HELLENIC BANK ASSOCIATION

DOCUMENTATION DATA ON THE OPERATION OF THE GREEK BANKING SYSTEM

ATHENS 2017

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February 2017

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1. Structure of the Greek banking system

- Over the past decade, on account of the global financial crisis, but mainly due to the Greek crisis, **an in-depth restructuring of the domestic banking system** has been carried out, along with a subsequent drastic decline in the number of banks operating in Greece.

- December 2007 - December 2016: banks in operation have been reduced by means of mergers, acquisitions and resolutions from 64 to 39, whilst almost all foreign banks with customer service networks have left, with the exception of HSBC.

- Today, **the four systemic banks** and Attica Bank **cumulatively account for more than 95%** of the Greek banking system (in terms of assets), compared with 67.7% at end-2007.

- Also present are: Investment Bank of Greece SA, Aegean Baltic Bank, Credicom Consumer Finance, nine (9) cooperative banks, as well as the branches or representative offices of thirty (30) foreign banks (indicatively, Citibank, HSBC, Deutsche Bank, Unicredit, Bank of America, JPMorgan Chase Bank, DnB Bank ASA, ABN AMRO Bank).

- **Key data on banks operating in Greece**

  There has been a substantial decline in assets, as a result of deleveraging, sale of holdings and disposal of assets, but mainly deposits, due to the crisis and the resulting uncertainties:

  I. **Total assets: €312.4 billion**, from €358.1 billion in 2008
  II. **Total deposits: €132.1 billion**
  III. **Deposits of domestic households and enterprises: €121.4 billion,** from €227.6 billion in 2008
  IV. **Credit to domestic households and enterprises: €195.2 billion**
  V. **Common Equity Tier 1 ratio (CET1): 18.1%**
  VI. **Number of branches: 2,343**
  VII. **Employees: 46,615**
  VIII. **Pre-tax profit: €249 million**
  IX. **Non-Performing Exposures (NPEs): €107.6 billion (45.2%) and Non-Performing Loans ratio (NPL ratio): 38%**
  X. **Stock of provisions: €57.1 billion**
  XI. **ATMs: 6,820**
  XII. **POS terminals: 410,000**

2. Main aggregates

Employees, branches, ATMs, POS terminals, electronic transactions

Since the onset of the crisis:

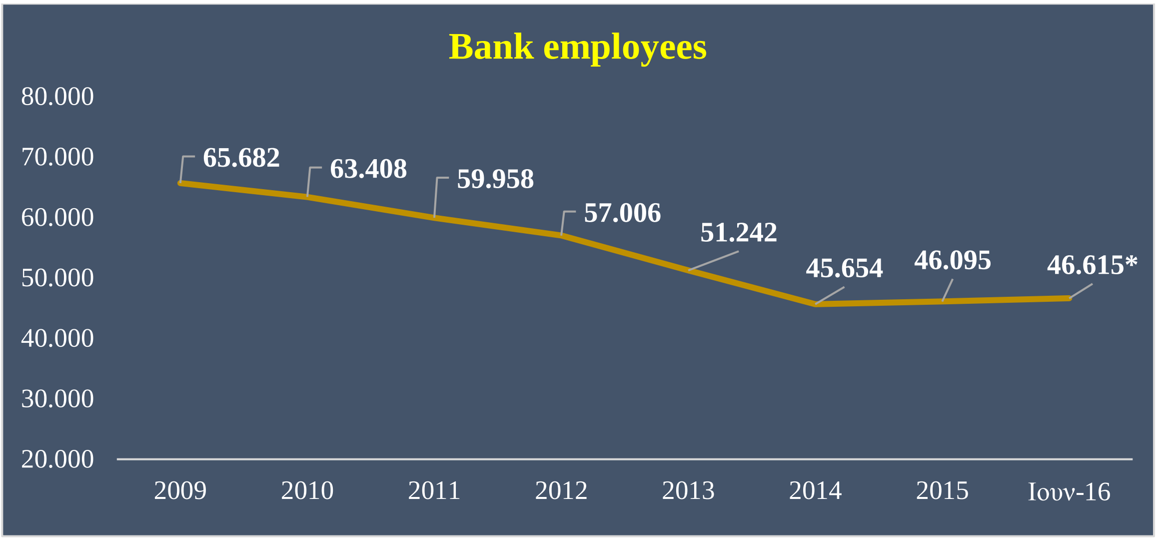
- Employee numbers have declined by 19,067 (-29%),
- The number of branches has declined by 1,736 (-42.5%) and ATMs have declined by 2,350 (-26%).

Since the implementation of capital control measures:

- Numbers of point-of-sale (POS) terminals have increased considerably by 100,930 (+79%),
- Electronic card transactions increased by €84 million (+58%) and electronic credit transfers by 24%.
- The value of direct debits for conducting standing order payments has increased by €3.2 billion (+47%).
- The value of Internet and mobile banking transactions has increased by 29% (+€11.2 billion) and 82% (+€359 million) respectively.
- **Exceptionally low levels of fraud** both in terms of transaction numbers and in terms of transaction values.

Staff

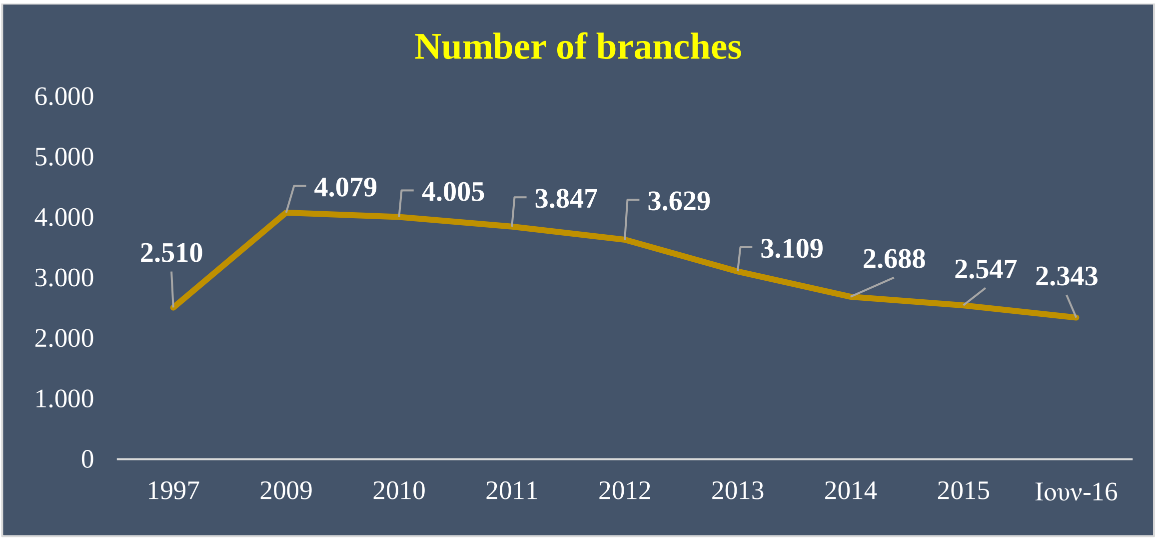
1/1/2009-30/6/2016: The **number of bank employees has been reduced by 19,067 persons, i.e. by 29%**, mainly by means of voluntary redundancy schemes, which have continued over the course of 2016.



** June 2016 data pertain to the five biggest banks.*
Source: Bank of Greece, Credit Institutions Aggregated Balance Sheet.

Branches

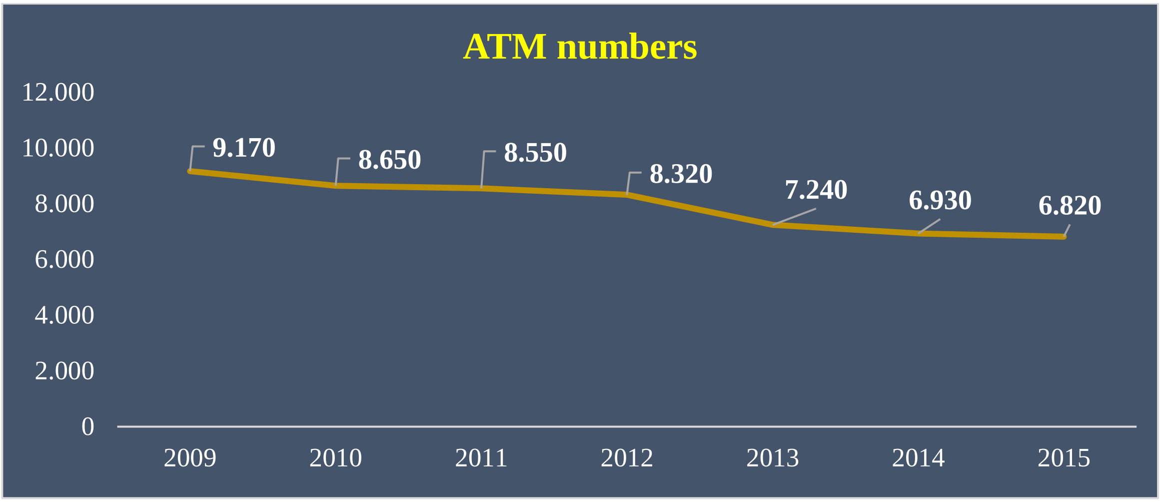
1/1/2009-30/6/2016: The **number of bank branches** has declined by 1,736 or 42.5%.



** June 2016 data pertain to the five biggest banks.*
Source: Bank of Greece, Credit Institutions Aggregated Balance Sheet.

