AEGEAN BALTIC BANK S.A

Annual Financial Report

31 December 2011

June 2012

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Board of Directors' Annual Report on the Financial Statements of Aegean Baltic Bank S.A. for the Financial Year 2011

Dear Shareholders,

We hereby submit for approval the Financial Statements and the Annual Report of Board of Directors' of Aegean Baltic Bank S.A. (hereinafter "AB Bank" or the "Bank") for the year ended 31 December 2011, prepared in accordance with the International Financial Reporting Standards, as adopted by the EU.

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

Overview

2011 was probably the most difficult post–war year for the Greek economy and the country's financial sector. The economic activity subsided significantly, for the fourth consecutive year, and unemployment soared. Recession was combined with a strongly negative economic climate, fueled by the repetitive interventions and warnings of the country's creditors about the possibility of a disorderly default and the exit of Greece from the Eurozone, which intensified the fleeing of bank deposits from the domestic banking system. The financial sector was put in the epicenter of the stress as, further to the substantial shrinkage of liquidity, it also encounters capital adequacy issues stemming not only from the remarkable increase of delinquent loans to the private sector of the country as a result of the continuous recession but, mainly, from the €35 billion direct capital losses caused by the participation of Greek banks in the Private Sector's Involvement program for the exchange of Greek Government Bonds (the "PSI") held by them – capital losses which it is provided to be replenished through the Greek Financial Stability Fund (the "HFSF") from funds to be borrowed by the country from the Second Stimulus Package decided upon by the Eurogroup summit of February 21st, 2012.

During the financial year 2011 AB Bank recorded a Net Loss of €4.01 million, including the €5.34 million net loss (after the deferred taxation recognized) from its participation in the PSI. The 2011 loss did not have a material effect in the Bank's capital solidity, as its Total Capital Adequacy Ratio was maintained at the strong level of 29.5%, the Bank's capital fully comprising Tier-1 Capital. Prior to the PSI impact to the financial result, in 2011 AB Bank marked a net profit of €1.33 million, compared to €1.72 million in 2010 (-23%) as Total Operating Expenses (loans impairment loss provisions inclusive) decreased by 6% in 2011 whereas Total Operating Income contracted by 12%, as a result of the increased funding cost and the significantly lower trading income of the year.

On 31.12.2011 the Bank's Total Assets stood 10% lower than at the previous year-end. The reduction is mainly attributed to the decrease of Cash liquidity caused by the contraction of Customer Deposits experienced in the last quarter of the year. The evolution of customer deposit balances was particularly positive during the year up to mid-September, permitting a proportionate increase of shipping loans to be accomplished. The finally yearly contraction of deposits stood at 4% whilst the credit expansion rate approximated 25%, thus raising the Bank's Loans to Deposits ratio to 126% in 2011 from 97% in 2010. Nevertheless, during 2011 as well as to the date of compiling this report, it was not required for AB Bank to resort to liquidity raising mechanisms of the Eurosystem save for the regular open market refinancing operations of ECB. Moreover, during 2011 the overall high quality of the Bank's shipping loans portfolio was maintained; for a second consecutive year there were no past due loan facilities of +90 days.

Economic and Financial Environment

Global Developments

In 2011 global economic growth experienced a slowdown, increasing by 3.9% in comparison to 5.3% in 2010. The growth rate was negatively affected by the deceleration observed in the economies of the US and Japan. In the US, GDP improved by 1.7% in 2011, against 3.0% in 2010, whereas in Japan, the earthquake disaster and the nuclear accident of 2011 have had a significant impact in the country's economic activity which retracted by -0.7% in 2011, from +4.4% in 2010. Growth in the Eurozone economies was burdened to a lesser extent, standing at 1.5% in 2011, from 1.9% in the previous year, whereas in the emerging economies of Asia and South America the growth rate relented to 6.2% from 7.3% in 2010, still remaining though at strong levels. Further to the extensive natural disaster which hit the Japanese economy, global economic activity was much influenced from a series of important events in 2011, such as the sociopolitical turmoil in Arab countries of North Africa and the Middle East which affected the international prices of oil and energy, as well as the escalation in July and August of the sovereign debt crisis of the Eurozone, the US and Japan, resulting in fierce negative volatility in the capital markets. The capital markets recovered in the last quarter of the year as the economic climate improved, influenced by the encouraging economic indicators demonstrated by the US economy, the effective interventions of the ECB in relation to the Eurozone's sovereign debt crisis and the outlook of the Japanese economy arising from reconstruction requirements.

In 2011 the monetary policy of the larger central banks remained particularly loose, keeping on providing liquidity to the banking system, directly or indirectly, and maintaining policy interest rates at low levels. In the US, the FED proceeded in June with a new Treasuries purchase program of $600 billion, it also held interest rates at symbolic levels, whereas in the last quarter of the year it implemented a yields and market interest rates containment policy in order to stimulate the recovery of the real economy (Operation Twist). The ECB followed a mixed policy in 2011, initially by gradually raising the policy interest rate by 50 bps in total in order to contain inflationary pressures, but towards the end of the year it reduced it back to the original level, also proceeding with large scale, 3-year liquidity provision tenders to the banking system alongside with a new cycle of €140 billion government bond purchases.

The sharp alternations in economic and monetary developments as well as the rather uncertain broader economic climate resulted in fierce volatility of the Euro-Dollar exchange rate. The rate stood at €/$=1.2939 on 31.12.2011 from €/$=1.3362 on 31.12.2010, the Dollar having strengthened by 3.3% y-o-y. Nevertheless, the yearly average exchange rates moved conversely between the two years, with the average Dollar rate hovering in 2011 some 4.9% lower than in 2010 (average rate of 1.3921 in 2011 from 1.3267 in 2010).

The European sovereign debt crisis in combination with the preceding financial crisis has brought forward the need for a significant recapitalization of the banking system. The recapitalization of the European banking system faces difficulties as, the unstable economic environment and the wide diversions between the economic outlook of the countries of the Eurozone core and the periphery as well as the possible impact such imbalances may have to the overall European economy do not encourage the attraction of the necessary capital from private investors. At the same time, the contraction of liquidity in circulation inhibits the proper financing of the real economy, fueling a vicious cycle among the fiscal consolidation targets, the prospective yield of investment capital and the possibility of raising such. The adopted new higher requirements of capital adequacy of the financial sector, currently being under implementation (known also as Basel-III) aim at enhancing the stability and credibility of the banking system in the new economic environment.

The fragile economic balances and the conflicting economic developments in the global economy intensify uncertainty. Moreover, the risks from the persisting political tension in North Africa, the Middle East and Iran do not raise optimism in relation to the stabilization of the economic environment as well as energy prices – comprising prime conditions for the improvement of the economic activity in 2012. Nevertheless, the possibility of a better than expected performance of the US and the emerging economies, together with the reconstruction requirements of Japan, may contribute to the switching of prevailing trends.

Greek Economic and Financial Environment

By yet the second year from the emergence of the Greek government debt crisis and the implementation of the €110 billion First Economic Program of the Troika (IMF-EU-ECB), the Greek economy underwent its fourth consecutive year of deepening recession, with mounting unemployment, plummeting household consumer and investment spending and drastic subsidence of new business investments. In 2011 the Greek GDP declined by 6.8%, following consecutive reductions of 4.5% in 2010 and 2.1% in 2009. Unemployment increased from 12.5% in 2010 to 17.3% in 2011 and to 20.7% in the first quarter of 2012. Consumer spending decreased by 7% and investment by 19.5% y-o-y, reflecting the impact from contracting disposable income of households and the pessimism which been consolidated in economic sentiment. In the same period, the fiscal deficit reduction targets seem to have lost pace. Following the remarkable reduction achieved in 2010, by 5% of GDP, in 2011 the rate of reduction softened to 1.5% of GDP, bringing the 2011 fiscal deficit at approximately 9.0%. The hurdles for further reducing the budget deficit are mainly detected on the revenues side whereby austerity and recession materially limit tax revenues whilst shortfalls and delays in the implementation of tax reforms and the modernization of the related mechanisms constraint tax evasion-fighting efforts.

Amidst repetitive interventions and negative assessments of the country's creditors about Greece's capacity to satisfy the terms of the First Economic Program and to avoid a disorderly default which would lead to an exit from the Eurozone, the economic climate constantly deteriorated, destabilizing the domestic financial sector not only through the increase of non-performing loans but, mainly, through the liquidity contraction caused by the extensive flee of deposits from the Greek banking system. In 2011, and particularly in the last quarter of the year, the system's customer deposit balances contracted by approximately €40 billion, further to a similar scale reduction experienced in 2010, thus bringing the total two-year loss at approximately 32% of the liquidity from deposits the system had on 31.12.2009.

On October 26th, 2011 it was agreed by the EU leadership that the financial support of Greece from the Troika would be continued until 2014, through a second €130 billion program, on top of some €70 billion of the First Program that had been utilized by that date, on the condition that (i) the Greek Government would adopt more stringent fiscal adjustment measures and reforms; and (ii) the successful consummation of the program of voluntary exchange of the Greek Government Bonds held by the private sector (the Greek banks and pension funds inclusive), of €210 billion in total, with new securities having a 53.5% lower face value, lower interest cost and a maturity between 10 and 30 years from the date of the exchange (the “PSI”). The Second Program provides also that €50 billion thereof shall be used by the Greek Government, through the Greek Financial Stability Fund (the “HFSF”), to recapitalize those Greek banks which will encounter capital adequacy shortages as a result of the losses incurred from their participation in the PSI as well as due to the loans loss provisioning required against their Greek loans portfolios due to the persisting recession in the domestic economy. The PSI was successfully consummated in March 2012, resulting in a €106 billion reduction of the Greek government debt’s face value. In May 2012 commenced the first stage of the recapitalization by the HFSF of those banks which have mostly suffered from the PSI and have been assessed by the Bank of Greece (“BoG”) as potentially viable on the basis of their to date performance in conjunction with their three-year business plan they prepared and submitted to the BoG for this purpose.

It is evident that the progress Greece achieved in the last two years in relation to the reduction of the fiscal budget deficit is the result of large scale additional tax burdens together with public sector salary and pension cuts of horizontal nature rather than the structural reforms the Greek economy is in need of in order to improve productivity and to enter a course of viable development. The single-sided emphasis in rapid fiscal adjustments given in the First as well as the Second Program has not to date demonstrated its efficacy and adequacy towards tackling the structural weaknesses of the Greek economy. The large scale austerity measures refuel recession and, in combination with the constant deterioration of the economic climate, the economic activity weakens and unemployment rises. The time extension of the fiscal adjustment period and the balancing of the programs with an equivalent arm for economic reconstruction and growth stimulation should gain attendance for the debt servicing prospects as well as the real economy’s crisis exiting prospects to be enhanced.

The provision included in the Second Program for the recapitalization of the domestic banking system forms a solid basis for the continuation of the system’s reliable operation. However, struck liquidity tightens significantly the real economy’s bank financing prospects which comprises a generic prerequisite for the transition from recession to growth. International organizations’ (IMF, OECD) forecasts about the prospects of the Greek economy, in the coming period, are not optimistic, setting the first recovery signs in the latter part of 2013 and the overall annual growth rates to move downwards in both 2012 and 2013.

