GREEK BANKING SECTOR INVESTMENTS IN SOUTHEAST EUROPE
an assessment in view of the Greek Economic Crisis 2009-2014

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“Greek banking sector investments in Southeast Europe: an assessment in view of the Greek economic crisis 2009-2014”

Abstract:
Greek Banking sector was considered one of the most extrovert sectors in the Greek economy and among the leading agents of Greek investments in the region of Southeast Europe. The paper investigates the implications of the Greek crisis on the Greek Banking system and its activities in the Southeast European countries. By examining the performance of both Greek parent banks and their affiliates in the region, this paper attempts to identify the degree by which Greek Banking affiliates were affected by the crisis and assess the long term impact on this relationship.

key words: Greek Banking sector, affiliates, Greek crisis

1. Introduction
Greece is among the major contributors of foreign direct investments in Southeast Europe. Already from the early 90s, Greek enterprises viewed the transition of the ex-communist states into capitalist economies as a profitable opportunity. The flow of Greek direct investment in the region was supported by the state of the Greek economy: as Greece was enjoying positive rates of economic growth, so the Greek entrepreneurship in the Balkan region was flourishing. The outbreak of the economic crisis in Greece has raised concerns regarding the future of Greek investments in Southeast Europe. Analysts and reports have focused the scope of their research on how the effects of the Greek crisis will be transmitted, via the channel of Greek direct investments, in Southeast Europe.

Within this framework, the paper deals with the Greek Banking sector investments in the region and their course during the Greek crisis. Greek Banks have been developing their activities in Southeast Europe since the mid 90s; therefore they have consolidated their position in local banking systems possessing important shares in the respective markets. However, Greek Banking sector was variously hit by the Greek crisis whose implications forced Greek Banks to adjust their operation including their international presence. In this context, it is important to identify
whether, and at what extend, this adjustment affected Greek Banking sector’s banks in Southeast Europe.

This essay examines the way by which the Greek Banking sector’s investments in Southeast Europe were seriously affected by the Greek crisis and consequently that *Greek Banking Affiliates in the region went through similar performance to their parent-banks*. The paper has a definite time frame beginning with 2009, which is the last year prior to the activation of the first Greek bailout programme, and ending in 2014. Since Greek crisis is still ongoing, the choice of 2014 as closing year for the examination period is purely conventional; the most recent banking reports and data available refer to that year.

The performance of the banking institutions will be explored via the examination of several fundamentals as well as specific banking figures: the extension of the network as it reflects in the number of branches and employees, capital adequacy ratios, non-performing loans as a share of total loans and yearly profits to name a few. In this regard, annual Bank reports were examined along with reports conducted by relative international institutions or supervising authorities like the Bank of Greece. Moreover, secondary sources, mainly articles and monographs were also consulted supplementary.

The paper starts off with a brief historical overview of the Greek Banking sector’s development in Southeast Europe until 2009. In the second chapter a performance assessment both of the parent-banks in Greece and their branches and subsidiaries in Southeast Europe will be undertaken. Then, the paper will provide a narrative of Greek crisis from the banking sector’s perspective; in other words via which channels the repercussions of the crisis were transmitted to the banking system. The performance assessment of the Greek Banking sector that was presented in the second part for 2009, will be compared with a similar such assessment presented in the fourth part for the year 2014. The purpose of this structure is to facilitate the comparison between the starting and the concluding years of the examination period. The last section summarizes the main findings in order to assess the validity of the argument that Greek banking affiliates in Southeast Europe followed a path similar to that of their parent institution.
2. Greek banking sector in Southeast Europe up to 2009

2.1 Greek banks penetrate Southeast European market

The collapse of communist regimes in Southeast Europe resulted in major changes both in the geopolitical map of the region and in the economic reality of the area. The socio-politico-economic transition process that was set into motion in these states had broader implications for neighboring countries including, of course, Greece whose “geographical isolation” during the Cold War came to an end. Moreover, the opening of the “Balkan market” marked for Greece a shift from an economy oriented in attracting Foreign Direct Investments to an exporter of FDIs.

Despite the several significant problems Southeast European economies faced; under-developed private sector, extended informal economy, corruption, political instability to name a few, the Balkan region seemed a promising space with great potential\(^1\). Apart from the geographical proximity, Greek firms were also favored by the absence of Western enterprises which were very reluctant to start investments in the region. As a result, Greek small and medium-sized enterprises attempted to enter Balkan markets already from the early 90s.

Even though the presence of Greek banks in the region officially dates from 1993, with the establishment of Piraeus Bank Bulgaria, the Greek banking sector’s expansion project in the region is fully developed after 1996-97. The stabilization of political and social life in these countries that followed the outbreak of banking and economic crises (Bulgaria 1997, Albania 1997) has undoubtedly contributed to this development\(^2\). From that point on, Greek banks increase their activities in the region both by greenfield investments and by acquiring local banks.

Besides the regional environment that played a role in the expansion of Greek banks, development in the domestic banking system should be also taken into account. The liberalization of Greek banking system, that took place in the 90s, provided the credit institutions with a broader variety of financial products\(^3\). As a result, Greek households and firms gain improved access in cheaper credit. Furthermore, the small size of the Greek market in relation to the number of banking

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2 Ibid. p. 211

institutions operating led to fierce competition among them. The newly opened Balkan market provided the necessary space to expand since private lending in these countries was still in low levels.

Academic literature on international banking provides a theoretical framework to explain the internationalization of banking institutions that can also apply to the Greek banking sector’s case. Banking institutions of one country tend to invest in countries where firms of the same nationality operate. Greek Banks haven’t developed their activities in the whole Balkan region but solely in countries where also Greek firms have expanded too. For instance, the case of Alpha Bank Romania is indicative of this argument: the bases of the bank were laid not only by Alpha Bank but also by Greek firms Bauxite AEM Parnassos, Papastratos ABES and Greek Bottling Company (3E). Besides the presence of non-financial firms, theory concludes that location-related factors such as the size of the foreign market and trade relations as well as ownership-specific factors like product differentiation and comparative advantage. As it was mentioned before the size of Balkan market was crucial for Greek banks that were searching space to gain substantial revenues and defuse their internal competition. In addition, Greek Banks compared to the local banks in Southeast Europe had richer experience in providing banking services.

From 1993 onwards and almost throughout the decade, Greek banks have been taking the initiative to establish operations in Albania, Bulgaria and Romania. In fact this development

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followed the general trend of Greek FDIs that were also highly concentrated in these three countries. The Yugoslav wars probably prevented Greek banks, as well as firms in general, from realizing any investment plans in ex-Yugoslavia states. On the other hand, Bulgaria and Romania enjoyed relative stability that, among others, helped them become the first Southeast European states to begin a European Union accession process. As far as Albania is concerned, besides geographical proximity, the presence of a Greek minority in the southern parts of the country (where the majority of Greek investments was concentrated) should be also taken into account.

2.2 Consolidation and strengthening

In 1999, Alpha Bank acquired the majority stake of Kreditna Banka in the F.Y.R. of Macedonia thus marking the expansion of Greek banks in the former Yugoslav space. The following years Greek banking sector completed its expansion in Southeast Europe by establishing operations in F.Y.R. of Macedonia and Serbia. During the first decade of the 21st century the geographical expansion of Greek Banking sector in the Balkans was finalized to include the southern part of the peninsula plus Romania.

The decade that followed, Greek banks were favored by the improved macroeconomic conditions in the region. All countries experienced strong economic growth that raised disposable income and in turn led to the expansion of consumer credit. Financial stability helped Greek banking institutions formulate and implement more ambitious investment plans.

Until 2008 Greek Banks have improved significantly their presence in the region compared to the beginning of the 21st century. During the period 2000 – 2008 Greek banks acquire majority stakes in local banks. They multiplied their branches not only by establishing affiliates but also by founding branches directly related to the parent bank thus creating an extended network with thousands of employees. During the period 2000-2008 the branches that compose the Greek Banking sector’s network

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in SEE experienced an almost tenfold increase (from 284 in 2000 to 2409 in 2008).

Accordingly the number of employees that work for banking institutions of Greek interests witnessed a proportional increase. In 2008 employees for Greek banks reached twenty nine thousand; a sharp increased compared to nearly five thousand employees in 2000.

In the same manner, Greek banks have acquired market shares that allowed them to become important players in the local banking systems. Already in 2003, Greek Banks managed hold 29.20% of market share in F.Y.R. of Macedonia, 18.16% in Bulgaria, 17.62% in Albania and 10.72% in Romania. When EFG Eurobank and NBG entered the Serbian market this figure increased in Serbia as well. As a result, Greece was placed among the top investors in the Banking sector of the region along with Austria, Italy and France.
Greek Banks’ position, as a whole, in SEE was improved also in relation to the deposits they attracted as well as the profits they gained. Throughout the years of their operation they increased their deposits at fast paces and the increase rates were also impressive in 2008 (+15% for Alpha Bank\(^8\), +29,4\% for Piraeus Bank). As far as loan portfolio quality is concerned, Greek Banks focused on the balanced development of their portfolio via direct monitoring and tight policies. Subsequently, Greek Banks kept almost marginal non-performing loans ratios which were appreciably lower than the competition\(^9\). Overall, net profits for Greek Banking sector in SEE recorded an increase of 14,67\% in comparison to the previous financial year (805 mln € to 702 mln €)\(^10\). However, the increased was possible thanks to the performance of Eurobank and NBG which increased their profitability; Alpha Bank and Piraeus Banks experienced a small scale decrease of their profits in the region\(^11\).

