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German financial institutions are withdrawing from Greek bonds

On 8 June the Bundesbank published data for the first quarter of 2011 regarding the involvement of German banks in Greek public sector bonds. The data reveals that at the beginning of 2011 German banks started selling off Greek bonds and within a year reduced their shares from EUR 16.6 billion to approximately EUR 10 billion. Thus the banks broke the promise they had made to the German finance minister Wolfgang Schäuble in May 2010 that they would not withdraw from Greek bonds so as to support the process of stabilising the euro zone.

In May 2010 during talks with Schäuble, bank representatives agreed to maintain Greek bonds in their portfolios and to voluntarily grant EUR 8 billion to help Greece, of which only EUR 6 billion was collected. German banks started backing out of Greek bonds at the beginning of 2011 and also insurance companies from Germany reduced their share from EUR 5.8 billion to EUR 2.8 billion within a year. Until the end of 2010 German banks maintained the portfolio of bonds at a stable level – as opposed to French banks which reduced the portfolio of Portuguese, Greek, Irish and Spanish bonds by as much as around 60 per cent towards the end of 2010. German banks probably fear the consequences of being charged with costs of restructuring Greece's debt, which is required by the federal government. As a result, the higher costs of the restructuring of Greece's debt will be incurred by the euro zone member countries. <pop>