ALPHA BANK

ALPHA GROUP JERSEY LIMITED

ANNUAL REPORT & FINANCIAL STATEMENTS

31-Dec-18

CONTENTS

Directors
Lindsay Mackay
Monika Ahmed
Nigel Day
Stephen Langan

Secretary
Intertrust SPV Services Limited

Registered Office
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St Helier
Jersey
JE4 9WG

Independent Auditor
Deloitte LLP

The directors of Alpha Group Jersey Limited (the “Company”) present their annual report together with the audited financial statements for the year ended 31 December 2018.

Incorporation

The Company was incorporated in Jersey, Channel Islands as a public company on 21 November 2002.

Principal activities

The principal activity of the Company is the provision of financing to Alpha Bank AE (the "Parent") and its consolidated subsidiaries (together the "Group"). All debt instruments issued by the Company are guaranteed by the Parent.

Results

The Company has prepared its financial statements in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union.

The statement of comprehensive income for the year is set out on page 7.

The Board of Directors ("the Board") decided not to declare a dividend on the preferred securities payable in February 2018, which the Company was entitled to do under the terms of the issue. At the same time, Alpha Bank A.E. notified the Company that it decided in its sole discretion to cancel interest payments due on the Subordinated Loan.

Dividend

The Directors do not recommend the payment of a dividend in respect of the year ended 31 December 2018 (2017 - Nil).

Business strategy, business environment and future outlook

The Company’s business strategy and activities are linked to those of its Parent. The Company, in order for it to pay interest on its debt instruments and repay debt on maturity, is dependent on Alpha Bank A.E., to pay interest on loans made to it on the due dates and to repay loans made to it on their maturity. The terms of the loan to Alpha Bank AE are such that the borrower has the discretion to pay interest due. See note 11 regarding post balance sheet events relating to the payment of interest receivable and payable.

Business environment in Greece

The Greek economy continued to grow in 2018 following the falls in economic activity in the years up to 2015 and the zero growth in GDP experienced in 2016 with growth in GDP forecast by the OECD at 2.1% for 2018. The recovery is mainly driven by net exports of goods and services and the rebound of private consumption supported by employment gains. Insufficient financing remains a large constraint on capital spending and progress has been slow in attracting new foreign direct investment and in privatising state-owned assets. Bank lending to the more dynamic sectors, such as tourism and trade, has stabilised, but overall lending is still declining. Deposits are gradually returning as capital controls are eased. In May 2018, the European Central Bank ("ECB"), released the stress test results for four Greek banks, including Alpha Bank A.E. The banks passed the capitalisation test under the baseline scenario, but performed less well under the adverse scenario, although all passed this as well. The outcome of the stress test carried out demonstrated increasing optimism of the recovery of the country’s banking sector. Greece successfully concluded its third economic programme in August 2018 albeit Greek bond yields remain elevated.

Impact of the business environment on Alpha Bank A.E. Group

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

Alpha Bank Group continued to improve its Statement of Financial Position and overall financial position throughout 2018. The Parent’s reliance upon ELA (Emergency Liquidity Assistance) stood at €0.3bn in December 2018 down from €7.0bn in Q4 2017.

Going concern principle

The Directors note that the Company's operating expenditure increased during 2018 as a result of which the Parent Company honoured its committment to inject additional capital to ensure the Company had sufficient liquid resources to cover a further 12 months expenditure from the date of approving these financial statements, assuming future expenditure is at a similar level. The Parent Company will continue to provide the financial resources to cover current and future operating expenses including any regulatory fines, as and when required. The Directors note that interest payments and distributions paid on the preferred securities are not considered as operational costs.

Taking into consideration the improving economic situation in Greece and of the Parent, the support offered by the Parent Company and the fact that the preferred securities are guaranteed by the parent, the Directors are of the opinion that the conditions for the going concern principle to apply to the Company are currently being met and accordingly the financial statements have been prepared on the going concern basis.

Corporate governance

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

Brexit

‘Brexit’ - In June 2016 the United Kingdom voted to leave the European Union (EU). During early 2017, the formal process to leave the European Union was triggered and the UK government has been negotiating with the EU since this date. A “No Deal Brexit” remains a possibility and may potentially create market disruption and cross border business restrictions. Management has considered the impact of such an event on the Company and does not believe it would be material. The Company is incorporated outside the UK and EU jurisdictions and does not have any trading activities in the UK, nor is it directly or indirectly connected to any UK entity. The note it holds is listed on an EU stock exchange, and the loan is with the Parent Company also incorporated in the EU and therefore management does not expect the performance of the Company to be impacted by the events in the UK.

Directors

The following persons served as directors of the Company during the financial year and up to the date of approving these financial statements. None of the directors had any interest in the share capital or debt issued by the company.

Lindsay Mackay
Monika Ahmed (appointed 27 September 2018)
Nigel Day
Stephen Langan
Stephen Tryner (resigned 27 September 2018)

Secretary

The Secretary who held office during the year and to the date when these financial statements were approved is as follows:

Intertrust SPV Services Limited

Directors’ responsibility regarding disclosure of information to auditors

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

Independent Auditor

Deloitte LLP as the Company’s independent auditor have expressed their willingness to continue to act, however their reappointment is dependent on the approval of the Group's Audit Committee.

By order of the board

Secretary

Date

Business model

The principal activity of the Company is the provision of financing to Alpha Bank AE (the "Parent") and its consolidated subsidiaries (together the "Group"). All debt instruments issued by the Company are guaranteed by the Parent.

