



ALPHA BANK

ALPHA CREDIT GROUP PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

31 December 2011

Registered number 3747110

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## Company Particulars

### *Board of Directors*

Martin J Waghorn  
Alexander Gibb  
John Coxon  
Monika Ahmed

### *Company Secretary*

Nicola Kennedy

### *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 audited financial statements for the year ended 31 December 2011

### *Principal activities*

The principal activities of the Company are acting as a financial intermediary and raising finance for its parent company, Alpha Bank AE (the 'Bank')

### *Results and dividends*

The results for the year ended 31 December 2011 are shown on page 7. The loss for the year after taxation attributable to the owners is €88,592,000 (2010 profit of €5,807,000)

The loss for the year and the resultant negative equity arose as a result of a downward revision to the future expected cash flows arising on three loans with the parent. Subsequent to the year-end, interest payments on the related EMTNs which are held by a fellow subsidiary were waived. For these particular loans, whilst the Company is not expected to incur a shortfall in cash flows between interest receipts on the loans with the parent and interest payments on the EMTNs, International Financial Reporting Standards require an adjustment to be made to the carrying value of the loans based on a revised estimate of future cash flows at the year-end, however no adjustment is to be made to the carrying values of the EMTNs until the liability is extinguished, in this case through the debt waiver causing a mismatch. Interest payable on the related EMTNs which has been accrued at the year-end, will be reversed in 2012. These transactions did not affect the Company's cash flow, which remained in line with expectations. Further details are given in Note 9.

On 20<sup>th</sup> April 2012 the parent company announced a tender offer to repurchase part of or the whole of two subordinated EMTNs issued by the Company.

General administrative expenses decreased by 2% from €1,087,000 in 2010 to €1,069,000 in 2011. This was mainly due to the previous year's expenses including legal and agency fees which were not repeated this year.

An interim dividend of €100 per ordinary share amounting to €10,000,000 was paid to Alpha Bank AE during the year (2010 €200 per ordinary share amounting to €20,000,000). No final dividend is proposed (2010 nil).

### *Business review*

The Euro Medium Term Note ("EMTN") Programme (the Programme) has a maximum size of €30 billion. During the year twelve drawings were made under the Programme of value €682,000,000 and seventy-three maturities or redemptions occurred of value €2,457,000,000 (2010 twenty-seven drawings of value €187,000,000 and one hundred and fifty-nine maturities or redemptions of value €4,362,000,000). The Programme is listed on the Luxembourg Stock Exchange and was last updated in April 2011.

During the year no drawings were made under the €5 billion Euro Commercial Paper ("ECP") Programme (2010 ten issues with a nominal value of €81,000,000). No issues were outstanding at the year-end. The programme was established in December 2007.

The Base Prospectus and the Information Memorandum of the EMTN and ECP programmes respectively are available on the parent company's website at [www.alpha.gr/Investor Relations/Debt Information](http://www.alpha.gr/Investor%20Relations/Debt%20Information).

The key performance indicators normally used by the Company are the return on net interest income and the return on average capital employed. However, due to the distortion on the profit and loss as a result of the accounting mismatch between the variations on interest and waiver adjustments described above, these key performance indicators are not considered relevant in the current year but the performance of the Company is still considered to be satisfactory based on its cash flows. The Company's risk management strategies are set out in Note 17 to the financial statements.

### *Business strategy, business environment and future outlook*

The Company's business strategy and activities are linked to those of its parent company who guarantees all outstanding issues of EMTNs and ECPs. The Company, in order for it to pay interest on its debt and repay debt on maturity, is dependent on the Bank to pay interest on loans made to it by the Company on the due dates and to repay loans made to it on their maturity. As noted above, interest was waived after the year-end on two EMTNs and the matching loans. See Note 9 for further details.

## Directors' Report (continued)

The business environment in 2011, and in particular the Greek sovereign debt crisis, has adversely affected the Bank's and the Company's operations, which have been adjusted to reflect current market conditions. The Greek Government is in the process of implementing economic reforms agreed with the European Union and the International Monetary Fund. An agreement was reached in March 2012 between the Greek Government, the European Union and the International Monetary Fund which has resulted in further liquidity being made available to the Greek economy and Greek banks. If successful these will reduce the cost of government borrowing, restore the country's international credibility and revive economic growth.

The main risks to the Company's business over the next year stem from the refinancing of Greek government debt, which has had a significant impact on the Bank's capital base through its exposure to Greek government bonds. In addition, the long recession in Greece with the resultant increase in unemployment has caused an increase in impairment losses on corporate and individual loans. This, in turn, has led to a loss of deposits which, together with the credit rating downgrade of the Hellenic Republic and by extension the Greek banks, has caused all Greek banks to rely on continued liquidity support from the European Central Bank. Despite these adversities the Bank managed to maintain positive equity at the year-end. It has submitted to its regulator a comprehensive capital plan to re-build its capital position and meet the 9% European Banking Authority regulatory threshold by the end of September 2012. Capital enhancing measures include internal capital generating actions, such as liability management, the optimisation of risk weighted assets which has started to provide tangible results, and the disposal of non-core assets.

After reviewing all information available to them, including the likelihood of continued support of the European Union and the International Monetary Fund to Greece and continued liquidity support to the Bank, the directors consider it appropriate that the financial statements of the Company are prepared on the going concern basis.

### *Corporate governance*

The directors and management continue to promote and maintain a sound system of corporate governance in compliance with applicable regulatory requirements.

### *Directors*

The directors who served during the financial year and to the date of this report are as follows:

Martin J. Waghorn  
Alexander Gibb  
John Coxon  
Monika Ahmed

### *Directors' interests*

The directors who held office during the financial year and to the date of this report 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' remuneration*

Details of directors' remuneration are shown in note 6.

### *Creditor payment policy*

The Company's policy concerning the payment of creditors and service providers is to pay in accordance with its contractual and other legal obligations.

### *Donations*

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

## Directors' Report (continued)

### *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 or she ought to have taken as a director to make himself or herself aware of any relevant audit information and to establish that the Company's auditors are aware of that information

### *Auditors*

KPMG Audit Plc will be reappointed in accordance with Section 487 of the Companies Act 2006

By Order of the Board



Nicola Kennedy  
Company Secretary

66 Cannon Street  
London  
EC4N 6EP

1 May 2012

Company Registration Number 3747110 England

## 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 European Union.

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 2006 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

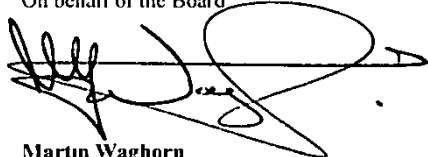
- Select suitable accounting policies and then apply them consistently,
- Make judgements and estimates that are reasonable and prudent,
- State whether they have been prepared in accordance with IFRSs as adopted by the European Union, and
- Prepare the financial statements on the going concern basis 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 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.

