This is the information supplied by the Irish Government on the revisions to the EU/IMF Bailout negotiated at the end of the second quarter of this Bailout. It was supplied on April 15, 2011.

EU/IMF Programme of Financial Support for Ireland

The Government has successfully concluded the first and second quarterly programme review mission with the EU Commission, the ECB and the IMF.

The purpose of the quarterly review mission has been to evaluate performance against targets to date on all the elements of the programme of financial support for Ireland including fiscal developments, the macroeconomic outlook, progress on commitments in the restructuring of the financial sector and structural reform. The Government is pleased that the staff mission has assessed the Programme to be on track and in their view the targets in the Programme have been met.

During this programme review, a number of Government members along with senior officials, have met with representatives from the EU, ECB and IMF (the external partners) and assured them of this Government's commitment to the fiscal targets set out in the EU/IMF Programme. There have been several days of discussions at a technical and policy level and we have developed a good level of understanding between us about the plans and intentions of the new Government, and the needs of the Programme, and the Commission, IMF and ECB team have been helpful in their approach.

In the negotiations with the external partners, the Government set out measures that we would be seeking to include in the revised Programme. During the negotiations, it became clear that there was sufficient flexibility within the Programme to allow us to include these important policy measures, while respecting the overall fiscal parameters and goals of the programme. The revised Programme will now include these measures dealing with the Jobs Initiative, the minimum wage, the comprehensive spending review, amongst other measures (See Notes for Editors). The Government will constantly strive to ensure structural reform and competitive improvements in our economy.

There was also considerable discussion of our ongoing banking issues. The impact and importance of our recent PCAR/PLAR exercise and the restructuring of our banking system on which we are now engaged was fully recognized in the course of our discussions. But both we and our partners in this Programme understand the importance to maintain the momentum, to drive forward with the reforms, and to acknowledge and address issues that arise. We have made big progress on this in a short time and we must press on to complete the job. Yesterday's reference to the High Court in relation to AIB Bank subordinated bonds is a case in point – we are already taking the actions we announced just a couple of weeks ago.

The Review will be formally completed with the consideration by Eurogroup, ECOFIN and the IMF Executive Board of the reports by their various staffs on progress to date – and the proposed amendments. There is still some technical work and approvals required in relation to the review documentation. The final documents will be made publicly available when final approval occurs on 15th and 16th May. This will be followed by a Dáil debate on the Programme.

Prior to the final publication of the documentation, it is clear that :

- The conditions of the programme are being broadly met to date
- the fiscal programme is on track.
- important progress has been made in addressing banking sector challenges including

Ø The recapitalization, restructuring and development of plans for deleveraging the banking system. Action on these issues is to move ahead in a timely manner.

Ø The programme partners and the Government are determined to continue the momentum of the recent actions taken in relation to the banks.

Ø All the critical benchmarks for end-December 2010 and for end-March were met. These included, for example, publication of the Central Bank and Credit Institutions (Resolution) Bill 2011, the assessment of banks deleveraging plans and the completion of diagnostic evaluation of banks' assets and the stress tests. The Central Bank released the detailed results of the *Financial Measures Programme* , which was endorsed by the financing partners and has been well received by financial markets.

As has been agreed and is standard under programmes of financial support, the Government will continue to consult with the Fund, the European Commission and the ECB on any changes to the policy measures outlined in the agreed support programme.

15th April 2011

Ends

<u>Notes</u>

The Government has set out the following key features to be incorporated in the revised Memorandum for Government:

Financial Sector Policies

- We are moving forward with purpose to put the banking system on a firm footing for the future so it can become an enabler of the economic recovery.
- We have therefore completed a comprehensive assessment of the capital and liquidity conditions and needs of domestic banks.
- On the basis of this rigorous analysis, we have adopted a comprehensive strategy to reorganise and reform the domestic Irish banks.
- There will be no further transfer of assets to NAMA

Restructuring of the Financial Sector

- The domestic banks will be substantially reorganised to ensure that they will provide the economy with the services and credit it needs.
- We have started the process of resolving the unviable banks.

