

HELLENIC REPUBLIC (GREECE)

Rating Analysis - 8/31/21

*EJR Sen Rating(Curr/Prj) B/ NR

*EJR CP Rating: C

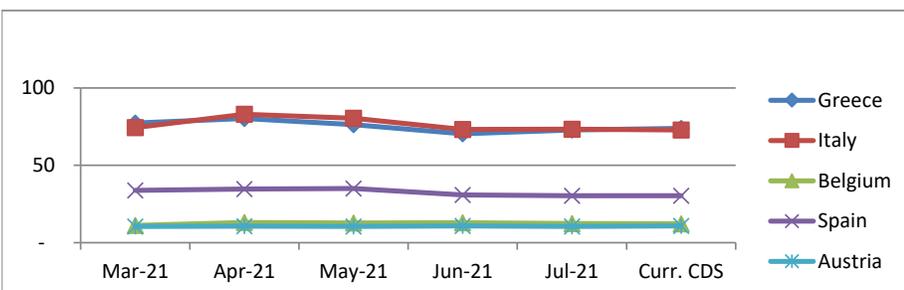
Greece's economy is projected to grow by 3.8% in 2021 and 5.0% in 2022. The easing of travel restrictions is expected to support services activity and exports. The importance of tourism makes Greece's outlook especially reliant on successful vaccination campaigns globally. Rising disbursements of Greece's substantial EU-funded Recovery and Resilience Plan (Eur 4B disbursed in August 2021) is expected to support investment in 2021 and 2022. Recent reforms are expected to succeed in encouraging swifter and higher-quality public capital spending and businesses productively.

Support policies have encouraged banks to restart lending to businesses, but bankruptcies and non-performing loans are likely to rise as support is withdrawn, underscoring the urgency to raise banks' asset quality. The key long-term negatives for the rating are high bank NPLs and the debt burden. The positives are lower-than-previously expected GDP impact from the pandemic, low borrowing cost and strong NGEU support. The recent forest fires have had a destabilizing impact in the local economy. The wildfires have stretched Greece's firefighting capabilities to the limit, and the government has appealed for help from abroad. We are affirming with a developing watch.

CREDIT POSITION	Annual Ratios (source for past results: IMF)					
	2018	2019	2020	P2021	P2022	P2023
Debt/ GDP (%)	199.2	200.7	236.5	225.2	216.0	197.3
Govt. Sur/Def to GDP (%)	-0.2	0.1	-10.6	-11.2	-11.4	-9.5
Adjusted Debt/GDP (%)	199.2	200.7	236.5	225.2	216.0	197.3
Interest Expense/ Taxes (%)	12.1	11.1	11.6	12.8	14.1	14.2
GDP Growth (%)	1.5	2.1	-9.6	2.3	3.0	3.0
Foreign Reserves/Debt (%)	0.5	0.5	0.9	0.8	1.1	1.0
Implied Sen. Rating	B+	B+	CCC+	B-	B	B

INDICATIVE CREDIT RATIOS	AA	A	BBB	BB	B	CCC
Debt/ GDP (%)	100.0	115.0	130.0	145.0	170.0	200.0
Govt. Sur/Def to GDP (%)	2.5	0.5	-2.0	-5.0	-8.0	-10.0
Adjusted Debt/GDP (%)	95.0	110.0	125.0	140.0	160.0	190.0
Interest Expense/ Taxes (%)	9.0	12.0	15.0	22.0	26.0	35.0
GDP Growth (%)	3.5	3.0	2.0	1.0	-1.0	-5.0
Foreign Reserves/Debt (%)	3.0	2.5	2.0	1.5	1.0	0.5

