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COMPANIES HOUSE

Company Particulars

Board of Directors

Martin J Waghorn
Alexander Gibb
John Coxon

Company Secretary

Monika Ahmed

Registered Office

66 Cannon Street
London EC4N 6EP
Tel 020 7332 6767
Fax 020 7329 6022

Registered number

3747110 England

Date of incorporation

1 April 1999

Directors' Report

The directors of Alpha Credit Group PLC (the "Company") present their annual report, together with the financial statements and auditors' report, for the year ended 31 December 2007

Principal activities

The principal activities of the Company are acting as a financial intermediary and raising finance for its parent company, Alpha Bank A E

Results and dividends

The results for the year ended 31 December 2007 are shown on page 6 The profit for the year after taxation is €15,832,000 (2006 €11,184,000)

During the year the directors recommended and paid an interim dividend of GBP 165 per share totalling € 11,455,000 (2006 € 15,223,000)

Business review

The Euro Medium Term Note Programme (the "Programme") was increased from €20 billion to €25 billion with effect from 7 February 2007 Fifty drawings were made under the Programme of value €8,888,000,000 during the year and 35 maturities or redemptions occurred during the year of value €3,512,000,000 (2006 Thirty-five drawings of value €6,866,000,000)

Profit after taxation increased by €4,648,000 (42%) compared with 2006 due to increased business as a result of the increased Programme size

Interest income rose by 92% during 2007 to €852,723,000 and interest expense similarly rose 94% during 2007 to €828,198,000 The reason for the large increase in interest income and expense was due to a larger number of issues than in 2006 being sold

General administrative expenses increased by 301% from €402,000 in 2006 to €1,611,000 in 2007 This was mainly due to the Company incurring management charges from an affiliated company for the provision of staff and a large fee from a rating agency in relation to the EMTN programme During 2006, all staff costs of the Company were borne by an affiliated company

The key performance indicators used by the Company are the return on net interest and the return on average capital employed The Company's return on net interest for the year was approximately 12 basis points (2006 12 basis points) The Company's return on average capital employed was 113% compared with 81% for the previous year The Company's risk management strategies are set out in note 15 to the financial statements

In December 2007 the Company established a €5 billion Euro-Commercial Paper programme No drawings were made under this programme during the year

Directors

The directors who served throughout the financial year are as follows

Martin J Waghorn
Alexander Gibb
John Coxon

Directors' interests

The directors who held office at 31 December 2007 had no interest in the shares of the company

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)

Donations

The Company did not make any political or charitable contributions during the year

Directors' responsibility regarding disclosure of information to auditors

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

Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG Audit Plc as auditors of the company is to be proposed at the forthcoming Annual General Meeting

By order of the board

Monika Ahmed
Secretary

66 Cannon Street
London
EC4N 6EP

22 February 2008

Statement of Directors' Responsibilities in Respect of the Directors' Report and the Financial Statements

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

Company law requires the directors to prepare financial statements for each financial year Under that law the directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU

The financial statements are required by law to present fairly the financial position of the company and the performance for that period, the Companies Act 1985 provides in relation to such financial statements that references in the relevant part of that Act to financial statements giving a true and fair view are references to their achieving a fair presentation

In preparing the financial statements, the directors are required to

- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether they have been prepared in accordance with IFRSs as adopted by the EU, and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985 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

Report of the Independent Auditors to the Members of Alpha Credit Group PLC

We have audited the financial statements of Alpha Credit Group PLC for the year ended 31 December 2007 which comprise the income statement, the balance sheet, the statement of changes in equity and the statement of cash flows and the related notes These financial statements have been prepared under the accounting policies set out therein

This report is made solely to the Company's members, as a body, in accordance with section 235 of the Companies Act 1985 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

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the EU are set out in the Statement of Directors' Responsibilities on page 4

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland)

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985 We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements

In addition we report to you, if in our opinion, the Company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the Company is not disclosed

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with IFRSs as adopted by the EU, of the state of the Company's affairs as at 31 December 2007 and of its profit for the year then ended, and
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Directors' Report is consistent with the financial statements

