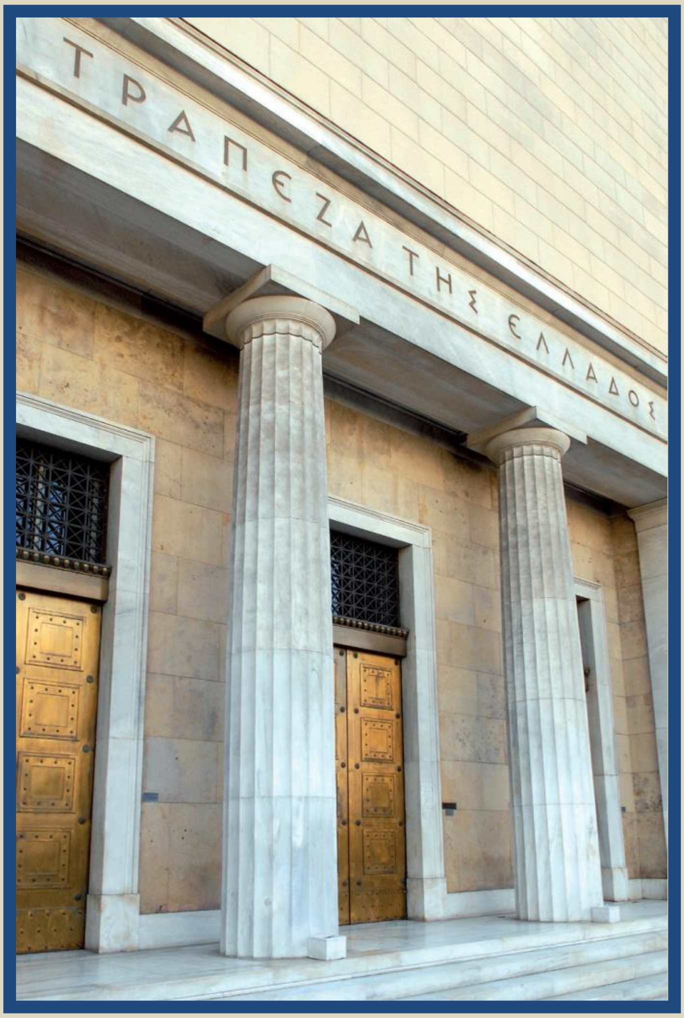
FINANCIAL STABILITY REVIEW



May
2025

BANK OF GREECE
EUROSYSTEM

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ISSN 2944-9065 (online)

DOI: https://doi.org/10.52903/finsta.en202505

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I. EXECUTIVE SUMMARY

Risks to financial stability in Greece are mainly exogenous, due to heightened geopolitical tensions and mounting trade protectionism. Increased volatility in international money and capital markets – triggered by the announcement and partial enactment of tariffs by the US and, in retaliation, by some of its main trading partners – was short-lived and has not yet had any major direct impact on the functioning of the global financial system. However, the risk of an abrupt repricing of financial assets worldwide remains exceptionally high, and the recent market turmoil has once again brought to the fore the high interconnectedness of global markets and the speed of contagion. A potential resurgence of trade tensions would indirectly affect the Greek economy and the domestic banking sector, through a slowdown in global and European economic growth, reduced investment and credit expansion, and a deterioration in asset quality.

In 2024, the Greek economy grew at a satisfactory pace, well above the euro area average for the fourth consecutive year. The real gross domestic product (GDP) growth rate stood at 2.3% in 2024, materially higher than in the euro area. The main drivers of economic growth were private consumption, investment and services exports. More specifically, private consumption growth accelerated, on the back of rising households' real disposable income. Investment – especially in machinery – maintained its upward momentum in 2024. By contrast, the overall contribution of the external sector was negative, as exports declined somewhat, adversely affected by the deteriorating international environment, while imports of goods and services increased significantly. Lower government expenditure also weighed negatively on economic growth. On the fiscal front, tax revenue overperformed in 2024, with the general government primary balance turning out at a surplus of 4.8% of GDP, up from 2.0% in 2023, significantly exceeding the budgeted 2.5%, thanks, to a large extent, to the successful implementation of measures to counter tax evasion.

Banking sector fundamentals improved further in 2024, enhancing its resilience. In more detail, profitability and capital adequacy increased, banks' assets quality improved further and liquidity remained high. This was underpinned by domestic economic growth, credit expansion, successive upgrades of the sovereign and significant Greek banks' credit ratings, and progress in the overhauling of the less significant institutions (LSI) sector – most notably Attica Bank's merger with Pancreta Bank and their share capital increase, as well as a substantial reduction in the stock of non-performing loans (NPLs).

The liquidity of Greek banking groups improved further in 2024. This improvement was driven by deposit growth in Greece, the expansion of banks' international activities – notably in Cyprus – and the issuance of bank bonds. These factors more than offset the full repayment of the Targeted Longer Term Refinancing Operations (TLTRO III), which materially reduced Eurosystem funding (December 2024: EUR 2.6 billion, December 2023: EUR 14.3 billion). Liquidity ratios remain well above prudential requirements. More specifically, in December 2024 the Liquidity Coverage Ratio (LCR) stood at 218.3% and the Net Stable Funding Ratio (NSFR) at 138.5%. It should be noted that the recent market turmoil has so far not affected banks' liquidity and funding conditions, while the funding gap in foreign currencies is very small and manageable.

Banks' asset quality improved markedly, mainly thanks to NPL securitisation. In particular, 2024 saw a significant improvement in the quality of Greek banks' loan portfolios, with the stock of NPLs declining to EUR 6 billion – down by 39.8% compared to 2023 – mainly due to loan securitisations in the context of the Hellenic Asset Protection Scheme (HAPS – "Hercules"). The ratio of NPLs to total loans dropped significantly to 3.8% in December 2024 (from 6.7% in December 2023), the lowest level since Greece joined the euro area, further converging towards the average in the Banking Union (December 2024: 2.3%).

Greek banking groups' profitability improved significantly. In 2024, Greek banking groups posted profits after tax and discontinued operations amounting to EUR 4.4 billion, compared with profits of EUR 3.8 billion in 2023. This development was underpinned by an increase in net interest and fee income and a decline in loan-loss provisions, while profitability was adversely affected by higher operating costs. In addition, the expansion of international activities contributed significantly, driven primarily by the consolidation of Hellenic Bank (Cyprus) by Eurobank. Banking groups' return on assets (RoA) and return on equity (RoE) stood at 1.3% and 12.2% respectively.

The capital adequacy ratios of Greek banking groups also improved further. Prudential own funds were boosted mainly by internal capital generation and the issuance of capital instruments. In particular, the Common Equity Tier 1 (CET1) ratio on a consolidated basis increased to 15.9% in December 2024 and the Total Capital Ratio (TCR) to 19.7%, now standing at the same level as the average in the Banking Union (CET1: 15.9% and TCR: 20.0% in December 2024). Nonetheless, the quality of Greek banks' prudential own funds remains low: in December 2024, deferred tax credits (DTCs) amounted to EUR 12.2 billion, representing 38.6% of total prudential own funds (down from 44.2% in December 2023).

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In the current macroeconomic and financial environment, implementing an appropriate macroprudential policy to avoid the build-up of systemic risks and to enhance the resilience of the banking sector is all the more important. The Bank of Greece conducts a quarterly assessment of 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 confirms that overall, there is no excessive credit growth, however it points to emerging cyclical systemic risks in certain areas, such as credit to non-financial corporations, residential real estate prices and the current account. Furthermore, the banking sector's improved fundamentals and prudential ratios have created favourable conditions for building adequate macroprudential space to safeguard financial stability over the medium term. In this context, the Bank of Greece adopted a framework for a Positive Neutral Countercyclical Capital Buffer (PN CCyB), setting its target rate at 0.5%. In light of the above, the Bank of Greece set the countercyclical capital buffer rate for Greece at 0.25%, applicable from 1 October 2025.

In addition, the Bank of Greece identified Other Systemically Important Institutions (O-SIIs) in Greece for the year 2024, applying the relevant European Banking Authority (EBA) guidelines, and set the O-SII buffer rate for 2025 at 1.25% for Eurobank Ergasias Services and Holdings S.A. on a consolidated basis and at 1.00% for all other O-SIIs.

Finally, the Bank of Greece has enacted macroprudential borrower-based measures (BBMs) for loans and other credit to natural persons secured by residential real estate located in Greece, effective from 1 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.

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The Greek insurance market maintained its capital adequacy in 2024, despite challenges associated with the international macroeconomic and financial environment and climate change. Following the mergers and acquisitions of recent years, insurance undertakings continue to actively adapt to the requirements of a rapidly changing environment, addressing both existing and emerging risks. To this end, they review their business models and adjust, where necessary, their pricing and investment policies, confirming the industry's flexibility and resilience over time.

The financial system infrastructures operated smoothly, while the use of electronic means of payment expanded further in 2024. The uninterrupted operation of these infrastructures, i.e. payment, clearing and settlement systems, contributed positively to the stability of the domestic financial system by ensuring the efficient processing of transactions. As for the use of electronic payment instruments and payment cards, transactions rose both in volume and value in 2024. At the same time, the enhancement of card payment security was reflected in a decrease in the fraud-to-transaction ratio both in volume and value terms.

Credit Servicing Firms (CSFs) play a significant role in private debt management in Greece. In December 2024, total exposures under management by CSFs amounted to EUR 87.4 billion, of which 82% referred to exposures serviced by CSFs on behalf of credit acquirers and the remaining 18% to exposures managed on behalf of credit and financial institutions. The portfolio comprised mainly NPLs (83%) and, to a lesser extent, performing exposures (17%).

The activities of Payment Institutions (PIs) and Electronic Money Institutions (EMIs) grew considerably in 2024. The total value of payment transactions carried out in 2024 by PIs stood at EUR 62.3 billion, up by 7% compared to 2023. In the same vein, the total annual value of payment transactions carried out by EMIs stood at EUR 34.4 billion, up by 28.2% year-on-year. These developments had a positive impact on the own funds and profitability of PIs and EMIs.

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The Greek economy is projected to continue growing in 2025 at a satisfactory rate, well above the euro area average. According to the Bank of Greece March 2025 projections, the growth rate of the Greek economy is set to remain at 2.3% in 2025 – well above the euro area average. Private consumption and investment will continue to be the key drivers of growth, while the contribution of the external sector is expected to be neutral. US tariffs on imported EU goods are expected to have a limited direct impact on the Greek economy. The small share of Greek exports to the US (around 5% of total exports in 2024) and the composition of goods' exports suggest only a muted effect on the country's external trade. At the same time, as regards shipping, the impact is anticipated to be limited for most key sectors, except for container transport, where a more pronounced effect is expected. However, US tariffs on EU exports should indirectly weigh on the Greek economy by dampening euro area growth and heighten uncertainty, dragging down exports and investment sentiment. In addition, the potential loss of the safe haven status of US assets could have adverse effects, although the full impact cannot be safely assessed. Conversely, higher capital flows into the EU on the back of trade tensions and a potential redirection of Chinese exports to the EU could act as a tailwind.

The outlook for the Greek banking sector remains favourable. The further upgrade of Greece's credit rating above the investment grade threshold, combined with the resilience of the economy, points to a positive outlook for the banking sector. Net interest income is expected to be affected by recent key interest rate cuts; however, this negative impact should be partly offset by stronger demand for new loans from both firms and households. Co-funded programmes of the National Strategic Reference Framework (NSRF 2021-2027), the Recovery and Resilience Facility (RRF) funds, as well as the financing tools of the European Investment Bank Group and the Hellenic Development Bank, will help in this direction. In addition, recent acquisitions of banks abroad and non-banking operations in Greece are expected to help banking groups diversify their income sources.

The nature of emerging global risks calls for vigilance. Ongoing geopolitical tensions and armed conflicts, as well as the rise of trade protectionism have reshaped the external environment. While the Greek banking sector is now much better placed to address the risks emerging at the current juncture, the nature of these risks differs markedly from conventional risks. This hampers their effective management and calls for the combined application of available microprudential and macroprudential policy tools so that the banking sector remains robust and on a growth trajectory.

II. ECONOMIC ENVIRONMENT

1. ECONOMIC ACTIVITY: DEVELOPMENTS AND PROSPECTS

The Greek economy continued to expand in 2024, at the same rate as in 2023, which remained above the euro area average, further contributing to real convergence. Sustained growth was driven by private consumption, gross fixed capital formation and exports of services, while, on the contrary, exports of goods, imports and public consumption had a negative contribution. On the supply side, economic activity edged upwards in industry, construction and most of the services subsectors, with public administration and defence contributing negatively.

Business confidence remained strong in 2024, slightly improved compared with 2023, and continued to exceed the euro area average. By contrast, the consumer confidence indicator remained at low levels. The Purchasing Managers' Index (PMI) moved in positive territory, but fluctuated and declined, in particular over the last months of the year, remaining, however, well above the euro area average. The positive performance of confidence indicators continued in the first four months of 2025 and, despite shocks to the global economy from the imposition of protectionist measures, these indicators remained at significantly higher levels in relation to the euro area, where they deteriorated.

In more detail, in 2024, GDP grew by 2.3% year-on-year, due to an increase in domestic demand, since net exports had a negative contribution. Private consumption picked up compared with 2023 (2.1%, up from 1.8% in 2023), being the main driver of economic growth in Greece. Private

Table II.1 GDP and its main components (2021-Q4 2024)

(Annual percentage changes, constant market prices of 2020)

	2021	2022	2023	2024	Q1 2024	Q2 2024	Q3 2024	Q4 2024
Private consumption	5.1	8.6	1.8	2.1	2.3	2.0	2.5	0.8
Public consumption	1.8	0.1	2.6	-4.1	-6.9	-4.2	-1.8	-3.4
Gross fixed capital formation	21.7	16.4	6.6	4.5	2.6	4.3	1.3	9.0
Residential investment	31.8	57.8	24.7	2.7	-13.7	-6.8	7.5	29.1
Other construction	18.4	8.6	10.2	7.7	10.8	5.8	6.5	11.8
Equipment	23.8	16.1	1.8	4.5	7.2	15.6	-2.9	2.1
Domestic demand	**7.2**	**7.6**	**1.8**	**4.2**	**0.5**	**1.2**	**1.5**	**1.2**
Exports of goods and services	24.4	6.6	1.9	1.0	-4.9	2.3	3.3	3.6
Exports of goods	14.4	4.1	0.1	-1.7	-10.2	1.1	0.9	1.6
Exports of services	37.6	9.4	3.9	3.8	1.6	2.9	4.8	5.9
Imports of goods and services	17.4	11.0	0.9	5.5	4.6	9.7	5.4	2.4
Imports of goods	16.5	13.2	-0.3	5.1	4.0	11.0	3.5	2.0
Imports of services	20.2	4.4	4.8	6.7	4.4	5.2	12.7	4.8
Real GDP at market prices	**8.7**	**5.7**	**2.3**	**2.3**	**2.1**	**2.1**	**2.3**	**2.6**

Sources: Hellenic Statistical Authority (ELSTAT) and Bank of Greece.
Annual data: non-seasonally adjusted, quarterly data: seasonally adjusted.

demand was supported by an increase in disposable income, as the nominal disposable income of households and non-profit institutions serving households (NPISHs) rose by 4.4% in 2024. The slowdown in inflation resulted in a 0.7% increase in real disposable income over the same period, which contributed to stronger consumption. By contrast, public consumption posted a significant decline of 4.1%.

Investment continued to grow in 2024, outpacing economic activity. More specifically, gross fixed capital formation rose by 4.5% in 2024, against 6.6% in 2023. A positive contribution came primarily from investment in "Machinery and weapon systems" (8.0%) and secondarily in "Other construction", which rose by 7.7%. In addition, residential investment registered an increase of 2.7%. By contrast, investment in "Transport equipment" declined by 2.0%, while investment in "ICT equipment" and in "Other products" rose by 1.2% and 2.0%, respectively.

Net exports had a negative contribution of 2.1% in 2024, due to higher imports and lower exports of goods. Exports of goods and services rose by 1.0%, owing to a 3.8% increase in exports of services, despite a 1.7% decrease in exports of goods. Imports of goods and services grew by 5.5%, as imports of both goods and services increased (by 5.1% and 6.7%, respectively).

On the supply side, total gross value added rose by 1.8% in 2024. At the sectoral level, significant growth was posted in "industry" (6.4%), "construction" (4.2%), "professional, scientific and technical services, administrative and support services" (1.8%), "wholesale and retail trade, repair of motor vehicles and motorcycles, transportation and storage, accommodation and food services" (1.5%) and "arts, entertainment and recreation" (1.2%). Conversely, the primary sector contracted by 1.9% and "public administration and defence, mandatory social security, education, human health and social work activities" fell by -0.4%.

The current account deficit increased to EUR 15.3 billion (6.4% of GDP) in 2024, up from EUR 13.9 billion (6.2% of GDP) in 2023, on account of a deterioration in both the non-oil and the oil balance. The surplus of the services balance rose by 3.7% in 2024, driven by higher net travel receipts and, secondarily, other services receipts, which were offset to a degree by lower net transport receipts. The deficit of the primary income account deteriorated, reflecting lower net receipts from other primary income, as a result of lower EU farming subsidies. The current account deficit increased further in the first two months of 2025, mainly on account of a deterioration in the secondary income account and the services balance.

The labour market improved further in 2024. More specifically, total employment rose by 2.0%, dependent employment by 2.3%, while the self-employed increased by 0.8%. The unemployment rate fell to 10.1%, from 11.1% in 2023. This included a significant improvement for women (12.8%, from 14.3% in 2023), as well as for youth aged 20-29 years (18.4%, from 21.1% in 2023). At the same time, the long-term unemployment rate fell to 5.4%, from 6.2% in 2023. The labour force participation rate for the 15-64 age group rose in 2024 (70.5%, from 69.5% in 2023), reflecting an increase in both the male and the female labour force participation rate. Labour market growth continued also in the first quarter of 2025, as total employment rose by 1.4%, according to monthly data.

Labour cost growth accelerated in 2024 as compensation per employee rose by 6.0% (against 3.7% in 2023), due to a raise in the minimum wage in April 2024, increases in public sector salaries, the reinstatement of seniority-based benefits, as well as strong wage pressures from a tighter labour market. Unit labour costs rose by 4.9%, standing close to the euro area average (4.6%).

Inflation, as measured by the Harmonised Index of Consumer Prices (HICP), decelerated further, to 3.0% in 2024, against 4.2% in 2023. The decline in harmonised inflation was attributed to both food components (processed and unprocessed food), non-energy industrial goods and energy goods. By contrast, services inflation recorded a broadly similar rate of change as in 2023. In April 2025, inflation declined slightly mainly on account of a drop in the prices of energy goods.

According to the Bank of Greece March 2025 macroeconomic projections, the growth rate of the Greek economy is set to remain at 2.3% in 2025 – well above the euro area average. Private consumption and investment will continue to be the key drivers of growth, while the contribution of the external sector is expected to be neutral. The continued recovery of economic activity will be accompanied by a slight further decline in unemployment to 9.9%. Inflation is projected at 2.9% in 2025. Risks to the growth forecasts of the Bank of Greece are tilted to the downside and stem from: (a) the imposition of protectionist measures with negative effects on global trade and prices; (b) a possible deterioration of the euro area growth rate, also due to the geopolitical tensions in Ukraine and the Middle East; (c) labour market tightness intensifying wage pressures; (d) any climate crisis-related catastrophic events; and (e) potential delays in implementing reforms.

2. FISCAL DEVELOPMENTS

Overperformance of tax revenue and social security contributions relative to targets continued in 2024, allowing the financing of additional public expenditure, both for investment and for support to vulnerable social groups. Consistent overperformance in recent years is a strong sign that efforts to combat tax and contribution evasion are bearing fruit. Thus, the tax base is broadened and tax fairness is enhanced, leading to a permanent (sustainable) increase in public revenue. This, combined with primary expenditure restraint, greatly contributed to the primary balance overshooting the target in 2024.

Fiscal performance in 2024 was impressive. According to the first EDP notification of fiscal data for 2021-2024 by the Hellenic Statistical Authority (ELSTAT) in April 2025, the general government balance shifted to a surplus of 1.3% of GDP, for the first time since 2019, against a deficit of 1.4% in 2023. The general government primary balance for 2024 turned out at a surplus of 4.8% of GDP (from 2.0% of GDP in 2023), significantly exceeding the budgeted 2.5%. This performance is a milestone in almost 30 years. Moreover, public debt dropped markedly in 2024, by 10.3 percentage points to 153.6% of GDP – the lowest level since 2010 – from 163.9% in 2023. This decline is attributable to both an increase in GDP and a decrease in debt by EUR 4.2 billion in nominal terms. Among all European Union countries, Greece achieved the largest reduction in the debt-to-GDP ratio and the fourth largest primary surplus as a percentage of GDP, while it is one of only six countries registering an overall budget surplus.

The sustainability of the drivers of fiscal overachievement for 2024 allowed for new, permanent fiscal measures, in keeping with the new fiscal rules. These measures, amounting to EUR 1.1 billion, have a social and growth-enhancing character and include rental subsidies, financial support to vulnerable social groups and a boost to the Public Investment Programme.

As regards 2025, the 2025 Budget forecasts a primary surplus of 2.4% of GDP, while the public debt is estimated to drop further to 147.5% of GDP. However, with the target for the 2024 primary balance overshot by a large margin, and with a permanent positive effect from increased tax revenue, the targets set in the 2025 Budget are expected to be overachieved. According to the Annual Progress Report submitted by Greece in April 2025 in the context of the European Semester, the primary balance for 2025 is now estimated to turn out at a surplus of 3.2% of GDP and public debt at 145.7% of GDP. These estimates remain broadly in line with the revised projections of the Bank of Greece for the 2025 fiscal aggregates, based on the latest available data and the measures announced so far. The expenditure benchmark – i.e. the ceiling on nationally financed net primary expenditure[1] – was revised upwards to 4.5% (from 3.7% under the 2025-2028 Medium-Term Fiscal-Structural Plan – MTFSP). This is mainly attributable to the permanent character of the improved performance of the net expenditure indicator for 2024, which dropped by 0.3% (against a targeted increase of 2.6%),[2] having also been constrained by the ceiling on public expenditure annual growth (a maximum of 0.3% of GDP per annum) introduced by the new fiscal rules.

In October 2024-April 2025, the investment sentiment for Greece remained positive. In December 2024, Scope Ratings upgraded the Greek sovereign's credit rating to BBB (from BBB-), one notch above the investment grade threshold, maintaining a stable outlook for the Greek economy. Moreover, in March 2025, Morningstar DBRS upgraded the rating of the Greek economy, changing the trend from positive to stable, while Moody's upgraded the Greek economy to investment grade after 14 years. Lastly, in April, Standard & Poor's also upgraded the Greek sovereign's credit rating to BBB (from BBB-), also one notch above the investment grade threshold. As a result, all ECB-approved rating agencies have now reinstated the Greek economy to investment grade, marking the country's return to European normality. These positive developments reflect the enhanced credibility of the Greek economy, underpinned by expectations for further declines in the public debt-to-GDP ratio in the coming years, as well as consistent overperformance of the primary fiscal balance in recent years.

Against this favourable background, in the first four months of 2025, the Greek State covered almost 93% of its borrowing programme for the year, raising a total of EUR 7.48 billion on international markets. Specifically, in January 2025, the Greek State raised EUR 4 billion through the issuance of a 10-year bond (at a yield of 3.637%), while in February the same issue was reopened (at a lower yield), raising an additional EUR 250 million. In March, the Public Debt Management Agency (PDMA) reopened the 2023 issue of a 15-year bond (at a yield of 4.057%) and a 2024 30-year bond (at a yield of 4.408%), raising EUR 2 billion and EUR 1 billion, respectively. The issues were reopened at lower yields (relative to the corresponding initial issues) and with high coverage ratios, confirming a strong demand for Greek bonds and confidence in the prospects of the Greek economy, and further boosting liquidity in the bond market. It is worth noting that the March reopenings included a switch and tender offer of two bonds maturing in 2026. Out of a total of EUR 3 billion raised, EUR 1.5 billion came from an exchange of outstanding securities,

[1] Net expenditure indicator, calculated as general government public expenditure excluding interest payments, EU-financed expenditure, cyclical unemployment spending and one-off expenditure, and net of discretionary revenue measures.

[2] The strongly improved performance of the expenditure indicator in 2024 relative to initial projections is mostly attributable to the overperformance of public revenue, reflected in an increase in discretionary revenue measures. This development expanded the available fiscal space and allowed for an adjustment of the ceiling on expenditure.

while the remaining EUR 1.5 billion are fresh funds. This strategy aims to improve public debt management and to reduce public debt, as it contributes to lower financing needs for the next year, thus enhancing debt sustainability. Lastly, in April, a reopening of a 2003 5-year bond issue raised EUR 200 million (at a lower yield relative to the initial issue).

In an international environment of heightened uncertainty, as a result of geopolitical tensions and complex geo-economic challenges, falling – but persistent – structural inflation and constantly changing international economic relations, a credible medium-term fiscal policy remains crucial. In the interests of price stability, financial stability and fiscal sustainability, it is vital that monetary and fiscal policy complement each other. Moreover, flexibility is necessary for the two policies to be in tune with evolving conditions, supporting the resilience of euro area economies, particularly in a period marked by a resurgence of protectionist policies globally.

2024 was the year of transition towards the implementation of the new EU economic governance framework. At the heart of the new fiscal rules lies the need to gradually reduce public debt and contain medium- and long-term risks associated with debt sustainability, mainly by keeping a firm hand on the growth rate of public expenditure. The new framework explicitly states that any non-permanent (non-structural, non-sustainable) fiscal space should be used to either build up buffers or reduce public debt. Any extraordinary fiscal measure on the expenditure side should be accompanied by a revenue-increasing measure of an equal size, thus safeguarding fiscal sustainability and long-term stability. The only way to adopt permanent fiscal measures is either by creating permanent and sustainable fiscal space (e.g. by consistently combating tax and contribution evasion and strengthening tax compliance) or by accelerating the reduction of public debt, which in turn reduces the need for structural adjustment to ensure compliance with the new rules.

In the context of this binding framework, fiscal policy at a national level must constantly prioritise structural fiscal reforms, aiming at combating tax evasion and broadening the tax base. Such measures enhance the fairness and proportionality of tax burden distribution, while promoting a more efficient utilisation of public resources. Continuous upgrading of the AADE (Independent Authority of Public Revenue) electronic tools, combined with targeted measures adopted recently in this direction, has already yielded tangible results and is expected to further contribute to achieving the above objectives.

For 2025, it is crucial to complete the 2024 actions that have led to the containment of tax evasion, and to further automate the tax collection process, as planned by the government. These actions include: (a) reporting of revenue/expenses on the myData platform by all firms; (b) universal application of digital clienteling; (c) mandatory use of a digital consignment note; (d) development of new control systems to automatically monitor the evolution of each debtor's arrears; (e) more efficient utilisation of artificial intelligence, to further reduce bureaucracy and strengthen tax audits in a targeted manner; (f) universal application of digital invoicing; (g) use of customised software to combat the smuggling of marine fuel, etc.

The above measures may have multiplier effects, as long as they are coupled with appropriate tax incentives for consumers, so as to avert the non-reporting of transactions, particularly in high tax evasion sectors. Moreover, a review of existing tax exemptions in terms of their economic efficiency and growth-enhancing potential, as well as improved targeting of social policy, may improve overall tax system performance. Such a comprehensive approach can strengthen not only tax revenues, but also tax fairness and, in the long run, make a decisive contribution to the country's fiscal stability and economic growth.

Lastly, in order to enhance the resilience of the economy in a volatile environment, efficient use of the Recovery and Resilience Facility resources is crucial. Timely absorption of available European funds is key to implementing the necessary reforms, as well as to mobilising private investment, particularly in strategic areas such as clean energy, environmental protection, digital technologies and artificial intelligence.

Risks to the sustainability of public debt are estimated to remain contained in the medium term, contingent upon a commitment to meeting the fiscal targets and an efficient use of European resources. This is largely due to the favourable repayment profile of official sector debt, which accounts for the bulk of total debt, coupled with the past hedging swap contracts, which locked in historically low interest rates. It should be noted, though, that the current favourable profile of the accumulated public debt will not be permanent. It merely provides an important window of opportunity for public debt to remain sustainable, as the concession loans under the economic adjustment programmes gradually mature and are replaced by new borrowing on market terms. In order to take advantage of this window of opportunity, fiscal credibility must be safeguarded, which will ensure a further gradual improvement of the country's credit rating.

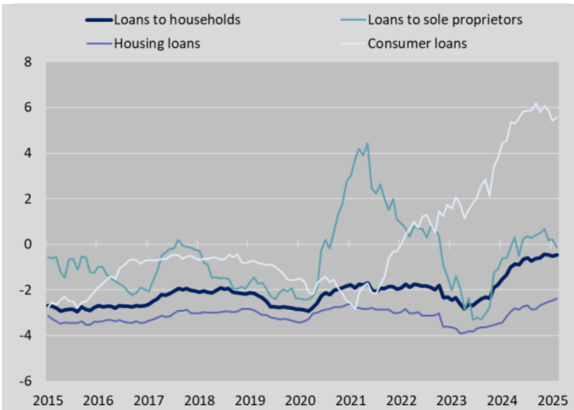
3. FINANCIAL CONDITION OF HOUSEHOLDS

3.1 DEVELOPMENTS IN HOUSEHOLDS' CREDIT AND INDEBTEDNESS

The annual rate of change in household lending[3] by domestic monetary financial institutions (MFIs) remained negative in 2024 and early 2025 (March 2025: -0.5%; see Chart II.1). Specifically, the annual rate of change in housing loans remained negative (March 2025: -2.4%). Loans to sole proprietors remained relatively unchanged (March 2025: -0.1%). By contrast, the annual rate of change in consumer loans is positive (March 2025: 5.6%), broadly tracking the nominal GDP growth rate. Hence, there is no excessive credit growth to households and their total indebtedness is declining (see Chart II.2).

Chart II.1 Financing of households by domestic monetary financial institutions (2015 - March 2025)

(twelve-month rate of change)



Source: Bank of Greece.

Note: The growth rates reflect changes in the balances, which have been adjusted for loan write-offs, securities depreciation, foreign exchange variations and reclassifications.

According to the results of the Bank Lending Survey for the first quarter of 2025,[4] demand for housing loans increased in the first quarter of 2025 due to the launch of the 'My Home II' Programme. Credit institutions reported no significant change in demand for consumer and other household loans over the same period. On the loan supply side, in the first quarter of 2025, the

[3] Including the financing of individuals, private non-profit institutions serving households (NPISHs) and sole proprietors by domestic monetary financial institutions.

[4] Bank Lending Survey.

credit standards for housing loans to households remained almost unchanged, whereas their terms and conditions tightened due to increases in non-interest rate charges. The credit standards and the terms and conditions for consumer and other loans remained unchanged in the first quarter of 2025. During the same period, the rejection rate for household loan applications also remained unchanged.

3.2 HOUSEHOLDS' INTEREST RATE RISK

Recent cuts in ECB key interest rates as part of the normalisation of monetary policy (cumulative reduction of 175 basis points since the first cut decided by the ECB Governing Council in June 2024) have already started to feed into lending rates. In particular, the weighted average interest rate on the outstanding balances of housing loans with a maturity of over five years decreased by 39 basis points in the period June 2024-March 2025 (March 2025: 3.95%, June 2024: 4.34%), while for housing loans with a maturity of over one and up to five years it decreased by 12 basis points (March 2025: 5.33%, June 2024: 5.45%).

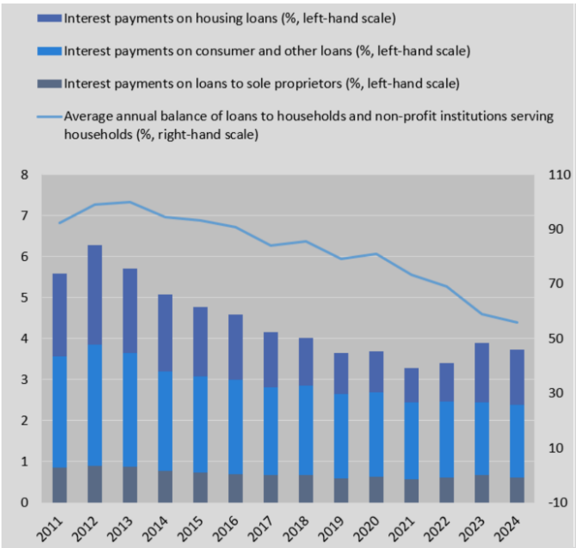
Similarly, the weighted average interest rate on the outstanding balances of consumer and other loans to households decreased by 13 basis points in the period June 2024-March 2025 for loans with a maturity of up to one year, by 22 basis points for loans with a maturity of over one and up to five years (March 2025: 10.86%, June 2024: 11.08%) and by 12 basis points for loans with a maturity of over five years (March 2025: 8.24%, June 2024: 8.36%).

In the period June 2024-March 2025, the weighted average interest rate on outstanding loans to sole proprietors decreased by 50 basis points for loans with a maturity of up to one year, by 141 basis points for loans with a maturity of over one and up to five years (March 2025: 5.79%, June 2024: 7.20%) and by 81 basis points for loans with a maturity of over five years (March 2025: 6.02%, June 2024: 6.83%).

Interest payments as a percentage of household gross disposable income declined in 2024 following a substantial increase observed in 2023 on the back of higher interest rates on existing loans (see Chart II.2). Nonetheless, the average annual balance of loans to households as a percentage of household gross disposable income declined further due to a decrease in average household loan balances and an increase in average gross disposable household income. As a result, interest rate risk for households has eased.

Chart II.2 Household debt and interest payments as a percentage of gross disposable income (2011 – 2024)

(% of gross disposable income)



Sources: Bank of Greece calculations and Hellenic Statistical Authority.

Notes:

1. Interest payments are approximated by the product of the weighted average interest rate per category of outstanding performing loans and the average annual balance of household finance per each category.

2. Household finance includes loans to sole proprietors, as well as housing, consumer and other loans provided by domestic credit institutions. It also includes loans in these categories that are serviced by credit servicing firms (CSFs) operating in Greece.

3. The annualised gross disposable income is derived as the sum of four quarterly income observations. The latest observation for 2024 takes into account data from Q1 2024 to Q4 2024. It is noted that the income of all households is taken into account whether or not they are indebted.

3.3 HOUSEHOLDS' INCOME RISK

The evolution of households' disposable income is a key determinant of the relative ease of servicing their loan obligations. According to quarterly data from the non-financial accounts of the institutional sectors compiled by the Hellenic Statistical Authority (ELSTAT), household nominal disposable income increased year-on-year by 1.4% in the fourth quarter of 2024, while real disposable income decreased by 2.6%, on the back of heightened inflation. The increase in nominal disposable income over this period is mainly attributed to positive contributions from self-employed income as well as dependent labour income. For 2024, nominal disposable income increased by 0.7%, compared with an increase of 3.4% in 2023.

