Alpha Bank London Limited

ANNUAL REPORT & FINANCIAL STATEMENTS

31 December 2019

185070

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OFFICERS AND COMPANY PARTICULARS

Board of Directors

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

Audit, Risk & Compliance Committee

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

Remuneration Committee

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

Executive Committee

W. Lindsay Mackay	(Chairman)
Monika Ahmed	(Chief Financial Officer)
Joe Neophitou	(General Manager)
Soteris Antoniades	(Interim Chief Operating Officer *joined January 2020*)
Rajesh Khosla	(Chief Risk Officer *joined January 2020*)

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

Registered Number

185070 England

Financial Services Register Number

135327

Date of Incorporation

17 October 1922

Auditor

Deloitte LLP, London, UK

CHAIRMAN'S STATEMENT

I am pleased to advise that despite the uncertainties surrounding financial services in the UK the Company has delivered a strong performance in 2019 with a pre-tax profit of £3.1m compared to £3.6m in the prior year (2018).

Revenues have increased in line with the expansion of our real estate backed lending which continues to deliver high quality earnings. At the year-end, customer loans had increased by 17% to £339m. Net interest income has increased by 17.5%. The Company's operating cost has increased significantly to £11m compared to £8.8m in the previous year. The main operating costs sub-categories contributing to the increase were personnel cost (£1.1m increase), IT cost (£0.4m increase), and professional services (£0.6m increase). Various large scale projects requiring temporary personnel and consultancy services contributed to the increase in operating cost.

Asset quality remains very strong with a low risk business model.

Since the year end significant economic and social disruption has arisen from the Covid-19 pandemic. The Company is taking measures in line with its Business Continuity Planning to ensure it can continue to operate in various scenarios, including in a complete lockdown or operating with skeleton staffing levels. The costs of these measures are not material and involves mainly making sure staff can work from home and the necessary hardware is in place. The Company has also increased the capacity of its internet connection to allow the remote connections to operate smoothly. As of 1st April 2020 all staff are working from home without any significant disruptions to the normal course of conducting business.

As a result of the pandemic, the Company is expected to be impacted in the year ahead by increased ECLs for potential bad debts. The overall financial impact of Covid-19 cannot be reliably estimated at this time, however the Company assessed that its key sensitivity was in relation to ECLs on the loan portfolio. Company's main driver of ECL is the Loss Given Default which in turn is sensitive to the movement in the property market prices. The Company's adopted "worst case" scenario estimating a 40% decrease in prices across all types of real estate would not result in material losses due to low LTV covenants across the entire portfolio. The loan portfolio has a built-in resilience to credit risk due to a conservative risk appetite framework.

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

M. E. Austen

Mark E. Austen
Chairman

Capital House
85 King William Street
London EC4N 7BL

16 April 2020

STRATEGIC REPORT

History

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

The Company has been a wholly-owned subsidiary of Alpha Bank AE (“Alpha Bank” or the “Parent”) since 1994. The Parent has operations in Greece, Cyprus, Romania and Albania and is one of the largest banks in Greece, operating from 365 branches.

Strategy

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

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

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

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

The Company is fully funded via customer deposits, share capital and retained reserves and, other than a £10m subordinated loan (2018: £10m), does not rely upon any funding from wholesale counterparties or the Parent Group.

In 2020 the Company plans to diversify the funding base by sourcing UK retail deposits via deposit gathering platforms. This will diversify the funding concentration and provide funding for the loan book growth.

Business Review

The Company achieved a pre-tax profit for the year of £3.1m, compared to £3.6m in the prior year. The decrease in pre-tax profit is due to operating cost increase of 25.6% exceeding the increase in net revenues of 14%. Operating costs increased by £2.2m. Half of the operating cost increase was due to personnel costs, with the rest being largely driven by IT cost (£0.4m) and professional services (£0.6m). Total headcount including agency workers has increased during 2019 from 86 to 98. The increase in headcount is due to work being completed on improving the controls framework and enhancing the first, second and third line of defence.

Total assets decreased by £217m to £628m from £845m, driven by a decrease of £226m (of which £25m was due to exchange rate fluctuation) in corporate and retail deposits. Of the total decrease of £226m, approximately £163m represents a reversal of inflows observed during the Greek economic crisis of 2015 to 2017. During 2019 the majority of these funds were transferred back to Alpha Bank in Greece. The main reasons for the transfers of funds back to Alpha Bank is the significant optimism in the speedy recovery of the Greek economy after years of recession and lifting of capital controls by the Greek Government in September 2019. Deposits returning to the parent have settled since December 2019.

The Company’s net equity increased from £50.5m to £53.5 reflecting the 2019 profit and fair value gain on investment securities of £0.3m during the year. The Company’s capital base for regulatory capital purposes also includes a £10m subordinated loan from the Parent and totals £63.4m (2018: £60.5m) (Note 33.6). The capital base was higher than the minimum regulatory requirements throughout the year and it is the intention of the Company to continue to maintain surplus capital resources in the future. Customer loans increased during the year from £289m to £339m, an increase of 17% (2018: 19%). Despite rapid loan portfolio expansion the Company did not record any new non-performing loans in 2019. The very low level of impairments is testament to the rigorous process adopted when offering loans and the ongoing monitoring of our portfolio. The Company undertakes regular stress testing on the loan portfolio and these suggest that no material impact is likely to the Company’s capital position.

At the beginning of 2019 the Company implemented IFRS 16 “Leases” replacing IAS 17 “Leases”. This resulted in a recognition as at 1st January 2019 of an asset of £4.3m and lease liabilities of £5.4m in relation to the premises occupied in Capital House at 85 King William Street, London.

STRATEGIC REPORT (continued)

The Company maintains a significant portion of its assets in a high quality debt securities portfolio. At the end of the year, the portfolio had decreased in size to a total of £175m, from a total of £407m at the prior year, in line with the decrease in the Balance Sheet. The portfolio is composed exclusively of AAA-rated floating rate notes issued by international development banks.

Net interest income for the year was £11.8m, an increase of 17.5% over the prior year comparable of £10m. The increased gross interest income was £16.8m compared to £13.7m, an increase of 22.6%, reflecting the increasing size of the loan book. Interest expense for the year rose to £5m, a 37% increase over £3.7m for the prior year.

Fees and commissions income for the year fell from £2.2m to £2.1m. The slight decrease was due to a reduction in the volume of mutual fund and securities transactions.

Corporate Governance and Risk Management

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

Section 172(1) Statement

Clients. Our Clients remain at the heart of our business. We develop relationships with our clients based on a high quality service provided and mutual trust and respect. The clients are treated fairly and clients' needs are at the centre of any product development. Members of the Board may attend receptions organised by the Company to deepen the interaction between the clients and Company's employees and management. The Board regularly receives reports summarising the number of customer complaints – these numbers remained at a very low level throughout 2019.

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 Company's interest of having productive workers. The Board has sought to provide a good working environment by authorising a relocation to modern premises in 2017. The Board also reviews the remuneration levels including bonuses so that these are providing the right level of motivation for employees. In 2018 the Company also conducted an employee survey, the results of which were communicated to the Board alongside a detailed analysis.

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

Key Performance Indicators

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

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

Profit before tax for the year was £3.1m (2018: £3.6m) whilst total equity at the period end was £53.4m (2018: £50.5m). The return on equity was 5% (2018: 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. It is a key factor in determining the Company's ability to make loans to customers, which ultimately is our core business. The Return on Equity is a key ratio for the shareholders measuring the relative performance against invested resources. This is calculated as net profit divided by total equity opening balance. The Board of Directors approves a budget and longer-term strategic plan every year.

STRATEGIC REPORT (continued)

Principal Risks and Uncertainties Facing the Company

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

Brexit

- In January 2020 the United Kingdom left the European Union ("EU"). During 2020 the UK government will be negotiating a trade deal with the EU, whilst UK retains full market access until 31 December 2020. A "No Deal Brexit" remains a possibility depending on how the negotiations develop and may potentially raise issues for the Company, including market disruption and cross border business restrictions.
- Regulatory restrictions on provision of cross-border financial services provisions. Management has sought and obtained legal advice regarding any potential regulatory restrictions in maintaining its Greek customer deposit base, including acquiring new customers. In addition management also obtained legal advice regarding the investment services the Bank provides to Greek residents. The conclusion from both UK and Greek law perspective is that the Bank would be able to continue to provide banking and investment services to Greek residents under its current business model in the case of a "No Deal Brexit". The Company is actively monitoring developments.
- Withdrawal of deposits as a result of Brexit (with or without a deal). There has always been a potential risk of depositor outflow following the Brexit decision. On the run up and following the Company's departure from the EU on the 31 January 2020 there has been very little noticeable depositor activity. Management' assessment is that a significant level of outflows is unlikely to occur. Management pays particular attention to maintaining high levels of liquidity and regularly assesses its liquidity capacity through daily monitoring of its Liquidity Coverage Ratio, reverse stress testing, and annual Internal Liquidity Adequacy Assessment Process ("ILAAP") exercises.

Covid-19

- The Covid-19 pandemic is a new and emerging risk. Since the year end, there has been significant economic and social disruption. The Company could be impacted by higher ECLs as a result of an economic downturn.
- The Company is taking measures in line with its Business Continuity Planning to ensure it can continue to operate in various scenarios, including in a complete lockdown or operating with skeleton staffing levels. The costs of these measures are not material and involves mainly making sure staff can work from home and the necessary hardware is in place. The Company has also increased the capacity of its internet connection to allow the remote connections to operate smoothly. As of 1st April 2020 all staff are working from home without any significant disruptions to the normal course of conducting business.
- The Company has a very conservative approach to credit risk and the lending portfolio is fully secured on real estate. The Directors believe these characteristics of the loan portfolio make the Company resilient to economic downturns. The strength of Company's capital and liquidity positions are assessed annually and extensive management actions are identified and incorporated in the recovery plans.

Other risks

- Risks associated with the Company's financial instruments include credit risk, interest rate risk, valuation risk, foreign exchange risk and liquidity risk. Further information on risks is set out in detail in Note 33.
- The Company's exposure to the UK property market. The Company's exposure and risk of loss is intrinsically linked to the value of the underlying property collateral. The risk is mitigated by following a conservative lending model, whereby the average loan to value is circa 45%. Impairment losses to date have been at very low levels, both in absolute terms and also compared to our peers.