KPMG Audit Plc
Chartered Accountants
Registered Auditor
London

22 February 2008

Income Statement

For the year ended 31 December 2007

	Note	2007 €000's	2006 €000's
Interest and similar income		**852,723**	443,770
Interest expense and similar charges		**(828,198)**	(427,055)
Net interest income	3	**24,525**	16,715
Fee and commission income	4	**871**	10
Fee and commission expense	4	**(871)**	(10)
		24,525	16,715
General administrative expenses	5	**(1,611)**	(402)
Depreciation	10	**(130)**	(105)
Net foreign exchange loss		**(132)**	(33)
Profit before tax		**22,652**	16,175
Income tax expense	8	**(6,820)**	(4,991)
Profit after tax attributable to equity shareholders		**15,832**	11,184

The notes on pages 10 to 25 form an integral part of these financial statements

Balance Sheet
As at 31 December 2007

	Note	2007	2006
Assets		**€000's**	€000's
Non-current Assets			
Property, plant and equipment	10	**149**	277
Due from banks	9	**19,464,018**	14,165,844
		19,464,167	14,166,121
Current Assets			
Cash and balances with central banks		**20,961**	14,846
Due from banks	9	**1,148,509**	1,027,444
Other Assets		**351**	-
		1,169,821	1,042,290
Liabilities			
Current Liabilities			
Due to customers	11	**(1,148,795)**	(1,028,026)
Other liabilities		**(68)**	(15)
Liabilities for income tax		**(3,196)**	(2,568)
		(1,152,059)	(1,030,609)
Net current assets		**17,762**	11,681
Non-current liabilities			
Due to customers	12	**(19,465,739)**	(14,165,989)
Net assets		**16,190**	11,813
Equity			
Equity attributable to equity holders of the company			
Called-up share capital	13	**18**	18
Retained earnings	14	**16,172**	11,795
Shareholders' funds		**16,190**	11,813

The notes on pages 10 to 25 form an integral part of these financial statements

These financial statements were approved by the board of directors on 22 February 2008 and were signed on its behalf by

Martin Waghorn
Director

John Coxon
Director

Statement of Changes in Equity

For the year ended 31 December 2007

	Share Capital	Retained Earnings	Total Equity
	€000's	€000's	€000's
Balance 1 1 2007	18	11,795	11,813
Profit for the year		15,832	15,832
	18	27,627	27,645
Dividend paid		(11,455)	(11,455)
Balance attributable to equity holders as at 31 12.2007	18	16,172	16,190

	Share Capital	Retained Earnings	Total Equity
	€000's	€000's	€000's
Balance 1 1 2006	18	15,834	15,852
Profit for the year		11,184	11,184
	18	27,018	27,036
Dividend paid		(15,223)	(15,223)
Balance attributable to equity holders as at 31 12.2006	18	11,795	11,813

The notes on pages 10 to 25 form an integral part of these financial statements

Statement of Cash Flows

For the year ended 31 December 2007

	2007 €000's	2006 €000's
Cash flows from operating activities		
Profit before tax	**22,652**	16,175
Adjustment to reconcile net profit before tax to cash flow from (used in) operating activities		
Depreciation	**130**	105
Net (increase) / decrease in assets relating to operating activities		
Due from banks	**(5,419,238)**	(4,493,425)
Other assets	**(351)**	
Net increase / (decrease) in liabilities relating to operating activities		
Due to customers	**5,420,520**	4,494,112
Other liabilities	**52**	(176)
Net cash from operating activities before taxes	**23,765**	16,791
Income taxes paid	**(6,193)**	(4,381)
Exchange rate movement on fixed assets	**15**	-
Net cash flows from operating activities	**17,587**	**12,410**
Cash flows from investing activities		
Net (increase) / decrease in assets relating to investing activities		
Purchase of property, plant and equipment	**(17)**	(122)
Net cash flows used in investing activities	**(17)**	**(122)**
Cash flows from financing activities		
Net (increase) / decrease in liabilities relating to financing activities		
Dividend paid	**(11,455)**	(15,223)
Net cash flows used in financing activities	**(11,455)**	**(15,223)**
Net (decrease) / increase in cash and cash equivalents	**6,115**	**(2,935)**
Cash and cash equivalents at beginning of the year	**14,846**	**17,781**
Cash and cash equivalents at the end of the year	**20,961**	**14,846**