Furthermore, in early 2025 the labour market continued to improve as shown both by the European Commission's employment expectations index and the unemployment rate.[5] In particular, the unemployment rate in March 2025 stood at 9.0%, compared with 10.8% in March 2024. The employment expectations index for Greece stood at 120.5 in April 2025 (December 2024: 113.1), compared with an EU average of 96.9.[6]

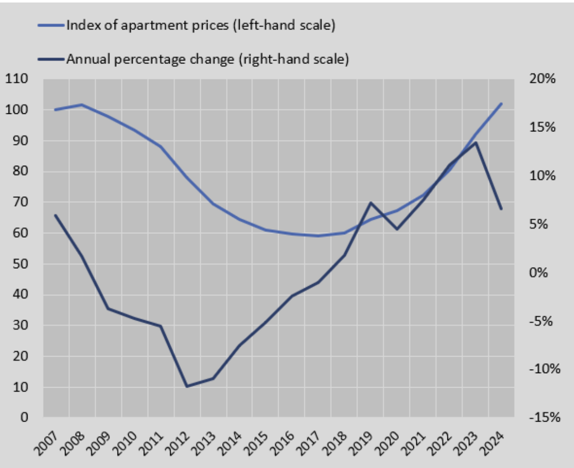
Overall, income risk for households appears limited and is expected to remain low, given the positive outlook for economic activity and employment in 2025.

3.4 HOUSE PRICE RISK

The upward trend in residential real estate prices continued in the fourth quarter of 2024, albeit at a slower pace. Specifically, apartment prices (in nominal terms) rose by 6.6% year-on-year in the fourth quarter of 2024 and now stand just below their previous peak recorded in the third quarter of 2008 (Q4 2024: 101.9, Q3 2008: 102.2; see Chart II.3). Prices for newly-built apartments (up to five years old) increased at an average annual rate of 9.1% in the fourth quarter of 2024 and have now exceeded their previous peak of the fourth quarter of 2008 by 5.8% (Q4 2024: 108.8, Q4 2008: 103), while older apartments saw a price rise of 4.9%. In terms of geographical breakdown, strong annual growth rates were recorded in Thessaloniki (8.2%) and other areas of Greece (8.7%). In Athens, apartment prices rose by 6.2% year-on-year in the fourth quarter of 2024, with the price index standing at 107.7, exceeding the previous peak by 6.3 points (Q2 2008: 101.4). For 2024, apartment prices increased by 8.7%, compared with a rise of 13.9% in 2023.

Chart II.3 Index of apartment prices and annual percentage change (2007 – Q4 2024)

(2007 = 100)



Source: Bank of Greece.

[5] For more details on labour market developments, see Section II: Economic activity: developments and prospects.

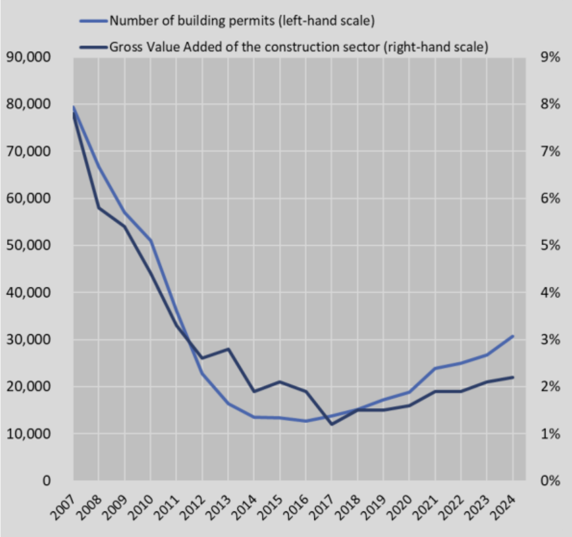
[6] Values above 100 indicate high expectations on expected dependent employment.

A similar pattern was observed in rental prices, with the corresponding index reaching 109.7 in the first quarter of 2025, compared with 99.7 in the first quarter of 2024.[7] In contrast to the apartment price index, the rental price index remains well below its peak (124.3 in the third quarter of 2011).

Prices in the Greek housing market are expected to continue rising in the period ahead, albeit at a more moderate pace, so long as domestic[8] and foreign[9] demand continues to be robust and housing supply remains constrained. The low level of supply relative to demand is mainly due to the widespread commercial use of residential properties, the effective withdrawal from the market of properties tied up as collateral for non-performing loans in foreclosure proceedings and persistently subdued construction activity, which has impeded the smooth replenishment of the housing stock.

On a positive note, a significant increase in private building activity was observed in 2024, according to ELSTAT data, as reflected in a 14.9% rise in the number of building permits issued compared to 2023. Likewise, the Gross Value Added (GVA) of the construction sector stood at 2.2% in 2024, compared with 2.1% in 2023 (see Chart II.4).

Chart II.4 Number of new building permits and Gross Value Added (GVA) of the construction sector (2007 – 2024)



Source: ELSTAT.

The above developments in residential property prices point to emerging cyclical systemic risks, but do not raise concerns for financial stability, especially considering the low level of housing loan disbursements.

Rising house prices, along with the level of property taxation and increasing operating costs, have exacerbated the housing crisis in recent years, as reflected in the share of housing costs[10] in disposable income (2023: 35.2%). Against this background, at the current juncture policymakers should adopt measures aimed at mitigating potential adverse effects of the housing problem on households' financial situation (such as the measure to refund one month's rent annually based on income criteria[11]) and improving access to the housing market. Specifically, initiatives to support the renovation of older

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[7] Source: data from the Organisation for Economic Cooperation and Development (OECD), 2015 = 100, OECD Data Explorer • Analytical house prices indicators.

[8] Residential real estate loan disbursements stood at EUR 1.3 billion in 2024 (see Special Feature II: "Residential real estate loans" in the present FSR). A significant part of domestic demand concerns property purchases made without banking intermediation (i.e. without loan financing).

[9] Foreign direct investment stood at EUR 2.75 billion in 2024, up by 28.9% compared with 2023. It should be noted that the amendment to the Golden Visa programme introduced by Article 64 of Law 5100/2024, primarily involving an increase in the minimum acquisition value of immovable property from EUR 250,000 to EUR 800,000 in the Attica region and in the Thessaloniki, Mykonos, Santorini District regional units, as well as in islands with a registered population of more than 3,100, is expected to have a negative impact on foreign direct investment in real estate in these areas.

[10] Components of housing costs comprise charges for regular maintenance and repairs, and the cost of utilities (water, electricity, gas and heating); additionally for homeowners, they include mortgage interest payments, structural insurance and property ownership taxes, while for tenants they also include rent payments.

[11] See Press Release of the Ministry of Economy and Finance (available in Greek).

homes (e.g. "Upgrade My Home" programme) and to increase housing supply (e.g. "Social Compensation" programme) are expected to help address these issues by expanding the housing stock. Similarly, initiatives such as the "My Home II" programme facilitate access to the housing market for specific population groups (see Box II.1 "Housing policy programmes for co-financed housing loans: 'My Home II' and 'Upgrade My Home'").

Box II.1 Housing policy programmes for co-financed housing loans: "My Home II" and "Upgrade My Home"

In December 2024, two new housing policy programmes were announced: the "My Home II" and the "Upgrade My Home" programmes, as part of broader initiatives aimed at mitigating the impact of the housing problem in Greece. The objective of the programmes is to provide co-financed housing loans, funded in part by the European Union (NextGenerationEU funding under the loan component of the Recovery and Resilience Facility – RRF) and in part by the participating credit institutions.[i] Both programmes are managed by Hellenic Development Bank S.A.

"My Home II"

The "My Home II" programme primarily aims to support the acquisition of a primary residence through co-financed housing loans to natural persons[ii] and follows up on the "My Home" programme. It also aims to reduce the existing stock of old and vacant properties by providing incentives for their acquisition and subsequent renovation, given that eligible properties are those built before December 2007.[iii] The total potential budget of the programme amounts to EUR 2 billion (EUR 1 billion funded by the RRF and EUR 1 billion equally funded by participating banks). The deadline for submitting applications is 31 December 2025, with the possibility of an extension by decision of the competent Minister, subject to the availability of funds.

Eligible beneficiaries are individuals aged 25 to 50 years who do not own another property suitable for residence and who meet specific income criteria,[iv] which vary depending on their family status. The minimum income threshold is EUR 10,000, while the maximum threshold is EUR 20,000 for single or divorced individuals, EUR 28,000 for married couples (plus EUR 4,000 for each child) and EUR 31,000 for single-parent families or divorced individuals with children (plus EUR 5,000 for each child other than the first-born). The maximum loan amount is 90% of the notarised property value and, in any case, may not exceed EUR 190,000,[v] while the loan maturity may range from three to thirty years.

The purchase of a property is co-financed in equal parts: half of the loan (provided by the RRF) is interest-free and the remaining half provided by the participating credit institutions bears interest.[vi] Additionally, a 50% interest rate subsidy is provided for families with three or more children, funded by the national component of the Public Investment Programme (PIP) of the Ministry of Economy and Finance. The programme also covers the application fees charged by the participating credit institutions, using RRF funds. Furthermore, the loans are exempt from the Law 128/75 levy, currently set at 0.12%. Collateral may not exceed 120% of the loan amount, and personal guarantees from third parties are not permitted.

According to a joint announcement by the competent ministries,[vii] during the first two and a half months of the "My Home II" programme implementation, 4,356 applications had been approved, totalling EUR 520 million (accounting for 26% of the programme's total budget). Breaking them down by beneficiary category, 45% of this amount was granted to persons aged up to 37, 60% to married couples and 58% to applicants with incomes ranging from EUR 12,000 to EUR 24,000. A total of 440 loans included an additional interest rate subsidy for families with three or more children. The average loan amount stands at EUR 119,000, the average market value of the property at EUR 157,000, the average year of construction is 1983, and the average property surface is 89 m².

Given its budgetary scale, the "My Home II" programme is expected to bolster housing loan disbursements in 2025 and may influence demand for residential properties that meet the eligibility criteria.

"Upgrade My Home"

The "Upgrade My Home" programme provides co-financed housing loans to natural persons with ownership rights over a primary or leased secondary residence, through participating credit institutions.[viii] The programme's objective is to improve the energy efficiency and environmental sustainability of existing dwellings. It also aims to reduce the environmental footprint and upgrade the building stock by refurbishing old and energy-intensive buildings in accordance with modern standards.[ix] This strategy supports social cohesion and addresses pressing challenges such as high energy costs, the degradation of housing infrastructure, the climate crisis, and the achievement of the United Nations Sustainable Development Goals.

The total budget of the programme amounts to EUR 400 million, of which 75% is financed by the loan component of the RRF and the remaining 25% by participating credit institutions. The RRF funds cover the interest-free portion of the loan and management fees. The portion financed by the credit institutions is subject to a fixed interest rate,[x] which is fully subsidised by the Greek State via resources from the national component of the PIP. Additionally, the loans are exempt from the Law 128/75 levy, currently set at 0.12%.

Loan amounts range from EUR 5,000 to EUR 25,000 per individual and may apply to only one property per beneficiary. Loan maturities may range from 3 to 7 years. The loan collateral may include personal and/or physical collateral, in accordance with the lending policy of each participating institution. Applications may be submitted until the earlier of 31 December 2025 or the exhaustion of the programme's funds.

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[i] Alpha Bank, Attica Bank, Eurobank, National Bank of Greece, Cooperative Bank of Thessaly, Cooperative Bank of Karditsa, Cooperative Bank of Epirus, Cooperative Bank of Chania και Piraeus Bank.

[ii] Government Gazette issue B, no 6894, 16.12.2024 [in Greek].

[iii] Building permit issued or last revised before December 2005.

[iv] Based on the most recent fiscal year's income or, if exceeded, based on the average income of the last three fiscal years.

[v] The loan amount depends on the borrower's credit score, assessed by the bank, and the market value of the property, as determined by the bank's engineer who has inspected the property.

[vi] Terms & conditions of participating banks – 'My Home II' programme [in Greek].

[vii] Joint Press release of Ministry of Economy and Finance and Ministry of Social Cohesion and Family Affairs [in Greek], 8 April 2025.

[viii] Government Gazette issue B, no 6896, 16.12.2024 [in Greek].

[ix] Eligible expenditure for residential energy upgrades under the "Upgrade My Home" programme comprises: (1) thermal insulations; (2) green roof construction; (3) energy efficient doors/windows and glass panes; (4) solar water heater installation; (5) external permanent shading system; (6) heating/cooling system installation; (7) installation of thermostatic regulation systems; (8) energy storage

systems (batteries) from renewable energy sources (RES); (9) photovoltaic stations, small wind generators and other RES; (10) technical advisory services or engineering services. The application may include one or more of the above upgrades. VAT is covered by the programme and can be included in the loan amount.

[x] Terms & conditions of participating banks – 'Upgrade my Home' Programme [in Greek].

3.5 INTEGRATED ASSESSMENT OF THE FINANCIAL CONDITION OF HOUSEHOLDS

According to experimental[12] wealth distribution accounts compiled by the European System of Central Banks (ESCB),[13] adjusted net wealth[14] *per capita* in Greece reached EUR 89.89 thousand in the third quarter of 2024, up by 9.3% from the third quarter of 2023 (EUR 82.27 thousand). The increase in adjusted net wealth is mainly attributed to a rise of EUR 46 thousand, or 57%, in households' primary residence value during the period under review. It should also be noted that the largest contribution to total net wealth originates from housing assets (EUR 60.95 thousand, or 67.8% of total adjusted net wealth per capita). The adjusted debt-to-asset ratio stood at 8.8% in the third quarter of 2024, down by 80 basis points from the corresponding period of 2023 (Q3 2023: 9.6%), and remained below the euro area average (Q3 2024: 10.8%).

Considering the aforementioned risk factors, the financial condition of Greek households does not, at present, raise any concerns regarding the safeguarding of financial stability over the short term.

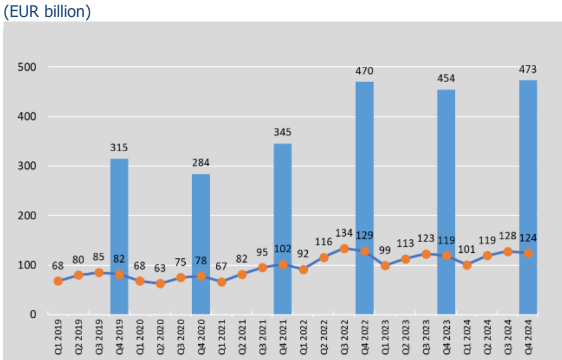
4. FINANCIAL CONDITION OF ENTERPRISES

4.1 FINANCIAL DATA

In 2024 the revenues of Greek corporates increased compared to 2023. According to ELSTAT (Hellenic Statistical Authority)[15] data, the turnover for all enterprises and activities of the economy as a whole amounted to EUR 472.7 billion, up by 4.1% compared to the previous year (Chart II.5).

Chart II.5 Turnover evolution for all enterprises and the activities of the economy as a whole

(EUR billion)



Source: Hellenic Statistical Authority.

Note: Quarterly and annual data are depicted in line and bars respectively.

The largest year-on-year increase in turnover was recorded in the "Construction" sector in 2024 (15.8%), while the largest decrease was seen in businesses within the "Electricity, Gas, Steam, and Air Conditioning Supply" sector (9.2%), reflecting a further decline in energy prices. The turnover of the sector "Wholesale and Retail Trade, Repair of Motor Vehicles and Motorcycles", which accounts for more than 1/3

[12] Experimental data are economic and financial data, collected and compiled by the ECB, whose quality is somewhat lower than that of other ECB statistics; however, these datasets are nevertheless regarded as sufficiently reliable to be useful for monetary policy purposes and various ESCB tasks.

[13] See Distributional Wealth Accounts.

[14] A household's net wealth is the difference between its total assets (financial and non-financial) and its total liabilities.

[15] Press Release – Evolution of turnover of enterprises for Q4 2024, annual data 2024.

of the turnover for all businesses, grew by 2%. A marginal increase (1%) was recorded in the turnover of the "Manufacturing" sector, which represents more than 1/5 of the total turnover of the economy.

Analysing ELSTAT's quarterly data, turnover in Q4 2024 reached EUR 124.3 billion, up by 4.2% year-on-year. The largest turnover increase (+18.2%) in Q4 2024 was recorded in the "Real Estate Activities" sector, while the largest decrease (-1.1%) was seen in the "Manufacturing" sector.

In 2024, the profitability of Greek non-financial corporations (NFCs), in terms of operating surplus, improved compared to the previous year. In particular, according to ELSTAT data,[16] the gross operating surplus of NFCs increased by 2.5% in 2024 (against a decrease of 5.3% in 2023). The net operating surplus rose by 1.4% in 2024 (compared with a decline of 10.1% in 2023). Therefore, in 2024, the performance of the business sector in terms of operating profits – as expressed by the net profit share, i.e. the ratio of net operating surplus to net value added –– stood at 29.4%, compared with 30.7% in 2023. Nevertheless, this figure remains significantly higher than the pre-pandemic three-year average for 2017-2019 (24.3%).

4.2 CREDIT TO NON-FINANCIAL CORPORATIONS AND INDEBTEDNESS

Financing of NFCs by domestic Monetary and Financial Institutions (MFIs) is a significant part of the total financing of the private sector. In the second half of 2024, credit expansion to NFCs accelerated, recording double-digit growth rates. Banks slightly eased their lending standards to enterprises in the first half of the year, which then remained stable, with loan demand increasing throughout the year, according to the Bank Lending Survey.[17] At the European level, loan demand appeared slightly increased in the second half of 2024, mainly due to the ECB's interest rate cuts, which helped reduce borrowing costs for businesses.

In particular, the financing of NFCs by domestic MFIs represents 62% of the total financing of the private sector in the country (see Chart II.6). The annual growth rate of NFC financing by MFIs in 2024 remained positive (9.5% on average for the twelve-month period and 13.8% in December 2024), edging up compared to 2023 (6.5% on average for the twelve-month period in 2023, see Chart II.7). NFC financing growth continued at a positive rate during the first months of 2025 (16.8% in March 2025, compared with 6.6% in March 2024).[18] The average value of gross monthly financing flows to NFCs increased to EUR 2 billion in 2024, from EUR 1.4 billion in 2023, mainly due to loans to large enterprises and, to a lesser extent, to small and medium-sized businesses.

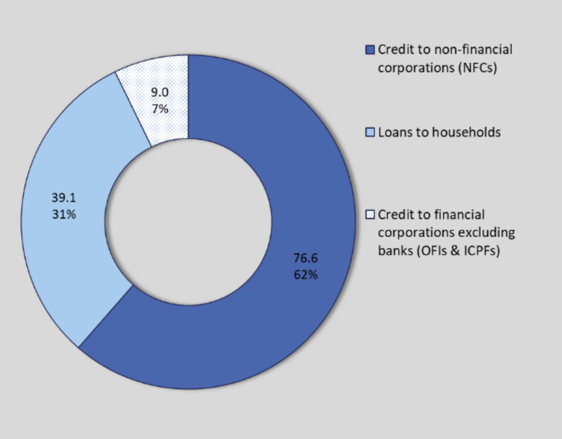
[16] Quarterly Non-Financial Accounts of Institutional Sectors for Non-Financial Corporations (S.11), Q4 2024.

[17] The Bank Lending Survey is conducted on a quarterly basis by the national central banks of the euro area in collaboration with the European Central Bank (ECB), on a sample of approximately 150 banks from all euro area countries, which includes the four significant credit institutions in Greece.

[18] This development was also supported by the acceleration of RRF-related bank loan disbursements to NFCs, with their contribution for 2024 estimated at approximately 10%.

Chart II.6 Credit to the domestic private sector by domestic MFIs

(EUR billion; %, March 2025)



Source: Bank of Greece.

Note: Outstanding amounts at end of period, including securitised loans and corporate bonds.

Chart II.7 Annual growth rate of credit to NFCs by domestic MFIs

(%, annual growth rates)

Source: Bank of Greece.

Note: Growth rates are derived from the changes in outstanding amounts cor-rected for loan write-offs, exchange rate variations and reclassifications or sales of loans.

According to the results of the Bank Lending Survey published by the Bank of Greece on a quarterly basis, credit standards on loans to NFCs "*remained basically unchanged*" throughout 2024, while the overall terms of granting loans "*eased somewhat*"[19] in the first and second quarters of 2024 compared to the fourth quarter of 2023 and "*remained basically unchanged*" in the third and fourth quarters of 2024. Total loan demand from NFCs increased during 2024 – specifically in the first, third and fourth quarters[20] – particularly for loans to large enterprises, despite banks' expectations for unchanged demand. The factors that had a slightly positive impact on loan demand from NFCs – according to the Bank Lending Survey – included "fixed investment," "inventories and working capital," "mergers/acquisitions and corporate restructuring" and the "general level of interest rates". The average of the responses for these factors was 3.25 in the fourth quarter of 2024, where 3 = "*remained basically unchanged*" and 4 = "*increased somewhat*". The use of alternative sources of financing – such as internal financing and loans from other banks or non-bank institutions – did not affect loan demand from NFCs in the fourth quarter of 2024. It is noted that, at the European level, a moderate increase in corporate loan demand was observed in the third quarter of 2024 – the first since Q3 2022[21] – which remained at similarly low levels in the fourth quarter of 2024, driven primarily by large enterprises.[22] However, after two quarters of weak recovery, corporate loan demand in the euro area returned to slightly negative territory in

[19] The average of responses in the first, second, third and fourth quarter was 3.75, 3.5, 3 και 3 respectively, compared with 3 on the fourth quarter of 2023. It is noted that the average of banks' responses is on a scale of 1 to 5, where: 1=lending standards "tightened considerably", 2="tightened somewhat", 3="remained basically unchanged", 4="eased somewhat" and 5="eased considerably".

[20] The average of banks' responses in the first quarter was 3.50, in the second quarter 3, in third quarter 3.25 and in the fourth quarter 3.75. It is noted that the average of banks' responses is on a scale of 1 to 5, where: 1=demand "decreased considerably", 2="decreased somewhat", 3="remained basically unchanged", 4="increased somewhat" and 5="increased considerably".

[21] The euro area bank lending survey – Fourth quarter of 2024 (ECB).

[22] Banks in Germany, Spain, and Italy reported a net increase in loan demand, while banks in France reported a decline. The net increase in demand for loans was mainly attributed to lower interest rates, with a limited contribution from fixed investment, reflecting the continued weak economic conditions.

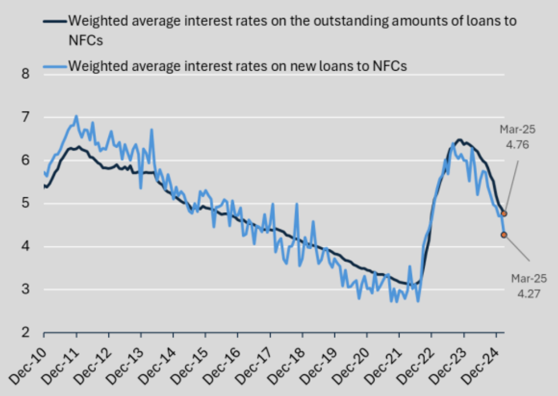
the first quarter of 2025.[23] In contrast, loan demand from NFCs in Greece remained slightly elevated, with conditions and terms for approving loans having eased somewhat.

The issuance of corporate bonds by NFCs increased (with total issuances amounting to EUR 2.13 billion in 2024), as the improvement in Greek sovereign credit rating and the ratings of Greek banks, supported by expectations for key interest rate cuts, contributed to lower financing costs.

The ECB's Governing Council, declaring its determination to ensure the stabilisation of inflation close to the 2% target on a sustainable basis, cut interest rates by a total of 175 basis points between June 2024 and April 2025. The recent interest rate cuts have contributed to lowering borrowing costs for businesses and households in the euro area. In this context, the cost of borrowing for NFCs in 2024 was also influenced by expectations of ECB key interest rate cuts. Specifically, in Greece, the weighted average interest rate on new loans decreased by 108 basis points to 4.9% in December 2024, from 6% in December 2023, although it remained at a high level. Similarly, during this period, the average weighted interest rate on existing loans fell by 118 basis points to 5.2%, from 6.4% (see Chart II.8). Interest rates on Greek bank loans, both for outstanding loans and for new businesses to NFCs, remain among the highest in the euro area, despite further declines in the first months of 2025 (in March 2025, the weighted average interest rates on outstanding loans and new businesses to NFCs were 4.8% and 4.3%, respectively).

Chart II.8 Weighted average interest rates on new and outstanding loans to NFCs by MFIs (December 2010 – March 2025)

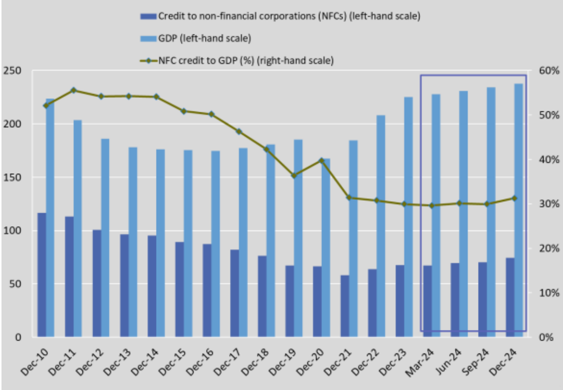
(%)



Source: Bank of Greece.

Chart II.9 Ratio of NFC credit to Gross Domestic Product (GDP) (December 2010 – December 2024)

(EUR million, %)



Sources: Bank of Greece, Hellenic Statistical Authority.

Note: GDP and financing figures are shown on an annualised basis.

The financing of NFCs as a percentage of GDP stood at 31.3%, showing a small pick-up in December 2024 compared to 2023 (29.9%; see Chart II.9).

The challenges for businesses are mainly related to the uncertainty caused by the new US tariff policy and the retaliatory measures taken by key trading partners, further intensifying concerns about the outlook of the global economy. In particular, the main challenges include potential disruptions in international supply chains, a reduction in trade flows and investment, a possible resurgence of inflationary pressures and a slowdown in global economic activity.[24] This particular

[23] The euro area bank lending survey - First quarter of 2025 (ECB).

[24] The IMF recently revised its projections for global growth downward by 0.5% for 2025.

risk has exogenous and international characteristics and is expected to have a direct and more significant impact on export-oriented businesses.

As for Greece, the impact is expected to be milder compared to the European average, as the share of Greek exports to the US in total Greek exports is low and Greece's participation in global value chains is relatively limited. Potential effects on the Greek economy and businesses are expected to the extent that the slowdown in global trade affects key European markets and reduces demand for Greek products and services, thereby impacting exports. Furthermore, the overall market uncertainty may reduce foreign direct investment, negatively affecting the growth momentum of the Greek economy.

Accelerating the absorption of RRF funds is vital for enhancing the resilience of businesses and addressing potential market disruptions. The implementation of the planned investments and reforms is expected to help narrow the investment gap, boost potential output and structural competitiveness, and overall enhance the resilience of the economy. In this context, business liquidity is expected to continue being supported in the near future through both the availability of funding from the Recovery and Resilience Facility as well as existing and upcoming initiatives under new financial instruments (e.g. the launch of new programmes aimed at providing co-financed loans, guarantees, microfinance, and joint-investment projects as part of the implementation of the NSRF 2021-2027, the establishment of a new loan guarantee fund for large enterprises, etc.).

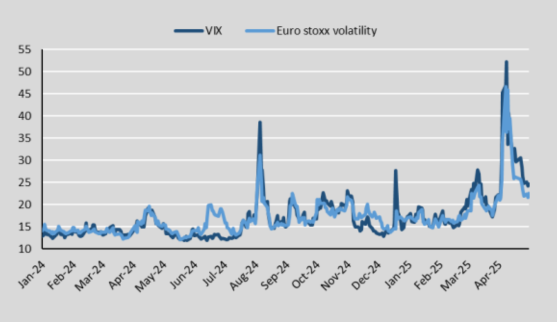
5. DEVELOPMENTS IN DOMESTIC AND INTERNATIONAL MONEY AND CAPITAL MARKETS

Stock markets experienced significant volatility in the fourth quarter of 2024 and the first months of 2025. Initially, the surge that began in November 2024, following the announcement of the election results in the United States of America (USA), created positive conditions in the US markets, driving all global stock indices upwards. However, this trend was abruptly halted in early April 2025 after the announcement of the imposition of tariffs on imports. The outbreak of a trade war, with escalating tensions between the USA and its previously close trading partners through the implementation of measures in retaliation to US tariffs, led to an environment of uncertainty and abrupt repricing of assets in international markets, negatively impacting investment sentiment.

At the same time, the market turmoil once again brought to the fore the high interconnectedness of global money and capital markets and the speed of contagion (see Chart II.10). Against this background, gold emerged as the main safe haven, recording a notable increase of 25.3% in 2025 and successively reaching new historical highs during April. Nonetheless,

Chart II.10 European and US financial markets' volatility

(1.1.2024-30.4.2025, daily prices, %)



Source: Bloomberg.

it is worth noting that both the US dollar and US bonds – traditionally considered safe havens – at the same time showed signs of depreciation.[25]

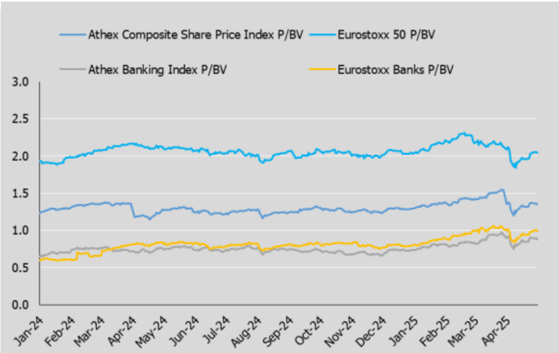
The US government's announcement of a three-month suspension in the implementation of the tariffs imposed on most countries – including EU countries – as well as the temporary tariff exemption of technology imports from China, contributed partially to a stabilisation of the markets. However, the risk of a sharp repricing in money and capital markets, potentially following the end of the three-month suspension period granted by the US, remains extremely high, heightening uncertainty and negatively affecting global economic growth prospects.[26]

As for Greece, the Athens Composite Share Price Index (ATHEX) rose by 13.65% in 2024 and by 15.6% during the period from January to April 2025, reaching a new fifteen-year high on 26 March 2025 (1,749.9 points). Underlying this performance were the favourable macroeconomic environment, upgrades to Greece's credit rating by international rating agencies[27] – due to the rapid reduction of public debt (by approximately 10 percentage points of GDP in 2024) and the increase in tax revenues – as well as the improvement in the fundamentals of the banking sector.

The valuation gap between European and Greek stocks narrowed during the period from October 2024 to April 2025, as the ATHEX outperformed the Euro Stoxx 50 index[28] (17% versus 3.2%, respectively). The Price to Book Value (P/BV) ratio of European equities slightly declined to 2.05 from 2.06 during the October 2024-April 2025 period, while the corresponding ratio for the ATHEX rose to 1.36 from 1.30. It is worth noting that the European average P/BV ratio for banks reached 0.99 during this period and continues to be higher than the corresponding Greek figure (0.88; see Chart II.11).

Chart II.11 Stock market indices

(1.1.2024-30.4.2025, daily prices)



Sources: Athens Exchange and Börse Frankfurt.

[25] It is noted that in past crisis periods, the flight from equities was typically accompanied by a simultaneous shift to US bonds and the US dollar, leading to its appreciation. However, this traditional pattern was not confirmed during the current turmoil. Specifically, from the beginning of the year to 30 April 2025, the US dollar depreciated by 8.6% against the euro, including a 4.5% drop during the period from 31 March to 30 April 2025. Meanwhile, the yield on the US 10-year benchmark bond initially increased in April 2025 but declined towards the end of the month, resulting in a monthly change of -4 basis points.

[26] The IMF recently revised its projections for global growth downwards by 0.5% for 2025.

[27] S&P, 18.4.2025: BBB, stable, from BBB-, positive.

Moody's, 14.3.2025: Baa3, stable, from Ba1, positive.

DBRS Morningstar, 7.3.2025: BBB, stable, from BBB (low), positive.

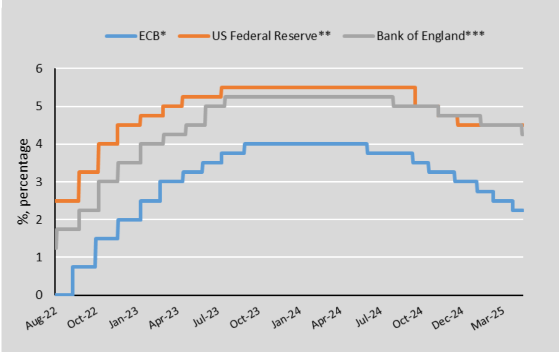
Scope Ratings, 6.12.2024: BBB, stable, from BBB-, positive.

[28] The Euro Stoxx 50 is the stock index of the eurozone, designed by Stoxx, an index provider owned by the Deutsche Börse Group. The index is composed of 50 stocks of companies considered leaders in their respective sectors and classified as large-cap across 11 eurozone countries.

The gradual reduction of interest rates by the ECB, the Bank of England and the US Fed, commenced in June 2024 and continued during the second half of 2024 and the first months of 2025, albeit with some divergence between central banks.

Chart II.12 Central banks' key interest rates

(1.8.2022-8.5.2025, daily prices)



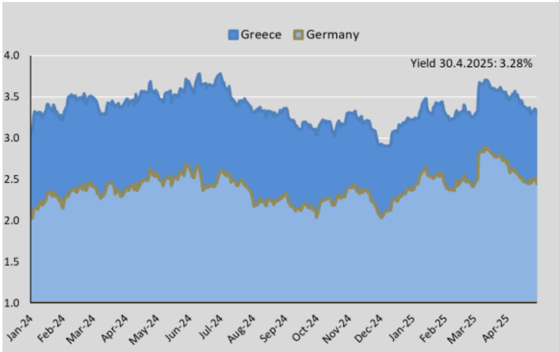
* Deposit facility rate.
** Federal funds rate (upper limit)
*** Bank Rate
Sources: European Central Bank, US Federal Reserve, Bank of England.

Specifically, the ECB reduced the deposit facility rate by a total of 175 basis points to 2.25% between June 2024 and April 2025, taking into account the decline in inflationary pressures. Similarly, the Bank of England lowered Bank Rate from 5.25% to 4.25% in May 2025, amid concerns over the sluggish growth of the UK economy. However, the US Fed, after cutting the federal funds rate range by 100 basis points in 2024 to 4.25%-4.5%,[29] did not implement any further rate cuts up to May 2025 (see Chart II.12).

The yields on ten-year government bonds in euro area countries rose during the period from October 2024 to April 2025, amid significant developments regarding member states' fiscal positions (e.g. the suspension of Germany's debt brake, the prospect of increased defence spending, etc.) and heightened uncertainty in the global macroeconomic and financial environment.

Chart II.13 Greek and German 10-year bond yields

(1.1.2024-30.4.2025, daily prices, %)



Source: Public Debt Management Agency.

A similar trend was observed in the yields of Greek government securities, which increased during the period from October 2024 to April 2025. Meanwhile, the yield spread between the Greek 10-year government bond and the corresponding German Bund narrowed from 98 basis points in early October 2024 to 84 basis points on 30 April 2025 (see Chart II.13).

The yield on 10-year government bonds relative to the debt-to-GDP ratio in Greece was lower than in Italy, Lithuania, and Slovakia. The International Monetary Fund's forecast for a significant decline in Greece's debt-to-GDP ratio over the next five years to 125% favours a decline in Greek 10-year government bond yields to lower levels than for Italy, whose debt-to-GDP ratio is projected to reach 137.7%[30] (see Chart II.14).

