

Greek Banks: Challenges and Prospects

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Greek Banks: Past, Present & Future

I. Size of the banking sector

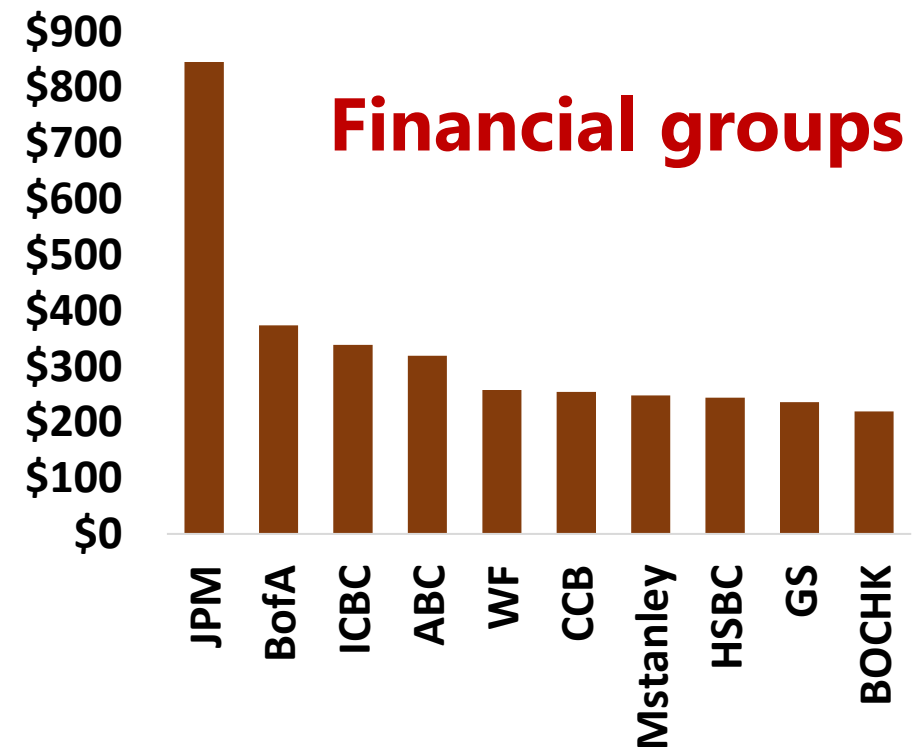
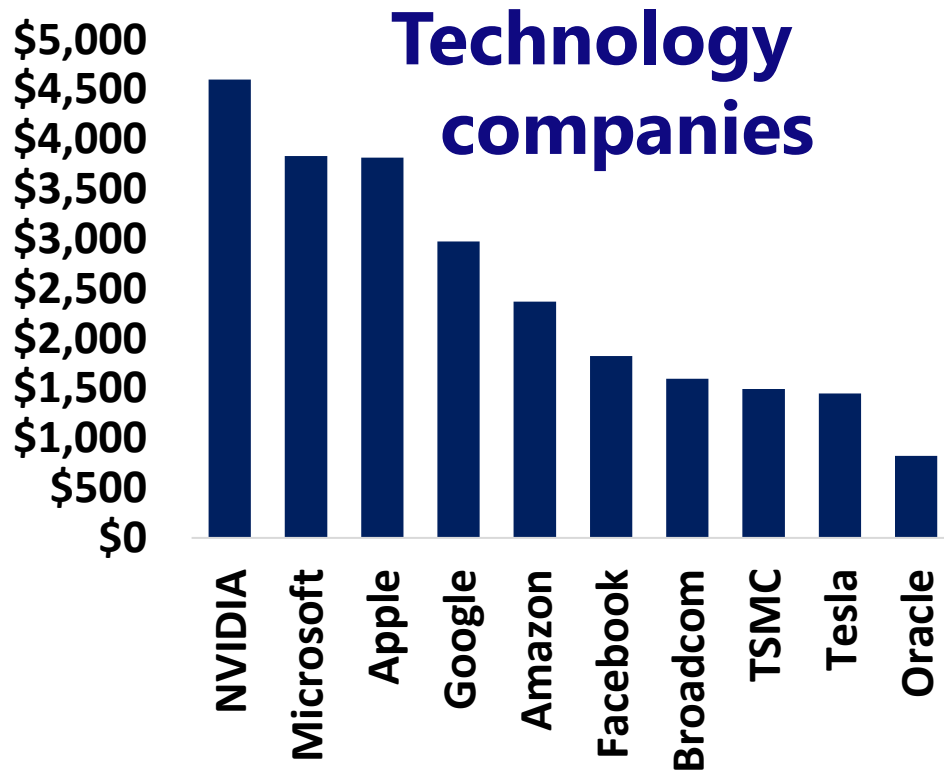
II. Today vs. the recent past

III. Future challenges & prospects

I. Globally, banks are small relative to technology companies

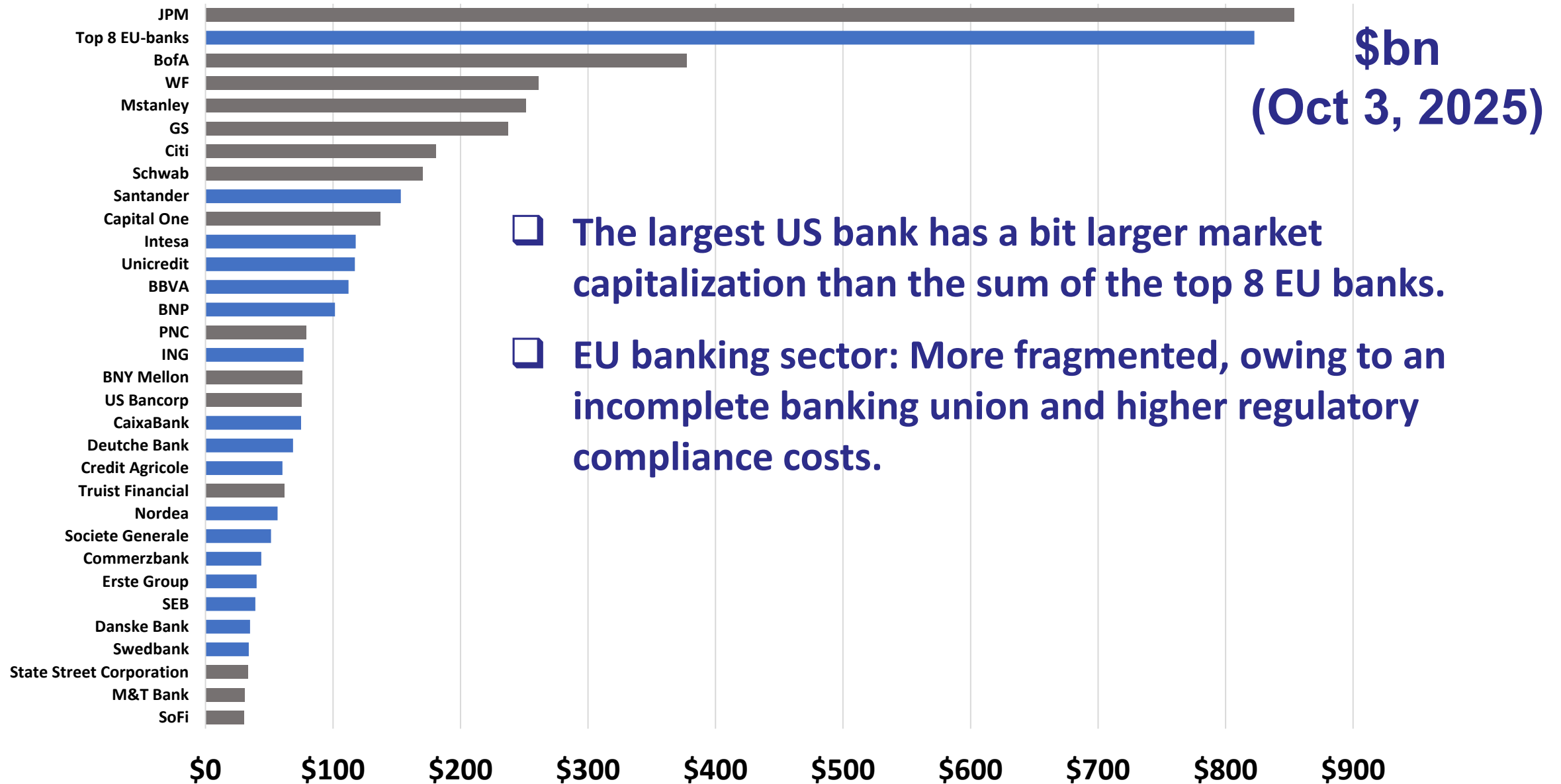
- ❑ Market capitalization of banks is a fraction of the capitalization of IT companies.
- ❑ Yet banks exert influence due to their higher leverage and their omnipresence in the economy.

Market capitalization (\$bn, Oct 2, 2025)



