Deutsche Bank
Research

Emerging Europe
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Banking / Finance

Industry

# Greek Banks

Date
4 October 2022

Industry Update

# The paradoxical blessing from rates

Alfredo Alonso
Research Analyst
+34-913351153

Atul Hanamante
Research Associate

## Rate hikes boost revenues...

While the current environment is leading to some concerns about a potential economic deterioration, we still believe that banks are set to benefit from higher-than-anticipated rates, with Greek banks among the best positioned in Europe for their take-up. Although we remain cautious in our assumptions and factor in a drag from increasing funding costs (especially given the difficulties in complying with MREL requirements), we increase our NII estimates by c.+15% for 2023, and we still see upside risk if the ECB becomes more hawkish on rates. In addition, we note that the take-up of rates at Greek banks remains faster than in most countries (mortgages usually reprice every month and corporate lending twice a year), which should provide more visibility on revenues in the next few quarters.

## ...and outweigh expected hit on costs and provisions

However, we note that high inflation should put more pressure on costs than Greek banks' guidance suggests. Hence, we expect slightly less upbeat messages on cost control going forward. Yet, the Greek banks remain better protected than most in Europe, helped by their restructuring processes. We increase our cost estimates by above mid-single digits for 2023-24, which still entails an improvement in CIR to just 45% by 2024. We also expect a slightly weaker-than-forecast decline in provisions, with limited impact on most banks due to asset quality normalisation, leading to CoR estimates of not much above 60bps on average by 2024.

## Why do we believe this might not be enough?

Better expectations lead to considerable upside potential vs. our valuations, but we are concerned that Greek banks might be kept on the sidelines, especially given that markets are clearly in risk-off mode and further delivery might be needed. In addition, the gap in P/E and P/BV vs. European banks (while still large) has tightened lately as a result of the improvements seen; we are concerned that investors wanting to play NII enhancement are more likely to look at Spanish & Italian domestic names, which enjoy similar or even higher sensitivities. As a consequence, we maintain NBG (Buy, TP E5.10) as our top pick, given its strong capital and coverage, coupled with improvements in profitability, while Alpha Bank (Buy, TP E1.55) seems like the most balanced on a risk-reward basis. We like Eurobank's (Hold, TP E1.45) performance and solidness, but it trades at similar multiples to those of many Southern European banks, and we praise Piraeus (Hold, TP E1.60) for its improvements, but we believe higher capital is needed.

Key Changes

| Company | Target Price | Rating |
|---|---|---|
| ACBr.AT | 1.45 to 1.55 | - |
| BOPr.AT | 1.35 to 1.60 | - |
| EURBr.AT | 1.20 to 1.45 | - |
| NBGr.AT | 4.40 to 5.10 | - |

*Source: Deutsche Bank*

Companies featured

| | |
|---|---|
| Alpha Bank (ACBr.AT),EUR0.83 | Buy |
| Piraeus Bank (BOPr.AT),EUR1.04 | Hold |
| Eurobank (EURBr.AT),EUR0.86 | Hold |
| National Bank of Greece (NBGr.AT),EUR3.02 | Buy |

*Source: Deutsche Bank*

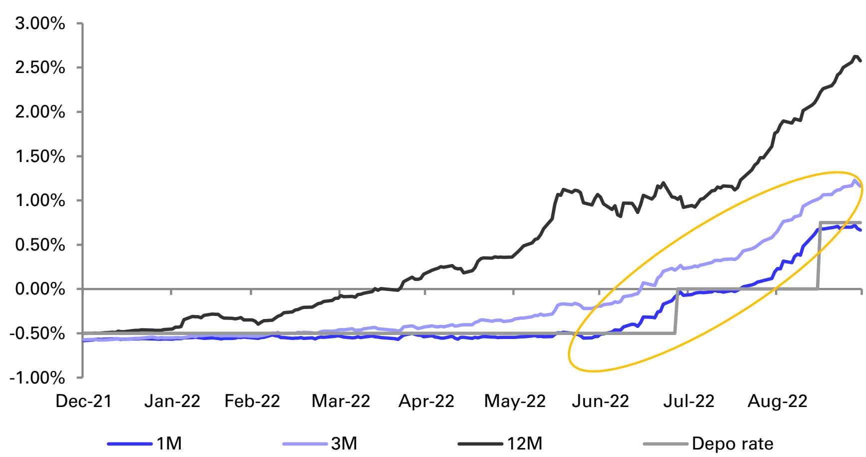
## Gearing to rates should lead to increasing NII

Greek banks remain among the most sensitive banks to rates in Europe (e.g., not far off from Spain & Italy) while offering even faster take-up of hikes. Hence, higher-than-expected rates should accelerate the banks' NII recovery, and as we show in this report, the overall positive impact should be stronger than the negatives derived from lower lending growth and the negative effects on asset quality.

### High sensitivity to rates is increasingly noticeable...

While we had already factored in a material change in rates in our previous estimates, we acknowledge that the current prospects are beating our forecasts. The 75bps rate hike announced by the ECB and the messages about further upcoming hikes are driving Euribor curves upward, even in the shorter maturities at which most floating loans are referenced in Greece (most usually 1M for mortgages and 3M for corporates).

Figure 1: Euribor curves rise still to be reflected in the next quarters



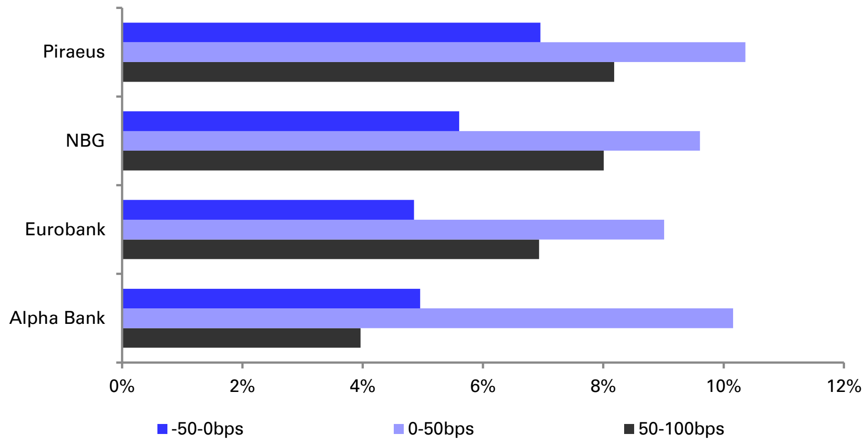

*Source : Bloomberg Finance LP, ECB*

*High sensitivity to interest rates and fast take-up make Greek banks one of the best ways to play the hikes, in our view.*

The take-up of rising rates is quicker at Greek banks than in most Southern European countries, with most of the impact set to be seen in a couple of quarters. Furthermore, the banks' updated guidance in 2Q22 indicates that sensitivity should remain high, given that c.85-90% of loans are linked to floating rates.

While this sensitivity was relatively low in the first 50bps deposit facility rate hike to 0% (given the existence of floors), the sensitivity above 0% is much more significant (as shown in Figure 2 below), only declining for higher rates, mainly due to increasing deposit betas.

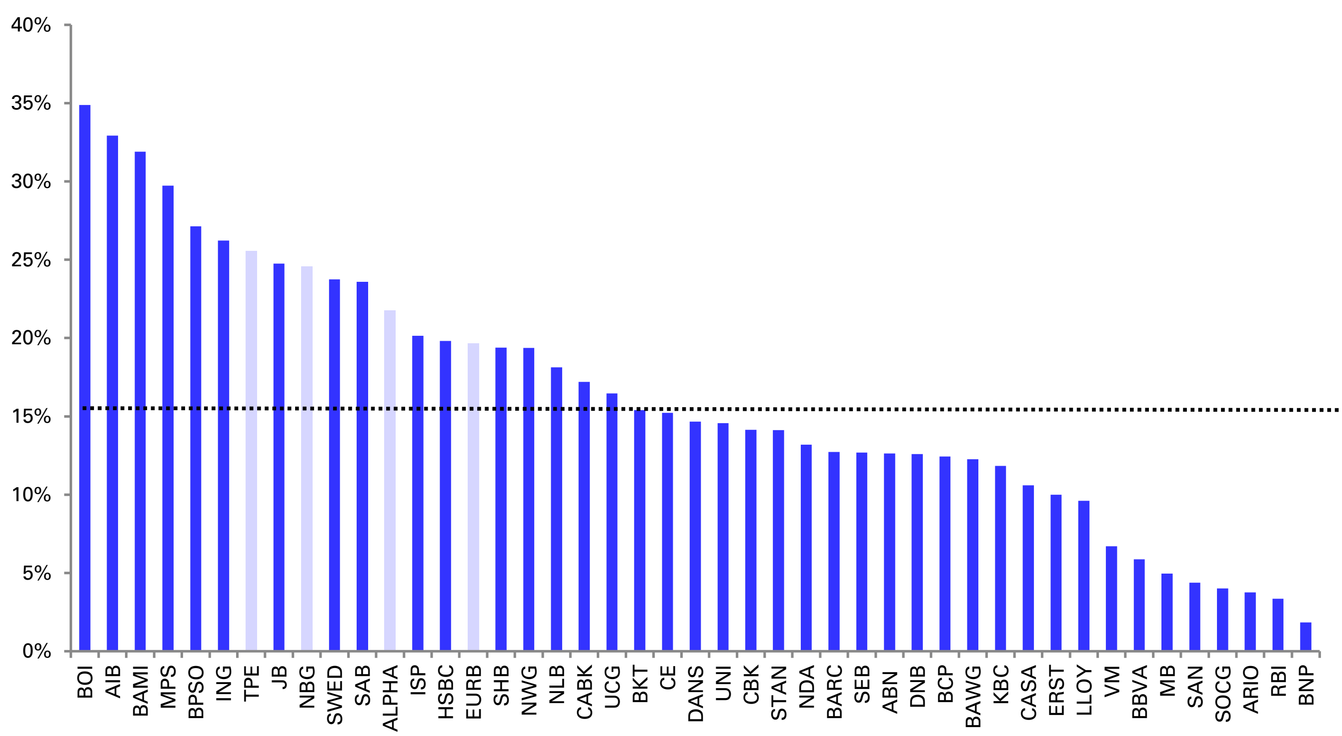
Figure 2: Banks' guidance on sensitivity to rate hikes (% over NII)




*Source : Deutsche Bank, company data*

That said, Euribor rates are moving so fast in anticipation of potential ECB decisions that it is difficult to forecast whether there could be further significant increases or whether they could remain close to where they are now (already reflecting some further hikes in the next few quarters). In any case, whatever the final rates turn out to be, it is clear that Greek banks should be among the biggest beneficiaries in Europe (see Figure 3), with an almost 25% increase in profit before taxes for only 100bps higher rates, and the current situation likely entailing even better figures.

Figure 3: Greek banks remain among the most geared to rates *(increase in PBT for 100bps higher rates)*




*Source : Deutsche Bank estimates, company data*

Two additional factors that could help NII are the opportunity for banks to rebuild their bond portfolios and the temporary positive impact from arbitrage in TLTRO III as a result of the difference between the "cost" of the instrument (the interest rate is the average interest rate on the deposit facility over the life of the respective instruments) and the current deposit facility rate.

Regarding the increasing contribution from bonds, Greek banks do not seem to be significantly increasing the size of their bond portfolios, leading us to refrain from including significant impacts from this yet (although it might be an option for banks, if need be).

With regard to TLTRO, we note that most will be paid during 2023, making the positive impact only temporary.

## ...but loan growth might be affected (although it still looks strong)

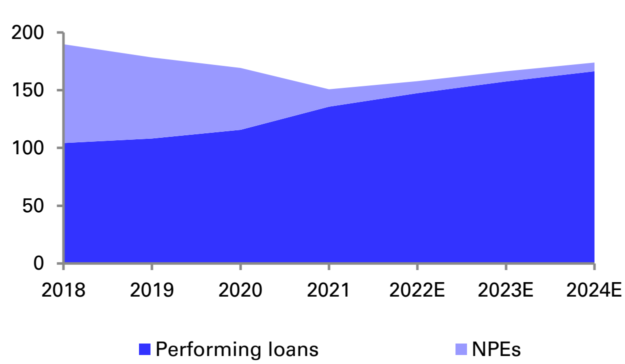
One of our main potential concerns in regard to the current economic situation is the extent to which GDP growth could be affected and the impact of higher rates on credit demand. That said, economic growth forecasts for Greece remain strong, higher than in most European countries, supported by the solid tourism recovery in 2022 and the deployment of the Recovery and Resilience Plan. GDP forecasts remain close to 4.0% in 2022 and around 2% in 2023, although demand is likely poised to slow down as a result of rising prices, pressure from energy costs and general economic uncertainty.

*Greek banks are set to enjoy significantly higher lending growth than peers, helped by economic resilience and the RRF boost.*

Regarding the impact of this slowdown on lending growth, 1H22 numbers show even higher-than-anticipated activity, although recently published data as of August show that the annual growth rate of total credit extended to the domestic economy stood at 7.7% (vs. 9.1% in the previous month), pointing to some pressure on demand.

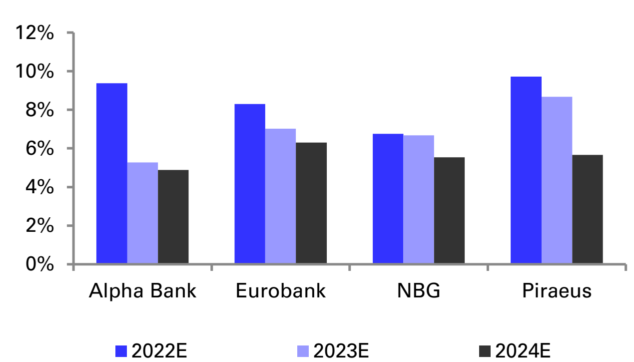
While uncertainty is now a bit higher, banks' targets for FY22 are unchanged, and their views on 2023-24 remain optimistic given the resilient demand and the contribution expected from RRF funds – especially in sectors like energy, services and real estate. We recall that the RRF programme for Greece entails E17.8bn in grants and E12.7bn in loans, the impact of which is likely to become visible in the next few quarters. Furthermore (as shown in Figure 4 below), a decline in NPEs is no longer a factor in the drop in total loans.

Figure 4: Loans recovering after NPE cleanup (EUR bn)




** Aggregated loans of the four banks*
*Source : Deutsche Bank estimates, company data*

Figure 5: Performing loans set to continue growing strongly (YoY %)




*Source : Deutsche Bank estimates*

## Cost of funding (mainly MREL) the main risk for NII

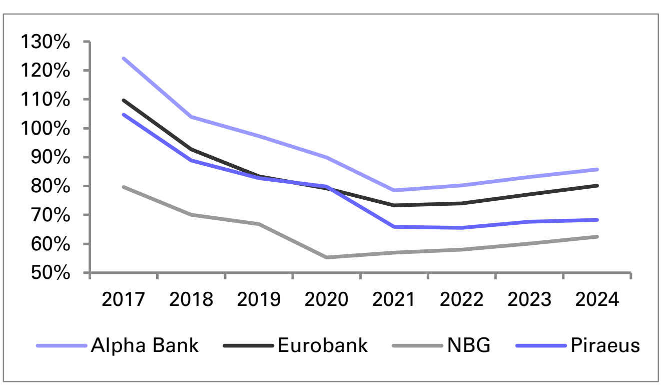
While we are confident in a strong recovery of interest income, we have mixed feelings regarding the impact of funding costs, which, in our view, could become somewhat problematic – especially regarding wholesale funding driven by higher rates and the need to comply with MREL requirements. On the positive side, we expect deposit beta to remain restrained (obviously with increasing cost going forward, but in a moderate way). So far, the reasons for that are the following:

- **Cost of deposits set to increase (but gradually)**

  Deposit costs are arguably set to increase, as long as interest rates increase rapidly, with the potential to do so more. In this regard, although the hikes already seen should have a limited impact, with pretty low deposit beta, Greek banks seem to be remaining quite cautious regarding the impact of even mentioning deposit betas of 70-80% for further rates hikes. We deem this as likely too negative, as we see several issues that could delay a faster pass-through of rates. Among these, we highlight:

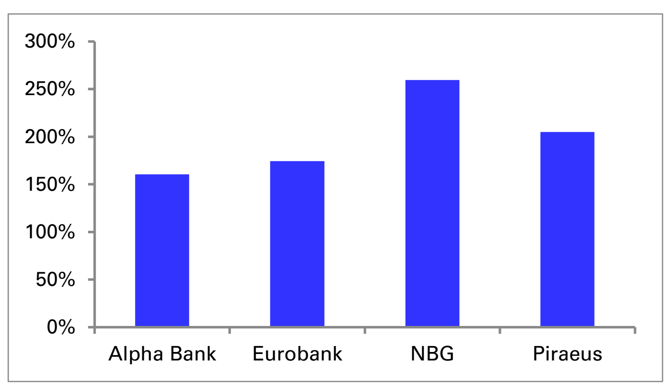
  - The loan-to-deposits (LTD) ratio has declined substantially over the last few years, driven by deleveraging and increasing deposits books. As long as loan growth can be expected to remain strong, LTD should gradually increase, albeit still entailing significant liquidity excess (see Figure 6).
  - Overall, liquidity remains strong for short-term requirements, with TLTRO III maturity being the main concern. In this regard (as shown in Figure 7), as of 2Q22, the LCR ratio remains quite high at most banks – especially NBG, also reflecting the lower LTD ratio. In any case, we acknowledge that TLTRO maturity could become a challenge for some banks, with Alpha Bank being the most exposed to a liquidity shortage (as long as the E13bn in TLTRO that it now holds continues to seem like one of the main sources of liquidity). In this regard, Piraeus should be the second most affected. On the other hand, Eurobank and NBG should have no issues with significant excess liquidity after TLTRO repayment. We view this event as the most likely trigger for some substantial increase in deposit costs.

