AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2008

May 2009

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Annual Report of the Board of Directors
of AEGEAN BALTIC BANK S.A.
for the fiscal year 2008

To the Shareholders,

We hereby submit for approval the audited financial statements of Aegean Baltic Bank S.A. (hereinafter “AB Bank” or the “Bank”) for the year ended December 31st, 2008, prepared in accordance with the International Financial Reporting Standards (IFRS) as adopted by EU. We also hereby present the report of the directors together with the audited accounts for the year ended December 31st, 2008.

Activities

AB Bank is a Greek, shipping specialist, financial services provider engaged in corporate banking, ancillary, treasury and advisory services to shipping enterprises, or for shipping related transactions. The Bank operates through its head office at Maroussi, Athens, Greece, and does not maintain other offices, branches or subsidiaries in Greece or abroad.

Developments in the Global Economic Environment

Year 2008 proved a most difficult year with negative macroeconomic developments and high volatility in almost all the markets worldwide.

Financial environment

The severe financial crisis that started in July 2007 in the market for securitized subprime mortgages in the USA, gradually affected the whole financial sector worldwide. Prevailing mistrust between financial institutions as to their exposure to “toxic” assets, triggered major uncertainties on real corporate net asset values, which rapidly turned into credit contraction and liquidity shortages within the whole financial system. Unfavorable forecasts about the course of global economy have caused a wave of liquidations in capital markets and, in particular, the global financial sector, especially following the bunkrupty or the rescue through government interventions of major banks and financial institutions in the USA and Europe, from mid-September through December of 2008.

Since the mid of summer 2008 it has become evident that the financial crisis has spread into the “real” global economy, which has entered a phase of contracting growth rates, forecasted to become marginal or negative through 2009. Indicatively, in the last Quarter of 2008, the economies of the USA, the Eurozone and Japan presented a decline of their growth rates, resulting in a global growth of 2.9% in comparison to 5% in the previous year.

Complete stagnation of the interbank markets and the markets for corporate bonds and commercial paper led to severe liquidity problems for all banks. Most of them reduced their credit expansion and revised their credit policy. On the other hand, while the need to raise or maintain adequate liquidity increased and access to the capital or the money markets diminished or became excessively expensive, the banks’ effort concentrated in the attraction of customer deposits, at any cost that favorably compares to the cost of raising money from the markets. As a result, in comparison to the recent past, intensive banking competition has turned from credit extension by lowering interest margins into deposits attraction by increasing interest rate spreads.

Above developments induced central banks to ease their monetary policies during 2008. Specifically, the US Fed cut its intervention rate by 425 bps, from 4.25% at year-end 2007 to the lower level ever of, effectively 0%. ECB moved more conservatively and, after raising its policy rate by 25 bps to 4.25% in July 2008, it finally reduced short-term rates by 175 bps, to 2.5% by year-end and subsequently to 1.25% (April 2009).

In addition, most governments introduced various liquidity-promoting measures to assist their economies in facing the impact of the international financial crisis, mainly by supporting the banking system in continuing to finance consumers, households and businesses. Such a scheme, of € 28 Bln in total and a three-year time horizon (until year-end 2011), has been adopted by the Greek Government through Law 3723/2008, titled as the “Greek Economy Liquidity Support Program”. The Greek Government’s scheme consists of the following three parts:

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

The Greek Government’s scheme comprises €8 Bln under part (a), € 15 Bln under part (b) and € 5 Bln under part (c), above.

Shipping Markets

In the international shipping sector, the year under discussion may be divided into two opposite parts. During the first eight months of 2008, the robust economic climate of the earlier part of the year, gave rise to bullish expectations which in turn resulted in record freight rates and record secondhand values in the dry bulk market and very profitable rates in almost all other markets. However, the latter part of the year suffered a steep – almost vertical – fall of all indices associated with the dry bulk and the containership market and a gradual softening of the tanker market in response to the abruptly changing short / medium term economic prospects worldwide and the fact that trade finance, and hence commodity trades, came to a stand-still.

Although average freight rates for 2008 in all markets reached or even exceeded those of 2007 - save for containerships which experienced a 10% decline - the year-end freight levels stood at a fraction thereof. Notably, at the end of 2008 bulk-carrier freight rate levels comprised merely some 8% of the rates earned a year ago, while containerships could be fixed at less than 1/3rd of the rate they could obtain at the end of 2007. Second-hand values for all types – excluding tankers – fell by the end of the year to about 30% of their end-2007 levels, while newbuilding activity for all vessel types came to a literal halt.

Going forward, further to the erratic outlook that forecasted global economic growth forms for the shipping transportation of commodities and raw materials, there is significant added pressure from the large newbuildings orderbook (more than 50% on average for all vessel types in terms of dwt; ca. 70% for bulkers alone), rendering questionable any considerable freight rates improvement during 2009, even if trade finance resumes.

On December 31st 2008, the Bank's Loan Porfolio comprised 42 different shipping groups/obligors and 118 mortgaged ships of various types, as noted above. The portfolio also financed the construction of another 28 newbuildings, with their expected dates of delivery spanning between 2009 and 2011. As of same date, the Bank's outstanding credit exposure per shipping sectorwas as follows: 21.2% to bulk carriers, 2.4% to dry cargo vessels and 6.1% to containerships, whereas the balance was relating to various types of tankers (41.8% in total), Liquified Petroleum Gaz carriers (4.5%), Ro-Ro and Ro-Pax vessels (10.4%) and to various other shipping sectors (10.6%). Notably, the sectors most impacted by the recent steep decline of shipping markets (bulkers, general cargo and containerships), accounted for 29.6% in total of the Bank's outstanding exposure as at year end 2008. Out of the 28 newbuilding vessels included in the Bank's portfolio, only 6 are containerships, 2 are specialized offshore platform handling vessels and the remaining 20 are tankers.

Internal developments

In March 2008 AB Bank completed the share capital increase, decided upon by the Extraordinary General Meeting of Shareholders of 29th February 2008, pursuant to which the Bank's share capital increased by €14,580,000 and its share premium by €41,553,000, thus resulting in an aggregate increase of € 56,133,000. Subsequent to the increase, the Share Capital of AB Bank amounted to €37,620,000, divided into 2,090,000 shares of €18 par value each, and the Share Premium amounted to €50,202,635, raising the total paid-in capital of the Bank to € 87,822,635.

The aforementioned share capital increase was completed with the resignation of all existing shareholders from their pre-emptive rights and it was covered, in full, by Costanus Ltd., a Cypriot company under the control of General Electric, USA. Since completion of the share capital increase Costanus Ltd. holds 48.3% of the Bank's total share capital and voting rights of the Bank.

During 2008 particular emphasis was given to the development and upgrading of the Bank's internal organization and procedures – an extensive effort demanding the investment of significant resources and mobilization at all levels of personnel. AB Bank proceeded to documenting in details and improving the internal procedures according to the current regulatory.

Furthermore, in order to address its increasing office space needs, in February 2008 the Bank entered into a 12-year leasing agreement for the rental of new larger premises, located at 217A Kifisias street, Maroussi, to which the Bank relocated in June 2008.

According to the Greek Government's decision in November 2008 (Article 6 of Law 3714/2008), aiming at entertaining the reluctance of depositors to entrust their savings to the banking system, the amount of banks' customer deposits guaranteed by the Greek Deposits Guarantee Fund, increased from €20,000 to €100,000, with effect until at least 2011, unless otherwise decided upon by the Government. According to the above decision, the annual contributions paid by banks to the Greek Deposit Guarantee Fund shall increase proportionately to the increase of the guaranteed deposits amount (i.e. fivefold), for as long as such increased guaranteed amount provision remains in effect. Law 3746/16.2.2009 governing the "Hellenic Deposit and Investment Guarantee Fund (HDIGF)" further specified that, the incremental annual contributions of Banks resulting from the application of the aforesaid decision shall be contributed by each bank to a special purpose assets group of the HDIGF, operating in the style of joint and mutual cover fund of the participating banks.