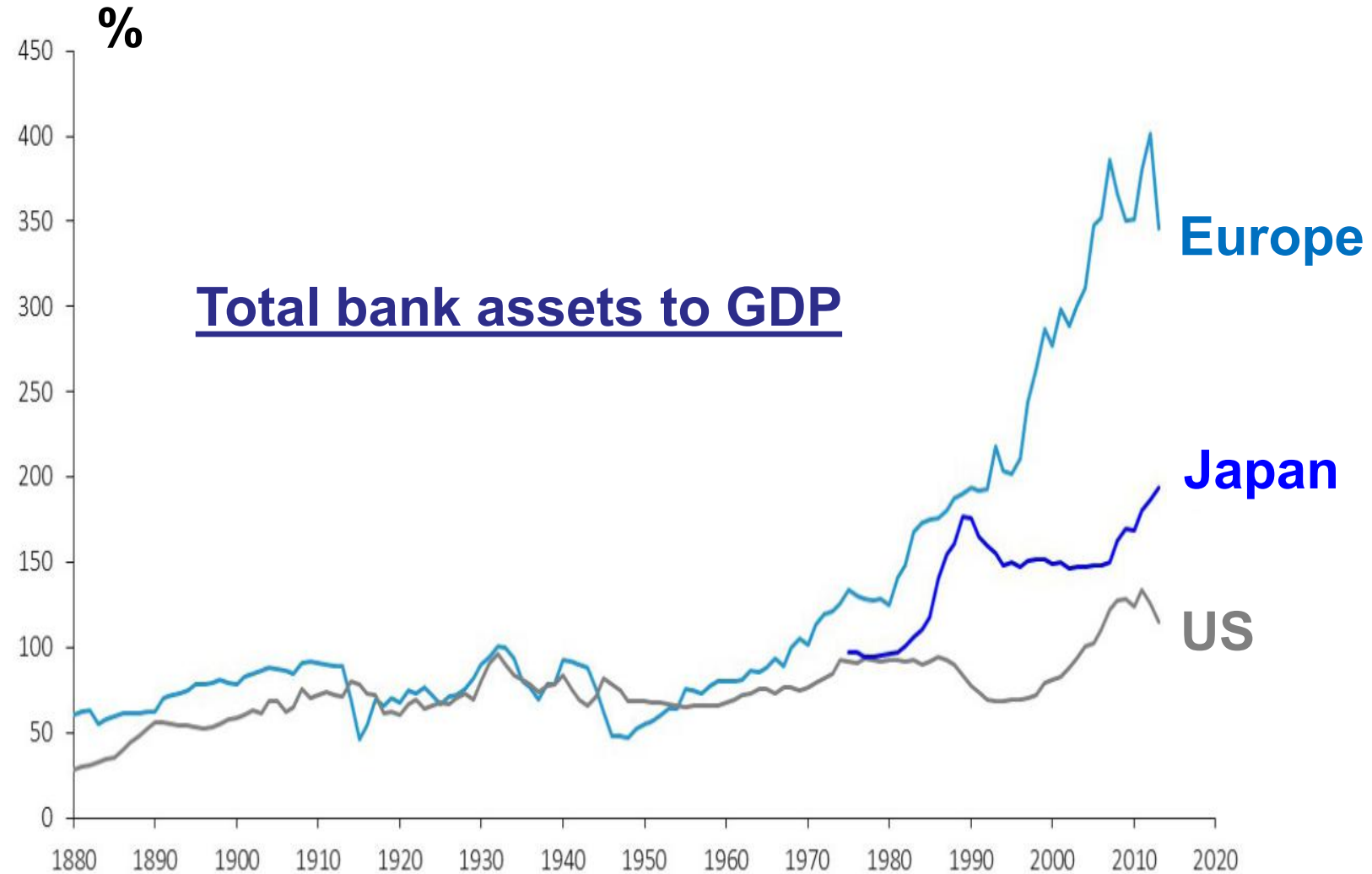
Source: Bloomberg

I. European banks are smaller than US banks in capitalization



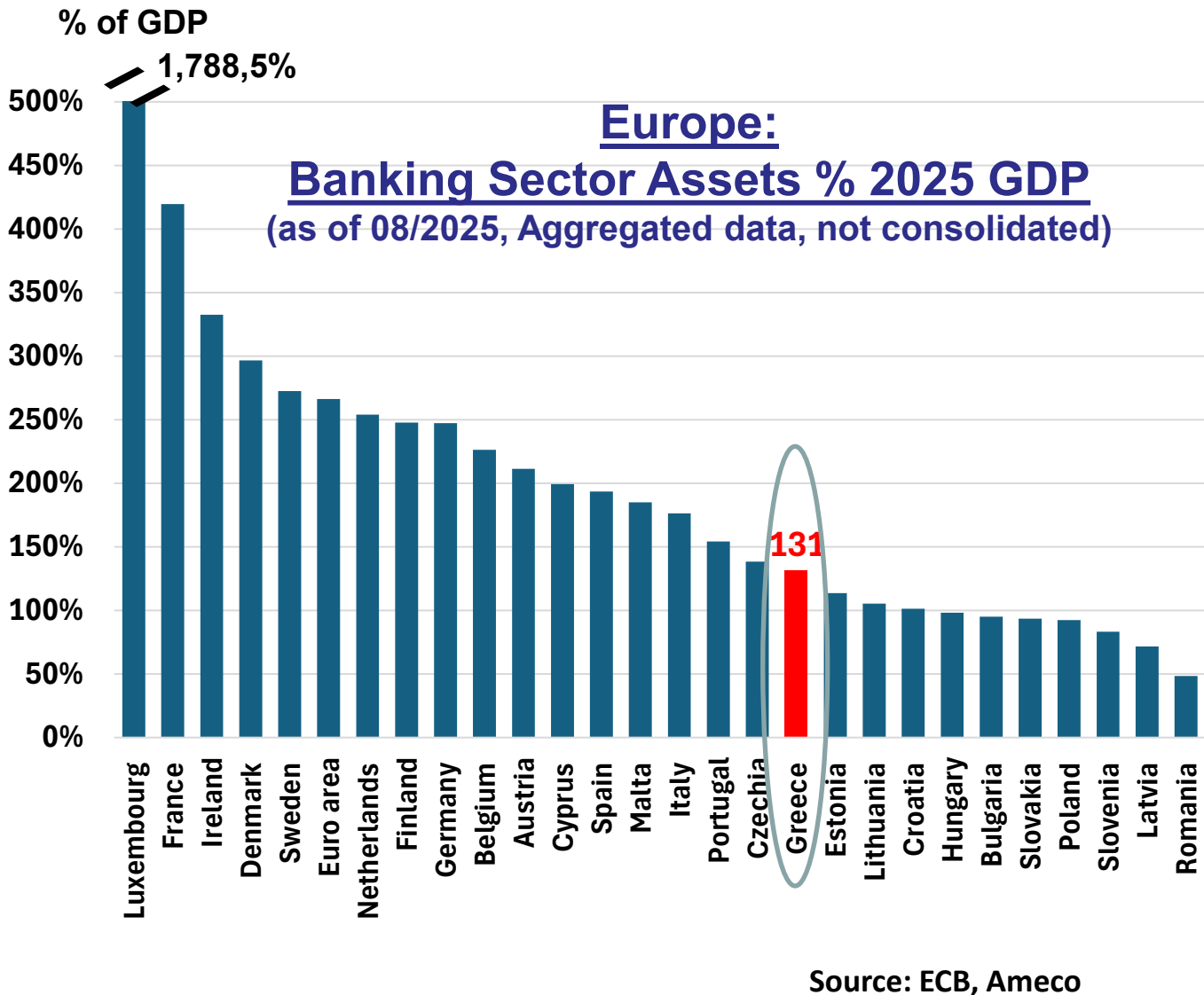
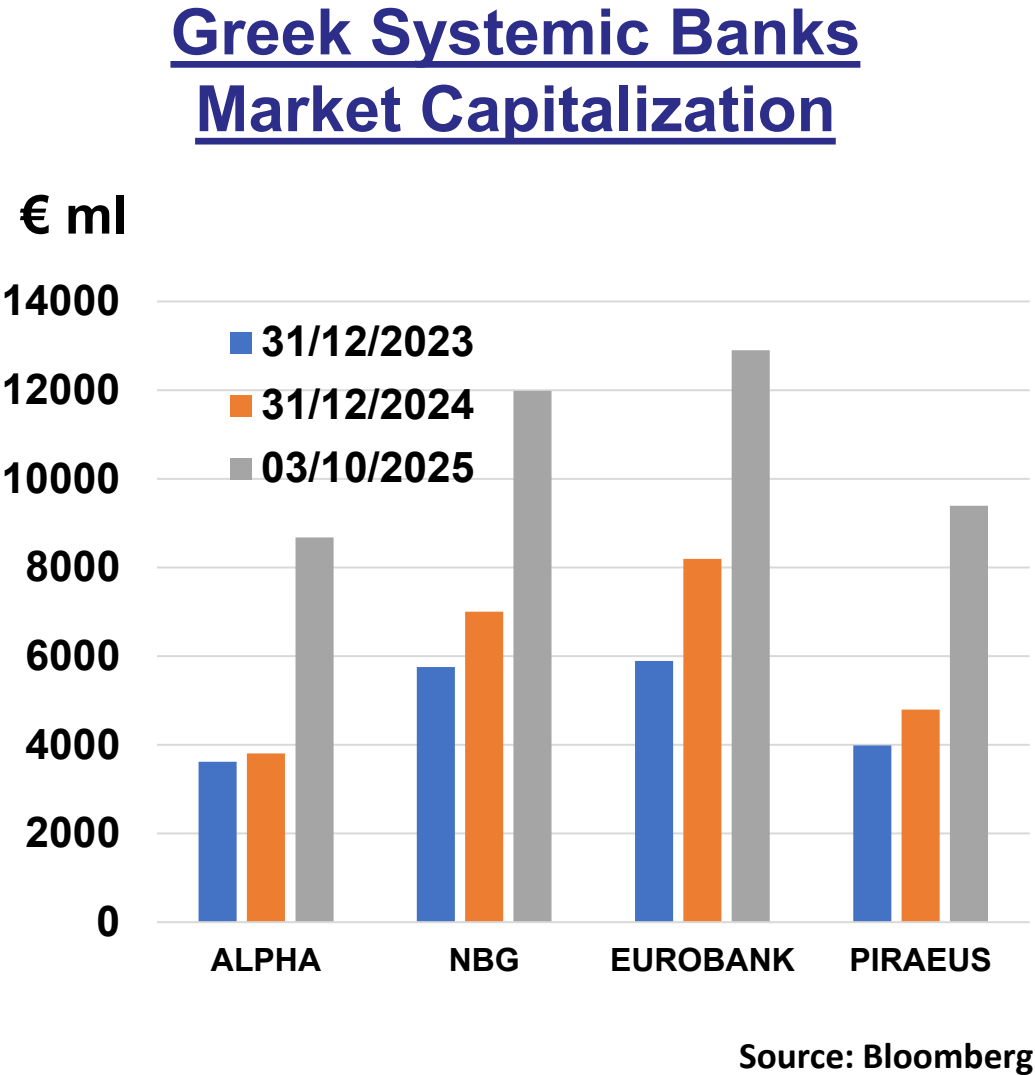
I. Europe is a bank-based economy in contrast to the US

- ❑ Although the largest banks in market cap are in the US, Bank Assets to GDP ~400% in Europe, ~ 200% in Japan, ~100% in the US.
- ❑ This was not the case in the distant past.
 - Until the 1960s, bank assets to GDP fluctuated ~70% in both Europe and USA.
 - Divergence thereafter.
 - In late 1980s: ~180% of GDP in Europe & Japan.



Source: Langfield and Pagano (2015),
EC The future of European competitiveness (Sept 2024)

I. Compared to Europe, the Greek banking sector is small



I. In Greece, banks are comparatively very large companies in terms of capitalization

- Today banks represent 32.5% of total Athens stock exchange capitalization (36.9% incl. Credia Bank & Bank of Cyprus).
- Compared to their int/al peers, Greek banks are small, yet they carry a disproportionately bigger weight on the domestic economy.



Greek Banks: Past, Present & Future

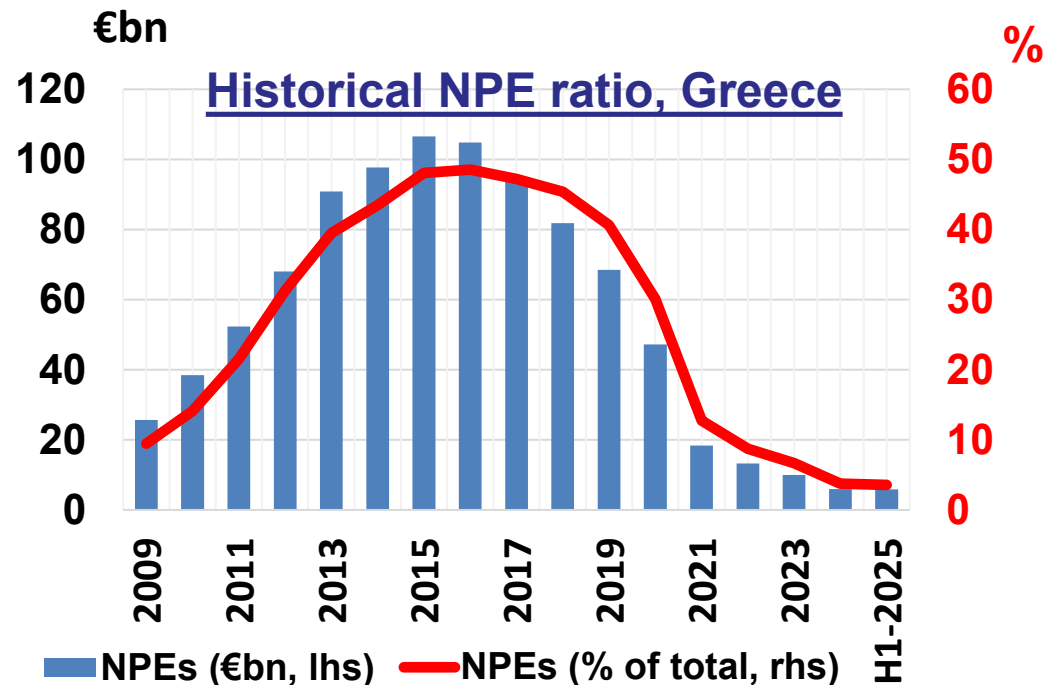
I. Size of the banking sector

II. Today vs. the recent past

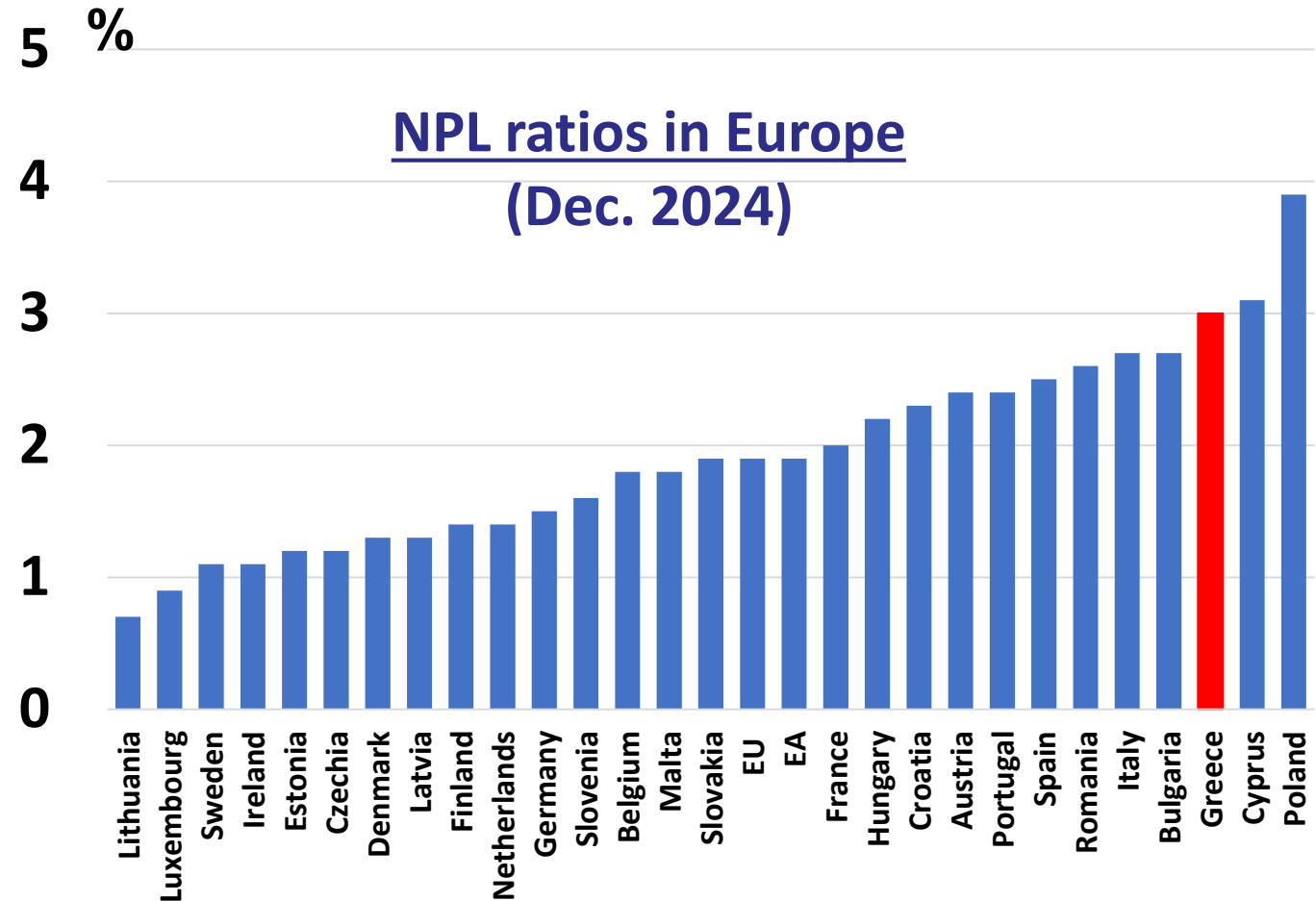
III. Future challenges & prospects

II.A NPEs have dropped close to EU average

- ❑ The Hercules securitization with its government guarantee on the senior notes helped expedite the drop in NPEs.
- ❑ NPL ratio at 3% vs EU average at 1.9% (End-2024, Source: ECB/Eurostat).



