

Summary of Government Interventions

France

Overview

In addition to the steps undertaken by the ECB, the French government has provided the following main types of support to the French financial system:

- government investments; and
- government guarantees.

Investments/recapitalisation

SPPE

On 20 October 2008, the French government announced that a state-owned entity ("*Société de prise de participation l'état*" or "**SPPE**") was willing to subscribe for an aggregate amount of EUR 10.5bn in subordinated debt issued by particular credit institutions before the end of 2008. These securities would take the form of hybrid capital instruments (subordinated debt securities classified as non-core tier 1 capital) and be remunerated at a fixed rate for the first five years and at a variable rate thereafter. The remuneration, which would average about 8 per cent., would reflect the degree of solvency of each beneficiary bank via a credit default swap (CDS) component, whereby remuneration was to be modulated according to the risk of default. The relevant banks must also commit to increasing loans to the economy and guarantee financing adapted to the needs of households, companies, and local government.

Following the approval by the European Commission of France's capital contribution plan on 8 December 2008, the French government subscribed to the following subordinated debt on 11 December 2008:

- EUR 2.55bn of undated super-subordinated notes issued by BNP Paribas. In respect of this debt, BNP Paribas will pay the SPPE, during the initial 5 years, a coupon of 7.75 per cent. The notes can be partially or fully bought back by BNP Paribas at any time. However, in accordance with the European Commission's wishes, the buy-back price will gradually increase from 101 per cent. to 111 per cent., starting on the first anniversary date of the issue.

- EUR 1.7bn of deeply subordinated notes issued by Société Générale. The notes carry a fixed rate of 8.18 per cent. for the first 5 years. In the event of a buy-back, redemption or sale of the notes, the price payable by the issuer increases regularly over time, from 101 per cent. of the nominal amount in the second year, to 111 per cent. of the nominal amount in the sixth year.
- EUR 3bn of perpetual super-subordinated notes issued by Crédit Agricole S.A. Crédit Agricole S.A. will pay a fixed rate of 8.33 per cent. during the first five years and then a variable rate based on 3-month Euribor. The notes may only be redeemed by the issuer after a period of five years. If the notes are bought back by the issuer, which requires the approval of the French Banking Commission, the buy-back price will rise from 101 per cent. up to 111 per cent. depending on the buy-back date.
- EUR 950m of super-subordinated notes issued by Groupe Banque Populaire.
- EUR 1.1bn of super-subordinated notes issued by Groupe Caisse d'Épargne.
- EUR 1.2bn of super-subordinated notes issued by Banque Fédérative du Crédit Mutuel Banque Fédérative du Crédit Mutuel will pay a fixed rate of 8.49 per cent. during the first five years. The notes may only be redeemed by the issuer after a period of five years. If the notes are bought back by the issuer, which requires the approval of the French Banking Commission, the buy-back price will rise from 101 per cent. up to 111 per cent. depending on the buy-back date.

The French government announced the second stage of the capital contribution plan on 21 January 2009 and the European Commission approved it on 28 January 2009 and on 24 March 2009. This second stage (which will amount to approximately EUR 10.5bn) offers different options that allow the banks to receive additional tier 1 capital in the form of either hybrid debt or preferred shares which do not carry voting rights, are eligible to be treated as core tier 1 capital and are not dilutive. It also offers the option to transform the hybrid debt issued on 11 December 2008 into preferred shares.

As part of the second stage of the capital contribution plan, on 31 March 2009 BNP Paribas issued over 187m new non-voting shares for a total amount of EUR 5.1 bn. These shares, which were subscribed by the French government (via SPPE), do not bear any voting rights and are not convertible into ordinary shares. Simultaneously, BNP Paribas redeemed EUR 2.55bn of the undated deeply subordinated notes issued in December 2008.

It is unclear at present which other banks will use any of the options under the second stage of the capital contribution plan.