Summing up, Greek Banking sector took advantage of the favourable macroeconomic conditions, namely the positive rates of economic growth in the region, as well as the low level of financial service penetration in order to expand their activities. Throughout the first years of the 21\(^{st}\) century, Greek Banks experienced a continuous improvement in all figures and ratios that determine their economic performance. However, in 2008 the impact of the Global Economic Crisis was evident in Southeast European economies while the forecasts for Greek economy are hardly optimistic. It could be argued that the first signs of a shift in Greek Bank’s strategy in SEE can be detected; Greek Banks set aside the goal of further development of their activities in the region and place emphasis on restricting the implications of the crisis and preserving what’s already achieved.

3. The Greek Banking system in 2009

For the purpose of the paper the year 2009 was picked as the starting point of the period under examination for reasons both conventional and substantial. It was the last year prior to the Greece’s bailout programme, and it can be considered both as the

\(^8\) The figure refers to the region of SEE as a whole which in Alpha Bank reports includes also Cyprus


\(^10\) The number refers to the 4 larger Greek Banks: Alpha Bank, Eurobank, National Bank of Greece and Piraeus Bank

\(^11\) Eurobank (+39,4\%), NBG (+28\%), Piraeus Bank (-1,2\%) and Alpha Bank (-4,2\%). Data were taken from the annual reports of mother banks and their respective subsidiaries.
conclusion of the economic-growth-period and at the same time as the beginning of the crisis-era.

3.1. Greek parent-banks

The year 2009 can be considered as “transition-year” for the banking sector in Greece. The Greek economy after fourteen years of continuous growth has entered a recession (-1,2%). However, the level of recession was quite low compared to the other economies of the Eurozone which were hit more severely by the Global economic crisis. Furthermore, Greek banks’ limited exposure on toxic financial products, little dependence on financial markets for funding as well as high capital adequacy was estimated to guarantee their credibility\(^{12}\). On the other hand, Greek banks have mentioned in their annual reports that Global economic crisis has revealed the chronic structural weaknesses of Greek economy raising concerns regarding the impact of developments in Greek economy on the Greek Banking sector\(^{13}\).

The Greek Banking system could not remain unaffected by Global Economic Crisis, despite their limited exposure in toxic bonds. The main channel via which implications of crisis were transmitted to Greek banks was the cost of lending. Since cost of lending became higher for the banks, it became higher for households and enterprises in Greece\(^{14}\). The Greek state decided has taken some measures to face the implications of global financial crisis. The programme that was formulated did not provide direct financial assistance but guarantees that would help Greek banks gain more favorable access in capital markets.

At a glance Greek banks maintained healthy economic figures in 2009, although a limited deterioration was recorded. Overall, loan to deposits ratio for Greek banking sector remained under 100% but with a small increase from 89,1% in 2008 to 90,8% in 2009\(^{15}\). This development shows that during previous years Greek banks moved to balanced expansion of their credit activities in relation to their deposits’ increase. It has to be mentioned also that this year many investment plans were postponed or even cancelled in the fear of an unfavorable economic

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\(^{15}\) Ibid p. 29
environment\textsuperscript{16}. Moreover indicates strong liquidity of Greek banking institutions. In conclusion Greek banks retained their strong deposit base.

Domestic banking system enjoyed better levels of capital adequacy compared to 2008. However, the main reason for this development is that in 2008 Basel II framework for banking supervision was introduced; banks had to include capital requirements for operation risks and as a result capital adequacy figures decreased. In 2009, capital adequacy ratios improved.

Greek Banks in 2009, took initiatives to protect the quality of their portfolio in the eve of the unfavorable economic environment\textsuperscript{17}. They remained quite strict in granting consumer and mortgage loans in order to improve the composition of their portfolio\textsuperscript{18}. Within a deteriorated economic environment, households and enterprises wouldn’t fulfill their financial obligations on time therefore an increase in non-performing loans would be quite expected. Indeed, in 2009 non-performing loans as a percentage of total loans were increased, although this figure remained in relative low levels.

As a whole Greek banking system experienced a decrease in their profits for 2009. The increase of non-performing loans due to the pressures exerted in economic activity because of the global crisis as well as raised cost of lending for banks contributed to this outcome. In this context all indicators that reflect profitability of Greek Banks recorded deterioration.

To sum up, in 2009 Greek Banks maintained a strong and healthy performance, although basic indicators that determine their financial position have recorded a slight decline. The Greek Banking system avoided the direct implications of Global Economic Crisis; however it had to bear the consequences derived from the impact the latter had on economic activity in Greece. Furthermore, it is believed that Global Economic Crisis has exposed the structural deficiencies of Greek economy whose need for reforms seemed more urgent that ever. Under these circumstances, Greek banks formulated conservative strategies for the year to follow so that they would contain the implications of the crisis as limited as possible. In a few words Greek banks had to bear a slight fall in profitability and a worsening of loan portfolio

\textsuperscript{16} Bank of Greece (2010) \textit{Annual report 2009} p. 141
\textsuperscript{17} For instance Eurobank EFG increased 33\% its bad debt provisions to 1,18€ bln in 2009. Eurobank (2010) \textit{Annual Report 2009} p. 8
\textsuperscript{18} Hellenic Bank Association (2010) \textit{The Greek banking system in 2009} p. 45
but thanks to tight policies they restored at some extend their capital adequacy and contain their losses\(^{19}\).

### Table 3. Capital Adequacy ratios of Greek Banks in 2009

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total Capital Ratio</th>
<th>Tier I</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROBANK</td>
<td>12.7%</td>
<td>11.5%</td>
</tr>
<tr>
<td>Piraeus Bank</td>
<td>9.8%</td>
<td>9.1%</td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>13.3%</td>
<td>11.7%</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>11.3%</td>
<td>11.3%</td>
</tr>
</tbody>
</table>

### Table 4. ROE of Greek Banks in 2009

<table>
<thead>
<tr>
<th>Bank</th>
<th>ROE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROBANK</td>
<td>6%</td>
</tr>
<tr>
<td>Piraeus Bank</td>
<td>7.9%</td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>10.1%</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>13%</td>
</tr>
</tbody>
</table>

### Table 5. Non–performing loans (as % of total loans)

<table>
<thead>
<tr>
<th>Bank</th>
<th>NPQL</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROBANK</td>
<td>5.2%</td>
</tr>
<tr>
<td>Piraeus Bank</td>
<td>5.1%</td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>6.7%</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>5.4%</td>
</tr>
</tbody>
</table>

### Table 6. Loan to deposits ratio of Greek Banks in 2009

<table>
<thead>
<tr>
<th>Bank</th>
<th>LDR</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROBANK</td>
<td>119%</td>
</tr>
<tr>
<td>Piraeus Bank</td>
<td>107%</td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>113.4%</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>97%</td>
</tr>
</tbody>
</table>

(source: Banks’ annual reports)

3.2 Greek Banking Affiliates and Branches in Southeast Europe

Despite the pressures domestic Greek Banking system experienced in 2009, the international presence of Greek Banks was further strengthened. This development was accomplished against an inimical international background dominated by the Global economic Crisis and it applied in Southeast Europe where Greek Banks consolidated their position. Seven Greek banking institutions have been operating in five Southeast European countries (see Table 5.) supporting the extroversion of Greek economy as well as the investment of Greek companies in the region.

To begin with, 2009 was a bad year for the Southeast European economies which had to deal with the implications of the Global Economic crisis. With the sole exception of Albania all other Balkan economies experienced a fall in their GDP. Subsequently, the deterioration of the economic climate, the rise of unemployment and the widening of current account deficit in these countries hampered banking

activities and prevented Greek banks from credit expansion which in turn confined the prospects for economic growth\textsuperscript{20}. The factors mentioned composed a challenging background against which Greek banks had to operate.

Under these circumstances, Greek Banks took steps to shield themselves against the Crisis. Their tool-kit included the introduction of innovative financial products that would attract deposits\textsuperscript{21}, the maximization of productivity for their stores in the region as well as the reduction of operating costs\textsuperscript{22}. Ultimately, the aim was the expansion of deposit base that would provide Greek Banks the necessary means to improve their risk management capabilities.

The policies that were followed seem to bear fruits that were evident in the performance of Greek bank affiliates in the region. The primary goal for increase of deposits was achieved in almost all Greek banks subsidiaries either in absolute terms or in relative terms as market share. In some cases the increase was far above the local average\textsuperscript{23}. This development along with tight credit expansion policies led to satisfactory loan to deposits ratio that in most cases was either below 100\% or slightly above it. Subsidiaries of Greek Banks in Southeast Europe retained significant capital adequacy ratios that in several instances were higher than the minimum requirement determined by the local supervision authorities\textsuperscript{24}.

