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Morningstar DBRS Upgrades the Hellenic Republic to BBB, Trend Changed to Stable

Industry: Governments
Subindustry: Sovereigns
Region: Europe

DBRS Ratings GmbH (Morningstar DBRS) upgraded the Hellenic Republic's (Greece) Long-Term Foreign and Local Currency - Issuer Ratings to BBB from BBB (low). At the same time, Morningstar DBRS upgraded the Hellenic Republic's Short-Term Foreign and Local Currency - Issuer Ratings to R-2 (high) from R-2 (middle). The trend on all ratings has returned to Stable from Positive.

KEY CREDIT RATING CONSIDERATIONS

The upgrade reflects Morningstar DBRS' view that legacy risks in the banking system have receded along with a continuation in over performance in fiscal targets. Greek banks have improved their fundamentals, are more resilient and are well positioned to provide credit to the economy, even after the end of the Next Generation EU (NGEU). This reflects lower legacy risks, with a significant fall in the gross nonperforming loan ratio, now close to the European Union (EU) average, coupled with the expectation that deferred tax credits (DTC) will fall faster than initially anticipated. Moreover, supported by the recovery of the Greek economy and strong investor interest, the Hellenic Financial Stability Fund (HFSF) has reduced its stakes in systemic banks loosening the link between the state and the banking sector. Morningstar DBRS also notes that the public debt-to-GDP ratio should have declined by almost 10 percentage points since 2023 to an estimated 154% YE2024. Fiscal revenues continue to overperform fiscal targets with rising primary surpluses, which are expected to remain elevated going forward. This will likely facilitate a further significant reduction in the public debt-to-GDP ratio, which is projected to fall to below 140% by 2027 by the government. The credit rating action is supported by improvements in the "Monetary Policy and Financial Stability" and "Fiscal Management and Policy" building blocks.

The Stable trend reflects Morningstar DBRS' view that the risks to the credit ratings are balanced. Greece's BBB credit ratings are underpinned by a credible policy framework thanks to the EU and euro area membership and by the implementation of past institutional and economic reforms that have enhanced the resilience of the economy. Greece's economic prospects appear to be considerably strengthened by governance, investments, exports and reforms, underpinning public sector debt sustainability. The implementation of structural reforms remains on good track, which, along with higher investments supported by EU resources could improve the country's business environment, boost productivity and help narrow the investment gap with its euro area peers. Since 2021, Greece has been outperforming euro area average growth, and this is likely to continue over the next two years. GDP is estimated to have expanded by 2.2% in 2024 while it will grow by 2.3% in 2025, according to the Greek Ministry of Economy and Finance. Moreover, there is strong political commitment to maintain a prudent fiscal strategy, reflected in the rapid improvement in the primary surplus despite the multiple shocks the economy has faced since 2020. Nevertheless, the credit ratings are constrained by the still high public debt ratio, the small size of the economy, and the persistent current account deficit.

CREDIT RATING DRIVERS

Morningstar DBRS could upgrade the credit ratings if one or a combination of the following occur: (1) further material reduction in the public debt ratio supported by sustained primary surpluses; or (2) continued implementation of reforms that boost investment, thereby improving longer-term growth prospects.

Morningstar DBRS could downgrade the credit ratings if one or a combination of the following occur: (1) a prolonged weakening of fiscal discipline or a materialization of contingent liabilities that puts the public debt ratio on a sustained upward trend; (2) a reversal in structural reforms; or (3) a significant deterioration in the Greek external position.

CREDIT RATING RATIONALE

Further Declines in NPLs and Lower Nexus with the Sovereign Reduce Banking Sector Legacy Vulnerabilities

Significant effort has been made to strengthen Greece's banking sector, which, thanks to an improvement in credit quality and capital, is now more resilient than in the past. Recent shocks, including the energy crisis and high interest costs, have not prevented the aggregate gross NPL ratio to continue to decline. According to the European Bank Authority (EBA) it was at 3.3% as of Q3 2024, down more than 40 percentage points since its peak in Q3 2016. This reduction was primarily driven by sales and securitizations of loans under the Hercules Asset Protection Scheme (HAPS), which has benefitted from a public guarantee. The merger between Attica Bank and Pancreta Bank, is a further step towards the reduction of the NPL ratio of the banking system towards the euro area average of around 2.0%. In addition, banks are better capitalized, more liquid, and have increased their profitability, with the support of a rise in net interest margin. Going forward, Morningstar DBRS expects Greek banks' revenue diversification to improve, reflecting organic and inorganic strategic actions.