Dexia

On 30 September 2008, Dexia S.A. raised EUR 6.4bn from the governments of Belgium, France and Luxembourg and from existing shareholders. The French government agreed to invest EUR 1bn and *Caisse des Dépôts et Consignations* ("CDC") (a state controlled savings bank) agreed to invest EUR 2bn in Dexia SA.

Dexia's capital increase was completed on 3 October 2008. Consequently, the French government and CDC hold 5.7 per cent. and 17.6 per cent. respectively, of the shares in Dexia SA.

State guarantees

General

On 16 October 2008, the Finance Law "pertaining to the financing of the economy" (the "**Finance Law**") became effective. This Finance Law provides for an aggregate of EUR 360bn of state guarantees to be issued in the following forms:

1. State guarantee of the debt of SFEF ("*Société de financement de l'économie française*"), a specialised company incorporated in France and authorised by the French government for the purposes of refinancing credit institutions. SFEF will grant loans to eligible credit institutions in return for eligible collateral. By Decree dated 20 October 2008, the French government set out the limits on use of eligible collateral (e.g., only 75 per cent. of the outstanding capital of a first ranking mortgage loan will be considered eligible collateral).

This state guarantee scheme includes, amongst others, the following conditions:

- Only credit institutions licensed and supervised by the French authorities can get financing from SFEF. However, on 4 December 2008, the French president clarified that the banking arms of French car manufacturers can also access funds through the SFEF (but only up to EUR 1bn, i.e. EUR 500m for the banking arm of Renault and EUR 500m for the banking arm of PSA Peugeot Citroën). On 9 February 2009, the French government increased the amounts that could be made available by the SFEF to the banking arms of the car manufacturers.
 - SFEF financing is only available for solvent credit institutions (i.e., they have to satisfy own funds requirements/solvency ratios).
 - The relevant credit institutions have to enter into an agreement with the French government. Such agreement will (i) determine the counterparties of the guarantee (in particular with respect to the financing provided to individuals, companies and local governments) and (ii) set out the obligations and duties of the credit institutions and their directors to comply with ethical rules for the public interest (which will include rules on remuneration and corporate governance).
 - The guarantee is only available for debt instruments issued before 31 December 2009 having a maximum duration of 5 years.
 - The maximum duration of guarantee is 5 years (with ultimate date 31 December 2014).
2. State guarantee in respect of securities issued by credit institutions (in case of urgency and exceptional circumstances and to be granted by the Minister of Economy). Conditions to this guarantee include, amongst others, the following:
 - The French state has to have the benefit of security interests/guarantees similar to those provided to SFEF (see above).
 - The guarantee is only available for debt instruments issued before 31 December 2009 having a maximum duration of 5 years.
 - The maximum duration of Guarantee 5 years (with ultimate date 31 December 2014).

3. State guarantee for financing obtained by SPPE, the state-owned entity set up for the purposes of capitalising financial institutions. The French government has indicated that this guarantee facility will be used to capitalise French banks for an amount of up to EUR 40bn.
4. State guarantee for Dexia SA, Dexia Banque Internationale Luxembourg S.A., Dexia Banque Belgique SA and Dexia Crédit Local S.A. (see below).

SFEF

On 24 October 2008, the French Finance Minister announced that seven French banks requested a total of EUR 5bn in loans from the SFEF, the state refinancing company. To finance these loans, the SFEF borrowed funds from the CDC under the terms of a loan that is guaranteed by the French state (in accordance with the Finance Law). The state guarantee was approved by Ministerial Decree dated 23 October 2008. The names of the 7 banks who received the proceeds of the CDC loan were not divulged but according to press reports, the 7 banks involved would be BNP Paribas, Banques Populaires, Caisse d'Épargne, Crédit Agricole, Crédit Mutuel, HSBC and Société Générale.

On 25 January 2009, the French government confirmed that it would make EUR 5bn available to banks through SFEF in order for the banks involved to on-lend the funds to companies heavily dependent on export (in particular, Airbus and its parent EADS).

