



# **Resolution of Credit Institutions: The Greek experience**

***Presentation to the Joint NBR & IMF Financial Stability Seminar***

*Maria Mavridou*

*Bucharest, 27th of October 2017*



# OUTLINE

- 1. Greek Sovereign Crisis & Implication on Banks**
- 2. Resolution Actions 2011-2015**
- 3. BRRD: Merits & Challenges**



# I. **Greek Sovereign Crisis & Implication on Banks**

# Greek Sovereign Crisis



- At the end of 2008 the major financial & regulatory ratios of Greek banks were sound

Totals of Commercial Greek Banks - solo basis

System	Assets (mn €)	Total Assets/GDP	CAR%	NPL Ratio %	LTD	Eurosystem Funding (mn €)
2008	412.000	164,9%	10,7%	5,0%	108,3%	30.132

Source: Bank of Greece

- However, the picture of the state public finances was different

	Public debt as % of GDP	Fiscal Deficit as % of GDP
2008	109,40%	10,20%
2009	126,75%	15,20%

Source: Bank of Greece



# Impact of sovereign crisis on Banks

## Macroeconomic Developments

	GDP	GDP %	Unemployment	Taxes	Wages / Pensions
2008-2016	- € 66 bn	-26,2%	7,6% → 23,5%	↑	↓

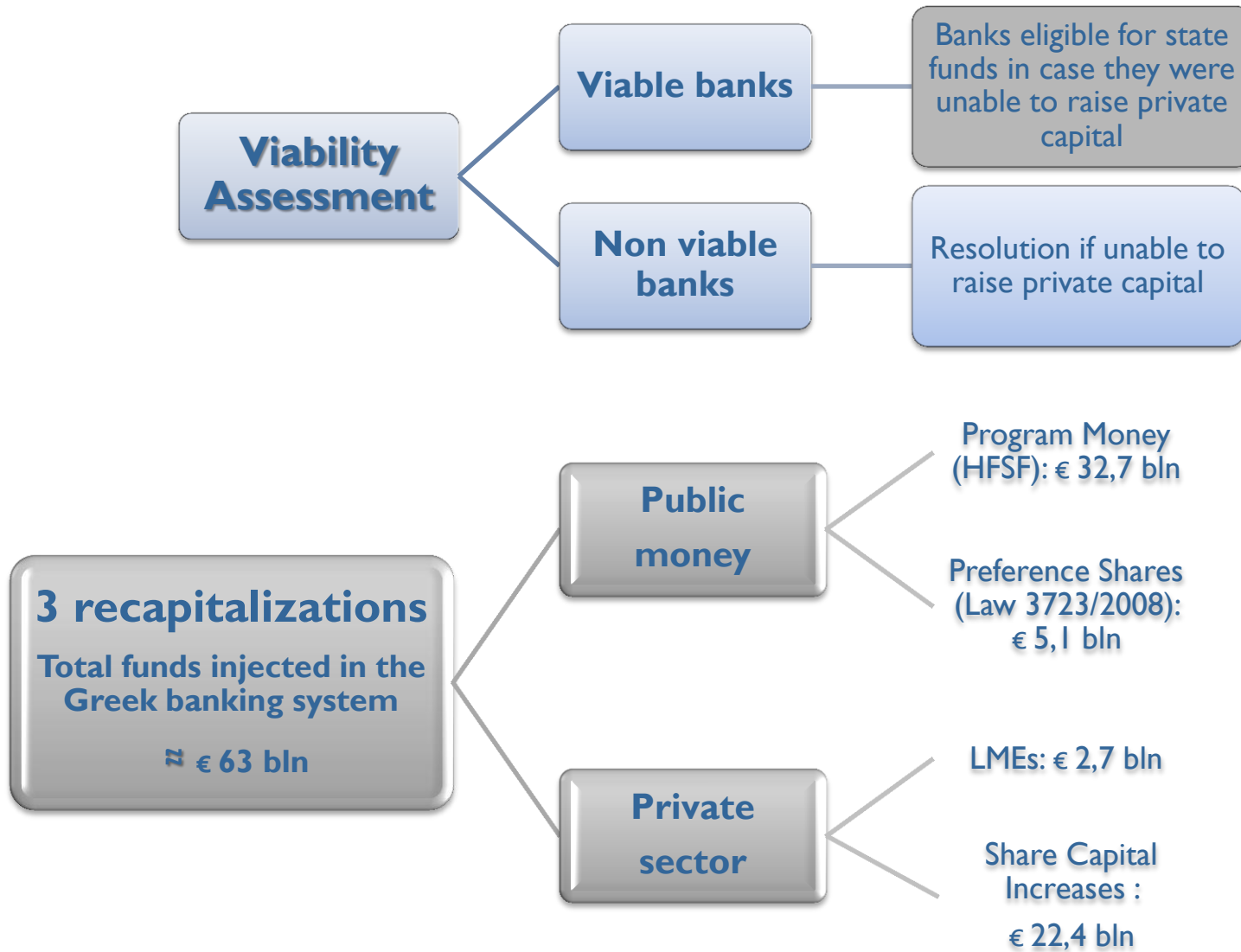
NPLs:	2008	→	5,0%
	2016	→	35,0%
NPEs:	2016	→	48,4%