Financial Position and Results

As at 31st December 2008, the Bank's Total Assets stood at € 374 Mio (€ 217 Mio in 2007) having grown by 72% over the previous year, whereas Net Profit After Tax amounted to € 1.89 Mio (€ 1.27 Mio in 2007), representing an annual Net Profit growth of 48%.

Balance Sheet

Total Assets growth has been the result of, mainly, a 78% increase in the Loans Portfolio (€ 189.7 Mio in 2008 compared to € 106.3 Mio in 2007) and an 82% growth in the Interbank Placements and Reserves with Central Bank (totaling €165.2 mio in 2008 versus €90.7 Mio in 2007).

The share capital increase completed in the first quarter of 2008, together with the robust shipping business environment during the first part of the year, contributed to the significant growth of the Bank's ship financing and related ancillary activities. As mentioned below, the Bank managed to couple the rate of its credit expansion with growth in Customer deposits and development of its interbank borrowing relationships.

The Bank's Portfolio of Loans and Advances to Customers, of a net value of € 189.7 Mio, incorporates value reductions in the total amount of € 2.63 Mio (€0.67 Mio in 2007) or 1.37% of the gross outsanding balance of Loans and Advances to Customers (€ 192.3 Mio compared to € 107.0 Mio in 2007). Specifically, the net amount of the Loans Portfolio consists of Non Performing Loans of € 7.87 Mio (net of related Impairment Loss, in the amount of €1.41 Mio, entirely accounted for in 2008), Performing Loans of € 182.70 Mio (net of related Impairment Loss, in the amount of €0.32 Mio, entirely accounted for in 2008) and Unamortized Portion of Loan Commissions of €0.89 Mio (€ 0.67 Mio in 2007). On year end 2008, net NPLs accounted for 4.14% of the total net Loans Portfolio amount. Although none of the non performing obligors was engaged in the shipping sectors most impacted by the recent sharp downturn of the market, and relevant defaults are mainly attributed to obligor-specific factors, the Bank believes that the deteriorated conditions prevailing since the last part of 2008 in both the shipping and the ship-financing markets substantially contributed to such obligors' lack of performance.

Adverse conditions in the bonds markets resulted in the contraction of the fair value of the Bank's Bond Portfolios ("At Fair Value trhought P&L", "Available for Sale" and "Held to Maturity") by 21% (€3.7 Mio), aggregating €13.95 at year-end 2008 (€17.68 Mio at year-end 2007). In 2008 the Bank did not acquire or reclassified any financial instrument following the IAS Amendment of 13 October 2008.

Asset growth was balanced by a 46% increase to € 214.6 Mio (€147.2 Mio in 2007) of Customers Deposits (Call and Term), along with a 86% increase, to € 68.7 Mio, of Interbank Takings (€ 36.9 Mio in 2007). As mentioned above, the share capital increase completed in 2008 also added during the year approximately € 56.01 Mio of own capital.

Despite the sizeable credit expansion achieved during 2008 and the adverse banking market conditions that prevailed especially in the last Quarter of 2008 in relation to liquidity, the Bank managed to balance the growth in Loans and Deposits, maintaining the Loans-to-Deposits ratio at 88.4% (72.2% in 2007) i.e. Customers Deposits covering Loans by 1.13 times (1.38 times in 2007).

Profit & Loss
In 2008, AB Bank's Pre-Tax Profits recorded an increase of 51%, standing at €2.63 Mio against €1.75 Mio in 2007, while Net Profits after Tax increased by 48%, to €1.89 Mio against €1.27 Mio in 2007.

Profitability of year 2008 includes the recognition of a loans impairment loss in the amount of € 1.74 Mio, which was recorded this year for the first time since inception of AB Bank. Before the aforesaid provision, Pre Tax Profit amounted to €4.37 Mio (€ 1.75 Mio in 2007), indicating a y-o-y growth of 150% - being the result of dynamic growth in both, interest and commission income.

Operating Income has grown by 59% amounting to €10.32 Mio in comparison to €6.51 Mio in 2007. The main driver in the Bank's Operating Income growth has been net interest income, which in 2008 increased by 81% to €7.59 Mio, over last year's figure of €4.19 Mio as a result of the aforementioned growth rates in Loans and most of the other interest bearing elements of the Balance Sheet which allowed for a more efficient Assets-Liabilities management and the enhancement of interest margins thereof. It is worth mentioning that in year 2008 the Bank's Net Interest Margin (Net Interest Income over Average Total Assets) stood at 2.40% in comparison to 2.25% the year before.

Net Commissions Income increased by 32% in 2008, amounting to €2.93 Mio (€2.21 Mio in 2007), mainly driven by the sizeable growth achieved in offering ancillary products and services which are associated either to the particular structure of certain new credit facilities or to advisory.

Net Trading Income in 2008 amounted to a loss of €0.21 Mio in comparison to €0.10 Mio gain in the previous year. This adverse result is derived from a €0.58 Mio gain coming from foreign exchange and derivative transactions made to hedge the Bank's foreign exchange and interest rate risks, and a €0.81 Mio loss experienced from the revaluation of financial assets, mainly referring to the Bond Portfolio which is accounted for at fair value through the Profit and Loss.

The operating expenses of the Bank consist of Salaries and Personnel Expenses (€3.62 Mio), General and Administrative Expenses (€2.12 Mio), Depreciation and Amortization Charges (€0.21 Mio), and the aforementioned Impairment Loss on Financial Assets (€1.74 Mio).

Salaries and Personnel Expenses increased by 14% to € 3.62 Mio compared to € 3.16 Mio in 2007 due to the annual salary reviews and the increase in staff members who reached 45 over 39 in 2007, as well as the provisions established for untaken leave days.

In 2008 AB Bank's General and Administrative expenses grew by 52% to € 2.12 Mio (€ 1.39 Mio in 2007). Approximately 2/3rds of the increase is related to the relocation costs (unamortized amount of the previous premises' leasehold improvements of € 0.31 Mio charged one-off, plus the incremental rental expense of € 0.18 Mio in relation to the new premises). The balance of the recorded rise accounts for the increased operational requirements as well as the inflationary cost adjustment of various materials and services.

Despite the costs growth mentioned above, the substantially improved Operating Income of 2008 allowed the Bank's Cost-to-Income ratio, before the net Impairment Loss charge, to improve to 57.65% against 73.16% in 2007. If the impairment loss is included, the ratio stands at 74.49%, being comparable to that of 2007.

Risk Management

Being a banking institution specialised in shipping, operating in a fast-growing environment, AB Bank acknowledges its exposure to banking risks, and the need to control and effectively manage such risks.

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

During 2008, AB Bank proceeded to the implementation and development of the risk management software 'Risk Value Platform', provided by Systemic, Greece, to improve the management of its risk exposures, but also in order to be compliant with the regulatory requirements Basel II framework which has been in force since January 1st, 2008.

The customization of this system to the Bank's financial exposures and operational characteristics allows the better 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.

The Bank conducts on a regular basis stress tests in relation to all prime risk areas, such as Credit Risk, Liquidity Risk, Market Risk and specifically Interest Rates risk, Foreign Exchange Risk, Re-pricing Risk in relation to Marketable Securities classified as fair valued through the Profit & Loss.

Details on Risk Management are provided in Note 4 to the accounts of this Financial Report.

Credit Risk

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

The lack of credible specialist software 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 under implementation or other softwares for the purpose of the Bank's shipping credit risk management. Nevertheless, the Bank seriously examines the cost-benefit merits of potentially interfacing 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. To this regard, the Bank has also internally developed a shipping credit rating model which interfaces its ten-grade risk rating scheme with the slotting criteria system under the IRB-Basic approach of the Basel-II framework. To date, this model is being used by the Bank's Risk Management function for the purpose of cross-assessing the credit ratings of the incumbent ten-grade risk methodology and for shipping credit risk stress-testing purposes.

Details on Credit Risk are included in Note 4.2 to the accounts.

