An Roinn Airgeadais
Department of Finance

Shareholding and Financial Advisory Division (SFAD)

Fact Book: April 2021

Shareholding and Financial Advisory Division

SFAD Roles & Responsibilities

- The Shareholding and Financial Advisory Division (SFAD) consists of a team of c. 20 professionals with a mix of capital markets, accounting, corporate finance, legal and investment backgrounds. This team has a blend of both private sector expertise and experienced civil servants and has a number of roles and responsibilities:

SFAD

1. Oversight of State ownership in Irish banks	▪ Developing and recommending to the Minister strategies for returning the banks to private ownership ▪ Realising value for the taxpayer by executing share disposals ▪ Monitoring bank performance and stock market trends through regular interaction with management, investors and market participants ▪ Protecting and exercising the Minister's rights while respecting bank Relationship Framework Agreements
2. Advisory and policy development	▪ Utilisation of expertise within the Division to provide financial advisory services and input to policy options across the Department of Finance ▪ Manage and co-ordinate the Blockchain & Virtual Currencies Working Group ▪ Provide insight and objective analysis on emerging areas of financial services and technology
3. Oversight of NAMA and HBFI	▪ Responsible for the management of the Minister's shareholding in the National Asset Management Agency (NAMA) and Home Building Finance Ireland (HBFI)
4. Oversight of Credit Union Sector	▪ Policy oversight for the Credit Union sector ▪ Provide advice to the Minister on developments in the sector
5. Market Interaction	▪ Daily two-way interaction with analysts, investors, investor relation teams and investment banks
6. Liquidation of IBRC	▪ Responsible for representing the Minister's interests in relation to the liquidation of IBRC

A Track Record of Delivery

A number of significant milestones have been achieved:

2010 to 2014

- Recapitalisation, restructuring and deleveraging was undertaken across the sector
- Elimination of promissory notes programme, ELA and liquidation of IBRC
- Sale of Bank of Ireland CoCos (€1bn) and Preference Shares (€2bn)
- State disposal of Irish Life for €1.3bn
- Establishment of NAMA
- Troika programme commitments met and programme exited

2015

- PTSB raised €525m of capital to address stress test shortfall, while the State retained a 75% stake
- AIB capital reorganisation returned €1.6bn to the State

2016

- AIB CoCo redemption of €1.6bn
- IBRC paid first interim dividend of 25% to all admitted creditors

2017

- AIB resumed dividend repayment: €250m and Initial Public Offering (IPO) raised €3.4bn for the State (the second largest IPO globally in 2017)
- Completion of ReBo activity: 82 mergers concluded, involving 156 individual credit unions with total assets in excess of €6.7bn
- NAMA repaid 100% of its senior debt
- IBRC paid second interim dividend of 25% to all admitted unsecured creditors

2018

- BOI announced the re-commencement of dividends
- Eligible Liability Guarantee (ELG) eliminated
- PTSB completed the sale of Project Glas and Project Glenbeigh. This saw its NPL ratio reduce to 10%, from 26% at the start of the year
- Launched an intra-Departmental working group on virtual currencies & blockchain technology
- IBRC paid final dividend of 50% to all admitted creditors
- Anglo Irish Bank assessor appointed pursuant to the Anglo Irish Bank Corporation Act 2009

2019

- Home Building Finance Ireland (HBFI) officially launched in January 2019 to finance housing construction
- Hosted the first Government services blockchain hackathon in the Trinity Innovation Centre in January 2019
- Permanent TSB exited its restructuring plan

2020

- Ongoing efforts to address the numerous challenges posed by Covid-19 to the Irish banking sector and the wider economy
- NAMA redeemed final debt and equity obligations and commenced return of surplus to the State - first €2bn returned to Exchequer in June 2020
- Final report of the Anglo Irish Bank Assessor published in April 2020
- Finance(Miscellaneous Provisions) Act 2020 and Credit Union Restructuring Board (Dissolution) Act 2020 completed December 2020
- Bureau membership of OECD Committee on Financial Markets

Section 1: Introduction

Section 2: State Bank Investments

Section 3: NAMA / HBFI

Section 4: Credit Unions

Section 5: IBRC

Section 6: Financial Advisory

State Bank Investments:

Core objective is to return banks to private ownership

How we look at the State's bank investments:

- Irish State still "owns": c. 42% of the combined assets of AIB/BOI/PTSB (translates to 36% of assets of five retail banks)
- c. 50% of the combined market value of AIB/BOI/PTSB

1 Value For Taxpayers

- Government policy is not to hold these investments long term and, subject to market conditions, is willing to exit in a manner that generates value for the taxpayer

2 Monetise through sales & income

- Disposals since Summer 2017 hampered by numerous factors including poor markets. In times of depressed valuations, income return in dividends and return of any excess capital becomes very important.

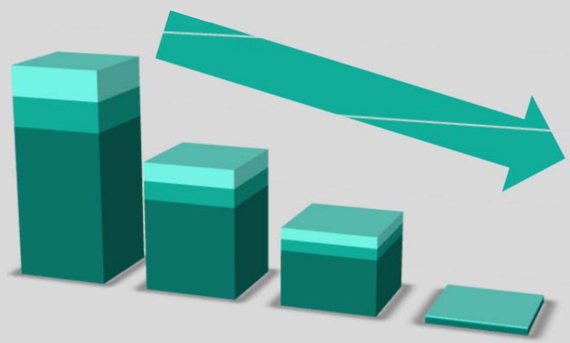
3 Rational Investor

- State priority is to engage with the market in a sensible, orderly and professional manner

Multiple considerations to take into account:

- Government authorisation
- Investor appetite and market conditions
- Valuation
- Irish economy
- Global economy
- Financial performance

State Exit



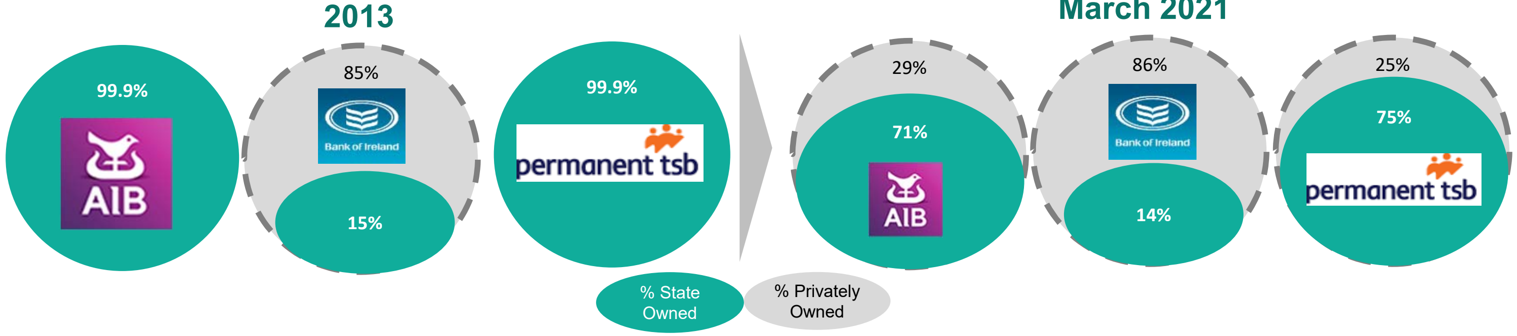
State Bank Investments

Overview – strong financial performance in recent years pre-Covid-19

Commentary

- The state has reduced its ownership in all three banks since 2013
- In the years leading up to the Covid19 pandemic we saw strong capital generation to support growth and payouts while helping to withstand regulatory headwinds
- Impact of Covid-19 saw a huge swing from profits in 2019 to significant losses in 2020. However, the strong capital and liquidity positions going into the crisis positions them to deal with the challenges arising and to support a recovering economy.
- The impairment charge booked by the Irish banks was significantly ahead of international peers reflecting the requirement to use historical data in the impairment models and Ireland's more severe experience during the last crisis.
- Department as shareholder keen to see any surplus capital returned as soon as possible.

The State holds investments in three Irish banks:



2020 FY Highlights

AIB

- AIB recorded an underlying loss of €716m for FY 2020, with a return to a profit of €93m in H2. The FY result was largely a result of the Covid19 ECL charge of €1.46bn.
- The bank successfully issued €625m of AT1 in June 2020, highlighting the strong support that AIB has within credit markets with a nine times oversubscribed order book.
- For FY 2020, the banks capital position remained robust with a reported fully loaded CET1 ratio at 15.6%, well in excess of minimum requirements.
- New lending of €9.2bn was down 25% y-o-y. H2 recovered somewhat and was 9% ahead of H1 (€4.4bn).
- 66k (€4bn) of retail payment breaks were originally granted, 88% of which have returned to full pre Covid terms.

permanent tsb

- PTSB recorded an underlying loss of €103m for 2020 versus a profit of €74m in 2019. As with the other banks, this outturn was dominated by the impact of Covid-19 with PTSB booking an impairment charge of €155m.
- Notwithstanding this, capital and liquidity positions remained strong leaving the bank well positioned to support the recovering economy.
- Although new lending was down 15% y-o-y, H2 saw a strong recovery with mortgage drawdowns up 40% on the first half of the year. Management also commented on the continued momentum into the first two months of 2021.
- Payment break experience has proven to be more favourable than originally thought with 90% of customers not expected to require further forbearance measures.

Bank of Ireland

- BOI announced an underlying loss of €374m for 2020 versus a profit of €758m in 2019. Encouragingly, however, the bank returned to an underlying profit in H2. The 2020 financial performance was dominated by the impact of Covid-19 which was reflected, in particular, in the impairment charge of €1.1bn.
- Notwithstanding this, capital and liquidity positions remained strong with market confidence being demonstrated with the successful execution of an AT1 issuance of €675m in H1.
- In addition, H2 saw a significant increase in new lending which was up c. 30% on the first half of the year.
- Payment break experience has been positive with 97% of expired breaks returning to pre-Covid terms.