Figure 6: LTD ratio remains low




*Source : Deutsche Bank estimates, company data*

Figure 7: LCR seems sufficient




*Source : Company data as of 2Q22*

*Cost of deposits is unlikely to put much pressure on NII, but complying with MREL remains the main challenge, in our view.*

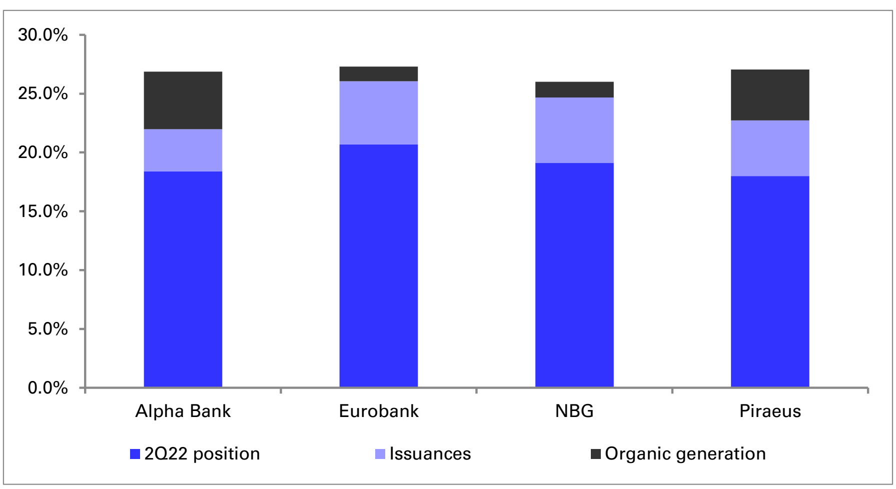
- **MREL seems like the main (manageable) risk to cost of funding**

The MREL requirement for Greek banks still remains a challenge. Despite all of the banks having achieved the 2022 target, it could be difficult for them to reach the phase-in-until-end-25 final target without incurring a significant impact on overall issuance costs (especially considering market conditions). The positive news is that 2023 targets are not binding, which could provide some respite – although all of the banks have shown significant commitment toward achieving those requirements.

As shown in Figure 6, Eurobank and NBG are currently closer to the final targets. Overall, we estimate that there is still a c.E12.5bn gap to be closed in order to reach the end-25 target. Nevertheless, we must take into account that organic capital generation should be a significant part of the process, leading to a more manageable c.E7bn issuance need over the next three and a half years.

As shown in Figure 8, we note that Alpha Bank and Piraeus might need a lower issuance amount (c.E1.5bn until 2025) in order to cover the gap than Eurobank and NBG, as our RWA growth expectations for both banks are higher, given that their better asset quality and coverage make RWA reduction through NPE decline lower. Furthermore, their higher capital levels prompt us to be more positive on dividend payments.

Figure 8: The gap to cover end-25 MREL requirements remains high



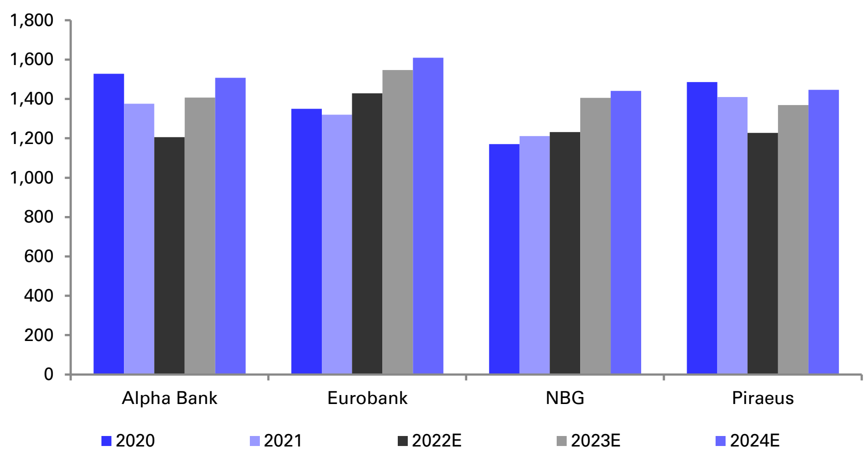

*Source : Deutsche Bank estimates, companies data*

That said, our expectations (already factored into our models, despite being highly reliant on future market conditions) imply an impact of between 5-10% over total NII by 2025, which would only gradually be reached over the next few years. Moreover, considering the positive impact arising from rates, we could deem the hit from MREL on profitability as quite manageable, with limited impact in the short term. In fact (although it does not affect NII), given the impossibility of issuing AT1s so far, we postpone our expectations on these issuances until at least end-24, which affects our adjusted 2023-24e EPS (we note that Piraeus is the only bank with an outstanding AT1 issued).

## All in all, NII is set to beat expectations

Given the positive impact from rates (even when being conservative regarding the full impact of increasing funding costs and not factoring in some potential levers – e.g., expanding bond portfolios), NII should record a much stronger-than-expected recovery in 2023-24, despite the TLTRO decline and the fact that in 2022, some banks (mostly Alpha and Piraeus) are still incurring the adverse impacts of their NPE cleanups.

Figure 9: NII is set accelerate strongly from 2023 onward (E' mn)




*Source : Deutsche Bank estimates, companies data*

Moreover, despite the significant increase in our NII estimates (c.+15% for 2023), we still see upside risk. If the ECB deposit rates were to reach 3%, we would expect 2024 NII to be close to 5-10% higher than our estimates (not so much in 2023, given that after hikes, those levels would likely not be seen until end-23). In any case, we note that the take-up of rates at Greek banks remains faster than in most countries (mortgages usually reprice every month, and corporate lending twice a year).

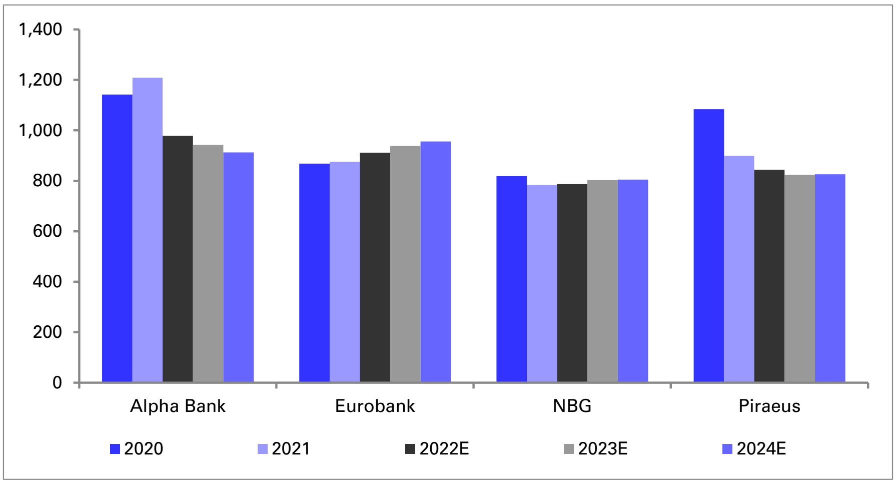
On the other hand, as we explained in our recent report (To tier or not to tier, published on 29 September), the potential introduction of a reverse-tier system by the ECB would entail a potential reduction of the positives brought by higher rates. Although there is no clarity on whether this is going to be put in place or what characteristics it would have, our base case implies that Greek banks would incur a hit close to the average of European banks (and slightly less than that of Italian and Spanish banks).

## Costs unlikely to derail amid high inflation, but we are less optimistic

While significant cost control (via a sizeable downsizing effort) is still set to provide further benefits, we are now less optimistic regarding the amount of total expenses in 2022-24 vs. our previous numbers, largely driven by higher inflation. Although we believe that Greek banks are set to remain among the less affected banks in Europe, given a more limited increase in wages, plus potential further lay-off programmes (expected at most banks), it is difficult to avoid seeing how some of this inflation will be transmitted into personnel costs, with the greatest pressure being placed on general expenses.

As a result, our cost estimates for the four banks are still favourable, despite implying above-mid-single digit increases to our 2023-24 estimates vs. our previous estimates. In any case, banks that have some further work to be done (i.e. Alpha and Piraeus) should have costs a bit more under control than the more mature banks (especially Eurobank and NBG, which could come up with new restructuring plans going forward).

Figure 10: Costs under control despite inflation (E' mn)

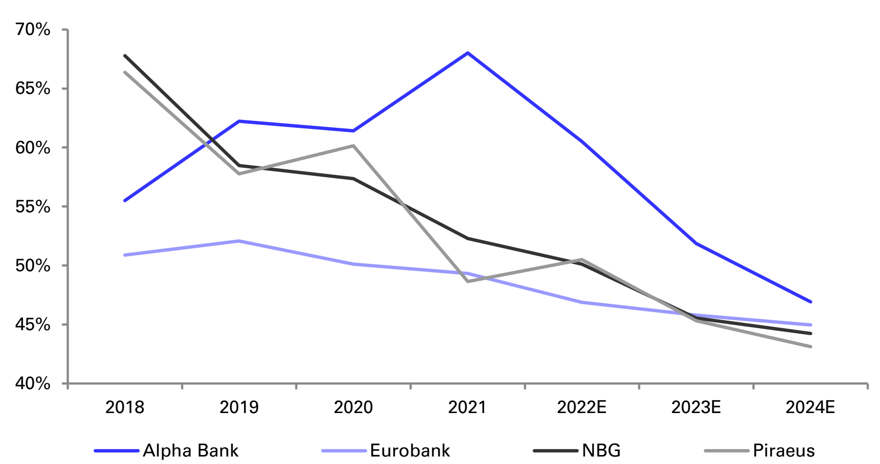



Source : Deutsche Bank estimates, companies data

*Revenue growth and controlled costs should lead to a cost-to-income ratio of close to 45% by 2024.*

In general, given the significant growth that we expect in core revenues (we should exclude trading from this, as the years of hefty trading contributions should be over)implying a decline of almost 10pp from 2021 to 2024, we expect the average for Greek banks to be a quite low 45% core-cost-to-income ratio in most cases.

Figure 11: Core cost-to-income set to continue improving due to higher revenues and significant cost control



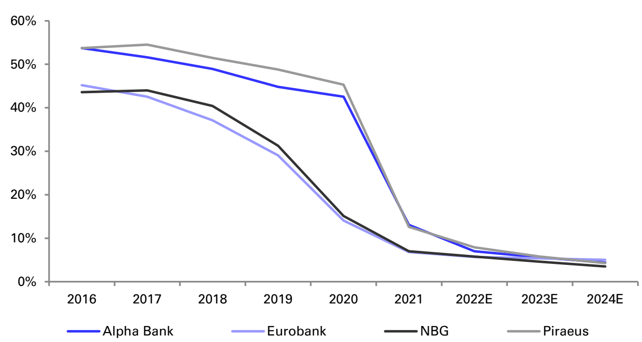

Source : Deutsche Bank estimates, companies data

## Asset quality resilient so far, but concerns might increase

As seen in 2Q22 earnings, and following recent comments from the banks, asset quality is not showing any signs of deterioration. With the average NPE ratio now close to 7%, the reduction in defaulted loans was a bit higher than expected in 1H22.

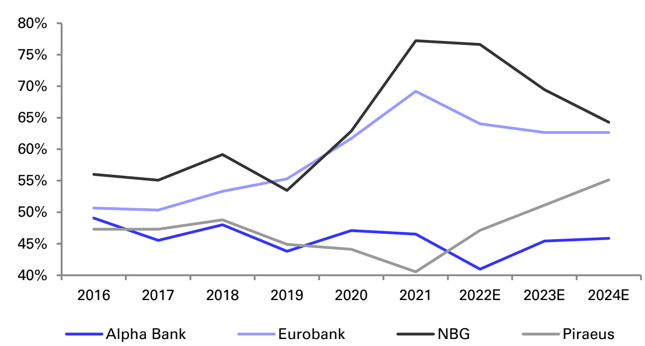
However, uncertainty remains substantial in regard to how the economic slowdown could affect asset quality (especially in some specific sectors) and in terms of how inflation could burden affordability, leading to increasing new NPE formation. That said, there are factors that (overall) should remain quite limited, still allowing NPE ratio declines in 2023-24 (see Figure 12), as we expect some increase in new formation, offset by write-downs and sales (although at a smaller scale than in the past). The impact of maintaining higher-than-expected cleanup efforts should mean that provision efforts will likely exceed previous expectations. In this regard, we believe that higher levels of coverage (see Figure 13) remain a significant safeguard.

Figure 12: NPE ratios should maintain a slight downward trend




*Source : Deutsche Bank estimates, company data*

Figure 13: NPE coverage makes a difference among banks



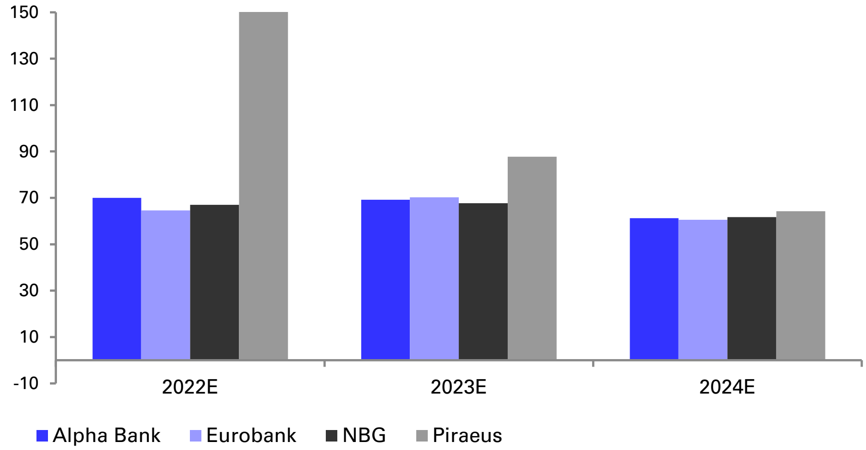

*Source : Deutsche Bank estimates, company data*

*Provisions should remain above those of European peers, but overall, they would continue declining gradually.*

We expect some convergence of coverage levels, but Eurobank (and especially NBG) should still be much more protected against any potential negative event. In the case of NBG, we expect some decline from current excessive levels – which, in any case, should be reflected in the lowest CoR among Greek banks. On the other hand, Piraeus and Alpha Bank are coming from the lowest levels after their ongoing cleanup processes [1] – although the asset quality normalisation reached should allow for gradually increasing coverage without pushing CoR much above normalised levels, leading to not much above 60bps on average by 2024 (see Figure 14). In any case, if theactual economic developments turn out to be worse than what is currently forecasted, we would expect the gap to enlarge, with Alpha (and particularly Piraeus) being more adversely affected than the others.

