ALPHA BANK

Alpha Bank London Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2017

185070

TABLE OF CONTENTS

OFFICERS AND COMPANY PARTICULARS

Board of Directors

Christopher J. Sheridan	(Chairman)
W. Lindsay Mackay	(Chief Executive Officer)
Spyros N. Filaretos	
Ioannis M. Emiris	
Mark E. Austen	
Martin J. Waghorn	
Richard S. Price	
George Michalopoulos	

Company Secretary

Claire Connor

Audit, Risk & Compliance Committee

Mark E. Austen	(Chairman)
Christopher J. Sheridan	
Spyros N. Filaretos	
Richard S. Price	

Remuneration Committee

Christopher J. Sheridan	(Chairman)
Spyros N. Filaretos	
Mark E. Austen	
Martin J. Waghorn	
Richard S. Price	

Executive Committee

W. Lindsay Mackay	(Chairman)
Graham Ballantyne	(General Manager & Head of Relationship Banking)
Steve O'Neill	(Chief Operating Officer)
Stephen Tryner	(Interim Chief Financial Officer)
Dan Barbalat	(Head of Risk)
Shauna Hayes	(Head of Human Resources)

Registered Office

Capital House
85 King William Street
London EC4N 7BL
Tel: 020 7332 6767
Fax: 020 7332 0013

Registered Number

185070 England

Financial Services Register Number

135327

Date of Incorporation

17 October 1922

Auditor

Deloitte LLP, London, UK

CHAIRMAN'S STATEMENT

The year provided a number of challenges for the Company and I am pleased to advise that the Company has passed those tests and delivered a pre-tax profit of £14.9m compared to £3.6m in the prior year.

The full-year profit includes a gain of £13.0m from the sale of the Company's old offices in the City of London. When excluding this and other one-off items, the Company made a profit before tax of £1.4m.

Revenues have increased in line with the expansion of our real estate backed lending. In parallel, the development of closer relationships with our private banking customers has significantly increased income from this business area. At the year-end, customer loans had increased by 17% to £243m and revenues from private banking were £1.9m, a year-on-year increase of 95%.

The Company's operating costs have increased to £8.6m, compared to £5.9m in the previous year. The change is due to additional headcount in support of increasing business volumes and strengthening the Company's control functions. We also incurred costs associated with leasing and the fit-out of the new office space, coupled with maintaining our old premises prior to its sale.

In July 2017, the Company relocated to new premises in King William Street, close to Bank underground station. The move marked the end of 24 years in Cannon Street and has equipped the Company with a new workplace for our team and also offers the opportunity to host client events 'on site'. The first such event was held in December 2017 when we welcomed approximately 150 customers to the new office.

The year also brought other challenges, notably the requirement to prepare for the increase in regulatory requirements. In particular, a significant amount of effort prepared the Company for the introduction of a number of important changes in compliance and accounting regulations, particularly MiFID2, IFRS9 and GDPR.

On behalf of the Board of Directors, I would like to express our thanks to our customers for their continued support and to our colleagues in the wider Alpha Bank Group who provide guidance and assistance to us in many ways. Finally, our thanks go to our staff, without whose commitment and professionalism the Company would not have had such a successful year.

Christopher J. Sheridan
Chairman

18 April 2018

Capital House
85 King William Street
London EC4N 7BL

STRATEGIC REPORT

History

Alpha Bank London Limited ("ABL" or the "Company") was originally founded in 1922 as the Commercial Bank of the Near East, providing services to customers located in, or with links to, Greece and neighbouring regions. The Company continues to serve the same communities, offering a range of commercial and private banking products to corporate and retail customers.

The Company has been a wholly-owned subsidiary of Alpha Bank AE ("Alpha Bank" or the "Parent") since 1994. The Parent has operations in Greece, Cyprus, Romania and Albania and is one of the largest banks in Greece, operating from nearly 500 branches in 2017.

Strategy

The Company's overall strategy is to provide a range of banking services to its UK and international customers, supporting their businesses, whilst protecting their wealth. The Company achieves these aims principally through the provision of:

- Secured loans for property investment and development purposes
- Deposit and transactional accounts for retail and corporate customers
- Execution only services for private banking clients in securities and mutual funds, plus associated custody services

The Company's income is primarily derived from interest and fees earned on its lending and securities portfolio plus fees and commissions from securities and mutual fund transactions executed for customers.

The majority of the Company's depositors and private banking customers are based in Greece, whilst the loan portfolio is predominantly formed of loans secured against property located in the London area. Our customers are typically high net worth individuals and our borrowers experienced in property investment.

The Company is fully funded via customer deposits, share capital and retained reserves and, other than a £10.0m subordinated loan, does not rely upon any funding from wholesale counterparties or the Parent Group.

The range of products or customer base is not expected to change materially in the near future.

Business Review

The Company achieved a pre-tax profit for the year of £14.9m, compared to £3.6m in the prior year. This result included a one-off profit of £13.0m realised from the sale of the Company's freehold office in Cannon Street. If this and other one-off items are excluded, the profit before tax of £1.4m, whilst lower than the prior year, is the result of the increasing cost base of the Company, particularly associated with the occupation of the new premises and increases in headcount and costs associated with the regulatory changes noted in the Chairman's report. The Board made these investments in the Company's infrastructure to drive and support the anticipated increased business levels in the coming years.

The balance sheet increased to £814m from £725m, driven by high levels of corporate deposits coming to the Company. The Company's net equity rose to £59.5m from £49.6m reflecting the 2017 profit and the payment of a dividend of £2.5m during the year. The Company's capital base for regulatory capital purposes also includes a £10m subordinated loan from the Parent and totals £69.4m (2016: £59.4m) (Note 28.6). The capital base was higher than the regulatory requirements throughout the year and it is the intention of the Company to maintain surplus capital resources in the future. Customer loans increased during the year from £207m to £243m, an increase of 17%. Opportunities for high quality, secured lending continue to be sourced and the Company only has one impaired loan within its portfolio, the same as the prior year. The very low level of impairments is testament to the rigorous process adopted when offering loans and the ongoing monitoring of our portfolio. The Company undertakes regular stress testing on the loan portfolio and these suggest that no material impact is likely to the Company's capital position except in the event of a very significant downturn in the property market.

The Company maintains a significant portion of its assets in a high quality debt securities portfolio. At the end of the year, the portfolio had increased in size to £396m, from £344m at the prior year. The portfolio includes floating rate notes issued by highly rated international development banks, governments and financial institutions.

Net interest income for the year was £7.8m, an increase of 3% over the prior year comparable of £7.6m. The increased gross interest income was £10.2m compared to £9.6m, an increase of 6%, reflecting the increasing size of the loan book. Similarly, interest expense for the year rose to £2.4m, a 17% increase over £2.1m for the prior year. Overall, the net interest margin for the year declined marginally from 0.93% to 0.87%.

Fees and commissions income for the year showed a very positive increase from £1.0m to £2.4m, which included £481k of commissions relating to prior years. The increase was due to a renewed focus on servicing the private banking customer base, which resulted in the total number of mutual fund and securities transactions increasing year-on-year by circa 57%.

During the year the Company incurred total operating costs of £8.6m, compared to £5.9m in 2016, an increase of 45%. A significant proportion of the increase relates to the lease entered into for the new office premises. In addition, headcount has been increased to support increasing business volumes and to further strengthen the Company's control functions.

Finally, as described in the Chairman's report, the Company successfully relocated to new premises in the summer of 2017. The Company owned the freehold of the old office in Cannon Street and after the sale of the building realised a gain of £13.0m. The move has equipped the Company with a modern office which will provide great benefits to both staff and customers going forward.

Corporate Governance and Risk Management

Risk and capital management strategy is set by the Board of Directors and the overall risk governance framework is implemented through a number of committees. The most senior committees include the Audit, Risk and Compliance Committee, Executive Committee, Management Committee and Credit Risk Committee. In addition, other committees regularly convene to oversee particular aspects of risk within the business.

Key Performance Indicators

The Company's Board of Directors and management monitor the overall performance of the business using a number of Key Performance Indicators (KPIs) and a range of other metrics. In the longer term we aim to generate sustainable returns for our Parent. The most important KPI's are:

- Year to date profit before tax and
- Total equity (capital and reserves).

Profit before tax for the year was £14.9m (2016: £3.6m) whilst total equity at the period end was £59.5m (2016: £49.6m). Year to date profit before tax is the primary measure of the Company's current performance against budgeted expectations. The total equity measures the longer term returns generated and demonstrates the Company's underlying strength and resilience. It is a key factor in determining the Company's ability to make loans to customers, which ultimately, is our core business. The Board of Directors approves a budget and longer term strategic plan every year.

Principal Risks and Uncertainties Facing the Company

The Board of Directors regularly assesses the principal risks and uncertainties faced by the Company and does not believe that any of the material issues noted below, have become more or less critical during the year.

The most significant risks the Company has faced during the year are:

- The Company's exposure to the UK property market. The Company's exposure and risk of loss is intrinsically linked to the value of the underlying property collateral. The risk is mitigated by following a conservative lending model, whereby the average loan to value is circa 38%. Impairment losses to date have been at very low levels, both in absolute terms and also compared to our peers.
- The political situation in Greece and the ongoing problems in the Greek banking sector. Whilst these issues are not directly linked to the lending and assets of the Company, there is a risk of contagion if Alpha Bank AE were to encounter significant issues. This is discussed further in the section below ("Business Conditions in Greece").
- Risks associated with the Company's financial instruments, including interest rate risk, valuation risk, foreign exchange risk and liquidity risk. Further information on risks is set out in detail in note 28.

In addition the Company faces a range of other risks which are regularly monitored by the Audit, Risk and Compliance Committee of the Board and also the Executive Committee. These include:

- Operational risk

  This is the risk of an event resulting from inadequate or failed internal processes or systems or external events. Such an event may have a financial impact upon the Company. Operational risks are identified, assessed and monitored by the Operational Risk Committee and recorded in the operational risk register, which is reviewed regularly by Management and by the Audit, Risk and Compliance Committee of the Board. The Company recognises that operational risk is inherent in all its activities and seeks to mitigate these risks to an acceptable level in a cost-effective way. There were no significant operational risk events during the year.

- Regulatory risk

  The Company is subject to extensive regulation and provides regular reporting to the relevant UK and European financial regulatory bodies. Changes in regulations could require the Company to raise additional capital or liquidity, or to invest in new reporting systems. Failure to comply with the required regulatory standards might result in enforcement action against the Company, resulting in increased costs to the business and / or fines. Regulatory risk is managed by ensuring the impact of all regulatory changes is examined in advance of them coming into force as well as participation in numerous industry bodies and forums, where these issues are discussed.

- Business conduct risk

  Failure to conduct business in accordance with regulations and our own internal standards may lead to litigation, complaints and other claims against the Company. This risk is managed through extensive and regular internal training of staff, our commitment to client service and the embedding of the 'Treating Customers Fairly' principles of the Financial Conduct Authority (FCA).

- Competition and reputational risk

  The Company operates in a competitive business environment and there is a risk that existing clients will transfer their custom to another organisation due to a range of factors which might include poor service, uncompetitive pricing, poorly designed products and a poor market reputation. This risk is managed by ensuring that all staff are adequately trained for their roles to ensure a high quality service is delivered as standard.

