

## Rating Update:

### **Creditreform Rating revises Greece's outlook to "positive" and affirms the Hellenic Republic's credit ratings at "B+"**

#### Rating Action

Neuss, 18 December 2020

Creditreform Rating has revised its outlook on the Hellenic Republic to "positive" from "stable" and affirmed the unsolicited long-term sovereign rating of "B+". Creditreform Rating has also affirmed Greece's unsolicited ratings for foreign and local currency senior unsecured long-term debt of "B+".

#### Reasons for the Rating Decision and Latest Developments

The outlook on the Hellenic Republic has been revised from stable to positive, reflecting

- (i) substantial EU-level funding which should be brought on the way in early 2021, in particular via NextGenerationEU (NGEU), which we view as vital to assist in implementing broad-based structural reforms as per Development Plan for the Greek Economy;
- (ii) our expectation that the ongoing overhaul of and tangible progress regarding the institutional framework, which constitutes a key precondition for structural macroeconomic reforms to be effectively and sustainably implemented, will see acceleration once the acute phase of the current pandemic is overcome; and
- (iii) prospects for progressing immunization against Covid-19 on a broader international scale which would translate into resuming tourism inflows, bolstering the recovery of the essential tourism sector

#### Macroeconomic Performance

*Ongoing structural challenges regarding its labor market as well as its business climate, among others, continue to weigh on Greece's overall rather weak macroeconomic performance profile, as does only anemic economic growth over the last few years. While we expect the corona crisis to constitute a painful but temporary setback in terms of economic growth, labor market developments had improved prior to the Covid-19 pandemic, and our perception is that commitment to structural reforms remains high, thus enhancing the prospect of increasing labor participation, productivity and ultimately growth potential. We consider the Recovery and Resilience Facility (RRF) as well as other expected funding from NGEU as a major factor prospectively boosting Greece's underlying growth.*

Having experienced rather muted recovery following its debt crisis, with real GDP growth averaging only 0.8% in 2015-19 (EA: 1.9%), Greece's economic output growth accelerated to 1.9% in 2019, thus exceeding slowing growth in the euro area (EA) as a whole (1.3%). At the same time, estimated GDP per capita rose by 3.8% to roughly USD 31,572 in 2019 (IMF data, PPP terms). We note that the Oct-20 benchmark revision entailed a new base year (2015) and changes to GDP levels, with currently available estimates constituting preliminary results. Based on these, quarterly GDP growth in Q1-20 held up relatively well compared to the euro area as a whole (0.1% q-o-q, EA: -3.7%). The second quarter witnessed the full effect of the first lockdown, seeing

Greece's real GDP declining by 14.1% q-o-q (EA: -11.7%), with exports registering the steepest decline (-35.1% q-o-q) on account of tourism coming to a standstill and collapsing export of transport services. Overall services exports are dominated by the latter two categories, with respective shares of 45.3% (travel) and 43.1% (transport, BoP data) in 2019. Private consumption experienced a drastic fall as well in Q2, contracting by 12.3% q-o-q.

As elsewhere, economic activity rebounded in Q3-20, as restrictions had been gradually lifted, and as the government had put in place significant support measures to maintain jobs and ensure companies' liquidity. However, real GDP rose only by a meagre 2.3% q-o-q, thus staying well behind the rebound recorded for the euro area as a whole (+12.5%). The moderate economic recovery was backed by the release of pent-up household consumption (+15.3%). Contrary to that, gross fixed capital formation (GFCF) and especially exports continued to decrease, by 0.4% and 10.4% respectively, the latter driven by a plunge of services exports (-39.2%), which particularly highlights the downside risks stemming from high exposure to tourism in the current pandemic context. According to latest WTTTC data, travel and tourism contributed 20.8% to GDP and 21.7% to total employment in 2019.

