Pharos: Hellenic and International Financials updates

Welcome to this week's edition of the Hellenic and International Financials update, S3:E7. This week, global markets' sentiment remained favourable as US shares recovered from their drop induced by stronger than expected inflation data print in January. In the Hellenic region, PDMA raised EUR 400m through the reopening of the 5Y and 10y GGBs, as Piraeus Bank reported a strong set of 4Q23 results and published its FY24-26 business plan, while HFSF's divestment from Piraeus Bank is reportedly anticipated to begin on March 4th. Separately, an SSM delegation arrived in Athens to conduct meetings with the four systemic banks ahead of the upcoming FY24-26 business plans release, as Attica Bank announced the transfer of the Omega portfolio to its own operations. In Italy, UniCredit plans to boost its 2023 bonus pool following record profits, as BPER Banca completed the issuance of a EUR 500m green bond, whilst Banca Progetto is sounding investors' appetite for a 2Q24 IPO. Internationally, Commerzbank reported a strong set of 4Q23 results beating net income street estimates, as Barclays examines a potential bid for Société Générale's UK private bank. NatWest is set to appoint interim CEO as permanent successor, whilst Achmea contemplates the sale of its life insurance arm.

New AXIA note: Earlier this week we published our 4Q23 review note for Piraeus Bank (**here**), where we discuss key trends of the quarter and the ambitious, yet feasible in our view, FY24-26 business plan where the group outlined its renewed targets.

Market Update (as of 16-February 08:39am UK, see appendix for the full table): *An uneventful week for risky assets, with bonds and equities both holding their levels stable. Key Exchanges exhibited a slightly positive performance week-on-week, with FTSE 100, DAX, S&P 500, and Nasdaq all at +1%. Overall, growth stocks (+7% year-to-date) continue to outperform value (+1% year-to-date). Currencies showed minimal movement with the USD index, EUR/GBP, and EUR/USD all flat. In terms of 10YR bond yields, spreads primarily widened, with GR, SP, POR, and IT at -2%, followed by UK and GER that maintained their levels flat, and US at +2%. Commodities shifted slightly lower, by -1% on a week-on-week basis, with natural gas at -14% and crude oil at +1% (-37% and +9% year-to-date respectively). Metals moved slightly higher, with aluminium flat and copper at +1%. Investors' sentiment (according to AAII), that stock prices will rise over the next six months, recorded a notable decrease to 42.2% vs 49.0% last week. Bullish sentiment however remains above its historical average of 37.5% for the 15th consecutive week. CNN's Fear & Greed Index remained in "extreme greed" territory (maintaining the rating of 77 of last week), indicating optimism among investors is resilient. Finally, Global average weighted inflation (WOINIFL) shifted lower to 5.29% (-14p.p. compared to the previous week).*

Sector Performance: *Sector trends this week were positive. Year-to-date, Communication Services (+11.80%), Information Technology (+8.31%), Health Care (+6.28%), Financials (+5.45%), Industrials (+4.10%) and Consumer Discretionary (+2.62%) have been the best performers in terms of returns. On the other hand, the underperformers were Utilities (-3.59%), Real Estate (-3.32%) and Materials (-1.08%).*

Global Financials: *Week-on-week, global financials posted a positive performance, with EU banks and diversified financials at +2%, followed by US banks and insurance at +3%. Year-to-date, Financial Services (+10.07%), Insurance (+9.75%), Consumer Finance (8.31%) and Banks (+3.08%) continue to outperform Capital Markets (-1.81%).* ***GR banks'*** *share prices exhibited overall positive performances week-on-week (with ALPHA and EUROB flat, NBG at +1% and TPEIR at +4%). GR banks are up on average +17% year-to-date, outperforming SX7P by +16p.p. Year-to-date, TPEIR (1st), EUROB (3rd), NBG (6th), and ALPHA (8th) are amongst the best EU performing banks.*

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Hellenic News

PDMA raised a total of EUR 400m through the re-opening of the 5y and 10y GGBs. PDMA re-opened the 5-year GGB. Bids reached c. EUR 623m with a coverage ratio of 3.12. The amount finally accepted was EUR 200m and the yield was set at 2.85% with a cutoff price of EUR 104.080. Additionally, PDMA re-opened the 10-year GGB as bids reached c. EUR 711m with a coverage ratio of 3.56. The amount finally accepted was EUR 200m and the yield was set at 3.32% with a cutoff price of EUR 107.330.