Developments in Shipping and Shipping Finance

Shipping Markets

In 2011 the global shipping industry presented acute volatility. Sea trade grew by 4.5% from 12% in 2010, following the slow down path which started to be apparent in the second half of 2010. Sea trade growth has also been burdened by the sizeable newbuildings orderbook and the sluggish demolition rate of vintage tonnage, which in turn exercise downward pressure on freight rates and vessel values.

Tankers: During 2011 global oil demand increased marginally, by 0.9% y-o-y, mainly due to the persisting demand of developing countries like China and India. Crude oil tankers demand fell by 1% in 2011, in comparison to a 6.5% increase in 2010, whereas the supply of ships (in dwt) increased in the year by 7%. This imbalance aggravated market conditions, drugging down the average freight rates of the year by 27%. Tanker values followed a similar trend, subsiding by 17% against those of 2010. The tanker market outlook largely depends on developments in the side of demand, and particularly on its geographical distribution, as well as on the rate of older tonnage scrapping. At the end of 2011 the tankers newbuilding orderbook accounted for 18% of the existing fleet whereas during the year only 2% of the fleet was sold for demolition.

Bulk Carriers: The dry bulk seaborne trades grew by 5% in 2011 from 12% in 2010. Demand in the developed economies as well as China remained stable, especially for iron ore and coal. On the ships supply side, the dry bulk fleet was enlarged by 14% in 2011, whereas by the end of the year the newbuildings orderbook stood at 29% of the existing fleet, providing evidence of the prevailing fleet growth trend. The broadening imbalance between demand and supply led the average freight rates of the year to a 36% annual drop, pushing almost proportionately lower the values of second hand tonnage.

Containerships: Following a three-year decline, the containerships charter hire market moved 31% upward in 2011, reflecting the stabilization signs of global economy which prevailed in 2010, given that this sector mostly operates on a time charter basis. In contrast, ship values decreased materially, by 21% in comparison to those of 2010, as a result of the observed difficulties in the financing of containership investments and concerns about the sustainability of the time charter hire levels. Regarding ships supply, the fleet increased by 6.9% y-o-y whereas slow-steaming continued, having a positive effect in the containment of fuel costs and the reduction of idle tonnage. The containerships market prospects are rather weak for 2012 as long as the global economy continues to stand on a fragile balance and the brisk rate of newbuildings entering the market is maintained.

Newbuildings Activity: In 2011 shipbuilding activity set a new record for deliveries with 160 million dwt of newbulding tonnage entering the fleet. China assumed the pole position of the newbuildlings industry, accounting for 39% of the global orderbook, with South Korea now coming second. At year-end 2011 the size of the global newbuildings orderbook was equivalent to 23% of the existing fleet (all types of vessels). Newbuilding prices continue softening by 5%-15% annually, depending on the type of each ship, leading many shipyards to vessel types of higher specialization and value added (LNG, offshore etc).

Shipping Finance

The persisting crisis which now predominantly affects the European and the Greek banks have had a negative impact to the supply of finance towards Greek shipping. A number of banks previously having a significant presence in the financing of the Greek-owned shipping have scaled down their activity and, in certain cases, they follow a policy of orderly withdrawal from the sector through the sale or gradual contraction of their portfolios. The 2011 Petrofin Bank Research reveals that the total amount of bank financing commitments to the Greek-owned shipping stood at $67.6 billion at the year-end 2011, marking a marginal reduction from the 2010 level. The market share of Greek banks now stands at 22%, from 25% in the past. Larger reduction is observed in the committed but still undrawn parts of loan facilities, which contracted in 2011 by 22% y-o-y. The contraction in funding supply has inevitably adjusted the terms of new financings to the new market conditions; lower advance ratios, tighter security cover and other terms and conditions; significantly increased pricing. The vacuum formed in meeting the demand for ship financing can now be harnessed by a small number of banks and it presents remarkable expansion opportunities for institutions with specialized expertise and a strong capital base and funding capacity.

AB Bank Financial Results

Aegean Baltic Bank S.A. timely recognized that despite its specialization in shipping, which minimizes the direct impact of the Greek economy's recessionary developments and fiscal distress on the Bank's exposures, its operation within the Greek banking system imposes significant challenges to liquidity adequacy and liquidity cost and, subsequently, to corporate growth and profitability. The prime goals set by the Bank for 2011 were asset growth in parallel with improved asset quality and subject to the maintenance of adequate liquidity adequacy and capital solidity.

Significant Events for the Year 2011

The general meeting of the shareholders of Aegean Baltic Bank S.A. dated June 30th, 2011, approved the payment, for the first time ever since the establishment of the Bank, of a €1.0 million dividend to its shareholders (being €0.47 per ordinary share with voting rights), in connection with previous years' profit distribution. On 31.12.2010 the accumulated amount of the not distributed retained earnings of the Bank was €4.09 million.

Since April 2010 the Bank participates in the Third Pillar (Article 3) of Law 3723/2008 "Banks Liquidity Support Scheme" of the Hellenic Republic, having obtained (borrowed) from the Public Debt Management Agency of the Greek Ministry of Finance, against annual commission, special zero coupon Greek government securities maturing in April 2013, of €40 million face value in total, having provided as collateral to the Greek Government for that purpose certain of its Loans and Advances to Customers. The special securities, as well as other securities held by the Bank and meet the eligibility criteria of ECB, are placed by the Bank as collateral for the drawing of liquidity from the Eurosystem. On 31.12.2011 the ECB refinancing capacity connected to the said special securities of €40 million face value was €10.7 million (31.12.2010: €28.1 million). The Third Pillar (Article 3) of Law 3723/2008 does not impose any limitations to participant banks' dividend distribution policies and does not intervene in any way in the operation of the banks or the composition and operation of their Board of Directors. To date, the Bank has neither applied for nor has participated in any other Pillar of Law 3723/2008, nor in any of the subsequent relevant schemes of the Greek Government. Moreover, throughout 2011 as well as up to the date of this report, AB Bank has not made use of any mechanisms of the Eurosystem or the Bank of Greece, other than ECB's regular open market refinancing operations.

Pursuant to a unanimous decision of the Board of Directors of the Bank dated March 8th, 2012, AB Bank participated with the full amount of the Greek Government Bonds it held, of €9.0 million total face value, Greek law governed, in the program of the Hellenic Republic for the voluntary exchange of Greek Government Bonds held by the private sector ("PSI"). According to the terms and conditions of the PSI, the face value of the bonds so exchanged incurs a 53.5% reduction. Although the exchange of the Greek law governed bonds was consummated on March 12th, 2012, it is considered an adjusting event after the reporting date, for which a loss recognition is required to be recorded in the Annual Financial Reports of the Bank for the year ended 31.12.2011. The Bank conducted the calculation of the relevant impairment loss with the method of the present value of the cash flows occurring as a result of the exchange. The resulting loss exceeds by approximately 20.5% the aforesaid loss (53.5%) of the face value of the exchanged bonds. Therefore, AB Bank recognized a pre tax impairment loss of €6.7 million in total and a net loss of €5.3 million (the recognized deferred tax inclusive), in connection to the PSI.

On 31.12.2011, as well as on 31.12.2010, none of the Loans and Advances due from Customers of the Bank was either +90 days past due or classified as a non-performing loan ("NPL"). Thus, the full amount of €2.9 million (2010: €2.3 million) cumulative provisions for credit risk of the Bank's shipping loans portfolio on 31.12.2011, refers to specialized impairment provisions formed against current loans of a lower internal credit rating as of that date. The aforesaid cumulative amount corresponds to 1.1% of the total gross balance of Loans and Advances due from Customers portfolio as of 31.12.2011 (2010: 1.1%). During 2011 the Bank also proceeded to the restructuring of a loan facility balancing €9.98 million on 31.12.2011 or 3.7% of the total gross balance of the Loans and Advances due from Customers as of that date. The restructuring consists of a prolongation of the repayment period of the full amount of the loan against additional security cover and higher loan pricing.

During the last quarter of 2011, AB Bank participated in the diagnostic survey of BlackRock Solutions mandated by the BoG in relation to the domestic banking system with the aim to ascertain the impact of the recession to the loans quality of Greek banks. The results of the BlackRock survey testified the strong quality of AB Bank's loan portfolio and the competence of the bank's credit procedures, suggesting, under the Base Scenario a possible total expected loss of €6.5 million over a three-year horizon. On 31.12.2011, the cumulative loans loss provision already accounted for by the Bank was 45% of the suggested amount whereas, given the Bank's 2011 financial performance, the Management of the Bank has the conviction that the remaining amount (€3.6 million) may comfortably be covered through the pre-tax and impairments net operating result of the Bank, in less than two years, if so required,.

Profitability

The Net Loss for 2011 attributable to the shareholders of AB Bank amounted to €4.01 million (2010: €1.72 million Profit), also incorporating the €5.34 million net loss (net of €1.33 million in recognized deferred taxation) derived from the Bank's participation in the PSI.

Excluding the PSI impact, the results for the financial year 2011 would be a €1.33 million Net Profit, i.e. 23% lower than 2010. The final results for the financial year include exceptional tax charges of €0.32 million (previous years' Settlement Tax).

The Pre-tax-and-PSI Profit, of €2.06 million, marked a 28% decline in comparison to that of 2010 (€2.88 million). The decline is the result of an 11.8% annual decrease in Total Operating Income against a 5.8% decrease in Total Operating Expenses, including the annual impairment loss charge on the loans portfolio.

Operating Results

The Total Operating Income decreased from €10.85 million in 2010 to €9.57 million in 2011. The decrease is due to a reduction, of almost equal scale, in Net Interest Income, from €8.84 million in 2010 to €8.16 million in 2011, and in the total Net Trading Income from Financial Instruments and Securities, from €0.64 million to €0.03 million, respectively. To the contrary, the Total Net Income from Fees and Commissions increased slightly to €1.38 million from €1.36 million in 2010.

The Net Interest Income subsided in 2011 by €0.68 million (-7.7%), since the 6% increase achieved in the gross interest income was outweighed by a 42.2% increase in interest expense. However, the Bank's Net Interest Margin for 2011 stood at the same level as in the previous financial year, i.e. 2.33%, as the overall decrease in interest-bearing on balance sheet items, which was recorded in the fourth quarter, came from the reduction of funding sources carrying higher interest cost (Customer Deposits).

The increase in interest income is attributed to the portfolio of Loans and Advances to Customers and to the Bonds and Securities portfolio. The credit expansion realized in 2011 (+25%) is not reflected in the annual average balances of the loans portfolio, which remained at levels similar to those of 2010, as drawdowns of new loans were effected mostly during the third quarter. Yet, the annual gross yield of the loans portfolio raised by ca. 25 basis points. On the other hand, the average annual yield of the bonds portfolio recorded only a marginal improvement in 2011 (16 basis points), while the annual average volume (at nominal value) of the portfolio increased by 26% through new placements by the Bank in government bonds of core Eurozone countries, raising the interest income from bonds at higher levels than 2010. The lower Customer Deposits and the enlargement of the loans and bonds portfolios in 2011 reduced the average annual Cash balances to levels 34% below those of 2010, reducing proportionately their interest income, despite the overall improvement of annual average yield by 20 bps.

The increase in interest expense is primarily ascribed to the higher interest cost of the funding sources of the Bank's Assets. The annual average Customer Deposits balances in 2011 dropped to levels 8.5% lower than 2010, while their average cost rose by 72 bps. The temporal concentration of the deposits decrease towards the end of the year diluted its impact on the annual accrued interest expense. At the same time, the annual average balances of the funding raised from the interbank market and the ECB demonstrated only a slight decline in 2011, but their annual average cost was significantly higher (+45 bps) compared to that of 2010.