A lower nexus between the State and banks in tandem with a faster decline in DTCs and contained financial stability risks bode well for the health of the banking system. Higher interest from foreign private investors, thanks to the improvement in the health of the economy and in the banking system, enabled the HFSF to divest nearly all of its portfolio of systemic banks. Moreover, Morningstar DBRS projects a faster than anticipated improvement in the quality of capital of the banking system (see *Greek Banks: Faster Than Expected DTC Amortisation Is Credit Positive*) with DTCs declining to zero by 2034 instead of initially planned in 20241. House prices have increased substantially over the past few years, reversing the decade-long downtrend but rising living costs and interest rates have worsened housing affordability. There are no signs of excess lending or leverage and Morningstar DBRS views risks to financial stability as contained at the moment. New macroprudential measures, including a cap on the loan-to-value ratio and on the debt service-to-income ratio at origination, effective as of first of January 2025, will help maintain sound lending standards.

Over the last decade, loan growth has been subdued but recently is improving, particularly for non-financial corporations. Morningstar DBRS notes that banks' effective management and allocation of RRF funds, together with the substantial reduction in NPLs that has taken place, position banks well to further provide credit to Greek corporates, thereby supporting economic growth. Under the recovery and Resilience Facility (RRF), Greece will draw loans amounting to EUR 17.7 billion. So far, EUR 9.6 billion have been received from the EU but only EUR 3.2 billion have been disbursed to firms. EU loans disbursements to final clients are accelerating but could be provided even after the end of the NGEU in 2026. The resolution of private non-performing exposures (NPEs) that were transferred from the banks' balance sheets to the real economy and are now managed by credit servicing firms (CSFs) remains a vulnerability. However, Morningstar DBRS expects a gradual reduction of these NPEs over time.

Commitment to Fiscal Prudency Remains; Medium-Term Fiscal Plan Consistent with EU Fiscal Rules

Following the COVD-19 pandemic and energy crisis, Greece's fiscal accounts have improved substantially. After the peak at 9.8% of GDP in 2020, the deficit fell to 1.6% in 2023. Latest projections from the government point to a primary fiscal outcome at a surplus of 2.4% of GDP, slightly higher than 2.1% in 2023, mainly due to stronger-than-anticipated tax revenues, as well as lower primary expenditures. However, it could be larger than expected resulting in a headline budget balance with a small surplus in 2024. On the back of sound economic growth and stronger fiscal revenues, primary surpluses are likely to remain elevated. The government commits in its Medium-

Term Fiscal Plan (MTP) to a net expenditure growth path consistent with EU recommendations maintaining the fiscal balance under the 3% of GDP threshold, reflecting the Greek government strong commitment to a conservative budgetary strategy. In its 2025 State Budget Greece foresees significant increases in its defense spending mainly due to deliveries of military equipment, with the current defense spending estimated at around 3% of GDP. Morningstar DBRS expects the government maintaining a primary surplus of 2.0% of GDP or above for a prolonged period of time to be a challenge, but the Greek authorities have a strong track record in rapidly repairing fiscal accounts, despite multiple shocks over recent years.

In 2025, the government projects a sound primary fiscal surplus of 2.5%, with the anticipated reduction in social security contribution expected to be offset by revenues from the measures to enhance tax compliance and reduce tax evasion. The recent measures to combat tax evasion including the introduction of the myData e-books system and mandatory digital invoicing, and the use of AI-powered tools by the Independent Authority for Public Revenues (AADE) have improved tax transparency and detection of non-compliance and most likely will continue to lead to further increases in tax revenues. The latest data on tax revenues are encouraging, pointing to an increase of around 12% for the 2024 compared to 2023. In this context, the primary surplus is set to remain on average at around 2.4% of GDP for the period 2025 to 2028. The persistent overperformance of fiscal targets along with the structural improvement in fiscal revenues warrants a positive adjustment in the Fiscal Management and Policy building block assessment.