The directors represent that, in accordance with the EU Transparency Directive, to the best of their knowledge and belief:

- (i) the Company's financial statements give a true and fair view of the assets, liabilities, financial position and financial result for the year ended 31 December 2011, and
- (ii) the Directors' Report and information referenced therein, taken together, includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that they face.

On behalf of the Board



**Martin Waghorn**  
Director

1 May 2012

## Independent Auditors' Report 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 2011 set out on pages 7 to 28. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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.

### Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the APB's website at [www.frc.org.uk/apb/scope/private.cfm](http://www.frc.org.uk/apb/scope/private.cfm).

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2011 and of its loss for the year then ended
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Emphasis of matter – financial position of parent

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of disclosure made in Note 1 ('Going concern') to the financial statements concerning the Company's ability to continue to meet its debt obligations. The Company is dependent upon its parent's ability to make repayments under the loans provided to the parent. As set out in note 1, the unfavourable economic environment in Greece and the impact of the impairment losses resulting from the Greek sovereign debt restructuring on the regulatory capital of the Group, the planned actions to restore the capital adequacy of the Group and the existing uncertainties that could adversely affect the going concern assumption until the completion of the capitalisation process, could impact the parent's ability to meet its obligations to the Company under the loans to the parent, and consequently, the Company's ability to meet its own obligations under the loan notes due to customers.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- 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; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



G R Simpson (Senior Statutory Auditor)  
for and on behalf of KPMG Audit Plc, Statutory Auditor  
Chartered Accountants  
15 Canada Square,  
Canary Wharf  
London E14 5GL

1 May 2012



## Statement of Comprehensive Income

For the year ended 31 December 2011

	Note	2011 €000's	2010 €000's
Interest and similar income		76,606	195,923
Interest expense and similar charges		(153,455)	(186,783)
<b>Net interest (expense) / income</b>	3	<b>(76,849)</b>	<b>9,140</b>
General administrative expenses	4	(1,069)	(1 087)
Depreciation and amortisation	10,11	(8)	(8)
Impairment loss on financial assets	8	(10,656)	-
<b>(Loss) / profit before tax</b>		<b>(88,582)</b>	<b>8,045</b>
Income tax expense	7	(10)	(2 238)
<b>(Loss) / profit after tax</b>		<b>(88,592)</b>	<b>5,807</b>
<b>Other comprehensive income</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive (expense) / income after tax for the year attributable to owners of the company</b>		<b>(88,592)</b>	<b>5,807</b>

There is no other comprehensive income (2010 nil)

The notes on pages 11 to 28 form an integral part of these financial statements

## Statement of Financial Position

As at 31 December 2011

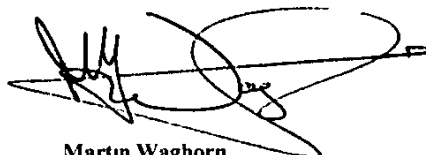
		2011	2010
	Note	€000's	€000's
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents		13,922	37,849
Due from banks	9	1,740,662	1,289,702
Current tax asset		655	-
Other assets		1	2
		<u>1,755,240</u>	<u>1,327,553</u>
<b>Non-current Assets</b>			
Property, plant and equipment	10	1	4
Intangible assets	11	13	17
Deferred tax assets	12	20	26
Due from banks	9	<u>2,606,887</u>	<u>4,946,689</u>
		<u>2,606,921</u>	<u>4,946,736</u>
<b>Total Assets</b>		<u><b>4,362,161</b></u>	<u><b>6,274,289</b></u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Due to customers	13	1,739,740	1,305,158
Other liabilities		112	98
Liabilities for income tax		-	1,049
		<u>1,739,852</u>	<u>1,306,305</u>
<b>Non-current liabilities</b>			
Due to customers	14	<u>2,704,946</u>	<u>4,952,029</u>
<b>Total Liabilities</b>		<u><b>4,444,798</b></u>	<u><b>6,258,334</b></u>
<b>Equity</b>			
<b>Equity attributable to the owners of the company</b>			
Called-up share capital	15	100	100
Retained earnings	16	<u>(82,737)</u>	<u>15,855</u>
		<u>(82,637)</u>	<u>15,955</u>
<b>Total Equity and Liabilities</b>		<u><b>4,362,161</b></u>	<u><b>6,274,289</b></u>

The notes on pages 11 to 28 form an integral part of these financial statements

These financial statements were approved by the board of directors on 1 May 2012 and were signed on its behalf by



John Coxon  
Director



Martin Waghorn  
Director

Company Registration Number 3747110

## Statement of Changes in Equity

*For the year ended 31 December 2011*

	Note	Share Capital €000's	Retained Earnings €000's	Total Equity €000's
Balance as at 1 January 2011		100	15,855	15,955
Total comprehensive (expense) / income for the year		-	(88,592)	(88,592)
Dividend paid	15	-	(10,000)	(10,000)
Balance attributable to owners as at 31 December 2011		100	(82,737)	(82,637)

	Note	Share Capital €000's	Retained Earnings €000's	Total Equity €000's
Balance as at 1 January 2010		100	30,048	30 148
Total comprehensive (expense) / income for the year		-	5,807	5,807
Dividend paid	15	-	(20,000)	(20,000)
Balance attributable to owners as at 31 December 2010		100	15,855	15,955

The notes on pages 11 to 28 form an integral part of these financial statements

## Statement of Cash Flows

For the year ended 31 December 2011

	Note	2011 €000's	2010 €000's
<b>Cash flows from operating activities</b>			
(Loss) / profit before tax		(88,582)	8,045
<i>Adjustment to reconcile net (loss) / profit before tax to cash flow from operating activities</i>			
Depreciation and amortisation	10,11	8	8
Impairment loss	8	10,656	-
		(77,918)	8,053
<i>Net (increase) / decrease in assets relating to operating activities</i>			
Due from banks		1,878,186	3,181,005
Current tax asset		(655)	-
Other assets		1	-
<i>Net decrease in liabilities relating to operating activities</i>			
Due to customers		(1,812,501)	(3,162,662)
Other liabilities		14	8
<i>Net cash inflow / (outflow) from operating activities before taxes</i>		(12,873)	26,404
Income taxes paid		(1,054)	(2,945)
<b>Net cash flows from operating activities</b>		(13,927)	23 459
<b>Cash flows from investing activities</b>			
<i>Net decrease in assets relating to investing activities</i>			
Purchase of property, plant and equipment		-	(21)
<b>Net cash flows used in investing activities</b>		-	(21)
<b>Cash flows from financing activities</b>			
<i>Net increase in liabilities relating to financing activities</i>			
Dividend paid	15	(10,000)	(20,000)
<b>Net cash flows (used in) / from financing activities</b>		(10,000)	(20 000)
<b>Net increase / (decrease) in cash and cash equivalents</b>		(23,927)	3,438
<b>Cash and cash equivalents at beginning of the year</b>		37,849	34,411
<b>Cash and cash equivalents at the end of the year</b>		13,922	37,849

