AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2017

June 2018

Table of Contents

Board of Directors' Annual Management Report
for the Financial Year 2017

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 2017, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU.

AB Bank is a Greek banking institution, specializing to date in the provision of 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, subsidiary or affiliated companies in Greece or abroad.

Overview

In 2017 global economic growth accelerated by 3.7% YoY, the highest rate since 2011, and economic performance was well spread among different countries, regions and sectors of activity. World industrial production grew by 2.8% YoY in the OECD countries, 6.5% in China and 3.0% in India whereas world trade of goods and services increased by 4.7% YoY, reversing the decelerating trend of the last three years. In the shipping markets, the improvement evidenced in the dry bulk and the containership sectors since the Second Half of 2016 continued through 2017, but freight rates and ship values in the crude oil and the products tanker sectors followed a downward trajectory. Equity prices recorded significant gains in the major stock markets while long term sovereign bond yields firmed marginally in Europe and somewhat softened in the USA, although the yields of shorter US maturities moved upwards, following the increasing USD interest rates.

The main macroeconomic and fiscal indicators of the Greek economy improved further in 2017, providing signs of slow but steady recovery. The Primary Budget Surplus exceeded 4.0% of GDP (2016: 4.0%) substantially over-performing, once more, the target set by the Greek Government and the country's creditors. GDP growth hovered at 1.4% (2016: -0.3%), a rate which, although standing below the government's projections, still comprises the strongest one in the last eleven years and the first time since 2007 that the Greek economy has had four consecutive quarters of growth. In the Greek banking sector, deleveraging continued also in 2017, albeit at a slower pace. Private credit declined by 0.8% YoY (2016: -1.5% YoY), mainly driven by a 2.3% decrease of households' credit (2016: -2.8%) whereas business credit increased by 0.4% YoY (2016: 0.0%) in response to the rising economic activity. At the same time, the stock of Non Performing Exposures presented a marginal reduction, remaining though at particularly high levels (44.6% of total loans). The banking system's liquidity improved materially in 2017, as private sector deposit increased by 4.5% YoY and the funds drawn from the Eurosystem and the Emergency Liquidity Assistance mechanism (ELA) declined by almost €33 billion or 45% YoY.

In 2017 ABBank strengthened its liquidity proportions and permanently disengaged from ELA funding. Total Assets increased by €11.9 million or 5.3% YoY, mainly as a result of a five-fold increase of the Bank's cash and liquid assets, from €16.6 million in 2016 to €84.2 million as of 31.12.2017. The prime contributor to liquidity was the deleveraging of the portfolio of Loans and Advances to Customers which declined by €55.9 million or 28.9% YoY and, secondarily, the improvement by €8.6 million or 7.0% YoY of customer deposit balances. The Bank's ratio of Non-Performing Exposures (NPEs) over Total Loans increased to 22.5% from 14.2% in 2016 (+8.3% YoY), a percentage increase which is not only attributable to the €4.4 million rise of the NPEs in absolute amounts but, mainly, to the scale of contraction of total loans. For a second year in the row, the Bank's revenues were negatively impacted by deleveraging. Net Income before Provisions and Tax dropped by €0.72 million YoY, forming a €0.29 million loss for 2017 (2016: €0.44 million profit). Following an annual loan loss provision charge of €1.06 million and deferred taxation, the net result of 2017 amounted to a €0.96 million Loss (2016: €0.88 million Loss). Nevertheless, the Bank's capital adequacy was strengthened further, with the CET-1 ratio standing at 41.6% on 31.12.2017 (2016: 37.4%).

Economic and Financial Environment

Global developments

In 2017 global economic performance was the strongest since the start of the current decade, not only in quantitative terms but also in qualitative ones. World GDP accelerated by 3.7% YoY (2016: 3.1%, 2015: 3.2%) and growth was broadly based among different countries and economic sectors. The growth of global trade of goods and services reversed its decelerating trajectory of the last three years, recording a 4.7% annual growth (2016: 1.9%; 2015: 2.7%; 2014: 3.8%) and same applies to global industrial production which marked a 3.3% YoY growth (2016: 0.6%).

In the Eurozone, economic recovery picked up the pace in 2017, recording a GDP growth of 2.4% YoY, from 1.8% in 2016. Substantially improved employment, higher industrial production, strengthened domestic demand, increasing bank credit to the private sector together with the continuing supportive monetary policy of the ECB, contributed to solid economic performance. Unemployment fell from 10.0% in 2016 to 9.1% in 2017 and industrial production grew by 2.8% YoY (2016: 1.2%). The ECB maintained its intervention interest rate at zero and the deposit rate to Central Banks at -0.40% whereas over €750 billion of assets were accumulated through its bonds purchases program, thus encouraging the provision of credit by banks to the real economy. In the US, GDP grew by 2.3% YoY from 1.5% in the previous year, with the growth effort being positively affected by higher consumer spending and increased private investment, especially during the first three quarters of the year, whereas in the last quarter of the year signs of growth fatigue came up and economic activity somewhat decelerated. Unemployment fell to 4.1% from 4.4% in 2016, industrial production rose by 2.0% YoY (2016: -0.9%) and the US Federal Reserve implemented the gradual departure from its long-served quantitative easing policy. The FED increased three times during the year its policy interest rates, by 0.75% in total, to the level of 1.5%, whereas from October onwards its assets/investments downsizing program commenced through lower amounts of reinvestments. Japanese economic growth accelerated by 1.8% YoY (2016: 0.9%) as a result of increased investment, consumption and exports activity. Japanese industrial production recorded a 4.8% YoY growth (2016: -0.2%), whereas the fiscal and monetary policies which the Japanese Government and the Central Bank of Japan commenced in the beginning of 2016 have, evidently, stimulated the economy. China's GDP growth rate improved to 6.9% from 6.7% in 2016, outperforming analysts' economic forecasts once more. Despite the shift of emphasis from industrial production and exports towards private consumption and services, Chinese industrial production grew by 6.5% YoY (2016: 6.0%) amidst tighter credit rules implemented by the Chinese government for the non-regulated sector's lending activities, in an effort to master credit over-expansion and the consequent credit risks.

For 2018, the expectations for world economic growth and global trade are generally positive, although in the first quarter of the year several geopolitical tensions, between the West and Russia, in the Middle East and in the Korean peninsula, together with the threat of a trade war between the USA and Europe as well as China, increased global economic uncertainties and tempered the initial optimism that the 2017 pace of growth will continue through the next year. Global GDP is expected to grow by 3.8% YoY, with the USA economy improving its rate to 2.9%, positively impacted by the corporate tax reform and the capital repatriation incentive scheme of the US Administration as well as the tightening monetary policy of the FED, which is expected to continue raising the benchmark interest rate towards 2.0% in 2018 and its policy of re-investing in a reducing fashion its income from bonds in new issues. Positive expectations for global economic growth are also encouraged by the recovering performance of certain developing economies of the Far East, the Latin America, India and the Eastern Europe. In the Eurozone, economic activity is projected to continue at a pace similar to that of 2017, if downside volatility is not abetted by geopolitical tensions, and if the competitiveness of the European economies is strengthened by continuing reforms in the labor market and inflation is brought closer to the levels sought for by the ECB (at around 2%, from 1.3% in 2017 and 1.1% in 2016). Towards those objectives, the ECB has announced the continuation of its expansionary monetary policy through 2018 and the prolongation of its asset repurchase program ("QE") until, at least, September 2018, scaling down however the amount of its monthly purchases to €30 billion from €60 billion in the previous year. Global trade growth in goods and services is projected to continue accelerating, at 4.4% in 2018 and 4.0% in 2019 (WTO forecast, April 2018).

The Greek Economy and the Greek Financial Environment

In 2017 Greece had its best economic performance since 2007, recording a GDP growth of 1.4% YoY (2016: -0.3%). Although the rate of growth achieved stands below the level budgeted by the government (of originally 2.3%, later revised at 2.0%) and the target set in the 3rd Program of Financial Assistance (1.6%), still it is only the second time in the last eleven years that economic activity recorded a positive annual result (after 2014 with +0.7%) and the first time during the same period that the economy had four consecutive quarters of expansion. In 2017 investment activity picked up, with the gross capital formation increasing by 14.9% YoY. Industrial production recorded a 4.1% annual growth (2016: 2.5%) whereas unemployment, although remaining the highest in the Eurozone, read 20.8% in December 2017, marking a 2.3% annual improvement (2016: 23.1%). Moreover, exports of goods and services improved by 13.5% YoY (2016: -6.1%) with the export of goods rising by 14.1% YoY (2016: -1.2%) and the export of services by 13.3%. Shipping and, primarily, tourism were the main contributors to improved exports of services as, in 2017, tourism arrivals stood 9.7% higher than in 2016 and tourism revenue increased by 11.0% YoY. As a result, the current account deficit was narrowed to -0.8% of GDP from -1.1% in 2016. On the other hand, such improvement was not enough to also reduce the country's trade deficit which was enhanced to -10.3% of GDP from -9.5% in 2016, whereas overall growth was also constrained by the poor improvement of private consumption (+0.1% YoY), and the once more declining public consumption (-0.3%).

Fiscal performance was also strong, with the Government Primary Surplus exceeding 4.0% of GDP (2016: 4.0%) for the second year in a row, outperforming for a third consecutive year the target of 1.75% set in the 3rd Program for 2017. Such outperformance was once more attributed to the better-than-expected revenue growth, even though a significant portion of the government's overdue obligations to the private sector was settled in the last quarter of 2017, having dropped to €2.4 billion on 31.12.2017 from €4.4 billion a year earlier. The increase in public revenue was assisted by 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 and the exclusion of certain geographical zones of the country from the lower VAT rates previously applicable. The containment, once again, of the Public Investment Program also contributed to the overall primary result.

The Greek banking system was stabilized further in 2017, through improved profitability and stronger liquidity. Pre-tax profits almost doubled in comparison to 2016 (€287 million Vs €148 million) and, according to the annual report of the Governor of the Bank of Greece, capital adequacy remained firm, with the average CET1 capital ratio hovering above 17%. Liquidity conditions also improved materially, as continuing deleveraging (private credit decreased by 0.8% YoY), improving levels of customer deposits (+4.5% YoY), sales of securities and increased access to the interbank money market, allowed banks to narrow their funding gap and reduce the financial assistance obtained from the Eurosystem (including the ELA mechanism) by approximately €33 billion or 45% YoY. The NPEs declined marginally in 2017, to 44.6% of total loans from 44.8% the year before and the NPEs Coverage Ratio (ratio of accumulated provisions over NPEs) remains at the strong level of approximately 50%. Nevertheless, the accumulated stock of NPEs still hovers at particularly high levels and the rationalization and reduction of the problem loan portfolios of Greek banks remain to the forefront of the progress required towards the viability and stability of the domestic financial system. To this end, the portfolios sale activity observed since the end of last year as well as the implementation by the government of the legislation for electronic real estate public auctions and the successful launch of such procedures since March 2018, are expected to facilitate drastically the rationalization and stabilization effort.

