GREEK BANKS

Ready to turn the corner

Completion of clean-up visible – The end of banks' longstanding clean-up effort is now visible, as all banks have accelerated their initiatives and are now expected to complete their planned transactions by mid-2022. Progress on capital enhancing actions is also quite encouraging and much needed given the clean-up costs. On our estimates the NPE ratio (avg for the three banks under coverage) at YE 2021 will shape at 11.2% (from ca 40% a year ago), while their CET 1 ratio will stand at 14.2%, comfortably above regulatory requirements.

Focus to gradually shift to profitability prospects for 2022 and beyond – Nevertheless, we believe investors' focus should gradually shift to profitability prospects for 2022 and beyond. While F&C income trends appear promising, the key challenge will be on the NII generation, in our view, given the anticipated loss from NPE disposals, estimated at ca € 1bn at sector level. Hence, credit growth and interest rates evolution will become increasingly important in the coming quarters. While the backdrop is likely to become supportive, it remains to be seen whether it will be strong enough for banks to reach their revenue targets.

Limited changes to our estimates – Our new aggregate PPI estimates are revised down by 3% on average for the 2022-23 period, mainly reflecting weaker NII trends, overshadowing higher F&C projections. Our net income estimates are lifted by 2% on average given the lower CoR assumptions by 9%. On that basis, we now expect sector earnings to start recovering from 2022 onwards, albeit with different pace depending on the status of each bank.

Re-rating to continue in a more gradual manner – Greek banks trade at 0.4x P/TBV on 2022 estimates, remaining at ca 35% discount to EU periphery peers vs a much larger discount in the previous years. The completion of the balance sheet clean-up coupled with Greek banks' profitability prospects justify higher valuation multiples and a smaller discount to EU periphery peers, in our view. Nonetheless, the re-rating may take place at a more gradual manner, as the market may be looking to assess profitability prospects towards year-end and confirmation that Greek banks can deliver on their strategic targets.

NBG remains our top pick, upgrade Piraeus to 'Buy', downgrade Alpha to 'Hold' - We raise our recommendation for Piraeus Bank (PT €1.84) to 'Buy' from 'Hold' as we find its risk/return profile attractive at this stage, given that it is well on track to complete its clean-up plan. We downgrade Alpha Bank's (PT € 1.37) rating to 'Hold' from 'Buy' as, despite the progress made on the implementation of its strategic plan, it trades at a rather unattractive valuation vs peers, in our view. Finally, we reiterate a 'Buy' rating on National Bank (PT €3.48) as we believe it offers a very compelling combination of strong fundamentals and attractive valuation.

Target Prices & Recommendations

	MCAP (EURmn)	Price	New TP	Old TP	New Rating	Old Rating	Upside/ Downside
Alpha Bank	2,710	1.16	1.37	1.32	Hold	Buy	18.4%
National Bank	2,369	2.59	3.48	3.23	Buy	Buy	34.4%
Piraeus Bank	1,759	1.41	1.84	1.91	Buy	Hold	30.6%

Source: Companies, Eurobank Equities Research ** Closing prices as of Sep 16th*

FTSE/ATHEX BANKS Share Price

Index Data

Reuters RIC	.FTATBNK
Bloomberg Code	ASEDTR Index
Last Price	570.62
52 Week High (adj.)	639.42
52 Week Low (adj.)	221.87
Abs. Performance (1m)	3.4%
Abs. Performance (YTD)	+9.9%

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See Appendix for Analyst Certification and important disclosures. This is a condensed version of our published report available to subscribers to our research services.

Market performance, valuations and expectations

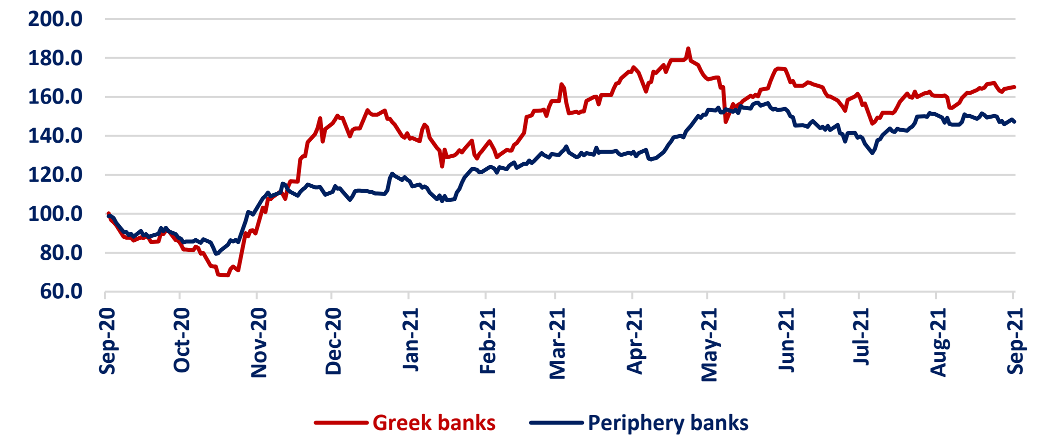
Greek banks' recovery strong ytd following last year's weak performance

Greek banks' market performance was strong during the first months of the year up until May, with a consolidation trend following thereafter. Improved visibility, as banks unveiled their new strategic plans, was the key factor underpinning their performance until May, while their subdued performance during the summer was mainly the result of concerns related to the Delta variant and limited liquidity following two equity raisings and other capital and liquidity instruments' issuance. On a relative basis, Greek banks remain outperformers vs EU periphery peers over the last 12 months, mainly on account of their strong outperformance in late 2020 (risk-on in the aftermath of the vaccine news).

End of clean-up visible now, focus to shift on profitability and revenue generation

We believe the macro and sector specific news flow remains supportive overall, while Q2 earnings were also positive in many aspects as we discuss later in this note. The end of banks' longstanding clean-up effort is now visible, as all banks are expected to complete their planned transactions by mid-2022, although to some extent priced-in by the market, in our view. That being said, we see some further upside as we move closer to normality, with investors' focus gradually shifting to profitability prospects for 2022 and beyond, particularly on the NII generation, in our view.

Greek banks vs EU periphery banks market performance (Rebased to 100)

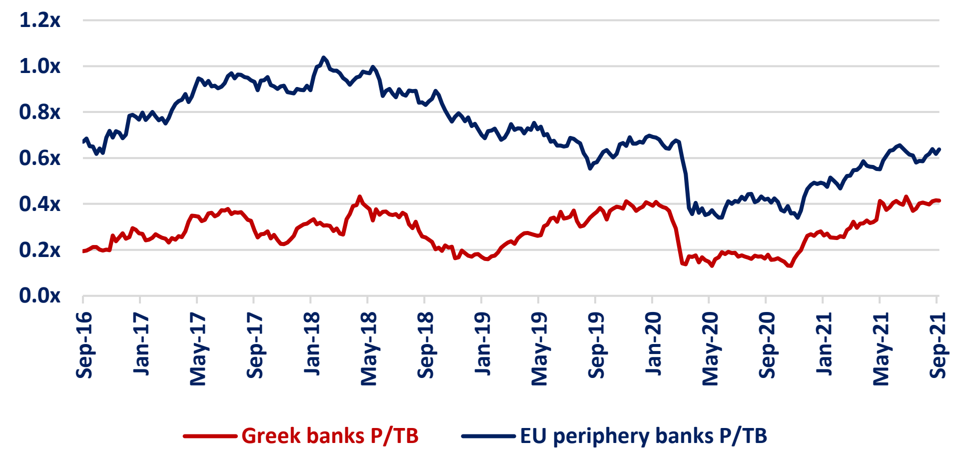


Source: Bloomberg, Eurobank Equities Research

Completion of clean-up and profitability prospects justify higher valuation multiples, we believe

On valuation, Greek banks trade at 0.4x P/TBV on 2022 estimates, remaining at ca35% discount to EU periphery peers vs a much larger discount in the previous years. We believe the acceleration of the clean-up process was the key factor underpinning the valuation convergence thus far. Looking ahead, the completion of the clean-up coupled with Greek banks' profitability prospects, as the operating backdrop becomes more supportive, justify higher valuation multiples and a smaller discount vs EU periphery peers, in our view. Nevertheless, we caveat that the next round of re-rating may take place at a more gradual manner, as the market may be looking to assess profitability prospects towards the year-end and confirmation that Greek banks can deliver on their strategic targets.

Greek banks valuation relative to EU periphery peers (P/TBV)

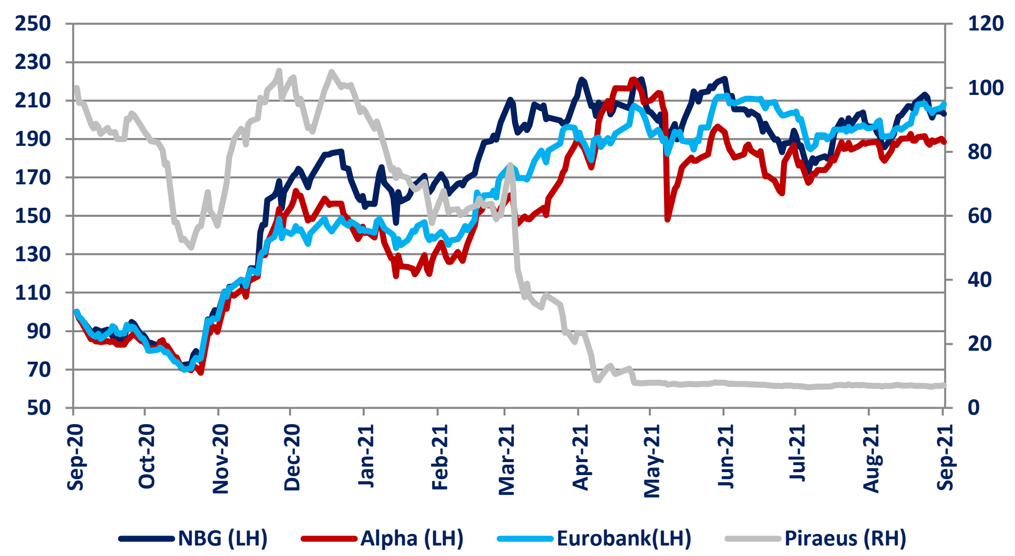


Source: Bloomberg, Eurobank Equities Research

National Bank remains an outperformer within our coverage

Greek banks moved largely in tandem with one another for the most part of 2020, as is usually the case when market moves become extreme. National Bank appears to be the outperformer for the most part of 2021 together with Eurobank. Alpha Bank's performance lags behind its two peers, especially after the capital increase that took place in June, while Piraeus Bank is the clear underperformer given the highly dilutive capital increase that took place in April.

