

Press Release

7 September 2010

Minister announces extension of the short term guarantee

Notes for editors

1. The State guarantees certain eligible deposits and debt securities (liabilities) under the *Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009* (SI no. 490 of 2009).
2. The ELG Scheme introduced in December 2009 is not a blanket guarantee but instead guarantees specific issuances of eligible debt securities and deposits (of up to five years) placed during the relevant issuance period, which is now extended to 31 December 2010 for all liabilities under the Scheme.
3. The issuance period (or window) for debt or deposits is the period during which a guaranteed deposit can be made or guaranteed debt issued.
4. On 28 June, the Commission approved the extension of the issuance window under the ELG Scheme from 29 September to 31 December 2010 for liabilities of between three months and five years duration (except interbank deposits) and retail deposits regardless of maturity (up to a fixed term of five years). This announcement adds the remaining liabilities under the ELG Scheme to

the extension being short term liabilities (0-3 months) including corporate deposits and interbank deposits so that now all liabilities under the Scheme benefit from the full extension of the issuance window to 31 December 2010.

5. The ELG Scheme does not guarantee dated subordinated debt or asset covered securities.

6. The participating institutions (banks or building societies that have joined the ELG Scheme to date) under the ELG Scheme are:

<u>Institution</u>	<u>Date institution joined ELG scheme</u>
Irish Life and Permanent plc	4/1/2010
Irish Permanent (IOM) Limited	4/1/2010
Bank of Ireland	11/1/2010
Bank of Ireland Mortgage Bank	11/1/2010
The ICS Building Society	11/1/2010
Bank of Ireland (IOM) Limited	11/1/2010
Allied Irish Banks, p.l.c.	21/1/2010
AIB Group (UK) p.l.c.	21/1/2010
AIB Bank (CI) Limited	21/1/2010
AIB Banks North America Inc.	21/1/2010
Anglo Irish Bank Corporation Limited.	28/1/2010
Anglo Irish Bank Corporation (International) plc.	28/1/2010
EBS Building Society	01/02/2010
Irish Nationwide Building Society	03/02/10
Irish Nationwide (I.O.M.) Limited	03/02/10

7. The fees are currently calculated by reference to the ECB recommendations on pricing for government guarantees for bank debt dated 20 October 2008. Furthermore, the Commission staff working paper dated 30 April 2010 on

‘Application of State Aid Rules on Government Guarantee Schemes covering bank debt to be issued after 30 June 2010’ provides for additional charges that vary according to the beneficiary bank's creditworthiness and are as follows for debt issued after 30 June –

- 20 basis points for participating institutions with a rating of A+ or A¹,
 - 30 basis points for participating institutions rated A-², and
 - 40 basis points for participating institutions rated below A-.
- Participating institutions without a rating will be considered to belong to the category of banks with a BBB rating³.

8. On demand retail deposits in excess of €100,000 are already guaranteed under the ELG Scheme up to 31 December 2010 (extension from 29 September announced on 29 June).
9. Retail deposits term deposits taken out between the date an institution joined the ELG Scheme and the 31 December 2010 remain covered until maturity (up to a maximum term of 5 years) (over €100,000) .
10. Retail deposits up to €100,000 are guaranteed under the other Deposit Guarantee Scheme and this Scheme does not have an end date.

¹ Or A1 and A2 depending on the rating system employed.

² Or A3 depending on the rating system employed.

³ In the case of divergent assessments by different rating agencies the relevant rating for the calculation of the fee increase should be the higher rating. The material time for the rating in the determination of the guarantee fee is the day on which the guarantee is granted in relation to a specific bond issuance by the beneficiary.

11. EU Commission approval is required under state aid rules for guarantee schemes in EU member states.

12. Over a dozen other EU member states have guarantee schemes extended to 31 December such as Austria, Cyprus, Denmark, Germany, Hungary, Ireland, Latvia, Netherlands, Poland, Slovenia, Spain and Sweden.

13. Postbank is not a member of the ELG Scheme but is a member of the Credit Institutions (Financial Support) Scheme 2008 (the 'CIFS Scheme') and the CIFS guarantee expires on 29 September 2010.