Financing Strategy for 2019

December 2018

Greek return to markets milestones: a series of issuances to rebuild market access

<u>July 2017</u> **Bond issuance & Liability Management Exercise**	● **5-year bond issuance of €3bn** – Issuance of a 5-year benchmark bond of €3bn with a coupon of 4.375% – Issued at a yield of 4.625% with an oversubscription of 3.5x ● **Liability management exercise of €1.5bn** – Switch and Tender Offer targeting the Greek Government Bond due April 2019 – Reduction of 2019 bonds coupon from 4.75% to 3.19% and strong investor participation (40%)
<u>November 2017</u> **PSI bond exchange**	● **Exchange of the 20 PSI bonds into 5 new bonds of benchmark sizes and maturities** – Normalization of Greek debt instruments and creation of reference points for investors – Unprecedented participation rate of 86% with both foreign and domestic investors involved – Significant liquidity improvement
<u>February 2018</u> **Bond issuance**	● **7-year bond issuance of €3bn** – Issuance of a 7-year benchmark bond of €3bn with a coupon of 3.375% – Issued at a yield of 3.50% with an oversubscription above 2.25x – Pricing improvement compared to the July 2017 issuance and pricing below the one of IMF credit lines

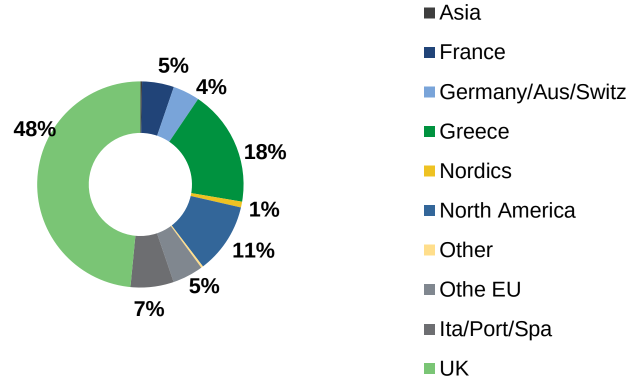
Case study – February 2018 Bond issuance

A new benchmark issuance: 7-year bond with a 3.375% coupon

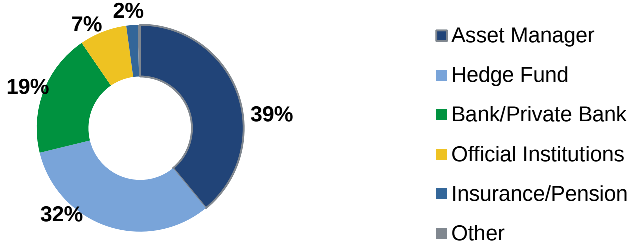
Highlights

- On the 8th of February 2018, Greece issued a 7-year benchmark bond (2025) for €3.0bn in new notes
- The transaction took advantage of Greek yields reaching a historic low since 2010, despite volatile market conditions
- It was designed to continue normalizing the government's access to capital markets before exiting the financial assistance programme in August 2018
- The New Notes priced at a yield of 3.50% – a 25bps tightening from IPT in the 3.75% area for a coupon of 3.375%
  - This pricing represents an improvement compared to the 5-year 2022 GGBs, issued in July 2017, which had been issued at a yield of 4.625%
  - The achieved pricing stands below the pricing of IMF credit lines, at c. 3.5%
- The total orderbook stood above €7.0bn, leading to an oversubscription above 2.25x (final book at €5.97bn)
- The proceeds of the new note were used for general budgetary purposes and building-up the cash buffer ahead of programme exit, to strengthen Greece's standalone financial position

Spread of allocation – By investor geography



Spread of allocation – By investor type



Key terms

Size	€3bn
Final maturity	15/02/2025
Redemption	Bullet
Issue price	99.236
Re-offer yield	3.500%
Spread over MS	311bps
Coupon	3.375%
Listing/law	Athens/English law
Joint bookrunners	Barclays, BNP, Citi, JPM, Nomura
Orderbook size	€6bn

Case study – 12 month T-Bills Issuance

Four successful auctions of 12-months treasury bills over 2018

- *In March 2018, Greece auctioned a 12-month treasury bill issue for the first time since 2010*
- *Three other 12-months issuances took place since then, in June, September and December*
- *The initial yield on the newly issued one-year treasury bills has decreased by 16bps over the year*
- *Investors' participation remain very strong with a coverage ratio systematically superior to 1.4x*
- *This has enabled to reduce the amount of outstanding 3 month Treasury Bills*

