AB Bank

AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2012

May 2013

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Board of Directors' Annual Report on the Financial Statements of Aegean Baltic Bank S.A. for the Financial Year 2012

Dear Shareholders,

We hereby submit for approval the Financial Statements and the Annual Report of Board of Directors' of Aegean Baltic Bank S.A. (hereinafter "AB Bank" or the "Bank") for the year ended 31 December 2012, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU.

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

Overview

2012 was marked by the combination of particularly negative conditions which prevailed in the Greek economy and its financial sector, the deceleration of global economic activity and the resurgence of the debt crisis in the Eurozone. Declining global economic growth as well as the recession and the significant fiscal challenges which emerged in large economies of the Eurozone came together with peaking uncertainty about Greece's exiting the Eurozone as a consequence of a spiral fuelled by the deepening recession, the prolonged and fierce elections period, the six month suspension of EU's and IMF's scheduled funding, and the effort to restructure and recapitalize almost the whole of the Greek banking system amidst conditions of rampant growth in doubtful loans and stifling liquidity contraction. Political stabilization in Greece by the summer, ECB's active interventions in the Eurozone's government bond markets in September and the continuation of Troika's funding to Greece in December, improved the economic climate and alleviated the liquidity conditions towards the end of the year.

Despite the highly adverse economic environment, in 2012 AB Bank achieved its highest profitability since establishment, realizing a € 4.38 million Net Profit, in comparison to a Net Loss of €4.01 million in 2011 (including the €5.34 million net loss from its participation in the PSI). The Bank's capital strength, which renders AB Bank the sole independent private Greek bank being exempted from the Greek banking system's recapitalization process, remained at very strong levels, with the Total Capital Adequacy Ratio standing in 2012 at 34.5% (2011: 29.5%).

Profitability of 2012 was the result of a 51% increase in Total Operating Income against a 18,3% rise in Total Operating Expenses, including a 2.5 times increase of the annual provision charge for loans impairment. The substantial improvement of Total Operating Income is attributed not only to remarkable increases of Net Interest Income and Net Fee and Commissions Income resulted from the credit expansion performed in 2011 and the continuing enhancement of the non-borrowing clientele of the Bank, but also to the highly profitable financial transactions conducted during the year in the course of managing the Bank's investment portfolio of bonds with high credit rating. Nevertheless, Total Assets declined in 2012 by 4% against the previous year, mainly due to a 9.6% reduction of the Customer Loans portfolio necessitated to outbalance the 6.8% drop of Customer Deposits. Liquidity taken from the interbank market decreased by 10.9% but, as in the case of last year, at year-end 2012 the Bank utilized only the regular open market refinancing operations of ECB out of the Eurosystem's liquidity raising mechanisms. In 2012, the quality of the Bank's shipping loans portfolio was maintained at high levels with loans of only €11.8 million or 4.8% of the portfolio's total gross value being past due as at 31.12.2012.

Economic and Financial Environment

Global Developments

In 2012 global economic growth experienced a slowdown for a second consecutive year. Global GDP grew by 3.2%, from 3.9% in 2011 and 5.3% in 2010. The continuing recovery of the US economy, whereby GDP increased to 2.2% in 2012 from 1.8% in the previous year, and the 2.0% growth from -0.6% in 2011 of Japan's GDP did not suffice to outweigh the impact to the global result of the Eurozone's negative growth rates, which stood at -0.6% in 2012 from 1.4% in 2011, and the growth deceleration observed in the emerging economies to 5.1% in 2012 from 6.3% last year.

Acceleration of growth in the US was the result of persisting domestic demand, slowly but gradually improving unemployment rates and the continuing recovery of the housing market. In Japan, economic activity was reheated by the effort to reconstruct the NE regions of the country, following the extensive destruction caused by the earthquake and the nuclear accident of 2011. China and developing Asia countries demonstrated flexibility in the handling of macroeconomic challenges (inflationary pressures, monetary easing, declining capacity of domestic demand to replenish exporting production etc.), achieving a relatively mild subsidence of economic growth. China's growth stood at 7.8% from 9.3% in 2011 and the growth rate of developing Asia, overall, hovered 6.6% from 8.0% in 2011. In Latin America, economic growth softened at 3.0% from 4.5% in 2011.

In Europe, economic developments were marked by the deepening debt crisis in the Eurozone, the emergence of recession in larger economies (further to the smaller, peripheral, ones) and the widespread implementation of fiscal adjustment programs. In 2012, Eurozone's GDP subsided by -0.6% and the fundamental economic figures deteriorated significantly. Unemployment exceeded 11.8%, whereas private consumption and fixed capital investments declined by -1.2% and -4.1%, respectively. Downward economic developments in the Eurozone have had a significant impact to the performance of central and east European economies (most of which are members of the EU), where growth rates contracted in 2012 to 1.8% from 5.3% in 2011.

In the Eurozone, the economies of Italy and Spain (comprising, in combination, 27.5% of the total GDP and 33.3% of the total Government Debt of the Eurozone) suffered a GDP contraction of -2.4% and -1.4%, respectively, from 0.4% each in 2011. Recession was also made apparent, in the Netherlands and Finland as well as France which had zero growth in 2012. The economies of Germany and Austria (comprising, in combination, 31.1% of the total GDP and 27.8% of total Government Debt of the Eurozone) achieved marginal growth in 2012 of 0.7% and 0.8%, respectively, against 3.0% and 2.7% in 2011, respectively. In mid-2012, the cost of raising government debt heightened dearly for Italy and Spain and pressure was exercised to apply for financial assistance to the relevant institutions of the EU. Finally, the firm political stance of the governments of those two countries, together with the active interventions of ECB, through the announcement in September of the second program of acquiring government bonds of up to three years remaining maturity, in indefinite quantities from the secondary markets, issued by countries which would resort to the European financial assistance mechanisms ("OMT"), diffused the pressure and normalized the cost and the sufficiency of borrowing of Italy and Spain. The small economy of Cyprus (0.2% of the total GDP of the Eurozone) demonstrated a -2.4% recession from 0.4% growth in 2011 and, given the weakness of its ailing banking system to raise the substantial equity capital required, in the summer the government of Cyprus applied for financial assistance to the relevant EU institutions and the IMF, but up until the end of the year the relevant program had not been specified and approved accordingly.

The major central banks continued in 2012 the implementation of quantitative easing monetary policies. Before the announcement of the OMT in September, in July the ECB had reduced its base interest rate by 0.25% to 0.75% and its depository rate to zero, whereas in February it had proceeded with the provision of substantial liquidity to the banking system through another round of long term refinancing operations (LTRO). In the US, the FED connected its interest rate policy with next year's quantitative targets of the American economy's fundamental macroeconomic indicators (unemployment, inflation etc.), while extending in period and quantity the Operation Twist program by the end of 2012 and announcing its substitution in 2013 by monthly acquisitions of government bonds and mortgage-backed securities, to the tune of $40 billion and $45 billion per month, respectively. In the United Kingdom and Japan, central banks realized substantial bond purchases in 2012, amounting to £100 billion and ¥36 trillion, respectively.

As in the case of 2011, also in 2012 the capital markets demonstrated fierce volatility, recovering towards the last quarter of the year as the economic climate improved due to the drastic interventions of ECB and the encouraging economic indicators produced by the USA. The Euro-Dollar foreign exchange rate followed a similar trend. The exchange rate stood at €/$= 1.3194 on 31.12.2012 from €/$=1.2939 on 31.12.2011, the Euro having been strengthened by 2.0% y-o-y. Nevertheless, the yearly average exchange rates moved conversely between the two years, with the yearly average Euro value hovering in 2012 some 7.7% lower than in 2011 (average rate of €/$=1.2856 in 2012 from €/$= 1.3921 in 2011).

Expectations for global economic growth in 2013 are reserved. The projected growth rates are stagnant given that the expected improvement of the emerging and developing economies, to 5.5% from 3.2% in 2012, is believed to be counterbalanced by slowing or even recessionary rates by the developed economies (USA, Japan, Eurozone). In the US and Japan a softening of growth is expected, to 1.9% from 2.2% in 2012 and to 1.0% from 1.9%, respectively. In the Eurozone, it is estimated that recession will persist and GDP will continue contracting by -0.3% as the growth outlook is burdened by the fiscal adjustment policies followed now by most of the member-states. The expectation that success of the fiscal deficit reduction policies will restore economic confidence to a degree offsetting the dwindling of the real economy factors induced by the implementation of such policies, is treated with scepticism. The evident correlation between the debt crisis management policies being followed with the diminishing solidity of the European banking system and the subsequent contraction in the provision of liquidity and credit to the real economy, has shifted market expectations for the strengthening of recovery conditions from the domain of common European economic policies to that of ECB's extraordinary monetary and institutional interventions.

Greek Economic and Financial Environment

During 2012 the Greek economy and the domestic financial sector encountered unprecedented difficulties. The improvement of the economic climate that was triggered by the approval of the Second Financial Program by the EU and the IMF in March and the successful completion of the restructuring of the government debt held by the private sector ("PSI") in April, was reversed by the political and governmental crisis that the two consecutive national elections brought between May and June and the deepening of the recession in the real economy.

In the second quarter of the year, uncertainty culminated about Greece's capacity to remain within the Eurozone and its overall economic viability. The scheduled, by the Second Program, funding from the EU and the IMF was practically suspended and the flee of deposits from the local banking system was refueled. In the same time, the austerity measures implemented by the country's fiscal adjustment programs were further intensified and economic activity continued to rapidly subside, resulting in soaring increases of doubtful loans in the banks' portfolios and the formation of credit crunch conditions. The temporary exclusion, as of the end of July, of Greek bonds from the regular refinancing operations of ECB in combination with the steadily shrinking savings capacity of households and businesses, further burdened the already fragile liquidity conditions of the economy and the banking system.

The restoration of political stability during the summer and a new agreement between the Greek government, the Eurogroup and the IMF reached at the end of November, providing for additional debt reliefs and the continuation of the funding by the Troika, together with the readmission of the Greek bonds in ECB's regular refinancing mechanisms by the end of December, resulted at the end of the year in improving the economic climate and the liquidity conditions. A prerequisite for the continuation of Troika's funding and the readmission of Greek bonds to the ECB was the successful completion of a voluntary repurchase program by the Greek government of the privately held new Greek bonds having been issued under the PSI, at the particularly low price levels prevailing following the PSI's completion, in order to reduce the country's sovereign debt by at least another €21 billion. The repurchase was successfully completed in the first part of December, with approximately 50% of the relevant bonds (€31.9 billion total value) participating, at a repurchase price of 38% of the nominal which resulted in a €21.1 billion debt reduction.

The continuing recession led the Greek GDP to another large scale decline of -6.4% in 2012. Following the successive drops by -7.1% in 2011 and -4.9% in 2010, the aggregate Greek GDP contraction has exceeded -21% since the beginning of the crisis. Unemployment increased to the historical high of 26.5% at the end of 2012, from 17.3% in 2011, while domestic demand subsided by -10.5%, versus -8.7% in 2011. Lower domestic demand had a positive impact on the trade balance, which was strengthened by 4.5% of GDP, mainly due to the reduction of imports by -16% (2011: -10%). The successive since 2010 labor cost cuts continued also in 2012, leading by the end of 2012 to a cumulative improvement of the domestic competitiveness cost by over 20%, i.e. to levels comparable to those of 2001. Nevertheless, in the first quarter of 2013 unemployment increased further to 27.5% while recession is projected to persist, although at a slower pace, driving the projected GDP drop for 2013 at -4.5%.

