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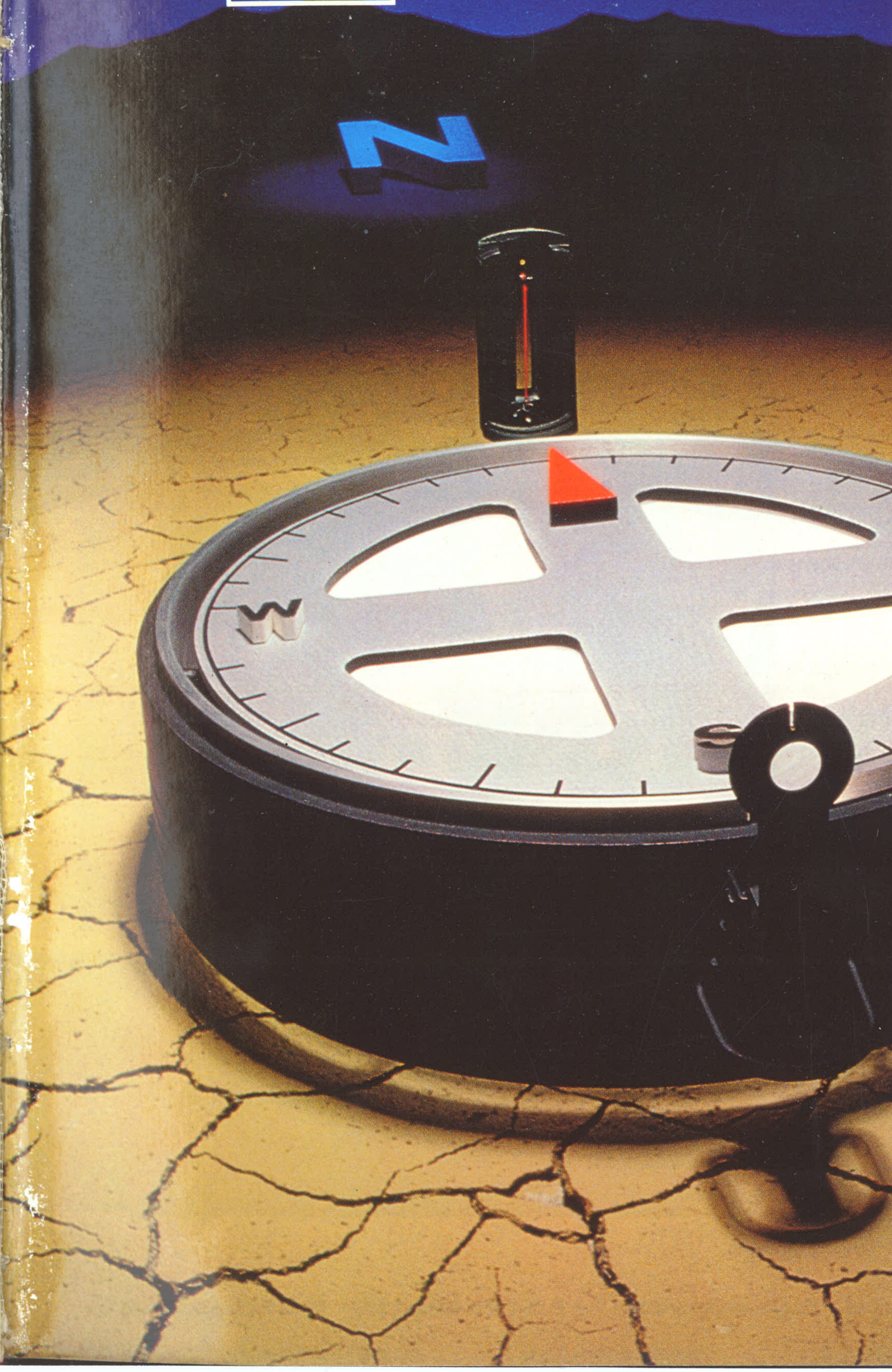
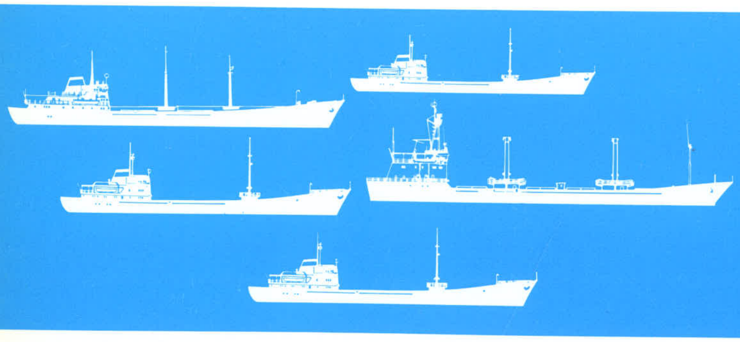
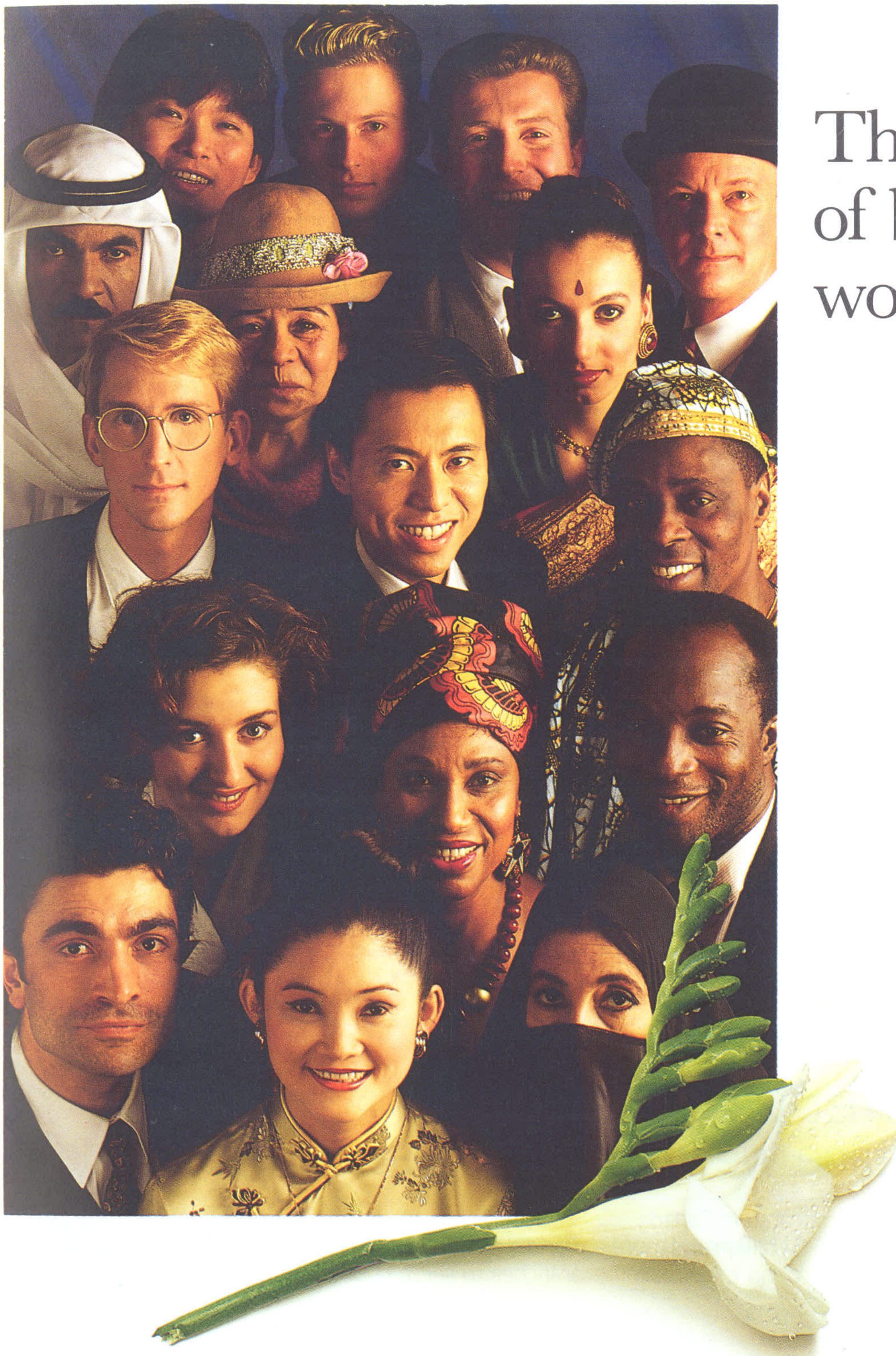


