ΠΕΙΡΑΙΩΣ FACTORING

Piraeus Factoring S.A.
ANNUAL FINANCIAL REPORT
31 DECEMBER 2019

The Annual Financial Report attached hereto was approved by the Company's Board of Directors on 17 July 2020 and has been posted online at www.piraeus-factoring.gr

The notes set out on pages 18 to 58 comprise an integral part of the Financial Statements as at 31 December 2019..

Contents

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

To

THE ORDINARY ANNUAL GENERAL MEETING

OF THE COMPANY'S SHAREHOLDERS

Dear Shareholders,

In accordance with the Company's Articles of Incorporation and article 150 of Law 4548, we hereby submit to the General Meeting the Director's Report and the Company's 2019 Financial Statements along with our relevant remarks for your approval.

Financial position of the Company and evolution of its operations

Despite domestic challenges and the prevailing global uncertainty, in 2019 the Greek economy maintained its robust growth trend. Real GDP maintained its 2018 (+1.9%) and 2017 (+1.5%) upward trend and grew by 1.9% on an annual basis in 2019. Exports, investment and consumption (in particular, public expenditure during the first half of the year) had a positive effect on growth. In addition, Greece's credit rating was positively affected by the constantly improving economic environment and the completion of and exit from the 3-year financial support programme (the "Third Economic Adjustment Programme) of the European Stability Mechanism (ESM) in August 2018.

Moreover, in 2019 the trade deficit shrank to € 2.6 billion from € 5.2 billion in 2018, mainly due to the increase of the services balance surplus and the fact that the secondary income balance switched from negative to positive territory. The primary income balance deficit also shrank.

These positive developments were reflected on the marked compression of Greek Government Bond yields, which fell to historic lows.

Various positive developments were recorded for the Greek banking system in 2019, including improved asset quality as a result of the lower NPE balance, a stabilised credit expansion, an expansion of sources of financing and improved liquidity levels (increased deposits, lower reliance on ECB financing) which benefited profitability, while capital adequacy ratios remained at satisfactory levels.

Domestic private sector credits in 2019 recorded a negative growth (-9.4% annually), mainly due to NPE portfolio sales, while loan balances rose to € 153.8 billion as at 31 December 2019 (Source: Bank of Greece). However, the annual adjusted rate of change in domestic private sector credit (after write-offs, re-classifications and exchange rate adjustments) was almost balanced in 2019 (-0.5%) compared to -1.1% in 2018. This difference is the result of increased financing to the business sector, while the rate of change in household credit remained in negative territory. The loan-to-deposit ratio in the Greek banking market further improved and rose to 84.3% as at 31 December 2019, compared to 93.8% as at 31 December 2018.

Throughout 2019 and in early 2020 Greek banks gained access to primary debt markets following a long period of absence and issued Tier 2 instruments for the first time in 11 years.

Dealing with high NPE levels remains the major challenge for the Greek banking system. Since the end of 2016, the Bank of Greece along with the ECB Single Supervisory Mechanism (SSM) has been setting business goals and KPIs for the reduction of Greek banks' NPEs.

The positive 2019 course was abruptly interrupted by the Covid-19 pandemic, while the spread between Greek and German Government Bonds recorded a significant increase in March 2020.

As a response to Covid-19, in mid-March the Greek government announced various economic relief measures to support businesses, self-employed professionals and employees in particular in the face of the pandemic's consequences, while some of these measures were adopted in collaboration with EU bodies.

In March 2020 the ECB also announced actions to mitigate the Covid-19 impact on the EU banking sector; these actions included the provision of greater flexibility in the application of ECB guidelines on NPE management.

The country's outlook will depend on the effect the Covid-19 pandemic will have on the global and the European economy. GDP growth will thus be substantially affected in 2020.

The total annual turnover of the factoring market in Greece grew and reached € 15 billion in 2019 compared to € 14.6 billion in 2018.

Piraeus Factoring managed to increase its turnover by 3% from € 2.25 billion in 2018 to € 2.32 billion in 2019 and further increased its market share; earnings before tax also went up to € 7,776 thousand. Loan balances rose to € 331,869 thousand as at 31 December 2019.

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 2019 are:

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

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

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

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

5. Gradual integration during 2019 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. Risk analysis and monitoring is presented in notes 4.1 - 4.6 to the financial statements.

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 2019 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.

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 outlook will depend on the effect of Covid-19 on the global, the European and the Greek economies and are 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 in collaboration with members of Factors Chain International (FCI), thus contributing to the promotion of exports.

5. 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

Amounts in EUR thousand (Unless otherwise stated)

None.

Cash in foreign currency

The Company has limited deposits in foreign currency.

Branches

The Company has offices in Thessaloniki, at 106 Megalou Alexandrou str. & 13 Pavlou Mela str.

Use of Financial Instruments

The Company does not make use of any derivative or other financial instruments.

Staff

The Company's management relies on a team of experienced and competent executives who are fully aware of the Company's business and the market conditions, thus contributing to the proper functioning and further development of the Company's operations.
The Company's staff rose to 44 employees as at 31 December 2019. The Management's relations with the staff are excellent and there are no employment issues.

Environmental issues

The Company recognises the environmental impact of its activities and seeks and sets objectives for the optimal utilisation of natural resources and the protection of the environment. In addition, the Company encourages its customers, suppliers and employees to adopt best environmental practices in accordance with the guidelines and initiatives of International Organisations.

Research and Development Activities

The Company is not active in the field of Research & Development.

ALTERNATIVE PERFORMANCE MEASURES (APMs)				
No.	**APM**	**APM Definition – Calculation**	**2019**	**2018**
1	Pro-forma Total Capital Adequacy Ratio	Total regulatory capital / risk-weighted assets	19.20%	19.52%
2	Non-Performing Exposures (NPEs)	On-balance sheet credit exposures before provisions, which: (a) are more than 90 days past due; (b) have been impaired or the debtor is unlikely to pay (UTP) without the liquidation of security, irrespective of any overdue amount or the number of days in arrears; (c) have not been forborne and their monitoring period, as specified by the European Banking Authority, has not expired; (d) have been contaminated by amounts (a) as specified by the European Banking Authority or are UTP exposures.	43,351	48,654

Amounts in EUR thousand (Unless otherwise stated)

3	Non-Performing Loans (NPLs)	Consumer before provisions, more than 90 days past due	13,942	11,040
4	NPE provision coverage ratio	Provisions for loans to (/) NPEs	38.46%	30.80%
5	NPE Ratio	NPEs to (/) Loans before provisions	12.44%	13.90%
6	NPL Ratio	NPLs to (/) Loans before provisions	4.00%	3.15%
7	Provisions for loans	Provisions for loans	16,672	14,985
8	Loans before provisions	Loans before provisions	348,541	349,961
9	Loans after provisions	Loans after provisions at amortised cost	331,869	334,976
10	Net Commissions Income	-	3,265	4,433
11	Net Interest Income	-	6,037	6,970
12	Net result after tax	Net result after tax	5,808	7,479
13	Total Net Income		13,906	11,555
14	Operating Expenses	Total Operating Expenses	4,095	4,411
15	Result before provisions	Profit for the period before provisions, impairment and tax	9,811	7,145
16	Result before tax	Profit for the period before income tax	7,776	11,042

Significant losses

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

Other significant events

- Pursuant to article 67 of Law 4646/2019, the contribution imposed on 1 May 2019 by virtue of article 1 of Law 128/1975 (A 178) on credits of any nature granted by financial institutions was abolished.

