

PIRAEUS FACTORING S.A.

Financial Statements

31 December 2016

In accordance with the International
Financial Reporting Standards

The attached financial statements have been approved by Piraeus Factoring S.A. Board of Directors on June 12th, 2017 and they are available on the web site at www.piraeus-factoring.gr.

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Amounts in thousand of Euros (unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Note	From 1 January to	
		31 December 2016	31 December 2015
Interest and similar income	5	12.946	12.191
Interest expense and similar charges	5	(5.721)	(5.292)
Net Interest income		7.225	6.898
Fee and commission income	6	8.065	7.176
Fee and commission expense	6	(1.070)	(1.073)
Net Commission income		6.995	6.103
Other operating income	7	126	234
Total Income		14.347	13.235
Staff costs	8	(2.048)	(1.828)
Administrative expenses	9	(1.840)	(1.123)
Depreciation and amortisation	13,14	(74)	(79)
Provisions and impairment	12	(1.124)	(2.598)
Total operating expenses		(5.086)	(5.629)
Profit before tax		9.261	7.607
Income tax	10	(2.692)	(1.887)
Profit after tax (A)		6.569	5.720
Actuarial gains / (losses) of defined benefit obligations (after taxes)		(46)	21
Other comprehensive income, net of tax (B)		(46)	21
Total comprehensive income for the year, net of tax (A + B)		6.523	5.741

Amounts in thousand of Euros (unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

ASSETS	Note	31 December 2016	31 December 2015
Cash and cash equivalents	11	3.110	7.349
Loans and advances to customers (net of provisions)	12	270.542	209.079
Intangible assets	13	159	64
Property, plant and equipment	14	65	87
Deferred tax assets	18	3.563	3.605
Other assets	15	209	246
TOTAL ASSETS		277.648	220.430
LIABILITIES			
Due to credit institutions	16	236.003	185.874
Retirement benefit obligations	19	306	258
Other provisions	10	130	130
Other liabilities	17	3.886	2.899
Income tax liabilities	20	96	562
TOTAL LIABILITIES		240.420	189.724
EQUITY			
Share capital	21	21.126	21.126
Share premium	21	2.770	2.770
Other Reserves	22	1.545	1.263
Retained earnings	22	11.788	5.548
TOTAL EQUITY		37.228	30.706
TOTAL EQUITY AND LIABILITIES		277.648	220.430

Amounts in thousand of Euros (unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Note	Shareholders Capital	Share Premium	Other Reserves	Retained Earnings	Total Equity
Balance as at 1 January 2015	21	21.126	2.770	952	11.118	35.965
Profit after tax	22	-	-	-	5.720	5.720
Total recognised income net of tax		-	-	-	5.720	5.720
Reserve of actuarial gains / (losses) of defined benefit obligations				25	(4)	21
Paid dividend for the previous year	22,23				(11.000)	(11.000)
Transfer between other reserves and retained earnings	22	-	-	286	(286)	-
Balance as at 31 December 2015		21.126	2.770	1.263	5.548	30.706
Balance as at 1 January 2016	21	21.126	2.770	1.263	5.548	30.706
Profit after tax	22	-	-	-	6.569	6.569
Total recognised income net of tax		-	-	-	6.569	6.569
Reserve of actuarial gains / (losses) of defined benefit obligations				(46)		(46)
Transfer between other reserves and retained earnings	22	-	-	328	(328)	-
Balance as at 31 December 2016		21.126	2.770	1.545	11.789	37.228

STATEMENT OF CASH FLOWS

	Note	Year Ended	
		31.12.2016	31.12.2015
<u>Cash flows from operating activities</u>			
Profit for the year (before tax)		9.261	7.607
Plus /(minus) adjustments			
Provisions and impairment	12	1.124	2.598
Depreciation and amortisation	13 , 14	74	79
Retirement benefit obligations	19	229	31
Cash flows from operating activities before changes in operating assets and liabilities		10.688	10.315
<u>Changes in operating assets and liabilities</u>			
Net (Increase)/Decrease in loans and advances to customers	12	(62.588)	17.248
Net (Increase)/Decrease in other assets	15	37	121
Net increase / (decrease) in due to credit institutions	16	50.128	(22.647)
Increase/(Decrease) in other liabilities	17	985	(458)
Cash flows from Operating activities before income tax payment		(749)	4.578
Income tax paid		(3.487)	(3.495)
Net cash inflow / (outflow) from operating activities		(4.236)	1.083
<u>Cash flows from investing activities</u>			
Purchases of property plant & equipment	14	(3)	(26)
Purchases of intangible assets	13	-	-
Net cash inflow / (outflow) from investing activities		(3)	(26)
<u>Cash flows from financing activities</u>			
Dividends paid		-	(11.000)
Net cash inflow / (outflow) from financing activities		-	(11.000)
Net increase / (decrease) in cash and cash equivalents of the year		(4.239)	(9.943)
Cash and Cash equivalents at the beginning of the year	11	7.349	17.292
Cash and Cash equivalents at the end of the year	11	3.110	7.349

1 General information

The Company was founded in 1998 by Piraeus Bank operates in Greece in the field of factoring, based at 163 Sigrou Ave, N. Smirni, is registered in GEMI with number 3021501000 and Companies Registry under number 41224/01/B/98/357 (2014). The web address of the company is www.piraeus-factoring.gr.

The Company follows the laws and requirements of special purpose discounting receivables (Law 1905/90).

The Company receives invoice requirements associated with marketing and grant them a percentage of this requirement by retaining its commission. In the analysis of the financial statements, the item "loans and advances to customers" states exactly the amounts that the company gives merchants against their claims and undertakes to collect from end customers. The financial statements have been approved for issue by the Board of Directors on 12/6/2017.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all the years presented unless otherwise stated. The Company's financial statements are presented in thousand of Euros unless otherwise stated.

2.1. Basis of presentation of the Company's financial statements

These financial statements have been prepared by the Management in accordance with the International Financial Reporting Standards (IFRS) and the interpretations adopted by the European Union and present the financial position, the results of operations and the cash flow of the company on a going concern basis.

The financial statements have been prepared under the historical cost.

The preparation of financial statements in accordance with IFRS requires the adoption of certain critical accounting estimates and judgments by management in the application of accounting principles. It also requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Although these estimates are based on the best possible knowledge of management with respect to current events and actions, actual results ultimately may differ from these estimates.

The areas involving a higher degree of subjectivity exercise of judgment or complexity, or areas where assumptions and estimates are significant to the preparation of the financial statements are disclosed in Note 4.

2.2. Foreign currency translation

Transactions in foreign currencies are translated in Euro based on the foreign currency's official exchange rate at the date of the transaction. On the day of preparing the financial statements, the receivables and payables in foreign currencies are translated to Euro based on the official exchange rate of the foreign currency at that date. Profit or loss arising from exchange differences are included in the statement of comprehensive income.

2.3 Interest Income and Expense

Interest income and expense is recognised on an accrual basis in the income statement for all interest bearing balance sheet items according to the effective interest rate. The effective interest rate exactly discounts any estimated future payment or proceeds throughout the life of a financial instrument or until the next date of interest reset, in order for the present value of all future cash flows to be equal to the carrying amount of the financial instrument, including any fees or transaction costs incurred. Impaired loans are recorded at their recoverable amounts and therefore, interest income is recognised according to the effective interest rate used for the discounting of the cash flows for the impairment exercise.

2.4 Fee Income and Expense

Commission income and expense is recognized on an accrual basis when the relevant services are provided to the clients or to the Company.

Fees, either income or expense, relating to financial instruments at amortized cost, such as loans, are deferred and recognized in the Income Statement as interest income or expense throughout the life of the instrument using the effective interest rate method.