ON THE BRINK OF A REVOLUTION

A Survey of the Greek Banking System





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ON THE BRINK OF A REVOLUTION

A Survey of the Greek Banking System

BY ROBERT McDONALD

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ON THE BRINK OF A REVOLUTION

Yannis Paleokrassas: "It is high time that the banks operate on their own".

Greek banking is on the brink of a revolution. Finance Minister Yannis Paleokrassas plans to eliminate by June next year the special proxy whereby the state controls the major commercial banks. "It is against every principle of corporate management. It is high time that the banks operate on their own and it [the proxy] must be abolished," he told "Viomichaniki Epitheorissis", in an exclusive interview. Paleokrassas plans to introduce legislation revoking the proxy right before June 1992 when the banks hold their annual general meetings.

This comes at a time when measures are being taken to modernise special credit institutions and have them operate at arms length from government.

A new banking act has been drafted to bring Greek legislation into line with the European Community's second banking directive.

The Bank of Greece is working on a deposit guarantee scheme. Greece is the only member of the European Community without one.

New forms of government securities are being developed to settle outstanding state obligations to the banks, and, in the course of 1992, Paleokrassas will issue a decision allowing these to be traded.

There is already a growing secondary market in short-term Treasury bills as go-ahead commercial banks have moved into repos, fixed term selling and repurchase orders, as a means of circumventing the 10 per cent tax on bank deposits.

Most commercial banks have either recently made substantial increases in their share capital or plan to do so in the near future. The funds are being ploughed into computerisation and staff training to upgrade service.

A new generation of younger managers, many in their late 30s and early 40s, has been brought home from banks abroad or poached from the Greek branches of foreign banks to oversee the changes.

They are moving to develop fee-based products such as mutual funds, leasing, underwriting and financial management in a bid to break with the traditional practice of generating virtually all income from deposit and lending rate spreads.

In the past two years, licences have been granted for six new banks. They are small with capitalisation at or near minimum requirements and some market analysts see them as assets which the owners intend to sell on to foreign interests, though the bank managements claim they intend to stay in the Greek market and grow with it. Whatever happens, they are currently in the vanguard of developments in consumer credit, customised private and corporate banking and insurance related products.

By 1993, and the commencement of the single European market, Greek banking should be unrecognisable compared to just a decade ago when profits were controlled through a complex reserve/rebate system and up to 75 per cent of lending was administratively earmarked through secondary reserve requirements.