1 At Alpha Bank, we see a much higher percentage of mortgages over NPEs, which should explain part of the lower coverage, although it still looks a bit too tight, in our view.

Figure 14: CoRs set to converge going forward

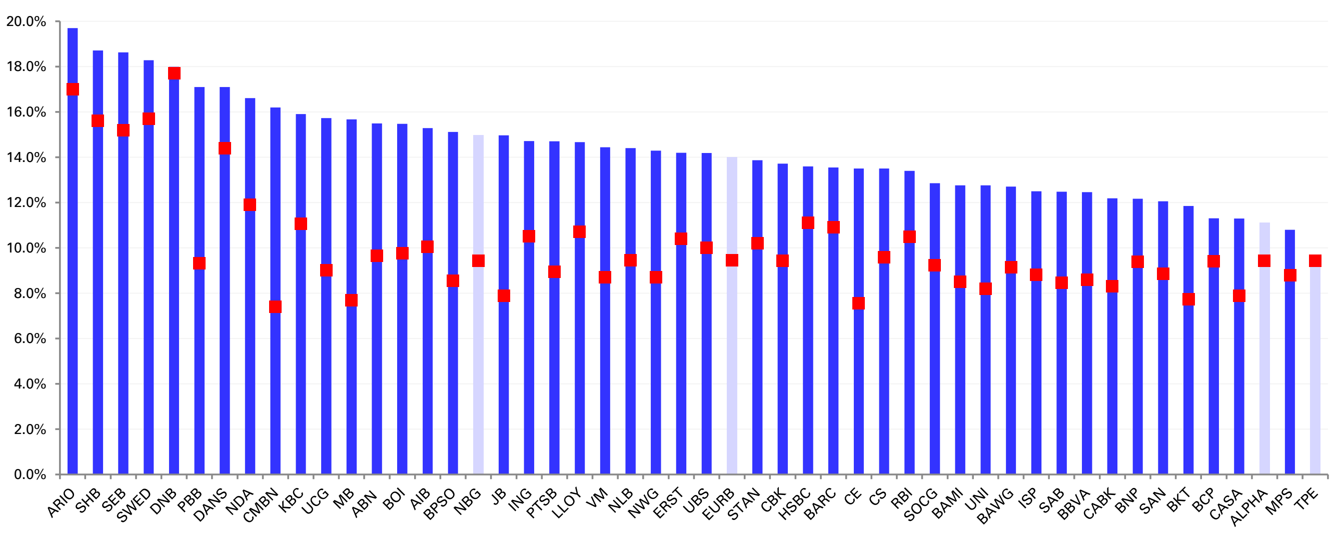



*Source : Deutsche Bank estimates, company data*

## Enhanced capital, with some further improvement coming

Despite some banks (namely Alpha Bank and Piraeus) still being in the recovery process for capital shortage after the clean-up process, others have now achieved comfortable capital levels (NBG and Eurobank). In fact (as shown in Figure 15), we see what is likely one of the main reasons behind Alpha and Piraeus' low valuations.

Figure 15: Capital ratios and gap to regulatory requirement vary significantly




*Source : Deutsche Bank estimates, company data*

On the positive side, we believe that the recoveries at both banks are going to be significant. In fact, Piraeus has, by far, beaten our expectations for FY22 with its CET1 FL guidance of 11% by end-22 (whereas it was previously targeted for one year later), and we expect it to clearly exceed the 12% for 2024 stated on its business plan. That said, the current 9.5% as of 2Q22 (or 10.2% pro forma of certain pending issues) likely makes it difficult for Piraeus to be among investors' preferences. Therefore, we believe that delivery on capital recovery is a prerequisite for providing some comfort concerning the bank's resilience under a more complex economic scenario. On the positive side, Piraeus remains the only bank with AT1 already issued (E600mn at 8.75%; which, at current market conditions, looks like a bargain), while we do not believe it is possible for the rest of the banks to issue amid current market conditions.

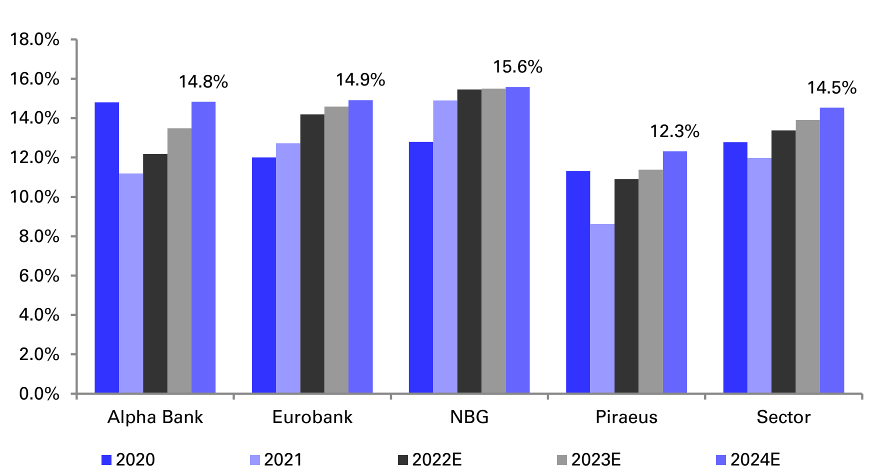
Meanwhile, Alpha Bank is still enduring tough times, with a CET1 FL at just 11.1% (pro forma at 11.7% for the remaining impact of transactions), but it should remain at more comfortable levels by 2023.

*Capital no longer appears to be an issue – except in the case of Piraeus, pending delivery on recovery.*

Overall, we expect profits and RWA growth to be the main drivers for changes in capital levels (except for the few pending NPEs and sales deals already known), as the impact on valuation reserves in mark-to-market bond portfolios that we saw in 1H22 (amid increasing sovereign bond yields) is now set to be much less severe due to the reclassification of most portfolios at FVtOCI as amortised cost, while hedges are now being used to reduce impacts on capital, generating higher-than-anticipated trading income.

As a result, our estimates still reflect a substantial improvement in capital ratios, with banks with higher capital (NBG and Eurobank) ready to resume dividend payments against earnings for 2022 already, with Alpha already anticipating that action for 2023, and with Piraeus also attempting to begin paying against 2023 as an aspiration (although we believe it might be a small amount).

Figure 16: CET1 FL improvements set to end with concerns over capital




*Source : Deutsche Bank estimates, company data*

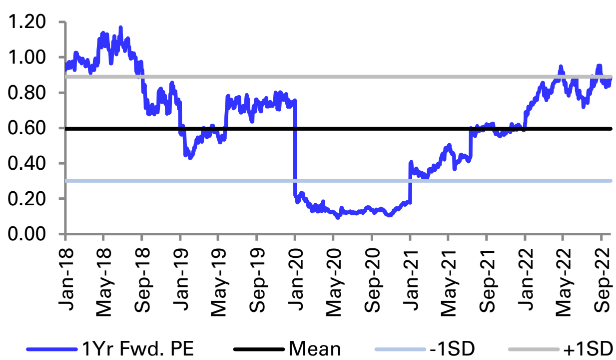
## A cheap valuation might not be enough (the paradox of higher rates)

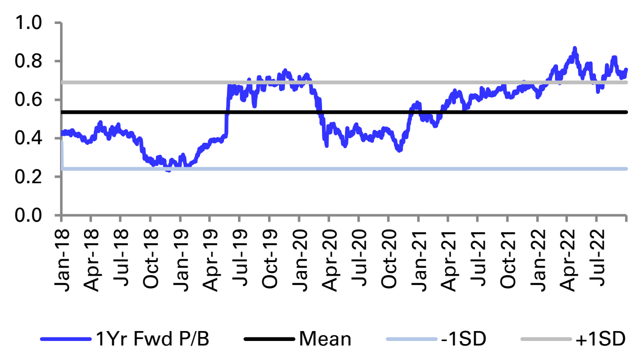
As we have emphasised throughout this report, it is difficult not to remain constructive on Greek banks, given decreasing concerns over asset quality and capital, coupled with the fact that they represent some of the banks that are more geared to higher rates in Europe. Furthermore, while political instability and/or populist decisions regarding banks (e.g., the Spanish banking tax) are being seen in Italy and Spain, Greece has had a stable government for the last few years, one which has made orthodox economic decisions that are contributing to the country's strong recovery.

*Greek banks remain very cheap, but they are closing the gap vs. European banks.*

That said, we acknowledge that Greek banks remain on the sidelines despite these improving trends, and paradoxically, despite the positive impact from rates, we are concerned that investors wanting to play NII enhancement may be more likely to look at Spanish and Italian domestic names that benefit from similar or even higher sensitivities. Moreover, the drop in valuations across the sector could also leave most Greekbanks off of investors' radars. In terms of valuation, Greek banks remain somewhat cheaper, but almost everything out there could be seen as cheap at current multiples, in our view. In fact (as shown in Figure 17), in relative terms, Greek banks have become more expensive than usual compared to European banks (although they still maintain a significant discount).

Figure 17: Multiples show that Greek banks remain cheap vs. European banks, but they have rerated lately (1-year forward, Greeks banks vs. the SX7P)




*Source : Deutsche Bank estimates, Bloomberg Finance LP*

*Positive impacts from rates in other countries and some risk-off could result in Greek banks remaining somewhat off-radar for investors.*

As a result, we maintain our view that Greek banks are still far from enjoying multiples that are similar to those of their European peers (even those in peripheral countries) in the long term, although we believe they could record RoTEs of over 7-8% by 2023 and closer to double digits by 2024. Therefore, we prefer to remain on the cautious side, favouring the most solid options at reasonable prices – although from a valuation point of view, weacknowledge that upside potential in all of these names might have deserved to be bought.

We believe that NBG (our top pick; Buy, TP: E5.10, up from E4.40) is still the best choice, and given its outstanding capital and overall solid asset quality, it should remain the most preferred choice for investors looking for significant profitability improvement, coupled with limited structural risks.

We also continue to view Alpha Bank (Buy, TP: E1.55, up from E1.45) as a cheaper option – although it is in a less advanced recovery phase compared to NBG, and it provides less confidence. We believe that delivery (and especially capital enhancement) could gradually decrease potential concerns on the name.

We also note Eurobank (Hold, TP: E1.45, up from E1.20) has shown significant improvement lately and offers the most mature profile among the Greek banks while enjoying the support of its international businesses. However, despite the significant upside potential vs. our price, we believe it is unlikely that current multiples are sufficiently attractive, as they are comparable to those of many other names in southern Europe and to those of other Greek banks.

Piraeus (Hold, TP: E1.60, up from E1.35) also benefits from better profitability prospects due to strengthening NII. Yet, despite the meaningful improvements that the bank has achieved, we still believe it is the riskiest choice in the country, with the lowest capital levels among its peers. And although there should be significant improvement in these levels, they remain too low amid the likely more complex and uncertain environment ahead.

Figure 18: Key valuation metrics

| | Price | | | P/E | | | P/TNAV | | | Div. Yield | | | RoTE | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Company name | 2-Oct-22 | Target price | Reco. | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E |
| National Bank of Greece | 3.03 | 5.10 | Buy | 3.3 | 4.7 | 4.3 | 0.47 | 0.43 | 0.40 | 6.3% | 4.9% | 7.5% | 14.3% | 9.3% | 9.2% |
| Alpha Bank | 0.81 | 1.55 | Buy | 9.2 | 3.8 | 3.1 | 0.33 | 0.32 | 0.30 | 0.0% | 5.3% | 10.0% | 3.6% | 8.4% | 9.6% |
| Piraeus Bank | 1.04 | 1.60 | Hold | 1.8 | 2.9 | 2.1 | 0.24 | 0.24 | 0.23 | 0.0% | 5.7% | 15.6% | 13.5% | 8.0% | 10.9% |
| Eurobank | 0.86 | 1.45 | Hold | 2.9 | 4.9 | 4.5 | 0.51 | 0.48 | 0.46 | 3.9% | 3.9% | 6.6% | 17.5% | 9.8% | 10.3% |

*Source : Deutsche Bank estimates, Bloomberg Finance LP*

# Alpha Bank: Buy, TP E1.55

## Still lagging behind, but recovery to come

### No reason not be optimistic on NII revamp

Although NII is still set to incur the drag of the strong NPE clean-up and higher funding costs in 2022, we saw NII beginning to benefit from some rates take-up in 2Q22. Furthermore, despite the bank's still-cautious guidance, we expect this to be upgraded going forward, reflecting a more benign scenario on rates and the still-significant performing loans expansion (we continue to estimate above-mid-single digits in 2023-24, despite some decline in demand). All in all, based on current hike expectations, despite factoring in headwinds like a drop in NPE contributions (one-tenth of the 2021 level by 2024) and an increase in funding costs (MREL), we believe that the overall prospects for NII are now more positive than before; we forecast NII of close to E1.4bn by 2023 instead of by 2024. Despite our more negative view on fees than before, given the lower AuM commissions that we expect and somewhat lower activity, our new revenue estimates incorporate an almost double-digit increase vs. our previous estimates for 2022-23 (a substantial improvement).

### Costs set to continue dropping despite inflation

Efficiency measures that have already been taken and some additional actions should allow costs to continue to drop significantly (DBe: c.-9% CAGR in 2021-24), despite inflationary pressure. However, we believe it is unavoidable that this will have a significant impact. Hence, we actually increase our cost estimates going forward, with our total costs forecast for 2024 almost 6% above the bank's target (despite Alpha Bank's business plan already incorporating c.E30mn for inflation and growth-driven increases for 2021-24).

### Provisions likely to remain just a bit above targets

While there are no signs of deterioration yet, we believe it is likely that some signs of deterioration might appear soon. In this regard, the bank expects about E200-300mn of new NPE formation in 2H22, although we believe the NPE ratio is likely to end 2022 at closer to 7% (vs. 8.3% as of 2Q22) due to pending deals, and we expect some significant decline in 2023-24 as well. On the other hand, we believe that the limited NPE coverage (at just 40%) should entail some miss vs. the bank's CoR targets for 2023-24 – albeit not overly significant (we factor in CoR of just c.5bps above guidance for 2024), given that the main effort regarding the cleanup has already taken place. Furthermore, we highlight that (unlike others) mortgages make up the most relevant part of the bank's NPEs (c.50% in Greece). This means that total coverage (including existing collaterals) remains at c.100% of total NPEs. However, we acknowledge that collateral guarantees are not easy to execute (mainly through forbearance). Hence, Alpha Bank is still well below the effective levels of coverage of Eurobank (and especially NBG).

### Rapid capital improvement to be seen soon

Alpha Bank's capital level remains low, with a CET1 FL ratio at 11.1% in 2Q22 (although this corresponds to a healthier 11.7% pro forma for pending deals to be closed). In any case, this means lower-than-anticipated levels, driven by NPE transaction impacts and RWA growth. On the positive side, the hit from sovereign debt spreads (which caused a significant decline in capital in previous quarters) was significantly immunised in 1H22, as most of the portfolio at FVtOCI has been switched to amortised cost, and there are hedges on the MtM portfolios. This makes Alpha Bank resilient to increasing GGB yields. Overall, a 100bp widening would only have a c.6bps impact on the CET1 ratio – which seems more than manageable, although it still jeopardises a faster recovery in the short term. In any case, although we remain significantly below the bank's CET1 FL targets for 2023-24, we still foresee the bank reaching above 13% by 2023 and decidedly above 14% by 2024, allowing for some resumption of dividend payments for these two years, albeit still shy on the payout (unlikely exceeding 30% by 2024, in our view).

## Reiterating our Buy rating, with a new target price of E1.55/share

We revise our 2022 earnings estimates by 23%, although we increase our 2023-24 estimates less than for those of most peers (below double digits), as costs and provisions partly offset the NII improvements that we expect. That said, despite our mediocre upgrades, our numbers imply 10% RoTE by 2024, in line with the bank's guidance (despite the bank factoring in a much lower interest rates scenario).