Overview of the 2018 12-months treasury bill auctions

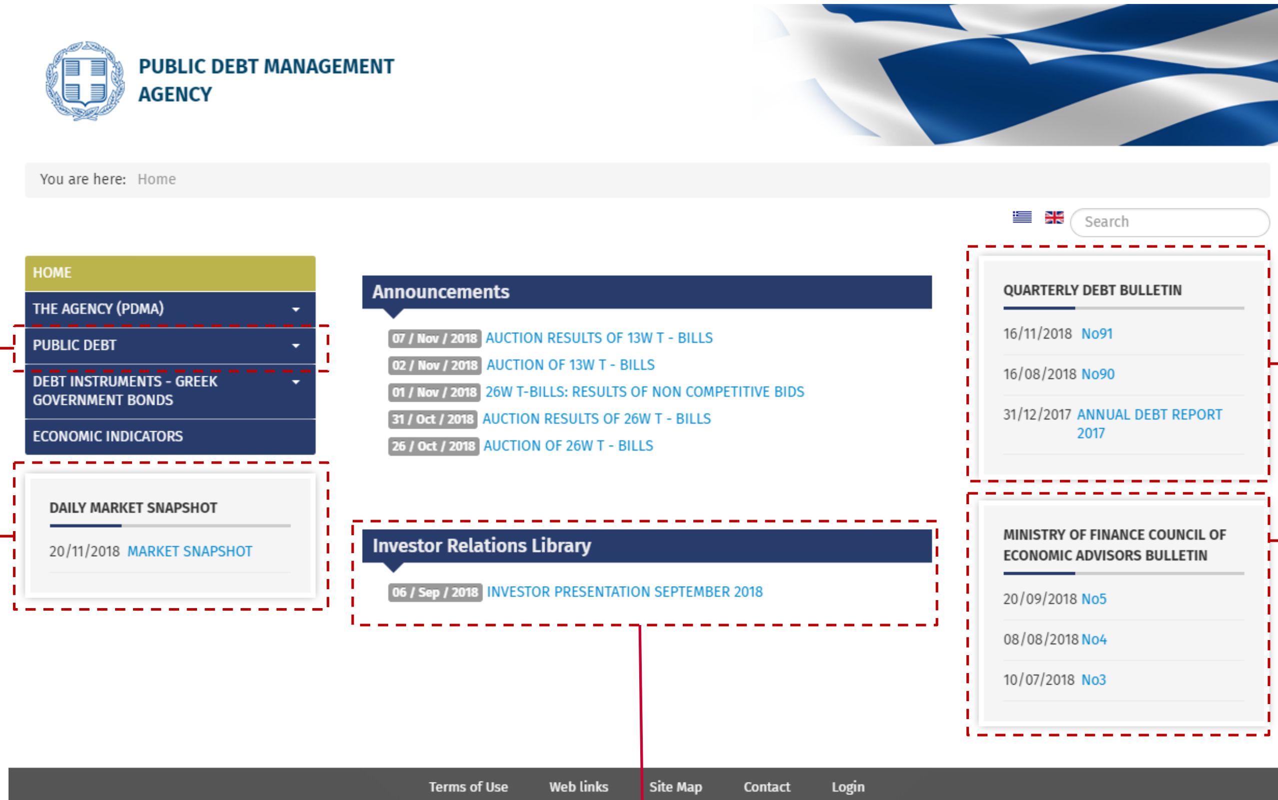
	14 March 2018	13 June 2018	12 September 2018	12 December 2018
Amount auctioned	€625m	€625m	€625m	€625m
Amount offered	€1,986m	€929m	€898m	€956m
Coverage ratio	3.18x	1.49x	1.44x	1.53x
Amount accepted	€812.5m	€812.5m	€812.5m	€812.5m
Yield	1.25%	1.09%	1.09%	1.09%

Source PDMA

Data accessibility and transparency with new PDMA website

Investors can access all relevant data on debt structure, markets and economic intelligence

Full debt structure disclosure



Detailed quarterly debt bulletin

Daily market snapshot available

Council of Economic Advisors monthly bulletin

Investor presentation

1. A progressively rebuilt market access

2. **Current Greek debt profile**

3. 2019 budget

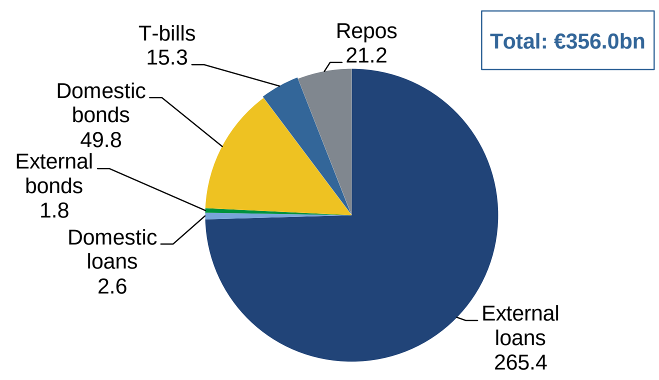
4. Financing plan

Overview of the Greek debt (1/4)

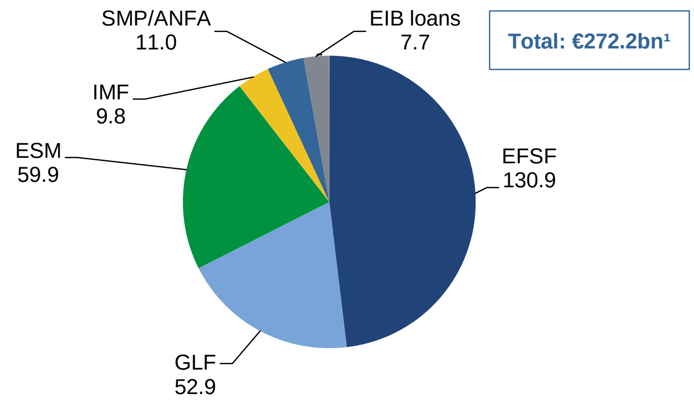
Official creditors outweigh the private sector in the Greek debt portfolio

- ***Greece's debt is mainly held by the official sector***
  - *Official loans and bonds represent 76% of the total debt*
- ***Guaranteed debt is reducing and being monitored by official creditors***
- ***The debt is mainly fixed-rated based** thanks to a number of measures that have been implemented such as swap arrangements*

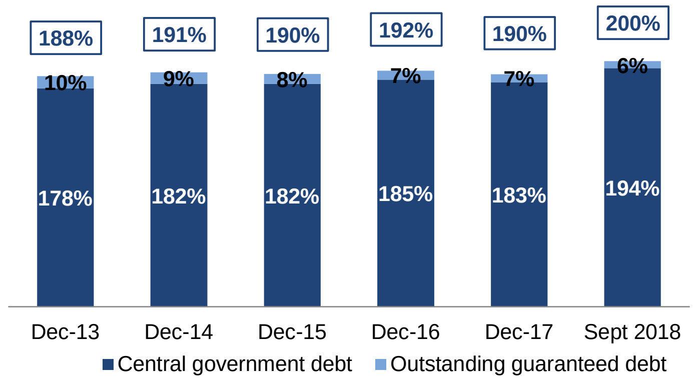
Central government debt (€bn)



