Commentary

Large Greek Banks: Further Strengthening of Credit Profiles in 2024 Paves the Way for More Strategic Flexibility

Morningstar DBRS
4 March 2025

Key Highlights

- Greek banks reported an aggregate net profit of EUR 4.3 billion in F2024, up 18% YOY.
- Higher NII and net fees, coupled with strong operating efficiency and lower LLPs have supported results in 2024.
- Cost of risk was down in 2024, and risk profiles have strengthened thanks to benign asset quality dynamics and sustained loan growth.
- The sector's funding and liquidity remains sound, capital buffers have strengthened, and the quality of capital has improved.

Andrea Costanzo
Vice President
European Financial Institution Ratings
+49 69 8088 3692
andrea.costanzo@morningstar.com

Marcos Alvarez
Managing Director
Global Financial Institution Ratings
+34 919 036 529
marcos.alvarez@morningstar.com

Elisabeth Rudman
Managing Director
Global Financial Institution Ratings
+44 20 7855 6655
elisabeth.rudman@morningstar.com

Overview

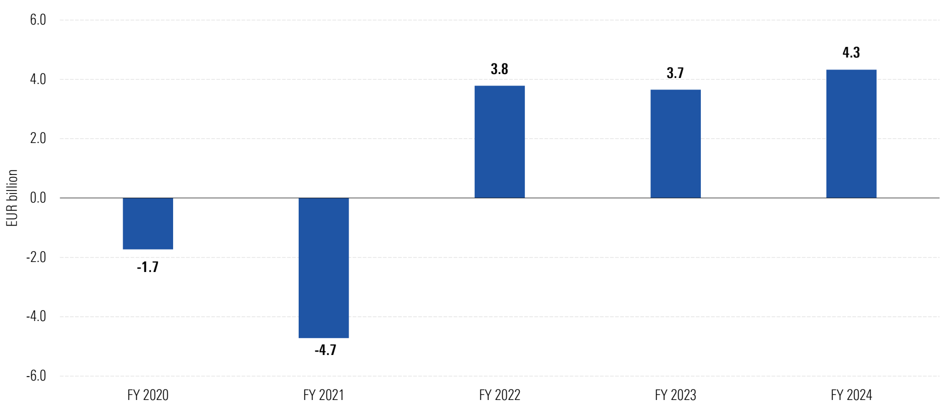
Large Greek banks (Alpha Bank S.A., Eurobank S.A., National Bank of Greece S.A., and Piraeus Bank S.A.) reported an aggregate net profit of EUR 4.3 billion in F2024 (Exhibit 1), up 18% year over year (YOY). Higher net interest income (NII) and net fees, coupled with cost control and lower loan loss provisions (LLPs) have supported results in 2024. In addition, the acquisition of Hellenic Bank by Eurobank has contributed positively to the results. The average return on equity (ROE) was around 13% in 2024, up from around 12% in 2023.

NII has been resilient so far, mainly supported by corporate loan growth, and despite lower rates. At the same time, net fees increased materially in 2024, and operating efficiency remained strong. While Greek banks' revenue structures are heavily reliant on NII, we expect loan growth coupled with the banks' increasing focus on investment, asset management, and the bancassurance fee engine along with better prospects for the Greek economy relative to the European average, to help mitigate the negative impacts of lower rates, geopolitical tensions, and threats to global trade.

Cost of risk (COR) was down in 2024, driven by benign asset quality dynamics and sustained loan growth that have, in turn, led to a further strengthening in risk profiles.

The sector's funding and liquidity remains sound despite lower recourse to central banks. Capital buffers have strengthened, and the quality of capital improved in 2024, increasing strategic flexibility. While dividends and share buybacks remain a priority in the foreseeable future, Greek banks appear to be looking at other options to deploy capital, including mergers and acquisitions (M&A).

Exhibit 1 Aggregate Net Income



Source: Morningstar DBRS, company documents. Note: FY 2024 includes Hellenic Bank starting from Q3 2024.