Risks to the fiscal outlook remain and are related to slower growth that could lead to weaker fiscal revenues, renewed energy and food price pressure that would require additional support measures, extreme climate-related events, and the impact on contingent liabilities. On the other hand, persistent improvement in fiscal revenues thanks to government measures to increase tax compliance might deliver better-than-expected fiscal results. According to the IMF, the share of informal economy has declined significantly to 16% in 2021 from around 30% in 2013, due to advancements in digitalization with further declines possible. Further improvements are possible and this would bode well for fiscal capacity going forward.

Public Debt-to-GDP Ratio Remains the Highest in the Euro Area, but It is on Steep Downward Trajectory: Favourable Structure and Proactive Debt Management Mitigate Risks

The Greek public debt ratio is expected to continue to fall, benefitting from elevated primary surpluses, moderate interest bills, and sound, although decelerating, nominal growth. Greece's debt-to-GDP ratio peaked at 209.4% in 2020 before falling to an estimate of 154.0% in 2024, the lowest level since 2010; further declines are likely to occur in the medium term. The reclassification of EUR 12 billion (5.5% of GDP) of the debt relative to deferred interest on the European Financial Stability Fund (EFSF) loans did not alter the steep trajectory of the public debt ratio but impacted modestly on the central government implicit interest costs that increased to 1.7% from 1.3% as end of 2024. The government envisages the public debt ratio continuing to fall to 149.1% of GDP this year, implying a drop of around 60 percentage points in only five years, one of the steepest declines in modern times.

In Morningstar DBRS' view, risks to public debt sustainability are mitigated by several factors. First, Greece's debt structure is very favourable with 100% of debt at fixed rates after swaps. Secondly, the weighted-average maturity is very high, at around 19 years as YE2024, and around 74% of the debt is held by the official sector, which makes the debt less susceptible to market volatility. Finally, the Greek Public Debt Management Agency (PDMA) has been able to temporarily overhedge its debt portfolio, mitigating the impact of the rise in interest costs. This will be translated into contained interest costs over the medium-term. These factors bode well for investor confidence, and government bond yields continue to benefit from favourable demand, with the 10-year spread yield over German Bunds averaging around 90 basis points over the last six months.

Greece's public debt benefits also from a proactive debt management strategy with early repayments that have reduced short-term debt and smoothed the redemption profile. Since 2022 the PDMA has fully prepaid the international Monetary Fund (IMF) loans amounting to EUR 2.3 billion along with part of the Greek Loan Facility (GLF loans) totalling EUR 13.3 billion. Further EUR 5.3 billion of GLF loans are likely to pre-paid this year. This should help reduce financing needs and contain the funding costs taking advantage of the positive mark-to-market position on derivatives.

Stronger fiscal revenues continue to feed sizeable cash reserves despite early repayments, but going forward their amount is expected to decline reflecting further early repayments. At EUR 36.3 billion (16% of GDP or around three years of gross funding needs) as of end 2024 these reserves continue to serve as a liquidity buffer and enhance confidence among market participants by reducing refinancing and interest rate risk. The large cash buffer, combined with the pro-active debt management strategy to reduce interest and repayment risks, underpin the positive qualitative adjustment in the Debt and Liquidity building block assessment. However, despite the favourable debt profile, Morningstar DBRS notes that Greece's debt sustainability relies primarily on its ability to sustain primary surpluses and on solid nominal GDP growth rates, as the official sector debt will be replaced with market financed debt exposing Greece to increased market volatility.

The Economy Continues to Outperform the Euro area Average Growth; Successful Implementation of RRP Key to Sustained Growth

Following 2.3% real GDP growth in 2023, the Greek economy is expected to have growth over 2% in 2024 on the back of strong private consumption, export and investment growth. Although with a high degree of uncertainty, the Greek economy will most likely continue to overperform the eurozone average this year as the recovery is supported by inflows of EU funds and easing financing conditions, along with buoyant private consumption and a reinforced banking sector. Real GDP growth is projected to come in at 2.3% in 2025 and 2.0% in 2026, according to estimates by the Ministry of Economy and Finance. The labour market has also showed resilience, with the unemployment rate standing at 9.4% in December 2024, falling by more than 19 percentage points since its peak in July 2023, although it is still above the EU average.