Operating costs are expected to increase further in 2020, due to the Alpha Bank AE London Branch ("ABLB") closure in April 2020. The closure of ABLB is as a result of the UK's decision to leave the EU. Fixed overheads including personnel, premises and system costs are shared between the Bank and ABLB, and will have to be rationalised after April 2020 in order to reduce the costs for the Company.

In addition the Company faces a range of other risks which are regularly monitored by Management and overseen by the Audit, 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 Audit, Risk and Compliance Committee of the Board. The Company recognises that operational risk is inherent in all its activities and seeks to mitigate these risks to an acceptable level in a cost-effective way. There were no significant operational risk events during the year.

- Regulatory risk

  The Company is subject to extensive regulation and provides regular reporting to the relevant UK and European financial regulatory bodies. Changes in regulations could require the Company to raise additional capital or liquidity, or to invest in new reporting systems. Failure to comply with the required regulatory standards might result in enforcement action against the Company, resulting in increased costs to the business and / or fines. Regulatory risk is managed by ensuring the impact of 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.

- 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.

- Business environment in Greece

  An environment of high confidence regarding the country's potential, was formed in 2019, which is reflected, on the one hand, in the remarkable improvement of the domestic business and consumer expectations' indices and on the other hand, in the substantial reduction of the risk premium, imposed on the debt securities issued by the Hellenic Republic. In parallel, the country's growth dynamics have been strengthened further, amid the slowdown of the European economy and the maintenance of fiscal discipline. The recovery of the domestic economic activity maintained its pace in 2019, with real GDP growing by 1.9%, the same as in 2018. The annual growth of exports of goods and services (4.8%) outpaced import growth (2.5%), on the back of the solid performance of tourism, as exports of services increased by 8.0% y-o-y. Finally, investment rose by 1% on an annual basis. The downward trend of the spread between the 10-year Greek government bond (GGB) yield and the German 10-year government bond, which dropped to 165 basis points at the end of the year, against 416 basis points at the beginning of 2019, reflects the strengthening of investors' sentiment towards the Greek economy.

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

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

  Alpha Bank Group continued to improve its Statement of Financial Position and overall financial position throughout 2019. A significant milestone was Parent's full repayment in 2019 of ELA (Emergency Liquidity Assistance).

  The Alpha Bank AE and the Group monitor the current situation regarding the rapid transmission of Covid-19 and assesses the impact on the asset quality, the risk model sensitivity in macroeconomic perimeters and the implementation of the Business Plan. Due to the current circumstances and the uncertainly Alpha Bank AE cannot estimate accurately and reliably the qualitative and the quantitative effects on business activities, the financial situation and the financial results.

Events after the reporting period

Since the year end significant economic and social disruption has arisen from the Covid-19 pandemic. The Company is taking measures in line with its Business Continuity Planning to ensure it can continue to operate in various scenarios, including in a complete lockdown or operating with skeleton staffing levels. The costs of these measures are not material and involves mainly making sure staff can work from home and the necessary hardware is in place. The Company has also increased the capacity of its internet connection to allow the remote connections to operate smoothly. As of 1st April 2020 all staff are working from home without any significant disruptions to the normal course of conducting business.

As a result of the pandemic, the Company is expected to be impacted in the year ahead by increased ECLs for potential bad debts. The overall financial impact of Covid-19 cannot be reliably estimated at this time, however the Company assessed that its key sensitivity was in relation to ECLs on the loan portfolio. Company's main driver of ECL is the Loss Given Default which in turn is sensitive to the movement in the property market prices. The Company's adopted "worst case" scenario estimating a 40% decrease in prices across all types of real estate would not result in material losses due to low LTV covenants across the entire portfolio. The loan portfolio has a built-in resilience to credit risk due to a conservative risk appetite framework.

STRATEGIC REPORT (continued)

Future Developments and Going Concern

The Board of Directors considers the Company's updated one year budget and five year business plan on an annual basis. A five year timeframe for the plan is considered an appropriate period to forecast when considering the Company's underlying business and economic environment.

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

The Company will look at diversifying its funding base by seeking retail deposits in the UK.

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

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

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

M. E. Austen

Mark E. Austen
Chairman

16 April 2020

Capital House
85 King William Street
London EC4N 7BL

DIRECTORS' REPORT

The directors present their report together with the audited financial statements of Alpha Bank London Limited (the "Company") for the year ended 31 December 2019.

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 £2.6m (2018: £3.0m).

No final dividend has been approved (2018: £nil). No interim dividend was paid during the year (2018: £8m).

Events after the reporting period

The events are disclosed on page 8 in the Strategic Report.

Financial risk management

Note 33 on page 52 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.

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
Ioannis M. Emiris
Spyros N. Filaretos
W. Lindsay Mackay
Richard S. Price
George Michalopoulos
Clodagh Gunnigle (appointed 1 August 2019)
Martin J. Waghorn (resigned 18 April 2019)

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

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

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

DIRECTORS' REPORT (continued)

Board Committees

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

Audit, Risk & Compliance Committee

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

Remuneration Committee

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

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 £741 (2018: £1,711). No political donations were made (2018: £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 31.

Disclosure of Information to the Auditors

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

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

Auditor

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

Company registration number: 185070

By Order of the Board

W. Lindsay Mackay
Chief Executive Officer

16 April 2020

Capital House
85 King William Street
London EC4N 7BL

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

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

Company law requires the directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (”IFRS”) as adopted by the European Union (“EU”) and applicable law.

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

In preparing the financial statements, IAS 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

On behalf of the Board

M. E. Austen

Mark E. Austen
Chairman

16 April 2020

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 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and;
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements 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 38.

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

2. Basis for opinion

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

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements. The non-audit services provided to the company for the year are disclosed in note 13 to the financial statements. We confirm that the non-audit services prohibited by the FRC's Ethical Standard were not provided to the company.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our audit approach

Key audit matters	The key audit matter that we identified in the current year was: • IFRS 9 Loan loss provisioning
Materiality	The materiality that we used in the current year was £1,038,054 which was determined on the basis of 2% of equity.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There is no significant change in our audit approach.

4. Conclusions relating to going concern

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

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.

The matter was 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.

IFRS 9 Loan loss provisioning

Key audit matter description	As detailed in the summary of critical accounting judgments and estimates in note 5.1 of the Annual Report and Financial Statements and the credit risk disclosures in note 33.3, the estimation of expected credit losses ("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, or manipulation of, this balance. As at 31 December 2019, the company reported £0.5m (2018: £0.5m) of ECL on total gross loans and advances of £339m (2018: £290m). The most significant judgement in respect of the ECL is the determination of what constitutes significant increase in credit risk as IFRS 9 does not specifically define this. The company makes a judgement in assessing whether the credit risk of an asset has significantly increased by taking into account qualitative and quantitative reasonable and supportable forward looking information. <u>Impact of Covid-19 pandemic on loan loss provisioning</u> As detailed in the strategic report and significant judgement and areas of estimation uncertainty, the company is expected to be impacted post year-end by increased in ECL for potential bad debts as a result of the pandemic. The overall financial impact of Covid-19 cannot be reliably estimated at this time, however, the company assessed that its key sensitivity is in relation to ECLs on the loan portfolio. As the company's loans and advances are well collateralised, management determined that the company's ECL is sensitive to movements in the property market prices. The company therefore performed a sensitivity analysis estimating a worst case scenario in the decline of property market prices in light of Covid-19 and assessed the potential loss to its capital and liquidity.
How the scope of our audit responded to the key audit matter	In order to address the key audit matter in respect of the valuation risk for loan loss provisions identified, we: - obtained an understanding of the relevant controls and implementation and performed operating effectiveness testing of controls relating to the credit risk assessment process; - tested a sample of loans taken from a high risk population made of development loans, refurbishment loans, property development loans, cash collateralised loans and loans highlighted by the Bank's stress test exercise

	- obtained an explanation and supporting evidence to justify that the loan in question should not be in stage 2 or 3, in the form of loan reviews - tested the forward looking aspects of the review, including macroeconomic factors such as real estate market conditions and supply and demand in the area of the property, country outlook and environmental issues; - obtained and applied professional scepticism in reviewing the watch list to assess whether there are any loans that should be moved to stage 2 or 3; and - obtained the trigger events listing of loans at year end and applied professional scepticism to assess whether there are any loans which should be moved to stage 2 or 3. We also challenged management's assessment on the impact of the Covid-19 pandemic to the company's ECL including the impact to its liquidity and capital. We further engaged Deloitte's prudential and regulatory specialists to appropriately challenge and assess management's evaluation of its profitability, solvency, liquidity and funding forecast position. For example, we challenged management's evaluation by performing a review of the following: • Business continuity plan in response to the prolonged impact from the Covid-19 pandemic; • Internal Liquidity Adequacy Assessment Process; • Internal Capital Adequacy Assessment Process; and • Recovery and Resolution Plans which included severe stress testing scenarios. Further, we assessed whether the disclosure of significant judgements and areas of estimation uncertainty gave sufficient transparency over the uncertainty surrounding measurement of ECLs, particularly in light of the changes in the macro-economic environment subsequent to the reporting date as a result of the Covid-19 pandemic.
Key observations	The ECL model was found to be compliant with the requirements of IFRS 9. We concluded that the company's assessment of a significant increase in credit risk was reasonably determined and applied. Accordingly, the recognised loan loss provision as at 31 December 2019 was reasonable stated.