Liquidity Risk

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

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 through the contractually agreed, since March 2007, three-year revolving credit line, provided to the Bank by HSH Nordbank AG.

During 2008 and amidst the peak of the current financial crisis, the Bank's supervisory liquidity ratios remained at strong levels, providing a satisfactory outlook of the Bank's Liquidity Risk.

By the time of compilation of this report, the Bank has not applied to the pertinent Government Authorities for participation in any part of the Government's € 28 Bln scheme under Law 3723/2008 "Greek Economy Liquidity Support Program".

Details on Liquidity Risk are included in Note 4.3 to the accounts.

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 2008 the Bank's Capital Adequacy Ratio (CAR) stood at 36.60% (22.15% in 2007) and the same ratio applies to the Bank's Core Tier-1 capital as the Bank's Regulatory Capital consists entirely of Tier-1 capital.

The Bank's Capital Adequacy ratios stand at particularly high levels and demonstrate the Bank's capacity for further asset growth. It should be noted, however, that given the relatively low - in absolute terms – share capital of the Bank and applicable supervisory rules towards the concentration of credit risk per obligor and economic sector, time will be required for such credit expansion capacity to be distributed over a wider base of obligors/customers.

Details on Capital Adequacy are provided in Note 4.6 to the accounts.

Goals and Potential

The Bank's financial and business development performance in 2008 provides a clear indication as to the capacity of AB Bank to grow further its activities, within the chosen field of specialization, to successfully address the challenges of the current financial crisis and the difficulties of the shipping industry and to provide its shareholders with satisfactory results.

In the current economic environment and the prevailing trends in banking and shipping, selective credit expansion, strict control of operating expenses growth, efficiency in Assets-Liabilities management, maintenance of strong capital and liquidity proportions, deepening and enhancing the relationship with the Bank's existing and potential clientele, together with the enforcement of the Bank's franchise value, comprise the prime goals for the coming period.

Important Post Balance Sheet Events

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 7, 2009
The Vice President of the Board

Theodore Afthonides

Auditors' Report

INDEPENDENT AUDITOR'S REPORT
To the Board of Directors 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 Company), which comprise the balance sheet as at 31 December 2008, 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 standards and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

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

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

Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as of 31 December 2008, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as these were adopted by the European Union.

Report on Other Legal Requirements
We have agreed and confirmed the content and consistency of the Directors' Report to the accompanying Financial Statements according to the provisions of the article 43a and 37 of the Greek Company Law 2190/1920.

Athens, 8 May 2009
The Certified Public Accountant

Nikolaos C. Sofianos
RN SOEL: 12231

Deloitte.
Hadjipavlou Sofianos & Cambanis S.A.
Assurance & Advisory Services
250-254 Kifissias Avenue
GR 152 31 Halandri
Reg. No. SOEL: E120

AEGEAN BALTIC BANK S.A

Financial Statements
In accordance with International Financial Reporting Standards

31 December 2008

May 2009

Income Statement

	Note	2008 €' 000	2007 €' 000
Interest and similar income		14,446	11,700
Interest expense and similar charges		(6,852)	(7,512)
Net interest income	5	7,594	4,188
Fee and commission income		2,969	2,274
Fee and commission expense		(43)	(60)
Net fee and commission income	6	2,926	2,214
Net trading income/(loss)	7	(211)	109
Net result from sale of investment securities	8	-	(8)
Other operating income		8	6
Total operating income		**10,317**	**6,509**
Net impairment loss on financial assets	18	(1,737)	-
Personnel expenses	9	(3,617)	(3,175)
General administrative expenses	10	(2,122)	(1,393)
Depreciation and amortization charges	11,20,21	(209)	(194)
Total operating expenses		**(7,685)**	**(4,762)**
Profit/(loss) before tax		**2,632**	**1,747**
Income tax expense	12	(1,018)	-
Deferred income tax	12	276	(473)
Net profit/(loss) after tax		**1,890**	**1,274**

Athens, May 7, 2009

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

The notes on pages 14 to 36 are an integral part of these financial statements.

Balance Sheet

	Note	2008 €' 000	2007 €' 000
ASSETS			
Cash and balances with central banks	13	5,021	2,435
Due from banks	15	160,188	88,253
Financial assets at fair value through P&L	16	1,097	1,410
Derivative financial instruments	17	40	4
Loans and advances to customers	18	189,686	106,329
Investment securities – available for sale	19	10,856	16,271
Investment securities – held to maturity		1,998	-
Intangible assets	20	286	133
Property, plant and equipment	21	714	530
Deferred tax assets	22	1,764	829
Other assets	23	2,636	1,259
Total assets		**374,286**	**217,453**
LIABILITIES			
Due to banks	24	68,730	36,927
Derivative financial instruments	17	38	1
Due to customers	25	214,555	147,246
Other liabilities	26	2,235	1,356
Deferred tax liabilities	22	581	636
Current income tax liabilities		938	-
Retirement benefit obligations	27	363	321
Total liabilities		**287,440**	**186,487**
SHAREHOLDERS' EQUITY			
Share capital	28	37,620	23,040
Share premium account	29	50,203	8,770
Reserves	30	(2,554)	(684)
Retained earnings	31	1,577	(160)
Equity attributable to shareholders		**86,846**	**30,966**
Total liabilities and equity		**374,286**	**217,453**

Athens, May 7, 2009

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

The notes on pages 14 to 36 are an integral part of these financial statements.

Statement of changes in Equity

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

	Share Capital	Share premium	Reserves	Retained earnings	Total
Balance at 01.01.2008	**23,040**	**8,770**	**(684)**	**(160)**	**30,966**
Movement in equity during 2008					
Statutory Reserve	-	-	153	(153)	-
Movement in the AFS reserve – valuation	-	-	(2,023)	-	(2,023)
Profit for the period	-	-	-	1,890	1,890
Issue of share capital	14,580	41,433	-	-	56,013
Balance at 31.12.2008	**37,620**	**50,203**	**(2,554)**	**1,577**	**86,846**

The notes on pages 14 to 36 are an integral part of these financial statements.

Cash Flow Statement

	Note	2008 €' 000	2007 €' 000
Cash flows from operating activities			
Profit/(loss) before tax		2,632	1,747
Adjustments for:			
Depreciation on fixed assets	11	209	194
Loss from write - off of property and equipment	10	310	-
Impairment loss on loans	18	1,736	-
Provisions for retierement benefit obligations	27	50	47
Loss from valuation of trading securities	7	805	115
(Gain) / Loss from sale of securities-available for sale	7	-	8
(Gain) / Loss from exchange difference of securities-available for sale	19	(413)	752
Foreign exchange (profit) loss on cash and cash equivalents		3,198	(5,332)
		8,527	(2,469)
Net (increase)/decrease in operating assets:			
Due from Banks		(7,185)	-
Financial assets at fair value through profit or loss		(493)	-
Derivative financial assets		(36)	5
Loans and advances to customers		(85,093)	(26,763)
Other assets		(1,376)	(229)
Net increase/(decrease) in operating liabilities:			
Due to banks		31,803	20,223
Derivative financial liabilities		37	(5)
Due to customers		67,309	26,379
Other liabilities		790	(334)
Cash flow from operating activities before tax payment		5,756	19,276
Income tax paid		-	-
Net cash flow from operating activities		**14,283**	**16,807**
Cash flows from investing activities			
Acquisition of property and equipment		(649)	(210)
Acquisition of intangible assets		(212)	-
Proceeds from sale of property and equipment		5	4
Acquisition of investment securities – available for sale		-	(8,380)
Acquisition of investment securities – held to maturity		(1,998)	-
Proceeds from sale of investment securities – available for sale		3,132	3,102
Net cash flow from investing activities		**278**	**(5,484)**
Cash flows from financing activities			
Net proceeds from issue of capital		**55,973**	**-**
Net cash flow from financing activities		**55,973**	**-**
Foreign exchange (profit) loss on cash and cash equivalents		(3,198)	5,332
Net increase (decrease) in cash and cash equivalents		**67,336**	**16,655**
Cash and cash equivalents at beginning of period	14	**90,688**	**74,033**
Cash and cash equivalents at end of period	14	**158,024**	**90,688**
Interest paid and received			
Interest received		13,261	10,844
Interest paid		6,060	6,871

The notes on pages 14 to 36 are an integral part of these financial statements.