State Bank Investments

Transformational change in underlying financial metrics of State bank investments between 2010 and 2020 even with Covid-19

Commentary

- Transformational change across all three State bank investments between 2010 and 2020
- Although the three banks recorded losses for FY2020 due to Covid19, in the years preceding the pandemic all reported a strong recovery in all covered metrics including: profitability, capital, new lending volumes, Loan to Deposit Ratios, and non-performing loans

State bank investments: change in selected metrics (2010 to 2020)

Metric	AIB €bn/%	AIB Year	AIB 2020	Bank of Ireland €bn/%	Bank of Ireland Year	Bank of Ireland 2020	permanent tsb €bn/%	permanent tsb Year	permanent tsb 2020
Underlying profit/(loss) before tax	(€10.4bn)	*2010*	**(€0.7bn)**	(€3.5bn)	*2010*	**(€0.4bn)**	(€1bn)	*2012*	**(€103m)**
NIM	1.03%	*2011*	**1.94%**	1.25%	*2012*	**2.00%**	0.72%	*2013*	**1.73%**
New lending[1]	€7bn	*2013*	**€9.2bn**	€6.6bn	*2013*	**€13.3bn**	€0.1bn	*2012*	**€1.4bn**
NPL / NPL Ratio[2]	€29bn/ 35%	*2013*	**€4.3bn/ 7.3%**	€18bn/ 18%	*2013 (June)*	**€4.5bn/ 5.7%**	€8.6bn/ 28%	*2013*	**€1.1bn/ 7.6%**
Loan to deposit ratio	165%	*2010*	**69%**	175%	*2010*	**86%**	227%	*2011*	**79%**
Monetary authority funding	€31bn	*2011*	**Nil**	€33bn	*2010*	**€1.9bn**	€19.5bn	*2011*	**Nil**
Fully loaded CET1[3]	4.0%	*2010*	**15.6%**	6.3%	*2013*	**13.4%**	11.3%	*2013*	**15.1%**
EU Restructuring Plan	Entered	*2011*	**Exited**	Entered	*2010*	**Exited**	Entered	*2015*	**Exited**

1.New lending - BOI & AIB did not disclose pre-2013. BOI H1 2020 includes €1.3bn of RCF drawdown by Corporate customers.

2. 2018 values reflect the Non-Performing Exposure (NPE) balance for AIB and BOI, and the NPL Balance for PTSB

3. .BOI 2013 excludes the preference shares.

State bank investments: improved risk profile

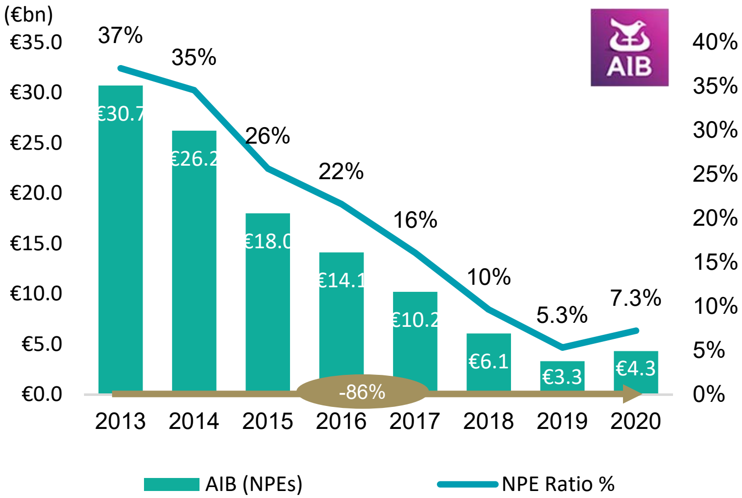
Commentary

- Significant reduction in Non-Performing Exposures across all three State Bank Investments. c.86% reduction in AIB and c. 87% for PTSB between 2013 and 2020. Bank of Ireland meanwhile reduced NPEs by c. 52% between 2016 and 2020.
- A combination of rising property prices, a growing economy, and measures taken by Irish banks to address non-performing loans have all contributed to the decline in balances.
- Due to the impact of the Covid19 pandemic there was some increase in NPEs across all the banks

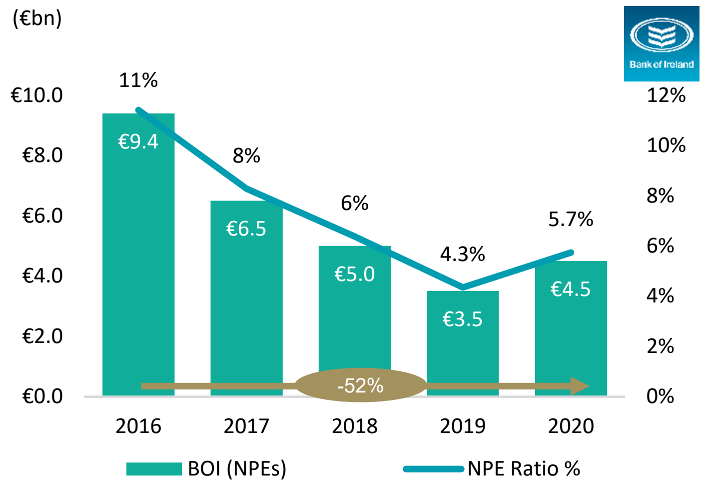
NPE = NPL + eligible forborne loans + other exposures

NPL = Impaired + debtors deemed unlikely to pay

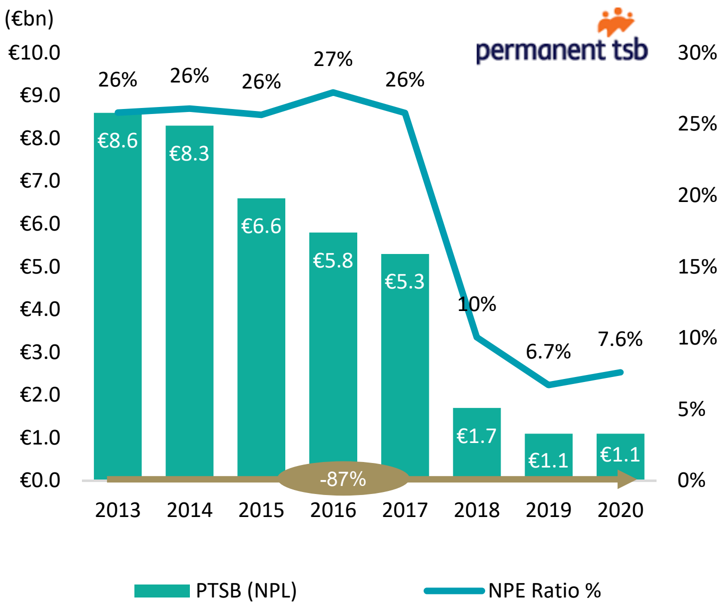
AIB Non-Performing Exposures (NPEs)



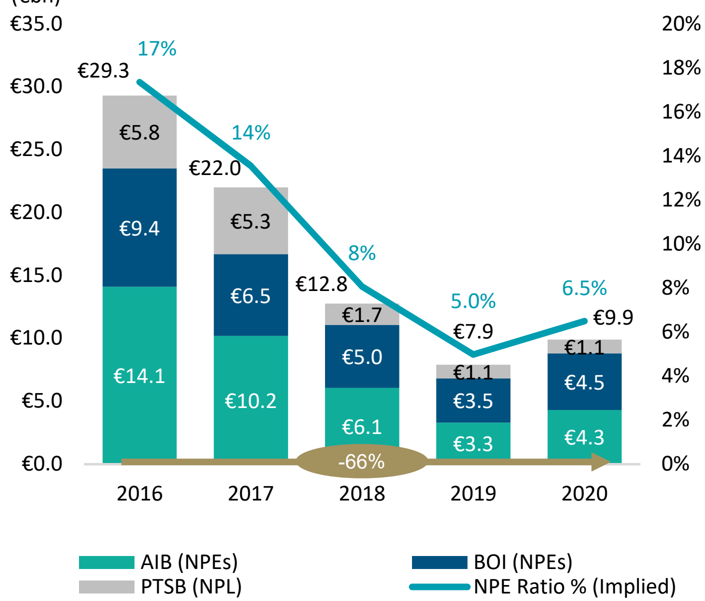
Bank of Ireland Non-Performing Exposures (NPEs)

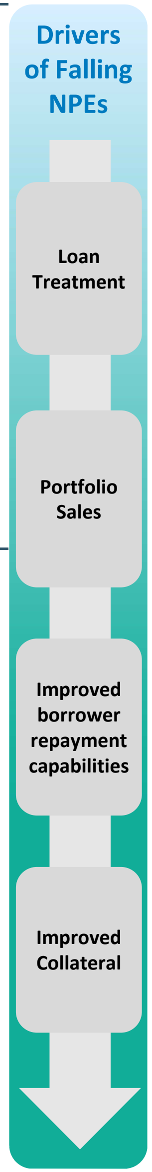


Permanent TSB - Non-Performing Loans (NPLs)



Combined 3 Banks Non-Performing Exposures





1. Company Accounts / Central Bank of Ireland / DoF Analysis.

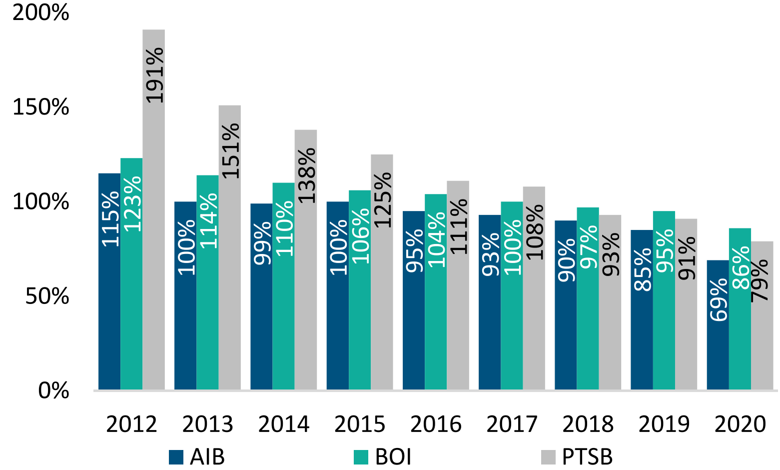
State Bank Investments: capital, liquidity & funding (1/2)

