

Hellenic Republic

Rating Report



Credit strengths

- Strengthened European institutional support, via the EU and Eurosystem
- Strong profile of public debt
- Fiscal outperformance
- Structural reforms; NPL reduction

Credit challenges

- Very high government debt stock
- Banking-sector fragilities
- Moderate growth potential, high unemployment, rigid labour market
- Weak external sector

Rating rationale:

Strengthened European institutional support: Supportive monetary- and fiscal-policy measures have been enhanced for Greece since the Covid-19 crisis. Despite ECB monetary-policy tightening, the central bank has stayed committed to supporting vulnerable Member States facing undue rises of yield spreads – designing an ‘anti-fragmentation’ instrument. Such programmes, alongside EU fiscal support from the EU Recovery Fund, are fundamental to anchoring Greek market access – and represent a sea change from Greece’s exclusion from ECB monetary operations pre-Covid crisis. This supports debt sustainability and creates fiscal space.

Enhanced fiscal dynamics: Strong reduction underway in the public-debt ratio and general government deficit since 2020, supported by the robust economic recovery, elevated inflation, alongside prudent fiscal policy driving the return to primary budget surpluses. Fiscal dynamics are furthermore supported by past significant improvements in the public-debt structure – such as low average interest costs of outstanding debt entering the cost-of-living crisis.

Structural reforms: Banks have continued to substantively curtail elevated non-performing loans (NPLs) – which reached a 7.9% system-wide average by Q3 2023. However, banking-system stability remains challenged by moderate capital adequacy and strengthened sovereign-bank links.

Rating challenges include: i) still very high government debt outstanding, representing a continued vulnerability during reappraisals of risk in financial markets; ii) banking-sector fragilities; and iii) structural economic vulnerabilities, including moderate growth potential and a weak external sector.

Greece’s sovereign rating drivers

Risk pillars	Quantitative		Reserve currency*	Qualitative**	Final rating	
	Weight	Indicative rating	Notches	Notches		
Domestic Economic Risk	35%	bbb+	EUR [+1]	-2/3	BBB-	
Public Finance Risk	20%	bb+		+2/3		
External Economic Risk	10%	c		+1/3		
Financial Stability Risk	10%	a		0		
ESG Risk	Environmental Factors	5%		bb		-1/3
	Social Factors	7.5%		ccc		-1/3
	Governance Factors	12.5%		bb-		+1/3
Indicative outcome		bbb-		0		
Additional considerations				0		

Note: *The reserve-currency adjustment applies to currencies in the IMF’s SDR basket. **The qualitative-scorecard adjustments, capped at one notch per rating pillar, are weighted equally with an aggregate adjustment rounded to the nearest integer. For details, please see Scope’s [Sovereign Rating Methodology](#). Source: Scope Ratings.

Outlook and rating triggers

The Stable Outlook reflects our view that risks to the ratings are balanced.

Positive rating-change drivers

- Sustained decline in the public-debt ratio
- Banking-sector risks are furthered curtailed
- Strengthened economic sustainability

Negative rating-change drivers

- Eurosystem support for Greece weakens
- Impediments to declines in public debt
- Banking-sector risks re-intensify
- Macroeconomic sustainability weakens

Ratings and Outlook

Foreign currency

Long-term issuer rating	BBB-/Stable
Senior unsecured debt	BBB-/Stable
Short-term issuer rating	S-2/Stable

Local currency

Long-term issuer rating	BBB-/Stable
Senior unsecured debt	BBB-/Stable
Short-term issuer rating	S-2/Stable

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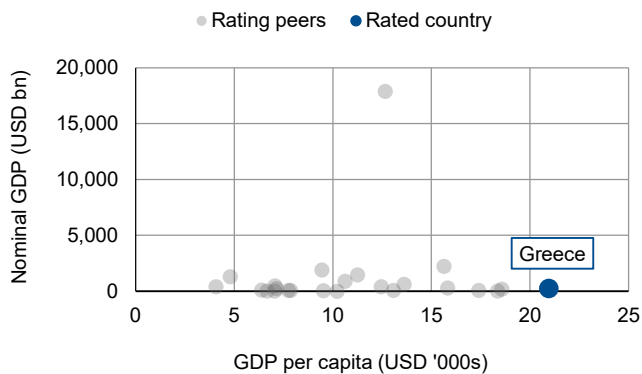
Bloomberg: RESP SCOP

