



The Current Structure of the Greek Banking System Trends and Developments

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A. The Evolution of the Greek Banking System

A. 1946 - 1987: The Era of protective over-regulation in the Greek Banking System

- Extensive government intervention covering, among others, the pricing, volume and allocation of financial resources of the economy

B. Since 1987: Financial Deregulation and Market Liberalisation

The Course of financial deregulation and market liberalisation

- Interest rate deregulation
- Liberalisation of cross-border capital movement
- Abolition of direct credit controls
- De-specialisation of credit institutions
- Modernisation of money and capital markets as well as payments systems
- Rationalisation of monetary policy – adoption of the single European currency



A. The Evolution of the Greek Banking System (cont.)

C. The impact of EU regulations on the establishment of a single financial market

- Freedom to provide cross - border financial services within the EU
- Minimum harmonization of greek legislation to European standards
- Enhancement of prudential supervisory measures (capital requirements, large exposures, corporate governance)
- Creation of a deposit guarantee scheme (Hellenic Deposit Guarantee Fund)
- Enactment of money laundering legislation
- Enactment of extensive legislation on the operation of capital markets and financial intermediaries providing services in them
- Enactment of extensive legislation in the field of consumer protection law
- Adoption of International Accounting Standards



A. The Evolution of the Greek Banking System (cont.)

D. The main characteristics of the contemporary Greek Banking System

- Subject to monetary and foreign exchange policies conducted at European level
- Full integration into the single European financial market
- Universal banking prototype (banks may engage in-house in both commercial banking and investment banking services – they can also provide bank assurance services)
- Segmentation of supervisory authorities
 - Bank of Greece
 - Capital Market Commission
 - Supervisory Committee of Private Insurance



B. The Greek Financial Intermediaries

(a) Credit institutions,

- **Commercial banks**
- **A specialised credit institution**
- **Cooperative banks**

(b) Credit companies



B. The Greek Financial Intermediaries (cont.)

(c) Financial institutions

- **Factoring companies**
- **Leasing companies**
- **Credit card issuers**
- **Exchange bureaus**
- **Money transfer mediation companies**

(d) Market intermediaries providing investment services:

- **on a collective basis (mutual fund management companies and investment fund management companies), and**
- **on an individual basis (investment firms)**



C. Credit institutions operating in Greece

- 21 commercial banks incorporated in Greece (with a steadily increasing participation of foreign institutional investors in their capital basis),
- Branches of 21 commercial banks incorporated in other member states of the European Union
- Branches of 4 commercial banks from third, non-EU countries
- 1 specialised credit institutions
- 16 cooperative banks

Source: Bank of Greece Supervision of Credit and Related Financial Institutions Department – February 2007



C. Credit Institutions operating in Greece (cont.)

	Banks		Branches		Employees	
	2004	2005	2004	2005	2004	2005
Greek commercial banks	21	21	2,953	3,035	51,741	53,029
Foreign banks	23	22	223	242	5,133	5,381
Cooperative banks	16	16	87	126	781	875
Specialised Credit Institutions ¹	2	2	140	140	1,682	2,010
Total	62	61	3,403	3,543	59,337	61,295

1 Postal Savings Bank and Deposits & Loans Fund.
Source: Bank of Greece (data from financial statements).

Source: Bank of Greece Annual Report 2005 (published April 2006)



D. Developments in Banks' key Balance Sheet Aggregates

A. Market shares (%) in balance sheet key aggregates

	Assets		Loans		Deposits	
	2004	2005	2004	2005	2004	2005
Greek commercial banks	81.0	81.2	85.1	84.9	81.8	80.5
Foreign banks	10.0	10.1	8.8	8.8	8.2	9.1
Cooperative banks	0.7	0.8	1.0	1.0	0.8	0.9
Specialised Credit Institutions ¹	8.3	7.9	5.1	5.3	9.2	9.5
Total	100.0	100.0	100.0	100.0	100.0	100.0

Source: Bank of Greece Annual Report 2005 (published April 2006)



D. Developments in Banks' key Balance Sheet Aggregates (cont.)

■ Total Assets

The total assets of the credit institutions that are active in the Greek market grew 21,1% in 2005 compared with 9,4% in 2004, reaching 152,6% of GDP at the end of 2005, up from 135,4 in 2004. Foreign banks active in the Greek market saw increases of 23.7% respectively in their assets.

■ Loans and deposits

In 2005 Greek commercial banks, loans' growth remained high 18.6% (2004: 17,9%), faster than that of deposits 14.9% (2004: 12%)

■ Own funds

Credit institutions' total own funds (as reported in their annual accounts) rose substantially by 39,9% in 2005 compared with 4,7% in 2004 and 7,6% in 2003.



D. Developments in Banks' key Balance Sheet Aggregates (cont.)

Banks' key balance sheets aggregates (percentage changes over year)								
	All bank				Greek Commercial Banks			
	2002	2003	2004	2005	2002	2003	2004	2005
Loans	15	14,2	17	19,1	16,4	14,9	17,9	18,6
Own Funds	-14,6	7,6	4,9	30,8	-15,8	9,4	4,3	39,9
Deposits	5,3	9,6	14	17,3	5	9,5	12	14,9
Deposits & repos	-0,8	3,9	10,5	10,2	-2,2	2,9	8	13
Total Assets	4	6,3	9,4	21,1	4,2	5,8	7,3	21,5

Source: Bank of Greece Annual Reports 2003, 2004 and 2005



D. Developments in Banks' key Balance Sheet Aggregates (cont.)

- **The Profitability of Greek Banks**

Greek commercial banks operating profits improved considerably in 2005 (15,5% compared to 2004). Higher profits in 2005 mainly stemmed from a 13,9% rise in net interest income and a very effective effort to curtail their operating costs, which dropped by 3.2% as a result of the implementation of voluntary retirement plans by certain banks in 2004 and of their cost containment policies in general.