- 'Brexit'

  In June 2016 the United Kingdom voted to leave the European Union (EU). During early 2017, the formal process to leave the European Union was triggered and the UK government has been negotiating with the EU since this date. Negotiations are ongoing and it is not expected that a final agreement will be completed until closer to the departure date, expected to be March 2019, although there may be a 'transitional period' beyond this date. The Company is actively monitoring developments but at this time does not see any significant impact on the business of the Company. There may be longer-term impacts which we cannot foresee or predict with any certainty.

- Business environment in Greece

  The Greek economy continued to improve during 2017, following the falls in economic activity in the years up to 2015 and the zero growth in GDP experienced in 2016. Growth in GDP has been forecast by the OECD at 1.4% for 2017, the first upturn for a number of years. Positive news has also been seen in terms of a falling unemployment rate and the ability of the Greek Government to issue new debt in mid-2017 for the first time in five years. This good news is somewhat offset by the continuing high national debt to GDP ratio and the ongoing problems within the banking sector, where the level of non-performing loans (NPLs) continues to be high. Nevertheless, banks are making concerted efforts to manage the levels of NPLs and the situation appears to have stabilised in 2017.

- Impact of the business environment in Greece on Alpha Bank AE

  The Parent remains under close supervision by the ECB and the Bank of Greece (being components of the Single Supervisory Mechanism, 'SSM') and continues to reduce its exposures both in Greece and overseas.

  Alpha Bank Group continued to improve its balance sheet and overall financial position throughout 2017. The Parent's reliance upon funding assistance from central banks and similar institutions (for example the European Investment Bank and the European Bank for Reconstruction and Development) reduced by circa 35% to €12.0bn at Q3 2017.

  The Company is not under the direct oversight of the SSM. However, the Board of Directors and management are cognisant of the restrictions placed on the Parent by the SSM and take these into account as part of their management of the Company.

Future Developments and Going Concern

The Board of Directors considers the Company's updated one year budget and five year business plan on an annual basis. A five year timeframe for the plan is considered the maximum that could reasonably be forecast when considering the Company's evolving business and economic environment.

The Company's principal business line will continue to be the provision of secured loans to fund investments in property. This market has become more competitive in the last few years as new lenders have entered this space. The Company will continue to lend in a prudent manner and is confident that sufficient deals can be sourced at acceptable rates.

The Company's capital and liquidity positions are both very strong. The Company holds capital resources well in excess of the minimum levels required by regulators and compares favourably with peer banks. In addition, the Company expects to continue to be almost entirely funded by customer deposits, capital and reserves. There is no expectation of reliance upon wholesale funding sources, other than the existing £10m subordinated loan from the Parent.

The directors have assessed all relevant financial risks and, after making suitable enquiries, the directors have a reasonable expectation that the Company will continue to operate and meet its liabilities as they fall due over the following 12 months.

Approved by the Board of Directors
and Signed on their behalf

Christopher J. Sheridan
Chairman

18 April 2018

Capital House
85 King William Street
London EC4N 7BL

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of Alpha Bank London Limited (the "Company") for the year ended 31 December 2017.

Status of the Company

The Company is authorised to accept deposits under the Financial Services and Markets Act 2000 and is registered as a limited company under the provisions of the Companies Act 2006. It is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and Prudential Regulation Authority.

Principal Activities

The Company provides a range of domestic and international banking services, as detailed in the Strategic Report.

Strategic Report

As permitted by the Companies Act, information required to be disclosed in the Director's report on the review of the business of the Company, a description of the principal risks and uncertainties facing the Company and future developments has been included in the Directors report by way of a cross reference to the strategic report on pages 5 to 8.

Results and Dividends

Profit on ordinary activities after taxation amounted to £12,390,000 (2016: £2,862,000).

A final dividend of £3,000,000 (2016: £2,500,000) was approved. No interim dividend was paid during the year (2016: Nil).

Directors and their interests

The following persons served as directors of the Company during the financial year and to the date of this report. None of the directors had any interest in the share capital of the Company.

Mark E. Austen
Ioannis M. Emiris
Spyros N. Filaretos
W. Lindsay Mackay
Richard S. Price
Christopher J. Sheridan
Martin J. Waghorn
George Michalopoulos (appointed 3 October 2017)
Alexios A. Pilavios (resigned 3 October 2017)

The current composition of the Board of Directors is shown on page 3.

None of the directors had a material interest at any time during the year in any contract of significance in relation to the Company's business.

All directors benefited from qualifying third party indemnity provisions in place during the financial year and at the date of this report.

Board Committees

There are three committees of the Board, the current composition of which is shown on page 3.

Executive Committee

The Executive Committee meets formally on a monthly basis to consider all aspects of the Company's operations, including formulating the Company's strategy, conducting a high level review of any HR, risk and compliance issues, and discussing the financial information of the Company. The Committee also authorises items of expenditure up to an agreed amount.

Audit, Risk & Compliance Committee

The Audit, Risk & Compliance Committee meets at least four times a year to consider the nature and scope of audit reviews, the effectiveness of the systems of internal control, compliance within the Company and its subsidiaries, and risk management. Its terms of reference also include the review of the annual financial statements and accounting policies of the Company and its subsidiaries. The external auditor meets with the Committee by invitation.

Remuneration Committee

The Remuneration Committee reviews the appropriateness of all aspects of the Company's pay and benefit policies, taking into account the remuneration packages of comparable financial organisations and having access to relevant remuneration surveys. The Committee is able to take external advice where it feels this is necessary.

Donations

Charitable contributions made during the year amounted to £1,716 (2016: £884). No political donations were made (2016: Nil).

Future Developments and Going Concern

The directors have performed an assessment of the going concern of the Company. Further detail is included within the Strategic Report and the Accounting Principles in the financial statements.

Capital Structure

Details of the Company's capital structure is detailed in Note 26 which can be found on page 39.

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 auditor is unaware; and each director has taken all the steps that he ought to have taken as a director to make himself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of Section 418 of the Companies Act 2006.

Auditor

Following a tender process for the audit of Alpha Bank A.E. and its subsidiaries that took place in 2017, Deloitte LLP were appointed as auditor for Alpha Bank Group entities effective for periods beginning on or after 1 January 2017. A resolution proposing the re-appointment of Deloitte LLP as auditor of the Company and giving authority to the directors to determine its remuneration will be submitted to the forthcoming General Meeting.

Company registration number: 185070

By Order of the Board

Claire Connor
Secretary

18 April 2018

Capital House
85 King William Street
London EC4N 7BL

DIRECTORS' RESPONSIBILITIES STATEMENT IN RESPECT OF THE STRATEGIC REPORT, THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulation.

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 ("IFRS") as adopted by the European Union ("EU") and applicable law.

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 judgements and accounting estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU; 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 the Companies Act 2006. They have a 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.

We confirm that to the best of our knowledge: the financial statements, prepared in accordance with IFRS accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and the Strategic Report and the Directors' Report include a fair review of the development and performance of the business and the position of the Company together with a description of the principal risks and uncertainties it faces.

On behalf of the Board

Christopher J. Sheridan
Chairman

18 April 2018

Capital House
85 King William Street
London EC4N 7BL

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF ALPHA BANK LONDON LIMITED

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 profit 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 prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Alpha Bank London Limited (the 'Company' or the 'Bank') which comprise:

- the income statement;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 33.

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 FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the Company.

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 matter that we identified in the current year is: • Recognition of trail fee and commission income.
Materiality	The materiality that we used in the current year is £270,000 which is approximately 0.5% of equity.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- 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.

Recognition of trail fee and commission income	
Key audit matter description	The Bank provides an execution-only investment service to clients, for which it earns 'trail fees' from fund providers. In performing our audit, based on a presumption that there are risks of fraud in revenue and income recognition, we evaluated which elements of revenue give rise to such risks. We identified a key audit matter relating to the recognition of trail fee income (disclosed within fee and commission income). The accounting policy for fee and commission income is disclosed in note 1.15 of the financial statements. During 2017, management identified a failure to recognise trail fee income of £481,000 (see note 3 of the financial statements) relating to certain investment funds held by customers of the Bank over the period from 2011-2016, payment of which was recovered by the Bank in 2017.
How the scope of our audit responded to the key audit matter	We tested management's approach to the identification of funds for which fee income was due and their ability to recover these legacy fees. This included a review of correspondence with the relevant fund providers and tracing receipts to cash where applicable. For ongoing fee income recognition we tested management's internal controls relevant to the financial reporting associated with the recognition of fee and commission income. This included an assessment of the design and implementation and operating effectiveness of those relevant controls. Our substantive testing approach can be summarised as follows. We: • Reviewed management's accounting policies and disclosures and assessed whether they are reasonable and in accordance with IAS 18 'Revenue'; • Tested the accuracy of the amount of fee and commission income recorded in the period by recalculating a sample of trail fee income transactions based on contractual information; and • Performed an analytical review of recorded trail fee income against fund providers during the year to assess the completeness of fee and commission income recognised in the period.
Key observations	We determined that the assumptions made by management in their assessment of the completeness of legacy trail fee income are reasonable. We determined that the trail fee income recognition policy is appropriate and that trail fee income is not materially misstated at year end. We assessed management's view that the recognition of legacy trail fee income in 2017 does not require a prior period adjustment, and concur with their judgement.

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: £270,000 (2016: £260,000 as determined by the prior year auditor).
- Basis for determining materiality and rationale for benchmark applied: We considered equity to be the most appropriate benchmark given its stability, compared to other profit measures, noting in particular that the sale of 66 Cannon Street significantly affects the profit before tax figure for 2017. We capped materiality to be broadly in line with that applied by the previous auditor in the prior year, in light of 2017 being our first year of appointment. Our benchmark is equivalent to approximately 0.5% of equity.

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £14,000, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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.

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 directors' responsibilities statement, 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 member, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's member those matters we are required to state to it 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 member, for our audit work, for this report, or for the opinions we have formed.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the directors' report.

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Directors' remuneration

Under the Companies Act 2006 we are also required to report if in our opinion certain disclosures of directors' remuneration have not been made.

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of the audit committee, we were appointed by those charged with governance on 19 May 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. This is the first year in which we have audited the financial statements of the Company.

Consistency of the audit report with the additional report to the audit committee

Our audit opinion is consistent with the additional report to the audit committee we are required to provide in accordance with ISAs (UK).

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

INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000's	2016 £000's
Interest and similar income	2	10,215	9,648
Interest expense and similar charges	2	(2,410)	(2,051)
Net interest income		**7,805**	**7,597**
Fee and commission income	3	2,401	999
		10,206	8,596
Net gains on financial instruments	4	13	873
Other operating income	5	13,309	302
Operating income		**23,528**	**9,771**
Staff costs	6, 7	(4,074)	(3,501)
General administrative expenses	8	(3,799)	(2,106)
Depreciation and amortisation	17, 18	(705)	(323)
Operating expenses		**(8,578)**	**(5,930)**
Net impairment loss on financial assets	10	(76)	(231)
Profit before tax		**14,874**	**3,610**
Income tax expense	9	(2,484)	(748)
Profit for the year		**12,390**	**2,862**

STATEMENT OF COMPREHENSIVE INCOME

Profit after income tax recognised in the Income Statement	**12,390**	**2,862**
Other comprehensive income:		
Items that may be reclassified subsequently to the Income Statement if specific conditions are met:		
Fair value reserve (available-for-sale financial assets):		
Fair value gains on investment securities	5	(19)
Other comprehensive income/(expense), net of tax	**5**	**(19)**
Total comprehensive income/(expense) for the year attributable to the owner of the Company	**12,395**	**2,843**

The notes on pages 21 to 55 form an integral part of these financial statements.