Greece continues its efforts to transition to a more sustainable growth model, supported also by reforms and investments included in its Recovery and Resilience Plan (Greece 2.0) (see *Greece: The Road to a More Sustainable Growth Model*). Numerous reforms implemented in previous years have improved Greece's competitiveness with total exports rising to 44% of GDP in 2023 from 22% in 2010. Investment levels have also started to pick in recent years. Investment as a share of GDP reached 15.2% in 2023 up from 12.3% in 2020 and is expected to increase more, supported by the implementation of the NGEU funds. The country is among the top performers in the EU for the share of funds disbursed. It has completed 28% of its milestones and targets and has received EUR 8.59 billion of grants and EUR 9.62 billion of loans, exceeding 50% of the total envelope of almost EUR 36 billion (16% of GDP). The successful implementation of the RRP will help Greece improve its growth prospects and warrants a positive qualitative adjustment to the Economic Structure and Performance building block assessment.

Greece's economic outlook is dependent on geopolitical risks, including trade protectionist measures which may weigh on growth in Europe and in Greece. Similar to other small economies, Greece is exposed to geopolitical risks that could negatively affect its exports-oriented industries or lead to a rise in commodity prices and put upward pressures on prices. The imposition of U.S. tariffs is likely to have mainly an indirect impact on Greece, given its small export share to the U.S. The country also remains vulnerable to extreme weather events. In an environment of high uncertainty, strengthening investment and productivity through accelerated reforms along with utilizing external funds will further support Greece's efforts to deal with crisis legacies, address structural challenges successfully and further sustain growth beyond the expiration of NGEU funds.

Current Account Deficit Will Narrow Slowly but Remain High in the Medium Term

Greece's lingering deficit in goods balance and elevated negative Net International Investment Position (NIIP) weigh on the country's external position and on the credit ratings. Going forward, these vulnerabilities are likely to recede, although marginally, with the trade deficit gradually narrowing, but remaining elevated, while external debt as a share of GDP falling as a result of net repayments of government official debt and stronger nominal growth.

However, Morningstar DBRS views Greece's external position as more resilient than in the past. The country has improved its external competitiveness, has become a more open economy, and exports of goods and services in terms of GDP have doubled since 2010. Moreover, the current account deficit, after temporarily widening in 2022 above 10.2% of GDP, declined to around 6.2% in 2023 and it is estimated at a similar level in 2024. The deficit has benefitted from normalising energy prices, and the strong rebound in tourism receipts, which were up 19% in 2024 over the 2019 level. Over the medium term, despite economic growth above the potential and high import of investment goods, the deficit in the current account could continue to narrow, with the IMF projecting the deficit to fall to slightly above 5% of GDP in 2025. In Morningstar DBRS' view, future improvements in the current account balance will also depend on the structural rise in export capacity, as well as to replace energy imports with renewable energy production. Supportive inflows of FDI, which reached a two-decade high in 2022, and the NGEU funds should mitigate the funding risks stemming from elevated current account deficits.

Greece's negative NIIP at around 131.8% of GDP as of Q3 2024, despite the fall of over 50 percentage points since the peak in Q2 2021, remains very high. However, it is less of a concern in Morningstar DBRS' view, since public debt owed to official creditors accounts for a large proportion of the negative external liability position. Greece benefits from a favourable debt structure reflecting a large share of liabilities in the hands of European partners, with long maturity, mostly denominated in euro and at fixed rates. Significant declines are unlikely to occur soon because of the long-term horizon of foreign official-sector loans to the public sector.

Structural Reforms Are High on the Policy Agenda, But Risks to Execution Remain

Recent developments, including the result of the European Election last year, point to a narrower support for the ruling party. However, the New Democracy party, led by Kyriakos Mistotakis, is supported by strong majority in the parliament which provides political stability and continuity. This is helping Greece to fulfill the targets and milestones of its RRP, aiming to boost its resilience and economic prospects. The implementation of reforms and investments included in Greece 2.0, remains a key priority for the Greek government, including addressing weaknesses in the justice system, public administration, and strengthening the public health system. Moreover, the government plans also to improve the education system, which will help Greece achieve longer-term benefits. The New Democracy government continues to prioritize structural reforms keeping them high on the policy agenda, however as next elections draw closer there is a risk that progress could lose momentum. The improvement in the political environment and the government's commitment to address Greece's long-standing challenges warrants a positive qualitative adjustment to the Political Environment building block assessment.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE CONSIDERATIONS

General Considerations

ESG Considerations had a significant effect on the credit analysis.

