

# The International Journal of Accounting Symposium



Ταμείο Χρηματοπιστωτικής Σταθερότητας  
Hellenic Financial Stability Fund

## *Banking Challenges in Greece*

*Presented by:*

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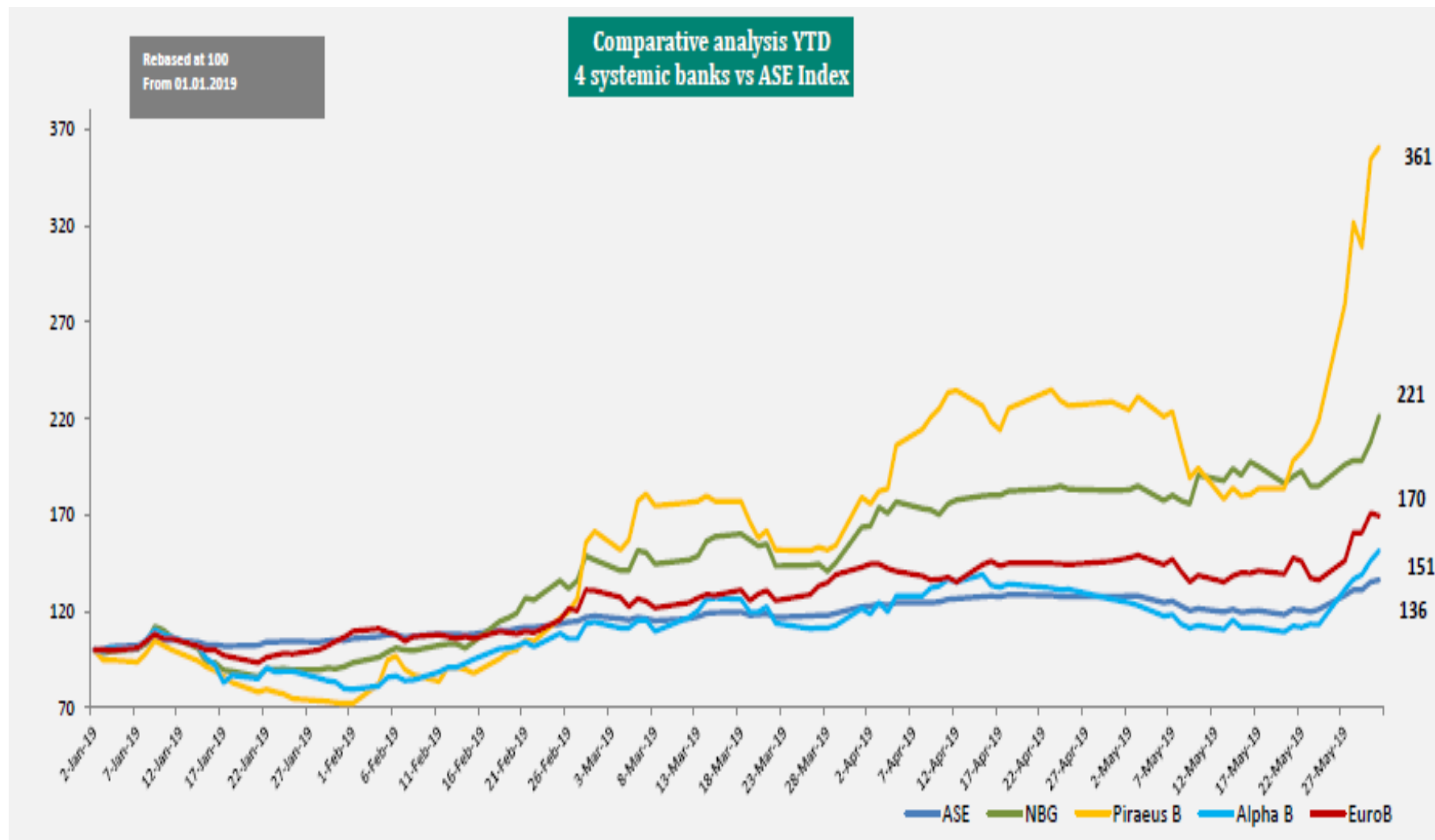
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## Snapshot of Greek Banks' Share Prices YtD, Asset Quality, Loans' growth & comparison to Euro Area



