

PIRAEUS BANK



PIRAEUS GROUP FINANCE PLC

(incorporated with limited liability in England and Wales)

as Issuer

and

PIRAEUS BANK S.A.

(incorporated with limited liability in the Hellenic Republic)

as Issuer and Guarantor

€25,000,000,000 Euro Medium Term Note Programme

This supplement (the **Supplement**) to the Offering Circular dated 5 October 2018 (the **Offering Circular**) constitutes a supplement to the base prospectus for the purposes of Article 13 of Chapter 1 of Part II of the Luxembourg Act dated 10 July 2005 relating to prospectuses for securities, as amended (the **Prospectus Act**) and is prepared in connection with the €25,000,000,000 Euro Medium Term Note Programme (the **Programme**) established by Piraeus Group Finance PLC (**Piraeus PLC**) and Piraeus Bank S.A. (**Piraeus Bank**). Terms defined in the Offering Circular have the same meaning when used in this Supplement.

This Supplement is supplemental to, and should be read in conjunction with, the Offering Circular issued by Piraeus PLC and Piraeus Bank.

Each of Piraeus PLC and Piraeus Bank accepts responsibility for the information contained in this Supplement. To the best of the knowledge of each of Piraeus PLC and Piraeus Bank (who have taken all reasonable care to ensure that such is the case) the information contained in this Supplement is in accordance with the facts and does not omit anything likely to affect the import of such information.

PURPOSE OF THE SUPPLEMENT

The purpose of this Supplement is to:

- (i) incorporate by reference Piraeus PLC's published Annual Report for the financial year ended 31 December 2018, the Annual Financial Report for the financial year ended 31 December 2018 of Piraeus Bank and its subsidiaries (together, the **Group**) and the Group's Unaudited Consolidated Interim Financial Information as at and for the three month period ended 31 March 2019;
- (ii) incorporate by reference two press releases issued by Piraeus Bank;

- (iii) update the disclosure in the "*Piraeus Bank and the Piraeus Bank Group*" section, including the "*Recent Developments since 31 December 2017*" section;
- (iv) update the disclosure in the "*Risk Factors*" section; and
- (v) update the statements of no significant change and no material adverse change in relation to Piraeus Bank and Piraeus PLC.

1. INFORMATION INCORPORATED BY REFERENCE SECTION

Piraeus PLC 2018 Report

On 11 June 2019, Piraeus PLC published its Annual Report for the financial year ended 31 December 2018 (the **Piraeus PLC 2018 Report**). The Piraeus PLC 2018 Report has been filed with the Commission de Surveillance du Secteur Financier and, by virtue of this Supplement, the Piraeus PLC 2018 Report is incorporated by reference in, and forms part of, the Offering Circular, including the following sections:

- (i) the independent auditors' report in respect of the audited annual financial statements as at and for the financial year ended 31 December 2018 which appears on pages 7 and 8 of the annual report; and
- (ii) the audited annual financial statements as at and for the year ended 31 December 2018 which appear on pages 9 to 19 of the annual report. The statement of financial position appears on page 10, the statement of comprehensive income appears on page 9, the statement of cash flows appears on page 12, the statement of changes in equity appears on page 11 and the explanatory notes appear on pages 13 to 19 of that document.

2018 Annual Financial Report

On 29 March 2019, the Group published its Annual Financial Report for the financial year ended 31 December 2018 (the **2018 Annual Financial Report**). The 2018 Annual Financial Report has been filed with the Commission de Surveillance du Secteur Financier and, by virtue of this Supplement, the 2018 Annual Financial Report is incorporated by reference in, and forms part of, the Offering Circular, including the following sections:

- (i) ESMA's APMs at Group level which appear on pages 79 and 80 of the 2018 Annual Financial Report;
- (ii) the independent auditors' report in respect of the audited separate and consolidated financial statements as of and for the financial year ended 31 December 2018 which appears on pages 81 to 88 of the 2018 Annual Financial Report; and
- (iii) the audited separate and consolidated financial statements as at and for the financial year ended 31 December 2018 which appear on pages 89 to 392 of the 2018 Annual Financial Report. The statement of financial position appears on page 91, the income statement appears on page 89, the statement of total comprehensive income appears on page 90, the cash flow statement appears on page 94, the statement of changes in equity appears on pages 92 and 93 and the notes to the financial statements appear on pages 95 to 392 of the 2018 Annual Financial Report.

