ΠΕΙΡΑΙΩΣ FACTORING

PIRAEUS FACTORING S.A.
ANNUAL FINANCIAL REPORT
31 DECEMBER 2018

The Annual Financial Statement attached hereto was approved by the Company's Board of Directors on 10 July 2019 and has been posted on the Internet at www.piraeus-factoring.gr

The notes set out on pages 17 to 56 comprise an integral part of the Financial Statements as at 31 December 2018.

Contents

PIRAEUS FACTORING S.A. – BOARD OF DIRECTORS' REPORT

To the

ORDINARY ANNUAL GENERAL MEETING

OF THE COMPANY'S SHAREHOLDERS

Dear Shareholders,

According to the Company's Articles of Association and article 136 of Law 2190/20, which refers to the Management Report of the Board of Directors of companies preparing Financial Statements in accordance with the International Financial Reporting Standards (I.F.R.S.), we hereby submit to the General Meeting for approval the Company's Financial Statements for accounting period 2018 with our remarks thereon.

Financial position of the Company and evolution of its operations

In 2018, the Greek economy maintained its growth potential and real GDP rose to 1.9% from 1.5% in 2017. Greece successfully completed its 3-year ESM economic adjustment programme on 21 August 2018 and is now under enhanced surveillance.

In 2019 the economy is expected to maintain its dynamics. Investment, exports, private consumption and employment will be the main drivers. Such growth drivers will improve the Greek economy's flexibility and resilience against any domestic and foreign political and economic pressure by reducing economic instability and raising confidence levels.

The Greek banking system improved its asset quality in 2018, since NPEs (non-performing exposures) were reduced and financing/liquidity sources were expanded (increased deposits, reduced reliance on ECB financing).

As regards bank credits, the annual rate of change in domestic private sector financing was -1.1% as at 31-12-2018. It is worth noting that this rate shrank mainly as a result of the reduced household financing, since the annual credit expansion rate for non-financial companies rose to +0.3 as at 31-12-2018, while certain industries recorded positive annual credit expansion (agriculture: +4.1%; mining: +2.0%; tourism: +3.6%; real estate: +2.1%). The loan-to-deposit ratio in the Greek banking market improved and rose to 93.8% as at 31-12-2018 compared to 109.8% as at 31-12-2017.

As regards liquidity in the banking system in 2018, deposits kept accelerating as a result of the gradual recovery of economic activity and the restoration of confidence in the banking system which was achieved through the loosening of capital controls. It is worth noting that as of 1-10-2018 restrictions on withdrawals and transfer of funds outside Greece were fully lifted. Domestic deposits (private and public sectors) rose by 10.6% in 2018 to €152.4 bn as at 31-12-2018 from €137,8 bn as at 31-12-2017.

The total annual turnover of the factoring market in Greece grew and reached €14.6 bn in 2018 compared to €13.1 bn in 2017.

Piraeus Factoring managed to increase its turnover by 12% from €2 bn in 2017 to €2.25 bn in 2018 and further increased its market share; earnings before tax rose to €11,042 thousand and rose by 8% compared to 2017.

The company continued on a positive track in 2018, increasing its loan balances by 4.8% compared to 2017 to €334,976 thousand on 31-12-2018, while reducing its NPL percentage to 3.15% (2018) compared to 3.45% (2017), placing further emphasis on rational credit risk management.

The Company's capital adequacy is supervised by the Bank of Greece to which all required figures are submitted in accordance with Bank of Greece Governor's Act 2651/20.01.2012, which replaced act 2640/18.01.2011.

Moreover, a Bank of Greece Governor's Act sets out the minimum ratios (core capital and capital adequacy) that the Company must have.

As of 1 January 2010, the new supervisory framework (Basle II) that was incorporated in Greek Law by way of law 3601/2007, also applies to the calculation of the capital adequacy of factoring companies, based on Bank of Greece Governor's Act 2622/21.12.2009.

The main developments of the company in 2018 are:

1. Client base growth, expansion of existing co-operation schemes by mainly financing SMEs and supporting exports, higher market share and NPLs kept at particularly low levels (3.15%).

2. Promotion of new hybrid products (Reverse Factoring) and provision of new, specialised services.

3. Upgrading of the existing system and investing in specialised software able to support large work volumes and new products, in a highly secure environment.

4. Further synergies with the parent Bank and strengthening of its partnership with the parent Bank's Business Centres and Corporate Banking Directorate.

5. Gradual integration in year 2018 of various quality improvements and additions to the factoring services IT application (proxima+), both in terms of the need to meet supervisory/regulatory requirements, and to further optimise and automate customers' and buyers' risk analyses/assessments, enabling a more accurate determination of business risks.

Risk Management

The Company follows the risk management policies of Piraeus Bank Group S.A. Being an organisation operating in a rapidly developing and changing environment, the Group recognises its exposure to risks and the need to effectively manage such risks. The management and control of such risks constitute an integral part of the Group's commitment to constantly pursuing high returns for its shareholders.

Credit Risk

Credit risk is the risk of incurring losses as a result of the counterparty's failure to comply with the terms and conditions arising from any agreement they may have with the Company. The Company has accumulated credit risk as regards its cash and cash equivalents and its receivables from factoring agreements. This is the most important risk to which the Company is exposed. Borrower credit assessments are carried out in collaboration with the parent Bank.

The Group's credit operations include:

- Credit criteria, clearly defined on the basis of the particular target market, the borrowers or counterparties, as well as the financing purpose and type and the source of repayment.
- Credit limits allowing various credit exposures to be grouped and compared at various levels.
- Established and clearly defined new credit approval procedures, as well as procedures for existing credit restructuring, renewing and refinancing.

The Group constantly applies credit support, measurement and monitoring procedures, including:
Documented credit risk management policies.
- Internal risk grading systems.
- IT systems and analytic techniques ensuring measurement of inherent credit risks for all relevant activities.

The Group's internal safeguards for credit risk-related procedures include:
- Appropriate management of credit operations.
- Regular and timely corrective actions for managing problem credits.
- Independent evaluation of credit risk management procedures by the Internal Audit Unit, particularly as regards credit risk management systems/patterns applied within the Group.

Operational risk

This risk is defined as the existing or future risk for profits and capital arising from inadequate or failing internal procedures, incorrect human resources management or purely external factors.
Having recognised the significance of operational risk, the Company pursues the goal of establishing and adhering to an effective management framework for this risk.
The Company has contractually assigned the authorities relating to the management of this risk to the parent Bank. In collaboration with the parent Bank, the Company has proceeded to the development and implementation of an integrated operational risk management framework, aiming at fulfilling the qualitative and quantitative criteria for the adoption of the Standardised Approach.
Throughout 2018 the Company implemented the annual application cycle of the operational risk management framework. More specifically, the following procedures were implemented within the said framework:
- identification, evaluation and monitoring of operational risks through the Risk Control Self-Assessment (RCSA) procedure;
- identification of mitigation actions;
- collection of data on loss-generating incidents.

Liquidity risk

Liquidity risk is the existing or future risk for results and capital that arises from the organisation's failure to comply with its obligations when such obligations become payable, without incurring significant losses.
It reflects the possibility of cash inflows not being sufficiently covered by cash outflows, considering any non-anticipated delays in repayments or payments which are higher than anticipated. Liquidity risk includes the risk of non-anticipated increases in the cost of asset financing with similar maturities and at similar interest rates, as well the risk of being the Company being unable to liquidate positions timely and on reasonable terms.
The Company's main sources of financing include common bond loans and credits through current accounts on the basis of relevant agreements concluded with the parent Bank.

Transition to International Financial Reporting Standard (IFRS) 9 on 1 January 2018

As of 1 January 2018, IFRS 9 "Financial Instruments" was implemented, replacing International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement". IFRS 9 brings changes referring to a) the classification and measurement of financial instruments; b) impairment of financial assets.

Amounts in EUR thousand (Unless otherwise stated)

As part of complying with the requirements of the new Standard, the Company has followed the parent Bank's implementation plan ("the IFRS 9 Plan") in order to ensure a timely and high quality implementation in accordance with the Standard and the additional guidelines which have been issued by supervising bodies to date.

As a result of the adoption of IFRS 9 on 1 January 2018, the Company's equity capital was reduced by €1,558 thousand. This was due to changes in the calculation of impairment allowances for credit risk which were increased by €2,195 thousand. The negative effect on equity capital was lowered because deferred tax assets rising to €637 thousand were recognised on the said provision. The accounting policies and the significant estimates and assumptions applied by the Company in order for the latter to comply with the IFRS 9 requirements during transition are listed in Note 2.7.

The Company has adopted the regulatory transitional arrangements published by the EU (2017/2395) in December 2017 amending Regulation (EU) 575/2013 with the addition of article 473a. These transitional arrangements allow banks and financial institutions to include in their capital a percentage of the impact from the application of IFRS 9 due to anticipated credit loss provisions, during the first five years of application. The percentage they may include starts from 95% in 2018 and gradually drops to 25% in by 2022 and then to 0% by 2023.

The estimated impact from application of IFRS 9 on the company's total capital ratio is as follows:

31-12-2018 according to IFRS 9 (based on transitional arrangements)	19.52%
31-12-2018 according to IFRS 9 (based on full application)	18.82%

Projected course of business for the Company

Factoring through specialised products and services is a financial tool enabling Greek businesses to achieve sound and sustainable growth, while boosting their extroversion. This is achieved with the injection of direct liquidity, effective development-management and insurance of their customers, both in the domestic and in the international market.

The Company's plans and prospects for the current year can be summarised as follows:

1. To increase its market share and profitability, by offering credit expansion and support to the Greek economy sectors which constitute support and growth pillars, within a framework of an anticipated upturn of the economy.

2. To maintain the portfolio quality and low bad debts.

3. To continuously improve services provided to customers and support them in their development plans abroad.

4. To place emphasis on further developing International Factoring services, either operating directly in foreign markets or through two-factor factoring, in collaboration with members of Factors Chain International (FCI), thus contributing to the promotion of exports.

5. To further develop hybrid products (Supply Chain Finance) through the parent Bank's network.

6. To improve its organisation by automating procedures and digitising documents.

The above will be achieved by making full use of the potential offered by the new factoring services IT application (proxima+), so as to both achieve economies of scale in the context of the effort to reduce operating expenses and increase workforce productivity.

The Company's sustained growth is driven by the extensive know-how of its skilled personnel, the support provided by the parent Bank, but mostly by the Company's commitment towards its clients to create value by providing services and products customized to their needs.

Securities or equity held by the Company

None.

Cash in foreign currency

The Company has limited deposits in foreign currency.