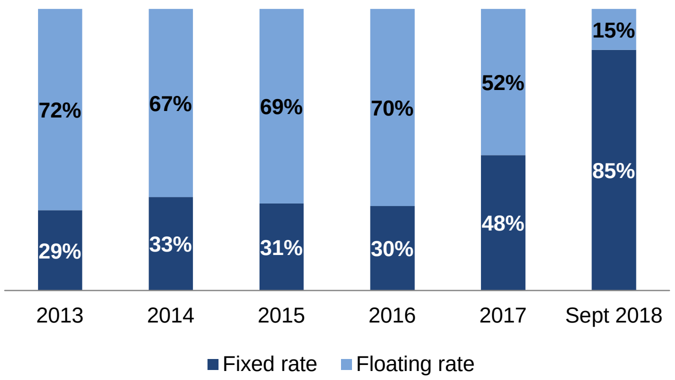
Central government debt held by the official sector (€bn)



Central government and guaranteed debt (% of GDP)



Central government debt by coupon type (% of total)²



Notes

1. Total equal to external loans minus non-official external loans of €4.2bn plus SMP/ANFA bonds of €11.0bn
2. Fixed/floating ratio calculated in June 2018 taking into account 1) interest rate swap transactions, 2) the use of funding instruments by ESM regarding the loans that have been granted to the Hellenic Republic and 3) the incorporation of the risks metrics of EFSF's liability portfolio into the Greek debt portfolio. Index-linked bonds are classified as floating rate bonds

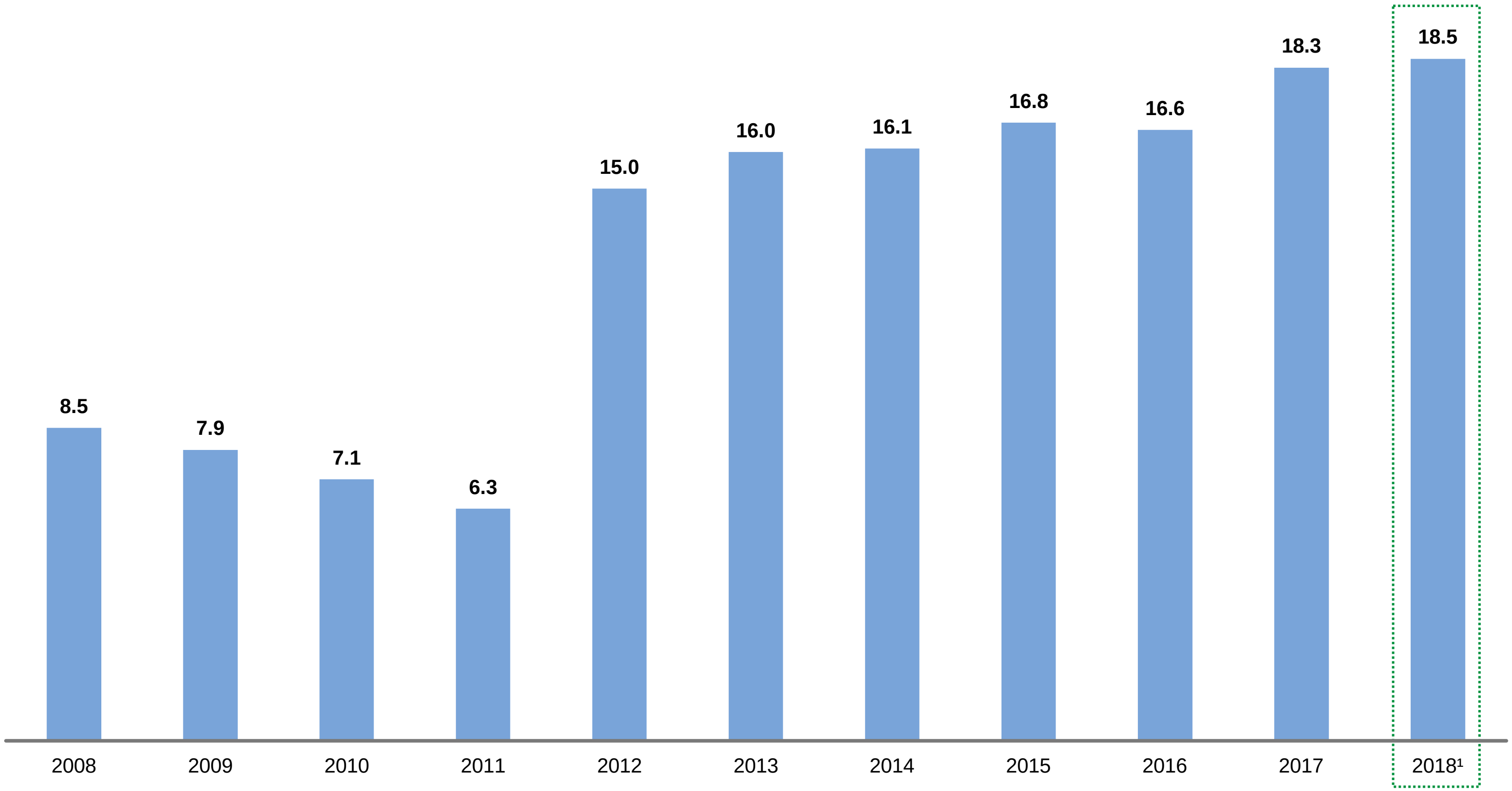
Source PDMA

Overview of the Greek debt (2/4)

A long weighted average maturity of 18.5 years as of September 2018

- ***The weighted average maturity of the Greek debt has increased by 10 years since the financial crisis***
- ***It is of 18.5 years as of September 2018***
  - *Much higher than in other Eurozone countries (8.1 years in Portugal; 7.6 years in Spain and 6.1 years in Cyprus)*

Evolution of the weighted average maturity of the Greek debt (years)



Note
1. 2018 figure as of September 2018, not including extension of EFSF loans agreed on Eurogroup on 22-6-2018.