THE COST OF STATE DOMINATION

Even in the new climate, however, the Greek banking industry will not be as flexible as its European competition. The modernisation programme will take three to five years to complete and the state, while professing its determination to liberalise, is, in practice, reluctant to loose its grip because of the need to finance high public sector deficits.

The aggregate debt of the central administration was estimated in the 1992 budget to be equal to 95 per cent of GDP while that of the broader public sector was put at 137.6 per cent. Banks still have to set aside 30 per cent of all new deposits for the compulsory purchase of short-term Treasury bills and the practice will not be phased out until July 1993. In the course of 1991, the state converted Dr 1,500 bn of the banks' Secondary reserves of Treasury bills into medium term bonds of 3-7 years duration.

The central bank sets the minimum deposit rate, currently 18 per cent, and will continue to do so, as long as interest rates on Treasury bills are administratively set rather than market determined. The Ministry of Finance currently fixes the rate which at the time of writing was 18-22.5 per cent for 3-12 month bills.

These high rates, coupled with the limits on liquidity arising from the secondary reserve requirement, keep retail lending rates high. Working capital can cost as much as 29 per cent, a real rate of stet nearly 10 per cent. With taxes and commissions, the cost of money approaches 35 per cent, putting a severe constraint on industry's ability to invest in modernisation and expansion.

For the time being, the banking industry is largely a public sector preserve. It consists of the central bank, eight special credit institutions – including the Agricultural Bank, the Hellenic Industrial Development Bank, and the Postal Savings Bank – plus 38 commercial banks, 17 of them branches of foreign institutions. Historically, the ultimate authority for monetary and credit matters was the ministerial level Currency Committee which was responsible for all commercial bank policy. In 1982, the Committee was abolished and the formulation and implementation of monetary policy became respectively the preserves of the government and the Bank of Greece. The relationship between the central bank and the government is not always easy and latterly there has been increasing friction between the bankers and the politicians over matters such as interest and exchange rate policy and their use in the fight against inflation.

By far the largest commercial banks are the National and Commercial which account for up to 80 per cent of assets and 90 per cent of lending. The majority shareholdings in these banks are public entities such as insurance and benevolent funds, the church and universities. Since 1953, the Ministry of Finance has held the proxy to vote their shares at the annual meeting thus giving the incumbent government effective control over the appointment of the senior officers of the banks and their subsidiaries. This, in turn, allows it to use the banks to implement public policy.

Despite the large number of institutions, however, representation is thin with just 2,500 branches servicing a population of 10 mn. By comparison, e.g., the city of Madrid with a population of 3.8 mn has some 7,000 branches. The limited number of outlets, coupled with rigid bureaucratic working practices, has let to poor customer service and a reluctance by small depositors to use facilities such as chequing accounts. The foreign branch banks have been able to compete against the indigenous giants by offering novel products and efficient service. The domestic banks' investment programmes are concentrated on the installation of on-line systems, and automated telling equipment in order to speed operations.

Years of government use of the system to finance public policy without close regard to commercial criteria has left many of the banks severely overindebted. The Agricultural Bank estimates that some Dr 230 bn of its Dr 630 bn in loans are non-performing. ETVA has doubtful exposures in the mining and shipbuilding sectors totalling nearly Dr 50 bn. The National Bank which was used for the financial restructuring of the so-called problematic industries is lumbered with some Dr 75 bn in unproductive shareholdings acquired when the debts of these companies were capitalised. It also holds Dr 58 bn in Industrial Reconstruction Organisation (OAE) bonds which pay just half a per cent over the deposit rate. Until inflation began to come down, these produced a negative rate of return and in 1989 the bank had to take the government to court to secure even that.

The state has stopped subsidies to banks and urged them to clean up their portfolios by foreclosing on non-performing loans and privatising or liquidating overindebted companies. The difficulty in many instances is that the debts are secured by state guarantees and the Ministry of Finance does not have the resources to meet its obligations. There are an estimated Dr 3,300 bn in such guarantees outstanding. Of these Dr 625 bn were called in 1990 and another Dr 400 bn come due in the course of this year. The state has required domestic banks to accept payment in bonds of 10 years duration with floating rates and capitalisation of interest.

UPHILL BATTLE FOR PUBLIC SECTOR MODERNISATION

For the banks to privatise or liquidate their corporate holdings will require the writing off of tens of billions of drachmas in accumulated debt. The banks feel that they should not be required to absorb these costs and are seeking assets from the state to replace the value of the loans on their books. For example, Elefsis Shipyards, owned by Commercial Bank, occupies 200 acres of a 500 acre site. The bank wants to retain the excess land in exchange for writing off the debts of the yard so that it can be put on the market at a saleable price.

Current legislation allows banks to incorporate in their income statements accrued interest as opposed to interest actually paid and, in consequence, several major banks show an accounting profit when their real position is negative.

ETVA SEEKS GREATER INDEPENDENCE

Eftychia Pylarinou:
"1991 will be another unprofitable year".

ETVA stopped this practice in 1990 which contributed some Dr 11 bn towards a Dr 27 bn loss for the year. It has been hard hit by the government's decision to stop subsidising interest on its bonds and at the begining of 1991 the bank was running an overdraft with the central bank of Dr 85 bn on which it was paying 32 per cent interest. This has now been cleared by launching a new flexible one-year bond, taking deposits from large public enterprises and selling state guarantee replacement bonds to the Bank of Greece for cash. As the *quid pro quo* for the end to state assistance, ETVA wants greater operational independence in its activities as a wholesale bank. Governor Eftychia Pylarinou says it has good prospects in underwriting and consultancy on mergers, acquisitions and project development. The state is considering selling a 49 per cent interest, though there is little hope of this until the balance sheet can be restructured. Mrs Pylarinou, who welcomes the idea, argues that the bank has hidden assets including some Dr 35 bn in land in its industrial estates and Dr 25 bn in the market value of its investment portfolio entered in the books at par.