Piraeus Bank's 4Q23 results review. Piraeus Bank (TPEIR) released a strong set of 4Q results, beating estimates as the group continues its positive progress. 4Q RoTE of 20% (AXIAe at 17.9%) adjusted was strong. This performance should be attributed to sequential NII growth of +1% and +25% year-on-year, in line with AXIAe, which surpassed consensus by 1%, on high interest rates, PE lending strong pass-through rates and lower deposit betas. Net fee and commission income came in elevated by +14% year-on-year, and 3% sequentially, in line with our expectations. On the cost line, recurring operating expenses were further contained in 4Q, at -7% year-on-year, leading FY23 costs down by 4%, despite inflationary pressures. G&A costs were down 11% year-on-year in FY23, whilst staff costs increased to EUR 168m from EUR 80m in 3Q, due to a variable comp. accrual of EUR 15m out of EUR 23m for FY23. In addition, organic loan impairment charges decreased to a cycle low level of EUR 53m in 4Q, due to further NPE reduction and resiliency in new NPE formation. Impairment losses of EUR 52m in 4Q were mainly associated with provisions regarding the classification of a EUR 0.3bn NPE portfolio as held for sale in December 2023. This led to a reduced CoR of 58bps (AXIAe at 50bps), whilst NPE ratio dropped to 3.5% in FY23 beating our estimate of 4.8%. Capital ratios kept improving with FL CET1 ratio increasing to 13.3% (in line with AXIAe) driven by organic capital generation. Overall, TPEIR reported very strong performance with the group continuing to outperform expectations. Piraeus Bank published an ambitious but, in our view, feasible FY24-26 business plan mainly focusing on sustainable profitability (see our commentary in the attached PDF). TPEIR ranks as the second-best EU bank stock year-to-date (+c.22%), and trades at a multiple of 0.60x FY25 P/TE for an estimated c. 13.8% FY25 RoTE. We finetune our FY24-26 estimates to capture the new trends. As such, we reiterate our Buy rating and increase our TP to EUR 5.0 (from EUR 3.7). ***See AXIA's review note here where we also discuss the business plan in more detail.***

HFSF's placement anticipated to take place between March 4th and 6th. Reportedly, the sale of HFSF's stake in Piraeus Bank is anticipated to occur between March 4th and 6th. While the exact percentage of the stake remains unconfirmed, it's unlikely that the entire 27% stake will be sold at once. The Fund may choose to retain a portion for later sale. The article notes that the bank has informally submitted its prospectus to the HCMC. In other Piraeus Bank related news, reportedly the bank is finalizing the sale of most of its 1,200 offsite ATMs to Printec, retaining about 300 cash machines in remote areas, as discussions with Printec are advanced, pending resolution of technical and procedural matters, with approval awaited from the Bank of Greece.

SSM to conduct meetings with the four systemic banks focusing on the FY24-FY26 business plans. A delegation from the SSM has arrived in Athens to conduct meetings with the management teams of the four systemic banks. Reportedly, discussions are scheduled today with the administrations of NBG and Eurobank, whilst next week meetings are arranged with Alpha Bank and Piraeus Bank. The focus of these meetings is primarily on reviewing the 3-year business plans (FY24-FY26) of the banks, particularly examining profitability in FY23 as a prerequisite for dividend distribution. Key topics include enhancing profitability, maintaining capital adequacy, diversifying revenue sources, cost reduction, meeting MREL requirements, and addressing the impact of rising interest rates. Of particular interest is the trajectory of credit expansion, considering challenges posed by current and anticipated interest rate hikes and strategies to stimulate loan demand, especially in the mortgage sector.

Attica Bank announced the completion of the transfer of the Omega loan portfolio to its own operations. Attica Bank (TATT) announced that it has finalized the transfer of the Omega NPL portfolio from Artemis Securitization SA to its own operations. The portfolio management will be overseen by Cepal Hellas and doValue Greece. The transaction has no impact on its capital position.

