**Company Registration Number: 07140938**

# PISTI 2010-1 PLC

## DIRECTORS' REPORT AND FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

# PISTI 2010-1 PLC

# FINANCIAL STATEMENTS

# FOR THE YEAR ENDED 31 DECEMBER 2012

**CONTENTS** **PAGE**

# PISTI 2010-1 PLC

## OFFICERS AND PROFESSIONAL ADVISERS

| | |
|---|---|
| **Directors** | Mr M H Filer<br>Miss M Clarke<br>Wilmington Trust SP Services (London) Limited |
| **Company secretary** | Wilmington Trust SP Services (London) Limited |
| **Company number** | 07140938 |
| **Registered office** | c/o Wilmington Trust SP Services (London) Limited<br>Third Floor<br>1 King's Arm Yard<br>London<br>EC2R 7AF |
| **Auditor** | KPMG Audit Plc<br>Chartered Accountants<br>One Snowhill<br>Snow Hill Queensway<br>Birmingham<br>B4 6GH |

## PISTI 2010-1 PLC

## THE DIRECTORS' REPORT

## FOR THE YEAR ENDED 31 DECEMBER 2012

The directors present their report and the audited financial statements of Pisti 2010-1 Plc (the "Company") for the year ended 31 December 2012 with comparatives for the year ended 31 December 2011

**PRINCIPAL ACTIVITIES AND BUSINESS REVIEW**

The Company was incorporated as a Public Limited Company on 29 January 2010 The principal activities of the Company are those of a special purpose vehicle, set up to acquire a portfolio of loans arising under certain Open Loan Accounts and Credit Card Accounts (the "Receivables"), and to finance such activities by issuing securities, entering into financial instruments and derivative contracts, 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 a securitisation prospectus dated 25 February 2010, on 25 February 2010 the Company issued €602,400,000 Series 2010-1 Class A Asset Backed Fixed Rate Notes and €353,900,000 Series 2010-1 Class B Asset Backed Floating Rate Notes due February 2021 in order to purchase a portfolio of loans (Open Loan Account and Credit Card Account) from Alpha Bank AE (the "Originator") in Greece The fixed and floating rate loan notes are due to mature in February 2021 and are listed on the Irish Stock Exchange

The sale of the portfolio of loans to the Company is considered to fail the derecognition criteria of IAS 39, Financial Instruments recognition and measurement, and therefore they are retained on the Statement of Financial Position of Alpha Bank AE, (the 'Originator') As such the Company records in its Statement of Financial Position a 'Deemed Loan to the Originator' rather than the Portfolio of loans it has legally purchased

**RESULTS AND DIVIDENDS**

The Company's results for the year and its financial position at the year-end are shown in the attached financial statements The profit on ordinary activities after taxation for the year was €3,624 (2011 €3,528) The directors have not recommended a dividend (2011 £nil)

**MANAGEMENT OF THE BUSINESS AND FUTURE DEVELOPMENTS**

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

The key business risks affecting the Company and its management are set out in note 13, "Financial Risk Management" to the financial statements Market liquidity constraints, limited availability of credit and difficult trading conditions 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 A detailed consideration of the risk factors relevant to the Securitisation Transaction is included in the section "Risk Factors' of the Offering Circular

**GOING CONCERN**

As explained in more detail in note 1 to the financial statements, the directors have undertaken a detailed assessment of the Company's ongoing business model and have made extensive enquiries of the management of the Originator Given the details set out in note 1, which are also referred to in the basis of preparation of the Originator's 2012 financial statements, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future

# PISTI 2010-1 PLC

# THE DIRECTORS' REPORT (continued)

# FOR THE YEAR ENDED 31 DECEMBER 2012

**RISK MANAGEMENT**

Business risks are formally reviewed by the Board and appropriate processes put in place to monitor and mitigate them

The Company has financed the acquisition of the portfolio of loans through loan notes issuance and various loans which are at fixed and variable rates of interest Income received on the portfolio of loans and bank deposits are at variable rates

***Interest rate risk***

The Company is exposed to interest rate risk as interest rates on the portfolio of loans will not necessarily match the rate of interest payable on the loan notes The interest rates on the portfolio of loans is set by Alpha Bank AE on behalf of the Company, whereas interest on loan notes is either fixed or calculated by reference to a margin over one month EURIBOR

***Credit risk***

The Company is exposed to credit risk, in relation to defaults from repayments of the portfolio of loans underpinning the Deemed Loan to Originator At the time of acquisition, the portfolio of loans was carefully selected to meet certain criteria, as set out in the offering circular issued in connection with the issue of the fixed and floating rate loan notes These criteria and the day to day management of the portfolio of loans are undertaken by Alpha Bank AE which actively manages the collection of the outstanding amounts During the year Alpha Bank AE have repurchased default loans As noted above, the issues prevalent in Greece could impact on the ability of the borrower to repay the loans