Domestic Economic Risk

Overview of Scope's qualitative assessments for Greece's Domestic Economic Risk

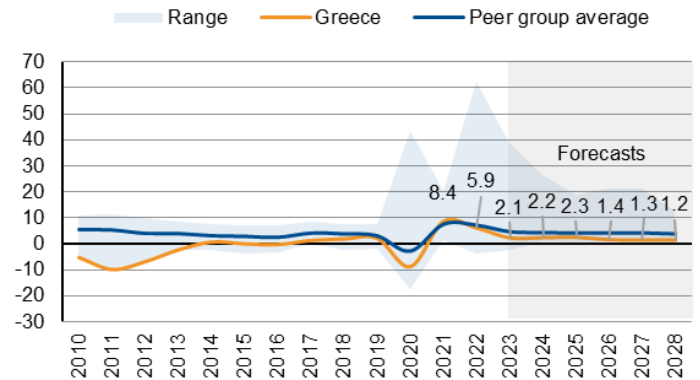
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bbb+	Growth potential of the economy	Weak	-1/3	Substantive investment gaps in several sectors; low innovation, although gradual shift towards more competitive export-oriented sectors; long-run economic-growth potential remains comparatively weak
	Monetary policy framework	Neutral	0	ECB is a highly credible and effective central bank; ECB policy innovations and Greece's enhanced access anchor Greek markets
	Macro-economic stability and sustainability	Weak	-1/3	Elevated structural unemployment; limited economic diversification; rigidities of the labour market

Nominal GDP and GDP per capita



Source: IMF World Economic Outlook (WEO), Scope Ratings

Real GDP growth, %



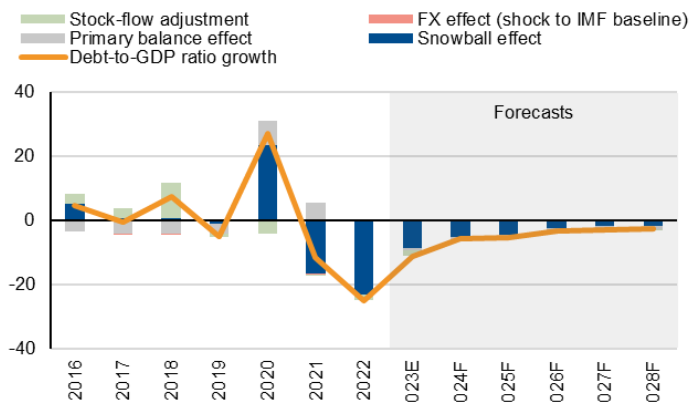
Source: IMF WEO, Scope Ratings forecasts

Public Finance Risk

Overview of Scope's qualitative assessments for Greece's Public Finance Risk

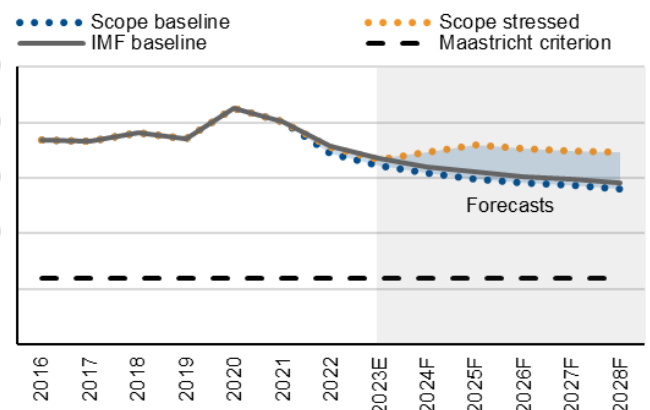
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
bb+	Fiscal policy framework	Strong	+1/3	Benefits from EU/euro-area fiscal governance institutions; primary surpluses; some policy slippage
	Debt sustainability	Neutral	0	Very high public debt ratio but continued decline expected; comparatively low risk from phases of rate rises or forex (euro) volatility
	Debt profile and market access	Strong	+1/3	Strong debt structure and cash cushion, but debt structure is weakening; strengthened access to regional lenders of last resort