Note 1: General Information

The Bank is registered under the legal name 'AEGEAN BALTIC BANK S.A.' and uses its trade name 'A.B. BANK S.A'. Its registered office is located in Marousi, 217a Kifissias avenue, Athens, Greece (Reg. 52755/06/B/02/34). The Bank's duration is until 2099 however it can be extended or reduced by resolution of the General Assembly of the Shareholders.

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

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

The term of the Board of Directors (BoD) of the Bank, elected by the General Assembly of the Shareholders, on 27th of June 2008, approved by the General Assembly of the Shareholders, terminates on 30th of June 2013. The composition of BoD is as follows.

Marianna Moschou	Chairwoman	Non-Executive Member
Theodore Aftonides	Vice Chairman and Managing Director	Executive Member
Konstantinos Handjipanayotis	Member & Deputy Managing Director	Executive Member
Christian Nieswandt	Member	Non-Executive, Independent
Giuzeppe Recchi	Member	Non-Executive
Stephane Daillencourt	Member	Non-Executive
Steven Prins	Member	Non-Executive
Dimitris Potamites	Member	Non-Executive, Independent
Emmanuel Kavussanos	Member	Non-Executive, Independent

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's Board of Directors on 7th May 2009. 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 2008

- IAS 39 and IFRS 7, (Amendment) "Reclassification of Financial Assets — Amendments to IAS 39 Financial Instruments: Recognition and Measurement and IFRS 7 Financial Instruments: Disclosures" (effective date on or after 1 July 2008). The amendment to the Standard permits an entity to reclassify non-derivative financial assets of the trading portfolio in particular circumstances. The amendment also permits, under particular circumstances, an entity to transfer a financial asset from the available-for-sale category to the loans and receivables category. IAS 39 and IFRS 7 are applicable to the bank but AB-Bank has not made any reclassification according to this amendment during 2008.

- IFRIC 11, "Group and treasury share transactions" (effective for annual periods beginning on or after 1 March 2007). IFRIC 11 gives guidance on the accounting of share based payment arrangements involving an entity's own equity instruments or equity instruments of the parent. IFRIC 11 is not applicable to AB-Bank.

- IFRIC 12, "Service concession arrangements" (effective for annual periods beginning on or after 1 January 2008). IFRIC 12 sets out general principles on recognizing and measuring the obligations and related rights in services concession arrangements. IFRIC 12 is not applicable to AB-Bank.

- IFRIC 13, "Customer Loyalty Programs" (effective for annual periods beginning on or after 1 July 2008.) IFRIC 13 addresses how entities should account for their obligations to provide free or discounted goods or services ('awards') to customers who redeem award credits. IFRIC 13 is not applicable to AB-Bank.

- IFRIC 14, "IAS 19 — The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction" (effective for annual periods beginning on or after 1 January 2008). IFRIC 14 provides general guidance on how to assess the limit in IAS 19 'Employee Benefits' on the amount of the surplus that can be recognized as an asset. It also explains how the pension's asset or liability may be affected when there is a statutory or contractual minimum funding requirement. IFRIC 14 is not applicable to AB-Bank.

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

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

- IFRS 8, 'Operating segments (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. IFRS 8 is not applicable to AB-Bank.

- IFRS 2 (Amendment), "Share-based Payment" (effective from 1 January 2009). The amendments relate to vesting conditions and cancellations. The Amendment to IFRS 2 is not applicable to AB-Bank.

- IAS 1 "Presentation of Financial Statements" (Amendment) (effective from 1 January 2009). It 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 1 January 2009.

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

- IFRIC 15, "Agreements for the Construction of Real Estate" (effective for annual periods beginning on or after 1 January 2009 and must be applied retrospectively). IFRIC 15 standardizes accounting practice across jurisdictions for the recognition of revenue among real estate developers for sales of units before construction is complete. IFRIC 15 is not applicable to AB-Bank

- IFRIC 16, "Hedges of a Net Investment in a Foreign Operation" (effective for annual periods beginning on or after 1 October 2008). IFRIC 16 clarifies that the presentation currency does not create an exposure to which an entity may apply hedge accounting and provides that the hedging instrument(s) may be held by any entity or entities within the group. Additionally, IFRIC 16 concludes that while IAS 39 "Financial Instruments: Recognition and Measurement" must be applied to determine the amount that needs to be reclassified to profit or loss from the foreign currency translation reserve in respect of the hedging instrument, IAS 21 "The Effects of Changes in Foreign Exchange Rates" must be applied in respect of the hedged item. The Bank does not expect that it will have any impact on the financial statements.

- IAS 27, "Consolidated and Separate Financial statements – Consequential amendments arising from amendments to IFRS 3" Revised in 2008 (effective for annual periods beginning on or after January 1, 2009). The amendments require entities to classify certain financial instruments as equity if certain specific criteria are met. This amendment is not applicable to AB-Bank.

- IAS 39 (Amendment), "Financial instruments: Recognition and measurement" (effective from 1 January 2009). Amendments issued concern the reclassification of derivatives into or out of the classification of at fair value through profit or loss. Moreover the amendment designating and documenting hedges at the segment level and also refers to Eligible Hedged Items and the applicable effective interest rate on cessation of fair value hedge accounting.

- IFRIC 17, 'Distribution of non cash assets to owners (effective for financial years beginning on or after 1 July 2009). IFRIC 17 clarifies how an entity should measure distribution of assets, other than cash, when it pays dividends to its owners. IFRIC 17 is not applicable to AB-Bank.

2.2 Foreign currency transactions

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

2.3 Interest income and expense

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

2.4 Fee and commission income

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

2.5 Financial instruments

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

a) Loans and receivables: Included here are loans given to the customers and all receivables from customers, banks etc. This category is carried at amortized cost.

b) Held to maturity investments: Includes securities which the Bank's management has the ability and intention to hold to maturity. Held to maturity investment securities are carried at amortized cost using the effective interest rate method.

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.

2.6 Impairment of financial assets

Loans originated by the Bank are recognized when cash is advanced to the borrowers. They are initially recorded at cost, including transaction costs, and are subsequently valued at amortized cost using the effective interest method. A provision for loan impairment is established if there is objective evidence that the Bank will not be able to collect all amounts due according to the original contractual terms.

The amount of the provision is the difference between the accounting value of the loan and the amount that is expected to be recovered and it is recognized in the income statement. The recoverable amount of each loan is calculated by discounting the expected cash flows for the servicing of the loan based on the effective rate.

The unwinding of the discounting of the expected cash flows is reflected in the income statement as interest income.

The adequacy of provisions is reassessed at each balance sheet date, as follows:

a) Loans and receivables are grouped per counterparty group, per industry or per type of loan.

b) Provisions for non-performing loans are calculated individually for loans with significant balances. Based on the individual calculations an overall loss ratio is calculated per counterparty or counterparty group.

c) Provisions for non-performing loans with small balances are aggregated and assessed for objective evidence of impairment. Examples of objective evidence of impairment are:
- Financial hardship of counterparties evidenced by defaults or delinquencies in interest or principal payments, which results in the increase of delinquencies of that group.
- Pause of payments or bankruptcies of businesses in the industrial sector.
- Creditors appeals to the courts for debt restructuring.
- Deterioration of financial conditions in local, national and international level, due to damages from natural disasters leading to reduced value of real estate collaterals.

Provisions for performing loans are calculated by aggregating positions as described above.
Bad debt ratio calculation is based on the percentage of loan migrations from performing to non-performing per aggregation pool and the relative size of each pool in the formation of the final amount for non-performing loans and of provisions for their impairment.

