



NATIONAL BANK
OF GREECE



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Post-Pandemic Challenges

February 19, 2022

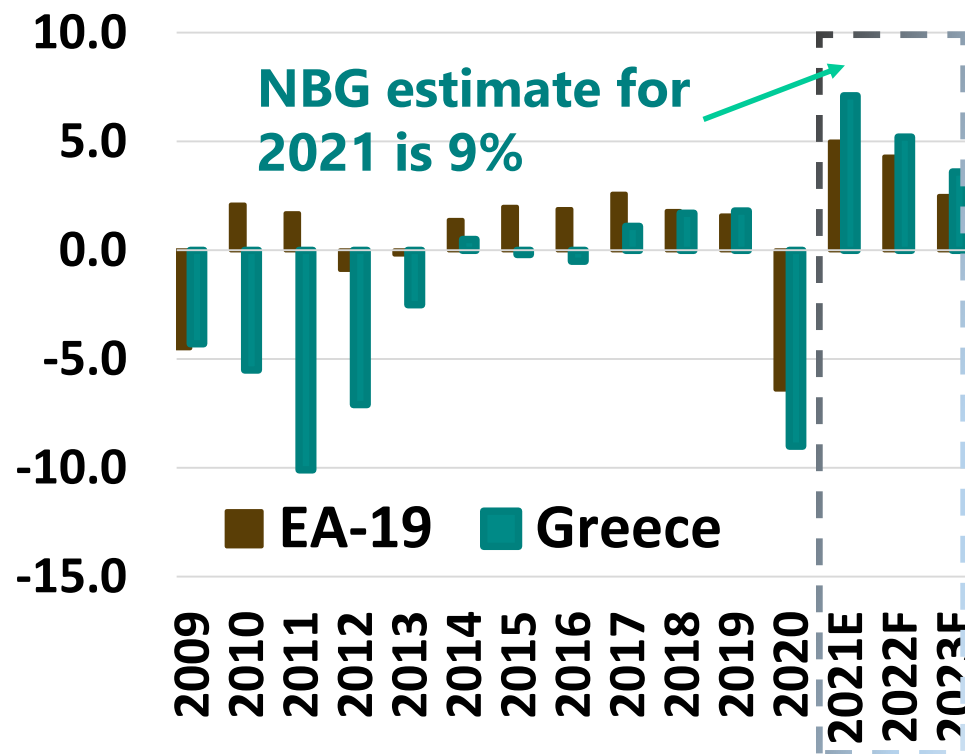


LSESU Hellenic Society Conference on
"Greece 2022: Semper Ad Meliora"

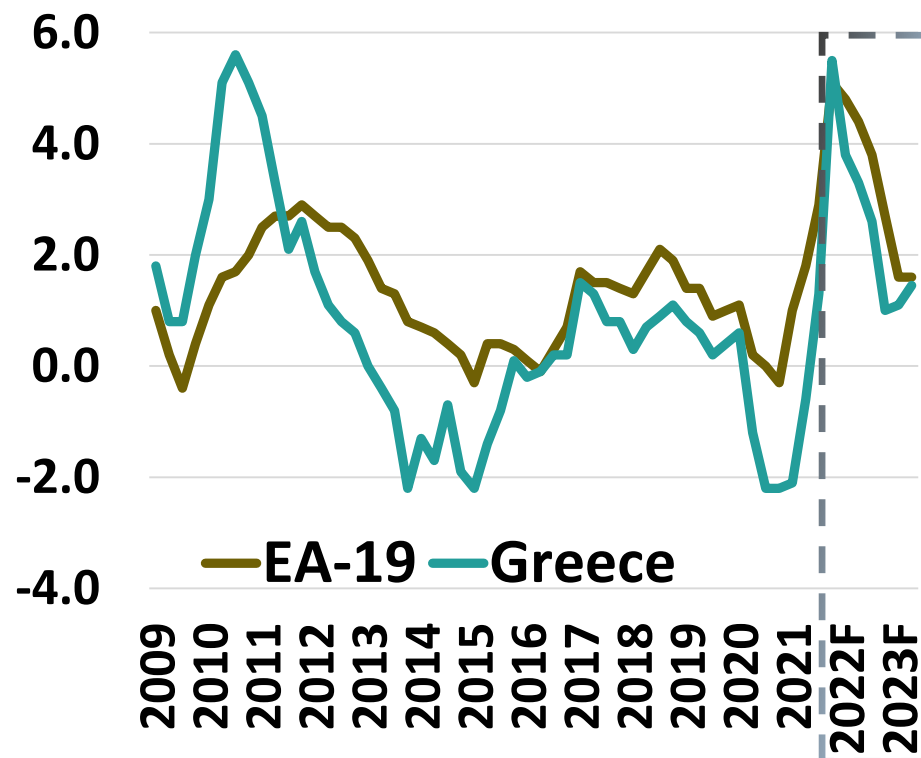
Optimism about the Macroeconomy

- ❑ Solid growth in Greece, higher than in EA-19
- ❑ Inflation picks up but under control
- ❑ **War in Ukraine, would reduce global growth and increase inflation**

Real GDP Growth Rate (%)



