



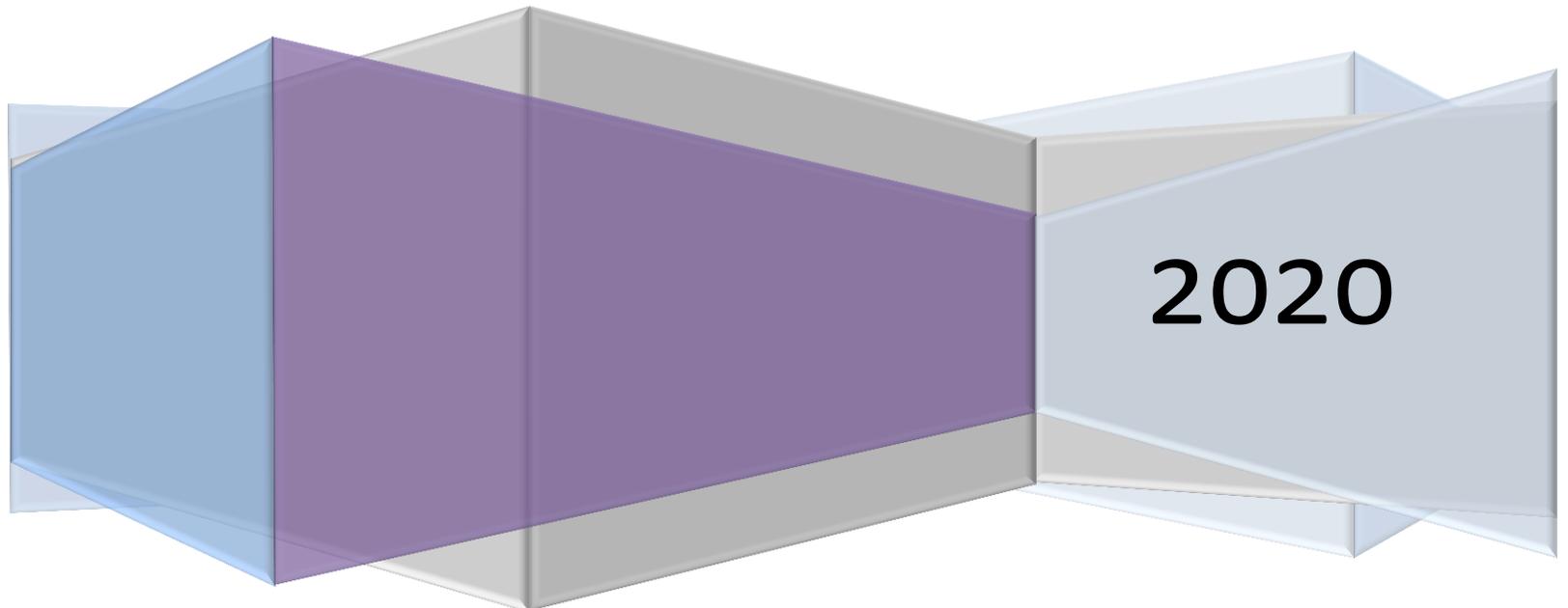
HELLENIC REPUBLIC
Ministry of Finance



HELLENIC REPUBLIC
Public Debt Management Agency

Sovereign Borrowing Outlook

Annual Report

A 3D bar chart graphic with a purple bar on the left and a grey bar on the right. The year '2020' is written on the grey bar.

2020





Ministry of Finance

Public Debt Management Agency Sovereign Borrowing Outlook 2020, Annual Report

The annual report is available at the following websites:

www.minfin.gr
www.pdma.gr

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BRIEF REVIEW OF THE GREEK ECONOMY

The unprecedented pandemic of Covid-19 negatively affected the global economy, which in the first months of 2020 was in a fragile and sluggish recovery, under the weight of uncertainties mainly related to international trade. The attempt to reduce costs in human lives has made it necessary internationally to take unprecedented administrative measures of social distancing and temporary forced suspension of a major part of economic activity. However, the reaction to mitigate the effects of the pandemic was instant. The European Central Bank has adopted a package of monetary policy measures, the effectiveness of which is enhanced by the fiscal and supervisory measures taken for the same purpose. These interventions concern:

- Large-scale purchase of public and private sector securities (Asset purchase program - APP)
- Implementation of a new Pandemic Emergency Purchase Program (PEPP) which was established on 18-3-2020.
- Carrying out additional operations of long-term refinancing of the banking system with very favorable interest rates (LTRO).
- Implementation of SURE (Support to mitigate Unemployment Risks in an Emergency) program to support work by the European Commission.
- Establishment of a recovery and resilience fund by the European Commission to support reforms and new investment projects.