Source: Bank of Greece



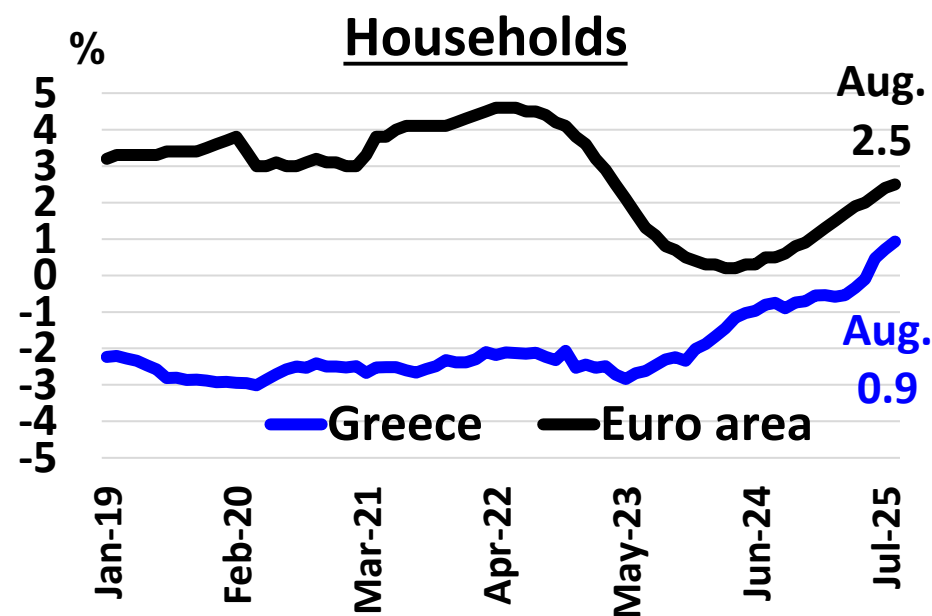
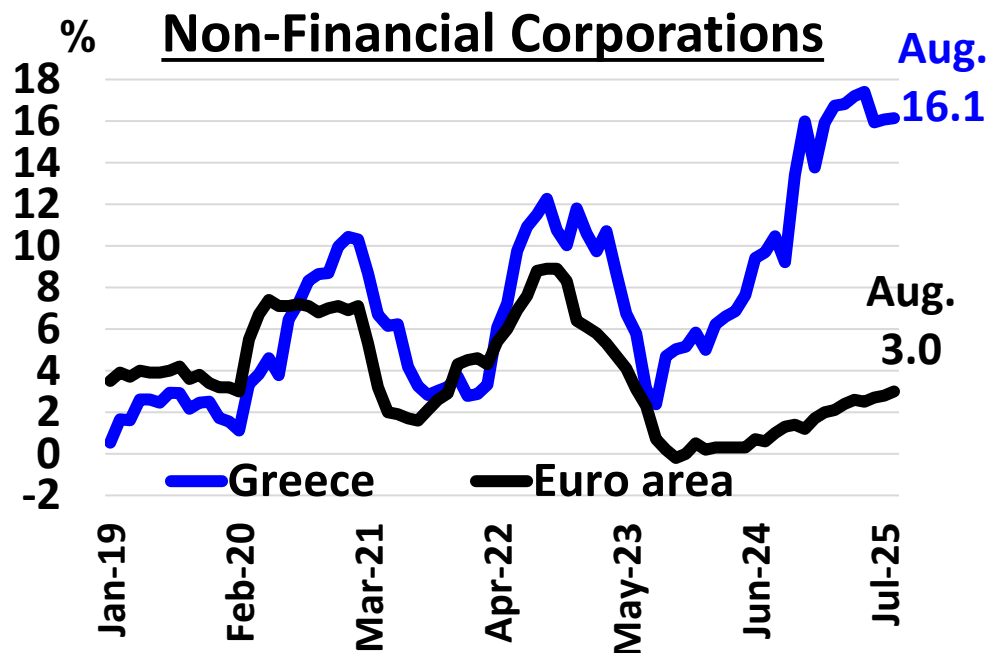
Note: Gross non-performing loans, domestic and foreign entities, as % of gross loans.

Source: ECB, Eurostat

II.A Corporate lending has normalized in Greece

Bank lending to the private sector

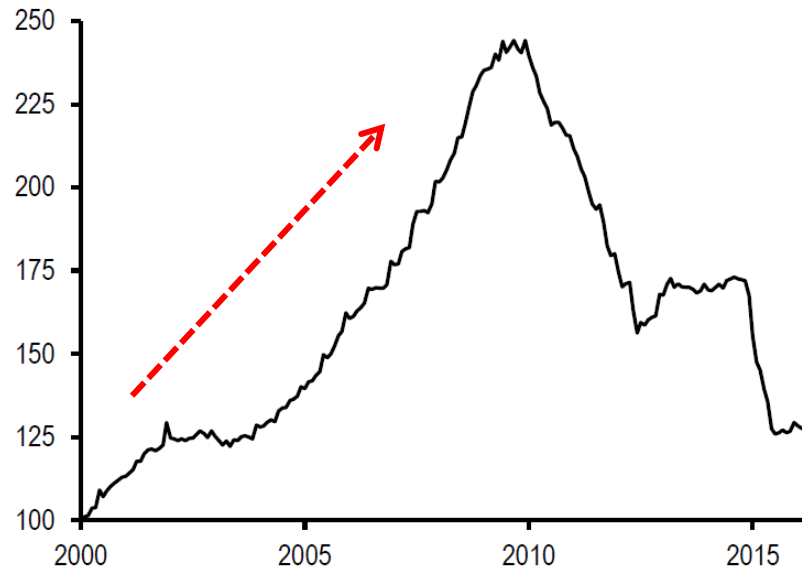
(%yoy)



Source: Bank of Greece, ECB

- ❑ In corporate lending, positive growth since 2019 and stronger than in Europe since 2022.
- ❑ Until recently, negative net lending to households in Greece. Property loans continue declining as repayments of previous loans are higher than new loans.

II.A Private deposits are recovering

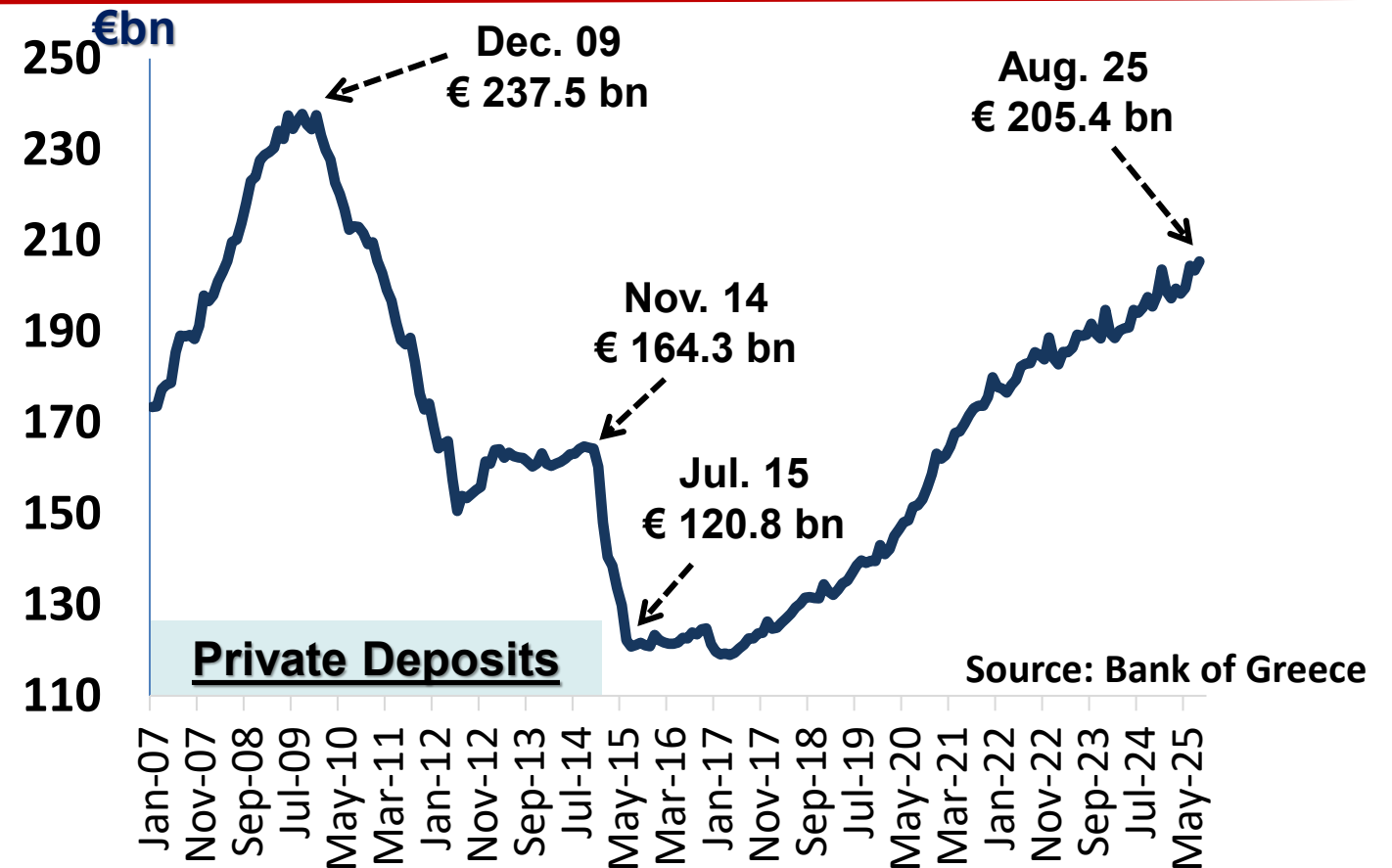


❑ Deposits grew 2.5 times from December 1999 to December 2009.

