

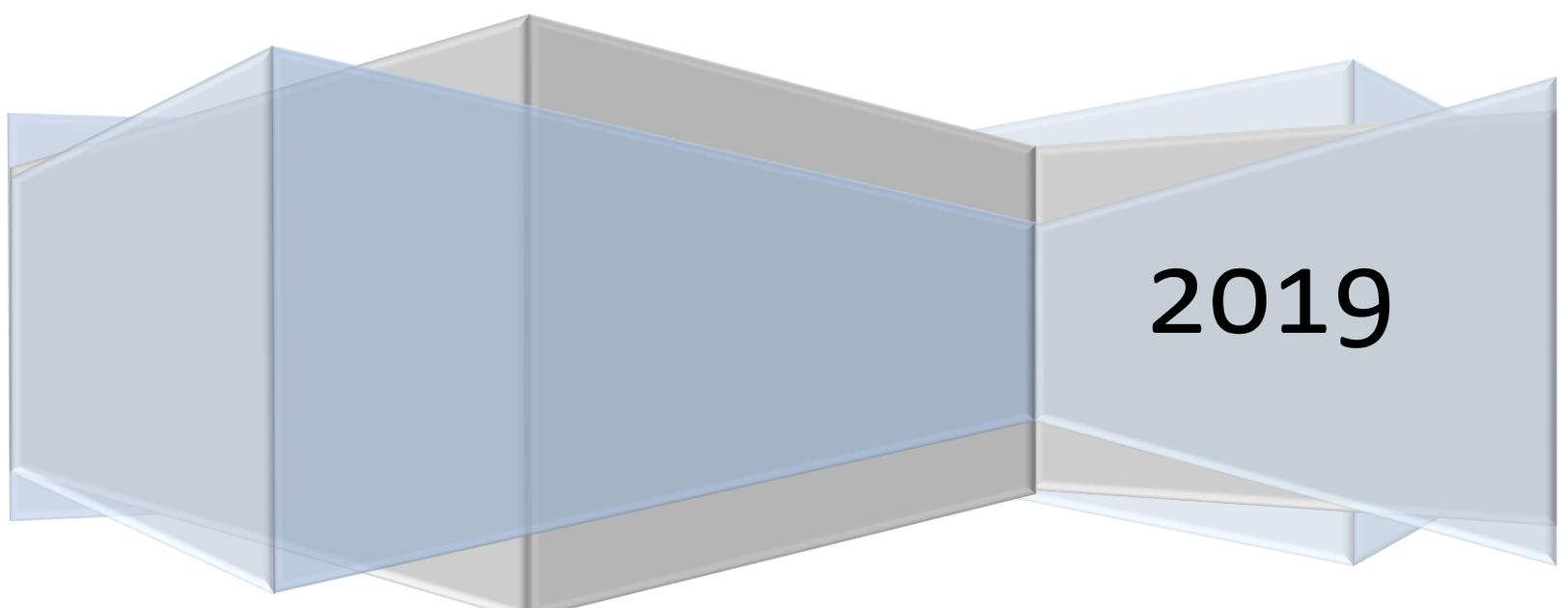


ΕΛΛΗΝΙΚΗ ΔΗΜΟΚΡΑΤΙΑ
Υπουργείο Οικονομικών

Hellenic Republic
Ministry of Finance

Borrowing and Debt

Annual Report



2019

Ministry of Finance
Public Debt Management Agency
Borrowing and Debt 2019

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 Greek economy strengthened its growth potential in 2019, despite the slowdown in the global economy. The growth was primarily supported by the positive contribution of exports, mainly services, due to the significant increase in tourism and shipping revenues, but also of goods. The growth of export goods has slowed, reflecting the strengthening of trade protectionism internationally. Public consumption has also made a positive contribution to GDP growth. However, investment demand remained sluggish in the nine months, possibly even due to the pre-election period. Private consumption has not been compared with a significant increase in real disposable household income. At the same time, particularly encouraging signals are recorded, such as the rise of the property market, the ongoing recovery in the labor market and the acceleration of household disposable income, the significant increase in investment by non-financial corporations, the increase in savings and financing of businesses by banks and capital markets, as well as the upward trend in tourism revenues in recent years. The trajectory of these indicators indicates a significant resilience of the Greek economy to the global economic slowdown.

