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TECHNICAL NOTE ON MACROPRUDENTIAL POLICY FRAMEWORK AND TOOLS

This Technical Note on Macroprudential Policy Framework and Tools for the Greece FSAP was prepared by a staff team of the International Monetary Fund as background documentation for the periodic consultation with the member country. It is based on the information available at the time it was completed on May 21, 2026.

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TECHNICAL NOTE

MACROPRUDENTIAL POLICY FRAMEWORK AND TOOLS

Prepared By
Monetary and Capital Markets Department

This Technical Note was prepared by IMF staff in the context of the Financial Sector Assessment Program mission in Greece. It contains technical analysis and detailed information underpinning the FSAP's findings and recommendations. Further information on the FSAP can be found at http://www.imf.org/external/np/fsap/fssa.aspx

CONTENTS

TABLES

Glossary

AIFM	Alternative Investment Fund Manager
BBMs	Borrower-Based Measures
BCBS	Basel Committee on Banking Supervision
BIS	Bank for International Settlements
BoG	Bank of Greece
BSD	Banking Supervision Directorate
CCP	Central Counterparty
CCyB	Countercyclical Capital Buffer
CET1	Common Equity Tier 1
CLIFS	Country-Level Index of Financial Stress
COREP	EBA Common Reporting Framework
CRD	Capital Requirements Directive
CRE	Commercial Real Estate
CRR	Capital Requirements Regulation
DSTI	Debt-Service-to-Income
DTC	Deferred Tax Credit
DTI	Debt-to-Income
EA	Euro Area
EARD	Economic Analysis and Research Directorate
EBA	European Banking Authority
ECA	Executive Committee Act
ECB	European Central Bank
EIOPA	European Insurance and Occupational Pensions Authority
ELA	Emergency Liquidity Assistance
ELSTAT	Greek Statistical Office
ESFS	European System of Financial Supervision
ESMA	European Securities and Markets Authority
ESRB	European Systemic Risk Board
ETL	Extraction-Transformation-Processing
EU	European Union
FCI	Financial Conditions Index
FINREP	EBA Financial Reporting Framework
FSB	Financial Stability Board
FSC	Financial Stability Committee
FSD	Financial Stability Directorate
FSR	Financial Stability Review
FTE	Full Time Equivalent
GFC	Global Financial Crisis
HAPS	Hellenic Asset Protection Scheme
HCMC	Hellenic Capital Market Commission
HEFAMA	The Hellenic Fund and Asset Management Association
HFCS	Household Finance and Consumption Survey
IAIS	International Association of Insurance Supervisors
IMF	International Monetary Fund
IOSCO	International Organization of Securities Commissions
ITS	Implementing Technical Standards
JST	Joint Supervisory Team

LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
LSI	Loan-to-Income
LSIs	Less Significant Institutions
LTV	Loan-to-Value
MFIs	Monetary Financial Institutions
MoEF	Ministry of Economy and Finance
MoU	Memorandum of Understanding
NBFI	Non-Bank Financial Institution
NFC	Non-Financial Corporation
NPL	Non-Performing Loan
NSFR	Net Stable Funding Ratio
OPFs	Occupational Pension Funds
O-SII	Other Systemically Important Institutions
PD	Probability of Default
PN CCyB	Positive Neutral Countercyclical Capital Buffer
READ	Research and Economic Analysis Database
RRE	Residential Real Estate
RRF	Recovery and Resilience Facility
SIs	Significant Institutions
SME	Small and Medium-sized Enterprise
SovCiss	Composite Indicator of Sovereign Distress
SSC	Systemic Stability Council
SSM	Single Supervisory Mechanism
SyRB	Systemic Risk Buffer
TN	Technical Note
UCITS	Undertakings for Collective Investment in Transferable Securities

EXECUTIVE SUMMARY[1]

Overall Greece has been proactive and effective in its use of macroprudential policy, but interagency coordination should be formalized. The Bank of Greece (BoG) has been active in its role as the designated macroprudential authority and has introduced a positive neutral (PN) countercyclical capital buffer (CCyB) and borrower-based measures (BBMs) to guard against future risks. The BoG should further enhance its risk surveillance capabilities and be ready to adjust its macroprudential toolkit as risks evolve. Though informal collaborations dating back to the crisis era have worked well, interagency coordination should be formalized through regular meetings of the national interagency Systemic Stability Council (SSC). This is important to prepare for a greater role of non-bank financial institutions as Greek financial markets evolve.

Institutional arrangements assign the Bank of Greece a strong role in the macroprudential policy framework in Greece. The Bank of Greece (BoG) 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 the conduct of macroprudential policy. The re-establishment of the BoG's Financial Stability Committee (FSC) as a dedicated body for macroprudential and financial stability issues (alongside parallel supervisory and resolution committees) will further strengthen the macroprudential function. The BoG's ability to act is underpinned by strong legal powers over a well-defined set of macroprudential policy instruments, broad information collection powers, and responsibility for designating systemically important banks. The Hellenic Capital Market Commission (HCMC) has designation powers for relevant non-bank financial institutions (NBFIs).

Public accountability could be strengthened through an update of macroprudential strategy and more structured communication. The 2015 macroprudential policy strategy should be updated to incorporate borrower-based measures, articulate its longer-term approach to the use of recently activated positive-neutral Countercyclical Capital Buffer and BBMs, 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 Financial Stability Review (FSR) and major macroprudential decisions and consolidate macroprudential information and data from across the BoG website into a dedicated landing page.

The Systemic Stability Council (SSC) should be fully operationalized as the national coordination platform on financial stability, including systemic risk. The SSC as a high-level interagency body with a mandate to monitor and analyze system-wide interactions has met only sporadically to address crisis issues. The SSC should meet regularly, for example semi-annually around FSR publications, to coordinate on broader financial stability issues. A systemic risk sub-committee should be established, leveraging the expertise of the BoG and the HCMC and insights

[1] This technical note was prepared by Tomáš Konečný (External Expert) and Wei Shi (Monetary and Capital Markets Department, IMF) with administrative support from Evelyn M. Schimpf. The review was conducted during the period of January 8–21, 2026, and considers the legal and regulatory framework in place and the practices employed at the time. The mission team would like to thank the BoG, HCMC, MoEF, ECB, and representatives from the private sector for their excellent cooperation and fruitful discussions.

by the Ministry of Economy and Finance (MoEF), to support system-wide risk monitoring and management and provide inputs to the FSR. The SSC should be empowered to issue public or private recommendations to member institutions, supported by regular communication through press releases after meetings.

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, including vulnerabilities arising from the sovereign-bank nexus.

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. The post-crisis adoption of key macroprudential instruments has marked a clear shift to a proactive macroprudential policy stance and aligned the active tools with those commonly used across the European Union (EU). 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 large corporate exposure overlaps and consider macroprudential measures, such as a broad-based CCyB (if there are signs that cyclical risks pick up) or a sectoral systemic risk buffer. These would increase banks' resilience and contain systemic risks. Exemptions for government-supported loans and the 10 percent waiver allowed above BBM limits may leave a sizeable share of new mortgage lending outside the scope of the BBM framework. The BoG should closely monitor and stand ready to refine BBMs to ensure prudent lending standards and address potential leakages. While risks arising from the sovereign-bank nexus currently appear contained, adequate monitoring and stress testing remain also warranted.

The BoG should strengthen the quantitative foundations for calibrating the PN CCyB to ensure the adequacy of releasable buffers. The formal 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 non-cyclical shocks. 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 partially based on bank solvency stress tests to quantify capital losses under moderate shock scenarios 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.

Table 1. Greece: Key Recommendations on Macroprudential Policy			
Recommendations		**Agency**	**Time[1]**
A. Institutional Framework			
1.	Update the strategy to incorporate borrower-based measures, articulate the use of recently activated (PN) CCyB and borrower-based measures over the cycle, and clarify indicators for CCyB release. (¶12)	BoG	MT
2.	Consider holding a press conference or briefing around the publication of the Financial Stability Review (FSR) and major macroprudential decisions to enhance outreach and public buy-in. (¶10)	BoG	I
3.	Consolidate macroprudential information and data from across the BoG website into a dedicated landing page to improve access and strengthen public accountability. (¶11)	BoG	I
4.	Operationalize the Systemic Stability Council (SSC) to oversee interagency cooperation on financial stability and establish a sub-committee for systemic risk. (¶20)	MoEF, BoG, HCMC	I
B. Operational Capacity			
5.	Implement the Central Credit Register on financial debt of natural persons and legal entities to enhance risk assessment and effective design and policy analysis. (¶31)	BoG	ST
6.	Establish an in-house macroprudential stress-testing capability to enable more flexible and targeted risk and policy assessments. (¶40)	BoG	MT
7.	Ensure adequate resourcing to address capacity constraints arising from the expanding responsibilities of the FSD. (¶27)	BoG	I
C. Systemic Risk and Macroprudential Policy			
8.	Consider further tightening of the CCyB if cyclical risks continue to accumulate beyond the current standard risk environment. (¶51)	BoG	I
9.	Continue monitoring and consider introducing maturity limits or other measures to contain BBM leakages and preserve prudent lending standards as mortgage lending rises from the currently subdued levels. (¶69)	BoG	ST
10.	Consider adjusting the CCyB or introducing a sectoral systemic risk buffer if cyclical risks become amplified by high concentration to common corporate obligors. (¶58)	BoG	ST
11.	Continue monitoring sovereign vulnerabilities systematically and assess their impact on banking sector resilience using sensitivity and scenario analysis (¶74).	BoG	MT
12.	Strengthen the quantitative foundations for calibrating the positive neutral CCyB to ensure the adequacy of releasable buffers. (¶54)	BoG	ST

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

INTRODUCTION

1. Greece's macroprudential policy framework operates within the European Union's broader financial stability architecture. Responsibility for the adoption of macroprudential measures rests primarily with national authorities in European Union (EU) Member States, which can adopt a range of macroprudential instruments defined in EU and national legislation.[2] In the Euro Area (EA), national macroprudential policies taken under EU laws are subject to notification and coordination with the European Central Bank (ECB), which retains "top-up powers".[3] At the EU level, the European Systemic Risk Board (ESRB) responsible for EU macroprudential oversight[4] issues warnings and recommendations on a "comply or explain" basis and cooperates closely with other institutions within the European System of Financial Supervision (ESFS).[5]

2. Since the 2006 FSAP, the macroprudential framework has strengthened and now broadly aligns with EU peer practices. The Greek sovereign debt crisis in the early 2010s unfolded during the initial phase of EU-wide legislative and policy reforms to establish a macroprudential framework. The subsequent period of severe economic contraction and gradual recovery constrained macroprudential policy space and affected the pace and sequencing of these reforms in Greece. The authorities therefore prioritized strengthening the institutional foundations and operational framework for macroprudential policy. The financial stability mandate of the Bank of Greece (BoG) was broadened to include macroprudential functions in 2013, and in the following years the authorities continued to refine the institutional setup, close data gaps, and enhance systemic risk surveillance. The post-pandemic recovery marked a clear shift to a proactive macroprudential stance. As a result, the BoG has enacted the core instruments in the macroprudential toolkit—including the Countercyclical Capital Buffer (CCyB), other systemically important institutions (O-SII) buffers, and borrower-based measures (BBMs)—bringing its framework broadly in line with practices observed across its EU peers.

3. This technical note (TN) assesses Greek macroprudential framework and its effectiveness in addressing any emerging vulnerabilities. It evaluates (i) the institutional framework; (ii) the operational capacity; and (iii) the adequacy of the current macroprudential settings. The evaluation is carried out in accordance with IMF guidance, as detailed in the Staff Guidance Note (IMF, 2014a), its background note (IMF 2014b), and additional IMF policy documents. An assessment of the ECB/SSM framework is not the subject of this TN.

[2] The EU Capital Requirements Directive (CRDIV, No 2013/36/EU) and the Capital Requirements Regulation (CRR, No 575/2013) provide a range of macroprudential instruments that may be applied by national designated authorities, and in certain cases by national competent authorities.

[3] See Regulation (EU) No 1024/2013. The SSM Framework Regulation (EU) No 468/2014, lays down the procedural framework for cooperation between the ECB, national competent authorities (NCAs), and national designated authorities (NDAs). See also Euro Area FSAP TN on Macroprudential Policy (IMF, 2025b).

[4] See Regulation (EU) No 1092/2010.

[5] The ESFS comprises the ESRB and three EU micro-supervisory authorities: the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), and the European Securities and Markets Authority (ESMA).

INSTITUTIONAL FRAMEWORK

4. A strong institutional framework is essential for the effective conduct of macroprudential policy. Institutional frameworks are commonly organized around three underlying principles: willingness to act, ability to act, and interagency cooperation in risk assessment and mitigation (see e.g., IMF (2014a), Elliott et al. (2010) and Adrian et. al. (2023)).

- **Willingness to act** supports policymakers' readiness to take macroprudential action. Policymakers need to be willing to act and avoid inaction bias despite political and industry pressures that may arise when adopting potentially unpopular measures. A clear mandate, well-defined objectives and functions, and a robust accountability framework support independent decision-making and effective communication.
- **Ability to act** determines whether macroprudential decisions can be implemented effectively and sustained over time. Without sufficient ability to act, identified risks cannot be translated into timely, credible, and enforceable policy measures. Ability to act requires adequate legal powers and sufficient resources to meet policy objectives.
- **Interagency cooperation** enables risk identification and consistent policy implementation at the system level. Responsibilities, tools, and information on systemic risks are typically distributed across multiple authorities, resulting in potentially fragmented risk assessments and delayed policy responses. Effective coordination is enabled through formal coordination arrangements with clearly defined roles and responsibilities, and information-sharing mechanisms.

A. Willingness to Act

5. The BoG is the designated macroprudential authority in Greece, with a broad regulatory and supervisory remit covering around 95 percent of total financial system assets. In Greece, legislation clearly enshrines the BoG's mandate, objectives, and functions for the conduct of macroprudential policy.[6] Accordingly, the BoG fulfils the role of the national macroprudential authority responsible for system-wide risk assessment, consistent with the ESRB Recommendation ESRB/2011/3. EU and national legislation further empower the BoG to activate specific macroprudential instruments for the banking sector, acting in its capacity as the national designated authority under Law 4261/2014 (transposing Directive 2013/36/EU) and national competent authority under Regulation (EU) No 575/2013. Taken together, the BoG's explicit mandate, clear objectives, well-defined functions, and powers provide a solid legal foundation for macroprudential policymaking in Greece.

[6] Article 55A of the BoG Statute (10th Edition, 2013), defines the macroprudential mandate, objective, and functions of the BoG. The BoG "… shall exercise, inter alia, its macroprudential tasks with a view to strengthening the resilience of the financial system and decreasing the build-up of systemic risks. In particular, the Bank shall identify, monitor and assess such risks and adopt the measures provided for by law." The ultimate macroprudential policy objective of contributing to safeguarding the stability of the financial system as a whole is defined in the BoG's macroprudential policy strategy (ECA 53/14.12.2015).

6. The BoG has a well-established decision-making process for macroprudential policy. Macroprudential decisions have traditionally been vested in the Executive Committee, comprising the Governor and two Deputy Governors. The meetings focusing on macroprudential policy were aligned with the quarterly systemic risk assessment cycle and regular decisions on the CCyB and O-SII buffer. The Executive Committee could also convene on an ad hoc basis to decide on borrower-based measures or in response to emerging risks.[7] Decisions were adopted by quorum and a majority of two members, including the Governor, and were subsequently published in the Government Gazette and disclosed on the BoG website. In January 2026, the Executive Committee delegated the execution of its macroprudential powers to the Financial Stability Committee (FSC) as an authorized body.[8]

7. The reestablished FSC will serve as a dedicated decision-making body for macroprudential policy. The FSC will introduce a distinct decision-making structure, alongside parallel supervisory and resolution committees.[9] It will decide on macroprudential and selected financial stability issues, including the emergency liquidity assistance (ELA), further strengthening the macroprudential policy function.[10] The FSC will be chaired by the Governor and include two Deputy Governors.[11] Decisions on macroprudential policy and ELA will be taken based on proposals from the Financial Stability Directorate (FSD) and the Financial Operations Directorate, respectively, to ensure operational independence and avoid potential conflicts of interest. The secretariat function will be provided by the FSD.

8. The FSD leads the work on macroprudential policy and supports effective interdepartmental cooperation. The FSD is the lead directorate responsible for systemic risk surveillance and macroprudential policy. The directorate is organized across five divisions and reports to the newly created Director General of Prudential Supervision and Resolution. To date, the BoG has relied on strong and functional professional relationships among directorates involved in macroprudential policy. The establishment of the General Directorate for Financial Supervision helped to further institutionalize and consolidate governance structures.[12] Regular and ad hoc proposals prepared by the Macroprudential Policy Division are consulted first internally within the FSD and later with other directorates (e.g., Banking Supervision, Legal). FSD then directly submits

[7] Decisions on BBMs are not subject to a regular schedule.

[8] See Article 55A of the BoG Statute (10th Edition, 2013) on the delegation powers of the Executive Committee.

[9] The BoG's Credit and Insurance Committee, and the Resolution Measures Committee decide on selected LSI supervision and resolution issues, depending on the subject matter.

[10] Macroprudential policy and ELA are complementary but distinct elements of the financial stability toolkit. Macroprudential policy seeks to reduce system-wide vulnerabilities ex ante, whereas ELA provides temporary liquidity support to solvent institutions facing liquidity stress (see IMF, 2013b).

[11] The full FSC composition comprises the Governor, Deputy Governors, Director General of Prudential Supervision and Resolution, Director General of Monetary Policy and Financial Markets, Director of Financial Operations Directorate, Director of Financial Stability Directorate and Director of Banking Supervision Directorate.

[12] To reduce potential conflicts of interest, the Resolution Unit reports to a different Deputy Governor and the Resolution Management Committee (RMC). The Financial Safety Net and Resolution Workstream recommended separating managerial oversight of the Resolution Unit from the Director General of Prudential Supervision and Resolution to strengthen operational independence. In this vein, the BoG General Council decided in April 2026 that the Resolution Unit should no longer fall under the remit of the Director General for Prudential Supervision.

and presents the proposals to the senior management.[13] The current practice supports effective and efficient information sharing and coordination of systemic risk and policy proposals, ensuring consistency of views prior to their submission to decision-makers.