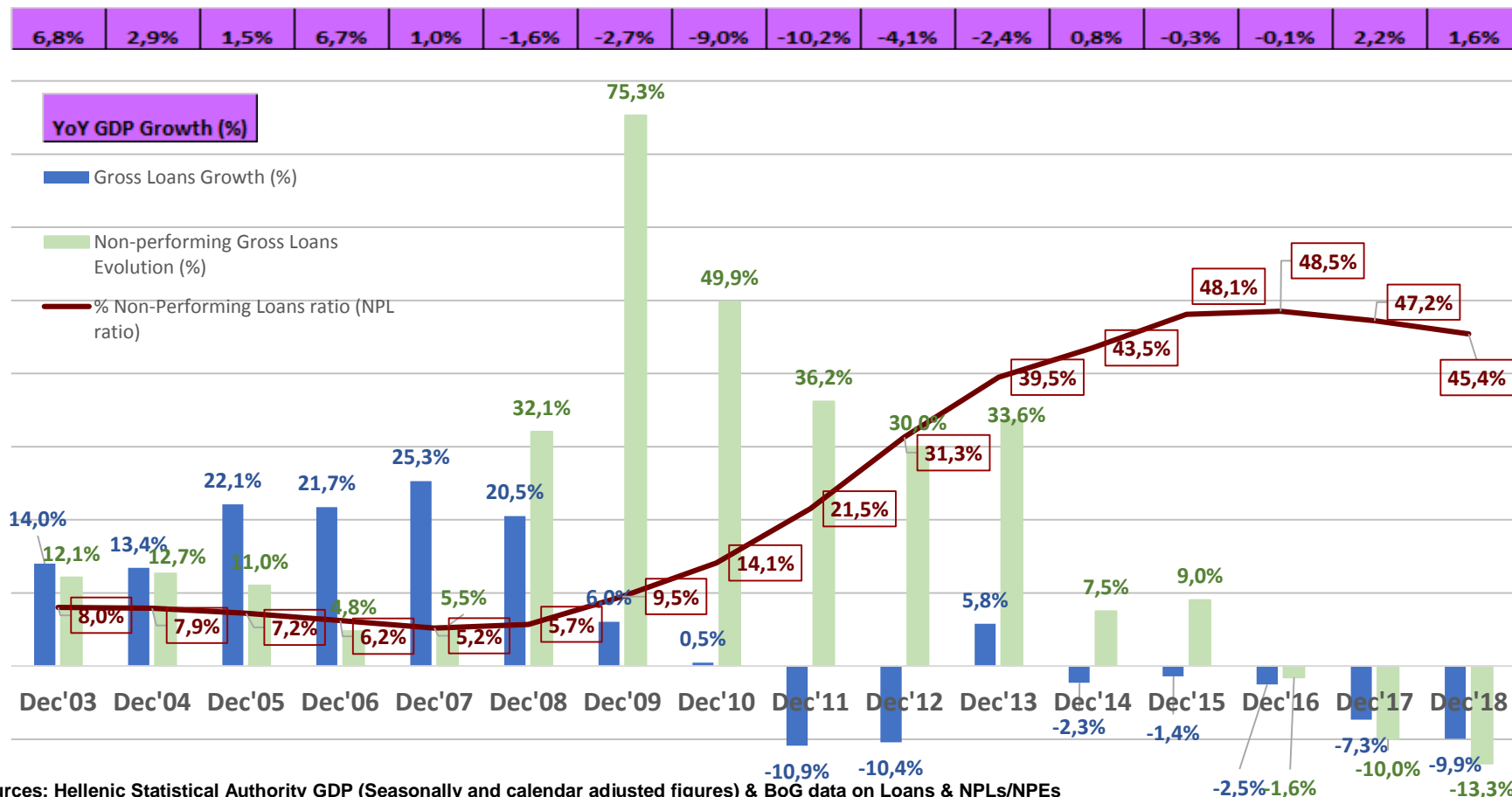
## Greek Systemic Banks' improvement in performance YtD (avg +151%); best performer Piraeus Bank (+261%) while Alpha Bank (+51%), all at positive territory



Source: HFSF's Investment Division Weekly Report – 31/05/2019

# Greek Banking Sector's asset quality profile

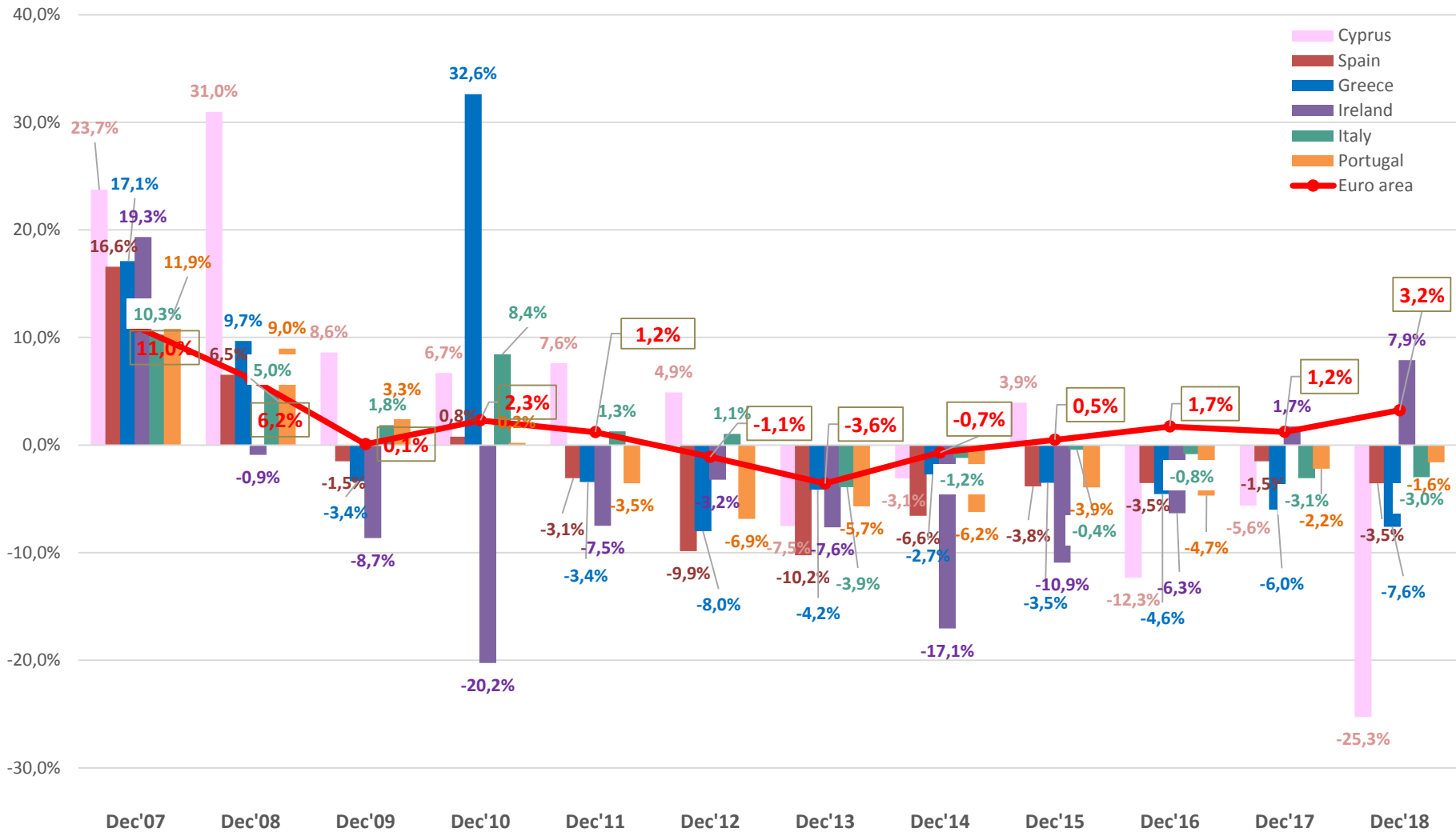
## Gross Loans' Evolution against NPL/NPEs evolution (%)