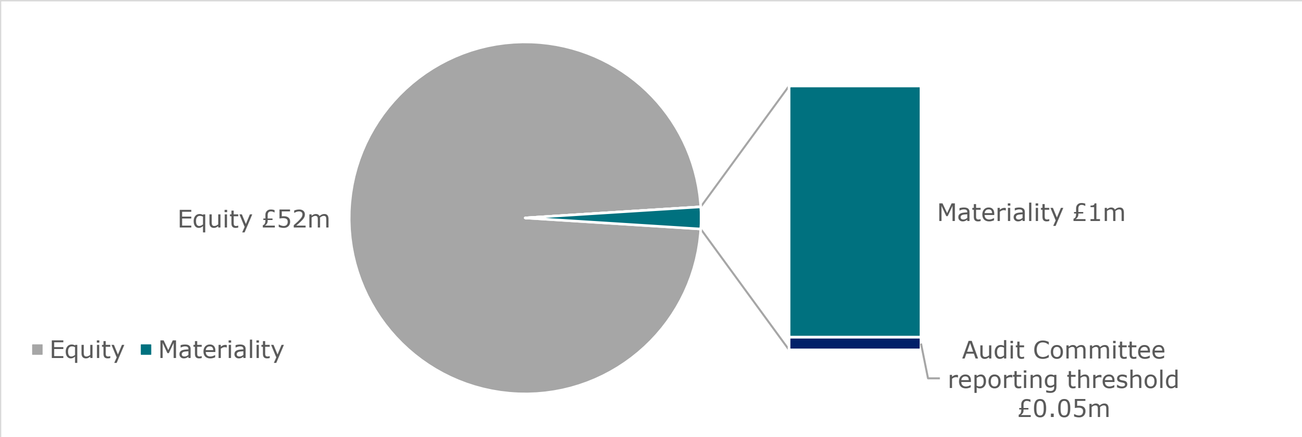
6. Our application of materiality

6.1. Materiality

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

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

Materiality	£1,038,054 (2018: £618,000)
Basis for determining materiality	2% of equity (2018: 1% of equity)
Rationale for the benchmark applied	We considered equity to be the most appropriate benchmark given its stability compared to other profit measures. The equity basis of materiality during the year is a consistent benchmark to the prior year audit. However, we increased the percentage applied from 1% to 2%.



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 2019 audit (2018: 70%). In determining performance materiality we considered our risk assessment, including our assessment of the company's overall control environment and that we consider it appropriate to rely on controls over a number of business processes. There is also a low number of corrected and uncorrected misstatements identified in prior periods.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Committee all audit differences in excess of £51,903 (2018: £30,911), 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

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.

8. Other information

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

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.

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud and non-compliance with laws and regulations are set out below.

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

We identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

11.1. Identifying and assessing potential risks related to irregularities

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

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

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

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

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

11.2. Audit response to risks identified

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

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

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

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

Report on other legal and regulatory requirements

12. Opinions on other matters prescribed by the Companies Act 2006

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

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

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

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

13.1. Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

13.2. Directors' remuneration

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

We have nothing to report in respect of this matter.

14. Other matters

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 3 years, covering the years ending 31 December 2017 to 31 December 2019.

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

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

15. Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Rhys FCA (Senior statutory auditor)

For and on behalf of Deloitte LLP

Statutory Auditor

London, United Kingdom

16 April 2020

STATEMENT OF PROFIT OR LOSS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000's	2018 £000's
Interest and similar income	6	16,827	13,718
Interest expense and similar charges	6	(5,048)	(3,688)
Net interest income		**11,779**	**10,030**
Fees and commission income	7	2,108	2,198
		13,887	**12,228**
Net trading income	8	43	68
Other operating income	9	171	143
Net gain / (loss) from derecognition of financial assets measured at FVTOCI	10	54	(2)
Operating income		**14,155**	**12,437**
Staff costs	11	(6,085)	(5,008)
General administrative expenses	13	(3,952)	(3,158)
Depreciation and amortisation	21, 22	(977)	(607)
Operating expenses		**(11,014)**	**(8,773)**
Impairment losses and provisions to cover credit risk	15	(8)	(81)
Profit before tax		**3,133**	**3,583**
Income tax expense	14	(538)	(597)
Profit after tax		**2,595**	**2,986**

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000's	2018 £000's
Profit after tax recognised in the Statement of Profit or Loss	**2,595**	**2,986**
Items that may be reclassified subsequently to profit or loss:		
Fair value movement of debt instruments at FVTOCI and other movements	271	(1,022)
Amounts reclassified to profit or loss for debt instruments measured at FVTOCI	54	(2)
Other	-	77
Other comprehensive income/(expense)	**325**	**(947)**
Total comprehensive income for the year, after income tax `	**2,920**	**2,039**

The results are derived from continuing operations.

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	2019 £000's	2018 £000's
Assets			
Cash	16	70	109
Due from credit institutions	16	106,179	143,255
Derivative financial instruments	17	213	1,354
Investment securities	18	174,633	407,188
Loans and advances to customers	19	339,047	289,394
Property and equipment	21	6,596	2,741
Intangible assets	22	15	57
Other assets	23	1,011	1,049
Total assets		**627,764**	**845,147**
Liabilities			
Due to banks	24	2,408	3,834
Derivative financial instruments	17	3,272	121
Due to customers	25	551,341	778,170
Other borrowed funds	26	10,002	10,003
Current tax liabilities	27	425	380
Deferred tax liabilities	28	81	128
Lease liabilities	29	5,444	-
Other liabilities	30	1,340	1,980
Total liabilities		**574,313**	**794,616**
Equity			
Share capital	31	30,000	30,000
Retained earnings		23,510	20,915
Other	31	(59)	(384)
Total equity		**53,451**	**50,531**
Total liabilities and equity		**627,764**	**845,147**

Company registration number: 185070

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

These financial statements were approved by the Board of Directors on 16 April 2020 and were signed on its behalf by:

M. E. Austen

Mark E. Austen
Chairman

W. Lindsay Mackay
Chief Executive Officer

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

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

	Share capital £000's	Retained earnings £000's	Fair value reserve £000's	Total equity £000's
Balance as at 1 January 2018	**30,000**	**28,852**	**640**	**59,492**
Profit after tax	-	2,986	-	2,986
Other comprehensive income:				
Other reserves				
Net change in fair value	-	-	(1,024)	(1,024)
Other movements	-	77	-	77
Total comprehensive income	-	3,063	(1,024)	2,039
Dividends paid	-	(11,000)	-	(11,000)
Balance as at 31 December 2018	**30,000**	**20,915**	**(384)**	**50,531**

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

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000's	2018 £000's
Cash flows from operating activities			
Profit before tax		3,133	3,583
Adjustments:			
Interest income on investment securities	6	(1,945)	(1,649)
Interest income on loans and advances to customers	6	(13,967)	(11,375)
Interest expense on due to banks	6	2,750	1,855
Interest expense on due to customers	6	2,009	1,565
Interest expense on debt securities in issue and other borrowed funds	6	283	268
Interest expense on lease liabilities	6	131	-
Gain on forward revaluation of FX transactions	8	(42)	(68)
Gain on foreign exchange	9	(161)	(134)
Loss from derecognition of investment securities	10	(54)	2
Other movements in financial assets measured at FVTOCI		-	(11)
ECL allowance on investment securities		(3)	102
ECL allowance on loans and advances to customers		11	(22)
Depreciation and amortisation	21, 22	1,150	607
Provision	30	0	1
		(6,705)	(5,276)
Net (increase)/decrease in assets relating to operating activities:			
Derivative financial instruments		1,141	(932)
Investment securities		12,240	(4,964)
Loans and advances to customers	19	(49,640)	(46,047)
Right of use assets	21	(4,892)	-
Other assets	23	38	(245)
		(41,113)	(52,188)
Net increase/(decrease) in liabilities relating to operating activities:			
Derivative financial instruments	17	3,150	(395)
Due to banks	24	(1,426)	2,975
Due to customers	25	(226,829)	37,757
Other borrowed funds		(1)	1
Lease liabilities		5,831	-
Other liabilities	30	(640)	304
		(219,915)	40,642
Income tax paid		(540)	(1,248)
Interest income on loans and advances to customers	6	13,967	11,375
Interest expense on due to banks	6	(2,750)	(1,855)
Interest expense on due to customers	6	(2,009)	(1,565)
		8,668	6,707
Net cash flows from operating activities		**(259,065)**	**(10,115)**
Cash flows from investing activities			
Acquisition of investment securities		(16,260)	(200,268)
Disposal of investment securities		236,957	192,564
Interest income on investment securities		1,945	2,515
Acquisition of fixed assets	21, 22	(72)	(277)
Proceeds on disposal of fixed assets		1	5
Net cash flows from/(used in) investing activities		**222,571**	**(5,461)**

STATEMENT OF CASH FLOWS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000's	2018 £000's
Cash flows from financing activities			
Repayment of lease liabilities		(387)	-
Dividends paid		-	(11,000)
Interest expense on other borrowed funds	6	(283)	(268)
Interest expense on lease liabilities	6	(131)	-
Net cash flows from/(used in) financing activities		**(801)**	**(11,268)**
Net decrease in cash and due from credit institutions		**(37,295)**	**(26,844)**
Cash and due from credit institutions at beginning of the year	16	143,364	170,006
Net effect of foreign exchange fluctuations		180	202
Cash and due from credit institutions at end of the year	16	**106,249**	**143,364**

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

NOTES TO THE FINANCIAL STATEMENTS

1. General information

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

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

2. Adoption of new and revised IFRS Standards

2.1 IFRS 16 Leases

Accounting Principles Applied

The new standard significantly differentiates the accounting of leases for lessees while essentially maintaining the existing requirements of IAS 17 for the lessors. In particular, under the new requirements, the classification of leases as either operating or finance is eliminated. A lessee is required to recognise, for all leases with term of more than 12 months, the right-of-use asset as well as the corresponding obligation to pay the lease payments. The above treatment is not required when the asset is of low value.

At initial recognition, the right-of-use asset comprises the amount of the initial measurement of the lease liability, any initial direct costs, any lease payments made before the commencement date as well as an estimate of dismantling costs.

At initial recognition, the lease liability is equal to the present value of the lease payments that are not paid at that date.

Impact from IFRS 16 implementation

The Company applied the standard to all active lease contracts as at 1 January 2019, with the cumulative catch-up effect of initially applying the standard recognised as at 1 January 2019 in accordance with the transitional requirements of the standard and did not restate comparative information. As a result, the figures of 2018 are not comparable.

In addition, the Company elected to make use of the practical expedient and did not apply the requirements of the standard to leases for which the lease term is less than 12 months (short term), as well to leases for which the underlying asset is of low value (less than 5,000 Euro when new).

