HELLENIC REPUBLIC (GREECE)

Rating Analysis - 2/24/16

*EJR Sen Rating(Curr/Prj) D/ N/A
*EJR CP Rating: D
EJR's 3 yr. Default Probability: 99.0%

Although Greece has been improving its GDP growth for the last 4 years, it is still negative. By 2014, the cumulative reduction of GDP since 2008 was near 26% and the Debt to GDP ratio was 177.1%, which along with the recent failure to cut pension cost and to provide economic information, substantially enhances pressure on the credit quality.

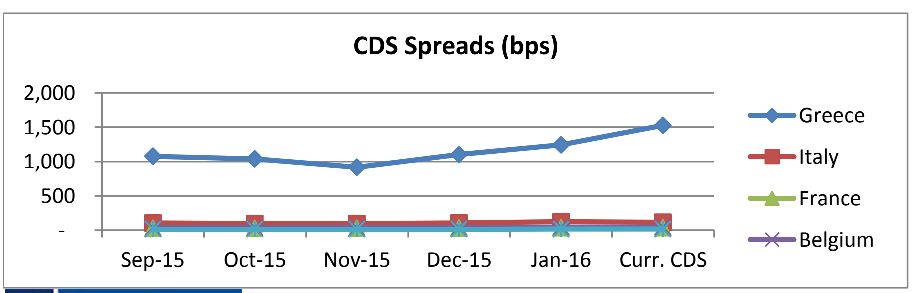
The good news is that Greek lawermakers have approved the 3rd bailout package terms including commitments to implement austerity measures and economic reforms. We expect that the EU will exert additional pressure to encourage reforms of Greece's economy; unfortunately Greece cannot sustain additional budget cuts, a collapsing economy, restricted capital access, and 10%+ interest rates. The latest bailout package is also a tough burden for Greece, regarding its deficit of 4.3% of GDP in the last 4 rolling quarters. Note, Greece's financials are skewed by the prior debt restructuring. Watch for brinkmanship on both sides, which was widely exhibited last summer, almost ending in Grexit. We are affirming the rating of "D", with a developing watch.

Annual Ratios (source for past results: IMF)

CREDIT POSITION	2012	2013	2014	P2015	P2016	P2017
Debt/ GDP (%)	156.9	175.0	177.1	178.5	181.3	184.7
Govt. Sur/Def to GDP (%)	-9.7	-12.6	-3.2	-5.2	-5.8	-5.8
Adjusted Debt/GDP (%)	156.9	175.0	177.1	178.5	181.3	184.7
Interest Expense/ Taxes (%)	20.9	16.4	15.7	15.9	16.1	16.3
GDP Growth (%)	-6.5	-6.1	-1.8	-0.5	-0.5	-0.5
Foreign Reserves/Debt (%)	0.0	0.0	0.2	0.2	0.2	0.2
Implied Sen. Rating	C	C	C	C	C	C

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	45.0	55.0	75.0	85.0	95.0	145.0
Govt. Sur/Def to GDP (%)	4.0	1.0	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	40.0	50.0	60.0	80.0	120.0	150.0
Interest Expense/ Taxes (%)	7.0	9.0	12.0	15.0	22.0	26.0
GDP Growth (%)	4.0	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	25.0	20.0	15.0	12.0	9.0	7.0

PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Federal Republic Of Germany	AAA	75.2	0.2	75.2	7.7	3.4	BBB-
French Republic	AA	95.5	-3.6	95.5	7.5	0.7	B
Kingdom Of Belgium	AA	106.6	-3.3	106.6	10.0	1.7	BB
Republic Of Italy	BBB-	132.1	-3.5	132.1	15.5	0.4	B
Republic Of Austria	AA+	84.6	-2.2	84.6	8.4	2.0	BBB-