HICP – Annual Rate of Change (%)

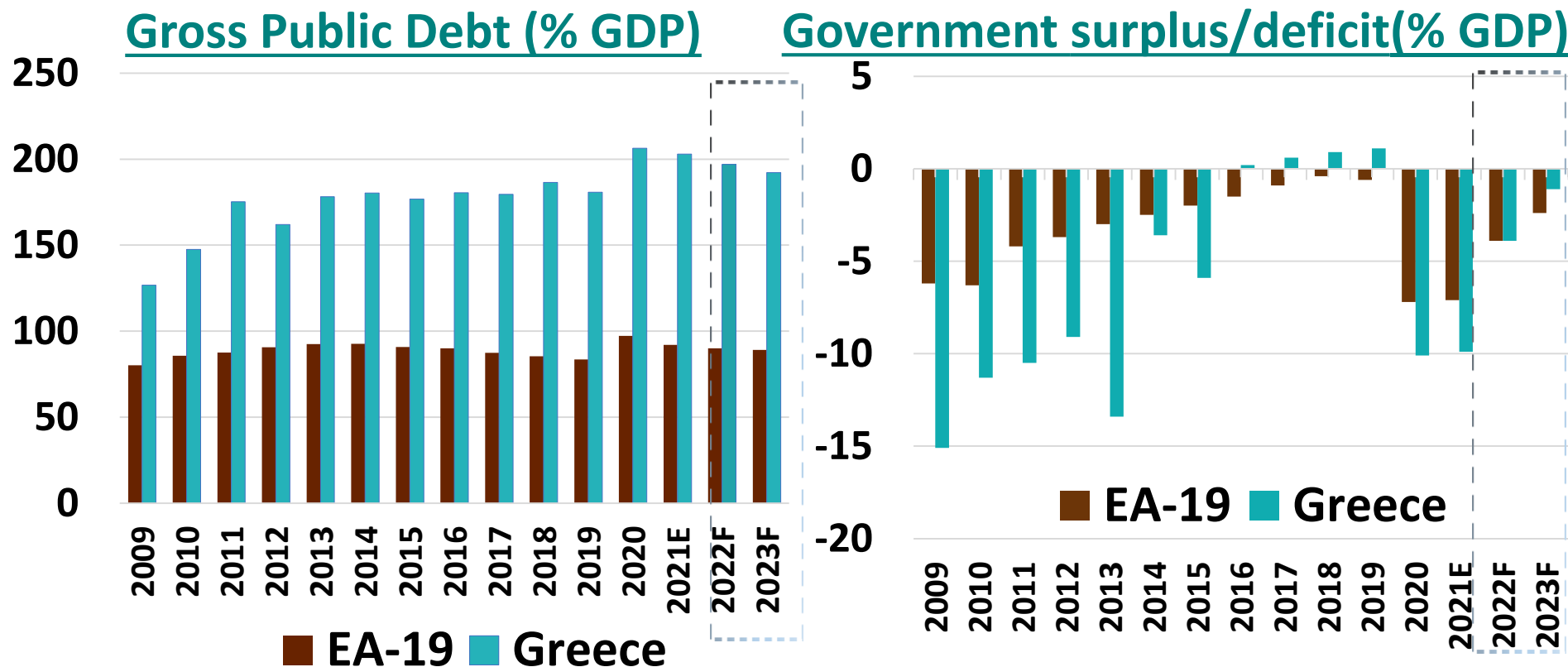


Source: Historical data from European Commission, National Statistics

GDP forecasts are from the European Commission, Inflation forecasts are from Bloomberg surveys

