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Directorate D: Government Finance Statistics (GFS) and Quality
Unit D1: Excessive deficit procedure and methodology
Unit D2: Excessive deficit procedure (EDP) 1
Unit D3: Excessive deficit procedure (EDP) 2

EUROSTAT SUPPLEMENTARY TABLE FOR THE FINANCIAL CRISIS

Background note (April 2015)

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1. BACKGROUND

Eurostat collects from Member States a set of supplementary data on the financial crisis, following its decision of 15 July 2009 on the statistical recording of public interventions to support financial institutions and financial markets during the financial crisis.[1] This decision is fully consistent with the European System of Accounts (ESA 2010) and the Manual on Government Deficit and Debt (MGDD). The rules applicable to the statistical recording of support for financial institutions were further clarified by Eurostat in 2012[2] and 2013.[3]

The aim of the supplementary table is to show a complete picture of the actual and potential impacts on government deficit and debt due to government interventions directly relating to the support for financial institutions. Support measures for non-financial institutions or general economic support measures are not included in the tables.

The first set of supplementary tables was collected by Eurostat together with the October 2009 EDP notification. The tables are now being regularly transmitted by Member States, with each notification. This note analyses data for the years 2007-2014, that were reported with the April 2015 EDP notification.

Eurostat publishes individual tables for EU Member States (where there were reportable interventions) and a summary table with the aggregated data for the euro area (EA19) and the EU28[4]. The structure of the supplementary table is described in the annex.

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[1] The decision and the related news release 103/2009 are available on the Eurostat website.

[2] Eurostat guidance notes on the impact on EU Governments' deficit and debt of the decisions taken in the 2011-2012 European summits of 12 April 2012 and on the impact of bank recapitalisations on government finance statistics during the financial crisis of 18 July 2012 (updated on 14 May 2013).

[3] Eurostat decision of 19 March 2013 clarifying the criteria to be taken into account for the recording of government capital injections into banks.

[4] Individual tables and a summary table are available on the Eurostat website.

2. DATA FINDINGS

All but eight Member States report various interventions undertaken by government in the context of the financial crisis during the 2007-2014 period. There were no reportable interventions in Bulgaria[5], the Czech Republic, Estonia, Croatia, Malta, Poland, Romania and Slovakia. In Finland the only interventions related to contingent liabilities in 2008.

2.1. Statistical impact on government deficit

Part 1 of the supplementary table provides data on transactions which are recorded in government accounts and have an actual impact on the EDP deficit/surplus (see Table 1 below[6]).

Table 1. Net revenue/cost for general government recorded in ESA2010 government deficit (Millions of euro)

		Euro area (EA19)				EU28			
		2011	**2012**	**2013**	**2014**	**2011**	**2012**	**2013**	**2014**
A	**Revenue (a+b+c+d)**	**19 959**	**22 507**	**18 521**	**13 674**	**27 212**	**29 957**	**21 598**	**15 960**
a)	Guarantee fees receivable	5 730	5 696	5 111	2 816	8 620	7 042	5 547	2 830
b)	Interest receivable	10 782	11 071	8 870	6 918	14 439	14 300	11 418	9 190
c)	Dividends receivable	2 401	1 912	2 753	2 205	2 482	4 786	2 846	2 205
d)	Other	1 047	3 828	1 788	1 734	1 671	3 828	1 788	1 734
B	**Expenditure (e+f+g+h)**	**31 257**	**73 882**	**46 309**	**19 097**	**37 375**	**78 677**	**50 174**	**22 008**
e)	Interest payable	11 797	12 182	11 336	9 309	15 104	15 520	14 120	11 822
f)	Capital injections recorded as deficit-increasing (capital transfer)	15 517	47 627	26 512	6 967	15 855	47 672	26 539	6 967
g)	Calls on guarantees	492	15	75	720	1 582	15	75	720
h)	Other	3 452	14 059	8 386	2 100	4 835	15 471	9 440	2 499
C	**Net revenue/cost for general government (A-B)**	**-11 298**	**-51 375**	**-27 788**	**-5 423**	**-10 163**	**-48 720**	**-28 575**	**-6 048**
C	**Net revenue/cost for general government (A-B)** *(% of GDP)*	**-0.12**	**-0.52**	**-0.28**	**-0.05**	**-0.08**	**-0.36**	**-0.21**	**-0.04**

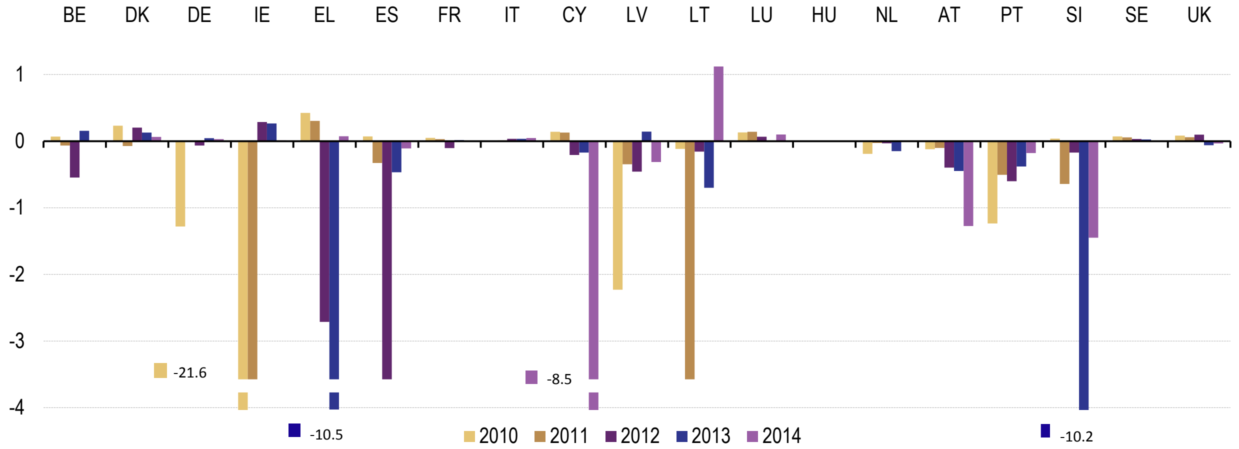
In particular, the difference between government revenue and expenditure (line C of the table) shows the net impact on the EDP deficit/surplus due to direct government interventions during the financial crisis. In 2014 government interventions in the context of the financial crisis increased the government deficit in the euro area by 5.42 bn euro (0.05% of GDP) and in the EU28 by 6.05 bn euro (0.04% of GDP).