ATM

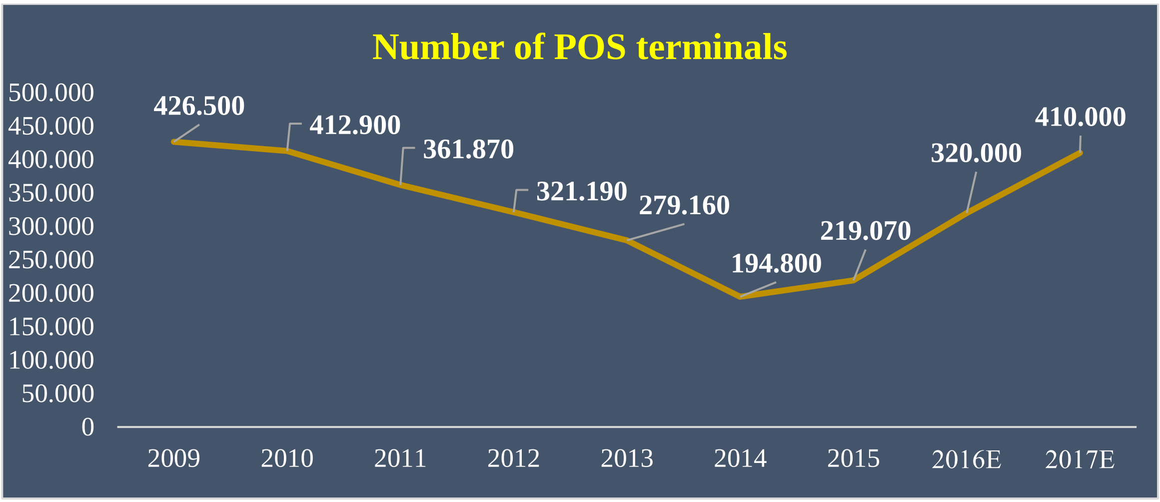
There has also been a decline in the number of **Automated Teller Machines (ATM),** albeit to a lesser extent (-26%).



Source: European Central Bank, Payment Statistics for 2015, 26 September 2016.

POS

The number of **point-of-sale terminals (POS)** followed a downward trend, which has, however, been reversed, already since 2014 and, according to estimates, 2017 will see a return to pre-crisis levels as a result of the intensification of electronic transactions in our country.



Source: Data for the years up to 2015: European Central Bank (2016), Payment Statistics for 2015. Data for the years 2016-2017 are derived from estimates of banks-HBA members.

Electronic transactions[1]

- Following the entry into force of restrictions on cash withdrawals and capital transfers in June 2015, **businesses and consumers have adapted to a great extent to the conduct of payments without the use of cash**. In this context, transactions are conducted with the use of:

  (i) Payment cards (debit, credit, prepaid),

  (ii) credit transfer services, and

  (iii) direct debit services.

- Furthermore, **there has been a sharp rise in the use of alternative bank customer service channels** (internet, mobile, phone banking, ATM, APS) over bank branches. In more detail, according to data collected from HBA bank members:

  (i) The number and the value of **internet banking** transactions have increased, on an annual basis, by 40% and 29% respectively.

  (ii) The number and the value of **mobile banking** transactions have increased, on an annual basis, by 142% and 82% respectively.

Payment cards (debit, credit, prepaid)
The total number of issued payment cards has increased further in the first half of 2016, by 440 thousand (compared with the respective number of reference in the second half of 2015), to reach **14.6 million cards**. The biggest increase is recorded (mainly, but not exclusively) in debit cards, given that a further 385 thousand debit cards have been issued in the first half of 2016 (compared with the corresponding number in the second half of 2015). The **number of payment card transactions amounted to 233 million** (+58% on an annual basis) and the **value of corresponding transactions reached €26.2 billion** (+4.4% on an annual basis). The average transaction value has been reduced to €112, compared with €171 in the first half of 2015. The use of **debit cards** still plays a primary role as a substitute for cash, with the average number of transactions per debit card coming to 16 and the average value per debit card transaction amounting to €121. Correspondingly, the average number of transactions per **credit card** came to 13 and the average value per credit card transaction amounted to €60.

[1] **Bank of Greece (2017):** *Overview of the Greek Financial System*, January pp. 47-52.

With regard to **incidents of fraud**, the relevant indicator is about 0.0125%, corresponding to 1 fraudulent transaction per 8,000 payment card transactions. In terms of value, the fraud indicator is about 0.01% and corresponds to €1 for every €10,000 in payment card transactions.

Credit transfer services

In 2015 245 million transactions were conducted (+24% on an annual basis), worth in total €464 billion (-22% on an annual basis). The average value per transaction declined to €1,900, from €3,000 in 2014.

As regards incidents of fraud, in 2015 there was 1 fraudulent transaction out of a total of 1.7 million transactions with the use of credit transfer services. In value terms, fraud accounts for €1 for every €530,000 in transactions with the use of credit transfer services.

Direct debit services

In 2015, 17.4 million direct debit transactions were conducted (+4% on an annual basis), worth in total €9.8 billion (+47% on an annual basis).

The rise in the use of direct debits is due to consumers and businesses opting for the use of direct debits in order to conduct standing payments to third parties, such as energy, telecommunications, water and insurance companies, as well as suppliers of goods and services. This rise is reflected in the average value per transaction, which rose to €564, compared with €400 in 2014.

Finally, in 2015 no incidents of fraud on the part of payment service providers have been recorded.

3. Liquidity

- Domestic deposits down by **€116.1 billion** since 2009 (-49%).
- Use of the Emergency Liquidity Assistance (ELA) mechanism down by 49% over the past 18 months, from €86.8 billion to €43.7 billion (-43.1 billion).

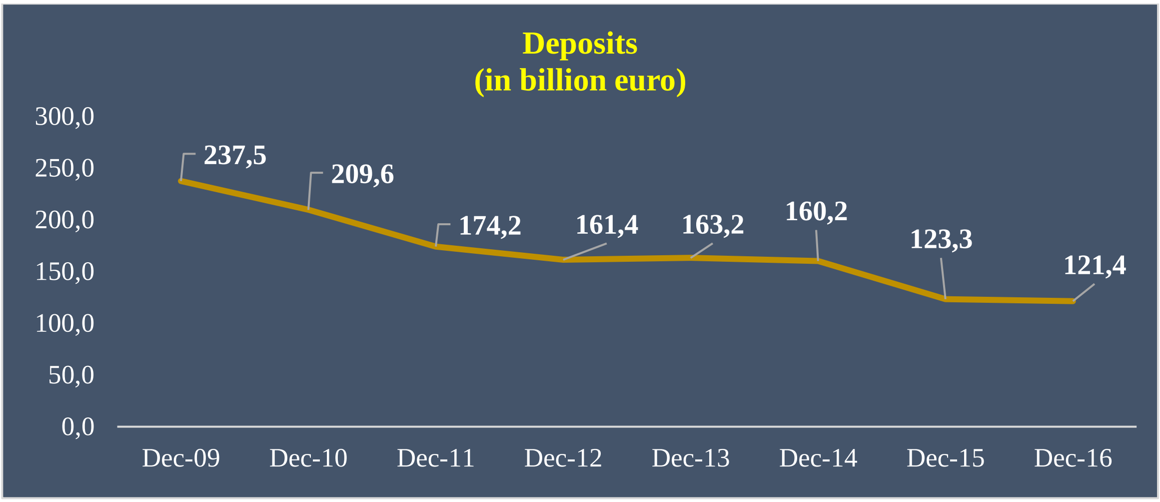
In 2016:

- **household and corporate deposits increased by €4.2 billion**.
- **The Greek banking system's total reliance on the Eurosystem declined (-38%),** from €107.5 billion to €66.6 billion (-40.9 billion).

Deposits

From 2009 to end-2016, deposits by domestic households and enterprises **declined by €116.1 billion (-49%)**.

An encouraging sign for the gradual rebuilding of depositor trust in the Greek banking system is the fact that over the last six consecutive months of 2016 deposits have recorded a monthly increase, worth €770 million on average.

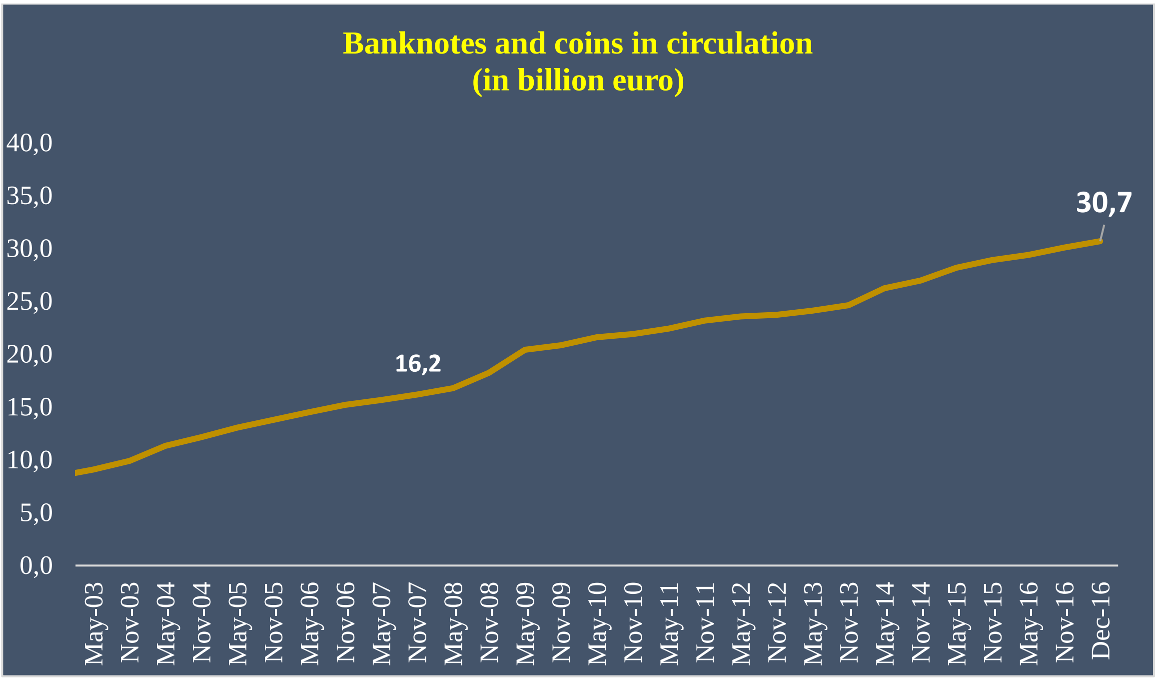


Source: Bank of Greece, Bank credit to the domestic private sector.

