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ΕΛΛΗΝΙΚΗ ΕΝΩΣΗ ΤΡΑΠΕΖΩΝ

HBA Anniversary Edition

General Assembly 2018

From 70 to 90 years

A review of two decisive decades

HBA PUBLICATIONS
ATHENS 2018

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The HBA's role is to follow developments
in European banking and support its members

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Introductory note

In 2007, the Hellenic Bank Association appointed Professor Kostas Kostis -- today director of the historical archives at Alpha Bank -- to author an historical overview of the Association on the occasion of the 70th anniversary of its founding in 1928. Today, celebrating 90 years of operation, the HBA has decided to issue a summary review of the Greek banking system over the last 20 years, from 1998 until today, reflecting on two pivotal decades for the sector and how the association has adapted to changing circumstances between its 70th and 90th year of operation.

This report is a concise rendering of the full Greek text, and is intended for our distinguished guests who are not familiar with the Greek language.

During these last two, critical decades, from 1997 until today, the Greek banking system has witnessed significant changes. Some of them very positive, but others particularly demanding, especially following the onset of the Greek financial crisis. As Greece's fiscal position deteriorated and the country's international competitiveness worsened, these twin crises forced Greece to undertake urgent reforms and structural changes that weighed heavily on both the Greek banking system and the economy.

Overall, the experiences of these two decades have been mixed. In the first ten years, Greece secured its position in the European community, it readied itself to join the single European currency, it boasted strong economic growth, and the Greek banking system was weaned from the overbearing regulation and intervention of the Greek state. At the same time, Europe was rapidly modernizing its financial system and liberalizing banking activity by abolishing restrictions on financing and allowing the banks to channel substantial liquidity to companies and households eager for funding. As a result, a fertile breeding ground, marked by rapid growth and development and financed with private capital, was created for Greek banking.

During the decade 1998-2008, the Greek banking system goes from strength to strength. It greatly expands its presence internationally, particularly in Southeast Europe; it gains unfettered access to international money and capital markets on competitive terms; it attracts strong deposit inflows. The Greek banks are active in financing the economy and their customers, supporting high economic growth rates and participating in all projects large and small. During this period, the Greek banking system supports major infrastructure projects, such as the new Athens International Airport, the Attiki Odos and Egnatia Odos motorways, and the Athens Metro.

The Greek banking system contributes decisively to the robust economic growth of the period, while also investing heavily in its customer service networks, new technologies and innovative products and services. With a view to the future, the Greek banks invest in new payment systems, in major projects, in emerging business opportunities, in the financing of households. All the conditions were in place for another decade of growth before Greece's twin fiscal and balance of payments crises quashed those expectations and tested the strength of Greece's economy and pushed Greek society to its limits.

The impact of the debt crisis on the Greek banking system, which began in late 2009, was immediate, negative, decisive. Greek banking sector assets shrank dramatically and the rapid growth experienced until then came to an abrupt end.

Greek banks suffered sharp declines in their capital base. The private capital invested in the Greek banks up to that point was heavily diluted as a result of the PSI and the high level of non-performing loans, resulting in three major capital increases within a relatively short time period. The banks were forced to set aside an unprecedented amount of provisions for problem loans, undergo a series of stress tests, while facing a steady outflow of household and business deposits – either because those savings were being moved abroad, or because depositors needed to cover their own cash needs. At the same time, the Greek banks effectively lost their access to international capital markets, while loan demand from businesses and households literally dropped to zero.

The rapid increase in non-performing business, consumer and mortgage loans was unparalled, rising at uncontrolled rates and reaching levels hitherto unknown in the Greek economy, leaving behind a heavy legacy from the crisis on the Greek banking system. During the crisis, the Greek banking system watched as both the growth model and the growth momentum it had enjoyed in the previous decade all but disappeared.

During the decade of the crisis, the Greek banking system was also forced to adapt to sweeping regulatory changes: adjusting corporate structures and operations to meet new and demanding international standards for corporate governance and capital adequacy; adopting new risk weighting and asset management practices.

Today, step-by-step, we feel a new sense of optimism emerging. The HBA has been present at each major development shaping the Greek banking system these past two decades. With the active support of our members -- their managements and their many representatives on various interbank Steering and technical committees – the HBA has closely followed regulatory, governance and legislative developments. We are constantly striving to improve our image in the eyes of our customers and the public, to once again assume our role in financing the economy and investment, and to build the trust of investors and the markets in our future growth prospects.

We warmly thank all our members who actively participated in this process and have helped keep the doors to the Association open even during the period of crisis. We continue to affirm our commitment to our long-held values, namely: providing excellent service to our clients, to transparency and credibility, to collectively supporting our customers, to responsible banking practices, to ongoing training and constant improvement in our systems and architecture, and to open and honest dialogue with regulators, social partners and the public.

