February 27, 2012

SOVEREIGN CREDIT

Greece

PSI-2: Done Deal?

Decision Time

As presented in *Sovereign Credit: On the Greek Debt Restructuring (Part I)*, February 22, 2012, Greece faces several fundamental and political challenges which could derail the second bailout package. In addition, a successful PSI with high participation rate is one of the critical factors.

In this report, we present the main features of the PSI transaction, assess the most likely outcome and investigate implications on both bond and CDS markets.

Likely to Be Successful but Coercive

We think that the most likely outcome is that Greece will proceed with a coercive restructuring to reach an overall participation rate above 90%, mainly due to the potential use of the aggregate Collective Action Clauses (CACs).

On the Edge: Focus on the International Bonds

We see international law bonds as key to the success of the transaction: we provide our subjective assessment if investors could block the CACs on a bond-by-bond basis.

Why Is CDS Likely to Be Triggered?

- The use of CACs to impose a binding transaction is likely to trigger a restructuring credit event. The least ambiguous trigger could be the Swiss franc bonds which are proposed to be amended via solicitation.
- If the PSI was unsuccessful, CDS could be triggered provided the risk of failure to pay materialises.
- Ultimately, the ISDA Determination Committee will decide upon whether a credit event has occurred and the deliverables and the process to determine the recovery level.
- We see limited direct impact of a potential CDS trigger.

Recovery Value: 20-25%

The amount of potential deliverable obligations (untendered local law and international law bonds, and new Greek bonds) looks extensive relative to the outstanding net nominal of the CDS contracts in case of a CDS trigger and a subsequent auction.

We think that the long-dated new Greek bonds would likely be the cheapest-to-deliver option, implying an estimated CDS recovery value of 20-25%.

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Overview of the PSI Transaction: The Invitations

Parallel Invitations	Eligible Bonds	Exchange Offer	Consent Solicitation	Proposed Amendment	Received in the PSI* ('Considerations')
Non-US (Designated Securities)	Eligible Title and Foreign Law Republic and Guaranteed Title	✔	✔	Permitting the Republic to **exchange at its option** all outstanding of Eligible Title and/or all outstanding of relevant series of Foreign Law Title to Consideration	• €315 aggregate face amount of New Bonds • €315 notional amount of GDP-linked Securities • €150 notional amount of PSI Payment Notes • Accrued Interest Notes
Non-US (Exchange Designated Securities)	Republic Title, Guaranteed Title (also in Physical Form)	✔	✘	N/A	•€315 aggregate face amount of New Bonds • €315 notional amount of GDP-linked Securities • €150 notional amount of PSI Payment Notes • Accrued Interest Notes
Non-US (Swiss)	CH0021839524 (GREECE 2 1/8 07/05/13)	✘	✔	Permitting the Republic to **amend at its option** all outstanding amount of the bond	• Amended Bond (CHF 30-year amortising bond with step-up coupon) • €315 notional amount of GDP-linked Securities • appr. €150 notional amount of PSI Payment Notes • Cash payment for accrued, non-paid interest
US	Eligible Title and Foreign Law Republic and Guaranteed Title	✔	✔	Permitting the Republic to **exchange at its option** all outstanding of Eligible Title and/or all outstanding of relevant series of Foreign Law Title to Consideration	• €315 aggregate face amount of New Bonds • €315 notional amount of GDP-linked Securities • Cash Proceeds from PSI Payment Notes • Cash Proceeds from Accrued Interest Notes

*For every €1000 notional of eligible security

Source: Parallel Invitation Memorandums, Morgan Stanley Research

Timeline of the PSI Transaction

Parallel Invitations	**24th February:** Commencement of the Invitation	**24th February to the Expiration Deadline:** Submission Period	**4pm CET, 7th March:** Revocation Deadline	**9pm CET, 8th March:** Expiration Deadline	**As soon as reasonably practicable after the Expiration Deadline:** Announcement of Result	**12th March:** Settlement (expect for foreign law title)	**27th – 29th March:** Bondholders Meeting Dates	**11th April:** Settlement (foreign law title)
Non-US (Designated Securities)	✓	✓	✓	✓	✓	✓	✓	✓
Non-US (Exchange Designated Securities)	✓	✓	✓	✓	✓	✓	✗	✗
Non-US (Swiss)	✓	✓	✗	✓	✓	✗	✓ (28th March)	✓
US	✓	✓	✓	✓	✓	✓	✓	✓

