

Greek Banks

Raising numbers on stronger Q2 results

Equities Commercial Banks

Greece

- ◆ Q2 results surprised us on the upside with strong loan growth, faster repricing of securities and robust fees
- ◆ Results were strong at all banks, but Piraeus stood out with better performance than implied by its valuation
- ◆ Raise earnings on better revenues; adjust TPs; reiterate Buy on all banks. Eurobank and Piraeus are our preferred names

Cihan Saraoglu*, PhD
Turkey & Greece Banks Analyst
HSBC Yatirim Menkul Degerler A.S.
cihansaraoglu@hsbc.com.tr
+90 212 376 46 20

Anuj Jain*
Associate
Bangalore

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Stronger-than-expected revenues in Q2 lead to earnings upgrades

Greek banks surprised us with stronger loan growth, faster repricing of securities books and robust fee income in Q2 (see charts on pages 2 and 3). The positive impact of rate hikes on loan yields is yet to kick in; operating costs were well managed and there were no early signs of asset quality deterioration. We update our forecasts to reflect the sanguine revenue trends and raise our 2022/23/24e earnings by 11/10/11% on average. Our sustainable ROTE goes up by 50bp to 8.2%.

Who did better in Q2?

Results were strong at all banks with core PPI growing 8-11% QoQ. Alpha had the best credit growth and cost control, but its core PPI growth fell slightly below peers owing to softer fees. Loan growth was slower at NBG but strong NII growth and fees still brought its PPI growth on par with peers. Eurobank stood out with the best CET-1 progression in Q2 thanks to strong trading gains. From a valuation point of view, we think the most promising Q2 results came from Piraeus. Strong core PPI growth and good capital generation make 22e 0.24x P/TBV look extremely attractive.

We raise target prices and reiterate Buy ratings on all four banks

Strong improvement in Greek banks' operating performance in 1H22 remained unappreciated due to EU-wide recession fears. Despite the recovery since July, shares are still down 25% in the past 3 months. Banks are trading at 0.44x P/TBV 22e and 5.0x P/E 23e on average which look quite appealing on 8% sustainable ROTE versus 14.0% COE. We see the most upside to consensus earnings in Eurobank and Piraeus. The former remains our most preferred for its strong balance sheet and superior profitability. We favour the risk/reward in Piraeus; its P/TBV is the lowest of EU and EEMEA peers although its balance sheet clean-up is mostly done and its 23e ROTE is c.9%.

Ratings and target price revisions (EURm)

Company	Ticker	Current price	Target price		Rating	Upside/downside	P/E			P/B			ROE		
			New	Old			2022e	2023e	2024e	2022e	2023e	2024e	2022e	2023e	2024e
Alpha	ACBr.AT	0.98	1.45	1.25	Buy	48%	6.4	5.3	5.2	0.39	0.36	0.33	6.3%	7.1%	6.7%
Eurobank	EURBr.AT	0.98	1.65	1.45	Buy	68%	9.1	5.2	5.1	0.56	0.53	0.49	8.5%	10.4%	9.9%
NBG	NBGr.AT	3.40	4.55	4.15	Buy	34%	5.7	7.1	6.5	0.54	0.51	0.48	9.7%	7.3%	7.6%
Piraeus	BOPr.AT	1.13	2.70	1.95	Buy	139%	3.0	3.1	2.9	0.25	0.24	0.22	9.9%	8.8%	8.8%

Source: Refinitiv DataStream, HSBC estimates (priced at close of 16 August 2022)

HSBC Global Emerging Markets Forum

13 – 30 September 2022

Register

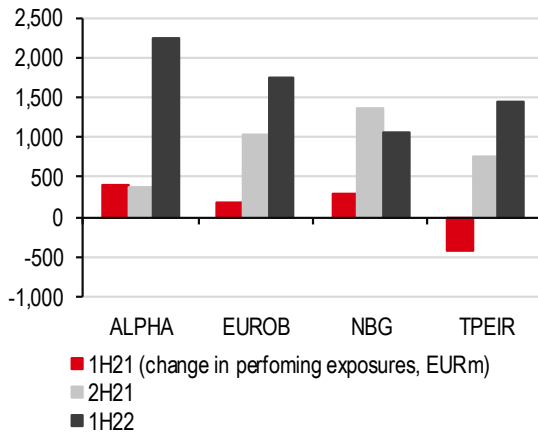
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This report must be read with the disclosures and the analyst certifications in the Disclosure appendix, and with the Disclaimer, which forms part of it.

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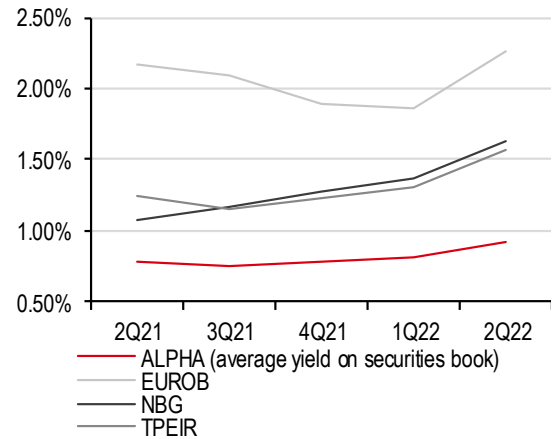
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Loan growth was strong across the board in 1H22, but Alpha stood out. Banks had their ...



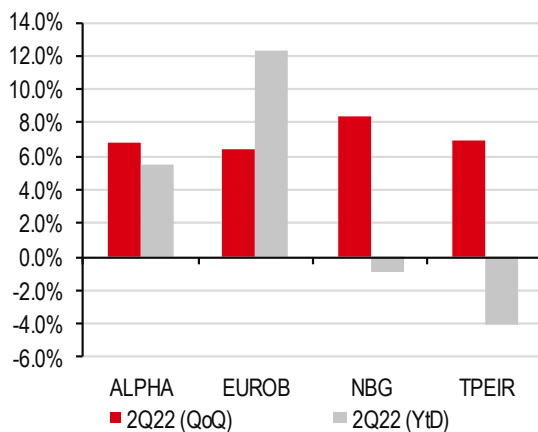
Source: Company data

... highest quarterly increase in NII in many years thanks to solid loan growth, rising bond yields and no headwinds from NPE reductions



