ALPHA BANK

Alpha Bank London Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2020

185070

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OFFICERS AND COMPANY PARTICULARS

Board of Directors

Mark E. Austen	(Chairman)
W. Lindsay Mackay	(Chief Executive Officer)
Spyros N. Filaretos	
Clodagh Gunnigle	
Richard S. Price	
George Michalopoulos	

Risk & Compliance Committee

Richard S. Price	(Chairman)
Mark E. Austen	
Clodagh Gunnigle	
Spyros N. Filaretos	

Audit Committee

Richard S. Price	(Chairman)
Clodagh Gunnigle	
Spyros N. Filaretos	

Remuneration Committee

Mark E. Austen	(Chairman)
Spyros N. Filaretos	
Clodagh Gunnigle	
Richard S. Price	

Executive Committee

W. Lindsay Mackay	(Chairman)
Monika Ahmed	(Chief Financial Officer)
Joe Neophitou	(General Manager)
Soteris Antoniades	(Chief Operating Office)

Registered Office
Capital House
85 King William Street
London EC4N 7BL
England
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

I am pleased to advise that despite the uncertainties surrounding financial services in the UK the Company has delivered a strong performance in 2020 with a pre-tax profit of £1.5m compared to £3.1m in the prior year (2019).

Net interest income for the year was £10m, a decrease of 15% over the prior year comparable of £11.8m. The decrease in interest is due mainly to the decrease in benchmark interest rates due to the UK economic situation. Asset quality remains very strong with a low risk business model.

In terms of operations all staff have been working from home since the end of March 2020 due to the Covid-19 pandemic without any significant disruptions to the normal course of conducting business. There is no date established yet for returning to office with the Company closely monitoring Government's advice.

As a result of the pandemic, the Company has seen several isolated loans being classified as Stage 3. However, the ECL has remained immaterial due to a low Loss Given Default ("LGD") and the collateral behind the loans remain good quality with an average LTV across the loan portfolio of 43%. The Company assessed that its key sensitivity around profitability was in relation to ECLs on the loan portfolio (Stages 1, 2 and 3), mainly impacted by collateral valuations. The Company's main driver of ECL is the LGD which in turn is sensitive to the movement in the property market prices. The loan portfolio has a built-in resilience to credit risk due to a conservative risk appetite framework.

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 great staff, whose commitment and professionalism are greatly appreciated by the Company.

M. E. Austen

Mark E. Austen
Chairman

1 April 2021

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 PLC, 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 324 branches.

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 £10m subordinated loan (2019: £10m), does not rely upon any funding from wholesale counterparties or the Parent Group.

In 2021 the Company plans to diversify the funding base by sourcing UK retail deposits via a deposit gathering platform. This will diversify the funding concentration and provide funding for the loan book growth.

Business Review

The Company achieved a pre-tax profit for the year of £1.5m, compared to £3.1m in the prior year. The decrease in pre-tax profit is predominantly due to net interest income decrease of 15% resulting from the Covid-19 pandemic. The plunge in interest rates lead to reduced margins earned across the lending book, combined with a temporary standstill in the UK property market following government restrictions having a detrimental effect on new business in the first half of 2020. There was minimal movement in total operating cost compared to last year. Following Brexit, the Alpha Bank AE, London Branch closed, and its operations were transferred to Luxembourg. As such the Company ceased recharging a portion of its operating cost for shared office space and human resources mid-way through the year. Total human resources headcount (including external agency contractors) reduced during 2020 from 96 to 74. Some of the headcount reduction was achieved through redundancies and as at 31 December 2020 the Company has created a provision of £103k for further redundancies.

Total assets decreased by £35m to £593m, driven by a decrease of £35m in corporate and retail deposits (£51m of actual deposit movements partially offset by £16m of F/X movement). The deposit base saw a significant expansion between 2015 and 2018 due to the Greek crisis and the introduction of capital controls. Following an improvement in the Greek economy during 2019 resulting in capital controls being lifted, the Company saw a reversal of the 2015-2018 inflows with most funds returning to the parent. During 2020 deposits decreased to a lesser extent, mainly due to corporate deposit outflows. Retail deposits decreased by £4m, corporate deposits decreased by £20m and a single corporate depositor by £25m. The Company opened an account with the deposit aggregator Flagstone in order to access UK retail depositors and diversify its funding sources.

The Company's net equity increased from £53.5m to £54.8m reflecting the 2020 profit and fair value gain on investment securities. The Company's capital base for regulatory capital purposes also includes a £10m subordinated loan from the Parent and totals £64.8m (2019: £63.4m) (Note 33.6). The capital base was higher than the minimum regulatory requirements throughout the year and it is the intention of the Company to continue to maintain surplus capital resources in the future.

STRATEGIC REPORT (continued)

Customer loans decreased slightly during the year from £339m to £337m, compared to an increase of 17% in 2019. The loan portfolio growth was impacted by Covid-19 restrictions implemented by the Government. Eleven of the Company's loans became credit impaired and moved to Stage 3 as a result of the negative implications of the Covid-19 pandemic. Due to the low LGD and the high-quality collateral with an average LTV across the loan portfolio of 43%, the ECL of these exposures is minimal at the year-end. The £22m of Stage 3 loans is supported by £46m of collateral. 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.

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 decreased in size to a total of £150m, from a total of £175m at the prior year. The portfolio is composed exclusively of AAA-rated floating rate notes issued by international development banks.

Net interest income for the year was £10m, a decrease of 15% over the prior year comparable of £11.8m. The reduced gross interest income was £13.1m compared to £16.8m, a decrease of 22%. Average loan pricing across the portfolio in 2020 was 3.51% compared to 3.95% in 2019, whilst the average volume of loans increased from £313m in 2019 to £318m in 2020. Interest expense for the year reduced to £3.1m, a 38% decrease over £5m for the prior year. The weighted average rate paid on deposits also reduced to 0.38% in 2020 from 0.77% in 2019, with the average volume of deposits also decreasing from £665m in 2019 to £534m in 2020. Fees and commissions income for the year rose from £2.1m to £2.3m, largely due to significant early loan repayment fees along with the introduction of capital repayment holiday fees in reaction to the Covid-19 pandemic.

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 Committee, Risk and Compliance Committee, Executive Committee, and Credit Risk Committee. In addition, other committees regularly convene to oversee particular aspects of risk within the business.

Section 172(1) Statement

Clients. Our Clients remain at the heart of our business. We develop relationships with our clients based on a high-quality service provided and mutual trust and respect. The clients are treated fairly, and clients' needs are at the centre of any product development. The Board regularly receives reports summarising the number of customer complaints – these numbers remained at a very low level throughout 2020.

Our people. Our employees help to drive the success of our Company. It is key that the employees are motivated and engaged both from the point of view of employees' satisfaction level and wellbeing, and from the Company's interest of having productive employees. The Company reacted to the Covid-19 pandemic quickly and effectively with all employees working remotely from home by 1 April 2020. The Board also reviews the remuneration levels including bonuses so that these are providing the right level of motivation for employees. During the year the Company also conducted an employee survey, the results of which were communicated to the Board alongside a detailed analysis.

Key decisions. Our strategy is focused on the long term. We make careful decisions to maintain strategic focus, control costs, invest and ensure sufficient capital and liquidity is held.

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 KPIs are:

- Year to date profit before tax and;
- Total equity (capital and reserves); and
- Return on Equity

Profit before tax for the year was £1.5m (2019: £3.1m) whilst total equity at the period end was £54.8m (2019: £53.5m). The return on equity was 2% (2019: 5%)

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 to stress and shocks. It is a key factor in determining the Company's ability to make loans to customers, which ultimately is our core business. The Return on Equity is a key ratio for the shareholders measuring the relative performance against invested resources. This is calculated as net profit divided by total equity opening balance. The Board of Directors approves a budget and longer-term strategic plan every year.

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties Facing the Company

The Board of Directors regularly assesses the principal risks and uncertainties faced by the Company. The most significant risks the Company has faced during the year are:

Brexit

- In January 2020 the United Kingdom left the European Union ("EU"). The UK retained full market access until 31 December 2020. A trade agreement was reached which should avoid market disruption and cross border business restrictions.
- Withdrawal of deposits because of Brexit (with or without a deal). There has always been a potential risk of depositor outflow following the Brexit decision during and after the Transition Period ending 31 December 2020. On the run up and following the end of Transition Period there has been very little noticeable depositor activity. Management's assessment is that a significant level of outflows is unlikely to occur. Management pays particular attention to maintaining high levels of liquidity and regularly assesses its liquidity capacity through daily monitoring of its Liquidity Coverage Ratio, reverse stress testing, and annual Internal Liquidity Adequacy Assessment Process ("ILAAP") exercises.
- As a result of Brexit, in June 2020 the Alpha Bank AE, London Branch was closed, with the operations being transferred to Luxembourg.
- There is optimism from the regulators that the regulatory burden on small banks may diminish post Brexit, following the proposed introduction of a 'strong and simple' regime by the PRA.

Covid-19

- The Covid-19 pandemic is an ongoing risk. During the year, there has been significant economic and social disruption. The Company was impacted by relatively higher ECLs because of the economic down-turn and its impact on collateral valuations and related stress test scenarios.
- The Company has taken measures in line with its Business Continuity Planning to ensure it has been able to continue to operate in various scenarios, including the complete lockdowns or operating with skeleton staffing levels. The cost of these measures was not material and involves mainly making sure employees can work from home and the necessary hardware is in place. Since 1 April 2020, all staff have been working from home without any significant disruptions to the normal course of conducting business.
- The Company has a very conservative approach to credit risk and the lending portfolio is fully secured on real estate. The Directors believe these characteristics of the loan portfolio make the Company resilient to economic downturns. The strength of Company's capital and liquidity positions are assessed annually, and extensive management actions are identified and incorporated in the recovery plans.

Other risks

- Risks associated with the Company's financial instruments include credit risk, interest rate risk, valuation risk, foreign exchange risk and liquidity risk. Further information on risks is set out in detail in Note 33.
- 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 43%. Impairment losses to date have been at very low levels, both in absolute terms and compared to our peers.

In addition, the Company faces a range of other risks which are regularly monitored by Management and overseen by the Audit Committee and the Risk and Compliance Committee of the Board. 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 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 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 any regulatory change is examined in advance of them coming into force as well as participation in numerous industry bodies and forums, where these issues are discussed. The Company has enhanced its KYC and AML processes to reduce its exposure to regulatory risk.

STRATEGIC REPORT (continued)

- 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.

- Greek economy

  During the first wave of the pandemic, Greece succeeded in containing the exponential spread of infections due to the early introduction of front-loaded containment measures. Following the gradual easing of the first generalised lockdown, economic activity was progressively normalised in Q3 2020 which was reflected in the rise of real GDP by 2.3% on a quarterly basis.

  According to the last available data published by ELSTAT (provisional, seasonally adjusted figures), real GDP shrank by 11.7% y-o-y in Q3 2020, mainly fuelled by the collapse of tourism during the summer months. The high dependence of domestic economic activity on inbound tourism is reflected in its significant direct contribution to GDP, estimated at 7.8% in 2019, while according to the World Travel and Tourism Council (WTTC), the total contribution is estimated to be above 20% (2019 data). The struggles of the tourism sector were particularly significant given its seasonal nature - the majority of travel receipts and arrivals typically take place in the third quarter of each year (59% of total travel receipts and 56% of total arrivals in 2019).

  Turning to the demand-side components of real GDP, the weak performance of tourism-related activities, due to the social distancing measures and the travel restrictions imposed, is reflected in the freefall of exports of services by 80% in Q3 2020 compared to the same quarter in 2019. Net exports made the largest negative contribution to real GDP contraction in Q3 2020 (-15.6 pps) as the decline in exports of goods and services (-44.9% y-o-y) outpaced the reduction of imports of goods and services (-6.4% y-o-y). Gross fixed capital formation declined marginally by 0.3% y-o-y in Q3 2020, mainly driven by the large annual drop in transport equipment (53.1% y-o-y). Investment in machinery and technological equipment rose by 9.3% on an annual basis, while residential investment remained on an upward trend, rising by 6.6% y-o-y. Non-residential construction investment also increased by 3.3% y-o-y in Q3 2020.

  Private consumption increased by 1% y-o-y, contributing positively to the change in real GDP by 0.7 pps, underpinned by the swift and sizeable fiscal policy response to the pandemic which supported employment and households' disposable income. The large fiscal stimulus is also reflected in the positive contribution of public consumption in Q3 2020 (0.8 pps), which rose by 4.4% y-o-y.

  The upturn in economic activity during the summer months was interrupted by the resurgence of the Covid-19 pandemic in autumn. The European Commission, the International Monetary Fund (IMF) and the Greek Ministry of Finance foresee an incomplete rebound in 2021.

  The sizeable fiscal stimulus enacted by the government is estimated to have partially offset the negative consequences of the recessionary shock; in particular, according to the 2021 State Budget estimates, the recession materialised in 2020 could have reached 17.5% under a no-policy intervention scenario (i.e. the supporting measures mitigated the recession by 7 pp of GDP) , while, for 2021, 2.1% out of the 4.8% projected growth is attributed to the utilization of the EU Recovery and Resilience Facility (RRF). On the upside, the progress being made in developing and distributing effective vaccines should improve the outlook and boost confidence, paving the way for a virtuous cycle that is expected to take effect next year. Additionally, front-loaded funding from the RRF may prove a solid ground for a strong upside scenario.

  In addition, Greek Government securities are eligible for purchase under the European Central Bank's (ECB) Pandemic Emergency Purchase Programme (PEPP), which contributes to the maintenance of low borrowing costs.

  At the beginning of 2020, the international rating agency Fitch upgraded the debt of the Greek Economy to BB with positive prospects. Due to the pandemic crisis, however both Fitch and S&P adjusted in April 2020 Greece's outlook from positive to stable, maintaining, however, the country's rating at the same level (S&P: BB-). In addition, in November 2020 the rating agency Moody's maintained Greece's outlook stable, while adjusting the country's rating to Ba3 from B1.

STRATEGIC REPORT (continued)

Despite the GDP contraction, attributed to the strict containment measures and the generalised lockdown in several sectors of the economy, residential property price growth dynamics in Q3 2020 remained resilient.

Inflation, based on the Harmonised Index of Consumer Prices (HICP), stood at -1.3% 2020, compared to +0.5% in 2019. According to the forecasts of the European Commission (Economic Forecasts, Autumn 2020), HICP is expected to increase by 0.9% in 2021, in line with the expected recovery of the Greek economy.