Social (S) Factors

The following Social factor(s) had a significant effect on the credit analysis: Human Capital and Human Rights. Greece's GDP per capita estimated by the IMF at around USD 24,341 in 2024 was relatively low compared with its euro system peers. This factor has been taken into account in the Economic Structure and Performance building block.

Governance (G) Factors

The following governance factor had a significant effect on the credit analysis: Institutional Strength, Governance, and Transparency. According to the World Bank Worldwide Governance Indicators in 2023, Greece's ranks for Rule of Law (57.1 percentile) and for Government Effectiveness (57.6 percentile) were significantly lower than its euro area peers. The following factor had a relevant effect on the credit analysis: Bribery, Corruption and Political Risks. Greece underperforms the EU average in the 'Control of Corruption' indicator (58 percentile rank) however, it has made good progress in recent years improving its score in the Corruption Perception Index from 36 in 2012 to 49 in 2024. These factors have been taken into account in the Fiscal Management and Policy and Political Environment building blocks.

Environmental (E) Factors

There were no Environmental factors that had a relevant or significant effect on the credit analysis.

A description of how Morningstar DBRS considers ESG factors within the Morningstar DBRS analytical framework can be found in the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings (13 August 2024) https://dbrs.morningstar.com/research/437781.

For more information on the Rating Committee decision, please see the Scorecard Indicators and Building Block Assessments.

EURO AREA RISK CATEGORY: LOW

Notes:

All figures are in euros unless otherwise noted. Public finance statistics reported on a general government basis unless specified.

The principal methodology is the Global Methodology for Rating Sovereign Governments (15 July 2024) https://dbrs.morningstar.com/research/436000. In addition Morningstar DBRS uses the Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings https://dbrs.morningstar.com/research/437781 in its consideration of ESG factors.

The credit rating methodologies used in the analysis of this transaction can be found at: https://dbrs.morningstar.com/about/methodologies.

The sources of information used for this credit rating include Ministry of Economy and Finance (General Government Monthly Bulletin

December 2024, Draft Budgetary Plan – October 2024, Medium-term Fiscal Structural Plan – October 2024), European Commission (Post-Programme Surveillance Report – November 2024, 2024 Commission assessment of Greece's medium-term fiscal-structural plan – November 2024), PDMA (Public Debt bulletin N 116 – February 2025, Funding Strategy for 2025 – December 2024), IMF (World Economic Outlook, October 2024, Greece: Staff Concluding Statement of the 2025 Article IV Consultation Mission, January 2025), IFS, ELSTAT, BIS, World Bank, Eurostat, European Central Bank, EBA, Bank of Greece (Financial Stability Review 2024 – October 2024, Note on the Greek Economy – February 2025), Greece 2.0 National Recovery and Resilience Plan, Social Progress Imperative, Transparency International and Macrobond. Morningstar DBRS considers the information available to it for the purposes of providing this credit rating to be of satisfactory quality.

Morningstar DBRS does not audit the information it receives in connection with the credit rating process, and it does not and cannot independently verify that information in every instance.

The conditions that lead to the assignment of a Negative or Positive trend are generally resolved within a 12-month period. Morningstar DBRS' outlooks and credit ratings are under regular surveillance.

For further information on Morningstar DBRS historical default rates published by the European Securities and Markets Authority (ESMA) in a central repository, see: https://registers.esma.europa.eu/cerep-publication. For further information on Morningstar DBRS historical default rates published by the Financial Conduct Authority (FCA) in a central repository, see https://data.fca.org.uk/#/ceres/craStats.

The sensitivity analysis of the relevant key credit rating assumptions can be found at: https://dbrs.morningstar.com/research/449540.

This credit rating is endorsed by DBRS Ratings Limited for use in the United Kingdom.