The total Net Income from Trading, Financial Instruments and Securities declined in 2011 by €0.61 million (-95.2%), mainly affected by the negative volatility of bond prices during the largest part of the year. Although the income relating to foreign exchange transactions recorded a 34% annual increase, to €0.38 million, and sales of investment securities resulted a €0.09 million net income, the €0.45 million loss from, mainly, the deteriorating valuation of bonds in the trading book (bonds issued by Greek and other European financial institutions) rendered marginal in 2011 the total net income from these categories.

Net Income from Fees and Commissions showed a slight improvement in 2011, to the tune of 1.5% y-o-y. Gross Income from Fees and Commissions increased by 6.5% to €1.87 million in 2011 from €1.76 million in 2010. Approximately 73% of these revenues relate to loans-related fees, which in 2011 went down by 5.9%. Given that such fees are almost entirely denominated in USD, the aforementioned decline is mainly attributed to the weakened annual average exchange rate of the USD against the Euro (-4.9%). However, the gross fee and commission income from ancillary banking services (not related to loans), increased by 66%, to €0.50 million in 2011 from €0.30 million in 2010, due to the increased volume in the relevant services and the expansion of the Bank's clientele. The contribution of AB Bank's branch in Piraeus, which operates since July 2010, was decisive to this result. Finally, the Fee and Commission Expenses marked a significant increase of 23.5% in 2011, primarily derived from the commissions paid, on a twelve-month basis this year (versus eight-months in 2010), to the Greek Government for the Bank's participation in the Third Pillar of Law 3723/2008 "Banks Liquidity Support Scheme".

Reduction of Operating Expenses and Corporate Growth

The Bank's Total Operating Expenses in 2011 amounted to €7.51 million versus €7.97 million in 2010, recording an annual reduction of 5.8%. The level of operating expenses in 2011 was shaped by the marginal reduction in direct operating expenses by approximately 1.0% (Personnel Expenses, General and Administrative Expenses and Depreciation and Amortization Costs), coupled with a 41% lower annual charge for impairment/provisions on loans, in comparison to the previous year.

The reduction in direct operating expenses was achieved despite the increase in the Bank's staff by 13.2%. During 2011 the full-time staff grew by 7 persons, to 60 at the end of the year. Personnel Expenses recorded an annual decrease of 1.8% through containment of the Bank's framework for bonuses and overtime.

The Bank's effort to improve its operating expenses is also depicted in the moderation of General and Administrative Expenses and Depreciation/Amortization Costs, which remained collectively at the same level as in 2010 (€2.7 million), despite the twelve-month operation of the Bank's new branch in Piraeus (versus five months in 2010), the higher requirements and related costs for the support and promotion of the now broader transactions framework, and the additional costs that were imposed by the authorities (participation in the fees payable to BlackRock Solutions and contribution to GDGF for the coverage of the rationallization pillar) in the financial year 2011.

The gradual qualitative improvement of the Bank's Loans and Advances to Customers portfolio, in conjunction with the specific impairment/provisions that have been accumulated up to 31.12.2011, led to the formation of a specific impairment charge for Credit Risk in 2011 of €0.576 million, which stands €0.397 million below the annual amount charged in 2010. Similarly to the previous year, the total amount of accumulated provision refers exclusively to potential losses from performing loans, since at end-2010 as well as at end-2011, none of the Bank's Loans and Advances to Customers was in a Non Performing Loan status.

The relatively larger decrease in Operating Income than the one achieved in Operating Expenses resulted in the deterioration of the Cost to Income Ratio at 72.5% in 2011 from 64.5% in 2010, prior to impairment charges. The net figure, i.e. including impairment provisions on Loans (excluding the impact of PSI), reached 78.5% in 2011 versus 73.5% in 2010.

Balance Sheet

On 31.12.2011 the Bank's Total Assets amounted to €347.5 million, compared to €384.8 million on 31.12.2010, recording an annual decline of €37.3 million or 9.7%.

The relative effect of the PSI to the annual contraction of Total Assets was limited, accounting for approximately 14% of the annual decline, given the low level of the Bank's exposure to Greek Government Bonds ("GGBs"). On 31.12.2011 the Bank held GGBs of €9.0 million total nominal value and €2.33 million net book value. The same securities were also held on 31.12.2010 with a total net book value of €8.4 million, thus bringing the loss in the balance sheet from the PSI to €6.07 million. During 2011 the Bank enhanced its placements in the investments portfolio (securities Available for Sale and Held to Maturity) through the acquisition of securities issued by countries and supranational organizations of the Eurozone, of high credit rating, such that on 30.6.2011 the total net book value of the portfolio stood at €46.4 million, with more than 2/3rds thereof comprising securities having credit rating above A+. The liquidation of certain securities in the second half of 2011 and the impact of the PSI on the GGBs of the Bank, reduced the total net book value of the investments portfolio at the end of 2011 to levels 31.8% lower (-€11.7 million) than those of 2010, with bonds of investment grade rating and above now constituting more than 80% of the portfolio.

The contraction of Total Assets is mainly attributed to the contraction of the Bank's liquid assets (Cash and Balances with Central Bank and Due from Banks), which at the end of the year amounted to €44.5 million versus €125.5 million at the end of 2010. However, 60% of the amount of such reduction was channeled to an almost equal increase of other asset classes. Specifically, the Bank's shipping loans portfolio (gross balance of Loans and Advances to Customers) expanded from €227.0 million as at 31.12.2010 to €278.8 million at 31.12.2011, marking a 22.8% (€51.8 million) growth which timing-wise took place during the second half of the year and particularly during the third quarter. The remaining 40% of the reduction reflects the diminution of available liquidity from the side of the Bank's liabilities, i.e. the customer deposits balances and interbank market takings, which collectively decreased by €32.9 million, i.e. by 11.3% compared to the corresponding 2010 figure, with such decrease being concentrated in the last quarter. On an annual basis, the deterioration in the proportions between loans and deposits is more clearly reflected in the evolution of the loans to deposits ratio, which at 31.12.2011 read 126% versus 97% on 31.12.2010 and 96% on 31.12.2009.

Despite the relatively strong rate of credit expansion that took place in 2011, the Bank continued to advance new loans on a selective basis with regard to the credit rating of the new obligors, thus enabling it to maintain zero NPLs for a second consecutive year. Furthermore, existing performing loans of €9.98 million, relating to Greek coastal/ferry shipping, were renegotiated during 2011 before them becoming non-performing, and were restructured by extending their repayment period with a parallel enhancement of their securities cover, in order to improve their full repayment prospects. On 31.12.2011 the net, after impairments/provisions, balance of shipping loans (Loans and Advances to Customers) of the Bank amounted to €268.6 million (€215.1 million in 2010), as a result of accumulated loan impairments of €2.9 million (2010: €2.3 million), which is equivalent to 1.1% of the gross loans balance and refers exclusively to performing loans. Furthermore, the Bank maintains its emphasis on the arrangement, participation and management of syndicated loans. At the end of the financial year 2011 AB Bank held €1,407 million ($1,821 million) of loans and off-balance sheet commitments under management (including its own participations).

On the Liabilities side, the customer deposits balance (Due to Customers) on 31.12.2011 stood at €212.7 million (2010: €221.1 million), marking an annual decrease of 3.8%, while the interbank liabilities (Due to Banks) fell by 35.4% to €44.9 million (2010: €69.5 million). On 31.12.2011 the interbank liabilities consisted of €30 million funding from the ECB's regular open market refinancing operations, and of €14.9 million from commercial banks, versus €20 million and €49.5 million, respectively, on 31.12.2010. The decline in interbank liabilities reflects the drastic contraction of liquidity in the domestic interbank market in 2011 and especially during the last 3-4 months of the year. It is worth noting that, the Bank's customer deposits had demonstrated a significant growth during the year until early September (17.5% in terms of EUR or 22.5% in USD terms), positively affected by the expertise of AB Bank in the shipping industry and its consequent small exposure to credits and risks relating to the domestic sovereign debt crisis and to the impact from the recession of the Greek economy. After mid-September, though, the culmination of threats on the country's monetary status intensified the climate of insecurity among the domestic banks depositors, and led to a new wave of funds withdrawals from the banks – a wave that this time affected also AB Bank, reversing the upward trend on deposits of the previous period and leading, after mid-September, to total withdrawals which offset the previous period's growth, eventually shaping the annual change to -3.8%.

Maintenance of Strong Capital Adequacy

During 2011 the Bank's Total Shareholders' Equity decreased by €4.82 million to €85.97 million from €90.79 million in 2010, mainly through the yearly 2011 Net Loss of €4.01 million and the €1.0 million dividend distribution effected in the middle of the year in relation to past years' profitability.

The Bank's regulatory capital, exclusively consisting of Tier-I capital, decreased in 2011 to €87.24 million from €92.17 million in 2010, whereas the credit expansion performed during the year increased the Bank's Capital Requirements to€23.68 million from €20.54 million last year. As a result, the Bank's Tier-I Capital Ratio as well as the Total Capital Ratio amounted to 29.5%, from 35.9% in 2010.

Risk Management

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

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

Credit Risk
Given that the Bank's loans portfolio exclusively consists of unrated (by ECAIs) obligors of the shipping sector, AB Bank has established and follows its own, ten-grade, credit risk rating system. The Bank has also developed internally a shipping credit rating interface between its ten-grade rating system and the object finance slotting criteria methodology of the IRB-Basic approach included in the Basel-II framework. To date, this model is being used by the Bank's Risk Management unit for cross-assessing the credit ratings of the incumbent ten-grade risk methodology and for shipping credit risk stress-testing purposes.

The Bank's methodologies for the monitoring and assessment of credit risk primarily aim at promptly identifying and optimizing the management of expected and unexpected loss which could possibly incurred and the Bank's best possible protection against such losses through the formation of appropriate limits per obligor and per individual or sectoral concentrations, the use of credit risk containment techniques by obtaining security and guarantee covers and the implementation of risk-related pricing in order to improve the use and yield of the corresponding capital requirements.

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

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

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

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

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

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

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

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

Goals and Potential

AB Bank's management believes that the strategy of balanced, counter-cyclical and, largely, organic growth being followed to date has been the prime factor of the Bank's successful presence in the Greek banking sector and the shipping finance market.

Despite the intensely adverse conditions of 2011 in the international shipping industry but, primarily, in the Greek banking sector, the Bank has managed to be distinguished in its market for the improved quality of its Assets, the adequate liquidity risk management amidst crisis conditions, its operating profitability and the maintenance of exemplary capital adequacy ratios. The satisfactory, under the circumstances, performance of the Bank is attributed to (i) its specialized involvement in banking for the shipping industry – an international industry not affected by the Greek sovereign debt crisis and the consequences of the Greek economy's recession; (ii) the prudent business development and risk management policies implemented by the Bank's management in view of the unprecedented nature and scale of the recent turmoil and, most importantly, (iii) the professionalism and perseverance demonstrated by all its staff. As a result, AB Bank is presently in a strong position to pursue a multitude of corporate growth and development targets.

