

Minister Meeting IMF 29 April 2009

IMF Focus/Comments in discussions with the Banks

- IMF focus in discussions with banks is on asset quality and funding, in particular where the pressures are
- IMF supportive of Government policy re banks (and public finances) but says Government faces huge task that will need 3-5 years of very careful management
- IMF consider that loan write downs will not only be in commercial property and development
 - home mortgage market will be negatively affected with unemployment at 14% or 15% in 2010; effect will be lagged but will occur
 - SME distressed loans will rise
 - Credit cards will see problems
- IMF asking about modelling of “past due” loans or repossessions; accepted that repossessions not as common in Ireland as in other countries but still concerned that there would be a rise in “past due” loans
- IMF agreed with AIB observation that banks all over Europe are rowing back on lending

Possible IMF comments on NAMA

- IMF (Mr Steven Seelig) indicated to Ulster Bank and AIB their support for the NAMA initiative taken by Ireland
- IMF would have been encouraging the adoption of a NAMA-type initiative even if the Minister had not already announced the initiative
- Re the EU State Aid angle, IMF expressed surprise at some of the concerns expressed by DG-Competition and did not agree that anti-competitive issues were as important as resolving the problem in the financial institutions
- IMF stated that the EU Commission’s desire that a different and specific claw back should apply to each bank cannot work because that will leave the loans still on the balance sheet of each bank – NAMA can only work if the risk associated with the transferred loans has been transferred
- IMF interested in finding out more about the levy that would be applied to recoup any shortfall – this type of recourse had never been done anywhere else before
- IMF (Mr Seelig) do not believe that NAMA will result in significant increase in bank lending in Ireland