AB Bank

Board of Directors Report 2007

May 2008

Annual Report of the Board of Directors of AEGEAN BALTIC BANK S.A. for the fiscal year 2007

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 fiscal year from January 1st, 2007 through to December 31st, 2007, prepared in accordance with the International Financial Reporting Standards (IFRS). We also present here below an analysis of the figures included in the financial statements referred to above, making reference to prime factors having had an influence to the development and performance of the Bank.

Year 2007, only the fifth year since establishment, comprised a turning point for AB Bank. Amidst numerous important developments having occurred in 2007 in the internal environment of the Bank, and especially its shareholding base and organizational structure, as well as in the wider, global, financial environment, AB-Bank continued demonstrating high rates in developing its business, strengthening its financial indicators and increasing its profitability.

In 2007 the Bank's Net Profit (after tax) increased by 101% over the previous year figure (€1,27 Mio in 2007 against €0,65 Mio in 2006), whereas Total Operating Income rose by 30%, from €5,19 Mio in 2006 to €6,75 Mio in 2007, with the on Balance Sheet Total Assets recording an annual increase of circa 28% through the balanced growth of 'Earning Assets' classes.

A. Developments in the Global Economic Environment

a) Financial environment

Year 2007 opened with bright prospects for the international investment and financial environment, prospects that suddenly reversed in the beginning of the 2nd Half of the year due to the emergence and spread through the global financial system of the consequences from the US real estate market crisis and the sizeable losses banks suffered from the relevant Sub Prime Mortgage Loans. Strong optimism and high expectations for the continuance of high credit expansion and profitability growth rates were succeeded by a widespread ambience of loss-taking, contraction of activities and uncertainty as to the depth, extent and consequences of the crisis in the broader economic sphere.

During the 1st Half of 2007, the global financial indexes continued following the steadily rising trends of the previous year, thus boosting further the positive investment and credit expansion sentiment of the past three-year period and firming up banking competition in the financing and ancillary banking fields. The slide of the US Dollar exchange rate against the Euro continued at a relatively mild fashion (from €/$=1,317 in 31.12.06 to 1.3505 in 30.6.07) marking a 6-month devaluation of 2,5%. The interest rate environment demonstrated signs of stabilization with ECB continuing its interest rates normalization policy, stabilizing the Euro intervention rate at 4%, after an increase of 50 bps against the levels of 4th Quarter 2006, and the FED having abstained from further increases in the respective Dollar rate, which remained at the 5,25% region.

The aforementioned trends were abruptly overturned in the middle of July, when a severe crisis in the US housing market emerged, generating sizeable defaults in sub prime loans and bonds having financed the subject market and causing a rapid sequential deterioration in the global financial environment. After the severe turmoil of the 3rd Quarter, by the 4th Quarter it was obvious that the Sub-Primes crisis does not constitute an isolated negative credit event, as the severe losses being suffered by several credit institutions having extensive involvement in such credits or having made large investments in relevant products, were followed by extensive side effects for the banking industry as a whole.

The widespread credit crisis caused and, at the same time, was refueled by an equally widespread liquidity crisis, decreasing this way the banks' supply of credit and substantially increasing the cost of funding from the interbank market, the customer deposit or the securities liquidation markets. The money markets turmoil had a direct effect to the bond markets where large scale liquidations were encountered, resulting in substantial losses from bond valuation, especially of bonds issued by banks.

In general, the profitability of the global finance sector shrunk significantly in 2007; the credibility of the independent credit ratings was put in doubt and individual ratings under review; most banks drastically reduced their credit expansion rates, revising also their credit policies, while the need to raise or maintain sufficient liquidity has had, at least in short term, transposed banking competition from the offering of more competitively priced asset type products, to the accumulation of more liability type ones (deposits), at increasing cost.

In its effort to contribute in crisis management, in the 4th Quarter of 2007 the Fed reversed its monetary policy, lowering the US Dollar intervention rate by 100 bps to 4.25%, in order to decrease the financing cost of investors, consumers and of the hurt banking system alike and to protect the US economy from a worse than expected slowdown. At the same time Euro interest rates did not manifest noticeable changes whereas the sliding trend of the Dollar exchange rate with the Euro accelerated significantly, thus bringing the subside of the 2nd Half 2007 to 10,1% (from €/$=1.3505 in 30.6.07 to 1,4870 in 31.12.07) and the total yearly devaluation to 12,9%.

It is worth mentioning that the strong turmoil in the global financial environment was mainly concentrated in the banking and financial sector, without exercising proportional pressure to the assessment by the market of the financial solidity and profitability of other economic sectors (industrial, commerce, technology, services) whose capitalization was not significantly affected, even in the US. The above diverse trends were illustrated in the fluctuation of the international stock market indexes whose levels on 31.12.2007 were in most cases only slightly lower or even higher than those of 30.06.2007, depending on the weight the financial sector has had in the composition of each index. Hence, in the 2nd Half of 2007, FTSE dropped by 2,3%, CAC (France) by 7,3%, NIKKEI (Japan) by 15,6% and S&P-500 and Dow Jones (USA) by only 2,3% and 1,1% respectively. In contrast, DAX (Germany) recorded a slight increase of 0,75% in the same period, NASDAQ (USA) 1,9% and HANG SENG (Hong-Kong) 27,7%.

While year 2007 and the Sub Primes crisis have signified a widespread reshuffling in the global financial system and especially in the perceived profitability and financial solidity of the sector, its business development policies and the framework of its financial and supervisory appraisal, the attention is now concentrated in softening the prevailing sentiment of uncertainty as to the duration, depth and extent the consequences of the crisis may have in the wider economic environment.

b) Global Development, Industrial Production and International Trade

The aforementioned financial crisis did not appear to have adversely affected the growth rates of global industrial production and of international trade i.e. the factors directly affecting global transportation and deep-see shipping logistics – the industry AB-Bank specializes in.

GDP growth rates of the US, the Euro-zone and Japan were moderate in 2007, leveling 2%-2,5%, marginally lower than the previous year figures, mainly due to the slowdown evidenced in the 4th Quarter. Nevertheless, the annual growth rate of the World GDP stood at the strong level of 5,2% (5,4% in 2006), having been enforced by the continuing strong growth rates performed by large countries in Asia and South America.

Industrial production growth in the OECD stood at the lowest level of the last 3-year period, recording 1,2% in 2007 (against 1,8% in 2006), while China's rate was 17,4% (14,7% in 2006), South Korea's 12,4%, India's 7,6% and Thailand's 11,6%. At the same time annual industrial production grew in Brazil and Argentina by 6,4% and 10%, respectively, while in Russia by 6,5%. The annual increase of global steel production stood at the strong rate of 10,3% in 2007, demonstrating a 2,9% reduction against last year, because of the 5,4% fall in China's steel production (17,6% in 2007 against 21% in 2006) which was partially offset by the strong performance of South Korea (from 1,6% in 2006 to 5,4% in 2007).

Global trade of basic raw materials, such as iron ore and coal, demonstrated satisfactory growth in 2007. As evidenced by the volumes carried by sea, in 2007 iron ore imports of the major international buyers/countries (Japan, China, South Korea) rose by 12,7% (12,3% in 2006) while coal imports rose by 5,3% (3,2% in 2006). In the same period, grains volumes rose by only 2,6% (7,5% in 2006) due to the significant decrease Australia's grains exports (-55% in 2006), counterbalanced by the sharp increase of the exports of the US (+13,7%) and Argentina (+30,7%), both being regions favoring the occupation of the shipping sector due to their long distance from the respective areas of processing and consumption.

Global oil production remained at the same levels of the last three year period, approximately 83 Mio barrels of crude oil per day. Oil prices though marked a 61,2% increase ($94,3/barel in 31.12.07 against $58,5/barel in 31.12.06) continuing the impressive rising pattern noted from 2002 onwards.

c) Shipping Markets

Given the positive developments in the global industrial production and the volumes of global trade, the lasting robust shipping markets profile not only remained unchanged in 2007, but in relation to the dry bulk and containers sectors it was further enforced.

Newbuildings ordering followed high growth rates (+ 19,6% against the number of new orders of 2006), while the concerns about a coming distortion in the supply-demand balance, because of the high number and size of newbuildings entering the market, was not affirmed. Concurrently, the prevailing increasing trends in the dry bulk freight rates or the stabilization, at relatively high levels, of the crude oil and oil products freight rates, together with the continuously rising newbuilding costs, boosted vessel market values.

Specifically, the dry bulk freight market followed an ever growing trend through the year, bringing the average freight rate level of 2007 at the historical highs of the contemporary shipping history, while dry bulk carrier prices increased alike. The tanker freight market experienced fluctuations, preserving nevertheless the average freight rates of the year at satisfactory levels, almost identical to those of the previous year with regard to time-charters, although spot rates slightly dropped. However, tanker values rose significantly, marking new historical highs, having been determined by mounting construction and replacement costs, the anomalies emerging out of the single-hulls phase-out regulation and the expectations about future market conditions. Annual improvement to the tune of 8%-10% was also evidenced in the containers freight market over the 2006 average rates, especially in larger vessel categories, while containership market values followed the general trend of the industry, also peaking at new historically high levels.