The unemployment rate stood at 16.7% in October, remaining stable on an annual as well as on a monthly basis. According to the forecasts of the European Commission (Economic Forecasts, Autumn 2020), the unemployment rate is expected to increase to 18.0% in 2020 and decrease to 17.5% in 2021.

Events After the Reporting Period

On 1st January 2021 UK's market access to the European Union has ceased following the end of the transition period. The Company is conducting its operations entirely in the UK, and despite the fact that a significant portion of its customers are EU residents there has been no negative impact on the Company following the end of the transition period.

In March 2021 the UK Government has announced a cautious relaxation of economic restrictions following a successful vaccine rollout. As a result, the Company expects the economic situation to improve and the majority of Stage 3 clients to recover and transition to Stage 2.

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 an appropriate period to forecast when considering the Company's underlying 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 has diversified its funding base by opening a channel of gathering retail deposits in the UK through deposit aggregators. This attracted £0.5m of new deposits in the first 2 months of 2021.

The Company's capital and liquidity positions are both strong. The Company holds capital resources well in excess of the minimum levels required by regulators. 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. Please see note 4.1 for more details on the going concern assessment.

The directors acknowledge that the Company faces a number of risks and uncertainties but believes none of these are an imminent threat to the Company's viability. As such, the directors have a reasonable expectation that the Company will continue to operate and meet its obligations as they fall due over the following 12 months.

Approved for issue by the Board of Directors and signed on their behalf.

M. E. Austen

Mark E. Austen
Chairman

Capital House
85 King William Street
London EC4N 7BL

1 April 2021

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of Alpha Bank London Limited ("ABL") for the year ended 31 December 2020.

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 Directors' 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 9.

Results and Dividends

Profit on ordinary activities after taxation amounted to £1.3m (2019: £2.6m).

No final dividend has been approved (2019: £nil). No interim dividend was paid during the year (2019: £nil).

Events after the reporting period

The events are disclosed on page 9 in the Strategic Report.

Financial risk management

Note 32 contains a detailed description of the of the financial risk management framework.

Employee engagement and business relationships

Please see Section 172(1) Statement on page 6 of the Strategic Report.

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 interests in the share capital of the Company.

Mark E. Austen
Spyros N. Filaretos
W. Lindsay Mackay
Richard S. Price
George Michalopoulos
Clodagh Gunnigle
Ioannis M. Emiris *(Resigned 2nd September 2020)*

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 and one committee of executive management. The current composition of each of the committees is shown on page 3.

DIRECTORS' REPORT (continued)

Risk & Compliance Committee

Risk & Compliance Committee meets at least four times a year to consider and advise the Board accordingly on risk management matters (including the Risk Appetite Framework) as well as regulatory compliance matters of the Company and its subsidiaries.

Audi Committee

The Audit Committee meets at least four times a year to consider the nature and scope of audit reviews and the effectiveness of the systems of internal control. 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, considering the remuneration packages of comparable financial organisations and having access to relevant remuneration surveys. The Committee can take external advice where it feels this is necessary.

Executive Committee

The Executive Committee, which is not a committee of the Board, normally meets twice per month 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.

Donations

Charitable contributions made during the year amounted to £400 (2019: £741). No political donations were made (2019: £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 are detailed in Note 30.

Disclosure of Information to the 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

In accordance with Section 489 of the Companies Act 2006, a resolution for the reappointment of Deloitte LLP as auditor of the Company is to be proposed at the forthcoming Annual General Meeting.

Company registration number: 185070

By Order of the Board

W. Lindsay Mackay
Chief Executive Officer

1 April 2021

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 annual 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 the financial statements, IAS 1 requires that directors:

• properly select and apply accounting policies;
• present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
• provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and performance; and
• make an assessment of the Company's ability to continue as a going concern.

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.

On behalf of the Board

M. E. Austen

Mark E. Austen
Chairman

1 April 2021

Capital House
85 King William Street
London EC4N 7BL

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

Report on the audit of the financial statements

1. Opinion

In our opinion the financial statements of Alpha Bank London Limited (the 'company'):

- give a true and fair view of the state of the company's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 37.

The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and IFRSs as issued by the IASB.

2. Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 13 to the financial statements. 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.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • IFRS 9 Loan Loss Provisioning
Materiality	The materiality that we used in the current year was £1,070,000 which was determined on the basis of 2% of equity.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	Due to the COVID-19 pandemic, there has been a greater focus on the significant increase in credit risk (SICR) identification due to the increased number of customers asking for payment holidays which similarly affects estimation of expected credit losses (ECL). SICR is a significant change in the estimated default risk (over the remaining expected life of the financial instrument). ECL is the probability-weighted estimate of credit losses whereby a credit loss is the difference between the cash flows that are due to the entity in accordance with the contract and the cash flows that the entity expects to receive discounted at the original effective interest rate.

4. Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the directors' assessment of the company's ability to continue to adopt the going concern basis of accounting included:

- challenge management's evaluation of its profitability, solvency, liquidity and funding forecast position by performing a review of the following:
  - Business continuity plan in response to the prolonged impact from the COVID-19 pandemic;
  - Internal Liquidity Adequacy Assessment Process;
  - Internal Capital Adequacy Assessment Process; and
  - Recovery and Resolution Plans which included severe stress testing scenarios;
- engaged Deloitte's prudential and regulatory experts to review management's capital and liquidity position;
- evaluation of key forecast assumptions, in particular the assumed deposit growth to sustain the planned loan growth and challenged its likelihood;
- evaluation of the impact of Brexit, in the closure of the Alpha Bank A.E branch to the Bank's profitability;
- evaluation of the impact of COVID-19, in particular the effect of COVID-19 pandemic to the Bank's ECL, to the bank's capital and liquidity. This included reviewing the reverse stress testing performed by the Bank; and
- assessed whether the company provided sufficient and appropriate information in the disclosure of the going concern basis of accounting in the financial statement.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

5. 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.

5.1. IFRS 9 Loan Loss Provisioning

Key audit matter description	As detailed in the summary of critical accounting judgments and estimates in note 5.1 of the Annual Report and Financial Statements and the credit risk disclosures in note 32.3, the estimation of ECL in accordance with IFRS 9 is inherently uncertain and requires significant management judgement. Therefore, we have determined that there is a risk of error in this balance. As at 31 December 2020, the company reported £0.6m (2019: £0.5m) of ECL on total gross loans and advances of £338m (2019: £339m). The COVID-19 pandemic has led to unprecedented impacts on the UK economy, general population and lending markets and has resulted in deployment of significant government intervention in the economy. This includes granting of payment holidays to customers impacted by the pandemic. As a result of the impact of COVID-19, there was a significant movement in the IFRS 9 staging of the Bank's loan book. As at 31 December 2020, the Bank's loan book comprises 89.4% stage 1 loans (PY:99%), 5.5% stage 2 loans (PY: nil) and 5.1% stage 3 loans (PY: 1%). As a result of COVID-19, the estimation of ECLs is uncertain and requires management to revisit its significant judgements and estimates. Due to COVID-19 there is an increase level of uncertainty among others, on the expected impact of COVID-19 on collateral valuations and other loss given default assumptions (LGD) such as forced sale discount, propensity to go into possession given default and the time to sell assumptions. The Bank recognises a loss allowance for expected credit losses on its financial assets measured at amortised cost. The amount of expected credit losses is updated at each reporting date. Critical to the determination of the ECL is what constitutes significant increase in credit risk as IFRS 9 does not specifically define this and the ECL estimation. The company makes a judgement in assessing whether the credit risk of an asset has significantly

	increased by taking into account qualitative and quantitative reasonable and supportable forward-looking information. In performing the assessment on whether there is a significant increase in credit risk, the audit team focussed on property improvement loans, refurbishment loans, construction loans, cash collateralised loans, loans highlighted by the Bank's stress test exercise, loans under payment holidays in the current year, and borrowers that are in high risk sector due to COVID-19. Further, the company makes a judgement and estimate in the estimation of its ECL in particular, the probability assigned to each scenario and the expected impact to LGD assumptions.
How the scope of our audit responded to the key audit matter	In order to address the significant risk identified, we performed the following procedures to assess the appropriateness of the allocation of loans between Stages 1, 2 and 3: • Tested relevant controls relating to the credit risk assessment process; • Tested a sample of loans taken from a high risk population made of property improvement loans, refurbishment loans, construction loans, cash collateralised loans, loans highlighted by the Bank's stress test exercise, loans under payment holidays in the current year, and borrowers that are in high risk sector due to COVID-19. We have obtained an explanation and supporting evidence to assess the staging applied to each loan, in the form of loan reviews; • For a sample of the loans, we tested management's rationale and assessment on whether or not the loans exhibited significant increase in credit risk, and are in line with the Bank's policy and relevant reporting requirements; • Obtaining an understanding of relevant controls relating to the estimation of ECLs; • Made inquiries of management as to whether there have been any changes to its model and methodology for determining the ECLs; • Reviewed and challenged management's assessment of the expected impact of COVID-19 on collateral valuations and other LGD assumptions such as forced sale discount, propensity to go into possession given default and the time to sell assumptions; and • Further, In accordance with ISA 540, we performed a stand back to assess whether the level of ECLs is appropriate in relation to the current environment and that management's ECL assessments are not biased towards finding corroborative evidence.
Key observations	The ECL model was found to be compliant with the requirements of IFRS 9. We concluded that the company's assessment of a significant increase in credit risk and its estimation of ECL was reasonably determined and applied. Accordingly, the recognised loan loss provision as at 31 December 2020 was reasonably stated.

6. Our application of materiality

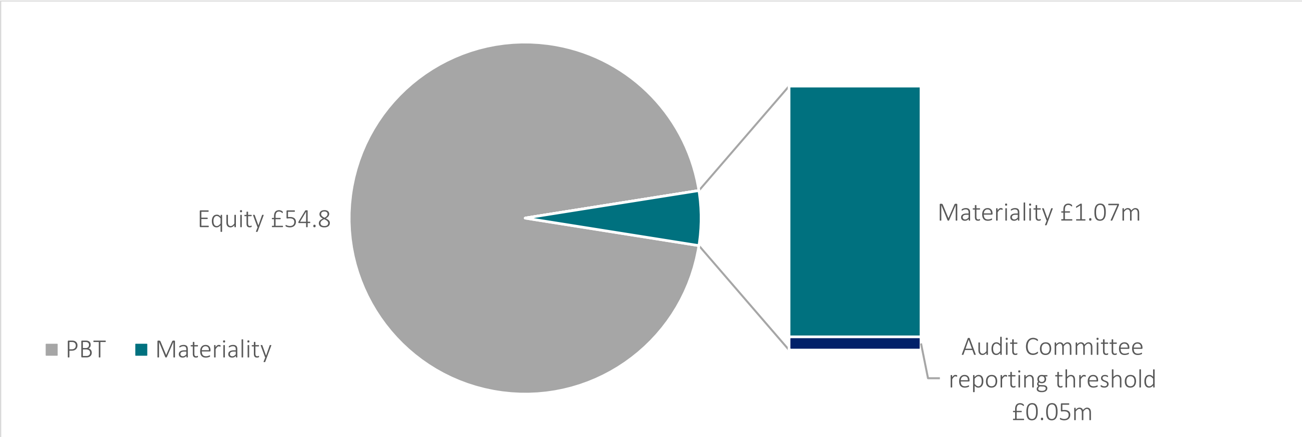
6.1. Materiality

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	£1,070,000 (2019: £1,038,054)
Basis for determining materiality	2% of equity (2019: 2% of equity)

Rationale for the benchmark applied	We considered equity to be the most appropriate benchmark given its stability compared to other profit measures. The equity basis of materiality during the year is a consistent benchmark to the prior year audit.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2020 audit (2019: 70%). In determining performance materiality, we considered our risk assessment, including our assessment of the company's overall control environment and that we consider it appropriate to rely on controls over a number of business processes. There is also a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £53,500 (2019: £51,903), 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.

7. An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing risks of material misstatement. Audit work to respond to the risks of material misstatement was performed by the audit engagement team. We performed our scoping on the basis of whether the account balances are quantitatively or qualitatively material.

8. Other information

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

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 this regard.

9. 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.

10. 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 FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

11. Extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the company's remuneration policies, key drivers for directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management and the audit committee about their own identification and assessment of the risks of irregularities;
- any matters we identified having obtained and reviewed the company's documentation of their policies and procedures relating to:
  - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
  - detecting and responding to the risks of fraud and whether management and those charged with governance have knowledge of any actual, suspected or alleged fraud;
  - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including tax, IT, regulatory and financial instrument specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in IFRS 9 loan loss provisioning. In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory frameworks that the company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the relevant provisions of the UK Companies Act, tax legislation, Prudential Regulation Authority and Financial Conduct Authority.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the company's ability to operate or to avoid a material penalty. These included the company's regulatory solvency requirements.

11.2. Audit response to risks identified

As a result of performing the above, we identified IFRS 9 loan loss provisioning as a key audit matter related to the potential risk of fraud. The key audit matters section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and external legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Prudential Regulation Authority and Financial Conduct Authority; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members, including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other legal and regulatory requirements

12. 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.

13. Matters on which we are required to report by exception

13.1. 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.

13.2. 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.

14. Other matters which we are required to address

14.1. 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. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 4 years, covering the years ending 31 December 2017 to 31 December 2020.

14.2. 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).