Provisions for letters of guarantee and documentary credits follow the same methodology with that of loans, after taking into consideration the risk grade of each letter of guarantee (low, medium, high) or documentary credit. If in subsequent periods the amount of the loss decreases and the decrease is related objectively to events that have improved the financial position of the customer or the group to which it belongs and therefore their credit rating, the previously recognized impairment loss shall be reversed and will be recognized in profit or loss.

2.7 Derivative financial instruments

Derivative financial instruments are initially recognized in the balance sheet at cost and are subsequently 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>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>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.

2.8 Intangible assets

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

2.9 Property, 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.

2.10 Deferred tax

Deferred taxation is the tax that will be paid or for which relief will be obtained in the future resulting from the different period that certain items are recognized for financial reporting and tax purposes. Deferred tax is provided for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Deferred tax assets and liabilities are provided based on the expected manner of realization or settlement using tax rates (and laws) enacted at the balance sheet date.
A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, taking into consideration the enacted tax rates at balance sheet date. Current and deferred tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity in which case it is recognized in equity.

2.11 Provisions and other liabilities

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

2.12 Employee benefits

(a) Defined contribution plans

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

(b) Defined benefit plan

The net liability of the bank, in respect of defined benefit pension plans, is calculated separately for each benefit plan, based on the amount of the future benefits, for which the employees are entitled to and is dependent on 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.

2.13 Offsetting

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

2.14 Share issue expenses

Incremental costs of share capital increase

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

Share premium

The difference, between the nominal value and offering price of the shares issued, is recorded as share premium.
The bank had issue expenses in 2008.

2.15 Comparatives

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

Note 3: Critical accounting policies, estimates and judgments

The preparation of financial statements in accordance with the 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 2008. The accounting principles, estimates and judgments adopted by the Bank and which is material for the understanding of the financial statements are as follows:

3.1 Critical accounting principles and estimates

Recognition and valuation of financial instruments at fair value

In accordance with IAS 39, financial assets and liabilities, held for trading purposes, are measured at their fair value as at balance sheet date and fair value differences are reflected in the income statement. Fair values of financial instruments traded in stock exchanges, are determined in accordance with their respective market values. In cases where the instruments are not traded in stock exchanges, or when no publicly available market prices exist, their fair value is determined with the use of various valuation models. Valuation models are mainly used for the valuation of over the counter (OTC) derivative instruments. Although the calculation of fair values requires the application of a high degree of subjective judgment, 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.

Impairment losses on loans and advances to customers

The impairment loss on loans and advances to customers result from a continuous evaluation of the customer portfolio for possible losses. The evaluation of the customer portfolio is performed by officers responsible for each credit category, using specific methodology and guidance in accordance with IAS 39, which are continuously reexamined. 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.

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

Note 4: Financial risk management

4.1 Introduction and overview

The Bank has exposures to the following risks.

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

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

The Bank, 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.

4.2 Credit risk

Credit risk is the risk of default of a counterparty regarding its contractual obligations. The Bank's main exposure to credit risk is loans and receivables and due from banks. 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 quantitatively and qualitatively.

Maximum exposure to credit risk

The following table presents the Bank's maximum credit risk exposure on 31/12/2008 and 31/12/2007, without including collateral held or other credit enhancements. For on-balance sheet items, credit exposures are based on their carrying amounts as reported on the balance sheet

	2008	2007
	€' 000	€' 000
ASSETS		
Due from banks	160,188	88,253
Financial assets at fair value through P&L	1,097	1,410
Derivative financial instruments	40	4
Loans and advances to customers	189,686	106,329
Investment securities – available for sale	10,856	16,271
Investment securities – held to maturity	1,998	-
Other assets	2,636	1,259
Total assets	**366,501**	**213,526**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	33,962	32,786
Financial guarantees written	2,430	1,657
Other risk participation agreements	2,874	2,038
	39,266	**36,481**

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.

Loans and advances are summarized as follows:

	2008 €' 000 Loans and advances to shipping corporations	2008 €' 000 Other Loans and advances	2007 €' 000 Loans and advances to shipping corporations	2007 €' 000 Other Loans and advances
Neither past due nor impaired	165,434	211	105,954	375
Impaired loans	16,491	-	-	-
Past due but not impaired	6,306	-	-	-
Past due and Impaired	2,981	-	-	-
Gross	**191,212**	**211**	**105,954**	**375**
Less: allowance for impairment	(1,737)	-	-	-
Total loans and advances to customers	**189,475**	**211**	**105,954**	**375**

Credit quality of loans and advances neither past due nor impaired

Grades	2008 €' 000 Loans and advances to shipping corporations	2008 €' 000 Other Loans and advances	2007 €' 000 Loans and advances to shipping corporations	2007 €' 000 Other Loans and advances
Satisfactory	165,391	211	105,954	375
Watch list or substandard	43	-	-	-
	165,434	**211**	**105,954**	**375**

The loan portfolio past due but not impaired contains one loan passed 30 to 60 days.

Debt securities

The tables below present an analysis of debt securities, by rating agency designation at 31 December 2008 and 2007, based on Standard & Poor's ratings or their equivalent.

Debt securities as at 31 December 2008

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

Debt securities as at 31 December 2007

	Available For Sale	At Fair Value Through P&L	Held to Maturity	Total
AAA	670	-	-	670
A- to A+	7,815	-	-	7,815
B- to BBB+	7,786	1,410	-	9,196
	16,271	1,410	-	17,681

4.3 Liquidity risk

Liquidity Risk is the current or prospective risk that a financial institution will not be able to meet its obligations as they become due, because of lack of required liquidity.

The ALCO monitors the gap in maturities between assets and liabilities as well as the funding requirements based on various assumptions, including conditions that might have an adverse impact on the bank's ability to liquidate investments and trading positions and the ability to access capital markets.

In general, liquidity risk analysis relates to the financial, operating and investing activities of the Bank. This risk involves both the risk of unexpected increases in the cost of funding the portfolio of assets at appropriate maturities and rates, and the risk of being unable to liquidate a position in a timely manner on reasonable terms.

For the Bank, the main resources which ensure liquidity are savings accounts and credits lines through interbank financing. Effective liquidity risk management enables the Bank to comfortably fulfill its client needs and to meet all its payment obligations.

The contractual undiscounted cash outflows are presented in the table below.

Contractual undiscounted cash outflow as at 31 December 2008

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

Contractual undiscounted cash outflow as at 31 December 2007

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	TOTAL
Due to banks	20,039	17,161	-	-	-	37,200
Due to customers	104,118	36,777	4,516	2,125	966	148,502
Derivatives financial instruments	1	-	-	-	-	1
Total on balance sheet	124,158	53,938	4,516	2,125	966	185,703
Off Balance sheet (Loan Commitments)	2,785	1,744	12,421	15,836	-	32,786
Total (On & Off Balance sheet)	126,943	55,682	16,937	17,961	966	218,489

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

a) Providing the banks, at a fee, with government bonds and securities, to be used as collateral for the raising of financing/liquidity from the local or supra-national central banking institutions (up to € 8 Bln in total).

b) Providing, against a fee, government guarantees to be used as collateral for the refinancing of existing borrowings from the bonds or the interbank markets (up to € 15 Bln in total).

c) Bolstering banks own capital via the purchase of preferred and/or common stock by the state (up to € 5 Bln in total).

A bank may apply to participate in any part or in all parts of the scheme, until 31-1-2009 in relation to part (c) and until 31/12/2009 in relation to the other two parts.

By the time of compilation of this report, the Bank has not applied to the pertinent Government Authorities for participation in any part of the above.

4.4 Market risks

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

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

- Risk from the change in bond prices classified as fair value through profit or loss and as available for sale.
- Interest rate risk arising from transactions in bonds that are classified as fair value through profit or loss and as available for sale.
- Interest rate risk arising from interest rate swaps.
- Foreign exchange risk arising from transactions in outright FX forwards

4.4.1 Interest rate risk

Interest rate risk is the current or prospective risk to earnings (Net Interest Income) and capital arising from adverse movements in interest rates affecting the banking book positions. Assets and liabilities are analyzed with respect to interest rate risk (gap analysis). The assets and liabilities are categorized into time periods (gaps) by either contractual repricing in the case of variable interest rate instruments, or by maturity date in the case of fixed interest rate instruments.