The renewed infection wave, which had seen the 14-day cumulative number of cases per 100,000 rise by a factor of almost 10 within two months, peaking at about 332 on 21 November (ECDC data), has led to a second nationwide lockdown from 7 November. Initially intended to last for three weeks, the lockdown has been extended to 7 January, with further tweaks on an ongoing basis, so that a negative bearing on economic growth may not be confined to the final quarter of the year, but may well affect the first quarter of 2021, too. While the 14-day cumulative number has come down to 189 as of 14 December, restrictions so far remain largely in place. Overall, we now expect real GDP to contract by 10.5% in 2020.

Despite the abovementioned vulnerabilities, the fallout from the pandemic on the labor market, which had continued its improving trend prior to the outbreak, has been limited so far, as schemes to maintain employment and back businesses are preventing worse. In total, the government has mobilized roughly EUR 24.2bn (DBP21) or 13.2% of 2019 GDP including loan guarantees in aid to shield the economy from deeper harm. Also, the sovereign has been allocated EUR 2.7bn under the EU's employment instrument SURE. Having fallen further to 15.7% by Mar-20 (Mar-19: 18.1%, Mar-16: 23.8%), the LFS-adjusted monthly unemployment rate climbed to 18.0% in June before falling back to 16.1% in September. More generally, and notwithstanding the improvements, the labor market continues to face challenges as regards a low participation rate, which in 2019 rose slightly to 68.4% (15-64y, EA: 73.7%), as well as the EU's highest youth unemployment (15-24y, 2019: 35.2%, EA: 15.6%) and long-term unemployment rates (20-64y, 70.2%, EA: 44.8%).

Our base case for 2021 remains a recovery backed by partly extended national support measures. Once vaccines are rolled out on a broader scale, the recovery should gain traction, as this would be the prerequisite for tourism and transport services to resume. That said, initial tourist arrivals may still stay well below previously seen levels, and cautious behavior will likely lead to only gradually increasing tourism inflows going forward. In July and August, tourist arrivals were at roughly 0.8mn and 1.8mn, 85.4 and 73.3% below the level registered in July and August 2019 respectively (SETE data).

Next year's domestic demand should be fostered in particular by public investment, which the government reckons will come to about 1.5% of GDP. If there is a follow-up agreement between the EU and the UK superior to WTO rules, this could add favorably to foreign demand. More

generally, the result of the US election may imply some reconciliation in terms of global trade cooperation, from which Greece could benefit. For now, we tentatively pencil in GDP growth to the tune of 2.7% for 2021, acknowledging considerable uncertainty not least due to the quarterly profile of national accounts data. Delayed availability of vaccines and recurring waves of infections and (partial) lockdowns continue to pose downside risks.

We continue to flag structural shortcomings as a credit weakness, as reflected by the World Bank's latest available Doing Business ranking (79 out of 209 economies), as well as the World Economic Forum's Global Competitiveness Index (59 out of 140 economies). Structural bottlenecks, although addressed on an ongoing basis, remain in place. Underlying growth thus appears to be dragged down by e.g. a less welcoming business environment compared to most EU countries, modest business dynamism, adverse demographics, and a relatively large share of sectors that tend to be less innovative and knowledge-intensive. Another element seems to be the relatively high share of microenterprises (0-9 employees) which often lack financial buffers and necessary capacity for adaptation to a rapidly changing economic environment, as witnessed during the most recent crisis episode. In 2017, these very small enterprises accounted for 95.7% of all enterprises (EU-27: 90.0%).

Hence, we think that recovery and resilience programs under NGEU, which was agreed among the EU member states this July, is of paramount importance, as it should provide decisive impetus for investment to be channeled towards strengthening, diversifying, and greening the Greek economic model, as well as boosting its skill base, which would ultimately lift potential growth. Greece is about to receive large-scale financial aid via NGEU. To our understanding, 8.7% of 2019 GDP in grants and 6.9% of 2019 GDP in loans shall be allocated to the Hellenic Republic via NGEU's RRF – only two EU member states will receive a higher percentage measured against their GDP. In addition, Greece is set to receive sizable funding under the next Multiannual Financing Framework 2021-27, totaling approx. EUR 21.4bn or 11.7% of 2019 GDP.