Real Properties

None.

Branches

The Company has offices in Thessaloniki, on the crossroads of 106, Megalou Alexandrou str., & 13, Pavlou Mela str.

Significant losses

There are no losses recorded this or in previous periods, while no losses are anticipated in the current period.

Other significant events

- On 24 April 2019 Law 4607 was voted; article 63 of this law specifies that the contribution provided for in article 1 of Law 128/1975 (A 178) is imposed on credits of any nature granted by financial institutions. The said law came into effect on 1 May 2019.

- On 30-4-2018, Ms Eleni Vrettou became Chairman of the Board of Directors, following the resignation of Ms Fotini Ioannou.

Apart from the above, there are no other events, subsequent to the financial statements as at 31-12-2017, which concern the Company and could have a significant impact on the Company's Individual Financial Statements.

Concluding this report, we believe it is necessary to thank all our staff for their contribution to the Company's success.

Athens, 10 July 2019

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE CHIEF EXECUTIVE OFFICER
ELENI VRETOU	CHARIKLIA VARDAKARI
ID Card no. AB 515487	ID Card no. AH 064953

Deloitte.

Deloitte Certified Public Accountants S.A.
3a Fragoklissias & Granikou str.
Maroussi Athens GR 151-25
Greece
Tel: +30 210 6781 100
Fax: +30 210 6776 221-2|
www.deloitte.gr

TRUE TRANSLATION FROM THE ORIGINAL IN GREEK

Independent Auditor's Report

To the Shareholders of "Piraeus Factoring S.A."

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the Company "Piraeus Factoring S.A." (the Company), which comprise the statement of financial position as at December 31, 2018, and the statements of comprehensive income, changes in equity and cash flow for the year then ended, as well as a summary of significant accounting policies and other explanatory notes.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company "Piraeus Factoring S.A." as of December 31, 2018, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as endorsed by the European Union.

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs) as they have been transposed in Greek Legislation. Our responsibilities under those standards are described in the "Auditor's Responsibilities for the Audit of the financial statements" section of our report. We are independent of the Company, in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) as transposed into Greek legislation and the ethical requirements relevant to the audit of the financial statements in Greece and we have fulfilled our responsibilities in accordance with the provisions of the currently enacted law and the requirements of the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with ISAs as they have been transposed in Greek Legislation, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- • Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with management regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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 the provisions of paragraph 5 of article 2 (part B) of L. 4336/2015, we note the following:

a) In our opinion, the Board of Directors' Report has been prepared in accordance with the applicable legal requirements of article 43a of Greek Codified Law 2190/1920 and its content is consistent with the accompanying financial statements for the year ended December 31, 2018.

b) B)Based on the knowledge we obtained during our audit about the "Piraeus Factoring S.A." and its environment, we have not identified any material inconsistencies in the Board of Directors' Report.

Athens, 10 July 2019

The Certified Public Accountant

Foteini D. Giannopoulou

Reg. No. SOEL: 34671

Deloitte Certified Public Accountants S.A.

3a Fragkoklissias & Granikou Str.

GR-151 25 Maroussi, Athens, Greece

Reg. No. SOEL: E. 120

Amounts in EUR thousand (Unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Accounting period that ended on	
		31-12-2018	31-12-2017
Interest and equivalent income	5	15,078	14,568
Interest and equivalent expenses	5	(8,107)	(6,987)
NET INTEREST INCOME		**6,970**	**7,581**
Commission Income	6	9,528	9,005
Commission Expenses	6	(5,095)	(1,318)
NET COMMISSIONS INCOME		**4,433**	**7,687**
Other operating income	7	152	88
TOTAL NET INCOME		**11,555**	**15,356**
Staff expenses	8	(2,361)	(1,998)
Management expenses	9	(1,815)	(2,013)
Depreciation	13, 14	(235)	(145)
Value impairment of loans and advances	12	3,898	(1,000)
TOTAL OPERATING EXPENSES		**(513)**	**(5,156)**
PRE-TAX EARNINGS		**11,042**	**10,200**
Income tax expense	10	(3,563)	(2,874)
YEAR EARNINGS (A)		**7,479**	**7,326**
Actuarial gains / (loss) of defined benefit plans (after tax)		**7**	**(15)**
Other Total Income After Tax (B)	19	7	(15)
Comprehensive total income after tax (A+B)		**7,486**	**7,311**

Amounts in EUR thousand (Unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Note	31-12-2018	31-12-2017
ASSETS			
Cash in hand & bank balances	11	10,842	8,641
Loans and advances to customers	12	334,976	319,718
Intangible assets	13	524	674
Tangible assets	14	184	255
Deferred tax assets	18	2,178	3,345
Current tax assets	20	1,016	-
Other Assets	15	439	226
TOTAL ASSETS		**350,160**	**332,859**
LIABILITIES			
Loans	16	309,979	294,279
Retirement benefit obligations	19	517	356
Other payables	17	5,698	3,537
Current tax liabilities	20	-	148
TOTAL LIABILITIES		**316,193**	**298,320**
EQUITY			
Share capital	21	21,126	21,126
Share premium	21	2,770	2,770
Other reserves	22	2,277	1,896
Retained earnings	22	7,795	8,748
TOTAL EQUITY		**33,967**	**34,539**
TOTAL LIABILITIES & EQUITY		**350,160**	**332,859**

Amounts in EUR thousand (Unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Note	Capital	premium	Reserves	Retained earnings	TOTAL
Opening Balance as at 01 January 2017	21	**21,126**	**2,770**	**1,545**	**11,789**	**37,228**
Profit after taxes	22	**-**	**-**	**-**	7,326	7,326
Total recognised net income after taxes		**-**	**-**	**-**	**7,326**	**7,326**
Reserves from actuarial gains/(losses)				**(15)**		**(15)**
Previous year's dividend paid	22.23				**(10,000)**	**(10,000)**
Earnings transferred to reserves	22	**-**	**-**	**366**	**(366)**	**-**
Balance as at 31 December 2017		**21,126**	**2,770**	**1,896**	**8,748**	**34,539**
Opening Balance as at 01 January 2018	21	**21.126**	**2,770**	**1,896**	**8,748**	**34,539**
Profit after taxes	22	**-**	**-**	**-**	7,479	7,479
Total recognised net income after taxes		**-**	**-**	**-**	**7,479**	**7,479**
Reserves from actuarial gains/(losses)				**7**		**7**
Previous year's dividend paid	22.23				**(6,500)**	**(6,500)**
Impact from IFRS 9	22				**(1,558)**	**(1,558)**
Earnings transferred to reserves	22	**-**	**-**	**374**	**(374)**	**-**
Balance as at 31 December 2018		**21,126**	**2,770**	**2,277**	**7,795**	**33,967**

Amounts in EUR thousand (Unless otherwise stated)

CASH FLOW STATEMENT

	Note	Accounting period that ended on 31 Dec 2018	31 Dec 2017
Cash flows from operating activities			
Profit before tax		11,.042	10,200
Adjustments to profit before tax:			
Plus: loan value impairment	12	(3,898)	1,000
Plus: depreciation	13, 14	235	145
Plus: retirement benefits	19	174	28
Cash flows from operating activities before change to operating assets and liabilities		**7,553**	**11,373**
Changes of operating assets and liabilities			
Net (increase) / decrease in customer loans and receivables	12	(13,555)	(50,176)
Net (increase) / decrease in other assets	15	(213)	(17)
Net (increase) / decrease in liabilities to credit institutions	16	15,700	58,276
Net (increase) / decrease in other liabilities	17	2,161	(349)
Cash flows from operating activities before income tax		**11,646**	**19,107**
Income tax paid		(2,930)	(2,726)
Net cash inflows / (outflows) from operating activities		**8,716**	**16,381**
Cash flows from investment activities			
Acquisition of tangible assets	14	(2)	(249)
Acquisition of intangible assets	13	(13)	(601)
Net inflows / (outflows) from investments		**(15)**	**(850)**
Cash flows from financing activities			
Dividend paid		(6,500)	(10,000)
Net inflows / (outflows) from financing activities		**(6,500)**	**(10,000)**
Net increase / (decrease) of cash and cash equivalents	13	**2,201**	**5,531**
Start of year cash and cash equivalents	11	**8,641)**	**3,110**
End of year cash and cash equivalents		**10,842**	**8,641**

1 General Information on the Company

Piraeus Factoring S.A. (the Company) was set up in 1998 by Piraeus Bank and is operating in the Greek factoring industry. Its registered offices are at 170 Alexandras Ave., Athens and it is registered in the General Commercial Registry (GTR) under number 3021501000 and in the Companies Registry under number 41224/01/B/98/357(2014). The Company's website address is www.piraeus-factoring.gr

The Company's operation is governed by the laws and provisions on factoring services (Law 1905/90).

The Company accepts receivables invoices from merchants, pays them a percentage of the receivable amount and withholds its commission. In the analysis of the Company's financial statements, the term "credit" refers to the exact amount that the Company pays to merchants against their receivables subsequently seeks to collect from end customers..

These Financial Statements were approved for publication on 10 July 2010 by the Board of Directors, comprising the following persons:

Eleni X. Vrettou, Chairman
Efthymios P. Kyriakopoulos, Vice-Chairman
Chariklia N. Vardakari, CEO
Efstratios D. Andrianis, Director
Athanasios F. Vlachopoulos, Director
Dimitrios H. Konstantopoulos, Director
Eleftherios P. Bacharopoulos, Director

The term of the Board of Directors expires on 18-9-2020.
The company's duration is 50 years until 2048.

2 Summary of general accounting principles

The accounting principles followed by the Company in preparing the Financial Statements are presented below. The accounting principles are applied consistently across all reference periods presented. The Company's Financial Statements are prepared in Euro thousand, unless otherwise stated.

2.1 Basis of preparation of the Financial Statements

These Financial Statements have been prepared by Management based on the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board, as adopted by the European Union, and present the Company's Financial Position, income statement and cash flows, pursuant to the going concern principle.

These Financial Statements have been prepared according to the historical cost principle, except financial assets and financial liabilities which are valuated at their fair value through profit & loss and liabilities from post-retirement benefits which are valuated according to AON HEWITT's actuarial valuation.

The preparation of the Financial Statements according to IFRS requires Management to adopt certain important accounting estimates and exercise judgement in the application of accounting principles. Moreover, it requires the use of calculations and assumptions affecting the reported assets and liabilities figures, the disclosure of contingent receivables and liabilities on the date the Financial Statements were prepared, and the reported income and expenses figures throughout the year in question. Despite the fact that these calculations are based on Management's best possible knowledge in relation to current conditions and actions, actual results may ultimately differ from those calculations.

