

# Greek Banks

## Planning for the Best and for the Worst

- **A Roadmap to Invest in Greek Banks** — The Greek banking environment remains risky (macro, asset quality, margins and volumes...) but is showing signs of hope (recapitalisations, 'euro recovery', banking consolidation and improving trends...). Given the uncertainty, we favour analysing scenarios, focusing on provisions (LLR) and margins (NIM). A 'bull' scenario appears possible, but is by no means guaranteed. We remain attentive to 'next steps' and stay Neutral.
- **Beyond the Crisis: 10%+ RoE and Capital Return** — Capital should be sufficient and margins recover (particularly if deposit inflows continue). Greek banks could then be an attractive 'play' on an oligopolistic 'vanilla' banking market with relatively low private debt. Double-digit returns and potentially substantial capital surplus (as illustrated in Figure 1) can be envisaged, in our view.
- **But the Road Will Be Bumpy** — 'Healing' balance sheets is, however, a multi-year process, depending on deposit inflows and market confidence in the sovereign. NPLs still need to peak from current c20% levels (Figure 17) and funding needs to shift from central banks (20-30%) and expensive term deposits (c1/3) to cheaper demand deposits and market funding (Figure 10). Margins are improving slowly (Figure 50) but volumes remain weak (Figure 36).
- **Next Steps** beyond macro developments, to help narrow the range of scenarios:
  - **2Q13 Results:** Due out after 4pm Athens time on 29 (NBG) and 30 (Alpha) Aug. We expect results similar to Q1 with broadly stable NII and provisions (more on page 8).
  - **Corporate Action:** Capital plan for NBG. Potential disposals for all, incl. in SEE.
  - **Stress Tests:** 2<sup>nd</sup> Blackrock review has been initiated with results likely out towards year-end (more on page 11). ECB asset quality review to follow in early 2014.

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Figure 1. 2015E Excess / (Deficit) Capital, % Market Cap

	Alpha Bank				NBG		
	NIM Bull	NIM Base	NIM Bear		NIM Bull	NIM Base	NIM Bear
LLR Bull	118%	95%	69%	LLR Bull	45%	41%	40%
LLR BoG	58%	35%	10%	LLR BoG	22%	19%	18%
LLR Base	22%	-1%	-26%	LLR Base	-10%	-13%	-14%
LLR Stretch	7%	-16%	-41%	LLR Stretch	-21%	-24%	-25%
LLR Bear	-150%	-173%	-198%	LLR Bear	-117%	-121%	-122%

Source: Company Reports and Citi Research Estimates; Note: B3 CET1 to 9% ex State prefs – details in Figure 4

Company	Ticker	Rating		Target Price		Current Year Earnings Estimates	
		Old	New	Old	New	Old	New
Alpha Bank	ACBr.AT	2	2	-	-	€0.34	€0.34
National Bank of Greece	NBGr.AT	2	2	-	-	€-0.07	€-0.07

### See Appendix A-1 for Analyst Certification, Important Disclosures and non-US research analyst disclosures.

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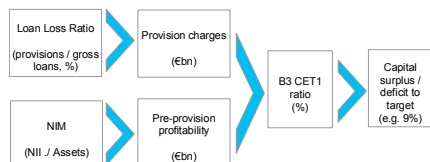
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# Planning for the Best & the Worst

## Scenario Analysis – an Investment Roadmap

**Risk of dilution remains focus. Given uncertainty, prefer scenarios driven by loan losses (LLR) and margins (NIM)**

Figure 2. Approach to Scenario Building



Source: Citi Research

We continue to believe key questions to consider when investing in Greek banks are: (1) Could I get diluted again? (2) What is the 'normalised picture'? (3) How do we get there (i.e. what are the swing factors)?

To answer the first question, we illustrate below a wide range of *possible* scenarios over 2013-15E. In our base case banks under our coverage have sufficient capital, as argued in [Alpha Bank A E \(ACBr.AT\) - Post Recap, Focus on Execution](#) (21 May) and [National Bank of Greece SA \(NBGr.AT\) - Banking on Greekover?](#) (12 June). For simplicity, we focus on two drivers:

- **Loan loss ratio (LLR = provisions / loans):** Greek NPL ratios (24.3% for NBG, 32.6% for Alpha) are already close to average peaks observed during previous crises (Figure 19), and well above those of developed markets or where no FX shock was observed. Key uncertainty: the future path of GDP, liquidity availability and creditors' rights (e.g reduction of the ceiling on mortgages that can be foreclosed could help recovery and reduce moral hazard), required coverage ratio.
- **Net interest margins (NIM):** NIMs are at all-time lows, due primarily to the surge in deposit costs in recent years. Key uncertainty: deposit inflows, cost of deposits but also the resilience of loan margins and yields on securities.

Figure 3. Excess/Deficit Capital in €bn (B3 CET1 to 9% ex State pref shares, end 2015E)

Alpha Bank				NBG			
	NIM Bull Case	NIM Base Case	NIM Bear Case		NIM Bull Case	NIM Base Case	NIM Bear Case
LLR Bull Case	6	5	4	LLR Bull Case	3	3	3
LLR BoG	3	2	0	LLR BoG	2	1	1
LLR Base Case	1	(0)	(1)	LLR Base Case	(1)	(1)	(1)
LLR Stretched	0	(1)	(2)	LLR Stretched	(1)	(2)	(2)
LLR Bear Case	(8)	(9)	(10)	LLR Bear Case	(8)	(9)	(9)

Figure 4. Excess/Deficit Capital, % Market Cap (B3 CET1 to 9% ex State pref shares, by end 2015E)

Alpha Bank				NBG			
	NIM Bull Case	NIM Base Case	NIM Bear Case		NIM Bull Case	NIM Base Case	NIM Bear Case
LLR Bull Case	118%	95%	69%	LLR Bull Case	45%	41%	40%
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Figure 5. Details of Citi Research Scenarios over 2013-15E

LLR Scenario		Loan loss Ratio (LLR = provision reserve / gross loans)		Provision Charges (€bn)	
		Alpha	NBG	Alpha	NBG
Bull Case	LLR remains at 1Q13 level	16%	10%	0	0
BoG	Bank of Greece*	20%	12%	3	2
Base Case	Citi base case	23%	16%	5	5
"Capital stretched"	to 9% B3 CET1R	24%	17%	6	5
Bear Case	NPL up 1.5x + all restructured become NPL + coverage of all NPL to 70%	37%	26%	14	13

NIM Scenario		NIM (NII / total assets)		GOP (€bn)	
		Alpha	NBG	Alpha	NBG
Bull Case	Pre-crisis	3.1%	3.3%	4.0	5.6
Base Case	Citi base case	2.5%	3.1%	2.8	5.3
Bear Case	No improvement from 1Q13	1.8%	3.0%	1.5	5.2

Source for all charts: Company Reports, Bank of Greece and Citi Research Estimates; Note: \* 'Bank of Greece' scenario based on our interpretation of Bank of Greece 2012 adverse scenario assessment (using Blackrock); GOP= gross operating profit = pre-provision profit

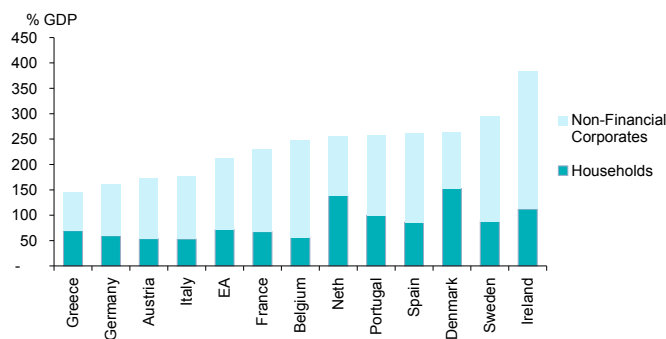
## Beyond the Crisis: 10%+ RoE, Capital Return

High market concentration, moderate private debt levels = double-digit RoEs and potential capital return

Looking beyond the crisis, RoEs above 10% appear achievable especially compared to the 20%+ pre-crisis levels. Modestly increasing leverage (defined as assets/tangible equity) from the current 10-15x to the c20-30x levels typically observed for European banks could also help.

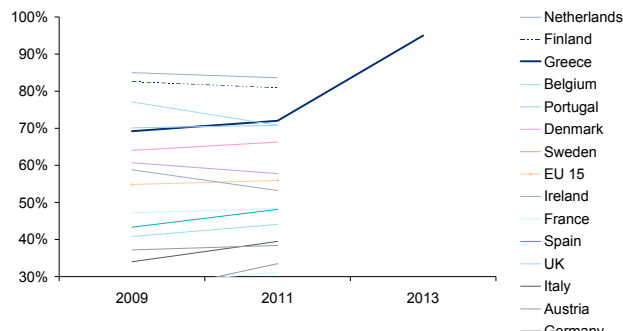
Indeed, the environment could be attractive, with moderate Greek private debt levels (Figure 6) and high concentration (4 players covering 90%+ of the market) with limited intervention from the State or other non-profit driven organisations (Figure 7). While too early to consider, moderate RWA growth, better profitability and asset quality could translate into capital return, possibly from 2015-16E.

Figure 6. Greek Private Debt at Moderate Levels



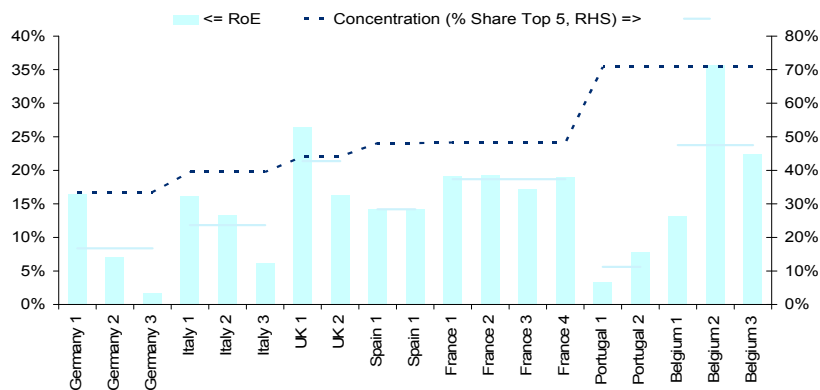
Source: ECB and Citi Research

Figure 7. ...and Concentration Increasing in Greece



Source: ECB, Company Reports and Citi Research; Note: Top 5 market share

Figure 8. Retail RoEs in Europe vs Market Concentration



Source: ECB, Company Reports and Citi Research Estimates; Note: Average RoE (based on 9% allocation to RWAs) for 2005-2016E for selected retail activities of European banks; % share of top 5 banks at end 2011

Figure 9. Alpha Bank & NBG RoTE Calculation

	Alpha Bank		NBG	
	2005-08	2016E	2005-08	2016E
RoA	1.2%	0.7%	1.5%	1.0%
Leverage (tagible Assets / tagible Equity)	19	13	22	20
RoTE	22%	8%	34%	20%

Source: Company Reports and Citi Research Estimates

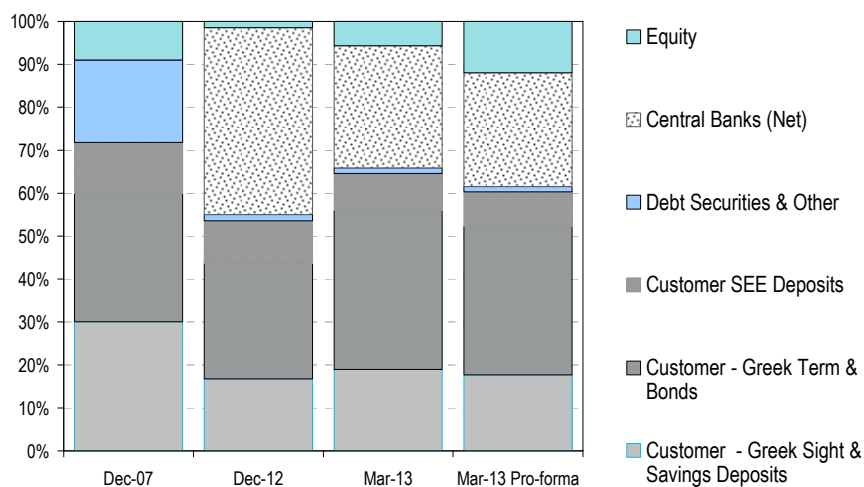
## But the Road Will Be Bumpy

Following the recapitalisation of the banks, 'healing' the balance sheet will require deep and likely slow changes on both assets and liabilities. Key drivers to track for these changes in our view are deposit inflows and sovereign spreads.

**Shift to cheaper deposits and market funding will help margins but will likely be a multi-year process**

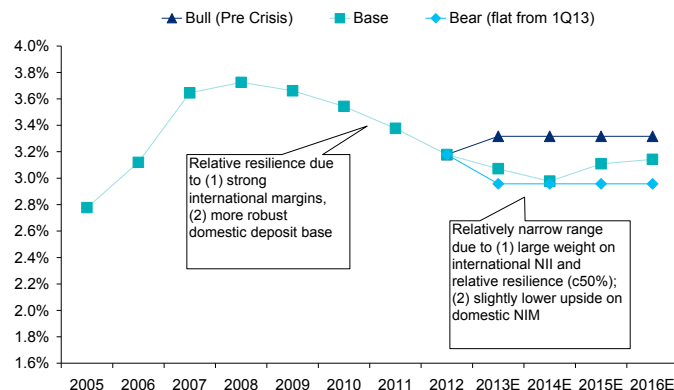
- **Liabilities:** As illustrated in Figure 10, a large proportion of funding originates from central banks (c20%) or expensive term deposits (c1/3) which over time should be replaced by cheaper deposits and market funding.
  - We believe (cheap) **central bank funding** will only be reduced over **several years**, given policymakers' focus on financial and macro stability.
  - The **shift towards cheaper deposits** (in particular, the cheaper non-term) and wholesale funding will be a multi-year process, in our view. Deposits have recovered to April 2012 levels (i.e. pre-election turmoil - Figure 14), but with incomes still under pressure future growth will likely partly have to come from further repatriation of funds.
  - **Market access** is necessary over time, in our view, to meet bail-inability requirements and to reassure markets on the diversity of funding sources beyond deposits and secured funding (Figure 16). The Greek government hopes to tap the markets in 2014, following the strong recovery of government bonds in recent months (Figure 15). As observed in other peripheral markets, this is typically closely followed by market access by the most solid domestic banks.

Figure 10. Simplified Funding Structure, 2007-Today (Alpha Bank)



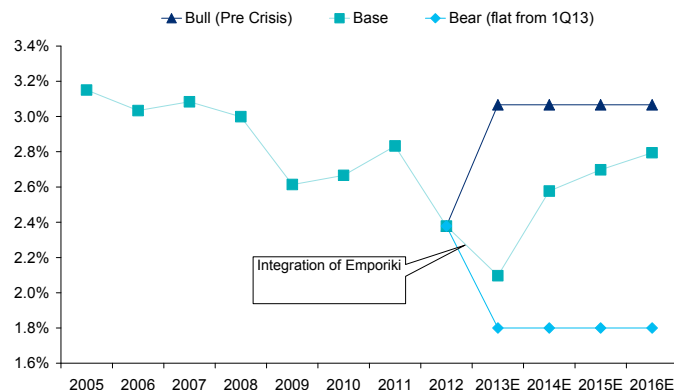
Source: Company Reports and Citi Research

Figure 11. NBG – Net Interest Margins (NII/Assets)



Source: Company Reports, Citi Research Estimates

Figure 12. Alpha Bank – Net Interest Margins (NII/Assets)



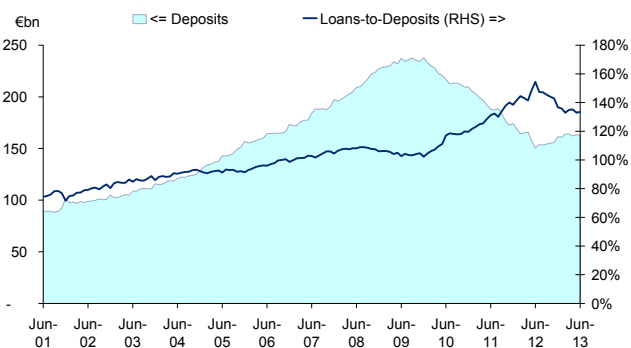
Source: Company Reports, Citi Research Estimates

Figure 13. Greece — yoy Loan Growth Remains <5% yoy in June



Source: Bank of Greece; More details on lending trends from page 20

Figure 14. Deposits Back to April 2012 Levels



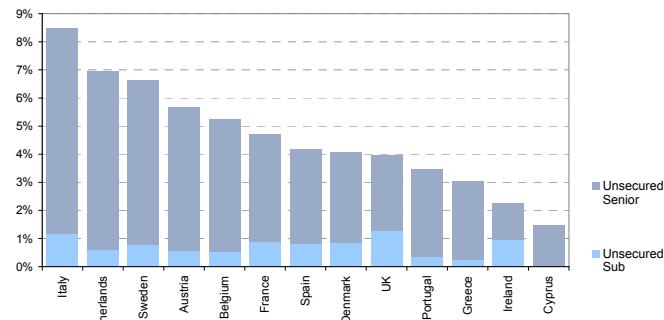
Source: Bank of Greece; More details on deposit trends from page 20

Figure 15. Greek Sovereign 10Y Yields at c10%



Source: Bloomberg, Citi Research

Figure 16. Banks' Unsecured Market Funding by Country, June-2012



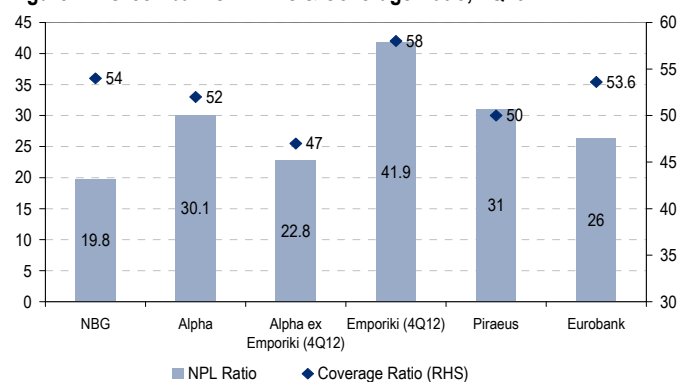
Source: ECB, Citi Research; Note: % of total liabilities

**Loan growth to remain low. Focus on NPLs and restructured loans**

■ **Assets:** with loan growth (Figure 13) remaining at negative levels until at least 2014, focus is likely to remain on NPLs, securities and potential disposals.

