INTERNATIONAL MONETARY FUND

IMF Country Report No. 26/110

GREECE

FINANCIAL SYSTEM STABILITY ASSESSMENT

May 2026

This paper on Greece was prepared by a staff team of the International Monetary Fund. It is based on the information available at the time it was completed on May 4, 2026.

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KEY ISSUES

Context: Greece met the shock from the war in the Middle East with strengthened fiscal sustainability and financial stability. The Greek financial sector has benefitted from the improved macroeconomic and fiscal environment and upgraded sovereign outlook. The sector has consolidated since the Greek Sovereign Crisis, and the four systemically important banks dominate the financial landscape. These banks underwent major asset cleanups through the securitization and sales of legacy non-performing loans (NPLs) since 2019, and now enjoy strong balance sheets, profitability, and liquidity.

Findings: Short-term financial stability risks in Greece were found to be low prior to the war in the Middle East and remain manageable. Banks demonstrate strong resilience under stress testing with low risk of disruption from new entrants. However, a large quantity of legacy NPLs remain unresolved and managed by credit servicers. This weighs on credit creation and leads to concentration and correlation risks, as banks rely on lending to large corporates due to more limited consumer and SME demand. The Bank of Greece has a strong financial stability mandate and robust supervisory and macroprudential practices. With limited growth opportunities, the medium-term outlook is positive but less certain.

Policy advice: Authorities should work to codify best practices and promote a deeper and more diversified financial sector. While the insolvency and creditor rights' regime has been strengthened, more streamlining and a stronger judiciary process are needed. The supervision of credit servicers should be enhanced. Authorities should augment resources to deal with legacy issues and emerging risks such as cyber. Interagency cooperation should be strengthened and formalized in both financial stability and crisis matters. ELA arrangements need to be improved, and the deposit insurance fund enhanced.

Approved By
Michaela Erbenova (MCM)
Helge Berger (EUR)
Prepared By
Monetary and Capital Markets Department

This report is based on the work of the Financial Sector Assessment Program (FSAP) mission that visited Greece in October 2025 and January 2026. The FSAP findings were discussed with the authorities during the Article IV consultation mission in March 2026.

- The FSAP team was led by Charles Cohen and included Miguel A. Otero (deputy mission chief), Radu-Gabriel Cristea, Ivan Guerra, Paola Morales, Wei Shi (all MCM), Ke Chen, Amira Rasekh (both LEG), as well as Toby Fiennes, Tomas Konecny and Peter Lohmus (all short-term experts). The FSAP team collaborated closely with the Greece Article IV team.
- The mission met with the Governor of Bank of Greece (BoG), Mr. Yannis Stournaras, the Minister of Economy and Finance (MoEF), Mr. Kyriakos Pierrakakis, the Chair of the Hellenic Capital Markest Commission, Ms. Vassiliki Lazarakou, the Governor of the National Cybersecurity Authority, Mr. Michail Bletsas, the Deputy Governor of BoG, Ms. Christina Papaconstantinou, the Secretary General of the Financial Sector and Private Debt Management of the MoEF, Ms. Theoni Alampasi, the director of TEKE, Ms. Georgia Karageorgi, and other senior officials of these agencies, as well as the Hellenic Banking Association and senior executives from the 5 largest Greek banks, the Hellenic Loan Servicers Association, and other select representatives of the private sector.
- FSAPs assess the stability of the financial system as a whole and not that of individual institutions. They are intended to help countries identify key sources of systemic risk in the financial sector and implement policies to enhance its resilience to shocks and contagion. Certain categories of risk affecting financial institutions, such as operational or legal risk, or risk related to fraud, are not covered in FSAPs.
- Greece is deemed by the Fund to have a systemically important financial sector according to SM/10/235 (9/16/2010), and the stability assessment under this FSAP is part of bilateral surveillance under Article IV of the Fund's Articles of Agreement.

CONTENTS

TABLES

Glossary

AML/CFT	Anti-Money Laundering/Combating the Financing of Terrorism
BBM	Borrower-based measures
BoG	Bank of Greece
BRRD	Bank Recovery and Resolution Directive
CCOB	Capital conservation buffer
CCyB	Countercyclical capital buffer
CET1	Common Equity Tier 1
COREP	Common Reporting framework in the EU
CRE	Commercial Real Estate
DIF	Deposit insurance fund
DORA	Digital Operational Resilience Act
DSTI	Debt service-to-income
DTA	Deferred Tax Assets
DTC	Deferred Tax Credits
EA	Euro Area
EBA	European Banking Authority
EC	European Commission
ECB	European Central Bank
ELA	Emergency Liquidity Assistance
EU	European Union
FSB	Financial Stability Board
G-SIB	Global Systemically Important Bank
HAPS	Hellenic Asset Protection Scheme
HCAP	Hellenic Corporation of Assets and Liabilities
HCMC	Hellenic Capital Market Commission
HFSF	Hellenic Financial Stability Fund
HQLA	High Quality Liquid Assets
ICR	Insolvency Creditor Rights
IRRBB	Interest Rate Risk in the Banking Book
LCR	Liquidity Coverage Ratio
LGD	Loss given default
LSI	Less significant institution
LTV	Loan-to-Value
MoEF	Ministry of Economy and Finance
MSIP	Ministry of Shipping and Island Policy
NBFI	Nonbank financial institution
NFC	Non-financial corporation
NGEU	Next Generation EU
NII	Net Interest Income
NPL	Nonperforming Loan

O-SII	Other Systemically Important Institution
PN CCyB	Positive Neutral Countercyclical Capital Buffe
RRE	Residential Real Estate
SI	Significant Institution
SME	Small and Medium-Sized Enterprise
SREP	Supervisory Review and Evaluation Process
SSM	Single Supervisory Mechanism
SyRB	Systemic Risk Buffer
TEKE	Hellenic Deposit and Investor Insurance System
TLTRO	Targeted Longer-Term Refinancing Operations
WEO	World Economic Outlook

EXECUTIVE SUMMARY

The first Financial Sector Assessment Program (FSAP) of Greece since 2006 has found risks to financial stability were low prior to the start of the war in the Middle East and remain manageable. The Greek financial system has experienced significant consolidation since the Greek Sovereign Crisis and is dominated by four systemically important (SI) banks. These banks underwent major asset cleanups through the securitization and sales of non-performing loans (NPLs) since 2019. They now enjoy strong balance sheets, profitability, and liquidity on the back of low-cost deposit bases and loans to domestic non-financial corporates (NFCs). However, mortgage and SME lending markets remain limited, partly due to the slow pace of resolution of the large stock of NPLs now managed by credit servicers (approximately 2.9 million loans from 2.4 million borrowers out of a population of 10.4 million people). Other non-bank financial institutions (NBFIs) play only a limited role in the Greek financial system.

With the medium-term outlook positive but less certain, staff recommend that the authorities work to codify best practices and promote a deeper and more diversified financial sector. Greece has regained investment grade status thanks to its improved fiscal position and growth trajectory, but structural challenges remain. The lack of lending opportunities beyond large NFCs inhibits growth and has led to concentration and correlation risks.

The sovereign bank nexus is moderate in terms of direct exposures but is ultimately sizeable due to contingent government liabilities on bank balance sheets. These are mainly reflected in the form of deferred tax credits (DTCs)—that resulted from the Greek crisis and which still today hamper the quality of banks' capital—and the state-guaranteed tranches from NPL securitizations that banks got in exchange of their NPLs through the Hellenic Asset Protection Schemes (HAPS). Although the magnitudes of these risks are limited, under a severe shock they could amplify negative market reactions.

Bank solvency stress tests indicate that Greek banks remain resilient and would experience only limited capital depletion under adverse scenarios. Under the macro scenarios considered—an inflationary geopolitical shock and a severe recession—banks remain well above their regulatory capital buffer requirements. Profits are supported by strong net interest income, which helps offset the impact of higher credit impairments and lower net fees and commissions income. Additional sensitivity analyses done to reflect the potential impact of an extended war in the Middle East do not change these conclusions. Banks' capital quality should continue to be strengthened through an accelerated prudential and legal phaseout of DTCs, which will also reduce the bank-sovereign nexus.

Bank concentration risks arising from common large exposures warrant continued monitoring. The SI banks all follow similar funding and investment strategies, and the ten largest common exposures to NFCs account for 81 percent of aggregate Tier 1 capital of SI banks (net of credit risk mitigation). While these NFCs enjoy strong balance sheets and have historically proven

resilient, if one or more of them were to fall into distress there could be serious implications for the entire banking sector. The corporate sector shows resilience in stress tests while households remain vulnerable to negative shocks to real income and higher interest rates.

Greek banks perform well under liquidity stress scenarios following a sustained build-up of buffers over recent years. Standard liquidity metrics for Greek banks remain comfortably above regulatory requirements, placing them well ahead of their European peers. Only under more aggressive and less probable scenarios—which simultaneously combine severe market and funding stress—do any SIs fall below the 30-day hurdle rate. Nevertheless, owing to abundant liquidity buffers beyond high quality liquid assets, stress tests based on a granular cashflow analysis demonstrate resilience for the Greek banking sector.

The institutional arrangements for macroprudential policy in Greece within the Banking Union Framework are sound but would benefit from enhanced communication and more formalized interagency coordination. The Bank of Greece (BoG) has been active and effective in its role as the designated macroprudential authority and has introduced measures to guard against future risks. However, interagency cooperation is largely informal and should be strengthened through regular meetings of the national Systemic Stability Council (SSC). Analytical toolkits should be strengthened to enable more sophisticated risk assessments and calibration of macroprudential tools.

Supervision of Less Significant Institutions (LSIs) is generally effective in Greece. BoG's approach to LSI supervision is thorough, systematic and intrusive. The BoG benefits from robust independence and an ability to attract and retain staff with the desired skills and experience. Nonetheless, there is a need for some medium-term resource planning and a focus on resourcing for emerging risks such as Information Communication Technology (ICT) and cyber. BoG's analysis and supervisory actions around credit risk and problem assets are generally effective.

Greece's crisis experience has helped the authorities develop strong expertise in crisis management and resolution, and should formalize and strengthen arrangements in these areas to further align with international best practices. The BoG should prepare for and operationalize the combination of resolution tools and prepare for implementing alternative resolution strategies in case a preferred resolution strategy cannot be implemented at the point of failure. The resolution framework should be further enhanced by preventing judicial reversal of resolution decisions taken in good faith by the BoG. Also, institutional arrangements at the BoG should be changed to prevent potential policy conflicts between the supervisory and resolution functions.

Other important aspects of the financial safety need to be enhanced. The BoG should have the authority to require, on a discretionary basis, pre-positioning of collateral and complement it with regular simulation exercises. The BoG should also develop policies to guide a prospective solvency determination for banks subject to ELA in resolution. The Greek Deposit and Investment Guarantee Fund (TEKE) should have a public backstop and an increased target size to withstand the concurrent payout of covered deposits for the 2–4 largest banks earmarked for liquidation.

While the insolvency and creditor rights' regime has been strengthened, more efforts are needed to further enhance its efficiency and effectiveness. Given the long resolution times, the enforcement process would benefit from further improvements including the streamlining of borrower objections, reducing the time for the completion of different steps, and removing the requirement for a full guarantee post-auction. A formal reorganization process dedicated to the rescue and rehabilitation of businesses would fill an important gap in the current toolkit, particularly for large corporates. Enhancing the judicial system, including through specialized judges and well-resourced courts, is key for supporting the successful implementation of the insolvency and creditor rights regime.

The supervision of credit servicers should be enhanced and access to public information about HAPS should be promoted. Credit servicers service distressed assets equivalent to 37.4 percent of 2025 Greece GDP, the majority of which are NPLs (31.2 percent of 2025 Greece GDP), thus the BoG should increase supervision of credit servicers, with more focus on their performance and capacity to deal with large numbers of borrowers. Credit servicers should regularly update their business plans and be subject to targeted enhancements on supervisory reporting and transparency. The BoG should formalize the working group recently established with other relevant government agencies to intensify coordination regarding credit servicers. And the authorities should produce an annual report certified by the National Public Auditor and facilitate access to up-to-date information about the evolution of HAPS via a website.

Greece has further enhanced its AML/CFT legal framework since it was found to be strong in its 2019 FATF mutual evaluation, although more progress is warranted. The BoG should ensure adequate frequency of on-site AML/CFT inspections of banks and payment institutions commensurate with their risks. The general registration records of shipping companies should be digitalized to improve their transparency. The Hellenic Capital Market Commission (HCMC) has commenced registration and supervision of virtual asset service providers and should deepen its understanding of risks to enable more risk-driven supervision.

Much of the work of the Financial Sector Assessment Program (FSAP) was conducted prior to the outbreak of the war in the Middle East. Given the FSAP's focus on medium-term challenges and vulnerabilities, however, many of its findings and recommendations for strengthening policy and institutional frameworks remain pertinent. This report reflects key developments and policy changes since the FSAP mission work was completed and includes illustrative assumptions to quantify the possible implications of the deepening war on the solvency of the banking system.

Table 1. Greece: 2026 Key FSAP Recommendations		
Recommendation	**Authority**	**Timing***
Systemic Risk Analysis		
Accelerate the legal amortization of DTCs to a timing aligned with the voluntary scheme for their prudential amortization currently in place.	MoEF	ST
Further enhance the monitoring of large corporate exposures to support early identification and timely mitigation of potential vulnerabilities.	BoG	ST
Institutional Setup		
Augment supervisory resources for current needs and emerging risks, particularly regarding credit servicers and cyber risk.	BoG, HCMC	MT
Formalize the Systemic Stability Council (SSC) to oversee interagency cooperation on financial stability and establish sub-committees for systemic risk and for interagency crisis preparedness and coordination.	MoEF, BoG, HCMC, TEKE	I
Implement independent reporting of the resolution function to BoG's Board.	BoG	ST
Macroprudential Policy		
Strengthen the quantitative foundations for calibrating the positive neutral CCyB to ensure the adequacy of releasable buffers.	BoG	MT
LSI Regulation and Supervision		
Heighten supervision of governance for larger and riskier LSIs, including a focus on more high-quality independent directors.	BoG	ST
Insolvency and Creditor Rights		
Enhance the enforcement framework by streamlining the process for borrower objections, reducing the time for the completion of different steps, and removing the requirement for a full guarantee for a period of five years post-auction.	MoEF, MoJ	I/ST
Introduce a formal reorganization process dedicated to the rescue and rehabilitation of businesses and providing the effects of formal insolvency proceedings.	MoEF	ST
Strengthen the institutional framework through specialization of judges in commercial matters and well-resourced courts.	MoJ	ST
Credit Servicers		
Improve supervision of credit servicers with more focus on performance and requiring regularly updated business plans, and with targeted enhancements on supervisory reporting and transparency.	BoG, MoEF	I
Produce an annual HAPS report certified by the national public auditor and establish a public HAPS website with regularly updated data, in line with established practices in comparable frameworks.	MoEF	I
Crisis Preparedness and Management		
Prepare for and operationalize the combination of resolution tools and ensure readiness to implement resolution for banks at the point of failure. Ensure that resolution decisions cannot be reversed.	BoG, MoEF	ST
Improve ELA arrangements by i) granting authority to the BoG to require, on a discretionary basis, prepositioning of credit claims by banks; ii) running regular simulations; and iii) developing internal policies for ELA in resolution.	BoG	ST
Enhance the deposit insurance fund with i) a revised target level for the combined coverage of insured deposits of the top 2-4 banks for which resolution plans foresee liquidation and ii) a public backstop.	BoG, MoEF, TEKE	MT
Financial Integrity		
Ensure all banks are subject to a risk-appropriate frequency of AML/CFT in-field testing. Increase on-site inspections of payment institutions.	BoG	ST

* Immediate (I): less than one year; Short-term (ST): 1–2 years; and Medium-term (MT): 3–5 years.

MACROFINANCIAL CONTEXT

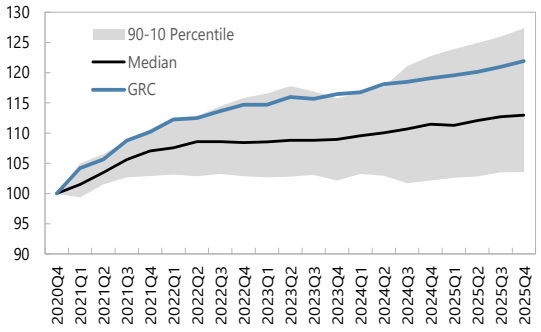
A. Macrofinancial Conditions and Trends

1. The 2026 FSAP for Greece takes place against a macroeconomic backdrop that was improving prior to the war in the Middle East (Figure 1). The post-COVID recovery shows a strong rebound in growth and an unemployment rate steadily declining to single digits, though end-2025 inflation remained above the ECB's target. Housing prices have risen rapidly from the trough in 2017 despite still-weak mortgage lending. Substantial fiscal consolidation on the back of strong growth has reduced the public debt-to-GDP from 210 percent in 2020 to 146 percent in 2025, and further reduction is expected. The medium-term risk of sovereign stress is assessed as moderate (Annex II of 2025 AIV staff report), thanks to prudent fiscal policymaking and the favorable public debt structure. The country had regained an investment grade rating from all major rating agencies by early 2025, with a sovereign spread currently in line with euro area peers. Going forward, however, structural challenges—low investment and labor participation, the declining role of NextGeneration EU (NGEU) funds in financing domestic investment, adverse demographic trends, and sluggish productivity growth—will weigh on medium-term growth prospects.

Figure 1. Greece: Recent Economic Developments

The economy rebounded strongly in the post-COVID recovery...

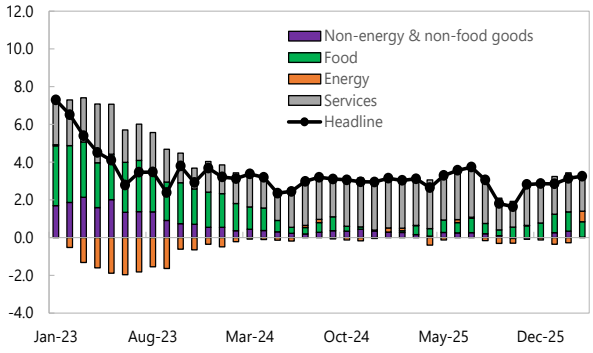
Post-2020 Real GDP Recovery
(2020Q4=100, seasonally and workday adjusted)



Sources: Eurostat; Haver Analytics; and IMF staff calculation.
Note: The percentiles are calculated relative to European Union members.