Economic position

The Company's business strategy and activities are linked to those of its Parent with the Company having a single loan receivable from its Parent and a single issue of Series B Preferred Securities of which a nominal balance of €15,542,000 remains outstanding, see note 6. The Company, in order for it to pay interest on its debt instruments and repay debt on maturity, is dependent on Alpha Bank A.E., to pay interest on loans made to it on the due dates and to repay loans made to it on their maturity. The terms of the loan to Alpha Bank AE are such that the borrower has the discretion to pay interest due. See note 11 regarding post balance sheet events relating to the payment of interest receivable and payable. Total Assets at 31st December 2018 are EUR 4,965,062. This consists of issued preferred securities funded by loans measured at FVTPL.

Without the receipt of interest on the loan the Company presently has no income and hence the loss of €136,309 reported in these financial statements which relates to the running costs of the Company, predominantly consisting of legal professional fees.

The Company's operating expenditure increased during 2018 as a result of which the Parent Company honoured its committment to inject additional capital to ensure the Company had sufficient liquid resources to cover a further 12 months' expenditure from the date of approving these financial statements, assuming future expenditure is at a similar level. The Parent will continue to provide the financial resources to cover current and future operating expenses, as and when required, as outlined in a letter of support the Parent has provided to the Company.

The Greek economy continued to grow in 2018 following the falls in economic activity in the years up to 2015 and the zero growth in GDP experienced in 2016 with growth in GDP forecast by the OECD at 2.1% for 2018. The recovery is mainly driven by net exports of goods and services and the rebound of private consumption supported by employment gains. Insufficient financing remains a large constraint on capital spending and progress has been slow in attracting new foreign direct investment and in privatising state-owned assets. Bank lending to the more dynamic sectors, such as tourism and trade, has stabilised, but overall lending is still declining. Deposits are gradually returning as capital controls are eased. In May 2018, the European Central Bank ("ECB"), released the stress test results for four Greek banks, including Alpha Bank A.E. The banks passed the capitalisation test under the baseline scenario, but performed less well under the adverse scenario, although all passed this as well. The outcome of the stress test carried out demonstrated increasing optimism regarding the recovery of the country's banking sector. Greece successfully concluded its third economic programme in August 2018 albeit Greek bond yields remain elevated.

Taking into consideration the improving economic situation in Greece and of the Parent, the support offered by the Parent Company, and the fact that preferred securities are guaranteed by the parent, the Directors are of the opinion that the conditions for the going concern principle to apply to the Company are currently being met and accordingly the financial statements have been prepared on the going concern basis.

Expected developments

The Company expects higher losses in 2019 compared to 2018. The increase is expected to be caused by higher expenses related to legal and professional fees, which in turn are caused by ongoing regulatory investigations. These investigations and potential fines are the main risk associated with Company's developments. The Company expects that the expenses will be financially covered by an increase in the share capital or any other financial support form the Parent. In terms of opportunities, these are limited due to no further issuances planned in the immediate future.

Internal control systems and risk management system relevant for the financial reporting process

The Company's accounting policies are described in note 1 of the financial statements. The Company having so few transactions, and there being very little activity, employs no staff. The Directors oversee all transactions and prepare the financial statements ensuring accounting policies are followed, taking guidance from specialists employed by the Parent and other professional advisors. The monthly financial reporting is submitted to the Parent. The year-end financial statements prepared by one Director are reviewed by the other Directors and the Parent. The valuation of the securities is performed by a specialist risk team of the Parent. The Company engages in internal control processes key to financial reporting, such as segregation of duties, and a four-eyed principal for reviews. The book-keeping function is outsourced.

Risk reporting relating to the use of financial instruments

The Company has exposure to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

The Company was set up to raise finance for the Alpha Bank Group (of which Alpha Bank A.E. is the parent). This was achieved by the issue of Preferred and Perpetual Securities listed on the Euronext Amsterdam and Frankfurt Stock Exchanges, the proceeds of which are advanced to Alpha Bank A.E. No dissimilar transactions were carried out by the Company since incorporation and therefore the operations for the year consisted in servicing the financial liabilities from the previous period income generated by the financial assets.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is €4,956,789 (2017: € 4,432,707). All credit risk exposure is to Alpha Bank AE, which is rated Caa1 (2017: CCC+) by Moody's.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Due to the nature of the Company's operations, the Board considers the net liquidity risk faced by the Company as minimal. The most significant cash outflow consists of the payment of interest expense on the Preferred Securities which are limited in recourse to the Company's loans and receivables.

The terms and conditions of the Preferred Securities are similar to those of the Loans and Receivables held, however the loan has a repayment date of 30 December 2045 whilst the Preferred Securities are perpetual.

There should be no liquidity mismatch as the interest cash outflows fall due on the same dates as the interest cash inflows from the loans and receivables and payment of cash outflows to the preferred securities are dependent on receipt of cash inflows on the Company's loans and receivables. The Board considers its available cash resources and parental support as enough to meet other cash outflows which mainly consist of administrative expenditure. The Parent company will provide support in the event that the Company's cash resources are not sufficient to meet the ongoing administrative expenditure, in the form of an increase in share capital or any other appropriate form at the time.

Market risk

Market risk is the risk that changes in market prices, due to foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Due to the structure of the Company's assets and liabilities, particularly the similar terms and conditions of the principal financial assets and liabilities, the Company's net exposure to market risk is also considered to be minimal.

Currency risk

Currency risk is where a movement in exchange rates will result in changes to the Company's profit or loss. With the exception of certain administrative expenses which are denominated in GBP, all other transactions are undertaken in Euro. Hence in the opinion of the Directors there is no significant currency risk.

Interest rate risk

Interest rate risk is where a movement in interest rates will result in changes to the Company's profit or loss. Interest obligations on the financial liabilities are on a floating rate basis plus a fixed margin whilst the amount receivable from the corresponding financial assets yield a floating rate with a slightly higher fixed margin. Therefore in the opinion of the Directors, the Company is not exposed to any significant net interest rate risk.