Source: Bank of Greece Annual Report 2005 (published April 2006)



According to the IMF Financial System Stability Assessment (January 2006)

- The Greek financial system has benefited overall from strong economic growth, financial liberalization and integration into the EU and euro area
- No immediate threat to systemic stability is perceived, but the financial sector faces challenges
- The financial position of the Greek banking sector has strengthened since integration in the EU
- The banking sector faces medium-term challenges
- The entire financial system faces challenges arising from the introduction of International Financial Reporting Standards
- The bank supervisory authorities have been largely effective in responding to new challenges



E. Greek Banks in the Balkans

(a) Greek Banks' Network (branches and personnel until 31.12.2006)

Seven banking groups presented in five Balkan countries (Albania, Bulgaria, Romania, Turkey, and Serbia) with total 839 branches and 14.820 personnel

(b) Greek Banks' Network (Overseas Subsidiaries until 31.12.2005)

- Seven banking groups presented in six Balkans countries (Albania, Bulgaria, FYROM, Romania, Serbia-Montenegro and Turkey) with total 19 subsidiary banks, 878 branches and 13.130 personnel
- The Greek banks' expansion to the Balkans is in line with the overall tendency of European banks to broaden their geographical scope to include neighboring countries. As regards their strategy in the Balkans, Greek banks tend to increase the number of branches where they have already established subsidiaries or branches. By contrast, where they have acquired domestic banks, they often reduce the number of branches in the context of reorganization.



E. Greek Banks in the Balkans (cont.)

Greek Banks' Network in Balkans				
	Greek Banks (until 31.12.2006)		Overseas Subsidiaries (until 31.12.2005)	
	Branches	Personnel	Branches	Personnel
Albania	15	172	36	408
Bulgaria	205	1600	316	3965
FYROM	-	-	54	1135
Romania	12	262	266	5746
Serbia	220	3066	194	1616
Turkey	387	9717	12	260
TOTAL	839	14.817	878	13.130



F. Financial services provided by commercial banking groups in Greece

- **TRADITIONAL COMMERCIAL BANKING SERVICES**
 - deposits,
 - granting of commercial, housing, consumer loans, fund transfer services

- **OTHER FINANCIAL SERVICES**
 - Leasing, factoring

- **FUND MANAGEMENT SERVICES**
 - on a private basis
 - on a collective basis

- **INSURANCE BROKERAGE**



F. Financial services provided by commercial banking groups in Greece (cont.)

■ INVESTMENT SERVICES

- securities underwriting and related services
- brokerage of stocks and stock-related derivatives
- dealing in stocks and stock-related derivatives for own account
- brokerage of bonds
- brokerage of interest-rate- and foreign-exchange-related derivatives
- dealing in bonds for own account
- dealing in interest-rate- and foreign-exchange-related derivatives
- financial advisory services
- safekeeping of securities



G. Money and Capital Markets

1. The Athens Stock Exchange
 - The ASE operates under the supervision of the Capital Market Commission (CMC) which is the body primarily responsible for ensuring the protection of investors and the compliance of market participants with capital markets legislation.
2. The Athens Derivatives Exchange S.A. (ADEX)
 - The main purpose of ADEX is the organization and support of trading in the derivatives market, the organization of the trading system as well as any similar activity.
3. The Market for Government Securities
 - The Bank of Greece has developed an electronic market (HDAT) and a settlement system (BOGS) for trading and settling Greek government securities in book-entry form.
4. The PanEuropean character of Money Market in eurozone



H. Greek Payment Systems

(a) The real-time gross settlement system: HERMES

HERMES is the national TARGET-linked RTGS system, operated by the Bank of Greece. HERMES usually settles high-value payments on a real time basis and with immediate finality.

(b) Athens Clearing Office

The Athens Clearing Office (ACO) is a multilateral net settlement paper-based clearing system which settles in the books of the Bank of Greece.

(c) DIAS (national ACH): DIAS payment systems are used mostly for low value payments, namely card payments, credit transfer payments (salaries, pensions e.t.c.), direct debits (telecommunications, electricity, water bills, taxis e.t.c.) and cheque clearing. DIAS has developed and operates the following subsystems:

- *DIASCHEQUE*
- *DIASPAY*
- *DIASTRANSFER*
- *DIASATM Switching*
- *DIASDEBIT*



I. Current Regulatory Challenges in the European Financial System affecting the Greek banking system

- **Implementation of the Directive concerning the capital adequacy framework for credit institutions and investment firms**
- **Payment Systems Directive (PSD)**
- **SEPA project**
- **TARGET2**
- **Report on the retail banking sector inquiry (Competition in retail banking)**



I. Current Regulatory Challenges in the European Financial System affecting the Greek banking system (cont.)

- **TARGET2 Securities project**
- **Markets in financial instruments Directive (MiFID)**
- **Proposal for a directive on credit to consumers**
- **3d Money Laundering Directive**
- **Post FSAP initiative (2005 – 2010)**