Against this backdrop, we assess the 'Development Plan for the Economy' presented in November 2020 by the so-called Pissarides committee as positive. The plan lays the basis for the use of the RRF means allocated to Greece. The large number of propositions made, among other things to enhance the business environment, make growth more inclusive, broaden and modernize the economic base, and streamline and modernize public administration, should decisively increase Greece's potential growth – if administrative challenges will be met.

The implementation of the RRF-related reforms thus needs to be monitored closely, as the efficiency and capacity of public administration in terms of deploying official funding for public spending offers some room for improvement, although significant improvements have been made over the years. More recently, OECD concluded that the public investment budget is still characterized by insufficient project preparation and execution delays.

#### Institutional Structure

*While Greece's institutional framework continues to offer ample room for improvement, we believe that being a member of the EU/EMU outweighs disadvantages from not being able to conduct an independent monetary policy. A relatively high level of public arrears remains an element weighing on our credit assessment despite some improvement, but we assess as positive recent steps taken to address this challenge more effectively. Related to this, we would reiterate our perception of strong commitment to governance-enhancing reforms and increasing policy predictability, following a mixed*

*track record in this regard over the last decade. Delays in the rollout of vaccines, and further waves of infections occupying vital resources, could ultimately delay implementation of the reforms, but for now we would see this as an adverse scenario.*

Hinting at progress as far as revamping the governance framework is concerned, we note that the latest set of the World Bank's Worldwide Governance Indicators (WGIs), which we regard as key in determining the quality of governance, suggests a more constructive perception of the sovereign on a broad basis. While Greece continues to trail the median rank of euro area members, the assessment of voice and accountability has improved from rank 51 to 47 out of 209 economies worldwide (EA-median: 26), and from rank 72 to 70 as regards government effectiveness (EA-median: 35). In the same vein, the sovereign showed significant improvements regarding the rule of law and the control of corruption, where Greece advanced from rank 86 to 83 and from rank 93 to 92 respectively (EA median: 33 and 42).

This encouraging development would tie in with the impression that marked headway has been made with regard to reforms in several key areas, such as a major overhaul of the insolvency code that will come into effect from January 2021 and that constitutes a vital step in creating a more business-friendly environment. In terms of public administration, we also gather that, following the recommendation of the Hellenic Court of Auditors, a framework for internal control in order to strengthen public finance management has been translated into a law envisaged to be adopted at the end of the year. Not only could this enhance procedures to consistently deal with and lower arrears, but it also raises the prospect of having a sound management system in place when it comes to deploying and reporting on the forthcoming EU funds (MFF 2021-27, NGEU).

More generally, we are aware that, despite the resource-consuming management of the corona crisis, authorities remain highly committed to tackling the economy's structural challenges (see above). This was also echoed by the Eighth Enhanced Surveillance Report recently published by the European Commission (EC), including the completion of the Treasury Single Account system as well as envisaged adoption of a revamp of public procurement procedures by the end of the year. We also understand that the human resource reform pertaining to the Independent Authority for Public Revenue has been embarked on, prospectively putting the authority in a position to attract and maintain highly-skilled staff, ultimately contributing to safeguarding tax revenue while strengthening tax compliance. The ongoing justice reform also seems to be going forward, given decisions to create specialized chambers to deal with different types of cases, and an action plan to improve the performance of the justice system by enhancing data collection and data quality. The relatively long time it takes to resolve litigious cases by European comparison would still need to be tackled. According to the latest EU Justice Scoreboard, the number of days to resolve such cases had increased in 2018. This being said, proposals included in the Development Plan for the Greek Economy would also work towards speeding up such procedures.

