

Nicosia, June 25th, 2012

**Mr Jean-Claude Juncker
President of the Eurogroup**

Dear sir,

On behalf of the Cypriot Government, I formally present to euro area Member States a request for external financial assistance from the EFSF/ESM, to contain the risks to the Cypriot economy, notably those arising from the negative spill over effects through its financial sector, due to its large exposure in the Greek economy.

The details of the loan programme, including size and conditionality, will be determined after a thorough assessment of the challenges by the institutions concerned.

The design of the programme will primarily focus on the financial sector, while, in parallel, it will take into consideration social cohesion and the growth model of the Cyprus economy including the island's international business environment.

The Cypriot authorities look forward to a constructive and speedy cooperation with the European Authorities in drawing up the programme and the conditionality. Independent internationally recognised specialists will also provide an assessment specifically of the financial sector's needs.

External support, with the possible involvement of the IMF, may also cover possible additional financing needs arising from the wider economic implications of the correction of identified imbalances.

This assistance will help to stabilise the Cypriot financial sector and its economy more generally while respecting welfare parameters and the growth model of the economy. The high exposure of the Cypriot financial sector to developments in Greece, has already resulted in substantial losses for the Cypriot banks and in risks of further losses. Moreover, the end of the domestic construction boom and the economic downturn have put additional pressure on the domestic banking system and on public finances.

Within the framework of external assistance, the Cypriot Government is committed to do what is needed to strengthen the resilience of the financial sector and continue the ongoing structural reforms, as well as the process of fiscal consolidation, to ensure a return to stable and sustainable economic growth and a solid financial sector.

Yours faithfully,

Vasos Shiarly
Minister of Finance

Cc Mr Olli Rehn, Vice President for Economic and Monetary Affairs,
European Commission,
Mario Draghi, President of the European Central Bank
Thomas Wieser, President of Euro Working Group