Figure 19: Alpha Bank – Forecast changes (E' mn)

| | Old | | | New | | | New vs. old | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E |
| Net interest income | 1,179 | 1,245 | 1,348 | 1,207 | 1,407 | 1,508 | 2.4% | 13.0% | 11.9% |
| Net fee and commission income | 421 | 440 | 469 | 410 | 411 | 437 | -2.4% | -6.8% | -6.8% |
| **Gross operating income** | **1,680** | **1,777** | **1,911** | **1,818** | **1,935** | **2,067** | **8.2%** | **8.9%** | **8.2%** |
| Operating costs | -950 | -880 | -873 | -978 | -943 | -912 | 3.0% | 7.2% | 4.5% |
| **Pre provision profit** | **730** | **898** | **1,038** | **839** | **993** | **1,155** | **15.0%** | **10.5%** | **11.2%** |
| Loan loss provisions | -514 | -266 | -249 | -561 | -292 | -267 | 9.1% | 9.9% | 7.3% |
| **Operating profit pretax** | **216** | **632** | **789** | **278** | **700** | **887** | **29.0%** | **10.8%** | **12.4%** |
| **Net attributable profit** | **342** | **467** | **576** | **419** | **497** | **630** | **22.7%** | **6.4%** | **9.3%** |
| | | | | | | | | | |
| **EPS stated** | **0.146** | **0.199** | **0.246** | **0.179** | **0.212** | **0.268** | **22.6%** | **6.4%** | **9.3%** |
| **DPS** | **0.00** | **0.02** | **0.07** | **0.00** | **0.04** | **0.08** | **NA** | **174%** | **11%** |
| **TNAVps** | **2.52** | **2.60** | **2.68** | **2.47** | **2.62** | **2.77** | **-2%** | **0%** | **3%** |
| **CET1 ratio** | **12.9%** | **14.3%** | **15.3%** | **12.2%** | **13.5%** | **14.8%** | **-75** | **-78** | **-43** |

*Source : Deutsche Bank estimates*

Given these forecasts, and taking into consideration slightly lower-than-expected capital as well as an increase in CoE to 12.3% (vs. 11.9% previously) due to a higher risk-free rate, we increase our target price slightly to E1.55/sh from E1.45/sh. In our view, the bank still trades at a cautious 2023E P/E of 3.8x and a 2023E P/TBV of below 0.31x for RoTE of 8.4%. Given the valuation discount and the significant improvements that we are seeing in business performance, we reiterate our Buy rating on Alpha Bank.

Key downside risks include: 1) higher-than-expected costs for further balance-sheet cleanup; 2) weaker-than-expected economic performance, which could affect the need for provisions and negatively affect revenue growth; 3) pressure on NII from margins and funding costs could dent the profitability recovery; and 4) capital return may be delayed and lowered on the back of regulatory pressure stemming from DTA and RWA inflation.

Figure 20: Alpha Bank – DDM valuation 2023E (E' / share)

| | 2023E |
|---|---|
| RoTE | 8.4% |
| CoE | 12.3% |
| "g" | 1.3% |
| TBV /share | 2.6 |
| TP to TBV (RoTE-g)/(CoE-g) | 0.64x |
| **Discounted business value** | **1.45** |
| Excess (deficit) capital | 0.07 |
| Discounted DPS | 0.04 |
| **Target price (E' /share)** | **1.55** |

*Source : Deutsche Bank estimates*

Model updated: 03.10.2022

## Running the Numbers

Europe
Greece
Banks

# Alpha Bank

Reuters: ACBr.AT Bloomberg: ALPHA GA

## Buy

| | |
|---|---|
| Price as of 04 October | € 0.83 |
| Target price | € 1.55 |
| Company website | |
| http://www.alpha.gr | |

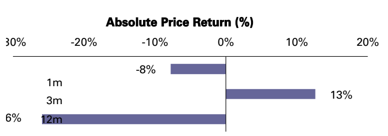
### Company Description

Alpha bank is mainly a retail bank with c.43% of revenues generated from retail business in Greece, while it also has its roots in corporate and commercial with c.30% of the revenues, 15% comes from its IB, asset management operations and other operations in Greece. Lending mix has highest proportion of corporate lending followed by mortgages, while term deposits and bonds score over the sight deposits. It has c.26% market share in lending, while the market share on deposits exceeds 21.4% in Greece.

### Research Team

**Alfredo Alonso**
+34 913351153 alfredo.alonso@db.com

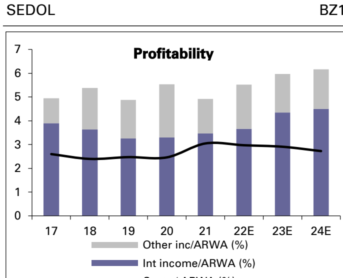
**Atul Hanamante**
atul.hanamante@db.com

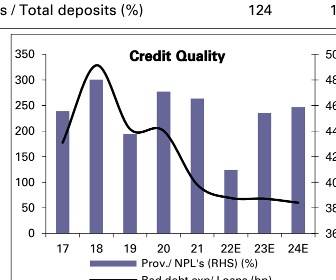


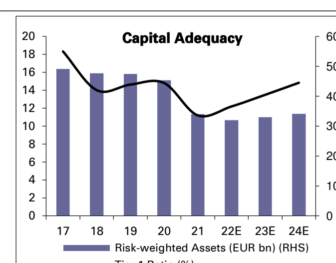

| | |
|---|---|
| 52-week Range: | € 0.73 - 1.43 |
| Market Cap (m) | EUR 1,948 |
| | USD 1,916 |

| | |
|---|---|
| Company identifiers | |
| Cusip | X0085P155 |
| SEDOL | BZ1MXR7 |

| Year Ending 31 December | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|---|---|---|---|---|---|---|---|
| **Data Per Share** | | | | | | | | |
| EPS (stated) (€) | 0.01 | 0.03 | 0.07 | 0.07 | -1.24 | 0.18 | 0.21 | 0.27 |
| EPS (DB) (€) | 0.09 | 0.07 | 0.11 | 0.14 | -0.23 | 0.09 | 0.22 | 0.26 |
| Growth Rate - EPS (DB) (%) | 242.1 | -23.4 | 63.4 | 23.5 | -273.3 | 138.2 | 143.4 | 21.5 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS (stated) (€) | 6.21 | 5.25 | 5.47 | 5.39 | 2.57 | 2.66 | 2.81 | 2.96 |
| Investment capital gains p. sh. (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tang. NAV p. sh. (€) | 5.99 | 5.00 | 5.17 | 5.03 | 2.39 | 2.47 | 2.62 | 2.77 |
| Market Capitalisation Y/E (EUR m) | 2,757 | 1,697 | 2,967 | 1,473 | 2,528 | 1,948 | 1,948 | 1,948 |
| Shares in issue (m) | 1,543 | 1,543 | 1,543 | 1,544 | 2,347 | 2,347 | 2,347 | 2,347 |
| **Valuation Ratios & Profitability Measures** | | | | | | | | |
| P/E (stated) | 160.6 | 32.0 | 28.2 | 14.2 | -0.9 | 4.6 | 3.9 | 3.1 |
| P/E (core DB) | 20.4 | 16.4 | 17.6 | 7.1 | -4.6 | 9.3 | 3.8 | 3.1 |
| P/B (stated) | 0.3 | 0.2 | 0.4 | 0.2 | 0.4 | 0.3 | 0.3 | 0.3 |
| P/Tangible equity (DB) | 0.3 | 0.2 | 0.4 | 0.2 | 0.5 | 0.3 | 0.3 | 0.3 |
| ROE (stated) (%) | 0.2 | 0.6 | 1.3 | 1.2 | -40.5 | 6.8 | 7.7 | 9.3 |
| RoTE (core tangible equity) (%) | 1.5 | 1.2 | 2.2 | 2.6 | -8.2 | 3.7 | 8.6 | 9.8 |
| ROIC (invested capital) (%) | 1.4 | 1.2 | 2.0 | 2.5 | -7.7 | 3.4 | 8.0 | 9.2 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend cover (x) | nm | nm | nm | nm | nm | nm | nm | nm |
| Simple free cash flow yield (%) | 13.5 | 11.8 | 8.2 | 40.8 | 29.3 | 23.5 | 19.3 | 23.3 |
| **Profit & Loss (EUR m)** | | | | | | | | |
| Net interest revenue | 1,943 | 1,756 | 1,547 | 1,527 | 1,376 | 1,207 | 1,407 | 1,508 |
| Non-interest income | 517 | 843 | 774 | 1,045 | 575 | 611 | 528 | 559 |
| Commissions | 323 | 331 | 340 | 332 | 400 | 410 | 411 | 437 |
| Trading revenue | 145 | 463 | 410 | 689 | 143 | 141 | 56 | 58 |
| Other revenue | 49 | 50 | 24 | 24 | 32 | 59 | 61 | 64 |
| Total revenue | 2,460 | 2,600 | 2,321 | 2,572 | 1,950 | 1,818 | 1,935 | 2,067 |
| Total Operating Costs | 1,293 | 1,158 | 1,175 | 1,142 | 1,208 | 978 | 943 | 912 |
| Employee costs | 474 | 464 | 459 | 429 | 400 | 373 | 365 | 372 |
| Other costs | 819 | 732 | 711 | 1,046 | 1,978 | 889 | 587 | 549 |
| Pre-Provision profit / (loss) | 1,167 | 1,441 | 1,147 | 1,430 | 742 | 839 | 993 | 1,155 |
| Bad debt expense | 1,005 | 1,723 | 995 | 986 | 373 | 278 | 282 | 259 |
| Operating Profit | 161 | -320 | 156 | 111 | -801 | 278 | 700 | 887 |
| Pre-tax associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 161 | -320 | 156 | 111 | -801 | 278 | 700 | 887 |
| Tax | 76 | -342 | 51 | 10 | -68 | 80 | 203 | 257 |
| Minority shareholders | 0 | -30 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other post tax items | -68 | 0 | 0 | 3 | -2,173 | 221 | 0 | 0 |
| **Stated net profit** | **17** | **53** | **105** | **104** | **-2,906** | **419** | **497** | **630** |
| *Reconciliation to DB adjusted core earnings* | | | | | | | | |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary & Other items | 118 | 50 | 64 | 105 | 2,356 | -209 | 14 | -9 |
| Bad Debt Provisioning | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment reval, cap gains / losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **DB adj. core earnings** | **135** | **103** | **169** | **209** | **-550** | **210** | **511** | **621** |
| **Key Balance Sheet Items (EUR m) & CAPITAL RATIOS** | | | | | | | | |
| Risk weighted assets | 49,100 | 47,635 | 47,483 | 45,369 | 33,967 | 31,934 | 32,940 | 34,064 |
| Interest-earnings assets | 50,918 | 49,733 | 51,283 | 52,173 | 50,465 | 53,309 | 55,550 | 57,493 |
| Total loans | 43,318 | 40,228 | 39,266 | 39,380 | 36,860 | 38,978 | 40,556 | 42,233 |
| Total deposits | 34,890 | 38,732 | 40,364 | 43,831 | 46,970 | 48,583 | 48,813 | 49,258 |
| Stated Shareholder Equity | 9,583 | 8,099 | 8,432 | 8,325 | 6,036 | 6,240 | 6,588 | 6,940 |
| Tangible shareholders equity | 9,237 | 7,709 | 7,983 | 7,770 | 5,601 | 5,794 | 6,142 | 6,494 |
| Tier 1 capital | 8,994 | 6,669 | 6,943 | 6,715 | 3,800 | 3,890 | 4,441 | 5,450 |
| Tier 1 ratio (%) | 18.3 | 14.0 | 14.6 | 14.8 | 11.2 | 12.2 | 13.5 | 14.8 |
| o/w core tier 1 capital ratio (%) | 18.3 | 14.0 | 14.6 | 14.8 | 11.2 | 12.2 | 13.5 | 14.8 |
| Tangible equity / total assets (%) | 15.2 | 12.6 | 12.6 | 11.1 | 7.6 | 7.7 | 8.2 | 8.8 |
| **Credit Quality** | | | | | | | | |
| Gross NPLs / Total Loans (%) | 51.59 | 48.94 | 44.79 | 42.54 | 13.06 | 7.01 | 5.60 | 4.41 |
| Risk Provisions / NPLs (%) | 46 | 48 | 44 | 47 | 47 | 41 | 45 | 46 |
| Bad debt chg / Avg loans (%) | 1.78 | 3.28 | 2.04 | 2.01 | 0.95 | 0.69 | 0.68 | 0.60 |
| **Growth Rates & Key Ratios** | | | | | | | | |
| Growth in revenues (%) | 3 | 6 | -11 | 11 | -24 | -7 | 6 | 7 |
| Growth in costs (%) | 6 | -7 | -2 | 26 | 61 | -47 | -24 | -3 |
| Growth in bad debts (%) | -14 | 71 | -42 | -1 | -62 | -26 | 2 | -8 |
| Growth in RWA (%) | -3 | -3 | 0 | -4 | -25 | -6 | 3 | 3 |
| Growth in loans (%) | -2 | -7 | -2 | 0 | -6 | 6 | 4 | 4 |
| Growth in deposits (%) | 6 | 11 | 4 | 9 | 7 | 3 | 0 | 1 |
| Net int. margin (%) | 3.69 | 3.49 | 3.06 | 2.95 | 2.68 | 2.33 | 2.59 | 2.67 |
| Cost income ratio (%) | 52.6 | 44.6 | 50.6 | 44.4 | 61.9 | 53.8 | 48.7 | 44.1 |
| Total loans / Total deposits (%) | 124 | 104 | 97 | 90 | 78 | 80 | 83 | 86 |




*Source: Company data, Deutsche Bank estimates*

# Eurobank: Hold, TP E1.45

## Enjoying work well done

### Revenues in the fast lane, fueled by NII

Being the most mature bank in Greece, revenues are also getting back in shape with improving trends led by NII. The narrative at Eurobank is no different than its peers, with tailwinds in the form of higher interest rates – how much of this tailwind has already been incorporated in the targets is the question. At Eurobank, we note that only 50bps of rate hikes have been taken into account and no further hikes, which in our view is the most conservative stance yet. As a result, the NII outlook now shifts to an increase of 7-8% in 2022 vs. a decline of c.-3% previously. Secondly, the cumulative NII rate sensitivity of E300mn also supports our NII forecast upgrade of over 8% in 2022 and reaching a c.16% revision in 2024. On the other hand, strong volume growth should still remain elevated, supported by corporate demand. Overall, we forecast NII to grow at a CAGR of +7% over 2021-24E. At the same time, Eurobank has levers for solid fee income performance stemming from its strong lending, network transactions and credit cards, as well as its investment RE portfolio, leading to our expectation of a total income growth CAGR of c.+4% over 2021-24 (materially above our previous estimates).

### Cost outlook just a touch higher given inflation headwinds

With the rising inflation, the focus now appears to be on positive operating leverage instead of an absolute cost target, which is prudent, in our view. Interestingly, Eurobank's cost-to-core income should remain closer to peers, at c.46% in 2023 and further improving to 45% in 2024, which implies cost-to-total income of c.43%, in line with the bank's target of 43%. In 2022, although costs remained high as the merger with Direktna in Serbia was integrated into the numbers, they still continued to grow at a slower pace than revenues. We forecast costs to grow by a c.3% 2021-24E CAGR, as we revise up our cost estimates by an average c.5% through 2024.

### Credit quality ahead of the curve already

Eurobank has a strong coverage ratio of around 64% in 2022 and 62% in 2023/24, which is next to NBG. This should act as a backstop in case of protracted macro headwinds and rising rates affecting the repayment behaviour. For 2022, we believe the deterioration in credit quality is not yet visible, as corporates and individuals have come out stronger from the pandemic. However, we think there is a need to monitor this metric closely going into 2023/24, which is when the rates are expected to peak. The bank expects inflows of E400mn in 2022, on the conservative side, and also maintains its CoR and NPE ratio guidance at 65bps and 5.8%, respectively, in 2022. We expect a CoR on net loans of 67bps in 2022, reaching 63bps in 2024 (slightly higher than the bank's target of 60bps), although somewhat of a jump in provisions is expected in 2023, with CoR over 70bps in our forecasts.