The notes on pages 11 to 28 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, a company domiciled and incorporated in the UK (hereafter the "Company"), have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and the special provisions of Part VII of the Companies Act 2006, as at and for the year ended 31 December 2011. They are presented in Euros rounded to the nearest thousand unless otherwise indicated, and are prepared on the historical cost basis except for embedded derivatives which are carried at fair value through profit or loss.

#### *Comparatives*

The accounting policies applied during the period are consistent with those of the annual financial statements for the year ended 31 December 2010.

#### *Going concern*

The Company's business activities, together with the factors likely to affect its future development and position, are set out in the Directors' Report on Page 2. In addition, Note 17 to the financial statements includes 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.

As the principal activity of the Company is to raise finance for its parent company, Alpha Bank AE, ("the Parent"), it is wholly dependent on its parent to be able to meet the Company's own borrowing obligations to third parties. As such, all issues under the Company's Euro Medium Term Note Programme and its Euro Commercial Paper Programme (the "Programmes") are guaranteed by the parent.

At 31 December 2011, the Company had a deficit in equity of €82,637,000 as a result of a downward revision in the estimated future cash flows on three loans to the parent and the recognition of interest expense accruals on the EMINs related to these loans and held by a related party. As explained further in Note 9, subsequent to the year-end, this accounting deficit is expected to fully reverse gradually as a consequence of a) the waivers of the Company's obligations to pay interest on the EMINs and b) the early redemption of the loans at par due to the parent's announcement of an offer to repurchase part of or the whole of the hybrid securities issued by a fellow subsidiary that are directly linked to the above loans. Despite the accounting treatment of these waivers, the Company is expected to generate positive cash flows for the foreseeable future.

The unfavourable economic environment in Greece and internationally, creates significant challenges to the Greek financial system in terms of capital adequacy, access to capital markets and the ability of the Greek banks to obtain liquidity.

As the loans to the parent are the Company's only significant asset the Company's ability to meet its obligations under the current borrowing Programmes is dependent upon receipt of principal and interest from the parent, about which the following issues create uncertainty:

The consolidated financial statements of the parent issued on 20 April 2012, included in note 1.28.1 'going concern principle'.

The Group for the preparation of the annual financial statements for the year 2011 and for the application of the measurement basis for their individual items, as specifically described in note 1, was based on the going concern principle. The main factors that create uncertainties regarding the assessment of the Group for the confirmation of this principle relate mainly to the unfavorable economic environment in Greece and internationally, which in turn creates significant challenges to the Greek financial system in terms of capital adequacy, access to capital markets and the ability of the Greek banks to obtain liquidity. The financial position of the Bank was adversely affected by the participation in the program for the exchange of bonds and loans guaranteed by the Hellenic Republic (PSI) as well as by the long recession of the Greek economy which, in combination with the increase in unemployment, led to the increase in impairment losses on corporate and individual loans. Furthermore, the loss of deposits and the credit rating downgrade of the Hellenic Republic and by extension of the Greek banks, which in turn had an impact on the ability of financing by the European Central Bank with the use of collaterals eligible for refinancing, had a negative impact on obtaining sources of liquidity. The Bank's Board of Directors taking into account

## Notes to the Financial Statements (*continued*)

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

- The financial support of Greece by the European Commission, the European Central Bank and the International Monetary Fund as well as the enactment of L. 4046/14.2.2012 with which the Greek Parliament approved the Draft Financial Assistance Facility Agreements between the European Financial Stability Fund, the Hellenic Republic and the Bank of Greece and the Draft Memorandum of Understanding between the Hellenic Republic, the European Commission and the Bank of Greece, which among others, prescribe the provision for financing the voluntary bond exchange program and the recapitalization of credit institutions

- The successful completion of the bonds and loans guaranteed by the Hellenic Republic exchange program through which a substantial reduction of public debt was achieved

- The fact that the Group's business plan that was submitted to the Bank of Greece was evaluated as viable and reliable and based on it the capital needs that must be met within the following period to comply with the regulatory capital adequacy ratios were estimated and specifically the 8% capital adequacy ratio

- The fact that the Bank of Greece recognised the Bank's importance to the stability of the Greek banking system and that the Financial Stability Fund provided certification through which it is committed to participate in a share capital increase of the Bank or/and in the coverage of a convertible bond, to the extent necessary in the context of Law 3864/2010 up to the amount of €1.9 billion, so that the minimum requirement of an 8% capital adequacy ratio is satisfied and, after the capital increase, the LBA Core Tier I ratio reaches 7.3%, which by September 2012 should be 9%

- The actions that have been planned to enhance the capital adequacy through raising capital from capital markets and actively managing assets and liabilities,

- The Bank's ability to access, through adequate collaterals, eligible for refinancing, the refinancing mechanisms provided by the Eurosystem and the Bank of Greece which are expected to cover the short term and medium term financing needs of the Group, an ability which is enforced by the aforementioned certification of the Financial Stability Fund and by the actions taken for the capital enforcement of the Bank

considers that the conditions required to confirm the ability of the Bank to continue as a going concern are met and therefore prepared the financial statements of the Group on a going concern basis

The independent auditors' report to the shareholders on the consolidated financial statements of the Parent issued on 20 April 2012 included an emphasis of matter which stated 'Without qualifying our opinion, we draw attention to the disclosure made in note 1.28.1 to the financial statements, which refer to the impact of the impairment losses resulting from the Greek sovereign debt restructuring on the Group's regulatory capital, the planned actions to restore the capital adequacy of the Group and the existing uncertainties that could adversely affect the going concern assumption until the completion of the recapitalisation process'

The directors recognise that the uncertainties noted above, represent uncertainty about the Company's ability to fully repay under the current borrowing Programmes