Following the above, the Company applied IFRS 16 as at 1 January 2019 to only one contract, the lease of its office premises. As of 1 January 2019 the Company recognised a right-of-use asset at an amount equal to the lease liability, adjusted by any prepaid or accrued lease payments to that lease recognised in the statement of financial position immediately before the date of initial application.

The lease liability recognised initially as at 1 January 2019 equal to the fair value of the remaining lease payments, discounted using Company's incremental borrowing rate.

As a result of the application of IFRS 16 on 1 January 2019, the Company recognised right-of-use assets of £4.3m and lease liabilities of £5.4m.

2.2 Newly adopted Standards

In addition to IFRS 16 as detailed in Note 2, the following accounting Standards became effective for accounting periods beginning on or after 1 January 2019 and are applicable to the Company. The Company's accounting policies are already consistent with the new requirements and adoption had no impact on the financial statements of the Company.

Improvements to International Accounting Standards

As part of the annual improvements project, the International Accounting Standards Board issued non-urgent but necessary amendments to various standards.

3. New and revised IFRS Standards in issue but not yet effective

3.1 Accounting Standards to be adopted in the future

The following pronouncements are not applicable for the year ending 31 December 2019 and have not been applied in preparing these financial statements. The impact of these accounting changes is still being assessed by the Company and reliable estimates cannot be made at this stage.

IFRS 17 *Insurance Contract*

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2021. Management estimates that there will be no impact on the financial position and results.

Amendments to other accounting standards

The IASB has issued a number of minor amendments to IFRSs effective 1 January 2020. The revised requirements are not expected to have a significant impact on the Company.

- Amendment to International Financial Reporting Standard 9 “Financial Instruments”
- Amendment to International Accounting Standard 39 “Financial Instruments”
- Amendment to International Financial Reporting Standard 7 “Financial instruments: Disclosures”
- Amendment to International Accounting Standard 1 “Presentation of Financial Statements”
- Amendment to International Accounting Standard 8 “ Accounting Policies, Changes in Accounting Estimates and Errors: “Definition of material”
- Amendment to International Financial Reporting Standard 3 “Business Combinations”
- Amendment to International Financial Reporting Standard 10 “Consolidated Financial Statements”
- Amendment to International Accounting Standard 28 “Investments in Associates and Joint Ventures”
- Amendment to the International Accounting Standard 1 “Presentation of Financial Statements”
- Amendments to the references to the conceptual framework in IFRS standards

4. Basis of accounting and presentation

The financial statements have been prepared in accordance with International Financial Reporting (“IFRS”) Standards, as endorsed by the European Union (“EU”) and in accordance with the special provisions of Part VII of the Companies Act 2006, as at and for the year ended 31 December 2019.

As a wholly-owned subsidiary of Alpha Bank A.E. (“Alpha Bank” or the “Parent”), the Company has taken advantage of the exemption in IFRS 10 “Consolidated Financial Statements” and the Companies Act 2006 and has not prepared consolidated financial statements. Further details on the parent can be found in Note 36.

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 below.

The principal accounting policies adopted are set out below.

4.1 Going concern

The Company's objectives, policies and processes for managing its capital, its financial risk management objectives, details of its financial instruments and hedging activities and its exposures to credit risk and liquidity risk are set out in Note 33 to the financial statements. In evaluating whether it is appropriate for the Company to prepare the financial statements on a going concern basis, various factors were considered which are discussed below.

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

The Company's loan book is currently self-funded by customer deposits and has a current loan to deposit ratio of 61% (2018: 36.6%), 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 £150 million committed loan facility from the Parent maturing in April 2020 (which the directors are planning to extend). This facility is currently undrawn. The Company also has an uncommitted liquidity short term line from the Parent amounting to EUR 50m.

The directors intend to diversify its funding sources by raising UK retail deposits.

In terms of profitability, directors are planning to increase revenues and rationalise costs. Regarding revenue the Company experiences a healthy demand for loans. The costs rationalisation exercise has been prompted by the closure of ABLB in April 2020 which currently shares personnel, IT and lease costs with the Company.

The directors keep the situation in Greece, as well as the ongoing Brexit considerations in the UK, under constant review. In Greece the situation has improved considerably and the directors do not perceive any immediate threats. Regarding "No Deal Brexit" management has sought and obtained legal advice regarding any potential regulatory restrictions in maintaining its Greek customer deposit base, including acquiring new customers. In addition management also obtained legal advice regarding the investment services the Bank provides to Greek residents. The conclusion from both UK and Greek law perspective is that the Bank would be able to continue to provide banking and investment services to Greek residents under its current business model in the case of a "No Deal Brexit".

On 11 March 2020 The World Health Organisation declared Covid-19 a pandemic, pointing to the over 118,000 cases of the coronavirus illness in over 110 countries. The US and certain European countries have imposed passenger border restrictions. The pandemic is estimated to have a severe impact on the global economy. The severity of the impact will depend on how quickly the pandemic will peak and whether an effective vaccine could be developed in reasonable time. The Bank does not have exposure to the sectors that are impacted most significantly, such as tourism, hospitality and transportation.

The Bank is taking measures in line with its Business Continuity Planning to ensure it can continue to operate in various scenarios, including in a complete lockdown or operating with skeleton staffing levels. The costs of these measures are not material and involves mainly making sure staff can work from home and the necessary hardware is in place (laptops, monitor and PCs). The Bank has also ordered an expansion of its internet connection capacity to allow the remote connections to operate smoothly. Nonetheless the current economic environment remains uncertain and the Company is taking operational measures to mitigate any potential negative impact. The loan portfolio has a built-in resilience to credit risk due to a conservative risk appetite framework.

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

4.2 Foreign currency transactions

The financial statements are presented in Sterling, which is the functional currency of the Company and the currency of the country of incorporation of the Company. Transactions in foreign currencies are translated into Sterling at the closing exchange rates at the date of the transaction.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.3 Cash and cash equivalents

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

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

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

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

4.4 Financial instruments

4.4.1 Initial recognition

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

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

4.4.2 Classification of financial assets

Financial assets are measured subsequently under the following three categories:

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

The classification of these three categories is based on:

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

Step 1 assigns a business model based on relevant business model indicators. Step 2 addresses several categories of contractual features derived from the IFRS 9 content as representing modifications of the timing/value of contractual cash flows of the time value of money element which would trigger FVTPL measurement.

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 in order 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.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.4.2 Classification of financial assets (continued)

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

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

Debt instruments measured at FVTOCI are subject to impairment.

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

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

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. The only equity instruments held by the Company are investments in subsidiaries which are presented in Note 20.

Derivatives

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

Holding-to-collect contractual cash flows

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

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

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

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

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

Holding-to-collect contractual cash flows and selling

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

4.4.2 Classification of financial assets (continued)

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

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

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

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

Financial assets measured at FVTPL

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

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

4.4.3 Reclassification of financial assets

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

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

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

4.4.4 Impairment

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

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

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

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

4.4.4 Impairment (continued)

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

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

The classification into stages is performed as follows:

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

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

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

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

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

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

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

4.4.4 Impairment (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 as long as neither of the below two indicators have yet been met).
- The borrower is assessed as Unlikely to Pay ("UTP"), namely, cannot fully repay credit obligations without collateral liquidation (would be classified as Stage 3).
- All borrowers classified as defaulted or high risk (rating grade CC- and C and credit risk rating category 4 for real estate finance) are automatically assigned the "Financial Difficulty" indication flag (would be classified as Stage 3).

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

Unlikely to Pay ("UTP")

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

In determining whether or not an exposure is UTP an assessment is made in order to; 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 Country 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 it 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)

4.4.4 Impairment (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.

Significant increase in credit risk

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

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

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

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

4.4.5 Modification and derecognition of financial assets

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

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

The Company has not derecognised any financial assets.

4.4.6 Financial liabilities

Financial liabilities are classified as either measured at FVTPL or as other financial liabilities.

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.

Other financial liabilities

Other financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost.

Derecognition of financial liabilities

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

4.5 Derivative financial instruments

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

4.6 Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

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

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data having a significant effect on the instrument’s valuation. This category also includes instruments that are valued based on observable inputs that require significant adjustments based on unobservable inputs.

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

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

4.7 Offsetting

There are currently no assets and liabilities being offset.

4.8 Hedge accounting

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

As at 31 December 2019 there were no hedging transactions (2018: None).

4.9 Property, plant and equipment

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

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

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

The estimated useful lives are as follows:

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

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

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

4.10 Intangible assets – computer software

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

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

Amortisation is recognised in the Statement of Profit or Loss on a straight-line basis over the estimated useful life of the software, from the date that it is available for use. The estimated useful life of software is three to five years. Expenditure incurred to maintain software programs is recognized in the income statement 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. The above treatment is the Company's policy in the current year following the implementation of IFRS 16. For the prior period, the Company's policy was consistent with IAS 17 whereby leases were classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases 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 (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Company remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

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

The Company did not make any such adjustments during the periods presented.

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 lease term. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the consolidated statement of financial position.

The Company applies IAS 36 to determine whether a right-of-use asset is impaired. No impairment has been recognised.

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 expected manner of realisation or settlement using tax rates (and laws) enacted or substantively enacted at the Statement of Financial Position date. A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current assets against current tax liabilities, as well as when such taxes relate to the same fiscal authority.

4.13 Employee benefits

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

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

4.14 Net interest income recognition

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

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

Effective interest method

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

Effective interest rate ("EIR")

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

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

4.14 Net interest income recognition (continued)

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

Interest income recognition

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

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

Financial instruments in foreign currency

The policy of the Company is to account for assets denominated in foreign currency in the original currency of the asset. At each balance sheet date, these are translated using the closing rate of the balance sheet date.

Accrued interest recognised in profit or loss is translated using the closing rate at each month end date. Interest income that has already been posted to profit or loss in a previous period is not retranslated with the new exchange rate.

4.15 Net fees and commission income recognition

Fees and commission income, which are not an integral part of the effective interest rate, are recognised on an accrual basis when the relevant service has been provided. If it is an integral component of the effective interest rate on a financial asset or liability it is included in the measurement of the effective interest rate and reported as part of interest income or expense. Incremental costs incurred to generate fee and commission income are charged to fees and commissions expense as they are incurred.