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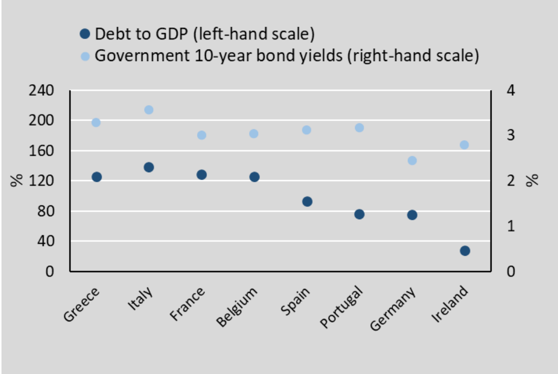
[29] It is noted that the key interest rate had peaked in July 2023, and with this 100 b.p. cut it returned to its December 2022 level.
[30] Source: International Monetary Fund.

The yields on Greek bank bonds declined during the period from October 2024 to April 2025, due to the improvement in their fundamentals (see Charts II.15 and II.16). Credit rating upgrades, combined with the timely fulfilment of the Minimum Requirement for own funds and Eligible Liabilities (MREL), provided new momentum for further attracting investors' funds.[31] Against this background, during the October 2024–April 2025 period, Greek banks raised a total of EUR 1.65 billion through both subordinated and senior bond issuances, with an average issuance yield of 4.25% for Tier II bonds and 3.38% for senior bonds, respectively.

Chart II.14 Debt-to-GDP ratio and 10-year government bond yields

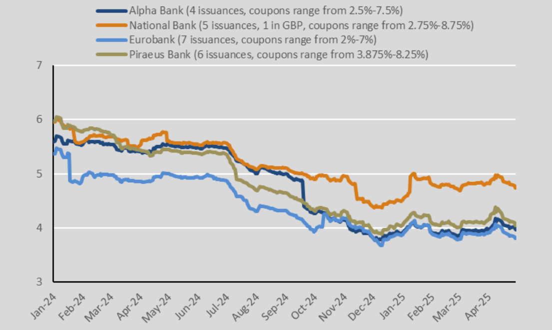
(30.4.2025, percentage %)



Sources: Public Debt Management Agency, IMF.
* According to estimates by the International Monetary Fund (IMF).

Chart II.15 Evolution of yields of senior preferred bonds issued by Greek banks

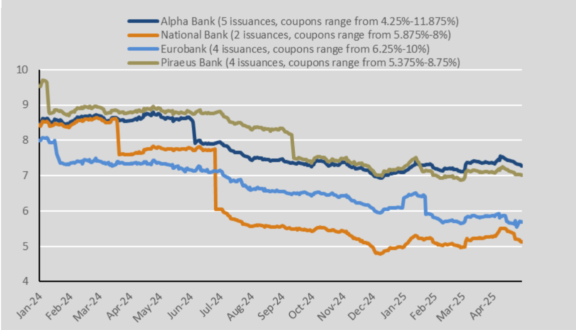
(1.1.2024-30.4.2025, percentage %)



Sources: Börse Frankfurt and Börse München.

Chart II.16 Evolution of yields of subordinated and perpetual bonds issued by Greek banks

(1.1.2024-30.4.2025, percentage %)



Sources: Börse Frankfurt and Börse München.

[31] According to best common practices followed by investment funds (e.g. mutual funds, other institutional investors, etc.), a prerequisite for investing in a financial instrument is that the issuer of the instrument has been assigned an investment grade rating by at least two internationally recognised credit rating agencies.

III. THE BANKING SECTOR

1. KEY BALANCE SHEET FIGURES

In December 2024, Greek banking groups' assets stood at EUR 345.0 billion, up by 8.6% (or EUR 27.3 billion) compared to December 2023 (see Table III.1). The increase is largely attributable to the expansion of Greek banks' activities abroad through acquisitions[32].

Table III.1 Structure of assets and liabilities of Greek commercial banking groups

(in EUR million)

Assets	2023	%	2024	%	Change
Cash & balances with Central Bank	36,973	11.6	34,340	10.0	-2,633
Due from banks	7,853	2.5	9,674	2.8	1,821
Loans & advances to customers (net)	157,675	49.6	176,501	51.2	18,826
Derivative financial instruments	3,874	1.2	3,591	1.0	-283
Securities	64,979	20.5	80,150	23.2	15,171
Investment in subsidiaries & associates, tangible and intangible assets	11,038	3.5	11,957	3.5	919
Non-current assets held for sale	7,554	2.4	3,037	0.9	-4,516
Other assets	27,752	8.7	25,699	7.5	-2,053
Total	**317,698**	**100.0**	**344,950**	**100.0**	**27,252**
Liabilities	**2023**	**%**	**2024**		**Change**
Deposits from customers	233,737	73.6	263,186	76.3	29,449
Due to banks	22,769	7.2	13,601	3.9	-9,168
Derivative financial instruments	4,195	1.3	3,585	1.0	-610
Debt securities in issue & other borrowed funds	13,013	4.1	18,581	5.4	5,568
Liabilities related to assets held for sale	4,810	1.5	1,186	0.3	-3,624
Other liabilities	11,508	3.6	12,665	3.7	1,157
Total equity	31,862	10.0	35,731	10.4	3,870
Total	**317,698**	**100.0**	**344,950**	**100.0**	**27,252**

Source: Bank of Greece.

More specifically, changes in assets' volumes and composition are mainly attributed to:

(i) An increase of EUR 18.8 billion in net loans, as loan disbursements exceeded the decrease of balances due to loan repayments and sales of non-performing loans (NPLs) and the loans of Hellenic Bank in (Cyprus) were consolidated by Eurobank. As a result, the share of loans in total assets increased (December 2024: 51.2%, December 2023: 49.6%; see Table III.1 and Chart III.1).

(ii) An increase of EUR 15.2 billion in debt securities, mainly due to a rise in holdings of foreign government bonds and corporate bonds and the consolidation of Hellenic Bank (Cyprus) by Eurobank, resulting in a rise in the share of debt securities in total assets (December 2024: 23.2%, December 2023: 20.5%).

(iii) A decrease of EUR 4.5 billion in assets available for sale, mainly due to the sale of the Romanian subsidiary of Alpha Bank,[33] resulting in a decrease of their share in total assets (December 2024: 0.9% December 2023: 2.4%).

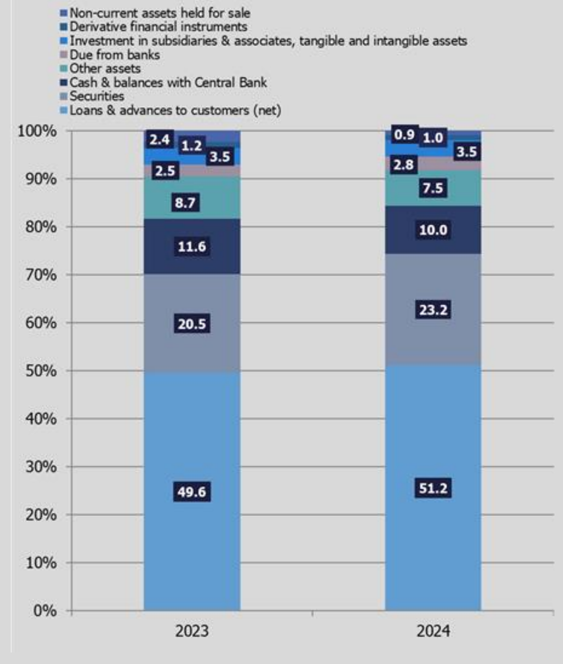
[32] It mainly concerns Eurobank's acquisition of Hellenic Bank in Cyprus (see section "International Activity Risks").

[33] See section "International Activity Risks".

(iv) A decrease of EUR 2.6 billion in cash, mainly cash balances with the Bank of Greece, in the context of the repayment of TLTRO III funding from the Eurosystem. As a result, the share of cash in total assets decreased (December 2024: 10%, December 2023: 11.6%).

Chart III.1 Structure of assets of Greek banking groups

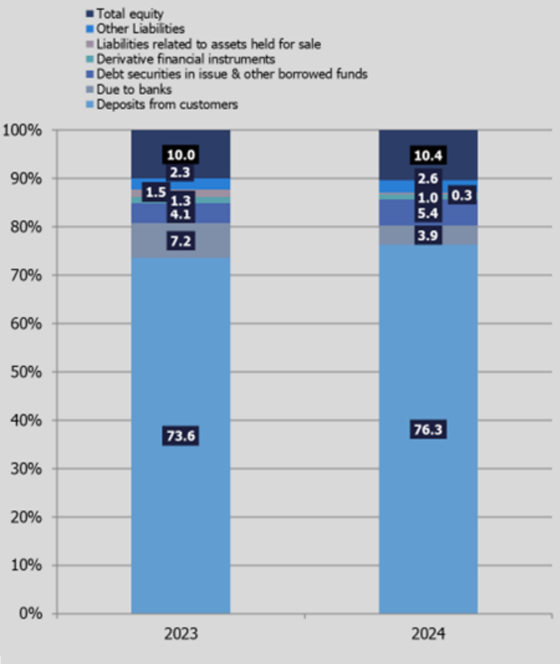
(%)



Source: Bank of Greece.

Chart III.2 Structure of liabilities of Greek banking groups

(%)



Source: Bank of Greece.

On the liabilities side, the most significant developments were as follows:

(i) An increase in customer deposits by EUR 29.4 billion, due to both a rise in deposits in Greece and to the consolidation of Hellenic Bank (Cyprus) by Eurobank. As a result, the share of deposits as a percentage of total liabilities increased (December 2024: 76.3%, December 2023: 73.6%; see Table III.1 and Chart III.2).

(ii) A decrease in amounts due to banks by EUR 9.2 billion, as a result of the repayment of TLTRO III funding. Consequently, the share of amounts due to banks in total liabilities decreased (December 2024: 3.9%, December 2023: 7.2%).

(iii) An increase of EUR 5.6 billion in debt securities in issue & other borrowed funds, resulting in a rise in their share in total liabilities (December 2024: 5.4%, December 2023: 4.1%). Banks issued a number of bonds in an effort to fulfil the Minimum Requirement for Own Funds and Eligible Liabilities (MREL).

(iv) An increase of EUR 3.9 billion in equity, mainly due to a rise in reserves and retained earnings. As a result, the ratio of equity to total liabilities increased (December 2024: 10.4%, December 2023: 10%).

(v) A decrease of EUR 3.6 billion in liabilities available for sale, mainly due to the sale of the Romanian subsidiary of Alpha Bank. As a result, the ratio of liabilities available for sale to total liabilities stands at 0.3%.

2. RISKS

2.1 CREDIT RISK

Evolution of key figures

In 2024, the asset quality of credit institutions' loan portfolios improved significantly. At the end of 2024, the total stock of non-performing loans (NPLs) stood at EUR 6 billion, down by 39.8% or EUR 3.9 billion compared to the end of 2023 (EUR 9.9 billion), according to on-balance-sheet data on a solo basis[34] (see Table III.2). It should be noted that the total reduction of NPLs from their March 2016 peak has reached 94.4% or EUR 101.2 billion.

Table III.2 Key figures – Total portfolio

(in EUR million, on-balance-sheet items)	Dec-23	Dec-24
Breakdown of NPLs		
Total loans	**149,595**	**158,797**
Performing loans	**139,641**	**152,808**
NPLs	**9,954**	**5,988**
Unlikely-to-pay	3,245	2,015
Past due > 90 days	2,535	2,395
91-180 days	410	310
181-360 days	388	324
>1 year	1,737	1,761
Denounced loans	4,173	1,579
Breakdown of forborne loans		
Forborne loans	**8,537**	**5,459**
Performing forborne loans	5,010	3,405
Non-performing forborne loans	3,527	2,055
Breakdown of impairment losses and write-offs		
Accumulated impairment on NPLs	**4,560**	**2,435**
Total collateral	**95,595**	**99,288**
Collateral on performing loans	**89,559**	**95,233**
Collateral on NPLs	**6,036**	**4,056**
Unlikely-to-pay	2,302	1,392
Past due > 90 days	1,422	1,546
Denounced loans	2,311	1,117
Collateral on non-performing forborne loans	**2,486**	**1,398**
Flows breakdown of non-performing loans and write-offs	**Dec-23**	**Dec-24**
Flows of non-performing loans	**815**	**1,025**
Flows to performing loans	-1,827	-1,314
Flows from performing loans	2,642	2,339
Write-offs	**1,041**	**419**
of which write-offs of denounced loans	759	304

Source: Bank of Greece.

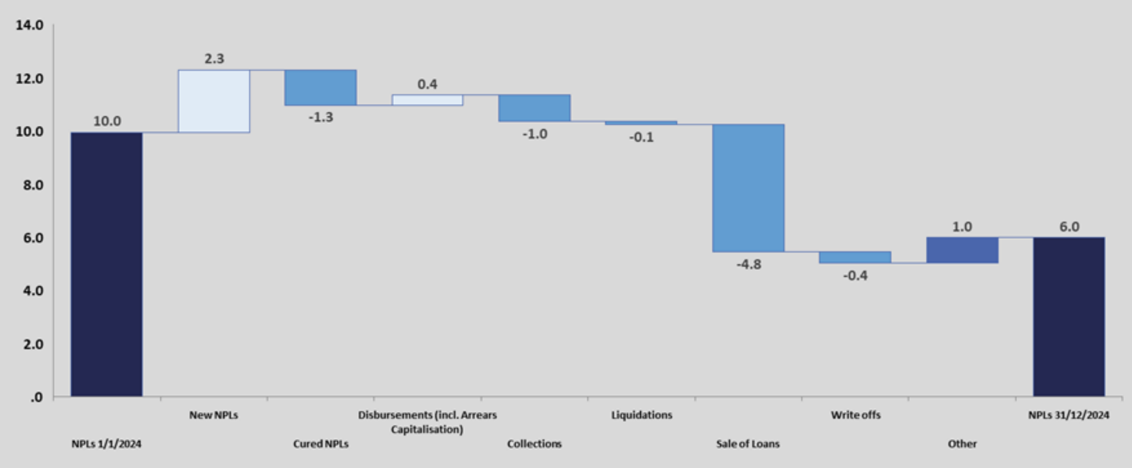
The improvement of NPLs in 2024 is mainly due to the implementation of NPL securitisation transactions (portfolios of EUR 3.7 billion of Attica Bank and Pancreta Bank after their merger)

[34] On a consolidated basis, the NPL stock stood at EUR 6.5 billion, down by 35.9% or EUR 3.7 billion from EUR 10.2 billion at the end of 2023.

under the state guarantee programme "Hercules" (Hellenic Asset Protection Scheme – HAPS III) [35] and secondarily to loan sales by the significant institutions[36] (see Chart III.3).

Chart III.3 Flows of non-performing loans in 2024

(in EUR billion)



Note 1: The categories "Liquidations" and "Sale of Loans" include any partial write-off amounts related to these categories. The "Write-offs" category includes pure loan write-offs.
Note 2: NPL sales transactions directly or through securitisations are included in the categories "Sale of Loans" and "Other".
Note 3: Loans guaranteed by the Greek State to special social groups are included in the category "Other".

Source: Bank of Greece.

It is noted that the net inflow of new NPLs (i.e. the sum of "new NPLs" and "disbursements" net of "cured NPLs" – see Chart III.2) in 2024 is positive, despite the significant cured loans flow. At the same time, NPL reduction through collateral liquidation remained negligible.

The total stock of outstanding loans (both performing and non-performing) on a solo basis amounted to EUR 158.8 billion, recording an increase of 6.2%, coming mainly from the business loan portfolio and specifically loans to large corporates (15.1%) and shipping loans (16.2%).

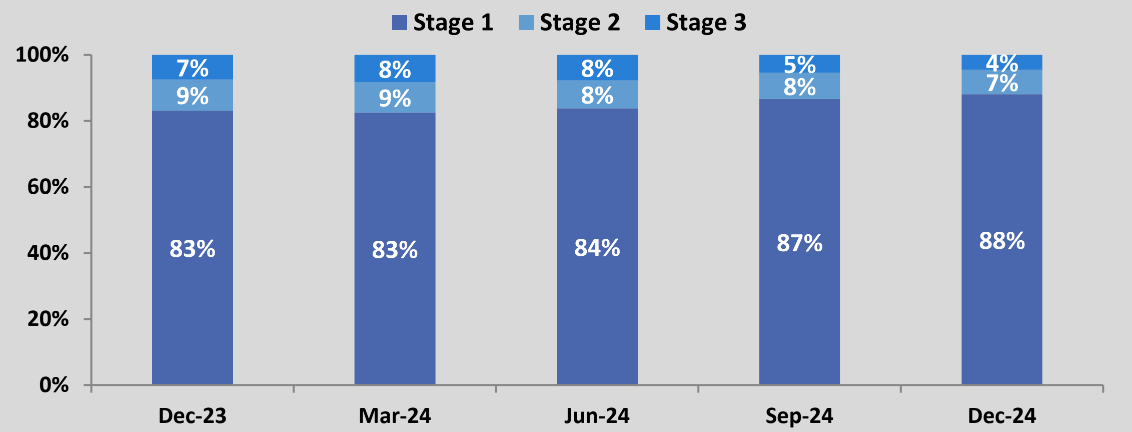
The ratio of NPLs to total loans in December 2024 stood at 3.8%, compared with 6.7% at the end of 2023, mainly due to the reduction in NPLs, but also to a lesser extent due to credit expansion. This ratio is the lowest since Greece joined the euro area and has significantly converged with the average in the Banking Union (December 2024: 2.3%[37]). Furthermore, in the less significant institutions (LSIs), the ratio of NPLs to total loans shows a substantial de-escalation, standing at 6.1% in December 2024 (from 37.6% in December 2023), mainly due to the aforementioned NPL securitisation transactions.

The quality of the portfolio is reflected in the allocation of the total loan stock per stage, in accordance with International Financial Reporting Standard 9 (IFRS 9), as in December 2024, compared to December 2023, there is a significant decrease in loans with the highest credit risk (stage 3) due to the reduction in NPLs, as well as a rise in loans with the lowest credit risk (stage 1) due to credit expansion (see Chart III.4).

[35] It is noted that as of December 2024, the total stock of NPLs included in the government's "Hercules" asset protection scheme amounts to EUR 40.7 billion (from EUR 42.8 billion in December 2023), while the amount of guarantees granted by the Greek State currently amounts to EUR 15.7 billion, from EUR 19.2 billion at the start of the programme. The decrease in guarantees granted is due to the gradual repayment of securitisations.
[36] It should be pointed out that loan sales also include portfolios that have been transferred to the "Held for sale" portfolio.
[37] Source: Single Supervisory Mechanism – SSM.

Chart III.4 Allocation of the total loan stock per stage according to IFRS 9

(%)



Source: Bank of Greece.

Indicators for monitoring and evaluation of NPLs

Regarding the indicators for monitoring and evaluation of the management of NPLs at the end of 2024, the following are observed (see Table III.3):

Table III.3 Total portfolio – Key indicators

(%. on-balance-sheet items)	Dec-23	Jun-24
Credit quality indicators		
NPL ratio	**6.7**	**3.8**
> 90 days past due	4.5	2.5
NPL structure		
Unlikely-to-pay	**32.6**	**33.6**
Past due > 90 days	**25.5**	**40.0**
91-180 days	4.1	5.2
181-360 days	3.9	5.4
>1 year	17.4	29.4
Denounced loans	**41.9**	**26.4**
Forborne to total loans		
Forborne loans	**5.7**	**3.4**
Forborne performing loans	3.3	2.1
Forborne non-performing loans	2.4	1.3
Coverage ratios and write-offs		
Coverage ratio of NPLs	**45.8**	**40.7**
Total write-offs to total loans	**0.7**	**0.3**
Total write-offs to NPLs	**10.5**	**7.0**
NPL collateral coverage ratio	**60.6**	**67.7**
Collateral coverage on forborne non-performing loans	70.5	68.0
Total NPL coverage (provisions + collaterals)	106.4	108.4
Quarterly Default Rate and Recovery Rate (%)	**Q4 2023**	**Q4 2024**
Default rate	0.4	0.4
Recovery rate of regular loan servicing	5.8	3.9
Cost of Credit risk		
Loan-loss impairment to net loans	1.1	0.7
Loan-loss impairment to total assets	0.5	0.4

Source: Bank of Greece.

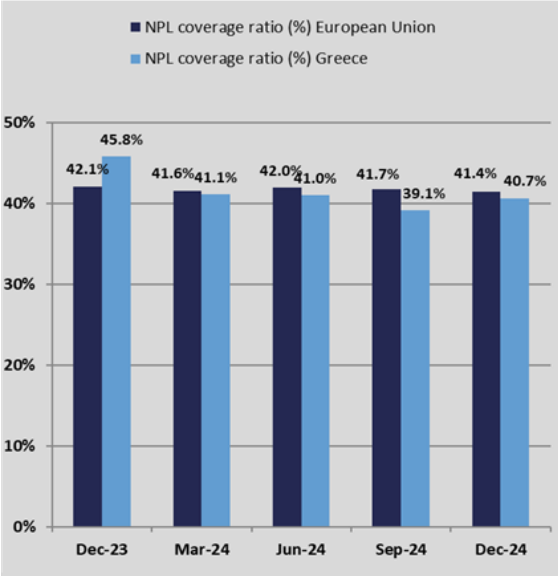
- The NPL coverage ratio (accumulated provisions) stood at 41% in December 2024, compared with 46% in December 2023. In particular, the cumulative provisions for the coverage of NPLs established by banks in December 2024 amounted to EUR 2.4 billion, compared with EUR 4.6 billion at the end of 2023. This decrease is mainly due to the sale transactions (including NPLs transferred to the held-for-sale portfolio) that took place within 2024. It should be noted that at the end of 2024, the level of the NPL coverage ratio in Greece is slightly below the corresponding European average (see Chart III.5), as a result of a decrease in the denominator (NPLs) and a simultaneous decline in the numerator (cumulative provisions).
- The collateral coverage ratio for NPLs in December 2024 was 67.7%, higher than at the end of 2023 (60.6%), while the collateral coverage ratio on forborne non-performing loans amounted to 68%, compared with 70.5% at the end of 2023.
- Total forborne loans[38] in December 2024 fell to EUR 5.5 billion, from EUR 8.5 billion in December 2023, representing 3.4% of total loans (5.7% in December 2023) (see Chart III.6). The decrease in forborne loans since December 2023 is mainly due to sales of NPLs carried out in 2024.

It should be noted that 10.3% of forborne loans are in arrears by more than 90 days, a marginally decreased percentage compared to the end of 2023 (10.6%).

Among the decreases in the stock of NPLs recorded in all loan portfolios during 2024, the most significant one was recorded in the business portfolio (-46.6%, i.e. EUR 3.16 billion in absolute numbers) and specifically in loans to small business professionals (-63.3%), while the reduction in shipping loans (-46.1%) and

Chart III.5 NPL coverage ratio

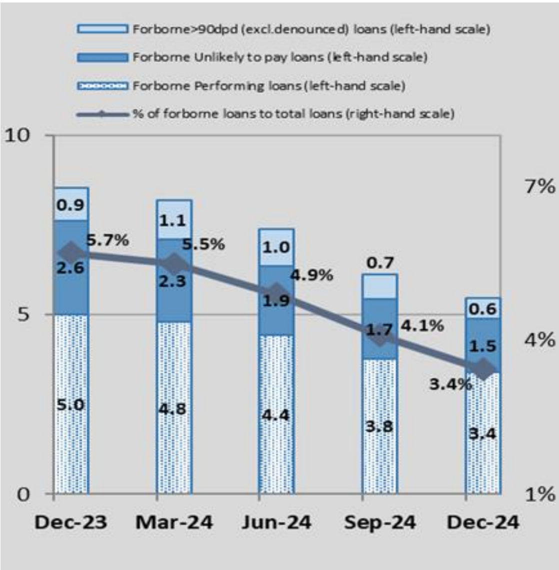
(%)



Sources: Bank of Greece, Single Supervisory Mechanism (SSM).

Chart III.6 Evolution of forborne loans per category and evolution of the ratio of forborne loans to total loans

(in EUR billion, %)



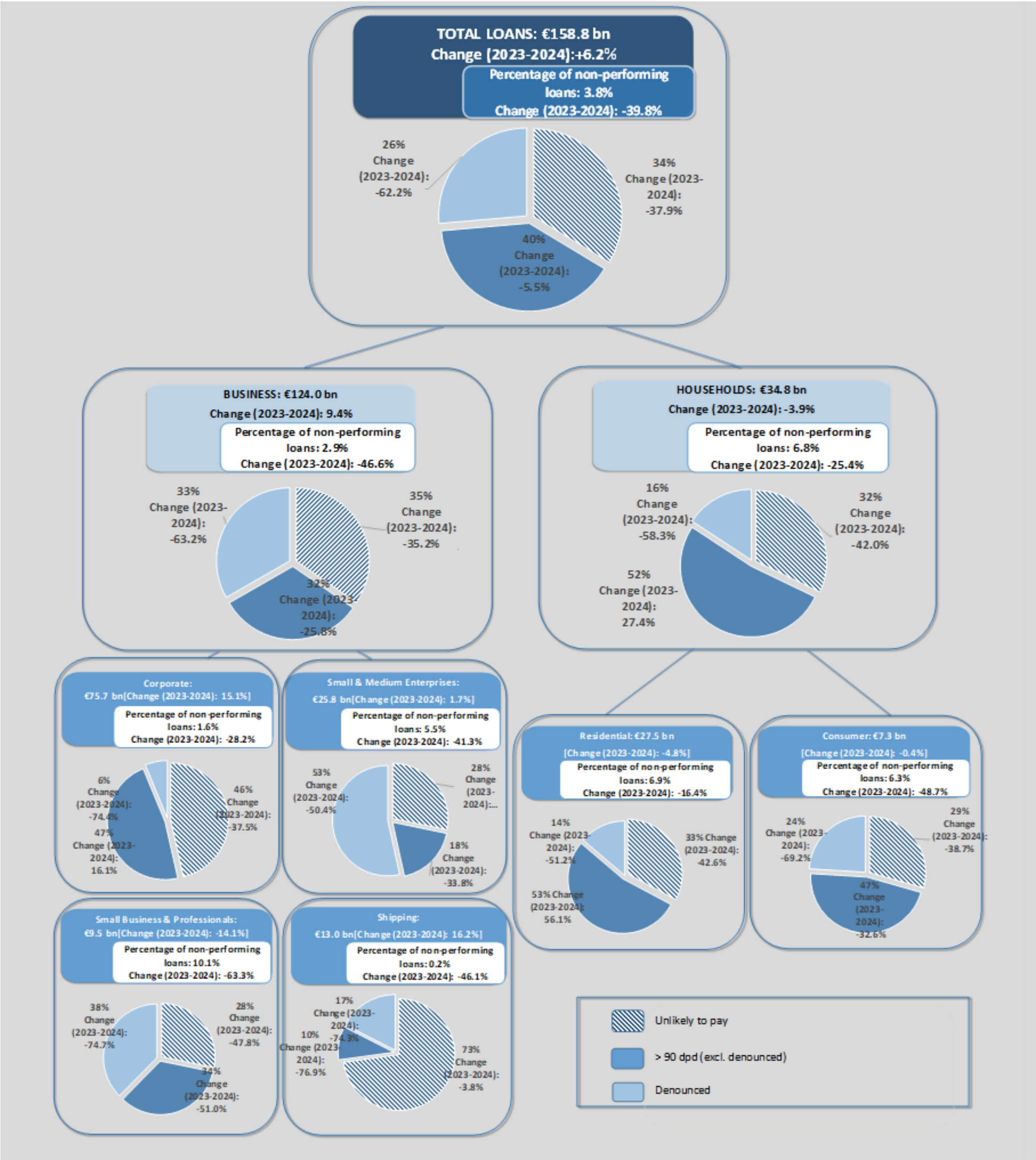
Source: Bank of Greece.

[38] Bank of Greece Executive Committee Act 175/29.7.2020 provides an indicative typology of forbearance and resolution and closure solutions for performing and non-performing loans.

loans to small and medium-sized enterprises (-41.3%) is also worth mentioning (see Chart III.7).

Chart III.7 Structure and evolution of Greek commercial banks' total loans and NPLs by loan portfolio category during 2024

(in EUR billion, %)



Source: Bank of Greece.

Credit risk per sector for business loans

In December 2024, financing to businesses, according to on-balance-sheet data, amounted to EUR 124 billion on solo basis.[39] The NPL ratio in the business portfolio was 2.9%, mainly driven by

[39] For the purposes of section 2.1 "Credit Risk", loans to businesses shall be construed as the outstanding loans on a solo basis to: a) Small Business and Professionals (SBPs), b) Small and medium-sized Business (SMEs), c) Corporate and d) Shipping Finance.

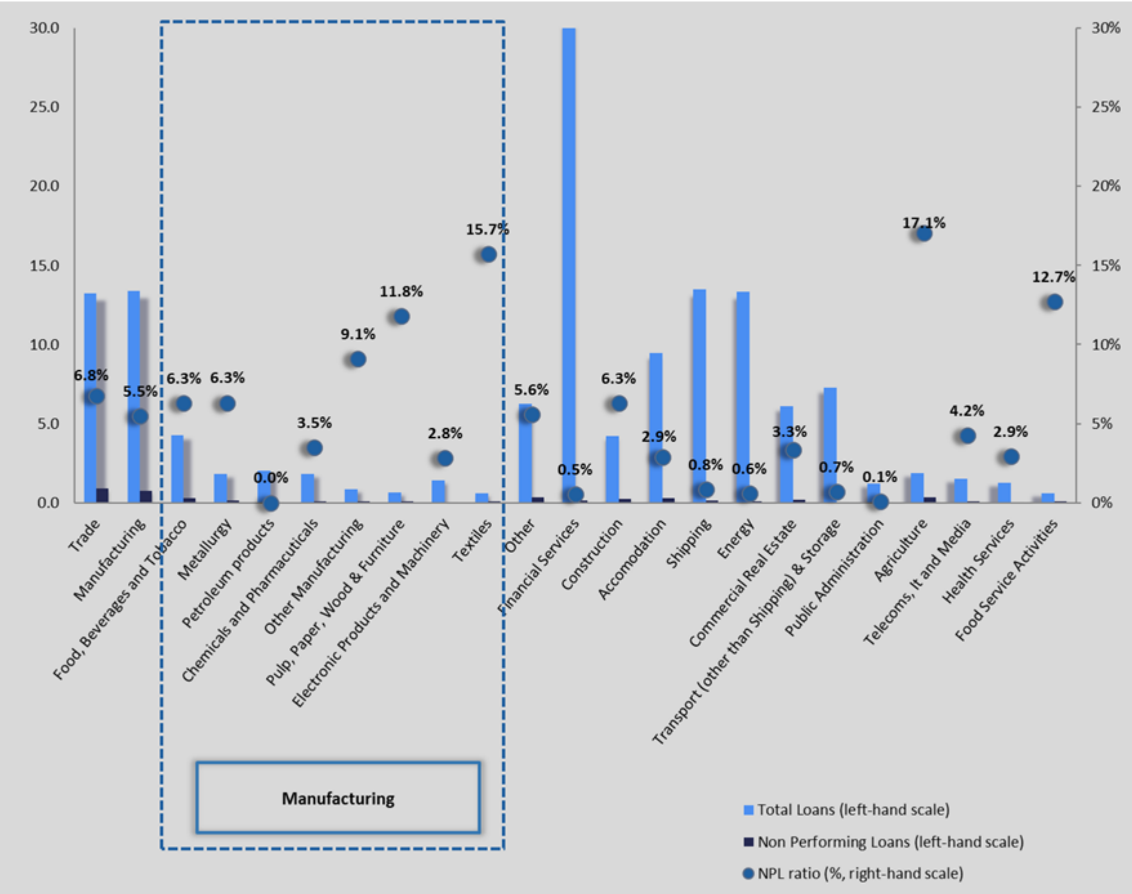
the high ratio in the category of Small Business Professionals (SBPs) (10.1%) and small and medium-sized enterprises (SMEs) (5.5%).

As regards the sectoral breakdown of financing to the Greek economy, the largest share concerns financial corporations (25% of total corporate financing), followed by the sectors of trade, manufacturing, shipping and energy with the second highest concentration (11% each).

The highest NPL ratios are recorded in the sectors of Agriculture (17.1%), Food Service Activities (12.7%), Trade (6.8%), Construction (6.3%), Manufacturing (5.5%) and Telecommunications, IT and Media (4.2%). High NPL ratios are also recorded in sub-sectors of Manufacturing, such as Textiles (15.7%), Pulp, Paper, Wood & Furniture (11.8%) and Other Manufacturing (9.1%), which, however, concern lower lending balances and therefore have a lower impact on the overall NPL ratio of the Manufacturing sector. The lowest ratios are indicatively observed in Financial Services (0.5%) and Energy (0.6%) (see Chart III.8).

Chart III.8 Sectoral breakdown of business loans and NPLs at the end of 2024

(in EUR billion, %)



Source: Bank of Greece.

Prospects

The quality of banks' loan portfolios is expected to be mainly affected by the following factors:

- the impact of increased geopolitical risks and international uncertainty on both the rate of economic growth in Greece and on specific sectors of economic activity with a strong export orientation and secondarily on the financial situation of businesses;

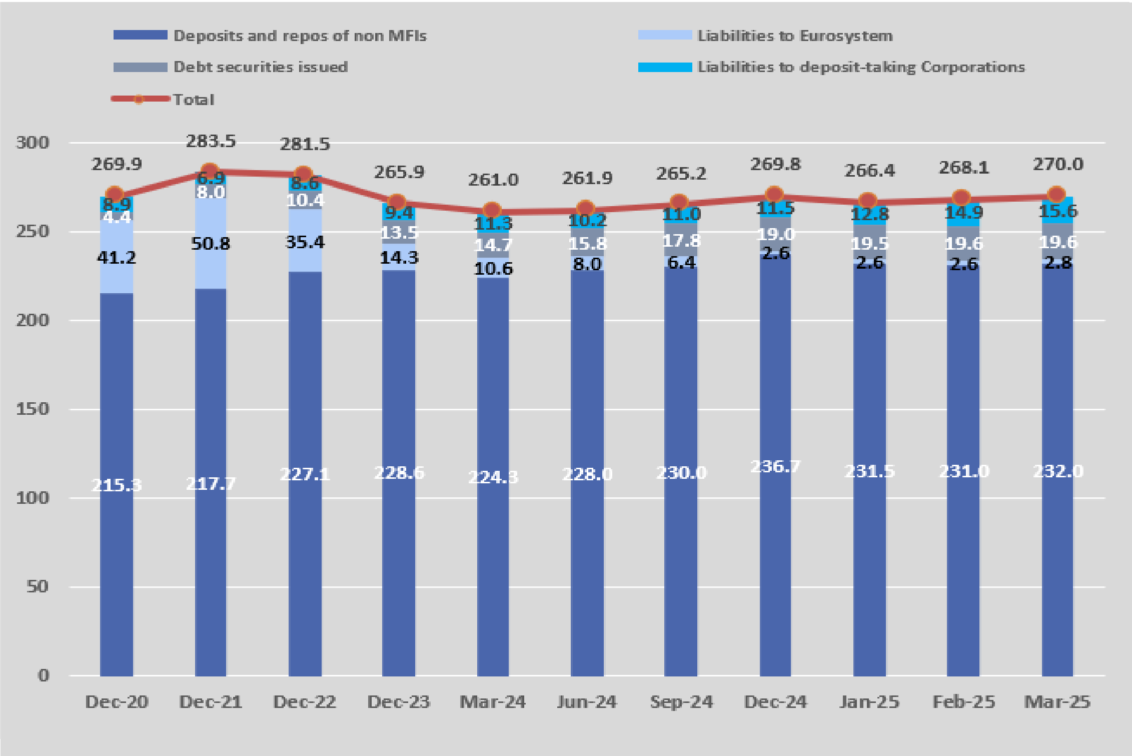
- the operational capacity of banks to manage loans to vulnerable borrowers effectively and sustainably;
- the achievement of banks' credit expansion targets, which is expected to increase the balance of performing loans;
- the pace of further ECB key interest rate cuts, which will contribute to the reduction of interest payments on floating rate loans, reducing the cost of existing performing loans and enhancing the attractiveness of new loans.