Despite the high social and financial cost of the fiscal adjustment programs under implementation, significant improvement is being observed on fiscal deficits which in 2012 stood at 6.6% of GDP (€12.8 billion), from 15.6% (€36.0 billion) in 2009, having marked a €23.3 billion (9% of GDP) reduction during the last three years. The contribution to the reduction of the lower debt interest expenses stemming from the PSI was rather minor amounting to ca. €2.6 billion in comparison to the 2009 financial expense (€12.5 billion). Financial expenses are expected though to gradually decrease by another €3.0 billion per annum in the future. What is of note however, is the reduction of the primary deficit to €2.9 billion, now accounting for 1.5% only of Greece's GDP, from 10.2% (€23.6 billion) in 2009, i.e. by €20.7 billion during the same three-year period that the country's GDP contracted by €37.4 billion. This is mainly the result of drastic cuts in government expenditure for salaries, pensions and social welfare, as well as in the operational expenses of the public sector, whereas the decline of budget revenues due to the recession is being attempted to be contained through substantial tax rate increases and the enhancement of extraordinary taxation. Still, the critical target of reinforcing revenues by combating the large scale tax evasion and by broadening the tax payers base has not yet been met. Hence, doubts are raised as to the sustainability of the fiscal achievements made so far, as well as in relation to the real prospects of economic recovery and the production of viable primary surpluses. For 2013 it is estimated that, if recession will not surpass the projected levels and if the commencement of the Government's ambitious privatization program proves successful, the attainment of primary surpluses and of a total fiscal deficit of less than 5% is possible.

The Second Financial Support Program for Greece that was finally approved by the EU and the IMF in March 2012 earmarked €50 Billion to be borrowed by Greece in order to be channeled to the Hellenic Financial Stability Fund ("HFSF") with the purpose to recapitalize the Greek banking system. Said amount was destined to cover the capital losses suffered by Greek banks in connection to the impact of their participation in the PSI, estimated at €35 billion, and the impairment losses of their loan portfolios incurred due to the economic recession, estimated at €15 billion. The recapitalization process is based on BoG's advice as to the prerequisites and the viability prospects of each financial institution, taking into account the historical and projected financial capacity of each bank, the results of the independent diagnostic survey conducted in the last quarter of 2011 by BlackRock Solutions on all banks with the purpose to assess the quality of their loan portfolios and potential credit losses thereof, and the three-year business and capital plans each bank submitted to the BoG in relation to the above. It was finally resolved that only the four largest and systemically important private banks will be part of HFSF's recapitalization process. In order to maintain their private style each bank should raise from private investors at least 10% of the total capital amount required. Two state-controlled banks and a smaller private one were deemed non-viable and their Balance Sheets were split into "good" and "bad" by the HFSF, in order to be rationalized and for depositors' protection purposes. The remaining eight mid to small sized banks would have to be recapitalized in full by private investors only by the end of May 2013, without any HFSF involvement, in order to avoid resolution.

AB Bank was assessed as an independently viable bank with solid capital adequacy, comprising the only self-contained Greek financial institution not required to participate in the recapitalization process. The recapitalization process has effectively led to a restructuring of the whole banking system of the country. Mergers and acquisitions, even between systemic banks, have fiercely been encouraged by the pertinent authorities, in an effort to maximize the efficiency and minimize the cost towards the reorganization of the banking sector. The deterioration of the recessionary conditions in 2012 and their consequences to the loan portfolio quality of the banks under reorganization, have increased recapitalization requirements and have worsened the prospects of finding the necessary sizeable amounts of private equity investment capital within the tight time frame predefined by the country's creditors. By the date of compiling this report, the recapitalization process had not yet been finalized. Latest developments suggest though that the Greek banking system, which before the crisis numbered some 18 institutions (not including the cooperative banks and the branches of foreign banks), by the end of the upcoming summer may consist of only four or five Greek banks and AB Bank.

Developments in Shipping and Shipping Finance

Shipping Markets

The prevailing conditions in the global shipping industry in 2012 were of a recessionary nature. Global trade growth slowed to 3.2% from 5.8% in 2011 and global industrial production to 2.7% from 5.0%, leading to a further deceleration of seaborne trade growth to 4.0%, from 4.5% in 2011 and 12% in 2010. The significant increase in the demolition of tonnage (+36% in comparison to 2011) was not sufficient to contain the expansion of the world fleet below 6.1%, due to the persistently strong influx of new deliveries. The fleet expansion, amidst weakening demand conditions for the transportation of commodities, maintained the pressure on freight levels as well as on asset values. However, the main shipping sectors exhibited varying characteristics.

<u>Tankers:</u> In 2012 global crude oil demand increased marginally by 1.1%, assisted by the firming demand in the emerging markets of the Far East. The crude oil tanker fleet grew during the year by approximately 6% (in dwt terms), versus 7% in the previous year. The continuing supply-demand imbalance exercised further downward pressure on the already weak freight levels. In conjunction with the geographical distribution of demand, the impact was greater in the smaller tanker segments, causing a decline to the tune of 10%, whereas the decline in the larger vessel segments was milder (6%). In the product tanker segments the freight rates recorded a minor improvement in 2012 from the 2011 levels. Tanker values moved in line with the freight markets, nevertheless showing larger volatility, particularly in the smaller crude tanker segments, whereby the value decline ranged between 20%-25% of the previous year's levels. No significant recovery in the crude oil tanker market conditions is anticipated for 2013, since the mixed demand prospects dilute the momentum from the expected easing of tonnage supply coming from the reduction of the newbuilding orderbook to 11% of the existing fleet at the end of 2012, from 18% in 2011. The product tankers' market outlook is more optimistic, benefitting from the even milder growth in tonnage supply (the orderbook accounts for 8% of the operating fleet), as well as from the geographical distribution between refineries and emerging economies, which are expected to exhibit increasing growth in 2013.

<u>Bulk Carriers:</u> The dry bulk seaborne trade growth demonstrated marginal improvement in 2012, to 6% from 5% in 2011. Similarly to the tankers sector, China and India now constitute the main demand drivers, particularly for iron ore and coal. However, the continuing intensive delivery rate of newbuilding tonnage expanded the global fleet by 10% in 2012, considerably exacerbating the demand-supply imbalance, and leading the average freight rates of 2012 to historically low levels, 30% lower than the already weak levels of 2011, while the decline in second-hand vessel values hovered also around 25%-30%. The sector's outlook for 2013 is cautiously positive, fuelled by the anticipated demand growth in Asia and by the slowdown in the fleet's growth rate, given that at the end of 2012, the newbuilding orderbook corresponded to approximately 20% of the operating fleet, versus 29% in 2011.

<u>Containerships:</u> Following the short-lived spark of 2011, the containership freight rates returned to weak levels during 2012, subsiding by 40%-50% y-o-y. Vessel values recorded further decline, by approximately 25%-30% for a second consecutive year. On the supply side, the fleet followed a mild growth rate of 6.0% in dwt terms during 2012. Even

though the brisk newbuilding delivery rate of the previous years has been bought to a halt, the ailing demand in the developed countries, as well as the high number of temporarily idle containerships, do not favor a freight market boost to the extent justified by the anticipated global trade growth, especially in the Asian markets. Recovery is expected during the second half of 2013, primarily in the smaller vessel sizes, which service intra-regional trades.

Newbuilding Activity: The strong delivery rate of newbuildings continued in 2012, exceeding 150 million dwt in total capacity. China retained its leading position in the newbuilding industry, followed by S. Korea. However, the placement of new orders has considerably slowed down and the newbuilding orderbook comprises now only 15% of the global merchant fleet (in all shipping sectors) from 23% in 2011. Softer demand has led to an additional 10%-20% (depending on vessel types) decline of newbuilding prices, forcing many shipyards to focus on the construction of vessel types involving higher specialization and value-added (LNG, offshore etc.) and others to offer more competitive prices for new orders, packaged with the acquisition, at higher prices, of readily available newbuilding tonnage, which has not been delivered due to the original buyers' financial distress.

Shipping Finance

The financial crisis has greatly affected the capitalization and the scope of undertaking credit risks by Greek as well as European banks and has drastically reduced the supply of financing to sectors of higher regulatory banking capital requirements, such as shipping. Most of the banks engaged to the financing of Greek-owned shipping have scaled down the provision of new loans and, in certain cases, they follow a policy of orderly withdrawal from the sector through the sale or gradual contraction of their portfolios. In the meantime, new financial institutions have joined the market, which either are not banking institutions attempting to take advantage of the transformations taking place in the banking sector or they comprise large banks based in countries not significantly affected by the financial crisis which have a strategic interest in the sector of shipping or shipbuilding (i.e. China, Korea).

The annual report of Petrofin Bank Research, on bank loan portfolios financing Greek-owned shipping, clearly depicts the aforementioned trends and developments. According to the last report, on 31.12.2012 the total bank lending to the Greek-owned shipping amounted to $65.8 billion, having declined by 3% in comparison to 2011. Committed but undrawn amounts dropped significantly, by 19% in 2012 further to a 22% reduction in 2011, reflecting not only the portfolio contraction effort of some banks through the suspension of new lending but also the reluctance of others to undertake additional credit risks in shipping and the implied liquidity engagement in long term fundings by nature. The market share of Greek banks is still reducing, reading 19% versus 22% in 2011 and even 25% in the past, mainly because of the crisis of the domestic financial sector and the restructuring of the banking system being in progress. Said restructuring is purported to continue and probably to intensify during 2013 as the scheduled recapitalization and reshaping of the banking system, through large scale mergers between some banks, the partial or full amalgamation of others, and the rationalization of loan portfolios will be under way.

The contraction in the supply of ship financing has set new standards for new loan facilities, bringing loan advance ratios at more conservative levels, enhancing loan guarantees and security covers, and substantially increasing pricing terms at levels realistically reflecting the current balance between demand and supply of financing as well as the increased cost of the appropriate capital requirements of the banking sector. The broadening mismatch in the coverage of shipping finance demand presents interesting business development opportunities to a small number of banks possessing specialized knowhow in the sector and solid capitalization.

AB Bank Financial Results

The Management of Aegean Baltic Bank believes that the strong capital adequacy of the Bank, in conjunction with its specialization in the shipping sector, and the oceangoing shipping in particular, minimizes the impact of the recession of the Greek economy and of the fiscal crisis of the country on the quality of the Bank's financial exposures and the solidity of its capital base. Nevertheless, the operation of the Bank within the Greek banking system raises significant challenges in relation to the sufficiency and cost of liquidity and, consequently, to the business development and profitability of the Bank. The primary goals having been set by the Management for 2012 included the safeguarding of the quality of the Bank's portfolio of assets and its best possible adjustment to the prevailing conditions of limited and fiercely volatile liquidity.

Significant Events for the Year 2012

Pursuant to an unanimous decision of the Board of Directors of the Bank dated March 8th, 2012, AB Bank participated with the full amount of the Greek Government Bonds it held, of €9.0 million total face value, Greek law governed, in the program of the Hellenic Republic for the voluntary exchange of Greek Government Bonds ("GGBs") held by the private sector ("PSI"). In accordance to the terms and conditions of the PSI, the face value of the bonds so exchanged incurred a 53.5% reduction, whereas for the remaining 46.5% was provided in the form of EFSF bonds with one and two years maturity (15%, in total, of the original face value of the GGBs exchanged) and New GGBs (the "NGGBs"), with maturities spanning between 2023 and 2042 (31.5% in total of the original face value of the exchanged GGBs). Although the exchange of the Greek law governed bonds was consummated on March 12th, 2012, it was considered as an adjusting event after the reporting date, for which a loss was recognized in the Annual Financial Reports of the Bank for the year ended 31.12.2011. The Bank conducted the calculation of the relevant impairment loss with the method of the present value of the cash flows occurring from the exchange. The resulting loss was estimated at approximately 74% of the original face value of the GGBs exchanged, having exceeded by approximately 20.5% the aforesaid nominal value loss (53.5%). Therefore in the Annual Financial Reports of 2011 AB Bank recognized a pre-tax impairment loss of €6.7 million in total (74% of the face value) and a net loss of €5.3 million (the recognized deferred tax inclusive) in connection to the PSI, bringing the final result of the Bank for 2011 at a Net Loss of €4.01 million, and its Capital Adequacy Ratio at 29.5%, fully comprising Tier-I capital.