The areas involving a large degree of objectivity, judgement or complexity or where estimates and assumptions are critical for the preparation of the Financial Statements are presented in Note 3.

2.2 Going Concern

The Management have concluded that the Company's financial statements have been properly prepared on a Going Concern basis as at 31-12-2018, considering the Company's improved liquidity, profitability and capital adequacy.

As a fully-owned subsidiary of Piraeus Bank S.A., the Company maintains considerable synergies with the parent Bank and other Group companies. These synergies are mainly developed a) on a fund raising level in order for the Company to offer credits; b) on a synergy level in order to both attract customers and assess customer credit risk, and c) on an operations level. Therefore, the Company's operations largely rely on the parent Bank's strategy.

2.3 Adoption of International Financial Reporting Standards (IFRS)

New Accounting Standards, Amendments and Interpretations to existing accounting standards currently applicable as of 1 January 2018

New accounting standards

IFRS 9 "Financial Instruments"(effective as of 01-01-2018 or later). The Group and the Company adopted IFRS 9 "Financial Instruments" on 1-1-2018 in replacement of IAS 39 "Financial Instruments: Recognition and Measurement". IFRS 9 changes the provisions regarding the classification and measurement of financial assets and liabilities and introduced an anticipated credit loss model which replaces the existing model of realized credit losses which was being used until 2017. IFRS 9 further amended the provisions on hedge accounting in a manner ensuring that such provisions align the accounting treatment of hedge relationships with risk management procedures. Since IFRS 9 provides the option to adopt the revised hedge accounting, the Group and the Company have chosen to keep IAS 39 requirements for hedge accounting. The Group and the Company do not currently apply hedge accounting.

The Group and the Company have chosen to apply IFRS 9 retrospectively, without restating the corresponding comparative data according to transitional provisions. Therefore, comparative information on the financial year that ended on 31-12-2017 are not comparable to the information presented for the financial year that ended on 31-12-2018, since it has been prepared in accordance with IAS 39.

As of the transition date (01-01-2018), the application of the standard had no substantial effect on the Company's financial instruments. All assumption, accounting policies and techniques which have been adopted since 01-01-2018 in order to assess the effect of the initial IFRS 9 application shall remain subject to review and improvement.

The effect of the 1st application of IFRS 9 is analysed in paragraph 2.7.

IFRS 15 "Revenue from Contracts with Customers" (effective as of 01-01-2018 or later). IFRS 15 establishes a single integrated model of accounting for client contract revenue. IFRS 15 replaces the revenue recognition provisions of IAS 18 "Revenue", IAS 11 "Construction Contracts" and the relevant interpretations. IFRS 15 establishes the principles that are to be applied in order to provide useful information to users of the financial statements, regarding the nature, amount, time and uncertainty of income and cash flows that result from a contract with a customer. The new standard applies to all contracts with customers, except those within the scope of other standards, such as financial instruments, leases and insurance policies. According to the standard, a company recognises revenue in order to account for the transfer of goods or services to customers against a consideration in exchange for such goods or services, when the underlying obligation is satisfied.

The five step model approach for revenue recognition provided by IFRS 15 is as follows:

- Identify the contract(s) with a customer.
- Identify the performance obligations in the contract.
- Determine the transaction price.
- Allocate the transaction price to the performance obligations in the contract.
- Recognise revenue when (or as) the entity satisfies a performance obligation.

The Company has adopted IFRS 15 as of 1-1-2018 and the application of the standard has had no substantial effect on its Financial Statements.

Amendments and interpretations

IFRS 15 (Amendment) "Revenue from Contracts with Customers" (effective as of 01/01/2018 or later). The amendment clarifies and provides specific guidance on three areas of the standard which relate to the identification of performance obligations, the evaluation of the entity as a "principal" or "agent" and the accounting treatment of licenses of intellectual property. The amendment provides for an exemption during transition to amended and completed contracts.

IFRS 2 (Amendments) "Classification and measurement of share-based payment transactions" (effective from 01 January 2018). The amendment clarifies the measurement of cash-settled share-based payment transactions and the accounting for modifications of share-based payment transactions from cash-settled to equity-settled. Moreover, the amendment introduces an exception regarding the principles of IFRS 2 based on which a payment should be addressed as equity-settled in cases where the employer is obliged to withhold an amount to cover tax obligations of employees arising from share-based payments, and pay said amount to the tax authorities.

IAS 40 (Amendments) "Transfers of Investment Property" (effective from 01-01-2018). The amendments clarify that the transfers to, or from, investment properties should only take place when there was an evident change in use. A change of use occurs if property meets, or ceases to meet, the definition of investment property and any change in use can be documented.

IFRIC 22 (Amendment) "Foreign Currency Transactions and Advance Consideration" (effective from 01-01-

2018). The Interpretation covers foreign currency transactions when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration before the entity recognises the related asset, expense or income. It does not apply when an entity measures the related asset, expense or income on initial recognition at fair value or at the fair value of the consideration received or paid at a date other than the date of initial recognition of the non-monetary asset or non-monetary liability. Also, the Interpretation need not be applied to income taxes, insurance contracts or reinsurance contracts.

IAS 28 "Investments in Associates and Joint Ventures" (effective from 01-01-2018). Clarifies that when venture capital, mutual funds and similar companies may choose to measure their participation in associates or joint ventures at fair value through the income statement, this will have to be done separately for each associate or joint venture upon initial recognition.

IFRS 1 "First-time Adoption of International Financial Reporting Standards" (effective from 01-01-2018). The amendment deletes paragraphs E3-E7 regarding short-term exemptions.

The above amendments do not have a significant impact on the Company's financial statements.

New accounting standards, amendments and interpretations to existing accounting standards currently applicable from 2018 onwards.

The Group and the Company have not proceeded to an early adoption of the following new accounting standards, amendments and interpretations; however, no substantial effect on the Group's and the Company's financial instruments is anticipated.

New accounting standards applicable from 2018 onwards

IFRS 16 "Leases" (effective from 01-01-2019). IFRS 16 was issued in January 2016 and replaces IAS 17 "Leases". IFRS 16 outlines the principles for the recognition, measurement, presentation and disclosures of leases, in order to ensure that lessors and lessees disclose relevant information presenting the substance of lease transactions. The standard introduces a single lessee accounting model, requiring lessees to recognise rights of use in leased assets and financial liabilities for all lease contracts where term is 12 months or more, unless the underlying asset is of non-substantial value. The lessor's accounting remains substantially unchanged compared to IAS 17. Upon lease commencement, a lessee recognises a right-of-use asset and a corresponding lease financial liability. The right-of-use is initially measured at the lease liability amount plus initial direct costs, estimated cost for the restoration of the asset and any payments less any payments made prior to commencement date. The right-of-use is subsequently measured at cost less accumulated depreciation and impairment, excluding leased investment properties accounted for at fair value. Accordingly, as at commencement date the lease liability is measured at the present value of lease payments on that date.

The Company, as a lessor, shall apply IFRS 16 as of 01-01-2019 by discounting future lease payments under existing operating lease agreements on buildings (Company's offices), office machines and transportation means. The effect of such application shall result in an increase of tangible assets by EUR 526 thousand and an equal increase of liabilities.

Amendments and interpretations

IFRS 9 (Amendments) "Prepayment Features with Negative Compensation" (effective from 01-01-2019). The amendment allows measurement of symmetric options containing prepayments with negative compensations either at the amortised cost or at fair value through other comprehensive income, instead of at fair value through profit and loss.

IFRIC 23 “Uncertainty over income tax treatments” (effective from 01-01-2019). The Interpretation aims at reducing variety in the way entities recognise and measure tax liabilities or tax assets, when there is uncertainty over income tax treatments related to the determination of taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates.

IAS IAS 28 (Amendments) “Long-term interests in Associates and Joint Ventures” (effective from 01-01-2019). The amendment clarifies the accounting treatment for long-term interests in associates and joint ventures - where the equity method is not applied - by using IFRS 9.

IAS 19 (Amendments) “Employee Benefits” (effective from 01-01-2019). The amendment clarifies that if a plan amendment, curtailment or settlement occurs, it is mandatory that the current service cost and the net interest for the period after the remeasurement are determined using the assumptions used for the remeasurement. In addition, amendments have been included to clarify the effect of a plan amendment, curtailment or settlement on the requirements regarding the asset ceiling.

IFRS 3 (Amendment) “Business combinations” (effective from 01/01/2019). The amendment clarifies that where an entity acquires the control of a business which is a joint operation, then it shall remeasure the interest held in that business.

IFRS 11 (Amendment) “Joint arrangements” (effective from 01/01/2019). The amendment clarifies that where an entity acquires the joint control of a business which is a joint operation, then the entity shall not remeasure the interests it held in that business.

IAS 12 (Amendment) “Income Tax” (effective from 01/01/2019). The amendment clarifies that all tax effects from dividends (e.g. distribution of profit) must be recognised where transactions or events generating distributable profit are recognised.

IAS 23 (Amendment) “Borrowing costs” (effective from 01/01/2019). The amendment clarifies that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowings made specifically to obtain that qualifying asset as part of the funds that it has borrowed generally.

Amendments interpretations in standards issued by the International Accounting Standards Board but not adopted by EU yet and are thus not applied by the Group or the Company:

Conceptual Framework (Amendments) “Amendments to References to the Conceptual Framework in IFRS Standards” (effective from 01-01-2020). The new conceptual framework is not a substantial revision of the document. The International Accounting Standards Board focused on issues not covered by that time or issues with obvious deficiencies that had to be dealt with.

IAS 1 and IAS 8 (Amendments) “Definition of Material” (effective from 01-01-2020). The amendment clarifies the definition of “material” and aligns the definition used in the Conceptual Framework and the standards themselves.

IFRS 3 (Amendment) “Business combinations” (effective from 01/01/2020). The purpose of this amendment is to deal with any difficulties arising when an entity determines whether it has acquired a business or an asset group.

2.4 Foreign currencies

A. Operating currency and presentation currency

The financial instruments are depicted in EUR which the Company's operating currency.

B. Transactions and balances

Transactions in foreign currency are translated to the presentation currency using the foreign exchange rate as of the transaction date. Any resulting foreign exchange differences are recorded in the statement of comprehensive income.

2.5 Interest income and expenses

Interest income from a financial asset is recognised when a financial benefit inflow is likely and the amount can be measured in a reliable manner.