Banks' individual performance y/y (Rebased to 100)



Source: Bloomberg, Eurobank Equities Research

Changes in estimates and TPs

Lower PPI estimates on weaker NII trends but higher net income on lower CoR

We revise our estimates taking into account the following trends/developments: i) faster than previously expected NPE reduction, with the majority of the transactions expected to be reflected in banks' financials during 2021, ii) lower NII due to the faster NPE reduction and slightly more cautious outlook on volumes and rates, iii) higher F&C income reflecting H1 2021 strong trends, which include some structural elements, in our view, iv) lower LLPs mainly reflecting better organic trends.

Our new aggregate PPI estimates are revised down by 3% on average for the 2022-23 period, mainly reflecting weaker NII trends, while our net income estimates are lifted by 2% on average given the lower CoR assumptions by 9%. On that basis, we now expect sector earnings to start recovering from 2022 onwards, albeit with different pace depending on the status of each bank.

Estimate Revisions	FY '21e			FY '22e			FY '23e		
	old	new	*chng (%)*	Old	new	*chng (%)*	old	new	*chng (%)*
Alpha Bank									
Total operating Income	1,973	1,981	0.4%	1,796	1,714	-4.6%	1,776	1,764	-0.7%
Pre-Provision Income	945	945	-0.1%	832	762	-8.4%	861	852	-1.0%
Provisions	604	543	-10.2%	477	396	-17.0%	333	290	-12.8%
Net profit	188	233	24.4%	218	227	3.8%	362	388	7.1%
National Bank									
Total operating income	1,661	1,903	14.6%	1,415	1,416	0.1%	1,459	1,477	1.2%
Pre-Provision Income	883	1,140	29.2%	659	671	1.8%	690	717	3.9%
Provisions	689	520	-24.5%	195	187	-3.9%	150	145	-3.8%
Net profit	175	543	>100%	419	436	4.2%	487	516	6.0%
Piraeus Bank									
Total operating income	1,755	2,236	27.4%	1,565	1,523	-2.7%	1,601	1,561	-2.5%
Pre-Provision Income	861	1,331	54.6%	721	678	-6.0%	773	740	-4.3%
Provisions	775	4,584	>100%	439	422	-4.0%	295	283	-4.1%
Net profit	83	-3,559	<-100%	246	224	-8.9%	413	395	-4.3%

Source: Eurobank Equities Research

Limited changes in target prices; changes in recommendation on valuations grounds

Our PTs are not materially different than previously given the modest changes in our 2022-23 estimates. Nevertheless we recalibrate our recommendations on valuation grounds. Specifically, we raise our recommendation for PB to 'Buy' from 'Hold' as we find its risk/return profile attractive at this stage, given that the group is well on track to complete its clean-up plan. We downgrade Alpha Bank's rating to 'Hold' from 'Buy' as, despite the progress made on the implementation of its strategic plan, it trades at a rather unattractive valuation compared to peers, in our view. Finally, we reiterate a 'Buy' rating on National Bank as we believe it offers a very compelling combination of strong fundamentals and attractive valuation.

Target Prices & Recommendations							
	MCAP	Price	New	Old	New	Old	Upside/
Alpha Bank	2,710	1.16	1.37	1.32	Hold	Buy	18.4%
National Bank	2,369	2.59	3.48	3.23	Buy	Buy	34.4%
Piraeus Bank	1,759	1.41	1.84	1.91	Buy	Hold	30.6%

Source: Companies, Eurobank Equities Research ** Closing prices as of Sep 16th*

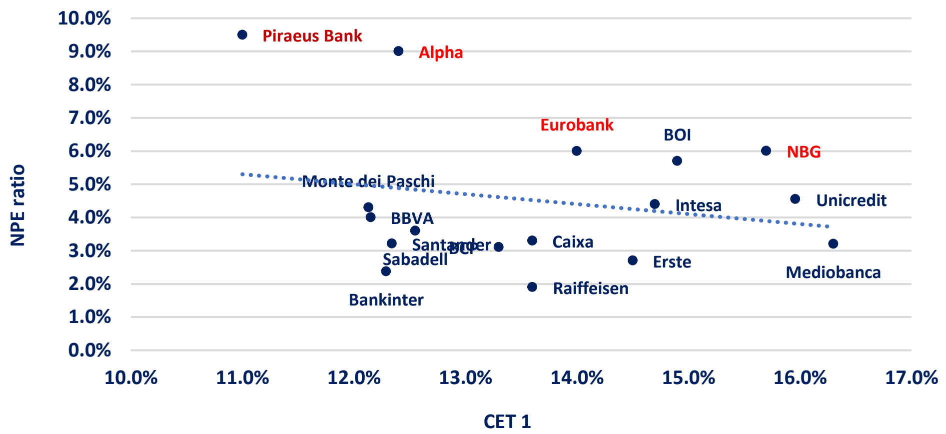
Greek Banks: Valuation			
	P/TBV 2020	P/TBV 2021	P/TBV 2022
Alpha Bank	0.35x	0.51x	0.49x
National Bank	0.50x	0.45x	0.41x
Piraeus Bank	0.37x	0.36x	0.34x

Source: Eurobank Equities Research

A look at consensus justifies our positioning on Greek banks, we believe

Trying to cross check our views with consensus estimates, we are taking a look at Greek banks' relative position from a risk and a valuation perspective compared to EU periphery peers. On the risk front, Greek banks remain on average more risky, taking into account the projected NPE ratios, which, even post clean-up, remain well above EU periphery peers levels, and the CET 1 ratio. Nonetheless, we stress the remarkable progress made compared to a few years ago when NPE ratios were close or above 50%. Looking at individual names, it is noteworthy that NBG and Eurobank are well placed, especially if one takes into account their high coverage ratio.

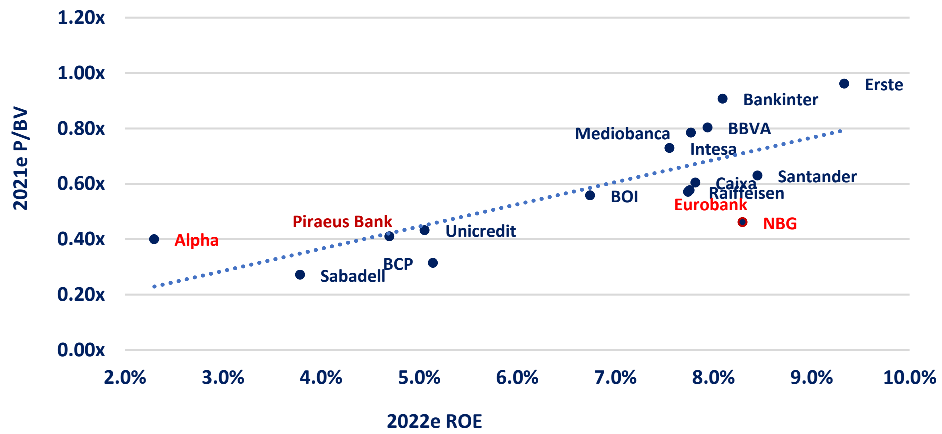
Banks still at the high end in terms of riskiness, but significantly better than a few years ago



Source: Bloomberg, Eurobank Equities Research

In terms of valuation, we believe National Bank stands out as an attractive case taking into account the projected RoE and its P/BV ratio, justifying our preference in the name. On the other hand, Alpha Bank appears relatively overvalued based on the projected RoE, also justifying our downgrade to Hold we believe. Finally, Piraeus Bank appears as fairly priced based on consensus data, albeit on our estimates it screens more attractively in P/BV terms.

National Bank stands out in terms of valuation attractiveness as opposed to Alpha Bank



Source: Bloomberg, Eurobank Equities Research

COMPANY SECTION

COMPANY UPDATE

ALPHA BANK

Accelerating clean-up

Q2 2021 earnings – AB reported a € 96mn net gain for Q2 2021, better than estimates on higher revenues. Core PPI came in at € 215mn, -4% q/q mainly due to a weaker NII. We believe AB posted a good set of results, with organic asset quality trends and F&C income evolution being among the key positives, while NII generation should be a point of concern. Importantly, the implementation of the strategic plan seems quite encouraging, especially on the clean-up front.

Management commentary - Management revised its YE 2021 target for NPE ratio to 13% from 18% previously on faster implementation of NPE transactions, project Sky (sale of Cypriot NPEs) in particular. They also reported good progress on the internal capital generation actions while reiterating the guidance for this year's operating trends, leaving a window for a positive surprise on provisions given the better than expected organic asset quality trends.

Asset quality metrics to improve substantially; profitability to recover later – AB's new strategic plan includes an acceleration of NPE reduction which should bring the NPE ratio to ca 7% by the end of next year, while the group is targeting a 10% RoTBV in 2024. The CET 1 ratio is expected to bottom out at ca 14% in 2022-23, remaining well above regulatory requirements. Liquidity remains comfortable as reflected in a L/D ratio of less than 90%.

Change in estimates – Key changes to our estimates include the accelaration of NPE reduction with negative impact on NII and positive on provisions and higher F&C income give the strong ytd trend. Our estimated revenues and PPI are now lower by 3% and 5% respectively on avg for 2022-23, although the biggest hit is on next year's numbers. Nevertheless our assumption for lower provisions by 15% over the same period lifts net income estimates by 5%.

'Hold' rating from Buy, PT at € 1.37 – Our new PT for AB stands at € 1.37 vs € 1.32 previously, as a result of our higher net income estimates, reflecting a 0.58x P/TBV on 2022 forecasts. We are of the view that the acceleration of the NPE clean-up makes sense while the progress vs the group's strategic plan appears encouraging overall. The group trades at 0.49 P/TBV on 2022 which we find unattractive vs the sector average, thus downgrading our recommendation to 'Hold' from 'Buy' previously.