### CET1 in comfortable zone

Post the closure of the sale of its merchant acquiring business, the contribution to capital came to around +80bps in 2Q22, leaving Eurobank in comfortable territory. Also, the bank's capital has been stacking up nicely, supported by organic profitability of +90bps, while RWA inflation from volume growth and DTC amortization is expected to shave -60bps from capital overall, resulting in an over c.14% target in 2022, according to the bank. Our forecast almost aligns with the target and also includes a dividend payout of 10% from 2022 profits. We expect the CET1 ratio to reach 14.9% by 2024.

## Recommending Hold, with a revised target price of E1.45/share

We revise our earnings estimates by 82% for 2022 and by c.20% for 2023 and 2024 each. The sharp increase in 2022 is mainly due to income from the sale of the merchant acquiring business, as well as good performance in provisions. This is also supported by solid operating trends. Enhanced revenues (mainly driven by NII and controlled provisions) should more than offset slightly higher costs, in our view. Our capital forecasts come down slightly as the dividend increases and also due to volume growth.

Figure 21: Eurobank – Forecast changes (E' mn)

| Group | Old | | | New | | | Old vs new | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E |
| Net interest income | 1,317 | 1,333 | 1,390 | 1,429 | 1,547 | 1,610 | 8.5% | 16.1% | 15.8% |
| Net fee and commission income | 470 | 485 | 509 | 516 | 503 | 517 | 9.8% | 3.7% | 1.5% |
| **Gross operating income** | **2,178** | **1,892** | **1,978** | **2,568** | **2,118** | **2,201** | **17.9%** | **11.9%** | **11.3%** |
| Operating costs | -882 | -892 | -900 | -912 | -939 | -956 | 3.4% | 5.2% | 6.2% |
| **Pre provision profit** | **1,296** | **1,000** | **1,078** | **1,656** | **1,179** | **1,245** | **27.8%** | **17.9%** | **15.5%** |
| Loan loss provisions | -347 | -291 | -280 | -273 | -317 | -291 | -21.3% | 8.9% | 4.0% |
| **Operating profit pretax** | **950** | **709** | **798** | **1,354** | **851** | **956** | **42.5%** | **19.9%** | **19.8%** |
| **Net income before disc. Ops** | **696** | **527** | **592** | **1,071** | **630** | **708** | **53.9%** | **19.6%** | **19.5%** |
| **Net attributable profit** | **684** | **515** | **580** | **1,246** | **618** | **696** | **82.2%** | **20.0%** | **19.9%** |
| **EPS stated** | **0.18** | **0.14** | **0.16** | **0.34** | **0.17** | **0.19** | **82%** | **20.0%** | **19.9%** |
| **DPS** | **0.02** | **0.02** | **0.03** | **0.03** | **0.03** | **0.06** | **82%** | **60.1%** | **79.9%** |
| **TNAVps** | **1.60** | **1.69** | **1.79** | **1.65** | **1.73** | **1.81** | **3.2%** | **2.2%** | **0.6%** |
| **CET1 ratio** | **14.4%** | **14.6%** | **14.9%** | **14.2%** | **14.6%** | **14.9%** | **-17bps** | **-1bps** | **-2bps** |

*Source : Deutsche Bank estimates*

Our estimate changes lead us to revise our target price to E1.45/sh from E1.20/sh previously. We maintain our Hold recommendation on valuation grounds as, overall, we believe that Eurobank has been able to tackle most of the issues affecting Greek banks ahead of its peers, which is reflected in the bank having the most mature profile among its peers and a potentially less volatile performance. However, this could also entail more limited room for improvement compared to peers, as we believe most of the aforementioned factors have already been priced in, evident in Eurobank's richer multiples, trading at 4.9x 2023E P/E and 0.48x P/TBV for 2023E, and a RoTE (before deducting AT1s) of c.9.8%. In our view, these multiples are not overly demanding, but they leave limited upside potential vs the multiples of some of the other Greek banks and are not far from many Southern European banks, which might look like a more obvious choice to invest in. Therefore, we maintain our Hold rating on Eurobank.

Downside risks include: 1) weaker-than-expected economic performance in some of the regions, especially Greece, could affect the need for provisions and negatively affect revenue growth; 2) pressure on NII from margins and funding costs could dent the recovery in profitability; and 3) capital returns may be delayed and lowered due to regulatory pressure on DTA and RWA inflation. Upside risks include: 1) better-than-expected recovery in revenue growth on improving macro; 2) stronger lending demand than expected; 3) higher-than-anticipated rates resulting in better margins; and 4) Improvement in the bank's contribution from international operations.

Figure 22: Eurobank – DDM valuation 2023E (E'/share)

| | 2023E |
|---|---|
| RoTE | 9.8% |
| CoE | 12.3% |
| "g" | 2.0% |
| TBV /share | 1.7 |
| TP to TBV (RoTE-g)/(CoE-g) | 0.76x |
| **Discounted business value** | **1.14** |
| Excess (deficit) capital | 0.25 |
| Discounted DPS | 0.06 |
| **Target price (E' /share)** | **1.45** |

*Source : Deutsche Bank estimates*

Model updated: 03.10.2022

## Running the Numbers

Europe

Greece

Banks

# Eurobank

Reuters: EURBr.AT Bloomberg: EUROB GA

## Hold

| | |
|---|---|
| Price as of 04 October | € 0.86 |
| Target price | € 1.45 |
| Company website | |
| https://www.eurobank.gr/en/ | |

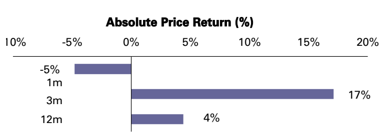
### Company Description

Eurobank operates in Greece and internationally with lending market share of 21.4% and deposit market share of 19.4%. It is the third-largest bank in terms of customer loans as at 1Q18. Greece contributes c.77% to the Group's revenues (2017), while international operations are split into four key geographies - Cyprus, Bulgaria, Serbia and Luxembourg. It has a headcount of c.13.5k as at 2017 in continuing operations, with c.70% staff employed in Greece.

### Research Team

**Alfredo Alonso**
+34 913351153 alfredo.alonso@db.com

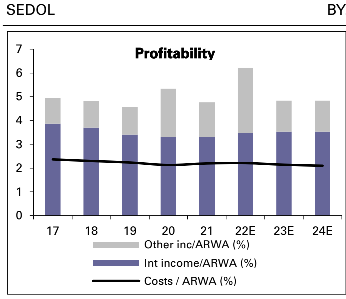
**Atul Hanamante**
atul.hanamante@db.com

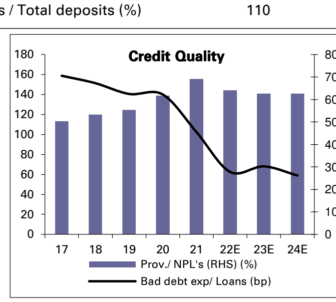


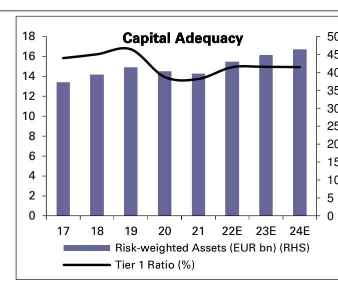

| | |
|---|---|
| 52-week Range: | € 0.72 - 1.15 |
| Market Cap (m) | EUR 3,175 |
| | USD 3,122 |

| Company identifiers | |
|---|---|
| Cusip | X2321W101 |
| SEDOL | BYZ43T4 |

| Year Ending 31 December | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|---|---|---|---|---|---|---|---|
| **Data Per Share** | | | | | | | | |
| EPS (stated) (€) | 0.04 | 0.04 | 0.03 | -0.33 | 0.09 | 0.34 | 0.17 | 0.19 |
| EPS (DB) (€) | 0.08 | 0.10 | 0.07 | 0.15 | 0.11 | 0.29 | 0.17 | 0.19 |
| Growth Rate - EPS (DB) (%) | -20.4 | 19.7 | -28.1 | 112.9 | -22.4 | 152.6 | -41.2 | 9.8 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS (stated) (€) | 3.25 | 2.28 | 1.80 | 1.43 | 1.54 | 1.73 | 1.81 | 1.88 |
| Investment capital gains p. sh. (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tang. NAV p. sh. (€) | 3.20 | 2.22 | 1.70 | 1.36 | 1.47 | 1.65 | 1.73 | 1.81 |
| Market Capitalisation Y/E (EUR m) | 1,858 | 1,180 | 3,412 | 2,146 | 3,306 | 3,175 | 3,175 | 3,175 |
| Shares in issue (m) | 2,186 | 2,186 | 3,709 | 3,709 | 3,709 | 3,709 | 3,709 | 3,709 |
| **Valuation Ratios & Profitability Measures** | | | | | | | | |
| P/E (stated) | 19.9 | 13.0 | 26.9 | -1.8 | 10.1 | 2.5 | 5.1 | 4.6 |
| P/E (core DB) | 10.6 | 5.6 | 13.3 | 3.9 | 7.8 | 3.0 | 5.0 | 4.6 |
| P/B (stated) | 0.3 | 0.2 | 0.5 | 0.4 | 0.6 | 0.5 | 0.5 | 0.5 |
| P/Tangible equity (DB) | 0.3 | 0.2 | 0.5 | 0.4 | 0.6 | 0.5 | 0.5 | 0.5 |
| ROE (stated) (%) | 1.4 | 1.5 | 2.2 | -20.1 | 6.0 | 20.6 | 9.4 | 10.2 |
| RoTE (core tangible equity) (%) | 2.5 | 3.6 | 4.6 | 9.6 | 8.1 | 18.5 | 10.0 | 10.5 |
| ROIC (invested capital) (%) | 2.6 | 3.5 | 4.4 | 9.1 | 7.7 | 17.7 | 9.6 | 10.1 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend cover (x) | nm | nm | nm | nm | nm | nm | nm | nm |
| Simple free cash flow yield (%) | 23.1 | -5.0 | -1.4 | 39.1 | 17.2 | 18.8 | 11.6 | 14.1 |
| **Profit & Loss (EUR m)** | | | | | | | | |
| Net interest revenue | 1,463 | 1,416 | 1,377 | 1,349 | 1,321 | 1,429 | 1,547 | 1,610 |
| Non-interest income | 408 | 429 | 466 | 831 | 584 | 1,139 | 571 | 591 |
| Commissions | 268 | 311 | 354 | 384 | 456 | 516 | 503 | 517 |
| Trading revenue | 140 | 133 | 58 | 433 | 93 | 653 | 62 | 69 |
| Other revenue | 0 | -15 | 55 | 15 | 35 | -30 | 6 | 6 |
| Total revenue | 1,871 | 1,845 | 1,844 | 2,181 | 1,904 | 2,568 | 2,118 | 2,201 |
| Total Operating Costs | 894 | 879 | 901 | 869 | 876 | 912 | 939 | 956 |
| Employee costs | 506 | 487 | 481 | 442 | 434 | 448 | 461 | 467 |
| Other costs | 430 | 373 | 429 | 446 | 467 | 493 | 489 | 487 |
| Pre-Provision profit / (loss) | 977 | 966 | 942 | 1,312 | 1,028 | 1,656 | 1,179 | 1,245 |
| Bad debt expense | 750 | 680 | 624 | 572 | 418 | 273 | 317 | 291 |
| Operating Profit | 185 | 305 | 310 | 721 | 585 | 1,354 | 851 | 956 |
| Pre-tax associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | 185 | 305 | 310 | 721 | 585 | 1,354 | 851 | 956 |
| Tax | 9 | 94 | 53 | 174 | 162 | 283 | 221 | 249 |
| Minority shareholders | 0 | 0 | 0 | 0 | -1 | -1 | 0 | 0 |
| Other post tax items | -82 | -120 | -130 | -1,753 | -96 | 175 | -12 | -12 |
| **Stated net profit** | **94** | **91** | **127** | **-1,207** | **328** | **1,246** | **618** | **696** |
| *Reconciliation to DB adjusted core earnings* | | | | | | | | |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary & Other items | 82 | 120 | 130 | 1,753 | 96 | -175 | 12 | -4 |
| Bad Debt Provisioning | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment reval, cap gains / losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **DB adj. core earnings** | **176** | **210** | **257** | **546** | **424** | **1,071** | **630** | **692** |
| **Key Balance Sheet Items (EUR m) & CAPITAL RATIOS** | | | | | | | | |
| Risk weighted assets | 37,175 | 39,369 | 41,407 | 40,237 | 39,618 | 42,971 | 44,768 | 46,413 |
| Interest-earnings assets | 44,713 | 44,004 | 45,316 | 45,789 | 50,283 | 52,388 | 56,177 | 59,747 |
| Total loans | 37,108 | 36,232 | 37,365 | 37,424 | 38,967 | 40,598 | 43,535 | 46,301 |
| Total deposits | 33,843 | 39,083 | 44,841 | 47,290 | 53,168 | 54,878 | 56,446 | 57,803 |
| Stated Shareholder Equity | 7,104 | 4,989 | 6,665 | 5,315 | 5,705 | 6,414 | 6,709 | 6,980 |
| Tangible shareholders equity | 6,998 | 4,848 | 6,289 | 5,061 | 5,436 | 6,130 | 6,425 | 6,696 |
| Tier 1 capital | 5,691 | 5,284 | 5,998 | 4,828 | 5,044 | 6,098 | 6,533 | 7,721 |
| Tier 1 ratio (%) | 15.8 | 16.2 | 16.7 | 13.9 | 13.7 | 14.9 | 14.9 | 14.9 |
| o/w core tier 1 capital ratio (%) | 15.3 | 13.4 | 14.5 | 12.0 | 12.7 | 14.2 | 14.6 | 14.9 |
| Tangible equity / total assets (%) | 11.7 | 8.4 | 9.7 | 7.5 | 7.0 | 7.7 | 7.7 | 7.7 |
| **Credit Quality** | | | | | | | | |
| Gross NPLs / Total Loans (%) | 42.55 | 37.13 | 29.05 | 14.05 | 6.80 | 5.69 | 5.39 | 5.03 |
| Risk Provisions / NPLs (%) | 50 | 53 | 55 | 62 | 69 | 64 | 63 | 63 |
| Bad debt chg / Avg loans (%) | 1.59 | 1.51 | 1.41 | 1.40 | 1.02 | 0.62 | 0.68 | 0.59 |
| **Growth Rates & Key Ratios** | | | | | | | | |
| Growth in revenues (%) | -9 | -1 | 0 | 18 | -13 | 35 | -18 | 4 |
| Growth in costs (%) | -17 | -8 | 6 | -2 | 1 | 4 | 1 | 0 |
| Growth in bad debts (%) | -3 | -9 | -8 | -8 | -27 | -35 | 16 | -8 |
| Growth in RWA (%) | -3 | 6 | 5 | -3 | -2 | 8 | 4 | 4 |
| Growth in loans (%) | -5 | -2 | 3 | 0 | 4 | 4 | 7 | 6 |
| Growth in deposits (%) | -1 | 15 | 15 | 5 | 12 | 3 | 3 | 2 |
| Net int. margin (%) | 3.04 | 3.19 | 3.08 | 2.96 | 2.75 | 2.78 | 2.85 | 2.78 |
| Cost income ratio (%) | 47.8 | 47.6 | 48.9 | 39.8 | 46.0 | 35.5 | 44.3 | 43.4 |
| Total loans / Total deposits (%) | 110 | 93 | 83 | 79 | 73 | 74 | 77 | 80 |




*Source: Company data, Deutsche Bank estimates*

# National Bank of Greece: Buy, TP E5.10

## Where profits and resilience go together

### Robust NII trajectory to pull up overall revenue profile

Unsurprisingly, NBG is poised to benefit from greater NII tailwinds, driven by a faster rates profile. The solid performance in 2Q has led to an upward revision of targets for 2022, which now aim for NII to remain flattish YoY from a high-single digit decline previously. We note that NBG's cumulative benefit from 200bps of rate hikes results in E360mn on a static balance sheet basis – theoretically – although this is unlikely to be achieved in its full form, as we believe the benefit in rates (mainly through performing exposure) will be partly offset by the attrition stemming from NPE off-loading (Frontier II project), higher funding costs and the absence of the TLTRO benefit. We note that the bulk of the rates benefit is meant to be reflected in early 2023. As a result, we forecast NII to grow at a 6% CAGR over 2021-24. At the same time, the fee income guidance has been lifted from c.10% to the mid-teens in 2022, mainly driven by fees from cards and payments and loan origination. A strong tourism season is also supportive of fees in 2022. Overall, core revenues are expected to grow at a CAGR of c.7% over 2021-24, while total revenues should post a mild decline of c.1% during the same period in the absence of the blockbuster trading gains seen in 2021 and 1H22.

