

**Association Européenne pour le Droit Bancaire et Financier  
European Society for Banking and Financial Law**

**Athens, 5-6 October 2012**



# **Banking Sector Restructuring and Economic Growth in Greece**

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# 1. Developments in the Greek Economy

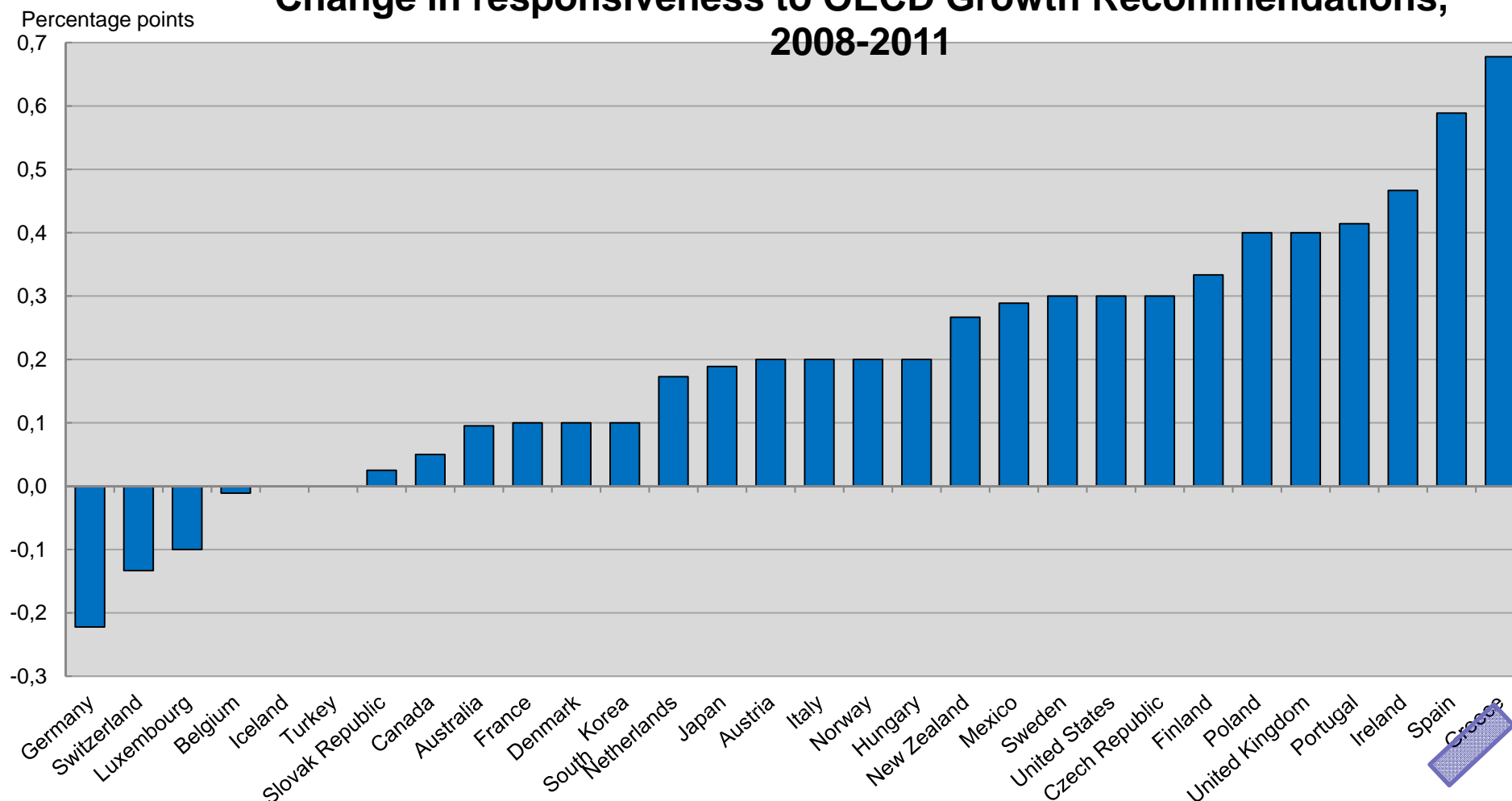


# Greek Economy Changes

- The Greek economy is undergoing **significant structural change**, in order to restore its competitiveness and address fiscal imbalances.
- The economic crisis has exacerbated the historical structural weaknesses of the economy; this also presents an **opportunity of change for the future**.
- In the context of such change, it is evident that **all sectors are adapting rapidly** in order to address the new challenges and benefit from potential new opportunities. This is especially relevant to the **banking sector**.