The completion of the 2nd Assessment under the 3rd Program in June 2017, although delayed by six months, proved pivotal for the improvement of the investment environment, the alleviation of economic uncertainties and the stabilization of the pace of economic growth in 2017. In July 2017, the credit rating of the Greek sovereign debt was upgraded by one notch, to the level of "B-", and the Hellenic Republic successfully issued a new five-year benchmark bond (tapping the markets for the first time after April 2014), raising €3.0 billion at a coupon of 4.375% p.a. In November 2017 Greece launched successfully a €25.5 billion debt swap, exchanging the strip of bonds issued under the PSI in 2013 (with maturities spanning between 2023 and 2024) with bonds of five longer effective fixed maturities spanning from 5 to 25 years and coupons ranging from 3.5% to 4.2% p.a. In December 2017, the 3rd Assessment under the Program was timely completed, confirming the satisfactory progress made by the Greek government in continuing implementing the reforms agreed, and in January 2018 the Eurogroup confirmed that the Euro Working Group has started the technical work on "the contingency mechanism in relation to the Greek GDP growth developments, as part of the medium term debt relief measures to be implemented, if required, after the successful conclusion of the program in August 2018". Finally, by March 2018 the rating agencies had upgraded once more the credit rating of the Greek sovereign debt by one notch, to "B", and the Hellenic Republic had successfully issued a new €3 billion seven-year bond, at a 3.5% annual coupon and an €1 billion 12-month Treasury Bill (the first such issuance since 2010) at 1.25% p.a. coupon.

It is clear that 2018 comprises a year of paramount importance for the Greek economy. Eight years since the culmination of the Greek debt crisis and the implementation of three consecutive programs of financial assistance, the third and last Program is scheduled for completion in August 2018, following a positive 4th and final Assessment due in June 2018. For 2018 the Greek Government has budgeted for a GDP growth of 2.5% (forecasted by IMF and OECD at 2.0%) and a Government Primary Surplus of 3.8% (against 3.5% targeted under the Program. The sharp progress evidenced in the implementation of the Program in 2017 and the satisfactory economic and fiscal performance achieved suggest that the Greek economy has firmly entered the recovery path and that there are increased possibilities of a successful conclusion of the Program by the scheduled date. Nevertheless, the pace of economic growth appears to still be vulnerable to external pressures that may be caused by developments in the international markets or geopolitical tensions. As a result, the epicenter of concerns has shifted from the successful completion of the 3rd Program, which is more or less considered as granted, to the longer term viability of the Greek economy and the sustainability of the Greek debt in the days after the completion of such and the consequent cease of the related financial support.

Developments in Shipping and Shipping Finance

Shipping Markets

In 2017, seaborne trade volumes increased by 3.9% (2016: 3.0%) recording the fastest rate of expansion in five years, while forecasts for 2018 suggest that trade will mark a healthy growth rate of ca. 3.5%. Dry bulk trade grew by 3.7% in 2017 (2016: 1.6%), and a 3% growth is projected for 2018. Container trade expanded by 5.4% in 2017 (2016: 4.4%) and is projected to grow robustly in 2018 at ca. 5%. Oil trade growth slowed in 2017 to an estimated 2.6% (2016: 4.2%) – a trend not expected to materially change in 2018. On the supply side, the tanker fleet grew by 4.8% YoY (2016: 6.0%), while the dry bulk and containership fleets increased by 3.0% and 3.8%, following subdued growth in 2016 of 2.2% and 1.2% respectively. The aforementioned dynamics resulted in bulk carrier and containership daily earnings soaring by 77% and 25%, respectively, in comparison to those of 2016, whereas tanker earnings dropped by 35% YoY.

The weakening in tanker earnings affected to a larger extent the crude oil tankers segment, in spite of a relatively healthy crude oil demand environment, demonstrating the extent to which the cumulative effect of two consecutive years of rapid supply growth has weighed on the market. Despite the current strong pace of crude tanker scrapping, the moderate fleet growth (below 3% for 2018 and 2019) and the support provided by the continuingly robust crude trade growth, the market will most likely take some time to alleviate the pressures from tonnage oversupply. The products carrier tanker segment is expected to recover earlier, given the better balances supply-demand equilibrium and the projected productivity of oil refineries worldwide.

Despite the significant improvement of bulker earnings, these still stand 38% lower than the 2000-2016 period average. With a bulk carrier orderbook still equivalent to just 10% of existing fleet capacity, and projections suggesting that fleet growth will remain soft in 2018/2019, there appears to be scope for further improvement in the bulker market balance, supported by a further rise in Chinese iron ore imports, growing Asian coal demand, and improved expansion in minor bulk trade. In the containership market, the gradual uplift from the bottom seen in 2016 is supported by improving fundamentals with robust short term prospects on the back of generally positive global economic conditions, manageable fleet growth (projected at 4.4% for 2018), subdued newbuilding contracting and historically low orderbook at 13% of the fleet.

With respect to newbuilding contracts, in 2017 activity increased on the previous year's historically lows, still remaining though at quite mild levels across all segments, with the installation of environmental equipment becoming an increasingly important factor in contracting decisions. Despite the aforesaid increase in contracting, the number of "active" shipyards is following a downward spiral, with less than 400 yards showing any orderbook. The big-3 shipbuilding nations of the Far East still dominate the market, accounting for 93% of all 2017 orders (50% thereof in China).

In 2017 secondhand ship sales and purchases reached record levels (93.1m dwt reported sold), driven by record sales of both bulkers and containerships, with secondhand price indices marking an almost 30% increase from their end 2016 level, reflecting improved market sentiment across these two sectors. Greek and Chinese owners continue to occupy the top spots as "net buyers" while German and Japanese owners those of the "net sellers". Demolition activity marked a 21% YoY decline but still remained historically elevated, with scrap prices rising in line with higher steel prices.

Looking ahead, it should be noted that as the shipping industry's regulatory environment has become increasingly stringent in recent years, environmental issues have gradually dominated the agenda of matters to be addressed ahead of the deadlines set by the various regulatory authorities. Nevertheless, the percentage of the global fleet that would meet the new regulations, either through the installation of scrubbers or through alternative fuel engines, is still projected to be in the single digits, thus raising concerns over the ability of the global refining industry to increase output of low sulfur fuel sufficiently to meet the expected increase in demand. Moreover, the shipping community will need to closely follow developments in the world political arena, as the potential introduction of tariffs by the US and China on a wide range of goods may pose the biggest threat to an otherwise overall positive outlook.

Shipping Finance

2017 was the year that saw the reactivation of the Greek systemic banks in shipping finance, following a nearly three year hiatus. According to preliminary data, all four portfolios show a 5% average increase. This is a respite for the middle tier shipping groups, which until recently found it difficult to secure bank debt and had to resort to alternative, but pricier, financing solutions. The renewed appetite in conjunction with the emergence of three new entrants in the Greek market, all targeting middle tier owners, has intensified competition and has put considerable pressure on loan pricing, without however resulting in a relaxation of other terms.

On the global scene, 2017 saw major European banks, the traditional source of the majority of shipping finance, reducing their exposure to the sector, further European bank and loan book sales processes being announced or executed and new providers, including banks, emerging, albeit with more limited capacity. The most important, global, ship finance providers are still caught in the complex web of enhanced and anticipated regulatory requirements and pressure to resolve their legacy portfolios.

Some European banks with a long history of ship finance have reduced their shipping portfolios or exited (or plan to exit) the sector, either through selling loans (at a discount), separating out or establishing entities for distressed loans and running down existing portfolios. This process continued in 2017. German lenders, who have been particularly active in managing their distressed portfolios in the last couple of years, are now left with the more challenging parts of the task. Lenders to the offshore sector, and in particular some large Scandinavian banks that over the years had built substantial exposure to this sector, are now actively preoccupied with dealing with the challenging offshore market conditions. The remaining traditional ship finance banks have continued to direct their lending to "top-tier" companies, causing margins offered to fall to levels not generally seen since before the financial crisis.

Despite alternative sources of finance, including Export Credit Agencies and leasing institutions, playing a higher profile role in recent years, and active banks' concerns about future regulation and the implication on capital requirements from stricter Basel rules, bilateral or syndicated debt still accounts for a majority of global ship finance; Bank debt is estimated at around $400bn, the majority of which is still held by European banks. Comparably the value of the shipping and offshore operating fleet and orderbook is estimated at around $1.2 trillion; about $975bn thereof referring to assets "on the water" and around $220bn to ships under construction.

Chinese leasing companies are estimated to have been involved in over 10% of transactions closed in 2017. There are around 50 Chinese leasing companies, with around 15 active internationally including those that are bank, yard and "other" affiliated. It is important to note that the more established leasing companies appear to have become more risk-conscious of late.

Overall, while more positive market conditions and sentiment are now starting to be seen in some shipping sectors, banks' legacy portfolios, sector-specific fortunes and enhanced regulatory requirements will determine the short term mode of growth of shipping finance.

ABBank Financial Results

In 2017, ABBank continued the deleveraging policy followed in the last two years, in its attempt to balance out the pressures exercised on its liquidity since 2015 and to minimize the funding obtained thereafter from the Emergency Liquidity Assistance mechanism (ELA) of the Eurosystem. The liquidity recovered from the contraction of its loans portfolio, allowed the Bank to permanently disengage from the ELA from June 2017 onwards and, together with the gradual increase of its customer deposits and its enhanced access to interbank deposits, to restore its regulatory Liquidity Coverage Ratio at levels comfortably exceeding the minimum required ones throughout the second half of 2017. Deleveraging has also had a positive impact to the Bank's already solid Capital Adequacy ratio, but a negative one to the Bank's profitability. As at 31.12.2017 the CET1 Capital Ratio of ABBank stood at 41.6% (2016: 37.4%) whereas for the FY-2017 the Bank recorded a Net Loss of €0.96 million (2016: €0.88 million Net Loss).

Significant Events for the FY2017

In September 2017 the Extraordinary General Meeting of the Shareholders approved a dividend distribution in the amount of €1.4 million, out of the Bank's Net Profits which had been carried forward in the Retained Earnings account of the Net Worth.

Statement of Financial Position and Profitability

On 31.12.2017 the Bank's Total Assets stood at €237.9 million, having increased by 5% YoY (31.12.2016: €220.0 million). Such increase was the net outcome of converse movements between the loans portfolio and the pool of liquid assets of the Bank, in accordance to the goal set to permanently disengage from the ELA and enhance liquidity, in both qualitative and quantitative terms.

In 2017 the portfolio of Loans and Advances to Customers decreased to € 137.7 million (2016: €193.6 million) i.e. by €55.9 million or 29% YoY. The contraction of the loan portfolio was the result of loan repayments and prepayments, while the granting of new credits during 2017 was limited. Nevertheless, the degree of reduction appearing in the Balance Sheet reflects also the 13.8% YoY weakening of the foreign exchange rate of the US Dollar against the Euro. Given that the Bank's loans portfolio largely consists of USD-denominated loans (89%), contraction in real terms was less than 20%, given that the USD-denominated loan balances decreased by 19.5% YoY and the EUR-denominated ones by only 3%.

Customers' deposit balances were stabilized in the first half of the year and gradually increased in the second half, to stand at €130.6 million as of 31.12.2017 (2016: €122.0 million) i.e. at 7% higher level YoY. Similarly to the Bank's loans, customer deposits largely comprise USD-denominated deposits (63% of total) which increased by 26% YoY. Hence, the overall improvement of customer deposit balances in real terms was much more extensive than that appearing in the Balance Sheet, if the EURO/USD FX rate effect was not taken into account. The development in the balances of loans and deposits outlined above, resulted in a materially upgraded Loans to Deposits Ratio of 112%, (gross, pre-provision basis), in comparison to 165% in 2016 and 237% in 2015. Finally, access to the local interbank market also improved further so that by the end of the year the Bank's balances Due to Banks amounted to € 14.2 million, from € 8.0 million the year before (+77%).

