mid-2016, the completion of the 1st review of the 3rd economic adjustment program was a positive development for the Greek economy. Furthermore, capital controls were further eased and the European Central Bank ("ECB") reinstated the waiver affecting the eligibility of Greek bonds used as collateral in Eurosystem monetary policy operations.

Critical to the performance of the economy in 2017, at macroeconomic and public finance level, is the completion of the second review and the timely disbursement of remaining tranches to cover the financing needs and the clearance of general government arrears as well as the implementation of further fiscal adjustment measures.

The economic and political situation in Greece remains the prime risk factor for the domestic banking sector. To this end, prolonged and adverse developments regarding the completion of the 2nd review of the country's economic adjustment program would potentially have negative effect on the Bank's liquidity.

Recent developments regarding the progress of the 2nd review of the 3rd economic adjustment program are very positive, especially after the agreement reached on a staff level and the adoption of the conditions precedent bill by the Greek parliament. The management of the Bank believes that the completion of the review, in combination with the expected debt relief measures over time, is expected to lead to a gradual improvement in the economic environment, to the further liberalization of capital movements, the return to positive rates of GDP growth, and the participation of Greek bonds in ECB΄s quantitative easing program.

Capital adequacy
The Bank's Common Equity Tier 1 (CET1) ratio stands at very high levels, exceeding 37% (see note 4.7).

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

At 31 December 2016 there was no ELA reliance (versus €78 million at 31.12.2015). At 30 April 2017, the ELA funding stood at € 10 million.

Moreover, the remaining availability for ELA funding at 30 April 2017 stood at € 67 million.

Going Concern Conclusion
Management concluded that the Banks is a going concern after considering (a) the recent developments regarding the Greek economy and the latest estimates regarding the macroeconomic indicators, (b) its current access to the Eurosystem facilities, and (c) the Bank's CET1 Ratio and the remaining availability of ELA funding.

2.3 Foreign currency transactions

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

2.4 Interest income and expense

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

2.5 Fee and commission income

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

2.6 Financial instruments

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

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

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

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

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

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

i) The Bank estimates or significantly reduces a measurement or recognition in consistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases.

ii) A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel.

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

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

2.7 Fair value of financial instruments

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

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

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

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

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

2.8 Impairment losses on loans and advances to customers

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

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

The impairment loss is reported through the use of an allowance account on the Statement of Financial Position. Additions to impairment losses are made through Impairment losses on loans and advances 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 result from derivatives and investment securities. The Bank uses the following category of Derivatives:

FX Swaps. These types of Swaps are entered into primarily to hedge the exposures arising from customer loans and deposits. The Bank does not use hedge accounting and therefore the gains and losses from derivative financial instruments are recognized in net result from derivatives and investment securities. However, the above instruments are effective economic hedges.

2.10 Intangible assets

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

2.11 Property and equipment

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

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

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

The estimated useful lives are as follows:

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

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

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

2.12 Deferred and current income Tax

Deferred tax

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

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

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

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

Current income tax

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

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

2.13 Provisions and other liabilities

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

2.14 Employee benefits

Defined contribution plan

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

Defined benefit plan

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

2.15 Offsetting

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

2.16 Share issue expenses

Incremental costs of share capital increase

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

Share premium

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

2.17 Related party transactions

Related parties include shareholders, directors and their close relatives, companies owned or controlled by them and companies over which they can influence their financial and operating policies. All transactions with related parties are entered into the normal course of business and are conducted on an arm's length basis.

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 2016. The accounting principles, estimates and judgments adopted by the Bank which are material for the understanding of the financial statements are as follows:

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.

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.

Deferred Tax

The Bank recognizes deferred tax on temporary tax differences in accordance with the regulations of tax law which distinguishes revenues on those subject to tax and non-taxable, assessing future benefits as well as tax liabilities. For the calculation and evaluation of the deferred tax asset recoverability, management considers the appropriate estimates for the evolution of the Bank's tax results in the foreseeable future. Moreover the Bank examines the nature of the temporary differences and tax losses, as well as the ability for their recovery, in accordance with the tax regulations related to their offsetting with profits generated in future periods (e.g. five years).