The directors have made enquiries of the parent's ability to meet its obligations under the loans from the Company and specifically in relation to

- The wider financial support of Greece by the European Commission, the European Central Bank, the International Monetary Fund and the Bank of Greece and the provision for financing the voluntary bond exchange program and the recapitalisation of credit institutions and the Bank specifically
- The planned enhanced capital adequacy through the raising of capital from capital markets,
- The parent's ability to access, through adequate collateral eligible for refinancing, the refinancing mechanisms provided by the Eurosystem and the Bank of Greece which are expected to cover the short term and medium term financing needs of the parent,
- The parent's business plan to demonstrate compliance with regulatory capital adequacy

After reviewing all of the information available to them, the directors have a reasonable expectation that the parent will make repayments of the loans as required for the Company to meet its obligations under the loan Programmes and so it is appropriate for the financial statements to be prepared on a going concern basis

### **Functional and presentation currency**

The Company's functional and presentational currency is the Euro

## Notes to the Financial Statements (*continued*)

### 1 Accounting policies (*continued*)

#### *Foreign currency*

Transactions in foreign currencies are recorded at the rate of exchange ruling 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 Statement of Comprehensive Income.

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 Statement of Comprehensive Income using the effective interest rates of the financial assets and financial liabilities to which they relate.

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

#### *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 Statement of Comprehensive Income using the effective interest rate method.

#### *Taxation*

Income tax expense consists of current tax and deferred tax. It is recognised in the Statement of Comprehensive Income, 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 at the balance sheet date. A deferred tax asset is recognised to the extent that it is beyond any reasonable doubt that future taxable profits will be available against which the asset can be utilised, taking into consideration the enacted tax rates at the balance sheet date. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current assets and current liabilities against current tax amounts.

#### *Financial liabilities*

Financial liabilities of the company consist of debt. Debt is initially stated at fair value, that is the amount of the net proceeds after the deduction 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 nostro balances with banks.

## Notes to the Financial Statements (*continued*)

### 1 Accounting policies (*continued*)

#### *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 Statement of Comprehensive Income 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, with a full year's charge incurred in the year of acquisition.

The estimated useful lives are as follows:

- |                         |          |
|-------------------------|----------|
| • Computer 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, plant 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 Statement of Comprehensive Income.

#### *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 costs of internally developed software include all costs directly attributable to developing the software, and are 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 Comprehensive Income 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.

#### *Classification and measurement of financial assets and liabilities*

The Company classifies its assets and liabilities at amortised cost or fair value through profit or loss.

Loans and receivables, which consist of balances due from banks, 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.

Derivatives are carried at fair value through profit or loss. The Company does not hold or issue derivatives unless they are an embedded feature in financial instruments held or issued. Derivatives may be embedded in another contractual arrangement (a "host contract"). The Company accounts for an embedded derivative separately from the host contract when the host contract is not itself carried at fair value through profit or loss, the terms of the embedded derivative would meet the definition of a derivative if they were contained in a separate contract, and the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract. Separated embedded derivatives are accounted for depending on their classification, and are presented in the Statement of Financial Position together with the host contract.



## Notes to the Financial Statements (*continued*)

### 1 Accounting policies (*continued*)

#### *Impairment losses on financial assets*

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate. Impairment losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against amounts due from banks. Interest on impaired assets continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income. Assets are assessed for impairment when there has been an impairment trigger, including the non-payment of loan interest due on the payment date.

#### *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, management made the following estimates:

- In calculating deferred tax, estimates were based on current tax recoveries,
- Assessing whether the Company is considered a going concern (as set out above),
- In assessing the carrying value of assets and liabilities and/or impairment, estimates were based on the discounted future cash flows
- Valuation of embedded derivatives attached to issued debt is considered to equate to the fair value of embedded derivatives attached to the loans.

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 includes also instruments that are valued based on observable inputs that require significant adjustments based on unobservable inputs.

Valuation techniques include net present value and discounted cash flow models, option pricing models and other valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, equity index prices and expected price volatilities and correlations. The aim of valuation techniques is to arrive at a fair value determination that reflects the price of the financial instrument at the reporting date that would have been determined by market participants acting at arm's length.

## Notes to the Financial Statements (*continued*)

### 1 Accounting policies (*continued*)

#### *Future accounting developments*

At 31 December 2011 a number of standards and interpretations, and amendments thereto, had been issued by the International Accounting Standards Board, which are not effective for the Company's financial statements as at 31 December 2011. Those which are expected to have a significant effect on the Company's financial statements are discussed below.

#### *IFRS 9*

On 12 November 2009, IFRS 9 (Financial Instruments) was issued by the International Accounting Standards Board. The new standard was issued as part of the project for the replacement of IAS 39 and the scope of the first phase is the classification and measurement of financial assets. According to the new standard, financial instruments should be classified at initial recognition at either amortised cost or fair value. The criteria that should be considered for the initial classification of the financial assets are the following:

- i The entity's business model for managing the financial assets and
- ii The contractual cash flow characteristics of the financial assets

IFRS 9 permits at initial recognition equity instruments to be classified at fair value through Other Comprehensive Income. The option precludes equity instruments held for trading. Moreover, with regards to embedded derivatives, if the hybrid contract contains a host that is within the scope of IFRS 9, the embedded derivative should not be separated and the accounting treatment of the hybrid contract should be based on the above requirements for the classification of the financial instruments.

In addition, on 28 October 2010, the International Accounting Standards Board issued the revised requirements regarding the classification and measurement of financial liabilities. According to the new requirements, which were included in IFRS 9, in the case of financial liabilities that are initially designated at fair value through profit or loss, the change in the fair value of the liability should be recognised in profit or loss with the exception of the effect of change in the liability's credit risk which should be recognised directly in Other Comprehensive Income.

Furthermore, on 16 December 2011 the International Accounting Standard Board, with a new amendment of IFRS 9, transferred the effective date of the standard from 1 January 2013 to 1 January 2015.

Finally, it should be noted that for the completion of IFRS 9 the finalisation of the texts relating to amortised cost and impairment calculation as well as to hedge accounting is pending.

The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

#### *IFRS 13*

IFRS 13 (Fair Value Measurement) is effective for annual periods beginning on or after 1 January 2013.

On 12 May 2011, the International Accounting Standards Board issued IFRS 13 which

- Defines fair value,
- Sets out in a single IFRS a framework for measuring fair value and,
- Requires disclosures about fair value measurements

The Company is evaluating the potential impact from the adoption of this standard on its financial statements.

