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Directorate D: Government finance statistics (GFS)

EUROSTAT SUPPLEMENTARY TABLE FOR REPORTING GOVERNMENT INTERVENTIONS TO SUPPORT FINANCIAL INSTITUTIONS

Background note (October 2021)

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1. Background

Eurostat collects from the European Union (EU) Member States a set of supplementary data on government interventions to support financial institutions¹.

During the 2007-2008 global financial crisis, governments in European countries intervened, in various forms, in an attempt to restore confidence in the financial system. Large fiscal deficits and rising debt levels in many countries were associated with that crisis, which underscored the importance of measuring how much of these were related to the rescue of financial institutions.

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

Eurostat collected a first set of supplementary tables in the context of the October 2009 EDP notification. The tables are now transmitted regularly by Member States, with each notification. This note analyses data for years 2007-2020, reported together with the October 2021 EDP notification.

Eurostat publishes individual tables for the EU Member States where there were reportable interventions and a summary table² with the aggregated data for the euro area (EA) and the EU³. The structure of the supplementary table is described in the annex. In the April 2016 notification, the supplementary table was presented for the first time in time-series format (thus, data for the entire period 2007-2020 are presented in a single table).

¹ The first supplementary tables were collected in October 2009 following Eurostat's decision of 15 July 2009 on the statistical recording of public interventions to support financial institutions and financial markets during the financial crisis (available on the [Eurostat website](#)). The rules applicable to the statistical recording of support for financial institutions were further clarified by Eurostat in its guidance notes on the impact on EU Governments' deficit and debt of the decisions taken in the 2011-2012 European summit of [12 April 2012](#) and on the impact of bank recapitalisations on government finance statistics during the financial crisis of [18 July 2012 \(updated on 14 May 2013\)](#), as well as [Eurostat decision of 19 March 2013](#) clarifying the criteria to be taken into account for the recording of government capital injections into banks. The name of the table is changed since April 2016 to "Supplementary table for reporting government interventions to support financial institutions" to allow the reporting of all government interventions to support financial institutions in financial difficulties. Clarifying the coverage was necessary in order to ensure transparency and homogeneous treatment across Member States, since it is not always possible to assess with certainty the reasons behind an institution's financial difficulties.

² Individual tables and a summary table are available on the [Eurostat website](#).

³ **Geographical information:**

Euro area (EA): Belgium, Germany, Estonia, Ireland, Greece, Spain, France, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Malta, The Netherlands, Austria, Portugal, Slovenia, Slovakia and Finland.

European Union (EU): Belgium, Bulgaria, Czechia, Denmark, Germany, Estonia, Ireland, Greece, Spain, France, Croatia, Italy, Cyprus, Latvia, Lithuania, Luxembourg, Hungary, Malta, The Netherlands, Austria, Poland, Portugal, Romania, Slovenia, Slovakia, Finland and Sweden.

2. Data findings

All but five countries report interventions undertaken by government to support financial institutions during the 2007-2020 period. No interventions were reported by Estonia, Malta, Poland, Romania and Slovakia. In Finland (in 2008) and Czechia (in the years 2013-2015), the only interventions concerned contingent liabilities⁴.

The most significant deficit increasing interventions in 2020 (as a percentage of GDP) were noted in Spain and Portugal. Interventions with an impact on government deficit are analysed in the section 2.1.

The highest level of government debt resulting from interventions in financial institutions since 2007 as a percentage of GDP end-2020 is observed in Cyprus, Greece and Ireland. The statistical impact on government debt is analysed in the section 2.2.

By end-2020, Cyprus, Belgium and Luxembourg exhibited the highest levels of contingent liabilities as a percentage of GDP. Data findings on contingent liabilities are presented in more detail in the section 2.3.

Most countries show a close relationship between the accumulated deficit/surplus arising from government interventions in the financial system over 2007-2020 and the related net assets arising from these interventions observed end-2020. Conversely, Greece, Slovenia, Cyprus and Ireland show large differences when comparing the two indicators. Findings on the comparison between net assets and the accumulated deficit/surplus impact are analysed in the section 2.4.

⁴ For this reason, these Member States are not represented in several of the tables in this Note.

2.1. Statistical impact on government deficit/surplus

Part 1 of the supplementary table provides data on transactions that are recorded in government accounts as ESA expenditure or revenue and have therefore an impact on the government deficit/surplus (net lending/net borrowing).

Revenue earned from government interventions includes guarantee fees charged, interest earned on loans granted, dividends collected on equity stakes acquired, and other revenue, such as occasional capital transfer revenue (e.g. returns on guarantee calls).

Expenditure arising from government interventions includes first and foremost capital transfer expenditure stemming from (i) capital injections (that are judged to be capital transfers following the capital injection test), (ii) the acquisition of portfolios of assets at a price higher than their market value, or (iii) guarantee calls; secondly, interest on the debt issued to cover interventions either directly or indirectly; and thirdly, other expenditure such as purchases of fixed assets (or resale of them, which enter as negative expenditure).

Table 1 below presents aggregated figures for the euro area and the EU⁵ over the notified years 2017-2020.

Table 1. Net revenue/expenditure for general government – impact on government deficit/surplus⁶

		Euro area				EU				
		2017	2018	2019	2020	2017	2018	2019	2020	
EUR million	A	Revenue (a+b+c+d)								
	a)	Guarantee fees receivables	675	522	368	394	675	522	368	394
	b)	Interest receivables	3 891	3 571	3 635	2 732	3 907	3 582	3 643	2 732
	c)	Dividends receivables	2 660	2 665	2 863	655	2 660	2 665	2 863	655
	d)	Other	2 916	1 944	1 317	1 413	2 916	1 944	1 322	1 415
	B	Expenditure (e+f+f2+g+h)								
	e)	Interest payable	6 095	5 735	5 631	4 144	6 106	5 743	5 638	4 147
	f)	Capital injections recorded as deficit - increasing (capital transfer)	11 714	1 300	2 768	1 434	11 718	1 321	2 768	1 434
	f2)	Other capital transfer (e.g. asset purchase)	510	110	482	10 935	510	110	482	10 935
	g)	Calls on guarantees	1 988	6 739	1 243	1 135	1 988	6 739	1 243	1 135
	h)	Other	1 973	2 836	1 834	1 641	2 017	2 843	1 834	1 641
	C	Net revenue/expenditure for general government (A-B)								
		- 12 138	- 8 017	- 3 776	- 14 096	- 12 180	- 8 041	- 3 770	- 14 097	
% of GDP	A	Revenue								
		0.09	0.08	0.07	0.05	0.08	0.06	0.06	0.04	
	B	Expenditure								
	0.20	0.14	0.10	0.17	0.17	0.12	0.09	0.14		
C	Net revenue/expenditure for general government									
	-0.11	-0.07	-0.03	-0.12	-0.09	-0.06	-0.03	-0.11		

The difference between government revenue and expenditure (line C of the table) shows the net impact on the government deficit/surplus due to direct government interventions to support financial institutions. In 2020, government interventions to support financial institutions increased the government deficit in the euro area by EUR 14.1 billion (0.12% of GDP) and in the EU by EUR 14.1

