

**Company Registration Number: 06828528**

**PRAXIS I FINANCE PLC**  
**ANNUAL REPORT AND FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED 31 DECEMBER 2016**

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# **PRAXIS I FINANCE PLC**

## **ANNUAL REPORT AND FINANCIAL STATEMENTS**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

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# **PRAXIS I FINANCE PLC**

## **OFFICERS AND PROFESSIONAL ADVISERS**

<b>Directors</b>	M H Filer (Resigned 11 April 2017) M Clarke-Whelan D J Wynne (Appointed on 22 March 2017) Wilmington Trust SP Services (London) Limited
<b>Company secretary</b>	Wilmington Trust SP Services (London) Limited
<b>Company registration number</b>	06828528
<b>Registered office</b>	Wilmington Trust SP Services (London) Limited Third Floor 1 King's Arms Yard London EC2R 7AF
<b>Independent auditors</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

# **PRAXIS I FINANCE PLC**

## **DIRECTORS' REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their report and the audited financial statements of Praxis I Finance PLC (the “Company” or the “Issuer”) for the year ended 31 December 2016, with comparatives for the year ended 31 December 2015.

The Company is incorporated as a public limited company, limited by shares, and domiciled in England and Wales. In accordance with IFRSs, the Company is considered to be controlled by Piraeus Bank S.A. (the “Transferor” or the “Originator” or the “Servicer”), a bank incorporated in Greece. In addition to the information in the Strategic Report regarding the Securitisation Transaction, the directors manage the Company’s affairs in accordance with the Transaction Documents as summarised in the Offering Circular dated 29 April 2009 as amended by the Deed of Amendment dated 15 April 2011 which can be obtained from the Originator at [www.piraeusbank.gr](http://www.piraeusbank.gr).

The principal activities of the Company, results, future developments, KPIs, principal risks and uncertainties, and going concern are detailed in the Strategic Report.

#### **CORPORATE GOVERNANCE STATEMENT**

The Directors are responsible for the Company’s internal control environment and for reviewing its effectiveness. Procedures have been designed for safeguarding assets against unauthorised use or disposition; for maintaining proper accounting records; and for the reliability and usefulness of financial information used within the business or for publication. Such procedures are designed to manage rather than eliminate the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement, errors, losses or fraud. The procedures enable the Company to comply with its regulatory obligations. For further details, refer to notes to the financial statements particularly note 12 on financial risk management.

Due to the nature of the securities which have been issued, the Company is largely exempt from the disclosure requirements of the Financial Conduct Authority (previously the Financial Services Authority) pertaining to the Disclosure and Transparency Rules (DTR) as detailed in DTR 7.1 audit committees and 7.2 corporate governance statements (save for DTR 7.2.5 a requiring description of the features of the internal control and risk management systems), which would otherwise require the Company respectively, to have an audit committee in place and include a corporate governance statement in the report of the directors. The directors are therefore satisfied that there is no requirement for an audit committee or a supervisory body entrusted to carry out the functions of an audit committee or to publish a corporate governance statement

#### **DIRECTORS**

The directors who served the Company during the year and up to the date of signing the financial statements were:

M H Filer (Resigned 11 April 2017)

M Clarke-Whelan

D J Wynne (Appointed on 22 March 2017)

Wilmington Trust SP Services (London) Limited

#### **THIRD PARTY INDEMNITIES**

Third party indemnity provisions for the benefit of the directors were in force during the year under review and remain in force as at the date of approval of the annual reports and financial statements.

#### **DIVIDENDS**

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

#### **FUTURE DEVELOPMENTS**

Information on future developments is included in the “Future Developments” section of the Strategic report.

#### **FINANCIAL RISK MANAGEMENT**

Information on Financial Risk Management is included in the “Principal Risks And Uncertainties” section of the Strategic report.

## **PRAXIS I FINANCE PLC**

### **DIRECTORS' REPORT (continued)**

#### **FOR THE YEAR ENDED 31 DECEMBER 2016**

##### **DIRECTORS' RESPONSIBILITIES STATEMENT**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each director in office at the date the Directors' Report is approved:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418(2) of the Companies Act 2006

On behalf of the Board



Mignon Clarke-Whelan

On behalf of Wilmington Trust SP Services (London) Limited

Director

22 June 2017

# **PRAXIS I FINANCE PLC**

## **STRATEGIC REPORT**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

The directors present their strategic report of Praxis I Finance Plc for the year ended 31 December 2016.

#### **GENERAL**

##### **PRINCIPAL ACTIVITY**

The Company is a special purpose entity, set up to acquire a portfolio of amortising consumer loans in Greece (the “Receivables Portfolio”) originated by Piraeus Bank S.A., financed primarily through the issue of €725m Asset Backed Fixed and Floating Rate Notes due 2026 (the “Notes” or the “Liabilities evidenced by paper”).

The Originator has retained substantially all the risks and rewards of ownership of the Receivables Portfolio and therefore its transfer to the Company was accounted for as a financing transaction (“a deemed loan”), notwithstanding that it was a sale from a legal perspective.

The Notes were issued by the Company on 29 April 2009 as described in the Offering Circular and are listed on the Irish Stock Exchange. The Notes are in bearer form and comprise of €493,000,000 Class A Notes and €232,000,000 Class B Notes as at 31 December 2016. On 18 January 2011, certain parts of the transactions were restructured. The restructuring included €22,000,000 in face amount of Class A Notes held by Class A Notes holder being re-designated as Class B Notes and having all rights attaching to the Class B Notes. During the year ended 31 December 2016, €51,928,260 of class A notes were redeemed (2015: €65,237,108).

Interest on the Notes is paid monthly in arrears on the 28th of each month (each an “Interest Payment Date”):

- (i) on the Class A Notes, at an annual rate of 2.90%; and
- (ii) on the Class B Notes, at an annual rate of one-month EURIBOR.

The Company only retains revenue receipts from its interest in the Receivables Portfolio to the extent that is necessary to cover its expenses and make a small profit as determined by the Offering Circular.