15. Use of our report

This report is made solely to the company's members, as a body, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Rhys FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom

1 April 2021

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000's	2019 £000's
Interest and similar income	6	13,062	16,827
Interest expense and similar charges	6	(3,073)	(5,048)
Net interest income		**9,989**	**11,779**
Fees and commission income	7	2,250	2,108
		12,239	**13,887**
Net trading (expense) / income	8	(21)	43
Other operating income	9	236	171
Net gain from derecognition of financial assets measured at FVTOCI	10	-	54
Operating income		**12,454**	**14,155**
Staff costs	11	(6,981)	(6,085)
General administrative expenses	13	(3,118)	(3,952)
Depreciation and amortisation	21, 22	(866)	(977)
Operating expenses		**(10,965)**	**(11,014)**
Impairment losses and provisions to cover credit risk	15	(32)	(8)
Profit before tax		**1,457**	**3,133**
Income tax expense	14	(153)	(538)
Profit after tax		**1,304**	**2,595**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000's	2019 £000's
Profit after tax recognised in the Statement of Profit or Loss	**1,304**	**2,595**
Items that may be reclassified subsequently to profit or loss:		
Fair value movement of debt instruments at FVTOCI	37	274
Allowance for ECL movement of debt instruments at FVTOCI	(7)	(3)
Amounts reclassified to profit or loss for debt instruments measured at FVTOCI	-	54
Other comprehensive income/(expense)	**30**	**325**
Total comprehensive income for the year after tax	**1,334**	**2,920**

The notes on pages 25 to 72 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

	Note	2020 £000's	2019 £000's
Assets			
Cash	16	-	70
Due from credit institutions	16	97,765	106,179
Derivative financial instruments	17	452	213
Investment securities	18	149,729	174,633
Loans and advances to customers	19	337,615	339,047
Property and equipment	21	5,743	6,596
Intangible assets	22	-	15
Other assets	23	1,276	1,011
Total assets		**592,579**	**627,764**
Liabilities			
Due to banks	24	3,065	2,408
Derivative financial instruments	17	1,979	3,272
Due to customers	25	515,898	551,341
Other borrowed funds	26	10,001	10,002
Current tax liabilities	27	71	425
Deferred tax liabilities	27	59	81
Lease liabilities	28	5,110	5,444
Other liabilities	29	1,611	1,340
Total liabilities		**537,794**	**574,313**
Equity			
Share capital	30	30,000	30,000
Retained earnings		24,814	23,510
Reserves	30	(29)	(59)
Total equity		**54,785**	**53,451**
Total liabilities and equity		**592,579**	**627,764**

Company registration number: 185070

The notes on pages 25 to 72 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 1 April 2021 and were signed on its behalf by:

M. E. Austen

Mark E. Austen
Chairman

W L Mackay

W. Lindsay Mackay
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Share capital £000's	Retained earnings £000's	Fair value reserve £000's	Total equity £000's
Balance as at 1 January 2020	**30,000**	**23,510**	**(59)**	**53,451**
Profit after tax	-	1,304	-	1,304
Other comprehensive income after income tax	-	-	30	30
Total comprehensive income after income tax	-	1,304	30	1,334
Balance attributable to the owner as at 31 December 2020	**30,000**	**24,814**	**(29)**	**54,785**

	Share capital £000's	Retained earnings £000's	Fair value reserve £000's	Total equity £000's
Balance as at 1 January 2019	**30,000**	**20,915**	**(384)**	**50,531**
Profit after tax	-	2,595	-	2,595
Other comprehensive income after income tax	-	-	325	325
Total comprehensive income after income tax	-	2,595	325	2,920
Balance attributable to the owner as at 31 December 2019	**30,000**	**23,510**	**(59)**	**53,451**

The notes on pages 25 to 72 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000's	2019 £000's
Cash flows from operating activities			
Profit before tax		1,457	3,133
Adjustments:			
Interest income on investment securities		(648)	(1,945)
Interest income on loans and advances to customers		(12,955)	(13,967)
Interest expense on due to banks		1,887	2,750
Interest expense on due to customers		1,122	2,009
Interest expense on debt securities in issue and other borrowed funds		240	283
Interest expense on lease liabilities		149	131
Loss / (gain) on forward revaluation of FX transactions	8	21	(42)
Gain on foreign exchange	9	(167)	(161)
Loss from derecognition of investment securities	10	-	(54)
Movement in ECL allowance on investment securities		(7)	(3)
Movement in ECL allowance on loans and advances to customers		32	11
Depreciation and amortisation	21, 22	1,009	1,150
Provision	30	109	-
		(7,751)	(6,705)
Net (increase)/decrease in assets relating to operating activities:			
Derivative financial instruments		(239)	1,141
Investment securities		(1,748)	12,240
Loans and advances to customers	19	1,433	(49,640)
Right of use assets	21	-	(4,892)
Other assets	23	(266)	38
		(821)	(41,113)
Net increase/(decrease) in liabilities relating to operating activities:			
Derivative financial instruments	17	(1,293)	3,150
Due to banks	24	657	(1,426)
Due to customers	25	(35,443)	(226,829)
Other borrowed funds		(1)	(1)
Lease liabilities		-	5,831
Other liabilities	29	160	(640)
		(35,920)	(219,915)
Interest income on loans and advances to customers		12,955	13,967
Interest expense on due to banks		(1,887)	(2,750)
Interest expense on due to customers		(1,122)	(2,009)
		9,946	9,208
Income tax paid		(528)	(540)
Net cash flows from operating activities		**(35,072)**	**(259,065)**
Cash flows from investing activities			
Acquisition of investment securities		(21,746)	(16,260)
Disposal of investment securities		48,405	236,957
Interest income on investment securities		648	1,945
Acquisition of fixed assets	21, 22	(141)	(72)
Proceeds on disposal of fixed assets		-	1
Net cash flows from investing activities		**27,166**	**222,571**

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000's	2019 £000's
Cash flows from financing activities			
Repayment of lease liabilities		(334)	(387)
Interest expense on other borrowed funds		(240)	(283)
Interest expense on lease liabilities		(149)	(131)
Net cash flows from financing activities		**(723)**	**(801)**
Net decrease in cash and due from credit institutions		**(8,629)**	**(37,295)**
Cash and due from credit institutions at beginning of the year	16	106,249	143,364
Net effect of foreign exchange fluctuations		145	180
Cash and due from credit institutions at end of the year	16	**97,765**	**106,249**

The notes on pages 25 to 72 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. General information

Alpha Bank London Limited (hereafter the "Company" or "ABL") is a company limited by shares incorporated and registered in the United Kingdom. The address of the Company's registered office is shown on page 3.

The principal activities of the Company are set out in the Strategic Report.

2. Basis of presentation

The financial statements have been prepared in accordance with International Financial Reporting ("IFRS") Standards and in accordance with the special provisions of Part VII of the Companies Act 2006, as at and for the year ended 31 December 2020.

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. Further details on the parent can be found in Note 35.

The financial statements are presented in Sterling and rounded to the nearest thousand unless otherwise indicated. The financial statements are prepared on the historical cost basis, except for certain financial instruments that are measured at fair value as explained in the accounting policies.

3. Adoption of new standards and of amendments to standards

The following new accounting standards or amendments to existing standards became effective for accounting periods beginning on or after 1 January 2020 and are applicable to the Company. The Company's accounting policies are already consistent with the new requirements and / or adoption had no impact on the financial statements of the Company.

Amendments to IFRS 16 "Leases": ***Covid-19 related rent concessions (Regulation 2020/1434/9.10.2020)***

On 28 October 2020 the IASB issued an amendment to IFRS 16 regarding the accounting treatment of rent concessions occurring as a direct consequence of the Covid-19 pandemic.

According to this amendment, a lessee may elect (as a practical expedient) not to assess whether a rent concession is a lease modification. The practical expedient is applied for any reduction in lease payments that affects only payments due on or before 30 June 2021.

If the practical expedient is applied, it is assumed that no lease modification has occurred and the lessee may account for the concession as a negative variable lease payment, by recognising the variable payment in the statement of profit and loss and making a corresponding adjustment to the lease.

The aforementioned practical expedient is not applicable for the lessors, who continue to apply the existing requirements of the Standard.

The Company did not seek any rent concessions during the period.

Amendments to IAS 1 "Presentation of Financial Statements" and to IAS 8 "Accounting Policies, Changes in Accounting Estimates and Errors": ***Definition of material (Regulation 2019/2104/29.11.2019)***

On 31 October 2018 the IASB, as part of the Disclosures Initiative, issued amendments to IAS 1 and IAS 8 to align the definition of 'material' across the standards and to clarify certain aspects of the definition.

The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments include examples of circumstances that may result in material information being obscured. The IASB has also amended the definition of material in the Conceptual Framework to align it with the revised definition of material in IAS 1 and IAS 8.

The adoption of the above amendment had no impact on the financial statements of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Amendments to references in the Conceptual Framework in IFRSs *(Regulation 2019/2017/29.11.2019)*

On 29 March 2018 the IASB issued a revised Conceptual Framework for Financial Reporting, which has been used immediately by the Board and the Interpretations Committee in the issuance of new Standards and Interpretations and become effective for the preparation of financial statements for annual periods beginning 1 January 2020. The revised Conceptual Framework includes:

a) new chapters for adding guidance regarding measurement, derecognition, presentation and disclosure and the definition of the reporting entity;
b) update of the definition for assets and liabilities and recognition criteria; and
c) clarifications regarding the necessity of information for management stewardship in order to meet the objective of financial reporting, as well as the roles of prudence, measurement uncertainty and substance over form in assessing whether information is useful.

Together with the revised Conceptual Framework the IASB has also issued Amendments to references to the Conceptual Framework in IFRS Standards in order to ensure the consistency of the related references with the revised Conceptual Framework, but also to indicate which version of the Framework. The Conceptual Framework does not override the requirements of the IFRS Standards but is used by the Company to assist for the development of consistent accounting policies for transactions or other events when no Standard applies.

The adoption of the above amendments had no impact on the financial statements of the Company.

3.1 Accounting Standards to be adopted in the future

The following amendments to standards are not applicable for the year ending 31 December 2020 and have not been applied in preparing these financial statements. The impact of these is being assessed by the Company.

- **Amendment to IFRS 9 "Financial Instruments", IFRS 7 "Financial Instruments: Disclosures", IFRS 4 "Insurance Contracts" and IFRS 16 "Leases":** Interest rate benchmark reform – phase 2 *(Regulation 2021/25/13.1.2021).* Effective for periods beginning on or after 1 January 2021.
- **Amendment to IAS 1 "Presentation of Financial Statements".** Effective for periods beginning on or after 1 January 2022.
- **Amendment to IAS 16 "Property, Plant and Equipment".** Effective for periods beginning on or after 1 January 2022.
- **Amendment to IAS 37 "Liabilities, Contingent Liabilities and Contingent Assets".** Effective for periods beginning on or after 1 January 2022.
- **Annual Improvements: Cycle 2018 – 2020.** Effective for periods beginning on or after 1 January 2022.

4. Accounting policies applied

The accounting policies applied by the Company in preparing the financial statements are the same as those stated in the published financial statements for the year ended 31 December 2019, after taking into account the amendments to standards which were issued by the International Accounting Standards Board (IASB) and applied on 1 January 2020, regarding which further analysis is provided in the subsequent notes.

4.1 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 32 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 such as capital and liquidity strength, profitability and asset quality 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 of 21.93% which exceeds the minimum regulatory requirement of 16.47% including stress test buffers. The Covid-19 economic situation has contributed to the increase in the amount of loans in Stage 3 from £1.6m in 2019 to £22.6m in 2020. However due to the asset quality underpinning these exposures and a low LTV all new Stage 3 loans have zero impairment as at the year-end.

The Company's loan book is currently self-funded by customer deposits and has a current loan to deposit ratio of 65% (2019: 61%), allowing the Company headroom to fund its loan book even with a drop in customer deposits. If required, the Company also has in place a £150m non-committed loan facility from the Parent maturing in April 2022. This facility is currently undrawn. The Company also has an uncommitted liquidity short term line from the Parent amounting to EUR 50m.

The directors have diversified its funding sources by establishing a relationship with a deposit gathering portal from February 2021 which allowed the Company to start raising UK retail deposits.

NOTES TO THE FINANCIAL STATEMENTS (continued)

In terms of profitability, directors are planning to increase revenues and rationalise costs. Regarding revenue the Company experiences a healthy demand for loans. The costs rationalisation exercise has been prompted by the closure of Alpha Bank AE, London Branch (ABLB) in June 2020 which previously shared personnel, IT and lease costs with the Company. The closure has meant that from 1st July 2020 these costs are no longer shared but borne solely by the Company. In prior years up to 28% of total London costs were recharged to ABLB.

The directors keep monitoring the impact from Covid-19, as well as the Brexit effect on the Company. Despite existing uncertainties, there are no immediate threats to the going concern status of the Company.

In summary, the directors have assessed all financial risks which they believe affect the Company's going concern status including liquidity risk, credit risk, capital adequacy, reliance placed on the Alpha Bank Group, and have reviewed the results of stress tests. The stress tests tested the adequacy of liquidity and capital reserves, including credit, concentration, interest and operational risks and have shown that there is enough capital and liquidity reserves to cover severe stress scenarios. 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, at least for the next 12 months, will continue as a going concern and the financial statements have therefore been prepared on that basis.

4.2 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 Statement of Financial Position date are translated to sterling at the closing exchange rate at that date. Foreign exchange differences arising on translation are recognised in the Statement of Profit or Loss. Non-monetary assets and liabilities are recognised at the exchange rate ruling at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.3 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; and
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.

4.4 Financial instruments

4.4.1 Initial recognition

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

Financial assets and financial liabilities are initially recognised at fair value. Transactions costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than those measured at FVTPL) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities which are measured at FVTPL are recognised immediately in profit or loss.

4.4.2 Classification of financial assets

Financial assets are measured subsequently under the following three categories:

1. At amortised cost
2. At fair value through other comprehensive income (FVTOCI)
3. At fair value through profit or loss (FVTPL)

The classification of these three categories is based on:

1. The Company's business model for managing the financial assets (Step 1), and
2. The contractual cash flow characteristics of the financial assets (Step 2).

Step 1 assigns a business model based on relevant business model indicators. Step 2 addresses the assessment that the contractual cash flows are solely payments of principal and interest on the principal amount outstanding that are consistent with a basic lending agreement, where the most significant elements of interest would be the consideration for the time value of money and credit risk.

Debt instruments

A debt instrument is measured at amortised cost if both the following conditions are met:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payment of principal and interest ("SPPI") on the principal amount outstanding

The Company's due from banks balances and loans and advances to customers meet the above conditions and are therefore measured at amortised cost.

The above category is measured at amortised cost using the effective interest method and is periodically assessed for expected credit losses.

A debt instrument is measured at FVTOCI if both of the following conditions are met:

- The asset is held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets
- The contractual terms of the financial asset give rise on specified dates to cash flows that are SPPI on the principal amount outstanding

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Company's investment securities meet the above conditions and are therefore measured at FVTOCI.

When a debt instrument measured at FVTOCI is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

Debt instruments measured at FVTOCI are subject to impairment.

A debt instrument that is not measured at amortised cost or at FVTOCI must be measured at FVTPL.

The Company's derivative financial instruments are measured at FVTPL.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Derivatives

Under IFRS 9, all derivative financial instruments are deemed to be held for trading and therefore they are generally measured at FVTPL.

Holding-to-collect contractual cash flows

Financial assets that are held within a business model with the objective of holding assets to collect contractual cash flows are measured at amortised cost (provided the asset also meets the contractual cash flow test). Such assets are managed to realise cash flows by collecting contractual payments over the life of the instrument.

