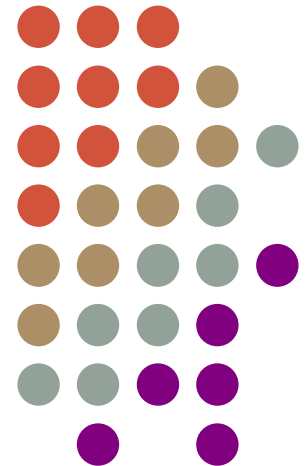


# ***Greek Banking System: Challenges Ahead***

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# The Greek banking sector: key figures



## Structure:

Today, the Greek banking sector consists of **37 credit institutions** (Dec. 2009: 65) with **2.547 branches** (Dec. 2009: 4.079), **46.095 employees** (Dec. 2009: 65.682) and **€369 bn. total assets** (Dec. 2009: €491 bn). There are four main categories of credit institutions (banks) operating in Greece:

- **eight (8) commercial banks** incorporated in Greece and operating under a license by the Bank of Greece (NCB),
- **nine (9) cooperative banks** incorporated in Greece and operating under a license by the Bank of Greece (both of which are hereinafter referred to as 'Greek credit institutions'),
- **branches of sixteen (16) credit institutions** incorporated in other EU Member States, and
- **branches of four (4) credit institutions** incorporated in third countries (outside the EU) (Bank Saderat Iran also included).

# The Greek banking sector: key figures



## Concentration

### A. Share of the 5 largest Credit Institutions in total assets

Year	2008	2009	2010	2011	2012	2013	2014	2015
%	69,6	69,2	70,6	72,0	79,5	94,0	94,1	95,2

### B. Herfindahl index (ranging from 0 to 10.000)

Year	2008	2009	2010	2011	2012	2013	2014	2015
	1.170	1.180	1.210	1.278	1.487	2.136	2.195	2.254

# The Greek banking sector: key figures



## Total Assets of Credit Institutions

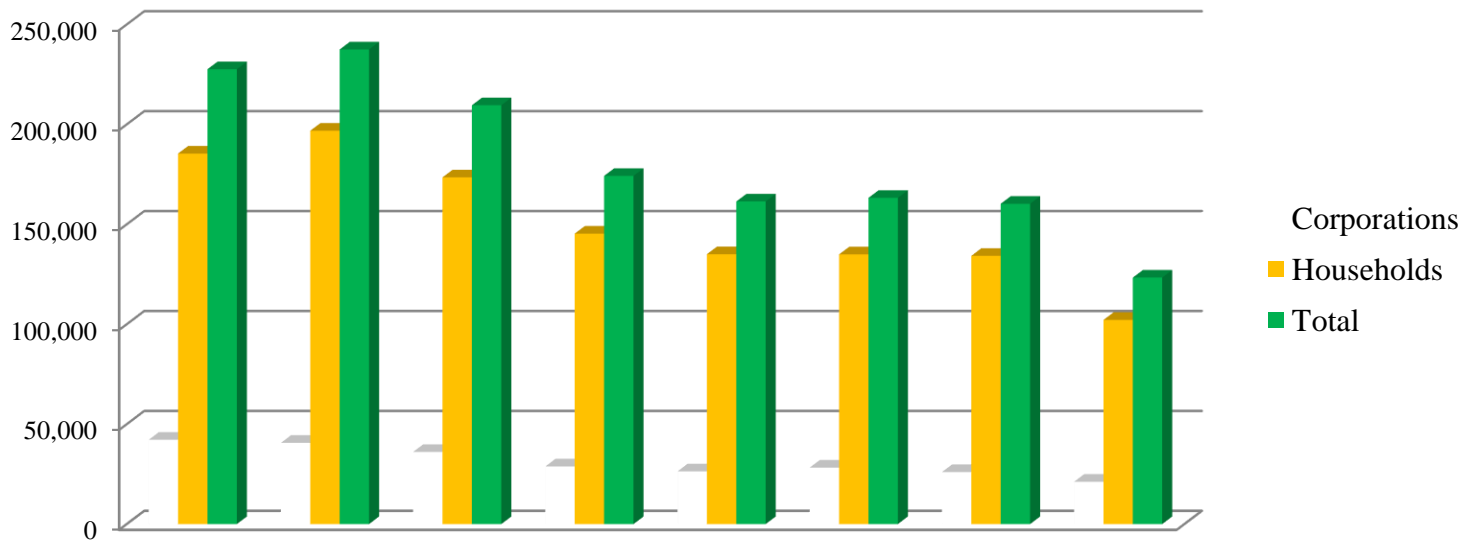
Year	2008	2009	2010	2011	2012	2013	2014	2015	August 2016
bn.€	462,2	490,8	513,8	476,2	441,4	406,7	397	385,6	367,6

# The Greek banking sector: key figures



**Deposits and repos** of domestic Corporations and Households (private sector) in Credit Institutions in Greece (excluding the Bank of Greece)