#### **REVIEW OF THE BUSINESS**

##### **RESULTS**

The Company’s results for the year and its financial position at the year-end are shown in the attached financial statements.

The Company’s only sources of funds for the payment of principal and interest due on the Notes are the principal and interest collections which the Company is entitled to receive from the Receivables Portfolio. The directors have reviewed information relating to the credit quality of the assets underlying the deemed loan to the Originator up to the date of approval of the financial statements and are satisfied that the level of impairment does not exceed the amount of credit enhancement supplied to the Company by the Originator.

##### **FUTURE DEVELOPMENTS**

The future performance of the Company depends on the performance of the Receivables Portfolio. The directors do not expect there to be any significant change in the Company’s principal activity in the foreseeable future.

##### **KEY PERFORMANCE INDICATORS**

As all the notes are held by the Originator, the Directors consider the key financial performance indicators of the business to be the net interest margin of 18% (2015: 12%) and the credit quality of the underlying Receivables as detailed in note 6. Details of other performance indicators are included in the Investor reports which are publicly available on the following website: [www.piraeusbank.com](http://www.piraeusbank.com). The directors of the Company monitor compliance with the performance criteria on a monthly basis.

Under the terms of the securitisation transaction, the Company is able to purchase additional portfolio of loans during a revolving period under certain conditions. During 2016, €32,155,814 (2015: €19,610,455) of additional portfolio of loans was acquired. Loans purchased during the year have all met the eligibility criteria as defined by transaction documents. In addition, during 2016 the Originator repurchased €30,836,635 (2015: €18,326,816) of non – performing loans in order to protect credit enhancement.

# **PRAXIS I FINANCE PLC**

## **STRATEGIC REPORT (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **PRINCIPAL RISKS AND UNCERTAINTIES**

The management of the business and the execution of the Company's strategy are subject to a number of risks.

The key business risks affecting the Company and its management are set out in Note 12 to the financial statements. Market liquidity constraints, limited availability of credit and difficult trading conditions continue to pose challenges to the borrowers with whom the Company has exposure through the deemed loan to the Originator. A detailed consideration of the risk factors relevant to the securitisation transaction is included in the section "Risk Factors" of the Offering Circular.

#### **GOING CONCERN**

As explained in more detail in note 1 to the financial statements, the directors have undertaken a detailed assessment of the Company and have made extensive enquiries of the management of the Originator. Given the details set out in note 1, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future, despite the material uncertainties associated with completion of the second assessment of the current economic adjustment program.

On behalf of the Board



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

# **INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRAXIS I FINANCE PLC**

## **Report on the financial statements**

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### **Our opinion**

In our opinion, Praxis I Finance Plc's financial statements (the "financial statements"):

- give a true and fair view of the state of the Company's affairs as at 31 December 2016 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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### **Emphasis of matter - Going concern**

In forming our opinion on the financial statements, which is not modified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the Company's ability to continue as a going concern. The ongoing economic uncertainty in Greece may impact the profitability, capital adequacy and liquidity of Piraeus Bank S.A. and therefore adversely impact the quality and servicing of the underlying Receivables Portfolio, raising uncertainties about the future timing and level of collections in relation to the Receivables Portfolio, resulting in significant doubt about the Company's ability to fully repay the Notes. These conditions detailed in note 1 to the financial statements indicate the existence of a material uncertainty which may cast significant doubt about the Company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

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### **What we have audited**

The financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), comprise:

- the Statement of Financial Position as at 31 December 2016;
- the Statement of Comprehensive Income for the year then ended;
- the Statement of Cash Flows for the year then ended;
- the Statement of Changes in Equity for the year then ended; and
- the Notes to the financial statements, which include a summary of significant accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is IFRSs as adopted by the European Union, and applicable law.

In applying the financial reporting framework, the directors have made a number of subjective judgements, for example in respect of significant accounting estimates. In making such estimates, they have made assumptions and considered future events.

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### **Opinions on other matters prescribed by the Companies Act 2006**

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified any material misstatements in the Strategic Report and the Directors' Report. We have nothing to report in this respect.



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF PRAXIS I FINANCE PLC (CONTINUED)

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## Other matters on which we are required to report by exception

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### Adequacy of accounting records and information and explanations received

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

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### Directors' remuneration

Under the Companies Act 2006 we are required to report to you if, in our opinion, certain disclosures of directors' remuneration specified by law are not made. We have no exceptions to report arising from this responsibility.

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## Responsibilities for the financial statements and the audit

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### Our responsibilities and those of the directors

As explained more fully in the Directors' Responsibilities Statement set out on page 3, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland) ("ISAs (UK & Ireland)"). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

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### What an audit of financial statements involves

We conducted our audit in accordance with ISAs (UK & Ireland). An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of:

- whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed;
- the reasonableness of significant accounting estimates made by the directors; and
- the overall presentation of the financial statements.

We primarily focus our work in these areas by assessing the directors' judgements against available evidence, forming our own judgements, and evaluating the disclosures in the financial statements.

We test and examine information, using sampling and other auditing techniques, to the extent we consider necessary to provide a reasonable basis for us to draw conclusions. We obtain audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both.

In addition, we read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report. With respect to the Strategic Report and Directors' Report, we consider whether those reports include the disclosures required by applicable legal requirements.



Andrew Batty (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22 June 2017

# PRAXIS I FINANCE PLC

## STATEMENT OF COMPREHENSIVE INCOME

### FOR THE YEAR ENDED 31 DECEMBER 2016

CONTINUING OPERATIONS	Note	2016 €	2015 €
Interest income	2	2,413,657	4,300,905
Interest expense	3	<u>(1,970,361)</u>	<u>(3,770,442)</u>
Net interest income		443,296	530,463
Administrative expenses		<u>(441,092)</u>	<u>(527,488)</u>
Profit before tax	4	2,204	2,975
Income tax charge	5	<u>(401)</u>	<u>(602)</u>
Profit for the year		<u>1,803</u>	<u>2,373</u>
Total comprehensive income for the year		<u>1,803</u>	<u>2,373</u>

There is no other comprehensive income for the year. All the Company's income is derived from continuing operations.