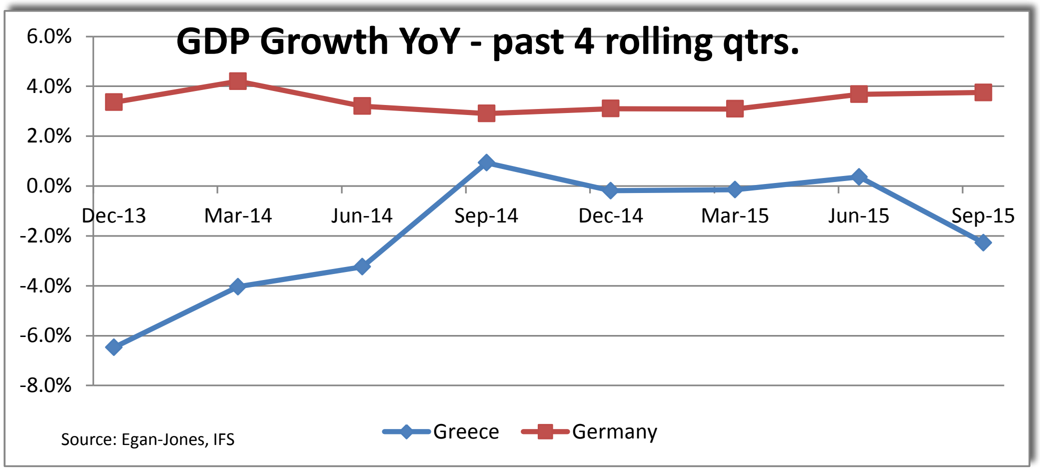
Country (EJR Rtg*)	CDS
Greece (D)	1,528
Italy (CCC+)	114
France (BBB)	34
Belgium (BBB)	42
Germany (A)	14

Egan-Jones Ratings Company

Economic Growth

Greece has improved from 5 years ago, but only has one significantly positive growth quarter in one of the past 8 quarters, and with the current pressure, we expect growth will remain depressed.

As can be seen below, Greece's growth has been significantly below Germany; Greece has shrunk while Germany has recorded growth near 4% in the last 4 rolling quarters. A large portion of Greece's economy remains geared to the tourist and vacation industry. However we do not see the vacation industry nor other Greek industries recovering until the fiscal problems are addressed. The debt overhang has caused serial crises.



Fiscal Policy

Although Greece's deficit to GDP of 3.25% is in a normal level compared to peer countries, it is a serious problem considering its 177% Debt to GDP ratio. Greece's total sovereign revenues have been declining for years and it cannot cut its costs efficiently. It is difficult for Greece to improve its deficit in the short term. As shown in the right chart, no country has a worse Debt to GDP ratio than Greece. As Greece implements austerity measures and provides further support for its banks, credit quality will remain pressed.

	Deficit-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Greece	3.25	177.08	1528.25
Germany	-0.19	75.22	13.58
France	3.63	95.51	34.26
Belgium	3.33	106.55	42.19
Italy	3.48	132.09	113.77
Austria	2.20	84.55	170.93

Sources: Thomson Reuters and IFS

Unemployment

Greece has suffered from high unemployment for several decades. As can be seen from the chart, the unemployment is at the top of its peers. The high unemployment rate is driving the relatively high and increasing social benefit payments. The austerity measures in Greece and throughout the EU make it difficult to substantially reduce unemployment over the next couple of years.

Unemployment (%)	2013	2014
Greece	27.49	26.55
Germany	6.88	6.70
France	9.90	9.90
Belgium	8.40	8.48
Italy	12.13	12.65
Austria	7.60	8.40