In 2009 no further expansion of the Greek Banking sector’s network in Southeast Europe took place. That year Greek banks numbered approximately 2402 branches and employed nearly thirty thousand people. These numbers are almost the same as the previous year indicating. National Bank of Greece had the most extensive network among Greek banks since it counts for about one third of the total Greek

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
Country & GDP Growth (2009) \\
\hline
Albania & 3.4\% \\
Bulgaria & -5.5\% \\
F.Y.R. of Macedonia & -0.9\% \\
Romania & -6.6\% \\
Serbia & -3.5\% \\
\hline
\end{tabular}
\caption{GDP growth in SEE for 2009}
\end{table}

\textsuperscript{20} Alpha Bank (2010) \textit{Business Report 2009} p. 38  \\
\textsuperscript{21} Piraeus Bank (2010) \textit{Annual Report 2009} p. 44  \\
\textsuperscript{22} Ibid p. 39, Eurobank (2010) \textit{Annual Report 2009} p. 32  \\
\textsuperscript{23} Note the case of Alpha Bank Romania which increased its deposits to 15.9\% while Romanian market average was 5.5\%. Alpha Bank Romania (2010) \textit{Annual Report 2009}  \\
\textsuperscript{24} For example Bankpost SA, had almost triple the minimum requirement National Bank of Romania imposed. Bankpost SA (2010) \textit{2009 Financial review} p. 4
banking branches and little less than 30% of the total employees while it operated in five countries.

<table>
<thead>
<tr>
<th>Bank</th>
<th>Employees</th>
<th>Branches</th>
</tr>
</thead>
<tbody>
<tr>
<td>NATIONAL BANK OF GREECE</td>
<td>8860</td>
<td>698</td>
</tr>
<tr>
<td>Albania</td>
<td>300</td>
<td>30</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>3188</td>
<td>272</td>
</tr>
<tr>
<td>F.Y.R. of Macedonia</td>
<td>1142</td>
<td>68</td>
</tr>
<tr>
<td>Serbia</td>
<td>2580</td>
<td>177</td>
</tr>
<tr>
<td>Romania</td>
<td>1650</td>
<td>151</td>
</tr>
<tr>
<td>ALPHA BANK</td>
<td>5579</td>
<td>558</td>
</tr>
<tr>
<td>Albania</td>
<td>349</td>
<td>47</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>989</td>
<td>120</td>
</tr>
<tr>
<td>F.Y.R. of Macedonia</td>
<td>265</td>
<td>25</td>
</tr>
<tr>
<td>Serbia</td>
<td>1493</td>
<td>166</td>
</tr>
<tr>
<td>Romania</td>
<td>2480</td>
<td>200</td>
</tr>
<tr>
<td>PIRAEUS BANK</td>
<td>4226</td>
<td>381</td>
</tr>
<tr>
<td>Albania</td>
<td>514</td>
<td>47</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>1098</td>
<td>101</td>
</tr>
<tr>
<td>Serbia</td>
<td>593</td>
<td>47</td>
</tr>
<tr>
<td>Romania</td>
<td>2021</td>
<td>186</td>
</tr>
<tr>
<td>EFG EUROBANK</td>
<td>7923</td>
<td>614</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>2902</td>
<td>209</td>
</tr>
<tr>
<td>Serbia</td>
<td>1535</td>
<td>119</td>
</tr>
<tr>
<td>Romania</td>
<td>3486</td>
<td>286</td>
</tr>
<tr>
<td>EMPORIKI BANK</td>
<td>918</td>
<td>90</td>
</tr>
<tr>
<td>Albania</td>
<td>208</td>
<td>23</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>271</td>
<td>28</td>
</tr>
<tr>
<td>Romania</td>
<td>439</td>
<td>34</td>
</tr>
<tr>
<td>ATEBANK</td>
<td>360</td>
<td>34</td>
</tr>
<tr>
<td>Romania</td>
<td>360</td>
<td>34</td>
</tr>
<tr>
<td>MARFIN EGNATIA BANK</td>
<td>297</td>
<td>27</td>
</tr>
<tr>
<td>Romania</td>
<td>297</td>
<td>27</td>
</tr>
</tbody>
</table>

Greek Banks held a respectable market share in the countries they operate for the year 2009. In Bulgaria, Greek Banks held nearly one third of market share (31.38%) thanks to their perennial presence dating from the early 90s. In F.Y.R. of Macedonia the same figure is also high (27.5%) owing to the local affiliate of NBG Stopanska Banka which was the first ever bank to be founded in the country therefore it was one the leading local banks throughout its operation. An almost equal share is observed in Albania (25.86%), while the relative lower share in Serbia (18.85%) and Romania (17.5%) can be attributed to the late introduction of Greek Banks in the
country and to the large, in comparison with the rest SEE countries, market size respectively.

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>NBG S.A. – Tirana Branch</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>United Bulgarian Bank (UBB)</td>
</tr>
<tr>
<td>F.Y.R. of Macedonia</td>
<td>Stopanska Bank AD – Skopje</td>
</tr>
<tr>
<td>Serbia</td>
<td>Vojvodjanska Banka</td>
</tr>
<tr>
<td>Romania</td>
<td>Banca Romaneasca</td>
</tr>
</tbody>
</table>

### Table 9. Greek Banks presence in SEE in 2009

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>ALPHA BANK – Tirana Branch</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>ALPHA BANK – Sofia Branch</td>
</tr>
<tr>
<td>F.Y.R. of Macedonia</td>
<td>Alpha Bank AD – Skopje</td>
</tr>
<tr>
<td>Serbia</td>
<td>Alpha Bank Srbija AD</td>
</tr>
<tr>
<td>Romania</td>
<td>Alpha Bank Romania SA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Tirana Bank IBC</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Piraeus Bank Bulgaria AD</td>
</tr>
<tr>
<td>Serbia</td>
<td>Piraeus Bank Beograd AD</td>
</tr>
<tr>
<td>Romania</td>
<td>Piraeus Bank Romania SA</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bulgaria</td>
<td>Eurobank EFG Bulgaria AD</td>
</tr>
<tr>
<td>Serbia</td>
<td>Eurobank EFG Stedionica AD Beograd</td>
</tr>
<tr>
<td>Romania</td>
<td>Bancpost SA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
<td>Emporiki Bank Albania S.A.</td>
</tr>
<tr>
<td>Bulgaria</td>
<td>Emporiki Bank Bulgaria EAD</td>
</tr>
<tr>
<td>Romania</td>
<td>Emporiki Bank Romania SA</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>ATEBANK Romania</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Country</th>
<th>Bank Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Romania</td>
<td>Egnatia Bank SA</td>
</tr>
</tbody>
</table>

(source: Banks’ websites)
3.3 Exposure of Greek Banks in Southeast Europe: a brief overview

In 2009, Greek Banks have developed abroad Total Assets that reached 87.6 bln €. In SEE-5, the Total Assets Greek Banks developed amounted for 36.1 bln €, namely 41.2% of their overall international presence. The figure proves that Southeast Europe is of strategic importance for the international activities of the Greek Banking sector.

Assets in SEE-5 represent a respectable share of the Total Assets of Greek Banking Groups. In particular, for the four larger Greek Banks which operate in more than one Balkan country the assets in SEE-5 account for about one tenth of the Total Assets. Eurobank holds the lion’s share in total assets of Greek Banking sector in SEE, while three banks (ATE, Emporiki and Marfin Egnatia) own a marginal share. Eurobank is also the most exposed among Greek Banks in the region considering the large number of total assets combined with the fact that operates in only three countries. That indicates low diversification which results in increased credit portfolio risk and vulnerability. Conjointly, Eurobank’s assets in Southeast Europe occupy a significant share of its total assets more than any other Greek Bank (see Table 9.).

<table>
<thead>
<tr>
<th>Table 10. Total Assets for the 4 major Greek Banks in SEE as a share of their Total Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>(source: Hellenic Bank Association)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total</th>
<th>SEE-5</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>NBG</td>
<td>8%</td>
<td>92%</td>
<td></td>
</tr>
<tr>
<td>Alpha</td>
<td>11%</td>
<td>89%</td>
<td></td>
</tr>
<tr>
<td>Eurobank</td>
<td>12%</td>
<td>88%</td>
<td></td>
</tr>
<tr>
<td>Piraeus</td>
<td>10%</td>
<td>90%</td>
<td></td>
</tr>
</tbody>
</table>

At the same time, the increase in deposits for the Greek Banks in SEE was a welcomed development because it permitted the financing of their loans and by extension of their assets. NBG has the broadest deposit base in the region closely followed by Eurobank, nevertheless the former operates in five countries while the latter in only three. Also, Greek Banks have supported actively
local economies by granting a total of 26.5 mln € loans. Eurobank has granted the most loans among Greek banks (7.6 mln €), although NBG and Alpha Bank as well possessed a high number of loans (7.2 mln € and 6.9 mln € respectively). In these terms, Alpha Bank can be said to be highly exposed in Southeast Europe, since loans represent a large share of its total assets (the largest one among Greek Banks).