BALANCE SHEET
AS AT 31 DECEMBER 2017

	Note	2017 £000's	2016 £000's
ASSETS			
Cash and balances at central banks	11	134	16,390
Due from banks	12	169,872	155,484
Derivative financial assets	13	422	-
Investment securities: available-for-sale	14	396,434	343,934
Loans and advances to customers	15	243,327	207,242
Other assets	19	804	616
Property, plant and equipment	17	2,993	1,404
Intangible assets	18	140	241
Total Assets		**814,126**	**725,311**
LIABILITIES			
Due to banks	20	859	1,326
Derivative financial liabilities	13	516	1,875
Due to customers	21	740,413	661,061
Debt securities in issue and other borrowed funds	22	10,002	10,001
Current income tax and other taxes	23	1,000	335
Other liabilities	25	1,676	1,019
Deferred tax	24	159	88
Total Liabilities		**754,625**	**675,705**
EQUITY			
Equity attributable to equity holder of the Company			
Share capital	26	30,000	30,000
Retained earnings		28,929	19,039
Fair value reserve	26	572	567
Total Equity		**59,501**	**49,606**
Total Liabilities and Equity		**814,126**	**725,311**

Company registration number: 185070

The notes on pages 21 to 55 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 18 April 2018 and were signed on its behalf by:

Christopher J. Sheridan
Chairman

W. Lindsay Mackay
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

	Share capital £000's	Retained earnings £000's	Fair value reserve £000's	Total equity £000's
Balance attributable to the owner as at 1 January 2017	**30,000**	**19,039**	**567**	**49,606**
Profit for the year	-	12,390	-	12,390
Other comprehensive income, net of income tax:				
Fair value reserve for available-for-sale financial assets:				
Net change in fair value	-	-	5	5
Total comprehensive income for the year	-	12,390	5	12,395
Dividend paid	-	(2,500)	-	(2,500)
Balance attributable to the owner as at 31 December 2017	**30,000**	**28,929**	**572**	**59,501**

	Share capital £000's	Retained earnings £000's	Fair value reserve £000's	Total equity £000's
Balance attributable to the owner as at 1 January 2016	**30,000**	**20,177**	**586**	**50,763**
Profit for the year	-	2,862	-	2,862
Other comprehensive income, net of income tax:				
Fair value reserve for available-for-sale financial assets:				
Net change in fair value	-	-	(19)	(19)
Total comprehensive income for the year	-	2,862	(19)	2,843
Dividend paid	-	(4,000)	-	(4,000)
Balance attributable to the owner as at 31 December 2016	**30,000**	**19,039**	**567**	**49,606**

The fair value reserve includes the cumulative net change in fair value of available-for-sale investments, excluding impairment losses, until an investment is derecognised.

The notes on pages 21 to 55 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000's	2016 £000's
Cash flows from operating activities			
Profit before tax		14,874	3,610
Adjustments to reconcile net profit to cash flow from/(used in) operating/investing activities:			
AFS investment income	2	(525)	(308)
Finance costs on other borrowed fund	2	234	255
Provision	25	175	-
Depreciation and amortisation	17,18	705	323
Gain on sale of fixed assets	5	(12,985)	-
Impairment charge on loans and advances	10	76	231
Loss / (gain) on sale of securities recycled through profit and loss	4	1	(1,047)
Other non-cash movements	4,5	(214)	(135)
		2,341	**2,929**
Net decrease/(increase) in assets relating to operating activities:			
Loans and advances to customers		(36,160)	(20,023)
Investment Securities		(805)	(30,027)
Other assets	19	(188)	362
Derivative financial assets	13	(302)	923
		(37,455)	(48,765)
Net decrease/(increase) in liabilities relating to operating activities			
Due to banks	20	(467)	(1,068)
Derivative financial liabilities	13	(1,479)	1,875
Due to customers	21	79,352	57,701
Other liabilities	25	482	411
		77,888	58,919
Income tax paid		(1,748)	(676)
Net cash flows from operating activities		**41,026**	**12,407**
Cash flows from investing activities			
Acquisition of PPE and intangible assets	17,18	(3,501)	(368)
Disposal of PPE and intangible assets	17,18	-	83
Proceeds on sale of fixed assets	5	14,293	-
Acquisition of investment securities		(115,816)	(134,384)
AFS investment income	2	525	308
Disposal of investment securities	4	64,126	132,587
Net cash flows used in investing activities		**(40,373)**	**(1,774)**

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2017

	Note	2017 £000's	2016 £000's
Cash flows from financing activities			
Dividends paid		(2,500)	(4,000)
Financial costs paid on subordinated debt	2	(234)	(255)
Net cash flows used in financing activities		**(2,734)**	**(4,255)**
Net (decrease)/ increase in cash and cash equivalents		**(2,082)**	**6,378**
Cash and cash equivalents at beginning of the year	11	**171,874**	**165,361**
Net effect of exchange rate fluctuations on cash and cash equivalents	4,5	214	135
Cash and cash equivalents at end of the year	11	**170,006**	**171,874**

"Other non-cash movements" and "net effect of exchange rate fluctuations on cash and cash equivalents" include movements in cash and cash equivalent balances due to foreign exchange rate movements.

The notes on pages 21 to 55 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING PRINCIPLES APPLIED

1.1 Basis of presentation

The financial statements of Alpha Bank London Limited, a company domiciled and incorporated in the United Kingdom (hereafter the "Company" or "ABL") have been prepared in accordance with International Financial Reporting Standards ("IFRS") that have been adopted by the European Union ("EU") and the special provisions of Part VII of the Companies Act 2006, as at and for the year ended 31 December 2017. They are presented in Sterling, rounded to the nearest thousand unless otherwise indicated, and are prepared on the historical cost basis except for certain financial assets and liabilities measured at fair value.

The accounting policies applied during the period are consistent with those of the annual financial statements for the year ended 31 December 2016.

As a wholly-owned subsidiary of Alpha Bank A.E. ("Alpha Bank" or the "Parent"), the Company has taken advantage of the exemption in IFRS 10 "Consolidated Financial Statements" and the Companies Act 2006 and has not prepared consolidated financial statements. Note 33 provides the location of the Company's Financial Statements.

The principal accounting policies adopted are set out below.

1.2 Going concern

The Company's objectives, policies and processes for managing its capital; its financial risk management objectives; details of its financial instruments and hedging activities; and its exposures to credit risk and liquidity risk are set out in note 28 to the financial statements.

In evaluating whether it is appropriate for the Company to prepare the financial statements on a going concern basis, various factors were considered which are discussed below.

The Company operates independently of the Parent and does not rely on the Parent's infrastructure which includes, inter alia, having its own IT and payment systems that are managed locally. It has a total capital ratio which exceeds the minimum regulatory requirement and at the year-end its lending portfolio had only one impaired loan, for which an appropriate provision was made.

The Company's loan book is currently self-funded by customer deposits and has a current loan to deposit ratio of 32.8% (2016: 31.3%), allowing the Company headroom to fund its loan book even with a drop in customer deposits. If required and subject to the liquidity position at Alpha Bank Group, the Company also has in place a £150 million three-year committed loan facility from the Parent. This facility is currently unutilised.

The directors keep the situation in Greece under constant review. They have also considered the possibility of further stresses on the Parent and the contagion risk to the Company, which may lead to a potential risk of a sudden considerable level of withdrawal from depositors once exchange controls (which currently restrict the ability to transfer funds out of Greece) are removed. In a worst case scenario, the Company has access to a number of management actions, including utilising overnight and short term money market deposits, selling the debt securities portfolio and selling down parts of the loan book. Given the collateralised nature of the book, a significant haircut to the loan book in the event of a sell-down is not expected.

In summary, the directors have assessed all financial risks which they believe affect the Company's going concern status - liquidity risk, credit risk, capital adequacy, reliance placed on the Alpha Bank Group - and have reviewed the results of stress tests. They have concluded that there is no reason to believe that a material uncertainty exists that may cast doubt upon the ability of the Company to continue as a going concern or its ability to continue with its current banking arrangements. On the basis of the above, the directors' view is that the Company will continue as a going concern and the financial statements have therefore been prepared on that basis.

1.3 Foreign currency transactions

The financial statements are presented in Sterling, which is the functional currency of the Company and the currency of the country of incorporation of the Company.

Transactions in foreign currencies are translated into Sterling at the closing exchange rates at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to sterling at the closing exchange rate at that date. Foreign exchange differences arising on translation are recognised in the income statement.

Non-monetary assets and liabilities are recognised at the exchange rate ruling at initial recognition.

1.4 Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents consist of:

a) Cash on hand;
b) Non-restricted placements with central banks;
c) Short-term balances due from banks.

Short-term balances due from banks are amounts that mature within three months after the date of the financial statements.

The impact of exchange rate fluctuations is included on the face of the Cash Flow Statement.

1.5 Financial instruments

1.5.1 Recognition

Financial assets and financial liabilities are recognised in the Company's Balance Sheet when the Company becomes a party to the contractual provisions of the instrument.

1.5.2 Classification and measurement of financial assets

The Company classifies its financial assets in the following categories:

a) Loans and receivables;
b) Held-to-maturity investments;
c) Financial assets at fair value through profit or loss; and
d) Available-for-sale financial assets.

For each of the above classifications the following is applicable:

a) Loans and receivables
Included in this category are:

i. Direct loans to customers;
ii. All receivables from customers and banks.

Loans and receivables are initially measured at fair value plus incremental direct transaction costs and subsequently measured at amortised cost. The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, less principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, less any reduction for impairment.

The impact of hedging on the measurement of financial assets is detailed in the derivative financial instruments and hedge accounting policy note.

b) Held-to-maturity investments
Held-to-maturity investments are financial assets that the Company has the positive intention and ability to hold to maturity. This category is carried at amortised cost less any impairment. The Company does not hold any financial assets in this category.

c) Financial assets at fair value through profit or loss
This category includes financial assets held for trading, derivative financial assets and other financial assets that the Company may decide, at initial recognition, to classify as fair value through profit or loss.

d) Available-for-sale financial assets
Available-for-sale financial assets are investments that have not been classified in any of the previous categories.

This category is measured at fair value. Gains and losses arising from changes in the fair value of available-for-sale assets are recognised in Other Comprehensive Income. All such gains and losses will be recycled through profit and loss on de-recognition of the related asset or if the asset is impaired.

The measurement principles noted above are not applicable when a particular financial asset is a hedged item, in which case the principles set out in note 1.6 are followed.

1.5.3 Fair value measurement

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.

The Company measures fair values using the following fair value hierarchy based on the significance of the inputs used in making the measurements as follows:

- 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).
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data having a significant effect on the instrument's valuation. This category also includes instruments that are valued based on observable inputs that require significant adjustments based on unobservable inputs.

Valuation techniques include net present value and discounted cash flow models, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity index prices and expected price volatilities and correlations.

The aim of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

1.5.4 De-recognition

Financial assets are de-recognised when they are qualifying transfers and:

- The rights to receive cash flows from the assets have ceased; or
- The Company has transferred substantially all the risks and rewards of ownership of the assets.

When a financial asset is de-recognised in its entirety, the difference between the carrying amounts, the sum of the consideration received (including any new asset obtained less any new liability assumed) and any cumulative gain or loss that had been recognised in other comprehensive income, is recognised in profit and loss.

1.5.5 Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Financial liabilities are classified at fair value through the profit and loss when:

- the financial liability is acquired or repurchased in the short term to take advantage of short-term market fluctuations; or
- they are derivatives which are not classified as hedging instruments.

