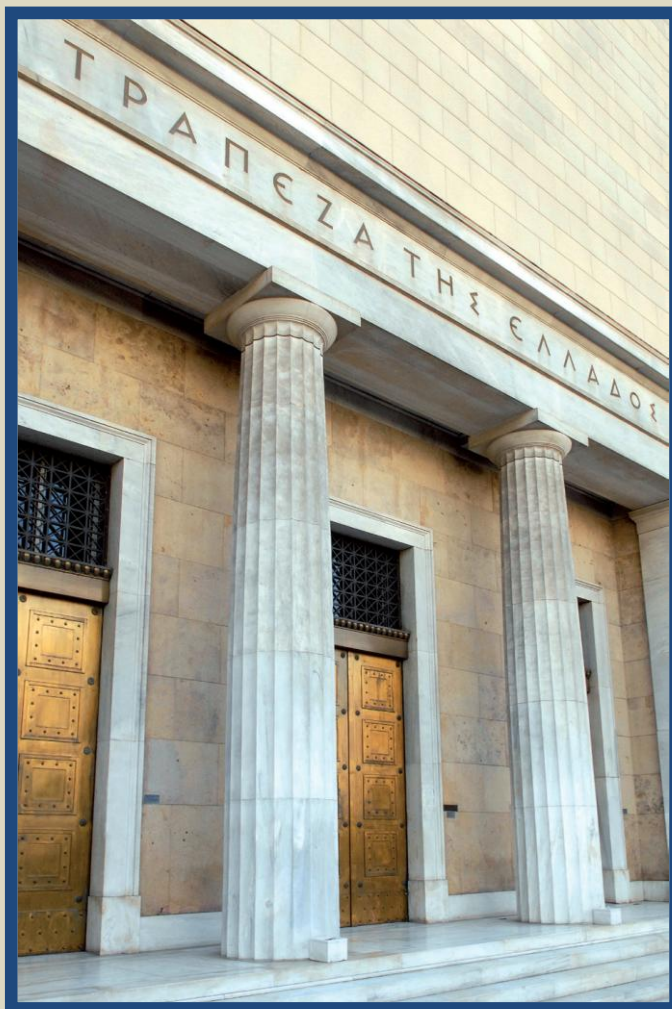


FINANCIAL STABILITY REVIEW

EXECUTIVE SUMMARY



October
2026



BANK OF GREECE
EUROSYSTEM

FINANCIAL STABILITY REVIEW

EXECUTIVE SUMMARY



October
2026



BANK OF GREECE
EUROSYSTEM

BANK OF GREECE

21, E. Venizelos Street

GR - 102 50 Athens

www.bankofgreece.gr

Financial Stability Department

Tel. +30 210 320 5103

Fax +30 210 320 5419

ISSN 2732-9402 (online)

DOI: <https://doi.org/10.52903/finsta.en202610sp.ed.>

I. EXECUTIVE SUMMARY

Mounting geopolitical risks are affecting financial stability. The escalation of tensions in the Middle East and the disruption of international energy flows have led to a sharp rise in international energy prices, weighing on the economic growth outlook and reigniting inflationary pressures internationally. In this environment, high valuations and concentration in high-tech and AI company stocks amplify the risk of a sharp repricing of assets in international markets. At the same time, the rapid development of frontier AI models is emerging as a potential systemic risk, in particular due to their capacity to increase cyberthreats and lead to reliance on a limited number of providers and technological infrastructures. In addition, rising government bond yields at the global level are increasing the cost of public debt refinancing, adding to concerns about the economies of countries with limited fiscal space. At the same time, rising yields have a negative impact on the financial condition of firms as they increase the cost of financing.

The Greek economy maintained its positive momentum also in the first half of 2026. Annual gross domestic product (GDP) growth stood at 1.9%, slightly lower than in the same period of 2025 (2.1%) and significantly higher than the euro area average (0.9%), despite volatility in the international environment mainly due to rising energy prices. Economic growth was driven primarily by stronger investment (which grew more than twice as fast as in the first half of 2025), but also higher private and public consumption, while the contribution of net exports was negative. In addition, the labour market continued to grow in the first half of 2026, although employment growth moderated year-on-year. Inflation, as measured by the Harmonised Index of Consumer Prices (HICP), rose to 3.8% between January and September 2026, up from 3.0% in the same period of 2025, persisting significantly above the euro area average of 2.8%.