9. Legal accountability and transparency are ensured primarily through parliamentary oversight and reinforced by EU-level surveillance. The BoG reports annually on the exercise of its supervisory function to Parliament, and the Governor may appear before the competent parliamentary committee in this regard. The Governor may also be invited and attend meetings of the Council of Ministers on matters within the BoG's mandate, including macroprudential policy.[14] Legal accountability is indirectly strengthened at the European level. The ECB and the ESRB regularly assess and report on financial system systemic risks at both the EU-wide and national levels, enhancing the transparency and cross-checking consistency of the BoG's risk assessments.[15] In particular, the ECB's assessments of the national macroprudential stance are supported by its legal power to apply top-ups to capital-based measures.[16] Accountability is further reinforced by the ESRB's ability to issue warnings and recommendations that notify national authorities of arising risks, or require them to act under a 'comply or explain' principle.[17]

10. Public communication is reasonably strong, but could be enhanced by holding a press conference around the publication of the Financial Stability Review and major policy decisions. The BoG publishes a semi-annual Financial Stability Review (FSR), as well as decisions and methodological notes for adopted macroprudential policy tools. The release of the FSR is accompanied by a press release. Policy decisions and guidance by the Executive Committee have been communicated typically through Executive Committee Acts (ECAs) and supporting press releases. The decisions on the CCyB and O-SII buffers explain the factors underpinning their setting, even when no activation takes place, or no changes are made. Communication is primarily oriented toward expert audiences, with additional channels for public communication leveraging speeches by the Governor and senior management, frequently asked questions, annual reports, research and working papers, and industry consultations. Introduction of a press conference or briefing around the FSR publication and major macroprudential decisions would help to strengthen outreach and gain traction for macroprudential policy with a broader audience.

11. Communication could be further enhanced through more centralized web and data access. The BoG operates a dedicated subpage for macroprudential policy on its website. The subpage contains general information about macroprudential policy and the tools of the BoG, as well as dedicated sections for each macroprudential tool with the description. However, the

[13] Senior management may also initiate policy action in response to supervisory findings, financial stability considerations, or external developments. FSD also coordinates with and notifies European authorities (e.g. ECB, ESRB) as appropriate.

[14] See Article 5B of the BoG Statute (10th Edition, 2013).

[15] The ECB conducts regular country-level risk assessments, including a semi-annual Macroprudential Report with a country-level risk assessment and targeted soft recommendations.

[16] The Macroprudential Report discussed in the ECB Financial Stability Committee and in the ECB Macroprudential Forum contains risk and policy assessment for all SSM countries, including Greece, and informs the potential use of ECB top-up powers. To date, the ECB has not exercised its top-up powers in any SSM participating Member State.

[17] With regard to ESRB warnings, no specific warning has been addressed to the Bank of Greece as the national designated authority or to any other Greek authority.

subpage does not contain a link to BoG's FSR and press releases, or data on macroprudential policy,[18] limiting comprehensive public access. Consolidating information on macroprudential policy into a single dedicated landing page would support clearer understanding among the public about the rationale and objectives of the BoG's policy decisions. Such a page could bring together the current descriptions of macroprudential tools and methodologies, the BoG macroprudential strategy, and other communication such as FSR and press releases on macroprudential matters. Furthermore, open and data-driven communication is essential and could be enhanced by publishing, or providing public links to, selected datasets underpinning the FSR and key indicators used to inform macroprudential decisions. For example, key data that guide BoG decisions on the tools over which it has hard powers (e.g., CCyB) are not linked to the BoG Macroprudential policy section. The BoG would benefit from enhancing public communication, especially following the implementation of new policy instruments as they become more binding.

12. The BoG's macroprudential strategy should be periodically updated to ensure it remains fit for purpose. The BoG published its macroprudential policy strategy[19] in 2015, setting out intermediate policy objectives that link systemic vulnerabilities to its macroprudential policy toolkit. The strategy also articulates guiding principles for instrument selection, calibration, and implementation. Since 2015, the BoG has operationalized the strategy and significantly enhanced its macroprudential policy toolkits, drawing on evolving EU legislation and international best practice. It would be useful to review the strategy to ensure it is fit for purpose and guides the BoG's macroprudential policymaking and public expectations. An update would be timely given the recent activation of the CCyB and BBMs, and would be particularly useful in clarifying the BoG's long-term approach to these instruments and their application through the cycle, including indicators for CCyB release (¶55). Publication of an updated strategy would enhance public accountability, strengthen the credibility and predictability of macroprudential actions.

B. Ability to Act

13. The designated macroprudential authority requires necessary powers to act to ensure timely and effective policy response. These powers include calibration and implementation powers to be able to react to changing risks, designation powers to ensure that macroprudential policies impact all relevant institutions, and information collection powers to assess evolving risks (IMF, 2011). Each of these powers can vary in strength (IMF, 2013b). Hard powers provide the authority with direct control over the activation and calibration of specific macroprudential instruments. Semi-hard powers take the form of formal recommendations subject to a 'comply or explain' mechanism. Soft powers are limited to opinions or non-binding recommendations that are not accompanied by a comply-or-explain requirement.

[18] The FSR is made available through the "Publications and research" section of the Bank of Greece's website, while the press releases are published under "Press Releases."

[19] See ECA 53/14.12.2015. The publication responded to the assessment of the ESRB (2014)'s assessment that Greece was "partially compliant" with Sub-Recommendation D of ESRB/2011/3, which relates to transparency and accountability, including the authority's macroprudential strategy. This rating indicates that, at the time of the assessment, the measures in place implement only part of the sub-recommendation.

14. The BoG has strong calibration and implementation powers on macroprudential policy instruments for the banking sector. The BoG possesses hard powers over a broad range of macroprudential measures as outlined in the law (Table 2). In particular, it is solely responsible and holds hard powers to activate, amend, and revoke capital buffers under Law No. 4261/2014, which transposes Directive 2013/36/EU, subject to the ECB's top-up powers.[20] As the national competent authority, the BoG is solely responsible for instruments set out in Regulations (EU) No 575/2013 and No. 1623/2024. The BoG also has legal authority to enact borrower-based macroprudential measures under Article 133A of Law 4261/2014, which was inserted by means of Article 54 of Law No. 5036/2023, amending the Banking Law (Law No. 4261/2014). The legal framework does not require formal coordination with other regulators or the Ministry of Economy and Finance (MoEF) when setting macroprudential policy tools.[21]

Table 2. Greece: Macroprudential Policy Tools Under the Bank of Greece's Remit

*The **macroprudential policy tools** under the BoG's remit are:*	
a)	The countercyclical capital buffer within the meaning of Articles 123 and 127-130 of Law 4261/2014;
b)	The buffer of global systemically important institutions (G-SII buffer) within the meaning of Article 124 of Law 4261/2014;
c)	The buffer of other systemically important institutions (O-SII buffer) within the meaning of Article 124 of Law 4261/2014;1/
d)	The systemic risk buffer within the meaning of Articles 125-126 of Law 4261/2014;
e)	The measures laid down in Article 458 of Regulation (EU) No 575/2013, subject to the requirements specified therein relating to:
i.	The level of own funds laid down in Article 92 of that Regulation;
ii.	Large exposures requirements laid down in Articles 392 and 395-403 of that Regulation;
iii.	The public disclosure requirements laid down in Articles 431-455 of that Regulation;
iv.	The level of the capital conservation buffer laid down in Article 122 of Law 4261/2014;
v.	The liquidity requirements laid down in Part Six of the aforementioned Regulation (liquidity coverage requirement, stable funding); and
vi.	Risk weights for targeting asset bubbles in the residential and commercial property sector, or intra-financial sector exposures.
f)	The measures provided for by Article 124 paragraph 2 and Article 164 paragraph 5 of Regulation (EU) No 575/2013.
g)	Any instrument (measure) made available to the Bank of Greece by legislation and aimed at the achievement of the ultimate and/or intermediate objectives of macro-prudential policy.
h)	Borrower-based measures by Law 5036/2023 (amending the Banking Law).2/

Sources: Bank of Greece and IMF staff.

1/ Under Article 124 of Law No. 4261/2014, O-SIIs are identified by the Bank of Greece or the Hellenic Capital Market Commission, depending on the supervisory perimeter. O-SII buffers for banks are set by the BoG and are subject to the ECB's top-up powers, while the HCMC has the corresponding role for investment firms.

2/ Borrower-based measures may include limits on borrower ratios or specific credit features. The Bank of Greece has full discretion to determine the types of BBMs, the credit segments covered, and the ratios or features subject to limits, including applicable caps. It also sets the implementation terms and conditions and specifies the data and information to be reported by credit institutions and other financial entities.

[20] Under the SSM Regulation (EU Regulation No. 1024/2013), the powers to set capital buffers are shared with the ECB, as outlined in Article 5.

[21] The legal obligation for the BoG to obtain the consent of the Hellenic Capital Market Commission (HCMC) on setting the CCyB rate was removed Under Article 127(1) of Law 4261/2014 as amended by Law 4920/2022.

15. The designation powers for systemically important institutions are allocated to the BoG and the Hellenic Capital Market Commission (HCMC) as sectoral regulators, in line with their respective supervisory remits. The BoG's regulatory perimeter covers credit institutions, including branches of third-country banks, as well as other financial institutions, insurance and reinsurance undertakings, occupational pension funds,[22] microfinance institutions, payment institutions, and credit provision companies. Under Article 124 of Law 4261/2014, the BoG is responsible for designating systemically important banks and applying the O-SII buffers. In parallel, the HCMC designates systemically important non-bank financial institutions (NBFIs) within its supervisory remit,[23] ensuring that systemic risk designation powers are aligned with sectoral responsibilities across the Greek financial system. Changes to the regulatory perimeter or designation powers require national or EU legislative amendments, as applicable.

16. Information-collection powers are well established in law. The BoG's information collection powers are grounded in the central bank's broad supervisory mandate covering the dominant part of the Greek financial system. Under Article 55C of the BoG Statute, credit and financial institutions, natural persons, legal entities or other market participants shall be required, without being entitled to invoke banking or other secrecy, to report to the BoG all the data and information in their possession, which are necessary for the performance of its tasks. The same requirement shall also apply to departments providing public services. The information-collection powers extend beyond the BoG's immediate regulatory perimeter, allowing the BoG to retrieve data also in emerging areas of systemic risk.

C. Interagency Cooperation and Coordination

17. Interagency coordination on systemic risk analysis and macroprudential decision -making is typically, though not necessarily, achieved through a formal committee. Institutional models for macroprudential policy vary across countries, but generally either assign primary responsibility to a single authority or assign responsibilities across regulators supported by a dedicated committee (IMF, 2013a). Even where primary macroprudential responsibility is vested in a single authority, such as the central bank, exclusive authority for macroprudential policy is not common, as sectoral agencies typically oversee parts of the financial system (e.g., securities markets). Therefore, regardless of the institutional model, assigning a lead macroprudential authority does not remove the need to embed clear requirements and mechanisms for coordination between the primary authority and other relevant agencies. In many cases, the coordination is supported by an interagency body.

18. In the absence of a dedicated macroprudential oversight committee, interagency coordination in Greece currently relies primarily on bilateral arrangements. The BoG's lead role as the designated macroprudential authority is in line with international practice and its broad regulatory and supervisory remit. This responsibility is primary but not exclusive, as the HCMC

[22] The BoG supervises Occupational Pension Funds (OPFs) since January 1, 2025.

[23] NBFIs supervised by the HCMC include investment firms, Undertakings for Collective Investment in Transferable Securities (UCITS) management companies, Alternative Investment Fund Managers (AIFMs), real estate investment companies, and the funds they manage; the HCMC also oversees the central counterparty (CCP) and crypto-asset service providers.

supervises the securities market representing the remaining 5 percent of the Greek financial system assets. In the absence of a dedicated body for interagency coordination, the BoG coordinates with the HCMC through bilateral arrangements. Cooperation with the HCMC spans several areas, with collaboration on systemic risk analysis and macroprudential issues focusing mainly on exchange of information.[24] A recently updated Memorandum of Understanding (MoU) between the BoG and the HCMC further enhances information-sharing and cooperation on supervisory and regulatory matters.

19. The Ministry of Economy and Finance does not play a direct role in macroprudential policy-making but is a key stakeholder on broader financial stability issues. Cooperation between the BoG, the HCMC, and the Ministry of Economy and Finance (MoEF) covers a wide range of financial stability topics, such as credit servicers, non-performing loan (NPL) resolution, or crypto-assets. The collaborative arrangements combine formal committee-based engagements with informal consultations and information exchange, drawing on past crisis experience and the need for timely policy responses. While the MoEF does not have a formal role in macroprudential policy, it provides critical inputs into cross-cutting financial stability issues, including those with direct macroprudential relevance. For example, the BoG collaborated closely with the MoEF ahead of amendments to the Banking Law introducing Article 133A, which established the legal basis for BBMs.

20. The Systemic Stability Council should be operationalized to oversee interagency cooperation on financial stability, supported by a dedicated sub-committee on systemic risk. The Systemic Stability Council (SSC) was established by Law 3867/2010 within the MoEF as a high-level interagency body currently 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.[25] Since its establishment in 2010, the SSC met only sporadically to address crisis issues.[26] The SSC should meet regularly, for example semi-annually around FSR publications, and use its broad composition to coordinate on cross-cutting financial stability issues. A systemic risk sub-committee, alongside a parallel sub-committee on crisis preparedness and coordination, should be established to ensure the separation of roles and responsibilities and avoid conflicts of interest. The sub-committee should leverage the financial sector expertise and data of the BoG and HCMC, complemented by the MoEF's policy perspective, to support system-wide risk monitoring and provide input to the FSR.[27] The SSC should be supported by a secretariat and regular communication through press releases after meetings.

[24] The BoG has also a member in the Board of Directors of the HCMC, currently the Director of Financial Stability.

[25] According to Law 3867/2010, the SSC members comprise the Minister of Finance (Chair), Deputy Ministers of Finance (fiscal and financial policy), Secretary General for Economic Policy, Governor and competent Deputy Governor of the Bank of Greece, Chairman of the Hellenic Capital Market Commission, and Chairman of the Public Debt Management Agency. The MoEF is currently in the process of reviewing and updating the SSC's composition.

[26] The Council has held four meetings during critical periods for the financial sector. Instead, authorities organized daily calls to monitor the situation and exchange information on the sectors under their respective remits, relying on an ad-hoc process when needed.

[27] The proposed SSC sub-committee for interagency crisis preparedness and coordination would focus on crisis resolution and coordination.

21. SSC recommendations on identified systemic risks to member institutions would help address inaction bias and ensure timely policy responses. The SSC can currently provide recommendations on issues related to European supervisory institutions. Recommendations should extend to systemic risk to create a formal mechanism that prompts timely policy responses and limits inaction bias (ESRB, 2011). Public or private recommendations would help anchor expectations and accountability by clearly allocating responsibility for follow-up actions (IMF–FSB–BIS, 2016; BIS, 2016). Experience in other EU jurisdictions suggests that recommendation powers enhance the credibility and traction of systemic risk surveillance, even when measures are non-binding (ESRB, 2014).

22. The authorities maintain close and systematic engagement with the ECB, the ESRB, and other EU bodies. The BoG and the HCMC participate actively in EU-level macroprudential policy discussions. As a member of the European System of Central Banks and the Single Supervisory Mechanism (SSM), the BoG regularly meets and exchanges views with the ECB and the ESRB. The BoG participates in the ECB's high-level decision-making bodies and, together with the HCMC, in the ESRB. It contributes actively to ECB/ESRB working and expert groups on specific risk issues. The BoG complies with the formal notification and review procedures under EU law. The BoG's macroprudential function is supported by access to SSM supervisory reporting and ECB/EBA stress tests, and the BoG submits extensive data under these arrangements. Furthermore, the FSD coordinates with, and presents on macroprudential measures to, the Joint Supervisory Teams (JSTs) for Greek Significant Institutions (SIs) upon request, supporting mutual information exchange.

23. The BoG adheres to the European reciprocity framework for macroprudential measures. Under Basel III, the Capital Requirements Directive (CRD IV) provides for mandatory reciprocity of the CCyB up to 2.5 percent. The Capital Requirements Regulation (CRR) further requires credit institutions to apply higher risk weights for residential real estate exposures or higher average loss-given-default parameters where these are set by host authorities. Reciprocity for other macroprudential measures is voluntary but strongly encouraged under the ESRB reciprocity framework (ESRB/2015/2). The BoG applies the reciprocity framework as recommended by the ESRB, assessing requests from other Member States on a case-by-case basis. Reciprocity is applied where appropriate, while 'explain' responses are provided when national specificities do not justify activation. The reciprocity requests are addressed through standard ESRB notification channels.

24. The BoG's international cooperation on systemic risk extends beyond the ECB and ESRB through structured participation in EU agencies and selected global fora. Within the EU, the BoG participates in the Board of Supervisors of the European Banking Authority (EBA), supporting convergence of supervisory and prudential standards relevant for systemic risk mitigation. As Greece's insurance supervisor, the BoG also contributes to work of the European Insurance and Occupational Pensions Authority (EIOPA) and is a member of the International Association of Insurance Supervisors (IAIS), providing channels to shape international discussions on insurance and financial stability. At the global level, the BoG is represented in the Financial Stability Board's (FSB) Regional Consultative Group for Europe, which facilitates dialogue on vulnerabilities and implementation of international financial reforms among European authorities.

By contrast, securities-market engagement with the European Securities and Markets Authority (ESMA) and the International Organization of Securities Commissions (IOSCO) is led by the HCMC rather than the BoG, reflecting the domestic allocation of sectoral mandates.

D. Recommendations

- Update the BoG's macroprudential policy strategy to incorporate borrower-based measures (BBMs), articulate the use of (PN) CCyB and BBMs over the cycle, and clarify indicators for CCyB release.
- Hold a press conference or briefing around the publication of the Financial Stability Review (FSR) and major macroprudential decisions.
- Consolidate macroprudential information and data from across the BoG website into a dedicated landing page to improve access and strengthen public accountability.
- Operationalize the Systemic Stability Council (SSC) to oversee interagency cooperation on financial stability and establish a sub-committee for systemic risk.

OPERATIONAL CAPACITY

25. Macroprudential policy requires sufficient operational capacity to assess systemic risks and to develop, implement, and enforce policy responses. Operational capacity rests on three core pillars: (i) adequate resources; (ii) access to data and information; and (iii) robust analytical frameworks, supported by well-defined policy toolkits and processes. Adequate resources are a key determinant of the ability to act, as effective systemic risk surveillance and policy implementation require skilled human capital, appropriate technology, and stable funding. Resources are also a key determinant of the willingness to act, as budgetary autonomy underpins operational independence (Elliott et al. (2010); Adrian et. al. (2023)). Limited data access weakens risk identification and constrains the calibration and ex post evaluation of policy instruments. Finally, robust indicators, models, methodologies, and policy processes are needed to map risk assessments into timely and proportionate macroprudential actions.

A. Resources

26. The FSD relies on highly skilled personnel, but capacity constraints are becoming more binding. The FSD comprises five divisions[28] and 32 full-time equivalent (FTE) staff, with headcount increasing slightly in recent years as new hires broadly offset outward mobility. Of these, 22 FTEs and two advisors are assigned to the FSD's four core divisions responsible for systemic risk and macroprudential policy, while 5 FTEs and one advisor are assigned to the Payment Systems

[28] The five divisions include Macroprudential Policy Division, Systemic Risk Monitoring Division, Risk Analysis Division, Internal Models and Supervisory Exercises Division, and Financial Infrastructure and Payment Systems Oversight Division.