At 31 December 2018, if Euro market interest rates had been 100 basis points higher / lower with all other variables held constant, the profit for the year would be no lower or higher, mainly as a result of higher / lower interest expense on Euro denominated floating rate borrowings compensated by higher / lower interest income on the floating rate loan.

Capital management

All ordinary shares are held by Alpha Bank A.E. and the Company does not have any share option schemes or holds its own shares. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The nominal value of the outstanding preferred securities was €15,542,000 (2017: €15,542,000). A capital injection of €240,000 was made in December 2018 in order to support the Company's ongoing expenses, in the absence of any income during the year.

For and on behalf of the Board of Directors of the Company

Director:

Date:

ALPHA GROUP JERSEY LIMITED
STATEMENT OF DIRECTORS' RESPONSIBILITIES
FOR THE YEAR ENDED 31 DECEMBER 2018

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

To the best of Directors knowledge, and in accordance with the applicable reporting principles, the financial statements give a true and fair view of net assets, financial position and results of operations of the Company, and the Management Report gives a true and fair view of the development including the business performance and the position of the Company, together with the description of the principal opportunities and risks associated with the expected development of the Company.

The Companies (Jersey) Law 1991 ("Law") requires the Directors to prepare financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors are responsible for keeping 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 to enable them to ensure that the financial statements comply with the Law. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

For and on behalf of the Board of Directors of the Company

Director:

Date:

ALPHA GROUP JERSEY LIMITED
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 €	2017 €
Fair value gains from valuation of loans and receivables	3	365,237	1,204,505
Fair value losses from valuation of preferred securities	6	(365,237)	(1,204,505)
Loss on foreign currency transactions		(1,351)	(1,282)
Legal and professional fees		(134,958)	(81,677)
Loss for the year		(136,309)	(82,959)
Other comprehensive income		-	-
Total comprehensive loss for the year		(136,309)	(82,959)

Continuing activities: all the items dealt with in arriving at the loss for the year relate to continuing activities.

ALPHA GROUP JERSEY LIMITED
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2018

	Notes	2018 €	2017 €
Assets			
Non-Current Assets			
Loans and receivables measured at FVTPL	3	4,678,142	4,312,905
		4,678,142	4,312,905
Current Assets			
Prepaid expenses		8,273	-
Cash and cash equivalents	4	278,647	119,802
		286,920	119,802
Total Assets		4,965,062	4,432,707
Equity			
Issued share capital	5	260,000	20,000
Retained earnings		(57,983)	78,326
Total equity attributable to equity holders of the Company		202,017	98,326
Liabilities			
Non-Current Liabilities			
Preferred securities	6	4,678,142	4,312,905
		4,678,142	4,312,905
Current Liabilities			
Other payables		84,903	21,476
		84,903	21,476
Total Equity and Liabilities		4,965,062	4,432,707

The financial statements on pages 7 to 18 were approved and authorised for issue by the Board of Directors on ___________________ and signed on its behalf by:

.... Director

ALPHA GROUP JERSEY LIMITED
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2018

	Notes	2018 €	2017 €
Cashflows from operating activities			
Loss for the year		(136,309)	(82,959)
Adjustments for:			
Fair value gains from valuation of loans and receivables	3	(365,237)	(1,204,505)
Fair value losses from valuation of preferred securities	6	365,237	1,204,505
(Increase) / Decrease in prepaid expenses		(8,273)	7,884
Increase in other payable		63,427	5,210
Net cash flows used in operating activities		(81,155)	(69,865)
Cashflows from financing activities			
Issue of additional share capital at par value		240,000	-
Net cash from financing activities		240,000	-
Net increase / (decrease) in cash and cash equivalents		158,845	(69,865)
Cash and cash equivalents at 1 January		119,802	189,667
Cash and cash equivalents at 31 December	4	278,647	119,802

The notes on pages 11 to 18 form part of these audited financial statements

ALPHA GROUP JERSEY LIMITED
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2018

	Share Capital €	Retained earnings €	Total €
Balance at 1 January 2018	20,000	78,326	98,326
Shares issued during the year at par value	240,000	-	240,000
Total comprehensive loss for the year	-	(136,309)	(136,309)
Balance at 31 December 2018	260,000	(57,983)	202,017

	Share Capital €	Retained earnings €	Total €
Balance at 1 January 2017	20,000	161,285	181,285
Total comprehensive loss for the year	-	(82,959)	(82,959)
Balance at 31 December 2017	20,000	78,326	98,326

1. Accounting policies

Basis of presentation

The financial statements of Alpha Group Jersey Limited have been prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union, for the year ended 31 December 2018. They are presented in Euros, and are prepared on the historical cost basis apart from the loans and receivables and preferred securities which are carried at fair value through profit and loss.

Impact of initial application of IFRS 15 Revenue from Contracts with Customers

The Company has adopted IFRS 15 for annual reporting period beginning on 1 January 2018. The standard applies to all contracts with customers except lease contracts, insurance contracts, financial instruments and certain non-monetary exchanges between entities in the same line of business to facilitate sales to customers or potential customers.

The Company doesn't have non-interest revenue streams and the implementation of IFRS 15 has had no significant impact on the recognition of income.

Going Concern

As the principal activity of the Company is to raise finance for the Parent, by the provision of a loan, the Company is wholly dependent on its Parent to make the payments on the amounts it has borrowed in order to satisfy its obligations to the owners of the preferred securities, which are guaranteed by the Parent.

Despite the positive developments set out in the directors' report on page 2 regarding the Business Environment in Greece and its impact on the Parent, there are still uncertainties associated with the current economic conditions in Greece and the ongoing developments that could affect the going concern assumption. These could affect the Parent's ability to meet its obligations to the Company, and consequently may affect the amount that holders of the preferred securities may ultimately receive and the timing of such receipts. As disclosed in notes 3 and 6 no interest is currently being received in respect of the Company's loan with its parent and no payments are being made on the Company's preferred securities.

