

Ministry of Finance Announcement
Agreement for a Financial Assistance to the Republic of Cyprus

On the 16th of March 2013, an agreement has been reached by the Member States of the Eurozone, for granting financial assistance to the Republic of Cyprus. Financial assistance up to an amount of €10 billion is to be granted to cover fiscal needs, the restructuring of the banking system and for the support of the economy in general.

With this financial assistance, the Government will proceed with structural changes in the public finances, in the banking sector and in the economy in general. More specifically, the urgent needs of the public sector will be financed, as well as the huge needs for the recapitalization and for the restructuring of the banking sector for the period 2012-2015.

Due to the large banking recapitalization needs, as well as the urgent public finances needs, the Eurogroup agreed with the Cypriot authorities on the need to impose a one-off levy on the deposits. The levy, as agreed at the Eurogroup level, is 6.75% on deposits up to €100,000 per account, and 9.9% on deposits over €100,000.

Shares of banking institutions that will be recapitalized will be offered to depositors. Provided that the deposits are kept in the banking institutions for a period of at least two years, the shares can be convertible into bonds, the yield of which is to be backed by the expected natural gas revenues, in accordance with a scheme to be determined and issued by the Minister.

Eurogroup's decision supported by European Central Bank, European Commission and the International Monetary Fund, is, without any doubt, a one-off, extraordinary measure that will not be repeated under any circumstances. The levy will be imposed on the credit balance of deposits accounts as of Friday, 15th March 2013. This effectively means that no new withdrawal or deposit will affect the levy that would have been imposed or collected until Monday 18th March 2013.

Admittedly, this decision is very difficult and painful for all of us. However, under the circumstances, the implementation of the decision is necessary in order to end the uncertainty in the economy and to ensure the rescue of the country. Without the levy, the sovereign debt would have undoubtedly be non-sustainable, and no financial assistance would have been given for the rescue of the Cyprus people.

We do recognize the severity of the situation. In order to avoid more painful consequences, such as the foreseen collapse of the banking sector, we have decided, with a strong sense of responsibility, to accept the imposition of the levy on deposits for the rescue of the country. With the imposition of the levy, we ensure the country's stability, the smooth operation of the economy and the return of Cyprus and its people to the path of growth and prosperity. Furthermore, the future generations will not be imposed with the unbearable burden of the re-payment of a loan similar to the ones granted in other member states of the Eurozone. At the same time, the chances of a possible second Memorandum of Understanding to deal with the pressing problems of the economy are minimized.

The Cyprus people have, in the past, faced equally serious difficulties and challenges. We need to remain calm and united, so as to successfully face this challenge, in order to safeguard the security, prosperity and progress of our people.

18th March 2013