# Greece is changing fast

**Change in responsiveness to OECD Growth Recommendations,  
2008-2011**

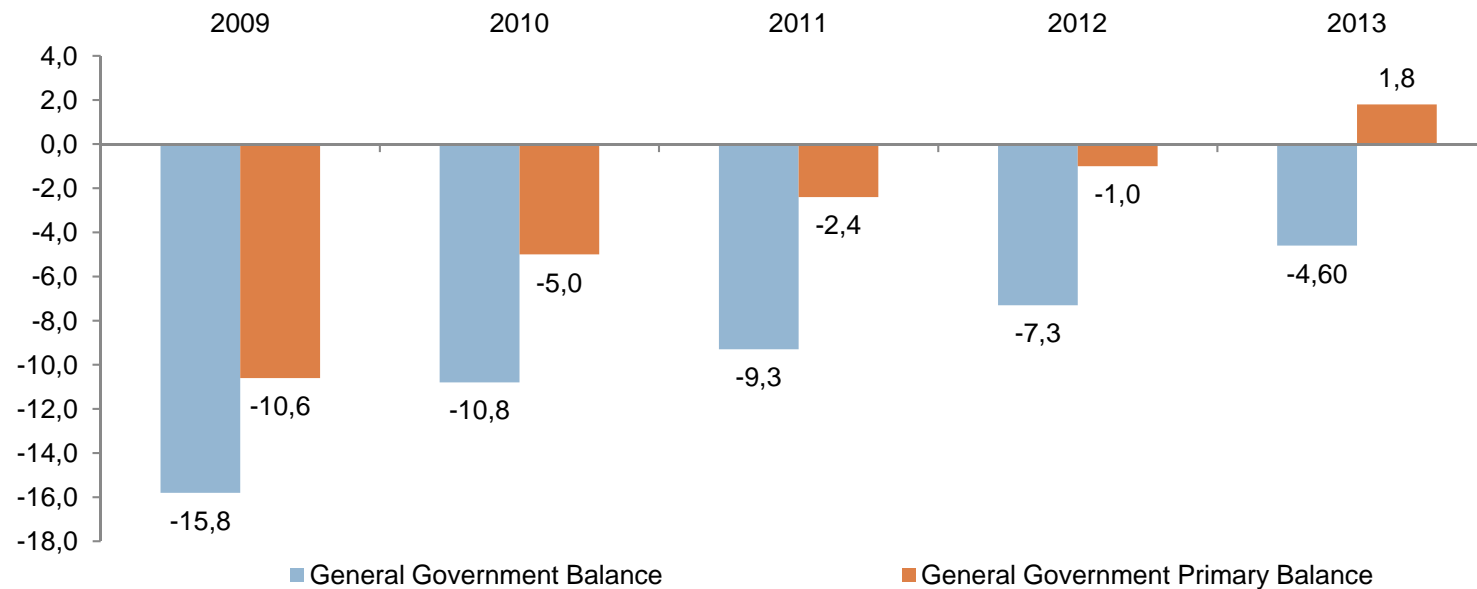


