

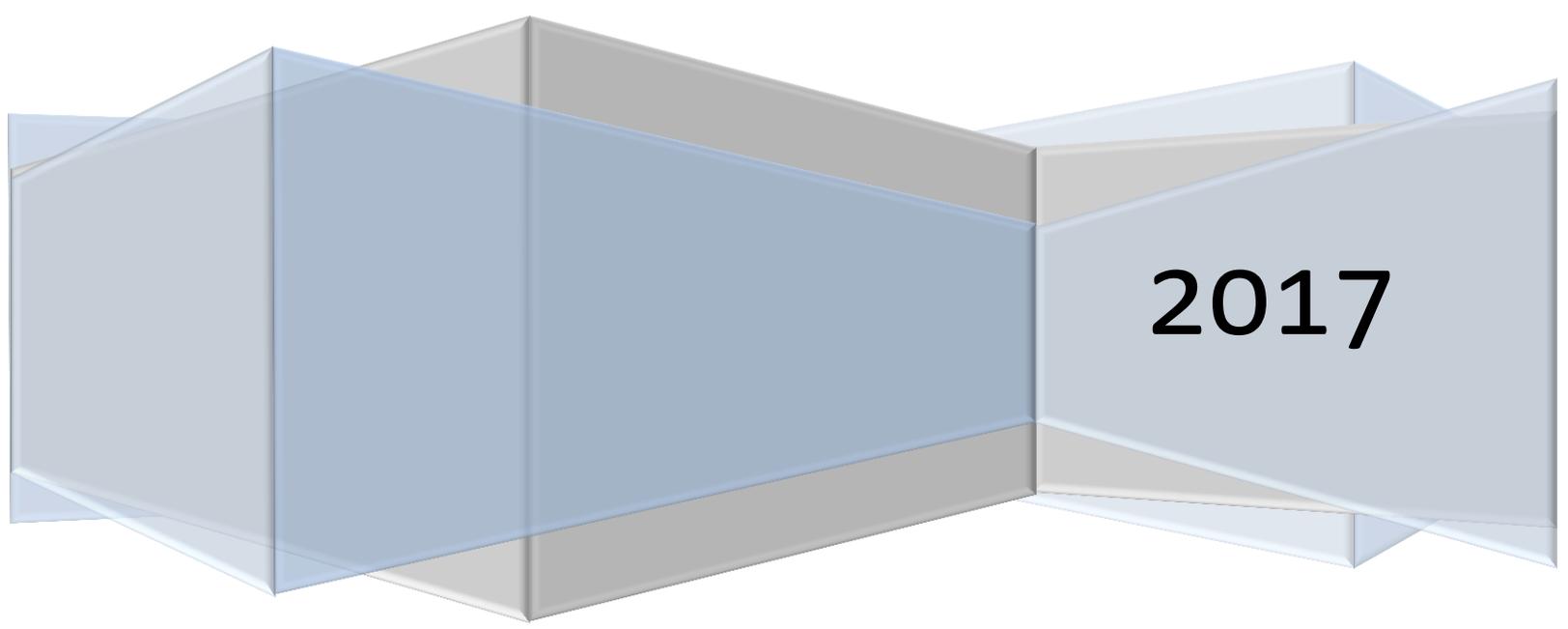


ΕΛΛΗΝΙΚΗ ΔΗΜΟΚΡΑΤΙΑ
Υπουργείο Οικονομικών

Hellenic Republic
Ministry of Finance

Borrowing and Debt

Annual Report



2017

Ministry of Finance

Public Debt Management Agency
Borrowing and Debt 2017

The annual report is available at the following websites:

www.minfin.gr
www.pdma.gr

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1. BRIEF REVIEW OF THE GREEK ECONOMY

The current program for the support of the Greek economy through the European Stability Mechanism was adopted in August 2015, ending a long period of negotiations with the institutions on the terms of new financing. Responding to the need for a more gradual fiscal adjustment, after five years of cumulative deterioration of domestic demand, employment and income distribution, the program shifted the weight of financial planning, to the creation of fiscal space in order to strengthen the social safety net and support recovery.