[5] In the case of Bulgaria, the Bulgarian Deposit Insurance Fund repaid in the last quarter of 2014 a significant part of the guaranteed deposits in the Corporate Commercial Bank (guaranteed deposits in the bank amount to 3.7 bn BGN). This will most likely result in an increase of government deficit for an amount to be yet determined. The fact that the amount cannot yet be precisely determined is the reason why no amount is reported for Bulgaria in the tables and graphs below.

[6] Data for the years 2007, 2008, 2009 and 2010 are not included in Table 1 and in some graphs. However, these data are available in individual tables and a summary table published on the Eurostat website.

The net impacts for individual EU Member States are presented in Graph 1.

Graph 1. Impact of interventions on government deficit (% of GDP)[7]



In 2014, the increase in deficit was particularly large in Cyprus (8.5pp of GDP), due to a bank recapitalization[8]. In 2014 the increase in deficit due to interventions in Slovenia was 1.4pp of GDP and was due to capital transfers to banks[9] and interest payments mainly related to debt incurred in 2013. In 2014 the deficit of Austria was increased due to interventions related to the financial crisis by 1.3pp of GDP[10].

The most significant decrease in deficit in 2014 was noted in Lithuania (the deficit was improved by 1.1pp of GDP[11]).

In 2013 the increase in deficits was particularly large in Greece and Slovenia due to bank recapitalizations and resolutions. The impact on the Greek deficit in 2013 was 10.5 percentage points of GDP and was mainly due to the capital increase of the four systemic banks[12]. The impact of interventions on the Slovenian deficit in 2013 was 10.2pp of GDP and was mainly due to capital injections in banks[13].

In 2014 the impact in Belgium and Latvia was negative compared to a positive one in 2013. In Ireland, Germany, France, Sweden and Denmark the positive impact was reduced compared to 2013 while in Spain, Slovenia, the United Kingdom and Portugal[14] the impact in 2014 was negative but

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[7] Here and in other charts a break indicates extreme values not fitting to scale. The out-of-scale values are indicated next to the corresponding bar.

[8] The impact in the Cyprus deficit in 2014 is due to the recapitalization of the Cooperative Central Bank Ltd.

[9] Abanka and Celjska Banka.

[10] The impact in 2014 in Austria is due to the creation of HETA Asset Resolution AG, a defeasance structure for Hypo-Alpe-Adria-Bank International.

[11] The improvement in the 2014 deficit in Lithuania was due to recoveries of the Deposit Insurance fund.

[12] The Greek systemic banks are Alpha Bank, Eurobank, National Bank of Greece (NBG) and Piraeus Bank.

[13] The biggest injections were in Abanka, Nova KBM (NKBM) and Nova Ljubljanska banka (NLB).

[14] In the third quarter of 2014, the Portuguese Resolution Fund injected 4.9 bn euro (2.8% of GDP) into Novo Banco. In this EDP notification, the transaction has provisionally been recorded by the Portuguese authorities as a financial transaction for its full amount, without any impact on the government deficit. The final impact of the transaction will be assessed during the coming months following the outcome of the privatisation process of Novo Banco and the final amount obtained from the sale. This will most likely result in an increase of government deficit for an amount yet to be

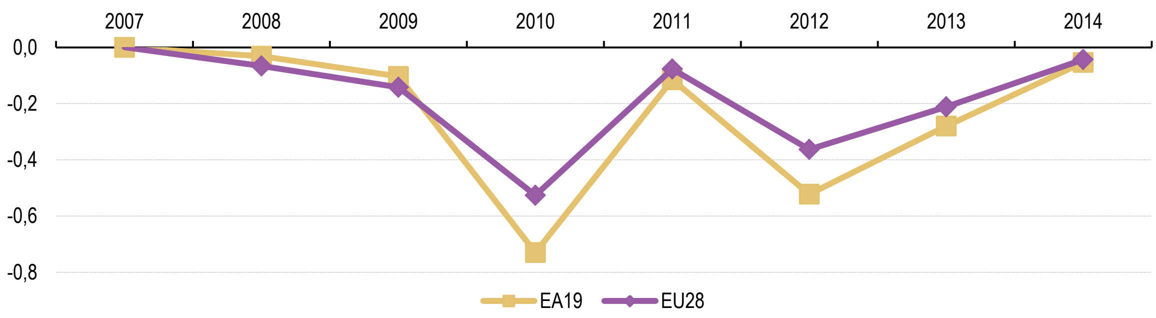
less than in 2013. In Greece, Lithuania, Luxembourg and the Netherlands the impact was negative in 2013 but changed to positive or neutral in 2014.

Overall during the reference period of 2007-2014, the most significant increase in deficit due to government interventions in financial institutions was in Ireland.

In some EU Member States (Denmark, France, Italy, Luxembourg, Hungary, and Sweden) government deficits were overall (2007-2014) slightly reduced due to government interventions. This largely resulted from fees on guarantees granted to financial institutions, property income (interest and dividends) receivable from financial instruments acquired by governments, and from other revenue such as capital taxes.

The impact of interventions on government deficit in the euro area and the EU28 is summarised in Graph 2. Regarding both the euro area and the EU28, the net impact was marginally deficit-increasing in 2007, 2008 and 2009, became much more pronounced in 2010 and decreased sharply in 2011. The net impact was noticeably deficit-increasing again in 2012, largely due to further bank recapitalisations and resolutions before falling back somewhat in 2013. In 2014 the impact for both the euro area and the EU28 further decreased.

