

GREEK BANKS STILL IN THE DOLDRUMS

[Alpha Bank, NBG, Piraeus Bank, Eurobank Ergasias]
Listed on Athens Exchange, Greece

September 5, 2017

Greek Equities | Banking Sector
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Sector Note

Financial Highlights & Investment Considerations

- The financial performance of the four Greek systemic banks (namely Alpha Bank | ALPHA:GA, National Bank (NBG) | ETE:GA, Piraeus Bank | TPEIR:GA, and Eurobank Ergasias | EUROB:GA) has demonstrated significant volatility over the past years following the burst of the Greek crisis. The release of H1 2017 financial results of the four major banks (on August 30th & 31st, 2017) shows that volatility may somewhat dwindle in the quarters ahead, however the recovery trend will remain challenging and in some cases it is going to be tough.
- Although the Greek banks have successfully weathered the two big versions of the crisis, of years 2012 and 2015, they are still not in position to generate solid earnings due to negative or zero loan growth and also due to the continuous impairment losses on existing loans. The Greek banks continue to be markedly dependent on the so far unpredictable mix of macroeconomic and political developments in the country. This maintains the high risk profile of the Greek banking stocks in a period when their valuation ratios (according to the banks' trailing profitability, if any) appear to be expensive compared to the market's average valuation standards.
- Specifically: a) The NPE (non-performing exposures) stock of Greek banks has a tendency to slowly decline but it is still volatile. b) Net loans continue to post negative growth, which is a signal of defensive strategies. c) CET-1 ratio for all banks is strong, however this strength is not exploitable; it mainly functions as defensive mechanism. d) On the front of curtailing operating expenses and implementing restructuring plans (such as sale of non core business interests), there is notable progress. However, this progress is mainly used to solidify the banks' equity and is not translated into better bottom line performance due to loan loss provisions and other extraordinary factors. e) The loans to deposits ratio is high for the sector, with the notable exception of National Bank. e) Eurosystem funding has been largely contained since July 2015, from >€ 120 billion to <€ 60 billion, pointing to banks' lower cost of funding.

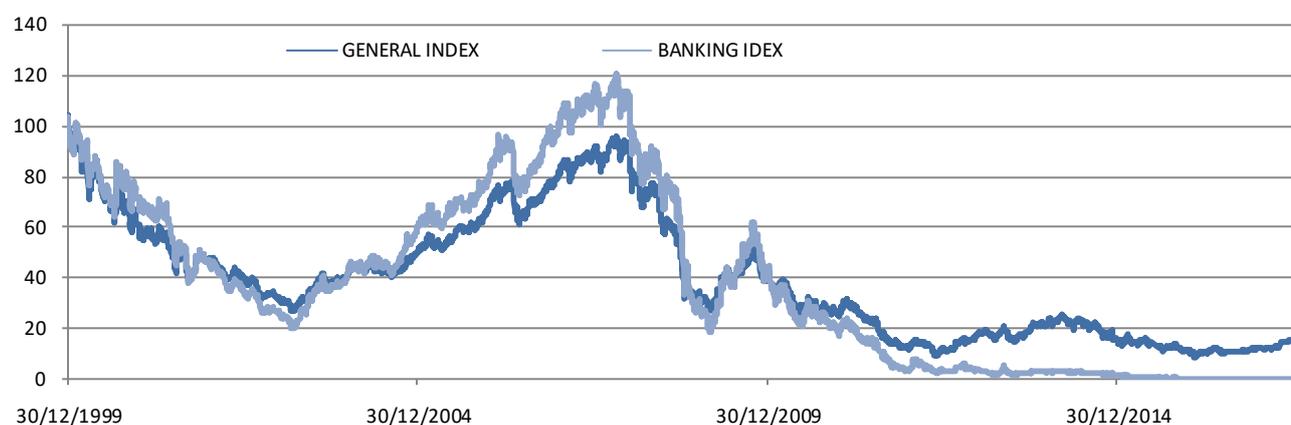
What Lies Ahead

- Greek banks are expected to deliver slowly improving fundamentals, with some volatility though, in the following quarters. On the other hand, they are going to need further capital in order to grow their loan portfolios and achieve stronger bottom line performance. Particularly, they will need to proceed with actions of various forms (bond issues, new sales of assets, etc.) in order to achieve better than expected performance. It is noted that already in the past 4-5 years, the four Greek banks have successfully completed 3 major recapitalization phases and other related actions.