Thus, the new Facility Agreement for the period 2015-2017 envisaged reduction of targets for the primary surplus in comparison with the previous program, from 3,0% of GDP in 2015, 4,5% in 2016 and 4,5% in 2017, to -0,25% in 2015, 0,5% in 2016 and 1,75% in 2017.

However, the policies of the new program were initially implemented under adverse conditions of liquidity and economic expectations and in a highly uncertain environment leading to the application of restrictions on capital movements in July 2015 in order to confront the large outflow of deposits from the banking system. Against this backdrop, the Greek economy showed resilience, with real GDP recording only a marginal decline in 2016 (-0,2% on an annual basis).

In 2017, the Greek economy recorded a growth rate of 1,4%, with private consumption at 0,1% versus -0,1% in 2016, investment at 9,6% versus 1,6% in 2016 and exports to 6,8% versus -1,8% in 2016.

Broadly speaking, GDP growth was a function of progress in the implementation of the Support Program. This progress has been made so far at the completion of the first evaluation of the Program in June 2016, the completion of supplementary milestones in October 2016 and the completion of the second evaluation in June 2017. Throughout this period the implementation of the program assured:

- smooth financing of the general government,
- reduction of borrowing costs for the Greek banking system through the incorporation of Greek bonds as eligible for refinancing operations through the Eurosystem,
- strengthening liquidity in the real economy, through the program for settlement of outstanding public debts to the private sector,
- implementation of the short-term debt relief package in January 2017 and the specialization of the medium-term package in June 2017, with a time horizon up to the end of the current program,
- gradual improvement in economic environment and confidence in the banking system, based on all of the above. This improvement was evident in July 2017 with the successful country project of direct lending from international markets for the first time since April 2014, with the performance of five-year bonds at 4,625% versus 4,95% in 2014. In addition, Moody's and Fitch rating agencies have upgraded Greece's creditworthiness, upgrading also the economy's prospects from stable to positive. Moody's also upgraded the long-term, unsecured, high-rated long-term bonds of the four largest Greek banks.

BOND SWAP

At 23-11-2017 the Greek government launched a call for voluntary exchange of bonds issued under the PSI (2012) nominal value of 29,5 billion euros maturing by 2023-2042 and a nominal value of 1,5 billion each, on average, with 5 new bonds maturing in 2023-28-33-37-2042 with fixed interest rates from 3,5% to 4,20%.

The whole operation was successful and above market expectations. Participation ratio reached the level of 86,3%. Old securities with nominal value of 25,6 billion were exchanged with new securities with nominal value of 5,1 billion each on average.

This grouping of securities improved their marketability, leading to a sharp drop in yields and increased their price from the first weeks of trading.

Basic figures of the Greek economy (% annual changes, constant prices)

	2016	2017
GDP	-0,2	1,4
Private Consumption	-0,1	0,1
Public Consumption	-1,5	1,1
Gross fixed capital formation	1,6	9,6
Exports of goods and services	-1,8	6,8
Imports of goods and services	0,3	7,2
Harmonized index CPI	0,0	1,1
Unemployment rate (Labor Force Survey)	23,5	21,5

2. BORROWING 2017

During 2017 the optimal cash reserve management for entities of the General Government continued, through implementing cash flow management operations program in the form of repo agreements by the Public Debt Management Agency (PDMA).

This program is now utilized about 75% of total cash reserves of these entities in a very efficient way, providing competitive and high returns for their benefit, ensuring equivalent benefit in the fiscal balance of General Government, with cumulative positive implications for the sustainability of public debt.

The gross financing needs of the State Budget for the year 2017 reached the amount of **€ 44.364** million and covered:

- by borrowing of **€ 42.088** million.
- by using cash reserves of **€ 2.276** million.