Division, which does not perform macroprudential functions.[29] Staff capabilities are strong, with advanced degrees across diverse fields of expertise and a combination of long-term supervisory experience and industry backgrounds. Resourcing benefits from low staff turnover and a strong track record of the BoG, supported by competitive remuneration, a stable working environment, and clear career development prospects. However, the FSD faces emerging capacity constraints, compounded by limited flexibility in recruitment.[30]

27. Adequate resources will be needed as FSD responsibilities expand. The FSD has a broad mandate relative to its current staffing, with several major projects in the pipeline. In addition to its macroprudential tasks, it provides analytical support to the BSD's horizontal risk function and oversees financial market infrastructures and payment systems. The Internal Models and Supervisory Exercises Division is expected to assume responsibility for in-house macroprudential stress testing and the Central Credit Register analytics, alongside ongoing supervisory stress tests and AnaCredit reporting. The Macroprudential Policy Division requires sustained capacity to monitor, enforce, and, where needed, adjust the recently activated CCyB and BBMs. The FSD will also assume secretariat responsibilities for the re-established FSC and potentially the SSC. Resource pressures are most evident in the Internal Models and Macroprudential Policy Divisions, each staffed with 5 FTEs. While careful resource planning and prioritization will be important to sustain FSD capacity, additional resources may be considered as responsibilities expand.

B. Data Availability and Gaps

28. The BoG draws on a wide range of data to support systemic risk assessment and macroprudential policymaking. It collects and maintains extensive datasets covering the real economy, the banking sector, households, corporates, real estate markets, NBFIs, and financial markets, as well as cross-cutting risk dimensions such as interconnectedness, concentration, or climate-related risks. The BoG has extensive access to macroeconomic and financial data. The Greek Statistical Office (ELSTAT) produces macroeconomic data in line with the European Statistical System. The BoG uses several survey datasets collected by various domestic and international institutions,[31] as well as market-based information sourced by Bloomberg and other commercial providers. These data provide useful insights on vulnerabilities across financial and non-financial sectors in Greece and the Euro Area, supporting informed risk surveillance and macroprudential policy analysis.

29. The BoG benefits from comprehensive supervisory reporting for the banking sector. The BoG collects detailed supervisory data for the banking sector under the EBA Implementing

[29] During the conduct of the biennial EBA/ECB stress tests, typically 3-4 FTEs are seconded for up to one year to the ECB.

[30] To partly address these constraints, the FSD submitted a request for two FTEs in the context of the EU's Schuman Secondment Programme for project-related work, whereby employees from other national central banks are seconded for a 9–12-month period.

[31] For example, the BoG conducts the Bank Lending Survey, which offers qualitative insights into changes in credit standards and loan demand. Examples of external surveys include the Business and Consumer Survey conducted by the European Commission, and the Purchasing Managers' Index by S&P.

Technical Standards (ITS) framework. This includes regular reporting through COREP and FINREP, including liquidity (LCR and NSFR), large exposures, own funds, and asset-liability management templates. In addition to harmonized EU reporting, credit institutions remain subject to national reporting requirements covering supervisory, statistical, and other information needed for domestic oversight. The national framework also establishes reporting obligations for financial sector entities other than credit institutions that fall under the BoG's supervisory remit. Taken together, these arrangements provide a solid data foundation for banking sector surveillance and macroprudential risk assessment.

30. The BoG uses loan-level data for the corporate sector collected through the granular credit registry AnaCredit. The dataset covers all loans granted by Greek banks to non-bank legal entities, excluding natural persons, where the debtor's commitment amount is at least €5,000. AnaCredit captures more than 150 data fields,[32] providing detailed information on borrower characteristics and the terms and conditions of exposures, including loan features, collateral, or arrears. The data have been collected on a monthly basis since September 2018. The BoG distinguishes loans to new and existing obligors at both the bank and system levels. Information on underlying collateral is linked, via firm identifiers, to data from the firm register and firms' financial statements. For internal use, the BoG has developed a set of interactive dashboards to support analysis and dissemination of these data.

31. The Central Credit Register will further enhance the surveillance of household and real-estate risks through access to loan-level data. For the household sector, credit developments are currently monitored primarily using aggregate data on lending by domestic monetary financial institutions (MFIs), compiled by the BoG's Statistics Directorate. The BoG also cooperates with, and is gradually integrating analytical inputs from, the private credit registry TIRESIAS S.A., which provides monthly aggregate information on negative credit events for household loans. However, the BoG does not yet have access to loan-level household credit data, which constrains the effective monitoring of household loans. The BoG is in the process of implementing a Central Credit Register that will contain granular information on financial debt of natural persons and legal entities. Access to granular household loan data would help better target the surveillance of housing market risks and support more precise calibration and enforcement of borrower-based measures. Given that the Central Credit Register currently does not include borrower income data, future enhancements could consider addressing this gap after full implementation.

32. The Bank of Greece has established a dedicated data collection framework for residential and commercial real estate (RRE and CRE) loans and investments. The data collection, implemented from 2020, originally pursuant to Executive Committee Act 175/2/2020 as replaced by the Executive Committee's Act 231/3/2024, is based on the ESRB Recommendation of 31 October 2016 on closing real estate data gaps (ESRB/2016/14), as amended by Recommendation ESRB/2019/3.[33] It covers aggregate data and indicators on RRE and CRE loan

[32] See http://data.europa.eu/eli/reg/2016/867/oj.

[33] See Act 231/3/15.07.2024.

portfolios, as well as CRE investment exposures. The framework includes detailed borrower-based, loan-based, and collateral-based indicators (including LTV, loan-to-income, DSTI, debt-to-income, loan maturities, and interest-rate fixation) and the corresponding distributions. Lending and investment data is collected from domestic credit providers (including leasing firms), whereas REITs report data on CRE investments on a solo basis at quarterly frequency. Real estate market analysis could benefit from additional data, including regular data on vacancy rates in both residential and commercial real estate. The FSD supports analysis and monitoring through advanced business-intelligence tools and dashboards, enabling multi-dimensional monitoring of the enacted BBMs.[34]

33. The BoG draws on multiple data sources to monitor NBFIs and assess their contribution to systemic risk. The BoG relies on prudential supervisory data for the monitoring of insurance undertakings, other financial institutions (i.e., leasing, factoring and microfinance entities) and credit servicers. For the various categories of funds (i.e., mutual funds, investment funds, equity funds, etc.) and in general the other entities of the financial system supervised by the HCMC, data are sourced on a regular or ad hoc basis, if deemed necessary, through the standing MoU that has been signed between BoG and the HCMC.[35] The BoG also leverages data from the Hellenic Fund and Asset Management Association (HEFAMA). Based on this dataset, a deep dive analysis on the structure of UCITS with respect to assets and the type of funds and returns by UCITS categories, respectively, has been performed. Relevant indicators are also identified to be embedded in the systemic risk heatmap developed by FSD for the monitoring of systemic risks in the Greek financial system.

34. The data infrastructure supporting systemic risk surveillance is well developed and increasingly integrated, reflecting sustained investment by the authorities. The architecture links multiple datasets with customized analytics layers that feed into the FSD's risk surveillance tools. Indicators derived from these datasets populate the Systemic Risk Heatmap and a suite of dashboards that constitute the core monitoring instruments of the FSD. A further data-automation initiative is underway, in cooperation with the Information Systems Directorate, to streamline data ingestion, processing, and governance by leveraging the existing Research and Economic Analysis Database (READ) platform**.**

C. Risk Analysis and Modeling

35. The BoG employs a comprehensive risk surveillance framework. Systemic risk assessment is system-wide and primarily focused on the dominant banking sector, with banking assets accounting for about 85 percent of total financial sector assets and comparatively limited

[34] The BoG has set up a dedicated Working Group and secured funding from the National Recovery and Resilience Plan "Greece 2.0." The two Bank of Greece Governor's Acts which form the legal basis for the central credit register's development are 2677/19.05.17 and 2692/30.06.23. Monthly data submission by creditors (including nonbank institutions) started in July 2024. The register went live on January 23, 2026.

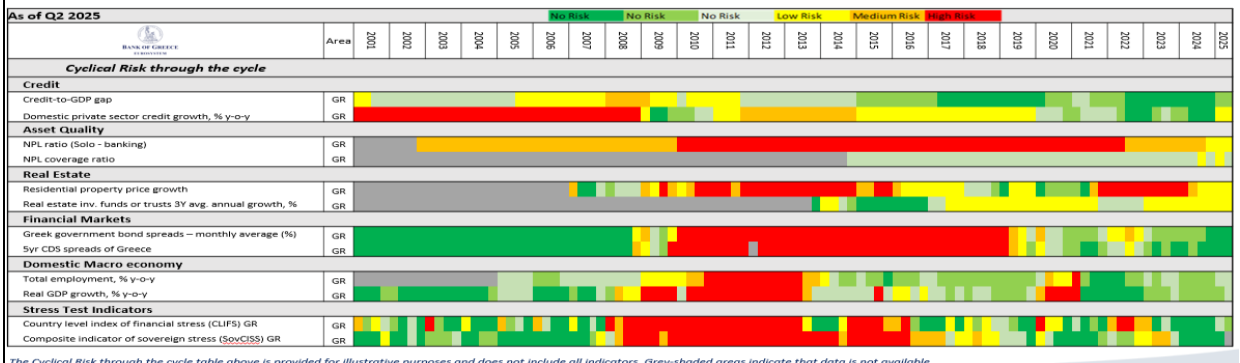
[35] For example, the HCMC sends on a quarterly basis reporting on Real Estate Investment Trusts collected pursuant to the ECA 231/3/2024 reporting framework.

NBFI risks.[36] The FSD also monitors the financial condition of non-financial corporates and households, with particular attention to residential and commercial real estate vulnerabilities. Developments in financial market infrastructures and payment systems are monitored separately for their potential impact on financial stability. This structured approach supports a system-wide perspective while accounting for the specificities of the Greek financial system.

36. The FSD uses a rich set of heatmaps, internal dashboards, and reports to support risk assessment and policy analysis. It leverages an extensive data infrastructure to construct indicators that feed directly into the Systemic Risk Heatmap, a complementary set of internal risk dashboards, and risk assessment frameworks. The analytical toolkit underpins the directorate's regular monthly and quarterly risk reporting to senior management, as well as the preparation of the semi-annual FSR. Consistent with best practices, a guided discretion approach is used wherein analytical insights from toolkits are supported by judgement that considers all relevant information. Together, this combined approach forms the backbone of FSD's system-wide risk surveillance, supporting the identification, monitoring, and assessment of systemic and emerging risks across banking and non-banking sectors.

37. The Systemic Risk Heatmap is a core analytical tool supporting the BoG's system-wide assessment of financial stability risks. It has been developed to internally monitor and visually identify the evolution of systemic risks in the Greek financial system over time. The heatmap applies a traffic-light approach to a matrix of 73 risk and performance indicators, organized across 12 dimensions,[37] and grouped under three broad categories: cyclical, structural, and NBFI-related factors (Figure 1). It uses six colors to signal varying risk intensities and captures both the current level of risks and shifts in underlying trends. While the heatmap primarily supports cross-sectoral systemic risk analysis, the FSD plans to further integrate the tool into policy analysis over the medium term.

Figure 1. Greece: Systemic Risk Heatmap



Source: Bank of Greece.

[36] In addition, banks control several insurance undertakings, asset management subsidiaries, and a significant share of leasing and factoring companies in Greece.

[37] For the banking sector, the dimensions include credit, asset quality, profitability, soundness, concentration, and systemic liquidity. Market-related risks are captured primarily through real estate and financial market indicators. Macro-financial and non-bank financial sector risks are assessed through macroeconomic, NBFI, insurance, and financial stress indicators.

38. Despite some data gaps, the BoG employs RRE and CRE frameworks that align closely with the ESRB risk assessment frameworks on Real Estate Risks. Both RRE and CRE monitoring frameworks involve multiple steps with quantitative analyses based on a set of commonly used risk indicators on price dynamics, loan dynamics, lending standards, and supply conditions, augmented by additional indicators to capture Greece-specific factors, such as foreign direct investment and Gold Visa applications (Box 1). For RRE, in the absence of household credit registry, the BoG mainly relies on bank-level reporting on the total amount of loans and the distributions of risk indicators (e.g., LTV, DSTI, etc.). Banks' reporting covers government programs that provide subsidized financing to support housing affordability (My Home, My Home II), but RRE loan disbursement linked to these programs and their lending standards are not separately monitored by the BoG. For CRE, the BoG obtains loan-level information from AnaCredit which enables it to conduct more granular analyses to support risk monitoring. CRE price indices are currently compiled at semi-annual frequency, while higher frequency might be more desirable as developments in CRE markets usually feature strong procyclicality (ESRB/2016/14).

Box 1. Greece: BoG's Real Estate Monitoring Framework

The Bank of Greece (BoG) has established frameworks to monitor and assess risks from the residential real estate (RRE) and commercial real estate (CRE) sector, guided by the corresponding risk assessment frameworks by the ESRB (ESRB/2016/14, ESRB/2019/3).

RRE Risk Monitoring: The key RRE price indicator is the index of apartment prices, for which the BoG has developed detailed sub-indices (e.g., by geographical areas, age) in addition to the nation-wide aggregate index, based on appraisal values underlying loan agreements.[1] The RRE risk monitoring framework includes two major modules, one focusing on monitoring household financial conditions, and the other on banks' RRE lending standards. Key indicators with respect to household financial conditions include credit growth, household debt and wealth, interest rate risk indicators, income and unemployment, and house price movements. The lending standards are monitored for both the credit origination criteria (e.g., DSTI, loan-service-to-income, LTV, all at origination) and the risk profile of the outstanding RRE portfolio (e.g., LTV of the current stock, non-performing exposures). Given the importance of external demand, the BoG also monitors the foreign direct investment into real estate as well as the implementation status of the Golden Visa program. On the supply side, the BoG monitors the evolution of building permits (compiled by ELSTAT) to assess the pace of housing stock replenishment.

CRE Risk Monitoring:[2] The monitoring involves multiple sequential steps. First, the cyclical position of the CRE market is assessed by looking at mainly the CRE price gap, i.e., the CRE price deviation from its long-term trend. The cyclical position is assessed separately for the office and retail segments. Then a quantitative assessment is conducted, including via examining the collateral value of CRE properties, income and capital flows into CRE, financing conditions of CRE projects, and the potential spillover of CRE vulnerabilities to the rest of the economy. The quantitative assessment is further augmented by a qualitative assessment featuring, inter alia, indicators which capture similar aspects but due to data limitation (e.g., time series too short) are not robust enough to be included in quantitative assessment. The qualitative assessment also incorporates expert judgement to account for national specificities. Under a framework of guided discretion, the outcome of the qualitative step may lead to a measured adjustment of the result derived from the quantitative assessment. Lastly, an overall assessment is provided incorporating

Box 1. Greece: BoG's Real Estate Monitoring Framework (concluded)

results from the previous steps along with a forward-looking view of the position of the CRE cycle, informing the BoG's view on whether mitigation measures against emerging risks are needed.

Source: Bank of Greece.

[1] BoG's residential and commercial property price indices.

[2] BoG, Financial Stability Review, October 2024. Special Feature I.

39. Sovereign-bank nexus vulnerabilities are regularly monitored to inform systemic risk assessments and policy analysis. The BoG closely tracks banks' links to the sovereign through direct and indirect transmission channels and across different risk dimensions. Analysis of direct exposures focuses on banks' portfolios of Treasury bills, government bonds, and loans. Monitoring of indirect exposures includes primarily deferred tax credits (DTCs), guarantees provided under HAPS securitizations, and other government guarantees. Sovereign risk is also reflected in several internal risk dashboards, including government debt sustainability indicators used in cyclical risk analysis. The use of sensitivity and scenario analysis to monitor the sovereign-bank nexus could be further enhanced, as top-down stress testing for the Greek banking sector is currently outsourced to the ECB.

Table 3. Greece: Risk Assessment Frameworks and Tools

Type of risk	Framework and Tools	Sub-categories (# of indicators)
Broad-based	Systemic Risk Heatmap	3 individual heatmaps, 12 subsections
	• Cyclical Risk Heatmap	Credit (7)* Asset quality (4) Profitability (5) Real estate (8) Financial markets (9) Domestic macroeconomy (9) Stress indicators (12)
	• Structural Risk Heatmap	Banking soundness indicators (10) Banking sector concentration (2) Systemic liquidity (9)
	• Non-Bank Risk Heatmap	Insurance sector indicators (7) Non-Bank financial intermediaries (2)
Banking sector	• Interactive dashboards (13) (Internal)	Bank Overview New Lending Asset Quality Network Contagion Concentration Risk Etc.
	• Quarterly risk reports (8) (Internal)	Large exposures Liquidity and Funding Market Risk and IRRBB RWA and Capital
Corporate sector	Indicators of financial situation of firms: • Activity and performance • Financing conditions • Market-based funding • Lending conditions	Sectoral turnover Aggregate operating surplus Lending rates and changes Bank lending survey Corporate bond issuances
	CRE risk framework: • Cyclical position • Quantitative assessment • Qualitative assessment	 Cyclical Position (0+3) Collateral (4+3) Income and Activity (4+2) Financing (2+5) Spillover (5+1)

Table 3. Greece: Risk Assessment Frameworks and Tools (concluded)

Type of risk	Framework and Tools	Sub-categories (# of indicators)
Household sector	Household and Residential Real Estate (RRE) Related Risk Analysis	
	• Household Financial Conditions	Credit and indebtedness (1) Interest rate (3) Income (2) House prices (4) Integrated assessment (2)
	• RRE Lending Standards	Credit origination profile (5) Risk profile (2)
Liquidity/funding	• LCR, NSFR, and components • Complementary analytical indicators • Stress tests and survival-period anlayses	LCR (30-day and 35-day) NSFR Asset encumbrance Counterbalancing capacity Funding concentration

Sources: BoG and IMF staff.

Note (*): The figures in brackets refer to the number of indicators for quantitative and qualitative assessment, respectively. The use of specific indicators is indicative and may vary depending on their relevance in each assessment cycle.

40. The BoG should establish an in-house macroprudential stress testing toolkit to enable more flexible and targeted assessments of banking sector resilience. While the BoG regularly conducts supervisory solvency stress tests for LSIs, as well as liquidity stress tests and the Interconnectedness Analysis, it relies on the ECB's top-down stress tests for macroprudential solvency analysis of the Greek banking sector. The authorities are actively advancing plans to establish an in-house macroprudential stress testing framework, with knowledge transfer supported by the ongoing involvement of FSD staff in ECB/SSM working groups and close monitoring of ECB exercises. Establishing its own macroprudential stress testing capability would enable regular and targeted assessments of banking sector resilience outside the ECB/EBA cycle. Iterative, model-driven analysis incorporating macro-financial feedback effects would enhance the assessment of specific vulnerabilities, including the sovereign-bank nexus, and support the calibration of macroprudential policy measures, including the PN CCyB target rate.