Financial liabilities classified this way are initially recognised and re-measured at fair value, with changes in fair value recognised in profit and loss.

The liabilities from derivatives which are used for hedging purposes are measured at fair value. Changes in fair value are accounted for as set out in note 1.6. All other liabilities are measured initially at fair value plus incremental direct transaction costs and subsequently measured at amortised cost. Subordinated debt issued deposits from credit institutions and deposits from customers are included in this category.

Equity instruments are recognised at the proceeds received net of transaction costs.

1.5.6 Offsetting

Offsetting of assets and liabilities has been implemented as permitted under International Accounting Standard 32 "Financial Instruments: Presentation". Financial assets and liabilities are only offset in Balance Sheet only when there exists a legally enforceable right to set off the recognised amounts and the Company intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.
There are currently no assets and liabilities being offset.

1.6 Derivative financial instruments and hedge accounting

Derivatives are financial instruments that upon inception have a minimal initial net investment, whose value subsequently changes in accordance with a change in value of a particular underlying instrument (e.g. foreign exchange, interest rates, index or other variable). All derivatives are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

Derivatives are entered into for risk management and hedging purposes and are measured at fair value. When the Company uses derivatives for hedging purposes it ensures that appropriate documentation exists on inception of the transaction and that the effectiveness of the hedge is monitored on an ongoing basis and is repeated at each reporting date. As and when hedging relationships become ineffective, derivatives are reclassified as held for risk management purposes.

1.6.1 Hedge accounting

Hedge accounting relates to the accounting rules which allow the offset of the effects of the gain or loss from changes in the fair value of a hedging instrument and those from changes in the fair value of a hedged item that would not be allowed if the normal re-measurement principles were followed. Documentation of the hedge relationship upon inception and of the effectiveness of the hedge on an ongoing basis is the basic requirement for the adoption of hedge accounting. The Company applies fair value hedging but has no hedging transactions at 31 December 2017.

1.6.2 Fair value hedges

A fair value hedge of a financial instrument offsets the change in the fair value of the hedged item in respect of the risks being hedged against the change in fair value of the hedging derivative. Changes in the fair value of both the hedging instrument and the hedged item in respect of the risk being hedged are recognised in the Income Statement.

The Company uses interest rate swaps to hedge interest rate risk relating to borrowings, bonds, loans and fixed rate term deposits.

If hedging ceases then the fair value adjustment to the hedged item is amortised over the remaining life of the hedged item as part of its effective interest rate and the hedging instrument continues to be measured at fair value with the gain or loss recorded in the Income Statement.

1.7 Property, plant and equipment

This caption includes: land; buildings (owned and leased); additions and improvements of leasehold fixed assets; and equipment. Property, plant and equipment are stated at cost less accumulated depreciation. The historical cost includes costs relating to the acquisition of property, plant and equipment.

Subsequent expenditure is capitalised or recognised as a separate asset only when it increases future economic benefits. Expenditure on repairs and maintenance is recognised in the Income Statement as an expense as incurred.

Depreciation is charged on a straight-line basis over the estimated useful lives of property, plant and equipment taking into account residual values.

The estimated useful lives are as follows:

Freehold and leasehold buildings:	10 to 50 years.
Additions to leased fixed assets and improvements:	to first break clause of the lease.
Computers and other equipment:	3 to 10 years.

Land is not depreciated; however, it is reviewed periodically for impairment.

The residual value of property and equipment and their useful lives is periodically reviewed and adjusted if necessary at each reporting date.

Property, plant and equipment is reviewed for impairment, in accordance with the general principles and methodology set out in IAS 36 ("Impairment of Assets") and the relevant implementation guidance, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Property, plant and equipment, which is considered to be impaired, is carried at its recoverable amount. Gains and losses from the sale of property, plant and equipment are recognised in the Income Statement.

1.8 Intangible assets – computer software

Software acquired by the Company is stated at cost less accumulated amortisation and accumulated impairment losses.

Expenditure on internally developed software is recognised as an asset when the Company is able to demonstrate its intention and ability to complete the development and use the software in a manner that will generate future economic benefits, and can reliably measure the costs to complete the development. The capitalised cost of internally developed software includes costs directly attributable to developing the software, and is amortised over its useful life. Internally developed software is stated at capitalised cost less accumulated amortisation and impairment.

Amortisation is recognised in the Income Statement on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years.

1.9 Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases. The Company may enter into operating leases as a lessee. Any incentives for the agreement of the new operating lease should be recognised as an integral part of the net consideration agreed for the use of a leased asset, irrespective of the incentive's nature or the form or the timing of payments.

1.10 Impairment losses on financial assets and liabilities

At each reporting date, the Company assesses whether there is objective evidence that financial assets carried at amortised cost are impaired. A financial asset or a group of financial assets is impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

All individually significant loans and advances measured at amortised cost are assessed for specific impairment. At each reporting date, an assessment is made as to whether a collective provision is required across the entire portfolio of loans and advances based on historic loss experience and management's experienced judgement as to whether current economic and credit conditions are such that the actual level of inherent losses at the balance sheet date is likely to be greater or less than that suggested by historical experience.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Impairment losses are recognised in the Income Statement and provided against loans and advances. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit and loss.

If the terms of a financial asset are renegotiated or modified, or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made as to whether the financial asset should be de-recognised.

If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are de-recognised and the new financial asset is recognised at fair value.

The impairment loss is measured as follows:

- If the expected restructuring does not result in de-recognition of the existing asset, the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.

- If the restructuring results in the de-recognition of the initial asset, the impairment loss is calculated as the difference between the fair value of the new loan and the carrying amount of the initial loan.

Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income to profit and loss as a reclassification adjustment. The cumulative loss that is reclassified from Other Comprehensive Income to profit and loss is the difference between the acquisitions, net of any principal repayment and amortisation, and the current fair value, less any impairment loss previously recognised in profit and loss. Changes in impairment provisions attributable to time value are reflected as a component of interest income.

If, in a subsequent period, the fair value of an impaired available-for-sale investment security increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in the profit and loss, the impairment loss is reversed, with the amount of the reversal recognised in profit and loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in Other Comprehensive Income.

1.11 Loans with renegotiated terms and the Company's forbearance policy

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer.

The Company renegotiates loans to customers in financial difficulties (referred to as 'forbearance activities') to maximise collection opportunities and minimise the risk of default. Under the Company's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

The revised terms usually include extending the maturity, changing the timing of interest payments or amending the terms of loan covenants. Both retail and corporate loans are subject to the forbearance policy.

The Credit Risk Committee and Bad and Doubtful Debts Committee regularly review reports on forbearance activities.

For the purposes of disclosures in these financial statements, 'loans with renegotiated terms' or 'forborne loans' are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Company has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Company had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, earlier repayment or until it is written off.

1.12 Taxation

Income tax expense consists of current tax and deferred tax. It is recognised in the Income Statement, except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, and any adjustments to the tax payable in respect of previous years.

Deferred tax 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 recognised for financial reporting and tax purposes. It 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 realisation or settlement using tax rates (and laws) enacted or substantively enacted at the balance sheet date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current assets against current tax liabilities.

1.13 Employee benefits

The Company contributes to a defined contribution plan, the expense being charged to the Income Statement as incurred.

A defined contribution plan is where the Company pays fixed contributions into a separate entity. The Company has no legal or constructive obligation to pay further contributions if the fund does not have sufficient assets to pay employees the benefits relating to their employment with the Company in current or prior years.

1.14 Interest income and expense

Interest income and expense for all interest-bearing financial instruments, except for those classified as held-for-trading or designated at fair value but including interest on available-for-sale securities calculated on an effective interest rate basis, are recognised in 'Interest income' and 'Interest expense' in the Income Statement using the effective interest rates of the financial assets and financial liabilities to which they relate.

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments earned or paid on a financial asset or liability through its expected life or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument but not the future credit losses. The calculation includes all amounts paid or received by the Company that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts.

1.15 Fee and commission income

Fee and commission income is recognised on an accruals basis when the relevant service has been provided. If it is an integral component of the effective interest rate on a financial asset or liability it is included in the measurement of the effective interest rate and reported as part of interest income or expense.

1.16 Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, management are required to make judgements that may have a significant impact on the amounts recognised and make estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the critical judgements that management have made in the process of applying the accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Estimation Uncertainty
Current and deferred tax provision

The Company's current tax provision relates to management's assessment of the amount of tax payable on open tax positions. The final outcome may differ on conclusion of open tax matters at a future date.

The deferred tax assets/(liabilities) have been recognised on the basis that sufficient future taxable profits are forecast within the foreseeable future, in excess of the profits arising from the reversal of existing taxable temporary differences, to allow for the utilisation of the assets as they reverse. Based on the conditions at the balance sheet date, management determined that a reasonably possible change in any of the key assumptions underlying the estimated future taxable profits would not cause a reduction in the deferred tax assets recognised. Further information about deferred tax is presented in Note 24.

Judgement
Impairment of loans

The Company estimates impairment losses for loans and advances to customers and loans and advances to banks as described in the accounting policy. Management's assumptions about impairment losses are based on past

performance, past customer behaviour, the credit quality of recent underwritten business and general economic conditions, which are not necessarily an indication of future losses.

Recognition of prior period Trail Fees

The Company is entitled to receive 'trail fee commissions' from customers' holdings in certain mutual funds. In 2017 the Company recovered trail fee commissions dating back to the year 2011. After consideration of the materiality of the values involved and the number of years to which the revenue related, management concluded that a prior year adjustment was not required to be made in these financial statements.

1.17 Entity with only one operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Board performs regular reviews of the operating results of the Company and makes decisions using financial information at the entity level. Accordingly, the Board believes that the Company has only one operating segment. The Company does not have any debt or equity instruments which are publicly traded and therefore are outside the scope of IFRS 8 (Operating Segments).

1.18 Investments in subsidiary undertakings

The subsidiary undertakings are accounted for at cost less provision for any impairment. Impairment losses on investments in subsidiary undertakings are measured as the difference between the carrying amount of the financial asset and the estimated recoverable amount.

1.19 Adoption of new and revised accounting Standards

Newly adopted Standards

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 the amounts reported in these financial statements.

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.

Accounting Standards to be adopted in the future

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. Of these, only IFRS 9 "Financial Instruments" and IFRS 16 "Leases" are likely to have a significant effect on the Company's financial statements in the future.

IFRS 9 "Financial instruments"

Effective for annual periods beginning on or after 1 January 2018.

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. An indication of the new requirements is presented below:

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; 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 regard to embedded derivatives, if the hybrid contact 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 contact should be based on the above requirements for the classification of the financial instruments.

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.

Impairment

Contrary to the existing IAS 39, under which an entity recognises only incurred credit losses, the new standard requires the recognition of lifetime expected credit losses if the credit risk of the financial instrument has increased significantly since initial recognition. If the credit risk has not increased significantly since initial recognition, the 12-month expected credit losses shall be recognised.

Hedging

The new requirements for hedge accounting are more aligned with the entity's risk management. The main changes in relation to the current requirements of IAS 39 are summarised below:

- more items become eligible for participating in a hedging relationship either as hedging instruments or as hedged items;
- the requirement for hedge effectiveness tests to be within the range of 80%-125% is removed. Hedge effectiveness testing is performed progressively only and under certain circumstances when a qualitative assessment is considered adequate;
- in case a hedging relationship ceases to be effective but the objective of risk management regarding the hedging relationship remains the same, the entity shall rebalance the hedging relationship in order to satisfy the hedge effectiveness criteria.