For 2012 the Bank aims to:

- dynamically manage the country risk so as to limit its impact on the adequacy of the Bank's liquidity;
- continue the proactive credit risk management of its shipping portfolio;
- further expand its customer base and keep up the growth of its revenues from ancillary banking services;
- more rigorously pursue strategic alliances and cooperation with major Asian financial institutions in the field of financing Greek shipowners' newbuilding orders in Chinese and other Far-Eastern shipyards; and to
- seize opportunities of alternative credit expansion modes, including the acquisition of troubled shipping loan portfolios or troubled lenders' portfolios, in collaboration with other credit institutions.

Important Post Balance Sheet Events

AB Bank participated in the program of the Greek Government for the exchange of Greek Government Bonds ("GGBs"), also known as PSI, with respect to all GGBs that it held on 31.12.2011, of a total face value of €9.0 million. All of the GGBs held by the Bank were governed by Greek law, and their exchange was consummated on 12 March 2012. In accordance with the terms of the PSI, the face value of the exchanged bonds has been reduced by 53.5%. The exchange is considered as an adjusting event after the balance sheet date and the Bank has recognized a loss in the Annual Financial Reports for the year ended on 31.12.2011.

Athens, June 1, 2011

The Vice Chairman of the Board

Theodore Afthonidis

Auditors' Report

Hadjipavlou Sofianos & Cambanis S.A.
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3a Fragoklissias & Granikou Str.
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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements
We have audited the accompanying financial statements of "AEGEAN BALTIC BANK S.A." (the "Bank"), which comprise the statement of financial position as at 31 December 2011, and the statements of income, comprehensive income, changes in equity and cash flow for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

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

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

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

Opinion
In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Bank as at 31 December 2011, 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 and Regulatory Requirements
We have agreed and confirmed the content and consistency of the Directors' Report to the accompanying financial statements according to the provisions of the article 43a, and 37 of the Codified Law 2190/1920.

Athens, 1 June 2012

The Certified Public Accountant

Maria N. Sirmopoulou
Reg. No. SOEL: 26041
Deloitte. Hadjipavlou Sofianos & Cambanis S.A.
3a Fragoklissias & Granikou str., GR 151 25 Maroussi
Reg. No. SOEL: E. 120

AEGEAN BALTIC BANK S.A

Financial Statements

In accordance with International Financial Reporting Standards

31 December 2011

June 2012

Income Statement

	Note	2011 €' 000	2010 €' 000
Interest and similar income		12,940	12,204
Interest expense and similar charges		(4,783)	(3,364)
Net interest income	5	8,157	8,840
Fee and commission income		1,874	1,760
Fee and commission expense		(494)	(400)
Net fee and commission income	6	1,380	1,360
Net trading income/(loss)	7	385	288
Net result from sale of investment securities	8	93	-
Net result from financial instruments at fair value through profit or loss	9	(448)	354
Other operating income		7	8
Total income		**9,574**	**10,850**
Personnel expenses	10	(4,213)	(4,289)
General administrative expenses	11	(2,458)	(2,414)
Depreciation and amortization	12	(266)	(297)
Impairment losses on loans and advances	13	(576)	(973)
Profit before tax & Impairement of Greek Government Bonds		**2,061**	**2,877**
Impairment of Greek Government Bonds	14	(6,671)	-
(Loss) / Profit before tax		**(4,610)**	**2,877**
Income Tax	15	600	(1,154)
(Loss) / Profit for the year		**(4,010)**	**1,723**
Attributable to:			
Equity holders of the Bank		(4,010)	1,723
Profit for for the year		**(4,010)**	**1,723**

Athens, June 1, 2012

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

The notes on pages 20 to 49 are an integral part of these financial statements.

Statement of Comprehensive Income

	Note	2011 €' 000	2010 €' 000
Profit for the year		**(4,010)**	**1,723**
Other comprehensive income , net of tax			
Fair value reserve (Available for sale financial assets)			
Net change in Fair value	34	198	(730)
Other comprehensive income for the year		**(3,812)**	**993**
Total comprehensive income for the year		**(3,812)**	**993**
Attributable to:			
Equity holders of the Bank		(3,812)	993
Total recognized income for the year		**(3,812)**	**993**

Athens, June 1, 2012

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

The notes on pages 20 to 49 are an integral part of these financial statements.

Statement of Financial Position

	Note	2011 €' 000	2010 €' 000
ASSETS			
Cash and balances with central bank	16	7,684	4,907
Due from banks	18	36,794	120,632
Loans and advances to customers	19	268,641	215,089
Investment securities – Available for sale	20	23,190	25,714
Investment securities – Held to maturity	21	1,290	10,011
Financial assets at fair value through P&L	22	585	1,048
Derivative financial instruments	23	15	2
Intangible assets	24	253	354
Property and equipment	25	502	577
Deferred tax assets	26	1,429	199
Other assets	27	7,074	6,250
Total assets		**347,457**	**384,783**
LIABILITIES			
Due to banks	28	44,891	69,477
Due to customers	29	212,742	221,078
Derivative financial instruments	23	975	1
Other liabilities	30	2,348	2,957
Retirement benefit obligations	31	532	476
Total liabilities		**261,488**	**293,989**
SHAREHOLDERS' EQUITY			
Share capital	32	37,980	37,980
Share premium	33	50,182	50,194
Reserves	34	(1,274)	(1,472)
Retained earnings	35	(919)	4,092
Total shareholders equity		**85,969**	**90,794**
Total liabilities and equity		**347,457**	**384,783**

Athens, June 1, 2012

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

The notes on pages 20 to 49 are an integral part of these financial statements.

Statement of Changes in Equity

	Share Capital	Share Premium	Reserves	Retained Earnings	Total
Balance at 01.01.2010	**37,980**	**50,198**	**(820)**	**2,447**	**89,805**
Statutory Reserve	-	-	78	(78)	-
Movement in the AFS reserve – valuation	-	-	(730)	-	(730)
Profit for the year	-	-	-	1,723	1,723
Effect of the reduced corporate tax rate		(4)	-	-	(4)
Balance at 31.12.2010	**37,980**	**50,194**	**(1,472)**	**4,092**	**90,794**

Balance at 01.01.2011	**37,980**	**50,194**	**(1,472)**	**4,092**	**90,794**
Statutory Reserve	-	-	-	-	-
Movement in the AFS reserve – valuation	-	-	198	-	198
Loss for the year	-	-	-	(4,010)	(4,010)
Dividents paid	-	-	-	(1,000)	(1,000)
Effect of the reduced corporate tax rate	-	(12)	-	-	(12)
Balance at 31.12.2011	**37,980**	**50,182**	**(1,274)**	**(919)**	**85,969**

Cash Flow Statement

	Note	2011 €' 000	2010 €' 000
Cash flows from operating activities			
Profit before tax		(4,610)	2,877
Adjustments for:			
Depreciation and amortization charges	12	266	297
Impairment loss on loans		576	973
Provisions for retirement benefit obligations	31	56	61
(Gain) / Loss from valuation of financial assets at fair value through P&L	22	463	114
(Gain) / Loss from sale of securities-available for sale	8	(93)	-
(Gain) / Loss from exchange difference of securities-available for sale	20	(184)	(489)
Impairement of Greek Government Bonds	14	6,671	-
Foreign exchange (profit) loss on cash and cash equivalents		(786)	(2,187)
		2,359	1,646
Net (increase)/decrease in operating assets:			
Due from Banks		(2,400)	-
Loans and advances to customers		(54,128)	(6,737)
Derivative financial assets		(13)	141
Other assets		(1,282)	(2,025)
Net increase/(decrease) in operating liabilities:			
Due to banks		(24,586)	7,504
Due to customers		(8,336)	2,021
Derivative financial liabilities		974	(13)
Other liabilities		(606)	807
Cash flow from operating activities before tax payment		(88,018)	3,344
Income tax paid		(218)	(56)
Net cash flow from operating activities		**(88,236)**	**3,288**
Cash flows from investing activities			
Acquisition of property and equipment	25	(57)	(108)
Acquisition of intangible assets	24	(33)	(299)
Acquisition of investment securities – available for sale	20	(18,819)	(18,840)
Proceeds from disposal of investment securities – available for sale	20	18,898	3,101
Acquisition of investment securities – held to maturity		-	(5,008)
Proceeds from maturity of investment securities – held to maturity	21	5,000	2,000
Net cash flow from investing activities		**4,989**	**(19,154)**
Cash flows from financing activities			
Net proceeds from issue of capital		-	-
Dividends		(1,000)	-
Net cash flow from financing activities		**(1,000)**	**-**
Foreign exchange profit (loss) on cash and cash equivalents		786	2,187
Net increase (decrease) in cash and cash equivalents		**(83,461)**	**(13,679)**
Cash and cash equivalents at beginning of period	17	**125,539**	**139,218**
Cash and cash equivalents at end of period	17	**42,078**	**125,539**

The notes on pages 20 to 49 are an integral part of these financial statements.

Note 1: General Information

The Bank is registered under the legal name 'AEGEAN BALTIC BANK S.A.' and uses its trade name 'AB-Bank S.A'.

Its registered office is located 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.

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

The term of the Board of Directors (BoD) of the Bank, elected by the General Assembly of the Shareholders, on 18 June 2010, terminates on 30 June 2015.

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

Hubert Esperon	Chairman	Non-Executive
Theodore Afthonidis	Vice Chairman and Managing Director	Executive Member
Konstantinos Handjipanayotis	Member & Deputy Managing Director	Executive Member
Stephane Daillencourt	Member	Non-Executive
Paolo Braghieri	Member	Non-Executive
Dimitris Potamitis	Member	Non-Executive, Independent
Emmanuel Kavussanos	Member	Non-Executive, Independent
Argyro Theodoropoulou	Member	Excecutive
Dimitris Anagnostopoulos	Member	Non-Executive

These financial statements (hereinafter the "Financial Statements") have been approved for issue by the Bank's BoD on June 1, 2012.

The Financial Statements are subject to the approval of the Annual General Meeting of the Bank's shareholders.

Note 2: Summary of significant accounting policies

2.1 Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the E.U. E.U. endorsed IFRSs may differ from IFRSs as issued by the International Accounting Standards Board (IASB) if at any point in time, new or amended IFRSs have not been endorsed by the E.U. At 31 December 2011, there were no unendorsed standards effective for the year ended 31 December 2011, which affect these financial statements, and there was no difference between IFRSs endorsed by the E.U. and IFRSs issued by the IASB in terms of their application to the Bank. Accordingly, AB-Bank's financial statements for the year ended 31 December 2011 are prepared in accordance with IFRSs as issued by the IASB. The financial statements were prepared under the historical cost convention, as modified by the revaluation of available for sale investment securities, financial assets at fair value through profit and loss and all derivative contracts measured at fair value.

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

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

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

a) Standards, interpretations and amendments to published standards effective in 2011

- **IFRIC 14 "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"**
(Amendment "Prepayments of a Minimum Funding Requirement" November 2009)
(effective for annual periods beginning on or after 1 January 2011). The amendments remove an unintended consequence of the interpretation related to voluntary prepayments when there is a minimum funding requirement in regard to the entity's defined benefit scheme. It permits entities to recognise an asset for a prepayment of contributions made to cover minimum funding requirements. This amendment had no impact on the Bank's financial statements.

- **IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"**
(effective for annual periods beginning on or after 1 July 2010).
The interpretation clarifies that the profit or loss on extinguishing liabilities by issuing equity instruments should be measured by reference to fair value, preferably of the equity instruments. This Interpretation had no impact on the Bank's financial statements.