The health crisis overturned the short-term growth prospects that existed at the end of 2019 and the estimates for 2020. The duration of the crisis, which is related to the time of elimination of the pandemic, is the most important but unknown parameter for the economic forecasting process. In this environment of uncertainty, any forecasting is accompanied by uncertainty as evidenced by the continuous revisions of the forecasts of all international organizations in 2020. However, despite the strong uncertainty in the international economic environment, Greek government bond yields were not affected and remained low, similar to those before the start of the pandemic crisis and before the start of the new Pandemic Emergency Purchase Program (PEPP). Despite the initial, extremely ominous forecasts, the Greek economy managed to show a smaller, than forecast, recession, which according to the data of the Hellenic Statistical Authority was 8.2%. According to the official data published on April 22, 2021 by the European Statistical Authority (1st EDP Notification), the general government deficit for the year 2020 amounted to -9.7% of GDP. It is worth mentioning that Spain had a deficit of -11% of its GDP, Italy -9.5% of its GDP and Belgium -9.4% of its GDP.

However, several factors point to the rapid return of the Greek economy to a sustainable growth trajectory from the second quarter of 2021. Among these are, on the one hand, the support measures that will be implemented in 2021 regarding income boost and support for business and employment, amounting to EUR 15 billion and on the other hand, the acceleration of reforms.

In addition, the contribution of the funds of the new EU Recovery and Resilience Facility is expected to reach 2.1% of GDP in 2021.

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

	2019	2020
GDP	1.9	-8.2
General Government Surplus(+)/Deficit(-) (%GDP)	1.1	-9.7
Private Consumption	1.9	-5.2
Public Consumption	1.2	2.7
Gross fixed capital formation	-4.6	-0.6
Exports of goods and services	4.8	-21.7
Imports of goods and services	3	-6.8
GDP Deflator	0.2	-1.5
Harmonized index CPI	0.5	-1.3
Unemployment rate	17.3	16.3

Source: Hellenic Statistical Authority (www.statistics.gr)

The high amount of cash reserves combined with the reduced financing needs of the Greek State for 2020 created favorable conditions for the continuation of the country's successful presence in the capital markets, which was based on the issuance of a fifteen-year bond in early February for the first time since 2009. This was followed by four successful syndicated bond issuances which had a high rate of overbook coverage and were sold mainly to final investors. The continuation of the issuance activity normalized the maturity profile of the public debt and further enriched the reference yield curve of Greek government bonds, both in volume and liquidity.

Equally satisfactory was the trading course of the bonds in the secondary market, despite the temporary deterioration in the second quarter of the year due to the health crisis, which, assisted by the participation of Greek government bonds in the securities purchasing program of European Central Bank and gradually drove their returns to historically low levels.