### 2 Segment information

An operating segment is a component of a company that engages in business activities from which it may earn revenues and incur expenses. The Board believes that the Company has only one operating segment as it has only one area of activity (the issue of debt instruments to raise finance for its parent company), and operates in only one geographical area: Greece.

## Notes to the Financial Statements *(continued)*

### INCOME STATEMENT

#### 3 Net interest income

Interest income and expense relates to various loans made to the parent and notes and commercial paper issued to various counterparties respectively as well as fee charges on the issue of notes under the EMIN programme by the dealer of the issue which the Company then recharges to its parent, Alpha Bank AE

	2011 €000's	2010 €000's
Interest income	72,164	191,759
Fee and commission income	4,442	4,164
<b>Total interest and similar income</b>	<b>76,606</b>	<b>195,923</b>
Interest expense	(149,018)	(182,665)
Fee and commission expense	(4,437)	(4,118)
<b>Total interest expense and similar charges</b>	<b>(153,455)</b>	<b>(186,783)</b>
<b>Net interest (expense) / income</b>	<b>(76,849)</b>	<b>9,140</b>

Interest income was reduced by €82,739,000 following a re-estimation of the contractually variable interest on two loan notes with the parent. As set out in Note 9, interest expense accrued to date on the related EMTNs held by a fellow subsidiary was waived after the year-end.

#### 4 General administrative expenses

	2011 €000's	2010 €000's
<i>These include</i>		
<b>Auditors' remuneration</b>		
Audit of these financial statements pursuant to legislation	24	23
Audit related assurance services	2	3
Taxation compliance	20	3
Non-audit services	-	10

#### 5 Staff

The Company employed no staff during the year and none in the preceding year. Staff costs borne by Alpha Bank London Limited, a fellow group undertaking, are apportioned to the Company. They are based on the time spent by employees on matters relating to the Company and amounted to €849,990 (2010: €793,871). Of this amount €564,123 (2010: €526,812) related directly to salaries recharged and €100,647 (2010: €85,362) to pensions which form part of a defined contribution plan.

## Notes to the Financial Statements *(continued)*

### 6 Directors' remuneration and transactions

The remuneration of the directors is as follows

	2011 €000's	2010 €000's
Directors' emoluments	245	211
Company contributions to a defined contribution scheme	43	29
<b>Total</b>	<b>288</b>	<b>240</b>

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

	2011 €000's	2010 €000's
Directors' emoluments	87	87
Company contributions to a defined contribution scheme	18	16
<b>Total</b>	<b>105</b>	<b>103</b>

### 7 Income tax

	2011 €000's	2010 €000's
<b>Current tax</b>		
UK corporation tax at 26.5% (2010 28%)	-	2,253
Adjustments in respect of prior periods	4	(21)
<b>Sub-total</b>	<b>4</b>	<b>2,232</b>
<b>Deferred tax</b>		
Deferred tax	6	6
<b>Total</b>	<b>10</b>	<b>2,238</b>

### Factors affecting the tax charge for the year

	2011 €000's	2010 €000's
<b>(Loss) / profit before tax</b>	<b>(88,582)</b>	<b>8,045</b>
Current tax on the above at 26.5% (2010 28%)	(23,474)	2,253
Accounting losses where no deferred tax is recognised	23,474	-
Adjustments in respect of prior periods	4	(21)
Adjustments in respect of deferred tax	6	6
<b>Total</b>	<b>10</b>	<b>2,238</b>

### 8 Impairment loss on financial assets

#### *Impairment loss for the year*

Charge for the year to the Statement of Comprehensive Income

	2011 €000's	2010 €000's
	10,656	-
	<b>10,656</b>	<b>-</b>

The impairment loss has arisen as a result of a re-estimation of the future interest cash flows of one loan. As set out in Note 9, interest expense accrued to date on the related EMTN held by a fellow subsidiary was waived at the year-end.

## Notes to the Financial Statements *(continued)*

### BALANCE SHEET

<b>9 Due from banks</b>	<b>2011</b>	<b>2010</b>
	<b>€000's</b>	<b>€000's</b>
<i>Amounts falling due within one year</i>		
Amounts owed by group undertakings	1,718,427	1,274,415
Embedded derivatives carried at fair value through profit or loss	22,235	15,287
	<u>1,740,662</u>	<u>1,289,702</u>
<i>Amounts falling due after more than one year</i>		
Amounts owed by group undertakings	2,617,543	4,946,689
Allowance for impairment loss	(10,656)	-
	<u>2,606,887</u>	<u>4,946,689</u>
	<u><b>4,347,549</b></u>	<u><b>6,236,391</b></u>
 <b>Allowance for impairment loss</b>	 <b>2011</b>	 <b>2010</b>
	<b>€000's</b>	<b>€000's</b>
<i>Specific allowances for impairment on balances due from banks</i>		
Balance at 1 January 2011	-	-
Impairment loss for the year	10,656	-
<b>Balance as at 31 December 2011</b>	<u><b>10,656</b></u>	<u><b>-</b></u>

As at 31 December 2011, no collective provision is required (2010 nil)

In February and March 2012, the Company agreed to waive its entitlement to interest on three loans made to the parent. As it was known at the year-end that these receipts would not occur, the carrying value of these loans was adjusted to reflect the revised actual and estimated cash flows discounted at the loans' respective original effective interest rate, the impact of which is outlined below. However the interest payable on the two matching EMTNs which was also waived at the same time by the holder of the instruments (a fellow subsidiary) was not adjusted for at the year-end as the condition giving rise to the waiver is a non-adjusting post balance sheet event. One EMTN with a value of €313 million (ISIN XS212951247) had interest payable of €16,116,000 outstanding at 31 December 2011 and the other, which is made up of two tranches with values of €200 million and €72 million (ISIN XS0159391092) had outstanding interest payable of €849,000.

Two loans to the parent contain clauses that permit the parent not to make interest payments if specified conditions relating to the existence of sufficient distributable funds are met. These conditions were met as at 31 December 2011 and the interest was waived. A revised estimation of the future cash flows on these two loans has resulted in an adjustment to interest income of €82,739,000. Also the waiver granted by the Company for the interest on the third loan was considered an impairment trigger due to the lack of such a clause in its loan agreement and based on the revised estimation of future cash flows for this loan, an impairment loss of €10,656,000 was recognised. This, together with the recognition of interest expense accruals and not having a commensurate adjustment to future cash flows on the related EMTNs, which are held by a fellow subsidiary, has led to a loss for the year and an accounting deficit in the equity of the Company. This accounting deficit was partially reversed in the first quarter of 2012 and is expected to fully reverse gradually as a consequence of a) the waivers of the Company's obligations to pay interest on the EMTNs as explained above and b) the early redemption of the loans at par due to the parent's announcement of an offer to repurchase part of or the whole of the hybrid securities issued by a fellow subsidiary that are directly linked to the above loans.