# Fiscal adjustment

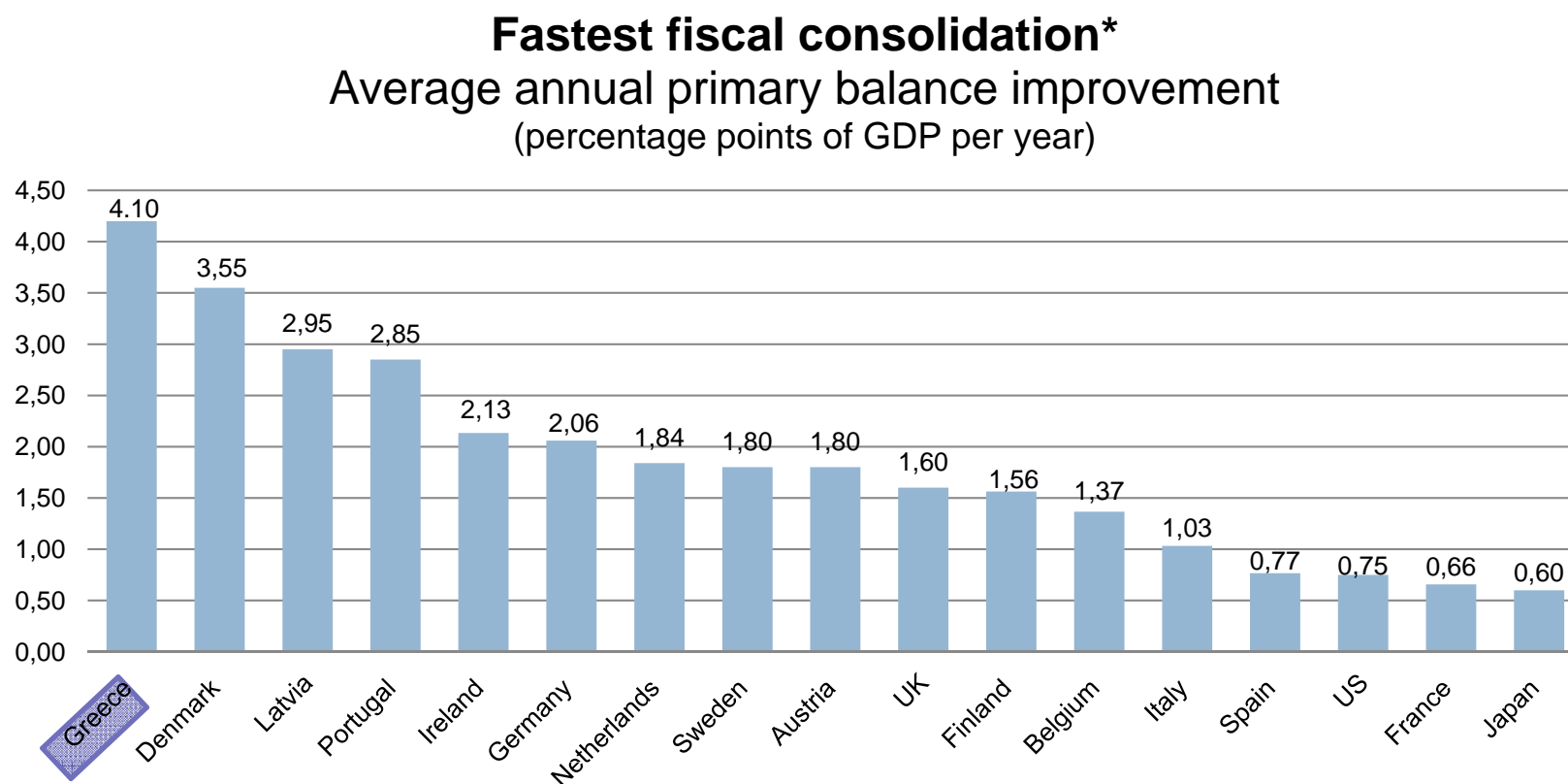
**General government deficit** shrank by 6.5 p.p of GDP