At present, SFEF has issued "AAA"-rated securities for an aggregate amount of EUR 23bn:

- On 12 November 2008, SFEF launched its inaugural public bond issue. The EUR 5bn issue matures on 24 November 2011, pays a coupon of 3.5 per cent. and was priced at a spread of 5 bps over the 3-year mid-swap rate. The proceeds of the bond issuance were used to advance 9 loans to credit institutions (though the identities of the credit institutions involved have not been disclosed).
- On 1 December 2008, SFEF launched a EUR 6bn public bond issue. The EUR 6bn issue matures on 10 December 2010, pays a coupon of 3 per cent. and was priced at a spread of 4 bps over the mid-swap rate. The proceeds of the bond issuance were used to advance 10 loans to credit institutions (though the identities of the credit institutions involved have not been disclosed).
- On 9 December 2008, SFEF placed EUR 2bn of bonds by way of private placement. The bonds will mature on 18 March 2010 and carry an interest rate of EURIBOR minus 5 bps. The proceeds of the bond issuance were used to advance 9 loans to credit institutions (though the identities of the credit institutions involved have not been disclosed).
- On 7 January 2009, SFEF launched a EUR 5bn bond issue. The bonds will mature on 16 January 2014, pay a coupon of 3.25 per cent. per annum and were priced at a spread of 15 bps over the mid-swap rate. The proceeds of the bond issuance were used to advance 11 loans to credit institutions (though the identities of the credit institutions involved have not been disclosed).

- On 23 January 2009, SFEF launched a USD 6bn bond issue. The bonds will mature on 30 January 2012, pay a coupon of 2.125 per cent. per annum and were priced at a spread of 40 bps over the mid-swap rate. The proceeds of the bond issuance were used to advance 9 loans to credit institutions (though the identities of the credit institutions involved have not been disclosed).
- On 3 February 2009, SFEF issued a EUR 6bn bond issue. The bonds will mature on 10 February 2011, pay a coupon of 2.25 per cent. per annum and were priced at a spread of 9 bps over the mid-swap rate. The proceeds of the bond issuance were used to advance 11 loans to credit institutions (though the identities of the credit institutions involved have not been disclosed).
- On 18 February 2009, SFEF issued a USD 5.5bn bond issue. The bonds will mature on 25 February 2011, pay a coupon of 2 per cent. per annum and were priced at a spread of 45 bps over the USD mid-swap rate.
- On 3 March 2009, SFEF launched a EUR 6bn bond issue. The bonds will mature on 10 March 2012, pay a coupon of 2.373 per cent. and were priced at a spread of 15 bps over the 3-year EUR mid-swap rate.
- On 16 March 2009, SFEF launched a USD 4bn bond issue. The bonds will mature on 26 March 2012, pay a coupon of 2.375 per cent. and were priced at a spread of 50 bps over the 3-year USD mid-swap rate.

Each bond issuance so far was guaranteed by the French state pursuant to state guarantees granted by Decrees dated 30 October 2008, 14 January 2009 and 6 February 2009. On 27 January 2009, the French government clarified that, as a result of the loans advanced up to that date, it would receive EUR 380m in guarantee fees from the banks involved at the end of January 2009.

On 18 February 2009, the president of SFEF clarified that as of that date, the French government had received EUR 441m in guarantee fees. In addition, he estimated that SFEF will issue EUR 80bn in bonds in 2009.

Dexia

On 9 October 2008, the Belgian, Luxembourg and French governments undertook to guarantee up to EUR 150bn of new interbank and institutional deposits and financing, as well as new bond issuance intended for institutional investors, with a maximum maturity of 3 years, raised by Dexia SA, Dexia Banque Internationale à Luxembourg S.A., Dexia Bank Belgique SA and Dexia Crédit Local S.A.

Following the European Commission's authorisation on 19 November 2008, the Belgian, French and Luxembourg governments and Dexia signed a formal agreement on 9 December 2008 pursuant to which the French government has agreed to guarantee up to EUR 54.75bn (out of EUR 150bn). In accordance with this agreement, the 3 governments have jointly undertaken to set up a guarantee mechanism covering borrowing by Dexia SA, Dexia Banque Belgique SA, Dexia Crédit Local S.A. and Dexia Banque Internationale à Luxembourg S.A.