Interest income and expenses result from interest-bearing items of the Statement of Financial Position and are recognised on an accrual basis, using the effective interest rate method, namely the rate that exactly discounts the expected future collections or payments throughout the expected life of a financial instrument, or until the next interest rate adjustment date, so that the discounted value is equal to its book value including any transaction income/expenses, that have been collected/paid. Impaired loans shall be accounted for at their recoverable amount and, consequently, the interest income is recognised on the basis of the effective rate on the book value.

2.6 Commissions income and expenses

Commission income and expenses are recognised on an accrual basis at the time the services are rendered to the customers or the Company.

Transaction income or expenses related to the creation of financial instruments and measured at net book cost are deferred and amortised throughout the life of such instruments based on the effective rate.

2.7 Loans and other advances to customers

Loans and advances to customers include financial assets measured at amortizable cost for which the following two conditions apply:

the financial asset is held within the framework of a business model, the aim of which is achieved when contractual cash flows are collected; and

the contractual terms on the financial asset generate, on certain dates, cash flows solely comprising principal payments and interest on unpaid principal (SPPI pass).

Loans and advances to customers at amortized cost disbursed by the Company are initially recorded at fair value which includes transaction cost and are subsequently measured at their amortizable value using the effective interest rate method. Loans and advances to customers interest is included in the Income Statement as "Interest and equivalent income".

The Group and the Company create an anticipated credit loss from loans and advances to customers impairment at amortized cost when they expect that they will not be able to collect all outstanding amounts specified in loan agreement terms. The accumulated amount of the anticipated credit loss from loans and advances to customers impairment at amortized cost is the difference between all cash flows specified in the agreement and all cash flows which are expected to be collected, discounted by the loan's initial effective interest rate (or the credit-adjusted effective interest rate for acquired or created financial assets having an impaired credit value).

On every reporting date, impairment loss equal to the 12-month expected credit loss (corresponding to Stage 1) shall be recognised for all financial assets for which there is no significant credit risk increase since initial recognition. For financial assets:

a. in which credit risk has increased substantially since their initial recognition (Stage 2);
b. which have an impaired credit value (Stage 3) and
c. which are acquired or created financial assets of an impaired credit value, an impairment loss equal to expected loss (as arising throughout the loan term) shall be recognised.

Definition of Default

In Q3 2018 the Management finalised the required changes in order to apply the "EBA NPE" definition in the calculation of accumulated credit loss. The Group and the Company have harmonised the Stage 3 definition used for financial information purposes with the NPE definition used for regulatory purposes. Therefore, in accordance with the Group's Provisions Policy, a financial asset is considered impaired and classified as Stage 3 when it is classified as a non-performing exposure ("NPE")[1].

The definition of default is assessed on a borrower level for the Company's portfolio.

Significant increase of credit risk (SICR) is identified by considering a range of factors which vary depending on the portfolio. The criteria according to which the Group and the Company assess whether credit risk in an exposure has increased significantly are listed below.

(1) Primary criteria

- significant increase of a financial instrument's probability of default (PD) on the reference date, compared to the initial recognition date, according to certain absolute (3% - 6.5%) and/or relevant (200%) limits.

(2) Secondary criteria

- existence of forbearance
- loan behaviour (monitoring of maximum period in arrears during the last 12 months)
- occurrence of a default event, as per the NPE Definition included in the EBA Guidelines, during the last 12 months.

(3) Backstop

- more than 30 days in arrears

[1] (COMMISSION IMPLEMENTING REGULATION (EU) – https://eur-lex.europa.eu/legal-content/EL/TXT/PDF/?uri=CELEX:32015R0227&from=EN)

Main concepts of value impairment models

Expected Credit Loss (ECL) is a function of the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) and is estimated by incorporating information regarding the future and by applying experience-based judgement, so that any factors not recorded in the models can be reflected.

The Company rates Stage 3 customers individually.

The individual rating result is further adjusted by incorporating the effect of macroeconomic scenarios which have been determined according to the calculation of collective provision models.

Impaired value on a collective basis is estimated in all Stage 1, 2 and 3 loans, provided such loans have not been evaluated individually. Loans and advances to customers at amortized cost are grouped according to similar credit risk criteria (e.g. borrower's arrears category, borrower's industry, business or product sector and other relevant factors). These characteristics are indicative of the borrower's ability to repay all overdue debts, according to the contractual terms of financial instruments being assessed.

If, at a later period, the amount of the provision created is reduced and this reduction is related with objective events that occurred after creation of the provision, such as improvement of the borrower's credit rating, then the provision shall be reduced and the profit shall be recorded in Income Statement.

Forbourne loans are exposures arising from loan agreements for which forbearance measures have been adopted. These measures are considered a concession by the Group and the Company in favour of borrowers who are facing or are about to face financial difficulties in complying with their financial obligations. The forbearance status may include amended agreement terms and conditions and/or debt refinancing.

Forbourne loans are audited for value impairment in accordance with the impairment policy specified in IFRS 9 for loans and advances to customers, as mentioned above.

Disclosures on Transition to IFRS 9

On 1 January 2018, the company applied the requirements of IFRS 9 "Financial Instruments". These disclosures concern the transition to IFRS 9 "Financial Instruments" and provide information to help understand the impact on the Company's financial position of the application of the new accounting standard on 1 January 2018.
The impact of the transition to IFRS 9 on the Company's total provisions on 1 January 2018 compared to IAS 39 rose to € 2.195 thousand, broken down per category as follows:

Amounts in EUR thousand (Unless otherwise stated)

Loans and provisions breakdown per stage

	31 Dec 2017			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	172,646	119,043	44,746	336,435
Provisions as at 31-12-2017 according to IAS 39	6,236		10,482	16,718
Loans and advances (after IAS 39 provisions)	**166,410**	**119,043**	**34,264**	**319,717**

	01 Jan 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	172,646	119,043	44,746	336,435
Provisions as at 1-1-2018 according to IFRS 9	2,710	4,538	11,665	18,913
Loans and advances (after IFRS 9 provisions)	**169,936**	**114,505**	**33,081**	**317,522**
Impact of the 1st application of IFRS 9	3,526	-4,538	-1,183	-2,195

The impact of the transition to IFRS 9 on the Company's Equity as at 1 January 2018 rose to €1,558 thousand, resulting from:

Reduction of Equity (due to increased provisions for loans and advances to customers)	2,195
Less: Deferred tax assets	(637)
Net impact of transition to IFRS 9 on Equity Capital	1,558

The Company has adopted the regulatory transitional arrangements published by the EU (2017/2395) in December 2017 amending Regulation (EU) 575/2013 with the addition of article 473a. These transitional arrangements allow banks and financial institutions to include in their capital a percentage of the impact from the application of IFRS 9 due to anticipated credit loss provisions, during the first five years of application. The percentage they may include starts from 95% in 2018 and gradually drops to 25% in by 2022 and then to 0% by 2023.

The estimated impact from application of IFRS 9 on the company's total capital ratio is as follows:

31-12-2018 according to IFRS 9 (based on transitional arrangements) 19.52%

31-12-2018 according to IFRS 9 (based on full application) 18.82%

2.8 Intangible assets

An intangible asset is recognised when future economic benefits are expected.

Intangible assets are recognised at acquisition cost.

The expense for the purchase of a software programme that will generate future economic benefits for the company, is recorded as an intangible asset.

Maintenance of software programs is recognized as an expense when incurred. On the contrary, expenses that improve or prolong the performance of software programmes beyond their original specifications, or, accordingly, software conversion expenses are carried at the acquisition cost of the intangible asset, on condition that this can be reliably measured. Software cost is amortised in 3-4 years using the straight line method. An impairment test is made when there is evidence of impairment.

2.9 Tangible Assets

Owner-occupied tangible assets are valuated at historical cost, less accumulated depreciation and any accumulated impairment. Tangible assets are examined for impairment when there is evidence of impairment. Any impairment loss is recognised directly in the Statement of Comprehensive Income

Tangible assets depreciation is calculated using the straight line method based on the estimated useful life, as follows:

• Computer hardware and software: 3-4 years

• Improvements on leased property: The shorter between useful life and lease term

• Other fixtures and furniture 5 years

• Transportation equipment: 6-7 years

Subsequent expenses are recorded as in increase of the tangible assets' carrying amount, or as a separate fixed asset, only to the extent where future economic benefits are expected to arise for the Company and their cost can be reliably calculated. The cost of repairs and maintenance is recorded in the Statement of Comprehensive Income when incurred.

When tangible assets are sold, any differences between the collected amount and their book value are recorded in the Statement of Comprehensive Income.

2.10 Leased Assets

The Company as lessor (operating leases):

Leases where the lessor essentially maintains all risks and rewards of ownership, are classified as operating leases. Payments concerning operating leases (net of any incentives offered by the lessor) are recognised in the income statement proportionally during the lease term using the straight line method.

2.11 Cash in hand & bank balances

Cash in hand and bank balances include balances with a maturity under three months from acquisition, such as: cash and bank balances in which the risk of any fair value change is insignificant and which are used by the Company for servicing its current liabilities.

2.12 Provisions

Provisions are recognised when the Company has legal or constructive obligations as a result of past events which may lead to outflows that can be reliably estimated. Provisions are reviewed before the preparation of Financial Statements, so as to reflect optimum estimates.

2.13 Employee benefits

Post-employment benefits include both defined contribution and defined benefit plans.

The Company's contributions to defined contribution pension plans are recognised as staff benefits in the respective period.

The obligation recorded in the Statement of Financial Position for the defined benefits plan is the present value of the defined benefit commitment on the date of the Statement of Financial Position. The defined benefit commitment is calculated annually by an independent actuary using the projected unit credit method.

The provision created is based on an actuarial study prepared by an independent actuary using the projected unit credit method, according to which the cost for staff retirement compensations is recorded in the Statement of Comprehensive Income so that the respective cost will be allocated and recognised to the period when employees provide their services. The respective liability appearing on the Statement of Financial Position is calculated as the present value of cash flows based on the interest rate of high credit rating corporate bonds, with maturities matching that of the liability's.

Actuarial gains/losses are recognised directly in equity when incurred. Recycling of said gains/losses in the Statement of Comprehensive Income is not possible.

2.14 Income tax

Income tax comprises current and deferred tax. The period's current tax comprises the tax which is expected to be paid on the period's taxable income based on tax rates applicable on the balance sheet closing date.
Deferred tax is the tax which is to be paid or recovered in the future and relates to accounting operations which have been carried out throughout the closing period but are classified as taxable income or deductible deferred charges. It is calculated in temporary differences between the tax base of receivables and payables and their corresponding book value.
Deferred tax assets and liabilities are calculated using the tax rates which are expected to be applied in the period during which the asset or liability will be settled, considering the tax rates (and laws) introduced until the Balance Sheet date.
Deferred tax assets are only recognised when future tax profit is likely and provides for a potential temporary differences exemption.
Current and deferred tax is recorded in Income Statement or directly in Net Book Value if it refers to assets directly recognised in Net Book Value.