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For more information on this credit or on this industry, visit http://dbrs.morningstar.com.

Issuer	Debt Rated	Credit Rating Action	Credit Rating	Trend
Hellenic Republic	Long Term Foreign Currency - Issuer Rating	Trend Change	BBB (low)	Stable
Hellenic Republic	Long Term Foreign Currency - Issuer Rating	Upgraded	BBB	Stable
Hellenic Republic	Long Term Local Currency - Issuer Rating	Trend Change	BBB (low)	Stable
Hellenic Republic	Long Term Local Currency - Issuer Rating	Upgraded	BBB	Stable
Hellenic Republic	Short-Term Local Currency - Issuer Rating	Trend Change	R-2 (middle)	Stable
Hellenic Republic	Short-Term Local Currency - Issuer Rating	Upgraded	R-2 (high)	Stable
Hellenic Republic	Short-Term Foreign Currency - Issuer Rating	Trend Change	R-2 (middle)	Stable
Hellenic Republic	Short-Term Foreign Currency - Issuer Rating	Upgraded	R-2 (high)	Stable

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Greece

Scorecard Indicators

Fiscal Management and Policy	2019	2020	2021	2022	2023	2024	2025	2026	2027	Source	Current Scorecard Input	
Overall Fiscal Balance (% of GDP)	-0.1%	-10.6%	-7.5%	-2.5%	-0.9%	-1.0%	-0.9%	-1.1%	-1.3%	IMF WEO	13 year average	-2.1%
Government Effectiveness (Percentile Rank)	64.8	67.1	66.7	67.0	57.5	-	-	-	-	World Bank	5 year average	64.6
Debt and Liquidity	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
General Government Gross Debt (% of GDP)	185.5%	213.2%	201.2%	179.6%	168.9%	159.0%	152.9%	149.1%	145.4%	IMF WEO	5 year projection	139.4%
Interest Costs (% of GDP)	3.0%	3.0%	2.5%	2.5%	2.8%	3.1%	3.1%	3.2%	3.5%	IMF WEO	5 year average	2.9%
Economic Structure and Performance	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
GDP per Capita (USD thousands)	19.1	17.6	20.1	20.8	22.9	24.3	25.6	26.7	27.6	IMF WEO	10 year average	19.9
Output Volatility (%)	5.0%	4.9%	4.9%	4.9%	4.7%	4.6%	4.6%	4.4%	-	IMF WEO	Latest	4.6%
Economic Size (USD billions)	205	188	215	218	238	253	265	276	285	IMF WEO	5 year average	222
Monetary Policy and Financial Stability	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Rate of Inflation (%, EOP)	1.1%	-2.4%	4.4%	7.6%	3.7%	2.8%	2.0%	2.0%	2.0%	IMF WEO	13 year average	2.0%
Total Domestic Savings (% of GDP)	164%	191%	188%	168%	169%	169%	-	-	-	ECB/IMF	Latest[1]	169%
Change in Domestic Credit (% of GDP)	-8.7%	15.3%	-3.5%	-22.2%	-4.8%	-2.7%	-	-	-	ECB/IMF	7 year average[1]	-4.0%
Net Non-Performing Loans (% of Capital)	129.2%	105.4%	44.9%	24.4%	14.1%	11.9%	-	-	-	IMF IFS	Latest[1]	11.9%
Change in Property Price/GDP Index (%)	5.3%	14.8%	0.7%	1.0%	5.6%	1.6%	-	-	-	BoG/IMF	7 year average[1]	4.4%
Balance of Payments	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Current Account Balance (% of GDP)	-2.2%	-7.3%	-7.1%	-10.7%	-6.9%	-6.5%	-5.3%	-4.7%	-4.1%	IMF WEO	8 year average	-6.6%
International Investment Position (% of GDP)	-154.1%	-174.3%	-173.0%	-144.3%	-142.4%	-132.8%	-	-	-	IMF	5 year average[1]	-153.4%
Share of Global Foreign Exchange Turnover (Ratio)	205.2%	206.4%	209.7%	203.9%	206.8%	208.7%	-	-	-	BIS/IMF	Latest	208.7%
Exchange Rate Classification (see footnote)	5	5	5	5	5	5	-	-	-	IMF	Latest	5
Political Environment	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**	**2026**	**2027**			
Voice and Accountability (Percentile Rank)	72.5	77.8	77.8	77.8	79.4	-	-	-	-	World Bank	5 year average	77.0
Rule of Law (Percentile Rank)	57.6	60.0	60.5	59.4	57.1	-	-	-	-	World Bank	5 year average	58.9