A tighter fiscal future relative to the pandemic

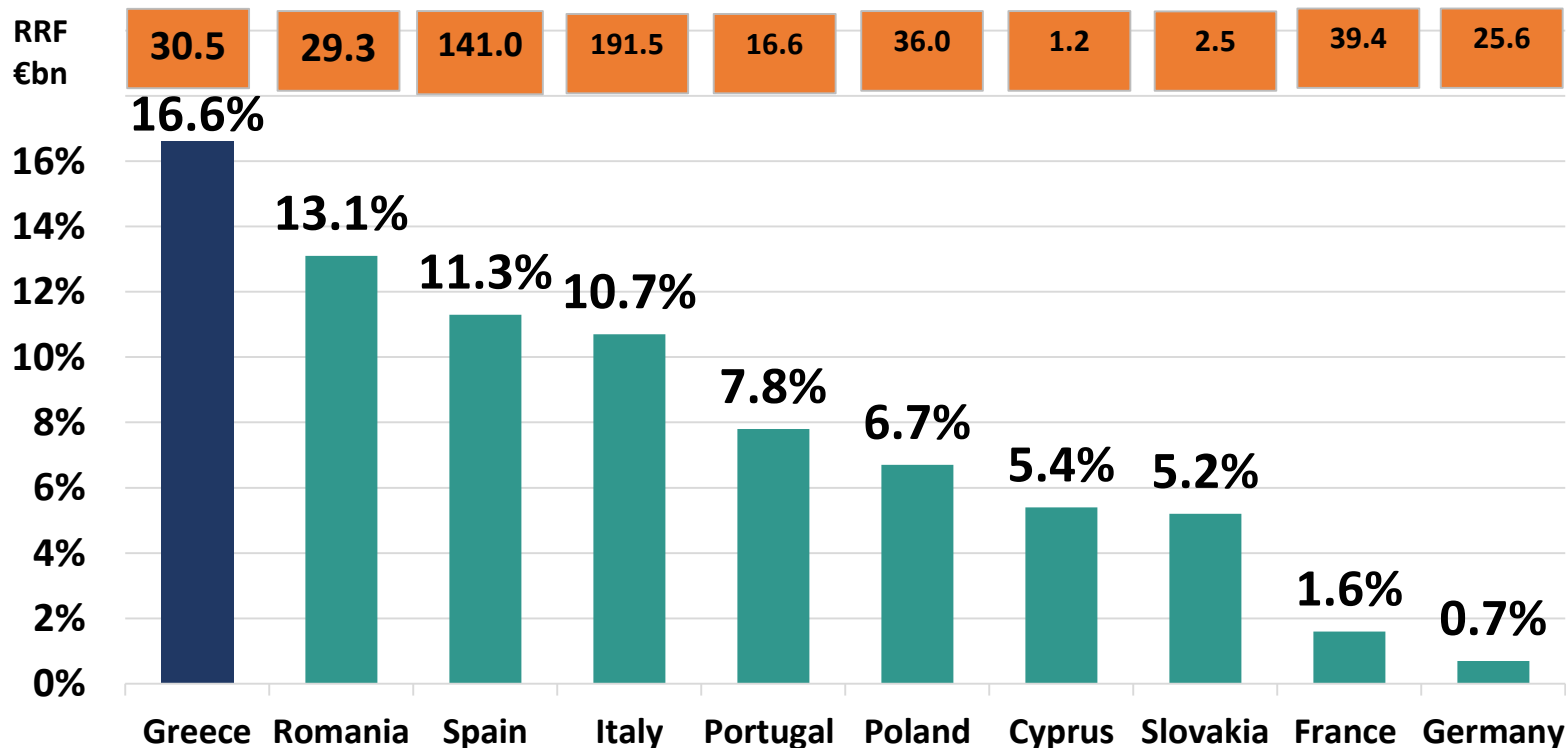
- Greece is an outlier in terms of public debt, yet both debt and deficits are declining in 2022-23
- European support led to low cost of debt financing (1.5%)
- **Current discussion on the reform of the Stability and Growth Pact**



Source: European Commission Autumn 2022 Forecasts, National Statistics

Solid long-run prospects: Recovery and Resilience Fund (RRF)