Mrs Pylarinou predicts that 1991 will be another unprofitable year and says that this situation will prevail "for many years to come" unless it can lower its cost of funds through a capital injection by the state – "either in the form of assets that the government controls or in the form of an IOU".

AGRICULTURAL BANK TO BE 49% PRIVATISED

The Agricultural Bank, which was transformed into a *société anonyme* earlier this year, with the state continuing as its principal shareholder, is preparing to make a 49 per cent share offering in spring 1992. The bank's current capitalisation is Dr 50 bn and it proposes to improve its position by a further Dr 30-40 bn. In an effort to clean up its balance sheet, the bank is negotiating with the state about restitution for non-performing debts which it feels it was unreasonably forced to assume by the previous administration as part of its farm and regional development policies. According to a bank spokesman, the debts of the KYDEP intervention agency alone amount to nearly Dr 200 bn. Prime Minister Constantine Mitsotakis recently committed the government to cover half this debt in the form of long term state bonds which will eventually be discounted in the market for cash. The remainder of the non-performing portfolio is to be transformed into loans of 15 years duration with a grace period of five years during which time only 30 per cent of contractual interest will be paid. The Agricultural Bank seeks in future to operate as a universal bank focussing on the farm sector and offering a full range of services from mortgage lending and credit cards through mutual funds and agricultural underwriting.

MORTGAGE BANK HAS DIFFICULTIES WITH "SOCIAL" LOANS

Apostolos Georgiadis: "The National Mortgage Bank is a profit making institution operating on banking principles".

The Mortgage Bank showed an accounting profit of Dr 4.5 bn in 1990 but market analysts say that in excess of half its loan portfolio may be non-performing and that, if the interest from these loans were subtracted, the real result would have been a loss in excess of Dr 7 bn. The bank has severely curtailed its social housing programme although it reportedly has 150,000 names on its waiting list. Under Pasok, these loans were supposed to be part financed with funds from the Workers' Housing Organisation but the bank says the funds were not forthcoming and it was forced to pay market rates for capital of 17-19 per cent to finance loans which paid just 10-13 per cent. The future of social housing says Governor Apostolos Georgiadis will depend on the state of public finances "If the funds are not available, then programmes cannot be strengthened".

NATIONAL BANK CLEANING UP ITS PORTFOLIO

Spyros Capralos: "The Board would seriously consider an offer by a large foreign investor to take a substantial stake".

The National Bank stunned the market this year when it posted a Dr 12.3 bn loss after implementing a policy of not recording interest on non-performing loans. Market analysts calculate, however, that only part of the non-performing debt portfolio was treated in this way and that the true loss was probably more of the order of Dr 40 bn.

The bank is seeking to clean up its portfolio by the creation of a new subsidiary company, National Capital (Ethniki Kefalaiou), to which it proposes to transfer its non-performing loans, low yield share-holdings and other non-core assets. The company will either collect or liquidate for their collateral value loans which have been outstanding for more than 180 days. Farmland, factories, hotels and non-core financial assets, such as Traders Credit Bank and Astir Insurance will also be transfered

and offered for sale. "The main reason is psychological", says deputy governor Spyros Capralos. "There will be a small group of employees working with the bank's problems, leaving the rest to be aggressive about our good and profitable business". Once the portfolio is liquidated – which is estimated to take three years – National Capital and its assets will be merged again with the parent company. Incorporation is slated for 1992.

The bank plans nearly to double its capital base. This August, it made a prefential rights offering valued at Dr 36.6 bn and in the course of 1992, it plans a convertible bond issue of a further Dr 123 bn. The seven year bond will be priced at Dr 15,000 and will bear a four per cent coupon. Holders will have a right to one share per bond in years 3-5 and two in year seven. The state has undertaken to "underwrite" the entire Dr 160 bn against the transfer of government paper.

The bank has been talking with major financial houses in the UK, France, Switzerland and Germany about their taking up a portion of the issue. and Capralos says that the board would seriously consider an offer by a large foreign investor to take a substantial stake.

COMMERCIAL BANK PRIVATISATION PLANS EVOLVING

The Commercial Bank is still evolving its procedures. In June an official said that the group was considering selling to foreign interests stakes in the Ionian and Popular Bank, the Bank of Attica and Investment Bank and, that under the right terms and conditions, it might sell a controlling interest in the latter two. Today the bank says it is only considering selling Investment Bank and has no plans to sell even holdings in the other two.

The bank may well have been put off by the imbroglio over its sale of the Bank of Piraeus. Under-capitalised and loss-making, the bank was offered for sale in the first phase of Commercial's privatisation programme. A fixed-rate bidding procedure was instituted which produced one bid of Dr 2.5 bn and another Dr 733 higher. Consternation over this had still not died down when another bidder offered Dr 3 bn out of time. The bank's board reckoned that the Dr 2.5 bn offers were too low but felt it could not accept the late offer without a new sealed bid auction. While this was in progress, the Bank of Greece announced that any buyer would be required to increase the bank's share capital by at least Dr 4 bn by the end of 1992. The decision apparently related to high levels of doubtful debt in Piraeus' loan portfolio.