SOVEREIGN BORROWING 2020

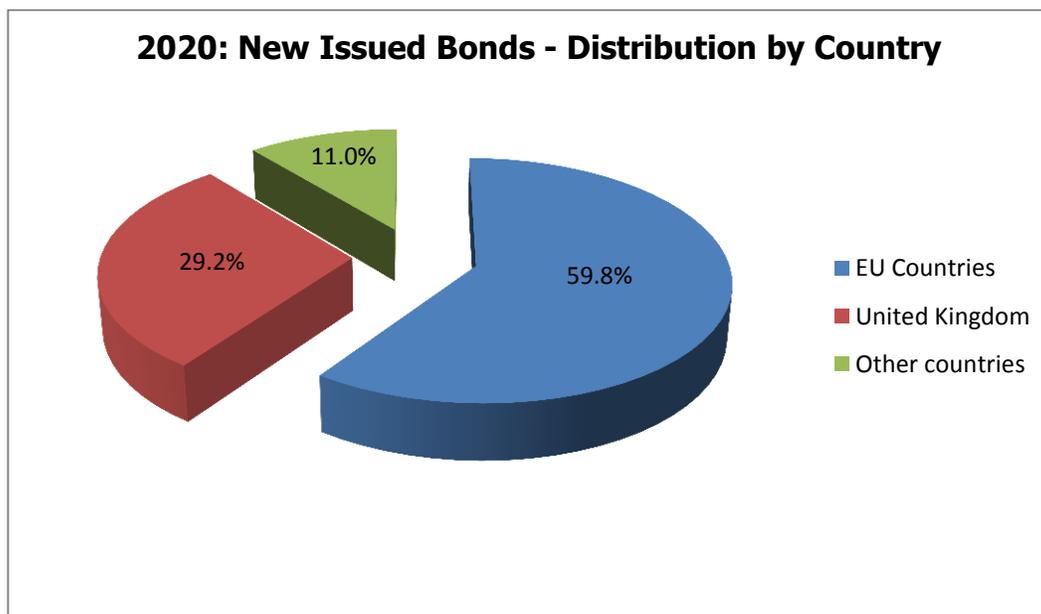
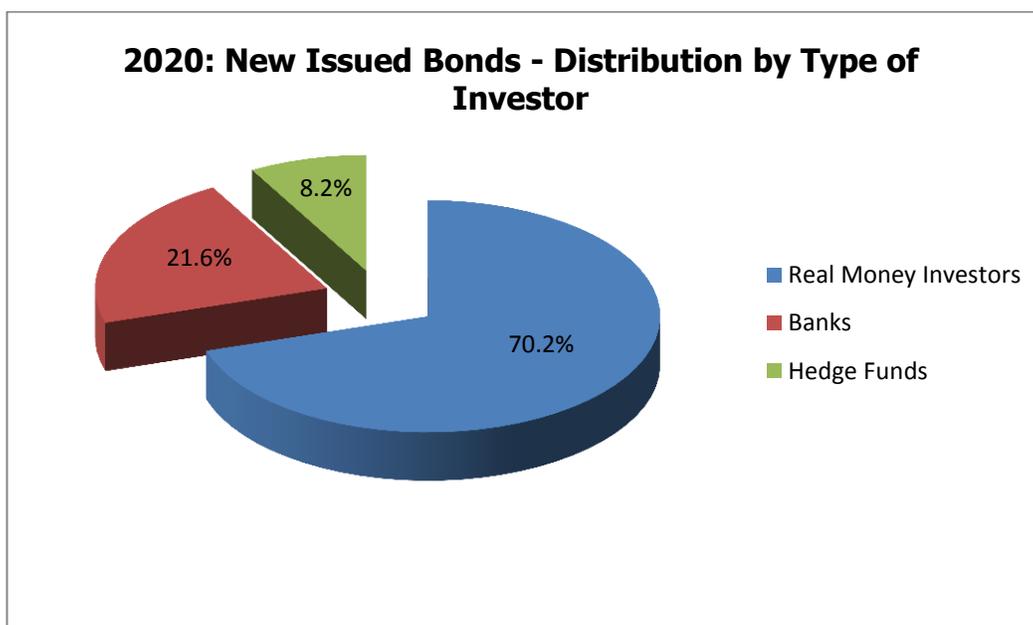
During 2020, the utilization and the optimal management of the cash resources of the General Government entities continued, through the implementation of a program of cash management operations in the form of repo agreements, which were executed by the Public Debt Management Organization.

With this program, about 75% of the total cash of these institutions is utilized in a very efficient way, providing them with competitively high returns, to their advantage, while ensuring a corresponding benefit in terms of the budget result of General Government and the sustainability of public debt.

During 2020, PDMA successfully launched new syndications in the international capital markets (five times), raising a total of € 12 billion. More than 70% of the buyers were long-term investors, indicating that Greece is returning to its normal financing position.

Issuance Date	Maturity Date	Duration	Initial Offers	Nominal Amount	Yield	Type of Issuance
4-2-2020	4-2-2035	15 years	18.8 bln	2.5 bln	1.911%	New issue
22-4-2020	22-4-2027	7 years	5.9 bln	2.0 bln	2.013%	New issue
18-6-2020	18-6-2030	10 years	15.7 bln	3.0 bln	1.568%	New issue
9-9-2020	18-6-2030	10 years	18.5 bln	2.5 bln	1.187%	Reopening
29-10-2020	4-2-2035	15 years	16.8 bln	2.0 bln	1.152%	Reopening
		Total	€75.7 bln	€12 bln		

In terms of investor distribution, only 8.2% of the issues were distributed to hedge funds, with the remaining 91.8% distributed mainly to long-term, good quality investors, 29.2% came from the United Kingdom, 59.8% from European Union countries and the remaining 11% from other countries.



The gross financing needs of the State Budget during the year 2020 (excluding the stock of short-term interest-bearing debt and repos) amounted to **€ 33,066** million and were covered by:

- Long-term borrowing amounting to **€ 18,603** million at face value with a settlement value (cash inflow) of **€ 19,642**
- Revenues from privatizations (sale of shares) amounting to **€ 50** million.
- Revenue from ANFAs -SMPs amounting to **€ 1,643** million.
- Revenues from financial transactions amounting to **€ 613** million.
- Short-term borrowing of **€ 5,641** million.
- Consumption of cash amounting to **€ 5,477** million.

Cash reserves at the end of 2020 amounted to **€ 18,042** million, compared to **€ 23,519** million at the end of 2019, is decreased by **€ 5,477** million.