- **IAS 32 "Financial Instruments: Presentation"** (Amendment)
(effective for annual periods beginning on or after 1 February 2010). The amendment addresses the accounting for rights issues (rights, options or warrants) that are denominated in a currency other than the functional currency of the issuer. Previously such rights issues were accounted for as derivative liabilities. However, the amendment requires that, provided certain conditions are met, such rights issues are classified as equity regardless of the currency in which the exercise price is denominated. This amendment had no impact on the Bank's financial statements.

- **IAS 24 "Related parties"** (Revised) (effective from 1 January 2011). The revised standard provides a partial exemption for government-related entities, a revised definition of a related party and includes an explicit requirement to disclose commitments involving related parties. This amendment had no impact on the Bank's financial statements.

- **Improvements to IFRSs, May 2010** (effective for the Bank's annual period beginning on 1 January 2011). The new or amended disclosures required by the amendments in IFRS 7 "Financial Instruments: Disclosure" are provided in Note 4.2, and include the financial effect of collateral held as security and of other credit enhancements. The other amendments in the Improvements to IFRSs, May 2010 did not have an impact on the Bank's financial statements.

b) New standards, amendments and interpretations to existing standards, effective after 2011.

- **IFRS 9 "Financial Instruments"**
(effective for annual periods beginning on or after 1 January 2015).
IFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities, including some hybrid contracts. The new standard requires all financial assets to be:
a) classified on the basis of the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.
b) initially measured at fair value plus, in the case of a financial asset not at fair value through profit or loss, particular transaction costs.
c) subsequently measured at amortised cost or fair value.
d) investments in equity instruments can be designated as "fair value through other comprehensive income" with only dividends being recognized in profit or loss.
e) the concept of "embedded derivatives" does not apply to financial assets within the scope of the Standard and the entire instrument must be classified and measured in accordance with the above guidelines.
The standard also requires a financial liability to be classified as either at fair value through profit or loss or at amortised cost. For a financial liability designated as at fair value through profit or loss using the fair value option, the change in the liability's fair value attributable to changes in the liability's credit risk is recognized directly in other comprehensive income, unless it creates or increases an accounting mismatch and the amount that is recognised in other comprehensive income is not recycled when the liability is settled or extinguished.
The Bank has not applied this Standard and is currently evaluating the impact of IFRS 9 on its financial statements and the timing of its adoption.

- **IFRS 7 "Financial Instruments: Disclosures"** (Amendment)
(effective for annual periods beginning on or after 1 July 2011).
The amendment requires certain additional disclosures in relation to transferred financial assets that are not de-recognised and for any continuing involvement in a transferred asset, existing at the reporting date, irrespective of when the related transfer transaction occurred. The Bank has not applied this amendment, but it is not expected to have an impact on its financial statements.

- **IFRS 13 "Fair Value Measurement"**
(effective for annual periods beginning on or after 1 January 2013). IFRS 13:
• defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (i.e. an exit price);
• sets out in a single IFRS a framework for measuring fair value; and
• requires disclosures about fair value measurements.
IFRS 13 applies to IFRSs that require or permit fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements), except in specified circumstances. IFRS 13 explains how to measure fair value for financial reporting. It does not require fair value measurements in addition to those already required or permitted by other IFRSs and is not intended to establish valuation standards or affect valuation practices outside financial reporting.
The Bank has not applied this Standard and is currently evaluating the impact of IFRS 13 on its financial statements.

- IAS 32 "Financial Instruments: Presentation" (Amendment)
(effective for annual periods beginning on or after 1 January 2014).
The amendment provides clarifications on the application of the offsetting rules. The Bank has not applied this amendment.

- IFRS 7 "Financial Instruments: Disclosures" (Amendment)
(effective for annual periods beginning on or after 1 January 2013).
The amendment requires information about all financial instruments that are set off in accordance with paragraph 42 of IAS 32. The amendment also require disclosure of information about recognized financial instruments subject to enforceable master netting arrangements and similar agreements even if they are not set off under IAS 32. The Bank has not applied this amendment.

- **IAS 19 “Employee Benefits”** (Amendment)
(effective for annual periods beginning on or after 1 January 2013).
The amendments:
• eliminate the option to defer the recognition of gains and losses, known as the “corridor method” and require companies to report these changes as they occur. As a result any deficit or surplus in a plan will be included on the statement of financial position;
• requires to include service and finance cost in income statement and remeasurements in other comprehensive income (“OCI”);
• enhance the disclosure requirements for defined benefit plans to provide better information about the characteristics of defined benefit plans and the risks that entities are exposed to through participation in those plans.
• modify the accounting for termination benefits including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment and affect the recognition and measurement of termination benefits.
The Bank has not applied this amendment.

- **IAS 1 “Presentation of Financial Statements”** (Amendment)
(effective for annual periods beginning on or after 1 July 2012).
The amendments require to group together items within OCI that may be reclassified to the profit or loss section of the income statement subsequently. The Bank has not applied this amendment.

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

2.2 Foreign currency transactions

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

2.3 Interest income and expense

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

2.4 Fee and commission income

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

2.5 Financial instruments

The Bank, for valuation purposes, classifies its financial assets in the following categories:
a. Loans and receivables: Included here are loans given to the customers and all receivables from customers, banks etc. Loans and receivables are initially recognised at fair value, which is the cash consideration to originate or purchase the loan including any transaction costs, and subsequently measured at amortised cost using the effective interest rate method.
b. Held to maturity investments: Includes securities which the Bank’s management has the ability and intention to hold to maturity. Held to maturity investment securities are carried at amortized cost using the effective interest rate method. Held to maturity investments are recognized on the trade date, which is the date that the Bank commits to purchase or sell the asset.

c. Financial assets at fair value through profit or loss: All financial assets acquired principally for the purpose of selling in the short term or if so designated by the management, are recognized on the trade date, which is the date that the Bank commits to purchase or sell the asset and are classified under this category which has the following two sub-categories:

c1 :Trading securities:

Trading securities are securities, which are either acquired for generating a profit from short term fluctuations or are securities included in a portfolio in which a pattern of short-term profit making exists. Trading securities are initially recognized at cost and subsequently re-measured at fair value. Gains and losses realized on disposal or redemption and unrealized gains and losses from changes in fair value are included in net trading income/ (loss). Interest earned with holding trading securities is reported in interest income. Trading securities held are not reclassified out of the respective category. Respectively, investment securities are not reclassified into trading securities category while they are held.

c2 : Designated at fair value through profit or loss.

Upon initial recognition the Bank may designate any financial assets as at fair value through profit or loss except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, when either;

i) The Bank estimates or significantly reduces a measurement or recognition in consistency (i.e. an accounting mismatch) that would otherwise arise from measuring assets or liabilities or recognizing gains and losses on them on different bases.

ii) A group of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel.

This category is measured at fair value. The determination of fair values of financial assets at fair value though profit or loss securities is based on quoted market prices, dealer price quotation and pricing models, as appropriate. Changes in fair value are included in net trading income.

d. Financial assets available for sale: Available for sale financial assets are investments that have not been classified in any of the previous categories. The Bank has included floating rate bonds and fixed rate bonds for which a specific decision has been made. Available for sale investment securities are initially recorded at cost (including transaction costs) and subsequently re-measured at fair value based on quoted bid prices in active markets, dealer price quotations or discounted expected cash flows on the trade date, which is the date that the Bank commits to purchase or sell the asset. Fair values for unquoted equity investments are determined by applying recognized valuation techniques such as price/earnings or price/cash flow ratios, refined to reflect the specific circumstances of the issuer. Changes in fair value are recognized directly in equity until the financial asset is derecognized or impaired at which time the cumulative gain or loss previously recognized in equity is transferred in profit or loss**.**

2.6 Fair value of financial instruments

The Bank measures the fair value of its financial instruments based on the framework for measuring fair value that categorizes financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as described below:

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain over-the-counter (OCT) derivative contracts.

Level 3: Inputs for assets or liabilities that its fair values are not based on observable market data (unobservable inputs). If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Level 3 assets and liabilities include financial instruments whose value is determined upon pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is categorized in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

2.7 Impairment of financial assets

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

2.8 Derivative financial instruments

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

- FX Swaps

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

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

2.9 Intangible assets

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

2.10 Property and equipment

Includes additions and improvements cost to leased property and equipment. Items of property and equipment are stated at historical cost less accumulated depreciation. Subsequent expenditure is capitalized or recognized as separate asset only when it increases the future economic benefits. All costs for repairs and maintenance are recognized in the income statement as incurred.
Depreciation is charged to the income statement on a straight-line basis over the estimated useful 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 and equipment are recognized in the income statement.

2.11 Deferred tax

Deferred taxation is the tax that will be paid or for which relief will be obtained in the future resulting from the different period that certain items are recognized for financial reporting and tax purposes. Deferred tax is provided for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax assets and liabilities are provided based on the expected manner of realization or settlement using tax rates (and laws) enacted at the balance sheet date.

A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, taking into consideration the enacted tax rates at balance sheet date. Current and deferred tax is recognized in the income statement except to the extent that it relates to items recognized directly to equity in which case it is recognized in equity.

The Bank has offset deferred tax assets and deferred tax liabilities based on the legally enforceable right to set off the recognized amounts i.e. offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

2.12 Provisions and other liabilities

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

2.13 Employee benefits

(a) Defined contribution plan

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

(b) Defined benefit plan

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

2.14 Offsetting

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

2.15 Share issue expenses

Incremental costs of share capital increase

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

Share premium

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

Note 3: Critical accounting policies, estimates and judgments

The preparation of financial statements in accordance with the IFRS requires Management to make subjective judgments, estimations and assumptions, which affect not only the carrying amount of assets and liabilities, but also the level of the income and expenses recognized in the financial statements. Management considers that the subjective judgments, estimations and assumptions, made for the preparation of the financial statements are appropriate and reflect the facts and conditions prevailing on 31 December 2011. The accounting principles, estimates and judgments adopted by the Bank and are material for the understanding of the financial statements are as follows:

3.1 Critical accounting principles and estimates

Recognition and valuation of financial instruments at fair value

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

Impairment losses on loans and advances to customers

The impairment loss on loans and advances to customers result from a continuous evaluation of the customer portfolio for possible losses. The evaluation of the customer portfolio is performed by officers responsible for each credit category, using specific methodology and guidance in accordance with IAS 39, which are continuously reexamined. Management of the Bank makes individual assessment of customers and search for objective evidence of impairment. A loan is tested for impairment, when there is objective evidence of impairment, as at the date of the test indicating that the borrower cannot meet its obligations. Usually, as objective evidence of impairment the following cases are considered among others; important financial difficulty of the borrower, deterioration of its credit standing, possible bankruptcy, etc. The individual provisions relate to loans and advances separately examined for impairment.

In estimating the impairment losses, management estimates the financial position of each customer and the recoverable amount from the foreclosure of assets with fixed charges (e.g. pre-notation of property) or guarantees. Each case is evaluated separately, whereas the followed methodology is reviewed periodically.

Retirement benefit obligations

The retirement benefit obligations are estimated with actuarial techniques using assumptions for future salary levels and discounting factors. These assumptions are in compliance with annual salary increases effected by the Bank's labour agreements and relevant policies.