Q1 Interim Financial Information

On 3 June 2019, the Group published its Unaudited Consolidated Interim Financial Information as at and for the three month period ended 31 March 2019 (the **Q1 Interim Financial Information**). The Q1 Interim Financial Information has been filed with the Commission de Surveillance du Secteur Financier and, by virtue of this Supplement, the Q1 Interim Financial Information is incorporated by reference in, and forms part of, the Offering Circular, including the unaudited consolidated interim financial information as at and for the three months ended 31 March 2019 which appears on pages 5 to 74 of the Q1 Interim Financial Information. The interim statement of financial position appears on page 7, the interim income statement appears on page 5, the interim statement of comprehensive income appears on page 6, the interim cash flow statement appears on page 9, the interim statement of changes in equity appears on page 8 and the notes to the Q1 Interim Financial Information appear on pages 10 to 74 of the Q1 Interim Financial Information section.

The following documents which have previously been published and have been filed with the CSSF shall also be incorporated in, and form part of, the Offering Circular:

- (a) the English translation of the press release entitled 'Piraeus Bank Group FY 2018 Financial Results' of the Group. The highlights appear on page 1, the management statement appears on pages 2 and 3, the P&L highlights appear on page 4, the balance sheet highlights appear on pages 5 and 6, the selected figures of the Group appear on pages 7 and 8 and the APMs at Group level appear on pages 9 and 10 of that document; and
- (b) the English translation of the press release entitled 'Piraeus Bank Group Q1 2019 Financial Results' of the Group. The highlights appear on page 1, management statement appears on page 2, the P&L highlights appear on page 3, the balance sheet highlights appear on page 4, the "Agenda 2023" appears on page 5, the selected figures of the Group appear on pages 6 and 7 and the APMs at Group level appear on pages 8 and 9 of that document;

The information incorporated by reference that is not included in the cross-reference lists above is considered to be additional information that is not required by the relevant annexes of Commission Regulation (EC) No. 809/2004 of 29 April 2004.

2. RECENT DEVELOPMENTS SECTION

On pages 148 to 149 of the Offering Circular, the section entitled "*Recent Developments since 31 December 2017*" shall be updated by inserting the following paragraphs under such heading, which correspond to events that occurred subsequent to the publication of the Offering Circular and up to the publication of this Supplement:

- On 8 October 2018, Fitch Ratings upgraded the long-term and short-term issuer rating of Piraeus Bank to CCC/C from RD/RD before, on the lifting of restrictions on deposit withdrawals.
- On 26 October 2018 the sale and transfer of non-performing, denounced unsecured retail consumer and credit card loans of €0.4 billion gross book value to APS Investments S.a.r.l. was completed, following the fulfilment of all conditions precedent to the completion of the transaction, including the approval by the HFSF. Post-closing, the Bank has no control over the servicing of the portfolio and retains none of the risks and rewards associated with it.