For the Hellenic Bank Association

Nikolaos V. Karamouzis
Chairman

Charoula Apalagaki
Secretary General

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I. Regulatory framework governing the operation of Greek Banks

1998 – 2007

The decade of liberalization and the creation of powerful banking groups

During this first decade, the Greek banking system undergoes a gradual, but complete transformation.

- All administrative restrictions and financing quotas are abolished,
- The special purpose banks cease to exist and the process of privatizing the Greek banking system begins,
- Compulsory bank financing of Greek Public Sector fiscal deficits ends and mandatory purchases of Greek government securities ceases,
- Banks are permitted to offer investment and insurance services, and
- Complete liberalization of mortgage and consumer credit.

2008 – 2018

The decade of major regulatory changes in European banking, but also theperiod of crisis, disinvestment and significant restructuring and consolidation in the Greek banking sector

It could be said without exaggeration that the second decade (2008-2018) represented the perfect storm for the Greek banking system. At the same time that banks worldwide were struggling with the 2008 global financial crisis, the Greek banks were also facing the consequences of Greece's twin fiscal and balance-of-payments crises. However, the Greek banking system proved to be robust and built on solid foundations laid during the preceding decade 1998-2007.

The Greek banking system was forced to implement an ambitious and demanding new regulatory framework at the same moment that it was coping with the difficult consequences of the Greek crisis, and which included painful developments such as:

The banks successfully prepare themselves for joining the eurozone. During this decade, through a series of mergers & acquisitions, the Greek banks consolidate. The powerful banking groups that are formed now operate:

- On market principles.
- Actively support Greek economic growth.
- Enter new markets and expand their operations outside Greece.
- Preside over a drastic reduction in borrowing rates.
- Roll out new branches, ATMs, POS within Greece, but particularly abroad.
- Increase domestic lending by €130 billion.
- Witness a €92 billion increase in deposits.
- Gain unrestricted access to inter national markets where significant amounts of capital are raised.
- Expand into Southeast Europe with operations in more than 10 countries in the region.

- The Greek government bond swap (PSI+).
- A sharp increase in Non-Performing Exposures (NPEs) and Loans (NPLs).
- A deep economic recession, unprecedented in both scope and duration.
- A liquidity squeeze on the Greek banking system.
- Successive recapitalizations, increasing state intervention, restructuring obligations including disinvestments and a pull-back in operations. Capital injections totaling €64 billion.
- A prolonged period of restructuring and reorganization of the Greek banking groups leading to a cutback in domestic banking operations and significant divestments abroad.
- Sharply increased provisions for non-performing exposures, peaking at €57 billion.
- Increased dependency on ECB for liquidity, reaching €132 billion at the height of the crisis.
- A mandatory, three week-long bank holiday and subsequent imposition

- See Greek banking assets rise to €383 billion by end 2007, up from €185 billion at end 2000.

Throughout this period, the Greek banks operate under a demanding regulatory framework which aims at:

- The stability of the financial system.
- Best practices in corporate governance.
- The stability and efficiency of capital markets.
- The efficiency of payment systems.
- The protection of consumers of financial services,
- Preventing fraud and combating financial crimes in the banking system, as well as
- Applying international best practices.

of capital controls in the summer of 2015.

During this same decade, and immediately following the global financial crisis of 2008, every aspect of the regulatory framework governing banking and financial services underwent enormous change. This included changes to: The capital markets law; the operation and supervision of credit institutions; the reorganization and consolidation of credit institutions and investment firms; payment services; the management of non-performing loans and exposures; corporate governance; deposit insurance rules; consumer protection rules for the financial services industry; rules to combat money laundering & terrorist financing; safety & security of bank branches and ATMs; rules tackling online fraud and financial crimes; rules governing the protection of personal data; as well as restrictions on cash withdrawals and capital transfers that came into effect from the summer of 2015.

Without question the single most dramatic regulatory change, if one had to pick, would be the creation of the **European Banking Union,** a development as important as the introduction of the euro.

II. Profitability - Overseas expansion - Mergers & acquisitions

1998 – 2007

The decade of private investment in the Greek banking system, of growth, investment and profits

By the end of the 1990s, the Greek banking system was taking full advantage of the new circumstances arising, on the one hand, from the liberalization of the Greek market and, on the other, changes in the international economic environment. These included the transition to a market economy by the former Soviet bloc countries , the integration of the single European market and the rise of globalization.

In contrast with preceding years, the roles of the private and public sector in Greek banking were reversed, with private initiative now taking the lead.

This allowed the Greek financial institutions to proceed with a series of mergers & acquisitions, leading

2008 – 2018

The decade of consolidation and disinvestment

The dysfunction in international money and capital markets, particularly after September 2008, have negative consequences on the Greek banking system. Despite this, the Greek banking system reports some of its highest profits ever in 2008 (€2.6 billion after taxes) albeit down roughly 43% compared with 2007.