From too little funding to too much

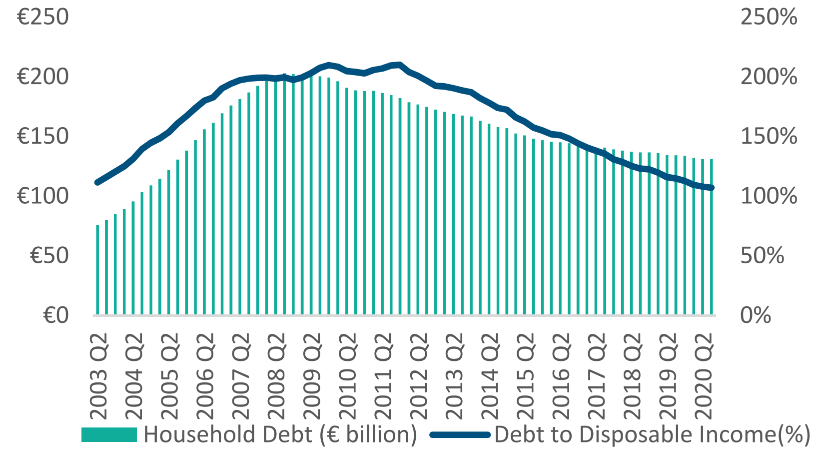
Commentary

- Reduced loan to deposit ratios (LTDs) across all three State bank investments as households and businesses deleverage. Provides capacity for additional lending
- A combination of falling household liabilities and increasing asset values has led to aggregate nominal household net worth exceeding pre-crisis levels
- Quality of funding remains high, significantly exceeding the Basel III net stable funding ratio minimum requirements (100%)

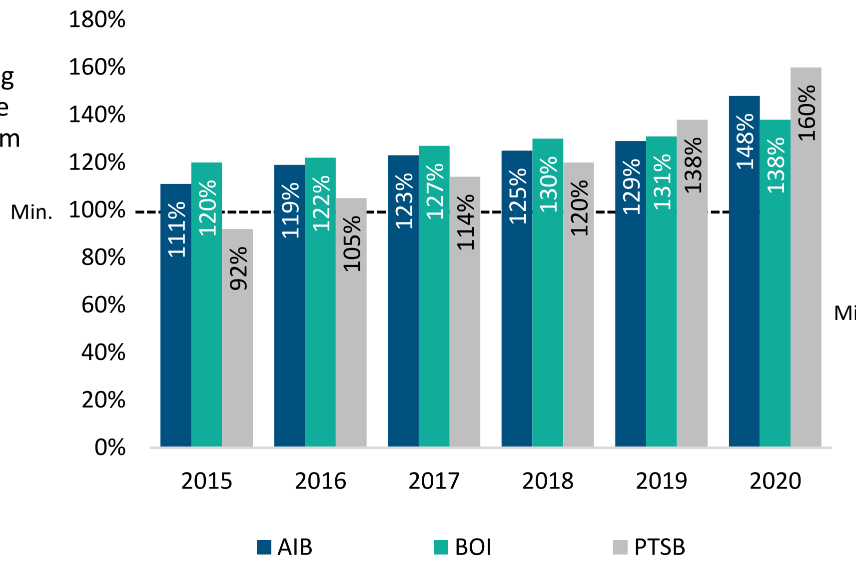
Falling Loan to Deposit Ratios % (2012 – 2020)[1]



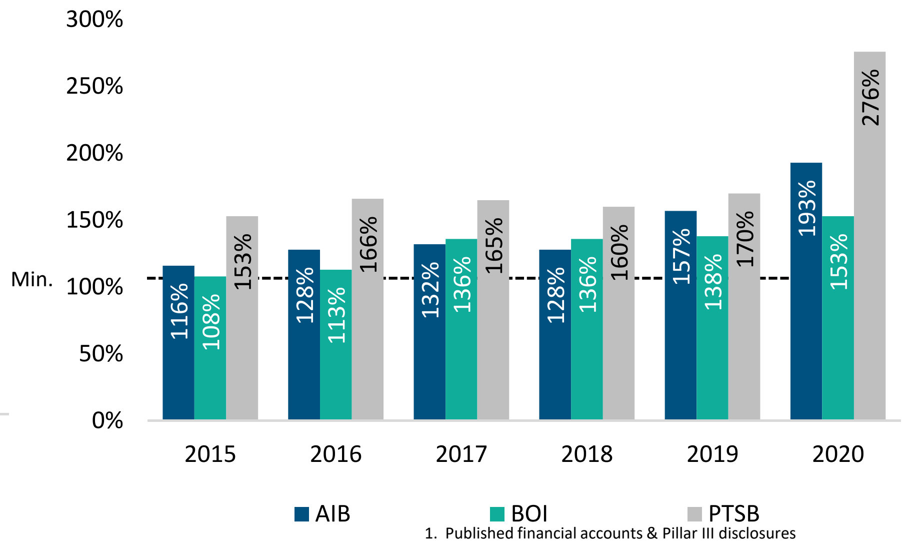
Household deleveraging (€bn)[2]



Net Stable Funding Ratio % (2015 – 2020)[1,3]



Liquidity Coverage Ratio % (2015 – 2020)[1,4]



1. Published financial accounts & Pillar III disclosures
2. Central Bank of Ireland: Quarterly Financial Accounts
3. Net Stable Funding Ratio (NSFR) seeks to calculate the proportion of long-term assets which are funded by long-term, stable funding. The NSFR limits overreliance on short-term wholesale funding. Soruce: Annual accounts & Pillar 3 Disclosures
4. The LCR is calculated by dividing a bank's stock of high-quality liquid assets by its total net cash outflows over a 30-day stress period

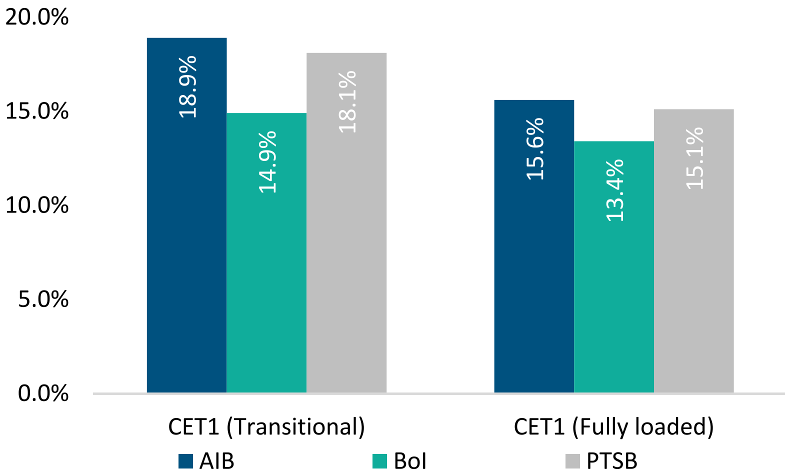
State Bank Investments: capital, liquidity & funding (2/2)

Crisis impacted RWAs mean leverage ratios show true capitalisation

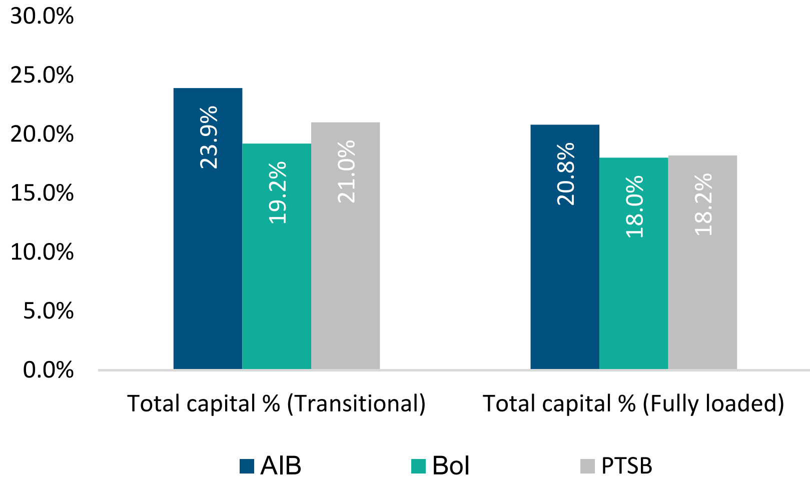
Commentary

- State bank investments now well capitalised relative to EU peers on a fully loaded basis
- RWAs partly responsible for the relatively high levels of capitalisation at Irish banks
- Recent research has shown that risk weighted assets for Irish residential mortgages are c. 3x of the European median and amongst the highest in Europe.[4]
- Leverage ratios offer the best look through view on Irish capital levels

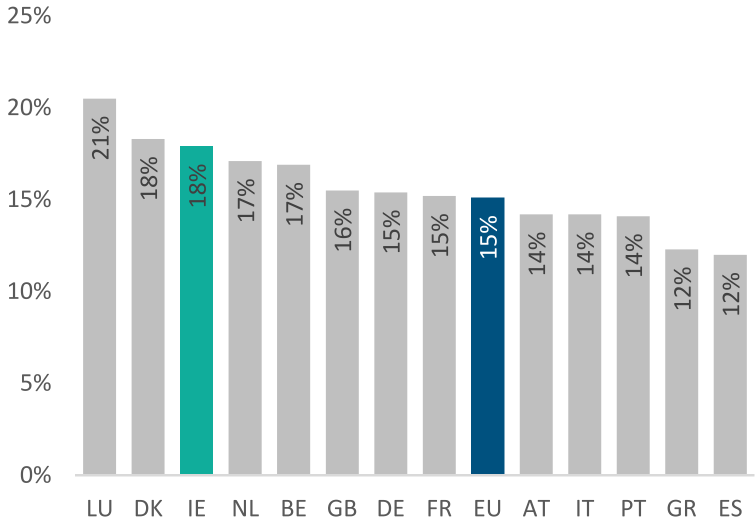
Core Equity Tier 1 Capital ratios % (2020)[1,2]



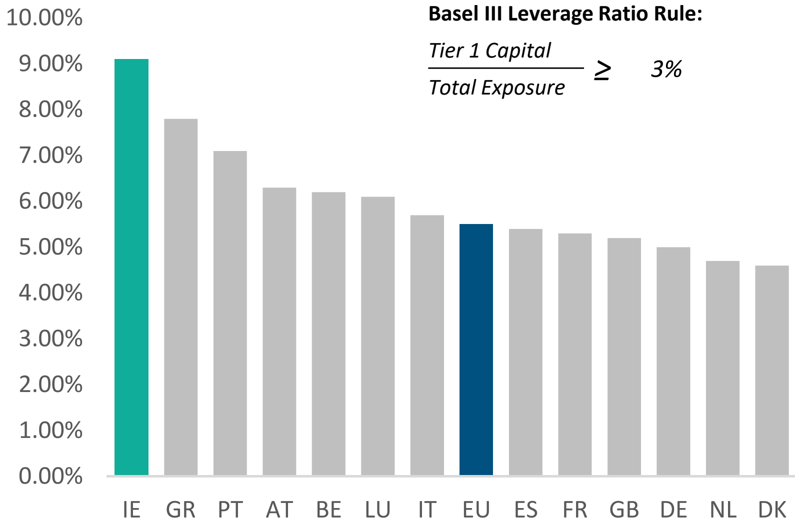
Total Regulatory Capital ratios % (2020)[1,2]