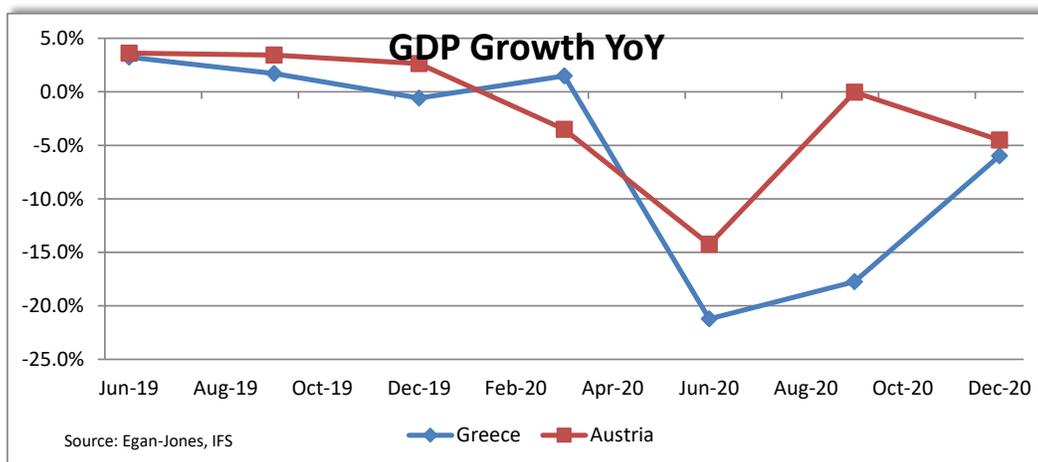
PEER RATIOS	Other NRSRO Sen.	Debt as a % GDP	Govt. Surp. Def to GDP (%)	Adjusted Debt/ GDP	Interest Expense/ Taxes %	GDP Growth (%)	Ratio-Implied Rating*
Austria	AA+	109.1	-8.2	109.1	5.1	-5.1	A-
French Republic	AA	145.9	-8.8	145.9	4.2	-5.5	BBB
Kingdom Of Belgium	AA	142.4	-9.0	142.4	6.5	-5.3	BB+
Kingdom Of Spain	A	146.7	-11.1	146.7	9.8	-9.9	BB+
Republic Of Italy	BBB	184.1	-9.7	184.1	11.9	-7.8	BB-



Country	EJR Rtg.	CDS
Greece	B	74
Italy	BBB-	73
Belgium	BBB	12
Spain	BBB	30
Austria	A+	11

Economic Growth

Greece's GDP advanced 4.4% during Q1'21, following an upwardly revised 3.4% expansion in Q4'20. Gross fixed capital formation rose 3%, accelerating from a 1.8% increase in Q4; and foreign demand contributed positively to GDP as exports climbed 4% (vs 6.5% in Q4) while imports went up at a softer 2% (vs -2.8% in Q4). Also, household consumption dropped by a less 1.2%, after a 2.3% decline while government expenditure slowed (0.8% vs 1.9%). On a yearly basis, the Greek economy shrank 2.3%, easing from a 6.9% contraction in the previous three-month period.



Fiscal Policy

The Greek government has doubled its planned 2021 support to the economy, to EUR 14.3B (8.3% of 2021 GDP). The latest support measures extend existing programmes, such as income support for the self-employed, furloughed workers and the unemployed, and reduced tax and social insurance contributions for businesses. The government also introduced a new guarantee scheme and loan subsidy. The government will provide grants and low-cost loans to help businesses rebuild their stocks and working capital.

	Surplus-to-GDP (%)	Debt-to-GDP (%)	5 Yr. CDS Spreads
Greece	-10.58	236.46	73.83
Austria	-8.17	109.12	10.79
France	-8.79	145.87	21.00
Belgium	-8.97	142.45	12.27
Spain	-11.15	146.73	30.36
Italy	-9.72	184.12	72.85

Sources: Thomson Reuters and IFS

Unemployment

As the recovery in employment-intensive services is likely to be gradual, refocusing income support measures on active labour market programmes and training would help prevent poverty or longer-term unemployment from rising. Greece's Recovery and Resilience Plan includes many measures that can boost productivity and environmental sustainability in the longer term, and will require swift and sustained implementation.

