MEASUREMENT OF BANK PERFORMANCE IN GREECE

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Abstract
During the last few years, the Second Banking Directive has set out the principles of banking in the single European financial market and provided equal competitive conditions for all European banking institutions. Thus, banks have been forced to be more competitive and to implement bank rating systems to evaluate their financial risks. The present study evaluates the performance and efficiency of the commercial and cooperative banks in Greece for the period 2003-2004. Moreover, the Greek banks are rated based on their performance. The ranking result can be used to analyse the strengths and weaknesses of a bank compared to its competitors and it can serve as a basis for the construction of a rating system for Greek banks. The results obtained indicate that commercial banks are tending to increase their accounts, to attract more customers and ameliorate their financial indices, thereby becoming more competitive and maximizing their profits. Concerning the cooperative banks in Greece, the conclusions are not so uniform, since there are banks that are enjoying considerably increased profits and market shares, and others whose financial indices seem to be deteriorating.

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1. Introduction and Background

1.1 Introduction on the Efficiency of the Banking System

The efficiency of the banking system has been one of the major issues in the new monetary and financial environment. The efficiency and competitiveness of financial institutions cannot easily be measured, since their products and services are of an intangible nature. Many researchers have attempted to measure the productivity and efficiency of the banking industry using outputs, costs, efficiency and performance.

The scale and scope economies of banking have been one of the issues related to the competitiveness and efficiency of banks which have been studied extensively. Murray and White (1983), recognized the multi-product nature of financial intermediaries and used a translog cost function to evaluate the scale and scope economies of credit unions in Canada. They found that large multi-product credit unions are more cost-efficient than small single-product credit unions. Gilligann *et al*. (1984) also utilize the translog cost function to examine scale and scope economies in U.S. banking firms. They found economies of scope but not economies of scale among U.S. banks in their sample. Hunter *et al*. (1990) analyze U.S. bank production using an intermediation approach and multi-cost production function. They found no evidence of cost complementary i.e. no sub-additive cost functions.

In addition, there are variations of bank performance measurement. Revell (1980) uses interest margin as a performance measure for U.S. commercial banks. He defines interest margin as the difference between interest income and expense divided by total assets. Arshadi and Lawrence (1987) measure bank performance using normal correlation analysis. Their multidimensional indexes include indexes of profitability, pricing of bank services and loan market share. However, those measures of bank competitiveness are not the ones evaluated by the financial market. Size affects the efficiency of banks. Previous research, especially in the United States, indicates that scale economies appear in small banks and not in large ones (Short, 1979; Miller and Noulas, 1996). More recent research shows that the levels of size for the existence of scale economies are higher due to economic development and market liberalisation (Miller and Noulas, 1997).

It has also been proved that in this new competitive environment, large banks will survive. Small banks could only survive if they specialized in a few of their activities (Peterson and Rajan, 1995; Hardy and Simigiannis, 1998). The efficiency and technical progress of German cooperative banks were examined by Lang and Welzel (1996). All banks enjoy productivity, which is higher in small banks according to this sample.

The technical efficiency of large banks was examined by Miller and Noulas (1996). Larger and more profitable banks have higher levels of technical efficiency. At the same time, larger banks are more likely to operate under decreasing returns of

scale. The performance of the new US commercial banks was examined by DeYoung and Hasan (1998). The profit efficiency of the new banks improves rapidly during the first years of operation, but on average it takes about nine years to reach established bank levels. Small banks lend a larger proportion of their assets to small businesses than do large banks. In the USA, Jayaratne and Wolken (1999) found that it is likely that a small firm will have a line of credit from a bank and this does not decrease in the long run. This happens when there are few small banks in the area, although short-run disruptions may occur.

Cavallo and Rossi (2001) examined whether cost improvements in output efficiency of European banks are likely to emerge from the ongoing process. Their results indicated that mergers should be oriented to increasing bank scale for small banks and expanding into new product lines for large banks.

Berger (2003) examined the potential efficiency effects of a single market for financial services in Europe. Berger indicated, through his research, that the creation of a single market for the European financial services industry is not likely to bring about strong efficiency gains and that cross-border efficiency barriers may prevent the single market from becoming a reality.

1.2 The background of the Greek banking system

The financial institutions in Greece include commercial banks and investment, savings banks as well as cooperative banks. In 1993 the first cooperative banks were founded in Greece, with the objective of reaching the number of 30. This development was limited by a consecutive increase in the minimum demanded equity from 1.5m. € in 1992 to 6m. €, resulting in the establishment of only 15 cooperative banks in Greece. On the other hand, statistics indicate that in 2001, 3,908 cooperative banks were operating in Europe, a rather large number when compared to that of Greece. This can be explained by the fact that the development of cooperative banks in Greece only began during the last decade.

