ALPHA BANK

**ALPHA GROUP JERSEY LIMITED**

# ANNUAL REPORT & FINANCIAL STATEMENTS

**31-Dec-17**

**ALPHA GROUP JERSEY LIMITED**
**DIRECTORS' REPORT AND FINANCIAL STATEMENTS**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

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**Directors**
Lindsay Mackay
Nigel Day
Stephen Langan
Stephen Tryner

**Secretary**
Intertrust SPV Services Limited

**Registered Office**
44 Esplanade
St Helier
Jersey
JE4 9WG

**Independent Auditor**
Deloitte LLP
London

**ALPHA GROUP JERSEY LIMITED**
**DIRECTORS' REPORT**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The directors of Alpha Group Jersey Limited (the “Company”) present their annual report together with the audited financial statements for the year ended 31 December 2017.

**Incorporation**

The Company was incorporated in Jersey, Channel Islands as a public company on 21 November 2002.

**Principal activities**

The principal activity of the Company is the provision of financing to Alpha Bank AE (the "Parent" or "Alpha Bank") and its consolidated subsidiaries (together "the Group"). All debt instruments issued by the Company are guaranteed by the Parent.

The Company further proposes to issue from time to time, and Alpha Bank A.E. proposes to guarantee, U.S. Senior Medium-Term Notes and U.S. Subordinated Medium-Term Notes (the "Notes") in an aggregate principal amount of up to US$7,500,000,000, pursuant to a senior indenture and subordinate indenture dated as of 7 May 2008 the details of which can be found in the base prospectus on the Alpha Bank AE investor relations internet website (www.alpha.gr). No further Notes have been issued during the year or since the inception of this programme.

**Results**

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union. The Company elected to adopt IFRS9 in the financial statements for the year ended 31 December 2017 and the comparatives for the prior year have been restated. Note 1 provides information concerning this standard and note 7 shows the impact on the balance sheet and reserves of adopting IFRS9.

The statement of comprehensive income for the year is set out on page 10.

The Board decided not to declare a dividend on the preferred securities payable in February 2017, which the Company was entitled to do under the terms of the issue. At the same time, Alpha Bank A.E. notified the Company that it decided in its sole discretion to cancel interest payments due on the Subordinated Loan.

**Dividend**

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2017 (2016 - Nil).

**Business strategy, business environment and future outlook**

The Company’s business strategy and activities are linked to those of its Parent. The Company, in order for it to pay interest on its debt instruments and repay debt on maturity, is dependent on Alpha Bank A.E., to pay interest on loans made to it on the due dates and to repay loans made to it on their maturity. The terms of the loan to Alpha Bank AE are such that the borrower has the discretion to pay interest due. See note 12 regarding post balance sheet events relating to the payment of interest receivable and payable.

**Business environment in Greece**

The Greek economy is on a recovery path, with soft and hard data evidencing an upturn in economic activity in 2017, supported by a benign external environment. Real GDP increased by 1.4% in 2017, driven mainly by investment, with economic environment and financial conditions evolving better than anticipated.

Greece returned to the capital markets with relatively favorable terms and prospects, as demonstrated by the upgrade of the country's rating by the international rating agencies. Short term developments point towards a shift to higher growth rates in 2018-2019, as real GDP is expected to pick up at above 2% annually in the coming two years. The current account was almost balanced in 2017 as a result of strong tourism revenues (+10.5%), while on the contrary, despite the significant increase of exports of goods by 14.1% the trade deficit widened. The primary surplus of the general government in 2017 is expected to reach 2.4% of GDP, higher than the target of 1.75%. This overachievement is taking place for a second consecutive year, while the target for a primary surplus of 3.5% of GDP in 2018 is considered within reach.

**Impact of the business environment on Alpha Bank A.E. Group**

During the year Alpha Bank continued to strengthen its balance sheet and improving profitability over 2016 levels. The Group further reduced its reliance on funding from the Eurosystem Emergency Liquidity Assistance program (ELA) whilst simultaneously taking steps to further de-risk its balance sheet. The Group disposed of €400m of non-performing loans in Romania and a portfolio of €3.7bn of non-performing Greek retail loans. Further detail on the Group results can be found at www.alpha.gr

The full year saw Alpha Bank return profit after tax on continuing operations of €89.5m vs. €19.5m in 2016. Net interest income for the year was €1,942.6m, an increase of 1% year on year, whilst commissions and fee income increased by 1.8% to €323.5m. Recurring operating expenses were reduced by 0.4% to €1,104m. The changes in income and expenses pushed the Group's cost:income ratio down to 47.6% vs. 48.2% in the prior year. The capital base was further strengthened with Common Equity Tier 1 ratio up to 18.3% from 17.1%.

Alpha Bank issued its annual report for the year ended 31 December 2017 where the auditor's report was unqualified and there was no 'emphasis of matter' noted. In the prior year, the Group auditor had included an 'emphasis of matter' within their report, primarily relating to the uncertainty around the Greek economy and the negotiations between the Hellenic Republic and the European Commission, the European Central Bank and the International Monetary Fund.

**Going concern principle**

The Directors note that the Company's operating expenditure increased during 2017 and that the Company has sufficient liquid resources to only cover approximately 12 months expenditure, assuming future expenditure is at a similar level. The Parent Company will provide the financial resources to cover ongoing operating expenditure, as and when required. The Directors note that interest payments and distributions paid by the preferred securities are not considered as operational costs (note 6).

The Parent has reported increasing operating income and increasing pre-provision income for the full years of 2016 and 2017 and will continue to improve its financial position.
Taking into consideration the improving economic situation in Greece and of the Parent, the support offered by the Parent Company (see note 6) and the fact that preferred securities are guaranteed by the Parent, the Directors are of the opinion that the conditions for the going concern principle to apply to the Company are currently being met and accordingly the financial statements have been prepared on the going concern basis.

**Corporate governance**

The Directors and management continue to promote and maintain a sound system of corporate governance in compliance with applicable regulatory requirements.

**Directors**

The following persons served as directors of the Company during the financial year and up to the date of approving these financial statements. None of the directors had any interest in the share capital or debt issued by the Company.