Resilient NII, Fee Income Boost, and Strong Efficiency Support Operating Profitability

In F2024, total revenues were up 8% YOY (Exhibit 2), mainly supported by core revenues (NII and net fees) and, to a lesser extent, trading and other income. Core revenues were up 8% YOY in F2024.

In 2024, aggregate NII was up 6% YOY (Exhibit 3), as the negative impact from lower rates was more than offset by sustained loan growth, a higher contribution from fixed income securities, and benefits from rate hedging. Greek banks' revenue structures are significantly reliant on NII, therefore the ongoing reduction in interest rates will negatively affect their revenue generation. Nonetheless, new loan disbursements, which seem to be stronger in Greece than in the rest of Europe, will contribute to mitigate the negative impact on NII from lower rates.

In 2024, net fees were up 17% YOY, mainly supported by traditional banking and payment services, but also via cross selling of investment, asset management, and bancassurance products into which banks have put significant efforts. The contribution of net fees to total revenues remained at a moderate 19% in 2024; however, we expect this to improve because of organic and inorganic strategic initiatives. Nonetheless, we expect the government measures concerning the reduction of certain banking fees for retail customers from 2025 to absorb part of the expected increase in fee income generation.

Operating costs were up 9% YOY in 2024 although this includes the impact from the acquisition of Hellenic Bank. Notwithstanding higher personnel remuneration and higher investments for digitalisation, the average cost-to-income ratio remained flat YOY at a strong 34% in 2024. The aggregate income before provisions and taxes was up 8% YOY in 2024.

Exhibit 2 Aggregate Total Revenues and Core Revenues

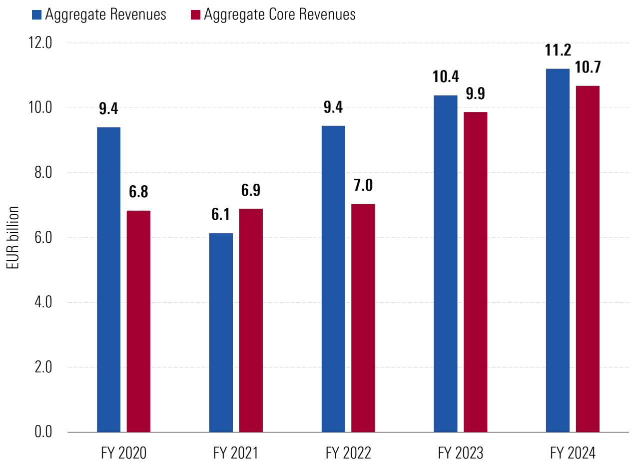
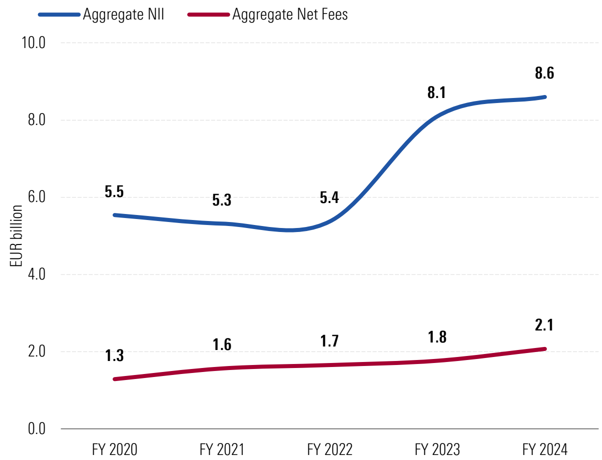


Exhibit 3 Aggregate NII and Net Fees



Source: Morningstar DBRS, company documents. Note: FY 2024 includes Hellenic Bank starting from Q3 2024.