This mismatch in accounting treatment which is causing a loss to be shown in these financial statements, is as a result of the application and compliance with International Financial Reporting Standards and not a reflection of the actual cash flows expected to take place.

There are 73 loans outstanding, with interest rates ranging between 0% and 7.45% in currencies of EUR, USD, CZK and RON (2010: 91 loans outstanding, with interest rates ranging between 0% and 7.578% in currencies of EUR, USD, HKD, GBP, CZK, JPY, RON and CHF).

There are no loans outstanding relating to ECPs (2010: none).

## Notes to the Financial Statements (*continued*)

### 10 Property, plant and equipment

	Computer hardware €000's	Fixtures and fittings €000's	Plant and equipment €000's	Total €000's
<b>Cost</b>				
<i>At 1 January 2011</i>	98	6	11	115
Additions	-	-	-	-
Currency translation differences	3	-	-	3
<i>At 31 December 2011</i>	<b>101</b>	<b>6</b>	<b>11</b>	<b>118</b>
<b>Accumulated depreciation</b>				
<i>At 1 January 2011</i>	98	5	8	111
Charge for the year	-	1	2	3
Currency translation differences	3	-	-	3
<i>At 31 December 2011</i>	<b>101</b>	<b>6</b>	<b>10</b>	<b>117</b>
<b>Net book value</b>				
<i>At 31 December 2011</i>	-	-	1	1
<i>At 31 December 2010</i>	-	1	3	4

### 11 Intangible assets – computer software

	2011 €000's	2010 €000's
<b>Cost</b>		
<i>At 1 January</i>	223	196
Additions	-	21
Currency translation differences	7	6
<i>At 31 December</i>	<b>230</b>	<b>223</b>
<b>Accumulated amortisation</b>		
<i>At 1 January</i>	206	196
Charge for the year	5	4
Currency translation differences	6	6
<i>At 31 December</i>	<b>217</b>	<b>206</b>
<b>Net book value</b>	<b>13</b>	<b>17</b>

## Notes to the Financial Statements *(continued)*

### 12 Deferred tax assets

	2011			Balance 31.12.2011 €000's
	Balance 1.1.2011 €000's	Comprehensive Income €000's	Equity €000's	
Property, plant and equipment	26	(6)	-	20
<b>Total</b>	<b>26</b>	<b>(6)</b>	<b>-</b>	<b>20</b>

	2010			Balance 31.12.2010 €000's
	Balance 1.1.2010 €000's	Comprehensive Income €000's	Equity €000's	
Property, plant and equipment	31	(5)	-	26
<b>Total</b>	<b>31</b>	<b>(5)</b>	<b>-</b>	<b>26</b>

### 13 Current liabilities – due to customers

	2011 €000's	2010 €000's
Unsubordinated loan notes		
- Euro Medium Term Notes	1,669,493	1,229,465
- Euro Commercial Paper	-	-
Interest payable on unsubordinated loan notes		
- Euro Medium Term Notes	29,746	35,281
- Euro Commercial Paper	-	-
Interest payable on subordinated loan notes	18,214	24,975
Deferred income	52	150
Embedded derivatives carried at fair value through profit or loss	22,235	15,287
	<b>1,739,740</b>	<b>1,305,158</b>

As set out in Note 9, €16,116,000 and €849,000 of interest accrued at the Balance Sheet date was subsequently waived in February and March 2012 respectively

### 14 Non-current liabilities – due to customers

	2011 €000's	2010 €000's
Unsubordinated loan notes	1,635,645	3,566,730
Subordinated loan notes	1,069,297	1,385,243
Deferred income	4	56
	<b>2,704,946</b>	<b>4,952,029</b>

## Notes to the Financial Statements *(continued)*

### 14 Non-current liabilities – due to customers *(continued)*

All EMTNs are issued under the EMTN Programme of €30,000,000,000 and are fully guaranteed by the parent company, Alpha Bank AE

There are 73 EMTNs outstanding, with interest rates ranging between 0% and 7.45% in currencies of EUR, USD, CZK and RON (2010 91 EMTNs outstanding with interest rates ranging between 0% and 7.578% in currencies of EUR, USD, HKD, GBP, CZK, JPY, RON and CHF)

As at 31 December 2011 the unamortised discount on the EMTNs was €995,658 (2010 €2,075,193)

All ECPs are issued under the ECP Programme of €5,000,000,000 and are fully guaranteed by the parent company, Alpha Bank AE

There are no ECPs outstanding (2010 none)

### 15 Share capital

	2011 €000's	2010 €000's
<i>Issued, allotted and fully paid</i>		
100,000 ordinary shares of €1 each fully paid up		
(2010 100,000 ordinary shares of €1 each fully paid up)	<u>100</u>	<u>100</u>

A dividend was paid in 2011 of €10,000,000 resulting in a dividend per share of €100 (2010 a dividend of €20,000,000 was paid resulting in a dividend of €200 per share)

### 16 Retained earnings

	2011 €000's	2010 €000's
<i>At 1 January</i>	<b>15,855</b>	30,048
(Loss) / profit for the year	<b>(88,592)</b>	5,807
Dividend paid	<b>(10,000)</b>	(20,000)
<i>At 31 December</i>	<u><b>(82,737)</b></u>	<u>15,855</u>

### 17 Financial instruments and risk management

The Company's financial instruments comprise borrowings in the form of subordinated and unsubordinated EMTNs, ECPs and loans to its parent company and various other items that arise directly from its operations. The main purpose of the EMTNs and ECPs is to raise finance for the parent company. The Programme under which the EMTNs are issued has remained at €30,000,000,000. 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 drawdowns under the Programme.

During the year twelve drawings were made under the Programme of value €682,000,000 and seventy-three maturities or redemptions occurred of value €2,457,000,000 (2010 Twenty-seven drawings of value €187,000,000 and one hundred and fifty-nine maturities or redemptions of value €4,362,000,000)

During the year no drawings were made under the €5 billion Euro Commercial Paper ("ECP") Programme (2010 ten issues with a nominal value of €81,000,000)

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. There are no changes from the prior period in exposures to risk, or policies regarding risk.



