

Hellenic Republic

This annex refers to the release of the rating announcement of 10 September 2021.

Annex I: Summary of core variable scorecard, reserve currency adjustment and qualitative scorecard¹

Implied rating of core variable scorecard (CVS)		bb
Reserve currency adjustment		1
Weight	Qualitative scorecard (QS) for long-term issuer ratings	
20%	Growth potential of the economy	Weak
	Monetary policy framework	Neutral
	Macro-economic stability and sustainability	Weak
20%	Fiscal policy framework	Strong
	Debt sustainability	Neutral
	Debt profile and market access	Strong
20%	Current account resilience	Neutral
	External debt structure	Strong
	Resilience to short-term shocks	Neutral
20%	Banking sector performance	Weak
	Banking sector oversight	Strong
	Financial imbalances	Neutral
20%	Environmental risks	Neutral
	Social risks	Neutral
	Institutional and political risks	Strong
QS adjustment (notches)		0
Additional considerations (notches)		-1
Final rating		BB+ STA

Annex II: Selected indicators

Selected macroeconomic indicators	2016	2017	2018	2019	2020E	2021F	2022F
GDP per capita (USD '000s), EOP	17.9	18.6	19.8	19.1	17.7	19.7	21.2
Real GDP, % change	-0.5	1.3	1.6	1.9	-8.2	8.6	3.5
Unemployment rate, %	23.6	21.5	19.3	17.3	16.3	15.6	15.6
CPI, % change	0.0	1.1	0.8	0.5	-1.3	0.2	0.8
Policy rate, %, EOP*	-0.4	-0.4	-0.4	-0.5	-0.5	-0.5	-0.5
General government balance, % of GDP	0.2	0.6	0.9	1.1	-9.7	-10.0	-5.3
General government debt, % of GDP, EOP	180.8	179.2	186.2	180.5	205.6	199.1	195.8
Current account balance, % of GDP	-1.7	-1.9	-2.9	-1.5	-6.7	-6.3	-3.5

*Shown for the ECB deposit facility rate. Source: IMF, ECB, Macrobond, Scope Ratings GmbH.

Annex III: Economic development and default indicators

IMF Development Classification ²	AE
5y USD CDS spread (bps) as of 9 September 2021	75

¹ The weighting and explanation of all rating factors are described in Scope's 'Sovereign Ratings' methodology, available on www.scopeeratings.com

² AE = advanced economy; EMDE = emerging market and developing economy

Annex IV: Analytical rationale for QS assessments

Greece	September 2021	Assessment	Analytical rationale
Peers*	Georgia, Turkey		
Domestic economic risk	Growth potential	Weak	Substantial investment gaps in several sectors; low level of innovation; comparatively weak growth potential
	Monetary policy framework	Neutral	ECB is a highly credible and effective central bank; ECB policies have anchored market access
	Macro-economic stability & sustainability	Weak	Elevated structural unemployment; limited economic diversification; rigidities in the labour market
Public finance risk	Fiscal policy framework	Strong	Improved national fiscal framework; fiscal oversight from post-bailout EU/IMF surveillance; benefits from EU/euro-area fiscal governance institutions
	Debt sustainability	Neutral	Very high public-sector debt but gradual debt reduction expected moving ahead; limited contingent liabilities; lesser sensitivity to interest-rate rises or exchange-rate depreciation than sovereign peer group
	Debt profile & market access	Strong	Very strong debt profile with very long maturity, manageable gross financing needs, fixed rates, limited foreign-currency exposure, elevated debt ownership by the official sector; elevated cash cushion; low financing rates; access to regional/international lenders of last resort
External economic risk	Current account resilience	Neutral	High reliance on tourism revenues; improvements in attractiveness for foreign direct investment
	External debt structure	Strong	Very long maturity of external debt and mostly in form of sovereign debt held by institutional sector, euro denomination of external debt; but elevated share of short-term external debt
	Resilience to short-term shocks	Neutral	Benefits from euro-area membership
Financial stability risk	Banking sector performance	Weak	Low profitability, poor asset quality and weakening of capital ratios; reductions of NPLs
	Banking sector oversight	Strong	Effective oversight under the national authority and the ECB as part of Banking Union
	Financial imbalances	Neutral	No credit growth imbalances such as in sovereign peers; interconnectedness of banks with sovereign
ESG risk	Environmental risks	Neutral	High exposure to natural disaster risk; ambitious decarbonisation targets; low share of renewables
	Social risks	Neutral	Adverse demographics; moderate educational outcomes but long healthy life expectancy
	Institutional and political risks	Strong	Comparatively stable political conditions; comparatively lesser geopolitical risk

* Peers relate to selected sovereigns with a similar indicative rating per Scope's Core Variable Scorecard after the reserve-currency adjustment.

Additional consideration: 1-notch negative adjustment to account for persistence of banking-sector challenges as evidenced by the elevated ratio of non-performing loans, weighing on domestic investment and economic growth potential.