## STATEMENT OF CHANGES IN EQUITY

### FOR THE YEAR ENDED 31 DECEMBER 2016

	Share Capital €	Retained Earnings €	Total equity €
At 1 January 2015	13,479	25,624	39,103
Profit for the year and total comprehensive income	<u>-</u>	<u>2,373</u>	<u>2,373</u>
At 31 December 2015	13,479	27,997	41,476
Profit for the year and total comprehensive income	<u>-</u>	<u>1,803</u>	<u>1,803</u>
At 31 December 2016	<u>13,479</u>	<u>29,800</u>	<u>43,279</u>

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

# PRAXIS I FINANCE PLC

## STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 €	2015 €
<b>Non-current assets</b>			
Deemed Loan to the Originator	6	<u>254,693,703</u>	<u>287,017,223</u>
<b>Current assets</b>			
Other receivables	7	2,685	11,735
Cash and cash equivalents	8	<u>35,496,436</u>	<u>55,142,027</u>
		<u>35,499,121</u>	<u>55,153,762</u>
<b>Total assets</b>		<u>290,192,824</u>	<u>342,170,985</u>
<b>Equity</b>			
Share capital	9	13,479	13,479
Retained earnings		<u>29,800</u>	<u>27,997</u>
<b>Total equity</b>		<u>43,279</u>	<u>41,476</u>
<b>Non-current liabilities</b>			
Liabilities evidenced by paper	10	<u>290,053,782</u>	<u>341,982,042</u>
<b>Current liabilities</b>			
Other payables	11	95,322	146,035
Current income tax liability		<u>441</u>	<u>1,432</u>
		<u>95,763</u>	<u>147,467</u>
<b>Total liabilities</b>		<u>290,149,545</u>	<u>342,129,509</u>
<b>Total equity and liabilities</b>		<u>290,192,824</u>	<u>342,170,985</u>

These financial statements of Praxis I Finance PLC, company registration number 06828528, on pages 8 to 22 were approved by the Board of Directors on 22 June 2017 and are signed on its behalf by:



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

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

# PRAXIS I FINANCE PLC

## STATEMENT OF CASH FLOWS

### FOR THE YEAR ENDED 31 DECEMBER 2016

	2016 €	2015 €
<b>Cash flows generated from/(used in) operating activities</b>		
Profit before tax	2,204	2,975
<i>Adjustments for:</i>		
Interest income	(2,413,657)	(4,300,905)
Interest expense	1,970,361	3,770,442
Movement in other receivables	9,050	(9,050)
Movement in accrued administrative expenses	(38,164)	(13,715)
Tax paid	<u>(1,392)</u>	<u>-</u>
<b>Net cash used in operating activities</b>	<u>(471,598)</u>	<u>(550,253)</u>
 <b>Cash flows generated from investing activities</b>		
Movement in Deemed Loan to the Originator	29,574,322	58,821,343
Subordinated loans from the Originator	-	1,763
Interest received	<u>5,162,855</u>	<u>4,300,905</u>
<b>Net cash generated from investing activities</b>	<u>34,737,177</u>	<u>63,124,011</u>
 <b>Cash flows used in financing activities</b>		
Repayment of Liabilities evidenced by paper	(51,928,260)	(65,237,108)
Interest paid	<u>(1,982,910)</u>	<u>(3,774,980)</u>
<b>Net cash used in financing activities</b>	<u>(53,911,170)</u>	<u>(69,012,088)</u>
 Net decrease in cash and cash equivalents	(19,645,591)	(6,438,330)
Cash and cash equivalents at start of the year	<u>55,142,027</u>	<u>61,580,357</u>
<b>Cash and cash equivalents at end of the year</b>	<u>35,496,436</u>	<u>55,142,027</u>

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements.

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

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES

##### General information

Praxis I Finance PLC (the “Company” or the “Issuer”) is a public limited company incorporated and domiciled in the United Kingdom. The principal activity of the Company is that of a special purpose entity to facilitate the securitisation of a portfolio of amortising consumer loans originated by Piraeus Bank S.A., with borrowers in Greece.

##### Basis of preparation

The principal accounting policies applied in the preparation of these financial statements are set out below.

These financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs as adopted by the EU), IFRS Interpretations Committee (IFRS IC) interpretations and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The Company mainly transacts in Euros (“€”) and therefore, the Euro is its functional and presentational currency.

The preparation of financial statements in compliance with IFRS requires the use of certain critical accounting estimates. It also requires management (for this company the directors) to exercise its judgement in the process of applying the Company's accounting policies. The accounting of the deemed loan to the Originator as explained in the strategic report and also below is considered an area where assumptions and estimates are significant to the financial statements and a higher degree of judgement and complexity are involved.

##### Going Concern

The annual financial statements have been prepared on a going concern basis, which the Board of the Directors considers appropriate, taking into consideration the following:

- The Originator's own going concern assessment is critical for the Company as the Originator is responsible for servicing and administering the Receivables. Should the Originator fail in this role, this would create uncertainty about the Company's ability to fully repay the Notes. Originator's management after taking into account the factors set out below regarding the capital adequacy and the Group's liquidity and despite the material uncertainties associated with completion of the second assessment of the current economic adjustment program, is of the opinion that the financial statements of the Group have been prepared on a going concern basis. An emphasis of matter was included to this effect in the Originator's own Financial Statements for the year ended 31 December 2016.
- The directors have undertaken a detailed assessment of the Company's ongoing business model and have made extensive enquiries of the management of the Originator. Given the factors set out below, the directors believe it is appropriate to prepare these financial statements on the assumption that the Company will be able to continue as a going concern for the foreseeable future. However, given the ongoing general economic uncertainties in Greece, the directors recognize the existence of material uncertainties that may cast significant doubt on the Originator's and therefore the Company's ability to continue as a going concern. These uncertainties may impact the servicing, as well as, the quality of the underlying Receivables and the future timing and levels of collections, resulting in significant doubt about the Company's ability to fully repay the Notes. The financial statements do not include the adjustments that would result if the Company was unable to continue as a going concern.