### Comments

- All items are on solo basis and refer to on-balance sheet gross loans and advances of Greek commercial and cooperative banks.
- For 2014 onwards, the source is data from banks' submissions according to Act 42/2014 (as applicable) and European Banking Authority (EBA) rules and definitions.
- For 2002 - 9M 2014, the source is data from banks' submissions according to Act 2442/1999 with the following assumption:
  - Non-performing loans include also loans that have been restructured over the past 12 months.
- Balance changes between some quarters may be affected by the restructuring of the Greek banking system (resolution of banks, sale of foreign branches e.t.c.)
- All items refer to on-balance sheet loans and advances, in consistency with the operational targets for the reduction of non-performing loans. For that reason, balances and indicators may differ from previously published figures, where off-balance sheet items were also included in the perimeter.

# Euro Area Monetary Financial Institutions Loans' Evolution (%)



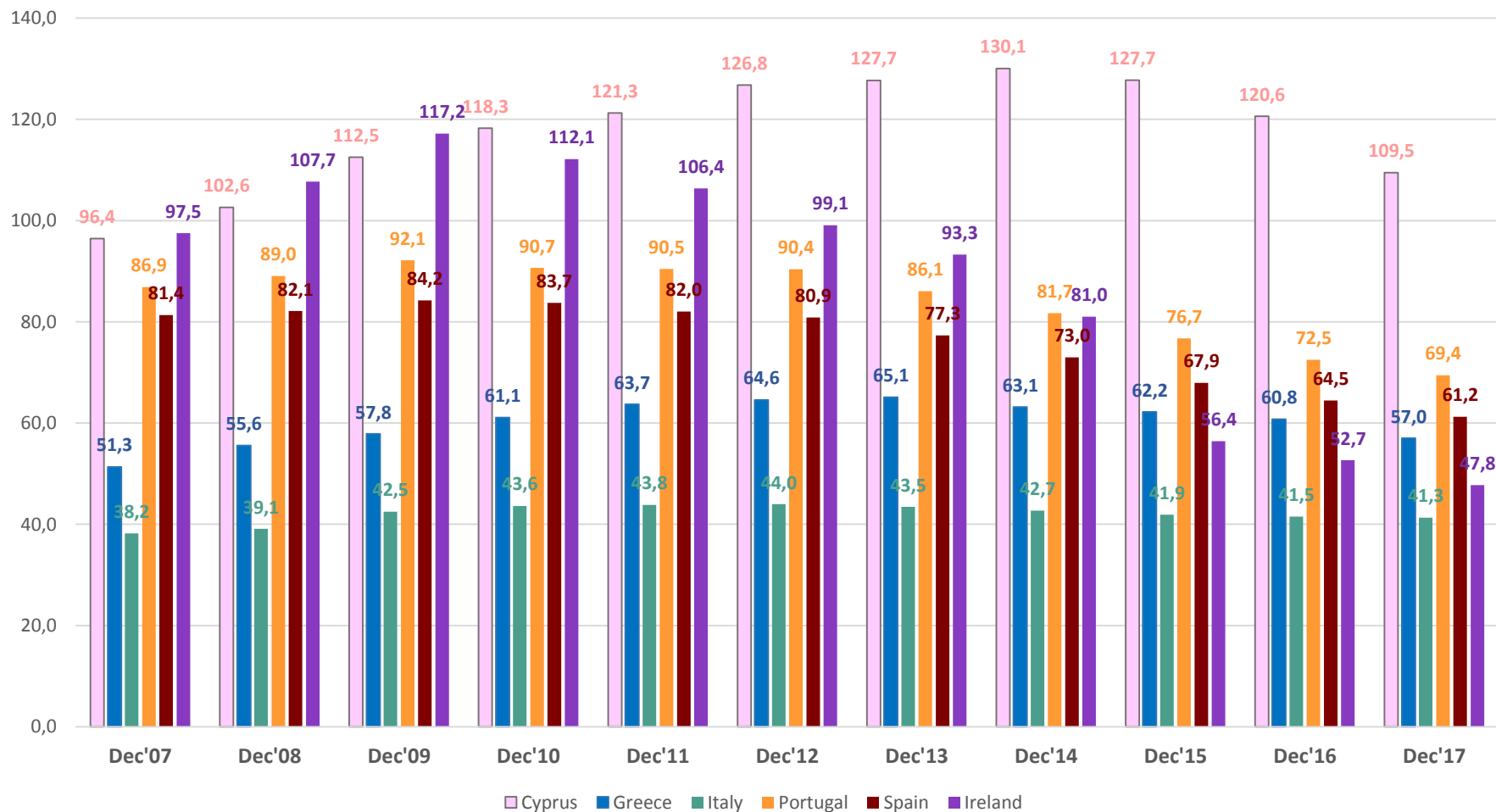
Source: Euro Area Statistics – Statistical Data Warehouse – Monetary Financial Institutions

Loans include: Corporates, Households, Insurance & Pensions and Other financial institutions

