

Company Registration Number: 06720661

KATANALOTIKA PLC
ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2018



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KATANALOTIKA PLC

CORPORATE INFORMATION

Directors	Mr I Kyriakopoulos Mr D J Wynne Wilmington Trust SP Services (London) Limited
Company secretary	Wilmington Trust SP Services (London) Limited
Company number	06720661
Registered office	c/o Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
Statutory Auditor	Deloitte LLP London United Kingdom
Servicer	Alpha Bank AE 40 Stadiou 102 52 Athens Greece

KATANALOTIKA PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual strategic report of Katanalotika Plc (the “Company”) for the year ended 31 December 2018.

GENERAL

PRINCIPAL ACTIVITIES

The Company was incorporated as a public limited company on 10 October 2008. The principal activities of the Company are those of a special purpose vehicle, set up to acquire a portfolio of loans (the “Underlying Receivables”) comprising personal consumer and auto loans, and to finance such activities by issuing securities, raising or borrowing money and lending money with or without security subject to and in accordance with the terms of the relevant transaction documents.

In accordance with its Offering Circular dated 9 December 2008, on 9 December 2008 the Company issued €1,520,000,000 of floating rate loan notes (‘Loan Notes’ or ‘Notes’) in order to purchase the Underlying Receivables (Greek personal consumer and auto loans) from Alpha Bank AE (the “Originator”). As at the year end €1,520,000,000 of principal loan notes are outstanding (2017: €1,520,000,000). The floating rate loan notes are due to mature on 17 December 2029 and are listed on the main market of the Irish Stock Exchange.

The Originator has retained substantially all the risks and rewards of ownership of the Underlying Receivables and therefore its transfer to the Company was accounted for as a financing transaction (“a deemed loan”), notwithstanding that it was a sale from a legal perspective. When loans are transferred from the Originator, all related securities and ancillary rights, (the “Collateral”) attached to the loans are also transferred. The sale of the Underlying Receivables to the Company is considered to fail the derecognition criteria of IFRS 9, Financial Instruments, in the books of Alpha Bank AE and therefore they are retained on the Statement of Financial Position of the Originator. As such, the Company records in its Statement of Financial Position a ‘Deemed Loan to the Originator’ rather than the Underlying Receivables of loans it has legally purchased.

As disclosed in Note 16 to the financial statements Alpha Bank A.E is also the ultimate controlling party of the Company.

REVIEW OF THE BUSINESS

KEY PERFORMANCE INDICATORS AND RESULTS

The Company’s financial position at the year-end are shown in the attached financial statements. The profit after taxation for the year was €159,514,952 (2017: loss after taxation of €27,431,105). As at the year end the carrying value of the Deemed Loan to Originator was €866,386,180 (2017: €1,086,662,626). Loan notes and borrowings at the year-end amounted to €1,519,524,148 (31 December 2017: €1,519,480,888). As of 2018, cash and cash equivalents, including reserve funds, were €499,837,847 (2017: €363,000,765). The key performance indicators of the Company are net interest income and impairment losses. During 2018 net interest income was €70,796,256 (2017: €93,023,228) and the impairment gain was €179,729,191 (2017: Impairment charge of €29,311,493) however 2017 has not been restated for the implementation of IFRS 9 and therefore the impairment movement is not comparable.

On 1 January 2018, Alpha Bank AE implemented IFRS 9 “Financial Instruments”, which involved obtaining information necessary to understand the effect of the IFRS 9 First Time Adoption (“FTA”) impact on the Company’s Statement of Financial Position as at 1 January 2018.

As at 1 January 2018 the IFRS 9 FTA impact on the gross Deemed Loan to the Originator was a decrease of €155,903,214. The equity was also impacted by the same amount due to there being no deferred purchase consideration (credit enhancement) available within the structure. Please refer to note 1 and note 8 for more details on the IFRS 9 FTA impact.

FUTURE DEVELOPMENTS

The directors expect that the present level of activity will be sustained in the foreseeable future. The activities of the Company are limited to those of the holding and management of the Underlying Receivables acquired from Alpha Bank AE.

KATANALOTIKA PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT

The Company is exposed to a range of business risks and a detailed consideration of the risk factors relevant to the Securitisation Transaction is included in the section "Risk Factors" of the Offering Circular and summarised below. Further information on the Company's financial risks and the management of these are set out in note 14 to the financial statements.

Market Risk

Market risk exists where changes in the economic environment in which the Company operates may negatively impact the Company's performance. The Company is exposed to a range of market risks which includes market liquidity constraints, limited availability of credit and difficult trading conditions.

These continue to pose significant challenges to the underlying borrowers with whom the Company has exposure through the Deemed Loan to the Originator. Conditions may deteriorate further due to the continued financial and economic uncertainty in Greece. However, based on the terms of transaction documents, the risk for the Company in being able to pay off its obligations is limited to the receipt of funds on the Underlying Receivables from the Originator.

Operational Risk

The principal operational risk to the Company is its ability to meet its obligations to pay principal and interest on the Loan notes and its operating and administrative expenses. The Company's cash flows are derived from the Deemed Loan to the originator which in turn is derived from the Underlying Receivables.

If there are insufficient funds available as a result of any defaults on the Underlying Receivables, then the Company may not be able, after making the payments to be made in priority thereto, to pay, in full or at all, amounts of interest and principal due to the holders of, firstly, the Class Z Notes and secondly, the Class A Notes. In this situation, there may not be sufficient funds to redeem each class of Notes on or prior to the Final Contractual Maturity Date on 17 December 2029. However, the Class A and Class Z Notes are limited-recourse debt obligations of the Company. As such the ability of the Company to meet its obligations will directly depend upon receipt of funds from the Originator, which in turn is dependent on the ability of underlying borrowers to service their loans.

In addition, over reliance on the servicer and underperformance of the servicer could materially impact cash flows, income and profitability and therefore adversely impact the Company's result.

Compliance Risk

Compliance risk exists where failure to comply with applicable legislation and regulatory requirements within the geographies and markets in which the Company operates and any potential breaches may result in reputational damage and fines which may impact the Company's ability to remain competitive in the market.

The Company has appointed a servicer and a corporate service provider in order to keep up to date with any changes to any regulatory environment which could adversely impact the Company.

Interest Rate Risk

The Company receives interest predominantly at floating rates on the loans underlying the Deemed Loan to the Originator with some fixed rate loans. Interest on the Company's funding is paid at floating rates. The directors consider that the margin between the effective interest received from Underlying Receivables and the interest paid on loan notes is considered sufficient to hedge any interest rate exposure.

Credit Risk

The Company is exposed to credit risk, in relation to defaults from repayments of the Underlying Receivables underpinning the Deemed Loan to the Originator. At the time of acquisition, the Underlying Receivables was carefully selected to meet certain criteria, as set out in the Offering Circular issued in connection with the issue of the floating rate loan notes. These criteria and the day to day management of the Underlying Receivables are undertaken by Alpha Bank AE which actively manages the collection of the outstanding amounts. Please refer to note 1 for additional information in relation to credit risk and IFRS 9 implementation.

As mentioned in note 1, the issues prevalent in Greece could affect the ability of the borrowers to repay the loans. The Underlying Receivables will be managed with the objective of satisfying the collateral test. In order to satisfy the collateral test, the weighted average interest rate of the Loans included in the Underlying Receivables is not less than the sum of (i) 3-month EURIBOR as at the immediately preceding Interest Payment Date, and (ii) 4 per cent.

KATANALOTIKA PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT (CONTINUED)

Credit Risk (continued)

In order to ensure the collateral test is maintained, Alpha Bank AE has repurchased loans from the Company of €546,189,329 during the year (2017: €307,553,665).

Liquidity Risk

Notwithstanding the factors noted above in relation to the risks associated with collecting amounts due from the Deemed Loan to the Originator, liquidity risk is not regarded as significant, given that the Company is only obliged to make payments to the loan note holders from amounts collected from the Underlying Receivables.

Foreign Currency Risk

The Company's assets and liabilities are denominated in Euros and are not exposed to any material currency fluctuations to any material transactions that are denominated in currencies other than Euros. Accordingly, the currency risk for the Company as a whole is considered to be low.

Brexit Risk

On 23 June 2016, the UK voted to exit the European Union. The UK is currently scheduled to leave the EU on 31 January 2020. No exit deal has been currently reached, it is difficult to determine the likely economic financial impact at this stage, however, general market conditions may slow down in the short to medium term which could impact the performance of the Deemed Loan to the Originator. This is not expected to have any effect on the Company's ability to trade as a going concern. In addition, although the directors of the SPV are based in the UK, the underlying collateral is in the European Union. At the date of signing these Financial statements, the Directors do not foresee any immediate risks crystallising, however, the directors will continue to closely monitor the impact of the decision on the market and therefore on the Company.

GOING CONCERN

The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Strategic Report. In addition, note 14 to the financial statements includes the Company's financial risk management objectives and its exposures to market risk, credit risk and liquidity risk. As at year end carrying value of the Deemed Loan to Originator was €866,386,180 (2017: €1,086,662,626). Loan notes and borrowings held at the year end amounted to €1,519,524,148 (2017: €1,519,480,888). As of 31 December 2018, cash and cash equivalents, including reserve funds, were €499,837,847 (2017: €363,000,765). The Company made a profit of €159,514,952 in the current year (2017: loss (€27,431,105)) due to the effect of the impairment reversal. As at 31 December the Company was in a negative equity position amounting to €149,409,103 (2017: (€153,020,841)).

The directors have undertaken a detailed assessment of the Company's on going business model, in view of the importance of the recovery of the deemed loan to the Originator ('Alpha Bank A.E.' or 'the Group') in being able to repay its liabilities on the loan notes. Under the terms of the loan notes issued by the Company and associated arrangements, amounts due are only payable and limited to the extent that there are sufficient receipts from the Deemed Loan to the Originator.