##### Macroeconomic environment

In mid-2016, the completion of the 1<sup>st</sup> review of the 3<sup>rd</sup> economic adjustment program was a positive development for the Greek economy. Furthermore, capital controls were further eased and the ECB reinstated the waiver affecting the eligibility of Greek bonds used as collateral in Eurosystem monetary policy operations.

Despite the positive impact on limited uncertainty and on economic climate improvement, growth restoration of the Greek economy is delayed.

In August 2015, in an intensely volatile macroeconomic and financial environment, the government proceeded in signing a Financial Assistance Facility Agreement with the ESM in the context of the 3<sup>rd</sup> economic adjustment program. The total amount of the loans from the ESM for the period August 2015 – August 2018 would be up to € 86 billion. The disbursement of funds is linked to progress in implementing the policy conditions, agreed in the MoU. By the end of 2015, Greece through ESM received € 21.4 billion, of which € 16 billion related to funds in order to cover financing needs and € 5.4 billion to the recapitalisation of the banking system, which was completed on December 2015, following the announcement of the results of the Comprehensive Assessment conducted by ECB on 31 October 2015.

# **PRAXIS I FINANCE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **1. PRINCIPAL ACCOUNTING POLICIES (continued)**

##### **Going concern (continued)**

Following the Eurogroup meeting of 25 May 2016 and the signing of the supplemental memorandum of understanding (SMoU), the first review of the programme was completed successfully. The disbursement of the ESM tranche of € 10.3 billion in individual sub-tranches was approved on 17 June 2016. The first sub-tranche of € 7.5 billion was disbursed on 21st June 2016, in order to cover the financing needs (€ 5.7 billion) and arrears clearance (€1.8 billion). On 25th October 2016 – after the Greek Parliament adopted the prior action measures - ESM approved the disbursement of the second sub-tranche of € 2.8 billion, which took place on 26th October 2016, in order to cover financing needs (€ 1.1 billion) and to allow the further arrears clearance (€ 1.7 billion). The Eurogroup meeting held at December 2016 decided the implementation of short-term relief measures (smoothing of the EFSF repayment profile, reduction of interest rate risk and the waiver of the step-up interest rate margin on the EFSF loan of € 11.3 billion from the second program).

In 2016, according to the seasonally adjusted data, and the Greek real GDP declined marginally by -0.1%, versus a decline of 0.3% in 2015. Moreover, the economic sentiment indicator improved to 91.8 points against 89.7 points in 2015, however the increased uncertainty in the beginning of 2017 reflects a decline of the ESI in February 2017. In 2016 inflation stood at -negative 0.8% (2015: negative 1.7%). However, in December 2016, after a 45-months period of deflation the consumer price index remained unchanged on an annual basis (0.0%) and returned to a positive trajectory in the period of Jan.-Feb. of 2017. The unemployment rate, in 2016, fell to 23.5% from 24.9% in 2015. Moreover, in 2016 the current account balance showed a deficit of €1.1 billion (-0.6% of GDP), compared with a surplus of €206 million (0.1% of GDP) in 2015. In 2016, travel receipts fell by 6.4% compared to 2015, due to an 11.3% decline in average expenditure per trip, as inbound traveler flow rose by 5.1%.

In 2016, on a modified cash basis, the state budget primary balance amounted to a surplus of €4.4 billion. According to the 2017 Budget introductory report, in 2016 the general government primary surplus, based on the economic adjustment programme methodology, is expected to exceed the target of 0.5% of GDP and reach 1.1% of GDP.

Critical to the performance of the economy in 2017, at macroeconomic and public finance level, is the completion of the second review and the timely disbursement of remaining tranches to cover the financing needs and the clearance of general government arrears as well as the implementation of further fiscal adjustment measures.

The economic and political situation in Greece remains the prime risk factor also for the domestic banking sector in general and for Piraeus Bank in particular. To this end, prolonged and adverse developments regarding the completion of the second review of the country's economic adjustment program would potentially have negative effect on the Bank's liquidity (i.e. stop attracting or losing deposits, reducing repo interbank transactions with third parties, downgrading of securities and guarantees of the Greek State that are used for liquidity purposes from the Eurosystem, increasing funding through ELA mechanism) and on the Bank's capital adequacy (i.e. impact on the quality of its loan portfolio, any negative assessment of the credit risk of the Greek State in which the Greek banks have significant direct and indirect exposure).

The completion of the review, in combination with the expected debt relief measures over time, is expected to lead to a gradual improvement in the economic environment, alongside with the implementation of privatizations, the further liberalization of capital movements, the return to positive rates of GDP growth, and the participation of Greek bonds in ECB's quantitative easing program.

Piraeus Bank's management closely monitors the developments and assesses periodically the negative impact that might have in its operations.

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### Going concern (continued)

##### Capital adequacy

The Comprehensive Assessment (“CA” i.e. Asset Quality Review and Stress Tests) which was carried out by ECB/ Single Supervisory Mechanism (SSM) in the second half of 2015 in order to quantify the capital shortfalls, after the legal framework was applied (i.e. transposition of the Bank Recovery and Resolution Directive). The announcement of the outcome of the CA by the relevant European regulatory authorities (ECB/ SSM), was made on October 31, 2015.

The Bank completed its share capital increase of € 4.6 billion in December 2015, aiming at:

- the cover of its capital needs, as determined by the Comprehensive Assessment conducted by the ECB,
- the significant strengthening of its capital base,
- the enhancement of the Bank’s position, thus contributing towards the expected recovery for a part of outflow of deposits in Greece during the first half of 2015 and the reduction of the funding from Eurosystem and more specifically from the ELA.

The SSM inspection regarding the accuracy of the capital adequacy ratios calculation has been completed with insignificant impact on the Group’s capital adequacy ratios. SSM’s recommendations are being addressed by Bank’s management through the enhancement of the internal control functions.