2.5 Loans and advances to customers

Loans are initially recognized at fair value (plus any transaction costs) and measured subsequently at amortized cost using the effective interest rate method. If there is objective evidence that the Company will not be in a position to receive all payments due, as defined by the contract of the loan, an impairment loss is recognised. The amount of the accumulated impairment loss is the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of the loan.

A receivable has been impaired when its carrying amount is greater than its expected recoverable amount.

The Company assesses at each balance sheet date whether there is objective evidence that a loan or group of loans may be impaired. If such evidence exists, the recoverable amount of the loan or group of loans is estimated and an impairment loss is recognised.

Objective indicators that a loan or group of loans is impaired or it is not collectable are the following events:

- i. Significant financial difficulty of the issuer or the obligor.
- ii. A breach of contract (i.e. default or delinquency in interest or principal payments).
- iii. The Company granting to the borrower, for economic or legal reasons relating to the borrower's financial difficulty, a concession that the lender would not otherwise consider.
- iv. It is becoming probable that the borrower will enter bankruptcy or financial reorganisation.
- v. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
 - Adverse changes in the payment status of borrowers in the group (i.e. increase in the number of delayed payments due to sector problems), or

- National or local economic conditions that correlate with defaults on the assets in the group (i.e. increase in the unemployment rate for a geographical area of borrowers, decrease in the value of property placed as guarantee for the same geographical area, or unfavourable changes in the operating conditions of a sector, which affect the borrowers of this specific group).

The Company first assesses whether objective indication of impairment exists individually for loans that are individually significant and collectively for loans that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed loan, whether significant or not, it includes the loan in a group of loans with similar credit risk characteristics and collectively assesses them for impairment. Loans that are individually assessed for impairment and for which impairment has been recognized are not included in groups of assets and therefore not assessed on a collective basis.

For the purpose of a collective evaluation of impairment, loans are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Company's grading process that considers asset type, industry, geographical location, collateral type, and other relevant factors). These characteristics are relevant to the estimation of future cash flows for groups of loans by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of loans that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets of the Company and historical loss experience for assets with credit risk characteristics similar to those of the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of loans reflect and are directionally consistent with changes in related data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses for the group and their magnitude). The methodology and assumptions used for estimating future cash flows are reviewed regularly by the Company.

When a loan is considered to be uncollectible, it is written off against the related provision for loan impairment. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in the statement of comprehensive income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement of the debtor's credit rating), the previously recognized impairment loss is reduced and the difference is recognised in the statement of comprehensive income. Loans and customer receivables are derecognized when either the ability to receive cash flows has ceased or the Company has transferred a substantial portion of the risks and rewards to third parties.

2.6. Intangible Assets - Software

An intangible asset is recognized when future economic benefits are expected to arise.

Costs associated with the acquisition of software programs, which will probably generate economic benefits to the Company for more than one year, are recognised as intangible assets.

Costs associated with maintaining computer software programs are recognised as an expense as incurred. On the contrary, expenditure which enhances or extends the performance of computer software programs beyond their original specifications or software upgrade expenses are added to the original cost of the software, as long as they can be measured reliably. Computer software is amortised in most cases over a period of 3-4 years.

2.7. Property, plant and equipment

Property, plant and equipment are measured at historical cost less accumulated depreciation and accumulated impairment loss.

Property, plant and equipment are reviewed for impairment loss whenever events or changes in circumstances indicate that the carrying amount may not be recoverable

Depreciation on own property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

- Hardware and Software : 3 -4 years
- Leasehold improvements: the shorter of useful life and lease term
- Furniture and other equipment: 5 years
- Transportation: 6-7 years

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance expenses are charged to the income statement during the financial period in which they incur.

Gains and losses on disposals are determined by comparing proceeds with carrying amount and they are included in the income statement.

2.8. Leases

The Company is the Lessee

Leases of fixed assets under which the lessor retains a significant portion of risks and rewards related to the leased assets, are recognised as operating leases. Lease payments under an operating lease, are recognised as an expense in the Income Statement of the lessee on a straight line basis over the lease term.

2.9. Cash and cash equivalents

Cash and cash equivalents are low risk assets and include balances expiring within less than three months from the first day of their issue such as cash and cash equivalents to Banks.

2.10. Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is more likely than not, that an outflow of resources will be required to settle the obligation and the amount of the obligation can be reliably estimated. The provisions are reexamined at each balance sheet date before the preparation of the financial statements to reflect the best estimates.

2.11. Employee Benefits

The Company's pension obligations relate both to defined contribution plans as well as defined benefit plans.

The Company's contributions to defined contribution pension plans are recognized as employee benefits during the related period.

The liability recognized in the balance sheet in respect of defined benefit plan is the present value of the defined benefit obligation at the date of the statement of financial position. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method.

The provision is based on an actuarial study by an independent actuary based on the "projected unit credit obligation" method, according to which the cost of retirement benefits is charged to the statement of comprehensive income in order to allocate and recognize the related cost, at the time the employees provide their services. The corresponding liability presented in the Statement of Financial Position is calculated as the present value of the cash flows based on the interest rate on the high-rated corporate bonds that have a maturity similar to that of the liability.

Actuarial gains / losses are recognized directly to equity of the company as they occur. These gains and losses are not recycled to profit or loss.

2.12. Deferred Tax

Deferred income tax is calculated, using the liability method, on temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred income tax liabilities are recognized for all deductible temporary differences, carry-forward of unused tax losses to the extent that it is probable that taxable profit will be available against which the temporary difference can be utilized. The carrying-forward amount of deferred income tax assets is reviewed at each balance sheet and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow the deferred income tax asset to be utilized.

The principal temporary differences arise from impairment of loans and retirement benefit obligations in accordance with IAS 19. Deferred tax assets are recognised for all deductible temporary differences when it is probable that the temporary difference will reverse in the foreseeable future as well as when also taxable income will be available in the future against which the temporary difference can be utilised.

The Company offsets deferred tax assets against deferred tax liabilities only when the relevant requirements of IAS 12 are fulfilled.

2.13 Borrowings

Borrowed funds are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost and any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest rate method. Borrowings are classified as short term unless the Company has settled the payments for at least 12 months following the date of the Statement of Financial Position.

2.14. Share Capital

Ordinary shares are classified as equity. Incremental costs of capital are shown net of taxes deducted from equity as a deduction from the proceeds.

Dividends on ordinary shares are recognized as a liability during the period in which they are approved by the Annual General Meeting of the Company's Shareholders.

2.15. Impairment of financial assets

At each balance sheet date if there is objective evidence that a financial asset is impaired, the Company assesses the recoverable amount of the asset. Only if the recoverable amount of the asset is less than its carrying amount, the carrying amount will be reduced to the recoverable amount and an impairment loss will be recognized. The impairment loss is directly recognized as an expense in the income statement, unless another accounting method of other IAS is applied. An impairment loss calculated for an asset in previous year, will be reversed only if there is a change in the assessments used to define the recoverable amount of the asset from the last impairment loss. In such cases, the carrying amount of the asset is increased at its recoverable amount.

2.16 Related parties transaction

Related parties include: a) The parent company Piraeus Bank b) Companies controlled by Piraeus Bank c) members of the Bank's Board of Directors and key management personnel of the Company, d) close family and financial dependents (husbands, wives, children etc) of members of the Board of Directors and key management personnel. Transactions of similar nature are disclosed together. The terms of the Company's transactions with related parties are those that prevail in arm's length transactions and according to the financial procedures and policies of the Company.

2.17 Fair value of assets and liabilities

Fair value is the price that would be received to sell an asset (financial or non financial) or paid to transfer a liability (financial or non financial) in an orderly transaction between market participants at the measurement date under current market conditions regardless of whether that price is directly observable or estimated using another valuation technique.