Under the terms of the Offering Circular, the Class A and Class Z loan notes are limited-recourse debt obligations of the Company. The ability of the Company to meet its obligations under the loan notes will be directly dependent primarily upon the receipt by it of principal and interest from the borrowers underpinning the Deemed Loan to Originator. Other than any interest earned by the Company in respect of the Company's bank accounts, the Company is not expected to have any other funds available to meet its obligations under the loan notes and/or any other payment obligation ranking in priority to, or pari passu with, the loan notes. Upon enforcement of the security for the loan notes, the trustee or any receiver and the Noteholders will have recourse only to the Deemed Loan to Originator, the Company's interest in the relevant ancillary rights and to any other assets of the Company then in existence as described in the Offering Circular.

KATANALOTIKA PLC

STRATEGIC REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

PRINCIPAL RISKS AND UNCERTAINTIES AND RISK MANAGEMENT (CONTINUED)

GOING CONCERN (CONTINUED)

The Originator has been affected by the high degree of uncertainty that characterises the Greek economic environment in recent years, as a result of the prolonged recession of the Greek economy, which led to a significant deterioration in the creditworthiness of corporate and individuals and therefore to the recognition of significant impairment losses by the Originator and by the Greek banking system in general. In August 2018 The Hellenic Republic officially exited the international bail-out programme and this is expected to contribute to the decrease of uncertainty and to the enhancement of business community and investors' confidence in Greece.

The Company's deficit has resulted from the recognition of significant impairment losses, in prior periods, on the Underlying Receivables acquired by the Originator, as described above. However these could be gradually reversed in the future if conditions in the Greek economy improve. Also, collections from the Underlying Receivables in the past have always been sufficient to cover the Company's liabilities and return excess amounts to the Originator. The Company's notes are not due to be repaid until 2029 and an early repayment is not expected within the next twelve months. Even in the case that the Originator exercised their option to early terminate the transaction through the repurchase of the loans, according to the terms of the Offering Circular, the Underlying Receivables would be repurchased at gross amounts and sufficient recourses would be available to the Company to repay the notes outstanding. Taking into account the above, the directors have assessed that it is appropriate to prepare the financial statements on a going concern basis.

Approved by the Board of Directors and authorised for issue on its behalf by:



Ioannis Kyriakopoulos
Director
16 December 2019

KATANALOTIKA PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2018

The directors present their annual report and the audited financial statements of Katanalotika PLC (the "Company") for the year ended 31 December 2018 with comparatives for the year ended 31 December 2017.

THE DIRECTORS

The directors who served the Company during the year and up to the date, of signing the financial statements, except as a noted, are as follows:

Mrs M Clarke-Whelan (Resigned 1 October 2018)
Mr R Sutton (Appointed on 1 October and resigned 26 March 2019)
Mr I Kyriakopoulos (Appointed on 26 March 2019)
Mr D J Wynne
Wilmington Trust SP Services (London) Limited

DIVIDENDS

The directors have not recommended a dividend (2017: €nil).

DONATIONS

The Company made no political or charitable donations during the year under review (2017: €nil).

THIRD PARTY INDEMNITIES

Qualifying third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the Strategic Report, Directors' Report and financial statements.

CORPORATE GOVERNANCE

The directors have been charged with governance in accordance with the transaction documents describing the structure and operation of the transaction. The governance structure of the Company is such that the key policies have been predetermined at the time of issuance and the operational roles have been assigned to third parties with their roles strictly governed by the transaction documents.

The transaction documents provide for procedures that have been designed for safeguarding assets against unauthorised use or disposition, for maintaining proper accounting records, and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives whilst enabling them to comply with regulatory obligations.

Due to the nature of the securities which have been issued on the Irish Stock Exchange, the directors are satisfied that there is no requirement to publish a corporate governance statement and that the Company is largely exempt from the disclosure requirements of the provisions of the UK Corporate Governance Code.

CAPITAL STRUCTURE

Details of the issued share capital, together with details of holders of shares are shown in Note 11 and Note 16 to the financial statements. There are 50,000 authorised ordinary shares of £1 each. The issued share capital consists of 2 fully paid ordinary shares and 49,998 quarter paid ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

KATANALOTIKA PLC

DIRECTORS' REPORT (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

RISK MANAGEMENT

The directors have carried out an assessment of the principal risks facing the Company and appropriate processes are put in place to monitor and mitigate them.

The key business risks affecting the Company and its management are discussed in the strategic report and further information on the Company's financial risk management is set out in note 14, "Financial Risk Management" to the financial statements.

FUTURE DEVELOPMENTS

Future Developments are discussed in detail in the strategic report.

POST BALANCE SHEET EVENTS

Loans amounting to €110,474,282 have been redeemed since the year end. The Company has also acquired loans amounting to €151,712,623 since the year end. There were no other significant balance sheet events.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the persons who is a director at the date of approval of this annual report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Company's auditor is unaware; and
- the director has taken all the steps that he/she ought to have taken as a director in order to make himself/herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

APPOINTMENT OF AUDITORS

In accordance to section 485 of the Companies Act 2006, the Board of Directors has proposed the appointment of MHA Macintyre Hudson LLP as the statutory Auditor of the company who have expressed willingness to accept the engagement.

Approved by the Board of Directors and authorised for issue on its behalf by:



Ioannis Kyriakopoulos
Director
16 December 2019

KATANALOTIKA PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

FOR THE YEAR ENDED 31 DECEMBER 2018

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors are required to prepare the financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under Company law the directors must not approve the accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, International Accounting Standard 1 requires that directors:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

Report on the audit of the financial statements

Opinion

In our opinion the financial statements of Katanalotika plc (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;**
- **have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and**
- **have been prepared in accordance with the requirements of the Companies Act 2006.**

We have audited the financial statements which comprise:

- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 17.

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

Basis for opinion

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

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

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

Summary of our audit approach

Key audit matters	The key audit matters that we identified in the current year were: <ul style="list-style-type: none">• Loan Loss Provisioning: Staging of loans in the underlying portfolio; and• Revenue recognition of interest income on stage 3 loans in the underlying portfolio.
Materiality	The materiality that we used in the current year was €11,030,004, which was determined on the basis of 1% of the preliminary underlying receivable portfolio. We have assessed that updating the materiality to use the final figure would not cause a material impact on the testing.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

Significant changes in our approach

We have updated our key audit matter in the year to include staging of the underlying portfolio under IFRS 9, as this is its first year of implementation.

Conclusions relating to going concern

We are required by ISAs (UK) to report in respect of the following matters where:

- the directors' use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Loan Loss Provisioning: Staging of loans in the underlying portfolio

Key audit matter description



As disclosed in Note 8 and Note 1, the company's Deemed Loan balance of €866,386,180 (2017: €1,086,662,626) is underpinned by a portfolio of corporate bonds and terms loans originated by Alpha Bank AE.





The Deemed Loan is measured at amortised cost less impairment, which is established by reference to the credit quality of the Deemed Loan itself. IFRS 9 introduces a new impairment model based on expected losses, (rather than incurred loss as per IAS 39) which has a wider scope of application than IAS 39.

With the exception of purchased or originated credit-impaired financial assets expected credit losses are required to be measured through a loss allowance at an amount equal to:

- 12-month expected credit losses (expected credit losses that result from those default events on the financial instrument that are possible within 12 months after the reporting date); or
- lifetime expected credit losses (expected credit losses that result from all possible default events over the life of the financial instrument).

A loss allowance for lifetime expected credit losses is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

<p>How the scope of our audit responded to the key audit matter</p> 	<p>We performed, among others, the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's staging process on both the underlying receivables and Deemed Loan asset and assessed the design and implementation of relevant key controls; • Evaluated management's methodology and the reasonableness of judgements in performing their staging assessment; • Understood the implementation of the system used by Alpha Bank A.E. to assign staging of underlying receivable loans as well as testing accurate flow through of staging allocation to the SPV entities; • Tested the staging system including review performed by Loan Loss Provisioning specialists of the staging system used and re-performance of stage allocation on a loan by loan basis.
<p>Key observations</p> 	<p>From the work performed, we concur with management's approach to staging as at 31 December 2018.</p>
<p>Revenue recognition of interest income on stage 3 loans in the underlying portfolio</p>	
<p>Key audit matter description</p> 	<p>Revenue recognised in the Company of €83,032,160 (2017: €97,906,133) arises from interest income on the Deemed Loan. For interest income the key judgement is the application of the Effective Interest Rate ('EIR') method.</p> <p>Given the judgment involved in the assumptions used, for example the period over which fees are amortised, and the fact that for stage 3 loans interest is only charged on the balance net of impairment, we identified revenue recognition as a potential area susceptible to fraud.</p> <p>Management have described the recognition basis for revenue in Note 1 and Note 4 to the financial statements.</p>
<p>How the scope of our audit responded to the key audit matter</p> 	<p>We performed, among others, the following procedures:</p> <ul style="list-style-type: none"> • Obtained an understanding of management's revenue recognition process and assessed the design and implementation of relevant key controls; • Assessed management's calculation of the EIR and compared this to the contractual terms governing the loan; • Performed work on the automated control of interest rate calculation; • Assessed whether accurate flow through of the interest income amounts per loan on a sample basis through to the SPV.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

Key observations



From the work performed, we concur with management's approach to the recognition of interest income as at 31 December 2018.

Our application of materiality

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

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

Materiality	€11,030,004 (2017:€12,000,000)
Basis for determining materiality	1% of the preliminary gross underlying receivable balance
Rationale for the benchmark applied	The sole purpose of the company is to acquire and hold loan portfolios, which are financed by the issue of loan notes. The underlying receivables balance forms the Deemed Loan value prior to impairment which is the key driver of the company's results and is therefore the key focus of the users of the financial statements.
<p>Underlying receivables €1,103,000,356</p> <p>Materiality € 11,030,004</p> <p>Reporting threshold. €551,500</p>	

We agreed with the management that we would report to the management all audit differences in excess of €551,500 (2017: €600,000), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the management on disclosure matters that we identified when assessing the overall presentation of the financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

An overview of the scope of our audit

Our audit was scoped by obtaining an understanding of the entity and its environment, including internal control, and assessing the risks of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team, due to the fact that certain functions are located in head office in Greece, work on certain areas are performed by a member firm based in Greece. We performed our scoping on the basis of whether we determined the balance to be material, whether quantitatively or qualitatively.