Sources PDMA, IGCP (20/11/2018), Spain Tesoro Publico (31/10/2018), Cyprus DMO (30/09/2018)

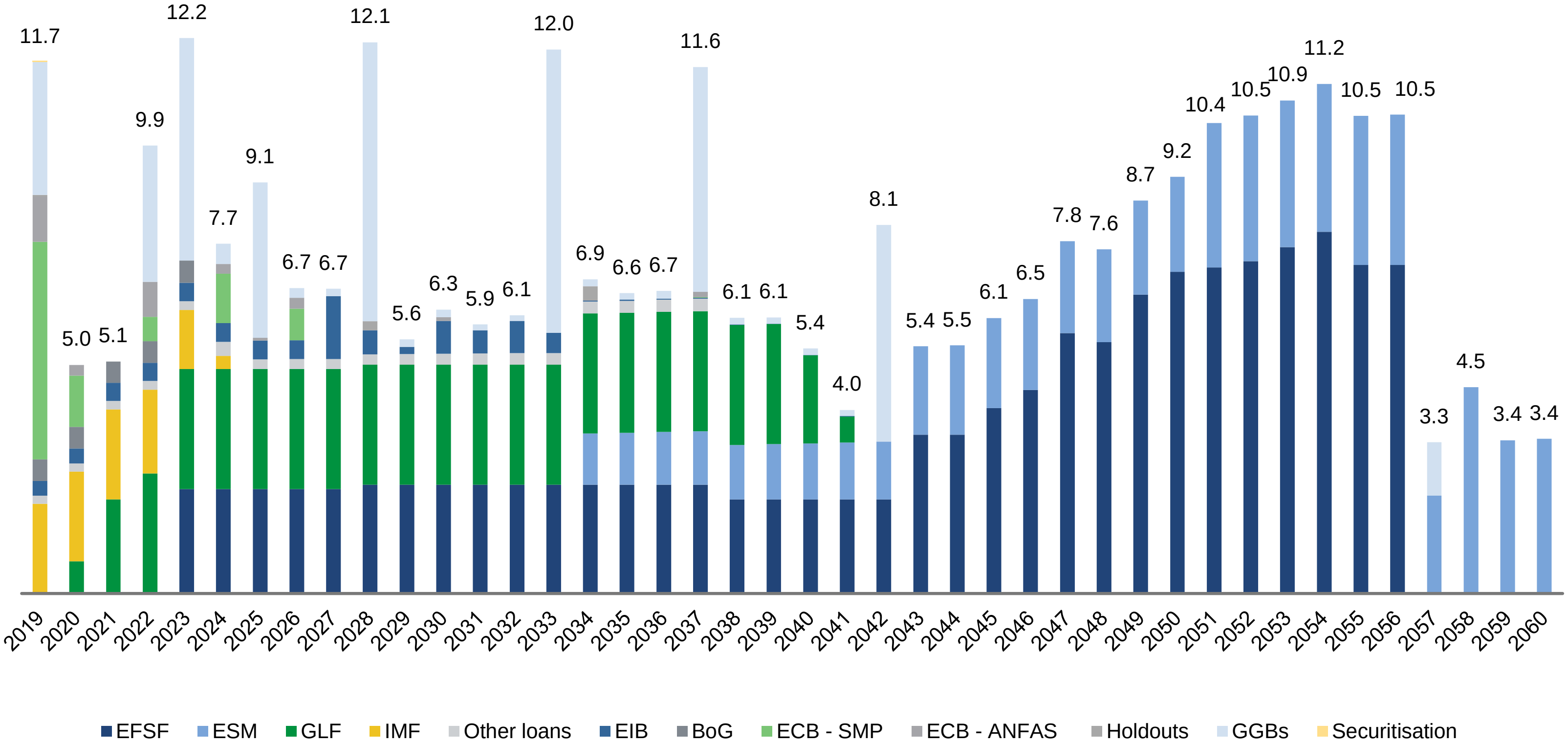
Overview of the Greek debt (3/4)

2018 interest exp.[1]

Greece	
€bn	6.4
% of revenues	7.2%
% of GDP	3.5%
Portugal	
% of revenues	8.1%
% of GDP	3.5%
Ireland	
% of revenues	6.4%
% of GDP	1.6%
Cyprus	
% of revenues	6.3%
% of GDP	2.5%

2018 interest expenditures in line with other post-programme countries

Maturity profile of the Greek debt as of September 2018 excluding T-bills and repos (€bn)[2]



Note

1. 2018 general government interest expenditure of post-programme countries as forecasted in their 2019 Draft Budget Plans
2. 2018 figure as of September 2018, not including extension of EFSF loans agreed on Eurogroup on 22-6-2018.