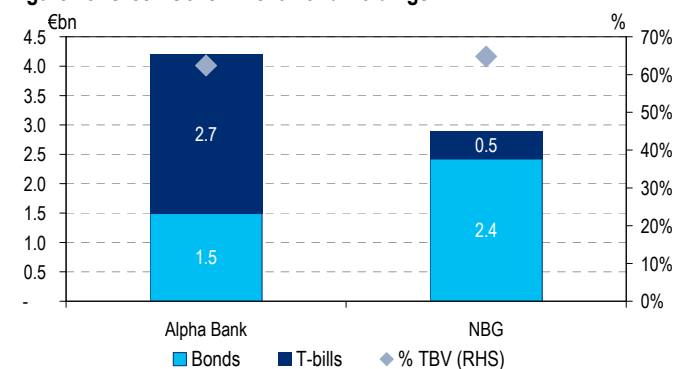
- Future progression of **NPLs** and coverage ratios from current levels (Figure 17) will depend on the macro environment but also the enforcement of creditors' rights. For example, the government's ongoing debate to reduce the ceiling of the foreclosure ban (currently at €200k) could help reduce the moral hazard on mortgages and potentially other loans for wealthier borrowers.
- **Restructured loans** represent 10-15% of Greek loans and are a useful economic and social tool to address the sharp drop in revenue felt by a large proportion of Greek households and businesses. The risk is in the delay of NPL formation (remember the 'Japanese zombie companies') or the potential to encourage moral hazard. We would welcome more granular information on restructured/modified loans (amounts, types, duration, provisioned impact on NPV, change in income profile, etc.) More on asset quality from page 16.
- Assuming the availability of liquidity remains stable, banks could also rebuild their **securities books**, especially when preference shares will be reimbursed. We do not expect any significant change in the near term in GGB holdings, currently at c70% of TBV (incl. pref shares) – at the lower end of peripheral peers but with higher yields.

Figure 17. Greek banks – NPLs & Coverage Ratio, 1Q13



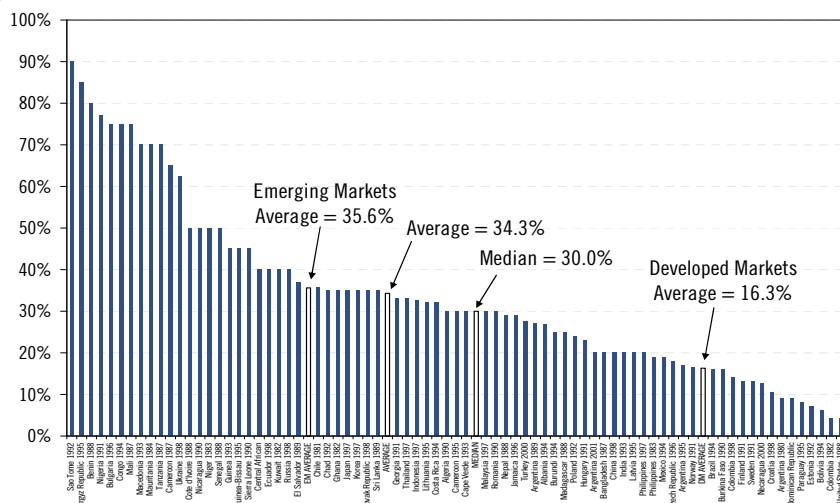
Source: Company Reports and Citi Research

Figure 18. Greek Government Bond Holdings



Source: Company Reports, Citi Research; Note: 1Q13 for Alpha, end 2012 for NBG; HTM GGB bonds also include Greek government payment in kind for the preference shares: €1.35bn for NBG, €0.94bn for Alpha

Figure 19. Peak NPL Ratios in Previous Crises



Source: Citi Research, IMF

## Next Steps: Drivers to Refine Scenarios

Beyond macro, drivers to consider in order to narrow the range in our scenarios include results, clarity on capital and especially stress tests.

### Q2 Results: Normalisation Continues

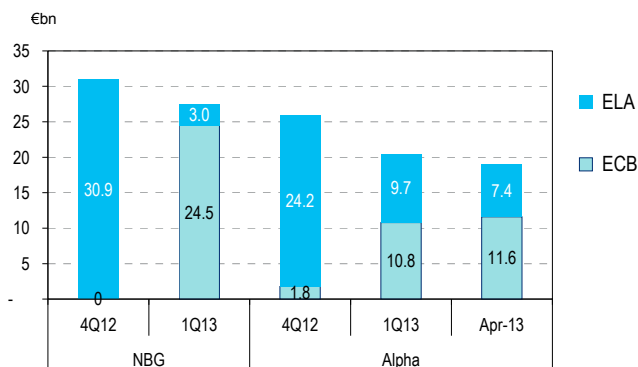
Results out after 4pm Athens time on 29 (NBG) & 30 (Alpha) Aug

Overall, we expect results comparable to Q1 with broadly stable NII & provisions – supportive for view of recovery

We believe trends observed in Q1 will continue. This should foster some confidence on the 'healing' of balance sheets. As illustrated in the section 'Greek Banking Environment' (from page 20), banking conditions remain tough and we are unlikely to observe a sharp change in direction in NII and asset quality in the near term. Key trends:

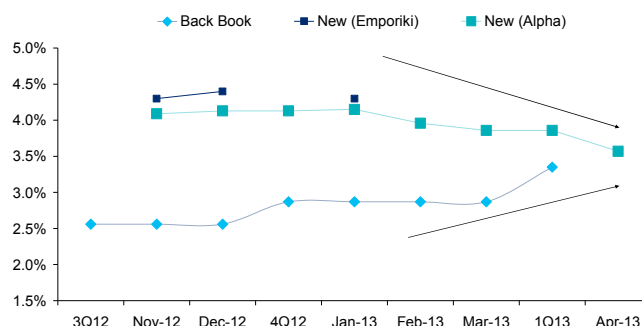
- **NII helped by cheaper central bank funding:** Small improvement from shift from ELA to ECB (Figure 20), reducing the cost from over 2% to 0.75% of central bank support. As a reminder, the (re)acceptance of GGBs by the ECB as collateral, as well as the availability as HFSF bonds (which were provided as payment-in-kind, in lieu of equity for the recap) has allowed the banks to regain access to (cheap) ECB funding.
- **Deposit NII recovery for 2H:** Deposit spreads should remain under pressure in Q2 despite cheaper new deposits (Figure 50). This is because of the roll-over effect, as outstanding deposits typically have a maturity of about six months (Figure 21 and Figure 50). Meanwhile, deleveraging continues, with Greek loan contraction over 5% yoy in Q2 and small deposits inflows over the quarter.
- **Costs:** Effects of restructuring plans should continue to deliver cost reductions.
- **Provisions:** The stabilisation of the environment (improving liquidity and reducing 'moral hazard') could have also helped to maintain NPL formation at the relatively moderate levels of 1Q13 after the sharp increase in mid-2012.
- **One-offs and scope effects:** As in previous quarters, results will be 'polluted' by a number of one-off transactions (gains on LMEs) as well as by scope effect (integrations and disposals).

Figure 20. Shift from ELA to ECB Funding to Provide Relief in 1H13...



Source: Alpha Bank Company Reports and Citi Research  
Note: ELA = emergency lending assistance, provided by the national central bank

Figure 21. But Deposit Margins to Improve from 2H Only



Source: Alpha Bank Company Reports, Citi Research; Note: negative spreads on back-book vs rates on new deposits for Alpha Bank



**Disposals and other corporate actions  
can help create a buffer for risks on  
capital (incl. DTAs & Basel 3)**

## More Clarity on Capital

We believe the 'right level' for Greek banks' B3 CET1 ratios should be around 9%, given their retail domestic SIFI character. However, a somewhat higher level may be targeted to act as a buffer.

- **Disposals:** Greek banks are likely to continue to refine the assets they consider non-core (e.g. low synergies with group, unattractive funding structure or low market share) and, at the right price, proceed with their sale. As stressed in [Banking on Greekover?](#) (12 June), with more signs of life in CEE and particularly SEE M&A, we believe more disposals are likely. While these disposals may come at a discount to book value, the RWA and goodwill releases should improve the banks' capital ratios. Also, banks may consider buy-back of more of their own debts, thereby booking capital gains (so-called LME – liability management exercises).
- **State preference shares** (€1,350m for NBG and €940m for Alpha Bank) are likely to be paid once the banks are capital-accretive and sufficiently capitalised. This could happen around 2014-2015E, in our view, in order to avoid the 10% coupon when the banks return to profit.
- **Net DTAs** (€1.9bn for Alpha Bank, €1.3bn for NBG). Given most of these DTAs are related to the PSI, DTAs do not need to be deducted from CET1 as long as they remain under the 20% filter set by the Bank of Greece (which was reached in March). Further losses in the coming quarters are likely to translate into more variations in capital levels. The near-term risk on DTAs appears limited. But we cannot exclude that, as the banks are unlikely to pay taxes for several years even as they become profitable, new forms of taxations are created by the Greek government as observed in several other geographies ('systemic taxes', increases in deposit guarantee fund contributions, etc).
- **Basel 3 Definition:** Basel 3 rules have been translated in European legislation through the CRDIV directive and CRR1 regulation. Given the low weight of markets activities for Greek banks, the impact of Basel 3 should be manageable. But whilst the law is passed, ongoing debates between regulators and in markets (on leverage, stress tests, common supervisor) could induce more modifications.

**Figure 22. Regulatory Capital Ratio (1Q13, pro-forma recap)**

	NBG	Alpha
EBA CET1	5135	7908
RWA	55345	57700
EBA CET1 Ratio	9.3%	13.7%
State Pref shares	1350	940
Impact B3*	-0.1%	-0.1%
B3 CET1 ratio ex pref shares	6.7%	12.1%

Source: Company Reports and Citi Research Estimates; Note: \*Citi Research assumption

## Stress Tests: Drivers of Confidence?

**“Blackrock 1” (in 2011-12) with BoG supplement concluded in recent capital increases**

Blackrock was hired in 2011 to evaluate the capital requirements of Greek banks, based on expected future capital generation and provision charges on their assets. This analysis was then supplemented by the Bank of Greece which, in late 2012, announced the banks’ capital requirements, as well as the main underlying assumptions. In the meantime, all large banks have raised the targeted capital amounts with the help of the HFSF (Hellenic Financial Stability Fund). Of these amounts, Alpha, NBG and Piraeus raised more than 10% from private investors – allowing the private shareholders to maintain control and to have an option (through warrants) to buy the shares from the HFSF in the coming years.

**“Blackrock 2” initiated – possibly to be concluded by year-end. Could help confidence, along with ECB’s review in early 2014**

With Blackrock now refreshing its assessment, we see a number of opposing drivers that could confirm the banks do not need to raise more capital and help confidence. The ECB will also run a pan-euro asset quality review early next year.

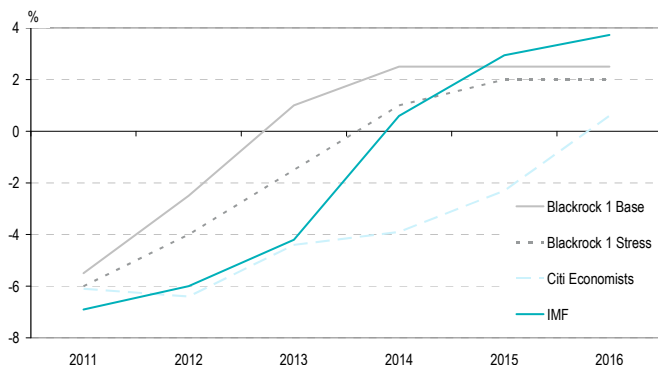
**What could be worse** vs 2011 review:

- **Macro assumptions** on GDP (Figure 23), unemployment (Figure 24) but also property prices and interest rates were agreed with the Central bank and the Troika in November 2011. Unfortunately, even the stress case proved more benign than the levels that materialized.
- **Creditors’ rights** with Blackrock initially assuming the moratorium on foreclosure auctions would end in January 2012 – but this remains in place.
- The macro and banking environment in **Cyprus**

**What could be better** vs 2011 review:

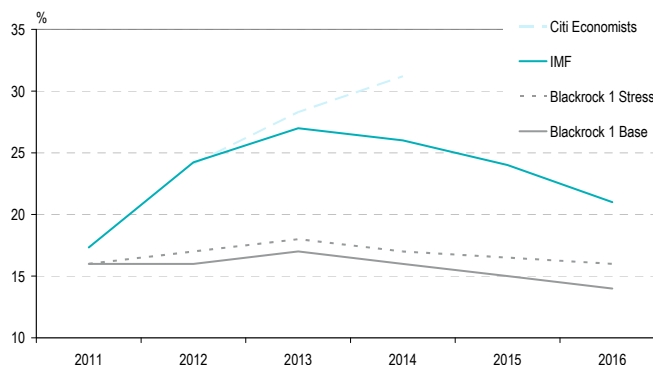
- **DTA treatment:** the DTA filter has been increased to 20% of equity vs 10% previously.
- **More disclosure** especially by banks and at a granular level (including on existing NPLs and restructured loans) could help foster confidence.
- **Timing:** Blackrock review to end around November. Review by Bank of Greece to follow – publication by year-end appears possible.
- **Consolidation – synergies & lower competition:** The rapid consolidation of the banking sector is allowing, amongst other benefits, for a rapid reduction in the cost of deposits. At bank level, the integration is leading to cost synergies.
- **Disposals & LME:** Liability management exercises (LME – the buy-back of own debt) and disposals are boosting capital ratios through capital gains and the release of RWAs, respectively.

