

The Greek cooperative credit system

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Abstract

The credit cooperative system was introduced into the Greek banking system at the beginning of the 1990's. According to Greek Law, the credit cooperative system is distinguished between cooperative banks and credit cooperatives. Cooperative banks are banking institutions, while credit cooperatives are not banking institutions and cannot offer banking services. Since its establishment, the credit cooperative system has developed remarkably with regards to the number of cooperative banks, geographic regions and banking operations. Some cooperative banks exhibit much higher development in comparison to others. On a national level, cooperative banks have a limited position in the Greek banking sector concerning assets and branches. This is primarily due to the restrictions imposed on the credit cooperative system by the Greek legislative framework and the absence of cooperative banks in Greece's two main urban centers. The Greek credit cooperative system is characterized by its autonomy based on independent local cooperative banks. These banks undertook efforts to create a nationwide non-cooperative bank.

The international financial crisis resulted to economic crisis in Greece that created a significant recession during the period of 2009-2014. As a consequence significant problems have been created in the banking sector. Cooperative banks suffered from the economic recession at a different level. They mainly suffered the consequences of non-repayment of loans. This new banking environment set further limits on the growth of the Greek credit cooperative system. Consequences were very serious for six cooperative banks because the Bank of Greece recalled their licenses, while, for others, consequences were more limited, even in comparison to commercial banks.

1. The establishment and evolution of the Greek cooperative credit system

Despite the long tradition of co-operative credit in Europe, in Greece the establishment of the credit cooperative system was only permitted in 1992. Since 1992, by the Law 2076/1992, and thereafter followed by the Act 2258/1993 of the Governor of the Bank of Greece, a credit cooperative can be established and function as a financial institution. Before 1992, a vague legislative framework on credit cooperatives existed that did not consider a credit cooperative as a financial institution. Therefore, the evolution may be distinguished by two periods, the first before 1992 and the second after this date.

1.1. The status before 1992

Two laws refer to the possibility of the establishment and function of a credit cooperative, the Law 602/31.12.1914 “For Cooperatives”, (General Codification, 1933) and the Law 1667/1986 “For Civil Cooperatives”, (Journal of the Government, 1986). The Law 602/1914 “For Cooperatives”, in article 1 provides that a cooperative can be a credit, purchase, sale, consumer, producer or building cooperative. The reference to the credit cooperative permitted the establishment of the first credit cooperative in Greece. No detailed description of credit cooperative operation as a credit institution was provided for in this law. The law provides that the cooperative that receives deposits or securities from their members is obliged to publish biannual balance sheets and invest half of these deposits in public securities. Special reference was made to agricultural credit cooperatives, whose operations were described more in detail, in conjunction with the Royal Decree 157-24/7/1915 “For the accounting books of the agricultural cooperatives”. Despite the existence of this law, the agricultural credit in Greece was exercised essentially by the Agricultural Bank of Greece (ATE). This bank was founded in 1929 after an agreement between the Greek government and the National Bank of Greece in order to finance agriculture (Tragakis, 1980). The role of ATE was that of a Raiffeisen cooperative bank in a rural area (for details of Raiffeisen and Schulze-Delitzsch credit cooperatives see Aschhoff and Henningsen, 1996). In a country long characterized by the importance of the rural economy, we can assume that the existence of ATE prevented the development of credit cooperatives in Greece. The Law 1667/1986 for Civil Cooperatives replaced the previous 602/1914 with regard to credit cooperatives. Since the passing of the new law, credit cooperatives have converted their statute under it. This Law provided that a civil cooperative may offer credit and other economic facilities to its members. This is the only reference made by Law 1667/86 to the financial character of a civil cooperative; furthermore, no other financial services are authorized by this law. The