Estimates					
EUR mn	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
Net Interest Income	1,547	1,542	1,374	1,192	1,214
Pre Provision Income	1,244	1,549	945	762	852
Net Income (adjusted)	97	104	233	227	388
EPS (adjusted)	0.07	0.08	0.13	0.12	0.18
DPS	0.00	0.00	0.00	0.00	0.00
TBV (per share)	3.38	3.28	2.28	2.37	2.53
Valuation & Key Metrics					
	2019a	**2020a**	**2021e**	**2022e**	**2023e**
P/E (adjusted)	15.8	13.9	9.1	10.0	6.5
P/TBV	0.34	0.35	0.51	0.49	0.46
Yield	0.0%	0.0%	0.0%	0.0%	0.0%
NIM (avg. Assets)	2.5%	2.3%	2.0%	1.7%	1.7%
ROE	2.1%	2.3%	4.2%	4.5%	6.6%
NPE ratio	44.8%	42.5%	13.3%	8.0%	6.0%
CET I	17.9%	17.3%	13.9%	13.8%	14.2%

Source: Companies, Eurobank Equities Research

Recommendation	**Hold**
Prior Recomendation	**Buy**
Target Price	**€ 1.37**
Prior Target Price	**€ 1.32**
Closing Price (16/09)	€1.16
Market Cap (mn)	€2,710
Expected Return	18.4%
Expected Dividend	0%
Expected Total Return	18.4%

Alpha Bank Share Price

Stock Data

Reuters RIC	ACBr.AT
Bloomberg Code	ALPHA GA
52 Week High (adj.)	€1.38
52 Week Low (adj.)	€0.40
Abs. performance (1m)	0.4%
Abs. performance (YTD)	21.0%
Number of shares (fully diluted)	2,436mn
Avg Trading Volume (qrt)	€12,333k
Est. 3yr EPS CAGR	29%
Free Float	86%

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See Appendix for Analyst Certification and important disclosures

Estimate Revisions

Higher earnings on higher F&C income and lower provisions

Key changes to our estimates include: i) faster NPE reduction as per management's updated guidance, ii) lower NII reflecting faster NPE reduction and slightly lower interest income growth, iii) higher F&C income given the strong trends ytd and the positive outlook, iv) lower provisions as a result of a faster clean-up and better than expected organic trends.

The aforementioned changes lead to lower than previously estimated revenues and PPI by 3% and 5% respectively on avg for 2022-23, although the biggest hit is on next year's numbers. Nevertheless our assumption for lower provisions by 15% over the same period drives net income estimates higher than previously by 5%.

Alpha Bank		FY '21e			FY '22e			FY '23e	
P&L (EURmn)	**Old**	**new**	**chng (%)**	**old**	**new**	**chng (%)**	**old**	**new**	**chng (%)**
Net Interest Income	1,384.3	1,373.7	*-0.8%*	1,292.5	1,192.2	*-7.8%*	1,246.6	1,213.7	*-2.6%*
Commission income	363.6	377.7	*3.9%*	396.8	410.0	*3.3%*	421.6	437.1	*3.7%*
Trading income	200.0	200.0	*0.0%*	80.0	80.0	*0.0%*	80.0	80.0	*0.0%*
Other income	25.6	30.0	*17.1%*	26.9	31.5	*17.1%*	28.2	33.1	*17.1%*
Total operating income	**1,973.5**	**1,981.4**	***0.4%***	**1,796.2**	**1,713.7**	***-4.6%***	**1,776.4**	**1,763.9**	***-0.7%***
Operating expenses	1,028.2	1,036.9	*0.8%*	964.2	951.9	*-1.3%*	915.9	911.9	*-0.4%*
Pre-Provision Income	**945.3**	**944.5**	***-0.1%***	**832.0**	**761.8**	***-8.4%***	**860.6**	**852.0**	***-1.0%***
Provisions*	604.3	542.6	*-10.2%*	476.9	395.8	*-17.0%*	333.2	290.4	*-12.8%*
Net profit adj	**187.6**	**233.3**	***24.4%***	**218.5**	**226.7**	***3.8%***	**362.0**	**387.7**	***7.1%***
NIM	2.00%	1.97%		1.87%	1.72%		1.77%	1.73%	
Assets	68,369	69,556		69,920	69,138		71,245	70,990	
Net Loans	37,053	36,500		38,145	37,742		39,878	39,516	
Deposits	44,347	45,488		45,255	46,419		46,182	47,370	
CET I (phased in)	13.6%	13.9%		13.6%	13.8%		14.0%	14.2%	
NPE%	18.3%	13.3%		7.9%	8.0%		5.8%	6.0%	
Coverage Ratio	43.9%	43.9%		51.1%	57.8%		73.0%	79.7%	

Source: Eurobank Equities Research / * excluding clean-up costs

Valuation

Hold Rating, 12m TP at € 1.37

Our standard valuation comprises two parts, the one derived from the valuation of the assumed capital required and the other from excess capital. We use the Gordon Growth Model to value the bank based on the return on what we deem as a required capital level (12% of RWAs), i.e. the level required to sustain the current balance sheet size plus a mild growth rate for the next years. We use our explicit forecasts to calculate the average 2022-2026 Return on Required Equity, which is what we deem as sustainable return levels.

Following the capital initiatives undertaken by management, the group's regulatory capital trajectory appears comfortable vs regulatory requirements even under our more conservative assumptions. We thus assign a 0.5x multiple to what we deem as excess capital, i.e. CET 1 above 12% based on the projected fully loaded ratio. Our CoE assumption stands at 13%.

Our new PT for AB stands at € 1.37 vs € 1.32 previously, as a result of our higher net income estimates, reflecting a 0.58x P/TBV on 2022 estimates. We are of the view that the acceleration of the NPE clean-up makes sense while the progress vs the group's strategic plan appears encouraging overall. The group trades at 0.49 P/TBV on 2022 which we find relatively unattractive vs the sector average, thus downgrading our recommendation to Hold from Buy previously.

Alpha Bank Valuation	
Recommendation	**HOLD**
Return on Required Equity	9.5%
Long Term Growth	0.0%
CoE	13.0%
Required TBV per share (12% of RWAs)	1.80
Fundamental 2022 P/TBV	0.73
Fundamental 2022 Valuation	**1.31**
Excess Equity per share (2022)	0.11
Valuation Multiple – P/B 0.5x	50%
Residual Excess Equity per Share	**0.05**
12-month Target Price	**1.37**

Source: Eurobank Equities Research

Q2 2021 in more detail

A profitable quarter (from continuing operations) on lower loan provisions

P&L trends

- NII at € 371mn, lower by 7% q/q mainly as a result of the inclusion of a TLTRO-related one-off revenue in Q1 as well as due to the NPE reduction; NIM at 2.1%, lower by ca 15bps q/q
- F&C income at € 105mn, higher by 25% q/q on the back of a € 10mn one-off revenue related to the agreement with Generali as well as higher revenues form cards & payments
- Non-core revenues at € 41mn vs € 72mn in Q1 2021 on lower trading gains
- Operating expenses at € 261mn, +3% y/y driven mainly by G&As which were up by 3% y/y, while staff costs were lower by 1% y/y

Asset quality

- Domestic NPE formation remained flat, similar to the previous quarters, as new inflows were offset by curings and repayments; NPE ratio at 26.1% lower by ca 17pps q/q and coverage at 54%, up by 5pps q/q both due to Galaxy securitization
- Loan loss provisions came in at €125 vs € 391mn in Q1 reflecting 130bps annualized CoR on net loans, out of which out of which 40bps related to transactions
- NPE inflows from moratoria at €0.4bn, shaping at 50% of management's expectations for total inflows

Funding and capital

- Eurosystem funding stable q/q at € 12.9bn at the end of Q1 2021 as the group seeks to maximize TLTRO-related benefits
- L/D ratio at 83% vs 90% at the end of Q1 2021 reflecting a 3% q/q increase on deposits and a 5% reduction on net loans; LCR ratio at 164% vs 143% in Mar 2021
- CET 1 at 14.8% lower by 120bps q/q mainly reflecting the negative impact from Galaxy (285bps) which was largely offset by the SCI (220bps); CAD 17.4%; FL CAD at 15.4%

Management comments and guidance

- Management revised its YE 2021 NPE ratio target to 13% from 18% as it decided to move faster with the NPE transactions. Specifically, an agreement for Sky project (€ 2.2bn NPE sale in Cyprus) is now expected by the end of this year which together with Cosmos (€3.5bn securitisation) and Orbit (€ 1.3bn sale), both to be completed this year, make up 85% of total planned transactions. Moreover management stated that the estimated cost for the remaining transactions stand at € 1.0bn out of which € 0.7bn will be recorded during this year (depending on the progress of the transactions).
- Management reported also good progress on the internal capital generating actions, namely: i) it has signed an MoU with Nexi for a strategic partnership with regards to its merchant acquiring business, ii) the sale of AB Albania and the synthetic securitization is at the binding offers phase, and iii) the attempt to form a JV for its RE assets has been launched. The aforementioned actions are expected to boost regulatory capital by ca 140bps thus offsetting the impact of the remaining transactions (ca 100bps).
-Guidance for 2021 reiterated (NII lower by a high single digit, F&C up by >10%, opex flattish at € 1.03, CoR at 120bps) aiming at a ca 5% RoE excluding clean-up costs, with management referring to a potential for a positive surprise on provisions, given the better than expected trends on organic asset quality.
- Regarding loan disbursements management stated that there is a pipeline of corporate projects which could bring the YE net loan figure at a higher than targeted level. The positive impact from the RRF is expected to be more meaningful starting from 2022.