John Coxon (resigned 5 June 2017)
Lindsay Mackay
Nigel Day
Peter Gatehouse (resigned 2 November 2017)
Stephen Langan (appointed 20 January 2017)
Stephen Tryner (appointed 5 June 2017)

**Secretary**

The Secretary who held office during the year and to the date when these financial statements were approved is as follows:

Intertrust SPV Services Limited

**Directors' responsibility regarding disclosure of information to auditors**

The Directors who held office at the date of approval of this directors' report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that he or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**Independent Auditor**

Following a tender process for the audit of Alpha Bank A.E. and its subsidiaries that took place in 2017, it was recommended that Deloitte LLP be appointed as auditors for Alpha Bank Group entities effective for periods beginning on or after 1 January 2017 in replacement of KPMG LLP.

By order of the board

| | |
|---|---|
| | 2 July 2018 |
| Secretary | Date |

**ALPHA GROUP JERSEY LIMITED**
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

The Directors are responsible for preparing the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with Companies (Jersey) Law 1991. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

For and on behalf of the Board of Directors of the Company

Director:

Date: 2 July 2018

**ALPHA GROUP JERSEY LIMITED**
**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA GROUP JERSEY LTD**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

## Report on the audit of the financial statements

**Opinion**

**In our opinion the financial statements:**

- **give a true and fair view of the state of the company's affairs as at 31 December 2017 and of its loss for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) [as adopted by the European Union; and**
- **have been properly prepared in accordance with Companies (Jersey) Law, 1991.**

We have audited the financial statements of Alpha Group Jersey Limited (the 'company') which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and IFRSs as adopted by the European Union.

**Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Summary of our audit approach**

| | |
|---|---|
| **Key audit matters** | The key audit matters that we identified in the current year were:<br>· The early adoption of IFRS 9 Financial Instruments ("IFRS 9"); and<br>· The valuation of level 3 financial instruments |
| **Materiality** | The materiality that we used for the financial statements was €43k which was determined on the value of loans. |
| **Scoping** | All of the work to respond to the risks of material misstatement was performed directly by the audit engagement team. We performed out scoping on the basis of whether we determined the balance to be material, whether quantitatively or qualitatively. |

**Conclusions relating to going concern**

| | |
|---|---|
| We are required by ISAs (UK) to report in respect of the following matters where:<br>• the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or<br>• the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue. | **We have nothing to report in respect of these matters.** |

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**The Adoption of IFRS 9**

| | |
|---|---|
| **Key audit matter description** | As disclosed in Note 1, the company elected to early adopt IFRS 9 on 1 January 2017. The company also elected to restate its comparatives.<br><br>Our audit focused on the company's assessment of the impact of IFRS 9.<br><br>The assessment requires management to assess the contractual features of the financial instruments of the Company and determine the classification and measurement criteria that should be applied under IFRS 9, and the consequent impact on the financial results of the Company. The Company's principal financial instruments are a loan asset and preferred securities. |
| **How the scope of our audit responded to the key audit matter** | To scope our audit and respond to the key audit matter, we have:<br>· obtained management's IFRS 9 impact assessment;<br>· evaluated management's assessment in line with the requirements of IFRS 9 and the contractual terms of the loan asset and preferred securities; and<br>· in particular, we reviewed the assessment of the impact on the results of the Company as a result of the transition from IAS 39 Financial Instruments: Recognition and Measurement ('IAS 39') |
| **Key observations** | From the work performed, we concur with management's IFRS 9 assessment and the application to the financial statements. |

**The valuation of level 3 financial instruments**

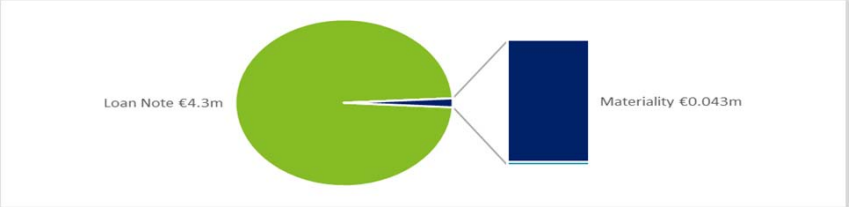
| | |
|---|---|
| **Key audit matter description** | The valuation of the Company's level 3 financial instruments is a key audit matter given these are the principal financial instruments of the Company and because of the the inherent subjectivity when determining fair values. Due to the adoption of IFRS 9 and the election to restate comparatives, management's fair value assessment has been performed as at 31 December 2017, 31 December 2016 and the IFRS 9 transition date of 1 January 2016.<br>As at each date the loan assets are valued at €4.3m (31 December 2017), €3.1m (31 December 2016) and €8.7m (1 January 2016); and the preferred securities are valued at €4.3m (31 December 2017), €3.1m (31 December 2016) and €8.7m (1 January 2016).<br>In general, there is a lack of comparable market transactions to the Company's financial instruments and therefore a lack of observability to determine fair values.<br><br>Due to the lack of observability of prices, we determined that there was a potential risk of fraud in determining these values. |
| **How the scope of our audit responded to the key audit matter** | To scope our audit and respond to the key audit matter, we have:<br>· tested the design and implementation of key controls relating to the valuations; and<br>· tested management's methodology for determining the valuations.<br>Management apply Bloomberg pricing to determine the valuation of the preferred securities and given the nature of the structure infer a similar price for the loan assets.<br><br>In the context of observed industry practice, our own valuation specialists assisted us in challenging the appropriateness of the methodology used in calculating the fair values of the loan asset and preferred securities.<br><br>Given the lack of observability in trades for these instruments these have been classified as level 3 of the fair value hierachy under IFRS 13: Fair value measurement. |
| **Key observations** | From the work performed, we concur with management's valuation and classification conclusions. |

**Our application of materiality**

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

| | |
|---|---|
| **Materiality** | € 43,129 |
| **Basis for determining materiality** | 1% of the Loan Note |
| **Rationale for the benchmark applied** | The key element of Alpha Group Jersey's financial statements is the Loan Asset as it drives the key income statement balances. It also comprises the majority of the total asset balance (approximately 97%). |




**An overview of the scope of our audit**

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. The audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

**Other information**

| | |
|---|---|
| The directors are responsible for the other information. The other information comprises the information included in the annual report including the Strategic Report, the Directors Report and the Director's Responsibility Statement, other than the financial statements and our auditor's report thereon.<br><br>Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.<br><br>In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.<br><br>If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. | ***We have nothing to report in respect of these matters.*** |

**Responsibilities of directors**

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

**Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

**Use of our report**

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Report on other legal and regulatory requirements**