Cash reserves stood at the end of 2017 to € 948 million. In particular, the debt issuances € 42.088 mil. consisting of:

1. Long-term loans by European Stability Mechanism (ESM) amounted to **€ 8.500** million with weighted average cost of 1%.
2. New 5-year bond issuance with nominal value **€ 3.000** million. Fixed rate 4,375% maturing 01/08/2022 and yield 4,625%.
3. From European Investment Bank **€ 713** million. With weighted average cost of 2,03%.
4. Refinancing of T-Bills stock of 2016 debt amounted to € 14.890 million. Gross issues of 13 and 26-week Treasury Bills for 2017 amounted to € 41.140 million with a weighted average borrowing cost of 2,46%, while the maturity of T-Bills within the year was € 41.086 million by maintaining the stock for 2017 at **€ 14.944** million. Therefore, T-Bill issues in 2017 increased by € 54 million compared to 2016.
5. Short-term debt (REPOs) refinancing of € 11.363 million during 2016 and new repo agreements for 2017 of € 3.568 million, increasing the amount of total repo agreements to **€ 14.931** million, at the end of 2017.

The weighted average maturity of new debt in 2017 stood at 10,7 years while the average cost of the new borrowing excluding REPO agreements, amounted to 2,23%.

3. PORTFOLIO MANAGEMENT & CONTROL

The vast majority of operations on derivatives during 2017 had as its main objective to swap from floating to fixed rates. The reasons come from the high floating interest rates in total debt due to the official sector loans and the benefits of the historically low euro interest rates. Recall that the ECB is preparing to finalize the current period of low interest rates.

From all the above operations the following results recorded at the end of 2017:

- Ensured benefits for the HR totaling to € 7,5 million, in terms of present value.
- The ratio of floating rate liabilities in the total debt portfolio decreased by 0,5%, decreasing at the same time the interest rate risk.

Risk Factors and Controls:

The debt portfolio had the following characteristics:

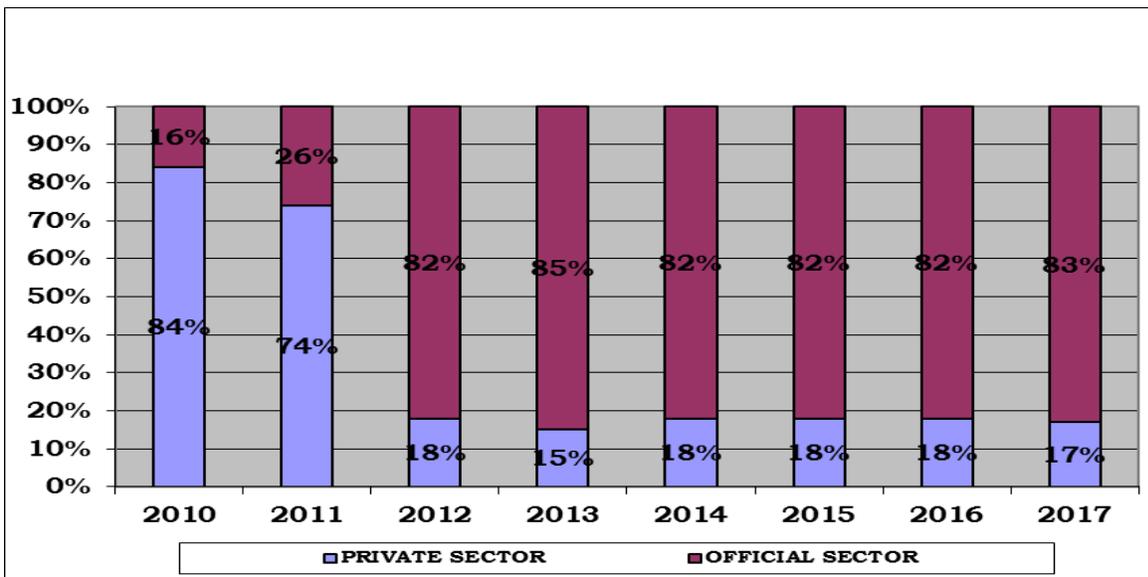
Risk Factors	31/12/2017
Refinancing Risk 1Y (%)	9,66%
Refinancing Risk 5Y (%)	20,09%
Refixing Risk 1Y (%)	63,07%
Refixing Risk 5Y (%)	67,34%
Ratio Foreign Debt to Total Debt (before derivatives) (%)	3,45%
Ratio Foreign Debt to Total Debt (after derivatives) (%)	2,63%
Ratio Floating Debt to Total Debt (before derivatives) (%)	53,36%
Ratio Floating Debt to Total Debt (after derivatives) (%)	51,35%
Average Life (years)	18,3 years