In 1982, and especially after 1987, the Greek financial system underwent a series of intense changes. Allocation inefficiencies, initiation of the process for financial integration within the European Union, and international trends towards globalization and deregulation, all contributed to the start of a program to modernize the Greek financial system and adapt it to internationally acceptable standards.

Generally, nowadays, there is great mobility in the Balkans where Greek banks are trying to enhance their presence through mergers and acquisitions. Greek banks control approximately 13% of the bank market in the Balkans. Moreover, nowadays, Greek banks are tending to expand their operations in the countries of south-eastern Europe by creating new branches. It should also be noted that the Second Banking Directive forces banks to manage the operational risk. The management of the operational risk constitutes a discrete sector of operational activity with distinct administra-

tive structure, tools and procedures. The restructuring of operations and the input of new technological structures contribute to a low cost ban. This implies an important competitive advantage against the other banks, which is expressed through the policy of attracting loans and deposits through lower loan interest rates and higher deposit interest rates. Moreover, the application of IAS and the process of economy will affect customer service and the granting of loans and will force banks to be oriented towards new data. In addition they need to improve the quality of financial products and promote new banking products in order to be more competitive and succeed in the new financial environment that has been created.

Given the above, it is obvious that major changes in the Greek banking system have taken place during the last few decades, including interest rate liberalization, the relaxation of capital movements and the free entrance of banking institutions into the European Union (Noulas, 1999). The deregulation of national markets, the establishment of the single EU market and the internationalization of competition were a few of the reasons that led to the significant changes in the Greek banking system. In its effort to prepare itself for the changeover to the Euro, the Greek banking system faced some initial costs. Banks had to follow a strategic plan and prepare themselves to enter the new competitive monetary and financial environment (Hardouvelis, 1997). This had an impact on business, systems and delivery. A radical change of the whole banking system as well as a restructuring of bank operations within all sectors of the banking business were necessary in order to adopt the new currency and cooperate with other European banks (Vasiliou, 1993; Kloutsiniotis, 1996; Garganas, 1998; Karamouzis, 1998). These major changes brought about increasing competitiveness, the reformation of banking groups, mergers and privatizations (Tolios, 1998).

Moreover, the Second Banking Directive (Basel Committee on Banking Supervision, 2003; 2005) concerning the establishment, operation and supervision of credit institutions set out the principles of banking in the single European financial market and provided equal competitive conditions for all European banking institutions (including the banks that operate in Greece). The excess capital that has been accumulated in the European banking system now exceeds 45 bil. euro. The enlargement of the European Union has led to new secure markets that promise increased rates of development. Financial markets have been performing well, favouring major mergers and acquisitions. Thus, banks were forced to promote new products and use financial derivatives to avoid risks.

Numerous studies have examined the performance and profitability of the Greek banking system. Zopounidis *et al.* (1995) dealt with the illustration of an ordinal utility model upon a sample of Greek commercial banks for the period 1989-1992, in order to evaluate their banking performance over multiple attributes. A multi-criteria analysis approach was applied to measure banking performance on the basis of financial ratios. An additive utility model was assessed to obtain the final ranking of a representative sample of Greek banks.

Alexakis *et al*. (1995) examined the liberalization and profitability of the Greek commercial banks during the years 1989-1991. The results suggest that the determinants of profitability of Greek commercial banks were very different from those depicted in other countries during the periods of intense regulation in Greece. The cost structure and the scale economies in the Greek banking system during the years 1980-89 were examined by Karafolas and Mantakas (1996). Variables such as size of assets, capital, labor and technological progress were used. By exploiting the properties of the model, they were able to analyse technological progress as a factor that affected banking costs. Papaioannou and Ganzonas (1997) examined the development perspectives of non-financial products for the Greek banking system. Zopounidis *et al.* (1997) evaluated the efficiency of the banking branches of the Bank of Greece with the aid of the multi-criteria approach UTADIS. Three classification models were developed, classifying the branches into three efficiency groups.

Hardy and Simigiannis (1998) examined the competitiveness and the effectiveness of the Greek banking system. They observed that during the '90s few banks achieved stable high levels of profitability. Those that did were mainly medium-sized banks that were not state-controlled and could keep high profitability. Moreover, banks performed full financial services through the creation of suitable companies.