In 2008, in the context of law 3723/2008, the Greek banks are given limited state aid. This reintroduces a degree to state control to the banks, and private investment interest begins to gradually diminish.

That same year the Greek banks more than double their credit risk provisions in light of the downturn in the business cycle, which had already to an overall reorganization of the domestic banking sector. Among the most significant events in this wave of consolidation were:

Piraeus Bank acquires Macedonia-Thrace Bank, Bank of Chios, Credit Lyonnais Greece as well as the branch network of National Westminster Bank in Greece. Shortly thereafter, the bank proceeds with the acquisition and consolidation of the Hellenic Industrial Development Bank (ETBA).

NBG absorbs the National Mortgage Bank of Greece in 1998, and the National Investment Bank for Industrial Development (ETEBA) in 2002. During the period 1997-2000 Eurobank acquires Interbank Greece and the Bank of Crete. It also acquires a stake in the Bank of Athens, completing the acquisition in 1999. In 2000, Eurobank merges with Ergasias Bank and is renamed EFG Eurobank Ergasias.

In 1999, Alpha Credit Bank (today Alpha Bank), acquires and absorbs the Ionian and Popular Bank of Greece.

The now privately-owned Greek banks collectively control 80% of Greek banking system assets during the decade 1998-2007 . During this same period, the interest of foreign

become apparent in the last quarter of 2008.

When the Greek state completes its voluntary bond swap program in March 2012 (PSI+) further losses ensue. Overall, the Greek banks contributed approximately €50 billion worth of Greek government securities, accounting for 25% of the bonds swapped under the program. With the discount on the new bonds, the Greek banking system suffers a €38 billion pre-tax loss from the PSI+.

From December 2012 through May 2018, the Greek banks undergo five stress tests, resulting in three recapitalizations totaling €64 billion, of which €50.6 billion are earmarked for Greece's four systemic banks. A portion of the fresh capital (€27.9 billion) comes from public funds administered by the Hellenic Financial Stability Fund (HFSF). This results in further restrictions on bank operations (specifically relating to the composition of the board of directors, distribution of dividends, salaries, internal structures, strategic plans).

The one-time rapid growth and robust profits enjoyed by Greek banks are now replaced by a mountain of non-performing loans, which by September 2016 were equal to approximately 50% of their total loan banks in Greece, all of whom are members of the HBA, remains active.

The entry of Greece into the eurozone further reduces interest rates on loans, deposits and associated fees.

During the 1998-2007, the Greek banks expand internationally, particularly in the countries of Southeast Europe as they integrate their economies with the European Union. By the end of 2007, the six major Greek banks (NBG, Alpha Bank, Piraeus Bank, Eurobank, Emporiki and the Agricultural Bank of Greece) are operating in 15 countries through 45 subsidiaries and branches.

During this same period, the Greek banks support the financing of major public works projects including the national highway network (Athens-Kalamata, Athens-Patras) and other infrastructure (Athens International Airport). The financial foundations for the future construction of the Ionia Odos, the Olympia Odos and the Egnatia Odos – major motorways in the west and north of the country – are also laid at this time. The projects would eventually be completed during the crisis, but their initial terms were established long before.

The capital adequacy of the Greek banks increases to high levels.

portfolios. Managing these bad debts becomes the main priority of the banks, tying up both human and financial resources, and at a cost to overall economic growth.

The results of the fifth stress test, which were announced in May 2018, were encouraging. The results showed there was no immediate need for a further recapitalization of Greece's four systemic banks.

The balance sheet deleveraging undertaken by the Greek parent banks also extends to the group level, with the major banking groups forced to consolidate their operations at home while also divesting subsidiaries and branch networks abroad.

From January 2008 to April 2018, the number of banks operating in Greece is reduced by almost half: to 38 at the end of the decade from 64 at the start, as a result of mergers, acquisitions and restructurings. Almost all foreign banks with retail networks in Greece withdrew from the market.

- Today, Greece's **four systemic banks** - plus Attica Bank - **control 97%** of Greek banking system as sets, compared with 67.7% held by the five largest banks at the end of 2007.

Likewise, the Greek banks enjoy robust profits during this decade. Net profits (after taxes and minority interests) increases at an average annual rate of more than 10%.

Operational efficiency (the ratio of operating expenses to operating revenue) continuously improves with the Greek banking groups boasting a ratio of 52.6% at the end of 2007 (2006: 53.1%), a level that surpasses other major banking groups in the eurozone (January-June 2007: 60%). At the parent bank level, operational efficiency is likewise impressive and steady: at 52.6% as of the end of 2007 (2006: 52.2%).

Greece's bankers continue practicing prudent banking: maintaining credit risk provisions at double the ratio of other European Union banks. As of the end of 2007, Greece's banking groups boast a loan-loss provision ratio of 0.5%, compared with 0.25% for other mid-sized banking groups in the EU.