In the first quarter of 2012, AB Bank participated in the viability and capital requirements check procedure conducted by the BoG following the consummation of the PSI, in relation to all Greek financial institutions under its supervision, on the basis of a three year business and capital plan of each bank and the findings of the diagnostic survey of BlackRock Solutions which was performed in the last quarter of 2011 on the mandate of the BoG, with the purpose to independently and accurately estimate the impact of the recession and the economic crisis onto the Greek loan portfolios of the domestic banks. AB Bank was testified by the procedure as an independently viable bank, already possessing solid capital adequacy, thus not being required to proceed into a share capital increase, and it has consequently been exempted from the Greek banking system's restructuring and recapitalization process.

In December 2012, the Bank participated in the NGGBs repurchase program conducted by the Public Debt Management Agency ("PDMA") of the Greek Ministry of Finance (the "Repurchase"), with all the NGGBs it had obtained pursuant to the PSI, of €2.8 million total face value, against the offered mid repurchase price of 38% of such face value. From the participation in the Repurchase, the Bank obtained from the PDMA €1.01 million in EFSF zero coupon securities of six month maturity. From the Repurchase the Bank did not incur any loss or profit worth of mention, further to the loss already recognised, in relation to the PSI, in the Financial Statements of the Bank for the previous year (2011).

Profitability

AB Bank's Net Profit for the financial year 2012 amounted to €4.38 million, compared to a Net Loss of €4.01 million in 2011 (incorporating the €5.34 million net loss derived from the Bank's participation in the PSI, after the recognized deferred taxation). The Net Profit for 2012 includes an annual impairment loss charge on the loans portfolio of €1.48 million (2011: €0.58 mill.), thus implying a Pre-tax-and-impairment Profit for 2012 of €7.06 mil., versus €2.64 million in 2011 and €3.85 million in 2010.

The Bank's 2012 profitability comprises the highest since its establishment. Such performance was the result of an increase of Total Operating Income by 51.1%, versus a 18,3% increase of Total Operating Expenses (including the impairment loss charge on the loans portfolio). On the Income side, both the Net Interest Income and the Net Income from Fees and Commissions recorded a significant improvement, while a notable contribution was provided by the Net Trading Income.

The significant increase of Total Operating Income led to an improved Cost-to-Income Ratio. In particular, the gross ratio (prior to the impairment loss charge on the loans portfolio) decreased to 51.2% in 2012 from 72.5% in 2011, and the net ratio (net of the impairment loss charge on the loans portfolio) decreased to 61.4% in 2012 from 78.5% in 2011.

Operating Results

The Total Operating Income increased from €9.57 million in 2011 to €14.46 million in 2012. Such annual growth of €4.89 million is attributable, by one quarter thereof, to the improvement of interest and commissions income, and by the remaining three quarters to the trading income.

The Net Interest Income rose in 2012 by €0.94 million (+11.5%) to €9.1 million, from €8.16 million in 2011, while the Bank's Net Interest Margin was improved by 34 basis points ("bps") to 2.64%, versus 2.32% in 2011. The increase of Net Interest Income was a result of the 6.8% rise in gross interest income, combined with a 1.2% decrease of gross interest expense. The increase of gross interest income is derived from the sizable growth of loan interest income, whereas the slight reduction of interest expense owes to the quantitative reduction of customer deposits interest.

During 2012, the Bank's portfolio of Loans and Advances to Customers generated gross interest income of €12.61 million (2011: €10.41 mill.), marking a €2.20 million (+21.1%) improvement to the respective figure of the previous year. This result is attributed to the considerable credit expansion realised by the Bank in 2011, involving improved pricing, which drove both the annual average balances and the average interest margin of the Loans portfolio in 2012 to higher levels, by 14.6% and 23 bps, respectively. The improvement of loan interest income outweighed the combined €1.35 million contraction of interest income from the Cash with the Central Bank and Due From Banks portfolio and the Bonds and Securities portfolios. The interest income from the cash with banks portfolio did not exceed €0.10 million in 2012, versus €1.05 million in 2011, thus marking a €0.96 million reduction (-90.9%), while at the same time, the relevant average interest margin stood at 0.23%, versus 1.35% in 2011. The aforementioned extensive reduction in both income and interest margin levels relates to the significant quantitative contraction of the Bank's liquid assets during 2012 (-45.2% in comparison to the respective annual average balances of 2011), alongside to the drastic reduction of their average placement duration which was imposed by the uncertainty that dominated the domestic liquidity environment during 2012. The interest income from Bonds amounted to €0.96 million in 2012, versus €1.36 million in the previous year, reflecting a decline of €0.39 million (-29.0%), as the annual average level of the Bank's Bonds portfolios fell by 21% in 2012, and the interest yield curve of government bonds issued by Eurozone member-countries, in which the Bank invests, subsided significantly. However, the downward shift of the yield curve of such bonds entailed a positive impact on their market value in the secondary market, and the Bank offset the reduction of interest income through the profitable sale of a significant portion of its bond investments portfolio.

The interest cost of the Bank's liquidity funding sources (customer deposits and interbank market) demonstrated a minor increase (+4 bps) in 2012, but the contraction of liquidity led to a quantitative reduction of its interest expense by €0.10 million. The interest expense for funding raised from the interbank market in 2012 out-doubled the respective 2011 figure, recording a €0.42 million increase, as a result of the 64.5% increase in annual average interbank taking balances, in conjunction with the increase, by 31 bps, of the relevant cost (from 1.07% in 2011 to 1.38%). On the other hand, the interest expense from customer deposits followed an opposite trajectory, recording a €0.51 million decline in 2012, equivalent to 11.8% against the 2011 levels. The reduction in customer deposits' interest expense corresponded to the scale of contraction of the Bank's annual average deposits balances in 2012, while the average interest cost marked only a marginal increase to the tune of 3 bps (from 1.86% in 2011 to 1.89%).

The Net Income from Fees and Commissions recorded a 22.8% improvement to €1.70 million in 2012, from €1.38 million in 2011. The gross income rose by 18.3% to €2.22 million (2011: €1.88 million), with approximately 70% thereof constituting loan-related fees, which showed an annual increase of 11.8%. The balancing 30% of gross income corresponds to fees from ancillary banking services, the amount of which marked a 36.1% improvement in 2012, mainly due to the expansion of the Bank's non-lending customer base, with the critical contribution of the Bank's Piraeus branch to this end. The Fee and Commission Expenses increased by 5.6% in 2012, to €0.52 million from €0.49 million in 2011. Similarly to 2011, approximately 55% of the total Fee and Commission Expense for 2012 relates to the commissions paid to the Greek Government for the Bank's participation in the Third Pillar of Law 3723/2008 "Banks Liquidity Support Scheme".

It is worth noting that the aforementioned loan-related fee income comprises predominantly (49% in 2012, 56% in 2011) annual remuneration for the management of syndicated loans by the Bank. Since its establishment, AB Bank is emphatically active in the arrangement, participation and management of syndicated loans. On 31.12.2012, the Bank's portfolio under management of loans and off-balance sheet commitments stood at €1.3 billion, or $1.7 billion (including the Bank's own participation in bilateral customer loans amounting to €260.4 million, or $343.6 million as at 31.12.2012).

A decisive contribution in the Bank's Total Operating Results was provided by the profits recorded in 2012 from trading (Trading Income, Net Result from Sale of Investment Securities and Net Result from Financial Instruments at Fair Value through Profit and Loss), which amounted to €3.67 million in total, versus €0.03 million in 2011. The income relating to foreign exchange transactions stood at €0.20 million in 2012, from €0.38 million in 2011, marking a 46.8% decline, however the gains from the sale of bonds in the investment book as well as from the mark-to-market valuation of bonds and securities held in the Bank's trading book aggregated €3.46 million, versus a loss of €0.35 million in 2011. It should be mentioned that the aforesaid performance by the Bank was particularly benefited from the conditions of continuous upward price volatility the secondary market of government bonds issued by core Eurozone member-countries exhibited during 2012 - conditions that are not considered predictable or consistently recurring in the future.

Operating Expenses

The Bank's Total Operating Expenses for 2012 amounted to €8.89 million, from €7.51 million in 2011, recording a y-o-y increase of €1.37 million (+18.3%). The 2/3rds of such increase (€0.90 million) reflect the increase, by 157% in 2012, of the annual charge of provision for loan impairment losses. The balancing 1/3rd (€0.46 million) is attributable to a 6.7% increase of the direct operating expenses (Personnel Expenses, General and Administrative Expenses and Depreciation and Amortization Costs).

The increase of direct operating expenses in 2012 is mainly driven by Personnel Expenses, which amounted to €4.70 million, versus €4.21 million in 2011 (+11.6%). Approximately one half of the increase is attributable to an incremental charge of €0.31 million for Retirement Benefit Obligations, whereas the balance of the increase was formed by the expansion of the Bank's staff by 13.2% was carried out during 2011 which burdened personnel expenses on a 12-month basis in 2012. In 2012, the Bank continued its effort to contain General and Administrative Expenses and Depreciation/Amortization Costs, resulting in such expenses demonstrating a marginal reduction to €2.71 million on aggregate, from €2.72 million in 2011 (-0.6%).

The provision charge for the impairment of the Bank's Loans and Advances to Customers portfolio amounted to €1.48 million for the financial year 2012, versus €0.58 million in 2011 (+157%). The significant increase in the annual provision amount is ascribed to the appearance of loans past-due for more than 90 days, totalling €11.8 million on 31.12.2012, versus none on 31.12.2011, as well as to the precautionary approach against a potential impact in the quality of the Bank's performing loans from the persisting negative conditions in the shipping markets.

Statement of Financial Position

On 31.12.2012 the Bank's Total Assets amounted to €333.6 million, compared to €347.5 million on 31.12.2011, recording an annual decline of €13.9 million, or 4.0%.

The contraction of Total Assets is mainly attributed to the deleveraging of the loans portfolio, through the non-replacement of amortising loan balances with new advances, in order to balance out the negative volatility presented by available liquidity for the largest part of the year. The proportionately smaller contraction of deposits compared to that of loan balances in 2012 resulted in the improvement of the Bank's liquidity ratio (loans to deposits) to 122% from 126% in 2011.

On 31.12.2012, the Loans and Advances to Customers portfolio had subsided to €242.9 million, from €268.6 million in 2011, recording a decrease of €25.7 million, or 9.6% y-o-y. The total amount of Non-Performing Loans (Loans and Advances to Customers remaining past due for more than 90 days, "NPLs") aggregated €11.8 million on 31.12.2012, versus zero in the previous year, and accounted for 4.8% of the Bank's total gross loans portfolio balance. The €1.48 million impairment loss provision formed in 2012 increased the cumulative loan provision amount to €4.38 million (2011: €2.90 million), now covering the total loans amount by 1.8% (2011: 1.1%). It is worth mentioning that almost 87% of the NPLs amount and 38.1% of the accumulated impairment provision is connected to loans related with the Greek coastal / ferry shipping sector. At the same time, 73.3% of the accumulated provision amount covers possible future losses from fully performing loans.

At the end of 2012, the Bank's customer deposits and interbank takings had cumulatively contracted by €19.3 million, or 7.5% of the respective figures of the previous year. On 31.12.2012, the Bank's interbank liabilities balanced €40.0 million, compared to €44.9 million in 2011, i.e. €4.9 million lower levels (-10.9%). The interbank liabilities outstanding on 31.12.2012 consisted of €35 million funding from ECB's regular open market refinancing operations (2011: €30 mill.), and €5.0 million from commercial banks (2011: €14.8 mill.). The decline of interbank liabilities underlines the continuing contraction of available liquidity in the domestic interbank market and its dependence on funding sources from the ECB and the Eurosystem.

The contraction of available liquidity is more vividly reflected in the diminution of customer deposits by €14.4 million, or 6.8% y-o-y, from €212.7 million on 31.12.2011 to €198.4 million on 31.12.2012. The level of customer deposits demonstrated during 2012 an extensive downward fluctuation, particularly between May and July, due to the uncertainty surrounding the financial and monetary prospects of the country that culminated in the two successive elections, the consequent governance crisis and the suspension in the country's funding provided for in the Troika's Second Programme during that period. In the subsequent period and especially the last couple of months of the year, when the resumption of the country's financial support from the Troika was verified, the previous period's liquidity losses were largely recovered.