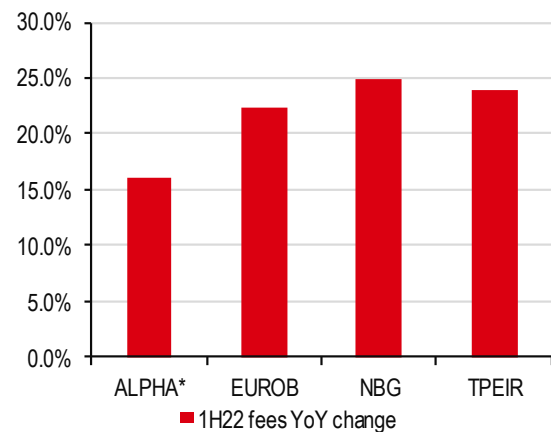
Source: Company data, HSBC estimates

Eurobank stood out with better NII progression YtD thanks to fewer NPE reductions than peers



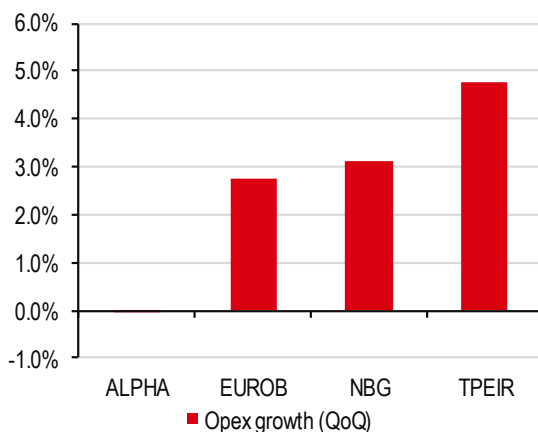
Source: Company data

Fee growth was robust on lending and payment related charges. Alpha trailed its peers



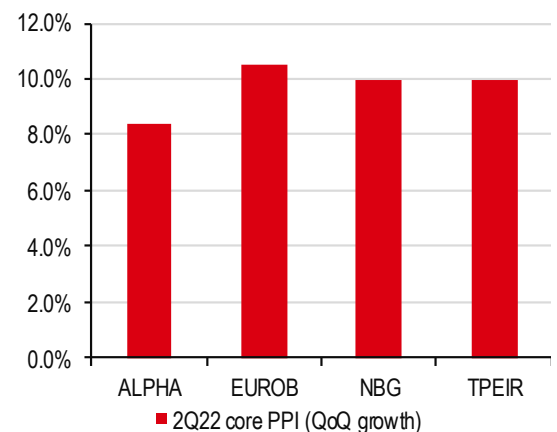
Source: Company data, * adjusted for EUR10m one-off bancassurance fees

On the other hand, cost progression was better at Alpha, which partly offset softer fee growth



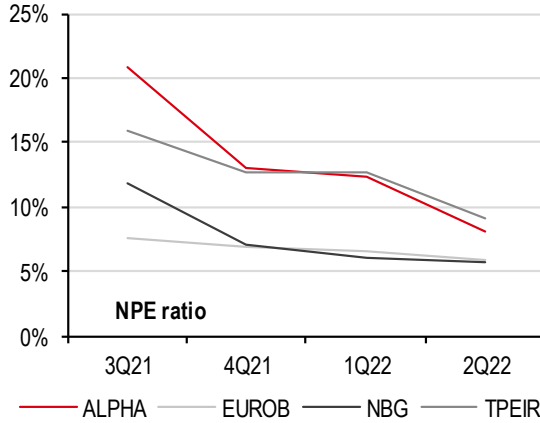
Source: Company data

Core PPI growth was robust at all banks, albeit a tad slower at Alpha



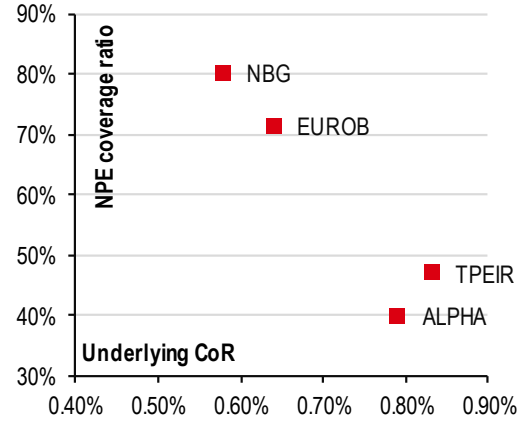
Source: Company data

NPE ratios continued to decrease; more so at Alpha and Piraeus from higher bases



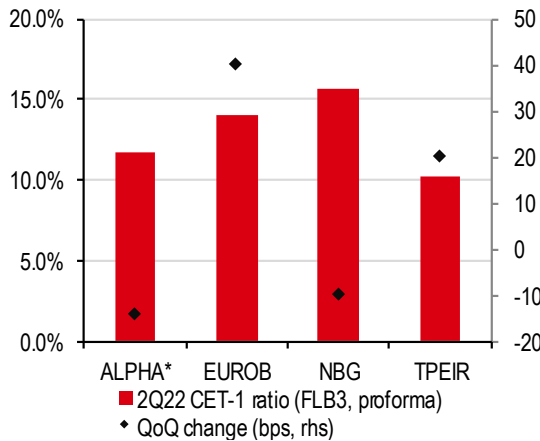
Source: Company data

Still, their CoR came in higher than those of NBG and Eurobank



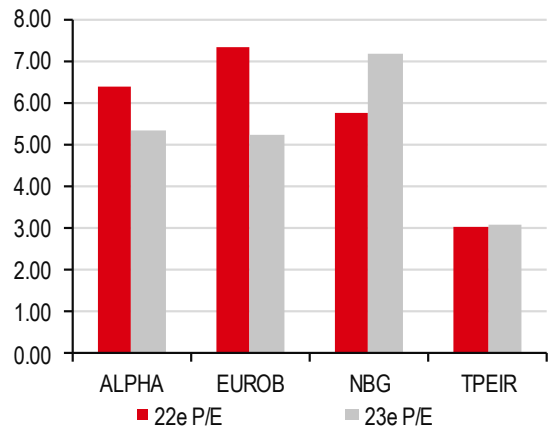
Source: Company data

CET-1 formation in Q2 was strongest at Eurobank on robust trading gains



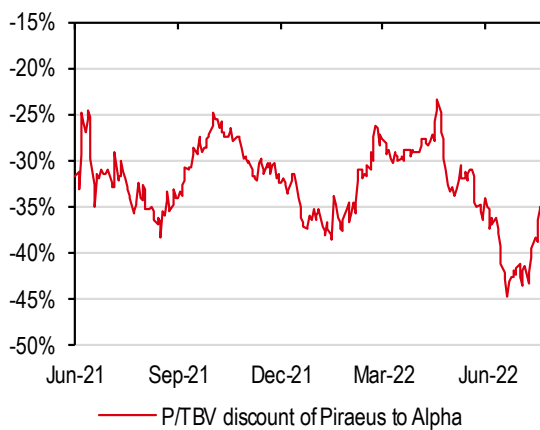
Source: Company data, HSBC estimates. * organic capital generation plus change in FVOCI and other capital elements for Alpha in Q2