❑ The drop in deposits since January 2010 unfolded in two separate phases:

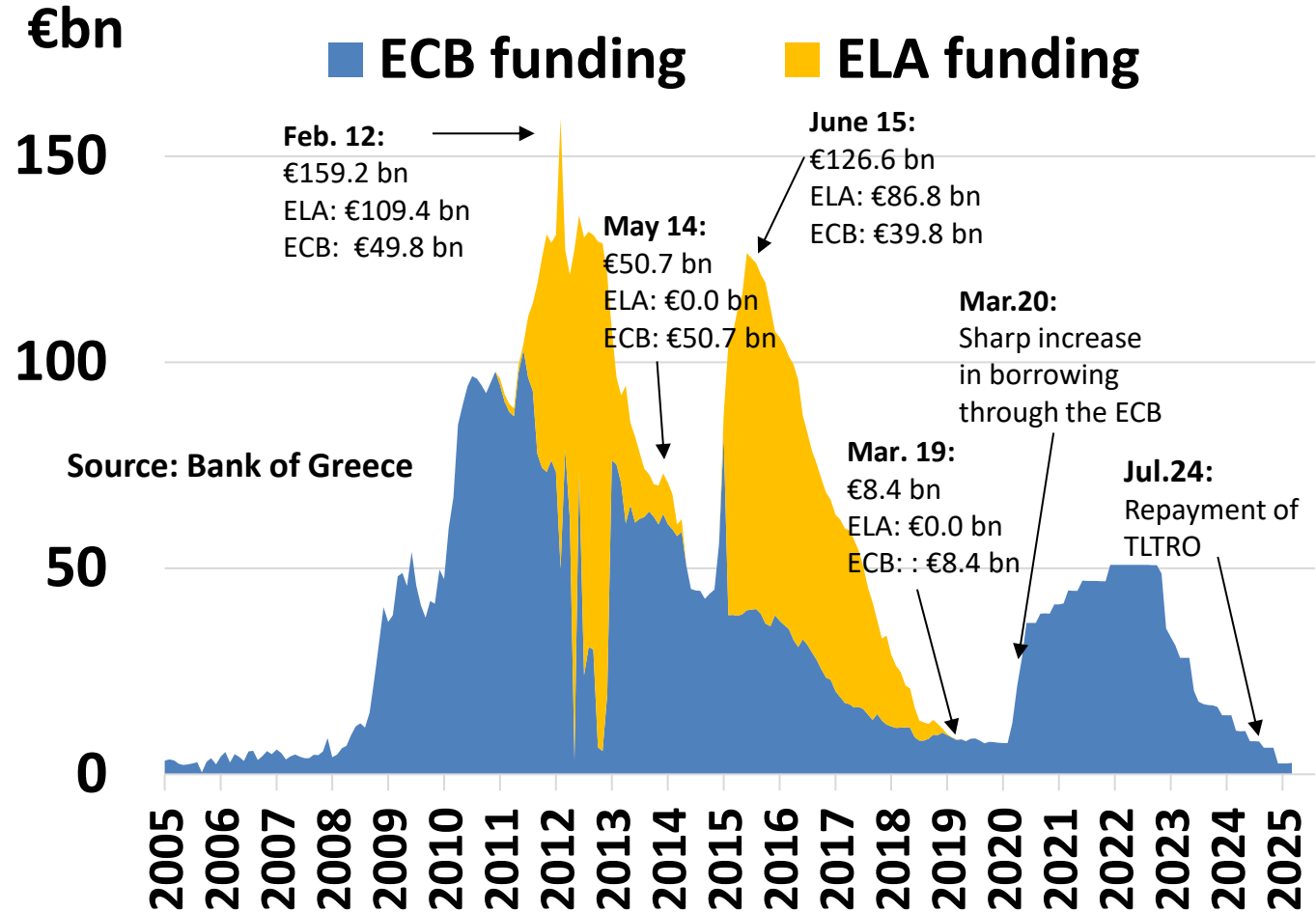
- 1) From 1/2010 until 5/2012 (the beginning of the crisis).
- 2) From 11/2014 until 7/2015, more abrupt (€43bn), which led to capital controls on 28/6/2015).

❑ Steady rise in deposits since 2018.



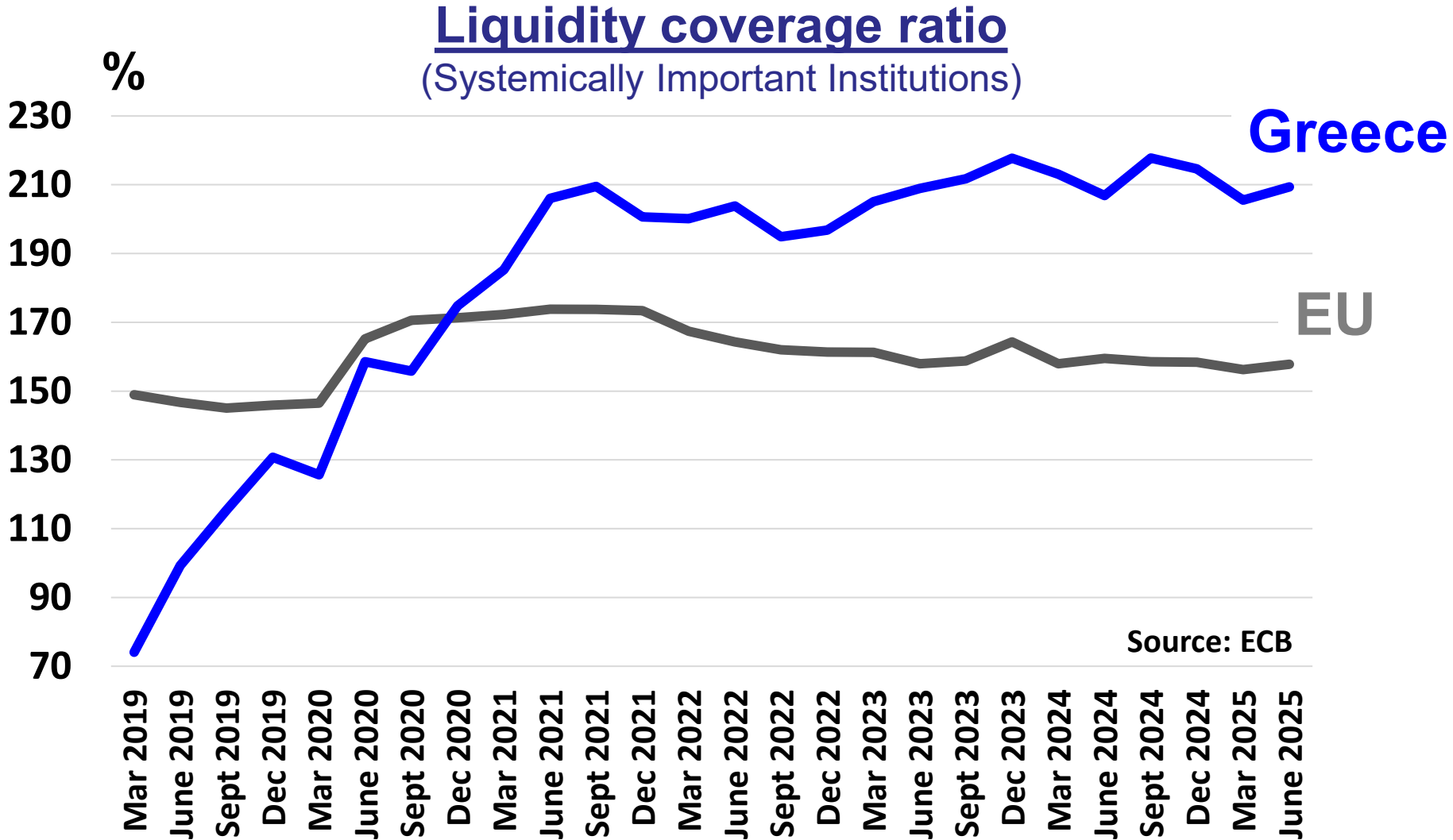
II.A Dependence on the ECB is a distant memory

- ❑ Prior to GFC little use of ECB funding by Greek banks. Back then German banks biggest user.
- ❑ During GFC (2007-2009), interbank market dried up and ECB borrowing rose to €55bn.
- ❑ Then during the Greek crisis borrowing above €100bn.
- ❑ The **two humps** in borrowing reveal the **two different phases of the Greek crisis**, **1st economic** (2010-14) & **2nd political** (2015-19)
- ❑ Emergency Liquidity Assistance (ELA) since July 2011
 - ELA peaks in Nov. 2011
 - ELA Zero in May 2014.
 - ELA rose again to €86,8bn in June 2015.
 - ELA Zero in March 2019.



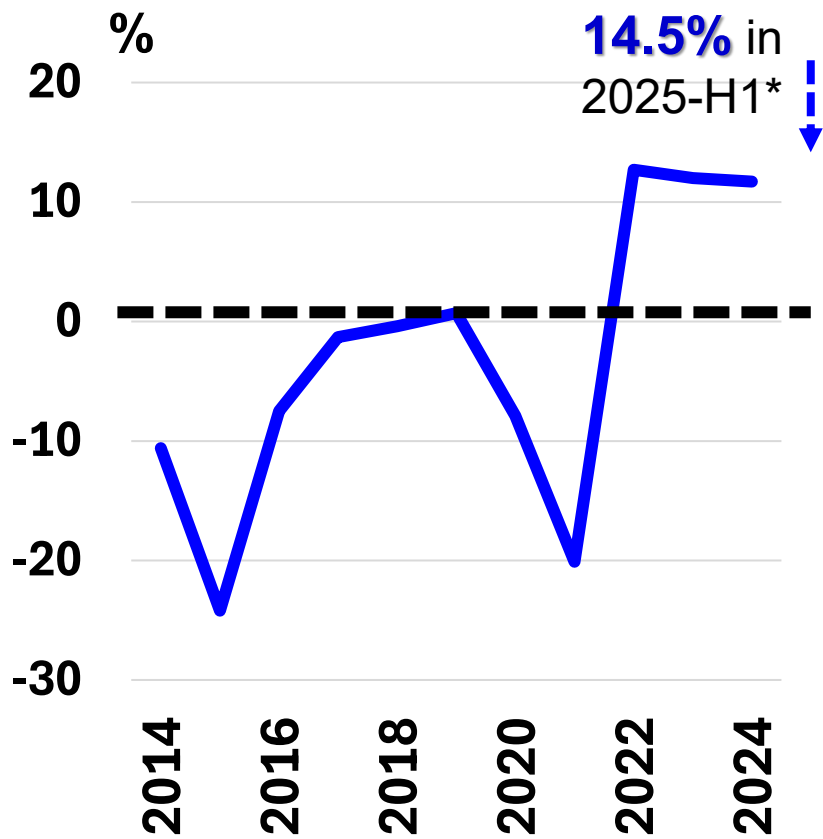
- ❑ ELA is more expensive than direct ECB borrowing (1.5%), supported by collateral of worse quality.
- ❑ The **third hump is unrelated to the crisis**. Since the March 2020 covid emergency, all European banks borrowed from the ECB at favorable terms, including the Greek banks.

II.A Abundant liquidity: Liquidity conditions have improved even after the TLTRO III repayment



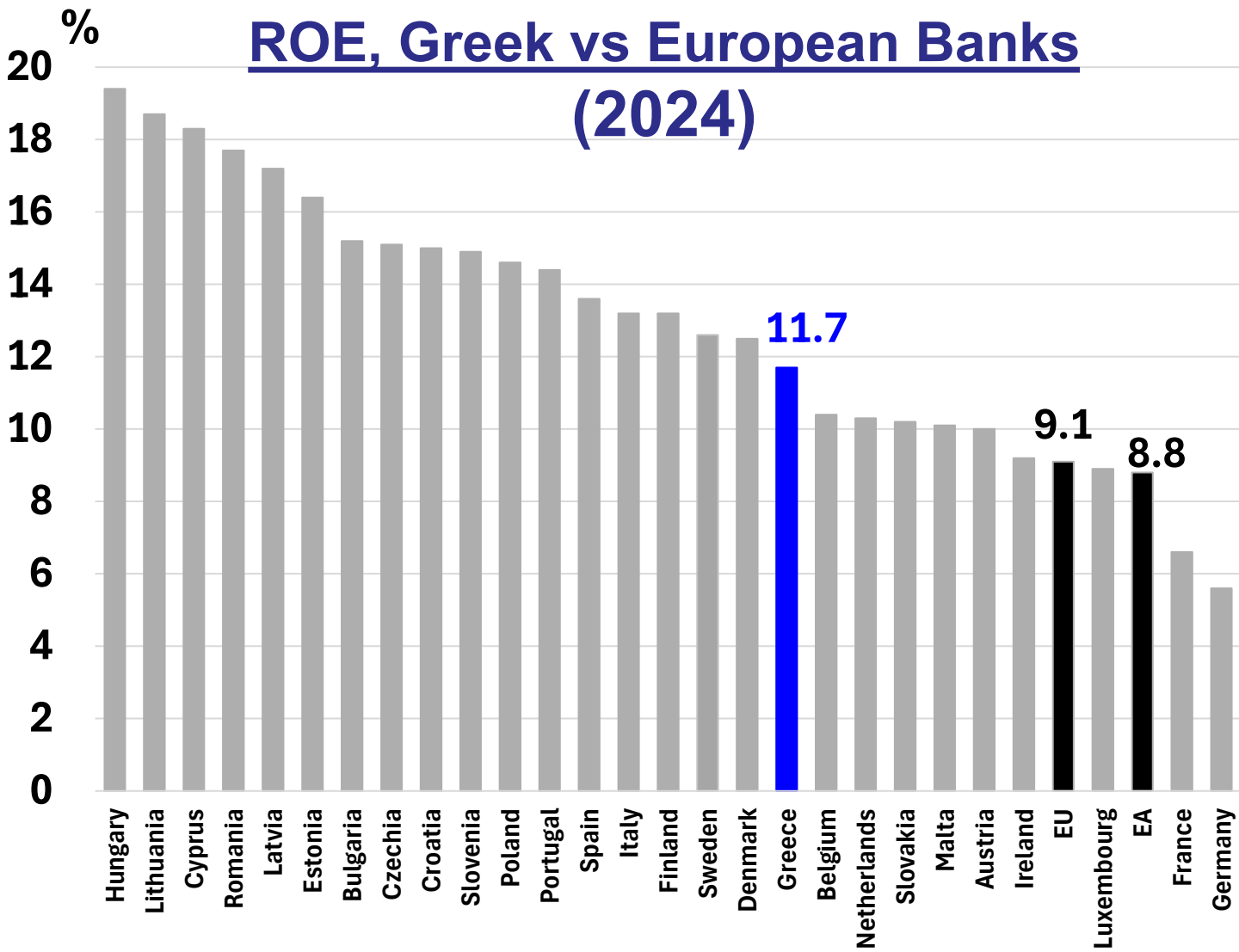
II.A Profitability has recovered: ROE is back to normal