The above market conditions boosted further the already strong profitability of the Greek shipping groups, thus maintaining the sector's robust financial picture having been established in the last five years.

d) Banking competition

According to the annual review of Petrofin Bank Research on Greek ship financing, the total size of credit facilities (drawn/used and undrawn/unused) to Greek shipping, amounted $66.94 billion at year-end 2007, presenting impressive growth of 44.31% against 2006 ($ 46.4 billion). The same review also reports that the total number of banks being active in Greek shipping increased in 2007 to 41 from 39 in 2006, with the number of foreign banks with presence in Greece increasing to 13 (11 in 2006), whereas the corresponding number of Greek banks remained at 12.

The extended shipbuilding programs in combination with the strong investment activity of the Greek shipping groups in the acquisition of younger vessels, at ever high prices indeed, as well as their strong profitability record, have favored both, the number and the volume of financial transactions. From the above developments, it is obvious that banking competition in the field of AB Bank's specialization intensified significantly during the last year.

The aforementioned momentous growth in shipping finance was largely formed out of the lending activity of the first nine months of the year. The effect of the Sub-Primes crisis in the global financial system recessed in the 4th Quarter of 2007 the rate of credit expansion in the shipping sector, as well. Even though the degree the Greek banks were directly affected from the crisis appears to be low, the strong presence of foreign banks in the Greek shipping finance sector, as well as the cautiousness having prevailed also amongst Greek banks during the last months of the year, were determinant factors for an overall slowdown in the rate of growth of Greek ship financing in the 4th Quarter.

Besides the aforementioned slowdown in the ship financing growth rate, the consequences of the crisis became particularly obvious in the increased credit margins (in an effort to offset higher liquidity costs by incorporating them in the margin) but also in the stagnation observed in the syndicated loans placement market.

B. Internal developments

Internally, during 2007 AB Bank ceased to be a controlled subsidiary of the German banking group HSH NORDBANK AG, as:

- HSH NORDBANK AG reduced its participation in the Bank's share capital from 51% to 15%. The relevant percentage was acquired by the up till then second larger shareholder and Managing Director of the Bank, Mr. Theodore Afthonides with declared intention AB Bank to proceed with a significant share capital increase and enlargement of its shareholding base through a private placement of such increase to new shareholders;
- HSH NORDBANK AG founded a representation office in Greece;
- HSH NORDBANK AG waived its up till then first refusal right to participate in every syndicated loan being arranged by AB Bank;
- A credit facility agreement was concluded between the two banks with HSH NORDBANK AG providing to AB Bank an up to € 100 Mio multicurrency revolving line of interbank credit, maturing on 31.12.2009.

Due to the aforementioned developments, in 2007 the Bank had to tackle the ambience of uncertainty reasonably raised amongst its customer base, its partner banks, and the shipping and financial markets in general, in relation to its business profile, goals, capabilities and financial capacity, while servicing at the same time its challenging business growth and financial performance targets amidst series of adverse developments in the wider financial environment.

The Bank and its Administration reacted swiftly to the aforesaid developments, recording in 2007 not only noticeable growth in business, financial proportions and profitability, but also by finalizing in December 2007 an agreement with a General Electric led group of investors for a €56.1 Mio share capital increase of AB Bank and the placement of the full amount of such increase to the subject investors.

At the same meantime, particular emphasis was given to the development and upgrading of the Bank's internal organization and procedures – an extensive effort demanding the utilization of significant resources at all levels of personnel. During 2007, AB Bank proceeded to detailed recording and improvement of the internal procedures followed at all levels, according to the requirements of the local Supervisory Banking Authorities in relation to regulatory compliance, also establishing a relevant division which follows-up and reports as to the validity of the above procedures to the Bank's Management.

C. Financial Results

Successfully responding to the developments having occurred in 2007 in its internal and the international financial environment, as well as to the fierce competition from larger banks with long established presence in the ship financing field, AB Bank maintained high rates of growth in its shipping-specialist business and improved substantially its profitability.

In 2007 AB Bank's Pre-Tax Profits recorded a remarkable increase of 101%, standing at €1.75 million against €0.87 million in 2006, while Net Profits after Tax increased by 95%, to €1.27 million against €0.65 million in 2006. Still, profitability of the Bank was largely affected by the sliding exchange rate of the Dollar with the Euro, given the almost fully dollar denomination of its income base against the Euro denomination of all its expenses.

As at 31st December 2007, the Bank's Total Assets stood at € 217 Mio (€ 170 Mio in 2006) having grown by 28% over the previous year figure, through a 34% increase of the Loans Portfolio, a 23% growth of Interbank Placements and Reserves with Central Bank, and a 31% increase of the Securities Portfolios (Bonds available for sale) by increasing its exposure in floating rate bonds.

In relation to the Bank's Liabilities, a 22% increase to € 147 Mio (€121 Mio in 2006) is observed in the Customer's Deposits (Call and Term), along with a 121% increase, to € 37 Mio, of Interbank Takings (€ 17 Mio in 2006) which, nevertheless, in absolute terms and proportions were maintained at relatively low levels .

a) Business Development

During 2007, AB-Bank achieved a remarkable growth in the volume of its lending business as well as its Treasury and the Ancillary Banking business with its shipping clientele:

- Customer loans outstanding increased by 34%, now amounting €106.33 Mio at year-end against €79.56 Mio in 2006. In annual average balances basis the increase was 44%. Notably, in dollar terms the increase of loans outstanding was 49,5% whereas Total Credit Commitments increased by 42,3% (from $149,4 Mio to $212,5 Mio).
- Customers' Deposits growth also continued, with the customers' call and term deposit balances standing at €147.25 Mio at year-end 2007 against €120.87 Mio in 2006, hence having increased by 22% year-on-year. In terms of average annual balances the increase was 36%. The Bank's Management believes that the continuously growing pattern of Customers Deposits demonstrates the increasing trust the Bank enjoys from its customer base, despite the significant contraction of HSH Nordbank AG's shareholding interest from its previously controlling position, maintaining the "Deposits to Loans Cover" indicator at the qualitatively and quantitatively strong ratio of 1.38 (1.52 in 2006).
- Concluded 34 new shipping loans (27 in 2006), of $757,6 Mio in total (excluding any amounts refinancing previously existing loans of same obligors) against $1,031 Bio in 2006. Out of the total number of new loans, 14 were syndicated loans (15 in 2006), aggregating $649,3 Mio ($979,6 Mio in 2006), $615,4 Mio thereof (ca. 94,8%) having been syndicated-out to other banks (95,8% in 2006). The remaining 20 comprised bilateral loans (12 in 2006), amounting $108,3 Mio in total ($51,8 Mio in 2006), thus recording a 109% annual increase.
- For the fourth consecutive year, AB Bank ranked the second largest arranger and agent of syndicated loans to the Greek shipping industry, as per the annual review of Petrofin Bank Research on Greek ship financing, managing other banks' participations of $1.98 Bio, after Citibank which ranked first with a portfolio under management of $2.90 Bio and before Nordea which ranked third, with a portfolio of ca. $1.17 billion under management.
- As presented in the table below, at year-end 2007 AB Bank had maintained the total size of its managed loans portfolio at $2.06 Bio (€1.4 billion) in aggregate, as compared with $2.00 Bio (€1.52 bio.) in 2006:

	2007	2006
	€' 000	€' 000
Credit Portfolio Under administration of AB-Bank		
Loans under management in Euro	€1,036,683	€762,728
Loans under management in US Dollars	$1,526,101	$1,004,512
Commitments under management in Euro	€357,983	€754,956
Commitments under management in US Dollars	$526,987	$994,277
Letters of Guarantees in Euro	€1,657	€895
Letters of Guarantees in US Dollars	$2,439	$1,179
Risk participation agreements in Euro	€2,038	€1,519
Risk participation agreements in US Dollars	$3,000	$2,000
Total portfolio under management in Euro	€1,398,361	€1,520,097
Total portfolio under management in US Dollars	$2,058,527	$2,001,968
USD/EUR Rate as at 31.12	1.4721	1.3170

At year-end 2007 the Bank's active clientele consisted of 54 shipping groups, 40 thereof shaping the Bank's loan portfolio which included more than 60 loans, secured by first preferred mortgages and other securities on 115 vessels, of a weighted average age of 13 years, and an aggregate market value covering AB Bank's total loans outstanding by 267%.

Since the Bank's establishment, no credit has ever become overdue, and as at year-end 2007 none of the Bank's loans was in non-performing status. As a result, the formation of any specific credit provisions has not been required to date.

b) Financial Figures

The spectacular improvement of profitability in 2007 has been a result of the dynamic growth recorded in interest and commissions income, maintaining the continuously growing pattern of the Bank's Operating Income generation which registered a 30% increase over 2006, amounting to €6.75 Mio (in spite of the downward pressure exercised by the 12.5% slide of the Dollar exchange rate against the Euro) in comparison to €5,19 Mio in 2006 and €3,86 Mio in 2005.