The notes on pages 10 to 25 form an integral part of these financial statements

Notes to the Financial Statements

1. Accounting policies

Basis of presentation

The financial statements of Alpha Credit Group PLC (the 'Company") have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU and the special provisions of the Part VII of the Companies Act 1985, as amended by Statutory Instrument 2004/2947 "The Companies Act 1985 (International Accounting Standards and Other Accounting Amendments) Regulation 2004" They are presented in Euros, rounded to the nearest thousand unless otherwise indicated, and are prepared on the historical cost basis

Functional and presentation currency

The Company's functional and reporting currency is the Euro whilst the share capital of the company is in Sterling

Foreign currency

Transactions in foreign currencies are recorded at the rate of exchange at the date of the transaction Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are reported at the rates of exchange prevailing at that date All exchange differences are included in the Income Statements

Non-monetary assets and liabilities are recognised at the exchange rate ruling at initial recognition, except for those non-monetary items denominated in foreign currencies that are stated at fair value

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest income' and 'Interest expense' in the Income Statement using the effective interest rates of the financial assets and financial liabilities to which they relate

The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments earned or paid on a financial asset or liability through its expected life or, where appropriate, a shorter period, to the net carrying amount of the financial asset or financial liability When calculating the effective interest rate, the group estimates cash flows considering all contractual terms of the financial instrument but not the future credit losses The calculation includes all amounts paid or received by the group that are an integral part of the effective interest rate, including transaction costs and all other premiums or discounts

Fees and commission income and expense

Transaction revenues and expenses relating to the recognition of a financial instrument, which are measured at amortised cost, such as debt securities, are capitalised and recognised in the Income Statement using the effective interest rate method

Taxation

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

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

Deferred taxation is the tax that will be paid or for which relief will be obtained in the future resulting form the different period that certain items are recognized 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 realization or settlement using tax rates (and laws) enacted at the balance sheet date A deferred tax asset is recognized to the extent that it is probable that future taxable profits will be available against which the asset can be utilized, taking into consideration the enacted tax rates at the balance sheet date

Notes to the Financial Statements *(continued)*

Debt

Debt is initially stated at fair value, that is the amount of the net proceeds after the reduction of issue costs and subsequently measured at their amortised cost using the effective interest rate method

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks, and any short term investments with maturities not exceeding three months from the date of acquisition

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation

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

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

The estimated useful lives are as follows

• Computer software and hardware	3 years
• Fixtures and fittings	10 years
• Plant and equipment	10 years

The residual value of equipment and its useful life is 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 and the relevant implementation guidance, whenever events or changes in circumstances indicate that the carrying amount may not be recoverable Property and equipment, which is considered to be impaired, is carried at its recoverable amount Gains and losses from the sale of property and equipment are recognised in the Income Statement

Classification and measurement of financial assets and liabilities

The Company classifies all of its financial assets as

- Loans and receivables

Included in this category are

i Direct loans to customers
ii All receivable from customers, banks etc

Loans and receivables are carried at amortised cost The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

The Company measures all of its financial liabilities at amortised cost Subordinated debt issued, deposits from credit instutitions and deposits from customers are included in this category

Notes to the Financial Statements *(continued)*

1. Accounting policies ***(continued)***

Impairment losses on financial assets and liabilities

The Company assesses, as at each balance sheet date, whether there is evidence of impairment in accordance with the general principles and methodology set out in IAS 39 ("financial instruments recognition and measurement") and the relevant implementation guidance

Use of estimates and judgements

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

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

During the period there were no significant estimates or judgements made on these accounts

2. Segment information

The Company has one area of activity, the issue of debt instruments to raise finance for its parent company The Company operates in one geographical area, Europe

3 Net interest income

Interest income and expense relates to various loans made with the parent and notes issued to various counterparties respectively

4 Fee and commission income and expense

Fee and commission income and expense includes fee charges on issue of notes under the Euro Medium Term Note programme by the dealer of the issue The company then recharges these fees to its parent, Alpha Bank A E