Spathis and Kosmidou (1999) examined the competitiveness of small and large Greek banks during the period 1990-1998 by using Tobin's Q ratio. The evidence indicated that the competitiveness of Greek banks depends on their efficiency in asset/liability management, the current assets to loan ratio and the size which is measured by the total assets.

As far as the profitability and efficiency of Greek banks are concerned, Noulas (1999) examined the ROE (Return on equity), ROA (Return on assets) ratios, the ratios of leverage and operating efficiency in 19 Greek banks for the period 1993-1998. According to the results there are no significant differences in the return of equity and asset diachronically. Bank profitability showed no improvement in 1998 as compared to 1993 or 1994. The profitability of banks during the last two years (1997-1998) seemed to increase, though, when compared to that of 1996. The latter year is representative, as few banks and especially the state-controlled ones, in their effort to improve their portfolios and to show reduced accounting profitability, have kept large amounts in the provisions account.

Staikouras and Steliaros (1999) examined the attributive profitability factors of 17 commercial Greek banks for the years 1991-1998. They used ROE and ROA ratios in relation to endogenous and exogenous variables. According to the results, the profitability of Greek banks is defined by the inflation rate, the proprietary regime, the ratio of reserve funds for borrowings to the total of granted debts and the ratio of debts to the total assets. Hondrogiannis *et al*. (1999) examined the competitive conditions of the Greek banking system for the period 1993-1995. The results indicate

that bank revenues were earned under the conditions of monopolistic competition. This gradual elimination of exchange controls, the capital movement liberalisation, the enactment of the Second Banking European Directive of the European Union and the supervisory arrangements have been related to the competitive conditions of the Greek banking system.

Spathis *et al.* (2002), examined the effectiveness of Greek banks during the period 1990-1999 via a multi-criteria methodology. The results indicate that small Greek banks are characterized by high capital yield, interest rate yield, financial leverage and capital adequacy, whereas large banks are characterized by high asset yield, low capital and interest rate yield. Finally, Kosmidou *et al.* (2005) examined the performance of Greek banks operating abroad using a balanced pooled time-series dataset for 19 Greek bank subsidiaries operating in 11 nations, covering the period from 1995 to 2001. The results showed that the profitability of the parent bank and the operating experience of its host nation subsidiaries had a robust and positive impact on the profits of Greek banks abroad, whereas subsidiary bank size had a negative effect. Kosmidou and Zopounidis (2005) provide us with an overview of the methodologies and the studies that have been developed concerning the efficiency of the banking system. Moreover, the authors evaluate the profitability factors of the Greek banking system for the period 1998-2003 and investigate the differences of performance related to the size of banks.

The purpose of this paper is to extend the research that has already been undertaken in the studies of Spathis *et al.* (2002) and Kosmidou and Zopounidis (2005) and to evaluate the performance and efficiency of the commercial and cooperative banks that operate in Greece with the aid of financial ratios during the most recent period of 2003-2004. Taking into account that bank rating systems (such as CAMEL, CAEL, PATROL, etc.) are assigned on the basis of a continuous process of evaluation of a banking institution over a specific period (Sahajwala and Van den Bergh, 2000) and that the Core Principles for Effective Banking Supervision, issued by the Basel Committee on Banking Supervision in 1997, reinforce the implementation of bank rating systems and the evaluation of financial risks, Greek banks were ranked based on their performance. The ranking result can be used to analyze the strengths and weaknesses of a bank compared to its competitors and it can serve as a basis for the construction of a rating system for Greek banks. Of course, the same process can be implemented in other countries, too. Moreover, the present paper studies and evaluates the performance of the banking sector in Greece in view of the new financial environment that has been created, especially in the restructuring, mergers and acquisitions that have taken place.

The rest of the paper is organized as follows: Section 2 describes the data and the variables used in this study and the methodology applied, as well as the empirical results. Finally, in section 3 the concluding remarks and further research are discussed.

2. Data and methodology

2.1 Sample and data

The data set in this study includes 14 commercial banks[1] and 16 cooperative banks operating in Greece over the period 2003-2004. Data from the financial statements of the banks for the period 2003 and 2004 have been collected. A few statistical data are found below based on the sample of our study.

   More precisely, Table 1 presents the 16 cooperative banks[2] that operate in Greece, while Table 2 presents the geographical distribution of the total of cooperative banks in Greece and Table 3 the average of the main accounts of cooperative banks.