The liquidity recovered from the reduction of the loan portfolio as well as from the increased customer deposits and interbank borrowings allowed the Bank to cease resorting to the ELA since June 2017, and to increase its own portfolio of ECB eligible Bonds by € 22 million during the year and its cash balances (Cash in Hand, Balance with Central Bank and Due from Banks) by € 42 million YoY (from €16.3 million in 2016 to €58.8 million on 31.12.2017). Through the aforesaid ECB-eligible bonds, on 31.12.2017 the Bank was participating with €10 million in ECB's regular Medium Term Refinancing Operations (amount included in the aforementioned Due to Banks balances of 31.12.2017). Moreover, during the year, the Bank invested in €3.2 million of non-ECB eligible marketable securities (Greek corporate bonds) which were classified in the Available for Sale Securities portfolio, increasing such from €0.4 million in 2016 to €3.6 million as of 31.12.2017. As of the same date, the regulatory Liquidity Coverage Ratio ("LCR") of ABBank far exceeded the required minimum level (100% as of 1.1.2018) standing at 246% (2016: 34%).

With regards to the qualitative aspect of the Bank's loans portfolio, as at 31.12.2017 the Non-performing Loans (NPLs)[1] amounted to €20.3 million (2016: € 22.2 million), representing 13.9% of the Bank's total gross loan balances (2016: 11.02%), whereas Non-Performing Exposures (NPEs)[2] amounted to €32.7 million, or 22.4% of the total (2016: €28.4 million and 14.2%, respectively). In fact, the increase recorded in NPEs (€4.3 million) reflects the transferring into this category during 2017 of the loan exposure to one obligor. Notably, the percentage increase of the NPLs and the NPEs ratios reflects to a large extent the sharp decrease of the absolute amount of total loan exposures (denominator of the ratios) rather than the increase per se of the non-performing ones (nominator).

For the FY-2017 the Bank recorded a Net Loss of €0.95 million in the Income Statement, following a Net Loss of €0.88 million in the previous year. FY-2016 was the first loss-making year for ABBank after 2004, including FY-2011 at a pre-PSI impact level.

In 2017, Total Income amounted to €8.9 million, showing a marginal decrease of 2.4%, compared to 2016 (€9.1million). Net Interest Income (NII) amounted to €8.2 million (2016: €8.8 million) marking an annual reduction of 6.8%. Gross interest and similar income declined by 10.8% (€1.17 million) YoY, driven by a 12.2% annual fall of loans' interest income, given that the deleveraging policy followed by the Bank led to 18% lower average annual loan balances. The improvement by 28.9% YoY (€0.57 million lower YoY) of Interest Expense and Similar Charges, albeit significant, was sufficient to only alleviate the effect to NII from the aforesaid drop of gross interest income. The interest expense paid to the Eurosystem was almost minimized, to €0.08 million in 2017 from €0.86 million in 2016, due to the only occasional and in low amounts use of the ELA up until June 2017. The interest cost for customers' deposits increased by €0.14 million as a result of higher average annual deposits balances along with a slightly higher cost by 10bps.

Net Fee and Commission Income increased by 16.8% YoY, to €2.04 million, from €1.75 million in 2016. Commissions related to loans increased by €0.21 million YoY (+22.0%) mainly due to the higher commissions received for loan renewals and the arrangement of certain syndicated loans. Commissions not related to loans also grew by 5.8% YoY (+€59 thousand) with the prime contributor to the higher result being the commissions for money transfers which marked a 10.3% growth, reflecting also the impact from the alleviation of capital controls.

The net result from the Bank's transactions in derivatives and the securities portfolios amounted to a €1.37 million loss in 2017, against a €1.45 million loss in 2016. This loss is primarily attributed to the cost of derivative transactions (FX swaps and futures effected by the Bank in order to hedge its foreign exchange position in US Dollars) which stood at €1.61 million in 2017 (2016: €1.72 million) and secondarily to the marginally negative net result of the securities portfolios (-€35 thousand), whereas the profit from FX transactions with customers amounted to €0.27 million in 2017 (€0.26 million in 2016).

[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).

In 2017 the reduction of the Bank's average annual balances of interest-bearing assets by 9% YoY (due to the contraction of the loans portfolio) pushed Net Interest Margin (NIM) upwards to 3.75%, from 3.65% in 2016. Notably, should the above mentioned cost of hedging was included in NII, the Bank's Net Interest Margin would read 3.01% for 2017, compared to 2.94% for last year.

Total Operating Expenses (prior to the annual provision for loans impairment loss) amounted to €9.18 million in 2017, marking a 5.8% YoY increase (2016: €8.68 million).

Personnel Expenses increased by 8.8% YoY, containing a €0.38 million extraordinary cost for the termination of employment of some of its employees, although the increase of the average number of full time employees by 4 against the previous year also shifted upwards this category of expenses. At the end of 2017, the total number of Bank employees had increased to 81, from 76 on 31.12.2016. On the other hand General and Administrative Expenses stood 3.7% lower (-€0.10 million) in 2017 mainly due to higher VAT reversals (referring to the renewal of the Bank's core software licenses effected in 2016), and the lower contributions payable to the recovery arm of the Greek Deposits and Investments Guarantee Fund (TEKE). Depreciation charges also increased by 27% YoY (€0.12 million), incorporating the annual amortization of the cost of renewing the licenses of the Bank's software in 2016.

The annual provision charge for the impairment of Loans and Advances to Customers stood at €1.06 million in 2017, from €1.60 million in the prior year. On 31.12.2017 the cumulative balance of provisions for credit losses read €8.23 million (2016: €7.41 million), consisting exclusively of specific provisions, in accordance with the Bank's Impairments Policy under IAS 39. The amount of accumulated loan loss provisions represented 5.6% of the total gross loans balance of the Bank. As of the same date, the total gross balance of impaired loans stood at €29.0 million from €28.5 million the year before. Such balance did not include one NPL of €3.9 million which was repaid in full by February 2018 and no provision for impairment was calculated as at 31.12.2017. Out of the total amount of impaired loans noted above, €16.4 million (2016: €22.2 million) were in more than 90 days past due status (NPLs) and the remaining €12.6 million (2016: €6.3 million) comprised performing forborne exposures and other exposures evaluated as highly likely to incur a loss by their date of maturity. The NPLs component of the total impaired loans had a 29.5% coverage by the respective specific provisions amount (2016: 19.9%) and the remaining component (NPEs other than NPLs) had a 27.1% cover (2016: 47.5%), bringing the total impaired loans cover by provisions at 28.4% (2016: 26.0%).

Impact from the first time adoption of International Financial Reporting Standard (IFRS) 9 on Shareholders' Equity as of 1 January 2018

As of 1 January 2018, IFRS 9 "Financial Instruments" replaced the International Accounting Standard IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 introduces new requirements for the classification and measurement of financial instruments and the impairment of financial assets.

The IFRS 9 transition impact before tax as at 1 January 2018 on the Financial Statements of ABBank was estimated at €1.6 million of incremental impairment allowance for loan losses which on a net, after tax, basis is calculated to reduce the Shareholders' Equity of the Bank by €1.1 million.

ABBank has not adopted the regulatory transitional arrangements published by the EU (No 2017/2395) in December 2017, amending the regulation (EU) 575/2013 with the insertion of article 473a. Consequently, if the additional loan loss provisions calculated under IFRS 9 were taken into account on a fully loaded basis, the effect in the Bank's CET1 Ratio would be 0.21%, reducing such from 41.62% to 41.41%.

The above IFRS 9 impact estimates are based on the accounting policies, assumptions and judgments of the Bank, as determined to date, which will be finalized prior to the preparation of the financial statements for the year ending 31 December 2018, thus those estimates remaining subject to change in 2018. The final impact upon transition to IFRS 9 will be included in the 2018 Annual Financial Report. For more details, please also refer to Note 34.

Shareholders' Equity and Capital Adequacy

As at 31.12.2017, the accounting book value of the Bank's Shareholders' Equity declined to €90.1 million, from €92.4 million on 31.12.2016, reflecting the effect of the negative net result of FY-2017 as well as the dividends, in the amount of €1.4 million, distributed in September 2017.

The regulatory Shareholders' Equity of ABBank consists exclusively of Common Equity Tier-1 Capital (CET1) and amounts to €88.1 million (2016: €91.5 million). In 2017 the Bank's total Risk Weighted Assets decreased to €211.7 million, from €245.0 million last year, mainly due to the contraction of the Bank's loans portfolio. As a result, on 31.12.2017 the Bank's CET1 Ratio and Total Capital Adequacy Ratio increased to 41.62%, from 37.35% in 2016.

Details about Capital Adequacy and the calculation of the relevant ratios under both Pillar I and Pillar II of the banking regulatory framework are included in Note 4.7 of the Financial Statements.

Disclosures pursuant to Article 6 of Law 4374/2016

In the context of complying with the provisions of paragraph 4, Article 6 of Law 4374/2016 (Hellenic Government's Gazette A'50/1.4.2016) pertaining to the "Transparency in the relationship of credit institutions with media companies and sponsored persons or entities", ABBank is hereby disclosing information with regards to payments made to natural persons and/or legal entities in 2017. Specifically, during 2017 (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	€ 1,169.03
NATIONAL CENTER FOR BLOOD DONATION	€ 244.00
HOLY DIOCESE OF NEA IONIA & PHILADELPHIA	€ 1,262.46
GRAND TOTAL	**€ 2,675.49**

In compliance with the current legislative, tax and regulatory framework, with respect to the above payments the Bank paid in addition the amount of €374.65, 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 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 latter 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 as well as the last one which was consummated in April 2018. ABBank had successfully participated in the two similar exercises which were conducted by the Bank of Greece (BoG), with the assistance of specialist external advisors (BlackRock), 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 evaluated as a bank with sound capital solidity and was not required 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 2017 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 the lending activities, as well as in other banking activities that carry a risk of default by the Bank's counterparty, such as money market transactions, securities market transactions, 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 policies and 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 2014.

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

Market Risk

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

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

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 the value of 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 stabilization and improvement of the fiscal conditions in Greece and the growth prospects of the local economy, in conjunction with the Bank's solid capital adequacy and enhanced liquidity proportions provide improved grounds for future profitability and business growth. The main business goals of ABBank for 2018 are the following:

- To further develop its funding sources and maintain the sound liquidity proportions achieved in 2017;
- To grow its shipping loans portfolio through a selective credit expansion, while efficiently managing and reducing its non-performing exposures;
- To broaden its customer base as well as the range of its banking products and services, with emphasis in electronic corporate banking services;
- To gradually expand also in non-shipping sectors of corporate banking and trade finance by enhancing its partnerships with leading regional development banks with strong expertise in the field; and
- To make use of its solid capital adequacy and its widely acknowledged specialization in shipping finance in the fields of advisory, servicing and/or acquisition of shipping loan portfolios in need of rationalization;

Athens, 14 June 2018
The Chairman of the BoD

Konstantinos Hadjipanayotis

Independent Auditors’ Report

To the Shareholders of AEGEAN BALTIC BANK S.A.