COR Down on Improved Risk Profiles and Sustained Loan Growth

In F2024, LLPs were down 29% YOY (Exhibit 4) driven by de-risking and limited new inflows to nonperforming exposures (NPE). The average COR was 69 basis points (bps) in 2024, down from the levels reported in previous years (Exhibit 5). This mostly reflects the banks' stronger risk profiles and sustained loan growth. Nonetheless, COR still stands at higher levels than the European average, incorporating additional work on future de-risking and reflecting potential lagged NPE formation because of still-high interest rates. We see further room for COR to reduce should asset quality risks remain under control, also helped by benign prospects for the Greek economy relative to the European average that we expect will continue to support new loan origination.

Exhibit 4 Aggregate LLPs

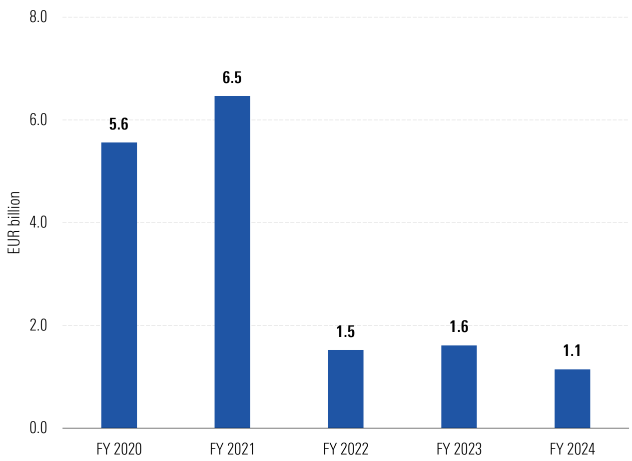
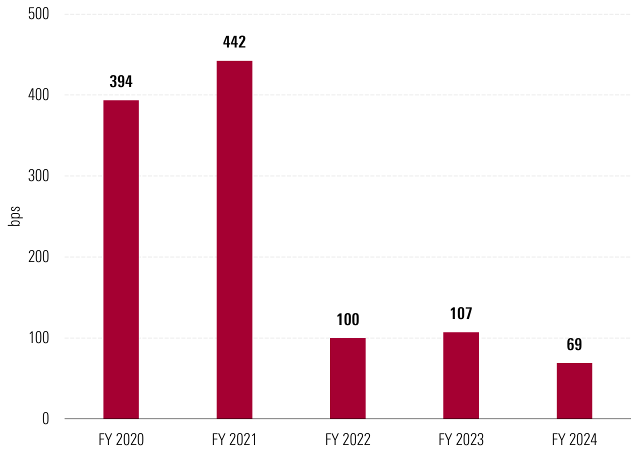


Exhibit 5 Average Cost of Risk



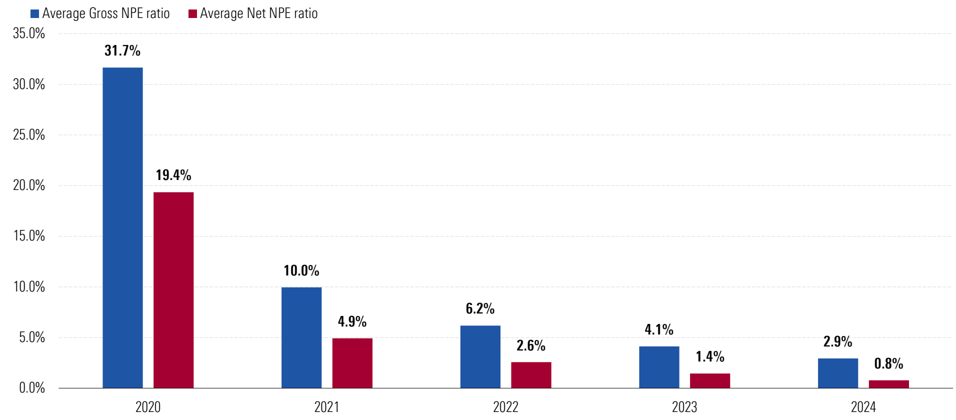
Source: Morningstar DBRS, company documents. Note: FY 2024 includes Hellenic Bank starting from Q3 2024.