**Matters on which we are required to report by exception**

Adequacy of explanations received and accounting records

| | |
|---|---|
| Under the Companies (Jersey) Law, 1991 we are required to report to you if, in our opinion:<br>• we have not received all the information and explanations we require for our audit; or<br>• proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or<br>• the financial statements are not in agreement with the accounting records and returns. | ***We have nothing to report in respect of these matters.*** |

Mark Rhys (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
2 July 2018

**ALPHA GROUP JERSEY LIMITED**
**STATEMENT OF COMPREHENSIVE INCOME**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Notes | 2017 € | Restated 2016 € |
|---|---|---|---|
| Fair value gains / (losses) from valuation of loans and receivables | 3 | 1,204,505 | (4,662,600) |
| Fair value (losses) / gains from valuation of preferred securities | 6 | (1,204,505) | 4,662,600 |
| (Loss) / profit on foreign currency transactions | | (1,282) | (5,643) |
| Legal and professional fees | 2 | (81,677) | (73,574) |
| **Loss for the year** | | (82,959) | (79,217) |
| **Other comprehensive income** | | - | - |
| **Total comprehensive loss for the year** | | (82,959) | (79,217) |

Continuing activities: all the items dealt with in arriving at the loss for the year relate to continuing activities.

Following the adoption of IFRS9, prior year comparatives have been restated. See note 7.

The notes on pages 14 to 26 form part of these audited financial statements

**ALPHA GROUP JERSEY LIMITED**
**STATEMENT OF FINANCIAL POSITION**
**AS AT 31 DECEMBER 2017**

| | Notes | 31/12/17 € | Restated 31/12/16 € | Restated 1/1/16 € |
|---|---|---|---|---|
| **Assets** | | | | |
| **Non-Current Assets** | | | | |
| Loans and receivables measured at FVTPL | 3,7 | 4,312,905 | 3,108,400 | 8,754,000 |
| | | 4,312,905 | 3,108,400 | 8,754,000 |
| **Current Assets** | | | | |
| Prepaid expenses | | - | 7,884 | 9,197 |
| Cash and cash equivalents | 4 | 119,802 | 189,667 | 270,455 |
| | | 119,802 | 197,551 | 279,652 |
| **Total Assets** | | 4,432,707 | 3,305,951 | 9,033,652 |
| **Equity** | | | | |
| Issued share capital | 5 | 20,000 | 20,000 | 20,000 |
| Retained earnings | 7 | 78,332 | 161,291 | 240,508 |
| **Total equity attributable to equity holders of the Company** | | 98,332 | 181,291 | 260,508 |
| **Liabilities** | | | | |
| **Non-Current Liabilities** | | | | |
| Preferred securities | 6,7 | 4,312,905 | 3,108,400 | 8,754,000 |
| | | 4,312,905 | 3,108,400 | 8,754,000 |
| **Current Liabilities** | | | | |
| Other payables | | 21,470 | 16,260 | 19,144 |
| | | 21,470 | 16,260 | 19,144 |
| **Total Equity and Liabilities** | | 4,432,707 | 3,305,951 | 9,033,652 |

Following the adoption of IFRS9, prior year comparatives have been restated. See note 7.

The financial statements on pages 10 to 26 were approved and authorised for issue by the Board of Directors on 2 July 2018 and signed on its behalf by:

..... Director

The notes on pages 14 to 25 form part of these audited financial statements

**ALPHA GROUP JERSEY LIMITED**
**STATEMENT OF CASH FLOWS**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

| | Note | 2017 € | Restated 2016 € |
|---|---|---|---|
| **Cashflows from operating activities** | | | |
| Loss for the year | | (82,959) | (79,217) |
| Adjustments for: | | | |
| Fair value (gains) / losses from valuation of loans and receivables | 3 | (1,204,505) | 4,662,600 |
| Fair value losses / (gains) from valuation of preferred securities | 6 | 1,204,505 | (4,662,600) |
| Decrease in prepaid expenses | | 7,884 | 1,313 |
| Increase / (decrease) in other payable | | 5,210 | (2,884) |
| **Net cash flows used in operating activities** | | (69,865) | (80,788) |
| Net (decrease) in cash and cash equivalents | | (69,865) | (80,788) |
| **Cash and cash equivalents at 1 January** | | 189,667 | 270,455 |
| **Cash and cash equivalents at 31 December** | 4 | 119,802 | 189,667 |

Following the adoption of IFRS9, prior year comparatives have been restated. See note 7.

The notes on pages 14 to 26 form part of these audited financial statements

**ALPHA GROUP JERSEY LIMITED**
**STATEMENT OF CHANGES IN EQUITY**
**FOR THE YEAR ENDED 31 DECEMBER 2017**

| | | Share Capital<br>€ | Retained earnings<br>€ | Total<br>€ |
|---|---|---|---|---|
| Balance at 1 January 2017 | Note 7 | 20,000 | 161,291 | 181,291 |
| Total comprehensive loss for the year | | - | (82,959) | (82,959) |
| Balance at 31 December 2017 | | 20,000 | 78,332 | 98,332 |

| | | Share Capital<br>€ | Retained earnings<br>€ | Total<br>€ |
|---|---|---|---|---|
| Balance at 31 December 2015 | | 20,000 | 240,616 | 260,616 |
| Impact of IFRS9 Application | | - | (108) | (108) |
| Balance at 1 January 2016 restated | Note 7 | 20,000 | 240,508 | 260,508 |
| Total comprehensive loss for the year | | - | (79,217) | (79,217) |
| Balance at 31 December 2016 | | 20,000 | 161,291 | 181,291 |

Following the adoption of IFRS9, prior year comparatives have been restated. See note 7.

The notes on pages 14 to 26 form part of these audited financial statements

## 1. Accounting policies

***Basis of presentation***

The financial statements of Alpha Group Jersey Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, for the year ended 31 December 2017. They are presented in Euros, and are prepared on the historical cost basis apart from the loans and receivables and preferred securities which are carried at fair value through profit and loss.

***Adoption of IFRS9***

On 24 July 2014, the International Accounting Standards Board published IFRS 9: Financial Instruments, which replaces the existing IAS 39. The new standard provides for significant differentiations in the classification and measurement of financial instruments as well as in hedge accounting.

IFRS9 is mandatory for annual periods beginning on or after 1 January 2018 but companies may elect to adopt the standard at an earlier date. The Company elected to early adopt IFRS9 as of 1 January 2017 and has also elected to restate comparatives.

