ctuallyJune 24, 2011

Fédération Bancaire Française

To: Ministère de l'Economie, des Finances et de l'Industrie

Subject: Long-term investor initiative for Greece

1) Context

French regulated investors have committed since April 2010 to maintain their holdings in existing Greek government bonds (the "Existing GGBs")[1]. This constant support has prevented a possible systemic shock on the Greek debt market and by extension of the European government bond market.

Further to our earlier discussions, we understand that it is now critical (i) to structure a voluntary mechanism allowing Greece to reach €30bn of government financing from private investors by July 1, 2014, and (ii) to prevent credit event on Greece CDS.

2) Proposal

During the review of holders of Existing GGBs, it has become apparent that a large portion of holders are regulated investors. These investors often have different needs based on accounting, regulatory, tax and investment considerations. Flexibility in any proposed initiative is essential to maximize investor participation. For this reason, it is preferable to offer multiple options to bondholders who have varying needs and constraints.

Assumptions:

Having no specific information on the holders of the Existing GGBs (private vs. public, institutional vs. retail, amounts per individual bond per holder, etc.), we have assumed the following:

- The total Existing GGBs maturing by mid 2014 amounts to €85.5bn;
- The European Central Bank and Euro Area Central Banks hold €25bn out of the €85.5bn;
- A significant percentage – up to 80% – of the holders (the "Participants") of the remaining €60.5bn would be willing to contribute to the proposed mechanism (i.e. up to €50bn); and
- From July 2011 to July 2014, an estimated €30bn of net financing would be provided to Greece by the Participants.

Objectives:

One of the primary success factors underpinning the European Union and the International Monetary Fund program (the "Program") revolves around the ability of Greece to access international capital markets for debt financing. The medium-term sustainability of the Greek government debt profile and risk of future debt restructuring is of paramount concern for many investors. Further clarity, additional transparency and sharing of information between the European Union, the International Monetary Fund and investors is essential to restoring investor confidence in Greece.

The long-term investor initiative for Greece (the "Proposal") aspires, through the provision of long-term financing, to reduce short-term stresses on the Greek debt profile and to allow Greece to focus on longer-term investments needed to generate economic growth and foster a durable recovery. The performance-based remuneration linked to Greek GDP growth further supports the spirit of cooperation between private sector investors and Greece to make economic recovery objectives a reality as soon as possible.

[1] This amount and the proposed mechanism exclude any Greek sovereign bonds held on trading books

Description of the Proposal

The European Union and the International Monetary Fund would continue to provide new debt financing to Greece, in coordination with the commitment provided by the Participants, to support the medium-term sustainability of the Greek fiscal situation.

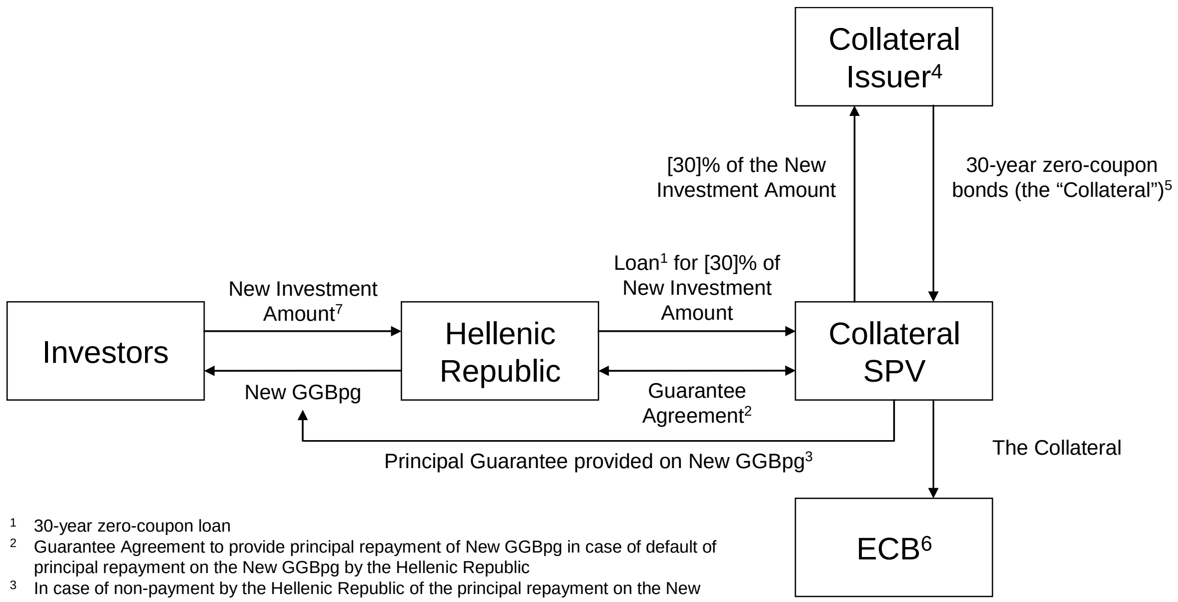
During the period from July 2011 until June 2014 (the "Period"), following each redemption of Existing GGBs, each Participant undertakes to participate in one of the following options.