Main drive of the Bank's Operating Income growth has been the constantly rising net interest income, which in 2007 increased by 32% over last year's figure to €4.43 Mio, against €3.35 Mio in 2006.

The above development is attributed to the continuously improving structure of the asset side of the Bank's Balance Sheet, given:

- The dynamic growth of the Bank's Customer Loans, by 34%, to € 106 Mio versus € 79 Mio in 2006.
- The noteworthy growth of Interbank Placements by 23%, being triggered by a 22% increase of the year-end 2007 Customer Deposit balances over those of year-end 2006, and an increase of 36% in terms of annual average balance terms between the respective periods.
- The improved performance of the Bonds Portfolio, in both income and yield terms, as a result of the increased Euro zone interest rates and the significantly higher exposure of the Bank in Euro-denominated floating rate notes.

Net Commissions Income increased by 5% in 2007, amounting to €2.2 Mio (€2.1 Mio in 2006) despite fierce banking competition. The increase was driven by the new syndicated loans production for which the Bank also acts as Agent but, to a larger extent, by the sizeable growth achieved in other ancillary banking products and services which may be associated either to the particular structure of certain new credit facilities or to classic types of ancillary banking business of operational nature. It should be stressed however, that the aforementioned increase in Commissions Income does not fully reflect the relevant business growth actually achieved in the specific category of income generation, considering that almost all commissions of the Bank are Dollar-denominated, thus being penalized by the devaluation of the Dollar.

Net Trading Income in 2007 amounted to €0.10 Mio in comparison to a €0.27 Mio loss in the previous year. Said result was shaped from a €0.22 Mio gain coming from foreign exchange and derivative transactions made to hedge the Bank's foreign exchange and interest rate risks, and a €0.12 Mio loss from the sale and/or the revaluation of financial assets, at fair value through the Profit and Loss.

In 2007 the AB Bank's Administrative Expenses grew by 16% (8% in 2006), reflecting the continuously expanding operational requirements from the enlargement of the Bank's activities as well as the inflationary cost adjustment of various materials and services. The cost-to-income ratio, one of the most important indicators of efficiency in the banking sector, improved to 74.10% against 83.3% in 2006.

D. <u>Risk Management</u>

Being a specialist modern banking institution, operating in a fast-growing environment, AB Bank acknowledges its exposure to banking risks, also acknowledging the need to control and effectively manage such risks. The Management of the Bank aims at optimizing risk management towards the accomplishment of stable and satisfactory rates of return for the shareholders of the Bank.

Within the above scope, the Bank's Management formulates appropriate strategies for the efficient recognition, measurement and management of banking risks, within the currently prevailing regulatory requirements the framework (Basel II).

Specifically:

- It defines the strategy for undertaking all types of risk and for managing bank's capital in accordance with the business objectives having been set.
- It determines the principles to govern risk management, as to the recognition, prediction, measurement, monitoring, control and mitigation of risks, subject to the prevailing business strategy and availability of resources.
- It sets up the foundations formulating the culture, policies and procedures of risk management.

In 2007, AB Bank concluded an agreement for the implementation and development of the risk management software 'Risk Value Platform', provided by Systemic, Greece, for the monitoring, processing, analysis and evaluation of Market Risks, Liquidity Risks and Assets-Liabilities Management, the registration, follow-up and evolution of the Risk Weighted Exposures of the Bank, the monitoring, measurement and testing of the Bank's Capital Adequacy and Solvency ratios and the compilation of specialist risk management reports, including the reporting requirements of the local Supervisory Banking Authorities.

With regards to Credit Risk, given that the Customer Loans portfolio exclusively consisting 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 models for the identification and assessment of shipping credit risks does not facilitate, at this point of time and within acceptable cost-benefit parameters, the use of the risk management software being under implementation or other softwares for the purposes of the Bank's shipping credit risk management. Nevertheless, it is seriously examined the potential interfacing of the Bank's 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.

a) Capital Adequacy

For the Capital Adequacy evaluation under Basel II, the Bank has decided to follow the Standardized Approach with regard to Credit Risk and Market Risk, and the Basic Indicator Approach for the Operational Risk.

On 31st December 2007 the Bank's Capital Adequacy Ratio (CAR) stood at 22.15% (26.99% in 2006) and the Solvency Ratio at 22.22% (27.12% in 2006). Both ratios standing at particularly high levels, they demonstrate the Bank's capacity to further exploit its capital base. It should be noted, however, that given the relatively low - in absolute terms – share capital of the Bank and the applicable supervisory rules towards the concentration of credit risk per obligor, time will be required for such credit expansion capacity to be distributed over a wider base of obligors/customers.

b) Liquidity Ratios

The specialist nature of AB Bank's activities, in conjunction with its relatively narrow capital base, has rendered Liquidity Risk as a top priority field of attention and monitoring.

The development of the Bank's main liquidity indicators over the last year is presented in the table below, depicting the supervisory ratios of (a) Liquidity Balances, and (b) Maturities Mismatch:

Supervisory Ratios	31/12/2006	30/06/2007	30/12/2007
Liquidity Balances Ratio (≥20%)	55.8%	56.6%	46.9%
Maturities Mismatch Ratio (≥-20%)	-1.3%	0.8%	2.2%

During the whole year the above ratios fluctuated at strong levels, forming a satisfactory outlook as to the evolution of the Bank's Liquidity Risk. The consequences from the Sub Primes crisis and the liquidity crunch encountered by international banking had not, by the 31st of December, particularly affected AB Bank's liquidity management.

The policy being followed to date by the Bank for the raising of liquidity mainly through customer deposits has been successful, covering Bank's credit expansion policy requirements together with wider criteria of proper, direct or indirect, liquidity management, while reserving further capacity to raise liquidity, whenever is deemed necessary, from the interbank market or the contractually agreed, since March 2007, three-year revolving credit line of up to €100 Mio, provided to the Bank by HSH Nordbank AG.

E. Goals and Potential

The 2007 financial and business development performance provide a clear indication as to the capacity of AB Bank to rapidly grow further its activities, within the chosen fields of specialization, and to provide its shareholders the intended investment yields.

The Bank's Management believes that after the successful share capital increase completed in March 2008, and the two consecutive profitable years (2006 and 2007) a strong enough capital base has been formed for thrusting further the Bank's business development and achieving high performance and service quality standards.

Credit expansion through bilateral and syndicated loans of acceptable credit risk profile, together with the enlargement of the Bank's clientele, the augmentation of interest income yields through increased efficiency in Assets-Liabilities management and the establishment of AB Bank in the shipping banking sector as one of the most reliable specialist financial institutions of the industry, still comprise the prime goals for the fiscal years to come.

Aiming to solidify the Bank's profile in its specialist banking field and its qualitative progress as a contemporary banking institution, the Management has given strong emphasis to the continuance and completion of the internal organizational evolution effort which commenced in the previous year.

F. Important Post Balance Sheet Events

As per the decision of the Extraordinary General Meeting of Shareholders of 29th February 2008, the Bank's Share Capital and Share Premium accounts increased by € 14,580,000 and €41,553,000, respectively. Following the aforementioned increase, the Share Capital of AB Bank has increased to €37,620,000, divided into 2,090,000 shares of €18 par value each, and the Share Premium account to €50,202,635. The share capital increase was fully covered by a company of Cypriot registration being under the ultimate control of General Electric, USA, subsequently holding 48,3% of the Bank's total share capital.

Furthermore, in response to the intensified accommodation problems having resulted out of the continuous development of its operations, in February 2008 the Bank entered into a 12-year leasing agreement of a new, significantly larger, office building in which the Bank will be relocated soon.

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 5, 2008

The Vice President of the Board

Theodore Afthonides

Aegean Baltic Bank S.A.

Financial Statements

In accordance with International Financial Reporting Standards

31 December 2007

May 2008

Table of Contents

Income Statement

	Note	2007 €' 000	2006 €' 000
Interest and similar income		11,700	8,885
Interest expense and similar charges		(7,275)	(5,530)
Net interest income	5	4,425	3,355
Fee and commission income		2,274	2,142
Fee and commission expense		(60)	(40)
Net fee and commission income	6	2,214	2,102
Net trading income/(loss)	7	109	(270)
Net result from sale of investment securities	8	(8)	(24)
Other operating income		6	28
Total operating income		**6,746**	**5,191**
Personnel expenses	9	(3,175)	(2,786)
General administrative expenses	10	(1,630)	(1,249)
Depreciation and amortization charges	11	(194)	(289)
Total operating expenses		**(4,999)**	**(4,324)**
Profit/(loss) before tax		**1,747**	**867**
Tax expense	12	(473)	(215)
Net profit/(loss) after tax		**1,274**	**652**
Earnings per share			
Basic & Diluted	13	0.99	0.51

Athens, 5 May 2008

THE VICE CHAIRMAN	THE DEPUTY MANAGING DIRECTOR	HEAD OF FINANCE
THEODORE A. AFTHONIDES	KONSTANTINOS N. HADJIPANAYOTIS	GEORGIOS E. KALANTZIS

The notes on pages 7 to 26 are an integral part of these financial statements.