##### Liquidity

During 2016, domestic market deposits (private and public sector, on a comparative basis adjusted for Consignments and Loans Fund deposits) increased (+4%) and amounted to € 139.1 billion. The exposure of all Greek banks in the Eurosystem reduced from € 108 billion at the end of December 2015 to € 67 billion at the end of December 2016, of which about € 44 billion (from € 69 billion respectively), was covered by the Emergency Liquidity Assistance “ELA” (the provision of liquidity support by the ELA is granted to adequately capitalized credit institutions that have acceptable assets as collateral, and is assessed on a regular basis by the ECB).

During the year 2016, Piraeus Bank’s Group exposure to the Eurosystem reduced by € 11.8 billion to € 20.9 billion, mainly assisted by the further improvement of access to international repo markets, following the stabilization of the Greek banking sector since the end of 2015, the further deleveraging of the loan portfolio, as well as the Bank’s participation in the ECB’s program of Quantitative Easing (“QE”) with the sale of EFSF bonds of notional amount € 3.7 billion during the year 2016. Piraeus Bank’s financing through the ELA was reduced by € 4.8 billion during the year 2016 and amounted to € 11.9 billion at the end of December 2016. It is noted that during 2016, the deposits of Piraeus Bank Group increased by € 3.0 billion or 7%.

On 28 April 2016, the last guarantees of the Hellenic Republic (Pillar II), used by Piraeus Bank for liquidity purposes under the framework of L.3723/2008 “The strengthening of the liquidity of the Economy for offsetting the impact of the international financial crisis,” were redeemed and therefore Piraeus Bank is no longer subject to the restrictions of the support program. It is noted that Piraeus Bank has fully repaid all the Pillars of L.3723/2008, without any loss to the Greek State as to the guarantees and capital it offered, while the Greek State has received approximately € 675 million fees from Pillars II and III.

At the same time, the EFSF allowed Greek banks that had received EFSF notes in previous years, within the framework of their recapitalisation and the consolidation of the banking sector, to sell the respective notes to the members of the Eurosystem, in accordance with the conditions applicable to the QE program established by the European Central Bank. Up to December 31, 2016 Piraeus Bank has sold, in the context of the QE program, EFSF bonds with a nominal value of € 3.7 billion.

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### Going concern (continued)

##### Liquidity (continued)

On 22 June 2016, the Governing Council of the ECB decided to reinstate the waiver affecting the eligibility of marketable debt instruments issued or fully guaranteed by the Hellenic Republic as collateral for the supply of liquidity, subject to special “haircuts”. The reinstatement of the waiver excluded, already as of 2 March 2015, uncovered guaranteed bank bonds that have been issued by the counterparty itself or an entity closely linked to that counterparty, such as the government guaranteed bonds under the Second Pillar of the Greek Law 3723/2008, pursuant to the ECB Decisions ECB/2012/12 and ECB/2013/6. The waiver came into force on June 29, 2016 and for Piraeus Bank, has reduced ELA use by approximately € 0.9 billion.

Furthermore, Greek banks can participate in the ECB’s Targeted Longer-Term Refinancing Operations (“TLTRO”), getting the benefit associated with the new TLTRO II programme announced on 10 March 2016 by the ECB, subject to sufficient eligible collateral. The duration of the new TLTRO is four years, with four windows of participation, beginning from June 2016 until March 2017. Piraeus Bank participated in the first auction on June 23, 2016 with € 4 billion, shifting at the same time the € 2.7 billion of TLTRO I to TLTRO II.

##### Standards affecting presentation and disclosure

A summary of new standards, amendments to standards and interpretations of existing standards which are expected to affect the presentation and disclosure of the financial statements are detailed below:

- IFRS 9, ‘Financial Instruments’ (effective 1 January 2018)

In July 2014, the IASB issued the final version of IFRS 9 *Financial Instruments* which reflects all phases of the financial instruments project and replaces IAS 39 *Financial Instruments: Recognition and Measurement* and all previous versions of IFRS 9. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory. Early application of previous versions of IFRS 9 (2009, 2010 and 2013) is permitted if the date of initial application was before 1 February 2015.

The most significant impact on the Company’s financial statements from the implementation of IFRS 9 is expected to result from the new impairment requirements of its Receivables portfolio, but no impact of the Company’s financial liabilities. However, the Company’s directors are not yet in a position to estimate reliably the expected impact, since the Originator is in the process of building models, assembling data and calibrating the impairment stage transfer criteria.

The new requirements of IFRS 9 will be applied retrospectively by adjusting the Company’s Statement of Financial Position on the date of transition on 1 January 2018. The Company intends to apply the exemption not to restate comparative figures for prior periods, therefore the Company’s 2017 comparatives will be presented on an IAS 39 basis.



# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### Early adoption of standards

The directors consider that there are no new standards, amendments and interpretations issued and available for early adoption for the financial year beginning 1 January 2016 that are relevant to the Company.

A summary of the more important accounting policies which have been used for the preparation of these financial statements is set out below. These policies have been applied consistently for the years presented.

##### Financial assets

The Deemed Loan to the Originator and cash and cash equivalents are carried at amortised cost using the effective interest method as explained below.

The deemed loan and liabilities evidenced by paper are considered by the directors to be non-current, based on the final maturity date of the liabilities evidenced by paper. In accordance with the priority of payments set out in the Transaction Documents, repayment of the liabilities evidenced by paper is required following receipt of cash flows under the deemed loan which, in certain circumstances may be within 12 months of the year end date. However, no part of the deemed loan or liabilities evidenced by paper has been categorised as current on the basis that the directors consider it impossible to accurately determine what, if any, of the deemed loan and therefore liabilities evidenced by paper may be repaid within 12 months of the year end date.

##### Deemed loan to the Originator

Under IAS 39 Financial instruments: Recognition and Measurement, if a transferor retains substantially all the risks and rewards associated with the transferred assets, the transaction is accounted for as a financing transaction, notwithstanding that it is a sale transaction from a legal perspective. The directors of the Company have concluded that the Originator has retained substantially all the risks and rewards of the securitised Receivables and as a consequence, the Company does not recognise the Receivables on its statement of financial position but rather a deemed loan to the Originator.