Benign Asset Quality Trends and Loan Growth Strengthen Risk Profiles

Greek banks' asset quality profile improved further in 2024, driven by organic workout activity as well as NPE sales, limited new NPE inflows, significant loan book expansion, and strengthened loan coverage. As a result, the average gross and net NPE ratios fell to 2.9% and 0.8%, respectively, at YE2024 from 4.1% and 1.4% one year earlier (Exhibit 6). The average NPE coverage level, based on total allowances, increased to around 74% from 66% in the same period. The aggregate stock of gross NPEs was down 93% from 2019 to 2024, facilitated by the execution of disposals and securitisations under the Hellenic Asset Protection Scheme (HAPS).

The reduction in interest rates coupled with the good performance of the Greek economy and the pick-up of investments in the country has supported loan volumes in the Greek banking sector. While still weaker than in the Euro area, the contraction in lending to households in Greece slowed to 0.3% YOY in December 2024, helped by government initiatives to support new mortgage activity (Exhibit 7). The corporate loan book in Greece was up 14.2% YOY in December 2024, significantly better than that in the Euro area, and accelerated markedly in Q4 2024 to fund sizeable projects connected with the development of the country (Exhibit 8). Geopolitical tensions and threats to global trade via tariffs are expected to negatively affect loan growth in 2025; however, better prospects for the Greek economy relative to Europe as well as the opportunity for banks to continue to disburse loans connected with the EU Recovery and Resilience Facility funds will help mitigate these risks.

Exhibit 6 Average Gross and Net NPE Ratios



Source: Morningstar DBRS, company documents. Note: 2024 includes Hellenic Bank starting from Q3 2024.

Exhibit 7 Household Loan Annual Growth (Greece vs Euro Area)

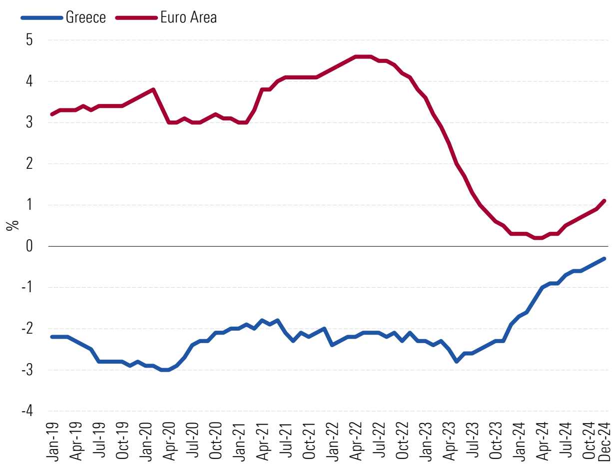
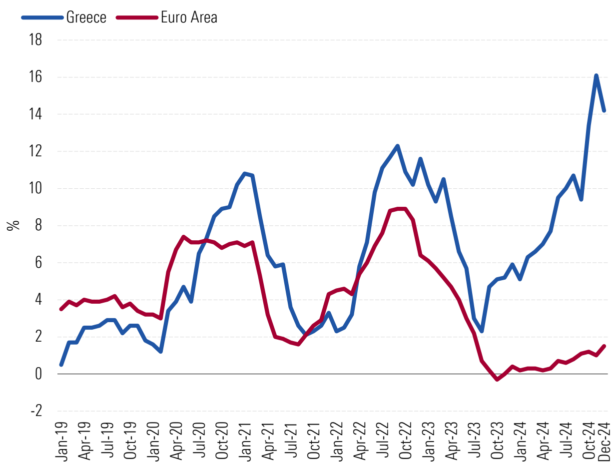


Exhibit 8 Corporate Loan Annual Growth (Greece vs Euro Area)



Source: ECB, Morningstar DBRS.

Funding and Liquidity Profile Remains Sound Despite Lower Recourse to Central Banks

Greek banks are mostly funded via deposits. Customer deposits accounted for around 89% of total funding at YE2024 and were mainly raised from granular and typically sticky retail clients. Deposits increased further in 2024, also incorporating the inclusion of Hellenic Bank in Eurobank's perimeter (Exhibit 9). The previous increase in interest rates has led to an increase in time deposits that carry higher remuneration; however, time deposits have stabilised at around 27% of total deposits (Exhibit 10).

