AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2009

May 2010

Table of Contents

Annual Report of the Board of Directors....4
- Developments in the Global Economic Environment....4
- Shipping Markets....5
- Internal developments....5
- Results, Financial Position and Ratios....6
- Risk Management....7
- Goals and Potential....8
- Important Post Balance Sheet Events....8

Auditors' Report....9

Financial Statements....10
Income Statement....11
Statement of Comprehensive Income....12
Statement of Financial Position....13
Statement of Changes in Equity....14
Cash Flow Statement....15
Note 1: General Information....16
Note 2: Summary of significant accounting policies....16
- 2.1 Basis of preparation....16
- 2.2 Foreign currency transactions....19
- 2.3 Interest income and expense....20
- 2.4 Fee and commission income....20
- 2.5 Financial instruments....20
- 2.6 Impairment of financial assets....21
- 2.7 Derivative financial instruments....21
- 2.8 Intangible assets....21
- 2.9 Property and equipment....22
- 2.10 Deferred tax....22
- 2.11 Provisions and other liabilities....22
- 2.12 Employee benefits....22
- 2.13 Offsetting....22
- 2.14 Share issue expenses....22
- 2.15 Comparatives....23

Note 3: Critical accounting policies, estimates and judgments....23
- 3.1 Critical accounting principles and estimates....23
- 3.2 Critical accounting judgments....23

Note 4: Financial risk management....24
- 4.1 Introduction and overview....24
- 4.2 Credit risk....24
- 4.3 Liquidity risk....26

4.4 Market risks....27
4.4.1 Interest rate risk 27
4.4.2 Foreign exchange risk....28
4.5 Fair value of financial assets and liabilities 29
4.6 Capital adequacy 30
Note 5: Net interest income....31
Note 6: Net fee and commission income 31
Note 7: Net trading income / (loss)....31
Note 8: Net result from sale of investment securities 31
Note 9: Net result from financial instruments at fair value through profit or loss 32
Note 10: Personnel expenses 32
Note 11: General administrative expenses 32
Note 12: Depreciation and amortization charges....32
Note 13: Income tax expense & deferred tax....33
Note 14: Cash and balances with Central Bank 33
Note 15: Cash and cash equivalents 33
Note 16: Due from banks 33
Note 17: Loans and advances to customers....34
Note 18: Investment securities – Available for sale....34
Note 19: Investment securities – Held to maturity....34
Note 20: Financial assets at fair value through P&L....35
Note 21: Derivative financial instruments....35
Note 22: Intangible assets....35
Note 23: Property and equipment....35
Note 24: Deferred tax assets and liabilities....36
Note 25: Other assets 37
Note 26: Due to banks 37
Note 27: Due to customers 37
Note 28: Other liabilities 37
Note 29: Retirement benefit obligations....38
Note 30: Share capital....39
Note 31: Share premium....39
Note 32: Reserves....39
Note 33: Retained earnings....39
Note 34: Contingent liabilities and commitments....40
Note 35: Post balance sheet events....40
Note 36: Related party transactions 41

Annual Report of the Board of Directors
of AEGEAN BALTIC BANK S.A.
for the fiscal year 2009

To the Shareholders,

We hereby submit for approval the financial statements of Aegean Baltic Bank S.A. (hereinafter “AB Bank” or the “Bank”) for the year ended December 31st, 2009, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU. We also hereby present the report of the directors for the year ended December 31st, 2009.

AB Bank is a Greek, shipping specialist, financial services provider engaged in corporate banking, ancillary, treasury and advisory services to shipping enterprises, or for shipping related transactions.

The Bank operates through its head office at Maroussi, Athens, Greece, and does not maintain other offices, branches or subsidiaries in Greece or abroad.

Developments in the Global Economic Environment

Global Economical Growth

2009 was marked by high uncertainty but also by positive indications as to the global economy’s capacity to enter stable rates of growth in 2010, overcoming the international recession caused by the impact of the financial sector’s crisis onto real economy. Strong negative volatility was noticed in both, the stock and the bond markets during the first quarter of 2009, which was nevertheless reversed in the second quarter. In the second half of 2009 capital markets maintained a positive performance, reflecting the slow but gradual recovery trends having shown up in the developed economies of the U.S.A and the Western Europe, together with stronger growth rates achieved by important emerging economies such as China and India.

According to estimates of international economic organizations (OECD, IMF), in 2009 world GDP fell by 1.1%. This relatively small contraction is not only attributed to the gradual shift of economic climate in the developed economies of the U.S. and Europe, but also to the contribution of major emerging and developing markets of Asia such as China, whose GDP rose by more than 8.0%, a contribution which, at a global level, limited the effect of negative rates of the U.S. (-2.4%), the Eurozone (-4.1%) and Japan (-5.2%). Moreover, during 2009 world industrial production shrank considerably in the U.S. (-9.8%), Europe (-14.4%) and especially in Japan (-21.8%), while China and India marked increases of 11.1% and 6.1% respectively.

The aforementioned shift of the economic climate in the second half of 2009 is estimated to have laid the foundations for the annual growth rate of world GDP exceeding in 2010 the 4% level, the major thrusting force being the emerging economies of Asia and the developed economies of Europe and the U.S. being expected to follow positive but significantly milder growth rates. It is estimated that in 2010 GDP growth rates will be marginal in the Eurozone (0.3% to 1.0%) and higher than 2.5% in the U.S., while China's growth is expected to range at levels above 10% and that of India’s at 7.5%.

Financial Environment

The trends of gradual normalization in the international money and capital markets, which became apparent during the second half of 2009, are expected to continue in 2010 at a pace however that may be neither smooth nor linear. As the feeling of uncertainty has not been fully reversed as yet in the markets, emerges of intense negative volatility peaks, that will be stress-testing the long expected restoration of stability, should be considered as highly probable.

The effectiveness of the emergency measures, of unprecedented scale, taken in the last quarter of 2008 and onwards by central banks and governments in order to halt and reverse the effects of the global financial sector’s crisis on real economy, is often challenged by the, presumably, higher casualties these measures may cause to fiscal and monetary stability of the economies of Europe and the USA. Throughout 2009 the central banks (ECB, FED, Bank of England, etc.) maintained the interest rates for marginal and emergency funding at the symbolic levels of 1% or less, while providing an unparalleled amount of liquidity in the financial sector. At the same time, there were repetitive government interventions to provide additional liquidity to fund the rescue of large banks, to contain the effects of the downturn for the survival of corporations and to avoid higher job losses. While these measures may have prevented so far the deepening of the recession, having also facilitated the replenishment of liquidity, the slow but gradual restoration of interbank markets operation and the prevention of further credit contraction, they have also led to sharp rises in public debt and budget deficits of most countries.

Until the markets establish the perception that the fundamental medium and long-term economic indicators steadily improve and the subsequent belief that economic recovery follows rates affording the reduction of public deficits and debts, the bond and stock markets will continue to be susceptible to intense downward swings – swings reflecting the perceived risk that the financial crisis and the recession may be refueled by fiscal contraction and by the interdependence between financial stability and stability in government bonds market.

Shipping Markets

In the international shipping sector, 2009 was another peculiar year.

It started under the worst auspices with a non-existent freight market - save for the tanker sector - complete absence of S&P activity and plummeting demand, especially for the containerships, within an environment of fear for a prolonged worldwide economic recession. In the course of the year and towards its end, nearly all sectors gradually stabilized and some in fact regained its colour.

Despite the worst fears, the dry-bulk freight market rebounded considerably from its lowest level ever (BDI of 663 points on December 5th, 2008, closing at 3005 points by end 2009), thanks to low commodity prices, deferral of new building deliveries and, of course, Chinese demand. As the S&P activity revived, bulker market values recorded a ca. 25% on average improvement over the end-2008 levels.

The lightly affected during 2008 tanker sector entered since the end of first quarter of 2009 an almost vertical fall of all its indices in light of the sharp decline in global consumption. Notably most of the exporting countries saw a fall in volumes, except Russia. Freight rates fell by more than 30% on average, with the product carriers being the worsely hit (where the fall versus the end 2008 rates approached 50%). As a result of the freight market pressures, compounded by the lack of finance, values sharply declined. However, mass lay-ups were avoided, while shipowners survived thanks to their strong reserves accumulated over the previous years.

For the containerships, 2009 witnessed the worst downturn that the industry has faced since the advent of containerization, with volumes dwindling more than 10% globally. Box rates fell to their lowest ever levels, while charter rates hardly covered operating expenses. In this environment, liner operators recorded operating losses of close to $15 bio and values fell by another 40% on a year-on-year basis. However, casualties among the major operators were avoided and the market slightly turned during the second half of 2009, as demand gradually returned.

Finally, 2009 was the year that Chinese buyers became the largest buyers of second hand tonnage ahead of Greeks, with the Chinese being able to build a fleet at moderate prices and thus better control the transport of manufactured goods / raw materials that their industry needs. At the same time, Chinese shipyards have narrowed the gap with their competitors and before long are expected to reach pole position among shipbuilding nations.