4.16 Net income from other financial instruments measured at FVTPL

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

4.17 Entity with only one operating segment

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses. The Board performs regular reviews of the operating results of the Company and makes decisions using financial information at the entity level. Accordingly, the Board believes that the Company has only one operating segment, being interest and fees earned on its lending and securities portfolio plus fees and commissions from securities and mutual fund transactions executed for customers. The Company does not have any debt or equity instruments which are publicly traded and therefore is outside the scope of IFRS 8 (Operating Segments).

4.18 Investments in subsidiary undertakings

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

5. Critical accounting judgements and key sources of estimation uncertainty

In the application of the accounting policies, management are required to make judgements that may have a significant impact on the amounts recognised and make estimates and assumptions about the carrying amounts of the assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

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

5.1 Critical judgements in applying the Company's accounting policies

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

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

As explained in Note 4, ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly relative to credit risk at initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased the Company takes into account qualitative and quantitative reasonable and supportable forward looking information. Refer to Note 4.4.4 and Note 33 for more details.

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

See Note 33 for more details.

- *Identifying whether a contract includes a lease*

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

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

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

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

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

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

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

5.2 Key sources of estimation uncertainty

- *Fair Value measurement and valuation process*

Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Company uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Company uses valuation models to determine the fair value of its financial instruments. Refer to Note 35 for more details on fair value measurement.

- *Expected credit loss*

- Establishing the number and relative weightings of forward-looking scenarios and determining the forward looking information relevant to each scenario: When measuring ECL the Company uses reasonable and supportable forward looking information, which is based on assumptions for the future movement of real estate property prices. Refer to Note 33 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 33 for more details, including analysis of the sensitivity of the reported ECL to changes in PD resulting from changes in economic drivers.

- Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account estimated cash flows from collateral. See Note 33 for more details.

- *Incremental borrowing rate*

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

NOTES TO THE STATEMENT OF PROFIT OR LOSS

6. NET INTEREST INCOME

	2019 £000's	2018 £000's
Interest and similar income		
Due from banks	874	694
Investment securities	1,801	1,649
Loans and advances to customers	14,152	11,375
Total interest and similar income relating to financial assets	**16,827**	**13,718**
Interest expense and similar charges		
Due to banks	2,737	1,855
Due to customers	1,898	1,565
Debt securities in issue and other borrowed funds	282	268
Lease liabilities	131	-
Total interest expense and similar charges relating to financial liabilities	**5,048**	**3,688**

During the year 2019, net interest income increased compared to 2018 mainly due to the increase of gross interest income, reflecting the increasing size in the loan book. The aforementioned increase was partially offset by the increase in interest expense from Due to Banks and Customer liabilities

7. NET FEES AND COMMISSION INCOME

	2019 £000's	2018 £000's
Loans and advances to customers	44	28
Fund transfers	126	113
Client investment transactions	1,322	1,355
Other	616	702
Total	**2,108**	**2,198**

8. NET TRADING INCOME

	2019 £000's	2018 £000's
Forward revaluation of foreign exchange transactions	43	68
Total	**43**	**68**

9. OTHER OPERATING INCOME

	2019 £000's	2018 £000's
Gain on foreign exchange	161	134
Other	10	9
Total	**171**	**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. The below table summarises the carrying amount of the derecognised financial assets measured at FVTOCI, and the gain/ (loss) on derecognition, per type of asset, during the current year and the comparative period.

	Year ended 2019		**Year ended 2018**	
	Carrying amount of derecognised financial assets at amortised cost	**Net gain from derecognition**	**Carrying amount of derecognised financial assets at amortised cost**	**Net loss from derecognition**
	£000's	**£000's**	**£000's**	**£000's**
Multilateral development bank bonds	45,133	49	66,015	(2)
Other corporate bonds	140,875	5	6,243	-
Total	**186,008**	**54**	**72,258**	**(2)**

11. STAFF COSTS

	2019	**2018**
	£000's	**£000's**
Wages and salaries	4,647	3,632
Social security contributions	498	442
Expenses of defined contribution plan	532	461
Other	408	473
Total	**6,085**	**5,008**

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

	2019	**2018**
	Number	**Number**
Front Office / Sales and Marketing	19	23
Operations and Admin Support	51	45
Compliance, Risk and Audit	10	8
Other	4	6
Total	**84**	**82**

The average number of employees (including executive directors) employed by the Company during the year was 84 (2018: 80).

12. EMOLUMENTS OF DIRECTORS

The remuneration of the directors is as follows:

	2019	**2018**
	£000's	**£000's**
Emoluments	328	337
Total	**328**	**337**

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:

	2019 £000's	2018 £000's
Emoluments	161	162
Total	**161**	**162**

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

No directors were members of the Company's pension scheme (2018: none).

As at 31 December 2019 there were no loans to the directors of the Company (2018: £nil).

13. GENERAL ADMINISTRATIVE EXPENSES

	2019 £000's	2018 £000's
Premises	260	633
Operating lease rentals	-	289
Business promotion	36	49
Banking	237	230
Communication and travel	154	155
Professional fees	1,199	610
Information systems	1,042	636
Office	926	450
Insurance	98	106
Total	**3,952**	**3,158**

Professional fees include:

	2019 £000's	2018 £000's
Auditor's remuneration:		
Fees payable to the Company's auditor and their associates for the audit of the Company's annual accounts	123	116
Total audit fees	**123**	**116**
Interim review for group reporting	7	7
Total audit related assurance fees	7	7
Interim profit verification	-	6
Total other non-audit fees	-	6
Total non-audit fees	**7**	**13**

After the reporting date, an additional audit fee of £40,800 was agreed in relation to the audit of the Company's annual accounts for 2019.

NOTES TO THE FINANCIAL STATEMENTS (continued)

14. INCOME TAX EXPENSE

	2019 £000's	2018 £000's
Current tax		
Current year:		
UK corporation tax at 19% (2018: 19%)	584	628
Sub-total	584	628
Deferred tax		
(Credit) / charge for the year	(46)	(31)
Total	**538**	**597**

Factors affecting the tax charge for the year:

	2019 £000's	2018 £000's
Profit before tax	3,133	3,583
Current tax on the above at 19% (2018: 19%)	595	681
Disallowable expenses	12	6
Tax losses utilised	(23)	
Tax adjustment prior years	-	(59)
Total current tax	**584**	**628**

15. IMPAIRMENT LOSSES AND PROVISIONS TO COVER CREDIT RISK

	2019 £000's	2018 £000's
Investment securities	(3)	102
Loans and advances to customers	11	(22)
Undrawn commitments	-	1
Total	**8**	**81**

16. CASH AND CASH EQUIVALENTS

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

	2019 £000's	2018 £000's
Cash	70	109
Due from credit institutions	106,179	143,255
Total	**106,249**	**143,364**

NOTES TO THE FINANCIAL STATEMENTS (continued)

17. DERIVATIVE FINANCIAL INSTRUMENTS

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

	2018	
	Fair value assets	Fair value liabilities
	£000's	£000's
Derivatives held for trading purposes:		
Foreign exchange derivatives:		
Currency forwards	1,354	121
Derivative financial instruments	**1,354**	**121**

Notional amounts as at 31 December 2019 were GBP 200,145,000 (2018: 151,191,000)
As at year-end there were 10 foreign exchange swaps outstanding (2018: 12).

18. INVESTMENT SECURITIES

Measured at FVTOCI

	2019	2018
	£000's	£000's
Multilateral development bank bonds	174,633	263,116
Other corporate bonds	-	144,072
Total	**174,633**	**407,188**

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

19. LOANS AND ADVANCES TO CUSTOMERS

Measured at amortised cost

	2019 £000's	2018 £000's
Loans and advances to customers	339,543	289,902
Expected credit loss ("ECL")	(496)	(508)
Total	**339,047**	**289,394**

	As at 31 December 2019			As at 31 December 2018		
	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	21,272	-	21,272	21,447	-	21,447
Consumer lending	7,698	(479)	7,219	8,595	(494)	8,101
Retail lending	**28,970**	**(479)**	**28,491**	**30,042**	**(494)**	**29,548**
Corporate lending	310,573	(17)	310,556	259,860	(14)	259,846
Total lending	**339,543**	**(496)**	**339,047**	**289,902**	**(508)**	**289,394**

As at 31 December 2019 £287,420,000 (2018: £245,850,000) of loans and advances to customers are expected to mature more than 12 months after the reporting date.

20. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

The subsidiaries of the Company (registered at the same address as the Company), which are all wholly owned and have issued only ordinary shares, are:

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

Investments in subsidiary (number of £1 shares)	As at 1 January 2019	Movements	As at 31 December 2019
Alpha Bank London Nominees Limited	50	-	50
ABL Independent Financial Advisers Limited	1	-	1
Flagbright Limited	100	-	100
Commercial Bank of London Limited	1	-	1
Alpha Bank Limited	1	-	1
	153	**-**	**153**

NOTES TO THE FINANCIAL STATEMENTS (continued)

21. PROPERTY, PLANT AND EQUIPMENT

	Right of use of assets	Leasehold improvements	Computer and other equipment	Total
	£000's	£000's	£000's	£000's
Cost				
Implementation of IFRS 16	4,892	-	-	4,892
As at 1 January 2019	4,892	2,748	1,286	8,926
Acquisitions	-	-	72	72
Disposals	-	-	(61)	(61)
As at 31 December 2019	**4,892**	**2,748**	**1,297**	**8,937**
Accumulated depreciation				
As at 1 January 2019	-	536	757	1,293
Charge for the year	612	275	221	1,108
Disposals	-	-	(60)	(60)
As at 31 December 2019	**612**	**811**	**918**	**2,341**
Net book value as at 31 December 2019	**4,280**	**1,937**	**379**	**6,596**

	Leasehold improvements	Computer and other equipment	Total
	£000's	£000's	£000's
Cost			
As at 1 January 2018	2,622	1,184	3,806
Acquisitions	131	102	233
Disposals	(5)	-	(5)
As at 31 December 2018	**2,748**	**1,286**	**4,034**
Accumulated depreciation			
As at 1 January 2018	262	551	813
Charge for the year	274	206	480
Disposals	-	-	-
As at 31 December 2018	**536**	**757**	**1,293**
Net book value as at 31 December 2018	**2,212**	**529**	**2,741**

22. INTANGIBLE ASSETS – COMPUTER SOFTWARE

	2019	2018
Software	**£000's**	**£000's**
Cost		
As at 1 January	1,494	1,450
Acquisitions	-	44
Disposals	(31)	-
As at 31 December	**1,463**	**1,494**
Accumulated depreciation		
As at 1 January	1,437	1,310
Charge for the year	42	127
Disposals	(31)	-
As at 31 December	**1,448**	**1,437**
Net book value as at 31 December	**15**	**57**

23. OTHER ASSETS

	2019 £000's	2018 £000's
Prepayments	526	487
Other receivables	485	562
Total	**1,011**	**1,049**

24. DUE TO BANKS

	2019 £000's	2018 £000's
Current accounts	2,408	3,834
Total	**2,408**	**3,834**

As at 31 December 2019 there were no term deposits due to banks maturing more than 12 months after the reporting date (2018: £nil).