It is noted that the new requirements for hedge accounting do not include those that relate to macro hedging. The IASB intends to replace the macro fair value model in IAS 39 with an alternative macro hedging model which will have a wider applicability to other risks.

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

Transition

The Company will apply IFRS 9 from 1 January 2018 and has elected not to restate comparatives on initial application of IFRS 9. The full impact of adopting IFRS 9 on the Company's financial statements will depend on the financial instruments that the Company's has during 2018 as well as on economic conditions and judgements made as at the year-end.

The Company has performed a preliminary assessment of the potential impact of adopting IFRS 9 based on the financial instruments as at the date of initial application of IFRS 9 (1 January 2018). Based on current estimates, the adoption of IFRS 9 is expected to result in a reduction to retained earnings as at 31 December 2017 of approximately £70,000 after tax. The estimated impact relates primarily to the implementation of the ECL requirements. The Company will continue to monitor, refine and validate the elements of impairment model, and related process controls leading up to 2018 reporting.

IFRS 16 "Leases"

IFRS 16, which has not yet been endorsed by the EU, introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The Company currently expects to adopt IFRS 16 for the year ending 31 December 2019. No decision has been made about whether to use any of the transitional options in IFRS 16.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and are replaced by a model where a right-of-use asset and a corresponding liability have to be recognised for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets. The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any re-measurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or a finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

IAS 17 doesn't require the recognition of any right-of-use asset or liability for future payments for this lease; instead, certain information is disclosed as operating lease commitments in Note 27. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Company will recognise a right-of-use asset and a corresponding liability in respect of all these leases unless they qualify for low value or short-term leases upon the application of IFRS 16. The new requirement to recognise a right-of-use asset and a related lease liability. The Management are currently assessing its potential impact. It is not practicable to provide a reasonable estimate of the financial effect until the review is completed.

IFRS 15 "Revenue from Contracts with Customers"

Effective for annual periods beginning on or after 1 January 2018.

IFRS 15 "Revenue from Contracts with Customers" was issued on 28 May 2014 by the International Accounting Standards Board. The new standard is the outcome of a joint project by the IASB and the Financial Accounting Standards Board (FASB) to develop common requirements as far as the revenue recognition principles are concerned. The new standard shall be applied to all contracts with customers except those that are in the scope of other standards such as financial leases, insurance contacts and financial instruments.

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 April 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 the 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 was presented above.

2. INTEREST INCOME AND EXPENSE

	2017 £000's	2016 £000's
Interest and similar income		
Due from banks and central banks	426	288
Investment securities	525	308
Loans and advances to customers	9,264	9,052
Total interest and similar income relating to financial assets not carried at fair value through profit or loss	**10,215**	**9,648**
Interest expense and similar charges		
Due to banks	1,317	1,151
Due to customers	859	645
Debt securities in issue and other borrowed funds	234	255
Total interest expense and similar charges relating to financial liabilities not carried at fair value through profit or loss	**2,410**	**2,051**

3. FEE AND COMMISSION INCOME

	2017 £000's	2016 £000's
Loans	22	25
Fund transfers	108	114
Client investment transactions	1,894	766
Other	377	94
Total	**2,401**	**999**

Client investment transactions include mutual fund fees, trail fees, nominee fees and security transaction fees. Of the total 2017 fee income £481,338 received related to previous years.

4. NET GAINS ON FINANCIAL INSTRUMENTS

	2017 £000's	2016 £000's
Realised net (loss) / gain on sale of securities recycled through profit and loss	(1)	1,047
Other financial instruments:		
Forward revaluation of FX transactions	14	(174)
Total gain	**13**	**873**

5. OTHER OPERATING INCOME

	2017 £000's	2016 £000's
Gain on disposal of fixed assets	12,985	-
Foreign exchange profits	200	309
Other	124	(7)
Total	**13,309**	**302**

The gain on disposal of fixed assets relates solely to the sale of the Company's former offices at 66 Cannon Street, London. Proceeds from the sale were £14.3m.

6. STAFF COSTS

	2017 £000's	2016 £000's
Wages and salaries	2,879	2,580
Social security contributions	367	324
Expenses of defined contribution plan	332	329
Other	496	268
Total	**4,074**	**3,501**

The number of employees (including executive directors) employed by the Company at the end of the financial years are:

	2017	2016
	Number	Number
Front Office / Sales and Marketing	20	17
Operations and Admin Support	42	41
Compliance, Risk and Audit	6	8
Other	6	6
Total	**74**	**72**

The average number of employees (including executive directors) employed by the Company during the year was 76 (2016: 70).

7. EMOLUMENTS OF DIRECTORS

The remuneration of the directors is as follows:

	2017	2016
	£000's	£000's
Emoluments	311	269
Total	**311**	**269**

The above amounts for remuneration include the following in respect of the highest paid director:

	2017	2016
	£000's	£000's
Emoluments	112	82
Total	**112**	**82**

The emoluments of the highest paid director are charged to several Alpha Bank A.E. group entities. The stated figures above show the portion charged to the Company.

No directors were members of the Company's pension scheme (2016: None).

As at 31 December 2017 there were no loans to the directors of the Company (2016: Nil).

8. GENERAL ADMINISTRATIVE EXPENSES

	2017	2016
	£000's	£000's
Premises	780	473
Operating lease rentals	683	-
Business promotion	36	20
Banking	305	219
Communication and travel	208	148
Professional fees	565	344
Information systems	573	452
Office	518	330
Insurance	131	120
Total	**3,799**	**2,106**

Professional fees include:	2017	2016
	£000's	£000's
Auditor's remuneration:		
- Audit of these financial statements pursuant to legislation	112	85
- Other audit related assurance services	7	6

9. INCOME TAX EXPENSE

	2017 £000's	2016 £000's
Current tax		
Current year:		
UK corporation tax at 19.25% (2016: 20%)	2,413	747
	2,413	747
Deferred tax		
Charge for the year	71	1
Total	**2,484**	**748**

The standard rate of corporation tax for the period to 31 March 2017 is 20% (2016: 20%) and 19% for the period to 31 December 2017 (2016: 20%). The blended corporation tax rate applied to the reported profit is 19.25% (2016: 20%).

Factors affecting the tax charge for the year:	2017 £000's	2016 £000's
Profit before tax	**14,874**	**3,610**
Current tax on the above at 19.25% (2016: 20%)	2,863	722
Disallowable expenses	39	26
Movement on deferred tax provision	71	-
Others	(489)	-
Total	**2,484**	**748**
Effective tax rate	**16.7%**	**20.7%**

10. NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

	2017 £000's	2016 £000's
Impairment loss for the year:		
Impairment charge for the year	76	235
Collective impairment reversed	-	(4)
	76	**231**

The impairment charges in 2017 and 2016 relate to one loan and the provision increased in 2017 by £76,000 (2016: £235,000). There were no loans written off during the year (2016: Nil).

11. CASH AND CASH EQUIVALENTS

	2017 £000's	2016 £000's
Cash	134	102
Balances with central banks	-	16,288
Total	134	16,390
Placements with banks	169,872	155,484
Cash and cash equivalents (as presented for the purposes of the statement of cash flows)	**170,006**	**171,874**

12. DUE FROM BANKS

	2017 £000's	2016 £000's
Placements with banks	169,872	155,484
Total	**169,872**	**155,484**

13. DERIVATIVE FINANCIAL ASSETS AND LIABILITIES

	2017	
	Fair value assets £000's	Fair value liabilities £000's
Foreign exchange derivatives:		
Currency forwards	422	516
Total	**422**	**516**

	2016	
	Fair value assets £000's	Fair value liabilities £000's
Foreign exchange derivatives:		
Currency forwards	-	1,875
Total	**-**	**1,875**

As at year-end there were 13 foreign exchange swaps outstanding (2016: 9).

14. INVESTMENT SECURITIES

Available-for-sale

	2017 £000's	2016 £000's
Government bonds	28,446	17,142
Multilateral development banks	296,466	302,017
Other corporate debt securities	71,522	24,775
Total	**396,434**	**343,934**

All investment securities are classified as 'Level 1' with valuations using quoted prices from an active market.

15. LOANS AND ADVANCES TO CUSTOMERS

	2017 £000's	2016 £000's
Overdrafts	2,123	8,449
Term loans	240,726	198,413
Other receivables	1,006	815
	243,855	207,677
Allowance for impairment losses	(528)	(435)
Total	**243,327**	**207,242**

As at 31 December 2017 £205,899,000 (2016: £178,764,000) of loans and advances to customers are expected to mature more than 12 months after the reporting date.

Included within the balance of overdrafts is an amount of £99,000 (2016: £7,000) of interest accrued which has not been recognised in the Income Statement.

Allowance for impairment losses

Specific allowances for impairment of loans to customers:	2017 £000's	2016 £000's
Balance as at 1 January	435	200
Foreign exchange on brought forward balance	17	-
Impairment charge for the year	76	235
Balance as at 31 December	528	435
Collective allowances for impairment		
Balance as at 1 January	-	4
Impairment charge / (reversal) for the year	-	(4)
Balance as at 31 December	-	-
Total allowance for impairment losses	**528**	**435**

16. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiaries of the Company, which are all wholly owned and have issued only ordinary shares, are:

	Country of Incorporation	Nature of business
Alpha Bank London Nominees Limited	United Kingdom	Nominee services
ABL Independent Financial Advisers Limited	United Kingdom	Dormant
Flagbright Limited	United Kingdom	Dormant
Commercial Bank of London Limited	United Kingdom	Dormant
Alpha Bank Limited	United Kingdom	Dormant

Investments in subsidiary (number of £1 shares)	As at 1 January 2017	Movements	As at 31 December 2017
Alpha Bank London Nominees Limited	50	-	50
ABL Independent Financial Advisers Limited	1	-	1
Flagbright Limited	100	-	100
Commercial Bank of London Limited	1	-	1
Alpha Bank Limited	1	-	1
	153	**-**	**153**

17. PROPERTY, PLANT AND EQUIPMENT

	Freehold land & buildings £000's	Leasehold land & buildings £000's	Computer & other equipment £000's	Total £000's
Cost				
At 1 January 2017	1,884	-	3,463	5,347
Additions	-	2,622	796	3,418
Disposals	(1,884)	-	(3,075)	(4,959)
At 31 December 2017	-	2,622	1,184	3,806
Accumulated depreciation				
At 1 January 2017	715	-	3,228	3,943
Charge for the year	24	262	235	521
Disposals	(739)	-	(2,912)	(3,651)
At 31 December 2017	-	262	551	813
Net book value				
At 31 December 2017	**-**	**2,360**	**633**	**2,993**

	Freehold land & buildings £000's	Leasehold land & buildings £000's	Computer & other equipment £000's	Total £000's
Cost				
At 1 January 2016	1,884	-	3,431	5,315
Additions	-	-	32	32
At 31 December 2016	1,884	-	3,463	5,347
Accumulated depreciation				
At 1 January 2016	678	-	3,115	3,793
Charge for the year	37	-	113	150
At 31 December 2016	715	-	3,228	3,943
Net book value				
At 31 December 2016	**1,169**	**-**	**235**	**1,404**

18. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2017 £000's	2016 £000's
Cost		
At 1 January	1,724	1,471
Additions	83	336
Disposals	(357)	(83)
At 31 December	1,450	1,724
Accumulated amortisation		
At 1 January	1,483	1,310
Amortisation for the period	184	194
Disposals	(357)	(21)
At 31 December	1,310	1,483
Net book value	**140**	**241**

19. OTHER ASSETS

	2017 £000's	2016 £000's
Prepayments	420	445
Other receivables	384	171
Total	**804**	**616**

20. DUE TO BANKS

	2017 £000's	2016 £000's
Current accounts	859	1,326
Total	**859**	**1,326**

As at 31 December 2017 there were no term deposits maturing more than 12 months after the reporting date (2016: Nil).