establishment of a civil cooperative requires a statute signed by 15 persons at least; this statute is entered into the register of cooperatives of the county court of the prefecture within which the cooperative is located. Each partner joins the cooperative obtaining a compulsory share which is undivided and equal for each partner. The statute of each cooperative may permit a partner to acquire up to 5 optional shares in addition to the compulsory one. A partner participates in the General Assembly, having the right for one vote regardless of the number of cooperative shares owned. Thus, control of the credit cooperative by one or a few persons is prevented, as opposed to the case of a stock company. The transfer of a share to a third person can only take place in agreement with the Board of Directors and said cooperative share is not subject to confiscation due to debts of the partners towards third persons. When a partner leaves or is expelled from the cooperative, the cooperative refunds him for the shares he owns in real time. The General Assembly consists of all the members who assemble in a regular or extraordinary assembly according to the law. Decisions to be taken require absolute majority of the voting members. Under this legislative framework three credit cooperatives were created. The first was created at the beginning of the 20th century, the Credit Cooperative of Workers and Technicians of Lamia, which became the Credit Cooperative of Lamia and is one of the oldest institutions in Greece offering credit services in the town of Lamia in Central Greece. On 1979, the Credit Cooperative of Ioannina was created in the town of Ioannina in Epirus and on 1984 the Credit Cooperative of Xylokastro was created in the small town of Xylokastro in North Peloponnesus. They offered credit and deposit services to their members without being financial institutions under the inspection of the Greek central bank, the Bank of Greece, as is the case for other financial institutions in Greece.

1.2. The status after 1992: The new legal framework

In 1992, in order to harmonize the Greek legislation with the relative European Commission decision, the Greek government passed the Law 2076/1992 for credit institutions, (Journal of the Government, 1992). With reference to credit cooperatives, this law acknowledged the possibility of establishment and function of banking institutions in the form of a cooperative for the first time. The Act 2258/1993 of the Governor of the Bank of Greece regulated the function and services a credit cooperative can provide (Bank of Greece, 1993). In addition, the Law 2076/1992 and the Act 2258/1993 draw a distinction between a credit cooperative and a cooperative bank for the first time.

According to the new legislation, cooperative credit institutions are divided into two categories:

Credit cooperatives which are not banking institutions and cannot offer banking services (only limited financial help to their members). Their aim is to collect the requested capital in order to become cooperative banks. They are subject to the supervision of the Ministry of National Economy and Finance.

Cooperative banks, as a credit institution, can offer all banking services, except for underwriting. Their establishment results from the accomplishment of the principal request, the collection of a minimum capital. Until September 2006, it could do business exclusively with its members, other credit institutions and the Greek State. Since, according to the authorization of the Bank of Greece, the cooperative bank can offer services to non-members up to the amount of 50% of its loans or its deposits (Journal of the Government, 2006). Cooperative banks are subject to the same supervision and regulation imposed by the Bank of Greece on any other bank. The share capital required for the creation of a cooperative bank depends on the bank's geographical expansion which is determined by three levels: prefecture, regional and national. Greece is divided administratively into 13 regions and 52 prefectures. The Act 2258/1993 determined that the minimum capital required for the three levels to be €2 million, €6.6 million and €13 million respectively. It was revised twice by Acts of the Governor of the Bank of Greece. The Act 2471/2001 of the Governor of the Bank of Greece determines the actual minimum capital requirement to be as follows, (Bank of Greece, 2001):

- €6 million for a cooperative bank having members and branches in only one prefecture except for the prefectures of Attica (where the capital, Athens, belongs) and Thessalonica, (the second most populated Greek town).
- €10 million for a cooperative bank with members and branches in the prefectures on the frontier as well as in their administrative region.
- €18 million for a co-operative bank expanded all over Greece or whose head office is in the prefecture of Attica or Thessalonica. This capital amount is required for the establishment of any other bank in Greece.

The creation of the legislative framework has resulted in the establishment of numerous credit cooperatives, most of them converted to cooperative banks. The majority were created during the years 1994 and 1995 following the initiatives undertaken mainly in 1993. They were created principally in the provinces of Greece and not the main urban centers of Athens or Thessalonica. The minimum capital required for the creation of a cooperative bank in these two areas is the principal reason for the absence of a cooperative bank in Athens and Thessalonica. The Greek

state using funds of the European Union facilitated the creation of cooperative banks by financing initiatives for the conversion of credit cooperatives to cooperative banks (Karafolas, 2002).

