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The exposure of European countries to Greece

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A) Loans and guarantees under the financial support programmes

a) First programme Greek Loan facility

On May 2, 2010 the Eurogroup decided to launch the Greek Loan Facility which was a pooling of bilateral loans by each member state of the euro area, for an initial total amount of € 80 billion to be disbursed over the period May 2010 through June 2013. This objective was later reduced to € 77.3 billion after Slovakia decided not to participate.

This programme of bilateral loans was complemented with a commitment of IMF to lend € 30 billion to Greece. When Ireland and Portugal requested themselves a bailout from other members of the euro area in November 2010 and April 2011, they ceased to participate in the Greek Loan Facility.

Loans effectively disbursed to Greece in application of the Greek Loan Facility

	Loans € billion	% of the total
Germany	15.165	28.67%
France	11.389	21.53%
Italy	10.008	18.92%
Spain	6.650	12.57%
Netherlands	3.194	6.04%
Belgium	1.942	3.67%
Austria	1.555	2.94%
Portugal	1.102	2.08%
Finland	1.004	1.90%
Ireland	0.347	0.66%
Slovenia	0.243	0.46%
Luxembourg	0.140	0.26%
Cyprus	0.110	0.21%
Malta	0.051	0.10%
Total	**52.9**	**100.00%**

When a new economic adjustment programme for Greece was approved in March 2012, the euro area countries had already lent € 52.9 billion to Greece, and the IMF had already lent € 20.1 billion. It was decided that what had still to be lent by euro area countries in application of the Greek Loan facility, € 24.4 billion, would be added to the additional loans to be provided in the context of the new programme. What had still to be lent by IMF, € 9.9 billion, was also added to the additional loans to be provided by this fund in application of the new programme.

Tranches of disbursement of the Greek Loan Facility

€ billion

	euro area countries	**IMF**
May 2010	14.5	5.5
Sept 2010	6.5	2.6
Dec 2010 - Janv 2011	6.5	2.5
March 2011	10.9	4.1
July 2011	8.7	3.2
December 2011	5.8	2.2
Total	**52.9**	**20.1**

b) second programme

On May 14, 2012 Council the decision of the Eurogroup of February 20, 2012 about additional loans of euro area countries to Greece for an amount of € 120.2 billion formally approved. It was decided that these new loans, as well as those of the previous programme that had yet to be disbursed, had to be awarded by EFSF that would borrow itself the needed funds on the market with the guarantee of the euro area member countries. The loans to be disbursed by EFSF thus amounted to € 144.6 billion. IMF also committed itself to lend € 10 billion to be added to the part of the previous programme that had yet to be disbursed for an amount of € 9.9 billion. Therefore IMF had to lend € 19.1 billion. Greece had thus to receive new loans of € 130.2 billion to be added to those of € 34.3 billion that had yet to be disbursed from the previous programme. All these loans would be split in tranches to be disbursed until 2014.

This second programme was complemented with a restructuration of the part of the Greek public debt that was held by private investors. Existing bonds with an initial reimbursement value of € 199 156 515 698 were exchanged against new securities with a haircut of 53.5%. Therefore an amount of debt of € 106.549 billion was cancelled. However the Greek banks held huge amounts of the national public bonds and were thus part of the private investors that were hit by this haircut. They could not afford the induced losses that considerably reduced their equity capital. It was thus necessary to recapitalize them. If the amount of new loans granted to Greece was as huge as € 120.2 billion, it is because it included the funding needed by the government to recapitalize the banks. This recapitalization amounted to € 48.2 billion. Therefore, as a consequence of the haircut, the Greek public debt was only reduced by about € 58 billion instead of the full € 106.549 billion.

On March 30, 2012, following the launch of the EMS, the Eurogroup decided that EFSF would continue to grant the loans which had already been scheduled previously for Greece, Portugal and Ireland. However EMS would grant the new loans that could be decided in application of new programmes.