Italian News

UniCredit set to boost 2023 bonus pool amid record profits. UniCredit (UCG) plans to increase its total bonus pool for the year 2023 by approximately 16%, driven by a historic surge in profits. Employees may experience average raises ranging from 9% to 27%, reflecting the bank's decision to allocate EUR 8.6bn from its FY23 profits to shareholder returns.

BPER Banca completes EUR 500m green bond sale amid strong investor interest. BPER Banca (BPER) placed its first senior preferred green bond issuance for an amount of EUR 500m with institutional investors. The issue with a six-year maturity was heavily oversubscribed, receiving orders in excess of EUR 3.4bn. The demand made it possible to lower the initial guidance of 200bps over the 5-year mid-swap rate to 160bps, resulting in an annual coupon of 4.25%. Proceeds will be used to finance and/or refinance eligible green assets.

Banca Progetto explores investor appetite for 2Q24 IPO. Banca Progetto is sounding market interest for an IPO in 2Q24, aiming to divest 35% to 40% of the challenger bank. Reportedly, various Italian investors, including pension funds, have already shown interest. Speculations in media reports suggest that the potential value of the offering could reach EUR 600m.

International News

Commerzbank reported a strong 4Q23 set of results beating earnings estimates on higher interest rates. Commerzbank (CBK) reported stronger-than-expected 4Q23 results with net income reaching EUR 395m, exceeding estimates by approximately 19%. Despite slightly lower than expected revenue of EUR 2.41bn compared to the estimated EUR 2.48bn, the bank achieved an operating profit of EUR 542m, which fell short of the estimate of EUR 559.7m. However, the provision for loan losses was lower than anticipated, standing at EUR 252m, representing a 14% increase year-on-year but still c. 6% below consensus. CBK's CET1 ratio came in slightly higher than street expectations at 14.7% (cons. at 14.6%), while the efficiency ratio was higher than expected at 67.1%. Adj. revenue was reported at EU2.43 billion, with net interest income of EU2.13 billion and net commission income of EU798 million, both slightly below estimates. Operating expenses were also lower than anticipated, at EU1.56 billion compared to the estimate of EU1.59 billion. CBK aims to distribute capital to shareholders, with a capital distribution of EUR 1bn planned and a targeted payout ratio of at least 70%. Additionally, it anticipates net commission income growth of 4% in FY24 and aims for a cost-income ratio of 60%. A share buyback of up to EUR 600m is underway, and the bank intends to distribute a dividend of around EUR 35 cents per share, pending AGM approval. In other CBK related news, the German government, which currently owns 15.6% of CBK, will not participate in the bank's share buyback initiative. This decision, unexpected given the government's discussions about reducing or exiting its stake in Commerzbank, would have raised its ownership to around 16.5%. Looking ahead, CBK targets NII of around EUR 7.9bn in FY24, with plans to increase net commission income and maintain a CET1 ratio higher than 14%. CBK trades at 0.40x FY25 P/TE for and estimated FY25 RoTE of 8.70%.

Barclays considers bid for Société Générale's UK private bank amid strategic overhaul. Barclays (BARC) is reportedly considering a bid for Société Générale's (GLE) UK private bank as part of its strategy to expand its services for affluent clients. This move aligns with BARC' plan to revamp its business and diversify away from volatile investment banking income, demonstrated by its recent acquisition of Tesco's banking operations. Additionally, GLE is preparing to sell its private banking operations in Switzerland as part of a broader strategy overhaul. BARC is set to unveil its new group strategy alongside its FY23 results on February 20, as shareholders push for improved returns and risk management.

NatWest set to appoint interim CEO Paul Thwaite as permanent successor for the position. NatWest (NAT) is reportedly preparing to name Paul Thwaite, its current interim chief executive, as the permanent replacement for former CEO Alison Rose. Thwaite, a former head of commercial and institutional banking at NAT, assumed the interim CEO role last July for a 12-month period.

Achmea explores sale of life insurance arm. Achmea (ACHM) is in preliminary talks regarding the potential sale of its life insurance operations, including discussions with rivals NN Group and Athora. The Pension & Life Insurance arm could fetch over EUR 2bn in a transaction. ACHM is assessing interest in the business, which manages over EUR 40bn in assets. While discussions are at an early stage, there's no certainty of a deal. The move aligns with European insurance companies' trend of divesting non-core operations to free up capital for strategic investments. Besides NN Group and Athora, ACHM is also exploring alternatives with asset managers like Brookfield. NN Group's potential acquisition of ACHM's life arm would mark a significant deal for the company following its acquisition of ABN AMRO Verzekeringen's life insurance activities in 2022.

