

Company Registration Number: 07140938

PISTI 2010-1 PLC
STRATEGIC REPORT, DIRECTORS' REPORT AND
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2016

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PISTI 2010-1 PLC

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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PISTI 2010-1 PLC

OFFICERS AND PROFESSIONAL ADVISERS

| | |
|--------------------------|--|
| Directors | Mr M H Filer (Resigned 10 April 2017) Mrs M Clarke-Whelan Mr D J Wynne (Appointed on 27 March 2017) 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 Third Floor 1 King's Arm Yard London EC2R 7AF |
| Auditor | KPMG LLP, Statutory Auditor Chartered Accountants 15 Canada Square Canary Wharf London E14 5GL |

PISTI 2010-1 PLC

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their strategic report of Pisti 2010-1 Plc (the “Company”) for the year ended 31 December 2016.

GENERAL

PRINCIPAL ACTIVITIES

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, in the books of Alpha Bank AE 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.

REVIEW OF THE BUSINESS

RESULTS

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 €4,018 (2015: €3,791). As at year end carrying value of the Deemed Loan to Originator was €425,669,040 (2015: €428,376,104). Loan notes and borrowings held at the year end were amounted to €573,083,780 (2015: €568,941,816). As of 31 December 2016 cash and cash equivalents, including reserve funds, were €147,823,744 (2015: €141,098,515).

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. However, based on the terms of transaction documents, the risk for the company in being able to pay off its obligation is limited to receipt of funds from the Originator. 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 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, 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

STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

GOING CONCERN (continued)

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.

On 23 June 2016 the UK voted to leave the EU. Subsequently, the triggering of Article 50 took place on 29 March 2017. At the date of signing these accounts the Directors do not foresee any immediate risks crystallising, however, they acknowledge the uncertainty that now exists. The directors will continue to keep this under review.

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. However, the credit risk is ultimately borne by the Originator since the Notes are held by the Originator and the transaction is structured as limited recourse, such that the ability of the company to meet its obligations under the loan notes will directly depend upon receipt of funds from the Originator, which is in turn dependent on the ability of underlying borrowers to service their loans.

During 2016 Alpha Bank AE have repurchased loans from the Company of €23,284,880 (2015: €29,631,607), which might otherwise have become impaired.

PISTI 2010-1 PLC

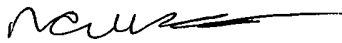
STRATEGIC REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

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.

By order of the Board



Mignon Clarke-Whelan on behalf of Wilmington Trust SP Services (London) Limited
Director
30 June 2017

PISTI 2010-1 PLC

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2016

The directors present their report and the audited financial statements of Pisti 2010-1 Plc (the "Company") for the year ended 31 December 2016 with comparatives for the year ended 31 December 2015.

THE DIRECTORS

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

Mr M H Filer (Resigned 10 April 2017)

Mrs M Clarke-Whelan

Mr D J Wynne (Appointed on 27 March 2017)

Wilmington Trust SP Services (London) Limited

DIVIDENDS

The directors have not recommended a dividend (2015: £nil).

DONATIONS

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

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

The directors are responsible for preparing the Strategic Report and 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.

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DIRECTORS' REPORT (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

CORPORATE GOVERNANCE

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

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

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

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITOR

Each of the directors confirms that:

- so far as the directors are aware, there is no relevant audit information of which the Company's auditor is 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 auditor is aware of that information.

AUDITORS RE-APPOINTMENT

The present auditor KPMG LLP is resigning to be replaced by Deloitte for the period beginning 1 January 2017.

By order of the Board



Mignon Clarke-Whelan on behalf of Wilmington Trust SP Services (London) Limited
Director
30 June 2017

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 2016 set out on pages 8 to 25. 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 auditor

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 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 2016 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 matters prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year is consistent with the financial statements.

Based solely on the work required to be undertaken in the course of the audit of the financial statements and from reading the Strategic report and the Directors' report:

- we have not identified material misstatements in those reports; and
- in our opinion, those reports have been prepared in accordance with the Companies Act 2006.

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.