Valuation techniques used to measure fair value shall maximise the use of observable data input and minimise the use of unobservable input. Observable inputs reflect market data obtained from independent sources. Unobservable inputs reflect the Company's market assumptions.

Inputs to valuation techniques used to measure fair value are categorised into three levels (fair value hierarchy) as follows:

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

2.18 Comparative figures and roundings

Where necessary, the comparative figures of the previous year's financial statements have been adjusted in order to become comparable to the corresponding figures of the current year. Any differences between the amount in the financial statements and the relevant amounts presented in the note, are due to roundings.

2.19 New standards, amendments to standards and interpretations

Certain new standards, amendments to standards and interpretations have been issued that are mandatory for periods beginning during the current financial year and subsequent years. The Group's evaluation of the effect of these new standards, amendments to standards and interpretations is as follows:

Standards and Interpretations effective for the current financial year

IAS 19R (Amendment) "Employee Benefits"

These narrow scope amendments apply to contributions from employees or third parties to defined benefit plans and simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary.

IFRS 11 (Amendment) "Joint Arrangements"

This amendment requires an investor to apply the principles of business combination accounting when it acquires an interest in a joint operation that constitutes a 'business'.

IAS 16 and IAS 38 (Amendments) "Clarification of Acceptable Methods of Depreciation and Amortisation"

This amendment clarifies that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate and it also clarifies that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset.

IAS 16 and IAS 41 (Amendments) "Agriculture: Bearer plants"

These amendments change the financial reporting for bearer plants, such as grape vines and fruit trees. The bearer plants should be accounted for in the same way as self-constructed items of property, plant and equipment. Consequently, the amendments include them within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41.

IAS 27 (Amendment) "Separate financial statements"

This amendment allows entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements and clarifies the definition of separate financial statements.

IAS 1 (Amendments) "Disclosure initiative"

These amendments clarify guidance in IAS 1 on materiality and aggregation, the presentation of subtotals, the structure of financial statements and the disclosure of accounting policies.

IFRS 10, IFRS 12 and IAS 28 (Amendments) "Investment entities: Applying the consolidation exception"

These amendments clarify the application of the consolidation exception for investment entities and their subsidiaries.

Annual Improvements to IFRSs 2012

The amendments set out below describe the key changes to certain IFRSs following the publication of the results of the IASB's 2010-12 cycle of the annual improvements project.

IFRS 2 "Share-based payment"

The amendment clarifies the definition of a 'vesting condition' and separately defines 'performance condition' and 'service condition'.

IFRS 3 "Business combinations"

The amendment clarifies that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in IAS 32 "Financial instruments: Presentation". It also clarifies that all non-equity contingent consideration, both financial and non-financial, is measured at fair value through profit or loss.

IFRS 8 "Operating segments"

The amendment requires disclosure of the judgements made by management in aggregating operating segments.

IFRS 13 "Fair value measurement"

The amendment clarifies that the standard does not remove the ability to measure short-term receivables and payables at invoice amounts in cases where the impact of not discounting is immaterial.

IAS 16 "Property, plant and equipment" and IAS 38 "Intangible assets"

Both standards are amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model.

IAS 24 "Related party disclosures"

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity.

Annual Improvements to IFRSs 2014

The amendments set out below describe the key changes to four IFRSs.

IFRS 5 "Non-current assets held for sale and discontinued operations"

The amendment clarifies that, when an asset (or disposal group) is reclassified from 'held for sale' to 'held for distribution', or vice versa, this does not constitute a change to a plan of sale or distribution, and does not have to be accounted for as such.

IFRS 7 "Financial instruments: Disclosures"

The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement and clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure – Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34.

IAS 19 "Employee benefits"

The amendment clarifies that, when determining the discount rate for post-employment benefit obligations, it is the currency that the liabilities are denominated in that is important, and not the country where they arise.

IAS 34 "Interim financial reporting"

The amendment clarifies what is meant by the reference in the standard to 'information disclosed elsewhere in the interim financial report'.

Standards and Interpretations effective for subsequent periods

IFRS 9 "Financial Instruments" and subsequent amendments to IFRS 9 and IFRS 7 (effective for annual periods beginning on or after 1 January 2018)

IFRS 9 replaces the guidance in IAS 39 which deals with the classification and measurement of financial assets and financial liabilities and it also includes an expected credit losses model that replaces the incurred loss impairment model used today. IFRS 9 establishes a more principles-based approach to hedge accounting and addresses inconsistencies and weaknesses in the current model in IAS 39. The Group is currently investigating the impact of IFRS 9 on its financial statements.

IFRS 15 "Revenue from Contracts with Customers" (effective for annual periods beginning on or after 1 January 2018)

IFRS 15 has been issued in May 2014. The objective of the standard is to provide a single, comprehensive revenue recognition model for all contracts with customers to improve comparability within industries, across industries, and across capital markets. It contains principles that an entity will apply to determine the measurement of revenue and timing of when it is recognised. The underlying principle is that an entity will recognise revenue to depict the transfer of goods or services to customers at an amount that the entity expects to be entitled to in exchange for those goods or services. The Group is currently investigating the impact of IFRS 15 on its financial statements.

IFRS 16 "Leases" (effective for annual periods beginning on or after 1 January 2019)

IFRS 16 has been issued in January 2016 and supersedes IAS 17. The objective of the standard is to ensure the lessees and lessors provide relevant information in a manner that faithfully represents those transactions. IFRS 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently investigating the impact of IFRS 16 on its financial statements. The standard has not yet been endorsed by the EU.

IAS 12 (Amendments) "Recognition of Deferred Tax Assets for Unrealised Losses" (effective for annual periods beginning on or after 1 January 2017)

These amendments clarify the accounting for deferred tax assets for unrealised losses on debt instruments measured at fair value. The amendments have not yet been endorsed by the EU.

IAS 7 (Amendments) "Disclosure initiative" (effective for annual periods beginning on or after 1 January 2017)

These amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. The amendments have not yet been endorsed by the EU.

IFRS 2 (Amendments) "Classification and measurement of Share-based Payment transactions" (effective for annual periods beginning on or after 1 January 2018)

The amendment clarifies the measurement basis for cash-settled, share-based payments and the accounting for modifications that change an award from cash-settled to equity-settled. It also introduces an exception to the principles in IFRS 2 that will require an award to be treated as if it was wholly equity-settled, where an employer is obliged to withhold an amount for the employee's tax obligation associated with a share-based payment and pay that amount to the tax authority. The amendments have not yet been endorsed by the EU.

IFRS 4 (Amendments) "Applying IFRS 9 Financial instruments with IFRS 4 Insurance contracts" (effective for annual periods beginning on or after 1 January 2018)

The amendments introduce two approaches. The amended standard will: a) give all companies that issue insurance contracts the option to recognise in other comprehensive income, rather than profit or loss, the volatility that could arise when IFRS 9 is applied before the new insurance contracts standard is issued; and b) give companies whose activities are predominantly connected with insurance an optional temporary exemption from applying IFRS 9 until 2021. The entities that defer the application of IFRS 9 will continue to apply the existing financial instruments standard—IAS 39. The amendments have not yet been endorsed by the EU.

IAS 40 (Amendments) "Transfers of Investment Property" (effective for annual periods beginning on or after 1 January 2018)

The amendments clarified that to transfer to, or from, investment properties there must be a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition and the change must be supported by evidence. The amendments have not yet been endorsed by the EU.

IFRIC 22 "Foreign currency transactions and advance consideration" (effective for annual periods beginning on or after 1 January 2018)

The interpretation provides guidance on how to determine the date of the transaction when applying the standard on foreign currency transactions, IAS 21. The Interpretation applies where an entity either pays or receives consideration in advance for foreign currency-denominated contracts. The interpretation has not yet been endorsed by the EU.

