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Piraeus: the discount is mostly gone. What you're buying now is a deposit beta.

Greek banks spent three years re-rating out of a crisis discount. On my numbers Piraeus has almost finished that journey — which means the remaining case rests on one assumption most investors have not examined.

Romanos Valeontis · full model built from company filings · downloadable

THE FINDING

Piraeus earns a **16.4% return on tangible equity** against a cost of equity near **10.1%**. That justifies about **1.8× tangible book**.

The shares trade at **1.72×**. The gap is roughly **9%** — a fair price for a good bank, not a mispricing.

16.4%	1.72×	1.83×	10.8×
FY2026E ROTE	market P/TBV	justified P/TBV	FY2026E earnings

On the FTSE reclassification — a correction to the consensus

Greece moves from Emerging to Developed Market status on 21 September, and the move is widely described as a positive for Greek equities. For Piraeus specifically, the near-term mechanics run the other way.

In separate work on the reclassification flows, I estimate Piraeus faces roughly **€152m of net forced selling** — one of the four largest outflows in the market, equal to about four days of average volume. The reason is arithmetic: Greece's weight in emerging-market indices is far larger than its weight in the developed indices it is joining, so the money leaving exceeds the money arriving.

But that is a one-day event, and most of it has had eleven months to be traded ahead of. The durable consequence is different and it is positive: Piraeus becomes ownable by the large population of developed-market funds that are structurally barred from holding emerging markets at all. The passive flow is negative on the day; the addressable pool of active capital is permanently larger afterwards.

Neither effect is in the target above. The target rests on earnings and book value.

The one assumption that decides it

In 2024 the ECB's rate averaged **3.58%**. Piraeus paid its depositors **0.54%**. That is a pass-through of about **15%** — among the lowest in Europe, and the single biggest reason Greek bank earnings held up through the hiking cycle. In 2025 the figure was 17.8%.

Greek depositors, in short, have not demanded to be paid. The question now is whether that survives the cutting cycle in reverse.

My model assumes it partly does not — the implied beta drifts to **21% by 2030**, so the forecast already builds in deterioration. Net interest income still troughs at €1,903m in 2025 and recovers to **€2,571m by 2030**, because loan growth more than offsets the lower yield.

> **WHY THIS IS THE WHOLE CASE**
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> Deposits fund roughly two thirds of the balance sheet. A 10-point move in the beta is worth something close to €70m of annual pre-tax profit — around 4% of

> earnings, every year, compounding into the terminal value. No other single assumption in the model comes close to that sensitivity.

So the honest framing is not "is Piraeus cheap." It is: *do you believe Greek deposit behaviour is structural or cyclical?* If structural, the stock is worth more than 1.8× book. If it normalises toward European levels, today's price is right and you are buying fairly valued.

The bank generates more capital than it can use

Management targets a **CET1 ratio of about 13%** and expects to surpass it. With a 16% ROTE and loans growing at 5–7%, Piraeus produces capital faster than the balance sheet absorbs it.

The ordinary dividend is guided at **57% of earnings**. My model returns everything generated above the 13% target plus a 50bp buffer through buybacks, which takes total distributions to **71% of earnings by 2030** while holding CET1 flat at 13.5%.

	FY2026E	FY2028E	FY2030E
Net profit to ordinary shareholders	1,227	1,348	1,535
Ordinary dividend	699	768	875
Buyback	–	100	211
Total distribution, % of earnings	57%	64%	71%
CET1 ratio	13.4%	13.5%	13.5%

That is the realistic path. A bank earning 16% and retaining 43% of it would accumulate dead capital, and the market would not pay for it.

> **THE CAVEAT WORTH KNOWING**
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> Deferred tax credit was **54% of CET1** at June 2026. That is low-quality capital which runs off over time and is a genuine consideration in how much of the

> reported ratio you should credit. It is modelled as an explicit drag.

What would change the view

Deposit betas normalising faster than assumed. The forecast has them at 21% by 2030; the European norm is materially higher. That is the main downside risk and it is a single input in the model.

Cost of risk. Forecast at 48–58bps against 72bps reported in FY2025, which included one-off items. If underlying credit quality is worse than the clean run-rate suggests, earnings fall.

Ethniki execution. The insurance business improved its combined ratio from 101% to 93% in a year. Holding that is an assumption, not a certainty.

And on the other side, the model assumes no multiple re-rating at all. Greek banks still trade below European peers on comparable returns. If that gap closes on sentiment rather than fundamentals, the upside is larger than the 9% here — and the reclassification makes that marginally more likely by widening who is permitted to own the shares.

Method

Integrated three-statement model for a commercial bank: interest income as the top line, deposit expense as the direct cost, provisions as the major non-cash operating expense, loan origination and deposit gathering within operating cash flow, and distributions constrained by the CET1 ratio rather than by cash.

Built from the Piraeus investor relations databook and the H1 2026 results presentation. Historical figures tie to reported on every line — net interest income, revenue, operating expenses, pre-provision income, profit before tax and net profit for both FY2024 and FY2025. The balance sheet balances to zero in every forecast period and the cash flow statement ties to balance sheet cash. Eleven integrity checks, all passing. The full model is available to download.

One presentational note: Piraeus's published bridge from pre-provision income to profit before tax does not foot by €9.7m in FY2024. Rather than force it, the model carries an explicit reconciling line.
