

31 March 2011

EC, ECB AND IMF WELCOME THE IRISH AUTHORITIES' BANKING SYSTEM ANNOUNCEMENTS

The European Commission (EC), European Central Bank (ECB), and International Monetary Fund (IMF) today issued the following statement on the Financial Measures Programme in Ireland.

"Today's comprehensive announcements by the Irish authorities are a major step toward restoring the Irish banking system to health which is crucial for sustained revival of growth and employment.

"Consistent with the program supported by the EU and IMF, the Central Bank of Ireland, together with leading international consulting firms, has identified the banks' capital needs, based on thorough and transparent valuations of bank assets and stringent stress tests conducted with an appropriately high minimum capital ratio, which will ensure a sound capital basis of the banks. The process was conducted in close consultation with the staff of the EC, ECB and IMF, who have reviewed the methodology utilized.

"The EC, ECB and IMF staff welcome the rigorous capital needs assessment and strongly support the authorities' plans to ensure that these capital needs are met in a timely manner. The capital needs can be funded comfortably under the program supported by the EU and IMF.

"The related plans to deleverage bank balance sheets, including through phased sales of non-core assets over time, will reinforce the benefits of higher capital and help banks regain access to the market sources of financing needed to enable renewed lending.

"The Irish government also made important announcements on the future structure of the banking system, and the staff of the EC, ECB and IMF endorse this strategy to focus on the development of two strong pillar banks with sound business models able to serve the Irish economy's needs. The detailed restructuring plans for the banks are to be notified to the EC for approval under state aid rules; the EC will assess the plans based

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on established criteria, taking into account market structures and the need to keep markets open.

"The staff of the EC, ECB and IMF look forward to discussing progress with implementing the measures announced today, together with a broader range of economic issues, during the program review mission starting next week.

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