

Release of the €1.1bn for debt servicing needs under the second tranche of the Financial Assistance Facility Agreement (FFA) for Greece

1. Background

On 19 August 2015, the ESM entered into a Financial Assistance Facility Agreement ('FFA') with the Hellenic Republic ('Greece'), the Bank of Greece and the Hellenic Financial Stability Fund ('HFSF') for an amount of up to €86 billion. The funds under the FFA are available, until 20 August 2018, to cover general financing needs of the public sector as well as bank recapitalisation and/or resolution costs.

Since the beginning of the programme, a total of €28.9 billion has been provided to Greece under the first tranche and the first disbursement under the second tranche, upon compliance with conditionality and prior actions defined in the Memorandum of Understanding ('MoU'). The first tranche comprised two sub-tranches – sub-tranche A, provided in cash, for budget financing and debt servicing needs, in an amount of up to €16 billion, and sub-tranche B, to cover bank recapitalisation and/or resolution costs of up to €10 billion, which were made available in a segregated account in the form of ESM Notes. The first cash disbursement of €13 billion were transferred on 20 August 2015, while the second and third cash disbursements of €2 billion and €1 billion were transferred on 24 November and 23 December 2015 respectively. The first and second disbursements made using ESM Notes, each in an amount of €2.7 billion, were released to the HFSF on 1 and 8 December 2015, in order to cover recapitalisation costs of Piraeus Bank and National Bank of Greece respectively. The remaining unutilised ESM notes (€4.6 billion) were cancelled after the expiration of the availability period at the end of January 2016.

On 17 June 2016, the ESM Board of Directors (BoD) approved the second tranche under the FFA for Greece for an amount of €10.3 billion. On 21 June 2016, the ESM released the first disbursement under this second tranche, in the amount of €7.5 billion, out of which €5.7 billion were disbursed for debt servicing needs and €1.8 billion were disbursed for arrears clearance. According to the ESM BoD decision of June 2016, the disbursement of the €1.1 billion allocated to debt servicing needs, from the remaining €2.8 billion envelope under the second tranche, is subject to further satisfactory completion of prior actions (milestones).

The availability period for the second tranche expires on 31 October 2016.

2. Release of €1.1 billion for debt servicing under the second tranche

On 8 October 2016 the European Commission, in liaison with the European Central Bank, provided a note on Greece's compliance with the mid-September prior actions (milestones). On this basis, the ESM proposes the disbursement of €1.1 billion to the segregated account on the terms approved by the ESM BoD on 17 June 2016 (repeated for reference in the annex).

Annex - Main characteristics of the disbursement

According to the ESM BoD decision of 17 June 2016, the ESM will disburse the amount requested under the second tranche in cash. The main characteristics of the disbursement will be in line with those set out in the June approval, which are as follows:

- An up-front Service Fee of 50 bps will be deducted directly from the disbursement under the second tranche.
- An Annual Service Fee of 0.5 bps will accrue day to day, to be paid in arrears with effect from the first interest payment date of the disbursement, as part of the ESM Cost of Funding. It will follow the interest payment schedule.
- A Margin of 10 bps will accrue day to day, to be paid in arrears with effect from the date of the disbursement. It will follow the interest payment schedule.
- The Commitment Fee allocated to Greece, in accordance with the Diversified Funding Strategy and applied in line with the applicable guidelines, will be payable each year following the receipt of an invoice at the beginning of the following calendar year, as part of the ESM Cost of Funding.
- The term/Maturity will be determined at the time of issuance of the Confirmation Notice, taking into account the overall maximum average maturity of 32.5 years.
- The repayment profile for the disbursement will be bullet or amortising, as may be defined in the relevant Confirmation Notice.

For the avoidance of doubt, all elements affecting the pricing may be adjusted throughout the life of the loan in line with the FFA.