Factors that could indicate a hold to collect ("HTC") business model include the following:

- Evaluation of the portfolio's performance is based e.g. on the contractual return (e.g. margins) and the net interest income and credit quality of the financial asset rather than the fair value of the asset;
- Risk management mainly refers to managing the credit risk and aims at minimising potential credit losses, e.g. through restructurings or sales;
- Compensation is not linked to the fair value changes of the managed portfolio;
- The business model objective is not to realise cash flows through sales of instruments. However, sales/expected sales can be consistent with a HTC business model, i.e. it is not required to hold all of the instruments in the portfolio until maturity. This may be the case if:
  - Sales are infrequent (even if significant in value) or insignificant in value both individually and in aggregate (even if frequent);
  - Sales are linked to an increase in credit risk;
  - Sales are made close to maturity and the proceeds approximate the remaining contractual cash flows;

The Company must consider information about past sales in terms of the reasons for the sales and the conditions that existed at that time compared to current conditions. Based on these considerations, the Company needs to determine the predictive value of the past sales for the expectations of future sales.

The Company regards all its loans and advances to customers and due from banks balances within a business model with the objective of holding to collect contractual cash flows, therefore they are all measured at amortised cost.

Holding-to-collect contractual cash flows and selling

The FVTOCI measurement category is mandatory for portfolios of financial assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets (provided the asset also meets the contractual cash flow test).

NOTES TO THE FINANCIAL STATEMENTS (continued)

In this type of business model, the Company's management has made the decision that both collecting contractual cash flows and selling are fundamental to achieving the objective of the business model. There are various objectives that may be consistent with this type of business model. For example, the objective of the business model may be to:

- Manage everyday liquidity needs
- To maintain a particular interest yield profile or
- Match the duration of financial assets to the duration of the liabilities that fund those assets.

Compared to the business model with an objective to hold financial assets to collect contractual cash flows, this business model will typically involve greater frequency and value of sales. This is because selling financial assets is integral to achieving the business model's objective rather than only incidental to it. However there is no threshold for the frequency or value of sales that can or must occur in this business model.

The Company regards all of its investment securities to be within a business model which has the objective of holding to collect contractual cash flows and selling, therefore they are all measured at FVTOCI.

Financial assets measured at FVTPL

Financial assets are measured at FVTPL if they are not held within either a business model whose objective is to hold assets to collect contractual cash flows or within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

A business model that results in measurement at FVTPL is where the financial assets are held for trading. Investments made within a held for trading portfolio are those held intentionally for short-term resale or where the position is created with the intent of benefiting from actual or expected short-term price movements or to lock in arbitrage profits.

4.4.3 Reclassification of financial assets

If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified.

Changes in the business model for managing financial assets are expected to be very infrequent. They must be determined by the Company's senior management because of external or internal changes and must be significant to the Company's operations and demonstrable to external parties. Accordingly, a change in the objective of the Company's business model will occur only when the Company either begins or ceases to carry on an activity that is significant to its operations.

The reclassification should be applied prospectively from the 'reclassification date', which is defined as, 'the first day of the first reporting period following the change in business model that results in the Bank's reclassifying financial assets'. This does not give rise to a prior period error in the Bank's financial statements (as defined in IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors). Accordingly, any previously recognised gains, losses or interest should not be restated.

4.4.4 Impairment

The Company recognises an allowance for expected credit losses on the following financial instruments that are not measured at FVTPL:

- Loans and advances to banks;
- Loans and advances to customers;
- Debt instruments;
- Loan commitments; and
- Financial guarantee contracts issued.

Loans and advances to customers are grouped into 2 main categories:

- Real Estate Loans
- Greek Originated Loans fully secured by cash

NOTES TO THE FINANCIAL STATEMENTS (continued)

In order to measure an allowance for expected credit losses, a financial instrument must first be classified into stages based on its credit risk. The classification into stages is based on the change in credit quality compared to the initial recognition. The adoption of this model aims to achieve:

- The timely recognition and measurement of credit losses prior to their realisation;
- The classification of exposures depending on the deterioration of their credit quality; and
- The more accurate measurement of expected credit losses.

The classification into stages is performed as follows:

Stage 1 - includes performing credit exposures that have no significant increase in credit risk since the initial recognition date. The expected credit losses calculated are the twelve-month losses from the date of the financial statements.

Stage 2 - includes credit exposures with significant increase in credit risk since the initial recognition date but which are not non-performing. The expected credit losses calculated are the lifetime losses.

Stage 3 - includes non-performing/ default exposures. The expected credit losses calculated are the lifetime losses.

The calculation of expected credit losses is carried out either on an individual basis for all borrowers with at least one non-performing exposure, or collectively for other exposures.

The allowance for expected credit losses is a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Company under the contract and the cash flows that the Company expects to receive, discounted at the asset's effective interest rate ("EIR") or best alternative proxy like the nominal interest rate.

Allowances for expected credit losses are presented in the statement of financial position as follows:

- For financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- For debt instruments measured at FVTOCI: no allowance is recognised in the statement of financial position as the carrying amount is at fair value. The amount is credited in the relative reserve for bonds measured at FVOCI; and
- For undrawn loan commitments and letters of guarantee: as a provision.

Past due financial assets

An exposure is past due if the counterparty's credit obligation is materially more than one day past due. The amount due is considered as the sum of the principal, interests and charges/commissions that is over one day due at the account level.

Forborne financial assets

An exposure is considered as forborne if there is a significant modification of initial contractual terms by granting more favourable terms (concession) or partial or total refinancing of current outstanding debts (refinancing) to borrowers with financial difficulty.

Financial difficulty

Financial difficulty is defined as the situation where the borrowers are unable to comply or are about to face difficulties in servicing their credit obligations as per the current loan repayment schedule due to the worsening of their financial status.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The assessment of the financial difficulty is based solely on the borrower's conditions according to objective indicators derived by the evaluation of his transactional behaviour and the financial statements and ratio analysis, disregarding any collateral or any other guarantees provided by third parties. For a more precise identification of borrowers with Financial Difficulty, below is a list with the most important indicators:

- The borrower's exposures are more than 30 days past due during the last three months prior to the forbearance (would be classified as Stage 2).
- The borrower has exposures for which credit risk has significantly deteriorated compared to the initial recognition (would be classified as Stage 2 if neither of the below two indicators have yet been met).
- The borrower is assessed as Unlikely to Pay ("UTP"), namely, cannot fully repay credit obligations without collateral liquidation (would be classified as Stage 3).
- All borrowers classified as defaulted or high risk (rating grade CC- and C and credit risk rating category 4 for real estate finance) are automatically assigned the "Financial Difficulty" indication flag (would be classified as Stage 3).

Regardless of the credit risk rating, any borrower may be assigned the Financial Difficulty indication flag if it is considered that they face or are about to face difficulties in meeting their credit obligations towards the Company.

Unlikely to Pay ("UTP")

An exposure is considered UTP when it is less than 90 days past due and the Company assesses that the borrower is unlikely to fully meet his credit obligations without the liquidation of collateral, regardless of the existence of any past due amount or the number of days past due, with the exception of collaterals that are part of the production and trade chain of the borrower (e.g. properties for Real Estate companies).

In determining whether or not an exposure is UTP an assessment is made in order to; (a) determine events which when they occur, the exposure is identified as Non-Performing (Hard UTP Triggers) without any assessment needed by any Credit Committee, (b) determine triggers which when they occur, the borrower should be assessed by the Credit Committee to decide if the borrower's exposures should be identified as Non-Performing or not (Soft UTP Triggers). This assessment takes place at the date of revision of the borrower's credit limits based on the credit risk rating. If finally, a borrower is flagged as UTP, then his credit risk rating should be D in the Bank systems or credit risk rating category 5 for Borrowers assessed using the real estate finance model. It is noted that if a borrower flagged as UTP belongs to a Group of companies, then the Group should also be assessed as a whole by the Credit Committee for the existence or not of UTP. An exposure defined as UTP would be classified as Stage 3.

Non-performing financial assets

An exposure is considered as Non-Performing (when at least one of the following criteria applies at the time of the credit risk rating assessment:

- The exposure is more than 90 days past due ("NPL")
- Legal actions have been undertaken ("NPL")
- The exposure is classified as Forborne Non-Performing Exposure ("FNPL")
- It is assessed as UTP

An exposure is considered as default when the criteria specified by the definition of Non-Performing Exposures are met. An exposure defined as non-performing or default would be classified as Stage 3.

Forborne non-performing financial assets

The Forborne Exposures that meet any of the following criteria should be classified as non-performing:

1. They are supported by insufficient payment plans (either initial or subsequent payment plans, depending on the case) including, among other, repeated failure to comply with the repayment plan, changes to the payment plan for preventing breaches or support of payment plan to expectations that are not supported by macroeconomic forecasts or realistic assumptions about the ability or the willingness of the borrower to repay.
2. They include contractual terms that delay the timing of regular repayment instalments in a manner that prevents the appropriate classification assessment, such as when grace periods over two years for capital repayment are granted.
3. They have been reclassified from the performing classification, including remodified exposures or exposures over 30 days past due.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Credit risk at initial recognition

The Company recognises an exposure in the Statement of Financial Position when it becomes a party to the contractual provisions of the exposure. Subsequently, the exposures are classified into stages and follow the credit risk measurement accordingly. The initial recognition date is defined as follows:

- The date of initial recognition is considered the sign off date of the contractual document (overdraft, loan agreement, etc.)
- For off-balance sheet exposures (Letters of Guarantee, Letters of Credit) the date of issuance

In each reporting period, a new assessment of whether there is a significant change in credit risk is performed in order to renew classification and measurement of exposures.

It is noted that an exposure is no longer recognised in the Company's Statement of Financial Position when; the contractual rights to the cash flow from the asset expire, or the Company transfers the financial asset without retaining control over them, by transferring the risks and rewards.

Significant increase in credit risk

For the timely identification of a significant increase in credit risk for an exposure after the initial recognition (SICR) (and the calculation of the lifetime credit loss of the exposure instead of the twelve months credit loss), the default risk at the reference date is compared to the default risk at the initial recognition date for all performing exposures, including those with no days past due (delinquencies).

The assessment for deciding if an exposure shows significant increase in credit risk or not is based on the following three types of Indicators:

- Qualitative Indicators: These refer to the use of qualitative information which is not necessarily depicted in the credit risk rating, as the Early Warning Triggers for the Real Estate Finance ("REF") loan book. The qualitative indicators are primary drivers for the assessment of the credit risk deterioration. See note 33 for the key triggers' description.
- Quantitative Indicators: For the REF loan book, this is the relative credit risk rating deterioration compared to their credit risk rating at initial recognition, namely from category 1,2 or 3 changing to 4 or 5 ('High Risk'). For the portfolios originated in Greece (Cash Backed Loans fully secured by cash held with the Company) these are classified as Stage 1 upon recognition and annually reviewed to identify any significant increase in credit risk.
- Backstop Indicators: In addition to the above, and with a view to addressing cases where there is no evidence of significant credit risk deterioration based on the quantitative and qualitative indicators, exposures over 30 days past due are considered by definition to show a significant increase in credit risk.

It is noted that if during the previous reporting period, credit losses were calculated for the lifetime of an exposure, but the same conditions no longer apply, then 12-month credit losses will be calculated for the current period.

As a result of the Covid-19 pandemic a number of over-rides were temporarily introduced so as to provide customers respite until economic conditions return to normal. These include:

- For loan modifications meeting the quantitative criteria in point 1 above, the loan will not be considered forborne, as long as the Bank is satisfied that the request is made purely as a result of Covid-19 impact
- Where a loan meets Hard UTP criteria as defined by the Company's Impairment Policy then it will be considered UTP, however a more qualitative consideration will be afforded to exposures that do trigger the Soft UTP criteria and therefore not necessarily be downgraded accordingly
- For development loans where the construction is frozen, but construction is more than 85% complete, or there would ordinarily be 3 months or less to practical completion, there will be no deterioration of credit standing should the customer seek a loan extension
- Loan to value covenants for residential properties will move from 60% to 70%
  Breaches of LTV or interest serviceability covenants for those customers experiencing Covid-19 specific issue will not necessarily deem a credit downgrade
- Stage 3 assets will not automatically be considered for enforcement and recovery measures, permitting customers time to evidence their ability to ultimately repay either from other sources or once the pandemic measures end

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.4.5 Modification and derecognition of financial assets

The Company shall derecognise a financial asset in the following cases:

(a) The contractual rights to the cash flows from the asset expire, or
(b) The Company transfers the financial asset and the transfer qualifies for derecognition

No substantial modification has taken place during the period that lead to derecognition of financial assets.

4.4.6 Financial liabilities

Financial liabilities are classified as either measured at FVTPL or at amortised cost.

Financial liabilities measured at FVTPL

A financial liability is measured at FVTPL when it meets the definition of held-for-trading, or when it is designated as measured at FVTPL.

Liabilities measured at amortised cost

Liabilities measured at amortised cost include deposits, borrowings and other financial liabilities which are initially measured at fair value, net of transaction costs and are subsequently measured at amortised cost.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability.

4.5 Derivative financial instruments

The Company enters into derivative financial instruments for risk management purposes, principally forward foreign exchange contracts. Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. All derivative financial instruments are recognised as assets when their fair value is positive and as liabilities when their fair value is negative.

4.6 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.7 Offsetting

Financial assets and liabilities are offset and the amounts are reported net on the balance sheet, only in cases when the Company has the legally enforceable right to offset recognised amounts and there is the intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4.8 Hedge accounting

The Company has elected to not yet adopt the hedging requirements under IFRS 9, as permitted by the standard, and continues to apply IAS 39.

As at 31 December 2020 there were no hedging transactions (2019: None).

4.9 Property, plant and equipment

This caption includes land; buildings; 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 and can be measured reliably. Expenditure on repairs and maintenance is recognised in the Statement of Profit or Loss 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:

- Right of use of assets	10 years (first break clause of the lease).
- Additions to leased fixed assets and improvements:	10 years (first break clause of the lease).
- Computers and other equipment:	3 to 10 years.

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 Statement of Profit or Loss.

4.10 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 Statement of Profit or Loss 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. Expenditure incurred to maintain software programs is recognised in the income statement as incurred.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.11 Leases

The Company as a lessee

The Company assesses whether a contract is or contains a lease, at inception of the contract. The Company recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets (such as small items of office furniture and equipment and telephones). For these leases, the Company recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed. All other leases were classified as operating leases.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the Company's incremental borrowing rate (as there is no rate implicit in the lease). The incremental borrowing rate is determined using as reference rate the secured funding rate of the parent company Alpha Bank, adjusted for different currencies, and taking into consideration government yield curves, where applicable.