The liquidation of bonds of the investment book during the last quarter of 2012 shaped the total net book value of the Bank's bond portfolios at €8.0 on 31.12.2012, from €25.1 million in 2011 (-68.2%), accordingly strengthening the liquid/cash assets portfolios (Cash and Balances with Central Bank and Due from Banks). As of the date of reference, the sum of the Bank's liquid assets amounted to €74.4 million, compared to €44.5 million in the previous year, implying an annual increase of €29.9 million, or 67.3%, which was also benefited by the aforementioned recovery in customer deposits.

Since April 2010, the Bank participates in the Third Pillar (Article 3) of Law 3723/2008 "Banks Liquidity Support Scheme", having borrowed from the Greek Ministry of Finance, against an annual commission, special zero coupon Greek Government Bonds with maturity in April 2013 and a nominal value of €40 million, and has provided as collateral certain of its Loans and Advances to Customers. These special bonds, together with other bonds held by the Bank meeting ECB's eligibility criteria, are placed by the Bank as collateral with ECB for raising funding through ECB's regular open market refinancing operations. On 31.12.2012 the ECB refinancing capacity of the aforementioned special bonds of €40 million nominal value, stood at €33.5 million (31.12.2011: €10.7 mill.). The Third Pillar (Article 3) of Law 3723/2008 does not impose on the participating financial institutions any restrictions on their dividend policy and does not intervene on the composition and operation of their Board of Directors. Until the compilation of this Report, the Bank had not participated and had not applied for participation in any other Article of Law 3723/2008, or to any of the later relevant programmes of the Greek Government.

Strong Capital Adequacy

In 2012 the Bank's Total Shareholders' Equity increased to €91.34 million from €85.97 million in 2011, mainly due to the yearly Net Profit of €4.38 million as well as the €0.99 million improvement of the Revaluation Reserve of the Available for Sale Bonds portfolio (including the deferred taxation effect).

The Bank's regulatory capital, exclusively consisting of Tier-I capital, increased in 2012 to €91.78 million from €87.24 million in 2011, whereas the Total Capital Requirement amounted to €21.30 million from €23.68 million, having decreased by €2.38 million as a result of the deleveraging of the customer credits portfolio performed during the year. As a result, the Bank's Tier-I Capital Ratio as well as the Total Capital Ratio stood at 34.5% on 31.12.2012 (2011: 29.5%).

Risk Management

Being a banking institution active in a dynamically evolving economic environment, AB Bank has ranked highly the effective management of banking risks it is exposed to and the maintenance of its capital adequacy at solid levels. The Bank follows the Standardized Approach for the calculation of capital requirements with regards to credit risk and market risk and the Basic Indicator Approach for the operational risk.

Details on Risk Management are provided in Note 4 of the Financial Statements whereas Note 4.7 makes specific reference to the Bank's capital adequacy calculation.

Credit Risk

Given that the Bank's loans portfolio exclusively consists of unrated (by ECAIs) 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 unit to validate the credit ratings of the incumbent ten-grade risk methodology and for shipping credit risk stress-testing purposes.

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 and the Bank's best possible protection against such losses through the formation of appropriate limits per obligor and per individual or sectoral concentrations, the use of credit risk containment techniques by obtaining security and guarantee covers and the implementation of risk-related pricing in order to improve the use and yield of the corresponding capital requirements.

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

Liquidity Risk

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

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

The Bank's Risk Management unit performs regular stress tests of the Bank's liquidity, under mild and extreme scenarios of volatility of both, idiosyncratic (company-specific) and systemic nature. The Risk Management unit closely monitors customer deposits concentrations at individual or time zone level and the possibility of changing behavioral trends. It also analyzes potential liquidity gaps and refinancing gaps and follows up 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. Ongoing liquidity risk analysis, stress test results under certain scenarios and the results of monitoring the sources, uses and cost of funds are submitted for the consideration and appropriate decisions of the Bank's ALCO.

Details on Liquidity Risk are included in 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.

The Bank conducts stress tests in relation to all major market risk areas, such as Interest Rates risk, Foreign Exchange Risk, Re-pricing Risk in relation to Marketable Securities etc. on a regular basis, whereas a policy of holding limited Market Risk positions is followed.

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

Goals and Potential

The Management of AB Bank is convinced that the strategy of balanced and counter-cyclical growth being followed to date has been the prime factor of the Bank's financial solidity and its successful presence in the Greek banking sector and the shipping finance markets.

Despite the particularly adverse conditions of 2012 in the international shipping industry, the Greek economy and the domestic banking sector, the Bank has managed to be distinguished in the market for the high quality of its Assets, the competent liquidity risk management performed amidst crisis conditions, its profitability and the maintenance of exemplary capital adequacy ratios. The Bank's Management believes that the satisfactory performance of the Bank is mainly attributed to (a) its specialized involvement in banking for the shipping industry – an international industry not affected by the Greek sovereign debt crisis and the consequences of the recession to the Greek economy; (b) the prudent risk management policies followed and, (c) the professionalism and perseverance demonstrated by all its staff. Consequently, AB Bank possesses a strong position in pursuit of a multitude of corporate growth and development targets, aiming in 2013 to:

- Continue its proactive shipping credit risk management and to perform a selective credit expansion through customized financing structures which combine in a balanced manner the satisfactory credit assessments and the prevailing conditions in the financial and shipping markets;
- Further enhance its customer base and expand its activities in non-credit related ancillary banking services and continue its organic growth;
- Rigorously exploit its know-how and its solid capital adequacy in the effort of the local and European financial sectors to restructure and manage their shipping credit portfolios
- Continue pursuing strategic alliances and cooperation with major Asian financial institutions in the field of financing Greek shipowners' newbuilding orders in Chinese and other Far-Eastern shipyards.

Important Post Balance Sheet Events

In March 2013 the Bank applied for the continuation of its participation in the Third Pillar (Article 3) of Law 3723/2008 "Banks Liquidity Support Scheme" of the Hellenic Republic, by the same amount (€40 million) of special, zero coupon, Greek government bonds it had borrowed from the Public Debt Management Agency of the Greek Ministry of Finance in 2010 and were maturing on 19 April 2013. The application of the Bank was approved by the BoG and the Ministry of Finance and, by the end of April 2013, the Public Debt Management Agency provided AB Bank with the new bonds which now mature on 25 April 2016.

The Board of Directors intends to propose to the regular Annual General Meeting of AB Bank's shareholders in June 2013 to approve the distribution of dividends, in the total amount of €2.75 million, to the holders of ordinary common shares of the Bank, out of the Net Profit of the Financial Year 2012.

Athens, May 24, 2013
The Vice Chairman of the Board

Theodore Afthonidis

Auditors' Report

Deloitte.

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of "AEGEAN BALTIC BANK S.A." (the "Bank"), which comprise the statement of financial position as at December 31, 2012, and the statements of income, comprehensive income, changes in equity and cash flows for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at December 31, 2012, and of its financial performance and its cash flow for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Report on Other Legal and Regulatory Requirements

We have agreed and confirmed the content and consistency of the Directors' Report to the accompanying financial statements according to the provisions of the article 43a, and 37 of the Codified Law 2190/1920.

Athens, 25 May 2013

The Certified Public Accountant

Maria N. Sirmopoulou
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Deloitte. Hadjipavlou Sofianos & Cambanis S.A.
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AB Bank

AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2012

May 2013

Income Statement

	Note	2012 €' 000	2011 €' 000
Interest and similar income		13,819	12,940
Interest expense and similar charges		(4,724)	(4,783)
Net interest income	5	9,095	8,157
Fee and commission income		2,218	1,874
Fee and commission expense		(522)	(494)
Net fee and commission income	6	1,696	1,380
Net trading income/(loss)	7	203	385
Net result from sale of investment securities	8	3,097	93
Net result from financial instruments at fair value through profit or loss	9	366	(448)
Other operating income		7	7
Total income		**14,464**	**9,574**
Personnel expenses	10	(4,700)	(4,213)
General administrative expenses	11	(2,413)	(2,458)
Depreciation and amortization	12	(294)	(266)
Impairment losses on loans and advances	13	(1,478)	(576)
Profit before tax & Impairment of Greek Government Bonds		**5,579**	**2,061**
Impairment of Greek Government Bonds	14	-	(6,671)
Profit / (Loss) before tax		**5,579**	**(4,610)**
Income Tax	15	(1,199)	600
Profit / (Loss) for the year		**4,380**	**(4,010)**
Attributable to:			
Equity holders of the Bank		4,380	(4,010)
Profit / (Loss) for the year		**4,380**	**(4,010)**

Athens, May 24, 2013

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

The notes on pages 21 to 50 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2012 €' 000	2011 €' 000
Profit / (Loss) for the year		**4,380**	**(4,010)**
Other comprehensive income , net of tax			
Fair value reserve (Available for sale financial assets)			
Net change in Fair value	34	992	198
Other comprehensive income / (expense) for the year		**5,372**	**(3,812)**
Total comprehensive income / (expense) for the year		**5,372**	**(3,812)**
Attributable to:			
Equity holders of the Bank		5,372	(3,812)
Total recognized income / (expense) for the year		**5,372**	**(3,812)**

Athens, May 24, 2013

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

The notes on pages 21 to 50 are an integral part of these financial statements.

Statement of Financial Position

	Note	2012 €' 000	2011 €' 000
ASSETS			
Cash and balances with Central Bank	16	50,985	7,684
Due from banks	18	23,414	36,794
Loans and advances to customers	19	242,916	268,641
Investment securities – Available for sale	20	7,415	23,190
Investment securities – Held to maturity	21	-	1,290
Financial assets at fair value through P&L	22	556	585
Derivative financial instruments	23	20	15
Intangible assets	24	99	253
Property and equipment	25	388	502
Deferred tax assets	26	650	1,429
Other assets	27	7,151	7,074
Total assets		**333,594**	**347,457**
LIABILITIES			
Due to banks	28	40,000	44,891
Due to customers	29	198,351	212,742
Derivative financial instruments	23	246	975
Other liabilities	30	2,758	2,348
Retirement benefit obligations	31	898	532
Total liabilities		**242,253**	**261,488**
SHAREHOLDERS' EQUITY			
Share capital	32	37,980	37,980
Share premium	33	50,182	50,182
Reserves	34	(135)	(1,274)
Retained earnings	35	3,314	(919)
Total shareholders' equity		**91,341**	**85,969**
Total liabilities and equity		**333,594**	**347,457**

Athens, May 24, 2013

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

The notes on pages 21 to 50 are an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2011	**37,980**	**50,194**	**(1,472)**	**4,092**	**90,794**
Movement in the AFS reserve – valuation	-	-	198	-	198
Profit for the year	-	-	-	(4,010)	(4,010)
Dividends paid	-	-	-	(1,000)	(1,000)
Effect of the reduced corporate tax rate	-	(12)	-	-	(12)
Balance at 31.12.2011	**37,980**	**50,182**	**(1,274)**	**(919)**	**85,969**

Balance at 01.01.2012	**37,980**	**50,182**	**(1,274)**	**(919)**	**85,969**
Movement in the AFS reserve – valuation	-	-	992	-	992
Profit for the year	-	-	-	4,380	4,380
Statutory Reserve	-	-	147	(147)	-
Effect of the reduced corporate tax rate	-	-	-	-	-
Balance at 31.12.2012	**37,980**	**50,182**	**(135)**	**3,314**	**91,341**

Cash Flow Statement

	Note	2012 €' 000	2011 €' 000
Cash flows from operating activities			
Profit before tax		5,579	(4,610)
Adjustments for:			
Depreciation and amortization charges	12	294	266
Impairment loss on loans	13	1,478	576
Provisions for retirement benefit obligations	31	366	56
(Gain) / Loss from valuation of financial assets at fair value through P&L	9	(366)	463
(Gain) / Loss from sale of securities-available for sale	8	(3,097)	(93)
(Gain) / Loss from exchange difference of securities-available for sale	20	90	(184)
Impairment of Greek Government Bonds	14	-	6,671
Foreign exchange (profit) loss on cash and cash equivalents		249	(786)
		4,593	2,359
Net (increase)/decrease in operating assets:			
Due from Banks		2,400	(2,400)
Loans and advances to customers		24,247	(54,128)
Derivative financial assets		(5)	(13)
Other assets		(77)	(1,282)
Net increase/(decrease) in operating liabilities:			
Due to banks		(4,891)	(24,586)
Due to customers		(14,391)	(8,336)
Derivative financial liabilities		(729)	974
Other liabilities		528	(606)
Cash flow from operating activities before tax payment		11,675	(88,018)
Income tax paid		(255)	(218)
Net cash flow from operating activities		**11,420**	**(88,236)**
Cash flows from investing activities			
Acquisition of property and equipment	25	(16)	(57)
Acquisition of intangible assets	24	(10)	(33)
Acquisition of investment securities – available for sale	20	(69,100)	(18,819)
Proceeds from disposal of investment securities – available for sale	20	88,986	18,898
Proceeds from maturity of investment securities – held to maturity	21	1,290	5,000
Net cash flow from investing activities		**21,150**	**4,989**
Cash flows from financing activities			
Dividends		-	(1,000)
Net cash flow from financing activities		**-**	**(1,000)**
Net increase (decrease) in cash and cash equivalents		**32,570**	**(84,247)**
Cash and cash equivalents at beginning of period	17	**42,078**	**125,539**
Foreign exchange profit /(loss) on cash and cash equivalents		(249)	786
Cash and cash equivalents at end of period	17	**74,399**	**42,078**

The notes on pages 21 to 50 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, 217a Kifissias Avenue, Athens, Greece (Reg. 52755/06/B/02/34). The Bank's duration is until 2099 however it can be extended or reduced by resolution of the General Assembly of the Shareholders.

