

# Navigating the New European Economic Architecture: The Resilience of the Banking Sector and the current Iran Conflict

**Gikas A. Hardouvelis**

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Panelists:

✓ Korbinian Dominic Ibel, Director General, DG Systemic & International Banks, European Central Bank

✓ Gikas Hardouvelis, Chairman of the Board of Directors of the National Bank of Greece

Chair: Vesna Damjanic, Editor in Chief TV, Member of Management Board, Bloomberg Adria, Serbia

**NATIONAL BANK  
OF GREECE**

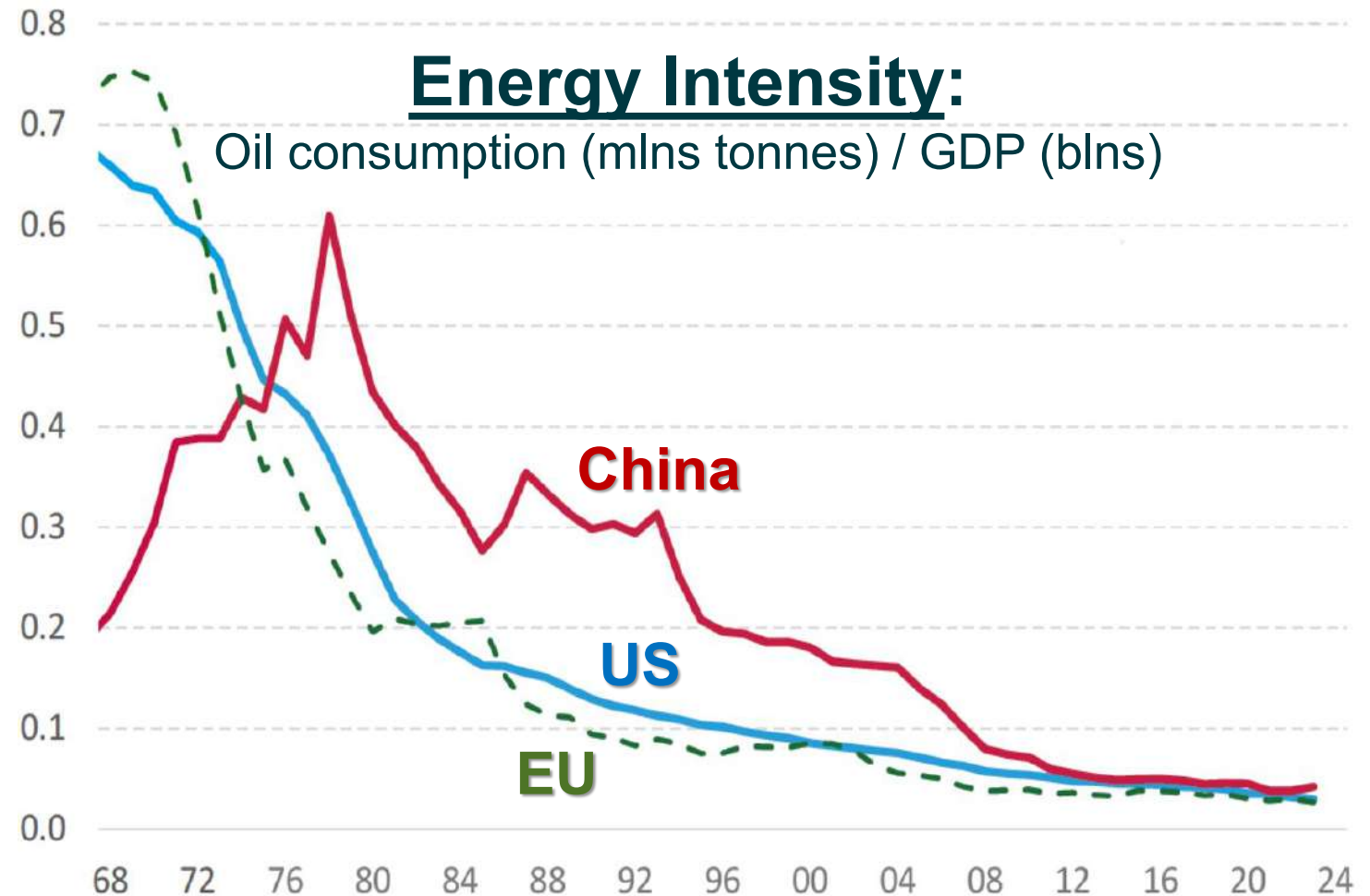
The logo of the National Bank of Greece, featuring a stylized illustration of the bank's main building in Athens, Greece, enclosed within a circular border.

  
DELPHI  
ECONOMIC  
FORUM

The logo for the Delphi Economic Forum, consisting of a stylized blue bird-like icon above the text "DELPHI ECONOMIC FORUM" in a serif font.

# I. Iran Conflict: Damage to the economy is contained

- ❑ **Double shock** on oil and supply chains. Experts claim this is the largest oil shock in 60 years.
- ❑ **Oil shock is asymmetric, heavier on Asia & the Middle East, versus Europe or the US.**
- ❑ **The destruction of refineries & pipelines may restrict supply for a longer time.**
- ❑ **Yet oil shock impact is less pronounced than in the 1970s.**
  - **The energy intensity has fallen sharply over the past 50 years.**
  - **Since the 1970s, the # of barrels needed to generate 1 unit of GDP has declined by a factor of 15-20.**



Source: UBS, Haver

# I. ECB scenarios and forecasts (as of March 19)

- ❑ As the conflict continued in March, more adverse scenarios were being considered.
- ❑ As of April 15, the ECB “old Adverse” was the “new Baseline”:

- ❑ 

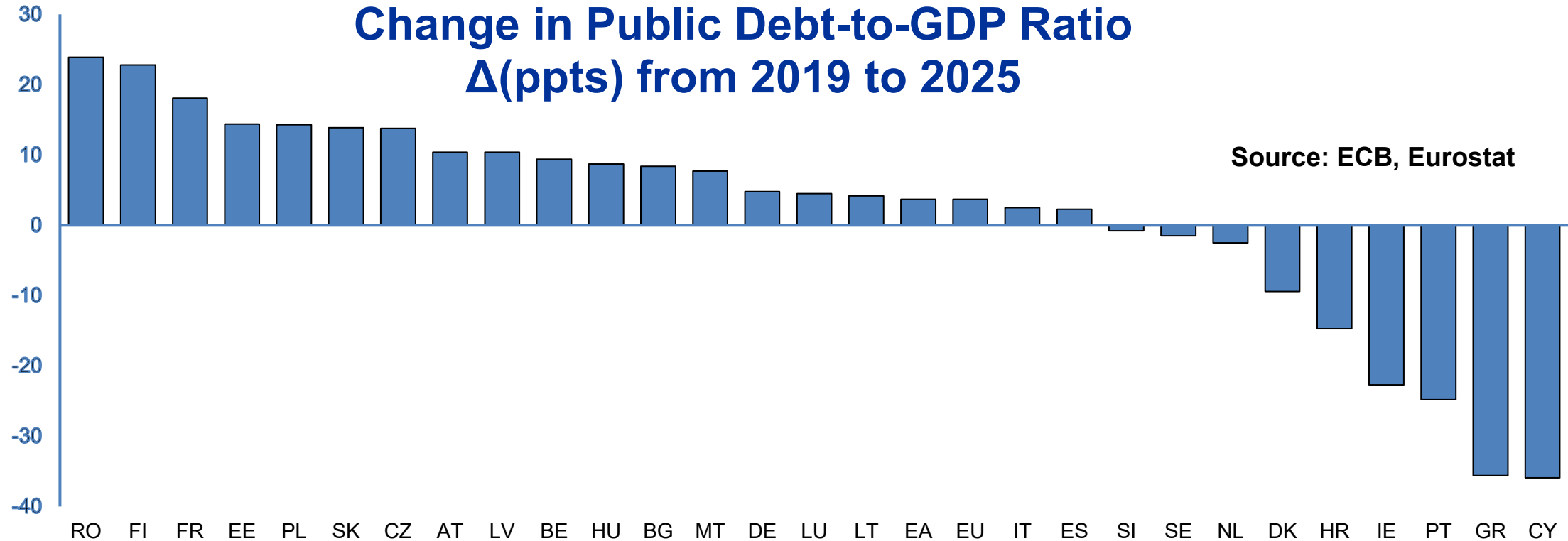
<u>Euro Area</u>		
In 2026	crude oil at 98, gas at 67,	real GDP at 0.6% and HICP at 3.5%
In 2027	80 42	1.2% 2.1%