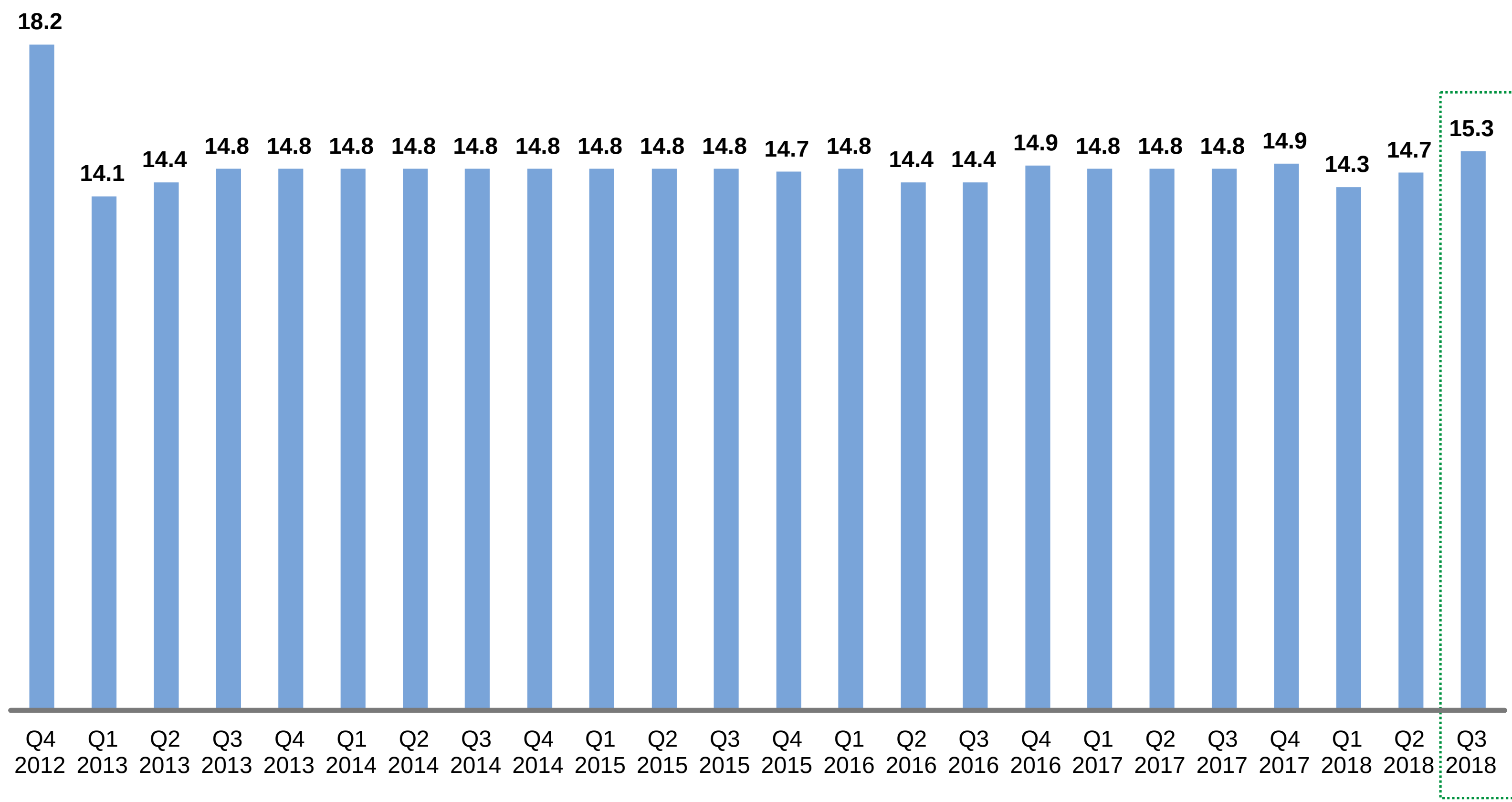
Sources PDMA, 2019 Draft Budget Plans

Overview of the Greek debt (4/4)

Evolution of the stock of T-Bills

- ***Greece does not face short-term refinancing risks***
  - *It has managed to maintain a stable level of T-bills over 2013-2017*
- ***The country has decreased its stock of T-bills since 2012***
  - *This has allowed to further reduce the country's refinancing risks and increase the weighted average maturity of its debt*

Evolution of the stock of Greek T-Bills by quarter (end of period, €bn)[1]



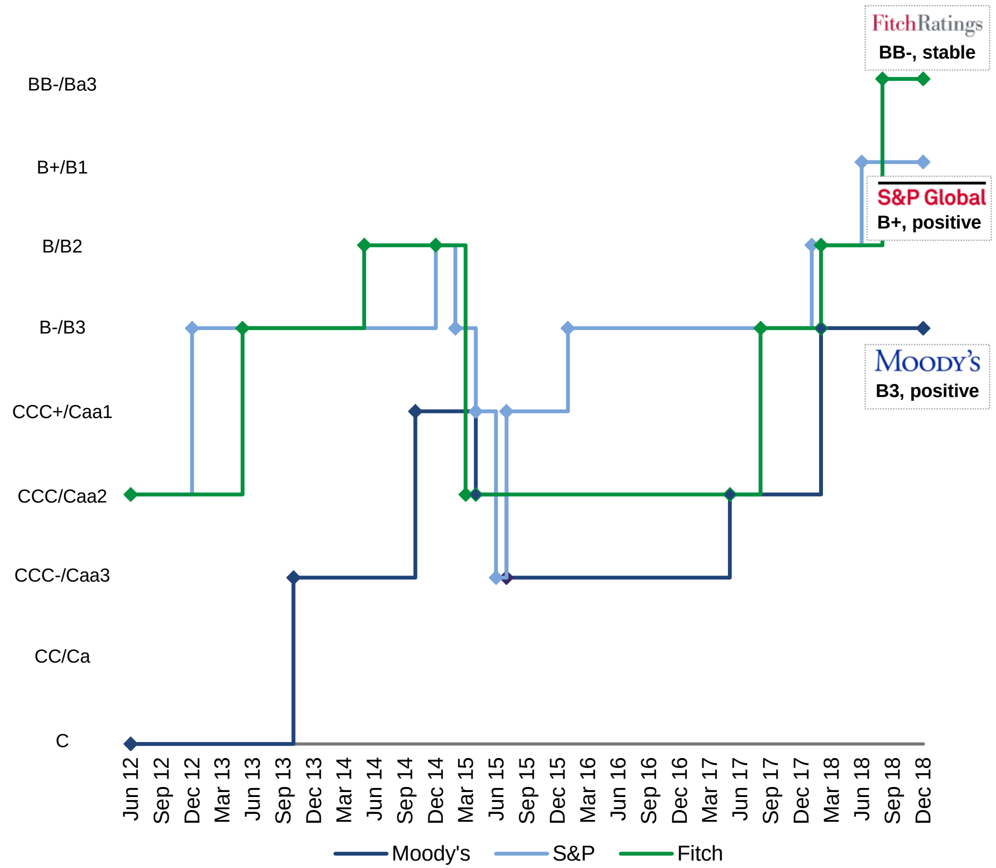
Note
1. PDMA figures when available, Bloomberg otherwise

Sources PDMA, Bloomberg

Multiple rating upgrades since January 2018 to reflect the solution regarding debt and the new paradigm Greece has shifted into

- ***Greece benefitted from multiple rating upgrades in 2018 that reflect the positive economic dynamics***
  - *S&P: +1 notch in January and +1 notch in June*
  - *Fitch: +1 notch in February and +2 notches in August*
  - *Moody's: +2 notches in February*
- ***The country's key credit strengths include***
  - *A favorable debt structure with low debt-servicing costs*
  - *Moderate borrowing needs and a strong cash buffer*
  - *A strong track record in implementing structural reforms including fiscal ones*

Evolution of Greek ratings since 2012



Rating agencies' views

Greece's credit profile is supported by improving economic and fiscal prospects following the successful completion of its adjustment programme, as well as solid support from euro area creditors, as evidenced by a substantial debt relief package provided in June 2018.