The guarantee covers Dexia's liabilities towards credit establishments and institutional counterparties, as well as bonds and other debt securities issued to the same counterparties, provided that these liabilities, bonds or securities fall due before 31 October 2011 and have been contracted, issued or renewed between 9 October

2008 and 31 October 2009. Depending on the length and nature of the obligations guaranteed, the guarantee fee is either (i) 25 bps, (ii) 50 bps or (iii) 50 bps plus either the median of the Dexia CDS 5 years spreads calculated on the period beginning on 1 January 2007 and ending on 31 August 2008 (provided that these spreads are representative), or the median of the 5 years CDS spreads of all credit institutions with a long-term credit rating equivalent to that of Dexia, calculated over the same period.

The guarantee agreement dated 9 December 2008 was supplemented on operational and procedural aspects by an operational memorandum dated 18 December 2008. Notably, this operational memorandum provides for (i) a monitoring process of the guaranteed amounts on a daily basis and (ii) with respect to guaranteed bond issues of Dexia, a system of eligibility certificates whereby the 3 governments will issue, on request from Dexia, certificates confirming for each bond issue that it is covered by the guarantee agreement. The aggregate guaranteed amount (as published on a daily basis) and a list of all certified bond issues (together with unofficial translations of the guarantee agreement and the operational memorandum) can be found on <http://www.nbb.be/DOC/DQ/warandia/index.htm>.

As at 20 April 2009, the total amount of Dexia's liabilities guaranteed by the 3 governments equalled EUR 87,391,228,394.46.

Financial Security Assurance, Inc.

In November 2008, the Belgian and French governments agreed to provide a guarantee of the assets managed by FSA Asset Management (i.e. Financial Security Assurance, Inc.'s USD 16.5bn Financial Products portfolio). Dexia SA will cover first loss of USD 3.1bn above the amount of USD 1.4bn already reserved for at 30 September 2008. If the losses exceed USD 4.5bn, the Belgian and French governments will be entitled to receive ordinary shares of Dexia or profit sharing certificates. France's share in the guarantee amounts to USD6.39bn. The guarantee from the Belgian and French governments was authorised by the European Commission on 13 March 2009.

Notable developments with commercial banks (and other key financial players)

Dexia

Please see above.

On 4 February 2009, Dexia launched its EUR 3bn inaugural government guaranteed (see above) public benchmark. The issue was priced at mid-swaps plus 85 bps.

Other guaranteed bond issues by Dexia can be found on <http://www.nbb.be/DOC/DQ/warandia/index.htm>.

Fortis/BNP Paribas

In addition to the initial investment by the Belgian, Dutch and Luxembourg governments (see above), a formal agreement was reached on 10 October 2008 in relation to the restructuring of the Belgian banking and insurance activities of Fortis Bank. This restructuring would involve:

- the Belgian government buying the remaining 50 per cent. plus 1 share of Fortis Bank SA/NV from Fortis for a consideration of EUR 4.7bn in cash and subsequently transferring 75 per cent. of the shares of Fortis Bank to BNP Paribas; and
- Fortis Bank transferring a portfolio of structured products with fair value of EUR 10.4bn to a separately managed entity ("**SPV**") jointly owned by Fortis (66 per cent.), the Belgian state (24 per cent.) and BNP Paribas (10 per cent.).

Under the terms of the restructuring, BNP Paribas would acquire 100 per cent. of Fortis Insurance Belgium for a total consideration of EUR 5.73bn in cash (subject to final closing adjustment) whilst the Belgian state would become a 11.6 per cent. shareholder in BNP Paribas and could (together with the Luxembourg state) appoint 2 new board members in BNP Paribas.