2.15 Borrowing

Borrowing is initially recognised at fair value, less any direct transaction cost.

Subsequently, borrowing is measured at net book cost using the effective interest rate method. Any difference between the collected amount (net of relevant costs) and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

Borrowing is classified as current liabilities unless the Company can defer payment of the liability for at least 12 months from the date of the Statement of Financial Position.

2.16 Share capital

Ordinary shares are classified as equity. Share capital increase expenses are shown in equity, net of tax, as a deduction from the proceeds.

The Company does not hold any own shares.

The distribution of dividend to the shareholders is recognised as a liability in the financial statements when said distribution is approved by the General Shareholders' Meeting.

2.17 Impairment of Assets

Assets with an undetermined useful life are not amortized but are subject to an impairment review annually and when certain events evidence that the book value may not be recoverable. The Company had no such evidence as at the date of the Statement of Financial Position. Amortized assets are subject to impairment review when there are indications that their book value shall not be recovered. Recoverable value is the highest between the asset’s net realisable value, less the required cost of sale, and its value in use. Impairment losses are recorded as expenses in the Statement of Comprehensive Income in the year they arise.

2.18 Related party transactions

Related parties include a) The parent Piraeus Bank; b) Companies controlled by the parent Bank jointly with the Company; c) Members of the Company's BoD and Management; d) First degree relatives (spouses, children etc.) of the members of the Company's BoD and Management. The Hellenic Financial Stability Fund is also a related party to the Company because in the context of Law 3864/2010, it participates in the parent Piraeus Bank’s shareholding structure and Management, and as a result is considered to have a significant influence over it Transactions of similar nature are disclosed in an aggregate manner. All transactions with the parent Bank and related parties are carried out at arm’s length.

2.19 Fair value measurement of assets and liabilities

Fair value is the price that would be received to sell an asset (financial or not) or paid to transfer a liability (financial or not) in an orderly transaction between market participants at the measurement date, under normal market conditions and irrespective of whether the price is directly observable or has been determined using a measurement method.

The methods used to measure fair value maximise the use of observable inputs and minimise the use of unobservable ones. Observable inputs refer to market information from independent sources. Unobservable inputs reflect the company's estimates for the market.

The inputs used to measure fair value are categorised into different levels of the fair value hierarchy, as follows:

• **Level 1:** Measurement is conducted based on quoted prices (unadjusted) in active markets for identical assets or liabilities.

• **Level 2:** Measurement is conducted using inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

• **Level 3:** Measurement is conducted using unobservable inputs for the asset or liability.

2.20 Comparative data and rounding

Where necessary, previous years' comparative data are restated so that they are consistent with current year data. Any discrepancies between the figures in the financial statements and the respective amounts in the notes, are due to rounding.

3 Estimates and assumptions in applying accounting principles

In preparing the Financial Statements, the company is making certain estimates and assumptions regarding the future status of certain assets and liabilities affecting the presentation thereof in the financial statements. Such estimates and assumptions are reviewed for each period based n historical data and expectations of future events.

Deferred tax

Deferred tax is recognised in temporary differences between the book values of tax assets and liabilities in the Statement of Financial Position and in the corresponding tax bases used for the calculation of taxable profit.

Deferred tax liabilities are generally recognised for all deductible temporary differences to the extent available tax profit is likely, against which the said deductible temporary difference can be used. Such deferred tax assets and liabilities are not recognised if the temporary difference arises upon their initial recognition (excluding business combinations) in a transaction that does not affect taxable or book profit.

Moreover, deferred tax liabilities are not recognised if the temporary difference arises upon initial recognition of goodwill.

The book value of deferred tax assets is reviewed at the end of each reference period and reduced by the extent to which it is not likely any more that taxable profit will be enough to recover part of or the overall asset.

Deferred tax assets and liabilities are measured at the applicable tax rates in the period during which a liability is settled or an asset is generated based on tax rates (and tax laws) introduced or applied until the end of the reference period.

Period's current and deferred tax

Current and deferred tax are recognised in the Income Statement, unless they relate to assets recognised in other comprehensive income or directly in equity; in such case, current and deferred tax are also recognised in other comprehensive income or in equity respectively.

Employee benefits

Pension schemes adopted by the Group and the Company are financed through payments to insurance companies or social insurance institutions.

The Group's and the Company's pension liabilities are related both to defined contribution plans and defined benefit plans.

Defined contribution plans involve payment of defined contributions to State Funds (e.g. Social Insurance Fund - IKA) or insurers; as a result, no legal or implied liability arises for the Group or the Company in case the State Fund or insurer fails to pay the specified benefits to the insured persons. Therefore, the said plans are listed as defined contribution plans. Employer's contributions for each year are recognised in and charged to the Income Statement under "Staff Expenses".

Defined benefit plans are pension plans where a benefit is paid to an employee in proportion to such employee's years in service, age and salary.

The liability recorded in the Statement of Financial Position regarding defined benefit plans is the present value of the liability as at Balance Sheet date less the fair value of the plan's assets.

The defined benefit liability is calculated on an annual basis by independent actuaries using the projected unit credit method.

<u>Actuarial gains and losses</u>

Actuarial gains/losses are recognised directly in the Group's and the Company's equity in the period during which they occur. Recycling of said gains/losses in the Statement of Comprehensive Income is not possible.

<u>Past service cost</u>

Past service cost is the change in the present value of the defined benefit liability arising as a result of a plan amendment or curtailment. This cost is directly recognised in the Income Statement in the period during which the plan is amended.

Impairment of Loans and Receivables

Receivables impairment

The Management measures and assesses the significant increase in credit risk by comparing default risk as at the "date of initial recognition" to default risk as at the "reporting date".
IFRS 9 introduces the Expected Credit Losses ("ECL") model, as opposed to the realised losses model of IAS 39 which applies to all impaired financial assets and replaces the realised losses model of IAS 39. On every reporting date, an impairment loss equal to the 12-month expected credit loss (corresponding to Stage 1) shall be recognised in the Statement of Comprehensive Income for all financial assets for which there is no significant credit risk increase since initial recognition.

Income tax

Management makes estimates to determine the income tax provision throughout the year, since the final tax determination is uncertain. Where the final tax result differs from the amounts initially recognised, the differences will affect income tax and deferred tax liabilities/assets of the period where the determination is finalised.

4 Financial Risk Management

4.1 Credit Risk

Credit risk concerns cases of counterparties defaulting on their transactional obligations. Especially in the case of financing, this risk refers to debtors defaulting on part of or their entire debt.

Management places special emphasis on proper credit risk management, since this risk is associated with its core business. Specifically, assumption of credit risk is kept at controlled levels, by setting business development strategies and the respective limits, at counterparty, geographical area or activity sector level.

Credit assessment plays a major role in setting limits for each counterparty. This assessment is based on the counterparty's quantitative and qualitative characteristics.

Counterparty credit rating assessment methods differ in case of individuals or businesses. Specifically, in assessing businesses (business factoring) different credit rating assessment methods are applied, depending on the type and scale of the business. For larger businesses, the assessment is based more on financial data and an analysis of the business's industry, while for smaller businesses emphasis is on qualitative characteristics of the businesses themselves.

During the approval process, the overall credit risk for each counterparty is examined, along with the group of counterparties related to each other, and credit limits approved by various units of the company are combined. In determining credit limits, securities or guarantees that can reduce the company's overall credit risk exposure are taken into account.

The factoring type that the supplier will chose is also important in setting the limits.

In terms of credit risk exposure, factoring services are categorised into the following:

Amounts in EUR thousand (Unless otherwise stated)

Recourse factoring: The Company has the right to return unpaid invoices to the supplier against payment of the respective amount. The invoice payment risk lies with the supplier and the company's pricing is lower.

Non-recourse factoring: The Company does not have the right to return unpaid invoices to the supplier and consequently assumes all the risk for collecting the invoice. Regarding non-recourse factoring services, where the Company deems that a debtor's future financial inability is likely, it insures the credit risk with an insurance company.

Counterparty credit ratings and credit exposures in conjunction with respective approved limits are systematically monitored.

Write-offs

The Company proceeds to a write-off when it has no reasonable expectation to recover part of or the overall financial asset. Write-offs reduce the amount of a receivable and are recognised against provisions for earlier credit losses. Totally or partially recoveries of amounts previously written-off are generally credited to Income Statement under "Provisions for impaired loans and advances". Write-offs and partial write-offs represent derecognition or partial derecognition events.

4.1.1 Maximum credit risk exposure before calculation of security and other credit protection measures

The following table shows the Company's maximum credit risk exposure as at 31-12-2018 and 31-12-2017, excluding security and other credit protection measures. For balance sheet items, credit exposures are based on their book value as it appears in the Statement of Financial Position.

Credit risk exposure of items in the Statement of Financial Position	31-12-2018	31-12-2017
Advances to businesses	349,961	336,216
Advances to individuals	0	220
Other Assets	439	226

The Company is not exposed to credit risk from items not in the Statement of Financial Position.

Amounts in EUR thousand (Unless otherwise stated)

4.1.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

	31 Dec 2018			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers				
Large Enterprises	92,596	43,896	16,229	152,721
SMEs	78,406	86,409	32,425	197,240
Total	**171,002**	**130,305**	**48,654**	**349,961**
Provisions as at 31-12-2018 according to IFRS 9				
Large Enterprises	937	801	79	1,817
SMEs	518	2,844	9,806	13,168
Total	**1,455**	**3,645**	**9,885**	**14,985**
Loans and advances (after IFRS 9 provisions)				
Large Enterprises	91,659	43,095	16,150	150,904
SMEs	77,888	83,565	22,619	184,072
Total	**169,547**	**126,660**	**38,769**	**334,976**

Loans and provisions breakdown per stage				
	31 Dec 2017			
	Stage 1	**Stage 2**	**Stage 3**	**Total**
Loans and advances to customers	172,646	119,043	44,746	336,435
Provisions as at 31-12-2017 according to IAS 39	6,236		10,482	16,718
Loans and advances (after IAS 39 provisions)	**166,410**	**119,043**	**34,264**	**319,717**

Loans to businesses also include forborne loans of €5,577 thousand as at 31-12-2018 compared to €6,716 thousand as at 31-12-2017.

NPLs rise to €11,041 thousand and NPL ratio rises to 3.15% as at 31-12-2018, compared to €11,613 thousand and NPL ratio of 3.45% as at 31-12-2017.