At 31 December 2018, the Company has a positive net assets position and the directors are not aware of any further redemptions of the preferred securities or planned tender offers for such which may cause the winding up of the Company within the next 12 months. In addition, the directors believe there is sufficient liquidity, in the form of cash reserves or support from the parent company, in order for the Company to meet its on-going operational expenses as they fall due.

After taking into considerations the above factors and reviewing the going concern note in the Parent's audited financial statements for the year ended 31 December 2018, the directors have concluded that there is a reasonable expectation that Parent will make repayments of the loan as required for the Company to meets its obligations and so in their opinion it is appropriate for the financial statements to be prepared on a going concern basis.

Functional currency

Due to the fact that the Company's operations are carried out in Euro, the Company has adopted the Euro as its functional and reporting currency. The financial statements are presented in Euro rounded to the nearest Euro.

Foreign currency

Transactions denominated in foreign currencies are translated to Euro at the rate ruling on the date of the transaction. Assets and liabilities at the year end date denominated in foreign currencies are translated to Euro at the rate ruling on the balance sheet date. Any gains or losses arising on translation are recognised in profit or loss.

Taxation

The Company as a non-regulated financial services entity is liable to Jersey income tax at 0%.

Use of estimates and judgements

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

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

During the period, management made the following estimates:

- In assessing the fair value of of assets and liabilities, estimates were made by utilising unobserved inputs such as the discounting rate and cashflow timing.

During the period, management made the following judgments:

- Assessing whether the Company is considered a going concern (as set out above).
- Asessing whether the Company will receive interest and pay dividends for the purpose of preferred securities valuation

Cash and cash equivalents

Cash and cash equivalents consist of balances with banks.

1. Accounting policies (continued)

Loans and receivables at fair value

Following the early adoption of IFRS 9 in 2017, the Company has classified its loan note receivables as a loan and receivable at fair value through profit and loss (FVTPL). The fair value is deemed to be the same as the fair value of the preferred and perpetual securities (note 6) as the two instruments have virtually identical cash flow characteristics. Loans and receivables are measured at FVTPL because their contractual characteristics do not pass the SPPI test.

The Company derecognises loans and receivables when the contractual rights to the cash flows from the asset expire or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The terms relating to the Company's loans and receivables are detailed in note 3.

Preferred securities

The preferred and perpetual securities are recognised as financial liabilities at fair value through profit and loss. For the year ended 2017, the Company elected to early adopt IFRS 9 and the perpetual preferred securities are therefore carried at fair value. The Company has elected to hold the preferred securities at FVTPL in order to remove an accounting mismatch which would have occurred if the securities had been held at amortised cost. This election is permitted by IFRS 9, paragraphs 4.2.2a and 7.2.10a. In addition the Company has also elected to pass all changes in fair value, including those due to changes in credit risk, through profit and loss as permitted by paragraph 5.7.8 of IFRS 9.

The terms of the perpetual preferred securities provide the holder with the contractual right to receive payments of interest, however these are dependent on the Parent having sufficient distributable funds. The fair value of the preferred and perpetual securities is calculated using observable market data (i.e. quoted prices in non-active markets as there is limited liquidity and low volumes of trading) and the securities are classified as 'Level 3' for the purposes of risk management disclosures (note 7).

The Company derecognises preferred and perpetual securities when its contractual obligations are discharged or cancelled or expire.

Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised in 'Interest income' and 'Interest expense' in the Statement of Comprehensive Income using the effective interest rates of the financial instrument to which they relate, except for the financial instruments measured at fair value through profit and loss, for which all changes in fair value are recognised as valuation gains or losses.

Economic Relationship Between the Loan Notes and Preferred Securities

The loan notes and preferred securities are economically linked in that interest payment on the preferred securities will not be made unless interest has been received on the loan notes to Alpha Bank AE. The nominal value of both the loan notes and preferred securities are identical and cash flow characteristics are matched.

Profit and loss on redemption of loans and receivables and preferred and perpetual securities (derecognition)

On derecognition of a financial instrument, other than in its entirety, the Company allocates the previous carrying amount of the instrument between the part it continues to recognise and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer.The difference between the carrying amount allocated to the part no longer recognised and the sum of the consideration received is recognised in profit and loss.

Expenses

Operating expenses are recognised in profit or loss on an accruals basis.

Segment information

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

Accounting Standards to be adopted in the future

The following pronouncements are not applicable for the year ending 31 December 2018 and have not been applied in preparing these financial statements. None of the forthcoming standards are expected to have a significant effect on the Company's financial statements.

IFRS 16 Leases

Endorsed by the EU in October 2017, IFRS 16 will supersede the current lease guidance including IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. Management does not expect this standard to have a material impact on the Company.

1. Accounting policies (continued)

IFRS 17 Insurance Contract

IFRS 17 replaces IFRS 4 Insurance Contracts and is effective for annual periods beginning on or after 1 January 2021. Management estimates that the impact will be immaterial on the financial position and results.

2. Operating Loss

The operating loss is stated after charging:			**2018**	2017
			€	€
Auditor Remuneration	Audit services		20,000	19,382
	Non audit services	- current year	12,500	9,813
		- prior year	15,299	-
			47,799	29,195

3. Loans and receivables measured at FVTPL

	2018	2017
	€	€
Loan to Alpha Bank A.E.	4,678,142	4,312,905
	4,678,142	4,312,905
Opening balance - 1 January	4,312,905	3,108,400
Redemptions	-	-
Change in fair value	365,237	1,204,505
Closing balance - 31 December	4,678,142	4,312,905

The loan from Alpha Bank A.E. is repayable in full on 30 December 2045.