Greek Banking Index versus General Index on Athens Exchange, Greece

(Since Year 2000, Base = 100)

September 5, 2017



Please see important disclosure and disclaimer statements at the end of this report.

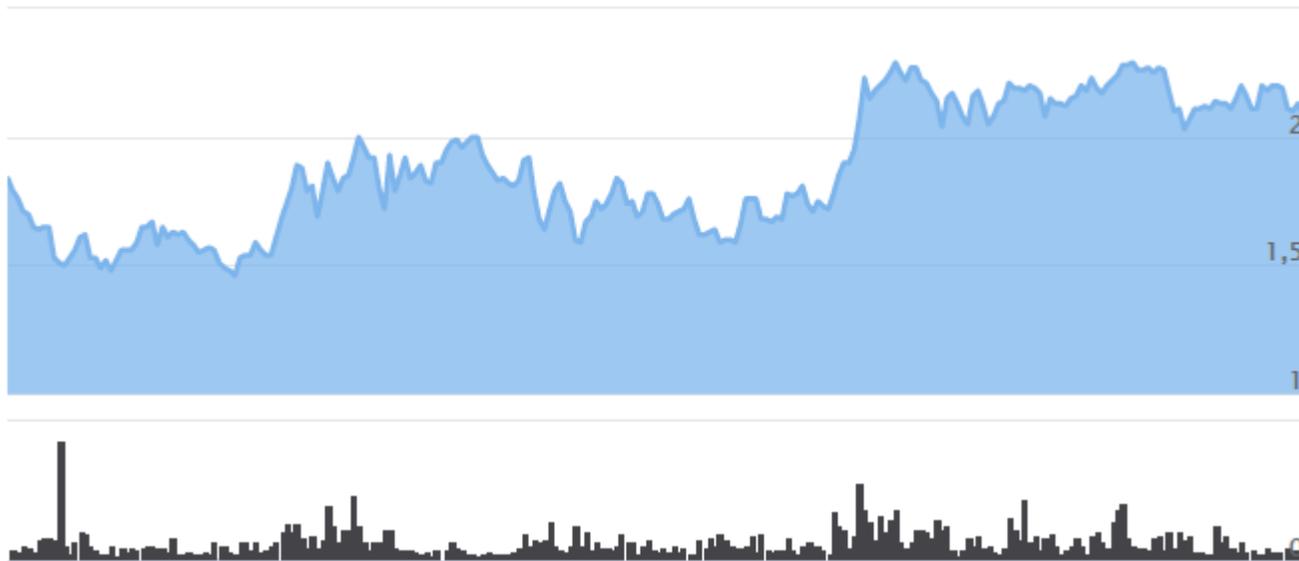
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Alpha Bank Stock Price (€) & Transaction Volume | ALPHA:GA
Price Close: € 2.04 | Market Cap: € 3,149 million

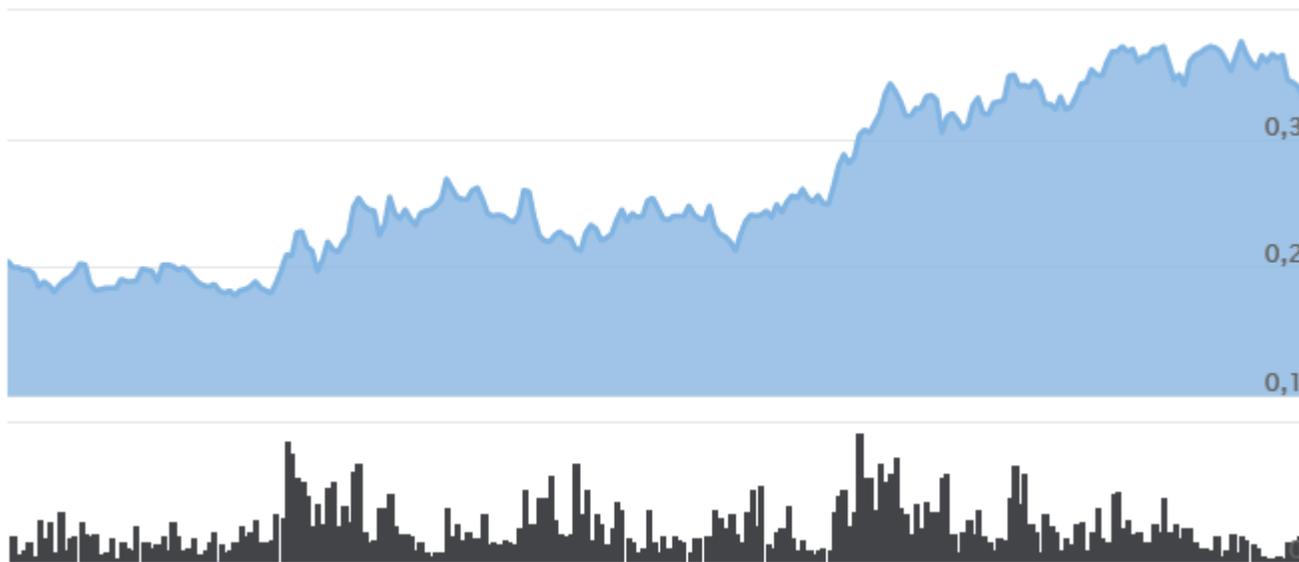
Last 52 Weeks | September 2016 – September 2017