41. The BoG should continue to develop quantitative modeling frameworks to complement its indicator-based assessments. The FSD already employs several model-based indicators such as Country -Level Index of Financial Stress (CLIFS) or Composite Indicator of Sovereign Distress (SovCISS). Further development of models to support macroprudential stress-testing and the calibration of macroprudential measures would help strengthen the existing indicator-based assessments. Building on its strong analytical capacity and established internal collaboration,[38] the FSD should prioritize model development in areas most relevant to Greece, including the credit cycle, feedback loops between the real economy and the banking sector, or legacy NPL issues (e.g., IMF, 2025c; Górnicka and Valderrama, 2020).

[38] The FSD engages regularly with the Economic Analysis and Research Directorate (EARD), including through joint research projects.

D. Policy Design and Evaluation

42. The BoG has developed a set of methodologies for the calibration of the activated macroprudential instruments. These comprise the CCyB framework, O-SII buffers, and BBMs, including LTV and DSTI caps. The methodologies are fully integrated into the macroprudential policy cycle, ensuring a clear link between systemic risk assessment, measure activation and policy implementation, as well as ongoing monitoring and enforcement.

43. The BoG has progressively refined its CCyB methodology over time. The original approach relied on the standardized credit-to-GDP (Basel) gap, supplemented by supporting indicators and guided discretion in the quarterly Cyclical Risk Assessment.[39] Consistent with other countries' experience,[40] the weak empirical performance of the standardized credit-to-GDP gap led the BoG to revise the framework, reducing reliance on the Basel gap and giving more weight to the assessment of supporting indicators.[41] In 2024, the BoG adopted a PN CCyB framework that anchors the CCyB to a positive-neutral rate over the medium term.[42] The framework retains the Cyclical Risk Assessment and guided discretion as integral parts of the BoG decisions to recalibrate the CCyB rate.

44. The BBM methodology combined quantitative simulations with impact assessments of proposed LTV and DSTI caps. The calibration of LTV and DSTI caps differentiated between first- and second-time buyers, drawing on Hejlová et al. (2021). LTV caps were anchored in a 'risky LTV' metric identified through the degree of house price overvaluation. DSTI caps were calibrated based on households' financial reserve under stress, which accounted for the subsistence level to be deducted from income. An impact assessment quantified the share of newly originated RRE loans that would not have been constrained under the proposed LTV and DSTI caps. The calibration also considered banks' credit origination practices and relevant measures adopted by EU peers.[43]

45. BBM implementation and effectiveness are closely monitored through an ex-post evaluation framework. The FSD established a structured monitoring approach after BBMs were activated in January 2025. Follow-up measures include supervisory reviews and, in close cooperation with the Supervised Institutions Inspection Directorate, potential on-site inspections to assess how BBMs are embedded in banks' lending activities. Using the reporting framework under ECA 231/3/2024, the FSD assesses compliance with hard LTV and DSTI limits, the impact on new mortgage lending, and implications for portfolio-level probability of default (PD) and loss given default (LGD). An interactive dashboard tracks institution-level compliance over time, and results

[39] See ECA 55/18.12.2015.

[40] See e.g., Döme and Sigmund (2025); ESRB Special feature B: Use of the countercyclical capital buffer – a cross-country comparative analysis.

[41] See ECA 202/1/11.03.2022. Consistent with ESRB Recommendation (ESRB/2014/1), the indicators are broadly organized into six categories: credit developments (incl. credit-to-GDP gap), private sector indebtedness, potential overvaluation of property prices, bank balance sheet strength, external imbalances, and potential mispricing of risk.

[42] See ECA 235/1/07.10.2024 and ¶52-55.

[43] The BBM calibration was further informed by IMF microsimulation analysis (IMF, 2024), which provided supporting estimates of the expected impact on credit volumes, residential real estate prices, and borrower exclusion.

are summarized in a quarterly internal report on RRE lending and credit standards circulated to the FSD and BSD. Limited data history currently constrains a more comprehensive assessment of BBM effectiveness.

46. The methodology for O-SII buffers is closely aligned with the EU legislation. The BoG has adopted the O-SII methodology by transposing the EBA guidelines for the assessment of O-SIIs[44] through the ECA 56/18.12.2015. The O-SII methodology for assessment of O-SIIs and setting of O-SII buffer rates is based on the scoring approach to determine a financial institution's systemic importance. The scores aggregate information for four predetermined categories: size, importance for the economy, complexity, and interconnectedness. The methodology for setting O-SII buffer rates has incorporated the revised ECB O-SII floor methodology,[45] and is aligned with the ECB's enhanced treatment of O-SIIs in the Banking Union.[46] The FSD assumed responsibility for O-SII identification and O-SII buffer setting from the BSD in 2022.

E. Recommendations

- Ensure adequate resourcing to address capacity constraints arising from the expanding responsibilities of the FSD.
- Implement the Central Credit Register on financial debt of natural persons and legal entities to enhance risk assessment and effective design and policy analysis.
- Establish an in-house macroprudential stress-testing capability to enable more flexible and targeted risk and policy assessments.

SYSTEMIC RISK AND MACROPRUDENTIAL POLICY

47. The BoG has recently activated several key instruments in its macroprudential toolkit. While the BoG established its macroprudential toolkit in early 2010s, the prolonged and severe sovereign debt crisis severely constrained the macroprudential policy space and delayed toolkit implementation relative to its EU peers. The gradual phase-in of O-SII buffers for the four largest banks starting in 2019 marked a shift toward a more proactive and operational macroprudential policy stance (Table 4). After the Covid-19 disruption, the recent adoption of a PN CCyB framework and activation of the CCyB in October 2024 further aligned Greece with broader EU practice. Finally, the implementation of binding LTV and DSTI limits in 2025 represents a major step in operationalizing the BBM framework enacted in the legislation a year earlier. These developments materially improve the BoG's capacity to manage systemic risks and safeguard financial stability in Greece.

[44] See EBA/GL/2014/10.

[45] See ECB (2022), pursuant to ECA 221/1/17.10.2023.

[46] See ECB (2024a).

48. This section evaluates the adequacy of macroprudential settings in Greece in light of prevailing systemic vulnerabilities. The assessment draws on the systemic risk analysis and stress testing conducted by the Systemic Risk workstream (see Technical Note on Systemic Risk Analysis). Systemic risks are identified using the indicators outlined in the IMF Staff Guidance Notes (IMF 2014a, IMF 2014b). The analysis focuses on the adequacy of the current macroprudential measures and, where warranted, provides recommendations to adjust macroprudential policy settings.

Table 4. Greece: Current Macroprudential Settings

Tool	*Tool Description or Calibration*
Broad-Based Tools Applied to the Banking Sector	
Countercyclical capital buffer	Currently at 0.25 percent; 0.5 percent applicate from Oct 1, 2026
Capital conservation buffer	2.5 percent
Limit on leverage ratio	3 percent
Forward-looking loan loss provisioning requirement	IFRS 9 was implemented in Jan 1, 2018
Household Sector Tools	
Cap on loan-to-value ratio	90 percent for first-time buyers, 80 percent for second and subsequent buyers
Cap on debt-to-income ratio	No
Cap on debt-service-to-income ratio	50 percent for first-time buyers, 40 percent for second and subsequent buyers
Limit on amortization periods	No
Restrictions on unsecured loans	No
Liquidity Tools Applied to the Banking Sector	
Liquidity Coverage Ratio	At least 100 percent
Net Stable Funding Ratio	At least 100 percent
Tools to Address Systemic Liquidity Risk and Fire Sale Risk in the Nonbank Sector	
Asset management industry	No
Insurance companies	No
Pension funds	No
Central counterparty clearing	Capital requirement; margin requirement and forward-looking margin methodologies, liquidity risk controls (access to credit lines and caps a clearing member, parent enterprise, or subsidiary of that clearing member together could provide these credit lines, et.), a framework for the recovery and resolution of CCPs, and measures to mitigate excessive exposures to third-country CCPs and improve the efficiency of Union clearing markets
Tools to Address Risks from Systemically Important Institutions and Interconnectedness within the Financial System	
Capital surcharges for systemically important institutions	One SI at 1.25 percent on a consolidated basis or 1 percent on a solo basis; the other three SIs all at 1 percent

Sources: Integrated Macroprudential Policy (iMaPP) Database, IMF; and BoG.

A. Broad-Based Vulnerabilities and Tools

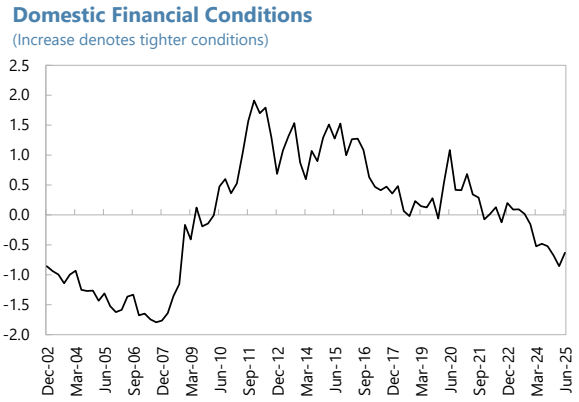
49. The overall banking sector situation has been improving, benefiting from the strong post-pandemic recovery and policy initiatives to clear NPLs from banks' balance sheets. Reflecting the upgrade of sovereign and banks' credit rating to investment grade, domestic

financial conditions have normalized from the tight levels during the crisis period (Figure 2).[47] Following the ECB's monetary easing starting 2024, Greek banks' key lending rates have also eased. However, lending continued to be hampered by legacy weaknesses. Credit to households is still very low compared to historical levels, although housing loan deleveraging appears to have concluded and net housing loans started to grow in late-2025. Lending to corporates underwent robust growth in recent years, supported by loans associated with the Recovery and Resilience Facility (RRF); however, lending is concentrated in large corporates with high overlapping exposures to the same large corporates among the SIs. Loans to corporates are predominantly in euros. Due to the significant deleveraging of the past decade, the Basel credit gap measure, though narrowing, remains deeply negative.

50. A structural approach[48] suggests a broadly neutral credit gap at end-2024, indicating a standard risk environment. The model suggests positive credit gaps during the sovereign debt crisis as the long-term trend was suppressed by elevated risk premium and low deposits. Rising inflation coupled with lagged monetary policy tightening effectively lowered the real rate, temporarily pushing up the trend and leading to negative gaps in 2021-22. The gap is almost closed towards the end of 2024 amid the still tight monetary policy and lower inflation expectation. The assessment of the standard risk environment is also supported by other cyclical indicators such as banks' leverage and lending margins, or the stabilizing current account (Figure 3). Prices showed solid growth for both RRE and CRE, but these are partially due to supply-side constraints (¶68).

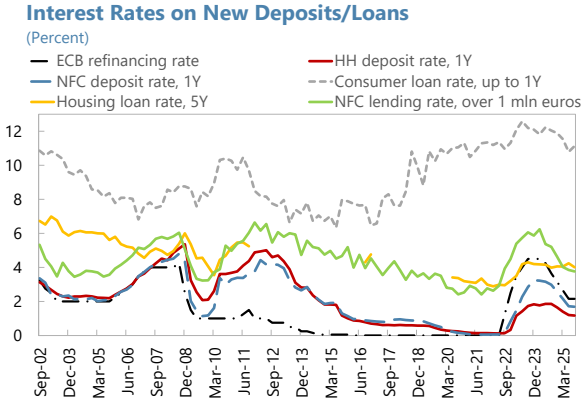
Figure 2. Greece: Broad Credit Conditions

Domestic financial conditions have largely normalized from the highly restrictive levels observed during the crisis.



Sources: Bank of Greece; Haver Analytics; and IMF staff calculation.

Interest rates started to decline since 2024 as the ECB eases its policy stance.



Sources: Bank of Greece; European Central Bank; and Haver Analytics.

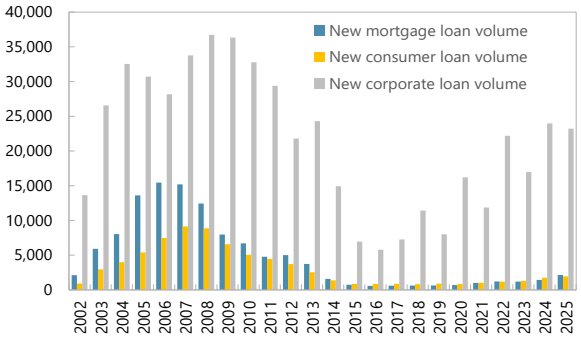
[47] A domestic financial conditions index is constructed with Greece-specific factors such as sovereign and corporate borrowing spread, inflation, and stock market development (see Box 2 for the full list of variables used), which points to a normalization of the domestic financial conditions.

[48] See Baba Chikako et al. (2020). The structural approach focuses on the deviation of the per capita credit to the private sector from a long-term trend calculated in an error correction framework, taking into consideration both long-term trends of the following structural drivers: per capita GDP, per capita deposit by the private sector, the real interest rate, and the old-age dependency ratio.

Figure 2. Greece: Broad Credit Conditions (concluded)

Legacy vulnerabilities continue to hamper extending credits to households, while credits to corporates undergo robust expansion partially supported by RRF loans.

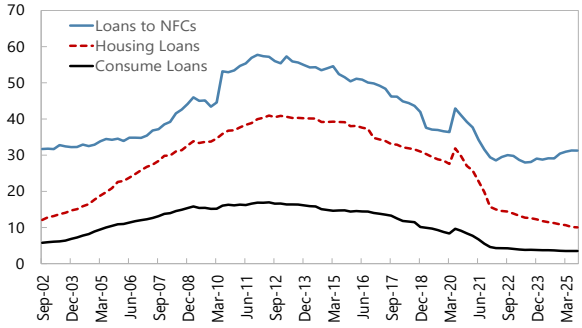
New Loans to Private Sector
(Million euros)



Sources: Bank of Greece; Haver Analytics.

Domestic credit-to-GDP has stabilized as the re-leveraging of the corporate sector is broadly offset by household deleveraging.

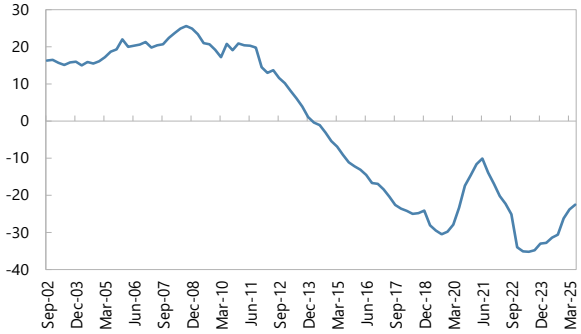
Outstanding Loans to the Private Sector
(Percent of GDP)



Sources: Bank of Greece; Haver Analytics; and IMF staff calculation.

The Basel credit gap remains deeply negative, though the gap has narrowed recently.

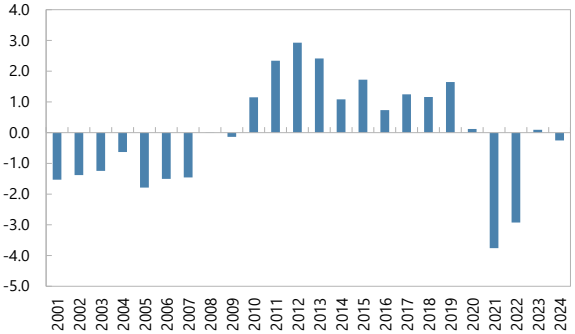
Basel Credit Gap Estimate
(Percent of GDP)



Sources: Bank for International Settlements and Haver Analytics.

A model-estimated credit gap suggests a broadly neutral stance in 2024.

Structural Credit Gap Estimate
(Deviation of log per capita credit to private sector from structural trend)

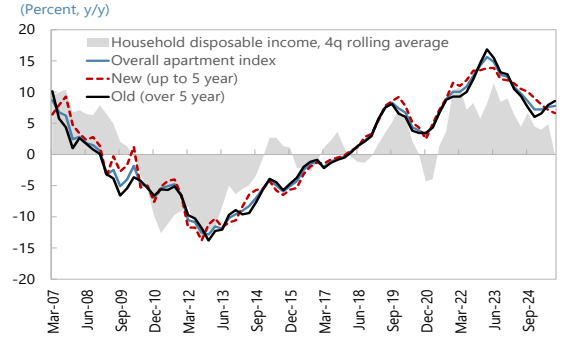


Sources: Bank of Greece; Eurostat; Haver Analytics; and IMF staff calculation.

Figure 3. Greece: Additional Cyclical Indicators

Residential real estate prices have experienced above-income growth but have recently started to decelerate.

Residential Real Estate Price Index, 2007Q1-2025Q3
(Percent, y/y)



Commercial real estate prices have recovered to 2010 levels. Retail price-to-rent ratio is on the rise.

Office and Retail Price Indices, 2010Q1-2025Q2
(2010 = 100; price-to-rent ratio in percent)

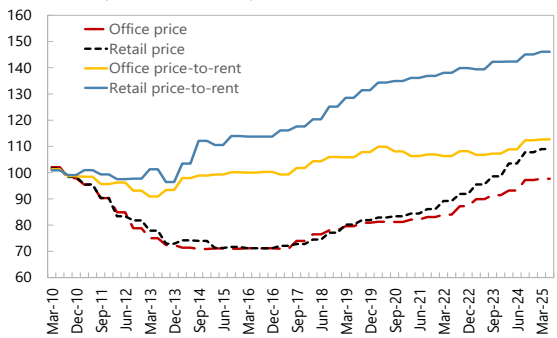
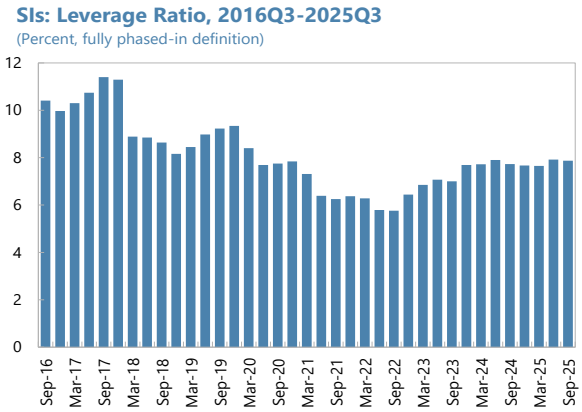
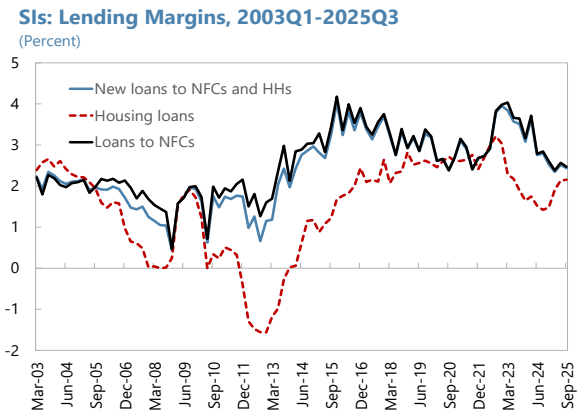


Figure 3. Greece: Additional Cyclical Indicators (concluded)

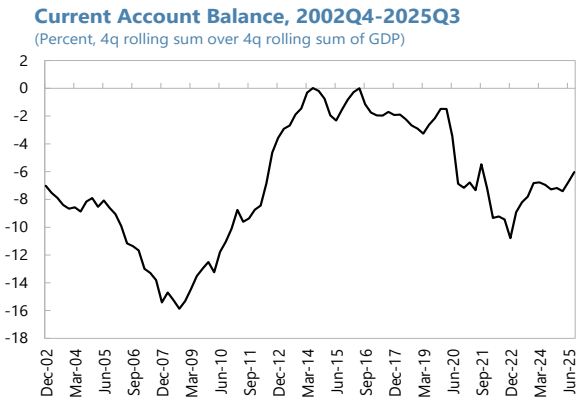
The leverage ratio of SIs has been stable since 2023…



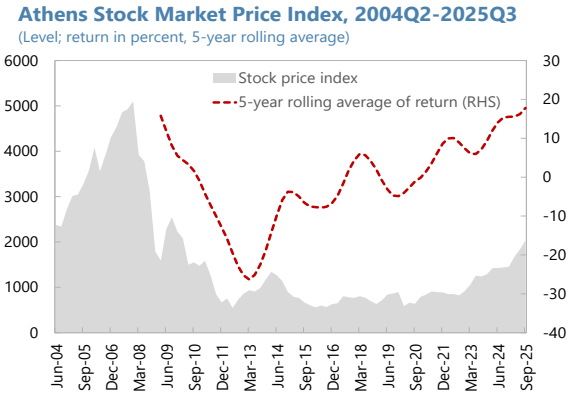
…while lending margins on new loans have normalized from the elevated levels in 2023 and early 2024.