	Unemployment (%)	
	2019	2020
Greece	17.25	16.85
Austria	4.51	5.35
France	8.43	8.62
Belgium	5.36	5.55
Spain	13.96	15.50
Italy	9.95	9.31

Source: Intl. Finance Statistics

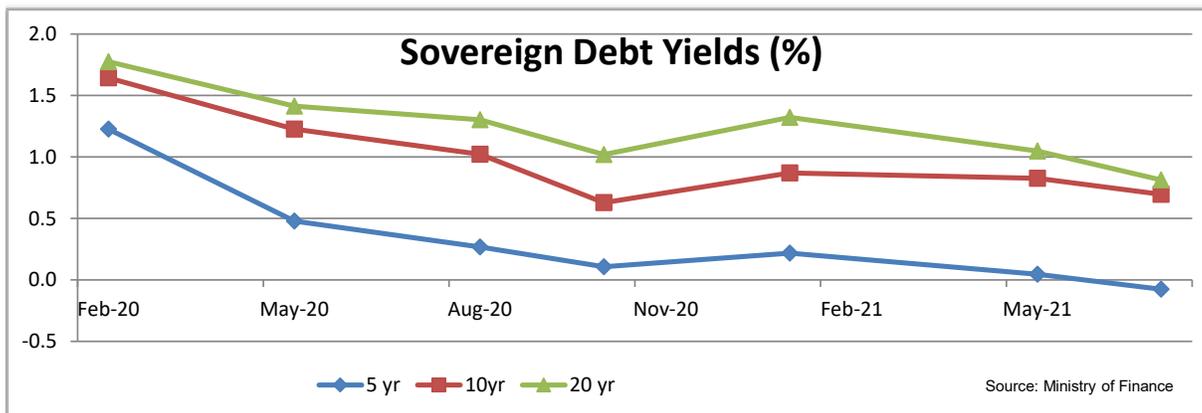
Banking Sector

Even during a pandemic-ridden 2020, banks continued to execute de-risking plans, reducing NPEs by ~EUR 17B, or one-fourth of the pre-COVID-19 level (YE19). Following years of deleveraging, Greek banks' loan growth is set to accelerate in the coming years, with healthier balance sheets, improving corporate demand and the pending launch of reforms and investments under the government's Greece 2.0 program.

Bank Assets (billions of local currency)		
	Assets	Mkt Cap/ Assets %
NATL BANK GREECE	77.5	2.96
EUROBANK ERGASIA	67.7	4.35
PIRAEUS BANK	70.1	3.88
ATTICA BANK SA	3.6	1.73
Total	290.4	
EJR's est. of cap shortfall at 10% of assets less market cap		19.3
Greece's GDP		165.8

Funding Costs

In March 2021, Greece saw strong demand for first 30-year bond issue in over a decade. Greece raised EUR 2.5B and was priced at 150 bps over the mid-swap level, resulting a yield of about 1.93%, the highest among euro zone countries in that maturity. Greece 10Y Bond Yield was 0.60% in mid-August, according to over-the-counter interbank yield quotes for this government bond maturity and is expected to trade at 0.58% by the end of this quarter, and at 0.66% in 12 months' time, according to Trading Economics.



Ease of Doing Business

Major factors for growing an economy are the ease of doing business and economic freedoms. 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 an overall rank of 79 (1 is best, 189 worst) is mediocre.

The World Bank's Doing Business Survey*			
	2021	2020	Change in
	Rank	Rank	Rank
Overall Country Rank:	79	79	0
Scores:			
Starting a Business	11	11	0
Construction Permits	86	86	0
Getting Electricity	40	40	0
Registering Property	156	156	0
Getting Credit	119	119	0
Protecting Investors	37	37	0
Paying Taxes	72	72	0
Trading Across Borders	34	34	0
Enforcing Contracts	146	146	0
Resolving Insolvency	72	72	0

* 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 60.9 for Economic Freedom with 100 being best.

Heritage Foundation 2021 Index of Economic Freedom				
World Rank 60.9*				
	2021 Rank**	2020 Rank	Change in Rank	World Avg.
Property Rights	55.5	57.0	-1.5	53.6
Government Integrity	53.5	51.2	2.3	45.9
Judicial Effectiveness	53.6	48.6	5.0	45.4
Tax Burden	59.9	59.0	0.9	77.7
Gov't Spending	34.2	31.5	2.7	67.1
Fiscal Health	80.0	80.0	0.0	72.1
Business Freedom	75.8	73.7	2.1	63.2
Labor Freedom	49.8	52.0	-2.2	59.5
Monetary Freedom	80.0	79.4	0.6	74.7
Trade Freedom	84.0	81.4	2.6	70.7

*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

Credit Quality Driver: Taxes Growth:

HELLENIC REPUBLIC (GREECE) has seen a decline in taxes of 14.4% per annum in the last fiscal year which is disappointing. We expect tax revenues will decline by approximately 8.2% per annum over the next couple of years and 0.5% per annum for the next couple of years thereafter.