Greek bank financing of the national economy and private initiative is remarkable. The consistently high growth rates of the Greek economy during this decade (among the highest in modern Greek history) come from the active support of the banking sector.

A particularly negative aspect of the past decade has been the impact on the Greek economy.

Greece's GDP contracted dramatically over the course of the extended nine-year crisis, shrinking by roughly 1/4. The unemployment rate reached a high of 28% during the peak of the crisis, while business and household deposits fell by €117 billion, or by more than a third from pre-crisis levels.

Credit expansion to the private sector has fallen sharply, declining to €180 billion in March 2018 from €258 billion in December 2010. As a result of the contraction in credit, combined with the decline in deposits, the loan-to-deposit ratio of Greek banks is now 110%.

The mandatory bank holiday and the imposition of capital controls in the summer of 2015, in combination with the mass outflow of deposit during the crisis, led to a liquidity squeeze on the Greek banking system. As a result, the Greek banks were forced to resort to expensive loans from the central bank's Emergency Liquidity Assistance facility.

For the first time ever, Greek banks begin to finance the private sector, especially households and small businesses, in a systematic way. Despite rapid credit expansion, Greek household borrowing – two-thirds of which is for mortgage loans – remains well below the EU average. By December 2007, household debt is equal to just 41% GDP, compared with 54.3% for the eurozone as a whole.

Household and business deposits continue to grow. By the end of 2007, deposits reach €194 billion after growing at an annual weighted average of 7% during the period 2001-2007 -- thanks in part to the introduction of new savings products that attract the interest of depositors. Non-performing loans are in-line with European averages (about 4-4.5 %).

Loan-to-deposit ratios in the Greek banking system approach 110% in December 2007, well below the European average for comparable sized banks (143%).

Finally, the decade sees the rapid growth of private insurance, the provision of innovative bancassurance products and asset management services for customers.

III. Development programmes - Initiatives for strengthening the real economy

This section is arranged by project and allocated resources, independent of time period. The HBA and its members participated both in the development of these programs (conducting research), as well as setting up the necessary administrative structures (managing loan applications).

Guarantee Fund for Small & Very Small Enterprises (TEMPME) / Hellenic Fund for Entrepreneurship & Development (ETEAN)

From 2000 until today, the HBA and its members have offered technical know-how and administrative support for many development programs like TEMPME (with €8 billion in total resources for the period) and ETEAN (supporting small- and medium-sized enterprises), as well as ongoing EU National Strategic Reference Framework (NSRF) Partnership Agreements. Equally important has been the research cooperation between the HBA and its members on how to redesign investments. Throughout the years of the crisis, the HBA has continuously supported growth and development.

1. **NSRF Primary Action,** supporting SMEs in: processing, tourism, trade, services.
2. **Actions** to support tradesmen - professionals.

HBA consultation document on Greek economic development

Financing SMEs during the economic crisis – HBA report

Home Energy Savings Programs

2011-2014 EKO I

Beneficiaries: **65,620**
Budget: **€293 million**

2014-2016

The HBA, the Ministry of Development, and the Ministry of Environment and Energy, cooperate to simplify the procedures for the program. The HBA also submits proposals for efficient management of applications, redefining income criteria for the simplification of procedures.

2016-2018 EKO II Program (ongoing)

The HBA and its member-banks participate in the planning (institutional/regulatory framework, Implementation Guide, role of credit institutions, development and implementation of Integrated Information System) and launch of the new program.

Number of applications: **~45,000 (in process).**
Initial budget: **€292 million.**
A doubling of the initial budget has already been announced, i.e.,
~€600 million

Financial Engineering Instruments

2011 – today

Program period 2007-2013

Cooperation with the European Investment Fund (EIF) and the European Investment Bank (EIB) in the areas:

• SME support,
• Urban renewal,
• Digital technology, and
• Export trade.

A. EIF Programs
1. Funded Risk Sharing: €128 million
2. FRS General Content: €136 million
3. FRS Financial Instrument: €15 million
4. ICT Risk Sharing: €3 million

Total: €282 million

B. EIB Programs
1. Guarantee Fund (with NSRF guarantees): €500 million
2. Global Loan (with EFSI guarantees): €400 million
3. Trade Finance: €272 million
4. JESSICA Community Initiative: €72 million.

Total: €1.244 billion

Cumulative Total: €1.526 billion

Program period 2014-2020

Cooperation with the EIF, the EIB, the European Bank for Reconstruction and Development (EBRD) and the International Finance Corporation (IFC) in the areas:

• Support for SMEs and

• Export trade.