There are challenges ahead; the recession may be behind us but the path of recovery will be difficult while relapses cannot be ruled out. There is still considerable pressure from the large new building order book (about 40% on average for all vessel types in terms of dwt; ca. 60% for bulkers alone) but on the other hand there appears to be strong demand from China, with the latter taking measures so that its economy does not overheat. There is a general sense that all segments - including bulkers - will fare better than 2009, while values are expected to strengthen at least in the short run for all vessel types as confidence to the world economy returns.

Internal developments

On November 20th 2009, AB Bank applied for the amount of € 40 Mio to participate in the third part of the program introduced by Greek Authorities to support liquidity of the Banking System by issuing Greek Government Bonds, based on the Article 3 of L.3723/2008.

On April 21th, 2010 AB Bank received the Greek Government bonds, which should be held until April 18th, 2013.

In 2009, the Bank completed the purchase of shipping loans at discount from another Bank of $ 93 Mio and € 18 Mio.

In 2009, AB Bank has completed a detailed inventory and improved its procedures to be followed at all levels, in accordance with the requirements of the current regulatory framework for supervision.

Results, Financial Position and Ratios

According to the Bank's Financial Reports of the fiscal year 2009, Operating Income amounted to € 9.01 Mio, while total Operating expenses, including depreciation and credit provisions, amounted to € 7.24 Mio. Profit before tax amounted to € 1.77 Mio versus € 2.63 Mio in 2008, while net profit after tax decreased by 32% to € 1.29 Mio form € 1.89 Mio in 2008.

Operating Income and expenses of the Bank in the year 2009 are analyzed as follows:

Operating income derived from Interest, Commissions and Trading activities totaled € 9.01 Mio, marking a decrease of 13% in comparison to 2008.

Specifically:
Net interest income amounted to € 6.17 Mio, compared to € 7.59 Mio in 2008, having decreased by 19% as a result of lower average interest base Rates having prevailed on both the US dollar and the Euro, in comparison to the 2008 averages, combined with increased cost of deposits. As a result of the above combination, the Bank's Net Interest Margin (net interest income over average total assets) decreased by 0.49%, to 1.91% compared to 2.40% in 2008.

Net commission income decreased by 34%, to € 1.93 Mio against € 2.91 Mio in the year before. The aforementioned reduction was the result of a softer syndicated loans market and lower demand for advisory services, both having comprised prime sources of fee income for the Bank in the previous year.

Net trading income increased by € 1.1 Mio during the year and amounted to a € 0.9 Mio profit versus a € 0.2 Mio loss in the year before. This increase was mainly due to profit from actual securities trading and valuation increases of the Bank's portfolio accounted for at fair value through profit and loss.

Operating expenses decreased by 6%, to € 7.24 Mio, compared to € 7.68 Mio in 2008.

Specifically:
Provisions for loans impairment decreased by 23% having amounted to € 1.34 Mio against € 1.74 Mio in 2008. The reduction in the annual impairment charge reflects the improved quality of the Bank's loan portfolio in combination with the relatively significant impairment booked in 2008.

Salaries and personnel costs increased by 6% to € 3.82 Mio compared to € 3.62 Mio in 2008, due to salary adjustments, and the increase of the Bank's personnel to 46 employees against 45 in 2008.

During the same period, general administrative expenses decreased by 14% to € 1.82 Mio (€ 2.12 Mio in 2008). This reduction has been the result of the Bank's efforts to master operating costs together with the non recurrence of costs charged in 2008 in relation to its relocation.

Despite the reduction of expenses achieved in 2009, Operating Income reduction at a higher rate resulted in the Bank's cost to income ratio to increas to 65.39% (before impairments) against 57.65% in 2008 and to 80.30% (after impairments) from 74.49%.

On December 31st 2009, the Bank's Total Assets amounted to € 373 Mio (€ 374 Mio in 2008), almost flat to prior year.

During 2009 loans and advances increased by 10% (€ 19.6 Mio), to € 209.3 Mio, the bonds portfolio increased by 25% (€ 5 Mio), whereas interbank placements and reserves with the central bank decreased by 19% (€ 26 Mio), the latter still amounting to € 139.2 Mio in 2009 against € 165.2 Mio in 2008.

Loans and advances to customers consist of (i) performing loans in the amount of € 199.9 Mio (€ 181.8 Mio in 2008) net of the related impairment loss of € 1.04 Mio (€ 0.32 Mio in 2008); and (ii) non-performing loans of € 9.4 Mio (€ 7.9 Mio in 2008) net of accumulated impairments of € 2.05 Mio (€ 1.41 Mio in 2008).

At year end, net non performing loans (after the deduction of accumulated impairments) accounted for 4.49% of the Bank's net total loan portfolio (4.15% in 2008).

The NPLs coverage ratio stood at 21.78% on December 31st, 2009 slightly improved over the previous year (17.95%).

On December 31st 2009, interbank takings had decreased by 10% to € 62 Mio against € 69 Mio on December 31st 2008.

Customer deposits amounted to € 219 Mio, having increased by 2% over 2008 (€ 215 Mio).

Despite the adverse liquidity conditions in the banking market that prevailed in 2009, the Bank managed to balance loans and deposits growth, and to maintain the loans to deposits ratio at 95.6% (88.4% in 2008), thus customer deposits covering loans by 1.05 times (1.13 times in 2008).

Risk Management

Being a banking institution specializing in shipping which operates in a fast-growing environment, AB Bank is aware of its exposure to banking risks, and the need to control and effectively manage such risks.

Details on Risk Management are provided in Note 4 of the Financial Statements.

Credit Risk

With regards to Credit Risk, given that the Customer Loans portfolio exclusively consists of unrated (by ECAIs) obligors, AB Bank has established and follows its own, ten-grade, credit risk rating scheme.

The lack of credible specialist software for the identification and assessment of shipping credit risks does not facilitate, at this point of time and within acceptable cost-benefit parameters, the utilization of the Risk Value software (already implemented for other risk management related tasks) or any such system for the assessment of the Bank’s shipping credits. However, the Bank examines the cost-benefit merits of potentially interfacing its internal credit rating methodology with relative software systems, and the appropriate development of relevant databases in combination with the electronic modeling of the existing internal assessment and rating system.

To this regard, the Bank has already developed internally a shipping credit rating interface between its ten-grade credit rating scheme with the 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 function for the purpose of cross-assessing the credit ratings of the incumbent ten-grade risk methodology and for shipping credit risk stress-testing purposes.

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

Liquidity Risk

The specialist nature of AB Bank’s activities, its small size relative to the Greek banking system and the latest turmoil in the financial and interbank markets has rendered Liquidity Risk a top priority area of attention and monitoring.

Liquidity risk refers to the Bank's ability to always maintain sufficient liquid resources for the coverage of scheduled or unexpected withdrawals of cash and the funding of its loan commitments

The policy being followed to date by the Bank for the raising of liquidity, mainly through customer deposits, has been successful, covering both the Bank’s credit expansion policy requirements as well as the broader criteria of proper management of liquidity, direct or indirect, while reserving capacity to raise further liquidity from the interbank market, whenever is deemed necessary.

During 2009 and amidst the peak of the current financial crisis, the Bank’s supervisory liquidity ratios remained at strong levels, providing a satisfactory outlook of the Bank’s Liquidity Risk.

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 market pricing levels 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.

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

Capital Adequacy

As far as the Capital Adequacy evaluation under Basel II is concerned, the Bank follows the Standardized Approach with regard to Credit Risk and Market Risk, and the Basic Indicator Approach for the Operational Risk.

On 31st December 2009 the Bank's Capital Adequacy Ratio (CAR) stood at 34.81% (36.60% in 2008).The same ratio applies to the Bank's Core Tier-1 capital as the Bank's Regulatory Capital consists entirely of Tier-1 capital.
The Bank's Capital Adequacy ratios stand at particularly high levels and demonstrate the Bank's capacity for further asset growth. It should be noted, however, that given the relatively low - in absolute terms – share capital of the Bank and applicable supervisory rules in relation to the concentration of credit risk per obligor and economic sector, such credit expansion capacity requires time to be distributed over a wider base of obligors/customers.

Details on Capital Adequacy are provided in Note 4.6 of the Financial Statements.

Goals and Potential

AB Bank's management believes that the strategy of balanced and, by-and-large, organic growth being followed to date has been the main factor of the Bank's successful presence in the shipping finance market.

Amidst the current global economic crisis, AB Bank's specialized corporate profile and its reputation in the sector enhance its capacity to be entrusted with new deposits by its demanding clientele.

The Bank aims to:

Strengthen its access in the capital and money markets and its brand name attractiveness.

Seize the opportunities for further credit expansion under the current attractive levels of return.

Improve assets and liabilities management efficiency.