2.2 LIQUIDITY RISK

The liquidity of the Greek banking sector improved further in 2024. This improvement was driven by a 4.8% year-on-year deposit growth in Greece, the expansion of banks' international activities – notably in Cyprus – and the issuance of bank bonds. These factors more than offset the full repayment of the Targeted Longer Term Refinancing Operations (TLTRO III), which materially reduced Eurosystem funding (December 2024: EUR 2.6 billion, December 2023: EUR 14.3 billion) (see Chart III.9).

Chart III.9 Deposits and repos of domestic non-MFIs in MFIs in Greece (excluding the Bank of Greece)

(in EUR billion)



Source: Bank of Greece.

In addition, liabilities to deposit-taking corporations continued their upward trend since December 2023 (March 2025: EUR 15.6 billion, December 2023: EUR 9.4 billion), partly as a result of the gradual reduction in Eurosystem funding. Deposits and repurchase agreements with non-financial corporations (including households) amounted to EUR 232 billion in March 2025, having increased by 1,5% compared to December 2023 (EUR 228.6 billion), despite a significant decline (EUR 4.7 billion) in the first quarter of 2025. Debt securities increased by EUR 6.1 billion (March 2025: EUR 19.6 billion, December 2023: EUR 13.5 billion), being an alternative funding source and a complementary instrument for meeting the Minimum Requirements for Own Funds and Eligible Liabilities (MREL).

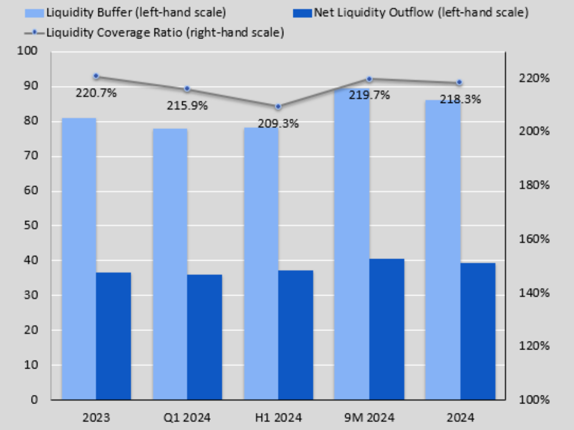
Bank liquidity indicators

In 2024, Greek banks maintained high liquidity levels. The Liquidity Coverage Ratio (LCR) closed at 218.3% in December 2024, down from 220.7% in December 2023 (see Chart III.10), still more than double the supervisory requirement of 100%. This slight reduction of the LCR was due to a decrease in high-quality liquid assets, mainly balances held at central banks. The LCR of Greek banks remained at a significantly higher level than the corresponding European average for banks in the Single Supervisory Mechanism (158% for significant institutions – SIs – in Q4 2024).[40]

In addition, the Net Stable Funding Ratio (NSFR) stood at 138.5% in December 2024, up from 135.2% in December 2023, reflecting the adequate coverage of banks' long-term liabilities without requiring the excessive use of short-term funding (see Chart III.11). The increase in the ratio was driven by higher retail deposits and capital, which more than offset the growth of the loan portfolio. The Net Stable Funding Ratio for Greek banks remained slightly higher than the corresponding average for banks in the Single Supervisory Mechanism (126.85% for SIs in Q4 2024).[41] The supervisory requirement for the NSFR is set at 100%.

Chart III.10 Liquidity Coverage Ratio – LCR

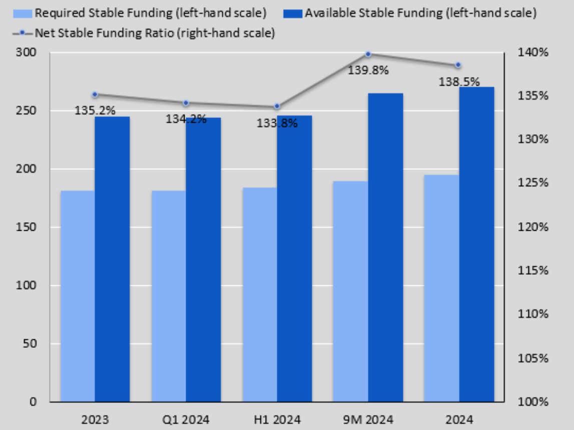
(%, EUR billion)



Source: Bank of Greece.

Chart III.11 Net Stable Funding Ratio – NSFR

(%, EUR billion)



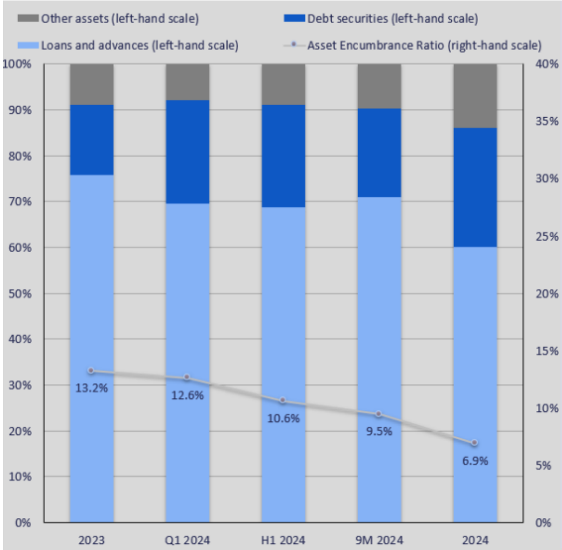
Source: Bank of Greece.

[40] Source: ECB Banking Supervision, Supervisory Banking Statistics.
[41] Source: Single Supervisory Mechanism – SSM - Supervisory Banking Statistics.

The Asset Encumbrance Ratio (AER) improved significantly, falling to 6.9% in December 2024, from 13.2% in December 2023, and remained below the corresponding average of European Banking Authority banks (December 2024: 24,1%,[42] see Chart III.12). The decrease occurred mainly in Q4 2024 following the release of encumbered assets in the context of the partial repayment of TLTRO III funding. Regarding the structure of encumbered assets, loans and advances decreased by EUR 17.4 billion or 55% and debt securities by EUR 0.4 billion or 6.5% between December 2023 and December 2024.

Chart III.12 Asset Encumbrance Ratio – AER

(%)



Source: Bank of Greece.

The loan-to-deposit ratio for households and non-financial corporations increased (December 2024: 60,6%,[43] December 2023: 58,8%[44]), standing approximately 40 percentage points lower than the average for banks in the Single Supervisory Mechanism (December 2024: 100,4%[45]).

The recent announcement and partial imposition of tariffs by the US and the ensuing market turmoil have not yet had any major direct impact on banks' liquidity and funding conditions, while the funding gap in foreign currencies is very small and manageable. The liquidity of Greek banking groups, their improved access to the interbank market after successive upgrades of their credit ratings and their low AER have strengthened their resilience to potential shocks.

2.3 MARKET RISK

The securities portfolio of Greek banks is mainly composed of Greek Government Bonds, standing at around 44% on a consolidated basis.[46] Actually, the largest share (about 88%) of the Greek Government Bond portfolio held by credit institutions is composed of securities that are held to maturity and measured at amortised cost, rather than at fair value. Thus, daily price changes do not affect their book values, while at the same time it should be noted that banks also apply interest rate risk hedging strategies. Foreign government bonds represent about 33% of the bond portfolio and have been on an upward trend. In addition, there was an increase in supranational, bank, and corporate bonds during 2024.

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[42] Source: European Banking Authority, EBA Risk Dashboard Q4 2024.
[43] Source: ECB Banking Supervision, Supervisory Banking Statistics, Fourth quarter 2024, March 2025.
[44] Source: ECB Banking Supervision, Supervisory Banking Statistics, Fourth quarter 2023, April 2024.
[45] Source: ECB Banking Supervision, Supervisory Banking Statistics, Fourth quarter 2024, March 2025.
[46] Data in the "Market Risk" section have a cut-off date of 31.12.2024 and are drawn from supervisory data on a consolidated basis submitted by Greek credit institutions.

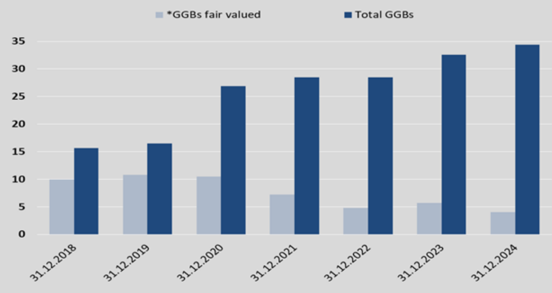
Exposure to Greek government bonds

The total amount of Greek Government Bonds (including Treasury bills) held by Greek banks in their portfolios amounted to EUR 34.4 billion in December 2024 (representing 10% of their assets), up by approximately EUR 1.8 billion (5.6%) compared to December 2023, and more than double the pre-pandemic level (EUR 16.5 billion in December 2019).

Specifically, the value of the portfolio of Greek Government Bonds held by the banking sector in fair-valued[47] portfolios reached EUR 4.1 billion in December 2024, compared with EUR 5.7 billion in December 2023 (see Table III.4 and Chart III.13), down by 28.3%. The value of this portfolio as a percentage of banks' total assets decreased to 1.2%, from 1.8% in December 2023.

Chart III.13 Greek government bond portfolio

(EUR billion)



Source: Bank of Greece.

* GGBs fair valued: refers to Greek government bonds that are fair valued for accounting purposes (classified as: available-for-sale, fair value through P&L, held for trading purposes). As from 1.1.2018, due to the implementation of IFRS 9, it refers to GGBs fair valued through other comprehensive income, through P&L, and held for trading purposes.

It is noted that, in analysing the interest rate risk of the total Greek Government Bond portfolio, based on its composition as of December 2024, a potential increase in the general level of interest rates (risk-free rates) by 1 basis point (b.p.) (PV01) would result in a loss of EUR 26.9 million for all Greek banks, compared with a loss of EUR 26.4 million in December 2023. In the same vein, the effect of a potential increase in credit spreads by 1 b.p. (CS01) would lead to a loss of EUR 29.6 million in December 2024, compared with a loss of EUR 30 million in December 2023. However, it should be noted that the actual impact on banks' profits or capital would be limited to a loss of EUR 1.5 million in each case for the above-mentioned interest rate changes (PV01, CS01). This loss pertains only to the part of Greek Government Bonds held in fair valued portfolios (Fair value through Profit and Loss or through Other Comprehensive Income – OCI), for which any valuation changes are directly reflected in the income statement or capital.

Table III.4 Banking sector investments

(EUR million)	2021	2022	2023	2024	% Change Dec. 2023-Dec. 2024
Total	**51,901**	**56,030**	**66,768**	**82,304**	**23.3%**
Greek government bonds	28,449	28,503	32,562	34,393	5.6%
of which Treasury Bills	1,543	2,632	3,032	1,588	-47.6%
Foreign government bonds	14,986	15,240	18,160	26,227	44.4%
Supranational bonds	461	700	1,125	1,751	55.7%
Bank bonds	3,303	5,283	7,015	8,821	25.7%
Corporate bonds	2,829	3,551	3,462	4,672	35.0%

[47] Based on IFRS 9, the assets classified in the following portfolios are fair-valued: Held For Trading – HFT, Fair Valued Through Profit and Loss – FVTPL, Mandatorily Through Fair Value – MTFV and Fair Valued Through Other Comprehensive Income – FVTOCI.

Other bonds	24	121	964	3,180	230.0%
Equities	586	694	823	813	-1.2%
Mutual fund units/shares	157	351	501	507	1.2%
Participations	1,107	1,588	2,158	1,941	-10.1%
Portfolios held at fair value	**19,908**	**11,532**	**12,651**	**13,283**	**5.0%**
Greek government bonds	7,245	4,786	5,664	4,059	-28.3%
of which Treasury Bills	1,543	2,473	2,952	1,583	-46.4%
Foreign government bonds	6,944	3,266	3,457	5,304	53.4%
Supranational bonds	461	243	335	682	103.6%
Bank bonds	1,938	875	663	414	-37.6%
Corporate bonds	2,554	1,318	1,178	1,279	8.5%
Other bonds	24	0	31	226	636.9%
Equities	586	694	823	813	-1.2%
Mutual fund units/shares	157	351	501	507	1.2%

Source: Bank of Greece.

Exposure to foreign government bonds

The value of foreign government bonds held by banks increased by 44.4% to EUR 26.2 billion as of December 2024. A large part of this increase reflects the consolidation of the assets of Hellenic Bank (Cyprus) into the aggregated figures. Foreign government bonds mainly concern issues by countries of the European Union (EU) and the Group of Ten (G10) and represent approximately 33% of the bond portfolio held by banks (7.6% of their assets). The majority of these bonds (79.8%) are held to maturity and are measured at amortised cost.

Exposure to non-government bonds

In addition to government bonds, banks hold in their portfolios bonds issued by supranational organisations, bank bonds, corporate bonds, and bonds issued by non-bank financial institutions. Specifically, in December 2024, the value of supranational bonds increased by EUR 626 million (55.7%) reaching EUR 1.75 billion, bank bonds rose by EUR 1.8 billion (25.7%) to EUR 8.8 billion, and corporate bonds increased by EUR 1.2 billion (35%) reaching EUR 4.7 billion. At the same time, banks also hold other bonds, primarily issued by non-bank financial institutions, amounting to EUR 3.2 billion.

Exposure to equities, mutual funds and participating interests

The value of equity securities, mutual fund shares/units and participating interests held by the banking sector as a percentage of its total assets recorded a small decrease. Specifically, in December 2024 banks held equity securities, participating interests and mutual fund shares/units with a total value of EUR 3.3 billion, representing 1% of the banking sector's total assets, compared with EUR 3.5 billion in December 2023 (see Table III.4).

Exposure to foreign exchange risk

The open foreign exchange position of Greek banks, at system level,[48] amounted to EUR 556 million in December 2024, up by EUR 46 million compared to December 2023. As of December 2024, Greek banks mainly have open foreign exchange positions in Swiss francs (CHF), amounting to EUR 59 million, in US dollars (USD), amounting to EUR 54 million, and in pounds sterling (GBP), amounting to EUR 80 million. Their relatively limited exposure to the above major currencies is due both to the fact that foreign currency-denominated assets are funded using deposits in the same currency, and to the use of foreign exchange derivative instruments (e.g. FX swaps, cross-currency swaps), which significantly mitigate foreign exchange risk. In addition, Greek banks are exposed to the local currencies of their subsidiaries' host countries, the foreign exchange risk of which is managed and hedged through derivative positions at the parent bank level. Compared to December 2023, banks' exposure to USD decreased by EUR 48 million, while exposure to CHF increased by EUR 14 million and to GBP by EUR 30 million respectively.

Interest rate sensitivity of debt securities and derivatives

An interest rate risk analysis of the banking sector's securities and derivatives portfolio shows that an increase of 1 b.p. in interest rates (PV01) for fair-valued portfolios, whose fair value amounts to EUR 13.3 billion as of December 2024, would result in a loss of EUR 7.6 million. Regarding portfolios of securities and derivatives as a whole, i.e. assets valued both at fair value and at amortised cost, an increase of 1 b.p. in interest rates would imply potential losses of EUR 28.8 million based on December data 2024. Similarly, a 1 b.p. widening of credit spreads (CS01) is estimated to cause a loss of EUR 5.4 million for the fair-valued portfolios, while the total potential loss across all portfolios would amount to EUR 51.1 million. Greek banks maintain a portfolio of interest rate derivatives, primarily for economic hedging purposes. These instruments are generally simple in structure and are typically cleared through central counterparties or are involved in bilateral transactions governed by standardised counterparty risk mitigation agreements. These derivative positions help reduce the overall interest rate sensitivity described above.

Capital requirements for market risk

Total capital requirements for market risk rose to EUR 250.9 million in December 2024 (2% of total capital requirements), up from EUR 246.9 million in December 2023. This slight increase is mainly attributable to higher capital requirements for interest rate risk and equity risk. Capital requirements for market risk are distributed as follows: 53% for trading debt instruments, 16% for equity securities, 24% for foreign exchange and 6% for commodities. Capital requirements for credit valuation adjustment (CVA) risk across the banking sector amounted to EUR 43.2 million in December 2024, compared with EUR 39 million in December 2023 (0.3% of total capital requirements).

[48] For the calculation at system level, opposite positions in the same currency in different credit institutions are not netted. In addition, for the calculation of the open foreign exchange position, the larger of the buy (long) and sell (short) positions per currency is considered.

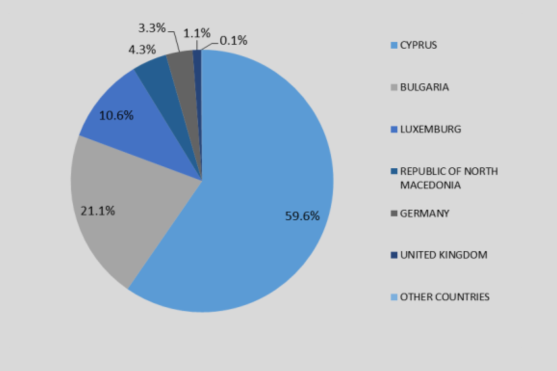
2.4 INTERNATIONAL ACTIVITY RISKS

In 2024 and in the first months of 2025, the international presence of Greek banking groups was significantly strengthened. More specifically, Eurobank increased its stake in Hellenic Bank (Cyprus) to 98.5%, following the completion of the mandatory (public) takeover bid in April 2025.[49] Meanwhile, in February 2025, Alpha Bank announced the acquisition of AstroBank through its subsidiary Alpha Bank Cyprus.[50] In November 2024, Alpha Bank also completed the sale of 90.1% of its Romanian subsidiary to the Italian group UniCredit, in the context of their strategic cooperation.[51]

Greek banks' assets abroad stood at EUR 54.8 billion in December 2024, up by 57.1% compared to December 2023. Consequently, the share of international activities in the banking sector's total assets on a consolidated basis increased to 15.9% in December 2024, from 11.0% in December 2023.[52] This increase was mainly driven by the consolidation of Hellenic Bank's figures in 2024, which more than offset the sale of Alpha Bank Romania's operations.

Broken down by region, South-East (SE) Europe[53] accounts for 85% of the total assets of Greek banking groups' international activities, mostly located in Cyprus and Bulgaria (see Chart III.14). Financial centres, namely Luxembourg, Germany and the United Kingdom, represent 14.9% thereof, spearheaded by Luxembourg. The share of SE Europe, where the highest number of business units and staff are concentrated, in Greek banks' deposits abroad is even larger (91.5%, see Table III.5).

Chart III.14 Distribution of Greek banking groups' assets abroad (December 2024, percentage %)



Source: Bank of Greece.

The profitability of banking subsidiaries and branches abroad rose sharply by 49.2% in 2024, mainly driven by the contribution of Hellenic Bank, reaching EUR 987 million from EUR 661 million in 2023 and accounting for 18.1% of banking groups' pre-tax profits on a consolidated basis[54]. The subsidiaries in Cyprus and Bulgaria were the main contributors, generating approximately 60% and 25%, respectively, of the total pre-tax profits of banking subsidiaries and branches abroad.

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[49] Announcement of the results of the takeover bid to the shareholders of Hellenic Bank.

[50] As per the transaction terms, the acquisition perimeter excludes some of AstroBank's non-performing loans. Completion of the transaction is expected in the fourth quarter of 2025; see Announcement of the agreement for the acquisition of AstroBank.

[51] The merger of Alpha Bank Romania into UniCredit Romania is expected to take place in the second half of 2025, resulting in a combined banking entity in which Alpha Services and Holdings shall hold 9.9%; see Announcement of the completion of the sale of Alpha Bank Romania.

[52] According to supervisory data submitted on the activity of credit institutions abroad through branches and subsidiaries pursuant to Bank of Greece Governor's Act 2651/20.01.2012. The analysis in this section concerns only bank subsidiaries and branches abroad.

[53] The activity of Greek banks in SE Europe concerns the following countries: Bulgaria, Cyprus and the Republic of North Macedonia.

[54] This calculation does not include intragroup transactions.

Table III.5 Key figures of Greek banking groups abroad (December 2024)

(amounts in EUR million)

Country	Assets	Gross loans	Loans in arrears	% of loans in arrears	Deposits	Number of business units	Number of employees
SE Europe	**46,530**	**19,534**	**536**	**2.7%**	**37,945**	**319**	**7,680**
Bulgaria	11,529	7,734	221	2.9%	8,815	189	3,441
Republic of North Macedonia	2,358	1,684	57	3.4%	1,770	57	996
Cyprus	32,644	10,116	258	2.5%	27,360	73	3,243
Financial centres	**8,181**	**4,779**	**1**	**0.0%**	**3,516**	**5**	**228**
Gerrmany	1,798	1,451	1	0.1%	93	1	14
United Kingdom	585	479	0	0.0%	479	1	75
Luxemburg	5,797	2,848	0	0.0%	2,945	3	139
Other countries [1]	**47**	**0**	**0**	**0.0%**	**0**	**0**	**0**
TOTAL	**54,758**	**24,313**	**538**	**2.2%**	**41,461**	**324**	**7,908**

Spurce: Bank of Greece.

[1] Egypt.

Gross loans reached EUR 24.3 billion in December 2024, having materially increased by 31.3% year-on-year, mainly driven by the consolidation of Hellenic Bank's loan data, i.e. a loan portfolio of EUR 5.8 billion. Loans in arrears[55] also rose by 22.3% to EUR 538 million in December 2024, including loans in arrears of Hellenic Bank, and represented 2.2% of the total loan portfolio. More specifically, the ratio of loans in arrears to total loans was 1.5% for corporate loans, 2.8% for mortgage loans and 3.7% for consumer loans. The provisioning coverage ratio of loans in arrears declined to 71.6% (December 2023: 98%).

Deposits also recorded a significant year-on-year increase of 57.4% and stood at EUR 41.5 billion in December 2024, largely on the back of the addition of Hellenic Bank's deposits of EUR 15.7 billion. Consequently, the loan-to-deposit ratio improved to 58.6% in December 2024, from 70.3% in December 2023.

The international activities of Greek banking groups help diversify their sources of income and mitigate concentration risk, which both enhance the viability of their business plans in the medium term. However, in the current juncture, international activities are affected by heightened global uncertainty arising from intensifying trade tensions and geopolitical risks.

[55] Defined as loans more than 90 days past due.

3. RESILIENCE

3.1 PROFITABILITY

In 2024, Greek banks recorded profits after taxes and discontinued operations amounting to EUR 4.4 billion, compared with profits of EUR 3.8 billion in 2023 (see Table III.6). Underlying this development was an increase in net interest and fee income, as well as a decline in credit risk provisions, while the growth of operating expenses was a countervailing factor. In addition, the expansion of international activities contributed significantly, mainly due the consolidation of the figures of Hellenic Bank (Cyprus) by Eurobank.[56]

Table III.6 Financial results of the Greek banking sector

(in EUR million)

	2023	2024	Change (%)
Operating income	**11,013**	**11,830**	**7.4**
Net interest income	8,511	9,002	5.8
- Interest income	14,203	16,279	14.6
- Interest expenses	-5,692	-7,277	27.8
Net non-interest income	2,502	2,828	13.0
- Net fee income	1,801	2,137	18.6
- Trading income	306	421	37.7
- Other operating results	395	270	-31.7
Operating costs	**-3,901**	**-4,280**	**9.7**
Staff costs	-1,923	-2,177	13.3
Administrative costs	-1,363	-1,436	5.4
Depreciation	-616	-666	8.3
Net income (operating income less costs)	**7,112**	**7,550**	**6.2**
Impairment charges	-1,689	-1,216	-28.0
Other impairment losses	-386	-803	>100
Non-recurring profits/losses	97	108	11.5
Pre-tax profits (+)/losses (-)	**5,134**	**5,638**	**9.8**
Taxes	-1,212	-1,313	8.3
Profits(+)/Losses(-) from discontinued operations	-89	50	-
After tax profits (+)/losses (-)	**3,832**	**4,375**	14.2

Source: Financial statements for the four significant institutions (SIs) and supervisory data for the less significant institutions (LSIs).

More specifically, in 2024, the operating income of Greek banks increased by 7.4% compared to 2023. Net interest income rose by 5.8%. Interest income was supported by credit growth, the expansion of international activities and a further increase in the securities portfolio. At the same time, the increase in interest expenses was driven by a rise in deposit volumes and higher funding costs in bond issuance. Consequently, the net interest margin stood at 2.6%, marginally down compared to 2023 (2.7%), remaining higher than the average of banking groups in the Banking Union directly supervised by the ECB.

[56] Hellenic Bank and its subsidiaries were included in the consolidated financial statements of Eurobank S.A. as from the beginning of the third quarter of 2024.

Net fee and commission income increased by 18.6%, supported by fees from portfolio management and payments. As a result, core operating income (i.e. net interest income and net fee and commission income) grew by 8.0%.

The increase in trading income in 2024 is due to gains from transactions in Greek government bonds, as well as profits from derivatives and risk-hedging instruments. In addition, other operating results declined, as they were affected by non-recurring expenses, such as the costs associated with the divestment of the Hellenic Financial Stability Fund's stake in certain significant banks.

Operating costs grew by 9.7%, mainly due to an increase in staff costs, as well as in administrative expenses, affected by, among other factors, inflation. The rise in operating costs exceeded the increase in operating income, resulting in a deterioration in the cost-to-income ratio of Greek banking groups, which stood at 36.2% in 2024, nevertheless remaining well below the European average (54.9%; see Table III.7).

Table III.7 Profitability indicators

(%)

	Greece		Banking Union[1]
	2023	2024	Dec 2024
Net interest margin	2.7	2.6	1.6
Operating costs/Total assets	1.2	1.2	1.3
Cost-to-income ratio	35.4	36.2	54.9
Cost of credit risk	1.1	0.7	0.5
Return on Assets (RoA)[2,3]	1.2	1.3	0.7
Return on Equity (RoE)[2,3]	12.0	12.2	9.5

Sources: Financial statements for the four significant institutions (SIs) and supervisory data for the less significant institutions (LSIs), Single Supervisory Mechanism (SSM) - Supervisory Banking Statistics.

1 Banking groups in the Banking Union directly supervised by the ECB.

2 Indicators are calculated using total assets at the end of the corresponding period.

3 RoA and RoE indicators are calculated using profits/losses after tax and discontinued operations.

The cost of credit risk[57] decreased significantly in 2024 to 0.7% of net loans. In particular, impairment charges stood at EUR 1.2 billion, compared with EUR 1.7 billion in 2023 (Table III.7).

As a result, Greek banking groups recorded profit after taxes and discontinued operations and the RoA and RoE ratios amounted to 1.3% and 12.2% respectively.

Regarding the profitability outlook, factors that will affect it include: a) the negative impact on net interest income from the reduction in ECB key interest rates that began in June 2024; b) the achievement of the banks' operational targets for new loan disbursements to non-financial enterprises and households; c) the adverse effects of US tariffs on the course of the European and Greek economies, which may weigh on demand for new loans; d) possible turbulence in international money and capital markets; e) the diversification of banks' income sources through acqui-

57 Cost of credit risk is the ratio of credit risk provisions over loans after accumulated provisions.

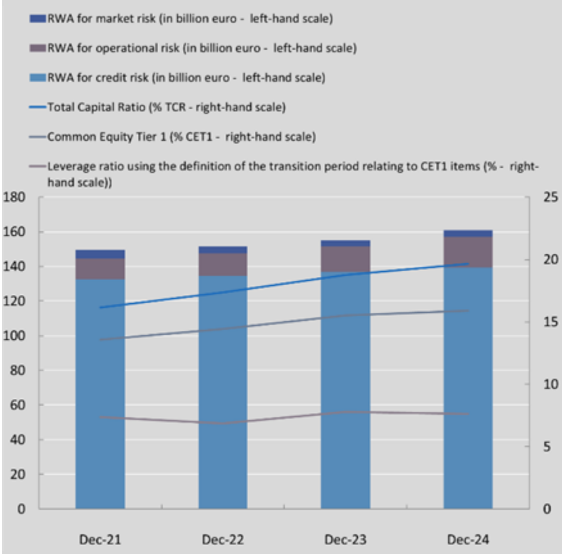
sitions and the contribution of some banking groups' international expansion; and f) developments in the financial situation of households and businesses that may affect banks' credit risk costs.

3.2 CAPITAL ADEQUACY

The capital adequacy of Greek banking groups was further strengthened in 2024 due to the increase in regulatory own funds, which was partially offset by the increase in risk-weighted assets. Regulatory own funds were strengthened mainly through internal capital generation and the issuance of capital instruments.

In particular, the Common Equity Tier 1 ratio (CET1 ratio) on a consolidated basis increased to 15.9% in December 2024, from 15.5% in December 2023, and the Total Capital Ratio (TCR) rose significantly to 19.7%, from 18.8% in December 2023 (see Chart III.15). These indicators have now converged with the EU averages (CET1: 15.9% and TCR: 20.0% in December 2024).[58]

Chart III.15 Capital adequacy and leverage indicators, and breakdown of RWAs of Greek banking groups (December 2021 – December 2024)



Source: Bank of Greece.

In more detail, in 2024 Greek banks' prudential own funds increased by 8.7% to EUR 31.6 billion, as profits after tax and discontinued operations, combined with capital enhancement through bond issues accounted for as equity, largely offset the negative impact from the gradual amortisation of Deferred Tax Credits (DTCs). Nonetheless, the quality of Greek banks' prudential own funds remains low: in December 2024, DTCs amounted to EUR 12.2 billion, representing 38.6% of total prudential own funds (from 44.2% in December 2023). It is noted that all significant institutions have announced plans to accelerate the amortization of DTCs, significantly expediting their complete elimination.

The main capital enhancement actions during 2024 were the following:

- Issuance of Additional Tier 1 instruments with a nominal value of EUR 300 million and Tier 2 instruments with a total nominal value of EUR 2,450 million (some of these issues were used to repay maturing instruments of EUR 1,300 million);
- Share capital increase of EUR 672 million by Attica Bank in November 2024.

Risk-weighted assets increased by 3.7% in December 2024 compared to December 2023. In detail, credit risk-weighted assets rose by 1.8% mainly due to credit expansion, but also due to the consolidation of acquired entities. Conversely, a dampening effect came from both the synthetic securitisations carried out by significant institutions and the use of external credit assessment by nominated external credit assessment institutions (ECAI) in the weighting of corporate portfolios had a decreasing effect, achieving lower risk weights. Credit risk-weighted assets account for 86.6% of total risk-weighted assets, which is largely explained by the Greek banks' business

[58] Source: Single Supervisory Mechanism – SSM.

model, focusing on traditional banking and mainly lending activities. Operational risk-weighted assets constitute the second largest share of total risk-weighted assets, corresponding to 11.1% of the total (from 9.5% in December 2023), which stems from the methodology for calculating this risk, which takes into account the level of operating income. Finally, the share of market risk-weighted assets (including Credit Valuation Adjustment risk) in total risk-weighted assets remained stable in December 2024 at 2.3%[59].

The leverage ratio[60] deteriorated marginally to 7.6% in December 2024, from 7.8% in December 2023, mainly due to an increase in total assets, as calculated for Leverage Ratio purposes, despite the rise in Tier 1 Capital (up by EUR 1.8 billion). It is noted that the leverage ratio of the Greek banking system (5.9%) exceeds the European average.[61]

At the same time, banks have undertaken initiatives in order to meet the Minimum Requirements for Own Funds and Eligible Liabilities (MREL). In this context, in addition to issuing capital instruments (AT1 and Tier 2), banks have also issued MREL-eligible senior unsecured bonds, diversifying at the same time their funding structure.

Parameters affecting the outlook for Greek banks' capital adequacy include: (a) maintaining the capacity for internal capital generation in an environment of lower key interest rates and accelerated DTC amortisation; (b) the implementation of capital enhancement actions (e.g. synthetic securitisations) and the ability to issue capital instruments (Additional Tier 1, Tier 2); (c) portfolio quality and its impact on risk-weighted assets; (d) the adoption of Regulation 2024/1623[62] (CRR III), which, among other things, is characterised by greater sensitivity to the calculation of credit risk; (e) the evolution of new loan disbursements to non-financial corporations and households; and (f) the policy of distributing profits/dividends to shareholders based on realised profitability.

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[59] See chapter III.2.3 Market Risk.
[60] Defined as the ratio of Tier 1 capital (using the transitional definition of Tier 1 capital) to the Leverage Exposure Measure as it is calculated according to the respective articles of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR) and Regulation 2019/876 amending Regulation (EU) No 575/2013 as regards the leverage ratio (CRR III).
[61] Source: Single Supervisory Mechanism – SSM.
[62] Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor.

IV. MACROPRUDENTIAL POLICY

1. SETTING THE COUNTERCYCLICAL CAPITAL BUFFER RATE

1.1 METHODOLOGY FOR THE APPLICATION OF THE COUNTERCYCLICAL CAPITAL BUFFER IN GREECE

The Bank of Greece, in accordance with Executive Committee Act 235/1/07.10.2024, 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 CCyB aims to prevent or mitigate the build-up of cyclical systemic risks and address the procyclicality of credit growth and leverage, i.e. to ensure an appropriate level of credit growth and leverage throughout the economic and financial cycle. The CCyB rate ranges from 0% to 2.5%, calibrated in steps of 0.25 percentage points or multiples of 0.25 percentage points.[63] The CCyB consists of Common Equity Tier 1 (CET1) capital and is expressed as a percentage of the total risk exposure amount of institutions that are exposed to credit risk in Greece.[64]

The setting of the CCyB rate above zero commences during the phase of the economic and financial cycle in which the level of risk is at a standard level (standard risk environment), i.e. when risks are neither subdued nor particularly elevated in order to help credit institutions absorb any potential losses and ensure the smooth flow of financing to the real economy in the event of unexpected shocks (see Chart IV.1). The positive neutral rate of the countercyclical capital buffer (PN CCyB) is gradually built up towards achieving the target rate.

In the upward phase of the economic cycle, the setting of the CCyB rate takes into account the PN CCyB target rate. Once the cyclical systemic risk assessment by the Bank of Greece indicates a build-up of cyclical systemic risks, the Bank of Greece decides, at its discretion, to increase the CCyB rate above the PN CCyB target rate with a view to preventing or mitigating the build-up of cyclical systemic risks and excessive credit growth and leverage.

Conversely, during the downward phase of the economic cycle or in the event of shocks, the CCyB's partial (reduction) or full release (setting to zero) may encourage credit supply, thereby contributing to the smooth financing of the real economy. The CCyB's partial or full release takes immediate effect as soon as it is announced, while any increase is applicable 12 months at the latest from the date of its announcement.