Contributions to changes in debt levels, pps of GDP



Source: IMF WEO, Scope Ratings forecasts

Debt-to-GDP forecasts, % of GDP



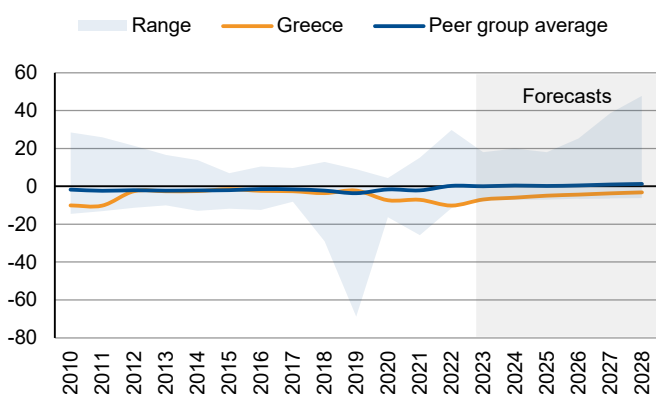
Source: IMF WEO, Scope Ratings forecasts

External Economic Risk

Overview of Scope's qualitative assessments for Greece's *External Economic Risk*

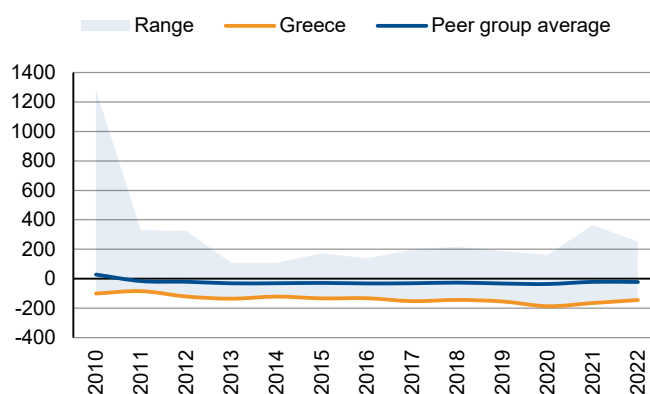
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
c	Current account resilience	Neutral	0	Current account sensitive to changes of foreign-tourism behaviour; significant current-account deficit
	External debt structure	Strong	+1/3	Elevated external debt, but very long maturity and in the form of euro-denominated sovereign debt owed to the official sector
	Resilience to short-term external shocks	Neutral	0	Benefits from euro-area membership

Current-account balance, % of GDP



Source: IMF WEO forecasts, Scope Ratings

Net international investment position (NIIP), % of GDP



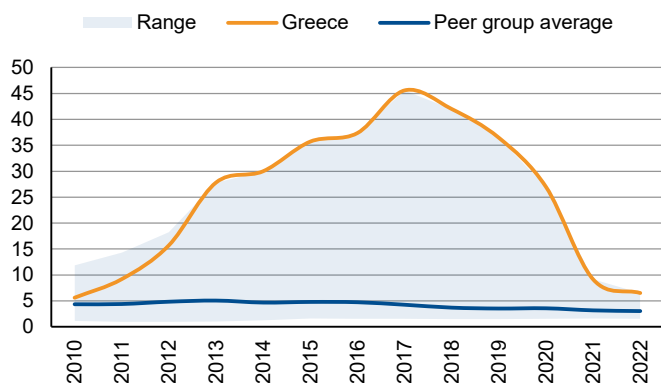
Source: IMF, Scope Ratings

Financial Stability Risk

Overview of Scope's qualitative assessments for Greece's *Financial Stability Risk*

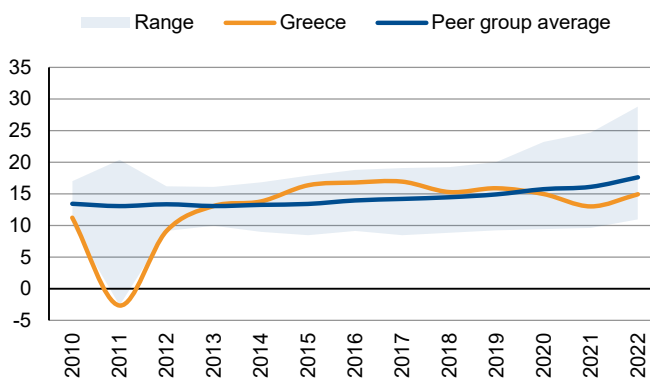
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
a	Banking sector performance	Weak	-1/3	Improved profitability, poor asset quality and moderate capitalisation; sharp reductions in NPLs and strengthened liquidity; inadequate credit growth
	Banking sector oversight	Strong	+1/3	Effective oversight by the Bank of Greece and the ECB as part of Banking Union
	Financial imbalances	Neutral	0	Moderate private debt; no credit-growth imbalances such as those of sovereign peers; strong bank interconnectedness with the sovereign