**General government primary deficit** shrank by 8.2 p.p of GDP

**General Government Fiscal Accounts 2009-2013**  
(% of GDP)



# The fastest fiscal consolidation

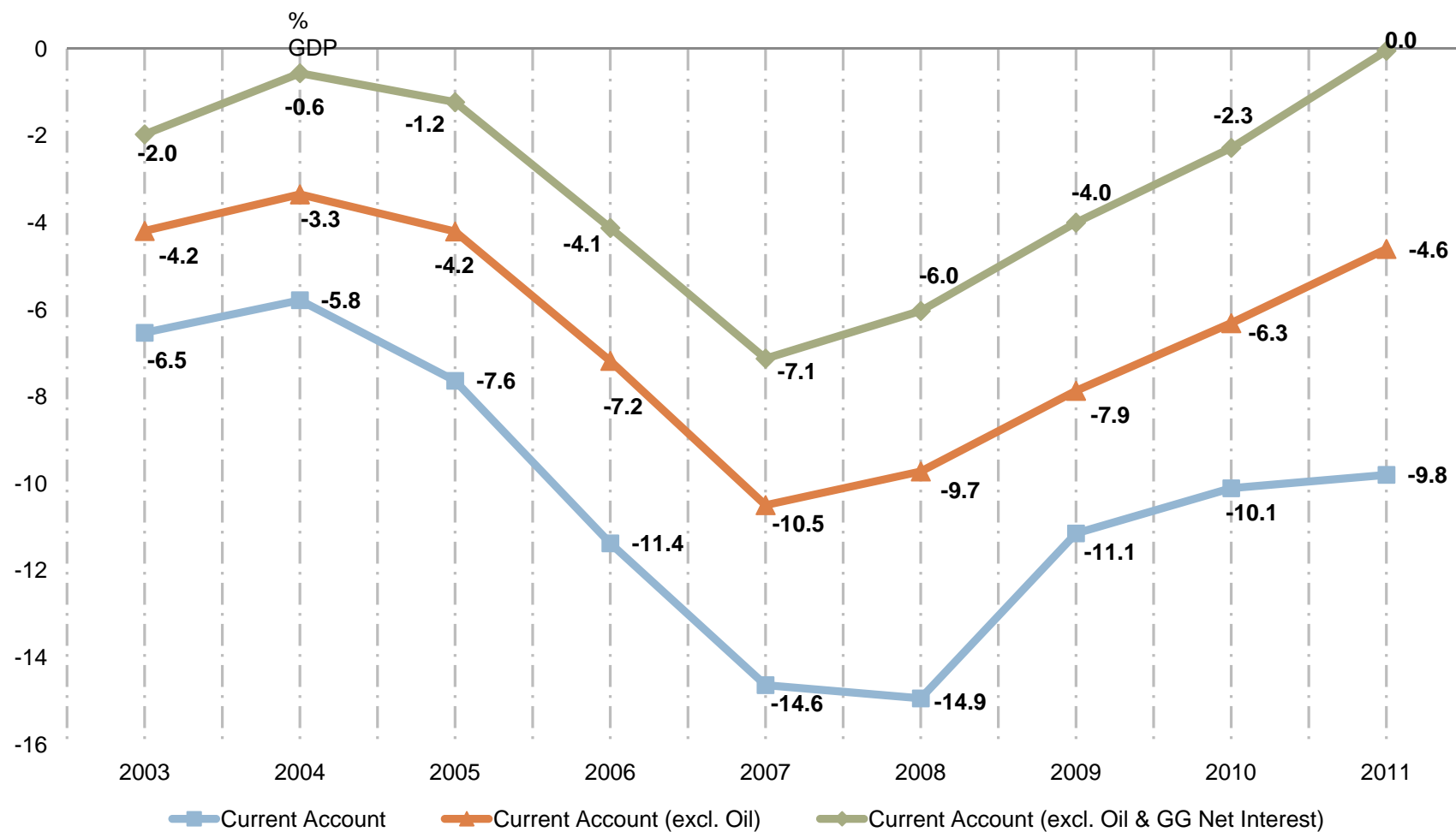


✓ Greece achieved an annual rate of fiscal consolidation of 4.1 percentage points of GDP on average, the highest in the developed world over the last few decades

\* Fiscal consolidation episodes as defined in OECD Economic Outlook 81, May 2007

Source: AMECO

# Current Account Deficit declining





# Tax reforms & Combating tax evasion

- A **new IT system** interconnecting all tax offices will be introduced and fully operational introduced in January 2013
- “**Fast track**” administrative tax dispute resolution mechanism
- **Merger and centralization** of tax offices in process
- **New unit for large tax-payers** activated
- **Clearance of the backlog of tax cases** by at least 15% by December 2012, through the creation of 23 tax-related court units





# Public sector reforms

- **Census of public servants and unified wage grid**
- **EU Taskforce** established to support implementation of structural reforms
- **13 priority areas** selected for administrative burden reduction
- **Local government reform:** “Kallikrates plan” reduced municipalities from 1034 to 325 and local authority entities reduced from 6,000 to 1,160



# Labour market reforms :

More flexible working arrangements & wage bargaining

- **Part-time working arrangements** , possibility to opt for short-term (intermittent); working on a daily, weekly or other basis
- **Sub-minimum wages** to facilitate **youth employment**
- **Adjustment/ Reduction of wage floors**
  - 22% reduction in the minimum wage
  - 32% reduction in the minimum wage for employees under the age of 25
- **20% cut in overtime premia**



# Business Environment

Doing business in Greece gets simpler:

**"One-stop-shop"** - targeting at setting up a business in 1 day

**General Commercial Registry (GEMI)** established

**Points of Single Contact (PSC)** provide information on all procedures

**New Investment Law**

**New Export Law** reduces the red-tape in export activity

# maximizing value of Greek state

The **Hellenic Republic Asset Development Fund (HRADF)**,  
established in July 2011

