HM TREASURY

Report under section 2 of the Loans to Ireland Act 2010:

1 April 2012 to 30 September 2012

October 2012

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Presented to the House of Commons pursuant to section 2 of the Loans to Ireland Act 2010

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Any queries regarding this publication should be sent to us at: public.enquiries@hm-treasury.gov.uk.

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1 Introduction

1.1 In December 2010, the UK agreed to provide a bilateral loan of £3.2 billion as part of a €67.5 billion international assistance package for Ireland. The loan is due to be disbursed in eight tranches of £403.37 million (each tranche is referred to in the Act as a "loan"). The Government expects the loan to be repaid in full. The Loans to Ireland Act, which was given Royal Assent on 21 December 2010, provides Parliamentary authorisation for the making of loans to Ireland.

1.2 The Government has agreed to provide a bilateral loan to Ireland because it is in the UK's national interest that Ireland has a successful economy and a stable banking system. The links between our financial systems, particularly in Northern Ireland, mean that there is a strong economic case to provide financial assistance to Ireland. By being part of the international financial package, the UK will indirectly support the very many businesses across the UK that trade with Ireland.

1.3 The Treasury is required under section 2 (3) of the Loans to Ireland Act 2010 to report on:

- any payments made by the Treasury by way of an Irish loan in the period to which the report relates;
- any sums received by the Treasury in that period by way of repayment of principal or the payment of interest in respect of an Irish loan;
- the aggregate amount of principal and interest in respect of Irish loans which is outstanding at the end of that period;
- the remaining term of each Irish loan which is outstanding at the end of that period; and
- the original term of each Irish loan in respect of which a payment was made by the Treasury by way of an Irish loan in that period.

1.4 Section 2 (4) of the Loans to Ireland Act 2010 states that no report is required to be prepared or laid in relation to a period if:

- no payments within subsection (3)(a) are made in the period;
- no sums within subsection (3)(b) are received in the period; and
- no amount of principal or interest in respect of an Irish loan is outstanding at the end of the period.

1.5 The Credit Facility Agreement for Ireland provided by The Commissioners of Her Majesty's Treasury which was in force during the period to which this report relates, is available at: http://www.parliament.uk/deposits/depositedpapers/2011/DEP2011-0015.pdf?bcsi_scan_F8D0BFE83951C3DA=0&bcsi_scan_filename=DEP2011-0015.pdf

1.6 The amended and restated Credit Facility Agreement for Ireland provided by The Commissioners of Her Majesty's Treasury which came into force on 4 October 2012 has been deposited in the Library of the House on 15 October 2012.

Previous reports

1.7 This is the second occasion on which the Treasury has made such a report. The first report pertaining to the six month period ending 31 March 2012 was laid on 11 June 2012 and is available at: http://www.official-documents.gov.uk/document/other/9780108511806/9780108511806.pdf

1.8 A correction is made for the above report relating to the period ending 31 March 2012 in paragraph 2.4. The figure representing accrued outstanding interest at 31 March 2012 should have read £8,662,317 instead of £8,768,112. All other amounts including interest received in the report period were, and remain, accurate.

2 Report covering the period 1 April 2012 to 30 September 2012

2.1 This chapter constitutes the report required to be prepared under section 2 of the Act, and provides information about Irish loans in the period beginning with 1 April 2012 and ending on 30 September 2012.

2.2 The Treasury reports that in the six months to 30 September 2012, following successful completion of the relevant programme reviews by the IMF and the EU, the Treasury disbursed one tranche of the loan to Ireland with a maturity of 7.5 years, under the terms of the Credit Facility Agreement deposited in the Library of the House on 10 January 2011.

2.3 Table 2.A discloses loan disbursements made to Ireland by the Treasury within the report period. The aggregate amount of principal outstanding at 30 September 2012 was £1,613,480,000.

Table 2.A: Loan disbursements and maturities

Disbursement date	Loan amount	Loan maturity date	Remaining term as at 30 September 2012
1 August 2012	£403,370,000	3 February 2020	7 years, 4 months and 3 days
Disbursements during previous reporting periods			
14 October 2011	£403,370,000	15 April 2019	6 years, 6 months and 15 days
30 January 2012	£403,370,000	30 July 2019	6 years and 10 months
28 March 2012	£403,370,000	30 September 2019	7 years
Total disbursed to date	£1,613,480,000		

2.4 Table 2.B discloses interest payments received by the Treasury in relation to Irish Loans within the report period. Accumulated interest on the disbursed tranches of the loan is payable by Ireland each year on 15 December and 15 June until the associated tranche is repaid. Under the original interest rate, the Treasury received an interest payment of £19,688,409 on 15 June 2012, and accrued outstanding interest at 30 September 2012 was £18,429,135. Please refer to paragraph 2.5 below for information on retrospective amendments to the interest rate due to be applied. Each disbursed tranche is repayable in full on its final maturity date. No principal repayment was due within the report period.

Table 2.B: Payments received by HM Treasury

Interest payment date	Interest amount received
15 June 2012	£19,688,409
Total interest received to date	£22,898,630

Revised Credit Facility Agreement

2.5 In 2011, the Chancellor of the Exchequer took the decision to lower the interest rate on the bilateral loan to Ireland. On 4 October 2012, the revised Credit Facility Agreement reflecting the new lower interest rate came into force. The new interest rate, which applies retrospectively, represents the UK's cost of funding plus a service fee of 0.18 percentage points. The UK's cost of funding for this purpose is defined as the average yield on gilt issuance in the six months prior to the disbursement of a tranche.

2.6 In order to adjust for the higher interest rates previously paid by Ireland, the next interest payment due on 15 December 2012 will be reduced by £7,668,903.59 as a rebate.

HM Treasury contacts

This document can be found in full on our website: http://www.hm-treasury.gov.uk

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