The loan earns interest which is payable annually in arrears on 18 February. However, no interest has been received on the loan or notes since 2012 due to the Parent's discretion on payment of interest or waivers provided by the Company, respectively.

4. Cash and cash equivalents

	2018	2017
	€	€
Cash at bank current account	278,647	119,802

The above amount is held with Alpha Bank London Limited.

5. Share capital

	2018	2017
	€	€
Authorised:		
1,000,000 €1 ordinary shares	1,000,000	1,000,000
	1,000,000	1,000,000
Allotted, called up, issued and fully paid:		
Opening balance - 1 January	20,000	20,000
Allotted during the year - 240,000 €1 shares at par value, paid in cash	240,000	-
Closing balance - 31 December	260,000	20,000

The ordinary shares entitle holders to
-voting rights at any annual general meeting of the Company,
-to ordinary dividends as may be declared by the directors from time to time, and
-to participate in the winding up of the Company.

6. Preferred securities		**2018**	2017
		€	€
Series B Preferred Securities	Note 7	4,678,142	4,312,905
		4,678,142	4,312,905

	€	€
Opening balance for preferred securities - 1 January	4,312,905	3,108,400
Redemptions	-	-
Adjustment to carrying value	365,237	1,204,505
Closing balance for preferred securities - 31 December	4,678,142	4,312,905

The Company elected to adopt IFRS 9 from 1 January 2017. Changes in the fair value of the securities are recognised through profit and loss including the change in value due to changes in credit risk associated with the parent company Alpha Bank AE. No interest expense has been paid, as the payment of interest is dependent upon the Parent having sufficient distributable funds. No interest has been received and there is uncertainty as to when the payment of interest will resume. The changes in the fair value of the preferred securities are mostly attributed to change in own credit risk. Note 7 provides further detail about the process of determining the fair value of the preferred securities.

The Company has issued Series B Preferred Securities the details of which are listed below.

The Series B Preferred Securities contain a clause that permits the Company not to pay dividends if the Parent does not have sufficient distributable funds. The Parent did not have sufficient distributable funds at the relevant dates and consequently the Series B dividends due in February 2012, 2013, 2014, 2015, 2016, 2017 and 2018 were not paid. In the same years, the Company did not receive interest income on the notes or loan to the Parent (See Note 3).

On 18 February 2005 the Company issued 600,000 €1,000 Series B CMS-Linked Non-cumulative Guaranteed Non-voting Preferred Securities (the "Series B Preferred Securities").

After a series of repurchases and subsequent cancellations in the previous years, as at 31 December 2018 a nominal balance of €15,542,000 is still outstanding.

All obligations of the Company to make payments in respect of the Series B Preferred Securities are guaranteed on a subordinated basis by Alpha Bank AE pursuant to an amended and restated subordinated guarantee dated 18 February 2005 for the Series B CMS-Linked notes.

Series B Preferred Securities Terms

The €600,000,000 Series B Preferred Securities entitle holders to receive non-cumulative preferential cash interest payable annually in arrears on 18 February in each year commencing 18 February 2006. The preferred dividend was 6.00% per annum up to but excluding 18 February 2010.

In relation to any preferred interest payment date commencing on 18 February 2010 or any preferred interest payment date thereafter, the rate of preferred interest is the preferred dividend floating rate, subject to a maximum rate of 10.00% per annum and a minimum rate of 3.25% per annum.

Payments of interest on the above Preferred Securities are non-cumulative and are subject to the provisions regarding distributions contained within the Companies (Jersey) Law 1991, and within the Offering Circular. The Company is not permitted to pay any interest on the Securities if such an amount would exceed the funds available for distribution.

If at any time falling prior to but excluding the First Call Date, a Capital Disqualification Event (as defined in the Description of the Preferred Securities within the Offering Circular) has occurred and is continuing, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Company on the next interest payment date, upon not less than 30 or more than 60 days notice to the holders.

The Preferred Securities (as defined in the Offering Circular) are perpetual securities and have no fixed redemption date. However, the Securities may be redeemed at the option of the Company, in whole but not in part, on the First Call Date, (18 February 2015 for the Series B Preferred Securities) or on any Preferred Dividend Payment Date falling thereafter, upon not less than 30 nor more than 60 days' notice. Redemption is subject to the consent of Alpha Bank AE and the Bank of Greece. On such a redemption, the holders will be entitled to receive the Redemption price (as defined in the Offering Circular) plus accrued and unpaid interest in respect of the most recent Interest period (as defined in the Offering Circular).

In the event of a liquidation, dissolution or winding-up of the Company, holders of the Preferred Securities will be entitled to receive, for each Preferred Security (as defined in the Offering Circular), a liquidation preference of €1,000 plus accrued and unpaid Preferred dividend for the then current Applicable Preferred Dividend Period (as defined in the Offering Circular) to the date of payment.

Holders of the Preferred Securities are not entitled to vote at any general meeting of shareholders of the Company. However, holders of Preferred Securities are entitled to elect two additional Directors to the board if in respect of four consecutive Dividend periods, Preferred Dividends (each as defined in the Offering Circular) on the preferred securities have not been paid in full, or if Alpha Bank AE breaches its payment obligations under the Guarantee. Such Directors will vacate their office if Preferred Dividends are resumed by the Company, or payments by Alpha Bank AE in respect thereof are made in full.

6. Preferred securities (continued)

The Securities are registered in the name of Citivic Nominees Limited. The Series B Preferred Securities are listed on the Euronext Amsterdam and Frankfurt Stock Exchange.

For a more detailed description of the Preferred Securities, reference should be made to the "Description of the Preferred Securities" as set out in the Offering Circular dated 16 February 2005 for the Series B Preferred Securities.