Note 4: Financial risk management

4.1 Introduction and overview

The Bank is exposed to the following risks:

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

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

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

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

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

4.2 Credit risk

4.2.1 Credit risk management strategies and procedures

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

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

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

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

4.2.2 Credit risk measurement and reporting systems

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

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

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

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

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

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

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

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 2016 and 31 December 2015, 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.

	2016 €' 000	2015 €' 000
ASSETS		
Due from banks	10,069	11,581
Loans and advances to customers	193,575	234,127
Investment securities – available for sale	358	402
Derivative financial instruments	220	132
Other assets	8,421	8,005
Maximum exposure from assets	**212,643**	**254,247**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	5,502	-
Financial guarantees written	1,155	1,101
Maximum exposure from off balance sheet items	**6,657**	**1,101**

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

31.12.2016 (€' 000)

	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Loans and advances to shipping Corporations	8,442	10,651	175,294	194,387
Other loans and advances	-	-	-	-
Total	**8,442**	**10,651**	**175,294**	**194,387**

31.12.2015 (€' 000)

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

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, , industry activity, currency etc.

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

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

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

4.2.6 Loans and advances to customers

4.2.6.1 Credit quality of loans and advances to customers

31.12.2016 (€' 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	170,490	28,480	198,970	(7,409)	191,561	194,387
Other loans and advances	2,014	-	2,014	-	2,014	-
Total	**172,504**	**28,480**	**200,984**	**(7,409)**	**193,575**	**194,387**

31.12.2015 (€' 000)

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

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

	31.12.2016		(€' 000)	
	Satisfactory risk	Watch list or substandard	Total neither past due nor impaired	Value of Collateral
Loans and advances to shipping corporations	145,947	24,543	170,490	170,328
Other loans and advances	274	1,741	2,014	-
Total	**146,221**	**26,284**	**172,504**	**170,328**

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

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

	31/12/2016 (€' 000)		31/12/2015 (€' 000)	
	Loans and advances to shipping corporations	Total Impaired Loans	Loans and advances to shipping corporations	Total Impaired Loans
Performing	6,275	6,275	10,952	10,952
1-30 days	33	33	72	72
31-60 days	4	4	227	227
61-90 days	-	-	55	55
91-180 days	4,166	4,166	6,653	6,653
Past due over 180 days	18,001	18,001	10,173	10,173
Total	**28,480**	**28,480**	**28,131**	**28,131**

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

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

		31.12.2016	(€' 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	9,612	989	10,601
Other loans and advances	72	-	72
Total interest Income	**9,684**	**989**	**10,673**

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

4.2.6.5 Movement of impaired loans and advances to customers

	2016 (€' 000)	2015 (€' 000)
	Loans and advances to shipping Corporations	Loans and advances to shipping Corporations
Gross opening balance 1.1	**28,131**	**26,883**
New impaired loans	292	4,905
Repayments	(533)	(2,110)
Transferred to neither past due nor impaired	-	(3,493)
Impaired L&As written-off	-	-
Foreign exchange differences and other movements	589	1,947
Gross balance as at 31.12	**28,480**	**28,131**
Impairment allowance (Balance)	(7,409)	(5,795)
Net balance as at 31.12	**21,071**	**22,336**

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 2016 and 2015.

Bond portfolios as at	**31.12.2016 (€'000)**	**31.12.2015 (€'000)**
	Available For Sale	Available For Sale
B- till BBB+	50	402
C till CCC+	308	-
Total	**358**	**402**

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 31.12.2016

(€' 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	-	8,011	-	-	-	**8,011**
Due to customers	93,469	17,210	4,299	7,482	-	**122,460**
Derivatives financial instruments	298	-	-	-	-	**298**
Total on balance sheet	**93,767**	**25,221**	**4,299**	**7,482**	**-**	**130,769**
Off Balance sheet (Loan Commitments)	5,502	-	-	-	-	**5,502**
Total (On & Off Balance sheet)	**99,269**	**25,221**	**4,299**	**7,482**	**-**	**136,271**

Contractual undiscounted cash outflow as at 31.12.2015

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

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

At 31 December 2016 there was no ELA reliance (versus €78 million at 31.12.2015). At 30 April 2017, the ELA funding stood at € 10 million. Moreover, the remaining availability for ELA funding at 30 April 2017 stood at € 67 million.