According to the Bank of Greece's December 2016 data on private deposits, excluding deposits with the Consignment Deposits and Loans Fund and deposits of the Hellenic Deposit and Investment Guarantee Fund (HDIGF), which have been reclassified under general government deposits. For this reason, deposit balances at end-2016 p.m. reduced, whereas in reality **over the course of 2016 deposits of households and enterprises have increased by €4.2 billion**.

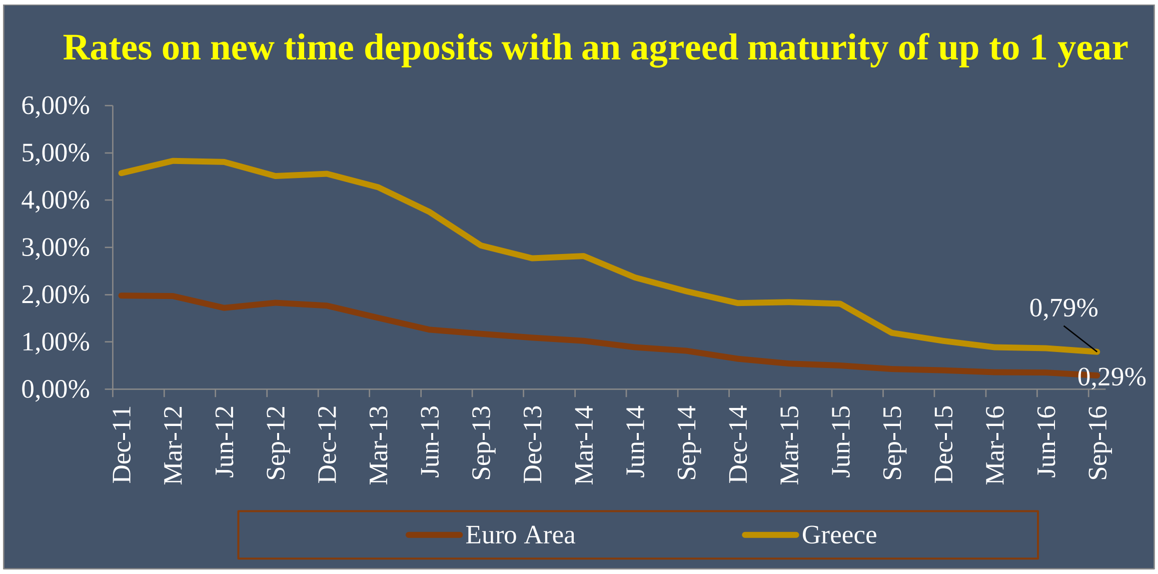
Banknotes and coins in circulation

According to data from the Bank of Greece, bank notes and coins in circulation amounted to €30.7 billion in December 2016, compared with €16.2 billion in December 2007 (+90%).



Source: Bank of Greece, Monthly Balance Sheets

Deposit rates



Source: EU data warehouse.

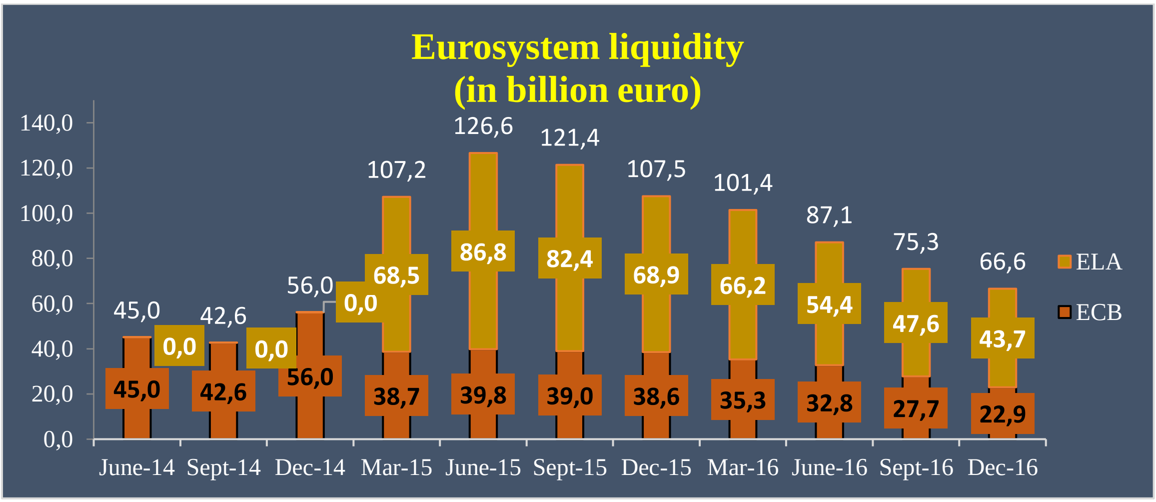
Eurosystem liquidity

Over the course of 2016, Greek banks have improved their liquidity and have considerably reduced their reliance on the Eurosystem. In more detail:

- the Greek banking system's total reliance on the Eurosystem was limited in December 2016 to €66.6 billion, **down by 47.3%** compared with June 2015 (€126.6 billion) and **by 38%** compared with December 2015 (€107.5 billion), and
- the use of the Emergency Liquidity Assistance (ELA) mechanism was reduced to €43.7 billion, **down by 49%** compared with June 2015 (€86.8 billion) and **by 37%** in December 2015 (€68.9 billion).

The above developments resulted from:

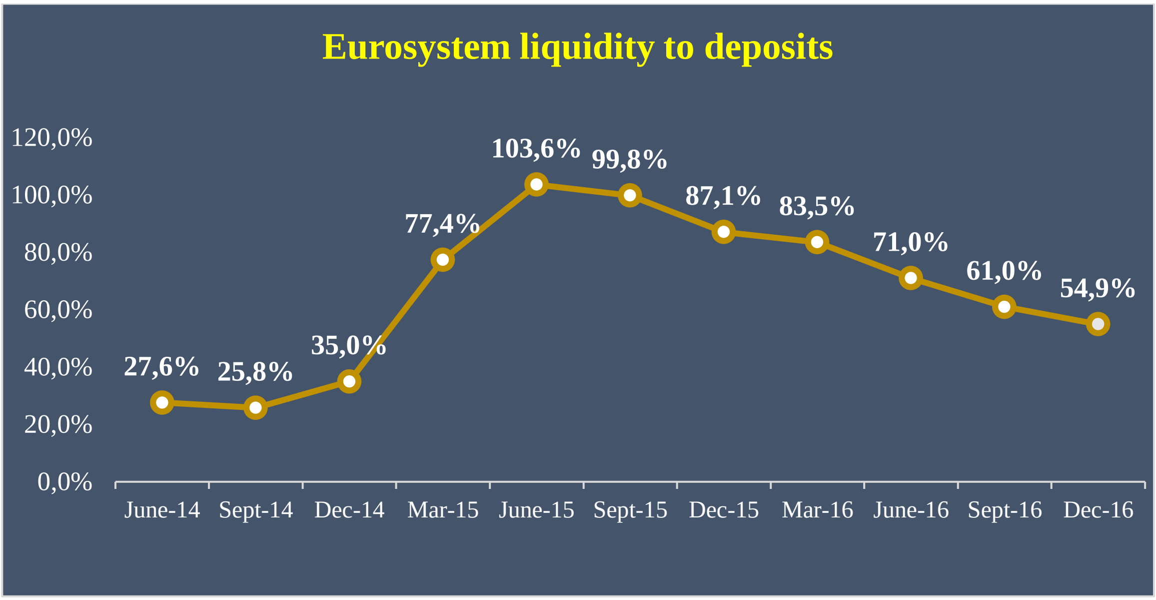
- substituting part of the liquidity raised through ELA with funding from the Eurosystem's monetary policy refinancing operations, following the ECB Governing Council's Decision of 22 June 2016 on reinstating the "waiver" for Greek government bonds (GGBs), i.e. making GGBs once again eligible as collateral for ECB monetary policy operations,
- the strengthened deposit base in the second half of 2016,
- raising liquidity on the interbank market,
- further deleveraging of Greek banks through the decline in their assets,
- capital increases in the banking sector towards the end of 2015, and
- the sale of subsidiaries in the context of bank restructuring plans.