7. Financial risk management

Overview

The Company has exposure to the following risks from its use of financial instruments:
. Credit risk
. Liquidity risk
. Market risk

This note presents information about the Company's exposure to each of the above risks, the Company's objectives, policies and processes for measuring and managing risk, and the Company's management of capital. Further quantitative disclosures are included throughout these financial statements.

The Board of Directors ('Board') has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Company's Board is responsible for identifying and analysing the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company was set up to raise finance for the Alpha Bank Group (of which Alpha Bank A.E. is the parent). This was achieved by the issue of Preferred and Perpetual Securities listed on the Euronext Amsterdam and Frankfurt Stock Exchanges, the proceeds of which are advanced to Alpha Bank A.E. (See Note 3). No dissimilar transactions were carried out by the Company since incorporation and therefore the operations for the year consisted in servicing the financial liabilities from the previous period income generated by the financial assets. In addition, the Company incurred minimal administrative expenses. As a result, the Board deems its sole involvement as sufficient to monitor the risks faced by the Company and need not delegate any specific duties to Board committees.

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's maximum exposure to credit risk is €4,956,789 (2017: € 4,432,707). All credit risk exposure is to Alpha Bank AE, which is rated Caa1 (2017: CCC+) by Moody's.

Financial instrument - FVTPL

The Company's main financial asset consists of a long-term loan to Alpha Bank A.E., which is classified as a financial instrument at FVTPL which is therefore held at fair value and is also therefore not subject to impairment assessment.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation.

Due to the nature of the Company's operations, the Board considers the net liquidity risk faced by the Company as minimal. The most significant cash outflow consists of the payment of interest expense on the Preferred Securities which are limited in recourse to the Company's loans and receivables.

The terms and conditions of the Preferred Securities are similar to those of the Loans and Receivables held, however the loan has a repayment date of 30 December 2045 whilst the Preferred Securities are perpetual.

There should be no liquidity mismatch as the interest cash outflows fall due on the same dates as the interest cash inflows from the loans and receivables and payment of cash outflows to the preferred securities are dependent on receipt of cash inflows on the Company's loans and receivables. The Board considers its available cash resources and parental support as enough to meet other cash outflows which mainly consist of administrative expenditure. See page 19 for maturity of financial assets and liabilities. The Parent company will provide support in the event that the Company's cash resources are not sufficient to meet the ongoing administrative expenditure, in the most appropriate method at the time.

Market risk

Market risk is the risk that changes in market prices, due to foreign exchange rates, interest rates and equity prices, will affect the Company's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Due to the structure of the Company's assets and liabilities, particularly the similar terms and conditions of the principal financial assets and liabilities, the Company's net exposure to market risk is also considered to be minimal.

7. Financial risk management (continued)

Currency risk

Currency risk is where a movement in exchange rates will result in changes to the Company's profit or loss. With the exception of certain administrative expenses which are denominated in GBP, all other transactions are undertaken in Euro. Hence in the opinion of the Directors there is no significant currency risk.

Interest rate risk

Interest rate risk is where a movement in interest rates will result in changes to the Company's profit or loss. Interest obligations on the financial liabilities are on a floating rate basis plus a fixed margin whilst the amount receivable from the corresponding financial assets yield a floating rate with a slightly higher fixed margin. Therefore in the opinion of the Directors the Company is not exposed to any significant net interest rate risk.

At 31 December 2018, if Euro market interest rates had been 100 basis points higher / lower with all other variables held constant, the profit for the year would be no lower or higher, mainly as a result of higher / lower interest expense on Euro denominated floating rate borrowings compensated by higher / lower interest income on the floating rate loan.

Capital management

All ordinary shares are held by Alpha Bank A.E. and the Company does not have any share option schemes or holds its own shares. There were no changes in the Company's approach to capital management during the year. The Company is not subject to externally imposed capital requirements. The nominal value of the outsanding preferred securities was €15,542,000 (2017: €15,542,000).

Maturity of financial assets and liabilities (undiscounted)

The maturity profile of the Company's financial assets and liabilities as at 31 December based on undiscounted contractual maturity dates, excluding future interest payments, (see note 3 and 6 for details of interest rates / terms) is as follows:

	2018	2017
Assets	€	€
Within one year	278,647	119,802
Five years or more	15,542,000	15,542,000
	15,820,647	15,661,802
Liabilities		
Within one year	84,903	21,476
Five years or more	15,542,000	15,542,000
Total	15,626,903	15,563,476

Fair values of financial assets and financial liabilities

	2018 Book value €	2018 Fair value €	2017 Book value €	2017 Fair value €
Loans and Receivables	4,678,142	4,678,142	4,312,905	4,312,905
Preferred and Perpetual Securities	4,678,142	4,678,142	4,312,905	4,312,905

Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Company has access at that date.

Fair value hierarchy

The Company's fair value disclosures are based on the following fair value hierarchy that reflects the significance of the inputs used in making the fair value estimates.
• Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
• Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
• Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The Company's loans and receivables (financial instruments at FVTPL) are categorised as level 3 and the preferred and perpetual securities are categorised as level 3. There have been no movements between 'levels' during the year.