2. An autonomous and non-homogenous development

3.1 An autonomous development

The Greek credit cooperative system is characterized by the autonomy based on local credit institutions. Initially, the system constituted only of credit cooperatives. Since 1993, due to strong interest, 31 credit cooperatives have been created in 30 towns. During the period that followed, 16 credit cooperatives succeeded in their transformation into a cooperative bank, gathering the respective required capital for a co-operative bank, while 11 continued to function as credit cooperatives. By the end of 2014, there were 10 cooperative banks and 5 credit cooperatives.

The Greek system did not recognize the existence of regional cooperative banks, as in the case of France (Ory et all. 2006 and Palomo Zurdo, 1997), Germany (Aschhoff and Henningsen, 1996 and Palomo Zurdo, 1997) or Italy (Di Trapano, 2004). The legislation does not presuppose the existence of a central cooperative bank as is the case of numerous credit co-operative systems in Europe (Palomo Zurdo, 1997 and Côté et al., 1998). The idea of a central co-operative bank has been discussed because of the weaknesses in the development of the system, and especially for most of the participant institutions (Association of Greek Cooperative Banks, 2001). The creation of this bank targeted the development of those services which cannot be offered or are very costly for the bank's clients. Its intervention could be on several levels with the offer of a network spreading nationally and even internationally, in addition to the offer of central services with an acceptable cost and transfer of technology. A response to this necessity was given in 2001 with the creation of the Panellinia Bank as a stock company and not a cooperative bank. Its creation was due to some cooperative banks, particularly to Pagritia Cooperative Bank, which participated with 49% of the stock capital of Panellinia Bank. Three other main stock holders have been the Cooperative Bank of Chania (15,9% of the capital), the Ahaiki Cooperative Bank and the Cooperative Bank of Dodekanese having each 8% of the capital respectively. The rest of the stock capital was covered by 11 other cooperative banks and 14 credit cooperatives, (Panellinia Bank, 2003).

The strategic role of Panellinia Bank has been supported by the involvement of the German cooperative bank, DZ Bank, which participated, from 2005, in 10% of the stock capital of Panellinia Bank. DZ Bank's involvement could result to the support of the stock capital for

Panellinia Bank and the offer of an international network and new banking and financial services from which Greek cooperative banks could benefit, (Panellinia Bank, 2006). Results were not the expected due to the formation of the cooperative credit system and the changes that took place in the Greek banking system and the Greek economy because of the debt crisis in Greece.

3.2 Concentration of development

The development of the Greek credit cooperative system is notable if we consider total assets, number of branches and members. During the period 2000-2013 assets had a growth of 486%; branches and members of cooperative banks grew by 180% and 78% respectively during the same time period (table 1). This evolution is the consequence of the huge growth until 2009; from 2010 to 2013 all aggregates decreased as a consequence of the measures undertaken through the Memorandum of Understanding (MoU) agreed between the Greek state and its lenders, International Monetary Fund (IMF), European Commission and European Central Bank (ECB), (Bank of Greece, 2014).

Table 1. Consolidated assets, branches and members of the Greek cooperative banks, 2000-2013¹

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Assets ²	548	735	926	1.254	1.573	2.042	2.568	3.291	3.752	4.544	4.447	3.610	3.610	3.216
Branches	46	59	72	96	112	128	145	157	177	183	191	165	162	129
Members	88.475	101.370	114.670	129.577	144.176	160.136	175.541	187.347	196.179	205.495	212.488	184.614	189.232	157.835

Source: Author's calculations on "Association of Greek cooperative Banks, 2015, Financial data", years: 2000-2013.

¹ Data is of 16 cooperative banks from 2000 to 2012 and 10 the year 2013.

