



ALPHA BANK

Alpha Bank London Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2022

Registered Company Number: 00185070

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OFFICERS AND COMPANY PARTICULARS**Board of Directors**

Mark E. Austen	(Chair)
W. Lindsay Mackay	(Chief Executive Officer)
Spyros N. Filaretos	
Clodagh Gunnigle	
George Michalopoulos	
Michael Brierley	(appointed 01/02/2023)
Richard Price	(resigned 14/10/2022)

Company Secretary

Sue Cane

Risk & Compliance Committee

Mark E. Austen	(Chair on a temporary basis – see Strategic Report)
Michael Brierley	(appointed 01/02/2023)
Clodagh Gunnigle	
Spyros N. Filaretos	

Audit Committee

Mark E. Austen	(Chair on a temporary basis – see Strategic Report)
Michael Brierley	(appointed 01/02/2023)
Clodagh Gunnigle	
Spyros N. Filaretos	

Remuneration Committee

Clodagh Gunnigle	(Chair)
Michael Brierley	(appointed 01/02/2023)
Mark E. Austen	
Spyros N. Filaretos	

Executive Committee

W. Lindsay Mackay	(Chair)
Monika Ahmed	(Chief Financial Officer)
Marc Harris	(Chief Operating Officer – appointed 13/10/2022)
Joe Neophitou	(General Manager)
Dan Barbalat	(Chief Risk Officer – appointed 01/11/2022)

Registered Office

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

Registered Number

00185070 England and Wales

Financial Services Register Number

135327

Date of Incorporation

17 October 1922

Auditor

Deloitte LLP, Statutory Auditor, London, United Kingdom

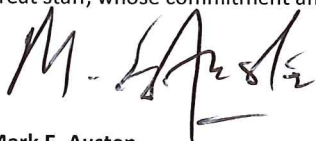
CHAIRMAN'S STATEMENT

I am pleased to advise that the Company has delivered a strong performance in 2022 with a pre-tax profit of £4.2m compared to £1.9m in the prior year (2021).

Net interest income was £15m, an increase of 36% over the prior year comparable of £11m. The increase in net interest income is mainly due to the increase in underlying interest rates, including the Bank of England Base rate which is the underlying benchmark rate used for the Bank's sterling lending. Asset quality remains strong with a low-risk business model.

The long-standing single bad debt was successfully recovered during the year, resulting in the Company having no Stage 3 loans in the loan portfolio at the end of 2022. The Expected Credit Loss ("ECL") has remained immaterial due to a low Loss Given Default ("LGD"). The loan collateral remains good quality with an average Loan To Value ("LTV") across the portfolio of 49% compared to 48% in the prior year. The loan portfolio remains resilient to credit risk due to a conservative risk appetite.

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.



Mark E. Austen
Chairman

Capital House
85 King William Street
London EC4N 7BL

19 April 2023

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 is a wholly owned subsidiary of Alpha Bank S.A. ("Alpha Bank" or the "Parent"). Alpha Bank holds 100% shareholding in ABL. The Parent has operations in Greece, Cyprus, Romania, and Luxembourg and is one of the largest banks in Greece, operating from 271 branches.

Strategy

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

- Secured loans for professional property investment and development purposes;
- Deposit and transactional accounts for retail and corporate customers; and
- 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 investment 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 properties located in the London area. Our customers are typically high net worth individuals, and our borrowers are experienced in property investment.

The Company is funded via customer deposits, share capital, retained reserves, a £10m subordinated loan (2021: £10m), and a £5m loan from the Parent (2021: £30m). There is no other reliance upon any funding from wholesale counterparties or the Parent Group.

During the year the Parent of the Company announced its decision to no longer sell the Company with a renewed focus on increasing the Alpha Bank brand in the UK and delivering outstanding value to its customers.

Business Review

The Company achieved a pre-tax profit for the year of £4.2m, compared to £1.9m in the prior year. The increase in pre-tax profit is predominantly due to the net interest income increase of 36% resulting from an increase in the underlying benchmark rates. Total headcount at the end of 2022 was 67, compared to 66 at the end of 2021.

Total assets decreased by £67m to £464m, driven by a decrease of £43m in corporate and retail deposits (£65m of actual deposit movements offset by £22m increase attributable to foreign exchange movement). The deposit base saw a significant expansion up to 2015 due to the emerging Greek crisis and prior to the introduction of capital controls in Greece. The improvement in the Greek economy since 2020 resulted in capital controls being lifted and the Company saw a reversal of the inflows with most funds returning to the parent. The decrease in deposits this year predominantly relates to a single corporate depositor.

The Company's net equity increased from £56.4m to £59.5m reflecting the retained 2022 profit, slightly offset by the fair value loss on investment securities. The Company's capital base for regulatory capital purposes also includes a £10m subordinated loan from the Parent and totals £63.4m (2021: £62.3m) (Note 34.6). 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.

Customer loans decreased by 9.2% during the year from £358m to £325m, compared to an increase of 5.9% in 2021. The rising interest rates led to early loan repayments during the year. There are no longer any Stage 3 loans on the portfolio following recovery of a historic bad debt in July 2022. Due to the low LGD and the high-quality collateral with an average LTV of 49% across the loan portfolio, the ECL is minimal at the year-end (average LTV of 48% in 2021). The very low level of impairments is testament to the rigorous process adopted when offering loans and the ongoing monitoring of the 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. The portfolio remained stable during the year, with a size of £92m at the year-end compared to £86m at the prior year and is composed exclusively of AAA-rated floating rate notes issued by international development banks and central governments.

STRATEGIC REPORT (continued)

Net interest income for the year was £15m, an increase of 36% over the prior year comparable of £11m, attributable to increases in underlying interest rates, including the Bank of England base rate. Gross interest income was £19.3m compared to £13.1m in the prior year (Note 6). Average loan pricing across the portfolio in 2022 was 4.73% (including the variable benchmark rate) compared to 3.35% in 2021. Interest expense for the year increased to £4.3m, a 105% increase over £2.1m for the prior year (Note 6). The weighted average rate paid on deposits increased to 0.51% in 2022 from 0.05% in 2021. Fees and commissions income for the year reduced from £2.5m to £1.6m, mainly due to reduced client investment activity compared to the prior year.

Corporate Governance and Risk Management

Risk and capital management strategy is set by the Board of Directors ("the Board"). The Board currently has six directors, five of whom are non-Executive directors. Of those, three are independent non-Executive directors ("INEDs"). The Board is supported by three committees, these being the Audit Committee, Risk and Compliance Committee and Remuneration Committee. Membership of these committees is found from among non-Executive directors only, with all but one of the members being INEDs.

Mr Richard Price (an INED and Chair of the Audit Committee and Risk and Compliance Committee) resigned on 14 October 2022 and as an interim measure prior to regulatory approval being granted to his replacement (Mr Mike Brierley, appointed as a director of the Company on 1 February 2023), the Board resolved that Mr Austen, Board Chair, should become a temporary member and Chair of the Audit Committee and should also chair the Risk & Compliance Committee. It is recognised that this is a short-term appointment and that Mr Austen, as one of only two INEDs at that time on the Board, has the requisite skills and experience to discharge this responsibility. Upon approval being given for Mr Brierley to assume the chair of the two committees, Mr Austen will cease to be a member of the Audit Committee, in line with best practice. The ABL Executive Committee ("Exco") is chaired by the CEO and the purpose is to exercise appropriate management oversight across all business activity. The Exco has established a number of sub-committees to oversee certain aspects of activity including a Risk and Compliance Executive, Credit Risk Committee, and Asset-Liability Committee.

Section 172(1) Statement

Clients. Our clients remain at the heart of our business and we are in the process of implementing Consumer Duty in line with the new FCA Principle 12. 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 2022.

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 Board 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 medium term and the Business is planned across a five-year horizon, updated annually. 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 and management monitor the overall performance of the business using several 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;
- Total equity (capital and reserves); and
- Return on Equity.

Profit before tax for the year was £4.2m (2021: £1.9m) whilst total equity at the year-end was £59.5m (2021: £56.4m). The return on equity was 6.0% (2021: 3.5%)

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:

- 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 34.
- The UK economic environment and the Company's exposure to the UK property market. The Monetary Policy Committee (MPC) report by the Bank of England published in November 2022 projected GDP decline by 0.75% during second half of 2022, declining further throughout 2023. This results in a negative outlook for investments which impacts real estate prices. The CPI rose by 10.5% in the 12 months to December 2022, highlighting those domestic inflationary pressures. This has a direct impact on the spending ability of households, by squeezing their affordability for house purchases. Unemployment is projected to remain at low levels indicating a tight labour market which results in lower debt default levels. A Savills report for UK mainstream house prices forecast a 10% price fall in 2023 for Residential Real Estate prices and for Commercial Real Estate prices market analysis indicates a negative correlation between inflation and property prices, therefore increasing CPI trend will impact the CRE market negatively. 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 49% (2021: 48%). 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.
- **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.
- **Climate change risk**
The Company is committed to sustainable finance, including the effective management of the Environmental and Social dimension of its lending activities also taking into consideration Climate Change Risk. To this direction, during the credit approval process, supplementary to the credit risk assessment, the strict compliance of the principles of an environmentally and socially responsible credit facility are also examined, as those are defined in the "Environmental and Social Risk Management Policy on Legal Entities Lending". The Company's lending policy has also been updated to include controls around the physical and transition risk resulting from climate change risk.

STRATEGIC REPORT (continued)

- **Greek economy**

The recovery of domestic economic activity continued in the first nine months of 2022, as real GDP expanded by 5.9% on an annual basis. Growth was driven by private consumption and investment with net exports weighing down the overall growth figure. In addition, the contribution of public consumption was negative, despite the fiscal interventions adopted by the Greek government against the rising energy costs, due to the phasing out of the pandemic related fiscal measures implemented in the respective period of 2021 (base effects). Solid growth dynamics in the first nine months of 2022, supported by strong performance in tourism (9-months 2022 travel receipts: €15.6 billion), the material rise in foreign direct investment and the ongoing decline in unemployment, reflect the resilience of the Greek economy against the adverse external developments following the war in Ukraine, supply chain disruptions and inflationary pressures.