Core Equity Tier 1 Capital Ratios by Country (Fully Loaded: Q3 2020)[2,3]



Leverage Ratios by Country (Fully Loaded: Q3 2020)[2,3]



Basel III Leverage Ratio Rule:

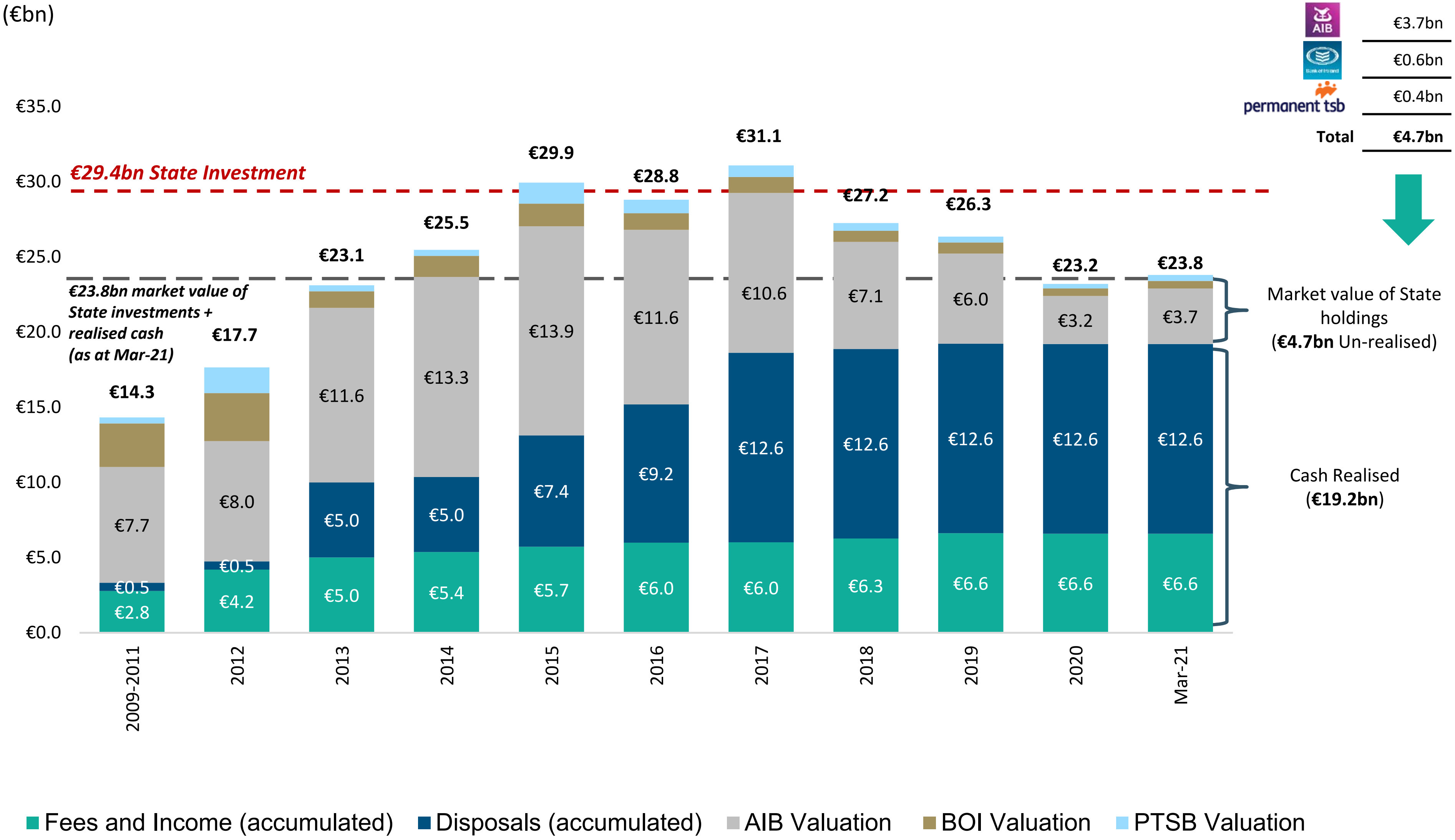
$$\frac{\textit{Tier 1 Capital}}{\textit{Total Exposure}} \geq 3\%$$

1. Published annual reports
2. "Transitional" refers to the transitional Basel III required for CET1 ratios which came into effect Jan-14. "Fully loaded" refers to the actual Basel III basis for CET1 ratios.
3. EBA Dashboard (Includes 3 domestic Irish banks plus Ulster Bank, DEPFA & Citibank)
4. "Risk Weighted Assets in Ireland" Department of Finance: https://assets.gov.ie/6836/664f5174ebd34f7e938aea654bed6757.pdf

BFFI: https://bpfi.ie/wp-content/uploads/2021/02/Final-BPFI-RWA-Report.pdf

State Bank Investments:
Expected value attributable to taxpayers

Reduction in bank valuations has impacted on €29.4bn investment (€bn)[1,2,3,4]:



Value of State's Shareholding (Mar 2021)

AIB	€3.7bn
Bank of Ireland	€0.6bn
permanent tsb	€0.4bn
Total	**€4.7bn**

1. Disposals comprise sale/redemption of debt instruments, AIB and PTSB IPOs, and the sale of Irish Life.
2. Fees and income comprise interest coupons, recap fees, and CIFS/ELG fees.
3. Bank valuations based on ISE closing prices, May-20.
4. The result of AIB IPO reflected above does not include value of Government owned warrants.

State Bank Investments

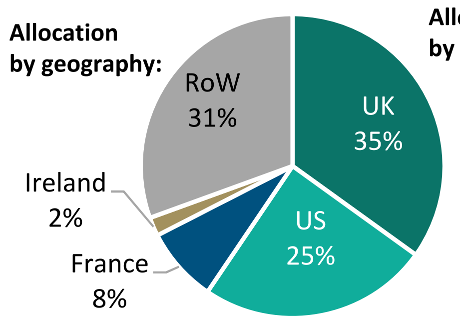
€3.4bn[1] IPO of AIB

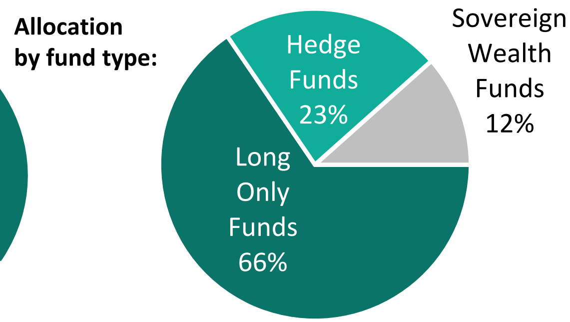
Key Offering Statistics

Pricing Date	22-Jun-17
Listing	Official List of the Irish Stock Exchange (Primary Listing) and London Stock Exchange Main Market (Premium Listing)
Offer Price	€4.40
Offer Size	€3,433.7m (incl. greenshoe)
Residual Shareholding	c.71.25%
Retail Offer	10% of base offering
Implied Market Cap	€11,943m
Lock-Up	180 days for Minister and AIB

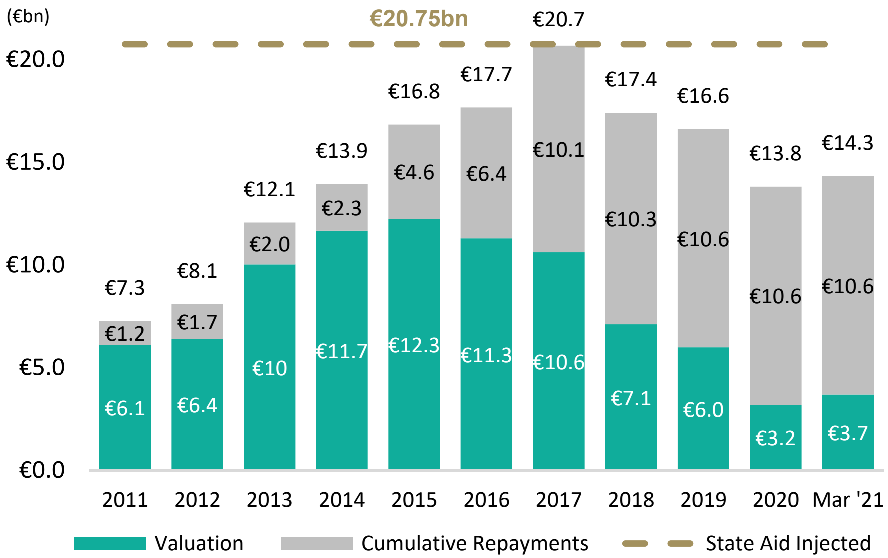
Transaction Highlights

- Largest listing in EMEA and second largest worldwide in 2017. Largest IPO in the UK since Glencore in 2011[2]
- Second largest European Bank IPO since 2007[2]
- More than 250 investors in the allocated order book
- Top 50 allocations accounted for c.75% of the order book
- Quality of allocation: more than 30% of the order book received zero allocation