The newly-formed Private Bank was the sole bidder in the second round, the best bidder in the first round having pulled out of the sale in high public dudgeon threatening legal action. Private Bank's application had to be vetted by the Bank of Greece and, once this was completed, there were to be further negotiations about a final price conducted through the Stock Exchange. The current market value of the Commercial Bank group's holding is estimated by the bank at Dr 3.2 bn.

A Commercial Bank spokesman said that he expected the deal to be concluded during December.

IONIAN PURSUING GREATER FLEXIBILITY

Takis Arapoglou:
"It would be more cost efficient for a foreign bank to start up its own operation".

Market rumours suggested that instead of selling off a stake in Ionian and Popular Bank to foreign interests, Commercial Bank might merge this profitable subsidiary with the main bank. But Ionian and Popular president Takis Arapoglou says he knows nothing about either idea.

He accepted that the bank would offer a foreign buyer an existing network but said he doubted any EC bank would be interested. "It would be more cost efficient for a foreign bank to start up its own operation. After 1993, they would have to pay nothing for a licence".

Arapoglou, one of the bright young bankers who has lured home from a senior position with Chase Investment in London, is intent on building Ionian and Popular with its 180 branches into a product-oriented institution that can compete with the country's private banks. Ionian nearly doubled its capital with a Dr 21 bn rights issue in May this year and Arapoglou plans to develop financial and consumer credit services. He recognises, however, that it will be an uphill battle since the private banks were pioneers in these sectors and he will be competing in a market that is maturing. If the government, is successful in attracting private investors for large infrastructure projects such as the new Athens airport, Arapoglou is anxious to get into project financing.

HIGH PRODUCTIVITY BOOSTS PRIVATE BANK PROFITS

David Watson: "As deregulation goes ahead it will open up new windows of opportunity".

Nicholas Nanopoulos: "We are trying to serve as a catalyst in the development process of corporations".

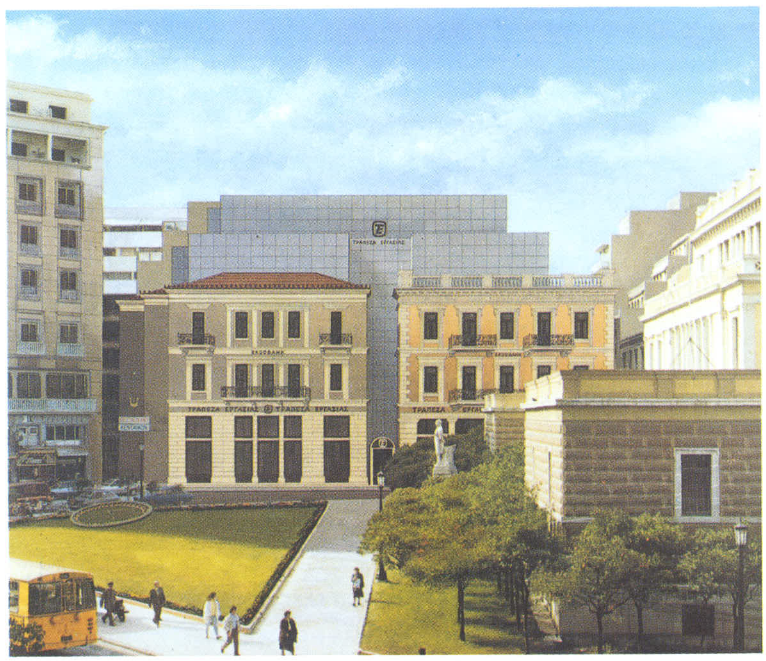
Dimitris Crontiras: "The changes in the public sector banks are going to mean more competition and pressure".

Indicative of the problems facing the public sector banks is the fact that the two private banks, Credit and Ergo, while ranking sixth and ninth in size of assets in 1990 were respectively fourth and third in terms of profits. Credit posted a 161 per cent increase in profit before tax and Ergo a 66 per cent increase. Both banks stress lean manning and high productivity as the key to profitability.

Credit is the most diversified bank in the marketplace with subsidiaries in life and general insurance, real estate and property development, portfolio investment and mutual funds, venture capital, merchant banking, brokerage, business consultancy, leasing, portfolio investment, and computers. More than half the group's profits are generated by the subsidiary companies and company policy is to keep expanding services rapidly. It is moving into private and corporate banking and, once currency control regulations are clarified, into mutual funds with international holdings.

Ergo bank has diversified similarly while at the same time stressing the development of deposit and loan business. It has successfully teamed up with Baring Securities in the UK to create Greek Progress Fund trading in securities on the Athens Stock Exchange and is negotiating with German interests about establishing a second fund. The bank has a cautious approach to lending and does no business in shipping, mining or tourism. "We are conservative. We move step by step to make sure we know what we are doing because we don't want to lose money", says Dimitra Anastasiadi, head of correspondent banking. The bank, with 71 branches, is constantly seeking to expand and earlier this year made a bid to purchase the public sector stake in the Bank of Macedonia & Thrace. Ergo, backed off, however, in the face of opposition from the Federation of Bank Employees Organisations (OTOE) and Thessaloniki business interests.

The new banks tend to be niche operations with narrowly targetted markets. Chios Bank is specialising in mortgage and consumer credit and recently launched the first investment fund with a foreign portfolio. "As deregulation goes ahead it will open up new windows of opportunity", says managing director



David Watson. Euromerchant is developing pension products, customised services for high net worth individuals with high liquidity and corporate financial packages. General Manager Nicholas Nanopoulos says "We are trying to serve as a catalyst in the development process of corporations, relying on our strategic relationships with other firms".