On our revised numbers, Piraeus looks cheap on a P/E basis



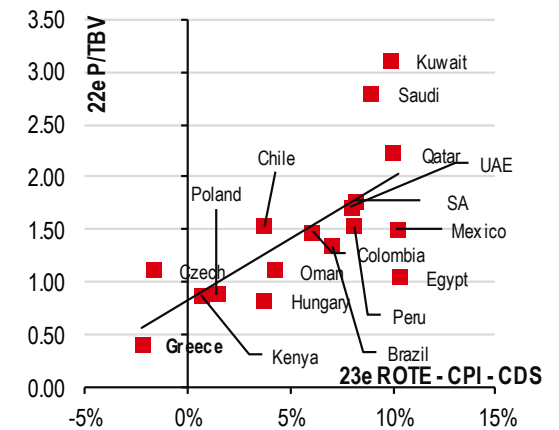
Source: Refinitiv DataStream, HSBC estimates

We see relative value in Piraeus over Alpha for better core PPI evolution at the former



Source: Refinitiv DataStream, HSBC estimates

Greek banks screen cheap in GEM context when adjusted for inflation and risks



Source: Refinitiv DataStream, HSBC estimates

Earnings and TP revisions

- ◆ We raise our earnings to reflect better-than-expected revenue trends in 2Q22; adjust TPs and reiterate Buy on all covered Greek banks
- ◆ Banks are trading at 22e 0.44x P/TBV and 23e 5.0x P/E, which do not reflect improving profitability trends
- ◆ Eurobank is our preferred pick for its superior profitability and strong balance sheet. We like Piraeus for its good operating trends and depressed valuation which offer good risk/reward

Recurring net income revisions for Greek banks

all EURm	New			Old			Revisions			BBG	HSBC vs
	22e	23e	24e	22e	23e	24e	22e	23e	24e	conse.	conse.
ACB	410	433	446	366	424	410	12%	2%	9%	432	0%
EFG	498	697	717	583	619	632	-15%	13%	13%	583	20%
NBG	541	435	476	445	418	457	22%	4%	4%	450	-3%
BOP	463	457	480	335	375	409	38%	22%	17%	373	23%
TOTAL	1,912	2,023	2,119	1,728	1,836	1,908	11%	10%	11%	1,839	10%

Source: HSBC estimates, Bloomberg

Alpha Bank (ALPHA GA), Buy, TP EUR1.45 (from EUR1.25): Alpha had the best expansion in performing exposures (PEs) among peers in 1H22. Its recurring opex remained flattish while peers felt inflationary pressures. These positives offset somewhat slower growth in fees and upwards repricing of securities vis-à-vis peers. Sequential growth in core PPI was strong at 8%, albeit a tad slower than peers. We raise our 2022/23/24e earnings forecasts for the bank by 12/2/9%. Higher earnings forecasts and rolling forward of our model to the next quarter lead to a 16% increase in our TP to EUR1.45. We reiterate our Buy rating; stock looks attractively valued at 22e 0.39x P/TBV for c.7% sustainable ROTE.

Eurobank (EUROB GA), Buy, TP EUR1.65 (from EUR1.45): Eurobank's core PPI grew c.11% QoQ, slightly better than its peers. Upwards repricing of the bank's securities book was eye-catching. Strong trading gains in the quarter lifted FLB3 CET-1 ratio by c.40bp, the biggest improvement among peers in Q2. We raise our 2023/24e earnings forecasts by 13/13%, while cutting our 2022e earnings 15% on higher tax expenses. Higher earnings forecasts and rolling forward of our model to next quarter lead to a 14% increase in our TP to EUR1.65. We reiterate our Buy rating; 22e 0.56x P/TBV looks low for c.10% sustainable ROTE and strong balance sheet.

NBG (ETE GA), Buy, TP EUR4.55 (from EUR4.15): Coming from a low base, NBG's fees grew faster than peers in 1H22. It continued to lead in terms of asset quality with the highest coverage ratio and lowest CoR in Q2. While profitability was robust, pro forma FLB3 CET-1 ratio came down due to one-off charges. We raise our 2022/23/24e earnings forecasts by 22/4/4%. Higher earnings and rolling forward our model to next quarter lead to a 10% increase in our TP

to EUR4.55. We reiterate our Buy rating. Our new TP implies attractive upside in nominal terms; however, on relative terms it looks slightly less attractive as it outperformed Piraeus, Alpha and Eurobank by 31%, 27% and 6% YTD.

Piraeus (TPIER GA), Buy EUR2.70 (from EUR1.95): Piraeus surprised us on fee income with a smaller-than-expected drop in card fees after the sale of its merchant business and stronger rental income. We have raised our fee income forecasts by 20% for the next three years. Together with other fine-tuning, our 2022/23/24e earnings forecasts go up 38/22/17%. These revisions put us 23% above BBG consensus for 2023e. We raise our TP 38% to EUR2.70 on higher revenue and better capital forecasts. We reiterate our Buy rating. Piraeus' 22e 0.25x P/TBV ignores the successful execution of its turnaround program hitherto. We think its 35% discount to Alpha looks too wide for comparable asset quality metrics and better core PPI margins at Piraeus.

Financials & valuation: Alpha Bank

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (EURm)				
Net interest income	1,376	1,233	1,368	1,378
Net fees/commissions	400	424	454	485
Trading profits	50	50	50	50
Other income	24	30	30	30
Total income	1,850	1,736	1,902	1,943
Operating expense	-1,008	-950	-948	-978
Bad debt charge	-232	-251	-326	-319
Other	-44	-53	-30	-30
HSBC PBT	566	483	598	616
Exceptionals	-3,528	5	-30	-30
PBT	-2,962	488	568	586
Taxation	56	-72	-165	-170
Minorities and others	0	0	0	0
Attributable profit	-2,906	415	403	416
HSBC attributable profit	622	410	433	446
Balance sheet summary (EURm)				
Ordinary equity	6,036	6,323	6,884	7,363
HSBC ordinary equity	6,036	6,323	6,884	7,363
Customer loans	36,860	39,470	41,289	43,240
Debt securities holdings	10,645	13,350	13,350	13,350
Customer deposits	46,970	50,028	53,347	56,863
Interest earning assets	62,076	65,988	67,937	66,356
Total assets	73,356	77,202	75,555	74,040
Capital (%)				
RWA (EURm)	35,300	34,529	34,168	34,248
Core tier 1	13.3	12.9	13.0	14.1
Total tier 1	13.2	12.7	12.9	14.0
Total capital	16.1	15.7	15.9	17.0