Loans effectively disbursed to Greece in application of the second programme

€ billion

	EFSF	IMF
March 2012	34.6	1.6
March 2012	5.9	
April 2012	3.3	
April 2012	25	
May 2012	4.2	
June 2012	1	
December 2012	7	
December 2012	11.3	
December 2012	16	
January 2013	2	
February 2013	1.4	3.24
February 2013	1.4	
April 2013	2.8	
May 2013	4.2	
May 2013	7.2	1.74
June 2013	3.3	
July 2013	2.5	1.8
December 2013	0.5	
April 2014	6.3	3.5
July 2014	1	
August 2014	1	
Total	**141.8**	**18.8**

Out of the € 144.6 billion to be lent in application of the second programme, EFSF has already disbursed € 141.8 billion to Greece. These loans have an average maturity of 32.38 years. Since an amount of € 0.9 billion will not be used, what remains to be lent amounts to € 1.9 billion.

The loans granted by IMF are denominatated in SDR. This is why their equivalent in € is always indicative and depends on the dates at which the exchange rates are selected. The data above use the exchange rates between the EUR and the SDR at the dates of the disbursements. There remains SDR 12.55 billion to be lent by IMF to Greece. It currently amounts to € 12.68 billion.

Exposures to Greece resulting from the assistance programmes

€ billion

	Bilateral loans	Implicit part EFSM	Guarantees on the borrowings of EFSF to fund its loans	part of the subscribed capital which covers loans already granted by EMS	Total
Austria	1.555	-	4.235	-	5.790
Belgium	1.942	-	5.291	-	7.233
Cyprus	0.110	-	-	-	0.110
Estonia	-	-	0.390	-	0.390
Finland	1.004	-	2.735	-	3.739
France	11.389	-	31.020	-	42.409
Germany	15.165	-	41.308	-	56.473
Greece	-	-	-	-	-
Ireland	0.347	-	-	-	0.347
Italy	10.008	-	27.259	-	37.267
Latvia	-	-	-	-	-
Luxembourg	0.140	-	0.381	-	0.521
Malta	0.051	-	0.138	-	0.189
Netherlands	3.194	-	8.699	-	11.893
Portugal	1.102	-	-	-	1.102
Slovakia	-	-	1.503	-	1.503
Slovenia	0.243	-	0.717	-	0.960
Spain	6.650	-	18.113	-	24.763
Total	**52.900**	**-**	**141.8**	**-**	**194.7**

For EFSF loans these exposures are computed on the basis of a guarantee of 100%. In reality the EFSF used credit enhancement techniques involving over guarantees of 120% for most loans. The purpose was to cover investors against the risk that, if the guarantees had to be disbursed, a few guarantors would default. Then the other guarantors would compensate. It is however a low probability scenario.

Note also that a default of Greece could be partial.

Loans to Greece were granted without using EFSM and EMS.

B) Indirect exposures through the Eurosystem

a) TARGET2 related claims on the National central bank of Greece

The National Central Bank of Greece has a huge debt to the European Central Bank, related to the payments system TARGET2. This debt still amounted to € 41.7 billion in November 2014. If Greece abandons the euro area, the new national currency will strongly depreciate with respect to the euro. It is thus expected that the national central bank of Greece will not have the capacity to reimburse its euro denominated TARGET2 debt to the ECB. The loss incurred by the ECB will then be shared between all the remaining national central banks of the Eurosystem in proportion to thei capital share. Indeed either the monetary income paid by the ECB to the NCB's will be reduced for several years, either the ECB will require to be recapitalized. Ultimately the costs will be incurred by the sovereign states of the euro area, which support their NCB's. It must be noted that the issue of a recapitalization need of the ECB or the NCB's is debated. There are experts who observe that, technically, a central bank can function with negative equity. It is true but it is politically not plausible that Germany would accept such a situation.