5 General administrative expenses

		2007	2006
		€000's	€000's
This includes::			
Auditors' remuneration	Statutory Audit	**26**	24
	Tax services	**10**	22
	Non audit services- production of letters of comfort	**45**	15

6. Staff

The Company employed no staff during the year or the preceding year Staff costs previously borne by the London Branch of the parent company, Alpha Bank A E , and by Alpha Bank London Limited, a fellow group undertaking are now apportioned to the Company They are based on the time spent by employees on matters relating to the Company and amounted to €919,600 *(2006 nil)* Of this amount €604,000 related directly to salaries recharged and €75,000 to pensions which form part of a defined contribution plan

7. Directors' remuneration and transactions

None of the directors received any emoluments during the year or the preceding year No transactions have taken place with directors

Notes to the Financial Statements *(continued)*

8 Income tax

Current tax

	2007 €000's	2006 €000's
UK corporation tax at 30% *(2006 30%)*	6,820	4,861
Adjustments in respect of prior periods	-	130
Total	6,820	4,991

Factors affecting tax charge for the period:

	2006 €000's	2006 €000's
Profit before tax	22,652	16,175
Current tax on the above at 30% *(2006 30%)*	6,796	4,853
Depreciation for the period less than capital allowances	24	8
Adjustments in respect of prior periods	-	130
Total	6,820	4,991

9. Due from banks

	2007 €000's	2006 €000's
Amounts falling due within one year		
Amounts owed by group undertakings	1,148,509	1,027,444
Amounts falling due after more than one year		
Amounts owed by group undertakings	19,464,018	14,165,844
	20,612,527	15,193,288

There are 111 loan notes outstanding, with interest rates ranging between 0% and 10 12%
Loans 79, 85, 92, 95, 99, 105, 108, 110, 113, 118, 130, 135, 159, 161, 164 and 166 are all floating rate loans based on 1 month EURIBOR
Loans 5, 6, 10, 15, 17, 36, 42, 46, 55, 67, 76, 77, 83, 86, 89, 91, 94, 98, 101, 106, 107, 109, 111, 116, 117, 119, 124, 127, 131, 133, 134, 148, 149, 157 and 158 are all floating rate loans based on 3 month EURIBOR
Loans 41, 61, 74 and 151 are based on 6 month EURIBOR
Loan 142 is a 3 month EURIBOR + 11bp to 20/05/08, then step up spread 0 02% annually
Loans 45, 90 and 138 are based on PRIBOR
Loan 63 and 82 are based on USD 1 month Libor

Notes to the Financial Statements *(continued)*

9 Due from bank (continued)

Loan 165 is based on USD 3 month LIBOR
Loan 123 is based on 3 month BRIBOR
Loan 57 is based on a 3 month HIBOR
Loans 52, 71, 145, 150, and 152 are all based on fixed rates
Loans 62, 59, 70 and 84 are all based on range accrual
Loan 122 and 137 is based on a double range accrual linked to the EUR/USD exchange rate
Loans 64, 120, 121, 126, 132, 144, 146, 153, 154 and 163 are linked to a basket of shares
Loans 49, 78, 128, 129, 136 and 139 are all CMS linked
Loans 69, 112, 114, 155, 156, 160 and 167 are all fixed step-up loans
Loans 93, 96 and 80 are all corridor market linked loans
Loans 147 and 143 are 12 month EURIBOR linked
Loans 140 and 162 are 6 and 3 month EURIBOR linked respectively
Loan 53 and 141 is linked to a commodities basket
Loan 51 is linked to an alternative multi-strategy fund
Loan 100 is linked to the Nikkei 225
Loan 88 is linked to the S&P500 and DAX
Loan 50 is linked to synthetic insurance notes

10. Property, plant and equipment

	Computer Hardware €000's	Computer Software €000's	Fixtures and fittings €000's	Plant and equipment €000's	Total €000's
Cost					
At 01 01 2007	124	258	-	-	382
Additions	-	-	6	11	17
Exchange difference	(4)	(11)	-	-	(15)
At 31 12 2007	120	247	6	11	384
Accumulated depreciation					
At 01 01 2007	36	69	-	-	105
Charge for the year	44	84	1	1	130
At 31 12 2007	80	153	1	1	235
Net book value					
At 31 12 2007	40	94	5	10	149
At 31 12 2006	88	189	-	-	277