GDP growth is expected to decelerate in 2023, due to the adverse effects of inflationary pressures on private consumption and exports of services. The European Commission (European Economic Forecast, Autumn 2022) projects a GDP growth of 6% y-o-y in 2022 falling to 1% growth in 2023, whereas the 2023 Budget estimates a GDP growth of 5.6% in 2022 and 1.8% for 2023.

Inflation, based on the Harmonized Index of Consumer Prices (HICP) rose significantly during 2022. The HICP increased, on average, by 9.3% in 2022 compared to an increase of 0.6% in 2021, mainly due to the rising energy prices globally, given that Greece is a net energy importer, supply chain disruptions, and shortages in raw materials. Harmonized inflation is expected to reach 6% in 2023, according to the European Commission (European Economic Forecast, Autumn 2022), whereas the Bank of Greece (Interim Monetary Policy Report, December 2022) foresees an HICP increase of 5.8% in 2023. Fiscal support to households and businesses remained in place in 2022, mainly to mitigate the negative impact of the rising energy cost and the inflationary pressures.

In 2022, Greece successfully tapped the international debt capital markets raising in total Euro 8.3 billion, through the issuance of a new 10-year Greek Government Bond (GGB) in January and a new 5-year in July, as well as the re-opening of existing GGBs in April May, July, October, and November. Borrowing costs however have risen worldwide, due to the elevated uncertainty that stems from the adverse effects of inflation. The spread of the 10yr GGB compared to the respective German GB, increased to 205 bps on 31.12.2022, compared to 152 bps in December 2021.

In April 2022 and January 2023, Standard & Poor's and Fitch upgraded Greece's sovereign credit rating by one notch from BB to BB+ with a stable outlook (one notch below investment grade). In addition, the Athens Stock Exchange (ASE) General Index recorded an increase in 2022 of 4.1%.

The unemployment rate was equal to 12.2% on average in 2022 compared to 14.7% in 2021. Employment has grown by 5.2% in 2022, whereas the unemployed persons and the people outside the labour force decreased by 15.4% and 4% respectively.

Events After the Reporting Period

There were no events after the reporting period expected to have any financial or business impact on the Company.

Future Developments and Going Concern

The Board of Directors considers the Company's updated one-year budget and five-year business plan on an annual basis. A five-year timeframe for the plan is considered an appropriate period to forecast when considering the Company's underlying business and economic environment. During the year Alpha Bank took the decision not to sell the Company and is now focused on how the Alpha Bank brand can be grown in the UK while delivering real value to its customers. The Company's principal business line will continue to be the provision of secured loans to fund investments in property. This market has become more competitive in the last few years as new lenders have entered this space. The Company will continue to lend in a prudent manner and is confident that sufficient deals can be sourced at acceptable rates.

The Company's capital and liquidity positions are both 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 and £5m loan from the Parent. The Company also has £150m committed contingency funding 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.

STRATEGIC REPORT (continued)

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

A handwritten signature in black ink, appearing to read 'M. Austen', with a stylized flourish at the end.

Mark E. Austen
Chairman

19 April 2023

Capital House
85 King William Street
London EC4N 7BL

DIRECTORS' REPORT

The Directors present their report together with the audited financial statements of Alpha Bank London Limited ("ABL") for the year ended 31 December 2022.

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 £3.4m (2021: £1.5m). No final dividend has been approved (2021: nil). No interim dividend was paid during the year (2021: nil).

Events after the reporting period

There were no events after the reporting period expected to have any financial or business impact on the Company.

Financial risk management

Note 34 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
Clodagh Gunnigle
W. Lindsay Mackay
George Michalopoulos
Michael Brierley (appointed 01/02/2023)
Richard S. Price (resigned 14/10/2022)

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 of the Company 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 sub-committees of the Board. The current composition of each of the committees is shown on page 3.

DIRECTORS' REPORT (continued)*Risk & Compliance Committee*

Risk & Compliance Committee normally meets 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.

Audit Committee

The Audit Committee normally meets 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 £750 (2021: £100). No political donations were made (2021: 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 32.

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: 00185070

This report was approved by the board of directors on 19 April 2023 and signed on its behalf by


W. Lindsay Mackay
Chief Executive Officer

19 April 2023

Capital House
85 King William Street
London EC4N 7BL

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom adopted international accounting standards. The financial statements also comply with International Financial Reporting Standards (IFRSs) as issued by the IASB.

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, 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.

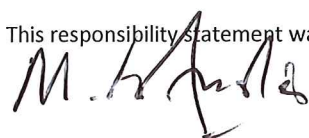
The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' responsibility statement

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the company and the undertakings included in the consolidation taken as a whole;
- the strategic report includes a fair review of the development and performance of the business and the position of the company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- the annual report and financial statements, taken as a whole, are fair, balanced, and understandable and provide the information necessary for shareholders to assess the company's position, performance, business model and strategy.

This responsibility statement was approved by the board of directors on 19 April 2023 and is signed on its behalf by:



Mark E. Austen
Chairman

19 April 2023

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 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); 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 39.

The financial reporting framework that has been applied in their preparation is applicable law, United Kingdom adopted international accounting standards 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 we have not provided any non-audit services prohibited by the FRC's Ethical Standard 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 matter	The key audit matter that we identified in the current year was: <ul style="list-style-type: none"> • IFRS 9 loan loss provisioning
Materiality	The materiality that we used in the current year was £580,000 which was determined on the basis of 1% of equity. In the prior year a percentage of 2% was used. We decided to lower the materiality on the basis that 2% of net assets was higher than was being applied in the audit of similar institutions.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There was no significant change in our approach.

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:

- challenging director's evaluation of its profitability, capital, liquidity and funding forecast position by assessing the following:
 - Internal Liquidity Adequacy Assessment Process output;
 - Internal Capital Adequacy Assessment Process output; and
 - Severe stress testing scenarios.
- involving prudential and regulatory specialists in reviewing company's capital and liquidity position;
- inquiring about the strategic review being performed by the parent company, Alpha Bank S.A.;
- evaluating of support by the parent company; and
- assessing the appropriateness of the disclosure in relation to the going concern in the financial statements.

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	<p>The company recognises a loss allowance for expected credit loss ('ECL') on its financial assets measured at amortised cost. 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 34.3, 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.</p> <p>As at 31 December 2022, the company reported £0.2m (2021: £0.4m) of ECL on total gross loans and advances of £325m (2021: £358m). Although the economic situation has deteriorated in 2022 due to increase in interest rates, inflation and gradual decrease in house price in the United Kingdom, the ECL of the company has decreased. This decrease in the ECL recorded by the company was primarily due to the recovery of an historic stage 3 exposure and the release of the associated ECL. As at 31 December 2022, the company's loan book comprises 89.5% stage 1 loans (2021: 88%), 10.7% stage 2 loans (2021: 11%) and nil stage 3 loans (2021: 1%).</p> <p>The amount of expected credit losses is updated at each reporting date and given the secured nature of the lending done by the company is primarily driven by loss given default ('LGD') which in turn is driven by valuation of the collateral pledged by the customer. The company estimate the value of collateral through both independent valuation reports (full and desktop valuations) and internal desktop valuations. We have therefore defined a significant risk in relation to the valuation of collateral and the impact on the determination of LGD for exposures with higher loan to value ('LTV').</p>
How the scope of our audit responded to the key audit matter	<p>In order to address the key audit matter identified, we performed the following procedures:</p> <ul style="list-style-type: none"> • Tested relevant controls in relation to lending, including those related to determination of expected credit losses; • Assessed the methodology applied by the company for determination of ECL for compliance with the requirements of IFRS 9; • For a sample of loans, tested credit risk indicators as per the company's policy and IFRS 9 guidance; and • Independently recalculated ECL based on the company inputs. <p>In addition to the above, we performed the following procedures in order to assess the appropriateness of the collateral valuation of exposures with higher LTV:</p> <ul style="list-style-type: none"> • Obtained an understanding of and assessed the company collateral valuation policy. This included the process by which the company assesses the value of collateral both at the time of initial lending and

- periodically thereafter;
- Tested relevant controls relating to the collateral valuation;
- Inspected external valuation reports from independent valuers which are obtained at either the time of initial lending or more recently;
- Performed a recalculation of the internal desktop valuation in line with the company collateral valuation policy;
- Performed an assessment of the potential impact of the current macro-economic environment on the valuation of collateral;
- Assessed the completeness of the documentation of security over the collateral and registration of the charge where applicable through checking to the Land Registry; and
- Inspected legal correspondence for any changes to collateral or security.

Key observations	The approach to determination of ECL was found to be compliant with the requirements of IFRS 9. We concluded that the company's assessment of the value of collateral for loans with higher LTV and its estimation of ECL was reasonable. Accordingly, the recognised loan loss provision as at 31 December 2022 was reasonably stated.
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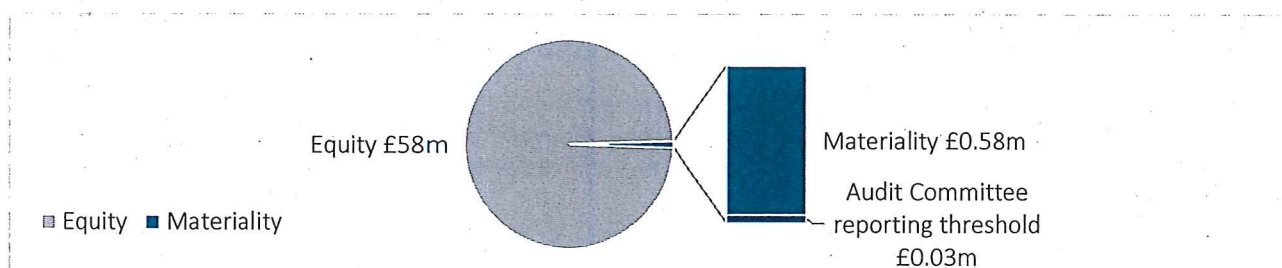
6. Our application of materiality

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	£580,000 (2021: 1,120,000)
Basis for determining materiality	1% of equity (2021: 2% of equity). We decided to lower the materiality on the basis that 2% of net assets was higher than was being applied in the audit of similar institutions.
Rationale for the benchmark applied	We considered equity to be the most appropriate benchmark given the company is a regulated entity where its capital position is of importance to the key users of the financial statements. These key users include regulators and the shareholder.



