

Yannis Stournaras: Banking and financial outlook for Greece and Europe in 2026

Speech by Mr Yannis Stournaras, Governor of the Bank of Greece, at the Economist event "The world ahead 2026", Athens, 30 January 2026.

* * *

Ladies and gentlemen,

I would like to thank *The Economist* for the invitation to address *The World Ahead 2026* here in Athens. In a year that will test economic and geopolitical resilience, I would like to briefly assess the current state of the Greek and European banking sectors and then turn to the main risks and challenges that lie ahead.

Over the past decade, the Greek banking sector has undergone a profound transformation, with balance sheets, profitability, liquidity and capital positions improving substantially, in line with Greece's macroeconomic recovery, positive fiscal developments, and the normalisation of financial conditions. In fact, one of the important lessons from Greece's experience is the strong interaction between the recovery of the economy, its improving fiscal situation and the positive course of the banking sector through a virtuous feedback loop.

Greek banks have effectively completed the clean-up of their balance sheets. Since March 2016 – when non-performing loans peaked – the total reduction in the stock of legacy loans has reached 95%. A key driver of this reduction has been the set-up of the Hellenic Asset Protection Scheme (HAPS), which facilitated large-scale NPL securitisations through state guarantees on senior notes. As a result, by Q3 2025 the system-wide NPL ratio had declined to 3.6%.

Domestic liquidity conditions remain ample, reflecting strong deposit growth and stable market access. Deposits continue to increase, while all banks enjoy uninterrupted access to wholesale funding markets, supporting their capacity to finance the real economy.

Bank profitability remains solid and broad-based, supported by credit expansion and high operating efficiency. Credit growth has been concentrated mainly in lending to non-financial corporations, including projects related to the RRF. Moreover, the low cost of credit risk and high cost efficiency have also supported profitability. Overall, system-wide Return on Equity has strengthened, reaching double-digit levels of around 12%.

Banks have also taken steps to diversify their income sources and expand their business activity beyond traditional domestic credit. Recent examples include Eurobank's and Alpha Bank's acquisitions of Hellenic Bank and AstroBank, respectively, in Cyprus, as well as the acquisitions of Ethniki Insurance and Eurolife by Piraeus Bank and Eurobank, respectively. Moreover, Alpha Bank has established a strategic partnership with UniCredit in Romania, while UniCredit has also acquired a stake of around 30% in Alpha Bank. In addition, CrediaBank has reached an agreement to acquire HSBC's subsidiary in Malta. These transactions reflect a more outward-looking business model and greater regional integration.

Improved profitability and capital-accretive actions have strengthened banks' capital positions. Capital adequacy currently stands at around 20%, well above regulatory requirements, enhancing loss-absorption capacity.

These improvements are also reflected in supervisory assessments and market confidence. No Greek significant institution is currently classified in the lowest and most risky category, marking a clear shift from crisis management to more business-as-usual supervision. This progress enabled dividend distributions in 2024, the first in 15 years.

Finally, the clean-up of less significant institutions has strengthened competition within the Greek banking sector. The recapitalisation of CrediaBank, following the absorption of Pancreta, together with NPL disposals under the Hellenic Asset Protection Scheme, has effectively created a "fifth pole" of smaller but sound banks alongside the significant institutions.

Overall, the Greek banking sector is now in a much stronger position to support economic growth and absorb potential shocks. Enhanced resilience (confirmed by the results of the recent EU-wide stress testing exercise), improved market access and the restoration of investment-grade conditions, provide a solid foundation going into 2026, which is particularly important in an environment characterised by high uncertainty.

The improvement observed in Greece mirrors a broader strengthening of the European banking sector. European banks have gradually rebuilt resilience since the Global Financial Crisis. Based on the latest available data:^{[1](#)}

Capital buffers across the EU banking sector have increased substantially over time. While the total Capital Ratio stood at just 13% in December 2009, it reached 20.4% by September 2025, supported by strong profitability and capital-enhancing measures.