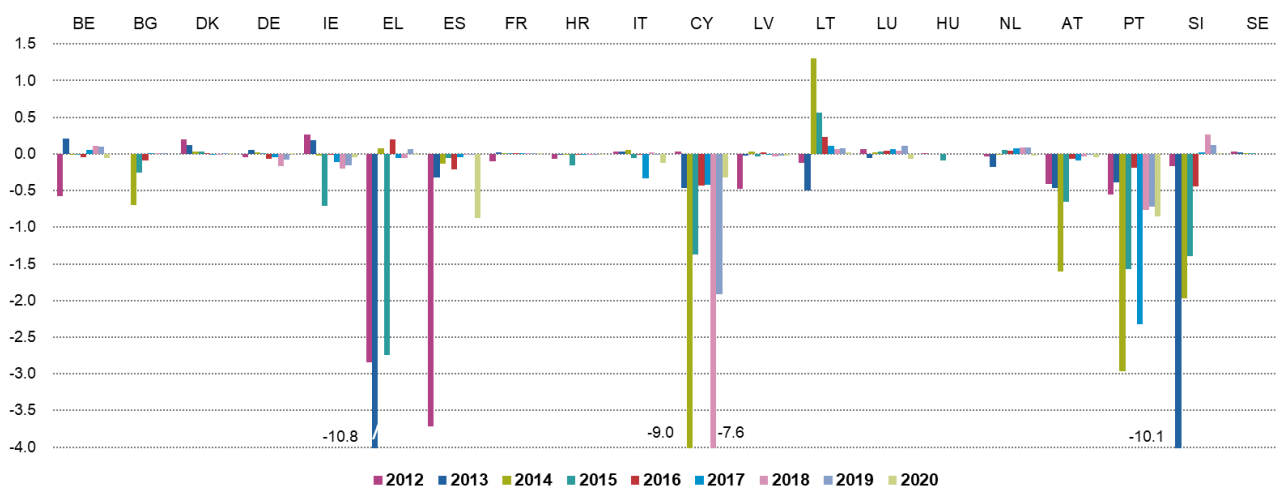
⁵ In the graphs and tables, the euro area is defined as including Latvia and Lithuania for the full period, although Latvia joined the euro area on 1 January 2014 and Lithuania on 1 January 2015. From 1 July 2013, the European Union (EU) also includes Croatia. In the graphs and tables, all periods refer to the EU27.

⁶ Data for the years 2007 to 2016 are not included in Table 1 and in some graphs. However, these data are available in individual tables and in a summary table published on the [Eurostat website](#).

billion (0.11% of GDP), after EUR 3.8 billion (0.03% of GDP) and EUR 3.8 billion (0.02% of GDP) respectively in 2019.

Graph 1 presents the annual net impacts since 2012 for individual EU Member.

Graph 1. Impact of interventions on government deficit/surplus (% of GDP)⁷



In 2020, countries reported a very limited adverse impact in their deficit/surplus due to the support provided to financial institutions, except Spain, Portugal and Cyprus. In Spain, this negative impact (0.9% of GDP) is due to the sector reclassification of SAREB to the general government sector in (and from) 2020, which resulted from the sizeable accumulated losses of SAREB, contrary to what was expected at the time of its set-up in 2012. SAREB was previously a defeasance structure classified outside government, as it was deemed to be controlled by the private sector. In Portugal, the negative impact (0.9% of GDP) is mainly due to the third call on the guarantee provided to Novo Banco by the Portuguese Resolution Fund, for an amount of EUR 1,035 million, as well as the result of the high interest payable on financial rescues-related debt (EUR 601 million). In Cyprus, the negative impact (0.3% of GDP) is mostly due to the high interest payable on financial rescues-related debt (EUR 89 million).

In 2020, Germany, France, Lithuania and Denmark reported an improvement in their surplus/deficit thanks to net revenue deriving from their previous support to financial institutions, though with a small impact in percentage of GDP.

The impact of interventions over 2007-2020 on government deficit/surplus in the euro area (EA) and the EU is summarised in Graph 2.

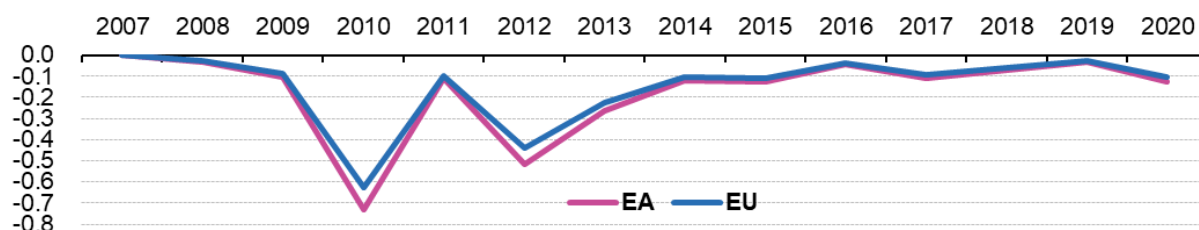
Regarding both the euro area and the EU, the net impact of these interventions was marginally deficit increasing in 2007, 2008 and 2009, became pronounced in 2010 and decreased sharply in 2011. The net impact was noticeably deficit increasing again in 2012, largely due to further bank recapitalisations and resolutions, before falling back again in 2013 and 2014.

In 2015 the impact increased marginally in the euro area and the EU. In 2016, the euro area and the EU reported again a reduced impact on deficit, reaching a small overall impact (< 0.05% of GDP). In 2017, the euro area and the EU reported an increased impact of financial rescues on the deficit essentially due to interventions of the Italian, Portuguese and Cypriot governments. In 2018, the deficit impact in the context of government interventions in the financial system decreased, despite some interventions in Cyprus, Portugal and Germany. In 2019, the impact of government support to financial institutions was the smallest since 2007, which can be explained by the fact that, although

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

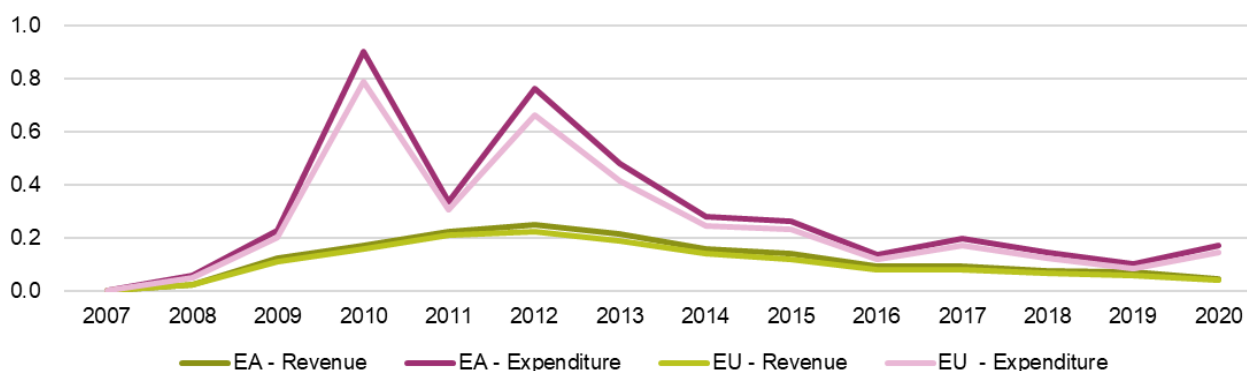
sizeable impact was still observed in Portugal and Cyprus, the size of interventions in Germany was, though relevant, considerably smaller, and no new interventions were observed across the other EU Member States. In 2020, the deficit impact was the highest since 2015 in percentage of GDP, mostly explained by the government interventions in Spain and Portugal, as mentioned above, as well as in Italy, related to capital injections in Banca Popolare di Bari and to a capital transfer in connection to the transfer of assets and liabilities from the bank Monte dei Paschi di Siena to an asset management company (AMCO).

Graph 2. Impact of interventions on government deficit/surplus in the euro area (EA) and the EU (% of GDP)



Graph 3 presents the breakdown of the impact of government interventions by revenue and expenditure for the euro area and the EU. The volatility in the impact of interventions on government deficit/surplus over 2007-2020 (observed in graph 2) is mostly explained by the volatility in expenditure, while revenue remained quite stable during this period. As it can be observed, the peak in government deficit/surplus in 2010 and 2012 for the euro area and the EU, for example, can be explained by peaks in expenditure in those years. In 2020, the increase in euro area and EU government deficit is again explained by an increase in expenditure, though also reinforced by a decrease in revenue.