Other Headlines

- **UBS** plans to close about 100 of its currently 319 bank branches in Switzerland as a result of the merger of UBS with Credit Suisse.
- **Deutsche Bank** has launched specialized teams of relationship managers and capital market experts within its private banking division in Germany to cater to the needs of UHNW individuals.
- **Standard Chartered** is weighing options to restructure its institutional banking unit, including separating its investment bank from its corporate and commercial bank.

Recent research notes:

14-February-2024: TPEIR | 4Q23 Review: Roses are red but sustainable profitability is better (here)

05-February-2024: TPEIR | 4Q23 Preview: Walk of excellence (here)

21-November-2023: ATHEX | 3Q23 Review: Walking this way (here)

17-November-2023: ATHEX | 3Q23 Preview: Walk this way (here)

15-November-2023: BOCH | 3Q23 Review: Sweet NII (here)

07-November-2023: EUROB | 3Q23 Review: The best is yet to grow (here)

07-November-2023: NBG | 3Q23 Review: Mission flawless (here)

03-November-2023: TPEIR | 3Q23 Review: Upbeat tunes (here)

03-November-2023: ALPHA | 3Q23 Review: Feeling good (here)

31-October-2023: NBG | 3Q23 Preview: Steady progress (here)

30-October-2023: EUROB | 3Q23 Preview: A tale of growth (here)

25-October-2023: ALPHA | 3Q23 Preview: Reassuring investors (here)

25-October-2023: TPEIR | 3Q23 preview: Keep walking (here)

23-October-2023: ALPHA & UCG | The beginning of a longtime friendship (here)

05-October-2023: Greek Banks: Fear vs. reality (here)

07-September-2023: EUROB |Hellenic Bank acquisition: Not in the price (here)

10-August-2023: BOCH |2Q23 Review: Amazing (here)

09-August-2023: ALPHA |2Q23 Review: Good vibrations (here)

03-August-2023: DOV | 2Q23 Review: New opportunities (here)

01-Aug-2023: NBG | 2Q23 Review: More excess capital to use (here)

01-Aug-2023: ATHEX | 2Q23 Review: Just getting started (here)

31-July-2023: TPEIR | 2Q23 Review: Exceeded expectations (here)

31-July-2023: EUROB | 2Q23 Review: Flawless execution (here)

26-July-2023: EUROB | 2Q23 Preview: Maintaining high-speed (here)

21-July-2023: TPEIR | 2Q23 Preview: Exceeding expectations (here)

20-July-2023: ALPHA | 2Q23 Preview: Keep the course (here)

19-July-2023: NBG | 2Q23 Preview: Smooth sailing (here)

03-July-2023: Global Research Thematics | Greek Equities: (B)-IG expectations (here)

12-June-2023: Bank of Cyprus | Investor Day Review: Higher ground (here)

08-June-2023: Greek FIG: Lucky number (mezza)nine (here)

07-June-2023: ALPHA | Investor Day Review: Start me up (here)

31-May-2023: Industry Update | Greek Banks: To be continued… (here)

29-May-2023: ATHEX | 1Q23 Review: A small taste of things to come (here)

23-May-2023: NBG | 1Q23 Review: Opportunity to expedite capital deployment (here)

18-May-2023: NBG | 1Q23 Preview: Growing consistently (here)

17-May-2023: EUROB | 1Q23 Review: Upgrades on the way (here)

16-May-2023: BOCH | Buy: One for the yield hunters (here)

15-May-2023: DOV | 1Q23 Review: The perfect storm (here)

10-May-2023: EUROB | 1Q23 Preview: Even better than the real thing (here)