### Levers for cost savings likely to absorb the better part of inflation

Costs at NBG are likely to remain broadly flattish or just slightly increase during 2021-24 as past restructuring schemes should offset some of the inflationary pressures. Moreover, we might expect further headcount rationalization and branch optimization as the bank has heavily deployed digital initiatives. Having said that, some of the weight from costs should shift from personnel expenses to higher depreciation going forward. This is despite the cumulative 5.5% increase in wages expected in the next three years. Our base case for costs considers a decline of c.3% YoY in 2022 (a 2021-24E CAGR of c.-1%), but our estimates are still on average c.6% above our previous expectations.

### Solid credit metrics and high coverage safeguard from volatility

NBG is likely to beat its 2022 NPE ratio target as the bank sees no signs of deterioration in the loan book and also expects lower inflows. Despite this, the bank has maintained its CoR guidance of c.70bps in 2022 given the uncertain macro developments; our estimates align with the targets in provisions. We believe 2023 should still see sticky provisions, with the CoR at 67bps ultimately reaching 60bps on net loans in 2024, yet far from the normalised average for European banks. At the same time, a higher coverage ratio of over 75% in 2022 should give comfort in case of macro shocks and lead to lower volatility in provisions than in peers.

### Capital has been the sweetest spot and should remain so

One of the key premises for NBG to be in our top picks is its first class CET1 ratio of around 15%. This gives a lot of room to manoeuvre through the challenging macro environment going forward, while still being able to return profits to shareholders. We forecast the dividend payout going from 20% in 2022 to 35% of profits in 2024, the highest among Greek banks and rightly so. Considering this and the DTA amortization being offset by organic generation, we forecast the CET 1 ratio remaining at 15.5% in 2024 vs. the target of >15%.

## Buy rating maintained, with a revised target price of E5.10/share

We increase our net profit estimate by c.29% for 2022, mainly as we adjust the NII for 2022 by 8% and a further c.19% /c.15% for 2023-24 (reflecting higher rates and volume growth despite TLTRO, funding costs and NPE headwinds). Overall, we have raised our revenue forecasts by c.15% in 2022 vs. our previous estimates, backed by NII and also by 1H22 trading income. Some of these revenue uplifts are offset by rising cost estimates, driven by high inflation – although still controlled, due to headcount reduction measures and digital initiatives. Separately, we also expect provisions in 2022 to be c.4% below our previous estimates, while we now remain a bit more negative for 2023-24, keeping them almost flattish (that's when we assume the macros shocks could start biting), although we acknowledge they could be lower if NBG allows its coverage ratio to decline more rapidly to absorb the deterioration in asset quality. Our capital assumptions drop by c.30bps in 2023 and 40bps in 2024 as we increase our dividend forecasts noticeably.

Figure 23: NBG – Forecast changes (E' mn)

| | Old estimates | | | New estimates | | | New vs. old | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E |
| NII | 1,137 | 1,178 | 1,250 | 1,232 | 1,405 | 1,441 | 8.4% | 19.3% | 15.3% |
| Fee income | 337 | 355 | 374 | 338 | 357 | 378 | 0.2% | 0.6% | 1.2% |
| Trading and other income | 284 | 13 | 15 | 448 | 2 | 7 | 57.7% | -84.0% | -56.5% |
| **Total revenues** | 1,758 | 1,547 | 1,639 | 2,018 | 1,764 | 1,826 | 14.8% | 14.1% | 11.4% |
| **Total costs** | -756 | -747 | -756 | -787 | -803 | -805 | 4.1% | 7.4% | 6.5% |
| **Pre provisioning profit** | 1,002 | 800 | 883 | 1,231 | 962 | 1,021 | 22.8% | 20.2% | 15.6% |
| Provisions | -231 | -216 | -216 | -222 | -236 | -225 | -4.1% | 9.0% | 4.2% |
| Other impairments | -3 | -4 | -4 | -2 | -4 | -4 | -33.3% | 0.0% | 0.0% |
| **Profit before taxes** | 768 | 580 | 663 | 1,007 | 722 | 792 | 31.2% | 24.6% | 19.4% |
| **Net profit underlying** | 653 | 492 | 564 | 842 | 597 | 654 | 28.9% | 21.3% | 16.1% |
| | | | | | | | | | |
| **EPS (adjusted)** | **0.71** | **0.53** | **0.61** | **0.91** | **0.65** | **0.71** | **27.9%** | **21.5%** | **16.3%** |
| **DPS** | **0.08** | **0.10** | **0.14** | **0.19** | **0.15** | **0.23** | **126.9%** | **48.4%** | **58.7%** |
| **TNAVps** | **6.4** | **6.8** | **7.2** | **6.3** | **6.8** | **7.2** | **-1.8%** | **-1.0%** | **-0.7%** |
| **CET1 ratio** | **15.5%** | **15.8%** | **15.9%** | **15.5%** | **15.5%** | **15.6%** | **-1** | **-31** | **-32** |

*Source : Deutsche Bank estimates*

Overall, we believe that NBG possesses the strongest structural resilience in Greece, with its excess capital another potential driver. Given our view that the bank is unlikely to achieve enough growth to make significant use of that excess, we expect its CET1 FL to remain well above 15%, allowing NBG to solidify its dividend policy in the long term. The bank's excess capital, coupled with a RoTE of c.9.0% by 2023 (unadjusted for excess capital) is a significant driver for our valuation, which yields a target price of E5.10/share, up from E4.40 previously. (We use a DDM valuation, in which our growth and CoE assumptions are in line with those we use across the group.) The increase in our TP is mainly a result of better revenue forecasts offsetting headwinds from high inflation and a tough macro picture. With upside potential of c.70% vs its current share price, and trading at c.4.7x P/E and 0.43x P/TBV (both 2023E), we believe the stock is undervalued, given our view that it is a less risky choice among the four Greek banks (along with Eurobank). We thus maintain our Buy recommendation.

Key downside risks include: 1) higher-than-expected costs for further balance-sheet cleanup; 2) weaker-than-expected economic performance, which could affect the need for provisions and negatively affect revenue growth; 3) pressure on NII from margins and funding costs could dent the profitability recovery; and 4) capital return may be delayed and lowered on the back of regulatory pressure stemming from DTA and RWA inflation.

Figure 24: NBG – DDM valuation 2023E (E' / share)

| | 2023E |
|---|---|
| RoTE | 9.0% |
| CoE | 12.2% |
| "g" | 1.7% |
| TBV /share | 6.8 |
| TP to TBV (RoTE-g)/(CoE-g) | 0.69x |
| **Discounted business value** | **4.05** |
| Excess (deficit) capital | 0.74 |
| Discounted DPS | 0.31 |
| **Target price (E' /share)** | **5.10** |

*Source : Deutsche Bank estimates*

Model updated: 03.10.2022

## Running the Numbers

Europe
Greece
Banks

# National Bank of Greece

Reuters: NBGr.AT Bloomberg: ETE GA

## Buy

| | |
|---|---|
| Price as of 04 October | € 3.02 |
| Target price | € 5.10 |
| Company website | |
| http://www.nbg.gr/ | |

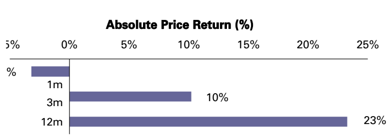
### Company Description

NBG is the largest Greek bank by assets, with a significant presence in banking and financial services and c.80% of profits coming from its local businesses. It employees c.8,500 staff and runs c.400 branches, of which more than 80% are in Greece.

### Research Team

**Alfredo Alonso**
+34 913351153 alfredo.alonso@db.com

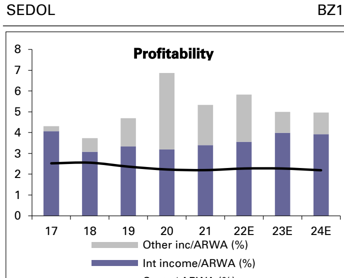
**Atul Hanamante**
atul.hanamante@db.com

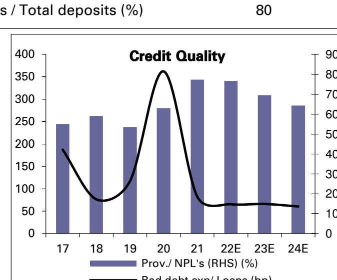


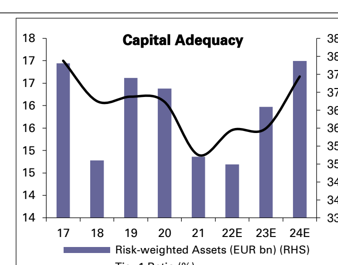

| | |
|---|---|
| 52-week Range: | € 2.43 - 4.06 |
| Market Cap (m) | EUR 2,762 |
| | USD 2,716 |

| | |
|---|---|
| Company identifiers | |
| Cusip | X56533171 |
| SEDOL | BZ1NMH3 |

| Year Ending 31 December | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|---|---|---|---|---|---|---|---|
| **Data Per Share** | | | | | | | | |
| EPS (stated) (€) | -0.03 | -0.07 | -0.29 | 0.04 | 0.95 | 0.96 | 0.59 | 0.65 |
| EPS (DB) (€) | -0.02 | 0.04 | 0.45 | 0.64 | 0.89 | 0.91 | 0.65 | 0.70 |
| Growth Rate - EPS (DB) (%) | -240.2 | 317.1 | 939.4 | 41.5 | 39.5 | 2.1 | -28.9 | 8.3 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.19 | 0.15 | 0.23 |
| BVPS (stated) (€) | 0.73 | 5.43 | 5.75 | 5.53 | 6.29 | 6.82 | 7.41 | 8.06 |
| Investment capital gains p. sh. (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tang. NAV p. sh. (€) | 0.72 | 5.26 | 5.53 | 5.22 | 5.90 | 6.39 | 6.98 | 7.63 |
| Market Capitalisation Y/E (EUR m) | 29,174 | 1,006 | 2,762 | 2,068 | 2,681 | 2,762 | 2,762 | 2,762 |
| Shares in issue (m) | 9,146 | 915 | 915 | 915 | 915 | 915 | 915 | 915 |
| **Valuation Ratios & Profitability Measures** | | | | | | | | |
| P/E (stated) | -97.3 | -16.9 | -10.5 | 54.0 | 3.1 | 3.2 | 5.1 | 4.6 |
| P/E (core DB) | -159.2 | 25.3 | 6.7 | 3.5 | 3.3 | 3.3 | 4.7 | 4.3 |
| P/B (stated) | 4.4 | 0.2 | 0.5 | 0.4 | 0.5 | 0.4 | 0.4 | 0.4 |
| P/Tangible equity (DB) | 4.4 | 0.2 | 0.5 | 0.4 | 0.5 | 0.5 | 0.4 | 0.4 |
| ROE (stated) (%) | -4.4 | -1.0 | -5.2 | 0.7 | 16.0 | 14.6 | 8.3 | 8.4 |
| RoTE (core tangible equity) (%) | -2.7 | 0.7 | 8.4 | 11.9 | 16.1 | 14.8 | 9.7 | 9.6 |
| ROIC (invested capital) (%) | -2.7 | 0.7 | 8.1 | 11.3 | 15.1 | 13.9 | 9.1 | 9.1 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 6.3 | 4.9 | 7.5 |
| Dividend cover (x) | nm | nm | nm | nm | nm | 5.0 | 4.0 | 2.9 |
| Simple free cash flow yield (%) | 1.7 | 21.7 | 2.1 | 45.1 | 48.7 | 31.4 | 12.5 | 16.0 |
| **Profit & Loss (EUR m)** | | | | | | | | |
| Net interest revenue | 1,593 | 1,108 | 1,190 | 1,171 | 1,212 | 1,232 | 1,405 | 1,441 |
| Non-interest income | 92 | 234 | 486 | 1,355 | 691 | 785 | 359 | 385 |
| Commissions | 266 | 247 | 256 | 257 | 287 | 338 | 357 | 378 |
| Trading revenue | -174 | -13 | 230 | 1,098 | 405 | 448 | 2 | 7 |
| Other revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total revenue | 1,685 | 1,342 | 1,675 | 2,526 | 1,903 | 2,018 | 1,764 | 1,826 |
| Total Operating Costs | 988 | 918 | 846 | 819 | 784 | 787 | 803 | 805 |
| Employee costs | 582 | 575 | 511 | 480 | 434 | 418 | 416 | 408 |
| Other costs | 432 | 357 | 311 | 369 | 356 | 370 | 390 | 400 |
| Pre-Provision profit / (loss) | 697 | 424 | 830 | 1,707 | 1,119 | 1,231 | 962 | 1,021 |
| Bad debt expense | 792 | 299 | 408 | 1,072 | 265 | 222 | 236 | 225 |
| Operating Profit | -120 | 111 | 444 | 604 | 848 | 1,007 | 722 | 792 |
| Pre-tax associates | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Pre-tax profit | -120 | 111 | 444 | 604 | 848 | 1,007 | 722 | 792 |
| Tax | 32 | 37 | 13 | 14 | 15 | 165 | 126 | 137 |
| Minority shareholders | 31 | 34 | 18 | 5 | 17 | 9 | 4 | 4 |
| Other post tax items | -117 | -99 | -678 | -547 | 51 | 42 | -55 | -56 |
| **Stated net profit** | **-300** | **-60** | **-264** | **38** | **867** | **876** | **538** | **594** |
| *Reconciliation to DB adjusted core earnings* | | | | | | | | |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary & Other items | 117 | 99 | 678 | 547 | -51 | -42 | 55 | 47 |
| Bad Debt Provisioning | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment reval, cap gains / losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **DB adj. core earnings** | **-183** | **40** | **414** | **585** | **817** | **833** | **593** | **642** |
| **Key Balance Sheet Items (EUR m) & CAPITAL RATIOS** | | | | | | | | |
| Risk weighted assets | 37,300 | 34,600 | 36,900 | 36,600 | 34,700 | 34,484 | 36,087 | 37,369 |
| Interest-earnings assets | 39,943 | 37,829 | 33,595 | 28,125 | 30,453 | 32,126 | 33,889 | 35,358 |
| Total loans | 32,067 | 30,134 | 29,222 | 26,807 | 30,439 | 32,458 | 34,641 | 36,491 |
| Total deposits | 40,265 | 43,027 | 43,748 | 48,504 | 53,493 | 55,978 | 57,717 | 58,393 |
| Stated Shareholder Equity | 6,696 | 4,962 | 5,259 | 5,059 | 5,750 | 6,236 | 6,774 | 7,368 |
| Tangible shareholders equity | 6,564 | 4,812 | 5,057 | 4,777 | 5,397 | 5,847 | 6,384 | 6,979 |
| Tier 1 capital | 6,341 | 5,571 | 5,978 | 5,887 | 5,170 | 5,329 | 5,591 | 6,222 |
| Tier 1 ratio (%) | 17.0 | 16.1 | 16.2 | 16.1 | 14.9 | 15.5 | 15.5 | 16.6 |
| o/w core tier 1 capital ratio (%) | 17.0 | 16.1 | 16.2 | 16.1 | 14.9 | 15.5 | 15.5 | 15.6 |
| Tangible equity / total assets (%) | 10.1 | 7.4 | 7.9 | 6.2 | 6.4 | 7.8 | 8.1 | 8.4 |
| **Credit Quality** | | | | | | | | |
| Gross NPLs / Total Loans (%) | 44.00 | 40.42 | 31.26 | 15.10 | 7.01 | 5.76 | 4.62 | 3.50 |
| Risk Provisions / NPLs (%) | 55 | 59 | 53 | 63 | 77 | 77 | 69 | 64 |
| Bad debt chg / Avg loans (%) | 1.87 | 0.76 | 1.17 | 3.62 | 0.82 | 0.65 | 0.66 | 0.60 |
| **Growth Rates & Key Ratios** | | | | | | | | |
| Growth in revenues (%) | -25 | -20 | 25 | 51 | -25 | 6 | -13 | 3 |
| Growth in costs (%) | -24 | -8 | -12 | 3 | -7 | 0 | 2 | 0 |
| Growth in bad debts (%) | 3 | -62 | 36 | 163 | -75 | -16 | 6 | -5 |
| Growth in RWA (%) | -9 | -7 | 7 | -1 | -5 | -1 | 5 | 4 |
| Growth in loans (%) | -10 | -6 | -3 | -8 | 14 | 7 | 7 | 5 |
| Growth in deposits (%) | 0 | 7 | 2 | 11 | 10 | 5 | 3 | 1 |
| Net int. margin (%) | 3.86 | 2.85 | 3.33 | 3.79 | 4.14 | 3.94 | 4.26 | 4.16 |
| Cost income ratio (%) | 58.6 | 68.4 | 50.5 | 32.4 | 41.2 | 39.0 | 45.5 | 44.1 |
| Total loans / Total deposits (%) | 80 | 70 | 67 | 55 | 57 | 58 | 60 | 62 |




*Source: Company data, Deutsche Bank estimates*

# Piraeus Financial Holdings: Hold, TP E1.60

## Just needs a few more steps

### Highest sensitivity to rates improves profitability outlook

Piraeus' NII is supported by material tailwinds coming from solid volume growth as well as the faster rate hikes. We note that the current NII guidance incorporated two rate hikes of 50bps each in 2022 and this has already been outdone by the ECB's higher delivery of rate hikes with a further hawkish stance. Moreover, Piraeus has the highest sensitivity to rising rates among the Greek banks at over E310mn for -50bps to +100bps. However, as the rates cross the 1% hurdle, there should be some more noticeable pass-through of deposit rates, thereby diluting some of the upcoming interest rate benefits. Furthermore, although it is the only Greek bank with an AT1 issued, MREL costs are set to remain significantly higher than in peers, given its lower capital levels.