7. Financial risk management (continued)

Reconciliation of Movement in Level 3 Instruments

	Financial Assets at FVTPL	Financial Liabilites at FVTPL
	€	€
Balance at 1 January 2017	3,108,400	3,108,400
Gain /(loss) in profit and loss	1,204,505	1,204,505
Balance at 31 December 2017	**4,312,905**	**4,312,905**
Balance at 1 January 2018	4,312,905	4,312,905
Gains / (loss) in profit and loss	365,237	365,237
Balance at 31 December 2018	**4,678,142**	**4,678,142**

Valuation techniques

The fair value of the preferred and perpetual securities is calculated using a discounted cash flow model and is based on significant unobservable inputs and the securities are categorised as "Level 3" for the purposes of risk management disclosures. The two significant inputs are the credit risk spread (the discounting factor) and the timing of dividend payments (the cashflow). The terms and conditions of the Preferred Securities are similar to those of the loan to Alpha Bank A.E.. The dividend payment related to the Preferred Securities is directly linked to the interest received from Alpha Bank A.E. If the interest on the loan note is waived, no dividend is paid to the holders of Preferred securities. Therefore the fair value of the loan note mirrors the fair value of Preferred Securities and is categorised as level 3. Because the value of the asset and liability are mirrored, there is no net effect on the balance sheet in relation to the value.

Sensitivity of valuations

Below is presented a sensitivity analysis showing the current Level 3 valuation key inputs, reasonable changes to them and the resulting absolute and relative valuation movement. There's no direct correlation between the credit risk spread and the dividend payment. The sensitivity calculations are the reasonable possible range of outcomes considering all possible likely events.

	EUR per 100 Nominal	EUR Increase / (decrease) compared to current valuation
Current valuation (no dividends for 2 years, 9.51% credit risk spread)	30.10	-
No dividend payment for 3 years	26.60	(543,970)
No dividend payment for 5 years	21.28	(1,370,804)
No dividend payment for 7 years	17.41	(1,972,280)
10% relative increase in credit spread	27.13	(461,597)
10% relative decrease in credit spread	33.68	556,404
5% absolute increase in discount factor	18.84	(1,750,029)

8. Related party transactions

The following are related parties of the Company:

Alpha Bank London Limited by being a subsidiary of Alpha Bank AE. Cash held at Alpha Bank London Limited as at 31 December 2018 was €278,647 (2017: €119,802).

Alpha Bank AE by being a borrower of €4,678,142 as at 31 December 2018 (2017: €4,312,905).

Alpha Bank AE by being a holder of Alpha Group Jersey Limited Series B Preferred Securities totaling a nominal value of €125,000 as at 31 December 2018 (2017: €100,000). The total nominal value of preferred securities outstanding is €15,542,000 (2017: €15,542,000)

Alpha Bank AE is the ultimate controlling party.

Mr S.Tryner who resigned as a Director of the Company on 27 September 2018, was also a Director of Alpha Credit Group PLC and also Chief Financial Officer, Alpha Bank London Limited.

Mr L.Mackay a Director of the Company, was also the Managing Director of Alpha Bank London Limited, a Company wholly owned by Alpha Bank AE and a Director of Alpha Credit Group PLC.

Ms M. Ahmed who was appointed as a Director of the Company on 27 September 2018, is also a Director of Alpha Credit Group PLC and also Chief Financial Officer, Alpha Bank London Limited.

Mr S. Langan a Director of the Company, is also a Director of Intertrust SPV Services Limited, which receives fees from the Company for the provision of company secretarial services.

Mr N.Day a Director of the Company, is also a Director of Carpe Diem Limited, which receives fees from the Company for book-keeping and other administrative services.

The transactions with Alpha Bank AE and Alpha Bank London Limited have been described in notes 3, 4 and 6.

All of the Company’s revenues apart from deposit interest income are derived from the Parent. All transactions are on an arms length basis.

9. Contingent assets, liabilities and commitments

Legal and regulatory issues

The Company's business and financial condition can be affected by the actions of various governmental and regulatory authorities in the UK, and the EU and elsewhere. The Company is currently in discussion with BaFin and any matters discussed or identified during such discussions and inquiries may result in, among other things, further inquiry or investigation, fines or other action being taken by BaFin. As at the date of these financial statements no such fines have been levied.

10. Controlling party

As at the period end date and subsequently, the Company is a wholly owned subsidiary of Alpha Bank AE, incorporated in Greece, which is also, in the opinion of the Directors, the ultimate controlling party of the Company.

11. Key Management Personnel

The key management personnel have been identified as being the Directors of the Company. The emoluments of the key management personnel are paid by the ultimate controlling party and other related parties who make no recharge to the Company.

It is therefore not possible to make a reasonable apportionment of their emoluments in respect of the Company. Accordingly, no emoluments in respect of the Directors of the Company and related entities applicable to the Company have been disclosed.

12. Events after the balance sheet date

On 21 January 2019 Alpha Bank A.E. elected not to make the interest payment payable under the loan on 18 February 2019. On the same day the Company did not declare a dividend on the preferred securities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF ALPHA GROUP JERSEY LIMITED

Report on the audit of the financial statements and management report

Opinion

In our opinion the financial statements of Alpha Group Jersey Limited (the 'company'):

- **give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its loss 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 properly prepared in accordance with Companies (Jersey) Law, 1991.**

In addition, in our opinion the management report of the company provides an appropriate view of the Company's position and, in all material respects:

- **is consistent with the annual financial statements;**
- **complies with German legal requirements; and**
- **appropriately presents the opportunities and risks of future development.**

We have audited the financial statements and management report which comprise:

- the management report;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in equity;
- the cash flow statement; and
- the related notes 1 to 12.

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

We declare that our audit has not led to any reservations relating to the legal compliance of the annual financial statements and of the management report.

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 and management report 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 and management report in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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 matter that we identified in the current year is the valuation of level 3 financial instruments.
Materiality	The materiality that we used in the current year was €46,781 which was determined on the basis of the fair value of loans.
Scoping	All of the work to respond to the risks of material misstatement was

	performed directly by the audit engagement team. We performed our scoping on the basis of whether we determined the balance to be material, whether quantitatively or qualitatively.

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 and management report is not appropriate; or
- the directors have not disclosed in the financial statements and management report 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 and management report 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 and management report as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

In the prior year early adoption of IFRS 9 was included as a key audit matter. As this is the second year of full implementation there is no key audit matter in relation to IFRS 9 in the current year.