Appendix

INDICES	Last Price	%1D	%5D	%1M	%3M	%1YR	%YTD
Main Indices							
MXWO (Equities)	3289.74	1%	0%	5%	11%	18%	4%
Total Return Bond (Bonds)	2125.31	0%	0%	-1%	3%	3%	-2%
EU Coco	182.76	0%	0%	2%	7%	2%	2%
S&P 500	5029.73	1%	1%	6%	12%	23%	5%
Nasdaq	15906.17	0%	1%	6%	13%	34%	6%
FTSE 100	7655.45	1%	1%	1%	3%	-4%	-1%
DAX	17129.33	0%	1%	3%	9%	10%	2%
MSCI Value	3402.80	1%	1%	2%	8%	6%	1%
MSCI Growth	4915.54	0%	0%	7%	13%	30%	7%
Financials Indices							
MSCI World Financials (Global Financials)	149.63	1%	2%	4%	11%	8%	2%
SX7E (EURO)	119.38	1%	2%	1%	5%	2%	1%
SX7P (EU)	169.87	1%	2%	3%	6%	2%	1%
MSCI Banks	114.42	2%	2%	3%	11%	1%	0%
MSCI US Banks	110.22	3%	3%	6%	18%	2%	3%
MSCI EM Banks	340.18	0%	1%	2%	7%	9%	1%
MSCI Insurance	166.81	2%	3%	5%	8%	10%	5%
MSCI Diversified Fins	228.09	1%	2%	9%	15%	26%	9%
Currencies							
USD Index	104.38	0%	0%	1%	0%	1%	3%
EURGBP	0.86	0%	0%	1%	2%	4%	1%
EURUSD	1.08	0%	0%	-1%	-1%	1%	-2%
Bond Yields							
US 10YR	4.26	1%	2%	5%	-4%	10%	10%
UK 10YR	4.07	0%	0%	7%	-2%	16%	15%
GER 10YR	2.38	1%	0%	6%	-8%	-4%	18%
GR 10YR	3.47	0%	-2%	4%	-10%	-19%	13%
SP 10YR	3.29	0%	-2%	4%	-8%	-4%	10%
POR 10YR	3.14	1%	-2%	2%	-3%	-7%	18%
IT 10YR	3.87	0%	-2%	1%	-11%	-11%	5%
Commodities							
Commodities	95.70	0%	-1%	-2%	-6%	-11%	-3%
Crude Oil	77.97	0%	1%	8%	7%	-1%	9%
Natural Gas	1.58	0%	-14%	-45%	-48%	-34%	-37%
Aluminum	2224.50	0%	0%	1%	0%	-7%	-7%
Copper	8314.00	1%	1%	-1%	1%	-6%	-3%

Source: Bloomberg, AXIA estimates, Note: Data correct as of 16-February 08:39am UK time