- ❑ 

<u>Greece</u>		
In 2026	real GDP at 1.8% and HICP at 4.0%	
In 2027	2.1% 2.4%	

- ❑ The Greek economy is more sensitive to imported energy than other EA countries, thus the forecasted impact in ppts on growth & inflation is bigger.
- ❑ Fiscal space exists but given the fiscal credibility problems of the crisis period, it is unlikely to be used.

# I. Few EU countries have the fiscal space to respond



Public Debt-to-GDP ratios increased for 18 of the EU-27 Member States since the onset of the Covid pandemic.

# I. Market responses are subdued (after ~ 40 days)

		RUSSIAN INVASION OF UKRAINE			USA-IRAN CONFLICT		
		24/2/2022	7/4/2022	Δ	27/2/2026	8/4/2026	Δ
<b>ENERGY PRICES</b>	BRENT (USD/barrel)	99,08	100,58	<b>1,50</b>	72,48	94,75	<b>22,27</b>
<b>MARKET BASED INFLATION EXPECTATIONS</b>	EUR 1Y1Y SWAP RATE (%)	0,58	1,34	<b>0,77</b>	2,16	2,75	<b>0,59</b>
	EUR 5Y5Y SWAP RATE (%)	1,86	2,32	<b>0,45</b>	2,08	2,12	<b>0,04</b>
	USD 1Y1Y SWAP RATE (%)	2,05	3,08	<b>1,03</b>	2,93	3,47	<b>0,54</b>
	USD 5Y5Y SWAP RATE (%)	2,45	2,70	<b>0,25</b>	2,38	2,36	<b>-0,03</b>

## Today vs. Russian invasion: A comparison

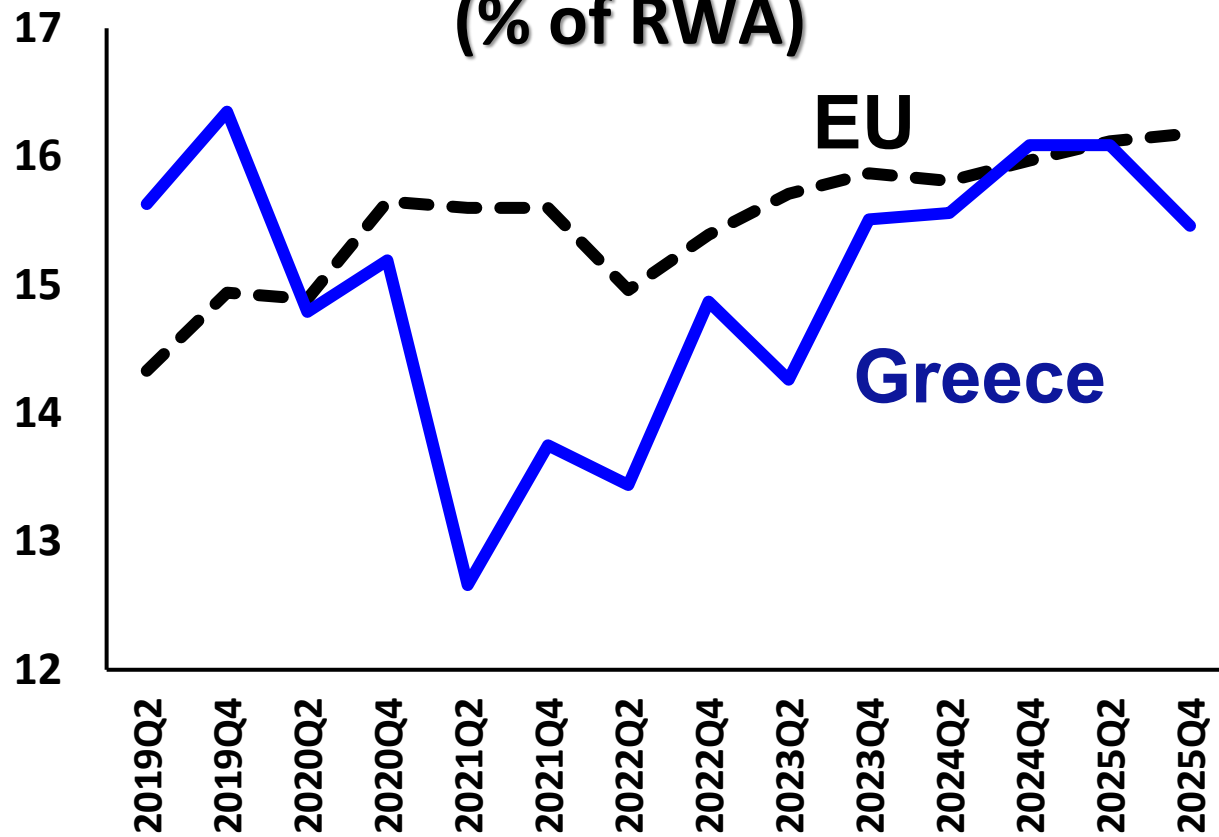
- Size of oil price shock is bigger today.
- Today, short-term infl. expect. Increased but not long-term vs. both short and long-term infl. Expectations increased in Russian invasion.
- Similar bond yield reactions across Member States in both instances.
- Today, minor drop in stock markets.
- No FX response (minor dollar strengthening).