Source: Bank of Greece, Monthly Balance Sheets

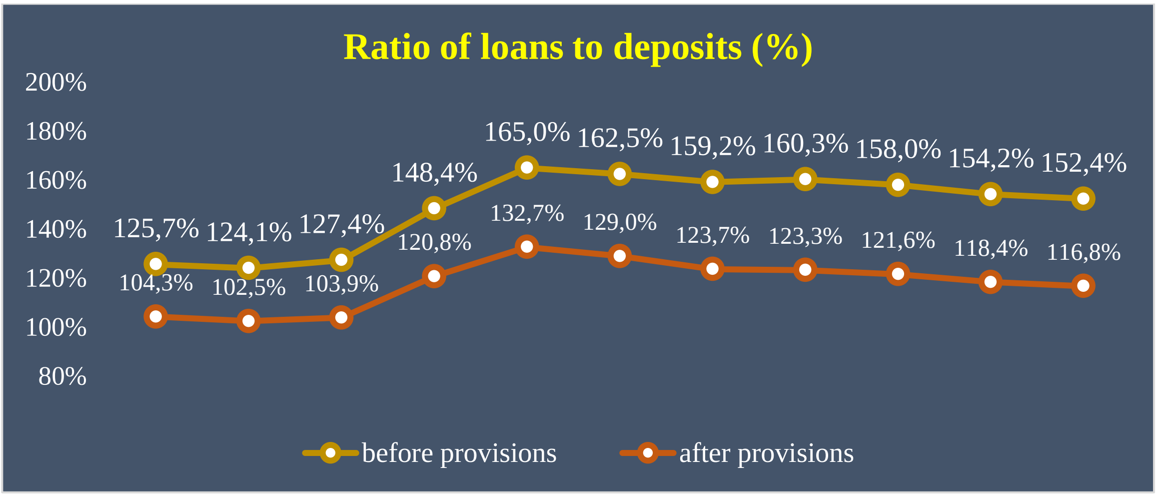
In December 2016, the liquidity provided to the Greek banking system by the Eurosystem (ECB and ELA) reached 55% vis-à-vis the balances of deposits by domestic households and enterprises, that is, for every €10 of deposits, the Greek banking system have access to €5.5 in Eurosystem liquidity, of which €3.7 were raised through the ELA mechanism.

In June 2014, the corresponding percentage came to 27.6% and in June 2015 to 103.6%.



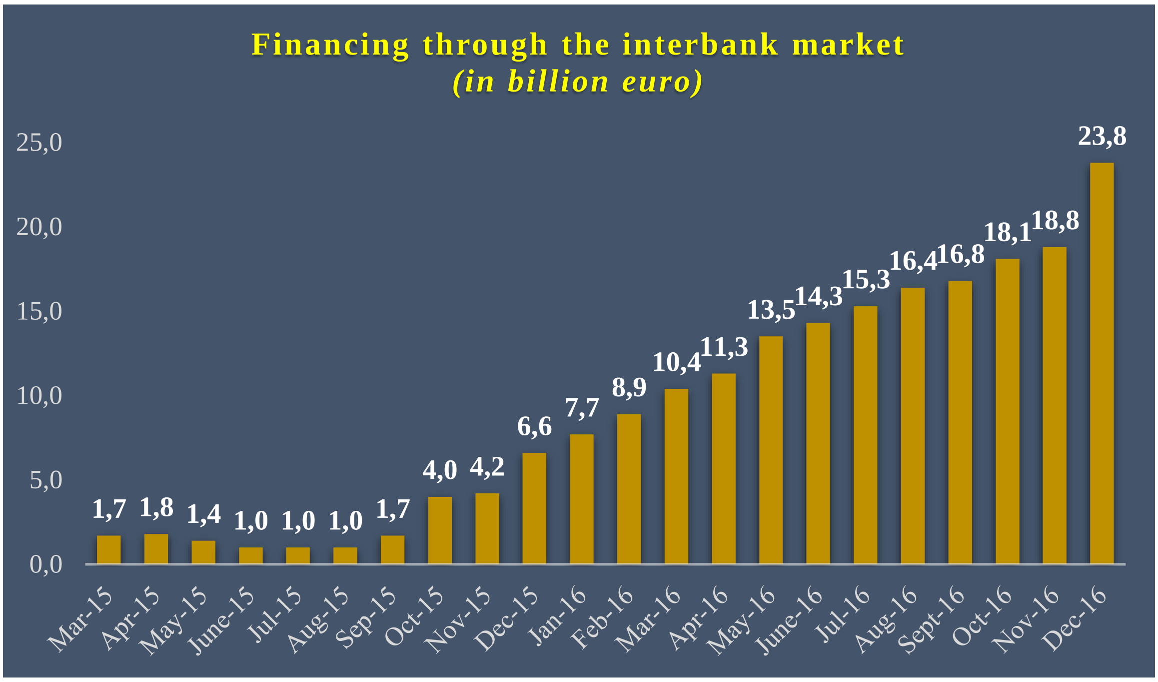
Sources: 1. Data on Eurosystem liquidity are derived from: Bank of Greece, Monthly Balance Sheets.
2. Data on repos and household and corporate deposits are derived from: Bank of Greece, Bank credit to the domestic private sector.

Despite significant deposit outflows in the first half of 2015, starting in June 2015, as a result of the destabilisation of deposits and the deleveraging of assets by banks, the loan-to-deposits ratio was gradually reduced by 13 percentage points and even markedly, by 16 percentage points taking into account the increased provisions for this period.



Financing through the interbank market

As regards the interbank market, access to financing in the form of interbank repos gradually increased since August 2015 (€1 billion). As a result, it reached €23.8 billion in December 2016.

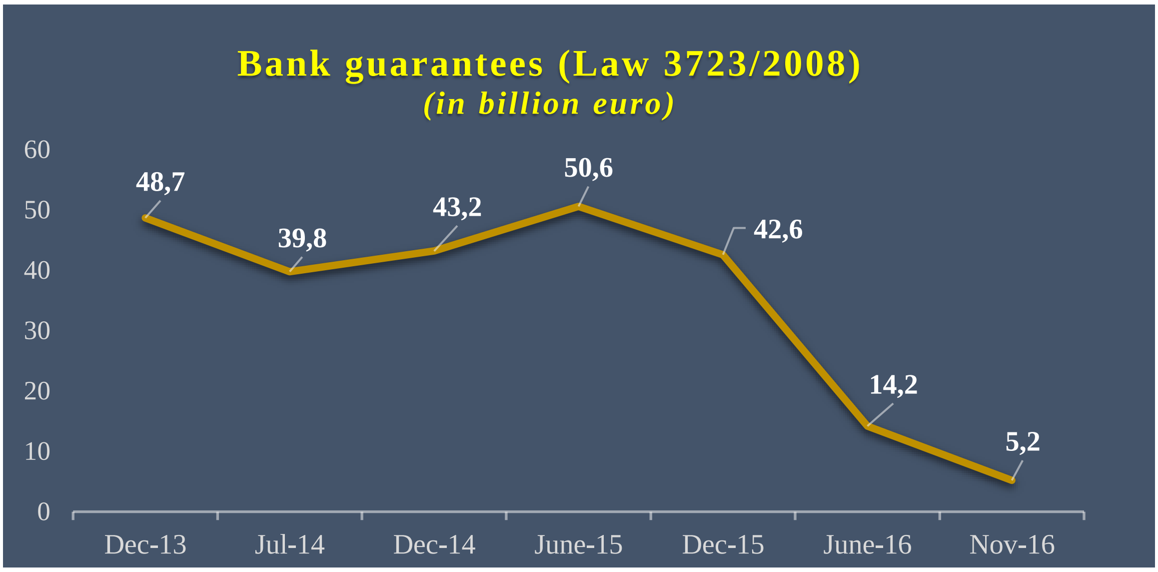


Source: Bank of Greece (2017), Overview of the Greek Financial System, January, p. 34.

At the same time, Greek banks have obtained credit lines from their counterparties at continuously more favourable terms (interest rates).

4. Greek government guarantees

- Liquidity transactions, as described above, led to a drop in bank guarantees **(Pillar II) under Law 3723/2008 by €37.4 billion** over the course of the first 11 months of 2016, which amounted to €5.2 billion compared with €42.6 billion in December 2015 **(-88%)**.
- Such bank guarantees have declined to **their lowest levels of the past years.**
- Over the same period, Greek government guarantees in the context of the ELA mechanism have been **reduced by €3.1 billion (-7%)**.



Source: Ministry of Finance, General Government Monthly Bulletin.

5. Profitability

- Pre-tax losses of €70.3 billion for Greek banking groups over the six-year period of 2010 - 2015.
- Return to **operational profitability in 2016**.
- The second highest profitability of Greek banks was recorded in 2008, a few months following the collapse of Lehman Brothers.
- During the years 2012-2015, three (3) recapitalisation rounds have been carried out totalling €51.7 billion.

- Over the 2010-2015 period, Greek banks posted **pre-tax losses totalling €70.3 billion.** During the same period, no dividends were paid to shareholders of Greek banks, while in September 2016 accumulated provisions of Greek banks came to €52 billion on a solo basis and to €57.1 billion on a consolidated basis
- In 2016, Greek banking groups reported pre-tax profits, following years of loss-making. After several quarters, net income exceeded provisions for credit risk, albeit marginally.
- Pre-tax profits of Greek banking groups on a nine-month basis came to €249 million.

Profitability of Greek banking groups

Million €	2010	2011	2012	2013	2014	2015	2016 (Jan-Sept)
Pre-tax profits	-823.8	-43.142	-9.137	1.388	-7.278	-11.277	249
Pre-tax profits and provisions	6.058	4.666	3.023	9.785	4.177	3.207	3.211

Source: Banks' financial statements.

It is worth reminding that throughout the 2000s, the Greek banking system was profitable. It is indicative that the second highest profitability of Greek banks was recorded in 2008 (€2.5 billion), i.e. a few months following the collapse of Lehman Brothers (15.9.2008), amidst the global financial crisis. Even in 2009, at the peak of the crisis, the Greek banking system remained profitable (about €0.7 billion), given the almost zero exposure of Greek banks to securitised products of US banks.