Other information

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

We have nothing to report in respect of these matters.

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

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

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

Responsibilities of directors

As explained more fully in the statement of directors responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

Details of the extent to which the audit was considered capable of detecting irregularities, including fraud are set out below.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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

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

Identifying and assessing potential risks related to irregularities

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

- enquiring of management, including obtaining and reviewing supporting documentation, concerning the company's policies and procedures relating to:
 - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
 - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
 - the internal controls established to mitigate risks related to fraud or non-compliance with laws and regulations;
- discussing among the engagement team and involving relevant internal specialists, including IT and IFRS 9 specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud. As part of this discussion, we identified potential for fraud in the following areas: revenue recognition and loan loss provisioning; and
- obtaining an understanding of the legal and regulatory frameworks that the company operates in, focusing on those laws and regulations that had a direct effect on the financial statements or that had a fundamental effect on the operations of the company. The key laws and regulations we considered in this context included the UK Companies Act 2006, Listing Rules and the UK Securitisation Tax Regime.

Audit response to risks identified

As a result of performing the above, we identified loan loss provisioning and revenue recognition as key audit matters. The key audit matters section of our report explains the matters in more detail and also describes the specific procedures we performed in response to those key audit matters.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by the Companies Act 2006

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

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

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

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

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

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

We have nothing to report in respect of these matters.

Directors' remuneration

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

We have nothing to report in respect of this matter.

Other matters

Auditor tenure

Following the recommendation of the Alpha Bank A.E audit committee, we were appointed by the Board of directors on 22 November 2017 to audit the financial statements for the year ending 31 December 2017 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments of the firm is 2 years, covering the years ending 2017 to 2018.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KATANALOTIKA PLC

Use of our report

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



Simon Stephens, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
16th December 2019

KATANALOTIKA PLC**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2018**

		2018	2017
	Notes	€	€
Interest income	4	164,740,310	97,906,133
Interest expense	5	<u>(4,912,706)</u>	<u>(4,882,905)</u>
Net interest income		159,827,604	93,023,228
Deferred consideration expense	4	-	(90,826,207)
Impairment gain/(loss)	4,8	-	(29,311,493)
Administrative expenses	6	<u>(311,628)</u>	<u>(315,630)</u>
Profit/ (loss) before tax for the year		159,515,976	(27,430,102)
Tax charge	7	<u>(1,024)</u>	<u>(1,003)</u>
Comprehensive profit/(loss) for the year		<u>159,514,952</u>	<u>(27,431,105)</u>

All the Company's income and expenses arise from continuing operations.

The notes on pages 21 to 39 form part of these financial statements.

KATANALOTIKA PLC**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2018**

		31 December 2018	31 December 2017
	Note	€	€
Assets			
Cash and cash equivalents	10	499,837,847	363,000,765
Deemed loan to the originator	8	866,386,180	1,086,662,626
Other assets	9	4,430,651	3,921
Total assets		<u>1,370,654,678</u>	<u>1,449,667,312</u>
 Equity			
Issued capital	11	16,393	16,393
Retained earnings/(loss)	11	<u>(149,425,496)</u>	<u>(153,037,234)</u>
Total shareholder's deficit		<u>(149,409,103)</u>	<u>(153,020,841)</u>
 Liabilities			
Other liabilities	13	538,621	83,206,262
Tax payable		1,012	1,003
Loan notes and borrowings	12	<u>1,519,524,148</u>	<u>1,519,480,888</u>
Total liabilities		<u>1,520,063,781</u>	<u>1,602,688,153</u>
 Total shareholder's deficit and liabilities		<u>1,370,654,678</u>	<u>1,449,667,312</u>

These financial statements for Katanalotika Plc, Company registration 06720661 were approved and authorised for issue by the directors 16 December 2019 and are signed on their behalf by:



Ioannis Kyriakopoulos
Director

The notes on pages 21 to 39 form part of these financial statements.

KATANALOTIKA PLC

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	Share capital	Retained earnings/ (loss)	Total shareholder's deficit
		€	€	€
Balance as at 01 January 2017		16,393	(125,606,129)	(125,589,736)
Loss for the year		-	(27,431,105)	(27,431,105)
Balance as at 31 December 2017		<u>16,393</u>	<u>(153,037,234)</u>	<u>(153,020,841)</u>
Impact of IFRS 9 transition adjustment	1	-	(155,903,214)	(155,903,214)
Restated balance as at 1 January 2018		<u>6,393</u>	<u>(308,940,448)</u>	<u>(308,924,055)</u>
Profit for the year		-	<u>159,514,952</u>	<u>159,514,952</u>
Balance as at 31 December 2018		<u>16,393</u>	<u>(149,425,496)</u>	<u>(149,409,103)</u>

The notes on pages 21 to 39 form part of these financial statements.

KATANALOTIKA PLC

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	31 December 2018 €	31 December 2017 €
Cash flows from operating activities			
Profit/ (loss) before tax for the year		159,515,976	(27,430,102)
<i>Adjustments for:</i>			
Interest income	4	(75,708,962)	(97,906,133)
Interest expense	5	4,912,706	4,882,905
Tax paid		(1,015)	(1,099)
(Decrease) /Increase in impairment	8	(179,729,191)	29,311,493
Increase in other assets	9	(4,426,730)	-
Decrease in other liabilities		<u>(82,044,843)</u>	<u>(39,994,271)</u>
Net cash used in operating activities		<u>(177,482,059)</u>	<u>(131,137,207)</u>
Cash flows from investing activities			
Interest income received		46,487,997	96,853,960
New receivables originated or purchased		<u>(441,834,394)</u>	<u>(388,235,205)</u>
Repayments of loans and loans repurchased by originator		<u>714,510,454</u>	<u>195,116,658</u>
Net cash from investing activities		<u>319,164,057</u>	<u>(96,264,587)</u>
Cash flows from financing activities			
Interest paid		<u>(4,844,916)</u>	<u>(4,829,673)</u>
Net cash used in financing activities		<u>(4,844,916)</u>	<u>(4,829,673)</u>
Net increase/ (decrease) in cash and cash equivalents		136,837,082	(232,231,467)
Cash and cash equivalents at the start of the year		<u>363,000,765</u>	<u>595,232,232</u>
Cash and cash equivalents at the end of the year		499,837,847	<u>363,000,765</u>

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes.

The notes on pages 21 to 39 form part of these financial statements.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES

Katanalotika Plc is a public limited company incorporated and domiciled in England and Wales with the registered number 06720661.

Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs). The financial statements have also been prepared in accordance with IFRSs adopted by the European Union.

Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

The Company has adopted all of the new and revised Standards and Interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for annual reporting year beginning 1 January 2018.

The Company mainly transacts in Euros ("€"), therefore, the Euro is its functional and presentational currency.

The Company has made estimates and judgements in relation to the valuation of the deemed loan from the originator and the loan notes (refer to note 14).

Going concern

The Company's business activities, together with the factors likely to affect its future development, performance and position and its principal uncertainties are set out in the Strategic Report. In addition, note 14 to the financial statements includes the Company's financial risk management objectives and its exposures to market risk, credit risk and liquidity risk. As at year end carrying value of the Deemed Loan to Originator was €866,386,180 (2017: €1,086,662,626). Loan notes and borrowings held at the year end amounted to €1,514,524,148 (2017: €1,519,480,888). As of 31 December 2018, cash and cash equivalents, including reserve funds, were €499,837,847 (2017: €363,000,765). The Company made a profit of €159,514,952 year (2017: Loss €27,431,105) and at year end the Company was in a negative equity position amounting to €149,409,103 (31 December 2017: (€153,020,841)).

The directors have undertaken a detailed assessment of the Company's on going business model, in view of the importance of the recovery of the deemed loan to the Originator ('Alpha Bank A.E'. or 'the Group') in being able to repay its liabilities on the loan notes. Under the terms of the loan notes issued by the Company and associated arrangements, amounts due are only payable and limited to the extent that there are sufficient receipts from the Deemed Loan to the Originator.

Under the terms of the Offering Circular, the Class A and Class Z loan notes are limited-recourse debt obligations of the Company. The ability of the Company to meet its obligations under the loan notes will be directly dependent primarily upon the receipt by it of principal and interest from the borrowers underpinning the Deemed Loan to Originator. Other than any interest earned by the Company in respect of the Company's bank accounts, the Company is not expected to have any other funds available to it to meet its obligations under the loan notes and/or any other payment obligation ranking in priority to, or pari passu with, the loan notes. Upon enforcement of the security for the loan notes, the trustee or any receiver and the Noteholders will have recourse only to the Deemed Loan to Originator, the Company's interest in the relevant ancillary rights and to any other assets of the Company then in existence as described in the Offering Circular.

The Company's losses have resulted from the recognition of significant impairment losses on the Underlying Receivables by the Originator, as described above. However these could be gradually reversed in the future if conditions in the Greek economy improve. Also, collections from the Underlying Receivables in the past have always been sufficient to cover the Company's liabilities and return excess amounts to the Originator. The Company's notes are not due to be repaid until 2029 and an early repayment is not expected within the next twelve months. Even in the case that the Originator exercised his option to early terminate the transaction through the repurchase of the loans, according to the terms of the Offering Circular, the Underlying Receivables would be repurchased at gross amounts and sufficient recourses would be available to the Company to repay the notes outstanding. Taking into account the above, the directors have assessed that it is appropriate to prepare the financial statements on a going concern basis.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Standards affecting presentation and disclosure

On 1 January 2018, the Company implemented IFRS 9 "Financial Instruments". As permitted by IFRS 9 comparative information for previous periods has not been restated. A number of other new standards listed below are also effective from 1 January 2018 but they do not have a material effect on the Company's financial statements.