According to the first disclosure of budgetary data by the Greek Statistical Authority under the Excessive Deficit Procedure in April 2020, a general government surplus of 1.5% of GDP was recorded for the fourth consecutive year, compared with 1.0% in 2018. The following table presents detailed data for the years 2018 and 2019. Inflation stood at 0.3% in 2019, as a bedside of the different effects of reduced overcapacity, rising protectionism in international trade, the trajectory of the international oil price and the keeping of the ECB's key interest rates.

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

	2018	2019
GDP	1.9	1.9
Private Consumption	1.1	0.8
Public Consumption	-2.5	2.1
Gross fixed capital formation	-12.2	4.7
Exports of goods and services	8.7	4.8
Imports of goods and services	4.2	2.5
GDP deflator	0.5	-0.4
Inflation	0.6	0.3
Unemployment rate	19.3	17.3

2. BORROWING 2019

In 2019, the utilization and optimum management of the general government entities cash reserves, was continued, through the implementation of a cash liquidity management scheme in the form of repo agreements, which contracted by the Public Debt Management Agency.

With this programme, 75% of the total cash reserves of these entities are now being exploited in a very effective way, providing them with competitive high yields, for the benefit of them, ensuring a corresponding benefit in terms of the general government, with a cumulative positive impact on the sustainability of sovereign debt.

The gross financing needs of the State budget in the year 2019 (excluding the stock of short-term and repos debt) amounted to a sum of **€21,576** million and covered by:

- Loans amounting to EUR €13,102 million nominal value with settlement value **EUR €13,387 million**
- Income from privatizations (sale of shares) of **€1,491** million
- Revenue from ANFAs & SMPs **€1,683** million
- Short term borrowing **€1,715** million
- Usage of cash reserves **€3,300** million

Cash reserves amounted at the end of 2019 to €23,519 million, compared with €26,819 million which was at the end of 2018, decreased by €3,300 million.

In particular, debt versions of EUR **€13,387** million are consisting of:

- The issue and disposal to the National Bank of Greece of three fixed-rate bonds with a total nominal value of €3,314 mln with which the Greek state overpaid debt of €4,040 mln concerning TITLO. The bonds issued to the National Bank were a) 4-year fixed rate of 2.90% with a nominal value of €250 mn. (b) 6 years fixed rate 3.25% nominal value €964m and (c) 7 years of fixed rate 3.55% nominal value of €2,100m.
- The Issue of a new 5-year bond with a nominal value of €2,500 mln, fixed rate of 3,45%, expiry date 2-4-2024 and yield 3.60%, with issue price 99.314%, thus cash inflow of EUR 2,483 million.
- The issue of a new 10-year bond with a nominal value of €2,500 mln, fixed rate of 3,875%, expiry date 12-3-2029 and yield 3.90%, with an issue price of 99.796%, thus a cash inflow of EUR 2,495 million.

- The issue of a new 7-year bond with a nominal value of €2,500 mln, fixed rate of 1.875%, expiry date 23-7-2026 and yield of 1.90%, with an issue price of 99.838%, thus a cash inflow price of EUR 2,496 million.
- The re-opening of the 10-euro bond with a nominal value of €1,500mln, fixed rate of 3,875%, expiry date 12-3-2029 and yield of 1,50%, with an issue price of 120,686%, thus a cash inflow price of €1,810 million.
- European Investment Bank €249 million with an interest rate of 1.130%.
- The issue and disposal to ETEAN of bonds with a nominal value of €504 mln, two-year variable rate duration (Euribor+ 0.63%) to replace equivalent bonds that expired in 2019 as well as a reissue of a four-month variable rate bond (Euribor+ 0.63%) of nominal value €35 mln.
- Net Short-term borrowing of €1,715 million. The stock of treasury bills fell by €2,667 million in 2019, forming the stock of treasury bills at the end of 2019 at €12,613 million, while Repos increased by €4,382 million forming repos stock at the end of 2019 at €28,903 million. Thus, net short-term borrowing amounted to €1,715 million.