Graph 2. Impact of interventions on government deficit in the euro area (EA19) and the EU28 (% of GDP)



The largely one-off impacts on government deficit/surplus are often excluded in fiscal analysis, for instance, when assessing compliance with the EU-IMF programme targets. Therefore Eurostat also calculates government deficit/surplus figures excluding the net impact of government interventions during the financial crisis (see Table 2 in the following page).

determined. The fact that the amount cannot yet be precisely determined is the reason why no amount is reported for Portugal in Graph 1 and in the tables and other graphs below.

Table 2. General government deficit/surplus excluding support for financial institutions (% of GDP)

	2013			2014		
	EDP deficit (-)/ surplus (+)	Impact of support for financial institutions	Deficit (-)/ surplus (+) excluding support for financial institutions	EDP deficit (-)/ surplus (+)	Impact of support for financial institutions	Deficit (-)/ surplus (+) excluding support for financial institutions
EU28	-3.2	-0.2	-3.0	-2.9	0.0	-2.8
EA19	-2.9	-0.3	-2.6	-2.4	-0.1	-2.4
BE	-2.9	0.2	-3.1	-3.2	0.0	-3.2
BG[15]	-0.9	0.0	-0.9	-2.8	0.0	-2.8
CZ	-1.2	0.0	-1.2	-2.0	0.0	-2.0
DK	-1.1	0.1	-1.2	1.2	0.1	1.2
DE	0.1	0.0	0.1	0.7	0.0	0.6
EE	-0.2	0.0	-0.2	0.6	0.0	0.6
IE	-5.8	0.3	-6.1	-4.1	0.0	-4.1
EL	-12.3	-10.5	-1.8	-3.5	0.1	-3.6
ES	-6.8	-0.5	-6.3	-5.8	-0.1	-5.7
FR	-4.1	0.0	-4.1	-4.0	0.0	-4.0
HR	-5.4	0.0	-5.4	-5.7	0.0	-5.7
IT	-2.9	0.0	-3.0	-3.0	0.0	-3.1
CY	-4.9	-0.2	-4.7	-8.8	-8.5	-0.3
LV	-0.7	0.1	-0.9	-1.4	-0.3	-1.1
LT	-2.6	-0.7	-1.9	-0.7	1.1	-1.8
LU	0.9	0.0	0.9	0.6	0.1	0.5
HU	-2.5	0.0	-2.5	-2.6	0.0	-2.6
MT	-2.6	0.0	-2.6	-2.1	0.0	-2.1
NL	-2.3	-0.1	-2.1	-2.3	0.0	-2.3
AT	-1.3	-0.4	-0.8	-2.4	-1.3	-1.1
PL	-4.0	0.0	-4.0	-3.2	0.0	-3.2
PT[16]	-4.8	-0.4	-4.5	-4.5	-0.2	-4.3
RO	-2.2	0.0	-2.2	-1.5	0.0	-1.5
SI	-14.9	-10.2	-4.7	-4.9	-1.4	-3.4
SK	-2.6	0.0	-2.6	-2.9	0.0	-2.9
FI	-2.5	0.0	-2.5	-3.2	0.0	-3.2
SE	-1.4	0.0	-1.4	-1.9	0.0	-1.9
UK*	-5.7	-0.1	-5.7	-5.7	0.0	-5.6

UK* = calendar year

Please allow for rounding effects, as all ratios in Table 2, including the adjusted measure of government deficit/surplus, are individually rounded to the nearest decimal.

It should also be noted that this adjusted measure of government deficit/surplus is only intended to be an improvement in the presentation of data for users. This measure is not used for assessment in the context of the Excessive Deficit Procedure.

[15] See footnote 5. This table does not take into account the potential impact on government deficit of 2014 of the Bulgarian Deposit Insurance Fund's repayments of guaranteed deposits in the Corporate Commercial Bank.

[16] See footnote 14. This table does not take into account the potential impact on government deficit of 2014 of the capitalisation of Novo Banco.

2.2. Statistical impact on government debt

Part 2 of the supplementary table shows stocks of government financial assets and liabilities arising from the support for financial institutions (see Table 3 below[17]).

Table 3. Outstanding amount of assets, actual liabilities and contingent liabilities of general government (Millions of euro)

				Euro area (EA19)				EU28			
				2011	2012	2013	2014	2011	2012	2013	2014
General government	Assets (D=a+b+c+d)	D	**Closing balance sheet**	**381 664**	**412 506**	**349 108**	**316 418**	**549 824**	**594 056**	**512 653**	**475 938**
		a	Loans	51 753	63 623	36 027	19 033	149 125	153 782	116 209	91 590
		b	Debt Securities	19 040	19 682	9 076	1 788	35 636	33 936	15 069	3 261
		c	Equity and investment funds shares/units	91 140	94 419	107 489	89 585	128 275	153 881	171 417	158 081
		d	Other assets of general government entities	219 730	234 782	196 516	206 011	236 789	252 457	209 959	223 007
	Liabilities (E=e+f+g)	E	**Closing balance sheet recorded in ESA2010 government debt**	**489 894**	**555 259**	**508 657**	**490 103**	**691 693**	**747 595**	**678 109**	**653 320**
		e	Loans	60 004	86 830	57 808	58 355	60 503	86 830	57 808	58 355
		f	Debt securities	172 839	213 571	245 400	210 989	368 674	398 428	411 167	373 105
		g	Other liabilities of general government entities	257 051	254 858	205 450	220 760	262 516	262 338	209 135	221 860
Outside general government	Contingent liabilities (F=h+i+j)	F	**Closing balance sheet not recorded in ESA2010 debt**	**563 320**	**563 681**	**468 252**	**270 597**	**797 235**	**586 493**	**470 530**	**271 389**
		h	Liabilities and assets outside general government under guarantee	478 036	475 070	370 589	202 628	616 796	487 499	372 287	202 838
		i	Securities issued under liquidity schemes	2 708	2 761	2 424	7 951	97 285	12 564	2 424	7 951
		j	Special purpose entities	82 576	85 850	95 239	60 018	83 154	86 430	95 820	60 600
(% of GDP)		D	**Closing balance sheet - assets**	**3.9**	**4.2**	**3.5**	**3.1**	**4.2**	**4.4**	**3.8**	**3.4**
		E	**Closing balance sheet - liabilities**	**5.0**	**5.6**	**5.1**	**4.8**	**5.3**	**5.6**	**5.0**	**4.7**
		F	**Closing balance sheet - contingent liabilities**	**5.7**	**5.7**	**4.7**	**2.7**	**6.1**	**4.4**	**3.5**	**1.9**