Annual Improvements to IFRSs 2014 (2014 – 2016 Cycle) (effective for annual periods beginning on or after 1 January 2017)

The amendments set out below describe the key changes to two IFRSs. The amendments have not yet been endorsed by the EU.

IFRS 12 "Disclosures of Interests in Other Entities"

The amendment clarified that the disclosures requirement of IFRS 12 are applicable to interest in entities classified as held for sale except for summarised financial information.

IAS 28 "Investments in associates and Joint ventures"

The amendments clarified that when venture capital organisations, mutual funds, unit trusts and similar entities use the election to measure their investments in associates or joint ventures at fair value through profit or loss (FVTPL), this election should be made separately for each associate or joint venture at initial recognition.

3 Financial Risk Management

3.1 Credit Risk

Credit risk is the risk of financial loss for the Company that results when the debtors are in no position to fulfil their contractual/ transactional obligations. Especially in the case of finance, this risk concerns cases of default by a debtor to repay part or all of his debts. Credit risk is considered the most significant for the Company, and its efficient monitoring and management constitutes a top priority for Management. The level of risk associated with any credit exposure depends on various factors, including the general economic and market conditions prevailing, the debtors' financial condition, the amount, the type, and duration of the exposure, as well as the presence of any collateral/security (guarantees). Credit limits are settled for each debtor based on the assessment of its creditworthiness. This assessment is based on qualitative and quantitative data for each debtor. The methods of credit assessment depend on the category of its debtor and are separate for individuals and corporate entities. Specifically for the assessment of corporate entities (corporate factoring) different methods of credit risk assessment are implemented depending on the size and the type of each corporate entity. For the large corporate entities the assessment is based on their financial results and the analysis of their sector however for the smaller entities their qualitative characteristics are used.

During the approval process the Company exercises the total credit risk for each debtor or group of debtors which are related and the approved credit limits from Company's various departments are combined. For the settlement of credit limits the Company considers the collaterals or guarantees which may decrease the credit risk exposure.

Credit limits of customers depended on the type of factoring

The factoring services categorised based on credit risk are as follows:

- Factoring with recourse: The Company has the ability to return the unpaid invoices to the assignor by paying the respective amount. The risk is beared by the assignor and Company's fees are low.

- Factoring without recourse: The Company does not have the ability to return the unpaid invoice to the assignor and bears all the credit risk. The Company simultaneously insures the credit risk for cases where there are high possibilities of assignor default.

On a systematic basis the Company monitors the debtors credit risk and credit limits.

3.1.1 Maximum Credit risk exposure before collaterals and other risk mitigation measures

The following table presents the maximum credit risk exposure as at 31/12/2016 and 31/12/2015 without collaterals and other credit risk measures. For balance sheet items the credit exposure is based on their carrying amount as presented in the Statement of Financial Position.

Credit risk exposure

	Maximum Exposure	
	2016	2015
Loans to corporate entities	286.006	221.877
Loans to individuals	338	4.659
Other assets	209	246

The Company is not exposed to credit risk from off balance sheet items

3.1.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

	31.12.2016	31.12.2015
Loans and advances to customers		
A. Loans and advances neither past due or impaired	256.094	184.634
B. Loans and advances past due but not impaired	9.286	16.302
C. Impaired loans and advances	20.964	25.600
Gross	286.344	226.536
Less: Allowance for impairment for loan and advances	(15.802)	(17.457)
Net	270.542	209.079

	31.12.2016	31.12.2015
Loans and advances to customers before impairment		
Grades		
Standard monitoring	275.928	221.313
Impaired	10.416	5.223
Total	286.344	226.536

A. Loans and advances neither past due or impaired

	31.12.2016			31.12.2015		
	Retail loans	Corporate loans	Total loans	Retail loans	Corporate loans	Total loans
Standard monitoring	7	256.087	256.094	1.951	182.683	184.634
Total	7	256.087	256.094	1.951	182.683	184.634

B. Loans and advances past due but not impaired

	31.12.2016			31.12.2015		
	Retail loans	Corporate loans	Total loans	Retail loans	Corporate loans	Total loans
1 - 90 days	0	7.699	7.699	68	5.626	5.694
91 - 180 days	0	1.461	1.461	141	5.688	5.829
181 - 360 days	4	122	126	101	4.678	4.779
> 360 days	-	-	-	-	-	-
Total	4	9.282	9.286	310	15.992	16.302

C. Impaired loans and advances

	31.12.2016			31.12.2015		
	Retail loans	Corporate loans	Total loans	Retail loans	Corporate loans	Total loans
Impaired loans and advances	327	20.637	20.964	2.398	23.202	25.600
Total	327	20.637	20.964	2.398	23.202	25.600

In corporate loans included regulated loans 8.539 th at 31/12/2016 compared to 462 th at 31/12/2015

3.1.3 Concentration of risks of financial assets with credit risk exposure

The following table breaks down the Company's main credit exposure at their carrying amounts, as categorised by industrial sector as at 31 December 2016. The Company has allocated exposures to sectors based on the industry sector of our counterparties.

Sectors	31.12.2016	31.12.2015
Industrial	142.193	127.856
Commercial	78.661	50.533
Other entities	65.152	43.488
Individuals	338	4.659
Total	286.344	226.535

3.2 Market Risk

The Company follows the market risk policy established for all subsidiaries of Piraeus Bank. The policy describes the basis rules for market risk and settles the roles and responsibilities for each department and member of the management. For each unit of Piraeus Bank Group market risk limits have been established which are monitored on a systematic basis. Market risk management is not confined to trading book, but cover the balance sheet as a whole and refer to Value at Risk, Earnings at Risk and Sensitivity analysis.

With regards to interest rate risk the Company covers loans and advances to customers with similar borrowings. Based on 31 December 2016 balances, an increase or decrease by 50 basis points will affect the profit and loss account by €1.163 th or -€1.163 th respectively. In addition an increase or decrease by 100 basis points will affect the profit and loss account by € 2.326 th or -€ 2.326 th respectively.

3.3 Currency Risk

The Company is exposed to fluctuations in foreign currency exchange rates which affect its financial position and cash flows. Management sets limits on the level of exposure by currency, which are monitored daily.

The table below summarises the Company's exposure to foreign currency exchange rate risk as at 31/12/2016. The table includes the Company's assets and liabilities at carrying amounts categorised by currency.

PIRAEUS FACTORING S.A. - 31 December 2016
Amounts in thousand of Euros (unless otherwise stated)

As at 31 December 2016	EUR	USD	GBP	Total
Foreign exchange risk of assets				
Cash and balances with Central Banks	2.219	891	-	3.110
Loans and advances to customers (net of provisions)	270.040	502	-	270.542
Intangible assets	159	-	-	159
Property, plant and equipment	65	-	-	65
Deferred tax assets	3.563	-	-	3.563
Other assets	209	-	-	209
TOTAL ASSETS	276.255	1.393	-	277.648
Foreign exchange risk of liabilities				
Due to credit institutions	234.648	1.355	-	236.003
Retirement benefit obligations	306	-	-	306
Other provisions	130	-	-	130
Other liabilities	3.865	21	-	3.886
Income tax liabilities	96	-	-	96
TOTAL LIABILITIES	239.044	1.376	-	240.420
Net on-balance sheet financial position	37.210	17	-	37.227
As at 31 December 2015				
Total assets	219.136	1.294	-	220.430
Total liabilities	188.442	1.282	-	189.724
Net on-balance sheet financial position	30.694	12	-	30.706

3.4 Interest Rate Risk

Interest rate risk is the risk of a negative impact on the Company's financial condition due to its exposure to interest rates.

Changes in interest rates affect the Company's earnings by changing its net interest income and the level of other interest-sensitive income and operating expenses. Changes in interest rates also affect the underlying value of the Company's assets and liabilities because the present value of future cash flows (and in some cases, the cash flows themselves) changes when interest rates change.