3.2 Critical accounting judgments

Impairment of available for sale financial assets

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

Income tax

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

Note 4: Financial risk management

4.1 Introduction and overview

The Bank has exposures to the following risks.

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

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

The Bank, acknowledges its exposure to banking risks as well as the need to control and effectively manage those risks in the most optimum way and provide continuous and high quality returns to its shareholders.

4.2 Credit risk

Credit risk is the risk of default of a counterparty regarding its contractual obligations. The Bank's main exposure to credit risk is loans and advances to customers and due from banks. Management gives great consideration to the proper management of credit risk having set up the necessary infrastructure and procedures.

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

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

Maximum exposure to credit risk

The following table presents the Bank's maximum credit risk exposure as at 31 December 2011 and 31 December 2010, 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.

	2011 €' 000	**2010** €' 000
ASSETS		
Due from banks	36,794	120,632
Loans and advances to customers	268,641	215,089
Investment securities – available for sale	23,190	25,714
Investment securities – held to maturity	1,290	10,011
Financial assets at fair value through P&L	585	1,048
Derivative financial instruments	15	2
Other assets	7,074	6,250
Total assets	**337,589**	**378,746**
OFF BALANCE SHEET ITEMS		
Unused credit facilities	27,927	15,837
Financial guarantees written	6,240	1,422
Total off balance sheet items	**34,167**	**17,259**

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

Loans and advances to customers are summarized as follows:

	2011 €' 000	2011 €' 000	2011 €' 000	2010 €' 000	2010 €' 000	2010 €' 000
	Loans and advances to shipping corporations	Other loans and advances	Total	Loans and advances to shipping corporations	Other loans and advances	Total
Neither past due nor impaired	231,219	5,402	**236,621**	204,112	469	**204,581**
Impaired loans	34,923	-	**34,923**	12,835	-	**12,835**
Past due but not impaired	-	-	**-**	-	-	**-**
Past due and Impaired	-	-	**-**	-	-	**-**
Gross	**266,142**	**5,402**	**271,544**	**216,947**	**469**	**217,416**
Less: allowance for impairment loss	(2,903)	-	**(2,903)**	(2,327)	-	**(2,327)**
Total loans and advances to customers	**263,239**	**5,402**	**268,641**	**214,620**	**469**	**215,089**

Credit quality of loans and advances neither past due nor impaired

	2011 €' 000	2011 €' 000	2011 €' 000	2010 €' 000	2010 €' 000	2010 €' 000
Grades	Loans and advances to shipping corporations	Other loans and advances	Total	Loans and advances to shipping corporations	Other loans and advances	Total
Satisfactory	221,606	5,402	**227,008**	181,951	469	**182,420**
Watch list or substandard	9,613	-	**9,613**	22,161	-	**22,161**
Total	**231,219**	**5,402**	**236,621**	**204,112**	**469**	**204,581**

Two (2) loans renegotiated during the year 2011 totaled € 10,448 (four (4) loans in 2010 totaled € 22,465).
None of the loans renegotiated during 2011, at the time of renegotiation, was past due more than 90 days (one (1) loan of amount € 6,458 in 2010).

Bond portfolios

The tables below present an analysis of the Banks Bond portfolios, by rating agency designation at 31 December 2011 and 2010, based on Standard & Poor's ratings or their equivalent.

Bond portfolios as at 31.12.2011

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

Bond portfolios as at 31.12.2010

	Available For Sale	At Fair Value Through P&L	Held to Maturity	Total
AAA	9,403	-	-	**9,403**
A- to AA+	8,148	-	-	**8,148**
B- to BBB+	8,163	588	10,011	**18,762**
C- to CCC+	-	460	-	**460**
	25,714	**1,048**	**10,011**	**36,773**

4.3 Liquidity risk

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

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

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

For the Bank, the main resources which ensure liquidity are customer's deposits, interbank credit lines and ECB 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 31.12.2011

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

Contractual undiscounted cash outflow as at 31.12.2010

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Total
Due to banks	69,521	-	-	-	-	69,521
Due to customers	136,420	41,088	31,689	3,776	9,367	222,340
Derivatives financial instruments	2	-	-	-	-	2
Total on balance sheet	205,943	41,088	31,689	3,776	9,367	291,863
Off Balance sheet (Loan Commitments)	3,405	-	1,206	11,226	-	15,837
Total (On & Off Balance sheet)	209,348	41,088	32,895	15,002	9,367	307,700

From 21st of April 2010 Aegean Baltic Bank participates in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) in the amount of €40 million of a three-year time horizon (until 18.04.2013).

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 31.12.2011

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years	Non interest bearing	Total
ASSETS							
Cash and balances with central bank	7,027	-	-	-	-	657	**7,684**
Due from banks	29,547	-	-	-	-	7,247	**36,794**
Loans and advances to customers	107,890	145,944	13,185	5,788	-	(4,166)	**268,641**
Investment securities – available for sale	3,959	4,413	-	4,411	10,407	-	**23,190**
Investment securities – held to maturity	-	-	1,290	-	-	-	**1,290**
Financial assets - fair value through P&L	-	156	429	-	-	-	**585**
Other remaining assets	-	-	-	-	-	9,273	**9,273**
TOTAL ASSETS	148,423	150,513	14,904	10,199	10,407	13,011	**347,457**
LIABILITIES							
Due to banks	14,891	20,000	10,000	-	-	-	**44,891**
Due to customers	126,087	59,647	21,480	5,518	-	10	**212,742**
Other remaining liabilities	-	-	-	-	-	3,855	**3,855**
TOTAL LIABILITIES	140,978	79,647	31,480	5,518	-	3,865	**261,488**
Total interest sensitivity gap	**7,445**	**70,866**	**(16,576)**	**4,681**	**10,407**	**9,146**	**85,969**

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

Interest Rate Risk as at 31.12.2010

	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	4,541	-	-	-	-	366	**4,907**
Due from banks	115,458	-	-	-	-	5,174	**120,632**
Loans and advances to customers	79,979	141,233	5,445	(391)	(8,607)	(2,570)	**215,089**
Investment securities – available for sale	5,212	2,801	-	2,725	14,976	-	**25,714**
Investment securities – held to maturity	-	5,009	-	5,002	-	-	**10,011**
Financial assets - fair value through P&L	-	460	588	-	-	-	**1,048**
Other remaining assets	-	-	-	-	-	7,382	**7,382**
TOTAL ASSETS	205,190	149,503	6,033	7,336	6,369	10,352	**384,783**
LIABILITIES							
Due to banks	69,477	-	-	-	-	-	**69,477**
Due to customers	143,847	44,374	32,339	-	-	518	**221,078**
Other remaining liabilities	-	-	-	-	-	3,434	**3,434**
TOTAL LIABILITIES	213,324	44,374	32,339	-	-	3,952	**293,989**
Total interest sensitivity gap	**(8,134)**	**105,129**	**(26,306)**	**7,336**	**6,369**	**6,400**	**90,794**

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 2011 and 31 December 2010, respectively, is as follows:

Foreign exchange position as at 31.12.2011

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

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

Foreign exchange position as at 31.12.2010

(€' 000)	USD	EURO	Other	Total
ASSETS				
Cash and balances with central banks	50	4,834	23	4,907
Due from banks	23,809	96,679	144	120,632
Loans and advances to customers	191,925	23,164	-	215,089
Investment securities – available for sale	6,748	18,966	-	25,714
Investment securities – held to maturity	-	10,011	-	10,011
Financial assets at fair value through P&L	-	1,048	-	1,048
Other remaining assets	528	6,854	-	7,382
TOTAL ASSETS	223,060	161,556	167	384,783
LIABILITIES				
Due to banks	10,477	59,000	-	69,477
Due to customers	211,669	9,324	85	221,078
Other remaining liabilities	635	2,799	-	3,434
TOTAL LIABILITIES	222,781	71,123	85	293,989
Net balance sheet position	279	90,433	82	90,794
Off balance sheet net notional position	(292)	271	21	-
Total FX position	**(13)**	**90,704**	**103**	**90,794**

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 2011 and 2010:

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 except of the Greek Government Bonds eligible for the PSI (see note 14) .

Derivative Financial Instruments: All derivatives are recognized on the statement of financial position at fair value. All derivatives are non exchange traded contracts and their fair value is based on dealer quotes, pricing models, discounted cash flow analysis or quoted prices for instruments with similar characteristics.

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

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

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

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

	31.12.2011		31.12.2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS				
Cash and balances with central bank	7,684	7,684	4,907	4,907
Due from banks	36,794	36,794	120,632	120,632
Loans and advances to customers	268,641	268,641	215,089	215,089
Investment securities - available for sale	23,190	23,190	25,714	25,714
Investment securities - held to maturity	1,290	1,290	10,011	9,297
LIABILITIES				
Due to banks	44,891	44,891	69,477	69,477
Due to customers	212,742	212,742	221,078	221,078

4.6 Financial assets and liabilities measured at fair value

31 December 2011

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

31 December 2010

	Level-1	Level-2	Level-3	**Total**
ASSETS				
Investment securities – available for sale	25,553	161	-	**25,714**
Financial assets - fair value through P&L	1,048	-	-	**1,048**
Derivatives	-	2	-	**2**
TOTAL ASSETS	26,601	163	-	**26,764**
LIABILITIES				
Derivatives	-	1	-	**1**
TOTAL LIABILITIES	**-**	**1**	**-**	**1**

4.7 Capital adequacy

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

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

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

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

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

The capital adequacy ratio as at 31/12/2011 and 31/12/2010 is in compliance with Basel II regulatory framework according the standardized approach.

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

	2011 €' 000	2010 €' 000
Tier I capital		
Share capital	37,980	37,980
Share premium	50,182	50,194
Retained earnings	(919)	4,092
Statutory reserve	253	253
Available for sale reserve	(1,527)	(1,725)
	85,969	**90,794**
Regulatory adjustments on Tier I capital		
Available for sale reserve	1,527	1,725
Less: intangible assets	(253)	(354)
Total regulatory adjustments on Tier I capital	1,274	1,371
Total Tier I capital	**87,243**	**92,165**
Risk weighted assets		
Risk weighted assets (credit risk)	277,265	237,722
Risk weighted assets (market risk)	371	205
Risk weighted assets (operational risk)	18,396	18,860
Total risk weighted assets	**296,031**	**256,787**
Tier I ratio	**29.47%**	**35.89%**
Capital Adequacy ratio	**29.47%**	**35.89%**

It should be noted that the disclosure as regulatory requirement, regarding capital adequacy and risk management information, imposed by Bank of Greece Directive 2655/16.3.2012 in relation to Pillar III, will be updated at the internet site www.aegeanbalticbank.com upon its completion.

Note 5: Net interest income

	2011 €' 000	2010 €' 000
Interest and similar income		
Available for sale and held for trading securities	1,355	1,026
Interest due from banks	1,051	1,372
Interest from loans and advances to customers	10,410	9,746
Other	124	60
Total Interest and similar income	**12,940**	**12,204**
Interest expense and similar charges		
Interest due to customers	(4,413)	(3,120)
Interest due to banks	(370)	(244)
Total Interest expense and similar charges	**(4,783)**	**(3,364)**
Net interest income	**8,157**	**8,840**

Note 6: Net fee and commission income

	2011 €' 000	2010 €' 000
Fee and commission income		
Loan origination fees and commissions	1,370	1,456
Funds transfers	435	262
Other	69	42
Total Fee and commission income	**1,874**	**1,760**
Fee and commission expense		
Banks	(68)	(27)
Central Bank	(280)	(196)
Other	(146)	(177)
Total Fee and commission expense	**(494)**	**(400)**
Net fee and commission income	**1,380**	**1,360**

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 arranger, as an agent and as a participant to the loan.