***Liquidity risk***

Notwithstanding the factors noted above in relation to the risks associated with collecting amounts due from the Deemed Loan to Originator, the liquidity risk is not regarded as significant, given that the entity is only obliged to make payments to the loan notes holders and the Originator for the subordinated reserve loan from amounts collected from the portfolio of loans The Company holds a large cash balance which helps it in managing the liquidity risk

**THE DIRECTORS**

The directors who served the Company during the year were as follows

| | |
|---|---|
| Mr M H Filer | |
| Miss M Clarke | Appointed on 7 January 2013 |
| Wilmington Trust SP Services (London) Limited | |
| Mr S Masson | Resigned on 7 January 2013 |

**CREDITOR PAYMENT POLICY**

The Company's policy concerning the payment of its trade creditors is to pay in accordance with its contractual and other legal obligations Due to the nature of the business, the main creditors are the loan notes holders Principal (during amortisation period) and interest is repaid on a monthly basis in accordance with the agreements in place

**DONATIONS**

The Company made no political or charitable donations during the year under review

PISTI 2010-1 PLC

# THE DIRECTORS' REPORT (continued)

## FOR THE YEAR ENDED 31 DECEMBER 2012

### STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE DIRECTORS' REPORT AND THE FINANCIAL STATEMENTS

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

Company law requires the directors to prepare financial statements for each financial period Under that law they are required to prepare the financial statements in accordance with IFRSs as adopted by the EU and applicable law

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that year 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 they have been prepared in accordance with IFRSs as adopted by the EU, and

• prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business

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

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

### STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

Each of the directors confirms that

- so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information

By order of the Board

**Mark Filer on behalf of Wilmington Trust SP Services (London) Limited**
**Director**
Date 28 June 2013

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PISTI 2010-1 PLC

We have audited the financial statements of Pisti 2010-1 Plc for the year ended 31 December 2012 set out on pages 7 to 22 The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union

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

**Respective responsibilities of directors and auditors**
As explained more fully in the Statement of Directors' Responsibilities set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors

**Scope of the audit of the financial statements**
A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www frc org uk/auditscopeukprivate

**Opinion on financial statements**
In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year
 then ended,
- have been properly prepared in accordance with IFRSs as adopted by the EU, and
- have been prepared in accordance with the requirements of the Companies Act 2006

**Opinion on other matter prescribed by the Companies Act 2006**
In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements

**Emphasis of matter –recovery of deemed loan to the originator**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosures made in note 1 to the financial statements concerning the ongoing general economic conditions in Greece which mean that there is still uncertainty over the future performance of the underlying personal loan and credit card portfolio, accounted for as a deemed loan to originator, These conditions may impact the servicing and timing of principal and interest collections which may cast doubt on the Company's ability to fully repay the loan notes

**Matters on which we are required to report by exception**
We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit

**PISTI 2010-1 PLC**

**Under the Listing Rules we are required to review:**

• the directors' statement, set out on page 2, in relation to going concern

K. J Cooper

**Kieren Cooper (Senior Statutory Auditor)**
**for and on behalf of KPMG Audit Plc, Statutory Auditor**
*Chartered Accountants*
One Snowhill,
Snow Hill Queensway
Birmingham, B4 6GH

28 June 2013

## PISTI 2010-1 PLC

## STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 31 DECEMBER 2012

| | Note | 2012<br>€ | 2011<br>€ |
|---|---|---|---|
| Interest income | 3 | 37,711,738 | 58,421,068 |
| Interest expense | 4 | (37,510,596) | (58,229,237) |
| **Net interest income** | | 201,142 | 191,831 |
| Administrative expenses | 5 | (196,342) | (187,031) |
| **Profit before tax for the year** | | 4,800 | 4,800 |
| Taxation | 6 | (1,176) | (1,272) |
| **Profit for the year** | | 3,624 | 3,528 |
| **Other comprehensive income, net of tax:** | | | |
| Other comprehensive income, net of tax | | - | - |
| **Total comprehensive income for the year attributable to equity holders of the Company** | | 3,624 | 3,528 |

The notes on pages 11 to 22 form part of these financial statements

## PISTI 2010-1 PLC

## STATEMENT OF FINANCIAL POSITION

## AS AT 31 DECEMBER 2012

| | Note | 2012 € | 2011 € |
|---|---|---|---|
| **Assets** | | | |
| Deemed Loan to Originator | 7 | 587,035,114 | 809,435,515 |
| Other assets | 8 | 4,094 | 4,094 |
| Cash and cash equivalents | 9 | 125,681,904 | 76,792,126 |
| **Total assets** | | 712,721,112 | 886,231,735 |
| **Equity** | | | |
| Issued capital | 10 | 14,283 | 14,283 |
| Retained earnings | 10 | 9,744 | 6,120 |
| **Total equity** | | 24,027 | 20,403 |
| **Liabilities** | | | |
| Loan notes and borrowings | 11 | 711,893,269 | 885,405,547 |
| Other liabilities | 12 | 802,640 | 804,513 |
| Tax payable | | 1,176 | 1,272 |
| **Total liabilities** | | 712,697,085 | 886,211,332 |
| **Total equity and liabilities** | | 712,721,112 | 886,231,735 |