Deleveraging

- We are targeting a significantly smaller and more robust banking system while avoiding fire sales.
- To achieve this goal we are establishing a strong framework for the management, governance, and monitoring of deleveraging.
- Progress with deleveraging will be demonstrated in future reviews of the program, taking into account relevant market conditions.
- The implementation of deleveraging will be subject to ongoing review. #
- NAMA 2 assets will not now be required to be transferred to NAMA. Alternative deleveraging plans will be developed by the banks for these assets.

Recapitalisation of the Banking System

- The PCAR found that a further €24 billion was required to ensure a sound capital basis of the banks.
- Recapitalisation will be completed in a timely manner and will allow for burden sharing with junior bond-holders and the possibility of additional private investment to minimise the cost on taxpayers.
- We are therefore promptly undertaking the steps needed to execute the bank capitalisation.
- Consistent with the substantial State resources invested in the banking system, responsibility for the banking sector within the government will be reorganised and strict governance standards for state-owned banks will be adopted.

Strengthening the Banking Framework

- We are addressing underlying weaknesses that led to the banking crisis. This will involve:

o Continuing to enhance banking supervision.
o Ensuring that banks adopt prudent policies to address the deterioration in asset quality.
o Ensuring sound bank lending and risk management.
o Enhancing the quality and availability of credit information available to credit providers
o The PCAR in 2012 will be timed to coincide with the EBA stress test.

- We will improve asset recovery procedures by addressing weaknesses in the personal insolvency regime strengthening NAMA.
- Finally, we are improving our crisis preparedness.

Fiscal Policies

- Ireland faces significant adjustments to ensure that debt remains on a sustainable path and to win back access to market funding.
- Our immediate priority is to support enterprise, restore confidence to the economy and get people investing and spending to create jobs.
- We will seek to ensure that future fiscal consolidation is fair and does not over burden those most in need.
- The Comprehensive Spending Review announced last week will ensure best value for money for all taxpayers.
- We are undertaking institutional fiscal reforms to firmly anchor the sustainability of public finances:

o we will establish a Fiscal Advisory Council to provide an independent assessment of public finances.
o The Fiscal Responsibility Bill, to be submitted to Dáil Éireann before end 2011, will reform the budgetary framework.
o we will introduce by end-December 2011 binding multi-annual expenditure ceilings with broad coverage.
o The Programme for Government contains proposals for reforms to Ireland's budgetary framework and the Department will organise a seminar in May 2011 to allow for discussion of policy options.

- We are taking proactive measures through the Social Welfare and Pensions Bill to reduce our long-term pension liabilities.

Structural Reforms

Product and Labour Market Reforms

- We are adopting policies to lower costs in sheltered sectors, thus boosting purchasing power and underpinning further competitiveness gains.
- The Government is due to consider a potential programme of asset disposals based on the Programme for Government and the Review Group on State Assets and Liabilities. The Government will discuss its plans with the European Commission, the IMF and the ECB when it has finalised its response to the Review.
- We are committed to create conditions conducive to job creation through the Jobs Initiative, which will be announced in May.
- The reversal of the cut in the minimum wage will be reversed with the effect on business costs being offset by a reduction in employers' PRSI.
- The review of the EROs/REAs and other measures to increase competition in sheltered sectors of the economy (these measures are not conditional on each other

but are partof a comprehensive package designed to make work pay and improve the competitiveness of the economy).

Programme Financing

- Taking account of the lower banking recapitalisation cost, we are requesting that the timing of drawings from the EU and IMF be adjusted.

Programme Monitoring

- Progress in the implementation of the policies under the programme will continue to be monitored through quarterly and continuous performance criteria, indicative targets, structural benchmarks, and quarterly programme reviews and compliance with requirements under the Memorandum of Understanding on Specific Policy Conditionality.