Notes to the Financial Statements *(continued)*

11 Current liabilities – due to customers

	2007 €000's	2006 €000's
Unsubordinated loan notes	**1,137,820**	1,023,483
Interest payable on unsubordinated loan notes	**10,975**	4,543
	1,148,795	1,028,026

12 Non-current liabilities – due to customers

	2007 €000's	2006 €000's
Unsubordinated loan notes	**17,107,754**	12,159,810
Subordinated loan notes	**2,356,326**	2,005,705
Deferred income	**1,659**	474
	19,465,739	14,165,989

There are 111 loan notes outstanding, with interest rates ranging between 0% and 10 12%
Subordinated Loan notes 5, 6, 10, 15, 17, 127, 134 and 157 are all floating rate Loan notes based on 3 month EURIBOR
Subordinated Loan note 52 is based on a fixed rate
Subordinated Loan note 49 is CMS linked
Unsubordinated Loan notes 79, 85, 92, 95, 99, 105, 108, 110, 113, 118, 130, 135, 159, 161, 164 and 166 are all floating rate notes based on 1 month EURIBOR
Unsubordinated Loan notes 36, 42, 46, 55, 67, 76, 77, 83, 86, 89, 91, 94, 98, 101, 106, 107, 109, 111, 116, 117, 119, 124, 131, 133, 148, 149 and 158 are all floating rate Loan notes based on 3 month EURIBOR
Unsubordinated Loan notes 41 is fixed rate, 61, 74 and 151 are floating loan notes based on 6 month EURIBOR
Unsubordinated Loan note 142 is a 3 month EURIBOR + 11bp to 20/05/08, then step up spread 0 02% annually
Unsubordinated Loan notes 45, 90 and 138 are floating rate notes based on PRIBOR
Unsubordinated Loan note 63 and 82 are floating notes based on USD 1 month Libor
Unsubordinated Loan note 165 is a floating note based on USD 3 month LIBOR
Unsubordinated Loan note 123 is a floating rate note based on 3 month BRIBOR
Unsubordinated Loan note 57 is a floating rate note based on a 3 month HIBOR
Unsubordinated Loan notes 71, 145, 150, and 152 are fixed notes all based on Fixed rates
Unsubordinated Loan notes 62, 59, 70 and 84 are all based on range accrual
Unsubordinated Loan note 122 and 137 is based on a Double range accrual linked to the EUR/USD Exchange rate
Unsubordinated Loan notes 64, 120, 121, 126, 132, 144, 146, 153, 154 and 163 are linked to a basket of shares
Unsubordinated Loan notes 78, 128, 129, 136 and 139 are all CMS linked
Unsubordinated Loan notes 69, 112, 114, 155, 156, 160 and 167 are all Fixed Step-up Loan notes
Unsubordinated Loan notes 93, 96 and 80 are all Corridor market linked Loan notes
Unsubordinated Loan notes 147 and 143 are 12 month EURIBOR linked
Unsubordinated Loan notes 140 and 162 are 6 and 3 month EURIBOR linked respectively
Unsubordinated Loan note 53 and 141 are notes linked to a Commodities basket
Unsubordinated Loan note 51 is linked to an alternative multi-strategy fund
Unsubordinated Loan note 100 is linked to the Nikkei 225
Unsubordinated Loan note 88 is linked to the S&P500 and DAX
Unsubordinated Loan note 50 is linked to Synthetic Insurance notes

Notes to the Financial Statements *(continued)*

12 Non-current liabilities – due to customers (continued)

All Loan notes are syndicated under the Euro Medium Term Note Programme of €25,000,000,000 and are fully guaranteed by the parent company, Alpha Bank AE

As at 31 December 2007 the unamortised discount on the subordinated Loan notes was €nil *(2006 nil)* and the unamortised discount on the unsubordinated Loan note notes was €7,171,207 *(2006 €4,243,623)*

13. Share capital

	2007	2006
	€000's	€000's
Authorised		
50,000 ordinary shares of £1 each	73	73
Allotted, called up and partly paid		
50,000 ordinary shares of £1 each, 25p partly-paid	18	18