...the disinflation is slowed by sticky services inflation.

Inflation Decomposition
(Percentage Points, Year-Over-Year)

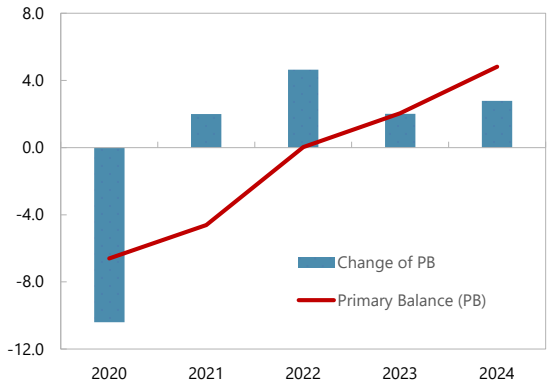


Sources: Eurostat; Haver Analytics; and IMF staff calculation.

Figure 1. Greece: Recent Economic Developments (concluded)

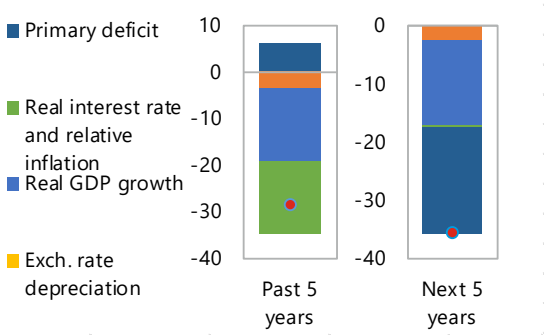
Fiscal consolidation started immediately after the unprecedented pandemic support in 2020.

Scale of Fiscal Consolidation
(In Percent of GDP)



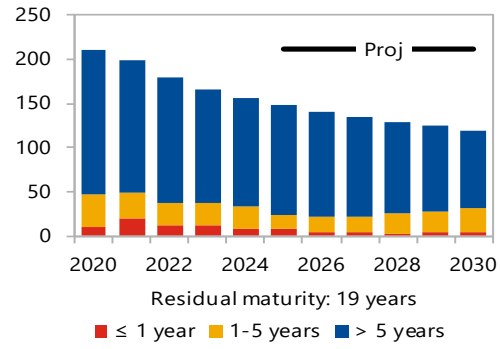
Prudent fiscal stance and robust growth are expected to support debt reduction going forward.

Public Debt Creating Flows, 2025
(In Percent of GDP)



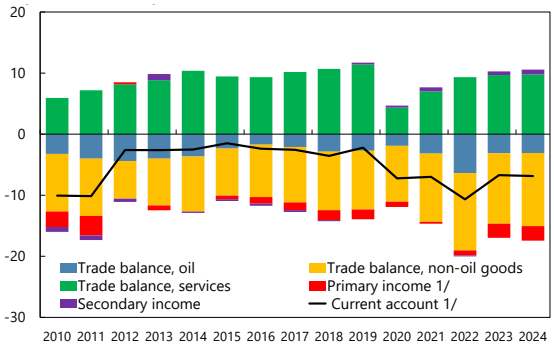
Public debt is mostly fixed rate with long maturity.

Public Debt by Maturity
(In Percent of GDP)



Current account deficit remains elevated but stabilized, driven primarily by trade deficit.

Current Account Components
(In Percent of GDP)



Sources: Greek authorities and IMF staff calculation.

2. Since the 2018 exit from the bailout programs of the Greek Sovereign Crisis, banks have raised their capital levels and seen a substantial reduction in nonperforming loan (NPL) risk on their balance sheets. During the crisis confidence plummeted and the economy slipped into a deep recession. Banks faced acute liquidity and solvency issues alongside a surge in NPLs, which peaked at 49 percent in September 2017. Since 2018 the banking system has gradually regained stability supported by recapitalization efforts and the implementation of the Hellenic Asset Protection Scheme (HAPS) that started in 2019 and which played a crucial role in the sizeable reduction of banks' NPLs (3.3 percent as of September 2025). As detailed below, under HAPS, NPLs were written down and put into securitization structures. Banks retained the senior (safest) tranches

of the portfolios which were then guaranteed by the government, thereby removing the risk from their balance sheets.

3. Credit contracted sharply during the crisis but has recently seen a modest recovery (Figure 2). Prolonged deleveraging over more than a decade led to a sustained decline in the credit-to-GDP ratio, which remains well below pre-crisis levels and the euro-area average. The credit-to-GDP gap remains deeply negative, which could constrain long-term growth. By September 2025 credit growth reached 11 percent year over year; however, the nominal volume of outstanding loans remains well below its pre-crisis peak, driven by very low household levels. The credit recovery has been driven mostly by loans to large corporations. As of June 2025, the largest 10 corporate exposures represent 122 percent (10 percent) of banks' T1 capital (total assets). In contrast, household credit growth has been more subdued, with mortgage lending remaining sluggish due to lack of demand and legacy NPLs.

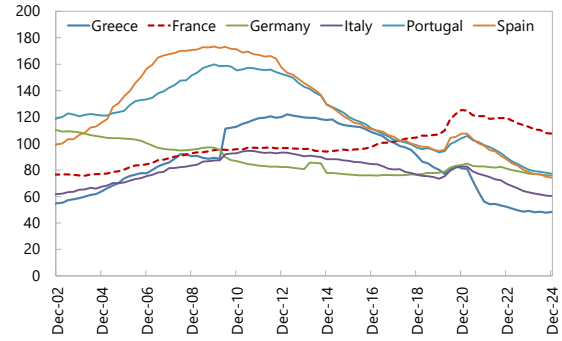
4. The slow pace of NPL resolution by credit servicers poses challenges for credit growth and long-term banking profitability. NPLs outside banks' balance sheets managed by credit servicers totaled €72.6bn (original par value) as of September 2025 (which would be equivalent to a 30.5 percent NPL ratio if they had remained on bank balance sheets). Half of them (€37.6bn) are related to HAPS while the other half (€35.0bn) originated from direct sales by banks. Households and corporates (predominantly SMEs with personal guarantees and housing collateral) with outstanding NPLs managed by credit servicers are largely seen as "nonbankable" from a risk perspective, limiting the universe of potential banking clients.

5. Credit servicers are specialized nonbank financial institutions that deal exclusively with the management and resolution of NPLs and other distressed assets. Their primary activities are payment collection, debt restructuring, and collateral liquidation. They do not hold these loans on their own balance sheets but are funded by fees based on their assets under management. The credit servicers were primarily set up to manage the large quantity of loans offloaded from Greek bank balance sheets, and the assets that they manage are largely controlled by foreign investment firms (approximately €81bn out of €93bn total). These foreign firms do not have other significant connections to the Greek economy.

Figure 2. Greece: Banking Sector Credit Developments

Credit to GDP ratio remains below pre-crisis levels and the Euro Area average….

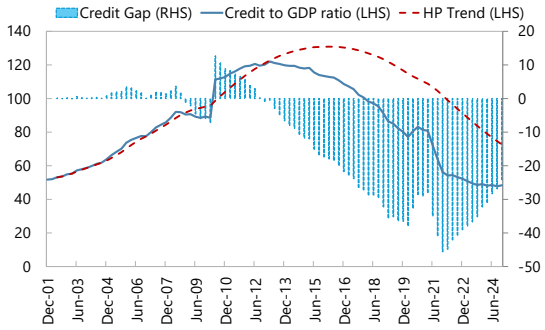
Credit to GDP
(In Percent of GDP)



Sources: Haver, IFS, and IMF calculations.

… while the credit gap remains negative, reflecting subdued financial deepening.

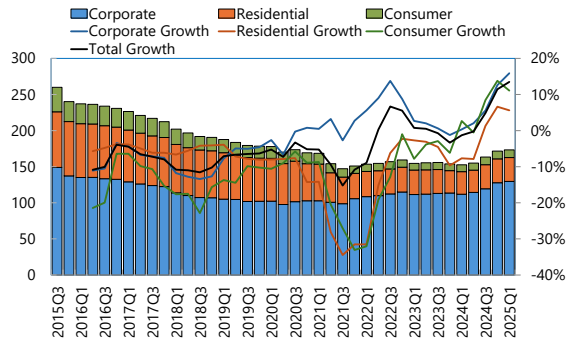
Credit Gap
(In Percent of GDP)



Sources: Haver, IFS, and IMF calculations.

Credit growth has recently shown a moderate recovery driven mostly by corporate loans….

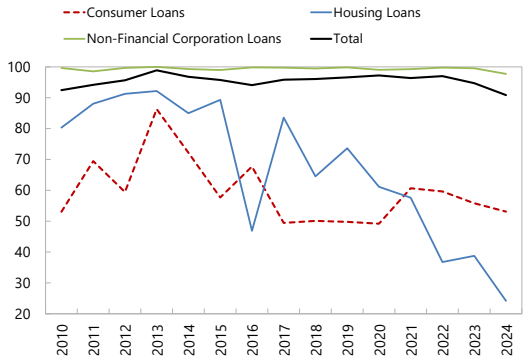
Bank Loan Portfolios
(EUR Billions)



Sources: Bank of Greece, and IMF staff calculations.

…which are issued at variable interest rates or fixed rates of less than one year.

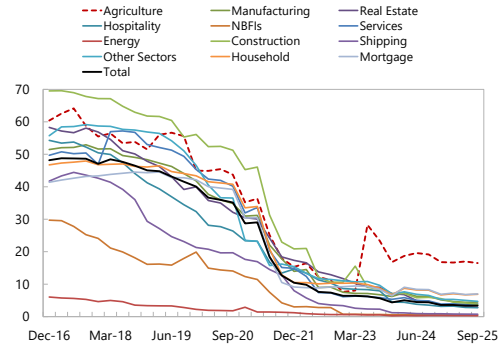
New Loans with Variable or ≤1-Year Fixed Rates
(Percent of Loans)



Sources: Bank of Greece and IMF staff calculations.

The NPL ratio has declined, reflecting the implementation of the HAPS scheme and balance-sheet clean-up efforts.

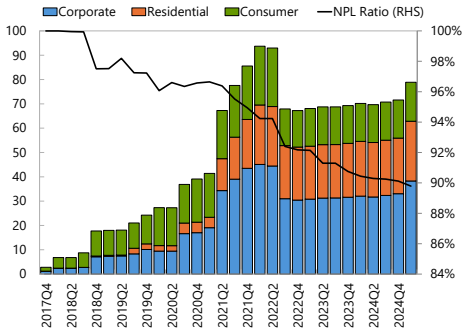
Bank Nonperforming Loan Ratios
(In Percent)



Sources: Bank of Greece and IMF calculations.

However, loans under the management of credit servicers have shown only a modest recovery.

Loan Exposures Managed by Credit Servicers
(EUR Billions)

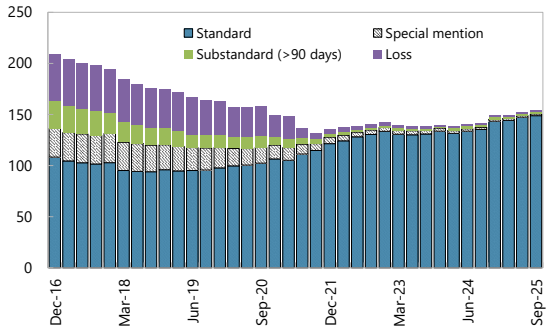


Sources: Bank of Greece, and IMF staff calculations.

Figure 2. Greece: Banking Sector Credit Developments (concluded)

About 96.6 percent of loans are categorized as standard.

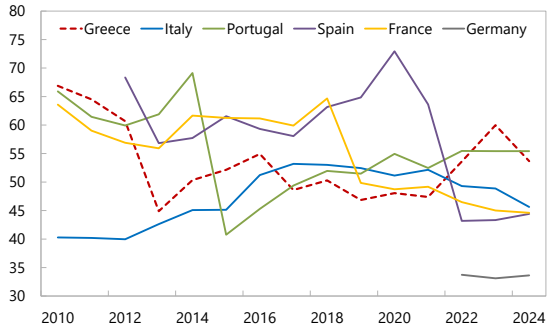
Loan Portfolio Risk Composition
(EUR Billions)



Sources: Bank of Greece, and IMF staff calculations.

The provision coverage ratio has risen since 2019 and is now higher than in Spain, Italy, France, and Germany.

Provision Coverage Ratio
(In Percent)



Sources: Haver and IMF calculations.

B. Financial Sector Structure and Performance

6. The domestic financial system is small by European standards and is dominated by banks (Figure 3). Total domestic system assets stand at €376.8 billion as of September 2025 (152 percent of Greece 2025 GDP), considerably below its past peak. Banks account for 84 percent of these assets, with non-bank financial institutions (NBFIs) holding the remaining 16 percent. The most significant NBFIs are insurance companies (5.8 percent) and collective investment undertakings (5.3 percent). Following post crisis-consolidation, the four Significant Institutions (SIs) now hold €293 billion in assets (92.7 percent of total banking assets).

7. Banks follow a traditional commercial banking business model, relying primarily on deposit funding and lending to large non-financial corporates. As of December 2025, loans to non-MFIs comprise about 43 percent of total assets, with loans to non-financial corporations accounting for 68 percent of private-sector loan portfolios, and housing and consumer loans at 21 percent and 7 percent, respectively. Securities make up 29 percent of assets; 60 percent of these are government securities, with over half in Greek sovereign bonds, primarily held to maturity and accounted for at amortized cost, reducing exposure to market volatility. Foreign sovereign bonds are mainly EU and G10 issuers (Figure 3). In recent years, banks have diversified their income sources by acquiring external entities, investing in syndicated loans across Europe, building up their *bancassurance*-style insurance businesses, and launching new fintech products (such as neobanks).

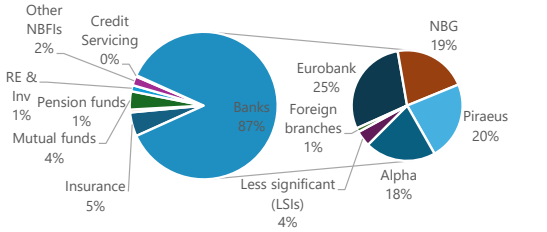
8. Banks' funding relies on the retail and wholesale deposits that comprise around 90 percent of liabilities. The deposit franchise is strong, with household deposits making up 64 percent of deposits. High banking sector concentration limits deposit competition, which has allowed banks to maintain relatively low deposit rates even during the rising rate environment. Deposits largely remained within the banking system during this time, indicating limited appetite for higher-yielding alternatives.

9. International expansion continued in 2025, especially in Cyprus, bolstering income diversification. By June 2025, foreign subsidiaries and branches accounted for €57.3 billion (13.4 percent of consolidated assets), mainly in Cyprus and Bulgaria, with loans representing 48 percent of these assets. International operations contributed 16.5 percent to group profits in the first half of 2025 (Figure 3).

Figure 3. Greece: Financial Sector Structure

The financial system is dominated by banks....

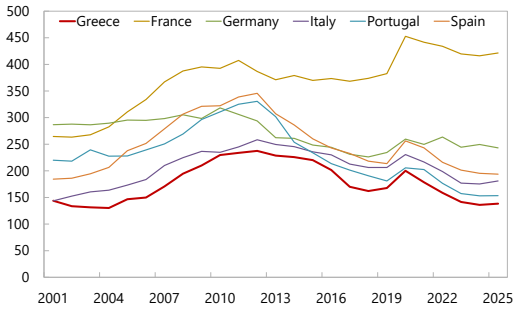
Structure of the Financial System
(In Percent of Assets, December 2025)



Source: BoG

...and continues to be small by European standards.

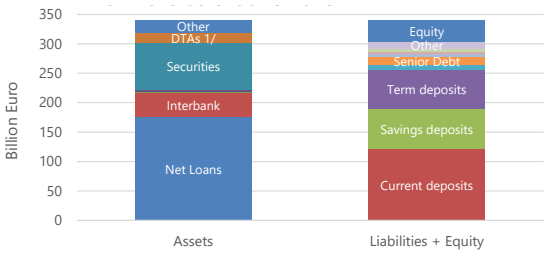
Size of the Financial System
(In Percent of GDP, December 2025)



Sources: Haver/EUFIN.

Banks operate under a traditional business model....

Greece Banking System: Balance Sheet
(EUR Billions, June 2025)

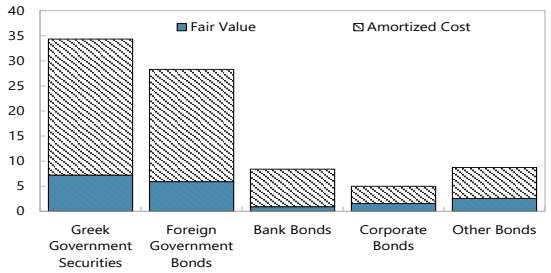


1/ Deferred Tax Assets

Source: Fitch

...and hold the majority of their debt securities at amortized cost.

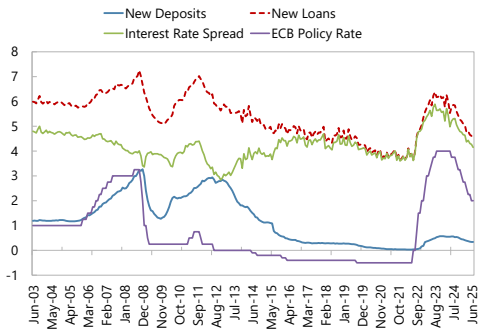
Banking Sector Investments
(EUR Billions, June 2025)



Sources: Bank of Greece, and IMF estimates.

Limited competition in the banking sector allows banks to keep deposit rate pass-through low.

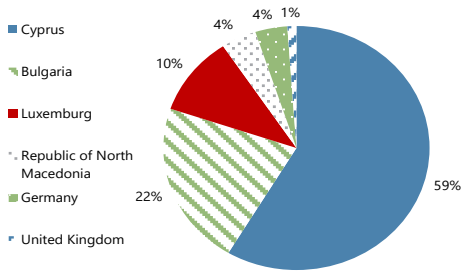
Greek Bank Interest Rates
(In Percent)



Sources: BoG, Haver and IMF staff calculations.

Foreign subsidiaries and branches account for 13 percent of consolidated assets, mainly in Cyprus and Bulgaria.

Greek Banking Groups' Assets Abroad
(In Percent, June 2025)



Sources: Bank of Greece.