The current account deficit remains elevated but shows signs of moderation in recent quarters.



The Greek stock market index has seen strong recent returns but remains well below its pre-crisis peak.



Sources: Bank of Greece; ELSTAT; European Central Bank; Haver Analytics; and IMF staff calculation.

51. The CCyB settings are consistent with a standard risk environment, but further tightening may be warranted if cyclical risks continue to accumulate. The CCyB rate was raised to 0.25 percent in October 2024, with a further increase to 0.5 percent announced in October 2025 (effective October 2026), reaching the PN CCyB target rate.[49] The early and gradual CCyB tightening reflects the BoG's favorable assessment of cyclical conditions in the banking sector and a generally stable macro-financial environment. The BoG assessment has been supported by ongoing sustained bank profitability, the generally healthy voluntary capital buffers, and the recent restoration of investment-grade ratings for the sovereign and major banks, among other factors. The timing of PN CCyB activation is consistent with the concept of a standard risk environment, when cyclical systemic risks are neither elevated nor subdued.[50] While the current CCyB settings are considered adequate, the BoG should stand ready to tighten the CCyB if cyclical risks increase further.

[49] See ECA 248/1/06.10.2025.

[50] See the PN CCyB approach outlined by the BoG in ECA 235/1/07.10.2024.

52. The FSAP welcomes the BoG's adoption of a positive-neutral (PN) CCyB framework. The PN CCyB approach aims for a non-zero target rate when risks are judged neither subdued nor elevated (BCBS, 2022), resulting in a releasable buffer[51] that can be reduced in periods of moderate stress. The BoG, similar to other EA authorities, drew lessons from the pandemic, when Greek banks had zero releasable buffers post-crisis (Miettinen and Nier, 2025). In countries that released capital buffers, the releases created additional capital headroom and helped sustain credit provision.[52] The pandemic experience also underscored the need for releasable buffers that address risks not necessarily related to the credit cycle. Moreover, the PN CCyB helps to enhance long-term predictability and transparency of the CCyB framework (ECB-ESRB, 2025). The IMF has recommended the PN CCyB in a number of recent FSAPs, including in Belgium, Finland, France, Luxembourg, Slovakia, Spain, and the Euro Area.

53. The PN CCyB target rate at 0.5 percent, informed by expert judgment, is at the lower end of the range observed among EU peers. Most EU authorities that have introduced a PN CCyB have calibrated the PN CCyB target rate in the range of 1 to 2 percent. Similar to other EU countries, expert judgment played an important role in determining the PN CCyB target rate.[53] However, other EU countries typically complement qualitative judgment with one or more quantitative approaches to support their calibration (Table 5).

Table 5. Greece: PN CCyB Calibration Approaches in Other EU/EEA Countries

Calibration method	Country
Expert judgement	CY, EE, IE, SE, LV, NL, SI, PT, HU
Historical bank losses	CY, CZ, EE, NL, HU
Stress test models	EE, ES, IE, LT, LV, PT, SI
Empirical macroeconomic models	CZ, IE
Other	PL, LV, NL, SI, HU

Sources: ECB/ESRB (2025).

54. The BoG should strengthen the quantitative foundations for calibrating the PN CCyB to ensure the adequacy of releasable buffers. Given its central role in the PN CCyB framework, it would be useful for the PN CCyB target rate to be supported by a quantitative calibration, complementing and enhancing the role of expert judgment. While the question on the optimal calibration of the PN CCyB rate has not yet been fully resolved, several quantitative approaches have been commonly applied based on macroprudential stress tests, historical bank losses, or

[51] Both the ECB and ESRB define releasable buffers as being made up of the CCyB and the SyRB (ECB-ESRB, 2025). Under Basel standards, all capital buffers (CCoB, CCyB, G-SIB/D-SIB buffers, and the EU SyRB) are usable, meaning banks may draw them down in stress subject to distribution restrictions. However, only the CCyB and the SyRB are explicitly releasable by authorities in system-wide stress, allowing banks to absorb losses and maintain lending without being constrained by those restrictions.

[52] For empirical evidence, see e.g., studies for the Euro Area (Couaillier et al., 2022), EU countries (Dursun-de Neef et al., 2023, Bedayo and Galan, 2024), the UK (Mathur et al., 2023), or HKSAR (Wong et al., 2022).

[53] The criteria reflected among others the banking sector specificities relating to profitability, capitalization, as well as other prudential and structural features of the Greek banking system.

empirical macroeconomic models[54]. The FSAP team conducted an illustrative quantitative exercise using solvency stress tests to discuss the potential approach to the calibration of the PN CCyB target rate (Box 2). In this context, the implementation of a macroprudential stress testing toolkit considered by the BoG can provide useful support for the calibration exercise, while complementary approaches could enhance the robustness of the quantitative analysis. The PN CCyB review should take place in line with evolving best practice and broader EU macroprudential policy developments.[55] The potential readjustment of the PN CCyB target rate closer to the EU peers should also consider the phase of the financial cycle and banks' capital positions to avoid unintended procyclical effects.

Box 2. Greece: Using Stress Tests to Calibrate the PN CCyB Target Rate

This exercise serves as an illustration of the potential calibration of the PN CCyB target rate. Stress testing approaches calibrate the PN CCyB rate by estimating the capital shortfall resulting from a moderately adverse scenario that would be consistent with a standard risk environment (Miettinen and Nier, 2025). The resilience needed under moderate scenarios should cover stress events that will tend to occur more frequently than the extreme stress events typically used to test the solvency of the banking sector. The PN CCyB target rate should also be large enough so that its release during a moderate stress period would provide banks with a sufficient voluntary buffer that makes them confident enough to continue lending.

As part of the stress test, several moderate scenarios can be assumed which imply a range of capital depletions $[D_L, D_H]$ to consider. The final proposed range for the PN CCyB target rate can be written as the sum of the capital depletion (D) and the post-release minimum voluntary capital buffer (B):

$$\text{PNRB} \in [B + D_L, B + D_H]$$

As an illustration, we present an exercise that leverages FSAP stress tests and a growth-at-risk analysis to help determine the capital depletion D. The analysis considered the same shocks and transmission channels captured by the FSAP stress test scenarios. The Growth-at-Risk framework (see e.g., Adrian et al., 2019) is used to characterize the moderate version of the FSAP stress test scenarios. After the moderate risk scenarios have been determined, the bank solvency stress test has been rerun to obtain the capital depletion suffered by banks.

The following steps were performed:

- Modeling growth at risk: $\widehat{Q}(y_{t+h}, \tau \mid X_t) = \widehat{\alpha}^{\tau} + X_t \widehat{\beta}^{\tau}$, where the dependent variable is the year-on-year real GDP growth from 2002Q4 to 2025Q2. The explanatory variables are aggregated into

[54] For example, the ECB developed a suite of models for the calibration of the PN CCyB target rate, including the Risk-to-Buffer approach, an empirical macro model to obtain PN CCyB rate based on prevailing cyclical systemic risk conditions (Couallier and Scalone, 2024; Herrera et al, 2025); Losses-to-Buffer model using historical bank losses (De Nora et al., 2025), and a stress-testing approach embedded in the BEAST framework (see ECB, 2025a).

[55] See e.g., EA FSAP 2025 recommendation on PN CCyB.

Box 2. Greece: Using Stress Tests to Calibrate the PN CCyB Target Rate (continued)

factors shown in the Box Table by running principal component analysis. The factors are constructed to capture the domestic financial conditions, Euro Area monetary policy, banking sector condition, and external demand.

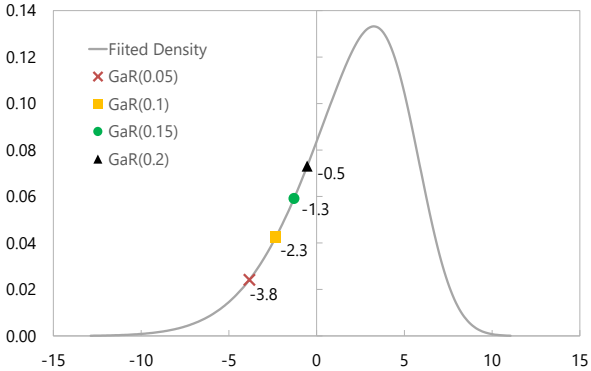
Table 1. Greece: Growth at Risk: Variables Used to Construct Regressors

Greek FCI	Euro Area FCI	Banking Sector Condition	External Demand Condition
Sovereign spread over 10Y Bund	ECB refinancing rate	Tier-1 capital ratio	Real GDP growth of EU, UK, US
NFC borrowing spread	Term spread: 3m - overnight, 2y - 3m, 10y - 2y	NPL ratio	Tourist arrivals and receipts
HICP y/y change	Net liquidity provision by Eurosystem, level and growth	Return to equity	
Stock market index, level and growth		Liquidity coverage ratio	
Stock market volatility		Cost of risk	
Net liquidity provision by Eurosystem, level and growth		Deposit growth by NFCs and HHs	

Source: IMF staff.

- Characterizing moderate scenarios to anchor PN CCyB calibration using the estimated growth distribution. For the case of Greece, the 4-quarter ahead forecasted growth at the 5th percentile is -3.8 percent, at the 10th percentile -2.3 percent, and -1.3 percent and -0.5 percent at the 15th and 20th percentile, respectively. Given Greece's past crisis experience, scenarios implied by the lower end of the growth distribution (e.g., the 5th and 10th percentiles) could correspond to severe rather than moderate stress conditions. Hence, we anchor the moderate scenarios for the PN CCyB calibration to the 15th or 20th percentiles.

Forecasted Density, 4-Quarter Ahead
(Fitted to a skewed normal distribution)



Sources: Bank of Greece; Eurostat; Haver Analytics; and IMF staff estimates.

Table 2. Greece: Recessionary vs. Mild Scenarios
(Percent, average over 3Y horizon)

	Baseline Scenario	Recessionary Scenario	Mild Scenario
Real GDP growth	2.1	-1.6	-0.5 to -1.3
Unemployment rate	8.1	13.0	9.5 to 11.5
NFC PD	0.8	1.8	1.1 to 1.4
HH PD	3.1	4.9	3.8 to 4.3

Source: IMF staff calculation.

- Re-running bank solvency stress tests for the moderate versions of the recessionary scenario.[1] The results provide a range of capital depletions $[D_L, D_H]$ to consider. For our case, the capital depletion for the SIs ranges from 0.5 to 1 percent.

Box 2. Greece: Using Stress Tests to Calibrate the PN CCyB Target Rate (concluded)

- The final PN CCyB rate should account for a minimum post-release voluntary capital buffer B, sufficient to sustain banks' willingness to lend after the capital depletion has run through, which may differ from currently observed voluntary buffers.[2] The inclusion of B in the PN CCyB helps banks lock in the voluntary buffer they would like to maintain after release and would enhance the usability of the PN CCyB.

The size of the PN CCyB target rate should consider interactions with other microprudential and macroprudential requirements, including their potential impact on the usability of the CCyB. For Greece, the absence of policy tools that mitigate vulnerabilities in the high concentration to common obligors in the non-financial corporate sector may provide a case for a higher PN CCyB target rate. On the other hand, banks' buffer usability has been comparatively high and relatively stable over time in the EU comparison (see Leitner et al., 2023).

This exercise serves as an illustration of the potential calibration of the PN CCyB target rate. The stress testing approach provides the authorities with sufficient flexibility, as the size of the buffer is intrinsically linked to the severity of the stress test, reflecting their views on banks' overall resilience and the size of the shocks they should be prepared to withstand. For example, the BoG may consider larger adverse shocks based on the country's specific vulnerabilities such as high reliance on foreign capital or exposure of the Greek economy to geopolitical tensions.

[1] For illustrative purposes, the exercise focused on shocks and transmission channels embedded in the recessionary rather than geopolitical scenario as bank solvency stress tests suggest that Greek banks incur higher loss under the former scenario.

[2] Theoretical guidance and empirical evidence on the appropriate size of post-shock voluntary capital buffers B remain limited. Existing studies on releasable buffers typically assume, rather than estimate, the buffer level at which banks become capital constrained. See, e.g., Berrospide et al. (2021) or Mathur et al., (2023).

55. Clear and transparent communication is a key element in CCyB policy-making (¶12). Following CCyB activation and the introduction of the PN framework, banks and markets need to clearly understand the CCyB policy-making process across the financial cycle. The BoG should communicate clearly the conditions under which the CCyB could be released, as the public have no prior experience with CCyB release decisions. The BoG has offered some guidance on buffer release, which could be further clarified by outlining indicators that would supplement judgement in guiding the release and rebuild of the CCyB.[56] Supporting the communication with illustrative scenarios would further strengthen clarity and public understanding (see, e.g., BoE, 2023). The guidance should emphasize that reactivation would occur only once credit provision is not constrained by capital requirements and banks' profitability supports rebuilding voluntary capital buffers (Miettinen and Nier, 2025).

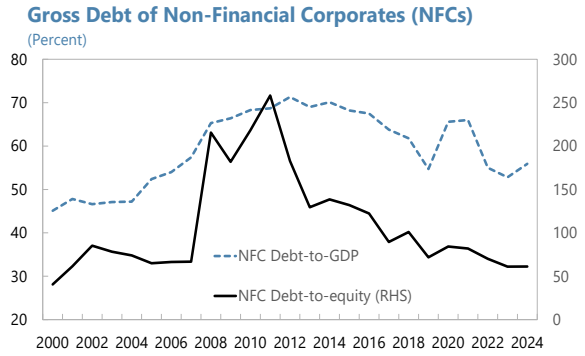
[56] Indicators for releasing the CCyB differ from those used for activation and tightening. Release considerations focus on incipient solvency or liquidity pressures that signal capital requirements becoming binding constraints on lending, such as rising credit losses, sharp reductions in lending growth, deteriorating market-based indicators of bank resilience, or early signs of funding stress (IMF 2014a; ESRB, 2014).

B. Corporate Vulnerabilities and Macroprudential Settings

56. The Greek non-financial corporates (NFCs) have gone through the deleveraging cycle and medium-sized and large corporates started to releverage again recently. Amid the strong post-pandemic recovery, the corporate sector as a whole has much improved profitability and liquidity conditions (see TN Systemic Risk). As a result, NFCs have weathered well the energy price shock and the subsequent monetary policy tightening, and the new inflows of NPLs remain moderate after the transfer of legacy NPLs to credit servicers. Nonetheless, a significant share of NFCs, most likely small and medium-sized enterprises (SMEs), are still constrained by unresolved legacy NPLs and do not have access to new bank credits. This partially contributes to the increased concentration of bank credits in large corporates: loans by SIs to SMEs decline from over 50 percent of total business loans in early 2019 to 36 percent in 2025Q3 (Figure 4). Meanwhile, banks are gradually reducing their exposures to CRE and risks associated with the outstanding CRE exposures are contained (Box 3).

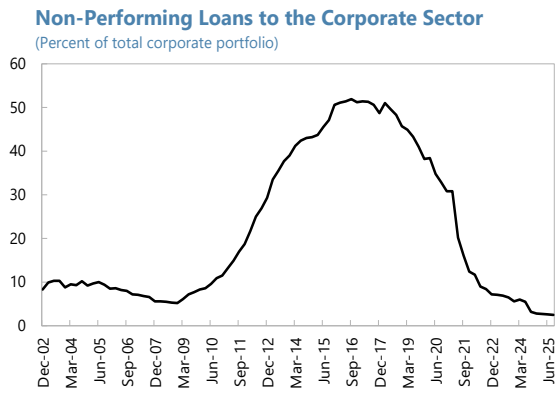
Figure 4. Greece: NFC Debt and Credit Quality

NFCs started releveraging recently after a decade-long deleveraging.



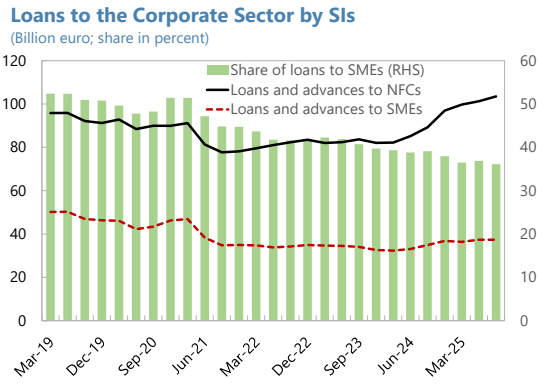
Sources: Eurostat; and IMF staff calculation.
Note: Corporate debt refers to financial liabilities such as debt securities, loans, and financial derivatives and employee stock options.

New NPLs from the corporate sector remain low while legacy NPLs are largely outside banks.



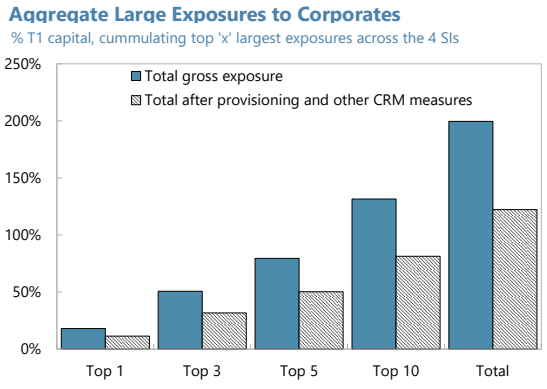
Source: Bank of Greece and Haver Analytics.