25. DUE TO CUSTOMERS

	2019 £000's	2018 £000's
Current accounts	328,778	514,173
Savings accounts	331	362
Notice accounts	162	197
Deposits received as collateral for loans	5,610	6,074
Term deposits	216,460	257,364
Total	**551,341**	**778,170**

As at 31 December 2019 and at 31 December 2018 all deposits from customers mature within 12 months of the reporting date.

26. OTHER BORROWED FUNDS

The Company has a subordinated note of £10,000,000, issued to Alpha Bank A.E., which matures on 30 December 2024 and bears interest rate of 3 months GBP LIBOR plus 2%,

The Company has not made any defaults of principal, interest or other breaches with regard to its subordinated liabilities during 2019 (2018: None).

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

27. CURRENT INCOME TAX AND OTHER TAXES

	2019 £000's	2018 £000's
Current income tax payable	425	380
Total	**425**	**380**

28. DEFERRED TAX

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

2018	As at 1 January £000's	Charge to profit or loss £000's	As at 31 December £000's
Property, plant, equipment and software	(87)	3	(84)
Fair value reserve	(72)	28	(44)
Total	**(159)**	**31**	**(128)**

The taxation rate as at 31 December 2019 is 19% (2018: 19%).

29. LEASE LIABILITIES

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

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

30. OTHER LIABILITIES

	2019 £000's	2018 £000's
Accrued expenses	1,339	1,979
Provisions	1	1
Total	**1,340**	**1,980**

NOTES TO THE FINANCIAL STATEMENTS (continued)

31. SHARE CAPITAL AND OTHER RESERVES

Share Capital	2019 £000's	2018 £000's
Authorised, issued, allotted and fully paid:		
6,000,000 ordinary shares of £5 each	30,000	30,000
Total	**30,000**	**30,000**

Fair Value Reserve	2019 £000's	2018 £000's
As at 1 January	**(384)**	**640**
Fair value movement of debt instruments at FVTOCI	274	(1,045)
Amounts reclassified to profit or loss for debt instruments at FVTOCI	54	(2)
Allowance for ECL on debt instruments at FVTOCI	(3)	34
Other movements		(11)
Balance as at 31 December	**(59)**	**(384)**

OFF-BALANCE SHEET INFORMATION

32. CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS

a) Legal and regulatory issues

Banks's business and financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, and the EU and elsewhere. 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 cases where there is a significant probability of a negative outcome, and the result may be sufficiently estimated, the Bank creates a provision that is included in the Balance Sheet. There are no pending legal cases in progress which may have a material adverse impact on the Company's financial position (2018: none). Therefore the Company has recorded no provision regarding pending litigation as at 31 December 2019

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".

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.

CONTINGENT ASSETS, LIABILITIES AND COMMITMENTS (continued)

c) Operating leases

	2018
	£000's
Within one year	456
Between one and five years	3,115
After five years	2,735
Total	**6,306**

The operating lease that was recognised as a contingent liability in 2018 is now recognised as a lease liability on the Statement of Financial Position in accordance with IFRS 16 Leases. The Company applied IFRS 16 as at 1 January 2019 to only one contract, the lease of its office premises

d) Off-Balance Sheet contingent liabilities and assets

	2019	**2018**
Contingent liabilities	**£000's**	**£000's**
Letters of guarantee issued	300	300
Undrawn loan commitments	22,158	47,414
Undrawn overdraft facilities which are revocable	7,610	9,319
Total	**30,068**	**57,033**

	2019	**2018**
Contingent assets	**£000's**	**£000's**
Loan facility commitment	150,000	150,000
Letters of guarantee received	300	300
Total	**150,300**	**150,300**

e) Service level agreement

Settlement of cheque, credit card, Faster Payments and BACS payment processing was outsourced under a service level agreement by the Company to HSBC, a PRA approved bank. The cost incurred in 2019 was £28,942 (2018: £28,437).

RISK MANAGEMENT

33. FINANCIAL RISK MANAGEMENT

33.1 Overview

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

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

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

33.2 Derivatives and other financial instruments

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

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

33.3 Credit risk

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

Credit Risk Management

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

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

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

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

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

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

33.3 Credit risk (continued)

The Credit Risk Management has the following governance in place:

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

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

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

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

IFRS 9 classification

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

Significant increase in credit risk (Stage 2)

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

This is assessed using qualitative and quantitative indicators.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.3 Credit risk (continued)

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

Rating
1 Strong
2 Good
3 Satisfactory
4 Weak
5 Default

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

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

Non performing exposures and definition of default (Stage 3)

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

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

Use of forward looking economic information

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

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

The Company has adopted the use of five economic scenarios (grouped into base, upside and downside scenarios). The scenarios and the weightings are derived using external data and together with management judgement. Below is a summary assumptions and forward looking information used as at 31 December 2019, together with the sensitivity analysis per scenario:

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

* Against a Savill's forecast of -2% in 2020 and +4.0% over 5 years to 2024, see Savill's website, mainstream residential forecast data
** Including off-balance sheet

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.3 Credit risk (continued)

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 2019 ranges from +5% for the upside scenario to -40% for the worst downside scenario. Other indicators such as GDP were considered but not used as the Company does not provide unsecured lending.

Measuring credit losses

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

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

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

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

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 provisions reported at 31 December 2018 incorporate the results of scenarios which have been weighted according to management's assessment of their likelihood.

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:

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

		2019			2018
Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**		
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Credit Rating Zone:					
Low risk - Category 1	3,529	-	-	3,529	12,456
Medium Risk - Category 2	199,867	-	-	199,867	173,189
Acceptable Risk – Category 3	134,515	-	-	134,515	100,963
Watch List/High Risk - Category 4	-	-	-	-	1,585
Default - Category 5	-	-	1,591	1,591	1,662
Unrated	41	-	-	41	47
Total gross carrying amount	**337,952**	**-**	**1,591**	**339,543**	**289,902**
Loss allowance	**(17)**	**-**	**(479)**	**(496)**	**(508)**
Net carrying amount	**337,935**	**-**	**1,112**	**339,047**	**289,394**

Unrated balances mainly represent season ticket staff loans.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.3 Credit risk (continued)

Loan commitments	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
	12-month ECL	Lifetime ECL	Lifetime ECL		
	£000's	£000's	£000's	£000's	£000's
Credit Rating Zone:					
Low risk - Category 1	-	-	-	-	8,985
Medium Risk - Category 2	19,444	-	-	19,444	19,029
Acceptable Risk – Category 3	8,124	-	-	8,124	28,719
Watch List/High Risk - Category 4	-	-	-	-	-
Default - Category 5	-	-	-	-	-
Not Rated	2,200	-	-	2,200	-
Total amount committed	**29,768**	**-**	**-**	**29,768**	**56,733**
Loss allowance	**(1)**	**-**	**-**	**(1)**	**(1)**

Due from banks at amortised cost	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
External Credit Ratings:	12-month ECL	Lifetime ECL	Lifetime ECL	£000's	£000's
AAA – AA3	82,494	-	-	82,494	59,013
A1 – A3	16,934	-	-	16,934	74,075
BAA1 – BAA3	3,849	-	-	3,849	3,102
CAA1 – CAA3	2,824	-	-	2,824	676
Not Rated	78	-	-	78	6,389
Total gross carrying amount	**106,179**	**-**	**-**	**106,179**	**143,255**
Loss allowance	**-**	**-**	**-**	**-**	**-**
Net carrying amount	**106,179**	**-**	**-**	**106,179**	**143,255**

Investment securities at FVTOCI	2019				2018
	Stage 1	Stage 2	Stage 3	Total	Total
External Credit Ratings:	12-month ECL	Lifetime ECL	Lifetime ECL	£000's	£000's
AAA – AA3	174,633	-	-	174,633	362,524
A1 – A3	-	-	-	-	22,410
BAA1 – BAA3	-	-	-	-	22,254
Total carrying amount	**174,633**	**-**	**-**	**174,633**	**407,188**
Loss allowance	**(29)**	**-**	**-**	**(29)**	**(102)**

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)

33.3 Credit risk (continued)

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

Loss allowance by asset class	Year ended 2019 £'000s	Year ended 2018 £'000s
Loans and advances to customers at amortised cost	496	508
Investment Securities at FVTOCI	29	102
	525	**610**

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.3 Credit risk (continued)

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

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

Loss allowance - Debt investment securities at FVTOCI	**Stage 1** **12-month ECL** **£'000s**	**Stage 2** **Lifetime ECL** **£'000s**	**Stage 3** **Lifetime ECL** **£'000s**	**Total** **£'000s**
Loss allowance as at 1 January 2018	**68**	**-**	**-**	**68**
Changes in the loss allowance				
—Transfer to stage 1	-	-	-	**-**
—Transfer to stage 2	-	-	-	**-**
—Transfer to stage 3	-	-	-	**-**
—Increases due to changes in credit risk	3	-	-	**3**
—Decreases due to changes in credit risk	-	-	-	**-**
—Write-offs	-	-	-	**-**
New financial assets originated or purchased	42	-	-	**42**
Financial assets that have been derecognised	(11)	-	-	**(11)**
Changes in models / risk parameters	-	-	-	**-**
FX changes and other movements	-	-	-	**-**
Loss allowance as at 31 December 2018	**102**	**-**	**-**	**102**