A. EIF Guaranteed Programs
(data to February 2018)
1. COSME Loan Guarantee Facility
2. INNOVFIN Loan Guarantee Facility (Risk Sharing)
3. EASI Loan Guarantee Facility

Total: €2.7 billion

B. EIB Programs
(data to September 2017)
1. Global Loans (with EFSI guarantees): €628 million
2. Global Loans MBIL: €103.5 million
3. Global Loans (SMEs/MidCaps): €138 million
4. Trade Finance: €222 million

Total: €1.091 billion

C. EBRD Program
Trade Finance Program (data to September 2017)

Total: €200 million

D. IFC Program
Trade Finance Program (data to September 2017)

Total: €131 million

Total (Programs A, B, C, D): €4.122 billion

IV. Corporate Social Responsibility

1998 – 2007

The foundations of CSR

The extent of the banks corporate social activity becomes apparent during this decade, with social spending directed towards:

-employees

-education

-environment projects

-vulnerable social groups

-safeguarding & enhancing cultural heritage

-sport

-sponsorships

2008 – 2018

Despite a reduction in projects CSR governs all banking activity

Economic circumstances during this period are difficult and framed by considerable uncertainty. Despite this, the banks continue to engage in social actions and remain true to their long-standing commitment of contributing to the community. In the last decade, the banks have spent €400 million on sponsorship programs.

The banks further enhance their contributions to important health, educational, cultural, sports and environmental initiatives, and they continue to disburse grants to vulnerable social groups and charitable non-profit organizations.

The banks continue to promote environmental policies and practices. They adopt guidelines for the protection of the environment, for the conservation of natural resources and energy, demand their suppliers conform with environmental standards, the banks extend financing to renewable energy projects, and actively review environmental impacts and risks in assessing the credit risk of a client.

The HBA is also a founding member of the "Sustainable Greece 2020" initiative and is a member of the QualityNet Foundation (QNF), a network of socially responsible organizations and citizens.

This initiative aims to raise awareness in the Greek business community, and in the general public, about the need for sustainable development and responsible entrepreneurship.

V. Educational programs - The Hellenic Banking Institute

In 1986, the HBA creates its first education and training program with a mission to support the modernization efforts of the banks. In 1993 the HBA Training Centre is established to serve as the core of the education program at that time.

As part of an organizational restructuring of the HBA, in 1995 the Association acts on a proposal to create a special training division that encompasses a broad range of activities and which absorbs the HBA Training Centre – operating since 1999 as a legally integral part of the Association – and renames it the Hellenic Banking Institute. In the decade 1998-2007, the HBI is recognized as an official, accredited training institution and in 1999 – the year it was founded – the HBA's Supreme Education Council is recognized as the highest official body for overseeing banking industry training.

At this time, the HBA actively engages in its training and education program and also reaches out to international bodies to support the effort (through bilateral development, assistance and cooperation agreements with the OECD, participation in transnational European community programs PEPER, LEONARDO-DE-FACIL, LEONARDO-PREMEG II, LEONARDO-LEONARDO-LABS, ELFIBANK, ADAPT-EUROTRAIN). In 1991, the HBA was also a founding member of the European Banking Training Network (EBTN).

Despite the difficult economic circumstances of the following time period (2008-2018), the HBI manages to keep up its activities thanks to the active support of its members, while further adapting and modernizing its training and educational programs. Following a series of structural initiatives, the HBI refines its training program to conform with the evolving needs of the banking sector and responding to regulatory and other developments in the industry. The continued evolution of its professional development courses now cover all aspects of modern banking and their quality is recognized by their inclusion in community programs like "CERTIfication & Accreditation System for Financial Services Sector Education and Training", "EUROpean Banking Network for Quality Assurance" and "€QUALIFISE – "€uropean Qualification Assurance League in Financial Services".

New training tools are also created aimed at a wide audience and at a reduced cost. The programs give particular emphasis to an exam-based certification process following the training courses.

Further, in 2008, the HBI begins working with the Hellenic CFA Society, a partnership that is still ongoing today and is designed to prepare candidates for the international Chartered Financial Analyst (CFA) certification exams.

The year 2014 was a landmark year for the HBI when it began to offer e-learning services and selected internet training seminars (webinars). The on-demand webinars include a video introduction and parallel PowerPoint presentation, an interactive test to help consolidate learning, as well as supporting materials and useful links for anyone wishing to deepen their understanding of the topics. In 2016, the Institute proceeded further by providing e-learning services on its own platform at: www.etilearning.gr. The platform was launched in that year with a special training seminar on the legal framework of the capital markets. The course was at licensed investment counselors applying for renewal of their licenses. So far, about 5,000 members of the wider financial sector have renewed their licenses with the aid of the HBI's e-learning course.

In 2017 and earlier this year, two further online training programs were added on the subjects of "Data Security" and "Preventing & Suppressing Money Laundering & Terrorist Financing." The goal of the HBI is to continue offering educational training and distance learning with modern methods and for a wide audience.