Continue business development towards a profitable long-term growth.

Enhance and improve relations with existing and potential customers.

The Bank's financial performance and business development in 2009 provide clear indications as to its capacity to grow further in its field of specialization and to successfully address the challenges of the current financial crisis and of the shipping industry's the idiosyncrasy, providing its shareholders with satisfactory results.

Important Post Balance Sheet Events

On April 30, 2010 the shares of AB-Bank held by HSH NORDBANK AG (representing 9.10% of the Share capital of the bank) were purchased by a company controlled by Mr. Theodore Afthonidis. Therefore, from that date, HSH Norbank A.G has no participation in the bank's Share Capital.

Since the end of the financial year in discussion and the compilation of the subject report, no other developments worth of special mention have occurred and the course of business of AEGEAN BALTIC BANK S.A. progresses in accordance with the outlook and within the general framework outlined above.

Athens, May 19, 2010
The Vice President of the Board

Theodore Afthonidis

Auditors' Report

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of "AEGEAN BALTIC BANK S.A." (the "Bank"), which comprise the statement of financial position as at December 31, 2009, and the income statement, statement of comprehensive income, statement of changes in equity and cash flow statement 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, as well as for the internal controls that management considers necessary for the preparation of company 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 risk of material misstatement of the financial statements, whether due to fraud or error. In making this risk assessment, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as of December 31, 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Report on Other Legal 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, 20 May 2010
The Certified Public Accountant

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AB Bank

AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2009

May 2010

Income Statement

	Note	2009 €' 000	2008 €' 000
Interest and similar income		8,621	14,446
Interest expense and similar charges		(2,447)	(6,852)
Net interest income	5	6,174	7,594
Fee and commission income		2,002	2,955
Fee and commission expense		(76)	(43)
Net fee and commission income	6	1,926	2,912
Net trading income/(loss)	7	428	588
Net result from sale of investment securities	8	190	-
Net result from financial instruments at fair value through profit or loss	9	284	(785)
Other operating income		7	8
Operating income		**9,009**	**10,317**
Impairment loss on financial assets		(1,343)	(1,737)
Personnel expenses	10	(3,817)	(3,617)
General administrative expenses	11	(1,816)	(2,122)
Depreciation and amortization	12	(258)	(209)
Operating expenses		**(7,234)**	**(7,685)**
Profit before tax		**1,775**	**2,632**
Income tax expense	13	(488)	(742)
Profit after tax		**1,287**	**1,890**
Attributable to:			
Equity holders of the Bank		1,287	1,890
Non-controlling interest		-	-
Profit for the period		**1,287**	**1,890**

Athens, May 19, 2010

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

The notes on pages 16 to 41 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2009 €' 000	2008 €' 000
Profit for the Period		**1,287**	**1,890**
Other comprehensive income , net of tax			
Fair value reserve (Available for sale financial assets)			
Net change in Fair value		1,712	(2,023)
Other comprehensive income , net of tax		**1,712**	**(2,023)**
Total comprehensive income for the period		**2,999**	**(133)**
Attributable to:			
Equity holders of the Bank		2,999	(133)
Non-controlling interest		-	-
Total recognized income and expense		**2,999**	**(133)**

Athens, May 19, 2010

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

The notes on pages 16 to 41 are an integral part of these financial statements.

Statement of Financial Position

	Note	2009 €' 000	2008 €' 000
ASSETS			
Cash and balances with central banks	14	3,601	5,021
Due from banks	16	135,617	160,188
Loans and advances to customers	17	209,325	189,686
Investment securities – Available for sale	18	10,417	10,856
Investment securities – Held to maturity	19	7,003	1,998
Financial assets at fair value through P&L	20	1,162	1,097
Derivative financial instruments	21	143	40
Intangible assets	22	213	286
Property and equipment	23	608	714
Deferred tax assets	24	251	1,183
Other assets	25	4,718	2,636
Total assets		**373,058**	**373,705**
LIABILITIES			
Due to banks	26	61,973	68,730
Due to customers	27	219,057	214,555
Derivative financial instruments	21	14	38
Other liabilities	28	1,794	2,235
Current income tax liabilities	-	-	938
Retirement benefit obligations	29	415	363
Total liabilities		**283,253**	**286,859**
SHAREHOLDERS' EQUITY			
Share capital	30	37,980	37,620
Share premium account	31	50,198	50,203
Reserves	32	(820)	(2,554)
Retained earnings	33	2,447	1,577
Equity attributable to shareholders		**89,805**	**86,846**
Total liabilities and equity		**373,058**	**373,705**

Athens, May 19, 2010

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

The notes on pages 16 to 41 are an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Share premium	Reserves	Retained earnings	Total
Balance at 01.01.2008	**23,040**	**8,770**	**(684)**	**(160)**	**30,966**
Statutory Reserve	-	-	153	(153)	-
Movement in the AFS reserve – valuation	-	-	(2,023)	-	(2,023)
Profit for the period	-	-	-	1,890	1,890
Issue of share capital	14,580	41,433	-	-	56,013
Balance at 31.12.2008	**37,620**	**50,203**	**(2,554)**	**1,577**	**86,846**
Balance at 01.01.2009	**37,620**	**50,203**	**(2,554)**	**1,577**	**86,846**
Statutory Reserve	-	-	22	(22)	-
Capitalization part of retained earnings	360	-	-	(396)	(36)
Movement in the AFS reserve – valuation	-	-	1,712	-	1,712
Profit for the period	-	-	-	1,287	1,287
Effect of the reduce corporate tax rate		(5)	-	-	(5)
Balance at 31.12.2009	**37,980**	**50,198**	**(820)**	**2,447**	**89,805**

Cash Flow Statement

	Note	2009 €' 000	2008 €' 000
Cash flows from operating activities			
Profit/(loss) before tax		1,775	2,632
Adjustments for:			
Depreciation and amortization charges	12	258	209
Loss from write - off of property and equipment	11	-	310
Impairment loss on loans	17	1,343	1,736
Provisions for retirement benefit obligations	29	52	50
(Gain) / Loss from valuation of trading securities	20	(255)	805
(Gain) / Loss from sale of securities-available for sale	8	(190)	-
(Gain) / Loss from exchange difference of securities-available for sale	19	221	(413)
Foreign exchange (profit) loss on cash and cash equivalents		1,625	(3,198)
		4,829	2,131
Net (increase)/decrease in operating assets:			
Due from Banks		7,185	(7,185)
Financial assets at fair value through profit or loss		190	(493)
Derivative financial assets		(102)	(36)
Loans and advances to customers		(20,983)	(85,093)
Other assets		(1,139)	(1,376)
Net increase/(decrease) in operating liabilities:			
Due to banks		(6,757)	31,803
Derivative financial liabilities		(25)	37
Due to customers		4,502	67,309
Other liabilities		(590)	790
Cash flow from operating activities before tax payment		(12,890)	5,756
Income tax paid		(1,881)	-
Net cash flow from operating activities		**(14,771)**	**7,887**
Cash flows from investing activities			
Acquisition of property and equipment		(46)	(649)
Acquisition of intangible assets		(33)	(212)
Proceeds from disposal of property and equipment		-	5
Acquisition of investment securities – available for sale		(2,500)	-
Proceeds from disposal of investment securities – available for sale		5,209	3,132
Acquisition of investment securities – held to maturity		(5,004)	(1,998)
Net cash flow from investing activities		**(2,374)**	**278**
Cash flows from financing activities			
Net proceeds from issue of capital		360	55,973
Capitalization of part of retained earnings		(396)	-
Net cash flow from financing activities		**(36)**	**55,973**
Foreign exchange (profit) loss on cash and cash equivalents		(1,625)	3,198
Net increase (decrease) in cash and cash equivalents		**(18,806)**	**67,336**
Cash and cash equivalents at beginning of period	15	**158,024**	**90,688**
Cash and cash equivalents at end of period	15	**139,218**	**158,024**
Interest paid and received			
Interest received		9,130	13,261
Interest paid		2,854	6,060

The notes on pages 16 to 41 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 'A.B. BANK S.A'.

Its registered office is located in Marousi, 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.

The main 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 18 June 2009, terminates on 30th of June 2014.

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

Marianna Moschou	Chairwoman	Non-Executive Member
Theodore Aftonidis	Vice Chairman and Managing Director	Executive Member
Konstantinos Handjipanayotis	Member & Deputy Managing Director	Executive Member
Christian Nieswandt	Member	Non-Executive, Independent
Hubert Esperon	Member	Non-Executive
Stephane Daillencourt	Member	Non-Executive
Paolo Braghieri *	Member	Non-Executive
Dimitris Potamites	Member	Non-Executive, Independent
Emmanuel Kavussanos	Member	Non-Executive, Independent

*Mr Paolo Braghieri elected on 19th of February 2010 as Member of BoD replacing Mr Steaven Prins.