As shown in the above table, the impact on government debt in 2014 (closing balance sheet for liabilities) was 490.1 bn (4.8% of GDP) for the euro area and 653.32 bn euro (4.7% of GDP) for the EU28.

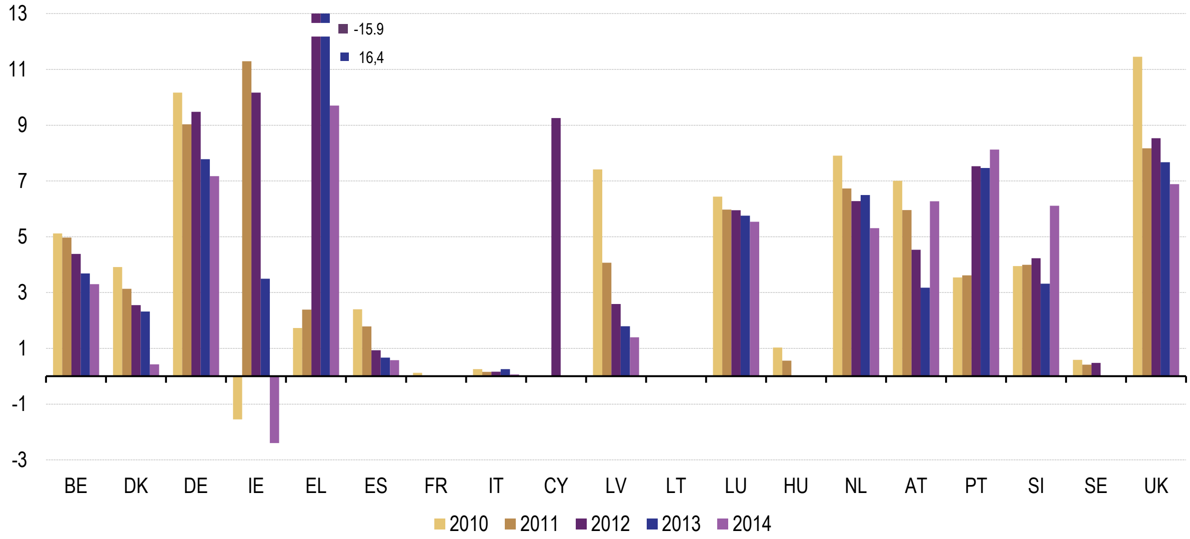
As far as contingent liabilities are concerned (with a potential impact on debt and deficit), they amounted to 270.6 bn (2.7% of GDP) for the euro area and to 271.39 bn (1.9% of GDP) for the EU28.

Graphs 3 and 4 summarise the impact of interventions on, respectively, government assets and liabilities. The latter represents the impact on Maastricht debt resulting from government interventions during the financial crisis.

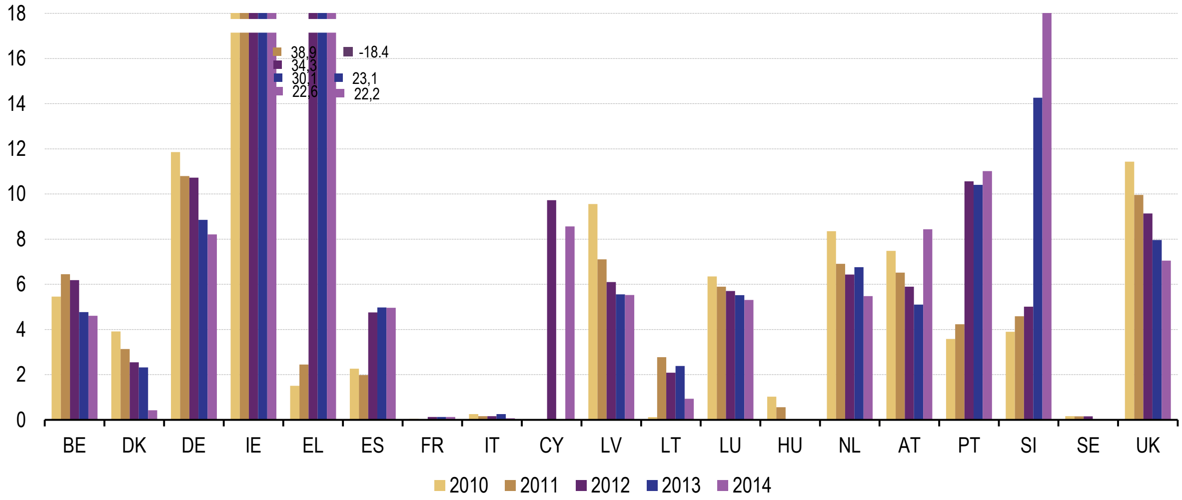
As shown in Graph 4, the largest impact on the government balance sheet at end 2014 is observed in Ireland where government liabilities arising from support for financial institutions were at 22.6% of GDP and Greece where they were at 22.2% of GDP. Over the period 2010-2014 the impact was also large in Belgium, Germany, Spain, Cyprus, Latvia, Luxembourg, the Netherlands, Austria, Portugal, Slovenia and the United Kingdom, where the peak annual impact on such liabilities exceeded 4pp of GDP. In some of those countries a steady reduction of impact is observed over the last few years.