The crisis did not affect the HBI's participation in the European "Financial Services Sector Triple E Qualifications" program, which aims to create a model Triple E accreditation for professional certificates in the industry that incorporate technical and qualitative skills from the EQF, ECEVET and EQAVET. Likewise, HBI continues to actively participate as a member of the International Network on Financial Education (INFE) and on the Financial Education Project Group of the European Banking Federation, while it also actively supports "European Money Week".

This year, the HBI launched two further initiatives relating to Financial Literacy with educational programs for primary school students (5th and 6th grade) and with 51 classes from 25 middle schools around the country, both public and private, participating in the first European Money Quiz contest.

VI. Hellenic ombudsman for banking - Investment services

At the initiative of the HBA, on March 15th 1999, and on the occasion of World Consumer Rights Day, the office of the Banking Ombudsman was established. This was later merged with the Investment Ombudsman, and has since operated as a non-profit, private entity. Participating members are the Hellenic Bank Association, the Association of Members of the Athens Exchanges (www.smexa.gr) and the Hellenic Fund and Asset Management Association (http://www.ethe.org.gr).

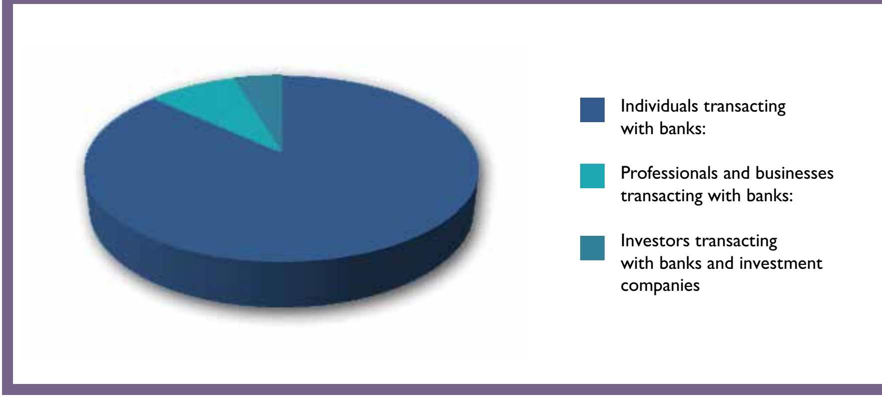
The banking and investment services ombudsman works on the basis of international and established principles of independence, neutrality, confidentiality, expertise, impartiality, fairness, accessibility, efficiency and transparency. Its mandate is to review and mediate – free of charge -- disputes arising out of the provision of banking and investment products and services by banks and investment companies established in Greece to either individuals or businesses (with annual turnover of up to €1 million). The objective is to mediate out-of-court settlements, including through the European Union's online dispute resolution platform, and it is recognized as an official Alternative Dispute Resolution entity in Greece.

Table 1: Total number of complaints submitted to the H.O.B.I.S. by type of complaint during the period 1999-2017

Total complaints	185.663
Oral complaints	159.060
Written complaints	26.603

During its 18 years of operation, the H.O.B.I.S. has received a total of 185,663 complaints concerning transactions with banks and investment companies. Of those, 159,060 complaints were made orally (telephone calls and visits) and 26,603 were made in writing.

Diagram I: Breakdown of total complaints submitted to H.O.B.I.S. by category of client for the period 1999-2017



The main causes of complaints (both oral and written) during the last 18 years was: a) from private individuals complaining about the quality of customer service at banks, as well as the settlement of debt obligations and disputes over transactions, b) from professionals and companies about the quality of customer services at banks, as well as the settlement of debt obligations and the setting of other fees/ commissions and c) from investors about the quality of customer service, disputes over transactions and the quality of information provided during the term of a contract.

VII. Payment systems - Introduction of the euro - Single euro payments area (sepa)

1998 – 2007

The decade of building up the financial infrastructure

The unification of the European market was accompanied by significant changes in payment systems and electronic commerce.

After the adoption of the euro on an accounts basis in 1999, and the circulation of euro notes and coins in eurozone member states from 2002, the creation of the Single Euro Payments Area was the next major project for strengthening financial integration in the European Community, especially in the field of payment services.

The European Payments Council (EPC) is established with the aim of creating a single euro payments area, known by its English acronym SEPA.

The HBA participated actively, and worked closely with the Bank of Greece on a series of initiatives (in developing the Hellenic Bank

2008 – 2018

The decade of rapid technological developments

The decade is characterized by the need for further investments in payment systems due to rapid technological change and resulting in fresh initiatives at both the European and national levels.

At the European level, the Payment Services Directive (PSD) is adopted in 2007, the provisions of which are incorporated into national legislation in the summer of 2010.

The Euro Retail Payments Board (ERPB) is formed.