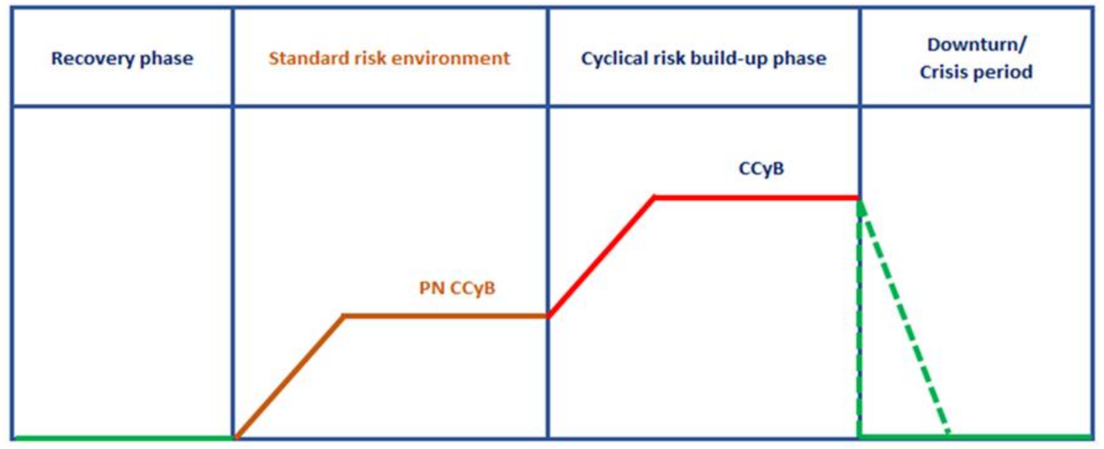
During the phase in which the economy or the financial system recovers from severe endogenous or exogenous shocks, or in the wake of a systemic crisis, the CCyB rate is set at zero to encourage the supply of credit, thereby contributing to the smooth flow of financing to the real economy. The CCyB rate remains at zero until the intensity of cyclical systemic risks is assessed to be at a standard level.

[63] The Bank of Greece, as national designated authority, may set the CCyB rate in excess of 2.5%, where justified on the basis of the considerations set out in Article 130 of Law 4261/2014 with regard to the calculation of the institution-specific countercyclical capital buffer rate.

[64] The total risk exposure amount is calculated in accordance with Article 92(3) of Regulation (EU) No 575/2013.

By Executive Committee Act 235/1/07.10.2024,[65] the Bank of Greece laid down the implementation procedure for applying, and the methodology for setting, the CCyB rate in Greece and set the PN CCyB target rate for Greece at 0.5%.

Chart IV.1 Stylised representation of the build-up and release of the countercyclical capital buffer (CCyB) depending on the intensity of cyclical systemic risks across the four phases of the economic and financial cycle



Source: Bank of Greece .

1.2 ASSESSMENT OF CYCLICAL SYSTEMIC RISKS

The quarterly assessment of the intensity of cyclical systemic risks and the appropriateness of the CCyB rate in Greece takes into account, inter alia, the "standardised credit-to-GDP gap", as defined in Recommendation ESRB/2014/1. This indicator reflects the deviation of the ratio of credit to GDP from its long-term trend. In more detail, the credit-to-GDP ratio is initially calculated as the sum of short- and long-term debt securities and loans (i.e. credit), as reported in the financial liabilities of the private non-financial sector, to the sum of the figures of the last four quarterly observations of GDP (in nominal terms, non-seasonally adjusted). Subsequently, the long-term trend of the credit-to-GDP ratio is calculated by applying the Hodrick-Prescott filter. The "standardised credit-to-GDP gap" is the difference between the credit-to-GDP ratio and its long-term trend. A high positive value of the "standardised credit-to-GDP gap" indicates excessive credit growth relative to GDP growth, which poses increased risks to the financial system, thus requiring the setting of the CCyB rate at a level above 0%. In addition to the "standardised credit-to-GDP gap", the Bank of Greece also examines a number of additional indicators to monitor the build-up of cyclical systemic risks.[66] These indicators are grouped into six regions:

- Credit developments, where the outstanding credit-to-GDP ratio at current prices, the growth of loans to households and the growth of credit to non-financial corporations are monitored;
- Private sector indebtedness, where the growth of credit to the domestic private sector, the ratio of outstanding credit to non-financial corporations to GDP and households' debt-to-income

[65] "Application of the countercyclical capital buffer in Greece – Repeal of Executive Committee Act 202/1/11.03.2022".
[66] For definitions, see Bank of Greece Executive Committee Act 235/1/07.10.2024.

ratio and debt-service-to-income ratio at origination (DSTI-O) for loans secured by residential real estate are monitored;

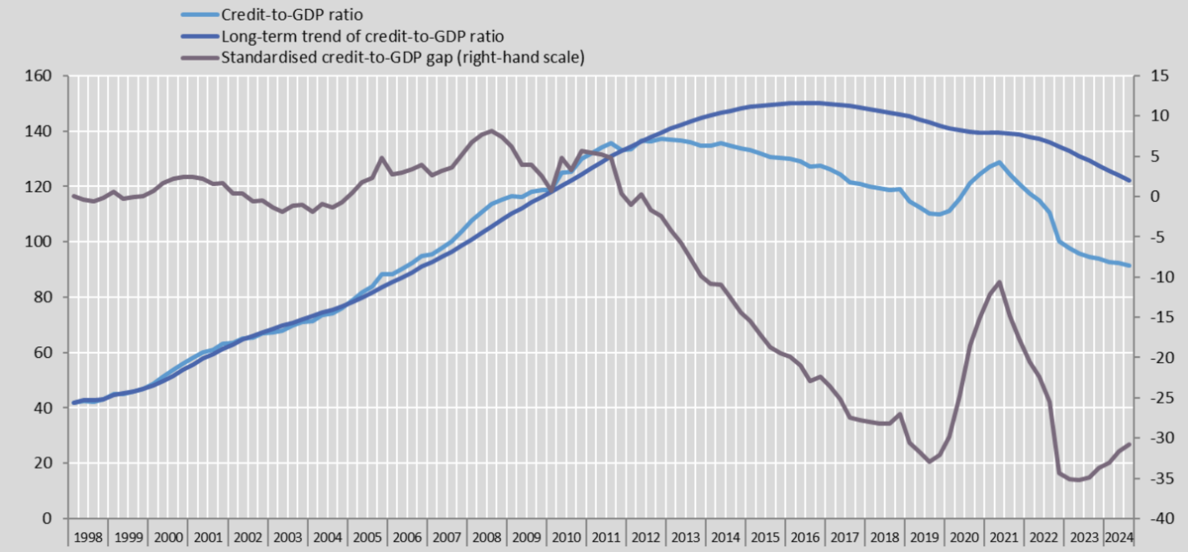
- Potential overvaluation of property prices, where the rise in the price index of residential and commercial real estate (offices and retail) is monitored;
- The strength of bank balance sheets, where the net interest margin (NIM), the growth of risk-weighted assets, the leverage ratio and the loan-to-deposit ratio are monitored;
- External imbalances, as reflected in the evolution of the current account balance-to-GDP ratio;
- Potential mispricing of risk, where the ATHEX Composite Share Price Index and the FTSE/ATHEX bank index are monitored.

In Greece, the "standardised credit-to-GDP gap" has remained in negative territory since 2012. In the third quarter of 2024, it stood at -30.8 percentage points, compared with -31.6 in the previous quarter, mainly due to nominal GDP growth (see Chart IV.2). It should be noted that the third quarter of 2024 is the latest available quarter for the financial liabilities of the private non-financial sector. For this value of the "standardised credit-to-GDP gap", the benchmark buffer rate (buffer guide), as defined in para. 3(a) of recommendation B of Recommendation ESRB/2014/1, is zero.

The analysis of additional indicators examined by the Bank of Greece points to emerging cyclical systemic risks in certain areas, such as credit growth to non-financial corporations, residential real estate prices and the current account, but confirms that there is no excessive credit growth in Greece. Overall, cyclical systemic risks in Greece are assessed as low and the risk environment as standard.

Chart IV.2 Standardised credit-to-GDP gap, credit-to-GDP ratio and long-term trend of the credit-to-GDP ratio (Q4 1997 – Q3 2024)

(quarterly data, non-seasonally adjusted GDP, Hodrick Prescott one-sided filter)



Sources: ELSTAT, Bank of Greece and Bank of Greece calculations.

1.3 SETTING THE COUNTERCYCLICAL CAPITAL BUFFER RATE FOR GREECE

During the first three quarters of 2024, taking into account the analysis of additional indicators, the Bank of Greece maintained the CCyB rate at 0%.

However, implementing an appropriate macroprudential policy is of utmost importance for strengthening banking sector resilience at the current juncture. The stable macroeconomic environment, Greece's upgrade to investment grade, and the banking sector's improved fundamentals and prudential indicators establish favourable conditions for creating adequate macroprudential space to safeguard financial stability in the medium term.

To this end, in October 2024, the Bank of Greece set the CCyB rate for Greece at 0.25%, applicable from 1 October 2025.[67]

Given that cyclical systemic risks in Greece were assessed as low during the first and second quarters of 2025, the CCyB rate remained unchanged.

2. IDENTIFICATION OF THE OTHER SYSTEMICALLY IMPORTANT INSTITUTIONS IN GREECE (O-SIIs) AND SETTING OF THE O-SII BUFFER RATE

An O-SII buffer aims to reduce moral hazard and strengthen the resilience of other systemically important institutions (O-SIIs).[68] In this context, moral hazard arises when an institution expects not to be let to fail, given its systemic importance ("too big to fail"). Imposing additional capital requirements in the form of an O-SII buffer limits excessive risk-taking by a systemically important institution, thus reducing moral hazard by strengthening the systemically important institution's capital buffer to absorb potential losses and thereby limiting contagion risk.

The O-SII buffer consists of Common Equity Tier 1 (CET1) capital and its rate is set at a level of up to 3% of the total risk exposure amount.[69] The O-SII buffer is set on a solo, sub-consolidated or consolidated basis, as applicable, and its rate is reviewed at least once a year.

Under Law 4261/2014 (Article 124), the Bank of Greece is responsible for identifying O-SIIs among the institutions authorised in Greece. O-SIIs are identified on an annual basis, so as to consider the application of an O-SII buffer and the calibration thereof.

The Bank of Greece has adopted the European Banking Authority (EBA) guidelines in relation to the assessment of O-SIIs,[70] as they were adopted by Bank of Greece Executive Committee Act 56/18.12.2015. According to the EBA guidelines, the competent authorities should, for each bank falling under their jurisdiction, calculate relative scores indicating the systemic importance of each bank based on specific criteria. These criteria relate to size, importance for the economy, complexity/cross-border activity and interconnectedness of the institution with the financial system. These four criteria each consist of one or more mandatory indicators, which will be used as

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[67] See Bank of Greece Executive Committee Act 235/2/07.10.2024.
[68] In contrast with Global Systemically Important Institutions (G-SIIs).
[69] It should be noted that the O-SII buffer may exceed 3% upon approval by the European Commission.
[70] EBA/GL/2014/10.

a minimum by the competent authorities in calculating the score of each institution. The score of each institution is expressed in basis points (bps). Each competent authority sets a threshold in bps; institutions with a score equal to or higher than that should be identified as O-SIIs. This threshold can be set from 275 bps up to 425 bps to take into account the specificities of the Member State's banking sector and to ensure the homogeneity of the group of O-SIIs designated in this way based on the O-SIIs' systemic importance. The 350 bps is proposed as an indicative threshold. The competent authorities may designate further relevant entities as O-SIIs based on additional qualitative and/or quantitative indicators of systemic importance.

In calculating the systemic importance scores of Greek banks, the Bank of Greece used only the mandatory indicators (see Table IV.1) and selected a threshold of 350 bps.

Table IV.1 Mandatory indicators for the scoring of O-SIIs in Greece

Criterion	Indicators	Weight (%)
Size	Total assets	25
Importance	Value of domestic payment transactions	8.33
	Private sector deposits from depositors in the EU	8.33
	Private sector loans to recipients in the EU	8.33
Complexity/Cross-border activity	Value of OTC derivatives (notional)	8.33
	Cross-jurisdictional liabilities	8.33
	Cross-jurisdictional claims	8.33
Interconnectedness	Intra-financial system liabilities	8.33
	Intra-financial system assets	8.33
	Debt securities outstanding	8.33

As a result, the following institutions were identified as O-SIIs for 2024 on a consolidated basis:

• Alpha Services and Holdings S.A.

• Eurobank Ergasias Services and Holdings S.A.

• National Bank of Greece S.A.

• Piraeus Financial Holdings S.A.

and respectively the following credit institutions at solo level:

• Alpha Bank S.A.

• Eurobank S.A.

• National Bank of Greece S.A.

• Piraeus Bank S.A.

The above four credit institutions identified as O-SIIs represent approximately 94% of the total assets of the domestic banking sector.

Pursuant to Bank of Greece Executive Committee Act 234/1/23.09.2024, the Bank of Greece decided to set the O-SII buffer rate for 2025 as follows:

- at 1.25% for Eurobank Ergasias Services and Holdings S.A. at consolidated level, and
- at 1.00% for the following O-SIIs:
  - Alpha Services and Holdings S.A. at consolidated level and Alpha Bank S.A. at solo level,
  - Eurobank S.A. at solo level,
  - National Bank of Greece S.A. at solo and consolidated level, and
  - Piraeus Financial Holdings S.A. at consolidated level and Piraeus Bank S.A. at solo level.

3. BORROWER-BASED MEASURES

Borrower-based measures (BBMs) aim to prevent the accumulation of systemic risks stemming from the property market and related to private sector (household or business) financing. The activation of BBMs helps prevent excessive easing of credit standards, thereby strengthening borrower resilience and reducing credit risk for lenders.

The Bank of Greece is responsible for enacting macroprudential borrower-based measures under Article 133a of Law 4261/2014, which was inserted by Article 54 of Law 5036/2023, effective from 29 March 2023. In the context of its macroprudential mandate, the Bank of Greece may adopt a decision laying down, *inter alia*, the type of borrower-based measures, the ratios or features of credit to which caps apply, the cap percentages, the types of loans to which BBMs apply, as well as the terms and conditions of their implementation.

The Bank of Greece enacted macroprudential BBMs for loans and other credit extended to natural persons and secured by residential real estate (RRE) located in Greece, by Executive Committee Act 227/1/08.03.2024, applicable from 1 January 2025. More specifically, the cap on the loan-to-value ratio at origination (LTV-O ratio) is set at 90% for first-time buyers[71] and 80% for second and subsequent buyers. Additionally, the cap on the debt service-to-income ratio at origination (DSTI-O ratio) is set at 50% for first-time buyers and 40% for second and subsequent buyers. It should be noted that the DSTI-O ratio is the annual debt servicing costs of the total debt of the borrower divided by the borrower's total annual disposable income at the time of loan/credit origination, while the LTV-O ratio is the total amount of the loan or loan tranches secured by real estate property at the time of origination divided by the value of the real estate collateral at the time of origination.

More relaxed caps for first-time buyers were set to facilitate their access to the mortgage lending market. Furthermore, credit providers are allowed to exempt 10% of the total number of new loans and other credit approved and at least partially disbursed in each quarter at the institution- or entity-level from each of the abovementioned caps. Compliance with the exemption quotas is assessed separately for first-time buyers and for second and subsequent buyers. The abovementioned BBMs shall not apply to non-performing loans and forborne loans, portfolios of cured loans purchased by credit institutions from NPL servicers, as well as to loans disbursed under national housing policy or green transition programmes.

[71] First-time buyer is a borrower who has not been granted a loan or credit secured by residential real estate in the past.

V. OTHER SECTORS OF THE FINANCIAL SYSTEM

1. STRUCTURE OF THE DOMESTIC FINANCIAL SYSTEM

In 2024, the structure of the domestic financial system showed no significant changes, with banks remaining the main pillar (see Table V.1). In particular, the assets of credit institutions amounted to 84.8% of the total assets of the financial system, with Greek commercial banks representing 83.2%, while cooperative banks and branches of foreign banks accounted for only 0.5% and 1.1%, respectively. The high level of concentration is evident by the share held by the four significant banks (95.2% of total banking assets).

Table V.1 Structure of the domestic financial system

(amounts in EUR million)

Assets	2020	%	2021	%	2022	%	2023	%	2024	%
Credit institutions	**275,369**	**87.7%**	**302,495**	**87.9%**	**304,148**	**88.3%**	**294,416**	**86.1%**	**303,524**	**84.8%**
Greek commercial banks	269,822	86.0%	296,218	86.1%	297,324	86.3%	289,557	84.7%	297,741	83.2%
Cooperative banks	1,725	0.5%	1,787	0.5%	1,736	0.5%	1,617	0.5%	1,751	0.5%
Foreign banks' branches	3,822	1.2%	4,490	1.3%	5,087	1.5%	3,242	0.9%	4,033	1.1%
Institutional investors	**29,772**	**9.5%**	**33,013**	**9.6%**	**31,896**	**9.3%**	**38,671**	**11.3%**	**45,277**	**12.6%**
Insurance companies	19,977	6.4%	20,607	6.0%	18,718	5.4%	20,287	5.9%	21,249	5.9%
Pension funds	1,698	0.5%	1,887	0.5%	1,866	0.5%	2,196	0.6%	2,508	0.7%
Collective investment in transferable securities (UCITS)	4,901	1.6%	6,606	1.9%	6,749	2.0%	11,237	3.3%	16,117	4.5%
Mutual funds (other than Money Market Funds)	4,438	1.4%	6,247	1.8%	6,349	1.8%	10,449	3.1%	14,986	4.2%
Money Market funds	463	0.1%	359	0.1%	400	0.1%	788	0.2%	1,131	0.3%
Portfolio investment and real estate investment companies	3,196	1.0%	3,913	1.1%	4,563	1.3%	4,951	1.4%	5,403	1.5%
Other non-bank institutions	**7,528**	**2.4%**	**7,184**	**2.1%**	**6,898**	**2.0%**	**7,440**	**2.2%**	**8,085**	**2.4%**
Brokerage firms	753	0.2%	807	0.2%	606	0.2%	818	0.2%	882	0.2%
Leasing and factoring companies	6,522	2.1%	6,186	1.8%	6,292	1.8%	6,618	1.9%	7,196	2.0%
Consumer credit and venture capital companies	253	0.1%	191	0.1%	0	0.0%	4	0.0%	7	0.0%
Credit servicing firms	**1,223**	**0.4%**	**1,535**	**0.4%**	**1,445**	**0.4%**	**1,294**	**0.4%**	**1,151**	**0.3%**
Total	**313,892**	**100%**	**344,227**	**100%**	**344,387**	**100%**	**341,821**	**100%**	**358,037**	**100%**

Source: Bank of Greece.

Institutional investors[72] continue to be the second largest sector of the domestic financial system. In 2024, institutional investors’ assets showed a significant increase compared to 2023 and represented 12.6% of the financial system. This increase is primarily attributed to the Undertakings for Collective Investment in Transferable Securities (UCITS), with assets amounting to EUR 16.1 billion (4.5% of the total). The assets of mutual funds have seen a notable increase over the past two years (more than doubling since the end of 2022),[73] regarded as an attractive alternative to time deposits, while target maturity funds have been introduced since 2022.[74] In 2024, the assets of insurance undertakings increased to EUR 21.2 billion and their market share (5.9% of the total) remained unchanged compared to 2023.

Other non-banking institutions (namely, brokerage companies, leasing companies, factoring companies and venture capital companies) continue to hold a small share of the market, standing at 2.4% of the entire financial system.

Finally, the share of credit servicing firms (CSFs) in the total assets of the financial system remains small, representing just 0.3% of the entire financial system.[75]

Box V.1 Developments in the mutual funds market

Mutual Funds (MFs) are pools of assets[i] consisting of transferable securities, money market instruments and cash, whose individual components are jointly owned by more than one unitholder. Essentially, by pooling capital from private and institutional investors, they offer an indirect means of investment in exchange for a management fee. They are managed by Mutual Fund Management Companies (MFMCs),[ii] which in Greece are supervised by the Hellenic Capital Market Commission under the regulatory framework on Undertakings for Collective Investment in Transferable Securities (UCITS).[iii]

Mutual funds are classified based on both the geographical allocation of their assets (domestic and international) and the type of investment (money market, bond, equity, mixed, etc.). They offer significant advantages to investors, who can choose according to their investment profile, time horizon and risk appetite. They provide access to different financial markets, countries, economic sectors and currencies, achieving diversification of investment risk. The interests of unitholders are safeguarded through the custodianship of each mutual fund.[iv]

Investors can start with a relatively low initial capital, acquiring the number of units they wish according to their funds available for investment. In addition, there is full transparency in investment practices, as MFMCs are required to provide detailed information regarding the financial instruments under management and to publish the fund’s valuation daily, i.e., the net asset value (NAV) of the mutual fund's portfolio. Finally, mutual fund units can be redeemed at any time, offering investors a high degree of divestment flexibility.

In 2024, the European mutual fund market experienced significant growth. According to data from the European Fund and Asset Management Association (EFAMA),[v] the total assets of

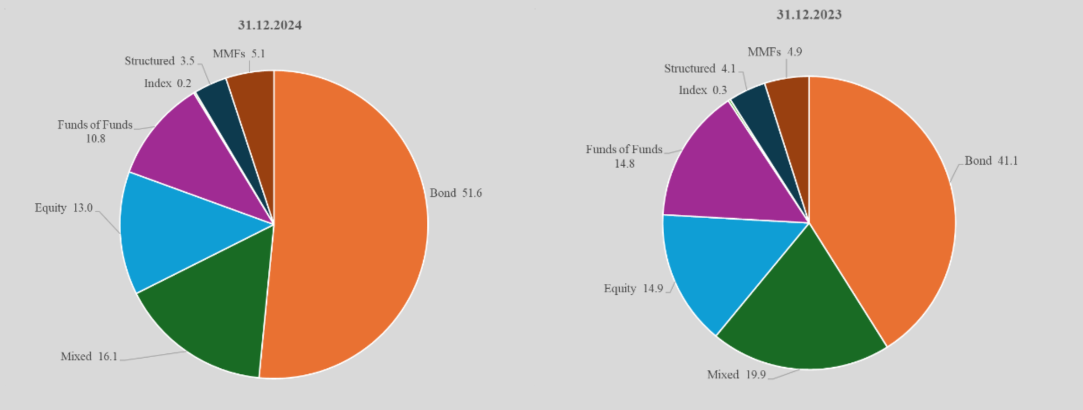
[72] This category comprises insurance undertakings, occupational insurance funds and undertakings of collective investment in transferable securities (UCITS).
[73] The increase in the assets of mutual funds is mainly driven by the introduction of target maturity funds, which usually have a maturity of two to five years.
[74] A detailed overview of target maturity funds can be found in Box V.1 “Developments in the mutual funds market”.
[75] It should be noted that their role in the management of non-performing private debt remains significant.

UCITS in Europe reached approximately EUR 23.4 trillion in December 2024, up by 13.1% compared to December 2023. A similar trend was observed in Greece, reflecting investors' confidence in this market as well as their effort to achieve higher returns compared to traditional deposit products.

Specifically, the total assets of mutual funds in Greece rose by 39.8% to EUR 22.1 billion in December 2024, up from EUR 15.8 billion in December 2023 – a growth that continued into the first quarter of 2025 (March 2025: EUR 24 billion). At the same time, there was also an increase in the number of mutual funds, which rose to 441 in December 2024 (from 403 at the end of 2023).

Chart 1 Structure of UCITS based on assets

(31.12.2024 and 31.12.2023; percentage %)



Source: Hellenic Fund and Asset Management Association.

* According to Article 7 of Decision 6/587/2.6.2011 of the Hellenic Capital Market Commission, Structured UCITS may invest in all financial instruments provided for under Law 3283/2004. Structured UCITS follow a management strategy based on a mathematical formula aimed at achieving a predefined return at maturity, by holding, throughout their duration, the assets necessary to meet their objective. The predefined return is linked to a specific set of payoff scenarios, which are based on the value of the underlying assets and offer different returns to unitholders depending on the scenario.

** Index UCITS replicate the composition of a stock or bond index and invest at least ninety-five percent (95%) of their net assets in:

(a) transferable securities that are included in the index they replicate, and

(b) derivative financial instruments with underlying value:

(aa) the index they replicate,

(bb) the transferable securities included in the index they replicate,

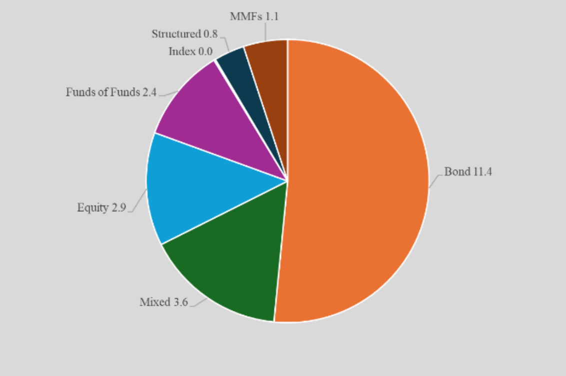
(cc) other indices that have a high correlation coefficient with the index they replicate.

Bond Mutual Funds[vi] accounted for the largest share (51.6%) of total mutual fund assets (see Chart 1), a trend that continued into the first quarter of 2025 (March 2025: 52.7%). Their asset value reached EUR 11.4 billion in December 2024 (see Chart 2), having significantly increased by EUR 4.9 billion compared to the previous year (December 2023: EUR 6.5 billion, representing 41.1% of total mutual fund assets), while their average return stood at 4.6% for 2024.

It is worth noting that the increased capital inflow into bond mutual funds is explained both by the current low deposit interest rates and the low-risk profile of these funds. Specifically, during 2024, the category of international bond mutual funds recorded the highest increase in placements, rising by EUR 4.4 billion. Notable growth was also observed in target maturity funds,[vii] which attracted a significant share of new investment.

Chart 2 Funds by UCITS category

(31.12.2024; in EUR billion)



Source: Hellenic Fund and Asset Management Association.

Target maturity funds represent a relatively new category of mutual funds that gained popularity mainly from 2022 onwards. They are characterised by a fixed maturity (typically between two to five years) and offer savers returns slightly higher than those of term deposits, without risking the initial capital. Furthermore, as they typically invest in fixed-income securities, they reduce reinvestment risk and allow for more predictable returns, while also featuring lower management costs compared to other mutual funds.

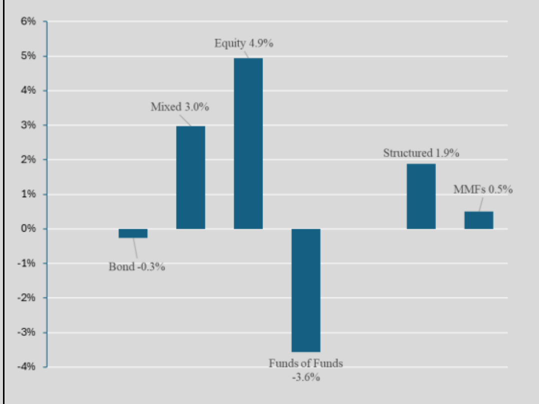
The second largest mutual fund category by assets in December 2024 was mixed funds,[viii] with total assets of EUR 3.6 billion. Their average return for 2024 stood at 7.9%, with assets increasing by EUR 0.4 billion. Equity mutual funds[ix] also recorded an asset increase in 2024, by EUR 0.5 billion, reaching EUR 2.9 billion in total assets and an average return of 15.1%. However, low inflows were observed in Greece-focused equity funds, with invested capital rising by only EUR 12.1 million.

The assets of Money Market Mutual Funds (MMMFs)[x] amounted to EUR 1.1 billion in 2024, up by 43.9% compared to 2023, while their average return during the year stood at 2.8%. Lastly, investments in “funds of funds” (i.e. mutual funds that invest in other mutual funds)[xi] showed a slight increase, up by EUR 60 million in 2024.

In the first quarter of 2025, bond mutual funds continued to be the most attractive fund type, with a further increase in their assets by EUR 1.3 billion, although their return was negative (-0.26%; see Chart 3). The highest return, amounting to 4.9%, was posted by equity mutual funds, with their total assets rising to EUR 3.2 billion, from EUR 2.9 billion in December 2024. In contrast, for funds of funds, the total invested amount fell to EUR 2.4 billion in March 2025 from EUR 2.5 billion in December 2024, with the average return standing at 3.6%, mainly due to the negative performance of funds investing in emerging markets.

Chart 3 Returns by UCITS category

(first quarter 2025; %)



Source: Hellenic Fund and Asset Management Association.

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[i] It does not constitute a legal entity and the unitholders are represented, both judicially and extrajudicially, in matters concerning its legal relations, management and their rights over its assets, by the fund management company.

[ii] Each UCITS Management Company (MFMC) has executive, operational and compliance officers, who are respectively responsible for the strategy and oversight of the company's operations, the management of mutual funds and compliance with regulations and internal policies.

[iii] Directive 2009/65/EC, as currently in force. It is noted that the European Securities and Markets Authority (ESMA) is responsible for issuing guidelines and technical standards in order to promote consistency among Member States.

[iv] Custody in a Mutual Fund Management Company (MFMC) is a crucial function and is performed by an independent entity (usually a bank), which undertakes the safekeeping of the assets of the mutual funds managed by the MFMC, monitors the MFMC's compliance with each fund's regulations, clears transactions and verifies the calculation of the net asset value per unit, while being subject to a strict regulatory framework.

[v] EFAMA Quarterly Statistical Release, March 2025.

[vi] Under the current regulatory framework, bond mutual funds invest at least 65% in debt securities and up to 10% in equities.

[vii] Their investment strategy is based on selecting securities with maturities close to or matching the maturity of the mutual fund itself, allowing the manager to hold the bonds until maturity. The goal is to offer investors a relatively predictable return at the end of the investment period with reduced risk exposure, as the limited time horizon minimises the impact of market volatility during the investment period.

[viii] Under the current regulatory framework, mixed mutual funds invest at least 10% in equities and 10% in debt securities and up to 65% in equities, debt securities, or deposits and money market instruments.

[ix] Under the current regulatory framework, equity mutual funds invest at least 65% in equities.

[x] MMFs (Money Market Funds) are classified into variable NAV (Net Asset Value), public debt constant NAV and low-volatility NAV funds.

[xi] They invest primarily in units of mutual funds and in units or shares of UCITS or other collective investment undertakings as defined in point (e) of paragraph 1 of Article 21 of Law 3283/2004: a. Cash Management, b. Bond, c. Mixed and d. Equity.

2. INSURANCE UNDERTAKINGS

Key figures[76]

During 2024, no significant changes were observed in the structure of the Greek private insurance market, with 34 insurance undertakings[77] being active in the Greek private insurance market. Insurance undertakings can be classified according to the type of licence as follows:

- two life insurance undertakings;
- 19 non-life insurance undertakings; and
- 13 insurance undertakings (composites) writing both life and non-life business (including life insurance undertakings underwriting only non-life business of "Accident" and "Sickness" classes).

Out of the above 34 insurance undertakings, 31 operate and are supervised in accordance with the European Directive "Solvency II", which applies to all Member States since 1.1.2016, while three

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[76] The cut-off date for information and data in this chapter is 31.1.2022.

[77] Excluding the mutual insurance undertakings referred to in the first sentence of para. 1 of Article 7 of Law 4364/2016.

insurance undertakings are excluded, due to their size, from several requirements related to all three pillars of Solvency II.[78]

Out of 31 insurance undertakings subject to the provision of Solvency II, 11 belong to insurance groups with their parent undertaking[79] in other EU Member States and five to insurance groups subject to supervision by the Bank of Greece. In addition, six insurance undertakings with their head offices in Greece operate in other EU Member States under the freedom to provide services (Table V.2).

Furthermore, according to the most recent data available by the European Insurance and Occupational Pensions Authority (EIOPA), in December 2023, 185 insurance undertakings with head offices in other EU Members States[80] operated in Greece, either under the freedom of establishment (branches) or the freedom to provide services, the financial supervision of which is under the responsibility of the supervisory authorities of their home Member State.[81]

Table V.2 Number of insurance undertakings active in Greece

	2020	**2021**	**2022**	**2023**	**2024**
Life insurance undertakings	2	2	2	2	2
Non-life insurance undertakings	18	18	19	19	19
Insurance undertakings writing both life and non-life business	17	16	15	13	13
Total	**37**	**36**	**36**	**34**	**34**
Insurance undertakings that are supervised in accordance with Solvency II	*35*	*34*	*34*	*31*	*31*
Branches of insurance undertakings established in other EU Member States	23	21	20	21	22
Insurance undertakings established in other Member States pursuing business under the freedom to provide services or the freedom of establishment	253	216	230	185	N/A

Source: Bank of Greece.

It is pointed out that these undertakings have a large market share in the field of third-party motor liability insurance. In fact, in 2024, their share (in number of vehicles) increased marginally and reached 22%, from 21% in December 2023.

The financial figures presented below concern only the 31 undertakings operating in the domestic insurance market which are subject to supervision by the Bank of Greece, according to Solvency II requirements.

The domestic insurance market is characterised by significant concentration, especially with regard to the undertakings that carry out life insurance business and to the undertakings that carry out both life and non-life insurance business. The five largest insurance undertakings hold 87%

[78] The Bank of Greece, based on the principle of proportionality, has allowed 3 insurance undertakings that meet the required size and business criteria to be exempted from certain Solvency II provisions regarding the solvency requirements, the system of governance and public disclosure.

[79] The number stands at 11, due to the acquisition of more than 50% of the share capital of "Ydrogios Insurance and Reinsurance S.A." by "Società Reale Mutua di Assicurazioni".

[80] Source: European Insurance and Occupational Pensions Authority (EIOPA).

[81] For the year 2023, annual gross written premiums of these undertakings amounted to EUR 336 million for the activity under the freedom of establishment and EUR 1,076 million for the activity under the freedom to provide services, corresponding to 5% and 16% of the total Greek insurance market respectively.

of the relevant market, in terms of technical provisions, while the five largest insurance undertakings operating in non-life insurance business, in terms of gross written premiums, hold a share of 61% of the relevant market.

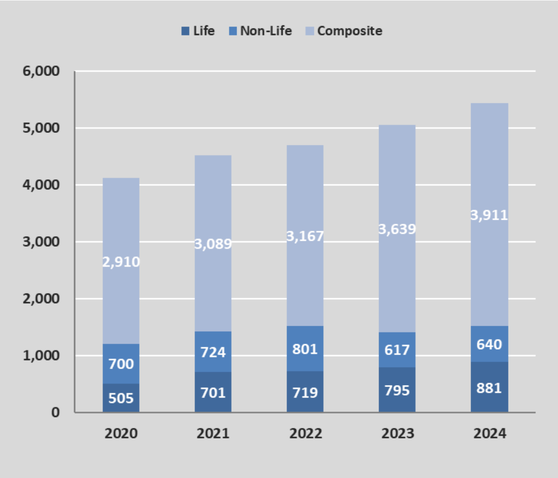
Gross written premiums of the life insurance business[82] in 2024 amounted to EUR 2.8 billion, up by 8% compared to 2023. Of this amount, EUR 1.3 billion is related to insurance products linked to investment (47% of total gross written premiums of life business, compared with 43% in 2023, recording significant growth). In parallel, there was a 16% decrease in gross written premiums of insurance products with profit participation features, as well as an increase of 4% in other life insurance business (Chart V.1).