Source: Parallel Invitation Memorandums, Morgan Stanley Research

PSI Conditions and Possible Outcomes

Conditions for a successful PSI
(source: Ministry of Finance Press Release)

Financing conditions: The Republic will not proceed with any of the transactions contemplated in the invitations unless it meets all of the conditions under the financing agreements entered into with the EFSF for the Republic to be entitled to receive the EFSF notes, which include the approval by EWG, at its absolute discretion, of such disbursements.

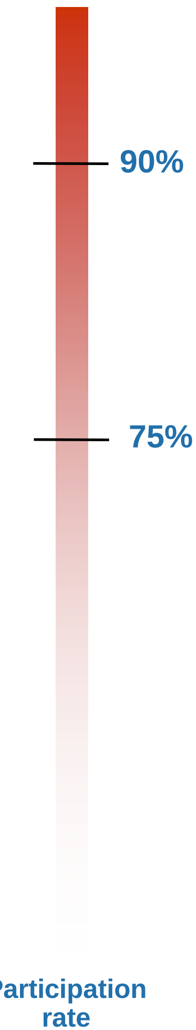
Minimum participation condition:

• Unless bonds representing at least 90% of the aggregate face amount of all bonds selected to participate in PSI are validly tendered for exchange, the Republic will not be required to settle any of the exchanges.

• However, if the Republic receives consents to the proposed amendments that would result in at least 90% of the aggregate face amount of all bonds selected to participate in PSI (including bonds tendered for exchange) being exchanged on the terms proposed by the Republic, the Republic intends, subject to all other conditions being satisfied and in consultation with its official sector creditors, to declare the proposed amendments effective and to complete the exchange of all bonds selected to participate in PSI that would be bound by the proposed amendments.

• If at least 75% but less than 90% of the aggregate face amount of all bonds selected to participate in PSI are validly tendered for exchange, the Republic, in consultation with its official sector creditors, may proceed to exchange the tendered bonds without putting any of the proposed amendments into effect.

• However, if less than 75% of the aggregate face amount of the bonds selected to participate in PSI are validly tendered for exchange, and the Republic does not receive consents that would enable it to complete the proposed exchange with respect to bonds selected to participate in PSI representing at least 75% of the aggregate face amount of all bonds selected to participate in PSI, the Republic will not proceed with any of the transactions described above.



Possible outcomes

Minimum 90% of eligible bonds are exchanged ➔ Greece WILL proceed with the exchange

Minimum 90% of eligible bonds receive consents (included exchanged bonds) ➔ Greece INTENDS to proceed with a binding exchange

At least 75% but less than 90% of eligible bonds are exchanged ➔ Greece MAY proceed with a voluntary non-binding exchange

At least 75% through exchange and CAC implementation ➔ Greece MAY proceed with a binding exchange using the CAC (although this scenario is not explicitly discussed in the Invitation Memorandum)