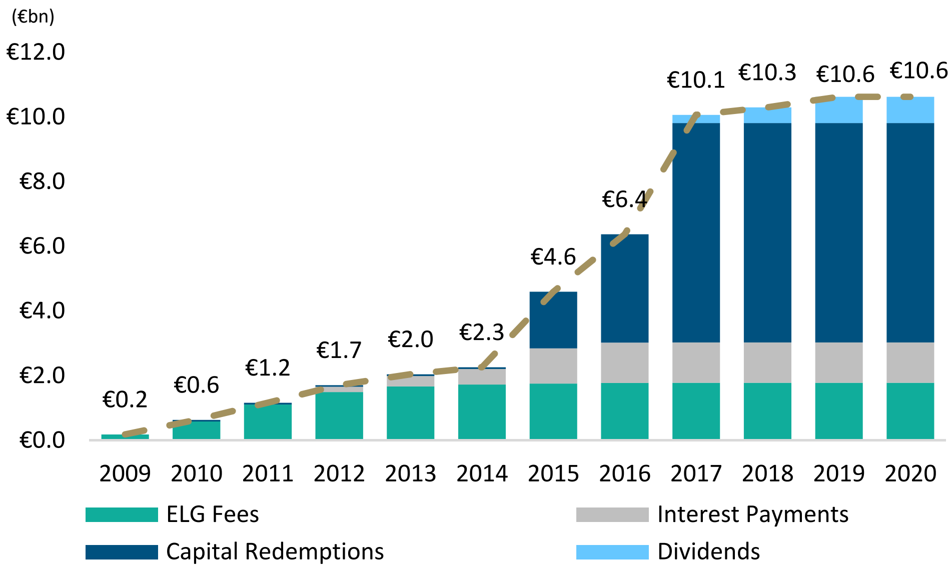




AIB Valuation & Redemption (€bn)[3]



AIB State Aid Repayments (€bn)



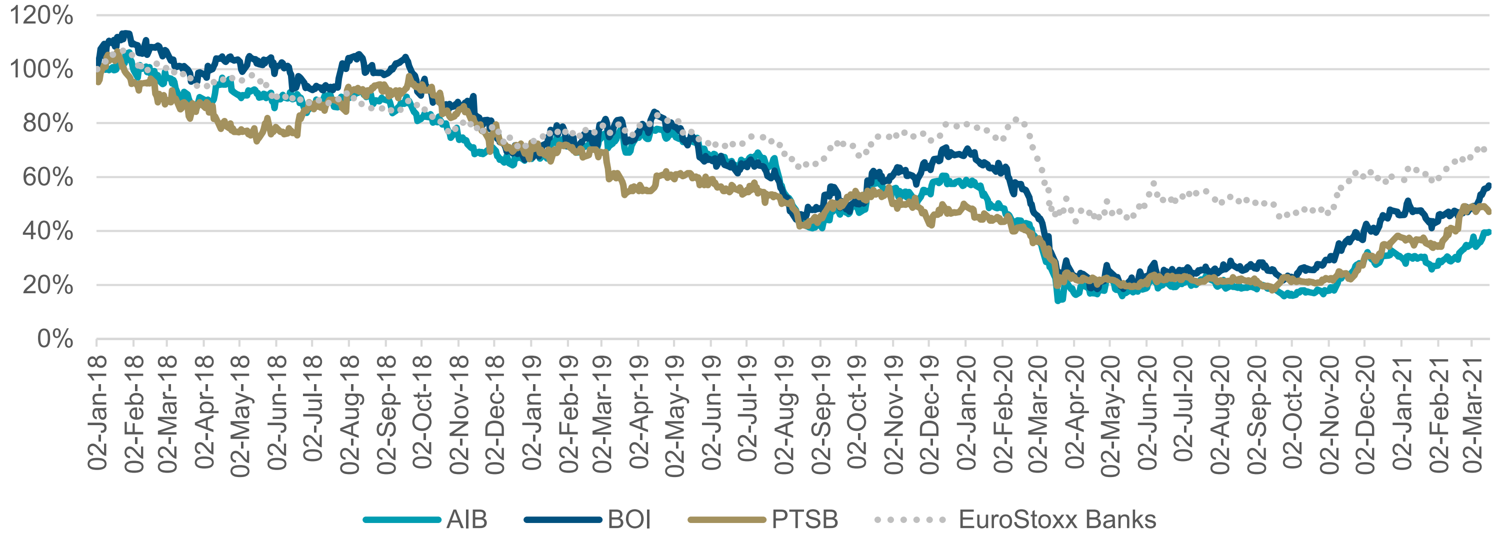
1. No valuation ascribed to state warrants
2. Bloomberg
3. Valuation as of March 2021

State Bank Investments:
Banks trading at a large discount to book value

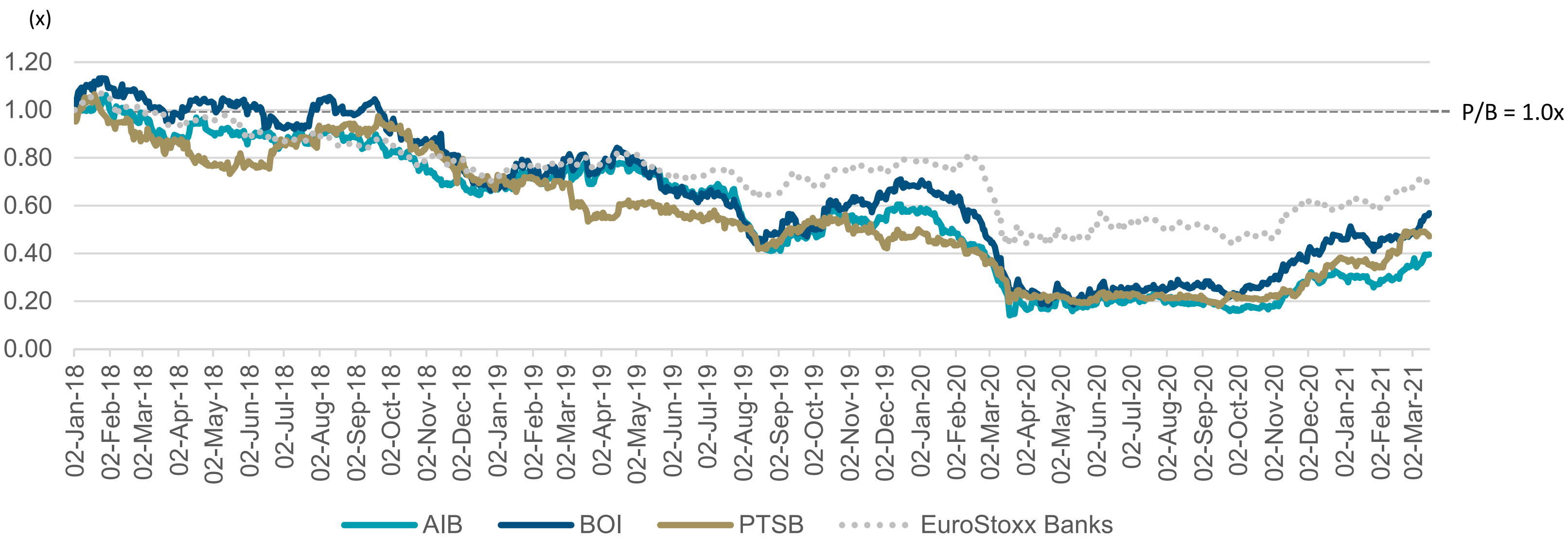
Commentary

- European bank shares have been under pressure for quite a while. However, they have rebounded strongly since the lows of last year including those in Ireland.
- The EuroStoxx Bank Index is trading at 0.7x book value (from a low of 0.4x in 2020) with the Irish banks at 0.4x – 0.6x (low of 0.2x in 2020).
- The relative performance of the Irish banks is due to a variety of factors including tough regulatory capital requirements and an inquiry relating to tracker mortgages that resulted in the banks incurring related costs.

% Change in Listed Share Prices (Jan 2018 – Mar 2021)[1]



Price to Book Ratios (Jan 2018 – Mar 2021)[2]



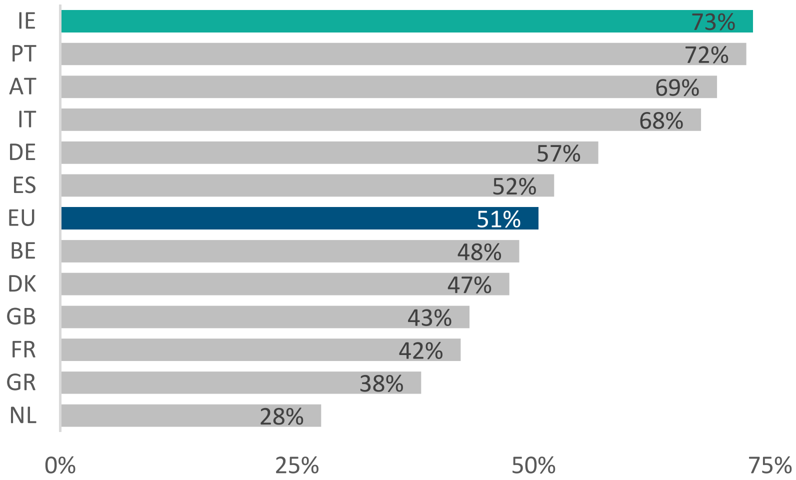
1. Source: Based to 100 as of January 2018. Bloomberg Mar-2021
2. Bloomberg Mar 2021. The EuroStoxx Bank Index tracks the share price performance of the European banking sector

Irish Banking Sector Overview (1/2):
Ireland compares favourably against European peers…

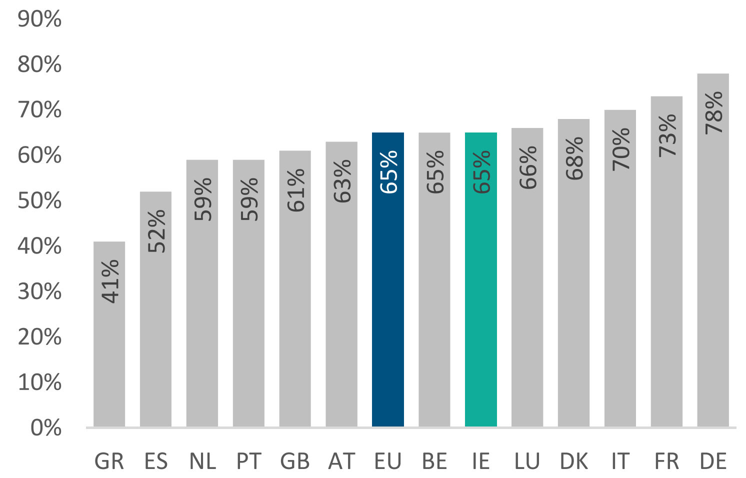
Commentary

- According to the EBA, Irish banks reduced their combined Non-Performing Exposure ratio more than any comparable country between March 2016 and September 2020 (-73%).
- Ongoing cost management, and strong net interest margins, helped Irish banks reduce cost to income ratios to the European average.
- Irish banking sector well capitalised relative to European peers.

