

## Greek Banks

### Alert: ECB likely to Buy Greek Banks' ABS and Covered Bonds

On 1st Oct 14, the FT reported that Mario Draghi has said the ECB may buy senior tranches of Greek and Cypriot securitized loans with low ratings. The ECB's executive board may propose that existing requirements on the quality of assets accepted by the ECB be relaxed to allow the higher rated slices of Greek and Cypriot ABS and covered bonds to be included in their asset purchasing program.

While this proposal might be objected to by some ECB members, if agreed, it would have a positive impact on the Greek banking system as it will enhance liquidity and potentially boost lending. We may get an update on this topic as early as 2 October at the next ECB meeting.

The four leading Greek banks retain on balance sheet around €44bn of ABS and covered bonds or 12.5% of their total assets as of FY13 according to annual reports. At an individual bank level, NBG, Alpha, Piraeus and Eurobank had €22bn, €8bn, €7bn and €7bn of ABS/covered bonds respectively, corresponding to 20%, 11%, 8% and 9% of their respective total assets (Figure 1).

Only senior or higher rated tranches of Hellenic ABS will likely be accepted by the ECB as part of their asset purchase programme. For reference, of Alpha Bank's €4.2bn ABS holdings €2.3bn is senior – adding covered bonds, eligible assets at Alpha may amount to 8.3% of total assets.

At present Greek banks are unable to use their covered bonds as eligible collateral for ECB refinancing. However, this may change if the ECB relax their eligibility criteria – both as part of the asset purchase programme and for long-term refinancing operations.

Greek banks currently do use their covered bonds as collateral for short-term repo transactions with international banks. However, using these bonds as collateral for ECB refinancing operations should reduce the cost of funding and provide access to longer-term funding.

Figure 1. Greek Banks ABS and Covered Bonds Outstanding 2013

	ABS	Covered Bonds	ABS and CB	Total Assets	ABS and CB as % of Assets
NBG	10.4	11.5	21.9	110.9	19.7%
Alpha	4.2	3.8	8.0	73.7	10.8%
Piraeus	6.0	1.3	7.2	92.0	7.8%
Eurobank	2.8	4.4	7.2	77.6	9.3%
<b>Total</b>	<b>23.4</b>	<b>20.9</b>	<b>44.3</b>	<b>354.2</b>	<b>12.5%</b>

Source: Company Reports. ABS classified as securitized loans in Greek Bank Annual Reports.

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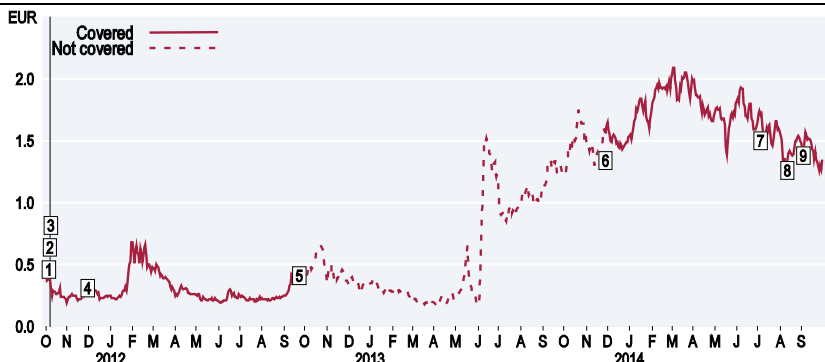
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##### Ratings and Target Price History Fundamental Research

Analyst: Ronit Ghose

Covered since May 22 2014



	Date	Rating	Target Price	Closing Price
1	6-Oct-11	*3S	*0.32	0.38
2	7-Oct-11	Stock rating system changed		
3	8-Oct-11	*3H	0.32	0.38

\* Indicates change

	Date	Rating	Target Price	Closing Price
4	30-Nov-11	*2	-	0.29
5	24-Sep-12	Coverage terminated		
6	28-Nov-13	2	-	1.57

	Date	Rating	Target Price	Closing Price
7	4-Jul-14	*1	*2.00	1.71
8	12-Aug-14	1	*1.55	1.35
9	3-Sep-14	1	*1.65	1.40

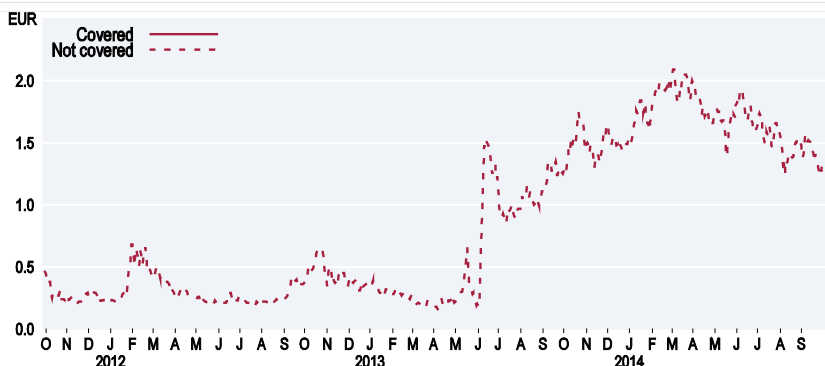
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##### Ratings and Target Price History Best Ideas Research Relative Call (3 Month)