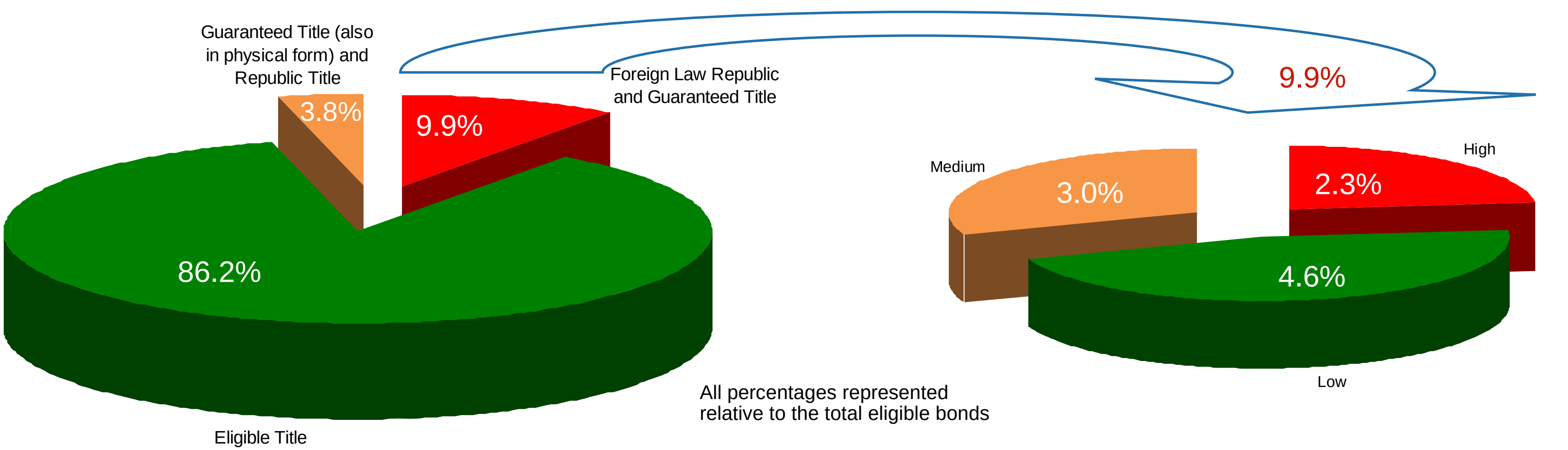
Less than 75% of eligible bonds receive consents (included exchanged bonds) ➔ No PSI

Assessing the Outcome of the PSI: Over 90% Participation Rate – Coercive Restructuring

- **Eligible Title (GGBs, €177bn):** Considering the conditions of the collective action clause (50% quorum and 2/3 of quorum as voting majority; aggregation clause; non-punitive), it is very likely that the entire universe of these bonds can be bound, if necessary.
- **Guaranteed Title (also in physical form) and Republic Title (€7.9bn):** Exchange offer *only*, no consent solicitation. However, these bonds are likely to be held mainly by domestic investors (i.e., banks); therefore, a large voluntary participation is likely.
- **Foreign Law Republic and Guaranteed Title:** CACs apply on a bond series basis therefore we need to take a view bond by bond about the probability of being blocked in the CACs mechanism (see next slide).

Conclusion: We think that the most likely outcome is that Greece will proceed with a coercive restructuring to reach an overall participation rate above 90%.

- 86% from local government bonds is achievable
- Additional up to 4% could be added to this through the Guaranteed Title and Republic Title
- At least an extra 4% of participation may come from the Foreign Law Republic and Guaranteed Title (see below chart)



All percentages represented relative to the total eligible bonds

Source: Morgan Stanley Research

International Law Bonds – Scenario Analysis

- We assigned a subjective probability of investors being able to block the Collective Action Clauses mechanism
- Four factors drive our assessment:
  - **Governing law:** Holders of the Republic's Swiss-law governed bonds may not exchange their bonds but will be solicited to consent to their amendment.
  - **CAC quorum:** The higher the quorum, the easier to obtain a blocking position.
  - **Outstanding amount:** The smaller, the easier to obtain a blocking position.
  - **Time to maturity:** The shorter, the higher incentive to attempt to block.

Conclusions:

- Several small bond series present high risk of blocking the CACs ➔secondary market prices may go up, although there may be a risk that Greece would not service these bonds in the future, considering that the new bonds seem not to have cross-default with the old securities.
- However, the three large bond series are likely to achieve all the conditions to exercise the CACs ➔ this could be instrumental to achieve an overall 90% participation rate in a coercive scenario.