Interest rate gap is a maturity/ repricing schedule that distributes interest-sensitive assets and liabilities into a certain number of predefined time bands, according to their maturity (fixed-rate instruments) or time remaining to their next repricing (floating-rate instruments).

The table below summarises the Company's exposure to interest rate risk according to an Interest Rate Gap Analysis. Those assets and liabilities lacking actual maturities (e.g. open accounts) or definitive repricing intervals (e.g. sight deposits or savings accounts) are assigned to the time band up to one month.

As at 31 December 2016	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	3.110	-	-	-	-	-	3.110
Loans and advances to customers	-	260.126	10.416	-	-	-	270.542
Other assets	-	-	-	3.563	-	433	3.996
Total assets	3.111	260.126	10.416	3.563	-	433	277.648
Liabilities							
Due to banks	1.773	226.707	6.000	-	-	1.523	236.003
Other liabilities	-	-	96	-	-	4.322	4.418
Total liabilities	1.773	226.707	6.096	-	-	5.845	240.420
Total interest rate gap	1.337	33.420	4.320	3.563	-	(5.412)	37.227

Below are tables with comparative figures of the previous period.

As at 31 December 2015	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	7.349	-	-	-	-	-	7.349
Loans and advances to customers	-	206.007	3.072	-	-	-	209.079
Other assets	-	-	-	3.605	-	397	4.002
Total assets	7.350	206.007	3.072	3.605	-	397	220.430

PIRAEUS FACTORING S.A. - 31 December 2016
Amounts in thousand of Euros (unless otherwise stated)

Liabilities							
Due to credit institutions	467	178.159	6.000	-	-	1.248	185.874
Other liabilities	-	-	562	-	-	3.288	3.849
Total liabilities	467	178.159	6.562	-	-	4.536	189.724
Total interest rate gap	6.883	27.848	(3.490)	3.605	-	(4.139)	30.706

Interest rate gap analysis enables the evaluation of interest rate risk using the 'Earnings-at-Risk' measure, which denotes the negative effect on the expected annual interest income, as a result of a parallel shift in interest rates for all currencies considered.

3.5 Liquidity Risk

The Company acknowledges that, in order to be able to meet liabilities promptly and without losses, it is essential to effectively manage liquidity risk.

Liquidity risk is defined as the risk that a financial institution will not be able to meet its obligations as they become due, because of lack of the required liquidity.

In general, liquidity management aims at balancing cash flows within forward rolling time bands, so that under normal conditions, the Company is in the position to meet all its payment obligations as they fall due.

The table below presents, at the balance sheet date, the cash flows payable by the Company under non-derivative financial liabilities by the remaining contractual maturities. The amounts mentioned are the contractual undiscounted cash flows.

As at 31 December 2016	Up to 1		3 - 12			
Liabilities liquidity	month	1 - 3 months	months	1 - 5 years	Over 5 years	Total
Due to credit institutions	-	60	3.521	233.687	-	237.267
Other liabilities	-	998	2.888	-	-	3.886
Total liabilities	0	1.058	6.409	233.687	-	241.154
As at 31 December 2015						
Due to credit institutions	5.715	1.337	4.082	182.893	-	194.026
Other liabilities	-	856	2.043	-	-	2.899
Total liabilities	5.715	2.193	6.125	182.893	-	196.925

3.6 Fair values of financial assets and liabilities

a) Assets and liabilities not held at fair value

The following table summarises the carrying amounts and fair values of those assets and liabilities not carried at fair value on the statement of financial position of the company.

	Carrying Amount			Fair value
	31.12.2016	31.12.2015		
Assets				
Loans and advances to customers (net of provisions)	270.542	209.079	270.542	209.079
	Carrying Amount			Fair value
	31.12.2016	31.12.2015	31.12.2016	31.12.2015
Liabilities				
Due to Banks	230.003	179.874	230.003	179.874

The fair value at 31/12/2016 of loans & advances to customers and debt obligations which are measured at amortized cost are not materially different from the respective carrying values, since they are very short term in duration and priced at current market rates. These rates are often reprised and due to their short duration, they are discounted with the risk-free rate.

Classification of assets and liabilities measured at amortised cost, according to the fair value hierarchy levels of IFRS 13, is presented in the following table.

	level 1	level 2	level 3	Total
Analysis of fair values in levels				
Assets				
Loans and advances to customers (net)			270.542	270.542
- Loans to individuals			104	104
- Loans to businesses			270.438	270.438
Liabilities				
Due to Banks			230.003	230.003

Due to banks figure includes an outstanding amount of 6,000 thousand euro that relates to two subordinated loans (4,000 thousand euro maturity at 27-2-2026 and 2,000 thousand euro maturity 22-12-2017).

b) Assets and liabilities held at fair value

There are no assets and liabilities carried at fair value in the statement of financial position of the company

3.7 Capital Adequacy

Company's capital adequacy is supervised by the Bank of Greece whereas relevant reporting is submitted based on the Bank of Greece Directive 2651/20-1-2012.

From January 1st 2010, following the implementation of Bank of Greece Directive 2622/21-12-2009, capital adequacy of factoring services is calculated by applying the new regulatory framework (BASEL II) as incorporated in Greek law based on law 3601/2007.

The Capital adequacy ratio is specified as the regulatory capital to the total risk weighted assets and off balance sheet items. The regulatory capital of the company, as defined by the Bank of Greece, is comprised of Tier I capital (share capital, reserves, minority interest) and Tier II capital (subordinated debt and fixed asset revaluation reserves). The risk-weighted assets arise from the credit risk and the operational risk.

The current capital ratio is much higher than the regulatory limits set by the Bank of Greece directive and reached 17,34% at 31-12-16 compared to 22% at 31-12-2015.

Table of Capital Adequacy ratio calculation as at 31-12-2016 and 31-12-2015

	31.12.2016	31.12.2015
EQUITY		
SHARE CAPITAL	21.126	21.126
SHARE PREMIUM	2.770	2.770
RESERVES	1.545	1.263
SUBORDINATED LOANS	6.000	6.000
RETAINED EARNINGS	11.788	5.548
TOTAL	43.228	36.706
LESS INTANGIBLE ASSETS	(159)	(64)
TOTAL REGULATORY CAPITAL	43.069	36.642
RISK WEIGHTED ASSETS	248.395	166.564
CAPITAL ADEQUACY RATIO	17,34%	22,00%

4 Critical accounting estimates and judgements in the application of the accounting policies

The Company, for the preparation of the financial statements, proceeds with certain accounting estimates and judgements for the future status of certain assets and liabilities that affect the presentation of those assets and liabilities in the financial statements. Accounting estimates and judgements are continually evaluated based on historical experience as well as on expectations of future events.

The most important areas where the Company uses accounting estimates and judgements, in applying the Group's accounting policies, are as follows:

1. Impairment losses on loans and other receivables

The Company examines, at every reporting period, whether trigger for impairment exist for its loans or loan portfolios. If such triggers exist, the recoverable amount of the loan portfolio is calculated and the relevant provision for this impairment is raised. The provision is recorded in the income statement. These details are described in accounting policy 2.5

The estimates, methodology and assumptions used are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

2. Income tax

The Company is subject to income taxes in the country in which it operates. This requires estimates in determining the provision for income taxes and therefore the final income tax determination is uncertain during the fiscal year. Where the final income tax expense is different from the amounts initially recorded, differences will impact the income tax and deferred tax assets/ liabilities in the period in which the tax computation is finalised.