Source: Intl. Finance Statistics

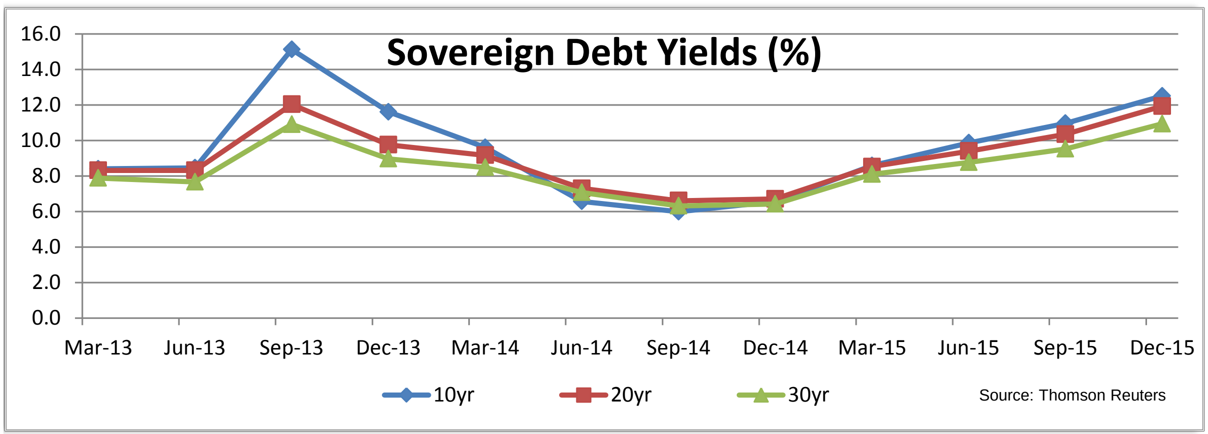
Banking Sector

History has shown that country and bank obligations are linked during times of economic distress. Greece has significant more exposure to its banking sector because the banks' aggregate size measured in assets. The top five banks have assets equal to 212% of GDP compared to 80.8% for Germany. We expect that Greece will be forced to provide addl. financial support to its banks.

Bank Assets (billions of local currency)	Assets	Cap/ Assets %
NATL BANK GREECE	115.46	9.94
EUROBANK ERGASIA	75.52	9.81
ALPHA BANK A.E.	72.94	9.22
PIRAEUS BANK	89.29	9.98
BANK OF CYPRUS	26.79	5.37
Total	380.0	
EJR's est. of cap shortfall at 10% of assets less market cap		36.0
Greece's GDP		179.1

Funding Costs

Although Greece had seen a decrease of its Sovereign Debt Yields in 2014, the yields rose again in 2015, leading to a high funding cost for Greece (the 10-year bond yields exceeded 10%). Also as can be seen in the below graph, the shorter term bond yields are even higher than the longer term, showing that the market is not confident in Greece in short run.



Ease of Doing Business

Major factors for growing the economy are the ease of doing business and the economic freedom; although not the sole factor for determining economic growth, a country which makes it easy for businesses to operate and provides a reasonably free environment to conduct business has a good chance for growth. The chart on the right indicates that with an overall rank of 60 (1 is best, 189 worst) is mediocre.

The World Bank's Doing Business Survey*	2015 Rank	2014 Rank	Change in Rank
Overall Country Rank:	**60**	**72**	**12**
Scores:			
Starting a Business	54	36	-18
Construction Permits	60	66	6
Getting Electricity	47	61	14
Registering Property	144	161	17
Getting Credit	79	86	7
Protecting Investors	47	80	33
Paying Taxes	66	53	-13
Trading Across Border:	27	52	25
Enforcing Contracts	132	98	-34
Resolving Insolvency	54	87	33

* Based on a scale of 1 to 189 with 1 being the highest ranking.

Economic Freedom

As can be seen below, Greece is above average in its overall rank of 54.0 for Economic Freedom with 100 being best.

Heritage Foundation 2015 Index of Economic Freedom
World Rank 54.0*

	2015 Rank**	2014 Rank	Change in Rank	World Avg.
Property Rights	40	40	0	42.2
Freedom from Corruption	40	33.2	6.8	41.9
Fiscal Freedom	64.2	65.9	-1.7	77.4
Government Spending	0	19.2	-19.2	61.7
Business Freedom	73.3	75.8	-2.5	64.1
Labor Freedom	51.6	53.9	-2.3	61.3
Monetary Freedom	77.8	76.3	1.5	75.0
Trade Freedom	83	82.8	0.2	75.4
Investment Freedom	60	60	0	54.8
Financial Freedom	50	50	0	48.6

*Based on a scale of 1-100 with 100 being the highest ranking.
**The ten economic freedoms are based on a scale of 0 (least free) to 100 (most free).
Source: The Heritage Foundation

Valuation Driver: Taxes Growth:
HELLENIC REPUBLIC (GREECE) has grown its taxes of 0.6% per annum in the last fiscal year which is disappointing. We expect tax revenues will grow approximately 0.8% per annum over the next couple of years and 1.0% per annum for the next couple of years thereafter.

Valuation Driver: Total Revenue Growth:
HELLENIC REPUBLIC (GREECE)'s total revenue growth has been less than its peers and we assumed no decline in total revenue growth over the next two years.

