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Announcement in relation to Covered Institutions

30.11.08

On 28th November 2008, Mr. Brian Lenihan T.D., Minister for Finance, stated:

“Today, I have asked the Institutions covered by the Government’s guarantee Scheme to consider the contribution that they can make to the economy through appropriate credit initiatives in relation to small and medium sized businesses and otherwise, and to come back to me on this matter within the next ten days.”

This request has been made during meetings with each of the covered institutions covered by the Government’s guarantee Scheme. These meetings followed on from the submission by the Central Bank and Financial Regulator to the Minister for Finance of a report on the financial position of the major financial institutions participating in the Government’s guarantee Scheme. The Minister has met with the Governor and the Financial Regulator to discuss the report which presents an analysis of the institutions having regard to their loan books. The content of the report is confidential and commercially sensitive and the details cannot be disclosed.

The report confirmed that the capital position of each of the institutions reviewed is in excess of regulatory requirements as at 30 September 2008. The report also concludes that even in certain stress scenarios the capital levels in the financial institutions will remain within regulatory requirements in the period to 2011.

The Minister noted that the Government’s guarantee Scheme has been successful in safeguarding the stability of the Irish banking sector and in restoring its liquidity position. The Minister has been engaging with the financial institutions in respect of their obligations under the Scheme. However, the Minister is aware that international capital market expectations in relation to capital levels in the banking sector have altered.

In the meetings, the Minister’s focus has been to secure a stable and active banking sector which serves the needs of the Irish economy. The Minister said that these discussions have been productive and informative.

The Minister said that he welcomes the views of a number of institutions that they are open to raising additional capital, with a view to being better able to fulfil their full role in the economy, while ensuring that they remain strong and stable institutions with capital levels well above the normal regulatory minima.

The Minister noted that for certain institutions the need for additional capital may be very modest, whereas for others the need may be greater. He noted in that regard that certain institutions are already in discussions with potential investors, and he encouraged the institutions concerned to progress these discussions.

The Minister indicated that in certain circumstances it would be appropriate for the State, through the National Pensions Reserve Fund or otherwise, to consider supplementing private investment with State participation, where in doing so the aim of securing the financial system can be better met. In that regard, the Minister is open to evaluating proposals from potential investors which would add value to the security and stability of the financial system and its ability to contribute in a positive way to economic development.

The State will consider any such involvement in credit institutions active in Ireland on the basis of objective and non-discriminatory criteria, in accordance with the principles set out in the Guarantee scheme. The appropriateness of the State involvement will be assessed on a case by case basis in view of the overarching objective to preserve financial stability, in line with best practice in the EU and elsewhere and consistent with EU state aid rules.

The Minister indicated that it is a matter for the Board of each institution concerned to develop further their own plans for raising capital where appropriate. The relevant institutions have agreed that they will work closely with potential investors and the Government to develop matters further by the end of the year.

The Minister is finalising the arrangements for the appointment of directors to the relevant institutions. An announcement in this regard will be made early next week.

For the sake of clarity, the Minister noted that he has made no proposals in relation to consolidation of financial institutions.

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