5 Net Interest Income

	1/1-31/12/2016	1/1-31/12/2015
Interest and similar income		
Interest income on loans and advances to customers	12.946	12.191
Total interest and similar income	12.946	12.191
Interest and similar expenses		
Interest expense on due to banks	(5.721)	(5.292)
Total interest and similar expenses	(5.721)	(5.292)
Net interest income	7.225	6.899

Interest income includes interest from loan and advances to customers. Impaired loans are recorded at their recoverable amounts and therefore, interest income is recognised according to the effective interest rate.

6 Net commission income

	1/1-31/12/2016	1/1-31/12/2015
Commission income		
Factoring activity	8.065	7.176
Total commission income	8.065	7.176
Commission expense		
Factoring activity	(1.070)	(1.073)
Total commission expense	(1.070)	(1.073)
Net commission income	6.995	6.103

7 Other operating income

	1/1-31/12/2016	1/1-31/12/2015
Trading income	84	121
Other activities income	43	39
Other operating income	0	74
	126	234

8 Staff Costs

	1/1-31/12/2016	1/1-31/12/2015
Wages and Salaries	(1.399)	(1.385)
Social insurance contributions	(325)	(321)
Other staff costs	(94)	(92)
Retirement benefits charges (note 19)	(229)	(31)
	(2.048)	(1.828)

The number of persons employed by the Company as at 31 December 2016 was 50, compared to 31 December 2015 that was 55.

9 Administrative expenses

	1/1-31/12/2016	1/1-31/12/2015
Rentals expense	(270)	(294)
Third party benefits (lending staff)	(736)	-
Insurance premiums	(3)	(3)
Third party fees	(479)	(474)
Other administrative expenses	(352)	(353)
	(1.840)	(1.123)

Other administrative expenses include general company expenses, travel, supplies, cleaning and publications expenses.

10 Income Tax

	1/1-31/12/2016	1/1-31/12/2015
Current tax	(2.631)	(2.545)
Deferred tax (note 18)	(61)	657
	(2.692)	(1.887)

The income tax rate for Greek legal entities is 29% at 31 December 2016 the same as previous year.

	1/1-31/12/2016	1/1-31/12/2015
Profit before tax	9.261	7.607
Tax based on nominal tax rate	(2.686)	(2.206)
Non deductible expenses	(6)	(22)
Effect of different tax rates applied abroad	-	341
Income tax	(2.692)	(1.887)

Audit Tax Certificate

For the years 2011 to 2015, the Greek Societe Anonyme and the Limited Liability Companies, whose annual financial statements are compulsorily audited, are required to receive the "Annual Tax Certificate" provided for in paragraph 5 of Article 82 of Law 2238/1994 and Article 65A of Law 4174/2013, which is issued following a tax audit carried out by the same statutory auditor or audit firm that audit the annual financial statements. Upon completion of the tax audit, the Statutory Auditor or the Audit Office issues to the Company a "Tax Compliance Report" and then submits it electronically to the Ministry of Finance. From the 2016 onwards, the issue of the "Annual Tax Certificate" is optional. The tax authority retains the right to carry out a tax audit within the established framework as defined in article 36 of Law 4174/1313.

Unaudited Tax Years

The Company has not been audited by the tax authorities for the year 2010. A provision has been made for a total amount of € 130 thousand for possible taxes that will arise from the fiscal control of the use, which appears in the other provisions.

For the years 2011 to 2015, the Company has been audited by PricewaterhouseCoopers SA and has received non qualified tax compliance reports in accordance with the applicable provisions (article 82 par. 5 of Law 2238/1994 for the years 2011-2013 and article 65A of the Law 4174/04.

For fiscal year 2016 the tax audit is already carried out by PricewaterhouseCoopers A.E. Upon completion of the tax audit, the Company's management does not expect to incur significant tax liabilities other than those recorded and presented in the Financial Statements

11 Cash and cash equivalents

	31/12/2016	31/12/2015
Cash in hand	2	-
Sight deposits	1.877	536
Term deposits matured at 1-1-2016	1.231	6.813
	<u>3.110</u>	<u>7.349</u>

Cash and cash equivalents include balances with maturity of three months or less.

12 Loans and advances to customers

	31/12/2016	31/12/2015
Factoring loans to corporate entities		
With recourse	235.065	189.046
Without recourse	50.941	32.831
	<u>286.006</u>	<u>221.877</u>
Factoring loans to individuals		
With recourse	15	280
Without recourse	323	4.379
	<u>338</u>	<u>4.660</u>
Total loan and advances to customers	<u>286.344</u>	<u>226.536</u>
Less allowances for impairment on loans and advances to customers	(15.802)	(17.457)
Total loan and advances to customers, net	<u>270.542</u>	<u>209.079</u>

Movement in allowance for impairment on loans and advances to customers :

	31.12.2016		31.12.2015	
	Individual loans	Corporate loans	Individual loans	Corporate loans
Opening balance (1/1/2016 and 1/1/2015 respectively)	1.588	15.869	1.534	13.325
Charge for the period	644	480	54	2.544
Write offs	1.998	781		
Closing balance (31/12/2016 and 31/12/2015 respectively)	<u>234</u>	<u>15.568</u>	<u>1.588</u>	<u>15.869</u>

13 Intangible assets

2015

Cost

Opening balance as at 1 January 2015

Additions

Cost as at 31 December 2015

Software

2.235

-

2.235

Accumulated amortization

Opening balance as at 1 January 2015

Charge for the period

Accumulated amortization as at 31 December 2015

Net book value as at 31 December 2015

(2.119)

(52)

(2.171)

64

2016

Cost

Opening balance as at 1 January 2016

Additions

Cost as at 31 December 2016

Software

2.235

144

2.379

Accumulated amortization

Opening balance as at 1 January 2016

Charge for the period

Accumulated amortization as at 31 December 2016

Net book value as at 31 December 2016

(2.171)

(49)

(2.220)

159

14 Property, plant and equipment

2015

Cost

Opening balance as at 1 January 2015

Additions

Write offs

Cost as at 31 December 2015

	Furniture and fixings	Transportation means	Total
Opening balance as at 1 January 2015	983	4	987
Additions	26	-	26
Write offs	-	-	-
Cost as at 31 December 2015	1.009	4	1.013

Accumulated depreciation

Opening balance as at 1 January 2015

Charge for the period

Write offs

Accumulated depreciation as at 31 December 2015

Net book value as at 31 December 2015

Opening balance as at 1 January 2015	(897)	(2)	(899)
Charge for the period	(27)	-	(27)
Write offs	-	-	-
Accumulated depreciation as at 31 December 2015	(924)	(2)	(926)
Net book value as at 31 December 2015	85	2	87

2016

Cost

Opening balance as at 1 January 2016

Additions

Write offs

Balance 31 December 2016

	Furniture and fixings	Transportation means	Total
Opening balance as at 1 January 2016	1.009	4	1.013
Additions	3	-	3
Write offs	-	-	-
Balance 31 December 2016	1.012	4	1.016

Accumulated depreciation

Opening balance as at 1 January 2016

Charge for the period

Write offs

Accumulated depreciation as at 31 December 2016

Net book value as at 31 December 2016

Opening balance as at 1 January 2016	(924)	(2)	(926)
Charge for the period	(25)	-	(25)
Write offs	-	-	-
Accumulated depreciation as at 31 December 2016	(949)	(2)	(951)
Net book value as at 31 December 2016	63	2	65

15 Other Assets

Prepaid expenses and accruals

Guarantees

Receivables from assignors

Other debtors

31/12/2016

31/12/2015

53

52

2

4

148

169

7

21

209

246

16 Due to credit institutions

Bond Loans

Subordinated loans

Bank deposits

Accrued interest

31/12/2016

31/12/2015

226.707

178.159

6.000

6.000

1.773

467

1.523

1.248

236.003

185.874

Total loans to credit institutions bear floating interest and are recognised at amortised cost .