## II. Are banks resilient?

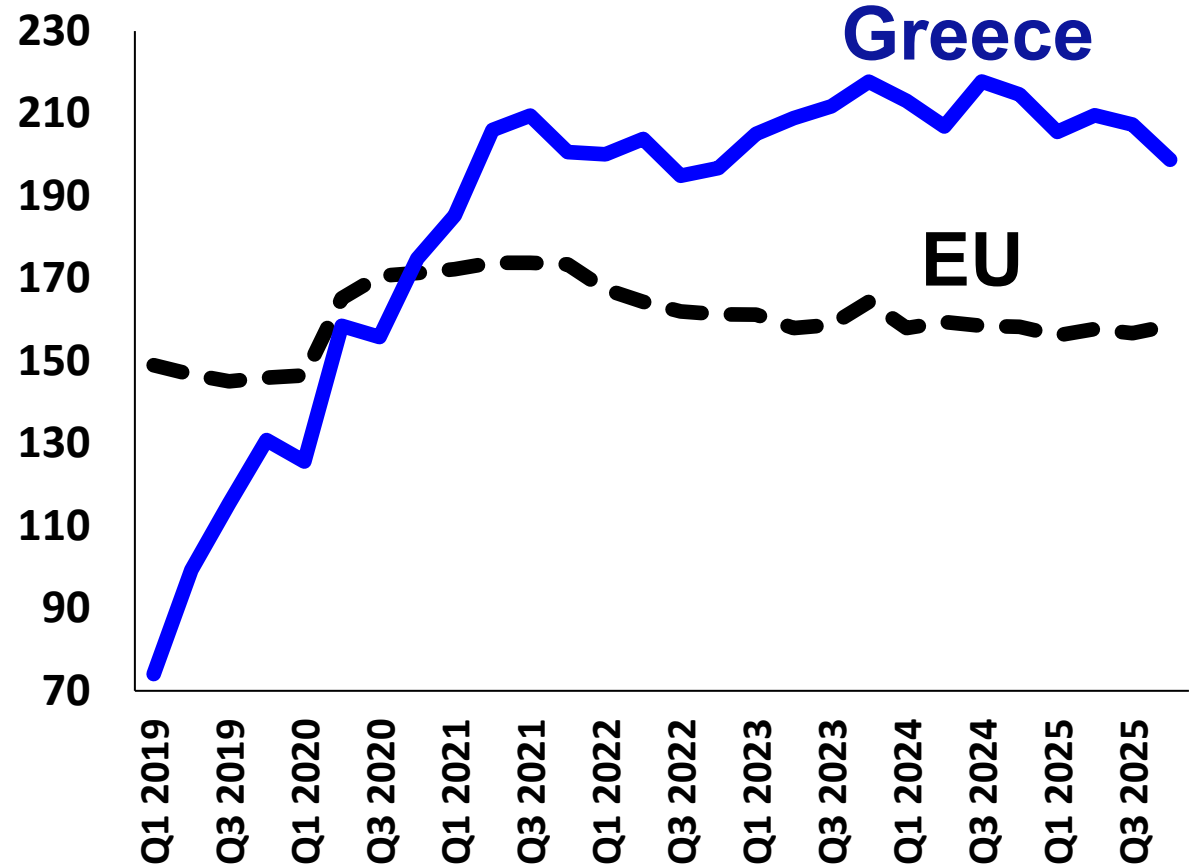
- ❑ **European banks are well capitalized, have adequate liquidity and keep investing in technology.**
- ❑ **Strict supervision in Europe: Frequent and diverse On-Site-Inspections, DORA and RDARR, P2R, P2G, MREL, SREP safeguard financial stability, hence growth and profitability.**
- ❑ **NBFIs proliferate.**
- ❑ **The Greek banking sector has turned the page with NPLs declining.**
- ❑ **SSM was aware of geopolitical uncertainty early on.**
  - **Reverse Stress Test on 110 directly supervised banks in 2026: Each bank was asked to identify the most relevant geopolitical risk events that could lead to at least a 300-basis point depletion in its Common Equity Tier 1 (CET1) capital as %RWAs. Then had to explain the measures it would take to recover the lost capital.**
- ❑ **How does the Iran conflict affect banks?**