## Notes to the Financial Statements (continued)

### 17. Financial instruments and risk management (continued)

#### 17.1 Credit Risk

Alpha Credit Group PLC is a special purpose vehicle of Alpha Bank AE (a company incorporated in Greece) and all lending is to Alpha Bank AE

Credit risk concentration relates to the lending to Alpha Bank AE of value €4,348,000,000 (2010 €6,236,000,000)

According to external ratings (using S&P)	Due from banks	
	2011 €000's	2010 €000's
Rating		
AAA to BBB-	-	-
BB+ to BB	-	6,236,391
BB- to B-	-	-
CCC+ to C	4,347,549	-
DDD to D	-	-
Unrated	-	-
<b>Total</b>	<b>4,347,549</b>	<b>6,236,391</b>

#### 17.2 Market Risk

##### 17.2.1 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.

The Company finances its operations through an EMTN Programme and an ECP 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 EMTNs and ECPs. In addition to the rate charged on the loan a fixed margin is also added.

##### 17.2.2 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.

2011 Period	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Non- interest bearing	Total
	€000's	€000's	€000's	€000's	€000's	€000's	€000's
<b>Due from banks</b>	973,439	2,405,983	308,708	645,253	-	14,166	4,347,549
<b>Cash and cash equivalents</b>	13,922	-	-	-	-	-	13,922
<b>Other assets</b>	-	-	-	-	-	690	690
<b>Total assets</b>	<b>987,361</b>	<b>2,405,983</b>	<b>308,708</b>	<b>645,253</b>	<b>-</b>	<b>14,856</b>	<b>4,362,161</b>
<b>Due to customers</b>	1,158,597	2,239,486	388,308	645,069	-	13,226	4,444,686
<b>Other liabilities</b>	-	-	-	-	-	112	112
<b>Shareholders' funds</b>	-	-	-	-	-	(82,637)	(82,637)
<b>Total liabilities</b>	<b>1,158,597</b>	<b>2,239,486</b>	<b>388,308</b>	<b>645,069</b>	<b>-</b>	<b>(69,299)</b>	<b>4,362,161</b>
<b>Interest rate sensitivity gap</b>	(171,236)	166,497	(79,600)	184	-	84,155	-
<b>Cumulative gap</b>	(171,236)	(4,739)	(84,339)	(84,155)	(84,155)	-	-

## Notes to the Financial Statements *(continued)*

### 17 Financial instruments and risk management *(continued)*

2010

Period	Less than 1 month	1-3 months	3-6 months	6-12 months	1-5 years	Non- interest bearing	Total
	€000's	€000's	€000's	€000's	€000 s	€000's	€000's
Due to banks	1,810,818	3,110,291	609,268	692,773	-	13,241	6,236,391
Cash and cash equivalents	37,849	-	-	-	-	-	37,849
Other assets	-	-	-	-	-	49	49
<b>Total assets</b>	<b>1,848,667</b>	<b>3,110,291</b>	<b>609,268</b>	<b>692,773</b>	<b>-</b>	<b>13,290</b>	<b>6,274,289</b>
Due to customers	1,813,745	3,123,450	610,856	697,765	-	11,371	6,257,187
Other liabilities	-	-	-	-	-	1,147	1,147
Shareholders' funds	-	-	-	-	-	15,955	15,955
<b>Total liabilities</b>	<b>1,813,745</b>	<b>3,123,450</b>	<b>610,856</b>	<b>697,765</b>	<b>-</b>	<b>28,473</b>	<b>6,274,289</b>
Interest rate sensitivity gap	34,922	(13,159)	(1,588)	(4,992)	-	(15,183)	-
<b>Cumulative gap</b>	<b>34,922</b>	<b>21,763</b>	<b>20,175</b>	<b>15,183</b>	<b>15,183</b>	<b>-</b>	<b>-</b>

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 4.463% (2010: 3.751%). The weighted average period until maturity for the fixed rate financial liabilities was 918 days at 31 December 2011 (2010: 2,012 days).

The weighted average period until maturity for the financial liabilities on which no interest is paid was 1,169 days at 31 December 2011 (2010: 1,820 days).

## Notes to the Financial Statements (*continued*)

### 17 Financial instruments and risk management (*continued*)

#### 17.2.3 Foreign Exchange Position

2011

	GBP €000's	USD €000's	EUR €000's	JPY €000's	Other €000's	Total €000's
Due from banks	-	48,502	4,236,425	-	62,622	4,347,549
Cash and cash equivalents	56	91	13,750	-	25	13,922
Other assets	-	-	690	-	-	690
<b>Total assets</b>	<b>56</b>	<b>48,593</b>	<b>4,250,865</b>	<b>-</b>	<b>62,647</b>	<b>4,362,161</b>
Due to customers	-	48,496	4,333,604	-	62,586	4,444,686
Other liabilities	-	-	112	-	-	112
Shareholders' funds	-	-	(82,637)	-	-	(82,637)
<b>Total liabilities</b>	<b>-</b>	<b>48,496</b>	<b>4,251,079</b>	<b>-</b>	<b>62,586</b>	<b>4,362,161</b>
<b>Net on-balance sheet position</b>	<b>56</b>	<b>97</b>	<b>(214)</b>	<b>-</b>	<b>61</b>	<b>-</b>

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

2010

	GBP €000's	USD €000's	EUR €000's	JPY €000's	Other €000's	Total €000's
Due from banks	4,073	52,730	5,832,913	278,815	67,860	6,236,391
Cash and cash equivalents	41	60	35,817	6	1,925	37,849
Other assets	-	-	49	-	-	49
<b>Total assets</b>	<b>4,114</b>	<b>52,790</b>	<b>5,868,779</b>	<b>278,821</b>	<b>69,785</b>	<b>6,274,289</b>
Due to customers	4,073	52,727	5,851,898	278,754	69,735	6,257,187
Other liabilities	-	-	1,147	-	-	1,147
Shareholders' funds	-	-	15,955	-	-	15,955
<b>Total liabilities</b>	<b>4,073</b>	<b>52,727</b>	<b>5,869,000</b>	<b>278,754</b>	<b>69,735</b>	<b>6,274,289</b>
<b>Net on-balance sheet position</b>	<b>41</b>	<b>63</b>	<b>(221)</b>	<b>67</b>	<b>50</b>	<b>-</b>

## Notes to the Financial Statements (continued)

### 17 Financial instruments and risk management (continued)

#### 17.2.4 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 not already accounted for at fair value through profit and loss

	2011		2010	
	Book Value €000's	Fair Value €000's	Book Value €000's	Fair Value €000's
<b>Assets</b>				
Due from banks	4,347,549	3,233,922	6,181,297	5,884,630
<b>Liabilities</b>				
Due to customers	4,444,686	3,312,073	6,188,060	5,890,648

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. As the short term financial liabilities and long term borrowings are passed through to Alpha Bank AE, the parent company, credit risk is not considered to be materially different from that of the parent company. Pricing of certain notes has been based on the recent tender offer (see Note 20) announced by the parent company to repurchase part of or the whole of two subordinated EMINs issued by the Company and hybrid securities that have been issued by a fellow subsidiary. All issues which matured during 2011 matured at par.