In particular, new debt issues created a cash inflow of **€ 19,642** million, consisting of:

- Issuance of a new 30-year bond with a nominal value of **€ 3,314** million, fixed interest rate of 3.25% with a cash inflow of **€ 3,802** million.
- Issuance of a new 15-year bond with a nominal value of **€ 2,500** million at a fixed interest rate of 1.875%, with a cash inflow of **€ 2,488** million.
- Issuance of a new 7-year bond with a nominal value of **€ 2,000** million, fixed interest rate of 2%, with a cash inflow of **€ 1,998** million.
- Issuance of a new 10-year bond with a nominal value of **€ 3,000** million, fixed interest rate of 1.5%, with a cash inflow of **€ 2,981** million.
- Reissue of a 10-year bond with a nominal value of **€ 2,500** million at a fixed interest rate of 1.5%, with a cash inflow of **€ 2,572** million.
- Reissue of a 15-year bond with a nominal value of **€ 2,000** million, fixed interest rate of 1,875%, with a cash inflow of **€ 2,189** million.
- Reissue of a 30-year bond (private placement) with a nominal value of **€ 650** million at a fixed interest rate of 3.25%, with a cash inflow of **€ 952** million.
- Loans from the European Investment Bank and the Cohesion Fund **€ 639** million with an average interest rate of 0.65% and an average duration of 12.65 years.
- Loan through the SURE program (EU Support to mitigate Unemployment Risks in an Emergency) 5-year zero interest rate with a nominal value of **€ 1,000** million with a cash inflow of **€ 1,026** million.
- Loan through the SURE program (EU Support to mitigate Unemployment Risks in an Emergency) 30-year fixed-term interest rate 0.30% nominal value **€ 1,000** million with a cash inflow of **€ 995** million.

The balance of treasury bills decreased by **€ 812** million, thus forming the new balance of treasury bills at the end of 2020 at **€ 11,801** million, while the short-term repurchase agreements (Repos) increased by **€ 6,453** million, forming the balance of Repos at the end of 2020 to **€ 35,356** million and therefore the total net short-term borrowing amounted to **€ 5,641** million.

The weighted average duration of new borrowing for 2020 was **10** years, while the weighted average cost of new borrowing - excluding REPO agreements - was **0.96%**.

PORTFOLIO MANAGEMENT

The strategy of portfolio management through selective derivative transactions continued during 2020, with the main goal of further reducing the cost of debt service.

Portfolio management operations during the year 2020 had to do mainly with transfers of existing derivative transactions from Foreign Banks to the Greek ones within the framework of GLF.

The reason is mainly the opening of country lines by foreign banks in order to continue the banking operations in Greece without any problems.

Greece benefited from all the above-mentioned operations through:

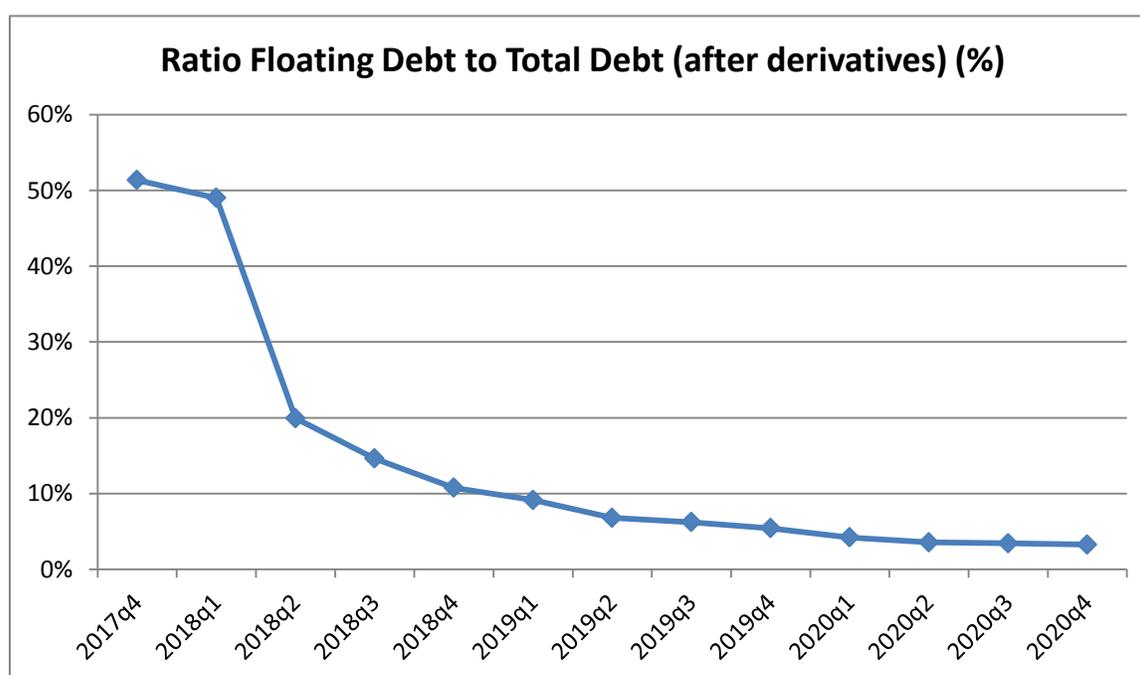
- Further reduction of interest rate risk,
- Maintaining foreign exchange risk at the lowest possible levels,
- The restructuring or cancellation of existing derivatives, which were previously contracted in order to hedge market risks that no longer exist,
- The facilitation of the counterparty banks (Greek and foreign) that constitute the team of the Primary Dealers, for increasing their credit limits with the Greek government, in combination with further utilization of the cash reserves.
- The occasional recovery of positive present value through the restructuring of existing derivatives, provided that the above portfolio management objectives are met.

