MEMORANDUM OF UNDERSTANDING

BETWEEN

THE EUROPEAN COMMISSION
ACTING ON BEHALF
OF THE EURO AREA MEMBER STATES,

AND

THE HELLENIC REPUBLIC

Whereas:

Council Decision 2011/734/EU of 12 July (which recast Council Decision 2010/320/EC of 10 May 2010) was adopted on the basis of Articles 126(9) and 136 of the TFEU with a view to reinforcing and deepening fiscal surveillance and giving notice to Greece to take measures for the deficit reduction judged necessary to remedy the situation of excessive deficit;

The European Financial Stability Facility (EFSF) has been incorporated on 7 June 2010 for the purpose of making stability support to euro-area Member States. The euro-area Member States and EFSF have entered into a Framework Agreement to set out the terms and conditions upon which EFSF may make such stability support;

The Heads of State or Government of the euro area and EU institutions of 21 July and 26/27 October 2011, decided to use the European Financial Stability Facility (EFSF) as the financing vehicle for the future disbursements to the Hellenic Republic under the financial assistance of the euro area Member States;

The parties hereto have agreed as follows:

1. Loans from the EFSF shall be subject to compliance with the conditions of the Memorandum of Understanding (MoU), originally signed on 3 May 2010 as last amended by the Supplemental Memorandum of Understanding (Fifth Addendum) of 6 December 2011, as may be amended or supplemented from time to time, and the proceeds shall be used in line with this MoU, as may be amended or supplemented from time to time, and a Financial Assistance Facility Agreement or Agreements (FAFA) to be signed between the EFSF and the Hellenic Republic, including in the context of the debt exchange for the purposes of i) payment to bond holders participating in the debt exchange, ii) paying accrued interest to bondholders participating in the debt exchange, iii) a buy-back scheme to ensure eligibility for Eurosystem refinancing operations of Greek government securities, and iv) preserving financial stability of the Greek banking system in the context of the debt exchange.

2. The parties have agreed to attach to this MoU the letters of the leaders of the political parties forming the government of the Hellenic Republic to Mr. Juncker committing themselves to policies in line with the staff level agreement on the second adjustment programme for Greece.

3. This MoU may be amended upon mutual agreement of the parties in the form of an addendum. The addendum will be an integral part of the memorandum and will become effective upon signature.

Done in Brussels on ../../2012 and in Athens on ../../2012 in three originals, in the English language.

For the Hellenic Republic,

Evangelos Venizelos
Deputy Prime Minister
Minister of Finance

George Provopoulos
Governor of the Bank of Greece

For the European Commission, acting on behalf of the euro area Member States,

Olli Rehn
Vice President of the European Commission

MEMORANDUM OF UNDERSTANDING

On 21 July 2011 and reiterated on 26/27 October 2011, Heads of States and Governments of the euro area (HoSG EA) called for a voluntary participation of private sector creditors of the Hellenic Republic in financing a second structural adjustment and financial assistance programme for the Hellenic Republic.

The overarching objective of this voluntary participation of private sector creditors is to ensure that a government debt level of around 120% of GDP will be reached by 2020. To facilitate this, the Hellenic Republic will launch a debt exchange.

A. The debt exchange

The Hellenic Republic will launch an exchange offer for outstanding eligible bonds with a view to reduce the nominal value by 53.5%. Bondholders will be offered to exchange existing bonds into new bonds of the Hellenic Republic with a new nominal value of 31.5% of the original nominal value. In addition, 15% of the original nominal value will be provided to bondholders in the form of notes. Accrued interest on bonds taking part in the debt exchange will be calculated as of the settlement date of the debt exchange. The Eurogroup Working Group (EWG) will be informed of the details of the exchange offer. It is foreseen to announce the results on the exchange offer on 9 March 2012.

The new bonds will bear a coupon of 2.0% per annum to payment date in 2015, 3.0% per annum to payment date in 2020, 4.3% per annum thereafter.