4. Economic crisis in the period 2009-2014

4.1 A short historical review

Even though there is no definite starting point for the Greek crisis the majority of analysts set the last quarter of 2009 as the beginning. After the early national elections of October the newly formed government came across the challenge of managing the economic crisis which was, also, the main axis of debate during the pre-election period. The Global Economic Crisis has revealed the structural weaknesses of Greek economy but, more importantly, made international creditors more cautious regarding where they should invest their capital. Lenders, having been alarmed by the deficiencies of Greek economy, began questioning the soundness of Greek finances and Greece’s fiscal position in particular. To make matters worse, Greek fiscal deficit for that year was revised upwards to reach 15.4% of GDP, thus indicating that fiscal adjustment was far more demanding than it was planned initially. In addition it generated the narrative of “fiscally irresponsible peripheral nations of the Eurozone” causing rise in spreads on sovereign bonds of Southern European states.

Consequently, the loss of confidence among lenders in Greek economy led to the gradual yet rapid exclusion of Greece from financial markets that was concluded in March 2010. Then, it became apparent that Greece could not obtain the necessary funds to both cover its large fiscal deficit and re-finance its ballooning public debt. Therefore, Greek Government, after it has announced and implemented a series of austerity measures that included cuts in civil servants’ salaries and raise of indirect taxes, requested officially, in April 23rd, for the activation of the support mechanism that EU has created in March. The mechanism was a joint effort by the EU and the International Monetary Fund that would both contribute; the former on May 2nd approved a 80 bln € loan, while the latter approved a 30 bln € loan on May 9th.

25 Most of journals, news agencies and think tanks (BBC, Business Insider, Council on Foreign Relation for example) begin their timelines with the change of government in Greece in October 2009.
loan was divided in installments that would be disbursed upon the fulfillment of certain conditions based on the conditionality principle that rules all IMF programmes.

The programme agreed was proved insufficient to tackle effectively the Greek Crisis. The criticism that was developed regarding the inefficiencies of the Greek programme is rather extended, so an exhausting apposition of all arguments is infeasible and beyond the scope of this paper. Concisely, the critique spurred mainly around the unidimensional character of the programme that focused solely on budget balance at the expense of growth stimulating policies as well as the reluctance of Greek government to push for radical reforms. Sharp public spending cuts that were necessary for the fiscal adjustment drove Greek economy into a vicious spiral of recession. Accordingly forecasts and estimations on the course of the Greek economy upon which the first bail-out programme was based proved highly ambitious\textsuperscript{27}. Therefore, it became extremely hard for Greece to fulfill the fiscal goals set.

These developments signified that the bail-out programme has been derailed. Greece would not be able to regain access in private financial lending in the planned time. On July 21\textsuperscript{st} 2011 EU Summit agreed on second bailout package for Greece with financing amount estimated 109 billion €. The package included call for a comprehensive strategy for growth and investment in Greece and voluntary Private Sector Involvement (PSI)\textsuperscript{28}. The Euro Summit on October 26\textsuperscript{th}, finalized the new support programme to include recapitalization of Greek Banks, financing of 100 billion €, 50% haircut from voluntary PSI and the target of 120% of GDP for Greek public debt in 2020\textsuperscript{29}. Conclusion of the PSI and the introduction of the measures required for the second bail-out programme were carried out by a coalition government that was composed by the two largest parties in Parliament. As soon as this government fulfilled its task, elections were held and after two rounds a new coalition government was formed to implement the second bail-out programme.

By the end of 2014, Greece remained in the second bail-out programme although the 5\textsuperscript{th} and last review was pending due to the inability of the parts to reach

---

\textsuperscript{27} The projections of IMF for Greek economy predicted a decline in GDP of 2.6% in 2011 and return to economic growth in 2012. However, Greek economy shrank 7.1% in 2011 and 7% in 2012. IMF (2010) \textit{IMF Executive Board approves €30 billion Stand-By-Arrangement for Greece} Press Release No.10/187

\textsuperscript{28} Council of the European Union (2011) \textit{Statement by the Heads of State or Government of the Euro area and EU institutions}

\textsuperscript{29} Euro Summit (2011) \textit{Statement}
to an agreement regarding the measures that will be taken. However, the year closed with the proclamation of early elections since Greek Parliament failed to elect new President of the Republic. In the early elections that were held in January 2015, the radical left party of Syriza won and came to power forming a coalition government with the right Anexartitoi Ellines (Independent Greeks) party. The new government, following its pre-election commitment, decided to re-negotiate the programme reaching to an agreement for a third bailout package in July 2015. However, the latest developments are beyond the examination period of the paper.

4.2 Greek Economy in the years of crisis

This chapter deals with the course of Greek Economy between the years 2009 – 2014. An outline of the macroeconomic environment is essential because it provides the framework within which Greek Banks operated and, as such, it determined, at large extend, their performance. The developments in Greek Economy will be explained via the presentation of several figures.

Looking at the GDP of Greece during the period under examination, it can be said that Greek Economy has experienced a freefall. GDP has contracted more than one fourth (27.97%) recording high rates of decline for five consecutive years. The depth of the economic downturn was more severe than predicted since actual real GDP fall was three times higher than the projections within the bailout programme estimated\textsuperscript{30}.

Accordingly, all figures directly related to the GDP witnessed a sharp deterioration. To begin with, the GDP per capita was shrunk 31.03% within five years\textsuperscript{31}. However, the most important issues that arose were about fiscal deficit and public debt. Public debt as a percentage of GDP increased to reach 175.1% in 2013 despite the fall that was recorded the previous year due to the PSI. PSI was included in the second bailout programme as a way for the Greece’s public debt to return to the trajectory to reach 120% of GDP in 2020\textsuperscript{32}. Lack of growth hampered fiscal adjustment and threatened debt sustainability.

\textsuperscript{30} In fact GDP fall of the Greek Economy between the years 2009 – 2012 was 17% instead of the 5.5% that the Stand-by Arrangement of IMF projections predicted. IMF (2013) Greece: Ex post evaluation of Exceptional Access under the 2010 Stand-By Arrangement Country Report No. 13/156 p. 12

\textsuperscript{31} GDP per capita in 2009 was 31700.5 (in current US$) while in 2014 was 21682.4. World Bank Database

Unemployment is an unavoidable implication of recession and Greece was not an exception to the rule. After 2008, when employment reached the highest point of the decade, unemployment began to rise at a rapid pace as the recession was deepening. Greece acquired the highest unemployment among OECD members reaching 26.2% in the third quarter of 2014 which was more than twice of the EU average (10%)\textsuperscript{33}. Moreover, Greece has recorded the highest youth unemployment in the euro area, since more than half of people younger than 25 years remain out of work. The overwhelming majority of unemployed Greek (65.6% in the 1\textsuperscript{st} quarter of 2013) was out of the labor market for more than 12 months thus increasing long-term unemployment\textsuperscript{34}. Long-term unemployed work force counted for about half of the total unemployed in 2008.

In the field of fiscal adjustment and balancing of current account deficit there was a considerable bridging of the gap. After five years of fiscal consolidation via successive rounds of austerity measures, mainly spending cuts and additional revenue measures, Greek fiscal deficits dropped more than ten points of GDP. Also the deficit of current account balance was eliminated so that Greece, for the first time in more than 30 years, showed a current account surplus in 2013. For the first ten months of

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|c|c|c|c|}
\hline
\hline
\textbf{Deficit} & -15.4\% & -10.7\% & -9.4\% & -6.8\% & -5.5\% & -4.6\% \\
\hline
\end{tabular}
\caption{Greek fiscal deficit (2009-2014) (source: Eurostat)}
\end{table}

\textsuperscript{33} OECD Data
\textsuperscript{34} Matsaganis, M. (2013) The Greek Crisis: social impact and policy responses Friedrich Ebert Stiftung Study p. 7
2014 Greek fiscal surplus reached 3.6 billion €. In 2014, Greece managed to maintain surplus both in current account balance and actual primary budget balance.\textsuperscript{35}

To sum up, Greece had to follow an aggressive fiscal adjustment in order to reduce its deficits and restore the soundness of its economics. The measures taken would inevitably affect real economy which faced simultaneously the pressures exerted by the recession. As a result, the sharp decline of GDP transferred its implications on the social fabric via the rise of unemployment, especially for younger people, and the rise of poverty.

4.3 Implications for the Greek Banking System

As it was described before, Greece’s effort for fiscal consolidation along with structural reforms that would restore market confidence and lay the foundations for future economic growth had extensive impact on Greek Economy. Under these conditions, the economic background against which Greek Banks operated was unpropitious. Greek crisis transmitted its effects in the Banking system through three main channels: reduction of deposits, lack of accessibility to credit for Greek banks and increase of non-performing loans.

\textit{Lack of accessibility for financing in international markets}

The performance of a banking institution is inextricably related to the economic condition within it operates. Greek Banking sector was negatively affected by the worsening situation of the Greek Economy. As Greece’s sovereign debt was being downgraded, so did the ratings of Greek Banks resulting in strained liquidity conditions, since their access to the wholesale market liquidity was drastically restricted.