These financial statements for Pisti 2010-1 Plc, Company registration 07140938, on pages 7 to 22 were approved and authorised for issue by the directors on 28 June 2013 and are signed on their behalf by

**Mark Filer on behalf of Wilmington Trust SP Services (London) Limited**
**Director**

The notes on pages 11 to 22 form part of these financial statements

PISTI 2010-1 PLC

## STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 31 DECEMBER 2012

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| | € | € | € |
| Balance attributable to equity holders as at 31 December 2011 | **14,283** | **6,120** | **20,403** |
| Profit for the year | - | **3,624** | **3,624** |
| Other comprehensive income, net of tax | - | - | - |
| **Balance attributable to equity holders as at 31 December 2012** | **14,283** | **9,744** | **24,027** |

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| | € | € | € |
| Balance attributable to equity holders as at 31 December 2010 | 14,283 | 2,592 | 16,875 |
| Profit for the year | - | 3,528 | 3,528 |
| Other comprehensive income, net of tax | - | - | - |
| Balance attributable to equity holders as at 31 December 2011 | 14,283 | 6,120 | 20,403 |

The notes on pages 11 to 22 form part of these financial statements

## PISTI 2010-1 PLC

## STATEMENT OF CASH FLOW

## FOR THE YEAR ENDED 31 DECEMBER 2012

| | Notes | 2012 | 2011 |
|---|---|---|---|
| **Cash flows from operating activities** | | € | € |
| Profit before tax for the year | | 4,800 | 4,800 |
| Increase in other assets | | - | (4,094) |
| Decrease in other liabilities | | (1,873) | (116,126) |
| Net increase in the Deemed Loan to Originator | | 244,788,123 | 8,331,907 |
| **Net cash used in operating activities before tax** | | 244,791,050 | 8,216,487 |
| Tax paid | | (1,272) | (1,008) |
| **Net cash used in operating activities after tax** | | 244,789,778 | 8,215,479 |
| **Cash flows from financing activities** | | | |
| Repayment of loan notes and borrowings | 11 | (195,900,000) | - |
| **Net cash from financing activities** | | (195,900,000) | - |
| **Net increase in cash and cash equivalents** | | 48,889,778 | 8,215,479 |
| Cash and cash equivalents at start of the year | | 76,792,126 | 68,576,647 |
| Cash and cash equivalents at end of the year | 9 | 125,681,904 | 76,792,126 |

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 11 to 22 form part of these financial statements

## 1. PRINCIPAL ACCOUNTING POLICIES

Pisti 2010-1 Plc is a Public Limited Company incorporated and domiciled in the United Kingdom with registered number 07140938.

**Basis of preparation**
These financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") adopted by the European Union (EU) ("Adopted IFRS")

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 its period of reporting beginning 1 January 2012

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 valuation of loans and financial instruments (refer to note 13)

**Going concern**
The directors have undertaken a detailed assessment of the Company's ongoing business model and have made extensive enquiries of the management of Alpha Bank AE Given the details set out below, which are also referred to in the basis of preparation of the Alpha Bank AE's 2012 financial statements, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future

As noted in its 2012 annual report which can be found at www alpha gr, Alpha Bank AE has incurred substantial impairment losses as a result of the Hellenic Republic's debt restructuring ('PSI") Such losses had a respective impact on the accounting and regulatory capital of the Alpha Bank AE as at 31 December 2012

The main factors that create uncertainties regarding the application of the aforementioned accounting principle relate to the fact that the Alpha Bank AE's operations were affected by the unfavourable macroeconomic environment developed by the international financial crisis and its consequences to the Greek economy The sovereign debt crisis in Greece led to measures for the sustainability of the Greek debt and resulted in the application of a program for the exchange of Greek Government bonds and of loans guaranteed by the Hellenic Republic with terms unfavourable to their holders, a fact that significantly affected the Alpha Bank AE's financial position In addition, the prolonged recession of the Greek economy and the consequent rise in unemployment led to the increase in impairment losses of loans and advances to customers, which in turn affect the capital adequacy of the Bank and the Group