Balance Sheet

	Note	2007 €' 000	2006 €' 000
ASSETS			
Cash and balances with central banks	14	2,435	2,076
Due from banks	15	88,253	71,957
Financial assets at fair value through P&L	16	1,410	1,525
Derivative financial instruments	17	4	10
Loans and advances to customers	18	106,329	79,566
Investment securities – available for sale	19	16,271	12,397
Intangible assets	20	133	49
Property, plant and equipment	21	530	597
Deferred tax assets	22	829	878
Other assets	23	1,259	1,030
Total assets		**217,453**	**170,085**
LIABILITIES			
Due to banks	24	36,927	16,705
Derivative financial instruments	17	1	6
Due to customers	25	147,246	120,867
Other liabilities	26	1,356	1,690
Deferred tax liabilities	22	636	371
Retirement benefit obligations	27	321	274
Total liabilities		**186,487**	**139,913**
SHAREHOLDERS' EQUITY			
Share capital	28	23,040	23,040
Share premium account	29	8,770	8,770
Reserves	30	(684)	(204)
Retained earnings	31	(160)	(1,434)
Equity attributable to shareholders		**30,966**	**30,172**
Total liabilities and equity		**217,453**	**170,085**

Athens, 5 May 2008

THE VICE CHAIRMAN	THE DEPUTY MANAGING DIRECTOR	HEAD OF FINANCE
THEODORE A. AFTHONIDES	KONSTANTINOS N. HADJIPANAYOTIS	GEORGIOS E. KALANTZIS

The notes on pages 7 to 26 are an integral part of these financial statements.

Statement of changes in Equity

	Share Capital	Share premium	Reserves	Retained earnings	Total
Balance at 01.01.2006	**23,040**	**8,770**	**(78)**	**(2,086)**	**29,646**
Movement in equity during 2006					
Movement in the AFS reserve – valuation	-	-	(150)	-	(150)
Losses on sale of AFS securities	-	-	24	-	24
Profit for the period	-	-	-	652	652
Issue of share capital	-	-	-	-	-
Balance at 31.12.2006	**23,040**	**8,770**	**(204)**	**(1,434)**	**30,172**

	Share Capital	Share premium	Reserves	Retained earnings	Total
Balance at 01.01.2007	**23,040**	**8,770**	**(204)**	**(1,434)**	**30,172**
Movement in equity during 2007					
Movement in the AFS reserve – valuation	-	-	(488)	-	(488)
Losses on sale of AFS securities	-	-	8	-	8
Profit for the period	-	-	-	1,274	1,274
Issue of share capital	-	-	-	-	-
Balance at 31.12.2007	**23,040**	**8,770**	**(684)**	**(160)**	**30,966**

The notes on pages 7 to 26 are an integral part of these financial statements.

Cash Flow Statement

	Note	2007 €' 000	2006 €' 000
Cash flows from operating activities			
Profit/(loss) before tax		1,747	867
Adjustments for:			
Depreciation on fixed assets	11	194	289
Impairment loss on loans and other provisions		47	48
Loss from valuation of trading securities		115	160
Loss from sale of securities-available for sale	8	8	194
Loss from exchange difference of securities-available for sale		752	-
		2,863	**1,558**
Net (increase)/decrease in operating assets:			
Financial assets at fair value through profit or loss		-	452
Derivative financial assets		5	13
Loans and advances to customers		(26,763)	(21,435)
Other assets		(229)	(252)
Net increase/(decrease) in operating liabilities:			
Due to banks		20,223	5,303
Derivative financial liabilities		(5)	(337)
Due to customers		26,379	12,647
Other liabilities		(334)	929
Cash flow from operating activities before tax payment		19,276	(2,680)
Income tax paid		-	-
Net cash flow from operating activities		**22,139**	**(1,122)**
Cash flows from investing activities			
Purchase of fixed assets		(210)	(205)
Sale of fixed assets		4	8
Purchases of investment securities – available for sale		(8,380)	(2,142)
Sale of investment securities – available for sale		3,102	5,577
Net cash flow from investing activities		**(5,484)**	**3,238**
Cash flows from financing activities			
Net proceeds from issue of capital		-	-
Net cash flow from financing activities		**-**	**-**
Net increase in cash and cash equivalents		**16,655**	**2,116**
Cash and cash equivalents at beginning of period	14,15	**74,033**	**71,917**
Cash and cash equivalents at end of period	14,15	**90,688**	**74,033**
Interest paid and received			
Interest received		10,844	8,163
Interest paid		6,871	4,608

The notes on pages 7 to 26 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 Kifissia, 28 Diligianni Street, 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 object 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 the loan.

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's Board of Directors on 5th May 2008. 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 presentation

The financial statements of the Bank were prepared in accordance with International Financial Reporting Standards (IFRS). 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 2007

-**IFRS 7, "Financial Instruments: Disclosures"** and a complementary amendment to IAS 1, "Presentation of Financial Statements Capital Disclosures", (effective 1 January 2007). IFRS 7 introduces new disclosures relating to financial instruments. IFRS 7 supersedes IAS 30 and the disclosure requirements of IAS 32. The bank has adopted IFRS 7 as of January 1, 2007.

- IFRIC 7, "Applying the Restatement Approach under IAS 29 "Financial Reporting in Hyperinflationary economies" (effective for annual periods beginning on or after 1 March 2006). IFRIC 7 provides guidance on how to apply the requirements of IAS 29 in a reporting period in which an entity identifies the existence of hyperinflation in the economy of its functional currency, when the economy was not hyperinflationary in the prior period. IFRIC 7 is not relevant to the Bank's operations.

- IFRIC 8, "IFRS 2 Share Based Payments" (effective for annual periods beginning on or after 1 May 2006). IFRIC 8 requires consideration of transactions involving the issuance of equity instruments – where the identifiable consideration received is less than the fair value of the equity instruments issued – to establish whether or not they fall within the scope of IFRS 2. Piraeus Bank applies IFRIC 8 from January 1, 2007, but it does not have any impact on the Bank's accounts.

- IFRIC 9, "Reassessment of Embedded Derivatives" (effective for annual periods beginning on or after 1 June 2006). IFRIC 9 requires an entity to assess whether an embedded derivative is required to be separated from the host contract and accounted for as a derivative when the entity first becomes a party to the contract. Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. IFRIC 9 does not have any impact on the Bank's accounts.

- IFRIC 10, "Interim Financial Reporting and Impairment" (effective for annual periods beginning on or after November 1, 2006). IFRIC 10 prohibits the impairment losses recognized in an interim period on goodwill, investments in equity instruments and investments in financial assets carried at cost, to be reversed at a subsequent balance sheet date. The Bank applies IFRIC 10 from January 1, 2007, but it does not have any impact on the Bank's accounts.

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

- IAS 23, "Borrowing costs" (Amendment) (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time target 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 will apply IAS 23 (Amended) beginning January 1, 2009 however management does not expect this standard to have a significant impact on the Bank's financial statements.

- **IFRS 8, "Operating Segments"** (effective from 1 January 2009). This standard changes the way the segment information is measured and disclosed and requires identification of operating segments on the basis of internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segments and to assess performance. The Bank will apply this beginning January 1, 2009; however management does not expect a significant impact on the financial statements.

- **IAS 1 "Presentation of Financial Statements"** (Amendment) (effective from 1 January 2009) requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The Bank will apply this amendment for the annual period beginning on January 1, 2009. Management does not believe this standard will have a significant effect on the financial statements.

- **IFRS 2 "Share - based Payment"** (Amendment) (effective from 1 January 2009). The amendment deals with two 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. The Bank will apply this amendment for the annual period beginning on January 1, 2009 and is currently evaluating its impact on the Bank's financial statements.

- **IFRS 3 "Business Combinations"** and **IAS 27 "Consolidated and Separate Financial Statements"** (Amendment) (effective from 1 July 2009). The amendments include a greater emphasis on the use of fair value, a focus on changes in control as a significant economic event, it introduces requirements to remeasure interests to fair value at the time when control is achieved or lost, and recognising directly in equity the impact of all transactions between controlling and non-controlling shareholders not involving a loss of control. Additionally the standard focuses on what is given to the vendor as consideration, rather than what is spent to achieve the acquisition. Transaction costs, changes in the value of contingent consideration, settlement of pre-existing contracts, share-based payments and similar items will generally be accounted for separately from business combinations and will generally affect profit or loss. The Bank is currently evaluating the impact of this amendment on the 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 cooperative 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). The Bank will apply this amendment for the annual period beginning on January 1, 2009, and is currently evaluating its impact on the Bank's financial statements.