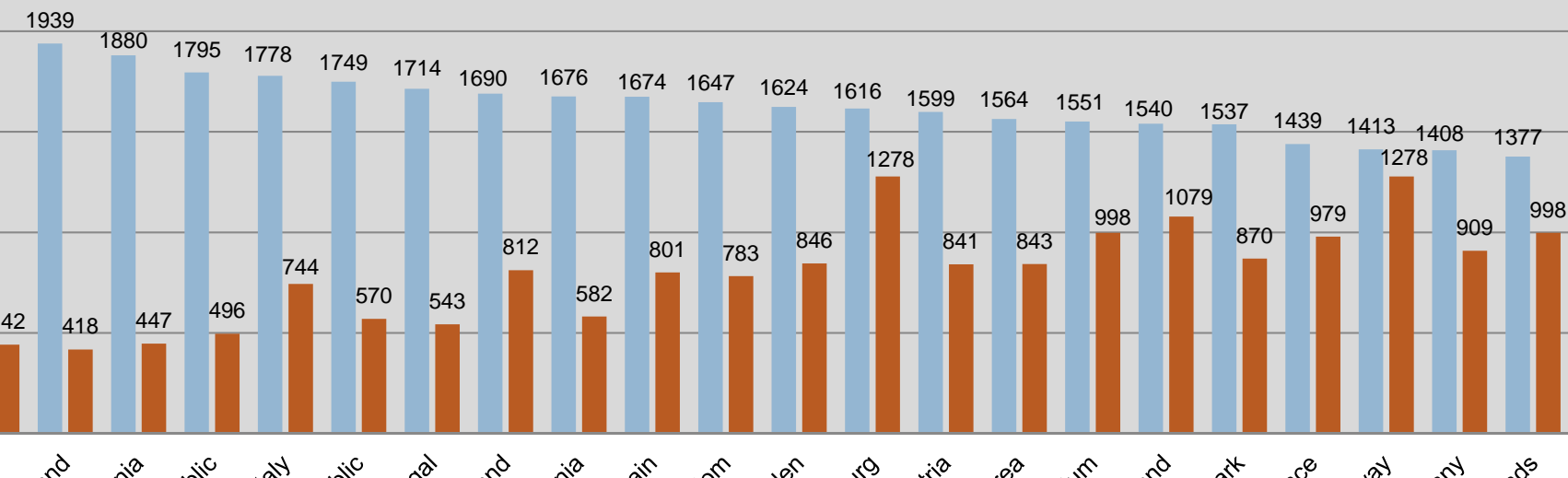
- Aims to maximize value from development and/or sale of assets
- Invitation for submission of expression of Interest for the acquisition of a majority of the share capital of HELLENIKON S.A. published in December 2011

## privatizations

- Launching of landmark asset sales:
  - In 2012: DEPA/DESFA, HELPE, OPAP, EYDAP, EYATH, and IBC (International Broadcasting Center) and tenders for the ports, airports and Egnatia Odos motorway

# Greeks are the hardest working in Europe!

Annual total hours worked per person and productivity per hour  
(2010)