14 Retained earnings

	2007	2006
	€000's	€000's
At 1 January	11,795	15,834
Profit for the year	15,832	11,184
Dividend paid	(11,455)	(15,223)
At 31 December	16,172	11,795

Notes to the Financial Statements *(continued)*

15. Financial instruments and risk management

The Company's financial instruments are comprised of borrowings in the form of subordinated and unsubordinated Loan notes, Loans to its parent company and various other items that arise directly from its operations The main purpose of the Loan notes is to raise finance for the parent company The Programme under which the Loan notes are issued was increased from €20 billion to €25 billion on the 7th February 2007 These notes, all of which are guaranteed by the parent company, are issued as and when finance is required Consequently there is no specific timetable for draw-downs under the Programme Fifty issues were made in 2007 *(2006 Thirty five)*

The main risks arising from the Company's financial instruments are credit risk, market risk which includes market price risk, interest rate risk and foreign currency risk, and liquidity risk The Board reviews and agrees policies for managing each of these risks and they are summarised below

15.1 *Credit Risk*

Credit risk is the risk of financial loss which may arise from the failure of a customer or counterparty in meeting its obligation under a contract

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 the counterparties conduct their business

The Company's credit exposure arises from lending to its parent company, Alpha Bank AE, incorporated in Greece

15 2 *Market Risk*

15 2.1 *Market price risk*

The Company's exposure to market price risk comprises interest rate and currency risk exposures The Company's policy towards interest rate risk and currency risk is explained below

15.2.2 *Interest rate risk*

The Company finances its operations through a Euro Medium Term Note Programme and a Euro-Commercial Paper Programme The Company borrows in the desired currencies at floating and fixed rates of interest and then lends to its parent company at a higher rate of interest for the same period Any interest rate risk is ultimately mitigated by charging on the loan an interest rate that exactly matches that paid on the EMTN In addition to the rate charged on the loan a fixed margin is also added

Notes to the Financial Statements *(continued)*

15 Financial instruments (continued)

15 2 3 *Interest rate risk profile of financial assets and financial liabilities*

The table below summarises the Company's repricing as at 31 December Items are allocated to time bands by reference to the earlier of the next contractual interest rate repricing date and the maturity date

2007

Period	Less than 1 month €000's	1-3 months €000's	3-6 months €000's	6-12 months €000's	1-5 years €000's	Non-interest bearing €000's	Total €000's
Loan notes and advances	12,224,004	7,688,889	528,051	24,293	9,397	134,905	20,609,539
Cash at bank and in hand	-	-	-	-	-	20,961	20,961
Other assets	-	-	-	-	-	3,488	3,488
Total assets	12,224,004	7,688,889	528,051	24,293	9,397	159,354	20,633,988
Due to customers	12,228,153	7,695,923	528,051	24,293	9,397	125,730	20,611,547
Other liabilities	-	-	-	-	-	6,251	6,251
Shareholder's funds	-	-	-	-	-	16,190	16,190
Total liabilities	12,228,153	7,695,923	528,051	24,293	9,397	148,171	20,633,988
Interest rate sensitivity gap	(4,149)	(7,034)	-	-	-	11,183	-
Cumulative gap	(4,149)	(11,183)	(11,183)	(11,183)	(11,183)	-	-

Notes to the Financial Statements *(continued)*

15 Financial Instruments *(continued)*

2006

Period	**Less than 1 month** €000's	**1-3 months** €000's	**3-6 months** €000's	**6-12 months** €000's	**1-5 years** €000's	**Over 5 years** €000's	**Non-interest bearing** €000's	**Total** €000's
Loan notes and advances	7,954,186	6,731,158	112,020	17,500	10,000	6,000	362,424	15,193,288
Cash at bank and in hand	-	-	-	-	-	-	14,846	14,846
Other assets	-	-	-	-	-	-	277	277
Total assets	7,954,186	6,731,158	112,020	17,500	10,000	6,000	377,547	15,208,411
Due to customers	7,954,965	6,737,111	112,020	17,500	10,000	6,000	355,945	15,193,541
Other liabilities	-	-	-	-	-	-	3,057	3,057
Shareholder's funds	-	-	-	-	-	-	11,813	11,813
Total liabilities	7,954,965	6,737,111	112,020	17,500	10,000	6,000	370,815	15,208,411
Interest rate sensitivity gap	(779)	(5,953)	-	-	-	-	6,732	-
Cumulative gap	(779)	(6,732)	(6,732)	(6,732)	(6,732)	(6,732)	-	-