The above are addressed by the program for the financial support of Greece by the European Commission, the European Central Bank and the International Monetary Fund and the measures taken for the restructuring of the Greek economy In the context of the above program it was decided to implement a Greek Government bond buy-back program which was completed successfully A specific institutional framework was also developed for the recapitalisation of Greek banks through the Hellenic Financial Stability Fund In the Euro group of 13 12 2012, the disbursement of the second instalment of the second adjustment program of the Greek economy was approved, which includes the amount of € 23 2 billion for the recapitalization of the Greek banks, bringing the total amount available for this purpose to €50 billion approximately In this context, after the completion of the recapitalisation in June 2013, the capital adequacy of the Group is restored, thereby reducing the uncertainty concerning the application of the going concern principle

The Alpha Bank AE's Board of Directors, taking into account the measures taken to support the Greek economy, as well as the actions completed in order to restore the capital adequacy of the Group, and in particular

- the participation of the HFSF and the Bank of Greece in the recapitalisation program and in the restructuring of the Greek banking sector,
- the financial support mechanism from the International Monetary Fund as well as from the European Union,

## 1 PRINCIPAL ACCOUNTING POLICIES (continued)

### Going concern (continued)

- the decisions taken by the General Meeting of shareholders to strengthen the Group's capital position through raising funds, an action that was completed in June 2013, with a share capital increase amounting to € 4 571 billion in total, the amount being equal to the capital needs of the Group as determined by the Bank of Greece,
- the capability to raise liquidity through the Eurosystem,
- the intention of Greek Authorities to strengthen the Greek economy,
- the strengthening of the Alpha Bank AE' s position in the banking sector and the enhancement of its funding access, through the acquisition of Emporiki Bank S A , which, following a Euro €2 9 billion capital increase by Credit Agricole pre closing of the transaction, contributes to the capital of the Bank an amount of €2 3 billion as of 1st February 2013 without taking into account adjustments of accounting balances to fair value, synergies and other potential positive financial effects such as portfolio workout,
- the cover from Credit Agricole of a € 150 million convertible bond issued by the Bank, in the context of the aforementioned transaction, which also contributes to the regulatory capital of the Alpha Bank AE,

consider that the uncertainties raised concerning the application of the going concern principle are reduced and that it is appropriate for the financial statements to be prepared on a going concern basis

However, the ongoing general economic conditions in Greece mean that there is still uncertainty over the future performance of the underlying personal loan and credit card portfolio, which is accounted for as a deemed loan to originator These conditions may impact the servicing and timing of principal and interest collections which may cast doubt on the Company's ability to fully repay the loan notes

### Financial Instruments

The Company classifies its financial instruments into two categories financial assets at fair value through profit or loss and carried at amortised cost using effective interest method

### Deemed Loan to Originator

Under IAS 39 Financial Instruments recognition and measurement, 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 have concluded that the Originator has retained substantially all the risks and rewards of the securitised portfolio of loans and as a consequence, the Company does not recognise the portfolio of loans as Loans and Receivables on its Statement of Financial Position, but rather a Deemed Loan to Originator

The Deemed Loan to Originator comprises the acquired portfolio of loans less any retained interest by the Originator and are initially recognised at fair value and subsequently carried at amortised cost The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment

Under the terms of the securitisation, on each interest payment date after the closing date, the Company makes payments to the Originator as Transferor interest, calculated by the cash manager as further consideration for the portfolio of loans that have been sold and assigned to the Company The Transferor Interest consists of an amount equal to the aggregate amount of all loans purchased by the Issuer at the year end, less all payments made as at the year end The transferor interest is included within Deemed Loan to Originator

## PISTI 2010-1 PLC

## NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2012

### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

**Deferred consideration payable to the Originator**
Under the term of the securitisation, the Company retains €400 at each interest payment date ("IPD") from the beneficial interest in the loans Income in excess of €400 per each IPD is payable to Alpha Bank AE and treated as a component of the effective interest on 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

**Loan notes and borrowings**
Loans notes and borrowings are comprised of loan notes issued by the Company through its prospectus dated 25 February 2010 and a Subordinated Loan from the Originator 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

Subordinated loans are initially recognised at fair value and are subsequently stated at amortised cost using the effective interest method Where cash proceeds on the loan notes exceed initial fair value, the difference is taken to Deemed Loan to Originator reflecting an adjustment to expected future cash flows This premium is amortised to the income statement, using effective interest method

**Cash and cash equivalents**
For the purposes of the Statement of Cash flow, cash and cash equivalents comprise balances with less than 3 month 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

**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 year 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, transferor interest payable to Originator, transaction costs and all other premiums or discounts

**Impairment losses on financial assets and liabilities**
Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the asset's original effective interest rate Impairment losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against portfolio of loans underpinning the Deemed Loan to Originator Interest on impaired assets continues to be recognised through the unwinding of the discount When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through the Statement of Comprehensive Income