Graph 3. Impact of interventions on revenue and expenditure in the euro area (EA) and the EU (% of GDP)



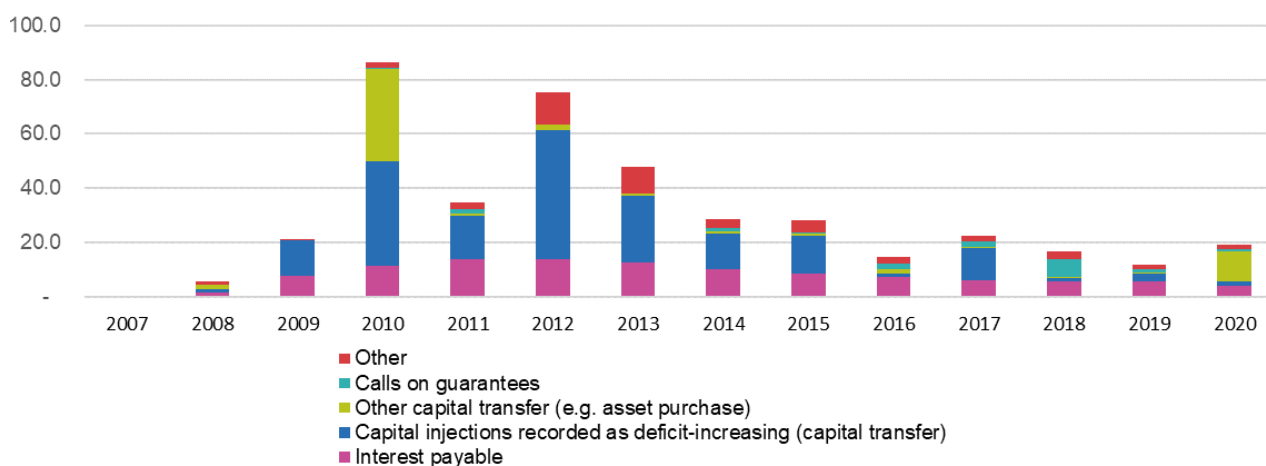
Graph 4 below shows, for the EU, the evolution of the structure of government expenditure, related to interventions to support financial institutions. Expenditure tends to be dominated by capital transfers related to capital injections in loss-making financial institutions and, particularly in the years 2010 and 2020, to the purchase of portfolios of non-performing loans (NPLs), reported under ‘Other capital transfer (e.g. asset purchase)’. The impact of capital transfers arising from guarantee calls is more pronounced in the last five years, reflecting mainly the late materialization of losses in the portfolio of NPLs. Interest expenditure is also significant but has maintained a smooth declining evolution over 2007-2020, declining by almost EUR 1.5 billion in 2020. Interest expenditure largely reflects, in the early years, the funding cost of extensive lending activity to financial institutions (though often associated with matching interest revenue earned on loans extended to these institutions). In subsequent years, interest expenditure is more dominated by the funding costs of deficit increasing measures, while it then falls back in later years due to the decrease in market

interest rates and, to a lesser extent, to a gradual reduction of the debt related to these interventions (see section 2.2).

In 2010, the marked increase in expenditure occurred predominantly under the form of capital injections deemed as capital transfers and of capital transfers deriving from the acquisition of portfolios of assets at a price higher than their market value. These concerned, in the first case, government interventions in financial institutions in Austria⁸, Latvia⁹, Denmark¹⁰ and Ireland¹¹ and, in the second case, the set-up of defeasance structures in Germany¹² and Portugal¹³.

In 2012, the increase in expenditure was mainly the result of an increase of capital injections deemed as capital transfers, concerning mainly Greece¹⁴, and the recapitalisation of several banks in Spain¹⁵. The significant levels of capital transfers in 2013 mainly concern government interventions in the financial systems in Greece¹⁶ and Slovenia¹⁷.

Graph 4. Structure of government expenditure related to interventions, EU (EUR billion)



Graph 5 summarises for the EU the breakdown of government revenue related to government interventions in the financial system. Interest revenue has always represented the largest share of government revenue for the years 2007-2020, although its share in the total has been steadily decreasing from 2008 to 2019. The increased share of interest receivable, as well as in the other revenue items, on total revenue in 2020 is mostly the result of a considerable contraction of dividends receivable in 2020.

Interest earned largely reflects the property income on emergency loans granted to financial institutions, and was dynamic in the early years (see section 2.2), but at the same time is matched by funding costs (part of interest expenditure).

⁸ KA Finanz

⁹ Parex Banka

¹⁰ Roskilde Bank

¹¹ Anglo Irish Bank and Irish Nationwide Building Society

¹² Erste Abwicklungsanstalt (EAA) and FMS Wertmanagement (FMS-WM)

¹³ Parvalorem and Parups

¹⁴ Resolution of ATE bank and of cooperative banks and recapitalisation of Proton Bank

¹⁵ BFA-Bankia, CatalunyaCaixa, NCG Banco and Banco de Valencia

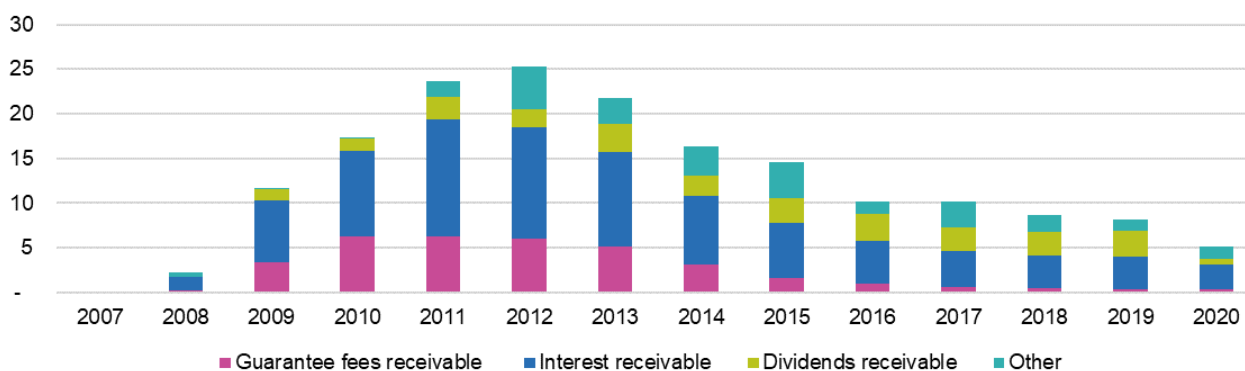
¹⁶ Alpha Bank, Eurobank, National Bank of Greece (NBG) and Piraeus Bank.

¹⁷ Abanka, Nova KBM (NKBM) and Nova Ljubljanska banka (NLB).

Revenue from dividends has gradually increased as a share in total revenue (from 3% in 2008, to 35% in 2019) in the period analysed, although this largely reflects a fall in the overall level of revenue since 2013, aside from the gradual increase in the level of dividends earned until 2013. Up to the year 2019, dividends were rather stable (as governments gradually resell the equity stakes they acquired in banks, while dividend per share tend to increase). However, in 2020, revenue from dividends decreased abruptly from EUR 2.9 billion in 2019 to EUR 0.7 billion, mostly following the 2020 recommendation of the European Central Bank (ECB) to banks to refrain from paying dividends until at least September 2021¹⁸, thus decreasing the share of dividends in total revenue from 35% to 13%.

Guarantee fees reached a peak of their share in total revenue in 2010 of 36%, but their importance in total revenue has been rapidly decreasing, accounting for 8% of the revenue in 2020. Guarantee fees earned must be compared with the costs of guarantee calls, which have been broadly limited so far, apart from a peak in 2018 due to guarantee calls in connection with the privatisations of HSH Nordbank, in Germany, and Novo Banco, in Portugal.

Graph 5. Structure of government revenue related to interventions, EU (EUR billion)



Large one-off impacts on government deficit/surplus are often excluded in fiscal analysis, for instance, when assessing the compliance with the EU-IMF programme targets. Therefore, Eurostat also calculates government deficit/surplus figures excluding the net impact of government interventions to support financial institutions. The results are presented in Table 2 below.