A negative interest rate sensitivity gap exists when more liabilities than assets re-price during a given period Although a negative gap position tends to benefit net interest income in a declining interest rate environment, the actual effect will depend on a number of factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rate sensitivity within repricing periods and among currencies

The Company charges a fixed margin on each loan to Alpha Bank AE , the rate of which, other than the margin, matches the terms of the relevant EMTN issued For this reason a separate sensitivity analysis has not been provided further to the gap analysis shown above

The weighted average interest payable on fixed rate financial liabilities was 5 731% *(2006 5 709%)* The weighted average period until maturity for the fixed rate financial liabilities was 70 days at 31 December 2007 *(2006 52 days)*

The weighted average period until maturity for the financial liabilities on which no interest is paid was 22 days at 31 December 2007 *(2006 48 days)*

Notes to the Financial Statements *(continued)*

15 Financial instruments *(continued)*

15 2.4 *Foreign currency risk*

In order to protect the company's Euro balance sheet from currency movements all borrowings are matched in the same currency for the same maturity periods Interest streams are also matched by currency and time, only the margin is subject to exchange risk

15 2 5 *Foreign Exchange Position*

2007

	GBP	USD	EUR	JPY	Other	Total
	€000's	€000's	€000's	€000's	€000's	€000's
Loan notes and advances	-	264,787	19,688,518	183,704	472,530	20,609,539
Cash at bank and in hand	31	29	20,844	36	21	20,961
Other assets	134	547	2,454	-	353	3,488
Total assets	165	265,363	19,711,815	183,740	472,903	20,633,988
Due to customers	-	264,739	19,690,794	183,633	472,380	20,611,547
Other liabilities	-	547	5,351	-	353	6,251
Shareholder's funds	18	-	16,172	-	-	16,190
Total liabilities	18	265,286	19,712,317	183,633	472,733	20,633,988
Net on-balance sheet position	147	77	(502)	107	170	-

Notes to the Financial Statements *(continued)*

15 Financial instruments ***(continued)***

2006

	GBP €000's	USD €000's	EUR €000's	JPY €000's	Other €000's	Total €000's
Loan notes and advances	-	69,359	14,835,843	193,069	94,877	15,193,148
Cash at bank and in hand	37	47	14,762	-	-	14,846
Other assets	277	-	140	-	-	417
Total assets	314	69,406	14,850,745	193,069	94,877	15,208,411
Due to customers	-	69,350	14,836,657	192,995	94,873	15,193,875
Other liabilities	-	-	2,723	-	-	2,723
Shareholder's funds	18	-	11,795	-	-	11,813
Total liabilities	18	69,350	14,851,175	192,995	94,873	15,208,411
Net on-balance sheet position	296	56	(430)	74	4	-

In the opinion of the Directors a movement in the above foreign currency positions against Euro would not have a significant impact on profit or equity of the Company and therefore no currency sensitivity analysis has been disclosed

Notes to the Financial Statements *(continued)*

15 Financial Instruments *(continued)*

15 3 *Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient funds to meet the obligations or commitments associated with its financial instruments The Company's exposure to liquidity risk is managed by matching all assets with liabilities, thereby ensuring that all cashflows out are matched and exceeded by cashflows in

15.3 1 *Liquidity risk (liquidity gap analysis)*

2007

Period	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Total
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
Loan notes and advances	459,485	87,762	21,978	698,492	16,357,957	2,986,853	20,612,527
Cash at bank and in hand	20,961	-	-	-	-	-	20,961
Other assets	-	-	-	-	-	500	500
Total assets	480,446	87,762	21,978	698,492	16,357,957	2,987,353	20,633,988
Due to customers	458,235	86,011	21,774	698,688	16,360,965	2,987,203	20,612,876
Other liabilities	4,854	-	-	-	-	68	4,922
Shareholder's funds	-	-	-	-	-	16,190	16,190
Total liabilities	463,089	86,011	21,774	698,688	16,360,965	3,003,461	20,633,988
Liquidity gap	17,357	1,751	204	(196)	(3,008)	(16,108)	-
Cumulative gap	17,357	19,108	19,312	19,116	16,108	-	-