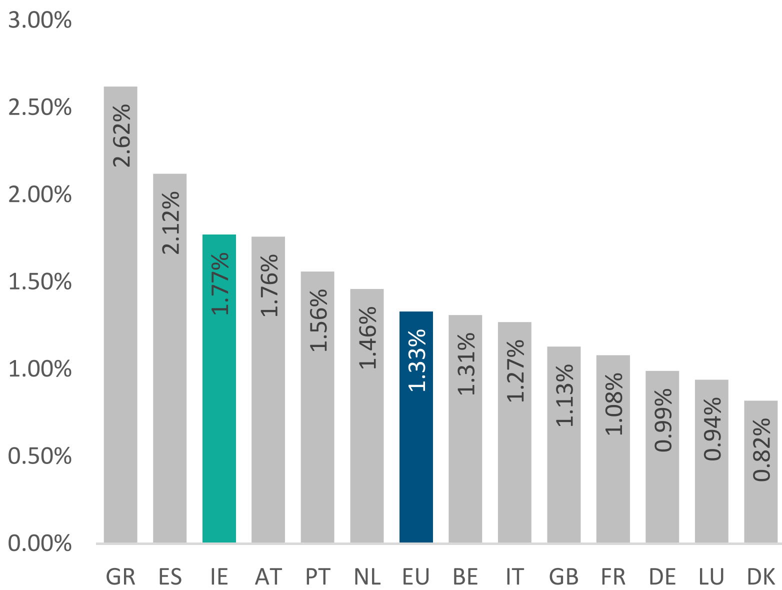
% Reduction in NPE ratio: Q1 2016 – Q3 2020[1]



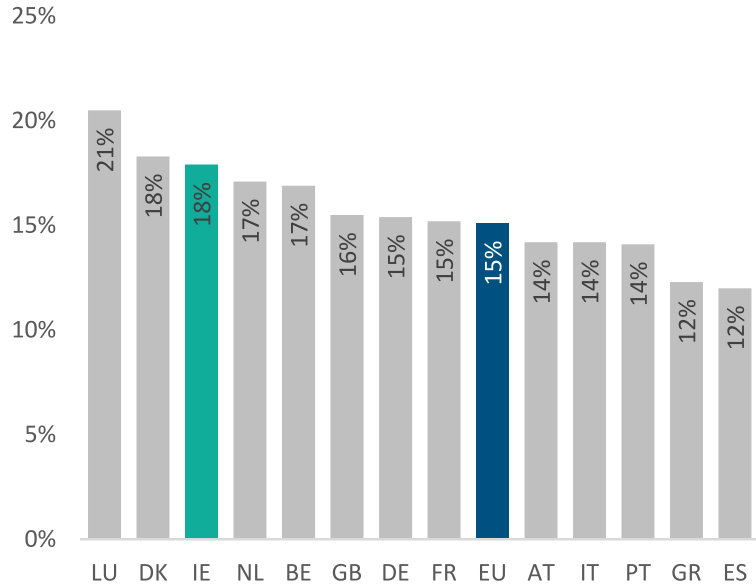
Cost/income ratios Q3 2020 (%)[1]



Net interest margins Q3 2020 (%)[1]



CET1 fully loaded Q3 2020 (%)[1]



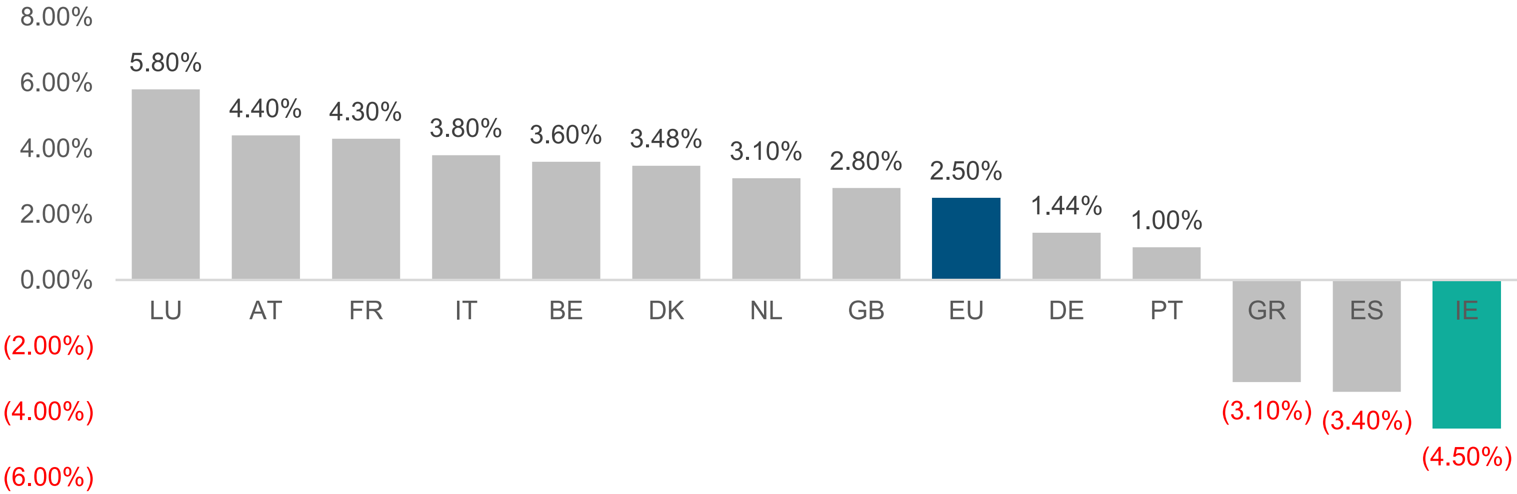
Sources:
1. EBA Dashboard (Includes 3 domestic Irish banks plus Ulster Bank, DEPFA & Citibank)

Irish Banking Sector Overview (2/2):
… returns on assets affected by early recognition of Covid19 related impacts[1]

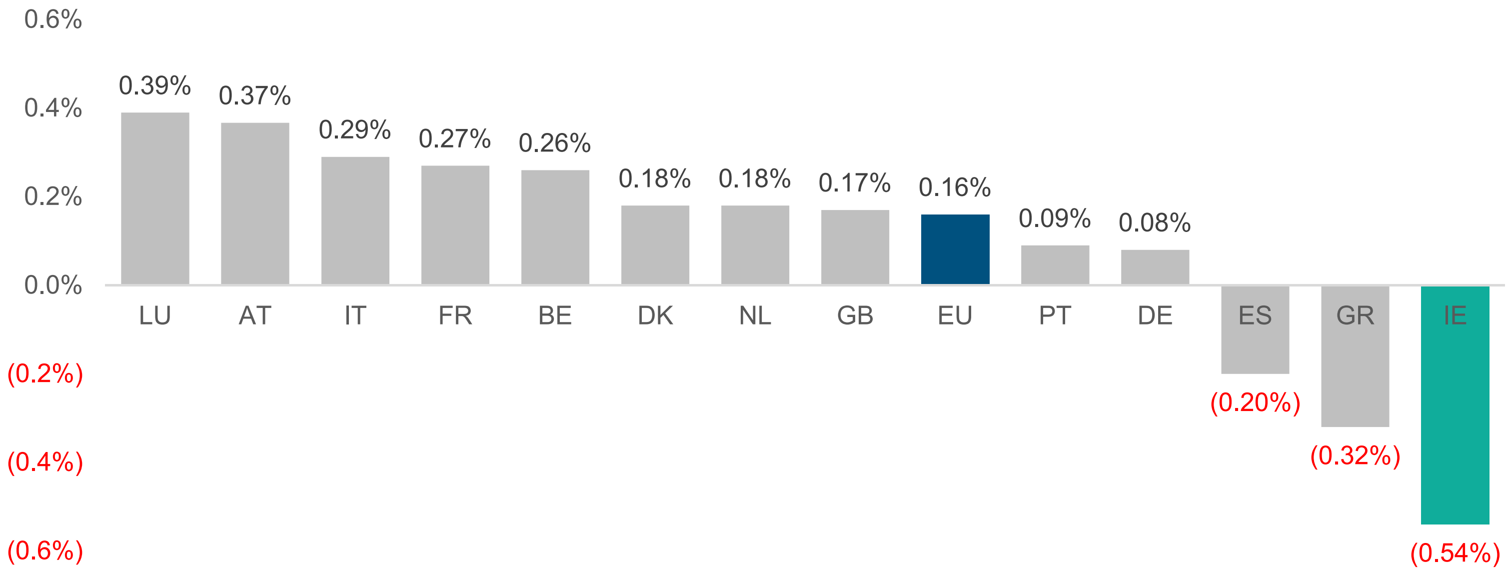
Commentary

- Early recognition of Covid19 related losses resulting in higher ECL charge in 2020 for the Irish banks vs the sector more generally was a driver of lower ROEs.
- Higher net interest margins need to be seen in the context of the highest equity requirements in Western Europe
- RWAs at Irish banks very high relative to European averages. As such, leverage is a useful barometer of the true capital strength of the banks.

Return on Equity Q3 2020 (%)



Return on Assets Q3 2020 (%)



Sources:
1. EBA Interactive Dashboard

Irish Banking Sector 2021 Outlook:
… Banks are well positioned to support the recovery

Banking & Payments Federation Ireland

"Focus is on delivering fair, practical and sustainable solutions for Mortgages, SME and Personal loans…"

The membership of the Banking & Payments Federation Ireland (BPFI) have delivered a range of measures and supports in response to Covid -19.