¹⁸ See <https://www.bankingsupervision.europa.eu/press/pr/date/2020/html/ssm.pr201215~4742ea7c8a.en.html>

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

in % of GDP	2019			2020		
	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
euro area	-0.6	0.0	-0.6	-7.2	-0.1	-7.1
EU	-0.5	0.0	-0.5	-6.9	-0.1	-6.8
BE	-1.9	0.1	-2.0	-9.1	-0.1	-9.0
BG	2.1	0.0	2.1	-4.0	0.0	-4.0
CZ	0.3	0.0	0.3	-5.6	0.0	-5.6
DK	4.1	0.0	4.1	-0.2	0.0	-0.2
DE	1.5	-0.1	1.5	-4.3	0.0	-4.3
EE	0.1	0.0	0.1	-5.6	0.0	-5.6
IE	0.5	-0.2	0.7	-4.9	0.0	-4.9
EL	1.1	0.1	1.1	-10.1	0.0	-10.1
ES	-2.9	0.0	-2.9	-11.0	-0.9	-10.1
FR	-3.1	0.0	-3.1	-9.1	0.0	-9.1
HR	0.3	0.0	0.3	-7.4	0.0	-7.4
IT	-1.5	0.0	-1.5	-9.6	-0.1	-9.5
CY	1.3	-1.9	3.2	-5.7	-0.3	-5.4
LV	-0.6	0.0	-0.5	-4.5	0.0	-4.5
LT	0.5	0.1	0.4	-7.2	0.0	-7.2
LU	2.3	0.1	2.2	-3.5	-0.1	-3.5
HU	-2.1	0.0	-2.1	-8.0	0.0	-8.0
MT	0.5	0.0	0.5	-9.7	0.0	-9.7
NL	1.7	0.1	1.6	-4.2	0.0	-4.2
AT	0.6	0.0	0.6	-8.3	0.0	-8.3
PL	-0.7	0.0	-0.7	-7.1	0.0	-7.1
PT	0.1	-0.7	0.8	-5.8	-0.9	-5.0
RO	-4.4	0.0	-4.4	-9.4	0.0	-9.4
SI	0.4	0.1	0.3	-7.7	0.0	-7.7
SK	-1.3	0.0	-1.3	-5.5	0.0	-5.5
FI	-0.9	0.0	-0.9	-5.5	0.0	-5.5
SE	0.6	0.0	0.6	-2.8	0.0	-2.8

It should be noted that this adjusted measure of government deficit/surplus is only provided as an additional information for users, and is in no way designed to replace the official measure of deficit/surplus.

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 to financial institutions (see Table 3 below¹⁹).

Assets comprise loans (and occasionally debt securities) granted to financial institutions in the context of emergency measures (sometimes taking the legal form of deposits, reclassified as loans), equity stakes acquired (including in the context of capital injections) measured at market value, as well as assets held by defeasance structures or other special purpose vehicles holding impaired assets (that need to be classified inside government).

Debts arising from government interventions in favour of financial institutions comprise loans or debt securities incurred to fund the interventions, as well as the debt of defeasance structures or other special purpose vehicles holding impaired assets. The debt securities incurred comprise both dedicated instruments used and the indirect debt that arose when operations are funded by using cash or equivalent.

Table 3. Outstanding amount of assets, actual liabilities and contingent liabilities of general government

		Euro area				EU					
		2017	2018	2019	2020	2017	2018	2019	2020		
General government	Assets (D=a+b+c+d)	D	Closing balance sheet	251 803	219 239	212 264	230 170	255 120	222 596	215 446	233 378
		a)	Loans	13 459	12 787	11 001	12 129	13 459	12 787	11 001	12 129
		b)	Debt securities	895	1 945	1 794	1 143	973	1 945	1 794	1 143
		c)	Equity and investment funds shares/units	77 334	64 243	64 368	55 042	77 750	64 665	64 632	55 225
		d)	Other assets of general government entities	160 116	140 264	135 101	161 855	162 939	143 199	138 019	164 880
	Liabilities (Debt) (E=e+f+g)	E	Closing balance sheet recorded in ESA 2010 government debt	455 270	443 903	443 188	477 415	455 864	444 424	443 456	477 684
		e)	Loans	89 677	81 612	81 587	84 093	89 933	81 868	81 587	84 093
		f)	Debt securities	197 272	216 122	219 351	222 765	197 610	216 388	219 619	223 034
		g)	Other liabilities of general government entities	168 322	146 168	142 250	170 557	168 322	146 168	142 250	170 557
Outside general government	Contingent liabilities (F=f+h+i+j+k)	F	Closing balance sheet not recorded in ESA 2010 debt	154 223	135 230	131 873	75 809	154 223	135 230	131 873	75 809
		h)	Liabilities and assets outside general government under guarantee	110 166	95 475	94 028	73 389	110 166	95 475	94 028	73 389
		i)	Securities issued under liquidity schemes								
		j)	Special purpose entities	39 369	36 435	35 409		39 369	36 435	35 409	
		k)	Other contingent liabilities	4 689	3 320	2 436	2 420	4 689	3 320	2 436	2 420
(% of GDP)	D)	Closing balance sheet -assets	2.2	1.9	1.8	2.0	2.0	1.6	1.5	1.7	
	E)	Closing balance sheet - liabilities	4.1	3.8	3.7	4.2	3.5	3.3	3.2	3.6	
	F)	Closing balance sheet - contingent liabilities	1.4	1.2	1.1	0.7	1.2	1.0	0.9	0.6	

As shown in the table above, government debt in 2020 (closing balance sheet for liabilities, item E) associated with the support to financial institutions stood at EUR 477.4 billion (4.2% of GDP) for the euro area and EUR 477.7 billion (3.6% of GDP) for the EU.

The observed increase of ESA debt from 2019 to 2020 by EUR 34.2 billion for the euro area and the EU reflects mostly the increases in the debt of Spain following the reclassification of SAREB in the general government sector (EUR 34.2 billion), which in parallel implied the disappearance of contingent liabilities related to Special purpose entities (item j)). The remaining changes in debt

¹⁹ Data for the years 2007-2017 are not included in Table 3 and in some graphs. However, these data are available in individual tables and in a summary table published on the [Eurostat website](#).

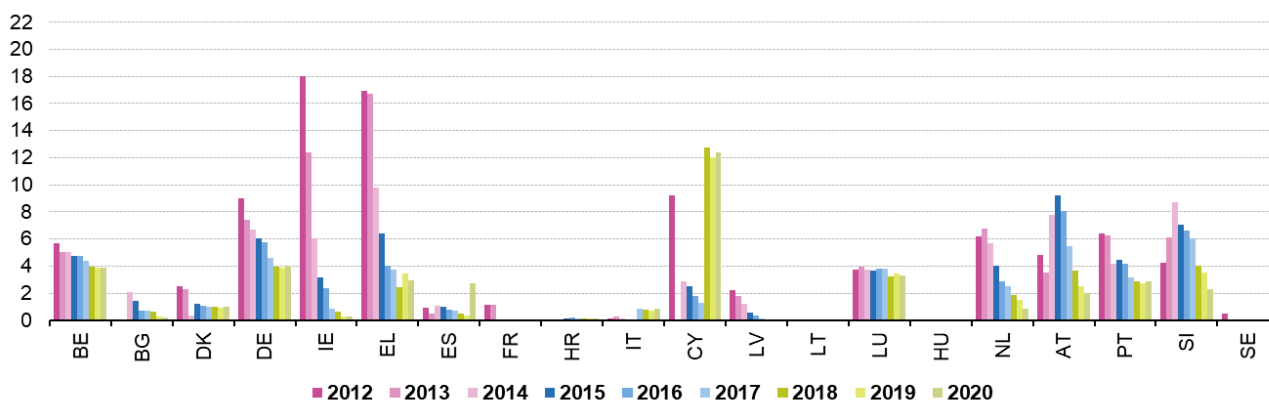
across the EU largely compensate each other. Debt has increased in Portugal (EUR 1.7 billion) and Italy (EUR 1.4 billion), related with the government interventions mentioned above. Debt in 2020 has increased as well in Ireland (EUR 0.7 billion) related to the premium associated with the buyback of the Floating Rate Notes issued in 2013 when the Irish Bank Resolution Corporation (IBRC) was liquidated, and in Belgium (EUR 0.2 billion) as a result of the indirect liabilities imputed to reflect the increased net costs for the general government, due to the decrease of the dividends receivable. At the same time, debt decreases are observed in Austria (by EUR 1.9 billion) concerning to a large extent the redemption of KA Finanz and HETA's liabilities, in Germany (EUR 1.4 billion) as a result of the redemption of liabilities concerning two defeasance structures, and in Slovenia (EUR 0.5 billion) due to the reprivatisation of Abanka and to the continuous orderly liquidation of BAMC, a defeasance structure. Debt in 2020 has also decreased marginally in Cyprus, Greece and France (by EUR 0.1 billion, in each of the Member States).