4. ANALYSIS OF DEBT

The following table shows a complete breakdown of the change in central (state) government debt from 2016 to 2017.

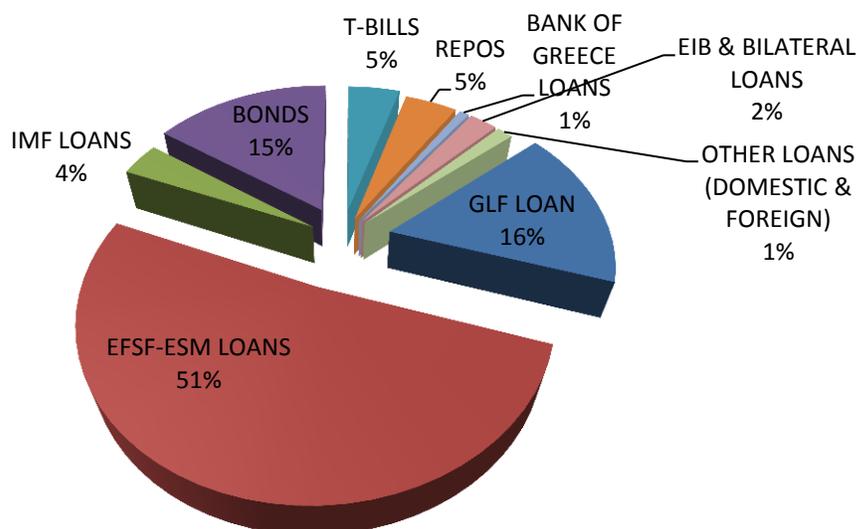
(amounts in million €)	Stock 31/12/2016	Net	New issues	Principal	Due to exch. rates changes	Other	Stock 31/12/2017
Total gross debt							
Breakdown by type of debt instrument, original maturity and creditor	326.358,14	2.322,14	664.685,51	662.363,37	-507,17	530,73	328.703,84
Debt Securities	71.607,15	-6.560,10	69.641,86	76.201,96	-19,96	373,32	65.400,41
Short Term	14.889,56	53,84	41.140,63	41.086,79	0,00	0,00	14.943,40
T-Bills	14.889,56	53,84	41.140,63	41.086,79	0,00	0,00	14.943,40
Long Term	56.717,59	-6.613,94	28.501,23	35.115,17	-19,96	373,32	50.457,01
issued domestically	54.354,01	-6.030,61	28.501,23	34.531,84	0,00	357,95	48.681,35
issued abroad	2.363,58	-583,33	0,00	583,33	-19,96	15,37	1.775,66
Loans	254.750,99	8.882,24	595.043,65	586.161,41	-487,21	157,41	263.303,43
Short Term	11.362,75	3.567,81	529.479,02	525.911,21	0,00	0,00	14.930,56
Long Term	243.388,24	5.314,43	65.564,63	60.250,20	-487,21	157,41	248.372,87
Vis-a vis residents	3.508,91	-412,97	80,00	492,97	-0,35	0,00	3.095,59
Bank of Greece	3.321,28	-472,26	0,00	472,26	-0,35	0,00	2.848,67
Other residents	187,63	59,29	80,00	20,71	0,00	0,00	246,92
Vis-a vis non residents	239.879,33	5.727,40	65.484,63	59.757,23	-486,86	157,41	245.277,28
EFSF/ESM/IMF	227.660,49	5.624,95	64.659,34	59.034,39	-483,59	157,41	232.959,26
Other nonresidents	12.218,84	102,45	825,29	722,84	-3,27	0,00	12.318,02
Breakdown by currency of denomination	326.358,14	2.322,14	664.685,51	662.363,37	-507,17	530,73	328.703,84
Domestic currency denominated	316.420,03	3.112,32	664.685,51	661.573,19	0,00	530,73	320.063,08
Debt securities	71.285,45	-6.258,36	69.641,86	75.900,22	0,00	373,32	65.400,41
Loans	245.134,58	9.370,68	595.043,65	585.672,97	0,00	157,41	254.662,67
Foreign currency denominated	9.938,11	-790,18	0,00	790,18	-507,17	0,00	8.640,76
Debt securities	321,70	-301,74	0,00	301,74	-19,96	0,00	0,00
Loans	9.616,41	-488,44	0,00	488,44	-487,21	0,00	8.640,76

