



NATIONAL BANK  
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# The Post-Pandemic Greek Bank Challenges



**THESSALONIKI  
SUMMIT  
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Session on "*How Greek banks can take a Leadership Role in the Greek Economy*"

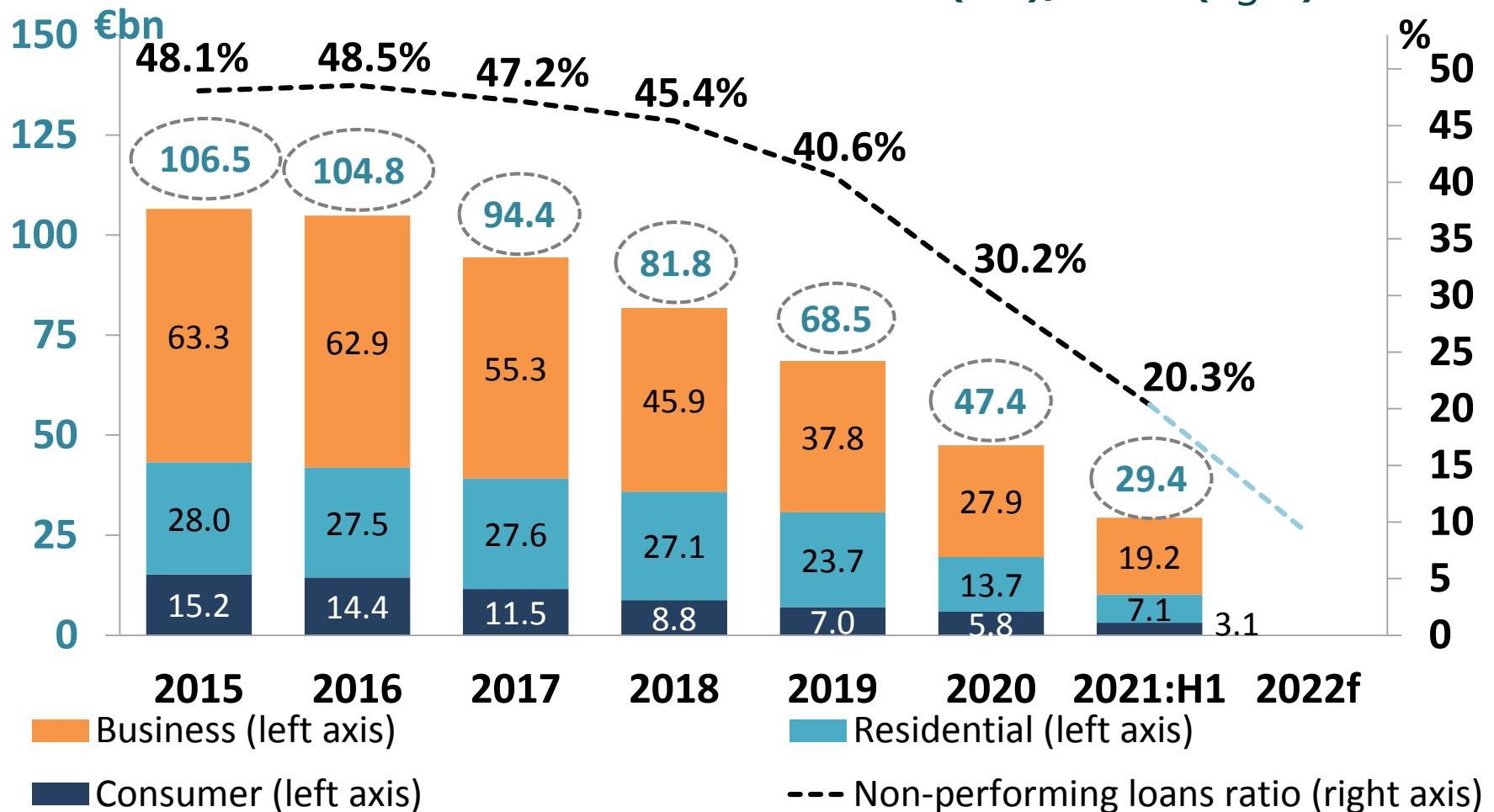
# Key Post-Pandemic Challenges

- **Clean up the crisis legacy effects**
  - Reduce NPEs
  - Build a strong capital buffer in view of strict regulatory demands
- **Adopt transparent corporate governance and run an internal transformation**
  - Systemic banks are leading in Corporate Governance changes and in ESG
  - Big effort to reduce silos and improve human resource management
- **Focus on customer needs and the digitalization of services**
  - Competition from Fin-techs and Big-techs and IT investment
  - Younger generations demand quick service, smarter, savvier
- **Cooperate with the State in view of RRF**
  - 6 years of anticipated growth due to inflow of European funds
  - Improve bankable perimeter of SMEs
- **Adopt a regional strategic focus in the medium run**
  - It is costly to expand abroad today

# NPEs are declining fast

## Non-Performing Exposures

€bn (left), Ratio (right)



Source: Bank of Greece

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# Building a capital buffer