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of AEGAN BALTIC BANK S.A. (the Bank), which comprise the statement of financial position as at 31 December 2017, 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.
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2017 and its performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (hereafter ”IFRS”), as endorsed by the European Union.

Basis for Opinion

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

Key Audit Matters

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

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the Key audit matter</th></tr>
<tr><td colspan="2">Allowance for loans and advances to customers</td></tr>
<tr><td>
Loans and advances to customers ("loans") for the Bank amounted to € 137,671 thous. as at 31 December 2017 compared to € 193,575 thous. as at 31 December 2016, net of Allowance for impairment losses amounting to € 8,232 thous. as at 31 December 2017, compared to € 7,409 thous. as at 31 December 2016.
Measurement of the allowance for impairment on loans is deemed a key audit matter as the determination of the assumptions used by Management in estimating the allowance is highly subjective due to the high degree of judgment applied by the Bank's Management (the "Management").
The Bank's Management establishes an allowance for impairment on loans for incurred credit losses on an individual basis.
The most significant judgements made by Management relates to the methodologies and policies selected, the net realizable value of collaterals as well as the assumptions of discounted cash flows used for the individually assessed loans. The collaterals net realizable value regarding vessels is determined by taking into account the following factors:

Current market value
Scrap value at the end of useful life
The historical correlation between charters and vessels' value
The percentage of vessels' potential refinancing

Management has provided further information about principles and accounting policies for determining the allowance for impairment losses on loans, management of credit risk and the review of impairment in Notes 2.8, 3 and 4.2 to the Notes to the financial statements.
</td><td>
Based on our risk assessment process, we evaluated the appropriateness of the methodologies and policies chosen by Management in relation to the allowance for impairment losses on loans.
The audit procedures we performed include, among others, the following:
We assessed the design and the implementation of internal controls relevant to the audit, including the internal controls over the significant assumptions, calculation and methodologies used.
We assessed the appropriateness of provisioning methodologies and policies selected by Management.
We tested the completeness of the identification of loans subjected to individual assessment in accordance with Bank's policy for impairment assessment.
For all loans individually assessed, we tested the appropriateness and reasonableness of significant assumptions for impairment charges, including the assumptions for cash flows and collaterals' net realizable value, and the exit strategies of the assessed loans.
</td></tr>
</table>

Other Information

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

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

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

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

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

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

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

Auditor’s Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

Report on Other Legal and Regulatory Requirements

1. Board of Director’s Report

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

a) In our opinion, the Board of Director’s report has been prepared in accordance with the applicable legal requirements of article 43a and 107a of Greek Codified Law 2190/1920 and its content is consistent with the accompanying financial statements for the year ended 31 December 2017.
b) Based on the knowledge we obtained during our audit of AEGEAN BALTIC BANK S.A. and its environment, we have not identified any material inconsistencies in the Board of Director’s Report.

2. Additional Report to the Audit Committee

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

3. Non-audit Services

We have not provided to the Bank any prohibited non-audit services referred to in Article 5 of EU Regulation 537/2014.

4. Appointment

We were appointed as statutory auditors for the first time by virtue of Bank’s articles of association at incorporation, which was approved based on 25/9/2002 decision of Prefecture of Athens. Our appointment has been, since then, uninterrupted renewed by the Annual General Assembly of shareholders of the Bank for 15 consecutive years.

Athens, 14 June 2018

The Certified Public Accountant

Michalis Karavas
Reg. No. SOEL: 13371
Deloitte Certified Public Accountants S.A.
3a Fragkoklissias & Granikou Str.
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 2017

June 2018

Income Statement

	Note	2017 €' 000	2016 €' 000
Interest and similar income		9,622	10,790
Interest expense and similar charges		(1,411)	(1,985)
Net interest income	5	8,211	8,805
Fee and commission income		2,238	1,969
Fee and commission expense		(195)	(219)
Net fee and commission income	6	2,043	1,750
Net result from derivatives and investment securities	7	(1,375)	(1,455)
Other operating income		15	17
Total income		**8,894**	**9,117**
Personnel expenses	8	(5,945)	(5,466)
General administrative expenses	9	(2,655)	(2,757)
Depreciation and amortization	10	(579)	(457)
Impairment losses on loans and advances	11	(1,056)	(1,614)
Profit/(Loss) before tax		**(1,342)**	**(1,177)**
Income Tax	12	384	297
Profit/(Loss) for the year		**(958)**	**(880)**
Attributable to:			
Equity holders of the Bank		(958)	(880)
Profit/(Loss) for the year		**(958)**	**(880)**

Athens, 14 June 2018

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

The notes on pages 25 to 61 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2017 €' 000	2016 €' 000
Profit /(Loss) for the year		**(958)**	**(880)**
<u>Other comprehensive income / (expense)</u>			
Items that may be reclassified subsequently to profit or loss			
Fair value reserve (Available for sale financial assets)	17	155	(34)
Related Tax	22	(45)	10
Total off items that may be reclassified subsequently to profit or loss		**110**	**(24)**
Items that will not be reclassified subsequently to profit or loss			
Actuarial Gain / (Loss) of Retirement Benefit Obligations	27	(12)	(128)
Related Tax	22	4	37
Total off items that will not be reclassified subsequently to profit or loss		**(8)**	**(91)**
Other comprehensive income / (expense) for the year, net of tax		**102**	**(115)**
Total comprehensive income / (expense) for the year		**(856)**	**(995)**
Attributable to:			
Equity holders of the Bank		(856)	(995)
Total recognized income / (expense) for the year		**(856)**	**(995)**

Athens, 14 June 2018

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

The notes on pages 25 to 61 are an integral part of these financial statements.

Statement of Financial Position

	Note	2017 €' 000	2016 €' 000
ASSETS			
Cash and balances with Central Bank	13	8,404	6,205
Due from banks	15	50,439	10,069
Loans and advances to customers	16	137,671	193,575
Investment securities – Available for sale	17	3,602	358
Financial assets at fair value through P&L	18	21,719	-
Derivative financial instruments	19	889	220
Intangible assets	20	915	875
Property and equipment	21	5,993	6,274
Other assets	23	8,264	8,421
Total assets		**237,896**	**225,997**
LIABILITIES			
Due to banks	24	14,194	8,001
Due to customers	25	130,592	122,024
Derivative financial instruments	19	38	298
Retirement benefit obligations	27	1,386	1,495
Deferred tax Liabilities	22	233	575
Other liabilities	26	1,338	1,232
Total liabilities		**147,781**	**133,625**
SHAREHOLDERS' EQUITY			
Share capital	28	37,980	37,980
Share premium	29	50,207	50,207
Reserves	30	329	228
Retained earnings	31	1,599	3,957
Total shareholders' equity		**90,115**	**92,372**
Total liabilities and equity		**237,896**	**225,997**

Athens, 14 June 2018

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

The notes on pages 25 to 61 are an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2016	**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**
Balance at 01.01.2017	**37,980**	**50,207**	**228**	**3,957**	**92,372**
Available for Sale reserve	-	-	109	-	109
Retirement Benefit Obligations	-	-	(8)	-	(8)
Profit for the year	-	-	-	(958)	(958)
Dividends paid	-	-	-	(1,400)	(1,400)
Balance at 31.12.2017	**37,980**	**50,207**	**329**	**1,599**	**90,115**

The notes on pages 25 to 61 are an integral part of these financial statements

Cash Flow Statement

	Note	2017 € ' 000	2016 € ' 000
Cash flows from operating activities			
Profit / (Loss) before tax		**(1,342)**	**(1,177)**
Adjustments for:			
Depreciation and amortization charges	10	579	457
(Gain) / Loss from write off of property & equipment		-	(1)
Impairment losses on loans and advances to customers	11	1,056	1,614
Provisions for retirement benefit obligations	27	105	97
Adjustment for Settlement/Termination loss/(gain)		(224)	-
(Gain) / Loss from sale of securities-available for sale	7	(79)	-
(Gain) / Loss from valuation of financial assets at fair value through P&L	7	38	-
Foreign exchange (profit) / loss on cash and cash equivalents		276	(139)
		409	**852**
Net (increase)/decrease in operating assets:			
Cash Collateral given for US Dollars provided through Eurosystem		-	13,384
Loans and advances to customers		54,848	38,938
Financial assets at fair value through P&L	18	(21,757)	-
Derivative financial assets		(669)	(88)
Other assets		157	(417)
Net increase/(decrease) in operating liabilities:			
Due to banks	24	6,193	(70,002)
Due to customers	25	8,568	20,514
Derivative financial liabilities		(260)	87
Other liabilities		106	(178)
Cash flow from operating activities before tax payment		47,595	3,090
Income tax paid		-	-
Net cash flow from / (for) operating activities		**47,595**	**3,090**
Cash flows from investing activities			
Acquisition of property and equipment	21	(82)	(78)
Acquisition of intangible assets	20	(257)	(907)
Acquisition of investment securities – available for sale	17	(8,289)	-
Proceeds from disposal of investment securities – available for sale	17	5,279	10
Net cash flow from / (for) investing activities		**(3,349)**	**(975)**
Cash flows from financing activities			
Dividends paid		(1,400)	-
Net cash flow from / (for) financing activities		**(1,400)**	**-**
Net increase / (decrease) in cash and cash equivalents		**42,846**	**2,115**
Cash and cash equivalents at beginning of period	14	**16,274**	**14,020**
Foreign exchange Gain /(Loss) on cash and cash equivalents		(276)	139
Cash and cash equivalents at end of period	14	**58,843**	**16,274**

The notes on pages 25 to 61 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.

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

The current BoD constituted in body on 18 Oktober 2017.

The composition of BoD as amended after the resignations and replacements of its members until 31.12.217 is as follows:

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

(*) On 18 Oktober 2017 the Board of Directors appointed Mr. Pertos Christodoulou and Mr Pedro Miguel Weiss as new non executive members in replacement of Mr. Stephane Daillencourt and Mr Uwe Seedorf, resigned at 18 September 2017 and 19 September 2017 respicivelly, for an equal term to the remaining term of the resigned member.

On 27 March 2018 the Board of Directors appointed Mr. Anastasios Tourkolias as new non executive member in replacement of Mr. Peter Salzer, resigned at 5 March 2018, for an equal term to the remaining term of the resigned member.

On 24 April 2018 the Board of Directors constituted in Body with the following composition:

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

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on 14 June 2018.

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 2017, there were no unendorsed standards effective for the year ended 31 December 2017, 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 2017 are prepared in accordance with IFRSs as issued by the IASB. The financial statements were prepared under the historical cost convention, as modified by the revaluation of available for sale investment securities, and all derivative contracts measured at fair value.

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

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

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

a) **Standards, interpretations and amendments to published standards effective in 2017**

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

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. This amendment had no significant impact on the Bank's financial statements.

b) **New standards, amendments and interpretations to existing standards, effective after 2017.**

- IFRS 9, "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7
(Effective for annual periods beginning on or after 1 January 2018) IFRS 9 "Financial instruments" includes the provisions concerning the classification and measurement of financial assets and financial liabilities, as well as the revised expected credit losses model that replaces the incurred loss impairment model used today. In addition to this, the standard includes the revised provisions relating to hedge accounting that align the accounting treatment of hedging relations with risk management activities. The Bank will fully implement IFRS 9 as at 1 January 2018, without restating the relevant comparatives and with all the required transitional disclosures being made. Please refer to the relevant IFRS 9 transitional disclosures in **Note 34.**

- 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. The new standard shall be applied to all contracts with customers, except those that are in scope of other standards, such as financial leases, insurance contracts and financial instruments. This standard is not expected to have significant impact on the Bank's financial statements.