ROE, Greek Banks



* Before one-offs

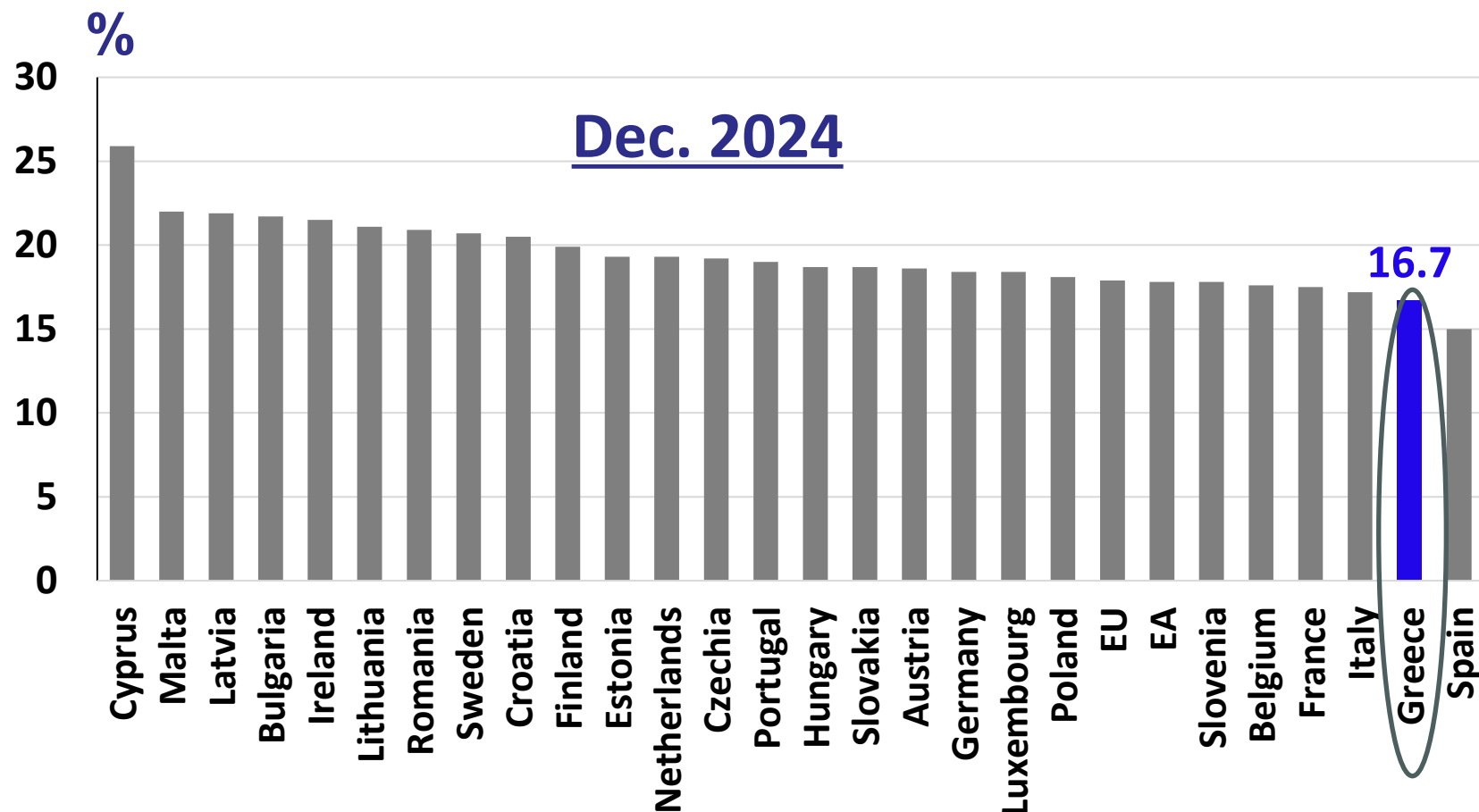
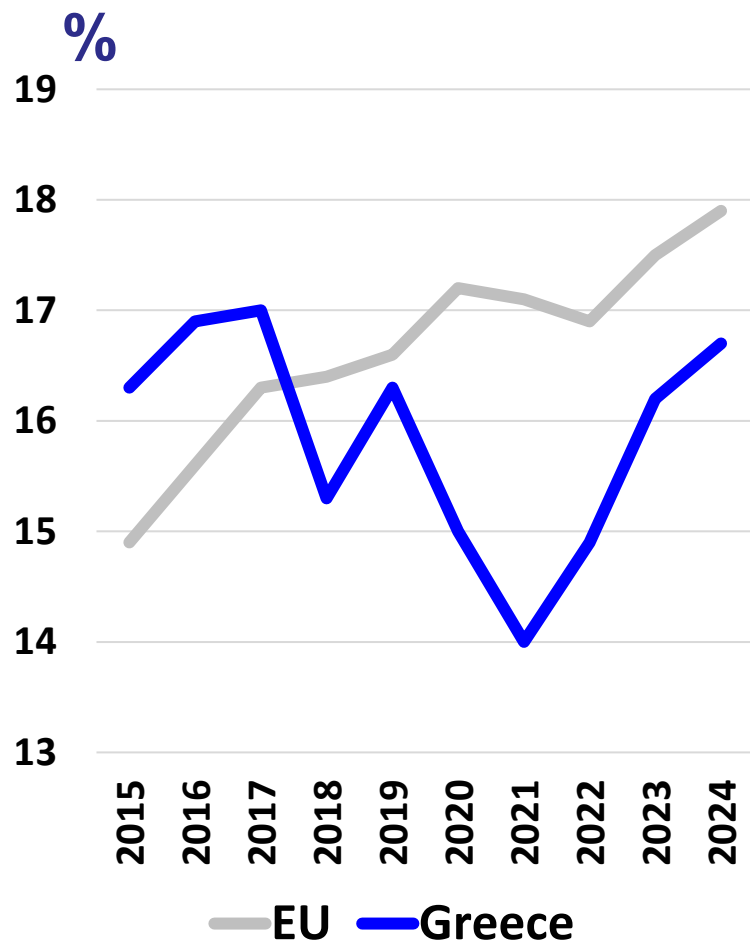
ROE, Greek vs European Banks
(2024)



Source: ECB, Eurostat, NBG Finance

II.A Tier-1 capital ratio in Greece is close to EU average

% of risk-weighted assets



Source: Eurostat, ECB

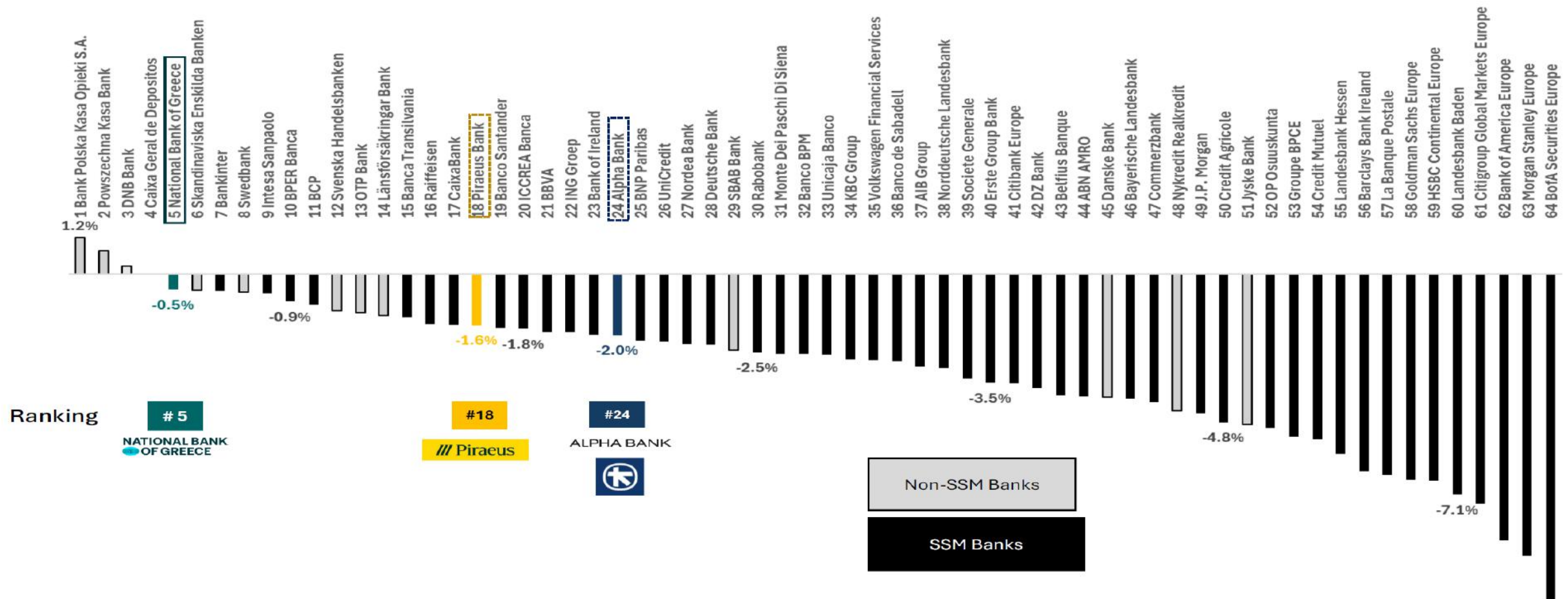
II.B EBA Stress Tests 2025 – Adverse scenario up to 2027

Hypothetical Cumulative Change (%) 2024-2027 by variable & country

		GDP %	Inflation %	Unemployment %	RRE %	CRE %	Δ Sov. Spread (2027 vs 2024) %
Belgium	BE	-5.4	9.3	5.3	-20.4	-32.3	+0.9
Bulgaria	BG	-5.5	8.8	4.4	-19.4	-32.2	+1.0
Czech Republic	CZ	-7.9	14.3	6.0	-17.5	-35.5	+0.4
Denmark	DK	-5.9	12.1	6.5	-23.8	-35.7	+1.2
Germany	DE	-7.5	11.8	5.0	-12.8	-33.3	+0.8
Estonia	EE	-8.3	16.9	5.8	-23.8	-38.6	+0.0
Ireland	IE	-3.9	5.8	7.3	-17.4	-26.9	+0.9
Greece	GR	-6.1	11.6	4.2	-22.3	-28.8	+1.5
Spain	ES	-4.1	9.1	4.1	-17.2	-23.2	+1.5
France	FR	-5.9	8.0	5.0	-13.0	-28.2	+1.3
Croatia	HR	-4.3	12.6	6.1	-16.5	-28.4	+0.9
Italy	IT	-7.4	11.7	4.6	-12.0	-22.5	+1.5
Cyprus	CY	-6.4	7.2	6.7	-17.9	-31.1	+0.6
Latvia	LV	-5.8	8.0	5.5	-18.2	-32.2	+0.4
Lithuania	LT	-4.3	8.1	4.8	-19.7	-32.8	+0.7
Luxembourg	LU	-5.1	10.3	6.1	-23.5	-37.2	+0.6
Hungary	HU	-5.1	14.8	4.7	-25.3	-29.0	+0.8
Malta	MT	-4.9	9.4	7.0	-12.4	-24.9	+0.8
Netherlands	NL	-5.5	11.7	6.6	-23.5	-26.8	+0.7
Austria	AT	-5.7	8.9	5.0	-21.1	-32.9	+0.7
Poland	PL	-5.7	19.0	7.1	-19.8	-39.1	+0.4
Portugal	PT	-5.8	6.7	6.5	-24.7	-30.7	+1.1
Romania	RO	-5.8	13.9	6.7	-9.8	-30.5	-0.3
Slovenia	SI	-5.0	7.9	6.7	-13.8	-26.6	+0.9
Slovakia	SK	-7.8	17.2	6.4	-18.6	-39.8	+0.8
Finland	FI	-7.3	8.0	5.6	-8.1	-23.2	+0.8
Sweden	SE	-8.0	10.3	6.2	-25.2	-32.7	+0.2
Euro area	EA	-6.2	10.1	5.6	-14.8	-28.6	+1.1
European Union	EU	-6.3	10.7	5.8	-15.7	-29.5	+1.0
United Kingdom	UK	-10.0	8.8	5.9	-26.7	-39.1	+0.9
United States	US	-3.4	11.3	4.6	-3.9	-39.3	+0.3
China	CN	-1.0	11.8	4.8	-13.6	-34.3	+2.5
Rest of the world	WR	-3.2	29.6	6.2	-6.8	-38.6	+1.7