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

The commissions received by the Bank and amortized over the life of the financial instrument with the effective interest rate method are for the year 2011 € 972 thousands (€ 684 thousands for 2010).

Note 7: Net trading income

	2011 €' 000	2010 €' 000
Foreign exchange contracts and derivatives	385	288
Net trading income	**385**	**288**

Note 8: Net result from sale of investment securities

	2011 €' 000	2010 €' 000
Net gain from sale of available for sale financial assets	93	-
Net result from sale of investment securities	**93**	**-**

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

	2011 €' 000	2010 €' 000
Profit (Loss) from valuation of financial assets at fair value through P & L	(463)	(114)
Gain (Loss) from sale of financial assets at fair value through P & L	15	468
Net result from financial instruments at fair value through profit or loss	**(448)**	**354**

Net result from financial instruments at fair value through profit or loss derives mainly from Government bonds transactions during 2010 and 2011.

Note 10: Personnel expenses

	2011 €' 000	**2010 €' 000**
Wages and salaries	(3,311)	(3,407)
Social security contributions	(524)	(509)
Defined contribution plans	(95)	(133)
Defined benefit plans (see Note 31)	(56)	(62)
Provisions for untaken leave	3	15
Other	(230)	(193)
Personnel expenses	**(4,213)**	**(4,289)**

The number of employees of the Bank at 31 December 2011 was 60 (53 as at 31 December 2010). The average number of employees for the period 1 January 2011 to 31 December 2011 was 58.

Note 11: General administrative expenses

	2011 €' 000	**2010 €' 000**
Rental expense for buildings	(366)	(379)
Rental expense for cars	(61)	(72)
Third party fees	(716)	(637)
IT expense	(346)	(341)
Telecommunication – mail expense	(103)	(95)
Promotion and advertising expense	(36)	(101)
Office material	(23)	(32)
Utilities	(78)	(78)
Taxes and duties	(249)	(256)
Maintenance and other related expenses	(50)	(47)
Publication expenses	(21)	(22)
Subscription expenses	(34)	(36)
Donations	(1)	(1)
Contributions	(60)	
Officers and directors insurance	(127)	(121)
Other general administrative expenses	(187)	(196)
General and administrative expenses	**(2,458)**	**(2,414)**

Note 12: Depreciation and amortization

	2011 €' 000	**2010 €' 000**
Property and equipment	(131)	(140)
Intangible assets	(135)	(157)
Depreciation and amortization	**(266)**	**(297)**

Note 13: Impairment losses on loans and advances

Impairment losses on loans and advances movement:

	2011 €' 000	2010 €' 000
Balance as at 1 January	**(2,327)**	**(3,079)**
Impairment losses on loans and advances for the year	(842)	(1,450)
Amounts recovered	342	726
Effect of foreign currency movements	(76)	(249)
Impairment losses on loans and advances charged in Income statement	**(576)**	**(973)**
Loans written off	**-**	**1,725**
Balance as at 31 December	**(2,903)**	**(2,327)**

Note 14: Impairment of Greek Government Bonds

The following table presents the impairment losses before tax recognized in the income statement for Greek government bonds due to the PSI.

	Nominal Amount	Carrying amount before Impairment	Impairment losses before tax	Carrying amount after Impairment
Greek Government Bonds categorized as Available for Sale	4,000	4,000	(2,960)	1,040
Greek Government Bonds categorized as Held to Maturity	5,000	5,001	(3,711)	1,290
Total impairment of Greek government bonds, before tax			**(6,671)**	

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

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

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

The Offer is considered as adjusting event after the reporting period in relation to the annual financial statements for the year ended 31 December 2011, because it provides evidence of conditions that existed at the end of the reporting period, and therefore, the Bank recognized an impairment loss in the annual financial statements of the year 2011.

The impairment loss comprised of (a) all losses previously recognized in OCI that were recycled in the income statement and (b) impairment charges for instruments classified as held-to-maturity equal to the difference between the carrying amount and the estimated recoverable amount. The recoverable amount was estimated based on the contractual cash flows, a discount rate of 12% and appropriate risk parameters.

Note 15: Income tax

	2011 €' 000	2010 €' 000
Income tax for the year	(459)	(570)
Tax settlement of previous years	(317)	(260)
One -off social responsibility tax	-	(75)
Deferred income tax	1,376	(249)
Income tax	**600**	**(1,154)**

The calculation of our income tax expense is as follows:

Profit before tax	**(4,610)**	**2,877**
Tax calculation at 20% (2010:24%)	922	(690)
Impact of tax change rate on Deferred Tax	(26)	(10)
Non tax deductible expenses	(76)	(94)
Tax settlement of previous Years	(317)	(260)
One -off social responsibility Tax	-	(75)
Other	97	(24)
Income tax	**600**	**(1,154)**

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

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

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

The Law 3943/2011 which was enacted in March 2011 provides that for the periods commencing from 1 January 2011 thereon, the nominal corporation tax rate is reduced to 20%. Based on the new tax rate, the Bank adjusted the deferred tax asset and liability amounts accordingly.

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

Upon the exchange of the eligible GGBs under the Offer, as described in Note 14, and in accordance with the law 4046/2012 voted specifically for the implementation of the PSI, any difference (loss) arising from the said exchange is considered deductible for tax purposes and is amortized in equal installments over the duration of the "New GGBs", instead of expensed in the year in which the exchange takes place and be part of the taxable losses of this year which have a 5 year utilization period, irrespective of the fact that they may not be held until maturity. The management decided to recognize the deferred tax asset of €1.33 million on the PSI losses.

Further information concerning deferred tax is presented in Note 26.

Note 16: Cash and balances with Central Bank

	2011	2010
	€' 000	€' 000
Cash in hand	657	366
Balance with central bank	7,027	4,541
Cash and balances with Central Bank	**7,684**	**4,907**

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

BoG requires all banks established in Greece to maintain deposits with BoG equal to 2% of total customer deposits as these are defined by the European Central Bank ("ECB"). As of 1 January 2001 these deposits bear interest at the refinancing rate as set by the ECB (1% at 31.12.2011 and 1% at 31.12.2010). It is at the Bank's discretion to withdraw the total amount of the balance with central bank under the condition that the average balance during the period (month) will not be less than the minimum required amount.

Note 17: Cash and cash equivalents

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

	2011	2010
	€' 000	€' 000
Cash on hand	657	366
Non-restricted placements with Central Bank.	4,627	4,541
Short-term balances due from banks	36,794	120,632
Cash and cash equivalents	**42,078**	**125,539**

Note 18: Due from banks

	2011	2010
	€' 000	€' 000
Current accounts	7,247	5,174
Money Market Placements	29,547	115,458
Due from banks	**36,794**	**120,632**

Note 19: Loans and advances to customers

	2011	2010
	€' 000	€' 000
Loans and advances to shipping corporations at amortized cost	263,239	214,620
Other loans and advances	5,402	469
Loans and advances to customers	**268,641**	**215,089**

Included within loans and advances to customers are loans € 91 million (€82 in 2010) that have been pledged as security for the participation of the Bank in the Greek Government's scheme for the promotion of liquidity in the Greek economy through the Banking system (Law 3723/2008) in the amount of €40 million of a three-year time horizon (until 18.04.2013).

Loans and advances to customers analyzed:

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

	Gross amount	Impairment allowance	Net amount
		Year 2010 €'000	
Loans and advances to shipping corporations at amortized cost	216,947	(2,327)	214,620
Other loans and advances	469	-	469
Loans and advances to customers	**217,416**	**(2,327)**	**215,089**

Note 20: Investment securities – Available for sale

Analysis per Issuer

	2011 €' 000	**2010** €' 000
Government	15,320	17,862
Banks – Financial institutions	6,455	6,598
Corporate	1,415	1,254
Investment securities – Available for sale	**23,190**	**25,714**

Analysis per Type

	2011 €' 000	**2010** €' 000
Dedt	21,704	24,222
Equity	1,486	1,492
Investment securities – Available for sale	**23,190**	**25,714**

Movement for the year:

Balance as 1 January	**25,714**	**10,417**
Additions	18,819	18,840
Disposals (Sales and redemption)	(18,898)	(3,101)
Profit (loss) from changes in fair value	332	(931)
Impairement provision (PSI)	(2,960)	-
Exchange differences	183	489
Balance as 31 December	**23,190**	**25,714**

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

Included within Investment securities – Available for sale are Government bonds of nominal value € 18 million (€4 million at 31/12/2010) that have been pledged as security for ECB funding purposes. The related liability referred to those bonds (funding from ECB) amounted to €15.5 million at 31/12/2011 (€2.6 million at 31/12/2010).

Note 21: Investment securities – Held to maturity

Analysis per Issuer

	2011 €' 000	2010 €' 000
Greek Government	1,290	10,011
Investment securities – Held to maturity	**1,290**	**10,011**

All Held to maturity securities are listed debt securities.

Movement for the year:

Balance as 1 January	**10,011**	**7,003**
Additions	-	5,050
Disposals (Matured)	(5,000)	(2,000)
Other (discount amortization)	(10)	(42)
Impairement provision (PSI)	(3,711)	-
Balance as 31 December	**1,290**	**10,011**

Included within Investment securities – Held to maturity are Government bonds of nominal value € 5 million (€10 million at 31/12/2010) that have been pledged as security for ECB funding purposes. The related liability referred to those bonds (funding from ECB) amounted to €1.6 million at 31/12/2011 (€8.9 million at 31/12/2010).

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

	2011 €' 000	2010 €' 000
Balance as at 1 January	**1,048**	**1,162**
Additions	1,267	41,000
Disposals (Sales and redemption)	(1,267)	(41,000)
Profit (loss) from changes in fair value	(463)	(114)
Balance as at 31 December	**585**	**1,048**

Analysis per Type

	2011 €' 000	2010 €' 000
Dedt	279	725
Equity	306	323
Financial assets at fair value through P&L	**585**	**1,048**

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

Note 23: Derivative financial instruments

	31.12.2011			**31.12.2010**		
	Nominal value	**Fair value**		Nominal value	Fair value	
		Assets	**Liabilities**		Assets	Liabilities
FX forwards	61,437	15	975	101	1	1
Interest rate swaps	490	-	-	1,540	1	-
Derivative financial instruments	**61,927**	**15**	**975**	**1,641**	**2**	**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 24: Intangible assets

	2011	2010
Cost:	€' 000	€' 000
Opening balance as at 1 January	1,724	1,426
Additions	34	298
Closing balance as at 31 December	**1,758**	**1,724**
Accumulated amortization:		
Opening balance as at 1 January	1,370	1,213
Amortization	135	157
Closing balance as at 31 December	**1,505**	**1,370**
Net book value:		
Opening net book value as at 1 January	**354**	**213**
Closing net book value as of 31 December	**253**	**354**

Intangible assets include only software.