Source Moody's Credit Opinion, September 2018

Greece's policy predictability is improving, as are its economic prospects. During 2016 and 2017, the government ran primary fiscal surpluses while the multiyear recession ended last year. (…) Greece will continue to run fiscal surpluses and pay down debt through 2021.

Source S&P's research update, July 2018

The upgrade reflects improved public debt sustainability, underpinned by the debt relief measures agreed by the European creditors, a track record of general government primary surpluses, our expectation of sustained GDP growth (…).

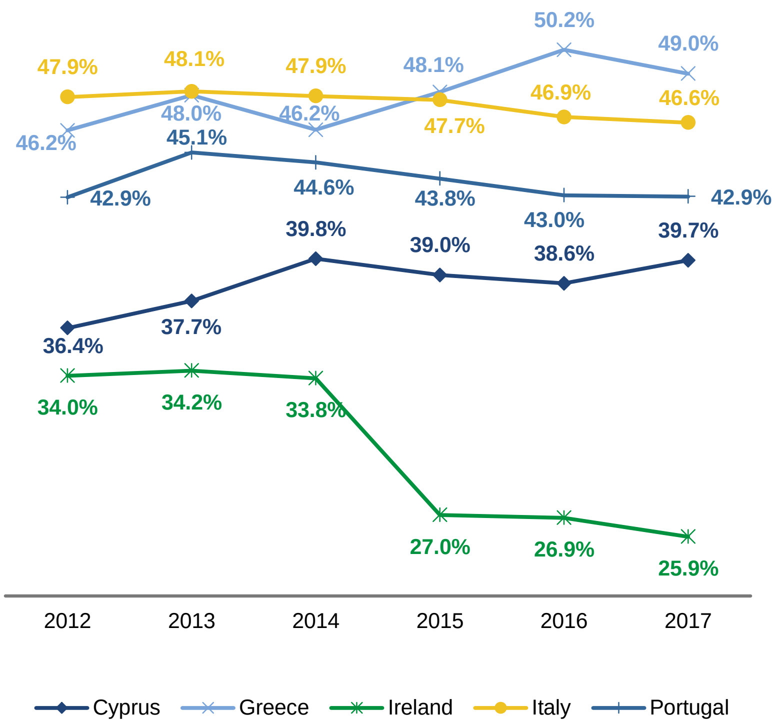
Source Fitch's full rating report, August 2018

European governments revenues and budget deficit

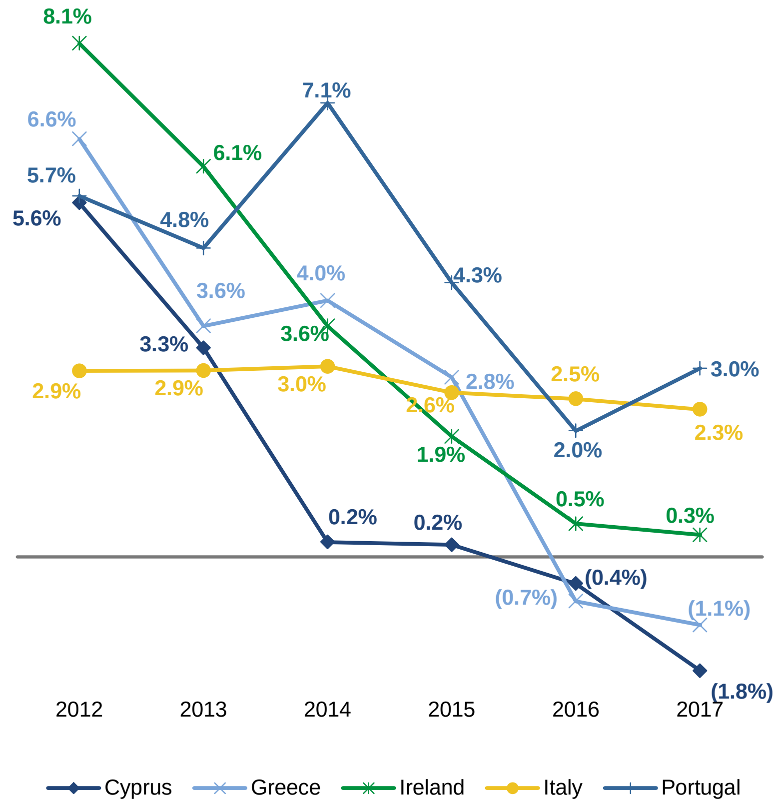
Greece's strong fiscal adjustment has had significant results

- ***<u>Greece's government revenues</u>***
  - ***Increased at a CAGR of 1.2% since 2012***
  - ***Consistently higher than those of a number of countries over 2012-2017*** *as a percentage of GDP including Portugal, Ireland and Italy*
- ***<u>Greece's budget deficit</u>***
  - ***Decreased by 7.6 percentage points over 2012-2017***
  - *Greece benefitted from a* ***fiscal surplus of 1.1% of GDP in 2017, higher than the one of all the selected economies*** *excepted Cyprus*

General government revenues (% of GDP)



General government budget deficit (% of GDP)