Credit Quality Driver: Total Revenue Growth:

HELLENIC REPUBLIC (GREECE)'s total revenue growth has been less than its peers and we assumed a 2.0% decline in total revenue over the next two years.

Income Statement	Peer Median	Issuer Avg.	Assumptions	
			Yr 1&2	Yr 3,4,5
Taxes Growth%	(6.7)	(14.4)	(8.2)	0.5
Social Contributions Growth %	(1.2)	(4.5)	0.5	0.5
Grant Revenue Growth %	0.0	NMF		
Other Revenue Growth %	0.0	NMF		
Other Operating Income Growth%	0.0	22.2		
Total Revenue Growth%	(5.0)	(6.0)	(2.0)	(3.0)
Compensation of Employees Growth%	2.3	1.6	1.6	1.6
Use of Goods & Services Growth%	2.8	1.2	1.2	1.2
Social Benefits Growth%	9.6	(0.2)	(0.2)	(0.2)
Subsidies Growth%	28.1	223.3		
Other Expenses Growth%	0.0			
Interest Expense	1.8	1.3	1.3	
Currency and Deposits (asset) Growth%	22.9	0.0		
Securities other than Shares LT (asset) Growth%	(9.4)	0.0		
Loans (asset) Growth%	(67.7)	(2,120.8)	(8.2)	(8.2)
Shares and Other Equity (asset) Growth%	(30.6)	(191.7)	2.0	2.0
Insurance Technical Reserves (asset) Growth%	0.0	0.0		
Financial Derivatives (asset) Growth%	3.7	0.0		
Other Accounts Receivable LT Growth%	5.3	18.3	18.3	16.5
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%	3.8	22.5	3.0	3.0
Currency & Deposits (liability) Growth%	0.7	(0.5)	0.5	0.5
Securities Other than Shares (liability) Growth%	14.4	27.8	19.5	17.5
Loans (liability) Growth%	7.9	0.6	0.6	0.6
Insurance Technical Reserves (liability) Growth%	10.3	115.3	22.0	24.0
Financial Derivatives (liability) Growth%	23.1	19.4	19.4	17.5
Additional ST debt (1st year)(millions EUR)	0.0	0.0		

ANNUAL OPERATING STATEMENTS

Below are HELLENIC REPUBLIC (GREECE)'s annual income statements with the projected years based on the assumptions listed on page 5.

	ANNUAL REVENUE AND EXPENSE STATEMENT					
	(MILLIONS EUR)					
	2017	2018	2019	2020	P2021	P2022
Taxes	48,504	50,089	49,743	42,602	39,109	35,902
Social Contributions	25,998	26,272	26,654	25,453	25,580	25,708
Grant Revenue						
Other Revenue						
Other Operating Income	<u>12,394</u>	<u>12,446</u>	<u>13,467</u>	<u>16,460</u>	<u>16,460</u>	<u>16,460</u>
Total Revenue	86,896	88,807	89,864	84,515	81,149	78,070
Compensation of Employees	21,516	21,727	21,902	22,253	22,610	22,972
Use of Goods & Services	9,377	8,551	8,602	8,705	8,809	8,915
Social Benefits	38,523	38,557	39,547	39,478	39,409	39,340
Subsidies	1,701	1,554	1,832	5,922	5,923	5,923
Other Expenses				14,151	14,151	14,151
Grant Expense						
Depreciation	6,643	6,686	6,607	6,607	6,607	6,607
Total Expenses excluding interest	<u>81,705</u>	<u>83,085</u>	<u>84,178</u>	<u>97,116</u>	<u>97,509</u>	<u>97,908</u>
Operating Surplus/Shortfall	5,191	5,722	5,686	-12,601	-16,360	-19,838
Interest Expense	<u>5,566</u>	<u>6,078</u>	<u>5,504</u>	<u>4,945</u>	<u>5,007</u>	<u>5,071</u>
Net Operating Balance	-375	-356	182	-17,546	-21,367	-24,909

ANNUAL BALANCE SHEETS

Below are HELLENIC REPUBLIC (GREECE)'s balance sheets with the projected years based on the assumptions listed on page 5.