	Peer	Co.	Assumptions	
Income Statement	**Median**	**Avg.**	**Yr 1&2**	**Yr 3,4,5**
Taxes Growth%	1.8	0.6	**0.8**	**1.0**
Social Contributions Growth %	2.4	(1.3)	**(1.0)**	**(0.5)**
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	(30.7)	**(25.0)**	**(20.0)**
Other Operating Income Growth%	0.0	0.0		
Total Revenue Growth%	1.9	(5.9)	**(5.9)**	**(5.3)**
Compensation of Employees Growth%	1.9	(1.4)	**(1.4)**	**(1.4)**
Use of Goods & Services Growth%	1.6	(5.8)	**(5.8)**	**(5.8)**
Social Benefits Growth%	2.4	(1.5)	**(1.5)**	**(1.5)**
Subsidies Growth%	4.6	(16.5)		
Other Expenses Growth%	(79.0)	(79.0)		
Interest Expense	0.0	2.2	**2.2**	
Currency and Deposits (asset) Growth%	0.0	0.0		
Securities other than Shares LT (asset) Growth%	0.0	0.0		
Loans (asset) Growth%	2.4	0.1	**0.1**	**0.1**
Shares and Other Equity (asset) Growth%	2.5	(35.0)		
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	0.0	0.0		
Other Accounts Receivable LT Growth%	3.9	(15.8)	**(15.8)**	**(15.8)**
Monetary Gold and SDR's Growth %	0.0	0.0	**5.0**	**5.0**
Other Assets Growth%	0.0	0.0		
Other Accounts Payable Growth%	0.0	(13.8)		
Currency & Deposits (liability) Growth%	6.7	21.6	**20.0**	**18.0**
Securities Other than Shares (liability) Growth%	11.5	(23.7)	**(16.6)**	**(16.6)**
Loans (liability) Growth%	3.9	3.7	**3.7**	**3.7**
Insurance Technical Reserves (liability) Growth%	0.0	0.0		
Financial Derivatives (liability) Growth%	0.0	23.0	**0.8**	**0.8**
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL INCOME STATEMENTS

Below are HELLENIC REPUBLIC (GREECE)'s annual income statements with the projected years based on the assumptions listed on page 3.

ANNUAL REVENUE AND EXPENSE STATEMENT
(MILLIONS EUR)

	2011	2012	2013	2014	P2015	P2016
Taxes	47,195	46,541	44,316	44,572	44,929	45,288
Social Contributions	27,272	26,418	24,326	24,011	23,771	23,533
Grant Revenue						
Other Revenue	14,513	13,752	16,465	11,418	8,564	6,423
Other Operating Income	0	0	0	0		
Total Revenue	90,991	88,723	87,120	82,015	77,263	75,244
Compensation of Employees	25,953	24,157	21,815	21,499	21,188	20,881
Use of Goods & Services	10,065	9,689	8,473	7,983	7,521	7,086
Social Benefits	47,249	44,029	38,350	37,789	37,236	36,691
Subsidies	1,596	1,577	2,171	1,813	1,813	1,813
Other Expenses	7,114	11,523	25,384	5,338	5,338	5,338
Grant Expense						
Depreciation	6,826	6,805	6,603	6,364	6,364	6,364
Total Expenses excluding interest	98,803	97,780	102,796	80,786	79,460	78,174
Operating Surplus/Shortfall	-7,812	-9,057	-15,676	1,229	-2,197	-2,930
Interest Expense	15,067	9,743	7,276	6,986	7,140	7,297
Net Operating Balance	-22,879	-18,800	-22,952	-5,757	-9,337	-10,227

*EJR Sen Rating(Curr/Prj) D/ N/A
*EJR CP Rating: D
EJR's 3 yr. Default Probability: 99.0%

ANNUAL BALANCE SHEETS

Below are HELLENIC REPUBLIC (GREECE)'s balance sheets with the projected years based on the assumptions listed on page 3.

Base Case

	ANNUAL BALANCE SHEETS (MILLIONS EUR)					
ASSETS	2011	2012	2013	2014	P2015	P2016
Currency and Deposits (asset)	693	12,732	19,292	2,290	2,290	2,290
Securities other than Shares LT (asset)	48	49	48	12,891	12,891	12,891
Loans (asset)	6,238	1,243	825	826	827	828
Shares and Other Equity (asset)	37,274	70,642	62,414	40,550	40,550	40,550
Insurance Technical Reserves (asset)					0	0
Financial Derivatives (asset)	14,795	20,780	14,795	14,795	14,795	14,795
Other Accounts Receivable LT	21,100	20,803	20,229	17,038	14,350	12,086
Monetary Gold and SDR's						
Other Assets					0	0
Additional Assets				0		
Total Financial Assets	80,149	126,251	117,604	88,390	85,703	83,440
LIABILITIES						
Other Accounts Payable	20,072	22,186	16,548	14,267	14,267	14,267
Currency & Deposits (liability)	820	774	819	995	995	995
Securities Other than Shares (liability)	104,318	79,257	65,752	50,160	41,833	34,889
Loans (liability)	103,909	217,135	244,690	253,753	263,090	273,317
Insurance Technical Reserves (liability)						
Financial Derivatives (liability)	2,134	3,536	3,897	4,794	4,831	4,869
Other Liabilities						
Liabilities	231,253	322,887	331,706	323,969	330,619	338,583
Net Financial Worth	-151,104	-196,636	-214,102	-235,578	-244,916	-255,143
Total Liabilities & Equity	80,149	126,251	117,604	88,390	85,703	83,440