Lease payments included in the measurement of the lease liability comprise:

- Fixed lease payments; and
- Payments of penalties for terminating the lease if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability by reducing the carrying amount to reflect the lease payments made and remeasuring the carrying amount to reflect any reassessment or lease modifications.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset or is recorded in the income statement in case of the right-of use asset is zero) whenever:

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using an unchanged discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the earliest period between the lease term and the useful life. The depreciation starts at the commencement date of the lease.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired.

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.12 Taxation

Income tax expense consists of current tax and deferred tax. It is recognised in the Statement of Profit or Loss, 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 tax rates that are expected to apply to the period of realisation or settlement using tax rates (and laws) enacted or substantively enacted at the Statement of Financial Position 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, as well as when such taxes relate to the same fiscal authority.

4.13 Employee benefits

The Company contributes to a defined contribution plan, the expense being charged to the Statement of Profit or Loss 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.

4.14 Net interest income recognition

Interest income and interest expense are recognised in 'Net interest income' as 'Interest income' and 'Interest expense' in the profit or loss account using the effective interest method.

When applying the effective interest method, interest is recognised in profit or loss in the period to which it relates, regardless of when it is to be paid. Therefore, interest is recognised in the period in which it accrues, even if payment is deferred. In some cases where interest is deemed to be irrecoverable, no interest shall be recognised in profit or loss in the period in which it accrues. However, if the unrecognised element of interest is received at a later date, it will be recognised in profit or loss in the period when it was received.

Effective interest method

This is the method that is used in the calculation of the amortised cost of a financial asset or a financial liability and in the allocation and recognition of the interest revenue or interest expense in profit or loss over the relevant period.

Effective interest rate ("EIR")

This is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset or to the amortised cost of a financial liability. When calculating the EIR, an entity shall estimate the expected cash flows by considering all the contractual terms of the financial instrument (for example, prepayment, extension, call and similar options) but shall not consider the expected credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the EIR, transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

For financial assets with future cash flows that cannot be estimated with certainty (i.e. overdrafts), the Company's policy is to assume that the EIR is equal to the contractual interest rate. In this case all fees and transaction costs related to the instrument are directly recorded to profit or loss as commission income or expense respectively.

NOTES TO THE FINANCIAL STATEMENTS (continued)

For floating interest rate financial assets, the EIR is updated due to the periodic re-estimation of cash flows to reflect movements in market rates of interest.

Interest income recognition

Depending on the classification into staging as described in Note 4.4, interest income is recognised as follows:

- Stage 1 and stage 2 financial assets: interest revenue is calculated by applying the EIR to the gross carrying amount of the financial asset.
- Stage 3 financial assets: interest revenue is calculated by applying the EIR to the amortised cost of the financial asset.

4.15 Net fees and commission income recognition

Fees and commission income, which are not an integral part of the effective interest rate, are recognised on an accrual 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. Incremental costs incurred to generate fee and commission income are charged to fees and commissions expense as they are incurred.

4.16 Net income from other financial instruments measured at FVTPL

Net trading income includes all gains and losses from changes in the fair value of financial assets and financial liabilities held for trading. Specifically, these include foreign exchanges gains and losses on derivative instruments.

4.17 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, being interest and fees earned on its lending and securities portfolio plus fees and commissions from securities and mutual fund transactions executed for customers. The Company does not have any debt or equity instruments which are publicly traded and therefore is outside the scope of IFRS 8 (Operating Segments).

4.18 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.

4.19 Related parties

The Company records separately transactions with related parties, including its parent, fellow subsidiaries / affiliates, key management personnel, entities controlled by key management and associated companies. A detailed analysis of these transactions can be seen in Note 33.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5. 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.

5.1 Critical judgements in applying the Company's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Company's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

- *Assessing whether there has been a significant increase in credit risk*

As explained in Note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly relative to credit risk at initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company considers qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 4.4.4 and Note 32 for more details.

- *Identifying assets representing a significant increase in credit risk and the approach to staging*

See Note 32 for more details.

- *Identifying whether a contract includes a lease and determination of lease term*

On 4 January 2017 the Company entered into a contract with RREEF Investment GMBH for the occupancy of 5th Floor, Capital House, King William Street. After reviewing the contract, the directors have established that the Company does have the right to obtain substantially all the economic benefits from the use of the property and that therefore the contract does contain a lease.

The lease term is determined as the non-cancellable period, together with both:

- option to extend period if the lessee is reasonably certain to exercise; and
- option to terminate period if the lessee is reasonably certain not to exercise.

The lease term for Capital House is from January 2017 for a period of 15 years to January 2032, with an option of early termination after 10 years in January 2027 and rent review periods every 5 years. After reviewing the terms of the contract, the directors have decided that a market review in 2026 is required to determine whether to terminate early the contract or effectively extend for another 5 years. Therefore, the directors are not reasonably certain that they will not exercise the early termination option and have therefore recognised the lease under a 10-year term.

- *Assessment as to whether the right of use asset is impaired*

On 1 January 2019 the Company recognised a right of use asset for leased office space. After commencement date, IAS 36 Impairment of Asset should be applied to determine whether the right of use asset is impaired. The directors considered the following factors when making the decision that no indication of impairment exists:

- The premises are not subleased; and
- The premises are own-occupied and fully utilised by the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

5.2 Key sources of estimation uncertainty

- *Fair Value measurement and valuation process*

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Company uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Company uses valuation models to determine the fair value of its financial instruments. Refer to Note 34 for more details on fair value measurement.

- *Expected credit loss*

- Establishing the number and relative weightings of forward-looking scenarios and determining the forward-looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of real estate property prices. Refer to Note 32 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward looking information.

- Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes assumptions and expectations of future conditions. See Note 32 for more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account estimated cash flows from collateral. See Note 32 for more details.

- *Incremental borrowing rate*

- The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by the Company’s incremental borrowing rate (as there is no rate implicit in the lease). The incremental borrowing rate is determined using as reference rate the secured funding rate of the parent company Alpha Bank, adjusted for different currencies, and taking into consideration government yield curves, where applicable.

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTES TO THE STATEMENT OF PROFIT OR LOSS

6. NET INTEREST INCOME

	2020 £000's	2019 £000's
Interest and similar income		
Due from banks measured at amortised cost	107	874
Investment securities recognised at FVTOCI	333	1,801
Loans and advances to customers measured at amortised cost	12,622	14,152
Total interest and similar income relating to financial assets	**13,062**	**16,827**
Interest expense and similar charges		
Due to banks measured at amortised cost	1,901	2,737
Due to customers measured at amortised cost	783	1,898
Debt securities in issue and other borrowed funds measured at amortised cost	239	282
Lease liabilities measured at amortised cost	150	131
Total interest expense and similar charges relating to financial liabilities	**3,073**	**5,048**

During the year 2020, net interest income decreased compared to 2019 mainly due to the reduced interest rates. All the Company's interest income and interest expense is calculated using the effective interest rate method.

7. NET FEES AND COMMISSION INCOME

	2020 £000's	2019 £000's
Loans and advances to customers	357	44
Fund transfers	84	126
Client investment transactions	1,212	1,322
Other	597	616
Total	**2,250**	**2,108**

8. NET TRADING (EXPENSE) / INCOME

	2020 £000's	2019 £000's
Forward revaluation of foreign exchange transactions	(21)	43
Total	**(21)**	**43**

9. OTHER OPERATING INCOME

	2020 £000's	2019 £000's
Gain on foreign exchange	167	161
Other	69	10
Total	**236**	**171**

NOTES TO THE FINANCIAL STATEMENTS (continued)

10. NET LOSS FROM DERECOGNITION OF FINANCIAL ASSETS

During the year, the Company made no sales of financial assets measured at amortised cost. No such sales happened in the comparative period.

During the year, the Company made no sales of financial assets measured at FVTOCI. Such sales did occur in the comparative period for liquidity management purposes. The below table summarises the carrying amount of the derecognised financial assets measured at FVTOCI, and the gain on derecognition, per type of asset, during the current year and the comparative period.

	Year ended 2020		Year ended 2019	
	Carrying amount of derecognised financial assets at FVTOCI	Net gain from derecognition	Carrying amount of derecognised financial assets at FVTOCI	Net gain from derecognition
	£000's	£000's	£000's	£000's
Multilateral development bank bonds	-	-	45,133	49
Other corporate bonds	-	-	140,875	5
Total	**-**	**-**	**186,008**	**54**

11. STAFF COSTS

	2020 £000's	2019 £000's
Wages and salaries	5,481	4,647
Social security contributions	632	498
Expenses of defined contribution plan	576	532
Other	292	408
Total	**6,981**	**6,085**

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

	2020 Number	2019 Number
Front Office / Sales and Marketing	21	19
Operations and Admin Support	38	51
Compliance, Risk and Audit	9	10
Other	1	4
Total	**69**	**84**

The average number of employees (including executive directors) employed by the Company during the year was 71 (2019: 84).

12. EMOLUMENTS OF DIRECTORS

The remuneration of the directors is as follows:

	2020 £000's	2019 £000's
Emoluments	397	328
Total	**397**	**328**

NOTES TO THE FINANCIAL STATEMENTS (continued)

12. EMOLUMENTS OF DIRECTORS (continued)

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

	2020 £000's	2019 £000's
Emoluments	247	161
Total	**247**	**161**

The emoluments of the highest paid director were partially recharged to Alpha Bank London Branch during the period. The stated figures above solely show the portion charged to the Company.

No directors were members of the Company's pension scheme (2019: none).

As at 31 December 2020 there were no loans to the directors of the Company (2019: £nil).

13. GENERAL ADMINISTRATIVE EXPENSES

	2020 £000's	2019 £000's
Premises	322	260
Business promotion	5	36
Banking	284	237
Communication and travel	142	154
Professional fees	683	1,199
Information systems	639	1,042
Office	977	926
Insurance	66	98
Total	**3,118**	**3,952**

Professional fees include:

	2020 £000's	2019 £000's
Auditor's remuneration:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts *	188	123
Total audit fees	**188**	**123**
Interim review for group reporting	7	7
Cyber security review **	14	-
Total non-audit fees	**21**	**7**

* After the reporting date, an additional audit fee of £40,800 was agreed in relation to the audit of the Company's annual accounts for 2019. No such additional fees occurred in 2020.

** Cyber security review contracted with the parent Alpha Bank A.E.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. INCOME TAX EXPENSE

	2020 £000's	2019 £000's
Current tax		
Current year:		
UK corporation tax at 19% (2019: 19%)	175	584
Sub-total	175	584
Deferred tax		
(Credit) / charge for the year	(22)	(46)
Total	**153**	**538**

Factors affecting the tax charge for the year:

	2020 £000's	2019 £000's
Profit before tax	1,457	3,133
Current tax on the above at 19% (2019: 19%)	277	595
Deferred tax on depreciation	(22)	(2)
Deferred tax on valuation of bonds	-	(44)
Disallowable expenses	(6)	12
Tax losses utilised	(17)	(23)
Over-payment of tax prior year	(79)	-
Total tax expense	**153**	**538**

15. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

	2020 £000's	2019 £000's
Investment securities	(7)	(3)
Loans and advances to customers	32	11
Undrawn commitments	7	-
Total	**32**	**8**

NOTE TO THE STATEMENT OF CASH FLOWS

16. CASH AND CASH EQUIVALENTS

Cash and cash equivalents as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as shown below.

	2020 £000's	2019 £000's
Cash	-	70
Due from credit institutions	97,765	106,179
Total	**97,765**	**106,249**

NOTES TO THE FINANCIAL STATEMENTS (continued)

NOTES TO THE STATEMENT OF FINANCIAL POSITION

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2020	
	Fair value assets £000's	**Fair value liabilities £000's**
Derivatives held for trading purposes:		
Foreign exchange derivatives:		
Currency forwards	452	1,979
Derivative financial instruments	**452**	**1,979**

	2019	
	Fair value assets £000's	**Fair value liabilities £000's**
Derivatives held for trading purposes:		
Foreign exchange derivatives:		
Currency forwards	213	3,272
Derivative financial instruments	**213**	**3,272**

Notional amounts as at 31 December 2020 were GBP 376,566,000 (2019: 200,145,000). As at year-end there were 23 foreign exchange swaps outstanding (2019: 10).

18. INVESTMENT SECURITIES

Measured at FVTOCI

	2020 £000's	**2019 £000's**
Multilateral development bank bonds	149,729	174,633
Total	**149,729**	**174,633**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. LOANS AND ADVANCES TO CUSTOMERS

Measured at amortised cost

	2020	2019
	£000's	£000's
Loans and advances to customers	338,173	339,543
Expected credit loss ("ECL")	(558)	(496)
Total	**337,615**	**339,047**

	As at 31 December 2020			As at 31 December 2019		
	Gross carrying amount	ECL allowance	Carrying amount	Gross carrying amount	ECL	Carrying amount
	£000's	£000's	£000's	£000's	£000's	£000's
Mortgage lending	23,719	-	23,719	21,272	-	21,272
Consumer lending	6,294	(531)	5,763	7,698	(479)	7,219
Retail lending	**30,013**	**(531)**	**29,482**	**28,970**	**(479)**	**28,491**
Corporate lending	308,160	(27)	308,133	310,573	(17)	310,556
Total lending	**338,173**	**(558)**	**337,615**	**339,543**	**(496)**	**339,047**

As at 31 December 2020 £243,016,000 (2019: £287,420,000) of loans and advances to customers are expected to mature more than 12 months after the reporting date.

20. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiaries of the Company (registered at the same address as 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 2020**	**Movements**	**As at 31 December 2020**
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**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. PROPERTY, PLANT AND EQUIPMENT

	Right of use of assets	Leasehold improvements	Computer and other equipment	Total
	£000's	£000's	£000's	£000's
Cost				
As at 1 January 2020	4,892	2,748	1,297	8,937
Acquisitions	-	-	141	141
As at 31 December 2020	**4,892**	**2,748**	**1,438**	**9,078**
Accumulated depreciation				
As at 1 January 2020	612	811	918	2,341
Charge for the year	611	275	108	994
As at 31 December 2020	**1,223**	**1,086**	**1,026**	**3,335**
Net book value as at 31 December 2020	**3,669**	**1,662**	**412**	**5,743**

	Right of use of assets	Leasehold improvements	Computer and other equipment	Total
	£000's	£000's	£000's	£000's
Cost				
As at 1 January 2019	4,892	2,748	1,286	8,926
Acquisitions	-	-	72	72
Disposals	-	-	(61)	(61)
As at 31 December 2019	**4,892**	**2,748**	**1,297**	**8,937**
Accumulated depreciation				
As at 1 January 2019	-	536	757	1,293
Charge for the year	612	275	221	1,108
Disposals	-	-	(60)	(60)
As at 31 December 2019	**612**	**811**	**918**	**2,341**
Net book value as at 31 December 2019	**4,280**	**1,937**	**379**	**6,596**

No impairment requirements existed during the year for right-of-use assets and all other property and equipment.

22. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2020	2019
Software	**£000's**	**£000's**
Cost		
As at 1 January	1,463	1,494
Disposals	-	(31)
As at 31 December	**1,463**	**1,463**
Accumulated depreciation		
As at 1 January	1,448	1,437
Charge for the year	15	42
Disposals	-	(31)
As at 31 December	**1,463**	**1,448**
Net book value as at 31 December	**-**	**15**

NOTES TO THE FINANCIAL STATEMENTS (continued)

23. OTHER ASSETS

	2020 £000's	2019 £000's
Prepayments	746	526
Other receivables	530	485
Total	**1,276**	**1,011**

24. DUE TO BANKS

	2020 £000's	2019 £000's
Current accounts	3,065	2,408
Total	**3,065**	**2,408**

As at 31 December 2020 there were no term deposits due to banks maturing more than 12 months after the reporting date (2019: £nil).

25. DUE TO CUSTOMERS

	2020 £000's	2019 £000's
Current accounts	354,490	328,778
Savings accounts	228	331
Notice accounts	135	162
Deposits received as collateral for loans	3,854	5,610
Term deposits	157,191	216,460
Total	**515,898**	**551,341**

As at 31 December 2020 and at 31 December 2019 all deposits from customers mature within 12 months of the reporting date.

26. OTHER BORROWED FUNDS

The Company has a subordinated note of £10,000,000, issued to Alpha Bank A.E., which matures on 30 December 2024 and bears interest rate of 3 months GBP LIBOR plus 2%. The Company has not made any defaults of principal, interest, or other breaches with regard to its subordinated liabilities during 2020 (2019: none).

The table below details changes to the Company's liabilities arising from financing activities, including both cash and non-cash changes.

	Balance as at 1 January 2020 £000's	Changes from financing cash flows £000's	Other changes £000's	Balance as at 31 December 2020 £000's
Subordinated note	10,002	(240)	239	10,001
Total liabilities from financing activities	**10,002**	**(240)**	**239**	**10,001**

	Balance as at 1 January 2019 £000's	Changes from financing cash flows £000's	Other changes £000's	Balance as at 31 December 2019 £000's
Subordinated note	10,003	(283)	282	10,002
Total liabilities from financing activities	**10,003**	**(283)**	**282**	**10,002**

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. CURRENT INCOME TAX AND DEFERRED TAX

	2020 £000's	2019 £000's
Current income tax payable	71	425
Total	**71**	**425**

DEFERRED TAX

	2020		
	As at 1 January £000's	**Charge to profit or loss £000's**	**As at 31 December £000's**
Depreciation of property, plant, equipment and software	(81)	22	(59)
Total	**(81)**	**22**	**(59)**

	2019		
	As at 1 January £000's	**Charge to profit or loss £000's**	**As at 31 December £000's**
Depreciation of property, plant, equipment and software	(84)	3	(81)
Charged to other comprehensive income	(44)	44	-
Total	**(128)**	**47**	**(81)**

The taxation rate as at 31 December 2020 is 19% (2019: 19%).

28. LEASE LIABILITIES

A maturity analysis of the contractual undiscounted cash flows of the lease liabilities is depicted below:

	2020 £000's	2019 £000's
Maturity analysis:		
Year 1	584	282
Year 2	774	636
Year 3	800	774
Year 4	826	800
Year 5	853	826
Onwards	1,273	2,126
Total	**5,110**	**5,444**

29. OTHER LIABILITIES

	2020 £000's	2019 £000's
Accrued expenses	1,500	1,339
Provisions	111	1
Total	**1,611**	**1,340**

NOTES TO THE FINANCIAL STATEMENTS (continued)

30. SHARE CAPITAL AND OTHER RESERVES

	2020	2019
Share Capital	**£000's**	**£000's**
Authorised, issued, allotted and fully paid:		
6,000,000 ordinary shares of £5 each	30,000	30,000
Total	**30,000**	**30,000**

Fair Value Reserve	**2020**	**2019**
	£000's	**£000's**
As at 1 January	**(59)**	**(384)**
Fair value movement of debt instruments at FVTOCI	37	274
Amounts reclassified to profit or loss for debt instruments at FVTOCI	-	54
Allowance for ECL on debt instruments at FVTOCI	(7)	(3)
Balance as at 31 December	**(29)**	**(59)**

OFF-BALANCE SHEET INFORMATION

31. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

a) Regulatory and legal issues

Banks's business and financial condition can be affected by the actions of various governmental and regulatory authorities. The Bank has engaged, and will continue to engage, in discussions with relevant governmental and regulatory authorities, on an ongoing and regular basis, and in response to informal and formal inquiries or investigations, regarding operational, systems and control evaluations and issues including those related to compliance with applicable laws and regulations, including consumer protection, business conduct, competition/anti-trust, anti-bribery, anti-money laundering and sanctions regimes.

Any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, other action being taken by governmental and regulatory authorities, increased costs being incurred by the Bank, remediation of systems and controls, public or private censure, restriction of Bank's business activities and/or fines.

For legal cases where there is a significant probability of a negative outcome, and the result may be sufficiently estimated, the Bank creates a provision that is included in the Balance Sheet. There are no pending legal cases in progress which may have a material adverse impact on the Company's financial position (2019: none). Therefore, the Company has recorded no provision regarding pending litigation as at 31 December 2020.

Capital Requirements (Country-by-Country Reporting) Regulations 2013 ("Regulations") requires institutions to publish annually certain financial information. The Bank has complied with the Regulations in accordance with the provisions of Article 4 "Group disclosure" via the Greek tax authorities.

b) Tax issues

The Company has no open matters in relation to the possibility that material additional taxes and penalties may be imposed for the unaudited years due to the fact that some expenses may not be recognised as deductible by the tax authorities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

c) Off-Balance sheet contingent liabilities and assets

Contingent liabilities	2020 £000's	2019 £000's
Letters of guarantee issued	400	300
Undrawn loan commitments	40,097	22,158
Undrawn overdraft facilities which are revocable	5,528	7,610
Total	**46,025**	**30,068**

Contingent assets	2020 £000's	2019 £000's
Loan facility commitment	150,000	150,000
Letters of guarantee received	400	300
Total	**150,400**	**150,300**

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 2020 was £28,067 (2019: £28,942).

NOTES TO THE FINANCIAL STATEMENTS (continued)

RISK MANAGEMENT

32. FINANCIAL RISK MANAGEMENT

32.1 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 Framework annually.

32.2 Derivatives and other financial instruments

The Company enters into a small number of derivative transactions, principally forward foreign exchange contracts for liability management purposes.

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

32.3 Credit risk

Credit risk is the risk that a customer or counterparty will default on its contractual obligations resulting in financial loss to the Company. The Company's main income generating activity is lending to customers and therefore credit risk is a principal risk. Credit risk mainly arises from loans and advances to customers and other banks (including related commitments to lend such as loan facilities, investments in debt securities and derivatives that are an asset position). The Company considers all elements of credit risk exposure such as counterparty default risk, geographical risk and sector risk for risk management purposes.

Credit Risk Management

The Company's overall Credit Risk Appetite is expressed through its Risk Appetite Framework and evidenced by its risk management policies (qualitative/descriptive) together with the exposure and authorisation limits (quantitative) that are in place.

The policy regarding lending to bank and non-bank counterparties, countries and industries is set out in the International Network Credit Manual and more specifically in ABL's Lending Policy Statement, which is subject to review by the Board.

The Bank has in place an internally defined, limit-based system to facilitate credit risk control and monitor actual risk-taking against a predetermined credit risk appetite. Exposure limits are set for individual borrowers and groups of connected borrowers as well as for certain industries, economic sectors and geographic regions to control concentration risk, in line with the Bank's risk appetite and business strategy.

The Company uses two internal ratings to measure credit risk, one for real estate loans and one for non-real estate loans, mainly Cash Backed Loans originated from Alpha Bank A. E. ("ABAE"). The two rating systems are mapped into five credit risk zones to give a single view across the entire portfolio.

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 Framework.

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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The Credit Risk Management has the following governance in place:

- The Company's Board of Directors reviews and approves the Risk Appetite Framework, Lending Policy Statement, Classification and Measurement Policy and impairment policies.

- The Credit Risk Committee of the Company has an oversight of the credit risk activities and the implementation of relevant strategy. The Committee is responsible for the evaluation of the adequacy and the effectiveness of policies and procedures of Company's credit risk management regarding credit risk including portfolio risks, the monitoring and management by business line, geographic area, product activity and sector. The Committee will consider, and where appropriate approve, any necessary mitigating actions. The Committee is also responsible for adopting and maintaining Company's risk grading to categorise exposures according to the degree of risk of default and for developing and maintaining Company's processes for measuring ECL, including monitoring of credit risk, incorporation of forward looking information and the method used to measure ECL.

- Credit Committees approve individual credit limits and loan applications based on their delegated authority.

- The Internal Audit function performs regular audits making sure that the established controls and procedures are adequately designed and implemented.

IFRS 9 classification

The classification summary of assets and liabilities is presented in Note 4.4.

Significant increase in credit risk (Stage 2)

As explained in note 4.4.4 the Company monitors all financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Company will measure the loss allowance based on lifetime rather than 12-month ECL.

This is assessed using qualitative and quantitative indicators.

The qualitative indicators are the primary indicators for credit risk deterioration and are used to capture information that is not necessarily depicted in a timely fashion through the internal credit rating. The Company has a comprehensive list of indicators described in its Early Warning Credit Risk Triggers document. The trigger events are reported by all business lines involved in the lending process and credit risk monitoring and logged by Credit Risk Management. The events are evaluated every impairment cycle by the Credit Risk Committee and an expert judgement is made whether the event represents a significant increase in credit risk or not. The most significant types of events are:

- Missed principal or interest repayment
- Moving to watch list status
- Unarranged overdrafts
- Significant deterioration in the market / sector / location in which the borrower operates
- Breach of covenants
- Adverse press publications
- Accidents and damage to the property collateral

The primary quantitative indicator is the internal credit rating score. The Company uses an internal credit rating method, where the source of repayment and recovery of the loan granted depends primarily on the cash flows generated by the asset. The following areas are assessed using the model:

- Financial strength (financial ratios, stress tests)
- Political and legal environment (country outlook, political environment)
- Asset characteristics (location, lease agreement tenor)
- Strength of sponsor (sponsor quality and willingness to support the property)
- Security package (nature of lien, insurance, margin accounts)

As a result of the Covid-19 pandemic a number of over-rides were temporarily introduced as to provide the customer respite until economic conditions return to normal. These include:

- For loan modifications meeting the quantitative criteria in point 1 above, the loan will not be considered forborne, as long as the Bank is satisfied that the request is made purely as a result of Covid-19 impact

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- Where a loan meets Hard UTP criteria as defined by the Bank's Impairment Policy then it will be considered UTP, however a more qualitative consideration will be afforded to exposures that do trigger the Soft UTP criteria and therefore not necessarily be downgraded accordingly
- For development loans where the construction is frozen, but construction is more than 85% complete, or there would ordinarily be 3 months or less to practical completion, there will be no deterioration of credit standing should the customer seek a loan extension
- Loan to value covenants for residential properties will move from 60% to 70%
  Breaches of LTV or interest serviceability covenants for those customers experiencing Covid-19 specific issue will not necessarily deem a credit downgrade
- Stage 3 assets will not automatically be considered for enforcement and recovery measures, permitting customers time to evidence their ability to ultimately repay either from other sources or once the pandemic measures end.

The assessment using the model will allocate the borrower into the one of the first four ratings in the table below (the assessment is performed at origination and annually thereafter):

Rating
1 Strong
2 Good
3 Satisfactory
4 Weak
5 Default

The Company estimates that a relative change in the internal rating from 1, 2 and 3 at origination to 4 at the reporting date represents a significant increase in credit risk and the assets will be reclassified from Stage 1 to Stage 2. The Company's current appetite is to grant loans with a rating of 3 and above at origination.

In addition, loans will automatically be moved to Stage 2 if certain "backstop" events occur. This includes arrears of greater than 30 days past due and the granting of certain concession events such as forbearance, where full repayment of principal and interest is expected.

Non-performing exposures and definition of default (Stage 3)

A loan is non-performing where it is considered unlikely that the borrower will repay its credit obligations in full, without recourse to actions such as realising security. Loans will be classified as credit impaired in any of the following circumstances:

- The exposure is more than 90 days past due.
- Legal actions have been undertaken by the Company.
- The borrower is assessed as Unlikely to Pay (UTP)

Use of forward-looking economic information

Forward looking economic information is incorporated into the measurement of provisions in two ways: as an input to the calculation of ECL and as a factor in determining the staging of an asset. Expectations of future economic conditions are incorporated through modelling of multiple economic scenarios (MES).

The use of multiple economic scenarios ensures that the calculation of ECL captures a range of possible outcomes. The IFRS 9 ECL provision reported in the accounts is therefore the probability-weighted sum of the provisions calculated under a range of economic scenarios.