Figure 23. Wide Range in GDP Assumptions



Source: IMF, Blackrock, Citi Research

Figure 24. Wide Range in Unemployment Assumptions



Source: IMF, Blackrock, Citi Research

Figure 25. Citi Estimates vs Bank of Greece 2012 Assessment – Provisions

	Gross Loans (1)	Target Gross Provisions (2)	% loans	Reserves Dec 2011 (3)	2012 Provisions Charges (4)	2013-14 Provisions to be taken (2-3-4)	% 2015E loans	Gross Loans 2015E
<b>NBG</b>	<b>79</b>	<b>8.4</b>	<b>11%</b>	<b>5.4</b>	<b>2.5</b>	<b>0.4</b>	<b>1%</b>	<b>84</b>
- o/w Greece 2011-14	49	4.4	9%		2.0			
NBG with 'adverse scenario'	79	9.8	12%	5.4	2.5	1.8	2%	84
<b>Alpha &amp; Emporiki</b>	<b>73</b>	<b>15</b>	<b>20%</b>	<b>7.1</b>	<b>2.8</b>	<b>5.0</b>	<b>8%</b>	<b>64</b>
- Alpha	50	8.5	17%	3.1	1.7	3.7		
-- o/w Greece	34	6.7	20%					
- Emporiki	23	6.4	27%	4.0	1.1	1.3		
-- o/w Greece	20	5.6	28%					
<b>Total Greek banks</b>	<b>255</b>	<b>46.8</b>	<b>18%</b>	<b>24.7</b>				
- Greece 2011-14	223	33.1	15%					

Source: Bank of Greece, Company Reports and Citi Research Estimates;

Note: Based on our understanding of the outputs from Bank of Greece report; (1) Gross loans at end 2011; (2) 4 years provisions from four years; (3) accumulated provisions at end 2011;

Figure 26. Citi Estimates vs Bank of Greece 2012 Assessment – Pre-provision Profits

	2012-14 (1)	2012 done	2013-14E to be done	2013-14E Citi Base Case	Delta
NBG	4.7	1.2	3.5	3.6	(0.1)
Alpha & Emporiki	3.2	0.3	2.9	1.8	1.0
- Alpha	2.0	0.3	1.7		
- Emporiki	1.2	-	1.2		

Source: Company Reports and Citi Research Estimates

Note: (1) Internal capital generation based on banks' Business Plans for the period 2012 – 2014, as conservatively stressed according to the Bank of Greece methodology, taking also into account the capital actions that had already materialised at the time of the exercise; (2) Estimated using 2012 GOP. Excl. €2.6bn negative goodwill from Emporiki acquisition

## Valuation: What's Priced In?

**Greek banks trade at 0.8-1x BV / 0.8-1.6x TBV for underlying breakeven in 2014-15E**

Greek banks trade at 0.8-1x BV / 0.8-1.6x TBV for underlying breakeven in 2014-15E compared with their European peers on 0.9x BV for 7-8% 2013-14E RoE. As illustrated above, more clarity on which scenario actually materialises could allow us to take a clear stance on valuations – but given the ongoing uncertainty, we do not assign target prices at this time.

Figure 27. Alpha Bank – Valuation Overview

	2012 pro-forma	2013E	2014E	2015E	2016E
BV per share*	0.63	0.57	0.49	0.48	0.52
TBV per share*	0.61	0.55	0.48	0.47	0.50
RoE	NM	NM	NM	1%	9%
DPS	0.00	0.00	0.00	0.00	0.01
Capital per share (to 9% B3 CET1 ratio)*	0.24	0.07	-0.01	-0.01	0.04
P/B	0.80x	0.88x	1.01x	1.03x	0.97x
<b>P/TB</b>	<b>0.81x</b>	<b>0.90x</b>	<b>1.04x</b>	<b>1.06x</b>	<b>0.99x</b>
Dividend yield	0%	0%	0%	0%	2%

Source: Company Reports and Citi Research Estimates; Note: \*ex preference shares

Figure 28. NBG Valuations Overview

	1Q13 pro-forma	2013E	2014E	2015E	2016E
BV	6,438	6,296	6,472	7,292	8,444
Nbr of shares	2,286	2,286	2,286	2,286	2,286
BV per share*	2.82	2.75	2.83	3.19	3.69
TBV per share*	1.87	1.81	1.89	2.25	2.75
RoE	2%	-17%	3%	12%	15%
DPS		0.0	0.0	0.0	0.0
Excess Capital per share	154	-178	-154	429	1329
Excess Capital per share*	-1,196	-1,528	-1,504	-921	-21
P/B	1.1x	1.1x	1.1x	1.0x	0.8x
<b>P/TB</b>	<b>1.6x</b>	<b>1.7x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>1.1x</b>

Figure 29. NBG Core Franchises Attractive in Mid-Term

	International Retail	o/w SEE	Greece & Other*	Group
<b>Balance Sheet</b>				
Assets 2016E	44.3	9.6	66.4	120.3
Gross loans 2016E	28.5	7.4	54.3	90.2
<b>Financials</b>				
Net Profit 2013E	0.5	-0.0	-0.6	-0.1
Net Profit 2016E	0.8	0.1	0.4	1.3
BV 2013E	4.7	1.2	0.5	6.3
BV 2016E	6.5	1.3	0.9	8.7
RWA 2013E Split	34%	11%	55%	
RWA 2016E	31	6	27	65
RoE 2013E	12%	-1%	-136%	-1%
RoE 2016E	12%	7%	42%	15%
RoE 2013E (on 9% RWA)	24%	-3%	-28%	-2%
<b>RoE 2016E (on 9% RWA)</b>	<b>29%</b>	<b>15%</b>	<b>16%</b>	<b>22%</b>

Source for both charts: Company Reports and Citi Research Estimates; Note: excess capital to 9% CET1 ratio; \*ex State preference shares

Figure 30. Global Banks Valuations

Bank	M Cap (\$bn)	Adj P/E			Price / Book		ROE		Div Yld 2013E	Now vs 2Y High	Abs Chg (%)			
		2013E	2014E	2015E	2013E	2014E	2013E	2014E			YTD	1M	3M	12M
Benelux	63	7.1x	8.1x	7.0x	1.1x	1.1x	8%	9%	0.0%	-3%	+25%	+13%	+15%	+61%
CEE/Austria	94	16.2x	11.3x	9.7x	1.3x	1.2x	8%	11%	3.2%	-6%	+10%	+13%	+9%	+23%
France	161	9.9x	8.2x	6.9x	0.7x	0.6x	7%	8%	4.0%	-2%	+24%	+11%	+9%	+57%
Germany	59	10.5x	6.6x	5.2x	0.5x	0.5x	4%	6%	1.7%	-22%	-4%	+1%	-7%	+13%
Greece/Cyprus	17	3.3x	<0	9.4x	0.8x	0.8x	NM	-2%	0.8%	-69%	-42%	+11%	-34%	-45%
<b>Alpha Bank</b>	<b>6.9</b>	<b>1.4x</b>	<b>&lt;0</b>	<b>nm</b>	<b>0.8x</b>	<b>1.0x</b>	<b>NM</b>	<b>-14%</b>	<b>0.0%</b>	<b>-48%</b>	<b>-8%</b>	<b>+7%</b>	<b>-17%</b>	<b>-8%</b>
<b>National Bank of Greece</b>	<b>9.5</b>	<b>&lt;0</b>	<b>38.5x</b>	<b>8.3x</b>	<b>1.1x</b>	<b>1.0x</b>	<b>NM</b>	<b>3%</b>	<b>0.0%</b>	<b>-84%</b>	<b>-54%</b>	<b>+14%</b>	<b>-43%</b>	<b>-58%</b>
Iberia	186	20.0x	13.7x	10.8x	0.8x	0.8x	4%	6%	6.7%	-16%	+1%	+15%	+6%	+10%
Israel	13	9.5x	9.2x	8.7x	0.7x	0.6x	7%	7%	0.5%	-8%	+1%	-2%	-3%	+35%
Italy	88	28.6x	14.5x	10.3x	0.5x	0.4x	1%	3%	2.3%	-20%	+17%	+15%	+4%	+31%
Nordics	176	12.4x	10.7x	9.9x	1.3x	1.2x	10%	11%	4.4%	-5%	+28%	+1%	-2%	+29%
Russia	83	5.2x	4.9x	4.3x	0.9x	0.8x	18%	17%	3.1%	-24%	-4%	-5%	-15%	-4%
Switzerland	141	16.0x	11.1x	8.3x	1.3x	1.2x	8%	11%	1.8%	-3%	+31%	+3%	+2%	+63%
Turkey	48	6.7x	7.0x	5.9x	1.0x	0.9x	15%	13%	2.2%	-39%	-24%	-12%	-39%	-10%
UK/Ireland	470	10.5x	9.7x	8.8x	1.0x	0.9x	7%	9%	2.8%	-10%	+12%	-2%	-5%	+38%
<b>EUROPE</b>	<b>1600</b>	<b>11.0x</b>	<b>9.6x</b>	<b>8.0x</b>	<b>0.9x</b>	<b>0.8x</b>	<b>7%</b>	<b>8%</b>	<b>3.3%</b>	<b>-11%</b>	<b>+11%</b>	<b>+4%</b>	<b>-2%</b>	<b>+28%</b>
USA	1023	12.1x	10.5x	9.4x	1.1x	1.1x	+10%	11%	1.9%	-4%	+25%	-4%	+5%	+41%
Canada	303	11.9x	10.9x	10.2x	1.8x	1.7x	16%	16%	4.1%	-3%	+5%	-1%	+2%	+13%
<b>NORTH AMERICA</b>	<b>1327</b>	<b>12.0x</b>	<b>10.6x</b>	<b>9.6x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>12%</b>	<b>12%</b>	<b>2.4%</b>	<b>-4%</b>	<b>+20%</b>	<b>-3%</b>	<b>+4%</b>	<b>+34%</b>
<b>AUSTRALIA / NZ</b>	<b>337</b>	<b>14.5x</b>	<b>13.9x</b>	<b>13.2x</b>	<b>2.2x</b>	<b>2.1x</b>	<b>15%</b>	<b>15%</b>	<b>5.7%</b>	<b>-6%</b>	<b>+20%</b>	<b>+3%</b>	<b>-0%</b>	<b>+25%</b>
Argentina	5	5.2x	4.1x		1.2x	0.9x	27%	26%	0.0%	0%	+36%	+35%	+28%	+97%
Brazil	137	8.3x	7.4x	6.1x	1.4x	1.2x	18%	17%	4.6%	-22%	-10%	-2%	-16%	-10%
Chile	19	10.8x	9.2x		1.9x	1.7x	19%	19%	4.1%	-31%	-19%	-8%	-15%	-17%
Mexico	17	15.5x	13.3x	11.3x	2.4x	2.1x	17%	17%	2.1%	-13%	+1%	+7%	+1%	+31%
Peru	13	13.7x	10.0x	8.5x	2.2x	1.9x	17%	21%	3.0%	-22%	-12%	+8%	-13%	+7%
<b>LATIN AMERICA</b>	<b>191</b>	<b>9.5x</b>	<b>8.2x</b>	<b>6.8x</b>	<b>1.6x</b>	<b>1.4x</b>	<b>18%</b>	<b>18%</b>	<b>4.1%</b>	<b>-22%</b>	<b>-9%</b>	<b>-0%</b>	<b>-13%</b>	<b>-3%</b>
Egypt	5	7.2x	5.9x	5.0x	1.5x	1.3x	23%	24%	4.3%	-21%	-6%	+0%	+0%	+12%
Kenya	3	13.1x	11.9x	10.5x	2.4x	2.2x	20%	19%	3.2%	-3%	+48%	+5%	+3%	+70%
Morocco	8	12.3x	10.7x	9.6x	1.9x	1.7x	16%	16%	2.9%	-18%	+1%	-2%	-1%	-7%
Nigeria	10	7.1x	5.8x	4.9x	1.7x	1.5x	25%	26%	8.1%	-16%	+16%	-6%	-9%	+44%
Oman	4	8.4x	7.4x	6.7x	1.1x	1.0x	13%	14%	3.4%	-2%	+11%	+8%	-2%	+18%
Qatar	5	8.6x	7.7x	7.2x	1.2x	1.1x	15%	15%	7.1%	-18%	-1%	-4%	+2%	-5%
Saudi Arabia	70	12.2x	10.3x	8.8x	2.1x	1.9x	18%	19%	3.8%	-5%	+21%	+5%	+16%	+11%
South Africa	50	11.1x	9.5x	8.2x	1.7x	1.5x	16%	17%	4.4%	-8%	-2%	+5%	-1%	+6%
UAE	38	11.2x	10.5x	9.8x	1.8x	1.6x	17%	16%	3.8%	-1%	+52%	+1%	+12%	+69%
<b>MIDDLE EAST &amp; AFRICA</b>	<b>192</b>	<b>11.2x</b>	<b>9.7x</b>	<b>8.5x</b>	<b>1.9x</b>	<b>1.7x</b>	<b>17%</b>	<b>18%</b>	<b>4.2%</b>	<b>-6%</b>	<b>+19%</b>	<b>+3%</b>	<b>+8%</b>	<b>+23%</b>
<b>JAPAN</b>	<b>247</b>	<b>13.9x</b>	<b>15.4x</b>	<b>13.8x</b>	<b>0.9x</b>	<b>0.9x</b>	<b>7%</b>	<b>6%</b>	<b>2.1%</b>	<b>-18%</b>	<b>+33%</b>	<b>-11%</b>	<b>-15%</b>	<b>+74%</b>
China	830	5.4x	5.0x	4.5x	1.0x	0.9x	20%	19%	6.3%	-19%	-10%	+7%	-10%	+8%
Hong Kong	78	14.3x	13.1x	11.7x	1.7x	1.6x	16%	13%	4.6%	-10%	+2%	+5%	-7%	+6%
India	102	14.9x	12.9x	10.7x	2.5x	2.2x	18%	17%	1.9%	-30%	-23%	-15%	-26%	-9%
Indonesia	64	11.7x	10.8x	10.1x	2.4x	2.0x	22%	20%	2.6%	-28%	-5%	-13%	-24%	-2%
Korea	46	9.3x	7.9x	7.3x	0.6x	0.6x	7%	7%	2.2%	-21%	-2%	-0%	-6%	-1%
Malaysia	85	13.0x	11.9x	11.0x	2.0x	1.8x	16%	16%	3.6%	-9%	+3%	-7%	-4%	+7%
Philippines	19	13.9x	14.2x	12.9x	2.1x	1.9x	15%	14%	1.7%	-24%	-1%	-6%	-20%	+22%
Singapore	83	12.2x	11.5x	10.2x	1.3x	1.3x	11%	11%	3.6%	-9%	+5%	-3%	-7%	+7%
Taiwan	45	13.2x	12.5x	11.7x	1.2x	1.2x	10%	10%	2.7%	-9%	+10%	-3%	-3%	+16%
Thailand	58	10.4x	8.7x	7.6x	1.6x	1.5x	18%	18%	3.6%	-24%	-9%	-10%	-19%	+0%
<b>ASIA</b>	<b>1409</b>	<b>8.4x</b>	<b>7.7x</b>	<b>6.9x</b>	<b>1.3x</b>	<b>1.2x</b>	<b>18%</b>	<b>17%</b>	<b>5.0%</b>	<b>-18%</b>	<b>-7%</b>	<b>+2%</b>	<b>-11%</b>	<b>+6%</b>

Source: Powered by dataCentral; Note: Prices as at end 22 Aug, based on Citi Research coverage universe

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## Additional Data

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Figure 31. Alpha Bank – Asset Quality Indicators by Geography, March-2013

€bn	Group	Greece	Cyprus	Balkans	o/w Ro	o/w Bg	o/w Sb	o/w Alb	o/w FYROM	Other
<b>Loans</b>										
Mortgages	21.3	17.6	2.3	1.22	0.8	0.2	0.2	0.1	0.0	0.2
Consumer	7.4	6.4	0.3	0.59	0.3	0.1	0.2	0.0	0.0	0.1
Businesses	36.4	30.2	2.3	3.15	1.9	0.5	0.4	0.3	0.0	0.7
o/w Small biz	7.0	6.9								
ow/ Medium & Large	29.4	23.3								
<b>Gross Loans</b>	<b>65.1</b>	<b>54.2</b>	<b>5.0</b>	<b>5.0</b>	<b>3.0</b>	<b>0.7</b>	<b>0.8</b>	<b>0.4</b>	<b>0.1</b>	<b>0.9*</b>
NPL	19.6	18*	1.1	0.8	0.4	0.1	0.1	0.1	0.0	NA
<b>NPL ratio</b>	<b>30.1%</b>	<b>32.6%</b>	<b>22.9%</b>	<b>15.7%</b>	<b>13.6%</b>	<b>19.6%</b>	<b>18.6%</b>	<b>16.3%</b>	<b>29.5%</b>	
Provisions	10.1									
Net Loans	<b>55.0</b>									
<b>Deposits</b>										
Sight & Savings		12								
Time & Bonds		24								
<b>Total Deposits</b>	<b>42.0</b>	<b>36</b>	<b>2.6</b>	<b>2.8</b>	<b>1.4</b>	<b>0.3</b>	<b>0.6</b>	<b>0.5</b>	<b>0.1</b>	<b>0.6</b>
LDR	155%	150%	188%	175%	223%	205%	131%	82%	92%	168%