[17] Data for the years 2007, 2008, 2009 and 2010 are not included in Table 3 and in some graphs. However, these data are available in individual tables and a summary table published on the Eurostat website.

Graph 3. Impact of interventions on government assets (% of GDP)

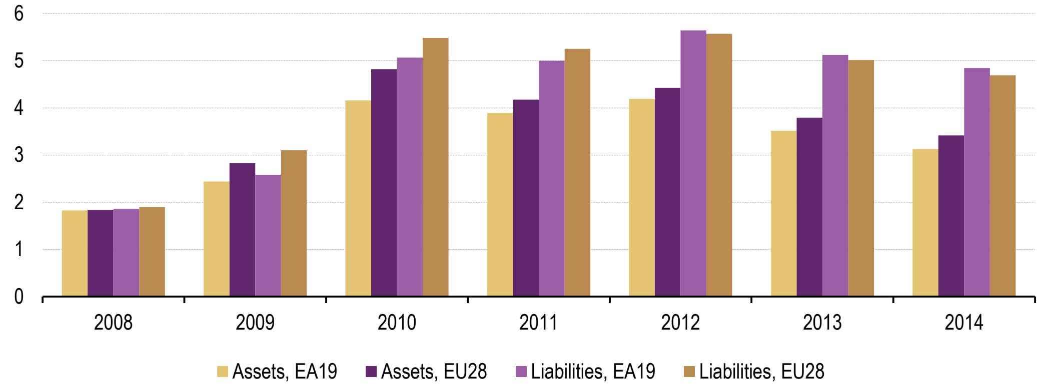


Graph 4. Impact of interventions on government liabilities (% of GDP)



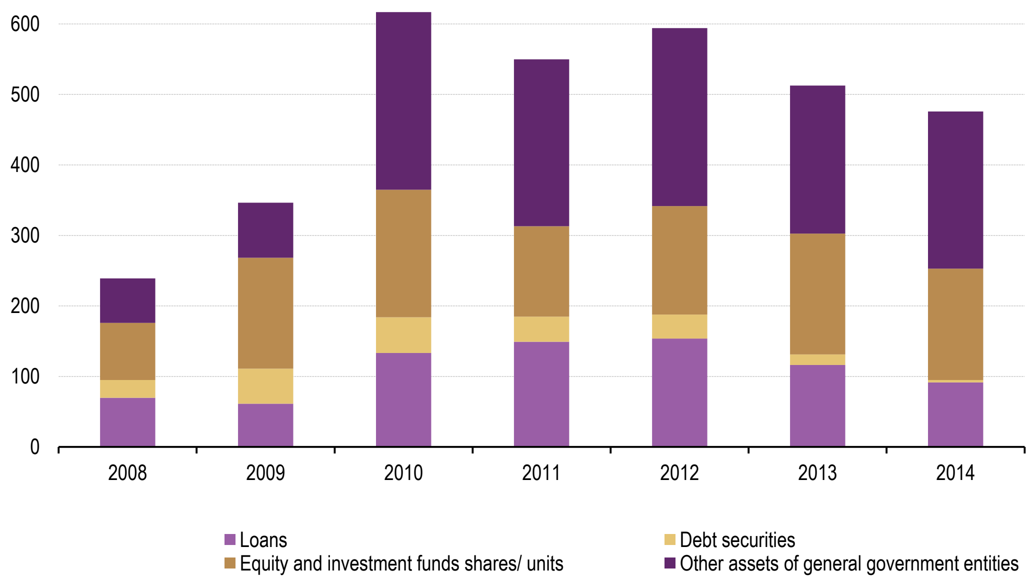
The impact on the stock of government assets and liabilities across the euro area and the EU28 is summarised in Graph 5. It shows a growth in the balance sheet until 2010 with the stock of liabilities consistently exceeding that of assets. The biggest contribution to the observed decrease in 2013 of both assets and liabilities in the euro area is due to the reduction in Germany of both assets and liabilities arising from the support of financial institutions, while the decrease in both assets and liabilities in the UK also significantly contributed to the change in the EU28 figures in the same year. In 2014 both assets and liabilities in the euro area and the EU28 further decreased as compared to 2013.

Graph 5. Impact of interventions on government assets and liabilities, euro area (EA19) and EU28 (% of GDP)



Graph 6 below shows developments in the structure of assets from 2008 to 2014. In 2014 the outstanding assets acquired by the EU governments were mainly attributable to acquisition of equity and investment fund shares/units (33.2% of the total 2014 assets value), and to other assets of general government entities[18] (46.9% of the total value). Only 0.7% of the total for 2014 is due to debt securities while the remaining amount (19.2%) is linked to loans granted by government or acquired from financial institutions.

Graph 6. Structure of government assets related to interventions, EU28 (billions of euro)



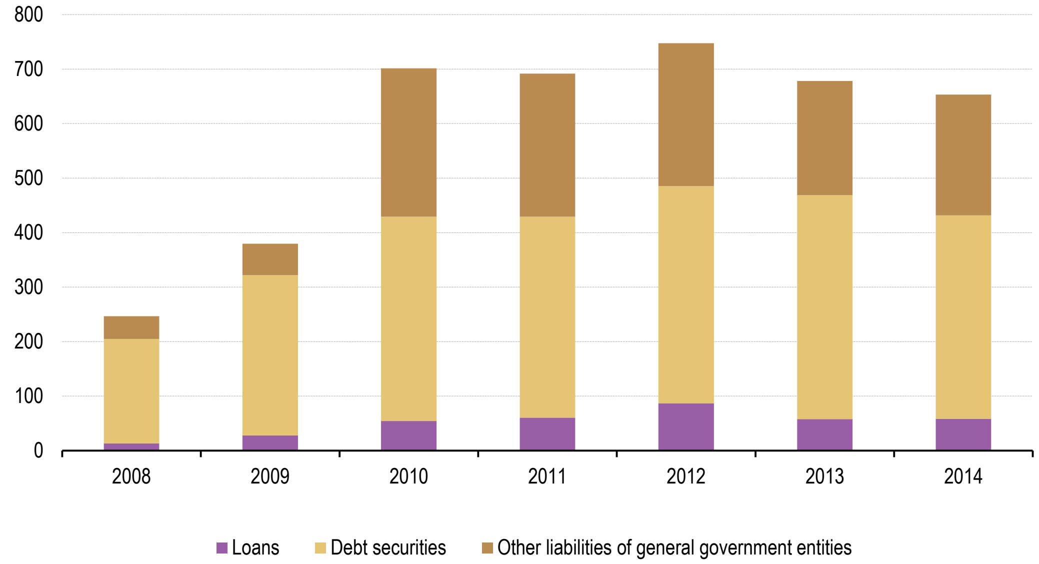
The increase in the amount attributed to the category "other assets of general government entities" in 2010 is mainly due to the transfer of assets into federal and state-level liquidation agencies in Germany.