However, a group of Fortis' shareholders challenged the proposed restructuring and on 12 December 2008 the Brussels Court of Appeal found in favour of the shareholders. The Court of Appeal decided that the shareholders should have been consulted on management decisions that led to the agreement with BNP Paribas. The Court of Appeal also ordered a 65-day block on the transfer of shares to BNP Paribas (even though the Belgian government had acquired on 10 October 2008 the remaining 50 per cent. plus 1 share of Fortis Bank SA/NV from Fortis) and the appointment of a committee of expert.

As a result of the interim report of the committee of experts (which was published on 27 January 2009), the Belgian government and BNP Paribas renegotiated some of the terms of the restructuring that were agreed to in October 2009.

Under the revised terms of the restructuring (as agreed upon on 31 January 2009):

- Fortis will retain a 90 per cent. stake in the Belgian insurance business with BNP Paribas acquiring only 10 per cent. for EUR 550m;
- Fortis's interest in the portfolio of structured products will be limited to EUR 1bn (and no longer 66 per cent. of EUR 10.4bn).
- The Belgian government will provide a guarantee of EUR 5bn to the SPV in respect of the SPV's repayment obligations towards Fortis Bank; and
- Fortis will receive a call option on the BNP Paribas shares held by the Belgian government.

However, the general meeting of shareholders of Fortis SA/NV held on 11 February 2009 rejected the proposed transactions with the Belgian state and BNP Paribas. As a result, Fortis, BNP Paribas and the Belgian government entered into renegotiations, which led to a revised agreement on 7 March 2009. The main changes compared to the October 2008 agreement can be summarised as follows:

- Fortis will sell 25 per cent. plus 1 share in Fortis Insurance Belgium to Fortis Bank for a total consideration of EUR 1.375bn. Fortis Bank will not be entitled to sell its stake in Fortis Insurance Belgium prior to 1 January 2018. The exclusive distribution contract between Fortis Bank and Fortis Insurance Belgium will be maintained up to 2020.
- The SPV will purchase approximately EUR 2bn of additional credit lines from the structured credits portfolio of Fortis Bank, of which EUR 1bn will be in replacement of redemptions that occurred since 31 August 2008 on the original portfolio. As a result, the purchase price to be paid by the SPV is expected to increase from EUR 10.4bn to about EUR 11.4bn.
- The SPV will be financed as follows:
 - total equity of EUR 1.7bn (of which EUR 760m will be held by Fortis, EUR 200m by BNP Paribas and EUR 740m by the Belgian government)
 - the remainder of the SPV funding will be provided in the form of debt, divided into two tranches: (i) a senior tranche of EUR 4.85bn (of which EUR 485m by BNP Paribas and EUR 4.365bn by Fortis Bank) and (ii) a super-senior tranche of EUR 4.85bn to be provided entirely by Fortis Bank. The EUR 4.365bn senior debt to be provided by Fortis Bank will benefit from a guarantee from the Belgian state.

Fortis will also get a loan of EUR 1bn from BNP Paribas to finance its commitments towards the SPV. This loan will be guaranteed by the Belgian state, who will in turn receive the benefit of a pledge over 35 per cent. of the shares in Fortis Insurance Belgium (or, subject to mutual agreement, post any other collateral for an amount of EUR 1.5bn).

- The portfolio of structured credits remaining on the balance sheet of Fortis Bank will have the benefit of a "second loss" guarantee up to EUR 1.5bn from the Belgian government. This guarantee will only be triggered when Fortis Bank has incurred losses exceeding EUR 3.5bn on the portfolio.
- Fortis Bank will have the option for a period of three years to issue, should its tier 1 ratio fall below 9.2 per cent., tier 1 eligible securities to the Belgian state, which undertakes to subscribe them up to a maximum of EUR 2bn in the form of non-innovative hybrid instruments or in the form of shares as long as the Belgian government's participation remains below 50 per cent.
- Fortis will continue to have the benefit of a call option on the BNP Paribas shares held by the Belgian state but, under the revised agreement, Fortis has been granted certain anti-dilution rights which are aimed at preserving the value of the option.