- IFRS 15 (Amendment) Clarifications to IFRS 15 Revenue from Contracts with Customers
(Effective for annual periods beginning on or after 1 January 2018) 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. This amendment do 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.

-IFRIC 22 "Foreign currency transactions and advance consideration"
(Effective for annual periods beginning on or after 1 January 2018, not yet endorsed by EU) 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 interprentation is not expected to have any impact on the Bank's financial statements.

-IFRS 2 (Amendments) "Classification and measurement of Shared-based Payment transactions"
(Effective for annual periods beginning on or after 1 January 2018, not yet endorsed by EU) 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. These amendments are not expected to have any impact on the Bank's financial statements.

-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. These amendments are not expected to have any impact on the Bank's financial statements.

-IAS 40 (Amendments) "Transfers of Investment Property"
(Effective for annual periods beginning on or after 1 January 2018, not yet endorsed by EU) 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 These amendments are not expected to have any impact on the Bank's financial statements.

-IFRS 9 (Amendments) "Prepayment Features with Negative Compensation"
(effective for annual periods beginning on or after 1 January 2019 not yet endorsed by EU) The amendment allows companies to measure symmetrical options which include prepayable features with negative compensation at amortised cost or at fair value through other comprehensive income instead of at fair value through profit or loss.

-IAS 28 (Amendment) "Long-term interests in Associates and Joint Ventures"
(effective for annual periods beginning on or after 1 January 2019, not yet endorsed by EU). The amendment clarifies that companies account for long-term interests in an associate company or a joint venture—to which the equity method is not applied using IFRS9. The amendment is not expected to have significant impact on the Bank's financial statements.

IAS 19 (Amendment) "Employee benefits"
(effective for annual periods beginning on or after 1 January 2019) The amendment clarifies that if a plan amendment, curtailment or settlements occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. Furthermore, the amendment clarifies the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling. This amendment is not expected to have significant impact on the Bank's financial statements.

IFRIC 23 "Uncertainty over Income Tax Treatments"
(effective for annual periods beginning on or after 1 January 2019 not yet endorsed by EU) The interpretation aims to reduce diversity in how companies recognise and measure a tax liability or tax asset when there is uncertainty over income tax treatments regarding the determination of taxable profit (or tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

Annual Improvements to IFRSs 2014-2016

- 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.

Annual Improvements to IFRSs 2015 - 2017 (December 2017)

IFRS 3 (Amendment) "Business Combinations
(effective for annual periods beginning on or after 1 January 2019, not yet endorsed by EU). Theamendment clarifies that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business.

IFRS 11 (Amendment) "Joint Arrangements"
(effective for annual periods beginning on or after 1 January 2019 not yet endorsed by EU). The amendment clarifies that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

IAS 12 (Amendment) "Income taxes"
(effective for annual periods beginning on or after 1 January 2019 not yet endorsed by EU). The amendment clarifies that all income tax consequences on dividends (i.e. distribution of profits) should be recognized in the Consolidated Income Statement, regardless of how tax arises.

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 extremely high level of the Bank's Common Equity Tier 1 (CET1) ratio (exceeding 40%) (see note 4.7) and the high level of Liquidity Coverage Ratio (LCR) (246% at 31.12.2018).

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 mostly FX SWAPs and FX Futures. The FX Swaps and the FX Futures are purchased in ordre to hedge the currency risk of the open FX postion derived form Loans and Customer deposits in foreign currency.

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

2.10 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:

(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;

(b) members of key management personnel, their close family members and entities controlled or jointly controlled by the abovementioned persons;

(c) associates and joint ventures of the Bank; and

(d) fellow subsidiaries.

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

2.18 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 2017. 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 restructuring.
7	Vulnerable	Limit exposure / Maintain relationship subject to very strong collateral. Improve through preferably mild or distress restructuring
8	Substandard	Limit exposure / Restructure (distress) subject to very strong collateral and/or much stronger debt servicing potential
9	Doubtful	Restructure / Terminate relationship through liquidation. Enforce legal rights with the aim to avoid incurring loss.
10	Loss	Terminate relationship through liquidation. Enforce legal rights or restructure (forbearance) with the aim to limit loss.

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 2017 and 31 December 2016, 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.

	2017 €' 000	2016 €' 000
ASSETS		
Due from banks	50,439	10,069
Loans and advances to customers	137,671	193,575
Investment securities – available for sale	3,602	358
Financial assets at fair value through P&L	21,719	-
Derivative financial instruments	889	220
Other assets	8,264	8,421
Maximum exposure from assets	**222,584**	**212,643**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	1,563	5,502
Financial guarantees written	892	1,155
Maximum exposure from off balance sheet items	**2,456**	**6,657**

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

31.12.2017 (€' 000)	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Loans and advances	8,400	34,837	94,884	**138,121**
Total	**8,400**	**34,837**	**94,884**	**138,121**

31.12.2016 (€' 000)	Real estate collateral	Financial collateral	Other collateral / Vessels	**Total value of collateral**
Loans and advances	8,442	10,651	175,294	194,387
Total	**8,442**	**10,651**	**175,294**	**194,387**

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

31.12.2017 (€' 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	115,490	28,956	**144,446**	(8,232)	**136,215**	138,121
Other loans and advances	1,456	-	**1,456**	-	**1,456**	**-**
Total	**116,946**	**28,956**	**145,902**	**(8,232)**	**137,671**	138,121

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

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

31.12.2017 (€' 000)	Satisfactory risk	Watch list or substandard	Total neither past due nor impaired	Value of Collateral
Loans and advances to shipping corporations	99,594	15,896	115,490	112,330
Other loans and advances	250	1,205	1,456	-
Total	**99,844**	**17,102**	**116,946**	**112,330**

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**

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

	31/12/2017 (€' 000)		**31/12/2016 (€' 000)**	
	Loans and advances to shipping corporations	Total Impaired Loans	Loans and advances to shipping corporations	Total Impaired Loans
Performing	10,994	10,994	6,275	6,275
1-30 days	1,577	1,577	33	33
31-60 days	14	14	4	4
61-90 days	-	-	-	-
91-180 days	31	31	4,166	4,166
Past due over 180 days	16,340	16,340	18,001	18,001
Total	**28,956**	**28,956**	**28,480**	**28,480**

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

31.12.2017 (€' 000)	Interest Income on Neither past due nor impaired Loans	Interest Income on impaired Loans	Total interest income on loans
Loans and advances to shipping corporations	8,596	704	9,300
Other loans and advances	73		73
Total interest Income	**8,669**	**704**	**9,373**

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**

4.2.6.5 Movement of impaired loans and advances to customers

	2017 (€' 000)	2016 (€' 000)
	Loans and advances to shipping Corporations	Loans and advances to shipping Corporations
Gross opening balance 1.1	**28,480**	**28,131**
New impaired loans	7,348	292
Repayments	(156)	(533)
Transferred to neither past due nor impaired	(4,127)	-
Impaired L&As written-off	(347)	-
Foreign exchange differences and other movements	(2,241)	589
Gross balance as at 31.12	**28,956**	**28,480**
Impairment allowance (Balance)	(8,232)	(7,409)
Net balance as at 31.12	**20,724**	**21,071**

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 2017 and 2016.

Bond portfolios as at

		31.12.2017	(€' 000)
	Available For Sale	At Fair Value Through P&L	Total
A- till AAA	-	21,719	21,719
B- till BBB+	602	-	602
C- till CCC+	1,081	-	1,081
Unrated	1,919	-	1,919
Total interest Income	**3,602**	**21,719**	**25,321**

		31.12.2016	(€' 000)
	Available For Sale	At Fair Value Through P&L	Total
A- till AAA	-	-	**-**
B- till BBB+	50	-	**50**
C- till CCC+	308	-	**308**
Unrated	-	-	-
Total interest Income	**358**	**-**	**358**

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 31.12.2017

(€' 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	14,195	-	-	-	-	14,195
Due to customers	85,140	34,020	7,463	4,307	-	130,931
Derivatives financial instruments	38	-	-	-	-	38
Total on balance sheet	**99,373**	**34,020**	**7,463**	**4,307**	**-**	**145,164**
Off Balance sheet (Loan Commitments)	1,563	-	-	-		1,563
Total (On & Off Balance sheet)	**100,936**	**34,020**	**7,463**	**4,307**	**-**	**146,727**

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**

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 31.12.2017

(€' 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	8,404	-	-	-	-	-	**8,404**
Due from banks	50,439	-	-	-	-	-	**50,439**
Loans and advances to customers	64,227	81,690	8	382	-	(8,635)	**137,671**
Investment securities – available for sale	42	454	-	2,504	602	-	**3,602**
Financial assets at fair value through P&L	-	-	-	-	21,719	-	**21,719**
Other remaining assets	-	-	-	-	-	16,061	**16,061**
TOTAL ASSETS	**123,112**	**82,143**	**8**	**2,886**	**22,321**	**7,426**	**237,896**
LIABILITIES							
Due to banks	14,194	-	-	-	-	-	**14,194**
Due to customers	87,862	37,536	4,909	-	-	284	**130,592**
Other remaining liabilities	-	-	-	-	-	2,995	**2,995**
TOTAL LIABILITIES	**102,056**	**37,536**	**4,909**	**-**	**-**	**3,279**	**147,781**
Total interest sensitivity gap	**21,056**	**44,607**	**(4,901)**	**2,886**	**22,321**	**4,147**	**90,115**

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 31.12.2016

(€' 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**

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 2017 and 31 December 2016 respectively is as follows:

Foreign exchange position as at 31.12.2017

(€' 000)	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with Central Bank	269	8,110	25	8,404
Due from banks	12,894	35,093	2,452	50,439
Loans and advances to customers	133,149	4,522	-	137,671
Investment securities – available for sale	-	3,602	-	3,602
Financial assets at fair value through P&L	-	21,719	-	21,719
Other remaining assets	498	15,563	-	16,061
TOTAL ASSETS	**146,810**	**88,609**	**2,477**	**237,896**
LIABILITIES				
Due to banks	4,194	10,000	-	14,194
Due to customers	81,717	46,866	2,009	130,592
Other remaining liabilities	34	2,961	-	2,995
TOTAL LIABILITIES	**85,945**	**59,827**	**2,009**	**147,781**
Net balance sheet position	**60,865**	**28,782**	**468**	**90,115**
Off balance sheet net notional position	(60,907)	60,962	(55)	-
Total FX position	**(42)**	**89,744**	**413**	**90,115**

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 31.12.2016

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

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 2017 and 2016:

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 2017

(€' 000)	Level-1	Level-2	Level-3	**TOTAL**
ASSETS				
Investment securities – available for sale	3,602	-	-	**3,602**
Financial assets - fair value through P&L	21,719	-	-	**21,719**
Derivatives	614	275	-	**889**
TOTAL ASSETS	**25,935**	**275**	**-**	**26,210**
LIABILITIES				
Derivatives	-	38	-	**38**
TOTAL LIABILITIES	**-**	**38**	**-**	**38**

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**

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 2017 and 2016. The figures have been calculated using CRD IV rules.