Turning to liabilities, in 2014 the EU governments financed their interventions predominantly by new issuances of debt securities (57% of the total amount), though it is important to realise that this is the default recording if the instrument is not known. The remaining financing is related to other

[18] The category "other assets of general government entities" may include, for instance, assets of entities that have been reclassified into general government, or assets of newly established government defeasance structures. It may also include other assets that do not fit in any of the other categories.

liabilities of general government entities[19] (34%) and the incurrence of loans (9%). Developments in the structure of liabilities from 2008 to 2014 are summarised in Graph 7 below.

Graph 7. Structure of government liabilities related to interventions, EU28 (billions of euro)



The increase in the amount attributed to the category of "other liabilities of general government entities" in 2010 mainly reflects the transfer of liabilities into federal and state-level liquidation agencies in Germany.

2.3. Contingent liabilities

Part 2 of the supplementary table also shows contingent liabilities which may contribute to government liabilities in the future, but are not currently recorded as government debt.

In the majority of the 18 EU Member States that undertook such interventions, they result exclusively from guarantees granted on financial institutions' assets and (or) liabilities. In two Member States (Greece and the United Kingdom) significant amounts of contingent liabilities arose in the past due to securities issued under liquidity schemes although in 2013 and 2014 the United Kingdom reported no such contingent liabilities. Relating to the period 2007-2014, five Member States (Denmark,[20] Ireland,[21] Spain[22], France[23], and Austria[24]) report contingent liabilities relating to special purpose vehicles. In 2014, the contingent liabilities related to special purpose entities in Denmark and Spain constituted a significant proportion of the total contingent liabilities representing about 84% of the total for both Spain and Denmark.

The level of contingent liabilities per country is presented in the graph below for the period 2010 to 2014.

[19] The category "other liabilities of general government entities" may include, for instance, liabilities of entities that have been reclassified into general government, or liabilities of newly established government defeasance structures. It may also include other liabilities that do not fit in any of the other categories.

[20] A state guarantee to cover losses in Roskilde Bank.

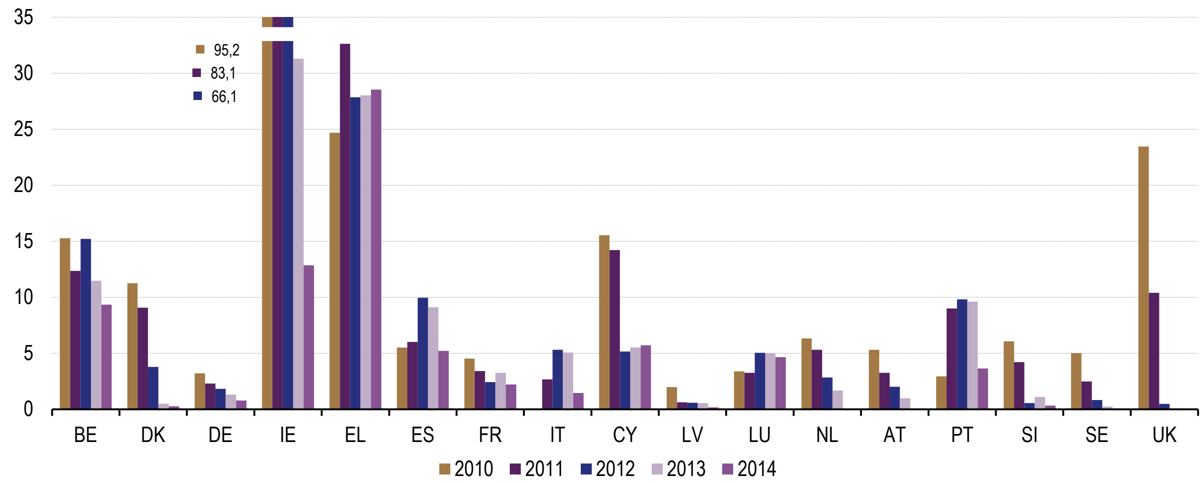
[21] A special purpose vehicle related to the National Asset Management Agency (NAMA).

[22] Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB).

[23] Societé de Financement de l'Economie Française (SFEF).

[24] A guarantee on the activities of the Clearingbank (wound up in 2011).