- ❑ SSM min. capital requirements for 3 of the 4 Greek systemic banks on the right →
- ❑ Greek banks are tip-toeing above the min. requirements
- ❑ NPE reduction consumes capital & results in negative profits, potentially triggering additional DTC & dilution
- ❑ “Hive-down” use by 3 of the 4 banks to avoid DTC & dilution
- ❑ IFRS-9, DTC retirement, and to-come-Basel IV eat up capital

## Minimum requirement for Greek systemic banks

	2021		2022		2023	
	CET1	Total Capital	CET1	Total Capital	CET1	Total Capital
Pillar 1	4.50%	8.00%	4.50%	8.00%	4.50%	8.00%
Pillar 2 (P2R)	1.69%	3.00%	1.69%	3.00%	1.69%	3.00%
<b>Total SREP Capital Requirements (TSCR)</b>	<b>6.19%</b>	<b>11.00%</b>	<b>6.19%</b>	<b>11.00%</b>	<b>6.19%</b>	<b>11.00%</b>
Capital Conservation Buffer (CCB)	2.50%	2.50%	2.50%	2.50%	2.50%	2.50%
O-SII	0.50%	0.50%	0.75%	0.75%	1.00%	1.00%
<b>Overall Capital Requirements (OCR)</b>	<b>9.19%</b>	<b>14.00%</b>	<b>9.44%</b>	<b>14.25%</b>	<b>9.69%</b>	<b>14.50%</b>
Pillar 2 Guidance (P2G)	2.00%	2.00%	1.75%	1.75%	1.75%	1.75%
<b>Total Capital Requirement (OCR + P2G)</b>	<b>11.19%</b>	<b>16.00%</b>	<b>11.19%</b>	<b>16.00%</b>	<b>11.44%</b>	<b>16.25%</b>

*Total Capital Requirement (including covid-19 capital relief measures)*      **6.19%**    **11.00%**      **6.19%**    **11.00%**      *n/a*      *n/a*