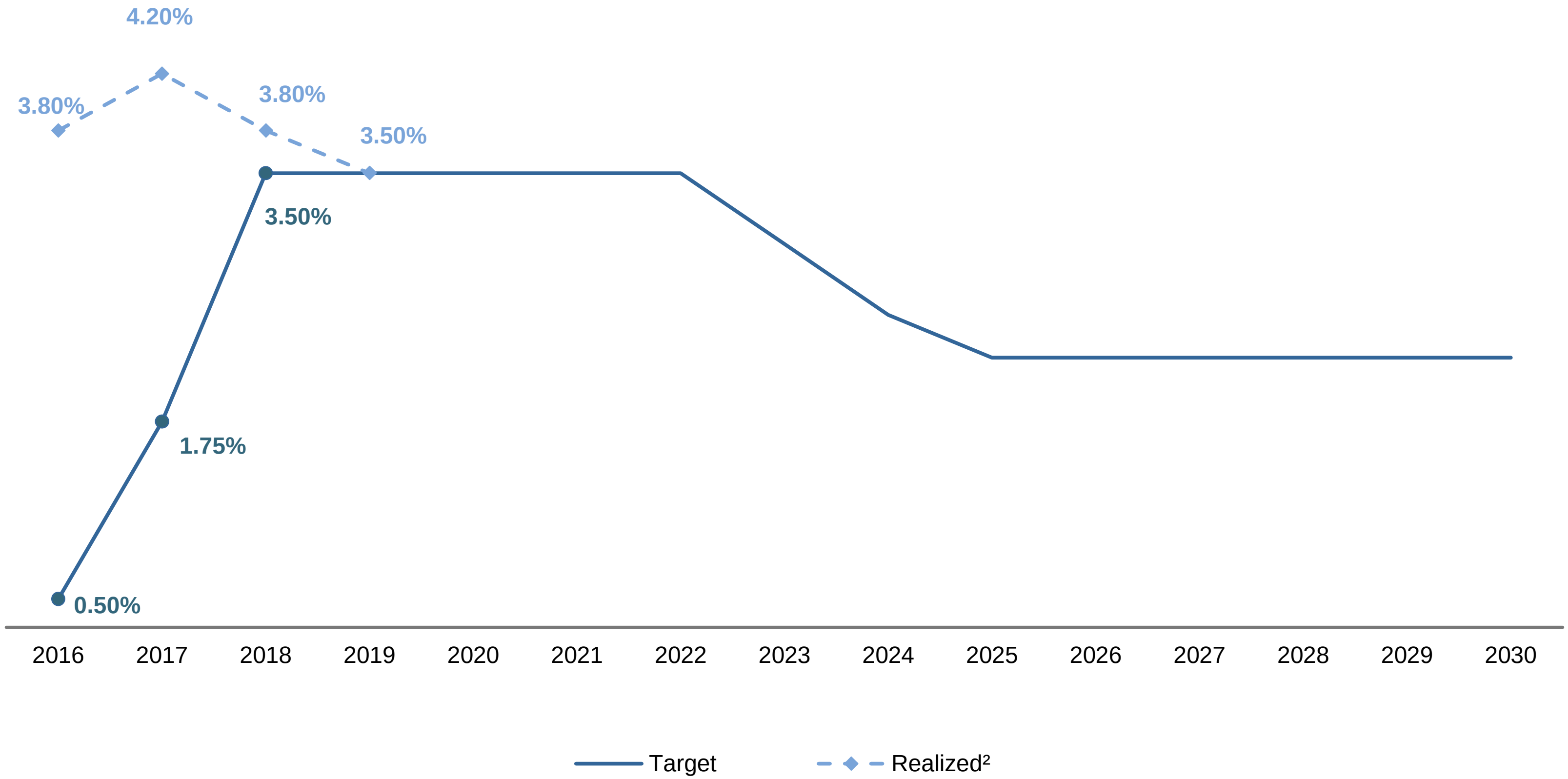


Source IMF WEO Database (October 2018)

Overachievement of primary surplus realized in 2016, 2017 and 2018 YTD

- ***Constant overachievement of primary surplus targets*** *since 2016*
- *Greece committed to a primary surplus of 3.5% of GDP until 2022 and of 2.2% of GDP on average over 2023-2060*
- *It is* ***expected to exceed its targets in both 2018 and 2019***

Greece's primary surplus and surplus targets over 2016-2060 (% of GDP)[1]



Notes

1 Primary surplus and targets in program terms

2 Forecasts for 2018 and 2019 taking into account the planned new fiscal interventions

Greek bonds are increasingly correlated with those of Eurozone peers

- ***Greek bonds' yields and spreads have become increasingly correlated with European ones due to the normalization of the country***
  - *Greek bonds are particularly correlated with Italian, Spanish and Portuguese ones*
- ***Greece's 10Y spread has slightly increased since the beginning of the year***
  - *The spread deterioration has been in part due to the tightening of monetary policy and tensions in financial markets in relation with the Italian turmoil that impacts peripheral countries*

Correlation of Greek 10Y yield and spread with other Eurozone peers

	Since 1 January 2018		Since 22 June 2018	
	Yields	**Spread**	**Yields**	**Spread**
Correlation with Greece				
Germany	(0.2)	(0.7)	0.1	(0.4)
Italy	0.5	0.6	0.9	0.8
Spain	0.4	0.4	0.8	0.8
Ireland	0.3	0.6	0.6	0.7
Portugal	0.3	0.4	0.7	0.8
France	(0.0)	(0.1)	0.5	0.7
The Netherlands	(0.1)	(0.5)	0.2	0.2

10Y Spread of Greece and Eurozone Peers (bps)

	10Y Spread Spot	Spread volatility[1]	∆ vs. last close	∆ vs. last week	∆ vs. last month	∆ vs. 3 months
Greece						
10Y Spread	360.1	27.1	2.9	8.3	(14.6)	38.0

	10Y Spread Spot	Spread volatility[1]	Spread vs Greece Spot	Spread vs Greece ∆ vs. last week	Spread vs Greece ∆ vs. last month	Spread vs Greece ∆ vs. 3 months
Other European countries						
Germany	(58.7)	13.2	418.8	8.2	(11.0)	46.8
Italy	211.5	62.3	148.6	24.0	40.7	13.8
Spain	58.0	14.3	302.1	13.8	2.8	36.8
Ireland	12.4	5.2	347.7	7.1	(13.7)	28.2
Portugal	82.1	5.9	278.0	22.9	11.3	48.3
France	(14.5)	3.3	374.5	6.9	(16.4)	32.0
The Netherlands	(41.0)	4.4	401.1	8.1	(13.0)	41.2

Note
1 Spread volatility since the beginning of the year
Source Bloomberg as of 17/12/2018