Option 1: 30-year financing to Greece principal-guaranteed by SPV

Participants will invest a minimum of 70% of the principal amount of proceeds received (the "Received Amounts") in new Greek government bonds, resulting in a net debt financing of at least 50% of the Received Amounts for Greece, as described below (the "New GGBpg"):

- Government bonds issued by the Hellenic Republic with a maturity at issue of 30 years;
- With a full principal guarantee by an SPV collateralised by zero-coupon bonds purchased from one or more AAA-rated sovereigns, supranational institutions or European agencies (the "Collateral");
- Bearing interest at a rate of 5.5%[2] plus the yearly Greek GDP growth capped at 2.5% and floored at 0% per annum[3]; and
- Listed on an EU regulated market, but with restricted trading in the New GGBpg until 1st January 2022[4].

Description of the Collateral SPV Structure



1 30-year zero-coupon loan
2 Guarantee Agreement to provide principal repayment of New GGBpg in case of default of principal repayment on the New GGBpg by the Hellenic Republic
3 In case of non-payment by the Hellenic Republic of the principal repayment on the New GGBpg, Collateral SPV will make immediate payment to the paying agent of cash funds received from the principal redemption of the Collateral
4 AAA rated supranational institution and/or European agency
5 The cash price of the 30-year zero-coupon bonds is expected to be around 30% of par
6 The Collateral is placed with the ECB as trustee for safe-keeping
7 The New Investment Amount is equal to a minimum of 70% of the Received Amount

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2 Similar to the current interest rate paid by Greece for its borrowings under the European Union financing package
3 To compensate for the significantly longer maturity lending compared to the 7.5-year financing provided by the European Union financing package
4 Trading and transferability restrictions do not apply to ECB financing transactions

The above structure is the favored option by investors due to accounting, regulatory and investment-eligibility constraints. Additional structures are being studied, such as structured credit options[5], but raise specific issues for the majority of regulated investors.

Option 2: 5-year Greek government bonds

Participants will invest a minimum of 90% (and preferably 100%) of the Received Amounts in new GGBs as described below (the "New GGB"):

- Government bonds issued by the Hellenic Republic with a maturity at issue of 5 years;
- Bearing interest at a rate of 5.5%[6]; and
- Listed on an EU-regulated market, but with restricted trading[7].

Benefits of the Proposal

- Collective and voluntary effort from bondholders to provide 30-year credit enhanced financing or 5-year vanilla financing for Greece at fair conditions, to complement existing support from the European Union and the International Monetary Fund, without support from European taxpayers; and
- The private-sector commitment should provide Greece with the necessary financial support to focus on the objectives provided for under the Program.

Conditions precedent and ongoing conditionality

- Informal clearance from rating agencies that the Proposal will not trigger a downgrade to default or similar status on the Hellenic Republic, Existing GGB, New GGB or New GGBpg;
- ECB's willingness not to sell its Existing GGBs during the Period;
- A significant majority of bondholders participate as Participants;
- Greece respects its commitments under the Program; and
- The European Union and the International Monetary Fund respect their current commitments, disburse funding as provided under the Program and continue to provide assistance to promote the medium-term sustainability of the Greek fiscal situation.

5 In the event of an eventual structured credit option, prior confirmation that i) securities issued will be eligible for Eurosystem refinancing purposes and ii) will qualify as "HQLA" will be needed by regulated investors

6 Similar to current interest rate paid by Greece for its borrowings under the European Union financing package

7 Trading and transferability restrictions do not apply to ECB financing transactions