33.3 Credit risk (continued)

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

Loss allowance - Loans and advances to customers at amortised cost	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	
	£'000s	**£'000s**	**£'000s**	**£'000s**
Loss allowance as at 1 January 2018	**9**	**-**	**528**	**537**
Changes in the loss allowance				
—Transfer to stage 1	-	-	-	**-**
—Transfer to stage 2	-	-	-	**-**
—Transfer to stage 3	-	-	-	**-**
—Increases due to changes in credit risk	4	-	-	**4**
—Decreases due to changes in credit risk	-	-	-	**-**
—Write-offs	-	-	-	**-**
New financial assets originated or purchased	10	-	-	**10**
Financial assets that have been derecognised	(8)	-	-	**(8)**
Changes in models / risk parameters	(1)	-	(34)	**(35)**
FX changes and other movements	-	-	-	**-**
Loss allowance as at 31 December 2018	**14**	**-**	**494**	**508**

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.3 Credit risk (continued)

33.3.2 Concentration by sector as at 31 December 2019

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

Concentration by sector as at 31 December 2018

	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	-	-	272,691	272,691
Banks	143,255	-	134,497	277,752
Individuals	-	29,548	-	29,548
Financial intermediaries	-	106	-	106
Real estate companies	-	257,755	-	257,755
Other	-	1,985	-	1,985
Total	**143,255**	**289,394**	**407,188**	**839,837**

Concentration by location as at 31 December 2019

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

33.3 Credit risk (continued)

Concentration by location as at 31 December 2018

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	31,741	266,036	44,664	342,441
Greece	Parent	746	6,935	-	7,681
Luxembourg	Eurozone	4,442	-	-	4,442
Germany	Eurozone	1,648	-	-	1,648
The Netherlands	Eurozone	-	-	15,250	15,250
Belgium	Eurozone	51,100	-	-	51,100
France	Eurozone	14,405	-	-	14,405
Austria	Eurozone	15,661	-	-	15,661
Finland	Eurozone	-	-	8,980	8,980
Cyprus	Eurozone	-	8,930	-	8,930
Sweden	EU	-	-	12,607	12,607
USA	North America	23,229	-	-	23,229
Canada	North America	-	-	29,636	29,636
Australia	Australia	282	-	23,360	23,642
Supranational organisations	Supranational	-	-	272,691	272,691
Guernsey	Offshore	-	6,717	-	6,717
Jersey	Offshore	-	762	-	762
Other	Other	1	14	-	15
Total		**143,255**	**289,394**	**407,188**	**839,837**

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 £99,481,088 (2018: £183,222,164).

The Company's maximum credit exposure is £649,840,000 (2018: £897,924,000) including derivatives and committed undrawn facilities. The table below shows further breakdown.

	2019 £000's	2018 £000's
Due from banks at amortised cost (including derivatives)	106,392	144,609
Loans and advances at amortised cost (including committed undrawn facilities)	368,815	346,127
Investment securities at FVTOCI	174,633	407,188
Total	**649,840**	**897,924**

33.3.3 Loans and advances to customers: impairment analysis

As at 31 December 2019

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.3 Credit risk (continued)

As at 31 December 2018

	Gross carrying amount £000's	ECL £000's	Net carrying amount £000's
Not past due (current)	287,035	(14)	287,021
Past due from 1 to 29 days	-	-	-
Past due from 30 to 59 days	538	-	538
Past due from 60 to 89 days	10	-	10
Past due over 90 days	2,319	(494)	1,825
Total	**289,902**	**(508)**	**289,394**

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 (2018: none).

33.3.4 Loans and advances - collateral analysis

At the year-end, fully secured lending accounts for 99% (2018: 99%) of the loans and advances to customers. A breakdown of the fully collateralised lending is summarised in the table below. Collateral may consist of property, cash or guarantees. The fair value of the collateral exceeds the carrying amount of the loan in all cases (except for impaired loans) and as such the value of the loan is shown and not the value of the collateral. Formal valuations of collateral are obtained prior to disbursement of all loans. These valuations are periodically updated to 'desktop valuations' using the land price index from the HM Land Registry, in the case of residential accommodation, and by using the latest CBRE review of Prime Rents and Yields for commercial investment properties in the UK.

Collateralised loans	**2019 £000's Gross exposure**	**2019 £000's ECL**	**2018 £000's Gross exposure**	**2018 £000's ECL**
LTVs < 40%	85,965	-	80,620	-
LTVs > 40% < 50%	104,667	-	94,666	-
LTVs > 50% < 60%	93,146	(1)	73,326	-
LTVs > 60% < 70%	25,316	(1)	5,883	(1)
LTVs > 70% < 80%	13,291	(5)	15,956	(6)
LTVs > 80% < 100%	10,687	(10)	3,599	(4)
LTVs >= 100%	3,953	(479)	11,927	(494)
Cash collateralised lending	2,478	-	2,981	-
Other collateralised lending	-	-	658	(3)
Unsecured lending (Syndicated Bond Loans and other loans)	40	-	286	-
Total of collateralised lending	**339,543**	**(496)**	**289,902**	**(508)**

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.4 Market risk

33.4.1 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.

33.4.2 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 2019 the Company had one fixed rate loan with a carrying amount of £6,992,000 (2018: £7,185,000).

Key management personnel use a variety of sources to monitor interest rate risk, including a review of regulatory returns and various other ad hoc reports.

33.4.3 Interest rate profile

A 2% rise in interest rates is estimated to decrease net interest income by £148,000 (2018: net interest income increase of £169,000). 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 2019

	Carrying amount £000's	< 1 month £000's	1 - 3 months £000's	3 -12 months £000's	1 - 5 years £000's	> 5 years £000's	Non-interest bearing £000's
Assets							
Cash and balances with central banks	70	70	-	-	-	-	-
Due from banks	106,179	89,208	16,971	-	-	-	-
Loans and advances to customers	339,047	98,675	233,380	-	6,992	-	-
Investment securities	174,633	131,586	43,047	-	-	-	-
Property, plant, equipment and software	6,611	-	-	-	-	-	6,611
Other assets	1,011	-	-	-	-	-	1,011
Derivative financial assets	213	-	-	-	-	-	213
Total	**627,764**	**319,539**	**293,398**	**-**	**6,992**	**-**	**7,835**
Liabilities							
Due to banks	2,408	2,408	-	-	-	-	-
Derivative financial liabilities	3,272	-	-	-	-	-	3,272
Due to customers	551,341	360,421	111,713	79,207	-	-	-
Other borrowed funds	10,002	-	10,002	-	-	-	-
Current tax liability	425	-	-	-	-	-	425
Deferred tax liability	81	-	-	-	-	-	81
Lease liabilities	5,444	-	-	-	-	-	5,444
Other liabilities	1,340	-	-	-	-	-	1,340
Equity	53,451	-	-	-	-	-	53,451
Total	**627,764**	**362,829**	**121,715**	**79,207**	**-**	**-**	**64,013**

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.4 Market risk (continued)

INTEREST RATE PROFILE AT 31 DECEMBER 2018

	Carrying amount £000's	< 1 month £000's	1 - 3 months £000's	3 -12 months £000's	1 - 5 years £000's	> 5 years £000's	Non-interest bearing £000's
Assets							
Cash and balances with central banks	109	109	-	-	-	-	-
Due from banks	143,255	99,017	44,238	-	-	-	-
Loans and advances to customers	289,394	83,750	198,403	57	7,184	-	-
Investment securities	407,188	230,490	176,698	-	-	-	-
Property, plant, equipment and software	2,798	-	-	-	-	-	2,798
Other assets	1,049	-	-	-	-	-	1,049
Derivative financial assets	1,354	-	-	-	-	-	1,354
Total	**845,147**	**413,366**	**419,339**	**57**	**7,184**	**-**	**5,201**
Liabilities							
Due to banks	3,834	3,834	-	-	-	-	-
Derivative financial liabilities	121	-	-	-	-	-	121
Due to customers	778,170	553,542	127,470	97,158	-	-	-
Other borrowed funds	10,003	-	10,003	-	-	-	-
Current tax liability	380	-	-	-	-	-	380
Deferred tax liability	128	-	-	-	-	-	128
Other liabilities	1,980	1	-	-	-	-	1,979
Equity	50,531	-	-	-	-	-	50,531
Total	**845,147**	**557,377**	**137,473**	**97,158**	**-**	**-**	**53,139**

33.4.4 Foreign currency risk

The entity undertakes currency risk due to the volatility of foreign exchange rates. Foreign currency exposure arises through certain monetary assets and liabilities that are denominated in foreign currencies. Currency limits are in place to manage these exposures and are closely monitored.