The said law came into effect on 1 January 2020.

- On 3 July 2020 a new 3-year bond loan of € 250 million was issued in replacement of a bond loan of an equal amount that expired on that date.

- The emergence of the coronavirus (Covid-19) in early 2020 and its spread in the next period at pandemic levels has led to preventive measures and measures to limit the virus spread.

These measures included, without being limited to, the suspension of the operation of educational facilities, department stores and places with a high audience/consumer turnout, as well as the reduction of non-essential movements, and affect the Company's day-to-day operation. The gradual lifting of measures has given ground to prospects for a return to normal life. The Management closely monitors developments so that it can promptly respond to the requirements of the global as well as the domestic environment.

The coronavirus pandemic occurred in 2020, i.e. after the reporting date for the current Financial Statements.

It is estimated that the Company's financial data for the year 2020 will not be substantially affected.

In addition, with a view to employee protection, the Company has taken measures to reduce the risk of staff exposure to the virus (teleworking, where possible), and is in constant contact with the Bank and the National Public Health Organisation (EODY) on issues related to the coronavirus, in order to adopt all protection and safety instructions and measures.

Apart from the above, there are no other events, subsequent to the financial statements as at 31 December 2019, 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, 17 July 2020

THE CHAIRMAN OF THE BOARD OF DIRECTORS	THE CHIEF EXECUTIVE OFFICER
ELENI CH. VRETOU ID Card no. AB 515487	STYLIANI E. GONALAKI ID Card no. AA 067666

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Independent Auditor's Report

to the Shareholders of “Piraeus Factoring S.A."

Report on the Audit of 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, 2019, 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, 2019, and of its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (I.F.R.S.) as endorsed by the European Union.

Basis of 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, during the whole period of our appointment, 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 judgement 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.

Deloitte.

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 150 of L. 4548/2018 and its content is consistent with the accompanying financial statements for the year ended December 31, 2019.

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, 30 July 2020

The Certified Public Accountant

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Amounts in EUR thousand (Unless otherwise stated)

STATEMENT OF COMPREHENSIVE INCOME

	Note	Period that ended on	
		31/12/2019	31/12/2018
Interest and equivalent income	5	15,478	15,078
Interest and equivalent expenses	5	(9,441)	(8,107)
NET INTEREST INCOME		6,037	6,970
Commission Income	6	9,266	9,528
Commission Expenses	6	(6,001)	(5,095)
NET COMMISSIONS INCOME		3,265	4,433
Other operating income	7	4,605	152
TOTAL NET INCOME		13,906	11,555
Staff expenses	8	(2,017)	(2,361)
Management expenses	9	(1,700)	(1,815)
Depreciation	13,14,15	(378)	(235)
Value impairment of loans and advances	12	(2,035)	3,898
TOTAL EXPENSES		(6,130)	(513)
PRE-TAX EARNINGS		7,776	11,042
Income tax	10	(1,968)	(3,563)
YEAR EARNINGS (A)		5,808	7,479
Actuarial gains / (loss) of defined benefit plans (after tax)		(25)	7
Other Total Income After Tax (B)	20	(25)	7
Comprehensive total income after tax (A+B)		5,783	7,486

Amounts in EUR thousand (Unless otherwise stated)

STATEMENT OF FINANCIAL POSITION

	Note	31/12/2019	31/12/2018
ASSETS			
Cash in hand & bank balances	11	13,713	10,842
Loans and advances to customers	12	331,869	334,976
Property with right of use	13	291	-
Intangible assets	14	392	524
Tangible assets	15	215	184
Deferred tax assets	19	2,222	2,178
Current tax assets	21	0	1,016
Other Assets	16	187	439
TOTAL ASSETS		**348,889**	**350,160**
LIABILITIES			
Loans	17	306,507	309,979
Retirement benefit obligations	20	663	517
Other payables	18	5,436	5,698
Current tax liabilities	21	332	-
TOTAL LIABILITIES		**312,938**	**316,193**
EQUITY			
Share capital	22	21,126	21,126
Share premium	22	2,770	2,770
Other reserves	23	2,626	2,277
Retained earnings	23	9,430	7,795
TOTAL EQUITY		**35,951**	**33,967**
TOTAL LIABILITIES & EQUITY		**348,889**	**350,160**

Amounts in EUR thousand (Unless otherwise stated)

STATEMENT OF CHANGES IN EQUITY

	Note	Share Capital	Above par	Other Reserves	Retained earnings	TOTAL
Opening Balance as at 01 January 2018	**22**	**21,126**	**2,770**	**1,896**	**8,748**	**34,539**
Profit after taxes	23	-	-	-	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	23				(6,500)	(6,500)
Impact from IFRS 9	23				(1,558)	(1,558)
Earnings transferred to reserves	23	-	-	374	(374)	-
Balance as at 31 December 2018		**21,126**	**2,770**	**2,277**	**7,795**	**33,967**
Opening Balance as at 01 January 2019	**22**	**21,126**	**2,770**	**2,277**	**7,795**	**33,967**
Profit after taxes	23	-	-	-	5,808	5,808
Total recognised net income after taxes		-	-	-	5,808	5,808
Reserves from actuarial gains/(losses)				(25)		(25)
Previous year's dividend paid	23				(3,800)	(3,800)
Earnings transferred to reserves	23	-	-	375	(375)	-
Balance as at 31 December 2019		**21,126**	**2,770**	**2,626**	**9,430**	**35,951**

Amounts in EUR thousand (Unless otherwise stated)