End-December Outstanding amounts in EUR millions	2008	2009	2010	2011	2012	2013	2014	2015	August 2016
<b>Corporations</b>	42.196	40.671	36.094	28.857	26.388	28.257	26.047	21.190	21.624
<b>Households</b>	185.424	196.860	173.510	145.370	135.063	134.994	134.238	102.188	102.271
<b>Total</b>	<b>227.620</b>	<b>237.531</b>	<b>209.604</b>	<b>174.227</b>	<b>161.451</b>	<b>163.251</b>	<b>160.285</b>	<b>123.378</b>	<b>123.895</b>

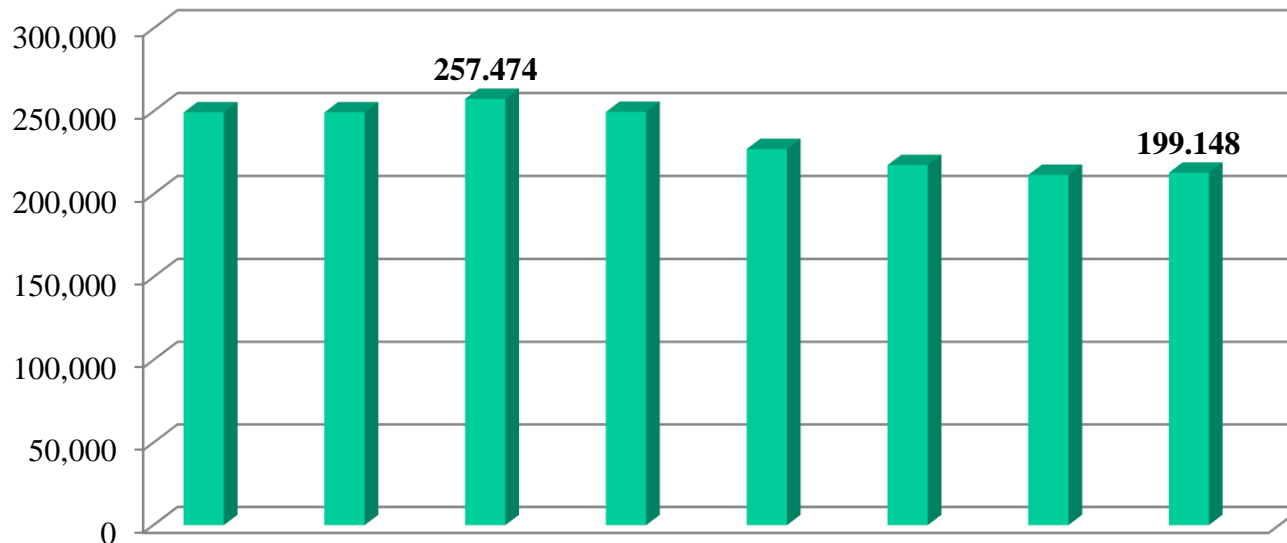


# The Greek banking sector: key figures



**Credit** to domestic Corporations and Households (private sector)  
from CIs in Greece (excluding the Bank of Greece)

	2008	2009	2010	2011	2012	2013	2014	2015	August 2016
<b>Outstanding amounts in EUR millions</b>	249.324	249.321	257.474	249.606	227.263	217.518	211.637	203.927	199.148