RISK ASSEMENT & CONTROL FACTORS

The debt portfolio had the following characteristics at the end of the year:

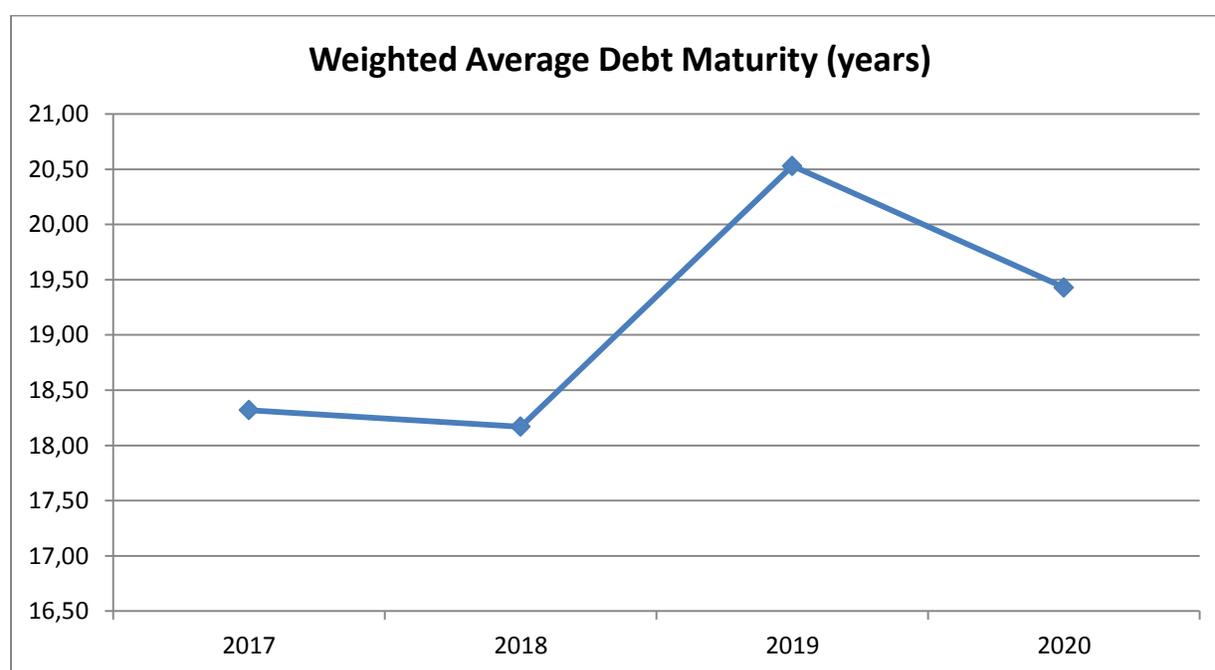
	31/12/2020
Refinancing Risk 1Y (%)	14.03%
Refinancing Risk 5Y (%)	24.68%
Refixing Risk 1Y (%)	19.76%
Refixing Risk 5Y (%)	28.35%
Ratio Foreign Debt to Total Debt (before derivatives) (%)	1.45%
Ratio Foreign Debt to Total Debt (after derivatives) (%)	1.11%
Ratio Floating Debt to Total Debt (before derivatives) (%)	18.33%
Ratio Floating Debt to Total Debt (after derivatives) (%)	3.26%
Average Time to next refixing	19.02 years
Average Life (years)	19.43 years

The debt ratio of floating interest rate to total debt has decreased significantly due to interest rate swaps.



Interest rates are at historically low and negative levels and the expectation for their rise is an extremely important factor. The Greek portfolio is well shielded by future interest rate hikes resulting in the cost of servicing to be predictable and very low for the coming years. This fact is a great “breath” for the Greek Economy and its future growth. This is also proven by the continuous upgrades and positive evaluations, of the Government Bonds and Greek Banks, by the credit rating agencies.

The weighted average debt maturity index is over 19 years, which gives Greece time to further improve its portfolio and most importantly to provide funding to the productive sectors of the economy, thus boosting GDP.