CASH FLOW STATEMENT

	Note	Fiscal year ending 31 Dec 2019	31 Dec 2018
Cash flows from operating activities			
Profit before tax		7,776	11,042
Adjustments to profit before tax:			
Loan impairment	12	2,035	(3,898)
Depreciation	13,14,15	378	235
Post-retirement benefits	20	112	174
Cash flows from operating activities before change to operating assets and liabilities		**10,302**	**7,553**
Changes of operating assets and liabilities			
Net (increase) / decrease in customer loans and receivables	12	1,072	(13,555)
Net (increase) / decrease in other assets	16	252	(213)
Net (increase) / decrease in liabilities to credit institutions	17	(3,921)	15,700
Net (increase) / decrease in other liabilities	18	(262)	2,161
Cash flows from operating activities before income taxe		**7,441**	**11,646**
Income tax paid		(744)	(2,930)
Net cash inflows / (outflows) from operating activities		**6,697**	**8,716**
Cash flows from investment activities			
Acquisition of tangible assets	15	(2)	(2)
Acquisition of intangible assets	14	(24)	(13)
Net inflows / (outflows) from investments		**(26)**	**(15)**
Cash flows from financing activities			
Dividend paid		(3,800)	(6,500)
Net inflows / (outflows) from financing activities		**(3,800)**	**(6,500)**
Net increase / (decrease) of cash and cash equivalents		**2,871**	**2,201**
Start of year cash and cash equivalents	11	**10,842**	**8,641**
End of year cash and cash equivalents		**13,713**	**10,842**

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 receives accounts receivable invoices from traders and 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 and subsequently seeks to collect from end customers.

These Financial Statements were approved for publication on 17 July 2020 by the Board of Directors, comprising the following persons:

Eleni X. Vrettou, Chairman
Efthymios P. Kyriakopoulos, Vice-Chairman
Styliani E. Gonalaki, 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, the 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 Continuing operations

The Management have concluded that the Company's financial statements have been properly prepared on a Going Concern basis as at 31 December 2018, considering the Company's improved liquidity, profitability and capital adequacy and the impact of Covid-19 which is not expected to be substantial for the Company.

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 standards, standard amendments and interpretations: New standards, standard amendments and interpretations have been published, mandatory for accounting periods starting on 1 January 2019 or later. The Group's estimates regarding the impact from application of the new standards, amendments and interpretations, are listed below.

Standards and Interpretations which are mandatory for the current fiscal period

IFRS 16 "Leases"

IFRS 16 was issued in January 2016 and replaces IAS 17. The purpose of the standard is to ensure that lessees and lessors provide relevant information that faithfully represents lease-related transactions. IFRS 16 provides a single lessee accounting model, requiring lessees to recognise assets and liabilities for all leases unless the lease term is 12 months or less or the underlying asset has a low value. IFRS 16's approach to lessor accounting is substantially unchanged from its predecessor, IAS 17. Therefore, lessors continue to classify leases as operating or finance, and account for each type of contract differently. Further information on the impact of the first application of IFRS 16 as at 1 January 2019 is included in Note 29.

IFRS 9 (Amendments) "Prepayment features with negative compensation"

The Amendments enable companies, subject to a certain condition, to measure some prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income instead of measuring such assets at fair value through profit or loss.

IAS 28 (Amendments) "Long-term interests in associates and joint ventures"

The amendments specify that entities must account for their long-term interests in an associate or joint venture - to which the equity method does not apply - in accordance with IFRS 9.

IFRIC 23 "Uncertainty over Income Tax Treatments"

The Interpretation provides explanations as to the recognition and measurement of current and deferred income tax when there is uncertainty over the tax treatment of certain items. IFRIC 23 applies to all aspects of income tax accounting when such uncertainty exists, including taxable profit/loss, the tax base of assets and liabilities, tax gains and losses, and tax rates.

IAS 19 (Amendments) "Plan Amendment, Curtailment or Settlement"

The amendments specify how entities must identify pension costs when changes to defined benefit plans occur.

Annual Improvements in IFRS (2015-2017 Cycle)

The amendments listed below include changes to four IFRSs.

IFRS 3 "Business Combinations"

The amendments clarify that an entity shall re-measure the percentage previously held in a jointly controlled activity when acquiring control of that undertaking.

IFRS 11 "Joint Arrangements"

The amendments specify that an entity shall not re-measure the percentage previously held in a jointly controlled activity when acquiring joint control of that undertaking.

IAS 12 "Income tax"

The amendments clarify that an entity shall account for all effects on income tax from dividend payments in the same manner.

IAS 23 "Borrowing cost"

The amendments clarify that an entity shall treat as part of its general lending any loan taken specifically for the development of an asset when that asset is ready for its intended use or for sale.

Standards and Interpretations effective for subsequent periods

IFRS 17 "Insurance Contracts"
(applies to annual accounting periods starting on or after 1 January 2021)

IFRS 17 was issued in May 2017 and replaces IFRS 4. IFRS 17 establishes the principles for the recognition, measurement and presentation of insurance contracts within the scope of the Standard and the relevant disclosures. The purpose of the standard is to ensure that an entity provides relevant information that gives a fair view of such contracts. The new standard solves the comparability problems created by IFRS 4 by requiring all insurance contracts to be accounted for in a consistent manner. Insurance liabilities shall be measured at current values and not at historical cost. The standards has not yet been adopted by the European Union.

IFRS 3 (Amendments) "Definition of business combination"
(applies to annual accounting periods starting on or after 01 January 2020)

The new definition focuses on the concept of an undertaking's performance in the form of providing goods and services to customers as opposed to the previous definition which focused on returns in the form of dividends, lower costs or other economic benefits to investors and other parties. The amendments have not yet been adopted by the European Union.

IAS 1 and IAS 8 (Amendments) "Definition of material» (apply to annual accounting periods starting on or after 1 January 2020)

The amendments clarify the definition of material and how it should be used, supplementing the definition with guidance that had so far been provided in other IFRS parts. In addition, the clarifications accompanying the definition have been improved. Finally, the amendments ensure that the definition of material is consistently applied to all IFRSs.

IFRS 9, IAS 39 and IFRS 7 (Amendments) "Interest rate benchmark reform" (apply to annual accounting periods starting on or after 1 January 2020)

The amendments change certain requirements on hedge accounting in order to provide relief from the uncertainty arising from interest rate benchmark reform. Moreover, the amendments require companies to provide additional information to investors on their hedging relationships, which are directly affected by such uncertainties.

2.4 Amendment to the accounting policy due to the application of IFRS 16

IFRS 16 introduces for tenants a single accounting model for on-balance-sheet leases and removes the distinction between operating and financial leases. The lessee recognises a right of use asset representing the lessee's right to use the underlying asset, as well as a lease obligation representing the lessee's obligation to make payments under the lease agreement. Short-term leases and leases of low-value assets are exempted from the recognition rule. Accounting by the lessor remains similar to that set out in IAS 17 "Leases", i.e. the lessors continue to classify leases as financial or operating leases in their financial statements.