Ratio, growth & per share analysis

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Total income	-21.7	-6.1	9.5	2.2
Operating expense	-3.3	-5.7	-0.2	3.2
Pre-provision profit	-36.2	-6.6	21.3	1.2
EPS	-2901.8	-114.3	-2.9	3.2
HSBC EPS	4.4	-34.0	5.6	3.0
NAV (including goodwill)	-52.1	4.8	8.9	7.0
Ratios (%)				
Cost/income ratio	54.5	54.7	49.8	50.3
Bad debt charge	0.6	0.7	0.8	0.8
Customer loans/deposits	78.5	78.9	77.4	76.0
NPL/loan	13.0	8.1	7.6	7.4
NPL/RWA	14.4	9.6	9.5	9.7
Provision to risk assets/RWA	6.8	3.9	4.4	4.8
Net write-off/RWA	0.0	0.0	0.0	0.0
Coverage	47.0	40.8	46.3	49.4
ROE (including goodwill)	8.6	6.6	6.5	6.2
Per share data (EUR)				
EPS reported (diluted)	-1.24	0.18	0.17	0.18
HSBC EPS (diluted)	0.26	0.17	0.18	0.19
DPS	0.00	0.00	0.00	0.04
NAV	2.57	2.70	2.93	3.14
NAV (including goodwill)	2.57	2.70	2.93	3.14

Valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
PE*	3.71	5.61	5.32	5.16
Pre-provision multiple	2.74	2.93	2.42	2.39
P/NAV	0.38	0.36	0.33	0.31
Dividend yield (%)	0.00	0.00	0.00	3.87

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2021a	Governance Indicators	12/2021a
GHG emission intensity*	13.6	No. of board members	13
Energy intensity*	24.3	Average board tenure (years)	5.0
CO ₂ reduction policy	Yes	Female board members (%)	15.4
Social Indicators		Board members independence (%)	53.8
Employee costs as % of revenues	21.6		
Employee turnover (%)	5.4		
Diversity policy	Yes		

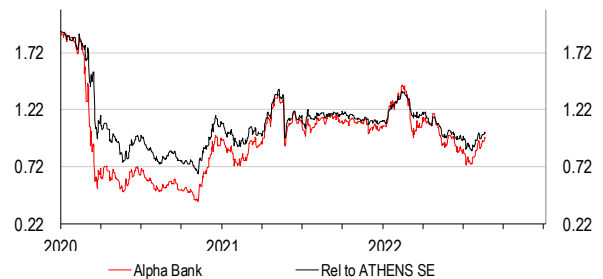
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (EUR)	0.98	Free float	89%
Target price (EUR)	1.45	Sector	Commercial Banks
RIC (Equity)	ACBr.AT	Country/Region	Greece
Bloomberg (Equity)	ALPHA GA	Analyst	Cihan Saraoglu, PhD
Market cap (USDm)	2,345	Contact	+90 212 376 46 20

Price relative



Source: HSBC

Note: Priced at close of 16 Aug 2022

Financials & valuation: Eurobank

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (EURm)				
Net interest income	1,321	1,462	1,568	1,608
Net fees/commissions	456	503	537	574
Trading profits	93	100	100	100
Other income	30	31	30	30
Total income	1,900	2,096	2,235	2,312
Operating expense	-870	-901	-929	-957
Bad debt charge	-413	-261	-274	-291
Other	-26	-45	-50	-55
HSBC PBT	591	889	982	1,009
Exceptionals	-108	789	0	0
PBT	483	1,678	982	1,009
Taxation	-156	-487	-285	-293
Minorities and others	1	0	0	0
Attributable profit	328	1,192	697	717
HSBC attributable profit	436	498	697	717
Balance sheet summary (EURm)				
Ordinary equity	5,539	6,731	7,189	7,765
HSBC ordinary equity	5,539	6,731	7,189	7,765
Customer loans	38,967	41,538	43,503	45,564
Debt securities holdings	11,435	12,500	12,500	12,500
Customer deposits	53,168	53,494	54,952	56,392
Interest earning assets	63,389	69,724	69,562	66,590
Total assets	77,852	80,773	77,839	75,005
Capital (%)				
RWA (EURm)	39,789	42,402	43,046	43,659
Core tier 1	13.7	14.8	14.8	15.6
Total tier 1	13.7	14.8	14.8	15.6
Total capital	16.0	17.0	17.0	17.7

Ratio, growth & per share analysis

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Total income	-6.0	10.3	6.6	3.5
Operating expense	0.1	3.6	3.1	3.0
Pre-provision profit	-10.7	16.0	9.3	3.8
EPS	-127.0	263.3	-41.5	2.8
HSBC EPS	14.0	14.3	40.1	2.8
NAV (including goodwill)	5.6	21.5	6.8	8.0
Ratios (%)				
Cost/income ratio	45.8	43.0	41.6	41.4
Bad debt charge	1.1	0.6	0.6	0.7
Customer loans/deposits	73.3	77.6	79.2	80.8
NPL/loan	6.8	5.4	5.0	4.9
NPL/RWA	7.0	5.6	5.3	5.3
Provision to risk assets/RWA	4.9	4.2	4.1	3.9
Net write-off/RWA	0.0	0.0	0.0	0.0
Coverage	69.2	76.4	77.0	74.7
ROE (including goodwill)	8.0	8.0	9.9	9.5
Per share data (EUR)				
EPS reported (diluted)	0.09	0.32	0.19	0.19
HSBC EPS (diluted)	0.12	0.13	0.19	0.19
DPS	0.00	0.00	0.06	0.04
NAV	1.49	1.81	1.94	2.09
NAV (including goodwill)	1.49	1.81	1.94	2.09

Valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
PE*	8.38	7.33	5.23	5.09
Pre-provision multiple	3.54	3.05	2.79	2.69
P/NAV	0.66	0.54	0.51	0.47
Dividend yield (%)	0.00	0.00	6.53	3.82

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2021a	Governance Indicators	12/2021a
GHG emission intensity*	7.6	No. of board members	13
Energy intensity*	20.1	Average board tenure (years)	4.2
CO ₂ reduction policy	Yes	Female board members (%)	30.8
Social Indicators		Board members independence (%)	38.5
Employee costs as % of revenues	22.8		
Employee turnover (%)	9.1		
Diversity policy	Yes		

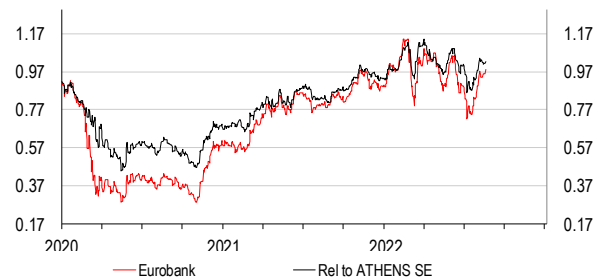
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (EUR)	0.98	Free float	68%
Target price (EUR)	1.65	Sector	Commercial Banks
RIC (Equity)	EURBr.AT	Country/Region	Greece
Bloomberg (Equity)	EUROB GA	Analyst	Cihan Saraoglu, PhD
Market cap (USDm)	3,715	Contact	+90 212 376 46 20