Source: Company Reports and Citi Research Estimates; Note: \*Estimates

Figure 32. Alpha Bank – Asset Quality Indicators, end-2012

€bn	Gross loans	Provisions	Net loans	NPL	Restructured Loans	NPL ratio	Restructured Ratio	Coverage Ratio
<b>Alpha (incl. Emporiki)</b>								
Mortgages	21.9	1.8	20.1	5.7		26.0%		31%
Consumer	7.5	1.8	5.7	2.6		33.9%		72%
Business loans	39.3	6.0	33.3	10.3		26.3%		58%
<b>Total</b>	<b>68.7</b>	<b>9.6</b>	<b>59.1</b>	<b>18.6</b>	<b>&gt;5.4</b>	<b>27.1%</b>	<b>&gt;8%</b>	<b>52%</b>
<b>o/w Emporiki</b>								
Mortgages	7.4	1.1	6.3	3.0		40.4%		36%
Consumer	2.1	0.9	1.2	1.4		63.6%		69%
Business loans	10.3	3.0	7.3	3.9		38.4%		76%
<b>Total</b>	<b>19.8</b>	<b>5.0</b>	<b>14.8</b>	<b>8.3</b>	<b>NA</b>	<b>41.9%</b>		<b>61%</b>
<b>o/w Alpha (ex Emporiki)</b>								
Mortgages	14.5	0.7	13.8	2.7		19%		26%
Consumer	5.4	0.9	4.5	1.2		22%		75%
Businesses	29.0	3	26.0	6.4		22%		47%
<b>Total</b>	<b>48.9</b>	<b>4.6</b>	<b>44.3</b>	<b>10.3</b>	<b>5.4</b>	<b>21.1%</b>	<b>11%</b>	<b>45%</b>

Source: Company Reports and Citi Research

Figure 33. NBG – Asset Quality Overview

1Q13, €bn	Group	o/w Greece
Gross loans	77.2	44.3
Provision Reserve	7.9	5.7
NPL (non adjusted)	14	11
90day past due ratio	19.8%	24.3%
Coverage ratio	54%	53%
Restructured	6	6
Restructured ratio	8%	14%

Source: Company Reports and Citi Research



Figure 34. NBG – IFRS 7 Asset Quality Overview

end 2012, €bn	Mortgages	Consumer	Credit Cards	SME	Corporate & Public Sector	Total
<b>Total loans</b>	<b>23.5</b>	<b>9.0</b>	<b>6.7</b>	<b>6.3</b>	<b>31.4</b>	<b>76.9</b>
Performing	15.0	4.7	4.9	3.1	18.2	45.9
% of total	64%	52%	73%	49%	58%	60%
Past due but not impaired	2.8	0.9	0.6	0.5	1.9	6.7
% of total	12%	11%	10%	8%	6%	9%
Impaired - collective	5.5	3.3	1.2	2.1	1.1	13.3
Impaired - individual	0.1	0.1	0.0	0.5	10.2	11.0
Total impaired	5.69	3.37	1.20	2.69	11.33	24.28
% of total	<b>24%</b>	<b>38%</b>	<b>18%</b>	<b>43%</b>	<b>36%</b>	<b>32%</b>
Allowance for impairment	1.0	1.9	0.9	1.1	2.9	7.8
Allowance / Total loans	4%	21%	14%	17%	9%	10%
<b>'Coverage ratio' = Allowance / Impaired loans</b>	<b>17%</b>	<b>56%</b>	<b>76%</b>	<b>41%</b>	<b>25%</b>	<b>32%</b>

Source: Company reports and Citi Research; Note: IFRS7 requirements, all loans with an impairment (individual or collective)

Figure 35. NBG – Selected International Activities Balance Sheets & P&L

2012, €m	Sum of Selected Markets	Bulgaria	Romania	FYROM	Cyprus	Serbia	Albania	S Africa
<b>Balance sheet</b>								
Total assets	9,233	3,270	2,124	1,242	1,130	987	299	181
Customer Loans	6,217	2,352	1,586	758	572	617	187	145
Cash Coverage ratio (1Q13)		45%	46%	92%		55%		
Deposits	5,956	2,432	780	964	798	672	222	88
Funding gap	261	-80	806	-206	-226	-55	-35	57
<b>P&amp;L</b>								
GOP*	128	80	-2	27	24	-4	2	1
Impairments	-199	-104	-51	-10	-20	-10	-3	-1
PBT	-71	-24	-53	17	4	-14	-1	0
Net profit	-61	-21	-46	17	2	-14	1	0

Source: Company Reports and Citi Research Estimates; Note: \*Citi estimates

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# **Greek Banking Environment**

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## Lending Volumes

- Lending contraction remains elevated, at -4.9% yoy and -1.9% qoq as at end-June (Figure 36).
- The pace of deleveraging is similar in all loan types: Corporate lending -7% yoy (decelerating slightly), mortgage lending -6% yoy (stable), and consumer credit 7% yoy (stable).

Figure 36. Greece — Total Lending Growth, Mar 02-Jun 13 (% yoy)

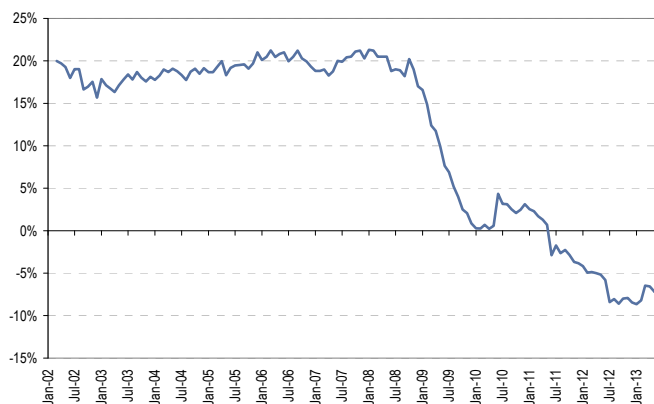


Figure 37. Greece — Corporate Lending Growth, Mar 02-Jun 13 (% yoy)

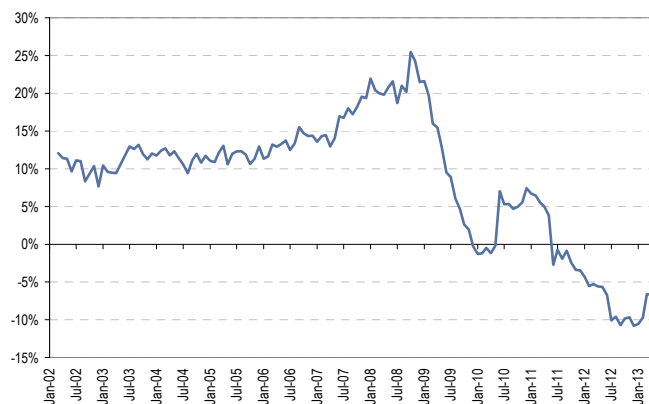


Figure 38. Greece — Mortgage Lending Growth, Mar 02-Jun 13 (% yoy)

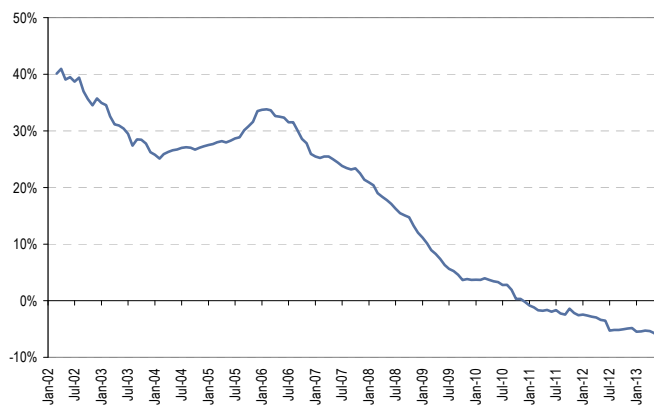


Figure 39. Greece — Consumer Credit Growth, Mar 02-Jun 13 (% yoy)



Source for all charts: Bank of Greece and Citi Research

## Deposit Volumes

- Total deposit growth was 8% yoy in June 2013 and flat qoq (Figure 40). Following the sharp recovery post the political turmoil in mid-2012, deposits were broadly stable in Q2 despite concerns following the Cyprus deposit bail-in.
- The share of the more expensive time deposits remains above 60% (Figure 45).

Figure 40. Greece — Total Deposit Growth, Mar 02-Jun 13 (% yoy)



Figure 41. Greece — Loan to Deposit Ratio, Mar 02-Jun 13 (%)



Figure 42. Greece — Sight Deposit Growth, Mar 02- Jun 13 (% yoy)

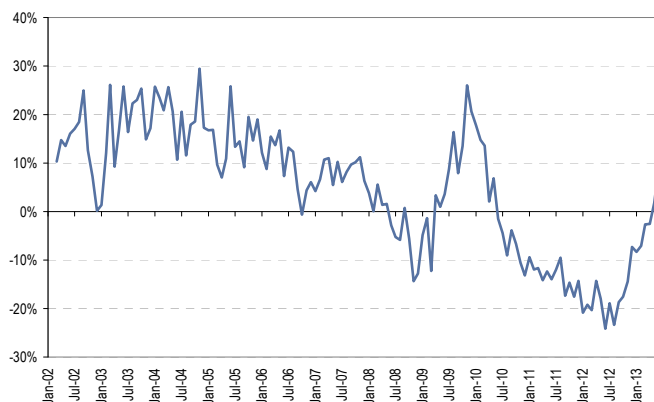


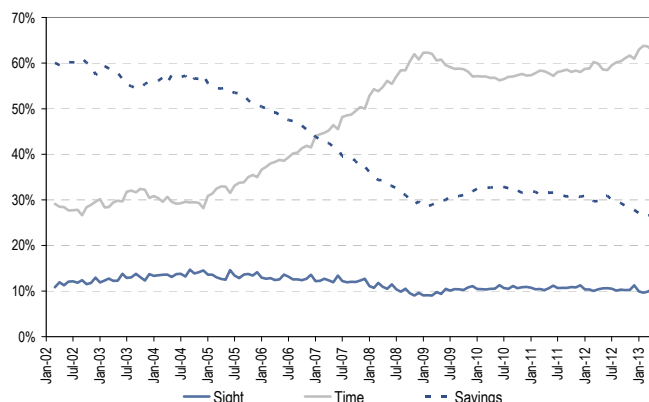
Figure 43. Greece — Time Deposit Growth, Mar 02- Jun 13 (% yoy)



Figure 44. Greece — Savings Deposit Growth, Mar 02-Jun 13 (% yoy)



Figure 45. Greece — Deposit Mix, Mar 02-Jun 13 (% of Total Deposits)



Source for all charts: Bank of Greece and Citi Research

## Interest Rates

- The cost of new deposits is falling rapidly (Figure 46), down 45bp ytd to 2.4% on average in June 2013, driven by the decline in term deposit costs (Figure 47).
- Rates on new loans to households and corporates are also declining, albeit at a slower pace (-38bp and -11bp in the year to June, respectively).
- Due to the rolling effect, this improvement of spreads is slowly feeding through average outstanding rates: 2.7% on deposits (-20bp ytd), 5.7% on loans (-6bp).

Figure 46. Rates on New Deposits by Depositor Type (%)

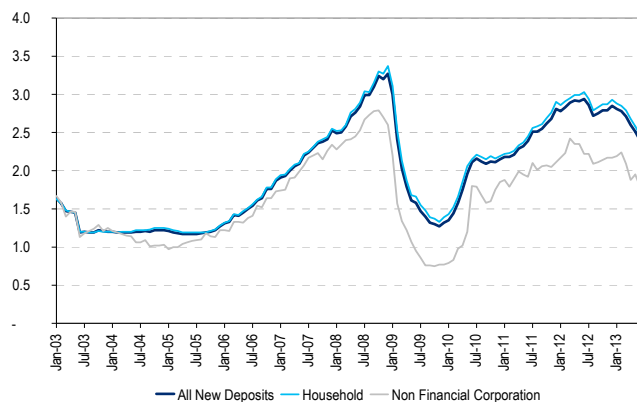


Figure 47. Rates on New Deposits for Main Types (€ denominated)

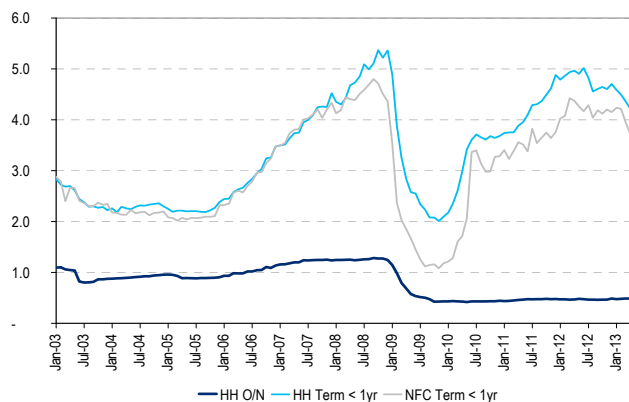


Figure 48. Rates on New Loans by Borrower Type

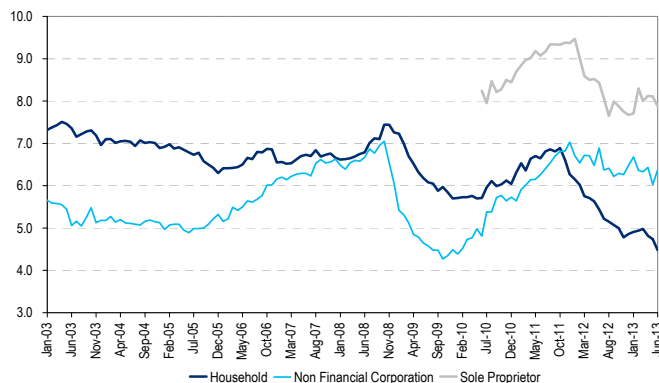


Figure 49. Rates on New Loans for Main Types (€ denominated)

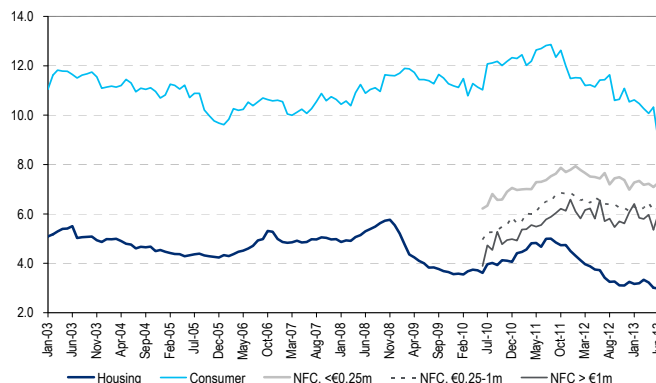


Figure 50. Rates on Outstanding Term Deposits, Loans & Spreads

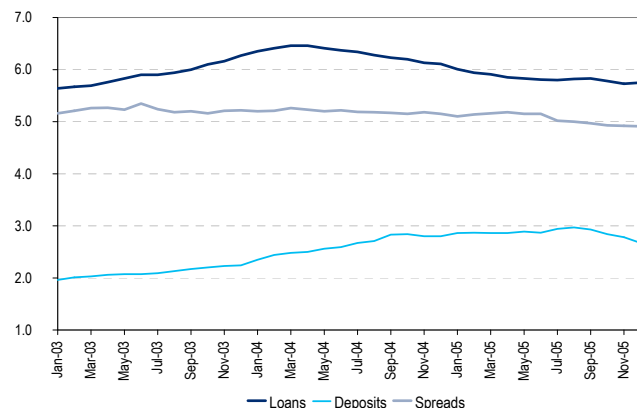
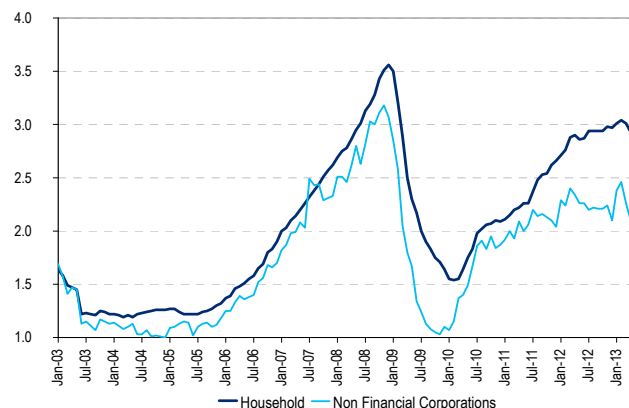


Figure 51. Rates on Outstanding Term Deposits by Depositor Type

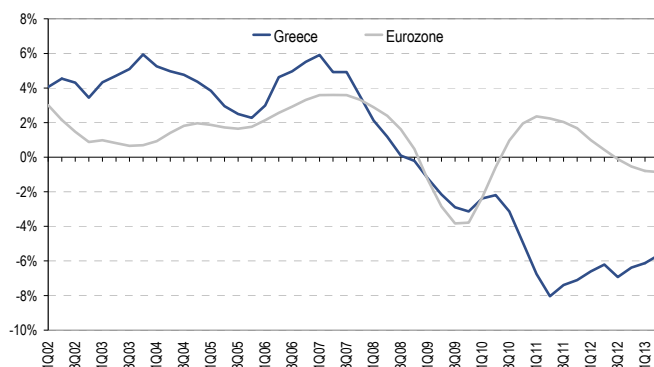


Source for all charts: Bank of Greece, Citi Research; Note: only €-denominated loans and deposits to euro area residents

## Economic Growth and Outlook

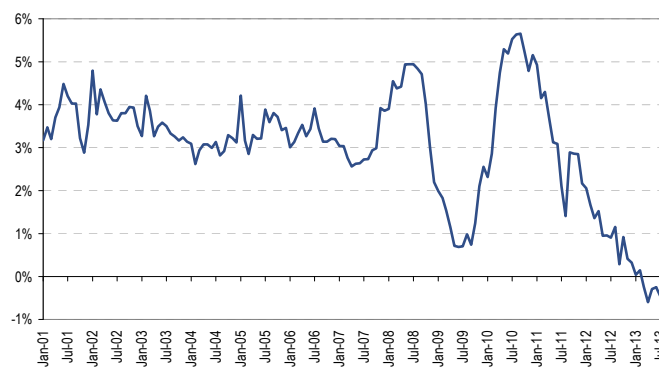
- Real GDP growth in Greece was -4.6% yoy in 2Q13, slightly better than the -5.6% in 1Q13. While Greek economic contraction slows, the Eurozone's GDP growth improved somewhat at -0.7% in 2Q13 after -1.1% in 1Q13. Our economists estimate that Greek GDP will be -4.4% in 2013 versus a decline in the Eurozone of -0.5%.
- Greek CPI stood at -0.5% (July 2013), in negative territory since March 2013.