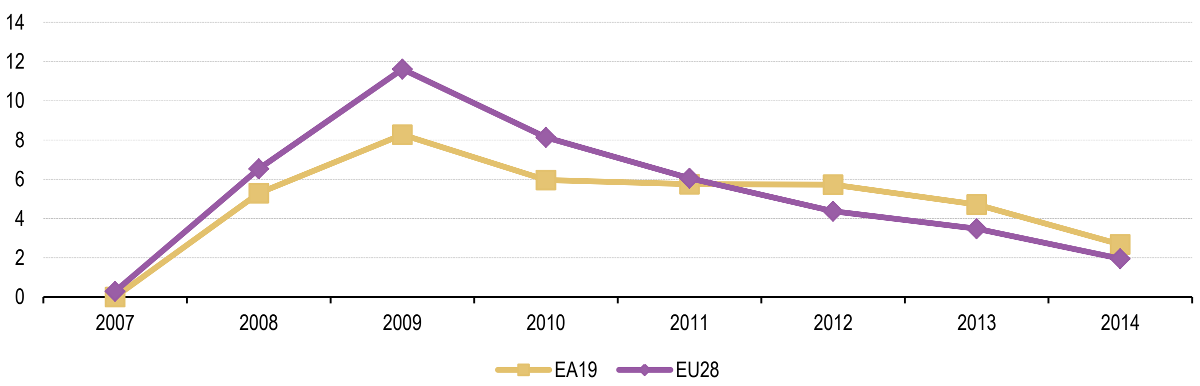
Graph 8. Level of contingent liabilities (% of GDP)



Over 2007-2014, the highest level of contingent liabilities in relation to GDP is observed in Ireland[25]. A further six Member States (Belgium, Denmark, Greece, Cyprus, the Netherlands[26] and the United Kingdom) report a significant level of contingent liabilities over the same period, with the annual peak between 10 and 40 pp of GDP. In the remaining EU Member States, the level of contingent liabilities did not exceed 10 pp of GDP in any of the years of the period (the annual peak of contingent liabilities for Spain and Portugal was just below 10pp of GDP – at 9.96pp and 9.74pp respectively for year 2012).

The stocks of contingent liabilities across the euro area and the EU28 are shown in Graph 9. In both cases, contingent liabilities increased significantly in 2008 and 2009, before decreasing gradually in 2010 and 2011. This decrease mainly reflected reduced government exposure to guarantee schemes in Germany, Ireland, the Netherlands and the United Kingdom. In 2012 contingent liabilities decreased in the EU28, largely due to a significant decrease in the level of contingent liabilities in the UK. The marginal decrease in the euro area in 2012 was due to new guarantees issued to financial institutions in Spain and Italy which compensated the decrease in contingent liabilities in several other euro area countries, mainly Ireland, France and the Netherlands. In 2013 both figures decreased slightly. In 2014 there were reductions in the amounts of guarantees in a number of countries, notably Ireland, Spain and Italy, which lead to further decrease of contingent liabilities for both EA19 and EU28.

Graph 9. Level of contingent liabilities in the euro area (EA19) and the EU28 (% of GDP)

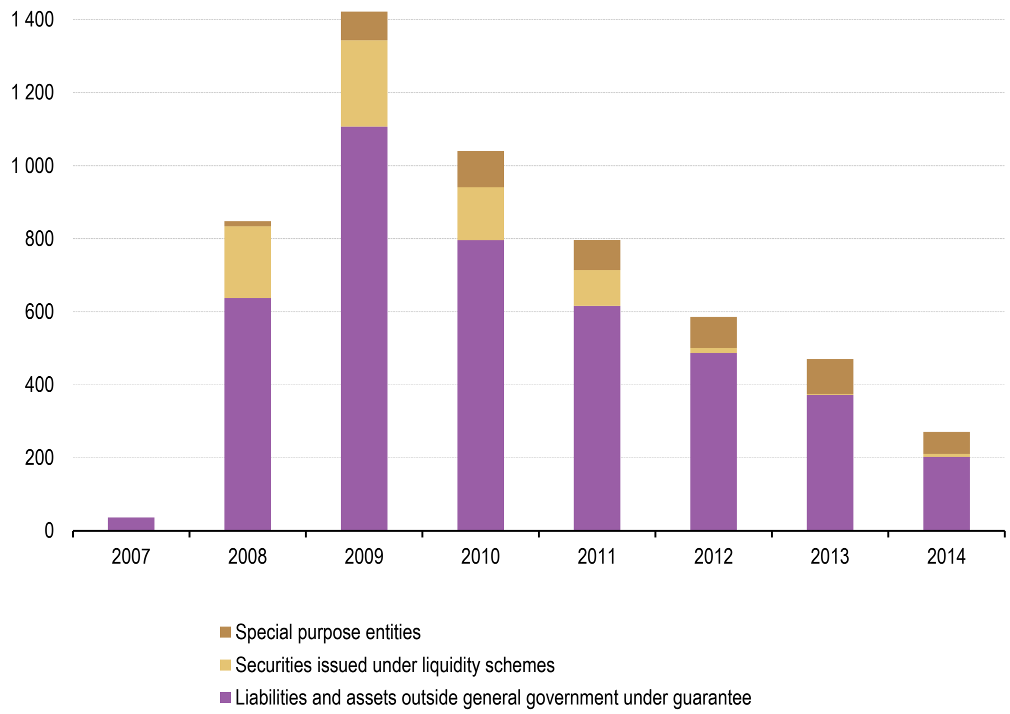


[25] A peak of 188.5% of GDP in 2008 for Ireland is not shown in the graph

[26] The highest peak reported for the Netherlands was 12.9% of GDP in 2009 and is not shown in the graph.

Looking at the structure of contingent liabilities for 2014, the major part is attributable to guarantees granted on financial institutions' assets and/or liabilities (74.7% of the total value). The remaining contingent liabilities reflect the value of the operations related to special purpose vehicles (22.3%) and securities issued under liquidity schemes (just 2.9% of the total as only Greece reported such contingent liabilities for 2014). Developments in the structure of contingent liabilities from 2007 to 2014 are summarised in Graph 10.

Graph 10. Structure of contingent liabilities, EU28 (billions of euro)



ANNEX. STRUCTURE OF THE SUPPLEMENTARY TABLE

The supplementary table for the financial crisis is divided into two parts. They relate to activities undertaken to directly support financial institutions. Therefore, they do not include support measures for non-financial institutions, financial institutions not themselves in need of rescue interventions, or general economic support measures (for example, changes in social benefits or changes in tax rates).

Part 1 shows data on government revenue and expenditure, relating to support for financial institutions and recorded in the national accounts for the General Government sector (S.13).