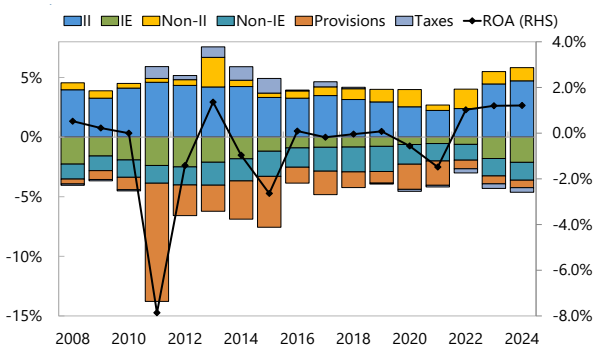
10. Since 2022, Greek banks have experienced a notable improvement in profitability, driven by favorable net interest margins, declining loan-loss provisions, and lower non-interest expenses. Greek banks are well positioned relative to peer countries in terms of earnings and efficiency. As of December 2025, Return on Assets stood at 1.3 percent and Return on Equity at 12 percent, both significantly above EU averages of 1.0 percent and 11.7 percent, respectively. Operational efficiency is further underscored by the substantially lower cost-to-income ratio — 37.0% compared to the EU average of 49.7%—reflecting a combination of structurally lower operating costs (following post-crisis restructuring) and currently elevated revenue levels. Going forward, profitability is expected to moderate as net interest margins ease from recent highs, and cost structures look similar to those in other European SI banks. Maintaining earnings performance will increasingly depend on further cost discipline, growth in fee-based income, continued improvements in asset quality, and prudent credit expansion (Figure 4).

11. Enhanced profitability and a significant reduction in NPLs have strengthened banks' capital positions, bringing them closely with European averages. As of December 2025, the Common Equity Tier 1 (CET1) ratio reached 15.5 percent, still below the EU average of 17.7 percent, while the total capital ratio converged to around the EU level (21.5 percent). However, capital quality remains significantly weaker than European peers, reflecting the still-high reliance on Deferred Tax Credits (DTCs), which represent 43.4 percent of CET1 capital (on a consolidated basis as of Dec.2025). Asset quality has improved substantially, with the NPL ratio declining from 43.5 percent in June 2019 to 3.3 percent in September 2025, supported by HAPS. Notwithstanding this progress, NPLs remain above the EU average (1.6 percent) as of December 2025, and many of the loans removed from bank balance sheets remain unresolved. The leverage ratio (fully phased-in definition), at 7.7 percent in December 2025, is above the EU average of 7.1 percent.

Figure 4. Greece: Banking Sector Performance

Profitability in the banking system remains strong …

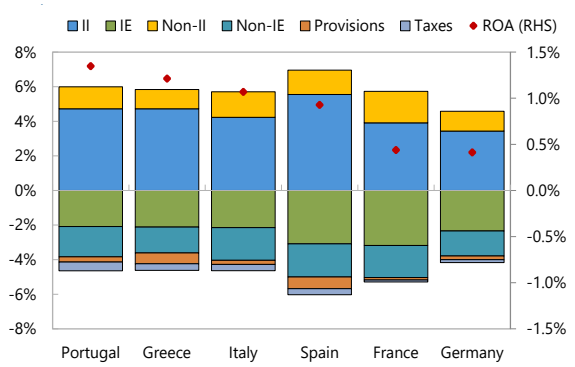
Profit Components
(In Percent of Total Assets)



Sources: Haver, and IMF staff calculations.

….with higher ROAs compared to peers…

Profit Components by Country
(In Percent of Total Assets, 2024)

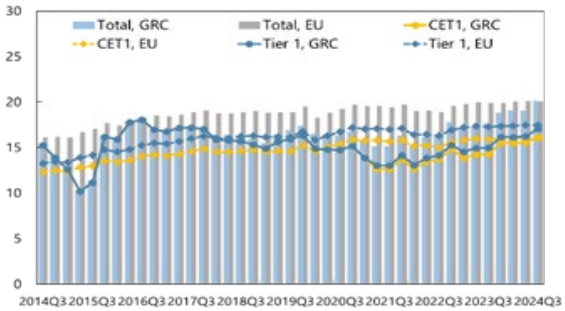


Sources: Haver, and IMF staff calculations.

Figure 4. Greece: Banking Sector Performance (concluded)

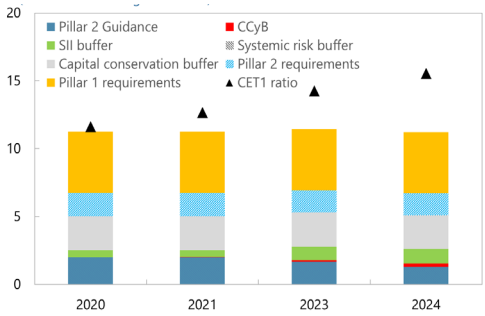
…which together with the offload of legacy NPLs have supported capital adequacy.

Capital Adequacy Ratio
(In Percent)



Banks gradually built-up capital buffers above the prudential requirements.

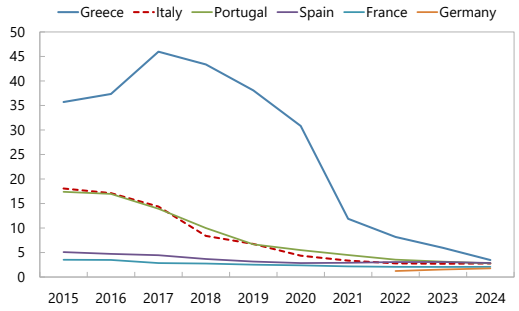
Capital Components and CET1 Ratio
(In Percent of Risk-Weighted Assets)



Sources: European Banking Authority, Risk Assessment Report.

However, NPL ratios remain above those of EU peers…

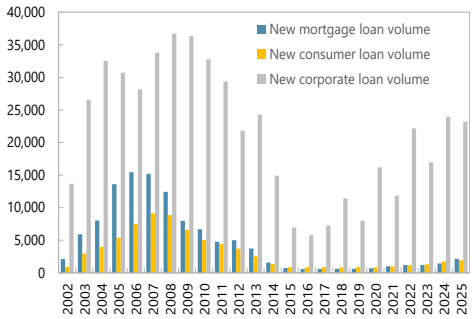
Nonperforming Loan Ratio by Country
(In Percent)



Sources: Haver, and IMF calculations.

…and recent bank credit expansion is mostly to corporates while lending to households remains weak.

New Loans to Private Sector
(EUR Millions)



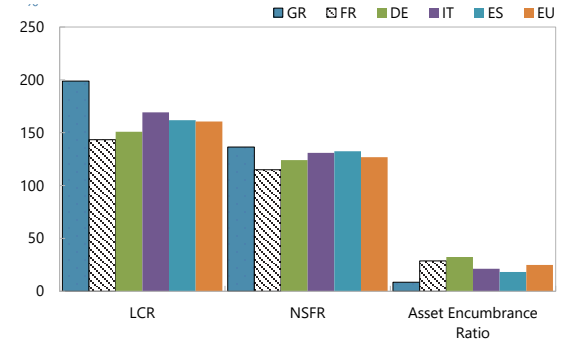
Sources: Bank of Greece; Haver Analytics.

12. Liquidity positions in the Greek banking sector have steadily improved, with liquidity buffers now substantially higher than those of European peers. As of December 2025, Greek system-wide liquidity indicators were strong: the liquidity coverage ratio stood at 198.8 percent, net stable funding ratio at 136.4 percent, and asset encumbrance ratio at 8.6 percent. These indicators place Greek banks well ahead of their European counterparts, comfortably meeting regulatory requirements (Figure 5, panel 1). Nevertheless, Greek banks' liquidity buffers remain heavily concentrated in domestic sovereign debt, with 63 percent of high-quality liquid assets (HQLA) invested in central government securities—a significant exposure compared to European peers (Figure 5, panel 2).

Figure 5. Greece: Liquidity Indicators and Sovereign Exposures

Greek banks exhibit elevated levels of liquidity buffers...

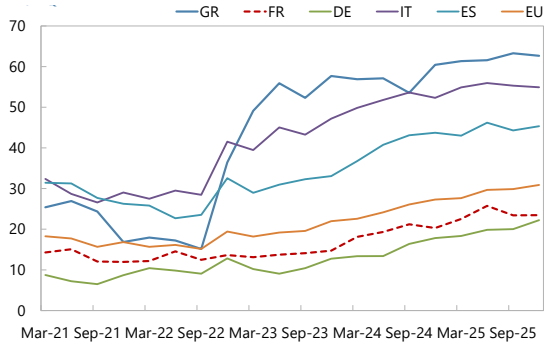
Liquidity Indicators
(In Percent)



Sources: European Banking Authority

... yet heavily concentrated in domestic sovereign debt.

Exposure to Central Government Securities
(In Percent of HQLA)

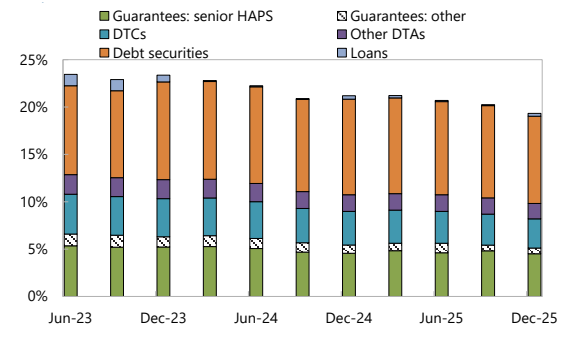


Sources: European Banking Authority

13. The sovereign-bank nexus is sizable due to notable contingent government liabilities on bank balance sheets. Greek banks hold Greek sovereign securities amounting to 9.2 percent of total assets as of December 2025, comparable to other euro area countries. However, including state-guaranteed assets, exposure rises to 19.3 percent (Figure 7). The additional contingent liabilities of the Greek state consist of DTCs (3.1 percent), the state-guaranteed senior bonds from HAPS securitization schemes of their own NPLs (4.5 percent) and other guarantees provided to banks (0.6 percent). Such indirect exposures are more likely to be called during a severe economic downturn and together they represent 36.4 bn (or 14.6 percent of Greece 2025 GDP), which could increase the fiscal burden during a time when sovereign spreads would likely already be under pressure. Furthermore, the Greek government still holds equity stakes in two banks (one SI and one LSI) through the Hellenic Corporation of Assets and Participations (HCAP).[1]

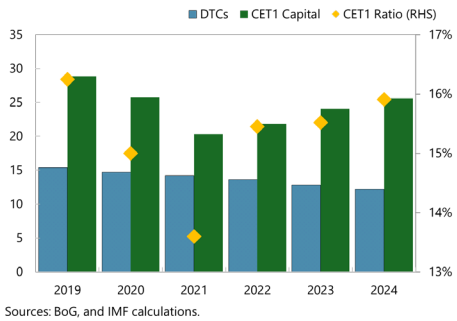
Figure 6. Greece: Sovereign-Bank Nexus

Direct and Indirect Exposure to the Greek State
(In Percent of Total Assets)



Sources: Bank of Greece, and IMF calculations.

DTCs and CET1 Capital
(EUR Billions (lhs), percent (rhs))



Sources: BoG, and IMF calculations.

[1] HCAP absorbed in 2024 the Hellenic Financial Stability Fund (HFSF) that was created during the Greek crisis to recapitalize Greek banks. In 2025, HCAP still holds two bank equity stakes: 8.4 percent in one SI and 36.2 percent in one LSI.

14. DTCs compromise the quality of capital of Greek banks. Legislation enacted in 2014 allowed for the conversion of Deferred Tax Assets (DTAs) into DTCs,[2] which (unlike DTAs) are not deducted from regulatory capital since banks can exchange them for a government equity infusion if they record losses. While non-deductibility is aligned with EU prudential standards, their high relative size—€11.5 bn, equivalent to 43.4 percent of CET1 capital as of Dec. 2025—overstates the underlying solvency of Greek banks. DTCs heighten the sovereign-bank nexus due to the potential sovereign capital injection which would dilute private investors. To address this, the four SIs recently agreed with the Single Supervisory Mechanism (SSM) on a voluntary accelerated prudential amortization scheme of DTCs in proportion to their annual dividend payouts. According to current projections, DTCs would be fully amortized by 2031–33, compared to 2041 under the current legal amortization calendar. While this is an interim solution, the codification in Greek law of an accelerated amortization of DTCs to a timing aligned with the voluntary prudential amortization scheme currently in place, would be a preferred solution to deal with this issue across all banks.

15. While HAPS has effectively reduced bank NPLs, a large volume of NPLs is still managed by credit servicers outside the banking sector. Under HAPS, banks wrote down and securitized NPLs (mainly originated before 2019). Unlike a traditional asset cleanup, where assets would be sold to an asset management company or similar vehicle, here NPLs were securitized with banks retaining all the senior tranches and a minority stake (five percent) in junior and mezzanine tranches[3]. Non-bank investors (mostly international private credit firms often affiliated with the NPL portfolio credit servicers) acquired the majority of mezzanine and junior tranches. The senior securitization notes held by banks benefit from a state guarantee, conferring a zero-risk weight for capital purposes. The fee for this guarantee is paid by the securitization vehicle as part of the payment waterfall. Assuming the sovereign guarantee remains in place and given the international and equity-funded nature of the other investors, the residual risk to the banking sector and broader domestic financial system from these loans could be considered low.

16. If non-bank NPL resolution processes worsen further, fiscal risks could rise. The state-guarantee under HAPS was initially granted for €21.5 billion, with €16.8 billion outstanding as of September 2025 (equivalent to 6.8 percent of Greece 2025 GDP), reflecting slower than expected pace of resolution of NPLs, with worse than expected recoveries.

17. HAPS senior notes are non-tradeable, lack a fixed principal payment schedule, and are held to maturity on banks' balance sheets. If NPL recoveries underperform initial projections, these notes could face a shortfall at maturity, resulting in a call of the sovereign guarantee. Additionally, if HAPS securities were classified as stage 3 (credit impaired) under IFRS 9, then EUROSTAT may require the guaranteed amount be incorporated into Greek government debt

[2] These losses were recognized due to i) banks' involvement in the Greek sovereign debt restructuring (amortized over 30 years); and ii) provisions and write-offs of NPLs (amortized over 20 years). Such losses created a temporary difference between accounting standards and taxation rules that resulted in DTAs. Greek Law allowed banks to convert DTAs until November 2016.In June 2025, DTCs still represent 66% of DTAs.

[3] The retention of five percent of the mezzanine and junior tranches on banks' balance sheets is required by risk-retention requirements under the Capital Requirements Regulation (CRR) for securitizations.

statistics. Such risks appear to be low in the near term, given the long maturities (often exceeding 30 years) of senior tranches and the lack of fixed principal payments.

C. Interconnectedness

18. The Greek financial sector has a simple structure centering around banks. Banks focus on deposit taking and loan provision against the domestic private sector with limited linkages with non-bank financial institutions (NBFIs) (Figure 7). According to the sector account data as of 2025Q3, banks' domestic funding is mainly from households and non-financial corporations (NFCs) in the form of deposits, while government deposits remain small. Banks' assets consist of loans to NFCs and households (together close to 50 percent of GDP) and a sizable securities portfolio, including domestic government bonds (over 10 percent of GDP) and securities issued by both the official and private sectors from the rest of the world (over 20 percent of GDP).[4]

19. NBFIs remain small and have moderate linkages with the domestic private sector. At one-fifth of the financial sector by assets, the NBFI sector mainly consists of investment funds and insurance corporations, each making up around 5-6 percent of total financial assets as of 2025Q3, in addition to other financial intermediaries and financial auxiliaries. Although there are some *bancassurance*-style interconnections between banks and insurance firms, the insurance sector is small, with gross written premiums (GWP) representing only 2.3 percent of GDP versus the European average of 7.4 percent of GDP. Pension funds and money market funds remain small. Investment funds and companies have grown significantly since the pandemic, driven largely by the rapid expansion of bond funds increasingly holding debt securities issued by domestic and EA monetary and financial institutions (MFIs). Households hold small amounts of listed shares issued by domestic corporates and investment fund shares in addition to deposits at banks. Financing to NFCs mainly comes from bank loans; the corporate bond market is limited in scale with outstanding NFC securities at 2.8 percent of GDP, although issuance has picked up.

Figure 7. Greece: Interconnectedness

Cross-Sector Financial Exposures
(In Percent of GDP, September 2025)

Creditor/Debtor	Central bank	Banks	NBFIs	Non-financial corporations	General government	Household sector	Rest of the world
Central bank		0.9	0.0	0.0	15.0	0.0	48.0
Banks	0.0		4.3	32.6	13.9	15.5	31.3
NBFIs	0.5	4.2		4.1	1.5	0.1	10.8
NFCs	0.0	21.8	0.3		1.3	0.0	2.1
General government	14.3	4.5	0.6	4.9		0.5	4.3
Household sector	0.1	63.2	7.0	4.9	3.8		8.2
Rest of the world	43.2	29.9	11.1	14.4	9.3	0.0	

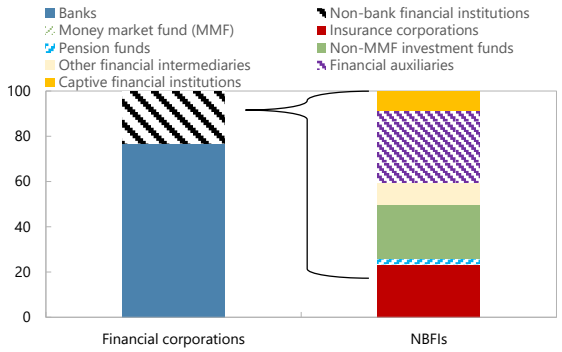
[4] See Systemic Risk TN for breakdowns by instruments.

Figure 7. Greece: Interconnectedness (concluded)

Investment funds and insurance corporations are major NBFIs.

Relative Size of Bank and Non-Bank Financial Institutions

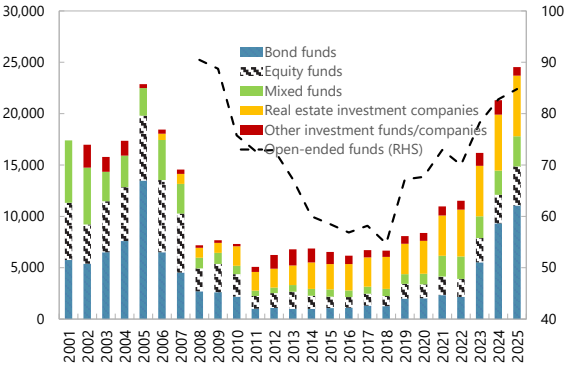
(In Percent, September 2025)



Bond funds saw a rapid expansion of their portfolio, notably into bonds issued by MFIs.

