



Credit Institutions (Financial Support) Scheme 2008 (the “Scheme”)

Market Notice - Confirmation of Statutory Guarantee

1. Nature of the statutory guarantee

The covered liabilities of participating covered institutions for the period 30 September 2008 to 29 September 2010 inclusive are guaranteed under the laws of Ireland by the Minister for Finance.

In the event of any default of a covered institution in respect of a covered liability, the Minister for Finance will pay to the relevant creditor, on demand, an amount equal to the unpaid covered liabilities.

The guarantee is unconditional and irrevocable and ensures timely payment of the covered liabilities of the covered institutions.

Should a covered institution be removed from the Scheme, all of its fixed term covered liabilities outstanding at that time will continue to have the full benefit of the guarantee to 29 September 2010 or their maturity, whichever is the earlier. All covered liabilities, including on-demand deposits, will be protected by notice of at least 90 days prior to any covered institution being removed from the Scheme.

No call can be made under the guarantee after 29 September 2010.

The guarantee does not affect any other rights or claims of creditors.

2. Designation of covered institutions

The Minister for Finance will make an order designating the credit institutions (which for the avoidance of doubt includes any of their branches) and named subsidiaries that will be able to join the Scheme.

In order to join the Scheme these institutions will be required to execute a "guarantee acceptance deed". Institutions that join the Scheme will become "covered institutions".

Once it has executed a guarantee acceptance deed and the Minister has made the requisite order, the name of each covered institution will be published on the website of the Department of Finance <http://www.financegov.ie>.

3. Covered liabilities

The following liabilities are covered by the Scheme ("covered liabilities"):

- all retail and corporate deposits (to the extent not covered by existing deposit protection schemes in Ireland or any other jurisdiction);
- interbank deposits;
- senior unsecured debt;
- covered bonds (including asset covered securities); and
- dated subordinated debt (Lower Tier 2).

4. Risk weighting

The Financial Regulator has deemed that, under the Standardised Approach, covered liabilities would qualify for zero risk weighting for capital adequacy purposes during the period of the guarantee.

5. Charge and indemnity

The covered institutions will pay a quarterly charge to the Exchequer for the guarantee. The aggregate amount of the charge is based on the increased debt servicing costs that the State bears as a result of providing the guarantee. Current estimates are that over the two years of the Scheme the charge to the covered institutions for the guarantee will yield €bn.

By joining the Scheme, a covered institution will also agree to indemnify the Minister in respect of any payments made, or costs incurred, by the Minister in respect of the guarantee relating to that covered institution.

A covered institution is not required to indemnify the Minister in respect of any payments made by the Minister under a guarantee given to any other covered institution which is not a member of its corporate group.

6. Legislative Basis

Under the Credit Institutions (Financial Support) Act 2008 (the "Act"), the Minister for Finance has the power to provide guarantees to covered institutions.

The Scheme, which provides for the terms and conditions under which the guarantee is provided, was approved by both Houses of the Oireachtas (i.e. the Irish Parliament) on 17 October 2008.

The Act, the Scheme and Ministerial orders made under section 6(1) of the Act provide the statutory basis to the credit institution guarantee arrangement announced by the Minister for Finance on 30 September 2008 and 9 October 2008.

The Scheme has been approved by the European Commission as being compatible with EC Treaty State aid rules.

Further information

A copy of the Act and the Scheme are available on the Department of Finance website:
<http://www.finance.gov.ie>

Department of Finance
22 October 2008