Figure 52. Greece — Real GDP Growth, 1Q02-2Q13  
(% rolling quarterly increase, annualised)



Source: Haver, DataStream

Figure 53. Greece — CPI Inflation, Jan 01-Jul 13 (%)



Source: DataStream

Figure 54. Economic Forecast Overview, 2012-14F

	GDP Growth			CPI Inflation			Current Balance (Pct of GDP)			Fiscal Balance (Pct of GDP)		
	2012	2013F	2014F	2012	2013F	2014F	2012	2013F	2014F	2012	2013F	2014F
<b>Global</b>	2.6	2.4	3.2	2.9	2.6	3.0	0.3	0.4	0.2	-4.4	-3.7	-3.2
<b>Industrial Countries</b>	1.4	1.0	1.9	1.8	1.3	1.8	-0.5	-0.1	-0.1	-6.0	-4.5	-3.6
United States	2.8	1.6	2.7	1.8	1.3	2.0	-2.7	-2.8	-2.8	-8.1	-4.8	-4.3
Japan	2.0	2.0	2.0	0.0	0.0	2.1	1.1	1.5	2.5	-10.7	-9.8	-8.0
<b>Euro Area</b>	-0.5	-0.5	0.6	2.5	1.5	1.4	1.2	2.5	2.3	-3.7	-2.9	-2.5
Canada	1.7	1.8	2.5	1.5	1.2	1.8	-3.4	-3.2	-3.4	-1.4	-1.0	-0.3
Australia	3.6	2.5	3.1	1.8	2.1	2.8	-3.7	-2.9	-3.9	-3.0	-2.5	-1.9
Germany	0.9	0.6	1.7	2.0	1.7	1.9	7.0	6.9	6.0	0.2	-0.1	0.3
France	0.0	0.2	0.8	2.2	1.1	1.7	-2.2	-1.6	-0.8	-4.8	-3.8	-3.2
Italy	-2.4	-1.6	-0.1	3.3	1.5	1.3	-0.5	1.4	2.1	-3.0	-3.5	-3.0
Spain	-1.4	-1.4	-0.2	2.4	1.8	0.9	-1.1	1.2	2.0	-10.6	-6.5	-5.9
<b>Greece</b>	<b>-6.4</b>	<b>-4.4</b>	<b>-3.9</b>	<b>1.0</b>	<b>-0.4</b>	<b>-0.9</b>	<b>-3.4</b>	<b>-0.4</b>	<b>0.8</b>	<b>-10.0</b>	<b>-5.3</b>	<b>-4.9</b>
Netherlands	-1.3	-1.3	0.3	2.8	3.0	1.9	10.1	9.4	8.9	-4.1	-3.9	-3.4
United Kingdom	0.1	1.1	2.1	2.8	2.6	2.0	-3.7	-3.3	-2.9	-6.3	-6.9	-5.8
<b>Emerging Markets</b>	4.7	4.6	5.0	4.6	4.7	4.6	1.7	1.1	0.6	-1.7	-2.4	-2.6
China	7.8	7.4	7.1	2.6	2.7	3.0	2.3	2.2	2.0	-2.0	-2.0	-2.0
India	5.0	5.4	6.2	7.3	5.5	5.0	-4.8	-4.3	-3.2	-7.0	-6.7	-6.4
Korea	2.0	2.9	3.7	2.2	1.5	2.6	3.8	4.3	2.5	1.5	0.9	2.3
Russia	3.4	2.1	2.8	5.1	6.5	5.1	3.9	2.8	0.9	-0.7	-2.0	-4.2
Turkey	2.2	3.5	4.0	8.9	7.3	7.3	-5.8	-6.9	-6.8	-2.0	-2.2	-2.7
South Africa	2.5	2.3	2.9	5.7	5.6	5.8	-6.1	-5.9	-5.7	-4.4	-4.9	-4.8
Brazil	0.9	2.1	2.0	5.4	6.2	5.9	-2.4	-3.5	-3.1	-2.5	-3.6	-3.6
Mexico	3.9	2.0	4.2	4.1	3.8	3.4	-1.6	-1.5	-4.2	-2.6	-2.1	-2.0

Note: Fiscal deficit and debt figures for all countries are general government debt and deficits. We assume sovereign debt restructuring in Italy and Spain in 2015 and Greece in 2017. For Spain, fiscal deficits include the effect of financial support for banks in 2011 (€5.4bn) and 2012 (€33.5bn). Source: Citi Research

## Business Indicators

- The OECD Leading Indicator for Greece has rebounded sharply since it reached a low in February 2012, reaching its highest level since inception (Figure 55).
- Capacity utilisation is recovering somewhat, but remains well below historical levels (Figure 56).
- Construction sector activity and confidence have both rebounded but remain in negative territory.

Figure 55. Greece — OECD Leading Indicator, Jan 00-Jun 13

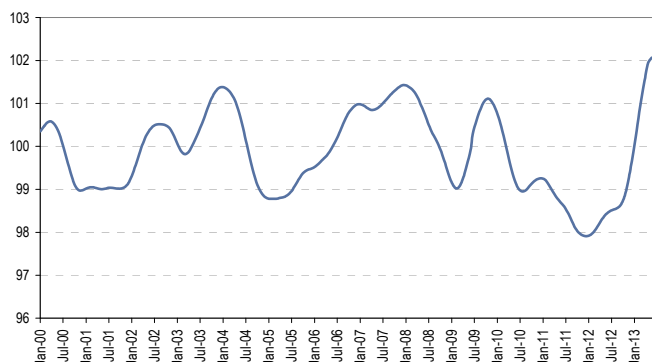


Figure 56. Greece — Industry Capacity Utilisation, Jan 00-May 13 (%)

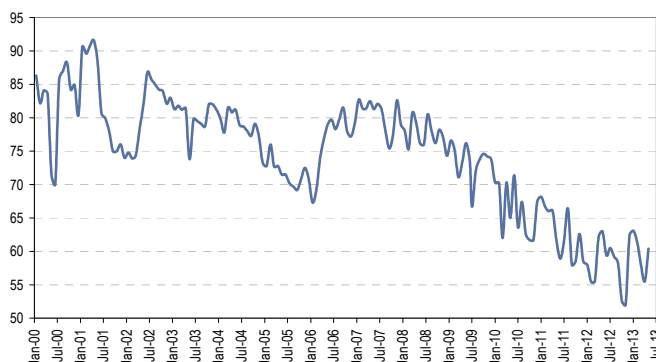


Figure 57. Greece — Construction Activity, Jan 00-Jul 13  
(Balance of Opinion: Current Month Activity vs. Last Month)

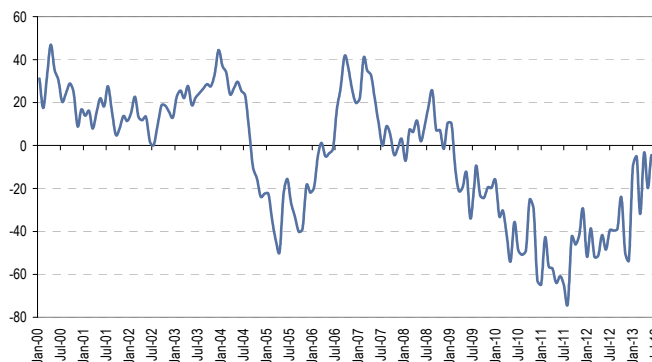
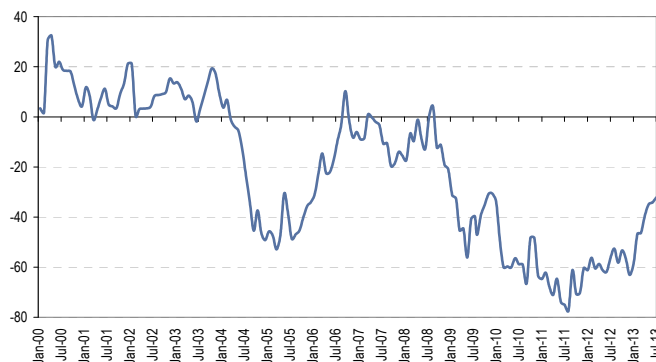


Figure 58. Construction Confidence Indicator, Jan 00-Jul 13  
(Balance of Opinion: Future Activity)



Source for all charts: DataStream



## Market Shares

- At end 2009, the Greek banking sector was fragmented, with over 15 banks with 1% market share. The 4 largest banks then had c60% loan market share.
- Following the recent wave of consolidation, the four largest banks now control c90% of system loans (Figure 59) and deposits (Figure 60).

Figure 59. Greece – Gross Loans by Bank (%)

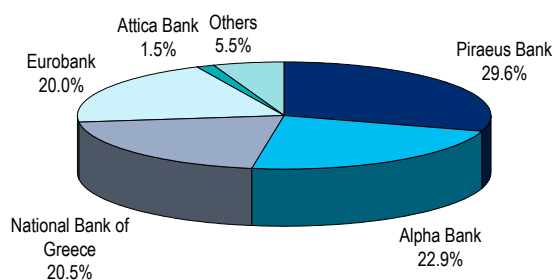


Figure 60. Greece – Customer Deposits by Bank (%)

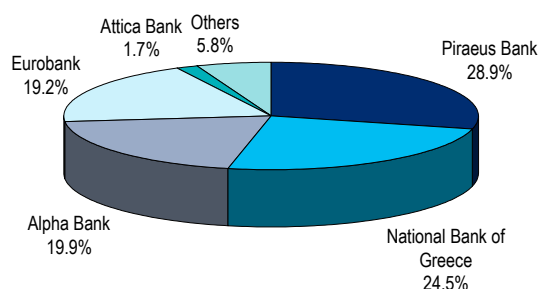
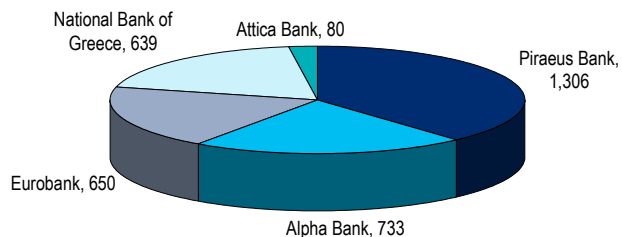


Figure 61. Greek Banks – Branch Network



Note: As at 31 March 2013

Source for all charts: Company Reports & Piraeus Bank

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## **Cyprus Banking Environment**

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## Lending Volumes

- Cypriot loan contraction is accelerating in June 2013 to -5.5% yoy (Figure 62). This was led by non-residents (-18% yoy) with resident loans (c77% of the total) 'only' down 1% yoy.
- By type, loan contraction is led by corporate lending (-9% yoy), but also mortgages and consumer loans (both -6% yoy).

Figure 62. Cyprus — Total Lending Growth, Jan 00–Jun 13 (% yoy)

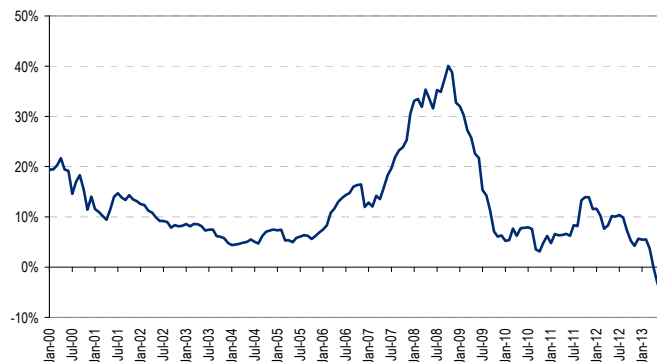
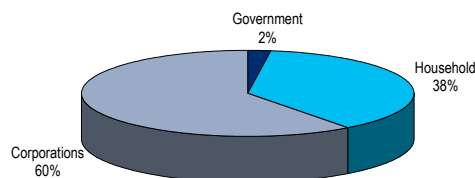


Figure 63. Cyprus — Lending Mix, June 2013



Note: Household loans include mortgage and personal loans.

Figure 64. Cyprus — Domestic Residents Loans, Jan 00–Jun 13 (% yoy)

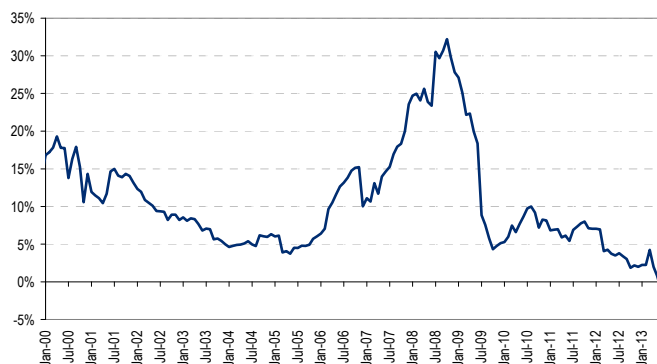


Figure 65. Cyprus — Mortgage Lending Growth, Jan 00–Jun 13 (% yoy)

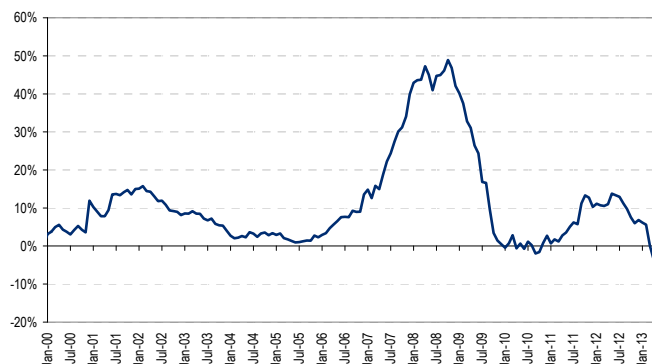


Note: Mortgage includes professional and other business

Figure 66. Cyprus — Consumer Lending Growth, Jan 00–Jun 13 (% yoy)



Figure 67. Cyprus — Corporate Lending Growth, Jan 00–Jun 13 (% yoy)



Source for all charts: Central Bank of Cyprus. Note: Change in methodology, from Dec 05 lending data includes data from co-operatives and International banks in Cyprus.

## Deposit Volumes

- Total deposits are down 28% yoy at end-June 2013, a decline that started in January but accelerated in April with the announcement of the bail-in of depositors.
- Non-resident deposits are down 42% yoy and resident deposits are down 20%.