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 31.12.2016

(€' 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	6,205	-	-	-	-	-	**6,205**
Due from banks	10,053	-	-	-	-	16	**10,069**
Loans and advances to customers	104,664	96,524	-	372	24	(8,010)	**193,575**
Investment securities – available for sale	50	308	-	-	-	-	**358**
Other remaining assets	-	-	-	-	-	15,790	**15,790**
TOTAL ASSETS	**120,973**	**96,832**	**-**	**372**	**24**	**7,796**	**225,997**
LIABILITIES							
Due to banks	-	8,001	-	-	-	-	**8,001**
Due to customers	96,237	21,180	4,259	-	-	349	**122,024**
Other remaining liabilities	-	-	-	-	-	3,600	**3,600**
TOTAL LIABILITIES	**96,237**	**29,181**	**4,259**	**-**	**-**	**3,949**	**133,625**
Total interest sensitivity gap	**24,736**	**67,651**	**(4,259)**	**372**	**24**	**3,848**	**92,372**

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 31.12.2015

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

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 2016 and 31 December 2015 respectively is as follows:

Foreign exchange position as at 31.12.2016

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	311	5,870	24	6,205
Due from banks	1,582	7,591	896	10,069
Loans and advances to customers	188,064	5,511	-	193,575
Investment securities – available for sale	-	358	-	358
Other remaining assets	116	15,674	-	15,790
TOTAL ASSETS	**190,073**	**35,004**	**920**	**225,997**
LIABILITIES				
Due to banks	-	8,001	-	8,001
Due to customers	73,780	47,598	646	122,024
Other remaining liabilities	9	3,591	-	3,600
TOTAL LIABILITIES	**73,789**	**59,190**	**646**	**133,625**
Net balance sheet position	**116,284**	**(24,186)**	**274**	**92,372**
Off balance sheet net notional position	(116,198)	116,181	17	-
Total FX position	**86**	**91,995**	**291**	**92,372**

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 31.12.2015

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

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

The abovementioned transaction from April 2016 has been fully replaced by FX swap with other financial institutions.

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 2016 and 2015:

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 approximates its fair value.

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 2016

(€' 000)	Level-1	Level-2	Level-3	**TOTAL**
ASSETS				
Investment securities – available for sale	358	-	-	**358**
Derivatives	-	220	-	**220**
TOTAL ASSETS	358	220	-	**578**
LIABILITIES				
Derivatives	-	298	-	**298**
TOTAL LIABILITIES	**-**	**298**	**-**	**298**

31 December 2015

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

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

Based on Council Regulation 1024/2013, the Central Bank conducts annually a Supervisory Review and Evaluation Process (SREP), in order to define the prudential requirements of the institutions under its supervision, by defining a total SREP capital requirement. Following the conclusion of the SREP for year 2016, the Central Bank informed ABBank of its total capital requirement, valid from January 1st 2017. According to the decision, the Bank has to maintain, Common Equity Tier 1 Ratio (CET1 Ratio) at least 8% and Total Capital Ratio (CAD Ratio) at least 11.19%.

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 2016 and 2015. The figures have been calculated using CRD IV rules.

	2016 €' 000	2015 €' 000
Tier I capital		
Share capital	37,980	37,980
Share premium	50,207	50,207
Retained earnings	3,957	4,837
Statutory reserve	623	623
Reserve from remeasurement of the defined benefit obligations	(243)	(153)
Available for sale reserve	(152)	(128)
	92,372	**93,366**
Regulatory adjustments on Tier I capital		
Less: intangible assets	(875)	(74)
Total regulatory adjustments on Tier I capital	**(875)**	**(74)**
Total Core Tier I capital	**91,497**	**93,292**
Risk weighted assets		
Risk weighted assets (credit risk)	224.994	257,902
Risk weighted assets (market risk)	-	-
Risk weighted assets (operational risk)	19.970	20,893
Total Risk Weighted Assets	**244,964**	**278,795**
Common Equity Tier 1 Ratio (CET1)	**37.35%**	**33.46%**
Tier 1 Ratio (T1)	**37.35%**	**33.46%**
CAD Ratio	**37.35%**	**33.46%**