The small companies' advantage is their rapid turn round time on service. Chios, e.g., promises a three day response to mortgage applicants. In this, the newcomers are following the lead of Citibank which has carved out its substantial share of the market by working closely with its clients to provide individualised solutions to problems. With competition hotting up, Citibank, too, is looking for new areas of development. As foreign exchange controls ease, hedging instruments will be a growth market according to country corporate officer Dimitri Krontiras. So too will mergers and acquisitions and mortgages. Krontiras, a shipping expert, predicts global growth in newbuilding which will exceed the banking system's capacity. Citibank is already positioning itself as an adviser to shipowners wanting to come to the stock market for capital.

GREEK BANKS: A STATISTICAL PROFILE

RANKING BY TOTAL ASSETS '89	RANKING BY TOTAL ASSETS '90	BANKS	ASSETS IN MN DRS	CHANGE 1989-1990 %	DEPOSITS IN MN DRS	CHANGE 1989-1990 %	RANKING 1990	RANKING 1989	LOANS IN MN DRS	CHANGE 1989-1990 %	RANKING 1990	RANKING 1989	OWN CAPITAL IN MN DRS	RANKING 1990	RANKING 1989
1	1	BANK OF GREECE	5.911.696	17,10	–	–	–	–	3.882.201	17,13	1	1	22.275	9	6
2	2	NATIONAL BANK	4.657.573	12,97	4.162.545	12,14	1	1	1.321.881	15,90	3	3	95.398	1	1
3	3	AGRICULTURAL BANK	1.732.397	19,01	1.251.872	11,35	2	2	1.466.165	19,66	2	2	73.026	3	3
4	4	COMMERCIAL BANK	1.362.245	20,05	1.166.381	14,29	3	3	494.735	16,74	5	5	82.755.	2.	4
5	5	MORTGAGE BANK	1.091.864	14,44	657.987	19,27	4	4	630.241	12,57	4	4	33.864	6	5
7	6	CREDIT BANK	724.266	27,29	613.339	23,01	5	6	244.674	8,87	7	8	43.598	5	7
6	7	IONIAN & POPULAR BANK	635.936	3,70	531.156	(0,14)	6	5	242.125	3,66	8	7	26.085	7	8
8	8	ETVA	552.560	–	–	–	–	–	317.802	–	6	6	55.564	4	2
9	9	ERGOBANK	337.251	47,40	270.868	38,91	7	7	113.071	30,41	9	9	25.433	8	9
10	10	GENERAL BANK	215.445	16,19	182.748	15,50	8	8	92.451	12,94	10	10	6.285	13	14
11	11	BANK OF MACEDONIA-THRACE	162.534	13,71	133.312	13,12	9	9	66.104	9,91	12	11	10.893	11	12
12	12	BANK OF CRETE	150.383	45,47	102.389	75,43	10	10	70.335	59,74	11	13	7.378	12	11
13	13	ETEVA	105.051	20,11	–	–	–	–	46.747	3,14	13	12	18.714	10	10
15	14	FRANCOHELLENIC BANK	72.900	42,01	42.255	12,80	12	12	41.365	44,85	14	14	5.938	14	15
14	15	BANK OF GENERAL GREECE	64.715	27,82	50.038	25,18	11	11	23.127	18,14	16	15	5.644	16	13
16	16	TRADERS CREDIT BANK	50.678	13,78	40.730	9,26	13	13	24.390	29,18	15	18	5.759	15	16
18	17	BANK OF ATTICA	32.544	9,12	22.882	(2,53)	14	15	11.220	7,76	19	19	3.466	17	17
19	18	INVESTMENT BANK	28.479	6,42	–	–	–	–	18.299	(6,22)	18	16	1.486	20	18
20	19	HOUSING BANK	26.063	19,18	13.196	19,24	17	17	22.425	16,57	17	17	3.244	18	20
21	20	BANK OF PIRAEUS	23.655	10,74	21.185	10,05	15	16	8.993	22,44	20	20	326	21	21
17	21	ARABHELLENIC BANK	18.460	(52,03)	14.563	(57,95)	16	14	6.955	1,09	21	21	2.332	19	19

SOURCE: ICAP HELLAS

OPENING THE FLOODGATES OF COMPETITION

The notion of competition is slow to take hold. Recently, e.g., InterBank sought to open its offices from 8 a.m. to 8 p.m. but was forced to abandon the idea. OTOE was blamed but there was also strong behind the scenes pressure from the larger banks for whom staffing such hours would be prohibitively expensive.

But if National Bank with its 640 banking units can seek to attract business by slashing interest rates for prime clients by 3-4 per cent why then should InterBank with its two branches not try to secure customers by means of accommodating hours?

The problem is timing according to Filopimin Papalexis, director of corporate planning at General Bank who was working in the US banking system when it went through a process of deregulation in the 1960s. The competition became so cutthroat that the banks themselves reverted to former cosy practices which in turn got them in trouble with the Federal Exchange Reserve. "There must first be upgrading of infrastructure and only then can you have competition. Greece has been an oligopolistic market for some time. You can't open the floodgates all at once. It has to be done gradually".