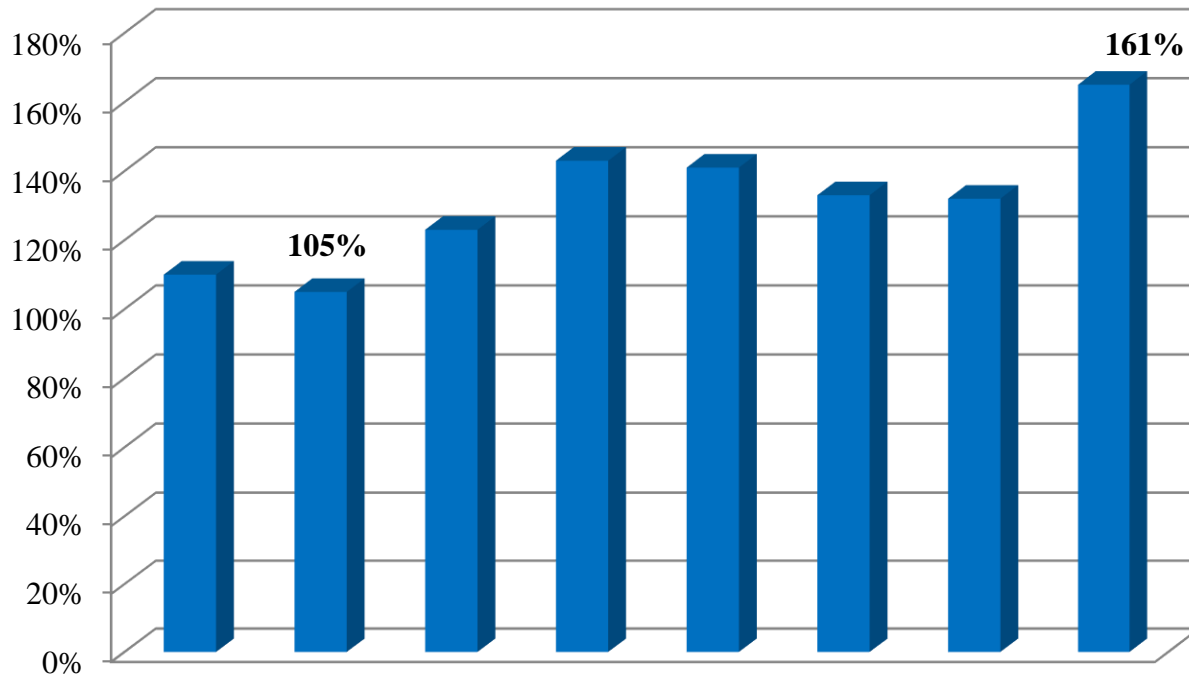


# The Greek banking sector: key figures



## Private sectors Credits (Loans) to Deposits and repos (%)

End-Year	2008	2009	2010	2011	2012	2013	2014	2015	August 2016
	110%	105%	123%	143%	141%	133%	132%	165%	161%



# The Greek banking sector: key figures



## Private sector credits to GDP\*

Year	2008	2009	2010	2011	2012	2013	2014	2015
	103%	105%	114%	120%	117%	119%	114%	110%

## Private sector deposits and repos to GDP\*

Year	2008	2009	2010	2011	2012	2013	2014	2015
	94%	100%	93%	84%	83%	89%	86%	67%

## Total Assets of credit institutions to GDP\*

Year	2008	2009	2010	2011	2012	2013	2014	2015
	191%	207%	227%	229%	227%	223%	214%	208%

(\* The GDP calculation under ESA 2010 at current prices (Non-seasonally adjusted figures), Hellenic Statistical Authority (EL.STAT.).



# The Greek banking sector: key figures



## Non-Performing Exposures (NPEs) and Total Capital Ratio

(Non-performing exposures/Outstanding amount of bank exposures)	Banks	
	December 2014	December 2015
<b>Total</b>	<b>39,9%</b>	<b>44,2%</b>
-Mortgage credit	35,6%	41,0%
-Consumer credit	51,3%	54,7%
-Corporate credit	39,8%	43,8%
<b>Coverage Ratio</b>	<b>44%</b>	<b>50,1%</b>
<b>NPEs Total amount (estimation)</b>	<b>€84,6 bn</b>	<b>€90,3 bn</b>
<b>Capital adequacy of the Greek banking system</b>		
	Banking Groups	
	December 2014	December 2015
<b>Total Capital Ratio</b>	<b>14,1%</b>	<b>16,5%</b>

# The Greek banking system: 5 challenges



1. Restore trust and confidence in the financial system
2. Shift funds from non-productive to productive business operations
3. Preserve solvency and become quickly adjusted to the new regulatory and supervisory framework
4. Improve corporate governance framework and risk management systems
5. Respond to the new digital era and improve profitability

# 1. Restore trust and confidence in the financial system



- Political and economic stability coupled with a credible roadmap for investment recovery
- Successful implementation of the 3<sup>rd</sup> Financial Assistance Program
- Gradual decoupling of Greek banks from ELA and return to normal liquidity channels of the ECB
- Participation of Greek government bonds in the ECB's quantitative easing program
- Abolition of capital controls

## 2. Shift funds from non-productive to productive business operations



- Channelling credit to viable enterprises in order to support, as much as possible, the Greek economy's growth and restructuring
- Effective management of non-performing loans - especially the restructuring of the banks' corporate portfolios

### 3. Preserve solvency and become quickly adjusted to the new regulatory and supervisory framework



- Three pillars of the Banking Union:
  - √ Single Supervisory Mechanism
  - √ Single Resolution Mechanism
  - √ European Deposit Insurance Scheme
- Stronger prudential requirements for banks: higher capital requirements, stricter supervision of the business models, more demanding risk management and corporate governance requirements.
- Adjustment creates also costs and threats and discussions over the potential risk of over-regulation have emerged.

## 4. Improve corporate governance framework and risk management systems



- Transparency, accountability and responsibility in decision making
- Banks' boards should encompass sufficient collective knowledge, skills, expertise and diversity

## 5. Respond to the new digital era



- Digitalization provides a number of opportunities, creating more efficient channels to customers and helping to adopt more cost-effective technologies for banking operations
- Banks should invest in IT & innovation, design & deliver more sophisticated product for digital-friendly customers, find new sources of profits
- Innovative growth strategies targeted at segments of the market:
  - √ Crowdfunding
  - √ SME loans
  - √ Exporting firms
  - √ Cluster and Value Chain Financing

**Main challenge for the country: to promote a sustainable economic transformation that would expand productivity and competitiveness through investment and technological change mainly in dynamic tradable sectors**



- Structural reform agenda needs to give top priority on the one hand to investment – promoting measures
- Extend funding at reasonable cost to viable firms and promising investments
- Fiscal policy, most notably tax policy, should support these efforts rather than work against them.
- Governance reforms should seek to promote public-private sector dialogue and partnerships, transparency and accountability