See Morningstar DBRS' Global Methodology for Rating Sovereign Governments for additional details on the methodology behind the scorecard indicators and associated scoring thresholds. Exchange Rate Classifications: Freely floating exchange rate = 1; Float = 2; Crawls, banded pegs, and other managed = 3; Stabilized = 4; Pegs, currency unions and dollarized arrangements = 5.

[1] *Scores for 2024 have been computed using the most recent data when year-end data is not available.*

Rating Committee Date: 4-Mar-2025

Greece

Building Block Assessments and Rating Committee Summary

4-Mar-2025

Building Blocks	Scorecard Result	Quantitative Assessment	Net Impact of Qualitative Factors	Building Block Assessment
Fiscal Management and Policy	14.03	Good	+ 1 Category	Strong/Good
Debt and Liquidity	2.05	Weak	+ 2 Categories	Poor
Economic Structure and Performance	5.65	Poor	+ 1 Category	Poor/Moderate
Monetary Policy and Financial Stability	17.01	Strong	N/A	Strong
Balance of Payments	5.33	Poor	N/A	Poor
Political Environment	14.33	Good	+ 1 Category	Strong/Good
Overall Assessment	**Composite Scorecard Result**	**Scorecard Rating Range**	**Composite Building Block Assessment**	**Indicative Rating Range**
	48.7	BBB (low) - BB	57.0	BBB (high) - BBB (low)

Greece's Long-Term Foreign Currency - Issuer Rating BBB

Main topics discussed in the Rating Committee include: fiscal outlook, pro-active debt management strategy, political environment, improvements in the banking system and Greece's external position. For additional details on Morningstar DBRS analysis and opinions, please see the accompanying rating report.

Morningstar DBRS Scorecard: Scoring Ranges and Associated Assessment Categories

Lower Bound	0.00	1.00	3.00	5.00	7.00	9.00	11.00	13.00	15.00	17.00	19.00
Upper Bound	0.99	2.99	4.99	6.99	8.99	10.99	12.99	14.99	16.99	18.99	20.00
Assessment Category	Very Weak	Weak	Weak/ Poor	Poor	Poor/ Moderate	Moderate	Good/ Moderate	Good	Strong/ Good	Strong	Very Strong