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 2022 audit 2021: 70%. In determining performance materiality, we considered the following factors 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 £0.03m (2021: £0.06m), 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**7.1. Scoping**

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.

7.2. Our consideration of the control environment

As part of our audit, we obtained understanding of the control environment. We tested relevant controls over lending cycle, deposits, fee and commission income, cash and financial reporting and took a controls reliance approach in respect of these cycles.

With involvement of our IT specialists, we tested general information technology controls (GITCs) and automated controls over IBIS, which is Company's subledger and core banking system.

7.3. Our consideration of climate-related risks

In planning our audit, we have considered the potential impact of climate change on the entity's business and its financial statements. Company has assessed its impact and disclosed this on page 7. We performed our qualitative risk assessment of the potential impact of climate change on the company's account balances and classes of transactions.

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 director, internal audit the directors 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 they have knowledge of any actual, suspected or alleged fraud; and
 - 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, valuations, IT, prudential and regulatory 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 the following areas: 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 framework 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 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.

11.2. Audit response to risks identified

As a result of performing the above, we identified IFRS 9 loan loss provisioning of key audit matters related to the potential risk of fraud. The key audit matter 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 director, 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 HMRC, 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 6 years, covering the years ending 31 December 2017 to December 2022.

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.

James Polson (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
19 April 2023

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000's	2021 £000's
Interest and similar income	6	19,333	13,080
Interest expense and similar charges	6	(4,329)	(2,107)
Net interest income		15,004	10,973
Fees and commission income	7	1,557	2,446
		16,561	13,419
Net trading expense	8	(340)	(98)
Other operating income	9	120	143
Net loss from derecognition of financial assets measured at FVTOCI	10	(41)	(38)
Operating income		16,300	13,426
Staff costs	11	(7,845)	(7,176)
General administrative expenses	13	(3,512)	(3,462)
Depreciation and amortisation	21, 22	(1,039)	(1,028)
Operating expenses		(12,396)	(11,666)
Reversal of impairment	15	256	108
Profit before tax		4,160	1,868
Income tax expense	14	(793)	(364)
Profit after tax		3,367	1,504

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

		2022 £000's	2021 £000's
Profit after tax recognised in the Statement of Profit or Loss		3,367	1,504
Items that may be reclassified subsequently to profit or loss:			
Fair value movement of debt instruments at FVTOCI	32	(247)	56
Allowance for ECL movement of debt instruments at FVTOCI	32	3	(13)
Amounts reclassified to profit or loss for debt instruments measured at FVTOCI	10	41	38
Other comprehensive (expense) / income		(203)	81
Total comprehensive income for the year after tax		3,164	1,585

The notes on pages 24 to 70 form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION


AS AT 31 DECEMBER 2022

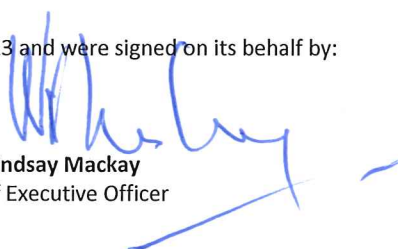
	Note	2022 £000's	2021 £000's
Assets			
Cash and due from credit institutions	16	38,160	80,857
Derivative financial instruments	17	3,261	-
Investment securities	18	92,051	85,647
Loans and advances to customers	19	325,461	357,822
Property and equipment	21	3,804	4,787
Intangible assets	22	69	116
Current tax assets	27	14	52
Deferred tax assets	28	50	-
Other assets	23	1,002	1,215
Total assets		463,872	530,496
Liabilities			
Due to banks	24	6,388	30,194
Derivative financial instruments	17	1,843	2,502
Due to customers	25	380,738	424,160
Subordinated debt	26	10,003	10,001
Deferred tax liabilities	28	16	64
Lease liabilities	29	3,611	4,385
Provisions	30	-	6
Other liabilities	31	1,739	2,814
Total liabilities		404,338	474,126
Equity			
Share capital	32	30,000	30,000
Retained earnings		29,685	26,318
Reserves	32	(151)	52
Total equity		59,534	56,370
Total liabilities and equity		463,872	530,496

Company registration number: 00185070

The notes on pages 24 to 70 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 19 April 2023 and were signed on its behalf by:


Mark E. Austen
 Chairman


W. Lindsay Mackay
 Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2022

	Share capital £000's	Retained earnings £000's	Fair value reserve £000's	Total equity £000's
Balance as at 1 January 2022	30,000	26,318	52	56,370
Profit after tax	-	3,367	-	3,367
Other comprehensive expense for the year	-	-	(203)	(203)
Total comprehensive income for the year	-	3,367	(203)	3,164
Balance attributable to the owner as at 31 December 2022	30,000	29,685	(151)	59,534

	Share capital £000's	Retained earnings £000's	Fair value reserve £000's	Total equity £000's
Balance as at 1 January 2021	30,000	24,814	(29)	54,785
Profit after tax	-	1,504	-	1,504
Other comprehensive income for the year	-	-	81	81
Total comprehensive income for the year	-	1,504	81	1,585
Balance attributable to the owner as at 31 December 2021	30,000	26,318	52	56,370

The notes on pages 24 to 70 form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000's	2021 £000's
Cash flows from operating activities			
Profit before tax		4,160	1,868
Adjustments:			
Interest (income) / expense on investment securities		(630)	248
Interest income on loans and advances to customers		(16,874)	(12,771)
Interest expense on due to banks		2,316	1,484
Interest expense on due to customers		355	144
Interest expense on debt securities in issue and other borrowed funds		340	207
Interest expense on lease liabilities		138	161
Loss on forward revaluation of FX transactions	8	340	98
Gain on foreign exchange	9	(120)	(143)
(Loss) / gain from derecognition of investment securities		(206)	94
Movement in ECL allowance on investment securities		3	(13)
Movement in ECL allowance on loans and advances to customers		(254)	(92)
Depreciation and amortisation	21, 22	1,039	1,028
Provision	30	-	6
Net cash flows used in operating activities		(9,393)	(7,681)
Net increase / (decrease) in assets relating to operating activities:			
Derivative financial instruments		(3,261)	452
Investment securities		(5,211)	(3,265)
Loans and advances to customers		32,615	(20,115)
Other assets	23	213	61
		24,356	(22,867)
Net increase / (decrease) in liabilities relating to operating activities:			
Derivative financial instruments		(659)	523
Due to banks	24	(23,806)	27,128
Due to customers	25	(43,423)	(91,738)
Other borrowed funds		2	1
Other liabilities	31	(1,075)	1,209
		(68,961)	(62,877)
Interest income on loans and advances to customers		16,874	12,771
Interest expense on due to banks		(2,316)	(1,484)
Interest expense on due to customers		(355)	(144)
		14,203	11,143
Income tax paid		(805)	(482)
Net cash flows used in operating activities		(40,650)	(82,764)
Cash flows from investing activities			
Acquisition of investment securities		(97,105)	(62,157)
Disposal of investment securities		95,910	129,499
Interest income / (expense) on investment securities		630	(248)
Acquisition of fixed assets	21, 22	(9)	(189)
Net cash flows from investing activities		(574)	66,905

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000's	2021 £000's
Cash flows from financing activities			
Repayment of lease liabilities	29	(775)	(725)
Interest expense on other borrowed funds		(340)	(207)
Interest expense on lease liabilities	6	(138)	(162)
Net cash flows used in financing activities		(1,253)	(1,094)
Net decrease in cash and due from credit institutions		(42,477)	(16,953)
Cash and due from credit institutions at beginning of the year	16	80,857	97,765
Net effect of foreign exchange fluctuations		(220)	45
Cash and due from credit institutions at end of the year	16	38,160	80,857

The notes on pages 24 to 70 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 England, United Kingdom. The address of the Company’s registered office is shown on page 3. The Company is a private Company limited by shares.

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 United Kingdom adopted international accounting standards and with International Financial Reporting Standards as issued by the IASB.

The Company is a wholly owned subsidiary of Alpha Bank S.A. (“Alpha Bank” or the “Parent”). Alpha Bank S.A has a 100% shareholding in ABL and produces financial statements available for public use in compliance with IFRS, in which subsidiaries are consolidated. 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 37.

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.

Refer to Note 4.1 for information on going concern.

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 2022 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.

3.1 Amendments to standards:

Amendment to the International Financial Reporting Standard 3 “Business Combinations”: Reference to the Conceptual Framework (Regulation 2021/1080/28.6.2021).

On 14.5.2020 the International Accounting Standards Board amended IFRS 3 in order to update references to the Conceptual Framework. More specifically:

- amended IFRS 3 in order to refer to the latest version of the Conceptual Framework,
- added a requirement that for transactions within the scope of IAS 37 or IFRIC 21 an acquirer applies IAS 37 or IFRIC 21 instead of the Conceptual Framework to identify liabilities it has assumed in a business combination,
- added an explicit statement that an acquirer does not recognise contingent assets acquired in a business combination.

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

Amendment to International Accounting Standard 16 “Property, plant and equipment”: Proceeds before intended use (Regulation 2021/1080/28.6.2021).

On 14.5.2020 the International Accounting Standards Board issued an amendment to IAS 16 which prohibits deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, the proceeds from selling such items and the cost of producing them must be recognized in profit or loss.

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

Amendment to International Accounting Standard 37 “Liabilities, Contingent Liabilities and Contingent Assets”: Onerous Contracts – Cost of fulfilling a contract (Regulation 2021/1080/28.6.2021).

NOTES TO THE FINANCIAL STATEMENTS (continued)

On 14.5.2020 the International Accounting Standards Board issued an amendment to IAS 37 in order to clarify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. These costs are both the incremental costs of fulfilling a contract – for example direct labour and materials- and an allocation of other costs that relate directly to fulfilling a contract – for example the depreciation charge of an item of property plant and equipment used in fulfilling that contract.

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

Annual Improvements – cycle 2018-2020 (Regulation 2021/1080/28.6.2021).