The principal new requirements of IFRS9 are:

Classification and measurement

Financial instruments shall be classified, at initial recognition, at either amortised cost or at fair value. The criteria that should be considered for the initial classification of the financial assets are the following:

I. The entity's business model for managing the financial assets. Three categories of business models are defined;
-Hold to collect contractual cash flows
-Hold to collect and sell
-Other; and

II. The contractual cash flow characteristics of the financial assets.

In addition, IFRS 9 permits, at initial recognition, equity instruments to be classified at fair value through other comprehensive income. The option precludes equity instruments held for trading. Moreover, with regards to embedded derivatives, if the hybrid contract contains a host that is within the scope of IFRS 9, the embedded derivative shall not be separated and the accounting treatment of the hybrid contract should be based on the above requirements for the classification of the financial instruments.

A financial asset shall be measured at amortized cost if both of the following conditions are met:
• the instrument is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and
• the contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest (SPPI) on the principal amount outstanding.
If an instrument meets the above criteria but is held with the objective of both selling and collecting contractual cash flows it shall be classified as measured at fair value through other comprehensive income.
Financial assets that are not included in any of the above two categories are mandatorily measured at fair value though profit or loss.

With regard to the financial liabilities, the main difference is that the change in the fair value of a financial liability initially designated at fair value through profit or loss shall be recognised in profit or loss with the exception of the effect of change in the liability's credit risk which shall be recognised directly in other comprehensive income. Prior to the adoption of IFRS9, the financial liabilites were recognised at amortised cost with the result that only effective interest payable was reflected in the profit and loss.

*Impairment*

Contrary to the existing IAS 39, under which an entity recognises only incurred credit losses, the new standard requires the recognition of expected credit losses. In particular, on initial recognition of an asset, 12-month expected credit losses are recognised. However, where the credit risk of the issuers has increased significantly since initial recognition, lifetime expected credit losses are recognised.

**Summary of the financial statements impact of application of IFRS9 to the Company**

**Classification and measurement**

The loan notes and perpetual preferred securities have been reclassified as a financial instrument at fair value through profit and loss and as a financial liability at fair value through profit and loss respectively and are both therefore now carried at fair value, rather than at amortised cost. Prior to the adoption of IFRS9 , the loan notes were carried at amortised cost of €14,528,479 as at 31 December 2016, whilst the preferred securities were carried at an amortised cost of €14,528,390 as at the same date.
The Company considered the contractual characteristics of the loan notes and as the assets do not meet the SPPI test, the loan notes are therefore measured at fair value through profit and loss.

The Company also considered the contractual terms of the preferred securities and elected that in order to avoid an accounting mis-match (between treatment of the loan notes and the preferred securities) designated the preferred securites at fair value through profit and loss.

Furthermore the Company has restated the 2016 comparative for both assets and liabilities. Note 7 shows a reconciliation of the balance sheet of 31 December 2015 to 1 January 2016. The carrying value of assets and liabilites has changed by materially the same amount and there is therefore a minimal impact to retained earnings as a result.

**1. Accounting policies (continued)**

***Going Concern***

As the principal activity of the Company is to raise finance for the Parent, by the provision of a loan, the Company is wholly dependent on its Parent to make the payments on the amounts it has borrowed in order to satisfy its obligations to the owners of the preferred securities, which are guaranteed by the Parent (note 6).

Despite the positive developments set out in the directors' report on page 3 regarding the Business Environment in Greece and its impact on the Parent , there are still uncertainties associated with the current economic conditions in Greece and the ongoing developments that could affect the going concern assumption. These could affect the Parent's ability to meet its obligations to the Company, and consequently may affect the amount that holders of the preferred securities may ultimately receive and the timing of such receipts. As disclosed in notes 3 and 6 no interest is currently being received in respect of the Company's loan with its parent and no payments are being made on the Company's preferred securities.

At 31 December 2017, the Company has a positive equity position and the directors' are not aware of any further redemptions of the preferred securities or planned tender offers for such which may cause the winding up of the Company within the next 12 months. In addition, the directors believe there is sufficient liquidity, in the form of cash reserves or support from the parent company, in order for the Company to meet its on-going operational expenses as they fall due.

After taking into considerations the above factors and reviewing the going concern note in the Parent's audited financial statements for the year ended 31 December 2017, the directors have concluded that there is a reasonable expectation that Parent will make repayments of the loan as required for the Company to meets its obligations and so in their opinion it is appropriate for the financial statements to be prepared on a going concern basis.

***Major investment counterparty***

All of the Company's revenues apart from deposit interest income are derived from Alpha Bank.

***Functional currency***

Due to the fact that the Company's operations are carried out in Euro, the Company has adopted the Euro as its functional and reporting currency. The financial statements are presented in Euro rounded to the nearest Euro.

***Foreign currency***

Transactions denominated in foreign currencies are translated to Euro at the rate ruling on the date of the transaction. Assets and liabilities at the year end date denominated in foreign currencies are translated to Euro at the rate ruling on the balance sheet date. Any gains or losses arising on translation are recognised in profit or loss.

***Taxation***

The Company as a non-regulated financial services entity is liable to Jersey income tax at 0%.

***Use of estimates and judgements***

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of the assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

During the period, management made the following estimates:

- In assessing the fair value of of assets and liabilities, estimates were made by utilising observed and indicative market prices of the preferred securities.

During the period, management made the following judgments:

- Assessing whether the Company is considered a going concern (as set out above).
- Assessing that the fair value of the loan receivable is materially the same as the fair value of the preferred securities.

**1. Accounting policies (continued)**

***Cash and cash equivalents***

Cash and cash equivalents consist of balances with banks.

***Loans and receivables***

Following the early adoption of IFRS9, the Company has classified its loan note receivables as a loan and receivable at fair value through profit and loss (FVTPL). The fair value is deemed to be the same as the fair value of the preferred and perpetual securities (note 6) as the two instruments have virtually identical cash flow characteristics.

The Company derecognises loans and receivables when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The terms relating to the Company's loans and receivables are detailed in note 3.

***Preferred securities***

The preferred and perpetual securities have been designated as financial liabilities at fair value through profit and loss. The Company has elected to hold the preferred securities at FVTPL in order to remove an accounting mismatch which would have occurred if the securities had been held at amortised cost. This election is permitted by IFRS9, paragraphs 4.2.2a and 7.2.10a. In addition the Company has also elected to pass all changes in fair value, including those due to changes in credit risk, through profit and loss as permitted by paragraph 5.7.8 of IFRS9.