ISIN	Description	Currency	Amount outstanding (€MM)	CAC Quorum	Subjective Probability of Blocking
CH0021839524	GREECE 2 1/8 07/05/13	CHF	538,436,050	-	High
XS0147393861	GREECE 0 05/15/12	EUR	450,000,000	66%	High
XS0097596463	GREECE 0 05/21/14	EUR	69,000,000	66%	High
XS0165956672	GREECE 4.59 04/08/16	EUR	400,000,000	66%	Medium
XS0357333029	GREECE 0 04/11/16	EUR	5,547,200,000	75%	Low
XS0260024277	GREECE 0 07/05/18	EUR	2,086,000,000	75%	Low
XS0286916027	GGB 0 02/22/19	EUR	280,000,000	75%	High
XS0097598329	GREECE 0 06/03/19	EUR	110,000,000	66%	High
XS0224227313	GREECE 0 07/13/20	EUR	250,000,000	75%	High
XS0251384904	GREECE 0 04/19/21	EUR	250,000,000	75%	High
XS0255739350	GREECE 0 05/31/21	EUR	100,000,000	75%	High
XS0256563429	GREECE 0 06/09/21	EUR	150,000,000	75%	High
XS0223870907	GREECE 6 07/07/24	EUR	250,000,000	75%	High
XS0223064139	GREECE 0 07/06/25	EUR	400,000,000	75%	Medium
XS0260349492	GREECE 0 07/10/26	EUR	130,000,000	75%	High
XS0110307930	GREECE 6.14 04/14/28	EUR	200,000,000	66%	High
XS0192416617	GREECE 0 05/10/34	EUR	1,000,000,000	75%	Medium
XS0191352847	GREECE 5.2 07/17/34	EUR	1,000,000,000	75%	Medium
XS0292467775	GREECE 2.085 07/25/57	EUR	1,778,352,000	75%	Low
XS0071095045	GREECE 4 1/2 11/08/16	JPY	376,576,916	66%	Medium
XS0078057725	GREECE 4 1/2 07/03/17	JPY	282,432,687	66%	Medium
XS0079012166	GREECE 3.8 08/08/17	JPY	470,721,145	66%	Medium
XS0097010440	GREECE 3 04/30/19	JPY	235,360,572	66%	Medium
XS0372384064	GREECE 4 5/8 06/25/13	USD	1,083,917,611	75%	Medium
FR0000489676	HELNRR 4.915 09/13/12	EUR	190,000,000	66%	High
XS0208636091	HELNRR 3.5625 12/21/12	EUR	250,000,000	66%	High
XS0165688648	HELNRR 4.495 04/02/13	EUR	412,500,000	66%	Medium
XS0142390904	HELNRR 5.46 01/30/14	EUR	197,000,000	66%	High
FR0010027557	HELNRR 4.68 10/29/15	EUR	200,000,000	66%	High
XS0193324380	HELNRR 0 05/24/16	EUR	250,000,000	66%	High
XS0215169706	HELNRR 4.028 03/17/17	EUR	450,000,000	66%	Medium
XS0160208772	HELNRR 5.014 12/27/17	EUR	165,000,000	66%	High
XS0280601658	HELNRR 4.218 12/20/19	EUR	255,000,000	66%	High
XS0354223827	OASAUR 4.057 03/26/13	EUR	240,000,000	100%	High
XS0198741687	OASAUR 4.301 08/12/14	EUR	160,000,000	66%	High
XS0308854149	OASAUR 5.008 07/18/17	EUR	200,940,000	66%	High