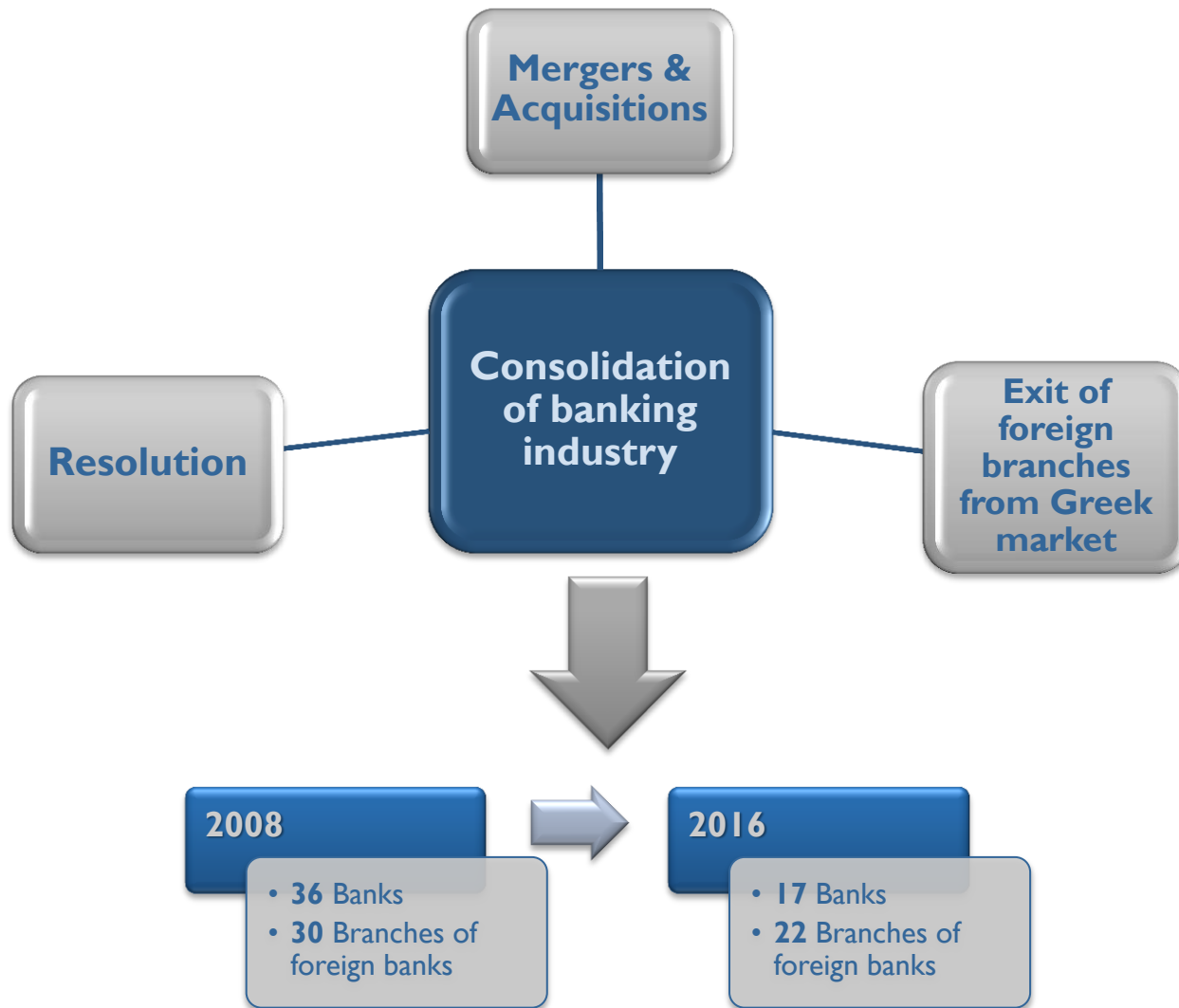
**Banks' exclusion from money & capital markets after credit rating downgrades**