Michael McGarry (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London
E14 5GL
30 June 2017

PISTI 2010-1 PLC**STATEMENT OF COMPREHENSIVE INCOME****FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Note | 2016 € | 2015 € |
|--|------|---------------------|---------------------|
| Interest income | 3 | 13,530,307 | 17,378,913 |
| Interest expense | 4 | <u>(13,374,464)</u> | <u>(17,201,733)</u> |
| Net interest income | | 155,843 | 177,180 |
| Administrative expenses | 5 | <u>(151,043)</u> | <u>(172,381)</u> |
| Profit before tax for the year | | 4,800 | 4,799 |
| Taxation | 6 | <u>(782)</u> | <u>(1,008)</u> |
| Profit for the year | | 4,018 | 3,791 |
| Other comprehensive income, net of tax: | | | |
| Other comprehensive income, net of tax | | <u>-</u> | <u>-</u> |
| Total comprehensive income for the year attributable to equity holders of the Company | | <u><u>4,018</u></u> | <u><u>3,791</u></u> |

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

The notes on pages 12 to 25 form part of these financial statements.

PISTI 2010-1 PLC**STATEMENT OF FINANCIAL POSITION****AS AT 31 DECEMBER 2016**

| | Note | 2016 € | 2015 € |
|-------------------------------------|------|---------------------------|---------------------------|
| Assets | | | |
| Deemed Loan to Originator | 7 | 425,669,040 | 428,376,104 |
| Other assets | 8 | 4,094 | 4,094 |
| Cash and cash equivalents | 9 | <u>147,823,744</u> | <u>141,098,515</u> |
| Total assets | | <u>573,496,878</u> | <u>569,478,713</u> |
| Equity | | | |
| Issued capital | 10 | 14,283 | 14,283 |
| Retained earnings | 10 | <u>25,006</u> | <u>20,988</u> |
| Total equity | | <u>39,289</u> | <u>35,271</u> |
| Liabilities | | | |
| Loan notes and borrowings | 11 | 573,083,780 | 568,941,816 |
| Other liabilities | 12 | 372,849 | 500,618 |
| Tax payable | | 960 | 1,008 |
| Total liabilities | | <u>573,457,589</u> | <u>569,443,442</u> |
| Total equity and liabilities | | <u>573,496,878</u> | <u>569,478,713</u> |

These financial statements for Pisti 2010-1 Plc, Company registration 07140938, on pages 8 to 25 were approved and authorised for issue by the directors on 30 June 2017 and are signed on their behalf by:



Mignon Clarke-Whelan on behalf of Wilmington Trust SP Services (London) Limited
Director

The notes on pages 12 to 25 form part of these financial statements.

PISTI 2010-1 PLC**STATEMENT OF CHANGES IN EQUITY****FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Share Capital € | Retained Earnings € | Total € |
|--|-----------------------|---------------------------|----------------------|
| Balance attributable to equity holders as at 31 December 2015 | 14,283 | 20,988 | 35,271 |
| Profit for the year | - | 4,018 | 4,018 |
| Other comprehensive income, net of tax: | - | - | - |
| Balance attributable to equity holders as at 31 December 2016 | <u>14,283</u> | <u>25,006</u> | <u>39,289</u> |

| | Share Capital € | Retained Earnings € | Total € |
|--|-----------------------|---------------------------|----------------------|
| Balance attributable to equity holders as at 31 December 2014 | 14,283 | 17,197 | 31,480 |
| Profit for the year | - | 3,791 | 3,791 |
| Other comprehensive income, net of tax: | - | - | - |
| Balance attributable to equity holders as at 31 December 2015 | <u>14,283</u> | <u>20,988</u> | <u>35,271</u> |

The notes on pages 12 to 25 form part of these financial statements.

PISTI 2010-1 PLC**STATEMENT OF CASH FLOW****FOR THE YEAR ENDED 31 DECEMBER 2016**

| | Notes | 2016 | 2015 |
|---|-------|---------------------------|---------------------------|
| Cash flows from operating activities | | € | € |
| Profit before tax for the year | | 4,800 | 4,799 |
| Increase in other assets | | - | - |
| Decrease in other liabilities | | (127,769) | (25,229) |
| Net decrease in the Deemed Loan to Originator and unamortised premium on loan notes | | <u>6,849,028</u> | <u>23,174,138</u> |
| Net cash used in operating activities before tax | | 6,726,059 | 23,153,708 |
| Tax paid | | <u>(830)</u> | <u>(1,032)</u> |
| Net cash used in operating activities after tax | | <u>6,725,229</u> | <u>23,152,676</u> |
| Net (decrease)/increase in cash and cash equivalents | | 6,725,229 | 23,152,676 |
| Cash and cash equivalents at start of the year | | <u>141,098,515</u> | <u>117,945,839</u> |
| Cash and cash equivalents at end of the year | 9 | <u>147,823,744</u> | <u>141,098,515</u> |