The deemed loan to the Originator initially represents the consideration paid by the Company in respect of the acquisition of an interest in the securitised Receivables and is subsequently adjusted due to repayments made by the Originator to the Company. The deemed loan is carried at amortised cost using the effective interest method. The directors of the Company consider that the subordinated loan does not meet the definition of a liability as the Company will repay the subordinated loan to the Originator only if it first receives an equivalent amount from the Originator.

In addition to the subordinated loan, deferred consideration payable to the Originator, representing the excess of the Company's collections regarding the Receivables over the Company's payments as determined by the Offering Circular, is netted off against the deemed loan since they have the same counterparty, they were entered into at the same time and in contemplation of one another, they relate to the same risk and there is no apparent economic need or substantive business purpose for structuring the transactions separately that could not also have been accomplished in a single transaction. In the statement of comprehensive income the deferred consideration charge is netted off against interest income as it represents income that the Company is not entitled to retain. The Company regularly reviews the underlying collateral in relation to the deemed loan to the Originator to assess for impairment. The methodology applied is further discussed below.

##### Cash and cash equivalents

Cash and cash equivalents represent deposits held with banks. All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the Offering Circular and as such the cash and cash equivalents are not freely available to be used for other purposes.

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### **Impairment losses on deemed loan to the Originator**

The recoverability of the deemed loan to the Originator is dependent on the collections from the underlying Receivables. The Receivables are considered impaired when it is probable that the Company will be unable to collect all amounts due according to the relevant contractual terms. The key assumptions for recoverability relate to estimates of the probability of any account going into default, cash flows from borrowers' accounts, their timing and expected proceeds from the sale of repossessed collateral. These key assumptions are based on observed data from historical patterns and are updated regularly as new data becomes available.

The accuracy of impairment calculations would therefore be affected by unexpected changes to the economic situation, variances between the models used and the actual results, or assumptions which differ from the actual outcomes.

Impairment losses on the securitised assets will not result in an impairment loss on the deemed loan as long as they do not exceed the credit enhancement granted by the Originator (subordinated loan and deferred consideration) and therefore the cash flows from the underlying Receivables are still expected to be sufficient to meet obligations under the deemed loan.

The Company assesses at each balance sheet date whether there is objective evidence that the deemed loan to the Originator is impaired. Impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan (a 'loss event') and that loss event (or events) has an impact on the future cash flows of the loan that can be reliably estimated.

The amount of the loss is measured as the difference between the carrying amount of the deemed loan to the Originator and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted with the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the statement of comprehensive income.

##### **Offsetting of financial instruments**

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

##### **Liabilities evidenced by paper (also referred to as "the Notes")**

Liabilities evidenced by paper were initially recognised at fair value being equal to the issue proceeds net of transaction costs incurred and are subsequently stated at amortised cost using the effective interest method. The issue costs have been borne by the Originator.

##### **Interest income and interest expense**

Interest income and expense for all interest-bearing financial instruments are recognised on an accruals basis within 'interest income' and 'interest expense' in the statement of comprehensive income using the effective interest rate method.

##### **Effective interest rates**

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Company estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and commissions paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

##### **Taxation**

Current tax is recognised at amounts expected to be paid using the tax rates and laws that have been enacted or substantively enacted by the year end date. The Company is taxed under The Taxation of Securitisation Companies Regulations 2006 (the "Permanent Tax Regime") under which the Company is taxed by reference to its retained profit as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 1. PRINCIPAL ACCOUNTING POLICIES (continued)

##### Segmental Analysis

The Company's operations are carried out in Greece only. Its results and net assets are derived solely from its acquisition of the Loans, so therefore the directors only report one business and one geographic segment.

#### 2. INTEREST INCOME

	2016	2015
	€	€
Net interest on Deemed Loan to the Originator	2,413,657	4,300,905
Interest on cash and cash equivalents	-	-
	<u>2,413,657</u>	<u>4,300,905</u>

Interest paid/payable on the subordinated loan from the Originator of €63,088 (2015: €64,812) is offset against the interest on the deemed loan to the Originator.

#### 3. INTEREST EXPENSE

	2016	2015
	€	€
Interest on liabilities evidenced by paper	<u>1,970,361</u>	<u>3,770,442</u>

#### 4. PROFIT BEFORE TAX

Profit before taxation is stated after charging:

	2016	2015
	€	€
Servicing fees	317,819	374,951
Auditors' remuneration – audit of the statutory financial statements of the Company	49,720	78,757
Non-audit fees - Fees payable to the company's auditor for tax services	8,830	9,369
Corporate service and accountancy fees	41,723	47,025
Other expense	<u>23,000</u>	<u>17,386</u>
	<u>441,092</u>	<u>527,488</u>

Apart from the directors, the Company has no employees (2015: no employees). Other than the corporate services fees paid to Wilmington Trust SP Services (London) Limited as set out above, the directors received no remuneration during the year (2015: €nil).

#### 5. INCOME TAX CHARGE

##### a) Analysis of tax charge for the year:

	2016	2015
	€	€
Current tax:		
UK Corporation tax	401	602
Adjustments in respect of prior period	-	-
Total Charges	<u>401</u>	<u>602</u>

The standard rate of Corporation Tax in the UK changed from 21% to 20% with effect from 1 April 2015. Accordingly, the Company's profits for this accounting year are taxed at an effective rate of 20% (2015: 20.25%).

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 5. INCOME TAX CHARGE (continued)

##### b) Reconciliation of effective tax rate

The tax for the year is different from the standard rate of corporation tax in the UK of 20% (2015: 20%) applied to the profit before income tax.

	2016 €	2015 €
Profit before income tax	<u>2,204</u>	<u>2,975</u>
Tax at the UK corporation tax rate of 20.0% (2015: 20.25%)	441	602
Prior year adjustment	<u>(40)</u>	-
<b>Total income tax credit</b>	<u><b>401</b></u>	<u><b>602</b></u>

Changes to the UK corporation tax rates were substantively enacted as part of Finance Bill 2015 (on 26 October 2015) and Finance Bill 2016 (on 7 September 2016). These include reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 17% from 1 April 2020.