Source: Bondholder Meeting Supplements, Morgan Stanley Research

Participation Outcomes and Implication for CDS

Exchange Participation

	Greece Action	Likelihood and CDS implications	Type of Trigger
90%+ (With exchange alone)	Greece WILL proceed with the exchange, but MAY not use the CAC.	Without use of CACs, a 90% participation seems unlikely. But if achieved, it is likely to involve at least one bond issue that is fully restructured (no holdouts)	Restructuring credit event likely, based on high probability of a single issue being restructured
90%+ (Exchange and CAC implementation)	Greece INTENDS to proceed with a binding exchange using the CAC	The use of CACs to impose a restructuring on the domestic law bonds is likely to trigger a credit event	Restructuring credit event is highly likely as domestic law bonds have a binding restructuring
75%+ (Exchange and CAC implementation)	Greece has not discussed this scenario but it MAY proceed with a binding exchange using the CAC	The use of CACs to impose a restructuring on the domestic law bonds is likely to trigger a credit event	Restructuring credit event is highly likely as domestic law bonds have a binding restructuring
75-90% (With exchange alone)	Greece MAY proceed with a voluntary non-binding exchange and MAY NOT use the CAC	Greece MAY proceed with a voluntary non-binding exchange. There is a chance all issues might end up with holdouts. Greece may honour the holdouts	Unclear if CDS triggers due to chance no single issue is fully restructured, thwarting a credit event. If holdouts are honoured, a failure-to-pay credit event will also not occur.
<75% (Exchange and CAC implementation)	No PSI and Deal falls through.	Restructuring CDS trigger is unlikely. But risks of Failure-to-Pay if the large 20-March bond maturity is not paid	High risks of Failure-to-Pay credit event around the 20-March maturity bond (plus grace period)

In all the scenarios above, if any of the international law bond issues were restructured due to reaching the threshold voting level of that issue, this could trigger CDS even if domestic law CACs are not used. The least ambiguous trigger could be the Swiss Franc bonds which are proposed to be amended via solicitation rather than exchanged.

Deliverables Should Be Plentiful. New Strip Bonds Could Be the Cheapest to Deliver.

Three classes of deliverables

Post the restructuring, there could be three main classes of deliverable obligations.

i)The new strip bonds with varying maturity (up to €70bn). Assuming the 2034-42 strips trade at similar prices, the amount of cheapest deliverables could be as much as €20bn+

ii)Existing international law bonds, where they have not been tendered (under €20bn)

iii)Existing domestic law bonds where they have not been tendered (under €44bn)

Availability of each of the above classes of deliverables should be plentiful relative to the €2.5bn equivalent CDS notional outstanding.

What will recovery in a CDS auction likely to be?

The recovery of outright CDS positions depends on which bond is the cheapest-to-deliver.

In the auction, the recovery will be measured as dollar price relative to the new par and the bonds' old notional does not matter.

The longer maturity strip bonds have lower and back-ended coupons than current Greek long-end bonds and could well be the cheapest to deliver, in our view.

The long-dated bonds in Greece are cheapest among the current bonds and trading around 23c and if the strips are discounted at 15% or higher yields, they could be the cheapest-to-deliver bonds. Based on the above, if triggered CDS recovery could be around the 20-25c context, in our view.

For more on the auction mechanics, see *Sovereign CDS: Credit Event and Auction Primer*, May 31, 2011.

Yields of 14-20% Would Price New Bonds at 22-25c (Same as Current Long-End Bonds)

As mentioned earlier, 20 different bonds with maturities from Feb-2023 to Feb-2042 will be issued. The following table describes the pricing of each bond at different yield levels. The average price at bottom represents the notional weighted average value of the basket of bonds discounted at a flat yield curve. The highlighted cells below show the yields at which the strip bonds prices are same as current Greek long ends.

