



Overseas lending, bank exposure to Cyprus around \$100 billion

Overseas lenders, excluding those in Russia, had \$59.2 billion of outstanding loans to Cyprus at the end of September, according to Bank for International Settlements (BIS) data.

BIS statistics, the only ones to chart cross-border lending around the world, do not include loans from Russia. Ratings agency Moody's estimates Russian bank loans to Cyprus-based companies of Russian origin were \$30-40 billion.

The BIS data show lenders from Greece and Germany have the biggest exposures to Cyprus of the reporting

countries.

Cyprus on Monday reached a 10 billion euro (\$13 billion) rescue plan to avoid economic meltdown after more than a week of intense scrutiny on the island's future.

Some banks disclose their loans to Cyprus, but the European Banking Authority has not forced banks to release a breakdown since a 2011 stress-test.

That showed Greece's Alpha Bank had a 4.8 billion euro exposure at the end of 2010, which it said stood at 4.6 billion at the end of September.

Germany's HSH Nordbank had about

1.6 billion euros in corporate loans to Cyprus at the end of September, mainly to ships belonging to German and international firms that are registered in Cyprus.

Dutch group ING had about 900 million euros exposure at the end of last year to companies registered in Cyprus. Italy's Intesa Sanpaolo said its loan exposure was 138 million euros.

Britain's HSBC had a net exposure of about \$400 million to Cyprus at the end of 2012, Barclays said its net exposure was 323 million pounds and RBS had loans of 377 million pounds, mostly in corporate loans.

Schaeuble says criticism in wake of Cyprus deal is like jealousy in classroom



German Finance Minister Wolfgang Schaeuble has defended his country's tough stance in the negotiations over the Cypriot bailout by accusing critics of being jealous of Germany's success.

«It always works out like that," he told ZDF television. "This also happens in classrooms. Sometimes when you have better results, others have difficulties with this, sometimes they are even a little jealous.»

Schaeuble also said that Cyprus is paying the price for having a large banking sector. «Everyone has to put his household in order," said the German finance minister. "He who carries great risks also bears the losses in the end.»

The Wall Street Journal revealed on Tuesday that International Monetary Fund managing director Christine Lagarde attempted to calm Schaeuble down during tense negotiations in Brussels on Sunday night as the troika and Cypriot officials attempted to reach an agreement.

Gov't mulls impact of Cyprus crisis

Government officials on Tuesday discussed the possible implications of developments in Cyprus for the Greek economy ahead of the anticipated return to Athens next week of troika envoys.

Finance Minister Yannis Stournaras briefed Prime Minister Antonis Samaras and the latter's coalition partners on the outlook and met the leaders of the main opposition parties. According to sources, Stournaras set out three chief risks that Greece must avoid. The largest risk is of a bank run not only on the Greek branches of Cypriot banks – which were on Tuesday acquired by Piraeus Bank – but on all Greek lenders. Averting such a crisis is crucial to safeguard the recapitalization of Greek banks.

The second risky scenario involves the likely blow to the Greek private sector by the haircut on the capital of Greek businesses operating in Cyprus. The third risk – that of a worsening climate in the eurozone – is beyond Greece's control but would have a negative impact on plans to privatize state assets and draw foreign investment and also on the geopolitical level if Turkey decides to exploit the temporary weakness of Greece and Cyprus.

Although the reverberations of the Cyprus crisis are of great concern in Athens, Greek officials must soon turn their attention to more concrete worries as troika envoys are due in Athens next week. Talks are set to focus on plans for streamlining the civil service and a new unified property tax. Greece must satisfy the creditors' demands to secure the release of a 2.8-billion-euro loan tranche for March and a successive aid installment worth 6 billion euros.

There was continued upheaval in Cyprus on Tuesday, despite a foreign bailout agreed on Monday, as authorities struggled to prop up the troubled Bank of Cyprus and thousands of Cypriots protested in Nicosia against the conditions of the rescue deal. The country's central bank governor, Panicos Demetriades, said "a superhuman effort" was being made to ensure banks in Cyprus open on Thursday as planned, noting that capital controls must be in place to prevent savers from emptying their accounts.

Reactions on the European level were mixed, with German Chancellor Wolfgang Schaeuble saying it was inevitable that Cypriots would face a difficult time but that their banks were "insolvent" and a restructuring was unavoidable. Luxembourg Prime Minister and former Eurogroup Chairman Jean-Claude Juncker struck a very different tone, saying, "We treated all Cypriots like bandits and gangsters."