As far as contingent liabilities are concerned (with only a potential future impact on debt and deficit), they decreased to EUR 75.8 billion for both the euro area (0.7% of GDP) and for the EU (0.6 % of GDP), mostly due to the reclassification of SAREB into the general government sector in Spain (EUR 34.2 billion). There are no outstanding contingent liabilities recorded outside the euro area. See section 2.3.

Graphs 6 and 7 summarise the impact of interventions on government assets and debt respectively, for each Member State that reports such interventions since 2012.

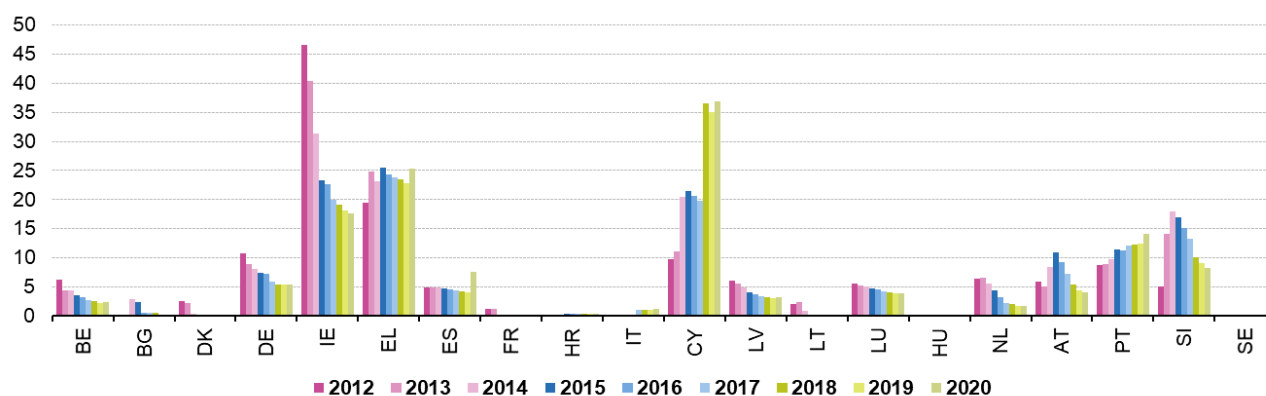
Graph 6 presents the impact on government assets as a result of government interventions to support financial institutions.

Graph 6. Impact of interventions on government assets (% of GDP)



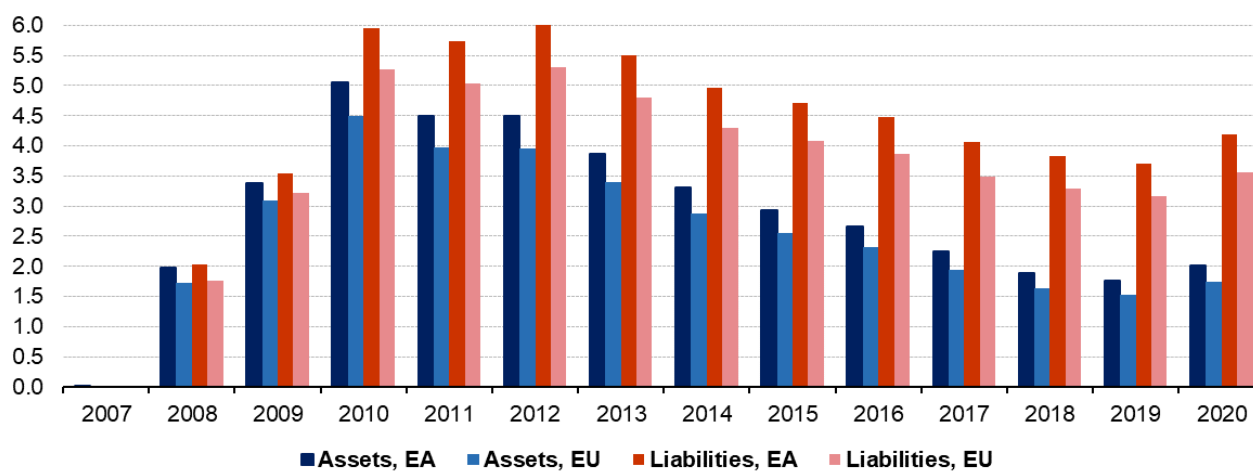
Graph 7 presents the impact on government debt resulting from government interventions. The largest impact on the government debt at end-2020 is observed in Cyprus, Greece, Ireland and Portugal, where government debt arising from support to financial institutions reached 36.8%, 25.2%, 17.6% and 14.1% of GDP respectively. The steep 2018 increase in liabilities in Cyprus is associated with the dissolution of the Cyprus Cooperative Bank Ltd (CCB) and the creation of KEDIPES, an Asset Management Company classified in general government. Over the period 2011-2020, the debt impact was also large in Belgium, Germany, Spain, Latvia, Luxembourg, the Netherlands, Austria and Slovenia, reaching 5% of GDP at some point in time. In most of these countries, a steady reduction of the impact is observed over the last few years.

Graph 7. Impact of interventions on government debt (% of GDP)



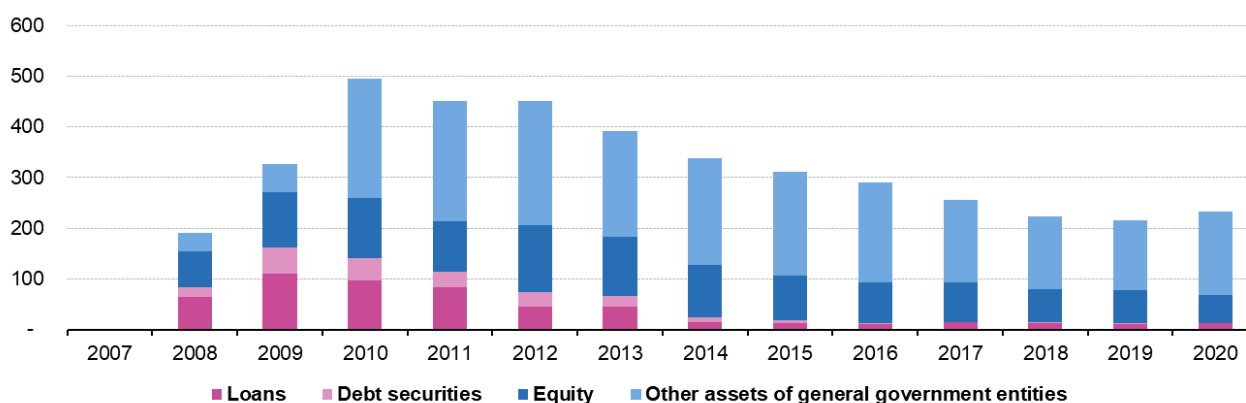
The impact on the stock of government assets and debt due to government interventions to support financial institutions across the euro area and the EU is summarised in Graph 8. Both assets and liabilities gradually increased in the period 2008-2010, with the stock of liabilities consistently exceeding that of assets. Since 2012, assets and liabilities in both areas exhibit a decreasing trend, reflecting the gradual liquidation of impaired assets or other assets (equity stakes) that are sold off or written off and the associated repayment of debt with the proceeds thus collected. That trend is reversed in 2020, for both assets and liabilities, which is explained by the sector reclassification of SAREB (and encompassing stocks of assets and liabilities) in the general government sector of Spain.

Graph 8. Impact of interventions on government assets and liabilities, euro area (EA) and EU (% of GDP)



Graph 9 below shows developments in the structure of assets from 2007 to 2020. In 2020, the stock of assets held by the EU governments was mainly attributable to equity (24% of the total 2020 assets value) and to assets held by general government entities reclassified to the general government sector (70% of the total value). Less than 1% of the total for 2020 is due to debt securities held directly and only 5% is linked to loans granted by government to financial institutions or to NPLs directly acquired from financial institutions, while these instruments represented close to half of the assets in the first two years of the financial crisis. It is worth noting that assets held by government entities are largely constituted of NPLs.