New Face	Bond	Yield																
Value*	Maturity	9%	10%	11%	12%	13%	14%	15%	16%	17%	18%	19%	20%	21%	22%	23%	24%	25%
1.5	Feb-23	58.0	53.3	49.0	45.2	41.8	38.6	35.7	33.2	30.8	28.7	26.7	24.8	23.3	21.9	20.4	19.2	18.2
1.5	Feb-24	56.3	51.5	47.1	43.2	39.7	36.6	33.7	31.2	28.9	26.8	24.8	23.2	21.6	20.1	18.9	17.8	16.7
1.5	Feb-25	54.8	49.8	45.4	41.5	38.0	34.8	32.0	29.5	27.3	25.1	23.4	21.8	20.1	18.9	17.8	16.6	15.4
1.5	Feb-26	53.4	48.3	43.9	39.8	36.4	33.3	30.4	28.1	25.8	23.9	22.1	20.4	19.1	17.9	16.7	15.5	14.6
1.5	Feb-27	52.1	47.0	42.5	38.5	34.9	32.0	29.2	26.8	24.6	22.8	21.0	19.5	18.2	17.0	15.8	14.7	14.0
1.6	Feb-28	50.9	45.7	41.2	37.3	33.8	30.7	28.1	25.7	23.6	21.8	20.0	18.7	17.5	16.2	15.0	14.2	13.5
1.6	Feb-29	49.8	44.6	40.0	36.1	32.7	29.6	27.1	24.7	22.8	20.9	19.3	18.1	16.8	15.5	14.6	13.8	13.1
1.6	Feb-30	48.8	43.6	39.0	35.0	31.8	28.8	26.2	24.0	22.0	20.1	18.8	17.5	16.2	14.9	14.2	13.5	12.7
1.6	Feb-31	47.9	42.7	38.2	34.2	30.9	28.0	25.4	23.3	21.4	19.6	18.3	17.0	15.7	14.6	13.9	13.2	12.4
1.6	Feb-32	47.1	41.8	37.3	33.5	30.0	27.3	24.7	22.8	20.8	19.2	17.9	16.5	15.2	14.4	13.7	12.9	12.2
1.6	Feb-33	46.3	41.0	36.6	32.8	29.4	26.7	24.2	22.2	20.2	18.8	17.5	16.2	14.9	14.2	13.5	12.7	12.0
1.6	Feb-34	45.6	40.3	35.9	32.1	28.9	26.1	23.8	21.8	19.8	18.5	17.2	15.8	14.7	14.0	13.3	12.6	11.8
1.6	Feb-35	44.9	39.7	35.2	31.6	28.4	25.6	23.4	21.4	19.6	18.2	16.9	15.6	14.6	13.9	13.1	12.4	11.7
1.6	Feb-36	44.4	39.1	34.7	31.0	28.0	25.1	23.0	21.0	19.3	18.0	16.6	15.3	14.5	13.7	13.0	12.3	11.6
1.6	Feb-37	43.8	38.6	34.2	30.5	27.6	24.8	22.7	20.7	19.1	17.8	16.4	15.1	14.3	13.6	12.9	12.2	11.5
1.6	Feb-38	43.4	38.2	33.8	30.1	27.2	24.5	22.5	20.4	18.9	17.6	16.3	15.0	14.3	13.5	12.8	12.1	11.4
1.6	Feb-39	42.9	37.7	33.4	29.7	26.9	24.3	22.2	20.1	18.8	17.4	16.1	14.9	14.2	13.5	12.8	12.1	11.4
1.6	Feb-40	42.5	37.3	33.1	29.5	26.6	24.1	22.0	19.9	18.6	17.3	16.0	14.8	14.1	13.4	12.7	12.0	11.3
1.6	Feb-41	42.1	37.0	32.8	29.2	26.3	23.9	21.8	19.8	18.5	17.2	15.9	14.8	14.1	13.4	12.7	12.0	11.3
1.6	Feb-42	41.7	36.6	32.5	29.0	26.1	23.7	21.6	19.7	18.4	17.1	15.8	14.7	14.0	13.3	12.6	11.9	11.2
31.5	**Average**	**47.7**	**42.6**	**38.2**	**34.4**	**31.1**	**28.3**	**25.9**	**23.7**	**21.9**	**20.3**	**18.8**	**17.4**	**16.3**	**15.3**	**14.5**	**13.6**	**12.9**