The change in the definition of lease relates mainly to the concept of audit. IFRS 16 specifies whether a contract involves a lease on the basis of whether the tenant has the right to control the use of a specified asset for a period of time, against an equivalent price.

The Management shall apply the definition of lease and the relevant guidance as set out in IFRS 16 to all lease agreements concluded or amended after 1 January 2019.

Lease obligations are initially measured at the present value of future leases discounted at the lessee's incremental borrowing rate of interest. At a subsequent phase, the lease obligation is adjusted, inter alia, by interest and rent payments, as well as by the impact of any amendments to the lease contract.

The cost of the right of use shall include:

a) the amount of the initial measurement of the lease obligation, as described above;

b) any lease paid, excluding any incentives in the lease contracts received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the space where the asset was originally placed or restoring the underlying asset to the condition provided for by the terms and conditions of the lease.

Furthermore, the nature of the expenses related to such leases is now changing, since the Company recognises depreciation costs for the assets with the right of use by applying the straight line method as well as any interest and similar expenses on the lease obligation.

In the case of short-term leases (with a term of 12 months or less) and leases of low-value assets (less than € 5 thousand), the Company recognises a lease expense using the straight-line method as permitted by IFRS 16, by applying the corresponding practical rule laid down in the standard during the transition. This expense is shown in the "Administrative expenses" item of the Income Statement.

The Management has adopted the relevant practical rule also in the case of lease contracts that include elements that do not meet the definition of lease, i.e. the Management has chosen, by category of underlying asset, not to separate elements meeting the definition of lease from those that do not and to account for all these elements as single lease elements instead.

2.5 Foreign currencies

A. Operating currency and presentation currency

The Financial Statements are presented in EUR which is the Company's functional currency.

B. Transactions and balances

Transactions in foreign currency are translated to the presentation currency using the foreign exchange rate as at the transaction date. Any resulting foreign exchange differences are recorded in the statement of comprehensive income. Balances in foreign currency at the reporting date of the Financial Statements are translated into the presentation currency at the exchange rate as at the reporting date. Any differences are accounted for in the Statement of Comprehensive Income.

2.6 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.

2.7 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.

2.8 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:

- in which credit risk has increased substantially since their initial recognition (Stage 2);
- which have an impaired credit value (Stage 3) and
- which are acquired or created financial assets with impaired credit value;

an impairment loss equal to expected losses over the life of the loan shall be recognised.

Definition of Default

The Group and the Company have aligned 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 at the factoring contract level for small and medium-sized enterprises with a turnover of up to €2.5 million and at the borrower level for other enterprises.

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 Company and the Group assess whether credit risk in an exposure has increased significantly are listed below.

Primary criteria

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

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.

Backstop

- More than 30 days in arrears

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.

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

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.

Forborne 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.

Forborne 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.

2.9 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 within 3-4 years using the straight line method. An impairment test is carried out when there is evidence of impairment.

2.10 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: Shorter duration between the useful life of the property and the property's 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 non-depreciated book value are recorded in the Statement of Comprehensive Income as profit or loss.

2.11 Leases

Lease identification

Upon entering into a lease contract, the Company assesses whether the contract is or involves a lease. A contract is or involves a lease if the right to control the use of a particular asset for a period of time against consideration is transferred thereunder.

The time period may be determined by the amount of the use value of a particular asset. The Company reviews whether a lease contract is or involves a lease only if the contractual terms and conditions change.

Separation of contract components

In the case of a contract that includes a lease item and one or more additional lease or non-lease items, the Company allocates contract price to each lease item on the basis of the corresponding standalone price of the lease item and the total standalone price of the non-lease items.

The Company as a tenant

In accordance with the provisions of IFRS 16, upon entering into a contract the Company assesses whether the contract is or involves a lease on the basis of whether it has the right to control the use of a specified asset for a period of time, against an equivalent price and to substantially obtain all the economic benefits from the use of the asset.

In accordance with IFRS 16, the Company recognises new assets (Right of Use - "RoU") and lease obligations for all lease contracts that meet the definition of lease.

At the lease commencement date, the Company recognises a Right of Use asset representing the lessee's right to use the underlying asset, as well as a lease obligation representing the lessee's obligation to make payments under the lease contract.

In applying the provisions of IFRS 16 to all leases, the Company:

(a) recognizes lease obligations in the Statement of Financial Position;

(b) recognizes assets with right of use in the Statement of Financial Position;

(c) recognizes depreciation of assets with right of use and impairment as defined in IAS 36 "Impairment of assets" in the Income Statement;

(d) recognizes financial costs in lease obligations; and

(e) divide the total amount of payments into part of capital (presented in financing activities) and financing costs (presented in operating activities) in the Cash Flow Statement.

The initial ROU measurement of shall be made at the acquisition cost, which shall include:

(a) the amount of the initial measurement of the lease obligation;

(b) any leases paid, excluding any incentives in the lease contracts received;

(c) any initial direct costs incurred by the lessee; and

(d) an estimate of the costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the space where the asset was originally placed or restoring the underlying asset to the condition provided for by the terms and conditions of the lease.

With respect to subsequent measurement and derecognition, the Company follows the relevant rules and the accounting policy applicable to the asset class to be incorporated into the RoU.

Lease obligations are initially measured at the present value of future leases discounted at the incremental borrowing rate of interest. At a subsequent phase, the lease obligation is adjusted, inter alia, by interest and rent payments, as well as by the impact of any amendments (not constituting a different lease contract) to the lease contract. The lease obligation shall be de-recognised when it is fulfilled, cancelled, expires or substantially amended.

In the case of short-term leases (with a term of 12 months or less) and leases of low-value assets (less than € 5 thousand), the Company recognises a lease expense using the straight-line method as permitted by IFRS 16.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 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.

2.17 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 have 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

Actuarial gains and losses

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.

Past service cost

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

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 loss model, which applies to all financial assets that are subject to impairment. 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:

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.