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on 19 May 2010. 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 were 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 2009, there were no unendorsed standards effective for the year ended 31 December 2009, 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, ABB's financial statements for the year ended 31 December 2009 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 date of the financial statements 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, unlisted securities, impairment of loans, 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 2009
The following standards, amendments and interpretations, which became effective in 2009, are relevant to the Bank.

IAS 1 "Presentation of Financial Statements" (Revised) (effective from 1 January 2009)
It requires information in financial statements to be aggregated on the basis of shared characteristics and introduces a statement of comprehensive income. The Bank has applied IAS 1 (Revised) in 2009.

IFRS 7 "Financial Instruments: Disclosures" (Amendment March 2009) (effective for annual periods beginning on or after 1 January 2009).
The IASB published amendments to IFRS 7 in March 2009. The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Bank provides the additional and enhanced disclosures required by this amendment in these annual financial statements.

IAS 39 "Financial Instruments: Recognition and Measurement" and IFRIC 9 "Reassessment of Embedded Derivatives" (Amendment March 2009) (effective for annual periods ending on or after 30 June 2009).
These amendments clarify that on reclassification of a financial asset out of the "at fair value through profit or loss" category all embedded derivatives have to be assessed and, if necessary, separately accounted for in financial statements. This amendment did not have an impact on AB-Bank's financial statements.

IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009).
It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The bank has applied IAS 23 (Amended) from 1 January 2009 and does not have any impact on its financial statements.

IFRS 2 (Amendment),"Share-based Payment" (effective from 1 January 2009)
The amendment deals with two different matters. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. It also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. This amendment did not have an impact on AB-Bank's financial statements.

IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" (Amendment) (effective from 1 January 2009).
This amendment requires entities to classify the following types of financial instruments as equity, provided they have particular features and meet specific conditions:
• puttable financial instruments (for example, some shares issued by co-operative entities)
• instruments, or components of instruments, that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation (for example, some partnership interests and some shares issued by limited life entities).
This amendment did not have an impact on AB-Bank's financial statements

IFRS 1 "First-time Adoption of International Financial Reporting Standards" and IAS 27 "Consolidated and Separate Financial Statements" (Amendment) (effective from 1 January 2009).
The amendments:
• allow first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements; and
• remove the definition of the cost method from IAS 27 and replace it with a requirement to present dividends as income in the separate financial statements of the investor.
Regarding the initial measurement of cost in the separate financial statements of a new parent formed as the result of a specific type of reorganization, the amendments to IAS 27 also require the new parent to measure the cost of its investment in the previous parent at the carrying amount of its share of the equity items of the previous parent at the date of the reorganization.
This amendment did not have an impact on AB-Bank's financial statements.

IFRIC 13, "Customer Loyalty Programmes"
(Effective for annual periods beginning on or after 1 July 2008)
IFRIC 13 addresses the accounting treatment by the entity that grants award credits to its customers as part of a sale transaction(s).
These amendments did not have an impact on AB-Bank's financial statements.

Improvements to IFRSs May 2008
(Effective for annual periods beginning on or after 1 January 2009, except amendments to IFRS 5 that are effective for periods beginning on or after 1 July 2009).
These improvements include amendments considered to be necessary, but non-urgent, and that will not be included as part of another major project.
This amendment did not have an impact on AB-Bank's financial statements.

Improvements to IFRSs, April 2009
(Effective for annual periods beginning on or after 1 July 2009 or later, except amendments to IAS 18 that are effective for 2009). This amendment did not have an impact on AB-Bank's financial statements.

IFRIC 16, "Hedges of a Net Investment in a Foreign Operation"
(Effective for annual periods beginning on or after 1 October 2008)
IFRIC 18, "Transfers of Assets from Customers"
(Effective for transfers received on or after 1 July 2009).
These interpretations did not have an impact on Banks financial statements.

b) Interpretations and amendments to published standards that are not yet effective and have not been early adopted.

IFRS 3 "Business Combinations" and IAS 27 "Consolidated and Separate Financial Statements"
(Amendment) (Effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 July 2009). The main changes are:
• Partial acquisitions. Non-controlling interests are measured either as their proportionate interest in the net identifiable assets (which is the original IFRS 3 requirement) or at fair value.
• Step acquisitions: The requirements to measure at fair value every asset and liability at each step for the purposes of calculating a portion of goodwill has been removed. Instead, goodwill is measured as the difference at acquisition date between the sum of the fair value of any investment in the business held before the acquisition and the consideration transferred, and the net assets acquired.
• Acquisition-related costs. Acquisition-related costs are generally recognized as expenses (rather than included in goodwill).
• Contingent consideration. Contingent consideration must be recognized and measured at fair value at the acquisition date. Subsequent changes in fair value are recognized in accordance with other IFRSs, usually in profit or loss (rather than by adjusting goodwill).
• Transactions with non-controlling interests. Changes in a parent's ownership interest in a subsidiary that do not result in the loss of control are accounted for as equity transactions.
These amendments are not applicable to the Bank.

IAS 39 "Financial Instruments: Recognition and Measurement" (Amendment "Eligible Hedged Items")
(Effective for annual periods beginning on or after 1 July 2009) The amendment clarifies how the existing principles underlying hedge accounting should be applied in the designation of:
(a) a one-sided risk in a hedged item, and
(b) inflation in a financial hedged item.
This amendment is not applicable to the Bank because the Bank does not use hedge accounting.

IFRIC 17, "Distributions of Non-cash Assets to Owners"
(Effective for annual periods beginning on or after 1 July2009) The Interpretation clarifies that:
• A dividend payable should be recognized when the dividend is appropriately authorized and is no longer at the discretion of the entity,
• an entity should measure the dividend payable at the fair value of the net assets to be distributed,
• an entity should recognize the difference between the dividend paid and the carrying amount of the net assets distributed in profit or loss.
The Interpretation also requires an entity to provide additional disclosures if the net assets being held for distribution to owners meet the definition of a discontinued operation.
IFRIC 17 applies to pro rata distributions of non-cash assets except for common control transactions.
This Interpretation is not applicable to the Bank.

IFRS 9, 'financial instruments part 1: Classification and measurement'
IFRS 9 specifies how an entity should classify and measure financial assets, including some hybrid contracts. They require 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.
The Bank does not expect that it will have any impact on Banks financial statements.

IFRS 2 "Share-based Payment" (Amendment) (effective from 1 January 2010)
The amendments clarify:
• The scope of IFRS 2. An entity that receives goods or services in a share-based payment arrangement must account for those goods or services no matter which entity in the group settles the transaction, and no matter whether the transaction is settled in shares or cash.
• The interaction of IFRS 2 and other standards. The Board clarified that in IFRS 2 a 'group' has the same meaning as in IAS 27 "Consolidated and Separate Financial Statements", that is, it includes only a parent and its subsidiaries.
• The accounting for some group and treasury share-based payment transactions. An entity must measure the goods or services it received as either an equity-settled or a cash-settled share-based payment transaction assessed from its own perspective, which may not always be the same as the amount recognized by the consolidated group.
This amendment is not expected to have an impact on Banks financial statements

IFRS 1 "First-time Adoption of International Financial Reporting Standards"
(Amendment) (Effective from 1 January 2010).
The amendments address the retrospective application of IFRSs to particular situations. This amendment will not have an impact on the Banks financial statements.

IFRIC 14 "IAS 19—the Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction."
(Amendment "Prepayments of a Minimum Funding Requirement" November 2009)
(Effective for annual periods beginning on or after 1 January 2011)
This amendment will not have an impact on AB-Bank's financial statements.

IFRIC 19, "Extinguishing Financial Liabilities with Equity Instruments"
(Effective for annual periods beginning on or after 1 July 2010)
This amendment will not have an impact on AB-Bank's financial statements.

IAS 32 "Financial Instruments: Presentation" and IAS 1 "Presentation of Financial Statements" (Amendment)
(Effective for annual periods beginning on or after 1 February 2010)
The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This amendment will not have an impact on AB-Bank's financial statements.

IAS 24 "Related parties" (Revised) (effective from 1 January 2011)
The revised standard provides a partial exemption for government-related entities and a revised definition of a related party. This amendment will not have an impact on AB-Bank's financial statements.

Improvements to IFRSs, April 2009
(Effective for annual periods beginning on or after 1 July 2009 or later, except amendments to IAS 18 that are effective for 2009, see above).
The Bank will apply these amendments for the annual period beginning on 1 January 2010, except the amendment to IAS 18 that was effective in 2009 and did not have an impact on the Banks 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 arising on translation 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 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. This category is carried at amortized cost.

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 trading 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 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 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 recoverable amount of each loan is calculated by discounting the expected cash flows for the servicing of the loan based on the effective rate.
The unwinding of the discounting of the expected cash flows is reflected in the income statement as interest income.
The adequacy of provisions is reassessed at each balance sheet 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.