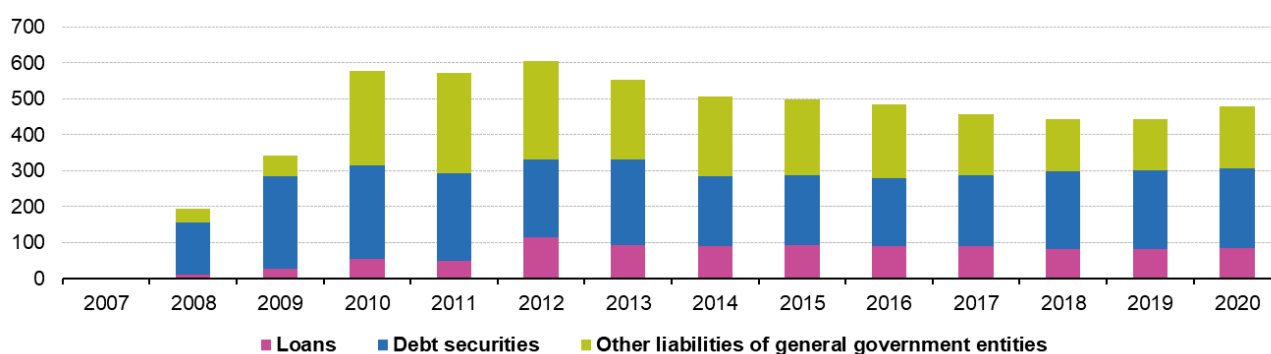
Graph 9. Structure of government assets related to interventions, EU (EUR billion)



In this context, the increase in 2020 in the assets held by ‘other assets of general government entities’ is related to the inclusion of SAREB in the general government accounts of Spain. In 2010, the increase in that assets line was due to the transfer of assets into federal and state-level liquidation agencies in Germany.

On the liability side, in 2020, the debt of EU governments related to the financing of their interventions in favour of the financial system comprised mostly debt securities (46.7% of the total amount) and liabilities of general government entities (35.7%). The category ‘debt securities’ also includes the so-called ‘indirect’ debts, i.e. cases where there was no dedicated debt instrument issued and, instead, cash or equivalent was used.²⁰ The category ‘other liabilities of general government entities’ includes debt liabilities of entities that have been reclassified into general government or of newly established government defeasance structures.²¹ The remaining amount comprises loans incurred (17.6%). Developments in the structure of liabilities from 2007 to 2020 are summarised in Graph 10 below.

Graph 10. Structure of government liabilities related to interventions, EU (EUR billion)



The increase in 2020 in the ‘other liabilities of general government entities’ is related to the reclassification of SAREB into the general government accounts of Spain. In 2010, the increase in that liabilities line was due to the transfer of liabilities into federal and state-level liquidation agencies in Germany.

²⁰ Related amounts of indirect liabilities are reported as a voluntary detail in the Member States' individual supplementary tables, which are published in the Eurostat website.

²¹ It may also include liabilities that do not fit in any of the other categories.

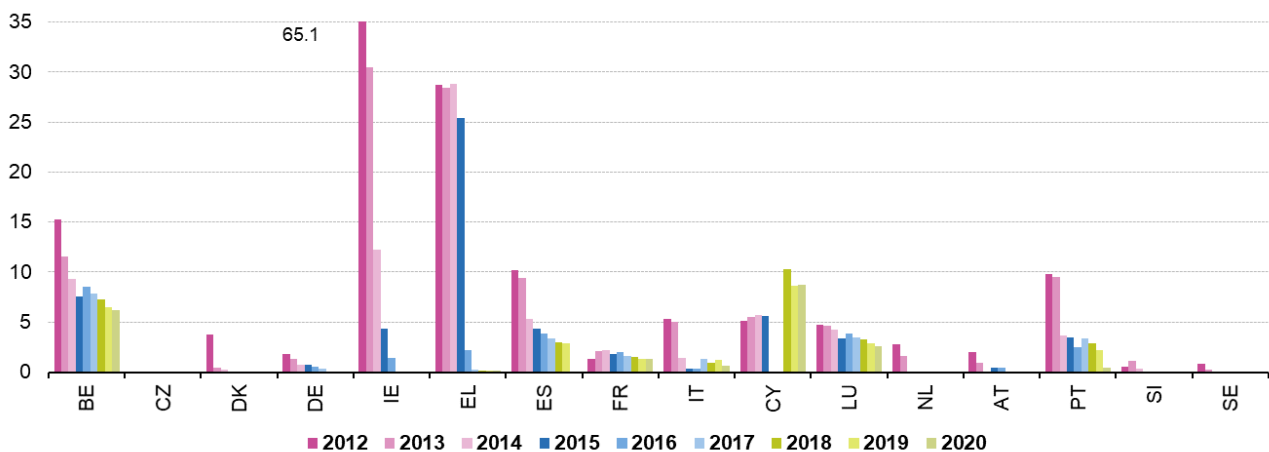
2.3. Contingent liabilities

Part 2 of the supplementary table also shows contingent liabilities arising from government interventions to support financial institutions. Contingent liabilities are obligations, under the form of explicit or implicit guarantees, which do not produce effects on the government accounts until a particular event occurs in the future. Although no payment may turn out to be due (reason for which contingent liabilities are not recorded in debt), a high level of contingent liabilities may nonetheless indicate a high level of fiscal risk.

In the majority of the EU Member States that undertook such interventions, these contingent liabilities took exclusively the form of guarantees granted on financial institutions' assets and/or liabilities. In Greece, significant amounts of contingent liabilities arose in the past due to securities issued under liquidity schemes. For the period 2007-2019, four Member States (Denmark²², Ireland²³, Spain²⁴ and Austria²⁵) have reported contingent liabilities relating to special purpose vehicles. Following the sector reclassification of SAREB in 2020, no Member State has now contingent liabilities supporting special purpose vehicles.

The level of contingent liabilities per country is presented in the graph below for the period 2012 to 2020.

Graph 11. Level of contingent liabilities (% of GDP²⁶)



Over 2007-2020, the highest level of contingent liabilities in relation to GDP is observed in Ireland²⁷, mainly relating to the introduction of the Credit Institutions Financial Support Scheme, replaced by the Eligible Guarantee Scheme in 2010, which provided a State guarantee for eligible bank liabilities, including deposits, of up to five years in maturity. Six other Member States (Belgium²⁸, Denmark,

²² A state guarantee to cover losses in Roskilde Bank. Since 2015, Denmark does not record any contingent liabilities.

²³ A special purpose vehicle related to the National Asset Management Agency (NAMA). Since 2018, Ireland does not record any contingent liabilities.

²⁴ Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria (SAREB).

²⁵ A guarantee on the activities of the Clearingbank (wound up in 2011). Since 2017, Austria does not record any contingent liabilities.

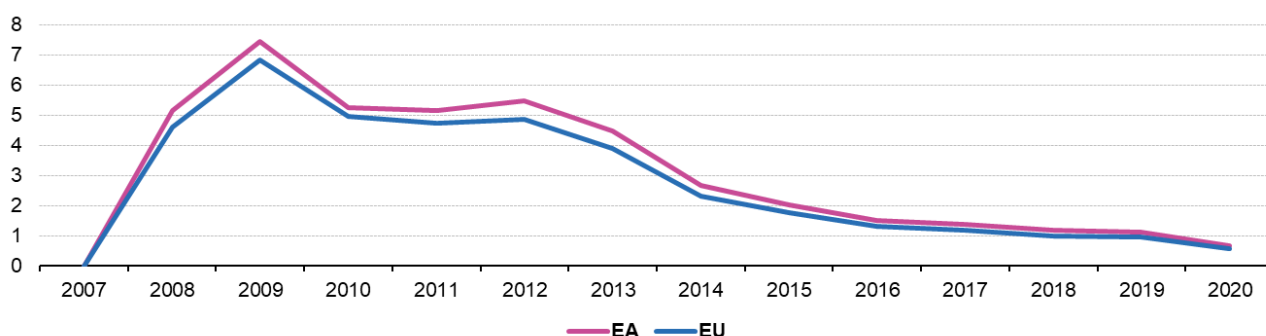
²⁶ Aside from Estonia, Malta, Poland, Romania and Slovakia, for which no interventions by government to support financial institutions are reported for the period 2007-2020, and Finland for which interventions occurred only in 2008, four other Member States (Bulgaria, Croatia, Lithuania and Hungary) also do not report interventions in the form of contingent liabilities, and Latvia reports only for years 2009-2010. Hence, none of these Member States is represented in this graph, which presents data only from 2012 onwards.