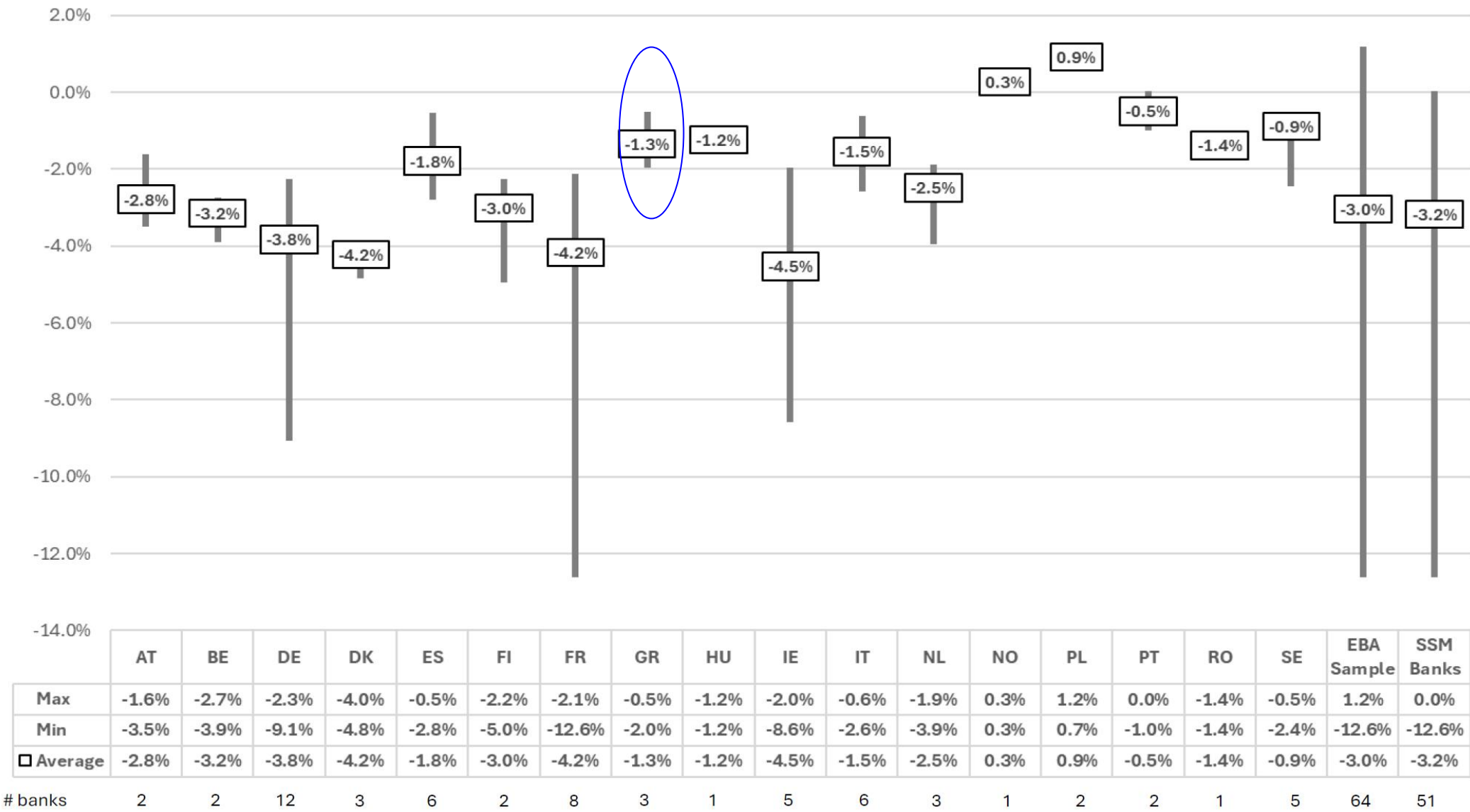
Note: RRE≡ Residential Real Estate, CRE ≡ Commercial Real Estate, Gov. Spread ≡ Difference of the 10Y government bond yield of each country with Germany's 10Y government bond yield

II.B EBA Stress Tests 2025 – Three-Year Impact of the hypothetical adverse scenario on CET1 as % RWAs

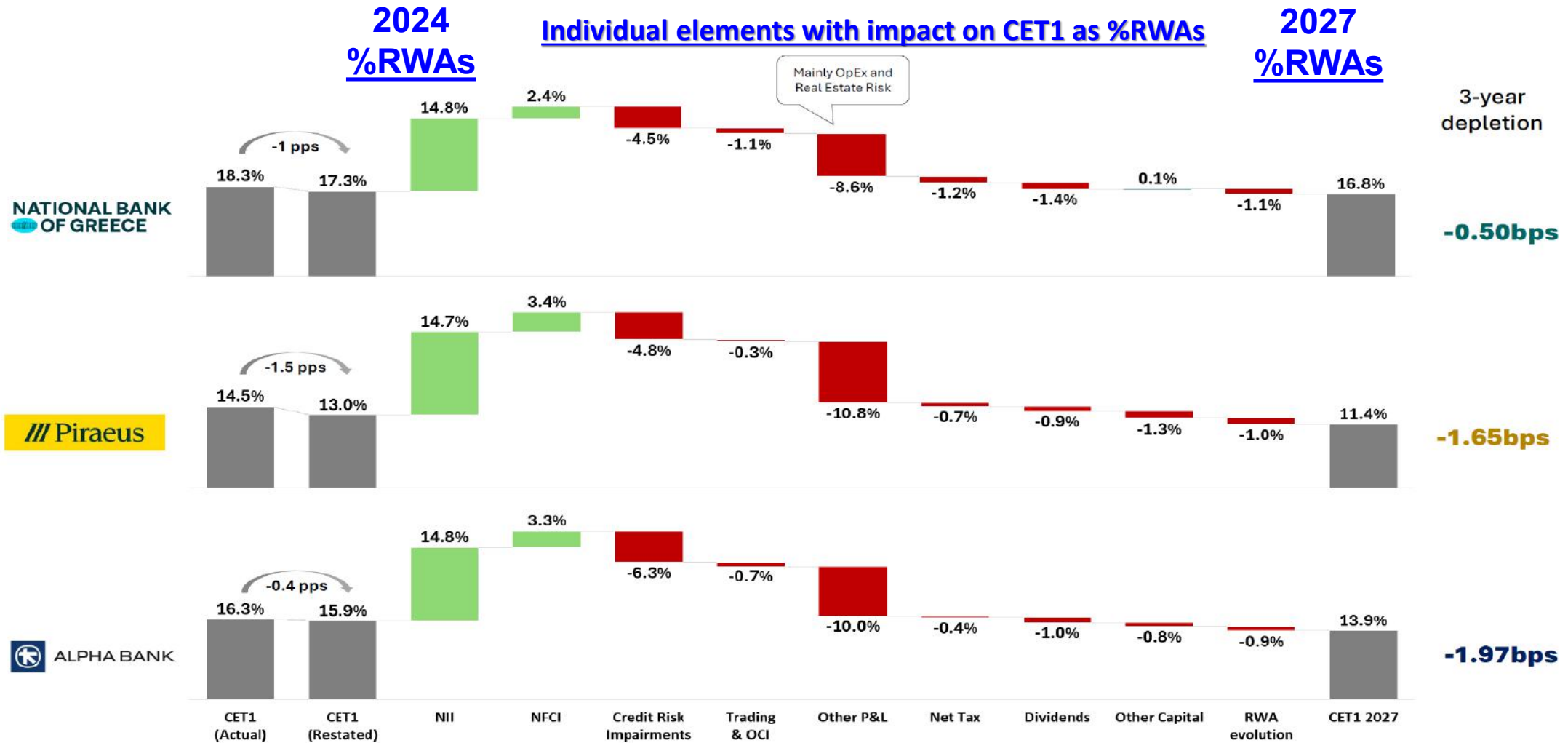


- 64 banks in the EBA sample, of which 51 are systemic and under the supervision of the SSM.
- The change in CET1 from 2024 to 2027 is based on the balance sheet of 31/12/2024 and the hypothetical cumulative change of macro variables over 2024-2027 under the adverse scenario.

II.B EBA Stress Tests 2025 – – Impact on CET1 as % of RWAs of banks by country of origin



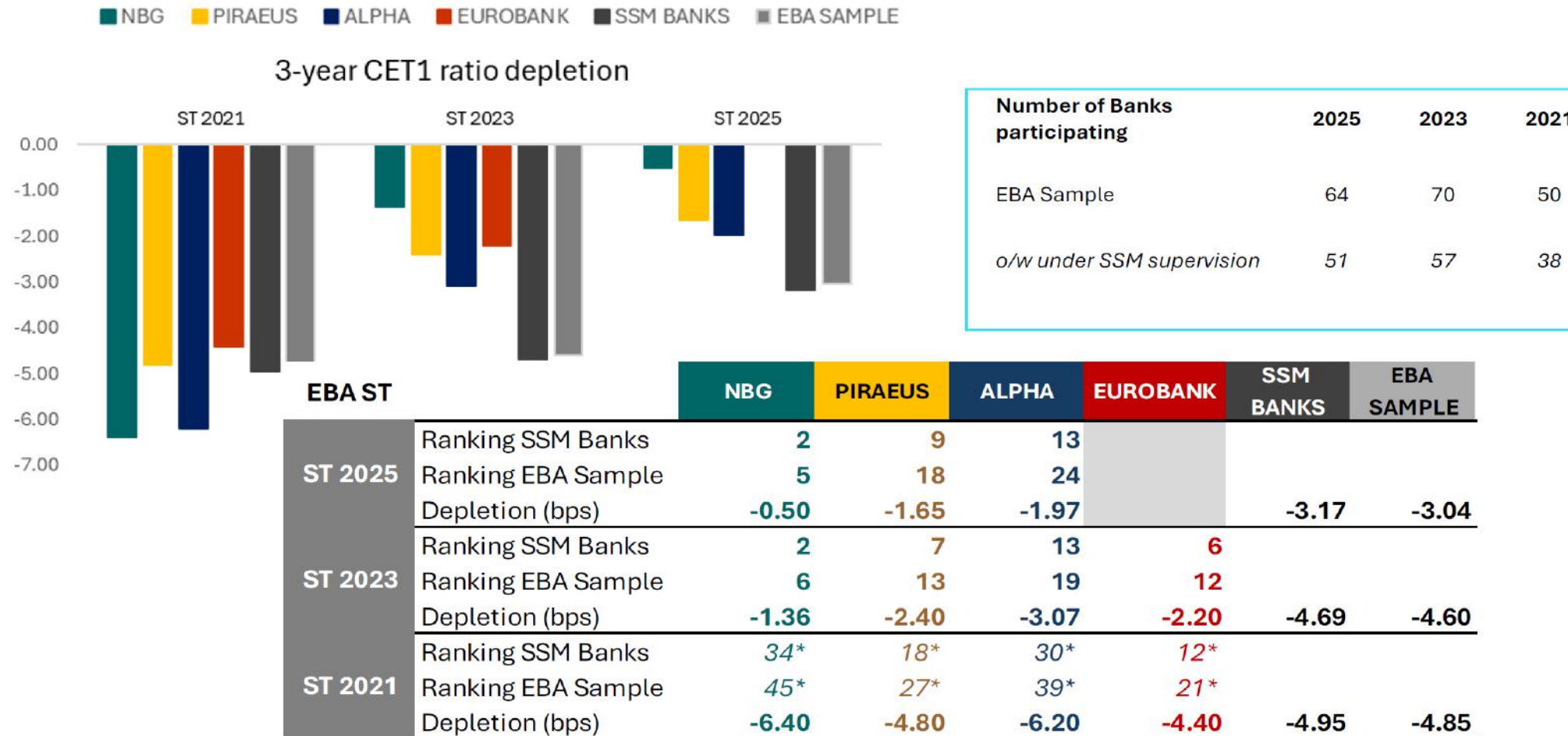
II.B Impact of adverse scenario on individual items affecting CET1 as % RWAs – EBA Stress tests of 2025



- The hypothetical rise in interest rates has a positive effect on profitability (through NII) and, therefore, on capital, while inflation has a negative effect because it increases operating costs (other P&L).