Alpha Bank Quarterly Performance							
in EURmn	**2Q20**	**3Q20**	**4Q20**	**1Q21**	**2Q21**	*yoy%*	*qoq%*
Balance Sheet Items							
Net Loans	39,428	39,817	39,382	39,376	37,543	*-5%*	*-5%*
Deposits	40,868	41,657	43,831	43,612	45,032	*10%*	*3%*
Tangible common equity	7,836	7,834	7,687	7,394	5,516	*-30%*	*-25%*
Assets	68,622	68,565	70,057	71,168	70,468	*3%*	*-1%*
Funding, Asset quality and regulatory capital							
L/D Ratio	96%	96%	90%	90%	83%	*-14%*	*-8%*
Eurosystem funding (% of assets)	17%	17%	17%	18%	18%		
NPE Ratio	43.5%	42.8%	42.9%	42.8%	26.1%	*-40%*	*-39%*
NPE Coverage	44.0%	44.9%	46.0%	49.3%	54.0%	*23%*	*10%*
CET 1 (phased in)	17.2%	17.2%	17.3%	16.0%	14.8%		
Income Statement							
Net Interest Income	390.7	381.8	388.0	399.6	371.0	*-5%*	*-7%*
Net commission income	77.5	84.8	83.8	84.3	105.4	*36%*	*25%*
Trading	128.6	41.9	429.7	60.9	30.4	*-76%*	*-50%*
Other operating income	2.6	7.0	5.0	11.1	10.4	*>100%*	*-6%*
Total revenues	**599.3**	**515.5**	**906.5**	**555.9**	**517.2**	*-14%*	*-7%*
Staff Costs	106.7	108.0	113.7	106.3	105.6	*-1%*	*-1%*
G&A	108.4	116.4	120.5	109.0	117.9	*9%*	*8%*
Depreciation	38.4	39.2	39.4	43.1	37.4	*-2%*	*-13%*
Operating Expenses	**253.5**	**263.6**	**273.6**	**258.4**	**260.9**	*3%*	*1%*
Core Pre Provision Profits	**214.7**	**203.0**	**198.2**	**225.5**	**215.5**	*0%*	*-4%*
Pre Provision Profits	**345.8**	**251.9**	**633.0**	**297.5**	**256.3**	*-26%*	*-14%*
Impairment losses on loans	260.6	168.6	569.5	390.6	124.6	*-52%*	*-68%*
One-off items	-11.1	-6.9	-94.6	-165.7	-22.6		
Pre-tax profit	74.1	76.4	-31.1	-258.7	109.0		
Tax & Minorities	-23.4	32.5	-1.5	23.4	13.4		
Net Profit	**97.5**	**43.9**	**-29.6**	**-282.1**	**95.6**	*-2%*	*134%*

Source: Company, Eurobank Equities Research

Alpha Bank Financials					
Group P&L (EURmn)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Core Income	1,887.4	1,876.9	1,751.4	1,602.2	1,650.9
Total Income	2,310.2	2,591.3	1,981.4	1,713.7	1,763.9
Operating Expenses	1,066.0	1,041.9	1,036.9	951.9	911.9
Pre-Provision Income	**1,244.2**	**1,549.4**	**944.5**	**761.8**	**852.0**
change %	*-17.4%*	*24.5%*	*-39.0%*	*-19.3%*	*11.8%*
Loan Impairments	994.8	1,306.1	542.6	395.8	290.4
Cost of Credit Risk	*2.1%*	*1.7%*	*1.4%*	*1.0%*	*0.7%*
Exceptionals/other income	-104.3	-129.2	-90.4	-63.3	-44.3
PBT - reported	145.1	114.1	311.5	302.7	517.3
Income tax	48.0	10.1	77.9	75.7	129.3
Non-controlling interest	0.1	0.3	0.3	0.3	0.3
Net profit - reported	**97.0**	**103.7**	**233.3**	**226.7**	**387.7**
EPS - adjusted (EUR)	**0.07**	**0.08**	**0.13**	**0.12**	**0.18**
DPS (EUR)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Liquidity, Asset Quality & Capital	**2019**	**2020**	**2021e**	**2022e**	**2023e**
L/D Ratio	97%	90%	80%	81%	83%
Eurosystem Funding/Assets	5.0%	17.0%	18.5%	11.4%	8.3%
Provisions/Gross loans	19.6%	20.0%	5.8%	4.6%	4.8%
NPE Ratio	44.8%	42.5%	13.3%	8.0%	6.0%
Coverage Ratio	43.8%	47.1%	43.9%	57.8%	79.7%
CET 1 Ratio	17.9%	17.3%	13.9%	13.8%	14.2%
CET 1 Capital	8,495	7,827	5,007	4,840	5,147
RWAs	47,494	45,369	36,067	35,156	36,287
Group Balance Sheet (EURmn)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Cash & Balances with Central Banks	2,028	7,467	9,473	7,733	7,497
Interbank lending	3,333	2,742	3,153	3,310	3,641
Investment Portfolio	9,712	11,348	11,483	11,479	11,577
Gross Loans	48,731	49,130	38,756	39,582	41,487
Net Loans	39,266	39,380	36,500	37,742	39,516
Fixed Assets	1,338	1,366	1,380	1,393	1,407
Goodwill & Intangibles	492	602	620	639	645
Deferred Tax Assets	5,174	5,293	5,215	5,139	5,010
Other Assets	2,115	1,859	1,732	1,702	1,696
Total Assets	**63,458**	**70,057**	**69,556**	**69,138**	**70,990**
Interbank & Central Banks	10,261	13,107	14,107	12,107	11,607
Deposits	40,364	43,831	45,488	46,419	47,370
Wholesale funding	1,089	1,223	2,223	2,723	3,223
Other Liabilities	3,268	3,563	1,715	1,639	2,151
Total liabilities	**54,982**	**61,724**	**63,533**	**62,888**	**64,350**
Share Capital & Share Premium	11,264	11,264	11,264	11,264	11,264
Reserves	-2,832	-2,975	-5,287	-5,060	-4,672
Total Equity	**8,432**	**8,289**	**5,977**	**6,204**	**6,592**
Minorities	29	29	30	31	32
Other capital instruments	15	15	15	15	15
Total Equity and Liabilities	**63,458**	**70,057**	**69,556**	**69,138**	**70,990**
Key Financial Ratios	**2019**	**2020**	**2021e**	**2022e**	**2023e**
P/E	15.8x	13.9x	9.1x	10.0x	6.5x
P/TBV	0.34x	0.35x	0.51x	0.49x	0.46x
ROE	2.1%	2.3%	4.2%	4.5%	6.6%
ROA	0.2%	0.2%	0.3%	0.3%	0.6%
NIM (on total assets)	2.5%	2.3%	2.0%	1.7%	1.7%
F&C/Assets	0.55%	0.50%	0.54%	0.59%	0.62%
Cost /Income	46.1%	40.2%	52.3%	55.5%	51.7%
Cost / Assets	1.7%	1.5%	1.5%	1.4%	1.3%

Source: Company, Eurobank Equities Research

Company description

Alpha Bank Group is one of the leading Groups of the financial sector in Greece. The Group offers a wide range of high-quality financial products and services, including retail banking, SMEs and corporate banking, asset management and private banking, the distribution of insurance products, investment banking, brokerage and real estate management.

Risks and sensitivities

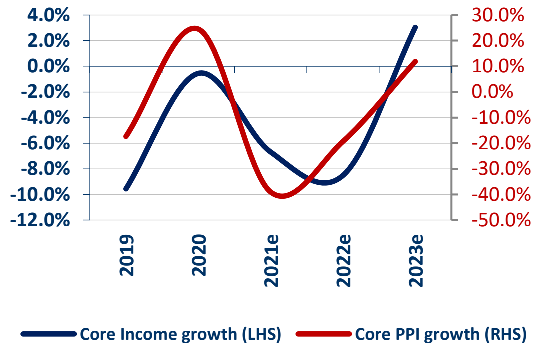
Macroeconomic environment: better or worse than anticipated macroeconomic trends may have a significant impact on banks fundamentals

Regulatory environment: banks are subject to heavy regulation and thus very sensitive to any regulatory amendments.

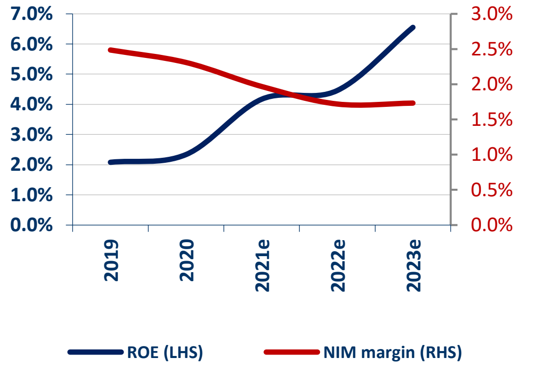
Industry attributes: Banks have a significant amount of non–performing assets which makes them subject to substantial credit risk while their funding position, although much more balanced compared to the past, lacks diversity as banks are in the first steps to restore access to market funding

Sensitivity analysis: For every 5bps change in cost of risk there is a 5% change on target price and 1% change on regulatory capital

Income and PPI growth



Profitability and returns



COMPANY UPDATE

NATIONAL BANK

Solid investment case

Q2 2021 earnings – National Bank reported a €45mn quarterly net gain from continuing operations, broadly in line with estimates. Core PPI came in at € 182mn, +6% q/q on the back of stronger core revenues by 2% and lower operating expenses by 2%, while core operating profit shaped at € 112mn (+58% y/y, +18% q/q). Overall, this was a good set of results, in our view, given the stronger core revenues, lower opex, and stable organic trends in asset quality. Importantly, the group appears able to complete the clean-up without any significant negative impact on capital (which should remain strong and above sector avg post clean-up) and to deliver on the profitability guidance for next year.

Management commentary - Management highlighted the H1 core operating profit trends (cRoE at 7%) suggesting that the group should be able to deliver on or above the guidance given for 2022. In addition, they stated that the group's strong capital position (pf CET 1 at ca 18%) allows maximum flexibility regarding future growth opportunities and potential for dividend distribution, while reiterating their focus on the domestic credit opportunities to deploy their capital and liquidity, but did not rule out acquisitions abroad. Finally, Covid-related NPEs may shape much lower than previous estimates (€0.6bn), as management suggested.

More defensive balance sheet – NBG maintains a superior funding position vs peers with a L/D ratio at 59% vs 75% avg for the sector. In addition, it has the lowest NPE ratio (12.7%) among banks in our coverage and the highest cash and total coverage ratios at 67% and >120% respectively. NBG's 16.0% CET I (FL 13.8%), which stands to benefit by additional 170bps upon completion of Frontier and National Insurance transactions, is also stands out. HFSF's participation stands at 40%, the largest among domestic peers.

Change in estimates – Our PPI estimates for 2022-2023 are higher by 3% on average vs our previous estimates, reflecting higher F&C income projections and slightly lower OpEx. Our net income estimates are higher by 5% on average for the same period on the back of lower loan loss provisions, reflecting better organic trends.

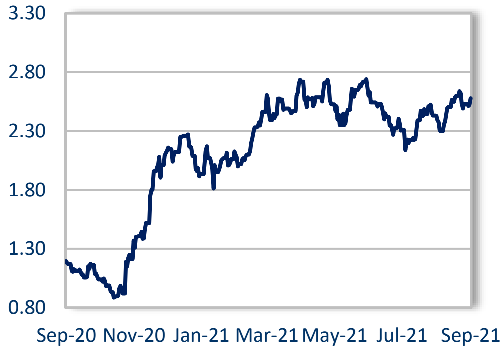
'Buy' rating – TP at €3.48 – Our new 12m TP stands at € 3.48 vs € 3.23 previously, reflecting a 0.56x P/TBV on 2022 estimates, as a result of higher earnings estimates due to higher F&C and lower provisions. We reiterate our 'Buy' rating, as we believe NBG offers a strong set of fundamentals (lower NPEs, higher coverage, high capital buffers), a clear path to earnings recovery, while trading at an attractive valuation multiple (0.4x P/TBV) vs peers. NBG is our preferred Greek bank and remains in our top picks list.