21. DUE TO CUSTOMERS

	2017 £000's	2016 £000's
Current accounts	515,953	422,698
Saving accounts	339	519
Notice accounts	213	111
Deposits received as collateral for loans	5,214	4,094
Term deposits	218,694	233,639
Total	**740,413**	**661,061**

As at 31 December 2017 and at 31 December 2016 all deposits from customers mature within 12 months of the reporting date.

22. DEBT SECURITIES IN ISSUE AND OTHER BORROWED FUNDS

The Company has a subordinated note of £10,000,000, issued to Alpha Bank A.E., which matures on 30 December 2022. It also has a £150,000,000 four-year committed term loan facility from Alpha Bank A.E. that can be extended annually by the Company and currently matures in April 2020.

The Company has not made any defaults of principal, interest or other breaches with regard to its subordinated liabilities during 2017 (2016: None).

23. CURRENT INCOME TAX AND OTHER TAXES

	2017 £000's	2016 £000's
Current income tax payable	1,000	335
Total	**1,000**	**335**

24. DEFERRED TAX

	2017		
	Balance at 1 January 2017 £000's	**Charge to profit or loss £000's**	**Balance at 31 December 2017 £000's**
Property, plant, equipment and software	(88)	1	(87)
Available-for-sale security reserve	-	(72)	(72)
Total	**(88)**	**(71)**	**(159)**

	2016		
	Balance at 1 January 2016 £000's	**Charge to profit or loss £000's**	**Balance at 31 December 2016 £000's**
Property, plant, equipment and software	(87)	(1)	(88)
Total	**(87)**	**(1)**	**(88)**

The substantively enacted taxation rate at 31 December 2017 is 19% (2016: 20%). The current taxation rate of 19% remains at 19% from 1 April 2018 until becoming 17% on 1 April 2020.

25. OTHER LIABILITIES

	2017 £000's	**2016 £000's**
Accrued expenses	1,501	1,019
Provision	175	-
Total	**1,676**	**1,019**

Accrued expenses include an amount of £107,000 (2016: £154,800) for levies to the Financial Services Compensation Scheme ("FSCS") which exists to provide compensation to retail depositors resulting from the insolvency of UK deposit takers. The compensation paid is funded through loans from HM Treasury and the Bank of England. The levy that is currently paid by the Company represents its portion of the capital repayment and the interest on these borrowings. The ultimate FSCS levy to banks cannot be estimated reliably as it is dependent on numerous uncertain factors, for example, changes in interest rates, levels of protected deposits, recoveries of assets by the FSCS and the population of FSCS members at any time.

26. SHARE CAPITAL AND FAIR VALUE RESERVE

	2017 £000's	**2016 £000's**
Issued, allotted and fully paid :		
6,000,000 ordinary shares of £5 each	30,000	30,000

Fair Value Reserve	**2017 £000's**	**2016 £000's**
As at 1 January	567	586
Change in fair value	5	(19)
Tax movement	-	-
As at 31 December	572	567

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the assets are de-recognised or impaired.

27. CONTINGENT LIABILITIES AND COMMITMENTS

a) Legal issues

The company, in the ordinary course of business, may be a defendant in claims from customers and may be involved in other legal proceedings. The company takes into consideration whether a present obligation exists as a result of a past event.

For cases where there is a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation, and a reliable estimate can be made of the amount of that obligation, the company recognises a provision.

For cases where it is not considered probable that the company will incur costs to settle the obligation, or the potential costs cannot be estimated reliably, the company has not recognised a provision.

There are no pending legal cases in progress which may have a material impact on the financial statements of the Company (2016: None).

b) Operating leases

On 4 January 2017, the Company signed a 15 year lease, with a break-clause after 10 years, for new premises at Capital House, 85 King William Street, London EC4N 7BL. The cost per annum of the rent is £683,829 (2016: N/A) after amortising the rent-free period.

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2017 £000's	2016 £000's
Within one year	456	-
Between one and five years	2,659	-
After five years	3,647	-
Total	**6,762**	**-**

c) Off-balance sheet contingent liabilities

	2017 £000's	2016 £000's
Letters of guarantee	307	308
Undrawn loan commitments	38,030	23,120
Undrawn overdraft facilities which are revocable	20,449	2,279
Total	**58,786**	**25,707**

d) Service level agreement

Settlement of cheque, credit card, Faster Payments and BACS payment processing was outsourced under a service level agreement by the Company to HSBC, a PRA approved bank. The cost incurred in 2017 was £25,245 (2016: £24,906).

RISK MANAGEMENT

28. FINANCIAL RISK MANAGEMENT

28.1 Overview

The Board of Directors has overall responsibility for the establishment and oversight of the Company's objectives, policies and processes for measuring and managing risk, and the management of capital. The Board has established an Audit, Risk & Compliance Committee which reviews and assesses the Company's risk appetite. On a day-to-day basis the Company's risk management policies are overseen by the Executive Committee, Management Committee, Credit Committee, Asset and Liability Committee, Bad & Doubtful Debts Committee and Risk Management Department.

The Company's financial instruments, other than derivatives, principally comprise loans and deposits that arise from its operations as a lending and deposit-taking institution. It also has a portfolio of debt securities held for investment and liquidity purposes, predominantly consisting of securities qualifying as part of the liquid assets buffer.

The main risks arising from the Company's financial instruments are credit risk, market risk and liquidity risk. Market risk includes market price risk, interest rate risk and foreign exchange risk. The Company's objectives, policies and processes for measuring and managing these risks are described below and are the same as those in place in the previous year. The Board approves the Company's Risk Appetite Statement annually.

28.2 Derivatives and other financial instruments

The Company enters into a small number of derivative transactions, principally forward foreign exchange contracts. The purpose of these transactions is to manage the currency risks arising from the Company's operations.

It is, and has been throughout the year under review, the Company policy that no trading in financial instruments shall be undertaken.

28.3 Credit risk

Credit risk is the risk that a financial loss arises from the failure of a customer or counterparty to meet its obligations under a contract. It arises principally from lending, trade finance and treasury activities. Internal controls are in place within the Company's credit function which are designed to ensure that loans are made in accordance with credit policy and that once made such facilities are monitored on a regular basis by the appropriate level of management. Consideration is given to making specific provisions where necessary.

The Company follows the credit rating and risk policies of its Parent, Alpha Bank A.E., as set out in a detailed Credit & Risk Manual and International Network Credit Manual.

The exposure to credit risk is managed by an analysis of the ability of the borrowers to meet their obligations using these internal credit rating systems and methodologies.

Significant changes in the economy, or the state of a particular industry, could result in risks that are different from those provided for at the balance sheet date. To manage these risks management have established limits in relation to individual borrowers or groups of borrowers. Senior management undertake a full review of monthly credit reports and request written explanations on any position giving cause for concern.

The limits established are constantly monitored and are subject to a regular review by the responsible (based on the amount of the limit) approval body. Limits relating to specific sectors and countries are examined and approved by the Board of Directors and are included in the Company's Risk Appetite Statement.

In the instances of borrowers who have obtained facilities from other Alpha Bank A.E. companies, the total exposure on a consolidated basis is taken into account in determining the credit risk.

The Company's exposure to credit risk is determined by the counterparties with whom the Company conducts business, as well as the markets and countries in which those counterparties conduct their business. Counterparty and country limits are in place and the Company performs credit appraisal procedures prior to advancing any facilities. The Company also has policies on the levels of collateral required for secured facilities.

28.3 Credit risk (continued)

The Company holds collateral against loans and advances to customers in the form of property, third party guarantees, parental guarantees and cash deposits.

The tables below show the Company's exposure to credit risk based on the Company's internal credit rating system and the markets and countries in which the Company's customers conduct their business. As at 31 December, these exposures are as follows:

28.3.1 Credit risk - loans and advances to customers, due from banks and investment securities

According to internal grading structure

	Loans and advances	
	2017	**2016**
	£000's	**£000's**
Rating:		
AA, A+, A, A-, BB+ (Low risk)	16,905	23,242
BB, BB-, B+ (Medium Risk)	65,278	91,101
B, B- (Acceptable Risk)	159,922	91,727
CC+, CC (Watch List)	17	17
CC-, C (High Risk)	15	7
D (with objective trigger events of inability to pay their obligations)	39	41
DO (Delays>90Days)	1,031	1,063
D1 (Account closures)	-	-
D2 (Issuance of writ of execution)	-	-
E (Write offs)	-	-
Unrated	120	44
Total	**243,327**	**207,242**

Unrated includes three unsecured loans totalling £71,000 (2016: ten unsecured loans totalling £4,400).

According to external ratings (using S&P equivalent)	Due from banks		Investment Securities Available-for-sale	
	2017	**2016**	**2017**	**2016**
	£000's	**£000's**	**£000's**	**£000's**
Rating:				
AAA	-	-	296,467	302,017
AA+	15,399	15,658	-	-
AA	-	25,924	15,187	12,790
AA-	55,220	-	46,322	29,127
A+	40,793	85,394	29,534	-
A	8,888	23,413	-	-
A-	-	104	8,924	-
BBB+	41,778	-	-	-
BBB / BBB- / BB+ to BB / BB- to B-	1,343	-	-	-
CCC+ to C	465	567	-	-
DDD to D	-	-	-	-
Unrated	5,986	4,424	-	-
Total	**169,872**	**155,484**	**396,434**	**343,934**

28.3. Credit risk (continued)

28.3.2 Concentration by sector as at 31.12.2017

	Due from banks £000's	Loans and advances £000's	Investment securities Available-for-sale £000's	Total £000's
Sovereign	-	-	28,446	28,446
Multilateral development banks	-	-	296,466	296,466
Banks	169,872	-	71,522	241,394
Individuals	-	30,974	-	30,974
Financial intermediaries	-	189	-	189
Real estate companies	-	209,775	-	209,775
Other	-	2,389	-	2,389
Total	**169,872**	**243,327**	**396,434**	**809,633**

Concentration by sector as at 31.12.2016

	Due from banks £000's	Loans and advances £000's	Investment securities Available-for-sale £000's	Total £000's
Sovereign	-	-	17,142	17,142
Multilateral development banks	-	-	302,017	302,017
Banks	155,484	-	24,775	180,259
Individuals	-	26,717	-	26,717
Financial intermediaries	-	368	-	368
Real estate companies	-	173,991	-	173,991
Other	-	6,166	-	6,166
Total	**155,484**	**207,242**	**343,934**	**706,660**

Concentration by location as at 31.12.2017

	Due from Banks £000's	Loans and advances £000's	Investment securities Available-for-sale £000's	Total £000's
UK	33,013	234,279	12,500	279,792
Greece	516	2,014	-	2,530
USA	26,113	-	-	26,113
Luxembourg	4,161	-	-	4,161
Germany	35,694	-	-	35,694
Belgium	61,153	-	28,446	89,599
France	8,888	-	-	8,888
Australia	334	-	14,301	14,635
Netherlands	-	-	15,187	15,187
Canada	-	-	29,534	29,534
Supranational organisations	-	-	296,466	296,466
Other	-	7,034	-	7,034
Total	**169,872**	**243,327**	**396,434**	**809,633**

28.3 Credit risk (continued)

28.3.2 Concentration by location as at 31.12.2016

	Due from banks £000's	Loans and advances £000's	Investment securities Available-for-sale £000's	Total £000's
UK	27,190	195,474	-	222,664
Greece	652	1,935	-	2,587
North America	41,551	-	-	41,551
Luxembourg	4,339	-	-	4,339
Germany	7,160	-	-	7,160
Belgium	59,501	-	17,142	76,643
France	14,415	-	-	14,415
Netherlands	-	-	12,790	12,790
Canada	-	-	11,985	11,985
Supranational organisations	-	-	302,017	302,017
Other	676	9,833	-	10,509
Total	**155,484**	**207,242**	**343,934**	**706,660**

The above analysis on loans and advances shows the country of ultimate risk of the borrower.