The Company has adopted the use of three economic scenarios (base, upside and downside scenarios). As at 31 December 2019 there were 5 scenarios, however for the purpose of aligning with industry practice the number was reduced to 3 in 2020. This has not impacted ECL as the 5 scenarios were just combined into 3. The scenarios and the weightings are derived using external data and together with management judgement. Below is a summary of assumptions and forward-looking information used as at 31 December 2020, together with the sensitivity analysis per scenario:

Scenarios	**Macroeconomic factor: property price moves 1 year**	**Scenario probability**	**ECL before probability weighting**	**ECL sensitivity to 1% increase in scenario probability**
Adverse Scenario	-40%***	15%	235,129	2,351
Base Scenario	-10%	80%		
Upside Scenario	0%	5%	-	-
Weighted / Total	**-14%***	**100%**	**35,191****	

* Company's probability weighted price move compared to Savill's forecast of +3% in 2021, see Savill's website, mainstream residential forecast data
** Including off-balance sheet loan commitments
*** average by combining residential -35% and commercial -45% price movements

Below is a summary of assumptions and forward-looking information used as at 31 December 2019, together with the sensitivity analysis per scenario:

Scenarios	**Macroeconomic factor: property price moves 1 year**	**Scenario probability**	**ECL before probability weighting**	**ECL sensitivity to 1% increase in scenario probability**
Scenario 1	-40%	2%	547,010	5,470
Scenario 2	-30%	4%	142,990	1,430
Scenario 3	-10%	50%	-	-
Scenario 4	0%	34%	-	-
Scenario 5	5%	10%	-	-
Weighted / Total	**-7%**	**100%**	**16,660**	

Due to the specific profile of the Company's loan book, which consists mainly of real estate loans, only one economic variable is incorporated in the scenarios – the forecasted movement in property prices (house price / commercial property indices). The index movement used as at 31 December 2020 ranges from +5% for the upside scenario to -40% for the worst downside scenario. Other indicators such as GDP were considered but not used as the Company does not provide unsecured lending.

Measuring credit losses

Expected Credit Loss (ECL) is calculated using the following formula

Probability of default ('PD') x Exposure at default ('EAD') x Loss given default ('LGD')

Term	Definition
Probability of default (PD)	The probability of a default event occurring based on conditions existing at the reporting date and future economic conditions that affect credit risk. Probability of default has been determined based on Basel III regulatory PDs. The lifetime PD forms part of the IFRS 9 stage assessment as well as the ECL calculation.
Exposure at default	The expected outstanding balance of the asset at default, considering the repayment of principal and interest from the reporting date to the date of default.
Loss given default	The proportion of the exposure that is expected to be lost in the event of default, taking account of the impact of collateral and its expected value at the point of realisation.

To calculate the lifetime ECL for a loan, separate 12-month ECL calculations are performed for each year of the loan's expected life. The outputs of these calculations for each year are then combined.

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The PD, EAD and LGD inputs for the 12-month ECL calculations incorporate management's expectations of future performance, including forward looking economic assumptions. To reflect the uncertainty inherent in economic forecasting, multiple ECL calculations are performed using different sets of assumptions (scenarios) that are considered possible.

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:

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

	2020				2019
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**		
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Credit Rating Zone:					
Low risk - Category 1	3,004	-	-	3,004	3,529
Medium Risk - Category 2	233,645	1,568	-	235,213	199,867
Acceptable Risk – Category 3	64,099	10,653	-	74,752	134,515
Watch List/High Risk - Category 4	-	2,560	-	2,560	-
Default - Category 5	-	-	22,644	22,644	1,591
Unrated	-	-	-	-	41
Total gross carrying amount	**300,748**	**14,781**	**22,644**	**338,173**	**339,543**
Loss allowance	**(27)**	**-**	**(531)**	**(558)**	**(496)**
Net carrying amount	**300,721**	**14,781**	**22,113**	**337,615**	**339,047**

Unrated balances mainly represent season ticket staff loans.

	2020				2019
Loan commitments	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**		
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Credit Rating Zone:					
Low risk - Category 1	-	-	-	-	-
Medium Risk - Category 2	7,021	-	-	7,021	19,444
Acceptable Risk – Category 3	30,447	3,420	-	33,867	8,124
Watch List/High Risk - Category 4	-	2,400	-	2,400	-
Default - Category 5	-	-	2,337	2,337	-
Not Rated	-	-	-	-	2,200
Total amount committed	**37,468**	**5,820**	**2,337**	**45,625**	**29,768**
Loss allowance	**(8)**	**-**	**-**	**(8)**	**(1)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

	2020	2019

Letters of guarantee	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	£000's	£000's	£000's	£000's	£000's
Credit Rating Zone:					
Low risk - Category 1	-	-	-	-	-
Medium Risk - Category 2	400	-	-	400	300
Acceptable Risk – Category 3	-	-	-	-	-
Watch List/High Risk - Category 4	-	-	-	-	-
Default - Category 5	-	-	-	-	-
Not Rated	-	-	-	-	-
Total amount committed	**400**	**-**	**-**	**400**	**300**
Loss allowance	**-**	**-**	**-**	**-**	**-**

	2020				2019
Due from banks at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
External Credit Ratings:	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**£000's**	**£000's**
AAA – AA3	66,664	-	-	66,664	82,494
A1 – A3	19,991	-	-	19,991	16,934
BAA1 – BAA3	7,304	-	-	7,304	3,849
CAA1 – CAA3	1,176	-	-	1,176	2,824
Not Rated	2,630	-	-	2,630	78
Total gross carrying amount	**97,765**	**-**	**-**	**97,765**	**106,179**
Loss allowance	-	-	-	-	-
Net carrying amount	**97,765**	**-**	**-**	**97,765**	**106,179**

		2020			2019
Investment securities at FVTOCI	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
External Credit Ratings:	**12-month ECL**	**Lifetime ECL**	**Lifetime ECL**	**£000's**	**£000's**
AAA – AA3	149,729	-	-	149,729	174,633
A1 – A3	-	-	-	-	-
BAA1 – BAA3	-	-	-	-	1
Total carrying amount	**149,729**	**-**	**-**	**149,729**	**174,634**
Loss allowance	**(22)**	**-**	**-**	**(22)**	**(29)**

The external credit ratings are shown in Moody's scale equivalent.

"Not rated" encompasses exposures where there's no external rating available from Moody's.

NOTES TO THE FINANCIAL STATEMENTS (continued)

This table summarises the loss allowance as of the year end by asset class:

Loss allowance by asset class	Year ended 2020 £'000s	Year ended 2019 £'000s
Loans and advances to customers at amortised cost	558	496
Investment securities at FVTOCI	22	29
	580	**525**

The tables below analyse the movement of the loss allowance during the year per class of assets.

Loss allowance - Debt investment securities at FVTOCI	**Stage 1 12-month ECL £'000s**	**Stage 2 Lifetime ECL £'000s**	**Stage 3 Lifetime ECL £'000s**	**Total £'000s**
Loss allowance as at 1 January 2020	**29**	**-**	**-**	**29**
Changes in the loss allowance				
—Transfer to stage 1	-	-	-	**-**
—Transfer to stage 2	-	-	-	**-**
—Transfer to stage 3	-	-	-	**-**
—Increases due to changes in credit risk		-	-	
—Decreases due to changes in credit risk	(4)	-	-	(4)
—Write-offs	-	-	-	-
New financial assets originated or purchased	3	-	-	3
Financial assets that have been derecognised	(6)	-	-	(6)
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	-	-
Loss allowance as at 31 December 2020	**22**	**-**	**-**	**22**

Loss allowance - Debt investment securities at FVTOCI	**Stage 1 12-month ECL £'000s**	**Stage 2 Lifetime ECL £'000s**	**Stage 3 Lifetime ECL £'000s**	**Total £'000s**
Loss allowance as at 1 January 2019	**102**	**-**	**-**	**102**
Changes in the loss allowance				
—Transfer to stage 1	-	-	-	**-**
—Transfer to stage 2	-	-	-	**-**
—Transfer to stage 3	-	-	-	**-**
—Increases due to changes in credit risk	(3)	-	-	**(3)**
—Decreases due to changes in credit risk	-	-	-	**-**
—Write-offs	-	-	-	**-**
New financial assets originated or purchased	-	-	-	**-**
Financial assets that have been derecognised	(70)	-	-	**(70)**
Changes in models / risk parameters	-	-	-	**-**
FX changes and other movements	-	-	-	**-**
Loss allowance as at 31 December 2019	**29**	**-**	**-**	**29**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Loss allowance - Loans and advances to customers at amortised cost	**Stage 1** **12-month ECL** **£'000s**	**Stage 2** **Lifetime ECL** **£'000s**	**Stage 3** **Lifetime ECL** **£'000s**	**Total** **£'000s**
Loss allowance as at 1 January 2020	**17**	**-**	**479**	**496**
Changes in the loss allowance				
—Transfer to stage 1	-	-	-	-
—Transfer to stage 2	-	-	-	-
—Transfer to stage 3	-	-	-	-
—Increases due to changes in credit risk	6	-	22	28
—Decreases due to changes in credit risk	-	-	-	-
—Write-offs	-	-	-	-
New financial assets originated or purchased	4	-	-	4
Financial assets that have been derecognised	-	-	-	-
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	30	30
Loss allowance as at 31 December 2020	**27**	**-**	**531**	**558**

Loss allowance - Loans and advances to customers at amortised cost	**Stage 1** **12-month ECL** **£'000s**	**Stage 2** **Lifetime ECL** **£'000s**	**Stage 3** **Lifetime ECL** **£'000s**	**Total** **£'000s**
Loss allowance as at 1 January 2019	14	-	494	508
Changes in the loss allowance	-	-	-	-
—Transfer to stage 1	-	-	-	-
—Transfer to stage 2	-	-	-	-
—Transfer to stage 3	-	-	-	-
—Increases due to changes in credit risk	(3)	-	8	5
—Decreases due to changes in credit risk	-	-	-	-
—Write-offs	-	-	-	-
New financial assets originated or purchased	6	-	-	6
Financial assets that have been derecognised	-	-	-	-
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	(23)	(23)
Loss allowance as at 31 December 2019	**17**	**-**	**479**	**496**

NOTES TO THE FINANCIAL STATEMENTS (continued)

32.3.2 Concentration by sector as at 31 December 2020

	Due from banks at amortised cost £000's	Loans and advances at amortised cost £000's	Investment securities at FVTOCI £000's	Total £000's
Multilateral development banks	-	-	149,729	149,729
Banks	97,765	-	-	97,765
Individuals	-	29,478	-	29,478
Real estate companies	-	308,137	-	308,137
Other				
Total	**97,765**	**337,615**	**149,729**	**585,109**

Concentration by sector as at 31 December 2019

	Due from banks at amortised cost £000's	Loans and advances at amortised cost £000's	Investment securities FVTOCI £000's	Total £000's
Multilateral development banks	-	-	174,633	174,633
Banks	106,179	-	-	106,179
Individuals	-	28,491	-	28,491
Financial intermediaries	-	14	-	14
Real estate companies	-	308,837	-	308,837
Other	-	1,705	-	1,705
Total	**106,179**	**339,047**	**174,633**	**619,859**

Concentration by location as at 31 December 2020

Country	Group	Due from banks at amortised cost £000's	Loans and advances at amortised cost £000's	Investment securities at FVTOCI £000's	Total £000's
UK	Domestic	13,219	318,224	-	331,443
Greece	Parent	1,176	5,471	-	6,647
Luxembourg	Eurozone	2,635	-	-	2,635
Germany	Eurozone	162	-	-	162
Belgium	Eurozone	63,889	-	-	63,889
France	Eurozone	7,512	-	-	7,512
Cyprus	Eurozone	-	7,502	-	7,502
USA	North America	8,311	-	-	8,311
Australia	Australia	861	-	-	861
Supranational organisations	Supranational	-	-	149,729	149,729
Guernsey	Offshore	-	6,068	-	6,068
Israel	Middle East	-	350	-	350
Total		**97,765**	**337,615**	**149,729**	**585,109**

NOTES TO THE FINANCIAL STATEMENTS (continued)

Concentration by location as at 31 December 2019

Country	Group	Due from banks at amortised cost £000's	Loans and advances at amortised cost £000's	Investment securities at FVTOCI £000's	Total £000's
UK	Domestic	8,600	319,444	-	328,044
Greece	Parent	2,902	6,084	-	8,986
Luxembourg	Eurozone	3,849	-	-	3,849
Germany	Eurozone	845	-	-	845
Belgium	Eurozone	57,774	-	-	57,774
France	Eurozone	13,144	-	-	13,144
Cyprus	Eurozone	-	6,763	-	6,763
USA	North America	19,058	-	-	19,058
Australia	Australia	7	-	-	7
Supranational organisations	Supranational	-	-	174,633	174,633
Guernsey	Offshore	-	6,395	-	6,395
Israel	Middle East	-	361	-	361
Total		**106,179**	**339,047**	**174,633**	**619,859**

The presentation follows the FINREP convention showing the location of the borrower for all classes of assets.

Supranational organisations include European Investment Bank debt securities of £109,850,363 (2019: £99,481,088).

The Company's maximum credit exposure is £632,970,000 (2019: £649,840,000) including derivatives and committed undrawn facilities. The table below shows further breakdown.

	2020 £000's	2019 £000's
Due from banks at amortised cost (including derivatives)	100,002	106,392
Loans and advances at amortised cost (including committed undrawn facilities)	383,239	368,815
Investment securities at FVTOCI	149,729	174,633
Total	**632,970**	**649,840**

32.3.3 Loans and advances to customers: impairment analysis

As at 31 December 2020

	Gross carrying amount £000's	ECL £000's	Net carrying amount £000's
Not past due (current)	336,445	(27)	336,418
Past due from 1 to 29 days	-	-	-
Past due from 30 to 59 days	-	-	-
Past due from 60 to 89 days	-	-	-
Past due over 90 days	1,728	(531)	1,197
Total	**338,173**	**(558)**	**337,615**

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019

	Gross carrying amount £000's	ECL £000's	Net carrying amount £000's
Not past due (current)	337,952	(17)	337,935
Past due from 1 to 29 days	-	-	-
Past due from 30 to 59 days	-	-	-
Past due from 60 to 89 days	-	-	-
Past due over 90 days	1,591	(479)	1,112
Total	**339,543**	**(496)**	**339,047**

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 were no loans written off during the year (2019: none).

32.3.4 Loans and advances - collateral analysis

At the year-end, fully secured lending accounts for almost 100% (2019: 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 or 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 annually 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	2020 £000's Gross exposure	2020 £000's ECL	2019 £000's Gross exposure	2019 £000's ECL
LTVs < 40%	87,076	(2)	85,965	-
LTVs > 40% < 50%	110,183	-	104,667	-
LTVs > 50% < 60%	106,621	(4)	93,146	(1)
LTVs > 60% < 70%	10,445	-	25,316	(1)
LTVs > 70% < 80%	10,546	(17)	13,291	(5)
LTVs > 80% < 100%	6,516	(4)	10,687	(10)
LTVs >= 100%	4,804	(531)	3,953	(479)
Cash collateralised lending	1,979	-	2,478	-
Other collateralised lending	-	-	-	-
Unsecured lending (Syndicated Bond Loans and other loans)	3	-	40	-
Total of collateralised lending	**338,173**	**(558)**	**339,543**	**(496)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

32.4 Market risk

32.4.1 Overview

Market risk is the risk of losses arising from unfavourable changes in the value 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 FVTOCI 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 FVTOCI. Management monitor market price movements of the financial instruments held, and these details are circulated for review to the Board of Directors.