Price relative



Source: HSBC

Note: Priced at close of 16 Aug 2022

Financials & valuation: National Bank of Greece

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (EURm)				
Net interest income	1,212	1,247	1,278	1,349
Net fees/commissions	287	344	369	394
Trading profits	163	220	100	100
Other income	-59	-70	-70	-70
Total income	1,603	1,741	1,676	1,773
Operating expense	-784	-786	-803	-826
Bad debt charge	-265	-216	-212	-223
Other	-13	-60	-65	-70
HSBC PBT	541	679	597	654
Exceptionals	343	264	-47	-47
PBT	884	943	550	607
Taxation	-15	-136	-159	-176
Minorities and others	-2	-2	-2	-2
Attributable profit	867	805	388	429
HSBC attributable profit	524	541	435	476
Balance sheet summary (EURm)				
Ordinary equity	5,750	6,190	6,477	6,884
HSBC ordinary equity	5,750	6,190	6,477	6,884
Customer loans	30,439	31,750	33,359	35,022
Debt securities holdings	15,251	15,251	15,251	15,251
Customer deposits	53,493	51,928	52,557	53,118
Interest earning assets	65,045	68,954	66,478	62,620
Total assets	83,958	78,963	75,078	71,247
Capital (%)				
RWA (EURm)	34,700	35,189	35,724	36,248
Core tier 1	16.9	16.4	15.4	15.8
Total tier 1	16.9	16.4	15.4	15.8
Total capital	17.5	17.0	16.0	16.4

Ratio, growth & per share analysis

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Total income	16.2	8.6	-3.7	5.8
Operating expense	-5.4	0.3	2.1	3.0
Pre-provision profit	48.6	16.6	-8.5	8.4
EPS	2123.1	-7.1	-51.8	10.5
HSBC EPS	117.4	3.3	-19.6	9.4
DPS	-	-	-	-39.7
NAV (including goodwill)	13.7	7.7	4.6	6.3
Ratios (%)				
Cost/income ratio	48.9	45.1	47.9	46.6
Bad debt charge	0.9	0.7	0.7	0.7
Customer loans/deposits	56.9	61.1	63.5	65.9
NPL/loan	7.0	5.5	4.9	4.9
NPL/RWA	6.5	5.2	4.8	5.0
Provision to risk assets/RWA	5.0	5.0	5.0	5.5
Net write-off/RWA	0.0	0.0	0.0	0.0
Coverage	77.2	96.0	104.0	109.1
ROE (including goodwill)	9.7	9.0	6.8	7.1
Per share data (EUR)				
EPS reported (diluted)	0.95	0.88	0.42	0.47
HSBC EPS (diluted)	0.57	0.59	0.48	0.52
DPS	0.00	0.00	0.18	0.11
NAV	6.29	6.77	7.08	7.53
NAV (including goodwill)	6.29	6.77	7.08	7.53

Valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
PE*	5.93	5.75	7.15	6.53
Pre-provision multiple	3.80	3.26	3.56	3.28
P/NAV	0.54	0.50	0.48	0.45
Dividend yield (%)	0.00	0.00	5.18	3.12

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2020a	Governance Indicators	12/2021a
GHG emission intensity*	33.0	No. of board members	13
Energy intensity*	37.7	Average board tenure (years)	2.1
CO ₂ reduction policy	Yes	Female board members (%)	30.8
Social Indicators	12/2020a	Board members independence (%)	61.5
Employee costs as % of revenues	34.8		
Employee turnover (%)	7.4		
Diversity policy	Yes		

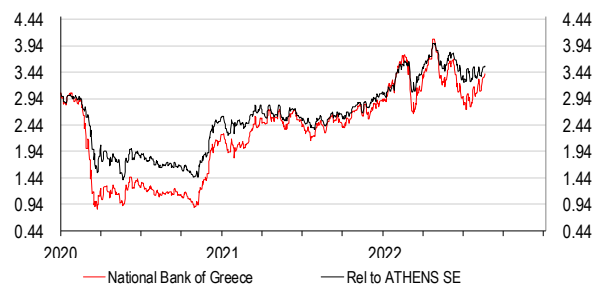
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (EUR)	3.40	Free float	60%
Target price (EUR)	4.55	Sector	Commercial Banks
RIC (Equity)	NBGr.AT	Country/Region	Greece
Bloomberg (Equity)	ETE GA	Analyst	Cihan Saraoglu, PhD
Market cap (USDm)	3,166	Contact	+90 212 376 46 20

Price relative



Source: HSBC

Note: Priced at close of 16 Aug 2022

Financials & valuation: Piraeus

Buy

Financial statements

Year to	12/2021a	12/2022e	12/2023e	12/2024e
P&L summary (EURm)				
Net interest income	1,410	1,216	1,236	1,227
Net fees/commissions	434	490	524	561
Trading profits	111	80	50	50
Other income	-5	35	35	35
Total income	1,951	1,821	1,846	1,873
Operating expense	-908	-829	-808	-792
Bad debt charge	-371	-347	-320	-333
Other	-13	-35	-35	-35
HSBC PBT	658	611	682	713
Exceptionals	-3,357	293	-80	-80
PBT	-2,698	904	602	633
Taxation	-316	-100	-177	-186
Minorities and others	-25	-48	-48	-48
Attributable profit	-3,014	809	430	453
HSBC attributable profit	317	463	457	480
Balance sheet summary (EURm)				
Ordinary equity	5,188	5,874	6,201	6,552
HSBC ordinary equity	5,188	5,874	6,201	6,552
Customer loans	36,521	36,978	38,131	40,151
Debt securities holdings	12,677	13,000	13,000	13,000
Customer deposits	55,442	56,377	56,022	59,541
Interest earning assets	62,656	67,969	66,236	62,088
Total assets	79,790	82,294	76,016	73,635
Capital (%)				
RWA (EURm)	31,357	30,637	30,326	30,421
Core tier 1	11.1	12.1	11.8	12.8
Total tier 1	13.3	14.1	13.8	14.8
Total capital	16.2	17.0	16.7	17.8