Description	Effective date
IFRS 15: Revenue from contracts with customers	1 January 2018
Clarifications to IFRS 15: Revenue from Contracts with Customers	1 January 2018
Amendments to IFRS 2: Classification and measurement of share-based payment transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRIC Interpretation 22: Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018

The impact of new standards that are issued but not yet effective including IFRS 16: Lease is not considered to have a material impact on the Company's financial statements in the period of initial application.

Changes in accounting policies

On 1 January 2018, the Company implemented IFRS 9 'Financial Instruments'. As permitted by IFRS 9, comparative information for previous periods has not been restated. The impact on the Company's financial position of applying IFRS 9 requirements is set out in note 8.

Additionally, the Company has adopted consequential amendments to IFRS 7 Financial Instruments: Disclosures, which are applied to disclosures in 2018 but have not generally been applied to comparative information.

The adoption of IFRS 9 increased the deficit of the Company by €155,903,214.

Classification and measurement of financial assets and financial liabilities

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed the financial instruments held by the Company and determined whether reclassification was needed under IFRS 9. Financial assets and financial liabilities of the Company comprise of the Deemed Loan to the Originator, other assets, cash, Company notes and other liabilities. These are measured at amortised cost and there is no change in classification from IAS 39 under IFRS 9. Refer to note 8 for further detail.

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit and loss ("FVTPL"). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale.

Impact on the financial statements

IFRS 9 has been adopted without restating comparative information. The reclassifications and the adjustments arising from the new impairment rules are therefore not reflected in the balance sheet as at 31 December 2017, but are recognised in the opening balance sheet on 1 January 2018. As prior periods have not been restated, changes in impairment of financial assets in the comparative periods remain in accordance with IAS 39 and are therefore not necessarily comparable to the loss provisions reported for the current period.

Implementation of IFRS 9 impacted the gross Deemed Loan to the Originator and Total equity by a decrease of €155,903,214. There has been no change in the carrying amount of financial instruments on the basis of their measurement categories. All adjustments have arisen solely due to a replacement of the IAS 39 incurred loss impairment approach with an expected credit loss (ECL) approach.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Statement of financial position

	Note	31 December 2017 As originally presented*	IFRS 9 adjustment – Classification and measurement	IFRS 9 adjustment – Expected credit losses	1 January 2018 Restated
		€	€	€	€
Assets					
Gross Deemed Loan to the Originator	8	1,086,662,626	-	(155,903,214)	930,759,412
Total		1,086,662,626	-	(155,903,214)	930,759,412

IFRS 9 Financial Instruments – Impact of adoption

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in note 1. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The Company does not use hedge accounting.

The total impact on the Company's retained profit as at 1 January 2018 is as follows:

	1 January 2018 €	31 December 2017 €
Closing retained earnings – IAS 39	(153,037,234)	(153,037,234)
Increase in ECL due to IFRS FTA	(155,903,214)	-
Opening retained profit 1 January - IFRS 9	(308,940,448)	(153,037,234)

Financial assets

Financial assets are measured on initial recognition at fair value. Under IFRS 9, the classification and subsequent measurement of financial assets is principally determined by the entity's business model and their contractual cash flow characteristics (whether the cash flows represent 'solely payments of principal and interest'). The standard sets out three types of business model:

Financial assets

- Hold to collect: the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. These assets are accounted for at amortised cost.
- Hold to collect and sell: this model is similar to the hold to collect model, except that the entity may elect to sell some or all of the assets before maturity as circumstances change. These assets are accounted for at fair value through other comprehensive income (FVOCI).
- Hold to sell: the entity originates or purchases an asset with the intention of disposing of it in the short or medium term to benefit from capital appreciation. These assets are held at fair value through profit or loss (FVTPL). An entity may also designate assets at FVTPL upon initial recognition where it reduces an accounting mismatch. An entity may elect to measure certain holdings of equity instruments at FVOCI, which would otherwise have been measured at FVTPL.

The Company has assessed its business models in order to determine the appropriate IFRS 9 classification for its financial assets. Financial assets are held to collect contractual cash flows and therefore meet the criteria to remain at amortised cost. In order to be accounted for at amortised cost, it is necessary for individual instruments to have contractual cash flows that are solely payments of principal and interest. These financial assets meet this criteria and are therefore subsequently measured at amortised cost.

Financial assets and liabilities measured at amortised cost are accounted for under the effective interest rate ('EIR') method. This method of calculating the amortised cost of a financial asset or liability involves allocating interest income or expense over the relevant period. The EIR rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or liability, or where appropriate, a shorter period, to the gross carrying amount on initial recognition.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Presentation change to the P&L as a result of IFRS 9

Due to the implementation of IFRS 9, the deferred consideration charge and impairment gain/(charge) are netted against interest income on the statement of comprehensive income as at 31 December 2018. This is to better reflect the presentation presentation of the deemed loan net of the deferred consideration on the balance sheet. There is no change in presentation for the year 2017 due qualitative factors given that the cashflows are only due to a single party.

Derecognition of Financial Instruments

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of:

(i) the consideration received (including any new asset obtained less any new liability assumed); and

(ii) any cumulative gain or loss that had been recognised in other comprehensive income.

is recognised in Statement of comprehensive income. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Company is recognised as a separate asset or liability.

Financial liabilities are derecognised when the Company obligation is discharged, cancelled or expires. A financial liability (or part of it) is extinguished when the Company either:

- discharges the liability (or part of it) by paying the creditor; or

- is legally released from primary responsibility for the liability either by process of law or the creditor.

Deemed Loan to the Originator

Under IFRS 9 Financial instruments, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have that the Originator has retained substantially all the risks and rewards of the securitised Underlying Receivables and, as a consequence, the Company does not recognise the Underlying Receivables on its Statement of Financial Position, but rather a Deemed Loan to the Originator.

The Deemed Loan to the Originator initially represented the consideration paid by the Company in respect of the acquisition of an interest in the securitised Underlying Receivables and is subsequently adjusted due to repayments made by the Originator to the Company. The deemed loan is carried at amortised cost using the effective interest method.

Deferred consideration payable to the Originator, representing the excess of the Company's collections regarding the Receivables over the Company's payments as determined by the Offering Circular, is netted off against the deemed loan since they have the same counterparty, they were entered into at the same time and in contemplation of one another, they relate to the same risk and there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction.

The Company regularly reviews the underlying collateral in relation to the Deemed Loan to the Originator to assess for impairment. The methodology applied is further discussed below.

Deferred consideration payable to the Originator

Under the terms of the securitisation, the Company retains the right of 0.01% available revenue receipts from the beneficial interest in the Underlying Receivables. Income in excess of 0.01% is payable to Alpha Bank AE and treated as a component of the Deemed Loan to Originator. The payments of deferred consideration are strictly governed by the priority of payments that sets out how cash can be utilised.

Impairment losses on Deemed Loan to the Originator

The Company's Deemed Loan to the Originator as defined above, was subject to IFRS 9's new expected credit loss model.

The Company recognises expected credit loss impairment on the Deemed Loan to the Originator when it is

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

estimated that it will not be in a position to receive all payments due. At each reporting date, an impairment loss equal to 12-month expected credit losses (allocated to stage 1) is recognised for all financial assets for which there is no significant increase in credit risk since initial recognition. For financial assets where there is a significant increase in credit risk since their initial recognition (allocated to Stage 2), and those that are credit impaired (allocated to stage 3) an impairment loss equal to lifetime expected credit losses will be recognised.

The recoverability of the Deemed Loan to the Originator is dependent on the collections from the Underlying Receivables and the credit enhancement available in the structure. If there is no enhanced credit available within the entity, (deferred purchase consideration as a balance payable to the Originator), this would result in the Deemed Loan to the Originator to be classified as Stage 2. It will be classified as stage 3 when the credit rating agencies have downgraded Alpha Bank AE to a default rating. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

IFRS 9 does not include a definition of what constitutes a significant increase in credit risk ("SICR"). An assessment of whether credit risk has increased significantly since the initial recognition of the Deemed Loan to the Originator is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the Deemed Loan to the Originator. The Company assess whether a SICR has occurred since the initial recognition based on qualitative and quantitative, reasonable and supportable forward-looking information that includes a degree of management judgment.

Purchased or originated credit-impaired ('POCI') financial assets represent loans that are credit-impaired at initial recognition. For these assets, all changes in lifetime ECL since initial recognition are recognised as a loss allowance with any changes recognised in profit or loss.

The default of the deemed loan is 90 days in arrears or any qualitative factors that the borrowers are unlikely to pay. For the Company, the directors will review the availability of credit enhancement and assess whether the deemed loan is in default (90 days in arrears) or any qualitative factors that the borrower are unlikely to pay.

The ECL calculation on the Deemed Loan to the Originator is based on the ECL calculation on the Underlying Receivables underpinning the Deemed Loan to the Originator after taking into account any deferred consideration payable to the Originator.

The accuracy of impairment calculations would be affected by the probability of default, significant increase in credit risk, loss given default and the macroeconomic factors. The assessment on the probability of default is performed on each reporting period taking into account the movement in their credit rating, assessment of their financial position and other qualitative factors. Loss given default is the percentage of the total exposure that the Company estimates as unlikely to recover at the time of the default.

The macroeconomic factors that are incorporated into the risk parameter models are used to calculate the ECL of the Underlying Receivables and assessed against deferred purchase consideration, if available, or the income statement. Currently there is no Credit enhancement within the structure, as a result, the macroeconomic conditions do currently have an effect on the Deemed Loan to the Originator, at the year end the ECL impairment reversal was €179,729,191.