## II. Adequate Capital & Liquidity

**CET1: Core Equity Tier 1**  
(% of RWA)



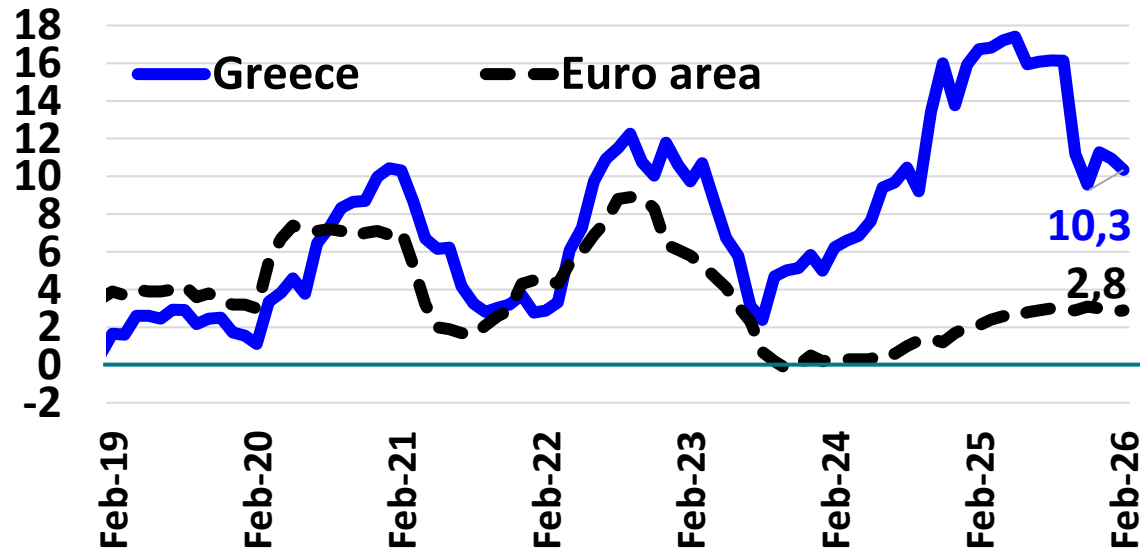
**LCR: Liquidity Coverage Ratio**



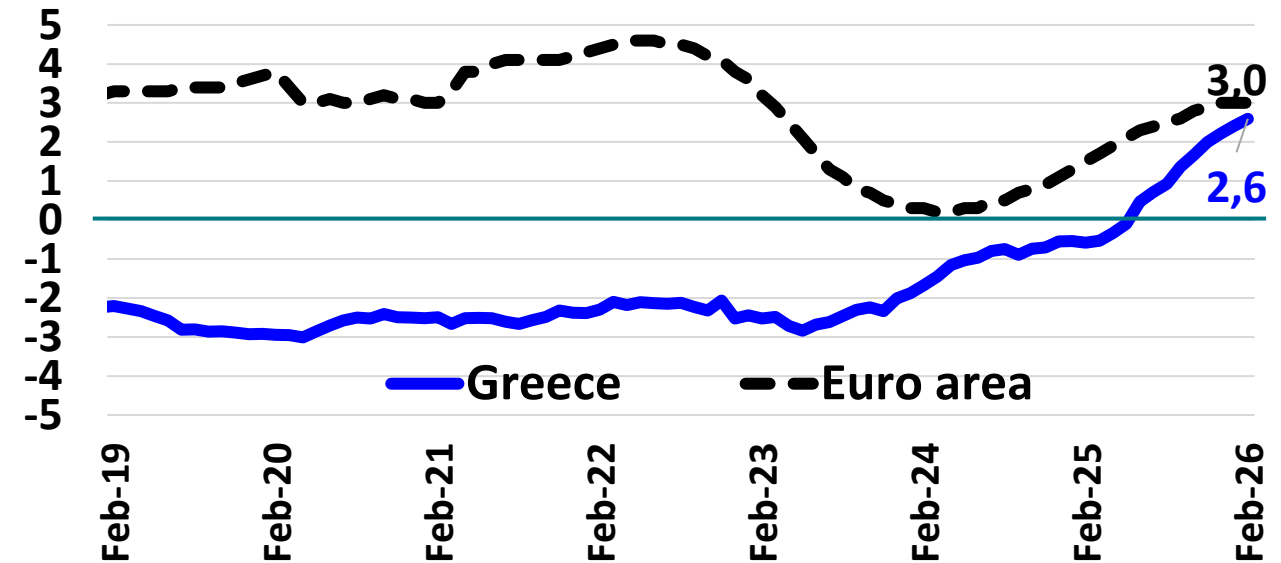
Source: ECB, SSM statistics

## II. Recent Credit expansion to the private sector

### Non-Financial Corporations



### Households



Source: ECB, BoG

- ❑ Credit expansion in EA: Strong to households, subdued to non-financial corporates.
- ❑ Credit expansion in Greece: Very strong to non-financial corporates, recovering to households.

## II. The very special Greek banking sector

### Return on Equity (ROE)

#### Greek Banks



### 2025 Financial Results



CET1 ratio	18.8%	15.6%	15.0%	12.7%
LCR	236%	172%	184%	216%
NPE ratio	2.4%	2.6%	3.6%	2.3%
S2 / S3 coverage	7.9% / 55.8%	10.2% / 46.1%	4.4% / 28.4%	5.5% / 43.4%
Cost/Income	34%	37%	39%	33%
PAT	€1.259bn	€1.362bn	€943.3bn	€1.070bn
Capitalization (20/4/26)	€13.1bn	€14.3bn	€8.8bn	€10.3bn

Sources: Eurostat, BoG, Banks' financial results

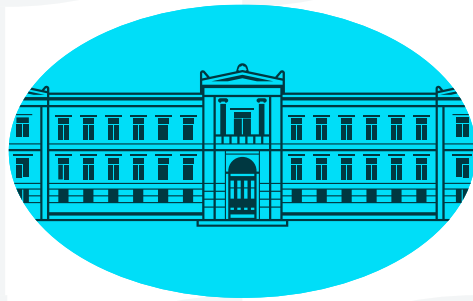
## II. How does the Iran conflict affect banks?

- ❑ **A rise in ECB rates improves Net Interest Income and profitability.**
  - **The spread between lending and deposit rates increases, which more than offsets a possible drop in the growth of loan volumes.**
- ❑ **Banks had the opposite problem in the previous months, as ECB rates were declining, yet they managed to contain the negative impact on profitability.**
- ❑ **Fee expansion in Asset Management, Bank Assurance, and payment services is a component of bank strategy.**

# III. Conclusion

- The Iran conflict represents a major shock to the global economy, yet its impact is not expected to be analogous to the oil shocks of the 1970s.**
- Markets do not discount a major disruption either.**
- The European banking sector is resilient to shocks, partly due to the strict SSM supervision of the last 12 years, which helps promote profitability and growth.**
- An increase in rates improves profitability of most banks.**
- The Greek banking sector went through a major restructuring during the Greek crisis, but now has turned the page and is the darling of international investors.**