Lending by SIs to the corporate sector is more and more concentrated in large corporates.



Sources: European Central Bank; Haver Analytics; and IMF staff calculation.

Large domestic corporate exposures for SIs concentrate in a few corporates and exceed SIs' Tier 1 capital.



Sources: COREP

57. The recent credit growth may give rise to concentration to common obligors over the medium term. A significant share of recent NFC lending, partly driven by the Next Generation EU funding, is concentrated among a small number of large corporates. These exposures tend to be common across banks, i.e., overlapping corporate exposures. While large exposure limits constrain lending to single counterparties or connected groups, thresholds may not be breached when multiple banks lend to the same corporate name. A shock affecting these few large corporates could therefore impact multiple lenders simultaneously and contribute to higher volatility of the system-wide NFC portfolio under adverse conditions.

58. The BoG should consider macroprudential measures if concentration to common obligors amplifies cyclical risks. In particular, the BoG may consider an increase in a broad-based CCyB, or sectoral capital buffer. The activation of the CCyB early in the cycle and setting it to the PN CCyB level can provide a first line of defense. At the same time, the CCyB is a broad-based cyclical instrument and as such does not directly discourage individual concentration. The application of a sectoral buffer such as the sectoral systemic risk buffer (SyRB) may be therefore considered, as it aims to address structural or sectoral risks not covered by other buffers.[57] The sectoral SyRB can be designed to ensure sufficient flexibility for banks, by introducing exposure thresholds that may be exceeded if willing to hold extra capital.[58] By increasing capital requirements on common obligors, the SyRB would help to deter banks from further ramping up such common concentrations and to boost loss-absorbing capacity against losses across the system. The policy response at the microprudential level in the form of bank-specific Pillar 2 add-ons would need to be applied by the ECB/SSM, which supervises Greek SIs.[59]

59. The BoG should monitor the structure of corporate credit growth, and related indicators, including corporate indebtedness. The instrument choice and design should be based on a sound risk assessment framework for concentration risks in the NFC sector, which the BoG currently prioritizes. Intensified monitoring should include stress testing of common exposures with scenario analyses of a downturn affecting major corporate clients across multiple banks. Enhanced risk surveillance and communication with banks about emerging risks can help induce de-risking and reduce the vulnerabilities arising from concentration to common obligors, before more binding actions are implemented. Over the longer term, the development of the corporate bond market will provide alternative financing opportunities for corporates to diversify their funding and help reduce concentration risks.

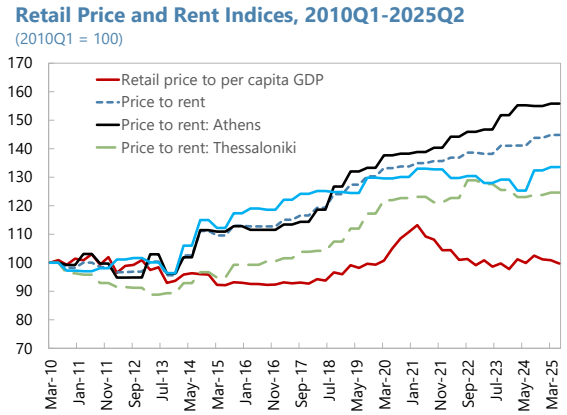
[57] According to Art. 133 CRD, the SyRB may be applied to one or more subset(s) of the financial sector, to all exposures or to a subset of exposures, to all institutions, or one or more subsets of those institutions, when these institutions have similar risk profiles in their business activities.

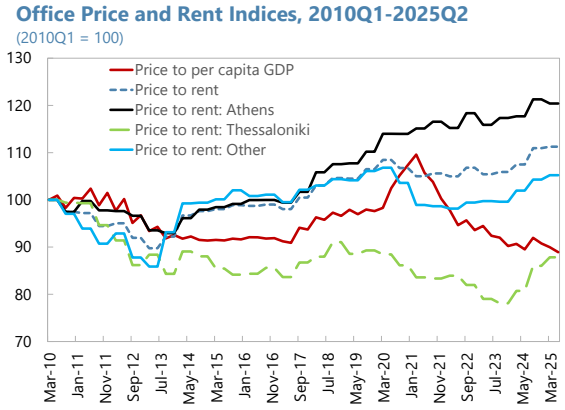
[58] For example, the French authorities applied a conceptually similar approach by activating a SyRB targeting highly indebted large NFCs that were major borrowers across multiple systemic banks. The HCSF introduced a 3 percent sectoral SyRB on exposures to any French corporate group meeting two criteria: (a) the bank's exposure exceeds 5 percent of Tier 1 capital; and (b) the corporate group is highly leveraged (debt-to-EBITDA > 6 or negative) (see, e.g., ECB, 2024b).

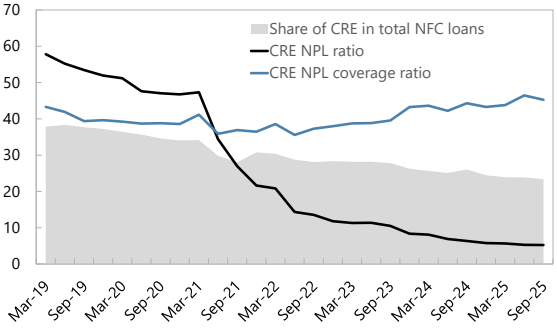
[59] Pillar 2 requirements address concentration risk at the institution-specific level, but may not fully capture system-wide concentration risk arising from common obligors.

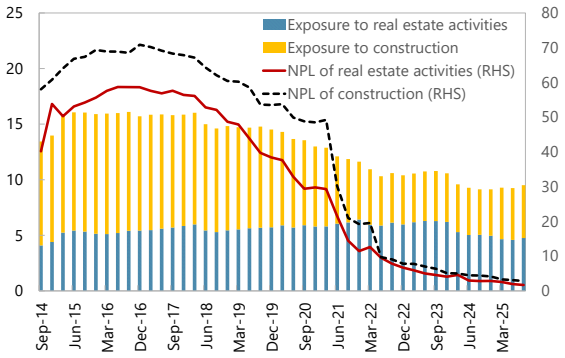
Box 3. Greece: Developments in the CRE Sector

Greece's CRE sector is recovering alongside the broader economy, with office and retail prices around their 2010 levels as of end-2024. Prices do not seem to be overvalued at the current juncture when compared to per capita GDP, though the price-to-rent ratios could point to some risks building up in the retail sector. There is also regional disparity with the capital city experiencing more rapid CRE price growth relative to rent in both the office and retail sectors. Greek banks' exposure to CRE includes both the direct channel through exposures to the construction sector and real estate activities, and the indirect channel through loans to NFCs that are related to or collateralized by CRE. In general, the four SIs have gradually reduced their exposures to CRE and cleared most of the legacy CRE NPLs from their balance sheets. As of 2025Q3, SIs' exposure to CRE is around 34 percent of the NFC portfolio, a sizable reduction from over 50 percent in early 2019 when data on CRE-related NFC loans become available.









Sources: Bank of Greece; ELSTAT; European Banking Authority Risk Dashboard; Haver Analytics; and IMF staff calculation.

C. Household Vulnerabilities and Tools

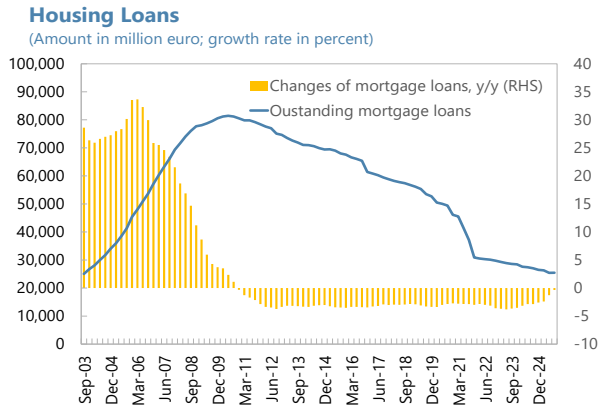
60. Banks' lending activities to households are slowly recovering, but the level of new credits remains very low. In net terms, the housing loans barely grow[60] while the level of consumer

[60] RRE loan disbursements in 2025 stood at 2.1 bln EUR, well below pre-GFC levels (about 12 bln EUR per year).

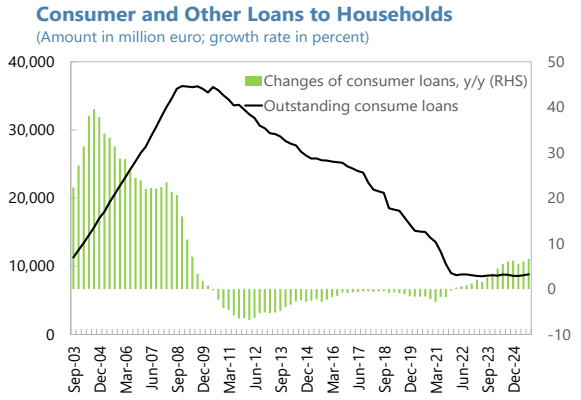
loans has broadly stabilized despite the double-digit rate of growth for new consumer loans (Figure 5). In addition to debt servicing pressures, Greek households are also exposed to cost-of-living pressures as they spend a higher share of income on essential goods and services such as food and utilities, as well as on housing, compared with households in other EU economies. Sensitivity analyses using the ECB's Household Finance and Consumption Survey (HFCS) data suggest that a significant share of existing household debt is vulnerable to shocks to real income (see TN Systemic Risk). Household vulnerability to income shocks could be amplified for the borrowers servicing variable-rate mortgages. Around 40 percent of new housing loans extended since 2020 have interest rate fixed for only one year or less, which could be potentially vulnerable to interest rate shocks. Banks over time have gradually reduced the amount of highly risky new loans, i.e., those with loan-to-value ratios above 90 percent or debt-service-to-income ratios above 50 percent. Over 90 percent of housing loans are euro-denominated.[61]

Figure 5. Greece: Aggregate Credit to the Household Sector

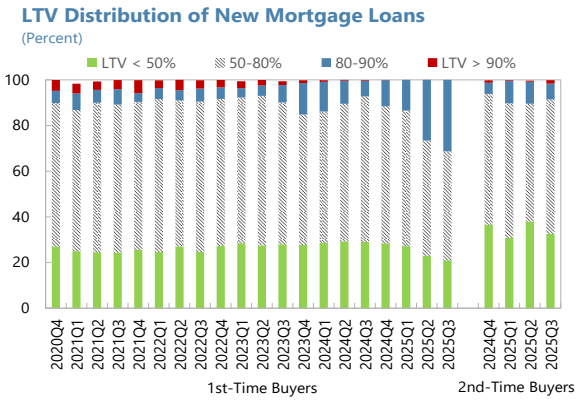
Despite the pickup in new loan disbursement, net housing loan disbursement remains subdued and the outstanding housing loan stock continues to decline.



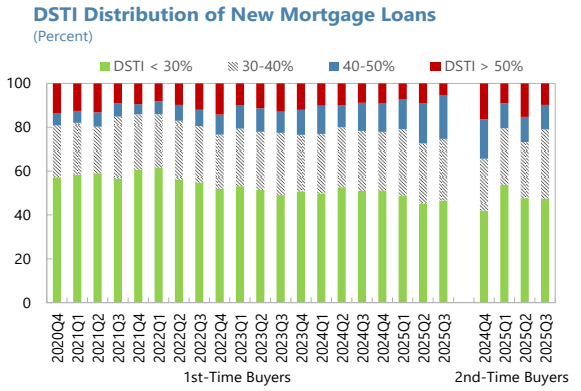
Consumer loans to households have had robust growth but the outstanding amount remains stable.



High LTV (above 90 percent) or DSTI loans (above 50 percent) become less frequent over time…



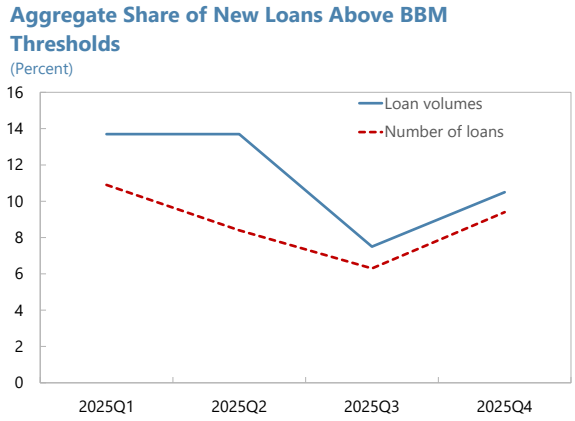
…second-time buyers tend to face more conservative LTV limits but are more likely to have higher DSTI.



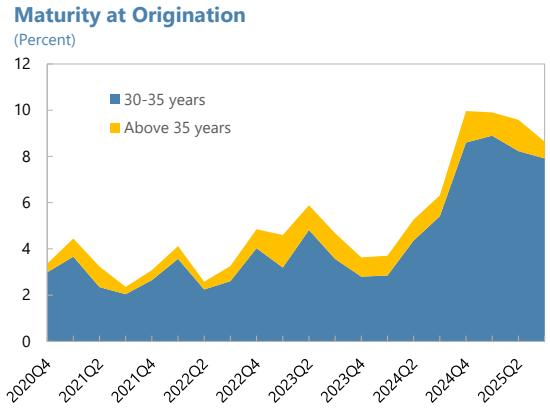
[61] There remain some legacy mortgage loans in Swiss Frank (2 percent of the loan portfolio), among which those with step-up features are considered by banks as riskier and impairment charges have already been taken. A special legal framework (Law 5264/2025) was recently established to facilitate the voluntary restructuring of these loans for eligible borrowers.

Figure 5. Greece: Aggregate Credit to the Household Sector (concluded)

The new lending above BBM thresholds remains contained.



Loans with 30-year and greater maturities became more common starting in mid-2024.

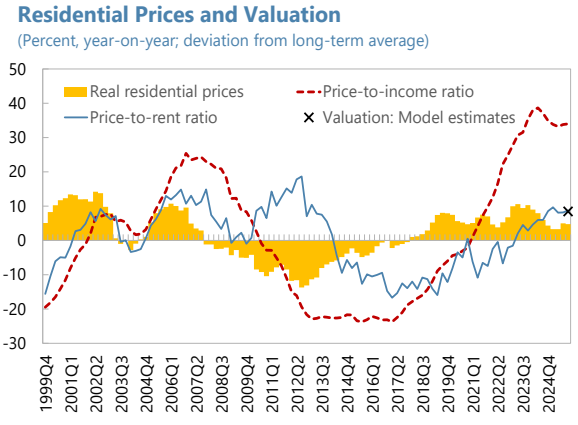


Sources: Bank of Greece; Haver Analytics; and IMF staff calculation.

61. The residential real estate (RRE) price has risen rapidly from the trough in 2017 against the still weak mortgage lending, reflecting supply-demand imbalances. The price-to-income ratio surpassed the peak prior to the Global Financial Crisis (GFC) though it shows some softening in recent quarters (Figure 6). The RRE price is assessed as moderately overvalued according to various indicators, including a structural approach comparing RRE price to its long-term trend suggested by Greece's economic growth, inflation, and real interest rates. As expected, the recent deceleration of house price growth has led to a declining overvaluation gap. A price-at-risk analysis suggests relatively contained risks of a sharp RRE price correction over the short term (Box 4).

Figure 6. Greece: Developments in the RRE Sector

Residential prices rose rapidly and exceeded the pre-GFC peak in 2024 despite subdued net inflow of mortgage credits…



Sources: OECD; and IMF staff estimates and calculation.

…partially driven by foreign demand…

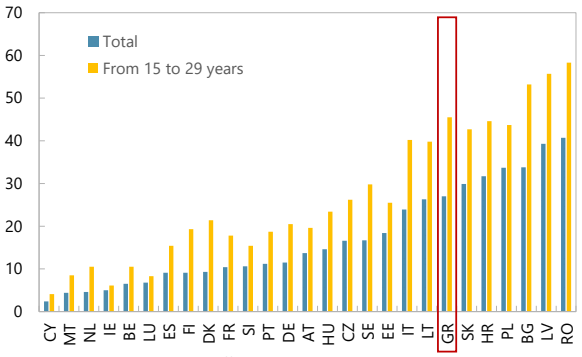
Source: Bank of Greece.

Figure 6. Greece: Developments in the RRE Sector (concluded)

...as well as challenging affordability illustrated by high overcrowding rate and....

Overcrowding Rate, 2024

(Percent)

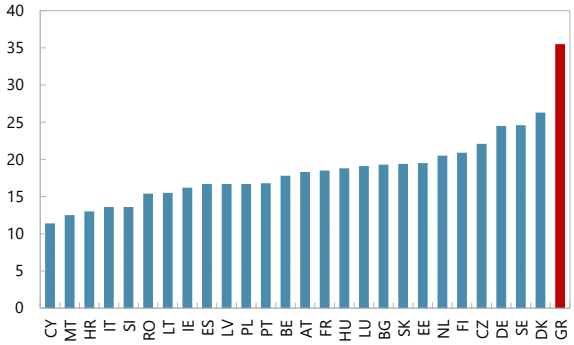


Sources: Eurostat and IMF staff calculation.

...elevated share of housing cost in household's disposable income.

Share of Housing Costs in Disposable Income, 2024

(Percent)

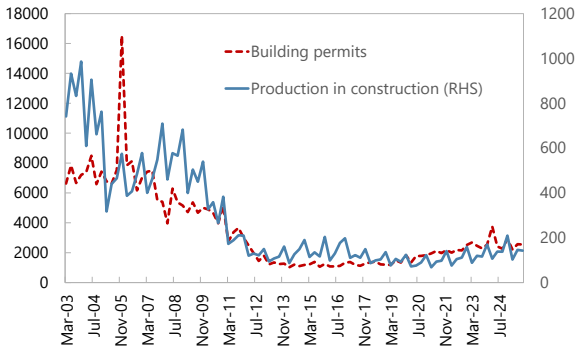


Sources: Eurostat and IMF staff calculation.

Construction activities remain subdued compared with pre-crisis level.

Construction Activities

(Permits in units; production index 2021 = 100, workday adjusted)

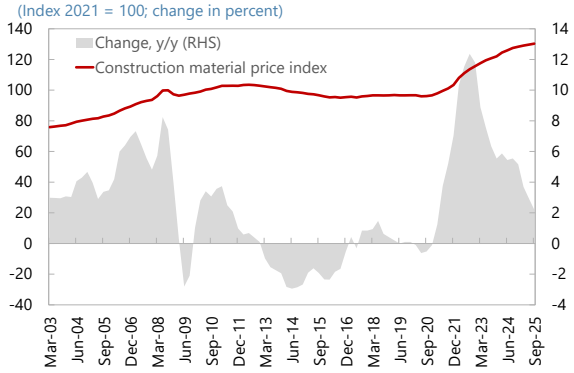


Sources: ELSTAT and Haver Analytics.

Construction cost picked up significantly in 2022-23 amid high energy prices but have since decelerated.