NET PROFITS IN MN DRS	CHANGE 1989-1990 %	RANKING 1990	RANKING 1989	PROFITABILITY OF OWN CAPITAL %	RANKING 1990	RANKING 1989	PROFITABILITY OF TOTAL ASSETS %	RANKING 1990	RANKING 1989	NET POSITION AS % OF TOTAL ASSETS %	RANKING 1990	RANKING 1989	SHARE CAPITAL ON THE BASIS OF NOMINAL VALUE OF THE SHARE IN MN DRS	RANKING 1990	RANKING 1989	MONETARY VALUE OF SHARE CAPITAL IN MN DRS 19/6/91	RANKING 1990	RANKING 1989	NET PROFITS PER SHARE IN DRS	RANKING 1990	RANKING 1989	NUMBER OF EMPLOYEES	RANKING 1990	RANKING 1989
7.482	(35,27)	6	1	33,59	5	2	0,13	15	14	0,38	21	21	11.124	6	6	34.962	7	7	3.766	4	3	3.427	5	4
(12.270)	–	21	17	(12,86)	20	19	(0,26)	18	19	2,05	19	19	54.961	1	1	216.257	1	1	–	–	18	15.296	1	1
22.723	662,52	1	7	31,12	6	15	1,31	12	15	4,22	15	16	17.901	4	3	–	–	–	–	–	–	6.387	3	3
20.105	316,68	2	6	24,29	8	12	1,48	10	12	6,07	11	17	23.958	3	5	146.289	3	2	1.385	6	10	7.030	2	2
4.692	(45,94)	7	2	13,06	13	7	0,43	14	11	3,10	17	14	10.571	7	7	63.585	6	5	579	12	8	1.000	11	8
18.235	160,57	3	4	41,83	3	3	2,52	2	8	6,02	12	13	14.850	5	4	168.300	2	3	1.842	5	6	3.428	4	6
11.054	87,61	5	5	42,38	2	6	1,74	8	9	4,10	16	15	6.904	8	8	107.705	5	6	4.083	3	4	3.350	6	5
64	–	16	16	0,12	17	18	0,01	17	18	10,06	6	3	25.260	2	2	–	–	–	12.657	1	2	720	12	12
13.430	65,68	4	3	52,81	1	1	3,96	1	1	7,54	9	10	3.443	13	12	134.088	4	4	741	10	5	1.537	8	9
2.261	249,46	10	12	35,97	4	13	1,05	13	13	2,92	18	18	3.929	12	11	16.647	11	11	1.019	8	13	1.860	7	7
2.423	29,85	8	8	22,24	10	4	1,49	9	7	6,70	10	12	2.915	14	13	22.040	9	9	836	9	9	1.287	9	10
(488)	86,71	19	21	(6,61)	19	21	(0,32)	19	21	4,91	14	8	4.557	10	10	–	–	–	–	–	–	1.260	10	11
2.355	186,85	9	11	12,58	14	14	2,24	4	10	17,81	1	1	4.078	11	16	34.895	8	10	1.039	7	7	180	17	17
1.331	(1,63)	12	9	22,41	9	5	1,83	7	2	8,15	8	6	2.000	16	19	–	–	–	6.653	2	1	115	19	20
1.413	51,61	11	10	25,04	7	10	2,18	6	4	8,72	7	2	5.125	9	9	–	–	–	276	13	14	555	14	14
1.225	104,17	13	13	21,27	11	9	2,42	3	6	11,36	4	9	1.714	19	17	14.492	12	12	643	11	11	590	13	13
721	77,59	14	15	20,80	12	11	2,22	5	5	10,65	5	7	1.963	17	15	20.700	10	8	40	15	16	350	15	15
(731)	–	20	18	(49,19)	21	16	(2,57)	21	16	5,22	13	5	2.107	15	14	–	–	–	–	–	17	113	20	18
354	(21,16)	15	14	10,91	15	8	1,36	11	3	12,45	3	4	1.826	18	21	5.490	14	13	231	14	12	120	18	19
7	92,78	17	20	2,15	16	20	0,03	16	20	1,38	20	20	366	21	20	7.938	13	14	5	16	–	217	16	16
(109)	–	18	19	(4,67)	18	17	(0,59)	20	17	12,63	2	11	1.100	20	18	–	–	–	–	–	15	74	21	21

OTOE WANTS A SAY IN NEW DEVELOPMENTS

Christos Protopappas: "The state must control the banks in order to implement the economic strategy of the country".

OTOE gets lumbered with much of the blame for the slow pace of change in the industry. OTOE makes no apologies for its opposition to privatisation. "We think the state must control the banks in order to implement the economic strategy of the country. If the system is only oriented to the profit of bank owners, then the only things which will be developed are commerce and imports and nothing will be done for industry,", says president Christos Protopapas. But the union rejects the claim that it is dragging its feet on the installation of new technology in order to protect the jobs of its members. It says that it recognises the need to modernise and retrain and has developed its own education centres with EC funds. OTOE argues that the banks are crying out for more staff in order to support their expansion plans. The union says it has agreed to enter into negotiations with the Hellenic Banks Association about productivity related pay but claims that management is procrastinating because it does not know how to approach the matter. Protopapas says that changes cannot be made unilaterally by management. "We are open to discussion but all developments must have our approval. We must sign".