Provisions for performing loans are calculated by aggregating positions as described above.
Bad debt ratio calculation is based on the percentage of loan migrations from performing to non-performing per aggregation pool and the relative size of each pool in the formation of the final amount for non-performing loans and of provisions for their impairment.
Provisions for letters of guarantee and documentary credits follow the same methodology with that of loans, after taking into consideration the risk grade of each letter of guarantee (low, medium, high) or documentary credit. If in subsequent periods the amount of the loss decreases and the decrease is related objectively to events that have improved the financial position of the customer or the group to which it belongs and therefore their credit rating, the previously recognized impairment loss shall be reversed and will be recognized in profit or loss.

2.7 Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently premeasured 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:

- <u>FX Swaps</u>
  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. 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. The result arising from these derivatives is recognized as net trading income/ loss from foreign exchange differences and derivative transactions.
- <u>Interest Rate Swap</u>
  The Bank uses interest rate swaps (IRSs) to hedge interest risks relating to customer's loans. 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. The result arising from these derivatives is recognized as net trading income/ loss from foreign exchange differences and derivative transactions.

2.8 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.

2.9 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 lives of each part of an item of property, plant and equipment taking into account residual values.
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, plant and equipment are recognized in the income statement.

2.10 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 balance sheet 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 balance sheet 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.

2.11 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.

2.12 Employee benefits

(a) Defined contribution plans
For defined contribution plans, the Bank pays contributions to publicly or privately administered pension insurance plans, 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 pension 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 balance sheet with respect to defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, if any. The present value of the defined benefit is determined by discounting the estimated future cash outflows using interest rates of Greek government bonds that have terms to maturity approximating to the terms of the related pension liability. 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.

2.13 Offsetting

Financial assets and liabilities are offset and the net amount is reported in the balance sheet 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.

2.14 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.

2.15 Comparatives

Were necessary, comparative figures have been adjusted to confirm with changes in presentation in current year certain amounts in prior periods which are immaterial to the overall financial statements have been reclassified in order to confirm to current presentation.

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. 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 2009. The accounting principles, estimates and judgments adopted by the Bank and 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 balance sheet 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 portfolio for possible losses. The evaluation of the customer 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 and their calculation is based on the best possible estimation of the present value of the related recoverable future cash flows.
In estimating the cash flows, 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 and the estimation of recoverable cash flows are reviewed.

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 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. Management considers that the income tax expense that may arise from a future tax audit is not expected to be significant. In case that the final outcome of these matters differs from the estimates, such differences will impact the current and deferred income tax assets and liabilities in the period in which such determination is made

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 Banks 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 receivables 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 eachcounterparty'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 2009 and 31 December 2008, 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 balance sheet

	2009 €' 000	2008 €' 000
ASSETS		
Due from banks	135,617	160,188
Financial assets at fair value through P&L	1,162	1,097
Derivative financial instruments	143	40
Loans and advances to customers	209,325	189,686
Investment securities – available for sale	10,417	10,856
Investment securities – held to maturity	7,003	1,998
Other assets	4,718	2,636
Total assets	**368,385**	**366,501**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	13,524	33,962
Financial guarantees written	1,454	2,430
Other risk participation agreements	588	2,874
Total off balance sheet items	**15,566**	**39,266**

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

Loans and advances to customers are summarized as follows:

	2009 €' 000	2009 €' 000	2008 €' 000	2008 €' 000
	Loans and advances to shipping corporations	Other Loans and advances	Loans and advances to shipping corporations	Other Loans and advances
Neither past due nor impaired	185,543	413	165,357	288
Impaired loans	15,001	-	16,491	-
Past due but not impaired	2,144	-	6,306	-
Past due and Impaired	9,304	-	2,981	-
Gross	**211,991**	**413**	**191,135**	**288**
Less: allowance for impairment loss	(3,079)	-	(1,737)	-
Total loans and advances to customers	**208,912**	**413**	**189,398**	**288**

Credit quality of loans and advances neither past due nor impaired

	2009 €' 000	2009 €' 000	2008 €' 000	2008 €' 000
Grades	Loans and advances to shipping corporations	Other Loans and advances	Loans and advances to shipping corporations	Other Loans and advances
Satisfactory	173,838	413	165,314	288
Watch list or substandard	11,704	-	43	-
Total	**185,543**	**413**	**165,357**	**288**

Debt securities

The tables below present an analysis of debt securities, by rating agency designation at 31 December 2009 and 2008, based on Standard & Poor's ratings or their equivalent.

Debt securities as at 31 December 2009

	Available For Sale	At Fair Value Through P&L	Held to Maturity	Total
AAA	705	-	-	705
A- to A+	4,946	-	1,999	6,946
B- to BBB+	4,766	1,162	5,004	10,932
	10,417	1,162	7,003	18,583

Debt securities as at 31 December 2008

	Available For Sale	At Fair Value Through P&L	Held to Maturity	Total
AAA	658	-	-	658
A- to A+	5,733	525	1,998	8,256
B- to BBB+	4,465	572	-	5,037
	10,856	1,097	1,998	13,951

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 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 savings accounts and credits lines through interbank financing. 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 December 2009

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Due to banks	57,284	-	4,749	-	-	62,033
Due to customers	155,283	32,681	21,250	6,563	3,730	219,507
Derivatives financial instruments	14	-	-	-	-	14
Total on balance sheet	212,581	32,681	25,999	6,563	3,730	281,554
Off Balance sheet (Loan Commitments)	1,500	4,015	7,835	174	-	13,524
Total (On & Off Balance sheet)	214,080	36,696	33,834	6,737	3,730	295,077

Contractual undiscounted cash outflow as at 31 December 2008

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Due to banks	61,605	7,393	-	-	-	68,997
Due to customers	120,726	30,993	57,044	6,695	824	216,282
Derivatives financial instruments	38	-	-	-	-	38
Total on balance sheet	182,369	38,386	57,044	6,695	824	285,318
Off Balance sheet (Loan Commitments)	740	13,802	10,674	8,746	-	33,962
Total (On & Off Balance sheet)	183,109	52,188	67,718	15,441	824	319,280

The Greek Government's scheme of € 28 Bln in total and a three-year time horizon (until year-end 2011) for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) consists of the following three parts:

a) Providing the banks, at a fee, with government bonds and securities, to be used as collateral for the raising of financing/liquidity from the local or supra-national central banking institutions (up to € 8 Bln in total).
b) Providing, against a fee, government guarantees to be used as collateral for the refinancing of existing borrowings from the bonds or the interbank markets (up to € 15 Bln in total).
c) Bolstering banks own capital via the purchase of preferred and/or common stock by the state (up to € 5 Bln in total).

A bank may apply to participate in any part or in all parts of the scheme, until 31-1-2009 in relation to part (c) and until 31/12/2009 in relation to the other two parts. In March of 2010 the date of participation to the three parts extended to 30/06/2010.

From April 21, 2010 Aegean Baltic Bank has participation in the first part of the plan for the amount €40 millions for a three-year time horizon (until 18.04.2013).

4.4 Market risks

Market risk is the risk that changes in the 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 31.12.2009

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non Itrerest bearing	TOTAL
ASSETS							
Cash and balances with central bank	3,598	-	-	-	-	3	3,601
Due from banks	127,817	6,942	-	-	-	858	135,617
Loans and advances to customers	35,577	165,055	6,592	320	-	1,781	209,325
Investment securities – available for sale	5,308	5,109	-	-	-	-	10,417
Investment securities – held to maturity	1,999	-	-	5,004	-	-	7,003
Financial assets - fair value through P&L	-	541	621	-	-	-	1,162
Other assets	-	-	-	-	-	5,933	5,933
TOTAL ASSETS	174,299	177,647	7,213	5,324	-	8,575	373,058
LIABILITIES							
Due to banks	57,273	-	4,700	-	-	-	61,973
Due to customers	163,016	41,330	13,962	-	-	749	219,057
Other liabilities	-	-	-	-	-	2,223	2,223
TOTAL LIABILITIES	220,289	41,330	18,662	-	-	3,659	283,253
Total interest sensitivity gap	**(45,990)**	**136,317**	**(11,449)**	**5,324**	**-**	**4,916**	**89,805**

The measurement of Interest Rate Risk sensitivity of the Banks 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 31.12.2008

	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	5,019	-	-	-	-	2	5,021
Due from banks	158,969	-	-	-	-	1,219	160,188
Loans and advances to customers	106,733	76,033	9,547		-	(2,627)	189,686
Investment securities – available for sale	4,487	4,436		1,933	-	-	10,856
Investment securities – held to maturity	1,998	-	-	-	-	-	1,998
Financial assets - fair value through P&L	-	184	525	388	-	-	1,097
Other assets	-	-	-	-	-	4,859	4,859
TOTAL ASSETS	277,206	80,653	10,072	2,321	-	3,453	373,705
LIABILITIES							
Due to banks	61,544	7,186	-	-	-	-	68,730
Due to customers	140,907	54,275	18,887	-	-	486	214,555
Other liabilities	-	-	-	-	-	3,574	3,574
TOTAL LIABILITIES	202,451	61,461	18,887	-	-	4,060	286,859
Total interest sensitivity gap	**74,755**	**19,192**	**(8,815)**	**2,321**	**-**	**(607)**	**86,846**