The terms of the perpetual preferred securities provide the holder with the contractual right to receive payments of interest, however these are dependent on the Parent having sufficient distributable funds. The fair value of the preferred and perpetual securities is calculated using observable market data (i.e. quoted prices in non-active markets as there is limited liquidity and low volumes of trading) and the securities are classified as 'Level 3' for the purposes of risk management disclosures (note 7).

The Company derecognises preferred and perpetual securities when its contractual obligations are discharged or cancelled or expire.

***Interest income and expense***

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest income' and 'Interest expense' in the Statement of Comprehensive Income using the effective interest rates of the financial instrument to which they relate, except for the financial instruments measured at fair value through profit and loss, for which all changes in fair value are recognised as valuation gains or losses.

***Economic Relationship Between the Loan Notes and Preferred Securities***
The loan notes and preferred securities are economically linked in that interest payment on the preferred securities will not be made unless interest has been received on the loan notes to Alpha Bank. The nominal value of both the loan notes and preferred securities are identical and cash flow characteristics are matched.

**1. Accounting policies (continued)**

***Profit and loss on redemption of loans and receivables and preferred and perpetual securities (derecognition)***

On derecognition of a financial instrument, other than in its entirety, the Company allocates the previous carrying amount of the instrument between the part it continues to recognise and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.The difference between the carrying amount allocated to the part no longer recognised and the sum of the consideration received is recognised in profit and loss.

***Expenses***

Operating expenses are recognised in profit or loss on an accruals basis.

***Segment information***

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses. The Directors believe that the Company has only one operating segment as it has only one area of activity (the issue of debt instruments to raise finance for its parent company), and operates in only one geographical area: Jersey.

***New standards and interpretations, and amendments thereto***

At 31 December 2017 a number of standards and interpretations, and amendments thereto, had been issued by the International Accounting Standards Board, which are not effective for the Company’s financial statements as at 31 December 2017. None of the forthcoming standards are expected to have a significant effect on the Company's financial statements.

The issuance of IFRS 9 has resulted in the amendment of other standards, mainly of IFRS 7 where new disclosures were added.

The following accounting Standards became effective for annual periods beginning on or after 1 January 2017. The adoption of these has not had a material impact on the disclosures or

***Amendments to IAS 12 “Recognition of Deferred Tax Assets for Unrealised Losses”***

The amendments clarify how an entity should evaluate whether there will be sufficient future taxable profits against which it can utilise a deductible temporary difference.

***Amendments to IAS 7 “Disclosure Initiative”***

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities.

**1. Accounting policies (continued)**

IFRS 15 "Revenue from Contracts with Customers"

According to the new standard, an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. A new revenue recognition model is introduced, by applying the following five steps:

• Step 1: Identify the contract(s) with a customer
• Step 2: Identify the performance obligations in the contract
• Step 3: Determine the transaction price
• Step 4: Allocate the transaction price to the performance obligations in the contract
• Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

The performance obligation notion is new and in effect represents a promise in a contract with a customer to transfer to the customer either: (a) a good or service (or a bundle of goods or services) that is distinct; or (b) a series of distinct goods or services that are substantially the same and that have the same pattern of transfer to the customer.

The new IFRS 15 supersedes:

• IAS 11 "Construction Contracts";
• IAS 18 "Revenue";
• IFRIC 13 "Customer Loyalty Programmes";
• IFRIC 15 "Agreements for the Construction of Real Estate";
• IFRIC 18 "Transfers of Assets from Customers";and
• SIC-31 "Revenue—Barter Transactions Involving Advertising Services".

On 12.4.2016 the International Accounting Standards Board issued an amendment to IFRS 15 with which it clarified mainly the following:

• When a promised good or service is separately identifiable from other promises in a contract, which is part of an entity's assessment of whether a promised good or service is a performance obligation,
• How to apply the principal versus agent application guidance to determine whether the nature of an entity's promise is to provide a promised good or service itself (i.e., the entity is a principal) or to arrange for goods or services to be provided by another party (i.e., the entity is an agent),
• For a licence of intellectual property, which is a factor in determining whether the entity recognises revenue over time or at a point in time.

Finally, two practical expedients to the transition requirements of IFRS 15 were added for completed contracts under full retrospective transition approach as well as for contract modifications at transition.

The impact from the application of IFRS 15 to the financial statements of the Company is expected to be immaterial.

## 2. Operating Loss

| The operating loss is stated after charging: | 31 December 2017<br>€ | 31 December 2016<br>€ |
|---|---|---|
| Audit of the company | 19,764 | 21,656 |
| Audit related assurance services: | | |
| - Reporting to group auditors | 1,236 | - |
| - Interim financial statements review | 8,195 | - |
| Auditor Remuneration | 29,195 | 21,656 |

## 3. Loans and receivables measured at FVTPL

| | 31 December 2017<br>€ | Restated<br>31 December 2016<br>€ | Restated<br>1 January 2016<br>€ |
|---|---|---|---|
| Loan to Alpha Bank A.E. | 4,312,905 | 3,108,400 | 8,754,000 |
| | 4,312,905 | 3,108,400 | 8,754,000 |
| Opening balance - 1 January | 3,108,400 | 8,754,000 | 11,756,400 |
| Redemptions | - | (983,000) | (5,409,225) |
| Change in fair value | 1,204,505 | (4,662,600) | 2,406,825 |
| Closing balance - 31 December | 4,312,905 | 3,108,400 | 8,754,000 |

The Company has elected to adopt IFRS9 for the year ended 31 December 2017 and has elected to restate the prior year comparative figures.

On 30 December 2015 it was agreed with Alpha Bank that the Notes issued by Alpha Credit Group PLC as a part of their €30,000,000,000 Euro Medium Term Note EMTN Programme guaranteed by Alpha Bank be cancelled and replaced by a simple loan agreement between the Guarantor (as borrower) and the Company (as lender). The loan to Alpha Bank A.E. , (was initially issued as a perpetual loan, subsequently amended on 11 July 2016, to being repayable in full on 30 December 2045), replaced callable notes ("the Series B Notes") originally purchased on 18 February 2005 and maturing in 2036, redeemable at par.

The loan earns interest which is payable annually in arrears on 18 February. However, no interest has been received on the loan or notes since 2012 due to the Parent's discretion on payment of interest or waivers provided by the Company, respectively.