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

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. PRINCIPAL ACCOUNTING POLICIES

Pisti 2010-1 Plc is a Public Limited Company incorporated and domiciled in England and Wales 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 2016.

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, in view of the importance of the recovery of the deemed loan to the Originator (Alpha Bank A.E. or the Group) in being able to repay its liabilities on the loan notes, and have made enquiries of the management of the Originator. This becomes increasingly important as the deferred consideration from the Originator at 31 December 2016 was a receivable of €63,172,449 recovery of which is primarily dependent on the performance of the Originator. Given the details set out below, which are also referred to the Originator's 2016 Annual Report, updated with current developments, 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.

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.

The Originator is affected by the high degree of uncertainty that characterises the internal economic environment in recent years, as a result of the prolonged recession of the Greek economy, which led to a significant deterioration in the creditworthiness of corporate and individuals and therefore to the recognition of significant impairment losses by the Originator and by the Greek banking system in general.

Based on the above and taking into account the Originator's high capital adequacy and the ability of the Originator to access the liquidity mechanisms of the eurosystem, the Originator's management and the directors of the company have a reasonable expectation that the Originator and the Company will continue in operational existence for the foreseeable future, therefore the financial statements have been prepared on a going concern basis.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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.

Deferred consideration receivable or 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 comprise 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.

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. PRINCIPAL ACCOUNTING POLICIES (continued)

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 Statement of Comprehensive Income, except to the extent that it relates to items recognised directly in equity, in which case it is recognised directly in equity.

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

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 reporting 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.

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.

Key judgements and estimates

The Company, in the context of applying accounting policies and preparing financial statements in accordance with the International Financial Reporting Standards, makes estimates and assumptions that affect the amounts that are recognized as income, expenses, assets or liabilities. The use of estimates and assumptions is an integral part of recognizing amounts in the financial statements that mostly relate to the following:

Impairment losses of financial assets

The Company, when performing impairment tests on deemed loan to originator, takes into account the performance of the Originator. The Originator in turn analyses its loans and advances to customers, makes estimates regarding the amount and timing of future cash flows. Given that these estimates are affected by a number of factors such as the financial position of the borrower, the net realizable value of any collateral or the historical loss ratios per portfolio, actual results may differ from those estimated.

Measurement of fair values

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

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

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1. PRINCIPAL ACCOUNTING POLICIES (continued)

New Standards and Interpretations not yet adopted by the Company (continued)

New Standards and Interpretations not yet adopted by the Company

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing of standards issued includes those that the Company reasonably expects to have an impact on disclosures, financial position or performance when applied at a future date. The Company intends to adopt these standards when they become effective.

IFRS 9 Financial Instruments: Classification and Measurement

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application was before 1 February 2015. The adoption of IFRS 9 will have an effect on the classification and measurement of the Company's financial assets, but no impact on the classification and measurement of the Company's financial liabilities.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 "Revenue from Contracts with Customers" was issued on 28 May 2014 by the International Accounting Standards Board. The new standard shall be applied to all contracts with customers, except those that are in scope of other standards, such as financial leases, insurance contracts and financial instruments.

According to the new standard, an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

IFRS 15 is effective for annual periods beginning on or after 1 January 2018.

The Company is examining the impact from the adoption of IFRS 15 on its financial statements.

Amendment to IAS 7 Statement of Cash Flows: Disclosure Initiative

On 29.1.2016 the International Accounting Standards Board issued an amendment to IAS 7 according to which an entity shall provide disclosures that enable users of financial statements to evaluate changes in liabilities for which cash flows are classified in the statement of cash flows as cash flows from financing activities. The changes that shall be disclosed, which may arise both from cash flows and non-cash changes, include:

- changes from financing cash flows,
- changes arising from obtaining or losing control of subsidiaries or other businesses,
- the effect of changes in foreign exchange rates,
- changes in fair values and
- other changes.