Hellenic Republic

ESG Checklist

ESG Factor		ESG Credit Consideration Applicable to the Credit Analysis: Y/N		Extent of the Effect on the ESG Factor on the Credit Analysis: Relevant (R) or Significant (S)*
Environmental		**Overall:**	**N**	**N**
	Emissions, Effluents, and Waste	Do the costs or risks result in changes to a government's financial standing or relationship with other governments, and does this affect the assessment of credit risk?	N	N
	Carbon and GHG Costs	Does a government face coordinated pressure from a higher-tier government or from numerous foreign governments as a result of its GHG emissions policies, and does this affect the assessment of credit risk?	N	N
		Will recent regulatory changes have an impact on economic resilience or public finances?	N	N
		Carbon and GHG Costs	**N**	**N**
	Resource and Energy Management	Does the scarcity of key resources impose high costs on the public sector or make the private sector less competitive?	N	N
		Is the economy reliant on industries that are vulnerable to import or export price shocks?	N	N
		Resource and Energy Management	**N**	**N**
	Land Impact and Biodiversity	Is there a risk to a government's economic or tax base for failing to effectively regulate land impact and biodiversity activities?	N	N
	Climate and Weather Risks	Under key IPCC climate scenarios will climate change and adverse weather events potentially destroy a material portion of national wealth, weaken the financial system, or disrupt the economy?	N	N
	Passed-through Environmental credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by environmental factors (see respective ESG checklist for such issuer)?	N	N
Social		**Overall:**	**Y**	**S**
	Human Capital and Human Rights	Compared with regional or global peers, is the domestic labour force more or less competitive, flexible and productive?	Y	S
		Are labour or social conflicts a key source of economic volatility?	N	N
		Are individual and human rights insufficiently respected or failing to meet the population's expectations?	N	N
		Is the government exposed to heavy, coordinated international pressure as a result of its respect for fundamental human rights?	N	N
		Human Capital and Human Rights	**Y**	**S**
	Access to Basic Services	Does a failure to provide adequate basic services deter investment, migration, and income growth within the economy?	N	N
	Passed-through Social credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by social factors (see respective ESG checklist for such issuer)?	N	N
Governance		**Overall:**	**Y**	**S**
	Bribery, Corruption, and Political Risks	Does widespread evidence of official corruption and other weaknesses in the rule of law deter investment and contribute to fiscal or financial challenges?	Y	R
	Institutional Strength, Governance, and Transparency	Compared with other governments, do institutional arrangements provide a higher or lesser degree of accountability, transparency, and effectiveness?	Y	S
		Are regulatory and oversight bodies insufficiently protected from inappropriate political influence?	N	N
		Are government officials insufficiently exposed to public scrutiny or held to insufficiently high ethical standards of conduct?	N	N
		Institutional Strength, Governance, and Transparency	**Y**	**S**
	Peace and Security	Is the government likely to initiate or respond to hostilities with neighbouring governments?	N	N
		Is the government's authority over certain regions contested by domestic or foreign militias?	N	N
		Is the risk of terrorism or violence sufficient to deter investment or to create contingent liabilities for the government?	N	N
		Peace and Security	**N**	**N**
	Passed-through Governance credit considerations	Does this rating depend to a large extent on the creditworthiness of another rated issuer which is impacted by governance factors (see respective ESG checklist for such issuer)?	N	N
		Consolidated ESG Criteria Output:	**Y**	**S**

* A Relevant Effect means that the impact of the applicable ESG Factors has not changed the rating or rating trend on the issuer.
A Significant Effect means that the impact of the applicable ESG Factors has changed the rating or trend on the issuer.

Hellenic Republic: ESG Considerations

7 March 2025

Environmental

There were no Environmental factors that had a significant or relevant effect on the credit analysis. From a credit perspective, environmental policies relating to each factor are generally sound, and the fiscal cost of new investments is managed effectively within the context of Greece's budgetary framework. The government in its latest draft of the updated National Energy and Climate Plan attempts to actively address climate change by setting a target for non-ETS greenhouse gas (GHG) emissions reductions of -22.7% by 2030 compared to 2005. Greece plans to dedicate 37.5% of its National Recovery and Resilience Plan to support climate transition objectives. The country is vulnerable to extreme weather events, including droughts, heatwaves, floods and wildfires. The fiscal cost from natural disasters has been manageable so far. Morningstar DBRS will continue to assess the credit impact of new regulatory and policy measures.

Social

The following Social factor had a significant effect on the credit analysis: Human Capital and Human Rights. Greece's GDP per capita estimated at USD 24,341 in 2024 by the IMF is relatively low compared with its euro system peers. In Morningstar DBRS' view, this reflects also weak productivity as a result of poor investment performance. In the years of the crisis, investment fell markedly from 20% of GDP in 2009 to 11% of GDP in 2015, before gradually recovering. At the estimated level of 15% of GDP in 2023, it remains the lowest in the euro area and far from the average of 22%. Respect for human rights is high, and there is widespread access to quality healthcare and other basic services. Greece ranks 34 among the 170 countries assessed in the 2024 Social Progress Index.

Governance

The following governance factor had a significant effect on the credit analysis: Institutional Strength, Governance, and Transparency. According to the World Bank Worldwide Governance Indicators in 2023, Greece's ranks for Rule of Law (57.1 percentile) and for Government Effectiveness (57.55 percentile) were significantly lower than its euro area peers. The following factor had a relevant effect on the credit analysis: Bribery, Corruption and Political Risks. Greece underperforms the EU average in the 'Control of Corruption' indicator (58 percentile rank) however, it has made good progress in recent years improving its score in the Corruption Perception Index from 36 in 2012 to 49 in 2024. Morningstar DBRS notes Greece's institutional strengths associated with eurosystem membership and recent improvements in these areas.

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