Amounts in EUR thousand (Unless otherwise stated)

4.1.3 Concentration of risk of financial assets exposed to credit risk (Lines of Business)

The following table presents a breakdown of the company's primary credit risk exposure in book values per industry as at 31 December 2018. The Company has distributed risk exposures per counterparty industry.

Industry	31-12-2018	31-12-2017
Manufacturing	175,386	170,317
Commercial companies	101,100	95,563
Other companies	73,475	70,337
Individuals	0	220
Total	**349,961**	**336,435**

4.2 Market Risk

Market risk is the existing or potential risk of loss due to unfavourable conditions in market prices and interest rates, share and commodity prices, exchange rates and their volatility.

The Company applies a Market Risk management policy that is uniformly applied by all Piraeus Bank Group companies.

4.3 Foreign Exchange Risk

The Company is exposed to the effects of changing exchange rates that affect its financial position and cash flows. Management sets limits to the Company's exposure to exchange rate changes which are monitored daily.

The following table summarises the Company's foreign exchange exposure as at 31/12/2018. Assets and liabilities are presented per currency at book value:

Amounts in EUR thousand (Unless otherwise stated)

As at 31 December 2018	EUR	GBP	USD	Total
Assets foreign exchange risk				
Cash in hand & bank balances	10,192	312	338	10,842
Loans and advances to customers (after provisions)	334,453	179	344	334,976
Intangible fixed assets	524	-	-	524
Tangible assets	184	-	-	184
Deferred tax assets	2,178	-	-	2,178
Current tax assets	1,016	-	-	1,016
Other Assets	439	-	-	439
Total assets	**348,987**	**491**	**682**	**350,160**
Liabilities foreign exchange risk				
Loans	308,818	490	671	309,979
Retirement benefit obligations	517	-	-	517
Other payables	5,693	-	5	5,698
Total liabilities	**315,027**	**490**	**676**	**316,193**
Net foreign exchange position of assets - payables	**33,960**	**1**	**6**	**33,967**
As at 31 December 2017				
Total assets	331,781	-	1,078	332,859
Total liabilities	297,239	-	1,081	298,320
Net foreign exchange position of assets - payables	**34,542**	**0**	**(3)**	**34,539**

4.4 Interest Rate Risk

The Interest Rate Risk is the risk of loss resulting from changes in interest rate markets. Interest rates variations affect the Company's profit, changing net interest income, as well as the value of other revenues or expenses that are sensitive to interest rate changes. Interest rate changes also affect the value of assets and liabilities, as well as the value of off-balance sheet items, since the present value of future cash flow (or even cash flow itself) varies with the interest rate.

The Interest Rate Gap Analysis is the simplest technique for measuring the degree of the company's exposure to interest rate risk. According this analysis, assets and liabilities are divided into time periods depending on their maturities (fixed rate assets and liabilities), or next interest-rate repricing date (variable rate assets and liabilities).

The following table presents the degree of the Company's exposure to interest rate risk, according to the Interest Rate Gap Analysis. Where for any receivables or liabilities there is no regular contractual maturity date (open accounts) or an interest-rate repricing date (sight or savings deposits), then these shall be classified in the time period up to one month.

Amounts in EUR thousand (Unless otherwise stated)

As at 31 December 2018	Up to 1 month	1 - 3 months	3 - 12 months	Interest free	Total
Assets					
Cash in hand & bank balances	10,842	-	-	-	10,842
Loans and advances to customers	-	323,885	10,493	598	334,976
Other Assets		-	-	4,341	4,341
Total Assets	**10,842**	**323,885**	**10,493**	**4,939**	**350,160**
Liabilities					
Liabilities to credit institutions	4,872	297,110	6,000	1,997	309,979
Other Liabilities		-	-	6,214	6,214
Total liabilities	**4,872**	**297,110**	**6,000**	**8,210**	**316,193**
Total Interest Rate Risk Gap	**5,971**	**26,775**	**4,493**	**(3,271)**	**33,967**

The following tables offer comparative data for the previous period:

As at 31 December 2017	Up to 1 month	1 - 3 months	3 - 12 months	Interest free	Total
Assets					
Cash in hand & bank balances	8,641	-	-	-	8,641
Loans and advances to customers	-	311,055	8,663	-	319,718
Other Assets		-	-	4,499	4,499
Total Assets	**8,641**	**311,055**	**8,663**	**4,499**	**332,859**
Liabilities					
Liabilities to credit institutions	4,762	281,561	6,000	1,957	294,280
Other Liabilities	-	-	148	3,893	4,041
Total liabilities	**4,762**	**281,561**	**6,148**	**5,850**	**298,320**
Total Interest Rate Risk Gap	**3,881**	**29,494**	**2,515**	**(1,350)**	**34,539**

The Interest Rate Gap Analysis allows assessing the interest rate risk through the “Earnings-at-Risk” measure which expresses the impact on projected annualised earnings caused by a concurrent interest rate change in all maturities and currencies.

Amounts in EUR thousand (Unless otherwise stated)

To cover against interest rate risk, the Company covers its customers' receivables with corresponding loan agreements.

Based on balances as at 31 December 2018, a 50 bp interest rate rise or fall would have impacted earnings by €1,486 thousand and -€1,486 thousand respectively. Moreover, a 100 bp interest rate rise or fall would have impacted earnings by €2,972 thousand and -€ 2,972 thousand respectively.

4.5 Liquidity Risk

Liquidity Risk is the risk of a financial institution defaulting on its financial obligations when they become due, due to a lack of the required liquidity.

The Company acknowledges that effective liquidity risk management substantially enhances its ability to meet all its financial obligations without running the risk of any major financial losses. .

In general, liquidity risk management is a process of balancing cash inflows and outflows within time periods, so that, under normal conditions, the company can meet all its payment obligations, as they fall due.

The following table analyses Liabilities items in time periods, depending on the remaining time to maturity.

Amounts appearing are contractual non discounted cash flows.

As at 31 December 2018	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Liabilities to credit institutions	-		9,093	310,529	-	319,622
Other Liabilities	-	1,095	4,603	-	-	5,698
	-	**1,095**	**13,696**	**310,529**	**-**	**325,320**
Total liabilities						
As at 31 December 2017						
Liabilities to credit institutions	-	121	7,906	303,823	-	311,850
Other Liabilities	-	1,053	2,484	-	-	3,537
Total liabilities	**-**	**1,174**	**10,390**	**303,823**	**-**	**315,387**

4.6 Operational risk

This risk is defined as the existing or future risk for profits and capital arising from inadequate or failing internal procedures, incorrect human resources management or purely external factors.

Having recognised the significance of operational risk, the Company pursues the goal of establishing and adhering to an effective management framework for this risk.

The Company has contractually assigned the authorities relating to the management of this risk to the parent Bank. In collaboration with the parent Bank, the Company has proceeded to the development and implementation of an integrated operational risk management framework, aiming at fulfilling the qualitative and quantitative criteria for the adoption of the Standardised Approach.

Amounts in EUR thousand (Unless otherwise stated)

Throughout 2018 the Company implemented the annual application cycle of the operational risk management framework. More specifically, the following procedures were implemented within the said framework:

- identification, evaluation and monitoring of operational risks through the Risk Control Self-Assessment (RCSA) procedure;
- identification of mitigation actions;
- collection of data on loss-generating incidents.

4.7 Fair values of assets and liabilities

a) Assets and liabilities not recorded at fair value

The following table shows book and fair values for assets and liabilities not recorded at fair value in the company's Statement of Financial Position.

	Book value		Fair value	
	31-12-2018	31-12-2017	31-12-2018	31-12-2017
Assets				
Loans and advances to customers	334,976	319,718	334,976	319,718
	Book value		**Fair value**	
	31-12-2018	**31-12-2017**	**31-12-2018**	**31-12-2017**
Liabilities				
Loans	309,979	288,279	309,979	288,279

The fair value of loans and advances to customers as at 31-12-2018 and of their loan obligations at net book cost does not differ materially from the respective book value, as these are mostly short-term transactions at market interest rates. Interest rates are regularly adjusted and, due to their short duration, they are discounted at the risk-free interest rate.

The following table shows the fair value ranking of assets and liabilities recorded at the amortized cost, according to the hierarchy levels of IFRS 13.

Amounts in EUR thousand (Unless otherwise stated)

Breakdown of fair values in levels	Level 1	Level 2	Level 3	Total
Financial assets				
Loans and advances to customers (after provisions)			334,976	334,976
- Loans to businesses			334,976	334,976
Financial liabilities				
Loans	-	-	309,979	309,979

As at 31-12-2018 out of the total amount of €309,979 there are long-term loan obligations to the amount of € 6,000 thousand from two subordinated loans of € 4,000 thousand maturing on 27-2-2026 and € 2,000 thousand maturing on 22-12-2027.

b) Assets and liabilities recorded at fair value

There are no assets and liabilities recorded at fair value in the Statement of Financial Position.

4.8 Capital Adequacy

The Company's capital adequacy is monitored by the Bank of Greece, to which all data stipulated in Bank of Greece Governor's Act 2651/20-1-2012 are submitted.

As of 1 January 2010, the new supervisory framework (Basle II) that was incorporated in Greek Law by way of law 3601/2007, also applies to the calculation of the capital adequacy of factoring companies, based on Bank of Greece Governor's Act 2622/21.12.2009.

The capital adequacy ratio compares the company's regulatory capital with the risks (risk-weighted assets) that the Company assumes. Regulatory capital includes core tier 1 capital (share capital, reserves) and non-core capital (subordinated securities). Risk-weighted assets include credit risk and operational risk. In calculating the credit and operational risk, the company follows the standardised approach.

The company's capital adequacy ratio was considerably higher than the minimum requirement according to the Bank of Greece Governor's Act and rose to 19.52% as at 31-12-2018 compared to 15.70% as at 31-12-2017.

Amounts in EUR thousand (Unless otherwise stated)

Capital Adequacy calculation table as at 31-12-2018 & 31-12-2017		
Equity	**31-12-2018**	**31-12-2017**
Share Capital	21,126	21,126
Share premium	2,770	2,770
Reserves	2,277	1,896
Subordinated loans	6,000	6,000
Retained earnings	9,275	8,748
Accounting equity	**41,448**	**40,539**
Less: Intangible fixed assets	(524)	(674)
Regulatory Capital	**40,923**	**39,866**
Weighted Assets	209,605	254,002
Capital Adequacy Ratio	19.52%	15.70%

5 Net interest income

Interest and equivalent income	1-1 – 31-12-2018	1-1 – 31-12-2017
Loan Interest	15,078	14,568
Total interest and equivalent income	**15,078**	**14,568**
Interest and equivalent expenses		
Interest and borrowing expenses	(8,107)	(6,987)
Total interest and equivalent expenses	**(8,107)**	**(6,987)**
Net interest income	**6,970**	**7,581**

Interest income includes interest from advances - prepayments. Impaired loans shall be accounted for at their recoverable amount and interest income is recognised on the basis of the effective rate.