Interest Rate Risk as at 31.12.2008

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non interest bearing	TOTAL
ASSETS							
Cash and balances with central bank	5,019	-	-	-	-	2	5,021
Due from banks	158,969	-	-	-	-	1,219	160,188
Financial assets - fair value through P&L	-	184	525	388	-	-	1,097
Loans and advances to customers	106,733	76,033	9,547		-	(2,627)	189,686
Investment securities – available for sale	4,487	4,436		1,933	-	-	10,856
Investment securities – held to maturity	1,998	-	-	-	-	-	1,998
Other assets	-	-	-	-	-	5,440	5,440
TOTAL ASSETS	277,206	80,653	10,072	2,321	-	4,034	374,286
LIABILITIES							
Due to banks	61,544	7,186	-	-	-	-	68,730
Due to customers	140,907	54,275	18,887	-	-	486	214,555
Other liabilities	-	-	-	-	-	4,155	4,155
TOTAL LIABILITIES	202,451	61,461	18,887	-	-	4,641	287,440
Total interest sensitivity gap	**74,755**	**19,192**	**(8,815)**	**2,321**	**-**	**(607)**	**86,846**

The measurement of Interest Rate Risk sensitivity of the Banks Balance Sheet items in respect to a parallel shift of 100bp in interest rates showed no material effect on the net position of the Bank because most of the banks interest bearing assets and liabilities are floating rate instruments with contractual repricing period less than 12 months.

Interest Rate Risk as at 31.12.2007

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non interest bearing	TOTAL
ASSETS							
Cash and balances with central bank	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**

4.4.2 Foreign exchange risk

The Management of the Bank has set low limits for foreign exchange exposure, which are monitored daily. The Bank's open foreign exchange position is mainly in US Dollars because of its specialized activity. The Bank files standard foreign exchange position reports on a regular basis, which enables the Central Bank to monitor its foreign exchange risk. The foreign exchange position of the Bank, as at 31 December 2008 and 31 December 2007, respectively, is as follows:

Foreign exchange position as at 31.12.2008

	USD	EURO	OTHER	TOTAL
ASSETS				
Cash and balances with central banks	1	5,020	-	5,021
Due from banks	55,353	104,618	217	160,188
Financial assets at fair value through P&L	-	1,097	-	1,097
Derivative financial instruments	-	40	-	40
Loans and advances to customers	183,536	6,150	-	189,686
Investment securities – available for sale	7,202	3,654	-	10,856
Investment securities – held to maturity	-	1,998	-	1,998
Intangible assets	-	286	-	286
Property, plant and equipment	-	714	-	714
Deferred tax assets	-	1,764	-	1,764
Other assets	1,087	1,549	-	2,636
TOTAL ASSETS	247,179	126,890	217	374,286
LIABILITIES				
Due to banks	38,730	30,000	-	68,730
Derivative financial instruments	-	38	-	38
Due to customers	207,695	6,710	150	214,555
Other liabilities	567	1,668	-	2,235
Deferred tax liabilities	-	581	-	581
Current income tax liabilities	-	938	-	938
Retirement benefit obligations	-	363	-	363
TOTAL LIABILITIES	246,992	40,298	150	287,440
Net balance sheet position	187	86,592	67	86,846
Off balance sheet net notional position	(172)	173	(1)	-
Total FX position	**15**	**86,765**	**66**	**86,846**

The measurement of Currency Risk sensitivity of the Bank Balance Sheet items in respect to a parallel shift of 1 % in foreign currency rates showed no material effect on the net position of the Bank.

Foreign exchange position as at 31.12.2007

	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**

4.5 Fair value of financial assets and liabilities

The following methods and assumptions were used to estimate the fair values of the Bank's financial instruments at 31 December 2008 and 2007:

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.

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

Due to customers: The fair value for demand deposits and deposits with no defined maturity is determined to be the amount payable on demand at the reporting date. The fair value for fixed maturity deposits is estimated using discounted cash flow models based on rates currently offered for the relevant product types with similar remaining maturities. The carrying amount of term deposits approximates their fair value.

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

	31-Dec-08		31-Dec-07	
	Nominal Value	Fair Value	Nominal Value	Fair Value
ASSETS				
Cash and balances with central bank	5,021	5,021	2,435	2,435
Due from banks	160,188	160,188	88,253	88,253
Loans and advances to customers	189,686	189,686	106,329	106,329
Investment securities - available for sale	10,856	10,856	16,271	16,271
Investment securities - held to maturity	1,998	1,998	-	-
LIABILITIES				
Due to banks	68,730	68,730	36,927	36,927
Due to customers	214,555	214,555	147,246	147,246

4.6 Capital adequacy

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

The implementation of Basel II regulations since 01/01/2008 did not have a significant effect on the capital adequacy ratio of the Bank.

The Bank actively manages its capital base by taking advantage of the contemporary means for raising capital, with the objective to sustain its capital adequacy ratios well above the minimum regulatory levels and, at the same time, to improve the weighted average cost of capital to the benefit of its shareholders. In this framework, both the calculation of the capital requirements and the dynamic management of the capital base are embedded in the business plan and the annual budgeting processes.

The risk-weighted assets arise from the credit risk of the banking book and the market risk of the trading book as well as the operational risk.

The current capital ratios (Tier I ratio and capital adequacy ratio) are much higher than the regulatory limits (8%) set by the Bank of Greece directive and the capital base is capable to support the business growth of the Bank in all areas for the next years.

For the calculation of regulatory capital, own share capital must undergo some regulatory adjustments, such as the deduction of intangible assets, available of sale negative reserve, etc.

The capital adequacy ratio as at 31/12/2008 is in compliance with Basel II regulatory framework according the standardized approach, whereas the ratio as at 31/12/2007 was based on Basel I regulatory framework.

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

	2008	**2007**
	€' 000	€' 000
Tier I capital		
Share capital	37,620	23,040
Share premium	50,203	8,770
Retained earnings	1,577	(160)
Satutory reserve	153	-
Available for sale reserve	(2,707)	(684)
	86,846	30,966
Regulatory adjustments on Tier I capital		
Available for sale reserve adjustment	2,707	684
Less: intangible assets	(286)	(133)
Total regulatory adjustments on Tier I capital	2,421	551
Total Tier I capital	**89,267**	**31,517**
Risk weighted assets		
Risk weighted assets (credit risk)	229,813	141,869
Risk weighted assets (market risk)	314	436
Risk weighted assets (operational risk)	13,761	-
Total risk weighted assets	**243,888**	**142,305**
Tier I ratio	**36.60%**	**22.15%**
Capital Adequacy ratio	**36.60%**	**22.15%**

It should be noted that the disclosure as regulatory requirement, regarding capital adequacy and risk management information, imposed by Bank of Greece Directive 2592/20.8.2007 in relation to Pillar III, will be available at the Bank's premises.

Note 5: Net interest income

	2008 €' 000	2007 €' 000
Interest and similar income		
Interest due from banks	5,267	3,187
Available for sale and held for trading securities	811	905
Interest from loans and advances to customers	8,368	7,609
Total interest income	**14,446**	**11,700**
Interest expense and similar charges		
Interest due to banks	(1,409)	(410)
Interest due to customers	(5,443)	(7,102)
Total interest expense	**(6,852)**	**(7,512)**
Net interest income	**7,594**	**4,188**

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

Included within Interest expense due to customers is the contribution to Hellenic Deposit Guarantee Fund (amount €209 thousands for the year 2008 and €237 thousands for the Year 2007). The amount of € 237 thousands for the year 2007 have been reclassified out of general administrative expenses as the Bank believes that is interest related expense.