	ANNUAL BALANCE SHEETS					
	(MILLIONS EUR)					
Base Case	2017	2018	2019	2020	P2021	P2022
ASSETS						
Currency and Deposits (asset)	24,493	43,537	44,017	35,828	35,828	35,828
Securities other than Shares LT (asset)	1,289	2,362	2,439	3,355	3,355	3,355
Loans (asset)	-204	-283	-125	2,526	2,319	2,129
Shares and Other Equity (asset)	-172	-1,513	12	-11	-11	-11
Insurance Technical Reserves (asset)	96	120	126	124	124	124
Financial Derivatives (asset)						
Other Accounts Receivable LT	18,804	19,501	20,847	24,661	29,173	34,510
Monetary Gold and SDR's						
Other Assets					36,809	36,809
Additional Assets	<u>39,617</u>	<u>37,635</u>	<u>39,039</u>	<u>36,809</u>		
Total Financial Assets	83,923	101,359	106,355	103,292	107,596	112,743
LIABILITIES						
Other Accounts Payable	18,855	17,536	19,992	24,490	25,225	25,981
Currency & Deposits (liability)	6,008	6,245	6,582	6,548	6,548	6,548
Securities Other than Shares (liability)	52,136	49,246	64,485	82,413	98,452	117,612
Loans (liability)	263,437	283,928	275,959	277,536	298,903	323,812
Insurance Technical Reserves (liability)	54	59	98	211	257	314
Financial Derivatives (liability)	3,936	3,801	7,510	8,968	10,709	12,788
Other Liabilities	<u>929</u>	<u>950</u>	<u>966</u>	<u>926</u>	<u>926</u>	<u>926</u>
Liabilities	345,355	361,765	375,592	401,092	426,762	456,818
Net Financial Worth	<u>-261,433</u>	<u>-260,406</u>	<u>-269,237</u>	<u>-297,799</u>	<u>-319,166</u>	<u>-344,075</u>
Total Liabilities & Equity	83,922	101,359	106,355	103,293	107,596	112,743

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Egan-Jones is not an NRSRO (as defined by the SEC) for sovereign/municipal issuers and structured finance/ABS issuers.

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 "B" whereas the ratio-implied rating for the most recent period is "CCC+".

Changes in Indicative Ratios

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

SEC Rule 17g-7(a) Disclosure (Non-NRSRO)

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 B. There are three notches in our rating categories (e.g., A- A, and A+) except for AAA and those deep into speculative grade, i.e., CC, C, and D do not have 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 Methodologies for Determining Credit Ratings (Main Methodology) version #15a 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 projections on pages 1, 6, and 7 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 dependent on numerous factors including the reliability, accuracy, and quality of the data relied upon in determining the credit rating. The data is sourced from publicly available information from the IMF and other similar sources. In some cases, the information is limited because of issues such as the lack of reported data, a delay in reporting data, restatements, inaccurate accounting and other issues. Such issues 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 publicly available information from the IMF, governmental filings and other similar sources for ratings on sovereign 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%	(8.2)	(4.2)	(12.2)	B-	B-	B-
Social Contributions Growth %	0.5	3.5	(2.5)	B-	B-	B-
Other Revenue Growth %	0.0	3.0	(3.0)	B-	B-	B-
Total Revenue Growth%	(2.0)	0.0	(4.0)	B-	B-	B-
Monetary Gold and SDR's Growth %	18.3	20.3	16.3	B-	B-	B-

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

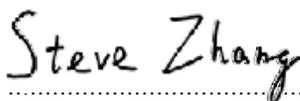


August 31, 2021

Subramanian NG
Senior Rating Analyst

Reviewer Signature:

Today's Date



August 31, 2021

Steve Zhang
Senior Rating Analyst

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.