Potential losses in case of a default of Greece on its TARGET2 liabilities to the ECB

€ billion

Germany	10.981
Belgium	1.512
Estonia	0.118
Ireland	0.708
Spain	5.394
France	8.651
Italy	7.511
Cyprus	0.092
Lettonia	0.172
Lituania	0.252
Luxembourg	0.124
Malta	0.040
Netherlands	2.443
Austria	1.198
Portugal	1.064
Slovenia	0.211
Slovaquia	0.471
Finland	0.767
Total	**41.709**

b) Holdings of Greek sovereign debt by the Eurosystem

In the framework of the Sexcurities market programme SMP, the national central banks of the Eurosystem have bought Greek sovereign bonds on the secondary market. On 31 December 2012, the Eurosystem held Greek bonds for a nominal value of € 33,9 billion and a book value of € 30,8 billion. On 31 December 2013, these holdings of Greek bonds amounted to € 27,7 billion in nominal value and 25,4 billion in book value. Currently it is generally estimated that the Eurosystem still holds Greek bonds for an amount of around € 20 billion. If Greece defaulted, this amount would be a loss for the Eurosystem. Again this loss would be pooled between all the national central banks of the Eurosystem, and thus their governments.

Potential losses due to the holdings of Greek debt by the Eurosystem
€ billion

Germany	5.266
Belgium	0.725
Estonia	0.056
Ireland	0.340
Spain	2.587
France	4.148
Italy	3.602
Cyprus	0.044
Lettonia	0.083
Lituania	0.121
Luxembourg	0.059
Malta	0.019
Netherlands	1.171
Austria	0.574
Portugal	0.510
Slovenia	0.101
Slovaquia	0.226
Finland	0.368
Total	20

Total exposure to Greece

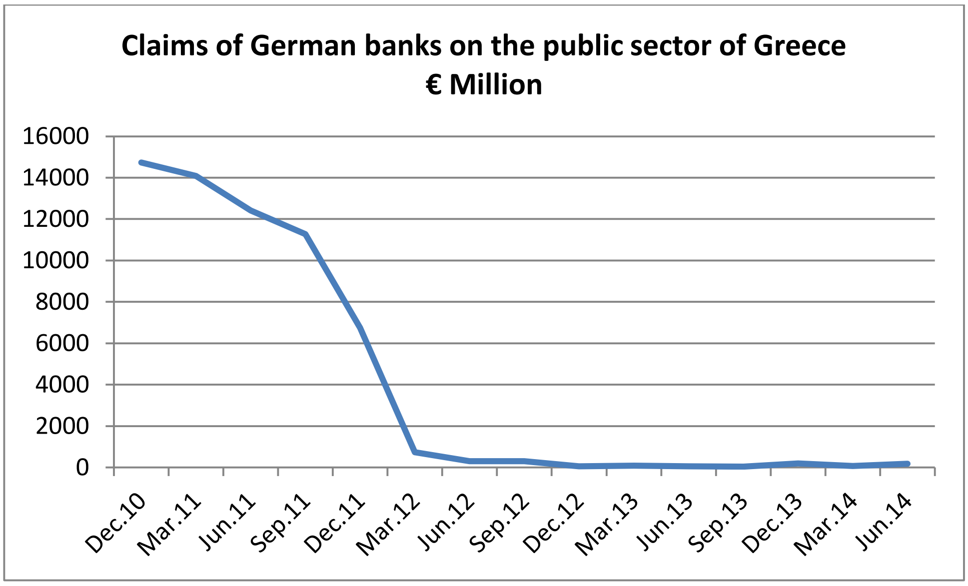
€ billion

	Bilateral loans	Guarantees on the borrowings of EFSF to fund its loans	Implicit share of TARGET2 claims of the Eurosystem	Implicit share in the SMP holdings of bonds by the Eurosystem	Total
Austria	1.555	4.235	1.198	0.574	7.562
Belgium	1.942	5.291	1.512	0.725	9.470
Cyprus	0.11	-	0.092	0.044	0.247
Estonia	-	0.39	0.118	0.056	0.564
Finland	1.004	2.735	0.767	0.368	4.873