Note 6: Net fee and commission income

	2008 €' 000	2007 €' 000
Fees and commission income		
Loan origination fees and commissions	2,282	2,025
Funds transfers	199	226
Other	488	23
Total fee and commission income	**2,969**	**2,274**
Fees and commission expense		
Banks	(38)	(43)
Other	(5)	(17)
Total commission expenses	**(43)**	**(60)**
Net fee and commission income	**2,926**	**2,214**

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.

The commissions received by the bank that amortized over the life of the financial instrument with the effective interest rate method are for the year 2008 1,214 thousands € (697 thousands € for 2007).

Note 7: Net trading income / (loss)

	2008 €' 000	2007 €' 000
Foreign exchange contracts and derivatives	573	225
Financial assets at fair value through P & L valuation	(805)	(116)
Gain from sale of financial assets at fair value through P & L	21	-
Total net trading income/(loss)	**(211)**	**109**

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

Note 8: Net result from sale of investment securities

	2008 €' 000	2007 €' 000
(Loss) from sale of financial assets available for sale	-	(8)
Total	**-**	**(8)**

Note 9: Personnel expenses

	2008	2007
	€' 000	€' 000
Wages and salaries	2,900	2,611
Social security contributions	399	336
Defined contribution plans	90	96
Defined benefit plans (see Note 27)	50	47
Provisions for untaken leave	71	-
Other	107	85
Total	**3,617**	**3,175**

The number of employees employed by the Bank at 31 December 2008 was 45 (39 as at December 31, 2007). The average number of employees for the period 1 January 2008 to 31 December 31 2008 was 43.

Note 10: General administrative expenses

	2008	2007
	€' 000	€' 000
Rental expense for buildings	349	163
Rental expense for cars	86	70
Third party fees	399	358
IT expense	244	229
Telecommunication – mail expense	113	95
Promotion and advertising expense	76	24
Office material	39	19
Utilities	57	25
Taxes and duties	105	157
Maintenance and other related expenses	50	27
Publication expenses	23	26
Subscription expenses	35	40
Donations	-	50
Fixed assets destroyed	310	-
Officers and directors insurance	92	-
Other	144	110
Total	**2,122**	**1,393**

Note 11: Depreciation and amortization charges

	2008	2007
	€' 000	€' 000
Leasehold improvements	39	47
Property and equipment	38	62
IT equipment	73	50
Intangible assets	59	35
Total	**209**	**194**

Note 12: Income tax expense & deferred tax

	2008	2007
	€' 000	€' 000
Income tax for the year	(1,018)	-
Deferred income tax	276	(473)
Total	**(742)**	**(473)**

The calculation of our income tax expense is as follows:

	2008	2007
	€' 000	€' 000
Gain before tax	**2,632**	**1,747**
Tax calculation at 25% (2007:25%)	(658)	(437)
Non tax deductible expenses	(60)	48
Other	(24)	(84)
Total	**(742)**	**(473)**

The Greek tax authorities have not yet completed the tax inspection for the years (2005, 2006, 2007 and 2008). It is possible, as a result of the tax inspection, that some of the bank's expenses relating to these years may be disallowed. Consequently, additional taxes may be assessed. However, the estimated impact of such taxes will not have a material effect on the Bank's financial statements.

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

On 25 September 2008 a new tax law (Law 3697/2008) was enacted in Greece, according to which the corporation tax rate will be reduced from 25% to 20% declining by 1% each year starting from 2010 to 2014.

Further information concerning deferred tax is presented in Note 22.

Note 13: Cash and balances with Central Bank

	2008	2007
	€' 000	€' 000
Cash in hand	2	2
Balance with central bank	5,019	2,433
Total	**5,021**	**2,435**

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 (2.50% at 31.12.2008 and 4.20% at 31.12.2007). Is at the Bank's discretion to withdraw the total amount of the balance with central bank under the condition the average balance during the period (month) will not be less than the minimum required amount.

Note 14: Cash and cash equivalents

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

	2008	2007
	€' 000	€' 000
Cash on hand	2	2
Non-restricted placements with Central Banks	5,019	2,433
Short-term balances due from banks	153,003	88,253
Total	**158,024**	**90,688**

Note 15: Due from banks

	2008	2007
	€' 000	€' 000
Current accounts	1,220	950
Blocked account BoG	-	1,600
Money Market Placements	158,968	85,703
Total	**160,188**	**88,253**

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

	2008	2007
	€' 000	€' 000
Balance at the beginning of the period	**1,410**	**1,525**
Additions	11,173	-
Disposals (Sales and redemption)	(10,681)	-
Loss form changes in fair value	(805)	(115)
Balance at the end of the period	**1,097**	**1,410**

Note 17: Derivative financial instruments

	31-Dec-08		
		Fair value	
	Nominal value	Assets	Liabilities
FX forwards	1,443	38	36
Interest rate swaps	208	2	2
Total	**1,651**	**40**	**38**

	31-Dec-07		
		Fair value	
	Nominal value	Assets	Liabilities
FX forwards	419	1	-
Interest rate swaps	335	3	1
Total	**754**	**4**	**1**

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

	2008 €' 000	**2007** €' 000
Loans and advances to shipping corporations at amortized cost	189,398	105,954
Other loans and advances	288	375
Total	**189,686**	**106,329**

Loans and advances to customers at amortized cost

	Gross amount	Impairment allowance **2008** **€' 000**	Net amount	Gross amount	Impairment allowance **2007** **€' 000**	Net amount
Shipping Corporations	191,134	(1,736)	189,398	105,954	-	105,954
Other Loans and advances	288	-	288	375	-	375
	191,422	**(1,736)**	**189,686**	**106,329**	**-**	**106,329**

Note 19: Investment securities – available for sale

	2008 €' 000	**2007** €' 000
Balance at the beginning of the period	**16,271**	**12,397**
Additions	-	8,380
Disposals (Sales and redemption)	(3,132)	(3,102)
Loss from changes in fair value	(2,696)	(643)
Exchange differences	413	(761)
Balance at the end of the period	**10,856**	**16,271**

Note 20: Intangible assets

Intangible assets include only software.

Intangible assets

	2008 €' 000	**2007** €' 000
Cost:		
Opening balance as at 01.01	1,181	1,063
Additions	212	118
Closing balance as at 31.12	**1,393**	**1,181**
Accumulated amortization:		
Opening balance as at 01.01	1,048	1,014
Amortization	59	34
Closing balance as at 31.12	**1,107**	**1,048**
Net book value:		
Opening net book value as of 01.01	**133**	**49**
Opening net book value as of 31.12	**286**	**133**

Note 21: Property, plant and equipment

Property, plant and equipment as at 31.12.2008

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	Total
Cost:					
Opening balance as at 01.01.2008	586	15	292	562	1,455
Additions	370	-	217	62	649
Disposals	(561)	-	(49)	-	(610)
Closing balance as at 31.12.2008	**395**	**15**	**460**	**624**	**1,494**
Accumulated depreciation:					
Opening balance as at 01.01.2008	228	-	260	437	925
Depreciation	39	2	36	73	150
Disposals	(248)	-	(47)	-	(295)
Closing balance as at 31.12.2008	**19**	**2**	**249**	**510**	**780**
Net book value:					
Closing net book value as at 31.12.2008	**376**	**13**	**211**	**114**	**714**

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	-	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

	2008 €' 000	**2007** €' 000
Deferred tax assets		
Tax loss carried forward	-	36
Write-offs and amortization of intangible assets	107	109
Loans and advances to customers	222	168
Defined benefits obligations	93	80
Investment securities - financial assets through p&l	1,211	335
Other temporary differences	131	101
Total	**1,764**	**829**
Deferred tax liabilities		
Loans and advances to customers	581	635
Derivatives and financial instruments	-	1
Total	**581**	**636**
Net deferred tax asset	**1,183**	**193**

Movement of temporary differences during the year:

Movement of 2008

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

Movement of 2007

	Balance as at 1/1/2007	Deferred tax charge in the income statement 2007	Deferred tax through equity 2007	Balance as at 31/12/2007
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
Investment securities - financial assets through p&l	146	29	159	334
Other temporary differences	62	39	-	101
Total	**507**	**(473)**	**159**	**193**

Note 23: Other assets

	2008 €' 000	2007 €' 000
Accrued income (Interests and Commissions)	1,326	966
Prepaid expenses	150	114
Greek Deposit Guarantee Fund	836	-
Other	324	179
Total	**2,636**	**1,259**

Greek Deposit Guarantee Fund
Per Greek Government's decision of in November 2008 (Article 6 of Law 3714/2008), the amount of banks' customer deposits guaranteed by the Greek Deposits Guarantee Fund, increased from €20,000 to €100,000, with effect until at least 2011, unless otherwise decided upon by the Government. Per the decision, the annual contributions paid by banks to the Greek Deposit Guarantee Fund shall increase proportionately to the increase of the guaranteed deposits amount (i.e. fivefold), for as long as such increased guaranteed amount provision remains in effect. Law 3746/16.2.2009 concerning the "Hellenic Deposit and Investment Guarantee Fund (HDIGF)" further specified that, the incremental annual contributions of Banks resulting from the application of the aforesaid decision shall be contributed by each bank to a special purpose assets group of the HDIGF, operating in the style of joint and mutual cover fund of the participating banks.