In the first half of 2026, the banking sector's fundamentals remained on a positive trajectory. Profitability improved further, while the capital adequacy and asset quality of Greek banks remained at satisfactory levels, with liquidity standing above the average of the countries in the Banking Union. The recent upgrades of Greek banks' credit ratings and outlook point to increased resilience to potential shocks.

Greek banking groups continued to benefit from favourable liquidity conditions, further tapping alternative sources of funding. In the first half of 2026, the liquidity ratios of Greek banking groups remained well above prudential requirements. Specifically, in June 2026, the Liquidity Coverage Ratio (LCR) stood at 197.8% and the Net Stable Funding Ratio (NSFR) at 134.7%. The liquidity of Greek banks, together with their smooth access to the interbank and capital markets, has significantly enhanced their resilience.

The asset quality of credit institutions deteriorated slightly. In June 2026, the stock of non-performing loans (NPLs) on a solo basis stood at EUR 6.2 billion, up by 9.3% compared to December 2025, mainly due to a positive net inflow of new NPLs. The ratio of NPLs to total loans on a solo basis stood at 3.4% in June 2026, compared with 3.3% in December 2025.

In 2026, Greek banks made progress in strengthening their operational risk management framework. Digital transformation, increased and sophisticated cyberthreats due to the development of frontier AI models, as well as the significant reliance on third-party information and communication technology (ICT) providers warrant a transition to a modern digital business resilience model.

Greek banking groups further improved their profitability. In the first half of 2026, Greek banking groups posted profits after tax and discontinued operations amounting to EUR 2.6 billion, up by 3.8% year-on-year. Specifically, in the first half of 2026, the operating income of Greek banking groups increased by 6.8% year-on-year. Net interest income rose by 5.6%, driven by credit growth and a significant increase in positions in foreign sovereign debt. At the same time, net fee and commission income rose by 18.5%. As a result, core operating income (i.e. net interest income and net fee and commission income) grew by 8.3% year-on-year. At the same time, gains from financial operations decreased in the first half of 2026, while other operating income followed an upward path. In addition, operating costs increased by 9.3%, while loan loss provisions declined by 27.8% in the first half of 2026 relative to the same period of 2025. As a result, banking groups' return on assets (RoA) and return on equity (RoE) stood at 1.3% and 12.1% respectively.

The capital adequacy of Greek banking groups remained at satisfactory levels in the first half of 2026. Specifically, the Common Equity Tier 1 (CET1) ratio on a consolidated basis declined to 14.8% in June 2026, from 15.4% in December 2025, while the Total Capital Ratio (TCR) fell marginally to 19.6%, from 19.8% in December 2025. The divergent decrease in the two ratios is due to the issuance of capital instruments that qualify as prudential own funds but are not classified under CET1 capital. Also, Deferred Tax Credits (DTCs) still represent a substantial proportion of CET1 capital (June 2026: 36.0%, December 2025: 39.7%), but their gradual amortisation has accelerated thanks to the implementation of a voluntary DTC amortisation plan.

In the current macroeconomic and financial environment, implementing an appropriate macroprudential policy to prevent the build-up of systemic risks and to strengthen banking sector resilience is crucial. The Bank of Greece assesses on a quarterly basis the intensity of cyclical systemic risks and the appropriateness of the Countercyclical Capital Buffer (CCyB) rate for Greece and sets or adjusts it, if necessary. The analysis of the indicators examined by the Bank of Greece points to emerging cyclical systemic risks in certain areas, such as credit to non-financial corporations, residential real estate prices and the current account, but confirms that, overall, there is no excessive credit growth. Moreover, the domestic macroeconomic environment, the further improvement of the banking sector's fundamentals and prudential ratios, as well as the restructuring of less significant institutions still favour the creation of macroprudential space to ensure financial stability over the medium term. In view of the above, in October 2025, the Bank of Greece set the countercyclical capital buffer rate for Greece at 0.5%, i.e. at the Positive Neutral Countercyclical Capital Buffer (PN CCyB) target rate, applicable from 1 October 2026. Given that cyclical systemic risks in Greece were assessed as low during 2026, the CCyB rate remained unchanged.

In addition, the Bank of Greece identified Other Systemically Important Institutions (O-SIIs) in Greece for the year 2026, applying the relevant European Banking Authority (EBA) guidelines, and set the O-SII buffer rate for 2027 at 1.25% for Eurobank S.A. on a consolidated basis and at 1.00% for the other three O-SIIs (namely Alpha Bank, National Bank of Greece and Piraeus Bank).