* per 100MM Face Value of Original Bond

23.9 Bond prices in 22-25c range highlighted

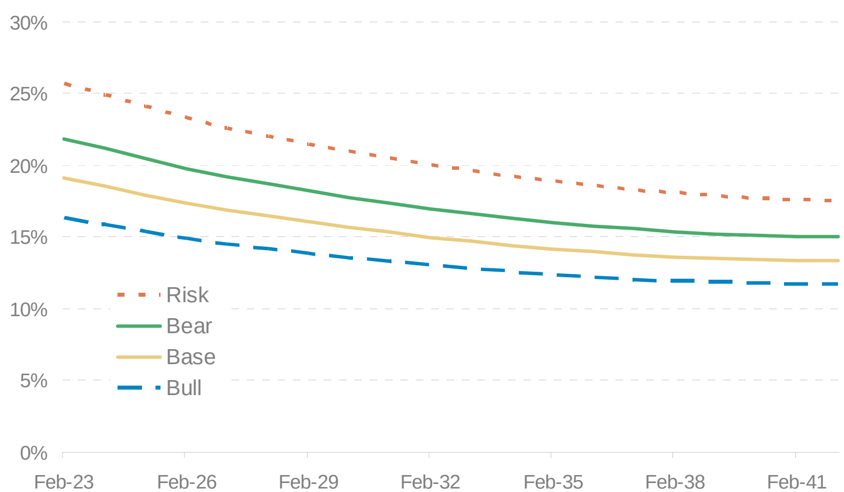
Source: Morgan Stanley Research

Historical Curve Shape Suggests New Strip Bond Prices Should Be in 20-25c Range

In reality the yield curve is unlikely to be flat.

- We develop different yield curve scenarios based on where the Greek sovereign curves traded in past 3-year period relative to the level of 20y yield.
- We believe the base case yield curve is likely in the medium term. Given that a supply shock is likely in the short term, the prices around the auction might end up between our base and bear case.
- The cheapest strip bonds could be in the 20-25c range.

Exit Yield Curves



Source: Morgan Stanley Research

Bond Valuation under Yield Curve Scenarios

(as % of New Notional)

		Price			
Maturity	Tenor	Bull	Base	Bear	Risk
Feb-23	11Y	32.5	26.5	22.1	17.4
Feb-24	12Y	31.6	25.7	21.4	16.8
Feb-25	13Y	31.1	25.2	21.0	16.5
Feb-26	14Y	30.8	25.1	20.8	16.4
Feb-27	15Y	30.6	24.9	20.7	16.3
Feb-28	16Y	30.3	24.7	20.5	16.2
Feb-29	17Y	30.1	24.6	20.5	16.2
Feb-30	18Y	30.2	24.7	20.5	16.3
Feb-31	19Y	30.1	24.7	20.7	16.4
Feb-32	20Y	30.0	24.7	20.8	16.5
Feb-33	21Y	30.2	25.0	20.9	16.7
Feb-34	22Y	30.4	25.1	21.1	16.9
Feb-35	23Y	30.5	25.2	21.3	17.1
Feb-36	24Y	30.5	25.2	21.4	17.2
Feb-37	25Y	30.5	25.4	21.6	17.4
Feb-38	26Y	30.5	25.5	21.7	17.5
Feb-39	27Y	30.5	25.6	21.7	17.6
Feb-40	28Y	30.5	25.5	21.8	17.7
Feb-41	29Y	30.4	25.4	21.7	17.7
Feb-42	30Y	30.2	25.3	21.6	17.7
Average		**30.5**	**25.2**	**21.2**	**16.9**

Source: Morgan Stanley Research

Basis Trades Could Make Similar Payouts Whether the Bond Is Restructured or Not

The P&L of basis packages is a function of whether the bonds in the basis package are restructured, and whether the bond in the basis package is the cheapest-to-deliver bond. We assume 25% recovery for illustration below.

Bond is not restructured

If the bond is not exchanged, one can cash settle the CDS and sell the bond into the open market. If this bond is the cheapest to deliver, then physically settle (sell bond) in the auction and take par.

CDS
Original Face $135MM
(€100MM equivalent)
→
Cash settlement
$97.5MM
€75MM

Bond
Original Face €100MM
Market value €25MM
Current price 25c
→
Bond
Original Face €100MM
Market value €25MM
Current price 25c

Total value = €75MM CDS settlement + €25MM for bonds
= €100MM

Bond is restructured

If the bond is not exchanged, the optimal strategy is to cash settle the CDS, sell the EFSF notes and strip bonds into the open market, and sell the cheapest of the strip bonds into the auction.