Part 1 : Net revenue/cost for general government (impact on government deficit)

Millions of national currency

A	**REVENUE (a+b+c+d)**	**x**
a)	Guarantee fees receivable	x
b)	Interest receivable	x
c)	Dividends receivable	x
d)	Other	x
B	**EXPENDITURE (e+f+g+h)**	**x**
e)	Interest payable	x
f)	Capital injections recorded as deficit-increasing (capital transfer)	x
g)	Calls on guarantees	x
h)	Other	x
C	**Net revenue/cost for general government (A-B)**	**x**

The most relevant elements of revenue and expenditure arising from government interventions during the financial crisis are explicitly listed under, respectively, blocks ‘A. Revenue’ and ‘B. Expenditure’.

The following elements of government revenue are provided in the table:

- Fees received as remuneration for guarantees granted to financial institutions on the value of their (impaired) assets or for the repayment of their liabilities, for instance, inter-bank lending, general bank loans etc.
- Accrued interest receivable on loans granted.
- Distributions received on equity subscribed by government in financial institutions.

Similarly, the following elements of government expenditure are provided:

- Accrued interest payable arising from financing of interventions, mainly due to issuance of debt instruments.[27]
- Granting of funds in the form of capital injections which were recorded in statistics as capital transfer expenditure (having an impact on the government deficit).
- Amounts of payments arising from government guarantees granted to financial institutions that have been called by the beneficiary and consequently paid by government, or the associated debt that has been assumed.

Amounts relating to any transactions not falling under the most common types listed above are reported under the residual (‘other’) lines (for both revenue and expenditure). These can cover, for example, expenditure on commission fees, relating to special entities involved in the financial crisis or revenue fees on securities issued under special liquidity schemes. Countries may also report specific transactions (for instance, large capital transfers) under this item for transparency reasons.

The net impact on government deficit/surplus (line C of the supplementary table) is calculated as the difference between total revenue (line A) and total expenditure (line B).

[27] The impact on government liabilities from an activity can be direct (when specifically identifiable instruments are issued) or indirect (when the financing of interventions is not distinguished from other general government financing activity). Therefore the reported interest payable is the sum of actually observed and imputed financing costs (estimated by Member States). Interest expenditure should also include streams of payments resulting from swap arrangements and forward rate agreements (EDP definition of interest expenditure).

Part 2 of the table shows data on government stocks of financial assets and liabilities arising from the support for financial institutions.

It distinguishes between activities which have contributed to actual government liabilities (debt), whether directly or indirectly, and activities which may contribute to government liabilities in the future, but at the moment of the reporting are considered as contingent on future events.

Part 2 : Outstanding amount of assets, actual liabilities and contingent liabilities of general government

		General government		Outside general government
	Millions of national currency	Assets (D=a+b+c+d)	Liabilities (D=a+b+d)	Contingent liabilities (D=e+f+g)
D	**Closing balance sheet**	**x**	**x**	**x**
a)	Loans	x	x	
b)	Debt securities	x	x	
c)	Equity and investment funds shares / units	x		
d)	Other assets and liabilities of general government entities	x	x	
e)	Liabilities and assets outside general government under guarantee			x
f)	Securities issued under liquidity schemes			x
g)	Special purpose entities			x

Similarly to part 1, part 2 provides for the most common types of asset and liability instruments recorded in government accounts due to government interventions:

- Loans granted by government or acquired from financial institutions (assets); loans incurred (directly or indirectly) by government in order to finance various interventions (liabilities).
- Debt instruments issued by financial institutions and bought by government as provision of liquidity (assets); debt securities issued by government to finance the interventions (liabilities).
- Equity subscribed by government in financial institutions as a counterpart for a provision of liquidity to the banks, as well as investment fund shares/units (assets).
- Finally, the category "Other assets and liabilities of general government entities" may include, for instance, assets and/or liabilities of entities that have been reclassified into general government, or assets and liabilities of newly established government defeasance structures. It may also include assets and/or liabilities that do not fit in any of the other categories.

Whereas statistical source information is usually available for measuring government assets in loans and debt securities, certain assumptions might need to be made for government liabilities. For instance, for those government interventions that were not financed specifically by means of dedicated issues of debt, it is assumed that they were financed through the general issuance of debt. By convention these liabilities are to be reported under the instrument 'Debt securities', but, if more relevant, they may also cover loans.

The appropriate valuation for all entries in part 2 is nominal value[28] except for ordinary quoted shares which should be recorded at market value, ordinary unquoted shares which should, where possible, be valued in line with ESA 2010 §§7.73-7.79 and debt securities held as assets where market value can be used provided an active market exists and the market value can be reliably determined.

[28] In Council Regulation 479/2009, as amended, the nominal value is considered equivalent to the face value. The nominal valuation of certain instruments, notably deposits and various types of bonds is further specified in chapter VIII.2 of the ESA 2010 Manual on Government Deficit and Debt.

In addition, part 2 of the table lists the most frequent ways whereby governments incur contingent liabilities relating to the assistance to financial institutions. As a general rule, contingent liabilities are not recorded in the national accounts. Thus, for example, government guarantees granted in the context of the financial crisis do not give rise to any immediate entries in government accounts, but may have an impact later, if they are called. Data provided by the EU Member States in this part of the table are an indication of the potential maximum impact that could (theoretically) arise for government finances from such contingent liabilities, notably from:

- Assets and liabilities of financial institutions guaranteed by government (except for guarantees for special purpose entities).
- Securities issued by government under liquidity schemes[29], for instance, repurchase agreements and securities lending.
- Liabilities of special purpose entities[30] created during the crisis, including those to which certain impaired assets of financial institutions were transferred.

With regard to the coverage of data on contingent liabilities, it is important to note, that general government guarantees on bank deposits are not included here.

[29] Liquidity schemes included here are those where the government securities used are not recorded as government debt. By convention, they are recorded in part 2 as "contingent liabilities outside the general government".

[30] These special purpose entities are classified outside the general government sector. Their liabilities are recorded outside the general government sector (as contingent liabilities of general government).