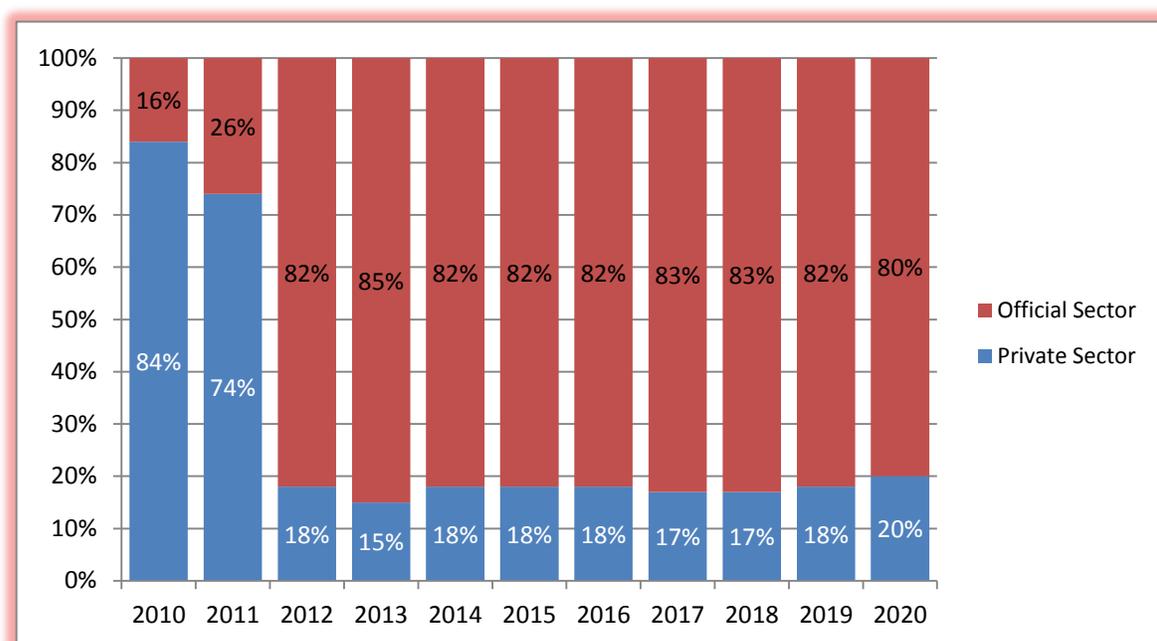
CENTRAL (STATE) GOVERNMENT DEBT ANALYSIS

The table below illustrates the analysis of the change in central (state) government debt from 2019 to 2020.

(Swaps Included)	Debt Stock 31/12/2019	Net	New issues	Principal (amortisation)	Exchange rate exposure	Other	Debt Stock 31/12/2020
Total gross debt							
Breakdown by type of debt instrument, original maturity and creditor	356.014,92	18.661,32	1.309.684,97	1.291.023,65	-112,82	-557,69	374.005,73
Debt Securities	68.214,25	11.003,41	45.530,44	34.527,03	0,00	-536,88	78.680,78
Short Term	12.612,84	-811,56	23.604,24	24.415,80	0,00	0,00	11.801,28
T-Bills	12.612,84	-811,56	23.604,24	24.415,80	0,00	0,00	11.801,28
Long Term	55.601,41	11.814,97	21.926,20	10.111,23	0,00	-536,88	66.879,50
issued domestically	53.886,04	11.814,97	21.926,20	10.111,23	0,00	-531,95	65.169,06
issued abroad	1.715,37	0,00	0,00	0,00	0,00	-4,93	1.710,44
Loans	287.800,67	7.657,91	1.264.154,53	1.256.496,62	-112,82	-20,81	295.324,95
Short Term	28.903,11	6.453,39	1.261.495,12	1.255.041,73	0,00	0,00	35.356,50
Long Term	258.897,56	1.204,52	2.659,41	1.454,89	-112,82	-20,81	259.968,45
Vis-a vis residents	2.119,29	-487,09	0,00	487,09	2,33	0,00	1.634,53
Bank of Greece	1.908,03	-472,26	0,00	472,26	2,33	0,00	1.438,10
Other residents	211,26	-14,83	0,00	14,83	0,00	0,00	196,43
Vis-a vis non residents	256.778,27	1.691,61	2.659,41	967,80	-115,15	-20,81	258.333,92
EFSF/ESM/IMF	249.009,81	-634,75	0,00	634,75	-114,77	0,00	248.260,29
Other nonresidents	7.768,46	2.326,36	2.659,41	333,05	-0,38	-20,81	10.073,63
Breakdown by currency of denomination	356.014,92	18.661,32	1.309.684,97	1.291.023,65	-112,82	-557,69	374.005,73
Domestic currency denominated	352.256,47	18.140,59	1.309.684,97	1.291.544,38	0,00	-557,69	369.839,37
Debt securities	68.214,26	11.003,42	45.530,44	34.527,02	0,00	-536,88	78.680,80
Loans	284.042,21	7.137,17	1.264.154,53	1.257.017,36	0,00	-20,81	291.158,57
Foreign currency denominated	3.758,45	520,73	0,00	-520,73	-112,82	0,00	4.166,36
Debt securities	0,00	0,00	0,00	0,00	0,00	0,00	0,00
Loans	3.758,45	520,73	0,00	-520,73	-112,82	0,00	4.166,36