Total Assets of Investment Funds and Companies

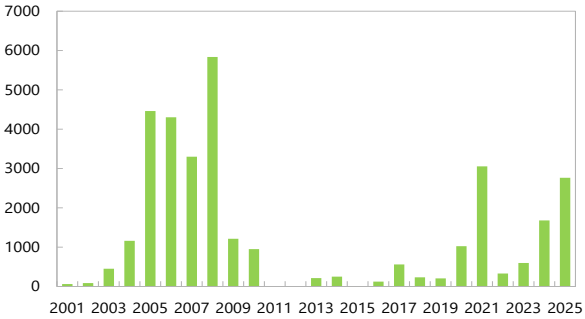
(EUR Millions, September 2025)



Note: Data for 2025 refers to end-September. The share of open-ended funds is calculated according to shares issued.

Gross Issuance of Debt Securities by NFCs

(EUR Millions)



Source: Bank of Greece.

Sources: Eurostat, National Account, Sectoral Financial Account; and IMF staff calculation.
Note: The household sector includes non-profit institutions serving households. Exposures between the central bank and the rest of the world reflect transactions within the European System of Central Banks, i.e., TARGET and correspondent account balances.

SYSTEMIC RISK ANALYSIS

A. Risk Overview

20. Over the medium term, risks to the Greek economy and financial system are predominantly exogenous and stem from heightened uncertainty in the global environment. A slowdown in major euro area economies—potentially exacerbated by higher trade barriers, including U.S. tariffs on EU imports, and persistent policy uncertainty—could weigh on trade, tourism, and foreign direct investment, with adverse effects on business earnings, employment, and banks' credit quality. Geopolitical tensions continue to pose risks through commodity price volatility,

cybersecurity threats, and renewed inflationary pressures. The war in the Middle East and the associated surge in energy and related commodity prices (such as fertilizers), has deteriorated the near-term outlook for the Euro Area. The impact on the economy and financial system will largely depend on the duration of the conflict and the persistence of elevated commodity prices. A resurgence of inflation could trigger tighter financial conditions, undermining investor confidence, restraining investment, and pressuring banks' access to liquidity and capital markets. A sharp repricing of global financial assets or a deterioration in international financial conditions could adversely affect the balance sheets of households and firms, with spillovers to the banking sector, while a sudden housing prices correction would weaken banks' asset quality and constrain credit supply. Although the domestic banking system is now considerably more resilient than in the past, these external shocks could dampen credit growth, raise funding costs, and erode the quality of loan and investment portfolios.

B. Bank Solvency Stress Tests

21. The FSAP assessed the resilience of the banking system through a top-down solvency stress test. The exercise covered the four SIs, which account for 95 percent of banking sector assets as of June 2025. The cutoff date was June 2025 and the horizon was three years. The scenario set comprises a baseline consistent with the October 2025 World Economic Outlook (WEO), as well as two adverse scenarios described below. The adverse scenarios capture the main risks identified in the RAM (Table 6) and are consistent with those of the euro area FSAP.

- The *recessionary scenario* features a synchronized global slowdown amplified by sovereign debt distress in the euro area, a widening of credit spreads, term premium decompression, and confidence losses softening aggregate demand. Accommodative monetary policy mitigates the adverse impact on aggregate demand.

- The *geopolitical scenario* features a materialization of a further escalation of geopolitical conflicts, heightening commodity price volatility and disrupting global production chains, with large adverse trade, price, and tariff shocks ("trade wars") slowing growth. Fiscal policies in countries with fiscal space are used to counteract partly the fall in demand and support consumption. However, the inflationary impact of production chain disruptions leads to monetary policy tightening.

22. In both scenarios, a slowdown in global economic activity dampens external demand for Greek exports and tourism. Under the recessionary scenario, Greece experiences a slowdown with real GDP falling cumulatively by -8.4 percent over the first two years, unemployment rising to 15.5 percent, and inflation declining to -0.15 percent. In the geopolitical scenario, cumulative GDP growth over the first two years is projected at -6.8 percent, unemployment increases to 13 percent and inflation accelerates to 4.9 percent. Interest rate dynamics differ across scenarios: short term rates decline by 2.2 percentage points in the recessionary scenario but increase by 1.4 percentage points in the geopolitical scenario, reflecting contrasting inflation paths. Long-term interest rates surge to 5.8 percent in the geopolitical scenario and to 6.6 percent in the recession scenario. As a

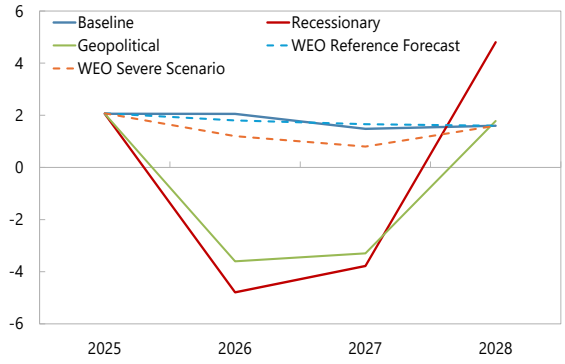
result, term spreads widen significantly—by up to 4.5 percentage points in the recessionary scenario—indicating heightened sovereign stress (Figure 8).[5] Although these scenarios are considered adverse given the prevailing macroeconomic conditions, their severity remains materially lower than that experienced during the Global Financial Crisis and the Greek sovereign debt crisis, when real GDP contracted by approximately 26% from peak to trough and the unemployment rate reached 27.8%.

23. While the adverse scenarios were defined prior to the outbreak of the March 2026 Middle East conflict, they remain relevant, as they are significantly more severe than the WEO April 2026 reference forecast and markedly more extreme than the WEO severe scenario in terms of GDP and corporate and credit spreads. Compared with the October 2025 WEO projections, the April 2026 reference forecast reflects slightly weaker growth and higher inflation. The adverse scenarios considered here remain much more severe than any current projections, as they both incorporate a two-year contraction in GDP. Under the WEO severe adverse scenario, real GDP growth slows but does not contract, in contrast to the two-year GDP contraction assumed under the adverse scenarios. Inflation is also modestly higher than in the geopolitical scenario, reflecting the larger and more prolonged shock to oil prices.

Figure 8. Greece: Macroeconomic Scenarios

Real GDP Growth drops to -4.8 (-3.6) percent in 2026, with a 2-year cumulative growth of -8.4 (-6.8) percent…

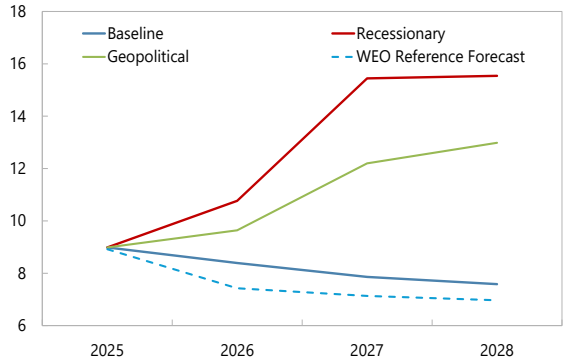
Real GDP Growth
(In Percent)



Sources: WEO, and IMF staff calculations.

… and unemployment increase, reaching 15.5 (13) percent at the peak…

Unemployment
(In Percent)



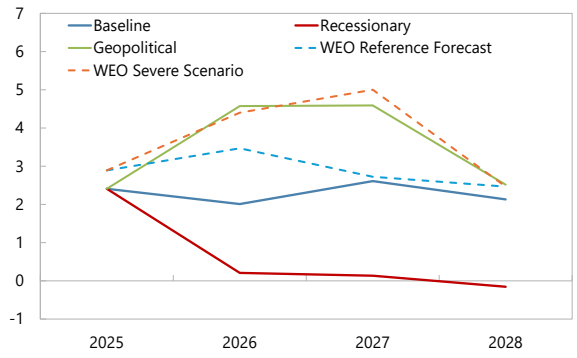
Sources: WEO, and IMF calculations.

[5] Market risk scenarios are presented in the Systemic Risk Analysis TN.

Figure 8. Greece: Macroeconomic Scenarios (concluded)

Inflation drops/increases to -0.15 (4.9) percent....

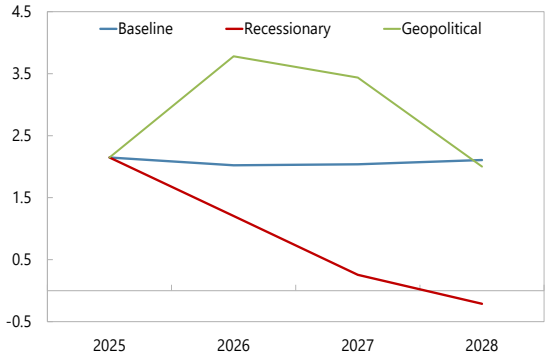
Inflation
(In Percent)



Sources: WEO, and IMF calculations.

... and short-term rate drops/increases to -0.2 (3.8) percent.

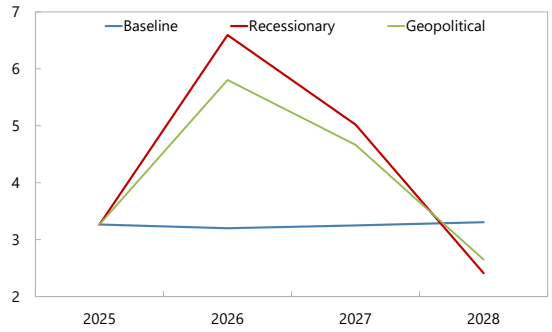
Short Term Interest Rate
(In Percent)



Sources: WEO, and IMF calculations.

Long term rate increases to 6.6 (5.8) percent....

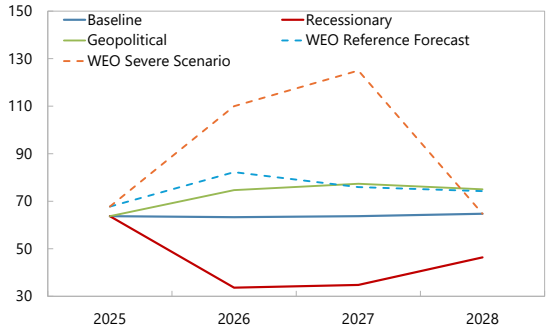
Long Term Interest Rate
(In Percent)



Sources: WEO, and IMF calculations.

... and the oil price decreases/increases by 47/21 percent.

Oil Price
(In USD)



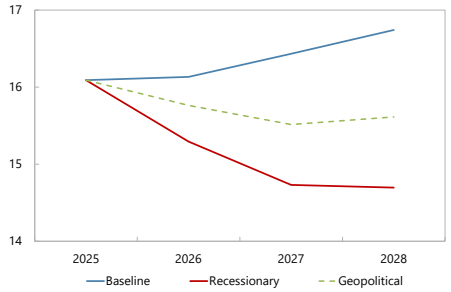
Sources: WEO, and IMF calculations.

24. The results from solvency stress tests suggest the four SIs experience only limited capital depletion under the adverse scenarios (see Figure 9). In the recessionary scenario, the CET1 ratio declines by 1.4 percentage points at the trough, driven by higher loan losses and weaker non-interest income, notably fees and commissions, as well as market losses. Under the geopolitical scenario, CET1 ratio declines by 0.7 percentage points, primarily driven by higher loan losses, alongside reduced non-interest income. In this scenario, NII benefits from rising interest rates and a robust deposit base, which mitigate the pass-through to deposit rates. All SIs would remain comfortably above regulatory capital buffer requirements across scenarios. The analysis incorporates estimated legal and voluntary DTC amortization, and senior HAPS securities are assumed to remain unimpaired under both adverse scenarios.

Figure 9. Greece: Scenario-Based Solvency Stress Test

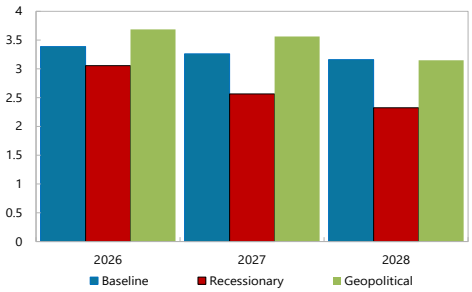
Aggregate capital ratios remain well above the minimum capital requirements in adverse scenarios….

CET1 Ratio
(In percentage Points)



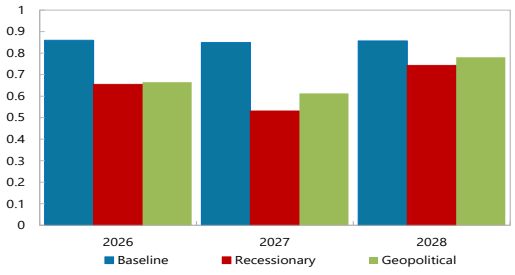
Net interest margin declines in the recessionary scenario due to lower interest rates, while it rises in the geopolitical scenario as interest rates increase…

Net Interest Margin
(In Percent)



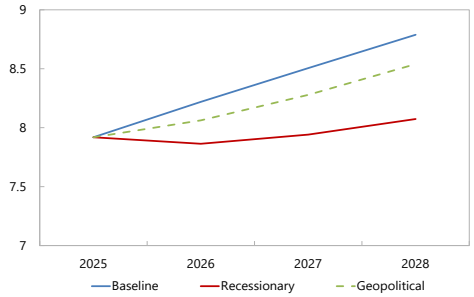
Non-interest income declines in both adverse scenarios, with a more pronounced reduction in the recessionary one…

Non-Interest Income
(In Percent of Total Assets)



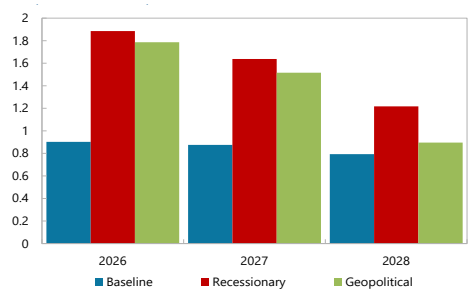
And leverage ratios strengthen in all scenarios, particularly under the baseline and the geopolitical…

Leverage Ratio



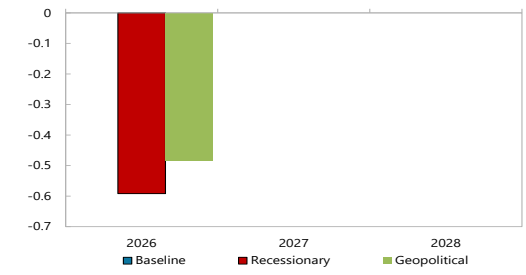
Provisions more than double in the first year of the recessionary scenario…

Credit Provisions
(In Percent of credit exposure)



Market losses are more pronounced in the recessionary scenario than in the geopolitical one due to a higher sovereign stress shock…

Market Risk Losses
(In Percent of Total Assets)

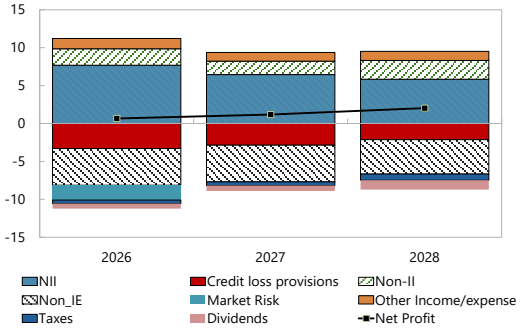


Source: IMF staff calculations.

Figure 9. Greece: Scenario-Based Solvency Stress Test (concluded)

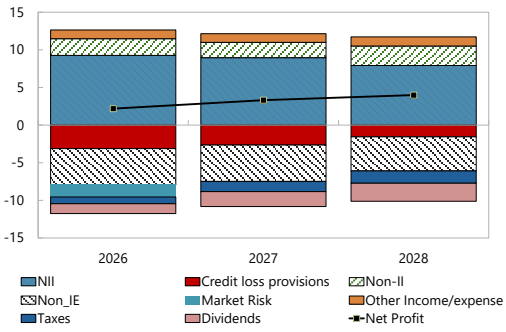
Net profits decline from €4.7 billion at the starting point to €0.7 billion in the first year of the scenario horizon, primarily due to an increase in loan and market losses…

Recessionary Scenario: Net Profit Components
(EUR Billions)



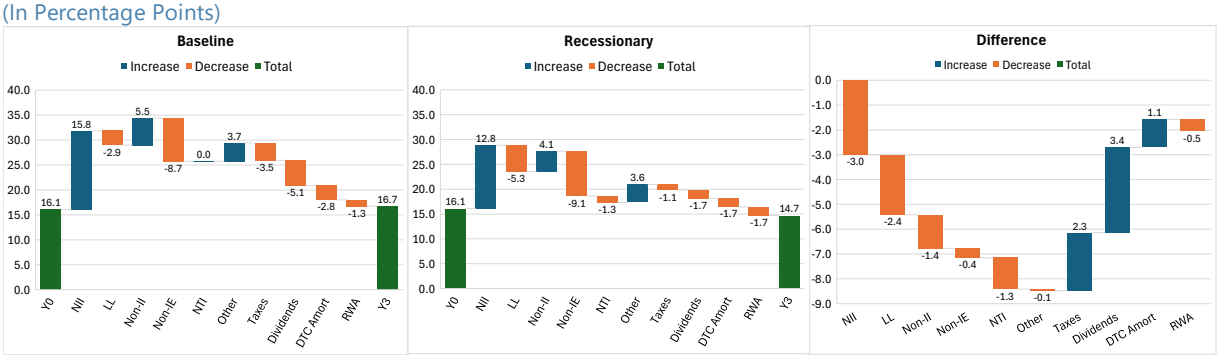
… while under the geopolitical scenario, profit decreases to €2.2 billion in the first scenario year, as higher interest income, lower credit and lower market losses soften the overall impact.