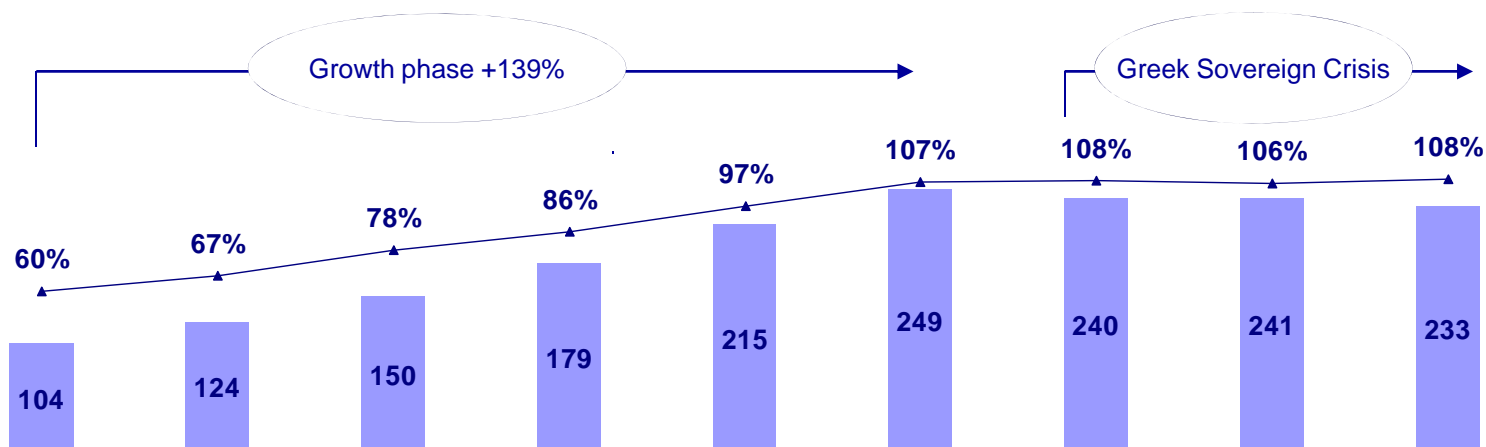


## 2. Reshaping of the Greek Banking Sector

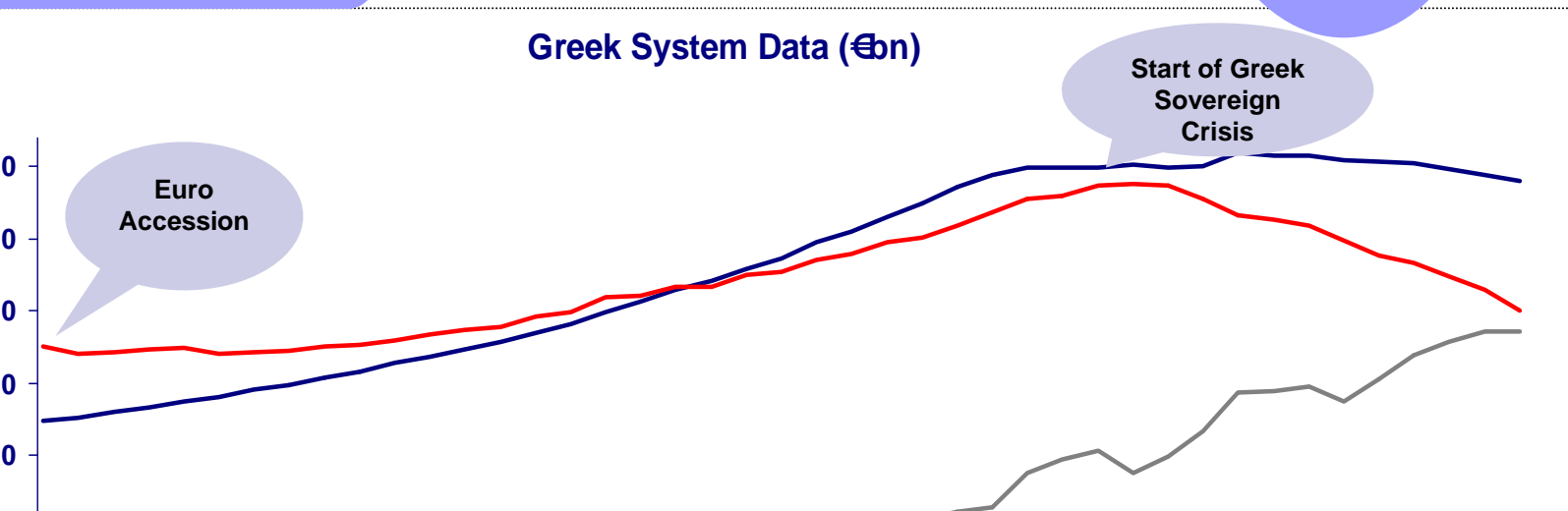
# Greek Banks in Support of the Economy...

Greek banks have historically been proactive in their support of the economy, both domestically but also in the efforts of Greek companies to expand abroad.