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

	2016 €' 000	2015 €' 000
Interest and similar income		
Available for sale securities	17	40
Interest due from banks	4	6
Interest from loans and advances to customers	10,673	11,882
Other	96	92
Total Interest and similar income	**10,790**	**12,020**
Interest expense and similar charges		
Interest due to customers	(1,069)	(1,375)
Interest due to banks	(916)	(1,526)
Total Interest expense and similar charges	**(1,985)**	**(2,901)**
Net interest income	**8,805**	**9,119**

Note 6: Net fee and commission income

	2016 €' 000	2015 €' 000
Fee and commission income		
Loan origination fees and commissions	1,040	1,335
Funds transfers	881	1,006
Other	48	45
Total Fee and commission income	**1,969**	**2,386**
Fee and commission expense		
Banks	(122)	(124)
Central Bank	(63)	(360)
Other	(34)	(29)
Total Fee and commission expense	**(219)**	**(513)**
Net fee and commission income	**1,750**	**1,873**

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 2016 € 155 thousands (€ 78 thousands for 2015).

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

Note 7: Net result from derivatives and investment securities

	2016 €' 000	2015 €' 000
Net results from foreign exchange contracts and derivatives	(1,455)	495
Net results from sale of available for sale financial assets	-	(56)
Net result from derivatives and investment securities	**(1,455)**	**439**

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

Note 8: Personnel expenses

	2016 €' 000	2015 €' 000
Wages and salaries	(4,072)	(3,955)
Social security contributions	(776)	(757)
Defined contribution plans	(126)	(127)
Defined benefit plans (see Note 28)	(97)	(101)
Other	(395)	(356)
Personnel expenses	**(5,466)**	**(5,296)**

The number of employees of the Bank at 31 December 2016 was 76 (71 as at 31 December 2015). The average number of employees for the period 1 January 2016 to 31 December 2016 was 74 (72 for the year 2015).

Note 9: General administrative expenses

	2016 €' 000	2015 €' 000
Rental expense for buildings	(87)	(92)
Rental expense for cars	(65)	(60)
Third party fees	(661)	(627)
IT expense	(426)	(396)
Telecommunication – mail expense	(141)	(111)
Promotion and advertising expense	(61)	(17)
Office material	(38)	(35)
Utilities	(100)	(109)
Taxes and duties	(468)	(237)
Maintenance and other related expenses	(56)	(78)
Subscription expenses	(35)	(37)
Contributions	(312)	(262)
Officers and directors insurance	(111)	(107)
Other general administrative expenses	(196)	(209)
General and administrative expenses	**(2,757)**	**(2,377)**

Note 10: Depreciation and amortization

	2016 €' 000	2015 €' 000
Property and equipment	(350)	(326)
Intangible assets	(107)	(18)
Depreciation and amortization	**(457)**	**(344)**

Note 11: Impairment losses on loans and advances

Impairment losses on loans and advances movement:

	2016 €' 000	2015 €' 000
Balance as at 1 January	**(5,795)**	**(4,833)**
Impairment losses on loans and advances for the year	(1,577)	(997)
Amounts recovered	53	314
Effect of foreign currency movements	(90)	(279)
Impairment losses on loans and advances charged in Income Statement	**(1,614)**	**(962)**
Loans written off	-	-
Balance as at 31 December	**(7,409)**	**(5,795)**

Note 12: Income tax

	2016 €' 000	2015 €' 000
Income tax for the year	-	-
Deferred income tax	297	(748)
Income tax	**297**	**(748)**

The calculation of the income tax expense is as follows:

Profit / (Loss) before tax	**(1,177)**	**2,465**
Tax calculation at 29%	341	(715)
Non tax deductible expenses	(13)	(15)
Impact of tax change rate on Deferred Tax	-	19
Other	(31)	(37)
Income tax	**297**	**(748)**

The corporate tax rate is 29% for both years 2016 and 2015.
Further information concerning the income tax contingent liabilities is presented in Note 31.
According to Greek tax legislation, losses can be carried forward and off-set against future gains over the next 5 years.
There amount of tax loss carried forward by the Bank at 31.12.2016 is € 425 thousands.
Further information concerning deferred tax is presented in Note 21.