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Analyst: Ronit Ghose

Covered since May 22 2014



	Date	Rating	Target Price	Closing Price
1	6-Oct-11	*2S	*12.55	10.95
2	7-Oct-11	Stock rating system changed		

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	Date	Rating	Target Price	Closing Price
3	8-Oct-11	*2H	12.55	10.90
4	20-Jun-12	*2	-	7.18

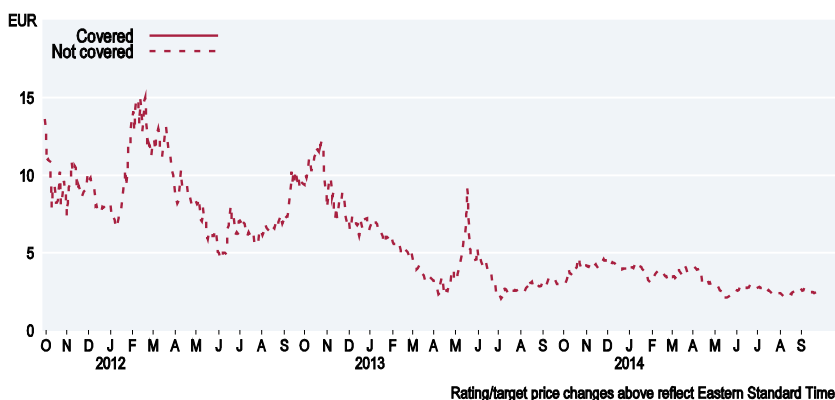
	Date	Rating	Target Price	Closing Price
5	12-Aug-14	*1	*2.90	2.35
6	3-Sep-14	1	*3.00	2.59

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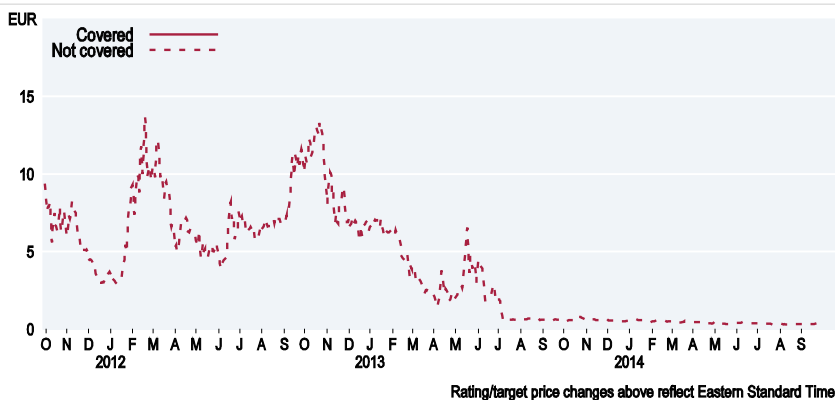
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### Ratings and Target Price History Fundamental Research



## Eurobank (EURBr.AT)

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



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### Ratings and Target Price History Fundamental Research

Analyst: Ronit Ghose

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	Date	Rating	Target Price	Closing Price
1	7-Oct-11	Stock rating system changed		
2	2-Apr-13	*2	-	0.23

\* Indicates change

	Date	Rating	Target Price	Closing Price
3	12-Aug-14	2	*0.65	0.60
4	3-Sep-14	2	*0.70	0.67

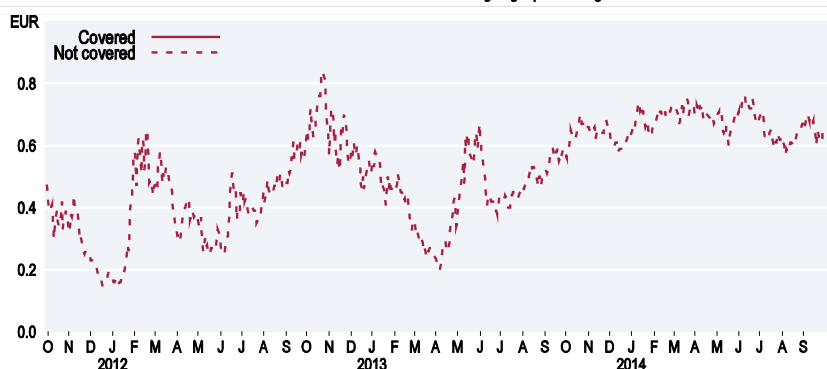
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