- On 31 October 2018, the sale of a non-performing and denounced corporate NPEs portfolio, secured with real estate collateral, to Bain Capital Credit LP was completed. The sale was completed following the fulfillment of all conditions precedent to the completion of the transaction including the approval by the HFSF. The gross book value of the NPEs portfolio sold amounted to €1.4 billion. Post-closing, the Bank has no control over the servicing of the portfolio and retains none of the risks and rewards associated with it.
- On 7 November 2018, Piraeus Bank reached an agreement for the sale of its shareholding in the share capital (99.98 per cent.) of its subsidiary Piraeus Bank Bulgaria AD to Eurobank Bulgaria AD for a consideration of €75 million. The resulting RWA relief from the transaction for the Group stands at €0.7 billion. The transaction has received the approval of competent authorities including the National Bank of Bulgaria and is awaiting the approval of the HFSF to be completed.
- On 28 November 2018, Piraeus Bank's Board of Directors, considering also the Bank's strategy to safeguard capital and build up further buffers versus capital requirement levels, exercised its discretion, explicitly provided under the terms of the Contingent Convertible Bond Issuance Programme (**CoCos Programme**), to cancel the forthcoming interest payment. It is further noted that, such a non-payment results in cancellation of the respective amount, which under the CoCos Programme, is no longer considered as due and payable.
- On 31 December 2018, pursuant to a Share Sale and Purchase Agreement between Piraeus Bank and Matrix Insurance and Reinsurance Brokers, the Group's subsidiary entity Piraeus Insurance Brokers was disposed of. The consideration of the transaction amounted to €27 million.
- On 4 March 2019, Piraeus Bank announced the sale of its shareholding (98.83 per cent.) in its Albanian subsidiary, Tirana Bank Sh.A., to Balfin Sh.p.k. and Komercijalna Banka AD, after receiving the required approvals from the competent regulatory authorities in Albania, including the Bank of Albania, as well as from the HFSF.
- On 8 March 2019, Moody's Investors Service affirmed Piraeus Bank's long-term deposit rating at Caa2, while the outlook was changed to positive from stable.
- On 3 June 2019, Piraeus Bank announced that it had entered into an agreement with Intrum for the management of its NPEs and real estate owned assets (**REOs**) through the establishment of an independent non-performing assets servicing platform in Greece (the **Intrum Transaction**). The key components of the Transaction are:
 - o Piraeus Bank's internal RBU platform will be hived down into a separate legal entity, (the **New Servicer**), which will be licensed and regulated by the Bank of Greece. Intrum will acquire 80 per cent. of the New Servicer and Piraeus Bank will retain the remaining 20 per cent.
 - o The agreement with Intrum values the RBU platform at €410 million. The total purchase price for Intrum's acquisition of 80 per cent. of the RBU platform has been agreed at €328 million of which €296 million will be paid in cash at the closing of the Intrum Transaction and, subject to achieving certain performance milestones, the balance of €32 million will be paid after year end 2022.
 - o The majority of NPEs will be transferred to and held by a securitization special purpose vehicle (SPV) prior to closing.
 - o The New Servicer will enter into a contract to service Piraeus Bank's existing €27 billion NPE portfolio, together with any new inflows, on an exclusive basis, over an initial term of ten years. The New Servicer will also manage NPEs of third parties;

- A second servicer company (the **REO Servicer**) will be incorporated with the same shareholding structure and will manage Piraeus Bank's €1 billion existing and future REOs. The REO Servicer will also service REOs of third parties;
- Piraeus Bank and Intrum aim for the closing of the Intrum Transaction to occur on or around 1 October 2019. Following the completion of the Intrum Transaction, the assets and the recoveries of the serviced Portfolio will remain on the balance sheet of the Bank.
- The Intrum Transaction is contingent upon customary conditions and regulatory approvals and the consent of the HFSF.
- Among other benefits for Piraeus Bank, the Intrum Transaction aims to:
 - create a leading, independent servicer in Greece that will facilitate future NPE transactions with Intrum's best-in-class practices and extensive servicing experience in multiple European jurisdictions;
 - enhance the Bank's NPE recovery prospects, facilitating the achievement and potential outperformance of its NPE reduction targets while in parallel constituting a capital accretive transaction for the Bank; and
 - allow the Bank's management team to re-focus on core banking activities, yielding improved results for the Piraeus Group while participating in the enterprise value growth of new servicer companies.

On 10 June 2019, Piraeus Bank announced that it had reached an agreement with an entity affiliated with Davidson Kempner Capital Management LP, for the sale of corporate NPEs, amounting to €507 million gross book value and €535 million total legal claim as of 31 October 2018 (the portfolio cut-off date). The transaction price is €240 million and is expected to be capital neutral for the Group's regulatory capital of the Group as of 31 March 2019, while at the same time it will reduce the Bank's NPE ratio by approximately 50bps. The transaction is subject to the ordinary terms and approvals by the competent Greek authorities, including the consent of the HFSF.

3. RISK FACTORS SECTION

On page 21 of the Offering Circular, the risk factor entitled "*Operational Risk*" shall be updated by adding the following paragraph at the end of the second paragraph:

"For example, the Intrum Transaction (as defined below) will involve the complex and multi-dimensional integration of IT systems, databases, billing procedures, credit procedures, operations, legal procedures and other key functions of the Bank with those of an external service provider. This level of integration with a long-term external supplier could exacerbate some or all of the operational risks mentioned above."