Note 25: Property and equipment

Property and equipment as at 31.12.2011

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

Property and equipment as at 31.12.2010

	Leasehold improvements	Motor vehicles	Furniture and other equipment	IT equipment	**Total**
Cost:					
Opening balance as at 1 January 2010	397	15	470	658	1,540
Additions	48	-	26	33	108
Disposals	-	-	-	-	-
Closing balance as at 31 December.2010	**445**	**15**	**496**	**691**	**1,648**
Accumulated depreciation:					
Opening balance as at 1 January 2010	52	4	299	577	932
Depreciation	36	2	52	50	140
Disposals	-	-	-	-	-
Closing balance as at 31 December 2010	**88**	**6**	**351**	**627**	**1,072**
Net book value:					
Closing net book value as at 31 December 2010	**357**	**9**	**145**	**64**	**577**

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

Note 26: Deferred tax assets

	2011 €' 000	2010 €' 000
Deferred tax assets		
Write-offs and amortization of intangible assets	(2)	19
Loans and advances to customers	253	190
Defined benefits obligations	108	111
Derivatives and financial instruments	851	730
Greek Government Bonds (PSI)	1,334	-
Other temporary differences	67	130
Total Deferred tax assets	**2,611**	**1,180**
Deferred tax liabilities		
Loans and advances to customers	1,182	981
Total Deferred tax liabilities	**1,182**	**981**
Net deferred tax assets	**1,429**	**199**

Movement of temporary differences during the year:

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

Movement of 2010	Balance as at 1/1/2010	Deferred tax charge in the income statement 2010	Deferred tax through equity 2010	Balance as at 31/12/2010
Write-offs and amortization of intangible assets	46	(23)	(4)	19
Loans and advances to customers	(530)	(261)	-	(791)
Defined benefits obligations	102	9	-	111
Derivatives and financial instruments	511	18	201	730
Other temporary differences	122	8	-	130
Total	**251**	**(249)**	**197**	**199**

Note 27: Other assets

	2011 €' 000	2010 €' 000
Accrued income (Interest and Commissions)	1,338	1,268
Prepaid expenses	301	318
Greek Deposit Guarantee Fund	4,790	3,655
Other	645	1,009
Other assets	**7,074**	**6,250**

Greek Deposit Guarantee Fund

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

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

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

Note 28: Due to banks

	2011	2010
	€' 000	€' 000
Term deposits due to credit institutions	14,891	49,477
Amounts due to ECB	30,000	20,000
Due to banks	**44,891**	**69,477**

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

Note 29: Due to customers

	2011	2010
	€' 000	€' 000
Sight deposits	48,827	49,641
Term deposits	163,905	171,370
Other	10	67
Due to customers	**212,742**	**221,078**

Due to customers include blocked deposits of:

	2011	2010
	€' 000	€' 000
Blocked deposits for the issuance of Guarantee Letters	6,248	1,422
Blocked deposits for loans granted	26,800	12,147
Total	**33,048**	**13,569**

The only main concentration relates to deposits of five (5) customers that represent approximately 39% of the amounts due to customers (€ 82 million out of € 213 million). In 2010 three (3) customers represent approximately 36% of the amounts due to customers (€ 79 million out of € 221 million).

Note 30: Other liabilities

	2011	2010
	€' 000	€' 000
Accrued interest payable	726	697
Taxes – duties (other than income tax)	195	465
Amounts due to social security funds	125	110
Accrued expenses and deferred income	373	583
Suppliers	76	92
Greek Deposit Guarantee Fund	687	828
Other	166	182
Other liabilities	**2,348**	**2,957**

Note 31: Retirement benefit obligations

Defined benefit plans

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

The amount differs according to the salary of the employees and the years of their employment up to the date of retirement. In the event that an employee voluntarily leaves, there is no similar liability. This one-off payment meets the definition of a defined benefit plan and at 31 December 2011 the present value of the liability amounted to € 532 thousand (2010 € 476 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.

	2011	2010
	€’ 000	€’ 000
The amounts recognized in the balance sheet are determined as follows:		
Present value of obligations	578	490
Unrecognized actuarial gains (losses)	(46)	(14)
Retirement benefit obligations	**532**	**476**
The amounts recognized in the Income Statement are as follows:		
Current service cost	35	39
Financial cost	21	20
Amortization of Unrecognized Net (Gain)/Loss	-	2
Total, included in personnel expenses	**56**	**61**
The movement in the liability as recognized in the Balance Sheet is as follows:		
Opening balance	**476**	**415**
Benefits paid directly	-	-
Total expenses recognized in the Income Statement	56	61
Balance at the end of the year	**532**	**476**
The movement in the defined benefit obligations is as follows:		
Opening balance	**490**	**492**
Service cost	35	39
Interest cost	21	20
Benefits paid directly	-	-
Extra Payments or Expense/ (Income)	-	-
Actuarial Loss / (Gain)	32	(61)
Balance at the end of the year	**578**	**490**
The main actuarial assumptions used are as follows:		
Discount rate at 31 December	5.10%	5.39%
Future increase of salaries	3.50%	3.50%
Average future working life	**14.22**	**14.48**

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

	2011	2010	2009	2008	2007	2006	2005
	€’ 000	€’ 000	€’ 000	€’ 000	€’ 000	€’ 000	€’ 000
Present value of obligations	578	490	492	391	353	306	268
Unrecognized actuarial gains (losses)	(46)	(14)	(77)	(28)	(32)	(32)	(42)
Total obligation	**532**	**476**	**415**	**363**	**321**	**274**	**226**

Note 32: Share capital

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

	31.12.2011			31.12.2010		
	Number of Shares	**Nominal Value**	**Share Capital**	**Number of Shares**	**Nominal Value**	**Share Capital**
Opening balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000
Issue of new shares	-	-	-	-	-	-
Closing balance	2,110,000	18	37,980,000	2,110,000	18	37,980,000

Note 33: Share premium

	2011	**2010**
	€' 000	€' 000
Share premium	50,513	50,513
Less: Share capital issue related expenses (Net of tax)	(331)	(319)
Share premium	**50,182**	**50,194**

Movements in share premium account under "Share capital issue related expenses (net of tax)" relate to deferred taxes due to changes in tax rates in 2011.

Note 34: Reserves

	2011	**2010**
	€' 000	€' 000
Statutory reserve	253	253
Valuation of available for sale portfolio	(1,909)	(2,240)
Deferred tax on valuation of AFS portfolio	382	515
Reserves	**(1,274)**	**(1,472)**

Movement of Reserves

Opening Balance	**(1,472)**	**(820)**
Statutory reserve	-	78
Valuation of available for sale portfolio	332	(931)
Deferred tax on valuation of AFS portfolio	(134)	201
Net change in Fair value	**198**	**(730)**
Closing Balance	**(1,274)**	**(1,472)**

Note 35: Retained earnings

	2011	**2010**
	€' 000	€' 000
Opening balance	**4,092**	**2,447**
Dividents	(1,000)	-
Statutory reserve for the year	-	(78)
(Loss) / Profit for the year	(4,010)	1,723
Closing balance	**(919)**	**4,092**

Note 36: Contingent liabilities and commitments

Legal issues

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

Tax issues

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

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

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

Capital commitments

	2011 €' 000	2010 €' 000
Unused credit facilities	27,927	15,837
Financial guarantees written	6,240	1,422
Total	**34,167**	**17,259**

Operating lease commitments

Operating leases

The Bank has liabilities from the lease of its central building, its branch in Piraeus and company cars that it uses.
The duration of the lease contract is 12 years for the buildings, and 4 to 6 years for the company cars.
The rents are usually subject to annual adjustments due to inflation. It is the Bank's policy to renew these contracts.
The rent expenses concerning the buildings amounted to € 366 thousand for 2011 (€ 379 thousand for 2010).
The lease agreement for the Maroussi building was successfully renegotiated in April 2011 to considerably lower levels.

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

	2011 €' 000	2010 €' 000
No later than 1 year	402	403
Later than 1 year and no later than 5 years	1,462	1,479
Later than 5 years	1,818	1,818
Total	**3,682**	**3,700**

Syndicated Loans

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

	2011 €' 000	2010 €' 000
Participation of other banks in draw downed syndicated loans.	1,040,891	1,027,617
AB-Bank's participation in draw down syndicated loans.	48,684	52,510
Total amount of draw downed syndicated loans.	**1,089,575**	**1,080,127**
		.
Other banks participation in unused credit facilities of syndicated loans.	53,455	118,742
AB-Bank's participation in unused credit facilities of syndicated loans.	1,805	3,919
Total amount of undrawn syndicated loans.	**55,260**	**122,661**
Total amount of syndicated loans administrated with the participation of AB-Bank.	**1,144,835**	**1,202,788**

Note 37: Events after the reporting period

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

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

- 53,5% haircut on the nominal value of the eligible GGBs
- Receipt of EFSF bonds with total nominal value 15% of the nominal amount of the exchanged bonds, half of which mature in 12 months and half in 24 months.
- Receipt of new bonds (the "New GGBs") with the following characteristics:
    - Issuer: Hellenic Republic
    - Nominal value: 31,5% of the nominal amount of the exchanged bonds
    - Payment of principal: 20 separate bonds with staggered bullet maturities of between 11 and 30 years
    - Coupon rate: 2.0% per annum for payment dates in 2013 - 2015, 3.0% per annum for payment dates in 2016 - 2020, 3.65% per annum for payment date 2021 and 4.3% per annum for payment dates in 2022 and thereafter.
    - Receipt of detachable GDP-linked securities issued by the Hellenic Republic (the "GDP-linked Securities") traded in the market with a notional amount equal to the face amount of the New GGBs received. The GDP-linked Securities will provide for annual payments beginning in 2015 of an amount of up to 1% of their notional amount in the event the Hellenic Republic's nominal GDP exceeds a defined threshold and the Hellenic Republic has positive GDP growth in real terms in excess of specified targets.
    - Any accrued and unpaid interest (including additional amounts, if any) on the exchanged bonds will be paid with 6-month securities issued by the EFSF.
    - The New GGBs and the GDP-linked Securities will be governed by English law and will be ranked pari passu with all other borrowed monies of the Hellenic Republic

The Offer is considered as adjusting event after the reporting period in relation to the annual financial statements for the year ended 31 December 2011, because it provides evidence of conditions that existed at the end of the reporting period, and therefore, the Bank recognized an impairment loss in the annual financial statements of the year 2011.

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

Note 38: Related party transactions

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

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

Affiliates

	31.12.2011 €' 000	31.12.2010 €' 000
Assets		
Due from banks	-	-
Derivative financial instruments	-	-
Loans and advances to customers	18	27
Total assets	**18**	**27**
Liabilities		
Derivative financial instruments	-	-
Due to customers	222	194
Total liabilities	**222**	**194**
Income		
Interest and similar income	1	1
Net trading income	-	-
Total income	**1**	**1**
Expenses		
Interest expense and similar charges	2	1
Fees and commission expense	-	3
Total expenses	**2**	**4**

Remuneration, Short Term employee and post employment benefits of the Board of Directors (BoD) members and General Managers, charged to the Income statement, summarized as follows:

	2011 €' 000	2010 €' 000
Remuneration	1,373	1,313
Short Term employee and post employment benefits	130	126
Total	**1,503**	**1,439**

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

Note 39: Independent auditor's fees

Deloitte Hadjipavlou Sofianos & Cambanis S.A. is our independent public accountant for the year ended 31 December 2011. The following table presents the fees for professional audit and other services rendered.

	2011 €' 000	2010 €' 000
Audit fees	78	78
Audit-related fees	27	26
Total	**105**	**104**