- **IFRIC 11, "IFRS 2 – Bank and Treasury Share Transactions**" (effective for annual periods beginning on or after 1 March 2007). This IFRIC requires arrangements whereby an employee is granted rights to an entity's equity instruments to be accounted for as an equity settled scheme by the entity even if the entity chooses or is required to buy those equity instruments (e.g. treasury shares) from another party, or the shareholder(s) of the entity provide the equity instruments required. The Interpretation also extends to the way in which subsidiaries, in their separate financial statements, account for schemes when their employees receive rights to equity instruments of the parent. In particular, it prescribes that: When the parent grants rights to equity instruments to the employees, they will be accounted for as equity settled scheme (as an equity contribution to the parent) when the parent accounts for it this way in the consolidated financial statements. When employees transfer between subsidiaries, each entity recognises compensation expense based on the proportion of the total vesting period for which the employee has worked for that subsidiary, measured at the fair value at the original grant date by the parent. When the subsidiary grants rights to equity instruments of its parent to its employees, it will be accounted for as cash settled scheme. The Bank will apply this IFRIC from 1 January 2008, however management does not expect this IFRIC to have a significant impact on the Bank's financial statements.

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the bank's operations because the bank does not provide public sector services.

- 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). IFRIC 13 is not relevant to the current bank's operations because the bank does not operate any loyalty programmes.

- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 will not have any impact on the bank's accounts

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 to 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 advances, are capitalized and recognized in the income statement using the effective interest method.

2.5 Cash and cash equivalents

Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purposes of the cash flow statement, cash and cash equivalents consist of:

	2007	2006
a. Cash on hand	2	2
b. Non-restricted placements with Central Banks	2,433	2,074
c. Short-term balances due from banks	88,253	71,957
Total	**90,688**	**74,033**

2.6 Financial instruments

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

a) Loans and receivables: Included here are loans given to 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. The Bank does not have any held to maturity investments as at December 31, 2007.

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 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 far 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. Fair values for unquoted equity investments are determined by applying recognized valuation techniques such as price/earnings or price/cash flow ratios, refined to reflect the specific circumstances of the issuer. Changes in fair value are recognized directly in equity until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is transferred in profit or loss.

2.7 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 or per industry for commercial loans 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.

2.8 Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently remeasured 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>a. Synthetic Swaps</u>
The Bank, in order to increase the return on deposits to selected customers uses synthetic swaps. This involves the conversion of a Euro deposit to JPY with a simultaneous forward purchase of JPY to cover the foreign exchange exposure. The result arising from the above forward transaction is recognized as foreign exchange differences and other net trading income/ loss.

<u>b. FX Swaps</u>
These types of Swaps are entered into primarily to hedge the exposures arising from customer loans and deposits. As there is no documentation to support hedge accounting they are accounted for as trading instruments. The result arising from these derivatives is recognized as net trading income/ loss from foreign exchange differences and derivative transactions.

<u>c. Interest Rate Swap</u>
The Bank uses interest rate swaps (IRSs) to hedge interest risks relating to customer's loans. As there is no documentation to support hedge accounting they are accounted for as trading instruments. The result arising from these derivatives is recognized as net trading income/ loss from foreign exchange differences and derivative transactions.

2.9 Intangible assets

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

2.10 Property, plant and equipment

Includes additions and improvements cost to leased fixed assets and equipment. Items of property, plant 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.

2.11 Deferred tax

Deferred taxation is the tax that will be paid or for which relief will be obtained in the future resulting from the different period that certain items are recognized for financial reporting and tax purposes. Deferred tax is provided for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets and liabilities are provided based on the expected manner of realization or settlement using tax rates (and laws) enacted at the 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.

2.12 Provisions and other liabilities

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

2.13 Employee benefits

(a) Defined contribution 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 theirs 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 are recorded and past service costs.

2.14 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.

2.15 Share issue expenses

Incremental costs of share capital increase

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

Share premium

The difference, between the nominal value and offering price of the shares issued, is recorded as share premium.
The bank had no issue expenses in 2007.

2.16 Reclassifications

Certain amounts in prior periods which are immaterial to the overall financial statements have been reclassified in order to conform to current presentation.

Note 3: Financial risk management

The Bank, being a specialized banking organization operating in a fast-growing environment, acknowledges its exposure to banking risks as well as the need to control and effectively manage those risks in the most optimum way and provide continuous and high quality returns to its shareholders.

The Bank's Management formulates strategies to efficiently and effectively recognize measure and manage the banking risks, as required by Basel II. Specifically, the Bank performs the following as part of its financial risk management:

• Defines the strategy for undertaking all types of risks and capital management in compliance to the business objectives set.

• Determines the principles that will govern risk management with respect to recognition, provision, measurement, follow-up, control and remedial actions to be taken for compliance with the prevailing business strategy and availability of resources.

• Sets the foundations that will formulate the policies and the procedures to control risk management.

At the same time The Bank proceeds to the implementation of the "Basel II" program, targeting both the compliance with the new capital adequacy regulatory requirements and the further enhancement of risk and capital management capacity.

3.1 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. The Bank's management gives great consideration to the proper management of credit risk and having set up the necessary infrastructure and procedures.

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

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

Maximum exposure to credit risk

	2007	2006
	€' 000	€' 000
ASSETS		
Due from banks	88,387	72,086
Derivative financial instruments	4	10
Loans and advances to customers	106,846	80,020
Investment securities – available for sale	17,389	12,807
Other assets	932	883
Total assets	**213,558**	**165,806**
OFF BALANCE SHEET ITEMS		
Commitments	32,786	31,096
Letter of guarantees	1,657	895
Other risk participation agreements	1,344	567
	35,787	**32,558**

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

3.2 Market risk

Market risk is the risk of losses arising from unfavorable developments in bond prices, interest rates and exchange rates. 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

3.3 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 31.12.2007

ASSETS	Up to 1 month	1 to 3 months	3 months to 12 year	1 to 5 years	More than 5 years	Non interest bearing	TOTAL
Cash and balances with central bank	2,433	-	-	-	-	2	2,435
Due from banks	85,703	-	-	-	-	2,550	88,253
Financial assets - fair value through P&L	-	402	419	589	-	-	1,410
Loans and advances to customers	46,615	38,405	21,014	295	-	-	106,329
Investment securities - available for sale	4,728	7,245	3,500	798	-	-	16,271
Other assets	-	-	-	-	-	2,755	2,755
TOTAL ASSETS	139,479	46,052	24,933	1,682	-	5,307	217,453
LIABILITIES							
Due to banks	19,945	16,982	-	-	-	-	36,927
Due to customers	107,630	37,839	1,698	-	-	79	147,246
Other liabilities	-	-	-	-	-	2,314	2,314
TOTAL LIABILITIES	127,575	54,821	1,698	-	-	2,393	186,487
Total interest sensitivity gap	**11,904**	**(8,769)**	**23,235**	**1,682**	**-**	**2,914**	**30,966**

Interest Rate Risk as at 31.12.2006

ASSETS	Up to 1 month	1 to 3 months	3 months to 12 year	1 to 5 years	More than 5 years	Non interest bearing	TOTAL
Cash and balances with central bank	2,074	-	-	-	-	2	2,076
Due from banks	71,782	-	-	-	-	175	71,957
Financial assets - fair value through P&L	-	427	418	680	-	-	1,525
Loans and advances to customers	5,852	29,022	44,461	231	-	-	79,566
Investment securities - available for sale	1,839	7,739	495	2,324	-	-	12,397
Other assets	-	-	-	-	-	2,564	2,564
TOTAL ASSETS	81,547	37,188	45,374	3,235	-	2,741	170,085
LIABILITIES							
Due to banks	4,176	2,658	9,871	-	-	-	16,705
Due to customers	103,476	15,457	1,898	-	-	36	120,867
Other liabilities	-	-	-	-	-	2,341	2,341
TOTAL LIABILITIES	107,652	18,115	11,769	-	-	2,377	139,913
Total interest sensitivity gap	**(26,105)**	**19,073**	**33,605**	**3,235**	**-**	**364**	**30,172**

3.4 Liquidity risk

Liquidity Risk is the risk that a financial institution will not be able to meet its obligations as they become due, because of a lack of the required liquidity. 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 fulfil its client needs and to meet all its payment obligations.

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.