GR banks subordinated and senior instruments

Bank	Bloomberg Ticker	Rank / Basel	Issuance Date	Currency	Proceeds (EUR m)	Last Price	Coupon (%)	Yield-to-Maturity (%)	Yield-to-Call (%)	Next Call Date	Maturity
EUROB	AQ833687 Corp	Subordinated	17/01/2018	EUR	950	95	6.410	7.89	73.10	19/03/2024	17/01/2028
TPEIR	AZ227150 Corp	Subordinated	26/06/2019	EUR	400	102	9.750	11.98	4.46	26/06/2024	26/06/2029
ETEGA	AZ619383 Corp	Subordinated	18/07/2019	EUR	400	101	8.250	10.57	4.61	18/07/2024	18/07/2029
ALPHA	ZP935314 Corp	Subordinated	13/02/2020	EUR	500	98	4.250	7.21	6.93	13/02/2025	13/02/2030
TPEIR	BG039176 Corp	Subordinated	19/02/2020	EUR	500	99	5.500	8.22	6.96	19/02/2025	19/02/2030
ETEGA	ZO745742 Corp	Sr Preferred	08/10/2020	EUR	500	98	2.750	4.83	4.11	08/10/2025	08/10/2026
ALPHA	BO398437 Corp	Subordinated	11/03/2021	EUR	500	98	5.500	7.83	6.70	11/03/2026	11/06/2031
EUROB	BP267801 Corp	Sr Preferred	05/05/2021	EUR	500	95	2.000	5.00	4.53	05/05/2026	05/05/2027
TPEIR	BP963430 Corp	Jr Subordinated	16/06/2021	EUR	600	99	8.750	11.25	9.38	16/06/2026	
EUROB	BR318650 Corp	Sr Preferred	14/09/2021	EUR	500	94	2.250	4.80	4.33	14/03/2027	14/03/2028
ALPHA	BR444280 Corp	Sr Preferred	23/09/2021	EUR	500	93	2.500	5.38	5.03	23/03/2027	23/03/2028
TPEIR	BS109324 Corp	Sr Preferred	03/11/2021	EUR	500	97	3.875	5.78	5.15	03/11/2026	03/11/2027
EUROB	XS2488092219 Corp	Sr Preferred	09/06/2022	EUR	500	100	4.375	5.15	5.15	11/03/2024	09/03/2025
ALPHA	BZ875742 Corp	Sr Preferred	01/11/2022	EUR	400	102	7.000	6.24	4.14	01/11/2024	01/11/2025
ETEGA	ZN374515 Corp	Sr Preferred	22/11/2022	EUR	500	108	7.250	5.07	4.07	22/11/2026	22/11/2027
ETEGA	ZN506085 Corp	Sr Preferred	25/11/2022	EUR	150	100	6.000	6.53	5.49	25/05/2024	25/05/2025
TPEIR	ZN436488 Corp	Sr Preferred	28/11/2022	EUR	350	107	8.250	6.12	4.65	28/01/2026	28/01/2027
ETEGA	ZN643335 Corp	Sr Preferred	02/12/2022	GBP	200	106	8.750	7.22	6.07	02/06/2026	02/06/2027
EUROB	ZN680597 Corp	Subordinated	06/12/2022	EUR	300	114	10.000	7.96	5.89	06/12/2027	06/12/2032
ALPHA	ZN774037 Corp	Sr Preferred	16/12/2022	EUR	450	106	7.500	5.64	4.48	16/06/2026	16/06/2027
EUROB	ZM523305 Corp	Sr Preferred	26/01/2023	EUR	500	109	7.000	5.18	4.56	26/01/2028	26/01/2029
ALPHA	ZM791319 Corp	Jr Subordinated	08/02/2023	EUR	400	109	11.875	10.97	9.02	08/02/2028	
ALPHA	ZJ037726 Corp	Sr Preferred	27/06/2023	EUR	500	107	6.875	5.43	5.07	27/06/2028	27/06/2029
TPEIR	ZJ635351 Corp	Sr Preferred	13/07/2023	EUR	500	106	7.250	5.77	5.38	13/07/2027	13/07/2028
ETEGA	ZH098921 Corp	Subordinated	03/10/2023	EUR	500	108	8.000	6.58	5.93	03/10/2028	03/01/2034
TPEIR	ZG3808083 Corp	Sr Preferred	05/12/2023	EUR	500	106	6.750	5.67	5.36	05/12/2028	05/12/2029
TPEIR	ZF2122413 Corp	Subordinated	17/01/2024	EUR	500	102	7.250	7.14	6.86	17/01/2029	17/04/2034
EUROB	ZF4258819 Corp	Subordinated	25/01/2024	EUR	300	100	6.250	6.39	6.35	25/01/2029	25/04/2034
ETEGA	ZF4868948 Corp	Sr Preferred	29/01/2024	EUR	600	100	4.500	4.82	4.61	29/01/2028	29/01/2029
ALPHA	ZF8252057 Corp	Sr Preferred	12/02/2024	EUR	400	99	5.00	5.29	5.16	12/05/2029	12/05/2030

Source: Bloomberg, AXIA estimates, Note: Data correct as of 16-February 08:39am UK time

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AXIA Research 12-month rating*	
Buy	The stock to generate total return** of and above 10% within the next 12-months
Neutral	The stock to generate total return**between -10% and 10% within the next 12-months
Sell	The stock to generate total return** of and below -10% within the next 12 months
Under Review	Stock's target price or rating is subject to possible change
Restricted	Applicable Laws / Regulation and AXIA Ventures Group Limited policies might restrict certain types of communication and investment recommendations
Not Rated	There is no rating for the company by AXIA Ventures Group Limited

* Exceptions to the bands may be granted by the Investment Review Committee of AXIA taking into account specific characteristics of the Subject Company
**Total return: % price appreciation equals percentage change in share price from current price to projected target price plus projected dividend yield

AXIA Ventures Group Limited Rating Distribution as of today

Coverage Universe	Count	Percent	Of which Investment Banking Relationships	Count	Percent
Buy	16	52%	6	6	19%
Neutral					
Sell					
Restricted					
Not Rated	3	10%			
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