# **The Resilience of the Banking Sector and the current Iran Conflict**



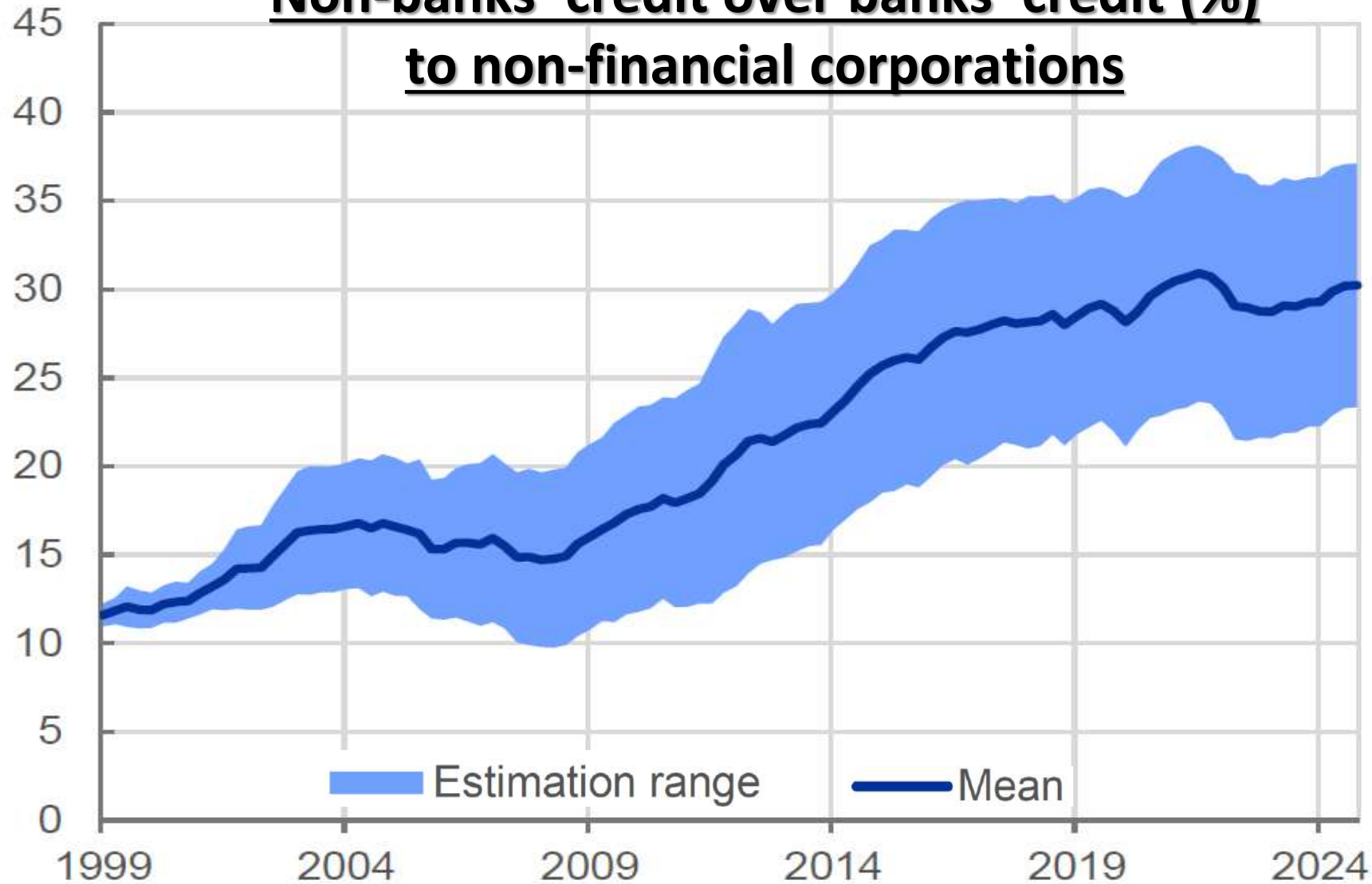
**Thank you for your attention!**

**Gikas Hardouvelis**  
[www.hardouvelis.gr](http://www.hardouvelis.gr)

# APPENDIX

# Non-Bank Financial Institutions expand in Europe

## Non-banks' credit over banks' credit (%) to non-financial corporations



# Market responses are subdued (after ~ 40 days)

## Today vs. Russian invasion: A comparison

- ❑ Size of oil price shock is bigger today.
- ❑ Today, short-term infl. expect. ↑ but not long-term vs. both short and long-term ↑ in Russian invasion.
- ❑ Similar bond yield reactions across Member States in both instances.
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<b>GOVERNMENT BONDS</b>	GERMANY 2Y	-0,43	-0,02	<b>0,41</b>	2,00	2,49	<b>0,49</b>
	GERMANY 10Y	0,17	0,68	<b>0,51</b>	2,64	2,94	<b>0,30</b>
	USA 2Y	1,58	2,46	<b>0,88</b>	3,37	3,79	<b>0,41</b>
	USA 10Y	1,96	2,66	<b>0,69</b>	3,94	4,29	<b>0,35</b>
	GREECE 10Y	2,57	2,80	<b>0,23</b>	3,27	3,67	<b>0,40</b>
	ITALY 10Y	1,81	2,33	<b>0,52</b>	3,27	3,70	<b>0,43</b>
	FRANCE 10Y	0,66	1,23	<b>0,56</b>	3,22	3,58	<b>0,36</b>
<b>EXCHANGE RATE</b>	EUR/USD	1,12	1,09	<b>-0,03</b>	1,18	1,17	<b>-0,01</b>
<b>EQUITY INDICES</b>	S&P 500	4288,70	4500,21	<b>4,9%</b>	6878,88	6782,81	<b>-1,4%</b>
	STOXX EURO 600	438,96	455,02	<b>3,7%</b>	633,85	613,50	<b>-3,2%</b>

# ECB scenarios and forecasts for EA (as of March 19)

- ❑ As the conflict continued in March, more adverse scenarios were being considered.
- ❑ As of April 15, the “old Adverse” was the “new Baseline”:

In 2026 crude oil at 98, gas at 67, real GDP at 0.6% and HICP at 3.5%

In 2027 80 42 1.2% 2.1%

## ECB, Staff forecasts energy price evolution scenarios

ECB, Staff forecasts assumptions on the path of energy prices (interpolated by NBG Ec. Analysis)

		Baseline	Adverse scenario	Severe scenario
Crude oil \$/brl	2025	69	69	69
	2026f	81	98	128
	2027f	72	80	112
Gas Price €/MWh	2025	36	36	36
	2026f	46	67	85
	2027f	37	42	63

## Euro area - ECB staff macroeconomic projections

The potential effects of policy support measures and monetary policy responses are not incorporated into the projections

		December 2025 baseline for euro area	March 19 2026 - baseline projections and alternative scenarios			
			Baseline	Adverse scenario	Severe scenario	Projections with cut-off date 4/3/2026
Real GDP, y-o-y change	2025	1,4	1,5	1,5	1,5	1,5
	2026f	1,2	0,9	0,6	0,4	1,00
	2027f	1,4	1,3	1,2	0,9	1,4
HICP y-o-y change	2025	2,1	2,1	2,1	2,1	2,1
	2026f	1,9	2,6	3,5	4,4	2,3
	2027f	1,8	2	2,1	4,8	1,9

# NBG forecasts for Greece (as of March 22, based on ECB scenarios)

- ❑ The Greek economy is more sensitive to imported energy than other EA countries, thus the forecasted impact in ppts on growth & inflation is bigger.
- ❑ Currently the consensus forecast for 2026 is 1.8% growth and 3.5%-4.0% inflation.
- ❑ Fiscal space exists but given the fiscal credibility problems of the crisis period, it is unlikely to be used.

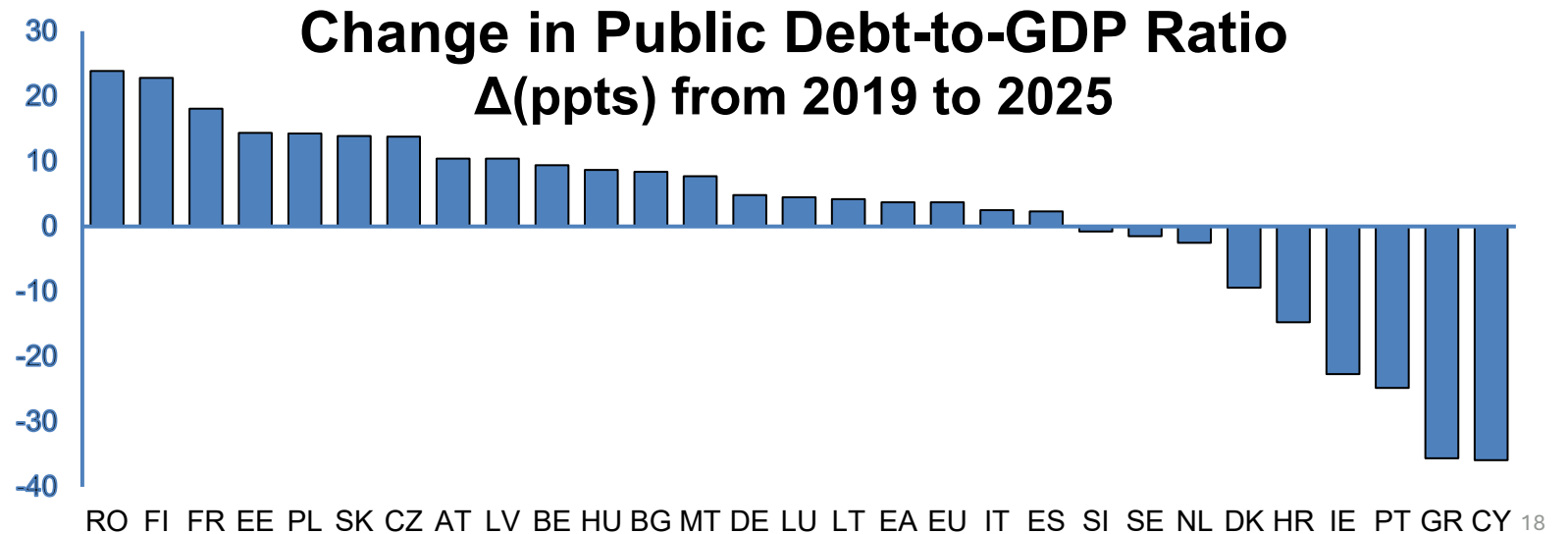
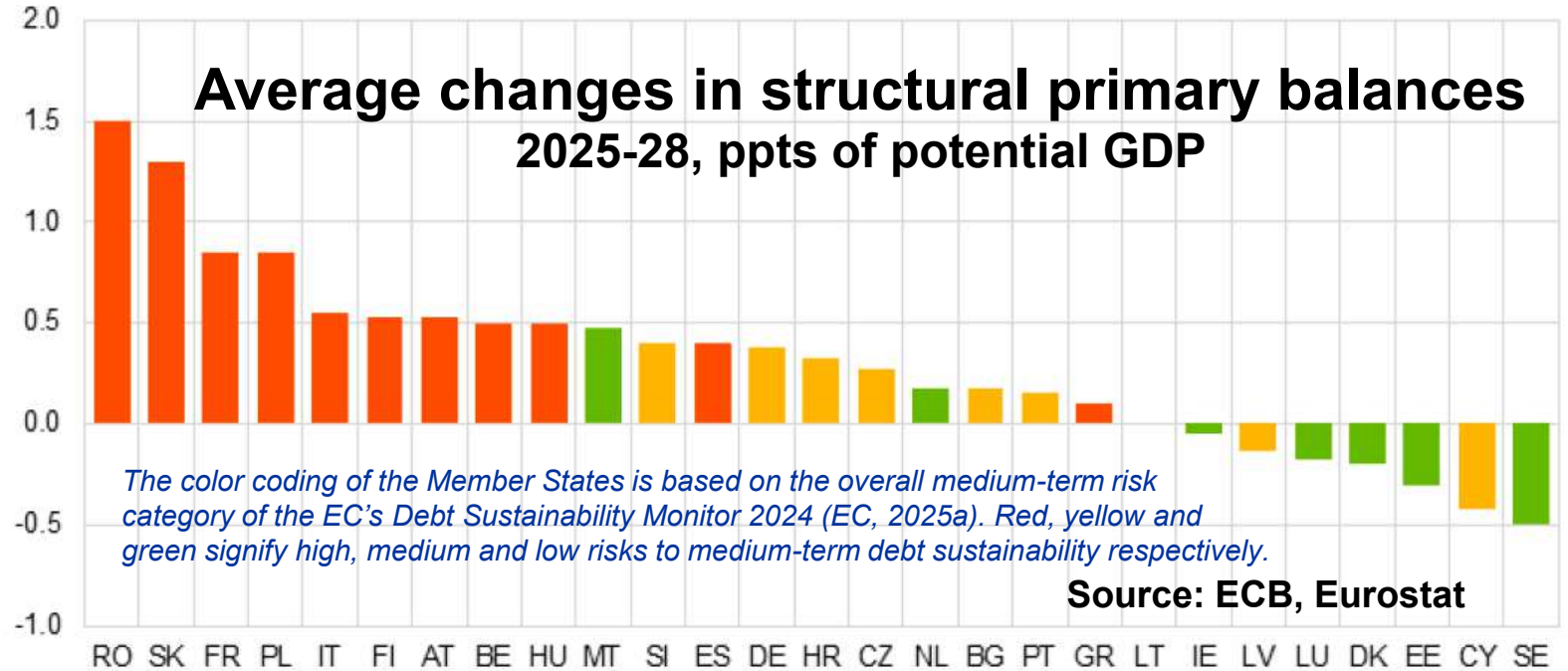
<b>Greece- NBG Economic Analysis Projections</b>				
Forecasts as of 22/3/2026, conditioned on latest ECB staff assumptions for energy prices and EA growth under 3 scenarios				
		Baseline	Adverse	Severe
Real GDP (yoy %)	2025	2.2	2.2	2.2
	2026f	2.4	1.8	0.7
	2027f	1.9	2.1	1.6
CPI inflation (yoy %)	2025	2.5	2.5	2.5
	2026f	3.2	4.0	6.3
	2027f	2.1	2.4	3.8

