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PRESS RELEASE

Steering Committee of the Private Creditor-Investor Committee for Greece (PCIC)[i]

Common Understanding Reached on Key Terms of a Voluntary Exchange of Privately Held Greek Government Bonds (GGB's)

Statement by the Steering Committee of the Private Creditor-Investor Committee for Greece (PCIC)

Brussels, February 21, 2012: A common understanding on the terms and conditions of new Greek government bonds and GDP-linked securities to be issued in exchange for privately held Greek government bonds has been reached between the Government of Greece, endorsed by the Eurogroup and the Troika, and the Steering Committee of the Private Creditor-Investor Committee for Greece.

The Steering Committee's Co-Chairmen, Mr. Charles Dallara, Managing Director of the Institute of International Finance (IIF) and Mr. Jean Lemierre, Senior Advisor to the Chairman, BNP Paribas, stated that today's announcement is a major step towards implementing the debt exchange. They said the details of the proposal are being submitted to the full Committee for its consideration. Committee members will review these details and the full documentation that will be provided by the Government of Greece in accordance with their own individual processes.

The Steering Committee recommends that all investors carefully consider the proposed offer and views the offer, including the terms of the new Greek government bonds and GDP-linked securities, as building upon, and being broadly consistent with, the voluntary agreement reached with Euro Area authorities and the IMF in Brussels on October 27, 2011. The offer involves a 53.5% reduction in the nominal face value of Greek debt held by private investors and involves official sector support of €30 billion.

Greece has entered into a broad package of understandings with its official and private sector creditors of which the debt exchange is an integral part. If successfully concluded, the debt exchange will be the largest ever sovereign debt restructuring and could lead to a reduction in the debt stock of approximately €107 billion for Greece, equal to about 50% of Greece's estimated 2011 GDP, and a reduction of the amount of maturing debt to be refinanced between 2012 and 2020 of about €150 billion. The proposed offer by Greece is also expected to include coupons well below market rates, thus further enhancing Greece's debt sustainability.

The Co-Chairmen said that the agreement would contribute to the broader efforts of the Euro Area to resolve sovereign debt problems while supporting global growth and financial stability. They emphasized that the unprecedented nature of the package underpinning the consensual resolution of debt restructuring discussions with Greece reflects the exceptional and unique circumstances of Greece and the broader context of European government bond markets. Moreover, during the discussions, the Co-Chairmen underscored the value of the Group of 20-endorsed *Principles for Stable Capital Flows and Fair Debt Restructuring*, which emphasize the importance of voluntary, transparent, good faith negotiations in the context of crisis prevention and resolution.

The main features of the offer to be presented by Greece including the key terms of the new Greek government bonds and GDP-linked securities are:

- For each eligible privately held Greek government bond 53.5%, of the principal amount will be forgiven, 31.5% of the principal amount will be exchanged into 20 new Greek government bonds with maturities of 11 to 30 years replicating an amortisation of 5% per annum commencing in 2023, and the remaining 15% will be in short-dated securities issued by the European Financial Stability Facility (EFSF).

- The new Greek government bonds will be part of a co-financing arrangement with the EFSF €30 billion loan to Greece in order to align the timing of interest and principal payments and provide for pro rata sharing and *pari passu* treatment of these new Greek government bonds with this EFSF loan.

- The coupon on the new Greek government bonds will be structured so that it will be 2% for the three year period from February 2012 to February 2015; then 3% for the following five years 2015 to February 2020; and 4.3% for the period from February 2020 to February 2042. The weighted average coupon based on the weighted average interest payments on the outstanding new Greek government bonds for the first eight years is 2.63%; and it is 3.65 % over the full 30-year period.

- Accrued interest on the existing eligible Greek government bonds will be provided in short-dated EFSF notes.

- Separate securities related to future GDP growth of the Greek economy will be offered to investors that could provide them with a modest increase in yield in the event that growth exceeds currently anticipated levels. There will be an annual cap on the amount payable on these securities to avoid an undue burden on Greece in the future.

- The new Greek government bonds, the GDP-linked securities, and the co-financing arrangement will be governed by English law. The new Greek government bonds and GDP-linked securities will rank *pari passu* with all borrowed monies of the Hellenic Republic.

- The new Greek government bonds will include other terms and conditions broadly consistent with other European government securities.

In submitting the proposal to the full Committee for its consideration, the Co-Chairmen noted that the common understanding is conditional upon the exchange offer incorporating, and being consistent with, the above terms and the principle of equal treatment of private creditors.

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[i] **Steering Committee of the Private Creditor-Investor Committee**
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