Downgraded Greek Government Bonds would definitely lead to downgraded Greek Banks’ deposits and debts ratings. The main reasoning behind this development is that a government’s credit strength indicates the capacity of a country to support its banking system.\textsuperscript{36} Moreover high exposure in Greek Government bonds raised concerns regarding the liquidity and asset quality of Greek Banking institutions.\textsuperscript{37}

\textsuperscript{35} IMF has noted that Greece had the highest cyclically-adjusted primary budget surplus in the euro area with 6% of GDP. Weisbrot, M., Rosnick, D. & Lefebvre, S. (2015) Greek Economy: which way forward? Centre for Economic and Policy Research p. 2

\textsuperscript{36} Moody’s (2011) Moody’s downgrades the ratings of six Greek Banks

a result with five year’s time, the four largest Greek Banks went through a sharp downgrade.

Banks, apart from their deposits, can rely for their liquidity both on the issue of securities and on the interbank market. However, interbank market was already shut down from 2008 in the aftermath of the Lehman Brothers crisis. As far as securities issuance is concerned difficulties arose as well. From the 1st semester of 2010 there was limited interest from investors regarding the securities issued by the Greek Banks. International markets gradually exclude Greek banks despite the guarantees given by the Greek State because of the low credit rating of the latter. The immediate consequence was that Greek Banks followed a reverse course to the European trend: European Banks began reducing their borrowing from ECB while Greek Banks increase their dependence from ECB. Even though this development secured the financing of the Greek Banking system, it generated a vicious circle. Increased dependency was criticized by analysts and undermined market’s confidence in Greek Banks which in turn forces the latter to turn once more to ECB for financing.

Since the deactivation of the interbank market, Greek banks drew up a strategy to return to “traditional” sources of liquidity that is deposits. They intensified their effort to attract lenders by increasing the margin for new deposits. However, the results didn’t meet their expectations, since the repercussions of the economic crisis exercised pressures on the banks’ deposit base.

### Table 14. Greek Banks’ Credit Ratings

<table>
<thead>
<tr>
<th></th>
<th>Moody’s</th>
<th>S&amp;P’s</th>
<th>Fitch</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBG</td>
<td>Baa2</td>
<td>BB+</td>
<td>BBB-</td>
</tr>
<tr>
<td></td>
<td>Moody’s</td>
<td>S&amp;P’s</td>
<td>Fitch</td>
</tr>
<tr>
<td></td>
<td>Caa1</td>
<td>CCC+</td>
<td>CCC</td>
</tr>
<tr>
<td>Eurobank</td>
<td>A1</td>
<td>S&amp;P’s</td>
<td>Fitch</td>
</tr>
<tr>
<td></td>
<td>Caa2</td>
<td>CCC+</td>
<td>CCC</td>
</tr>
<tr>
<td>Alpha</td>
<td>A2</td>
<td>S&amp;P’s</td>
<td>Fitch</td>
</tr>
<tr>
<td></td>
<td>Caa1</td>
<td>CCC+</td>
<td>B-</td>
</tr>
<tr>
<td>Piraeus</td>
<td>A2</td>
<td>S&amp;P’s</td>
<td>Fitch</td>
</tr>
<tr>
<td></td>
<td>Caa1</td>
<td>CCC+</td>
<td>CCC</td>
</tr>
</tbody>
</table>

* Data for 2008

---

39 For 2010 dependence of Greek Banking system from ECB counted for 8.4% of their assets way above the European average (3.5%). Michalopoulos, G. (2011) *Financing of Greek Banks during the course of the crisis* in Hellenic Bank Association (2011) *The international crisis, Eurozone crisis and the Greek financial system* p. 242
Deposit base’s shrunk

The outbreak of the Global Financial Crisis proved beneficial for Greek Banks. Since their exposure in toxic bonds was limited, they were considered trustworthy; therefore they received capital flows from foreign depositors who wished to divert their money to less risky destinations. However, as the crisis was developing, unfolding the fragile fiscal position of Greece and the structural problems of its economy a shift in this trend occurred.

From the very beginning of the crisis, the lack of confidence in Greek Economy undermined depositors’ trust. The continued discourse of a possible Greek exit from the Eurozone area caused a deposits’ drain away from the Greek Banks either abroad or in safety-deposit boxes as Euro banknotes. Moreover, the economic recession along with the aggressive fiscal adjustment led to income diminution which in turn resulted in total savings shrinkage in the economy despite the increasing propensity to save.

At this point it would be useful to note the correlation between propensity to save in an economy and the amount of bank deposits. It is widely accepted that in times of economic recession households would strengthen their trend for saving in order to maximize, at the largest possible extent, their ability to face effectively all financial difficulties. However, this trend does not imply an increase in bank’s deposits. A study conducted by the Economic Analysis and Markets Department of Piraeus Bank has showed that an enhanced trend for savings among households results in reduction of their bank’s deposits. The main argument was that in times of economic turmoil, households attempt to increase their savings by reducing their investments. Overall, Bank deposits in Greece have decreased within the period under examination recording a sharp decline until 2012, while afterwards a stabilizing trend is observed. The deterioration of macroeconomic environment, inevitably, spread uncertainty among savers and reduced liquidity for enterprises which also had to face low credit expansion from the banks. These factors combined with increased tax liabilities left households and enterprises with no other choice than to turn to their

41 The study was published in Hellenic Bank Association (2011) *The Greek Banking System in 2010* p. 81-94
bank accounts. The net result for Greek Banks was that they had to look for alternative sources of financing.

Political instability has its own contribution to the trend, since the flow of withdrawals and deposits seem to fluctuate alongside the lines of political developments in Greece. The years of the first bail-out programme of Greece were marked by a steady decline in Banks’ deposits which was reversed after the sign of the second bail-out programme and the successful completion of PSI. However, deposits’ drain was restored and accelerated during the period of the double elections of May-June 2012. After the elections, drain seemed to come to a halt and a significant share of hoarded banknotes was re-deposited.

![Table 15. Bank Deposits in Greek Banking System 2010-2014 in million €](source: Bank of Greece & Hellenic Bank Association)

<table>
<thead>
<tr>
<th>Year</th>
<th>Deposits (in million €)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>234,605</td>
</tr>
<tr>
<td>2011</td>
<td>211.47</td>
</tr>
<tr>
<td>2012</td>
<td>172.13</td>
</tr>
<tr>
<td>2013</td>
<td>170.743</td>
</tr>
<tr>
<td>2014</td>
<td>167.44</td>
</tr>
</tbody>
</table>

*Increase of non-performing loans*

To begin with, according to the suggested European Banking Authority definition when a loan is past due more than 90 days and/or unlikely to be paid can be characterized as non-performing. Prior to the crisis it was shown that all major Greek Banks and the whole Greek Banking System in general, enjoyed a high quality loan portfolio with a low share of non-performing loans. The situation was radically changed within 5 years as the implications of the crisis were in full swing.

Households and enterprises had to meet their increased financial obligations with decreased income. The rise of unemployment deprived many households from sources of income while the decanting of economic activity in the country resulted in reduced total turnover for the enterprises. At the same time both had to defray the increased taxes imposed within the context of the fiscal adjustment. As a consequence, households and enterprises lost their capability to service their debt in banks consistently on time.
Starting from 2009 onwards non-performing loans as share of total loans in the Greek Banking system grew in a continuous manner. This development applied to both consumer loans as well as to housing and business loans. During the first two years of the crisis the rise of non-performing loans ratio (NPL) was relatively mild. However from 2011 onwards when the highest rates of GDP decline were recorded along with unemployment rates that exceeded 20% the rise of NPL ratio became sharp. As of late 2013, overall NPL ratio was 31.9% against 5% in late 2008, while consumer non-performing loans stood for 47.3% of total consumer loans. The same figure for housing loans was 26.1% and for business loans 31.8%.\(^43\)

![Table 16. Non-performing loans in the Greek banking system 2008-2013](source: Bank of Greece)

<table>
<thead>
<tr>
<th>Year</th>
<th>Total loans</th>
<th>Consumer</th>
<th>Housing</th>
<th>Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>12/08</td>
<td>5</td>
<td>8.2</td>
<td>5.3</td>
<td>4.3</td>
</tr>
<tr>
<td>9/09</td>
<td>7.2</td>
<td>11.7</td>
<td>6.9</td>
<td>6.4</td>
</tr>
<tr>
<td>12/09</td>
<td>7.7</td>
<td>13.4</td>
<td>7.4</td>
<td>6.7</td>
</tr>
<tr>
<td>9/10</td>
<td>10</td>
<td>18.4</td>
<td>9.7</td>
<td>8.5</td>
</tr>
<tr>
<td>12/10</td>
<td>10.5</td>
<td>20</td>
<td>10.3</td>
<td>8.8</td>
</tr>
<tr>
<td>9/11</td>
<td>14.7</td>
<td>26.4</td>
<td>14</td>
<td>13</td>
</tr>
<tr>
<td>12/11</td>
<td>16</td>
<td>28.8</td>
<td>14.9</td>
<td>14.2</td>
</tr>
<tr>
<td>12/12</td>
<td>24.5</td>
<td>38.8</td>
<td>21.4</td>
<td>23.4</td>
</tr>
<tr>
<td>12/13</td>
<td>31.9</td>
<td>47.3</td>
<td>26.1</td>
<td>31.8</td>
</tr>
</tbody>
</table>

Under these conditions, the need for measures that could relieve loan borrowers and help them cope with their obligations was apparent. The Greek Government in 2010 passed a law under which heavily indebted natural persons could apply for debt arrangements. Accordingly, the Bank themselves took initiatives such as extension of the repayment period, suspension of auctions for certain housing loans or even suspension of repayment for unemployed\(^44\).