Notes to the Financial Statements *(continued)*

15. Financial Instruments ***(continued)***

2006

Period	Less than 1 month €000's	1-3 months €000's	3-6 months €000's	6-12 months €000's	1-5 years €000's	Over 5 years €000's	Total €000's
Loan notes and advances	20,459	554,776	404,026	119,849	11,334,390	2,759,788	15,193,288
Cash at bank and in hand	14,846	-	-	-	-	-	14,846
Other assets	-	-	-	-	-	277	277
Total assets	35,305	554,776	404,026	119,849	11,334,390	2,760,065	15,208,411
Due to customers	19,089	550,307	404,219	119,892	11,339,088	2,760,946	15,193,541
Other liabilities	3,042	-	-	-	-	15	3,057
Shareholder's funds	-	-	-	-	-	11,813	11,813
Total liabilities	22,131	550,307	404,219	119,892	11,339,088	2,772,774	15,208,411
Liquidity gap	13,174	4,469	(193)	(43)	(4,698)	(12,709)	-
Cumulative gap	13,174	17,643	17,450	17,407	12,709	-	-

15 3.2 <u>*Capital Management*</u>

There have been no material changes to the Company's management of capital during the year All drawings under the Euro Medium Term Note and Euro-Commercial Paper programmes are guaranteed by the Company's parent, Alpha Bank A E , and consequently the Company does not have significant capital management issues

15 4 *Maturity of financial liabilities*

The maturity profile of the company's financial liabilities at 31 December 2007 is as follows

	2007 €000's	2006 €000's
In one year or less, or on demand	**1,269,630**	1,096,704
In more than one year but not more than five years	**16,360,965**	11,438,948
In more than five years	**2,987,203**	2,660,946
Total	**20,617,798**	15,196,598

Notes to the Financial Statements *(continued)*

15 Financial Instruments *(continued)*

15.5 *Borrowing facilities*

Under the Euro Medium Term Note Programme the Company has facilities outstanding of €4,514,183,087 as at 31 December 2007 *(2006 €4,876,544,722)*, which may be drawn as and when required Under the Euro Commercial Paper Programme the Company has facilities outstanding of €5,000,000,000 *(2006 nil)* which may be drawn as and when required

15 6 *Fair values of financial assets and financial liabilities*

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

	2007		2006	
	Book Value	**Fair Value**	Book Value	Fair Value
	€000's	**€000's**	€000's	€000's
Assets				
Due from banks	**20,609,539**	**20,544,287**	15,193,288	15,194,031
Liabilities				
Due to customers	**20,611,546**	**20,546,173**	15,194,015	15,194,755

The fair values of the short term financial liabilities and long-term borrowings have been determined by reference to prices available from the markets on which the instruments involved are traded

16 Related party transactions

The outstanding balances as at 31 December 2007 and transactions with related parties during the year are as follows

	2007	2006
	€000's	€000's
Loans to Alpha Bank AE	**20,474,634**	15,116,723
Interest accrued on loans to Alpha Bank AE	**134,905**	76,425
Interest paid by Alpha Bank AE	**852,723**	443,770
Nostros held with Alpha Bank AE	**20,961**	14,846
EMTNs sold to Alpha Group Jersey Ltd	**1,030,000**	900,000
Interest paid to Alpha Group Jersey Ltd	**25,517**	20,358
Interest payable to Alpha Group Jersey Ltd	**34,337**	32,874
Management charge paid to Alpha Bank London Ltd	**920**	0
Guarantee given by Alpha Bank AE	**20,485,817**	15,123,455

17 Ultimate controlling party

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

The consolidated financial statements of the group are available to the public and may be obtained from the above address, or from their internet site (www alpha gr)

Notes to the Financial Statements *(continued)*

18 Events after the balance sheet date

The Euro Medium Term Note Programme is expected to increase from €25 billion to €30 billion in the near future