Euro Area: includes the 19 euro area member states

# Private Debt to GDP (%)

## Household debt, loans & debt securities (% of GDP)



Source: IMF, 2019 data

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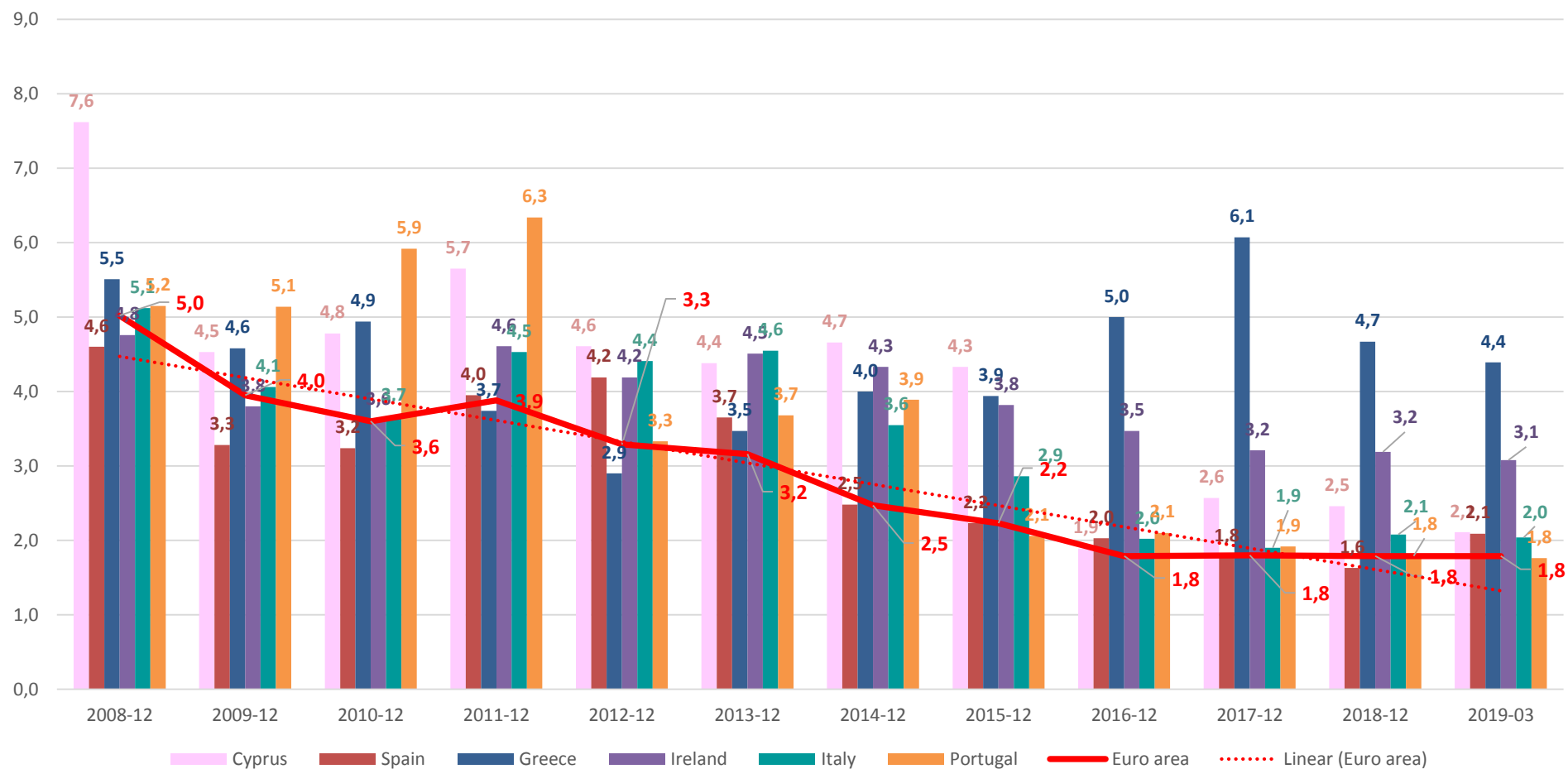
## **Cost of Borrowing & Banks Interest Rates – Cross Countries Comparison**