Source: NBG Economic Analysis, ECB

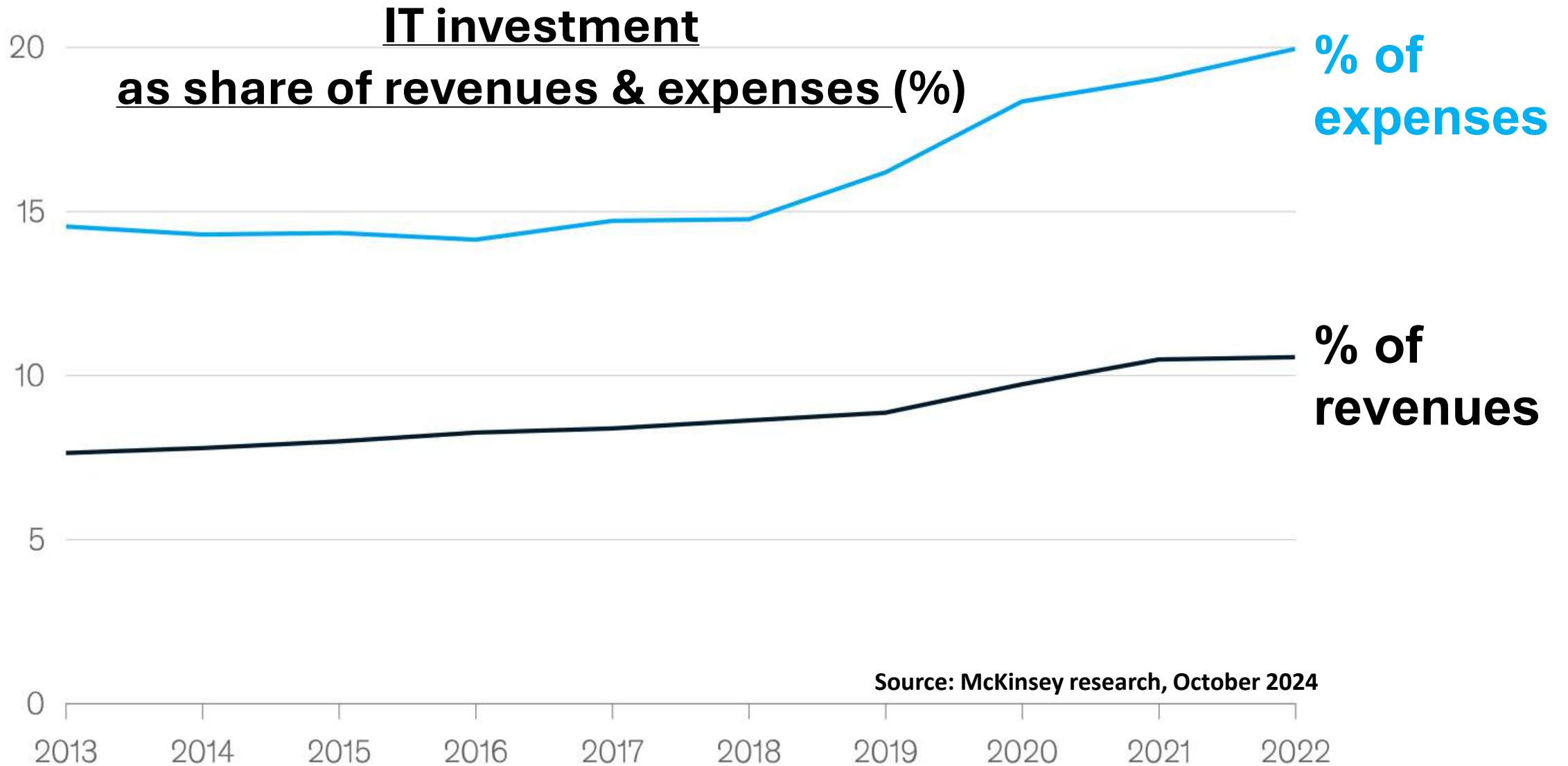
# Few EU countries have the fiscal space to respond

From 2025 to 2028, 19 of the EU-27 Member States need to deliver upward fiscal adjustments, ranging from 0.1 to 1.5 pts of potential GDP.