The new bonds will have a maturity of up to 30 years and an amortization period commencing on the 11th anniversary of the issue date. The new bonds will be governed by English law and will contain standard market clauses such as pari passu, negative pledge, events of default, collective action clauses and a waiver of immunity. The EWG will be informed of the terms and conditions of the new bonds.

Holders of the new bonds will be entitled to the benefit of a co-financing agreement among the Hellenic Republic, the new bond trustee and the EFSF linking the servicing of the new bonds to the servicing of the loan from the EFSF of up to EUR30 billion (as set out under point B.1) by the appointment of a common paying agent, the inclusion of a turnover covenant and the payment of principal and interest on the new bonds and the EFSF loan on the same dates and on a pro rata basis.

Each participating bondholder will also receive detachable GDP-linked securities which will allow bondholders to benefit from an economic performance of the Greek economy above programme projections, by payment of an additional coupon. In calculating the additional coupon, a multiplier of 1.5 will be applied to the excess of real GDP growth over program projections. The size of the additional coupon will be capped at 1%. The EWG will be informed of the terms and conditions of the GDP-linked security.

B. EFSF loans to the Hellenic Republic

To facilitate the envisaged debt exchange with a view to ensure voluntary participation of bondholders in financing the second structural adjustment and financial assistance programme for the Hellenic Republic, loans to be provided by the EFSF to the Hellenic Republic will amount to up to a total of EUR 93.5 bln. The proceeds of these loans will be applied as follows:

1. An amount up to EUR 30 bln will be used by Greece for the sole purpose of paying to bondholders 15% of the nominal value of eligible bonds taking part in the debt exchange. These funds may be provided in the form of notes with a maturity of up to 24 months. The maturity structure of the loan will match the maturity structure of new bonds to be issued within the framework of the debt exchange and will have a maturity of 30 years, a grace period of 10 years and an amortization period of 20 years;

2. An amount up to EUR 5.5 bln will be used for the sole purpose of paying accrued interest on eligible bonds taking part in the debt exchange calculated as of the settlement date of the debt exchange. These funds may be provided in the form of bills with a maturity of 6 months. The maturity of the related EFSF loan will be 25 years, with a grace period of 10 years and an amortization period of 15 years;

3. An amount up to EUR 35 bln will be used to facilitate the maintenance of eligibility, as collateral for Eurosystem monetary policy operations, of marketable debt instruments issued or guaranteed by the Greek government. This will be achieved by putting in place a buy-back scheme for as long as a default or selective default rating is assigned to the Hellenic Republic or her bonds as a result of the debt exchange offer. The funds for the purpose of buy-back scheme may be provided in the form of notes with a maturity of 12 months. The maturity of the related EFSF loan will be 25 years, with a grace period of 10 years and an amortization period of 15 years. When the buy-back scheme is no longer required, the EFSF commitment to disburse will be canceled;

4. The EFSF will sign a Financial Assistance Facility Agreement (FAFA) through which it will commit to disburse, if required, up to EUR 23 bln for the sole purpose of preserving the stability of the Greek banking system before the second adjustment programme is established. The commitment will only be called if the funds available to the Hellenic Financial Stability Fund (HFSF) were not sufficient to preserve financial stability. The disbursement of funds will be made upon the request of the Bank of Greece and with the approval of the EWG based on a report by the European Commission together with the ECB and the IMF confirming the need of such disbursements and the amounts required. The funds will be disbursed via the Greek state to the HFSF. The HFSF will only be able to use the funds to finance bank recapitalizations or resolutions either directly through equity injections or by financing the Resolution Part of the Hellenic Deposit and Investment Guarantee Fund (TEKE), as needed. The procedures and the conditions for the capital injections will be governed by the HFSF and Banking Law. The related EFSF loan will have a maturity of 25 years, a grace period of 10 years and an amortization period of 15 years. No disbursement under the FAFA for bank recapitalisation facility will be made and the commitment to disburse will terminate once the second adjustment programme for Greece, defining the modalities of the restructuring of the Greek banking sector, is in place. Any disbursement already made will be netted out with funds foreseen for the financial sector under the second programme, if any.