Non-performing loans, % of total loans



Source: World Bank, Scope Ratings

Tier 1 capital, % of risk-weighted assets



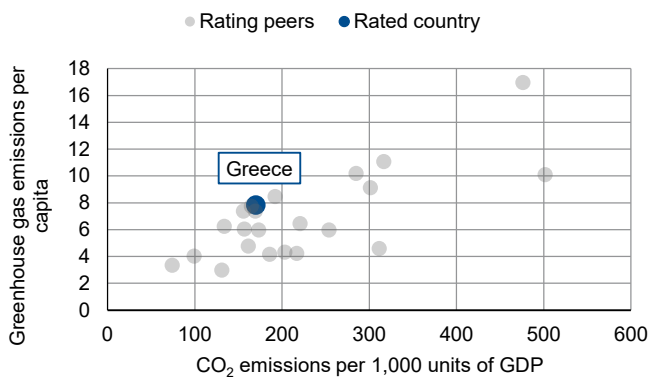
Source: IMF, Scope Ratings

Environmental, Social and Governance (ESG) Risk

Overview of Scope's qualitative assessments for Greece's ESG Risk

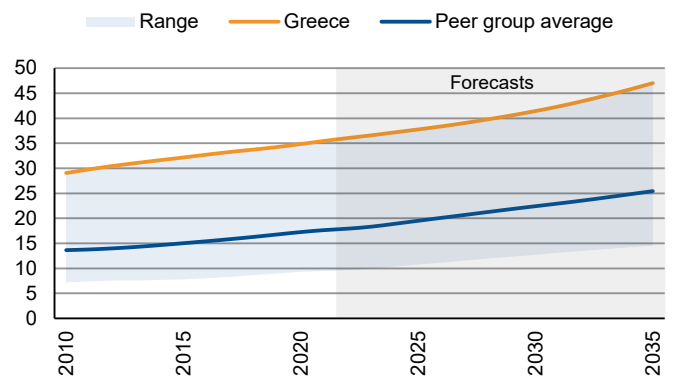
CVS indicative rating	Analytical component	Assessment	Notch adjustment	Rationale
b+	Environmental factors	Weak	-1/3	High exposure to natural-disaster risks; ambitious decarbonisation objectives; low share of renewables in aggregate energy mix
	Social factors	Weak	-1/3	Adverse demographics; moderate educational outcomes but long healthy life expectancy; inequality between the regions and elevated poverty
	Governance factors	Strong	+1/3	Comparatively stable political conditions and ongoing institutional reforms; lingering geopolitical tensions

CO₂ emissions per GDP, mtCO₂e



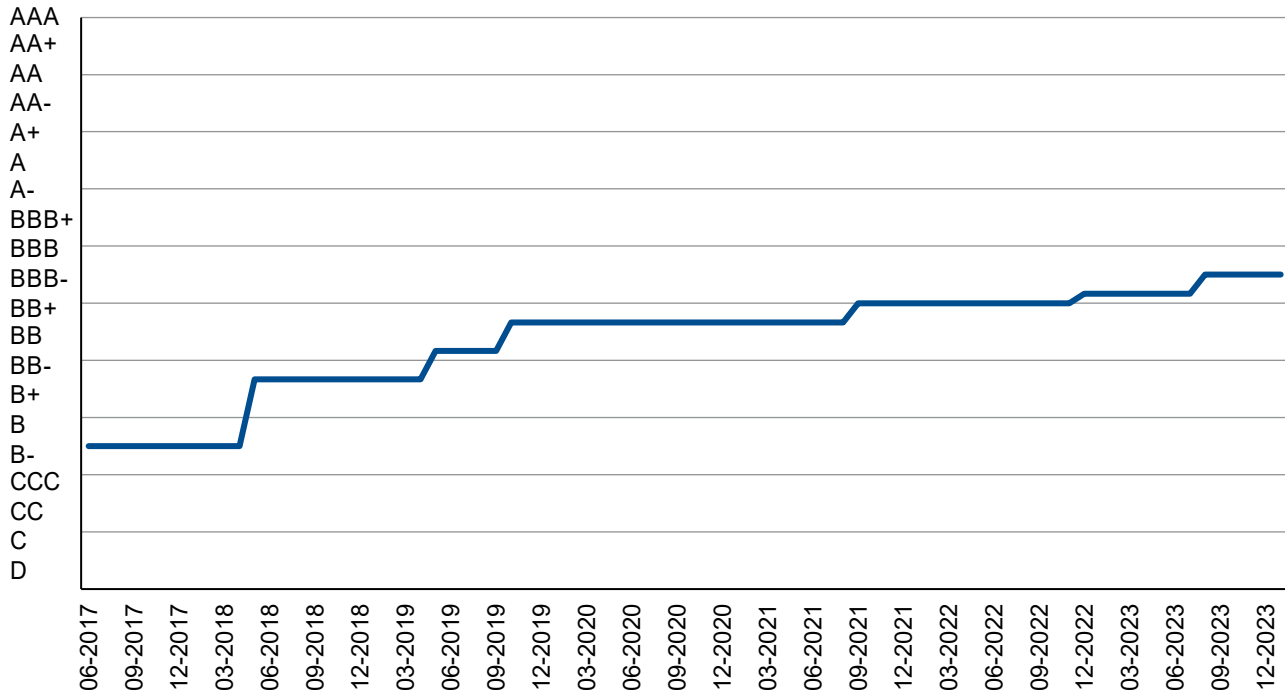
Source: European Commission, Scope Ratings