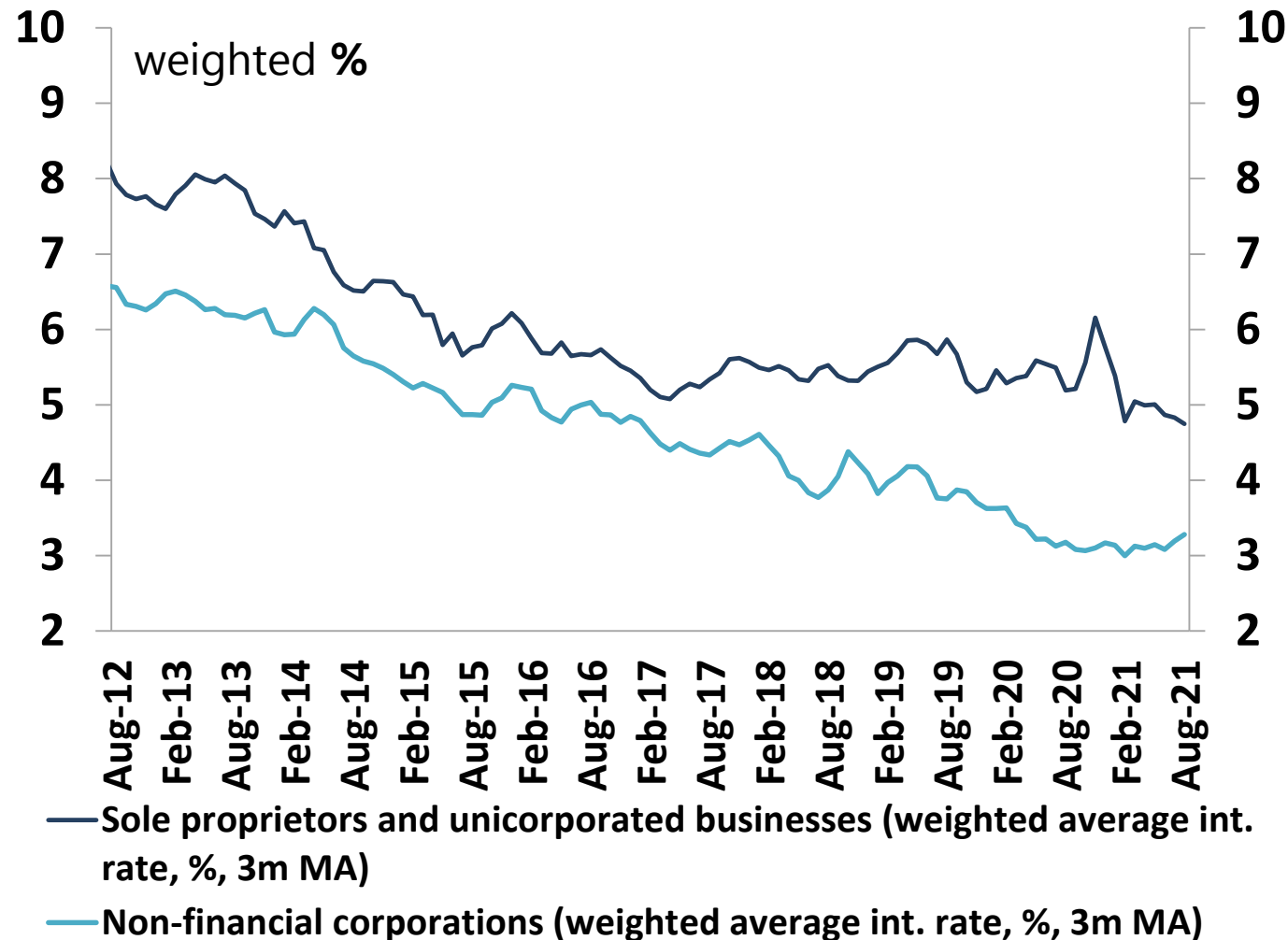
### Notes

- **Pillar 1:** minimum capital requirement for credit, market and operational risk
- **Pillar 2 (P2R):** bank-specific capital requirement covering risks which are underestimated or not covered by Pillar 1
- **Capital Conservation Buffer (CCB):** additional buffer of 2.5% on CET1 to conserve Banks capital. When the buffer breaches, limits are applied to the amount of dividend and bonus payments.
- **Other Systemically Important Institution Buffer (O-SII):** systemic risk buffer of CET1 to prevent and mitigate macro prudential or systemic risks
- **Pillar 2 Guidance (P2G):** bank-specific recommendation that serves as a buffer for banks to withstand stress
- **P2R** and **P2G** expected to decrease going forward following BS de-risking. For years 2022/ 2023, P2G at 1.75% is subject to JST approval
- **Covid-19 capital relief measures** allow banks to operate temporarily below the level of capital defined by the Pillar 2 Guidance (P2G), the capital conservation buffer (CCB) and the O-SII buffer