32.4.2 Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fall because of changes in market interest rates. The Company principally borrows and lends to customers at floating rates of interest. Occasionally it may lend to customers at a fixed interest rate, in which the resulting interest rate risk is naturally hedged through the equity of the liability side. At 31 December 2020 the Company had one fixed rate loan with a carrying amount of £6,798,000 (2019: £6,992,000).

Key management personnel monitor interest rate risk via daily interest rate sensitivity reporting as well as a more thorough review for regulatory reporting purposes on a quarterly basis.

32.4.3 Interest rate profile

A 2% rise in benchmark interest rates is estimated to increase net interest income by £360,000 (2019: £148,000). 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 DECEMBER 2020

	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	-	-	-	-	-	-	-
Due from banks	97,765	95,855	1,910	-	-	-	-
Loans and advances to customers	337,615	102,981	227,836	-	6,798	-	-
Investment securities	149,729	19,178	57,835	72,716	-	-	-
Property, plant, equipment and software	5,743	-	-	-	-	-	5,743
Other assets	1,276	-	-	-	-	-	1,276
Derivative financial assets	2,237	-	-	-	-	-	2,237
Total	**594,365**	**218,014**	**287,581**	**72,716**	**6,798**	**-**	**9,256**
Liabilities							
Due to banks	3,065	3,065	-	-	-	-	-
Derivative financial liabilities	3,765	-	-	-	-	-	3,765
Due to customers	515,898	367,412	60,495	87,991	-	-	-
Other borrowed funds	10,001	-	10,001	-	-	-	-
Current tax liability	71	-	-	-	-	-	71
Deferred tax liability	59	-	-	-	-	-	59
Lease liabilities	5,110	-	-	-	-	-	5,110
Other liabilities	1,611	-	-	-	-	-	1,611
Equity	54,785	-	-	-	-	-	54,785
Total	**594,365**	**370,477**	**70,496**	**87,991**	**-**	**-**	**65,401**

NOTES TO THE FINANCIAL STATEMENTS (continued)

INTEREST RATE PROFILE AT 31 DECEMBER 2019

	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	70	70	-	-	-	-	-
Due from banks	106,179	89,208	16,971	-	-	-	-
Loans and advances to customers	339,047	98,675	233,380	-	6,992	-	-
Investment securities	174,633	131,586	43,047	-	-	-	-
Property, plant, equipment and software	6,611	-	-	-	-	-	6,611
Other assets	1,011	-	-	-	-	-	1,011
Derivative financial assets	213	-	-	-	-	-	213
Total	**627,764**	**319,539**	**293,398**	**-**	**6,992**	**-**	**7,835**
Liabilities							
Due to banks	2,408	2,408	-	-	-	-	-
Derivative financial liabilities	3,272	-	-	-	-	-	3,272
Due to customers	551,341	360,421	111,713	79,207	-	-	-
Other borrowed funds	10,002	-	10,002	-	-	-	-
Current tax liability	425	-	-	-	-	-	425
Deferred tax liability	81	-	-	-	-	-	81
Lease liabilities	5,444	-	-	-	-	-	5,444
Other liabilities	1,340	-	-	-	-	-	1,340
Equity	53,451	-	-	-	-	-	53,451
Total	**627,764**	**362,829**	**121,715**	**79,207**	**-**	**-**	**64,013**

32.4.4 Foreign currency risk

The entity undertakes currency risk due to the volatility of foreign exchange rates. 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

32.4.5 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 DECEMBER 2020

	GBP	USD	EUR	OTHER	TOTAL
ASSETS	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Cash and balances with central banks					
Due from banks	22,836	27,014	42,947	4,968	97,765
Derivative financial assets	2,237	-	-	-	2,237
Loans and advances to customers	329,864	1,031	6,720	-	337,615
Investment securities (FVOCI)	15,118	61,896	72,715	-	149,729
Property, plant, equipment and software	5,743	-	-	-	5,743
Other assets	1,079	3	194	-	1,276
Total Assets	**376,877**	**89,944**	**122,576**	**4,968**	**594,365**
LIABILITIES					
Due to banks	99	86	2,880	-	3,065
Derivative financial liabilities	3,765	-	-	-	3,765
Due to customers	83,475	108,933	318,522	4,968	515,898
Borrowed funds	10,001	-	-	-	10,001
Current tax liability	71	-	-	-	71
Deferred tax	59	-	-	-	59
Lease liabilities	5,110	-	-	-	5,110
Other liabilities	1,085	20	506	-	1,611
Equity	54,825	17	(57)	-	54,785
Total Liabilities	**158,490**	**109,056**	**321,851**	**4,968**	**594,365**
Net on-balance sheet position	218,387	(19,112)	(199,275)	-	-
Notional off-balance sheet position derivatives	(220,073)	19,104	199,194	-	(1,775)
Net position	(1,686)	(9)	(81)	-	(1,775)

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

FOREIGN EXCHANGE POSITION AS AT 31 DECEMBER 2019

	GBP	USD	EUR	OTHER	TOTAL
ASSETS	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Cash and balances with central banks	43	10	17	-	70
Due from banks	8,482	28,124	66,060	3,513	106,179
Derivative financial assets	213	-	-	-	213
Loans and advances to customers	328,392	1,139	8,270	1,246	339,047
Investment securities (FVOCI)	15,058	90,337	69,238	-	174,633
Property, plant, equipment and software	6,611	-	-	-	6,611
Other assets	837	-	174	-	1,011
Total Assets	**359,636**	**119,610**	**143,759**	**4,759**	**627,764**
LIABILITIES					
Due to banks	263	90	2,055	-	2,408
Derivative financial liabilities	3,272	-	-	-	3,272
Due to customers	85,422	119,385	341,942	4,592	551,341
Borrowed funds	10,002	-	-	-	10,002
Current tax liability	425	-	-	-	425
Deferred tax	81	-	-	-	81
Lease liabilities	5,444	-	-	-	5,444
Other liabilities	1,311	-	4	25	1,340
Equity	53,451	-	-	-	53,451
Total Liabilities	**159,671**	**119,475**	**344,001**	**4,617**	**627,764**
Net on-balance sheet position	199,965	135	(200,242)	142	-
Notional off-balance sheet position derivatives	(203,177)	(148)	200,145	(147)	(3,327)
Net position	**(3,212)**	**(13)**	**(97)**	**(5)**	**(3,327)**

32.5 Liquidity risk

Liquidity risk is the risk that the Company will not have sufficient funds to meet its obligations. 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 Statement of Financial Position date to the contractual maturity date and estimated interest outflows.

NOTES TO THE FINANCIAL STATEMENTS (continued)

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2020

	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	3,065	(3,065)	(3,065)	-	-	-	-
Due to customers	515,898	(523,202)	(370,949)	(59,068)	(93,185)	-	-
Borrowed funds	10,001	(10,810)	-	(50)	(152)	(10,608)	-
Other liabilities	6,849	(6,849)	(1,740)	(20)	(564)	(3,252)	(1,273)
Total	**535,813**	**(543,926)**	**(375,754)**	**(59,138)**	**(93,901)**	**(13,860)**	**(1,273)**

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2019

	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	2,408	(2,408)	(2,408)	-	-	-	-
Due to customers	551,341	(551,669)	(370,520)	(101,979)	(79,170)	-	-
Borrowed funds	10,002	(11,398)	-	(70)	(210)	(11,118)	-
Other liabilities	7,290	(7,290)	(1,846)	(70)	(212)	(3,036)	(2,126)
Total	**571,041**	**(572,765)**	**(374,774)**	**(102,119)**	**(79,592)**	**(14,154)**	**(2,126)**

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31 DECEMBER 2020

	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	3,765	(3,765)	-	(3,765)	-	-	-
Total	**3,765**	**(3,765)**	**-**	**(3,765)**	**-**	**-**	**-**

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31 DECEMBER 2019

	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	3,272	(3,272)	-	(3,272)	-	-	-
Total	**3,272**	**(3,272)**	**-**	**(3,272)**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

32.6 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 Company policy to maintain a sufficient buffer to meet capital requirements as set out in the Internal Capital Adequacy Assessment Process ("ICAAP").

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 includes Tier I capital (share capital, retained earnings and the fair value reserve) and Tier 2 capital (subordinated debt).

Regulatory capital analysis

	2020	**2019**
	£000's	**£000's**
Tier 1		
Share capital	30,000	30,000
Retained earnings	24,814	23,510
FVTOCI reserve	(29)	(59)
Intangible assets	-	(15)
Total Tier 1 capital	**54,785**	**53,436**
Tier 2		
Subordinated debt (excluding accrued interest)	8,000	10,000
Total Tier 2 capital	**8,000**	**10,000**
Total Tier 1 and Tier 2 capital	**62,785**	**63,436**
Total regulatory capital	**62,785**	**63,436**

OTHER INFORMATION

33. 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:

As at 31 December 2020	**Parent** £000's	**Fellow subsidiaries/ affiliates** £000's	**Key management personnel** £000's
Assets			
Derivative financial instruments	2,237	-	-
Due from banks	1,047	129	-
Total assets	**3,284**	**129**	-
Liabilities			
Derivative financial instruments	3,765	-	-
Due to banks	180	3,356	-
Debt securities in issue and other borrowed funds	10,001	-	-
Other Liabilities	-	33	-
Total liabilities	**13,946**	**3,389**	**-**
Income			
Interest on loans and advances	10	-	-
Services provided	-	78	-
Total income	**10**	**78**	**-**
Expenses			
Interest expense on due to banks	1,563	-	-
Interest expense on debt securities in issue and other borrowed funds	239	-	-
Interest expense on lease liabilities	(25)	-	-
Employee benefits	(1,691)	-	1,114
Employee pension contributions	(120)	-	81
Premises costs	(58)	-	-
Information systems costs	(124)	23	-
Communication and travel costs	(23)	-	-
Professional fees	(28)	-	-
Office costs	(189)	-	-
Depreciation charge	(18)	-	-
Total expenses	**(474)**	**23**	**1,195**
Letters of guarantee received	**400**	**-**	**-**
Uncommited loan facility	**150,000**	**-**	**-**

The negative expenses in the table above represent recharges of operational expenses to related parties.

All related party transactions were made on an arm’s length basis. All outstanding assets and liabilities are unsecured and will be settled in cash.

The Company also records related party transactions to entities controlled by key management and associated companies, but there were no such transactions during 2020.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019	Parent £000's	Fellow subsidiaries/ affiliates £000's	Key management personnel £000's
Assets			
Derivative financial instruments	213	-	-
Due from banks	2,824	78	-
Total assets	**3,037**	**78**	**-**
Liabilities			
Derivative financial instruments	3,272	-	-
Due to banks	2,396	938	-
Due to customers	-	-	207
Debt securities in issue and other borrowed funds	10,002	-	-
Total liabilities	**15,670**	**938**	**207**
Income			
Interest on loans and advances	5	-	-
Services provided	-	15	-
Total income	**5**	**15**	**-**
Expenses			
Interest expense on due to banks	4	-	-
Interest expense on debt securities in issue and other borrowed funds	282	-	-
Interest expense on lease liabilities	(51)	(1)	-
Employee benefits	(2,082)	(53)	900
Employee pension contributions	(202)	(4)	57
Premises costs	(510)	(13)	-
Information systems costs	(274)	71	-
Depreciation charge	(171)	(3)	-
Total expenses	**(3,004)**	**(3)**	**957**
Letters of guarantee received	**300**	**-**	**-**
Loan facility commitment	**150,000**	**-**	**-**

The negative expenses in the table above represent recharges of operational expenses to related parties.

All related party transactions were made on an arm's length basis. All outstanding assets and liabilities are unsecured and will be settled in cash.

The Company also records related party transactions to entities controlled by key management and associated companies, but there were no such transactions during 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

34. 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 2020 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 fully 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 (2019: none).

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).

As at 31 December 2020	**Carrying value**	**Fair value**	**Level 1**	**Level 2**	**Level 3**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Financial assets					
Cash	-	-	-	-	-
Derivative financial assets	2,237	2,237	-	2,237	-
Due from banks	97,765	97,765	97,765	-	-
Investment securities	149,729	149,729	149,729	-	-
Loans and advances to customers	337,615	337,823	-	-	337,823
Total financial assets	**587,346**	**587,554**	**247,494**	**2,237**	**337,823**
Financial liabilities					
Derivative financial liabilities	3,765	3,765	-	3,765	-
Due to banks	3,065	3,065	3,065	-	-
Due to customers	515,898	515,898	-	-	515,898
Other borrowed funds	10,001	10,001	10,001	-	-
Total financial liabilities	**532,729**	**532,729**	**13,066**	**3,765**	**515,898**

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
Financial assets					
Cash	70	70	70	-	-
Derivative financial assets	213	213	-	213	-
Due from banks	106,179	106,179	106,179	-	-
Investment securities	174,633	174,633	174,633	-	-
Loans and advances to customers	339,047	339,142	-	-	339,142
Total financial assets	**620,142**	**620,237**	**280,882**	**213**	**339,142**
Financial liabilities					
Derivative financial liabilities	3,272	3,272	-	3,272	-
Due to banks	2,408	2,408	2,408	-	-
Due to customers	551,341	551,341	-	-	551,341
Other borrowed funds	10,002	10,002	10,002	-	-
Total financial liabilities	**567,023**	**567,023**	**12,410**	**3,272**	**551,341**

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.

35. 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. Alpha Bank A.E. is the parent company of the Company.

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 (https://www.alpha.gr/en/group/investor-relations).

36. EVENTS AFTER THE REPORTING PERIOD

On 1st January 2021 UK's market access to the European Union has ceased following the end of the transition period. The Company is conducting its operations entirely in the UK, and despite the fact that a significant portion of its customers are EU residents there has been no negative impact on the Company following the end of the transition period.

In March 2021 the UK Government has announced a cautious relaxation of economic restrictions following a successful vaccine rollout. As a result the Company expects the economic situation to improve and the majority of Stage 3 clients to recover and transition to Stage 2.

37. OBTAINING FINANCIAL STATEMENTS

The Company's Financial Statements can be located on the Alpha Bank Group AE website (https://www.alpha.gr/-/media/alphagr/files/group/oikonomikes-katastaseis-etairion-omilou/2019/alpha_bank_london_ltd_20191231.pdf).