²⁷ These include a peak of 188.1% of GDP in year 2008, not observable in this table.

²⁸ Guarantee on Dexia, along with France and Luxembourg.

Greece²⁹, Spain, Cyprus³⁰ and The Netherlands³¹) reported significant levels of contingent liabilities over the same period, ranging from 10% to about 30% of GDP in at least one reported year. End-2020, the highest levels of outstanding contingent liabilities are observed in Cyprus (8.8% of GDP) and Belgium (6.2% of GDP).

Graph 12. Level of contingent liabilities in the euro area (EA) and the EU (% of GDP)



The stocks of contingent liabilities in the euro area and the EU are shown in Graph 12. In both zones, contingent liabilities increased significantly in 2008 and 2009, before decreasing in 2010 and more marginally in 2011. This decrease mainly reflected reduced government exposure to guarantee schemes in Germany, Ireland and the Netherlands. The small increase in the euro area in 2012 was due to new guarantees granted to financial institutions by Belgium, Spain, France and Italy, which offset the decrease in contingent liabilities in several other euro area Member States, mainly Ireland and the Netherlands.

In 2013, besides new guarantees provided by France³², a decrease in the stock of guarantees occurred, notably in Belgium, Ireland, Germany, Spain and the Netherlands. In 2014, another reduction followed in the stock of guarantees in the euro area and the EU, as a result of decreases in Germany, Ireland, Spain, Italy and the Netherlands. Since 2015, the decreasing trend was maintained in both zones, due to reductions in the level of contingent liabilities mainly in Germany, Ireland and France.

In 2020, contingent liabilities in the EU decreased by EUR 56.1 billion, the larger part as an effect of the sector reclassification of SAREB (reporting EUR 35.4 billion, in 2019) in Spain. Large decreases in the levels of contingent liabilities in 2020 occurred also in Italy (EUR -11.0 billion), in Portugal (EUR -3.8 billion), in France (EUR -3.0 billion) and in Belgium (EUR -2.6 billion). In Italy, the large decrease was mainly due to the fact that the bonds guaranteed by government reached their maturity in 2020. In Portugal, the decrease is a result of the reduction of Portfolio State Guarantee granted during the financial turmoil (EUR 2.8 billion) and of the third call on the guarantee on Novo Banco. In France, this is mainly the result of the decrease of the outstanding amount of guarantees granted to Dexia (EUR -2.3bn) and CIF (EUR -0.6bn). In Belgium, the decrease in contingent liabilities (EUR -2.6bn) is also due to the decrease of the outstanding amount of guarantees granted to Dexia.

²⁹ The high level of contingent liabilities observed in Greece in 2010 - 2015 mainly results from guarantees granted on liabilities of financial institutions.

³⁰ The figures reported for Cyprus for 2018 to 2020 correspond to loan portfolios covered by an Asset protection scheme. The estimated cost of these guarantees was recorded at inception with an impact on the deficit (155 million for 2018). Guarantee calls in the future, if any, will have an impact on 'Net revenue/expenditure for general government' only for the amount exceeding this value.

³¹ The highest peak reported for the Netherlands was 12.7% of GDP in year 2009. No contingent liability is reported since 2014.

³² Crédit Immobilier France (CIF)

Looking at the structure of contingent liabilities in 2020, all are attributable to explicit guarantees granted on assets and/or liabilities of financial institutions (97% of the total value) or ‘other contingent liabilities’ (3%). With the sector reclassification of SAREB, there are no more contingent liabilities concerning the implicit or explicit guarantee on the liabilities of special purpose vehicles.

Developments in the structure of contingent liabilities from 2007 to 2020 are summarised in Graph 13.

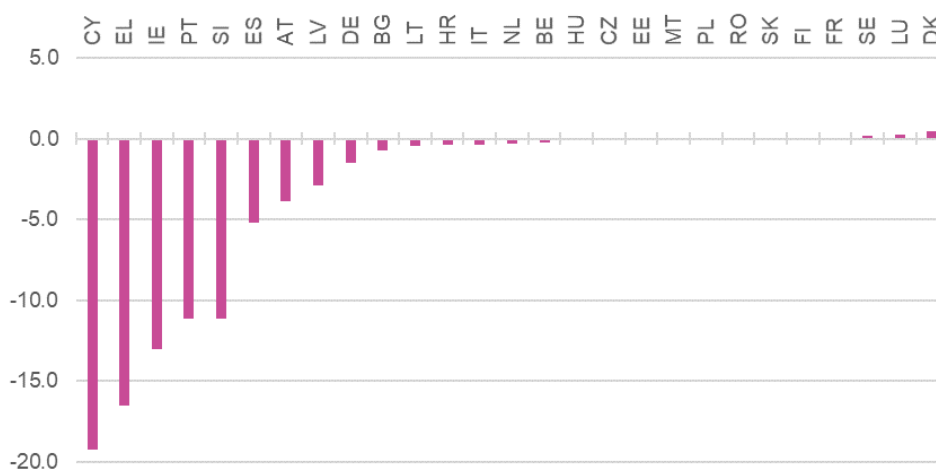
Graph 13. Structure of contingent liabilities, EU (EUR billion)



2.4. Link between net assets and net lending/net borrowing

Graph 14 presents the accumulated deficit/surplus impact of government interventions for all EU Member States, since 2007, expressed as a percentage share of 2020 GDP³³.

Graph 14. Accumulated impact of interventions on government deficit/surplus (% of 2020 GDP)



Overall, during the reference period of 2007-2020, the most significant accumulated deficits due to government interventions in financial institutions as a share in GDP occurred in Cyprus, Greece, Ireland, Portugal and Slovenia, all with accumulated deficits above 10% of 2020 GDP.

For a second tier of countries, the impact of government interventions for the rescue of financial institutions in Spain, Austria, Latvia and Germany can be situated between 5.2 and 1.5% of 2020 GDP.

The impact of financial rescues in Bulgaria, Lithuania, Croatia, Italy, The Netherlands, Belgium, and Hungary was negligible on a net basis (<1.0% of 2020 GDP).

On the other side of the spectrum, some Member States (Denmark, Luxembourg, Sweden and France) reported a positive accumulated impact on government deficit/surplus over the period 2007-2020 due to government interventions in the financial system. This can be explained to a large degree by income from fees on guarantees granted to financial institutions, but also by property income (interest and dividends) earned on financial instruments acquired by these governments, and by other revenue such as specific capital taxes as well as from the resale of non-financial assets above the acquisition price.

In the remaining seven Member States, as noted above, no deficit-impacting interventions were undertaken to support financial institutions in distress.

Table 4 presents a comparison between net assets observed end-2020 (i.e. assets minus debt) and accumulated deficit/surplus over 2007-2020 related to government interventions in the financial system. Graph 15 presents the net assets end-2020 related to government interventions for all EU Member States, since 2007, expressed as a percentage share of 2020 GDP.

³³ The choice for this measure is for consistency purposes with the net assets ratio presented below.