Source: Athens Exchange.

National Bank (NBG) Stock Price (€) & Transaction Volume | ETE:GA
Price Close: € 0.322 | Market Cap: € 2,945 million

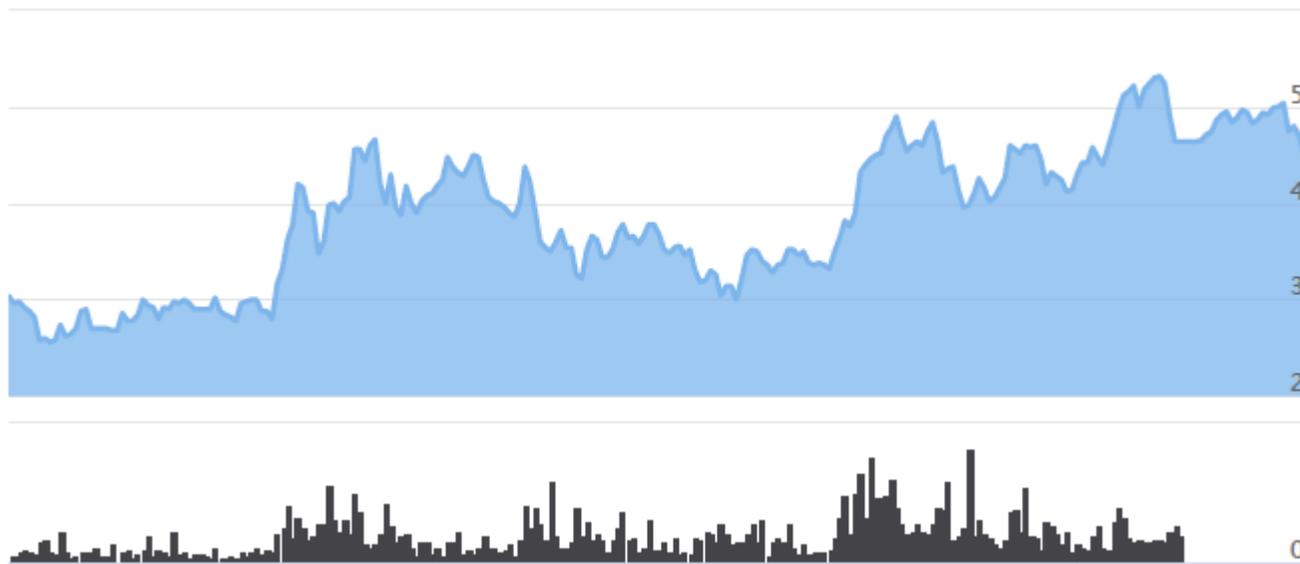
Last 52 Weeks | September 2016 – September 2017



Source: Athens Exchange.

Piraeus Bank Stock Price (€) & Transaction Volume | TPEIR:GA
Price Close: € 4.29 | Market Cap: € 1,873 million

Last 52 Weeks | September 2016 – September 2017



Source: Athens Exchange.

Eurobank Ergasias Stock Price (€) & Transaction Volume | EUROB:GA
Price Close: € 0.845 | Market Cap: € 1,847 million

Last 52 Weeks | September 2016 – September 2017



Source: Athens Exchange.

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Greek Banks	--	--	--	September 5, 2017	--

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