The amendment is effective for annual periods beginning on or after 1 January 2017.

The Company is examining the impact from the adoption of the above amendment on its 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.

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

3. INTEREST INCOME

| | 2016 € | 2015 € |
|--|-------------------|-------------------|
| Interest income on Deemed Loan to Originator | <u>13,530,307</u> | <u>17,378,913</u> |
| | <u>13,530,307</u> | <u>17,378,913</u> |

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

| | 2016 € | 2015 € |
|--|-------------------|-------------------|
| Contractual interest on loan notes | 9,232,500 | 9,236,417 |
| Amortisation of premium, on loan notes | <u>4,141,964</u> | <u>7,965,316</u> |
| | <u>13,374,464</u> | <u>17,201,733</u> |

5. ADMINISTRATIVE EXPENSES

| | 2016 € | 2015 € |
|--|----------------|----------------|
| Fees payable to the Company's auditor for the audit of the Company's annual accounts | 29,878 | 45,177 |
| Fees payable to the Company's auditor for other services: | | |
| - tax services | 6,346 | 10,537 |
| Corporate service and accountancy fees | 22,820 | 23,716 |
| Other fees | 32,402 | 33,517 |
| Servicing fees | <u>59,597</u> | <u>59,434</u> |
| | <u>151,043</u> | <u>172,381</u> |

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 (2015: £nil).

6. TAXATION

(a) Analysis of charge in the year:

| | 2016 € | 2015 € |
|--|--------------|--------------|
| Current tax: | | |
| Corporation tax charge for the year at 20% (2015: 21%) | 960 | 1,008 |
| Prior year adjustment | <u>(178)</u> | <u>-</u> |
| Total income tax charge in income statement | <u>782</u> | <u>1,008</u> |

The UK corporation tax rate was reduced from 21% to 20% on April 2015. Further reductions to 19% (effective from 01 April 2017) and to 18% (effective 01 April 2020) were substantively enacted at the reporting date. This will reduce current tax charges accordingly. Subsequently the UK government announced that the UK corporation tax rate will reduce further to 17% from 01 April 2020. It has not been possible to quantify the full anticipated effect of the announced further rate reduction, although this will reduce the company's future current tax charge accordingly.

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

6. TAXATION (continued)

(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 20% (2015: 21%).

| | 2016 € | 2015 € |
|---|--------------|--------------|
| Profit before tax | <u>4,800</u> | <u>4,799</u> |
| Profit before tax multiplied by the standard rate of corporation tax in the UK of 20% (2015: 21%) | 960 | 1,008 |
| Prior year adjustment | <u>(178)</u> | <u>-</u> |
| Total income tax charge | <u>782</u> | <u>1,008</u> |

The directors are satisfied that this Company meets the definition of a 'Securitisation Company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise. As at 31 December 2016, 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

| | 2016 € | 2015 € |
|--|--------------------|--------------------|
| At start of the year | 691,061,444 | 734,172,746 |
| Portfolio of loans acquired | 1,301,797,514 | 1,218,332,141 |
| Repayments from Originator | (1,329,530,300) | (1,226,144,108) |
| Repurchased by Originator | (23,284,880) | (29,631,607) |
| Impairment provision on underlying portfolio of loans | <u>(2,865,978)</u> | <u>(5,667,728)</u> |
| At 31 December | 637,177,800 | 691,061,444 |
| Accrued interest receivable | <u>3,672,050</u> | <u>4,118,703</u> |
| Portfolio of loans at year end | 640,849,850 | 695,180,147 |
| Transferor interest | (278,353,259) | (292,715,488) |
| Adjustment to expected future cash flows related to Deferred consideration due from the Originator | <u>63,172,449</u> | <u>25,911,445</u> |
| Deemed Loan to Originator at year end | <u>425,669,040</u> | <u>428,376,104</u> |

The balance can be analysed as follows:

| | | |
|--------------------|--------------------|--------------------|
| Current assets | 76,160,289 | 69,023,194 |
| Non-current assets | <u>349,508,751</u> | <u>359,352,910</u> |
| | <u>425,669,040</u> | <u>428,376,104</u> |

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.