# Interest rates are declining

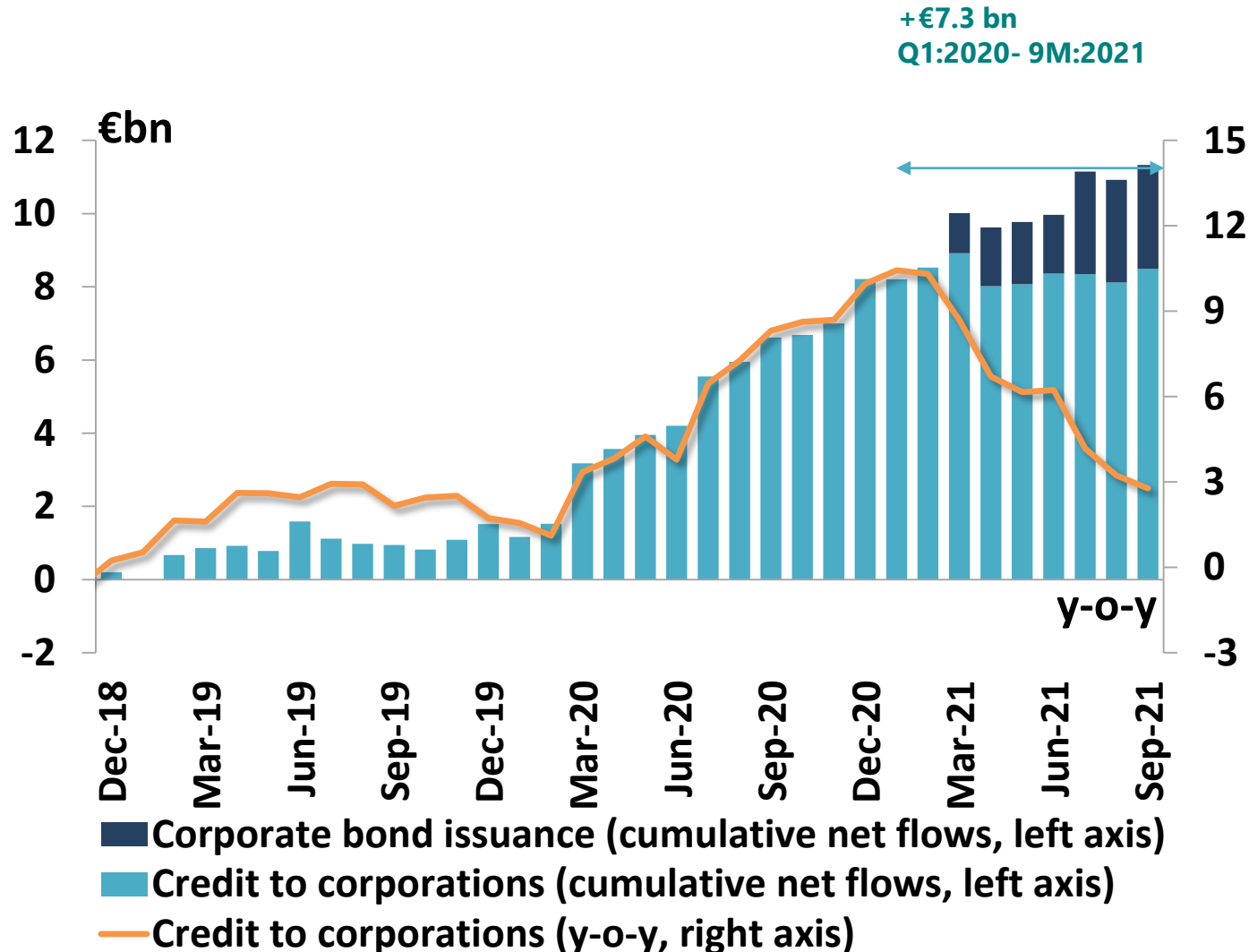
- ❑ Companies face declining financing costs, especially the corporates
- ❑ The future of global interest rates is uncertain, yet there is room for additional interest rate reductions in Greece as the country ratings improve

Nominal interest rates on loans in Greece



# Lending has picked up

- ❑ Net loans (i.e. new loans – repayments) to the corporate sector are positive since 2019
- ❑ Net loans of €7.3 bn & gross expansion of €22 bn in the past 18 months
- ❑ Large companies issue corporate bonds



# The future looks promising



**Thank you for your attention!**

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