	Customers	Employees	Communities
AIB	▪ C22k payment breaks approved for mortgage customers, equating to c. €3bn, 89% now returned to regular repayments. ▪ 66k payment breaks granted in Retail Banking– for both mortgage and SME customers totalling €4.3bn. As of end FY 2020 88% had rolled off returning to capital and interest repayments ▪ To protect customer credit profile, as agreed with the Central Bank of Ireland, payment breaks are not adversely reported on Central Credit Register	▪ Over 7,000 of c. 9,500 staff are working remotely using remote, secure controlled services. This has been achieved with minimal operational disruption. ▪ Implemented multiple-location Treasury teams as a contingency to ensure the smooth operation of payments and money transmission systems	▪ 99% of branch network kept open all through the pandemic to serve the community ▪ Partnered with Trinity College Dublin by pledging €2.4 million to the dedicated AIB COVID-19 Research Laboratories Hub at the University to accelerate the college's immunology project to tackle Covid19 ▪ Making up to €2 million available to community investment partners Food-Cloud and Soar, as well as a number of local charities that provide critical services
Bank of Ireland	▪ Of the c. 100k payment breaks originally granted across the bank's Irish and UK businesses, 94% have now rolled off. ▪ In terms of value, Irish payment breaks had reduced from 18% to 5% with the UK reducing from 15% to 3%. ▪ The bank highlighted that the significant majority who had come off payment breaks had resumed paying principal and interest.	▪ 70% staff working from home; prior rollout of Agile working supported increased capacity and ways of working ▪ Staff supports include mental and physical wellbeing app, 24/7 health support line, and COVID-19 communications hub ▪ Supports in place for staff required to provide childcare or family support	▪ Temporarily closed smaller branches reflecting reduced footfall; enabling staff to be reallocated to services most in demand, and to support social distancing ▪ Donated €1 million in emergency funding for communities with urgent needs, with 13 projects fast-tracked ▪ 'Cocooning' support for older customers and those in vulnerable situations – to access cash
permanent tsb	▪ The bank originally granted 10.7k payment breaks for mortgage customers, 90% of which had rolled off by FY. In value terms, mortgage payment breaks had reduced from 10% of the portfolio to 1%. ▪ The bank commented that the majority of customers coming off payment breaks had resumed principal and interest payment.	▪ Operationally resilient with over 1,200 colleagues working remotely.	▪ All 76 branches remain open to meet customer needs ▪ Priority banking in branch and over the phone for our elderly and vulnerable customers

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NAMA Objectives & Residential Delivery

National Asset Management Agency

Objective	Achievements to date
1 ▪ Repay 100% **senior debt** by year end 2017 and all sub-debt by March 2020	▪ Senior and subordinated debt fully repaid and first €2bn of surplus returned in June 2020
2 ▪ Facilitate delivery of key Grade A **office space** in the Dublin Docklands Strategic Development Zones (SDZ)	▪ All of the sites NAMA originally had an interest in are either completed, under construction, received planning, or have been sold with planning permission
3 ▪ Facilitate delivery of up to 20,000 **residential units** by end 2020	▪ From 2014 to end 2020, NAMA has directly funded or facilitated the construction of 12,450 new residential units in Ireland. In excess of 2,500 homes have been delivered for social housing use by NAMA

NAMA seeks to make a positive social and economic contribution across the broad range of its activities, subject to the primacy of its commercial mandate and often complementing it.

NAMA – Residential Delivery

- The number of housing units delivered directly by NAMA's residential delivery programme since 2014 totalled 12,450 by end 2020. A further 6,550 units have been delivered on former NAMA-secured sites which benefitted from NAMA asset management and/or funding.
- **Therefore, a total of 19,000 homes have been delivered or facilitated nationwide through NAMA funding**.
- NAMA's current residential pipeline is in excess of 20,000 additional units comprising:
  - 6,400 construction-ready units (under construction or with planning permission)
  - 7,800 units currently in the planning system (applications lodged or being prepared)
  - 8,400 units in the pre-planning and feasibility stage, or with long term potential.
- NAMA has delivered 2,614 residential units from its secured portfolio to local authorities or approved housing bodies for social housing purposes across Ireland.

1. https://www.gov.ie/en/publication/41970e-nama-section-227-review-2014-2018/

NAMA's Phased Disposal Strategies

National Asset Management Agency

NAMA: Timeline of Events

2010 - 2013

- Strategic focus on UK disposals during 2010 – 2013. UK market had remained comparatively buoyant
- 73% UK sales: London assets accounted for 60% of total NAMA sales proceeds, rest of Britain - 13%
- Irish assets, by contrast, accounted for just 16% of total sales proceeds in the same period
- By end-2012 NAMA had sold less than €1bn in Ireland – a deliberate action

2014

- Improving market conditions, increased institutional investor appetite - NAMA took strategic decision to steadily increase the volume of available supply from 2013 onwards
- Step change seen in total NAMA sales proceeds: €7.8bn in 2014 - increase of €4.1bn on 2013
- Of the €7.8bn, 44% or €3.7bn generated from the sale of Irish properties

2015/2016

- In 2015, two-thirds of disposals were in Ireland - strong domestic and international investor appetite
- Total NAMA sales proceeds: €8.5bn in 2015 - increase of €0.7bn on 2014
- 2016 total NAMA sales proceeds of €5.1bn - 64% or €3.3bn generated from the sale of Irish assets
- Cumulative Irish sales at €14.4bn at YE 2016

2017/2018

- Few large portfolio sales remain in pipeline
- End-2017 carrying value of NAMA's loan portfolio was €3.7bn – down to €2.4bn by end of September 2018
- Majority of portfolio relates to residential delivery and Dublin Docklands SDZ programmes – increased focus from 2017 onwards
- Increased its projected lifetime surplus to €3.5bn

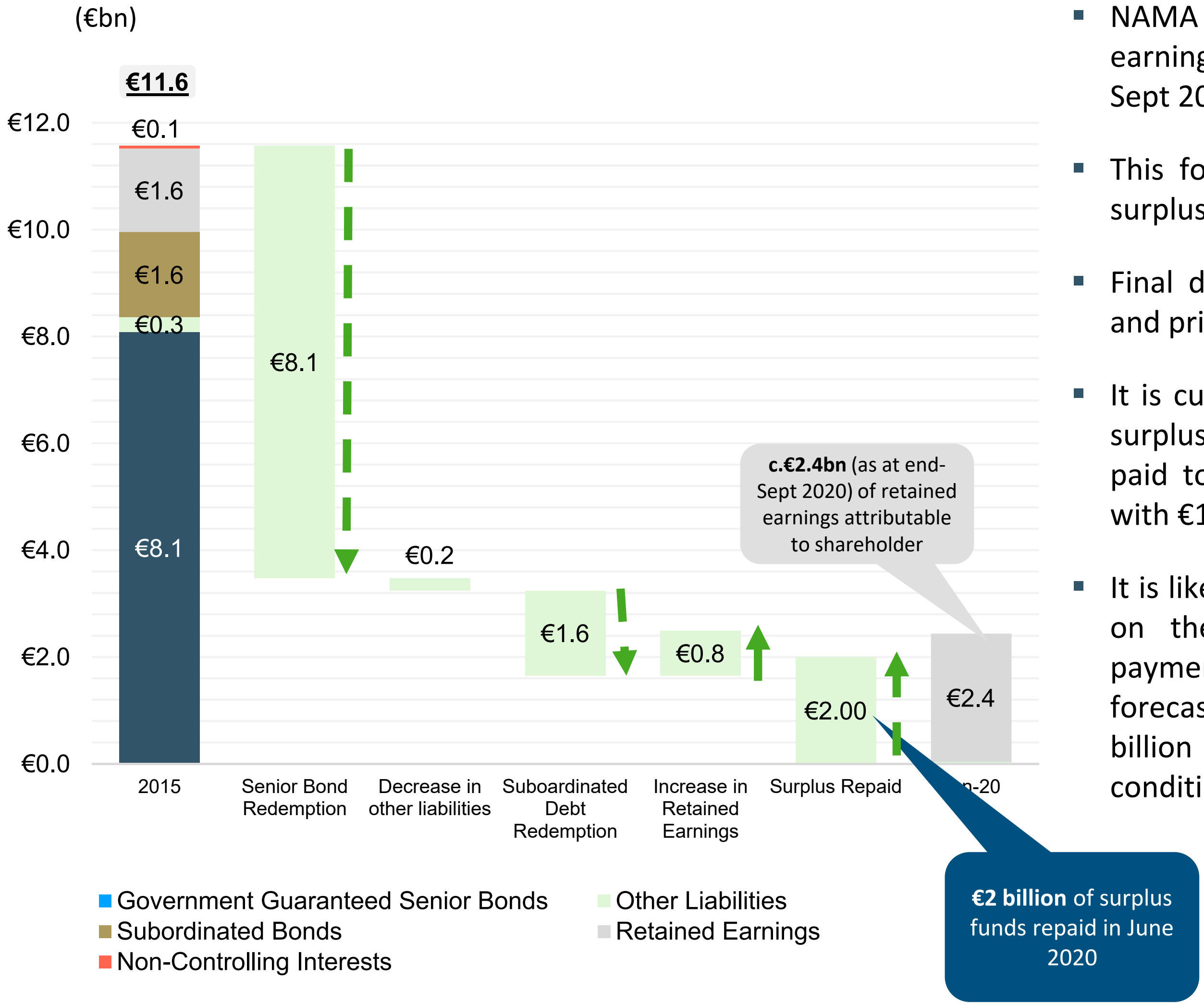
2019/2020

- Publication of Section 227 Review in 2019 outlining NAMA's wind-down strategy
- Redemption of €1.1bn remaining sub-debt in March 2020
- Repayment of private investors and delivery of €4bn surplus
- The first €2bn of expected €4bn surplus transferred to the Exchequer in June 2020.
- Further €1bn to transfer in 2021

NAMA:
Surplus Generation

National Asset Management Agency

NAMA Funding Structure 2015 – September 2020 (€bn)[1]:



Commentary

- NAMA held just over €2.4bn of retained earnings attributable to shareholders at end of Sept 2020.
- This follows the transfer of the first €2bn of surplus to the Exchequer in June.
- Final debt redeemed (€1.1bn) in March 2020 and private investors repaid in June 2020.
- It is currently estimated that the residual cash surplus of €1.7bn (excluding NARPS) will be paid to the Exchequer during 2021 and 2022 with €1 billion to be returned this year.
- It is likely that COVID-19 will have some impact on the timing and amount of forecasted payments beyond 2020 however NAMA forecasts that it will deliver a total surplus of €4 billion to the Exchequer subject to market conditions.