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

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

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

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

Hubert Esperon	Chairman	Non-Executive
Theodore Afthonidis	Vice Chairman and Managing Director	Executive Member
Konstantinos Handjipanayotis	Member & Deputy Managing Director	Executive Member
Stephane Daillencourt	Member	Non-Executive
Paolo Braghieri	Member	Non-Executive
Dimitris Potamitis	Member	Non-Executive, Independent
Emmanuel Kavussanos	Member	Non-Executive, Independent
Argyro Theodoropoulou (1/1/2012-4/5/2012)	Member	Executive
Dimitris Anagnostopoulos	Member	Non-Executive
Panagiotis Konstantaras(4/5/2012-31/12/2012)	Member	Non-Executive, Independent

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on May 24, 2013.

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 (IFRS) as endorsed by 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 2012, there were no unendorsed standards effective for the year ended 31 December 2012, 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 2012 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, financial assets at fair value through profit and loss and all derivative contracts measured at fair value.

The preparation of financial statements in conformity with IFRS 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 impairment of loans, and liabilities for open tax years. 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 2012

- **IFRS 7 "Financial Instruments: Disclosures**" (Amendment)

(effective for annual periods beginning on or after 1st of July 2011).
The amendment requires certain additional disclosures in relation to transferred financial assets that are not de-recognized and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. This amendment did not have an impact on the Bank's financial statements.

b) New standards, amendments and interpretations to existing standards, effective after 2012.

- **IFRS 9 "Financial Instruments"**

(effective for annual periods beginning on or after 1 January 2015).
IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts. The new standard requires all financial assets to be:

a) classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
b) initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs.
c) Subsequently measured at amortized cost or fair value.
d) investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss.
e) the concept of "embedded derivatives" does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.

The standard also requires a financial liability to be classified as either at fair value through profit or loss or at amortized cost. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognized directly in other comprehensive income, unless it creates or increases an accounting mismatch and the amount that is recognized in other comprehensive income is not recycled when the liability is settled or extinguished. The Bank has not applied this Standard and is currently evaluating the impact on its financial statements.

- **IFRS 13 "Fair Value Measurement"**

(effective for annual periods beginning on or after 1 January 2013). IFRS 13:

- defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price);
- sets out in a single IFRS a framework for measuring fair value; and
- requires disclosures about fair value measurements.

IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting. The Bank has not applied this amendment but it is not expected to have material impact on its financial statements.

- **IAS 32 "Financial Instruments: Presentation" (Amendment)**

(effective for annual periods beginning on or after 1 January 2014).
The amendment provides clarifications on the application of the offsetting rules. The Bank has not applied this amendment but it is not expected to have material impact on its financial statements.

- **IFRS 7 "Financial Instruments: Disclosures" (Amendment)**

(effective for annual periods beginning on or after 1 January 2013).
The amendment requires information about all financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendment also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The Bank has not applied this amendment and will provide the additional disclosures when it applies this amendment.

- **IAS 19 "Employee Benefits" (Amendment)**

(effective for annual periods beginning on or after 1 January 2013).
The amendments:

• eliminate the option to defer the recognition of gains and losses, known as the "corridor method" and require companies to report these changes as they occur. As a result any deficit or surplus in a plan will be included in the statement of financial position;

• requires to include service and finance cost in income statement and remeasurements in other comprehensive income ("OCI");

• enhance the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.

• modify the accounting for termination benefits including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits.

The Bank is examining the impact from the adoption of the above amendment on its financial statements.

- **IAS 1 "Presentation of Financial Statements" (Amendment)**

(effective for annual periods beginning on or after 1 July 2012).
The amendments require to group together items within OCI that may be reclassified to the profit or loss section of the income statement subsequently. The Bank has not applied this amendment and will present the required information in OCI when it applies the amendment.

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

2.2 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) ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet 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 ruling on initial recognition, except for non-monetary items denominated in foreign currencies that are stated at fair value.

2.3 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.

2.4 Fee and commission income

Fee and commission income are recognized on an accrual basis when 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.

2.5 Financial instruments

The Bank, for valuation purposes, classifies its financial assets in the following categories:
a. Loans and receivables: Included here are loans given to the 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 has included 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.

2.6 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: 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.

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: Inputs for assets or liabilities that its fair values are not based on observable market data (unobservable inputs). 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 upon 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.

2.7 Impairment of financial assets

Loans originated by the Bank are recognized when cash is advanced to the borrowers. They are initially recorded at cost, including transaction costs, and are subsequently valued at amortized cost using the effective interest rate method.
A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms.
The amount of the provision is the difference between the accounting value of the loan and the amount that is expected to be recovered and it is recognized in the income statement.
The adequacy of provisions is reassessed at each reporting date, as follows:

a) Loans and receivables are grouped per counterparty group, per industry or per type of loan.
b) Provisions for non-performing loans are calculated individually for loans with significant balances. Based on the individual calculations an overall loss ratio is calculated per counterparty or counterparty group.
c) Provisions for non-performing loans with small balances are aggregated and assessed for objective evidence of impairment. Examples of objective evidence of impairment are:
- Financial hardship of counterparties evidenced by defaults or delinquencies in interest or principal payments, which results in the increase of delinquencies of that group.
- Pause of payments or bankruptcies of businesses in the industrial sector.
- Creditors appeals to the courts for debt restructuring.
- Deterioration of financial conditions in local, national and international level, due to damages from natural disasters leading to reduced value of real estate collaterals.

2.8 Derivative financial instruments

Derivative financial instruments are initially recognized in the statement of financial position at cost and are subsequently measured at their fair value. All derivatives are carried in assets when favorable to the Bank and in liabilities when unfavorable to the Bank. Derivatives are entered into for either hedging or trading purposes and they are recognized at fair value irrespective of the purpose for which they have been entered into. Valuation differences arising from these derivatives are recognized in net trading income/(loss). The Bank has the following categories of Swaps:

- FX Swaps

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

- Interest Rate Swap

  The Bank uses interest rate swaps (IRSs) to hedge interest risks relating to customer's loans. The Bank does not use hedge accounting and therefore the gains and losses from derivative financial instruments are recognized in trading income. However, the above instruments are effective economic hedges. The result arising from these derivatives is recognized as net trading income/ loss from foreign exchange differences and derivative transactions.

2.9 Intangible assets

Includes software carried at cost less amortization. Amortization is charged 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.

2.10 Property and equipment

Includes additions and improvements cost to leased property and equipment. Items of property and equipment are stated at historical cost less accumulated depreciation. 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 live of each part of an item of property, plant and equipment taking into account residual value.

The estimated useful lives are as follows:

- 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.

2.11 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.

2.12 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 balance sheet date.

2.13 Employee benefits

(a) Defined contribution plan

For defined contribution plan, the Bank pays contributions to publicly or privately administered 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.

(b) Defined benefit plan

The net liability of the Bank, in respect of defined benefit plans, is calculated separately for each benefit plan, 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 pension plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets, if any. The present value of the defined obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds or government bonds that are denominated in the currency in which the benefits will be paid and, which have terms to maturity approximating the terms of the related liability, or estimates of rates which take into account the risk and maturity of the related liabilities where a deep market in such bonds does not exist. The defined benefit obligation is calculated annually based on actuarial valuation performed by independent actuaries using the projected unit credit method. All the actuarial gains or losses are recognized in income statement with Corridor method.

2.14 Offsetting

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

2.15 Share issue expenses

Incremental costs of share capital increase

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

Share premium

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

Note 3: Critical accounting policies, estimates and judgments

The preparation of financial statements in accordance with the IFRS requires Management to make subjective judgments, estimations 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, estimations and assumptions, made for the preparation of the financial statements are appropriate and reflect the facts and conditions prevailing on 31 December 2012. The accounting principles, estimates and judgments adopted by the Bank which are material for the understanding of the financial statements are as follows:

3.1 Critical accounting principles and estimates

Recognition and valuation of financial instruments at fair value

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

Impairment losses on loans and advances to customers

The impairment loss on loans and advances to customers result 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 search 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.
In estimating the impairment losses, management estimates the financial position of each customer and the recoverable amount from the foreclosure of assets with fixed charges (e.g. pre-notation of property) or guarantees. 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 effected by the Bank's labour agreements and relevant policies.

3.2 Critical accounting judgments

Impairment of available for sale financial assets

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

Income tax

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

Note 4: Financial risk management

4.1 Introduction and overview

The Bank has exposures 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.

4.2 Credit risk

Credit risk is the risk of default of a counterparty regarding its contractual obligations. The 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.

In particular, the Bank applies a rating system to each borrower's creditworthiness and simultaneously places them in a credit ranking. According to the Bank's credit rating system, borrowers are classified in ten categories of credit risk. Usually, lower credit risk borrowers are offered more advantageous terms, while high risk borrowers are generally required to have third party guarantees and give further collateral.

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

Maximum exposure to credit risk

The following table presents the Bank's maximum credit risk exposure as at 31 December 2012 and 31 December 2011, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported on the statement of financial position.

	2012 €' 000	2011 €' 000
ASSETS		
Due from banks	23,414	36,794
Loans and advances to customers	242,916	268,641
Investment securities – available for sale	7,415	23,190
Investment securities – held to maturity	-	1,290
Financial assets at fair value through P&L	556	585
Derivative financial instruments	20	15
Other assets	7,151	7,074
Maximum exposure from assets	**281,472**	**337,589**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	3,259	27,927
Financial guarantees written	526	6,240
Maximun exposure from off balance sheet items	**3,785**	**34,167**

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

Loans and advances to customers are summarized as follows:

	2012 €' 000 Loans and advances to shipping corporations	2012 €' 000 Other loans and advances	2012 €' 000 Total	2011 €' 000 Loans and advances to shipping corporations	2011 €' 000 Other loans and advances	2011 €' 000 Total
Neither past due nor impaired	202,741	6,167	**208,908**	231,219	5,402	**236,621**
Impaired loans	38,389		**38,389**	34,923	-	**34,923**
Gross	**241,130**	**6,167**	**247,297**	**266,142**	**5,402**	**271,544**
Less: allowance for impairment loss	(4,381)		**(4,381)**	(2,903)	-	**(2,903)**
Net loans and advances to customers	**236,749**	**6,167**	**242,916**	**263,239**	**5,402**	**268,641**

Credit quality of loans and advances neither past due nor impaired

Grades	2012 €' 000 Loans and advances to shipping corporations	2012 €' 000 Other loans and advances	2012 €' 000 Total	2011 €' 000 Loans and advances to shipping corporations	2011 €' 000 Other loans and advances	2011 €' 000 Total
Satisfactory	186,826	6,167	192,993	221,606	5,402	**227,008**
Watch list or substandard	15,916		15,916	9,613	-	**9,613**
Total	**202,741**	**6,167**	**208,908**	**231,219**	**5,402**	**236,621**

Bond portfolios

The tables below present an analysis of the Banks bond portfolios, by rating agency designation at 31 December 2012 and 2011, based on Standard & Poor's ratings or their equivalent.