Loan notes and borrowings

Loans Notes and Borrowings comprise of loan notes issued by the Company through its Offering Circular dated 9 December 2008. Loan notes are initially recognised at fair value net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method.

Cash and cash equivalents

For the purposes of the Statement of Cash flows, cash and cash equivalents comprise balances with less than 3 months to maturity. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements and as such the cash and cash equivalents are not freely available to be used for other purposes.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

1. PRINCIPAL ACCOUNTING POLICIES (CONTINUED)

Interest income and interest expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when 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 (for example, prepayment options) but does not consider future credit losses that the Company may be exposed to. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, deferred consideration payable to Originator, transaction costs and all other premiums or discounts. For financial assets originated or purchased credit-impaired (POCI) the EIR reflects the ECLs in determining the future cash flows expected to be received from the financial asset. Under IFRS 9, interest income on stage 3 impaired loans are calculated based on the net carrying amount of the loans using the effective interest rate method.

Taxation

The Company has elected to be taxed under the "permanent" tax regime for securitisation companies (contained in Statutory Instrument 2006/3296), under which the Company is taxed broadly by reference to its net cash flows during the year, and not by reference to its accounting profits, to the extent that these differ.

Comparative Financial Information

Any changes in the presentation of items in the financial statements have been reflected in the comparative amounts.

Expenditure

Expenses are included in the statement of Statement of comprehensive income on an accrual basis.

Share Capital

Share capital is issued in Sterling and has been classified as equity.

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Company's accounting policies, which are described in note 1, the directors are required to make judgements (other than those involving estimations) that have a significant impact on the amounts recognised and to make estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

The adoption of IFRS 9 on 1 January 2018 required application of significant judgement and resulted in additional critical accounting estimates in comparison to those applied in 2017. Actual results may differ from these estimates.

The most important areas where the directors use critical accounting estimates and judgements in applying its accounting policies are as follows;

Critical accounting judgements

The assessment of the Probability of Default, "PD", is calculated as part of the annual financial reporting and is based on criteria such as any changes in their credit rating, their financial position and qualitative factors.

The expected credit losses ("ECL") measurement for impairment requires the Company to apply a high degree of judgment in determining the allowance for impairment losses and for the assessment of the significant increase in credit risk ("SICR").

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

IFRS 9 does not include a definition of what constitutes a SICR. An assessment of whether credit risk has increased significantly since the initial recognition of the deemed loan is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the Deemed Loan to the Originator. The Company assess whether a SICR has occurred since the initial recognition based on qualitative and quantitative, reasonable and supportable forward-looking information that includes a degree of management judgment. A default refers to a loan which is 90 days in arrears.

Given the nature of the Company's activities, the applicable business model was identified as being one that holds to collect the cash flows of the deemed loan. It was then necessary to confirm that cash flows received in respect of the deemed loan represent payments of solely principal and interest ("SPPI").

IFRS 9 does not provide specific guidance on assessing the SPPI criterion for deemed loan assets. Furthermore a deemed loan does not have a single contract which sets out its contractual terms, but instead is formed from elements of different contracts that give rise to the deemed loan. It is therefore necessary to determine what the contractual terms of the deemed loan are by considering the various contractual rights and obligations that the Deemed loan to the Originator represents. This requires consideration of the terms of the underlying assets and of the Loan notes purchased or subordinated loans provided by the Originator, as well as any associated instruments to determine which of the cash flows of the underlying assets are incorporated into the deemed loan. The directors have concluded that the Deemed loan to the Originator does not violate the SPPI test and therefore should be measured at amortised cost under IFRS 9.

Key sources of estimation uncertainty

The use of estimates and assumptions is an integral part of recognising amounts in the financial statements and mostly relates to the following:

Impairment losses of financial assets

The impairment of the Deemed Loan to the Originator depends on the recoverability of the Underlying Receivables and the credit enhancement available in the structure.

The sale of the Underlying Receivables to the Company is considered to fail the derecognition criteria of IFRS 9, Financial Instruments, in the books of Alpha Bank A.E. and therefore they are retained on the Statement of Financial Position of the Originator. As such, the Company records in its Statement of Financial Position a 'Deemed Loan to the Originator', rather than the Underlying Receivables it has legally purchased.

The recoverability of the deemed loan to the Originator is dependent on the collections from the Underlying Receivables. The deemed loan to the Originator is considered impaired when it is probable that the Company will be unable to collect all amounts due according to the relevant contractual terms. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

An assessment of whether credit risk has increased significantly since initial recognition of the 'Deemed loan to the Originator' is performed at each reporting period by considering primarily the change in the risk of default occurring over the remaining life of the Underlying Receivables. However, considering that deferred consideration liability represents a credit enhancement it is assumed that there has been a significant increase in credit risk of the Deemed loan to the Originator when deferred consideration liability is fully offset by the respective impairment losses of the Underlying Receivables.

On 31 December 2018 there was a decrease of €179,729,191 in the ECL of the Underlying Receivables held as collateral. As there is no deferred consideration available, the ECL movement during the year is adjusted against Net Equity. The Deemed Loan is classified as a Stage 2 asset under IFRS 9 as a result of no credit enhancement being available.

When measuring ECL the Company uses reasonable and forward looking information relevant to the Underlying Receivables of receivables. For the calculation of the expected credit loss on the Underlying Receivables of receivables incorporates the following parameters:

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

2. CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

- Probability of default (PD): the probability of default over the next 12 months is used to calculate the expected credit loss for 12 months, and the probability of default over the life of the instrument is used to calculate the lifetime expected credit losses. PD is an estimate of the likelihood of default based on estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral and certain economic conditions.
- Exposure at default (EAD): EAD is the maximum loss that would result from counterparty potential default.
- Loss given default (LGD) is the percentage of the total exposure that the Company estimates as unlikely to recover at the time of the default.

These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available. The methodology and the key assumptions used in calculating the ECL are based on observed data from historical patterns and are updated regularly as new data becomes available.

The Company also calculates the sensitivity of the ECL to changes in the estimated forward looking information, refer to note 14 for further details.

IFRS 9 stage classification of The Deemed Loan to the Originator

The Deemed Loan to the Originator is classed as stage 1 if there is enhanced credit available, in the form of deferred consideration to offset any of the ECL losses in the Underlying Receivables. If there is no enhanced credit available within the entity, (deferred purchase consideration as a balance payable to the Originator), this would result in the Deemed Loan to the Originator to be classified as Stage 2. It will be classified as stage 3 when the credit rating agencies have downgraded Alpha Bank AE to a default rating.

These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available. The methodology and the key assumptions used in calculating the ECL are based on observed data from historical patterns and are updated regularly as new data becomes available.

Measurement of fair values

The Company's accounting policies and disclosures require measurement of fair values with regard to presentation of financial assets and liabilities. When measuring the fair value of an asset or a liability, the Company uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- *Level 1*: quoted prices (unadjusted) in active markets for identical assets and liabilities;
- *Level 2*: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- *Level 3*: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

3. SEGMENTAL REPORTING

An operating segment is a component of a Company that engages in business activities from which it may earn revenues and incur expenses. The principal asset of the Company is Underlying Receivables of loans underpinning the Deemed Loan to the Originator, originated in Greece which generates the Company's revenue, which is managed by the board in the United Kingdom, funded by floating rate loan notes issued and listed on Irish Stock Exchange. The Board believes that the Company has only one operating segment and operates in only one geographical area being Greece.

4. INTEREST INCOME

	2018 €	2017 €
Net Interest on the Deemed Loan to Originator	<u>164,740,310</u>	<u>97,906,133</u>

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

4. INTEREST INCOME (CONTINUED)

For 2018, The net interest on Deemed loan to the Originator arises from gross interest income on the Deemed loan to the Originator after it offsets the deferred purchase consideration and impairment charge. The deferred purchase consideration charge and the impairment gain amounted to €90.7m and €179.7m. The gross interest income on the Deemed loan to the Originator amounted to €75.7m. There is no change in presentation for the year 2017 due qualitative factors given that the cashflows are only due to a single party.

5. INTEREST EXPENSE

	2018	2017
	€	€
Interest on the loan notes	<u>4,912,706</u>	<u>4,882,905</u>

6. ADMINISTRATIVE EXPENSES

	2018	2017
	€	€
Servicing fees	234,584	243,524
Corporate service fees	36,000	39,339
Tax compliance services fees	1,994	(3,979)
Other fees	16,682	14,426
Auditor's remuneration - audit of the statutory financial statements of the company	<u>22,368</u>	<u>22,320</u>
	<u>311,628</u>	<u>315,630</u>

The Company has no employees (2017: nil) and, other than the corporate services fees paid to Wilmington Trust SP Services (London) Limited as set out above and in note 17, the directors received no remuneration during the year (2017: €nil). Fees charged for statutory audit services for the year were €22,368 (2017: €22,320 includes a reversal of an over accrual of €48 from the prior year). No non audit services were performed by the auditor (2017: €nil). In addition, fees payable for tax services for the year are €1,994 (2017: €2,041. Reported figure includes a reversal of an over accrual of €6,020 from the prior year).

7. TAXATION

(a) Analysis of charge for the year:

	2018	2017
	€	€
Current tax:		
Corporation tax charge for the year 19% (2017: 19.25%)	<u>1,024</u>	<u>1,003</u>
Total income tax charge in income statement	<u>1,024</u>	<u>1,003</u>

The UK corporation tax rate was reduced from 21% to 20% in April 2015. Further reductions to 19% (effective from 1 April 2017) and to 18% (effective 1 April 2020) were substantively enacted at the reporting date. This will reduce current tax charges accordingly. Subsequently the UK government announced that the UK corporation tax rate will reduce further to 17% from 1 April 2020. It has not been possible to quantify the full anticipated effect of the announced further rate reduction, although this will reduce the Company's future current tax charge accordingly.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

7. TAXATION (CONTINUED)

(b) Factors affecting the Company current tax charge for the year

The current tax charge for the year differs from the standard rate of corporation tax in the UK. The rate below represents a blended rate.