²In million euros

This development has not been homogeneous within cooperative banks. Furthermore, it presented a strong local character since only 2 cooperative banks have branches outside their region, Pagritia and Chania Cooperative banks. The concentration on assets became even stronger after the liquidation of six cooperative banks in 2012 and 2013. Table 2 presents the assets and branches of the 16 cooperative banks in 2010 and the 10 cooperative banks in 2013, not including

the 6 liquidated banks. Pagritia Cooperative bank had by the end of 2010, 46% of consolidated assets and 37% of members of cooperative banks in Greece. By the end of 2013, after the liquidation of 6 cooperative banks, Pagritia concentrates 52% of consolidated assets and 51% of members, (table 2). The second most important bank, Cooperative Bank of Chania, had 11% of assets and 12% of cooperatives' members on 2010. On 2013, its part grew up to 17% and 15% respectively. Both banks had 57% and 47% respectively of assets and cooperatives' members on 2010; in 2013 these increase to 69% and 66% respectively. The predominance of Pagritia Cooperative Bank and Cooperative Bank of Chania can be explained by several reasons:

1. A strong spirit of cooperation due to a healthy cooperative development, on the islands of Crete. Pagritia Cooperative Bank and Cooperative Bank of Chania have their head offices in Iraklion and Chania, respectively, both towns of the island of Crete. The Greek cooperative movement, related to agricultural sector mainly, was often criticized for inefficiency because of political interventions (Kamenidis, 1991 and Klimis, 1991). These problems provoked a loss of confidence on the part of the population towards the cooperative movement. In the cases of Crete, a healthy cooperative organization in navigation, along with the creation of shipment cooperatives, led to the success of cooperative banks as well.
2. The confidence of the pioneers encouraged the participation of the local population to become members of the credit cooperative in order to transform it into a cooperative bank.
3. The expansion policy followed, especially by the Pagritia Cooperative Bank and to a lesser extent by the Cooperative Bank of Chania, while other cooperatives had a conservative expansion policy. In the case of Pagritia Cooperative Bank, the expansion policy was related to the creation of peripheral councils which had the role of motivating the local population; the council could suggest the creation of a branch as well.

Table 2. Concentration of cooperative banks market for 2010 and 2013

Cooperative bank	End of 2010				End of 2013			
	Assets ²	Part of		Part of	Assets ²	Part of		Part of
		total	Members			total	Members	
Pagritia Bank	2.063	46%	79.585	37%	1.668	52%	81.002	51%
Bank of Chania	508	11%	21.865	10%	537	17%	23.860	15%
Bank of Dodecanese ¹	311	7%	21.393	10%				
Ahaïki Bank ¹	300	7%	14.968	7%				
Bank of Epirus	218	5%	8.633	4%	256	8%	12.601	8%
Bank of Thessaly	213	5%	8.934	4%	238	7%	10.946	7%
Bank of Peloponnesus	137	3%	3.439	2%	176	5%	5.131	3%
Bank of Evia ¹	131	3%	8.189	4%				
Bank of Lamia ¹	89	2%	12.333	6%				
Bank of West Macedonia ¹	85	2%	5.580	3%				
Bank of Lesvos-Limnos ¹	80	2%	6.100	3%				
Bank of Serres	73	2%	3.847	2%	81	3%	4.644	3%
Bank of Karditsa	67	2%	4.251	2%	100	3%	5.361	3%
Bank of Evros	61	1%	5.362	3%	70	2%	5.927	4%
Bank of Drama	57	1%	4.627	2%	40	1%	4.715	3%
Bank of Pieria	54	1%	3.382	2%	49	2%	3.648	2%
Total	4.447	100%	212.488	100%	3.215	100%	157.835	100%

Source: Idem table 1

¹ Bank not in operation for 2013,

² Assets in million euros.

4. Part of cooperative banks in the Greek market.

Two years were chosen, 2010 and 2013; that is the beginning, and during, the period when MoU's measures were undertaken in Greece. For this period, the whole Greek banking system was influenced not only by mergers and acquisitions, but also the liquidation of banks.

In 2010, despite the big number of cooperative banks, 16 cooperative banks against 19 nationwide Greek commercial banks, cooperative banks had a limited part in the Greek banking market (table 3). The same year cooperative banks had a network of 191 branches while Greek non-cooperative credit institutions had a total of 3.733 branches, which is about 196 branches per bank against 12 branches per cooperative bank. Assets of cooperative banks are very limited, representing only 1% of consolidated assets. The absence of cooperative banks in all Greek areas, especially in the

two main Greek towns, Athens and Thessalonica, influenced the limited participation of cooperative banks in the Greek banking market.