The table below analyses assets and liabilities into relevant time periods based on the remaining period at balance sheet date to the contractual maturity date:

Liquidity gap analysis as at 31.12.2007

	Up to 1 month	1 to 3 months	3 months to 12 years	1 to 5 years	More than 5 years	TOTAL
ASSETS						
Cash and balances with central bank	2,435	-	-	-	-	2,435
Due from banks	74,667	13,586	-	-	-	88,253
Financial assets - fair value through P&L	-	-	-	821	589	1,410
Derivative financial instruments	4	-	-	-	-	4
Loans and advances to customers	1,957	5,534	29,604	52,160	17,074	106,329
Investment securities - available for sale	-	-	2,497	7,387	6,387	16,271
Intangible assets	-	-	-	-	133	133
Tangible assets	-	-	-	-	530	530
Deferred tax assets	-	-	-	829	-	829
Other assets	270	156	81	460	292	1,259
TOTAL ASSETS	79,333	19,276	32,182	61,657	25,005	217,453
LIABILITIES						
Due to banks	19,945	16,982	-	-	-	36,927
Derivatives financial instruments	1	-	-	-	-	1
Due to customers	103,787	36,297	4,477	2,006	679	147,246
Other liabilities	1,215	131	10	0	0	1,356
Deferred tax liabilities	-	-	-	636	-	636
Defined employees' benefits obligations	-	-	-	-	321	321
TOTAL LIABILITIES	124,948	53,410	4,487	2,642	1,000	186,487
Net Liquidity Gap	**(45,615)**	**(34,134)**	**27,695**	**59,015**	**24,005**	**30,966**

Liquidity gap analysis as at 31.12.2006

	Up to 1 month	1 to 3 months	3 months to 12 year	1 to 5 years	More than 5 years	TOTAL
ASSETS						
Cash and balances with central bank	2,076	-	-	-	-	2,076
Due from banks	71,957					71,957
Financial assets - fair value through P&L	-	-	-	-	1,525	1,525
Derivative financial instruments	10	-	-	-	-	10
Loans and advances to customers	6,453	7,406	16,600	39,909	9,198	79,566
Investment securities - available for sale	500	-	1,259	7,248	3,390	12,397
Intangible assets	-	-	-	-	49	49
Tangible assets	-	-	-	-	597	597
Deferred tax assets	-	-	-	878	-	878
Other assets	252	122	38	-	618	1,030
TOTAL ASSETS	81,248	7,528	17,897	48,035	15,377	170,085
LIABILITIES						
Due to banks	4,176	2,658	9,871	-	-	16,705
Derivatives financial instruments	6	-	-	-	-	6
Due to customers	96,574	14,675	2,860	1,443	5,315	120,867
Other liabilities	904	455	331	-	-	1,690
Deferred tax liabilities	-	-	-	371	-	371
Defined employees' benefits obligations	-	-	-	-	274	274
TOTAL LIABILITIES	101,660	17,788	13,062	1,814	5,589	139,913
Net Liquidity Gap	**(20,412)**	**(10,260)**	**4,835**	**46,221**	**9,788**	**30,172**

3.5 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 2007 and 31 December 2006, respectively, is as follows:

Foreign exchange position - 31 December 2007

	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with central banks	1	2,434	-	2,435
Due from banks	55,818	32,267	168	88,253
Financial assets at fair value through P&L	-	1,410	-	1,410
Derivative financial instruments	-	4	-	4
Loans and advances to customers	103,129	3,200	-	106,329
Investment securities – available for sale	7,458	8,813	-	16,271
Intangible assets	-	133	-	133
Property, plant and equipment	-	530	-	530
Deferred tax assets	-	829	-	829
Other assets	793	466	-	1,259
TOTAL ASSETS	167,199	50,086	168	217,453
LIABILITIES				
Due to banks	31,927	5,000	-	36,927
Derivative financial instruments	-	1	-	1
Due to customers	135,128	11,998	120	147,246
Other liabilities	387	969	-	1,356
Deferred tax liabilities	-	636	-	636
Retirement benefit obligations	-	321	-	321
TOTAL LIABILITIES	167,442	18,925	120	186,487
Net balance sheet position	(243)	31,161	48	30,966
Off balance sheet net notional position	128	(126)	(2)	0
Total FX position	**(115)**	**31,035**	**46**	**30,966**

Foreign exchange position - 31 December 2006

	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with central bank	1	2,075	-	2,076
Financial assets - fair value through P&L	50,590	21,334	33	71,957
Derivative financial instruments	-	1,525	-	1,525
Investment securities - available for sale	1	9	-	10
Due from banks	72,369	7,197	-	79,566
Loans and advances to customers	2,647	9,750	-	12,397
Intangible assets	-	49	-	49
Property, plant and equipment	-	597	-	597
Deferred tax assets	-	878	-	878
Other assets	620	410	-	1,030
TOTAL ASSETS	126,228	43,824	33	170,085
LIABILITIES				
Due to banks	16,705	-	-	16,705
Derivative financial instruments	-	6	-	6
Due to customers	108,603	12,258	6	120,867
Other liabilities	917	773	-	1,690
Deferred tax liabilities	-	371	-	371
Retirement benefit obligations	-	274	-	274
TOTAL LIABILITIES	126,225	13,682	6	139,913
Net balance sheet position	3	30,142	27	30,172
Off balance sheet net notional position	9	(8)	(1)	0
Total FX position	**12**	**30,134**	**26**	**30,172**

3.6 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 2007 and 2006:

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 of the same or comparable instruments.

Derivative Financial Instruments: All derivatives are recognised on the balance sheet at fair value. For exchange traded contracts, fair value is based on quoted market prices. For non exchange traded contracts, 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.

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-07		31-Dec-06	
	Nominal Value	**Fair Value**	**Nominal Value**	**Fair Value**
ASSETS				
Cash and balances with central bank	2,435	2,435	2,076	2,076
Due from banks	88,253	88,253	71,957	71,957
Loans and advances to customers	106,329	106,329	79,566	79,566
Investment securities - available for sale	16,271	16,271	12,397	12,397
LIABILITIES				
Due to banks	36,927	36,927	16,705	16,705
Due to customers	147,246	147,246	120,868	120,868

3.7 Capital adequacy

The ratios measure capital adequacy by comparing the Bank's eligible capital with the risks that the Bank undertakes (risk weighted assets). The Bank's regulatory own funds include the share capital, the share premium account, the reserves and retained earnings.

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. The current capital ratios (Tier I ratio and capital adequacy ratio) are much higher than the regulatory limits 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.

	2007	**2006**
	€' 000	€' 000
Risk weighted assets (credit risk)	141,869	111,836
Risk weighted assets (market risk)	436	510
Total risk weighted assets	142,305	112,346
Tier I Capital	31,517	30,327
Tier I + Tier II Capital	31,517	30,327
Tier I ratio	22.22%	27.12%
Capital adequacy ratio Tier I + Tier II	22.15%	26.99%

Note 4: Critical accounting policies, estimates and judgments

The preparation of financial statements in accordance with the International Financial Reporting Standards (IFRS) requires the bank's 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. The Management of the Bank considers that the subjective judgments, estimations and assumptions, made for the preparation of the consolidated financial statements are appropriate and reflect the facts and conditions prevailing on 31 December 2007. The accounting principles, estimates and judgments adopted by the Bank and which is material for the understanding of the financial statements are as follows:

4.1 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, the 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.

Provisions for losses from loans and advances to customers

The loss provisions from 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. The 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, the 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.

Provision for staff leaving indemnity

The net staff retirement benefits 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.

4.2 Critical accounting judgments

Impairment of available for sale financial assets

The management of the Bank 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. The management of the Bank has recognized provisions for income tax arising from an expected tax audit based on its estimates. In case the final level of income tax that will be assessed differs from the recognized provision, the difference will affect the income tax (current and deferred) of the period of assessment.

Note 5: Net interest income

	2007 €' 000	2006 €' 000
Interest and similar income		
Interest due from banks	3,187	3,237
Available for sale and held for trading securities	905	586
Interest from loans and advances to customers	7,609	5,062
Total interest income	**11,700**	**8,885**
Interest expense and similar charges		
Interest due to banks	(410)	(1,134)
Interest due to customers	(6,865)	(4,396)
Total interest expense	**(7,275)**	**(5,530)**
Net interest income	**4,425**	**3,355**

Note 6: Net fee and commission income

	2007 €' 000	2006 €' 000
Fees and commission income		
Loan origination fees and commissions	2,025	1,931
Funds transfers	226	177
Other	23	34
Total fee and commission income	**2,274**	**2,142**
Fees and commission expense		
Banks	(43)	(24)
Other	(17)	(16)
Total commission expenses	**(60)**	**(40)**
Net fee and commission income	**2,214**	**2,102**

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 financial instrument with the effective interest rate method. The commissions received by the bank as an agent are recognized in the income statement when collected.

Note 7: Net trading income

	2007 €' 000	2006 €' 000
Foreign exchange contracts and derivatives	225	(72)
Financial assets at fair value through P & L	(116)	(198)
Total Net Trading Gain/(Loss)	**109**	**(270)**

All losses on financial assets at fair value through P&L are from corporate bonds held for trading.

Note 8: Net result from sale of investment securities

	2007 €' 000	2006 €' 000
Gain from sale of financial assets available for sale	-	10
(Loss) from sale of financial assets available for sale	(8)	(34)
Total	**(8)**	**(24)**

Note 9: Personnel expenses

	2007 €' 000	2006 €' 000
Wages and salaries	2,611	2,286
Social security contributions	336	298
Defined contribution plans	96	68
Defined benefit plans (see Note 27)	47	48
Other	85	86
Total	**3,175**	**2,786**

The number of employees employed by the Bank at 31 December 2007 was 39 (37 as at December 31, 2006). The average number of employees for the period 1 January 2007 to 31 December 31 2007 was 38.