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

Current tax is the expected tax payable on the taxable income for the year

Deferred tax is the tax that will be paid or for which relief will be obtained in the future resulting from the different period that certain items are recognised for financial reporting and tax purposes It is provided for temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements except where the initial recognition of assets or liabilities affect neither accounting nor taxable profit Deferred tax assets and liabilities are provided based on the expected manner of realisation or settlement using tax rates (and laws) enacted at the balance sheet date A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which the asset can be utilised, taking into consideration the enacted tax rates at the balance sheet date

## 1. PRINCIPAL ACCOUNTING POLICIES (continued)

**Derivative financial instruments - call option**
Under the terms of the Receivables Securitisation Deed, the Company will grant the Originator a call option (the Call Option) in respect of the Receivables The Transferor will be entitled to exercise the Call Option at any time whilst any of the loan notes remain outstanding

The Call Option will only be exercisable by the Originator if, following the exercise of such Call Option, the Call Option Price received from the Originator as a result of such exercise together with any amounts standing to the credit of the Cash Collateral Account would be sufficient to repay the loan notes in full The call option available to the Originator is exercisable at a price that will not result in a significant gain or loss as risks are closely related and hence no separation is required

**Standards affecting presentation and disclosure**
The directors consider that there are no new and revised standards relevant to the Company which should be adopted and reported in the 2012 financial statements

**Early adoption of standards**
The directors consider that there are no standards relevant to the Company which should be adopted earlier

## 2. 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 portfolio of loans underpinning the Deemed Loan to 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 Europe

## 3. INTEREST INCOME

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Interest income on Deemed Loan to Originator | 36,410,300 | 57,667,031 |
| Bank interest income | 1,301,438 | 754,037 |
| | 37,711,738 | 58,421,068 |

Income from the Deemed Loan to Originator is calculated using the effective interest method Contractual interest on the underlying portfolio of loans less deferred consideration payable to the Originator, transferor interest payable to Originator and impairment losses are included as part of the effective yield

## 4 INTEREST EXPENSE

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Contractual interest on loan notes | 15,122,874 | 19,212,672 |
| Amortisation of premium, on loan notes | 22,387,722 | 39,016,565 |
| | 37,510,596 | 58,229,237 |

## 5. ADMINISTRATIVE EXPENSES

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Fees payable to the Company's auditors for the audit of the Company's annual accounts | 38,638 | 27,919 |
| Fees payable to the Company's auditor for other services | | |
| - tax services | 18,162 | 9,000 |
| Corporate service and accountancy fees | 19,996 | 20,703 |
| Other fees | 30,768 | 32,451 |
| Servicing fees | 88,778 | 96,958 |
| | 196,342 | 187,031 |

Apart from the directors, the Company has no employees and, other than the corporate services fees paid to Wilmington Trust SP Services (London) Limited as set out above and in note 14, the directors received no remuneration during the year (2011 €nil)

## 6. TAXATION

### (a) Analysis of charge in the year:

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| **Current tax:** | | |
| Corporation tax charge for the year at 24 5% (2011 26 5%) | 1,176 | 1,272 |
| Total income tax charge in income statement | 1,176 | 1,272 |

A reduction in the UK corporation tax rate from 26% to 25% (effective from 1 April 2012) was substantively enacted on 5 July 2011, and further reductions to 24% (effective from 1 April 2012) and 23% (effective from 1 April 2013) were substantively enacted on 26 March 2012 and 3 July 2012 respectively This will reduce the company's future current tax charge accordingly

The March 2013 Budget announced that the rate will further reduce to 20% by 2015 in addition to the planned reduction to 21% by 2014 previously announced in the December 2012 Autumn Statement It has not yet been possible to quantify the full anticipated effect of the announced further 3% rate reduction, although this will further reduce the company's future current tax charge

### (b) Reconciliation of effective tax rate

The tax assessed on the profit on ordinary activities for the year is equal to the standard rate of corporation tax in the UK of 24 5% (2011 26 5%)

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Profit before tax | 4,800 | 4,800 |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 24 5% (2011. 26 5%) | 1,176 | 1,272 |
| Total income tax charge | 1,176 | 1,272 |

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 As at 31 December 2012, there are no tax-related contingent assets or contingent liabilities in accordance with International Accounting Standard No 37 'Provisions, Contingent Liabilities and Contingent Assets' (IAS 37)

## 7. DEEMED LOAN TO ORIGINATOR

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| At start of the year | **1,082,300,408** | 1,273,551,387 |
| Portfolio of loans acquired | **1,094,335,167** | 1,359,990,473 |
| Repayments from Originator | **(1,198,332,530)** | (1,384,443,029) |
| Repurchased by Originator | **(161,384,802)** | (159,296,826) |
| Impairment provision on underlying portfolio of loans | **(12,195,927)** | (7,501,597) |
| At 31 December | **804,722,316** | 1,082,300,408 |
| Accrued interest receivable | **5,055,556** | 6,438,151 |
| Portfolio of loans at year end | **809,777,872** | 1,088,738,559 |
| Transferor interest | **(177,767,387)** | (202,983,824) |
| Adjustment to expected future cash flows related to Deferred consideration due to the Originator | **(44,975,371)** | (76,319,220) |
| Deemed Loan to Originator at year end | **587,035,114** | 809,435,515 |
| | | |
| The balance can be analysed as follows | | |
| Current assets | **115,107,604** | 392,402,987 |
| Non-current assets | **471,927,510** | 417,032,528 |
| | **587,035,114** | 809,435,515 |