Note 13: Cash and balances with Central Bank

	2016 €' 000	2015 €' 000
Cash on hand	982	1,110
Balance with Central Bank	5,223	1,329
Cash Collateral given for US Dollars provided through Eurosystem	-	128,200
Cash and balances with Central Bank	**6,205**	**130,639**

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

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

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

The abovementioned transaction from April 2016 has been fully replaced by FX Swaps with other financial institutions.

Note 14: Cash and cash equivalents

	2016 €' 000	2015 €' 000
Cash on hand	982	1,110
Non-restricted placements with Central Bank	5,223	1,329
Short-term balances due from banks	10,069	11,581
Cash and cash equivalents	**16,274**	**14,020**

Note 15: Due from banks

	2016 €' 000	2015 €' 000
Current accounts	10,069	11,581
Due from banks	**10,069**	**11,581**

Note 16: Loans and advances to customers

	2016 €' 000	2015 €' 000
Loans and advances to shipping corporations at amortized cost	191,561	232,199
Other loans and advances	2,014	1,928
Loans and advances to customers	**193,575**	**234,127**

As at 31.12.2015 within loans and advances to customers are included loans amounting to € 82 Million that have been pledged as security for the participation of the Bank in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) with the amount of €40 Million for a three-year time horizon (until 18.04.2013). The Bank's participation was renewed at 29 April 2013 for the same amount and new maturity date the 22nd of April 2016. On March 4, 2016 the total amount of the above mentioned special securities were returned to the Greek State before its final maturity releasing the loans given as collateral.

Loans and advances to customers are analyzed:

	2016 €'000		
	Gross amount	Impairment allowance	Net amount
Loans and advances to shipping corporations at amortized cost	198,970	(7,409)	191,561
Other loans and advances	2,014		2,014
Loans and advances to customers	**200,984**	**(7,409)**	**193,575**

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

Note 17: Investment securities – Available for sale

Analysis per Issuer

	2016 €' 000	2015 €' 000
Banks – Financial institutions	308	344
Corporate	50	58
Investment securities – Available for sale	**358**	**402**

Movement for the year:

	2016	2015
Balance as 1 January	**402**	**2,088**
Additions	-	870
Sales and redemptions	(10)	(2,722)
Profit / (Loss) from changes in fair value	(34)	(8)
Exchange differences	-	173
Balance as 31 December	**358**	**402**

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

Note 18: Derivative financial instruments

	31.12.2016(€' 000)			31.12.2015 (€' 000)		
	Nominal value	Fair value Assets	Fair value Liabilities	Nominal value	Fair value Assets	Fair value Liabilities
FX swaps / forwards	134,409	213	298	93,548	120	211
Warrant Linked to Greek GDP	2,835	7	-	2,835	12	-
Derivative financial instruments	**137,244**	**220**	**298**	**96,383**	**132**	**211**

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

Note 19: Intangible assets

	2016	**2015**
Cost:	€' 000	€' 000
Opening balance as at 1 January	1,858	1,821
Additions	907	37
Closing balance as at 31 December	**2,765**	**1,858**
Accumulated amortization:		
Opening balance as at 1 January	1,785	1,767
Amortization	106	18
Closing balance as at 31 December	**1,891**	**1,784**
Net book value:		
Opening net book value as at 1 January	**73**	**54**
Closing net book value as at 31 December	**875**	**74**

Intangible assets include only software.