Greece's 2019 budget is balanced and the primary surplus will exceed the programme target

- ***The Government plans to implement a set of growth-enhancing reforms*** *in the fields of social security, taxes and social protection*
  - *Social security contribution reductions*
  - *ENFIA reduction*
  - *Help at home programme…*
- *Taking into account these measures,* ***the general government will generate***
  - ***A budget surplus of 0.6% of GDP*** *(+0.2 percentage points compared to 2018)*
  - ***A primary surplus of 3.9%*** *(3.5% in programme terms)*

Greece's 2019 Draft Budget (% of GDP)[1]

	2018	2019	
% of GDP	**As per October 15th filing**	**Based on Institutions budget**	**As per October 15th filing**
General government revenue	**48.7**	**46.7**	**47.6**
Taxes on production and imports	17.3	17.1	17.0
Current taxes on income, wealth	10	9.5	9.8
Capital taxes	0.1	0.1	0.1
Social contributions	14.1	13.1	13.7
Property income	0.4	0.4	0.4
Other	6.8	6.5	6.6
General Government Expenditure	**48.3**	**45.6**	**47.0**
Compensation of employees	11.9	11.1	11.7
Intermediate consumption	4.9	4.8	4.8
Social payments	20.4	18.7	19.5
Interest expenditure	3.5	3.4	3.4
Subsidies	1.0	1.0	1.1
Gross fixed capital formation	4.0	4.7	4.6
Capital transfers	0.4	0.3	0.3
Other	2.2	1.6	1.6
General Government Balance	**0.4**	**1.1**	**0.6**
General Government Primary Balance	**3.9**	**4.5**	**3.9**

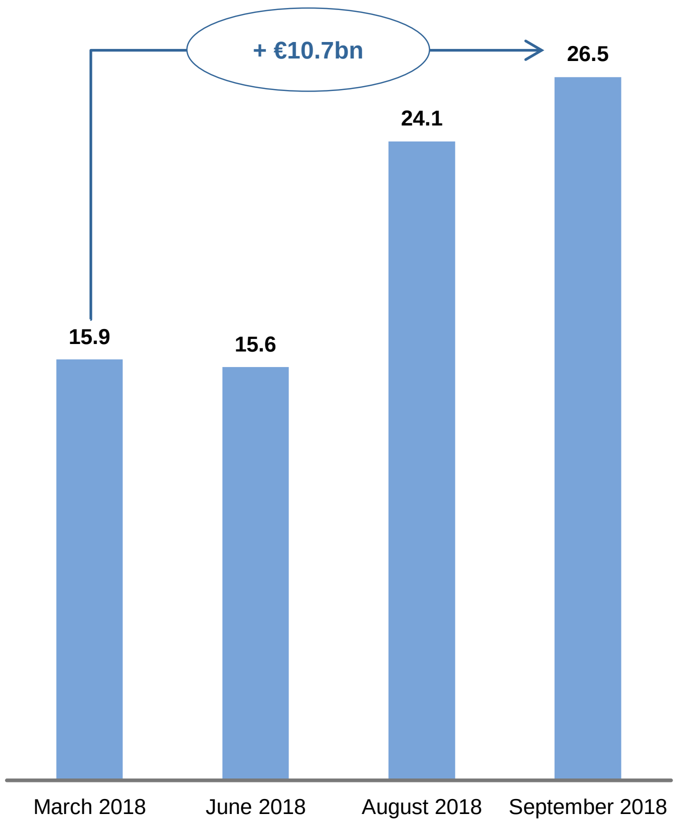
Note
1 2018 nominal GDP assumes at c. €183bn and 2019 nominal GDP assumed at c. €190bn
Source Greece's Preliminary Draft Budget 2019

Greece benefits from a significant cash buffer that now exceeds €26bn

Comments

- **Greece is equipped with an important cash buffer it has progressively built up over the last years**
  - The market operations of 2017 and 2018 provided funds to do so
  - So did the final loan disbursement of the ESM under its financial assistance programme of €15bn in August 2018
    - Out of the €15bn that were disbursed, €5.5bn were dedicated to the segregated account and €9.5bn to the cash buffer account
- The cash buffer **was €24.1bn at the end of the programme,** equivalent to **2 years of gross financing needs and** to **over 4 years of debt maturities** assuming T-Bills are rolled over. It is **€26.5bn as of September 2018**
- **This substantial cash buffer yields several benefits**
  - It shields Greece against refinancing and interest rate risks
  - It is a resource the country can use to implement liability management operations in order to further improve its debt profile

Greece's cash buffer (€bn)[1]



Note

1 State's cash buffer only, excluding General Government and SOEs' cash reserves; PDMA figures for March, June and September 2018; European estimates for August 2018

Sources PDMA, Eurogroup

2019 financing plan

Greece financing needs and sources: three scenarios envisaged

- ***Greece plans to issue between €5bn and €7bn of benchmark bonds in 2019***
  - *New issuances and taps will be implemented*
- ***The stocks of T-bills will be maintained at c. €15bn***

Overview of Greece's 2019 financing needs and sources (€bn)

	Scenario 1	Scenario 2	Scenario 3
2019 Financing needs			
Medium and long-term debt amortisation[1]	11.0	11.0	11.0
Interests on medium and long-term debt[1]	5.6	5.6	5.6
Primary deficit / (surplus) to finance	(7.4)	(7.4)	(7.4)
Other cash requirements	-	-	-
Total	**9.2**	**9.2**	**9.2**
2019 Financing sources			
Medium and long-term debt issuance (new money transactions)	3.0	5.0	7.0
Net change in Greece's outstanding TBills - increase / (decrease)	-	(0.8)	(1.5)
Change in cash reserves - decrease / (increase)	5.0	2.4	1.1
Return of SMP/ANFA profits	1.2	1.2	1.2
Privatization receipts	-	1.4	1.4
Total	**9.2**	**9.2**	**9.2**

Note
1 Do not account for intra-governmental debt
Sources PDMA, Greece's Preliminary Draft Budget 2019