# Long Term Cost of Borrowing (%)

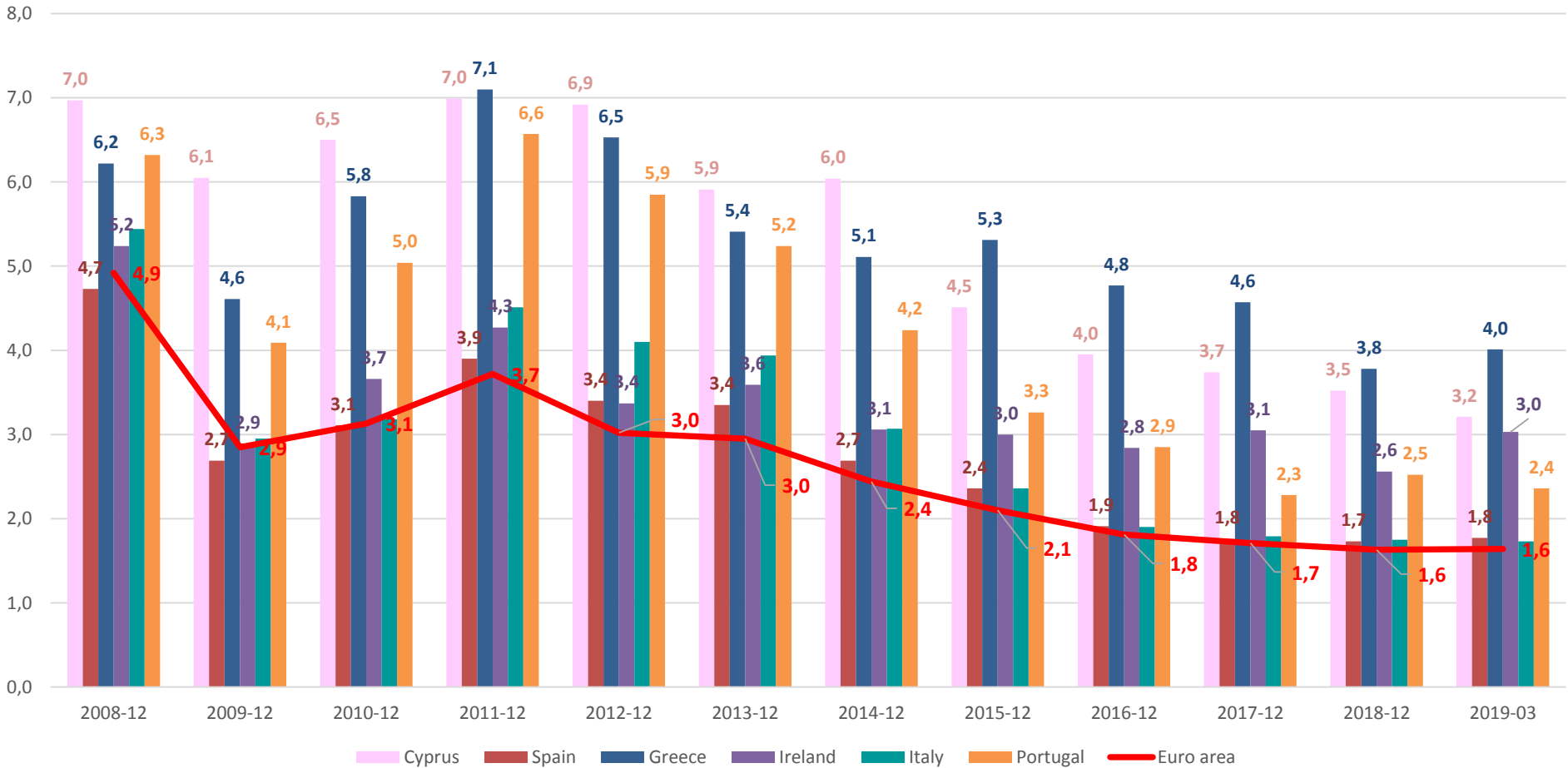
Cost-of-borrowing for long-term loans to both households and non-financial corporations (%)



Source: ECB, Statistical Data Warehouse

# Corporates' Cost of Borrowing (%)

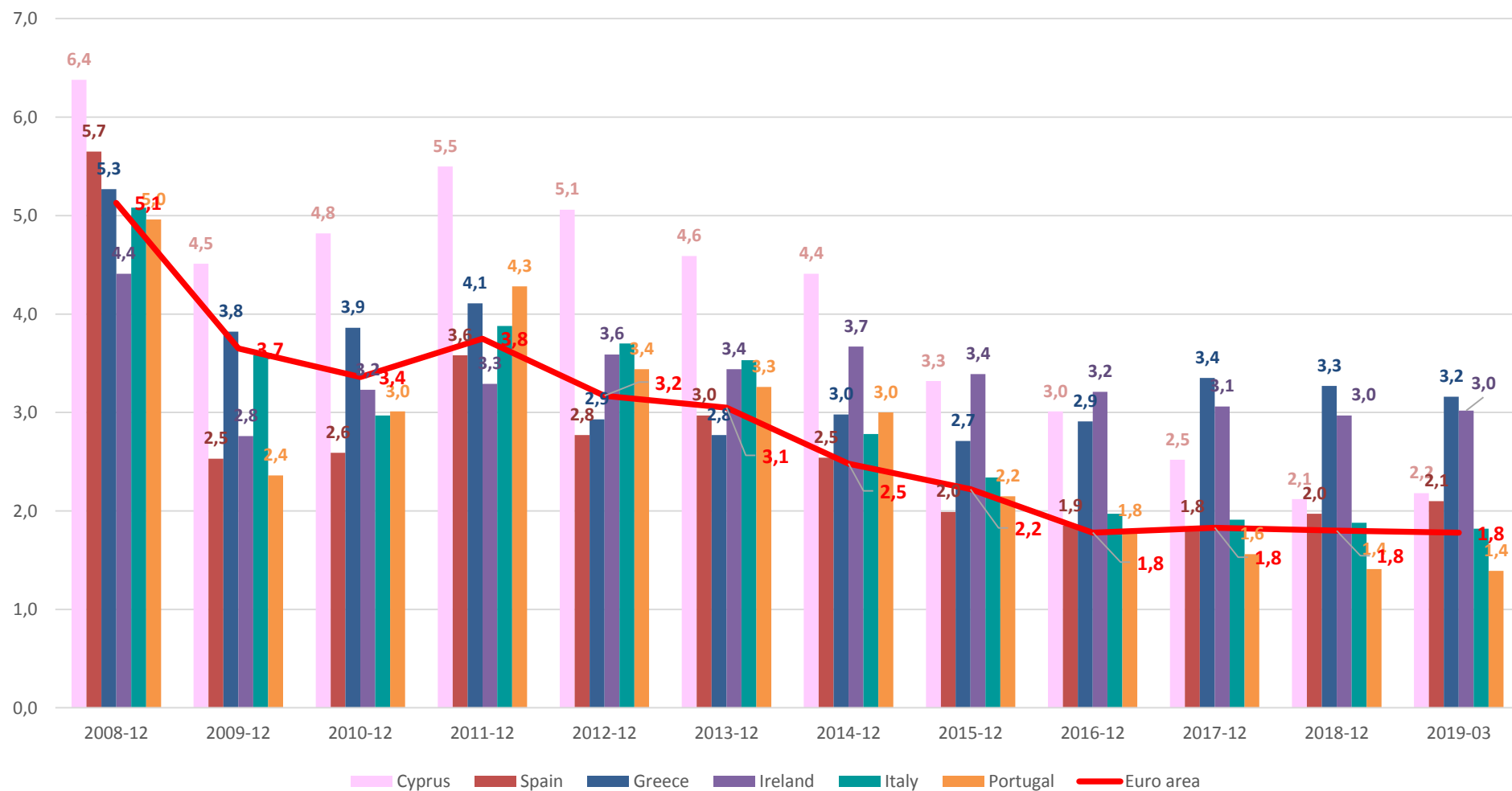
Cost-of-borrowing for new loans to non-financial corporations (%)