6. Capital adequacy

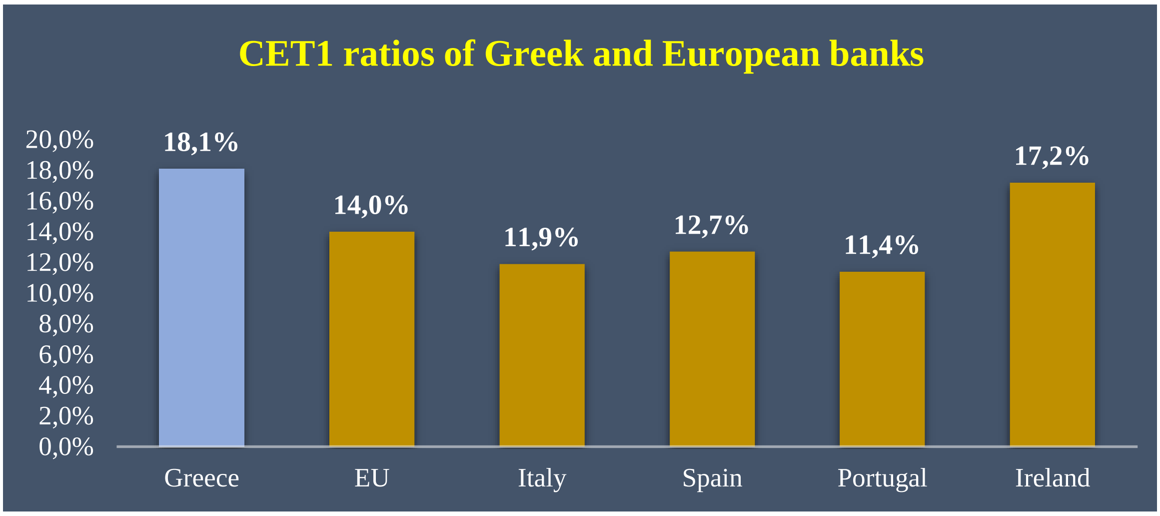
Greek banks have strong capital ratios

Following the successful recapitalisation of 2015, which saw an increased participation of private investors, Greek banks have improved capital adequacy. In fact, over the course of 2016, the capital adequacy ratios of Greek banks improved, as a result of their return to profitability and reduced risk-weighted assets. In more detail:

- the Common Equity Tier 1 ratio (CET1 ratio) increased to **18.1%** (September 2016) from 17.8% (June 2016),
- The total capital ratio increased to **18.2%** (September 2016) from 18% (June 2016).

In September 2016, the fully loaded Common Equity Tier 1 (CET1) ratio came to **17%**.[2]

It should be noted that the Greek banking system is among the sufficiently capitalised banking systems of the EU, in accordance with data from the European Banking Authority (EBA).



Source: European Banking Authority (2017), Risk Dashboard, data as of Q3 2016

Greek banks as a result of the banking crisis of the past few years have participated in a series of asset quality review (AQR) exercises and stress tests conducted by the supervisory mechanisms in order to quantify their capital requirements, by factoring in the financial-economic circumstances in each time period.

[2] Data concerning the biggest banking groups derived from: European Banking Authority (2017), Risk Dashboard, data as of Q3 2016.

In total, banks have participated in four (4) such exercises between 2012 and 2015, with their total capital requirements determined at €47.7 billion. In the same amount of time, banks raised capital worth €51.7 billion, out of which €19.7 billion or almost 40% came from private investors, while the remaining capital needs were covered by the Hellenic Financial Stability Fund (HFSF).

A significant factor for Greek banks' capital is deferred tax claims (DTCs), which have been accumulated over the previous loss-making years. They account for almost 52%[3] of the CET1 ratios of the four (4) systemic banks and the objective is to continuously reduce the DTC percentage by implementing restructuring plans.

Developments in terms of the shareholding structure in the Greek banking system

Greek banks have been called upon three times over the past five years to cover, by means of recapitalisation rounds, the capital shortfall identified in the context of supervisory exercises. During the three abovementioned recapitalisation rounds of the Greek banking system, a total of €51.7 billion has been invested, out of which €19.7 billion (38% of the total capital injection) has arisen from private funds, while €32 billion (62% of the total capital injection) has been covered by the Hellenic Financial Stability Fund.

Following the completion of the recapitalisation of banks in the end of 2015, the holdings of **private investors in the capital of Greek banks rose to 71.2%** (according to December 2015 data), whereas the holding of the Hellenic Financial Stability Fund has been considerably reduced, as a result of share dilution and reverse stock split, to 28.8% (according to December 2015 date). The biggest ownership share among private investors is held by foreign institutional investors, given that, as a result of the ongoing crisis, most Greek portfolios could not participate in the capital increases, and thus now have significantly smaller ownership percentages.

[3] Based on data for the January-September 2016 period, CET1 capital amounted to €31.2 billion and DTCs to €16.4 billion.

7. Loans in arrears and provisions for impaired loans

- **Banks achieved the targets set for September 2016** to reduce the stock of on-balance-sheet non-performing exposures (€106 billion compared with a target of €106.9 billion).
- The **coverage ratio of non-performing exposures** through accumulated provisions for credit risk, including the value of collateral, comes close to **100%.**
- **€57 billion in provisions for impaired claims on a consolidated basis**.
- **In 2016**, for the first time since 2014, **the stock of non-performing exposures decreased**.
- Over the June 2016-December 2019 period, banks aim to **reduce non-performing exposures by** about 38% (**€40 billion**).
- **Increase by 100,000 in the number of forborne loans in the course of the first half of 2016**.
- The percentage of **long-term forbearance** over total forbearance measures has risen to 40.2%.
- In **December 2007,** non-performing loans accounted for 4.5% of total loans, compared with 38% in June 2016.

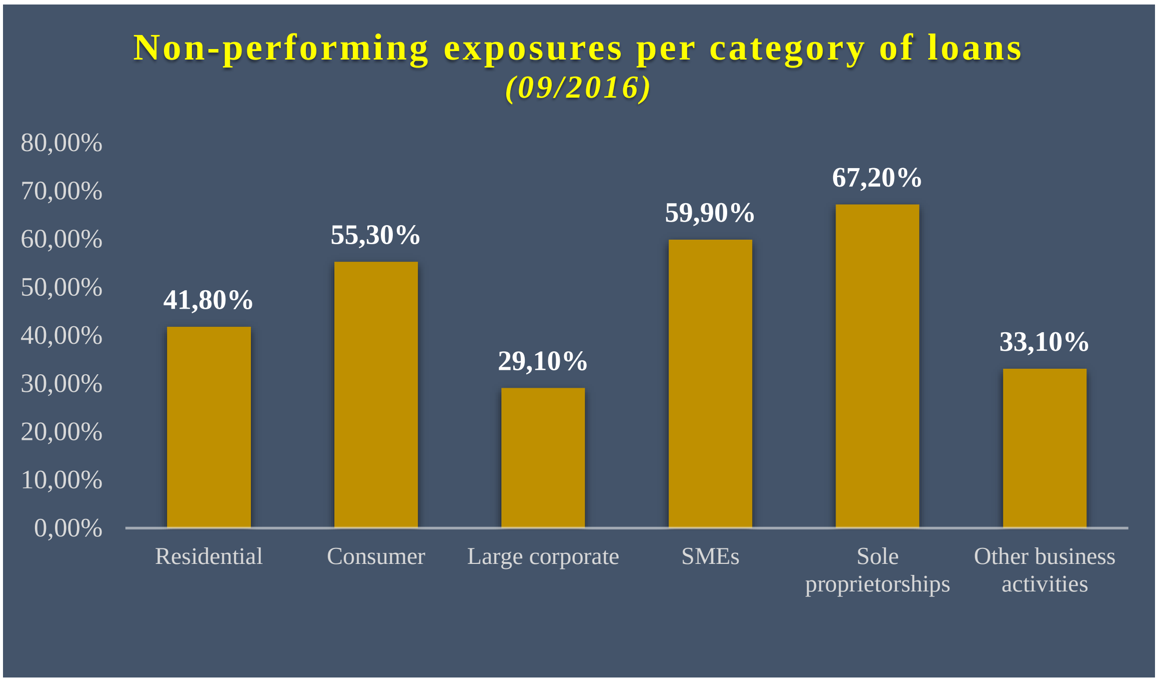
The quality of Greek banks' loan portfolio

- The quality of Greek banks' loan portfolio has stabilised in the first half of 2016, reversing the trend shown in the course of 2015. The NPL ratio reached 38% in June 2016.
- With regard to individual categories of loans, there was a slight improvement in consumer loans and a marginal increase in housing loans and business loans.
- The coverage ratio of non-performing exposures through accumulated provisions for credit risk remains roughly 50%. This ratio comes close to 100%, when the value of collateral granted by banks on such loans is added to the accumulated provisions.[4]

[4] **Bank of Greece (2016):** *Interim Monetary Policy Report, December, pp. 6 and 23.*

Non-performing exposures

- **In September 2016, Greek banks reduced on a solo basis the stock of non-performing exposures (both on-balance and off-balance sheet)** (45.2% on their total loan portfolios) to €107.6 billion, from €108.4 billion in the previous quarter (June 2016).[5]

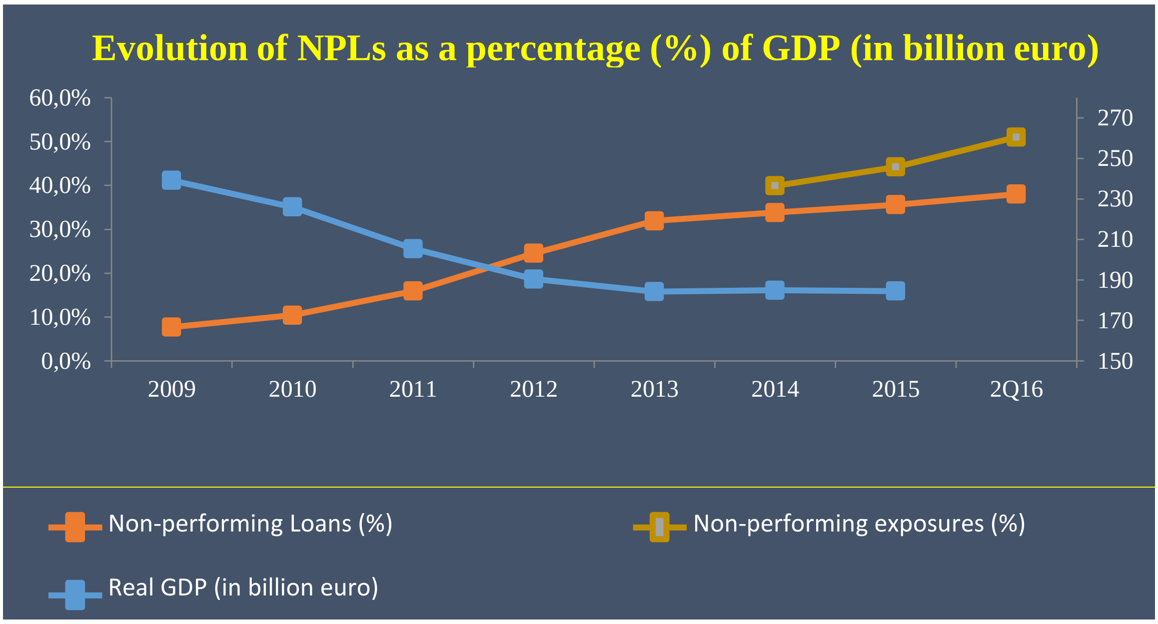


Source: Bank of Greece, Overview of the Greek Financial System, January 2017.