The Deemed Loan to Originator underpinned by a portfolio of loans acquired on 25 February 2010 from Alpha Bank AE consisting of €1,323,354,736 of portfolio of loans purchased at inception and €1,278,330,945 of further portfolio of loans purchased during the period end 2010 The portfolio of loans is due to be repaid at various times before February 2021 The portfolio of loans may be redeemed at any time at the option of the Originator

In accordance with the terms of the prospectus dated 25 February 2010, the Company is able to purchase additional portfolio of loans in accordance with eligibility criteria

## 8 OTHER ASSETS

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Amount due from Parent Company | **4,094** | 4,094 |
| | **4,094** | 4,094 |

## 9 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

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Cash and bank current accounts | **8,594** | 5,859 |
| Bank deposit accounts | **125,673,310** | 76,786,267 |
| | **125,681,904** | 76,792,126 |

## 10. TOTAL EQUITY

Reconciliation of movement in capital and reserves

| | Share Capital | Retained Earnings | Total |
|---|---|---|---|
| | € | € | € |
| Balance at 1 January 2011 | 14,283 | 2,592 | 16,875 |
| Profit for the year | - | 3,528 | 3,528 |
| **Balance attributable to equity holders as at 31 December 2011** | **14,283** | **6,120** | **20,403** |
| Profit for the year | - | 3,624 | 3,624 |
| **Balance attributable to equity holders as at 31 December 2012** | **14,283** | **9,744** | **24,027** |

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

Pisti Holdings Limited holds 49,999 shares in the Company Wilmington Trust SP Services (London) Limited holds the entire share capital in Pisti 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 the Company is considered to be controlled by Alpha Bank AE Accordingly the results of the Company are included in the consolidated financial statements of Alpha Bank AE , being considered to be the quasi parent

## 11. LOAN NOTES AND BORROWINGS

| | 2012 | 2011 |
|---|---|---|
| **Non-current liabilities** | € | € |
| Series 2010-1 Class A Asset Backed Fixed Rate Notes | **479,000,000** | 602,400,000 |
| Series 2010-1 Class B Asset Backed Floating Rate Notes | **281,400,000** | 353,900,000 |
| Unamortised premium on loan notes | **(48,506,731)** | (70,894,453) |
| | **711,893,269** | 885,405,547 |

On 25 February 2010, €956,300,000 of Fixed and Floating Rate Loan Notes were issued to and are continued to be held by Alpha Bank AE As the coupon on the Class A and B loan notes was below the market rate at the time of issue, the initial fair value of the loan notes was less than the proceeds received This 'premium on loan notes' is being amortised to the income statement as an adjustment to the effective interest expense on the loan notes

The Asset Backed Fixed and Floating Rate Loan Notes due for repayment by February 2021 are listed on the Irish Stock Exchange, and are secured over a portfolio of loans (Open Loan Account and Credit Card Account) originated by Alpha Bank AE, in Greece (the 'Deemed Loan to Originator') Interest on the Series 2010-1 Class A Asset Backed Fixed Rate Loan Notes and Series 2010-1 Class B Asset Backed Floating Rate Loan Notes are 2 50% and one month EURIBOR respectively payable on a Monthly basis Class B loan note interest and principal is subordinated to Class A loan note

Under the terms of the prospectus, the Class A and Class B loan notes will have full recourse to the Company, however, the ability of the Company to meet its obligations under the loan notes will be directly or indirectly dependent primarily upon the receipt by it of principal and interest from the obligors under the Deemed Loan to Originator and the receipt of funds (if available to be drawn) under the subordinated loan agreements Other than the foregoing and any interest earned by the Company in respect of the Company 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 loan notes holders will have recourse only to the Deemed Loan to Originator, the Company's interest in the relevant related Security and to any other assets of the Company then in existence as described in this document If there are insufficient amounts available from the charged property to pay in full the Company's secured liabilities, then the secured creditors shall have no further claim against the Company in respect of any amounts owing to them which remain unpaid and such unpaid amounts shall be deemed to be discharged in full and any relevant payment rights shall be deemed to cease

## 11. LOAN NOTES AND BORROWINGS (continued)

Interest on the subordinated reserve loan is paid on a Monthly basis in accordance with the priority of payments of the transaction