	2017 €' 000	2016 €' 000
Tier I capital		
Share capital	37,980	37,980
Share premium	50,207	50,207
Retained earnings	1,599	3,957
Statutory reserve	623	623
Reserve from remeasurement of the defined benefit obligations	(252)	(243)
Available for sale reserve	(42)	(152)
	90,115	**92,372**
Regulatory adjustments on Tier I capital		
Less: intangible assets	(915)	(875)
Less : other adjustmens	(1,087)	-
Total regulatory adjustments on Tier I capital	**(2,002)**	**(875)**
Total Core Tier I capital	**88,113**	**91,497**
Risk weighted assets		
Risk weighted assets (credit risk)	182,135	224.994
Risk weighted assets (market risk)	11,178	-
Risk weighted assets (operational risk)	18,407	19.970
Total Risk Weighted Assets	**211,720**	**244,964**
Common Equity Tier 1 Ratio (CET1)	**41.62%**	**37.35%**
Tier 1 Ratio (T1)	**41.62%**	**37.35%**
CAD Ratio	**41.62%**	**37.35%**

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

	2017 €' 000	2016 €' 000
Interest and similar income		
Available for sale securities	79	17
Interest due from banks	84	4
Interest from loans and advances to customers	9,373	10,673
Other	85	96
Total Interest and similar income	**9,621**	**10,790**
Interest expense and similar charges		
Interest due to customers	(1,189)	(1,069)
Interest due to banks	(222)	(916)
Total Interest expense and similar charges	**(1,411)**	**(1,985)**
Net interest income	**8,210**	**8,805**

Note 6: Net fee and commission income

	2017 €' 000	2016 €' 000
Fee and commission income		
Loan origination fees and commissions	1,224	1,040
Funds transfers	971	881
Other	43	48
Total Fee and commission income	**2,238**	**1,969**
Fee and commission expense		
Banks	(121)	(122)
Central Bank	-	(63)
Other	(73)	(34)
Total Fee and commission expense	**(194)**	**(219)**
Net fee and commission income	**2,044**	**1,750**

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 2017 € 246 thousands (€ 155 thousands for 2016).

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

	2017 €' 000	2016 €' 000
Net results from foreign exchange contracts and derivatives	(1,416)	(1,455)
Net results from sale of available for sale financial assets	79	-
Net result from financial instruments at fair value through profit or loss	(38)	-
Net result from derivatives and investment securities	**(1,375)**	**(1,455)**

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

Note 8: Personnel expenses

	2017 €' 000	2016 €' 000
Wages and salaries	(4,525)	(4,072)
Social security contributions	(839)	(776)
Defined contribution plans	(124)	(126)
Defined benefit plans (see Note 27)	(105)	(97)
Other	(352)	(395)
Personnel expenses	**(5,945)**	**(5,466)**

The number of employees of the Bank at 31 December 2017 was 81 (76 as at 31 December 2016). The average number of employees for the period 1 January 2017 to 31 December 2017 was 78 (74 for the year 2016).

Note 9: General administrative expenses

	2017 €' 000	2016 €' 000
Rental expense for buildings	(86)	(87)
Rental expense for cars	(72)	(65)
Third party fees	(842)	(661)
IT expense	(459)	(426)
Telecommunication – mail expense	(112)	(141)
Promotion and advertising expense	(21)	(61)
Office material	(43)	(38)
Utilities	(103)	(100)
Taxes and duties	(312)	(468)
Maintenance and other related expenses	(72)	(56)
Subscription expenses	(42)	(35)
Contributions	(164)	(312)
Officers and directors insurance	(106)	(111)
Other general administrative expenses	(221)	(196)
General and administrative expenses	**(2,655)**	**(2,757)**

Note 10: Depreciation and amortization

	2017 €' 000	2016 €' 000
Property and equipment	(362)	(350)
Intangible assets	(217)	(107)
Depreciation and amortization	**(579)**	**(457)**

Note 11: Impairment losses on loans and advances

Impairment losses on loans and advances movement:

	2017 €' 000	2016 €' 000
Balance as at 1 January	**(7,409)**	**(5,795)**
Impairment losses on loans and advances for the year	(1,776)	(1,577)
Amounts recovered	215	53
Effect of foreign currency movements	505	(90)
Impairment losses on loans and advances charged in Income Statement	**(1,056)**	**(1,614)**
Loans written off	233	-
Balance as at 31 December	**(8,232)**	**(7,409)**

Note 12: Income tax

	2017 €' 000	2016 €' 000
Income tax for the year	-	-
Deferred income tax	384	297
Income tax	**384**	**297**

The calculation of the income tax expense is as follows:

Profit / (Loss) before tax	**(1,342)**	**(1,177)**
Tax calculation at 29%	389	341
Non tax deductible expenses	(15)	(13)
Impact of tax change rate on Deferred Tax	-	-
Other	10	(31)
Income tax	**384**	**297**

The corporate tax rate is 29% for both years 2017 and 2016.
Further information concerning the income tax contingent liabilities is presented in Note 32.
According to Greek tax legislation, losses can be carried forward and off-set against future gains over the next 5 years. There amount of tax loss carried forward by the Bank at 31.12.2017 is €1.364 thousands (€ 425th at 31.12.2016).
Further information concerning deferred tax is presented in Note 22.

Note 13: Cash and balances with Central Bank

	2017 €' 000	2016 €' 000
Cash on hand	743	982
Balance with Central Bank	7,661	5,223
Cash and balances with Central Bank	**8,404**	**6,205**

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

BoG requires all banks established in Greece to maintain deposits with BoG equal to 1% of total customer deposits as these are defined by the European Central Bank. From 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB (0.00% at 31.12.2017). It is at the Bank's discretion to withdraw the total amount of the balance with Central Bank under the condition that the average balance during the period (month) will not be less than the minimum required amount.

Note 14: Cash and cash equivalents

	2017 €' 000	2016 €' 000
Cash on hand	743	982
Non-restricted placements with Central Bank	7,661	5,223
Short-term balances due from banks	50,439	10,069
Cash and cash equivalents	**58,843**	**16,274**

Note 15: Due from banks

	2017 €' 000	2016 €' 000
Current accounts	13,432	10,069
MM Placements	37,007	-
Due from banks	**50,439**	**10,069**

Note 16: Loans and advances to customers

	2017 €' 000	2016 €' 000
Loans and advances to shipping corporations at amortized cost	136,215	191,561
Other loans and advances	1,456	2,014
Loans and advances to customers	**137,671**	**193,575**

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

Loans and advances to customers are analyzed:

	2017 €'000		
	Gross amount	Impairment allowance	Net amount
Loans and advances to shipping corporations at amortized cost	144,447	(8,232)	136,215
Other loans and advances	1,456	-	1,456
Loans and advances to customers	**145,903**	**(8,232)**	**137,671**

	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**

Note 17: Investment securities – Available for sale

Analysis per Issuer

	2017 €' 000	2016 €' 000
Banks – Financial institutions	454	308
Corporate	3,148	50
Investment securities – Available for sale	**3,602**	**358**

Movement for the year:

Balance as 1 January	**358**	**402**
Additions	8,289	-
Sales and redemptions	(5,200)	(10)
Profit / (Loss) from changes in fair value	155	(34)
Balance as 31 December	**3,602**	**358**

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

Note 18: Financial assets at fair value through P&L

Analysis per Issuer

	2017 €' 000	2016 €' 000
European Governments	21,719	-
Financial assets at fair value through P&L - Total	**21,719**	**-**

Movement for the year:

Balance as 1 January	**-**	**-**
Additions	21,757	-
Profit / (Loss) from changes in fair value	(38)	-
Balance as 31 December	**21,719**	**-**

Note 19: Derivative financial instruments

	31.12.2017(€' 000)			31.12.2016 (€' 000)		
	Nominal	Fair value		Nominal	Fair value	
	value	Assets	Liabilities	value	Assets	Liabilities
FX swaps / forwards	17,048	261	38	134,409	213	298
Warrant Linked to Greek GDP	2,835	14	-	2,835	7	-
Future FX	27,250	401	-	-	-	-
Future Bunds	21,761	213	-	-	-	-
Derivative financial instruments	**68,894**	**889**	**38**	**137,244**	**220**	**298**

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 and FX futures referred above are effective economic hedges.

Note 20: Intangible assets

	2017	2016
Cost:	€' 000	€' 000
Opening balance as at 1 January	2,765	1,858
Additions	257	907
Closing balance as at 31 December	**3,022**	**2,765**
Accumulated amortization:		
Opening balance as at 1 January	1,891	1,785
Amortization	217	106
Closing balance as at 31 December	**2,108**	**1,891**
Net book value:		
Opening net book value as at 1 January	**875**	**73**
Closing net book value as at 31 December	**915**	**875**

Intangible assets include only software.

Note 21: Property and equipment

Property and equipment as at 31.12.2017

(€' 000)	Land	Building	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Total
Cost:							
Opening balance as at 1.1.2017	1,051	4,853	341	15	877	1,115	8,252
Additions	-	-	-	-	57	25	82
Disposals and Write offs	-	-	-	-	-		-
Closing balance as at 31.12.2017	**1,051**	**4,853**	**341**	**15**	**934**	**1,140**	**8,334**
Accumulated depreciation:							
Opening balance as at 1.1.2017	-	440	86	15	567	870	1,978
Depreciation	-	214	27	-	46	76	363
Disposals and Write offs	-	-	-	-	-	-	-
Closing balance as at 31.12.2017	**-**	**654**	**113**	**15**	**613**	**946**	**2,341**
Net book value:							
Closing net book value as at 31.12.2017	**1,051**	**4,199**	**228**	**-**	**321**	**194**	**5,993**

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**

No property and equipment has been pledged as collateral.

Note 22: Deferred tax assets / liabilities

Deferred tax assets	**2017** €' 000	**2016** €' 000
Loans and advances to customers	117	174
Defined benefits obligations	403	434
Derivatives and financial instruments	(100)	85
Greek Government Bonds (PSI)	1,549	1,614
Other temporary differences	587	213
Total Deferred tax assets	2,556	2,520
Deferred tax liabilities		
Loans and advances to customers	2,788	3,095
Total Deferred tax Liabilities	2,788	3,095
Net Deferred tax (Liabilities)	**(232)**	**(575)**

Movement of temporary differences during the year 2017:

	Balance as at 1/1/2017	Recognized through income statement 2017	Recognized through equity 2017	Balance as at 31/12/2017
Loans and advances to customers	(2,920)	249	-	(2,671)
Defined benefits obligations	434	(35)	4	403
Derivatives and investment Securities	85	(140)	(45)	(100)
Greek Government Bonds (PSI)	1,613	(65)	-	1,549
Other temporary differences	213	374	-	587
Total	**(575)**	**384**	**(41)**	**(232)**

Movement of temporary differences during the year 2016:

	Balance as at 1/1/2016	Recognized through income statement 2016	Recognized through equity 2016	Balance as at 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)**

Note 23: Other assets

	2017	2016
	€' 000	€' 000
Accrued income	1	1
Prepaid expenses	230	261
Hellenic Deposit and Investment Guarantee Fund	6,757	6,678
Tax prepayments and other recoverable taxes	532	752
Other receivables	744	729
Other assets	**8,264**	**8,421**

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 24: Due to banks

	2017	2016
	€' 000	€' 000
Amounts due to Central Bank	10,000	-
Time deposits from credit institutions	4,194	8,001
Due to banks	**14,194**	**8,001**

Note 25: Due to customers

	2017	2016
	€' 000	€' 000
Sight deposits	63,561	48,931
Term deposits	66,747	72,745
Other	284	348
Due to customers	**130,592**	**122,024**

Due to customers include blocked deposits of:

	2017	2016
	€' 000	€' 000
Blocked deposits for the issuance of Guarantee Letters	866	1,269
Blocked deposits for loans granted	19,990	10,651
Total	**20,856**	**11,920**

The only concentration relates to deposits of five (5) customers that represent approximately 37% of the amounts due to customers (€ 48 Million out of € 130 Million). In 2016 five (5) customers represented approximately 34% of the amounts due to customers (€ 41 Million out of € 122 Million).