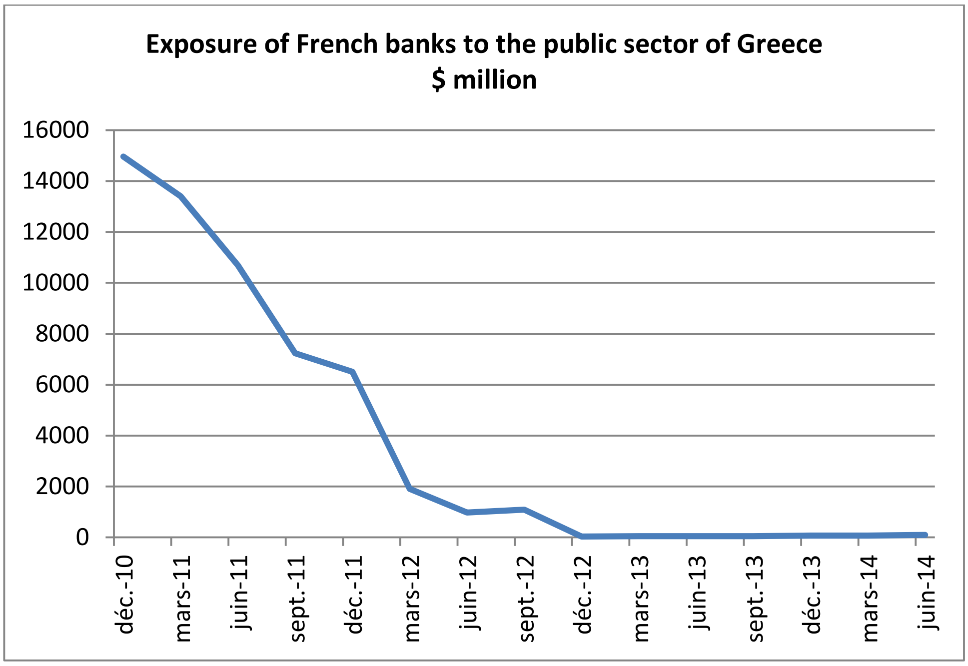
France	11.389	31.02	8.651	4.148	55.209
Germany	15.165	41.308	10.981	5.266	72.72
Greece	-	-	-	-	-
Ireland	0.347	-	0.708	0.340	1.395
Italy	10.008	27.259	7.511	3.602	48.380
Latvia	-	-	0.172	0.083	0.255
Luxembourg	0.14	0.381	0.124	0.059	0.704
Malta	0.051	0.138	0.040	0.019	0.247
Netherlands	3.194	8.699	2.443	1.171	15.507
Portugal	1.102	-	1.064	0.510	2.676
Slovakia	-	1.503	0.471	0.226	2.200
Slovenia	0.243	0.717	0.211	0.101	1.272
Spain	6.65	18.113	5.394	2.587	32.744
Total	**52.9**	**141.8**	**41.709**	**20**	**256.409**