The average weighted maturity of the new borrowing for the 2019 was formed at 4.05 years and the weighted average cost of the new borrowing – excluding the REPO agreements – stood at 1.65%.

At this point it should be noted that the Hellenic Republic implemented four bond issues using the method of syndicated bond issuances, totalling EUR 9,000 million, all in one year since 2010, demonstrating the normalisation of Greece's access to international capital markets, with a remarkable fact the issue of a 10-year bond, also for the first time since 2010. Indicative of the growing investor confidence in Greek bonds, with the significant reduction in the interest rates on the issue of the 10-year bond from 3.875% in March 2019 to 1.5% in October 2019, was the large participation in the syndication's order book, with the increased percentage of so-called real money – end investors. The current, historically low, yields on Greek bonds have led to a decrease in the borrowing costs of the Greek State and, by extension, companies and credit institutions. A remarkable historical event is also the formation of a negative interest rate for the first time, in the auctions of the three-month Greek Treasury bills of October and November.

All the above, combined with the lifting of capital restrictions and the early repayment of part of the IMF loan (with the payment of EUR 2.7 billion in November 2019), leads the Greek economy to return to normality and significantly improve the ability to repay public debt. They also reduce interest costs, improve the sustainability of public debt and advocate sustainable access to markets on sustainable terms.

3. PORTFOLIO MANAGEMENT & CONTROL

The strategy of portfolio management through interest rate derivatives continued during 2019, with the main aim of converting the floating rate debt to a historically low fixed rate. The reasons come from the large rate of floating interest rate in total debt due to the loans of the official sector, but also the benefit of historically low interest rates of the euro.

The following results have been obtained from all the above-mentioned transactions:

- The participation of floating rate liabilities in the entire public debt portfolio decreased to 5.42%, thereby reducing the interest rate exposure.
- The above-mentioned transactions led to a further increase of the index "Weighted Average Time to Next Re-fixing" or else of the "average re-pricing time of public debt", reaching 19.70 years. It should be noted that this indicator on the merits shows the years in which the public debt service costs will remain stable at current levels. In the case of Greece, these years are around 20. This indicator is a combination of the indices of the average weighted maturity of debt which at the end of 2019 was 20.53 years and the participation of fixed rate liabilities in the entire portfolio, respectively being 94.58%.
- The above indicator in conjunction with the index "annual public debt service costs (on a cash basis)" which at the end of 2019 was 1.68%, leads to the conclusion that the aforementioned "effective" cost, which is among the lowest in the countries of the euro area, will remain substantially the same for the next 20 or so years.

Risk Factors and Controls:

The debt portfolio had the following characteristics:

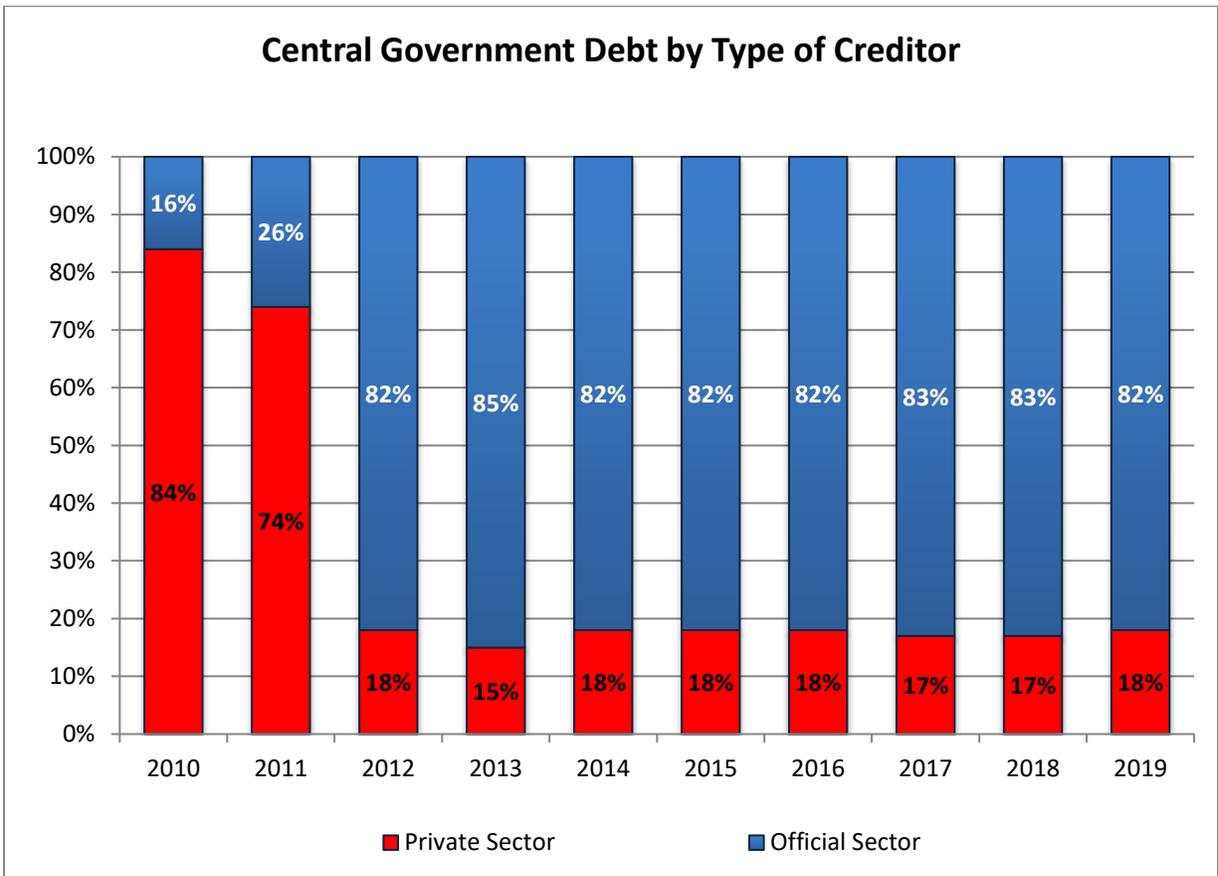
Risk Factors	31/12/2019
Refinancing Risk 1Y (%)	12.45%
Refinancing Risk 5Y (%)	22.63%
Refixing Risk 1Y (%)	17.22%
Refixing Risk 5Y (%)	25.49%
Ratio Foreign Debt to Total Debt (before derivatives) (%)	1.59%
Ratio Foreign Debt to Total Debt (after derivatives) (%)	1.06%
Ratio Floating Debt to Total Debt (before derivatives) (%)	21.15%
Ratio Floating Debt to Total Debt (after derivatives) (%)	5.42%
Average Time to next refixing	19.70 years
Average Life (years)	20.53 years