Figure 68. Cyprus — Total Deposit Growth, Jan 00-Jun 13 (% yoy)

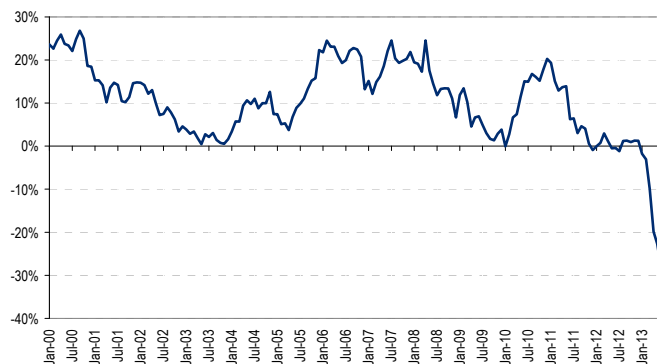


Figure 69. Cyprus — Resident Deposit Mix, June 2013

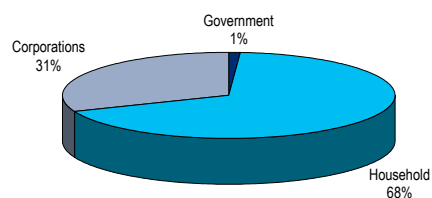


Figure 70. Cyprus — Deposit Growth by Type, Jan 00-Jun 13 (% yoy)

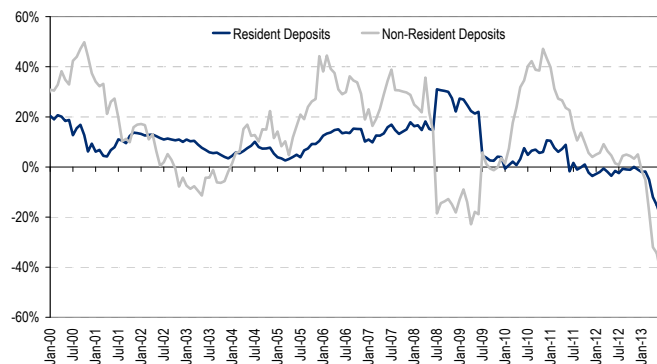
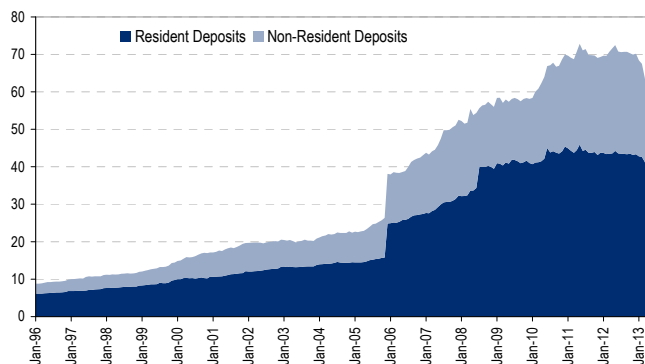


Figure 71. Cyprus — Deposit Stock by Type, Jan 96-Jun 13 (EUR bn)

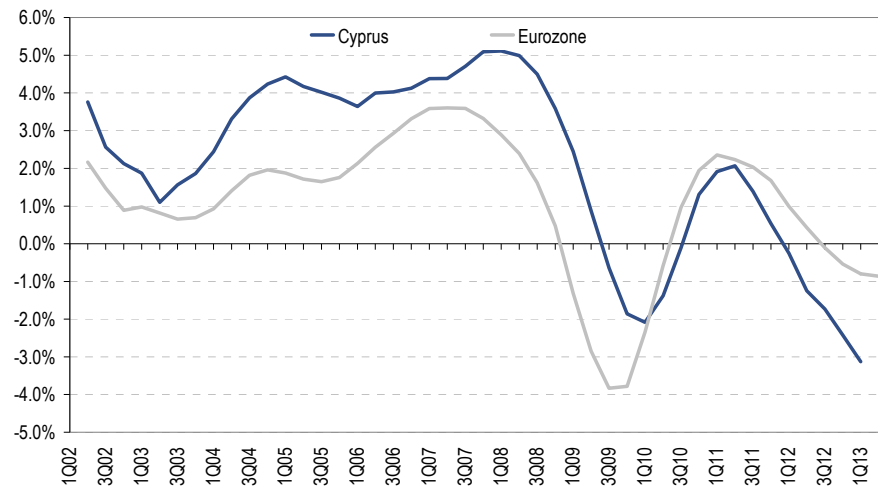


Source for all charts: Central Bank of Cyprus

## Economic Growth and Outlook

- The Cypriot economy continues to contract sharply at -3.1% yoy in 1Q13. In May, the IMF forecast a 8.7% GDP contraction in 2013 and a 3.9% contraction in 2014, followed by a return to growth from 2015 (+1.1%).

Figure 72. Cyprus — Real GDP Growth, 1Q02-2Q13 (%)



Source: DataStream

## Company Focus

## National Bank of Greece SA (NBGr.AT) Focus on Capital

<b>Neutral</b>	<b>2</b>
Price (27 Aug 13)	€2.92
Target price	-
Expected share price return	-
Expected dividend yield	-
<b>Expected total return</b>	<b>-</b>
Market Cap	€6,999M US\$9,356M

ce Performance  
(RIC: NBGr.AT, BB: ETE GA)



■ **Focus on Improving Capital Ratios** — NBG is working on its capital plan. The first step (recapitalisation) has been achieved. Next will come the strengthening of capital ratios, likely through disposals of some international activities. Finally, NBG will need to deliver on expectations for its franchises, but a lot will depend on external factors (Greek macro and banking environment, asset quality reviews). NBG is on the right track, but the picture should only be clearer later in the year, in our opinion.

■ **Step 1 Complete: Recapitalisation** — NBG raised €9.8bn capital as per Bank of Greece requirements, of which more than 10% was raised from private investors, maintaining private control and avoiding cocos.

■ **Step 2: Capital Ratios to Be Further Boosted** — Management argue (and we agree) the bank needs to go beyond its 9.3% pro-forma B3 CET1 ratio. On our base case, the bank has enough capital, but we would welcome a c2% buffer to counter risks on State capital, asset quality and regulatory changes. Disposals are the key tool. One region that should not be overlooked is South Eastern Europe (SEE), where we think disposals could provide up to 110bp capital boost. In the meantime, we expect NBG to focus on the disposal of assets that include a property portfolio, part of the insurance operations and other international.

■ **Step 3: Justify Valuations** — NBG shares have derated somewhat since we last published on the stock ([Banking on Greekovery?](#), 12 June). Current valuations remain above the European sector average (1.1x PBV, 1.6x PTBV - Figure 28). 2014E could break even, and RoEs should reach double digits from 2015E (we forecast 12%). We would hope to see the bank announce and deliver on its capital plan and reassure on asset quality and NII (driven partly by Greek macro and more deposits returning). We remain Neutral and do not assign a target price.

■ **Q2 Preview** — Thursday 29 August. Conf call 6pm Athens time / 4pm UKT on +44 (0) 800 368 1065. More on Q2 on page 8. We expect the following:

- **PBT improving:** NII helped by cheaper central bank funding. Cost cutting continues. Provisions broadly stable qoq due to stabilizing NPL formation.
- **One-offs and scope effects:** c€225m gains from LMEs. Integration of FBB and Probank should have a limited impact.

### National Bank of Greece SA (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Net Income (€M)	-567.0	-1,847.5	-117.8	175.8	820.2
Diluted EPS (€)	-0.59	-1.93	-0.07	0.08	0.36
Diluted EPS (Old) (€)	-0.59	-1.93	-0.07	0.08	0.36
PE (x)	-4.9	-1.5	-40.2	38.0	8.1
P/BV (x)	0.6	-0.7	1.1	1.0	0.9
DPS (€)	0.00	0.00	0.00	0.00	0.00
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	-8.2	-346.2	-9.7	2.8	11.9

## Company Focus

## Alpha Bank A E (ACBr.AT) Play on 'Greekovery'

### ■ Key Drivers Beyond Macro:

– **Relatively Well Capitalised** — With the combined effect of the Emporiki acquisition and the capital raise, Alpha Bank's EBA CET1 ratio stood at 13.9% pro-forma in Q1 (EBA) / c12% (Basel 3 and ex pref shares). As argued in [Post Recap, Focus on Execution](#) (21 May), we estimate Alpha Bank has enough capital above a 9% B3 CET1 ratio to provision up to 24% of its loan book by end 2015E (vs 16% currently) – enough to withstand the shock of most previous financial crises.

– **Risks on Cyprus Manageable** — The Cypriot unit is likely to continue to show more loan losses and deposit outflows. However, provisions are already high, and the size of its Cyprus exposure is manageable – 6% of group deposits and 8% of loans (Figure 31).

– **Swing Factors: Emporiki Integration and Improving Deposit Collection** — Going forward, Alpha Bank's ability to deliver the cost and funding synergies from Emporiki and, more importantly, restructure successfully NPLs will be a key swing factor to future performance, in our view. An extra challenge will come from the ability to improve deposit collection, given the loan-to-deposit ratio of 150% in Greece (155% Group) vs system c135%.

■ **Remain Neutral, Greek Confidence Remains Key** — Alpha Bank shares have re-rated considerably in the run-up to its recapitalization exercise and now trade at 0.8x TBV, rising to 1x in 2014-15E on our base case estimates (Figure 27). With the remaining uncertainty in the banking sector, we reiterate our Neutral rating and do not assign a target price.

■ **Q2 Preview** — Friday 30 August. Conf call 5.20pm Athens time / 3.20pm UKT on + 44 (0) 800 368 1063. More on Q2 on page 8. We expect the following:

– **PBT improving:** NII helped by cheaper central bank funding and potentially starting to improve from receding deposit costs (especially at Emporiki). Cost cutting continues. Provisions broadly stable qoq due to stabilizing NPL formation.

– **One-offs and scope effects:** c€110m gains from LMEs. Emporiki fully integrated in Q2 (integration was on 1 February 2013).

<b>Neutral</b>	<b>2</b>
Price (27 Aug 13)	€0.48
Target price	-
Expected share price return	-
Expected dividend yield	-
<b>Expected total return</b>	<b>-</b>
Market Cap	€5,276M US\$7,053M

ce Performance  
(RIC: ACBr.AT, BB: ALPHA GA)



### Alpha Bank A E (EUR)

Year to 31 Dec	2011A	2012A	2013E	2014E	2015E
Net Income (€M)	-3,885.3	-1,086.0	1,952.8	-798.9	61.4
Diluted EPS (€)	-7.27	-2.03	0.34	-0.07	0.01
Diluted EPS (Old) (€)	-7.27	-2.03	0.34	-0.07	0.01
PE (x)	-0.1	-0.2	1.4	-6.6	86.7
P/BV (x)	0.5	-0.8	0.8	1.0	1.0
DPS (€)	0.00	0.00	0.00	0.00	0.00
Net Div Yield (%)	0.0	0.0	0.0	0.0	0.0
ROE (%)	-204.0	-1,444.1	66.6	-13.8	1.1



# Financials

Figure 73. NBG — Group Profit and Loss Account, 2009-16E (Euros in Millions)

	2009	2010	% Chg	2011	% Chg	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg	Avg. 05-08
<b>Net Interest Income</b>	<b>3,940</b>	<b>4,148</b>	<b>5%</b>	<b>3,843</b>	<b>-7%</b>	<b>3,365</b>	<b>-12%</b>	<b>3,203</b>	<b>-5%</b>	<b>3,135</b>	<b>-2%</b>	<b>3,399</b>	<b>8%</b>	<b>3,594</b>	<b>6%</b>	
Fees	686	610	-11%	494	-19%	495	0%	565	14%	811	44%	856	6%	928	8%	
Trading Income	428	(138)	-132%	(28)	-80%	(431)	1455%	(39)	-91%	55	-241%	55	0%	55	0%	
Other Operating Income	22	20	-10%	63	217%	98	56%	376	283%	60	-84%	126	109%	143	13%	
<b>Total Revenues</b>	<b>5,077</b>	<b>4,639</b>	<b>-9%</b>	<b>4,372</b>	<b>-6%</b>	<b>3,527</b>	<b>-19%</b>	<b>4,105</b>	<b>16%</b>	<b>4,061</b>	<b>-1%</b>	<b>4,435</b>	<b>9%</b>	<b>4,719</b>	<b>6%</b>	
Total Expenses	(2,500)	(2,525)	1%	(2,548)	1%	(2,341)	-8%	(2,313)	-1%	(2,284)	-1%	(2,363)	3%	(2,447)	4%	
<b>Operating Income</b>	<b>2,577</b>	<b>2,114</b>	<b>-18%</b>	<b>1,824</b>	<b>-14%</b>	<b>1,186</b>	<b>-35%</b>	<b>1,792</b>	<b>51%</b>	<b>1,777</b>	<b>-1%</b>	<b>2,073</b>	<b>17%</b>	<b>2,273</b>	<b>10%</b>	
Prov. Loan Losses (Net)	(1,295)	(1,450)	12%	(3,439)	137%	(2,966)	-14%	(1,946)	-34%	(1,550)	-20%	(968)	-38%	(714)	-26%	
Associates & Other	0	2	nm	1	nm	2	nm	2	nm	0	nm	0	nm	0	nm	
<b>PBT</b>	<b>1,282</b>	<b>666</b>	<b>-48%</b>	<b>(1,614)</b>	<b>-342%</b>	<b>(1,778)</b>	<b>10%</b>	<b>(152)</b>	<b>-91%</b>	<b>227</b>	<b>-249%</b>	<b>1,104</b>	<b>386%</b>	<b>1,558</b>	<b>41%</b>	
Taxes	(289)	(211)	-27%	1,095	-620%	(158)	-114%	79	-150%	(4)	-105%	(221)	5306%	(335)	52%	
<b>Net Income</b>	<b>993</b>	<b>455</b>	<b>-54%</b>	<b>(518)</b>	<b>-214%</b>	<b>(1,935)</b>	<b>273%</b>	<b>(74)</b>	<b>-96%</b>	<b>223</b>	<b>-403%</b>	<b>883</b>	<b>296%</b>	<b>1,223</b>	<b>38%</b>	
Minorities	(41)	(35)	-14%	(19)	-45%	4	-122%	(16)	-485%	(21)	30%	(37)	76%	(45)	21%	
Intangibles Amortisation / Other	(30)	(28)		(23)		(22)		(25)		(26)		(26)		(26)		
Hybrids/State prefs	(87)	(54)		(5)		111		(0)		(0)		(0)		(0)		
GGB impairments under PSI	0	0		(11,783)		(187)		0		0		0		0		
<b>Attributable Profit</b>	<b>836</b>	<b>338</b>	<b>-60%</b>	<b>(12,349)</b>	<b>-3752%</b>	<b>(2,029)</b>	<b>-84%</b>	<b>(115)</b>	<b>-94%</b>	<b>176</b>	<b>-253%</b>	<b>820</b>	<b>366%</b>	<b>1,152</b>	<b>40%</b>	
<b>Underlying Profit (Citi calculations)</b>				<b>(566)</b>		<b>(1,842)</b>		<b>(481)</b>		<b>176</b>		<b>820</b>		<b>1,152</b>		
<b>Per Share Data (€)</b>																
<b>EPS</b>	<b>1.26</b>	<b>0.44</b>	<b>-65%</b>	<b>(12.92)</b>	<b>-3013%</b>	<b>(2.12)</b>	<b>-84%</b>	<b>(0.07)</b>	<b>-97%</b>	<b>0.08</b>	<b>-208%</b>	<b>0.36</b>	<b>366%</b>	<b>0.50</b>	<b>40%</b>	
DPS	0.00	0.00	nm	0.00	nm	0.00	nm	0.00	nm	0.00	nm	0.00	nm	0.00	nm	
<b>BVPS</b>	<b>11.30</b>	<b>9.33</b>	<b>-17%</b>	<b>5.17</b>	<b>-45%</b>	<b>(4.05)</b>	<b>-178%</b>	<b>2.75</b>	<b>-168%</b>	<b>2.83</b>	<b>3%</b>	<b>3.19</b>	<b>13%</b>	<b>3.69</b>	<b>16%</b>	
<b>TBVPs</b>	<b>7.82</b>	<b>6.65</b>	<b>-15%</b>	<b>2.93</b>	<b>-56%</b>	<b>(6.28)</b>	<b>-314%</b>	<b>1.81</b>	<b>-129%</b>	<b>1.89</b>	<b>4%</b>	<b>2.25</b>	<b>19%</b>	<b>2.75</b>	<b>22%</b>	
Shares in Millions (Period end)	714.4	955.3	34%	955.7	0%	955.9	0%	2,286.3	139%	2,286.3	0%	2,286.3	0%	2,286.3	0%	
<b>Operating Ratios</b>																
NII as a % of ATA	3.66%	3.54%		3.38%		3.18%		3.07%		2.98%		3.11%		3.14%		3.3%
<b>Cost / Income</b>	<b>49.2%</b>	<b>54.4%</b>		<b>58.3%</b>		<b>66.4%</b>		<b>56.4%</b>		<b>56.2%</b>		<b>53.3%</b>		<b>51.8%</b>		<b>55%</b>
NPL Ratio	6.4%	8.5%		12.2%		19.0%		20.6%		22.1%		21.3%		20.5%		
Coverage	52%	53%		74%		53%		58%		60%		65%		69%		
LLP	1.83%	1.98%		4.69%		4.22%		2.81%		2.23%		1.36%		0.97%		0.7%
ROA	0.78%	0.29%		-10.9%		-1.9%		-0.1%		0.2%		0.8%		1.0%		1.5%
<b>ROE</b>	<b>12.2%</b>	<b>4.1%</b>		<b>-178.3%</b>		<b>-380.2%</b>		<b>-9.5%</b>		<b>2.8%</b>		<b>11.9%</b>		<b>14.6%</b>		<b>23%</b>
<b>Balance Sheet (€m)</b>																
Total Assets	113,394	120,745	6%	106,870	-11%	104,799	-2%	103,737	-1%	106,855	3%	111,758	5%	116,946	5%	
Gross Loans	74,052	78,667	0%	78,616	0%	76,905	-2%	78,592	2%	80,559	3%	83,695	4%	86,971	4%	
<b>Net Customer Loans</b>	<b>71,593</b>	<b>75,105</b>	<b>5%</b>	<b>71,496</b>	<b>-5%</b>	<b>69,135</b>	<b>-3%</b>	<b>69,261</b>	<b>0%</b>	<b>69,833</b>	<b>1%</b>	<b>72,097</b>	<b>3%</b>	<b>74,730</b>	<b>4%</b>	
Customer Deposits	71,194	68,039	-4%	59,544	-12%	58,722	-1%	63,798	9%	65,968	3%	69,706	6%	73,668	6%	
Loan to Deposit Ratio	104%	101%	0%	110%	0%	107%	0%	99%	0%	97%	0%	95%	0%	93%	0%	
<b>Shareholders' Equity</b>	<b>8,071</b>	<b>8,915</b>	<b>10%</b>	<b>4,937</b>	<b>-45%</b>	<b>(3,870)</b>	<b>-178%</b>	<b>6,296</b>	<b>-263%</b>	<b>6,472</b>	<b>3%</b>	<b>7,292</b>	<b>13%</b>	<b>8,444</b>	<b>16%</b>	
<b>Capital Ratios</b>																
<b>RWAs</b>	<b>67,407</b>	<b>68,198</b>	<b>1%</b>	<b>64,248</b>	<b>-6%</b>	<b>64,521</b>	<b>0%</b>	<b>55,950</b>	<b>-13%</b>	<b>57,632</b>	<b>3%</b>	<b>60,276</b>	<b>5%</b>	<b>63,075</b>	<b>5%</b>	
RWA/TA	59%	56%		60%		62%		54%		54%		54%		54%		
Core Tier 1	6,333	8,192	29%	(3,371)	-141%	(4,648)	38%	4,857	-205%	5,033	4%	5,853	16%	7,005	20%	
Tier 1 Capital	7,590	8,958	18%	4,609	-49%	6,117	33%	15,622	155%	15,798	1%	16,618	5%	17,770	7%	
<b>Core Tier 1 Ratio</b>	<b>9.4%</b>	<b>12.0%</b>		<b>-5.2%</b>		<b>-7.2%</b>		<b>8.7%</b>		<b>8.7%</b>		<b>9.7%</b>		<b>11.1%</b>		
<b>State prefs</b>		<b>350</b>		<b>1,350</b>		<b>1,350</b>		<b>1,350</b>		<b>1,350</b>		<b>1,350</b>		<b>1,350</b>		
CET1 Ratio ex State Prefs		11.5%		-7.3%		-9.3%		6.3%		6.4%		7.5%		9.0%		0%
<b>Excess / (Deficit) to 9% CET1</b>		<b>1,704</b>		<b>(10,503)</b>		<b>(11,805)</b>		<b>(1,528)</b>		<b>(1,504)</b>		<b>(921)</b>		<b>(21)</b>		