### 4.4 The Private Sector Involvement (PSI)

The second bail-out programme apart from restoring competitiveness and fiscal soundness aimed at securing debt sustainability for Greece. For that reason, Eurogroup has agreed in February 2012 that an operation for exchange of private

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\(^{44}\) For a more detailed list of actions taken by Greek Banks see Hellenic Bank Association (2013) *The Greek Banking System in 2011 and 2012* p.26
holders of Greek Government bonds would a necessary condition for a successor programme\textsuperscript{45}.

The final Debt Swap deal provided that private bondholders would participate on a voluntary basis with the goal of a 50% haircut at nominal price. Out of the 356 billion € of the Greek public debt, 206 billion € were eligible to participate, while short-term bills, official sector loans and ECB’s holdings were excluded. Private holders would receive the half of their bonds’ value in new long-term Greek government bonds (31.5% of the principal amount of the bonds) and short EFSF bonds (15% of the principal amount of the bonds) as well as detachable GDP-linked securities as additional payments in case Greek economy exceeds projections\textsuperscript{46}. This deal was called PSI plus since it provided higher nominal haircut (53.5%) than the initial design that was agreed in the summer of 2011. At the end the participation of private sector, with the activation of the Collective Action Clauses (CACs) reached 95.7%.

Greek banks held a great amount of Greek Government bonds that fell into the PSI provisions. Overall, Greek Banking System loss of the Greek Government Bonds was 33.8 billion €, while there was an additional 3.8 billion € loss because of the haircut in state-related loans. Losses for the four systemic banks counted for almost three quarters of the total losses (74.61%). It is important to note that among systemic banks Alpha Bank was the least exposed in Government bonds, although it suffered the greatest losses from the state-related loans. National Bank of Greece had the greatest total loss in absolute terms, almost double than the second most stung bank; Piraeus Bank. The latter, on the other hand, had been the most severely hit by PSI in relative terms since it lost 12% of its total assets. Nevertheless, the most impairment losses as a share of their total assets were recorded in three medium non-systemic banks: ATEbank, Postbank and Proton Bank.\textsuperscript{47}

\textsuperscript{45} Eurogroup (2012) Statement of 21\textsuperscript{st} February 2012
\textsuperscript{47} Their losses counted for 17.1%, 24.8% and 12.6% of their total assets respectively.
### Table 17. Impairment losses on Greek Government Bonds and state-related loans under the PSI for the four systemic banks in million €

<table>
<thead>
<tr>
<th>Bank</th>
<th>Loss of GCBs</th>
<th>Loss of state-related loans</th>
<th>Total loss</th>
<th>Loss as share of total assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>NBG</td>
<td>10985</td>
<td>751</td>
<td>11735</td>
<td>11%</td>
</tr>
<tr>
<td>Eurobank</td>
<td>5517</td>
<td>264</td>
<td>5781</td>
<td>7.5%</td>
</tr>
<tr>
<td>Alpha</td>
<td>3087</td>
<td>1699</td>
<td>4786</td>
<td>8.1%</td>
</tr>
<tr>
<td>Piraeus</td>
<td>5686</td>
<td>225</td>
<td>5911</td>
<td>12%</td>
</tr>
</tbody>
</table>

(source: Bank of Greece)

The losses for Greek Banks due to the PSI were not constrained to the exchange of bonds. As soon as the exchange was completed, the new long-term government bonds they received lost much of their value because of the bad state of the Greek economy and the widespread uncertainty regarding its future. Subsequently, in the summer of 2012, Greek banks were negotiating the new Government bonds they had for the 20% or the 15% of their initial price; that is to say that they recorded new losses. The losses for the Greek Banks that originated from the PSI were concluded in the end of 2012, when Greek Government announced a programme of voluntary repurchase of its bonds at 35% of their nominal value.

The losses that the Greek Banking system suffered within the PSI along with the rise of non-performing loans dealt a mighty blow to its capital adequacy. Henceforth, capital needs of the banks grew dramatically thus making the need for recapitalization of the banking system urgent. The recapitalization programme that was formulated provided that systemic banks would be recapitalized directly through Financial Stability Fund while non-systemic would have to turn to their own shareholders. If a non-systemic bank fails to get recapitalized, they will be split and their good parts will come under the control of the systemic banks. Ultimately, PSI losses combined with the worsening situation of the banking activities generated a procedure of a restructuring for the Greek Banking system. This procedure will be described in the following unit.

### 4.5 Restructuring of the Greek Banking System

The financial repercussions of PSI along with the constant deterioration of banking activities, as reflected in the constant rise of non-performing loans, put severe pressure on the Greek Banks. Consequently, the Greek Banking System, as a network of institutions providing financial services, was forced to a deep restructuring in order

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to adjust itself to the new conditions. This restructuring concerns not only the number of institutions operating in Greece but also the relative importance in each of these as well as the number of people employed in the system.

To begin with, in 2009 19 Greek banking institutions, 17 branches of foreign banking groups and 16 cooperative credit institutions were operating in Greece. Focusing on the Greek Banking institutions, despite their number there was a quite high degree of concentration since the 5 largest of them held nearly two thirds of the total assets, loans and deposits in the Greek Banking System. However, this level of concentration is relatively low compared to banking systems of other Eurozone countries. Moreover, it is believed that it didn’t affect competition in the banking sector since there were no concerted practices by the larger banks.

The number of institutions operating was reduced decisively. In 2014, 6 Greek Banks were operating in the country instead of 16 in 2009. In this procedure, four systemic banks emerged (National Bank of Greece, Alpha Bank, Piraeus Bank and Eurobank) which absorbed the medium and small banks of the system. Through these takes over, the four systemic banks attempted to strengthen their financial position and expand their share in the market. Greek Banking System in 2014 employed 23.37% less employees while its network was shrunk by 29.85%.

Data: Hellenic Bank Association

For 2005, the five largest Greek Banks held 65.6% of total assets, 66.1% of loans and 65.5% of deposits in the Greek Banking System.

Apart from the six large Greek Banks, Cooperative Banks (such as Chios Bank) and branches of foreign banks (like Deutsche Bank, Unicredit Bank) also serve the Greek market.

Aegean Baltic Bank, Investment Bank of Greece and Deposits and Loans Fund are excluded. The Data are taken from Hellenic Bank Association relative reports.

Employees in 2009 were 56983 while in 2014 were 43664. Branches in 2009 numbered 3624 while in 2014 were 2542.
Table 18. Takeovers by the four systemic Greek banks during the period 2009-2014

<table>
<thead>
<tr>
<th>National Bank of Greece</th>
<th>Eurobank</th>
<th>Piraeus Bank</th>
<th>Alpha Bank</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Geniki Bank (2014)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>ATE Bank (2012)</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Marfin Egnatia - Cyprus Popular Bank (2013)</td>
<td></td>
</tr>
</tbody>
</table>
5. The Greek Banking system in 2014

5.1 Greek parent-banks

In 2014 the first signs of stabilization for the Greek economy became visible raising optimism regarding the future prospects of the Greek Banking system. For the first time since 2007, Greek GDP has recorded a marginal positive growth rate (0.8%) which was mainly driven by the recovery of consumption and the increase of investment expenditure, as well as by the record performance of the tourist sector. Additionally, the fall of employment rates came to a halt since that year there was a slight increase of 0.6% and a consequent decline of unemployment. In the field of fiscal consolidation, the Greek Government has achieved fiscal primary surplus already from 2013, although for 2014, the surplus was narrowed because of the shortfall in revenues and the budgetary burden of social insurance that put pressures on annual budget. However, these developments do not imply whatsoever that Greek economy has overcome completely the crisis. Uncertainty remained, notably because the conditions created after seven years of continuous recession still constitute a risky and challenging environment, especially for the banking sector.

In particular for the Greek banking system as a whole there were also some positive developments. In March 2014, Bank of Greece released the results of stress tests which were warmly received by the markets which appreciated the transparency and conservatism of the procedure. Renewed confidence in the Greek Banking system contributed immensely to the banks’ efforts for capital increases. The four systemic banks were able to attract investors while National Bank of Greece and Piraeus Bank regain access to the international bond markets.