Table 4. Accumulated deficit/surplus and Net Assets from government interventions end-2020 (MEUR and % of GDP)

	Accumulated deficits (-) /surplus (+)		Net Assets		Difference	
	EUR million	% of 2020 GDP	EUR million	% of 2020 GDP	EUR Million	% of 2020 GDP
SI	-5,223	-11.1	-2,755	-5.9	2,468	5.3
AT	-14,554	-3.8	-7,753	-2.0	6,800	1.8
BE	-1,032	-0.2	6,975	1.5	8,007	1.8
BG	-448	-0.7	127	0.2	575	0.9
LT	-226	-0.5	0	0.0	226	0.5
DK	1,514	0.5	2,947	0.9	1,432	0.5
ES	-58,368	-5.2	-54,930	-4.9	3,438	0.3
HR	-191	-0.4	-134	-0.3	57	0.1
IT	-6,224	-0.4	-4,406	-0.3	1,818	0.1
HU	-81	-0.1	0	0.0	81	0.1
CZ	0	0.0	0	0.0	0	0.0
EE	0	0.0	0	0.0	0	0.0
MT	0	0.0	0	0.0	0	0.0
PL	0	0.0	0	0.0	0	0.0
RO	0	0.0	0	0.0	0	0.0
SK	0	0.0	0	0.0	0	0.0
FI	0	0.0	0	0.0	0	0.0
FR	1,932	0.1	935	0.0	-997	0.0
PT	-22,340	-11.2	-22,480	-11.2	-139	-0.1
DE	-49,473	-1.5	-47,737	-1.4	1,735	0.1
SE	869	0.2	0	0.0	-869	-0.2
LV	-843	-2.9	-912	-3.1	-69	-0.2
NL	-2,571	-0.3	-7,223	-0.9	-4,652	-0.6
LU	160	0.2	-329	-0.5	-488	-0.8
IE	-48,505	-13.0	-64,503	-17.3	-15,998	-4.3
CY	-4,150	-19.3	-5,268	-24.4	-1,118	-5.2
EL	-27,297	-16.5	-36,859	-22.3	-9,562	-5.8

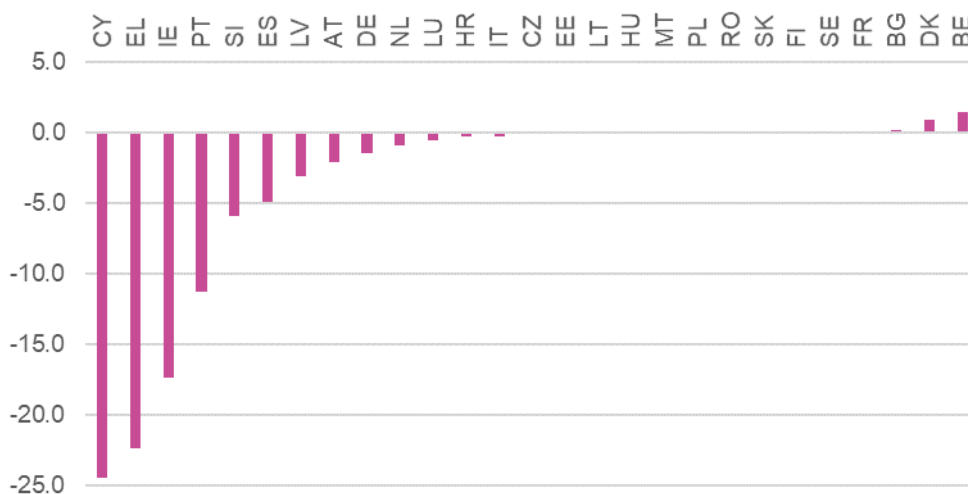
This presentation shows that, for a large majority of countries, the difference between the two indicators – which in principle would represent, aside from transactions in non-financial assets (e.g. conversion of loans to real estate), other economic flows such as price changes (revaluations) and non-deficit impacting write-offs of assets – is smaller than 2% of 2020 GDP.

However, for some Member States this difference is very large. On one side, significant negative differences are observed for Greece (-5.8 p.p.), Cyprus (-5.2 p.p.) and Ireland (-4.3 p.p.), meaning that the financial net worth of these Member States has deteriorated significantly more than the actual impact on their deficit. On the other side, Slovenia (+5.3 p.p.) has reported deficits considerably larger than the impact of government interventions on its financial wealth (and to a lesser extent Austria (+1.8 p.p.) and Belgium (+1.8 p.p.)).

Greece, Cyprus Ireland and Slovenia are the Member States (with the exclusion of Portugal) that report the highest levels of government liabilities incurred in the context of the financial rescues, as a percentage of GDP, and Greece, Slovenia and particularly Cyprus are among the Member States that report the highest levels of assets acquired. Thus, these Member States are mechanically more exposed to market movements. Financial rescues are often carried out in a context of dysfunctional markets, such that the estimate of financial instruments at time of intervention might later on prove to have been either much too high or, on the contrary, over-prudent at inception. In this context, the gap between net assets and accumulated deficits for Slovenia can be explained mostly by holding gains in equity as well as some conversion of loans into real estate. The gap for Greece, Cyprus and Ireland can be explained mostly by holding losses in equity not recorded as deficit-impacting. Finally, some

compilers (notably Austria and Belgium) value the loans in their balance sheet at their contract value (face value and interest accrued) rather than at their acquisition value, thus inflating net assets³⁴.

Graph 15. Net Assets from government interventions end-2020 (% of GDP)



At the same time, other Member States (like Portugal, Spain, Latvia and Germany) with also very active government interventions in support of the financial system, show very consistent figures in this respect.

³⁴ Some Member States value in the government balance sheet the NPLs acquired at their ‘original’ nominal value (face value plus any interest accrued) following ESA paragraph 7.70. Other Member States value NPLs at their ‘reset’ nominal value (transaction value), which reflects more realistically the value that can be expected to be recovered, in order not to grossly distort the government balance sheet, thus assuring economic substance in the presentation of government net financial worth.

Annex. Structure of the supplementary table

The supplementary table presents data on measures and interventions undertaken to directly support financial institutions. Therefore, measures concerning non-financial institutions, financial institutions not in need of rescue or support interventions, or general economic support measures (for example, changes in social benefits or changes in tax rates) are not included in the table.

The supplementary table is divided in two parts:

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)

<i>Millions of national currency</i>	year
A REVENUE (a+b+c+d)	0
a) Guarantee fees receivable	
b) Interest receivable	
c) Dividends receivable	
d) Other	
B EXPENDITURE (e+f+f2+g+h)	0
e) Interest payable	
f) Capital injections recorded as deficit-increasing (capital transfer)	
f2) Other capital transfer (e.g. asset purchase)	
g) Calls on guarantees	
h) Other	
<i>of which net acquisition of NFA</i>	
C Net revenue/cost for general government (A-B)	0

The most relevant elements of revenue and expenditure arising from government interventions 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.³⁵
- 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).
- Other capital transfers impacting deficit, such as for the purchase of assets.

³⁵ 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).

- 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 related financial operations (e.g. defeasance structures) or revenue fees on securities issued under special liquidity schemes. Member States 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).

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

Millions of national currency		year
Closing balance sheet		
D	Assets (D=a+b+c+d)	0
a)	Loans	
b)	Debt securities	
c)	Equity and investment funds shares/ units	
d)	Other assets of general government entities	
E	Liabilities (E=e+f+g)	0
e)	Loans	
f)	Debt securities	
	of which indirect liabilities	
g)	Other liabilities of general government entities	
F	Contingent liabilities (F=h+i+j+k)	0
h)	Liabilities and assets outside general government under guarantee	
i)	Securities issued under liquidity schemes	
j)	Special purpose entities	
k)	Other contingent liabilities	

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 / 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 (called "indirect liabilities") are to be reported under the instrument 'debt securities'. As a voluntary detail Member States may report the amount of indirect liabilities included in the total amount reported in the row 'debt securities'.

The appropriate valuation for all entries in part 2 is nominal value³⁶ except for ordinary quoted shares which should be recorded at market value, for ordinary unquoted shares which should, where possible, be valued in line with ESA 2010 7.73-7.79 and for debt securities held as assets where market value can be used provided an active market exists and the market value can be reliably determined.

The net assets resulting from government interventions is calculated as the difference between total assets (line D) and total liabilities (line E).

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 support of financial institutions 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 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 schemes³⁷, for instance, for repurchase agreements and securities lending.
- Liabilities of special purpose entities³⁸ created during for managing defeasance operations, "bad banks" or similar, including those to which certain impaired assets of financial institutions were transferred.
- Other contingent liabilities include contingent liabilities issued through defeasance structures or by similar entities reclassified into general government.

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.

³⁶ In Council Regulation 479/2009, the nominal value is considered equivalent to the face value. The face valuation of certain instruments, notably deposits and various types of bonds is further specified in chapter VIII.2 of the Manual on Government Deficit and Debt – Implementation of ESA 2010.

³⁷ 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".

³⁸ Where special purpose entities are classified outside the general government sector, their liabilities are not included in the general government debt, but they are included as contingent liabilities of general government.