During the same period, non-life insurance premiums[83] amounted to EUR 2.6 billion, up by 7% compared to 2023. The lines of business with the most significant market shares are third-party motor liability (29%), fire insurance (22%) and hospital expenses insurance (17%), with year-on-year premium changes of +1%, +13% and +9% respectively. In 2024, claims incurred (excluding reinsurance recoveries) amounted to EUR 2.4 billion for life insurance (up by 19%) and EUR1.4 billion for non-life insurance (down by 11%) (Chart V.2).

For non-life insurance, the market loss ratio for 2024 stood at 51% (compared with 55% in 2023), while the expense ratio (administration expenses and commissions) came to 47% (compared with 48% in 2023).

Chart V.1 Gross written premiums per type of insurance undertaking

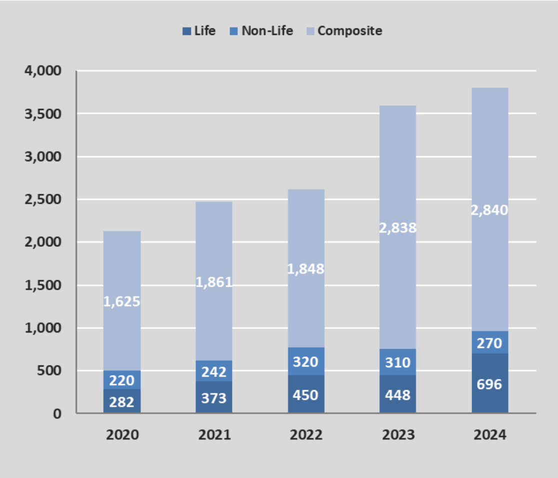
(EUR million)



Source: Bank of Greece.

Chart V.2 Claims incurred per type of insurance undertaking

(EUR million)



Source: Bank of Greece.

The total assets of insurance undertakings supervised by the Bank of Greece amounted to EUR 21.2 billion in December 2024, up by 4% compared to December 2023. Holdings of government bonds amounted to EUR 7.5 billion (35% of total assets) and of corporate bonds to EUR 2.9 billion (14% of total assets). As regards the credit rating of these assets, 97% of government bonds

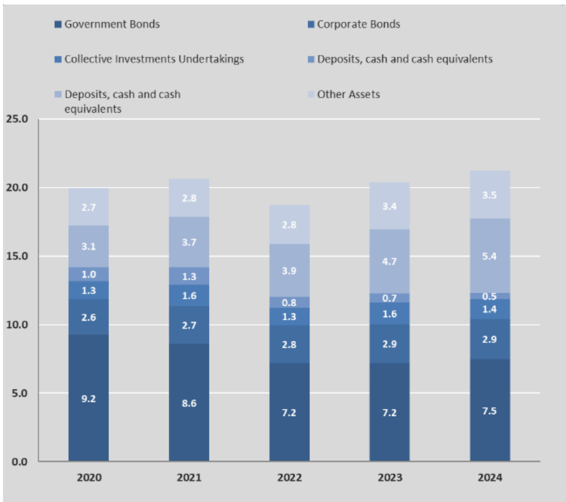
[82] Including life insurance business of composite insurance undertakings.
[83] Including non-life insurance business of composite insurance undertakings.

and 88% of corporate bonds were rated BB- and above. In addition, an amount of EUR 5.4 billion (26% of total assets) related to unit- and index-linked insurance products (Chart V.3).

On the other hand, in December 2024, the total liabilities of insurance undertakings amounted to EUR 17.5 billion (from EUR 16.7 billion in December 2023), while total technical provisions amounted to EUR 15.8 billion for the same period (from EUR15.2 billion in December 2023), of which EUR 12.2 billion related to life insurance and EUR 3.6 billion to non-life business. As concerns life technical provisions, 40% refers to unit- and index-linked insurance products (against 37% in December 2023) (Chart V.4).

Chart V.3 Breakdown of insurance undertakings' assets

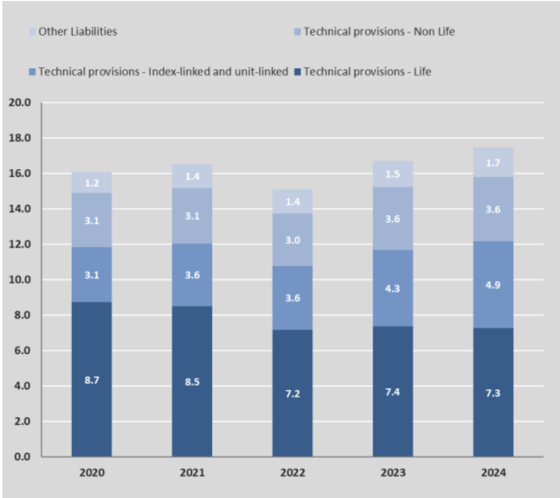
(EUR billion)



Source: Bank of Greece.

Chart V.4 Breakdown of insurance undertakings' liabilities

(EUR billion)



Source: Bank of Greece.

The total own funds of the insurance market amounted to EUR 3.8 billion, up by 2% compared to 2023. The total Solvency Capital Requirement (SCR)[84] came to EUR 2.1 billion and the respective total eligible own funds stood at EUR 3.7 billion. Concerning the quality of the eligible own funds of the insurance market, 91% of these own funds are classified in the highest quality category (Tier 1). In parallel, the SCR coverage ratio for all insurance undertakings is significantly higher than 100% (Table V.3 and Chart V.5).

The Minimum Capital Requirement (MCR)[85] for the entire insurance market amounted to EUR 0.7 billion and the respective total eligible own funds amounted to EUR 3.4 billion (Table V.3 and Chart V.6).

[84] The Solvency Capital Requirement reflects the adequacy of the own funds so that the insurance undertaking has the ability to absorb losses at a confidence level of 99.5% with a time horizon of one year.

[85] The Minimum Capital Requirement reflects the adequacy of the own funds so that the insurance undertaking has the ability to absorb losses at a confidence level of 85%, with a time horizon of one year, and represents a level of capital below which the interests of policyholders would be seriously jeopardised if the undertaking were allowed to continue operating.

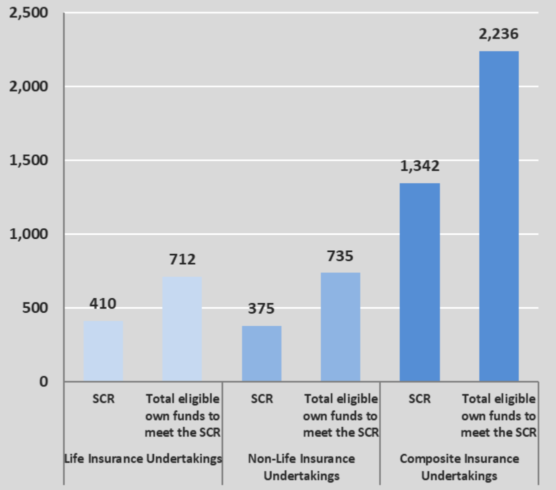
Table V.3 SCR, Total eligible own funds to meet the SCR and SCR Ratio. MCR, Total eligible own funds to meet the MCR and MCR Ratio.

(EUR million)	2020	2021	2022	2023	2024
Total Solvency Capital Requirement (SCR)	1,940	2,094	1,954	2,107	2,126
Total eligible own funds to meet the SCR	3,602	3,984	3,606	3,697	3,683
SCR coverage ratio	185.7%	190.3%	184.6%	175.5%	173.2%
Minimum Capital Requirement (MCR)	703	714	676	737	744
Total eligible own fund to meet the MCR	3,441	3,718	3,290	3,365	3,390
MCR ratio	489.5%	521.0%	486.9%	456.8%	455.4%

Source: Bank of Greece.

Chart V.5 SCR and total eligible own funds to meet the SCR per type of insurance undertaking

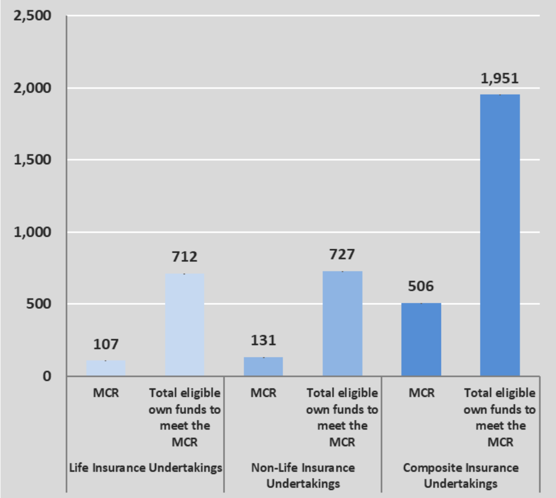
(December 2024; EUR million)



Source: Bank of Greece.

Chart V.6 MCR and total eligible own funds to meet the MCR per type of insurance undertaking

(December 2024; EUR million)



Source: Bank of Greece.

Chart V.7 SCR coverage ratio (2024 vis-à-vis 2023)

Source: Bank of Greece.

Changes in the SCR coverage ratio of insurance undertakings were observed during 2024; however all undertakings remain solvent.

As shown in Chart V.7, undertakings above the red line saw their SCR coverage ratios improve in 2024 compared to December 2023 (48% of all insurance undertakings), while undertakings below the red line saw their SCR coverage ratio deteriorate.

During 2024, a stress test was carried out at European level, with a reference date of 31.12.2023. The purpose of the test was to assess the resilience of insurance undertakings to extreme scenarios of severe but plausible adverse changes in financial and macroeconomic conditions, with a possible resurgence of geopolitical tensions. The test was carried out on a representative sample of 48 participants from 20 countries, with the participation of a Greek insurance group. At the same time, the same test was carried out by the Bank of Greece for all Greek insurance undertakings subject to Solvency II (31 undertakings). The market participated in the test with a strong level of capital adequacy and demonstrated resilience even in the extreme adverse scenario. In conclusion, the exercise confirmed the industry's sensitivity to stress testing, the effects of which, however, can be addressed with appropriate management actions.

Box V.2 The health insurance market in Greece

A. Introduction

Insurance undertakings active in the health insurance sector, in order to provide policyholders with healthcare benefits, buy services from private health institutions with which they sign relevant bilateral contracts. The cost of the above healthcare benefits purchased by insurance undertakings is shared between the insurance undertakings themselves and their policyholders, as stipulated in the terms of the relevant insurance contracts. In more detail:

a) Some insurance contracts include long-term commitments by insurance undertakings to policyholders. Under these contracts, insurance undertakings commit themselves to providing policyholders with specific services, but have little scope for full repricing, i.e. for a full pass-through of the increased costs of these services to policyholders.

Furthermore, because of their long-term commitment, insurance undertakings have to establish provisions and hold funds that reflect their obligations over the entire life of insurance contracts.

b) Some insurance contracts include commitments by insurance undertakings to policyholders only for one year (annually renewable contracts). Under these contracts, insurance undertakings have the possibility of full repricing, i.e. full pass-through of the increased costs of those services to policyholders, as well as a relevant modification and/or repeal of terms and conditions of the contract.

The related provisions and capital requirements reflect undertakings' obligations for one year.

B. The existing healthcare service costing model

The pricing of healthcare services provided by health institutions to insurance undertakings is central to the establishment of a sound system of compensation for healthcare and hospital services. Factors contributing to price setting include, but are not limited to, service costs, wages of specialised medical staff and other health professionals, as well as the severity of the disease and its complexity.

The costing and, by extension, the pricing of healthcare services provided by health institutions to insurance undertakings in Greece currently follow the "fee-for-service" (FFS) model.

Under this healthcare payment model, healthcare providers and physicians are compensated for each specific service provided.

Payments under an FFS model are determined on the basis of a detailed price list. This means that insurance undertakings are charged for any examination, procedure and treatment provided each time a patient visits a physician, has a consultation or is hospitalised. This payment model rewards physicians and health institutions for the volume and quantity of services provided.

The main advantage of the FFS model is increased patient satisfaction, as more treatment options are available to patients, who enjoy good service during their stay in health institutions.

However, this model also has several significant drawbacks because it tends to lead to overprovision of services, as it incentivises physicians and health institutions to provide more treatments than warranted by the patients' needs and longer hospitalisations. In many cases, service prices vary according to hospital class (indicatively, different charges for exactly the same procedure depending on whether the patient is in a single room, double room, etc.).

C. Impact of the FFS model on insurance undertakings and policyholders

The financial impact of the FSS model on both insurance undertakings and policyholders is significant.

In long-term insurance contracts, which include clauses imposing restrictions and/or forbidding premium hikes, increased charges make insurance undertakings subject to:

(a) increased technical provisions, reflecting both the heightened current cost of purchasing health services and future hikes over the life of insurance contracts; and

(b) increased capital requirements, reflecting heightened uncertainty regarding the cost of purchasing health services.

The above two points, given the difficulty of passing on costs to policyholders, lead to a decrease in the solvency ratio of insurance undertakings, increasing the likelihood of defaulting on their promises to policyholders due to insolvency.

In annually renewable insurance contracts, increased charges are passed on to policyholders, who are required to either pay higher premiums for maintaining their insurance cover or to agree to a downward adjustment of their insurance coverage, thus creating a gap in their insurance coverage.

Methods have been developed to address the drawbacks of the FFS model that:

(a) try to limit the costs charged by treatment centres through the use of companies (gatekeepers) that control or pre-approve relevant costs;

(b) include the adoption of alternative pricing methods for health services, mainly through diagnosis-related groups (DRGs). The DRG system includes grouping, for pricing purposes, medical examinations, procedures and treatments on the basis of the diagnosis to which they relate. In this context, the charge varies by diagnosis, irrespective of the medical services actually provided and the quantity of materials actually used. The DRG system aims to incentivise health providers to make better use of available resources and to reduce the length of stay in health institutions;[i]

(c) include the expansion of the pool of providers from which insurance undertakings can buy health services. Such a method is the adoption of an operating model based on a public-private partnerships (PPP), whereby, for example, insurance undertakings can also purchase health services from public hospitals, under terms and conditions, so that a number of medical procedures can be carried out in public hospitals, with increased benefits to both the public health system and insurance undertakings.

[i] An illustrative example of a system that makes use of such pricing methods is that of the Netherlands.

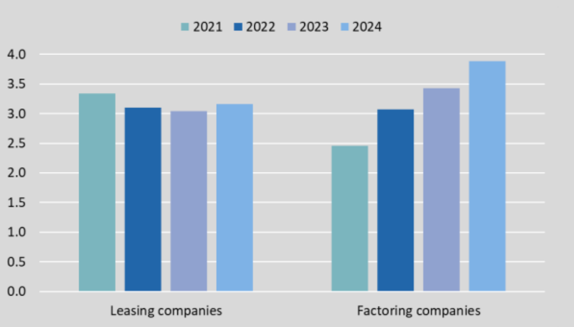
3. OTHER FINANCIAL INSTITUTIONS

3.1 LEASING COMPANIES – FACTORING COMPANIES – MICROFINANCE INSTITUTIONS

In 2024, the assets of leasing companies increased by 4% compared to the end of 2023 to EUR 3.2 billion. In the same vein, the assets of factoring companies amounted to EUR 3.9 billion, up by 13.2% compared to 2023 (see Chart V.8), while the assets of microfinance institutions more than doubled compared to 2023, although they remain at a very low level (EUR 10.4 million, from EUR 4.5 million in 2023).

Chart V.8 Evolution of assets of other financial institutions

(EUR billion)



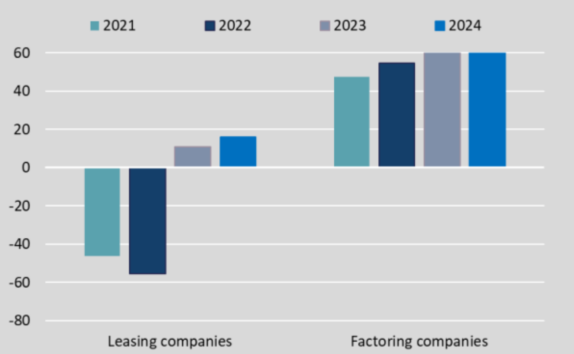
Source: Bank of Greece.

The interconnection of other financial institutions with credit institutions is significant, given that the assets of entities that belong to banking groups represent 93.4% of the sector's total assets. Furthermore, borrowing from parent banking groups increased to 15.3% of their liabilities, compared with 14.7% at the end of 2023.[86]

In terms of income statements, the profitability of leasing companies increased in 2024, as they recorded pre-tax profits of EUR 16 million, compared with EUR 10.8 million in 2023, mainly due to higher operating income. The profitability of factoring companies remained broadly unchanged, with pre-tax profits amounting to EUR 60.4 million in 2024 (see Chart V.9). In contrast, microfinance institutions posted higher pre-tax losses of EUR 0.9 million, compared with losses of EUR 0.5 million in 2023, mainly due to increased operating expenses.

Chart V.9 Evolution of pre-tax profits of other financial institutions

(EUR million)



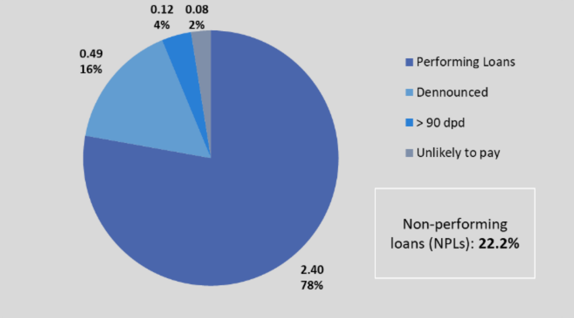
Source: Bank of Greece.

[86] The figures refer exclusively to leasing and factoring companies.

Finally, non-performing loans (NPLs, on-balance-sheet data) of other financial institutions declined to EUR 736.8 million in 2024 (from EUR 787.8 million in 2023). The largest share of NPLs relates to leasing companies (EUR 682.7 million in 2024, down from EUR 731.7 million in 2023), with the ratio of NPLs to total loans for these companies standing at 22.2% in 2024, down from 24.2% in 2023 (see Chart V.10). The NPL ratio for factoring companies and microfinance institutions stood at 1.4% and 4.3%, respectively.

Chart V.10 Performing and non-performing loans of leasing companies in 2024

(EUR billion, percentages %)



Source: Bank of Greece.

3.2 CREDIT SERVICING FIRMS (CSFs)

18 credit servicing firms (CSFs) are operating in Greece, following the completion of the re-authorisation process provided for in the revised framework for credit servicers and credit purchasers (Law 5072/2023),[87] in the context of which 5 authorisations were withdrawn after the holding CSFs had voluntarily relinquished them.

So far, none of the CSFs has applied for authorisation to refinance receivables. The activity of CSFs varies considerably, with the 3 largest firms having a market share of 85.9% based on the total value of exposures under management, another 3 firms having a market share of approximately 12.3% and 12 firms showing negligible to zero activity (none of them with a market share higher than 1%).

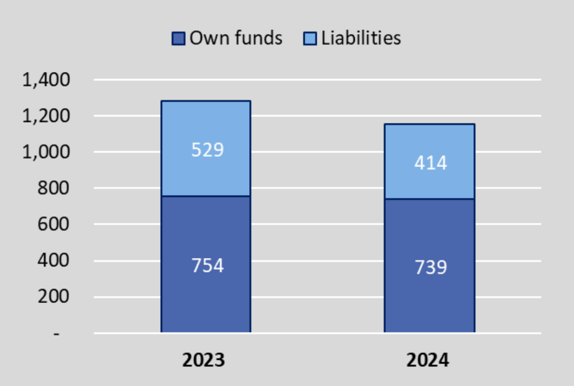
[87] The revised framework for credit servicers and credit purchasers was established by Law 5072/2023, which transposed into Greek law the relevant provisions of Directive (EU) 2021/2167 of the European Parliament and the Council, of 24 November 2021, on credit servicers and credit purchasers and amending Directives 2008/48/EC and 2014/17/EU Directive. In particular, the new framework introduced: (a) additional requirements for the establishment and functioning of CSFs (e.g. stricter requirements for internal governance and internal control mechanisms, a framework for sanctions, administrative penalties and remedial measures, and stronger protection and fair treatment of borrowers, including relevant procedures for recording and handling borrower complaints), (b) requirements to inform borrowers about the transfer of claims from credit/financial institutions and credit purchasers; and (c) a framework for cross-border credit servicing activities. Following the publication of Law 5072/2023, the Bank of Greece issued Executive Committee Act No 225/1/30.1.2024, which specifies the terms and conditions for the authorisation of CSFs. Furthermore, according to the provisions of Article 40 of Law 5072/2023, credit servicing firms (CSFs) licenced under Article 1 of Law 4354/2015 (Government Gazette A' 176) must be assessed by the Bank of Greece regarding their compliance with the provisions of the new framework and Executive Committee Acts of the Bank of Greece 118/19.05.2017 and 225/1/30.1.2024, as in force, in order to obtain a new operating licence.

CSFs aggregate financial data – 2024

In December 2024, the total assets of CSFs amounted to EUR 1.15 billion, down by EUR 130 million compared to December 2023. Total equity and liabilities (including provisions) of CSFs decreased compared to December 2023, amounting to EUR 738.7 million and EUR 414.3 million respectively (see Chart V.11). CSFs' net profits after tax for 2024 decreased by 14.3% to EUR 134.5 million, from EUR 156.9 million in 2023, due to an 11.8% decrease in turnover (2024: EUR 606 million, 2023: EUR 687 million). The contraction in CSF turnover is mainly attributed to the reduction in success fees, because of the maturity of part of their portfolios and the lower fee rates in portfolio servicing contracts for assets sold on the secondary market. In this context, CSFs' staff expenses and administrative costs as a percentage of turnover increased in 2024 compared to the previous year (53.6%, from 47.4% in 2023), mainly due to the reduced turnover.

Chart V.11 Composition of CSFs' liabilities (December 2024)

(EUR million)



Source: Bank of Greece.

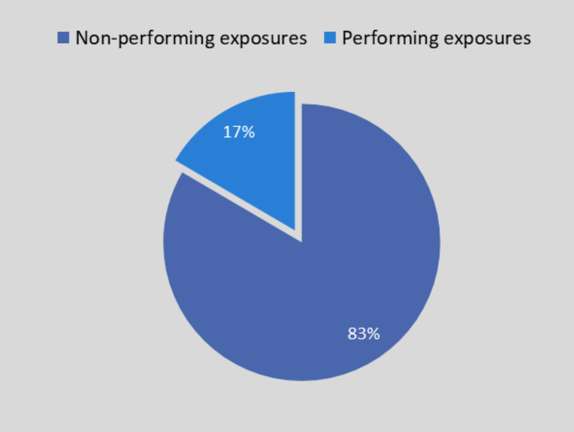
In December 2024, the portfolio of exposures under management[88] by CSFs amounted to EUR 87.4 billion, 82% of which related to exposures managed by CSFs on behalf of credit acquiring firms,[89] while the remaining 18% concerned the management of exposures on behalf of credit/financial institutions.

The bulk of exposures managed by CSFs on behalf of credit acquiring firms was transferred to them in the context of credit institutions' NPE reduction strategies.

The composition of the portfolios managed by CSFs remained almost unchanged compared to 2023, with the total exposures under management in December 2024 still consisting mainly of non-performing exposures (NPEs) (83%) and, to a lesser extent, performing exposures (17%) (see Chart V.12).

Chart V.12 Composition of portfolios managed by CSFs (December 2024)

(%)



Source: Bank of Greece.

[88] Exposures include all debt instruments (loans and advances and debt securities), excluding off-balance-sheet exposures and write-offs. It should be noted that Bank of Greece Executive Committee Act 206/1/03.06.2022 (available only in Greek) modified, *inter alia*, supervisory data and information to be submitted by CSFs to the Bank of Greece.

[89] Any discrepancies between the supervisory data analysed in this section of the Financial Stability Report and the data regularly published by the Bank of Greece on its website are mainly due to the different perimeter of each data release.

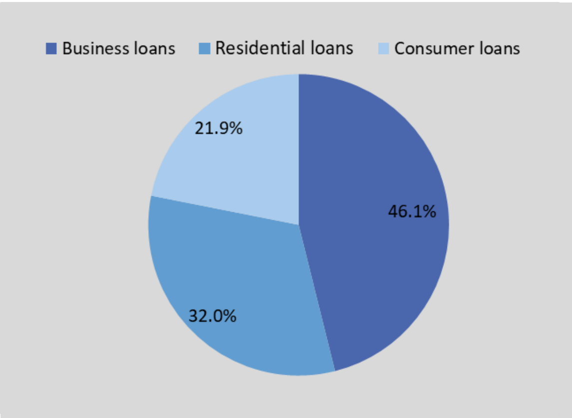
Management of exposures serviced on behalf of credit acquiring firms

The total amount of exposures managed by CSFs on behalf of credit acquiring firms increased by EUR 2.3 billion in 2024 to EUR 71.6 billion, mainly due to the takeover of new loans for servicing.

The portfolio includes mostly business loans (46.1%), followed by residential loans (32.0%) and consumer loans (21.9%), showing a similar composition to that of December 2023 (see Chart V.13).

Chart V.13 Exposures under CSF management, by portfolio (December 2024)

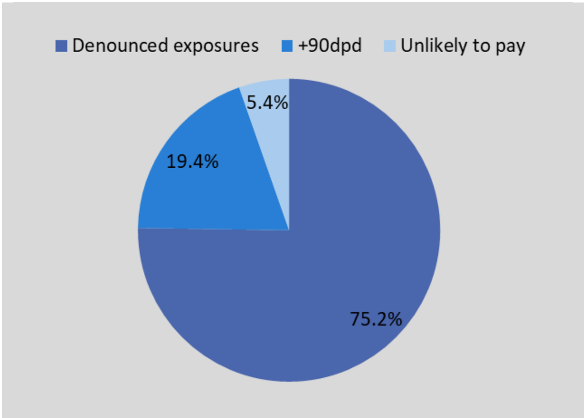
(%)



Source: Bank of Greece.

Chart V.14 Non-performing exposures under CSF management - portfolio composition by arrears bucket (December 2024)

(%)



Source: Bank of Greece.

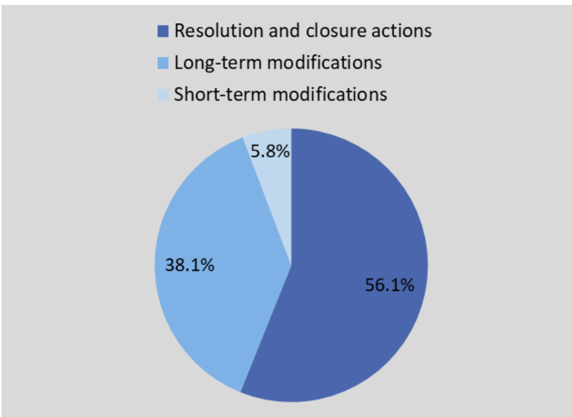
As of December 2024, the exposures under management on behalf of credit acquiring firms are of poor credit quality, with 90% being non-performing exposures. Of the non-performing exposures under management, the bulk is denounced exposures (75.2%), while 19.4% are exposures that are more than 90 days past due and 5.4% are unlikely to pay exposures (see Chart V.14).

In 2024, repayments, liquidation of collateral and write-offs of exposures managed by CSFs on behalf of credit acquiring firms stood at EUR 3.7 billion. In particular, repayments of exposures amounted to EUR 1.9 billion, liquidation of collateral to EUR 0.8 billion and write-offs to EUR 1.0 billion.

Finally, modifications made until December 2024 represent 25% of the total portfolio managed on behalf of credit acquiring firms. Resolution and closure actions accounted for the bulk of modified exposures (56.1%), followed by long-term (38.1%) and short-term modifications (5.8%) (see Chart V.15). These figures for 2024 indicate an increase in resolution and closure actions compared to December 2023 (48.2%) and a corresponding decrease in long-term and short-term modifications (42.6% and 9.2% in 2023, respectively).

Chart V.15 Breakdown of debt under CSF management per type of modification (December 2024)

(%)



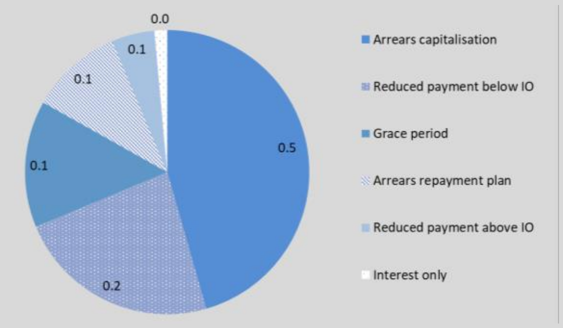
Source: Bank of Greece.

It should be noted that, on the basis of December 2024 data, resolution and closure actions amounted to EUR 10 billion (up from EUR 9.3 billion in 2023), short-term modifications to EUR 1 billion and long-term modifications to EUR 6.8 billion (down from EUR 1.8 billion and EUR 8.2 billion, respectively in 2023).

Capitalisation of arrears was the most common short-term modification tool[90] (accounting for 45.6% of total short-term modifications; see Chart V.16a), while the most common types of long-term modifications[91] were partial debt write-down, split balance and extension of the loan term, accounting for 45%, 27% and 21% of total long-term modifications, respectively (see Chart V.16b).

Chart V.16a Short-term modifications (December 2024)

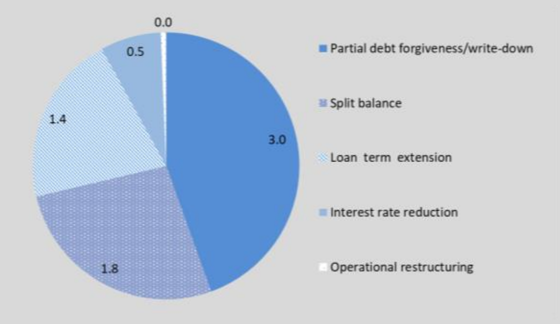
(EUR billion)



Source: Bank of Greece.

Chart V.16b Long-term modifications (December 2024)

(EUR billion)

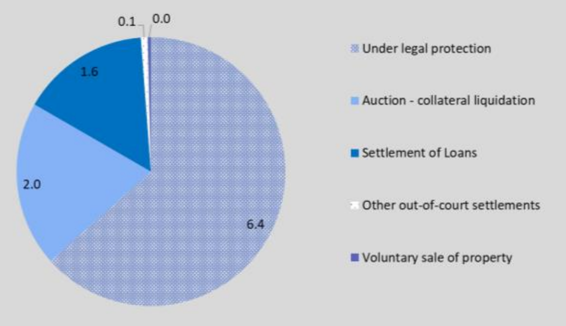


Source: Bank of Greece.

Over the same period, the most common types of resolution and closure actions[92] were settlement of loans under legal protection, auctions and settlements of loans, accounting for 63%, 20%, and 15% of the total, respectively (see Chart V.16c).

Chart V.16c Resolution and closure actions (December 2024)

(EUR million)



Source: Bank of Greece .

[90] Short-term modifications are those with a duration of less than two years, applicable to cases where the repayment difficulties are reasonably judged to be temporary.

[91] Long-term modifications are those with a duration of more than two years, based on conservative assumptions regarding the borrower's future repayment capacity throughout the repayment schedule.

[92] Resolution and closure actions include any change in the type of loan contract or termination of the contract.

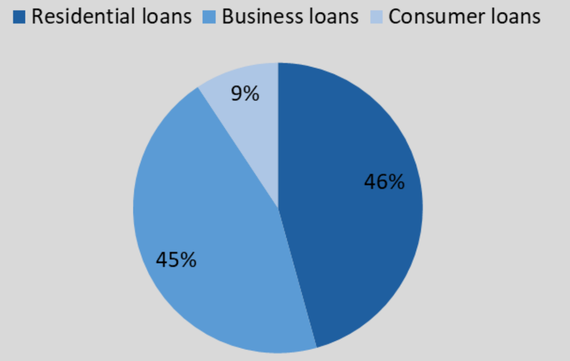
Management of exposures serviced on behalf of credit/financial institutions

The total amount of exposures managed by CSFs on behalf of credit/financial institutions stood at EUR 15.8 billion at the end of 2024, down by EUR 2.9 billion (2023: EUR 18.7 billion) – mainly due to portfolio management actions and sales to credit acquiring companies. Of these exposures, 53% were non-performing exposures (NPEs), compared with 57% in 2023.

In particular, the portfolio of such exposures consists mainly of business (46%) and residential loans (45%), followed by consumer loans (9%) (see Chart V.17). The corresponding breakdown in December 2023 was 30% for residential loans, 46% for business loans and 24% for consumer loans.

Chart V.17 Breakdown of exposures under CSF management on behalf of credit/financial institutions per asset class (December 2024)

(%)



Source: Bank of Greece .

In 2024, repayments and liquidation of collateral managed by CSFs on behalf of credit/financial institutions amounted to EUR 1.6 billion, of which EUR 1.5 billion were repayments and EUR 0.1 billion were collateral liquidation.

Secondary market activity

There has been significant growth in the secondary market for loans managed by CSFs over the last few years. During the period 2019-2024, transactions on the secondary market involved 146 loan portfolios, with a total receivables value of EUR 10 billion.[93] In 2024, secondary market transactions saw a substantial increase, involving 43 loan portfolios with a total receivables value of EUR 5.7 billion (value at the date of transfer). Transactions on the secondary loan market in Greece are expected to continue, as CSFs intensify their efforts to meet their targets under the Hellenic Asset Protection Scheme ("Hercules").

Key takeaways and challenges

CSFs play a prominent role in managing private debt in Greece. The main factors affecting the management of non-performing exposures by CSFs relate to lack of funding for debt restructuring and delays in finalising legal actions and liquidations of collateral. The use of the option provided by the current regulatory framework for the refinancing of loans and/or the debt restructuring through new financing could help resolve part of the NPE portfolio (e.g. by providing working capital to viable businesses). Up until now, however, no CSF has applied for an authorisation for

[93] In detail, the transactions per year were as follows: a) in 2019, 7 transactions with a cumulative value of EUR 106 million; b) in 2020, 13 transactions with a cumulative value of EUR 93 million; c) in 2021, 31 transactions with a cumulative value of EUR 538 million; d) in 2022, 21 transactions with a cumulative value of EUR 1,530 million; and e) in 2023, 31 transactions with a cumulative value of EUR 1,942 million; and f) in 2024, 43 transactions with a cumulative value of EUR 5,747 million.

refinancing of receivables, nor has any credit company been authorised, even though the new framework allows such companies to provide all forms of credit. Moreover, where all available actions have been exhausted, the delays recorded in the completion of judicial proceedings hinder the effective management of private debt.

The key challenges facing CSFs include: a) further adjusting their governance, policies and procedures, as well as their internal control systems, in order to comply with the requirements of the new framework, which is expected to be further specified through a forthcoming Executive Committee Act by the Bank of Greece regarding the supervision of CSFs; b) stepping up their efforts to achieve the recovery targets under the Hellenic Asset Protection Scheme ("Hercules") scheme; and c) digitising processes and upgrading the services offered to borrowers. Finally, CSFs should work out ways to return part of the cured and performing loans to credit institutions (re-onboarding), provided that these loans meet both the criteria set by the European Banking Authority (EBA) and banks' current credit standards.