Amounts in EUR thousand (Unless otherwise stated)

6 Net commissions income

Commissions Income	1-1 – 31-12-2018	1-1 – 31-12-2017
From factoring business	9,528	9,005
Total commissions income	**9,528**	**9,005**
Commissions Expenses		
From factoring business	(5,095)	(1,318)
Total commissions expenses	**(5,095)**	**(1,318)**
Net Commissions Income	**4,433**	**7,687**

Commissions expenses for the year 2018 include commissions of €3,258 thousand to the parent Bank for undertaking credit risk and organising bond loans.

7 Other operating income

	1-1 – 31-12-2018	1-1 – 31-12-2017
Income from securities	45	37
Income from other activities	106	50
Other revenues	1	1
	152	**88**

Amounts in EUR thousand (Unless otherwise stated)

8 Staff expenses

	1-1 – 31-12-2018	1-1 – 31-12-2017
Wages and salaries	(1,355)	(1,495)
Social security contributions	(337)	(365)
Other staff expenses	(85)	(109)
Retirement benefits (note 19)	(585)	(28)
	(2,361)	**(1,998)**

As at 31 December 2018, the Company's staff rises to 46 from 50 as at 31 December 2017.

9 Management Expenses

	1-1 – 31-12-2018	1-1 – 31-12-2017
Rent	(197)	(216)
Third-party benefits (rental of staff)	(919)	(910)
Insurance premiums	(3)	(3)
Third-party fees and expenses	(369)	(572)
Other administration expenses	(327)	(312)
	(1,815)	**(2,013)**

Other administration expenses includes general company expenses for transportation, travel, consumables, cleaning services and publications.

10 Income tax

The Company's income tax rate for the years 2018 and 2017 rises to 29%, according to Law 4334/16-7-2015 which was put into effect on 1 January 2015. In addition, according to the provisions of Law 4387/2016, any distributed profit to members of the Management or staff is subject to 15% withholding tax on such distribution. However, according to the provisions of Law 4603/2019, the tax withheld on dividends to be distributed to the said persons as of 1 January 2018 is reduced from 15% to 10%. Dividend distributions to the parent Piraeus Bank S.A. are not subject to withholding tax (article 63 of Law 4172/2013).

According to Law 4579/2018 which will enter into force in 2019, the income tax rate for legal entities excluding credit Institutions will be gradually decreased per year as follows:

Amounts in EUR thousand (Unless otherwise stated)

28% for income in tax year 2019,

27% for income in tax year 2020,

- 26% for income in tax year 2021 and
- 25% for income in tax year 2022 onwards.

	1-1 – 31-12-2018	1-1 – 31-12-2017
Current tax	(1,763)	(2,779)
Deferred tax (note18)	(1,800)	(224)
Reversal of provision for unaudited year 2010	0	130
Total	**(3,563)**	**(2,874)**

The Company reversed the previous period's provision for potential tax that would result in following a possible tax audit of the 2010 tax year, due to the closure of said year according to a relevant decision of the Council of State.

Tax on the Company's profit before tax is the amount that results by applying the base tax rate, i.e. 29%, the same as in the year 2017 and is broken down as follows:

	1-1 – 31-12-2018	1-1 – 31-12-2017
Profit before tax	11,042	10,200
Tax calculated by applying the applicable tax rates	(3,202)	(2,958)
Tax rate adjustment for deferred tax calculation	(335)	0
Tax on non-deductible expenses	(26)	(46)
Reversal of provision for unaudited year 2010	0	130
Income tax expense	**(3,563)**	**(2,874)**
Period's actual tax rate	**32.3%**	**28.2%**

Tax Compliance Report

The Company has completed its income tax self-assessment procedure for all unaudited tax year including year 2010.

For years 2011 to 2015, Greek Societes Anonymes and Limited Liability Companies with mandatory auditing of their financial statements are required to obtain a "Tax Compliance Report" as stipulated in article 82(5) of Law

Amounts in EUR thousand (Unless otherwise stated)

2238/1994 and article 65A of law 4174/2013. The said Report is issued following a tax audit performed by the same statutory auditor or auditing firm that audits the annual financial statements. Upon completion of the tax audit, the statutory auditor or auditing firm shall issue a “Tax Compliance Report” to the Company and submit same to the Ministry of Finance, electronically. From year 2016 onwards, the “Tax Compliance Report” is optional. The tax authorities reserve the right to perform a tax audit within the bounds of the applicable legal framework set out in article 36 of Law 4174/2013.

Unaudited tax years

For the years 2011 to 2016, the Company has been audited by PricewaterhouseCoopers S.A. and for the year 2017 it has been audited by Deloitte Auditors S.A. and has received unconditional “Tax Compliance Reports” according to the applicable provisions (article 82 para.5 Law 2238/1994 for years 2011-2013 and article 65A of Law 4174/2013 for years 2014-2017).

For year 2018, the tax audit carried out by Deloitte Auditors S.A. is still in progress. Management does not expect any significant tax liabilities to arise after completion of the tax audit, compared to the ones recorded and presented in the Financial Statements.

According to POL 1006/05-01-2016, the companies obtaining an unconditional tax certificate are not exempted from ordinary tax audit by the relevant tax authorities. Tax authorities may, therefore, return and carry out their own tax audit. However, the Company’s Management believes that the results of any such future tax audits will not have a substantial impact on the Company’s financial position.

11 Cash in hand & bank balances

	31-12-2018	31-12-2017
Cash in hand	1	2
Sight deposits	3,992	7,438
Term deposits	6,850	1,201
	10,842	**8,641**

Amounts in EUR thousand (Unless otherwise stated)

12 Loans and advances to customers

	31-12-2018	31-12-2017
Loans and advances to businesses		
With recourse	286,484	270,543
Without recourse	63,477	65,892
Total loans and advances	**349,961**	**336,435**
Less: Provisions for losses (impairment) from loans and advances	(14,985)	(16,718)
Total loans and advances to customers	**334,976**	**319,718**

Provision (impairment) for losses from loans and advances to customers:

	31-12-2018	31-12-2017
Opening balance	16,718	15,802
Impact from IFRS 9	2,195	-
year income (expense)	(3,898)	1,000
Less: year write-offs	(30)	(84)
Closing balance	**14,985**	**16,718**

13 Intangible assets

2018	
Acquisition value	
	Software
Opening balance as at 01 January 2018	2,980
Additions	13
Balance as at 31 December 2018	**2,993**
Accumulated Amortisation	
Opening balance as at 01 January 2018	(2,306)
Year depreciation	(163)
Accumulated Amortisation as at 31 December 2018	**(2,469)**
Net book balance as at 31 December 2018	**524**

2017	
Acquisition value	
	Software
Opening balance as at 01 January 2017	2,379
Additions	601
Balance as at 31 December 2017	**2,980**
Accumulated Amortisation	
Opening balance as at 01 January 2017	(2,220)
Year depreciation	(86)
Accumulated Amortisation as at 31 December 2017	**(2,306)**
Net book balance as at 31 December 2017	**674**

Amounts in EUR thousand (Unless otherwise stated)

14 Tangible Assets

2018	Furniture, electronic and other equipment	Transportation equipment	Total
Acquisition value			
Opening balance as at 01 January 2018	1,261	4	1,265
Purchases	2	-	2
Write-offs	-	-	-
Balance as at 31 December 2018	**1,263**	**4**	**1,267**
Accumulated Amortisation			
Opening balance as at 01 January 2018	(1,008)	(2)	(1,010)
Year depreciation	(72)	(1)	(73)
Write-offs	-	-	-
Accumulated Amortisation as at 31 December 2018	**(1,080)**	**(3)**	**(1,083)**
Net book balance as at 31 December 2018	**183**	**1**	**184**

2017	Furniture, electronic and other equipment	Transportation equipment	Total
Acquisition value			
Opening balance as at 01 January 2017	1,012	4	1,016
Purchases	249	-	249
Write-offs	-	-	-
Balance as at 31 December 2017	**1,261**	**4**	**1,265**
Accumulated Amortisation			
Opening balance as at 01 January 2017	(949)	(2)	(951)
Year depreciation	(59)	-	(59)
Write-offs	-	-	-
Accumulated Amortisation as at 31 December 2017	**(1,008)**	**(2)**	**(1,010)**
Net book balance as at 31 December 2017	**253**	**2**	**255**

Amounts in EUR thousand (Unless otherwise stated)

15 Other Assets

	31-12-2018	31-12-2017
Prepaid expenses & accrued income	85	71
Deposits paid	2	2
Receivables from suppliers	330	143
Other debtors	21	10
	439	**226**

16 Loans

	31-12-2018	31-12-2017
Bond loans	297,110	281,561
Subordinated loans	6,000	6,000
Sight deposits	4,872	4,762
Accrued interest	1,997	1,957
	309,979	**294,279**

All liabilities to credit institutions are at floating rate.

€6,000 thousand concern two subordinated loans (€ 4,000 thousand maturing on 27-2-2026 and €2,000 thousand maturing on 22-12-2027). The interest rate is six-month Euribor plus margin. Interest payments are half-yearly.

€241,000 thousand concern a bond loan comprising 482 bonds of €500 thousand each, maturing by 3-7-2020. The interest rate is three-month Euribor plus margin. Coupon payments are quarterly.

€55,000 thousand concern a bond loan comprising 110 bonds of € 500 thousand each, maturing by 16-7-2018. The interest rate is three-month Euribor plus margin. Coupon payments are quarterly.

€620 thousand concern a bond loan in USD comprising 1 bonds of € 500 thousand each, maturing by 3.7.2020. The interest rate is three-month Libor plus margin. Coupon payments are quarterly.

€490 thousand concern a bond loan in GBP comprising 1 bonds of € 500 thousand each, maturing by 3.7.2020. The interest rate is three-month Libor plus margin. Coupon payments are quarterly.

These loans are accounted for at net book value and the total principal is payable upon maturity.

Amounts in EUR thousand (Unless otherwise stated)

17 Other liabilities

	31-12-2018	31-12-2017
Liabilities to insurance funds	77	86
Deferred income and accrued expenses	54	65
Liabilities to suppliers	1,070	1,409
Liabilities to customers	3,058	950
Other payables	367	20
Other taxes - duties	1,072	1,007
	5,698	**3,537**

Liabilities to customers include amounts payable mainly through management Factoring.