Geopolitical Scenario: Net Profit Components
(EUR Billions)



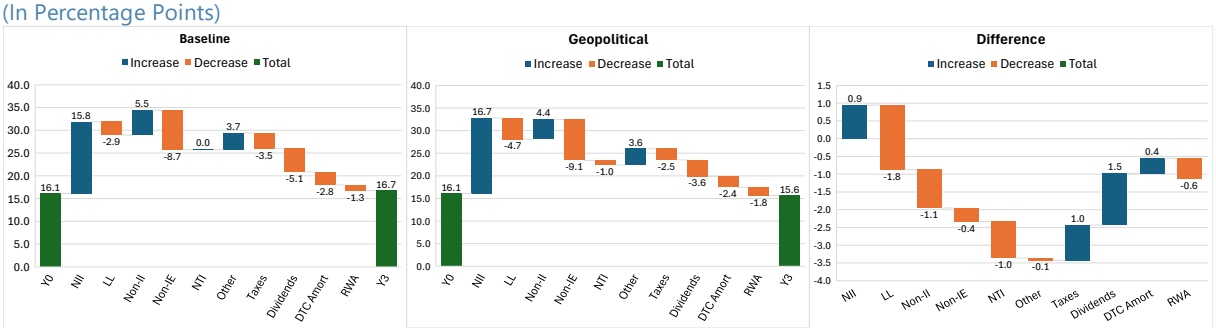
Over the three-year horizon, the four SIs experience lower net interest income, higher loan losses, reduced non-interest income, and greater market-risk losses under the recessionary scenario compared with the baseline. They also pay less in taxes and dividends and record a lower DTC amortization…

Change in CET1 Ratio: Recessionary versus Baseline
(In Percentage Points)



These differences are somewhat less pronounced when comparing the geopolitical scenario with the baseline, under which banks do not experience a decline in net interest income—supported by rising rates—and face lower credit and market losses.

Change in CET1 Ratio: Geopolitical versus Baseline
(In Percentage Points)

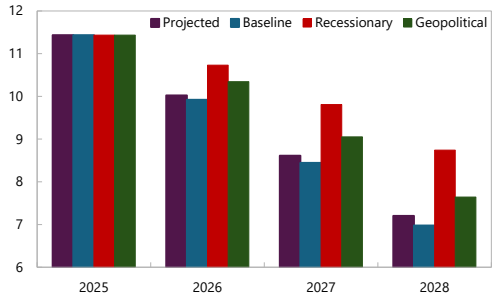


Source: IMF staff calculations.

25. Additional sensitivity analyses were undertaken to consider the potential impact of the ongoing war in the Middle East. Under a scenario of a prolonged and severe elevation of oil prices and geopolitical uncertainty, the main impact on the Greek financial system is likely to be via higher bank losses in loans to the tourism and manufacturing sectors, due to elevated travel and energy costs. These sectors represent 6.3 and 8.9 percent of Greek bank loans, respectively. While banks also have significant exposure to shipping (8.2 percent of loans), the globally diversified nature of the shipping business, in combination with the idiosyncratic nature of individual shipping loans, makes this an unlikely area for large losses stemming from the war. Even if the tourism and manufacturing industries were both to suffer losses 3 times as large as those modeled in the (more severe) recessionary scenario, this would result in an additional loss of less than 1 percentage point of bank capital, with banks remaining well above their capital requirements. Even if losses were to spread beyond these sectors due to spillovers, and the shipping industry was affected by a loss in aggregate global demand, banks retain a large margin of safety. An energy shock would also stress vulnerable households; however, this could be partially offset by well-targeted fiscal support, and household loans comprise a relatively small portion of bank balance sheets in comparison to other eurozone countries. Finally, higher inflation stemming from a prolonged war would have an uncertain impact on bank profits, as higher loan-to-deposit spreads might be offset by rising credit losses and more costly wholesale financing.

26. DTC amortization is materially weaker in the recessionary scenario than in current bank projections. Under the recessionary scenario, total DTCs for the four SIs would be €1.5 billion higher by 2028 than currently projected by bank and €0.4 billion higher under the geopolitical scenario. This underscores the importance of accelerating DTC amortization during periods of stronger profitability.

Evolution of DTCs
(In EUR Billion)



Sources: Bank of Greece, and IMF estimates.

27. Given high concentration of the banking system, the FSAP assessed the sensitivity of banks' capital positions to stronger competition stemming from digitalization. Digital adoption—accelerated by the pandemic and supported by EU initiatives such as open banking and instant payments—may lower entry barriers and intensify competitive pressure from fintechs, neobanks, and cross-border providers. For Greece, this could compress fees and commission income and increase interest expenses.

28. A sensitivity analysis quantified the impact of lower fees and commissions income and higher funding costs on CET1 ratios. Results suggest a modest CET1 decline, ranging from 19 to 32 basis points, depending on the reduction in market concentration, which is assumed to fall from 96 percent to 86 percent, 80 percent, or 76 percent (Figure 10). Results should be interpreted with caution, reflecting model uncertainty and the lack of historical precedents for a rapid structural transformation of this nature.

Large Exposures

29. Sensitivity analysis points to significant concentration risk from banks' exposures to domestic corporates. Systemic banks' large exposures are high at about 200 percent of Tier1 Capital (gross) and 122.3 percent after mitigation measures (CRM) (Figure 11, panel 1).[6] Exposures are mainly in the utilities, manufacturing, and financials sectors. A further concern is the correlated nature of large exposures across the SIs. The cross section of large exposures shows little variation across banks, implying limited diversification and highly correlated solvency risk. The top 10 common exposures to non-financial corporates across banks amount to 121.6 percent of Tier 1 capital before CRM and 81 percent after CRM, constituting the bulk of overall large corporate exposures noted above. If the war caused simultaneous distress in more than one of these firms, this could generate significant strains in the banking system.

Figure 10. Greece: Competition Sensitivity Analysis

Additional Capital Depletion
(Basis Points)

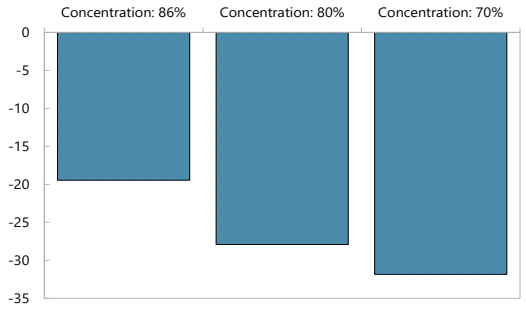
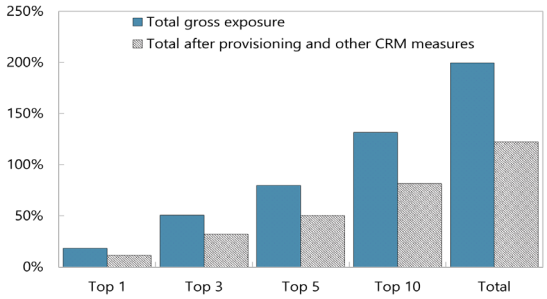


Figure 11. Greece: Large Exposures to the Corporate Sector

Total large exposures of banks to corporates is high and…

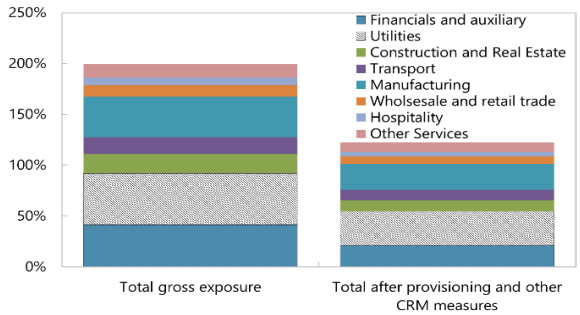
Aggregate Large Exposures to Corporates
(In Percent T1 Capital Across the 4 SIs)



Sources: COREP

…mostly consists of claims on financials, utilities, transport, real estate, and manufacturing corporations…

Large Corporate Exposures by Counterparty Sector
(In Percent T1 Capital)



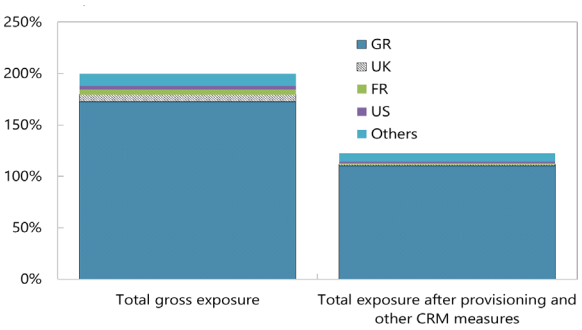
Sources: COREP

[6] Credit risk mitigation (CRM) measures refer to strategies adopted to minimize potential losses from a borrower's default and can comprise, inter alia, techniques such as provisioning, collateralization, and guarantees or credit derivatives.

Figure 11. Greece: Large Exposures to the Corporate Sector (concluded)

…but limited to Greek entities…

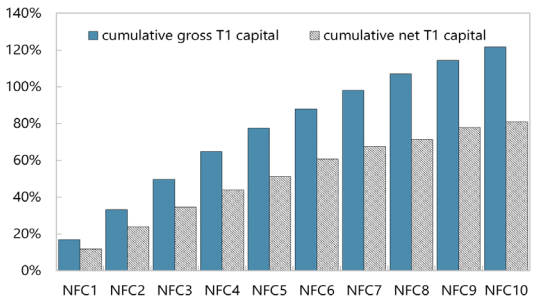
Large Corporate Exposures by Counterparty Domicile
(In Percent T1 Capital)



Sources: COREP

… while large exposures common across the 4 SIs remain a significant source of vulnerability in the banking sector

Large Corporate Exposures Common Across Banks
(Top 10 Largest Across the 4 SIs)



Sources: COREP, Bank of Greece

Notes: based on data availability, panels 1-3 report exposures that include financial corporates, while panel 4 only focuses on non-financial corporations (NFCs).

C. Bank Liquidity Stress Tests

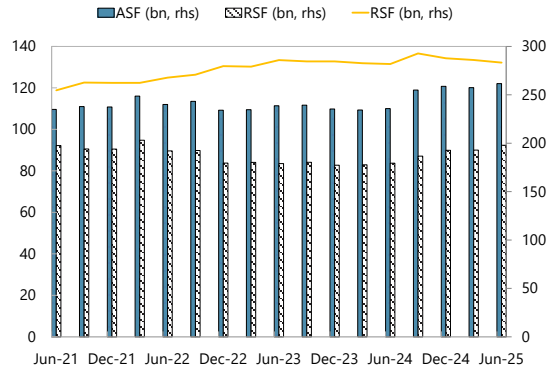
30. Liquidity stress testing combined the net stable funding ratio (NSFR) and the liquidity coverage ratio (LCR) with a cashflow analysis. Greek banks look strong in comparison to peers on standard LCR and NSFR metrics (Figure 12). However, these standardized tests at the 30-day and one-year horizons are insufficient to measure all dimensions of liquidity. Consequently, a cashflow analysis is implemented that considers multiple shocks at multiple horizons to identify potential liquidity shortfalls across a variety of scenarios. These shock scenarios are largely more severe than the Basel regulatory calibration and include market and funding shocks, with aggressive scenarios incorporating both (Figure 13).

Figure 12. Greece: Liquidity Indicators for the 4 SIs in Historical Perspective

NSFRs have steadily improved…

Net Stable Funding Ratio

(In Percent (lhs), EUR Billions (rhs))

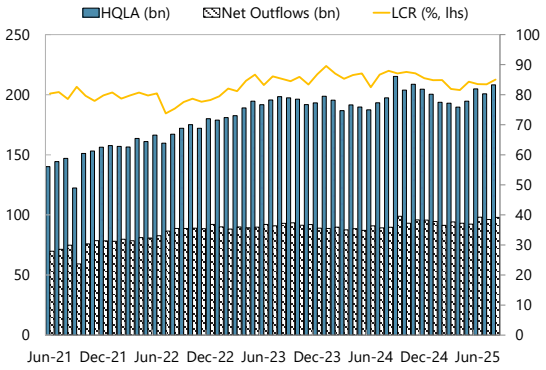


Sources: COREP, IMF calculations.

… with LCRs stabilizing at elevated levels

Liquidity Coverage Ratio

(In Percent (lhs), EUR Billions (rhs))



Sources: COREP, IMF calculations

Figure 13. Greece: Key Features of Liquidity Stress Tests Across Scenarios

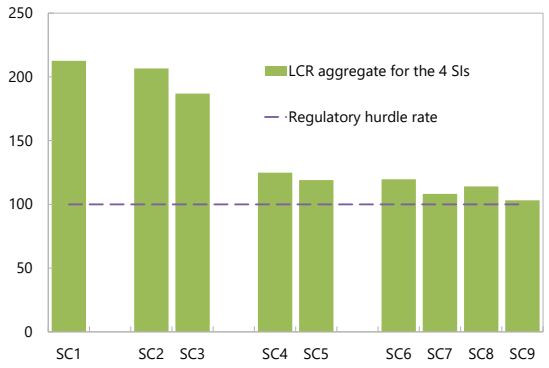
	Regulatory	Market		Funding		Aggressive			
	SC1	SC2	SC3	SC4	SC5	SC6	SC7	SC8	SC9
Regulatory calibration	x	x	x	x	x	x	x	x	x
Market shock (higher HQLA/CBC haircuts)		x	x			x	x	x	x
+ sovereign debt stress (higher haircuts)			x				x		x
Funding shock (higher outflow rates)				x	x	x	x	x	x
+ lower inflows (due to defaults)					x			x	x

31. Greek banks remain resilient at the 30-day horizon in the face of more severe market stress, but the 4 SIs are vulnerable to aggressive outflow scenarios. As of August 2025, under the regulatory scenario (SC1, Figure 14, panel 1), all banks maintain solid liquidity buffers. Greek SIs remain highly liquid in the face of more severe market stress (SC2) and, despite their large exposure to European government debt, LCR ratios would remain elevated even with higher losses on marked-to-market sovereign holdings (SC3). Severe outflows (SC4)—overlaying lower inflows from defaulting counterparts (SC5)—push banks closer to the hurdle rate, without any outright liquidity shortages. Under aggressive scenarios combining market and funding shocks (SC6) with sovereign stress (SC7), one and, respectively, two banks fall under the hurdle rate. Lower inflows due to defaults on maturing loans (SC8, 9), do not materially alter LCR test results.

Figure 14. Greece: Liquidity Stress Tests Results (LCR-Based)

LCR scenarios highlight vulnerabilities to funding shocks…

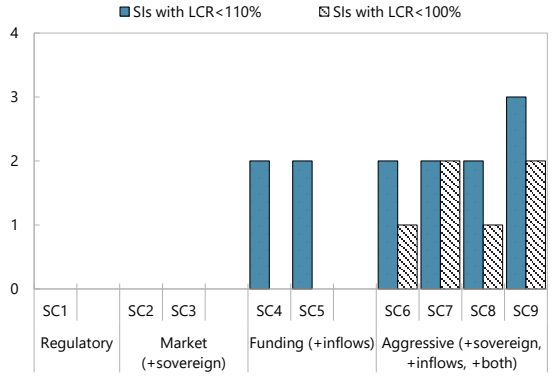
Liquidity Coverage Ratio Under Various Scenarios
(In Percent)



Sources: COREP, IMF calculations.

… consistent with results from the cashflow analysis

Liquidity Coverage Ratio Under Various Scenarios
(Numbers of SIs Below LCR Thresholds)



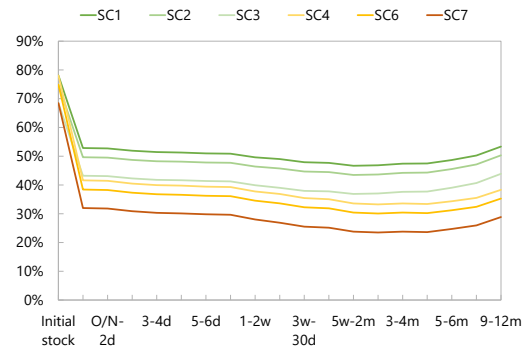
Sources: COREP, IMF calculations.

32. Barring severe deposit outflow episodes, the cashflow analysis does not identify maturity mismatches, due to strong counterbalancing capacities (CBC). The cashflow analysis evaluates banks' liquidity position across the maturity ladder, from overnight to one year (Figure 15). Under scenarios consistent with LCR-based tests (SC1-7), no bank experiences a liquidity shortfall prior to the 30-day horizon or beyond it. Under the most severe scenario (SC7), the liquidity surplus briefly falls below 20 percent of the initial CBC stock for one bank across the 2 to 6 -month maturity buckets, and without any outright liquidity shortage.

Figure 15. Greece: Liquidity Stress Tests Results (Cashflow-Based)

Cash-flow stress scenarios highlight that risks are mitigated by broader counterbalancing capacities of banks

Liquidity Position for the 4 SIs
(In Percent of Initial Counterbalancing Capacity)



Sources: COREP, IMF calculations.

Note: SC5, 8, 9 overlay lower inflow rates due to defaults on outflow shocks and the combined market-funding shocks. Due to the limited impact in the LCR stress tests, these are omitted in the cash-flow tests.

D. Bank Liquidity to Solvency Interaction

33. The FSAP team conducted a sensitivity analysis to assess the potential additional impact on SI's capital arising from liquidity–solvency interactions. The exercise evaluated the effects on banks' capital under the assumption that banks liquidate Greek government bonds held

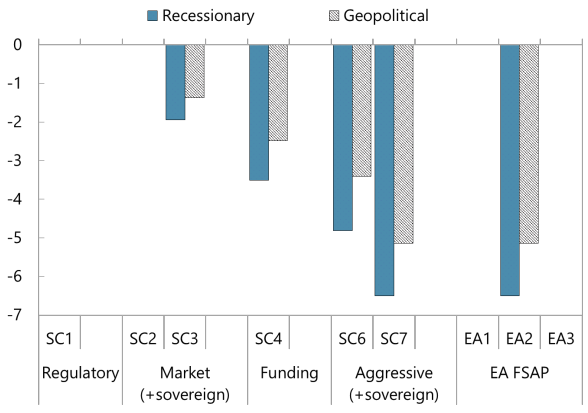
at amortized cost when other components of the counterbalancing capacity are insufficient to cover the funding gap in the cash-flow stress scenarios.

34. The sensitivity analysis is based on a three-month horizon and assumes Greek government bond yields increase in line with the market shocks applied in the adverse solvency stress-test scenarios. Market losses are estimated using a modified duration approach, with residual duration proxied by residual maturity. For conservatism, and in the absence of information, existing hedges are assumed to be ineffective. Under the recessionary (geopolitical) scenario, 5-year Greek sovereign bond yields rise by 461.5 (382.2) basis points, while 10-year yields increase by 475.9 (363.4) basis points.