3.3 PAYMENT INSTITUTIONS, E-MONEY INSTITUTIONS, PAYMENT INITIATION SERVICE PROVIDERS AND ACCOUNT INFORMATION SERVICE PROVIDERS

Key figures

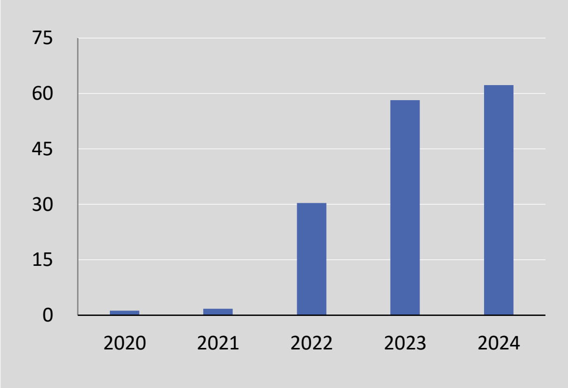
(a) Payment institutions (PIs)

The Bank of Greece, under Law 4537/2018[94] and its Executive Committee Act 164/2/13.12.2019, as currently in force, has authorised 14 payment institutions (PIs)[95] and one account information service provider (AISP).[96]

The total value of payment transactions carried out by PIs in 2024 amounted to EUR 62.3 billion, up by 7% compared to 2023 (EUR 58.2 billion; see Chart V.18), especially due to an increase in the total value of payment transactions related to merchant acquiring (execution of payment transactions through a payment card). It should be noted that four PIs, which offer the aforementioned payment service, accounted for 95% of the total value of payment transactions, while the remaining 5% mainly relates to money remittance services.

Chart V.18 Total annual value of payment transactions by PIs

(EUR billion)



Source: Bank of Greece.

[94] Law 4537/2018 transposed into Greek law Directive (EU) 2015/2366 (Payment Services Directive II – PSD II) establishing the regulatory framework for payment services in the internal market.

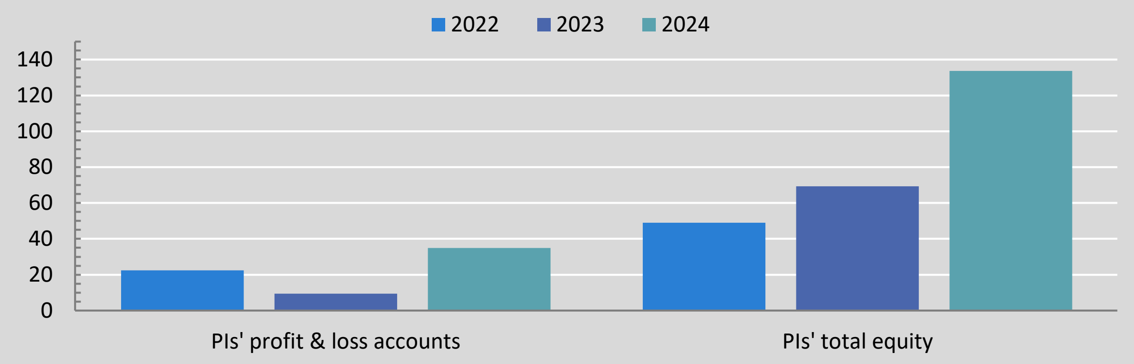
[95] By decision of the Bank of Greece Credit and Insurance Committee (CIC) 520/6/17.12.2024, the authorisation of a payment institution was suspended in accordance with Article 153 of Law 4261/2014. Subsequently, by decision of the Bank of Greece Credit and Insurance Committee (CIC) 531/2/24.04.2025, the payment institution's authorisation was withdrawn and the institution was placed under special liquidation, in accordance with the provisions of Article 13 of Law 4537/2018, Article 153 of Law 4261/2014, and Article 46 of Law 4557/2018.

[96] In accordance with Article 14 of Law 4537/2018, the Bank of Greece publishes on its official website a public register of authorised PIs and AISPs established in Greece (Supervised institutions (bankofgreece.gr)).

PIs' total equity in December 2024 amounted to EUR 133.7 million, up by 93% since December 2023 (EUR 69.3 million). This substantial increase is for the most part attributable to the profitability of the PIs that took over the divested merchant acquiring business of the four significant banks. Moreover, the PI sector remains profitable as a whole, with pre-tax profits amounting to EUR 34.9 million in the first half of 2024, compared with EUR 9.4 million in 2023 (see Chart V.19).

Chart V.19 PIs' profit and loss accounts and own funds

(EUR million)



Source: Bank of Greece.

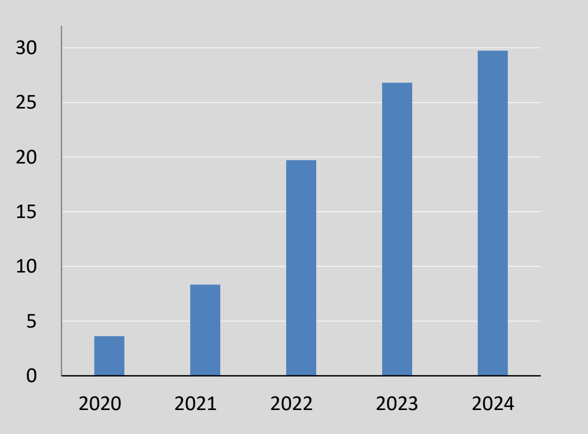
(b) Electronic Money Institutions (EMIs)

The Bank of Greece, under Law 4021/2011[97] and its Executive Committee Act 164/2/13.12.2019, as currently in force, has authorised five Electronic Money Institutions (EMIs).[98]

The total annual value of payment transactions carried out by EMIs in 2024 amounted to EUR 34.4 billion, up by 28.2 % compared to 2023 (EUR 26.8 billion; see Chart V.20). The increase in the value of payments is mostly due to activities by one EMI, which carries out 81.1% of the total value of payment transactions. In addition, two more EMIs developed their operations in 2024, by implementing and offering e-money services along with other payment services. In contrast, two electronic money institutions (EMIs) do not currently display electronic money activity, as they are still in the development phase of the service.

Chart V.20 Total annual value of payment transactions by EMIs

(EUR billion)



Source: Bank of Greece.

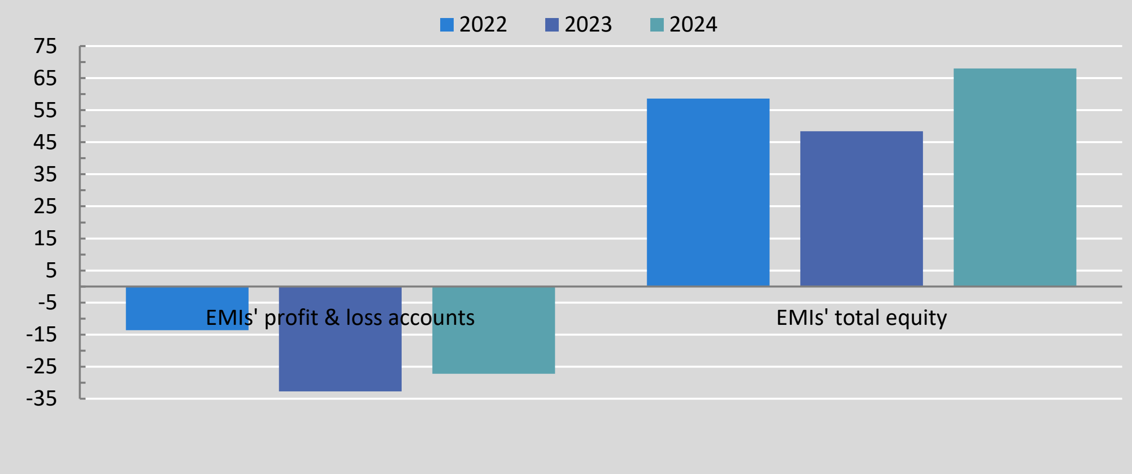
[97] Law 4021/2011 transposed into Greek law the provisions of Directive 2009/110/EC on the taking up, pursuit and prudential supervision of the business of electronic money institutions.

[98] Two out of the five EMIs were authorised within 2024 (Bank of Greece Credit and Insurance Committee Decisions 497/1/21.3.2024 and 508/3/26.07.2024) following an expansion of the scope of the PI authorisation they already held. In addition, by decision 516/1/19.11.2024 of the Bank of Greece Credit and Insurance Committee (CIC), the merger by absorption of one electronic money institution (EMI) by a credit institution was approved, in accordance with Article 16 of Law 2515/1997.

In December 2024, the total equity of EMIs amounted to EUR 68.0 million, up by EUR 41% since December 2023 (EUR 48.4 million; see Chart V.21). This increase is for the most part attributable to a rise in the net position of one EMI following a share capital increase. Additionally, in December 2024, sector losses amounted to EUR 27.2 million, compared with EUR 32.7 million in the same period of 2023, due to the significant losses of two EMIs, mainly as a result of ICT spending. These losses were covered by the required capital increases.

Chart V.21 EMIs' profit and loss accounts and own funds

(EUR million)



Source: Bank of Greece.

In addition, it should be noted that 304 PIs and 230 EMIs established in other Member States of the European Economic Area have notified the Bank of Greece of their intention to provide payment services in Greece under the EU passport regime. The majority of these institutions exercise the freedom to provide services without establishment. As regards the type of payment services provided, most of the above institutions are active in the issuance of payment instruments and/or merchant acquisition, the transfer of funds and the execution of remittances.

VI. FINANCIAL MARKET INFRASTRUCTURES

Throughout 2024, payment, clearing, and settlement systems functioned effectively, ensuring the secure and reliable operation of the financial system, while supporting the implementation of the Eurosystem's monetary policy and the maintenance of confidence in the single currency.

1. PAYMENT SYSTEMS

1.1 TARGET2-GR

In 2024, the Greek component (TARGET-GR) of the pan-European real-time gross settlement system (TARGET) functioned efficiently and adequately. The number of domestic and cross-border interbank and customer payment orders processed through the system amounted to 1,086.4 thousand, up by 9.3% from 993.6 thousand in 2023. The corresponding value of payment orders stood at €1.2 trillion, remaining broadly unchanged compared with 2023.

1.2 DIAS INTERBANKING SYSTEMS S.A.

DIAS, the multilateral clearing system for retail payments, fully met the requirements of the interbank and retail payments market throughout 2024, maintaining 100% technical availability. The number of payment orders processed by the system in 2024 increased by 15% compared to 2023 (see Table VI.1). Broken down by interbank payment service provided, credit transfer transactions rose by 14%, POS transactions for payments to Greek public sector entities by 31% and ATM transactions by 4.5% compared to 2023. In contrast, the number of electronic cheques clearing transactions decreased by 3%. In line with the increased transaction volume, the total value of transactions reached EUR 502 billion, up by 12% relative to 2023.

Table VI.1 Transactions of DIAS payment system

(in million transactions)

Type of transactions	2024	2023	2022
Credit transfers and other fund transfers	390,40	342,30	310,96
Direct debits	32,20	28,00	26,10
Cheques	2,04	2,10	2,21
ATM withdrawals	4,10	3,92*	4,16*
POS payments	36,77	28,03	22,42
Total	**465,51**	**404,35**	**365,85**

**Revised reported data.*

Source: DIAS.

Furthermore, in 2024 the DIAS payment system, responding to the needs of both end users and the European regulatory framework for instant and fast payment transactions, recorded a significant increase of 92% in the number of instant credit transfers compared with the previous year. Specifically, the number of such transactions reached 70 million, up from 36.8 million in 2023.

1.3 ATHENS CLEARING OFFICE – ACO

The Athens Clearing Office (ACO) processed 41 thousand less cheques in physical form in 2024, down by 32.7% compared with the number of cheques presented for clearing in 2023.

The average daily number of cheques cleared stood at 325, down by 33.2% from 487 in the previous year. In line with the decline in the number of cheques cleared, their total value decreased by EUR 6 billion (down by 55%), with the average daily value of cleared cheques falling to EUR 19.06 million (down by 55.4% compared with 2023).

Over time, there has been a consistent decline in both the number and value of cheques processed by the ACO, reflecting the growing preference of market participants for electronic means of payment.

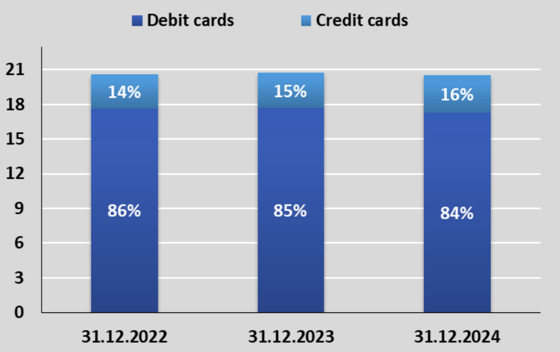
2. PAYMENT CARDS

2.1 NUMBER OF PAYMENT CARDS

In December 2024, the total number of active payment cards in circulation stood at 20.5 million, marginally lower by1% compared with December 2023 (see Chart VI.1).

Chart VI.1 Number of cards per card type

(million)



Source: Bank of Greece.

Breaking down the figures by card type, the number of debit cards[99] declined by 2%, reaching 17.3 million cards. The number of prepaid cards recorded a significant decrease of 27% year-on-year, reaching 1.7 million. In contrast, the number of credit cards increased by 5.5% to 3.2 million. Notably, the number of virtual cards issued rose by 12% compared to the previous year, reaching 152 thousand by the end of 2024.

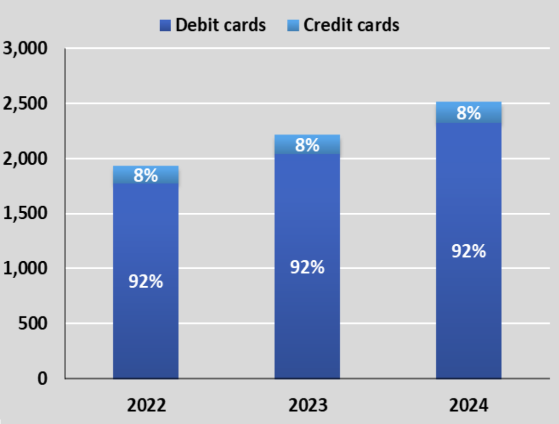
2.2 TRANSACTIONS WITH PAYMENT CARDS

In 2024, the total number of payment card transactions increased by 14%, reaching 2,511 million (see Chart VI.2). Similarly, the total value of payment card transactions rose to EUR 112 billion from EUR 102 billion, up by 9% year-on-year (see Chart VI.3).

[99] For the purposes of this Review, debit cards comprise prepaid cards and cards that can be used for cash withdrawals but not for purchases. Credit cards comprise virtual cards and delayed debit cards.

Chart VI.2 Number of card transactions

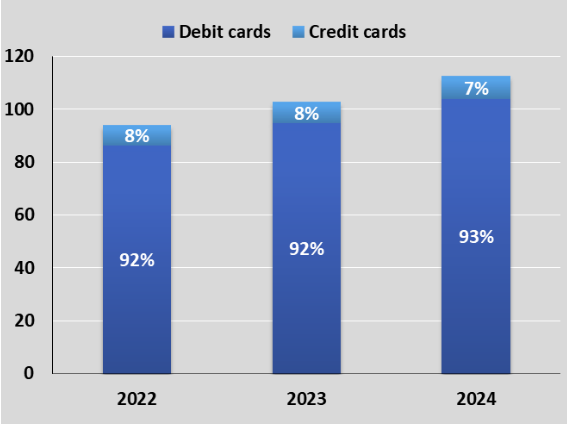
(million)



Source: Bank of Greece.

Chart VI.3 Value of card transactions

(EUR billion)



Source: Bank of Greece.

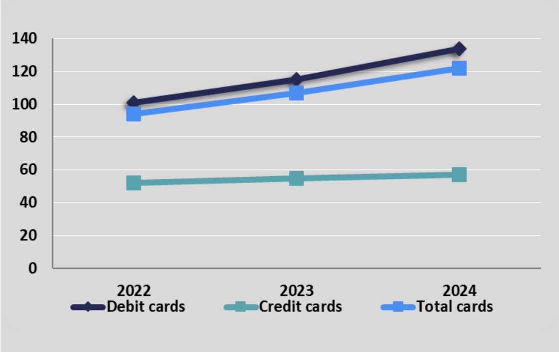
Based on the breakdown of data by card type, the number of debit card transactions increased by 14% in 2024 to 2,325 million, from 2,042 million in 2023. Debit cards accounted for 93% of the total number of transactions across all types of payment cards. Similarly, the number of credit card transactions also increased, rising by 10% to 186 million from 168 million in 2023, with their share in the total number of card transactions amounting to 7%.

The average number of transactions per card rose by 14% in 2024, reaching 122 transactions, up from 107 in 2023 (see Chart VI.4). An analysis of the different card types shows that this increase is mainly attributable to a rise in the average number of transactions per debit card to 134, compared with 115 in the previous year.

The average value of transactions per card increased by 10% in 2024 to EUR 5,468, up from EUR 4,947 in 2023 (see Chart VI.5). An analysis of the changes in the average transaction value by card type indicates that this increase was mainly driven by a 12% rise in the average value of transactions per debit card, which reached EUR 6,002, up from EUR 5,365 in 2023. The average value of transactions per credit card also increased, by 2% to EUR 2,616, up from EUR 2,547 in the previous year.

Chart VI.4 Average number of transactions per card type

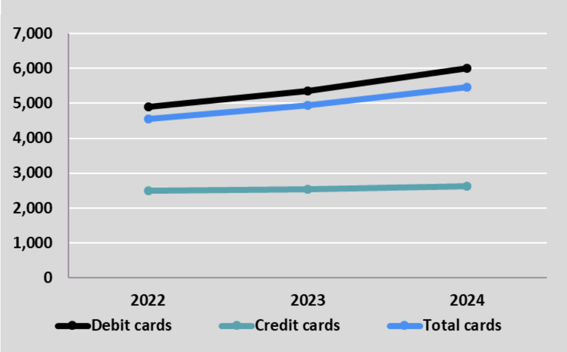
(transactions)



Source: Bank of Greece.

Chart VI.5 Average value of transactions per card type

(EUR)

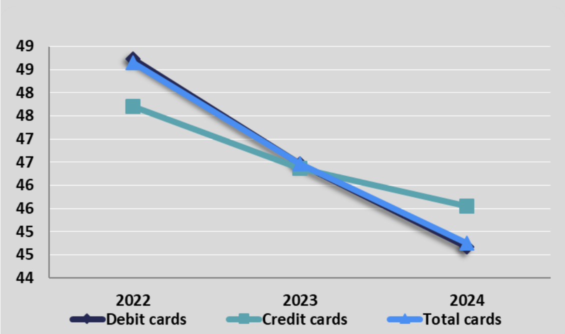


Source: Bank of Greece.

The average value per transaction for both debit and credit cards continued its downward trend, declining to EUR 44 in 2024 from EUR 46 in 2023 (down by 3.7%) (see Chart VI.6). This decline in average transaction value may be attributed to the increasing use of debit cards for the purchase of low-value goods and services.

Chart VI.6 Average value per card transaction

(EUR)



Source: Bank of Greece

2.3 PAYMENT CARD TRANSACTIONS FRAUD

In 2024, the ratio of the number and value of fraudulent payment card transactions to the total number and value of card transactions (fraud-to-transaction ratio) decreased by 14% and 13%, respectively. This decline can be attributed to the implementation of enhanced fraud prevention and security measures by payment service providers, as well as to their close cooperation with both domestic and international agencies aimed at raising awareness among users of electronic payment instruments regarding safe usage practices and emerging types of fraud.

Notable initiatives include:

(a) The continuation since 2021 of an annual public awareness campaign against online fraud, jointly organised by the Hellenic Bank Association, the Ministry of Citizen Protection, the Hellenic Police and the Bank of Greece. The campaign includes the dissemination of electronic and printed educational material published on the websites of participating institutions, social media platforms and in the media;

(b) A public awareness campaign conducted in February 2024 by the Hellenic Bank Association in cooperation with the international MasterCard scheme, focusing on new types of fraud and how to prevent and address them;

(c) An awareness-raising initiative by the Bank of Greece via social media, including a short video on secure payments and protection against online fraud, launched in the context of the OECD's "Global Money Week" campaign in September 2024.

An analysis of payment card fraud transaction data shows that in 2024 the number of fraudulent transactions recorded a slight decrease of 3% compared to 2023 (see Table VI.3). The fraud-to-transaction ratio in volume terms stood at 0.016%, corresponding to 1 fraudulent transaction per 6,300 transactions – down by 14% compared to 2023.

Similarly to the number of fraudulent transactions, the value of such transactions also fell by 5% compared to 2023 (see Table VI.4). The fraud-to-transaction ratio in value terms stood at 0.020%, corresponding to EUR 1 of fraud per EUR 4,900 of transaction value – down by 13% compared to 2023.

Table VI.2 Fraud to transaction ratio – Volume

(transactions)

Period	Number of transactions	Number of fraudulent transactions	Fraud to transaction ratio
2024	2,511,635,391	398,723	0.016%
2023	2,210,865,672	410,345	0.019%
2022	1,929,643,889	287,356	0.015%

Source: Bank of Greece.

Table VI.3 Fraud to transaction – Value

(EUR)

Period	Value of transactions	Value of fraudulent transactions	Fraud to transaction ratio
2024	112,384,241,323	22,601,527	0.020%
2023	102,709,542,581	23,770,874	0.023%
2022	93,891,177,722	16,237,522	0.017%

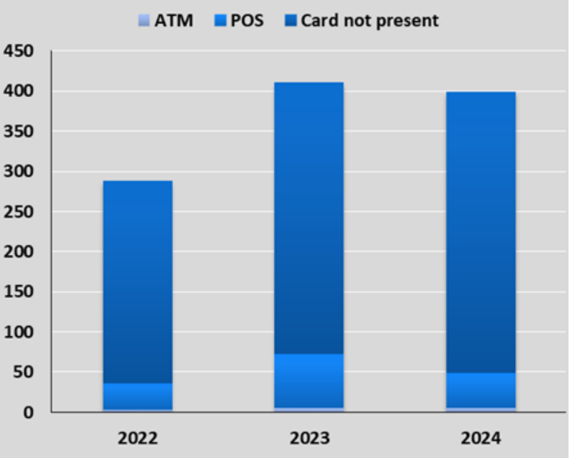
Source: Bank of Greece.

An analysis of changes in fraudulent transactions by transaction type shows an increase in the number of card-not-present (CNP) remote transactions, which rose by 4% to 349 thousand in 2024, from 337 thousand in 2023, along with a 1% increase in their value to EUR 17.7 million, from EUR 17.5 million in 2023. At the same time, fraudulent transactions at ATMs also rose, with the number of such transactions rising by 80 in 2024 compared with 2023 (+2%), while their value grew by 22% to EUR 2.4 million, from EUR 2 million in 2023.

In contrast to CNP and ATM fraudulent transactions, a significant decrease was recorded in both the number and value of fraud at POS terminals. Specifically, the number and value of fraudulent POS transactions fell by 35% and 43%, respectively. In absolute terms, in 2024, the number of fraudulent POS transactions amounted to 44 thousand, with a total value of EUR 2.4 million, down from 67 thousand transactions worth EUR 4.2 million in 2023 (see Charts VI.7 and VI.8).

Chart VI.7 Number of fraudulent transactions per transaction type

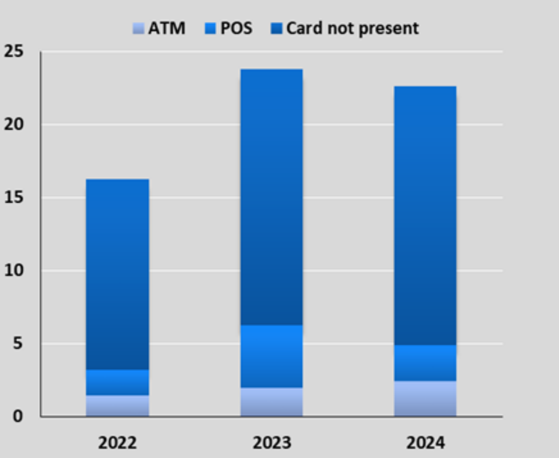
(thousand transactions)



Source: Bank of Greece.

Chart VI.8 Value of fraudulent transactions per transaction type

(EUR million)



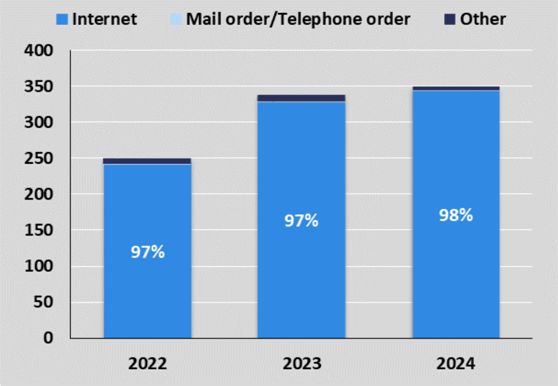
Source: Bank of Greece.

The main reason for the decrease in both the value and number of fraudulent POS transactions in 2024 compared to 2023 is the reduction in fraud resulting from illegal transactions conducted using lost or stolen cards. Specifically, the value of fraudulent transactions using lost/stolen cards at POS terminals decreased by 54% to EUR 1.7 million, from EUR 3.7 million in 2023, while the number of such transactions declined significantly by 26 thousand (or 39%) to 39 thousand transactions in 2024, from 65 thousand in 2023.

With regard to fraud committed in CNP transactions, it is observed that the majority of fraudulent transactions relate to remote transactions (see Charts VI.9 and VI.10). These incidents mainly involve internet transactions with foreign merchants, as was the case in previous years.

Chart VI.9 Number of fraudulent CNP transactions

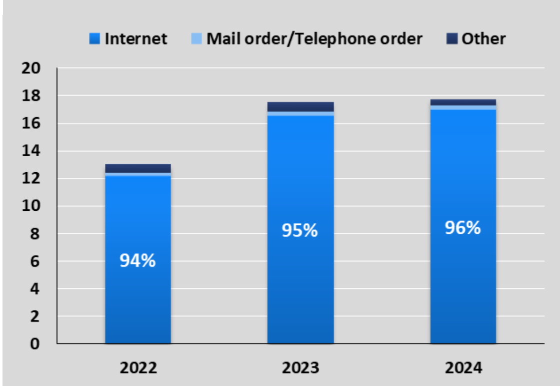
(thousand transactions)



Source: Bank of Greece.

Chart VI.10 Value of fraudulent CNP transactions

(EUR million)



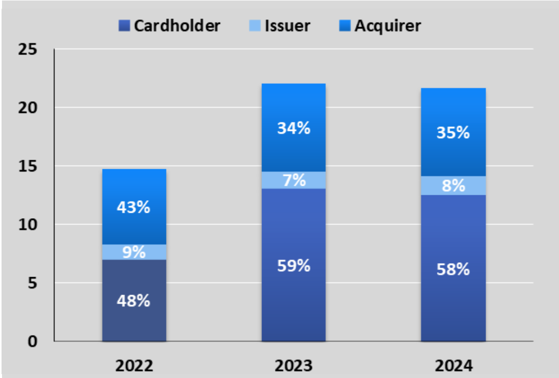
Source: Bank of Greece.

The financial losses resulting from fraudulent transactions are allocated among the parties involved in the transaction, depending on their responsibility. Based on the allocation of losses among the three parties involved in the payment card transaction cycle (see Chart VI.11), it is observed that the largest share of the losses is borne by cardholders and card acquiring payment service providers.

Specifically, in 2024, cardholders and card acquiring payment service providers bore 58% and 35% of the total losses, respectively. Card issuing payment service providers were charged 8% of total losses.

Chart VI.11 Loss allocation in fraudulent transactions

(EUR million)



Source: Bank of Greece.

3. CENTRAL COUNTERPARTIES

3.1 DEVELOPMENTS IN THE REGULATORY FRAMEWORK

The amendment to the EMIR[100] regulation (EMIR 3) was published in the Official Journal of the EU on 4 December 2024 and entered into force on 24 December 2024.

The revision of the regulation aims primarily to enhance the competitiveness of EU CCPs and to promote central clearing within the EU, thereby reducing the dependence on UK CCPs that remain of significant systemic importance for the EU. To this end, it introduces, *inter alia*, the active account requirement, requiring certain financial and non-financial counterparties to maintain active accounts with EU CCPs for specific derivatives. EMIR 3 also includes a series of amendments aimed at further streamlining and improving it, as well as enhancing market stability, in addition to those already adopted with the EMIR REFIT and EMIR 2.2 amendments.

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On 30 January 2025, the European Commission adopted a decision according to which the legislative and supervisory arrangements of the United Kingdom applicable to the three central counterparties in the United Kingdom are considered equivalent to the EMIR requirements. Subsequently, on 17 March 2025, ESMA announced an extension of the equivalence for the UK central counterparties for a period of three years until 30 June 2028. This decision will ensure EU financial stability and the avoidance of short-term risks by providing time for the implementation of EMIR 3. The decision was published in the Official Journal of the EU immediately after its adoption, will enter into immediate force and will apply from 1 July 2025, thus removing any uncertainty for market participants.

[100] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

3.2 ATHENS EXCHANGE CLEARING HOUSE (ATHEXCLEAR)

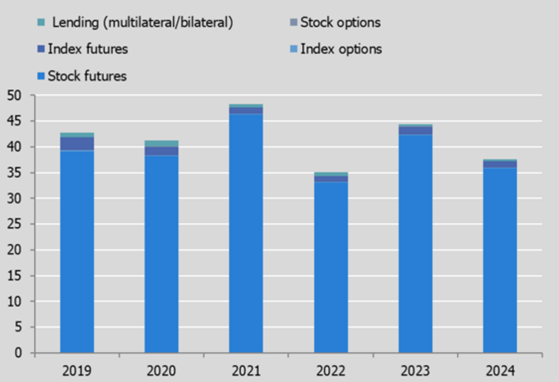
The Athens Exchange Clearing House (ATHEXClear) provides clearing services and acts as a central counterparty for the clearing of transactions on the Athens Exchange (securities and derivatives markets, as well as securities lending facility), as well as transactions in derivatives on the Energy Exchange.

During 2024, derivatives and securities lending transactions cleared by ATHEXClear decreased compared to the previous year (2023) both in terms of their average daily volume and their average daily value.

In more detail, the average daily volume of transactions overall in the derivatives market and the securities lending facility amounted to 37,595 in 2024, down by 15% compared to 2023 (44,386 transactions), as presented in Table VI.4 and Chart VI.12. This change is mainly due to the decrease observed in stock futures.

Chart VI.12 Daily average traded volume in the derivatives market by type of contract and in the securities lending facility

(in thousand transactions)



Source: Monthly Statisical Bulletin (Derivatives – Lending), Hellenic Exchanges – Athens Exchange S.A.

Table VI.4 Daily average traded volume in the derivatives market by type of contract and in the securities lending facility

	Index futures	Index options	Stock futures	Stock options	Lending (multilateral/bilateral)	Total
2019	2,461	255	39,093	85	872	42,767
2020	1,698	147	38,154	62	1,121	41,182
2021	1,205	152	46,238	71	567	48,233
2022	1,162	87	33,064	39	678	35,029
2023	1,579	144	42,188	54	421	44,386
2024	1,306	79	35,807	20	383	37,595

Source: Monthly Statistical Bulletin (Derivatives – Lending), Hellenic Exchanges – Athens Exchange S.A.

Similarly, the average daily value of transactions in 2024 amounted to EUR 13.7 million, recording a significant drop of 42% compared to 2023 (EUR 23.4 million), a change due to the corresponding drop in the average daily value of both index and stock futures (see Table VI.5 and Chart VI.13).

Table VI.5 Daily average traded value in the derivatives market by type of contract

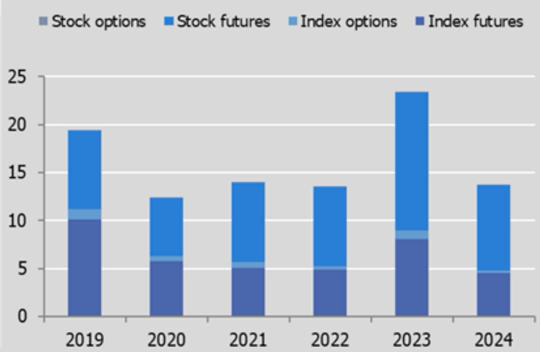
(EUR million)

	Index futures	Index options	Stock futures	Stock options	Total
2019	10.11	1.04	8.24	0.03	19.42
2020	5.81	0.51	6.02	0.03	12.37
2021	5.02	0.64	8.32	0.06	14.03
2022	4.88	0.37	8.24	0.03	13.51
2023	8.12	0.83	14.43	0.04	23.42
2024	4.52	0.28	8.86	0.01	13.66

Source: Monthly Statistical Bulletin (Derivatives – Lending), Hellenic Exchanges – Athens Exchange S.A.

Chart VI.13 Daily average traded value in the derivatives market by type of contract

(EUR million)



Source: Monthly Statistical Bulletin (Derivatives – Lending), Hellenic Exchanges – Athens Exchange S.A.

4. CENTRAL SECURITIES DEPOSITORIES

4.1 REGULATORY DEVELOPMENTS AND INITIATIVES

In November 2024, the European Securities and Markets Authority (ESMA) published a report on shortening the settlement cycle in the European Union (EU), proposing to reduce the maximum duration from two business days to one business day after the transaction date, i.e. from T+2, as currently applicable, to T+1 (where T is the transaction date). The ESMA report recommends that the transition be completed by Q4 2027, with a preferred implementation date of 11 October 2027.

The aim of this change is to improve the efficiency of post-trade procedures, yielding significant benefits such as reduced counterparty credit and market risk, lower transaction costs and savings on required margins. Furthermore, this modification will eliminate discrepancies between EU markets and global financial markets that already follow the T+1 standard.

On 12 February 2025, the European Commission published a proposal to amend the current Regulation (EU) No. 909/2014 of the European Parliament and Council of 23 July 2014 on improving securities settlement in the EU and on central securities depositories (CSDs), also amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (CSDR). This amendment proposes shortening the settlement cycle in the Union and aims to ensure that all stakeholders have sufficient time to prepare for the transition to T+1 in a timely and coordinated manner.

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The adoption of distributed ledger technology (DLT) is increasingly being explored and implemented.[101] According to a recent report by the European Banking Authority, over 60% of EU banks that participated in the survey are exploring, experimenting with, or using DLT, with 22% of those already applying the technology. So far, DLT has been tested in various applications such as record-keeping, value storage and transfer, clearing and settlement.[102]

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[101] See Special Feature II: "The use of new technology in the settlement of transactions", *Financial Stability Review* (April 2024).

[102] See European Banking Authority (April 2024), "Use of DLT in the EU banking and payments sector: EBA innovation monitoring and convergence work.".

Additionally, there has been strong interest from market participants in enabling transactions concluded in DLT platform to be settled in central bank money, a development that would make DLT systems more attractive and less risky. In this context, the Eurosystem conducted trials and experiments between May and November 2024 using DLT for settlement in central bank money, completing over 200 transactions worth a total of EUR 1.59 billion. These trials provided valuable insights into how traditional infrastructures can interconnect with DLT-based ones, as well as the potential benefits of DLT for the financial system.[103]

Based on these trials, in February 2025, the ECB decided to expand this initiative[104] to support the use of innovative solutions within the Eurosystem infrastructures while maintaining the security and efficiency of the TARGET Services,[105] thereby contributing to the enhancement of efficiency in the European financial market through innovation.

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Climate change affects the natural environment and, by extension, the economy and the financial system through damage caused by natural disasters as well as the costs of transitioning to a low-emissions economy. In this context, important initiatives and actions have been undertaken, including studies on integrating related issues into the regulatory and supervisory frameworks of financial institutions.[106]

Financial market infrastructures, as part of the financial system, are affected by climate change in various ways, depending on their type and business model.