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.

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

8. OTHER ASSETS

| | 2016 | 2015 |
|--------------------------------|--------------|--------------|
| | € | € |
| Amount due from Parent Company | <u>4,094</u> | <u>4,094</u> |
| | <u>4,094</u> | <u>4,094</u> |

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.

| | 2016 | 2015 |
|--------------------------------|--------------------|--------------------|
| | € | € |
| Cash and bank current accounts | 27,109 | 21,588 |
| Bank deposit accounts | <u>147,796,635</u> | <u>141,076,927</u> |
| | <u>147,823,744</u> | <u>141,098,515</u> |

10. TOTAL EQUITY

Reconciliation of movement in capital and reserves

| | Share Capital | Retained Earnings | Total |
|--|----------------------|----------------------|----------------------|
| | € | € | € |
| Balance at 1 January 2015 | 14,283 | 17,197 | 31,480 |
| Profit for the year | - | <u>3,791</u> | <u>3,791</u> |
| Balance attributable to equity holders as at 31 December 2015 | 14,283 | 20,988 | 35,271 |
| Profit for the year | - | <u>4,018</u> | <u>4,018</u> |
| Balance attributable to equity holders as at 31 December 2016 | <u>14,283</u> | <u>25,006</u> | <u>39,289</u> |

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

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

| | 2016 | 2015 |
|--|---------------------|---------------------|
| | € | € |
| Non-current liabilities | | |
| Series 2010-1 Class A Asset Backed Fixed Rate Notes | 369,300,000 | 369,300,000 |
| Series 2010-1 Class B Asset Backed Floating Rate Notes | 216,900,000 | 216,900,000 |
| Unamortised premium on loan notes | <u>(13,116,220)</u> | <u>(17,258,184)</u> |
| | <u>573,083,780</u> | <u>568,941,816</u> |

On 25 February 2010, €956,300,000 of Fixed and Floating Rate Loan Notes were issued to Alpha Bank A.E. At 31 December 2016 Loan Notes held by Alpha Bank AE are €586,200,000 (2015: €586,200,000). 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 statement of comprehensive income 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.

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

11. LOAN NOTES AND BORROWINGS (continued)

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.

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 €nil (2015: €nil) loan and borrowings are repaid.

12. OTHER LIABILITIES

| | 2016 | 2015 |
|------------------------------|----------------|----------------|
| | € | € |
| Interest payable | 76,938 | 179,521 |
| Accruals and deferred income | <u>295,911</u> | <u>321,097</u> |
| | <u>372,849</u> | <u>500,618</u> |

13. FINANCIAL RISK MANAGEMENT

The principal risks and uncertainties are set out in the Strategic Report on page 3.

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 Strategic 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.

Interest rate sensitivity

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

The sensitivity of the Company to interest rate changes, and the resulting changes in net assets attributable to equity shareholders, is limited as the Company only retains €4,800 of available revenue receipts from the beneficial interest in the portfolio of loans with the resulting fluctuations being taken up by the deferred consideration due to Alpha Bank A.E. If interest rates had been 25 basis points higher and all other variables held constant, net assets attributable to equity shareholders for the period ended 31 December 2016 would have been €nil higher. If interest rates had been 25 basis points lower and all other variables held constant, net assets attributable to equity shareholders for the year ended 31 December 2016 would have been lower by €nil.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT (continued)

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:

| | | Carrying amount 2016 | Fair value 2016 | Carrying amount 2015 | Fair value 2015 |
|-------------------------------|------|-------------------------|--------------------|-------------------------|--------------------|
| | Note | € | € | € | € |
| Financial assets: | | | | | |
| Deemed Loan to Originator | 7 | 425,669,040 | 493,776,086 | 428,376,104 | 345,055,484 |
| Other assets | 8 | 4,094 | 4,094 | 4,094 | 4,094 |
| Cash and cash equivalents | 9 | <u>147,823,744</u> | <u>147,823,744</u> | <u>141,098,515</u> | <u>141,098,515</u> |
| Financial liabilities: | | | | | |
| Loan notes | 11 | 573,083,780 | 481,641,720 | 568,941,816 | 466,195,410 |
| Other liabilities | 12 | <u>372,849</u> | <u>372,849</u> | <u>500,618</u> | <u>500,618</u> |