35. The results indicate that liquidity–solvency interactions could lead to a significant additional depletion in banks' capital ratios under both moderate and severe cash-flow stress scenarios (Figure 16). Under the milder scenarios, banks would not need to liquidate Greek government bonds held at amortized cost, thereby limiting the materialization of market losses. The resulting capital depletion ranges from 1.9 (1.4) percentage points in scenario S3 to 6.5 (5.1) percentage points in scenario S7 under the recessionary (geopolitical) market-shock assumptions. These findings underscore the importance of the sovereign–bank nexus. However, results should be interpreted with caution, given the limitations in estimating potential market losses and the low likelihood that banks would actually liquidate these securities rather than use them as collateral in repo operations with the ECB or in market repo transactions.

Figure 16. Greece: Liquidity to Solvency Interactions

Additional Capital Depletion
(In Percentage Points)



Sources: ECB and IMF staff calculations.

Sources: ECB and IMF Staff Calculations

E. Corporate and Households Risks

36. Both NFCs and households have undertaken deleveraging since the sovereign debt crisis but a significant share continue to be burdened by legacy NPLs.[7] NFCs have benefited from the strong post-pandemic economic rebound and seen a recovery of profitability. There are signs that some NFCs start to releverage, but many continue to be credit constrained as a result of unresolved legacy NPLs, especially among micro and small firms. In aggregate, debt held by firms with interest coverage ratios (ICRs) below one remains sizable at 20 percent of total NFC debt. Although household debt-to-income distribution in the 2021 HFCS is broadly in line with other EA countries, a sizable amount of debt is still held by vulnerable households (Figure 18). The ongoing war in the Middle East could exacerbate these existing vulnerabilities; NFC profitability would be affected by weaker external or domestic demand, higher borrowing costs, and higher input costs, while higher energy prices would worsen households' cost-of-living pressures. These channels are partially captured by the adverse scenarios considered for the bank solvency stress test.

37. The stress tests confirm the resilience of the remaining NFCs as the severe shocks calibrated for the bank solvency stress tests would raise PDs only temporarily to moderate levels. The changes in projected PDs under adverse scenarios mirrors the drop in the ICR, but firm-specific financing characteristics are also important; The declining share of long-term debt under the recessionary scenario due to elevated term premium and the lower share of current assets under the geopolitical scenario given high short-term interest rate both contribute to higher PDs. The recessionary scenario has a more severe impact with the debt-weighted average PD more than tripling its 2025 level. Nonetheless, the PD increase is much more modest that what transpired during the sovereign debt crisis, reflecting improved corporate balance sheets and the weak tail of NFCs remaining credit constrained.

38. Households are vulnerable to negative income shocks, and to a lesser extent, higher interest rates. Greek households spend a higher share of income on food and utilities and rent than peers. Households interest costs are relatively elevated, and they are vulnerable to rate increases on predominantly variable-rate loans. As in the prior FSAPs, vulnerable households are identified by high debt servicing pressures (debt-service-to-income, DSTI, above 0.4), and cost-of-living pressures (DSTI augmented by expenses on food and utilities exceeding 0.7). Debt servicing vulnerabilities are more pronounced under the geopolitical scenario's higher short-term rates. However, the recessionary scenario turns out to be more challenging for households due to the loss of real income.

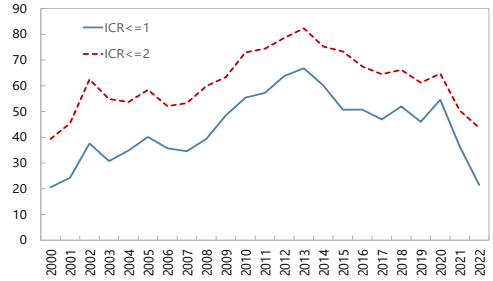
[7] Most of the legacy NPLs have been removed from banks' balance sheets. More details, including data and methodologies, are discussed in the Technical Note of Systemic Risk Analysis (forthcoming).

Figure 17. Greece: Corporate and Household Vulnerability Analysis

Around 20 percent of debt is held by firms with ICR below 1 according to Orbis data.

Debt Held by At-Risk Firms

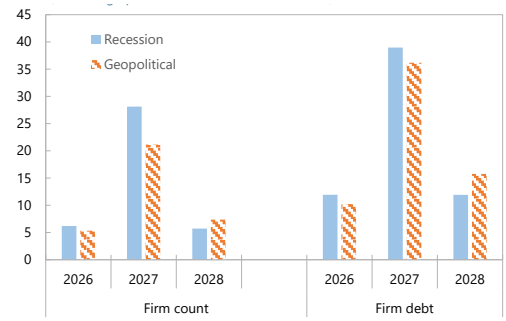
(Percent of Total Debt of Firm with Non-missing Interest Paid)



The remaining firms appear resilient to downside shocks which are projected to lead to only temporary stress in aggregate.

Share of Firms or Firm Debt with ICR <1

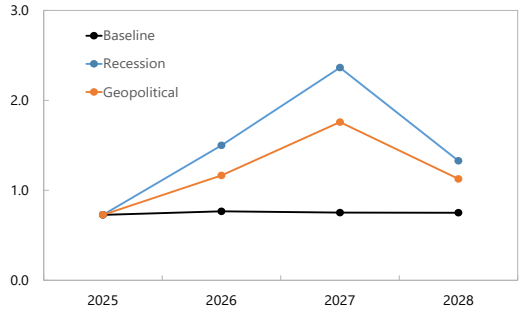
(Percentage Point Deviation from the Baseline)



The projected PD would triple under the recessionary scenario but the levels remain moderate.

Projected Non-Financial Corporate Probability of Default

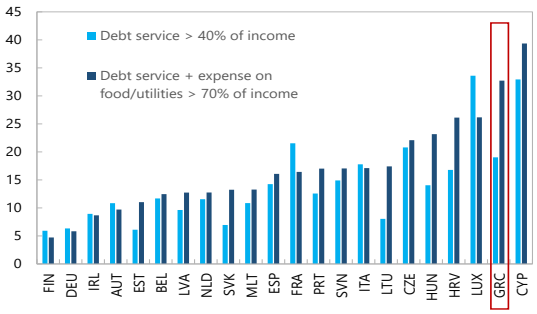
(Percent, Debt-Weighted)



Over 30 percent of household debt is held by households whose combined debt service and essential expenses exceed 70 percent of income according to HFCS 2021.

Debt Held by At-Risk Households

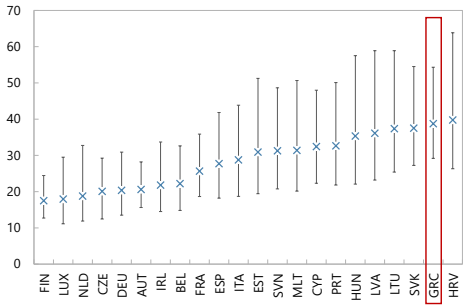
(Percent of Total Household Sector Liabilities)



Greek households are vulnerable to shocks to real income as they spend a higher share of income for essential needs such as food and utilities.

Spending on Food and Utilities, Median

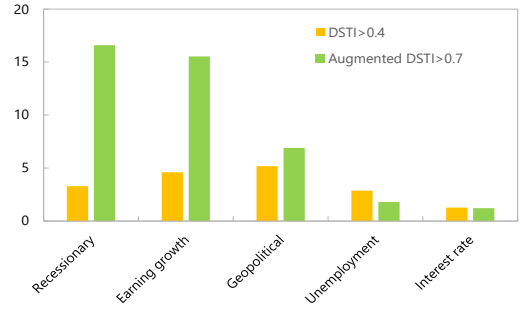
(Percent of Household Income, Error Bars Denote 25th and 75th Percentiles)



The share of debt held by vulnerable households is projected to increase significantly under the recessionary scenario, driven mostly by the unfavorable real income dynamics.

Outstanding Debt Held by Vulnerable Households

(Percent of Total Household Debt, Deviation from the Baseline)



Sources: Moody's Orbis; Moody's CreditEdge; the World Economic Outlook; The European Central Bank, Household Finance and Consumption Survey (HFCS); Greek authorities; Haver Analytics; OECD; and IMF staff calculation.

F. Emerging Risks

39. NBFI penetration and bank-NBFI interconnectedness remain low but may increase in coming years. Local corporate bond market issuance has been growing, and private credit and equity activity have also expanded, although Greek investment opportunities are often below the scale required by international investors. The recent acquisition of a major insurance company by an SI bank suggests a potential pivot to *bancassurance* business, although capital advantages under the Danish Compromise are not applicable given minimum asset size thresholds. The Greek equity market has performed strongly over the past four years and has seen increased investment by both local and international investors. Euronext's November 2025 acquisition of a majority stake in the Athens stock exchange (ATHEX) is likely to improve liquidity.

40. The Crypto market is in a nascent state in Greece, but expansion is anticipated in the medium term. Crypto assets are regulated under the Markets in Crypto-Assets Regulation Act (MiCAR), which has been fully applicable in Greece since December 2024. There is no solid estimate of the extent of crypto investment in Greece, although interest appears widespread. There are no crypto asset issuers for e-money tokens (EMT) or asset-referenced tokens (ART) based in Greece, as issuance has been concentrated in major EA jurisdictions. The BoG has only a small team dedicated to Digital Finance Supervision, although needs are likely to increase in this area as interest grows and provision of crypto-services by local financial entities (especially banks) is likely. Supervisors have focused on monitoring exposures and risks through close collaboration with EU supervisory authorities, given the lack of Greek crypto entities.

41. Cyber risks are a major area of focus across Greek financial regulators and beyond, although resources are often constrained. The implementation of the EU's Digital Operational Resilience Act (DORA) in January 2025 has created a strong framework for cyber risk supervision and coordination across the relevant authorities, which include the BoG, the HCMC, and the National Cybersecurity Authority (NCSA). The BoG has a dedicated team of 17 staff for supervision of regulated entities, while the HCMC has only 5 dedicated IT specialists. There is regular cooperation across the agencies, based on an MoU that covers areas such as ICT Risk supervision, coordination on DORA Oversight Forum and TLPT issues. Semi-annual meetings have been established with the BoG, the NCSA and the Chief Information Security Officers of the major Greek banks. The EU Systemic Cyber Incident Coordination Framework facilitates communication and coordination among EU authorities, liaises with key international stakeholders, and serves as a coordinating body in case of a major cyber incident. All national authorities report difficulties in attracting and retaining qualified talent in cybersecurity, given strong demand from the private sector and relatively low public sector compensation.

FINANCIAL SECTOR OVERSIGHT

A. Cross-cutting Issues

42. Supervisory and resolution function resources should be enhanced where needed, particularly regarding legacy issues and emerging risks. The authorities need to assess the capacity and skills of their staff and bring reinforcements as considered necessary. This is especially important in supervision of credit servicers (where the current team is comparatively small given the scope of the issue) and protection against cyber risks (which faces new challenges and regulatory requirements).

43. Interagency cooperation for financial stability issues should be revived and strengthened through the Systemic Stability Council (SSC). The SSC is a high-level interagency body comprising eight members, including the Minister of Finance as Chair, the BoG Governor, and the HCMC President, with a mandate to monitor and analyze system-wide interactions to prevent crises. Since its establishment in 2010, the SSC met only sporadically to address crisis issues.

- **The SSC should be fully operationalized as the national coordination platform on financial stability, including systemic risk.** The SSC should meet regularly, for example semi-annually around FSR publications, to coordinate on financial stability issues.

- **A systemic risk subcommittee could support system-wide risk monitoring and management and provide input to the FSR.** The SSC should be empowered to issue public or private recommendations to member institutions to address potential inaction bias and ensure timely policy responses, supported by regular communication through press releases after meetings.

- **A subcommittee on system-wide crisis management framework to complement the bank-by-bank resolution framework should be established.** This subcommittee should also include representation from TEKE. It should meet regularly for interagency crisis preparedness and coordination and to run crisis simulations and table-top exercises. The objectives, principles, and processes dealing with financial distress in Greece should be set out in special MoUs between the relevant authorities.

B. Macroprudential Policies and Tools

44. Institutional arrangements assign the BoG a strong role in the macroprudential policy framework in Greece. The BoG as the designated macroprudential authority has a broad regulatory and supervisory remit covering around 95 percent of total financial system assets. Its willingness to act is supported by legislation that clearly enshrines the BoG's mandate, objectives, and functions for macroprudential policy. The recent re-establishment of the Financial Stability Committee (FSC) as a dedicated body for macroprudential and financial stability issues will further strengthen the macroprudential function alongside parallel supervisory and resolution committees. The Financial

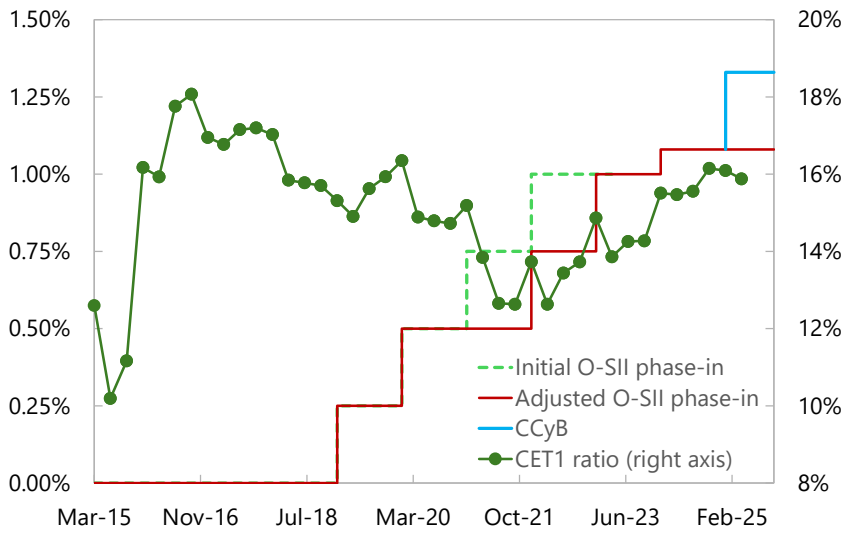
Stability Directorate (FSD) supports effective interdepartmental cooperation. Accountability and transparency arrangements are reasonably strong, reflected in regular flagship reports and statutory reporting to Parliament. The BoG's ability to act is underpinned by strong legal powers over a well-defined set of macroprudential instruments, broad information collection powers, and responsibility for designating systemically important banks, alongside the HCMC's designation powers for relevant NBFIs.

45. Public accountability could be strengthened by updating macroprudential strategy and more structured communication. The 2015 macroprudential policy strategy should be updated to incorporate borrower-based measures (BBMs), articulate the use of (PN) CCyB and BBMs over the cycle, and clarify indicators for CCyB release. To enhance outreach and public buy-in, the BoG should hold a press conference or briefing around the publication of the FSR and major macroprudential decisions and consolidate macroprudential information and data on its website into a dedicated landing page.

46. The risk surveillance framework has strengthened significantly but would benefit from enhanced analytics. The BoG draws on a wide range of data to support systemic risk assessment and macroprudential policymaking. The implementation of the Central Credit Register on financial debt of natural persons and legal entities is critical to advance analysis of household and real estate risks and to enable effective calibration, monitoring, and enforcement of BBMs using granular loan-level data. While the BoG regularly conducts supervisory solvency stress tests for LSIs, it relies on EBA/ECB's stress tests for solvency analysis of SIs. Establishing an in-house macroprudential stress-testing toolkit would enable more flexible and targeted assessments of banking sector resilience.

47. The BoG has implemented several key instruments over recent years, marking a clear shift to a proactive macroprudential policy stance. Although the macroprudential framework was established in the early 2010s, the prolonged sovereign debt crisis and the Covid-19 pandemic delayed implementation of macroprudential tools. The O-SII buffers became fully phased-in in 2023, followed by an early and gradual buildup of the CCyB. The recent activation of BBMs during a period of subdued mortgage lending has ensured that effective guardrails are in place in the mortgage market, thereby supporting the resilience of the residential real estate loan portfolio in the event when lending conditions become more exuberant. Taken together, the post-crisis adoption of key macroprudential instruments has significantly strengthened the BoG's capacity to manage systemic risks and aligned the set of active tools with those commonly used across the EU (Figure 18).

Figure 18. Greece: CCyB and O-SII Buffer vs. Aggregate CET 1 Ratio
(In Percent)

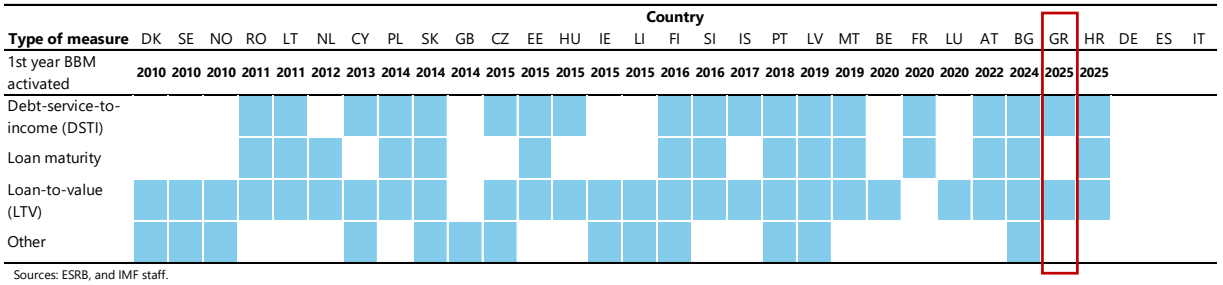


Sources: ESRB and IMF staff.
Note: Buffers are shown in cumulative terms. The BoG raised the CCyB rate from 0.25 to 0.5 percent in October 2025 (effective October 2026).