The valuation of level 3 financial instruments	
Key audit matter description	The valuation of the company's level 3 financial instruments is a key audit matter given these are the principal assets and liabilities of the company and because of the inherent subjectivity when determining fair values. The loan assets are valued at €4,678,142 (€4,312,905 at 31 December 2017); and the preferred securities are valued at €4,678,142 (€4,312,905 at 31 December 2017). Management have constructed a model based on expected future cash flows to determine the valuation of the preferred securities and, given the nature of the structure, infer a similar price for the loan assets. In general, there is a lack of comparable market transactions to the company's financial instruments and therefore a lack of observability to determine fair values. Due to the significant judgements involved, we have determined that there is a potential risk of fraud in determining these values.

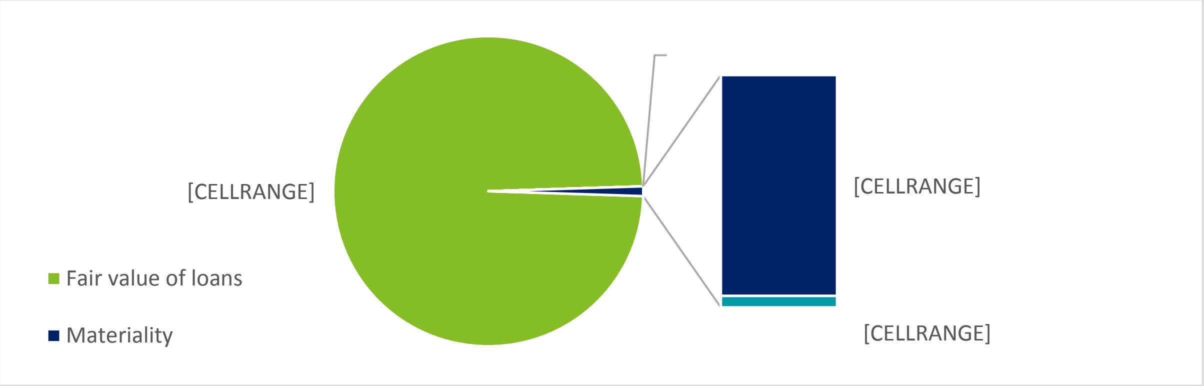
How the scope of our audit responded to the key audit matter	To scope our audit and respond to the key audit matter, we have: • evaluated the design and implementation of key controls relating to the valuations; and • tested management's methodology for determining the valuations. In the context of observed industry practice, our own valuation specialists assisted us in challenging the appropriateness of the methodology used in calculating the fair values of the loan asset and preferred securities, including an assessment of the Bloomberg pricing method used. Additionally, we assessed whether these instruments have been appropriately classified and disclosed as level 3 of the fair value hierarchy under IFRS 13: Fair value measurement.
Key observations	From the work performed, we concur with management's valuation and classification conclusions.

Our application of materiality

We define materiality as the magnitude of misstatement in the financial statements and management report 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 and management report as a whole as follows:

Materiality	€46,781 (2017: €45,184)
Basis for determining materiality	1% of the Loan Note
Rationale for the benchmark applied	The key element of the company's financial statements and management report is the Loan Asset as it drives the key income statement balances. It also comprises the majority (approximately 97%) of the total asset balance.



We agreed with those charged with governance that we would report to those charged with governance all audit differences in excess of €2,339 (2017: €2,259), as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to those charged with governance on disclosure matters that we identified when assessing the overall presentation of the financial statements.

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. The audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

Other information

We have nothing to report in respect of these matters.

The directors are responsible for the other information. The other information comprises the information and included in the annual report report including the Strategic Report, the Directors' Report and the Directors' Responsibility Statement, other than the financial statements, management report and our auditor's report thereon.

Our opinion on the financial statements and management report does not cover the other information we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements and management report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, the management report 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 the management report 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 directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and the management report 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 and a management report 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.

Furthermore, the directors are responsible for the preparation of the management report that as a whole provides an appropriate view of the company's position and is, in all material respects, consistent with the annual financial statements, complies with German legal requirements, and appropriately presents the opportunities for and risks of future development. In addition, the directors are responsible for such arrangements and measures (systems) as they consider necessary to enable the preparation of a management report that is in accordance with the applicable German legal requirements, and to be able to provide sufficient appropriate evidence for the assertions in the management report.

Auditor's responsibilities for the audit of the financial statements and the management report

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 whether the management report as a whole provides an appropriate view of the company's position and, in all material respects, is consistent with the annual financial statements and the knowledge obtained in the audit, complies with the German legal requirements and appropriately presents the opportunities for and risks of future development, as well as 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 and management report.

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.

In addition, with regards to the management report, we:

- Evaluate the consistency of the management report with the annual financial statements, its conformity with German law, and the view of the company's position it provides; and
- Perform audit procedures on the prospective information presented by the directors in the management report. On the basis of sufficient appropriate audit evidence we evaluate, in particular, the significant assumptions used by the directors as a basis for the prospective information, and evaluate the proper derivation of the prospective information from these assumptions. We do not express a separate audit opinion on the prospective information and on the assumptions used as a basis. There is a substantial unavoidable risk that future events will differ materially from the prospective information.

Report on other legal and regulatory requirements

Matters on which we are required to report by exception

Adequacy of explanations received and accounting records

Under the Companies (Jersey) Law, 1991 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
- proper accounting records have not been kept by the parent company, or proper returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements and management report are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Article 113A of the Companies (Jersey) Law, 1991. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Mark Rhys FCA (Senior auditor)
For and on behalf of Deloitte LLP
Auditor
London, United Kingdom
16 July 2019