As part of the annual improvements project, the International Accounting Standards Board issued on 14.5.2020 non-urgent but necessary amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41.

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

3.2 Future Developments:

Amendment to the International Accounting Standard 1 “Presentation of Financial Statements”: Disclosure of accounting policies (Regulation 2022/357/2.3.2022).

Effective for annual periods beginning on or after 1.1.2023.

On 12.2.2021 the International Accounting Standards Board issued an amendment to IAS 1 with which it clarified that:

- The definition of accounting policies is provided by paragraph 5 of IAS 8.
- An entity shall disclose material accounting policy information. Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of financial statements make.
- Accounting policy information that relates to immaterial transactions is immaterial and need not be disclosed. Accounting policy information may nevertheless be material because of the nature of the related transactions even if the amounts are immaterial. However, not all accounting policy information relating to material transactions and other events is itself material.
- Accounting policy information is material if users of an entity's financial statements would need it to understand other material information in the financial statements.
- Accounting policy information that focuses on how an entity has applied an accounting policy is more useful to users of financial statements than standardised information or information that only summarizes the requirements of IFRSs.
- If an entity discloses immaterial accounting policy information, such information shall not obscure material accounting policy information.

The Company is examining the impact from the adoption of the above amendment on its financial statements.

Amendment to the International Accounting Standard 8 “Accounting Policies, Changes in Accounting Estimates and Errors”: Definition of accounting estimates (Regulation 2022/357/2.3.2022).

Effective for annual periods beginning on or after 1.1.2023.

On 12.2.2021 the International Accounting Standards Board issued an amendment to IAS 8 with which:

- Defined accounting estimates as monetary amounts in financial statements that are subject to measurement uncertainty.
- Clarified that an accounting policy may require items in financial statements to be measured in a way that involves measurement uncertainty. In such a case, an entity develops an accounting estimate. Developing accounting estimates involves the use of judgements and assumptions.
- An entity uses measurement techniques and inputs to develop an accounting estimate.
- An entity may need to change an accounting estimate. By its nature, a change in an accounting estimate does not relate to prior periods and is not the correction of an error. A change in an input or a change in a measurement technique are changes in accounting estimates unless they result from the correction of prior period errors.

The Company is examining the impact from the adoption of the above amendment on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

Amendment to International Accounting Standard 12 “Income Taxes”: Deferred tax related to assets and liabilities arising from a single transaction (Regulation 2022/1392/11.8.2022).

Effective for annual periods beginning on or after 1.1.2023.

On 7.5.2021 the International Accounting Standards Board issued an amendment to IAS 12 with which it narrowed the scope of the recognition exception according to which, in specific circumstances, entities are exempt from recognising deferred tax when they recognise assets or liabilities for the first time. The amendment clarifies that the exception no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

The Company is examining the impact from the adoption of the above amendment on its financial statements.

In addition, the International Accounting Standards Board has issued the following standards and amendments to standards which have not yet been adopted by the European Union and which have not been early applied by the Company.

Amendment to International Financial Reporting Standard 10 “Consolidated Financial Statements” and to International Accounting Standard 28 “Investments in Associates and Joint Ventures”: Sale or contribution of assets between an investor and its associate or joint venture.

Effective date: To be determined.

On 11.9.2014 the International Accounting Standards Board issued an amendment to IFRS 10 and IAS 28 in order to clarify the accounting treatment of a transaction of sale or contribution of assets between an investor and its associate or joint venture. In particular, IFRS 10 was amended in order to be clarified that in case that as a result of a transaction with an associate or joint venture, a parent (investor) loses control of a subsidiary, which does not constitute a business, as defined in IFRS 3, it shall recognise to profit or loss only the part of the gain or loss which is related to the unrelated investor’s interests in that associate or joint venture. The remaining part of the gain from the transaction shall be eliminated against the carrying amount of the investment in that associate or joint venture. In addition, in case the investor retains an investment in the former subsidiary and the former subsidiary is now an associate or joint venture, it recognises the part of the gain or loss resulting from the remeasurement at fair value of the investment retained in that former subsidiary in its profit or loss only to the extent of the unrelated investor’s interests in the new associate or joint venture. The remaining part of the gain is eliminated against the carrying amount of the investment retained in the former subsidiary.

In IAS 28, respectively, it was clarified that the partial recognition of the gains or losses shall be applied only when the involved assets do not constitute a business. Otherwise, the total of the gain or loss shall be recognised.

On 17.12.2015, the International Accounting Standards Board deferred the effective date for the application of the amendment that had been initially determined. The new effective date will be determined by the International Accounting Standards Board at a future date after taking into account the results of its project relating to the equity method.

The Company is examining the impact from the adoption of the above amendment on its financial statements.

Amendment to International Financial Reporting Standard 16 “Leases”: Lease liability in a sale and leaseback.

Effective for annual periods beginning on or after 1.1.2024.

On 22 September 2022, the International Accounting Standards Board amended IFRS 16 in order to clarify that, in a sale and leaseback transaction, the seller-lessee shall determine “lease payments” or “revised lease payments” in a way that he would not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. In addition, in case of partial or full termination of a lease, the seller-lessee is not prevented from recognizing in profit or loss any gain or loss resulting from this termination.

The Company is examining the impact from the adoption of the above amendment on its financial statements.

Amendment to the International Accounting Standard 1 “Presentation of Financial Statements”: Classification of liabilities as current or non-current.

Effective for annual periods beginning on or after 1.1.2024.

NOTES TO THE FINANCIAL STATEMENTS (continued)

On 23.1.2020, the International Accounting Standards Board issued amendments to IAS 1 relating to the classification of liabilities as current or non-current. More specifically:

- The amendments specify that the conditions which exist at the end of the reporting period are those which will be used to determine if the liability must be classified as current or non-current.
- Management expectations about events after the balance sheet date must not be taken into account.
- The amendments clarify the situations that are considered settlement of a liability.

On 15.7.2020 the International Accounting Standards Board extended effective date by one year taking into account the impact of Covid-19.

The Company is examining the impact from the adoption of the above amendment on its financial statements.

Amendment to the International Accounting Standard 1 “Presentation of Financial Statements”: Non-current liabilities with covenants.

Effective for annual periods beginning on or after 1.1.2024.

On 31.10.2022, the International Accounting Standards Board (IASB) issued an amendment to IAS 1 with which it provided clarifications regarding the classification as current or non-current of a liability that an entity has the right to defer for at least 12 months and which is subject to compliance with covenants. In addition, the amendment extended the effective date of the amendment to IAS 1 “Classification of liabilities as current or non-current” issued in 2020 by one year.

The Company is examining the impact from the adoption of the above amendment on its financial statements.

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 2021, after taking into account the amendments to standards which were issued by the International Accounting Standards Board (IASB) and applied on 1 January 2022, regarding which further analysis has been provided in the aforementioned note 3.

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 its exposures to credit risk and liquidity risk are set out in Note 34 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 25% which exceeds the minimum regulatory requirement of 16.99% including stress test buffers. The recovery of the stage 3 loan has resulted in an improvement in Stage 3 loans from £2m in 2021 to nil in 2022.

The Company’s loan book is currently funded by customer deposits and the Company has a current loan to deposit ratio of 86% (2021: 87%), 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 committed loan facility from the Parent. The Company also has an uncommitted liquidity short term line from the Parent amounting to EUR 85m. At the end of 2022 only £5m of this facility was drawn (2021: £30m) and it has now been repaid in full. The Company’s customer deposits have remained relatively stable since the end of 2022.

The loan portfolio has decreased during the year partly due to the current increasing interest rate environment which prompted the repayment of some loans at maturity instead of refinancing for a further term. The Company has increased its profitability despite the reduction in lending. With the planned sale no longer proceeding the Company is focused on growing the Alpha Bank brand in the UK and delivering outstanding value to its customers. The directors are monitoring closely the current economic environment in the UK and potential impact on the lending book. Despite the uncertainties, there are no immediate threats to the going concern status of the Company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

In summary, the directors have assessed all financial risks which they believe affect the Company's going concern status including liquidity risk, credit risk and capital adequacy, 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 from the date of the approval of the financial statements, 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 and presentational 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.

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; and
- b) Short-term balances due from credit institutions

Short-term balances due from credit institutions are amounts that mature within three months after the date of the financial statements. The carrying amount of these assets is approximately equal to their fair value.

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

4.4 Expenses

Expenses are on an accrued basis.

4.5 Financial instruments**4.5.1 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.

4.5.2 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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

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.

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.

Derivatives

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

The Company's derivative financial instruments are 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 the instruments in the portfolio until maturity. This may be the case if:

NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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).

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 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.

4.5.3 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)**4.5.4 Impairment**

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

- Due from credit institutions;
- Loans and advances to customers;
- Investment securities;
- Loan commitments; and
- Financial guarantee contracts issued.

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 2).

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 34 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.

4.5.5 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.

4.5.6 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)*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.

4.6 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. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset.

4.7 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.

4.8 Offsetting

Financial assets and liabilities are offset, and the amounts are reported net on the statement of financial position, 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.

4.9 Property and equipment

This caption includes right of use assets, leasehold improvements and computer and other equipment. Property and equipment are stated at cost less accumulated depreciation. The historical cost includes costs relating to the addition of property 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 and equipment taking into account residual values.

NOTES TO THE FINANCIAL STATEMENTS (continued)

The estimated useful lives are as follows:

- | | |
|---------------------------------|---|
| - Right of use of assets | 10 years (first break clause of the lease). |
| - Leasehold improvements: | 10 years (first break clause of the lease). |
| - Computer 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 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 and equipment, which is considered to be impaired, is carried at its recoverable amount.

4.10 Intangible assets – computer software

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

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 statement of profit or loss as incurred.

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 statement of profit or loss 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).

NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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.

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.

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 the statement of 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)*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.

For floating interest rate financial assets, the EIR is updated due to the immediate 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 4.5.2, 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, net of any ECL provision.

4.15 Fees and commission income

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 35.

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:

Identifying those assets which have experienced a significant increase in credit risk.