Note 20: Property and equipment

Property and equipment as at 31.12.2016

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Total
Cost:							
Opening balance as at 1.1.2016	1,051	4,853	341	15	859	1,056	8,175
Additions	-	-	-	-	18	60	78
Disposals and Write offs	-	-	-	-	-	(1)	(1)
Closing balance as at 31.12.2016	**1,051**	**4,853**	**341**	**15**	**877**	**1,115**	**8,252**
Accumulated depreciation:							
Opening balance as at 1.1.2016	-	227	59	15	526	801	1,628
Depreciation	-	213	27	-	41	69	350
Disposals and Write offs	-	-	-	-	-	-	-
Closing balance as at 31.12.2016	**-**	**440**	**86**	**15**	**567**	**870**	**1,978**
Net book value:							
Closing net book value as at 31.12.2016	**1,051**	**4,413**	**255**	**-**	**310**	**245**	**6,274**

Property and equipment as at 31.12.2015

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

No property and equipment has been pledged as collateral.

Note 21: Deferred tax assets / liabilities

Deferred tax assets	**2016** €' 000	**2015** €' 000
Loans and advances to customers	174	276
Defined benefits obligations	434	368
Derivatives and financial instruments	85	72
Greek Government Bonds (PSI)	1,614	1,678
Other temporary differences	213	250
Total Deferred tax assets	**2,520**	**2,644**
Deferred tax liabilities		
Loans and advances to customers	3,095	3,563
Total Deferred tax Liabilities	**3,095**	**3,563**
Net Deferred tax (Liabilities)	**(575)**	**(919)**

Movement of temporary differences during the year 2016:

Movement of 2016 (€' 000)	Balance as at	Recognized through income statement	Recognized through equity	Balance as at
	1/1/2016	2016	2016	31/12/2016
Loans and advances to customers	(3,287)	367	-	(2,920)
Defined benefits obligations	369	28	37	434
Derivatives and investment Securities	72	3	10	85
Greek Government Bonds (PSI)	1,678	(65)	-	1,613
Other temporary differences	250	(37)	-	213
Total	**(919)**	**297**	**47**	**(575)**

Movement of temporary differences during the year 2015:

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

Note 22: Other assets

	2016	**2015**
	€' 000	€' 000
Accrued income	1	16
Prepaid expenses	261	348
Hellenic Deposit and Investment Guarantee Fund	6,678	6,586
Tax prepayments and other recoverable taxes	752	862
Other receivables	729	193
Other assets	**8,421**	**8,005**

Hellenic Deposit and Investment Guarantee Fund included in other assets relate to the Bank's participation in assets the investment and deposit cover scheme. The above figure consists of:

1. The amount contributed relating to investment cover scheme and
2. The difference between the regular annual contribution of credit institutions resulting from the application of article 6 of Law 3714/2008 "Borrowers protection and other regulations", which raised the amount of deposits covered from Deposit Guarantee scheme from € 20 thousands to € 100 thousands per each depositor.

The above difference is included according to Law4370/ 7.3.2016 Deposit Guarantee Scheme (incorporating Directive2014/49/EE), Deposit and Investment Guarantee Fund and other regulations in a special group of assets, whose elements owned in common by the participant credit institutions, according to the participation percentage of each one.

Note 23: Due to banks

	2016	**2015**
	€' 000	€' 000
Amounts due to Central Bank	-	78,003
US Dollars provided through Eurosystem against Cash Collateral	-	114.816
Time deposits due to credit institutions	8,001	-
Due to banks	**8,001**	**192,819**

The amount due to Central Bank, for the year 2015 is only ELA funding with collateral shipping loans and Greek government bonds (Law 3723/2008).

The Bank for economic hedging purposes and in order to cover its foreign exchange risk exposure in US dollars has used a lending facility in foreign currency provided to Eurosystem counterparties under the terms of the "Tender Procedure for the Provision of US dollars to Eurosystem counterparties" issued by the ECB on 6 December 2011 and has borrowed $ 125 million (€ 114.8 million) as at 31.12.2015 depositing the equivalent amount of euros to the Central Bank as cash collateral The abovementioned transaction from April 2016 has been fully replaced by FX swaps with other financial institutions.