- Asset quality has improved markedly, representing one of the most significant achievements of the past decade. The average NPL ratio declined from nearly 7% in 2016 to just 1.8% in September 2025.
- Profitability has also recovered, after a prolonged period of weak returns. After years of marginal returns, EU banks recorded an average Return on Equity of 10.7% by September 2025, supporting internal capital generation.

Despite stronger fundamentals for European and Greek banks, the outlook for 2026 remains subject to significant downside risks. These risks stem mainly from external and structural factors.

- Geopolitical risk continues to be the dominant source of uncertainty for banks. Ongoing conflicts, trade tensions and tariffs may affect banks through weaker growth prospects and heightened market volatility.
- Cyber risk has emerged as a key operational and financial stability concern. The rising frequency of cyber incidents underlines the challenging environment and highlights the need for rapid remediation. Full compliance with DORA requirements, that is the EU Regulation for digital operational resilience for the financial sector, and the timely closure of any remaining gaps, are essential, while investment in digitalisation will enable banks to keep pace with technological developments and alleviate competitive pressure, especially by neobanks.

- Although asset quality remains strong, pockets of vulnerability require close monitoring. Certain segments of corporate and retail lending may face pressure, underscoring the need for prudent lending standards and the importance of proactive risk management.
- Structural challenges related to demographics and climate change pose longer-term risks. Population ageing, social cohesion pressures, climate and environmental risks could have material macroeconomic and financial implications. Regarding the latter, while banks in the euro area have made significant progress in managing climate-related risks, extreme weather events and rising global temperatures could still lead to sizeable economic and financial losses, particularly where insurance coverage remains limited.
- Contagion risks may arise from non-bank financial intermediaries (NBFIs) and crypto-asset markets. These sectors can amplify shocks through liquidity and confidence channels, highlighting the importance of a comprehensive supervisory micro- and macroprudential approach.

The role of NBFIs in the provision of financial services has grown significantly without a commensurate enhancement of the regulatory and supervisory framework. This renders NBFIs a potential source of systemic risk, particularly in the current environment of heightened geopolitical risks and elevated financial asset valuations. Specifically, the interlinkages between banks and NBFIs – spanning funding, credit and market activities – can amplify shocks and transmit stress across the global financial sector. For instance, these linkages can create vulnerabilities through loss of short-term NBFi funding and credit exposures to leveraged NBFIs, exposing banks to market shocks and liquidity pressures. In addition, vulnerabilities within NBFIs, especially from investment funds with high leverage and limited liquidity, could amplify adverse market dynamics through forced asset sales, reduced liquidity, and procyclical selling behavior.

Contagion risks could also arise from the growing interlinkages between crypto-asset markets and the traditional financial system. Beyond financial stability concerns from this interconnectedness, a significant rapid expansion of stablecoins in the EU, especially those pegged to the USD, may interfere with the smooth transmission of monetary policy, the intermediation role of banks and the orderly market functioning, ultimately undermining monetary sovereignty. Furthermore, money laundering risks are ever present in the crypto sector and continue to pose significant challenges for effective supervision, especially when considering the relevant fragmented regulatory landscape at the global level.

As supervisors, we are making conscious efforts to simplify our regulatory and supervisory framework while ensuring that resilience and the effectiveness in meeting prudential objectives is maintained. European harmonization and financial integration is fostered, and international cooperation (notably the compliance with Basel principles) is upheld. To this end, both the ECB and the SSM published late last year two reports that set the scene for a simpler regulatory and supervisory framework in the euro area.

In conclusion, despite the progress achieved and the sound fundamentals of European and Greek banks, there is no room for complacency. With risks to financial stability remaining elevated, supervisors should ensure that financial institutions act prudently, preserve strong capital and liquidity buffers, and maintain high governance standards.

At the same time, further institutional deepening at the European level remains essential: completing the Banking Union – particularly through the finalisation of the European Deposit Insurance Scheme with a clear and credible timetable – would reduce financial fragmentation and strengthen confidence, while advancing the Savings and Investment Union is key to mobilising private savings and fostering deeper and more efficient capital markets.

Ultimately, strengthening financial and operational resilience is critical in an environment of heightened geopolitical uncertainty.

¹ <https://www.eba.europa.eu/risk-analysis-and-data/risk-dashboard>.