Interest on the subordinated reserve loan is payable at a rate of one month EURIBOR plus a margin of 0 50% Subordinated loan was paid in full during the period 2010

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

During the year total of €195,900,000 (2011 €nil) loan and borrowings are repaid which is consist of €123,400,000 of Series 2010-1 Class A Asset Backed Fixed Rate Notes and €72,500,000 of Series 2010-1 Class B Asset Backed Floating Rate Notes

## 12. OTHER LIABILITIES

| | **2012** | 2011 |
|---|---|---|
| | **€** | € |
| Interest payable | **239,726** | 169,580 |
| Accruals and deferred income | **562,914** | 634,933 |
| | **802,640** | 804,513 |

## 13. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties are set out in the Directors' Report on page 2

The Company's financial instruments comprise of Deemed Loan to Originator, cash and liquid resources, 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 and liquidity risks in the Directors' Report

**Interest rate risk**

Interest rate risk arises when the interest is received on a fixed rate on the Deemed Loan to Originator and paid on a floating rate to the loan notes holders or vice versa The Company is exposed to interest rate risk as interest rates on the portfolio of loans will not necessarily match the rate of interest payable on the loan notes The interest rates on the portfolio of loans is set by Alpha Bank AE on behalf of the Company, whereas interest on loan notes is either fixed or calculated by reference to a margin over one month EURIBOR

**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 | **Carrying amount 2012** | **Fair value 2012** | Carrying amount 2011 | Fair value 2011 |
|---|---|---|---|---|---|
| | | **€** | **€** | € | € |
| **Financial assets:** | | | | | |
| Deemed Loan to Originator | 7 | **587,035,114** | **394,177,717** | 809,435,515 | 753,665,408 |
| Other assets | 8 | **4,094** | **4,094** | 4,094 | 4,094 |
| Cash and cash equivalents | 9 | **125,681,904** | **125,681,904** | 76,792,126 | 76,792,126 |
| **Financial liabilities:** | | | | | |
| Loan notes | 11 | **711,893,269** | **604,199,580** | 885,405,547 | 782,252,130 |
| Other liabilities | 12 | **802,640** | **802,640** | 804,513 | 804,513 |

## 13. FINANCIAL RISK MANAGEMENT (continued)

**Fair value of financial instruments (continued)**

The fair value of the deemed loan to originator and the loan notes has been based on the discounted cash flows of the instruments applying market rates adjusted for the appropriate fair value credit spread

**Re-pricing analysis**

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

| At 31 December 2012 | Fixed rate of interest € | 0 to 1 months € | Non interest bearing € | Total € |
|---|---|---|---|---|
| **Assets** | | | | |
| Deemed Loan to Originator | - | 587,035,114 | | 587,035,114 |
| Other assets | - | - | 4,094 | 4,094 |
| Cash and cash equivalents | - | 125,681,904 | - | 125,681,904 |
| Total assets | - | 712,717,018 | 4,094 | 712,721,112 |
| **Equity** | | | | |
| Issued capital | - | - | 14,283 | 14,283 |
| Retained earnings | - | - | 9,744 | 9,744 |
| | - | - | 24,027 | 24,027 |
| **Liabilities** | | | | |
| Loan notes and borrowings | 479,000,000 | 232,893,269 | - | 711,893,269 |
| Other liabilities | - | 239,726 | 562,914 | 802,640 |
| Tax payable | - | - | 1,176 | 1,176 |
| Total liabilities | 479,000,000 | 233,132,995 | 564,090 | 712,697,085 |

| At 31 December 2011 | Fixed rate of interest € | 0 to 1 months € | Non interest bearing € | Total € |
|---|---|---|---|---|
| **Assets** | | | | |
| Deemed Loan to Originator | - | 809,435,515 | | 809,435,515 |
| Other assets | - | - | 4,094 | 4,094 |
| Cash and cash equivalents | - | 76,792,126 | - | 76,792,126 |
| Total assets | - | 886,227,641 | 4,094 | 886,231,735 |
| **Equity** | | | | |
| Issued capital | - | - | 14,283 | 14,283 |
| Retained earnings | - | - | 6,120 | 6,120 |
| | - | - | 20,403 | 20,403 |
| **Liabilities** | | | | |
| Loan notes and borrowings | 602,400,000 | 283,005,547 | - | 885,405,547 |
| Other liabilities | - | 169,580 | 634,933 | 804,513 |
| Tax payable | - | - | 1,272 | 1,272 |
| Total liabilities | 602,400,000 | 283,175,127 | 636,205 | 886,211,332 |

## 13. FINANCIAL RISK MANAGEMENT (continued)

**Foreign currency risk**
The Company's assets and liabilities are denominated in Euros and therefore there is no foreign currency risk