Note 26: Other liabilities

	2017	2016
	€' 000	€' 000
Taxes – duties (other than income tax)	294	360
Amounts due to social security funds	205	184
Accrued expenses and deferred income	404	363
Suppliers	261	113
Hellenic Deposit and Investment Guarantee Fund	53	125
Other payables	121	88
Other liabilities	**1,338**	**1,233**

Note 27: Retirement benefit obligations

Defined benefit plans

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

The amount differs according to the salary of the employees and the years of their employment up to the date of retirement. In the event that an employee voluntarily leaves, there is no similar liability. This one-off payment meets the definition of a defined benefit plan and at 31 December 2017 the present value of the liability amounted to €1,386 thousand (in 2016 € 1,495 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.

	2017 €' 000	2016 €' 000
Amounts recognized in the Statement of Financial Position (SOFP)		
Present value of obligations	1,386	1,495
Net Liability in SOFP	**1,386**	**1,495**
Amounts recognized in the Income Statement		
Service cost	84	72
Net interest on the net defined benefit liability	21	25
Regular P&L Charge	**105**	**97**
Settlement/Curtailment/Termination loss/(gain)	377	-
Total P&L Charge	**482**	**97**
Reconciliation of benefit obligation		
DBO at start of period	1,495	1,270
Service cost	84	72
Interest cost	21	25
Benefits paid directly by the Company	(603)	-
Settlement/Curtailment/Termination loss/(gain)	377	-
Actuarial (gain)/loss - financial assumptions	(17)	115
Actuarial (gain)/loss - demographic assumptions	-	-
Actuarial (gain)/loss - experience	29	12
DBO at end of period	**1,386**	**1,495**
Remeasurements		
Liability gain/(loss) due to changes in assumptions	17	(115)
Liability experience gain/(loss) arising during the year	(29)	(12)
Total actuarial gain/(loss) recognized in OCI	**(12)**	**(127)**
Other adjustments recognized in OCI		
Total amount recognized in OCI over the period	**(12)**	**(127)**
Movements in Net Liability in SOFP		
Net Liability in SOFP at the beginning of the period	**1,495**	**1,270**
Benefits paid directly	(603)	-
Total expense recognized in the income statement	482	97
Total amount recognized in the OCI	12	127
Net Liability in SOFP	**1,386**	**1,495**
Cash flows		
Expected benefits paid by the plan for next financial year	530	636

Assumptions		
Discount rate	1.66%	1.77%
Price inflation	1.75%	1.75%
Rate of compensation increase	2.75%	2.75%
Plan duration	11.17	10.33

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

	2017	**2016**	**2015**	**2014**	**2013**	**2012**
	€' 000	€' 000	€' 000	€' 000	€' 000	€' 000
Present value of obligations	**1,386**	1,495	1,270	1,253	922	1,024
Total obligation	**1,386**	**1,495**	**1,270**	**1,253**	**922**	**1,024**

Sensitivity analysis

• If the discount rate used were 0.5% higher (2.16% p.a. rather than 1.66% p.a.), then the DBO would be lower by about 5.07%.
• If the discount rate used were 0.5% lower (1.16% p.a. rather than 1.66% p.a.) then the DBO would be higher by about 5.62%.

Note 28: Share capital

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

	31.12.2017			**31.12.2016**		
	Number of Shares	Nominal Value	Share Capital	Number of Shares	Nominal Value	Share Capital
Opening balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000
Issue of new shares	-	-	-	-	-	-
Closing balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000

Note 29: Share premium

	2017	**2016**
	€' 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 30: Reserves

	2017	**2016**
	€' 000	€' 000
Statutory reserve	623	623
Valuation of available for sale portfolio	(59)	(214)
Deferred tax on valuation of AFS portfolio	17	62
Actuarial Gain (Loss) of Retirement Benefit Obligations	(355)	(343)
Deferred tax on Remeasurement of the defined benefit obligations	103	99
Reserves	**330**	**228**

Movement of Reserves

	2017 €' 000	2016 €' 000
Opening Balance	**228**	**343**
Net gain/(losses) from changes in fair value of AFS investments	155	(34)
Deferred tax on valuation of AFS portfolio	(45)	10
Net change in Fair value	**110**	**(24)**
Actuarial Gain (Loss) of Retirement Benefit Obligations	(12)	(128)
Deferred tax on Remeasurement of the defined benefit obligations	4	37
Net change from the remeasurment of the defined benefit obligations	**(8)**	**(91)**
Closing Balance	**330**	**228**

Note 31: Retained earnings

	2017 €' 000	2016 €' 000
Opening balance	**3,957**	**4,837**
Dividends distributed	(1,400)	-
Profit / (Loss) for the year	(958)	(880)
Closing balance	**1,599**	**3,957**

The Extraordinary General Meeting of the Shareholders of the Bank dated 4 September 2017 decided the distribution of dividends, in the amount of €1.4 Million, out of the Bank's Net Profits having been carried forward.

Note 32: Contingent liabilities and commitments

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

Tax issues
The Bank has been audited by the tax authorities for the financial years up to and including 2009 while the financial year 2010 remains unaudited by the tax authorities. For the financial year 2010, it is expected that no additional taxes and penalties can be imposed based on the legislative framework with respect to the expiration of the time limitation period of the Greek State's right to impose additional taxes and penalties as of 31.12.2017.

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

For the financial year 2011, the Greek State's right for income tax corrective assessments has been time-barred as of 31.12.2017. As mentioned above, the Bank has received tax audit certificates with no qualifications for the financial years 2012 and 2013. These years are considered as closed due to the elapsing of the 18-month limitation period from the date of the tax audit certificate posting.

Following the 1680/2018 minute of the Hellenic State Legal Council, which has been accepted by the Governor of the Independent Public Revenue Authority, it is reasoned that financial years 2012 and 2013 with regards to tax audits cannot be deemed as closed until the issue is finally resolved by the Hellenic Council of State.

The financial years 2014, 2015 and 2016, have been audited by the Bank's statutory auditor in accordance with article 65A of law 4174/2013. The relevant tax audit certificates were issued with no qualifications at 29.09.2015 at 28.09.2016 and at 23.10.2017 respectively. For the financial year 2017 the audit from the statutory auditor is in progress 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 for the financial years 2014 onwards, there is no exception from tax audit by the tax authorities to those entities that have been tax audited by the statutory auditor and its tax audit certificate was unqualified. Therefore, the tax authorities may re-audit the tax books.

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

Capital commitments

	2017 €' 000	2016 €' 000
Unused credit facilities	1,563	5,502
Financial guarantees written	892	1,155
Total	**2,456**	**6,657**

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 € 86 thousand for 2017 (€ 87 thousand for 2016).
The minimum lease payments until the end of the lease period are as follows:

	2017 €' 000	2016 €' 000
No later than 1 year	150	128
Later than 1 year and no later than 5 years	492	451
Later than 5 years	255	271
Total	**897**	**850**

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:

	2017 €' 000	2016 €' 000
Participation of other banks in drawdowned syndicated loans	718,137	839,394
AB Bank's participation in drawdown syndicated loans	26,551	22,961
Total amount of drawdowned syndicated loans	**744,688**	**862,355**
Other banks participation in unused credit facilities of syndicated loans	4,690	4,506
AB Bank's participation in unused credit facilities of syndicated loans	1,563	712
Total amount of unused credit facilities of syndicated loans	**6,253**	**5,218**
Total amount of syndicated loans administrated with the participation of ABBank	**750,941**	**867,573**

Note 33: Events after the reporting period

There are no events after the reporting date requiring disclosure.

Note 34: IFRS 9 Transition disclosures

On 1st of January 2018, the Bank implemented the requirements of IFRS 9 'Financial Instruments'. These Transitional Disclosures to IFRS 9 'Financial Instruments' provide information relevant to understanding the impact of the new accounting standard on ABBank's financial position as at 1 January 2018.

The Transitional Disclosures provide context for changes in the recognition of credit losses, changes in the classification and measurement of financial instruments on the Bank's Statement of Financial Position and the resulting impact on regulatory capital.

ABBank has not early adopted IFRS 9 and as a result, the first yearly financial statements under IFRS 9 will be for the Year ending 31 Deceber 2018.

34.1 IFRS 9 Implementation Program

The new accounting standard IFRS 9 will replace IAS 39 for annual periods on or after 1 January 2018, which impose fundamental changes in the way financial instruments are classified and measured. For the application of the new standard, the Bank has launched an Implementation Program, which is implemented by the Risk and Financial Management of the Bank in colabotarion with external advisors.

The Bank has completed the asset classification procedures, the impairment process and the creation of credit risk calculation models, as well as the procedures for adapting information systems to meet the requirements of the new framework for calculating the expected loss.

The Bank implements methodological approaches and has implemented almost all of the Solely Payments of Principals and Interest tests, as well as the determination of the classification and measurement criteria. It has also initiated the update and development of the required documentation on the level of policies, procedures and methodologies that will follow in view of the application of IFRS 9.

34.2 Amendments to accounting policies due to IFRS 9 implementation

Classification and measurement

Under the new framework of IFRS 9, the classification of assets defines how existing information is reflected in the financial statements. In particular, the valuation method and the impairment calculation are defined by this classification, which should be based on criteria established by the Bank.

Procedure for classifying financial assets

The Bank recognizes a financial asset or liability in its financial statements at the time of the creation of the contractual claim or liability arising from the item (that is, the day the transaction took place). In recognition, the Bank determines the business model to which it belongs.

The financial assets are classified in three categories:

- *Financial assets measured at amortized cost (AC):* This category classifies each asset or group of assets for which the Bank's business model constitutes its holding for the purpose of collecting contractual cash. The possible sale of financial assets should not be the result of business planning for their management.
- *Financial assets measured at Fair Value through Other Comprehensive Income (FVOCI), that are reclassified at Fair Value through Income Statement on de-recognition:* Profits or losses arising from the measurement are recorded in a separate equity account. This category classifies each asset or group of assets for which the Bank's business model recommends that it be held for the purpose of collecting contractual cash flows and selling them when the strategic planning of their acquisition has been achieved.

  In order to classify assets in the above categories, contractual cash flows should consist solely of payments of principal and interest (SPPIs). The audit must be carried out in groups of assets with similar characteristics in determining the interest rate and contractual obligations. Where necessary, the audit is carried out for individual assets (interest rates whose adjustment is linked to other products or the occurrence of an event, hybrid products, syndicated loans, etc.)