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 2009 and 31 December 2008, respectively, is as follows:

Foreign exchange position as at 31.12.2009

	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with central banks	1	3,600	-	3,601
Due from banks	27,767	107,592	258	135,617
Loans and advances to customers	194,689	14,636	-	209,325
Investment securities – available for sale	6,261	4,156	-	10,417
Investment securities – held to maturity	-	7,003	-	7,003
Financial assets at fair value through P&L	-	1,162	-	1,162
Derivative financial instruments	-	143	-	143
Intangible assets	-	213	-	213
Property, plant and equipment	-	608	-	608
Deferred tax assets	-	251	-	251
Other assets	595	4,123	-	4,718
TOTAL ASSETS	229,313	143,487	258	373,058
LIABILITIES				
Due to banks	10,273	51,700	-	61,973
Due to customers	204,850	14,020	187	219,057
Derivative financial instruments	-	14	-	14
Other liabilities	166	1,628	-	1,794
Retirement benefit obligations	-	415	-	415
TOTAL LIABILITIES	215,289	67,777	187	283,253
Net balance sheet position	14,024	75,710	71	89,805
Off balance sheet net notional position	(13,994)	13,994	-	-
Total FX position	**30**	**89,704**	**71**	**89,805**

The measurement of Currency Risk sensitivity of the Bank 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 31.12.2008

	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with central banks	1	5,020	-	5,021
Due from banks	55,353	104,618	217	160,188
Loans and advances to customers	183,536	6,150	-	189,686
Investment securities – available for sale	7,202	3,654	-	10,856
Investment securities – held to maturity	-	1,998	-	1,998
Financial assets at fair value through P&L	-	1,097	-	1,097
Derivative financial instruments	-	40	-	40
Intangible assets	-	286	-	286
Property, plant and equipment	-	714	-	714
Deferred tax assets	-	1,183	-	1,183
Other assets	1,087	1,549	-	2,636
TOTAL ASSETS	247,179	126,309	217	373,705
LIABILITIES				
Due to banks	38,730	30,000	-	68,730
Due to customers	207,695	6,710	150	214,555
Derivative financial instruments	-	38	-	38
Other liabilities	567	1,668	-	2,235
Current income tax liabilities	-	938	-	938
Retirement benefit obligations	-	363	-	363
TOTAL LIABILITIES	246,992	39,717	150	286,859
Net balance sheet position	187	86,592	67	86,846
Off balance sheet net notional position	(172)	173	(1)	-
Total FX position	**15**	**86,765**	**66**	**86,846**

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 2009 and 2008:

Cash and balances with central banks, Due from and due to banks: The carrying amount of cash and balances with central banks 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 balance sheet, is based on quoted market prices.

Derivative Financial Instruments: All derivatives are recognized on the balance sheet 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: 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.

Investment securities Held to Maturity: Fair value for held to maturity investments, is based on quoted market prices of the same or comparable instruments.

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.

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

	31-Dec-09		31-Dec-08	
	Nominal Value	Fair Value	Nominal Value	Fair Value
ASSETS				
Cash and balances with central bank	3,601	3,601	5,021	5,021
Due from banks	135,617	135,617	160,188	160,188
Loans and advances to customers	209,325	209,325	189,686	189,686
Investment securities - available for sale	10,417	10,417	10,856	10,856
Investment securities - held to maturity	7,003	6,950	1,998	1,998
LIABILITIES				
Due to banks	61,973	61,973	68,730	68,730
Due to customers	219,057	219,057	214,555	214,555

4.6 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 as well and results to significant changes to 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 much higher 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 31/12/2009 and 31/12/2008 is in compliance with Basel II regulatory framework according the standardized approach.

The regulatory capital of the Bank, as defined by Bank of Greece is comprised of two tiers, Tier I and Tier II capital. AB-Bank has only Tier I capital

	2009 €' 000	2008 €' 000
Tier I capital		
Share capital	37,980	37,620
Share premium	50,198	50,203
Retained earnings	2,447	1,577
Statutory reserve	176	153
Available for sale reserve	(996)	(2,707)
	89,805	**86,846**
Regulatory adjustments on Tier I capital		
Available for sale reserve adjustment	996	2,707
Less: intangible assets	(213)	(286)
Total regulatory adjustments on Tier I capital	783	2,421
Total Tier I capital	**90,588**	**89,267**
Risk weighted assets		
Risk weighted assets (credit risk)	243,874	229,813
Risk weighted assets (market risk)	214	314
Risk weighted assets (operational risk)	16,147	13,761
Total risk weighted assets	**260,235**	**243,888**
Tier I ratio	**34.81%**	**36.60%**
Capital Adequacy ratio	**34.81%**	**36.60%**

It should be noted that the disclosure as regulatory requirement, regarding capital adequacy and risk management information, imposed by Bank of Greece Directive 2592/20.8.2007 in relation to Pillar III, is available at the internet site www.aegeanbalticbank.com

Note 5: Net interest income

	2009 €' 000	2008 €' 000
Interest and similar income		
Available for sale and held for trading securities	595	811
Interest due from banks	754	5,267
Interest from loans and advances to customers	7,272	8,368
Interest and similar income Total	**8,621**	**14,446**
Interest expense and similar charges		
Interest due to customers	(2,120)	(5,443)
Interest due to banks	(327)	(1,409)
Interest expense and similar charges Total	**(2,447)**	**(6,852)**
Net interest income	**6,174**	**7,594**

Included within net interest income is the interest income calculated using the effective interest rate method for loans and advances to customers, available for sale and held to maturity portfolios.

Note 6: Net fee and commission income

	2009 €' 000	2008 €' 000
Fees and commission income		
Loan origination fees and commissions	1,774	2,282
Funds transfers	192	199
Other	36	474
Fees and commission income Total	**2,002**	**2,955**
Fees and commission expense		
Banks	(27)	(38)
Other	(49)	(6)
Fees and commission expense Total	**(76)**	**(43)**
Net fee and commission income	**1,926**	**2,912**

The Bank's main activity is the contracting and management of syndicated loans to shipping companies in which the Bank also participates in.

The result of the Bank's main activity is the collection of commissions for both the contracting of the syndicated loans 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 agent are recognized in the income statement when collected.

The commissions received by the Bank that amortized over the life of the financial instrument with the effective interest rate method are for the year 2009 262 thousands € (1,214 thousands € for 2008).

Note 7: Net trading income / (loss)

	2009 €' 000	2008 €' 000
Foreign exchange contracts and derivatives	428	588
Total net trading income/(loss)	**428**	**588**

Note 8: Net result from sale of investment securities

	2009 €' 000	2008 €' 000
Gains from sale of available for sale financial assets	190	-
Net result from sale of investment securities	**190**	**-**

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

	2009 €' 000	2008 €' 000
Profit (Loss) from valuation of financial assets at fair value through P & L	255	(805)
Gain (Loss) from sale of financial assets at fair value through P & L	29	21
Net result from financial instruments at fair value through profit or loss	**284**	**(785)**

Net result from financial instruments at fair value through profit or loss derives from corporate bonds.

Note 10: Personnel expenses

	2009 €' 000	2008 €' 000
Wages and salaries	(3,052)	(2,900)
Social security contributions	(438)	(399)
Defined contribution plans	(130)	(90)
Defined benefit plans (see Note 29)	(52)	(50)
Provisions for untaken leave	15	(71)
Other	(160)	(107)
Personnel expenses	**(3,817)**	**(3,617)**

The number of employees employed by the Bank at 31 December 2009 was 46 (45 as at December 31, 2008). The average number of employees for the period 1 January 2009 to 31 December 2009 was 45.