- The key judgement is whether each loan has an indication of deterioration or an increase in credit risk which would in turn change the staging allocation. 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 4.5.4 and Note 34 for more details.

5.2 Key sources of estimation uncertainty

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 34 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 34 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. A significant risk is of material misstatement in relation to the valuation of collateral and the impact on the determination of LGD. See Note 34 for more details.

NOTES TO THE FINANCIAL STATEMENTS (continued)**NOTES TO THE STATEMENT OF PROFIT OR LOSS****6. NET INTEREST INCOME**

	2022	2021
	£000's	£000's
Interest and similar income		
Due from banks	681	2
Investment securities measured at FVTOCI	767	-
Loans and advances to customers	17,885	13,078
Total interest and similar income relating to financial assets	19,333	13,080
Interest expense and similar charges		
Investment securities measured at FVTOCI	-	266
Due to banks	2,959	1,366
Due to customers	890	106
Debt securities in issue and other borrowed funds	342	207
Lease liabilities	138	162
Total interest expense and similar charges relating to financial liabilities	4,329	2,107

All the Company's interest income and interest expense is calculated using the effective interest rate method except for interest expense on lease liabilities. Lease liabilities are measured at the present value of future lease payments using the Company's internal borrowing rate.

7. FEES AND COMMISSION INCOME

	2022	2021
	£000's	£000's
Client investment transactions	646	1,567
Bank account charges	201	453
Other	381	222
Loans and advances to customers	250	115
Fund transfers	79	89
Total	1,557	2,446

8. NET TRADING EXPENSE

	2022	2021
	£000's	£000's
Revaluation of forward foreign exchange transactions	(340)	(98)
Total	(340)	(98)

9. OTHER OPERATING INCOME

	2022	2021
	£000's	£000's
Gain on foreign exchange	120	143
Total	120	143

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 sales of financial assets measured at FVTOCI for liquidity management purposes. Such sales also occurred in the comparative period. The below table summarises the carrying amount of the derecognised financial assets measured at FVTOCI, and the loss on derecognition, during the current year and the comparative period.

	Year ended 2022		Year ended 2021	
	Carrying amount of derecognised financial assets at FVTOCI	Net loss from derecognition	Carrying amount of derecognised financial assets at FVTOCI	Net loss from derecognition
	£000's	£000's	£000's	£000's
Multilateral development bank bonds	93,640	(41)	105,771	(38)
Total	93,640	(41)	105,771	(38)

11. STAFF COSTS

	2022 £000's	2021 £000's
Wages and salaries	6,197	5,556
Social security contributions	795	699
Expenses of defined contribution plan	527	560
Other	326	361
Total	7,845	7,176

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

	2022 Number	2021 Number
Front Office / Sales and Marketing	15	14
Operations and Admin Support	41	42
Compliance, Risk and Internal Audit	11	10
Total	67	66

The average number of employees (including executive directors) is disclosed in line with the Companies Act requirements. For 2022 this was 66 (2021: 72).

12. EMOLUMENTS OF DIRECTORS

The total amounts for directors' remuneration in accordance with Schedule 5 to the Accounting Regulations were as follows:

	2022 £000's	2021 £000's
Salaries, bonuses, pension and benefits in kind	532	508
Total	532	508

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:

	2022 £000's	2021 £000's
Emoluments	384	352
Total	384	352

No directors were member of the Company's pension scheme (2021: none).

As at 31 December 2022 there were no loans to the directors of the Company (2021: nil).

13. GENERAL ADMINISTRATIVE EXPENSES

	2022 £000's	2021 £000's
Office	1,078	1,163
Information systems	687	808
Professional fees	553	550
Premises	556	335
Banking costs	239	264
Communication and travel	126	171
Insurance	140	130
Marketing	133	6
Other	-	35
Total	3,512	3,462

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 2022 was £12,481 (2021: £29,879).

Professional fees include:

	2022 £000's	2021 £000's
Auditor's remuneration:		
Fees payable to the Company's auditor for the audit of the Company's annual accounts	215	230
Total audit fees	215	230
Cyber security review *	-	11
Total non-audit fees	-	11

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

NOTES TO THE FINANCIAL STATEMENTS (continued)**14. INCOME TAX EXPENSE**

	2022	2021
	£000's	£000's
Corporation income tax		
Current year:		
UK corporation tax at 19% (2021: 19%)	841	359
Sub-total	841	359
Deferred tax		
Charge for the year	(48)	5
Total	793	364

The charge for the year can be reconciled to the profit before tax as follows:

	2022	2022	2021	2021
	£000's	%	£000's	%
Profit before tax	4,160		1,868	
Current Tax expense				
Current tax on the above at 19% (2021: 19%)	790	19.00	355	19.00
Disallowable expenses	51	1.23	1	0.06
Other	-	-	6	0.32
Tax expense for the year	841	20.23	362	19.38
Deferred Tax adjustment				
Deferred tax on depreciation	(48)	(1.16)	-	-
Effect of changes in tax rate	-	-	2	0.10
Total deferred tax expense	(48)	(1.16)	2	0.10
Total tax expense /effective tax rate	793	19.06	364	19.48

An increase in the UK corporation tax rate from 19% to 25% (effective from 1 April 2023) was announced in the March 2021 Budget and substantively enacted on 24 May 2021. This will increase the future rate at which the company pays tax accordingly. The deferred tax assets and liabilities at 31 December 2022 have been calculated based on the 25% rate.

15. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

	2022	2021
	£000's	£000's
Investment securities reversal / (impairment)	3	(13)
Loans and advances to customers	(254)	(92)
Undrawn commitments	(5)	(3)
Total	(256)	(108)

NOTES TO THE FINANCIAL STATEMENTS (continued)**NOTES TO THE STATEMENT OF FINANCIAL POSITION****16. CASH AND DUE FROM CREDIT INSTITUTIONS**

Cash and due from credit institutions as shown in the Statement of Cash Flows can be reconciled to the related items in the Statement of Financial Position as shown below.

	2022 £000's	2021 £000's
Due from credit institutions	38,160	80,857
Total	38,160	80,857

17. DERIVATIVE FINANCIAL INSTRUMENTS

	2022 Fair value assets £000's	Fair value liabilities £000's
Derivatives held for trading purposes:		
Foreign exchange derivatives:		
Currency forwards	3,261	1,843
Derivative financial instruments	3,261	1,843

	2021 Fair value assets £000's	Fair value liabilities £000's
Derivatives held for trading purposes:		
Foreign exchange derivatives:		
Currency forwards	-	2,502
Derivative financial instruments	-	2,502

Notional amounts as at 31 December 2022 were £253,982,000 (2021: £192,533,000). As at year-end there were 16 foreign exchange and cross currency swaps outstanding (2021: 14).

18. INVESTMENT SECURITIES**Measured at FVTOCI**

	2022 £000's	2021 £000's
Multilateral development bank bonds and sovereign debt	92,051	85,647
Total	92,051	85,647

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

The sovereign investment securities are paying between 0% and 2.25% of interest per annum and mature in April, May, and June 2023.

The multilateral development bank debt securities are paying between 3.7924% and 5.1747% of interest per annum and mature between 2023 and 2026. See note 15 for impairment assessment.

NOTES TO THE FINANCIAL STATEMENTS (continued)**19. LOANS AND ADVANCES TO CUSTOMERS****Measured at amortised cost**

	2022	2021
	£000's	£000's
Loans and advances to customers	325,640	358,254
Expected credit loss ("ECL")	(179)	(432)
Total	325,461	357,822

	As at 31 December 2022			As at 31 December 2021		
	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	24,842	-	24,842	28,943	-	28,943
Consumer lending	5,459	-	5,459	6,608	(385)	6,223
Retail lending	30,301	-	30,301	35,551	(385)	35,166
Corporate lending	295,339	(179)	295,160	322,703	(47)	322,656
Total lending	325,640	(179)	325,461	358,254	(432)	357,822

As at 31 December 2022 £259,900,000 (2021: £267,793,000) 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 – 00318931	United Kingdom	Dormant
ABL Independent Financial Advisers Limited – 03650230	United Kingdom	Dormant
Flagbright Limited – 01772433	United Kingdom	Dormant
Commercial Bank of London Limited – 02985015	United Kingdom	Dormant
Alpha Bank Limited – 06368721	United Kingdom	Dormant

Investments in subsidiary (number of £1 shares)	As at 1 January 2022	Movements	As at 31 December 2022
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

NOTES TO THE FINANCIAL STATEMENTS (continued)**21. PROPERTY AND EQUIPMENT**

	Right of use of assets £000's	Leasehold improvements £000's	Computer and other equipment £000's	Total £000's
Cost				
As at 1 January 2022	4,892	2,748	1,487	9,127
Additions	-	-	9	9
As at 31 December 2022	4,892	2,748	1,496	9,136
Accumulated depreciation				
As at 1 January 2022	1,835	1,361	1,144	4,340
Charge for the year	611	275	106	992
As at 31 December 2022	2,446	1,636	1,250	5,332
Net book value as at 31 December 2022	2,446	1,112	246	3,804
	Right of use of assets £000's	Leasehold improvements £000's	Computer and other equipment £000's	Total £000's
Cost				
As at 1 January 2021	4,892	2,748	1,438	9,078
Additions	-	-	49	49
As at 31 December 2021	4,892	2,748	1,487	9,127
Accumulated depreciation				
As at 1 January 2021	1,223	1,086	1,026	3,335
Charge for the year	612	275	118	1,005
As at 31 December 2021	1,835	1,361	1,144	4,340
Net book value as at 31 December 2021	3,057	1,387	343	4,787

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

The Company has only one on leased building which serves as its office. The lease term is 15 years (2021: 15 years). The maturity analysis of lease liabilities is presented in Note 34.5. The total cash outflow for leases amounted to £162,000 (2021: £162,000).

22. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2022 £000's	2021 £000's
Software		
Cost		
As at 1 January	1,603	1,463
Acquisition	-	140
As at 31 December	1,603	1,603
Accumulated amortisation		
As at 1 January	1,487	1,463
Charge for the year	47	24
As at 31 December	1,534	1,487
Net book value as at 31 December	69	116

No impairment indicator noted during the year for intangible assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)**23. OTHER ASSETS**

	2022	2021
	£000's	£000's
Prepayments	662	718
Accrued fee income	108	426
Other receivables	232	71
Total	1,002	1,215

24. DUE TO BANKS

	2022	2021
	£000's	£000's
Current accounts	1,388	194
Short-term loan	5,000	30,000
Total	6,388	30,194

As at 31 December 2022 there were no term deposits due to banks maturing more than 12 months after the reporting date (2021: nil). The short-term loan of £5,000,000 is an unsecured loan from the parent. The loan rolls over every three months and is priced as market rate plus 0.25%. Market rate is the rate at which the parent company can raise funds in the market at the time of asking.

25. DUE TO CUSTOMERS

	2022	2021
	£000's	£000's
Current accounts	179,958	253,105
Savings accounts	93	144
Notice accounts	80	92
Deposits received as collateral for loans	1,536	1,242
Term deposits	199,071	169,577
Total	380,738	424,160

As at 31 December 2022 and at 31 December 2021 all deposits from customers mature within 12 months of the reporting date.

26. SUBORDINATED DEBT

The Company has a subordinated note of £10,000,000, issued to Alpha Bank A.E (subsequently Alpha Bank S.A.), which matures on 30 December 2024 and bears interest rate of compounded SONIA (over 3 months) plus 2.12% (see note 34.6). The Company has not made any defaults of principal, interest, or other breaches with regard to its subordinated liabilities during 2022 (2021: none).

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

	Balance as at 1 January 2022	Changes from financing cash flows	Other changes	Balance as at 31 December 2022
	£000's	£000's	£000's	£000's
Subordinated note	10,001	(340)	342	10,003
Total	10,001	(340)	342	10,003

	Balance as at 1 January 2021	Changes from financing cash flows	Other changes	Balance as at 31 December 2021
	£000's	£000's	£000's	£000's
Subordinated note	10,001	(207)	207	10,001
Total	10,001	(207)	207	10,001

NOTES TO THE FINANCIAL STATEMENTS (continued)**27. CURRENT INCOME TAX**

	2022 £000's	2021 £000's
Current income tax receivable	(14)	(52)
Total	(14)	(52)

28. DEFERRED TAX LIABILITIES / ASSETS

	As at 1 January 2022 £000's	Charge to profit or loss £000's	Charge to OCI £000's	As at 31 December 2022 £000's
Depreciation/amortisation	(64)	48	-	(16)
Fair value reserve	-	-	50	50
Total	(64)	48	50	34

	As at 1 January 2021 £000's	Charge to profit or loss £000's	Charge to OCI £000's	As at 31 December 2021 £000's
Depreciation/amortisation	(59)	(5)	-	(64)
Fair value reserve	-	-	-	-
Total	(59)	(5)	-	(64)

The taxation rate as at 31 December 2022 is 19% (2021: 19%), moving to 25% from 1 April 2023.

29. LEASE LIABILITIES

The Company leases a building. The lease had an original term of 15 years. A maturity analysis of the contractual discounted cash flows of the lease liabilities is depicted below:

	2022 £000's	2021 £000's
Maturity analysis:		
Year 1	800	774
Year 2	826	800
Year 3	853	826
Year 4	1,132	853
Year 5	-	1,132
Total	3,611	4,385

30. PROVISIONS

	2022 £000's	2021 £000's
Provisions for ECL on undrawn facilities	-	6
Total	-	6

NOTES TO THE FINANCIAL STATEMENTS (continued)**31. OTHER LIABILITIES**

	2022	2021
	£000's	£000's
Accrued expenses	1,739	2,814
Total	1,739	2,814

32. SHARE CAPITAL AND OTHER RESERVES

	2022	2021
	£000's	£000's
Share Capital		
Authorised, issued, allotted and fully paid:		
6,000,000 ordinary shares of £5 each	30,000	30,000
Total	30,000	30,000

The company has one class of ordinary shares which carry no right to fixed income.

Fair Value Reserve	2022	2021
	£000's	£000's
As at 1 January	52	(29)
Fair value movement of debt instruments at FVTOCI	(247)	56
Amounts reclassified to profit or loss for debt instruments at FVTOCI	41	38
Allowance for ECL on debt instruments at FVTOCI	3	(13)
Balance as at 31 December	(151)	52

OFF-BALANCE SHEET INFORMATION**33. 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 Statement of Financial Position. There are no pending legal cases in progress which may have a material adverse impact on the Company's financial position (2021: none). Therefore, the Company has recorded no provision regarding pending litigation as at 31 December 2022.

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**

	2022	2021
	£000's	£000's
Contingent liabilities		
Undrawn loan commitments	5,850	11,704
Undrawn overdraft facilities which are revocable	6,701	3,897
Total	12,551	15,601
	2022	2021
	£000's	£000's
Contingent assets		
Loan facility commitment from parent	150,000	150,000
Total	150,000	150,000

34. FINANCIAL RISK MANAGEMENT**34.1 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 a Risk and 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, Credit Risk Committee, Asset and Liability Committee, Bad & Doubtful Debts Committee and the 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.

34.2 Derivatives and other financial instruments

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

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

34.3 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

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 internal ratings to measure credit risk which 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.

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 4.5.2.

Significant increase in credit risk (Stage 2)

As explained in note 4.5.4 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

NOTES TO THE FINANCIAL STATEMENTS (continued)

- 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)

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

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)

When the credit worthiness of a loan account has deteriorated to such an extent that a loss seems likely, Credit Unit will decide if there should be a partial or total write off of the commitment. Any written off assets which are subject to enforcement actions resulting in subsequent recoveries shall first be applied against interest and any surplus applied to any principal.

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). 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 2022, together with the sensitivity analysis per scenario:

NOTES TO THE FINANCIAL STATEMENTS (continued)

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%	772,468	7,725
Base Scenario	-20%	80%	79,251	793
Upside Scenario	-8%	5%	-	-
Weighted / Total	-21%*	100%	179,271 **	

* Company's probability weighted price move compared to Savill's 2022 forecast of +10% in 2023, 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 2021, 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	-38%***	15%	354,609	3,546
Base Scenario	0%	75%	-	-
Upside Scenario	5%	10%	-	-
Weighted / Total	-15%*	100%	53,191**	

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 2022 ranges from -8% 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)*Measuring credit losses*

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

$$\text{Probability of default ('PD')} \times \text{Exposure at default ('EAD')} \times \text{Loss given default ('LGD')}$$

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.

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:

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

Loans and advances to customers at amortised cost	2022			2021	
	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:					
Strong	148,307	5,369	-	153,676	162,194
Satisfactory	142,422	29,542	-	171,964	186,165
Watch List	-	-	-	-	8,280
Default	-	-	-	-	1,615
Not rated	-	-	-	-	-
Total gross carrying amount	290,729	34,911	-	325,640	358,254
Loss allowance	(168)	(11)	-	(179)	(432)
Net carrying amount	290,561	34,900	-	325,461	357,822

NOTES TO THE FINANCIAL STATEMENTS (continued)

Loan commitments	2022			2021	
	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	£000's	£000's
Credit Rating Zone:					
Strong	7,503	-	-	7,503	11,089
Satisfactory	1,078	-	-	1,078	1,941
Watch List	-	-	-	-	-
Default	-	-	-	-	-
Not Rated	3,970	-	-	3,970	2,571
Total amount committed	12,551	-	-	12,551	15,601
Loss allowance	-	-	-	-	(8)

Due from banks at amortised cost	2022			2021	
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	£000's	£000's
External Credit Ratings:					
AAA – AA3	5,406	-	-	5,406	6,622
A1 – A3	30,593	-	-	30,593	69,516
BAA1 – BAA3	1,665	-	-	1,665	1,304
B1-B3	496	-	-	496	-
CAA1 – CAA3	-	-	-	-	3,197
Not Rated	-	-	-	-	218
Total gross carrying amount	38,160	-	-	38,160	80,857
Loss allowance	-	-	-	-	-
Net carrying amount	38,160	-	-	38,160	80,857

Investment securities at FVTOCI	2022			2021	
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL	£000's	£000's
External Credit Ratings:					
AAA – AA3	92,051	-	-	92,051	85,647
A1 – A3	-	-	-	-	-
BAA1 – BAA3	-	-	-	-	-
Total carrying amount	92,051	-	-	92,051	85,647
Loss allowance	(12)	-	-	(12)	(9)

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 2022 £'000s	Year ended 2021 £'000s
Loans and advances to customers at amortised cost	179	432
Investment securities at FVTOCI	12	9
Total	191	441

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

	Stage 1 12-month ECL £'000s	Stage 2 Lifetime ECL £'000s	Stage 3 Lifetime ECL £'000s	Total £'000s
Loss allowance - Debt investment securities at FVTOCI				
Loss allowance as at 1 January 2022	9	-	-	9
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	(1)	-	-	(1)
—Write-offs	-	-	-	-
New financial assets originated or purchased	8	-	-	8
Financial assets that have been derecognised	(4)	-	-	(4)
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	-	-
Loss allowance as at 31 December 2022	12	-	-	12

	Stage 1 12-month ECL £'000s	Stage 2 Lifetime ECL £'000s	Stage 3 Lifetime ECL £'000s	Total £'000s
Loss allowance - Debt investment securities at FVTOCI				
Loss allowance as at 1 January 2021	22	-	-	22
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	-	-	-	-
—Write-offs	-	-	-	-
New financial assets originated or purchased	3	-	-	3
Financial assets that have been derecognised	(16)	-	-	(19)
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	-	-
Loss allowance as at 31 December 2021	9	-	-	9

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Stage 1	Stage 2	Stage 3	Total
Loss allowance - Loans and advances to customers at amortised cost	12-month ECL £'000s	Lifetime ECL £'000s	Lifetime ECL £'000s	£'000s
Loss allowance as at 1 January 2022	29	18	385	432
Changes in the loss allowance	-	-	-	-
—Transfer to stage 1	-	-	-	-
—Transfer to stage 2	(11)	11	-	-
—Transfer to stage 3	-	-	-	-
—Increases due to changes in credit risk	150	-	-	150
—Decreases due to changes in credit risk	-	(18)	(386)	(404)
—Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	1	1
Loss allowance as at 31 December 2022	168	11	-	179