We think that the benefits from being a member of the EU/EMU outweigh the disadvantages of the Hellenic Republic not being able to set its own monetary policy, as impressively demonstrated in light of the Covid-19 pandemic. Besides significant advantages related to the access to the large single market as well as to a broad and deep capital market, we see substantial financial EU-level aid (i.e. MFF, NGEU, SURE) as a balancing factor. The same holds for the inclusion of Greece in the ECB's Pandemic Emergency Purchase Program (PEPP, see below) which supports benign financial market conditions.

We note that geopolitics would still pose some downside risks, in particular persisting tensions with Turkey over gas drilling activity in the Mediterranean Sea. Migration pressure by and large seems manageable at this stage, although developments may have to be monitored here as well.

#### Fiscal Sustainability

*The Covid-19 pandemic is at least temporarily reversing the improving trend in Greece's public finances, thus aggravating a key credit weakness, namely the sovereign's exceptionally high government debt level. We continue to view contingent liability risks regarding the very high stock of non-performing loans (NPLs) and a relatively high level of public arrears as further credit negative factors, along with demographic challenges that might increase the fiscal burden with a longer-term view. At the same time, risks to fiscal sustainability continue to be mitigated by the creditor structure and benign debt profile, and as well as by forthcoming substantial EU-level support. In addition, Greece's eligibility for the ECB's PEPP contributes to beneficial financial market conditions and low refinancing costs.*

Having recorded a headline surplus for a fourth consecutive year in 2019 (1.5% of GDP), along with a primary surplus that met or exceeded the program target for a fifth year in a row, the pandemic will have Greece's general government surplus turn into a large deficit. Against the backdrop of collapsing GDP growth, operating automatic stabilizers, as well as significantly rising expenditure to safeguard lives, maintain employment, and ensure as little disruption as possible to business operations, we expect Greece's headline balance to post a deficit of about 8.1% of GDP this year. Mitigating measures to cushion the fallout from the pandemic amounted to a total of about EUR 24.2bn by October, including loan guarantees. In the face of the new lockdown, some measures were extended in November, thus adding to the deficit. At the same time, revenue intake may disappoint further, as vital parts of the economy, in particular related to tourism and transport, continue to suffer. Moreover, application of a special lower VAT rate for five islands particularly exposed to the migration crisis was prolonged until June 2021. According to the Ministry of Finance, net revenue from Jan-Oct-20 fell by 11.4% against the same period in the preceding year, whereas expenditure leapt by 22.1% over the same period.

In light of the expected economic recovery for the coming year, the deficit should decline to about 5.2% of GDP, although there remains substantial uncertainty around these estimates. Measures aimed at assisting the recovery, taking into account both the revenue and expenditure side, would amount to about 1.1% of GDP in 2021 based on assumptions by the finance ministry (DBP21), and would include (temporarily) lower social security contribution and scrapped special solidarity tax in the private sector, among other things. Following the Council of State ruling on the past pension reform in July 2020, payment of retroactive pensions amounting to about 0.8% of GDP is included in the government's deficit estimates for 2020, but the full extent of retroactive compensation does not seem to be clear yet, thus representing a further fiscal risk. Furthermore, we understand that a litigation case against the Public Real Estate Company is currently before the Athens Court of Appeal and may add to fiscal costs.

On the other hand, we would highlight that our estimate incorporates a positive, i.e. deficit-lowering, effect from RRF funding. Greece has already submitted its Resilience and Recovery plan to the EC, and authorities reckon that public investment to the tune of 1.5% of GDP may be financed by the new EU facility. Further to the revenue side and in a bid to attract foreign taxpayers, Greece has introduced a new tax regime (non-dom tax regime), subject to conditions, for foreign high net-worth individuals willing to invest at least EUR 500,000 in the country and

for foreign pensioners, i.e. natural persons who are beneficiaries of pension income from abroad. We understand that a draft law also foresees a new tax regime for (foreign) natural persons wishing to transfer their tax residence to Greece. While these measures could augment tax revenue, predictability seems difficult, and the regime will have to continue to withstand scrutiny as regards any compliance issues on the EU level.

