



# THE GREEK BANKING SYSTEM

**Dr. Christos Gortsos**  
**Secretary General**

May 2005



# 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



## **THE EVOLUTION OF THE GREEK BANKING SYSTEM (continued)**

### **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, internal controls, corporate governance)
- Creation of a deposit guarantee scheme (TEK)
- Enactment of money laundering legislation
- Enactment of extensive legislation on the operation of capital market and financial intermediaries providing services in them
- Adoption of International Accounting Standards



## THE EVOLUTION OF THE GREEK BANKING SYSTEM (continued)

### D. The main characteristics of the contemporary Greek Banking System

- Subject to monetary and foreign exchange policies conducted at a 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



# THE GREEK FINANCIAL INTERMEDIARIES

## (a) Credit institutions,

- Commercial banks,
- Specialised credit institutions
- Cooperative banks

## (b) Financial institutions

- Factoring companies
- Leasing companies
- Credit card issuers
- Foreign exchange bureaus
- Venture capital companies
- Payment institutions

## (c) 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)



## 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 19 commercial banks incorporated in other member states of the European Union
- branches of 4 commercial banks from third, non-EU countries
- 2 specialised credit institutions
- 16 cooperative banks



## Credit Institutions operating in Greece

	Banks		Branches		Employees	
	2003	2004	2003	2004	2003	2004
Greek Commercial Bank	22	21	2876	2953	53.809	51.741
Foreign Banks	20	23	205	223	4.851	5.133
Cooperative Banks	15	16	80	87	681	781
Specialized Credit Institutions	2	2	139	140	1.733	1.682
<b>TOTAL</b>	<b>59</b>	<b>62</b>	<b>3300</b>	<b>3403</b>	<b>61.074</b>	<b>59.337</b>

Source: Bank of Greece Annual Report 2004



## DEVELOPMENTS IN BANKS' KEY BALANCE SHEET AGGREGATES

<b>Market shares (%) in key balance sheet aggregates</b>						
	Assets		Loans		Deposits	
	2003	2004	2003	2004	2003	2004
Greek Commercial Bank	82,1	80,9	84,5	85,1	82,6	81,8
Foreign Banks	9,3	10	9,4	8,8	7,3	8,2
Cooperative Banks	0,6	0,7	0,9	1,0	0,7	0,8
Specialized Credit Institutions	8	8,4	5,2	5,1	9,4	9,2
<b>TOTAL</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>	<b>100</b>

Source: Bank of Greece Annual Report 2004





## DEVELOPMENTS IN BANKS' KEY BALANCE SHEET AGGREGATES

### ■ Total Assets

The total assets of the credit institutions that are active in the Greek market grew 9,4% in 2004 compared with 7.1% in 2003, reaching 139,5% of GDP at the end of 2004, up from 137,4 in 2003.

### ■ On and off balance sheet items

The rise in off-balance-sheet items was considerably higher (25.5% compared to 18,5 in 2003) as a result, total on- and off-balance-sheet items increased to 402,3% of GDP compared to 362.9% in 2003.

### ■ Own funds

Credit institutions' total own funds (as reported in their annual accounts) increased by 4.7% in 2004 compared with 7,6% raising in 2003. Specifically, Greek Commercial banks' own funds rose by 4,3% (9.5% in 2003), to reach 6.7% of their assets in 2003, from 6.9% in 2003 (EU Commercial banks average 6% in 2003).



## DEVELOPMENTS IN BANKS' KEY BALANCE SHEET AGGREGATES

<b>Banks' key balance sheets aggregates (percentage changes over year)</b>						
	All Banks			Greek Commercial Banks		
	2002	2003	2004	2002	2003	2004
Loans	15	14,2	17	16,4	14,9	17,9
Own Funds	-14,6	7,6	4,7	-15,8	9,4	4,3
Deposits	5,3	9,6	14	5	9,5	12
Deposits and repos	-0,8	3,9	10,5	-2,2	2,9	8
<b>Total assets</b>	<b>4</b>	<b>6,3</b>	<b>9,4</b>	<b>4,2</b>	<b>5,8</b>	<b>7,3</b>
Off-balance sheet items	13,3	20,4	25,5	15,1	19	22,9

Source: Bank of Greece Annual Report 2004



## DEVELOPMENTS IN BANKS' KEY BALANCE SHEET AGGREGATES

- The Profitability of Greek Banks

The profitability of Greek commercial banks improved considerably in 2004 (7,3% compared to 2003) , after declining in 2002 and 2001. Higher profits in 2004 mainly stemmed from a 6.2% increase in gross income and a relatively small rise (of 5.4%) in operating costs. Specifically, net interest income grew considerably (by 7.5%), while non-interest income showed a smaller increase (of 3.5%)

Source: Bank of Greece Annual Report 2004



## GREEK BANKS IN THE BALKANS

### (a) Greek Banks' Network (branches and personnel until 31.12.2003)

Three banking groups presented in four Balkans countries (Albania, Bulgaria, Romania and Serbia-Montenegro) with total 24 branches and 354 personnel

### (b) Greek Banks' Network (Overseas Subsidiaries until 31.12.2003)

- Seven banking groups presented in six Balkans countries (Albania, Bulgaria, FYROM, Romania, Serbia-Montenegro and Turkey) with total 15 subsidiary banks, 523 branches and 10.052 personnel
- Only one Greek banking group presented in Turkey (BANKEUROPA) with 12 branches and 200 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.



## PRESENTATION OF GREEK BANKS IN BALKANS

<b>Greek Banks' Network in Balkans until 31.12.2003</b>				
	Greek Banks		Overseas Subsidiaries	
	Branches	Personnel	Branches	Personnel
Albania	11	130	12	215
Bulgaria	11	157	226	3258
FYROM	-	-	59	1395
Romania	1	36	216	4937
Serbia - Montenegro	1	31	1	47
Turkey	-	-	12	200
<b>TOTAL</b>	<b>22</b>	<b>354</b>	<b>523</b>	<b>10.052</b>

Source: Bank of Greece Annual Report 2004



# FINANCIAL SERVICES PROVIDED BY COMMERCIAL BANKING GROUP IN GREECE

- **TRADITIONAL COMMERCIAL BANKING SERVICES**
  - deposit-taking, granting of commercial, housing, consumer loans, fund transfer services
- **OTHER FINANCIAL SERVICES**
  - Leasing, factoring
- **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
- **FUND MANAGEMENT SERVICES**
  - on a private basis
  - on a collective basis
- **INSURANCE BROKERAGE**



## 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 stock exchange 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



## 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 same-day 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

DIAS payment systems are used mostly for low value payments, namely card payments, credit 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
- DIASNET.
- DIASDEBIT





## **Current Regulatory Challenges in the European Financial System affecting the Greek banking system**

- **Proposal for a Directive concerning the new capital requirements regime for credit institutions and investment firms**
- **Adoption of IAS and IFRS**
- **Clearing and settlement in the European Union**
- **Directive on markets in financial instruments**
- **Consumer credit directive**
- **A New Legal Framework for Payments in the Internal Market and SEPA project**
- **3d Money Laundering Directive**
- **Post FSAP initiative (2005 – 2010)**