

# Ireland's bid to end two-year bank crisis

At the peak of the housing boom in 2007, bank lending to households exceeded  $\pounds 390$  billion – double the nation's GDP – with an average value of  $\pounds 266,400$  for a new housing loan, and mortgage rates down to 3.49%

**Sep 2008:** As global financial crisis bites, government saves country's main banks from going bust with unprecedented  $\pounds 400$ bn guarantee

**Dec 29:** Shares in **Anglo Irish Bank** – lender at heart of meltdown – plummet from more than  $\pounds 17$  each in 2007 to just **12c**

**Jan 2009:** Anglo Irish nationalized

**Feb:** In Dublin 100,000 people protest against government's handling of recession and bank bailouts

**Dec 9:** Finance Minister **Brian Lenihan** (above) announces tough budget cuts of over  $\pounds 4$ bn

**Feb 2010:** **National Asset Management Agency** – “bad bank” to purge toxic loans – gets EU approval. NAMA can force banks to sell debt at highly discounted rates in return for government-backed bonds. These can be used as collateral to borrow from **European Central Bank**

**Mar:** Anglo Irish reports  $\pounds 12.7$ bn corporate loss – biggest in Irish history

**May:** NAMA buys  $\pounds 15.28$ bn of bad loans at average discount of 50%



**Jul 2010:** Ratings agency **Moody's** downgrades Ireland's sovereign bond rating to eight notches above junk grade. Interest rate for government borrowing soars to over **6.7%**, compared with 2.3% in Germany

**Aug:** Anglo Irish announces record losses of  $\pounds 8.2$ bn for six months to June 2010. NAMA buys further  $\pounds 11.9$ bn of bad loans at average discount of 55.6%

**Sep 30:** Governor of Ireland's Central Bank **Patrick Honohan** reveals cost to taxpayer of bailing out banks will be  $\pounds 50$  billion. Says most of bailout of Anglo Irish and Irish Nationwide is “**essentially lost money**”



**Oct:** NAMA to buy further  $\pounds 19$ bn of Anglo Irish toxic debt at discount of up to 70%. Anglo Irish to be split into two separate banks – “good” funding bank and “bad” asset-recovery bank

**Dec:** NAMA to buy  $\pounds 27.2$ bn bad debt from banks at 67% discount, bringing total bad debt to  $\pounds 73.4$ bn, at cost to taxpayer of  $\pounds 30.5$ bn  
**Super Budget:** Lenihan is expected to outline four-year  $\pounds 7$ bn budget to end crisis, reducing deficit from **32%** of GDP to below **3%** by 2014

**Estimated cost of bailout to each of Ireland's 2 million taxpayers:  $\pounds 25,000$**



ANGLO  
IRISH  
BANK

**€34.3bn**



IRISH  
NATIONWIDE

**€5.4bn**



EBS  
BUILDING  
SOCIETY

**€525m**



BANK  
OF  
IRELAND

**€3.5bn**



ALLIED  
IRISH  
BANKS

**€1.8bn**