Estimates					
EUR mn	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
Net Interest Income	1,190	1,169	1,141	1,064	1,055
Pre Provision Income	840	1,708	1,140	671	717
Net Income	-254	38	543	436	516
EPS (adjusted)	0.42	0.22	0.64	0.48	0.56
DPS	0.00	0.00	0.00	0.00	0.00
TBV (per share)	5.53	5.22	5.79	6.26	6.81
Valuation & Key Metrics					
	2019a	**2020a**	**2021e**	**2022e**	**2023e**
P/E (adjusted)	6.2	12.0	4.0	5.4	4.6
P/TBV	0.47	0.50	0.45	0.41	0.38
Yield	0.0%	0.0%	0.0%	0.0%	0.0%
NIM (avg. Assets)	1.8%	1.6%	1.5%	1.4%	1.4%
ROE	7.5%	3.8%	11.0%	7.5%	8.2%
NPE ratio	31.3%	13.6%	9.7%	6.6%	4.0%
CET I	16.0%	15.7%	17.4%	17.3%	17.4%

Source: Companies, Eurobank Equities Research

Recommendation	**BUY**
Target Price	**€3.48**
Prior Target Price	**€3.23**
Closing Price (16/09)	€2.59
Market Cap (mn)	€2,369
Expected Return	34.4%
Expected Dividend	0%
Expected Total Return	34.4%

National Bank Share Price



Stock Data

Reuters RIC	NBGr.AT
Bloomberg Code	ETE GA
52 Week High (adj.)	€2.77
52 Week Low (adj.)	€0.85
Abs. performance (1m)	6.6%
Abs. performance (YTD)	14.6%
Number of shares (fully diluted)	€915k
Avg Trading Volume (qrt)	3,528k
Est. 3yr EPS CAGR	38%
Free Float	60%

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See Appendix for Analyst Certification and important disclosures

Estimate Revisions and Outlook

Higher estimates on the back of higher F&Cs and lower provisions

Our new estimates for NBG include the following changes: i) marginally higher core revenues given the positive trends in both NII and F&C income, ii) lower operating expenses as cost cutting remains on top of management's agenda with evident results, iii) lower provisions in 2021 given the potential for provisions write back on Frontier project and slightly lower in the years to come, reflecting better than expected organic trends in asset quality, iv) higher trading gains for 2021 given the reported figures thus far in the year.

As a result of the above, our PPI estimate for 2022-2023 is higher by 3% on average vs our previous estimates, while our net income estimates are lifted by 5% on average for the same period.

National Bank		FY '21e			FY '22e			FY '23e	
P&L (EURmn)	Old	new	chng (%)	old	New	chng (%)	old	New	chng (%)
Net Interest Income	**1,092.3**	**1,140.9**	**4.5%**	**1,064.2**	**1,064.1**	**0.0%**	**1,040.6**	**1,055.4**	**1.4%**
Commission income	268.4	276.9	3.2%	300.8	302.1	0.5%	338.6	341.2	0.8%
Trading income	300.0	550.0	83.3%	50.0	50.0	0.0%	50.0	50.0	0.0%
Other income	0.0	-65.0		0.0	0.0		0.0	0.0	
Total operating income	**1,660.6**	**1,902.9**	**14.6%**	**1,414.9**	**1,416.2**	**0.1%**	**1,459.2**	**1,476.5**	**1.2%**
Operating expenses	778.1	762.5	-2.0%	755.7	745.2	-1.4%	769.2	759.6	-1.2%
Pre-Provision Income	**882.5**	**1,140.4**	**29.2%**	**659.2**	**671.0**	**1.8%**	**690.0**	**716.9**	**3.9%**
Provisions	**688.9**	**520.2**	**-24.5%**	**195.0**	**187.4**	**-3.9%**	**150.4**	**144.7**	**-3.8%**
Net profit	**175.3**	**542.7**	***>100%***	**418.8**	**436.2**	***4.2%***	**486.5**	**515.9**	***6.0%***
NIM	1.43%	1.48%		1.40%	1.39%		1.33%	1.36%	
Assets	74,938	76,778		77,608	76,342		79,457	78,386	
Net Loans	29,997	28,888		31,898	30,730		34,014	32,760	
Deposits	49,989	51,399		51,521	52,973		53,100	54,596	
CET I	15.6%	17.4%		15.7%	17.3%		15.5%	17.4%	
NPE%	9.4%	9.7%		6.3%	6.6%		3.7%	4.0%	
Coverage Ratio	52.5%	53.6%		75.0%	75.2%		103.4%	100.5%	

Source: Eurobank Equities Research

Estimate Revisions and Outlook

Buy Rating, 12m TP at € 3.48

Our standard valuation comprises two parts, the one derived from the valuation of the assumed capital required and the other from excess capital. We use the Gordon Growth Model to value the bank based on the return on what we deem as a required capital level (12% of RWAs), i.e. the level required to sustain the current balance sheet size plus a mild growth rate for the next years. We use our explicit forecasts to calculate the average 2022-2026 Return on Required Equity, which is what we deem as sustainable return levels.

We prefer to remain conservative, assigning a zero P/B multiple to excess capital, which we estimate based on the projected FL CET 1 ratio. We stress though that given the projected comfortable capital ratios, this represents an upside risk to our estimated fair value. Our CoE assumption stands at 13%.

Our new 12m TP stands at € 3.48 vs € 3.23 previously, reflecting a 0.56x P/TBV on 2022 estimates, as a result of higher earnings estimates due to higher F&C and lower provisions. We reiterate our 'Buy' rating, as we believe NBG offers a strong set of fundamentals (lower NPEs, higher coverage, high capital buffers), a clear path to earnings recovery, while trading at an attractive valuation multiple vs peers. NBG is our preferred Greek bank and remains in our top picks list.

National Bank Valuation	
Recommendation	**BUY**
Return on Required Equity	10.2%
Long Term Growth	0.0%
CoE	13.0%
Required TBV per share (12% of RWAs)	4.46
Fundamental 2022 P/TBV	0.78
Fundamental 2022 Valuation	**3.48**
Excess Equity per share (2022)	**1.23**
Valuation Multiple – P/B 0.0x	0%
Residual Excess Equity per Share	0.00
12-month Target Price	**3.48**
Source: Eurobank Equities Research	

Q2 2021 in more detail

Sizable profitability on the back of significant one-off revenues

P&L trends

- NII at € 297mn, +1% q/q mainly on the back of lower funding costs (lower deposit rates and TLTRO) and resilient loan income; NIM at 212bps flat q/q
- F&C income at € 69mn, +4% q/q on progress across all lines but mainly AM, brokerage & other
- Non-core revenues negative at € 27mn vs €491mn gains related to GGBs in Q1
- Operating expenses at € 184.5mn, lower by 7% y/y driven by a 13% reduction in staff costs

Asset quality

- Domestic NPE formation negative by € 0.1bn similar to the previous quarter driven mainly by mortgages; group NPE ratio at 12.7%, 40bps lower q/q and coverage at 66.8%, higher by 160bps
- Loan loss provisions came in at € 70mn corresponding to 109bps over net loans
- Only 3% of the €3bn expired moratoria are now in default raising optimism for a much lower figure that previously estimated (20%)

Funding and capital

- Eurosystem funding at €11.6bn at the end of Q2 2021, stable q/q, corresponding to 14% of assets as the group seeks to benefit from the ECB's supportive policies
- L/D ratio at 59%, 3pp higher q/q as a result of a 12% increase in net loans which overshadowed the increase in deposits (6%); LCR at 259% vs 250% at the end of Q1
- CET 1 at 16.0%, 10bps lower q/q mainly due to RWA expansion, total capital ratio at 17.0%; FL CET at 13.8% – 2021 SREP: CET 1 6.2%, OCR 11.0%

Management guidance and comments

-Management highlighted the core operating profit trends (€ 112mn in Q2, € 208mn in H1) corresponding to an annualized 7% core RoE, thus raising optimism about the group's ability to deliver on or above the guidance given for 2022 (core RoE of 9%). This the result of a significant cost cutting effort (-8% y/y in H1 2021) as well as core revenues improvement (NII +7% y/y, F&C +10% in H1 2021).

-The group's strong capital position, with CET 1 at ca 18% (pf for Frontier and Nat.Insurance) allows maximum flexibility regarding future growth opportunities and potential for dividend distribution; they reiterated their focus on the domestic credit opportunities to deploy their capital and liquidity, since Greece appears to have the highest potential in the region at the moment, but did not rule out acquisitions abroad.

-Net loan additions expected at ca €1.5-2.0bn for 2021 and higher in 2022 given the EU Recovery & Resiliency Facility which is expected to have a direct and indirect impact on demand for credit.

-Regarding asset quality trends, management reiterated the view that covid-related NPEs may shape much lower than previous estimates (€0.6bn), although they refrained from revising their guidance on this estimate or in the CoR for the year, retaining a conservative stance.

-With regards to project Frontier, a binding agreement should be expected over the coming weeks, while the completion of National Insurance transaction is subject to regulatory approvals and likely to take place within Q3 2021.