Supranational organisations include investment securities of £218,635,000 from European organisations (2016: £229,267,000).

Maximum credit exposure is £869,646,000 (2016: £732,983,000) including committed undrawn facilities. The table below shows further breakdown.

	2017 £000's	2016 £000's
Due from banks	170,294	155,484
Loans and advances	302,918	233,565
Investment securities - Available for sale	396,434	343,934
Total	**869,646**	**732,983**

28.3.3 Loans and advances to customers: impairment analysis

As at 31 December 2017

	Neither past due nor impaired £000's	Past due but not impaired £000's	Individually impaired £000's	Total £000's
Not past due (current)	242,298	-	-	242,298
Past due from 1 to 30 days	-	-	-	-
Past due from 31 to 60 days	-	-	-	-
Past due from 61 to 90 days	-	-	-	-
Past due over 90 days	-	-	1,557	1,557
	242,298	-	1,557	243,855
Impairment allowance	-	-	(528)	(528)
Total	**242,298**	**-**	**1,029**	**243,327**

28.3 Credit risk (continued)

28.3.3 Loans and advances to customers: impairment analysis (continued)

As at 31 December 2016

	Neither past due nor impaired £000's	Past due but not impaired £000's	Individually impaired £000's	Total £000's
Not past due (current)	206,182	-	-	206,182
Past due from 1 to 30 days	-	-	-	-
Past due from 31 to 60 days	-	-	-	
Past due over 61 days	-	-	1,495	1,495
	206,182	-	1,495	207,677
Impairment allowance	-	-	(435)	(435)
Total	**206,182**	-	**1,060**	**207,242**

The carrying amount of loans which are individually impaired is written down to the recoverable amount of all expected future cash flows, discounted using the original effective interest rates. There was one impaired loan as at 31 December 2017 of £1,557,000 (2016: £1,495,000) against which an impairment provision of £528,000 has been made (2016: £435,000). There were no loans written off during the year (2016: Nil).

Based on the loans and advances exposures existing as at 31 December 2017 there was one forborne loan (2016: one):

- where the Company agreed to a temporary relaxation of repayment terms; and
- where the Company agreed to provide temporary facilities beyond the terms upon which the facilities were intended to operate.

The total exposure of this facility as at 31 December 2017 was £1,557,000 (2016: £1,495,000).

There were no instances where the Company waived material financial covenants (2016: none).

28.3.4 Loans and advances - collateral analysis

At the year-end, fully secured lending accounts for 99% (2016: 99%) of the loans and advances to customers. A breakdown of the fully collateralised lending is summarised in the table below. Collateral may consist of property, cash, and guarantees. The fair value of the collateral exceeds the carrying amount of the loan in all cases (except for impaired loans) and as such the value of the loan is shown and not the value of the collateral. Formal valuations of collateral are obtained prior to disbursement of all loans. These valuations are periodically updated to 'desktop valuations' using the land price index from the HM Land Registry, in the case of residential accommodation, and by using the latest CBRE review of Prime Rents and Yields for commercial investment properties in the UK.

Collateralised loans	**2017 £'000s**	**2017 %**	**2016 £'000s**	**2016 %**
LTVs < 40%	68,738	28	84,348	41
LTVs > 40% < 50%	96,809	40	55,733	26
LTVs > 50% < 60%	53,931	22	57,336	28
LTVs > 60% < 70%	3,949	2	5,852	3
LTVs > 70% < 80%	13,403	6	-	-
LTVs > 80% < 100%	1,667	1	1,060	1
Cash collateralised lending	2,960	1	1,997	1
Other collateralised lending	920	-	241	-
Total of collateralised lending	**242,377**	**100**	**206,567**	**100**

Other collateralised lending includes £251,052 of loans secured by Alpha Bank A.E. guarantees (2016: £241,000).

28.4 Market risk

28.4.1 Overview

Market risk is the risk of losses arising from unfavourable changes in the value or volatility of interest rates, foreign exchange rates and credit spreads that will affect the Company's income and/or value of its holdings of financial instruments. Losses may also occur either from the available-for-sale portfolio or from the asset liability management. The objective of market risk management is to maintain market risk exposures within acceptable parameters. The Company has a portfolio of debt securities held for investment and liquidity purposes, predominantly consisting of securities qualifying as part of the liquid assets buffer. It is the Company's policy to hold all such securities as available-for-sale. Management monitor market price movements of the financial instruments held, and these details are circulated for review to the Board of Directors.

28.4.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company principally borrows and lends to customers at floating rates of interest. In any instance where it has borrowed or lent at a fixed rate, the resulting interest rate risk is hedged through the use of interest rate swaps.
At 31 December 2017 the Company had no fixed rate loans (2016: Nil).
Key management personnel use a variety of sources to monitor interest rate risk, including a review of regulatory returns and various other ad hoc reports. As reliance is not placed on a single report, further disclosure has not been made.

28.4.3 Interest rate profile

A 2% rise in interest rates is estimated to increase net interest income by £329,590 (2016: £355,800). This is calculated in line with guidance from the Prudential Regulation Authority.

The table below summarises the re-pricing mismatches on the Company's non-trading book as at 31 December. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing date and the maturity date.

INTEREST RATE PROFILE AT 31.12.2017

	Carrying amount £000's	< 1 month £000's	1 - 3 months £000's	3 -12 months £000's	1 - 5 years £000's	> 5 years £000's	Non-interest bearing £000's
Assets							
Cash and balances with central banks	134	134	-	-	-	-	-
Due from banks	169,872	127,304	42,568	-	-	-	-
Loans and advances to customers	243,327	75,385	167,880	62	-	-	-
Investment securities	396,434	243,230	153,204	-	-	-	-
Property, plant, equipment and software	3,133	-	-	-	-	-	3,133
Other assets	804	-	-	-	-	-	804
Derivative financial assets	422	-	-	-	-	-	422
Total	**814,126**	**446,053**	**363,652**	**62**	**-**	**-**	**4,360**
Liabilities							
Due to banks	859	859	-	-	-	-	-
Derivative financial liabilities	516	-	-	-	-	-	516
Due to customers	740,413	545,086	107,226	88,101	-	-	-
Debt securities in issue and other borrowed funds	10,002	-	10,002	-	-	-	-
Liabilities for current income tax and other taxes	1,000	-	-	-	-	-	1,000
Deferred tax liability	159	-	-	-	-	-	159
Other liabilities	1,676	-	-	-	-	-	1,676
Capital and reserves	59,501	-	-	-	-	-	59,501
Total	**814,126**	**545,945**	**117,228**	**88,101**	**-**	**-**	**62,852**

28.4 Market risk (continued)

28.4.3 Interest rate profile (continued)

INTEREST RATE PROFILE AT 31.12.2016

	Carrying amount £000's	< 1 month £000's	1 - 3 months £000's	3 -12 months £000's	1 - 5 years £000's	> 5 years £000's	Non-interest bearing £000's
Assets							
Cash and balances with central banks	16,390	16,390	-	-	-	-	-
Due from banks	155,484	111,991	43,493	-	-	-	-
Loans and advances to customers	207,242	60,808	146,364	70	-	-	-
Investment securities	343,934	189,245	154,689	-	-	-	-
Investments in subsidiary	-	-	-	-	-	-	-
Property, plant, equipment and software	1,645	-	-	-	-	-	1,645
Other assets	616	-	-	-	-	-	616
Derivative financial assets	120	-	-	-	-	-	120
Total	**725,431**	**378,434**	**344,546**	**70**	**-**	**-**	**2,381**
Liabilities							
Due to banks	1,326	1,326	-	-	-	-	-
Derivative financial liabilities	1,995	-	-	-	-	-	1,995
Due to customers	661,061	458,880	107,471	94,710	-	-	-
Debt securities in issue and other borrowed funds	10,001	-	10,001	-	-	-	-
Liabilities for current income tax and other taxes	335	-	-	-	-	-	335
Deferred tax liability	88		-	-	-	-	88
Other liabilities	1,019	-	-	-	-	-	1,019
Capital and reserves	49,606	-	-	-	-	-	49,606
Total	**725,431**	**460,206**	**117,472**	**94,710**	**-**	**-**	**53,043**

28.4 Market risk (continued)

28.4.4 Foreign currency risk

Foreign currency exposure arises through certain monetary assets and liabilities that are denominated in foreign currencies. Currency limits are in place to manage these exposures and are closely monitored.

28.4.5 Currency exposures

The table below shows the Company's currency exposures. Such exposures comprise the assets and liabilities of the Company. As at 31 December, these exposures were as follows:

FOREIGN EXCHANGE POSITION AS AT 31.12.2017

	GBP	USD	EUR	OTHER	TOTAL
ASSETS	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Cash and balances with central banks	62	12	60	-	134
Due from banks	14,920	36,097	113,343	5,512	169,872
Derivative financial assets	422	-	-	-	422
Loans and advances to customers	233,607	1,255	7,085	1,380	243,327
Investment securities (available-for-sale)	15,096	104,667	276,671	-	396,434
Property, plant, equipment and software	3,133	-	-	-	3,133
Other assets	669	-	135	-	804
Total Assets	**267,909**	**142,031**	**397,294**	**6,892**	**814,126**
LIABILITIES					
Due to banks	210	101	548	-	859
Derivative financial liabilities	516	-	-	-	516
Due to customers	95,468	141,823	496,240	6,882	740,413
Debt securities in issue and other borrowed funds	10,002	-	-	-	10,002
Income tax liability	1,000	-	-	-	1,000
Deferred tax	159	-	-	-	159
Other liabilities	1,645	22	9	-	1,676
Shareholder funds	59,105	(11)	407	-	59,501
Total Liabilities	**168,105**	**141,935**	**497,204**	**6,882**	**814,126**
Net on-balance sheet position	99,804	96	(99,910)	10	-
Net off-balance sheet position	(100,345)	(102)	100,197	-	(250)
Net position	**(541)**	**(6)**	**287**	**10**	**(250)**

Based on the net position above the FX risk is not significant.