Table 1. The 16 Cooperative Banks in Greece

	Cooperative Banks
1	Cooperative Bank of Lamia
2	Pagkritia Cooperative Bank
3	Achaiki Cooperative Bank
4	Cooperative Bank of Ioannina
5	Cooperative Bank of Chania
6	Cooperative Bank of Dodekanisa
7	Cooperative Bank of Evros
8	Cooperative Bank of Trikala
9	Cooperative Bank of Karditsa
10	Cooperative Bank of Evoia
11	Cooperative Bank of Korinthia
12	Cooperative Bank of Pieria
13	Cooperative Bank of Drama
14	Cooperative Bank of Lesvo-Limno
15	Cooperative Bank of Kozani
16	Cooperative Bank of Serres

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1. Due to data availability only 14 out of the 17 commercial banks have been included in the sample of the analysis.
2. The Cooperative Bank of Serres was established in 2004.

Table 2. Geographic Distribution of the cooperative banks in Greece

Terrain	Bank Branches
Macedonia	6
Epiros	3
Peloponnesus	7
Crete	46
Dodekanisa	11
East Aegean	6
Thessalia	4
Sterea Greece	8
Thrace	3
Total	94

Table 3. Average of the main accounts of cooperative banks in Greece

	2003	2004
Assets	82,842.29	98,343.38
Loans	60,727.75	79,380.25
Deposits	64,919.53	79,525.38
Pretax Income	1,609.09	1,801.38

Concerning the commercial banking sector in Greece, we distinguish two main groups, the large group of commercial banks and the small one. The distinction is based on the size of each bank measured by the total assets. Table 4 provides us with the total number of Greek commercial banks by dividing them into the two aforementioned groups, while Tables 5 and 6 present the average of the main accounts of large and small commercial banks respectively.

Table 4. Commercial Banks in Greece

	Large Banks
1	Alpha Bank
2	EFG Eurobank
3	Commercial Bank of Greece
4	National Bank of Greece
5	Piraeus Bank
	Small Banks
6	Bank of Attica
7	Egnatia Bank
8	Marfin Bank
9	Laiki Bank
10	FBB
11	Omega Bank
12	Probank
13	Geniki Bank
14	Aspis Bank
15	Bank of Agrotica
16	Nova Bank
17	Panellinia Bank

Table 5. Average of the main accounts of large commercial banks in Greece

	2003	**2004**
Assets	27,111,790,000.00	28,750,594,000.00
Loans	14,628,096,000.00	17,301,616,000.00
Deposits	19,511,166,000.00	20,684,216,000.00
Pretax Income	262,572,000.00	267,108,000.00

Table 6. Average of the main accounts of small commercial banks in Greece

	2003	**2004**
Assets	2,859,796,666.67	3,184,974,166.67
Loans	1,886,607,500.00	2,181,555,833.33
Deposits	2,396,021,666.67	2,716,960,833.33
Pretax Income	14,492,500.00	-2,566,666.67

2.2 *Variables*

The variables in this study involve ratios based on the banks' financial statements. Financial ratio analysis has been widely used to evaluate a firm's performance, to make credit risk assessment decisions, to predict bankruptcy and merger targets, etc. Table 7 presents the 11 ratios that were selected to measure the performance of commercial banks, while Table 8 presents the ratios selected to measure the performance of cooperative banks. Since the operation and the banking legislation of commercial banks differ from that of cooperative banks, a different set of ratios was selected for both groups.

Table 7. Selected ratios for the evaluation of the commercial banks' performance

Net Income before taxes / Equity
Net Income before taxes / Total Assets
Net Income before taxes / (Loans + Securities)
Net Interest Revenue / Total Earning Assets
Gross profit / Total Assets
Administrative costs / Total Assets
Loans / Deposits
Total Earning Assets / Total Assets
Equity / Total Assets
Provisions / Gross Profit
Provisions / Total Assets

Table 8. Selected ratios for the evaluation of the cooperative banks' performance

Net Income before taxes / Equity
Net Income before taxes / Total Assets
Loans / Total Assets
Deposits / Total Assets
Net Income before taxes / Staff
Staff / Number of branches
Loans / Deposits
Equity / Loans
Equity / Deposits
Net Income before taxes / Loans
Log (number of members)

2.3 Methodology

In this study the multi-criteria Promethee method was used to evaluate the performance of commercial and cooperative banks in Greece. The Promethee method can be considered as an extension of the CAMEL rating system, which is widely used in the assessment of banking performance. The advantage of the Promethee method is that it does not assume a linear evaluation model and it can easily be used with qualitative data. Compared to other performance assessment methodologies, such as data envelopment analysis (DEA), PROMETHEE is easier to implement and it does not require the specification of inputs and outputs, which may not always be easy to identify.