Table 3. Credit institutions in Greece: assets and branches at 2010 and 2013

2010					2013				
Institutions	Number	Branches	Assets:		Number	Branches	Assets:		Part in total
			Assets ¹	Part in total			Assets ¹	Part in total	
Nationwide									
Greek Banks	19	3.733	447.151	99,0%	9	2.884	315.485	99,0%	
Cooperative banks	16	191	4.544	1,0%	10	129	3.216	1,0%	
	35	3.924	451.695		19	3.013	318.701		

Source: Hellenic Bank Association, 2015 and Association of Greek cooperative Banks, 2015, author's calculations

¹ In million Euros

In 2013, mainly because of mergers and acquisitions, only 9 non cooperative banks continued to function; with regard to cooperative banks, only 10 of them continue operations since the Bank of Greece recalled the licenses of six other cooperative banks. Consolidated assets and branches are reduced for both groups of banks, while part of cooperatives in the total assets remained unchanged at 1% (table 3).

If we now take into consideration, the part the cooperative banks play and the local market in which they are established, the image we have is radically different showing an important involvement of these banks within the local economy. We identify 2 aggregates:

- the deposits in the cooperative bank and the deposits in all banking branches in the prefecture; that reflects the involvement of the cooperative bank in the savings of its local market;
- the number of members, (and main clientele of cooperative banks), in comparison to the total local population. By this aggregate we can see how much the cooperative bank is

involved in the local population. Someone can have one or more accounts at one or more banks, cooperative or not.

As stated previously, two years were incorporated, 2010, being the beginning of the MoU and 2013, where the measures undertaken by the MoU had serious consequences on the Greek economy and the banking system.

The data on cooperatives is provided by banks and data on deposits by prefecture is provided by the Bank of Greece; it covers all forms of deposits placed into all banks in the prefecture. The prefecture's population was incorporated as the Census of the population 2011. Samples focus on prefectoral level, presenting the local banking market. Exceptionally, for two cooperative banks on the Island of Crete, Pagritia Cooperative Bank and the Chania Cooperative Bank, data on population and deposits concern the four prefectures of the Island; that is because the two banks are highly operational across the whole Island of Crete. For 2010, the data of 16 cooperative banks was incorporated.

Market share of local deposits differs between cooperative banks (table 4). It is very significant, especially for the Pagritia Bank (18,4% of prefecture's deposits) and significant for some others as the Cooperative Bank of Thessalia, (10,2%) the Cooperative Bank of Dodecanese, (9,2%) and the Cooperative Bank of Epirus, (7,1%).

The involvement of local population differs as well, between cooperative banks. On average it represents 6,5% of the examined population. Cooperative Bank of Dodecanese has the highest involvement at 21,2% of the local population, followed by the Pagritia cooperative Bank (12,8%), the Cooperative Bank of Evros, (7,8%), the Cooperative Bank of Thessalia (6,9%) and the Cooperative Bank of Epirus (6,3%) (table 4). The interest of the local population may be higher than indicated since population data utilized is of total population, while data on members are limited mainly in the adult population.

Results show that some banks are more active in the local market than others. A distinguished case of this is the Pagritia Cooperative Bank which followed an aggressive policy to attract members from the local population of the Island of Crete but also within immigrant population of Cretans within Greece, especially in Athens. A similar policy has been followed by some other banks, as the Chania Cooperative Bank and Dodecanese (see also Karafolas and Konteos, 2010).

For 2013, the sample is limited to 10 cooperative banks, since the licenses of six of them were recalled, data is not available. In the remaining banks, we can observe a penetration into the local market appearing in aggregates, local deposits and local population. Amounts deposited to cooperative banks had a minor decrease compared to those towards the non-cooperative banks.

During the same year, cooperative banks increased their members compared to 2010. The banks with higher involvement in the local market shown in the table are Pagritia (19,5% of deposits and 13% of the local population), Cooperative Bank of Thessalia (14,8% and 8,4% respectively) and Cooperative Bank of Epirus (10,4% and 7,5% respectively), (table 5).