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

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

The table below presents the valuation methods used for the measurement of Level 3 fair value:

| 2016 | Total fair value € | € | Valuation method | Significant non-observable inputs |
|-------------------------------|-----------------------|-----------------|--|---|
| Financial assets: | | | | |
| Deemed Loan to Originator | 493,776,086 | | Discounted cash flows using the swap curve, plus the weighted average fair value credit spread 6.58% of the loans | Valuation of reserve adequacy for payment of hybrid securities' dividends |
| Financial liabilities: | | | | |
| Loan notes and borrowings | 466,195,410 | | Discounted cash flows using the Bloomberg Swap S232 curve, plus the average CDS spread of 619.33bps | Valuation of reserve adequacy for payment of hybrid securities' dividends |
| 2015 | Total fair value € | Fair value € | Valuation method | Significant non-observable inputs |
| Financial assets: | | | | |
| Deemed Loan to Originator | 345,055,484 | | Discounted cash flows using the swap curve, plus the weighted average fair value credit spread 17.82% of the loans | Valuation of reserve adequacy for payment of hybrid securities' dividends |
| Financial liabilities: | | | | |
| Loan notes and borrowings | 466,195,410 | | Discounted cash flows using the Bloomberg Swap S232 curve, plus the average CDS spread of 728.01bps | Valuation of reserve adequacy for payment of hybrid securities' dividends |

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT (continued)

Re-pricing analysis

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

| | Fixed rate of interest € | 0 to 1 months € | Non - interest bearing € | Total € |
|----------------------------|--------------------------------|-----------------------|--------------------------------|-------------|
| At 31 December 2016 | | | | |
| Assets | | | | |
| Deemed Loan to Originator | - | 425,669,040 | - | 425,669,040 |
| Other assets | - | - | 4,094 | 4,094 |
| Cash and cash equivalents | - | 147,823,744 | - | 147,823,744 |
| Total assets | - | 573,492,784 | 4,094 | 573,496,878 |
| Equity | | | | |
| Issued capital | - | - | 14,283 | 14,283 |
| Retained earnings | - | - | 25,006 | 25,006 |
| | - | - | 39,289 | 39,289 |
| Liabilities | | | | |
| Loan notes and borrowings | 369,300,000 | 203,783,780 | - | 573,083,780 |
| Other liabilities | 76,938 | - | 295,911 | 372,849 |
| Tax payable | - | - | 960 | 960 |
| Total liabilities | 369,376,938 | 203,783,780 | 296,871 | 573,457,589 |
| | | | | |
| | Fixed rate of interest € | 0 to 1 months € | Non - interest bearing € | Total € |
| At 31 December 2015 | | | | |
| Assets | | | | |
| Deemed Loan to Originator | - | 428,376,104 | - | 428,376,104 |
| Other assets | - | - | 4,094 | 4,094 |
| Cash and cash equivalents | - | 141,098,515 | - | 141,098,515 |
| Total assets | - | 569,474,619 | 4,094 | 569,478,713 |
| Equity | | | | |
| Issued capital | - | - | 14,283 | 14,283 |
| Retained earnings | - | - | 20,988 | 20,988 |
| | - | - | 35,271 | 35,271 |
| Liabilities | | | | |
| Loan notes and borrowings | 369,300,000 | 199,641,816 | - | 568,941,816 |
| Other liabilities | 179,521 | - | 321,097 | 500,618 |
| Tax payable | - | - | 1,008 | 1,008 |
| Total liabilities | 369,479,521 | 199,641,816 | 322,105 | 569,443,442 |

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 2016. 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 2016 | 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 | 573,083,780 | 586,200,000 | - | 12,693,382 | 63,466,907 | 510,039,711 | - |
| Interest payable | 76,938 | 20,400,145 | 784,130 | 1,478,901 | 6,237,861 | 11,899,253 | - |
| Total liabilities | <u>573,160,718</u> | <u>606,600,145</u> | <u>784,130</u> | <u>14,172,283</u> | <u>69,704,768</u> | <u>521,938,964</u> | <u>-</u> |

| At 31 December 2015 | 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 | 568,941,816 | 586,200,000 | - | 11,503,866 | 57,519,328 | 517,176,806 | - |
| Interest payable | 179,521 | 16,876,367 | 784,130 | 1,505,458 | 6,305,158 | 8,281,621 | - |
| Total liabilities | <u>569,121,337</u> | <u>603,076,367</u> | <u>784,130</u> | <u>13,009,324</u> | <u>63,824,486</u> | <u>525,458,427</u> | <u>-</u> |

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.