II.B History of Stress Tests in Greece, years 2021, 2023, 2025 – Adverse scenario impact on CET1 as % of RWAs

Comparative EBA ST results: **3-year depletion** (CET1 ratio – Adverse scenario)



□ Continuous improvement since 2021 in the effects of the adverse stress test scenario

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III. A view towards the future

❑ A. Short-term P&L dynamics:

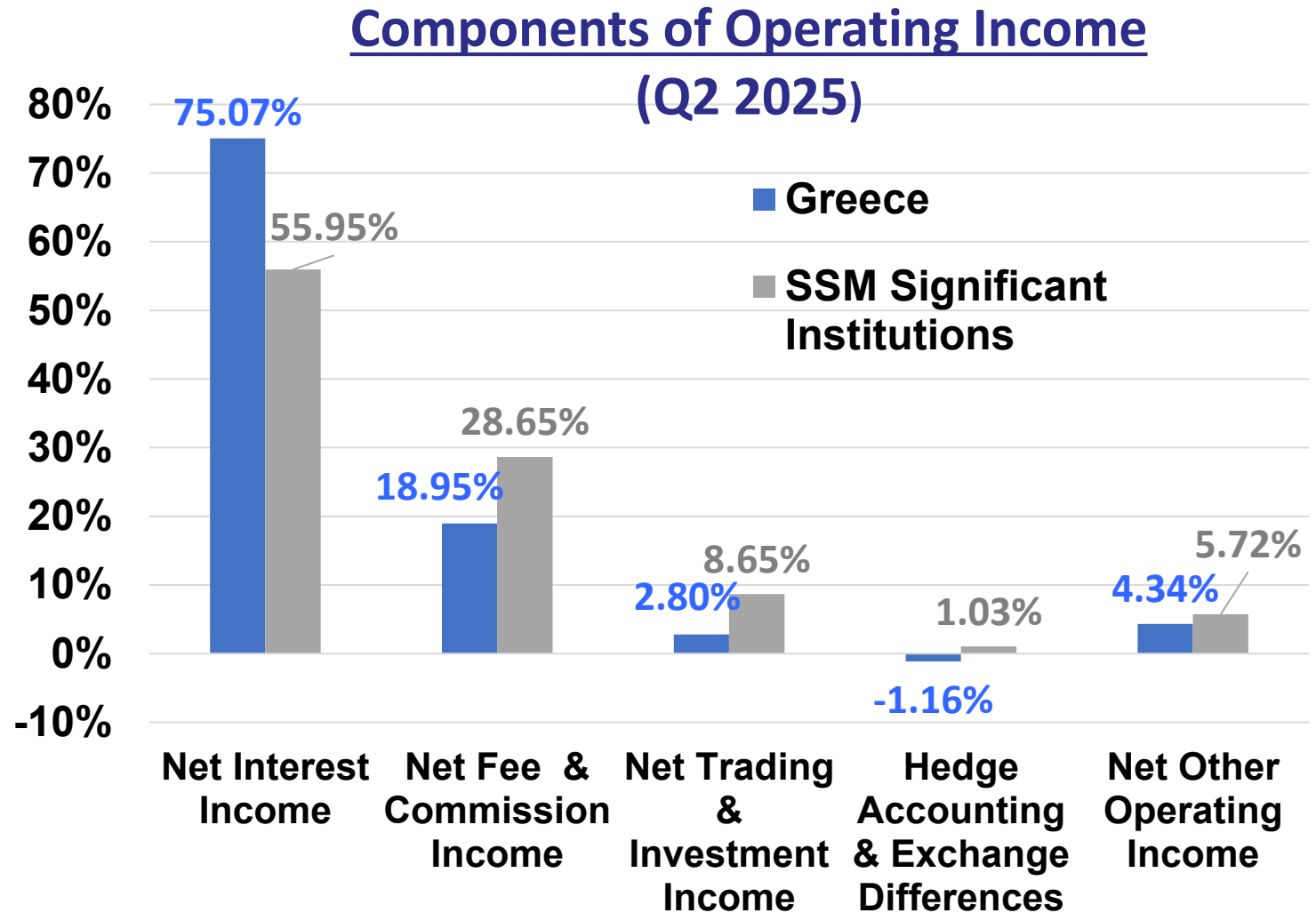
- Will profitability remain high in an environment of declining interest rates by the ECB?

❑ B. Longer-term challenges and opportunities:

- Are banks adequately prepared for the expanding digital economy? Can they address the evolving needs of their customers? Are they responding to the challenge of Fin-Techs and Big-Techs?
- Should Greek banks expand abroad as they had done 30 years ago?
- Banks and ESG: Do banks service the needs of society?

III.A Short-term P&L dynamics: Sustainability of profits

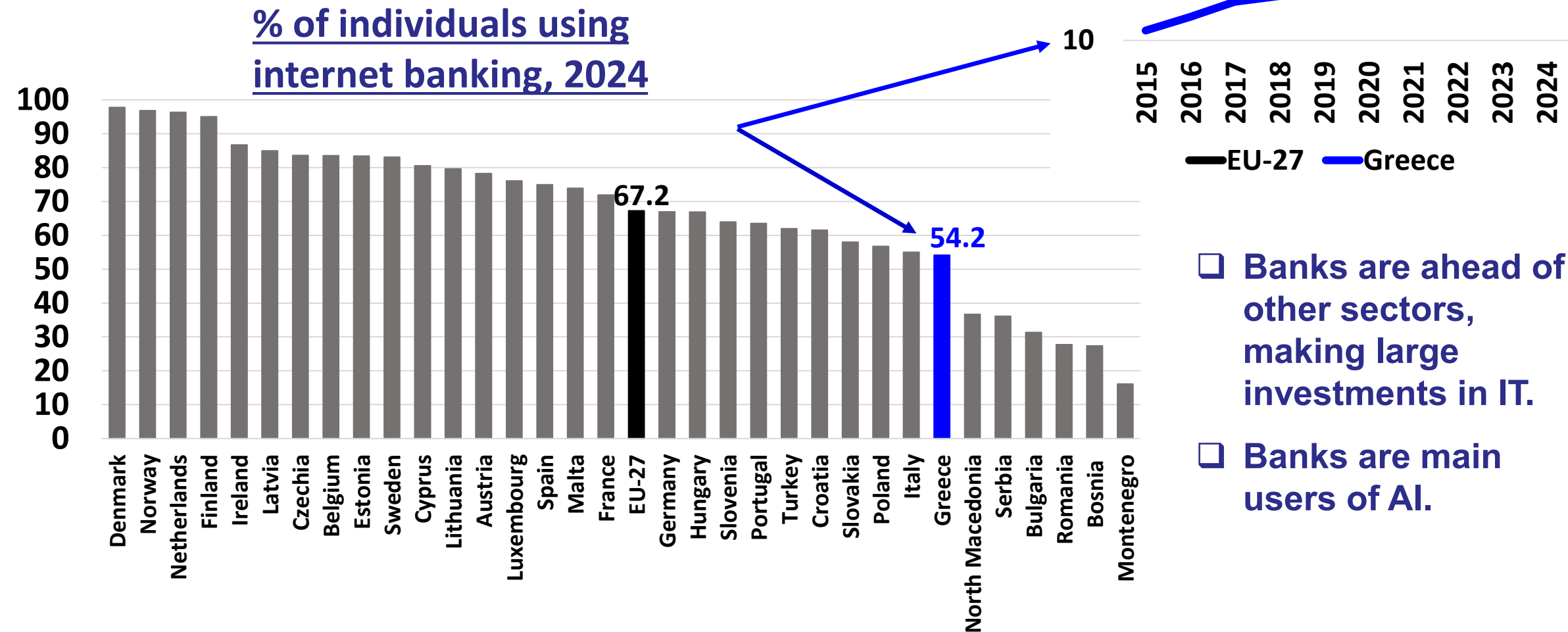
- ❑ NII under pressure as ECB decreases its intervention rate. This pressure is across all European banks, yet Greek banks depend on NII a lot more than their European counterparts.
- ❑ In an expanding economy, lending volumes are growing and thus cover part of the expected contraction in NII per loan.
- ❑ Banks have followed interest rate hedging strategies.
- ❑ Greek banks need to gain more traction in fee generation without hurting the small depositor.



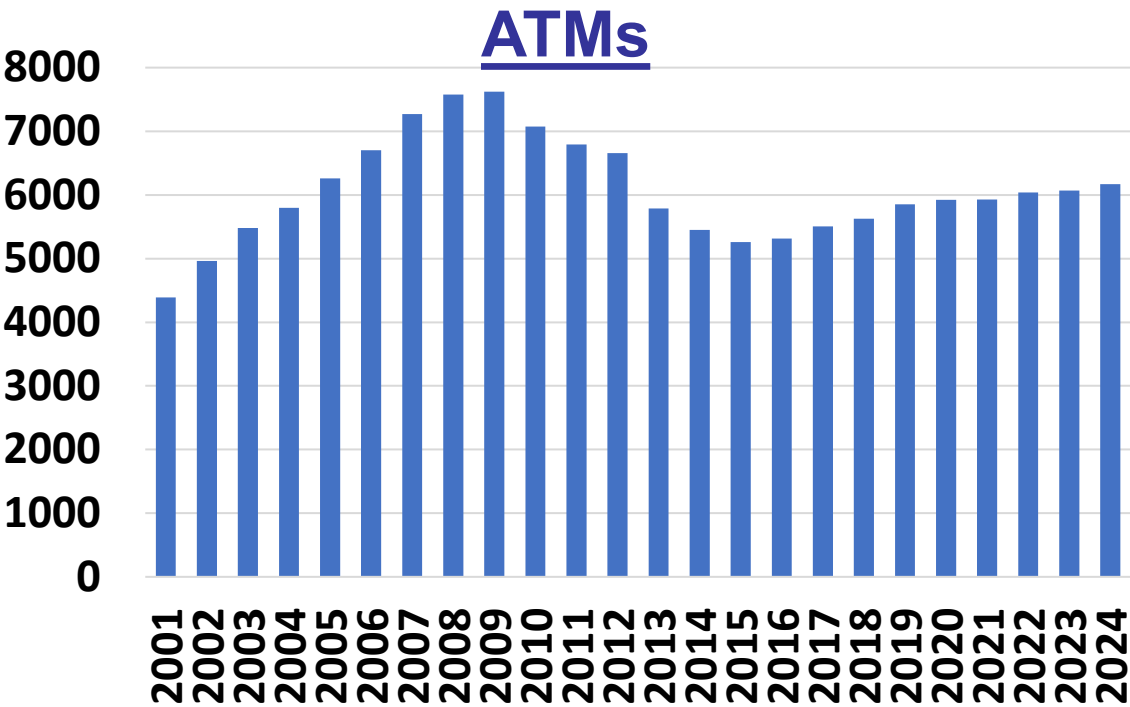
Source: ECB Supervisory Banking Statistics

III.B Greece makes good progress in Digitalization

□ % of individuals using internet banking in Greece steadily rising since 2015, yet still below EU average.