Note 10: General and administrative expenses

	2007 €' 000	2006 €' 000
Rental expense for buildings	163	155
Rental expense for cars	70	66
Third party fees	358	219
IT expense	229	217
Contribution to the Greek Deposits Guarantee Fund	237	120
Telecommunication – mail expense	95	100
Promotion and advertising expense	24	66
Office material	19	15
Utilities	25	22
Taxes and duties	157	76
Maintenance and other related expenses	27	29
Publication expenses	26	19
Subscription expenses	40	24
Donations	50	-
Other general administrative expenses	110	121
Total	**1,630**	**1,249**

Note 11: Depreciation and amortization charges

	2007 €' 000	2006 €' 000
Leasehold improvements	47	45
Property and equipment	62	66
IT equipment	50	62
Intangible assets	35	116
Total	**194**	**289**

Note 12: Income tax expense

According to tax regulations in Greece, entities are taxed at a rate of 29% for 2006 and 25% for 2007 and after.

	2007 €' 000	2006 €' 000
Deferred income tax	(473)	(215)
Total	**(473)**	**(215)**

In Greece, the operating results reported to the tax authorities are considered temporary and can be revised until the Bank's books are examined by the tax authorities and the tax statements are deemed to be final. Consequently, the Bank may be subject to a liability for possible penalties and taxes that can be imposed during the examination of the books.

The calculation of our income tax expense is as follows:

	2007 €' 000	2006 €' 000
Gain/(loss) before tax	**1,747**	**867**
Tax calculation at 25% (2006:29%)	(437)	(252)
Impact of tax rate change	-	35
Non tax deductible expenses	48	43
Other	(84)	(41)
Total	**(473)**	**(215)**

The Greek tax authorities have not yet completed the tax inspection for the five years (2003, 2004, 2005, 2006 and 2007) that the Bank has been operating. 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.

The losses carried forward by the Bank are as follows:

	Loss	Year of expiry
Losses to be carried forward from year 2005	145	2010

Further information concerning deferred tax is presented in Note 22.

Note 13: Earnings per share

	2007 Amount in €	2006 Amount in €
Profit after taxes	1,274,426,88	652,395.14
Weighted average number of ordinary shares	1,281,905.88	1,281,905.88
Basic and diluted earnings / (loss) per share	**0.99**	**0.51**

After the completion of the share capital increase according to the decision of the Extraordinary General Meeting of the Shareholders dated 29 February 2008, the number of shares increased from 1,280,000 to 2,090,000 of 18 euro par value each. For the purposes of the Earnings Per Share calculation, the weighted average number of ordinary shares includes the additional shares issued after 31 December 2007.

Note 14: Cash and balances with Central Bank

	2007 €' 000	2006 €' 000
Cash in hand	2	2
Balances with central bank	2,433	2,074
Total	**2,435**	**2,076**

The Bank is required to maintain a current account with the Central Bank of Greece (Bog) to facilitate interbank transactions with the Central Bank, its member banks, and other financial institutions through the TARGET system (Trans-European Automated Real-Time Gross Settlement Express Transfer). Bog requires all banks established in Greece to maintain deposits with Bog equal to 2% of total customer deposits as these are defined by the European Central Bank ("ECB"). As of 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB. (4.20% at 31.12.2007 and 3.57% at 31.12.2006)

Note 15: Due from banks

	2007 €' 000	2006 €' 000
Current and overnight accounts	950	563
Blocked account BoG	1,600	-
Time deposits	85,703	71,394
Total	**88,253**	**71,957**

For the purpose of the Cash Flow statement, cash and cash equivalents include highly liquid financial assets with original maturities of less than three months from the date of acquisition. This includes cash and balances from central bank, current and overnight accounts and the above Time Deposits. Included in this balance is a mandatory non-interest bearing deposit with the Bank of Greece that can be withdrawn no earlier than then end of March, 2008.

Note 16: Financial assets at fair value through P&L

	2007 €' 000	2006 €' 000
Balance at the beginning of the period	**1,525**	**2,137**
Additions	-	-
Disposals (Sales and redemption)	-	(452)
Loss form changes in fair value	(115)	(160)
Balance at the end of the period	**1,410**	**1,525**

All financial assets at fair value through P&L are corporate bonds held for trading.

Note 17: Derivative financial instruments

31-Dec-07

	Nominal value	Fair value	
		Assets	Liabilities
FX forwards	419	1	-
Interest rate swaps	335	3	1
Total	**754**	**4**	**1**

31-Dec-06

	Nominal value	Fair value	
		Assets	Liabilities
FX forwards	282	1	-
Interest rate swaps	894	9	6
Total	**1,176**	**10**	**6**

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 18: Loans and advances to customers

	2007 €' 000	2006 €' 000
Loans and advances to shipping corporations	105,954	79,244
Other loans and advances	375	322
Total	**106,329**	**79,566**

Up until 31 December, 2007, the Bank has not experienced any transition of any form of loans or receivables from performing to non-performing status.

Note 19: Investment securities – available for sale

	2007 €' 000	2006 €' 000
Balance at the beginning of the period	**12,397**	**16,198**
Additions	8,380	2,142
Disposals (Sales and redemption)	(3,102)	(5,577)
Loss from changes in fair value	(643)	(154)
Exchange differences	(761)	(212)
Balance at the end of the period	**16,271**	**12,397**

Note 20: Intangible assets

Intangible assets

	2007 €' 000	2006 €' 000
Cost:		
Opening balance as at 01.01	1,063	1,026
Additions	118	37
Closing balance as at 31.12	**1,181**	**1,063**
Accumulated amortization:		
Opening balance as at 01.01	1,014	898
Amortization	34	116
Closing balance as at 31.12	**1,048**	**1,014**
Net book value:		
Opening net book value of 2007	**49**	**128**
Closing net book value of 2007	**133**	**49**

Intangible assets include only software.

Note 21: Property, plant and equipment

Property, plant and equipment as at 31.12.2006

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	**Total**
Cost:					
Opening balance as at 01.01.2006	560	8	276	363	1,207
Additions	26	-	7	135	168
Sales	-	8	-	-	8
Closing balance as at 31.12.2006	**586**	**0**	**283**	**498**	**1,367**
Accumulated depreciation:					
Opening balance as at 01.01.2006	136	2	152	309	599
Depreciation	45	-	56	72	173
Sales	-	2			2
Closing balance as at 31.12.2006	**181**	**0**	**208**	**381**	**770**
Net book value:					
Closing net book value as at 31.12.2006	**405**	**0**	**75**	**117**	**597**

Property, plant and equipment as at 31.12.2007

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	**Total**
Cost:					
Opening balance as at 01.01.2007	586	0	283	498	1,367
Additions	-	15	11	66	92
Disposals	-	-	(2)	(2)	(4)
Closing balance as at 31.12.2007	**586**	**15**	**292**	**562**	**1,455**
Accumulated depreciation:					
Opening balance as at 01.01.2007	181	-	208	381	770
Depreciation	47	-	52	56	155
Sales	-	-	-	-	-
Closing balance as at 31.12.2007	**228**	**-**	**260**	**437**	**925**
Net book value:					
Closing net book value as at 31.12.2007	**358**	**15**	**32**	**125**	**530**

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

Note 22: Deferred tax assets and liabilities

	2007 €' 000	2006 €' 000
Deferred tax assets		
Tax loss carried forward	36	207
Write-offs and amortization of intangible assets	109	280
Loans and advances to customers	168	115
Defined benefits obligations	80	68
Derivatives financial instruments	335	146
Other temporary differences	101	62
Total	**829**	**878**
Deferred tax liabilities		
Loans and advances to customers	635	370
Derivatives financial instruments	1	1
Total	**636**	**371**
Net deferred tax asset	**193**	**507**

Movement of temporary differences during the year:

a) Movement of 2007

	Balance as at 1-Jan-2007	Deferred tax charge in the income statement 2007	Deferred tax through equity 2007	Balance as at 31-Dec-2007
Tax loss	207	(171)	-	36
Write-offs and amortization of intangible assets	280	(171)	-	109
Loans and advances to customers	(256)	(211)	-	(467)
Defined benefits obligations	68	12	-	80
Derivatives financial instruments	146	29	159	334
Other temporary differences	62	39	-	101
Total	**507**	**(473)**	**159**	**193**

b) Movement of 2006

	Balance as at 1-Jan-2006	Deferred tax charge in the income statement 2006	Deferred tax through equity 2006	Balance as at 31-Dec-2006
Tax loss	324	(117)	-	207
Write-offs and amortization of intangible assets	337	(57)	-	280
Loans and advances to customers	(97)	(159)	-	(256)
Defined benefits obligations	56	12	-	68
Derivatives financial instruments	25	78	43	146
Other temporary differences	34	28	-	62
Total	**679**	**(215)**	**43**	**507**

Note 23: Other assets

	2007 €' 000	2006 €' 000
Accrued income (Interests and Commissions)	966	822
Prepaid expenses	114	96
Other	179	112
Total	**1,259**	**1,030**

Note 24: Due to banks

	2007 €' 000	2006 €' 000
Term deposits	36,927	16,705
Total	**36,927**	**16,705**

Note 25: Due to customers

	2007 €' 000	2006 €' 000
Sight deposits	28,757	28,777
Term deposits	118,295	91,947
Other liabilities	194	144
Total	**147,246**	**120,868**

Due to customers include blocked deposits of:

	2007 €' 000	2006 €' 000
Blocked deposits for the issuance of Guarantee Letters	3,634	1,610
Blocked deposits for loans granted	970	894
Total	**4,604**	**2,504**

The only main concentration relates to deposits of four (4) customers that represent approximately 50% of the liabilities due to customers (€ 74 million out of € 147 million). In 2006 five (5) customers represent approximately 46% of the liabilities due to customers (€ 56 million out of € 121 million).