Amounts in EUR thousand (Unless otherwise stated)

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 31/12/2019 and 31/12/2018, 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	31/12/2019	31/12/2018
Advances to businesses	348,541	349,961
Other Assets	187	439

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

4.1.2 Loans and advances to customers

Loans and advances to customers are summarised as follows:

		31 Dec 2019			
	Stage 1	Stage 2	Stage 3 individual	Stage 3 collective	Total
Loans and advances to customers					
Large Enterprises	**59,196**	**75,736**	**9,854**	**0**	**144,786**
SMEs	**95,734**	**74,524**	**31,528**	**1,969**	**203,755**
Total	**154,930**	**150,260**	**41,382**	**1,969**	**348,541**
Provisions 31/12/2019					
Large Enterprises	**338**	**970**	**80**	**0**	**1,388**
SMEs	**703**	**1,126**	**13,064**	**391**	**15,284**
Total	**1,041**	**2,096**	**13,144**	**391**	**16,672**
Loans and advances (after provisions)					
Large Enterprises	**58,858**	**74,766**	**9,774**	**0**	**143,398**
SMEs	**95,031**	**73,398**	**18,464**	**1,578**	**188,471**
Total	**153,889**	**148,164**	**28,238**	**1,578**	**331,869**

Amounts in EUR thousand (Unless otherwise stated)

31 Dec 2018	Stage 1	Stage 2	Stage 3 individual	Stage 3 collective	Total
Loans and advances to customers					
Large Enterprises	92,596	43,896	16,229	0	152,721
SMEs	78,406	86,409	32,425	0	197,240
Total	**171,002**	**130,305**	**48,654**	**0**	**349,961**
Provisions as at 31/12/2018 according to IFRS 9					
Large Enterprises	937	801	79	0	1,817
SMEs	518	2,844	9,806	0	13,168
Total	**1,455**	**3,645**	**9,885**	**0**	**14,985**
Loans and advances (after provisions acc. to IFRS 9)					
Large Enterprises	91,659	43,095	16,150	0	150,904
SMEs	77,888	83,565	22,619	0	184,072
Total	**169,547**	**126,660**	**38,769**	**0**	**334,976**

Loans to businesses also include forborne loans of € 4,411 thousand on 31/12/2019 compared to € 5,577 thousand on 31/12/2018.

NPLs rise to € 13,942 thousand and NPL ratio rises to 4% as at 31/12/2019, compared to € 11,041 thousand and NPL ratio of 3.15% as at 31/12/2018.

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 2019. The Company has distributed risk exposures per counterparty industry.

Industry	31/12/2019	31/12/2018
Manufacturing	176,865	175,386
Commercial companies	99,406	101,100
Other companies	72,270	73,475
	348,541	**349,961**

Amounts in EUR thousand (Unless otherwise stated)

4.2 Market Risk

Market risk, analysed in paragraphs 4.3, 4.4 & 4.5 below, 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 has limited exposure to the effects of fluctuating 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 31/12/2019. Assets and liabilities are presented per currency at book value:

As at 31 December 2019	EUR	GBP	USD	Other	Total
Assets foreign exchange risk					
Cash in hand & bank balances	12,762	514	435	2	13,713
Loans and advances to customers (after provisions)	331,643		226		331,869
Real estate investments	291				291
Intangible fixed assets	392				392
Tangible assets	215				215
Deferred tax assets	2,222				2,222
Other Assets	187				187
Total assets	**347,712**	**514**	**661**	**2**	**348,889**
Liabilities foreign exchange risk					
Loans	305,351	516	640		306,507
Retirement benefit obligations	663				663
Other payables	5,430		6		5,436
Current tax liabilities	327		5		332
Total liabilities	**311,771**	**516**	**651**	**0**	**312,938**
Net foreign exchange position of assets - payables	**35,942**	**(2)**	**10**	**2**	**35,951**
As at 31 December 2018					
Total assets	348,987	491	682		350,160
Total liabilities	315,027	490	676		316,193
Net foreign exchange position of assets - payables	**33,960**	**1**	**6**	**0**	**33,967**

Amounts in EUR thousand (Unless otherwise stated)

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 flows (or even cash flows themselves) varies depending on interest rate fluctuations.

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.

As at 31 December 2019	Up to 1 month	1 - 3 months	3 - 12 months	Interest free	Total
Assets					
Cash in hand & bank balances	13,713	-	-	-	13,713
Loans and advances to customers	-	324,121	7,479	269	331,869
Other Assets		-	-	3,307	3,307
Total Assets	13,714	324,121	7,479	3,576	348,889
Liabilities					
Liabilities to credit institutions	1,952	296,648	6,000	1,907	306,507
Other Liabilities		-	-	6,431	6,431
Total liabilities	1,952	296,648	6,000	8,337	312,938
Total Interest Rate Risk Gap	11,761	27,474	1,479	(4,761)	35,951

Amounts in EUR thousand (Unless otherwise stated)

The following tables offer comparative data for the previous period:

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 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.

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

Based on balances as at 31 December 2019, a 50 bp interest rate rise or fall would have impacted earnings by € 1,513 thousand and € (1,513) thousand respectively. Moreover, a 100 bp interest rate rise or fall would have impacted earnings by € 3,026 thousand and € (3,026) 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 in EUR thousand (Unless otherwise stated)

Amounts appearing are contractual non discounted cash flows.

As at 31 December 2019	Up to 1 month	1 - 3 months	3 - 12 months	1 - 5 years	Over 5 years	Total
Liabilities liquidity						
Liabilities to credit institutions	-		5,246	304,516	-	309,762
Other Liabilities	-	1,111	4,324	-	-	5,436
Total liabilities	**-**	**1,111**	**9,570**	**304,516**	**-**	**315,197**
As at 31 December 2018						
Liabilities to credit institutions	-		9,093	310,529	-	319,622
Other Liabilities	-	1,095	4,603	-	-	5,698
Total liabilities	**-**	**1,095**	**13,696**	**310,529**	**-**	**325,320**

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.

Throughout 2019 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

Amounts in EUR thousand (Unless otherwise stated)

The fair value of loans and advances to customers as at 31/12/2019 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.

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 supervised 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, capital adequacy is calculated in accordance with 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 19.20% on 31/12/2019 compared to 19.52% on 31-120-2018.

Capital Adequacy calculation table as at 31/12/2019 & 31/12/2018

Equity	31/12/2019	31/12/2018
Share Capital	21,126	21,126
Share premium	2,770	2,770
Reserves	2,626	2,277
Subordinated loans	6,000	6,000
Retained earnings	10,754	9,275
Accounting equity	**43,275**	**41,448**
Less: Intangible fixed assets	(392)	(524)
Regulatory Capital	**42,883**	**40,923**
Weighted Assets	**223,382**	**209,605**
Capital Adequacy Ratio	**19.20%**	**19.52%**

Amounts in EUR thousand (Unless otherwise stated)

5 Net interest income

Interest and equivalent income	1/1- 31/12/2019	1/1- 31/12/2018
Loan Interest	15,478	15,078
Total interest and equivalent income	15,478	15,078
Interest and equivalent expenses		
Interest and borrowing expenses	(9,441)	(8,107)
Total interest and equivalent expenses	(9,441)	(8,107)
Net interest income	6,037	6,970

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. In FY 2019 interest income and expenses include a contribution amount of € 1,2 million according to Law 128/1975.