The amount of Euro 6.000.000 relates to two subordinated loans (4.000.000 euro maturity at 27-2-2026 , and 2.000.000 euro maturity 22-12-2017). The rate is floating based on six month euribor . The interest payments are semi annual.

The amount of Euro 225.500.000 relates to a bond loan issued by 451 bonds of 500.000 euro each and matures on 3/7/2017. The rate is floating based on 3 month euribor. The interest payments are on a quarterly basis.

The amount of Euro 1.207.000 relates to a bond loan on USD issued by 2 bonds of 500.000 euro each and matures on 3/7/2017. The rate is floating based on 3 month libor plus margin . The interest payments are on a quarterly basis.

These loans are accounted in their undepreciated value.

17 Other Liabilities

	31.12.2016	31.12.2015
Liabilities to social insurance contributions	76	75
Accrued Interest	298	207
Liabilities to suppliers	1.072	804
Liabilities to customers	1.462	982
Other liabilities	19	19
Other taxes - duties	956	813
	3.884	2.899

18 Deferred tax assets

Deferred income tax assets and liabilities are analysed as follows:

	31.12.2016	31.12.2015
Deferred tax assets		
Employee benefits	66	40
Impairment of loans and advances to customers	3.392	3.508
Other temporary differences	105	57
Net deferred tax asset	3.563	3.605

The deferred tax on profit and loss account is as follows:

	1/1-31/12/2016	1/1-31/12/2015
Deferred tax (Profit and loss account)		
Employee benefits	8	20
Impairment of loans and advances to customers	(116)	675
Other temporary differences	48	(38)
	(60)	657

19 Retirement benefit obligations

Employee compensation obligations are determined by an actuarial study

Amounts recognised in statement of financial position are as follows:

	31.12.2016	31.12.2015
Present value of obligation	306	258
Liability in the statement of financial position	306	258

Amounts recognised in statement of comprehensive income are as follows:

Current service cost	21	26
Interest cost	6	5
Settlement/ Curtailment/ Termination Loss/ (Gain)	(23)	-
Total	4	31
Benefits paid directly by the employer	225	-
Total included in staff costs (Note 8)	229	31

The movement in the liability recognised in the statement of financial position

	31.12.2016	31.12.2015
Opening balance	258	260
Contributions paid	(246)	-
Total expense recognised in profit and loss account	229	31
Actuarial (gains) / losses on defined benefit plans	65	(33)
Liability to statement of financial position	306	258

Rencociliation of present value of obligation

Opening balance of present value of obligation	258	260
Current service cost	21	26
Interest cost	6	5
Benefits paid directly by the employer	(246)	-
Additional expenses / (income) or payments	202	-
Actuarial (gains) / losses	65	(32)
Closing balance of present value of obligation	306	258

The main actuarial assumptions used are as follows:

	31.12.2016	31.12.2015
Discount rate	1,70%	2,50%
Future increase in salaries	1,75%	1,75%
Average rate of employees	21,52	22,16

Sensitivity analysis results

	Percentage change in requirement		
	Change	increase	Decrease
Discount rate	0,50%	-10,00%	11,30%
Future increase in salaries	0,50%	11,20%	-10,10%

20 Income tax liabilities

	31.12.2016	31.12.2015
Current income tax liabilities	96	562
	96	562

21 Share capital

	Share Capital	Share Premium	Total
Opening balance as at 1 January 2015	21.126	2.770	23.896
Balance as at 31 December 2015	21.126	2.770	23.896
Opening balance as at 1 January 2016	21.126	2.770	23.896
Balance as at 31 December 2016	21.126	2.770	23.896

The total number of authorized ordinary shares is 5.868.233, with a nominal value of 3.6 euros per share. The total number of ordinary shares has been issued and the share capital is fully paid up.

22 Other reserves and retained earnings

The company is required under Greek Law 2190/1920 to transfer 5% of the annual net profits to a statutory reserve until the accumulated reserves equals 1/3 of the paid-up share capital. This reserve can not be distributed to the Company's shareholders except for the liquidation case.

	31.12.2016	31.12.2015
Legal reserve	1.332	1.004
Non taxable reserves	43	43
Taxed and other reserves	170	216
Retained Earnings	11.788	5.548
Total other reserves and retained earnings	13.333	6.811

The movement of other reserves is analyzed as follows:

	31.12.2016	31.12.2015
Other reserves		
Opening balance	1.263	952
Reserve of defined benefit obligations	(46)	25
Transfer between other reserves and retained earnings	328	286
Closing balance	1.545	1.263

PIRAEUS FACTORING S.A. - 31 December 2016
Amounts in thousand of Euros (unless otherwise stated)

Retained Earnings	31.12.2016	31.12.2015
Opening balance	5.548	11.118
Impact from IAS 19 amendment after income tax recorded directly to equity	-	(4)
Profit / (loss) for the year	6.568	5.720
Dividend distribution		(11.000)
Transfer between other reserves and retained earnings	(328)	(286)
Closing balance	11.788	5.548

23 Dividends per share

In the year 2016 no dividend was distributed.

The Board of Directors will propose to the Annual General Assembly of Shareholders not to distribute dividends to shareholders for the year 2016.

24 Related Party Transactions

a) Transactions with management

Board of Directors fees	31.12.2016	31.12.2015
Wages and other fees	104	98
	104	98

b) Transactions with related companies

The group is controlled by the parent company Piraeus Bank SA (based in Greece), which owns 100% of the shares of the company. As part of its activities, the company does business with other companies in the Piraeus Bank Group. All transactions with the parent company and its related parties are carried out on terms equivalent to those that prevail in arm's length transactions basis. The following transactions are transactions with related parties.

	31.12.2016		01.01.2016 - 31.12.2016	
	RECEIVABLES	LIABILITIES	INCOME	EXPENSES
Parent Company	3.006	236.341	418	6.861
Other related parties	6	18	39	185
TOTAL	3.012	236.359	457	7.046
	31.12.2015		01.01.2015 - 31.12.2015	
	RECEIVABLES	LIABILITIES	INCOME	EXPENSES
Parent Company	7.190	185.913	557	5.756
Other related parties	-	19	-	190
TOTAL	7.190	185.932	557	5.946

25 Commitments and contingent liabilities

According to management estimations and the Company's legal advisors there are no legal proceedings that are expected to have any significant impact on the financial statements of the Company.

The period for which the Company leases vehicles through operating leases is up to 27/07/2021. Based on Non-Lapsing operating leases, the lease payments payable cumulatively amount to € 103th.

Specifically:

	31.12.2016	31.12.2015
Not later than 1 year	28	24
Later than 1 year and not later than 5 years	75	73
Later than 5 years	-	-
Total	103	97

The period for which the Company leases equipment under operating leases is up to 31-3-2019. Based on Non-Lapsing operating leases, the lease payments payable cumulatively, amount to € 14th.

Specifically:

	31.12.2016	31.12.2015
Not later than 1 year	6	6
Later than 1 year and not later than 5 years	8	14
Later than 5 years	-	-
Total	14	20

The period for which the Company leases office and ancillary space under operating leases is until 31/12/2026. Based on non-cancellable operating leases, the lease payments payable cumulatively amount to € 386 thousand.

	<u>31.12.2016</u>	<u>31.12.2015</u>
Not later than 1 year	220	261
Later than 1 year and not later than 5 years	83	332
Later than 5 years	82	101
Total	<u>386</u>	<u>694</u>

Guarantees for the Company:
 No guarantees have been issued in the name of the company in 2016.

26 Fee of Independent Auditor

For the years ended December 31, 2016 and 2015, the fees of the Company's statutory auditor (PricewaterhouseCoopers) are analyzed in the table below, based on article 43a of CL. 2190/1920, as amended by article 30 of Law 3756/2009.