Ratio, growth & per share analysis

Year to	12/2021a	12/2022e	12/2023e	12/2024e
Y-on-y % change				
Total income	3.2	-6.6	1.3	1.5
Operating expense	-3.1	-8.7	-2.5	-2.0
Pre-provision profit	9.4	-4.8	4.6	4.2
EPS	562.3	-118.4	-46.8	5.4
HSBC EPS	142.2	0.5	-1.2	5.0
NAV (including goodwill)	-74.3	13.2	5.6	5.7
Ratios (%)				
Cost/income ratio	46.6	45.5	43.8	42.3
Bad debt charge	1.0	0.9	0.9	0.9
Customer loans/deposits	65.9	65.6	68.1	67.4
NPL/loan	12.7	8.0	5.2	5.2
NPL/RWA	15.6	10.1	6.8	7.2
Provision to risk assets/RWA	6.4	5.4	4.8	5.1
Net write-off/RWA	0.0	0.0	0.0	0.0
Coverage	41.0	53.1	70.3	71.2
ROE (including goodwill)	4.9	7.5	6.9	6.9
Per share data (EUR)				
EPS reported (diluted)	-3.51	0.65	0.34	0.36
HSBC EPS (diluted)	0.37	0.37	0.37	0.38
DPS	0.00	0.00	0.00	0.00
NAV	4.15	4.70	4.96	5.24
NAV (including goodwill)	4.15	4.70	4.96	5.24

Valuation data

Year to	12/2021a	12/2022e	12/2023e	12/2024e
PE*	3.06	3.05	3.08	2.94
Pre-provision multiple	0.93	1.42	1.36	1.30
P/NAV	0.27	0.24	0.23	0.22
Dividend yield (%)	0.00	0.00	0.00	0.00

* Based on HSBC EPS (diluted)

ESG metrics

Environmental Indicators	12/2020a	Governance Indicators	12/2021a
GHG emission intensity*	13.6	No. of board members	13
Energy intensity*	25.1	Average board tenure (years)	3.9
CO ₂ reduction policy	Yes	Female board members (%)	15.4
Social Indicators	12/2020a	Board members independence (%)	61.5
Employee costs as % of revenues	22.4		
Employee turnover (%)	n/a		
Diversity policy	Yes		

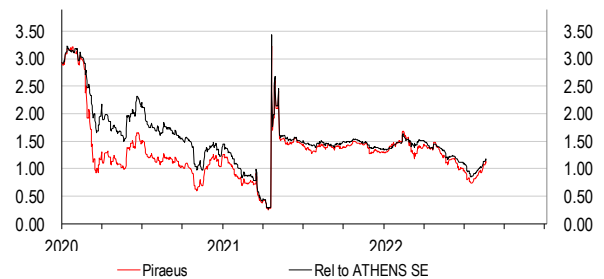
Source: Company data, HSBC

* GHG intensity and energy intensity are measured in kg and kWh respectively against revenue in USD '000s

Issuer information

Share price (EUR)	1.13	Free float	68%
Target price (EUR)	2.70	Sector	Commercial Banks
RIC (Equity)	BOPr.AT	Country/Region	Greece
Bloomberg (Equity)	TPEIR GA	Analyst	Cihan Saraoglu, PhD
Market cap (USDm)	1,435	Contact	+90 212 376 46 20

Price relative



Source: HSBC

Note: Priced at close of 16 Aug 2022

Valuation and risks

	Valuation	Risks
Alpha Bank ALPHA GR Buy	<p>Current price: EUR 0.98</p> <p>Target price: EUR 1.45</p> <p>Up/downside: 48%</p>	<p>Downside risks: (1) further increase in risk premium due to geopolitical events; (2) lower levels of economic activity negatively impacting fee margins; (3) delays on NPE de-risking; and (4) lower-than-expected improvement in loan production.</p>
Eurobank EUROB GA Buy	<p>Current price: EUR0.98</p> <p>Target price: EUR1.65</p> <p>Up/downside: 68%</p>	<p>Downside risks: (1) further increase in risk premium due to geopolitical events; (2) lower levels of economic activity negatively impacting fee margins; (3) institutional action on capital quality to address the large stock of DTCs; and (4) lower-than-expected levels of activity for international operations.</p>

	Valuation	Risks
<div style="background-color: #444; color: white; padding: 5px; margin-bottom: 5px;"> National Bank of Greece ETE GA </div> <div style="background-color: #eee; padding: 5px; margin-bottom: 5px;"> Buy </div>	<p>Current price: EUR3.40</p> <p>Target price: EUR4.55</p> <p>Up/downside: 34%</p> <p>We value Greek banks in three steps. First, we estimate the excess capital assuming a required CET1 ratio of 13% that is based on Greek banks' management commentary and SREP requirements. Then we adjust our tangible book value estimates for excess capital and value the remainder based on a warranted equity valuation (WEV) model and our net profit estimates. The fair value of the WEV is then added to the excess capital calculated and discounted back to today. To that, we add the net present value of any dividends within our forecast horizon to reach a fair value before any discount. To that, we then apply a discount for state ownership overhang based on a 0.15x multiplier. Our valuation models have an explicit forecast horizon of five years until 2026. Our COE assumption incorporates a risk-free rate of 2.0%, equity risk premium of 4.5%, beta of 2.0 and additional risk premium of 3% to account for Greece's high stock market volatility amidst recently emerged geopolitical risks. These imply a COE of 14.0% (unchanged) until the end of our valuation horizon. We increase our TP to EUR4.55 from EUR4.15 on higher earnings assumption and rolling forward our model to next quarter. Our revised TP implies 34% upside and we reiterate our Buy rating. We think NBG looks attractively valued at 2022e 0.50x P/B for its relatively stronger capital position leaving room for dividend payments, and its strong coverage ratios leaving room for upside surprises in earnings.</p>	<p>Downside risks: (1) further increase in risk premium due to geopolitical events; (2) a downturn in housing prices leading to lower recovery values for nonperforming mortgages; (3) a more aggressive divestment schedule by the HFSF creating a stock overhang; (4) lower economic activity negatively impacting loan growth; and (5) institutional action on capital quality to address the large stock of DTCs.</p>
<div style="background-color: #444; color: white; padding: 5px; margin-bottom: 5px;"> Piraeus TPEIR GA </div> <div style="background-color: #eee; padding: 5px; margin-bottom: 5px;"> Buy </div>	<p>Current price: EUR1.13</p> <p>Target price: EUR2.70</p> <p>Up/downside: 139%</p> <p>We value Greek banks in three steps. First, we estimate the excess capital assuming a required CET1 ratio of 13% that is based on Greek banks' management commentary and SREP requirements. Then we adjust our tangible book value estimates for excess capital and value the remainder based on a warranted equity valuation (WEV) model and our net profit estimates. The fair value of the WEV is then added to the excess capital calculated and discounted back to today. To that we add the net present value of any dividends within our forecast horizon to reach a fair value before any discount. To that we apply a discount for state ownership overhang based on a 0.15x multiplier. Our valuation models have an explicit forecast horizon of five years until 2026. Our COE assumption incorporates a risk-free rate of 2.0%, equity risk premium of 4.5%, beta of 2.0 and additional risk premium of 3% to account for Greece's high stock market volatility amidst recently emerged geopolitical risks. These imply a COE of 14.0% (unchanged) until the end of our valuation horizon. We increase our TP to EUR2.70 from EUR1.95 on higher earnings assumptions and rolling forward our model to the next quarter. Our revised TP implies 143% upside and we maintain our Buy rating. Among the bank's positives: 1) losses related to NPE clean-up plans have been realised; and 2) the bank's 10% CET-1 ratio doesn't point to a large dilution risk.</p>	<p>Downside risks: (1) further increase in risk premium due to geopolitical events; (2) any hiccups in NPE reduction plans; (3) larger-than-expected headwinds in corporate loan pricing; (4) decrease in access to ECB funding due to tighter collateral criteria; and (5) tapering of monetary stimulus post pandemic.</p>