Public Debt-to-GDP ratios increased for 18 of the EU-27 Member States since the onset of the Covid pandemic.

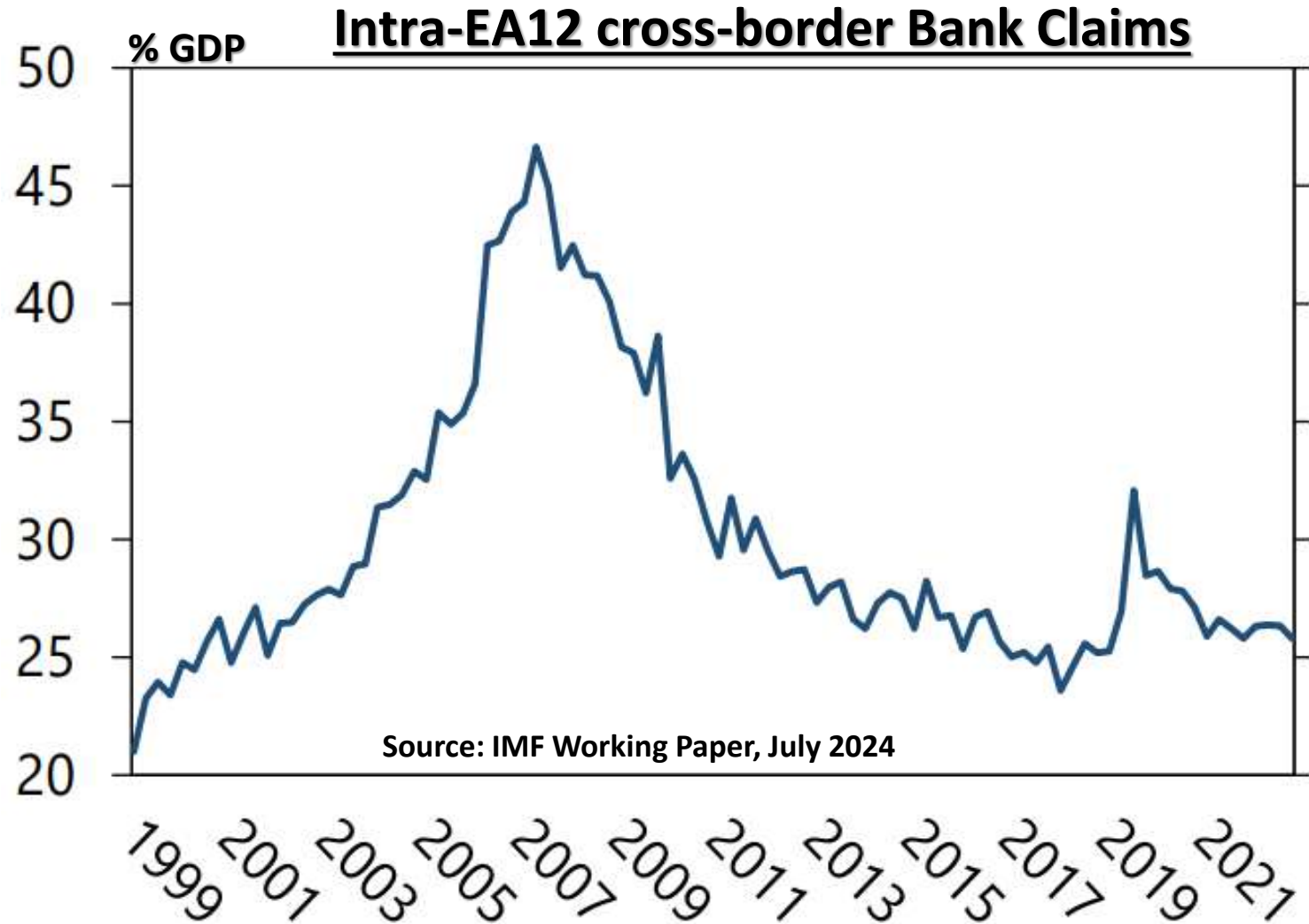


# Banks' investment in technology rises over time



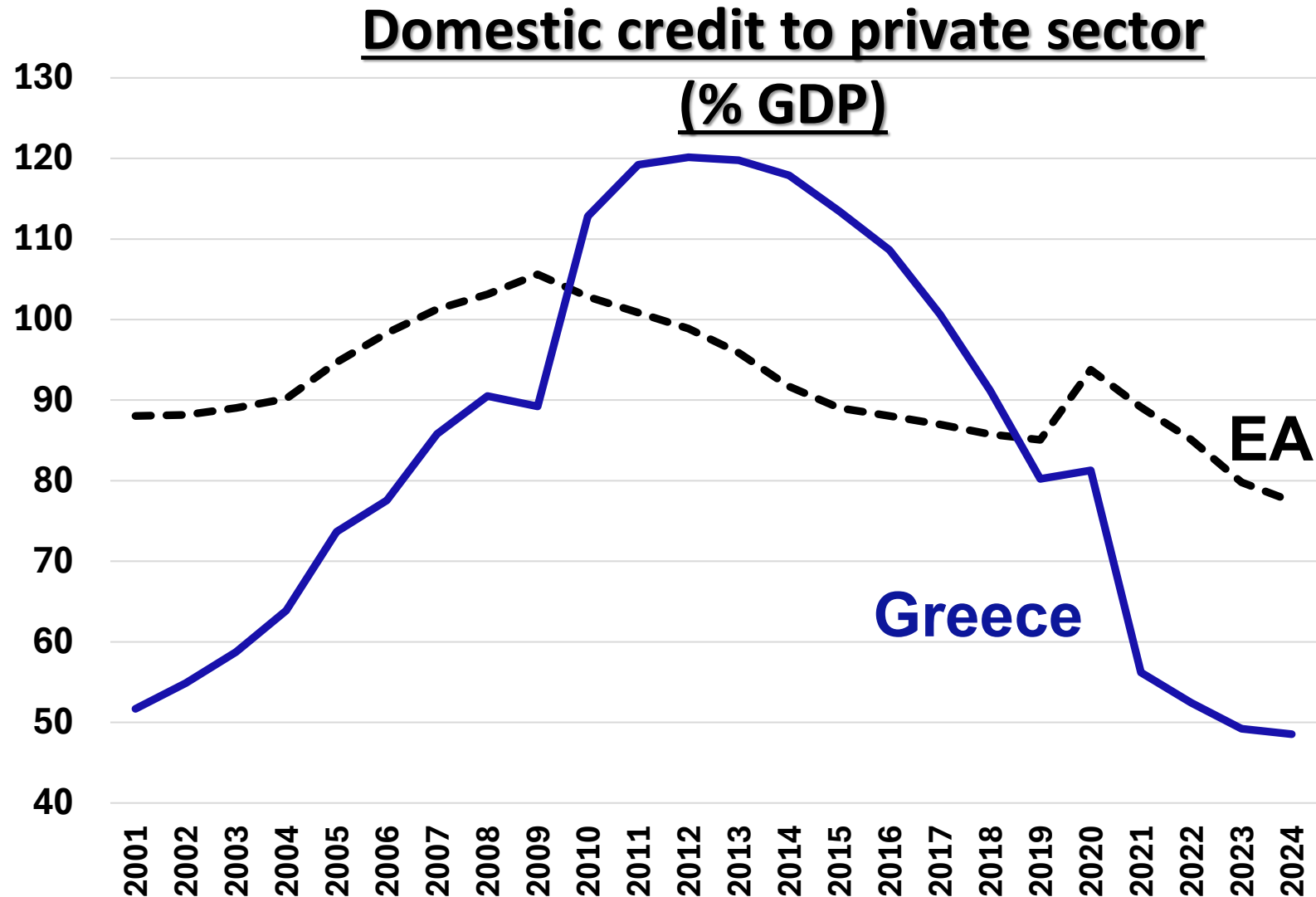
# Fragmentation in the European banking market