C. Conditionality

The draw down of any funds foreseen by this MoU under the facilities mentioned in section B. is subject to:

1. An implementation of the debt exchange which reduces public debt of the Hellenic Republic to a sustainable level as defined by the EWG.

2. An agreement by the Hellenic Republic with the European Commission, ECB and IMF, at staff level, on the terms and conditions of the second adjustment programme.

3. The prior actions, which are included in the Memorandum of Understanding concerning the second programme, to be implemented by end of February. This condition does not apply to the draw down of funds under the facility mentioned in section B.3 above.

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ANNEX: LETTERS TO MR. JUNCKER

Panhellenic Socialist Movement
The President

Athens, 15 February 2012
R. N.: 176

Ms. Christine Lagarde, Managing Director, IMF

Mr. Jean-Claude Juncker, President, Eurogroup

Mr. Olli Rehn, Commissioner for Economic and Monetary Affairs, EC

Mr. Mario Draghi, President, ECB

Dear Ms. Lagarde, dear Messrs Juncker, Rehn and Draghi,

This letter is to confirm the commitment of my party, The Panhellenic Socialist Movement, PASOK, to the Program's objectives and key policies, as set out in the MoU/MEFP as agreed at staff level between the Government of Prime Minister Papademos and the IMF, the European Commission and the ECB, and to their successful implementation.

To this end, any future adjustment to the policy mix envisaged under the program and any new measures would be designed to be fully consistent with the program and in no way would put at risk the achievement of its objectives.

In particular,

1) We fully agree that competitiveness and growth are paramount if we are to create a viable economy and debt reduction to sustainable levels.
We support the ambitious privatization and public asset development plan under the program.
Despite the fact that we support Collective Bargaining and Agreements between social partners on principle (a longstanding European value and position recently included in the proposed new Treaty changes), our Party

has decided and supports the deep structural reforms in the labor, product, and service markets.

The agreed adjustment of labor market parameters have been taken in order to give a strong upfront impetus to unit labor cost reductions, and promote employment and economic activity.

At the same time my Party believes that these measures must be enhanced with policies that will contribute to longstanding competiveness such

(a) reorganizing the business and working environment, increase transparency, enhancing ease of doing business, cutting down bureaucratic procedures of the public authorities that often lead to graft, and facilitating swifter oversight and transparency. This will further help attract local and foreign investment and increase the competitiveness of businesses situated in Greece.

(b) restructuring our system of training, lifelong learning and apprenticeship programs for labour. This is of utmost importance for the unemployed with particular emphasis on youth and women. These programs need to become more transparent, simplified for greater accessibility and choice by those interested, and linked to the emerging needs of a viable Greek economy. In particular these programs need to help our entrepreneurs develop Greece's comparative advantages, innovation and the quality of our services and products.

(c) These supportive measures in training and education should be combined or complemented by measures that create a strong social protection net. PASOK will be making such proposals. Many younger citizens, new entries into the labour market, others that will be receiving the new minimum wage and of course many that are unemployed will need support in order to avoid extreme marginalization. Social cohesion and humane living conditions must be guaranteed in this difficult transition period our country is going through. These measures must of course be funded, whether through community or national resources, in a way that is consistent with the objectives of the Program.

- 2) We support upfront implementation of structural spending measures and continued efforts to control spending and prevent arrears, while bold revenue reforms deliver a fairer, transparent and effective distribution of the tax burden which also will stem tax evasion.
  This we believe will contribute to restoring market confidence and fiscal sustainability, while protecting the vulnerable members of the population.
- We support the implementation of the program's comprehensive banking sector strategy, through stronger resolution and financial oversight framework and banks' recapitalization plans aimed at ensuring the promotion of public interest while ensuring banks' business autonomy in order to help secure financial stability.