Priced at 16 Aug 2022
 Source: HSBC estimates

Disclosure appendix

Analyst Certification

The following analyst(s), economist(s), or strategist(s) who is(are) primarily responsible for this report, including any analyst(s) whose name(s) appear(s) as author of an individual section or sections of the report and any analyst(s) named as the covering analyst(s) of a subsidiary company in a sum-of-the-parts valuation certifies(y) that the opinion(s) on the subject security(ies) or issuer(s), any views or forecasts expressed in the section(s) of which such individual(s) is(are) named as author(s), and any other views or forecasts expressed herein, including any views expressed on the back page of the research report, accurately reflect their personal view(s) and that no part of their compensation was, is or will be directly or indirectly related to the specific recommendation(s) or views contained in this research report: Cihan Saraoglu, PhD

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From 23rd March 2015 HSBC has assigned ratings on the following basis:

The target price is based on the analyst's assessment of the stock's actual current value, although we expect it to take six to 12 months for the market price to reflect this. When the target price is more than 20% above the current share price, the stock will be classified as a Buy; when it is between 5% and 20% above the current share price, the stock may be classified as a Buy or a Hold; when it is between 5% below and 5% above the current share price, the stock will be classified as a Hold; when it is between 5% and 20% below the current share price, the stock may be classified as a Hold or a Reduce; and when it is more than 20% below the current share price, the stock will be classified as a Reduce.

Our ratings are re-calibrated against these bands at the time of any 'material change' (initiation or resumption of coverage, change in target price or estimates).

Upside/Downside is the percentage difference between the target price and the share price.

Prior to this date, HSBC's rating structure was applied on the following basis:

For each stock we set a required rate of return calculated from the cost of equity for that stock's domestic or, as appropriate, regional market established by our strategy team. The target price for a stock represented the value the analyst expected the stock to reach over our performance horizon. The performance horizon was 12 months. For a stock to be classified as Overweight, the potential return, which equals the percentage difference between the current share price and the target price, including the forecast dividend yield when indicated, had to exceed the required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). For a stock to be classified as Underweight, the stock was expected to underperform its required return by at least 5 percentage points over the succeeding 12 months (or 10 percentage points for a stock classified as Volatile*). Stocks between these bands were classified as Neutral.

*A stock was classified as volatile if its historical volatility had exceeded 40%, if the stock had been listed for less than 12 months (unless it was in an industry or sector where volatility is low) or if the analyst expected significant volatility. However, stocks which we did not consider volatile may in fact also have behaved in such a way. Historical volatility was defined as the past month's average of the daily 365-day moving average volatilities. In order to avoid misleadingly frequent changes in rating, however, volatility had to move 2.5 percentage points past the 40% benchmark in either direction for a stock's status to change.

Rating distribution for long-term investment opportunities

As of 30 June 2022, the distribution of all independent ratings published by HSBC is as follows:

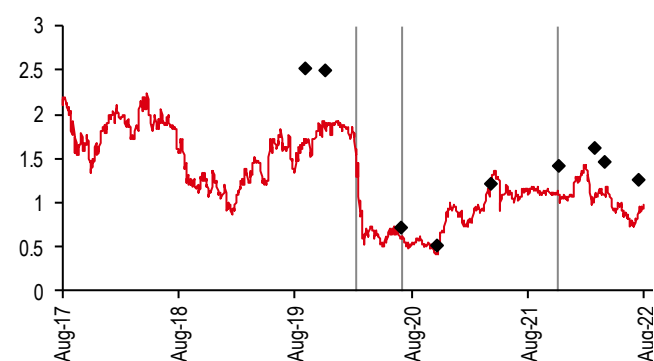
Buy	62%	(18% of these provided with Investment Banking Services in the past 12 months)
Hold	33%	(17% of these provided with Investment Banking Services in the past 12 months)
Sell	5%	(8% of these provided with Investment Banking Services in the past 12 months)

For the purposes of the distribution above the following mapping structure is used during the transition from the previous to current rating models: under our previous model, Overweight = Buy, Neutral = Hold and Underweight = Sell; under our current model Buy = Buy, Hold = Hold and Reduce = Sell. For rating definitions under both models, please see “Stock ratings and basis for financial analysis” above.

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Share price and rating changes for long-term investment opportunities

Alpha Bank (ACBr.AT) share price performance EUR Vs HSBC rating history



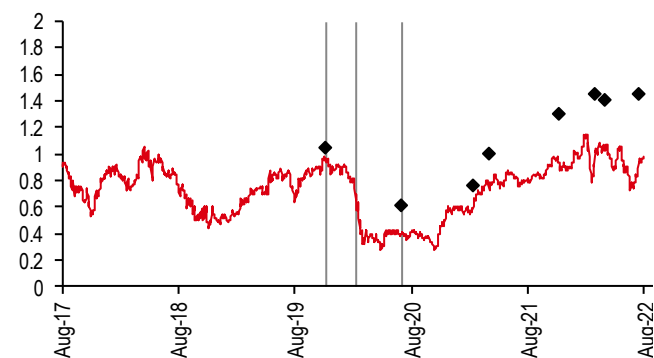
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Buy	N/A	21 Feb 2020	
N/A	Hold	15 Jul 2020	Cihan Saraoglu
Hold	Buy	19 Nov 2021	Cihan Saraoglu
Target price	Value	Date	Analyst
Price 1	2.50	16 Sep 2019	Jason Kepaptsoglou
Price 2	2.48	18 Nov 2019	Jason Kepaptsoglou
Price 3	N/A	21 Feb 2020	
Price 4	.70	15 Jul 2020	Cihan Saraoglu
Price 5	.50	05 Nov 2020	Cihan Saraoglu
Price 6	1.20	23 Apr 2021	Cihan Saraoglu
Price 7	1.40	19 Nov 2021	Cihan Saraoglu
Price 8	1.60	10 Mar 2022	Cihan Saraoglu
Price 9	1.45	11 Apr 2022	Cihan Saraoglu
Price 10	1.25	28 Jul 2022	Cihan Saraoglu