Bond portfolios as at 31.12.2012

	Available For Sale	At Fair Value Through P&L	Held to Maturity	Total
AAA	2,367	-	-	**2,367**
A- to AA+	3,576	-	-	**3,576**
B- to BBB+	1,432	231	-	**1,663**
C- to CCC+	40	325	-	**365**
	7,415	**556**	**-**	**7,971**

Bond portfolios as at 31.12.2011

	Available For Sale	At Fair Value Through P&L	Held to Maturity	Total
AAA	6,233	-	-	**6,233**
A- to AA+	9,628	-	-	**9,628**
B- to BBB+	5,248	150	-	**5,398**
C- to CCC+	2,081	435	1,290	**3,806**
	23,190	**585**	**1,290**	**25,065**

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 customer's 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 31.12.2012

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	40,024	-	-	-	-	40,024
Due to customers	137,867	39,402	11,794	3,381	6,932	199,376
Derivatives financial instruments	246	-	-	-	-	246
Total on balance sheet	178,137	39,402	11,794	3,381	6,932	239,646
Off Balance sheet (Loan Commitments)	-	-	3,259	-	-	3,259
Total (On & Off Balance sheet)	178,137	39,402	15,053	3,381	6,932	242,905

Contractual undiscounted cash outflow as at 31.12.2011

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	14,892	20,143	10,107	-	-	45,142
Due to customers	118,708	55,429	20,196	13,462	6,509	214,304
Derivatives financial instruments	975	-	-	-	-	975
Total on balance sheet	134,575	75,572	30,303	13,462	6,509	260,421
Off Balance sheet (Loan Commitments)	-	7,188	19,348	1,391	-	27,927
Total (On & Off Balance sheet)	134,575	82,760	49,651	14,853	6,509	288,348

From the 21st of April 2010 the Bank participates in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) in the amount of €40 million of a three-year time horizon (until 18.04.2013). The participation renewed at April 29, 2013 for the same amount and new maturity the 22nd of April, 2016.

4.4 Market risks

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

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

- Risk from the change in bond prices classified as fair value through profit or loss and as available for sale.
- Interest rate risk arising from transactions in bonds that are classified as fair value through profit or loss and 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). The assets and liabilities are categorized into time periods (gaps) by either contractual repricing in the case of variable interest rate instruments, or by maturity date in the case of fixed interest rate instruments.

Interest Rate Risk as at 31.12.2012

	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	1,394	-	-	-	-	49,591	**50,985**
Due from banks	2,000	-	-	-	-	21,414	**23,414**
Loans and advances to customers	106,169	140,101	1,717	317	-	(5,388)	**242,916**
Investment securities – available for sale	3,247	3,157	1,011	-	-	-	**7,415**
Financial assets - fair value through P&L	-	-	556	-	-	-	**556**
Other remaining assets	-	-	-	-	-	8,308	**8,308**
TOTAL ASSETS	112,810	143,258	3,284	317	-	73,925	**333,594**
LIABILITIES							
Due to banks	40,000	-	-	-	-	-	**40,000**
Due to customers	141,790	39,112	2,952	12,028	1,750	719	**198,351**
Other remaining liabilities	-	-	-	-	-	3,902	**3,902**
TOTAL LIABILITIES	181,790	39,112	2,952	12,028	1,750	4,621	**242,253**
Total interest sensitivity gap	**(68,980)**	**104,146**	**332**	**(11,711)**	**(1,750)**	**69,304**	**91,341**

The measurement of Interest Rate Risk sensitivity of the Bank's Balance Sheet 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 banks interest bearing assets and liabilities are floating rate instruments with contractual repricing period less than 12 months.

Interest Rate Risk as at 31.12.2011

	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	7,027	-	-	-	-	657	**7,684**
Due from banks	29,547	-	-	-	-	7,247	**36,794**
Loans and advances to customers	107,890	145,944	13,185	5,788	-	(4,166)	**268,641**
Investment securities – available for sale	3,959	4,413	-	4,411	10,407	-	**23,190**
Investment securities – held to maturity	-	-	1,290	-	-	-	**1,290**
Financial assets - fair value through P&L	-	156	429	-	-	-	**585**
Other remaining assets	-	-	-	-	-	9,273	**9,273**
TOTAL ASSETS	**148,423**	**150,513**	**14,904**	**10,199**	**10,407**	**13,011**	**347,457**
LIABILITIES							
Due to banks	14,891	20,000	10,000	-	-	-	**44,891**
Due to customers	126,087	59,647	21,480	5,518	-	10	**212,742**
Other remaining liabilities	-	-	-	-	-	3,855	**3,855**
TOTAL LIABILITIES	**140,978**	**79,647**	**31,480**	**5,518**	**-**	**3,865**	**261,488**
Total interest sensitivity gap	**7,445**	**70,866**	**(16,576)**	**4,681**	**10,407**	**9,146**	**85,969**

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, which enables the Central Bank to monitor its foreign exchange risk.

The foreign exchange position of the Bank, as at 31 December 2012 and 31 December 2011, respectively, is as follows:

Foreign exchange position as at 31.12.2012

(€' 000)	USD	EURO	Other	Total
ASSETS				
Cash and balances with Central Banks	27	50,908	50	50,985
Due from banks	15,362	6,388	1,664	23,414
Loans and advances to customers	217,158	25,758	-	242,916
Investment securities – available for sale	4,555	2,860	-	7,415
Financial assets at fair value through P&L	-	556	-	556
Other remaining assets	472	7,836	-	8,308
TOTAL ASSETS	237,574	94,306	1,714	333,594
LIABILITIES				
Due to banks	-	40,000	-	40,000
Due to customers	180,898	16,083	1,370	198,351
Other remaining liabilities	929	2,970	3	3,902
TOTAL LIABILITIES	181,827	59,053	1,373	242,253
Net balance sheet position	55,747	35,253	341	91,341
Off balance sheet net notional position	(55,679)	55,651	28	-
Total FX position	**68**	**90,904**	**369**	**91,341**

The measurement of Currency Risk sensitivity of the Bank's Balance Sheet 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 31.12.2011

(€' 000)	USD	EURO	Other	Total
ASSETS				
Cash and balances with central banks	21	7,637	26	7,684
Due from banks	13,144	22,716	934	36,794
Loans and advances to customers	239,285	29,356	-	268,641
Investment securities – available for sale	5,806	17,384	-	23,190
Investment securities – held to maturity	-	1,290	-	1,290
Financial assets at fair value through P&L	-	585	-	585
Other remaining assets	613	8,660	-	9,273
TOTAL ASSETS	**258,869**	**87,628**	**960**	**347,457**
LIABILITIES				
Due to banks	1,391	43,500	-	44,891
Due to customers	195,496	16,474	772	212,742
Other remaining liabilities	482	3,370	3	3,855
TOTAL LIABILITIES	**197,369**	**63,344**	**775**	**261,488**
Net balance sheet position	**61,500**	**24,284**	**185**	**85,969**
Off balance sheet net notional position	(61,534)	61,537	(3)	-
Total FX position	**(34)**	**85,821**	**182**	**85,969**

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 2012 and 2011:

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.

Trading and Available for sale securities: Fair value for trading and available for sale assets, which also is the amount recognized in the statement of financial position, is based on quoted market prices except of the Greek Government Bonds eligible for the PSI (see note 14) .

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

Investment securities Held to Maturity: Fair value for held to maturity investments, is based on quoted market prices of the same or comparable instruments except of the Greek Government Bonds eligible for the PSI (see note 14).

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 the 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.

Accrued interest: The carrying amount of accrued interest approximates its fair value.

	31.12.2012		31.12.2011	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Cash and balances with Central Bank	50,985	50,985	7,684	7,684
Due from banks	23,414	23,414	36,794	36,794
Loans and advances to customers	242,916	242,916	268,641	268,641
Investment securities - available for sale	7,415	7,415	23,190	23,190
Investment securities - held to maturity	-	-	1,290	1,290
LIABILITIES				
Due to banks	40,000	40,000	44,891	44,891
Due to customers	198,351	198,351	212,742	212,742

4.6 Financial assets and liabilities measured at fair value

31 December 2012

	Level-1	Level-2	Level-3	Total
ASSETS				
Investment securities – available for sale	7,375	40	-	**7,415**
Financial assets - fair value through P&L	231	325	-	**556**
Derivatives	-	20	-	**20**
TOTAL ASSETS	7,606	385	-	**7,991**
LIABILITIES				
Derivatives	-	246	-	**246**
TOTAL LIABILITIES	**-**	**246**	**-**	**246**

31 December 2011

	Level-1	Level-2	Level-3	Total
ASSETS				
Investment securities – available for sale	22,092	58	1.040	**23,190**
Financial assets - fair value through P&L	585	-	-	**585**
Derivatives	-	15	-	**15**
TOTAL ASSETS	**22,677**	**73**	**1,040**	**23,790**
LIABILITIES				
Derivatives	-	975	-	**975**
TOTAL LIABILITIES	**-**	**975**	**-**	**975**

4.7 Capital adequacy

The Bank has implemented the new regulatory framework Basel II since January 2008. The new regulatory framework introduced capital requirement for operational risk and results to significant changes in the calculation of capital requirements against credit risk.

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 (8%) set by the Bank of Greece directive and the capital base is capable to support 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, available of sale negative reserve, etc.

The capital adequacy ratio as at 31/12/2012 and 31/12/2011 is in compliance with Basel II regulatory framework according the standardised approach.

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.

	2012 €' 000	**2011** €' 000
Tier I capital		
Share capital	37,980	37,980
Share premium	50,182	50,182
Retained earnings	3,314	(919)
Statutory reserve	400	253
Available for sale reserve	(535)	(1,527)
	91,341	**85,969**
Regulatory adjustments on Tier I capital		
Available for sale reserve	535	1,527
Less: intangible assets	(99)	(253)
Total regulatory adjustments on Tier I capital	436	1,274
Total Tier I capital	**91,777**	**87,243**
Risk weighted assets		
Risk weighted assets (credit risk)	243,561	277,265
Risk weighted assets (market risk)	913	371
Risk weighted assets (operational risk)	21,805	18,396
Total risk weighted assets	**266,279**	**296,031**
Tier I ratio	**34.47%**	**29.47%**
Capital Adequacy ratio	**34.47%**	**29.47%**

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

	2012 €' 000	2011 €' 000
Interest and similar income		
Available for sale and held for trading securities	962	1,355
Interest due from banks	96	1,051
Interest from loans and advances to customers	12,606	10,410
Other	155	124
Total Interest and similar income	**13,819**	**12,940**
Interest expense and similar charges		
Interest due to customers	(3,938)	(4,413)
Interest due to banks	(786)	(370)
Total Interest expense and similar charges	**(4,724)**	**(4,783)**
Net interest income	**9,095**	**8,157**

Note 6: Net fee and commission income

	2012 €' 000	2011 €' 000
Fee and commission income		
Loan origination fees and commissions	1,531	1,370
Funds transfers	640	435
Other	47	69
Total Fee and commission income	**2,218**	**1,874**
Fee and commission expense		
Banks	(85)	(68)
Central Bank	(280)	(280)
Other	(157)	(146)
Total Fee and commission expense	**(522)**	**(494)**
Net fee and commission income	**1,696**	**1,380**

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 and then amortized over the life of the loan with the effective interest rate method. The commissions received by the Bank as an arranger and as an agent are recognized in the income statement when collected.

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 2012 € 363 thousands (€ 972 thousands for 2011).