Source: ECB, Statistical Data Warehouse

# Mortgages' Cost of Borrowing (%)





Cost-of-borrowing for new mortgages(%)



Source: ECB, Statistical Data Warehouse



## Bank Interest Rates - Corporates(%)

Country	Revolving Loans & Overdrafts		Small Loans $x \leq 1Y$		Large Loans $1Y \leq x \leq 5Y$	
	↕	% , 2019-03	% , 2019-03	↕	% , 2019-03	
Greece 		4.94	4.58		6.82*	
Ireland 		4.36	4.15		4.36*	
Malta 		4.3	3.61		4.74*	
Belgium 		3.98	1.59		0.95	
Cyprus 		3.78	3.27		-	
Latvia 		3.2	3.48		5.23	
Germany 		3.06	2.05		1.49	
Italy 		2.98	1.97		1.36	
Portugal 		2.69	2.67		4.3*	
Estonia 		2.6	3.79		2.21*	
Slovakia 		2.33	2.94		2.47	
Lithuania 		2.13	3.11		1.46*	
Slovenia 		2.13	2.19		2.63	
Euro area 		2.08	1.99		1.42	
Luxembourg 		1.91	1.77		1.36	
Austria 		1.63	1.8		1.41	
Spain 		1.54	1.92		1.39	
Finland 		1.47	3.82		0.87	
France 		1.42	1.7		1.15	
Netherlands 		0.86	2.81*		2	

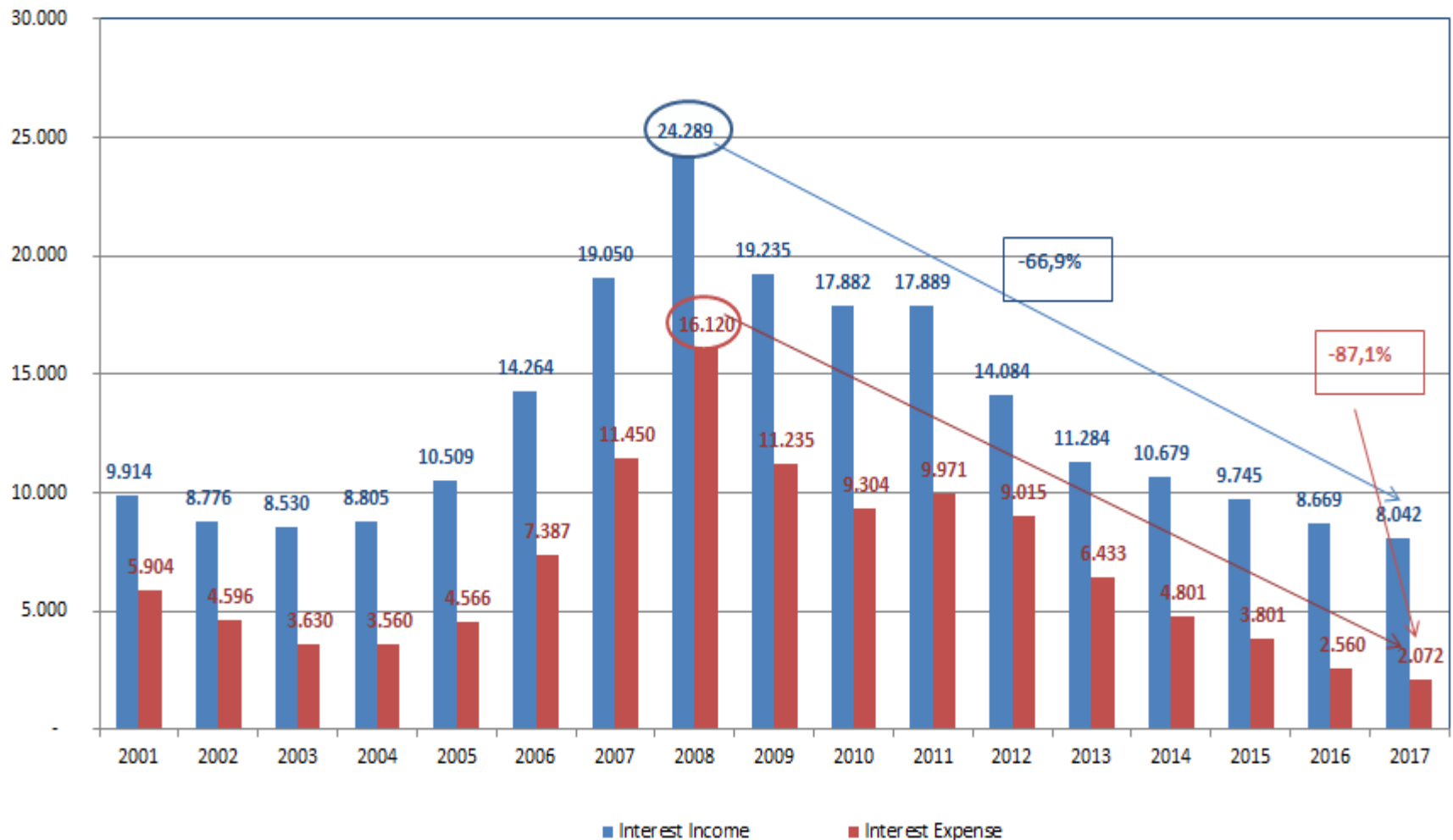
## Bank Interest Rates – Retail (%)