The Promethee method was first proposed by Brans (1982), and was followed by other publications - the most important being the publications of Brans, Vincke (1985) and Brans *et al*. (1986). The main principles upon which the Promethee method is based are: 1) Extension of the notion of criteria 2) Valued outranking relation 3) Exploitation of outranking relation. The extension of the notion of criterion is based on the introduction of a preference function giving the preference of the decision-maker for an action a with regard to b. This function will be defined separately for each criterion; its value will be between 0 and 1. The smaller the function, the greater the indifference of the decision-maker; the closer to 1 the greater his preference. In case of strict preference, the function will be 1.

For each couples of actions $a, b \in K$, we first define a preference index for a with regard to b over all the criteria. The preferred index is calculated by the following mathematical formula:

$$\Pi(a,b) = \frac{\sum \pi_i \, p_i(a,b)}{\sum \pi_i}$$

when π_i is the weight for each criterion $f_i(i = 1,2........k)$ Π(a, b) represents the intensity of the preference of the decision maker for the alternative solution a with regard to b, when the criteria are considered simultaneously. It takes values between 0 and 1.

$\Pi(a,b) \approx 0$ means weak preference of the alternative solution a with regard to b, for all the criteria.

$\Pi(a,b) \approx 1$ means strong preference of the alternative solution a with regard to b for all the criteria

As for the exploitation of the outranking relation for the rank of the alternatives, two flows are defined, the outflow its calculated:

$$\phi^+(\alpha) = \sum_{b=k} \Pi(a,b), \ \text{K=the total of alternative solutions.}$$

And the inflow which is calculated as:

$$\phi^-(a) = \Pi(a,b)$$

A high value of $\phi^+(a)$ means that the alternative action a exceeds the other alternative actions of the total actions K, while the smallest value of $\phi^-(a)$ means that the alternative action a is dominated by the other alternative actions. We can then consider for each action $a \in K$ the net-flow:

$$\phi(a) = \phi^+(a) - \phi^-(a)$$

In fact there are five Promethee methods, but the most well known to us are Promethee I and Promethee II. Promethee I realizes the partial ranking of the actions, while Promethee II realizes the complete ranking of the actions. In our case, only Promethee II will be used. In the case of Promethee II, the following outranking relations are observed:

aPb (a outrank b) if $\phi(a) > \phi(b)$

aIb (a, is indifferent to b) if $\phi(a) = \phi(b)$

2.4 Results

The following Tables (Table 9 and Table 10) present the results of Promethee separately for the group of large banks and that of small banks for the years 2003 and 2004.

Table 9. Ranking of the large commercial banks (2003-2004)

Banks	PROMETHEE score	Ranking 2003	PROMETHEE score	Ranking 2004
Alpha bank	0.862404177	1	0.97184457	1
Eurobank	0.10593306	2	-0.072328621	3
Commercial Bank of Greece	-0.207151141	3	-0.683481466	5
National Bank of Greece	-0.207492492	4	-0.15038703	4
Piraeus Bank	-0.553693604	5	-0.065647152	2

Table 10. Ranking of the small commercial banks (2003-2004)

Banks	PROMETHEE score	Ranking 2003	PROMETHEE score	Ranking 2004
Bank of Attica	1.479610849	1	0.370860877	5
Egnatia Bank	1.45754334	2	0.874543736	3
Marfin Bank	0.62660987	3	-0.122928011	7
Laiki Bank	0.332401953	4	1.195412908	1
FBB	0.331806487	5	0.324170808	6
Omega Bank	-0.366828233	6	0.712747331	4
Probank	-0.562504724	7	0.889524955	2
Geniki Bank	-0.794545703	8	-2.624654767	9
Aspis Bank	-2.50409384	9	-1.619677837	8

Based on the above ranking, we conclude that Piraeus Bank was ranked fifth in 2003 and second in 2004. This is due to the fact that the bank increased its loans from 2003 to 2004 by 19.45%, its pretax income by 31.50% and its assets by 12.60%. The Commercial Bank of Greece dropped to fifth position in 2004 due to the decrease in its pretax income. The National Bank of Greece and Alpha Bank retained the same ranking for both years (fourth and first place respectively), whereas Eurobank was ranked second in 2003 and third in 2004. This is due to the fact that although Eurobank presents great improvement in the majority of financial indices and accounts, there has been no great change in comparison with the financial indices of other banks.