*EJR Sen Rating(Curr/Prj) D/ N/A
*EJR CP Rating: D
EJR's 3 yr. Default Probability: 99.0%

Comments on the Difference between the Model and Assigned Rating

In this case, there has been little change in the recent results and therefore we have used our best judgement in making adjustments which are reflected in the results for the projected ratings. We have assigned a rating of "D" whereas the ratio-implied rating for the most recent period is "C"; the median rating for the peers is significantly higher than the issuer's rating.

Changes in Indicative Ratios

We have not made any adjustment in the indicative ratios at this time.

SEC Rule 17g-7(a) Disclosure

Below are the disclosures as required by Paragraph (a) of Rule 17g-7.

1. The symbol in the rating scale used to denote the credit rating categories and notches within categories and the identity of the obligor, security, or money market instrument as required by Paragraph (a)(1)(ii)(A) of Rule 17g-7:
For the issuer HELLENIC REPUBLIC (GREECE) with the ticker of 1004Z GA we have assigned the senior unsecured rating of D. There are three notches in our rating categories (e.g., A-, A, and A+) other than those deep into speculative grade; for CC, C, and D there are no notches.

2. The version of the procedure or methodology used to determine the credit rating as required by Paragraph (a)(1)(ii)(B) of Rule 17g-7:
We are using the methodology available in our Form NRSRO Exhibit #2 dated May 10, 2015 available via egan-jones.com under the tab at the bottom of the page "Methodologies".

3. The main assumptions and principles used in constructing the procedures and methodologies used to determine the credit rating as required by Paragraph (a)(1)(ii)(C) of Rule 17g-7:
The credit rating assigned reflects our judgement regarding the future credit quality of the issuer. Regarding the specific assumptions used, please refer to page 3 of this Rating Analysis Report.

4. The potential limitations of the credit rating as required by Paragraph (a)(1)(ii)(D) of Rule 17g-7:
Our rating pertains solely to our view of current and prospective credit quality. Our rating does not address pricing, liquidity, or other risks associated with holding investments in the issuer.

5. Information on the uncertainty of the credit rating as required by Paragraph (a)(1)(ii)(E) of Rule 17g-7:
Our rating is dependant on numerous factors including the reliability, accuracy, and quality of the data relied used in determining the credit rating. The data is sourced from publicly-available 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources. In some cases, the information is limited because of issues such as short operating histories, the lack of reported data, a delay in reporting data, restatements, inaccurate accounting, and other issues. Such shortcomings are not always readily apparent. EJR aims to identify such shortcomings and make adjustments using its best judgement.

6. Whether and to what extent third-party due diligence services have been used in taking the rating action as required by Paragraph (a)(1)(ii)(F) of Rule 17g-7:
EJR does not utilize third-party due diligence services.

7. How servicer or remittance reports were used, and with what frequency, to conduct surveillance of the credit rating as required by Paragraph (a)(1)(ii)(G) of Rule 17g-7:
Servicer or remittance reports normally pertain to structured finance issuers; this report does not pertain to a structured finance issuer (EJR is not an NRSRO for structured finance or sovereigns/ municipal issuers). Regarding surveillance, the minimum time period for corporation issuers is normally one year.

8. A description of the data that were relied upon for the purpose of determining the credit rating as required by Paragraph (a)(1)(ii)(H) of Rule 17g-7:
EJR uses 10Q and 10K statements, quarterly reports, 8K filings, earnings reports, and other similar sources for ratings on publicly-traded issuers. In the case of private issuers, EJR relies on information provided mainly by issuers.