The structure of the Public Debt by category of creditors as it was formed at the end of 2020 is shown in the following graph:

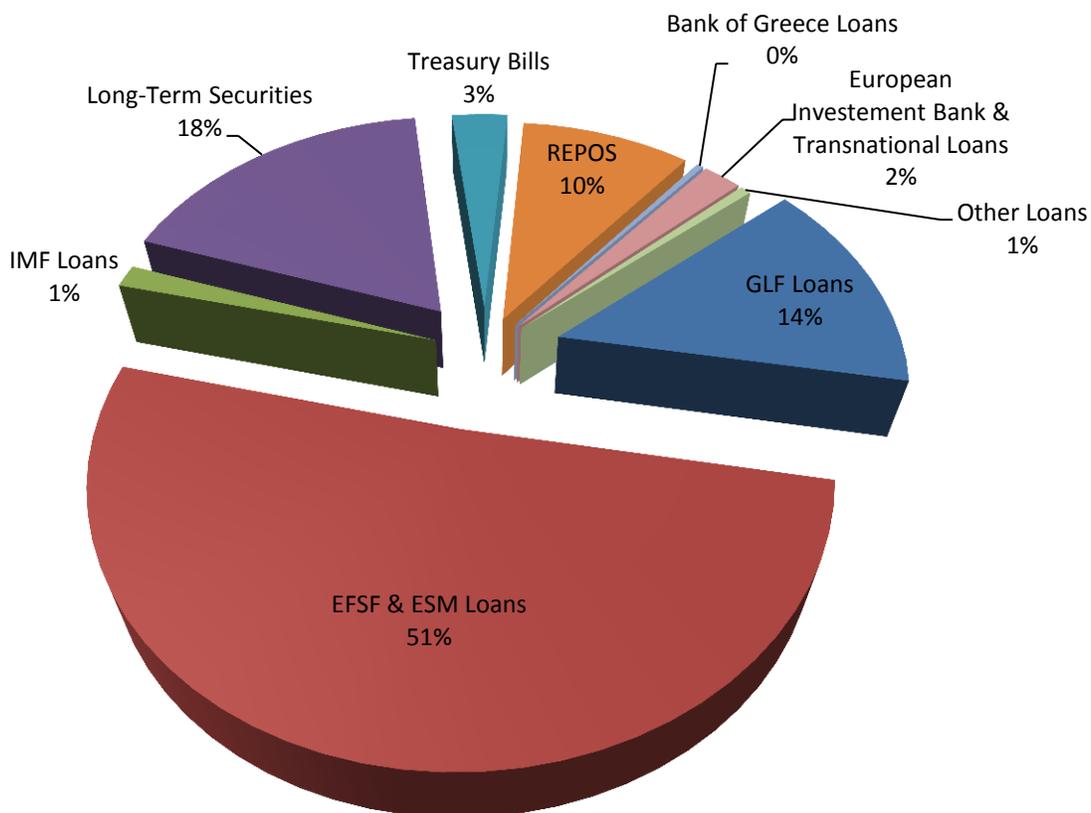
Central Government Debt by type of creditor



The picture of the debt structure from 2010 until today has changed almost completely, passing from the private to the formal sector. This is mainly due to the PSI that took place in the year 2012.

At 31.12.2020 the stock of the central government debt by creditor showed the following breakdown:

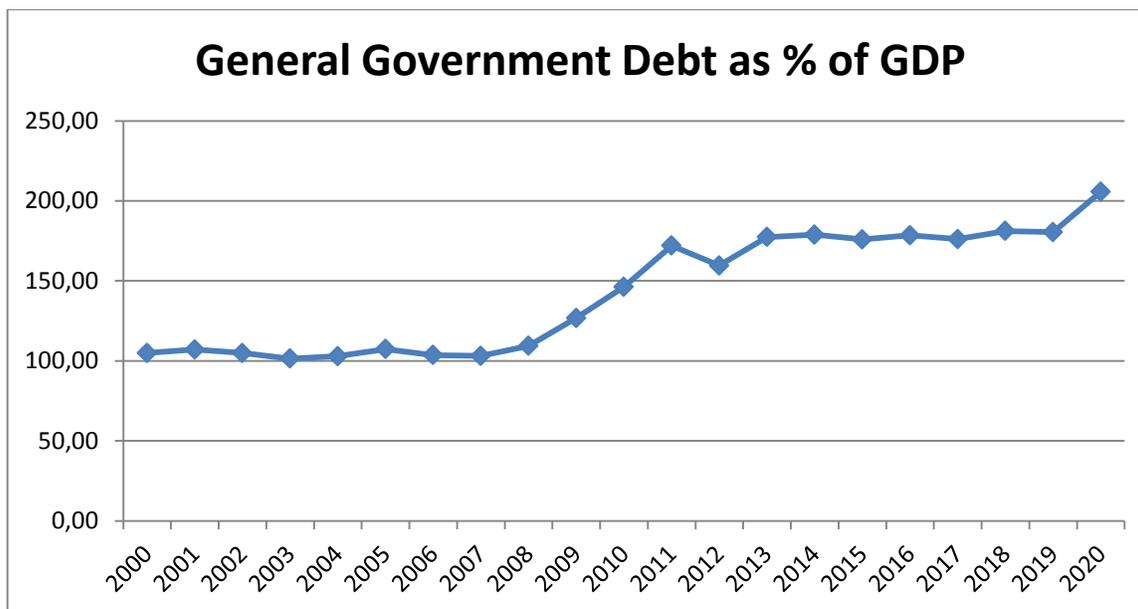
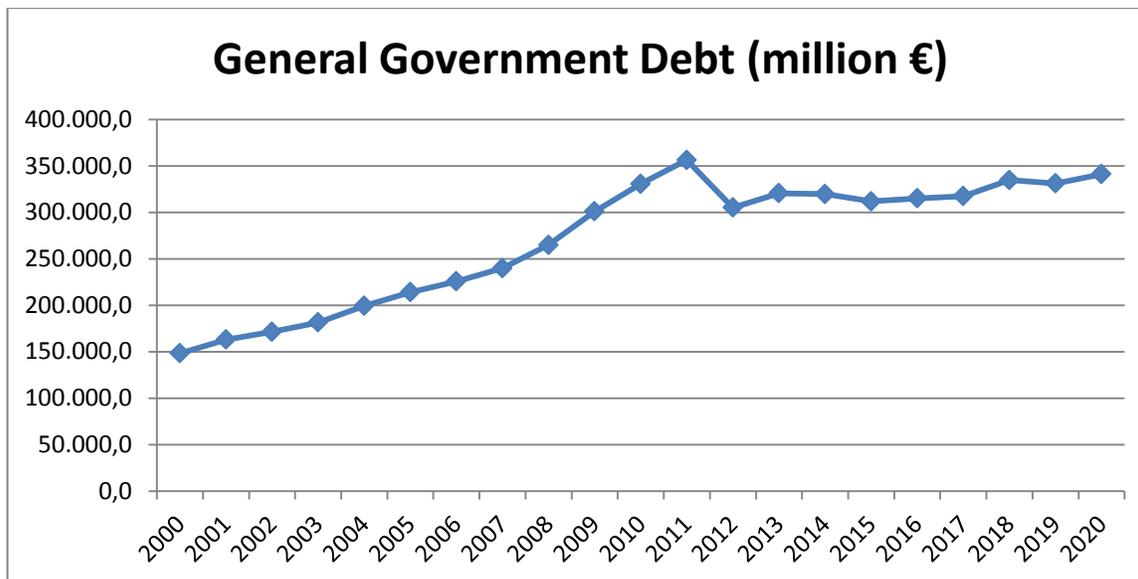
Central Government Debt Structure by Instrument at 31-12-20



The majority (51%) of Greek debt is held by the European Stability Mechanism and this ensures low interest rates and a long repayment period.

GENERAL GOVERNMENT DEBT ANALYSIS

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 at Eurostat's website and the Hellenic 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 2020 is shown in the table below. These figures are officially announced by the Hellenic and European statistical authorities in the last ten days of April each year.

Year 2020 (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)	1.648	6.443	-433	7.658			-1.110	6.548
Bills & Short-Term Securities (AF331)	11.801		-490	11.311			-190	11.121
Long Term Securities (AF332)	66.869	936	-5.726	62.079			-6.033	56.046
Short Term Loans (AF41)	36.746	46	-22.356	14.436	3	0	-12.197	2.242
Long Term Loans (AF42)	261.999	2.712	-63	264.648	1.126	113	-821	265.066
Total	379.063	10.137	-29.068	360.132	1.129	113	-20.351	341.023
GG Debt (% GDP)								205,6%

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.