48. The BoG should closely monitor emerging pockets of vulnerability in the corporate and household sectors and remain ready to adjust its macroprudential toolkit as risks evolve. Current CCyB settings are consistent with a standard risk environment and benign macro-financial conditions, but further tightening may be warranted if cyclical risks continue to accumulate. The BoG should closely monitor concentration to common obligors[8] and, if there are signs that such concentration amplifies cyclical risks, consider macroprudential measures, such as the broad-based CCyB or a sectoral systemic risk buffer, to increase banks' resilience. Exemptions for government-supported loans and the 10 percent waiver may leave a sizeable share of real-estate lending outside the scope of BBMs. Though recent housing price surge appears to be largely driven by supply constraints and non-credit-related demand, the BoG should closely monitor potential increased synchronization between credit and real estate price cycles, while standing ready to refine BBMs to ensure prudent lending standards by addressing potential leakages and introducing a maturity limit to enhance the effectiveness of the BBM measures. While risks arising from the sovereign-bank nexus currently appear contained, adequate monitoring and stress testing remain warranted (Figure 19).

[8] Surcharges for large exposures to individual borrowers may already be in place through SSM Pillar 2 capital add-ons, but these do not address the issue of common obligors.

Figure 19. Greece: Timing of Activation of Borrower-Based Measures and First Year of Activation



Sources: ESRB, and IMF staff.

49. The BoG should strengthen the quantitative foundations for calibrating the positive neutral (PN) CCyB to ensure the adequacy of releasable buffers. The adoption of the PN CCyB framework is welcome, as it provides banks with a higher level of releasable capital buffer over the cycle and protection against adverse shocks, including those not preceded by strong credit growth. The current PN CCyB target rate, informed by expert judgment, stands at 0.5 percent and is at the lower end of the range observed among EU peers. Over the medium term, the BoG should strengthen the quantitative basis for PN CCyB calibration and assess whether adjustments are warranted. Calibration could be based on bank solvency stress tests and should reflect evolving best practices and the overall resilience of the banking system. Any recalibration of the CCyB buffer should consider bank profitability and the availability of voluntary capital buffers.

C. Less Significant Banking Institution Supervision

50. Supervision of LSIs is largely effective in Greece. LSIs comprise about 5 per cent of the banking sector. The BoG approach to LSI supervision is thorough, systematic and intrusive. The core of the supervisory approach is the Supervisory Review and Evaluation Process (SREP), an EU framework that BoG uses with adaptations for Greece's environment. The process is transparent internally and to the LSIs themselves, with risks clearly identified and reflected in both supervisory actions and Pillar 2 capital add-ons.

51. The BoG benefits from robust independence and staff with the desired skills and experience, but there is a need for some medium-term resource planning and continued vigilance on emerging risks. The BoG has increased resources to reflect changing needs (such as the European Digital Operational Resilience Act (DORA)). However, there is a need for some medium-term resource planning and continued vigilance on emerging risks, such as Information Communication Technologies (ICT) and cyber, to ensure adequate resourcing.

52. Credit risk remains the most important risk for Greek LSIs and BoG should maintain a strong focus on credit risk and NPLs, including keeping vigilance in provisioning levels for new NPLs. Despite the decline in NPL ratios, some legacy NPLs remain outstanding in LSIs and new NPLs have been increasing. BoG's analysis and supervisory actions around credit risk and problem

assets are generally effective in both its off-site and on-site work. Implementation of the ECB's Guideline for the application of the prudential backstop to LSIs is leading to a more conservative approach to provisioning coverage for NPLs. Finally, the authorities need to address the issue that creditors in Greece often encounter significant delays in the judicial process, with realization of collateral often taking a very long time.

53. Governance and risk management remains an area of continued focus given the inherent governance challenges faced by small LSIs. In support of the governance and risk management requirements, supervisors accord high priority to assessing governance in practice and pushing for improvements. Supervisory actions have helped elevate the importance of sound governance in LSIs but governance challenges for small LSIs will likely persist and supervisory action should follow a comprehensive proactive approach, and be more forceful and targeted including measures such as improving the number and quality of independent directors, enhancing board accountability, and fostering a strong risk culture. BoG supervisors must continue to accord priority to governance matters and to push, for at least, the larger and riskier LSIs, to go beyond the minimum requirements.

CRISIS PREPAREDNESS AND MANAGEMENT

54. Since Greece is part of the EU and the EA, the financial safety net is a shared responsibility within the European framework (Table 2). The BoG is the national resolution authority (NRA), directly responsible, under the Single Resolution Board (SRB) oversight, for the resolution of non-cross-border LSIs. The relevant resolution powers are assigned to the BoG while the BoG's standing Resolution Measures Committee (RMC) has been entrusted with all resolution-related decisions.

Table 2. Greece: Current Allocation of Responsibilities of the Financial Safety Net

Financial Safety Net Functions	Recovery Planning Oversight and Early Intervention	Resolution	Emergency Liquidity Assistance	Deposit Insurance
Responsible Authorities	Shared responsibility: • SSM for SIs • BoG for LSIs	Shared responsibility: • SRB for SIs and cross-border LSIs • BoG for non-cross-border LSIs	National responsibility: • BoG (within the Eurosystem framework)	National responsibility: • TEKE (subject to EU harmonized rules)

Source: IMF Staff

55. The institutional and legal framework underpinning the framework for bank resolution could benefit from further improvements. The Greek judiciary should not be able to reverse decisions that are taken in good faith by the resolution authority within its legal power. BoG's institutional set-up should be revised so that the Resolution Unit would not have to report to the Director General in charge of Prudential Supervision to prevent potential policy conflicts between both functions. Also, the BoG should develop a policy for indemnification of legal costs incurred by BoG staff in defending resolution actions which are in scope of statutory protections.

56. Greece relies on a set of resolution powers that are broadly consistent with the FSB KA. Resolution plans for domestic LSIs are approved by the RMC. Significant improvements have been made to the national resolution handbook. The BoG has published an operational document outlining the implementation of the bail-in mechanism in Greece. It has also advanced on the Sale-of-Business (SoB), the bridge institution, and the asset separation tools and has introduced in national law the possibility to use government financial stability tools in exceptional cases.

57. The BoG should prepare for and operationalize the combination of resolution tools and ensure readiness to implement resolution for banks, in case needed, at the point of failure. As implementing the preferred resolution strategy for banks may not always be feasible in practice, the BoG should be ready to operationalize other resolution strategies for SIs, as instructed by the SRB, or for LSIs if needed. In this context, although the bail-in tool is the preferred resolution strategy for Greek SIs, the BoG should further operationalize the SoB and the bridge bank as well as the combination of resolution tools. Regarding LSIs, the preferred resolution strategy for all of them is liquidation under normal insolvency proceedings (NIP). However, the BoG should ensure resolution readiness if it cannote implement liquidation at the point of failure. The BoG should also formalize and document the procedures to assess the need to impose MREL add-ons on LSIs.

58. Any provision of Emergency Liquidity Assistance (ELA) is BoG's responsibility (within a framework set by the ECB) and it would benefit from targeted enhancements. The BoG has the capabilities to assess the credit risk from, and to accept a wide range of collateral. However, the BoG should have the authority to require all banks to preposition illiquid collateral, on a discretionary basis, to meet possible ELA demand and complement it with regular simulation exercises. The BoG should also develop policies and procedures for the provisioning of ELA to banks in resolution. This should include written policies to guide prospective solvency determination. Furthermore, the ELA manual needs to be augmented, including by formalizing the cooperation between relevant BoG divisions.

59. Although the operational capabilities of TEKE are well established, it needs to be further enhanced. TEKE regularly conducts stress testing exercises on a three-year cycle which include simulations conducted in cooperation with the supervisory and resolution authorities. However, TEKE's target size should be large enough to withstand the concurrent payout of covered deposits for the 2–4 largest banks earmarked for liquidation. It should also have a public backstop up to the amount needed to ensure protection of covered deposits (which should be recovered from the industry ex-post, if used). Although legislation and procedures are in place to contain

policy conflicts, TEKE should exclude Hellenic Banking Association (HBA) representatives from its board and reduce the number of BoG representatives.

OTHER ISSUES

A. Insolvency and Creditor Rights and Credit Servicers

60. While the process of mortgage enforcement has significantly improved compared to a decade ago, more work is needed to further enhance its efficiency. Key persistent challenges that lengthen enforcement times and increase costs include the prevalence of borrower objections at different stages of the process, delays in issuance of payment orders by courts, a statutory waiting period of seven months between confiscation and the first auction, lack of competition at auctions, delays in distribution of auction proceeds and transfer and registration of ownership following an auction, and lingering costs post-auction due to the requirement to maintain a guarantee for a period of five years.

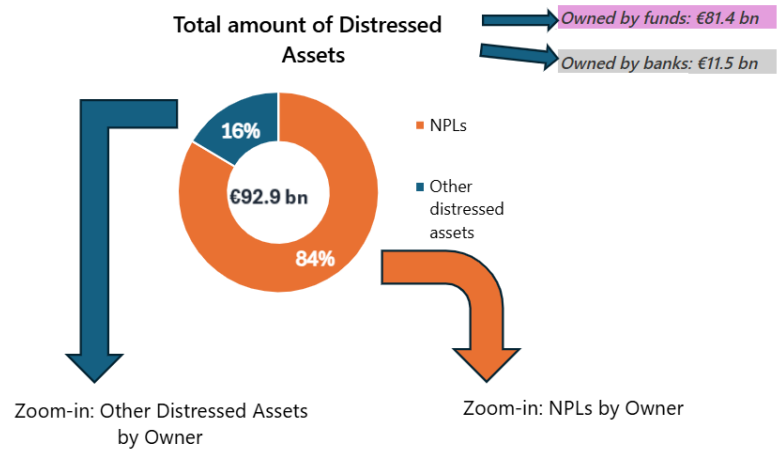
61. Accordingly, the enforcement process could benefit from further improvements. Recommendations to enhance the process include (i) resolving the backlog of borrower objections and streamlining the process for objections and accelerating their adjudication, ideally. in one single decision; (ii) shortening the statutory period required between seizure and the first auction; and (iii) removing the requirement for a five-year guarantee post-auction as security against challenges to the ranking table).

62. Greece has a modern legal toolkit for the resolution of enterprise distress, but a formal reorganization process is lacking. Under the current toolkit, rehabilitation is the only procedure available for the restoration of a failed business to financial health. But there is no option for a formal reorganization with closer judicial oversight, which is inconsistent with the international insolvency standard. Pre-insolvency procedures and formal reorganization procedures have separate spaces in an insolvency system, particularly in the degree of judicial intervention and interference with creditors' and third parties' rights (considerably higher in the case of reorganization). Court-supervised reorganization provides a solution that is particularly useful for large complex cases of corporate distress that necessitate formal insolvency proceedings. Policy makers should consider introducing such a procedure to complement rehabilitation and fill the gap in the toolkit. Introducing such a tool would closely align with managing financial stability risks arising from the observed concentration of bank lending to large corporates.

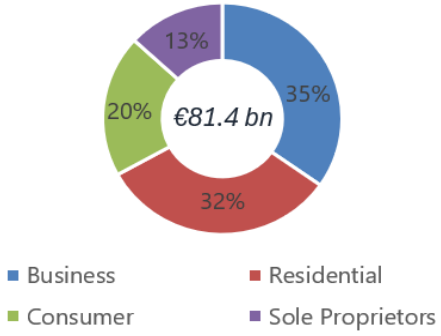
63. It is imperative that the implementation of the insolvency and creditor rights regime be supported by a specialized judiciary and a well-resourced court system. The institutional framework would benefit from setting up commercial courts to enable judges to specialize in commercial matters on a permanent basis. The complexity and urgency of insolvency cases, the high economic stakes involved, and the inevitable discretion that courts have in these cases, call for specialized judges with the necessary qualifications and expertise. Specialization efforts need to be

supported by regular and tailored training programs on insolvency and financial matters, a progressive career path for specialized judges**,** and well-resourced courts.

Figure 20. Greece: Distressed Assets Managed by Credit Servicers



Loans Serviced by Credit Servicers and Owned by Funds (Sep. 2025)



Source: IMF with BoG data as of September 2025.

64. The resolution of NPLs by credit servicers has been slower than anticipated (see Figure 20). Credit servicers have a pivotal role in NPL resolution given that they are responsible for servicing c. 2.9 million loans (mostly NPL debt) from c. 2.4 million borrowers in Greece (out of a

population of 10.4 million) equivalent to 31 percent of 2024 Greece GDP. They have been very slow in resolving NPLs and lack key information for around a third of borrowers. Credit servicers have two ways to resolve NPLs: restructuring and liquidating the NPLs. They have underperformed compared to their initial business plans, primarily due to slower than anticipated liquidations resulting from inefficiencies in the judicial process. In addition, due to low-powered financial incentives and long maturities on HAPS notes, the owners of the credit servicers may be underinvesting in areas that would improve capacity, including staff and information technology. This would also contribute to the slow pace of resolutions. The increase in real estate prices over the past years provides a good opportunity to advance in the resolution of NPLs. .

65. The supervision of credit servicers should be improved. The BoG, within its supervisory mandate, should increase its focus on their performance and capacity to deal with large numbers of borrowers. Furthermore, the BoG should require credit servicers to regularly update their business plans to better benchmark their annual performance reports, explaining deviations in their execution as well as changes in their strategy. These updated business plans will also help banks with their classification of HAPS senior bonds under IFRS 9. The BoG should formalize the working group recently established with other government agencies to intensify coordination to improve NPL resolution by credit servicers. The intensity and impact of onsite supervision should be increased, including on issues such as the accuracy of penalty charges imposed by credit servicers. Supervisory resources should be increased accordingly, as there are only 8 FTEs devoted to the supervision of credit servicers.

66. Targeted measures should be implemented to facilitate access to public information about HAPS and increase reporting and disclosures of credit servicers. Given that HAPS includes a fiscal guarantee by the Hellenic Republic, the HAPS committee should create a website to provide information to the public about the various HAPS schemes and their evolution. This information should be regularly updated (at least quarterly). Secondly, the national public auditor should certify an annual report about the evolution of HAPS. And the BoG should introduce targeted enhancements on supervisory reporting and transparency of credit servicers, and augment its published reports to reflect on the performance of credit servicers.

B. Financial Integrity (AML/CFT)

67. Greece's anti-money laundering and combating the financing of terrorism (AML/CFT) framework has been strengthened since its last mutual evaluation report by the Financial Action Task Force (FATF) in 2019.. Since then, Greece has strengthened its AML/CFT legal framework and is its National Risk Assessment for money laundering and terrorist financing, with a focus on legal entities and virtual assets service providers (VASPs).

68. The BoG and HCMC should continue efforts to improve risk-based AML/CFT supervision of banks, payment institutions and VASPs, respectively. The BoG has strengthened the resources for AML/CFT supervision and enriched its supervisory strategy and tools. Thematic reviews have proven effective in targeting perceived high-risk areas, but the frequency of general

on-site inspections—especially for payment institutions—remains low. The BoG's supervisory findings in banks indicate mixed trends of compliance, suggesting the need for more effective supervision, including through increased on-site inspections. HCMC began registering VASPs in 2022 and has started supervision. Future efforts should focus on deepening the understanding of inherent risks at the entity level and more risk-driven on-site inspections.

69. The operationalization of the Central Register of Beneficial Ownership (BO Register) in 2019 marked a milestone for enhancing transparency of ownership of legal persons, but concerns remain regarding shipping companies. The shipping industry carries heighted ML/TF risks due to the nature of its business. Although shipping companies are covered by the BO register, their general registration records with the Ministry of Shipping and Island Policy remain paper-based and inaccessible electronically, hindering timely access and verification. While bearer shares were legally abolished in 2018, the status of bearer shares issued by shipping companies (which are not registered with GEMI) is unclear. The authorities should prioritize digitalizing the Register of Shipping Companies to enable its direct connection with the BO register to facilitate verification.

AUTHORITIES' VIEWS

70. The authorities greatly valued the FSAP engagement and the cooperative spirit in which the discussions were held. They appreciated the constructive exchanges of views with the team, the in-depth assessment of systemic risks, and the policy recommendations, which they believe will further strengthen the resilience of the Greek financial system when implemented.

71. The authorities broadly agreed with the systemic risk assessment. They agreed with the FSAP stress test findings that the banking system is resilient to severe but plausible macro-financial shocks, both from solvency and liquidity perspectives. They also agreed that banks should work to diversify their business models and increase lending outside of the large corporate sectors to enhance financial stability in the medium term and deepen financial markets. The authorities share concerns about the current geopolitical instabilities and the risk of compression of households' disposable income due to adverse external macroeconomic shocks. To date no measurable impacts are observable, and in the latest data for January and February 2026 they see an overall credit expansion to +7.4% year-over-year in February (from +7.6% in January). This reflects an expansion of +10.3% in the NFC sector (from +10.9%), a slight contraction of -1.8% in sole proprietors (from -1.6%) and an expansion of +2.6% (from +2.4%) in the household sector. The latter is primarily attributed to consumer credit (+7.0%, unchanged), while housing loans posted growth of +1.1% (from +0.9%). They assess the current macroprudential stance as appropriate and will continue to monitor conditions and consider additional buffers if risks appear to be growing.

72. The authorities were supportive of the recommendations and emphasized their commitment to strengthening financial sector resilience. The authorities note that they have already begun implementing recommendations to strengthen organizational frameworks for supervision and financial stability. They support the recommendation to accelerate the legal

amortization of DTCs, but caution that an overly rapid schedule may be challenging. The authorities strongly support streamlining the insolvency framework, enhancing the supervision of credit servicers, and promoting efficient workouts of distressed debtors, as they view these as macro-critical issues for the Greek economy. Regarding the macroprudential framework, they agree that the SSC should be fully operationalized to cover inter-agency systemic risks and crisis interagency coordination and preparedness. They believe that coverage of cyber risk is sufficient at present but will continue to monitor and augment resources as they are needed. Finally, they broadly agree with the recommendations regarding banking crisis preparedness and management.

Table 3. Greece: The Structure of the Domestic Financial System as of December 2025

	No of Entities	Total Assets (€ million)	Relative size compared to the total size of the financial sector (in percent)	Relative size compared to GDP (in percent)
1) Banks	33	316,166	83.9%	127.3%
a. SIs	4	292,937	*77.8%*	*118.0%*
b. LSIs	8	18,695	*5.0%*	*7.5%*
c. Foreign branches	21	4,534	*1.2%*	*1.8%*
2) Insurance companies	31	21,869	5.8%	8.8%
3) Pension funds	32	2,740	0.7%	1.1%
a. Mandatory Pension funds	4	2,170	0.6%	0.9%
b. Pension funds (under IORP II)	28	570	0.2%	0.2%
4) Collective investment undertakings	251	19,825	5.3%	8.0%
5) Investment firms and real estate investment companies	10	5,888	1.6%	2.4%
6) Other non-bank financial institutions	75	9,071	2.4%	3.7%
7) Credit servicing firms	17	1,198	0.3%	0.5%
Total	**449**	**376,758**	**100.0%**	**151.7%**

Comments 0.926529354

Nominal GDP 2025 (€ million) 248,354

Mandatory Pension Funds fall under the supervisory competence of the Ministry of Labour and Social Affairs, whereas only Pension Funds under IORP II Directive fall under the supervisory competence of the Bank of Greece.