## 4. Cash and cash equivalents

| | 31 December 2017<br>€ | 31 December 2016<br>€ | 1 January 2016 |
|---|---|---|---|
| Cash at bank current account | 119,802 | 189,667 | 270,455 |

The above amount is held with Alpha Bank London Limited.

## 5. Share capital

| | 2017<br>€ | 2016<br>€ | 1 January 2016 |
|---|---|---|---|
| **Authorised:** | | | |
| 1,000,000 €1 ordinary shares | 1,000,000 | 1,000,000 | 1,000,000 |
| | 1,000,000 | 1,000,000 | 1,000,000 |
| **Allotted, called up, issued and fully paid:** | | | |
| 20,000 €1 ordinary shares | 20,000 | 20,000 | 20,000 |
| | 20,000 | 20,000 | 20,000 |

The ordinary shares entitle holders to
-voting rights at any annual general meeting of the Company,
-to ordinary dividends as may be declared by the directors from time to time, and
-to participate in the winding up of the Company.

| **6. Preferred securities** | | 31 December 2017 € | Restated 31 December 2016 € | Restated 1 January 2016 |
|---|---|---|---|---|
| Series B Preferred Securities | Note 7 | 4,312,905 | 3,108,400 | 8,754,000 |
| | | 4,312,905 | 3,108,400 | 8,754,000 |

| | € | € |
|---|---|---|
| Opening balance for preferred securities - 1 January | 3,108,400 | 8,754,000 |
| Redemptions | - | (983,000) |
| Adjustment to carrying value | 1,204,505 | (4,662,600) |
| Closing balance for preferred securities - 31 December | 4,312,905 | 3,108,400 |

The Company has elected to adopt IFRS9 as at 1 January 2017 and has restated the prior year comparative figures. Changes in the fair value of the securities are recognised through profit and loss including the change in value due to changes in credit risk associated with the Alpha Bank. No interest expense has been paid, as the payment of interest is dependent upon the Parent having sufficient distributable funds. No interest has been received from the loan asset and there is uncertainty as to when the payment of interest will resume.
The changes in the fair value of the preferred securities are mostly attributed to change in own credit risk.
Note 8 provides further detail about the process of determining the fair value of the preferred securities.

The Company has issued Series B Preferred Securities the details of which are listed below.

The Series B Preferred Securities contain a clause that permits the Company not to pay dividends if the Parent does not have sufficient distributable funds. The Parent did not have sufficient distributable funds at the relavant dates and consequently the Series B dividends due in February 2012, 2013, 2014, 2015, 2016 and 2017 were not paid. In the same years, the Company did not receive interest income on the notes or loan to the Parent (See Note 3).

On 18 February 2005 the Company issued 600,000 €1,000 Series B CMS-Linked Non-cumulative Guaranteed Non-voting Preferred Securities (the “Series B Preferred Securities”).

On 15 June 2010, €287,000,000 notes were repurchased on 12 June 2012 following a Tender Offer dated 20 April 2012 at an offer price of 40%, €252,161,000 notes were purchased and subsequently cancelled. On 15 July 2013 following a Tender Offer dated 19 April 2013 at an offer price of 35%, €24,709,000 notes were purchased and subsequently cancelled, on 21 May 2014 €3,700,000 notes were purchased and subsequently cancelled, and on 24 November 2015 €14,922,000 notes were purchased by Alpha Bank and then exchanged for new ordinary shares issued by the Guarantor Alpha Bank. On 22 January 2016 €1,966,000 notes were purchased by Alpha Bank and subsequently cancelled leaving a nominal balance of €15,542,000 outstanding.

All obligations of the Company to make payments in respect of the Series B Preferred Securities are guaranteed on a subordinated basis by Alpha Bank pursuant to an amended and restated subordinated guarantee dated 18 February 2005 for the Series B CMS-Linked notes.

**Series B Preferred Securities Terms**

The €600,000,000 Series B Preferred Securities entitle holders to receive non-cumulative preferential cash interest payable annually in arrears on 18 February in each year commencing 18 February 2006. The preferred dividend was 6.00% per annum up to but excluding 18 February 2010.

In relation to any preferred interest payment date commencing on 18 February 2010 or any preferred interest payment date thereafter, the rate of preferred interest is the preferred dividend floating rate, subject to a maximum rate of 10.00% per annum and a minimum rate of 3.25% per annum.

Payments of interest on the above Preferred Securities are non-cumulative and are subject to the provisions regarding distributions contained within the Companies (Jersey) Law 1991, and within the Offering Circular ( issued 16 February 2005). The Company is not permitted to pay any interest on the Preferred Securities if such an amount would exceed the funds available for distribution.

The obligations of the Company to pay amounts due on the preferred securites are limited to the application of receipts from the loan (to Alpha Bank) under the terms of the priority of payments as set out in the terms and conditions of the notes. If on full realisation of the loan, insufficient funds exist to settle the liabilities owed to the holders of the preferred securities, there will be no further recourse to the Company.

**6.**

**Preferred securities (continued)**

If at any time falling prior to but excluding the First Call Date, a Capital Disqualification Event (as defined in the Description of the Preferred Securities within the Offering Circular) has occurred and is continuing, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Company on the next interest payment date, upon not less than 30 or more than 60 days notice to the holders.

The Preferred Securities (as defined in the Offering Circular) are perpetual securities and have no fixed redemption date. However, the Securities may be redeemed at the option of the Company, in whole but not in part, on the First Call Date, (18 February 2015 for the Series B Preferred Securities) or on any Preferred Dividend Payment Date falling thereafter, upon not less than 30 nor more than 60 days' notice. Redemption is subject to the consent of Alpha Bank and the Bank of Greece. On such a redemption, the holders will be entitled to receive the Redemption price (as defined in the Offering Circular) plus accrued and unpaid interest in respect of the most recent Interest period (as defined in the Offering Circular).

In the event of a liquidation, dissolution or winding-up of the Company, holders of the Preferred Securities will be entitled to receive, for each Preferred Security (as defined in the Offering Circular), a liquidation preference of €1,000 plus accrued and unpaid Preferred dividend for the then current Applicable Preferred Dividend Period (as defined in the Offering Circular) to the date of payment.