Note 7: Net trading income

	2012 €' 000	2011 €' 000
Foreign exchange contracts and derivatives	203	385
Net trading income	**203**	**385**

Note 8: Net result from sale of investment securities

	2012 €' 000	2011 €' 000
Net gain from sale of available for sale financial assets	3,097	93
Net result from sale of investment securities	**3,097**	**93**

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

	2012 €' 000	2011 €' 000
Profit (Loss) from valuation of financial assets at fair value through P & L	127	(463)
Gain (Loss) from sale of financial assets at fair value through P & L	239	15
Net result from financial instruments at fair value through profit or loss	**366**	**(448)**

Note 10: Personnel expenses

	2012 **€' 000**	**2011** **€' 000**
Wages and salaries	(3,550)	(3,311)
Social security contributions	(419)	(524)
Defined contribution plans	(99)	(95)
Defined benefit plans (see Note 31)	(366)	(56)
Provisions for untaken leave	-	3
Other	(266)	(230)
Personnel expenses	**(4,700)**	**(4,213)**

The number of employees of the Bank at 31 December 2012 was 60 (60 as at 31 December 2011). The average number of employees for the period 1 January 2012 to 31 December 2012 was 60.

Note 11: General administrative expenses

	2012 **€' 000**	**2011** **€' 000**
Rental expense for buildings	(351)	(366)
Rental expense for cars	(63)	(61)
Third party fees	(566)	(716)
IT expense	(384)	(346)
Telecommunication – mail expense	(91)	(103)
Promotion and advertising expense	(19)	(36)
Office material	(23)	(23)
Utilities	(78)	(78)
Taxes and duties	(242)	(249)
Maintenance and other related expenses	(41)	(50)
Publication expenses	(18)	(21)
Subscription expenses	(32)	(34)
Donations	(181)	(1)
Contributions	-	(60)
Officers and directors insurance	(128)	(127)
Other general administrative expenses	(196)	(187)
General and administrative expenses	**(2,413)**	**(2,458)**

Note 12: Depreciation and amortization

	2012 **€' 000**	**2011** **€' 000**
Property and equipment	(131)	(131)
Intangible assets	(163)	(135)
Depreciation and amortization	**(294)**	**(266)**

Note 13: Impairment losses on loans and advances

Impairment losses on loans and advances movement:

	2012 €' 000	2011 €' 000
Balance as at 1 January	**(2,903)**	**(2,327)**
Impairment losses on loans and advances for the year	(1,685)	(842)
Amounts recovered	161	342
Effect of foreign currency movements	46	(76)
Impairment losses on loans and advances charged in Income statement	**(1,478)**	**(576)**
Loans written off	-	**-**
Balance as at 31 December	**(4,381)**	**(2,903)**

Note 14: Impairment of Greek Government Bonds

On 24 February 2012, the Hellenic Republic Ministry of Finance published the invitation memoranda whereby it invited the holders of the Greek government bonds that were eligible for the PSI to offer to exchange their eligible GGBs subject to the terms described in the Memoranda.

The Bank participated in the Offer under the terms of the Memoranda. The exchange of the Greek government bonds that were subject to Greek law took place on 12 March 2012. The key terms of the Offer are as follows:

- 53,5% haircut on the nominal value of the eligible GGBs
- Receipt of EFSF bonds with total nominal value 15% of the nominal amount of the exchanged bonds, half of which mature in 12 months and half in 24 months.
- Receipt of new bonds (the "New GGBs") with the following characteristics:
    - Issuer: Hellenic Republic
    - Nominal value: 31,5% of the nominal amount of the exchanged bonds
    - Payment of principal: 20 separate bonds with staggered bullet maturities of between 11 and 30 years
    - Coupon rate: 2,0% per annum for payment dates in 2013 - 2015, 3,0% per annum for payment dates in 2016 - 2020, 3,65% per annum for payment date 2021 and 4,3% per annum for payment dates in 2022 and thereafter
    - Receipt of detachable GDP-linked securities issued by the Hellenic Republic (the "GDP-linked Securities") traded in the market with a notional amount equal to the face amount of the New GGBs received. The GDP-linked Securities will provide for annual payments beginning in 2015 of an amount of up to 1% of their notional amount in the event the Hellenic Republic's nominal GDP exceeds a defined threshold and the Hellenic Republic has positive GDP growth in real terms in excess of specified targets.
    - Any accrued and unpaid interest (including additional amounts, if any) on the exchanged bonds will be paid with 6-month securities issued by the EFSF
    - The New GGBs and the GDP-linked Securities will be governed by English law and will be ranked pari passu with all other borrowed monies of the Hellenic Republic

The Offer considered as adjusting event after the reporting period in relation to the annual financial statements for the year ended 31 December 2011, and therefore, the Bank recognized an impairment loss of amount € 6.671 thousands in the annual financial statements of the year 2011.

On 17 December 2012 the Bank participated in the debt Buy-Back programme of the Greek Government and offered bonds of nominal value € 2,835 thousands (those received from the participation in the PSI) that were exchanged with six month EFSF bonds.

The following table presents the impact of the Buyback in the income statement of the Bank.

Nominal Value of Greek Gov. Bonds (From PSI)	Book Value 17/12/2012	Nominal Value of EFSF Bonds from Buyback 17/12/2012 (without interest accruals)	Impact in the Trading income
€'000	€'000	€'000	€'000
2,835	**970**	**963**	**(7)**

Note 15: Income tax

	2012	2011
	€' 000	€' 000
Income tax for the year	(668)	(459)
Tax settlement of previous years	-	(317)
Deferred income tax	(531)	1,376
Income tax	**(1,199)**	**600**

The calculation of the income tax expense is as follows:

Profit before tax	**5,579**	**(4,610)**
Tax calculation at 20% (2011:20%)	(1,116)	922
Non tax deductible expenses	(132)	(76)
Impact of tax change rate on Deferred Tax	-	(26)
Tax settlement of previous years	-	(317)
Other	49	97
Income tax	**(1,199)**	**600**

The nominal corporation tax rate for the Bank for the years 2012 and 2011 is 20%. Upon profit distribution a 25% withholding tax is imposed to distributed profits.

The Law 4110/2013 provides that for the periods commencing from 1 January 2013 thereon, the nominal corporation tax rate is increased to 26%. Also, the same law provides that for profit distributions approved from 01/01/2014 onwards, the withholding tax is reduced to 10%.

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

From the financial year 2011 and then, the Bank is audited by the certified auditors Deloitte Hadjipavlou Sofianos & Cambanis S.A., in accordance with article 82 of Law 2238/1994.

By the date the financial statements were approved for issue by the Board of Directors, the tax audit has not yet been completed and therefore the related tax audit certificate will be issued after the publication of the financial statements. Although during the tax audit additional tax liabilities may arise, it is not expected to have a material effect on the Bank's financial statements. After the completion of the tax audit the Bank will receive the tax audit certificate. The financial year will be considered final for tax audit purposes after 18 months from the issue of the tax certificate during which the tax authorities are entitled to re-examine the tax books of the Bank (Ministerial Decision 1159/22.7.2011).

According to Greek tax legislation, losses can be carried forward and off-set against future gains over the next 5 years. There is no tax loss carried forward by the Bank.

Upon the exchange of the eligible GGBs under the Offer, as described in Note 14, and in accordance with the law 4046/2012 voted specifically for the implementation of the PSI, any difference (loss) arising from the said exchange is considered deductible for tax purposes and is amortized in equal installments over the duration of the "New GGBs", instead of expensed in the year in which the exchange takes place and be part of the taxable losses of this year which have a 5 year utilization period, irrespective of the fact that they may not be held until maturity.

The management decided to recognize in the Year 2011, the deferred tax asset of €1.33 million on the PSI losses.

Further information concerning deferred tax is presented in Note 26.

Note 16: Cash and balances with Central Bank

	2012	2011
	€' 000	€' 000
Cash on hand	510	657
Balance with Central Bank	50,475	7,027
Cash and balances with Central Bank	**50,985**	**7,684**

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 2% of total customer deposits as these are defined by the European Central Bank ("ECB"). As of 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB (0.75% at 31.12.2012 and 1% at 31.12.2011). 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 17: Cash and cash equivalents

For the purpose of the cash flow statement, cash and cash equivalents comprise the following balances with original maturity of 90 days or less:

	2012	2011
	€' 000	€' 000
Cash on hand	510	657
Non-restricted placements with Central Bank	50,475	4,627
Short-term balances due from banks	23,414	36,794
Cash and cash equivalents	**74,399**	**42,078**

Note 18: Due from banks

	2012	2011
	€' 000	€' 000
Current accounts	21,414	7,247
Money Market Placements	2,000	29,547
Due from banks	**23,414**	**36,794**

Note 19: Loans and advances to customers

	2012	2011
	€' 000	€' 000
Loans and advances to shipping corporations at amortized cost	236,749	263,239
Other loans and advances	6,167	5,402
Loans and advances to customers	**242,916**	**268,641**

Included within loans and advances to customers are loans € 83 million (€91 in 2011) that have been pledged as security for the participation of the Bank in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) in the amount of €40 million of a three-year time horizon (until 18.04.2013). The Banks participation was renewed at April 29, 2013 for the same amount and new maturity date the 22nd of April, 2016.

Loans and advances to customers are analyzed:

	Gross amount	Impairment allowance	Net amount
		Year 2012 €'000	
Loans and advances to shipping corporations at amortized cost	241,130	(4,381)	236,749
Other loans and advances	6,167	-	6,167
Loans and advances to customers	**247,297**	**(4,381)**	**242,916**

	Gross amount	Impairment allowance	Net amount
		Year 2011 €'000	
Loans and advances to shipping corporations at amortized cost	266,142	(2,903)	263,239
Other loans and advances	5,402	-	5,402
Loans and advances to customers	**271,544**	**(2,903)**	**268,641**

Note 20: Investment securities – Available for sale

Analysis per Issuer

	2012 €' 000	**2011** €' 000
Government	2,406	15,320
Banks – Financial institutions	4,924	6,455
Corporate	85	1,415
Investment securities – Available for sale	**7,415**	**23,190**

Analysis per Type

	2012 €' 000	**2011** €' 000
Debt	5,753	21,704
Equity	1,662	1,486
Investment securities – Available for sale	**7,415**	**23,190**

Movement for the year:

Balance as 1 January	**23,190**	**25,714**
Additions	69,100	18,819
Disposals (Sales and redemption)	(88,986)	(18,898)
Profit (loss) from changes in fair value	1,240	332
Impairment provision (PSI)	2,960	(2,960)
Exchange differences	(90)	183
Balance as 31 December	**7,415**	**23,190**

All the bonds in the available for sale portfolio are listed.

Included within Investment securities – Available for sale are Government bonds of nominal value € 2.3 million (€18 million at 31/12/2011) that have been pledged as security for ECB funding purposes.

Note 21: Investment securities – Held to maturity

Analysis per Issuer

	2012 €' 000	2011 €' 000
Greek Government	-	1,290
Investment securities – Held to maturity	**-**	**1,290**

Movement for the year:

Balance as 1 January	**1,290**	**10,011**
Additions	-	-
Disposals (Matured) (psi+)	(1,290)	(5,000)
Other (discount amortization)	-	(10)
Impairment provision (PSI)	-	(3,711)
Balance as 31 December	**-**	**1,290**

Note 22: Financial assets at fair value through P&L

	2012 €' 000	2011 €' 000
Balance as at 1 January	**585**	**1,048**
Additions	484	1,267
Disposals (Sales and redemption)	(640)	(1,267)
Profit (loss) from changes in fair value	127	(463)
Balance as at 31 December	**556**	**585**

Analysis per Type

	2012 €' 000	2011 €' 000
Debt	325	279
Equity	231	306
Financial assets at fair value through P&L	**556**	**585**

All Financial assets at fair value through P&L are issued by Banks and are listed.