Against the backdrop of slumping GDP and the worsening general government balance, Greece's debt-to-GDP ratio is set to see a sharp increase this year – from an already exceptionally high level of 180.5% of GDP in 2019 to roughly 206% of GDP in 2020. For 2021, we expect a slight decline to just short of 205% of GDP amid recovering economic growth and a markedly smaller negative headline balance. Uncertainty remains very high, though, as developments are highly dependent on the further evolution of the pandemic and broad availability of effective vaccines. We view the government's commitment to strengthening budget execution and internal control mechanisms as pivotal to maintaining prospects of a benign medium-term debt trajectory. In this context, we favorably highlight the recent Eurogroup decision to approve the release of the fourth tranche of debt relief to the tune of EUR 767mn (30 Nov), based on the favorable assessment expressed in the EC's Eighth Enhanced Surveillance Report. Back in June, the Eurogroup had approved a third tranche over EUR 748mn. We note that IMF staff will reassess Greece's long-term debt sustainability during the next Article IV consultation envisaged for the first half of 2021.

Adding to mitigating factors regarding fiscal sustainability risks is the fact that Greek debt is largely held by committed official lenders. At the end of Aug-20, loans from the three aid programs (GLF, EFSF, ESM) involving the European partners amounted to EUR 243.5bn while debt to the IMF came to EUR 5.41bn (DBP21). Moreover, the debt profile remains very benign, boasting an average maturity of 19.6y. Likewise, we recall that the sovereign has a substantial cash buffer at its disposal, with general government cash reserves at EUR 34.5bn (end of Sep-20) and the cash buffer account balance at EUR 15.7bn, according to EC. What is more, the recent issuance of a 15-year bond (re-opening, 21 Oct) confirmed Greece's ability to tap the market, not least in view of its eligibility to the ECB's PEPP, which also contributes to ongoing benign financial market conditions. Cumulatively, from March to November 2020 the Eurosystem has purchased Greek government bonds (net purchases) equivalent to about EUR 16.3bn, corresponding to roughly 31% of outstanding Greek benchmark bonds (PDMA).

The ECB's decision at the December meeting to add to its accommodative stance by increasing the PEPP envelope by EUR 500bn to a total of EUR 1,850bn and extending the horizon for net purchases under the PEPP to at least the end of March 2022, along with extended and added refinancing operations (TLTRO, PELTRO), should prolong the benign financial market environment for the time being. Following a spike amid the outbreak of coronavirus in Europe, the yield on 10-year Greek bonds has firmly trended down and remains at historically low levels, reaching an all-time low at 0.60% on 11 December.

Looking at contingent liability risks from the banking sector, we observe that as of Jun-20, the NPL ratio has further declined to 30.3%, from 39.2% in Jun-19 (EBA data). Despite tangible progress in lowering the ratio, it remains the highest by far in the EU and continues to point to a poor, though improving, asset quality in the sector. We note that, as a complementary tool alongside the Greek Asset Protection Scheme (Hercules), the Bank of Greece proposes establishing a bad bank to accelerate the reduction of NPLs, possibly also including Covid-19 NPLs, which we think could deliver more credible prospects for unburdening the banking sector. In

terms of risk buffers, Greek banks have been less well capitalized in Q2-20 (14.8%) compared to a year before (15.8%), broadly on par with the EU average (Q2: 15.0%). Furthermore, profitability visibly suffered by Q2-20, with return on assets turning negative (-0.7%, EU: 0.0%), thus underscoring risks that recent progress in dealing with NPLs could be reversed if the economic decline were to continue and that a bank-sovereign-nexus may be reignited in a downside scenario, as interest and mortgage payment moratoria may be phased out at some point. Moreover, we see risks concerning a possible reversal of the recent trend of improving arrears in the event of a protracted economic downturn or markedly delayed recovery. Potentially, the payment plan considered by the government and reportedly foreseeing at least 100 installments, envisaged to start in May 2021, could be derailed.