Holders of the Preferred Securities are not entitled to vote at any general meeting of shareholders of the Company. However, holders of Preferred Securities are entitled to elect two additional Directors to the board if in respect of four consecutive Dividend periods, Preferred Dividends (each as as defined in the Offering Circular) on the preferred securities have not been paid in full, or if Alpha Bank breaches its payment obligations under the Guarantee. Such Directors will vacate their office if Preferred Dividends are resumed by the Company, or payments by Alpha Bank in respect thereof are made in full.

The Securities are registered in the name of Citivic Nominees Limited. The Series B Preferred Securities are listed on the Euronext Amsterdam and Frankfurt Stock Exchange.

For a more detailed description of the Preferred Securities, reference should be made to the "Description of the Preferred Securities" as set out in the Offering Circular dated 16 February 2005 for the Series B Preferred Securities .

## 7. Reconciliation of Balance Sheet and Reserves following Adoption of IFRS 9

**Reconciliation of 31 December 2015 and 2016 balance sheets**

The Company has elected to adopt IFRS9 with effect 1 January 2017 and to restate the prior year comparatives. The following table reconciles the movement between the closing 2015 balance sheet and 2016 balance sheet. The values shown in the table below under 'Change of Classification' and 'Adjustment to fair value' are as a result of the adoption of IFRS 9, being the change of classification and basis in the carrying value for the loan notes and perpetual preferred securities from amortised cost to fair value basis.

| | Closing Balance Sheet 31 December 2015 | Change of Classification | Adjustment to fair value | Opening Balance Sheet 1 January 2016 | Movement Full Year 2016 | Closing Balance Sheet 31 December 2016 |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **Non-Current Assets** | | | | | | |
| Loans and Receivable - amortised cost | 15,852,162 | (15,852,162) | | | | |
| Loans and Receivable -FVTPL | | 15,852,162 | (7,098,162) | 8,754,000 | (5,645,600) | 3,108,400 |
| | 15,852,162 | - | (7,098,162) | 8,754,000 | (5,645,600) | 3,108,400 |
| Current Assets | | | | | | |
| Prepaid expenses | 9,197 | | | 9,197 | (1,313) | 7,884 |
| Cash & cash equivalents | 270,455 | | | 270,455 | (80,788) | 189,667 |
| | 279,652 | - | - | 279,652 | (82,101) | 197,551 |
| Total Assets | 16,131,814 | - | (7,098,162) | 9,033,652 | (5,727,701) | 3,305,951 |
| **Non-Current Liabilities** | | | | | | |
| Preferred Securities at amortised cost | 15,852,054 | (15,852,054) | | - | | |
| Preferred Securities at FVTPL | | 15,852,054 | (7,098,054) | 8,754,000 | (5,645,600) | 3,108,400 |
| | 15,852,054 | - | (7,098,054) | 8,754,000 | (5,645,600) | 3,108,400 |
| **Equity** | | | | | | |
| Issued share capital | 20,000 | | | 20,000 | | 20,000 |
| Retained earnings | 240,616 | | (108) | 240,508 | (79,217) | 161,291 |
| | 260,616 | - | (108) | 260,508 | (79,217) | 181,291 |
| Current liabilities | | | | | | |
| Other payables | 19,144 | | - | 19,144 | (2,884) | 16,260 |
| | 19,144 | - | - | 19,144 | (2,884) | 16,260 |
| Total Liabilities | 16,131,814 | - | (7,098,162) | 9,033,652 | (5,727,701) | 3,305,951 |

*Impact on Statement of Comprehensive Income*

The adoption of IFRS 9 led to a reduction in retained reserves at the end of 2016 of €108 as per the table above.

## 8. Financial risk management

**Overview**

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors ('Board') has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's Board is responsible for identifying and analysing the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company was set up to raise finance for the Parent. This was achieved by the issue of Preferred and Perpetual Securities listed on the Luxembourg Stock Exchange now redeemed, the Euronext Amsterdam and Frankfurt Stock Exchanges, the proceeds of which were advanced to Alpha Credit Group PLC as a part of their €30,000,000,000 Euro Medium Term Note Programme guaranteed by Alpha Bank (now a loan to Alpha Bank (See Note 3)). No dissimilar transactions were carried out by the Company since incorporation and therefore the operations for the year consisted in servicing the financial liabilities from the previous period income generated by the financial assets. In addition, the Company incurred minimal administrative expenses. As a result, the Board deems its sole involvement as sufficient to monitor the risks faced by the Company and need not delegate any specific duties to Board committees.

## 8. Financial risk management (continued)

### Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is €4,312,905 (2016: € 3,108,400). All credit risk exposure is to Alpha Bank, who are rated CCC+ (2016: CCC+) by Moody's.

### Financial instrument - FVTPL

The Company's main financial asset consists of a long-term loan to Alpha Bank , which is classified as a financial instrument at FVTPL which is therefore held at fair value and is also therefore not subject to impairment assessment.

### Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Due to the nature of the Company's operations, the Board considers the net liquidity risk faced by the Company as minimal. The most significant cash outflow consists of the payment of interest expense on the Preferred Securities which are limited in recourse to the Company's loans and receivables.

The terms and conditions of the Preferred Securities are similar to those of the Loans and Receivables held, however the loan has a repayment date of 30 December 2045 whilst the Preferred Securities are perpetual.

There should be no liquidity mismatch as the interest cash outflows fall due on the same dates as the interest cash inflows from the loans and receivables and payment of cash outflows to the preferred securities are dependent on receipt of cash inflows on the Company's loans and receivables. The Board considers its available cash resources and parental support as enough to meet other cash outflows which mainly consist of administrative expenditure. See page 24 for maturity of financial assets and liabilities. The Parent company will provide support (see note 6 regarding limited recourse for holders of the preferred securities) in the event that the Company's cash resources are not sufficient to meet the ongoing administrative expenditure, in the most appropriate method at the time.

### Market risk

Market risk is the risk that changes in market prices, due to foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Due to the structure of the Company's assets and liabilities, particularly the similar terms and conditions of the principal financial assets and liabilities, the Company's net exposure to market risk is also considered to be minimal.

### Currency risk

Currency risk is where a movement in exchange rates will result in changes to the Company's profit or loss. With the exception of certain administrative expenses which are denominated in GBP, all other transactions are undertaken in Euro. Hence in the opinion of the Directors there is no significant currency risk.

### Interest rate risk

Interest rate risk is where a movement in interest rates will result in changes to the Company's profit or loss. Interest obligations on the financial liabilities are on a floating rate basis plus a fixed margin whilst the amount receivable from the corresponding financial assets yield a floating rate with a slightly higher fixed margin. Therefore in the opinion of the Directors the Company is not exposed to any significant net interest rate risk.