6 Net commissions income

Commissions Income	1/1- 31/12/2019	1/1- 31/12/2018
From factoring business	9,266	9,528
Total commissions income	9,266	9,528
Commissions Expenses		
From factoring business	(6,001)	(5,095)
Total commissions expenses	(6,001)	(5,095)
Net Commissions Income	3,265	4,433

Commissions expenses for the year 2019 include commissions of € 4,098 thousand to the parent Bank for undertaking credit risk and organising bond loans, compared to € 3,258 thousand in 2018.

Amounts in EUR thousand (Unless otherwise stated)

7 Other operating income

	1/1- 31/12/2019	1/1- 31/12/2018
Income from securities	41	45
Income from other activities	125	106
Other revenues	4,439	1
	4,605	152

Other income for the year 2019 includes an amount of € 4,425 thousand that refers to an assigned portfolio collection from clients.

8 Staff expenses

	1/1- 31/12/2019	1/1- 31/12/2018
Wages and salaries	(1,328)	(1,355)
Social security contributions	(339)	(337)
Other staff expenses	(97)	(85)
Retirement benefits (note 20)	(252)	(585)
	(2,017)	(2,361)

As at 31 December 2019, the Company's staff rises to 44 from 46 as at 31 December 2018.

9 Management Expenses

	1/1- 31/12/2019	1/1- 31/12/2018
Rent	(5)	(197)
Third-party benefits (loans to staff)	(970)	(919)
Insurance premiums	(2)	(3)
Third-party fees and expenses	(389)	(369)
Other administration expenses	(334)	(327)
	(1,700)	(1,815)

Amounts in EUR thousand (Unless otherwise stated)

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 year 2019 is 24% according to article 22 of Law 4646/2019, while for the years 2018 and 2017 it rose to 29%. In addition, according to the provisions of article 24 of Law 4646/2019, any distributed profit to members of the Management or staff is subject to 5% withholding tax on such distribution. Dividend distributions to the parent Piraeus Bank S.A. are not subject to withholding tax (article 63 of Law 4172/2013).

	1/1- 31/12/2019	1/1- 31/12/2018
Current tax	(2,003)	(1,763)
Deferred tax (note 19)	35	(1,800)
	(1,968)	(3,563)

Tax on the Company's profit before tax is the amount that results by applying the base tax rate, i.e. 24% for the year 2019 and 29% for the previous year 2018 and is broken down as follows:

	1/1- 31/12/2019	1/1- 31/12/2018
Earnings before tax	7,776	11,042
Tax calculated by applying the applicable tax rates	(1,866)	(3,202)
Tax rate adjustment for deferred tax calculation	(83)	(335)
Tax on non-deductible expenses	(19)	(26)
Income tax	**(1,968)**	**(3,563)**
Period's actual tax rate	**25.3%**	**32.3%**

Amounts in EUR thousand (Unless otherwise stated)

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 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 to 2018 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- 2018).

For year 2019, 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, 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

	31/12/2019	31/12/2018
Cash in hand	2	1
Sight deposits	13,711	3,992
Term deposits	0	6,850
	13,713	**10,842**

Amounts in EUR thousand (Unless otherwise stated)

12 Loans and advances to customers

	31/12/2019	31/12/2018
Loans and advances to businesses		
With recourse and partially recourse	294,266	286,484
Without recourse	54,276	63,477
Total loans and advances	348,541	349,961
Less: Provisions for losses (impairment) from loans and advances	(16,672)	(14,985)
Total loans and advances to customers	331,869	334,976

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

	31/12/2019	31/12/2018
Opening balance	14,985	16,718
Impact from IFRS 9	-	2,195
Year expense	1,708	(3,898)
Less: year write-offs	(21)	(30)
Closing balance	16,672	14,985

The year's provision expense includes an amount of 328 thousand that relates to an impairment allowance for receivables from suppliers that is shown in other assets as Note 16.

13 Property with right-of-use

2019 Acquisition value	
	Property Right of Use
Opening balance as at 1 January 2019	0
Application of IFRS 16	412
Balance as at 31 December 2019	412
Accumulated Amortisation	
Opening balance as at 1 January 2019	0
Year expense	(122)
Accumulated Amortisation as at 31 December 2019	(122)
Net book balance as at 31 December 2019	291

Amounts in EUR thousand (Unless otherwise stated)

14 Intangible assets

2019 Acquisition value	
	Software
Opening balance as at 1 January 2019	2,993
Additions	24
Balance as at 31 December 2019	3,017
Accumulated Amortisation	
Opening balance as at 1 January 2019	(2,469)
Year expense	(156)
Accumulated Amortisation as at 31 December 2019	(2,625)
Net book balance as at 31 December 2019	392

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

15 Tangible Assets

2019	Furniture, electronic and other equipment	Transportation equipment	Total
Acquisition value			
Opening balance as at 1 January 2019	1,263	4	1,267
Purchases	2	-	2
Application of IFRS 16	65	63	128
Write-offs	-	-	-
Balance as at 31 December 2019	1,330	67	1,397
Accumulated Amortisation			
Opening balance as at 1 January 2019	(1,080)	(3)	(1,083)
Year expense	(74)	(25)	(99)
Write-offs	-	-	-
Accumulated Amortisation as at 31 December 2019	(1,154)	(28)	(1,182)
Net book balance as at 31 December 2019	176	39	215

Amounts in EUR thousand (Unless otherwise stated)

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**

16 Other Assets

	31/12/2019	31/12/2018
Prepaid expenses & accrued income	52	85
Deposits paid	2	2
Receivables from suppliers	343	330
Impairment allowance	(328)	-
Receivables from the Greek Government	88	-
Other debtors	30	21
	187	**439**

The amount of 328 thousand relates to a impairment allowance for receivables from suppliers.

Amounts in EUR thousand (Unless otherwise stated)

17 Loans

	31/12/2019	31/12/2018
Bond loans	286,648	297,110
Subordinated loans	6,000	6,000
Overdraft accounts	10,000	-
Sight deposits	1,952	4,872
Accrued interest	1,907	1,997
	306,507	**309,979**

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.

€235,500 thousand concern a bond loan comprising 471 bonds of € 500 thousand each, maturing by 3/7/2020. The interest rate is three-month Euribor plus margin. Coupon payments are quarterly.

€ 50,000 thousand concern a bond loan comprising 100 bonds of € 500 thousand each, maturing by 16/7/2021. The interest rate is three-month Euribor plus margin. Coupon payments are quarterly.

€ 633 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.

€ 515 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.