4. ANALYSIS OF DEBT

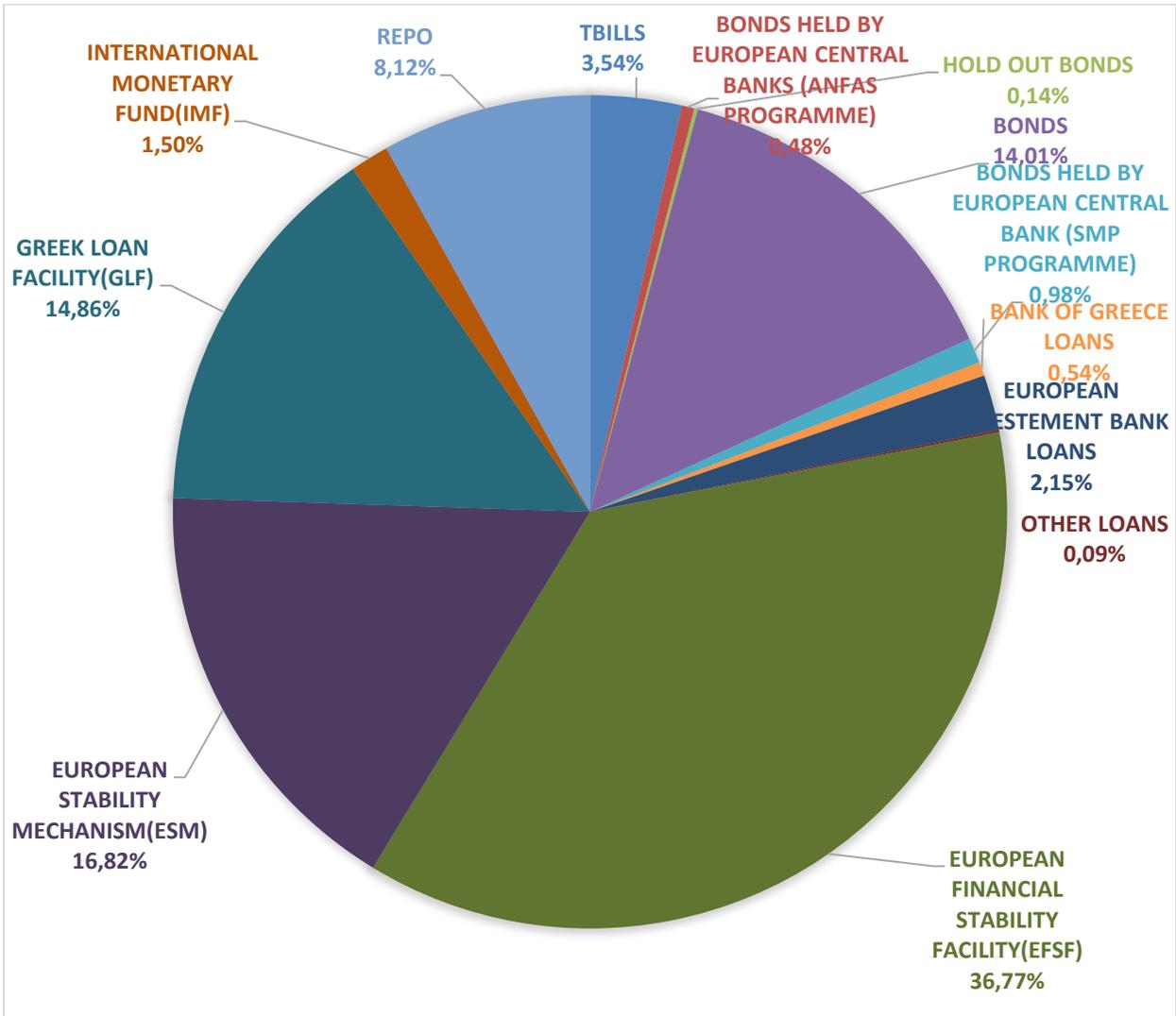
The following table shows a complete breakdown of the change in central (state) government debt from 2018 to 2019.