## 8. Financial risk management (continued)

### Capital management

All ordinary shares are held by Alpha Bank and the Company does not have any share option schemes or holds its own shares. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The nominal value of the outsanding preferred securities was €15,542,000 (2016: €15,542,000)

*Maturity of financial assets and liabilities (Undiscounted)*

The maturity profile of the Company's financial assets and liabilities as at 31 December based on undiscounted contractual maturity dates, excluding future interest payments, (see note 3 and 6 for details of interest rates / terms) is as follows:

| | 2017 | 2016 |
|---|---|---|
| *Assets* | € | € |
| Within one year | 119,802 | 197,551 |
| Five years or more | 15,542,000 | 15,542,000 |
| | 15,661,802 | 15,739,551 |
| *Liabilities* | | |
| Within one year | 21,470 | 16,260 |
| Five years or more | 15,542,000 | 15,542,000 |
| Total | 15,563,470 | 15,558,260 |

*Fair values of financial assets and financial liabilities*

| | 2017 Book value € | 2017 Fair value € | 2016 Book value € | 2016 Fair value € |
|---|---|---|---|---|
| Loans and Receivables | 4,312,905 | 4,312,905 | 3,108,400 | 3,108,400 |
| Preferred and Perpetual Securities | 4,312,905 | 4,312,905 | 3,108,400 | 3,108,400 |

*Fair value*

Fair value is 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 in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

## 8. Financial risk management (continued)

*Fair value hierarchy*

The Company's fair value disclosures are based on the following fair value hierarchy that reflects the significance of the inputs used in making the fair value estimates.
• Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
• Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
• Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company's loans and receivables (financial instruments at FVTPL) are categorised as level 3 and the preferred and perpetual securities are categorised as level 3. There have been no movements between 'levels' during the period.

**Reconciliation of Movement in Level 3 Instruments**

| | **Financial Assets at FVTPL** | **Financial Liabilites at FVTPL** |
|---|---|---|
| | **€** | **€** |
| Balance at 1 January 2016 | 8,754,000 | 8,754,000 |
| Redemption | (983,000) | (983,000) |
| Gain /(loss) in profit and loss | (4,662,600) | (4,662,600) |
| Balance at 31 December 2016 | **3,108,400** | **3,108,400** |
| | | |
| Balance at 1 January 2017 | 3,108,400 | 3,108,400 |
| Gains / (loss) in profit and loss | 1,204,505 | 1,204,505 |
| Balance at 31 December 2017 | **4,312,905** | **4,312,905** |

*Valuation techniques*

The fair values of financial assets are not expected to be significantly different from that of the Preferred Securities for which the Company relies on the Risk Department of its Parent, to determine the fair values. The fair value of the preferred and perpetual securities is calculated using observable market data (i.e. quoted prices in non-active markets as there is no sufficient liquidity and trading) and the securities are categorised as "Level 3" for the purposes of risk management disclosures. The financial assets are categorised as level 3, as management use the assumption that the value is linked to the value of the preferred securities, rather than by use of directly observable market inputs. The terms and conditions of the Preferred Securities are similar to those of the loan to Alpha Bank. Both are non-cumulative, to the extent interest has not been waived, the loan has a repayment date of 30 December 2045 whilst the Preferred Securities are perpetual.

*Sensitivity of valuations*

The fair value of the preferred securities (and therefore also of the loan notes) is based upon observed market data. During 2017 the indicative market price for the preferred securities ranged between €24 and €30. This would imply a range in fair valuation of the preferred securities of between €4,662,600 (highest valuation) and €3,730,080 (lowest valuation) during the year.

## 9. Related parties

The following are related parties of the Company:

Alpha Bank London Limited by being a subsidiary of Alpha Bank. Cash held at Alpha Bank London Limited as at 31 December 2017 was €119,802 (2016: €189,667).

Alpha Bank by being a borrower of €15,542,000 (nominal value) as at 31 December 2017 (2016: €15,542,000).

Alpha Bank AE by being a holder of Alpha Group Jersey Limited Series B Preferred Securities totaling a nominal value of €100,000 as at 31 December 2017 (2016: €100,000). The total nominal value of preferred securities outstanding is €15,542,000 (2016: €15,542,000)

Alpha Bank AE is the ultimate controlling party.

Mr J.Coxon who resigned as a Director of the Company on 5 June 2017, was also a Director of Alpha Credit Group PLC and also Senior Manager Financial Control and Company Secretary, Alpha Bank London Limited.

Mr L.Mackay a Director of the Company, was also the Managing Director of Alpha Bank London Limited, a Company wholly owned by Alpha Bank AE and a Director of Alpha Credit Group PLC.

There are no related party transactions between management and the entity.

**9. Related parties (continued)**

Mr S. Tryner who was appointed as a Director of the Company on 5 June 2017, is also a Director of Alpha Credit Group PLC and also Chief Financial Officer, Alpha Bank London Limited.

Mr P.Gatehouse who resigned as a Director of the Company on 2 November 2017, was also a Director of Intertrust SPV Services Limited, which receives fees from the Company for the provision of company secretarial services.

Mr S. Langan who was appointed as a Director of the Company on 20 January 2017, is also a Director of Intertrust SPV Services Limited, which receives fees from the Company for the provision of company secretarial services.

Mr N.Day a Director of the Company, is also a Director of Carpe Diem Limited, which receives fees from the Company for book-keeping and other administrative services.

The transactions with Alpha Bank AE and Alpha Bank London Limited have been described in notes 3, 4 and 6.

**10. Controlling party**

As at the period end date and subsequently, the Company is a wholly owned subsidiary of Alpha Bank AE, incorporated in Greece, which is also, in the opinion of the Directors, the ultimate controlling party of the Company.

**11. Key Management Personnel**

The key management personnel have been identified as being the Directors of the Company. The emoluments of the key management personnel are paid by the ultimate controlling party and other related parties who make no recharge to the Company.

It is therefore not possible to make a reasonable apportionment of their emoluments in respect of the Company. Accordingly, no emoluments in respect of the Directors of the Company and related entities applicable to the Company have been disclosed.

**12. Events after the balance sheet date**

On 16 January 2018 Alpha Bank A.E. elected not to make the interest payment payable under the loan on 20 February 2018. On the same day the Company did not declare a dividend on the preferred securities.