	Stage 1	Stage 2	Stage 3	Total
Loss allowance - Loans and advances to customers at amortised cost	12-month ECL £'000s	Lifetime ECL £'000s	Lifetime ECL £'000s	£'000s
Loss allowance as at 1 January 2021	27	-	531	558
Changes in the loss allowance	-	-	-	-
—Transfer to stage 1	-	-	-	-
—Transfer to stage 2	(18)	18	-	-
—Transfer to stage 3	-	-	-	-
—Increases due to changes in credit risk	20	-	-	20
—Decreases due to changes in credit risk	-	-	(111)	(111)
—Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	(35)	(35)
Loss allowance as at 31 December 2021	29	18	385	432

NOTES TO THE FINANCIAL STATEMENTS (continued)

	Stage 1	Stage 2	Stage 3	Total
Loss allowance - Loans commitments	12-month ECL	Lifetime ECL	Lifetime ECL	
	£'000s	£'000s	£'000s	£'000s
Loss allowance as at 1 January 2022	6	-	-	6
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	(6)	-	-	(6)
—Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	-	-
Loss allowance as at 31 December 2022	-	-	-	-

	Stage 1	Stage 2	Stage 3	Total
Loss allowance - Loans commitments	12-month ECL	Lifetime ECL	Lifetime ECL	
	£'000s	£'000s	£'000s	£'000s
Loss allowance as at 1 January 2021	8	-	-	8
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	(2)	-	-	(2)
—Write-offs	-	-	-	-
New financial assets originated or purchased	-	-	-	-
Financial assets that have been derecognised	-	-	-	-
Changes in models / risk parameters	-	-	-	-
FX changes and other movements	-	-	-	-
Loss allowance as at 31 December 2021	6	-	-	6

NOTES TO THE FINANCIAL STATEMENTS (continued)**34.3.2 Concentration by sector as at 31 December 2022**

	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	-	-	50,150	50,150
Sovereigns	-	-	41,901	41,901
Banks	38,160	-	-	38,160
Individuals	-	30,305	-	30,305
Real estate companies	-	295,156	-	295,156
Total	38,160	325,461	92,051	455,672

Concentration by sector as at 31 December 2021

	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	-	-	46,429	46,429
Sovereigns	-	-	39,218	39,218
Banks	80,857	-	-	80,857
Individuals	-	35,165	-	35,165
Real estate companies	-	322,657	-	322,657
Total	80,857	357,822	85,647	524,326

Concentration by location as at 31 December 2022

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	10,188	313,666	-	323,854
Greece	Parent	496	1,880	-	2,376
Luxembourg	Eurozone	1,665	-	-	1,665
Germany	Eurozone	91	-	-	91
Belgium	Eurozone	5,406	-	13,473	18,879
France	Eurozone	11,927	1,495	15,199	28,621
Cyprus	Eurozone	-	8,078	-	8,078
USA	North America	8,387	-	-	8,387
Supranational organisations	Supranational	-	-	50,150	50,150
Guernsey	Offshore	-	-	-	-
Other	Other	-	342	13,229	13,571
Total		38,160	325,461	92,051	455,672

NOTES TO THE FINANCIAL STATEMENTS (continued)**Concentration by location as at 31 December 2021**

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	13,487	340,402	-	353,889
Greece	Parent	3,415	3,308	-	6,723
Luxembourg	Eurozone	1,304	-	-	1,304
Germany	Eurozone	5,135	-	-	5,135
Belgium	Eurozone	49,888	-	13,129	63,017
France	Eurozone	7,628	-	13,004	20,632
Cyprus	Eurozone	-	8,019	-	8,019
USA	North America	-	-	-	-
Supranational organisations	Supranational	-	-	46,429	46,429
Guernsey	Offshore	-	5,748	-	5,748
Other	Other	-	345	13,085	13,430
Total		80,857	357,822	85,647	524,326

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 £31,720,787 (2021: £30,072,868).

The Company's maximum credit exposure is £471,484,000 (2021: £539,927,000) including derivatives and committed undrawn facilities. The table below shows further breakdown.

	2022 £000's	2021 £000's
Due from banks at amortised cost (including derivatives)	41,421	80,857
Loans and advances at amortised cost (including committed undrawn facilities)	338,028	373,423
Investment securities at FVTOCI	92,051	85,647
Total	471,484	539,927

34.3.3 Loans and advances to customers: impairment analysis**As at 31 December 2022**

	Gross carrying amount £000's	ECL £000's	Net carrying amount £000's
Not past due (current)	325,640	(179)	325,461
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	-	-	-
Total	325,640	(179)	325,461

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021

	Gross carrying amount £000's	ECL £000's	Net carrying amount £000's
Not past due (current)	356,643	(47)	356,596
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	1,611	(385)	1,226
Total	358,254	(432)	357,822

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 (2021: none).

34.3.4 Loans and advances - collateral analysis

At the year-end, fully secured lending accounts for almost 100% (2021: almost 100%) 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	2022 £000's	2022 £000's	2021 £000's	2021 £000's
	Gross exposure	ECL	Gross exposure	ECL
LTVs < 40%	58,074	-	72,244	(5)
LTVs > 40% < 50%	82,765	-	114,527	(24)
LTVs > 50% < 60%	157,846	(11)	144,025	-
LTVs > 60% < 70%	26,599	(1)	26,780	(385)
LTVs > 70% < 80%	356	(25)	-	-
LTVs > 80% < 100%	-	(142)	674	(18)
LTVs >= 100%	-	-	4	-
Cash collateralised lending	-	-	-	-
Other collateralised lending	-	-	-	-
Unsecured lending (Syndicated Bond Loans and other loans)	-	-	-	-
Total of collateralised lending	325,640	(179)	358,254	(432)

NOTES TO THE FINANCIAL STATEMENTS (continued)**34.4 Market risk****34.4.1 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.

34.4.2 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 2022 the Company had one fixed rate loan with a carrying amount of £6,450,000 (2021: £6,652,000).

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.

It is noted that the Bank has no exposure to IBORs subject to reform that have yet to transition to RFRs.

34.4.3 Interest rate profile

A 2% rise in benchmark interest rates is estimated to increase net interest income by £389,000 (2021: £233,000). 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 2022

	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	-	-	-	-	-	-	-
Due from credit institutions	38,160	38,160	-	-	-	-	-
Loans and advances to Customers	325,461	309,874	9,129	6,458	-	-	-
Investment securities	92,051	35,472	14,678	41,901	-	-	-
Property, equipment and software	3,873	-	-	-	-	-	3,873
Current tax	14	-	-	-	-	-	14
Deferred tax asset	50	-	-	-	-	-	50
Other assets	1,002	-	-	-	-	-	1,002
Derivative financial assets	3,261	-	-	-	-	-	3,261
Total	463,872	383,506	23,807	48,359	-	-	8,200
Liabilities							
Due to banks	6,388	1,379	5,009	-	-	-	-
Derivative financial liabilities	1,843	-	-	-	-	-	1,843
Due to customers	380,738	204,944	91,698	84,096	-	-	-
Subordinated debt	10,003	10,003	-	-	-	-	-
Deferred tax liability	16	-	-	-	-	-	16
Lease liabilities	3,611	-	-	-	-	-	3,611
Other liabilities	1,739	-	-	-	-	-	1,739
Equity	59,534	-	-	-	-	-	59,534
Total	463,872	216,326	96,707	84,096	-	-	66,743

NOTES TO THE FINANCIAL STATEMENTS (continued)**INTEREST RATE PROFILE AT 31 DECEMBER 2021**

	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	-	-	-	-	-	-	-
Due from credit institutions	80,857	80,857	-	-	-	-	-
Loans and advances to Customers	357,822	201,528	149,643	-	6,651	-	-
Investment securities	85,647	9,382	50,175	26,090	-	-	-
Property, equipment and software	4,903	-	-	-	-	-	4,903
Current tax	52	-	-	-	-	-	52
Other assets	1,215	-	-	-	-	-	1,215
Derivative financial assets	-	-	-	-	-	-	-
Total	530,496	291,767	199,818	26,090	6,651	-	6,170
Liabilities							
Due to banks	30,194	174	30,020	-	-	-	-
Derivative financial liabilities	2,502	-	-	-	-	-	2,502
Due to customers	424,160	275,386	75,002	73,772	-	-	-
Other borrowed funds	10,001	-	10,001	-	-	-	-
Current tax liability	-	-	-	-	-	-	-
Deferred tax liability	64	-	-	-	-	-	64
Lease liabilities	4,385	-	-	-	-	-	4,385
Other liabilities	2,814	-	-	-	-	-	2,814
Equity	56,376	-	-	-	-	-	56,376
Total	530,496	275,560	115,023	73,772	-	-	66,141

34.4.4 Foreign currency risk

ABL has exposure to currency risk due to the volatility of foreign exchange rates. Foreign currency exposure arises through the daily mark to market of forward foreign exchange contracts and currency swaps conducted in the normal course of business for asset and liability management purposes. In addition, ABL offers foreign exchange services to customers however no proprietary positions are taken with any small residual open positions being managed within currency limits.