Sources:

Prudential returns for banks (solo basis), insurance companies and pension funds under IORP II.

Data on non-monetary financial institutions (as published at the Bank of Greece website).

Data on monetary and banking statistics (as published at the Bank of Greece website)

Table 4. Greece: Selected Economic Indicators, 2019–30

	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030
						Projections						
	(percent change, unless otherwise indicated)											
NATIONAL ACCOUNTS												
Real GDP	2.3	-9.2	8.7	5.7	2.3	2.3	2.0	1.8	1.4	1.5	1.4	1.4
Consumption	2.5	-4.1	4.3	6.6	2.0	0.7	1.3	1.2	1.0	0.9	0.9	0.9
Private consumption	2.6	-6.2	5.1	8.6	1.8	2.1	1.6	1.4	1.3	1.1	1.0	1.0
Public consumption	2.0	3.0	1.8	0.1	2.6	-4.1	0.6	0.3	0.2	0.2	0.2	0.2
Gross fixed capital	-5.1	0.1	27.4	13.8	0.8	23.1	7.2	5.9	0.8	2.6	1.9	1.9
Gross fixed capital formation	-0.8	1.7	21.7	16.4	6.6	4.5	9.1	7.2	1.2	3.2	2.1	2.1
Change in inventories (contribution)	-0.6	-0.2	1.0	-0.1	-0.9	3.2	0.0	0.0	0.0	0.0	0.0	0.0
Net exports (contribution)	0.7	-5.6	0.9	-2.2	0.3	-2.0	-0.7	-0.7	0.2	0.1	0.2	0.2
Exports of goods and services	5.0	-22.9	24.4	6.6	1.9	1.0	2.5	1.5	3.1	2.9	2.9	2.9
Imports of goods and services	2.9	-7.5	17.4	11.0	0.9	5.5	3.6	2.6	2.0	2.1	1.8	1.8
Gross fixed capital formation (percent of GDP)	11.0	12.3	13.8	14.9	15.2	15.3	16.5	17.6	17.7	18.1	18.3	18.5
RESOURCE UTILIZATION												
Potential GDP	-0.5	-0.9	-0.6	0.3	0.7	1.5	2.2	2.1	1.9	1.7	1.5	1.4
Output gap (percent of potential GDP)	-6.1	-14.0	-6.0	-0.9	0.7	1.5	1.3	0.9	0.4	0.1	0.0	0.0
Employment	2.2	-0.9	1.4	5.4	1.3	2.0	1.5	1.0	0.4	0.3	0.1	0.1
Unemployment rate (percent) 1/	17.3	16.3	14.8	12.4	11.1	10.1	9.4	9.0	8.6	8.3	8.1	7.9
PRICES												
GDP deflator	0.2	-0.4	1.4	6.5	5.9	3.2	2.1	2.3	2.0	2.0	2.1	2.0
Consumer prices (HICP, average)	0.5	-1.3	0.6	9.3	4.2	3.0	2.4	2.1	2.0	2.0	2.0	2.0
Consumer prices (HICP, end of period)	1.1	-2.4	4.4	7.6	3.7	2.9	2.3	2.0	2.0	2.0	2.0	2.0
Consumer prices (HICP, core, average)	0.5	-1.0	-0.7	5.7	6.2	3.4	2.9	2.4	2.1	2.0	1.9	2.0
Unit labor costs	0.2	6.7	-1.3	-3.2	5.9	3.1	2.0	2.2	2.0	2.0	2.1	2.0
FINANCIAL												
10-year government bond spread (over German bund)	2.2	1.4	0.8	1.5	1.5	...	...	...	...	...	...	...
Private sector credit	-9.5	-8.1	-23.4	5.3	2.5	5.3	5.1	4.7	4.2	4.1	4.1	4.1
Nominal effective exchange rate (2010=100)	-0.2	4.8	1.0	1.8	3.7	...	...	...	...	...	...	...
Real effective exchange rate (2010=100)	-1.8	0.6	-0.6	-1.9	1.3	...	...	...	...	...	...	...
	(percent of GDP)											
GENERAL GOVERNMENT												
Overall balance	-0.1	-10.3	-7.4	-2.5	-1.3	-0.3	-0.5	-0.6	-0.7	-0.7	-0.8	-0.9
Primary balance	2.9	-7.4	-5.0	0.0	2.1	2.9	2.5	2.4	2.3	2.3	2.3	2.3
Cyclically-adjusted primary balance	5.9	0.1	-2.0	0.5	1.7	2.3	1.9	2.0	2.2	2.3	2.3	2.3
General government debt 2/	183.7	209.9	197.8	178.4	165.2	150.9	143.1	138.8	135.3	132.2	129.0	125.8
EXTERNAL SECTOR												
Current account balance 3/	-2.2	-7.2	-7.0	-10.7	-6.7	-6.9	-5.6	-4.9	-4.5	-3.9	-3.3	-2.7
Merchandise trade balance	-12.3	-11.1	-14.4	-19.0	-14.7	-15.0	-14.1	-13.5	-12.9	-12.4	-12.0	-11.6
Services balance	11.4	4.3	7.0	9.3	9.7	9.6	10.0	10.1	10.4	10.7	11.0	11.3
Gross external debt	246.6	300.4	306.4	269.5	251.6	238.9	232.5	226.0	222.3	218.1	213.4	208.3
Net international investment position	-156.9	-177.1	-175.7	-148.9	-144.9	-140.4	-137.6	-134.2	-133.1	-131.4	-129.2	-126.6
MEMORANDUM ITEMS					(Billions of euro)							
Nominal GDP	185.2	167.5	184.6	207.9	225.2	237.6	247.4	257.4	266.2	275.5	285.2	295.0
General government debt excluding stock of deferred interests	332.1	342.5	354.8	359.5	359.4	344.6	338.4	339.7	340.4	341.8	342.7	342.7

Sources: Greece authorities, Haver Analytics, and IMF staff estimates.
1/ Based on Labor Force Survey.
2/ Includes the stock of deferred interest payments on EFSF loans.
3/ Includes deferred interest payments on EFSF loans (adjusted for the compliance with the System of National Accounts).

Table 5. Greece: Financial Soundness Indicators, 2019–25

	2019	2020	2021	2022	2023	2024	2025
				(Percent)			
Solvency							
CET 1 Capital Ratio	15.7	14.9	13.2	13.7	14.5	15.8	15.9
CET 1 Ratio (fully loaded)	12.9	12.4	11.4	12.6	14.4	15.8	
Tier 1 Capital Ratio	15.7	14.9	13.5	14.1	15.2	16.6	17.2
Total Capital	16.6	16.5	15.6	16.4	17.7	19.6	20.2
Leverage Ratio (fully phased-in definition of Tier 1)							
Leverage Ratio	10.9	9.5	7.7	6.6	7.2	7.8	7.8
Credit Risk and Asset Quality							
NPL	38.3	29.7	14.4	5.4	4.2	3.3	2.7
Coverage Ratio of NPL	46.3	44.8	45.9	43.3	43.4	37.9	40.0
Forbearance Ratio for Loans and Advances	23.1	18.6	11.7	6.1	5.1	3.6	2.3
Ratio of Non-performing Exposures (NPE ratio)	30.9	21.4	5.8	3.7			
Profitability							
ROE	2.2	-3.5	-19.5	18.0	12.8	14.3	13.1
ROA	0.2	-0.4	-1.6	1.4	1.1	1.5	1.4
Cost-to-Income	49.7	38.4	61.0	32.7	34.5	33.0	36.1
Net Interest Margin	2.9	2.6	2.3	2.0	3.0	3.3	2.8
Net Trading Income to Total Net Operating Income	2.5	-0.4	10.1	21.0	0.2	1.3	2.5
Net Fee and Commission Income to Total Net Operating Income	14.6	12.6	22.2	15.5	16.3	17.2	19.1
Net Interest Income to Total Net Operating Income	71.8	57.9	89.1	49.7	78.5	78.3	75.3
Cost of Risk	1.3	3.1	5.7	1.0	0.8	0.5	0.5
Funding and Liquidity							
Loan to Deposit Ratio	93.6	84.0	66.8	61.3	59.5	60.0	62.5
Liquidity Coverage Ratio	104.9	153.7	200.4	198.9	210.9	213.1	205.3
Asset Encumbrance Ratio	21.2	25.7	27.0	24.2	14.8	10.3	8.2

Source: European Banking Authority; and Haver Analytics.

Table 6. Greece: Risk Assessment Matrix		
Risk	**Relative Likelihood**	**Impact if Materialized**
Conjunctural Risks		
Trade-related Risks **Protectionism and Trade Disruptions.** Tariff and nontariff measures disrupt global supply chains, weighing on activity while increasing inflation. Trade diversion triggers broader protectionism.	**High**	Higher trade barriers and supply chain disruptions lead to increased inflation and slower economic growth in the region, which negatively affect demand for Greek tourism and products. This, in turn, will constrain business earnings growth, employment, and overall economic expansion, ultimately harming banks' asset quality. The banking system could face higher credit losses, lower profitability, greater market volatility, and increased funding pressures.
Geopolitical Tensions and Intensification of Conflicts. Rising geopolitical tensions, and a weakening of multilateralism, raise the risk of an escalation in military conflicts, accompanied by damage to key physical and financial infrastructure, disruptions in major transit routes and supply chains, higher migration pressures, additional financial frictions and market volatility.	**High**	Negative effects on tourism, shipping, and exports would impede growth. Heightened energy and food prices would fuel inflation, imposing a burden especially on vulnerable households. These economic pressures could increase credit risk within the financial system and hinder the progress in resolving non-performing loans.
Fiscal Vulnerabilities and Higher Interest Rates. Higher public debt and deficit levels put further upward pressure on long-term interest rates, sharply tightening global financial conditions, amplifying currency volatility, and reducing consumption and investment that exacerbate adverse debt dynamics.	**High**	Higher long-term rates would trigger valuation losses on banks' government-bond holdings and raise their funding costs. Rising yields translate into higher borrowing costs and stricter credit conditions, weakening economic activity and increasing borrower vulnerabilities. Slower growth and higher debt-servicing burdens raise default risks, leading to new NPL formation and higher provisioning needs for banks.
Commodity Price Volatility. Supply and demand imbalances—triggered by geopolitical tensions, coordinated production decisions, shifts in investor preferences, or structural changes in demand—fuel commodity price swings, amplifying external and fiscal pressures, social unrest, and macro instability.	**High**	Large increases in energy and food prices could re-spark bouts of inflation, burdening the still vulnerable households, denting investor confidence and deterring investment, and worsening the elevated external imbalances.
Greece: Risk Assessment Matrix		
Structural Risks		
Cyberthreats. Cyberattacks on physical or digital infrastructure, technical failures, or misuse of AI technologies could trigger financial and economic instability.	**High**	Cyberattacks could disrupt payment and financial systems, posing a threat to the stability of financial institutions and their capacity to provide financial services.
Climate change. Extreme climate events and rising temperatures could cause loss of life, damage to infrastructure, food insecurity, supply disruptions, and heighten economic and financial instability.	**High**	Damage could undermine tourism, agriculture, and investment, leading to lower growth and higher inflation. Economic damage leads to credit, liquidity, and operational risks to financial institutions.

Table 7. Greece: Stress Test Matrix		
Banking Sector: Solvency Stress Test		
Top-down by IMF		
1. Institutional Perimeter	Exercise	• Top-Down by FSAP team.
	Institutions included	• The four SIs
	Market share	• The four SIs represent about 95 percent of banking sector assets.

	Data and baseline date	• Cut-off date: June 2025
		• Data: Various sources, including the following.
		  ○ Supervisory data: Bank balance sheet and supervisory statistics (including FINREP and COREP), information on interest rate risk in the banking book (IRRBB), provided by the ECB.
		  ○ Publicly available data, such as information from BoG on funding and lending rates for new business by type of asset and funding portfolios
		  ○ Expected Default Frequency sourced from Moody's.
		  ○ Supervisory information on historical credit risk information.
		  ○ Corporate sector analysis uses data from Moody's Orbis and CreditEdge.
		  ○ Household analysis relies on household survey microdata from the 2021 (latest) HFCS survey.
		• Scope of consolidation: banking activities of the consolidated banking group for banks having their headquarters in Greece.

2. Channels of Risk Propagation	Methodology	• FSAP team satellite models and methodologies. • PDs estimated through corporate and household stress test will be linked to the solvency stress test. Corporate PDs are estimated from firm-level data using the one-year ahead expected default frequency from CreditEdge as a proxy for PD according to the Bayesian model averaging method. Household PDs on mortgage loans are simulated from household balance sheet data in ECB's Household Finance and Consumption Survey (2021 wave). • Provisioning for IRB and SA are modeled using IFRS9 transition matrix approach. • Structural model of bank NII, based on repricing ladder and estimated betas. • Static balance-sheet approach, allowing the re-issuance of maturing loans at current market rates. • Traded risk impact from the revaluation of trading assets (FVPL) and securities classified as fair value through other comprehensive income (FVOCI) will be assessed either using a modified duration approach or bank-specific sensitivities reported in STE to market risk factors, dependent on data availability. • In line with the regulatory framework, the main stress test results will include DTCs as part of capital, consistent with the approach used by the ECB. The amount of legal and voluntary DTC amortization is estimated and incorporated in the results.
	Stress test horizon	• 2026–2028 (three years)

Table 7. Greece: Stress Test Matrix (continued)		
3. Tail Shocks	Scenario	• The resilience of the banking sectors was assessed under three macro-financial scenarios. These will include a baseline scenario aligned with the October 2025 World Economic Outlook (WEO) projections, along with two adverse scenarios that capture the main risks identified in the RAM and are consistent with those used in the euro area FSAP. • The "Recessionary scenario" features a synchronized global slowdown amplified by sovereign debt distress in the euro area, a widening of credit spreads, term premium decompression, and confidence losses softening aggregate demand. Accommodative monetary policy mitigates the adverse impact on aggregate demand. • "Geopolitical scenario:" features a materialization of a further escalation of geopolitical conflicts, heightening commodity price volatility and disrupting global production chains, with large adverse trade, price, and tariff shocks ("trade wars") slowing growth. Fiscal policies in countries with fiscal space are used to counteract partly the fall in demand and support consumption. However, the inflationary impact of production chain disruptions leads to monetary policy tightening. • The two adverse scenarios rely on GFM, a structural macro econometric model of the world economy, disaggregated into 40 national economies, documented in Vitek (2018).
4. Risks and Buffers	Risk covered	• Risks covered include credit (on loans and debt securities), market (valuation impact of debt instruments through repricing and credit spread risk as well as the P&L impact of net open positions in market risk factors such as foreign exchange risks) and interest rate risk on the banking book (IRRBB).
	Behavioral Adjustment	• Static balance sheet approach: size of portfolios (gross of NPLs) remains constant throughout the stress testing horizon (with no write-offs allowed). • Maturing assets are replaced by exposures of the same type and risk. • In projecting RWAs, standardized and IRB portfolios are differentiated. For the standardized portfolios, RWAs change due to the shift in the composition of performing and non-performing exposures, and a deterioration in creditworthiness is modeled as a credit rating downgrade linked to the initial rating of the exposure and the projected rise in loan losses. For the IRB portfolios, through-the-cycle-PDs, downturn LGDs and EAD for each asset class/industry are used to project risk weights. • Interest income from nonperforming loan is not accrued. • Dividends are paid out by banks that remain profitable and adequately capitalized. • Banks can only accumulate capital through retained earnings. • If banks' capital ratio falls below regulatory minimum during the stress test horizon, no prompt corrective action is assumed.

Table 7. Stress Test Matrix (Concluded)		
5. Regulatory and Market-Based Standards and Parameters		• In the baseline, hurdles include the regulatory minimum plus P2R, the Capital Conservation Buffer (CCoB), the countercyclical Capital Buffer (CCyB) and Other Systemically Important Institutions Buffer (O-SII). • In the adverse scenario, banks are allowed to deplete the CCoB and the CCyB. Other requirements remain in place. • Hurdle rates are based on common equity tier-1, tier-1, and total capital ratios.
6. Reporting Form for Results	Output presentation	• Evolution of CET1 for four SIs in aggregate. • Decomposition of key drivers to aggregate net profits and aggregate CET1 capital ratios, including differences between baseline scenarios and adverse scenarios. • Number of banks and share of total assets that fall below hurdle rates
Banking Sector: Liquidity Stress Test		
Top-down by IMF		
1. Institutional Perimeter	Exercise	Top-Down by FSAP team
	Institutions included	The four SIs
	Market share	The four SIs represent about 95 percent of banking sector assets
	Data and baseline date	• Cut-off date: August 2025 • Scope of consolidation: banking activities of the consolidated banking group for banks having their headquarters in Greece • Supervisory data files (FINREP, COREP) and historical time series where available
2. Methodology		• LCR- and NSFR-based tests, using regulatory parameters and more severe scenarios. • Cashflow-based liquidity stress test • Stress test horizon: 30 days for LCR-based tests, 1 year for NSFR-based tests, and up to 12 months for cashflow analysis.
3. Type of Analyses	Scenario analysis	• Various stress scenarios are considered, with varying intensity of adverse liquidity conditions. Main risks analyzed are market upheaval and tightening of market liquidity conditions (linked to solvency adverse scenario, where possible), deposit run-offs, outflows from top funding sources.
4. Buffers	Behavioral adjustments	Liquidity from the central bank is not considered.
	Buffers	Capacity of banks to generate liquidity from inflows and from assets under stress (i.e. counter-balancing capacity)
5. Regulatory Standards	Regulatory/accounting and market-based standards	For both LCR- and NSFR-based tests, the hurdle rate is set at 100 percent at the aggregate currency level (per Basel III and domestic regulation). For cashflow analysis, the outcomes of interest are the Net Liquidity Position and the survival period.
6. Reporting format for results	Output presentation	Outputs include (1) Average LCR, NSFR, Net Liquidity Position and survival period, (2) Number of institutions with LCR/NSFR below regulatory limits.