Note 24: Due to banks

	2008 €' 000	2007 €' 000
Term deposits	68,730	36,927
Total	**68,730**	**36,927**

Note 25: Due to customers

	2008 €' 000	2007 €' 000
Sight deposits	29,731	28,757
Term deposits	184,766	118,295
Other	58	194
Total	**214,555**	**147,246**

Due to customers include blocked deposits of:

	2008 €' 000	2007 €' 000
Blocked deposits for the issuance of Guarantee Letters	1,746	3,634
Blocked deposits for loans granted	24,682	970
Total	**24,682**	**4,604**

The only main concentration relates to deposits of three (3) customers that represent approximately 44% of the liabilities due to customers (€ 95 million out of € 215 million). In 2007 four (4) customers represent approximately 50% of the liabilities due to customers (€ 74 million out of € 147 million).

Note 26: Other liabilities

	2008	2007
	€' 000	€' 000
Accrued interest payable	583	404
Taxes – duties (other than income tax)	147	143
Amounts due to social security funds	89	74
Accrued expenses and deferred income	472	527
Suppliers	346	203
Greek Deposit Guarantee Fund (2nd instalment)	522	-
Other	76	5
Total	**2,235**	**1,356**

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 2008 the present value of the liability amounted to € 391 thousand (2007 € 353 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:

	2008	2007
	€' 000	€' 000
Present value of obligations	391	353
Unrecognised actuarial gains (losses)	(28)	(32)
Total obligation	**363**	**321**

The amounts recognised in the Income Statement are as follows:

	2008	2007
	€' 000	€' 000
Current service cost	34	38
Financial cost	13	9
Termination loss	**3**	**-**
Total, included in staff costs	**50**	**47**

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

	2008	2007
	€' 000	€' 000
Opening balance	**321**	**274**
Benefits paid directly	(8)	**-**
Total expenses recognized in the Income Statement	50	47
Balance at the end of the year	**363**	**321**

The movement in the liability is as follows:

	2008	2007
	€' 000	€' 000
Opening balance	**353**	**306**
Service cost	34	38
Interest cost	13	9
Benefits paid directly	(8)	-
Extra Payments or Expense/ (Income)	2	-
Actuarial deficit	(3)	-
Balance at the end of the year	**391**	**353**

The main actuarial assumptions used are as follows:

	2008	2007
	€' 000	€' 000
Discount rate at 31 December	5.70%	4.80%
Future increase of salaries	4.50%	4.50%
Average future working life	13	12

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

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

Note 28: Share capital

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

	31-Dec-2008			31-Dec-2007		
	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
Issue of new shares	810,000	18	14,580,000	-	-	-
Closing balance	2,090,000	18	37,620,000	1,280,000	18	23,040,000

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" (Note 29).

Note 29: Share premium

	2008	2007
	€' 000	€' 000
Share premium	50,513	8,960
Less: Rights issue related expenses	(414)	(253)
Deferred taxation	104	63
Total	**50,203**	**8,770**

Movement of Share premium account

	2008	2007
	€' 000	€' 000
Opening balance	**8,770**	**8,770**
Difference between the par value and the offer price on the share issue	41,553	-
Less: Rights issue related expenses	(161)	-
Deferred taxation	41	-
Closing balance	**50,203**	**8,770**

Note 30: Reserves

	2008	2007
	€' 000	€' 000
Statutory reserve	153	-
Valuation of available for sale portfolio	(3,609)	(912)
Deferred tax on valuation of AFS portfolio	902	228
Total Reserves	**(2,554)**	**(684)**

Movement of Reserves

	2008	2007
	€' 000	€' 000
Opening Balance	**(684)**	**(204)**
Statutory reserve	153	-
Valuation of available for sale portfolio (net of tax)	(2,697)	(640)
Deferred tax on valuation of AFS portfolio	674	160
Closing Balance	**(2,554)**	**(684)**

Note 31: Retained earnings

	2008	2007
	€' 000	€' 000
Opening balance	**(160)**	**(1,434)**
Statutory reserve	(153)	-
Profit and loss for the period	1,890	1,274
Closing balance	**1,577**	**(160)**

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 for the years 2005, 2006, 2007 and 2008 and therefore the tax liabilities are not final. However, it is believed that they will not have a significant effect on the Bank's financial position.

Capital commitments

	31-Dec-08	31-Dec-07
Unused credit facilities	33,962	32,786
Financial guarantees written	2,430	1,657
Other risk participation agreements	2,874	2,038
Total	**39,266**	**36,481**

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 € 348 thousand for 2008 (€ 163 thousand for 2007).
The Bank has proceeded in March of 2008 with a new lease contract for a new building at kifisias 217a Maroussi and left the building located at Diligianni street Kifisia in June 2008.

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

	31-Dec-08	31-Dec-07
No later than 1 year	399	477
Later than 1 year and no later than 5 years	1,449	1,438
Later than 5 years	2,079	2,403
Total	**3,927**	**4,318**

Syndicated Loans

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

	2008	2007
	€' 000	€' 000
Participation of other banks in draw downed syndicated loans.	1,208,854	929,976
AB-Bank's participation in draw downed syndicated loans.	59,759	41,843
Total amount of draw downed syndicated loans.	1,268,613	971,819
Other banks participation in unused credit facilities of syndicated loans.	200,850	325,197
AB-Bank's participation in unused credit facilities of syndicated loans.	14,916	26,853
Total amount of undrawn syndicated loans.	215,766	352,050
Total amount of syndicated loans administrated or participated by AB-Bank.	1,484,379	1,323,869

Note 33: Post balance sheet events

There are no events after the balance sheet date requiring disclosure.

Note 34: Related party transactions

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

Affiliates

	31-Dec-08	31-Dec-07
Assets		
Due from banks	84	19,135
Derivative financial instruments	2	3
Loans and advances to customers	41	70
Other assets	-	81
Total assets	**127**	**19,289**
Liabilities		
Due to banks	28,742	27,172
Derivative financial instruments	7	1
Due to customers	1,691	2,674
Other Liabilities	197	81
Total liabilities	**30,637**	**29,928**
Income		
Interest and similar income	299	302
Fees and commission income	-	26
Net trading income/profit	247	-
Total income	**546**	**328**
Expenses		
Interest expense and similar charges	1,234	413
Fees and commission expense	15	14
Net trading income/(loss)	-	18
Total expenses	**1,249**	**445**

The remuneration of the Board of Directors (BoD) members and General Managers, charged in fiscal year 2008 to the profit or loss account, amounts to 811 thousand euros (2008) and 759 thousand euros (2007). The short Term employee and post employment benefits of the Board of Directors (BoD) members and General Managers, charged in fiscal year 2008 to the profit or loss account are 88 thousand euros (76 thousand euros in 2007). There are no any other transactions related to Board of Directors or the General Managers of the Bank.