- A positive development in the first half of 2016 was the **significantly higher number (by about 100,000) of forborne loans**, as well as the adoption of long-term forbearance solutions. In more detail, the percentage of long-term forbearance solutions over total forbearance measures increased by about seven (7) percentage points to 40.2%. Finally, the percentage of resolution and closure solutions (6.3%) and the percentage of forborne loans, which are albeit still included in the "core" of non-performing exposures (70%), remain unchanged.
- This development is placed in the context of business objectives agreed upon in June 2016 between the Bank of Greece and ECB.
- **It is estimated that over the June 2016-December 2019 period, the four systemically important banks will reduce their non-performing exposures by about 38% (€40 billion)**. This reduction will be achieved through long-term forbearance measures, resolution and closure measures, loan write-offs, collateral realisation and loan sales.

[5] **Bank of Greece (2017):** *Overview of the Greek Financial System*, January, pp. 21.

- In particular, it is worth pointing out that in December 2007 non-performing loans accounted for a mere 4.5% of total loans, which was very close to the corresponding average (2.9%) for medium-sized credit institutions in the euro area. However, over the course of the last nine years, the NPL ratio has surged to 38%.
- It is indicative that Greek banks' provisions for impaired loans totalled €57.1 billion in September 2016 on a consolidated basis.



8. Bank credit

- **€195 billion** is **the outstanding amount of total credit to households and enterprises** in December 2016. Out of the total, housing loans amounted to €61.4 billion, consumer loans amounted to €26 billion and business loans amounted to €94.6 billion.
- For the first time since 2011, net credit flows to enterprises increased by €283 million in November 2016.
- **Massive drop in household demand for bank loans**:
- from **1,200 applications** for **housing loans per working day in 2007,** down to **82** in **2016.**
- from **32,300 applications** for **consumer loans per working day in 2007,** down to **4,455** in **2016**.
- **Loan write-offs amounting to €1.6 billion** in the first half of 2016, compared with €687 million in the same period of 2015.
- **Lending rates** marginally dropped or remained unchanged vis-à-vis 2015, but still remain higher than those in countries of the European periphery.

- December 2016: the **outstanding amount of total credit** to households and enterprises came to **€195 billion**, down by €9 billion compared with December 2015 (€204 billion).[6]
- **Loans,** albeit marginally reduced in terms of amounts, **increased as a percentage of banking group assets to 58.2%** on 30.6.2016, compared with 53.5% on 31.12.2015 as a result of reduced bank assets. This was mainly due to the sale of foreign subsidiaries.[7]
- In December 2016, **loans to households** accounted for **44.8% of total bank credit** extended to the domestic private sector. Out of the total credit to households, **housing loans accounted for 70% (31.5% of total bank credit)**.[8]
- **Business loans to businesses over the same period accounted for 55.2%** of total bank credit extended to the domestic private sector.[9]

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[6] **Bank of Greece:** *Bank credit to the domestic private sector.*

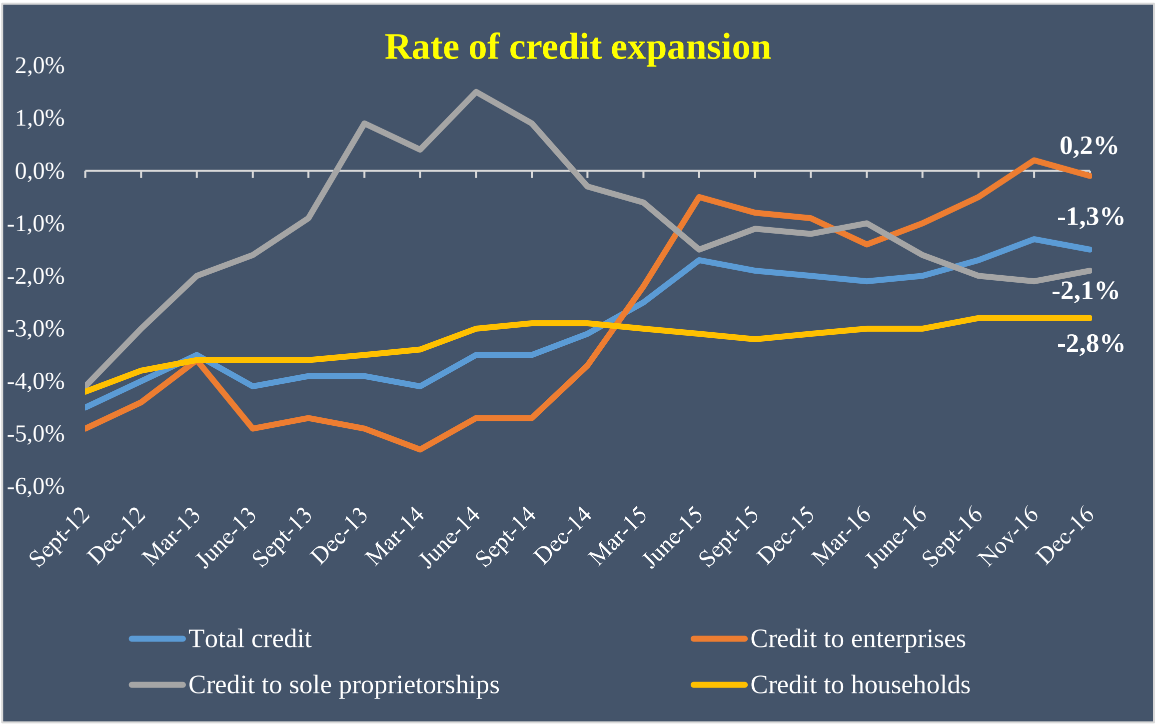
[7] **Bank of Greece (2017)**: *Overview of the Greek Financial System*, January, pp. 17.

[8] **Bank of Greece:** *Bank credit to the domestic private sector.*

[9] **Bank of Greece:** *Bank credit to the domestic private sector.*

• **Loan write-offs** in the first half of 2016 more than doubled **to reach €1.6 billion**, compared with €687 million in the same period of 2015.[10]

The **annual rate of decline** in bank credit to non-financial corporations was gradually moderated in the course of 2016 and was just -0.1% in December. The rate of decline in consumer credit extended to households followed a similar trend – this rate of decline has returned to levels recorded right after the onset of the Greek crisis. By contrast, the annual rate of decline in housing loans remained unchanged for the fourth consecutive year.



Source: Bank of Greece, Bank credit to the domestic private sector.

[10] **Bank of Greece (2017)**: *Overview of the Greek Financial System*, January, pp. 25.

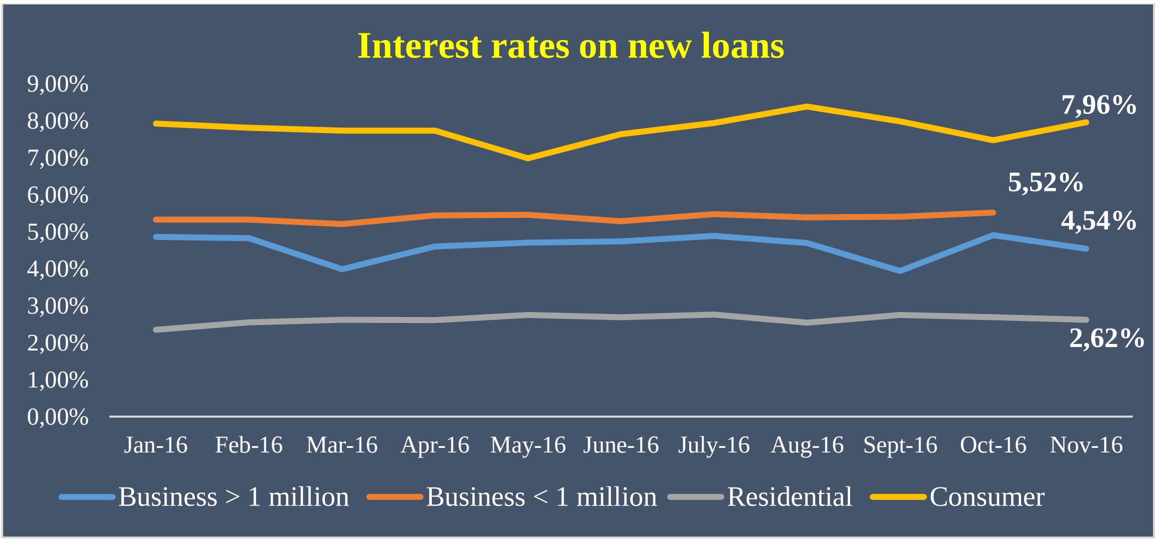
The moderated rate of decline in business and consumer loans is in line with improved financing conditions in the real economy. The **monthly gross flow**[11] of bank loans with a fixed maturity followed a downward trend in the first half of 2016, which started to be reversed over the last months of 2016. In any event, the future development in credit expansion to the private sector depends on two key factors:

(1) the efficient resolution of non-performing loans and non-performing exposures, and

(2) macroeconomic developments which significantly impact confidence, bolster or weaken the demand for household and business loans, mitigate or exacerbate the problem of impaired loans and, positively or negatively, affect the liquidity of banks and enterprises operating in Greece.