Taking a longer-term perspective, we would also reiterate potential pressure on fiscal sustainability from demographic developments, as age-related costs already constitute one of the highest in the EU. The old-age dependency ratio also counts among the highest in the EU (2019: 34.6, EU-27: 31.4), and given the estimated increase would continue to do so in 2030.

#### Foreign Exposure

*The sovereign's highly negative net international investment position (NIIP) generally points to persistent external vulnerabilities, which, however, remain mitigated to a considerable degree by the pronounced engagement of official creditors as regards Greece's external debt.*

The negative NIIP has become larger over recent years, rising to -160.1% of GDP in Q2-20, mainly due to 'other investment', but partly also due to a higher net foreign direct investment position. While we believe that the latter mirrors returning investor confidence to some extent, we have to emphasize that the official sector held 80% of central government debt in Q3-20 (PDMA).

The moderate current account deficit, which had narrowed from 2.9% to 1.5% of GDP in 2019, chiefly on account of an increased surplus in the services balance, widened in Q2-20 as halted tourism activity and a significant slowdown in transport had the surplus in services shrink markedly to 9.3% of GDP (Q4-19: 11.3% of GDP). In view of renewed lockdowns in Q4, 2020 overall should see the current account deficit expand compared to the prior year. If and when vaccination takes place on a broader scale in the coming year, we would expect Greece's current account deficit to narrow again, buoyed by gradually resuming tourism and transport activity.

#### Rating Outlook and Sensitivity

Our outlook for Greece's long-term credit ratings is positive, as we assume that the risk situation is improving in the next 12-24 months, mainly due to a brightening health situation in view of beginning rollout of vaccines, while the aforementioned factors are prospectively strengthening the macroeconomic outlook and at least mitigating fiscal risks. Nevertheless, we have to highlight that the further evolution of the pandemic remains subject to very high uncertainty. Accordingly, any assessment of further economic development is extraordinarily uncertain and significantly more difficult than usual, as is the case for other metrics, e.g. from the fiscal realm.

We could raise Greece's credit ratings, if, flanked by timely and broad-based vaccine administration, swift disbursement of NGEU funds and beginning implementation of Greece's Development Plan would be observed, thus laying the ground for boosting medium-term growth. Further structural improvements on the labor market would add favorably to this, as would visible

re-acceleration of reform momentum on the institutional side. We could also consider upgrading the ratings if the debt level swiftly embarks on a firm downward trajectory, in tandem with unwavering commitment to pursue a credible fiscal consolidation path over the medium term and with NPL ratios following a clear downward trend.

Conversely, we could consider lowering our ratings or the outlook if the deterioration in public finances becomes more entrenched, which might be the case if the improving trend in NPLs in the banking sector were to be reversed, possibly requiring state support. A negative rating action could also be prompted by deeper scarring of the economy due to the pandemic, resulting in worsening prospects for medium-term growth, as the rollout of vaccines may be delayed or prove less effective than hoped, thus causing recurring infection waves and related restrictions with grave consequences for the tourism industry. In such a scenario, rising numbers of insolvencies, and job losses would worsen at least the near-term outlook, and markedly slowing reform momentum could be an undesirable side effect thereof, adding to downward pressure on ratings. Delays in disbursing the funds allocated via RRF/NGEU could also bode ill.