Source: Company Reports and Citi Research Estimates

Figure 74. NBG — Divisional Profit and Loss Account, 2009-16E (Euros in Millions)

	2009	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg	Avg 05-08
<b>GREECE</b>														
Lending NII			2160	2094	-3%	1,883	-10%	1,788	-5%	1,699	-5%	1,699	0%	
Deposit NII			-141	-350	148%	-481	37%	-300	-38%	-150	-50%	-50	-67%	
Eurosystem NII			-93	-547	488%	-188	-66%	-120	-36%	-75	-38%	-50	-33%	
Bonds & Other NII			626	591	-6%	313	-47%	183	-42%	215	17%	191	-11%	
Net Interest Income	2,509	2,632	2,552	1,788	-30%	1,527	-15%	1,552	2%	1,689	9%	1,790	6%	
Fees	338	245	86	4	-95%	33	735%	240	623%	238	-1%	275	16%	
Other	336	(195)	(6)	(517)	8287%	247	-148%	20	-92%	78	295%	87	11%	
<b>Total Revenues</b>	<b>3,182</b>	<b>2,683</b>	<b>2,632</b>	<b>1,275</b>	<b>-52%</b>	<b>1,807</b>	<b>42%</b>	<b>1,811</b>	<b>0%</b>	<b>2,005</b>	<b>11%</b>	<b>2,152</b>	<b>7%</b>	
Total Expenses	(1,703)	(1,593)	(1,619)	(1,337)	-17%	-1,235	-8%	-1,208	-2%	-1,211	0%	-1,215	0%	
<b>Operating Income</b>	<b>1,479</b>	<b>1,089</b>	<b>1,013</b>	<b>(62)</b>	<b>-106%</b>	<b>572</b>	<b>-1016%</b>	<b>603</b>	<b>5%</b>	<b>794</b>	<b>32%</b>	<b>937</b>	<b>18%</b>	
Provisions	(856)	(1,096)	(14,875)	(2,613)	-82%	-1,482	-43%	-1,162	-22%	-626	-46%	-370	-41%	
<b>PBT</b>	<b>624</b>	<b>(5)</b>	<b>(13,861)</b>	<b>(2,673)</b>	<b>-81%</b>	<b>-908</b>	<b>-66%</b>	<b>-558</b>	<b>-39%</b>	<b>168</b>	<b>-130%</b>	<b>567</b>	<b>237%</b>	
Cost/ Income	54%	59%	62%	105%		68%		67%		60%		56%		52%
NII/ Assets	3.3%	3.1%	3.1%	2.5%		2.2%		2.3%		2.4%		2.4%		3.0%
LLPs/Assets	1.1%	1.3%	18.2%	3.6%		2.2%		1.7%		0.9%		0.5%		0.4%
<b>- Greece Retail</b>														
Net Interest Income	1,402	1,368	1,203	940	-22%	730	-22%	803	10%	947	18%	1,042	10%	
Revenues	1,542	1,471	1,280	1,020	-20%	807	-21%	888	10%	1,048	18%	1,153	10%	
Gross Operating Profit	516	429	257	105	-59%	-25	-124%	92	-466%	252	174%	351	40%	
<b>Profit Before Tax</b>	<b>73</b>	<b>(368)</b>	<b>(923)</b>	<b>(1,331)</b>	<b>44%</b>	<b>-1,115</b>	<b>-16%</b>	<b>-780</b>	<b>-30%</b>	<b>-184</b>	<b>-76%</b>	<b>112</b>	<b>-161%</b>	
Cost/ Income	67%	71%	80%	90%		103%		90%		76%		70%		51%
NII/ Assets	4.7%	4.4%	4.2%	3.5%		2.8%		3.1%		3.5%		3.7%		6.5%
LLPs/Assets	-1.4%	-2.6%	-4.3%	-5.6%		-4.2%		-3.3%		-1.6%		-0.8%		-0.9%
<b>- Greece Corporate &amp; IB</b>														
Net Interest Income	536	622	776	745	-4%	689	-8%	627	-9%	570	-9%	547	-4%	
Revenues	541	626	796	781	-2%	730	-7%	668	-8%	603	-10%	578	-4%	
Gross Operating Profit	431	517	693	684	-1%	641	-6%	578	-10%	513	-11%	485	-5%	
<b>Profit Before Tax</b>	<b>280</b>	<b>313</b>	<b>(1,408)</b>	<b>76</b>	<b>-105%</b>	<b>213</b>	<b>181%</b>	<b>279</b>	<b>31%</b>	<b>363</b>	<b>30%</b>	<b>395</b>	<b>9%</b>	
Cost/ Income	20%	17%	13%	12%		12%		13%		15%		16%		29%
NII/ Assets	2.9%	3.3%	4.4%	4.9%		5.1%		4.9%		4.1%		3.6%		2.2%
LLPs/Assets	-0.8%	-1.1%	-12.0%	-4.0%		-3.2%		-2.3%		-1.1%		-0.6%		-0.3%
<b>- Global Markets &amp; AM</b>														
Net Interest Income	584	472	371	(106)	-129%	-66	-38%	0 NM		50 NM		80	60%	
Revenues	948	304	273	(752)	-375%	-302	-60%	10	-103%	100	900%	160	60%	
Gross Operating Profit	848	206	187	(831)	-544%	-378	-54%	-65	-83%	24	-136%	86	266%	
<b>Profit Before Tax</b>	<b>678</b>	<b>166</b>	<b>(10,515)</b>	<b>(1,058)</b>	<b>-90%</b>	<b>-148</b>	<b>-86%</b>	<b>-15</b>	<b>-90%</b>	<b>24</b>	<b>-260%</b>	<b>86</b>	<b>266%</b>	
Revenues/ Assets	3.5%	1.0%	1.1%	-3.8%		-1.8%		0.1%		0.6%		0.9%		2.2%
<b>INTERNATIONAL</b>														
Net Interest Income	1,432	1,515	1,291	1,577	22%	1,676	6%	1,584	-5%	1,710	8%	1,804	5%	
Net Fee and Commission Income	349	365	408	491	20%	532	8%	571	7%	618	8%	653	6%	
Other Operating Income	115	76	41	185	345%	90	-51%	96	6%	103	7%	110	7%	
<b>Revenues</b>	<b>1,895</b>	<b>1,957</b>	<b>1,740</b>	<b>2,252</b>	<b>29%</b>	<b>2,298</b>	<b>2%</b>	<b>2,250</b>	<b>-2%</b>	<b>2,431</b>	<b>8%</b>	<b>2,567</b>	<b>6%</b>	
Total Op. Expenses	(827)	(960)	(952)	(1,025)	8%	-1,104	8%	-1,102	0%	-1,178	7%	-1,258	7%	
<b>Gross Operating Profit</b>	<b>1,068</b>	<b>997</b>	<b>788</b>	<b>1,227</b>	<b>56%</b>	<b>1,194</b>	<b>-3%</b>	<b>1,148</b>	<b>-4%</b>	<b>1,253</b>	<b>9%</b>	<b>1,310</b>	<b>5%</b>	
Provisions	(439)	(354)	(347)	(540)	56%	-464	-14%	-388	-16%	-342	-12%	-345	1%	
<b>PBT</b>	<b>628</b>	<b>643</b>	<b>441</b>	<b>687</b>	<b>56%</b>	<b>730</b>	<b>6%</b>	<b>759</b>	<b>4%</b>	<b>910</b>	<b>20%</b>	<b>965</b>	<b>6%</b>	
Cost/ Income	44%	49%	55%	46%		48%		49%		48%		49%		49%
NII/ Assets	4.3%	4.8%	4.0%	4.4%		4.7%		4.3%		4.4%		4.4%		4.4%
LLPs/Assets	1.3%	1.1%	1.1%	1.5%		1.3%		1.0%		0.9%		0.8%		0.8%

Source: Company Reports and Citi Research Estimates

Figure 75. Alpha Bank — Group Profit and Loss Account, 2009-16E (Euros in Millions)

	2009	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg	avg 05-08
<b>Net Interest Income</b>	<b>1,763</b>	<b>1,819</b>	<b>1,784</b>	<b>1,397</b>	<b>-22%</b>	<b>1,531</b>	<b>10%</b>	<b>1,801</b>	<b>18%</b>	<b>1,914</b>	<b>6%</b>	<b>2,022</b>	<b>6%</b>	
Fees	379	332	294	273	-7%	335	23%	336	0%	345	3%	354	3%	
Trading	172	35	142	(232)	-263%	233	-200%	130	-44%	137	5%	144	5%	
Other	67	63	64	65	2%	2,767	4163%	61	-98%	65	7%	67	2%	
<b>Total Revenues</b>	<b>2,380</b>	<b>2,249</b>	<b>2,284</b>	<b>1,503</b>	<b>-34%</b>	<b>4,866</b>	<b>224%</b>	<b>2,329</b>	<b>-52%</b>	<b>2,461</b>	<b>6%</b>	<b>2,586</b>	<b>5%</b>	
Total Expenses	(1,202)	(1,149)	(1,096)	(1,179)	8%	(1,423)	21%	(1,326)	-7%	(1,199)	-10%	(1,199)	0%	
<b>Operating Income</b>	<b>1,179</b>	<b>1,101</b>	<b>1,187</b>	<b>324</b>	<b>-73%</b>	<b>3,443</b>	<b>963%</b>	<b>1,002</b>	<b>-71%</b>	<b>1,262</b>	<b>26%</b>	<b>1,387</b>	<b>10%</b>	
Prov. Loan Losses (Net)	(676)	(885)	(5,919)	(1,669)	-72%	(2,271)	36%	(2,067)	-9%	(1,180)	-43%	(758)	-36%	
<b>PBT</b>	<b>502</b>	<b>216</b>	<b>(4,732)</b>	<b>(1,345)</b>	<b>-72%</b>	<b>1,172</b>	<b>-187%</b>	<b>(1,065)</b>	<b>-191%</b>	<b>82</b>	<b>-108%</b>	<b>629</b>	<b>668%</b>	
Taxes	(152)	(130)	922	259	-72%	781	201%	266	-66%	(20)	-108%	(157)	668%	
<b>Net Income</b>	<b>350</b>	<b>86</b>	<b>(3,810)</b>	<b>(1,086)</b>	<b>-72%</b>	<b>1,953</b>	<b>-280%</b>	<b>(799)</b>	<b>-141%</b>	<b>61</b>	<b>-108%</b>	<b>472</b>	<b>668%</b>	
Minorities	(1)	(0)	(0)	(0)	0%	0	0%	0	0%	0	0%	0	0%	
Hybrids / Other	(54)	(86)	(75)	0	0%	0	0%	0	0%	0	0%	0	0%	
<b>Attributable Profit</b>	<b>295</b>	<b>(1)</b>	<b>(3,885)</b>	<b>(1,086)</b>	<b>nm</b>	<b>1,953</b>	<b>-280%</b>	<b>(799)</b>	<b>-141%</b>	<b>61</b>	<b>-108%</b>	<b>472</b>	<b>668%</b>	
<b>Per Share Data (€)</b>														
<b>EPS</b>	<b>0.67</b>	<b>0.00</b>	<b>-7.27</b>	<b>-2.03</b>	<b>-72%</b>	<b>0.34</b>	<b>-117%</b>	<b>-0.07</b>	<b>-121%</b>	<b>0.01</b>	<b>-108%</b>	<b>0.04</b>	<b>657%</b>	
DPS	0.00	0.00	0.00	0.00	nm	0.00	nm	0.00	nm	0.00	nm	0.01	nm	
<b>BVPS</b>	<b>8.3</b>	<b>6.2</b>	<b>0.9</b>	<b>-0.6</b>	<b>-168%</b>	<b>0.6</b>	<b>-193%</b>	<b>0.5</b>	<b>-13%</b>	<b>0.5</b>	<b>-2%</b>	<b>0.5</b>	<b>7%</b>	
Shares in millions (Period end)	534.3	534.3	534.3	534.3	0%	10922.3	1944%	10922.3	0%	11263.2	3%	11263.2	0%	
<b>Operating Ratios</b>														
NIM (NII / ATA)	2.61%	2.67%	2.83%	2.38%		2.10%		2.58%		2.70%		2.79%		3.0%
<b>Cost / Income</b>	<b>50.5%</b>	<b>51.1%</b>	<b>48.0%</b>	<b>78.4%</b>		<b>29.2%</b>		<b>57.0%</b>		<b>48.7%</b>		<b>46.4%</b>		<b>48%</b>
NPL Ratio	5.9%	8.5%	12.9%	22.8%		34.0%		36.7%		38.1%		38.7%		4.0%
Coverage Ratio (ex collateral)	55%	51%	45%	45%		57%		62%		63%		63%		52.6%
LLP	1.29%	1.69%	11.69%	3.52%		4.25%		3.34%		1.87%		1.17%		1.0%
ROA	0.44%	0.00%	-6.17%	-1.85%		3.05%		-1.14%		0.09%		0.65%		1.0%
<b>ROE</b>	<b>7.9%</b>	<b>NM</b>	<b>NM</b>	<b>NM</b>		<b>NM</b>		<b>NM</b>		<b>1.1%</b>		<b>8.5%</b>		<b>18.3%</b>
<b>Balance Sheet (€m)</b>														
Total Assets	69,596	66,798	59,148	58,357	-1%	69,534	19%	70,230	1%	71,634	2%	73,067	2%	
<b>Gross Customer Loans</b>	<b>53,043</b>	<b>51,525</b>	<b>49,747</b>	<b>45,102</b>	<b>-9%</b>	<b>61,735</b>	<b>37%</b>	<b>62,159</b>	<b>1%</b>	<b>63,928</b>	<b>3%</b>	<b>65,749</b>	<b>3%</b>	
Customer Deposits	42,916	38,293	29,399	28,451	-3%	44,040	55%	46,128	5%	48,779	6%	51,097	5%	
Loan to deposit ratio	124%	135%	169%	159%		140%		135%		131%		129%		
<b>Equity ex State Capital</b>	<b>4,432</b>	<b>3,331</b>	<b>477</b>	<b>(327)</b>	<b>-168%</b>	<b>6,194</b>	<b>NM</b>	<b>5,395</b>	<b>-13%</b>	<b>5,457</b>	<b>1%</b>	<b>5,816</b>	<b>7%</b>	
<b>Capital Ratios</b>														
<b>Core Tier 1 Capital</b>	<b>4,539</b>	<b>4,421</b>	<b>1,567</b>	<b>3,536</b>	<b>126%</b>	<b>6,624</b>	<b>87%</b>	<b>5,367</b>	<b>-19%</b>	<b>5,455</b>	<b>2%</b>	<b>6,131</b>	<b>12%</b>	
Tier 1 Capital	5,918	5,762	2,886	5,491	90%	8,579	56%	7,322	-15%	7,410	1%	8,087	9%	
RWAs	50,600	48,948	44,400	41,600	-6%	53,815	29%	50,990	-5%	51,640	1%	52,658	2%	
<b>Core Tier 1 Ratio</b>	<b>9.0%</b>	<b>9.0%</b>	<b>3.5%</b>	<b>8.5%</b>		<b>12.3%</b>		<b>10.5%</b>		<b>10.6%</b>		<b>11.6%</b>		<b>7.6%</b>
CET1 Ratio - B2 / B2.5 (incl pref)				8.5%		12.3%		10.7%		10.8%		11.9%		
CET1 Ratio B3 (incl. prefs)				8.2%		12.1%		10.5%		10.6%		11.6%		
TCE / Total Assets	6.1%	4.7%	0.5%	-0.8%		8.7%		7.5%		7.4%		7.8%		