	2018 €	2017 €
Profit/ (loss) on ordinary activities before tax	<u>159,515,976</u>	<u>(27,430,102)</u>
Current tax charge at 19% (2017:19.25%)	<u>(30,308,035)</u>	-
Accounting profits/ (losses) not taxed in accordance with SI 2006/3296	<u>30,307,011</u>	<u>(1,003)</u>
	<u>(1,024)</u>	<u>(1,003)</u>

The directors are satisfied that this Company meets the definition of a 'Securitisation Company' as defined by both the Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

The company is taxed in accordance with the statutory instrument no. 3296: The taxation of securities companies regulation 2006 which requires that tax is charged on profits retained by issuer. The actual retained profit for the year amounted to €5,390 (2017: €5,208).

8. DEEMED LOAN TO ORIGINATOR

Gross carrying amount – Deemed Loan to the Originator	Stage 1 €	Stage 2 €	Stage 3 €	Total €
Gross carrying amount as at 1 January 2018	-	1,086,662,626	-	1,086,662,626
IFRS ECL transition adjustment	-	(155,903,214)	-	(155,903,214)
Changes in the gross carrying amount attributable to:				
- Transfer from stage 1 to 2	-	-	-	-
- Transfer from stage 1 to 3	-	-	-	-
- Transfers from stage 2 to 1	-	-	-	-
- Transfers from stage 2 to 3	-	-	-	-
- Transfers from stage 3 to 2	-	-	-	-
- Transfers from stage 3 to 1	-	-	-	-
New receivables acquired from Originator including capitalised interest	-	485,554,660	-	441,834,394
Total repayments of loans and loans repurchased by the Originator	-	(711,748,708)	-	(668,028,442)
Movement in interest accrued	-	(1,989,453)	-	(1,989,453)
Change in PV of ECL allowance during the year	-	(15,918,922)	-	(15,918,922)
Movement in the ECL of the Underlying Receivables	-	179,729,191	-	179,729,191
Deemed loan balance as at 31 December 2018	-	<u>866,386,180</u>	-	<u>866,386,180</u>

The Deemed Loan to the Originator is classified as a stage 2 asset at 1 January 2018 and 31 December 2018. The change in PV of the ECL allowance represents an adjustment against interest income due to impairment unwinding.

The Deemed Loan to Originator underpinned by a Underlying Receivables of loans which is determined based upon criteria set out in the transaction documentation dated 9 December 2008 as amended time to time. The Underlying Receivables of loans comprises personal consumer and auto loans originated by Alpha Bank AE. Under the terms of the transaction documents, the Company can continue to purchase additional loans subject to meeting specific criteria. Alpha Bank AE as a seller warrants the eligibility criteria of the loans in addition to ensuring the Underlying Receivables meets the following collateral test:

- the weighted average interest rate of the loans included in the Underlying Receivables is not less than the sum of (i) 3-month EURIBOR as at the immediately preceding interest payment date, and (ii) 4 per cent; and (iii)

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

8. DEEMED LOAN TO ORIGINATOR (CONTINUED)

the Weighted Average Remaining Life of the loans in the Underlying Receivables is greater than or equal to 50 months less than or equal to 85 months.

Under the term of the securitisation, the Company retains the right of 0.01% available revenue receipts from the beneficial interest in the Underlying Receivables. Income in excess of 0.01% is payable to Alpha Bank AE and treated as a deferred consideration adjustment to the Deemed Loan to the Originator.

The credit quality of the Underlying Receivables of the deemed loan to the Originator as at 31 December 2018 is summarised as follows:

Underlying Receivables at amortised cost – 31 December 2018					
	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Credit impaired Lifetime ECL	POCI Credit impaired Lifetime ECL	Total
Loans					
Gross carrying amount	332,193,124	294,051,273	298,183,196	181,334,511	1,105,762,104
Less: ECL Allowance for impairment losses	<u>(2,101,979)</u>	<u>(39,048,694)</u>	<u>(129,095,873)</u>	<u>(33,018,338)</u>	<u>(203,264,884)</u>
Total net loans	<u>330,091,145</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>902,497,220</u>
Additional ECL on lifetime basis	<u>(36,111,040)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(36,111,040)</u>
Adjusted total net loans	<u>293,980,105</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>866,386,180</u>

The ECL on the Underlying Receivables stage 1 assets were originally calculated on a 12 month basis in line with the Alpha Bank AE IFRS 9 model. However, the Deemed Loan to Originator is classed as a stage 2 asset resulting in the ECL on the Underlying Receivables stage 1 assets being recalculated on a lifetime basis. This resulted in a reduction of the impairment reversal of €36,111,040 as at 31 December 2018. The effect of this change reduced the carrying amount of the Deemed loan to Originator to €866,386,180 as reported in the Statement of Financial Position.

9. OTHER ASSETS

	2018	2017
	€	€
Prepayments and accrued income	2,819	-
Amount due from originator	4,423,911	-
Amount due from parent company	<u>3,921</u>	<u>3,921</u>
	<u>4,430,651</u>	<u>3,921</u>

10. CASH AND CASH EQUIVALENTS

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

	2018	2017
	€	€
Cash and bank current accounts	51,297	48,921
Bank deposit accounts	260,308,235	123,473,529
Reserve account	<u>239,478,315</u>	<u>239,478,315</u>
Total cash and cash equivalents	<u>499,837,847</u>	<u>363,000,765</u>

The reserve account is held with Alpha Bank AE as detailed in note 15.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

11. TOTAL EQUITY

Reconciliation of movement in capital and reserves	Share capital	Retained earnings	Total
	€	€	€
Balance as at 01 January 2017	16,393	(125,606,129)	(125,589,736)
Loss for the year	-	(27,431,105)	(27,431,105)
Balance as at 31 December 2017	<u>16,393</u>	<u>(153,037,234)</u>	<u>(153,020,841)</u>
IFRS 9 FTA adjustment	-	(155,903,214)	(155,903,214)
Restated balance as at 1 January	<u>6,393</u>	<u>(308,940,448)</u>	<u>(308,924,055)</u>
Profit for the year	-	<u>159,514,952</u>	<u>159,514,952</u>
Balance as at 31 December 2018	<u>16,393</u>	<u>(149,425,496)</u>	<u>(149,409,103)</u>

There are 50,000 authorised ordinary shares of £1 each. The issued share capital consists of 2 fully paid ordinary shares and 49,998 quarter paid ordinary shares. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

12. LOAN NOTES AND BORROWINGS

	2018	2017
	€	€
Non-current liabilities		
Class A floating rate loan notes	912,000,000	912,000,000
Class Z floating rate loan notes	608,000,000	608,000,000
Less: Unamortised issue cost	<u>(475,852)</u>	<u>(519,112)</u>
Total loan notes and borrowings	<u>1,519,524,148</u>	<u>1,519,480,888</u>

The Asset Backed Floating Rate Loan Notes due for repayment by 17 December 2029 are listed on the Irish Stock Exchange and are secured over the Underlying Receivables originated by Alpha Bank AE, in Greece (the 'Deemed Loan to the Originator'). Interest on the floating rate loan notes is payable on a quarterly basis at the three month EURIBOR plus a margin of 0.40% for the Class A loan notes and 1.00% for the Class Z loan notes. All of the floating rate loan notes are due to be repaid by 17 December 2029. Class Z loan note interest and principal repayments are subordinated to the Class A loan note.

Under the terms of the Offering Circular, the Class A and Class Z loan notes are limited-recourse debt obligations of the Company. The ability of the Company to meet its obligations under the loan notes will be directly dependent primarily upon the receipt by it of principal and interest from the borrowers of the loans underpinning the Deemed Loan to the Originator. Other than any interest earned by the Company in respect of the Company's bank accounts, the Company is not expected to have any other funds available to it to meet its obligations under the loan notes and/or any other payment obligation ranking in priority to, or pari passu with, the loan notes. Upon enforcement of the security for the loan notes, the trustee or any receiver and the Noteholders will have recourse only to the Deemed Loan to Originator, the Company's interest in the relevant ancillary rights and to any other assets of the Company then in existence as described in the Offering Circular.

The Company has not had any defaults on principal, interest or any other breaches with respect to their liabilities during the year.

13. OTHER LIABILITIES

	2018	2017
	€	€
Amount due to Originator	-	82,956,122
Interest payable	208,367	183,836
Accruals and deferred income	<u>330,254</u>	<u>66,304</u>
Total other liabilities	<u>538,621</u>	<u>83,206,262</u>

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties are set out in the Strategic Report on page 2 to 5.

The Company's financial instruments comprise of the Deemed Loan to Originator, cash and cash equivalents, other assets, interest-bearing borrowings and various receivables and payables that arise directly from its operations.

The directors have considered the financial risks affecting the Company and have included the relevant disclosures of interest rate, credit, liquidity and currency risks in the Strategic Report.

Fair value of financial instruments

The fair values together with the carrying amounts shown in the balance sheet of the financial assets and financial liabilities are as follows:

	Note	Classification	Carrying amount 2018 €	Fair value 2018 €	Carrying amount 2017 €	Fair value 2017 €
Financial assets:						
Deemed Loan to Originator	8	Amortised cost	866,386,180	727,322,510	1,086,662,626	943,223,159
Cash and cash equivalents	10	Amortised cost	499,837,847	499,837,847	363,000,765	363,000,765
Other assets	9	Amortised cost	<u>4,430,651</u>	<u>4,430,651</u>	<u>3,921</u>	<u>3,921</u>
Financial liabilities:						
Loan notes	12	Amortised cost	1,519,524,148	1,244,758,400	1,519,480,888	1,046,459,200
Other liabilities		Amortised cost	<u>538,621</u>	<u>538,621</u>	<u>83,206,262</u>	<u>83,206,263</u>

The ECL on the Underlying Receivables stage 1 assets were originally calculated on a 12 month basis in line with the Alpha Bank AE IFRS 9 model. However, the Deemed Loan to Originator is classed as a stage 2 asset resulting in the ECL on the Underlying Receivables stage 1 assets being recalculated on a lifetime basis. This resulted in a reduction of the impairment reversal of €36,111,040 as at 31 December 2018. The effect of this change reduced the carrying amount of the Deemed loan to Originator to €866,386,180 as reported in the Statement of Financial Position.