Note 23: Derivative financial instruments

	31.12.2012			**31.12.2011**		
	Nominal value	**Fair value Assets**	**Fair value Liabilities**	Nominal value	Fair value Assets	Fair value Liabilities
FX forwards	54.455	-	246	61,437	15	975
Interest rate swaps	-	-	-	490	-	-
Warrant Linked to Greek GDP	2.835	20	-	-	-	-
Derivative financial instruments	**57.290**	**20**	**246**	**61,927**	**15**	**975**

The Bank does not use hedge accounting. However, the Bank believes that the above instruments are effective economic hedges and therefore the gains and losses from derivative financial instruments are recognized in trading income.

Note 24: Intangible assets

	2012 €' 000	2011 €' 000
Cost:		
Opening balance as at 1 January	1,758	1,724
Additions	10	34
Closing balance as at 31 December	**1,768**	**1,758**
Accumulated amortization:		
Opening balance as at 1 January	1,505	1,370
Amortization	164	135
Closing balance as at 31 December	**1,669**	**1,505**
Net book value:		
Opening net book value as at 1 January	**253**	**354**
Closing net book value as at 31 December	**99**	**253**

Intangible assets include only software.

Note 25: Property and equipment

Property and equipment as at 31.12.2012

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	**Total**
Cost:					
Opening balance as at 1 January 2012	456	15	503	731	1,705
Additions	-	-	-	16	16
Disposals	-	-	-	-	-
Closing balance as at 31 December 2012	**456**	**15**	**503**	**746**	**1,721**
Accumulated depreciation:					
Opening balance as at 1 January 2021	125	9	404	665	1,203
Depreciation	37	2	54	37	130
Disposals	-	-	-	-	-
Closing balance as at 31 December 2012	**162**	**11**	**458**	**702**	**1,333**
Net book value:					
Closing net book value as at 31 December 2012	**294**	**4**	**45**	**44**	**388**

Property and equipment as at 31.12.2011

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	**Total**
Cost:					
Opening balance as at 1 January 2011	445	15	496	692	1,648
Additions	11	-	7	39	57
Disposals	-	-	-	-	-
Closing balance as at 31 December 2011	**456**	**15**	**503**	**731**	**1,705**
Accumulated depreciation:					
Opening balance as at 1 January 2011	88	6	351	627	1,072
Depreciation	37	3	53	38	131
Disposals	-	-	-	-	-
Closing balance as at 31 December 2011	**125**	**9**	**404**	**665**	**1,203**
Net book value:					
Closing net book value as at 31 December 2011	**331**	**6**	**99**	**66**	**502**

No property and equipment have been pledged as security for liabilities.

Note 26: Deferred tax assets

	2012 €' 000	2011 €' 000
Deferred tax assets		
Write-offs and amortization of intangible assets	1	(2)
Loans and advances to customers	202	253
Defined benefits obligations	181	108
Derivatives and financial instruments	265	851
Greek Government Bonds (PSI)	1,291	1,334
Other temporary differences	124	67
Total Deferred tax assets	**2,064**	**2,611**
Deferred tax liabilities		
Loans and advances to customers	1,414	1,182
Total Deferred tax liabilities	**1,414**	**1,182**
Net deferred tax assets	**650**	**1,429**

Movement of temporary differences during the year:

Movement of 2012	Balance as at 01/01/12	Deferred tax charge in the income statement 2012	Deferred tax through equity 2012	Balance as at 31/12/12
Write-offs and amortization of intangible assets	(2)	3	-	1
Loans and advances to customers	(929)	(283)	-	(1,212)
Defined benefits obligations	108	73	-	181
Derivatives and financial instruments	851	(338)	(248)	265
Greek Government Bonds (PSI)	1,334	(43)	-	1,291
Other temporary differences	67	57	-	124
Total	**1,429**	**(531)**	**(248)**	**650**

Movement of 2011	Balance as at 01/01/11	Deferred tax charge in the income statement 2011	Deferred tax through equity 2011	Balance as at 31/12/11
Write-offs and amortization of intangible assets	19	(9)	(12)	(2)
Loans and advances to customers	(791)	(138)	-	(929)
Defined benefits obligations	111	(3)	-	108
Derivatives and financial instruments	730	255	(134)	851
Greek Government Bonds (PSI)	-	1,334	-	1,334
Other temporary differences	130	(63)	-	67
Total	**199**	**1,376**	**(146)**	**1,429**

Note 27: Other assets

	2012 €' 000	2011 €' 000
Accrued income (Interest and Commissions)	617	1,338
Prepaid expenses	305	301
Greek Deposit Guarantee Fund	5,768	4,790
Other	461	645
Other assets	**7,151**	**7,074**

Greek Deposit Guarantee Fund

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

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

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

Note 28: Due to banks

	2012 €' 000	2011 €' 000
Term deposits due to credit institutions	5,000	14,891
Amounts due to ECB	35,000	30,000
Due to banks	**40,000**	**44,891**

The amounts due to ECB is funding from ECB with collateral eligible bonds from the Bank's available for sale portfolio, as well as part of the €40 million Greek government bonds from the participation of the Bank in the Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008).

Note 29: Due to customers

	2012 €' 000	2011 €' 000
Sight deposits	88,725	48,827
Term deposits	108,908	163,905
Other	718	10
Due to customers	**198,351**	**212,742**

Due to customers include blocked deposits of:

	2012 €' 000	2011 €' 000
Blocked deposits for the issuance of Guarantee Letters	526	6,248
Blocked deposits for loans granted	17,577	26,800
Total	**18,103**	**33,048**

The only main concentration relates to deposits of five (5) customers that represent approximately 31% of the amounts due to customers (€ 61 million out of € 197 million). In 2011 five (5) customers represented approximately 39% of the amounts due to customers (€ 82 million out of € 213 million).

Note 30: Other liabilities

	2012 €' 000	2011 €' 000
Accrued interest payable	259	726
Taxes – duties (other than income tax)	182	195
Amounts due to social security funds	100	125
Accrued expenses and deferred income	607	373
Suppliers	160	76
Hellenic Deposit & Investment Guarantee Fund	570	687
Other	880	166
Other liabilities	**2,758**	**2,348**

Note 31: 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 2012 the present value of the liability amounted to € 898 thousand (2011 € 532 thousand).

The retirement benefit obligations 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 over the service lives of the related employees.

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.

	2012	2011
	€' 000	€' 000
The amounts recognized in the Statement of Financial Position are determined as follows:		
Present value of obligations	1,024	578
Unrecognized actuarial gains (losses)	(126)	(46)
Retirement benefit obligations	**898**	**532**
The amounts recognized in the Income Statement are as follows:		
Current service cost	41	35
Financial cost	27	21
Amortization of Unrecognized actuarial (Gain)/Loss	-	-
Amortization of Past Service Cost	298	
Total, included in personnel expenses	**366**	**56**
The movement in the liability as recognized in the Statement of Financial Position is as follows:		
Opening balance	**532**	**476**
Benefits paid directly	-	-
Total expenses recognized in the Income Statement	366	56
Balance at the end of the year	**898**	**532**
The movement in the defined benefit obligations is as follows:		
Opening balance	**578**	**490**
Service cost	41	35
Interest cost	27	21
Benefits paid directly	-	-
Extra Payments or Expense/ (Income)	-	-
Past Service Cost arising over last period	298	
Actuarial (Gain) / Loss	80	32
Balance at the end of the year	**1.024**	**578**
The main actuarial assumptions used are as follows:		
Discount rate at 31 December	3.66%	5.10%
Future increase of salaries	3.50%	3.50%
Average future working life	**13.84**	**14.22**

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

	2012	2011	2010	2009	2008
	€' 000	€' 000	€' 000	€' 000	€' 000
Present value of obligations	1,024	578	490	492	391
Unrecognized actuarial gains (losses)	(126)	(46)	(14)	(77)	(28)
Total obligation	**898**	**532**	**476**	**415**	**363**

Note 32: Share capital

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

	31.12.2012			31.12.2011		
	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 33: Share premium

	2012	2011
	€' 000	€' 000
Share premium	50,513	50,513
Less: Share capital issue related expenses (Net of tax)	(331)	(331)
Share premium	**50,182**	**50,182**

Note 34: Reserves

	2012	2011
	€' 000	€' 000
Statutory reserve	400	253
Valuation of available for sale portfolio	(669)	(1,909)
Deferred tax on valuation of AFS portfolio	134	382
Reserves	**(135)**	**(1,274)**

Movement of Reserves

Opening Balance	**(1,274)**	**(1,472)**
Statutory reserve	147	-
Valuation of available for sale portfolio	1,240	332
Deferred tax on valuation of AFS portfolio	(248)	(134)
Net change in Fair value	**992**	**198**
Closing Balance	**(135)**	**(1,274)**

Note 35: Retained earnings

	2012	2011
	€' 000	€' 000
Opening balance	**(919)**	**4,092**
Dividends	-	(1,000)
Statutory reserve for the year	(147)	-
Profit / (Loss) for the year	4,380	(4,010)
Closing balance	**3,314**	**(919)**

After the end of the reporting period, the Board of directors proposed the distribution of € 2,750 thousand (i.e. € 1.3033 per share) as dividend to the shareholders.

Note 36: Contingent liabilities and commitments

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

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

For the financial year 2011, the Bank has been audited by its certified auditors, Deloitte Hadjipavlou Sofianos & Cambanis S.A., in accordance with article 82 of Law 2238/1994. Based on the article 6 of the Ministerial Decision 1159/22.7.2011 , the 2011 financial year will be considered final for tax audit purposes 18 months after the issue of the audit certificate during which period the tax authorities are entitled to re-examine the tax books of the Bank. The tax audit certificate for 2011 was issued on 11 July 2012.

By the date the financial statements were approved for issue by the Board of Directors, the tax audit for the financial year 2012 has not yet been completed and therefore the related tax audit certificate will be issued after the publication of the financial statements. Although during the tax audit additional tax liabilities may arise, it is not expected to have a material effect.

Capital commitments

	2012 €' 000	2011 €' 000
Unused credit facilities	3,259	27,927
Financial guarantees written	526	6,240
Total	**3,785**	**34,167**

Operating lease commitments
Operating leases
The Bank has liabilities from the lease of its central building, its branch in Piraeus and company cars that it uses.
The duration of the lease contract is 12 years for the buildings, and 4 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 € 351 thousand for 2012 (€ 366 thousand for 2011).
The lease agreement for the Maroussi building was successfully renegotiated in April 2011 to considerably lower levels.

The minimum lease payments until the end of the lease period are as follows:

	2012 €' 000	2011 €' 000
No later than 1 year	403	402
Later than 1 year and no later than 5 years	1,504	1,462
Later than 5 years	1,028	1,818
Total	**2,935**	**3,682**

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:

	2012 €' 000	2011 €' 000
Participation of other banks in draw downed syndicated loans	1,018,737	1,040,891
AB-Bank's participation in draw down syndicated loans	44,680	48,684
Total amount of draw downed syndicated loans.	**1,063,417**	**1,089,575**
		.
Other banks participation in unused credit facilities of syndicated loans	12,278	53,455
AB-Bank's participation in unused credit facilities of syndicated loans	1,364	1,805
Total amount of undrawn syndicated loans.	**13,642**	**55,260**
Total amount of syndicated loans administrated with the participation of AB-Bank	**1,077,059**	**1,144,835**

Note 37: Events after the reporting period

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

Note 38: Related party transactions

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

Affiliates' outstanding balances and results of these transactions are as follows.

	Year 2012 €' 000	Year 2011 €' 000
Assets		
Loans and advances to customers	773	18
Total assets	**773**	**18**
Liabilities		
Due to customers	148	222
Total liabilities	**148**	**222**
Income		
Interest and similar income	25	1
Total income	**25**	**1**
Expenses		
Interest expense and similar charges	1	2
Total expenses	**1**	**2**

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:

	2012 €' 000	2011 €' 000
Remuneration	1,263	1,373
Short Term employee and post-employment benefits	104	130
Total	**1,367**	**1,503**

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

Note 39: Independent auditor's fees

Deloitte Hadjipavlou Sofianos & Cambanis S.A. is our independent public accountant for the year ended 31 December 2012. The following table presents the fees for professional audit and other services rendered.

	2012 €' 000	2011 €' 000
Audit fees	76	78
Audit-related fees	27	27
Total	**103**	**105**