Lastly, the Bank of Greece has put in place macroprudential borrower-based measures (BBMs) for loans and other credit to natural persons secured by residential real estate located in Greece, effective from January 2025. In more detail, a cap was introduced on the loan-to-value ratio at origination (LTV-O) of 90% for first-time buyers and 80% for second and subsequent borrowers, as well as a cap on the debt service-to-income ratio at origination (DSTI-O) of 50% for first-time buyers and 40% for second and subsequent borrowers.

During the first half of 2026, the Greek insurance market maintained its financial soundness, further strengthening its resilience and stability. By effectively managing existing and emerging risks, insurers are adapting to changing economic conditions, ensuring the smooth functioning of the sector and its significant contribution to the economy and society.

Credit servicers play an important role in managing non-performing private debt in Greece.

In June 2026, the total value of credit servicers' exposures under management amounted to EUR 91.3 billion. Of the total exposures under management, EUR 81.5 billion (or 89.2%) concern exposures managed on behalf of credit acquirers and the remaining EUR 9.8 billion (or 10.8%) concern exposures managed on behalf of credit/financial institutions. Regarding the portfolio structure managed by credit servicers, the largest share (84.7%) concerns non-performing exposures and the remaining (15.3%) performing exposures. In September 2026, the Ministry of Economy and Finance announced a new framework for private debt resolution and the operation of credit servicers. This framework, currently subject to public consultation, is expected to introduce a set of measures to strengthen borrower protection, as well as to enhance the supervision, transparency and accountability of credit servicers.

In 2026, Payment Institutions (PIs) and Electronic Money Institutions (EMIs) strengthened their activity and capital base. The total value of payment transactions carried out by PIs in the 2026 reference period (1.7.2025 to 30.6.2026) stood at EUR 68.5 billion, up by 7.2% compared to the 2025 reference period (1.7.2024 to 30.6.2025). In the same vein, the total annual value of payment transactions carried out by EMIs in the 2026 reference period amounted to EUR 12.3 billion, up by 35.1% (from EUR 9.1 billion) relative to the 2025 reference period.

In 2026, the financial system infrastructures, i.e. payment, clearing and settlement systems, operated effectively, ensuring secure and reliable transactions. Regarding payment cards, in the first half of 2026 transactions grew both in volume and value terms year-on-year. In more detail, the number of card transactions increased by 9%, while their corresponding value rose by 5% to EUR 60 billion. By contrast, in the first half of 2026, the number of card fraud transactions decreased by 23% compared to the first half of 2025, mainly due to enhanced preventive

measures, effective cooperation between stakeholders and increased awareness of payment instrument users. A significant rise of 54% was also recorded in direct credit transfers via the ‘IRIS’ payment service in the first half of 2026, showing the importance of this service in the smooth and gradual expansion of the use of instant payments in money transfers.

The outlook for the Greek economy remains favourable. International geopolitical and trade tensions, rising energy costs, persistent inflationary pressures and the risk of a sharp repricing of assets in financial markets are the exogenous factors affecting the near-term growth outlook. Nevertheless, the Greek economy is now in a better position to absorb external shocks, owing to stronger fundamentals, structural reforms and the accumulated experience from managing successive crises.

The domestic banking sector has solid fundamentals and is much better placed than in the past to withstand potential shocks. The sound financial position of Greek banks allows them to continue providing substantial support to the real economy through the extension of new credit. However, an abrupt correction in asset prices could lead to a repricing of risks in financial markets and adversely affect financing capacity and conditions for economic agents. Against this background, Greek banks should maintain their resilience and invest in their digital transformation. This will allow them to continue supporting investment and sustainable economic growth.

Initiatives at a European level will help address exogenous challenges. Completing the Banking Union and advancing the Savings and Investments Union will deepen financial integration. A key objective for the European Union, which currently saves far more than it invests, is to channel its savings – which now finance mostly foreign investment – into the domestic European economy, as this would enable the financing of investments in technology, innovation and green energy, while reducing the European Union’s dependence on imported fossil fuels and strengthening its defence capacity. The completion of the Banking Union and the Capital Markets Union, the removal of remaining obstacles to cross-border transactions and the creation of a mechanism that would issue a common safe asset, along the lines of the Recovery and Resilience Facility (RRF), for the financing of public goods should be key priorities for enhancing financial stability and competitiveness in the European Union, as well as strengthening the international role of the euro. This is also in line with the European Commission’s proposals for increasing the competitiveness of the EU banking sector and strengthening the single market for banking services.

