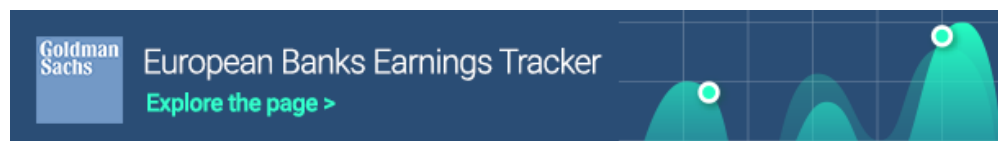


## Piraeus Financial Holdings (BOPr.AT): 1Q21 first look — Miss on earlier booking of NPE securitisation provisions



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**Piraeus reported a €407 mn headline 1Q21 net loss (vs. net losses of €514 mn in 4Q20 and €232 mn in 1Q20), missing the Visible Alpha consensus (€227 mn net profit). The miss vs. Cons was primarily driven by one-off provisions (€829 mn, related to Phoenix & Vega NPE securitisations), while core income was moderately worse than anticipated, and trading income, costs and underlying provisions came better than expected. The bank has reiterated its Sunrise plan and targets (see our [report](#) for details).**

**Positively: 1)** trading & other income of €418 mn visibly outperformed forecasts (c.3x vs. Cons) and the reference time periods (€11 mn in 4Q20, -€19 mn in 1Q20), supported by trading gains, in line with the capital enhancement plan; **2)** headline costs of €225 mn were slightly better than anticipated (-2% vs. Cons), declining by 44% q/q (following one-off expenses in 4Q20; -1% y/y); **3)** although headline total provisions of €985 mn came significantly above forecasts (€286 mn Cons) and the reference time periods (€477 mn in 4Q20, €510 mn in 1Q20), they included €829 mn one-off charges, related to Phoenix & Vega NPE securitisations (50% of the P&L impact booked ahead of the completion and derecognition expected in 2Q21), while the underlying impairments of €165 mn were better than anticipated.

**In line: 1)** net loans broadly matched Cons, declining by 6% q/q (-1% y/y).

**Negatively: 1)** core income of €441 mn came moderately below expectations (-3% vs. Visible Alpha consensus) and declined by 5% q/q (+2% y/y), with both NII (€366 mn, -3% q/q, +1% y/y, -2% vs. Cons) and fees (€76 mn, -11% q/q, +7% y/y, -7% vs. Cons) contributing to the trends; **2)** transitional CET1 ratio of 12.1% was lower than anticipated (14.5% Cons) and declined by 170 bp q/q (-105 bp y/y); **3)** NPE ratio of 46.2% came above forecasts (45.6% Cons) and increased by 87 bp q/q (-337 bp y/y), however the NPE balance improved q/q by 1% (-8% y/y).

For us, the **key takeaways** from the **conference call** were as follows:

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- 1. NPE reduction plan:** management expects the Phoenix and Vega NPE derecognition to take place in 2Q21 (with the remaining 50% of the P&L impact, as well as RWA relief), while the Sunrise 1 & 2 transactions are currently planned to complete by the year-end, although a deviation by one quarter cannot be excluded.
- 2. Capital enhancement actions:** of the planned c.€1 bn non-dilutive capital measures, c.€0.8 bn has been “secured” as of 1Q21 (including the €0.4 bn trading gains booked in the quarters, as well as €0.3 bn gain expected from the merchant acquiring sale targeted for closing by 3Q21 and €0.1 bn from synthetic securitisation). Pro forma for the €1.38 bn capital increase completed in 2Q21 and 50% of the Phoenix-Vega impact, the bank’s transitional TCR stood at 17.5% (vs. 14.2% reported), while incorporating the full impact of these NPE securitisations would take it down to 16.5%.
- 3. Capital: AT1:** the scale of the potential AT1 issuance would likely be below originally targeted €600 mn, following the upsizing of the equity increase.
- 4. Lending growth:** according to management, the bank is on track to achieve its FY21 target of €5.7 bn new disbursements (following €2.1 bn new lending in 5M21) and remains committed to the medium-term growth plan, anticipating an increase in PE credit penetration (mainly driven by the corporate segment in the near-term, while the retail should pick-up more visibly from 2022).
- 5. Trading income:** following the securities gains in 1Q21, management does not currently expect further such profits in the near-term, however, the situation is subject to valuation moves.