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:

| | 2016 | 2015 |
|--------------------------------|---------------------|---------------------|
| | € | € |
| Neither past due nor impaired | 539,270,081 | 575,198,976 |
| Past due but not impaired | 84,950,977 | 105,730,405 |
| Impaired | <u>40,995,249</u> | <u>35,751,246</u> |
| | 665,216,307 | 716,680,627 |
| Less: allowance for impairment | <u>(24,366,457)</u> | <u>(21,500,480)</u> |
| | <u>640,849,850</u> | <u>695,180,147</u> |

PISTI 2010-1 PLC

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT (continued)

Credit risk (continued)

| Credit quality of loans that are neither past due nor impaired | 2016 | 2015 |
|---|--------------------|--------------------|
| | € | € |
| Satisfactory | 539,270,081 | 575,198,976 |
| Watch list | - | - |
| | <u>539,270,081</u> | <u>575,198,976</u> |

| Ageing analysis of past due not impaired amounts | 2016 | 2015 |
|---|-------------------|--------------------|
| | € | € |
| Past due 1 – 29 days | 67,056,160 | 77,757,922 |
| Past due 30 – 59 days | 11,440,727 | 17,389,437 |
| Past due 60 – 90 days | 6,454,090 | 10,583,046 |
| | <u>84,950,977</u> | <u>105,730,405</u> |

| <u>Allowance for impairment losses</u> | 2016 | 2015 |
|---|-------------------|-------------------|
| | € | € |
| Balance as at 1 January 2016/15 | 21,500,480 | 15,832,752 |
| Impairment losses for the year | 2,865,978 | 5,667,728 |
| Balance as at 31 December 2016/15 | <u>24,366,458</u> | <u>21,500,480</u> |

The pre condition that there must be a need for objective evidence in order for the loss to be recognised and effectively the impairment loss to be indicated on individual loans, may lead to a delay in the recognition of a loan's impairment, which has already occurred. Within this context and in accordance with IAS 39, it is appropriate to recognise impairment losses for those losses which have been incurred but have not yet been reported ("IBNR"). Provisions for loss events that have occurred but have not yet been reported ("IBNR provisions") are calculated on a collective basis. The collective provision has been accordingly applied on the 'neither past due nor impaired' and the 'past due but not impaired' population.

At 31 December 2016 the collective provision amounted to €15,821,781 (2015: €14,501,830). The IBNR provision amounted to €8,544,676 (2015: €6,998,650).

Portfolio of loans categorise as satisfactory are all performing loans but the underlying borrowers have missed occasional scheduled payments.

Alpha Bank AE have repurchased loans from the Company of €23,284,880 (2015: €29,631,607) 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. However, the credit risk is ultimately borne by the Originator since the Notes are held by the Originator and the transaction is structured as limited recourse, such that the ability of the company to meet its obligations under the loan notes will directly depend upon receipt of funds from the Originator, which is in turn dependant on the ability of underlying borrowers to service their loans.

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 data 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

13. FINANCIAL RISK MANAGEMENT (continued)

Receipts in relation to the deemed loan to the Originator (see note 7), are the principal sources of ongoing funds for the company. During the first semester of 2015, the internal economic environment was adversely affected by the uncertainties that were created during the negotiations of the Hellenic Republic with the European Commission, the European Central Bank and the International Monetary Fund for the financing of the Hellenic Republic, a fact that led to significant outflows of deposits, to the imposition of capital controls and of a bank holiday which was announced on 28 June 2015 and lasted until 19 July 2015. Capital controls remain in place until the date of approval of the financial statements, while the detailed provisions for their application are amended where appropriate by the adoption of a legislative act.

At the same time the liquidity needs of Greek banks continue to be mostly satisfied by the emergency liquidity mechanisms of the Bank of Greece.