Construction Cost

(Index 2021 = 100; change in percent)



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

Box 4. Greece: Residential Real Estate Price-at-Risk

To gauge the risks of RRE price correction, this box applies the at-risk methodology to estimate and fit the house price distribution and explores factors that could shift the distribution. The explanatory variable is therefore the real house price index compiled by OECD. Independent variables include the three factors constructed from a principal component analysis used for the growth-at-risk analysis (Box 2), i.e., the Greek FCI, EA FCI, and a factor summarizing banking sector conditions. In addition, we also include two RRE-specific factors, one capturing the RRE supply condition constructed from the cost of construction and number of building permits, and the other capturing demand for RRE, which involves household income prospects (wage and per capita GDP, and the unemployment rate), the financing aspects of RRE (mortgage loan, household non-performing loans and borrowing spread), and foreign investment in real estate. The demand factor also includes the number of foreign arrivals and tourism receipts when data become available to proxy the demand effect of tourism, namely, buyers of properties with cash proceeds from tourism as well as competing demand for properties that could also be used for short-term rentals to tourists. The model is estimated for the period of 2003Q1–2025Q2.

Box 4. Greece: Residential Real Estate Price-at-Risk (concluded)

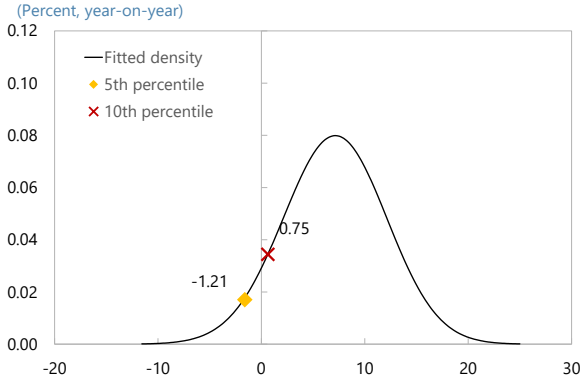
Table 1. Greece: House Price at Risk: Variables Used to Construct Regressors

Greek FCI	Euro Area FCI	Banking Sector Condition	RRE Demand	RRE Supply
Sovereign spread over 10Y Bund	ECB refinancing rate	Tier-1 capital ratio	Household income proxied by per capita GDP and wage	Cost indices: Construction cost index, cost of materials
NFC borrowing spread	Term spread: overnight rate, 3m - overnight, 2y - 3m, 10y - 2y	NPL ratio	Unemployment rate	Number of housing permits
HICP y/y change	Net liquidity provision by Eurosystem, level and growth	Return to equity	Tourist arrivals and receipts	
Stock market index, level and growth		Liquidity coverage ratio	FDI to real estate sector	
Stock market volatility		Cost of risk	Mortgage loan, level and growth	
Net liquidity provision by Eurosystem, level and growth		Deposit growth by NFCs and HHs	Household creditworthiness: NPL ratio of mortgage and consumer loans, mortgage borrowing spread	

Source: IMF staff.

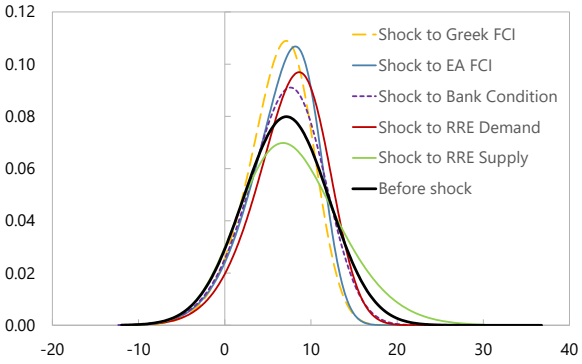
At the current juncture, downside risks to RRE price appear moderate as financial conditions start to ease while demand remains resilient. This has also been confirmed in the sensitivity analyses where two-standard-deviation shocks are applied to shift the whole path of the financial conditions or RRE demand factors towards the direction that in general would dampen house price growth. These shocks have only a modest impact on the lower end of the projected house price distribution, while the upper end of the distribution shrinks. As expected, more constrained supply conditions as indicated by higher construction costs or fewer permits push the upper end of the price distribution further out. The sensitivity analyses suggest that recent RRE price surges could be the combined effect of constrained supply, more accommodative domestic financial conditions, and robust demand. In particular, demand is supported by the strong post-pandemic rebound in tourism activities and solid FDI flows into the real estate sector.

Forecasted Real House Price, 4Q Ahead
(Percent, year-on-year)



Sources: Sources: OECD; Greek Authorities; Haver Analytics; and IMF staff calculation.

Shocked House Price Growth, 4Q Ahead
(Percent, year-on-year)

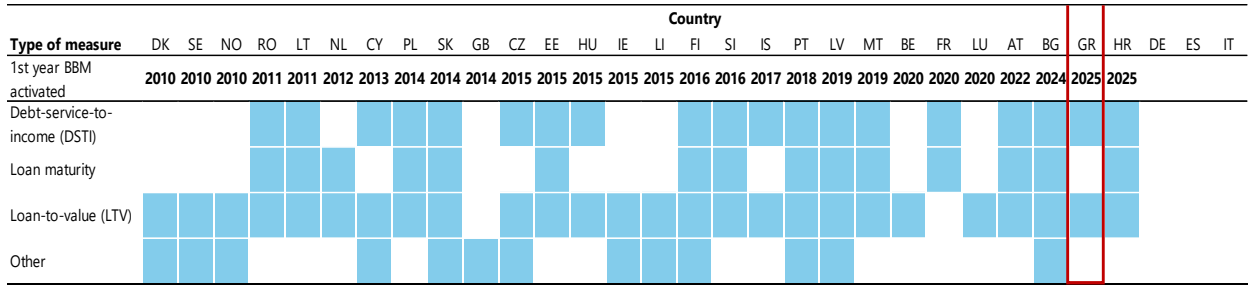


Sources: OECD; Greek Authorities; Haver Analytics; and IMF staff calculation.

62. The introduction of BBMs represents a significant expansion of the BoG's macroprudential toolkit, bringing it in line with prevailing EU practice. The BBMs became effective from January 1, 2025, consisting of caps on LTV and DSTI ratios on new RRE loans.[62] The LTV caps based on the collateral help limit losses in the event of borrower's default. The DSTI caps are designed to reduce the probability of default in the case of negative shocks to borrower income or interest rates.[63] The limits apply to new loans collateralized by RRE by banks and other credit providers. The BBMs allow for a 10 percent waiver from the total number of new loans and include defined exemptions for specific loan categories. The adoption of LTV and DSTI caps brings Greece broadly in line with prevailing EU practice, making BBMs a standard component of the macroprudential toolkit (Figure 7). Similar to other EU countries,[64] the BBMs are viewed by the authorities more as structural tools aimed at supporting the resilience of the RRE loan portfolio, with proactive taming of the credit cycle seen as a secondary objective.

- The LTV cap at origination is set at 90 percent for first-time buyers and 80 percent for second and subsequent buyers.
- The DSTI cap at origination is set at 50 percent for first-time buyers and 40 percent for second and subsequent buyers.
- A waiver of up to 10 percent of the total number of newly approved and partially disbursed mortgage loans each quarter may be applied to RRE loans covered by BBM to exempt them from the LTV-O and DSTI-O caps, providing partial flexibility in loan origination.
- The BBMs do not apply to non-performing and forborne loans,[65] loans granted under national housing or green transition programs subject to specific terms and conditions (e.g., the 'My Home II' loan program), or re-onboarded portfolios of re-performing loans.

Figure 7. Greece: Macroprudential Borrower-Based Measures and First Year of Activation



Sources: ESRB, and IMF staff.

[62] See ECA No. 227/1/08.03.2024. The introduction of BBMs is consistent with IMF (2023) and ESRB (2024) recommendations to enhance household resilience and contain RRE vulnerabilities.

[63] By restricting the pool of eligible borrowers, the BBMs also influence indirectly demand for real estate (see, e.g., IMF, 2014a, ESRB, 2014). For empirical evidence on the effectiveness of borrower-based measures (BBMs), see e.g., Poghosyan (2020) for EU countries or Araujo et al. (2024) for broader cross-country evidence.

[64] See ESRB (2024).

[65] See Articles 47a and 47b of Regulation (EU) No. 575/2013.

63. The implementation of BBMs did not materially constrain new mortgage lending. The BoG enacted the BBM measures while mortgage lending was still recovering from legacy issues related to low housing affordability and unresolved NPLs.[66] Early adoption put in place guardrails for mortgage lending by reinforcing prudent lending standards as credit conditions gradually improved and reducing the risk of a renewed build-up of mortgage NPLs. The BBMs were designed to reflect existing lending practices and avoid potential cliff effects in lending.[67] Since their introduction in January 2025, the BBMs do not appear to have significantly constrained mortgage lending, with new mortgage disbursements rising almost 50 percent year-on-year (from a low base) in 2025.

64. The number of loans positioned at the riskiest end of the distribution remains limited, but the share of new loans with ultra-long maturity has been rising. Based on the BoG's assessment, banks have remained largely compliant and continued to apply prudent lending standards during the initial period following BBM implementation in January 2025. While average LTV and DSTI ratios for new disbursements have increased, the shares of risky loans above the regulatory thresholds have remained largely contained. The number of new loans with LTV above the hard limits has been broadly stable at around 2 percent of the quarterly flow through 2025 Q3, following a multi-year decline. Similarly, loans with DSTI ratios exceeding the cap have averaged around 7 percent over the same period. The banking sector on aggregate operated well within the 10 percent margin even when accounting for loans under government schemes which fall outside the scope of BBMs (Figure 5). However, there are signs that the increasing share of loans with maturity above 30 years could be motivated by the hard DSTI limits.

65. The BBM differentiation between first-time buyers and second and subsequent buyers emphasizes social cohesion. The BoG introduced tailored LTV and DSTI caps for first-time buyers and second and subsequent buyers to address potential disproportionate effects of the BBMs on specific groups and reduce financial exclusion.[68] Rising house prices have heightened affordability concerns as incomes have not kept pace with recent housing market dynamics in Greece. As house prices exceeded the pre-GFC peaks, the price-to-income ratio reached 115.9 percent on average in 2024 (up from 101.4 percent in 2021)[69] and elevated housing costs corresponded to 35.5 percent of households' disposable income, despite moderate household indebtedness (Bank of Greece, 2025).[70]

[66] See TN Systemic Risk.

[67] A stocktaking exercise carried out by the BoG found that Greek banks already used LTV and DSTI ratios in their retail credit underwriting, with mean and median LTV caps of 70.4 percent and 75 percent, and mean and median DSTI caps of 46.2 percent and 40 percent, respectively.

[68] Other EU jurisdictions with higher BBM limits for FTBs include Finland, Hungary, Iceland, and Luxembourg (ESRB, 2024).

[69] See OECD (2025).

[70] Greece faces substantially higher housing affordability pressures in terms of housing costs compared to the EU peers. According to Eurostat EU-SILC data, the share of households in 2024 that allocate 40 percent or more of their disposable income towards housing costs was about 29 percent in Greece, compared with 8 percent across the EU average.

66. Differentiated BBM limits should be regularly evaluated for credit and mortgage risk outcomes. First-time buyers generally exhibit strong loan performance and are less likely to contribute to credit booms, supporting differentiated BBM limits on social grounds.[71] However, this relationship may change over time as affordability pressures can raise both DSTI and LTV for marginal first-time buyers, weakening liquidity and equity buffers and increasing sensitivity to income, interest rate, or house-price shocks. The BoG should regularly assess outcomes under differentiated DSTI and LTV limits for first- and second-time buyers to gauge implications for mortgage growth and risk performance.

67. Exemptions leave a sizeable share of new mortgage lending outside the BBMs, but financial stability risks remain contained. Loans granted under national housing and green-transition programs, including My Home II and Upgrade My Home, are not covered by the BBMs to preserve access to these targeted schemes.[72] Program uptake has contributed to the recent mortgage rebound, with about 70 percent of the My Home budget envelope used but not necessarily disbursed by late 2025.[73] Together with the 10 percent waiver, this suggests that a material share of new lending may fall outside the scope of the BBMs. The financial stability impact nonetheless appears contained, given the temporary nature of the schemes and their limited size relative to banks' aggregate RRE portfolios.[74] Risk is further mitigated as program LTV limits are broadly aligned with BBMs,[75] while co-financing and interest-rate subsidies lower banks' credit exposure and ease borrowers' repayment burdens. Energy-efficiency upgrades under Upgrade My Home are also expected to support repayment capacity and collateral valuations.[76]

68. Supply-side measures are needed to address longer-term structural issues in the housing market. Recent RRE price increases reflect, in part, persistent imbalances that constrain supply relative to demand in Greece. Key challenges comprise: On the supply side, key challenges include: (i) a significant housing stock gap following the collapse of construction activity during 2010–2020; (ii) a large stock of old and vacant homes; [77] and (iii) the slow return to the market of properties in foreclosure processes. On the demand side, pressures stem from: (i) widespread commercial use of residential properties (home-sharing); and (ii) strong non-resident investor

[71] See, e.g., Kelley et al. (2015), Guiliana (2019), Nier et al. (2019), or Lazarov and Hinterschweiger (2018).

[72] The 'My Home II' program (2 billion EUR) supports the acquisition of primary residency by low-income households, and the renovation of old and vacant residences to enhance the quality of the building stock. The 'Upgrade My Home' program (400 mln EUR) aims to improve the energy efficiency and refurbish old and energy-intensive buildings. Both programmes are funded in part by the Next Generation EU (NextGenEU) funding under the loan component of the Recovery and Resilience Facility (RRF) and in part by the participating credit institutions.

[73] There is often a lag between loan approval and disbursement due to loan processing and documentation requirements. Borrowers with approved loans also frequently do not secure the first property they initially targeted.

[74] Both My Home II and Upgrade My Home are expected to run off in 2026. Assuming full take-up, the bank-funded share of the two programs (50 and 25 percent, respectively) would amount to about 4 percent of banks' RRE loan portfolio as of end 2025.

[75] Loans granted under the My Home II government scheme are subject to an LTV ratio of up to 90 percent.

[76] See, e.g., Keliauskaitė et al.,(2024), Zancanella et al. (2018),

[77] According to the 2021 Population-Housing Census (ELSTAT) vacant homes are estimated at 793.885, of which 32 percent are located in Attica and around 13 percent in the central district of Athens.

demand. The government introduced several measures across these areas in recent years, including renovation programs and tax incentives to return vacant homes to the market,[78] restrictions and incentives to limit home-sharing, tighter Golden Visa eligibility to moderate foreign-buyer demand,[79] and improved judiciary and insolvency processes to help expedite NPL foreclosures. Continued structural reforms are needed to further alleviate the supply-demand mismatch. While responsibility for these policies lie primarily with the government, the BoG's analytical expertise can inform government deliberations, and the SSC can help coordinate fiscal and prudential tools where appropriate.

69. The BoG should closely monitor and consider introducing maturity limits or other measures to contain potential leakages. Leakages could weaken borrower resilience and contribute to the build-up of vulnerabilities (IMF, 2014a). The observed shift toward longer mortgage maturities may indicate that the DSTI cap is binding for some borrowers and suggests a case for maturity limits in the BBM toolkit. BBMs also do not cover consumer lending, potentially allowing borrowers to top up mortgages with unsecured credit, though the amount of the latter is subject to a separate limit. While these patterns do not yet indicate a material systemic risk, they warrant granular data and close monitoring of the BBMs. The BoG should be also prepared to adjust BBM parameters[80]—by introducing maturity caps, including consumer loans, or recalibrating waivers—to ensure prudent lending standards as mortgage lending recovers from the currently subdued levels.

D. Vulnerabilities Arising from Banks' Sovereign Exposures

70. The sovereign debt crisis results in sizable sovereign-bank nexus, with notable contingent government liabilities on bank balance sheets (Figure 8). These contingent government liabilities consist of sizable, deferred tax credits (DTCs) (€11.8 bln or 47 percent of SIs' CET1 capital) and the state-guaranteed senior bonds from the Hellenic Asset Protection securitization schemes (HAPS) of their own NPLs (€16.2 bln as of June 2025, or 6.8 percent of Greece's 2024 GDP). These guarantees are much more likely to be called during a severe economic downturn, which would likely add to fiscal pressure of the state, and may result in a widening of sovereign spreads, in turn raising the funding cost for banks. Greek banks also maintain a relatively large government securities portfolio on their balance sheets (16 percent of total assets as of end-October 2025), of which over 60 percent are securities issued by the Greek sovereign and the rest come from other EU countries. Most of these securities are medium- to long-term and held at

[78] For example, the "Renovate-Rent" program launched in 2024 for renovation or repair costs of vacant homes and flats intended for long-term rental, with renovation subsidies of up to EUR 50 million.

[79] The Golden Visa program, which grants residence to non-EU investors purchasing real estate, has been tightened under Law 5100/2024. Eligible investments are now limited to a single property, with minimum values of €800,000 in Attica, Thessaloniki, Mykonos, Thira, and larger islands, and EUR 400,000 in other regions. Properties acquired through the program may not be used for short-term rentals within the home-sharing economy.

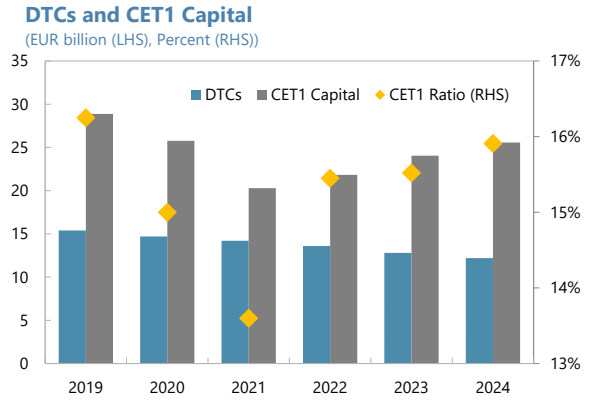
[80] The debt service on existing consumer loans is taken into account when computing DSTI for a housing loan. The granular data on consumer loans will be significantly improved with the implementation of the Central Credit Register (see also ¶31).

amortized costs (Figure 8). The stress tests have pointed to a manageable loss from market risk materialization, with overall limited capital depletion under the solvency stress tests (see TN Systemic Risk).

71. The fiscal situation of the Greek sovereign has been much improved. Substantial fiscal consolidation on the back of strong growth has reduced the public debt-to-GDP from 210 percent in 2020 to 151 percent in 2024 and further reduction is expected. While the Greek public debt nonetheless remains the highest in the EU as of 2025, the medium-term risk of sovereign stress is assessed as moderate (Annex II of IMF, 2025a), thanks to prudent fiscal policymaking and the favorable structure of the public debt. Public debt would remain on a declining path even if a large share of contingent liabilities (including those related to the banking sector) materialize. Reflecting the progress, the country regained an investment grade rating from all major rating agencies by early 2025 and the sovereign spread is currently in line with euro area peers.