– *Financial assets measured at Fair Value through Profit or Loss (FVTPL): This category classifies items that do not meet the SPPI criterion as well as the items that the Bank holds for trading.*

Their classification depends primarily on the following two important factors:

- The Bank's business model for these assets.
- The characteristics of the contractual cash flows of the asset.

Measurement of financial assets

The Bank measures its assets at fair value on initial recognition. Assets classified at fair value through profit or loss are valued at their transaction price. Assets classified at amortized cost, any transaction costs, or creation costs are included in their transaction price at their measurement. In the event that the Bank considers that the fair value on initial recognition differs from the transaction price, the difference is recognized as a gain or loss on initial recognition but only if the fair value is based on a requested active market price for identical assets or is based on a valuation technique using data solely from identified markets. In all other cases the fair value is adjusted to the amount of the transaction price.

Assessment of the SPPI condition (assessment of contractual cash flows solely in capital and interest payments)

In 2017, the Bank conducted an assessment of business model applied to the portfolios and carried out a detailed assessment of the contractual terms in the debt securities portfolio on a sample basis, carrying on to cover the entire portfolio, in order to identify possible changes in their classification and measurement. For the most part, the Bank's debt portfolio complies with the "SPPI" condition. Consequently, based on the existing business models as at 31 December 2017, the Bank expects:

- Due from banks and loans and advances to customers that are measured at amortized cost in accordance with IAS 39 will continue to be measured at amortized cost in accordance with IFRS 9;
- Bonds that are classified as available-for-sale in accordance with IAS 39 will be classified according to their business model at their fair value through other comprehensive income directly in equity;
- Bond that under IAS 39 are measured at fair value through profit or loss, will continue to be measured at fair value through profit or loss in accordance with IFRS 9; and
- Derivative financial assets that, according to IAS 39, are measured at fair value through profit or loss, will be classified as measured at fair value through profit or loss in accordance with IFRS 9;

Individual Assessment

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

Classification of loans into stages based on credit risk (Staging)

The Bank has introduced a number of criteria for the classification of financial assets in stages. These criteria are intended to check whether there has been a significant deterioration in the credit quality of financial assets since their creation. Essentially, the Bank examines:

- days past due,
- if there has been a significant downgrade of the credit rating of the assets,
- qualitative parameters indicating a change in credit quality (eg, dealing with financial difficulties).

If a significant increase in the financial asset is identified from the date of its creation, it will be classified in stage 2. Stage 3 will classify the non-performing exposures and those items that have been impaired. Movement of assets in earlier stages will take place once the criteria that have led to their inclusion in Stages 2 and 3 have ceased to apply.

Calculation of Expected Credit Loss ('ECL')

The measurement of expected credit losses differs from their previous calculation under IAS 39, given that the assets classified in Stages 2 and 3 take into account their overall life span. Moreover, the expected credit losses will be weighted on the basis of three macroeconomic scenarios (adverse, basic, favorable). Consequently, measurement requires the use of complex models and assumptions about macroeconomic conditions.

Expected Credit Losses are defined as an estimate of credit losses that the Bank would expect to experience over the period defined by the stage allocation of the exposure. A credit loss is the difference between the cash flows that are due to the Bank in accordance with the contractual terms of a lending exposure and the cash flows that the Bank expects to receive discounted at the original effective interest rate (EIR) of the same instrument.

ECL measurement per stage

In compliance with the impairment requirement under IFRS 9, the Bank assesses the expected credit losses for each of the lending exposures. The time horizon over which the ECL is assessed depends on the stage where each lending exposure has been allocated to. As mentioned in chapter 2, the unit responsible for the calculation of the ECL for each credit exposure is the Credit Risk Management Division ("CRMD").

Stage 1

Exposures that display neither significant increases in credit risk nor indications of impairment, and thus are classified in Stage 1, have their expected credit losses measured within a 12month time period. As part of the assessment process, CRMD initially determines whether there are reasonable expectations that they will incur losses within the 12month timeframe. CRMD is able to make that determination by accounting for the expected cash flows of the borrower and the borrower's debt obligation over a period of twelve (12) months. If the borrowers' expected cash flows are sufficient to cover the debt obligations during the reporting period, CRMD calculates 12month ECL based on loss rates derived from historical data. On the contrary, should a borrower's debt obligations at the end of the reporting period be greater than his expected cash flows, then CRMD calculates expected credit losses by comparing the exposure amount outstanding to the expected cash flows during the 12month period, considering also the cash flows from the liquidation of the collateral.

Stage 2

Exposures that display significantly increased credit risk (SICR), yet do not have any indications of impairment, are classified at Stage 2. As such, CRMD calculates their lifetime expected credit losses through the "Going Concern" methodology, since these borrowers have continuing business activity for a period up to the loan maturity. If the borrowers' expected cash flows are sufficient to cover the debt obligations during the reporting period, CRMD calculates lifetime ECL based on loss rates derived from historical data.

Stage 3

Exposures that display objective evidence of impairment have their impairment losses measured through the calculation of Lifetime ECL. The particular methodology that is appropriate for each borrower is mainly dependent on whether the borrower's business remains operational or not, at the time of the calculation and in the near future. If the borrowers' expected cash flows are sufficient to cover the debt obligations at the end of the reporting period, CRMD calculates lifetime ECL based on loss rates derived from historical data.

Impairment and Calculation of Expected Credit Loss for debt instruments

For debt instruments that are measured at fair value through other comprehensive income under IFRS 9, the impairment loss will be based on the expected credit losses associated with the probability of default within the next twelve months, unless there has been a significant increase in credit risk since initial recognition in which case the impairment loss recognized will be equal to the lifetime expected credit loss.

The bank is currently implementing the procedures related to the impairment and calculation of the expected credit loss for the specific financial products and hence, to the date of issuance of these financial statements, has not calculate the impact of the expected credit loss to the income statement. The total Available For Sale portfolio at 31.12.2017 amounted to 3.6 million euro. The expected credit loss under IFRS 9 of this portfolio will not have impact in the equity and or the regulatory capital of the Bank. It will only produce a reclassification between the Income Statement and the Statement of Comprehensive Income.

Hedge Accounting

The Bank does not apply hedge accounting.

34.3 Estimated Impact on regulatory capital

The IFRS 9 transition impact before tax as at 1 January 2018 on the Financial Statements of the ABBank estimated to €1,600 thousand additional impairment allowance for loan losses.
ABBank **has not** adopted the regulatory transitional arrangements published by the EU (No 2017/2395) in December 2017, amending the regulation (EU) 575/2013 with the insertion of article 473a.
These transitional arrangements permit banks to add back to their capital base a proportion of the IFRS 9 impact due to expected credit loss provisions during the first five years of use. The proportion that banks may add back starts at 95% in 2018, and reduces to 25% by 2022.

	31.12.2017 IAS 39 €' 000	1.1.2018 IFRS 9 Fully loaded €' 000
Common Equity Tier 1 Capital	88,113	86,977
Tier I capital	88,113	86,977
Total Core Tier I capital	88,113	86,977
Total Risk Weighted Assets	211,720	210,023
Common Equity Tier 1 Ratio (CET1)	41.62%	41.41%
Tier 1 Ratio (T1)	41.62%	41.41%
Total Capital ratio	41.62%	41.41%

34.4 Classification of Financial Assets at the date of initial application of IFRS 9

	IAS 39 carrying amount 31.12.2017	Remeasurements	Reclassifications	IFRS 9 carrying amount 01.01.2018
ASSETS				
Cash and balances with Central Bank	8,404	-	-	8,404
Due from banks	50,439	-	-	50,439
Loans and advances to customers	137,671	(1,600)	-	136,071
Investment securities – Available for sale	3,602	-	-	3,602
Financial assets at fair value through P&L	21,719	-	-	21,719
Derivative financial instruments	889	-	-	889
Intangible assets	915	-	-	915
Property and equipment	5,993	-	-	5,993
Deferred tax Assets	-	-	231	231
Other assets	8,264	-	-	8,264
Total assets	**237,896**	**(1,600)**	**231**	**236,527**
LIABILITIES				
Due to banks	14,194	-	-	14,194
Due to customers	130,592	-	-	130,592
Derivative financial instruments	38	-	-	38
Retirement benefit obligations	1,386	-	-	1,386
Deferred tax Liabilities	233	(464)	231	-
Other liabilities	1,338	-	-	1,338
Total liabilities	**147,781**	**(464)**	**231**	**147,548**
SHAREHOLDERS' EQUITY				
Share capital	37,980	-	-	37,980
Share premium	50,207	-	-	50,207
Reserves	329	-	-	329
Retained earnings	1,599	(1,136)	-	463
Total shareholders' equity	**90,115**	**(1,136)**	**-**	**88,979**
Total liabilities and equity	**237,896**	**(1,600)**	**231**	**236,527**

34.5 Reconciliation of impairment provisions

	IAS 39 carrying amount 31.12.2017	Remeasurements	Reclassifications	IFRS 9 carrying amount 01.01.2018
Loans and advances to cutomers	**(8,232)**	**(1,600)**	**20**	**(9,812)**

34.6 Remeasurements in allowance for impairment for loans and advances to customers per portfolio and stage

	Stage 1		**Stage 2**		**Stage 3**		**Total loans and advances to customers at amortized cost**		
	Gross	**ECLs**	**Gross**	**ECLs**	**Gross**	**ECLs**	**Gross**	**ECLs**	**Net Value**
On-Balance Sheet	89,039	974	24,064	429	32,813	8,406	145,916	9,809	136,107
Off-Balance Sheet	3,582	3	-	-	-	-	3,582	3	3,579
TOTAL	**92,621**	**977**	**24,064**	**429**	**32,813**	**8,406**	**149,497**	**9,812**	**139,685**

Note 35: Related party transactions

Related parties include:
(a) an entity that has control over the Bank and entities controlled, jointly controlled or significantly influenced by this entity, as well as members of its key management personnel and their close family members;
(b) members of key management personnel, their close family members and entities controlled or jointly controlled by the abovementioned persons;
(c) associates and joint ventures of the Bank; and
(d) fellow subsidiaries.
Transactions of similar nature are disclosed on an aggregate basis. All banking transactions entered into with related parties are in the normal course of business and are conducted on an arm's length basis.

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

Outstanding balances and results of related transactions are as follows:

	Year 2017 €' 000	Year 2016 €' 000
Assets		
Loans and advances to customers	3,935	1,741
Total assets	**3,935**	**1,741**
Liabilities		
Due to customers	18,580	-
Total liabilities	**18,580**	**-**
Income		
Interest and similar income	240	65
Fees and commission income	279	2
Total income	**519**	**67**
Expenses		
Impairment losses on loans and advances	39	-
Total expenses	**39**	**-**

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:

	2017 €' 000	2016 €' 000
Remuneration	1,548	1,244
Short Term employee and post-employment benefits	193	94
Total	**1,741**	**1,338**

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

Note 36: Independent auditor's fees

Deloitte Certified Public Accountants S.A. is our independent public accountant for the year ended 31 December 2017. The following table presents the fees for professional audit and other services rendered:

	2017 €' 000	2016 €' 000
Audit fees	65	65
Audit-related fees	20	20
Total	**85**	**85**