	<u>31.12.2016</u>	<u>31.12.2015</u>
Regular statutory audit	41	50
Tax audit	17	15
Total	<u>58</u>	<u>65</u>

27 Events after the reporting period

On May 16th 2017, Mr Millis Ilias took over as President of the Board of Directors after the resignation of Mrs Lazaridou Pinelopi.

The renewal of the 2 subordinated loans with maturity date in 2017 have been approved by Piraeus Bank as follows:

- The subordinated loan amount € 2.000.000 maturity at 12/2017, has been approved with new ten years subordinated loan maturity at 12/2027 with the same terms and conditions.
- The Revolving Bond Loan amount € 250.000.000 maturity at 7/2017, has been approved for a 3 year extension until 7/2020 with the same terms and conditions

There are no more events after the reporting date of 31-12-2016 concerning the company that affect the financial statements of the Company.

N. Smirni, June 12th, 2017

PRESIDENT OF THE BOARD
OF DIRECTORS

CHIEF EXECUTIVE
OFFICER

ON BEHALF OF PIRAEUS ACT
SERVICES SA
CHIEF FINANCIAL OFFICER

Millis D. Ilias
I.D. No K 286405

VARDAKARI HARIKLIA
I.D. No AH 064953

GEORGIU PANAGIOTIS.
I.D. No AZ 525970
CPAG License Register Number
A 12685

REPORT OF THE BOARD OF DIRECTORS OF PIRAEUS FACTORING S.A. TO THE ANNUAL GENERAL MEETING OF SHAREHOLDERS

Dear Shareholders,

According to the Articles of Association of the Company and Article 136 of CL 2190/20, which refers to the Report of the Board of Directors of the Companies that prepare Financial Statements in accordance with the International Financial Reporting Standards (IFRS), we submit to the General Meeting the Company's Financial Statements for the year 2016 with our observations on them and please approve them.

Financial position and the progress of the company activities

The patient development of Greek economy in 2014 turned into recession(0,2%) in 2015, as a consequence of capital controls, the Bank holiday and the integration of Greece in a new and particularly ambitious financial program as a result a serious interdiction of productive and commercial activity of enterprises that led to a revision of the operating plan.

According to the most recent financial data, the Greek Economy in 2016 present economic recession despite the development of exports, tourism, the re launch of public works and the sale of public services.

The end of this uncertainty depends on the successful integration of the second evaluation of the Greek program, the resolution of the financial needs of Greek Government and the integrations of Greece into the quantitative easing program of the ECB, that will assist banks in accessing international financial markets and returning deposits to the banking system.

The long - standing recession of the Greek economy has negatively affected the turnover of the factoring services in Greece, which was in 2016 to 12,7 billion compared to 12,9 billion n 2015.

In the context of a volatile enviroment, Piraeus Factoring achieved an increase in its turnover to 1,75 billion boosting its share from 12,6% to 13,9% and profit before tax € 9.261 thousands increased by 22% compared to 2015.

The company in 2016 continued its succesful route having achieved an increase in loan balances by 29% compared to 2015, amounted € 270.542 thousands in 31/12/2016, while reducing the percentage of NPL in 4,2%(2016) compared to 7% (2015), giving further emphasis in the rational management of credit risk.

Piraeus Factoring has established a systematic and rigorous risk management framework and has taken all the appropriate measures to strengthen against the financial risk.

The company's exposure to price risk (interest rate risk) , credit risk, liquidity risk, operating risk and cash flow risk was monitored by (the competent authorities which forwarded the appropriate actions) .

The Company's capital adequacy is supervised by the Bank of Greece, to which data are submitted under PDBG 2651 / 20.01.2012, which replaced the PDBG 2640 / 18.01.2011.

Also, by the Bank of Greece Governor's Act, the minimum indices (basic capital and capital adequacy) that the Company must have

For the capital adequacy ratio (from 1st january 2010) is applied according to PDBG 2622/21.12.2009 the new supervisory framework (BASEL II) which is incorporated in Greek Law according to 3601/2007

Specifically, the main developments of the company for the year 2016 is as follows:

- 1)Further development of the synergies with our parent company, Piraeus Bank, in order to find new clients from the customer base of the parent company.
- 2)Promoting and developing new products (reverse factoring)
- 3) Quality enhancements and adds - ons in the new software for Factoring (proxima +) on the need to cover supervisory / regulatory obligations and optimizing and automating client / buyer assessments to identify the business risks

Prospects for the Company.

Factoring through multilateral services is a financial tool that support the companies providing them cash and effective development in order to manage their clients in domestic and international markets

According to the financial data until the current moment, the profit of the company is expected to be in satisfactorrily level.

Plans and the company's outlook for the current year are summarized as follows:

- 1) Improvement of its position in the sector both in terms of market share and strong profitability, taking advantage of opportunities that arise.
- 2) Maintaining the quality of the factoring portfolio and the low rate of bad debts.
- 3) Developing services of International Factoring, ensuring and promoting exports.
- 4) Promoting and developing new products (reverse factoring, supply chain finance)
- 5) Further development of the synergies with our parent company, Piraeus Bank, in order to promote our products in parent company customer base.

The achievement of the above will be realized by making the most of the possibilities offered by the new software (proxima+),so as to achieve both new economies of scale, maintainig low the operating expenses and increasing the productivity of the staff.

The continuous development of the company is due to the highly skilled staff the support of the parent bank, but mainly the commitment of the company to its customers to create value for them providing services and products to their needs.

Dept securities or own shares
None

Foreign currency
The company has limited deposits in exchange.

Property
None

Company Brances
The company has office in Thessaloniki

Actuarial losses
The company will not have losses for the fiscal year 2016 or 2017

Other significantly events

On May 16th 2017, Mr Miliis Ilias took over as President of the Board of Directors after the resignation of Mrs Lazaridou Pinelopi

The renewal of the 2 subordinated loans with maturity date in 2017 have taken approval from Piraeus Bank as below:

- The subordinated loan amount € 2.000.000 maturity at 12/2017, have taken approval with new ten years subordinated loan maturity at 12/2027 with the same terms and conditions.

- The Revolving Bond Loan amount € 250.000.000 maturity at 7/2017, have taken approval a 3 year extension until 7/2020 with the same terms and conditions

There are no more events after the reporting date of 31-12-2016 concerning the company that affect the financial statements of the Company.

By finalizing our report, we feel it is necessary to express our gratitude to all the staff for their contribution to the company's successful course.

N. Smirni, 12 June 2017

President of the Board
of Directors

Chief Executive Officer

Miliis D. Ilias
ID No. K 286405

Vardakari N. Chariklia
ID No. AH 064953



Independent Auditor's Report

To the Shareholders of "Piraeus Factoring SA"

Report on the Audit of the Financial Statements

We have audited the accompanying financial statements of Piraeus Factoring SA which comprise the statement of financial position as of 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, as adopted by the European Union, and for such internal control as management determines is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing which have been transposed into Greek Law (GG/B'/2848/23.10.2012). Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Piraeus Factoring SA as of December 31, 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, as adopted by the European Union.

Report on Other Legal and Regulatory Requirements

Taking into consideration, that management is responsible for the preparation of the Board of Directors' report according to provisions of paragraph 5 article 2 of Law 4336/2015 (part B), we note the following:

- a) In our opinion, the Board of Directors' report has been prepared in accordance with the legal requirements of articles 43a of the Codified Law 2190/1920 and the content of the Board of Directors' report is consistent with the accompanying financial statements for the year ended 31/12/2016.
- b) Based on the knowledge we obtained from our audit for the Company "Piraeus Factoring SA" and its environment, we have not identified any material misstatement to the Board of Directors report.



PricewaterhouseCoopers S.A.
Certified Auditors
268 Kifissias Avenue,
152 32 Chalandri
Soel Reg No 113

Athens, 22 June 2017

The Chartered Accountant

Despina Marinou
Soel Reg No 17681