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.4 Market risk (continued)

33.4.5 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 2019

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.4 Market risk (continued)

FOREIGN EXCHANGE POSITION AS AT 31 DECEMBER 2018

	GBP	USD	EUR	OTHER	TOTAL
ASSETS	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Cash and balances with central banks	57	16	36	-	109
Due from banks	13,149	45,725	79,167	5,214	143,255
Derivative financial assets	1,354	-	-	-	1,354
Loans and advances to customers	278,288	1,252	8,526	1,328	289,394
Investment securities (FVOCI)	15,072	105,179	286,937	-	407,188
Property, plant, equipment and software	2,798	-	-	-	2,798
Other assets	906	-	143	-	1,049
Total Assets	**311,624**	**152,172**	**374,809**	**6,542**	**845,147**
LIABILITIES					
Due to banks	157	85	3,592	-	3,834
Derivative financial liabilities	121	-	-	-	121
Due to customers	96,998	151,923	522,771	6,478	778,170
Borrowed funds	10,003	-	-	-	10,003
Current tax liability	380	-	-	-	380
Deferred tax	128	-	-	-	128
Other liabilities	1,804	9	167	-	1,980
Equity	50,531	-	-	-	50,531
Total Liabilities	**160,122**	**152,017**	**526,530**	**6,478**	**845,147**
Net on-balance sheet position	151,502	155	(151,721)	64	-
Notional off-balance sheet position derivatives	(149,939)	(180)	151,191	(64)	1,008
Net position	**1,563**	**(25)**	**(530)**	**-**	**1,008**

33.5 Liquidity risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.5 Liquidity risk (continued)

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2019

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	>5 years £000's
NON-DERIVATIVE LIABILITIES							
Due to banks	2,408	(2,408)	(2,408)	-	-	-	-
Due to customers	551,341	(551,669)	(370,520)	(101,979)	(79,170)	-	-
Borrowed funds	10,002	(11,398)	-	(70)	(210)	(11,118)	-
Other liabilities	7,290	(7,290)	(1,846)	(70)	(212)	(3,036)	(2,126)
Total	**571,041**	**(572,765)**	**(374,774)**	**(102,119)**	**(79,592)**	**(14,154)**	**(2,126)**

MATURITY ANALYSIS OF FINANCIAL LIABILITIES AS AT 31 DECEMBER 2018

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	>5 years £000's
NON-DERIVATIVE LIABILITIES							
Due to banks	3,834	(3,834)	(3,834)	-	-	-	-
Due to customers	778,170	(778,561)	(550,817)	(128,948)	(97,266)	(1,530)	-
Borrowed funds	10,003	(11,744)	-	(73)	(218)	(1,162)	(10,291)
Other liabilities	2,488	(2,488)	(2,488)	-	-	-	-
Total	**794,495**	**(796,627)**	**(557,139)**	**(129,021)**	**(97,484)**	**(2,692)**	**(10,291)**

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31 DECEMBER 2019

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	> 5 years £000's
DERIVATIVE LIABILITIES							
Derivative financial liability	3,272	(3,272)	-	(3,272)	-	-	-
Total	**3,272**	**(3,272)**	**-**	**(3,272)**	**-**	**-**	**-**

MATURITY ANALYSIS OF DERIVATIVE LIABILITIES AS AT 31 DECEMBER 2018

	Carrying amount £000's	Gross nominal inflow/ (outflow) £000's	< 1 month £000's	1 – 3 months £000's	3 -12 months £000's	1 – 5 years £000's	> 5 years £000's
DERIVATIVE LIABILITIES							
Derivative financial liability	121	(121)	-	(121)	-	-	-
Total	**121**	**(121)**	**-**	**(121)**	**-**	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (continued)

33.6 Capital management

The Company's objectives when managing capital are to:

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

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

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

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

The Company's regulatory capital is set out below and includes Tier I capital (share capital, retained earnings and the fair value reserve) and Tier 2 capital (subordinated debt).

Regulatory capital analysis

	2019	2018
	£000's	£000's
Tier 1		
Share capital	30,000	30,000
Retained earnings	23,510	20,915
FVTOCI reserve	(59)	(384)
Intangible assets	(15)	(57)
Total Tier 1 capital	**53,436**	**50,474**
Tier 2		
Subordinated debt (excluding accrued interest)	10,000	10,000
Total Tier 2 capital	**10,000**	**10,000**
Total Tier 1 and Tier 2 capital	**63,436**	**60,474**
Total regulatory capital	**63,436**	**60,474**

34. 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 2019	Parent £000's	Fellow subsidiaries/ affiliates £000's	Key management personnel £000's	Entities controlled by key management £000's	Associated companies £000's
Assets					
Derivative financial instruments	213	-	-	-	-
Due from banks	2,824	78	-	-	-
Total assets	**3,037**	**78**	**-**	**-**	**-**
Liabilities					
Derivative financial instruments	3,272	-	-	-	-
Due to banks	2,396	938	-	-	-
Due to customers	-	-	207	-	-
Debt securities in issue and other borrowed funds	10,002	-	-	-	-
Total liabilities	**15,670**	**938**	**207**	**-**	**-**
Income					
Interest on loans and advances	5	-	-	-	-
Services provided	-	15	-	-	-
Total income	**5**	**15**	**-**	**-**	**-**
Expenses					
Interest expense on due to banks	4	-	-	-	-
Interest expense on debt securities in issue and other borrowed funds	282	-	-	-	-
Interest expense on lease liabilities	(51)	(1)	-	-	-
Employee benefits	(2,082)	(53)	900	-	-
Employee pension contributions	(202)	(4)	57	-	-
Premises costs	(510)	(13)	-	-	-
Information systems costs	(274)	71	-	-	-
Depreciation charge	(171)	(3)	-	-	-
Total expenses	**(3,004)**	**(3)**	**957**	**-**	**-**
Letters of guarantee received	**300**	**-**	**-**	**-**	**-**
Loan facility commitment	**150,000**	**-**	**-**	**-**	**-**

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

34. RELATED PARTY TRANSACTIONS (continued)

As at 31 December 2018	Parent £000's	Fellow subsidiaries/ affiliates £000's	Key management personnel £000's	Entities controlled by key management £000's	Associated companies £000's
Assets					
Derivative financial instruments	1,353	-	-	-	-
Due from banks	676	-	-	-	-
Loans and advances	-	4	-	-	-
Total assets	**2,029**	**4**	**-**	**-**	**-**
Liabilities					
Derivative financial instruments	121	-	-	-	-
Due to banks	3,821	273	-	-	-
Due to customers	-	-	492	-	-
Debt securities in issue and other borrowed funds	10,003	-	-	-	-
Total liabilities	**13,945**	**273**	**492**	**-**	**-**
Income					
Interest on loans and advances	1	-	-	-	-
Services provided	-	21	-	-	-
Other fee income	-	10	-	-	-
Total income	**1**	**31**	**-**	**-**	**-**
Expenses					
Interest expense on due to banks	-	-	-	-	-
Interest expense on debt securities in issue and other borrowed funds	268	-	-	-	-
Employee benefits	(1,981)	(46)	866	-	-
Employee pension contributions	(195)	(4)	63	-	-
Premises costs	(678)	(15)	-	-	-
Information systems costs	(261)	39	-	-	-
Total expenses	**(2,847)**	**(26)**	**929**	**-**	**-**
Letters of guarantee received	**300**	**-**	**-**	**-**	**-**
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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

35. FAIR VALUE OF FINANCIAL INSTRUMENTS

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

- Cash and balances at central banks; the fair value is their carrying value.
- Due from banks; the fair value of floating rate placements and overnight deposits is their carrying value.
- Loans and advances to customers; a very significant portion of the loans and advances as at 31 December 2019 are at variable rates and re-price in response to changes in market rates, generally within three months. Credit spreads are not deemed to have changed materially during the year. In addition, the loan portfolio is fully collateralised. Therefore, the fair value of this book has been estimated to be approximately equal to the carrying value. The fair value of impaired assets is measured as the present value of estimated future cash flows (including any collateral held and the costs of realising the collateral) discounted at the asset's original effective interest rate.
- Deposits from banks and customers; the fair value of deposits with a residual maturity of less than one year has been generally estimated to be approximately equal to the carrying value.
- Investment securities; the fair value is their carrying value as all investment securities are listed and the fair value is based upon quoted market prices.
- There were no transfers between levels 1, 2 and 3 during the year (2018: 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 2019	Carrying value	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
Financial assets					
Cash	70	70	70	-	-
Derivative financial assets	213	213	-	213	-
Due from banks	106,179	106,179	106,179	-	-
Investment securities	174,633	174,633	174,633	-	-
Loans and advances to customers	339,047	339,142	-	-	339,142
Total financial assets	**620,142**	**620,237**	**280,882**	**213**	**339,142**
Financial liabilities					
Derivative financial liabilities	3,272	3,272	-	3,272	-
Due to banks	2,408	2,408	2,408	-	-
Due to customers	551,341	551,341	-	-	551,341
Other borrowed funds	10,002	10,002	10,002	-	-
Total financial liabilities	**567,023**	**567,023**	**12,410**	**3,272**	**551,341**

NOTES TO THE FINANCIAL STATEMENTS (continued)

35. FAIR VALUE OF FINANCIAL INSTRUMENTS (continued)

As at 31 December 2018	Carrying value	Fair value	Level 1	Level 2	Level 3
	£000's	£000's	£000's	£000's	£000's
Financial assets					
Cash	109	109	109	-	-
Derivative financial assets	1,354	1,354	-	1,354	-
Due from banks	143,255	143,255	143,255	-	-
Investment securities	407,188	407,188	407,188	-	-
Loans and advances to customers	289,394	289,385	-	-	289,385
Total financial assets	**841,300**	**841,291**	**550,552**	**1,354**	**289,385**
Financial liabilities					
Derivative financial liabilities	121	121	-	121	-
Due to banks	3,834	3,834	3,834	-	-
Due to customers	778,170	778,170	-	-	778,170
Other borrowed funds	10,003	10,003	10,003	-	-
Total financial liabilities	**792,128**	**792,128**	**13,837**	**121**	**778,170**

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.

36. ULTIMATE PARENT COMPANY

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

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

37. EVENTS AFTER THE REPORTING PERIOD

Since the year end significant economic and social disruption has arisen from the Covid-19 pandemic. The Company is taking measures in line with its Business Continuity Planning to ensure it can continue to operate in various scenarios, including in a complete lockdown or operating with skeleton staffing levels. The costs of these measures are not material and involves mainly making sure staff can work from home and the necessary hardware is in place. The Company has also increased the capacity of its internet connection to allow the remote connections to operate smoothly. As of 1st April 2020 all staff are working from home without any significant disruptions to the normal course of conducting business.

As a result of the pandemic, the Company is expected to be impacted in the year ahead by increased ECLs for potential bad debts. The overall financial impact of Covid-19 cannot be reliably estimated at this time, however the Company assessed that its key sensitivity was in relation to ECLs on the loan portfolio. Company's main driver of ECL is the Loss Given Default which in turn is sensitive to the movement in the property market prices. The Company's adopted "worst case" scenario estimating a 40% decrease in prices across all types of real estate would not result in material losses due to low LTV covenants across the entire portfolio. The loan portfolio has a built-in resilience to credit risk due to a conservative risk appetite framework..

38. OBTAINING FINANCIAL STATEMENTS

The Company's Financial Statements can be located on the Alpha Bank Group AE website (https://www.alpha.gr/el/omilos/enimerosi-ependuton/oikonomika-stoixeia/oikonomikes-katastaseis-etairion-omilou).