

*This document has been prepared for information purposes only in connection with Second Reading in the House of Commons of the Loans to Ireland Bill. Without prejudice to the ongoing negotiations, it contains a summary of terms agreed in principle and expected to be included in a credit agreement between HM Treasury and Ireland.*

## **SUMMARY OF KEY TERMS**

### **CREDIT FACILITY**

#### **FOR**

#### **IRELAND**

#### **PARTIES**

1. **Borrower:** Ireland represented by the Minister of Finance.
2. **Lender:** The Commissioners of Her Majesty's Treasury.

#### **THE FACILITY**

1. **Facility:** Term loan facility for the Sterling equivalent of €3.8 billion (expected to be c.£3.2 billion).
2. **Purpose:** The Facility may only be used for the purpose of supporting the Borrower's economic stabilisation plan and to restore its capacity to finance itself on the capital markets.
3. **Availability Period:** From the date of the credit agreement up to and including the date falling thirty business days after the IMF tenth Review under its Memorandum of Understanding with the Borrower.
4. **Utilisation:** Loans shall be disbursed in 8 equal instalments by reference to approval of the relevant review by the IMF and European Commission under the Memoranda of Understanding starting from the third IMF Review.  
  
There will be provision for the Borrower to request a loan in a smaller amount than that referred to above and the remaining balance will be carried over (subject to any loan not exceeding an amount equal to two scheduled loans).
5. **Repayment:** Each loan must be repaid in full on the date falling 7.5 years after the date on which it is made.

## PRICING

1. **Commitment Fee:** 0.5 per cent. per annum on the undrawn commitment for the next year.
2. **Margin:** 2.29 per cent. per annum.
3. **Interest on loans:** The rate of interest payable on a loan will be at a fixed rate per annum equal to the aggregate of:
  - (a) the Margin; and
  - (b) the Sterling 7.5 year swap rate at the date of disbursement.

Interest will be payable on 15 June and 15 December in each year.
4. **Default interest:** Interest on overdue amounts will be increased by 2 per cent. per annum.

## OTHER TERMS

1. **Documentary conditions precedent:** Conditions precedent will include:
  - (a) finalisation by the Borrower, after consultation with the Lender, of a restructuring plan in relation to its banking sector with the IMF, European Commission and European Central Bank (the **Restructuring Plan**);
  - (b) evidence that the IMF and the European Union are satisfied that the Borrower is complying with the Restructuring Plan;
  - (c) no amendments to the Restructuring Plan that would have a material adverse financial impact on the UK operations of Anglo Irish Bank, Allied Irish Banks and Bank of Ireland; and
  - (d) no amendments to the facilities provided by the IMF, European Financial Stability Mechanism, the European Financial Stability Fund or Sovereign bilateral lenders or to the Memoranda of Understanding that would have a material adverse effect on the Borrower's ability to restore its capacity to access the capital markets.
2. **Market terms:** These will include terms dealing with:
  - (a) indemnities; and

- (b) breakage costs.
3. **Taxes:** All payments must be made without deduction or withholding for any Irish tax. Standard gross-up provisions will apply.
- Stamp taxes payable in connection with the credit agreement are for the account of the Borrower.
4. **Information covenants:** These will include, in addition to information relevant to the loans and information relating to the progress of the Borrower's economic stabilisation plan, copies of reports dispatched by the Borrower to the IMF, European Union or European Commission in respect of the Memoranda of Understanding.
5. **General covenants:** These will include:
- (a) *pari passu* ranking of obligations under the credit agreement with all other unsecured, unsubordinated obligations (recognising the seniority of the support facilities provided by the IMF and European Financial Stability Mechanism);
- (b) a prohibition on the creation of security (negative pledge) (subject to agreed exceptions) in respect of the Borrower; and
- (c) an undertaking from the Borrower not to prepay any of its financial indebtedness prior to its existing scheduled repayment date (subject to agreed exceptions).
6. **Events of default:** These will include:
- (a) non-payment (with a three business day grace period for technical/administrative error);
- (b) breach of other obligations under the credit agreement (with, a one month grace period);
- (c) misrepresentation which would have a negative impact on the Borrower's ability to perform its obligations or the Lender's rights under the credit agreement;
- (d) cross-acceleration in respect of defined financial indebtedness (subject to an agreed threshold);
- (e) insolvency events and related matters;

- (f) a declaration of default under any of the support facilities provided by the IMF, European Financial Stability Mechanism, European Financial Stability Fund or other bilateral Sovereign lenders;
- (g) the Borrower not being or ceasing to be a member of the IMF or in good standing and eligible to use the resources of the IMF;
- (h) the Borrower not being or ceasing to be a member of the European Union;
- (i) there no longer being sufficient funds available to the Borrower to effect the Restructuring Plan; and
- (j) general failure for payment obligations to retail or wholesale depositors to be met under the Irish Deposit Guarantee Scheme or Eligible Liabilities Guarantee Scheme where payment not otherwise provided for.

Following the occurrence of an event of default the Lender may cancel all or any part of the commitment under the Facility and/or declare all or any part of any amounts outstanding under the credit agreement immediately due and payable or payable on demand.

- 7. **Expenses:** All legal and other expenses incurred by the Lender in connection with the negotiation, preparation, printing, execution, enforcement, administration and any amendment of the Agreement will be for the Borrower's account.
- 8. **Governing law:** The credit agreement and any non-contractual obligations arising out of or in connection with it will be governed by English law.
- 9. **Enforcement:** The English courts will have exclusive jurisdiction in relation to any dispute including a dispute relating to non-contractual obligations arising out of or in connection with the credit agreement.
- 10. **Waiver of immunity:** The credit agreement will include customary provisions for the waiver of sovereign immunity by the Borrower.