NOTES TO THE FINANCIAL STATEMENTS (continued)**34.4.5 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 2022

	GBP	USD	EUR	OTHER	TOTAL
	£000's	£000's	£000's	£000's	£000's
ASSETS					
Cash and balances with central banks	-	-	-	-	-
Due from banks	11,356	10,147	13,691	2,966	38,160
Derivative financial assets	3,261	-	-	-	3,261
Loans and advances to customers	315,257	1,075	9,129	-	325,461
Investment securities (FVOCI)	15,023	35,127	41,901	-	92,051
Property, equipment and software	3,873	-	-	-	3,873
Current tax	14	-	-	-	14
Deferred tax	50	-	-	-	50
Other assets	969	-	33	-	1,002
Total Assets	349,803	46,349	64,754	2,966	463,872
LIABILITIES					
Due to banks	5,091	64	1,233	-	6,388
Derivative financial liabilities	1,843	-	-	-	1,843
Due to customers	95,133	85,149	197,492	2,964	380,738
Borrowed funds	10,003	-	-	-	10,003
Deferred tax	16	-	-	-	16
Lease liabilities	3,611	-	-	-	3,611
Provisions	-	-	-	-	-
Other liabilities	1,739	-	-	-	1,739
Equity	59,744	(27)	(183)	-	59,534
Total Liabilities	177,180	85,186	198,542	2,964	463,872
Net on-balance sheet position	172,623	(38,837)	(133,788)	2	-
Notional off-balance sheet position derivatives	(170,830)	38,829	133,789	-	1,788
Net position	1,793	(8)	1	2	1,788

NOTES TO THE FINANCIAL STATEMENTS (continued)**FOREIGN EXCHANGE POSITION AS AT 31 DECEMBER 2021**

	GBP	USD	EUR	OTHER	TOTAL
	£000's	£000's	£000's	£000's	£000's
ASSETS					
Cash and balances with central banks	-	-	-	-	-
Due from banks	13,666	7,393	56,042	3,756	80,857
Derivative financial assets	-	-	-	-	-
Loans and advances to customers	346,694	1,024	10,104	-	357,822
Investment securities (FVOCI)	15,167	31,261	39,219	-	85,647
Property, equipment and software	4,903	-	-	-	4,903
Current tax	52	-	-	-	52
Other assets	1,124	-	91	-	1,215
Total Assets	381,606	39,678	105,456	3,756	530,496
LIABILITIES					
Due to banks	30,115	79	-	-	30,194
Derivative financial liabilities	2,502	-	-	-	2,502
Due to customers	84,072	90,754	245,578	3,756	424,160
Borrowed funds	10,001	-	-	-	10,001
Current tax liability	-	-	-	-	-
Deferred tax	64	-	-	-	64
Lease liabilities	4,385	-	-	-	4,385
Other liabilities	1,768	-	1,052	-	2,822
Equity	56,328	59	(17)	-	56,370
Total Liabilities	189,235	90,892	246,613	3,756	530,496
Net on-balance sheet position	192,371	(51,214)	(141,157)	-	-
Notional off-balance sheet position derivatives	(195,085)	51,207	141,227	-	(2,651)
Net position	(2,714)	(7)	70	-	(2,651)

34.5 Liquidity risk

It is Company policy to maintain a sufficient buffer to meet liquidity requirements as set out in the Internal Liquidity Adequacy Assessment Process ("ILAAP").

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 set by the Board and 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 2022**

	Carrying amount £000's	Gross nominal 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	6,388	(6,396)	(1,396)	(5,000)	-	-	-
Due to customers	380,738	(381,608)	(206,247)	(90,776)	(84,585)	-	-
Borrowed funds	10,003	(8,889)	-	120	435	(9,444)	-
Other liabilities	5,414	(5,415)	(1,804)	(58)	(717)	(2,836)	-
Total	402,543	(402,308)	(209,447)	(95,714)	(84,867)	(12,280)	-

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2021

	Carrying amount £000's	Gross nominal 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	30,194	(30,194)	(194)	(30,000)	-	-	-
Due to customers	424,160	(424,185)	(276,900)	(73,218)	(74,067)	-	-
Borrowed funds	10,001	(10,671)	-	(50)	(170)	(10,451)	-
Other liabilities	7,212	(7,247)	(2,862)	(51)	(634)	(3,700)	-
Total	471,567	(472,297)	(279,956)	(103,319)	(74,871)	(14,151)	-

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31 DECEMBER 2022

	Carrying amount £000's	Gross nominal outflow £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	> 5 years £000's
DERIVATIVE LIABILITIES							
Derivative financial liability	1,843	(1,843)	-	(1,843)	-	-	-
Total	1,843	(1,843)	-	(1,843)	-	-	-

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31 DECEMBER 2021

	Carrying amount £000's	Gross nominal 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	2,502	(2,502)	-	(2,502)	-	-	-
Total	2,502	(2,502)	-	(2,502)	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)**34.6 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 V" / "CRR II"). 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 1 capital (share capital, retained earnings and the fair value reserve) and Tier 2 capital (subordinated debt).

Regulatory analysis

	2022	2021
	£000's	£000's
Tier 1		
Share capital	30,000	30,000
Retained earnings	29,685	26,318
FVTOCI reserve	(151)	52
Intangible assets	(69)	(116)
Total Tier 1 capital	59,465	56,254
Tier 2		
Subordinated debt (excluding accrued interest)	4,000	6,000
Total Tier 2 capital	4,000	6,000
Total Tier 1 and Tier 2 capital	63,465	62,254
Total regulatory capital	63,465	62,254

NOTES TO THE FINANCIAL STATEMENTS (continued)**OTHER INFORMATION****35. 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 2022	Parent £000's	Fellow subsidiaries/ affiliates £000's	Key management personnel £000's
Assets			
Derivative financial instruments	3,261	-	-
Due from banks	223	232	-
Total assets	3,484	232	-
Liabilities			
Derivative financial instruments	1,843	-	-
Due to banks	6,388	-	-
Due to customers	-	124	-
Debt securities in issue and other borrowed funds	10,003	-	-
Other Liabilities	-	3	-
Total liabilities	18,234	127	-
Income			
Interest on loans and advances	467	-	-
Services provided	-	16	-
Total income	467	16	-
Expenses			
Interest expense on due to banks	2,867	-	-
Interest expense on debt securities in issue and other borrowed funds	341	-	-
Interest expense on lease liabilities	-	-	-
Employee benefits	-	-	1,507
Employee pension contributions	-	-	86
Premises costs	-	-	-
Information systems costs	-	18	-
Communication and travel costs	-	-	-
Professional fees	-	-	-
Office costs	-	-	-
Depreciation charge	-	-	-
Total expenses	3,208	18	1,593
Uncommitted loan facility	150,000		

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 2022.

The other liabilities consist of an accrual for the IT expenses incurred from a group company. The income for services provided is safe custody fees from a group company.

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021	Parent	Fellow subsidiaries/ affiliates	Key management personnel
	£000's	£000's	£000's
Assets			
Derivative financial instruments	-	-	-
Due from banks	3,197	218	-
Total assets	3,197	218	-
Liabilities			
Derivative financial instruments	2,502	-	-
Due to banks	30,194	-	-
Due to customers	-	314	-
Debt securities in issue and other borrowed funds	10,001	-	-
Other Liabilities	-	13	-
Total liabilities	42,697	327	-
Income			
Interest on loans and advances	1	-	-
Services provided	-	14	-
Total income	1	14	-
Expenses			
Interest expense on due to banks	1,158	-	-
Interest expense on debt securities in issue and other borrowed funds	207	-	-
Interest expense on lease liabilities	-	-	-
Employee benefits	-	-	1,219
Employee pension contributions	-	-	89
Premises costs	-	-	-
Information systems costs	-	13	-
Communication and travel costs	-	-	-
Professional fees	-	-	-
Office costs	-	-	-
Depreciation charge	-	-	-
Total expenses	1,365	13	1,308
Letters of guarantee received	-	-	-
Loan facility commitment	150,000	-	-

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 2021.

The other liabilities consist of an accrual for the IT expenses incurred from a group company. The income for services provided is safe custody fees from a group company.

NOTES TO THE FINANCIAL STATEMENTS (continued)**36. 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; the majority of the loans and advances as at 31 December 2022 are at variable rates and re-price in response to changes in market rates. 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.
- Derivatives; the fair value is their MtM value.
- There were no transfers between levels 1, 2 and 3 during the year (2021: 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 2022	Carrying value £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
Financial assets					
Cash	-	-	-	-	-
Derivative financial assets	3,261	3,261	-	3,261	-
Due from credit institutions	38,160	38,160	38,160	-	-
Investment securities	92,051	92,051	92,051	-	-
Loans and advances to customers	325,461	325,235	-	-	325,235
Total financial assets	458,933	458,707	130,211	3,261	325,235
Financial liabilities					
Derivative financial liabilities	1,843	1,843	-	1,843	-
Due to banks	6,388	6,388	6,388	-	-
Due to customers	380,738	380,738	-	-	380,738
Other borrowed funds	10,003	10,003	10,003	-	-
Total financial liabilities	398,972	398,972	16,391	1,843	380,738

NOTES TO THE FINANCIAL STATEMENTS (continued)

As at 31 December 2021	Carrying value £000's	Fair value £000's	Level 1 £000's	Level 2 £000's	Level 3 £000's
Financial assets					
Cash	-	-	-	-	-
Derivative financial assets	-	-	-	-	-
Due from credit institutions	80,857	80,857	80,857	-	-
Investment securities	85,647	85,647	85,647	-	-
Loans and advances to customers	357,822	358,625	-	-	358,625
Total financial assets	524,326	525,129	166,504	-	358,625
Financial liabilities					
Derivative financial liabilities	2,502	2,502	-	2,502	-
Due to banks	30,194	30,194	30,194	-	-
Due to customers	424,160	424,160	-	-	424,160
Other borrowed funds	10,001	10,001	10,001	-	-
Total financial liabilities	466,857	466,857	40,195	2,502	424,160

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.

37. ULTIMATE PARENT COMPANY

The ultimate parent company is Alpha Services and Holdings S.A., a company incorporated in Greece. Alpha Services and Holdings S.A. is the 100% owner of Alpha Bank S.A. Alpha Bank S.A. is the parent company of the Company. The principal place of business for both the parent and the ultimate parent companies is 40 Stadiou Street, 102 52 Athens, Greece.

The consolidated financial statements of the Alpha Services and Holdings S.A. are available to the public and may be obtained from the above address, or from their internet website (<https://www.alphaholdings.gr/en/investor-relations/group-results-and-reporting/financial-statements-bank-and-group>).

38. EVENTS AFTER THE REPORTING PERIOD

None.

39. OBTAINING FINANCIAL STATEMENTS

The Company's Financial Statements can be located on the Alpha Services and Holdings S.A website (<https://www.alphaholdings.gr/el/enimerosi-ependuton/oikonomika-stoixeia-omilou/oikonomikes-katastaseis-thigatrikon-alpha-services-and-holdings?listfilter=C8B2FEC7E58944619BDD360219104002>).