Separately, in 2Q22 the bank increased its new lending growth target from E1.5bn to E2.0bn in 2022 without changing the outlook for 2023 yet. All of this leads to a solid NII performance in line with the sector's performance. We forecast NII to grow at a CAGR of c.+1% during 2021-24E, taking into account the drop in 2022 due to the NPE cleanup, and an increase in our NII forecasts of c.+8% in 2022 and c.+15%/ c.11% in 2023/24. On the other hand, we expect fee income to grow at a rate of c.+2.5% CAGR over 2021-24 as we trim our fee income estimates by an average of c.-6% during 2022-24E. We believe headwinds in AuM fees and macro challenges could weigh on Piraeus more than on its peers, as 2022 is already set to be a good year in terms of fees, but 2023 should remain flat due to the high base.

### Costs reflect sticky inflation, restructuring offers some solace

We believe costs should remain under pressure overall due to inflation, despite the planned restructuring by the bank. We expect the bank to book some restructuring charges in 2H22 of around E60mn, and is likely to do so also in 2023. Consequently, we forecast operating costs to decline by a c.-3% CAGR 2021-24E. The drop in costs should be mainly driven by lower staff expenses, while G&A and depreciation should remain broadly stable during 2022-24. Having said that, there is still a big gap between our estimates for 2024 and the bank's 2025 targeted cost base, implying a lot of effort required by the bank in 2025 to meet the target. For example, we forecast staff costs of E365mn in 2024 vs. the target of E300mn in 2025, i.e. staff costs will have to reduce by c.17% in 2025. The same is also true with G&A, where we're over E100mn away from the target. This reflects our belief that inflation is here to stay and is our base case of assumptions.

### Less margin of safety in NPE coverage and capital continues

The bank's credit quality performance has improved, as evidenced by the reduction of the NPE target to 8% in 2022 vs. 9% previously. This is a result of inorganic measures, mainly the Sunrise 3 and Solar portfolio disposals, coupled with negative NPE formation. Our NPE ratio forecasts go from 8% in 2022 to c.4% in 2024, still slightly higher than the target but not far from other Greek banking peers. Additionally, the coverage ratio of below 50% is still far lower than peers.

This, coupled with low capital levels (although set to improve noticeably) acts as an impediment in re-rating, despite an overall positive topline outlook by the bank. The CET1 FL ratio still stood at just 9.5% by 2Q22, but should end at around 11% in 2022, still the lowest of the Greek banks. The lack of a significant buffer remains a challenge under the given macro headwinds, although Piraeus expects to build up to c.1pp every year until 2025, implying that its CET1 FL could rise beyond the c.13% target of 2025. Nonetheless, the potential capital return should remain very low, even if the bank were to begin to pay some dividends against 2023 earnings, as expected.

## We maintain our Hold rating, with revised target price of E1.60/share

We change our underlying earnings forecasts materially by c.21% in 2022 and more benignly by c.+4% and c.+7% in 2023/24, respectively. The drivers are mainly related to NII tailwinds, which more than offset changes in all other contra items. For instance, the NII upgrade vs. our previous numbers of an average c.+11% from 2022-24 more than offsets the increase in our costs and provisions estimates. We revise up our cost forecasts from c.2% in 2022 to over 5% in 2024, reflecting our cautious view on inflation, while increasing our provision forecasts the most in 2023 by over 30%, driven by the low coverage. Positively, organic generation has led to an improvement in the CET1 target for 2022 to 11%, which is also reflected in our numbers.

Figure 25: Piraeus – Forecast changes (E' mn)

| | Old estimates | | | New estimates | | | New vs. old | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E | 2022E | 2023E | 2024E |
| NII | 1,135 | 1,193 | 1,305 | 1,227 | 1,369 | 1,446 | 8.2% | 14.8% | 10.9% |
| Fee income | 467 | 486 | 496 | 443 | 449 | 470 | -5.0% | -7.7% | -5.3% |
| Trading and other income | 619 | 42 | 45 | 735 | 48 | 50 | 18.7% | 13.3% | 11.5% |
| **Total revenues** | **2,220** | **1,721** | **1,846** | **2,405** | **1,866** | **1,967** | **8.3%** | **8.4%** | **6.5%** |
| **Total costs** | **-828** | **-788** | **-784** | **-843** | **-824** | **-826** | **1.8%** | **4.5%** | **5.4%** |
| Personnel costs | -360 | -343 | -339 | -385 | -370 | -365 | 6.8% | 7.6% | 7.7% |
| Administrative costs | -357 | -334 | -332 | -355 | -353 | -357 | -0.8% | 5.5% | 7.6% |
| Depreciation | -111 | -110 | -113 | -104 | -102 | -105 | -6.0% | -8.0% | -7.8% |
| **Pre provisioning profit** | **1,392** | **933** | **1,062** | **1,562** | **1,042** | **1,140** | **12.2%** | **11.6%** | **7.4%** |
| Provisions | -631 | -277 | -253 | -664 | -363 | -279 | 5.1% | 31.0% | 10.1% |
| Other impairments | -39 | -40 | -32 | -31 | -36 | -32 | -21.8% | -10.0% | 0.0% |
| **Profit before taxes** | **720** | **621** | **781** | **860** | **647** | **833** | **19.4%** | **4.3%** | **6.7%** |
| Taxes | -83 | -150 | -148 | -90 | -157 | -158 | 8.5% | 4.2% | 6.7% |
| **Net profit underlying** | **637** | **470** | **632** | **770** | **491** | **675** | **20.8%** | **4.3%** | **6.7%** |
| **Net attributable profit stated** | **531** | **390** | **557** | **713** | **436** | **655** | **34.2%** | **11.6%** | **17.5%** |
| **EPS underlying** | **0.51** | **0.38** | **0.51** | **0.62** | **0.39** | **0.54** | **20.9%** | **4.3%** | **6.7%** |
| **DPS** | **0.00** | **0.047** | **0.089** | **0.00** | **0.06** | **0.16** | **NA** | **25.7%** | **81.7%** |
| **TNAVps** | **4.2** | **4.4** | **4.7** | **4.3** | **4.4** | **4.6** | **0.9%** | **-1.3%** | **-3.5%** |
| **CET1 ratio** | **10.0%** | **11.0%** | **12.2%** | **10.9%** | **11.4%** | **12.3%** | **91** | **37** | **8** |

*Source : Deutsche Bank estimates*

Overall, we believe that Piraeus is the main laggard in Greece with regard to the normalisation of its profile, and despite the compelling advances toward asset quality clean-up and a profitability recovery for 2023-24, its scarce capital levels and low coverage leave the door open for significant asymmetry in the final outcome. Our target price of E1.60 (vs E1.35 previously) reflects a RoTE of just above 7% (c.8% before deducting AT1s) in 2023. Coupled with the negative impact on the bank's valuation from low capital and a higher cost of equity (which is in line with peers, in any case – as is our growth assumption), we believe this makes the current multiples of c.3x 2023E P/E, 0.24x 2023E P/TBV and an adjusted RoTE of 8.1% (before deducting for AT1 coupons) attractive, but probably insufficient in relative terms vs some other Greek banks that are also cheap and carry much lower risk, which could lead to Piraeus remaining off the radar until investors feel more comfortable about its capital levels. Therefore, we maintain our Hold recommendation on the stock.

Downside risks include: 1) higher-than-expected costs for further balance sheet clean-up; 2) weaker-than-expected economic performance could affect need for provisions and negatively affect revenue growth; 3) pressure on NII from margins and funding costs could dent the recovery of profitability; and 4) a potential need to raise capital in the event of regulatory headwinds or deterioration of the macroeconomic environment. Upside risks include: 1) faster acceleration in the disposal of NPEs reinforcing the bank's coverage ratios and overall improving profitability outlook; 2) stronger lending demand than expected on recovering macro and gaining additional market share; 3) higher-than-anticipated rates improving asset margins; and 4) solid built-up of capital stack closing the gap with peers.

Figure 26: Piraeus – DDM valuation 2023E (E' / share)

| | 2023E |
|---|---|
| RoTE | 7.1% |
| CoE | 12.5% |
| "g" | 1.5% |
| TBV /share | 4.4 |
| TP to TBV (RoTE-g)/(CoE-g) | 0.51x |
| **Discounted business value** | **1.93** |
| Excess (deficit) capital | -0.38 |
| Discounted DPS | 0.05 |
| **Target price (E' /share)** | **1.60** |

*Source : Deutsche Bank estimates; Note: Stated RoTE after deducting AT1 coupon*

Model updated: 03.10.2022

## Running the Numbers

Europe
Greece
Banks

# Piraeus Bank

Reuters: BOPr.AT    Bloomberg: TPEIR GA

## Hold

| | |
|---|---|
| Price as of 04 October | € 1.04 |
| Target price | € 1.60 |

Company website
http://www.piraeusbankgroup.com/en

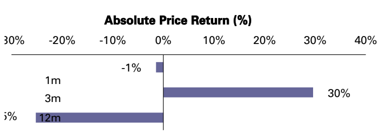
### Company Description

Piraeus Bank operates mostly local business (97% of total loans) after a strong reduction of its international presence. It employs more than 9,000 employees at the group's continued operations. With c.E80bn in assets, it is the second-largest Greek bank, with corporates as its main business sector, followed by mortgages.

### Research Team

**Alfredo Alonso**
+34 913351153    alfredo.alonso@db.com

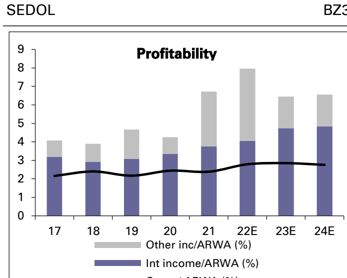
**Atul Hanamante**
atul.hanamante@db.com

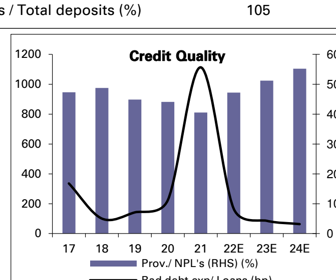


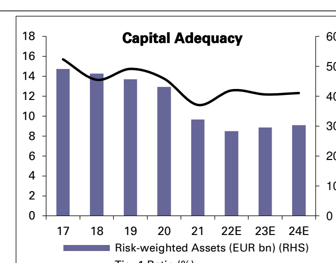

| | |
|---|---|
| 52-week Range: | € 0.73 - 1.69 |
| Market Cap (m) | EUR 1,300 |
| | USD 1,279 |