18 Deferred tax

Deferred tax liabilities and deferred assets are broken down as follows:

Deferred tax assets	31-12-2018	31-12-2017
Pensions and other retirement benefits	109	81
Loan impairment	1,960	3,219
Other temporary differences	109	45
Net deferred tax assets	**2,178**	**3,345**

The deferred tax affecting the year’s earnings is broken down as follows:

Deferred Tax (Statement of Comprehensive Income)	1-1 – 31-12-2018	1-1 – 31-12-2017
Pensions and other retirement benefits	31	15
Loan impairment	(1,895)	(173)
Other temporary differences	64	(66)
	(1,800)	**(224)**

The deferred tax impact on the year’s equity is broken down as follows:

Deferred tax with a positive impact on equity	1-1 – 31-12-2018	1-1 – 31-12-2017
1st application of IFRS 9, as note 2.7	**637**	**0**

19 Port-retirement benefit obligations

Current benefit plan

Severance grant according to Law 2112/1920 and Law 4093/2012

Severence grants are offered to the majority of the Company's employees under the following terms:

Pursuant to law 4046/2012 and decision of the Hellenic Parliament (6/28/2/2012), as of 14 February 2012, all employee contracts which are terminated before meeting the retirement eligibility criteria or are subject to special retirement conditions shall be considered as contracts of indefinite duration; therefore, the provisions of Law 2112/1920 on pension compensations shall apply.

On 12 November 2012, Law 4093/2012 (E.K A'222) specified a reduction of the legal compensation that had been set by Law 2112/1920 in case of employee dismissal or retirement. Employees who on 12 November 2012 have a service history of 16 consecutive years with the same employer shall be entitled to the full compensation amount for all working years until that date.

For employees who on 12 November 2012 have a service history of less than 17 years with the same employer, the maximum legal compensation is 12 actual salaries. In both above cases and in case of normal retirement, if employees have supplementary insurance, then they receive 40% of the legal compensation, according to law 2112/1920. In case of incapacitation/disability before the retirement age o in case of early retirement, no compensation is payable. For lawyers, according to Law 4194/2013, the benefit payable in case of retirement is 100%; in case of exit after 28 years of work: 100%; after 20 years of work: 66.67%; and after 15 years of work: 50%.

Amounts in EUR thousand (Unless otherwise stated)

Obligations for compensation to staff based on actuarial studies:

The amounts recorded in the Statement of Financial Position are as follows:	**31-12-2018**	**31-12-2017**
Present value of liabilities	517	356
Liability in the statement of financial position	**517**	**356**
The amounts recorded in the Statement of Comprehensive Income are as follows:		
Cost of current service	25	23
Financial cost	6	5
(Profit) cost of cuts / settlements / termination	554	-
Total included in staff expenses (Note 8)	**585**	**28**
Change of obligation in the Statement of Financial Position:	**31-12-2018**	**31-12-2017**
Opening balance	**356**	**306**
Paid contributions	(413)	-
Total expense recognised in the income statement	585	28
Actuarial (gains) of defined benefits plans	(11)	22
Liability in the statement of financial position	**517**	**356**
Reconciliation of present value of liabilities		
Opening balance of present value of liabilities	**356**	**306**
Cost of current service	25	23
Financial cost	6	5
Benefits paid by employer	(413)	-
Additional expenses / (Income) or payments	554	-
Actuaria (gains) / losses	(11)	22
Closing balance of present value of obligations	**517**	**356**

The main financial assumptions used for the valuation of the relevant liability are as follows:

Amounts in EUR thousand (Unless otherwise stated)

	31-12-2018	31-12-2017
Inflation	1.75%	1.75%
Discount rate	1.77%	1.63%
Future salary increases	1.75%	1.75%
Average future employment rate	19.53	21.52

Sensitivity analysis	Change in the liability (%)		
	Change	Increase	Decrease
Discount rate	0.50%	-8.70%	9.60%
Future salary increases	0.50%	9.60%	-8.70%

The increased amount included in staff expenses (€585 thousand from €28 thousand) is due to the voluntary exit plan implemented by the Management in February 2018 and is offset by the corresponding reduction of staff for employees who made use of this plan. The plan provided incentives for employees of the Bank and its Greek subsidiaries in the framework of the "Agenda 2020" strategic plan through cost rationalisation measures.

20 Deferred tax receivables and payables

	31-12-2018	31-12-2017
Current income tax receivables	1,106	0
Current income tax liabilities	0	(148)
Total receivables/(payables) from year's income tax.	**1,106**	**(148)**

Amounts in EUR thousand (Unless otherwise stated)

21 Share Capital

	Share Capital	Share premium	Total
Opening balance as at 01 January 2018	21,126	2,770	23,896
Balance as at 31 December 2018	**21,126**	**2,770**	**23,896**
Opening balance as at 01 January 2017	21,126	2,770	23,896
Balance as at 31 December 2017	**21,126**	**2,770**	**23,896**

The total number of approved common registered shares is 5,868,233, with a par value of € 3.6 per share. All common shares have been issued and the share capital is fully paid-in.

22 Other reserves and retained earnings

	31-12-2018
Regulatory Reserves	2,072
Reserves from specially-taxed income (Law 2238/1994)	43
Taxed and other reserves	161
Retained Earnings/(Loss)	7,795
Total other reserves and retained earnings	**10,072**

Taxed reserves are in accordance with article 72(12) of Law 4172/2013 and other reserves refer to a staff compensation provision under IAS 19.

Amounts in EUR thousand (Unless otherwise stated)

Other reserves are broken down as follows:

Other Reserves	31-12-2018	31-12-2017
Opening balance	1,896	1,545
Extraordinary reserves from staff compensation provisions (IAS 19)	7	(15)
Earnings to legal reserves	374	366
Closing balance	**2,277**	**1,896**

Profit (loss) balance carried forward	31-12-2018	31-12-2017
Opening balance	8,748	11,788
Year profit/ (loss)	7,479	7,326
Impact from IFRS 9	(1,558)	-
Dividend distribution	(6,500)	(10,000)
Earnings to legal reserves	(374)	(366)
Closing balance	**7,795**	**8,748**

According to the law on Societes Anonymes (Law 2190/1920), the Company is required to transfer 5% of its annual net profit to a legal reserve, until accumulated reserve equals 1/3 of the paid-in share capital. This reserve cannot be distributed to the Company's shareholders, except in the case of liquidation.

23 Dividend per share

The General Shareholders' Meeting held on 30-06-2018 decided on a dividend distribution amounting to €6,500 thousand. The Company's Board of Directors will propose to the General Shareholders' Meeting a dividend distribution to the amount of €3,800 thousand from the 2018 earnings.

Amounts in EUR thousand (Unless otherwise stated)

24 Related party transactions

a) Transactions with members of Management

	31-12-2018	31-12-2017
Salaries and other fees	127	121
	127	**121**

b) Transactions with affiliated companies

The group is controlled by the parent Piraeus Bank S.A. (established in Greece), which holds 100% of shares. In the frame of its activities, the company is transacting with other Piraeus Bank Group companies. All transactions with the parent Bank and related parties are carried out at arm's length. The following are related party transactions.

	31-12-2018		01-01-2018 – 31-12-2018	
	Receivables	Liabilities	Income	Expenses
Parent	10,648	310,277	265	12,540
Other related parties	4,605	1,885	3,017	57
TOTAL	**15,253**	**312,162**	**3,282**	**12,597**

	31-12-2017		01-01-2017 – 31.12.2017	
	Receivables	Liabilities	Income	Expenses
Parent	8,135	294,480	500	8,286
Other related parties	-	2	67	177
TOTAL	**8,135**	**294,482**	**567**	**8,463**

25 Commitments for contingent liabilities

According to estimates from the Company's Management and Legal Department, there are no pending cases expected to have significant impact on the Company's financial position.

Amounts in EUR thousand (Unless otherwise stated)

26 Operating Leases

The Company leases means of transport through operating lease until 8-8-2021. According to the non-revocable operating lease agreements, the cumulative future payable lease amounts rise to €54 thousand.

In more detail:

	31-12-2018	31-12-2017
Up to 1 year	32	28
1 - 5 years	22	46
Over 5 years	-	-
Total	**54**	**74**

The Company leases equipment through operating lease agreements until 31-12-2022 according to legislation on commercial leases. According to the non-revocable operating lease agreements, cumulative future payable lease amounts rise to €67 thousand.

In more detail:

	31-12-2018	31-12-2017
Up to 1 year	17	17
1 - 5 years	50	67
Over 5 years	-	-
Total	**67**	**84**

The Company leases office and ancillary areas through operating lease agreements until 31-12-2026 according to legislation on commercial leases. According to the non-revocable operating lease agreements, cumulative future payable lease amounts rise to €429 thousand.

In more detail:

	31-12-2018	31-12-2017
Up to 1 year	125	160
1 - 5 years	254	786
Over 5 years	50	858
Total	**429**	**1,804**

Guarantees given to the Company:

There are no guarantees issued in the Company’s name in 2018.

Amounts in EUR thousand (Unless otherwise stated)

27 Auditor fees

For the years that ended on 31 December 2018 and 2017, the fees paid to the Company's Auditor (Deloitte S.A.) are broken down in the following table, pursuant to article 43a of Law 2190/1920, as amended by article 30 of Law 3756/2009.

	31-12-2018	31-12-2017
Regular Statutory Audit	40	50
Tax Audit	15	15
Total	**55**	**65**

28 Events after the reporting period

- On 24 April 2019 Law 4607 was voted; article 63 of this law specifies that the contribution provided for in article 1 of Law 128/1975 (A 178) is imposed on credits of any nature granted by financial institutions. The said law came into effect on 1 May 2019.

- On 30-4-2019, Ms Eleni Vrettou became Chairman of the Board of Directors, following the resignation of Ms Fotini Ioannou.

Apart from the above, there are no other events subsequent to the financial statements dated 31-12-2018 which concern the Company and would have a significant impact on the Company's Individual Financial Statements.

Athens, 10 July 2019

The Chairman of the Board of Directors	The Chief Executive Officer	For ACT SERVICES S.A. The Chief Financial Officer
ELENI X. VRETOU **ID card No.: AB 515487**	**CHARIKLEIA N. VARDAKARI** **ID card No.: AH 064953**	**PANAGIOTIS N. GEORGIOY** **ID card No.: AZ 525970-** **ECG Linence No.: O.E.E. A 12685**