Under the powers conferred by Finance Act 2005, secondary legislation was enacted in 2006 which ensures that, subject to certain conditions being met, for periods commencing on or after 1 January 2007, corporation tax for a 'securitisation company' will be calculated by reference to the profit of the securitisation company required to be retained in accordance with the relevant capital market arrangement. For UK corporation tax purposes, the Company has been considered as a Securitisation Company under the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)". Therefore the Company is not required to pay corporation tax on its accounting profit or loss. Instead, the Company is required to pay tax on its retained profits as specified in the documentation governing the Transaction and as defined by the "Taxation of Securitisation Companies Regulations 2006 (SI 2006/3296)".

The directors are satisfied that the Company meets the definition of a 'securitisation company' as defined by both The Finance Act 2005 and the subsequent secondary legislation and that no incremental unfunded tax liabilities will arise.

#### 6. DEEMED LOAN TO THE ORIGINATOR

	2016 €	2015 €
Gross Deemed Loan to the Originator	266,422,907	298,746,427
Subordinated loan from the Originator	<u>(11,729,204)</u>	<u>(11,729,204)</u>
<b>Net Deemed Loan to the Originator</b>	<u><b>254,693,703</b></u>	<u><b>287,017,223</b></u>

New subordinated loans (net) from the Originator were increased by €nil (2015: €1,763) during 2016.

The Deemed Loan to the Originator is secured with a portfolio of Euro denominated Greek amortising consumer loans (the "Receivables Portfolio"). The deemed loan to the Originator is not considered to be impaired at 31 December 2016. The credit quality of the Receivables Portfolio underlying the deemed loan to the Originator is summarised as follows:

	2016 €	2015 €
Neither past due nor impaired	188,048,729	226,005,249
Past due but not impaired	72,570,577	56,436,774
Impaired	<u>7,300,783</u>	<u>42,203,087</u>
	<u>267,920,089</u>	<u>324,645,110</u>
Less: allowance for impairment	<u>(15,857,532)</u>	<u>(45,856,801)</u>
	<u><b>252,062,557</b></u>	<u><b>278,788,309</b></u>

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 6. DEEMED LOAN TO THE ORIGINATOR (continued)

Under the terms of the securitisation transaction, under certain conditions the Originator will repurchase certain non-performing loans. During 2016, €30,836,635 (2015: €18,326,816) of non-performing loans were repurchased by the Originator. In addition, the Company is able to purchase additional loans during a revolving period. During 2016, €32,155,814 (2015: €19,610,455) of additional loans were acquired. Loans purchased during the year have all met the eligibility criteria as defined in the transaction documents.

As explained under the going concern paragraph in note 1 the current economic conditions in Greece raise uncertainties on the future timing and levels of collections from the Receivables Portfolio which may result in increased future impairment losses.

In order to provide additional credit enhancement, the unpaid deferred purchase consideration is offset against the gross deemed loan balance.

#### 7. OTHER RECEIVABLES

	2016	2015
	€	€
Prepayments and accrued income	<u>2,685</u>	<u>11,735</u>
	<u>2,685</u>	<u>11,735</u>

#### 8. CASH AND CASH EQUIVALENTS

All withdrawals from the Company's bank accounts are restricted by the detailed priority of payments set out in the securitisation agreements. All cash of the Company is held with the Originator and Citibank N.A. The short term credit rating of Citibank N.A. as at 19<sup>th</sup> December 2016 was A-1.

	2016	2015
	€	€
Bank current accounts	22,971	21,812
Bank deposit accounts	<u>35,473,465</u>	<u>55,120,215</u>
	<u>35,496,436</u>	<u>55,142,027</u>

The bank deposit accounts are available on demand. The balance above contains reserve funds totalling €29,080,879 (2015: €46,844,375), as required under the transaction documentation.

#### 9. SHARE CAPITAL

	2016	2015
	€	€
Issued share capital:		
2 (2015: 2) fully paid ordinary shares at £1 each	2	2
49,998 (2015: 49,998) quarter paid ordinary shares at £1 each	<u>13,477</u>	<u>13,477</u>
	<u>13,479</u>	<u>13,479</u>

The issued share capital is reflected in the financial statements based on the prevailing €/\$ exchange rate at the time of issue which was £/€1.078.

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 10. LIABILITIES EVIDENCED BY PAPER

The Notes are listed on the Irish Stock Exchange and are due for repayment by June 2026. They are repaid according to the repayments received from the Receivables Portfolio and their repayment in full depends on the funds generated by the Receivables Portfolio being sufficient. The Notes outstanding at the year-end were as follows:

	2016 €	2015 €
Class A Notes	36,053,782	87,982,042
Class B Notes	<u>254,000,000</u>	<u>254,000,000</u>
	<u>290,053,782</u>	<u>341,982,042</u>

The Company has not had any defaults or any other breaches with respect to the Notes. During the year, €51,928,260 of class A notes (2015: €65,237,108) were redeemed.

The Notes are due to mature in 2026 and interest is paid monthly in arrears on the 28th of each month (each an "Interest Payment Date"):

- (i) on the Class A Notes, at an annual rate of 2.90%; and
- (ii) on the Class B Notes, at an annual rate of one-month EURIBOR.

For the fair value of the Notes please refer to note 12.

#### 11. OTHER PAYABLES

	2016 €	2015 €
Interest payable	8,713	21,262
Accrued administrative expenses	<u>86,609</u>	<u>124,773</u>
	<u>95,322</u>	<u>146,035</u>

#### 12. FINANCIAL RISK MANAGEMENT

The Company's financial instruments comprise of the deemed loan to the Originator, the Notes, cash and various other receivables and payables that arise directly from its operations.

It is, and has been throughout the financial year under review, the Company's policy that no trading in financial instruments is undertaken.

The Originator manages the Receivables Portfolio under the servicer agreement with the Company. In managing the Receivables Portfolio, the Originator applies its own risk management infrastructure for managing risk, including established risk limits, reporting lines, mandates and other control procedures.