Note 11: General administrative expenses

	2009 €' 000	2008 €' 000
Rental expense for buildings	(342)	(349)
Rental expense for cars	(85)	(86)
Third party fees	(479)	(399)
IT expense	(288)	(244)
Telecommunication – mail expense	(82)	(113)
Promotion and advertising expense	(22)	(76)
Office material	(19)	(39)
Utilities	(78)	(57)
Taxes and duties	(109)	(105)
Maintenance and other related expenses	(31)	(50)
Publication expenses	(22)	(23)
Subscription expenses	(25)	(35)
Donations	(1)	-
Property and equipment written off	-	(310)
Officers and directors insurance	(117)	(92)
Other general administrative expenses	(118)	(144)
General and administrative expenses	**(1,816)**	**(2,122)**

Note 12: Depreciation and amortization charges

	2009 €' 000	2008 €' 000
Property and equipment	(152)	(150)
Intangible assets	(106)	(59)
Depreciation and amortization charges	**(258)**	**(209)**

Note 13: Income tax expense & deferred tax

	2009	2008
	€' 000	€' 000
Income tax for the year	(149)	(1,018)
Deferred income tax	(339)	276
Total Income tax expense & deferred tax	**(488)**	**(742)**
The calculation of our income tax expense is as follows:		
Gain before tax	**1,775**	**2,632**
Tax calculation at 25% (2008:25%)	(444)	(658)
Impact of tax change rate on Deferred Tax	(47)	-
Non tax deductible expenses	(55)	(60)
Other	58	(24)
Total	**(488)**	**(742)**

The Greek tax authorities have not yet completed the tax inspection for the years (2005, 2006, 2007, 2008 and 2009). It is possible, as a result of the tax inspection, that some of the bank's expenses relating to these years may be disallowed. Consequently, additional taxes may be assessed. However, the estimated impact of such taxes will not have a material effect on the Bank's financial statements.
According to Greek tax legislation, losses can be carried forward and off-set against future gains over the next 5 years. There are no losses carried forward by the Bank.
On 25 September 2008 a new tax law (Law 3697/2008) was enacted in Greece, according to which the corporation tax rate will be reduced from 25% to 20% declining by 1% each year starting from 2010 to 2014.

Further information concerning deferred tax is presented in Note 24.

Note 14: Cash and balances with Central Bank

	2009	2008
	€' 000	€' 000
Cash in hand	3	2
Balance with central bank	3,598	5,019
Total Cash and balances with Central Bank	**3,601**	**5,021**

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 2010 these deposits bear interest at the refinancing rate as set by the ECB (1% at 31.12.2009 and 2.50% at 31.12.2008). 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 15: 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:

	2009	2008
	€' 000	€' 000
Cash on hand	3	2
Non-restricted placements with Central Banks	3,598	5,019
Short-term balances due from banks	135,617	153,003
Total Cash and cash equivalents	**139,218**	**158,024**

Note 16: Due from banks

	2009	2008
	€' 000	€' 000
Current accounts	7,098	1,220
Money Market Placements	128,519	158,968
Total Due from banks	**135,617**	**160,188**

Note 17: Loans and advances to customers

	2009 €' 000	2008 €' 000
Loans and advances to shipping corporations at amortized cost	208,912	189,398
Other loans and advances	413	288
Total Loans and advances to customers	**209,325**	**189,686**

Included within Loans and advances to shipping corporations at amortized cost are loans that were purchased during 2009 at a discount.

Loans and advances to customers analyzed:

	Gross amount	Impairment allowance	Net amount
		Year 2009	
Loans and advances to shipping corporations at amortized cost	211,991	(3,079)	208,912
Other loans and advances	413	-	413
Total Loans and advances to customers	**212,404**	**(3,079)**	**209,325**
		Year 2008	
Loans and advances to shipping corporations at amortized cost	191,135	(1,737)	189,398
Other loans and advances	288	-	288
Total Loans and advances to customers	**191,423**	**(1,737)**	**189,686**

Allowances for impairment:

	2009 €' 000	2008 €' 000
Specific allowances for impairment:		
Balance as 1 January	1,737	-
Impairment loss for the year	1,401	1,737
Effect of foreign currency movements	(59)	-
Balance as 31 December	3,079	1,737

Note 18: Investment securities – Available for sale

	2009 €' 000	2008 €' 000
Bonds – at Fair value	8,301	8,367
Hybrid Bonds – at fair value:	1,213	1,647
Asset Backed Bonds – at fair value:	903	842
Total Investment securities – Available for sale	**10,417**	**10,856**

Movement for the year:

Balance as 1 January	**10,856**	**16,271**
Additions	2,500	-
Disposals (Sales and redemption)	(5,018)	(3,132)
Profit (loss) from changes in fair value	2,300	(2,696)
Exchange differences	(221)	413
Balance as 31 December	**10,417**	**10,856**

All available for sale securities are listed

Note 19: Investment securities – Held to maturity

	2009 €' 000	2008 €' 000
Bonds – at amortized cost:	**7,003**	**1,998**
Movement for the year:		
Balance as 1 January	**1,998**	**-**
Additions	5,004	1,998
Other (discount amortization)	1	-
Balance as 31 December	**7,003**	**1,998**

All Held to maturity securities are listed

Investment securities – Held to maturity pledged as Collateral

	Asset		Related Liability	
	2009	**2008**	**2009**	**2008**
	€' 000	€' 000	€' 000	€' 000
Greek Government Bonds	**5,004**	**-**	**4,700**	**-**

Note 20: Financial assets at fair value through P&L

	2009	**2008**
	€' 000	€' 000
Balance as 1 January	**1,097**	**1,410**
Additions	3,500	11,173
Disposals (Sales and redemption)	(3,690)	(10,681)
Profit (loss) from changes in fair value	255	(805)
Balance as 31 December	**1,162**	**1,097**

Note 21: Derivative financial instruments

	31-Dec-09			**31-Dec-08**		
	Nominal value	Fair value Assets	Fair value Liabilities	Nominal value	Fair value Assets	Fair value Liabilities
FX forwards	18,953	142	13	1,443	38	36
Interest rate swaps	106	1	1	208	2	2
Total	**19,059**	**143**	**14**	**1,651**	**40**	**38**

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 22: Intangible assets

	2009	**2008**
Cost:	€' 000	€' 000
Opening balance as at 1 January	1,393	1,181
Additions	33	212
Closing balance as at 31 December	**1,426**	**1,393**
Accumulated amortization:		
Opening balance as at 1 January	1,107	1,048
Amortization	106	59
Closing balance as at 31 December	**1,213**	**1,107**
Net book value:		
Opening net book value as at 1 January	**286**	**133**
Closing net book value as of 31 December	**213**	**286**

Intangible assets include only software.

Note 23: Property and equipment

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	**Total**
Cost:					
Opening balance as at 01 January 2009	395	15	460	624	1,494
Additions	2	-	10	34	46
Disposals	-	-	-	-	-
Closing balance as at 31 December.2009	**397**	**15**	**470**	**658**	**1,540**
Accumulated depreciation:					
Opening balance as at 01 January 2009	19	2	249	510	780
Depreciation	33	2	50	67	152
Disposals	-	-	-	-	-
Closing balance as at 31 December 2009	**52**	**4**	**299**	**577**	**932**
Net book value:					
Closing net book value as at 31 December 2009	**345**	**11**	**171**	**81**	**608**

Property and equipment as at 31.12.2008

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Total
Cost:					
Opening balance as at 01 January 2008	586	15	292	562	1,455
Additions	370	-	217	62	649
Disposals	(561)	-	(49)	-	(610)
Closing balance as at 31 December2008	**395**	**15**	**460**	**624**	**1,494**
Accumulated depreciation:					
Opening balance as at 01 January 2008	228	-	260	437	925
Depreciation	39	2	36	73	150
Disposals	(248)	-	(47)	-	(295)
Closing balance as at 31 December 2008	**19**	**2**	**249**	**510**	**780**
Net book value:					
Closing net book value as at 31 December 2008	**376**	**13**	**211**	**114**	**714**

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

Note 24: Deferred tax assets and liabilities

	2009 €' 000	2008 €' 000
Deferred tax assets		
Write-offs and amortization of intangible assets	46	107
Loans and advances to customers	158	222
Defined benefits obligations	102	93
Derivatives and financial instruments	511	1,211
Other temporary differences	122	131
Total Deferred tax assets	**939**	**1,764**
Deferred tax liabilities		
Loans and advances to customers	688	580
Derivatives and financial instruments	-	1
Total Deferred tax liabilities	**688**	**581**
Net deferred tax asset	**251**	**1,183**

Movement of temporary differences during the year:

	Balance as at	Deferred tax charge in the income statement	Deferred tax through equity	Balance as at
Movement of 2009	1/1/2009	2009	2009	31/12/2009
Write-offs and amortization of intangible assets	107	(56)	(5)	46
Loans and advances to customers	(359)	(171)	-	(530)
Defined benefits obligations	93	9	-	102
Derivatives and financial instruments	1,211	(112)	(588)	511
Other temporary differences	131	(9)	-	122
Total	**1,183**	**(339)**	**(593)**	**251**

	Balance as at	Deferred tax charge in the income statement	Deferred tax through equity	Balance as at
Movement of 2008	1/1/2008	2008	2008	31/12/2008
Tax loss	36	(36)	-	-
Write-offs and amortization of intangible assets	109	(42)	40	107
Loans and advances to customers	(467)	108	-	(359)
Defined benefits obligations	80	13	-	93
Derivatives and financial instruments	334	203	674	1,211
Other temporary differences	101	30	-	131
Total	**193**	**276**	**714**	**1,183**

Note 25: Other assets

	2009 €' 000	2008 €' 000
Accrued income (Interest and Commissions)	776	1,326
Prepaid expenses	310	150
Greek Deposit Guarantee Fund	2,288	836
Other	1,344	324
Other assets	**4,718**	**2,636**

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, with effect until at least 2011, unless otherwise decided upon by the Government. 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.