We are committed to a rapid and smooth implementation of the official sector and PSI financing strategy agreed with our European partners. This will help Greece achieve its targeted fiscal sustainability objectives and provide the necessary financing to support our country's adjustment and reform efforts.

We recognize that achieving the aforementioned objectives and key policies will take political resolve and determined policy implementation over many years. In the event of being elected Greece's next government, we will remain fully committed to the effective implementation of the Program's objectives and targets as described above and as set out in detail in the MoU/MEFP.

From our side we will fulfill our commitments as agreed upon.
I do however want to point out from experience that in the midst of otherwise necessary cuts, Greece in particular and Europe as a
whole need new sources of growth funding.

European decisions that will continue to enhance the effectiveness of the wider firewall, calm the international bond markets, and oversee the European and global financial system in areas such as rating agencies, will be crucial for the effectiveness of all countries in similar programs.
We strongly support, to that effect, FTT and stability and project Eurobonds, with infrastructure projects (such as in green energy grids, broadband, transportation, education and innovation) that will enhance the Single Market and would have a major impact on the countries under loan programs.

I also believe that fighting tax evasion requires Europe to re-focus its attention on regulating tax heavens and imposing transparency. Fighting tax evasion in one country is further undermined when there are very different tax regimes in our Common Market. Financial market reform and supervision are urgently needed.

We pledge to contribute constructively to these ends within the European structures.

Very truly yours,

George A. Papand

George A. Papandreou

President of PASOK

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NEADEMOKRATIA_

The President

Mr. Jean-Claude Juncker,
President, Eurogroup

Athens, February 15, 2012

Dear President,

As I have already stated in my letter to you of November 23, 2011, my Party, Nea Demokratia, is committed to the Stabilization Program's objectives and key policies and to their successful implementation. The same holds, of course, for the MoU/MEFP, which was voted last Sunday by the Greek Parliament via a large majority of MP's. In particular my Party is committed:

- To promote competitiveness and growth, support the deep structural reforms in the labor, product and service markets and the ambitious privatization plan under the program. The agreed adjustment of labor market parameters, will hopefully give a strong upfront impetus to promote employment and economic activity. This is especially true for an economy already in deep recession for many years and whose unemployment level is well over 20%.
- To restore market confidence and fiscal sustainability, while protecting the vulnerable members of the population. We support upfront implementation of structural spending measures and continued efforts to control spending and prevent arrears, already reaching 3% of GDP. Indeed, bold revenue reforms should deliver a fairer distribution of the tax burden and should stem tax evasion.
- To help secure financial stability. We support the implementation of the program's comprehensive banking sector strategy, through stronger resolution and financial oversight framework and banks' recapitalization plans, which are aimed both at ensuring the promotion of public interest and at respecting banks' business autonomy.

We are obviously committed to a rapid implementation of the official sector and PSI financial strategy with our European partners. This will help Greece achieve its targeted fiscal sustainability objectives and provide the necessary financing to support our country's adjustment and reform efforts.

If Nea Demokratia wins the next election in Greece, we will remain committed to the Program's objectives, targets and key policies as described in the MoU/MEFP.

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As I have already stated in my previous letter (of November 23, 2011), we continue to give "great emphasis to allowing for prompt recovery, so that public revenues generated will help us achieve the targets set".

Indeed, prioritizing recovery along with the other objectives, will only make the Program more effective and the adjustment effort more successful.

Therefore, as my previous letter underlines, policy modifications might be required to guarantee the full Program's implementation. And, once again, we intend to bring these issues to discussion along with viable policy alternatives, strictly within the framework outlined by the Program, so that the achievement of its objectives will not be put at risk.

Sincerely,

A. C. Samaras

Antonis C. Samaras
President of Nea Demokratia

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