Embedded derivatives of €22,235,000 (2010: €15,287,000) are carried at fair value. The Company relies on the Risk Department of its parent, the Bank, and external counterparty quotes to determine the fair values of embedded derivatives. In all cases but three, these fair values are derived with the use of valuation techniques where all significant inputs are directly or indirectly observable from market data (level 2). In three cases there has been a transfer from Level 2 to Level 3 fair value category during the year. This transfer was carried out as the valuation was based on both market data of interest rate curves and correlations, as well as management assumptions regarding the probabilities associated with future payments. The respective movement is as follows:

	Embedded derivatives of issued notes €000's	Embedded derivatives in loans to Alpha Bank AE €000's
<b>Balance at 1 January 2011</b>	-	-
Transfers into Level 3	(3,426)	3,426
<b>Balance at 31 December 2011</b>	(3,426)	3,426
Gain / (loss) included in the income statement for financial instruments held at the end of the reporting period	11,843	(11,843)

## Notes to the Financial Statements (continued)

### 17 Financial instruments and risk management (continued)

#### 17.3 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 cash outflows are matched or exceeded by cash inflows.

##### 17.3.1 Liquidity risk

2011

		Carrying Amount €000's	Gross Nominal Inflow/ (Outflow) €000's	Less than 1 Month €000's	1-3 Months €000's	3 Months to 1 year €000's	1-5 Years €000's	More than 5 Years €000's
	Notes							
Due to customers	13,14	4,422,451	(5,291,404)	(726,888)	(727,133)	(1,551,005)	(861,694)	(1,424,684)
Other liabilities		112	(112)	-	(112)	-	-	-
Total liabilities		4,422,563	(5,291,516)	(726,888)	(727,245)	(1,551,005)	(861,694)	(1,424,684)

Embedded derivative liabilities have been excluded from the above analysis as the fair value and maturity profile matches the related embedded derivative assets. As set out in Note 9, €16,116,000 and €849,000 of interest accrued at the Balance Sheet date was subsequently waived in February and March 2012 respectively.

2010

		Carrying Amount €000's	Gross Nominal Inflow/ (Outflow) €000's	Less than 1 Month €000's	1-3 Months €000's	3 Months to 1 year €000's	1-5 Years €000's	More than 5 Years €000's
	Notes							
Due to customers	13,14	6,241,900	(7,367,928)	(6,653)	(283,520)	(1,079,891)	(3,615,177)	(2,382,687)
Other liabilities		1,147	(1,147)	-	(98)	(1,049)	-	-
Total liabilities		6,243,047	(7,369,075)	(6,653)	(283,618)	(1,080,940)	(3,615,177)	(2,382,687)

##### 17.3.2 Capital Management

There have been no material changes to the Company's management of capital during the year. All drawings under the EMTN and ECP programmes are guaranteed by the Bank, and consequently the Company does not have any significant capital management issues. The Company's objective when managing capital is to safeguard the Company's ability to continue as a going concern and to maintain an optimal structure to reduce the cost of capital by, for example, the payment of dividends to the shareholder. The Company is not subject to any external capital requirements except for the obligation under Section 656 of the Companies Act 2006 for the directors to call a General Meeting when the net assets of a public company are half or less of its called-up share capital. In the light of the negative capital position caused by the loss for the year, a General Meeting of the Company was held on 30 April 2012 to review the Company's financial position. The shareholder concluded that the explanations given by the directors satisfied it that the Company remains a going concern and was managing its capital adequately.

## Notes to the Financial Statements (*continued*)

### 17.4 Borrowing facilities

Under the EMTN Programme the Company has facilities outstanding of €25 616,500 000 as at 31 December 2011 (2010 €23,811,940,000), which may be drawn as and when required. Under the ECP Programme the Company has facilities outstanding of €5 000,000 000 (2010 €5 000 000 000) which may be drawn as and when required.

### 18 Related party transactions

The outstanding balances as at 31 December 2011 and transactions with related parties during the year are as follows:

	2011 €000's	2010 €000's
Loans to Alpha Bank AE	4,315,098	6,181,297
Interest accrued on loans to Alpha Bank AE	32,451	44,354
Interest received from Alpha Bank AE	76,606	195,923
Current accounts held with Alpha Bank AE	13,906	37,826
Current accounts held with Alpha Bank London Limited	16	23
EMTNs held by Alpha Group Jersey Limited	610,000	610,000
Interest paid to Alpha Group Jersey Limited	30,733	42,591
Interest payable to Alpha Group Jersey Limited	17,062	21,418
Management charge paid to Alpha Bank London Limited	850	794
Guarantee given by Alpha Bank AE	4,452,700	6,261,529

There are no key management personnel other than the board of directors whose transactions have been shown in note 6.

### 19. 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 at [www.alpha.gr](http://www.alpha.gr).

### 20 Events after the balance sheet date

- As described in detail in Note 9, in February and March 2012 the Company agreed to waive its entitlement to interest on three loans made to the parent. The interest payable on the matching EMTNs was also waived by the holders of the instruments, a fellow subsidiary.
- On 20<sup>th</sup> April 2012 the parent company announced a tender offer to repurchase part of or the whole of two subordinated EMTNs issued by the Company, and hybrid securities that have been issued by a fellow subsidiary.
- On 15 November 2011 the shareholders of both Alpha Bank AE, the Company's ultimate parent, and EFG Eurobank SA, another bank incorporated in Greece, approved proposals for a merger. On 30 January 2012 Alpha Bank AE announced that it intended to delay the merger until the final terms of Greece's Private Sector Involvement ('PSI') in the Greek government bond restructuring had been agreed, as this could have a disproportionate impact on the two banks. On 14 March 2012 Alpha Bank AE announced that, following the conclusion of the PSI negotiations, it intended to propose at a Meeting of its Board of Directors that a General Meeting of its shareholders be held to revoke the decision to merge. An Extraordinary General Meeting of the shareholders was held on 26 April 2012 but did not achieve the quorum required to abandon the merger proposal, and a further Extraordinary General Meeting is to be held on 8 May 2012.