RRF Grants & Loans as a percentage of GDP

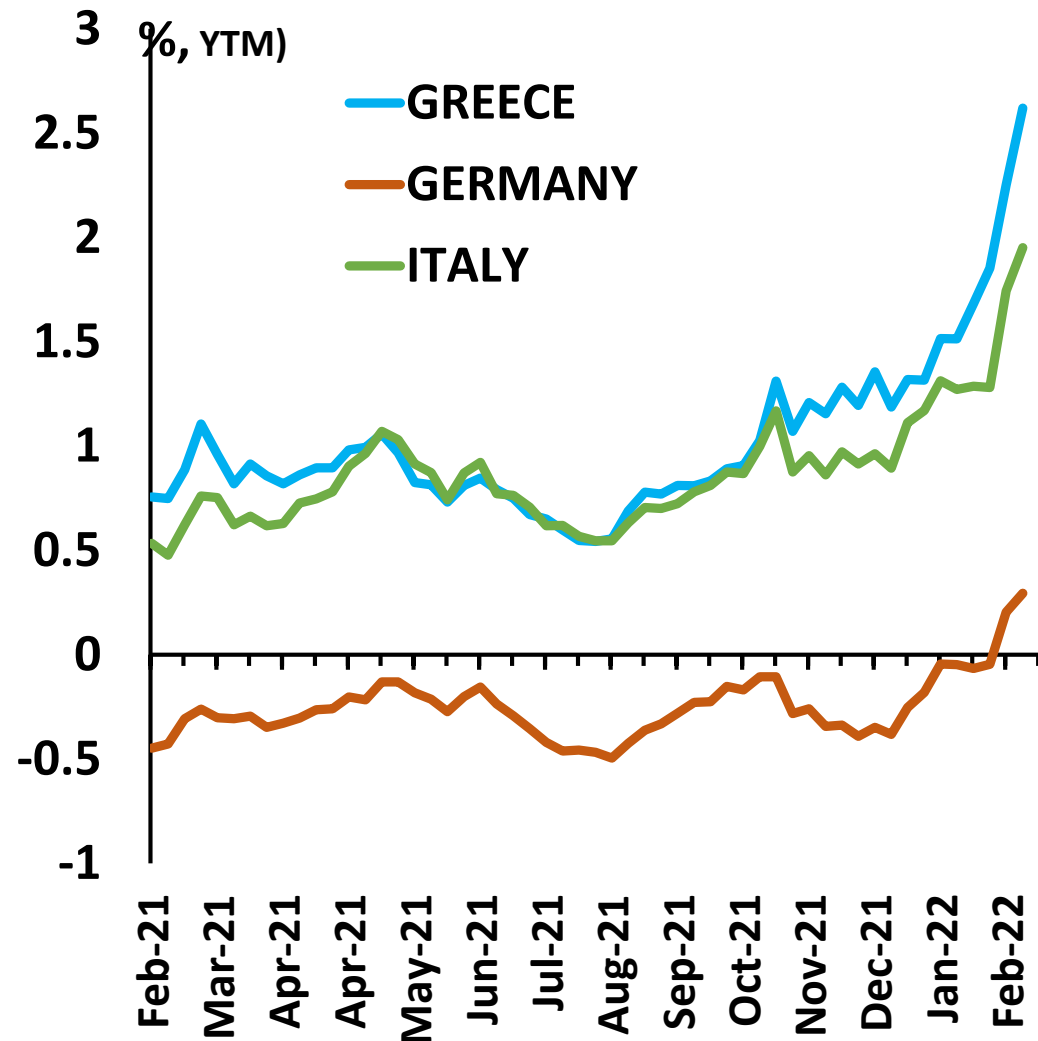


Green transition (33%), Digital transition (12%), Employment & Social Cohesions (29%), Private investment (26%)

Source: Eurostat (GDP per capita, greenhouse gas emissions), IMF (GDP forecasts), Our World in Data (COVID-19 deaths and vaccinations), Bruegel (RRF loans & grants)

Low global rates, about to increase back to normal

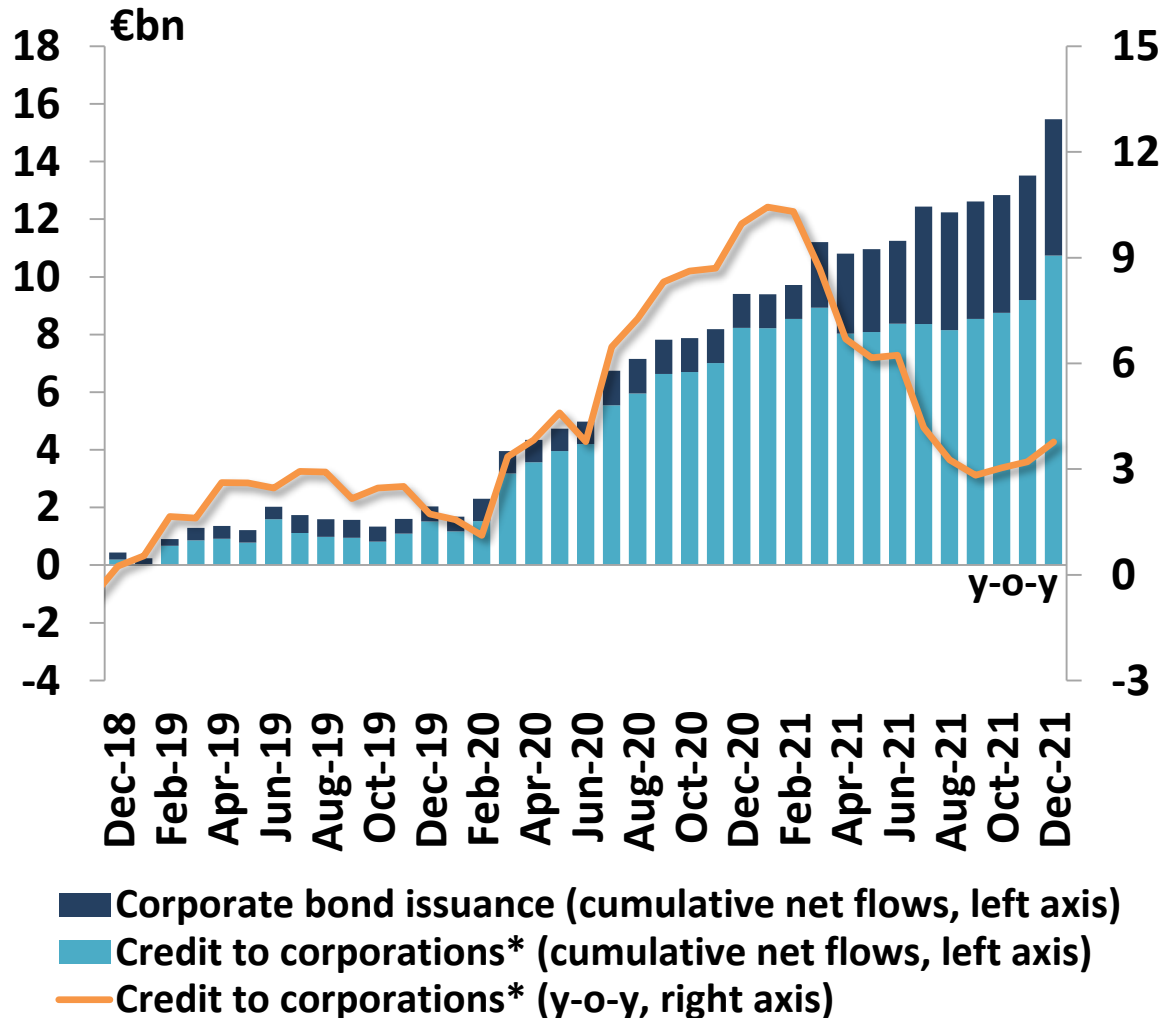
- ❑ The era of super low rates is over, normality in the horizon
- ❑ Normality is good for banks
- ❑ Greek Spreads vs. Germany on the rise (currently around 240bps)
- ❑ Rise in rates not worrisome for the government in the short-run
 - Although ECB's PEPP to be discontinued in March 2022, maturing Greek bonds purchased under PEPP will be reinvested until at least 2024-end
 - Some downward pressure on spreads from possible ratings upgrade