Source: Company Reports and Citi Research Estimates

Figure 76. Alpha Bank — Divisional Profit and Loss Account, 2009-16E (Euros in Millions)

	2009	2010	2011	2012	% Chg	2013E	% Chg	2014E	% Chg	2015E	% Chg	2016E	% Chg	avg 05-09
<b>Greece - Retail Banking</b>														
<b>Net Interest Income</b>	<b>823</b>	<b>847</b>	<b>881</b>	<b>829</b>	<b>-6%</b>	<b>733</b>	<b>-12%</b>	<b>809</b>	<b>10%</b>	<b>867</b>	<b>7%</b>	<b>919</b>	<b>6%</b>	
Fees	159	114	118	106	-10%	146	37%	143	-2%	143	0%	143	0%	
Trading Income	6	7	6	6	-2%	11	67%	11	7%	12	7%	12	2%	
Other	1	0	1	5	342%	(2)	-142%	(2)	7%	(2)	7%	(2)	2%	
<b>Total Revenues</b>	<b>988</b>	<b>968</b>	<b>1,006</b>	<b>947</b>	<b>-6%</b>	<b>887</b>	<b>-6%</b>	<b>961</b>	<b>8%</b>	<b>1,019</b>	<b>6%</b>	<b>1,072</b>	<b>5%</b>	
Total Expenses	(619)	(577)	(544)	(524)	-4%	(817)	56%	(687)	-16%	(644)	-6%	(646)	0%	
<b>Operating Income</b>	<b>369</b>	<b>391</b>	<b>462</b>	<b>423</b>	<b>-9%</b>	<b>70</b>	<b>-83%</b>	<b>275</b>	<b>293%</b>	<b>376</b>	<b>37%</b>	<b>425</b>	<b>13%</b>	
Prov. Loan Losses (Net)	(256)	(304)	(466)	(773)	66%	(1,275)	65%	(1,212)	-5%	(666)	-45%	(366)	-45%	
<b>PBT</b>	<b>113</b>	<b>87</b>	<b>(4)</b>	<b>(351)</b>	<b>NM</b>	<b>(1,206)</b>	<b>NM</b>	<b>(937)</b>	<b>NM</b>	<b>(291)</b>	<b>NM</b>	<b>59</b>	<b>NM</b>	
Cost/ Income	63%	60%	54%	55%		92%		71%		63%		60%		53%
RWAs	14,335	14,503	13,778	12,955	-6%	18,057	39%	17,696	-2%	17,873	1%	18,231	2%	
<b>Greece - Corporate Banking</b>														
<b>Net Interest Income</b>	<b>389</b>	<b>428</b>	<b>475</b>	<b>521</b>	<b>10%</b>	<b>582</b>	<b>12%</b>	<b>617</b>	<b>6%</b>	<b>654</b>	<b>6%</b>	<b>687</b>	<b>5%</b>	
Fees	84	85	84	97	15%	125	29%	129	3%	135	5%	142	5%	
Trading Income	8	8	6	10	89%	(3)	-125%	(3)	3%	(3)	5%	(3)	5%	
Other	3	2	1	3	173%	11	253%	11	3%	11	5%	12	5%	
<b>Total Revenues</b>	<b>484</b>	<b>523</b>	<b>566</b>	<b>632</b>	<b>12%</b>	<b>715</b>	<b>13%</b>	<b>754</b>	<b>5%</b>	<b>798</b>	<b>6%</b>	<b>838</b>	<b>5%</b>	
Total Expenses	(134)	(130)	(131)	(129)	-1%	(162)	26%	(159)	-2%	(157)	-1%	(155)	-1%	
<b>Operating Income</b>	<b>350</b>	<b>392</b>	<b>435</b>	<b>502</b>	<b>15%</b>	<b>553</b>	<b>10%</b>	<b>595</b>	<b>8%</b>	<b>641</b>	<b>8%</b>	<b>683</b>	<b>7%</b>	
Prov. Loan Losses (Net)	(257)	(387)	(410)	(582)	42%	(596)	3%	(537)	-10%	(322)	-40%	(258)	-20%	
<b>PBT</b>	<b>93</b>	<b>5</b>	<b>25</b>	<b>(79)</b>	<b>-413%</b>	<b>(43)</b>	<b>-45%</b>	<b>59</b>	<b>-236%</b>	<b>319</b>	<b>445%</b>	<b>426</b>	<b>33%</b>	
Cost/ Income	28%	25%	23%	20%		23%		21%		20%		18%		28%
RWAs	18,138	18,028	17,016	16,062	-6%	23,089	44%	22,858	-1%	23,087	1%	23,549	2%	
<b>Greece - Asset Management/ Insurance</b>														
<b>Revenues</b>	<b>61</b>	<b>55</b>	<b>47</b>	<b>38</b>	<b>-20%</b>	<b>31</b>	<b>-17%</b>	<b>32</b>	<b>3%</b>	<b>34</b>	<b>5%</b>	<b>36</b>	<b>5%</b>	
Total Expenses	(41)	(37)	(31)	(27)	-11%	(26)	-4%	(25)	-4%	(25)	-2%	(24)	-2%	
<b>PBT</b>	<b>20</b>	<b>18</b>	<b>17</b>	<b>11</b>	<b>-36%</b>	<b>5</b>	<b>-53%</b>	<b>7</b>	<b>40%</b>	<b>9</b>	<b>31%</b>	<b>12</b>	<b>24%</b>	
Cost/ Income	67%	67%	65%	72%		84%		78%		73%		68%		66%
RWAs	880	885	858	823	-4%	798	-3%	798	0%	814	2%	839	3%	
<b>Greece - Investment Banking/ Treasury</b>														
<b>Total Revenues</b>	<b>271</b>	<b>122</b>	<b>130</b>	<b>(246)</b>	<b>NM</b>	<b>(41)</b>	<b>-84%</b>	<b>122</b>	<b>-400%</b>	<b>131</b>	<b>7%</b>	<b>141</b>	<b>8%</b>	
Total Expenses	(39)	(34)	(27)	(15)	-44%	(29)	90%	(27)	-7%	(26)	-4%	(25)	-4%	
<b>PBT</b>	<b>232</b>	<b>89</b>	<b>103</b>	<b>(261)</b>	<b>NM</b>	<b>(69)</b>	<b>-74%</b>	<b>95</b>	<b>-237%</b>	<b>105</b>	<b>11%</b>	<b>116</b>	<b>11%</b>	
Cost/ Income	14%	28%	21%	-6%		-70%		22%		20%		18%		40%
RWAs	5,928	5,623	4,695	4,135	-12%	3,804	-8%	3,690	-3%	3,690	0%	3,690	0%	
<b>SEE</b>														
<b>Net Interest Income</b>	<b>416</b>	<b>427</b>	<b>408</b>	<b>377</b>	<b>-8%</b>	<b>344</b>	<b>-9%</b>	<b>344</b>	<b>0%</b>	<b>358</b>	<b>4%</b>	<b>376</b>	<b>5%</b>	
Fees	64	69	62	49	-21%	46	-5%	46	0%	48	3%	49	3%	
Trading Income	35	31	19	16	-18%	16	2%	17	5%	18	5%	19	5%	
Other	11	15	14	21	48%	19	-9%	20	5%	21	5%	22	5%	
<b>Total Revenues</b>	<b>525</b>	<b>541</b>	<b>504</b>	<b>463</b>	<b>-8%</b>	<b>425</b>	<b>-8%</b>	<b>427</b>	<b>0%</b>	<b>444</b>	<b>4%</b>	<b>465</b>	<b>5%</b>	
Total Expenses	(307)	(302)	(307)	(297)	-3%	(275)	-7%	(272)	-1%	(274)	0%	(276)	1%	
<b>Operating Income</b>	<b>218</b>	<b>239</b>	<b>197</b>	<b>166</b>	<b>-16%</b>	<b>150</b>	<b>-9%</b>	<b>155</b>	<b>3%</b>	<b>170</b>	<b>10%</b>	<b>189</b>	<b>11%</b>	
Prov. Loan Losses (Net)	(163)	(194)	(254)	(314)	24%	(399)	27%	(319)	-20%	(192)	-40%	(134)	-30%	
<b>PBT</b>	<b>56</b>	<b>45</b>	<b>(58)</b>	<b>(148)</b>	<b>158%</b>	<b>(249)</b>	<b>68%</b>	<b>(165)</b>	<b>-34%</b>	<b>(21)</b>	<b>-87%</b>	<b>55</b>	<b>-359%</b>	
Loans	11,347	10,808	10,149	9,681	-5%	9,649	0%	9,553	-1%	9,744	2%	9,939	2%	
Deposits	6,330	6,823	5,309	5,421	2%	5,666	5%	5,836	3%	6,070	4%	6,252	3%	
Cost/ Income	58%	56%	61%	64%		65%		64%		62%		59%		64%
RWAs	10,283	10,112	8,920	7,973	-11%	7,572	-5%	7,269	-4%	7,342	1%	7,415	1%	
<b>Other</b>														
Revenues	52	41	30	-330	NM	2,847	-963%	32	-99%	35	9%	35	0%	
Pre-tax Profit	-11	-28	-4,816	-516	NM	2,734	-629%	-124	-105%	-40	-68%	-38	-5%	

Source: Company Reports and Citi Research Estimates

## National Bank of Greece SA

### Company description

National Bank of Greece S.A. offers retail and corporate banking services. The Bank accepts deposits and offers loans, lease financing, mortgages, and investing and insurance services to industrial, commercial, and consumer clients. National Bank of Greece operates domestically and overseas.

### Investment strategy

We rate NBG Neutral. In Greece, the group has the most under-leveraged balance sheet of the large Greek banks (loans-to-deposit ratio of c100%). In SEE, NBG group also has franchises in Bulgaria and Serbia, with further presence in Romania, among others. A large part of the bank's revenues derive from Greece, where we believe there are significant macro risks and elevated risks of an exit from the Euro Area. Such elevated market concerns could affect the short-term and the long-term performance of the shares.

### Valuation

This company has a Neutral rating. We have not assigned a target price and therefore no valuation methodology is applicable.

### Risks

A number of risks could move NBG's share price meaningfully away from current levels. We list some of these risks below:

1. Better or worse than expected margin development trends.
2. Better or worse than expected asset quality, leading to fewer loan losses.
3. A sharp change in the valuation of Greek government bonds.
4. Dilution from a further common equity injection.

A meaningful part of the bank's activities are conducted in Greece, but also in several countries in South Eastern Europe where changes in the macro or political environment could impact significantly NBG's share price.

## Alpha Bank A E

### Company description

Alpha Bank AE attracts deposits and provides retail and commercial banking services. It offers lease financing, corporate banking, asset management, private banking, investment banking and securities brokerage, venture capital, portfolio management, payment systems, consulting and real estate management services. Alpha operates internationally.

### Investment strategy

We have a Neutral rating on Alpha Bank. In Greece, the bank is a leading player in retail and corporate lending. While we believe the bank will turn profitable in 2015, the Greek macro-economic conditions remain weak, impacting asset quality and the potential for volume growth.

## Valuation

This company has a Neutral rating. We have not assigned a target price and therefore no valuation methodology is applicable.

## Risks

A number of risks could move Alpha's share price meaningfully away from current levels. We list some of these risks below:

1. Better or worse than expected margin development trends.
2. Better or worse than expected asset quality.
3. Higher or lower than expected dilution from a common equity injection by the Greek government.

A meaningful part of the bank's activities are conducted in Greece, where we believe macro risks continue to be elevated. Such market concerns could affect the short-term and long-term performance of the shares

## Appendix A-1

### Analyst Certification

The research analyst(s) primarily responsible for the preparation and content of this research report are named in bold text in the author block at the front of the product except for those sections where an analyst's name appears in bold alongside content which is attributable to that analyst. Each of these analyst(s) certify, with respect to the section(s) of the report for which they are responsible, that the views expressed therein accurately reflect their personal views about each issuer and security referenced and were prepared in an independent manner, including with respect to Citigroup Global Markets Inc and its affiliates. No part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendation(s) or view(s) expressed by that research analyst in this report.

### IMPORTANT DISCLOSURES

#### National Bank of Greece SA (NBGr.AT)

##### Ratings and Target Price History Fundamental Research

Analyst: Florent Nitu  
Covered since April 2 2013



	Date	Rating	Target Price	Closing Price
1	17-Nov-10	2H	*41.43	34.80
2	10-Dec-10	2H	*38.92	35.50
3	7-Sep-11	2H	*17.58	16.97

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	6-Oct-11	*2S	*12.55	10.95
5	7-Oct-11	Stock rating system changed		
6	8-Oct-11	*2H	12.55	10.90

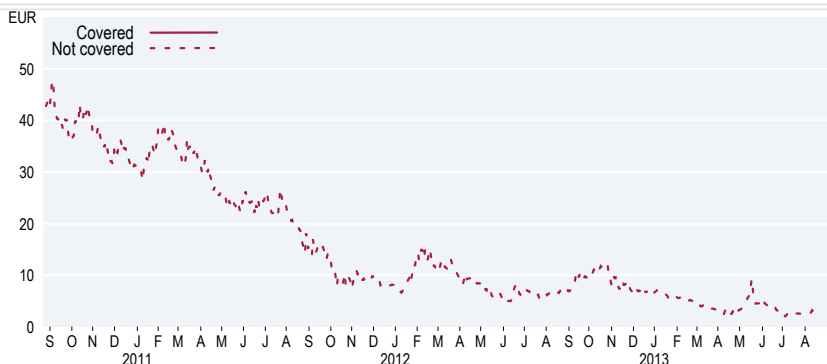
	Date	Rating	Target Price	Closing Price
7	20-Jun-12	*2	-	7.18

Rating/target price changes above reflect Eastern Standard Time

#### National Bank of Greece SA (NBGr.AT)

##### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

Analyst: Florent Nitu  
Covered since April 2 2013



\* Indicates change

Rating/target price changes above reflect Eastern Standard Time

#### Alpha Bank A E (ACBr.AT)

##### Ratings and Target Price History Fundamental Research

Analyst: Florent Nitu  
Covered since April 2 2013



	Date	Rating	Target Price	Closing Price
1	1-Sep-10	2H	*1.87	1.88
2	17-Nov-10	2H	*1.69	1.62

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	7-Oct-11	Stock rating system changed		
4	2-Apr-13	*2	-	0.23

Rating/target price changes above reflect Eastern Standard Time



## Alpha Bank A E (ACBr.AT)

### Ratings and Target Price History

#### Best Ideas Research

#### Relative Call (3 Month)

Analyst: Florent Nitu

Covered since April 2 2013



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### Citi Research Equity Ratings Distribution

#### Data current as of 30 Jun 2013

Citi Research Global Fundamental Coverage

% of companies in each rating category that are investment banking clients

12 Month Rating			Relative Rating		
Buy	Hold	Sell	Buy	Hold	Sell
48%	40%	12%	6%	88%	6%
53%	50%	45%	58%	51%	49%

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**Risk rating** takes into account both price volatility and fundamental criteria. Stocks will either have no risk rating or a High risk rating assigned.

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