Breakdown by type of debt instrument, original maturity and creditor	Stock 31/12/2018	Net	New issues	Principal	Due to exch. rates changes	Other	31/12/2019
Total Gross Debt	358.948,65	-2.827,68	1.103.004,74	1.105.832,42	139,71	-245,76	356.014,92
Debt Securities	66.830,24	1.656,89	40.992,10	39.335,21	0,00	-272,88	68.214,25
Short Term	15.279,66	-2.666,82	27.855,11	30.521,93	0,00	0,00	12.612,84
T-Bills	15.279,66	-2.666,82	27.855,11	30.521,93	0,00	0,00	12.612,84
Long Term	51.550,58	4.323,71	13.136,99	8.813,28	0,00	-272,88	55.601,41
issued domestically	49.779,10	4.389,68	13.136,99	8.747,31	0,00	-282,74	53.886,04
issued abroad	1.771,48	-65,97	0,00	65,97	0,00	9,86	1.715,37
Loans	292.118,41	-4.484,57	1.062.012,64	1.066.497,21	139,71	27,12	287.800,67
Short Term	24.521,27	4.381,84	1.061.763,64	1.057.381,80	0,00	0,00	28.903,11
Long Term	267.597,14	-8.866,41	249,00	9.115,41	139,71	27,12	258.897,56
Vis-a vis residents	2.606,06	-490,10	0,00	490,10	3,33	0,00	2.119,29
Bank of Greece	2.376,97	-472,27	0,00	472,27	3,33	0,00	1.908,03
Other residents	229,09	-17,83	0,00	17,83	0,00	0,00	211,26
Vis-a vis non residents	264.991,08	-8.376,31	249,00	8.625,31	136,38	27,12	256.778,27
EFSF/ESM/IMF	253.104,56	-4.257,40	0,00	4.257,40	135,53	27,12	249.009,81
Other nonresidents	11.886,52	-4.118,91	249,00	4.367,91	0,85	0,00	7.768,46
Breakdown by currency of denomination	358.948,65	-2.827,68	1.103.004,74	1.105.832,42	139,71	-245,76	356.014,92
Domestic currency denom.	351.514,40	987,83	1.103.004,74	1.102.016,91	0,00	-245,76	352.256,47
Debt securities	66.830,24	1.656,90	40.992,11	39.335,21	0,00	-272,88	68.214,26
Loans	284.684,16	-669,07	1.062.012,63	1.062.681,70	0,00	27,12	284.042,21
Foreign currency denomin.	7.434,25	-3.815,51	0,00	3.815,51	139,71	0,00	3.758,45
Debt securities	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Loans	7.434,25	-3.815,51	0,00	3.815,51	139,71	0,00	3.758,45