Important steps in the Greek banking system are implemented, such as

(a) the technical implementation and the systemic updating of technical protocols in the DIAS interbank electronic billing system is completed.

(b) the online payment message system in the DIAS interbank Credit Transfer platform is implemented.

Identification Code lists, transmitting orders through the Bank of Greece's HERMES payment system, coding and standardizing the "code line" on euro denominated checks, implementing standard ISO 4217 currency codes, creating a national standard for International Payment Instructions, standardizing euro exchange and promissory note transactions, the TARGET and TARGET2 payment systems).

The HBA also contributes significantly to upgrading electronic transactions with the Greek public sector, automating all payment methods through the interbank system (DIAS), including tax payments and social welfare contributions (individual and company taxes, VAT, pension system contributions, etc.).

In 2007[1], the number of debit and credit cards issued total 7.6 million and 6.7 million respectively. The number and value of purchase transactions using debit cards amount to 6.3 million and €830 million respectively. The number and value of purchase transactions using credit cards amount to 69 million and €7.3 billion respectively.

Both the volume and value of card transactions would grow rapidly in

(c) in May 2017 the Greek banking sector launches 24X7X365 real time money transfers through the IRIS online payments service via a mobile phone application. The service users either a phone number or tax identification number (individual or corporate) to confirm and effect transactions.

In December 2017, the decision is made to unify the TARGET2 payments system with the TARGET2 Securities platform, as well as develop a program for managing Eurosystem guarantees. Meanwhile, the ECB is expected to launch the new TARGET2 Instant Payments Systems (TIPS) in November 2018.

Other initiatives are also expected in Greece once new legislation is published incorporating the PSD2 into Greek law.

In the first years of the decade, the use of payment cards continued to grow at a steady pace. In 2008, the number of debit and credit cards issued amounted to 8.1 million and 6.9 million respectively. The number and value of debit card transactions amounted to 8 million and €1 billion respectively, while the number and value of credit card transactions was at 75 million and €7.7 billion euros respectively.

But following the introduction of capital controls in June 2015, there was a widespread shift by businesses and consum-

[1]ECB Payment Statistics for 2011.

the following decade and a similar trend was observed in money transfer services.

ers to cashless payment methods. The use of debit cards in particular exploded, while the use of credit cards were roughly stable.

According to the ECB, in 2016 the number of debit and credit cards were 11.6 million and 3 million respectively.

Compared with several years earlier, the number and value of debit card transactions soared to 221.5 million and €10.3 billion respectively. However, the number and value of credit card transactions were broadly stable at 78.4 million and €5 billion respectively – roughly at the levels of 10 years earlier.

This reflects a new preference for debit cards over credit cards. In other words, 90% of the card transactions that took place in 2008 were with credit cards. In 2017, that figure was only 20%.

The HBA continues to actively participate in the work of the EPC and to monitor developments, especially regarding the new EPC direct payments system (SEPA Instant Credit Transfer), which came into operation in November 2017. The HBA member banks intend to harmonize the IRIS online payments service with the new EPC system, which is expected to happen in the first quarter of 2019.

VIII. Automation of payments - Digital transformation - Developing alternative service channels for customers (internet, mobile, atm, aps) - Combating fraud

1998 – 2007

The decade of investment in modern technologies and the gradual automation of payments

In the late 1990s, the phenomenal growth in all manner of online applications commands the attention of the public worldwide, but also the attention of the banks.

In 1997, the HBA sets up its webpage to help communicate its positions and promote the activities of its members in Greece and abroad.

The Greek banking system makes substantial investments in developing alternative banking service channels (ATMs, internet banking, phone banking, pc banking and, at the end of the decade, in mobile banking).

2008 – 2018

The decade of increasing digital activity

Rapid technological change allows the banks to create and offer innovative new products and services.

Internet penetration and the use of information technologies in the operation of Greek businesses and in the daily lives of individuals rises steadily during the decade 2008-2018.

The imposition of capital controls in the summer of 2015 creates serious hardships for businesses and entrepreneurs, but serves as a catalyst for a sharp increase in electronic transactions.

The first and most prevalent electronic banking network in Greece remains the network of bank ATM machines. After growing 270% between 1998-2007, ATMs still enjoy widespread customer acceptance. Today, there are more than 5,550 ATM machines installed in Greece nationwide.
The banks concentrate their efforts on security and the ease of use in electronic transactions from the perspective of the end user: the customer.

In 2001, the European Commission announces its action plan to combat fraud in non-cash payment means. The HBA establishes an interbank committee to implement the action plan.
The HBA coordinates these moves in close cooperation with the Hellenic Police and other competent authorities.

These steps and coordinated interbank efforts result in significantly reduced instances of fraud in the payment systems during the decade 1998-2008, despite a sharp overall increase in electronic banking transactions.