Exposure of banks

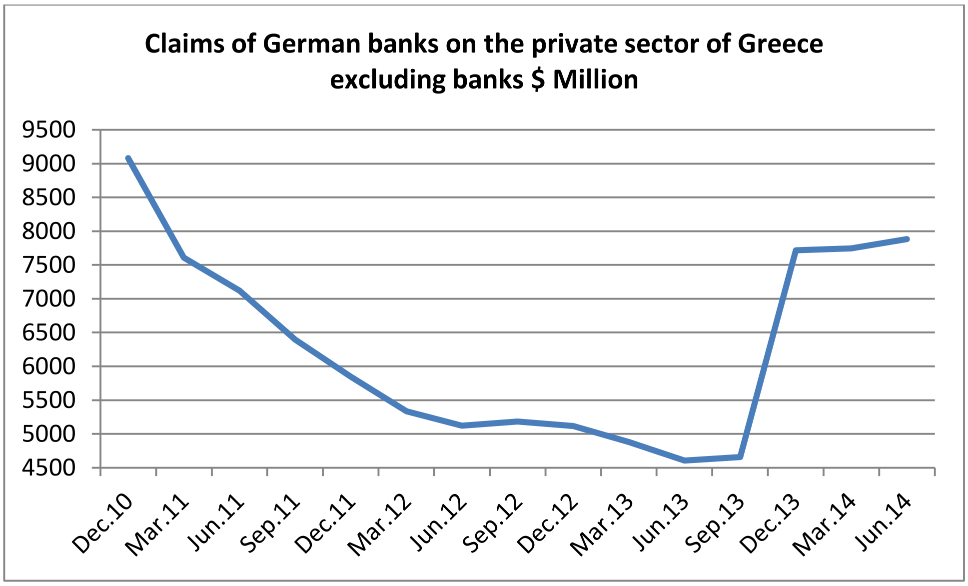
European banks have sharply reduced their exposure to the public sector of Greece. For example the exposure of German banks is now limited to $ 181 million !



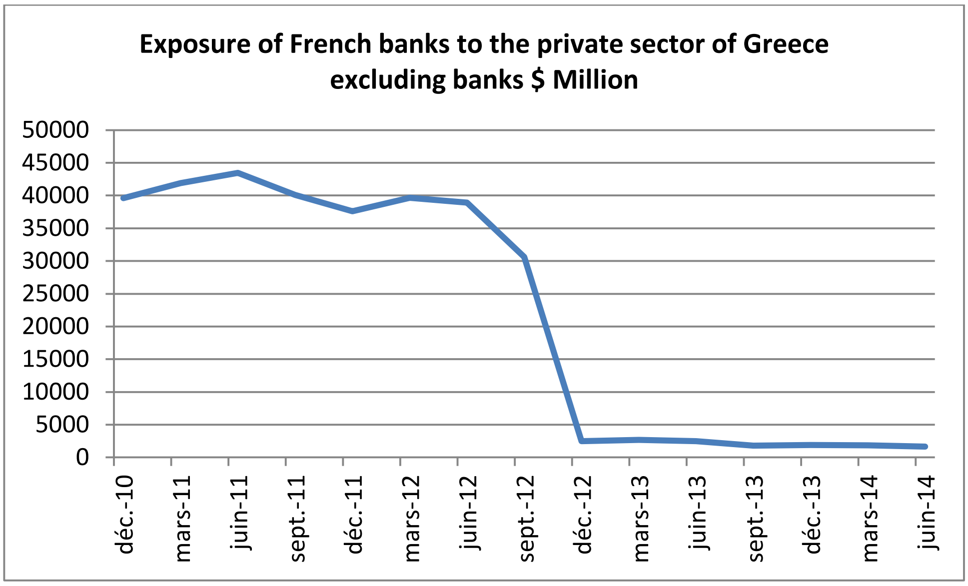
The exposure of French banks to the public sector of Greece is now limited to $ 102 million



The exposition of European banks to the private sector of Greece excluding banks is also very limited, even if it recently increased for German banks, for which it amounts to $ 7.885 billion. The exposure of German banks to Greek banks amounts to $ 5.702 billion. Their other potential exposure to Greece amounts to $ 2.912 billion in the form of derivatives, guarantees extended and credit commitments.



The exposure of the French banks to the private sector of Greece excluding banks is limited to $ 1,646 billion. Their exposure to Greek banks is limited to $ 471 million. Their other potential exposure to Greece amounts to $ 1.747 billion


Exposure of French banks to the private sector of Greece excluding banks $ Million
50000
45000
40000
35000
30000
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déc.-10
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juin-11
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