28.4 Market risk (continued)

28.4.5 Currency exposures (continued)

FOREIGN EXCHANGE POSITION AS AT 31.12.2016

	GBP	USD	EUR	OTHER	TOTAL
ASSETS	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Cash and balances with central banks	16,356	8	26	-	16,390
Due from banks	25,016	41,131	84,007	5,330	155,484
Derivative financial assets	120	-	-	-	120
Loans and advances to customers	198,580	1,451	5,643	1,568	207,242
Investment securities (available-for-sale)	15,010	102,105	226,819	-	343,934
Property, plant, equipment and software	1,645	-	-	-	1,645
Other assets	470	-	146	-	616
Total Assets	**257,197**	**144,695**	**316,641**	**6,898**	**725,431**
LIABILITIES					
Due to banks	240	106	980	-	1,326
Derivative financial liabilities	1,995	-	-	-	1,995
Due to customers	94,052	159,468	400,648	6,893	661,061
Debt securities in issue and other borrowed funds	10,001	-	-	-	10,001
Income tax liability	349	17	(31)	-	335
Deferred tax	88	-	-	-	88
Other liabilities	1,019	-	-	-	1,019
Shareholder funds	49,039	(81)	648	-	49,606
Total Liabilities	**156,783**	**159,510**	**402,245**	**6,893**	**725,431**
Net on-balance sheet position	100,414	(14,815)	(85,604)	5	-
Net off-balance sheet position	(102,343)	14,815	85,511	-	(2,017)
Net position	**(1,929)**	**-**	**(93)**	**5**	**(2,017)**

28.5 Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet the obligations or commitments associated with its financial instruments. The Company's exposure to liquidity risk is managed based on policies agreed with the Prudential Regulation Authority. These include the holding of sufficient immediately available cash or marketable assets, ensuring asset and liability cash flows are appropriately matched and having the ability to arrange further borrowing if required. Customer retail deposits are protected by a liquid assets buffer.

A maturity analysis is set out below. Cash flows arising from all liabilities are estimated and classified into relevant time periods, depending on when they occur. Management have used current interest rates to estimate future interest cash flows. The table below analyses liabilities into relevant maturity groupings based on the remaining period at the balance sheet date to the contractual maturity date and estimated interest outflows.

28.5 Liquidity risk (continued)

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 31.12.2017

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	>5 years £000's
NON-DERIVATIVE LIABILITIES							
Due to banks	859	(859)	(859)	-	-	-	-
Due to customers	740,413	(740,602)	(552,104)	(95,481)	(93,017)	-	-
Debt securities in issue and other borrowed funds	10,002	(11,261)	-	(63)	(190)	(11,008)	-
Other liabilities	2,835	(2,835)	(216)	-	(2,619)	-	-
Total	**754,109**	**(755,557)**	**(553,179)**	**(95,544)**	**(95,826)**	**(11,008)**	**-**

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 31.12.2016

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	> 5 years £000's
NON-DERIVATIVE LIABILITIES							
Due to banks	1,326	(1,326)	(1,326)	-	-	-	-
Due to customers	661,061	(661,202)	(458,998)	(107,415)	(94,789)	-	-
Debt securities in issue and other borrowed funds	10,001	(11,183)	-	(58)	(178)	(10,946)	-
Other liabilities	1,019	(1,019)	(177)	-	(842)	-	-
Total	**673,407**	**(674,730)**	**(460,501)**	**(107,473)**	**(95,809)**	**(10,946)**	**-**

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31.12.2017

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	> 5 years £000's
DERIVATIVE LIABILITIES							
Derivative financial liability	516	(516	(337)	(179)	-	-	-
Total	**516**	**(516)**	**(337)**	**(179)**		**-**	**-**

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31.12.2016

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	> 5 years £000's
DERIVATIVE LIABILITIES							
Derivative financial liability	1,875	(1,875)	(576)	(1,412)	113	-	-
Total	**1,875**	**(1,875)**	**(576)**	**(1,412)**	**113**	**-**	**-**

28.6. Capital management

The Company's objectives when managing capital are to:

- Safeguard the Company's ability to continue as a going concern;
- Comply with the capital requirements set by its regulators at all times; and
- Maintain a strong capital base to support the future strategy and development of the business.

It is also the Company's policy to maintain a sufficient buffer to meet exigencies.

The Company is subject to minimum capital requirements imposed by the Prudential Regulatory Authority ("PRA") following guidelines developed by the Basel Committee on Banking Supervision and implemented in the United Kingdom by the European Union Capital Requirements Directive and Regulation (together known as "CRD IV"). Under this framework the Company has elected to adopt the standardised approach for credit and market risk, and the basic indicator approach for operational risk. The minimum requirement set by the PRA, known as the Company's Individual Capital Guidance ("ICG"), is expressed as a percentage of total capital to total risk-weighted assets together with a capital planning buffer.

The Company calculates its capital requirement and compares it with its ICG monthly. During the year no breaches of externally imposed capital requirements have been reported.

The Company's regulatory capital is set out below and is divided into two tiers. Tier 1 capital includes ordinary share capital, retained earnings and the fair value reserve, and Tier 2 capital includes qualifying subordinated liabilities.

Regulatory capital analysis

	2017 £000's	2016 £000's
Tier 1		
Share capital	30,000	30,000
Retained earnings	28,929	19,039
Fair value reserve	572	567
Intangible assets	(140)	(241)
Total Tier 1 capital	**59,361**	**49,365**
Tier 2		
Subordinated debt (excluding accrued interest)	10,000	10,000
Total Tier 2 capital	**10,000**	**10,000**
Total Tier 1 & Tier 2 capital	**69,361**	**59,365**
Total regulatory capital	**69,361**	**59,365**

29. Related party transactions

A number of banking transactions are entered into with related parties in the normal course of business and include loans, deposits and foreign currency transactions. The outstanding balances at the year-end, and the related income and expense for the year, are as follows:

In addition to transactions with directors of the Company, which are set out in Note 7, the transactions below are with other key management personnel of both the Company and its Parent.

At 31 December 2017	Parent	Fellow subsidiaries/ affiliates	Key management personnel	Entities controlled by key management	Associated companies
	£000's	£000's	£000's	£000's	£000s
Assets					
Loans	-	4	-	-	-
Due from banks	465	51	-	-	-
Financial derivatives	418	-	-	-	-
Fixed assets	-	-	-	-	-
Total	**883**	**55**	**-**	**-**	**-**
Liabilities					
Borrowings	10,002	-	-	-	-
Deposits	844	275	2,849	-	82
Financial derivatives	516	-	-	-	-
Total	**11,362**	**275**	**2,849**	**-**	**82**
Income					
Loans	3	-	-	-	
Services provided	1	34	3	-	2
Total	**4**	**34**	**3**	**-**	**2**
Expenses					
Short-term employee benefits	2,696	171	311	-	-
Post-employment benefits	-	-	-	-	-
Interest	233	-	-	-	-
Services provided	-	-	-	-	-
Total	**2,929**	**171**	**311**	**-**	**-**
Letters of guarantee given	**-**	**-**	**-**	**-**	**-**
Letters of guarantee received	**563**	**-**	**-**	**-**	**-**

All related party transactions were made on an arm's length basis.

29. Related party transactions (continued)

At 31 December 2016	Parent	Fellow subsidiaries/ affiliates	Key management personnel	Entities controlled by key management	Associated companies
	£000's	£000's	£000's	£000's	£000s
Assets					
Loans	-	5	1	-	-
Due from banks	567	85	-	-	-
Fixed assets	-	158	-	-	-
Total	**567**	**248**	**1**	**-**	**-**
Liabilities					
Borrowings	10,001	-	-	-	-
Deposits	1,310	342	3,468	-	174
Financial derivatives	1,875	-	-	-	-
Total	**13,186**	**342**	**3,468**	**-**	**174**
Income					
Loans	3	-	-	-	
Services provided	-	42	3	-	1
Total	**3**	**42**	**3**	**-**	**1**
Expenses					
Short-term employee benefits	2,299	352	234	-	-
Post-employment benefits	-	-	20	-	-
Interest	258	-	4	-	-
Services provided	-	56	-	-	-
Total	**2,557**	**408**	**258**	**-**	**-**
Letters of guarantee given	**-**	**-**	**-**	**-**	**-**
Letters of guarantee received	**700**	**-**	**-**	**-**	**-**

All related party transactions were made on an arm's length basis.

30. Fair value of financial instruments

Financial instruments include financial assets and liabilities. The following sets out the Company's basis for establishing fair values for each category of financial instrument:

- Cash and balances at central banks; the fair value is their carrying value.
- Due from banks; the fair value of floating rate placements and overnight deposits is their carrying value.
- Loans and advances to customers; a very significant portion of the loans and advances as at 31 December 2017 are at variable rates and re-price in response to changes in market rates, generally within three months. Credit spreads are not deemed to have changed materially during the year. In addition, the loan portfolio is highly collateralised. Therefore, the fair value of this book has been estimated to be approximately equal to the carrying value. The fair value of impaired assets is measured as the present value of estimated future cash flows (including any collateral held and the costs of realising the collateral) discounted at the asset's original effective interest rate.
- Deposits from banks and customers; the fair value of deposits with a residual maturity of less than one year has been generally estimated to be approximately equal to the carrying value.
- Investment securities; the fair value is their carrying value as all investment securities are listed and the fair value is based upon quoted market prices.
- There were no transfers between levels 1, 2 and 3 during the year (2016: Nil).

Set out below is a comparison by category of book values and fair values of the Company's financial assets and liabilities as at 31 December, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Fair value of financial instruments as at 31.12.2017

	Carrying value	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
Assets					
Cash and balances at central banks	134	134	134	-	-
Due from banks	169,872	169,872	169,872	-	-
Derivative financial assets	422	422	-	422	-
Loans and advances to customers	243,327	243,327	-	-	243,327
Investment securities: available-for-sale	396,434	396,434	396,434	-	-
Total financial assets	**810,189**	**810,189**	**566,440**	**422**	**243,327**

	Carrying value	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
Liabilities					
Due to banks	859	859	859	-	-
Derivative financial liabilities	516	516	-	516	-
Due to customers	740,413	740,413	-	-	740,413
Debt securities in issue and other borrowed funds	10,002	10,002	10,002	-	-
Total financial liabilities	**751,790**	**751,790**	**10,861**	**516**	**740,413**

See Note 1.5.3 (fair value measurement) for definitions of Level 1, Level 2 and Level 3 fair value hierarchy.

30. Fair value of financial instruments (continued)

Fair value of financial instruments as at 31.12.2016

	Carrying value	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
Assets					
Cash and balances at central banks	16,390	16,390	16,390	-	-
Due from banks	155,484	155,484	155,484	-	-
Loans and advances to customers	207,242	207,242	-	-	207,242
Investment securities: available-for-sale	343,934	343,934	343,934	-	-
Total financial assets	**723,050**	**723,050**	**515,808**	**-**	**207,242**

	Carrying value	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
Liabilities					
Due to banks	1,326	1,326	1,326	-	-
Derivative financial liabilities	1,875	1,875	-	1,875	-
Due to customers	661,061	661,061	-	-	661,061
Debt securities in issue and other borrowed funds	10,001	10,001	10,001	-	-
Total financial liabilities	**674,263**	**674,263**	**11,327**	**1,875**	**661,061**

Level 3 Financial Instruments
Financial instruments categorised in Level 3 are recognised at their carrying value as noted above, this includes any allowance for impairment losses.

31. Ultimate parent company

The smallest and largest group in which the results of the Company are consolidated is that headed by Alpha Bank A.E., a company incorporated in Greece, whose principal place of business is 40 Stadiou Street, 102 52 Athens, Greece.

The consolidated financial statements of the Alpha Bank A.E. Group are available to the public and may be obtained from the above address, or from their internet website (www.alpha.gr/investor relations).

32. Post balance sheet events

After the reporting date, the Board of Directors proposed a final dividend of 50.0p per share, amounting to £3,000,000 (2016: 41.7p per share, amounting to £2,500,000). The dividend has not been recognised as a liability and there are no tax consequences.

33. Obtaining financial statements

The Company's Financial Statements can be located on the Alpha Bank Group AE website at: http://www.alpha.gr/page/default.asp?la=2&id=4153