Source: Bloomberg

Lending has picked up

- ❑ A new era has begun as banks re-engage in lending
- ❑ Positive Net Loans (i.e., new loans – repayments) to corporate sector since 2019
- ❑ Past two years: €9.2bn of Net loans & €25bn of new gross loans
- ❑ Large companies issue corporate bonds as well
- ❑ Bank competition is severe



* Non-financial

Source: Bank of Greece

Key Post-Pandemic Bank Challenges

- ❑ **Finish the cleaning up the crisis legacy effects**
 - Reduce NPEs: on track
 - Pressure to build a strong capital buffer, pressure from MREL requirements
- ❑ **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 positive-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

Digitalization of the Greek economy

Use of Internet Services in Greece

	2011	2015	2020	
Internet Users (% of Individuals)	52%	67%	78%	Greece
	69%	78%	88%	EU Average
E-Banking (% of internet users)	17%	21%	47%	Greece
	52%	56%	66%	EU Average

Source: European Commission's Digital Economy and Society Index (DESI)

The future looks promising



Thank you for your attention!

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Appendix

The crisis shrank the Greek banking system

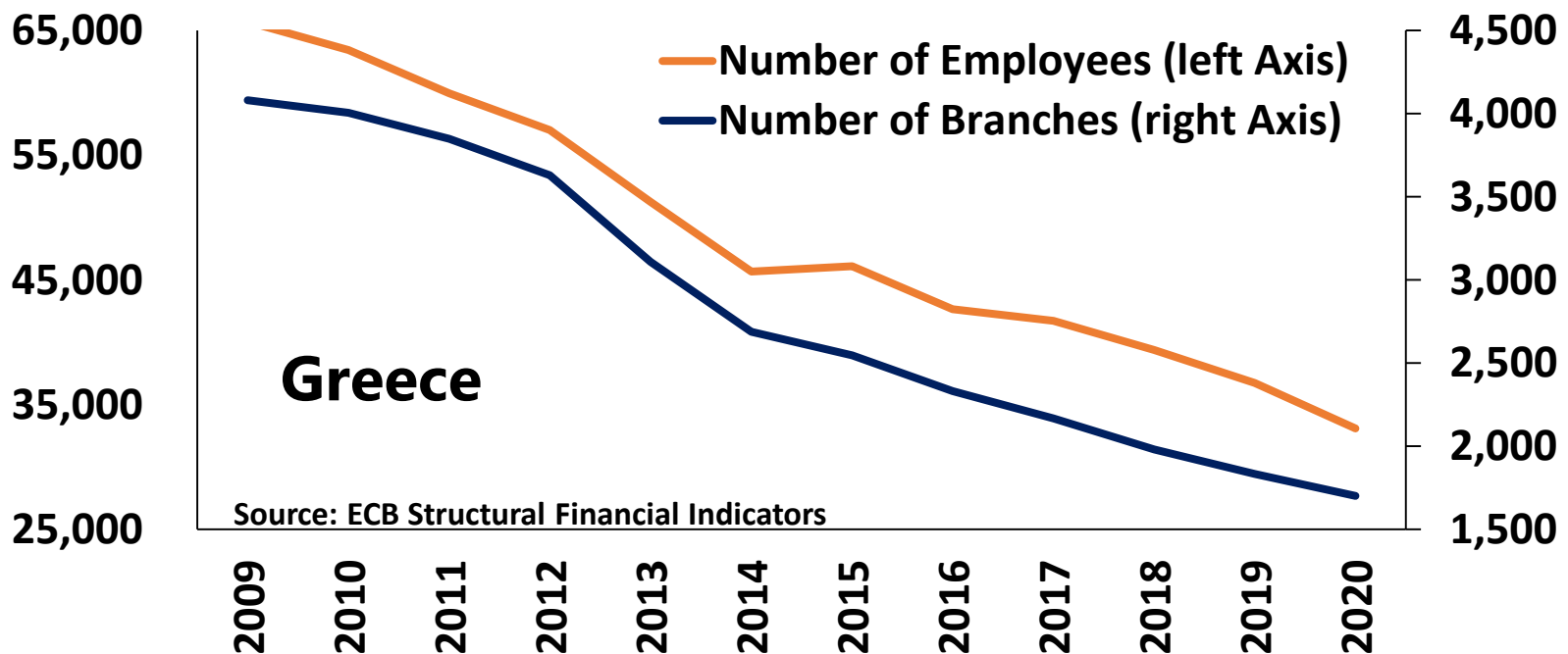
Domestic Greek Banking System	2009 (€bn)	2021 (Q3) (€bn)	Δ% (2009- 2021)
Assets	447.151	303.480	-32.1%
(Share of 4 systemic banks)	71.9%	96.5%	
Loans	271.167	155.328	-42.7%
Deposits	279.544	213.467	-23.6%
CET1	29.367	20.447	-30.4%
(of which DTA or DTC)	1.100	15.525	
Pre-Provision Income	7.137	2.964 (9-month)	-58.5%
Nominal GDP	237.534	177.036 (EC Forecast FY2021)	-25.4%