##### Credit risk

The maximum exposure to credit risk is considered to be the carrying amount of the relevant financial instruments as detailed below:

	2016 €	2015 €
Deemed Loan to Originator	254,693,703	287,017,223
Cash and cash equivalents	<u>35,496,436</u>	<u>55,142,027</u>
Maximum credit risk exposure	<u>290,190,139</u>	<u>342,159,250</u>

The Receivables Portfolio underlying the deemed loan consists of consumer loans originated by Piraeus Bank S.A., with borrowers in Greece. Refer also to note 6 for information on the credit quality of the Receivables Portfolio. Cash and cash equivalents represents cash held with the Originator.

##### Interest rate risk

The Company is exposed to interest rate risk in relation to the assets. However, this risk is mitigated from the transaction structure through the credit enhancement. Due to the nature of the receivables and the regular reprising of the floating rate notes, there is significant differential between interest paid and interest received, therefore interest rate risk increases. However this risk is mitigated through the securitisation transaction as a result of the deferred purchase consideration mechanism and the credit enhancement provided by the Originator.

# PRAXIS I FINANCE PLC

## NOTES TO THE FINANCIAL STATEMENTS (continued)

### FOR THE YEAR ENDED 31 DECEMBER 2016

#### 12. FINANCIAL RISK MANAGEMENT (continued)

##### Liquidity risk

Liquidity risk is the risk that the Company may be unable to meet the payment obligations associated with its financial liabilities when they fall due. The Company's responsibility to make payments against the Notes is limited to the funds available to it and accordingly, the Company is insulated from liquidity risk as experienced in the financial markets and prepayment risk. The contractual maturity of the notes is 2026. Based on the contractual maturity date, the Notes are all repayable in greater than 5 years.

##### Fair values of financial assets and liabilities

The fair values together with the carrying amounts shown in the statement of financial position are as follows:

	Carrying amount 2016 €	Fair value 2016 €	Carrying amount 2015 €	Fair value 2015 €
<b>Financial assets</b>				
Deemed Loan to the Originator	254,693,703	101,671,000	287,017,223	109,170,000
Cash and cash equivalents	35,496,436	35,496,436	55,142,027	55,142,027
<b>Financial liabilities</b>				
Liabilities evidenced by paper	290,053,782	137,058,000	341,982,042	164,151,000
Other payables	95,322	95,322	146,035	146,035

Determining fair value is dependent on many factors and can only be an estimate of what value may be obtained in the open market at any point in time.

The majority of the fair values of the Company's financial instruments are not based on observable prices quoted in active markets, but are arrived at using valuation techniques. These valuation techniques (for example, models) are validated and periodically reviewed by qualified personnel independent of the personnel that created them. All models are checked before they are used, and models are calibrated to ensure that outputs reflect actual data and comparative market prices. The fair value of the deemed loan to the Originator is calculated by reference to the fair value of the liabilities evidenced by paper. The fair value of the deemed loan is classified as Level 2.

The fair value of the liabilities evidenced by paper has been estimated based on the price quoted by the European Central Bank for accepting the underlying securities as collateral for lending to the Originator. The fair value of the liabilities evidenced by paper is classified as Level 2. The notes are listed on the Irish Stock Exchange.

##### Fair values of financial assets and liabilities (continued)

The directors note the significant shortfall between the carrying amount and fair value of the notes (and of the deemed loan). The low fair value is due to the markets pricing of the risks associated with Greece in general whilst in practice the ability to repay the issued notes depends primarily on the quality of the underlying receivables and their servicing by the Originator (see note 6).

##### Foreign currency risk

The majority of the Company's assets and liabilities are denominated in Euro and therefore currently there is minimal foreign currency risk.

# **PRAXIS I FINANCE PLC**

## **NOTES TO THE FINANCIAL STATEMENTS (continued)**

### **FOR THE YEAR ENDED 31 DECEMBER 2016**

#### **12. FINANCIAL RISK MANAGEMENT (continued)**

##### **Fair value hierarchy**

Categorisation within the hierarchy has been determined on the basis of the lowest level input that is significant to the fair value measurement of the relevant asset or liability as follows:

Level 1 - valued using quoted prices in active markets for identical assets or liabilities

Level 2 - valued by reference to valuation techniques using observable inputs other than quoted prices included within Level 1

Level 3 - valued by reference to valuation techniques using inputs that are not based on observable market data. The valuation techniques used by the Company are explained in the accounting policies note.

The Company has no financial instruments included in its balance sheet that are measured at fair value. The fair value the Loans and Notes are categorised as level 2.

##### **Capital management**

The Company considers its capital to comprise its ordinary share capital and its accumulated retained earnings. There have been no changes in what the Company considers to be its capital since the previous year. The Company is not subject to any external capital requirements, except for the minimum requirement under the Companies Act 2006. The Company has not breached this minimum requirement.

#### **13. RELATED PARTY TRANSACTIONS**

In addition to the transactions and balances with the Originator which are identified throughout the financial statements, the following transactions are also required to be disclosed under IAS 24 Related Party Disclosures.

During the year corporate and accounting services were provided by Wilmington Trust SP Services (London) Limited to the Company for which Wilmington Trust SP Services (London) Limited earned €41,723 (2015: 47,025) including value added tax and expenses.

The Notes held by the Originator at 31 December 2016 amounted to €290,053,782 (2015: 341,982,042).

#### **14. ULTIMATE CONTROLLING PARTY**

The shares in the Company are 99.99% held by Wilmington Trust SP Services (London) Limited under a Declaration of Trust for charitable purposes. The remaining 0.01% of the shares is held under a nominee Declaration of Trust for charitable purposes. Piraeus Bank S.A. has no direct ownership interest in the Company. However, in accordance with IFRS, and particularly IFRS 10, the results of the Company are included in the consolidated financial statements of Piraeus Bank S.A. The Company's ultimate controlling party is considered to be Piraeus Bank S.A. The consolidated financial statements of Piraeus Bank S.A. can be obtained at [www.piraeusbank.gr](http://www.piraeusbank.gr).

#### **15. SUBSEQUENT EVENT**

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