Note 26: Other liabilities

	2007 €' 000	2006 €' 000
Accrued interest payable	404	921
Taxes – duties (other than income tax)	143	132
Amounts due to social security funds	74	63
Accrued expenses and deferred income	527	343
Suppliers	203	224
Other	5	7
Total	**1,356**	**1,690**

Note 27: Retirement benefit obligations

Defined benefit plans

According to Greek labor law, employees are entitled to a one-off payment when they retire. The amount differs according to the salary of the employees and the years of their employment up to the date of retirement. In the event that an employee voluntarily leaves, there is no similar liability. This one-off payment meets the definition of a defined benefit plan and at 31 December 2007 the present value of the liability amounted to € 353 thousand (2006 € 306 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.

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

	2007 €' 000	2006 €' 000
Present value of obligations	353	306
Unrecognised actuarial gains (losses)	(32)	(32)
Total obligation	**321**	**274**

The amounts recognised in the Income Statement are as follows:

	2007 €' 000	2006 €' 000
Current service cost	38	39
Amortization of unrecognized net loss	-	1
Financial cost	9	8
Total, included in staff costs	**47**	**48**

The movement in the liability as recognised in the Balance Sheet is as follows:

	2007 €' 000	2006 €' 000
Opening balance	**274**	**226**
Total expenses recognized in the Income Statement	47	48
Balance at the end of the period	**321**	**274**

The movement in the liability is as follows:

	2007 €' 000	2006 €' 000
Opening balance	**306**	**268**
Current service cost	38	39
Interest rate cost	9	9
Actuarial deficit	-	(10)
Balance at the end of the period	**353**	**306**

The main actuarial assumptions used are as follows:

	2007 €' 000	2006 €' 000
Discount rate at 31 December	4.80%	3.75%
Future increase of salaries	4.50%	4.50%
Average future working life	12.41	14.94

Note 28: Share capital

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

	31-Dec-2007			31-Dec-2006		
	Number of Shares	**Nominal Value**	**Share Capital**	**Number of Shares**	**Nominal Value**	**Share Capital**
Opening balance	1,280,000	18	23,040,000	1,280,000	18	23,040,000
Closing balance	1,280,000	18	23,040,000	1,280,000	18	23,040,000

Note 29: Share premium

	2007 €' 000	2006 €' 000
Share premium	8,960	8,960
Less: Rights issue related expenses	(253)	(253)
Deferred taxation	63	63
Total	**8,770**	**8,770**

Note 30: Reserves

	2007 €' 000	2006 €' 000
Valuation of available for sale portfolio	(684)	(204)
Total	**(684)**	**(204)**

The amount in reserves refers to valuation of available for sale portfolio, € 912 loss and deferred tax € 228.

Note 31: Retained earnings

	2007 €' 000	2006 €' 000
Opening balance	(1,434)	(2,086)
Profit and loss for the period	1,274	652
Closing balance	**(160)**	**(1,434)**

Note 32: 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 from its commencement until today, that is for the years 2003, 2004, 2005, 2006 and 2007 and therefore the tax liabilities are not final. During the tax inspection of these years it is possible that additional penalties and taxes will arise, whose amounts cannot be determined with accuracy at present. However, it is believed that they will not have a significant effect on the Bank's financial position.

Capital commitments

	31-Dec-07	31-Dec-06
Unused credit facilities	32,786	31,096
Financial guarantees written	1,657	895
Total	**34,443**	**31,991**

Operating lease commitments
Operating leases
The Bank has liabilities from the lease of its central building, the surrounding grounds as well as passenger 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 passenger 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 € 163 thousand for 2007 (€ 155 thousand for 2006)
The minimum lease payments until the end of the lease contracts and based on the current interest rate is as follows:

	31-Dec-07	31-Dec-06
No later than 1 year	477	228
Later than 1 year and no later than 5 years	1,438	755
Later than 5 years	2,403	906
Total	**4,318**	**1,889**

The Bank has proceeded in March of 2008 with a new lease contract for a new building and will leave the current building probably until June 2008.

The minimum lease payments until the end of the lease contracts for the buildings are:

	Old Premises	New Premises
No later than 1 year (2008)	156	243
Later than 1 year and no later than 5 years	-	1,296
Later than 5 years	-	2,403
Total	156	3,942

Syndicated Loans

AB Bank acts as an agent and administrator for syndicated loans granted to shipping corporations. The total amount of the syndicated loans is analyzed:

	2007 €' 000	2006 €' 000
Participation of other banks in draw downed syndicated loans administrated by AB-Bank.	929,976	682,938
AB-Bank's participation in draw downed syndicated loans.	41,843	45,452
Total amount of draw downed syndicated loans administrated by AB-Bank.	971,819	728,390
Other banks participation in unused credit facilities of syndicated loans.	325,197	723,860
AB-Bank's participation in unused credit facilities of syndicated loans.	26,853	22,010
Total amount of undrawn syndicated loans administrated by AB-Bank.	352,050	745,870
Total amount of syndicated loans administrated by AB-Bank.	1,323,869	1,474,260

Note 33: Post balance sheet events

Following the decision of the Extraordinary General Meeting of the Shareholders of 29 February 2008, the share capital of the Bank increased by a paid-in amount of € 14.580.000, through the issuance of 810,000 new common registered voting shares, of a par value of €18 each and an offer price of € 69.30 each.

The difference between the par value and the offer price amounting € 41,553,000 stands to the credit of the "Share Premium Account".

Thus, the share capital of the Bank increased to thirty seven million six hundred and twenty thousand (37,620,000) Euro divided into two million and ninety thousand (2,090,000) common registered voting shares of a par value of eighteen (18) Euro each.

The share capital increase became with resignation of the preference rights of old shareholders and covered by the company COSTANUS LIMITED which now is the main shareholder of Bank. The payment of the share capital increase completed during March 2008.

The Bank has proceeded in March of 2008 with a new lease contract for a new building and will leave the current building probably until June 2008. For further information please see Note 32.

Note 34: Related party transactions

Main shareholders of the Bank are 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

	31-Dec-07	31-Dec-06
Assets		
Due from banks	19,135	8,784
Derivative financial instruments	3	9
Loans and advances to customers	70	0
Other assets	81	4
Total assets	**19,289**	**8,797**
Liabilities		
Due to banks	27,172	16,705
Derivative financial instruments	1	4
Due to customers	2,674	0
Other Liabilities	81	477
Total liabilities	**29,928**	**17,186**
Income		
Interest and similar income	302	708
Fees and commission income	26	126
Total income	**328**	**834**
Expenses		
Interest expense and similar charges	413	995
Fees and commission expense	14	16
Net trading income/(loss)	18	0
Total expenses	**445**	**1,011**

The remuneration of the Board of Directors (BoD) members and General Managers, charged in fiscal year 2007 to the profit or loss account, amounts to 759 thousand euros (2007) and 623 thousand euros (2006). The short Term employee and post employment benefits of the Board of Directors (BoD) members and General Managers, charged in fiscal year 2007 to the profit or loss account are 76 thousand euros (71 thousand euros in 2006).
There are no any other transactions related to Board of Directors or the General Managers of the Bank.

Note 35: Board of Directors

The term of the Board of Directors (BoD) of the Bank, elected by the General Assembly of the Shareholders, on 30th of June 2007, as amended after the resignations and replacements of its members, approved by the General Assembly of the Shareholders, terminates on 30th of June 2012. The composition of BoD is as follows.

Marianna Moschou	Chairman
Theodore Aftonides	Vice Chairman and Chief Executive Officer
Konstantinos Hantzipanayiotis	Member & Deputy Chief Executive Officer
Christian Nieswandt	Member
Argyro Theodoropoulou	Member

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 balance sheet as of 31 December 2007 and the income statement, statement of changes in equity and cash flow statement for the year then ended, and 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 were adopted by the European Union. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 Greek Auditing Standards which are harmonised with the International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as of 31 December 2007, 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.

Without qualifying our opinion, we draw attention to Note 12 of the financial statements which states that the Bank has not been subject to a tax audit for the financial years 2003 to 2007 and as a result additional taxes and penalties may be imposed when these financial years are audited. As it is not possible to estimate the outcome of the tax audit no provision has been booked in the financial statements relating to this issue.

Report on Other Legal and Regulatory Requirements
The content of the Board of Directors' report is consistent with the aforementioned Financial Statements.

Athens, 6 May 2008
The Certified Public Accountant

Nikolaos C. Sofianos
Reg. No. SOEL: 12231

Deloitte.
Hadjipavlou Sofianos & Cambanis S.A.
Assurance & Advisory Services
250 – 254 Kifissias Avenue
GR 152 31 Halandri
Reg. No. SOEL: E 120