National Bank Quarterly Performance							
in EURmn	2Q20	3Q20	4Q20	1Q21	2Q21	*yoy%*	*qoq%*
Balance Sheet Items							
Net Loans	28,891	29,287	26,807	26,841	29,942	*4%*	*12%*
Deposits	44,763	45,218	48,504	48,150	51,054	*14%*	*6%*
Tangible common equity	5,078	5,175	4,777	5,193	5,192	*2%*	*0%*
Assets	74,160	74,536	77,485	78,326	81,148	*9%*	*4%*
Funding, Asset quality and regulatory capital							
L/D Ratio	65%	65%	55%	56%	59%	*-9%*	*5%*
Eurosystem funding (% of assets)	14%	14%	14%	15%	14%	*1%*	*-3%*
NPE Ratio	29.9%	29.3%	13.6%	13.1%	12.7%	*-58%*	*-3%*
NPE Coverage	57.2%	56.7%	63.3%	65.2%	66.8%	*17%*	*2%*
CET 1 (phased in)	*15.9%*	*15.9%*	*15.7%*	*16.1%*	*16.0%*	*1%*	*-1%*
Income Statement							
Net Interest Income	272.5	304.3	313.8	293.7	297.4	*9%*	*1%*
Net commission income	57.0	64.5	67.9	66.8	69.2	*21%*	*4%*
Trading	22.9	64.1	283.4	510.5	-27.3	*<-100%*	*<-100%*
Other Income	-10.5	-20.6	-15.2	-19.5	-14.8		
Total revenues	**341.9**	**412.3**	**649.9**	**851.5**	**324.5**	*-5%*	*-62%*
Staff Costs	117.9	117.4	118.1	102.9	102.0	*-13%*	*-1%*
G&A	43.2	42.8	50.1	45.4	44.8	*4%*	*-1%*
Depreciation	37.4	37.3	42.1	40.2	37.7	*1%*	*-6%*
Operating Expenses	**198.5**	**197.5**	**210.3**	**188.5**	**184.5**	*-7%*	*-2%*
Core Pre Provision Profits	**131.0**	**171.3**	**171.4**	**172.0**	**182.1**	*39%*	*6%*
Pre Provision Profits	**143.4**	**214.8**	**439.6**	**663.0**	**140.0**	*-2%*	*-79%*
Impairment losses on loans	76.4	77.6	431.1	76.7	69.9	*-9%*	*-9%*
One –off items	-5.5	2.8	-18.7	-5.8	-23.3		
Pre-tax profit	61.5	140.0	-10.2	580.5	46.8		
Tax & Minorities	3.2	2.9	1.0	2.8	2.1		
Net Profit (cont. operations)	**58.3**	**137.1**	**-11.2**	**577.7**	**44.7**	*-23%*	*-92%*

Source: Company, Eurobank Equities

National Bank Financials					
Group P&L (EURmn)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Core Income	1,446.1	1,425.0	1,417.9	1,366.2	1,396.5
Total Income	1,686.1	2,522.0	1,902.9	1,416.2	1,476.5
Operating Expenses	846.0	814.1	762.5	745.2	759.6
Pre-Provision Income	**840.1**	**1,707.9**	**1,140.4**	**671.0**	**716.9**
change %	*110.8%*	*103.3%*	*-33.2%*	*-41.2%*	*6.8%*
Loan Impairments	365.0	1,070.8	520.2	187.4	144.7
Cost of Credit Risk	*1.0%*	*3.3%*	*1.7%*	*0.6%*	*0.4%*
Exceptionals/other income	-204.6	-224.0	-50.0	0.0	0.0
PBT - reported	270.5	413.1	570.2	483.6	572.2
Income tax	13.0	11.0	28.5	48.4	57.2
Non-controlling interest	18.0	2.0	1.0	1.0	1.0
Net profit - reported	**-254.5**	**38.1**	**542.7**	**436.2**	**515.9**
EPS - adjusted (EUR)	**0.42**	**0.22**	**0.64**	**0.48**	**0.56**
DPS (EUR)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Liquidity, Asset Quality & Capital	**2019**	**2020**	**2021e**	**2022e**	**2023e**
L/D Ratio	67%	61%	56%	58%	60%
Eurosystem Funding/Assets	3.6%	13.6%	15.1%	8.6%	5.9%
Provisions/Gross loans	16.5%	8.3%	5.2%	5.0%	4.0%
NPE Ratio	31.3%	13.6%	9.7%	6.6%	4.0%
Coverage Ratio	53.4%	62.5%	53.6%	75.2%	100.5%
CET 1 Ratio	16.0%	15.7%	17.4%	17.3%	17.4%
CET 1 Capital	5,977	5,741	5,913	5,974	6,313
RWAs	37,300	36,640	34,023	34,620	36,315
Group Balance Sheet (EURmn)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Cash & Balances with Central Banks	3,502	9,175	10,362	8,543	8,717
Interbank lending	2,974	3,440	3,096	3,716	3,901
Investment Portfolio	14,185	21,181	17,791	17,695	18,247
Gross Loans	34,938	32,515	30,479	32,343	34,124
Net Loans	29,181	29,808	28,888	30,730	32,760
Fixed Assets	1,867	1,788	1,806	1,824	1,842
Goodwill & Intangibles	201	282	302	311	320
Deferred Tax Assets	4,911	4,911	4,882	4,834	4,777
Other Assets	7,427	6,900	9,651	8,688	7,822
Total Assets	**64,248**	**77,485**	**76,778**	**76,342**	**78,386**
Interbank & Central Banks	4,449	12,724	12,324	9,324	9,324
Deposits	43,648	48,504	51,399	52,973	54,596
Wholesale funding	1,370	970	1,470	1,970	2,470
Other Liabilities	9,504	10,208	5,968	6,021	5,427
Total liabilities	**58,971**	**72,406**	**71,160**	**70,288**	**71,817**
Share Capital & Share Premium	16,610	16,610	16,610	16,610	16,610
Reserves	-11,351	-11,551	-11,013	-10,577	-10,061
Total Equity	**5,259**	**5,059**	**5,597**	**6,033**	**6,549**
Minorities	18	20	20	20	21
Other capital instruments	0	0	0	0	0
Total Equity and Liabilities	**64,248**	**77,485**	**76,778**	**76,342**	**78,386**
Key Financial Ratios	**2019**	**2020**	**2021e**	**2022e**	**2023e**
P/E	6.2x	12.0x	4.0x	5.4x	4.6x
P/TBV	0.47x	0.50x	0.45x	0.41x	0.38x
ROE	7.5%	3.8%	11.0%	7.5%	8.2%
ROA	-0.4%	0.1%	0.7%	0.6%	0.7%
NIM (on total assets)	1.8%	1.6%	1.5%	1.4%	1.4%
F&C/Assets	0.40%	0.36%	0.36%	0.39%	0.44%
Cost /Income	50.2%	32.3%	40.1%	52.6%	51.4%
Cost / Assets	1.3%	1.1%	1.0%	1.0%	1.0%

Source: Company, Eurobank Equities Research

Company description

National Bank was established in 1841 and became the first bank in the modern Greek state, with a decisive contribution to the financial life during these 170 years of history. National Bank offers a broad range of financial products and services that meet the ever changing needs of businesses and individuals.

Risks and sensitivities

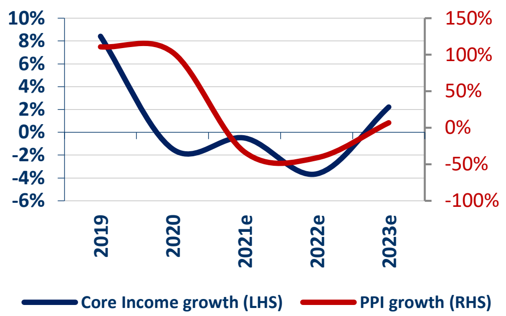
Macroeconomic environment: better or worse than anticipated macroeconomic trends may have a significant impact on banks fundamentals

Regulatory environment: banks are subject to heavy regulation and thus very sensitive to any regulatory amendments.

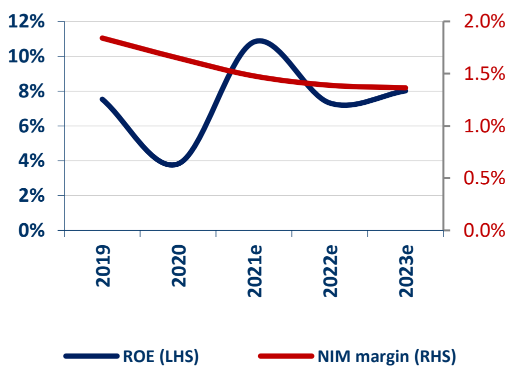
Industry attributes: Banks have a significant amount of non–performing assets which makes them subject to substantial credit risk while their funding position, although much more balanced compared to the past, lacks diversity as banks are in the first steps to restore access to market funding

Sensitivity analysis: For every 5bps change in cost of risk there is a 5% change on target price and 1% change on regulatory capital

Income and PPI growth



Profitability and returns



Eurobank Equities

COMPANY UPDATE

PIRAEUS BANK

NPE clean-up well on track

Q1 2021 earnings - Piraeus Bank reported a € 2.04bn net loss for the quarter on elevated LLPs due to NPE securitizations. Core PPI came in at € 282mn, +30% q/q driven by higher NII (€407mn +11% q/q) which included a €47mn one-off income related to the TLTRO and F&C income (€ 101mn, +33% q/q) and flattish q/q opex. The NPE reduction plan is well on track and management rightly focuses on that front, confirming our view that the NPE reduction plan is credible both in terms of timing but also in terms of the estimated loss. The progress on loan disbursements and on F&C generation were among the key highlights of the quarterly earnings, in our view.

Management commentary - Management confirmed the decision to accelerate clean-up efforts in order to complete all relevant actions by year-end. The FL CET 1 ratio is expected to bottom out at 9.5-10%. They stated that they are well ahead of the yearly target for loan disbursement having disbursed € 3.4bn in H1 (vs a yearly target of €5.7bn). Finally, despite the better than expected trends in F&C income and underlying CoR, management was rather cautious to upgrade its estimates for the year.

Asset quality to improve quickly – The group's updated strategic plan aims at bringing NPE ratio below 10% by early 2021, which is highly likely in our view, given that it mainly relies on € 19bn securitizations. The group's CET 1 is expected to remain weaker than peers, at ca 11% on a post clean-up basis, but comfortably above regulatory requirements. Its funding position remains quite comfortable as reflected by its low L/D ratio (74%). HFSF's stake stands at 27% post the recent SCI.

Change in estimates – Our new PPI estimates are lower by ca 5% on average for 2022-23, as the negative revision on NII more than offsets higher F&C income projections thus leading total revenues lower by 2.5%. On the other hand, the positive revision of provisions is not enough to counterbalance the lower than previously estimated revenues, thus leading to lower net income projections by 7% over the same period.

Upgrade to 'Buy', 12m TP at EUR 1.84 – Our new 12m TP stands at € 1.84 vs € 1.91 previously driven by the downward revision of our estimates. We believe PB is well on track to complete its clean-up plan over the next few months, which along with several other management initiatives will pave the way for a sustainable return to profitability. We upgrade our recommendation to 'Buy' from 'Hold' as we believe PB's valuation (P/TBV at 0.34x on 2022) offers an attractive risk/return profile for investors; out PT reflects a 0.45x P/TBV on 2022 estimates.