**Liquidity risk**
The Company's policy is to manage liquidity risk through its use of cash balances As the length of the loan notes is designed to match the length of the portfolio of loans, 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 fixed and floating rate loan notes Under these terms, payments are made on monthly basis The repayment of the loan notes is determined by the collection of the principal on the underlying secured assets

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

| At 31 December 2012 | 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 | 711,893,269 | 760,400,000 | - | 66,521,797 | 665,217,969 | 28,660,234 | - |
| Interest payable | 239,726 | 6,335,608 | 1,009,688 | 1,985,720 | 3,328,889 | 11,311 | - |
| **Total liabilities** | 712,132,995 | 766,735,608 | 1,009,688 | 68,507,517 | 668,546,858 | 28,671,545 | - |

| At 31 December 2011 | 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 | 885,405,547 | 885,405,547 | - | - | - | 885,405,547 | - |
| Interest payable | 169,580 | 30,640,188 | 1,563,881 | 3,127,762 | 15,951,586 | 9,996,959 | - |
| **Total liabilities** | 885,575,127 | 916,045,735 | 1,563,881 | 3,127,762 | 15,951,586 | 895,402,506 | - |

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 delayed for more than seven business days

## 13. FINANCIAL RISK MANAGEMENT (continued)

**Credit risk**
The maximum exposure to credit risk is considered by the directors to be the carrying value of the Deemed Loan to Originator and bank deposits

The credit quality of underlying portfolio of loans (before Originator's retain interest) is summarised as follows

| | 2012 | 2011 |
|---|---|---|
| | € | € |
| Neither past due nor impaired | **582,605,266** | 782,629,335 |
| Past due but not impaired | **164,962,628** | 248,841,792 |
| Impaired | **101,423,642** | 84,285,169 |
| | **848,991,536** | 1,115,756,296 |
| Less allowance for impairment | **(39,213,664)** | (27,017,737) |
| | **809,777,872** | 1,088,738,559 |

| **Analysis of neither past due nor impaired** | 2012 | 2011 |
|---|---|---|
| | € | € |
| Low risk | **582,605,266** | 782,629,335 |
| Under surveillance | - | - |
| | **582,605,266** | 782,629,335 |

| **Ageing analysis of past due not impaired amounts** | 2012 | 2011 |
|---|---|---|
| | € | € |
| Past due 1 – 29 days | **105,434,606** | 155,800,281 |
| Past due 30 – 59 days | **33,082,719** | 54,274,184 |
| Past due 60 – 90 days | **26,445,303** | 38,767,327 |
| | **164,962,628** | 248,841,792 |

Alpha Bank AE have repurchased loans from the Company of €161,384,802 (2011 €159,296,826) during the year, which might otherwise have become impaired

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 portfolio of loans which could result in a significant additional impairment provision

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 These key assumptions are based on observable date from historical patterns and are updated regularly as new data becomes available

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

## 13. FINANCIAL RISK MANAGEMENT (continued)

**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

## 14. 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 €19,996 (2011 €20,703) including irrecoverable VAT and expenses Mr M H Filer, a director of the Company is also a director of Wilmington Trust SP Services (London) Limited Miss M Clarke, who is a director of the Company, is an employees of Wilmington Trust SP Services (London) Limited

Under the terms of the securitisation transaction Alpha Bank AE was appointed as the loans servicer to administer the portfolio of loans Under the terms of the securitisation transaction, the Company is able to purchase additional portfolio of loans during a revolving period under certain conditions During 2012, €1,094,335,167 (2011 €1,359,990,473) of additional portfolio of loans was acquired

During 2012 Alpha Bank AE Alpha Bank AE earned €88,778 (2011 €96,258) in servicing fees for acting as the portfolio of loans servicer of which €6,548 (2011 €8,234) was outstanding at 31 December 2012 and included in accruals and deferred income

As part of the securitisation in 2010, Alpha Bank AE granted two subordinated loans to the Company, a loan for the formation of a reserve account of €19,126,000 and a loan for the initial purchase of accruals of securitised portfolio of €7,453,193, at inception Both have been repaid in full during the period ended 2010

Under the terms of the sale agreement relating to portfolio of loans, Alpha Bank AE has a residual interest in the portfolio of loan comprising Retained Interest and Deferred Consideration At 31 December €177,767,387 (2011 €202,983,824) and €44,975,371 (2011 €76,319,220) of Retained Interest and Deferred Consideration respectively was retained by Alpha Bank AE and is included within the Deemed Loan to Originator

## 15. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

Pisti 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 Pisti 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, and particularly SIC 12, the results of the Company are included in the consolidated financial statements of Alpha Bank AE The financial statement of Alpha Bank AE can be obtained from www alpha gr

## 16. POST BALANCE SHEET EVENT

Loans from portfolio amounting to €484,044,070 have been redeemed since the year end Other than this repayment there was no significant post balance sheet event There has been no impairment since the balance sheet date