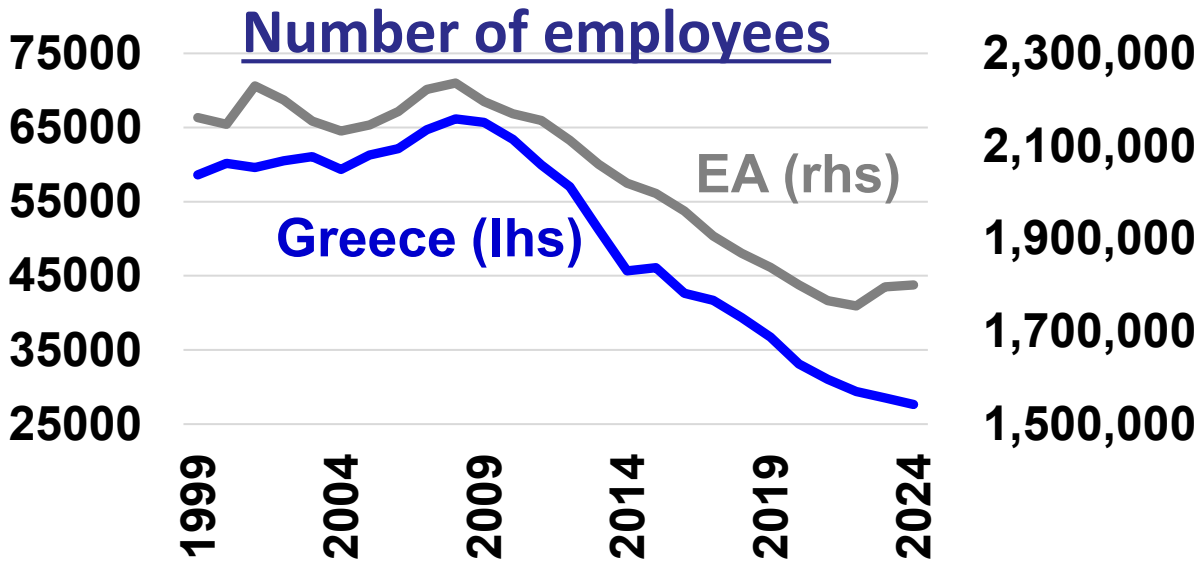
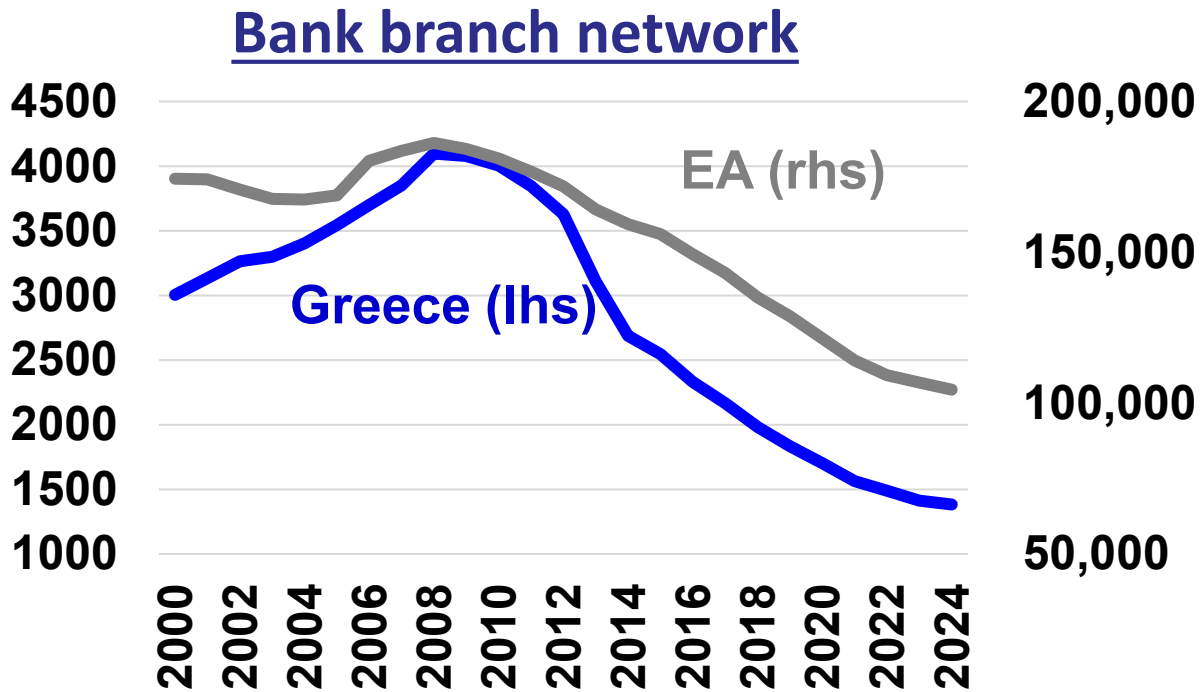


III.B Long-term challenge: Digitalization brings transformation in banking



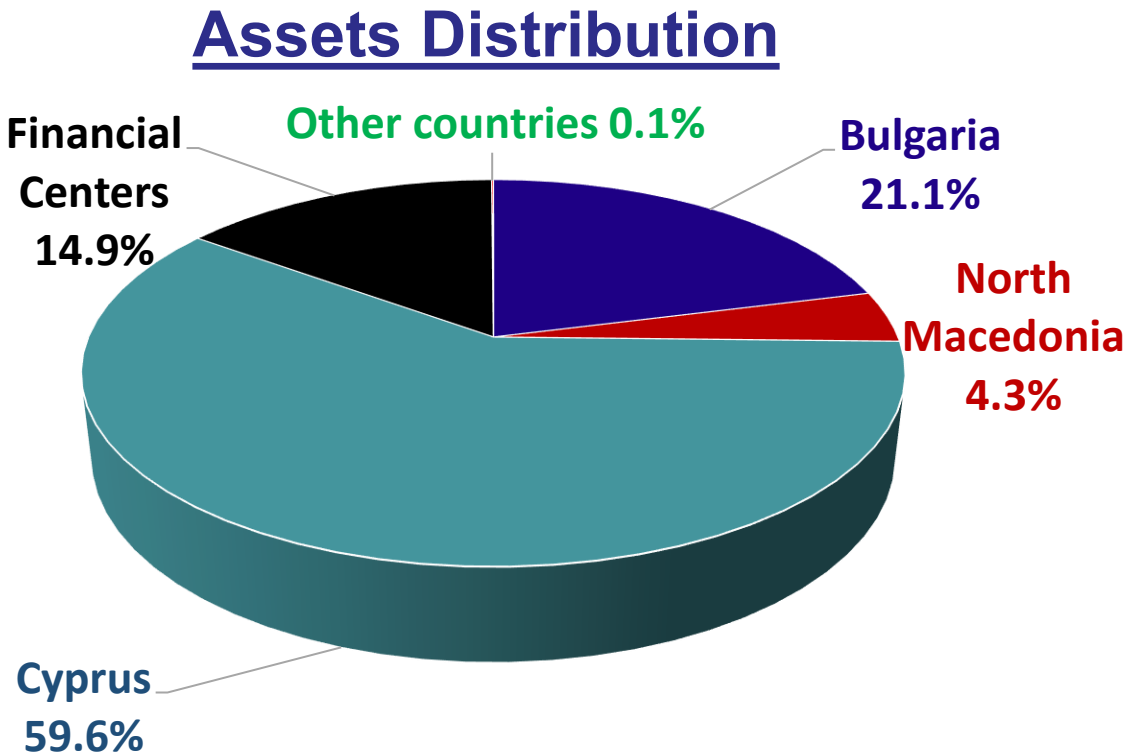
Source: ECB, SSI-Banking structural statistical indicators & HBA data for ATMs

- ❑ Digitalization has already changed the bank – customer relationship: ATMs proliferate, number of branches decline, fewer tellers, more RMs.
- ❑ Use AI for repetitive jobs.
- ❑ New Payment methods (IRIS).
- ❑ Competition from non-banks (Revolut).



III. Long-term challenge & opportunity: Expansion abroad

- During the Greek crisis, Greek banks were forced to withdraw from abroad.
- Today banks assess the strategy and the method of expansion, weighing costs & benefits.



Presence of Greek Banks Abroad, Dec 2024 (€, mn.)			
Country	Assets	Branches	Personnel
Bulgaria	11,529	189	3,441
N. Macedonia	2,358	57	996
Cyprus	32,644	73	3,243
SE. Europe	46,530	319	7,680
Germany	1,798	1	14
Luxemburg	5,797	3	139
UK	585	1	75
Financial Centers	8,181	5	228
Other countries	47	0	0
Total	54,758	324	7,908

- International activities (€54.8bn) are 15.9% of total assets (on a consolidated basis) as of Dec. 2024 (from 11.0% in Dec. 2023).

Source: Bank of Greece, Financial Stability Review

III. Long-term Greek bank focus on ESG

- ❑ **Pioneers in Governance, the “G” component of ESG.** The law of 2020 on the governance of listed companies followed the bank example.
- ❑ **Pioneers in the “E” component of ESG.** Greek banks facilitate the green transition: So far, around 40% of the RRF projects co-financed by Greek banks are geared to the green transition. Banks created ESG scoring for companies and the platform ESG.gr. Possible future ESG-type capital requirements by the ECB.
- ❑ **Deeply Engaged with Society, the “S” component:**
 - Among the best employers in Greece and close to society.
 - Trust is an element banks must enjoy to be able to carry their function.
 - Greek banks have provided ~€500mn from 2019 up to 2024 (+ €300mn in 2025-27 for “Marietta Giannakou”) to support the Greek State and households through various corporate social responsibility initiatives collectively and individually.

Examples: (<https://www.youtube.com/watch?v=tL8TJcp3bJY>)

- (1) All banks capped mortgage installments in April 2023 for two years for 442k loan contracts, which translates to €250mn of forgone revenue.
- (2) All banks - collectively through HBA - donated: (a) €1.75mn to the Ministry of Civil Protection to cover leasing expenses of drones & helicopters for fire-protection, (b) €0.75mn for the purchase of police patrol cars, (c) €5mn for the set-up and maintenance of the private debt management platform.
- (3) The 4 systemic banks contributed (a) €50mn for the restoration of damages in the Thessaly region, (b) €26.2mn in culture, (c) €24.8mn in education and public schools, (d) €12.0mn to the installment subsidy due to interest rate increase programme “Gefyra 3”, (e) €7.6mn in public health, (f) €7.3mn for environment protection, (g) €3.3mn in sports, (h) €1.3mn to address the demographic issue, (i) €0.5mn for the relief of earthquake in Turkey, (j) €0.75mn to support the restoration of the historic Zografeion Lyceum in Istanbul.
- (4) “Marietta Giannakou” school reconstruction program: The 4 systemic banks have provided €100mn in 2024 (up to now 426 school buildings) and committed in early Sept. 2025 for another €300mn in 2025-27.
- (5) The 4 systemic banks committed in Dec. 2024 for €100mn for the Real Estate Acquisition and Leaseback Agency to support vulnerable debtors.



Greek Banks: Challenges and Prospects

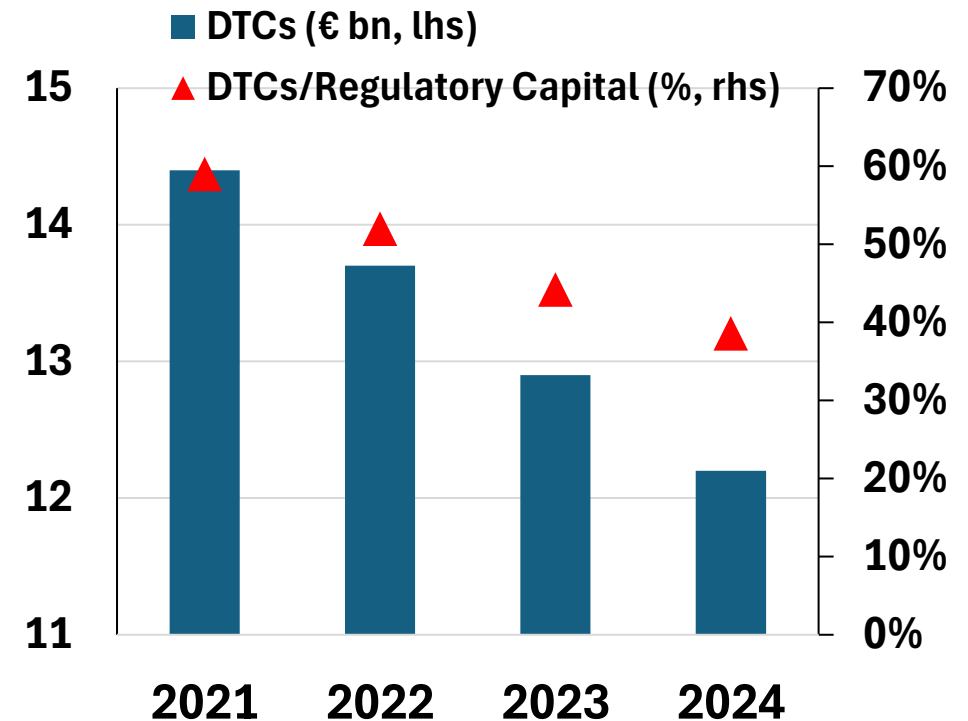
Thank you for your attention!

Gikas Hardouvelis
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Appendix: Regulatory pressure to minimize DTC

- ❑ Regulators worry about DTC boosting the government-bank nexus, thus generating systemic risk.
- ❑ Bundesbank's opinion: Bonds not to be allowed in Tier I capital, only in Tier II and MREL
- ❑ The crisis brought ~ €100bn of DTA & DTC in Southern Europe, ~20% of which was in Greek banks.
- ❑ DTC was invented by Southern countries in 2012-2014 to protect regulatory capital from the new Basel III rules, which restricted DTA to count only up to 10% of CET1.
- ❑ Greece initially adopted legislation following the Spanish example but was forced to follow the Portuguese example, which involved the State gaining bank shares for cash.
- ❑ DTC represented a threat of dilution by the State at the time of the NPL securitizations. The “Hive-down” invention of Eurobank was also followed by Alpha and Piraeus, preventing the return of the State as a major bank shareholder.
- ❑ In 2025, Greek banks & SSM agreed an acceleration of the DTC amortization, which is expected to eliminate the DTC stock by the mid-2030s instead of 2042. This is only a regulatory provision. It will not affect the Balance Sheet. The extra annual amount = (attributable profit) X (payout ratio) X 29%.

DTC/Regulatory Capital



Source: Financial Stability Review, BoG