An amount of €10,000 thousand relates to a quarterly revolving credit from EBRD through an overdraft account. The interest rate is equal to the three-month Euribor plus a margin. Interest 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)

18 Other liabilities

	31/12/2019	31/12/2018
Liabilities to insurance funds	75	77
Deferred income and accrued expenses	53	54
Liabilities to suppliers	966	1,070
Liabilities to customers	2,363	3,058
Lease obligations	381	0
Other payables	370	367
Other taxes - duties	1,227	1,072
	5,436	5,698

Liabilities to customers include amounts payable mainly through management Factoring.

19 Deferred tax

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

Deferred tax assets	31/12/2019	31/12/2018
Pensions and other retirement benefits	140	109
Value impairment of loans and receivables	1,976	1,960
Reserves	9	-
Other temporary differences	97	109
Deferred tax assets	**2,222**	**2,178**

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

Deferred Tax (Statement of Comprehensive Income)	1/1- 31/12/2019	1/1- 31/12/2018
Pensions and other retirement benefits	31	31
Value impairment of loans and receivables	16	(1,895)
Other temporary differences	(12)	64
	35	(1,800)

Amounts in EUR thousand (Unless otherwise stated)

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

Deferred tax with a positive impact on equity	1/1- 31/12/2019	1/1- 31/12/2018
1st application of IFRS 9.	**0**	**637**

20 Post-retirement benefit obligations

Current benefit plan

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

Severance 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 record 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%.

Obligations for compensation to staff based on actuarial studies:

Amounts in EUR thousand (Unless otherwise stated)

The amounts recorded in the Statement of Financial Position are as follows:	**31/12/2019**	**31/12/2018**
Present value of liabilities	663	517
Liability in the statement of financial position	663	517
The amounts recorded in the Statement of Comprehensive Income are as follows:		
Cost of current service	19	25
Financial cost	9	6
(Profit) cost of cuts / settlements / termination	224	554
Total	252	585
Benefits paid by employer	-	-
Total included in staff expenses (Note 8)	252	585
Change of obligation in the Statement of Financial Position:	31/12/2019	31/12/2018
Opening balance	517	356
Paid contributions	(140)	(413)
Total expense recognised in the income statement	252	585
Actuarial (gains) of defined benefits plans	34	(11)
Liability in the statement of financial position	663	517
Reconciliation of present value of liabilities		
Opening balance of present value of liabilities	517	356
Cost of current service	19	25
Financial cost	9	6
Benefits paid by employer	(140)	(413)
Additional expenses / (Income) or payments	224	554
Actuaria (gains) / losses	34	(11)
Closing balance of present value of obligations	663	517

Amounts in EUR thousand (Unless otherwise stated)

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

	31/12/2019	31/12/2018
Inflation	1.40%	1.75%
Discount rate	0.96%	1.77%
Future salary increases	1.40%	1.75%
Average future employment rate	19.58	19.53

Sensitivity analysis	Change in the liability (%)		
	Change	Increase	Decrease
Discount rate	0.50%	-6.60%	7.30%
Future salary increases	0.50%	7.30%	-6.60%

The amount of € 252 thousand which is included in staff expenses (against € 585 thousand in 2018) is due to the voluntary exit plan implemented by the Management in August 2019 and is offset by the corresponding reduction of staff expenses 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.

21 Deferred tax receivables and payables

	31/12/2019	31/12/2018
Current income tax receivables		1,106
Current income tax liabilities	(332)	0
Total receivables/(payables) from year's income tax.	(332)	1,106

Amounts in EUR thousand (Unless otherwise stated)

22 Share Capital

	Share Capital	Share premium	Total
Opening balance as at 1 January 2019	21,126	2,770	23,896
Balance as at 31 December 2019	**21,126**	**2,770**	**23,896**
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**

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.

23 Other reserves and retained earnings

	31/12/2019
Regulatory Reserves	2,363
Reserves from specially-taxed income (Law 2238/1994)	43
Taxed and other reserves	220
Retained Earnings/(Loss)	9,430
Total other reserves and retained earnings	**12,056**

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	**31/12/2019**	**31/12/2018**
Opening balance	2,277	1,896
Extraordinary reserves from staff compensation provisions (IAS 19)	(25)	73
Earnings to legal and other reserves	375	374
Closing balance	2,626	2,277

Profit (loss) balance carried forward	31/12/2019	31/12/2018
Opening balance	7,795	8,748
Year profit/ (loss)	5,808	7,479
Impact from IFRS 9	-	(1,558)
Dividend distribution	(3,800)	(6,500)
Earnings to other reserves	(84)	-
Earnings to legal reserves	(291)	(374)
Closing balance	9,430	7,795

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.

24 Dividend per share

The General Shareholders' Meeting held on 10/9/2019 decided on a dividend distribution amounting to € 3,800 thousand. The Company's Board of Directors will propose to the General Shareholders' Meeting a dividend distribution to the amount of € 5,900 thousand from the 2019 year profit.

25 Related party transactions

a) Transactions with members of Management

	31/12/2019	**31/12/2018**
Salaries and other fees	124	127
	124	**127**

Amounts in EUR thousand (Unless otherwise stated)

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.

	31/12/2019		01/01/2019-31/12/2019	
	Receivables	**Obligations**	**Income**	**Expenses**
Parent	12,793	296,492	327	13,539
Other related parties	4,695	1,693	2,408	19
TOTAL	17,488	298,185	2,735	13,558
		31/12/2018		
	Receivables	Obligations	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

26 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.

27 Lease obligations

The following table presents the contractual undiscounted cash flows of the Company's total lease obligations as at 31 December 2019 and as at the date of transition to IFRS 16 on 1 January 2019. The Company has chosen to exclude recognition for short-term leases; therefore, the following analysis does not include leases with a residual maturity of less than 12 months from 1 January 2019.

	31/12/2019	**01/01/2019**
Up to 1 year	**158**	**162**
1 - 5 years	**191**	**317**
Over 5 years	**32**	**48**
Total undiscounted obligations	**381**	**526**

Amounts in EUR thousand (Unless otherwise stated)

As at 31 December 2019, the present value of lease obligations amounts to €367 thousand (1 January 2019: € 506 thousand) and is broken down in the table below.

	31/12/2019	01/01/2019
Up to 1 year	**153**	**156**
1 - 5 years	**183**	**305**
Over 5 years	**31**	**46**
Total discounted obligations	**367**	**506**

Lease obligations are included under "Other obligations".

Please refer to Note 29 for information on the transition to IFRS 16.

28 Auditor fees

For the years that ended on 31 December 2019 and 2018, 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.

