

**Speech of the Chairman of the Greek Postal Savings Bank –**  
**NEW YORK 11.11.05**

Ladies and Gentlemen, it is with great pleasure that I am here with you today.

I will be talking today about change in the Public Sector, based on my experience as the Chief Executive Officer of the Greek Postal Savings Bank.

To put things into perspective, let me say about myself that I am an economist by background and a banker by profession, having worked for about 25 years in private banks mostly large multinationals. For the last 18 months I have been appointed Executive Chairman of the Greek Postal Savings Bank.

Usually when people talk about the State Sector in Greece, they refer to it in degrading terms; they use adjectives like inefficient, overstaffed, antiquated, non-selling mentality, resistant to change, introvert looking. There is an agreement among all observers, that productivity in the State Sector is much lower than in the private sector. To this, we have to add the fact that the State Sector is, in many European countries but especially in Greece, the largest component in the economy -in Greece around 50% of GDP is directly or indirectly controlled by the government. The combination is lethal in a global competitive environment. So a large part of our economy is inefficient and relatively unproductive in economic terms, vs the competitors in the global sense, who are basically free market economies, i.e. economies where capital efficiency is optimized.

Secondly, we have to consider that having a very large State Sector, or vice versa, a very large private sector, its values are usually adopted by the rest of the society in social, institutional or economic terms.

To give a practical example in a society like the U.S., which basically is a private society, mainly composed of companies and enterprises, the dream and target of an average young person is to become an entrepreneur, a Bill Gates. On the opposite, in a country like Greece, which is mainly a State Society, the target of a young person is usually to become a Civil Servant, so the intention is to secure employment and low risk reward. It is obvious that this social modus operandi which is relevant to a great extent in many European countries as well, because of globalizations, the freeing of trade and international competition, if it persists, will drive such societies eventually, into marginalization and economic impoverishment.

Ok, all these are macros, theories that all of us understand and most of us agree on the description of the problem. The solution is a different story; is society ready for changes? Will they accept the necessary changes in the social contract?

Basically, we talk about a relative decline in the State Sector as a percentage in the overall economy, we talk about changes in the terms of employment and change in the pension system. Whether European societies, including Greece, are ready to adopt these changes is unclear in my mind; i.e. some analysts interpreted the French "NON" on the European Constitution Vote as a vote against change and in favor of preserving the status quo, which I think that in an international competitive environment, is an unattainable position.

I want to repeat a phrase that I mentioned before; if we insist on the preservation of the status quo, we will be driven into marginalization and poverty.

But enough about macros!

I want to turn the discussion now, to the Greek Postal Savings Bank, where I've had the opportunity to work for the last year and a half as the Chief Executive. I was appointed by the Greek Government with the task to modernize the institution and introduce it to the Athens Stock Exchange, the earliest possible.

A brief description of the Greek Postal Savings Bank is as follows:

A very old financial institution with a history of more than one 100 years, substantial balances of about 10bil.euros, 2,5 million active deposit accounts of an average € 3,500 each, 137 branches all over Greece, high penetration in medium and low income areas all over Greece, low cost, high profitability. In year 2004 it generated € 180 millions in PBT whereas bad debt provisions were minimal. On the negative side, inadequate technology, insufficient banking know-how a very restrictive legal framework in terms of undertaking investments or employing new people and most important, the employees' status exclusively defined in terms of the civil service code.

To put things into perspective, we are talking about a pure seniority system; employees' progress is in accordance with the years they serve the organization plus typical criteria, like degrees and so. If the management tries to change this process by applying meritocratic criteria, the people left behind, will go to the Administrative Courts and with certainty, they will win back the promotions.

What we see here, is a typical chicken and egg situation; everybody recognizes the necessity of change but tells you that legally you cannot do it and then if you try to change the legal framework, tells you that the labour Union will react and will not let you do it.

In most such cases in Greece, the Unions have usually prevailed and no change was effected and in the end the company ended up being sold to the private sector under duress and in dire financial and production conditions.

In the case of the Greek Postal Savings Bank, we chose a different way: instead of opposing the great power of the Union, we spent a long time talking to the people, trying to understand their worries, but also explained to them the impossibility of maintaining the status quo in an ever changing competitive environment.

In the preceding three years before us, the management and the labour union in GPSB had a history of violent fights, I will only mention that there were frequent work stoppages, some break ups in the Board of Director meetings, raising of black flags and so on. We had first to break the spirit of distrust and enmity. My very first task when I was officially appointed was to visit the officer of the Union and explain my position. The visit itself was highly unusual but it broke the ice.

It took me and my associates the most part of 10 months of discussions, but the conclusion was greatly satisfactory. We ended up with a new "KANONISMOS" which is the document that defines in detail the relationship of the employee with the company. A number of very important provisions unthinkable previously, have been incorporated. I will mention a couple of them.

In the new "KANONISMOS" we have disassociated the grade of the employee from the position of authority, thus in a branch, we can choose as branch manager the best employee rather than the oldest one, as previously. On the permanent employment issue of course, our existing employees being civil servants are fully covered. However, we have agreed that our new employees will be employed at the same terms as in the private sector.

Most important, after all these talks, the management of the Postal Savings Bank and the leadership of the Union fully understand each other; we have a lot of differences but there is trust and common purpose.

In the last 18 months a great number of things have been accomplished. First in all the product areas that the GPSB is involved we totally reversed a long term decline, for example in deposits which were dropping year after year is both absolute and relative terms in both 2004 and 2005 we achieved increases of around 5%. In loans generation we have seen spectacular growth. A massive retraining of almost all of our employees in computer management, selling techniques and so on is under way as well as Major investments in it both software and hardware, buildings. Last but not least a major advertising campaign is underway.

The new GPSB instead of a sleepy, declining, inefficient state organizations – and let us not forget that we operate in a highly competitive financial market where the weak fall victim to the stronger. We reversed this process and created a new player in the market. An efficient “people’s” bank with few simple basic products both on the deposit and the loan side, very transparent in its dealing with its customers and last but not least on the low side of cost. We are able to be cheap and profitable simultaneously.

My conclusion here, is that in a state organization only if the management understands in depth what the employees really want and how they think and only if it builds trust with them, there is a chance of attaining a level of agreement that will produce positive changes. On the opposite, a top-down autocratic approach is bound to produce antagonism, enmity and conflict. The energy of the management and the employees can be used productively in a positive way or can be consumed into another endless fight of who is right or wrong etc. most times on mundane issues.

I am glad to say that in the GPSB we decided to follow the first path and we are now in a venue of positive changes which will, hopefully, guarantee the long-term profitability of the bank and secure the position of the employees in the process.

Thank you.