Note 24: Due to customers

	2016	2015
	€' 000	€' 000
Sight deposits	48,931	48,133
Term deposits	72,745	53,343
Other	348	34
Due to customers	**122,024**	**101,510**

Due to customers include blocked deposits of:

	2016	2015
	€' 000	€' 000
Blocked deposits for the issuance of Guarantee Letters	1,269	1,054
Blocked deposits for loans granted	10,651	11,253
Total	**11,920**	**12,307**

The only concentration relates to deposits of five (5) customers that represent approximately 34% of the amounts due to customers (€ 41 Million out of € 122 Million). In 2015 five (5) customers represented approximately 39% of the amounts due to customers (€ 39 Million out of € 101 Million).

Note 25: Other liabilities

	2016	2015
	€' 000	€' 000
Taxes – duties (other than income tax)	360	261
Amounts due to social security funds	184	171
Accrued expenses and deferred income	363	433
Suppliers	113	294
Hellenic Deposit and Investment Guarantee Fund	125	88
Other payables	88	164
Other liabilities	**1,233**	**1,411**

Note 26: 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 2016 the present value of the liability amounted to €1,495 thousand (2015 € 1,270 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.

	2016 €' 000	2015 €' 000
Amounts recognized in the Statement of Financial Position (SOFP)		
Present value of obligations	1,495	1,270
Net Liability in SOFP	**1,495**	**1,270**
Amounts recognized in the Income Statement		
Service cost	72	81
Net interest on the net defined benefit liability	25	20
Regular P&L Charge	**97**	**101**
Recognition of past service cost		
Total P&L Charge	**97**	**101**
Reconciliation of benefit obligation		
DBO at start of period	1,270	1,253
Service cost	72	81
Interest cost	25	20
Benefits paid directly by the Company	-	-
Past service cost arising over last period	-	-
Actuarial (gain)/loss - financial assumptions	115	(63)
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - experience	12	(22)
DBO at end of period	**1,495**	**1,270**
Remeasurements		
Liability gain/(loss) due to changes in assumptions	(115)	63
Liability experience gain/(loss) arising during the year	(12)	22
Total actuarial gain/(loss) recognized in OCI	**(127)**	**84**
Other adjustments recognized in OCI		
Total amount recognized in OCI over the period	**(127)**	**84**
Movements in Net Liability in SOFP		
Net Liability in SOFP at the beginning of the period	1,270	1,253
Benefits paid directly	-	-
Total expense recognized in the income statement	97	101
Total amount recognized in the OCI	127	(84)
Net Liability in SOFP	**1,495**	**1,270**
Cash flows		
Expected benefits paid by the plan for next financial year	636	594
Assumptions		
Discount rate	1.77%	2.62%
Price inflation	1.75%	1.75%
Rate of compensation increase	2.75%	2.75%
Plan duration	10.33	9.87

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

	2016 €' 000	2015 €' 000	2014 €' 000	2013 €' 000	2012 €' 000
Present value of obligations	1,495	1,270	1,253	922	1,024
Total obligation	**1,495**	**1,270**	**1,253**	**922**	**1,024**

Sensitivity analysis

• If the discount rate used were 0.5% higher (2.27% p.a. rather than 1.77% p.a.), then the DBO would be lower by about 4.62%.
• If the discount rate used were 0.5% lower (1.27% p.a. rather than 1.77% p.a.) then the DBO would be higher by about 5.12%.

Note 27: Share capital

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

	31.12.2016			31.12.2015		
	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 28: Share premium

	2016	**2015**
	€' 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 29: Reserves

	2016	**2015**
	€' 000	€' 000
Statutory reserve	623	623
Valuation of available for sale portfolio	(214)	(180)
Deferred tax on valuation of AFS portfolio	62	52
Actuarial Gain (Loss) of Retirement Benefit Obligations	(343)	(215)
Deferred tax on Remeasurement of the defined benefit obligations	99	63
Reserves	**228**	**343**