FOREIGN BANKS IN GREECE

RANKING BY TOTAL ASSETS 1989	RANKING BY TOTAL ASSETS 1990	BANKS	YEAR OF INCORPORATION	ASSETS IN MN DRS	CHANGE 1989-1990 %	DEPOSITS IN MN DRS	CHANGE 1989-1990 %	RANKING 1990	RANKING 1989
1	1	CITIBANK	1964	400.654	5,11	273.824	21,27	1	1
3	2	BARCLAYS BANK	1978	113.316	8,66	52.416	10,49	6	5
2	3	ALGEMENE BANK NEDERLAND	1974	111.833	6,21	60.047	13,85	3	3
8	4	MIDLAND BANK	1981	96.135	50,89	58.826	37,94	4	6
4	5	SOCIETE GENERALE	1979	94.014	18,74	25.749	19,77	11	12
6	6	NATIONAL WESTMINSTER BANK	1974	94.014	31,72	85.268	33,85	2	2
10	7	BANQUE NATIONALE DE PARIS	1981	73.924	35,26	47.659	53,38	7	10
7	8	CREDIT COMMERCIAL DE FRANCE	1981	66.955	2,72	10.123	(12,97)	15	14
9	9	AMERICAN EXPRESS	1921	64.043	13,96	56.666	12,82	5	4
11	10	THE ROYAL BANK OF SCOTLAND	1974	61.330	16,16	37.644	18,04	8	9
5	11	THE BANK OF NOVA SCOTIA	1969	58.706	(22,99)	36.790	9,96	9	7
13	12	BANK OF AMERICA	1968	40.500	17,72	6.561	33,54	16	16
12	13	THE CHASE MANHATTAN BANK	1968	38.075	(4,84)	27.377	(14,49)	10	8
14	14	GRINDLAYS BANK	1974	35.796	14,24	23.273	10,73	12	13
15	15	BANQUE PARIBAS	1980	17.814	(33,92)	12.832	(42,04)	13	11
16	16	ARAB BANK	1980	14.258	26,46	11.489	51,87	14	15
17	17	BANK SADERAT IRAN	1977	3.413	22,24	306	31,33	17	17

SOURCE: ICAP HELLAS

WILL THE DEBT BURDEN SINK THE REFORMS?

Viewed piecemeal, the changes occuring in the Greek banking sector may look too little too late to meet the challenge of competition within the integrated market. Taken as a whole, they add up to major movement of reform. Whether it will gel in time remains to be seen. Also, there must be concern about the growth of the Treasury market. With the new bonds it is issuing the government is lengthening its debt profile. But it will fall fue in the latter half of the decade. If the government recovery programme fails, and the debt matures at a time when the economy is lurching through yet another crisis, then the banks' efforts to modernise all will have been for nought.

LOANS IN MN DRS	CHANGE 1989-1990 %	RANKING 1990	RANKING 1989	NUMBER OF EMPLOYEES	RANKING 1990	RANKING 1989
48.506	11,72	2	2	587	1	1
65.124	0,47	1	1	312	3	3
26.543	17,49	4	5	150	5	5
26.285	51,03	6	9	123	6	6
29.054	25,74	3	4	102	7	8
21.510	23,13	7	8	235	4	4
20.384	47,50	9	10	75	12	13
26.351	(6,03)	5	3	100	8	7
16.416	21,72	10	11	344	2	2
20.903	0,05	8	6	60	13	12
11.800	42,46	12	13	92	9	9
12.178	7,11	11	12	55	14	14
4.598	23,54	15	15	80	11	11
10.299	36,46	14	14	88	10	10
11.119	(37,89)	13	7	50	16	16
4.594	51,27	16	16	52	15	15
2.802	13,76	17	17	11	17	17

THE STRUCTURE OF GREEK BANKING

There are eight special credit institutions of which four are directly owned by the state: the Agricultural Bank (with its subsidiary the Bank of Central Greece), the Hellenic Industrial Development Bank, the Post Office Bank and the Consiquments and Loans fund.

The National Bank group includes three special credit institutions – the National Investment Bank for Industrial Development, the Mortgage Bank and the National Housing Bank – plus a commercial bank, Traders Credit. It has a 40 per cent stake in the Arab Hellenic bank and runs the bank under a management contract. It has a controlling interest in four banks in the US, Canada, South Africa and France which serve as vehicles for the large volumes of emigrant remittances from Greeks of the diaspora. Its assets total nearly 60 per cent of the total of all commercial banks and it commands approximately a 50 per cent market share.

The Commercial Bank group, founded privately but taken into public ownership in 1975, consists of the special credit institution, Investment Bank, plus three commercial banks, Ionian and Popular, Attika, and Piraeus.

Also in the public sector are: the Bank of Macedonia & Thrace in which the Postal Savings Bank and Eteva have a 22 per cent interest; the Bank of Crete, which is sustained by a Dr 5 bn line of credit from the Bank of Greece and is run by an administrator appointed by the central bank following the alleged embezzmelent from the bank of Dr 30 bn by its former private owner, George Koskotas; and the General Bank which is 69 per cent owned by the Army Share Fund.

The two main private banks are Credit Bank, the contemporary incarnation of a financial house established in Kalamata in the 19th century by the Costopoulos family and Ergo Bank, which was created in 1975, by Constantine Capsaskis, a former senior vice president of American Express. In the past two years there has been a rash of authorisations of licences for small banks created by shipowners and industrialists. Chios Bank, a dormant subsidiary of the National, was sold to the Vardinoyannis shipping and oil family who in turn sold 20 per cent to the Livanos and Goulandris shipping families; Dorian is a joint venture between shipowner Yannis Mavrakakis of Mayamar Marine and the Bank of Scotland (30 per cent); Euromerchant was established by the oil and shipping magnate Yannis Latsis; InterBank was formed by the Insurance Company InterAmerican and the Banque Worms; Egnatia bank was created by a group of businessmen centred on Thessaloniki; and Private Bank was set up by a consortium of businessmen from the commercial sector headed by Mikhalis Sallas.

The foreign branch banks are of North American, European and Middle Eastern origin and two of them, Citibank of the US and Barclays of the UK, rank in the top third of deposit takers and lenders.

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