Source: Bank of Greece, Systemic Banks' Financial Results (Q3- 2021)

Note: Domestic banking system, (€bn)

Personnel size declined

	2009	2020	$\Delta\%$ (2009-2020)	
Number of Branches	4,079	1,702	-58.3%	Greece
Number of Employees	184,271	118,562	-35.5%	EA-19
Number of Branches	65,682	33,097	-49.6%	Greece
Number of Employees	2,196,066	1,823,768	-16.9%	EA-19



Retreat from abroad

- ❑ Significant decrease in international presence and a major withdrawal from the neighboring countries
- ❑ From a total of 37 subsidiaries in 2009 to just 11 in mid 2021
- ❑ Today: 4 subsidiaries of Alpha Bank*, 4 of Eurobank, 3 NBG and none of Piraeus Bank

*According to its strategic plan, Alpha bank will complete the sale of its subsidiaries in Albania and London in 2022, while it will develop its international presence in Romania and Cyprus

Foreign Subsidiaries of Greek Banks

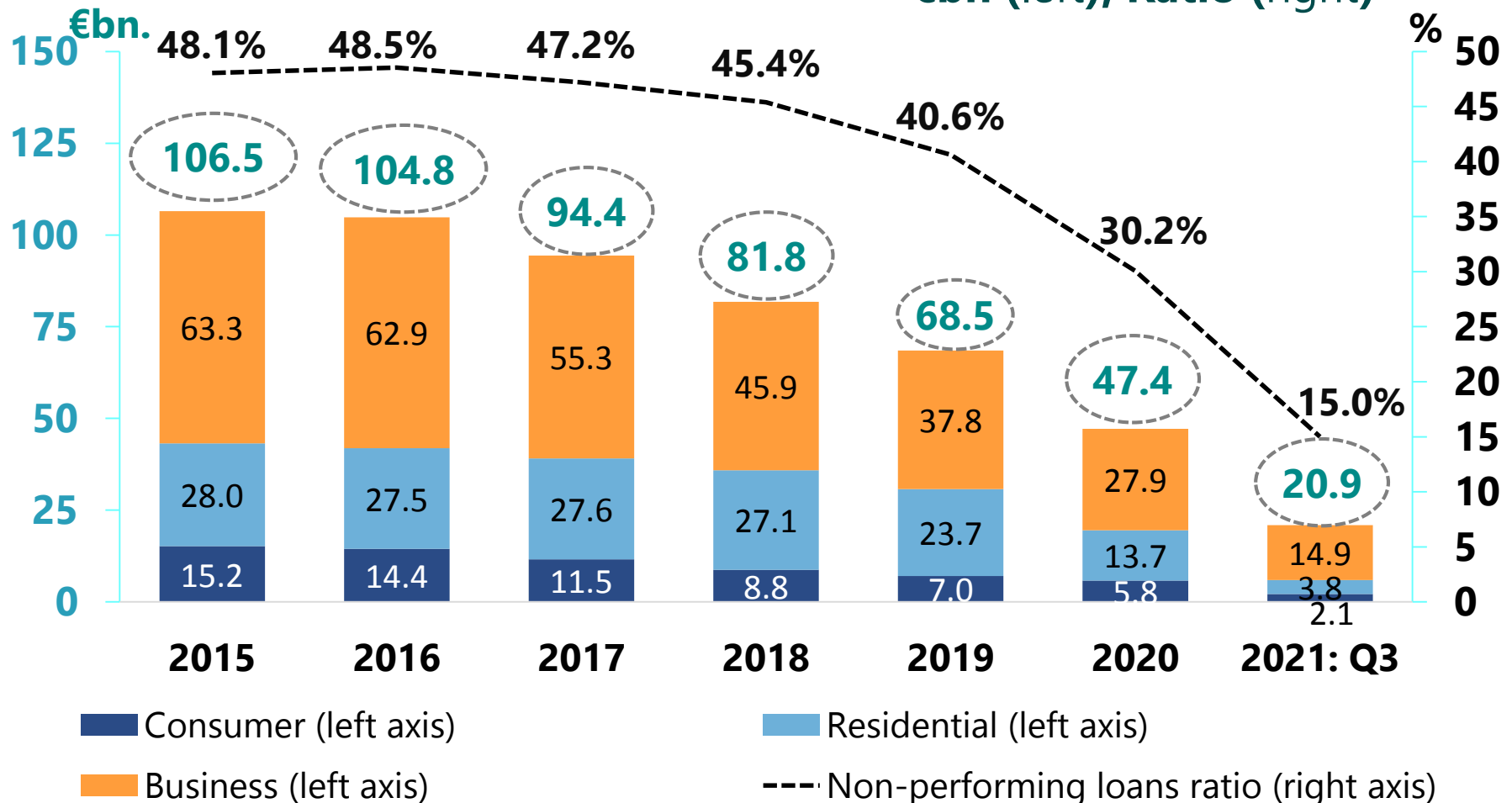
	2009	2021 (H1)
Total Assets (€bn)	87.6	31.3
Total Loans (€bn)	61.9	19.0
Total Deposits (€bn)	37.8	22.8
Number of Branches	3.446	557
Number of Employees	50.728	9.152
Number of Subsidiaries	37	11