Central bank funding has reduced because of the repayment of TLTRO sources. In early January 2025, Greek banks had around EUR 3 billion of European Central Bank (ECB) funding, representing around 8% of the total Eurosystem funding (Exhibit 11). On the same reference date, Greek banks held around EUR 16 billion of deposit facilities above the minimum reserve requirement, more than six times higher than their central bank funding.

Greek banks have increasingly issued debt in the market, with debt securities issued accounting for 7% of their funding structures at YE2024, in part reflecting their need to fulfil MREL requirements.

Exhibit 9 Aggregate Customer Deposits

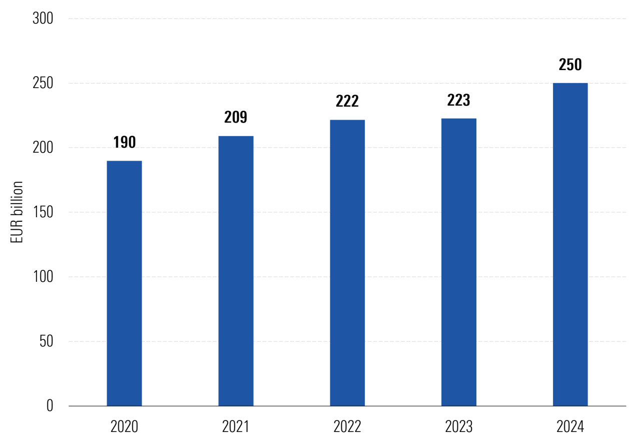
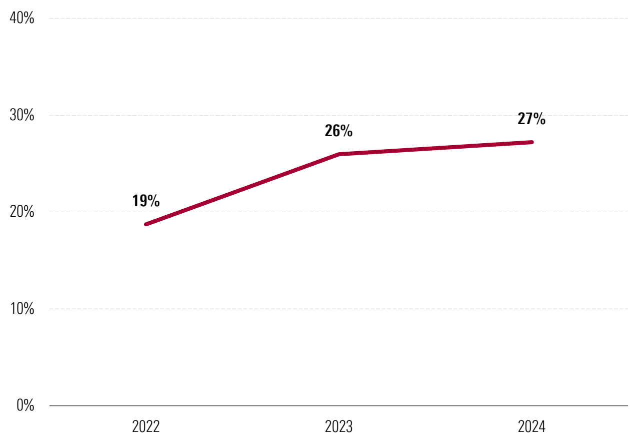


Exhibit 10 Time Deposits as % of Total Deposits



Source: Morningstar DBRS, company documents. Note: 2024 includes Hellenic Bank.

The sector's liquidity position remains sound with an average liquidity coverage ratio (LCR) well above 200%, an average net stable funding ratio (NSFR) of around 136%, and an average loan-to-deposit ratio (LTD) ratio of 67% at end-2024 (Exhibit 12).