Table 4. Market share of the cooperative bank in local market through deposits and local population, end 2010

Cooperative bank	Deposits			Part on		
	Bank's Deposits	at the Prefecture	Bank's Share	Bank's Members	Prefecture's population ²	Prefecture's population
Pagritia Cooperative Bank ¹	1.518	8.250	18,4%	79.585	621.340	12,8%
Cooperative Bank of Chania ¹	388	8.250	4,7%	21.865	621.340	3,5%
Cooperative Bank of Dodecanese	268	2.907	9,2%	25.393	119.640	21,2%
Ahaïki Cooperative Bank	238	4.077	5,8%	14.968	310.580	4,8%
Cooperative Bank of Epirus	186	2.622	7,1%	10.610	167.400	6,3%
Cooperative Bank of Thessalia	172	1.689	10,2%	8.934	129.700	6,9%
Cooperative Bank of Peloponnesus	108	1.978	5,5%	3.439	145.360	2,4%
Cooperative Bank of Evia	105	2.597	4,0%	10.643	210.210	5,1%
Cooperative Bank of Lamia	68	1.966	3,5%	12.333	158.220	7,8%
Cooperative Bank of West Macedonia	61	2.005	3,0%	5.980	149.270	4,0%
Cooperative Bank of Lesvos-Limnos	65	1.616	4,0%	6.100	102.600	5,9%
Cooperative Bank of Serres	54	2.123	2,5%	3.847	176.050	2,2%
Cooperative Bank of Karditsa	48	1.172	4,1%	4.251	113.070	3,8%
Cooperative Bank of Evros	49	1.959	2,5%	10.863	147.530	7,4%
Cooperative Bank of Drama	45	1.428	3,2%	4.123	98.540	4,2%
Cooperative Bank of Pieria	39	1.418	2,8%	3.382	127.400	2,7%

Source. Association of Greek cooperative Banks, 2015, Bank of Greece, 2015, ELSTAT, 2012

¹ Four prefectures of the Island of Crete are included

² Census of 2011

Table 5. Part of the cooperative bank in local market through deposits and local population, end 2013

Cooperative bank	Deposits			Part on	
	Bank's Deposits	at the Prefecture	Bank's Part	Bank's Members	Prefecture's population

Pagritia Cooperative Bank ¹	1.336	6.834	19,5%	81.002	13,0%
Cooperative Bank of Chania ¹	452	6834	6,6%	23.860	3,8%
Cooperative Bank of Epirus	226	2183	10,4%	12.601	7,5%
Cooperative Bank of Thessalia	203	1371	14,8%	10.946	8,4%
Cooperative Bank of Peloponnesus	134	1638	8,2%	5.131	3,5%
Cooperative Bank of Serres	58	1723	3,4%	4.644	2,6%
Cooperative Bank of Karditsa	74	969	7,6%	5.361	4,7%
Cooperative Bank of Evros	52	1565	3,3%	5.927	4,0%
Cooperative Bank of Drama	32	1127	2,8%	4.715	4,8%
Cooperative Bank of Pieria	39	1120	3,5%	3.648	2,9%

Source. Association of Greek cooperative Banks, 2015, Bank of Greece, 2015

¹ Four prefectures of the Island of Crete are included

² Census of 2011

5. The crisis' consequences on Greek cooperative banks

The debt crisis in Greece and the measures undertaken from 2010 provoked the recession of the Greek economy. A main consequence regarding the banking market has been the huge increase of unpaid loans of nonbanking customers. By the end of 2013, the unpaid loans were estimated to be on average 31,9% of total loans, while by the end of 2014 they were 33,8%, (Bank of Greece 2015) Furthermore, Greek banks, especially systemic commercial banks, suffered from the 'haircut' of Greek bonds through the PSI (Private Sector Involvement) agreement passed in 2012, (Bank of Greece, 2014). Through this agreement, banks lost almost half the value corresponding to the Greek bonds they held before the agreement.