Note 26: Due to banks

	2009 €' 000	2008 €' 000
Term deposits	61,973	68,730
Total Due to banks	**61,973**	**68,730**

Note 27: Due to customers

	2009 €' 000	2008 €' 000
Sight deposits	76,967	29,731
Term deposits	142,086	184,766
Other	4	58
Total Due to customers	**219,057**	**214,555**

Due to customers include blocked deposits of:

	2009 €' 000	2008 €' 000
Blocked deposits for the issuance of Guarantee Letters	1,606	1,746
Blocked deposits for loans granted	11,140	24,682
Total	**12,746**	**24,682**

The only main concentration relates to deposits of three (3) customers that represent approximately 41% of the amounts due to customers (€ 89 million out of € 219 million). In 2008 three (3) customers represent approximately 44% of the amounts due to customers (€ 95 million out of € 215 million).

Note 28: Other liabilities

	2009 €' 000	2008 €' 000
Accrued interest payable	175	583
Taxes – duties (other than income tax)	153	147
Amounts due to social security funds	93	89
Accrued expenses and deferred income	504	472
Suppliers	215	346
Greek Deposit Guarantee Fund (2nd installment)	595	522
Other	59	76
Other liabilities	**1,794**	**2,235**

Note 29: 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 2009 the present value of the liability amounted to € 415 thousand (2008 € 363 thousand).

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.

	2009	2008
	€' 000	€' 000
The amounts recognized in the balance sheet are determined as follows:		
Present value of obligations	492	391
Unrecognized actuarial gains (losses)	(77)	(28)
Total obligation	**415**	**363**
The amounts recognized in the Income Statement are as follows:		
Current service cost	35	34
Financial cost	17	13
Termination loss	-	3
Total, included in staff costs	**52**	**50**
The movement in the liability as recognized in the Balance Sheet is as follows:		
Opening balance	**363**	**321**
Benefits paid directly	-	(8)
Total expenses recognized in the Income Statement	52	50
Balance at the end of the year	**415**	**363**
The movement in the liability is as follows:		
Opening balance	**391**	**353**
Service cost	35	34
Interest cost	17	13
Benefits paid directly	-	(8)
Extra Payments or Expense/ (Income)	-	2
Actuarial Loss / (Gain)	49	(3)
Balance at the end of the year	**492**	**391**
The main actuarial assumptions used are as follows:		
Discount rate at 31 December	5.20%	5.70%
Future increase of salaries	4.50%	4.50%
Average future working life	**13.07**	**12.97**

The amounts recognized in the balance sheet are determined as follows:

	2009	2008	2007	2006	2005
	€' 000	€' 000	€' 000	€' 000	€' 000
Present value of obligations	492	391	353	306	268
Unrecognized actuarial gains (losses)	(77)	(28)	(32)	(32)	(42)
Total obligation	**415**	**363**	**321**	**274**	**226**

Note 30: Share capital

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

	31-Dec-2009			31-Dec-2008		
	Number of Shares	**Nominal Value**	**Share Capital**	**Number of Shares**	**Nominal Value**	**Share Capital**
Opening balance	2,090,000	18	37,620,000	1,280,000	18	23,040,000
Issue of new shares	20,000	18	360,000	810,000	18	14,580,000
Closing balance	2,110,000	18	37,980,000	2,090,000	18	37,620,000

By virtue of a resolution of the Ordinary General Meeting dated 18 June 2009, the share capital was increased, through capitalization of a portion of the retained earnings of the Bank, in an amount equal to Three Hundred and Sixty Thousand (360,000) Euro, by means of the issuance and distribution, pursuant to art. 18 para. 1 of law 1731/1987, to Bank employees of Twenty Thousand (20,000) new common, registered, voting shares each of a par value and offer price equal to Eight-teen (18) Euro.

Note 31: Share premium

	2009 €' 000	**2008** €' 000
Share premium	50,513	50,513
Less: Rights issue related expenses	(414)	(414)
Deferred taxation	99	104
Total	**50,198**	**50,203**

Movement of Share premium account

Opening balance	**50,203**	**8,770**
Difference between the par value and the offer price on the share issue	-	41,553
Less: Rights issue related expenses	-	(161)
Deferred taxation	(5)	41
Closing balance	**50,198**	**50,203**

Note 32: Reserves

	2009 €' 000	**2008** €' 000
Statutory reserve	175	153
Valuation of available for sale portfolio	(1,309)	(3,609)
Deferred tax on valuation of AFS portfolio	314	902
Total Reserves	**(820)**	**(2,554)**

Movement of Reserves

Opening Balance	**(2,554)**	**(684)**
Statutory reserve	22	153
Valuation of available for sale portfolio	2,300	(2,697)
Deferred tax on valuation of AFS portfolio	(588)	674
Closing Balance	**(820)**	**(2,554)**

Note 33: Retained earnings

	2009 €' 000	**2008** €' 000
Opening balance	**1,577**	**(160)**
Capitalization and issue of 20,000 new shares	(396)	-
Statutory reserve for the year	(22)	(153)
Profit for the period	1,287	1,890
Closing balance	**2,447**	**1,577**

Note 34: Contingent liabilities and commitments

Legal issues

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

Tax issues

The Bank has not been inspected for tax purposes for the years 2005 - 2009 and therefore the tax liabilities are not final. However, it is believed that they will not have a significant effect on the Bank's financial position.

Capital commitments

	31-Dec-08	31-Dec-08
	€' 000	€' 000
Unused credit facilities	13,524	33,962
Financial guarantees written	1,454	2,430
Other risk participation agreements	588	2,874
Total	**15,566**	**39,266**

Operating lease commitments

Operating leases

The Bank has liabilities from the lease of its central building, the surrounding grounds as well as company cars that it uses.

The duration of the lease contract is 12 years for the building, 5 years for the surrounding grounds 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 € 342 thousand for 2009 (€ 349 thousand for 2008).

The minimum lease payments until the end of the lease contracts and based on the current interest rate is as follows:

	31-Dec-09	31-Dec-08
	€' 000	€' 000
No later than 1 year	410	399
Later than 1 year and no later than 5 years	1,458	1,449
Later than 5 years	2,293	2,079
Total	**4,161**	**3,927**

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:

	2009	2008
	€' 000	€' 000
Participation of other banks in draw downed syndicated loans.	1,068,794	1,208,854
AB-Bank's participation in draw down syndicated loans.	58,515	59,759
Total amount of draw downed syndicated loans.	**1,127,309**	**1,268,613**
	.	
Other banks participation in unused credit facilities of syndicated loans.	92,930	200,850
AB-Bank's participation in unused credit facilities of syndicated loans.	6,480	14,916
Total amount of undrawn syndicated loans.	**99,410**	**215,766**
Total amount of syndicated loans administrated with the participation of AB-Bank.	**1,226,719**	**1,484,379**

Note 35: Post balance sheet events

On April 30, 2010 the 192.000 shares of AB-Bank held by HSH NORDBANK AG (representing 9.10% of the Share capital of the bank) purchased by a company controlled by Mr. Theodore Afthonidis. Therefore, from that date, HSH Norbank A.G has no participation in the bank's Share Capital.

From April 21, 2010 Aegean Baltic Bank participates in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system, under article 3 of law 3723/2008 for the amount 40 millions for a three-year time horizon (until 18.04.2013).

Note 36: Related party transactions

Main shareholders of the Bank are Costanus Limited S.A based in Cyprus (Kostaki Pantelidi 1, Nicosia) HSH Nordbank A.G which is based in Germany (Gerhart-Hauptmann – Platz 50, 20095 Hamburg) and Mr Theodore Afthonides personally. Affiliates' outstanding balances and results of these transactions are as follows.

Affiliates

	Year 2009 €' 000	Year 2008 €' 000
Assets		
Due from banks	98	84
Derivative financial instruments	1	2
Loans and advances to customers	-	41
Total assets	**99**	**127**
Liabilities		
Due to banks	-	28,742
Derivative financial instruments	1	7
Due to customers	548	1,691
Other Liabilities	-	197
Total liabilities	**549**	**30,637**
Income		
Interest and similar income	33	299
Net trading income/profit	15	247
Total income	**48**	**546**
Expenses		
Interest expense and similar charges	298	1,234
Fees and commission expense	13	15
Total expenses	**311**	**1,249**

The remuneration of the Board of Directors (BoD) members and General Managers, charged in fiscal year 2009 to the Income statement, amounts to 850 thousand Euros (811 thousand Euros (2008).

The short Term employee and post employment benefits of the Board of Directors (BoD) members and General Managers, charged in fiscal year 2009 to the Income statement are 84 thousand Euros (88 thousand Euros in 2008).

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