The structure of government debt by category of creditors, since 2010, is reflected in the graph below:



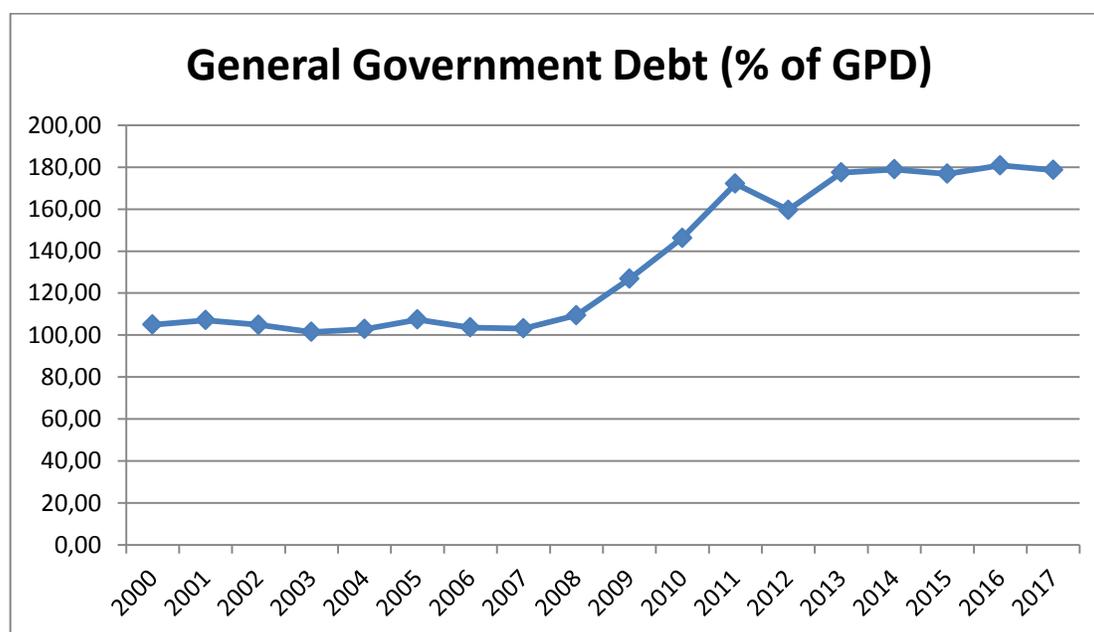
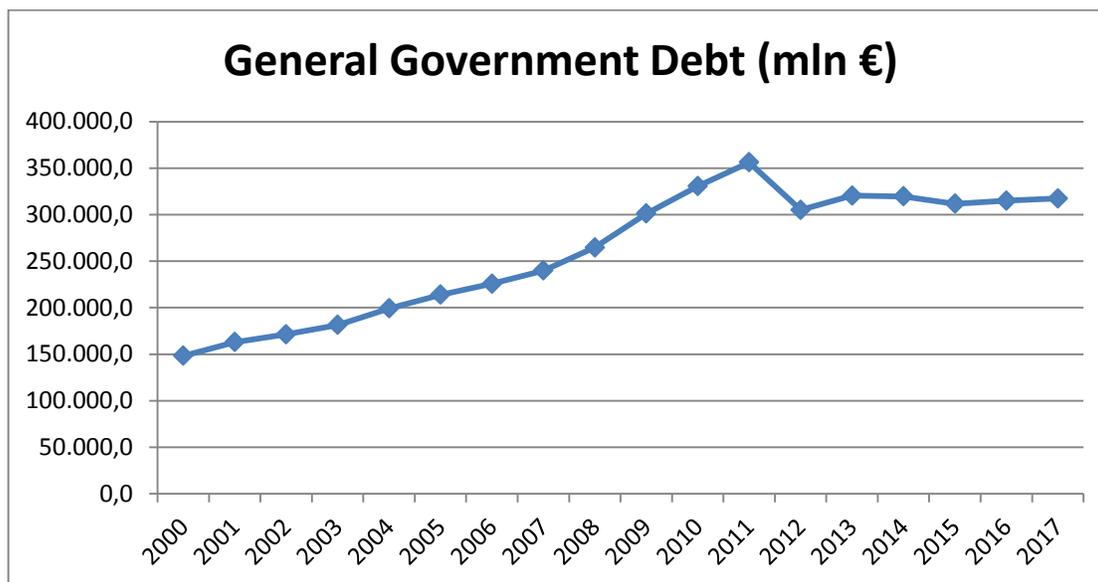
At 31.12.2017 the stock of the central government debt by creditor showed the following breakdown:

Central (State) Government Debt by Creditor at 31-12-17



5. GENERAL GOVERNMENT DEBT

The historical evolution of the general government debt is reflected in the following graphs:



Detailed information and data for all countries in the Eurozone are available on Eurostat's website and the Greek Statistical Authority (EL.ST.A) at the following links:

<http://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tsdde410&plugin=1%22>

<http://www.statistics.gr/el/european-statistics-tables>

The breakdown of general government debt for the year 2017 is shown in the table below. These figures are official and announced by the Hellenic and European statistical authorities in the last ten days of April each year.

Year 2017 (Amounts in million €)	State (S1311.1)	SOE(State Owned Enterprises) & EBFs (Extra Budgetary Funds) (S1311.2)	Consolidation of Central Government (S1311.1&2)	Central Government (S1311)	Local Government (S1313)	Social Security Funds (S1314)	Consolidation of General Government	General Government Debt(S13)
Currency & Deposits (AF2)	1.775	5.244	-659	6.360			-414	5.946
Bills & Short-Term Securities (AF331)	14.943		-310	14.633			-311	14.322
Long Term Securities (AF332)	50.387	2.537	-6.217	46.707			-6.073	40.634
Short Term Loans (AF41)	14.931	5	-10.073	4.863	9	0	-4.495	377
Long Term Loans (AF42)	252.243	3.232	0	255.475	1.404	135	-886	256.128
Total	334.279	11.018	-17.259	328.038	1.413	135	-12.179	317.407
GG Debt (% GDP)								178,6%

Table Glossary:

Column 1 (State): The Central government debt with the adjustments made in the context of compliance with the European System of Accounts 2010 (ESA10).

Column 2 (DEKOs & EBFs): Debt of Public Utility Public Enterprise and Public Legal Entities (Other central government bodies).

Column 3 (Consolidation of Central Government): Government securities and loans held by central government entities.

Column 4 (Central Government): All of the central government debt as defined by the European System of Accounts 2010.

Column 5 (Local Government): The debt of local governments.

Column 6 (Social Security Funds): The debt of Social Security Funds.

Column 7 (Consolidation of General Government): Government securities and loans held by general government entities.

Column 8 (General Government Debt): All of the general government debt as defined by the European System of Accounts 2010.