Movement of Reserves

Opening Balance	**343**	**188**
Statutory reserve	-	86
Net gain/(losses) transferred to income statement upon disposal	-	92
Net gain/(losses) from changes in fair value of AFS investments	(34)	(99)
Deferred tax on valuation of AFS portfolio	10	7
Net change in Fair value	**(24)**	**0**
Actuarial Gain (Loss) of Retirement Benefit Obligations	(128)	84
Deferred tax on Remeasurement of the defined benefit obligations	37	(15)
Net change from the remeasurment of the defined benefit obligations	**(91)**	**69**
Closing Balance	**228**	**343**

Note 30: Retained earnings

	2016	**2015**
	€' 000	€' 000
Opening balance	**4,837**	**4,106**
Dividends distributed	-	(900)
Statutory reserve for the year	-	(86)
Profit / (Loss) for the year	(880)	1,717
Closing balance	**3,957**	**4,837**

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

Note 31: 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 Bank for the financial years 2010, 2011, 2012, 2013, 2014, 2015 and 2016 and accordingly its tax obligations for those years may not be considered final. Additional taxes and penalties may be imposed as a result of such tax audits; although the amount cannot be reliably determined, it is not expected to have a material effect on the statement of financial position of the Bank.

The financial years 2011, 2012, 2013, 2014 and 2015 have been audited by its certified auditors, Deloitte Certified Public Accountants S.A., in accordance with article 82 of Law 2238/1994 and article 65A of law 4174/2013. The tax audit certificates for the years 2011, 2012, 2013, 2014 and 2015 were issued at 11.07.2012 at 26.09.2013, at 10.07.2014 at 29.09.2015 and 28.09.2016 respectively. For the financial year 2016 the audit from the certified auditor is underway and the relevant tax compliance report is expected to be granted after the publication of the financial statements of the year ended. If any additional tax liabilities arise after the completion of the tax audit, we estimate that they will not have significant effect on the financial statements.

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

Capital commitments

	2016	2015
	€' 000	€' 000
Unused credit facilities	5,502	-
Financial guarantees written	1,155	1,101
Total	**6,657**	**1,101**

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 € 87 thousand for 2016 (€ 92 thousand for 2015).
The minimum lease payments until the end of the lease period are as follows:

	2016	2015
	€' 000	€' 000
No later than 1 year	128	144
Later than 1 year and no later than 5 years	451	397
Later than 5 years	271	455
Total	**850**	**996**

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:

	2016	2015
	€' 000	€' 000
Participation of other banks in drawdowned syndicated loans	839,394	914,049
AB Bank's participation in drawdown syndicated loans	22,961	33,437
Total amount of drawdowned syndicated loans	**862,355**	**947,486**
Other banks participation in unused credit facilities of syndicated loans	4,506	-
AB Bank's participation in unused credit facilities of syndicated loans	712	-
Total amount of unused credit facilities of syndicated loans	**5,218**	**-**
Total amount of syndicated loans administrated with the participation of ABBank	**867,573**	**947,486**

Note 32: Events after the reporting period

There are no events after the reporting date requiring disclosure.

Note 33: Related party transactions

Related parties include shareholdes, general managers and their close relatives, companies owned or controlled by them and companies over which they can influence their financial and operating policies.
Main shareholders of the Bank are Costanus Limited, Mr. Theodore Afthonidis personally and Vealmont Limited which is controlled by Mr. Afthonidis.
All transactions with related parties are entered into the normal course of business and are conducted on an arm's length basis.

Outstanding balances and results of related transactions are as follows:

	2016 €' 000	2015 €' 000
Assets		
Loans and advances to customers	1,741	1,593
Total assets	**1,741**	**1,593**
Liabilities		
Due to customers	-	34
Total liabilities	**-**	**34**
Income		
Interest and similar income	65	60
Interest and commission income	2	5
Total income	**67**	**65**

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:

	2016 €' 000	2015 €' 000
Remuneration	1,244	1,242
Short Term employee and post-employment benefits	94	99
Total	**1,338**	**1,341**

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

Note 34: Independent auditor's fees

Deloitte Certified Public Accountants S.A. is our independent public accountant for the year ended 31 December 2016. The following table presents the fees for professional audit and other services rendered:

	2016 €' 000	2015 €' 000
Audit fees	65	76
Audit-related fees	20	27
Total	**85**	**103**