Lending rates

In the course of 2016, as a result of the reversed trend in deposit outflows from the Greek banking system and the reduced ELA and ECB funding, along with the lower rate of increase in provisions for credit risk, **lending rates marginally decreased or remained unchanged compared with 2015**.



Source: European Central Bank, MFI Interest Rate Statistics

[11] The monthly flow of new loans disbursed by banks without deducing the flow of repayments by borrowers to banks for past loans.

Demand for new loans

Demand for new housing, consumer and business loans remained weak and almost unchanged in 2016, according to the Bank of Greece's quarterly survey on bank credit.

Indicative of the drop in household demand for bank loans is the fact that in 2007 banks received each working day 1,182 applications for housing loans and 32,273 applications for consumer loans, including credit cards. In 2016, the corresponding numbers came to 82 (-93%) and 4,455 (-86%).

9. Restructuring plans for Greek banks

Within the framework of the last recapitalisation round in 2015, Greek banks proceeded with the implementation of restructuring plans for their operations, in agreement with the Directorate-General for Competition (DG COMP) of the European Commission. These plans are legal commitments on the part of banks vis-à-vis the European Commission and set a timeframe for their implementation by end-2018.

One of the main commitments of Greek banking institutions is the gradual limiting of the size of asset portfolios relating to their international activities in countries which are not considered markets of their main/key presence.

In total, since 2012, Greek banks have initiated and, in many cases, completed their exit from countries such as Turkey, Poland, Ukraine, Bulgaria, Serbia, the former Yugoslav Republic of Macedonia and Egypt, while they retain their operations in Cyprus, Romania and Albania.

The total decline in loans over the 2010-2015 period came to €28.2 billion, which accounts for a 50% drop in the region of South-eastern Europe/Turkey, resulting in significantly higher capital adequacy ratios for Greek banks, mainly as a result of their reduced weighted assets.

Also, Greek banks, within the framework of the implementation of restructuring plans, focus on a series of actions, mainly:

- the sale of non-strategic elements of their assets, with a view to further deleveraging their balance sheets,
- lower reliance on the Eurosystem,
- rationalised deposit rates, and
- cuts in operating expenses.

10. Development initiatives

- Banks have the necessary liquidity to extend loans to healthy and viable enterprises.
- **Demand for borrowed funds with a view to investments** remains stable at low levels.
- In December 2016, agreements worth a total of **€400 million were signed between banks and the European Investment Bank (EIB)**.
- In the context of the **Juncker Plan, €330 million** have been obtained as financing for large-scale projects of high economic and social added value.
- Fully successful allocation of funds under the first "**Household Energy Efficiency**" programme, estimated at a total amount of **€850 million**.
- Participation of the **European Bank for Reconstruction and Development (EBRD)** in the financing of energy, transport and raw materials projects, totalling €220 million in 2016. The total estimated budget for these projects is **€1.9 billion**.

- Greek banks have the necessary liquidity to support development initiatives in our country, provided that they come from healthy and viable enterprises, and provide their tangible support with a host of standardised or tailor-made, for large corporations, products.
- Over the last two months of 2016, net credit flows to enterprises reported a marginal increase for the first time in the past five years. In other words, the flow of new credit by banks to enterprises, less existing loan repayments by businesses and loan write-offs, reported a marginal increase. It is indicative that, **on average, monthly net flows of credit between January 2011 and October 2016 have been negative by 3.8%**. This trend has now been reversed.
- The effort of Greek banks to contribute to the economy's growth and reverse the adverse investment climate in our country is pursued both through their autonomous actions, but also through a series of partnerships and synergies with a plethora of institutions and services.
- Greek banks offer, *inter alia*, working capital, financing for the acquisition of property, plant and equipment, factoring and leasing services, guarantees, special support for export-oriented businesses, guaranteed credit, letters of credit, loans for contractual agriculture and animal farming, loans for business premises, loans for environmental actions, co-financed loans for manufacturing, trade, services and tourism. They finance, on a standalone basis or in joint ventures with other banks, major projects such as motorways and large-scale private or public works, in shipping, major projects in the industries of tourism, hotels and tourist infrastructures, energy, healthcare, telecommunications, construction, and new technologies.

- They have placed at the disposal of SMEs their expertise, experience and specialised knowledge on making the most of financial aid, by extending credit and any necessary support.
- Following the fully successful allocation and complete use of funds (**public expenditure of €548 million**) under the first "**Household Energy Efficiency**" programme, assigned to banks, the latter have responded to the Greek government's request to develop, finance and donate to the Greek state the new integrated IT system for registering and monitoring the steps of implementation under the new "**Household Energy Efficiency II" programme**. This programme will have tangible and only positive effects on energy saving, environmental footprint, support for a series of professions in the troubled, amidst the recession, construction industry and in the Greek economy in general.
- In the context of the implementation of the **Law promoting investment (development)**, Greek banks contribute to the promotion of investment plans aimed at placing enterprises as eligible under the provisions of the above Law, providing not only credit, but also any other form of support necessary to enterprises, both at central and regional level. However, as in the case of the NSRF programme, the HBA's proposals on the involvement of banks across all levels of implementation of the Law (evaluation, monitoring of investment, control and disbursement of aid) have not been adopted as yet.
- Furthermore, banks finance public-private partnerships (PPPs) and support the Greek government, public undertakings and local authorities.
- All of the Greek banks have long-term partnerships with the **Hellenic Fund for Entrepreneurship and Development (ETEAN)** and the **European Investment Fund (EIF)** , by promoting with particular emphasis their financing and guarantee products and instruments, such as:
  - the Business Restart programme of the Entrepreneurship Fund (TEPIX),
  - Insular Entrepreneurship (Entrepreneurship Fund - TEPIX),
  - the Credit Guarantee Fund for Small and Very Small Enterprises (Entrepreneurship Fund - TEPIX),
  - Jeremie,
  - COSME, and
  - Horizon 2020.

  But despite the coordinated efforts for the promotion of the above financing instruments, the common denominator for all of them is **lower demand on the part of enterprises**.

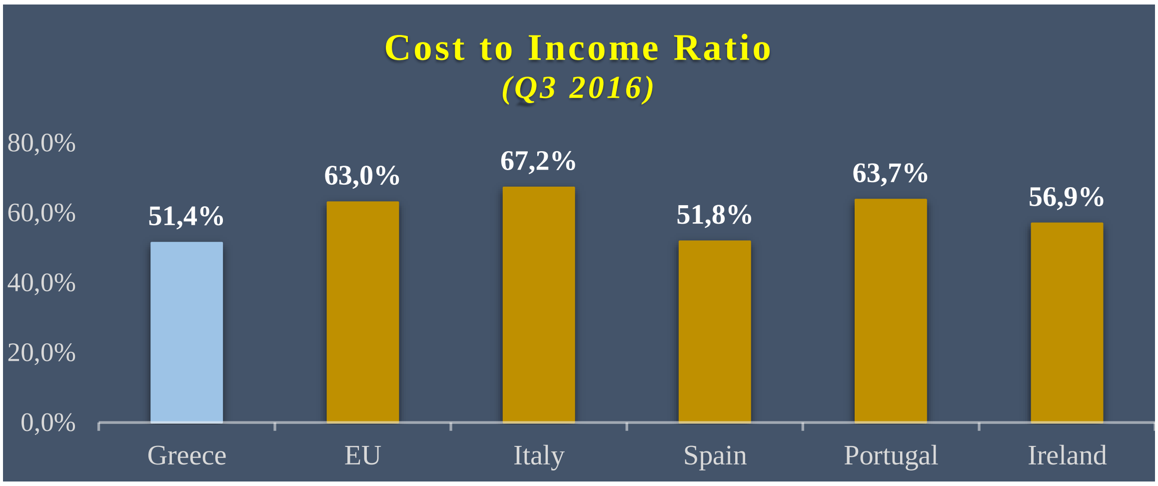
- The cooperation of Greek banks also concerns all of the programmes put at the disposal of the Greek market by the **European Investment Bank (EIB)**. The most recent development on this ongoing cooperation is the signing, in December 2016, of the first EIB agreements with our country's systemic banks, worth a total amount of **€400 million**, in the context of the EIB's €1-billion credit line to Greek banks "**Loans for SMEs and MidCaps**". The funds will be used to extend loans to SMEs and medium capitalisation enterprises active in agriculture, tourism, manufacturing, services and other industries. Additional financial advantages will be offered to companies promoting youth employment within the framework of the EIB's "Skills and Jobs - Investing for Youth" initiative.
- In the context of the European Fund for Strategic Investments (EFSI), also known as the **Juncker Plan**, Greek banks had secured, up until the end of 2016, €**330 million** in financing for strategic investments of high economic and social added value.

11. Development in banks’ operating costs

- **Reduced operating expenses for Greek banking groups over the last five years.**

- Operating cost-cutting efforts throughout this period have been notable, factoring in:
    - the size of **indemnities paid to employees under extraordinary voluntary redundancy programmes** carried out over the past five years,
    - **the participation of banks in the consolidation of other banks** (supplementary one-off contributions to the new Resolution Scheme of the Hellenic Deposit and Investment Guarantee Fund (HDIGF), and
    - the exceptional cost for the **absorbance and rationalisation of mergers**.

- The **Cost/Income Ratio** for Greek banking groups, which is a significant indicator of the efficiency of the business model followed by banks, **comes close to a mere 51.4%,** and appears lower than both the average ratio for peripheral countries (Italy, Portugal, Spain, Ireland) and the average ratio for the EU as a whole **(63%)**.