# Actions Taken



# Consolidation





## **2. Resolution Actions 2011-2015**





# Resolution Actions 2011-2015

## Resolution Objective:

Protect financial stability through total protection of uncovered deposits

14 banks were resolved:

- 7 commercial banks
- 7 cooperative banks

The total **assets** of the resolved banks ranged from € 100 mil to € 17 bln

- Sale of Business Tool: in 12 cases
- Bridge Bank Tool: in 2 cases

Total **resolution cost** (funding gap): € 15.2bln

- € 1.7 bln financed by the national resolution fund
- € 13.5 bln financed from program money (through HFSF)

# Challenges



## Operational

New framework  
never  
implemented  
before

New  
organizational  
Unit

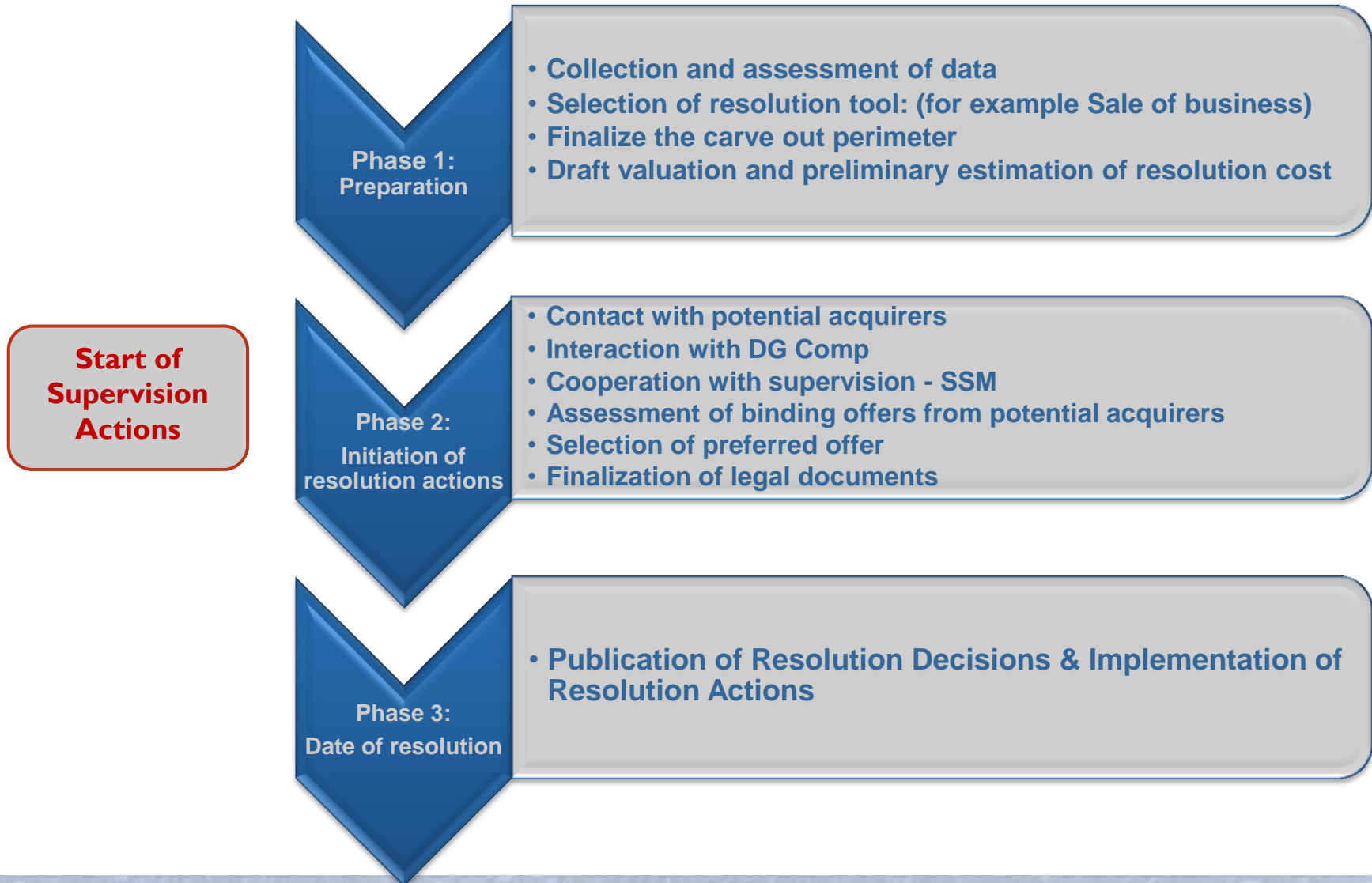
## Preparation of Resolution Scheme

Data collection

Cooperation  
with banks