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## Ratings\*

Long-term sovereign rating	B+ /positive
Foreign currency senior unsecured long-term debt	B+ /positive
Local currency senior unsecured long-term debt	B+ /positive

\*) Unsolicited



### Economic Data

[in %, otherwise noted]	2015	2016	2017	2018	2019	2020e	2021e
Real GDP growth	-0.4	-0.5	1.3	1.6	1.9	-10.5	2.7
GDP per capita (PPP, USD)	26,810	27,803	29,053	30,402	31,572	29,045	30,984
HICP inflation rate, y-o-y change	-1.1	0.0	1.1	0.8	0.5	-1.2	0.6
Default history (years since default)	3	4	5	6	7	8	9
Life expectancy at birth (years)	81.1	81.5	81.4	81.9	n.a.	n.a.	n.a.
Fiscal balance/GDP	-5.7	0.5	0.7	1.0	1.5	-8.1	-5.2
Current account balance/GDP	-0.8	-1.7	-1.9	-2.9	-1.5	n.a.	n.a.
External debt/GDP	250.7	247.2	228.8	230.3	242.8	n.a.	n.a.

Source: International Monetary Fund, Eurostat, own estimates

### ESG Factors

While there is no universal and commonly agreed typology or definition of environment, social, and governance (ESG) criteria, Creditreform Rating views ESG factors as an essential yardstick for assessing the sustainability of a state. Creditreform Rating thus takes account of ESG factors in its decision-making process before arriving at a sovereign credit rating. In the following, we explain how and to what degree any of the key drivers behind the credit rating or the related outlook is associated with what we understand to be an ESG factor, and outline why these ESG factors were material to the credit rating or rating outlook.

For further information on the conceptual approach pertaining to ESG factors in public finance and the relevance of ESG factors to sovereign credit ratings and to Creditreform Rating credit ratings more generally, we refer to the basic documentation, which lays down [key principles of the impact of ESG factors on credit ratings](#).

The governance dimension plays a pivotal role in forming our opinion on the creditworthiness of the sovereign. As the World Bank's Worldwide Governance Indicators Rule of Law, Government Effectiveness, Voice and Accountability, and Control of corruption have a material impact on Creditreform Rating's assessment of the sovereign's institutional set-up, which we regard as a key rating driver, we consider the ESG factors 'Judicial System and Property Rights', 'Quality of Public Services and Policies', 'Civil Liberties and Political Participation', and 'Integrity of Public Officials' as highly significant to the credit rating.

Since indicators relating to the competitive stance of the sovereign such as the World Bank's Ease of Doing Business index and the World Economic Forum's Global Competitiveness Indicator add further input to our rating or adjustments thereof, we judge the ESG factor 'Business Environment' as significant.

The social dimension plays an important role in forming our opinion on the creditworthiness of the sovereign. Labor market metrics constitute crucial goalposts in Creditreform Rating's considerations on macroeconomic performance of the sovereign, and we regard the ESG factor 'Labor' as significant to the credit rating or adjustments thereof. Indicators or projections providing insight into likely demographic developments and related cost represent a social component affecting our rating or adjustments thereof. Hence, we regard the ESG factor 'Demographics' as less significant in our ESG framework.

While Covid-19 may have significant adverse effects on several components in our ESG factor framework in the medium to long term, it has not been visible in the relevant metrics we consider in the context of ESG factors – though it has a significant bearing concerning economic prospects and public finances. To be sure, we will follow ESG dynamics closely in this regard.

## ESG Factor Box

Environmental Quality	Ecological Risks	Ressource Management	Education	Health	<b>Demographics</b>
<b>Labor</b>	Equality	Technology & Infrastructure	Safety & Security	<b>Judicial System</b>	<b>Quality of Public Services</b>
<b>Integrity of Public Officials</b>	Quality and Efficacy of Regulations	<b>Civil Liberties/ Political Participation</b>	Market Access	<b>Business Environment</b>	Data Transparency

Environment	Social	Governance	Highly significant	Significant	Less significant	Hardly significant
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## Appendix

### Rating History

Event	Publication Date	Rating /Outlook
Initial Rating	23.12.2016	B- /stable
Monitoring	22.12.2017	B- /positive
Monitoring	21.12.2018	B+ /stable
Monitoring	20.12.2019	B+ /positive
Monitoring	19.06.2020	B+ /stable
Monitoring	18.12.2020	B+ /positive

### Regulatory Requirements

In 2011 Creditreform Rating AG (CRA) was registered within the European Union according to EU Regulation 1060/2009 (CRA-Regulation). Based on the registration Creditreform Rating AG is allowed to issue credit ratings within the EU and is bound to comply with the provisions of the CRA-Regulation. The rating was not endorsed by Creditreform Rating AG from a third country as defined in Article 4 (3) of the CRA-Regulation.