**Exhibit 1: Piraeus - 1Q21 earnings snapshot**

EUR mn

€ mn Group	Actual					1Q21E	Overview		
	1Q20	2Q20	3Q20	4Q20	1Q21	Cons	Q/Q	Y/Y	A/C
<b>P&amp;L</b>									
Net interest income	360	367	380	378	366	373	-3%	1%	-2%
Net fee & commission income	71	80	81	85	76	81	-11%	7%	-7%
Core income	431	447	460	464	441	454	-5%	2%	-3%
Trading & Other op. income	-19	63	35	11	418	144	>100%	n/a	>100%
Total operating income	412	510	496	475	859	598	81%	>100%	44%
Operating costs	-227	-225	-234	-399	-225	-230	-44%	-1%	-2%
Pre-provision profit	185	285	262	77	634	367	>100%	>100%	73%
Core pre-provision profit	204	222	227	65	216	224	>100%	6%	-3%
Total provision charge	-510	-160	-176	-477	-985	-286	>100%	93%	>100%
Loan impairment provision	-438	-142	-146	-378	-961	n/a	>100%	>100%	n/a
Other impairments	-72	-18	-30	-98	-24	n/a	-75%	-66%	n/a
Profit before tax	-340	125	82	-397	-358	255	-10%	5%	n/a
Income tax	110	-41	-79	-118	-46	-26	-61%	n/a	78%
Profit after tax, Continued	-230	84	3	-515	-404	229	-22%	76%	n/a
Discontinued	-2	-2	-2	-3	-3	-2	-11%	13%	19%
Profit after tax	-232	82	1	-518	-407	226	-22%	75%	n/a
Minority interests	0	1	0	4	-0	-0	n/a	n/a	-71%
Attributable net profit	-232	83	1	-514	-407	227	-21%	75%	n/a
<b>Balance Sheet</b>									
Customer loans, Net	37,686	37,792	38,280	39,624	37,431	37,412	-6%	-1%	0%
Total assets	60,378	64,382	67,693	71,576	72,114	71,109	1%	19%	1%
Customer deposits	46,697	45,706	47,088	49,636	50,431	48,909	2%	8%	3%
Attributable equity	5,354	5,495	5,498	5,007	6,591	7,054	32%	23%	-7%
TBVPS**	192	197	197	179	125	n/a	-30%	-35%	n/a
<b>Capital &amp; Leverage</b>									
CET1 ratio, Transitional, incl. CoCo***	13.1%	14.0%	14.1%	13.8%	12.1%	14.5%	-170bp	-105bp	-240bp
CET1 ratio, FL, ex. CoCo***	6.1%	6.7%	6.8%	6.4%	10.1%	n/a	367bp	405bp	n/a
Net L/D ratio*	81%	83%	81%	80%	74%	76%	-6pp	-6pp	-2pp
<b>Asset Quality</b>									
NPE ratio	49.6%	48.3%	46.8%	45.3%	46.2%	45.6%	87bp	-337bp	63bp
NPE coverage	46%	45%	45%	44%	47%	44.9%	3pp	2pp	2pp
NPE balance	24,122	23,333	22,675	22,443	22,116	n/a	-1%	-8%	n/a
CoR, Net loans*	4.56%	1.51%	1.54%	3.89%	9.98%	n/a	609bp	542bp	n/a
<b>Profitability &amp; Efficiency</b>									
ROTE, Headline*	-17.8%	6.4%	0.1%	-41.3%	-29.4%	15.8%	1,183bp	-1,163bp	-4,525bp
CIR*	55%	44%	47%	84%	26%	39%	-58pp	-29pp	-12pp

(\*) Calculated by Goldman Sachs Global Investment Research. (\*\*) Adjusted for reverse share split. (\*\*\*) CoCo comments relevant for periods pre-1Q21.

Source: Company data, Visible Alpha consensus (2-3 estimates), Goldman Sachs Global Investment Research

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We are Neutral rated on Piraeus and value the stock using an ROTE/COE methodology to reach our 12-month price target of €17.49. Key risks to our investment view, forecasts and price target include: (1) potential sovereign rating upgrades/downgrades; (2) the announcement of additional, non-dilutive systemic solutions for the sector / the materialisation of execution risks around the "Hercules" plan (HAPS); (3) positive/negative capital surprises; (4) an upgrade/downgrade in the country's macro outlook; and/or (5) lower/further margin compression (vs. expectations).

BOPr.AT

12m Price Target: **€17.49**Price: **€1.51**Upside: **1,062.1%**

Neutral

## GS Forecast

Market cap: €75.8mn / \$92.8mn	Net inc. (€ mn)	<b>12/20</b>	<b>12/21E</b>	<b>12/22E</b>	<b>12/23E</b>
3m ADTV: €8.4mn / \$10.2mn	Tang. BVPS (€)	(651.8)	33.1	271.0	326.5
Greece	EPS (€)	(24.63)	0.70	5.38	6.48
Europe Banks	DPS (€)	0.00	0.00	0.00	0.00
Tang. equity/tang. assets (%): 7.7	GS ROTE (%)	(13.0)	0.7	5.0	5.7
M&A Rank: 3	P/TBV (x)	0.1	0.0	0.0	0.0
	P/E (x)	NM	2.2	0.3	0.2
	Dividend yield (%)	0.0	0.0	0.0	0.0
	CET1 ratio (%)	6.4	8.8	9.9	11.5
		<b>12/20</b>	<b>3/21E</b>	<b>6/21E</b>	<b>9/21E</b>
	EPS (€)	(19.29)	0.43	(0.06)	0.12

Source: Company data, Goldman Sachs Research estimates, FactSet. Price as of 25 May 2021 close.

# Disclosure Appendix

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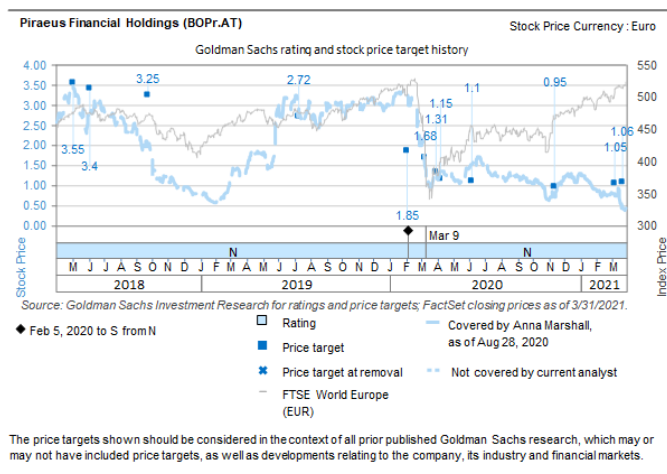
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