- Carve out
- Valuation

# Resolution phases



# Lessons learned



## Preparation

- Data collection
- Human resources
- Time needed

## Implementation

- Cooperation with other stakeholders
- Confidentiality
- Communication strategy

## Resolution Tool

- Bridge Bank Tool: to be used only in exceptional circumstances



### **3. BRRD: Merits & Challenges**

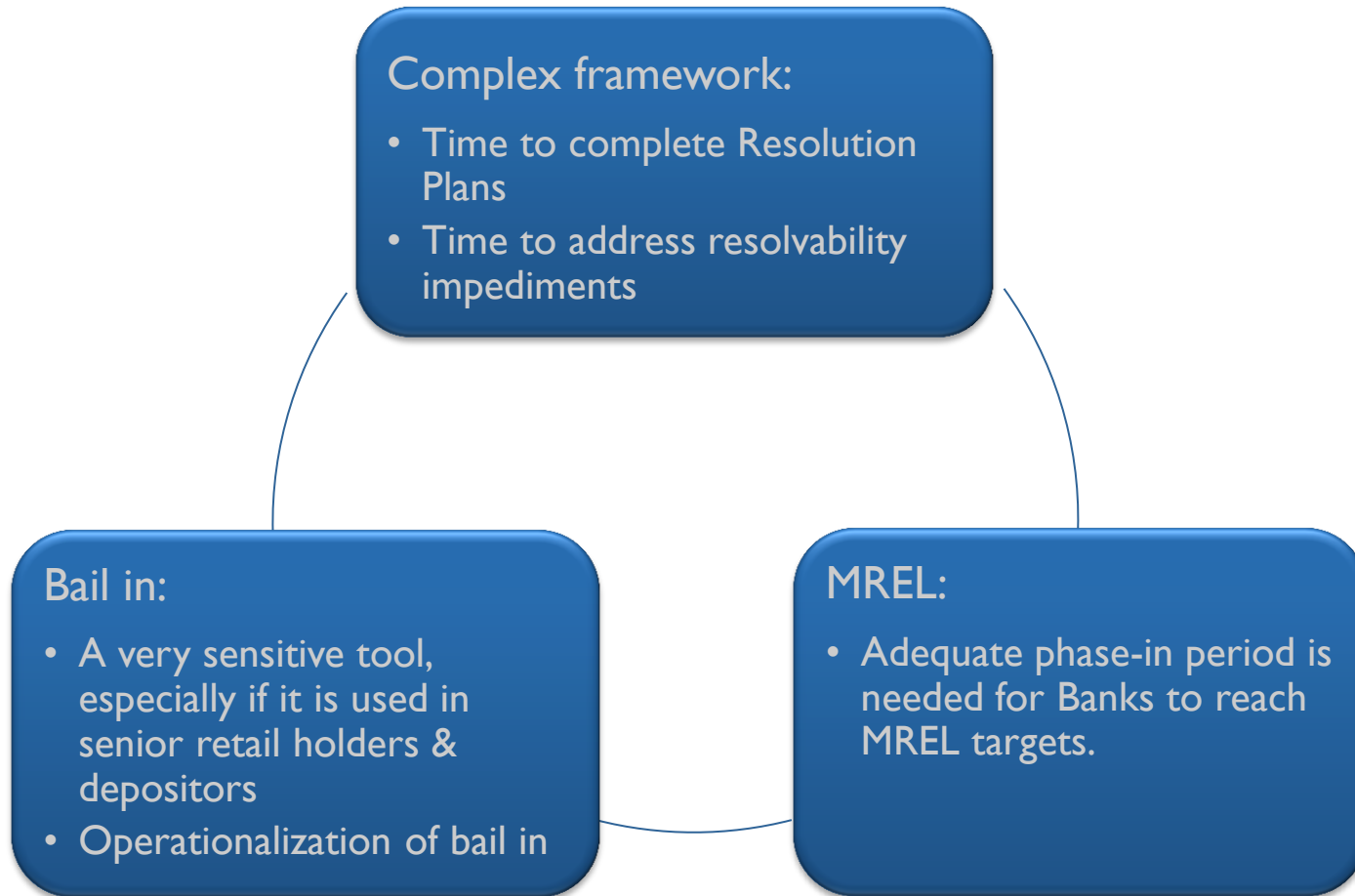


Establishment of Resolution Authorities & common European resolution framework

- Preparation of Resolution Plans
- Data collection
- Cooperation with Banks & other Authorities

Resolvability assessment

Power to Resolution Authorities to take actions to remove impediments of resolvability



## Open issues:

- Common backstop
- EDIS

## Limitations:

- Liquidity issues
- Systemic risk





**THANK YOU FOR YOUR ATTENTION !**