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

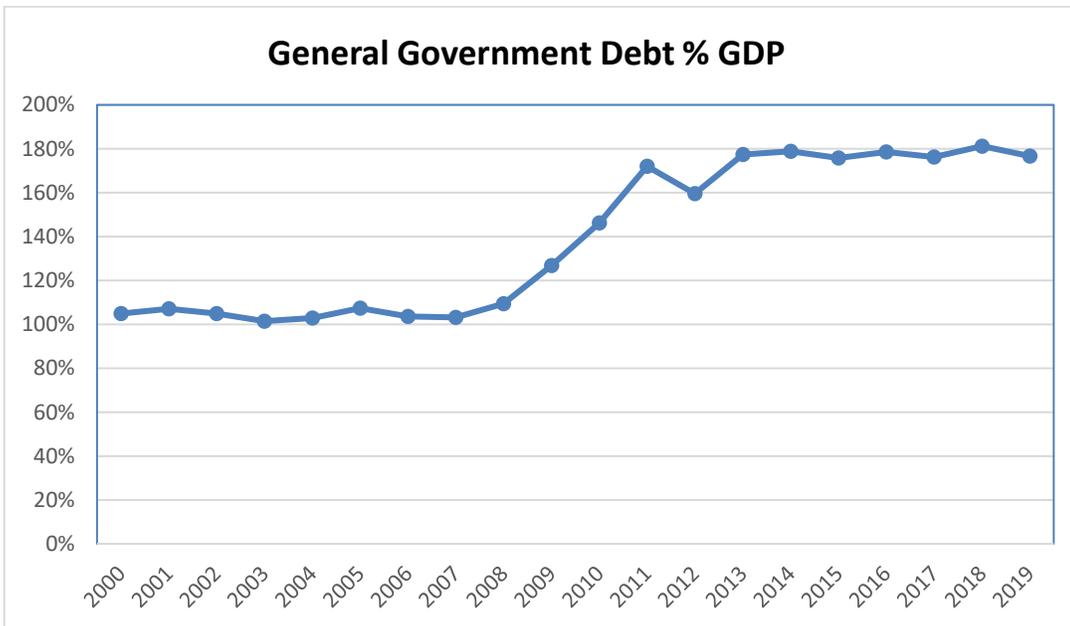
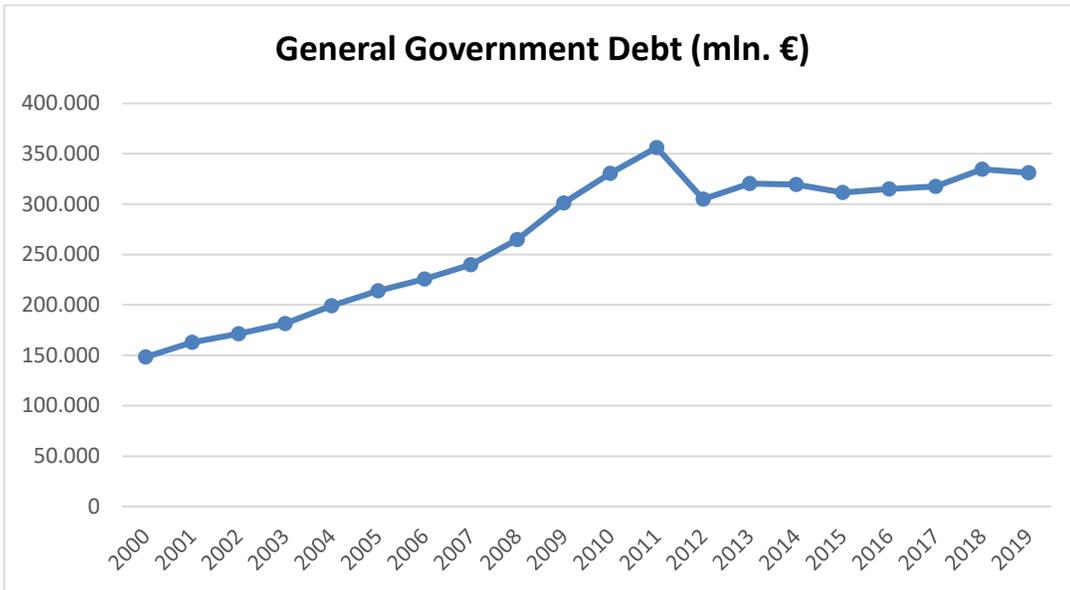


At 31.12.2019 the stock of the central government debt by creditor showed the following breakdown:



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://www.statistics.gr/el/european-statistics-tables>
- <https://ec.europa.eu/eurostat/web/government-finance-statistics/excessive-deficit-procedure/edp-notification-tables>

The breakdown of general government debt for the year 2019 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 2019 (amounts in mln €)	The State (S1311.1)	State owned enterprises & EBFs (S1311.2)	Consolidation of Central Government (S1311.1&2)	Central Government Debt (S1311)	Local Government (S1313)	Social Security Funds (S1314)	Consolidation of General Government	General Government Debt (S13)
Currency & Deposits (AF2)	1,776	6,158	-412	7,522			-1,002	6,520
Bills & Short term Bonds (AF331)	12,613		-480	12,133			-381	11,752
Long Term Bonds (AF331)	55,590	1,486	-5,403	51,673			-5,571	46,102
Short Term Loans (AF41)	30,224	5	-17,717	12,512	16		-10,262	2,266
Long Term Loans (AF42)	260,957	2,904	-27	263,834	1,244	120	-775	264,423
Total	361,160	10,553	-24,039	347,674	1,260	120	-17,991	331,063
GG Debt (% GDP)								176.6%

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 (State owned enterprises & 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.