Taking into account the group of small commercial banks, the Bank of Attica was ranked fifth in 2004 due to losses in its income. Similarly Marfin Bank dropped to seventh position. Laiki Bank was ranked first in 2004, since it increased its pretax income by 55%, its loans by 15% and deposits by 23%. Probank reveals a considerable increase in its pretax income by more than 100% and it was ranked second in 2004. Concerning the other banks, there have been no great changes. For example, Egnatia Bank was ranked second in 2003 and third in 2004 (its pretax income decreased by 20%) , FBB was ranked fifth in 2003 and sixth in 2004 (there was a considerable decrease in its pretax income), Geniki bank dropped from the 8th place in 2003 to the 9th in 2004 (due to the fall in its pretax income) and Aspis Bank was ranked 9th in 2003 and 8th in 2004 (due to the significant increase in total assets and pretax income). Finally, Omega Bank was ranked 6th in 2003 and 4th in 2004, as there had been a considerable increase in its pretax income and total assets.

Table 11. Ranking of the cooperative banks

Cooperative Bank	PROMETHEE score	Ranking 2003	PROMETHEE score	Ranking 2004
Cooperative Bank of Trikala	1.680	2	2.212	1
Cooperative Bank of Pieria	1.952	1	2.088	2
Pagkritia Cooperative Bank	0.940	4	1.318	3
Cooperative Bank of Karditsa	0.294	7	1.305	4
Cooperative Bank of Evros	-0.468	10	1.177	5
Cooperative Bank of Drama	-0.528	12	1.141	6
Cooperative Bank of Evoia	0.999	3	0.875	7
Cooperative Bank of Korinthia	0.507	6	0.652	8
Achaiki Cooperative Bank	0.232	8	-0.099	9
Cooperative Bank of Dodekanisa	-0.495	11	-0.275	10
Cooperative Bank of Chania	-0.609	13	-0.584	11
Cooperative Bank of Lesvo-Limno	0.621	5	-0.626	12
Cooperative Bank of Kozani	-3.514	15	-0.670	13
Cooperative Bank of Ioannina	-1.629	14	-1.246	14
Cooperative Bank of Lamia	0.018	9	-1.842	15
Cooperative Bank of Serres			-5.426	16

Based on the results of Promethee, we conclude that the Cooperative Bank of Pieria was ranked first in 2003, whereas its ranking dropped to second place in 2004, as far as liquidity was concerned, whereas Pagkritia cooperative bank was ranked first based on the criteria loans/total assets and log (number of members) in 2004. The Cooperative Bank of Drama went up to sixth position in 2004 as it increased its income by more than 100%, whereas the Cooperative Bank of Evoia was ranked seventh in 2004 as it opened one more branch and although its operating costs increased, its income remained at the same levels of 2003. The Cooperative Bank of Karditsa was ranked seventh in 2003 and fourth in 2004, the Cooperative Bank of Evros was ranked 10th in 2003 and 5th in 2004 and the Cooperative Bank of Trikala went up to first position in 2004. All of the above banks reveal a considerable increase in total loans and total equity in relation to 2003. A considerable change is observed in the Cooperative Bank of Lesvos-Limnos, as it was ranked 5th in 2003 and 12th in 2004. This was due to the significant decrease in its accounts and especially its pretax income.

The major advantage of cooperative banks lies in their contribution to the development of the local economy. The cooperative banks are well aware of the local economy and support new business efforts through an integrated program of advice and cooperation for each member.

3. Conclusions and future perspectives

The present study uses the Promethee method to evaluate the performance of commercial and cooperative banks in Greece with the aid of specific financial ratios.

The results obtained indicate that commercial banks are tending to increase their accounts, to attract more customers and ameliorate their financial indices, thereby becoming more competitive and maximizing their profits. In view of the Second Banking Directive, the commercial banks are tending to ameliorate their performance and hedge the financial risks in order to be more competitive among the European banking institutions. Concerning the cooperative banks in Greece, the conclusions are not so uniform, since there are banks that are increasing their profits and market shares considerably while others are reporting deteriorating financial indices.

Finally, a comparative analysis of Greek and European commercial and cooperative banks requires further research. In view of the globalization of the markets and the reformed financial environment that has been created, a study of the Greek and European bank efficiency system based on financial, stock market and strategic criteria is worth conducting.

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