This sovereign rating is an unsolicited credit rating. Neither the rated sovereign nor a related third party participated in the credit rating process. Creditreform Rating AG had no access to the accounts, representatives or other relevant internal documents for the rated entity or a related third party. Between the disclosure of the credit rating to the rated entity and the public disclosure no amendments were made to the credit rating.

Unsolicited Credit Rating	
With Rated Entity or Related Third Party Participation	NO
With Access to Internal Documents	NO
With Access to Management	NO

The rating was conducted on the basis of CRAG's ["Sovereign Ratings" methodology](#) (v1.2, July 2016) in conjunction with its basic document ["Rating Criteria and Definitions"](#) (v1.3, January 2018). CRAG ensures that methodologies, models and key rating assumptions for determining sovereign credit ratings are properly maintained, up-to-date, and subject to a comprehensive review on a periodic basis. A complete description of CRAG's rating methodologies and basic document "Rating Criteria and Definitions" is published on our [website](#).

To prepare this credit rating, CRAG has used the following substantially material sources: International Monetary Fund, World Bank, Organization for Economic Co-operation and Development, Eurostat, European Commission, European Banking Authority, European Central Bank, World Economic Forum, European Centre for Disease Prevention and Control (ECDC), Blavatnik School of Government, Bank of Greece, Ministry of Finance, Public Debt Management Agency (PDMA), ELSTAT, WTTC, Association of Greek Tourism Enterprises (SETE).

A Rating Committee was called consisting of highly qualified analysts of CRAG. The quality and extent of information available on the rated entity was considered satisfactory. The analysts and committee members declared that the rules of the Code of Conduct were complied with. No conflicts of interest were identified during the rating process that might influence the analyses and judgements of the rating analysts involved or any other natural person whose services are placed at the disposal or under the control of Creditreform Rating AG and who are directly involved in credit rating activities or approving credit ratings and rating outlooks. The analysts presented the results of the quantitative and qualitative analyses and provided the Committee with a recommendation for the rating decision. After the discussion of the relevant quantitative and qualitative risk factors, the Rating Committee arrived at a unanimous rating decision. The weighting of all risk factors is described in CRAG's "Sovereign Ratings" methodology. The main arguments that were raised in the discussion are summarized in the "Reasons for the Rating Decision".

As regards the rating outlook, the time horizon is provided during which a change in the credit rating is expected. This information is available within the credit rating report. There are no other attributes and limitations of the credit rating or rating outlook other than displayed on the CRAG website. In case of providing ancillary services to the rated entity, CRAG will disclose all ancillary services in the credit rating report.

The date at which the credit rating was released for distribution for the first time and when it was last updated including any rating outlooks is indicated clearly and prominently in the rating report; the first release is indicated as "initial rating"; other updates are indicated as an "update", "upgrade or downgrade", "not rated", "affirmed", "selective default" or "default".

In accordance with Article 11 (2) EU-Regulation (EC) No 1060/2009 registered or certified credit rating agency shall make available in a central repository established by ESMA information on

its historical performance data, including the ratings transition frequency, and information about credit ratings issued in the past and on their changes. Requested data are available on the ESMA website: <https://cerep.esma.europa.eu/cerep-web/statistics/defaults.xhtml>.

An explanatory statement of the meaning of each rating category and the definition of default are available in the credit rating methodologies disclosed on the website.

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