Estimates					
EUR mn	**2019a**	**2020a**	**2021e**	**2022e**	**2023e**
Net Interest Income	1,435	1,486	1,326	1,048	1,061
Pre Provision Income	892	955	1,331	678	740
Net Income	270	-652	-3,559	224	395
EPS (adjusted)	-0.03	-0.31	-2.76	0.18	0.32
TBV (per share)	4.26	3.78	3.92	4.09	4.39
Valuation & Key Metrics					
	2019a	**2020a**	**2021e**	**2022e**	**2023e**
P/E (adjusted)	-48.1	-4.5	-0.5	7.9	4.5
P/BV	0.33	0.37	0.36	0.34	0.32
NIM (avg. Assets)	2.3%	2.2%	1.8%	1.4%	1.4%
ROE	-0.7%	-7.4%	-67.7%	4.2%	7.0%
NPE ratio	50.4%	46.7%	10.6%	8.4%	5.6%
CET I	14.8%	13.8%	11.2%	10.8%	10.5%

Source: Companies, Eurobank Equities Research

Recommendation	**BUY**
Prior Recommendation	**HOLD**
Target Price	**€1.84**
Prior Target Price	**€1.91**
Closing Price (16/09)	€1.41
Market Cap (mn)	€1,759
Expected Return	30.6%
Expected Dividend	0.0%
Expected Total Return	30.6%

Piraeus Bank Share Price

Stock Data

Reuters RIC	BOPr.AT
Bloomberg Code	TPEIR GA
52 Week High (adj.)	€22.25
52 Week Low (adj.)	€1.27
Abs. performance (1m)	1.5%
Abs. performance (YTD)	-93.4%
Number of shares (fully diluted)	1,250.4mn
Avg Trading Volume (qrt)	€3,590k
Est. 3yr EPS CAGR	nm
Free Float	51%

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*See Appendix for Analyst Certification and important disclosures. * before the cost of CoCo*

Estimate Revisions

Lower PPI and net income mainly due to lower anticipated NII

Our new estimates include: i) a faster NPE reduction given management's efforts on that front, ii) lower NII on the back of the accelerated NPE reduction and more conservative assumptions on performing loans, iii) higher F&C income given the solid trends in H1 2021, iv) higher provisions for 2021 reflecting the clean-up costs owing to securitizations but lower for 2022-23 on better organic trends and faster NPE reduction and iv) higher trading gains for 2021 given the reported figures.

As a result, our new PPI estimates are lower by ca 5% on average for 2022-23, as the negative revision on NII more than offsets higher F&C income projections thus leading total revenues lower by 2.5%. On the other hand, the positive revision of provisions is not enough to counterbalance the lower than previously estimated revenues, thus leading to lower net income projections by 7%.

Piraeus Bank		FY '21e			FY '22e			FY '23e	
P&L (EURmn)	**Old**	**new**	**old**	**old**	**new**	**chng (%)**	**Old**	**new**	**chng (%)**
Net Interest Income	**1,343.9**	**1,325.7**	***-1.4%***	**1,126.1**	**1,048.0**	***-6.9%***	**1,132.9**	**1,061.4**	***-6.3%***
Commission income	308.1	347.3	*12.7%*	335.4	371.2	*10.7%*	364.7	396.0	*8.6%*
Trading income	50.0	510.0	*>100%*	50.0	50.0	*0.0%*	50.0	50.0	*0.0%*
Other income	53.2	53.2	*0.0%*	53.3	53.3	*0.0%*	53.5	53.5	*0.0%*
Total operating income	**1,755.2**	**2,236.1**	***27.4%***	**1,564.7**	**1,522.5**	***-2.7%***	**1,601.0**	**1,560.9**	***-2.5%***
Operating expenses	894.5	905.6	*1.2%*	843.9	844.8	*0.1%*	828.4	821.3	*-0.9%*
Pre-Provision Income	**860.7**	**1,330.5**	***54.6%***	**720.8**	**677.7**	***-6.0%***	**772.6**	**739.5**	***-4.3%***
Provisions	775.3	4,583.7	*>100%*	439.5	422.0	*-4.0%*	294.8	282.6	*-4.1%*
Net profit	**83.2**	**-3,558.9**	*<-100%*	**245.8**	**223.9**	*-8.9%*	**413.0**	**395.3**	*-4.3%*
NIM	1.89%	1.81%		1.58%	1.41%		1.56%	1.43%	
Assets	70,383.4	74,541.7		72,018.3	74,291.3		73,441.0	74,221.4	
Net Loans	36,949.7	35,564.5		37,899.5	36,507.5		40,130.1	38,572.5	
Deposits	50,128.8	51,629.2		51,126.3	52,656.2		52,144.1	53,704.0	
CET 1 (phased in)	11.6%	11.2%		11.1%	10.8%		10.9%	10.5%	
NPE%	12.4%	10.6%		9.4%	8.4%		6.4%	5.6%	
Coverage Ratio	39.4%	44.7%		56.8%	59.8%		76.2%	82.7%	

Source: Eurobank Equities Research

Valuation

Buy Rating, 12m TP at € 1.84

Our standard valuation comprises two parts, the one derived from the valuation of the assumed capital required and the other from excess capital. We use the Gordon Growth Model to value the bank based on the return on what we deem as a required capital level (12% of RWAs), i.e. the level required to sustain the current balance sheet size plus a mild growth rate for the next years. We use our explicit forecasts to calculate the average 2022-2026 Return on Required Equity, which is what we deem as sustainable return levels.

The group's FL CET 1 ratio, which we use to determine any excess capital, is below our assumed threshold (12%). We therefore assign no additional equity value on top of the fundamental value on 'required TBV'. Our CoE assumption stands at 13% (RF rate at 4.5%, Beta at 1.6x and ERP at 5.5%).

Our new 12m TP stands at € 1.84 vs € 1.91 previously driven by the downward revision of our estimates. The group is well on track to complete its clean-up plan over the next few months, which along with several other management initiatives will pave the way for a sustainable return to profitability. We upgrade our recommendation to Buy from Hold as we believe PB's valuation (P/TBV at 0.34x on 2022) offers an attractive risk/return profile for investors; out PT reflects a 0.45x P/TBV on 2022 estimates.

Piraeus Bank Valuation	
Recommendation	**BUY**
Return on Required Equity	8.3%
Long Term Growth	0.0%
CoE	13.0%
Required TBV per share (12% of RWAs)	2.9
Fundamental 2022 P/TBV	0.63
Fundamental 2022 Valuation	**1.84**
Excess Equity per share (2022)	0.00
Valuation Multiple – P/B 0.0x	0%
Residual Excess Equity per Share	**0.00**
12-month Target Price	**1.84**
Source: Eurobank Equities Research	

Q2 2021 in more detail

Sizable loss for Q2 as a result of elevated impairments to reflect NPE securitisations losses

P&L trends

- NII at € 407mn, +11% q/q on the back of € 47mn income related to TLTRO benefit (due to achievement of the relevant benchmark); adjusting for this NII would have been lower by 2% q/q mainly reflecting NPE reduction
- F&C income at € 101mn, +30% q/q driven by good progress across all categories but mainly underpinned by loan growth and cards activity
- Non-core revenues at€ 98mn vs € 418mn in Q1; last quarter's high figure was the result of a GGBs swap that took place during the quarter and other liquidations
- Operating expenses at € 226mn, flat y/y given increased G&As related to strategic plan projects, while staff costs were lower by 8% y/y; initiatives to further reduce cost include a recently completed VES (500 employees), a new provision of voluntary exits and reduction of branch network by 60 units

Asset quality

- Domestic NPE formation positive by € 0.1bn similar to Q1, affected by some inflows due to the pandemic; NPE ratio at 23.0% vs 46.2% in Q1 on the back of inorganic actions (Vega, Phoenix and Sunrise 1 totaling ca € 14bn) and cash coverage at 38.8%, lower by 850bps q/q; write offs during Q2 at € 0.1bn
- Loan loss provisions came in at € 2.3bn out of which € 2.2bn related to inorganic actions (Phoenix, Vega and Sunrise 1 securitizations); underlying CoR at 110bps lower than management previous estimate
- All moratoria (€ 4bn) have now been expired with management stating that defaults (€ 0.6bn) are in line with expectations

Funding and capital

- Eurosystem funding at € 13.5bn up by € 2.5bn q/q as the group seeks to maximize the benefit from ECB's supportive policies
- L/D ratio at 65% vs 74% at the end of Q1 mainly reflecting the deconsolidation of the securitized NPEs; LCR at 210% vs 185% in Q1
- CET 1 (phased in) at 11.6% (vs 15.4% in Q1 2021) pro-forma for the securitizations that have been reflected in the balance sheet and total capital 15.8%; FL CET 1 at 9.4%; - CET 1 requirement at 6.3% and OCR at 11.25%

Management guidance and comments

- Management highlighted the progress made on the clean-up front and confirmed the decision to accelerate efforts in order to complete all relevant actions by year-end. In more detail, Vega (€5bn) and Phoenix (€2bn) are now completed, while Sunrise 1 (€7bn) was recorded as 'held for sale' given the recent agreement for the sale of 51% of mezz and junior notes. Management's focus now is to complete the rest of inorganic actions by year-end or early 2021.
- FL CET 1 ratio is expected to bottom out at 9.5-10% as additional credit losses related to the remaining inorganic actions (ca € 1bn) will be offset by RWA relief (ca €4bn), additional synthetic securitizations (€1.2bn) and the consideration of the cards merchant acquiring business (€ 0.3bn)
- Management stated that they are well ahead of the yearly target for loan disbursement having disbursed € 3.4bn in H1 (vs a yearly target of €5.7bn). According to their remarks demand for credit comes from a wide range of sectors mainly from corporate and SMEs at this stage, while retail loans are expected to pick up at a later stage.

-Despite the better than expected trends in F&C income and underlying CoR, management was rather cautious to upgrade its estimates for the year.