	31/12/2019	31/12/2018
Regular Statutory Audit	39	40
Tax Audit	14	15
Total	53	55

29 Disclosures on the transition to IFRS 16 "Leases"

On 1 January 2019, the Group applied the requirements of IFRS 16 "Leases" (IFRS 16). The following disclosures regarding the transition to IFRS 16 provide relevant information in order to understand the impact of the application of the new financial reporting accounting standard on the Group's financial statements as at 1 January 2019.

The Management started the implementation of IFRS 16 in the 2nd quarter of 2018. As part of the implementation of this programme, the necessary Corporate Governance principles were implemented and an Organising Committee, a Project Management Office and various project groups were established, comprising participants from various Units and subsidiaries of the Bank. The Steering Committee for the transition to IFRS 16 was actively involved in the whole process, ensuring the effective, effective, correct and timely implementation of the programme for IFRS 16 programme.

As part of the IFRS 16 programme implementation, the Management developed adequate functionality in its existing IT infrastructure and procedures. In addition, the Management improved the existing system of internal safeguards and designed and implemented new internal safeguards and procedures in such areas as deemed necessary for the transition to IFRS 16. Some of the main areas of governance and internal controls are those relating to:

(a) the selection, among the three alternative transition methods specified in the standard, of a method for the first application of IFRS 16;

b) The assessment of lease contracts as to whether they constitute a lease in accordance with IFRS 16;

(c) The identification of the incremental borrowing rate of interest ("IBR") to be applied during the transition to IFRS 16.

The Group's Executive Committee monitored the implementation of the IFRS 16 programme and was involved in the decision-making process. In this context, the Group's Executive Committee approved the IFRS 16 document – Accounting Policy, "Recognition and Measurement of Leases in accordance with International Financial Reporting Standard 16", as well as these disclosures on the transition to IFRS 16.

The Group as lessee assessed the anticipated financial impact that the initial application of IFRS 16 will have on the Group as at 1 January 2019. The Management continues to audit and improve the new accounting procedures, internal audit system and the governance framework that have become necessary since the adoption of IFRS 16. Therefore, the assessment of the anticipated impact from the initial application of IFRS 16 may vary until finalisation of the Consolidated Financial Statements for the year ending on 31 December 2019.

Management assumptions regarding the First Application of IFRS 16 and its anticipated financial impact.

As per the practical rule specified for the transition to IFRS 16, the Management did not reassess existing contracts as to whether they constitute or contain leases. Accordingly, the definition of lease in accordance with IAS 17 and IFRIC 4 interpretation will continue to apply to leases concluded or amended prior to 1 January 2019.

The Group applied IFRS 16 for the first time on 1 January 2019, using the amended "Modified Retrospective Approach". In implementing the modified retrospective approach, the Management chose to:

- measure the present value of the balance of the lease obligation using the Bank's incremental borrowing rate of interest that applied at the date of the transition and set the value of the right-of-use assets at an amount equal to the amount of the lease obligation;
- apply the practical rule to exclude initial direct costs from the value of the right-of-use asset.

The incremental borrowing rate of interest used on 1 January 2019 was based on the Greek Government zero interest rate curve, adjusted lower in line with the anticipated credit spread adjustment for covered bonds. The chosen representative risk-free index for Greece was the yield curve of the Greek Government zero-coupon bond as exported from Bloomberg. The credit spread adjustment was calculated on the basis of the spread of the Greek Systemic Banks' covered bonds, compared to the curve of the Greek Government zero-coupon bonds. The same calculation procedure shall apply to each revision period of the incremental rate of interest that takes place on a quarterly basis.

The Company's lease portfolio

Leases of office buildings: The company leases office buildings in Athens and Thessaloniki. The lease in Athens expires on 30/9/2021 and the lease in Thessaloniki expires on 31/12/2026. The main terms of the new leases (duration, etc.) are similar for all tenants.

According to the Greek legislation on lease contracts, the minimum binding duration for both parties to the new contract is up to 3 years. Depending on the agreed terms, the rent is adjusted annually based on the Consumer Price Index, as calculated and announced each month by the Greek Statistical Authority, plus a potential agreed surcharge (e.g. +1%, +2%, etc.). To the extent leases are concluded in accordance with the new law on commercial leases which has been in force since 2014, there is no right to an extension (unless expressly agreed).

Leases of vehicles: The company leases vehicles for its operational needs. The average lease term is four years.

Leases of office equipment: The company leases office equipment for its operational needs. The lease term expires on 31/12/2022.

Financial impact from the initial application of IFRS 16 as at 1 January 2019 on the Company's Statement of Financial Position

Due to the transition to IFRS 16 on 1 January 2019, the Company recognised additional lease obligations of € 506 thousand for lease contracts falling under IFRS 16. The right-of-use asset was set as being equal to the amount of the lease obligation; therefore, there was no impact on Total Equity as at the transition date.

In measuring lease obligations, the Management discounted leases using the incremental borrowing rate of interest as at 1 January 2019 as analysed above. The incremental rate of interest curve was selected on the basis of the duration of each lease contract.

The Company has not adjusted the comparative financial figures, since it followed the IFRS 16 amended retrospective approach.

30 Events after the reporting period

- Pursuant to article 67 of Law 4646/2019, the contribution imposed on 1 May 2019 by virtue of article 1 of Law 128/1975 (A 178) on credits of any nature granted by financial institutions was abolished. The said law came into effect on 1 January 2020.

- On 3 July 2020 a new 3-year bond loan of € 250 million was issued in replacement of a bond loan of an equal amount that expired on that date.

- The emergence of the coronavirus (Covid-19) in early 2020 and its spread in the subsequent period at pandemic levels has led to preventive measures and measures to limit the virus spread.

Some of these measures, including the suspension of the operation of educational facilities, department stores and places with a high audience/consumer turnout, as well as the reduction of non-essential travel, affect the Company's day-to-day operation.

Amounts in EUR thousand (Unless otherwise stated)

It is estimated that the Company's financial data for the year 2020 will not be affected.

The Company closely monitors developments so that it can promptly respond to the requirements of the global as well as the domestic environment.

In addition, with a view to employee protection, the Company has taken measures to reduce the risk of staff exposure to the virus (teleworking, where possible), and is in constant contact with the Bank and the National Public Health Organisation (EODY) on issues related to the coronavirus, in order to adopt all staff protection and safety instructions and measures.

Apart from the above, there are no other events, subsequent to the financial statements as at 31-12-2019, which concern the Company and could have a significant impact on the Company's Individual Financial Statements.

Athens, 17 July 2020

The Chairman of the Board	The CEO	For PWC BUSINESS SOLUTIONS SA The CFO
ELENI CH. VRETTOU	STYLIANI E. GONALAKI	PANAGIOTIS N. GEORGIOU
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