	Credit Cards & Overdrafts	Consumer Loans $x \leq 1Y$	Consumer Loans $1Y \leq x \leq 5Y$
Country	% , 2019-03	% , 2019-03	% , 2019-03
Latvia	19.89	16.14	14.66
Estonia	16.1	14.76	16
Slovakia	13.11	7.88	9.53
Portugal	12.19	5.37	6.36
Greece	11.68	8.82	9.04
Spain	11	3.79	8.02
Ireland	10.46	8.36	6.81
Lithuania	9.11	4.88	13.2
Luxembourg	8.94	1.64	1.43
Germany	7.98	8.48	4.25
Euro area	6.96	5.41	4.89
Finland	6.34	5.36	3.67
Slovenia	6.24	4.56	6.03
Belgium	5.95	3.4	2.92
Cyprus	5.91	2.86	-
France	5.64	4.14	3.68
Malta	5.4	4.61	0
Italy	5.16	3.65	6.59
Netherlands	5.1	8.68*	-
Austria	3.6	5.41	3.74

### **3 Greek & European Benchmarks –Profitability**



## Greek Banks' historical trend in Interest Income & Expenses (in €'mn)



Source: Bank of Greece  
Not consolidated Aggregated Income Statements



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## Greek Banks' Historical staff costs & operating expenses (in €'mn)



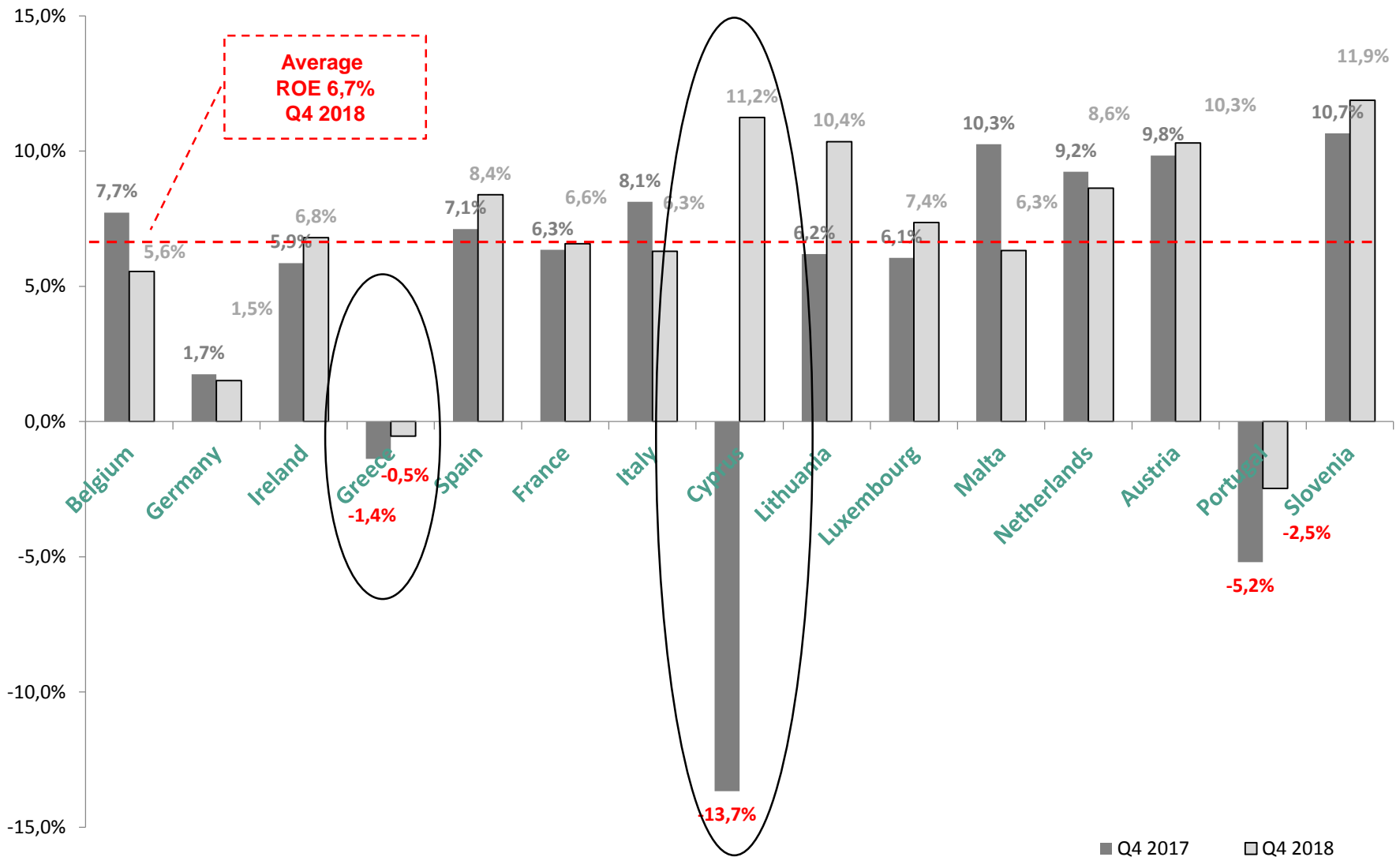
Source: Bank of Greece  
Not consolidated Aggregated Income Statements