Old-age dependency ratio, %



Source: United Nations forecasts, Scope Ratings

Appendix I. Rating history (foreign-currency long-term issuer rating)



NB. Positive/Negative Outlooks are treated with a +/-0.33-notch adjustment. Credit Watch positive/negative with a +/-0.67-notch adjustment.

Appendix II. Rating peers

Rating peers are related to sovereigns with an indicative rating in the same rating category or adjacent categories, as assigned by Scope's core variable scorecard after accounting for a methodological reserve-currency adjustment.

Peer group*
China
Georgia
Hungary
Romania
Serbia
Türkiye

Publicly-rated sovereigns only; the full sample of sovereign-rating peers may be larger.

Appendix III. Statistical table for selected CVS indicators

This table presents a selection of the indicators (24 out of 30 – with the governance indicator reflecting a composite of six indicators) used in Scope's quantitative model, the core variable scorecard, in line with Scope's [Sovereign Rating Methodology](#). The metrics and sources for the data presented here ensure comparability across global country peers and may therefore differ from data from national and other select international statistical series.

Pillar	Core variable	Source	2019	2020	2021	2022	2023E
Domestic Economic	GDP per capita, USD '000s	IMF	19.1	17.6	20.1	21.0	23.2
	Nominal GDP, USD bn	IMF	205.3	188.8	215.0	219.2	242.4
	Real growth, %	IMF	1.9	-9.0	8.4	5.9	2.5
	CPI inflation, %	IMF	0.5	-1.3	0.6	9.3	4.1
	Unemployment rate, %	WB	17.3	16.3	14.7	12.2	-
Public Finance	Public debt, % of GDP	IMF	185.5	212.4	200.7	178.1	168.0
	Net interest payment, % of revenue	IMF	6.2	6.0	5.0	4.8	5.6
	Primary balance, % of GDP	IMF	3.0	-7.5	-5.2	0.1	1.0
External Economic	Current-account balance, % of GDP	IMF	-2.2	-7.3	-7.1	-10.1	-6.9
	Total reserves, months of imports	WB	1.1	1.8	1.6	1.1	-
	NIIP, % of GDP	IMF	-154.6	-186.9	-165.4	-144.9	-
Financial Stability	NPL ratio, % of total loans	IMF	36.4	27.0	9.2	6.5	-
	Tier 1 ratio, % of risk-weighted assets	IMF	14.9	14.6	13.7	12.6	14.1
	Credit to the private sector, % of GDP	WB	81.0	82.3	57.1	-	-
ESG	CO ₂ per EUR 1,000 of GDP, mtCO ₂ e	EC	197.3	180.3	170.1	-	-
	Income share of bottom 50%, %	WID	21.1	21.5	21.5	-	-
	Labour-force participation rate, %	WB	67.7	66.6	66.5	-	-
	Old-age dependency ratio, %	UN	34.3	34.9	35.5	36.0	36.6
	Composite governance indicators*	WB	0.3	0.4	0.4	0.4	-

* Average of the six World Bank Worldwide Governance Indicators.

Appendix IV. Economic development and default indicators

IMF Development Classification

Advanced economy

5y USD CDS spread (bps) as of 23 January 2024

65.3



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