Further details about the revised agreement can be found on: http://www.holding.fortis.com/shareholders/media/pdf/EN_Circular_20090408.pdf, <http://www.bnpparibas.com/en/news/finance.asp?Code=NMES-7PXPTA&Key=New%20agreement%20on%20the%20terms%20of%20the%20acquisition%20of%20Fortis'%20activities%20in%20Belgium%20and%20Luxembourg> and http://www.holding.fortis.com/press/info/EN_Fortis_holding_RD_F_07032009.pdf.

The proposed revised agreement between Fortis, BNP Paribas and the Belgian government remains subject to the approval of shareholders at the forthcoming shareholders' meetings of Fortis SA/NV in Brussels and Fortis N.V. in Utrecht in April 2009.

Legal action against the break-up of Fortis pending in Belgium and the Netherlands may also make any restructuring of Fortis Bank more difficult.

Groupe Banque Populaire/Groupe Caisses d'Epargne

On 26 February 2009, *Banque Fédérale des Banques Populaires* and *Caisse Nationale des Caisses d'Epargne et de Prévoyance* announced that they agreed the terms of their merger. As part of the merger, the French government has agreed to put up to EUR 5bn of capital into the new merged banking group. The capitalisation will be made through the French government's subscription to (i) non-voting convertible preference shares and (ii) super-subordinated notes. Subject to the authorisation by the European Commission, it is anticipated that the merger and the state capitalisation will be completed by the end of June 2009.

Other developments

Recommendation on accounting treatment of financial instruments

On 16 October 2008, four French authorities: the national accounting board (*Conseil national de la comptabilité*), the securities regulator (*Autorité des marchés financiers* ("AMF")), the banking supervisor (*Commission bancaire*) and the insurance oversight authority (*Autorité de contrôle des assurances et des mutuelles*), published a joint recommendation to address the accounting treatment of certain financial instruments that can no longer be reliably priced on the market because of the ongoing turmoil.

The recommendations (applied within the framework of IAS 39 in inactive markets) concern the following issues:

- using the reporting entity's own assumption when relevant market inputs do not exist;
- using broker quotes when assessing available information;
- taking forced transactions into account when assessing fair value;
- the role of observable transaction prices in an inactive market.

The aim of the recommendation is to provide clarification for annual and interim periods ending on or after 30 September 2008. It applies to the consolidated financial statements, prepared under prevailing IFRS as adopted by the EU, of entities holding financial assets which are measured at fair value and for which there is no active market.

http://www.amf-france.org/documents/general/8478_1.pdf

Short selling

The AMF Board meeting on 19 September 2008, acting in conjunction with the AMF's counterparts from the Euronext College of Regulators, adopted a ban on unsecured transactions and measures in relation to transparency of short positions in financial sector securities. This ban entered into force on 22 September 2008 for a period of 3 months. The AMF Board meeting on 19 December 2008 decided to maintain the measures it introduced on 19 September to govern the short-selling of financial sector securities for undisclosed period (even though the AMF indicated that it would re-examine the exceptional short selling measures in mid-February 2009).

http://www.amf-france.org/documents/general/8424_1.pdf

http://www.amf-france.org/documents/general/8425_1.pdf

http://www.amf-france.org/documents/general/8606_1.pdf

On 23 February 2009, the AMF launched a consultation on the temporary short selling regime (as introduced on 19 September 2009) with a view to adopt a permanent short selling regime. The consultation period ends on 10 April 2009:

http://www.amf-france.org/documents/general/8773_1.pdf

Sovereign wealth fund to aid national businesses

On 23 October 2008, the French president said that France will create a sovereign wealth fund to aid national businesses. The sovereign wealth fund will be managed by the CDC and will raise funds in the market for its investments. In addition, the French government will put a tax on business investment on hold until the start of 2010.

Following its announcement on 23 October 2008, the French President further announced the creation of the *Fonds Stratégique d'Investissement* (the "FSI"), which is controlled and managed by the CDC. The shares of the FSA are held by the CDC (51 per cent.) and the French government (49 per cent.). At its creation, the capital of the FSI was EUR 20bn and was available to reinforce and stabilise the capital and own funds of French businesses.