To tackle widespread tax evasion, Greece introduces a series of new regulations to promote electronic payment methods. Within a period of three years (a) all tax payments of sums over €100 must be made exclusively through a bank transfer, a debit card, a credit card or a prepaid payments card, (b) the use of checks for customs payments is virtually abolished (c) public entities universally adopt electronic payment means for the settlement of public administration fees, and (d) back taxes owed by individuals can now be serviced through the use of special payment cards linked to the Taxisnet tax filling application (special payment cards for servicing restructured tax obligations will also be introduced).

In order to further enhance the options available to customers, the banks are progressing with:

- the installation of Automated Payment Systems (APS) machines.

- adopting, an electronic payment solution by MyBank to allow for e-commerce transactions without use of a credit card and by direct debit from a bank account.

- the implementation of a real time interbank transfer system

24X7X365, via mobile devices that would allow transfers to a beneficiary simply through the use of a telephone number or tax identification number for verification.

Based on available data, the growth of e-banking continues. In Greece, there has been: a sevenfold increase in active internet banking customers in the period 2008-2017; there were more than 1 million active mobile banking customers at the end of 2017; there has been a sixfold increase in payment card transactions in the past three years (2014-2017); there has been a doubling in money transfer transactions over a five-year period (2012-2017).

In just three years (2014-2017) the number of electronic transactions increased by 700 million (from 317 million transactions in 2014 to more than 1 billion in 2017). Significant increases were observed in the value of electronic transactions too, although smaller in percentage terms relative to the overall number of transactions.

	2008	2017
Online banking		
Active customers	382,002	2,578,325
Mobile banking		
Active customers	479	1,044,204

The security of electronic transactions continues to be a priority of the banks. In this last decade, the Greek banks invest millions of euros to make the transition to smart payment cards using EMV/Chip technology, completing the roll out in 2010. During this same period, the banks adopt the use of a PIN to authorize all card transactions.

The banks continue to invest in new internet and mobile banking services. These new services -- along with the ATM network -- are tested under extreme circumstances during the mandatory bank holiday that began June 28, 2015 and the imposition of capital controls.

In just one year, in 2017, the banks installed more than 310,000 POS terminals, representing an 87% increase from the year before.

During this same period cases of card payment fraud remain at historically low levels: 1 fraudulent transaction out of every 8,000 transactions; just €1 is lost to fraud for every €9,000 worth of card transactions.

IX. Participation of the HBA in the European Banking Federation (EBF)

The HBA's participation in the European Banking Federation, consisting today of 32 national European banking associations (which, in turn, represent 3,500 banks), and its presence at EBF meetings has been regular and uninterrupted from 1981 until today. By taking part in key committees of the Federation, the HBA is able to closely monitor developments (often represented by our members directly) at the regulatory, supervisory and operational level. We exchange views and share our observations and experiences with representatives of other banking associations. Through active participation in the consultative process, we ensure that our members are up to date with the latest European developments.

The HBA actively participates in the following committees:

1. Chief Economist Group. The committee focuses its efforts on financial and monetary policies in the European Union relating to banking activity.
2. Banking Supervision Committee. This is one of the main committees of the Federation. In the last decade it has dealt in particular with the functioning of the Single Resolution Mechanism for credit institutions, deposit guarantees, prudential supervision, capital adequacy and risk management related to banking activities.
3. Business Finance Committee (BFC). Dealing with corporate finance and with the strategic goal of strengthening cooperation with the OECD and the EIB. Sustainable financing and digital innovation are high priorities of the committee.

4. Steering Committee for Financing Growth (SCFG). Tasked with drawing up an action plan for the creation of a unified European financial policy.
5. Sustainable Finance Working Group. Emphasis on the exchange of information and knowhow relating to “green” sustainable financing.
6. Communications and CSR Steering Group. Institutional focus on showcasing best practices in the operation of the European banking system.
7. AML and Financial Crime Committee. The work of the committee is among the high priorities of Europe, including, inter alia, combating money laundering and terrorist financing.
8. Cyber Security Working Group. For preventing online fraud and cyber attacks in a rapidly changing technological environment.
9. Executive Committee Digital Strategy Group. Focuses on implementation of the strategic objectives in the digital transformation of the European banking sector.
10. Financial Education Project Group. Promoting financial education.
11. Payment Systems Committee (PSC). Work emphasis on the Single Euro Payments Area.
12. Legal Committee. Focuses on uniform legal solutions in Europe, especially in consumer protection issues, competition law, corporate law and the protection of personal data.
13. Retail Committee. Provision of retail financial services, consumer credit, and distance marketing of financial services.
14. International Affairs Steering Group. Focus on international banking affairs.
15. Fiscal Committee. Tax treatment of financial transactions.
16. Target Working Group. The official discussion partner of the ECB regarding the implementation of RTGS payment system TARGET2, TARGET2 Securities and TIPS.