Exhibit 11 ECB Funding - Greece vs. Total Eurosystem

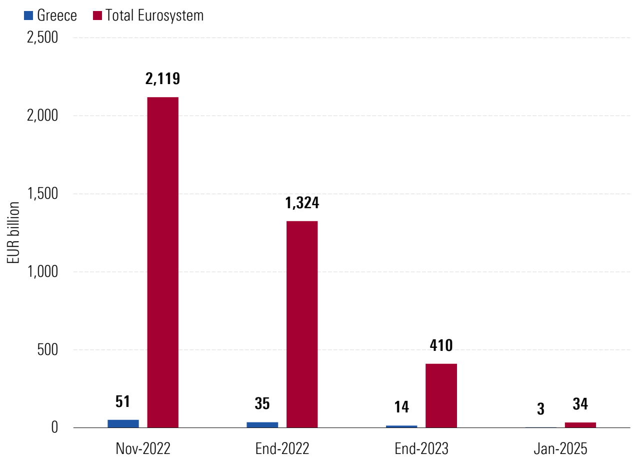
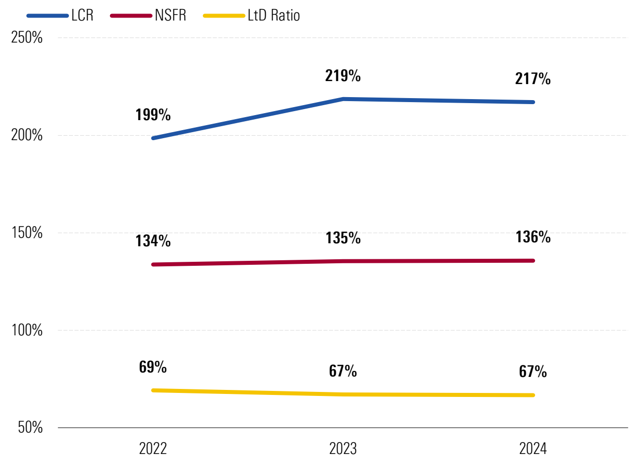


Exhibit 12 Average LCR, NSFR, LTD



Source: ECB, Morningstar DBRS, company documents. Note: 2024 includes Hellenic Bank.

More Robust Capital Buffers and Improved Quality of Capital Increase Strategic Flexibility
Greek banks' capitalisation strengthened in 2024, reflecting sustained earnings generation, stronger balance sheets and capital management actions, and despite more generous shareholder remuneration, significant loan growth and M&A initiatives. At YE2024, the average fully loaded CET1 ratio was 16.2% and the average fully loaded Total Capital ratio was 20.3%, up from 15.6% and 19%, respectively, one year earlier (Exhibit 13). The average buffers over the minimum requirements stood at more than 620 bps for CET1 and 550 bps for Total Capital.

The quality of capital improved further in 2024 with deferred tax credits (DTC) representing around 49% of CET1 capital at YE2024, down from 56% at YE2023 (Exhibit 14). We expect this trend to continue, reflecting the banks' plans to accelerate the DTC amortisation from 2025.

While returning some of the excess capital to shareholders via dividends and share buybacks seems to remain a priority in the foreseeable future, we note that the banks appear more open to assessing other options to deploy capital, including M&A, to succeed in a lower interest environment through higher scale, synergies, and more diversified business models.

Exhibit 13 Average CET1 and Total Capital Ratios (Fully Loaded)

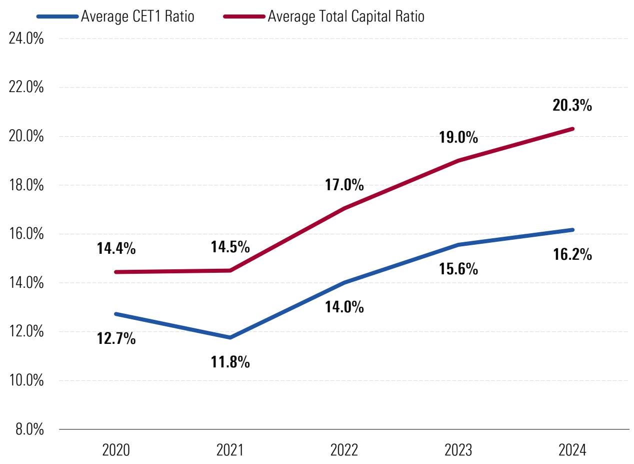
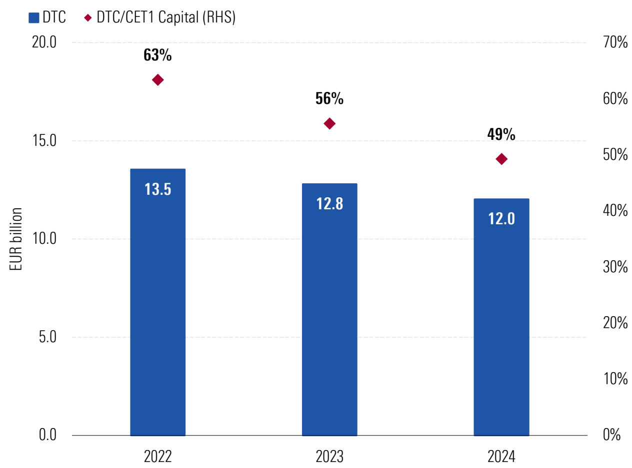


Exhibit 14 DTC as % of CET1 Capital



Source: Morningstar DBRS, company documents. Note: 2024 includes Hellenic Bank.