| Company identifiers | |
|---|---|
| Cusip | X06397222 |
| SEDOL | BZ3CDP3 |

| Year Ending 31 December | 2017 | 2018 | 2019 | 2020 | 2021 | 2022E | 2023E | 2024E |
|---|---|---|---|---|---|---|---|---|
| **Data Per Share** | | | | | | | | |
| EPS (stated) (€) | -0.47 | -0.39 | 0.63 | -1.53 | -2.41 | 0.57 | 0.35 | 0.52 |
| EPS (DB) (€) | -0.03 | 0.40 | 0.61 | -1.51 | -2.44 | 0.57 | 0.35 | 0.50 |
| Growth Rate - EPS (DB) (%) | 32.4 | 1,454.0 | 53.6 | -347.2 | -61.7 | 123.6 | -38.9 | 42.0 |
| DPS (€) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| BVPS (stated) (€) | 16.90 | 12.25 | 12.87 | 11.47 | 4.15 | 4.48 | 4.60 | 4.80 |
| Investment capital gains p. sh. (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Tang. NAV p. sh. (€) | 21.17 | 16.52 | 17.14 | 15.74 | 4.43 | 4.75 | 4.87 | 5.06 |
| Market Capitalisation Y/E (EUR m) | 22,119 | 6,052 | 21,543 | 9,366 | 1,613 | 1,300 | 1,300 | 1,300 |
| Shares in issue (m) | 437 | 437 | 437 | 437 | 1,250 | 1,250 | 1,250 | 1,250 |
| **Valuation Ratios & Profitability Measures** | | | | | | | | |
| P/E (stated) | -108.1 | -35.6 | 78.1 | -14.0 | -0.5 | 1.8 | 3.0 | 2.0 |
| P/E (core DB) | -1,727.8 | 34.9 | 80.9 | -14.2 | -0.5 | 1.8 | 3.0 | 2.1 |
| P/B (stated) | 3.0 | 1.1 | 3.8 | 1.9 | 0.3 | 0.2 | 0.2 | 0.2 |
| P/Tangible equity (DB) | 2.4 | 0.8 | 2.9 | 1.4 | 0.3 | 0.2 | 0.2 | 0.2 |
| ROE (stated) (%) | -2.7 | -2.7 | 5.0 | -12.6 | -59.0 | 13.2 | 7.7 | 11.1 |
| RoTE (core tangible equity) (%) | -0.1 | 2.1 | 3.6 | -9.2 | -49.1 | 12.5 | 7.3 | 10.0 |
| ROIC (invested capital) (%) | -0.1 | 2.0 | 3.5 | -8.8 | -47.0 | 11.9 | 7.0 | 9.6 |
| Dividend yield (%) | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Dividend cover (x) | nm | nm | nm | nm | nm | nm | nm | nm |
| Simple free cash flow yield (%) | 1.7 | 1.9 | 3.0 | -3.4 | -36.9 | 87.7 | 22.4 | 40.4 |
| **Profit & Loss (EUR m)** | | | | | | | | |
| Net interest revenue | 1,639 | 1,410 | 1,435 | 1,486 | 1,410 | 1,227 | 1,369 | 1,446 |
| Non-interest income | 449 | 472 | 739 | 407 | 1,120 | 1,178 | 497 | 520 |
| Commissions | 331 | 339 | 318 | 317 | 438 | 443 | 449 | 470 |
| Trading revenue | 119 | 133 | 421 | 90 | 682 | 735 | 48 | 50 |
| Other revenue | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total revenue | 2,088 | 1,882 | 2,174 | 1,893 | 2,530 | 2,405 | 1,866 | 1,967 |
| Total Operating Costs | 1,106 | 1,161 | 1,013 | 1,084 | 899 | 843 | 824 | 826 |
| Employee costs | 546 | 616 | 504 | 571 | 405 | 385 | 370 | 365 |
| Other costs | 711 | 669 | 576 | 731 | 550 | 490 | 490 | 493 |
| Pre-Provision profit / (loss) | 983 | 721 | 1,161 | 809 | 1,631 | 1,562 | 1,042 | 1,140 |
| Bad debt expense | 2,020 | 532 | 710 | 1,104 | 4,284 | 664 | 363 | 279 |
| Operating Profit | -1,188 | 65 | 384 | -514 | -2,709 | 867 | 643 | 829 |
| Pre-tax associates | -31 | 15 | 5 | -16 | 18 | -7 | 4 | 4 |
| Pre-tax profit | -1,219 | 80 | 389 | -530 | -2,691 | 860 | 647 | 833 |
| Tax | -1,207 | -93 | 123 | 128 | 316 | 90 | 157 | 158 |
| Minority shareholders | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Other post tax items | -192 | -343 | 10 | -10 | 0 | -58 | -55 | -20 |
| **Stated net profit** | **-205** | **-170** | **276** | **-668** | **-3,008** | **712** | **436** | **655** |
| *Reconciliation to DB adjusted core earnings* | | | | | | | | |
| Goodwill | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Extraordinary & Other items | 192 | 343 | -10 | 10 | -39 | 6 | 3 | -33 |
| Bad Debt Provisioning | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Investment reval, cap gains / losses | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| **DB adj. core earnings** | **-13** | **173** | **266** | **-658** | **-3,047** | **718** | **438** | **623** |
| **Key Balance Sheet Items (EUR m) & CAPITAL RATIOS** | | | | | | | | |
| Risk weighted assets | 49,128 | 47,554 | 45,688 | 43,097 | 32,207 | 28,264 | 29,566 | 30,357 |
| Interest-earnings assets | 67,417 | 61,880 | 61,231 | 71,576 | 93,058 | 85,285 | 79,041 | 81,430 |
| Total loans | 44,720 | 39,757 | 39,162 | 39,624 | 36,521 | 38,577 | 41,304 | 43,219 |
| Total deposits | 42,715 | 44,739 | 47,351 | 49,636 | 55,442 | 58,866 | 61,024 | 63,277 |
| Stated Shareholder Equity | 7,378 | 5,350 | 5,619 | 5,007 | 5,188 | 5,607 | 5,756 | 5,996 |
| Tangible shareholders equity | 9,243 | 7,214 | 7,486 | 6,874 | 5,536 | 5,941 | 6,090 | 6,330 |
| Tier 1 capital | 5,535 | 4,903 | 5,313 | 4,738 | 3,306 | 3,633 | 3,939 | 4,338 |
| Tier 1 ratio (%) | 15.7 | 13.6 | 14.7 | 13.8 | 11.1 | 12.6 | 12.2 | 12.3 |
| o/w core tier 1 capital ratio (%) | 11.3 | 10.3 | 11.6 | 11.0 | 8.4 | 10.7 | 11.3 | 12.3 |
| Tangible equity / total assets (%) | 13.7 | 11.7 | 12.2 | 9.6 | 5.9 | 7.0 | 7.7 | 7.8 |
| **Credit Quality** | | | | | | | | |
| Gross NPLs / Total Loans (%) | 54.52 | 51.48 | 48.80 | 45.32 | 12.63 | 7.91 | 5.78 | 4.27 |
| Risk Provisions / NPLs (%) | 47 | 49 | 45 | 44 | 41 | 47 | 51 | 55 |
| Bad debt chg / Avg loans (%) | 3.35 | 1.00 | 1.42 | 2.23 | 11.13 | 1.66 | 0.85 | 0.63 |
| **Growth Rates & Key Ratios** | | | | | | | | |
| Growth in revenues (%) | -15 | -10 | 16 | -13 | 34 | -5 | -22 | 5 |
| Growth in costs (%) | -34 | 2 | -16 | 20 | -27 | -8 | -2 | 0 |
| Growth in bad debts (%) | 84 | -74 | 34 | 56 | 288 | -85 | -45 | -23 |
| Growth in RWA (%) | -8 | -3 | -4 | -6 | -25 | -12 | 5 | 3 |
| Growth in loans (%) | -10 | -11 | -1 | 1 | -8 | 6 | 7 | 5 |
| Growth in deposits (%) | 1 | 5 | 6 | 5 | 12 | 6 | 4 | 4 |
| Net int. margin (%) | 2.20 | 2.18 | 2.33 | 2.24 | 1.71 | 1.38 | 1.67 | 1.80 |
| Cost income ratio (%) | 52.9 | 61.7 | 46.6 | 57.3 | 35.5 | 35.1 | 44.2 | 42.0 |
| Total loans / Total deposits (%) | 105 | 89 | 83 | 80 | 66 | 66 | 68 | 68 |




*Source: Company data, Deutsche Bank estimates*

# Appendix 1

## Important Disclosures

*Other information available upon request

Disclosure checklist

| Company | Ticker | Recent price* | Disclosure |
|---|---|---|---|
| Alpha Bank | ACBr.AT | 0.83 (EUR) 03 Oct 2022 | 2, 7, 14, 15 |
| Eurobank | EURBr.AT | 0.86 (EUR) 03 Oct 2022 | 1, 2, 7, 14, 15 |
| National Bank of Greece | NBGr.AT | 3.02 (EUR) 03 Oct 2022 | 2, 7, 14, 15 |
| Piraeus Bank | BOPr.AT | 1.04 (EUR) 03 Oct 2022 | 2, 14, 15 |

*Prices are current as of the end of the previous trading session unless otherwise indicated and are sourced from local exchanges via Reuters, Bloomberg and other vendors . Other information is sourced from Deutsche Bank, subject companies, and other sources. For disclosures pertaining to recommendations or estimates made on securities other than the primary subject of this research, please see the most recently published company report or visit our global disclosure look-up page on our website at https://research.db.com/Research/Disclosures/EquityResearchDisclosures. Aside from within this report, important risk and conflict disclosures can also be found at https://research.db.com/Research/Disclosures/Disclaimer. Investors are strongly encouraged to review this information before investing.

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7. Deutsche Bank and/or its affiliate(s) has received compensation from this company for the provision of investment banking or financial advisory services within the past year.
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## Analyst Certification

The views expressed in this report accurately reflect the personal views of the undersigned lead analyst about the subject issuers and the securities of those issuers. In addition, the undersigned lead analyst has not and will not receive any compensation for providing a specific recommendation or view in this report. Alfredo Alonso.

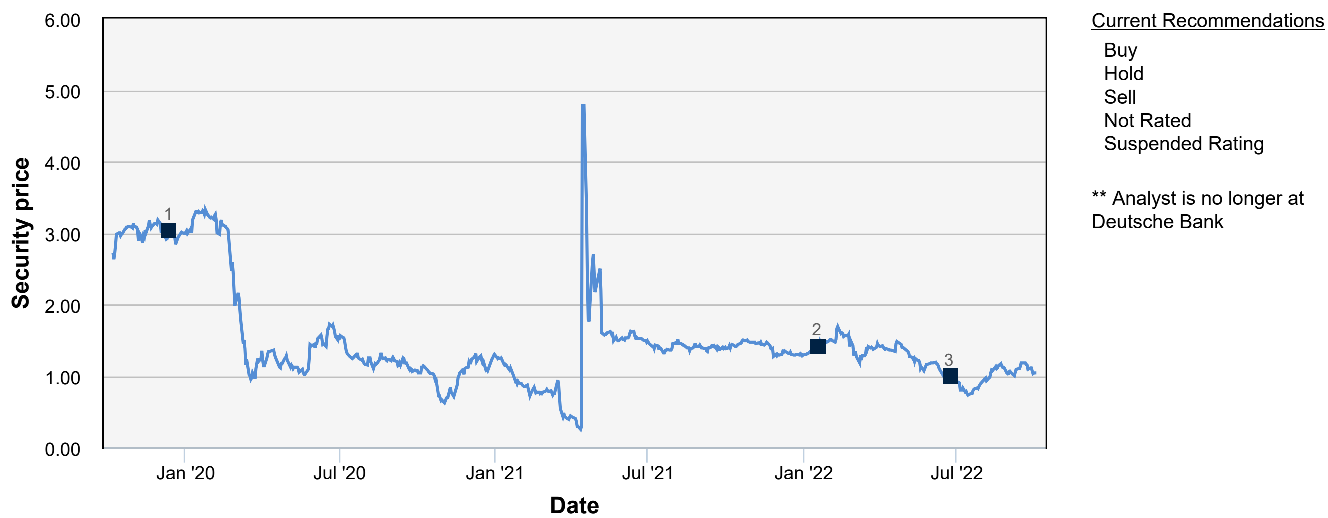
## Historical recommendations and target price: Alpha Bank (ACBr.AT)

*(as of 10/03/2022)*


| | | |
|---|---|---|
| 1. | 12/13/2019 | Buy, Target Price Change EUR 2.30 Paola Sabbione** |
| 2. | 06/04/2020 | Buy, Target Price Change EUR 1.20 Kazim Andac |
| 3. | 01/18/2022 | Buy, Target Price Change EUR 1.55 Kazim Andac |
| 4. | 06/24/2022 | Buy, Target Price Change EUR 1.45 Alfredo Alonso |

## Historical recommendations and target price: Piraeus Bank (BOPr.AT)

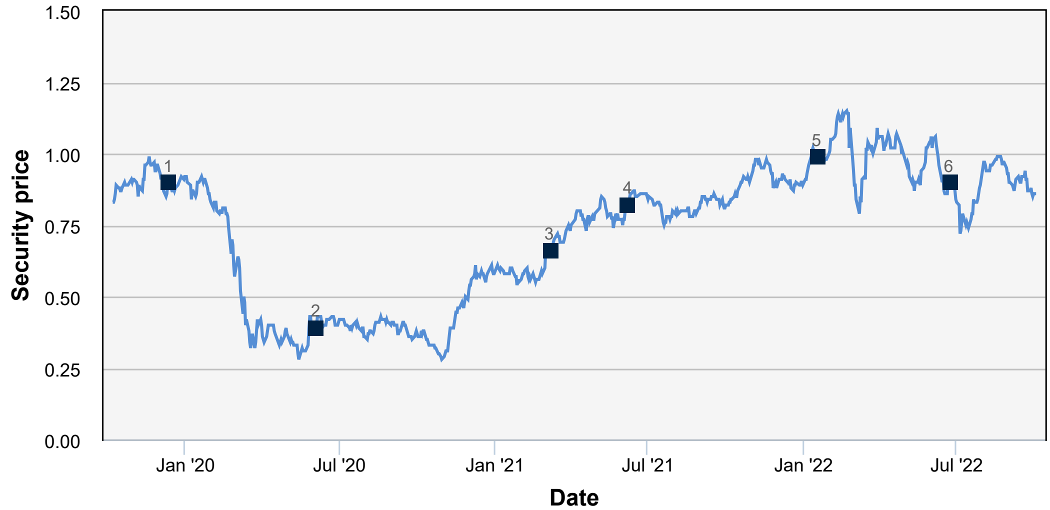
*(as of 10/03/2022)*




| | | |
|---|---|---|
| 1. | 12/13/2019 | Hold, Target Price Change EUR 2.85 Paola Sabbione** |
| 2. | 01/18/2022 | Hold, Target Price Change EUR 1.55 Kazim Andac |
| 3. | 06/24/2022 | Hold, Target Price Change EUR 1.35 Alfredo Alonso |

## Historical recommendations and target price: Eurobank (EURBr.AT)

*(as of 10/03/2022)*



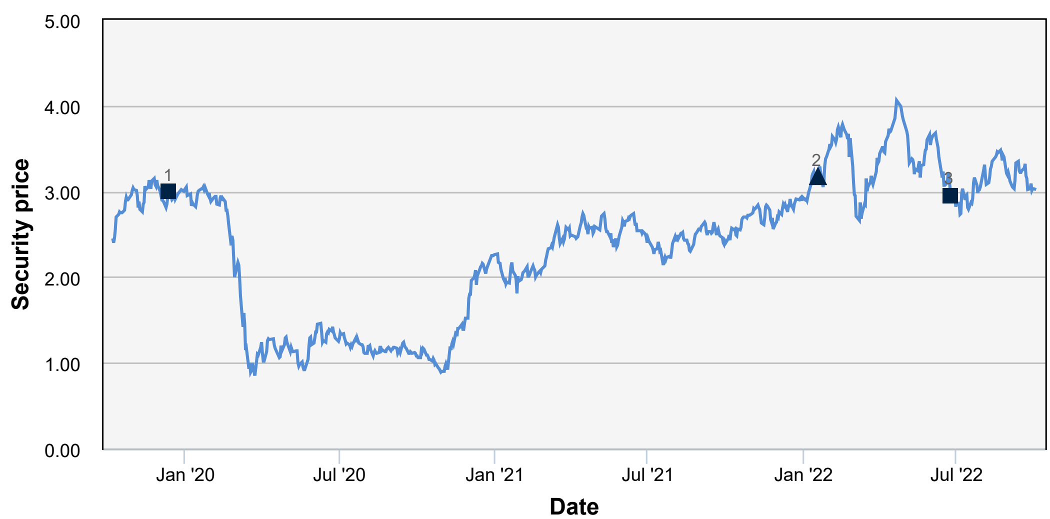

Current Recommendations
Buy
Hold
Sell
Not Rated
Suspended Rating

** Analyst is no longer at Deutsche Bank

| | | |
|---|---|---|
| 1. | 12/13/2019 | Hold, Target Price Change EUR 0.88 Paola Sabbione** |
| 2. | 06/04/2020 | Hold, Target Price Change EUR 0.68 Kazim Andac |
| 3. | 03/08/2021 | Hold, Target Price Change EUR 0.70 Kazim Andac |
| 4. | 06/08/2021 | Hold, Target Price Change EUR 0.80 |
| 5. | 01/18/2022 | Hold, Target Price Change EUR 1.15 Kazim Andac |
| 6. | 06/24/2022 | Hold, Target Price Change EUR 1.20 Alfredo Alonso |

## Historical recommendations and target price: National Bank of Greece (NBGr.AT)

*(as of 10/03/2022)*




Current Recommendations
Buy
Hold
Sell
Not Rated
Suspended Rating

** Analyst is no longer at Deutsche Bank

| | | |
|---|---|---|
| 1. | 12/13/2019 | Hold, Target Price Change EUR 2.55 Paola Sabbione** |
| 2. | 01/18/2022 | Upgraded to Buy, Target Price Change EUR 4.50 Kazim Andac |
| 3. | 06/24/2022 | Buy, Target Price Change EUR 4.40 Alfredo Alonso |

## Equity Rating Key

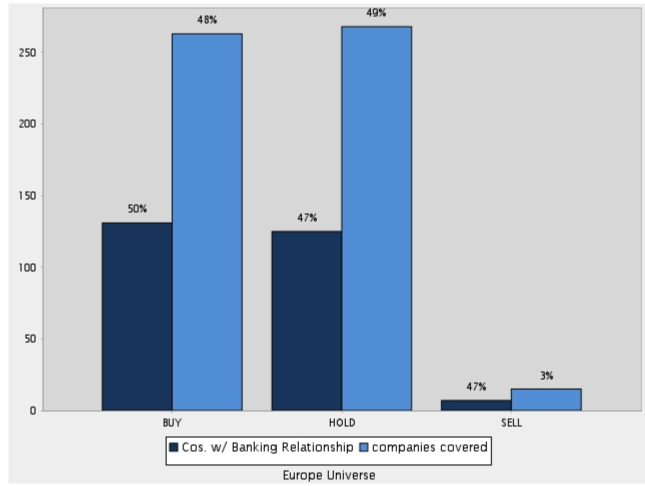
Buy: Based on a current 12- month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus pro-jected dividend yield ) , we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock.

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

## Equity rating dispersion and banking relationships



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Group Chief Economist and Global Head of Research

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Global Chief Operating Officer Research

Steve Pollard
Global Head of Company Research and Sales

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## International Production Locations

Deutsche Bank AG
Deutsche Bank Place
Level 16
Corner of Hunter & Phillip Streets
Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG
Equity Research
Mainzer Landstrasse 11-17
60329 Frankfurt am Main
Germany
Tel: (49) 69 910 00

Deutsche Bank AG
Filiale Hongkong
International Commerce Centre,
1 Austin Road West,Kowloon,
Hong Kong
Tel: (852) 2203 8888

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Sanno Park Tower
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Tel: (44) 20 7545 8000

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