The fair value of the deemed loan to originator has been based on a discounted cash flows methodology applying market rates adjusted for the appropriate fair value credit spread. The Deemed Loan to the Originator was classified in Level 3 of the fair value hierarchy.

The fair value of Class A and Z Notes is calculated using the relevant Bloomberg Swap curve, plus the average appropriate CDS spread for discounting the Notes' projected cash flows. Loan Notes and borrowings were classified in Level 3 of the fair value hierarchy.

The table below presents the valuation methods used for the measurement of Level 3 financial instruments:

2018	Total fair value €	Valuation method	Significant non-observable inputs
Financial assets:			
Deemed Loan to Originator	727,322,510	Discounted cash flows using the swap curve, plus the weighted average fair value credit spread 21.93% of the loans	Valuation of reserve adequacy for payment of hybrid securities' dividends
Financial liabilities:			
Loan notes and borrowings	1,244,758,400	Discounted cash flows using the Bloomberg Swap S201 curve, plus the average CDS spread of 324.73bps	Valuation of reserve adequacy for payment of hybrid securities' dividends

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

2017	Total fair value €	Valuation method	Significant non-observable inputs
Financial assets:			
Deemed Loan to Originator	943,223,159	Discounted cash flows using the swap curve, plus the weighted average fair value credit spread 17.88% of the loans	Valuation of reserve adequacy for payment of hybrid securities' dividends
Financial liabilities:			
Loan notes and borrowings	1,244,758,400	Discounted cash flows using the Bloomberg Swap S45 curve, plus the average CDS spread of 670.81bps	Valuation of reserve adequacy for payment of hybrid securities' dividends

Interest rate risk

Interest rate risk arises from the mismatch between the fixed rate interest received on the Deemed Loan to the Originator and the floating rate interest which it pays on the funding or vice versa. The Company receives interest predominantly at floating rates and pays interest at floating rates and hence is not exposed to interest rate risk. Also, the margin between the effective interest received from the Underlying Receivables and interest paid on loan notes is considered sufficient to hedge risk of increases in floating rates on loan notes.

Interest rate sensitivity

The sensitivity analysis below has been determined on the Company's exposure to interest rates for interest bearing assets and liabilities at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates and has been based on management assessment of the possible changes in interest rates.

If interest rates had been 25 basis points higher and all other variables held constant, net interest income for the period ended 31 December 2017 would have been €384,440 higher. If interest rates had been 25 basis points lower and all other variables held constant, net interest income for the year ended 31 December 2017 would have been lower by €384,440.

Re-pricing analysis

The following table details the Company's exposure to interest rate risk by the earlier of contractual maturities or re-pricing

	Within one year €	After one year €	Non-interest bearing €	Total €
At 31 December 2018				
Assets				
Deemed Loan to Originator	601,722,409	300,774,810	-	902,497,219
Other assets	-	-	4,430,651	4,430,651
Cash and cash equivalents	<u>499,837,847</u>	<u>-</u>	<u>-</u>	<u>499,837,847</u>
Total assets	<u>1,101,560,256</u>	<u>300,774,810</u>	<u>4,430,651</u>	<u>1,406,765,717</u>
Liabilities				
Loan notes and borrowings	1,519,524,148	-	-	1,519,524,148
Other liabilities	<u>-</u>	<u>-</u>	<u>538,621</u>	<u>538,621</u>
Total liabilities	<u>1,519,521,148</u>	<u>-</u>	<u>538,621</u>	<u>1,520,062,769</u>

The ECL on the Underlying Receivables stage 1 assets were originally calculated on a 12 month basis in line with the Alpha Bank AE IFRS 9 model. However, the Deemed Loan to Originator is classed as a stage 2 asset resulting in the ECL on the Underlying Receivables stage 1 assets being recalculated on a lifetime basis. This resulted in a reduction of the impairment reversal of €36,111,040 as at 31 December 2018. The effect of this change reduced the carrying amount of the Deemed loan to Originator to €866,386,180 as reported in the Statement of Financial Position.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

Foreign currency risk

The Company's principal assets and liabilities are denominated in Euros and are not exposed to any material currency fluctuations. Accordingly, the currency risk for the Company as a whole is considered to be low. Hence no sensitivity analysis has been presented.

Liquidity risk

As the tenor of the loan notes is designed to match the tenor of the Underlying Receivables, there are deemed to be limited liquidity risks facing the Company. Payments made by the Company are made in accordance with the priority of payments as set out in the Offering Circular issued in connection with the issue of the floating rate notes. Under these terms, payments are made quarterly on the 17th day of March, June, September and December. The repayment of the loan notes is determined by the collection of the principal on the underlying receivables.

The following table details the Company's liquidity analysis for its financial liabilities at 31 December 2018. The interest payable on the loan notes is estimated based on the outstanding principal and interest rates at the year end calculated up to the expected redemption date.

At 31 December 2018	Carrying Amount	Gross nominal outflow	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
	€	€	€	€	€	€	€
Liabilities							
Loan notes	1,519,524,148	1,520,000,000	-	-	-	1,520,000,000	-
Amount due to originator	-	-	-	-	-	-	-
Interest payable	208,367	5,007,650	205,512	411,025	1,883,863	2,507,250	-
Accruals and deferred income	330,254	-	-	-	330,254	-	-
Total liabilities	1,520,062,769	1,525,007,650	205,512	411,025	2,214,117	1,522,507,250	-

At 31 December 2017	Carrying Amount	Gross nominal outflow	Less than 1 month	1 to 3 months	3 to 12 months	1 to 5 years	More than 5 years
	€	€	€	€	€	€	€
Liabilities							
Loan notes	1,519,480,888	1,520,000,000	-	-	-	-	1,520,000,000
Amount due to originator	82,956,122	82,956,122	82,956,122	-	-	-	-
Interest payable	183,836	30,746,227	194,268	388,537	1,780,795	9,460,876	18,921,751
Accruals and deferred income	66,304	-	-	-	66,305	-	-
Total liabilities	1,602,687,150	1,633,702,349	83,150,390	388,537	1,847,100	9,460,876	1,538,921,751

The maturity analysis in the table above assumes no Event of Default during the life of the loan notes. If an Event of Default is triggered, then the loan notes, under the terms of the Offering Circular, may become due and payable. The key Event of Default triggers are if the payment of principal or interest is delayed more than three or five days respectively. During the year there were no such events triggered.

Credit risk

The maximum exposure to Credit risk is considered by the directors to be the carrying value of the Deemed Loan to the Originator and the cash and cash equivalents which are also held by the Originator. The credit risk is ultimately borne by Alpha Bank AE as it retains the Underlying Receivables on the Statement of Financial Position. The credit rating of Alpha Bank AE performed by three international credit ratings agencies is as follows:

Moody's: Caa2

Fitch Ratings: CCC+

Standard & Poor's: B-

The Originator has been affected by the high degree of uncertainty that characterises the Greek economic

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

environment in recent years, as a result of the prolonged recession of the Greek economy, which led to a significant deterioration in the creditworthiness of corporate and individuals and therefore to the recognition of significant impairment losses by the Originator and by the Greek banking system in general. In August 2018 the Hellenic Republic officially exited the international bail-out programme and this is expected to contribute to the decrease of uncertainty and to the enhancement of business community and investors' confidence in Greece.

The Originator has developed and implemented, a Model Validation Framework ("MVF"), consisting of Policy, Methodologies and technical specifications, regarding the credit risk model and more particularly the IFRS 9 models. Credit loss impairment has been measured at amortised cost. Please refer to note 1 for more details on credit risk measurement.

The Originator calculates Expected Credit Losses based on the weighted probability of three alternative scenarios. More specifically, the Economic Research Division produces forecasts for the possible evolution of macroeconomic variables that affect the level of Expected Credit Losses of the Underlying Receivables under a baseline and under two alternative macroeconomic scenarios (an upside and an adverse one) and also produces the cumulative probabilities associated with these scenarios. The macroeconomic variables affecting the level of expected credit losses are the Gross Domestic product (GDP), the unemployment rate and forward looking prices of residential and commercial real estates.

The cumulative probabilities of the macroeconomic scenarios for the Greek economy will indicate that the economy performs better or worse than forecasts of the baseline scenario and the alternative scenarios, i.e. the upside and downside scenario. For each one of the alternative scenarios, the expected credit loss is calculated and weighted against the probability of each scenario in order to calculate the weighted expected credit loss. The cumulative probability assigned to the base scenario is 60%, while cumulative probability assigned to the adverse and upside scenario is 20% for each of the scenario. If the assigned cumulative probability of the adverse scenario was increased from 20% to 40%, Expected Credit Losses would increase by €2,400,416. If the assigned cumulative probability of the upside scenario was increased from 20% to 40%, Expected Credit Losses would decrease by €2,400,416. In the event of either scenarios occurring the Net Equity and Deemed Loan to the Originator would be affected by the same amount.