On 25 February 2009, the FSI announced its first investment in the share capital of Valeo S.A., an important player in the car parts industry. On 31 March 2009, the FSI announced that it would invest EUR 20m in the share capital of Farinia, a French leader in mechanical products and systems. The French government announced on 9 April 2009 that it would invest (via FSI) EUR 10m in the Heuliez Group, an important car parts manufacturer.

Fund for loans to local authorities

On 6 November 2008, the French government announced that it had put in place a fund of EUR 5bn for the provision of loans to local authorities. This fund would be split as follows:

- EUR 2.5bn would be made directly available to local authorities through loans from the CDC; and

- EUR 2.5bn would be made available to the following credit institutions (for the purposes of making loans to local authorities):
 - Caisse Nationale des Caisses d'Epargne: EUR 100m
 - Crédit Agricole: EUR 950m
 - Dexia Crédit Local: EUR 1.45bn.

Any loan made to a local authority must have a maximum term of 20 years and may only be used to finance the investments in the 2008 budgets of the respective local authorities.

The loans made by the CDC will carry interest at an interest rate equivalent to 3 month EURIBOR plus 0.40 per cent.

Plan to support the financing to SMEs

The French government has taken a number of steps to support French SMEs during the current financial crisis. These steps include, amongst others the following:

On 2 October 2008, the French President announced a EUR 22bn plan to support the financing to small- and medium-sized enterprises (SME) in respect of which the French government signed an agreement with the Federation of French Banks and each French bank on 21 October 2008.

The EUR 22bn plan consists of:

- a transfer of EUR 17bn of surpluses on regulated savings accounts to French banks, who must use these funds towards the financing of SME; and
- an additional EUR 5bn of state aid for SMEs via the public funding body OSEO.

In addition, on 27 November 2008, the French government announced that it had decided to offer a solution to cover part of the risks that French credit insurers are no longer willing to cover. For this purpose, the French state has granted a EUR 20bn guarantee to the *Caisse centrale de réassurance* for any of its re-insurance activities entered into prior to 31 December 2009 in relation to the credit risk on SMEs located in France. The *Caisse centrale de réassurance* will not be financially exposed as a result of these re-insurance activities unless the original credit insurer retains a risk exposure on the relevant SME. The Decree of 3 March 2009 also clarifies that the *Caisse centrale de réassurance* will need to keep separate books in relation to the guaranteed re-insurance activities.

General plan to revive the French economy

On 4 December 2008, the French President announced a EUR 26bn general revival plan for the French economy. The plan focuses on public investment and early tax reimbursement for companies, but also includes measures for industries particularly affected by the financial crisis (such as the construction, housing and car industry). The plan also provides for a EUR 10bn state guarantee scheme for public-private partnerships (PPP) that meet the criteria set out in the Law No. 20 09-122 of 4 February 2009. The plan was adopted by Parliament on 29 January 2009 and legislation has been published.

Support plan for the car industry

In addition to earlier measures taken by the French government to support the car industry (and in particular, the banking arms of the French car manufacturers), the French government announced on 9 February 2009 that it had concluded a pact with the French car industry. This pact provides for a number of additional support measures for the ailing car industry, including amongst others:

- the provision of a EUR 6.5bn loan to the French car industry (with EUR 3bn for Renault, EUR 3bn for PSA Peugeot Citroën and EUR 0.5bn for Renault Trucks). This 5 year-loan will be at an interest rate of as high as 6 per cent. and will impose on their beneficiaries a number of conditions regarding employment, investment and relationships with their suppliers.
- the provision by SFEF of additional financing to the banking arms of the car manufacturers. An additional EUR 2bn will be made available by SFEF in 2009.
- the establishments of a guarantee fund for loans granted to parts suppliers and subcontractors. The guarantee scheme, which will amount to EUR 4-5bn, will be run by the public funding body OSEO.

The pact with the car industry remains subject to authorisation by the European Commission.

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