On pages 38 and 39 of the Offering Circular, the risk factor entitled "*Non-Performing Exposures have had a negative impact on the Bank's operations and have led to a significant decrease in the Bank's revenue, and may continue to do so*" shall be updated by:

Replacing the eighth paragraph with the following:

"As at 31 December 2018, the stock of NPEs in Greece reached €81.8 billion. Compared to March 2016, when the stock of NPEs reached the peak, the reduction is 23.7 per cent. or €25.4 billion (source: Bank of Greece). In this context, Piraeus Bank has entered into a long-term agreement with Intrum AB (publ) ("Intrum") on 3 June 2019 for the management of its NPEs and Real Estate Owned ("REO") assets through the establishment of an independent non-performing assets servicing platform (the "Intrum

Transaction”) (see “*Piraeus Bank and the Piraeus Bank Group - Recent Developments (since 31 December 2017)*” for more information). All four Greek banks have met the NPE targets agreed with the Bank of Greece so far. Despite the accelerated efforts, NPEs remain high across most asset classes.”

Furthermore, adding the following paragraph after the end of the tenth paragraph:

“While the Bank’s strategy through the engagement of an independent servicer (via the Intrum Transaction) aims to enhance the Bank’s NPE recovery prospects, facilitating the achievement and potential outperformance of the Bank’s NPE reduction targets, such strategy entails certain business and operational risks. The Bank’s ability to realise the expected synergies and other benefits and achieve an improvement on the NPE recovery process may be affected by a number of factors, including implementing the appropriate financial incentives, proper coordination of the management and/or disposal of NPEs, rigorous application of credit standards, avoidance of capital-diluting write-offs and other actions, as well as the ability to share information and render IT systems compatible with the operations of the independent servicer, all of which may materially and adversely affect the Bank’s financial condition, capital adequacy and operating results.”

4. PIRAEUS BANK AND THE PIRAEUS BANK GROUP SECTION

On pages 116-118, updating the “*Strategy*” section by replacing the seventh to twelfth paragraphs with the following:

“Piraeus Bank Group, announced on 3 June 2019 its strategic roadmap to 2023 entitled “*Agenda 2023*”, setting forth its strategic targets and reflecting its vision to be the most trusted bank in Greece, creating value for its shareholders, customers and employees.

“*Agenda 2023*” is based on the following pillars:

- ‘Strategic Targets’, that includes specific, measurable goals that place the Bank on course to restoring its fundamentals and enhancing its profitability;
- ‘Satisfying Stakeholders’, that places key stakeholders at the top of the Bank’s priorities. Key stakeholders for the Bank are its customers, shareholders, employees, suppliers and society at large; and
- ‘Sustainable Solutions’, that encompasses a complete framework of solutions which through focused and effective implementation will enable the Bank to develop its potential, with the aim of creating value from all its business functions.

The aforementioned Sustainable Solutions address the following three aspects:

- De-risking of legacy assets: the Bank will decisively continue taking steps to normalize its balance sheet risks per internationally accepted, i.e. single-digit, NPE ratio levels. In parallel, the Bank intends to further strengthen its capital base, ensuring that it continues to remain at all times above the supervisory requirements by at least 200 bps.
- Growth of Assets: the Bank plans to focus on leveraging the competitive advantages of its core business by deepening its existing 5.3 million client relationships in Greece. It also intends to remain a prominent SME & small business loans (SBLs) Bank with increased generation of retail products while adhering to a strict risk-adjusted approach. The Bank intends to pursue its business plan across all business segments by utilizing the capabilities of its advanced digital platform and providing innovative solutions.

- Efficiency & Simplification: the Bank seeks to maximise the efficiency of its resources. This will be achieved through a simplified structure, further operational cost rationalisation measures, as well as further optimisation and automation of internal processes. Through the focused execution of the “Agenda 2023” plan, by the end of 2023, the Bank aims to have improved its efficiency as a financial institution, with a cost to income ratio at low 40 per cent. and satisfactory returns on tangible equity at a high single digit per cent.

Agenda 2023 establishes a clear set of strategic priorities that, in conjunction with focused and effective execution, aims to provide a clear and visible path to a full recovery for Piraeus Bank.”