Through the restructuring of the Greek Banking system, the four systemic banks attempted to improve their capital base. In 2014 all four banks have recorded strong capital adequacy ratios way above the minimum supervising requirements. This development was enhanced not only by the absorption of the good parts of

### Table 19. Capital Adequacy ratios of Greek Banks in 2014

<table>
<thead>
<tr>
<th>Bank</th>
<th>Total Capital Ratio</th>
<th>Tier I</th>
</tr>
</thead>
<tbody>
<tr>
<td>EUROBANK</td>
<td>15.6%</td>
<td>15.2%</td>
</tr>
<tr>
<td>Piraeus Bank</td>
<td>12.5%</td>
<td>12.4%</td>
</tr>
<tr>
<td>Alpha Bank</td>
<td>14.6%</td>
<td>14.3%</td>
</tr>
<tr>
<td>National Bank of Greece</td>
<td>13.6%</td>
<td>13.5%</td>
</tr>
</tbody>
</table>

(source: Banks’ annual reports)

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medium and small sized banks but also thanks to the improved access to international liquidity markets that was possible that year.

Given the deposit outflows that occurred the previous years one would expect a deterioration in the figures relates to deposits. However, this seems not the case for the loan to deposits ratio which for 2014 was improved compared to 2009. This record can be attributed to the tight credit policies banking institutions followed that resulted in credit shrinkage. Banks put emphasis on improving their loan portfolios in the view of the accelerated recession in Greek economy that diminished the ability of households and enterprises to service their debts. As a result they tightened required criteria for granting new loans. Moreover there was limited demand for new loans while the liquidity problems that Banks were facing contributed as well. Overall, total credit to the economy moved to increasing negative levels from 2010 to 2012 and then remained moderately negative until 2014.\textsuperscript{56}

Undoubtedly the biggest challenge, Greek credit institutions had to face was the dramatic deterioration their loan portfolio. As it was described earlier, the continuous reduction of income for households and enterprises combined with the ongoing uncertainty regarding the future of Greek Economy affected the ability of borrowers to service their debt. As a result, the share of non-performing loans increased at rapid accelerated paces despite the conservative credit policy that Greek Banks conducted. However, for 2014, even though non-performing loans ratio increased, the formation of new 90 days past due performing loans was decelerated.

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
\textbf{Table 20. Loan to deposits ratio of Greek Banks in 2014} & \\
\hline
EUROBANK & 103,1\% \\
Piraeus Bank & 101\% \\
Alpha Bank & 113\% \\
National Bank of Greece & 95\% \\
\hline
\end{tabular}
\end{table}

\begin{table}[h]
\centering
\begin{tabular}{|l|c|}
\hline
\textbf{Table 21. Non – performing loans (as % of total loans)} & \\
\hline
EUROBANK & 33,4\% \\
Piraeus Bank & 38,8\% \\
Alpha Bank & 34\% \\
National Bank of Greece & 31,9\% \\
\hline
\end{tabular}
\end{table}

compared to the preceding years. This development was common to all systemic banks\(^{57}\).

Finally Greek systemic banks, with the exception of National Bank of Greece, have recorded losses for 2014. The registered losses are attributed to the high retained predictions for precarious bad debts that were conducted in the fourth quarter of the year\(^{58}\). However, all systemic banks moved to a “rationalization” of their operating costs which resulted in increase of their operating profitability.\(^{59}\)

| Table 22. Profits (losses) after one offs of Greek systemic Banks for 2014 in million € |
|---------------------------------|---------------------------------|
| EUROBANK                        | (1219)                          |
| Piraeus Bank                   | (1972)                          |
| Alpha Bank                     | (329.7)                         |
| National Bank of Greece        | 66                              |

Summing up, 2014 was a year of mixed results for the Greek Banks. On the one hand, the successful conclusion of stress tests signaled eased their capital increases while they maintained a satisfactory capital adequacy. On the other hand three out of four banks recorded significant losses; a trend that is favored by the continuous rise of non-performing loans which aggravates their profitability. In other words, they have to handle the situation created due to the bad state of the Greek economy which is still in crisis no matter the positive signs that were evident.

### 4.2 Greek Banking Affiliates and Branches in Southeast Europe

Until 2009 seven Greek Banks have developed their activities in Southeast Europe. In 2014 the picture was slightly altered since the restructuring of the banking system in Greece lead to the absorption of ATE Bank, Emporiki and Marfin Egnatia Bank by systemic banks. Consequently, only the four systemic banks continued their operation in the region. Moreover there was no further geographical expansion and Greek Banks remained in the five Balkans states they have been operating.

Starting with the macroeconomic environment, the countries of Southeast Europe followed different path of economic growth than Greece did. Apart from several exceptions, the countries of the region experience positive growth rates though perceptible weakened in the aftermath of the Global Economic Crisis. For 2014, most of the Southeast European economies have maintained positive growth rates despite

\(^{57}\) For instance Piraeus Bank has recorded in the Q4 of 2014 a retreat in the formation of new non-performing loans. Piraeus Bank (2015) Annual report 2014 p. 28


\(^{59}\) Alpha Bank reduced its operating costs 5.8%, National Bank of Greece 15% and Eurobank 10.1%.
the pressures exerted by the decreased demand from the EU, their main trade partner\(^60\). The sole GDP decline of the region, Serbia, is attributed to exceptional circumstances namely the floods that hit the country in May.

<table>
<thead>
<tr>
<th>Table 23. GDP growth in SEE-5 countries 2010-2014</th>
</tr>
</thead>
<tbody>
<tr>
<td>Albania</td>
</tr>
<tr>
<td>2010</td>
</tr>
<tr>
<td>3.7%</td>
</tr>
<tr>
<td>Bulgaria</td>
</tr>
<tr>
<td>0.7%</td>
</tr>
<tr>
<td>F.Y.R.O.M.</td>
</tr>
<tr>
<td>3.4%</td>
</tr>
<tr>
<td>Romania</td>
</tr>
<tr>
<td>-0.9%</td>
</tr>
<tr>
<td>Serbia</td>
</tr>
<tr>
<td>0.6%</td>
</tr>
</tbody>
</table>

(source: World Bank)

As far as unemployment rates are concerned, Southeast European countries maintained more or less the same levels with slight fluctuations either upwards (like Albania) or downwards (like F.Y.R.O.M.). Romania held the lowest unemployment rate for 2014 (7.2%) while F.Y.R.O.M. recorded the highest (29%). In the field of public finances, there is no uniformity among Southeast European countries. Albania and Romania have managed to achieve their fiscal goals and keep their budgets under control, while Serbia and Bulgaria were forced to revise upwards their projections for that year’s fiscal deficit\(^61\). Overall, despite positive economic performance, Southeast European states were facing serious challenges not only in the economic sphere but also in the geopolitical one; namely the instability in Ukraine.

Greek Banks tried to rationalize their international activities via the effective reduction of operating costs. Greek Banking sector’s network in Southeast Europe for the year 2014 numbered approximately 1628 branches and employed more than twenty thousand people. National Bank of Greece had the most extensive network among Greek banks since it counts for 31.6% of the total Greek banking branches and 32.7% of the total employees while it is spread in five countries. Eurobank is the second largest bank in terms of operating branches and human resources; however it operates in only three countries (less than any other bank).

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Diachronically, Greek Banks have attempted to increase their deposits base in the region’s countries. Consequently, they relied on innovative financial products in order to attract local depositors. In 2014, almost all Greek Banking affiliates in Southeast Europe have increased their deposits. As a result, they maintained strong capital adequacy ratios meeting the minimum capital requirements that each local Central Bank sets. Moreover, the majority of the banks have recorded satisfactory loan to deposits ratios\textsuperscript{62} which in many cases fell under 100\%\textsuperscript{63}.

The greatest challenge Greek Banks had to cope with in their activities in Southeast Europe was the persistent high levels of non-performing loans. With the exception of Stopanka Banka AD whose non-performing loans counted for 6\% of its total loans, the rest Greek owned banks had double-digit NPL ratio. However, in

\begin{table}[h]
\centering
\begin{tabular}{|l|c|c|}
\hline
\textbf{NATIONAL BANK OF GREECE} & 515 & 6834 \\
Albania & 27 & 284 \\
Bulgaria & 199 & 2540 \\
F.Y.R. of Macedonia & 65 & 1046 \\
Serbia & 109 & 1706 \\
Romania & 115 & 1258 \\
\hline
\textbf{ALPHA BANK} & 370 & 4532 \\
Albania & 40 & 402 \\
Bulgaria & 82 & 744 \\
F.Y.R. of Macedonia & 18 & 246 \\
Serbia & 81 & 1137 \\
Romania & 149 & 2003 \\
\hline
\textbf{PIRAEUS BANK} & 293 & 3343 \\
Albania & 47 & 454 \\
Bulgaria & 83 & 847 \\
Serbia & 33 & 502 \\
Romania & 130 & 1540 \\
\hline
\textbf{EFG EUROBANK} & 450 & 6208 \\
Bulgaria & 179 & 2304 \\
Serbia & 95 & 1368 \\
Romania & 176 & 2536 \\
\hline
\end{tabular}
\caption{Branch networks and employees of Greek Banks in SEE in 2014}
\end{table}

\textsuperscript{62} Worst loan to deposits ratio were recorded in the Bulgarian branch of Alpha Bank and in Alpha Bank Srbija. Alpha Bank (2015) Business review 2014 p. 48-50
certain cases it was lower than the local market average thus indicating a relative good performance.64

Annual financial report of the Greek Banking system regarding its profits in the region included differentiated results. All National Bank of Greece’s affiliates have managed to gain either marginal of significant profits and therefore had an important contribution in the Group profitability. On the other hand, Eurobank and Piraeus Bank have recorded losses from their activities in Southeast Europe which aggravated their performance as a group. Finally, Alpha Bank has been profitable in Albania and Serbia but unprofitable in Albania.