On the one hand, physical risks may directly impact the operational resilience of infrastructures or indirectly affect them through their participants, critical service providers and utility providers. Specifically, physical risks could threaten critical services and supporting resources (e.g. data centers). As a result, business continuity plans for infrastructures must include climate risk scenarios, to identify and assess the impacts from climate change and, if necessary, to strengthen the infrastructures' preparedness and adaptability.

On the other hand, transition risks may directly impact those infrastructures with exposure to assets or markets affected by climate change (e.g. central counterparties that clear energy products) or indirectly via their participants. The transition risks are not currently considered a major threat to financial infrastructures.

In this regard, financial market infrastructures must adopt a forward-looking approach to monitor and manage climate-related risks. Identifying transmission channels of such risks is also essential. In this direction, the scenario-based framework developed by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS)[107] can be a valuable tool that helps infrastructures to identify necessary data, scenarios and modelling approaches to properly assess and manage climate risks.

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[103] https://www.ecb.europa.eu/press/intro/news/html/ecb.mipnews241204.en.html.

[104] https://www.ecb.europa.eu/press/pr/date/2025/html/ecb.pr250220_1~ce3286f97b.en.html.

[105] TARGET Services were developed by the Eurosystem and are operated to ensure the free flow of cash, securities and collateral across Europe. These services include T2 (for payment settlement), T2S (for securities settlement), TIPS (for instant payment settlement) and ECMS (for collateral management). All of these services settle in central bank money.

[106] See Bank of Greece, *Annual Report 2023*, Chapter X "Environment, Energy and Climate Change".

[107] The Network of Central Banks and Supervisors for Greening the Financial System – NGFS, which the Bank of Greece joined on 25 January 2019, was established to strengthen the global effort to achieve the goals of the Paris Agreement and to enhance the role of the financial system in the fight for sustainable development. The NGFS aims to exchange experience and best practices, contribute to the management of climate and environmental risks for the financial sector, and promote financing for the transition to a sustainable

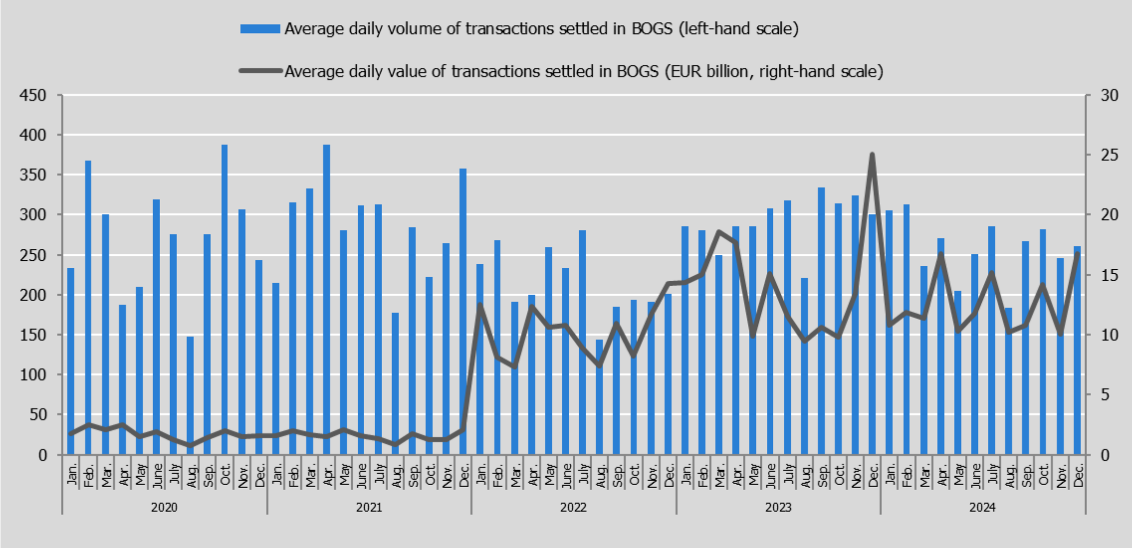
4.2 THE BANK OF GREECE SECURITIES SETTLEMENT SYSTEM (BOGS)

The Bank of Greece Securities Settlement System ("System for Monitoring Transactions in Book-Entry Securities", hereinafter "BOGS") operated continuously and without interruption in 2024, maintaining a high level of security and efficiency in the services provided.

The average daily value of transactions settled in BOGS in 2024 (including buy/sell transactions, repos in securities, internal transfers of securities, etc.) amounted to EUR 12.5 billion, down by 12.1% from EUR 14.2 billion in 2023. This decline in transaction activity is mainly due to reduced transactions in the special purpose Greek government Treasury bill, which is extensively used in repo transactions.[108] Specifically for buy/sell transactions, the average daily value in 2024 amounted to EUR 492 million, down by 15.6% year-on-year (2023: EUR 582 million).

The average daily volume of transactions in 2024 decreased by 11.4% year-on-year to 259 (2023: 292 average daily transactions), of which 129 were buy/sell transactions (2023: 136 average daily transactions, see Chart VI.14).

Chart VI.14 Average daily volume and value of transactions settled in BOGS (2020-2024)



Source: Bank of Greece.

In compliance with the CSDR and provisions on measures to prevent and address settlement fails, effective since February 2022, BOGS has been publishing annual reports on the number and details of transactions that failed to settle. According to the 2024 report, transactions that failed to settle on the intended settlement date were mainly due to lack of securities, accounting for 0.7% of the total transaction value and 9.2% of the total transaction volume, lower than in 2023 (0.9% and 11.7%, respectively).

economy. Additionally, it has developed a comprehensive framework to assess how climate change will impact the macroeconomy and the financial system, based on scenario analysis. This tool includes the examination of different possible climate change scenarios and policies to address it, the evaluation of financial impact, and the identification of the timelines within which risks may materialize.

[108] The special purpose Greek government Treasury bill was issued under Article 1, subpara. C4 of Law 4254/2014, which provides that the Public Debt Management Agency (PDMA), in order to fulfil its objective, "as agent and on behalf of the Greek government and in accordance with the procedure set out in Law 2628/1998 (Government Gazette A 151), as applicable, may issue, hold and manage securities of the Greek government, with the sole purpose of using them to enter into sales transactions under a repurchase agreement (repos) or to provide collateral in hedging transactions, on the entire debt of the Greek government, while at the same time carrying out their cash settlement."

4.3 THE DEMATERIALISED SECURITIES SYSTEM OF THE COMPANY "HELLENIC CENTRAL SECURITIES DEPOSITORY"

Settlement activity in the Dematerialised Securities System managed by the Hellenic Central Securities Depository (ATHEXCSD) showed a significant increase in the average daily value of settled stock transactions in 2024, while the average daily number of settled transactions rose marginally compared to 2023.

More specifically, the average daily number of settled stock transactions in 2024 amounted to 37,246, slightly increased by 0.5% from 2023 (2023: 37,066 transactions). At the same time, the average daily value of settled stock exchange transactions rose by 26%, reaching EUR 139.8 million in 2024, compared with EUR 111.0 million in 2023 (see Table VI.6).

Table VI.6 Average daily number and value of settled transactions[1] in the Hellenic Central Securities Depository

	Equities	Options	Corporate bonds	ETFs	Government debt	Alternative market (stocks)	Total
Average daily number of transactions settled in ATHEXCSD							
2020	32,700	7	64	3	0.21	206	32,982
2021	29,939	56	75	2	2	312	30,386
2022	29,404	12	131	2	0	576	30,126
2023	36,172	29	166	8	0	691	37,066
2024	36,170	11	195	44	0	826	37,246
Average daily cash value of transactions settled in ATHEXCSD (EUR thousand)							
2020	64,475	2	761	40	10	120	65,408
2021	70,247	23	986	17	84	297	71,655
2022	72,481	12	977	16	0.0	409	73,896
2023	109,501	18	888	86	3	543	111,038
2024	137,282	3	1,303	225	0	948	139,761

Source: AxiaNumbers Monthly Statistical Bulletin, Hellenic Exchanges – Athens Exchange.

1 Stock market transactions are the transactions of the Athens Exchange that were settled in the Dematerialised Securities System, calculated by the single count method (purchases only).

In particular, there was a notable increase in the number and value of Exchange-Traded Fund (ETF) transactions on the secondary market in 2024. The average daily number of such transactions rose to 44, from 8 in 2023, while their average daily value increased to EUR 225,000, up from EUR 86,000.

In compliance with CSDR and the provisions on preventing and addressing settlement fails, effective since February 2022, ATHEXCSD has been publishing annual reports on the number and details of transactions that failed to settle. According to the 2024 report, transactions that failed to settle on the intended settlement date were very limited, amounting to 0.08% of the total transaction value (unchanged from 2023) and 0.01% of total transaction volume (2023: 0.02%). The vast majority of these cases (95%) was due to lack of securities.

SPECIAL FEATURE I
THE EUROPEAN UNION (EU) MACROPRUDENTIAL TOOLKIT FOLLOWING THE ENTRY INTO FORCE OF DIRECTIVE (EU) 2024/1619 AND REGULATION (EU) 2024/1623

Katerina Lagaria

This special feature looks into targeted adaptations to the EU macroprudential toolkit, which have been incorporated into the provisions of Directive (EU) 2024/1619[109] (Capital Requirements Directive VI – CRD VI) and Regulation (EU) 2024/1623[110] (Capital Requirements Regulation III – CRR III). The CRD VI and CRR III apply the “finalized Basel III reforms”[111] of the Basel Committee on Banking Supervision, which are aimed at helping ensure financial stability and a smooth flow of financing to the economy. CRR III has been applicable since 1 January 2025, whereas the deadline for Member States to transpose the provisions of CRD VI into their national legislation is 10 January 2026.

These revised provisions, including targeted adaptations to the macroprudential toolkit, were introduced following a public consultation launched by the European Commission in October 2019 and concluded in early January 2020,[112] also taking into account proposals by the European Central Bank (ECB)[113] and the European Banking Authority (EBA).[114] In particular, certain CRD VI articles were revised to accompany the introduction of the output floor under Article 92(5) CRR. They also include an explicit reference to the use of macroprudential policy tools to address climate-related risks. Finally, certain procedures pertaining to the activation of the systemic risk buffer have been clarified and amended with a view to their simplification and streamlining.

The EU macroprudential toolkit under CRD VI

The EU macroprudential toolkit, set out initially in the provisions of Directive 2013/36/EU (Capital Requirements Directive IV – CRD IV), includes capital buffers which may be used to address systemic risks in complement to microprudential capital requirements.[115] As opposed to microprudential supervision, which has been exercised by the ECB on significant institutions at supranational level after the set-up of the Single Supervisory Mechanism (SSM) in 2014, macroprudential policy remains a national competence exercised by national competent or national designated

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[109] Directive (EU) 2024/1619 of the European Parliament and of the Council of 31 May 2024 amending Directive 2013/36/EU as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks (EU L, 2024/1619, 19.06.2024).

[110] Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (EU L, 2024/1623, 19.06.2024).

[111] For more details, see Basel Committee on Banking Supervision, ‘Basel III: Finalising post-crisis reforms’ 7.12.2017.

[112] See consultation outcome on the European Commission’s website.

[113] See ECB opinion CON/2022/16, 27.04.2022.

[114] EBA conducted an impact analysis on the finalised Basel III reforms. See European Banking Authority, ‘Basel III reforms: updated impact study results based on data as of 31 December 2019’, 15.12.2020.

[115] The capital buffers set out in the provisions of CRD VI, as transposed into EU Member States’ national laws, are also complemented by another set of macroprudential measures at the disposal of national competent or designated authorities under Regulation (EU) No 575/2013.

authorities. However, it is subject to coordination at EU level. In the context of the Banking Union, the ECB may, if deemed necessary, instead of the national competent authorities or national designated authorities of the participating Member State, apply higher requirements for capital buffers than those applied by the national competent authorities or national designated authorities of participating Member States to be held by credit institutions at the relevant level (top-up power).[116] In Greece, the Bank of Greece is responsible for national macroprudential policy.

Output floor and its interaction with capital buffers

An important addition to the CRR III provisions concerns the introduction of an output floor to be used in the calculation of the total risk exposure amount (TREA).[117] Under Article 92(3) CRR, the output floor for the calculation of capital requirements for credit risk of institutions using the internal ratings-based approach[118] is set at 72.5% of the capital requirements that would have been applied on the basis of the standardised approach. The "floored TREA", as defined in Article 92(5) CRR, is used by the EU parent institution, financial holding company or mixed financial holding company within the banking group for the calculation of the institution's solvency ratio calculated at the highest level of consolidation in the EU. The remaining entities within the group continue to apply the "unfloored TREA".

Given that the TREA is used as the basis for the calculation of macroprudential capital buffers, the output floor also affects capital requirements arising from the implementation of macroprudential policy tools, i.e. the capital conservation buffer (CCoB), the countercyclical capital buffer (CCyB), the global systemically important institutions buffer (G-SII buffer), the other systemically important institutions buffer (O-SII buffer) and the systemic risk buffer (SyRB).

Particularly as regards the SyRB, Article 133(8) CRD IV has been amended by CRD VI, which replaces point (c) thereof with a new provision according to which the SyRB is not to be used to address risks that are fully covered by the output floor, calculated under Article 92(3) CRR.[119] Another special provision has also been inserted to specify that where a systemic risk buffer applies to the total risk exposure amount of an institution and that institution becomes bound by the output floor, its competent authority or designated authority shall review, at least every two years, the institution's systemic risk buffer requirement in order to ensure that its calibration remains appropriate.[120]

In the same vein, Article 131(6) CRD IV has been amended by CRD VI with the insertion of an additional point providing that where an O-SII becomes bound by the output floor, the competent authority or designated authority shall review at least annually the institution's O-SII buffer requirement in order to ensure that its calibration remains appropriate. The European Systemic Risk Board (ESRB) must also provide an opinion on the appropriateness of the O-SII buffer level

[116] See Article 5(2) of Regulation (EU) No 1024/2013 (OJ L 287, 29.10.2013, p. 63-89).

[117] The rationale behind the introduction of the output floor by Art. 92(3) CRR was based on analysis revealing that institutions' use of internal models makes them prone to underestimate risks, and hence own funds requirements.

[118] It should be noted that Greek credit institutions follow the standardised approach to calculate their capital requirements for credit risk and are therefore not affected by the provisions of Art. 92(3) CRR.

[119] TREA = max {U-TREA, 72.5% * S-TREA}, where U-TREA the un-floored total risk exposure amount of the entity calculated using the internal ratings-based (IRB) approach (in accordance with Art. 92(4) CRR) without applying the output floor on entity level, and S-TREA is the standardised total risk exposure amount of the entity calculated using the standardised approach (SA) in accordance with Art. 92(5) CRR.

[120] See new point (d) inserted into Article 133(8) CRD IV, as amended by CRD VI.

within six weeks of receipt of the O-SII buffer's notification by the national macroprudential authority.[121]

Use of the SyRB to prevent or mitigate climate-related risks

The financial system is increasingly exposed to new exogenous risks, such as climate-related risks, which may have a severe negative impact on financial stability. For this reason, it was deemed necessary to review the provisions of CRD IV to clarify that national competent or designated authorities may use a macroprudential policy tool to address climate-related risks. More specifically, the new Directive, CRD VI, provides for the activation of the SyRB, the most flexible buffer,[122] to prevent or mitigate such risks. The SyRB is already used to address various types of systemic risks, including those related with climate change. Article 133(1) CRD IV, as amended by CRD VI, now explicitly states that it is possible to set a SyRB to prevent and mitigate macroprudential or systemic risks arising from climate change.

Climate-related risks may be categorised into physical risks and transition risks. The first refer to the financial impact from natural disasters as a result of more frequent extreme weather events and gradual changes in climate, as well as of environmental degradation (pollution, water stress, biodiversity loss and deforestation). Transition risks concern the financial loss that can result, directly or indirectly, by changes in legislation, market or investor sentiment, and technological progress in the context of the process of adjustment towards a more sustainable lower-carbon and more environmentally sustainable economy.[123]

It should be pointed out that 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. Hence, a general (broad) SyRB and/or a sectoral SyRB may be applied. The subsets of exposures that the sectoral SyRB may be applied to are divided into four categories: (i) all retail exposures to natural persons which are secured by residential property; (ii) all exposures to legal persons which are secured by mortgages on commercial immovable property; (iii) all exposures to legal persons excluding those specified in point (ii); and (iv) all exposures to natural persons excluding those specified in point (i). The cumulative SyRB held by credit institutions comprises the sum of the sectoral SyRB rates and the general (broad) SyRB rates applicable in the relevant Member State.

National competent or designated authorities may therefore request credit institutions to hold a SyRB to address macroprudential or systemic risks which may have serious negative consequences on their domestic financial system and their country's real economy, when this policy measure is effective and proportionate to mitigate those risks. In this case, the SyRB may also be applied to certain sets or subsets of exposures such as those subject to physical and transition risks related to climate change.[124]

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[121] See Article 131(5a), as amended by CRD VI.
[122] See Report from the Commission to the European Parliament and the Council, 24.1.2024 on the macroprudential review for credit institutions, the systemic risks relating to Non-Bank Financial Intermediaries (NBFIs) and their interconnectedness with credit institutions, under Article 513 of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and amending Regulation (EU) No 648/2012, COM (2024)21 final, p. 11.
[123] See ECB, Guide on climate-related and environmental risks, November 2020, p. 11.
[124] Recital 43 CRD VI.

Clarification of SyRB activation procedures

The SyRB activation procedures set out in Article 133, paragraphs 9-12 CRD IV differ depending on the level of the cumulative SyRB rate which credit institutions must comply with. In this context, the procedures for the activation of cumulative SyRB rates higher than 3% are burdensome and time-consuming for national competent or designated authorities. In short, under the current provisions of CRD IV if the (re)setting of SyRB rate(s) leads to a level higher than 3% and up to 5%, the ESRB and the European Commission must provide opinions prior to a measure's activation.[125] For a cumulative level higher than 5%, the activation procedure is further complicated, as an authorisation by the European Commission is needed before the SyRB is implemented.[126] However, the increasing use of the sectoral SyRB across many EU Member States over the past decade has highlighted the need for a more flexible activation procedure.[127]

In this vein, the latest CRD IV revision clarifies relevant provisions.

In more detail, in order to prevent unnecessary approval procedures where the sum of the SyRB and the O-SII/G-SII buffer would be higher than 5%, there is no need for European Commission authorisation[128] if the national authority's decision reduces or maintains the applicable SyRB rate(s) unchanged.

The procedures under Article 133(11) CRD IV are also clarified in order to be more in line with the procedures applied on other SyRB rates. More specifically, there is a one-month deadline for an opinion by the ESRB and a two-month deadline for an opinion by the European Commission (compared with one month previously). The latter needs to take into account the ESRB's opinion. The ESRB and European Commission will henceforth be called upon to examine the appropriateness of the measure in their opinions and there is no longer a reference to a "recommendation" on their part.

As regards the recognition based on reciprocity of a SyRB rate set by a national authority in a given Member State by a national authority in another Member State, it is now provided that such a SyRB reciprocation measure will not be factored in the calculation of the cumulative SyRB for the relevant activation procedures. This clarification was only included in the provisions of paragraph 10 as regards the procedure on a SyRB level lower than 3%, but is now also added in the provisions of paragraphs 11 and 12 pertaining to SyRB levels above 3%.[129] It is also stipulated that recognition of a SyRB rate set by another Member State should require only a notification from the authority recognising the rate.[130]

Finally, the European Banking Authority (EBA) has a six-week deadline to provide its opinion on a cumulative SyRB rate above 5%,[131] in line with the six-week deadline for the ESRB's opinion.

[125] See Article 133(11) CRD IV.
[126] See Article 133(12) CRD IV.
[127] Ten European Economic Area (EEA) countries have already implemented a sectoral SyRB (as at 19.03.2025). For a more detailed description of the sectoral and broad SyRB rates applied in the EEA countries, see systemic risk buffer on the ESRB's website.
[128] See Article 131(5a) CRD IV, as amended by CRD VI.
[129] This inconsistency was mentioned by EBA in response to a relative question submitted by the Spanish national competent authority. See Single Rulebook Q&A 2021_5801
[130] See recital 57 CRD VI.
[131] See second subparagraph of Article 133(12) CRD IV, as amended by CRD VI.

Concluding remarks

To sum up, the targeted revisions in the EU macroprudential toolkit by the CRD VI and CRR III provisions aim to update and improve its use. In the medium term, the European Commission must regularly monitor the EU macroprudential policy framework in terms of its efficiency, effectiveness and transparency and adjust it, where necessary.

SPECIAL FEATURE II
RESIDENTIAL REAL ESTATE LOANS

Grigoris Litsas
Lefteris Manarolis

This special feature covers the disbursements of residential real estate loans during the period 2021-2024 and delves into their characteristics. Residential real estate (RRE) loans include any type of financing to natural persons secured by residential property, irrespective of the loan purpose. This encompasses housing loans, renovation loans, consumer loans, as well as loans to sole proprietors collateralised by residential property.[132]

Throughout this period, disbursements of RRE loans remained low, both as an absolute figure and also compared to the pre-sovereign debt crisis levels, although they significantly increased in 2024. Lending standards remained prudent over the period under review, pointing to no signs of cyclical systemic risk accumulation stemming from RRE loans. Credit institutions appear as largely compliant with the Bank of Greece's macroprudential borrower-based measures for RRE loans already prior to their effective date (January 2025).

1. Introduction

The real estate sector plays a significant role in the economy, is procyclical and has frequently been associated with the emergence of financial crises in various countries. Vulnerabilities for the financial system stemming from the exposure to the real estate sector tend to amplify during the upward phase of the real estate market cycle. Increased risk appetite of credit and financial institutions, coupled with easier access to credit, can lead to rapid credit expansion and higher demand for real estate properties, exerting upward pressure on their prices. Higher real estate collateral values subsequently encourage further credit supply and demand, resulting in a self-sustaining dynamic that may evolve into speculative bubbles.[133]

In this vein, macroprudential authorities, thanks to their thorough understanding of the RRE market's structural and cyclical characteristics, are better positioned to select appropriate macroprudential policy measures to mitigate impending risks, evaluate the effectiveness of current measures and adjust them if deemed necessary. The Bank of Greece, acknowledging the RRE sector's importance, collects quarterly data on RRE loans under Executive Committee Act 231/3/15.07.2024. This data primarily includes the number and volume of loan disbursements and key indicators reflecting lending standards applied by banks.[134]

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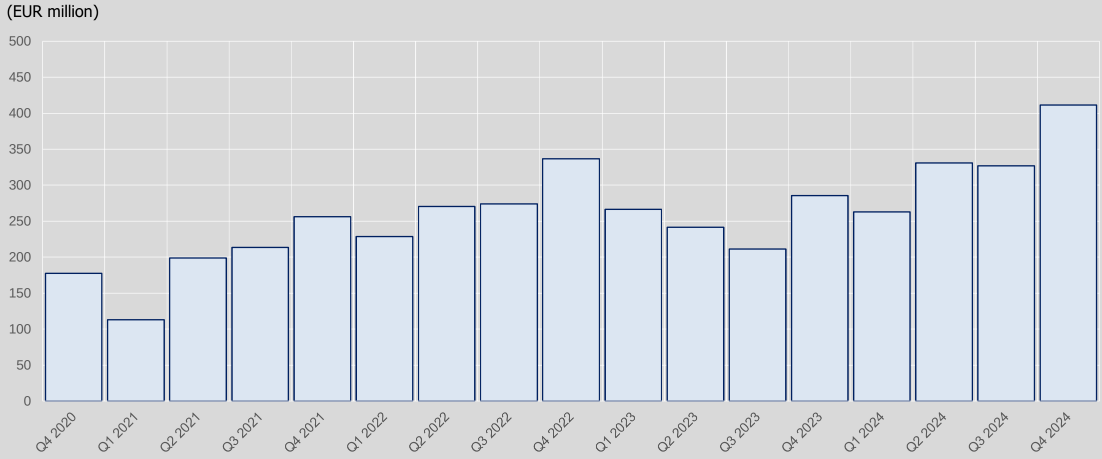
[132] Executive Committee Act 231/3/15.07.2024 'Adoption of the Recommendation of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (ESRB/2016/14), as amended by the Recommendation of the European Systemic Risk Board of 21 March 2019 (ESRB/2019/3) – Repeal of Bank of Greece Executive Committee Act 175/1/29.07.2020 (Government Gazette B, no 3561/28.08.2020)'.

[133] See recital 2 of the Recommendation of the European Systemic Risk Board of 31 October 2016 on closing real estate data gaps (ESRB 2016/14, OJ C 31, 31.01.2017, p. 1). This Recommendation sets out a range of metrics and indicators that Member States are required to collect and monitor in order to be able to identify early signs of systemic risk accumulation, and has since been amended by Recommendation ESRB 2019/3 (OJ C 27, 13.8.2019).

[134] The key indicators are loan-to-value ratio at origination (LTV-O), debt-service-to-income ratio at origination (DSTI-O), debt-to-income ratio at origination (DTI-O) and maturity at origination.

Chart A Residential real estate (RRE) loan disbursements



Source: Bank of Greece.

2. Evolution of RRE loan disbursements

During the 2021-2024 period, RRE loan disbursements remained low both as an absolute figure and compared to the pre-sovereign debt crisis levels (see Chart A). Specifically, disbursements amounted to EUR 780 million in 2021, approximately EUR 1 billion annually in 2022 and 2023, and EUR 1.3 billion in 2024, up by 32.6% compared to 2023. To put this in context, annual loan disbursements had reached around EUR 12 billion during the 2005-2008 period.

On a positive note, Q4 2024 recorded the highest quarterly disbursement figure (EUR 412 million) and a robust growth rate both quarter-on-quarter (25.8%) and year-on-year (44.2%).

As regards the 2025 outlook, the projections for economic growth, employment, and household disposable income, along with the effects of the "My Home II" Programme,[135] create positive expectations for a substantial increase in disbursements. This outlook is consistent with the three-year business plans of significant credit institutions.

3. Analysis of indicators for RRE loans

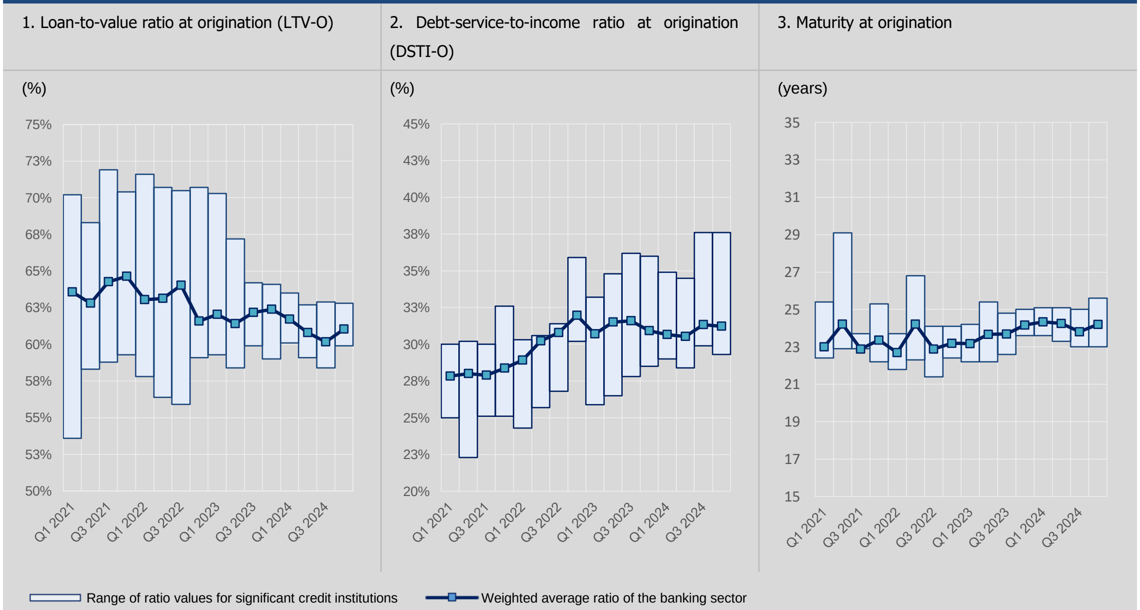
Overall, lending standards remained prudent throughout the period under review. Nevertheless, focusing on developments in specific indicators provides valuable insights. For instance, the rise in disbursements in 2022 was accompanied by an increase in the weighted average debt-service-to-income ratio at origination (DSTI-O), which reached 32% in Q4 2022, up from 28.4% in Q4 2021. Additionally, from Q3 2022 onwards, a widening in the range of weighted average DSTI-O values has been observed, with maximum values reaching up to 38% for certain significant credit institutions (see Chart B.2). The upward trend in this indicator can largely be attributed to the ECB's key interest rate hikes from July 2022 through September 2023, which have affected domestic lending interest rates.

[135] See. Box II.1, Housing policy programmes for co-financed housing loans: "My Home II" and "Upgrade my home" *Financial Stability Review*, April 2024.

During the same period, the average loan maturity at origination increased from 22.8 years in Q3 2022 to 24.3 years in Q2 2024 (see Chart B.3), which partly explains the relative containment of the DSTI-O weighted average at a level below 32%.

It should be noted that credit institutions now require a higher equity contribution from borrowers, as indicated by the evolution of the weighted average loan-to-value (LTV-O) ratio (Q4 2021 peak: 64.6%, Q3 2024 trough: 60.1%) and the gradual narrowing of its range (see Chart B.1).

Chart B Weighted average and range of ratio values for new RRE loans



Source: Bank of Greece.

4. Analysis of the tail distribution of RRE loan indicators

Breaking down the results by indicator, we identify the segments with notably high values, i.e. the tail of the distribution. By analysing these segments, useful insights can be gained into the overall credit risk levels of loan disbursements. Loans in this tail exhibit longer original maturities, higher borrower indebtedness and/or high LTV-O ratios, and are considered more likely to default, particularly amidst adverse economic conditions. Furthermore, such loans are generally less open to modification solutions, as borrowers' debt-servicing capacity is limited from the outset, the high LTV-O ratio leaves little room for additional funding, and the longer original maturities leave limited scope for meaningful maturity extension (in the course of the borrower's active economic life).

Regarding the LTV-O ratio, the tail of its distribution has gradually narrowed, since disbursements exhibiting LTV-O ratios above 90% accounted for only 0.4% in Q4 2024, compared with 5.8% in 2021 (see Chart C.1).

On another positive note, despite increased disbursements, the tail of the DSTI-O distribution remained below 10% of total disbursements, except during periods when the "My Home" programme contributed significantly to the disbursement mix (Q3 and Q4 2023 and Q1 and Q2 2024) and during the last quarter of each year (see Chart C.2). In the period when the "My Home" programme was in effect, the characteristics of RRE flows were influenced by the programme's terms, as expected.[136] The relatively higher share of loans with elevated borrower indebtedness observed during the final quarter of each year may reflect intensified efforts from credit institutions to meet their annual operational targets.

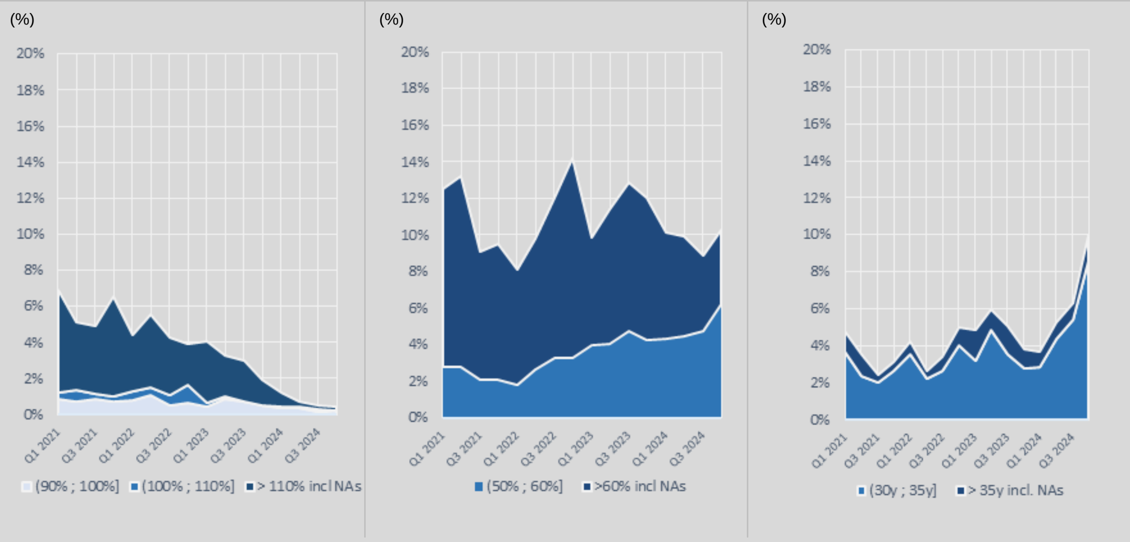
Moreover, the containment of the share of RRE loans with DSTI-O above 50% throughout 2024 to levels below 10% was accompanied by an increase in the share of loans with maturities at origination exceeding 30 years (see Charts C.2 and C.3). Specifically, the share of loans with maturities at origination exceeding 30 years demonstrated a noticeable upward trend in the second half of 2024 (Q3 2024: 6.3%, Q4 2024: 10%). This development warrants monitoring, particularly in light of the Bank of Greece's decision not to include loan maturity among the indicators subject to binding borrower-based measures.[137]

Chart C Tail of the distribution of RRE loan indicators

1. Loan-to-value ratio at origination (LTV-O)

2. Debt-service-to-income ratio at origination (DSTI-O)

3. Maturity at origination



Source: Bank of Greece.
Note: The tail of the distribution is defined as the share of loans with elevated indicator values; that is, for the LTV-O, values above 90%, for the DSTI-O, values above 50%, and for loan maturity at origination, values exceeding 30 years. Loans for which indicators are not available are also included in the tail.

5. Macroprudential borrower-based measures

The preceding analysis is part of the ongoing assessment of the effectiveness of macroprudential borrower-based measures for RRE loans. It has shown that credit institutions in Greece have historically upheld prudent lending standards. The macroprudential borrower-based measures, effective from 1 January 2025 and comprising binding caps on the LTV-O and DSTI-O ratios for RRE loans, are expected to support the maintenance of prudent lending standards going forward.

Based on available data, credit institutions already largely comply with the Bank of Greece's macroprudential borrower-based measures. Hence, loan disbursements are not expected to be materially affected by their activation.

[136] See Box II.2, Key characteristics of the "My Home" programme disbursements, *Financial Stability Review*, April 2024.
[137] See. ECA 227/1/08.03.2024 "Macroprudential borrower-based measures for loans and other credit to natural persons secured by residential real estate (RRE)".

The Bank of Greece will regularly monitor credit institutions' compliance with the macroprudential measures in place and assess their effectiveness. In addition, it will consider targeted adjustments to enhance their effectiveness, for example by introducing caps on maturity at origination or by calibrating waivers relative to total disbursement volumes.[138]

[138] According to ECA 227/1/2024, credit providers are allowed to exempt 10% of the total number of new loans and other credit approved and at least partially disbursed in each quarter from each of the caps on LTV-O and DSTI-O.

ISSN 2944-9065 (online)