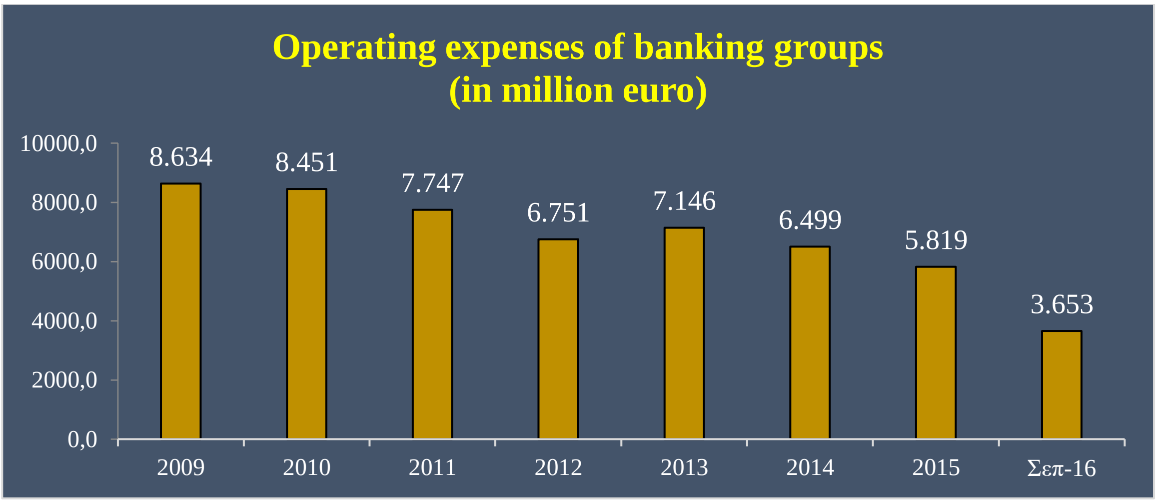


Source: European Banking Authority (2017), Risk Dashboard, data as of Q3 2016.

Development in operating expenses of Greek banking groups
(in million euro)

Years	2009	2010	2011	2012	2013*	2014*	2015	Sept. 2016**
Total	8,634	8,451	7,747	6,751	7,146	6,499	5,819	3,653

Source: Bank of Greece, NFCs' financial statements, annual and interim financial reports of the five biggest banking groups for the years 2015-2016.
* Data for 2013 and 2014 include one-off expenses for voluntary redundancy programmes, branch closures, etc.
**Refers to January-September accounts.



Source: Financial statements and presentation of banks' profit and loss accounts.

12. The HBA’s proposals for further lifting restrictions on capital transfers and cash withdrawals

28 January 2017 marked nineteen (19) months since the start of the short-term bank holiday and the introduction, on 18 July 2015, of restrictions on cash withdrawals and capital transfers.

Henceforth, **deposits in our country’s banks have gradually increased**, while **the use** of the Emergency Liquidity Assistance **(ELA)** mechanism **has been reduced by 49%**.

Taking into account the current circumstances in the Greek economy and its financial system, the HBA has submitted, already since the end of November 2016, eight (8) concrete proposals for further lifting restrictions:

1. to allow the cumulative withdrawal of cash not withdrawn from the allowed amount on one or more days, up to the amount of two thousand euro (€2,000) in the space of one calendar month (from the amount of 840 euro per fortnight currently in force);

2. to allow: a) the opening of new sight or savings accounts and the addition of co-owners to already existing accounts, even if this entails the creation of a new Customer ID by the bank, and b) the activation of inactive accounts, within the meaning of Law 4151/2013 (G.G. issue A΄ 103);

3. to allow the withdrawal of cash up to a total percentage of 60% (from 30% today) of monetary amounts which, following the entry into force of the relevant amendment, will be credited, by means of a credit transfer from a bank operating abroad, to bank accounts of resident beneficiaries, be they legal or natural persons;

4. to explicitly include in the applicable provisions of point (f) of paragraph 11 of Article 1 of the Legislative Act, as repeatedly modified and currently applicable, the monetary amounts transferred from abroad to accounts held with a bank operating in Greece and are the product of settlement of transactions with payment (debit, credit or prepaid) cards issued by non-domestic payment service providers (foreign payment cards).

   The non-explicit inclusion of these transactions in a Greek business’s “free” capital has led many such businesses (tourist companies, hotels, air carriers, etc.) to sign new or activate existing, prior to 18/7/2015, agreements on the acceptance of payment cards with non-domestic payment card processing service providers, resulting in a clear competitive disadvantage for banks and other payment card service providers operating in Greece;

5. to allow banks to accept and execute capital transfer orders to non-domestic accounts up to the amount of two thousand euro (€2,000) per Customer ID and for each calendar month, with a concurrent doubling of the existing limit on monthly approvals (to €106 million from €53 million today);

6. to allow the transfer abroad of custody of financial instruments for existing clients;

7. to allow the network of bank branches to process directly transactions between non-residents and domestic legal persons or traders as part of their business activities, provided that they do not exceed thirty thousand euro (€30,000) each, per customer, per day, without an obligation for the latter to submit the relevant invoices and other accounting and supporting documents to a bank branch.

This proposal will cut banks' management costs and reduce commissions paid by small enterprises and sole proprietorships for the transfer of funds abroad towards the purchase of goods and services upon presentation of accounting documents;

8. to amend point (iv) of subparagraph (b) of paragraph 2 of Article 6 of Decision No 6/27.07.2016 of the Committee for the Approval of Banking Transactions, as amended by Decision No 9/22.9.2016 of the Committee for the Approval of Banking Transactions, as follows: « *iv. the amount of the requested transfer of funds to non-residents, plus the amount already approved within the same month by the country's banking system as a whole shall not exceed 180% of the maximum monthly value of imports/intracommunity acquisition of goods carried out in the period from 01.01.2015 to 31.12.2016*».

Under the applicable regime, start-ups (which entered into operation after 1 October 2014) may execute capital transfers to non-residents without being subject to the criterion of 140%. By contrast, businesses that are not start-ups and had low imports in the reference period, are often forced to delay their payments because they do not meet this criterion of 140%. But this does not favour their efforts to grow.

13. Corporate social responsibility activities

- Despite the ongoing adverse economic juncture, Greek banks include the concept of social responsibility in their strategic choices and remain faithful to their commitments on social contributions.
- **Through sponsorship programmes which are expected to exceed €400 million** since 2007, but also thanks to the **voluntary participation of their personnel,** Greek banks contribute to creating mutual benefits and strong links of trust with the Greek society.

Development in sponsorship programmes by Greek banks
(in million euro)

Years	2007	2008	2009	2010	2011	2012	2013	2014	2015
Total	75.7	60.2	49.5	42.2	31.1	26.1	28.7	41.1	25.12[2]

Source: Corporate social responsibility reports of the four systemic Greek banks.
[1] The above amounts do not include sponsorships for the provision of aid to areas affected by wild fires in 2007.
[2] Aggregate amount for three systemic banks.

- Despite **the imperative need for operating cost-cutting**, banks remain consistent with achieving the highest possible social benefits, through the implementation of extensive social contribution programmes with actions mainly centred around people, supporting significant **educational, cultural, sports and environmental initiatives,** also implementing **a host of sponsorships to vulnerable social groups and public benefit, non-profit organisations**.
- Banks' **environmental policy** concerns their active contribution to environmental protection and the preservation of natural resources and is guided by a series of principles relating to energy saving, compliance with environmental principles by suppliers, employee awareness-raising, implementation procedures, publication of relevant accounts and dialogue with social partners.

14. The challenges for the Greek banking system over the coming years

1. Consolidating bank portfolios through a more efficient resolution of non-performing loans by demonstrating social sensitivity and improving the institutional framework for the restructuring of non-performing loans.

2. Finding ways to restart the investment process and return to growth.

3. Staying the course of reducing the reliance of Greek banks on state aid for capital and on Eurosystem operations for liquidity, until the former is repaid and the latter is reduced to zero.

4. The consistently implementation and application of restructuring plans for Greek banks.

5. Increasing the rate of deposit repatriation to the Greek banking system, by focusing efforts on cash hoarded in Greece, which remain outside of the system, and to deposits abroad yielding negative returns.

6. Deferred tax claims, which are considered by the supervisory authorities and, in certain cases, also by the markets, as lower-quality capital, given that their recoverability is a function of banks' profitability.

7. The IFRS 9, which will enter into implementation in 2018 and replace the incurred loss model with the expected loss model, will lead to higher provisions with whatever negative impact this might have on banks' capital adequacy.

8. The establishment of a "minimum requirement for own funds and eligible liabilities" (MREL), which aims to ensure that banks have sufficient liabilities with a loss-absorbing capacity in the event of resolution, in order to be able to address future banking crises, safeguard banking stability and minimise the cost for taxpayers.

9. The new MREL entails the need for banks to issue new eligible securities, mainly senior bonds, at a cost to be incorporated by banks in their business model.

10. New technologies will radically change the banking system, both in terms of service provision to bank customers and in terms of the introduction of new business models that will complement or, potentially, replace fully traditional banking operations.

11. Restoring citizens', markets' and our European partners' trust in the Greek economy.

12. Positive credit expansion in the Greek economy, albeit a necessary condition for sustainable economic growth, will follow rather than precede economic recovery.

13. In the area of corporate governance, the altered ownership structure of Greek banks, following the recent recapitalisation rounds, as foreign institutional investors now have significant shareholdings, as well as the recent modifications of a legal and supervisory nature, have brought about significant changes in the Governing Boards of banks and pose another challenge for the Greek banking system.

14. Further expansion of the shareholder base to include private investors, foreign portfolios as well as Greek portfolios, whose participation was significantly reduced over the past few years as a result of recapitalisations.