On page 118, replacing the first paragraph (and its subparagraphs) under the heading “*Medium-Term Strategic and Financial Targets*” with the following:

“Piraeus Bank sets financial targets to enable the implementation of its strategy and business plan. The Bank’s medium term financial targets (up to the end of 2023, unless otherwise specified below) for the Bank’s domestic operations are to:

- maintain market leadership in Greece in terms of market shares, moving in line with the Greek banking market; the Bank is currently the largest bank in the Greek loan market, with a 29 per cent. market share in loans and deposits as at 31 December 2018 (source: Bank of Greece and financial information for banks as of December 2018);
- decrease parent level NPE balances to below the €6 billion level by 2023 down from €26.4 billion as at 31 December 2018 through active NPE management by an independent servicer established pursuant to the Intrum Transaction as well as through inorganic initiatives. The independent servicer will have scale and capabilities to service large portfolios, facilitating future securitizations and systemic solutions;
- achieve a cost to income ratio at low 40 per cent. for Piraeus Bank on the back of €200 million cost savings to be realized in the period 2019-2021, with domestic operating expenses reducing to approximately €0.8 billion from €1.0 billion as at 31 December 2018;
- achieve satisfactory return on tangible equity to a high single-digit area; and
- further strengthen the Bank’s capital base, ensuring that the Bank continues to remain at all times above the supervisory requirements by approximately 200 bps.”

On page 122 of the Offering Circular, the section entitled ““*Piraeus Legacy Unit Segment*”” shall be updated by replacing the first subparagraph with the following:

- PLU – This segment includes the RBU, considered to be non-core business, international subsidiaries (as there is a clear commitment through the Bank’s restructuring plan to deleverage from its foreign assets) as well as REO assets, non-core Greek subsidiaries and discontinued operations. Piraeus Bank entered into the Intrum Transaction to transfer the RBU into a separate legal entity (see “*Piraeus Bank and the Piraeus Bank Group - Recent Developments (since 31 December 2017)*” for more information).”

On page 128 of the Offering Circular, the section entitled “*Non-Core Business & Restructuring Portfolio*” shall be deleted and subsequent paragraphs shall be renumbered accordingly.

On page 128 of the Offering Circular, the section entitled “*Forbearance and Restructuring Policy*” shall be updated with the following:

“The RBU manages loans in arrears, aiming to find the appropriate viable restructuring solution for each borrower, to ensure fair treatment of all borrowers and to maximise value for the Group. In order to achieve greater efficiencies in the management of NPEs, Piraeus Bank entered into the Intrum Transaction to transfer the RBU into an independent servicer company (see “*Piraeus Bank and the Piraeus Bank Group - Recent Developments (since 31 December 2017)*” for more information). The independent servicer will be an experienced entity in providing restructuring and turnaround services of NPE portfolios and will act with the aim of maximising recoveries and minimising credit related losses, risk weighted assets and the capital impact of all recovery actions, while acknowledging the operational and financial targets set for Piraeus Bank by the SSM.”

On page 129 of the Offering Circular, the section entitled “International Operations and Non-core Assets” shall be updated by replacing the first sentence of the first paragraph with the following:

“Piraeus Bank Group is in the process of deleveraging its international activities and non-core assets, in line with the Bank’s commitment in the Restructuring Plan approved by European Commission’s Directorate-General for Competition.”

5. GENERAL

To the extent that there is any inconsistency between (a) any statement in this Supplement or any statement incorporated by reference into the Offering Circular by this Supplement and (b) any other statement in or incorporated by reference in the Offering Circular, the statements in (a) above will prevail.

There has been no material adverse change in the prospects of Piraeus Bank or the Group since 31 December 2018 and no significant change in the financial position of Piraeus Bank or the Group since 31 March 2019.

There has been no material adverse change in the prospects of Piraeus PLC and no significant change in the financial position of Piraeus PLC since 31 December 2018.

Save as disclosed in this Supplement and any supplement to the Offering Circular previously issued, there has been no other significant new factor, material mistake or inaccuracy relating to information included in the Offering Circular since the publication of the Offering Circular.

Copies of this Supplement and the documents incorporated by reference in this Supplement can be obtained from the registered office of Piraeus Bank and Piraeus PLC and from the specified offices of the Paying Agents for the time being in London and Luxembourg as described on pages 187 and 188 of the Offering Circular.

In addition, copies of this Supplement and each document incorporated by reference into the Offering Circular by this Supplement are available for viewing at the Luxembourg Stock Exchange’s website (www.bourse.lu).

Dated 12 June 2019