9. A statement containing an overall assessment of the quality of information available and considered in the credit rating as required by Paragraph (a)(1)(ii)(I) of Rule 17g-7: The information is generally high quality and readily avail.

10. Information relating to conflicts of interest as required by Paragraph (a)(1)(ii)(J) of Rule 17g-7:
This rating is unsolicited.

11. An explanation or measure of the potential volatility of the credit rating as required by Paragraph (a)(1)(ii)(K) of Rule 17g-7:
Our rating aims to assess the probability of the payment of obligations in full and on-time. Factors which affect such probability, and in turn our rating, include changes in the operating performance of the issuer, changes in capital structure, and merger and acquisition events.

12. Information on the content of the credit rating as required by Paragraph (a)(1)(ii)(L) of Rule 17g-7:
Regarding the historical performance of the credit rating, our rating transition matrix is available in our Form NRSRO, exhibit 1. The expected probability of default and the expected loss in the event of default is listed on the first page of this report.

13. Information on the sensitivity of the credit rating to assumptions as required by Paragraph (a)(1)(ii)(M) of Rule 17g-7:
Below is a summary of the impact of the 5 assumptions which independently would have the greatest impact on our "ratio-implied rating":

	Assumptions			**Resulting Ratio-Implied Rating**		
	Base	Optimistic	Pessimistic	Base	Optimistic	Pessimistic
Taxes Growth%	0.8	4.8	(3.2)	C	C	C
Social Contributions Growth %	(1.0)	(4.0)	2.0	C	C	C
Other Revenue Growth %	(25.0)	(28.0)	(22.0)	C	C	C
Total Revenue Growth%	(5.9)	0.1	(3.9)	C	C	C
Monetary Gold and SDR's Growth %	5.0	3.0	7.0	C	C	C

14. If the credit rating is assigned to an asset-backed security, a description of: (i) the representations, warranties, and enforcement mechanisms available to investors; and (ii) how they differ from the representations, warranties, and enforcement mechanisms in issuances of similar securities, as required by Paragraph (a)(1)(ii)(N) of Rule 17g-7:
This credit rating is not assigned to an asset-backed security.

ATTESTATION FORM

In compliance with the US Securities and Exchange Commission (SEC) Rule 17g-7(a), the Egan-Jones analyst who published the report is responsible for the rating action and to the best knowledge of the person:

1) No part of the credit rating was influenced by any other business activities,
2) The credit rating was based solely upon the merits of the obligor, security, or money market instrument being rated, and
3) The credit rating was an independent evaluation of the credit risk of the obligor, security, or money market instrument.

Analyst Signature: **Today's Date**

Mike Huang
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Mike Huang
Rating Analyst

February 24, 2016
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Reviewer Signature: **Today's Date**

Caroline Ding
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Caroline Ding
Rating Analyst

February 24, 2016
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Sovereign Rating Methodology (Non-NRSRO)

Scope and Limitations: Sovereign Issuer Credit Quality Ratings (CQR) are a forward-looking assessment of a sovereign's capacity and willingness to honor its existing and future obligations in full and on time. Sovereigns are assigned two CQRs: a Local-Currency CQR, which reflects the likelihood of default on debt issued and payable in the currency of the sovereign, and a Foreign-Currency CQR, which is an assessment of the credit risk associated with debt issued and payable in foreign currencies.

Key Rating Drivers: EJR's approach to sovereign risk analysis is a synthesis of quantitative and qualitative judgments. The quantitative factors EJR uses are:

- Debt in relation to GDP.
- Surplus or deficit in relation to GDP.
- Debt plus potential under-funding of major banks in relation to GDP.
- Interest expense in relation to taxes.
- GDP growth.
- Foreign reserves in relation to debt.

Debt levels for many sovereign issuers have increased at an accelerating rate over the past decade, affecting implied ratings. EJR also considers unemployment levels and funding costs. EJR recognizes that no model can fully capture all the relevant influences on sovereign creditworthiness, meaning that the its sovereign ratings can and do differ from those implied by the rating model. Some of the qualitative factors that impact its ultimate assessment of credit quality include the flexibility, stability and overall strength of the economy, efficiency of tax collection, acceptance of contract law, ease of doing business, trade balances, prospects for future growth and health and monetary policy, and economic freedom. These subjective and dynamic qualitative issues are not captured by the model but affect sovereign ratings

For additional information, please see Exhibit 2: Methodologies in EJR's Form NRSRO.