**Greek System Lending to the Private Sector**

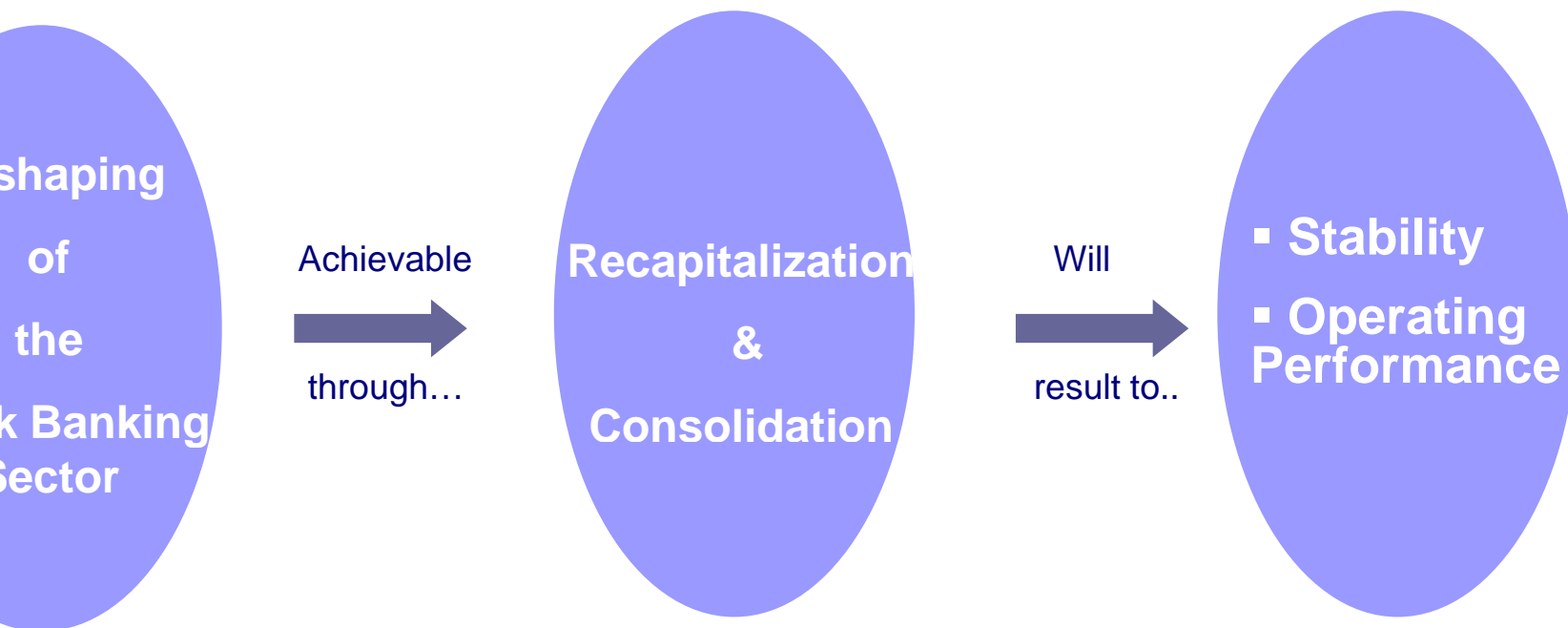


# .fuelling it with liquidity





# Reshaping of the Greek Banking Sector: The Way Forward



# Recapitalisation

The Greek banks' recapitalisation needs are nearly solely sovereign related (PSI+ losses: c.€24bn for the systemic banks); before the PSI+ Greek banks were adequately capitalised.

The recapitalisation is not a “gift” to banks: it is rather a means to restart the Greek economy.

Recapitalisation will signify a return to normality and provide a buffer against shocks:

- Attract private capital to preserve private status
- Capital injection will enable banks to face any eventuality in the following years
- Greek State and taxpayers to benefit from value creation efforts of banks via adequate compensation
- Customers to benefit from reduction in the funding cost of banks

Banks will be given the opportunity to retain their independence if the participation by private investors exceeds 10%. The Hellenic Financial Stability Fund (HFSF) will provide the remaining recapitalisation amount



# Consolidation

The Greek Banking System is considered highly fragmented

The creation of healthier market participants with improved operating performance:

- Banks to adapt to current business volumes and trends.
- Consolidation to restore “business as usual” in the medium term which will help stimulate the economy.
- New corporate governance and lending rules will help preserve and improve the “banking ethos”
- Customers will benefit from the healthy competition in the market.



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Next installment of €31 billion expected shortly. Of this, c.€24 billion will be used to recapitalise the banking sector.

Legal framework of the recapitalisation to be voted concurrently.

Enhanced corporate governance practices will be implemented so as to secure no interference of the Government in the day-to-day operation of the banks.



**THANK YOU**

**FOR YOUR ATTENTION**