Large Greek Bank Credit Ratings

Issuer	Obligation	Credit Rating	Trend
Eurobank S.A.	Long-Term Issuer Rating	BBB (low)	Stable
National Bank of Greece S.A.	Long-Term Issuer Rating	BBB (low)	Stable
Piraeus Bank S.A.	Long-Term Issuer Rating	BB (high)	Positive

Related Research

- *Synthetic SRTs: A Well-Established Capital Management Tool for European Banks* (10 February 2025)
- *Greek Banks Seek to Boost Fee Income to Ensure Earnings Sustainability in a Lower Interest Rate Environment* (3 February 2025)
- *Global 2025 FIG Credit Outlook: Financial Institutions Benefitting from Benign Operating Environment, but Downside Risks Increase* (30 January 2025)
- *2025 EBA Stress Test: Geopolitical and Trade Risks Pressure Adverse Scenario* (29 January 2025)
- *European Banks Poised to Maintain Low Cost of Risk in 2025* (6 January 2025)
- *Greek Banks: Faster Than Expected DTC Amortisation Is Credit Positive* (20 November 2024)
- *2025 European Banking Outlook: On Track for Solid Performance Despite Rate Cuts* (13 November 2024)
- *Greece: Positive Sovereign Credit Rating Trend Supported by Improvements in the Banking System* (13 September 2024)
- *Morningstar DBRS Changes Trends on the Hellenic Republic to Positive, Confirms Ratings at BBB (low)* (6 September 2024)
- *Greek Banks: A Stronger Than Expected H1 Shapes Up Better Prospects For 2024* (6 August 2024)
- *ECB Cyber Resilience Stress Test: Operational Framework Improvements Needed at European Banks* (1 August 2024)
- *CRD 6: Reinforced Supervision and Defined Requirements for Non-EU Bank Branches* (25 July 2024)
- *Pivotal Role of European Bank Lending to the Defence Sector is Under Pressure* (11 July 2024)
- *European Banks Reported Stable Cost of Risk in Q1 but Some Challenges Remain* (10 June 2024)
- *European Banks' NPLs Resilient in FY 2023, But Increased Pressure in Some Countries* (16 April 2024)
- *European Banks' Cost Of Risk Remained Steady in FY 2023; Some Deterioration in Germany, Portugal, Ireland and Spain* (16 April 2024)

Notes:
All figures in euros unless otherwise noted.

Sources: company documents, ECB. For Alpha Bank S.A., Eurobank S.A., and Piraeus Bank S.A., data refer to the consolidated financial statements of Alpha Services and Holdings S.A., Eurobank Ergasias Services and Holdings S.A., and Piraeus Financial Holdings S.A., respectively.

For more information on this industry, visit dbrs.morningstar.com

About Morningstar DBRS

Morningstar DBRS is a full-service global credit ratings business with approximately 700 employees around the world. We're a market leader in Canada, and in multiple asset classes across the U.S. and Europe.

We rate more than 4,000 issuers and nearly 60,000 securities worldwide, providing independent credit ratings for financial institutions, corporate and sovereign entities, and structured finance products and instruments. Market innovators choose to work with us because of our agility, transparency, and tech-forward approach.

Morningstar DBRS is empowering investor success as the go-to source for independent credit ratings. And we are bringing transparency, responsiveness, and leading-edge technology to the industry.

That's why Morningstar DBRS is the next generation of credit ratings.

Learn more at dbrs.morningstar.com.