Source: HBA, Bank of Greece

NPEs are declining fast

Domestic Bank data

Non-Performing Exposures €bn (left), Ratio (right)



Source: Bank of Greece

Need to Build 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
- ❑ MREL requirements

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%
Total SREP Capital Requirements (TSCR)	6.19%	11.00%	6.19%	11.00%	6.19%	11.00%
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%
Overall Capital Requirements (OCR)	9.19%	14.00%	9.44%	14.25%	9.69%	14.50%
Pillar 2 Guidance (P2G)	2.00%	2.00%	1.75%	1.75%	1.75%	1.75%
Total Capital Requirement (OCR + P2G)	11.19%	16.00%	11.19%	16.00%	11.44%	16.25%

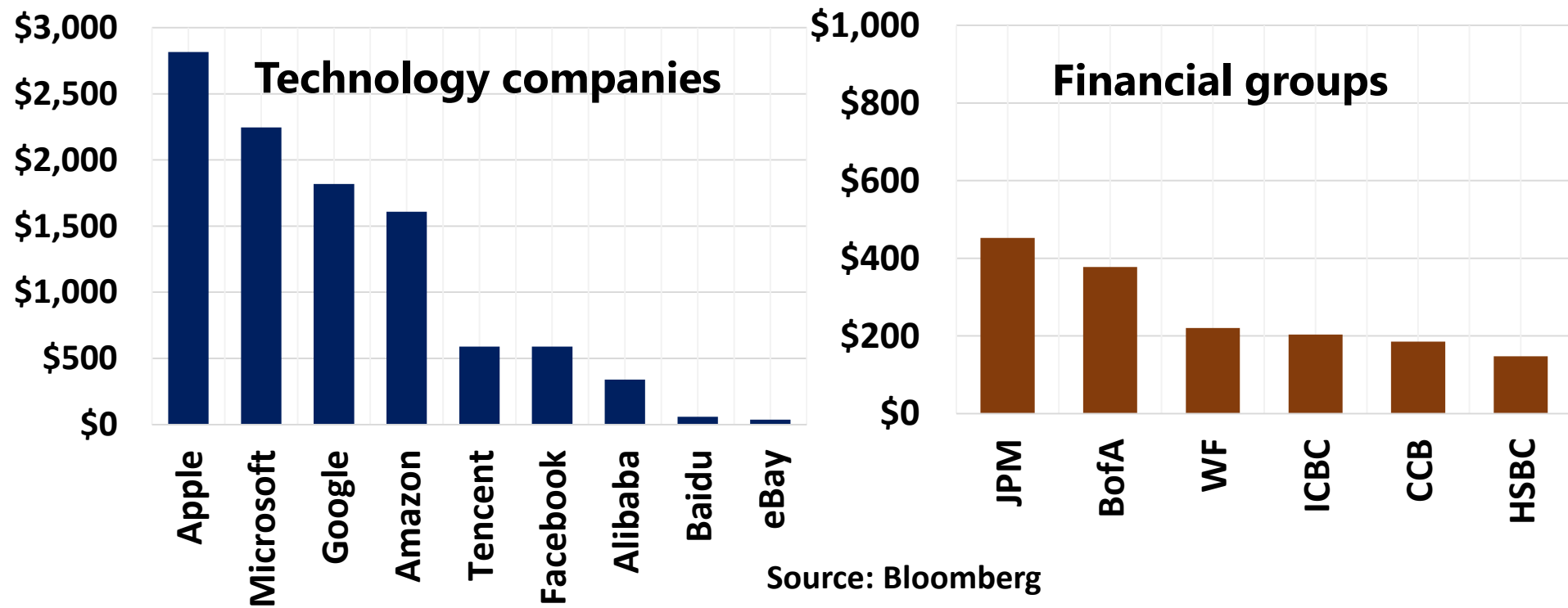
<i>Total Capital Requirement (including covid-19 capital relief measures)</i>	<i>6.19%</i>	<i>11.00%</i>	<i>6.19%</i>	<i>11.00%</i>	<i>n/a</i>	<i>n/a</i>
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Notes

- **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

Capitalization of Big Tech and Big Banks

Market capitalization
(US\$ billion, February 17, 2022)