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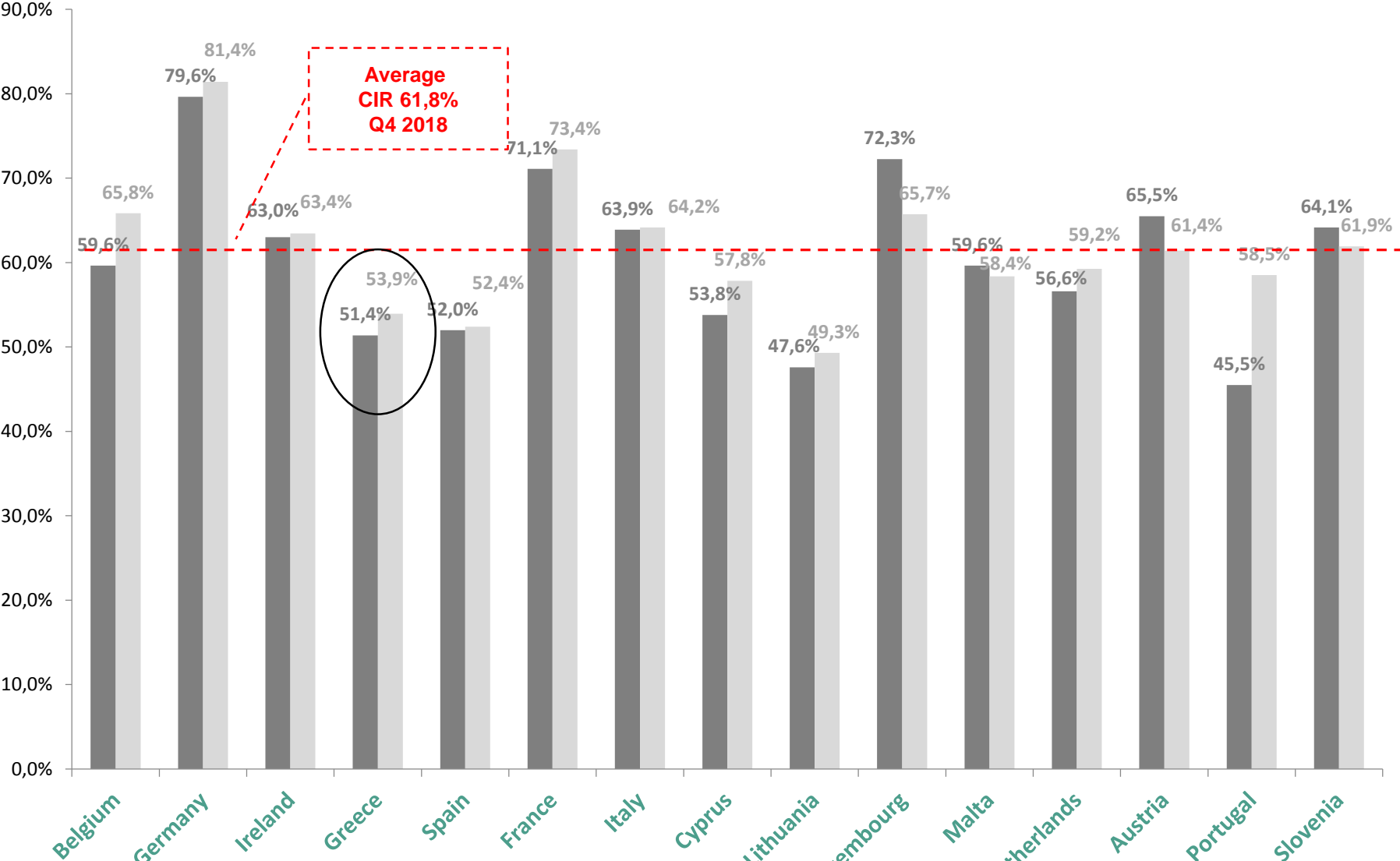
# Comparative Banks' ROEs, Q4 2017 vs Q4 2018



**Source: SSM Supervisory Statistics**

The list of banks used for Supervisory Banking Statistics comprises banks designated as significant institutions (SIs) and thus directly supervised by the European Central Bank (ECB). SSM publishes statistics at the highest level of reporting, i.e. at a consolidated level.

# Comparative Banks' CIR, Q4 2017 vs Q4 2018



Source: SSM Supervisory Statistics

The list of banks used for Supervisory Banking Statistics comprises banks designated as significant institutions (SIs) and thus directly supervised by the European Central Bank (ECB). SSM publishes statistics at the highest level of reporting, i.e. at a consolidated level.

■ Q4 2017    ■ Q4 2018

## 4 Major challenges & Top priorities for Greek banks



## Five key challenges that banks face

### NPE Burden

Client Needs and behavior are changing

New digital services are disrupting the market

Disintermediation is accelerating

Evolving regulatory landscape is leading to higher costs



High levels of NPEs erode banks' capital and profitability.

Demand for more tailored end to end easy to use services and solutions is growing

Internet startups (FinTech) and large IT firms are competing with retail and corporate banks

Unregulated competitors offer bank clients direct access to new sources of funding

Regulatory costs undermine once attractive business and force banks to invest in data, tools and processes



# Top priorities for Greek banks

## Levers

1

Reduce NPE ratio to below 10%

- Continue to **pursue NPE reduction**, by implementing both banks' own **NPE strategic plans and systemic structural solutions** when finalized;

2

Develop new own business models

- Adjust to **the new reality** both in terms of **customer needs & banks' transformational plans**;
- Decide **where to compete** on the value chain spectrum;
- **Improve data quality and technologies** will enable banks to have a clear view of the customers' financial and behavioural stance and effectively offer distinctive & custom made products. Hence, increase customer satisfaction & retention;
- **Expand and leverage** in prime core markets & areas with a **positive outlook for the Greek economy**, such as in trade financing, export oriented companies, hospitality sector;
- Deploy capabilities to **support & develop advisory services** and **dedicated tools for customers**;

3

Rationalise costs and explore areas for synergies

- **Digital transformation** can create significant value by making the process more efficient;
- **Engage in partnerships with fintechs**, that could give the benefit of synergies especially related to increased efficiency of **services and reduction in transaction costs** (revolution around payments, transactions, trade-finance activities); or develop certain **in house customised solutions**;
- Continue to pursue **cost reduction initiatives**, as deemed necessary;



*Thank you*

Q & As

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