Piraeus Bank Quarterly Performance							
in EURmn	2Q20	3Q20	4Q20	1Q21	2Q21e	*yoy%*	*qoq%*
Balance Sheet Items							
Loans	37,792	38,280	38,108	37,431	33,150	*-12%*	*-11%*
Deposits	45,706	47,088	49,636	50,431	51,215	*12%*	*2%*
Tangible common equity	5,217	5,226	4,728	6,321	5,547	*6%*	*-12%*
Assets	64,382	67,693	71,576	72,114	75,038	*17%*	*4%*
Funding, Asset quality and regulatory capital							
L/D	83%	81%	77%	74%	65%	*-22%*	*-13%*
Eurosystem funding (% of assets)	11%	13%	15%	15%	18%		
NPE Ratio	48.3%	46.8%	45.3%	46.2%	23.0%	*-52%*	*-50%*
NPE Coverage	45.1%	45.0%	45.5%	47.3%	38.8%	*-14%*	*-18%*
CET 1 (phased in)	14.0%	14.1%	13.8%	15.4%	11.6%		
Income Statement							
Net Interest Income	367.2	380.0	378.4	365.5	406.7	*11%*	*11%*
Net commission income	79.7	80.5	85.4	75.7	100.9	*27%*	*33%*
Trading	62.6	35.4	11.4	417.6	97.9	*56%*	*-77%*
Other operating income	0.0	0.0	0.0	0.0	0.0		
Total revenues	**509.5**	**495.9**	**475.3**	**858.9**	**605.5**	*19%*	*-29%*
Staff Costs	105.1	107.4	104.5	96.8	96.5	*-8%*	*0%*
G&A	90.9	98.4	118.7	100.5	101.3	*12%*	*1%*
Depreciation	28.9	28.2	28.4	27.6	27.9	*-3%*	*1%*
Operating Expenses	**224.8**	**233.9**	**251.6**	**224.9**	**225.7**	*0.4%*	*0%*
Core Pre Provision Profits	**222.1**	**226.6**	**212.3**	**216.3**	**281.8**	*27%*	*30%*
Pre Provision Profits	**284.7**	**262.0**	**223.7**	**634.0**	**379.8**	*33%*	*-40%*
Impairment losses on loans	142.2	146.0	378.4	961.1	2,279.3	*>100%*	*137%*
Income from associates	0.2	-4.0	3.3	-6.0	-0.9		
One-off Items	-18.0	-29.7	-245.5	-25.0	-79.5		
Pre-tax profit	124.7	82.3	-396.9	-358.1	-1,979.9	*<-100%*	*-453%*
Tax & Minorities	40.0	79.5	118.2	46.0	63.7		
Net Profit	**84.7**	**2.9**	**-515.1**	**-404.1**	**-2,043.6**	*<-100%*	*-406%*
Source: Company, Eurobank Equities Research							

Piraeus Bank Financials					
Group P&L (EURmn)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Core Income	1,753.0	1,802.9	1,673.0	1,419.2	1,457.4
Total Income	1,874.0	1,892.9	2,236.1	1,522.5	1,560.9
Operating Expenses	982.0	938.0	905.6	844.8	821.3
Pre-Provision Income	**892.0**	**954.9**	**1,330.5**	**677.7**	**739.5**
change %	*2.0%*	*7.1%*	*39.3%*	*-49.1%*	*9.1%*
Loan Impairments	710.0	1,104.0	4,583.7	422.0	282.6
Cost of Credit Risk	*1.4%*	*2.2%*	*12.3%*	*1.1%*	*0.7%*
Exceptionals/other income	207.0	-381.0	-162.0	0.0	0.0
PBT - reported	389.0	-530.1	-3,415.2	255.7	456.9
Income tax	123.0	128.0	150.0	38.3	68.5
Non-controlling interest	-4.0	-6.0	-6.3	-6.6	-6.9
Net profit - reported	**270.0**	**-652.1**	**-3,558.9**	**223.9**	**395.3**
EPS - adjusted (EUR)	**-0.03**	**-0.31**	**-2.76**	**0.18**	**0.32**
DPS (EUR)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**
Liquidity, Asset Quality & Capital	**2019**	**2020**	**2021e**	**2022e**	**2023e**
L/D Ratio	83%	80%	69%	69%	72%
Eurosystem Funding/Assets	0.6%	15.4%	18.0%	11.4%	7.4%
Provisions/Gross loans	21.9%	20.0%	4.6%	4.8%	4.5%
NPE Ratio	50.4%	46.7%	10.6%	8.4%	5.6%
Coverage Ratio	44.9%	44.1%	44.7%	59.8%	82.7%
CET 1 Ratio	14.8%	13.8%	11.2%	10.8%	10.5%
CET 1 Capital	6,734	5,927	3,523	3,328	3,304
RWAs	45,410	43,097	31,316	30,864	31,542
Group Balance Sheet (EURmn)	**2019**	**2020**	**2021e**	**2022e**	**2023e**
Cash & Balances with Central Banks	3,349	8,903	12,395	10,113	7,220
Interbank lending	1,307	1,258	1,132	1,019	917
Investment Portfolio	4,079	8,877	12,909	14,230	15,237
Gross Loans	50,147	49,528	37,266	38,365	40,378
Net Loans	39,162	39,624	35,564	36,507	38,573
Fixed Assets	2,156	2,114	2,093	2,072	2,051
Goodwill & Intangibles	287	280	283	297	312
Deferred Tax Assets	6,478	6,337	6,087	6,049	5,981
Other Assets	4,413	4,184	4,079	4,004	3,932
Total Assets	**61,231**	**71,576**	**74,542**	**74,291**	**74,221**
Interbank & Central Banks	3,296	11,376	13,576	10,476	8,476
Deposits	47,351	49,636	51,629	52,656	53,704
Wholesale funding	481	1,403	1,903	2,403	2,903
Other Liabilities	2,330	2,008	1,538	2,636	2,622
Total liabilities	**53,458**	**64,423**	**68,647**	**68,172**	**67,705**
Share Capital & Share Premium	15,695	15,695	19,035	19,035	19,035
Reserves	-10,076	-10,688	-13,847	-13,623	-13,228
Total Equity	**5,619**	**5,007**	**5,188**	**5,412**	**5,807**
Minorities	115	106	107	108	109
Other capital instruments	2,040	2,040	600	600	600
Total Equity and Liabilities	**61,231**	**71,576**	**74,542**	**74,291**	**74,221**
Key Financial Ratios	**2019**	**2020**	**2021e**	**2022e**	**2023e**
P/E	-48.1x	-4.5x	-0.5x	7.9x	4.5x
P/TBV	0.33x	0.37x	0.36x	0.34x	0.32x
ROE	-0.7%	-7.4%	-67.7%	4.2%	7.0%
ROA	0.4%	-1.0%	-4.9%	0.3%	0.5%
NIM (on total assets)	2.3%	2.2%	1.8%	1.4%	1.4%
F&C/Assets	0.52%	0.48%	0.48%	0.50%	0.53%
Cost /Income	52.4%	49.6%	40.5%	55.5%	52.6%
Cost / Assets	1.6%	1.3%	1.2%	1.1%	1.1%

Source: Company, Eurobank Equities Research

Company description

Piraeus Bank Group offers a full range of financial products and services to more than 5mn customers. Founded in 1916, Piraeus Bank operated as a private credit institution for many decades, while it went through a state ownership for the period 1975-1991 until it was privatized in December 1991. Since then, it has rapidly grown in size and activities, representing today the leading Bank in Greece with 29% market share in terms of loans and of deposits.

Risks and sensitivities

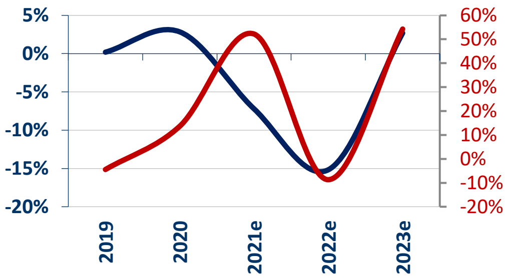
Macroeconomic environment: better or worse than anticipated macroeconomic trends may have a significant impact on banks fundamentals

Regulatory environment: banks are subject to heavy regulation and thus very sensitive to any regulatory amendments.

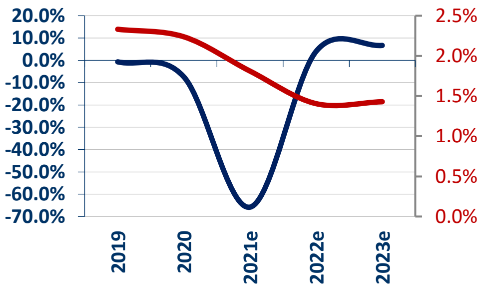
Industry attributes: Banks have a significant amount of non–performing assets which makes them subject to substantial credit risk while their funding position, although much more balanced compared to the past, lacks diversity as banks are in the first steps to restore access to market funding

Sensitivity analysis: For every 5bps change in cost of risk there is a 5% change on target price and 1% change on regulatory capital

Income and PPI growth



Profitability and returns



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Stock Ratings	Coverage Universe		Investment Banking Clients	
	Count	Total	Count	Total
Buy	14	54%	1	7%
Hold	5	19%	0	0%
Sell	0	0%	0	0%
Restricted	1	4%	0	0%
Under Review	2	8%	0	0%
Not Rated	4	15%	0	0%
Total	26	100%		

Analyst Stock Ratings:

Buy:	Based on a current 12-month view of total shareholder return (percentage change in share price to projected target price plus projected dividend yield), we recommend that investors buy the stock.
Hold:	We adopt a neutral view on the stock 12-months out and, on this time horizon, do not recommend either Buy or Sell.
Sell:	Based on a current 12-month view of total shareholder return, we recommend that investors sell the stock.
Restricted:	Under Eurobank Group policy and / or regulations which do not allow ratings
Under Review:	Our estimates, target price and recommendation are currently under review.
Not Rated:	Refers to Sponsored Research reports

12-month Rating History of Alpha Bank:

Date	Rating	Stock Price	Target Price
17/09/2021	Hold	€ 1.16	€ 1.37
21/07/2021	Buy	€ 1.03	€ 1.32
14/06/2021	Buy	€ 1.20	€ 1.58
01/06/2021	Buy	€ 1.10	€ 1.58
16/04/2021	Buy	€ 1.14	€ 1.58
14/01/2021	Buy	€ 0.88	€ 1.25
18/12/2020	Buy	€ 0.98	€ 1.25
15/09/2020	Buy	€ 0.57	€ 0.88

12-month Rating History of National Bank:

Date	Rating	Stock Price	Target Price
17/09/2021	Buy	€ 2.59	€ 3.48
14/06/2021	Buy	€ 2.72	€ 3.23
09/04/2021	Buy	€ 2.46	€ 3.23
14/01/2021	Buy	€ 1.96	€ 2.73
18/12/2020	Buy	€ 2.16	€ 2.73
15/09/2020	Buy	€ 1.12	€ 1.92

12-month Rating History of Piraeus Bank:

Date	Rating	Stock Price	Target Price
17/09/2021	Buy	€ 1.41	€ 1.84
14/06/2021	Hold	€ 1.61	€ 1.91
19/05/2021	Hold	€ 1.61	€1.91
19/03/2021	UR	€ 0.69	UR
17/03/2021	UR	€ 0.94	UR
14/01/2021	Hold	€ 1.16	€ 1.24
18/12/2020	Hold	€ 1.18	€ 1.24
27/10/2020	UR	€ 0.72	UR
15/09/2020	Hold	€ 1.15	€ 1.47