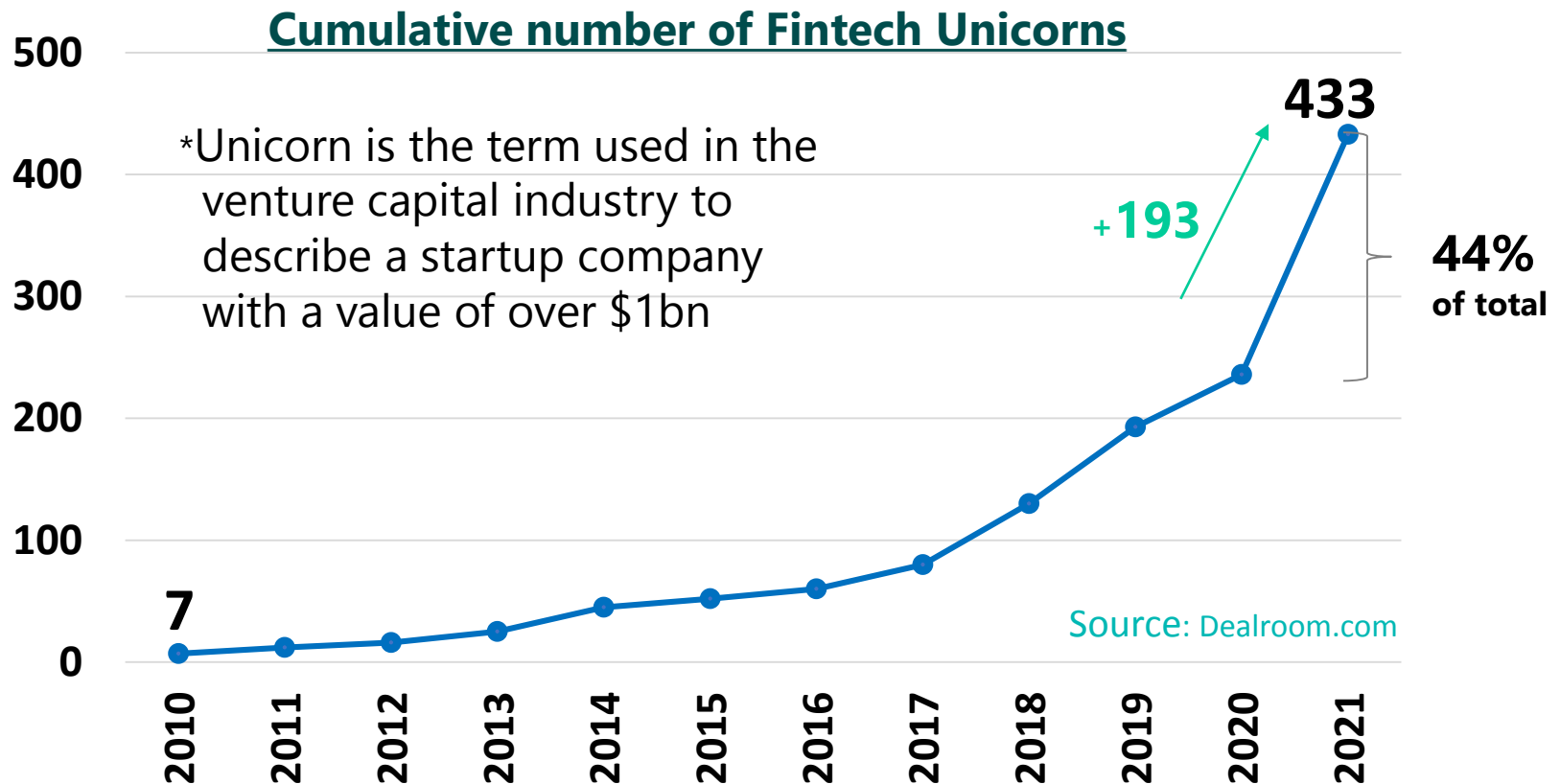
Financial services offerings by big tech companies

Big tech	Main business	Banking %	Credit provision	Payments	Crowd-funding	Asset management	Insurance
Google	Internet search/advertising	✓*		✓			
Apple	Tech/producing hardware			✓			
Facebook	Social media/advertising			✓			
Amazon	E-commerce/online retail		✓	✓	✓		✓
Alibaba (Ant Group)	E-commerce/online retail	✓	✓	✓	✓	✓	✓
Baidu (Du Xiaoman)	Internet search/advertising	✓	✓	✓	✓	✓	✓
JD.com (JD Digits)	E-commerce/online retail	✓	✓	✓	✓	✓	✓
Tencent	Tech/gaming and messaging	✓	✓	✓	✓	✓	✓
NTT Docomo	Mobile communications	✓	✓	✓	✓		
Rakuten	E-commerce/online retail	✓		✓		✓	✓
Mercado Libre	E-commerce/online retail		✓	✓		✓	

✓ Provision of financial service through big tech entity and/or in partnership with financial institutions outside big tech group in at least one jurisdiction. ✓* Launch expected in 2021. % The core activity of an entity engaged in banking is taking deposits, though regulations vary across countries.

Sources: BIS (2019); Citi GPS (2018); FSB (2019b); IBFED and Oliver Wyman (2020); van der Spek and Phijffer (2020); public sources; FSI.

Fintech Unicorns are flourishing



- About 433 fintech unicorns internationally (193 of the 433 in 2021)
- JP Morgan/Viva Wallet deal creates first fintech unicorn in Greece: JP Morgan acquires 49% of Viva Wallet for ~€1bn