Source: HSBC

Eurobank (EURBr.AT) share price performance EUR Vs HSBC rating history



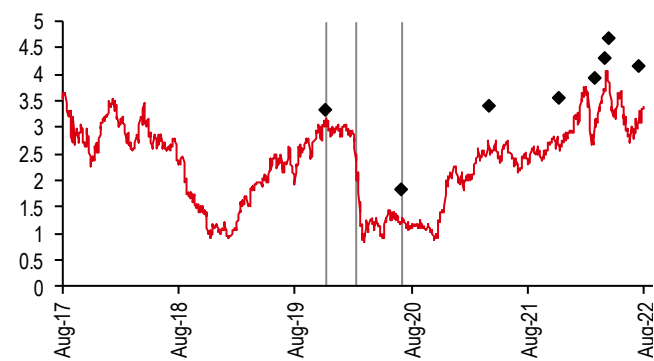
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Buy	18 Nov 2019	Jason Kepaptsoglou
Buy	N/A	21 Feb 2020	
N/A	Buy	15 Jul 2020	Cihan Saraoglu
Target price	Value	Date	Analyst
Price 1	1.04	18 Nov 2019	Jason Kepaptsoglou
Price 2	N/A	21 Feb 2020	
Price 3	.60	15 Jul 2020	Cihan Saraoglu
Price 4	.75	24 Feb 2021	Cihan Saraoglu
Price 5	1.00	14 Apr 2021	Cihan Saraoglu
Price 6	1.30	19 Nov 2021	Cihan Saraoglu
Price 7	1.45	10 Mar 2022	Cihan Saraoglu
Price 8	1.40	11 Apr 2022	Cihan Saraoglu
Price 9	1.45	28 Jul 2022	Cihan Saraoglu

Source: HSBC

National Bank of Greece (NBGr.AT) share price performance EUR Vs HSBC rating history



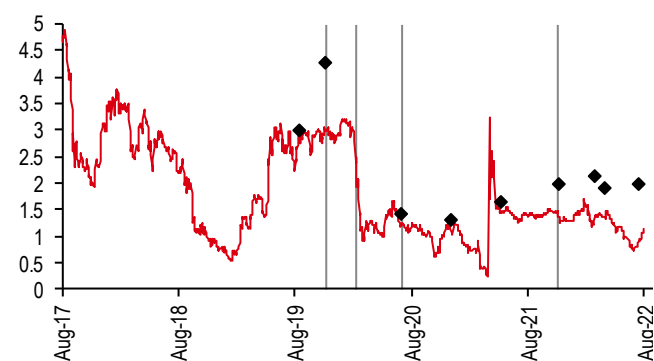
Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Buy	18 Nov 2019	Jason Kepaptsoglou
Buy	N/A	21 Feb 2020	
N/A	Buy	15 Jul 2020	Cihan Saraoglu
Target price	Value	Date	Analyst
Price 1	3.30	18 Nov 2019	Jason Kepaptsoglou
Price 2	N/A	21 Feb 2020	
Price 3	1.80	15 Jul 2020	Cihan Saraoglu
Price 4	3.40	14 Apr 2021	Cihan Saraoglu
Price 5	3.55	19 Nov 2021	Cihan Saraoglu
Price 6	3.90	10 Mar 2022	Cihan Saraoglu
Price 7	4.30	11 Apr 2022	Cihan Saraoglu
Price 8	4.65	27 Apr 2022	Cihan Saraoglu
Price 9	4.15	28 Jul 2022	Cihan Saraoglu

Source: HSBC

Piraeus (BOPr.AT) share price performance EUR Vs HSBC rating history



Source: HSBC

Rating & target price history

From	To	Date	Analyst
Hold	Buy	18 Nov 2019	Jason Kepaptsoglou
Buy	N/A	21 Feb 2020	
N/A	Hold	15 Jul 2020	Cihan Saraoglu
Hold	Buy	19 Nov 2021	Cihan Saraoglu
Target price	Value	Date	Analyst
Price 1	2.99	28 Aug 2019	Jason Kepaptsoglou
Price 2	4.25	18 Nov 2019	Jason Kepaptsoglou
Price 3	N/A	21 Feb 2020	
Price 4	1.40	15 Jul 2020	Cihan Saraoglu
Price 5	1.30	15 Dec 2020	Cihan Saraoglu
Price 6	1.64	20 May 2021	Cihan Saraoglu
Price 7	1.95	19 Nov 2021	Cihan Saraoglu
Price 8	2.10	10 Mar 2022	Cihan Saraoglu
Price 9	1.90	11 Apr 2022	Cihan Saraoglu
Price 10	1.95	28 Jul 2022	Cihan Saraoglu

Source: HSBC

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HSBC & Analyst disclosures

Disclosure checklist

Company	Ticker	Recent price	Price date	Disclosure
ALPHA BANK	ACBr.AT	.98	16 Aug 2022	6, 7
EUROBANK	EURBr.AT	.98	16 Aug 2022	6, 7
NATIONAL BANK OF GREECE	NBGr.AT	3.40	16 Aug 2022	6, 7
PIRAEUS	BOPr.AT	1.13	16 Aug 2022	6, 7

Source: HSBC

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- 3 At the time of publication of this report, HSBC Securities (USA) Inc. is a Market Maker in securities issued by this company.
- 4 As of 31 July 2022, HSBC beneficially owned 1% or more of a class of common equity securities of this company.

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- 6 As of 30 June 2022, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-investment banking securities-related services.
- 7 As of 30 June 2022, this company was a client of HSBC or had during the preceding 12 month period been a client of and/or paid compensation to HSBC in respect of non-securities services.
- 8 A covering analyst/s has received compensation from this company in the past 12 months.
- 9 A covering analyst/s or a member of his/her household has a financial interest in the securities of this company, as detailed below.
- 10 A covering analyst/s or a member of his/her household is an officer, director or supervisory board member of this company, as detailed below.
- 11 At the time of publication of this report, HSBC is a non-US Market Maker in securities issued by this company and/or in securities in respect of this company
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1. This report was produced and signed off by the author on 18 Aug 2022 05:23 GMT.
2. In order to see when this report was first disseminated please see the disclosure page available at <https://www.research.hsbc.com/R/34/cpZsvdR>

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HSBC Yatirim Menkul Degerler A.S.
Buyukdere Caddesi No: 122 / D Kat:9
Esentepe/Sisli 34394 Istanbul, Turkey
Telephone: +90 212 376 46 00
Fax: +90 212 376 49 13
www.research.hsbc.com
www.hsbcyatirim.com.tr

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