- ❑ After the 2007-09 GFC, fragmentation got worse.
- ❑ Stability came after 2012.
- ❑ Banks are central to financing the estimated €500 billion to €750 billion in annual investments required for Europe's transformation, as public funding alone is insufficient.



Sources: BIS Consolidated Banking Statistics - Immediate Counterparty Basis; and IMF Staff calculations.

# Bank Credit per unit of nominal output



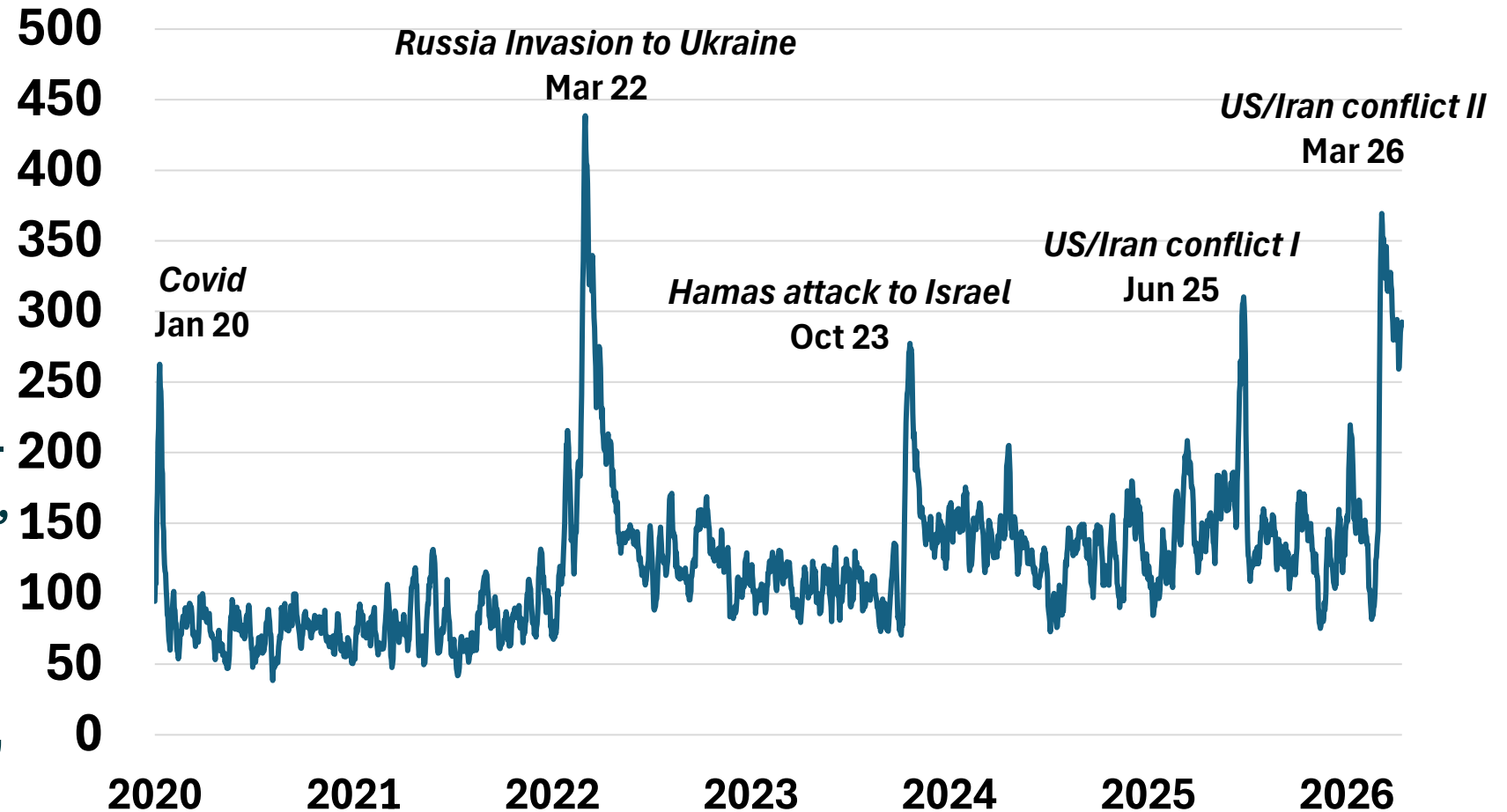
# Global geopolitical uncertainty increased

## Geopolitical uncertainty

- ❑ Is a primary driver of market risk, leading to a shift to national security and regionalization.
- ❑ Sectors linked to defense, technology (AI), critical minerals, and renewable energy are seeing higher demand. Conversely, energy-intensive sectors (chemicals, plastics, transport) are experiencing intense pressure.
- ❑ Supply Chain "friendshoring" and re-shoring.

## Geopolitical Risk (GPR) Index

*7 day moving average of Daily GPR*



Source: <https://www.matteoiacoviello.com/gpr.htm>,  
Geopolitical Risk (GPR) Index (Daily data last updated April 13, 2026)

# The future of finance: Market shifts & Hidden Risks

## ❑ Financial landscape trends:

- **Rapid migration of credit from traditional banks to private markets:** *Global private credit assets under management (AUM) reached ~\$2 trn in early 2026, with projections suggesting it could scale to \$4.5 trn by 2030.*
- **Fintech & AI:** *AI systems are moving beyond assisting to autonomous action, capable of independent multi-step actions.*
- **Alternative Financing and Structural Shifts:** *Tokenized Real-World Assets (RWA), Digital Euro & CB Digital Currency (CBDC) Progress.*

## ❑ Emerging Risks:

- **Opaque Valuations:** *Private credit funds often lack transparency, making it difficult for regulators to assess underlying risk.*
- **Liquidity Mismatches:** *Many private credit funds offer redemption opportunities to investors while holding highly illiquid, long-duration assets. This structural mismatch has leads to redemption pressures.*
- **AI-Driven Cyber Threats & Systemic Risk:** *Financial services is the top target for AI-powered cyberattacks, which can bypass authentication, create synthetic identities, and manipulate transaction flows. Furthermore, AI in underwriting and high-speed, autonomous payments can accelerate the propagation of stress throughout the system.*
- **Interconnectedness & Contagion:** *Private credit funds are increasingly linked to banks through secured credit lines and to insurance firms via investments, allowing distress in the private sector to rapidly spread to the traditional banking system.*