The credit quality of the Underlying Receivables is summarised as follows:

	<u>Stage 1</u>	<u>Stage 2</u>	<u>Stage 3</u>	<u>POCI</u>	<u>Total</u>
	€	€	€	€	€
Not Past Due	296,930,832	207,277,634	143,817,420	125,930,788	773,956,674
Past due	35,262,292	86,773,639	154,365,776	55,403,723	331,805,430
Carrying amount (before provision for impairment losses)	332,193,124	294,051,273	298,183,196	181,334,511	1,105,762,104
Expected credit losses	<u>(2,101,979)</u>	<u>(39,048,694)</u>	<u>(129,095,873)</u>	<u>(33,018,338)</u>	<u>(203,264,884)</u>
Total net loans	<u>330,091,145</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>902,497,220</u>
Additional ECL on lifetime basis	<u>(36,111,040)</u>	-	-	-	<u>(36,111,040)</u>
Adjusted total net Loans	<u>293,980,105</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>866,386,180</u>
Value of collateral	<u>130,937,534</u>	<u>31,226,389</u>	<u>16,929,731</u>	<u>49,905,599</u>	<u>228,999,253</u>

The ECL on the Underlying Receivables stage 1 assets were originally calculated on a 12 month basis in line with the Alpha Bank AE IFRS 9 model. However, the Deemed Loan to Originator is classed as a stage 2 asset resulting in the ECL on the Underlying Receivables stage 1 assets being recalculated on a lifetime basis. This resulted in a reduction of the impairment reversal of €36,111,040 as at 31 December 2018. The effect of this change reduced the carrying amount of the Deemed loan to Originator to €866,386,180 as reported in the Statement of Financial Position.

When loans are transferred from the Originator the collateral attached to the loans are also transferred.

The Company has exercised the option not to restate comparatives for the prior year as allowed by IFRS 9 and as a result the above IFRS 9 staging analysis is not disclosed as at 31 December 2017.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

The analysis as at 31 December 2017 under IAS 39 is as follows:

	€
Neither past due nor impaired	566,829,524
Past due but not impaired	107,195,559
Impaired	<u>660,460,522</u>
	1,333,485,605
Less: allowance for impairment	<u>(247,282,979)</u>
	<u>1,087,202,626</u>

Credit quality of underlying portfolio

	Stage 1	Stage 2	Stage 3	POCI	Total
	€	€	€	€	€
Strong	208,679,789	-	-	22,310,598	230,990,387
Satisfactory	123,176,788	75,242,669	-	34,547,504	232,966,961
Watch list	336,547	218,808,604	-	49,338,663	268,483,814
Default	-	-	298,183,196	75,137,746	373,320,942
Carrying amount (before impairment)	<u>332,193,124</u>	<u>294,051,273</u>	<u>298,183,196</u>	<u>181,334,511</u>	<u>1,105,762,104</u>
Expected credit losses	<u>(2,101,979)</u>	<u>(39,048,694)</u>	<u>(129,095,873)</u>	<u>(33,018,338)</u>	<u>(203,264,884)</u>
Total net loans	<u>330,091,145</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>902,497,220</u>
Additional ECL on lifetime basis	<u>(36,111,040)</u>	-	-	-	<u>(36,111,040)</u>
Adjusted total net Loans	<u>293,980,105</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>866,386,180</u>
Collateral	<u>130,937,534</u>	<u>31,226,389</u>	<u>16,929,731</u>	<u>49,905,599</u>	<u>228,999,253</u>

The Company has exercised the option not to restate comparatives for the prior year as allowed by IFRS 9 and as a result the above IFRS 9 staging analysis is not disclosed for the year ended 31 December 2017.

The ECL on the Underlying Receivables stage 1 assets were originally calculated on a 12 month basis in line with the Alpha Bank AE IFRS 9 model. However, the Deemed Loan to Originator is classed as a stage 2 asset resulting in the ECL on the Underlying Receivables stage 1 assets being recalculated on a lifetime basis. This resulted in a reduction of the impairment reversal of €36,111,040 as at 31 December 2018. The effect of this change reduced the carrying amount of the Deemed loan to Originator to €866,386,180 as reported in the Statement of Financial Position.

The analysis as at 31 December 2017 under IAS 39 is as follows:

	2017 €
Satisfactory	566,289,524
Watch list	<u>-</u>
	<u>566,289,524</u>

Ageing analysis by IFRS 9 stage

	Stage 1	Stage 2	Stage 3	POCI	Total
	€	€	€	€	€
Current	295,505,794	180,555,863	87,327,114	106,778,139	670,166,910
1-29 days	34,585,351	44,857,909	18,894,442	21,141,636	119,479,338
31- 89 days past due	-	29,588,807	32,403,888	13,334,375	75,327,070
90 days past due	-	-	30,461,879	7,062,023	37,523,902
TOTAL	<u>330,091,145</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>902,497,220</u>
Additional ECL on lifetime basis	<u>(36,111,040)</u>	-	-	-	<u>(36,111,040)</u>
Adjusted Total	<u>293,980,105</u>	<u>255,002,579</u>	<u>169,087,323</u>	<u>148,316,173</u>	<u>866,386,180</u>
Collateral	<u>130,937,534</u>	<u>31,226,389</u>	<u>16,929,731</u>	<u>49,905,599</u>	<u>228,999,253</u>

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

14. FINANCIAL RISK MANAGEMENT (CONTINUED)

The Company has exercised the option not to restate comparatives for the prior year as allowed by IFRS 9 and as a result the above analysis is not disclosed for the year ended 31 December 2017.

The ECL on the Underlying Receivables stage 1 assets were originally calculated on a 12 month basis in line with the Alpha Bank AE IFRS 9 model. However, the Deemed Loan to Originator is classed as a stage 2 asset resulting in the ECL on the Underlying Receivables stage 1 assets being recalculated on a lifetime basis. This resulted in a reduction of the impairment reversal of €36,111,040 as at 31 December 2018. The effect of this change reduced the carrying amount of the Deemed loan to Originator to €866,386,180 as reported in the Statement of Financial Position.

As set out in the policy on going concern, the current economic conditions in Greece may have an impact on the credit quality of the Underlying Receivables underlying the Deemed Loan to Originator which could result in a significant additional impairment provision. However, the credit risk is ultimately borne by the Originator since the Notes are held by the Originator and the transaction is structured as limited recourse, such that the ability of the Company to meet its obligations under the loan notes will directly depend upon receipt of funds from the Originator, which is in turn dependant on the ability of underlying borrowers to service their loans.

These key assumptions are based on observable data from historical patterns and are updated regularly by Alpha Bank AE as new data becomes available.

The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flow from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral.

In addition, the directors consider how appropriate past trends and patterns could impact the current economic climate and may make any adjustments they believe are necessary to reflect the current economic and market conditions.

The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

Capital risk management

The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders. The Company is not subject to any external capital requirements except for the minimum requirement under the Companies Act 2006. The Company has not breached the minimum requirement.

15. RELATED PARTY TRANSACTIONS

The Company has identified the following transactions which are required to be disclosed under the terms of IAS 24 Related Party Disclosures.

During the year administration and accounting services were provided by Wilmington Trust SP Services (London) Limited for which Wilmington Trust SP Services (London) Limited earned €36,000, (2017: €39,339) including irrecoverable VAT and expenses. Mr D J Wynne, a director of the Company is also a director of Wilmington Trust SP Services (London) Limited. Mr I Kyriakopoulos, who is a director of the Company, is an employee of Wilmington Trust SP Services (London) Limited.

During 2008, the Company acquired the Underlying Receivables for €1,513,930,883 from Alpha Bank AE and under the terms of the securitisation transaction Alpha Bank AE was appointed as the loans servicer to administer the Underlying Receivables. Under the terms of the securitisation transaction, the Company is able to purchase additional loans during a revolving period under certain conditions. During 2018, additional receivables of €441,834,394 (2017: €695,778,870) were acquired and €546,189,329 (2017: €307,553,665) of loans repurchased by Alpha Bank AE, of which €nil (2017: €82,956,112) were unsettled at the year end. During 2018 Alpha Bank AE made cash transfers to the Company of €168,321,125 (2017: €195,116,658) of principal and €53,811,195 (2017: €52,171,046) of interest in relation to the servicing of the Underlying Receivables. Alpha Bank AE earned €234,584 (2017: €243,524) in servicing fees for acting as the servicer of the Underlying Receivables. At 31 December 2018 €19,550, (2017: €22,217) was outstanding and included in accruals and deferred income.

KATANALOTIKA PLC

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

FOR THE YEAR ENDED 31 DECEMBER 2018

15. RELATED PARTY TRANSACTIONS (CONTINUED)

Given the details set out in note 12, Alpha Bank AE holds Loan Notes of €1,520,000,000 as at 31 December 2018 (2017: €1,520,000,000). During 2018, €4,869,447 (2017: €4,835,669) of interest on Loan Notes was payable to Alpha Bank A.E of which €208,367, (2017: €183,836) was outstanding at year end.

Under the terms of the sale agreement relating to the Underlying Receivables, Alpha Bank AE earns deferred consideration. During the year this amounted to €90,697,843 (2017: €90,826,207).

The Company has a reserves account with Alpha Bank AE, as at 31 December the balance held was €239,478,315 (2017: €239,478,315).

Katanalotika Holdings Limited is a related party by virtue of being parent of the Company. At 31 December 2018, an amount of €3,921 (2017: €3,921) was receivable from the parent.

16. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Katanalotika Holdings Limited holds 49,999 shares in the Company. The remaining one share is held under a nominee Declaration of Trust for charitable purposes. Wilmington Trust SP Services (London) Limited holds the entire share capital in Katanalotika Holdings Limited under a declaration of trust for charitable purposes. Alpha Bank AE has no direct ownership interest in the Company. However, in accordance with IFRS 10 the results of the Company are included in the consolidated financial statements of Alpha Bank AE, a Company incorporated in Greece, whose principal place of business is 40 Stadiou, 102 52 Athens, Greece. It is the largest and smallest group into which the results of the Company are consolidated. The financial statements of Alpha Bank AE can be obtained from www.alpha.gr.

17. POST BALANCE SHEET EVENTS

Loans amounting to €110,474,282 have been redeemed since the year end. The Company has also acquired loans amounting to €151,712,623 since the year end. There were no other significant balance sheet events.