CDS
Original Face $135MM
(€100MM equivalent)
→
Cash settlement
$97.5MM
€75MM

Bond
Original Face €100MM
Current price 25c
→
EFSF notes
€15MM Face value
~€15MM Market value
~100c/New face
→
New Strip of Bonds
€31.5MM Face Value
€7.9MM Market Value
25.2c/New face
→
GDP Warrant
€31.5MM Face Value
<€1.5MM Market Value
<5c/New face

Total value = €75MM CDS settlement + €7.9MM for strip of bonds
+ €15MM + warrant value
= €97.9MM + warrant value

Source: Morgan Stanley Research

Timing of Potential CDS Trigger Depends on Type of Credit Event

The timing of the CDS trigger will be a function of type of credit event (Failure to-Pay or Restructuring) and the type of bond (domestic law or international law bonds)

Failure-to-Pay Credit Event Trigger

The earliest that a missed payment could occur is on the 20th March 2012 maturity bonds. The bonds have a cure period of seven days for the curing a principal default, which means a formal failure-to-pay CDS credit event may not occur before the 27th March 2012.

Restructuring Credit Event Trigger

The bond restructuring consent deadline is expected to be 8th March 2012 and, if successful, likely to be executed on the 12th March 2012. If executed successfully and the conditions for a restructuring credit event on the CDS are met, then that date (12th March), could become the CDS trigger date.

Greece CDS Trigger Impact

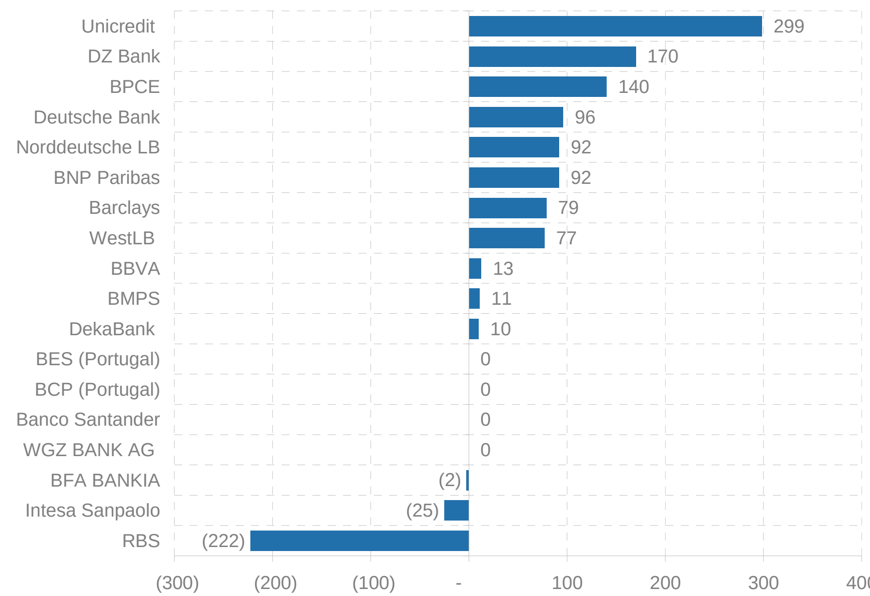
The direct impact of Greek CDS trigger should be limited, in our view.

- CDS net notional of $3.2bn is a fraction of the amount of bonds being restructured, any CDS losses will likely be much smaller than bond losses for the market as a whole. The net exposures data from stress-test results reiterate the point that the CDS net notionals are relatively low. Moreover, most positions are MTM and hence have already monetised much of the widening with Greece trading at 70pts upfront.
- Note that CDS is a swap, so for every buyer, there is a seller of equal notional. Net notional refers to netting at the counterparty level (all trades of a particular investor) as opposed to across counterparties. There are a total of $3.2bn notional buyers of protection and $3.2bn sellers of protection.

Greece Net Notional (USD Mn)

Source: Morgan Stanley

Greece CDS Exposure (EUR Mn)



Source: EBA Stress Tests Published 8th December 2011. Exposures as of end-September 2011.

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(as of January 31, 2012)

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Underweight/Sell	**454**	**15%**	**121**	**12%**	**27%**
Total	**2,944**		**1050**		

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