In conclusion, the situation for the Greek Banking system in Southeast Europe as it was formed in 2014 cannot be easily classified as purely positive or negative. Regional economies had positive but rather weak (apart from F.Y.R.O.M.) GDP growth rates due to the pressures exerted by Global Financial Crisis and Eurozone debt crisis. Also, chronic problems such as high long-term unemployment persisted. Exceptional issues that arose in several countries like floods in Serbia or the collapse of a large commercial bank in Bulgaria65 had added to the general uncertain economic climate. The effect of these factors was clearly reflected in the performance of Greek Banks: despite healthy banking fundamentals (such capital adequacy), activities were affected and influenced by the high number of non-performing loans which in turn led to losses for many of the Greek affiliates.

5. Conclusions

This paper has attempted to assess Greek Banking sector investments in Southeast Europe and their course in the view of the Greek Economic Crisis. This assessment was attempted via a comparison: the status of Greek Banks and their affiliates in 2009 compared to where they stood five years after the onset of Greek crisis.

To start with, Greek banks have a longstanding presence in the region dating from the mid 90s. Geographical proximity, deep cultural and historical relations with the people of Southeast Europe as well as the growing number of Greek companies entering the markets of Balkan countries provided the necessary impetus for Greek

Banks to start investing in the region. Moreover, their extensive experience in providing banking services compared to the local banking institutions served as an advantage which combined with the limited competition, since other Western Banking Groups initially seemed hesitant to invest, helped them consolidate and strengthen their presence.

As of 2009, Greek Banks have accomplished to hold respectable market shares in all countries of the Balkan Peninsula where they operated: Albania, Bulgaria, F.Y.R. of Macedonia, Romania and Serbia. Greek Banking sector’s network in the area numbered more than two thousand branches and provided vacancies for almost thirty thousand employees. In addition, Greek Banking subsidiaries and branches maintained healthy banking fundamentals such as satisfactory capital adequacy in compliance with the requirements of the competent local supervising authorities and a deposit base strong enough to support their credit expansion. Based on a tight credit policy they, also, managed to improve at a constant pace the quality of their loan portfolio. As a result, Greek Banks gained significant profits from their activities in the region thus vindicated their investment choices.

The outbreak of the debt crisis and its evolvement into an economic crisis posed a great challenge for Greece in general and for its banking system in particular. The deterioration of economic conditions as they reflected in the decline of GPD and in the dramatic rise of unemployment along with the ongoing discourse for a Greek bankruptcy and a subsequent exit from the Eurozone caused a continuous drain in deposits. Furthermore, the aggressive fiscal adjustment that was dictated both by the excessive government deficits and by the provisions of the bailout programmes led to the imposition of new taxes that burdened financially households and enterprises which became unable to service their debts. Consequently, the number of non-performing loans increased harming the activities of Greek Banks and their profitability. A severe blow to the Greek Banking system was dealt with the introduction of the Private Sector Involvement (PSI) in the second bailout programme for Greece which provided the exchange of Greek Government Bonds that were kept by private holders with new ones at half of their initial nominal price.

The combination of the aforementioned factors increased capital requirements of the Greek Banks and made the need for their recapitalization imperative. However, the decision for recapitalization launched a procedure for a restructuring of the Greek Banking system. Four systemic banks emerged (National Bank of Greece, Eurobank,
Piraeus Bank and Alpha Bank) which absorbed the majority of non-systemic ones. In 2014 the new landscape of the Greek Banking system was in place. The takeovers of smaller banks helped the four systemic banking institutions restore their capital adequacy. However, the sharp escalation of non-performing loans harmed decisively Banking activities and affected the latter’s profitability. In 2014, with the sole exception of National Bank of Greece, all systemic banks recorded losses.

Taking into consideration the state of Greek parent-banks in 2014 and the state of their affiliates at the same year, several similarities can be observed. Therefore the argument that the Greek Banking sector’s affiliates in Southeast Europe went through a performance similar to their parent banks is at some extend valid. To begin with, banking networks in both Greece and in Southeast Europe contracted, although not at the same extend. In Greece the shrinkage of the banking network was milder that in Southeast Europe. The same applied also in the number of employees in Greek Banks domestically and abroad. The decrease of employees in Southeast Europe was sharper than in Greece.

Moving on to certain banking fundamentals it is observed that both Greek parent-banks and their subsidiaries and branches in the Balkan countries enjoy satisfactory capital adequacy ratios. Nevertheless, Balkan affiliates have recorded higher capital adequacy ratios than Greek Banks mainly because in their respective countries the minimum supervising requirements are more demanding than in Greece. Moreover, both sides face the problem of increased non-performing loans. However, for Greek Banks the non-performing loans ratio was higher than for their affiliates in Southeast Europe. Ultimately, given the annual stocktaking Greek systemic banks, it can be noted that profits (or losses) of each Greek Bank were accompanied by similar profits (or losses) of their affiliates in Southeast Europe: all Balkan subsidiaries and branches National Bank of Greece, the only profitable Greek Bank for 2014, have recorded profits. On the other hand, Eurobank and Piraeus Bank which had the greatest losses witnessed all of their affiliates in the region recording losses as well. Lastly, Alpha Bank which registered losses, but at considerably smaller extend than Piraeus and Eurobank, experienced mixed outcomes in Southeast Europe where several affiliates were profitable and others not.

In a few words, Greek Banking sector subsidiaries in Southeast Europe largely followed the performance path of their parent banks in Greece. However, this point requires a further clarification which links the performance of the two sides, since
most of the Greek banking affiliates in the region are subsidiaries which means that they retain their relative autonomy from their parent bank. Firstly, Greek Banks had been financing the credit expansion of their affiliates through their own funds. As the Greek crisis was progressing, they had to turn their focus on the domestic front; therefore they could not release funds in order to support their activities in Southeast Europe. Consequently, Greek Bank’s affiliates in the region had to rely solely on their deposits which undoubtedly affected their ability for credit expansion. Moreover, the shrinkage of Greek Banking sector’s network in Southeast Europe can be explained through the lens of rationalization of operating costs for Greek Banks.

Banking institutions in Southeast Europe could not remain unaffected by the Greek crisis, especially those directly related to the Greek Banking sector. As it was described in the paper, Greek Banks concentrated their activities in five Balkan countries where already established economic links with Greece existed. Contagion of the Greek crisis was most likely in these countries since many transmission channels were in place (trade, investments). Economic turmoil in Greece, generated a threat for economic instability in Southeast Europe and in the banking sector in particular, even though, supervising banking authorities in Southeast European countries have taken measures to secure their banking systems from contagion. In conclusion, Greek economic crisis contributed to the uncertainty in these countries and by extension to the creation of an unfavorable macroeconomic environment. This development had a great impact in banking activities as it was echoed in the rise of non-performing loans.

Nowadays, there is an ongoing discussion regarding the future of Greek Banks in Southeast Europe in the view of the recent developments and the new chapter in the Greek crisis that has been opened after the change in Greek politics. The decision of the newly elected government (Jan. 2015) to re-negotiate the terms of the bailout programme revived the discourse of a Greek exit from the Eurozone. When the final agreement for the third bailout programme was reached at the mid of July a large amount of deposits was withdrawn from Greek Banks and capital controls were imposed in order to avoid a collapse of the banking sector. The conditions that have been created made the need for recapitalization of the Greek Banks once more urgent.

It is important to note that under the provisions of the restructuring plans that Greek Banks submitted to the Directorate – General for Competition of the European Commission, the former have to dwindle their international activities. In this regard, a retreat of Greek Banks from specific Southeast European countries is not an unlikely
possibility. From that point on, a potential scenario suggests that a bank would retreat from countries where its activities are insignificant in order to maintain its operation in more critical markets, for instance Alpha Bank would withdraw from F.Y.R. of Macedonia in order to retain its activities in Romania. Another possible development would be the cooperation among Greek systemic banks in Southeast Europe. The redemption of Alpha Bank Bulgaria to Postbank Eurobank for a symbolic price can provide an example. In this manner, not only the provisions of the restructuring plans are fulfilled but also the value maximization of Greek banking investments is achieved.

To conclude, the future of the Greek Banking sector both domestically and in Southeast Europe is hardly foreseeable and predictable. It was noted that developments in the Greek parent banks affect the operation of their affiliates abroad despite the autonomy of the latter in terms of deposit base or exposure to the parent bank. In this regard the development in the Banking system in Greece will determine catalytically the future of Greek Banking investments in Southeast Europe.
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