SIBOS - Chairman

Dear Distinguished guests, Ladies and Gentlemen,

In my capacity as the Chairman of the Hellenic Bank Association as well as the Chairman of the Athens Exchange, I welcome you in today's event.

The purpose of the event is to showcase to all of you the Greek Financial Sector and the progress made in the past couple of years.

After 10 long and challenging years, I can state unequivocally that the Greek Financial Sector has emerged from its challenges, and is moving steadily, confidently but also swiftly, into a new era of stability and growth, ready to finance the increasing attractive prospects of the Greek economy.

Today, we have with us here representatives of the four systemic Greek banks and the Athens Exchange. They will present to you the financial, technological and banking advances we have made thus far, and will share with you the plans for the immediate future.

Our Chief Economists will also give you a very detailed view of Greece's economic outlook. Greece and the Greek economy, after occupying for several years, global headlines as a problem economy, presents some of the best growth prospects. Before the economists in the first panel make their case, allow me to make few remarks in this respect.

Greece, after a prolonged period of recession, has entered a phase of recovery. Having successfully addressed the twin deficits, which led the country into the crisis – namely the fiscal and current account - GDP growth, is back, accelerating to 1.9% in 2018 from 1.5% in 2017, with signs that these levels are being maintained in 2019, with further possible strengthening in 2020 and 2021.

The increase in GDP growth has led to increases in employment, and households' disposable income, among other things, and for first in some time, tangible increases in real estate prices.

Most importantly, it has contributed significantly to the return of confidence and trust among economic participants with collateral benefits to the Greek banking system, as evidenced by the return of deposits to the Greek banks.

Looking ahead, investments are expected to be a key driver for growth in the coming years as a more business friendly environment has emerged. This includes the loosening the tax regime on businesses, accelerating privatizations and finalizing major projects such as the “Hellinikon”, diminishing bureaucratic barriers like the simplification of the process to receive a new business licensee. However, innovative national initiatives are necessary in order to boost Foreign Direct Investment and achieve higher economic growth rates. Continuing structural reform, abolishing regulatory ambiguity and efficiently increasing public spending remain key challenges looking forward.

The above conditions have created a positive backwind for Greek financial sector, and since I wear the hat of the Chairman of the Hellenic Bank Association, allow me to spell out what it means for the Greek banks. In short, it speaks for a much-improved outlook for the banks, compared to previous years. Specifically:

- The return of deposits has led to a considerable improvement in the banks' liquidity conditions, enabling complete disengagement from the Emergency Liquidity Assistance (ELA) mechanism. In addition, Greek banks have achieved again access to the interbank lending market, and most importantly, they have re-gained access, after many years, to the medium-long term capital markets, as evidenced by the recent issuance of a Tier II bond by two of the Greek systemic banks.

- The sustained progress in the liquidity conditions was a contributing factor to the recent abolition of capital controls, which were first imposed in June 2015 and entirely lifted on September 1st, 2019. This positive development, is expected to strengthen depositors' confidence and help banks improve their funding profiles and revenues, triggering further rating upgrades.

- The capital ratio of the systemically important banks has remained robust, averaging 15.9% at the end of 2018, setting Greek banks among those adequately capitalised within the EU, according to the European Banking Authority (EBA).

- Following huge cumulative losses in the previous years, Greek banks have returned to capital accretive profitability. As the economy gradually recovers and as more investments flow into the country, profitability is likely to improve even further.

- Yet, more remains to be done, and the major challenge by Greek banks continues to be the successful management of the high stock of non-performing loans (NPLs) and exposures (NPEs). On that front, the progress achieved is significant:

    - *At end-December 2018, the stock of NPEs was reduced to €81.8 billion (or 45.4% of total loans) from €107.2 billion in March 2016. At the end of June 2019, the same was further reduced to €78 billion (or € 45% of total loans).*
    - *By end-2021, Greek banks aim to achieve a reduction of the aggregate stock of NPEs by roughly €30 billion, bringing the NPE ratio below 20% of total loans, according to the revised operational targets for NPE*

reduction submitted at the end of March 2019 to the SSM.

- *The above constitute a solid baseline. However, there are valid reasons to expect overachievement of these objectives as*
  - *Acceleration of the economic growth is on the top of the agenda of the newly elected government;*
  - *A series of tax cuts, as aforesaid, aimed at to accelerate growth, were recently announced by the government;*
  - *Real estate prices in Greece, which underpin most of NPEs, are accelerating at a rate faster than anticipated;*
  - *The Asset Protection Scheme (APS) is likely to be approved very shortly and the size of the program has increased to € 20 billion and possibly higher.*

The above gives me confidence that the 2021 NPE reduction objectives will be exceeded.

The implications of the improved outlook for the Greek economy do not stop with the Greek banks. They are positive implications for the Greek Capital Market as well:

- First of all, market capitalisation has rebounded to a level of € 57.4 billion (as of 13.09.2019), which is close to the 2013 levels of € 66.6 billion of 2013 and the 2nd highest since 2010.

- *Foreign holdings, currently stand at 65.5%, a record figure, and have remained above 60% since 2015, despite the years of increased uncertainty.*
- *During the last 10 years, Greek non-financial sector companies exceeded € 12 billion from the Greek capital market. During the same period, we have seen positive secondary market capital inflows of € 5.8 billion from international investors.*
- *Foreign investor interest in our banks and brokers remains robust, as they have successfully participated in the recapitalisation of Greek banks.*
- *Foreign investors have also maintained faith from the way the post-trading of ATHEX and our ecosystem of Clearers and Custodians has dealt with the imposition of 4 years of capital controls period with no fail settlements observed whatsoever.*
- *As a result, international trading activity has remained well above 50% for the past 6 years and is well placed to serve new capital raising for listed companies growth projects that have been announced.*

- We should also note the emergence of the newly listed and exchange traded local corporate bond market, over the last 3 years. Already, new bond issuances have taken place, for a total amount of € 1.3 billion. These bonds issues are listed and traded at the ATHEX with the support of local market makers.

- The Hellenic Corporate Governance Council has been strengthened with the addition of the Hellenic Bank Association and the Hellenic Fund and Asset Management Association and is working towards improved corporate governance standards in our market.

- Finally, I would like to mention two activities that ATHEX is involved with the view to expand its activities:

- *The first is its participation in the newly established Energy Exchange where electricity and gas products are to be traded shortly.*
- *The second is the agreements by the ATHEX to offer its trading platform services in Kuwait and Lebanon, a development that not only leverages its technology capabilities, but also opens possibilities for further synergies with the Middle East region. Both are examples of healthy growth and diversification prospects for our capital market.*

The 2nd panel discussion will focus on all the above, as well as the challenges that Greek banks face both on the debt and on the equity side, and more specifically, how to meet their financing needs, associated credit terms, achieving competitive pricing, sourcing enough equity to support future growth, the types of investors they are after, etc.

Other areas of focus, Corporate Governance, how can ATHEX assist in in the funding of the Greek economy, by offering listing possibilities in Greek corporation but also in funding major projects such as pipelines and key privatization initiatives.

Finally, our last panel will elaborate on our achievements and our ambitions on the digital space:

- what we do in terms of supporting innovative start-ups;
- on level of digital maturity of client base,
- but also on the challenges we face for encouraging digital transformation in the broader economy;
- keeping up with the rapid evolution of digitalization and innovative technologies;
- dealing with the numerous new risks that these bring, such as cybercrime,
- as well as other possible business and IT operation disruptions.

With a rather full agenda, and with no further a due, I would like to invite the Chief Economists of the first panel to take their place for the discussion.

Thank you!