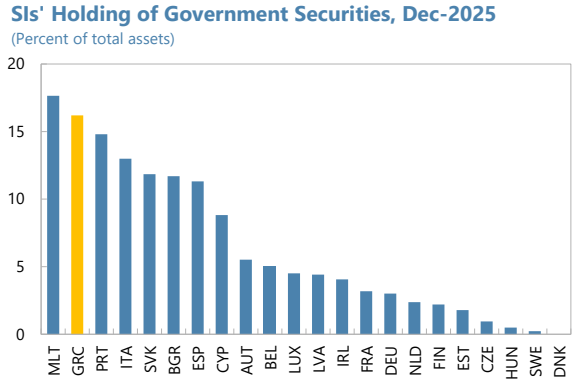
Figure 8. Greece: Sovereign-Bank Nexus

Though declining, DTCs remain sizable in banks' capital.



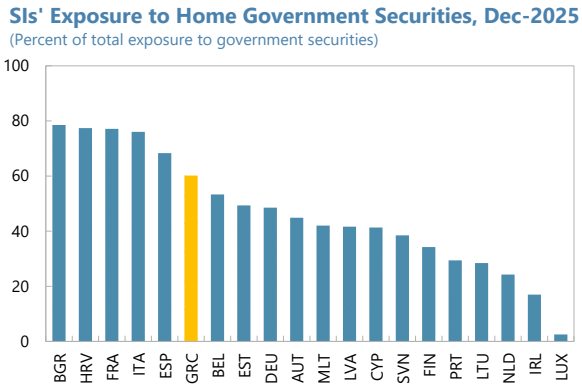
Sources: Bank of Greece and IMF staff calculation.

Greek banks hold a relatively sizable government securities portfolio…



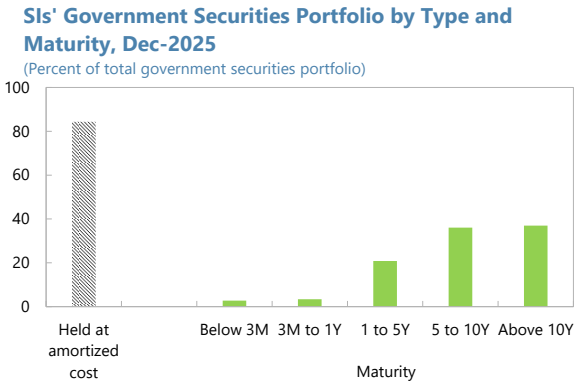
Sources: Bank of Greece; European Central Bank; Haver Analytics; and IMF staff calculation.

…60 percent of which consists of Greek sovereign securities, while the rest is mainly from other EU countries



Sources: Bank of Greece; European Central Bank; Haver Analytics; and IMF staff calculation.

Most government securities held by Greek banks are of maturity above 5 years and held at amortized costs.



Sources: Bank of Greece; European Central Bank; Haver Analytics; and IMF staff calculation.

72. Policy response requires tailored measures to reflect the unique nature of the sovereign bank-nexus in Greece. Banks' government securities represent a direct transmission channel, where losses on government bond holdings and funding strains weaken domestic banks, in turn forcing government into a costly bailout and undermining public debt sustainability. Indirect linkages such as DTCs and guarantees of senior HAPS tranches could amplify sovereign stress and set in motion a vicious cycle. The combination of direct and indirect linkages would require a measured and tailored policy response that takes into account the crisis legacy. For indirect channels, SIs have already implemented a voluntary scheme to speed up the amortization of DTCs. Policy options addressing direct sovereign risks may also gain in relevance as Greek banks gradually rebuild sovereign bond exposures to prevent potential reemergence of sovereign-bank vulnerabilities.

73. The BoG should work with the EU institutions to explore policy options to mitigate risks from banks' sovereign exposures. The policy deliberations on the treatment of the sovereign-bank nexus depend critically on the ongoing collaboration between the BoG, the ECB/SSM, and the ESRB, as part of the shared micro- and macroprudential oversight in the euro area. While the BoG supervises LSIs and acts as a national designated authority, the ECB as the competent authority in the SSM directly supervises Greek SIs.[81] Given the current treatment of sovereign exposures under Pillar 1,[82] relevant options may include ECB-determined microprudential measures (including Pillar 2) and macroprudential tools available to the BoG, such as the SyRB. The BoG should assess these options with due regard to financial stability and potential interactions with fiscal sustainability. It should also remain an active contributor to EU-level discussions, including in the ESRB, to help advance the ongoing policy debate on sovereign exposures.

74. The risks arising from the sovereign-bank nexus appear currently contained, but adequate monitoring and sensitivity and scenario analysis are warranted. The FSAP stress tests and IMF's Debt Sustainability Analysis assess the risks as moderate over the medium term and the banks' indirect links to the sovereign will likely become less relevant. However, the sovereign-bank nexus will not disappear as geopolitical tensions, financial market disruptions, and structural trends have direct fiscal and financial system implications. The BoG's sensitivity and scenario analysis should consider sovereign risks through all key transmission channels, accounting for the potential call of DTCs and HAPS guarantees, valuation effects on sovereign bond portfolios, and solvency-liquidity linkages under different macro-financial scenarios. Once in place, the BoG could use the macroprudential stress testing framework to evaluate own, tailored scenarios complementing EBA EU wide stress tests for an in-depth assessment of sovereign risk. Ongoing monitoring should provide a holistic assessment of the sovereign-bank nexus, encompassing direct and indirect transmission channels. Results should feed into regular systemic risk assessments and be shared across relevant platforms, including the SSC, to support coordinated risk monitoring and policy response.

[81] For example, in 2015, the SSM restricted Greek SIs from increasing their exposures to the Greek sovereign.

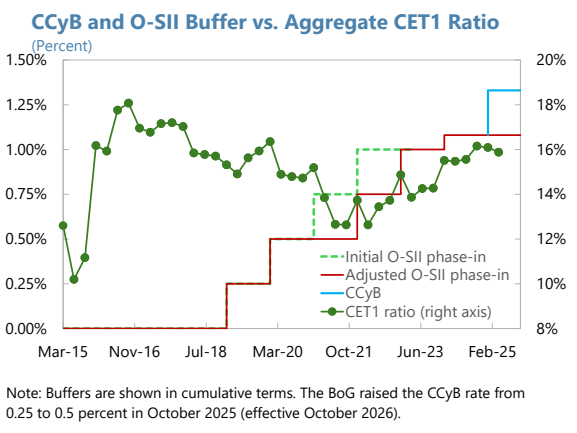
[82] The EU banks can hold domestic sovereign exposures with zero risk weights (see Article 114 CRR) and exempts them from concentration limits (Article 400 CRR). For information on the IMF's advice regarding sovereign exposures in other EU FSAPs, see e.g., Italy, or Romania.

E. Vulnerabilities in Structural Dimensions and Tools

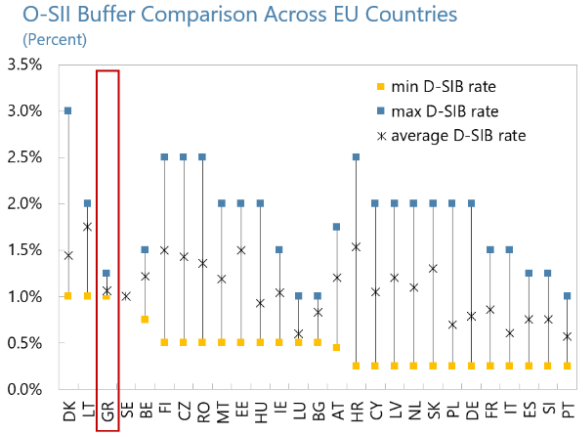
75. The banking sector became more concentrated following post-crisis restructuring. The sovereign crisis severely impaired the banks' balance sheets and depleted their capital, requiring several recapitalizations totaling about EUR 68 billion (IMF, 2017). The recapitalizations helped to accelerate bank restructuring and consolidation that included closures, acquisitions, and mergers, with many smaller banks absorbed by larger institutions (see TN Financial Stability Net and Crisis Management). As a result, concentration increased markedly, with the four largest institutions accounting for about 93 percent of total banking assets as of June 2025.

76. The BoG O-SII framework became effective in 2016, with an extended phase-in period. The O-SII buffer implementation was divided into three stages starting from 2019 until 2022 to accommodate ongoing bank restructuring and mitigate risks to the post-crisis recovery. During the Covid-19 period, the full phase-in was further postponed by one year, taking into account the impact of the pandemic. The completion of the O-SII buffer phase-in and the subsequent activation of the CCyB took place against the backdrop of gradually improving bank capital positions (Figure 9). Aggregate CET 1 capital ratio has risen to 16.1 percent, approaching the EU/EEA average of 16.3 percent as of 2025 Q3 (EBA (2025)), despite the continued high share of DTCs stemming from losses during the sovereign crisis.[83]

Figure 9. Greece: O-SII Buffers



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).



Sources: BoG, ESRB, and EBA (2024).

77. The BoG has identified four systemically important institutions subject to O-SII capital surcharges. The O-SII buffer rates ranging from 1 to 1.25 percent for Greek banks are relatively low relative to their systemic importance scores compared to peer O-SII banks supervised by the SSM.[84] At the same time, the minimum O-SII buffer rate in Greece is comparatively high relative to the

[83] In parallel, the Hellenic Financial Stability Fund has largely divested state holdings in all four systemic banks, acquired during crisis-era recapitalizations (IMF, 2025a). These divestments reflect further normalization of bank ownership structures.

[84] See EBA (2025).

minimum O-SII rates observed across the EU, and the average O-SII rate is broadly in line with the EU average when weighted by banks' systemic importance (Figure 9). The gradual introduction of the Banking Union floor from 1 January 2025 by the ECB will not affect the buffer rates of the Greek O-SIIs, given the comparatively small size of the Greek banking sector within the EU financial system.

78. The structure of the Greek banking sector plays an important role in explaining the observed level and dispersion of O-SII buffers. Cross-country evidence points to a relative heterogeneity in O-SII buffer calibration across EU member states, reflecting in part differences in banking sector structure and concentration (Grodzicki et al., 2025; Sigmund, 2021; Dimitrov and van Wijnbergen, 2023). In Greece, post-crisis consolidation resulted in a sector dominated by a small number of banks with broadly similar size, balance-sheet composition, and business models.[85] Consequently, O-SII scores indicate a comparable degree of systemic importance across the four largest institutions. This relative score homogeneity translates into a compressed range of O-SII buffer rates, currently spanning 0.25 percentage point. By contrast, in several other EU countries, banks with O-SII scores similar to or higher than those of Greek O-SIIs typically rank among the most systemically important institutions nationally and are assigned materially higher O-SII buffers (EBA, 2025).

79. O-SII buffers should remain aligned with the banking sector's evolving structure to support overall resilience. Current calibration appears adequate, given the sector's moderate size relative to GDP[86] and banking sector characteristics. Post-crisis restructuring left the system highly concentrated and homogeneous, but gradual normalization may increase heterogeneity across banks. As part of its long-term strategy, the BoG should continue to assess how O-SII buffers interact with other capital requirements, including the PN CCyB and the currently inactive SyRB, taking into account ongoing EU discussions on the design and simplification of the capital stack.[87] These considerations should form part of the BoG's broader assessment of capital strength and resilience as profitability and capital positions improve.

F. Vulnerabilities in the NBFI Sector and Tools

80. Greece's NBFI sector remains small, but the investment fund sector has undergone rapid expansion in recent years.[88] The financial sector is dominated by banks which hold four-fifth of the total assets. Among NBFIs, leasing companies and financial auxiliaries are also largely related to banks, and investment funds and insurance corporations are the major NBFIs that are separate from banks. Investment funds, especially bond funds, have grown rapidly since the pandemic, including via acquiring debt securities issued by domestic and EA MFIs. However, the sector remains small, accounting for around 5 percent of total financial sector assets as of June 2025. The insurance

[85] A similar case can be observed for Iceland. O-SIIs in Iceland have relatively similar O-SII scores, approximating similar importance for the functioning of the Icelandic financial system.

[86] See EBA (2020).

[87] See, e.g., ECB(2025b).

[88] See TN Systemic Risk.

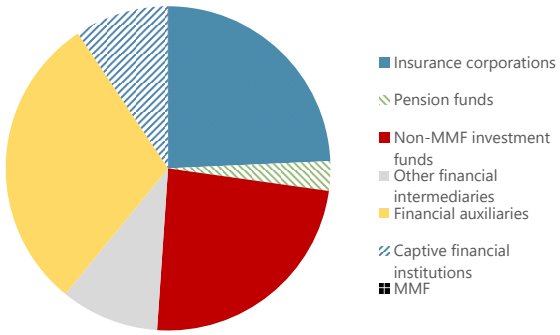
sector makes up approximately another 5 percent of total financial sector assets. The sector has growth potential given i) Greece's susceptibility to natural disasters and extreme weather events and ii) the currently low insurance coverage, with gross written premiums (GWP) representing only 2.3 percent of GDP versus the European average of 7.4 percent of GDP (Figure 10). Banks have also started expanding into the insurance business through mergers and acquisitions in recent periods, to expand their business models and diversify their income source. Nonetheless, the NBFIs so far have maintained low connection to both the banks and the non-financial private sector, with NBFIs providing a moderate amount of loans to non-financial corporates and households holding some investment fund shares.

Figure 10. Greece: Non-Bank Financial Institutions

Investment funds and insurance corporations are major NBFIs.

Non-Bank Financial Institutions by Assets, June 2025

(Percent)

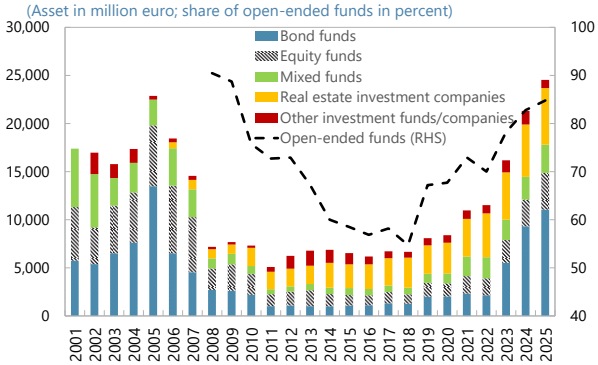


Sources: Bank of Greece; European Central Bank; Haver Analytics; and IMF staff calculation.

Investment funds have doubled their total assets since 2022.

Total Assets of Investment Funds and Companies

(Asset in million euro; share of open-ended funds in percent)

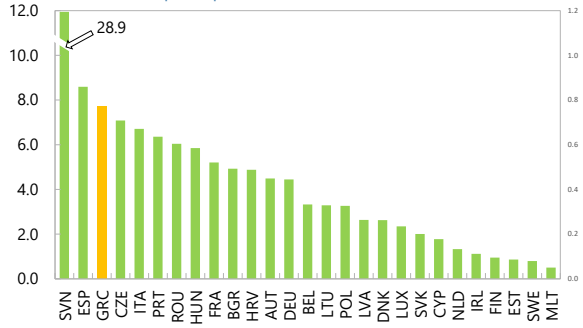


Note: Data for 2025 refers to end-September. The share of open-ended funds is calculated according to shares issued.

Greece has incurred relatively high economic losses with respect to extreme weather or climate events…

Per Capita Economic Losses Caused by Extreme Weather or Climate Related Events, 1980-2024

(Percent of 2024 per capita GDP)

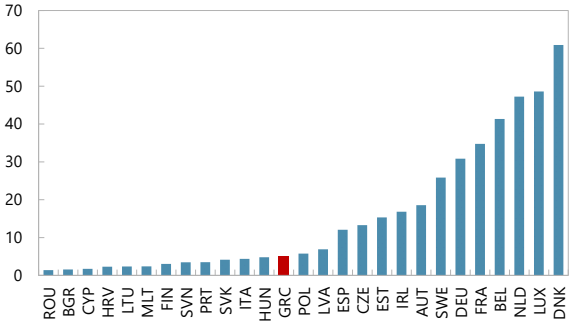


Sources: European Environment Agency, Eurostat, and IMF staff calculation.

…while only a small share of these losses have been insured.

Insured Loss Caused by Extreme Weather or Climate Related Events, 1980-2024

(Percent of total losses)



Source: European Environment Agency.

Figure 10. Greece: Non-Bank Financial Institutions (concluded)

Cross-Sector Financial Exposures
(Percent of GDP, as of 2025Q3)

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
Non-financial corporatior	0.0	21.8	0.3		1.3	0.0	2.1
General government	14.3	4.5	0.6	4.9		1.5	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	

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.

81. As the systemic importance of the insurance sector increases, the BoG should further integrate the insurance sector into systemic risk monitoring. The Occupational and Private Insurance Supervision Directorate of the BoG is tasked with the supervisory duties of the private insurance and occupational pensions, and contributes to the dedicated chapter on insurance in the FSR. The Directorate also collaborates with FSD in ESRB in designing macroeconomic scenarios for insurance stress tests conducted by EIOPA and provides inputs to the systemic risk heatmap and other tools regarding the insurance sector. As the insurance sector grows, this collaborative relationship should be sustained to ensure that systemic risks from the insurance sector are adequately monitored, and if warranted, dealt with by proper macroprudential tools.

82. Risks in the HCMC perimeter are contained for now, but a more proactive stance may be needed as they become systemic. The HCMC supervises the remaining financial sector outside the BoG's supervisory remit, including investment funds, real estate investment companies, and the central counterparty (CCP). So far, risks stemming from institutions under HCMC's remit are relatively contained given their small size and limited footprint, while disruptions in the smooth functioning of the one CCP could have systemic implications. The HCMC has intervention power as defined in law and has applied redemption suspension during the crisis and imposed restrictions on short-selling.[89] It also issued guidance to mitigate procyclicality in CCP margining and collateral practices in line with the relevant ESRB recommendation.[90] As the market further develops and NBFIs gain significance, the HCMC should remain vigilant in monitoring the market infrastructure and investment funds and be prepared to adopt a more active stance in analyzing and managing emerging risks as they become systemic. The HCMC should also support the further development of the Greek capital market, enhance operational efficiency leveraging digital technologies, and continue collaboration with domestic and foreign counterparts (such as the BoG, ESMA) regarding financial stability issues.

[89] See the HCMC decision on short selling from Mar 17, 2020.

[90] See ESRB/2020/6.

G. Recommendations

- The BoG should consider further tightening of the CCyB if cyclical risks continue to accumulate beyond the current standard risk environment.
- The BoG should strengthen the quantitative foundations for PN CCyB target rate calibration to ensure adequacy of releasable buffers.
- The BoG should continue monitoring and considering introducing maturity limits or other measures to contain BBM leakages and preserve prudent lending standards as mortgage lending rises from the currently subdued levels.
- As corporate credit picks up, the BoG should closely monitor the elevated concentration of common obligors and, if warranted, consider the broad-based CCyB or a sectoral systemic risk buffer to mitigate systemic risk.
- The BoG should continue monitoring sovereign vulnerabilities systematically and assess their impact on banking sector resilience using sensitivity and scenario analysis.

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