Contrary to systemic banks that have been involved in Greek debt, the involvement of cooperative banks had been very limited. For example, in 2010 Alpha Bank and Eurobank, two systemic banks, had Greek bonds corresponding to 13% and 11% of bank loans respectively; within cooperative banks, Pagritia bank had Greek bonds corresponding only to 2,5% of its loans (Karafolas, 2013). The 'haircut' of bonds, impaired loans and the general recession of the economy influenced banks' assets and results; banks were obliged to register important provisions which provoked negative results. These negative consequences appeared in banks' capital adequacy, according to Basel II requests; Greek banks had to face important growth of capital. In order to solve the capital problem, systemic banks, (Alpha Bank, Eurobank, National Bank of

Greece and Piraeus Bank), profited the financing of the Financial Stability Fund (FSF) created through the MoU agreement. Contrary to systemic banks, cooperative banks did not have this option available. Cooperative banks had to find, without assistance, old and new members in addition to the necessary funds to fulfill the capital demands according to Basel II requirements. Most cooperative banks succeed in this respect; however, six of them did not. A situation which was not without criticism, as cooperative banks did not have the same favorable treatment with the systemic banks, Bank of Greece decided to recall the licenses of six cooperative banks in 2012 and 2013. In 2012, by the Decision of the Commission on Credit and Insurance Issues of the Bank of Greece the license was recalled for the cooperative banks Ahaïki Cooperative Bank, Cooperative Bank of Lamia and Cooperative Bank of Lesvos-Limnos (Bank of Greece, 2012). On December 2013, the same Commission of the Bank of Greece decided to recall the license of the Cooperative Bank of Dodecanese, Cooperative Bank of Evia, and the Cooperative Bank of West Macedonia (Bank of Greece, 2013). A portion of the assets and liabilities of the cooperative banks were transferred to other systemic banks. Thus, assets and liabilities of the Cooperative Bank of Dodecanese, Cooperative Bank of Evia, and Cooperative Bank of West Macedonia were transferred to Alpha Bank. Assets and liabilities of the Cooperative Bank of Lamia, Ahaiki Cooperative Bank, and the Cooperative Bank of Lesvos-Limnos were transferred to the National Bank of Greece. Greek cooperative banks faced a further consequence since on 2015 the license of the Panellinia Bank was recalled by the Decision of the Central European Bank on April 2015, (Bank of Greece, 2015a), and assets and loans were transferred to Piraeus Bank.

6. Conclusions

The Greek cooperative credit system is one of the new established in Europe under a form of financial institution. The Greek system distinguishes two forms of cooperative credit institutions, the credit cooperative that is not a financial institution and the cooperative bank that is a financial institution. For a cooperative bank, while not a stock institution, legislation demands a minimum cooperative capital relevant to the prefecture in which it is established and operates. This request distinguishes the Greek system from other, old or new, established systems. The financial crisis seems to generalize this requirement by the European authorities. The Greek system represents the originality of a system which is based on independent cooperative banks located in their local markets. It is not characterized by a pyramid structure with local, regional and a central cooperative bank, contrary to both examples of other countries, and the agriculture cooperative system in Greece. Cooperative banks have a limited part of the banking market on a national

level, mainly because of their absence in the two main urban centers, the Greek capital of Athens and Thessalonica, due to the high minimum initial capital which is a requirement of forming a cooperative bank in these locations. On the contrary, a lot of them have a notable penetration into the local banking market and local economy within their respective regions and prefectures. Cooperative banks experienced very strong development from the decade of the 1990's, when they were created. This development profited some of them more, in particular the Pagritia Cooperative Bank and the Cooperative Bank of Chania, both of which were established on the island of Crete. Due to this, it then appears that these banks have a concentration of assets. Financial and especially debt crisis in Greece had severe consequences on the country's banking system, and in particular, the credit cooperative system. Six cooperative banks, and the stock bank created by cooperative banks, had their licenses recalled by the Bank of Greece. The reason was the failure to collect the requested capital in order to respond to capital adequacy in accordance with the regulatory framework of Basel II. The other cooperative banks faced the crisis more effectively, even compared to nationwide non-cooperative banks. This crisis created a new banking environment in Greece, characterized by mergers and acquisitions, but also by a strong participation of the financial stability fund in the recapitalization of banks, excluding cooperative banks.

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