The completion, in the third quarter of 2015, of the negotiations of the Hellenic Republic for the coverage of the financing needs of the Greek economy, led to an agreement for new financial support by the European Stability Mechanism. The agreement provided for the coverage of the financing needs of the Hellenic Republic for the medium-term period, under the condition that economic reforms are made, while additionally it provided for the allocation of resources to cover the recapitalisation needs of the banks as a result of their assessment by the Single Supervisory Mechanism. With respect to the Originator specifically, a recapitalization of a total amount of €2,563 million took place in the fourth quarter of 2015, exclusively from private funds.

In June 2016 the first evaluation of the Hellenic Republic financial support program was completed and the partial disbursement of the second installment of the program, amounting to €10.3 billion, was approved. The first disbursement of €7.5 billion took place in June and covered the short-term public debt servicing needs as well as the clearance of part of amounts overdue by the Hellenic Republic to individuals. The remaining amount of €2.8 billion was disbursed in October 2016 after the completion of the prerequisite actions that had been set. The completion of the first evaluation and the disbursement of installments contributed to the enhancement of the real economy and the improvement of the economic environment. Meanwhile, in the fourth quarter of 2016 the second evaluation of the financial support program begun and is expected to be completed in the near future. The above, combined with the continuation of reforms and the measures described in the Eurogroup statement for the enhancement of the sustainability of the Greek debt, are expected to contribute to the gradual improvement of the economic environment in Greece and it was completed within June 2017 along with the approval of a further disbursement of €8.5 billion to cover current financing needs. The above, combined with the continuation of reforms and the measures described in the Eurogroup statement for the enhancement of the sustainability of the Greek debt, are expected to contribute to the gradual improvement of the economic environment in Greece and to the return of the economy to positive growth rates.

In parallel to the above, the Originator, in the context of its strategy to address the issue of non-performing loans, is taking a series of actions and initiatives, as specifically mentioned in the relevant section of the Board of Directors' Annual Management Report of 2016, which, combined with the changes in the legislative framework, are expected to contribute to the effective management of the non-performing loans portfolio.

With regards to the liquidity levels and funding costs of the Originator and the banking system in general, they have been positively affected by the reinstatement of Greek government securities in the perimeter of collaterals accepted by the European Central Bank, by the reduction of the haircut applied on eligible collaterals and by the ability to transfer part of the securities issued by the European Financial Stability Fund that the Originator holds to the European Central Bank.

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NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

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 €29,878 (2015: €42,433) including irrecoverable VAT and expenses. Mr D J Wynne, a director of the Company is also a director of Wilmington Trust SP Services (London) Limited. Mrs M Clarke-Whelan, 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 2016, €1,329,530,300 (2015: €1,218,332,141) of additional portfolio of loans was acquired.

During 2016 Alpha Bank AE earned €59,597 (2015: €59,434) in servicing fees for acting as the portfolio of loans servicer of which €5,048 (2015: €5,048) was outstanding at 31 December 2016 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.

At 31 December 2016 Loan Notes held by Alpha Bank AE are €586,200,000 (2015: €586,200,000). During 2016, €9,232,500 (2015: €9,236,417) of interest on Loan Notes was payable to Alpha Bank A.E of which €76,938 (2015: €179,521) was outstanding at year end.

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 2016 €278,353,259 (2015: €292,715,488) and €63,172,449 (receivables) (2015: €25,911,445) of Retained Interest and Deferred Consideration respectively was retained by Alpha Bank AE and is included within the Deemed Loan to Originator.

Cash and cash equivalents include balance of €147,775,185 (2015: €141,055,477) in bank account held with Alpha Bank A.E. as at year end.

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 10 the results of the Company are included in the consolidated financial statements of Alpha Bank AE, a company incorporated in Greece, whose principal place of business is 40 Stadiou, 102 52 Athens, Greece. It is the largest and smallest group into which the results of the Company are consolidated. The financial statement of Alpha Bank AE can be obtained from www.alpha.gr.

16. POST BALANCE SHEET EVENT

Loans from portfolio amounting to €354,714,902 have been redeemed since the year end. Company has also acquired Portfolio of loans amounted to €314,293,112 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.