Source:
1. NAMA Q2 Report 2020

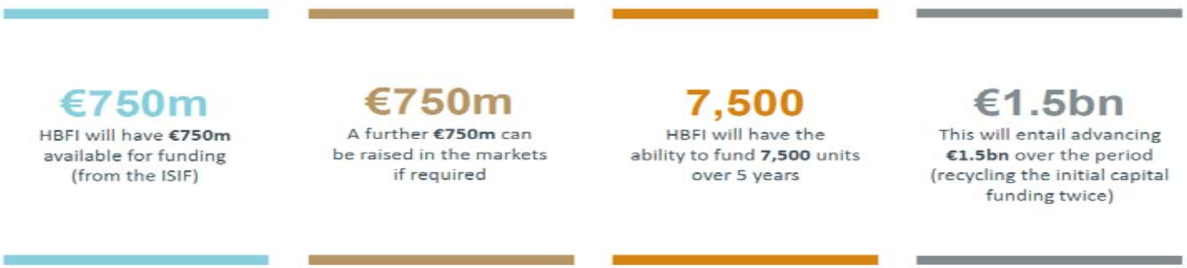
Home Building Finance Ireland ('HBFI')

Maoiniú Teaghais-Tógála Éireann
Home Building Finance Ireland

Overview

- Home Building Finance Ireland ("HBFI") was announced as part of Budget 2018 to increase the availability of debt funding to commercially viable residential development projects in the State.
- HBFI has been established to provide senior debt funding on a commercial basis to small and medium size residential development projects (circa €2m to €35m) throughout the Irish State.
- The Home Building Finance Ireland Act was commenced on 5 December 2018 and HBFI was formally launched in January 2019. HBFI has an independent board and is wholly owned by the Minister for Finance.
- **In May 2020, in response to COVID-19, HBFI launched a series of new measures to extend its presence throughout the housebuilding finance market to support the resumption of construction activity**.
- Further information in relation to HBFI and its application process can be found at https://www.hbfi.ie.

HBFI Funding



HBFI Indicative Lending Criteria

Latest Update

- To end 2020, HBFI has **approved** lending facilities worth **€395 million** which can facilitate the construction of over **1,800 new homes across 17 counties.**
- **The average facility size to date is €12m**
- **During 2020** HBFI announced the following new products;

❖ Provide new **"step-in" funding** for house builders where funding from banks may not be available to enable them to commence new housing developments

❖ Allow a **bigger range of housebuilders (both large and small)** to access HBFI's €750m funding

❖ **Fund major apartment developments** for the first time

❖ **EIF supported small development product** with 50% guarantee broadening the scope and availability of this product

❖ **Social Housing Product** with reduced fees specifically for housing developments being delivered to AHBs and Local Authorities

Credit Union stakeholders

Key Stakeholders

Members

Credit Unions

Minister For Finance

An Roinn Airgeadais
Department of Finance

Registrar of Credit Unions

Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Irish League of Credit Unions

Credit Union

CUDA
CREDIT UNION DEVELOPMENT ASSOCIATION

Cuma

NSF
NATIONAL SUPERVISORS FORUM

CUAC
CREDIT UNION ADVISORY COMMITTEE

Sector Overview[1]

- 228 registered credit unions in the Republic of Ireland serve the needs of 3.4 million members [1]
- The role of **Minister for Finance** is to ensure that the legal framework for credit unions is appropriate.
- The **Registrar of Credit Unions** at the Central Bank of Ireland is the independent regulator for credit unions in Ireland.
- The main representative bodies are:
  - **ILCU (creditunion.ie)** - **> 300** credit union's affiliated to League in the Republic of Ireland and Northern Ireland.
  - **CUDA (cuda.ie)** – represents **16** credit unions and also provides affinity membership for 29 additional credit unions.
  - **CUMA (cuma.ie)** – represents credit union managers in Ireland.
  - **NSF (nsf.ie)** - supports board oversight committees in the Republic of Ireland and supervisory committees in Northern Ireland.
- **CUAC** is a statutory body providing advice to the Minister for Finance on credit union matters.

Recent Actions

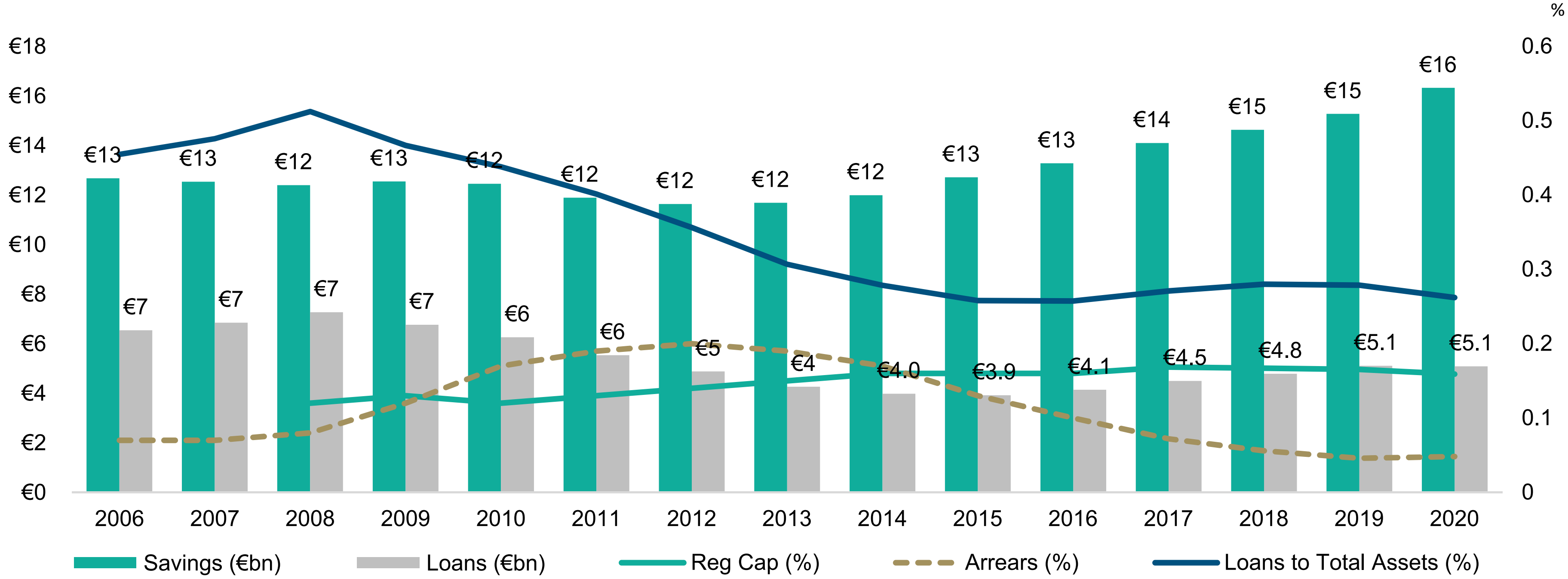
- **CUAC** published a report in February 2020 which examined the role of the Director and set out a number of recommendations for consideration. It also issued a Review of the Credit Union Sector to the Minister in 2020.
- The **Central Bank** published revised lending regulations applicable from 1 January 2020 and technical changes to investment regulations applicable from 1 January 2021.
- Credit unions were designated as an **'essential service'** under the Government issued public health guidelines in response to COVID-19. Legislation was enacted to allow credit unions to convene virtual AGMs.
- Work has commenced on a review of the policy framework for credit unions, a Programme for Government commitment.

Source:
1. As of September 2020 (Central Bank – Financial Conditions Report)

Credit Unions: background

The Sector in Numbers

- Total assets have grown from €14bn in 2011 to €19.4bn as at 2020. 62 credit unions with over €100 million in assets control 64% of sector assets (having risen from 41% of sector assets in 2015).
- Despite the pandemic, loan balances were effectively flat, from €5.11bn in 2019 to €5.09bn in 2020. Loan To Asset (LTA) ratio fell from 28% to 26%, primarily as a result of continuing growth in member savings, exacerbated by the pandemic
- Reserves averaged 15.9% in 2020, falling from 16.5% in September 2019
- The average sector return on assets has fallen from 1.4% in 2015 to 0.4% in 2020 primarily due to falling investment yields and rising overheads



These figures include the impact of COVID-19 up to September 2020 only. It impacted the majority of credit unions through increased arrears, reduced/flat lending, rising savings and increased overheads and will continue to impact through the the year to September 2021.

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IBRC: Overview

Overview

Established:	• July 2011 following the merger of Anglo Irish Bank and Irish Nationwide Building Society
Purpose:	• To manage the orderly wind down of the merged entity
Government Support:	• Total invested in IBRC (Dec-2010): €34.7bn
Progress to date:	• IBRC was placed in special liquidation in February 2013 • Loans with a par value of €21.7bn have been prepared, brought to the market and sold • Liquidation generated €17.1bn of cash inflows to date • All admitted unsecured creditors have been paid 100% of the principal that was owed to them at the date of liquidation.

IBRC: Timeline of Events

2009
- Following consultation with Central Bank and Department of Finance, the 'Anglo Irish Bank Corporation Act 2009' was passed to take Anglo Irish Bank into public ownership
- €4bn in ordinary shares invested in Anglo Irish Bank and €100m in Irish Nationwide (INBS)

2010
- €30.6bn additional capital injections in the form of promissory notes
- Brings total invested to €34.7bn across Anglo and INBS

2011
- Majority of deposits held in Anglo Irish Bank and INBS are merged to form **Irish Bank Resolution Corporation (IBRC)**

2013
- Following discussions between Irish Authorities and the ECB, the IBRC promissory notes are exchanged for long-term government bond
- Improves Ireland's debt profile and decreases near team borrowing requirements
- IBRC placed into liquidation

2014/2015
- Liquidation generated €16.5bn of cash inflows to date
- Allows for payment of €14.7bn to IBRC's creditors, including full repayment of €12.9bn of debt owed to NAMA

2016-2020
- All admitted unsecured creditors and subordinated creditors have been paid 100% of what they were owed at the date of the liquidation.
- The State has received the full amount owed as the owner of the Preference Shares.
- Assessor appointed pursuant to the Anglo Irish Bank Corporation Act 2009 with his final report published in April 2020.

IBRC Progress Update Report

IBRC

Sales process by numbers

€21,700,000,000
OF LOANS PREPARED AND BROUGHT TO MARKET

64
LOAN SALES PROCESSES CONDUCTED

LOANS CONSISTED OF OVER
15,900
DIFFERENT BORROWER GROUPS

22
Collateral was based in 22 different jurisdictions

>130,000
LETTERS ISSUED TO BORROWERS AND GUARANTORS

355
INTERESTED PARTIES ACROSS 13 COUNTRIES

174
NON DISCLOSURE AGREEMENTS ("NDAS") SIGNED WITH INTERESTED PARTIES

755,000
DOCUMENTS WERE REVIEWED AND UPLOADED TO VIRTUAL DATA ROOMS ("VDRS")

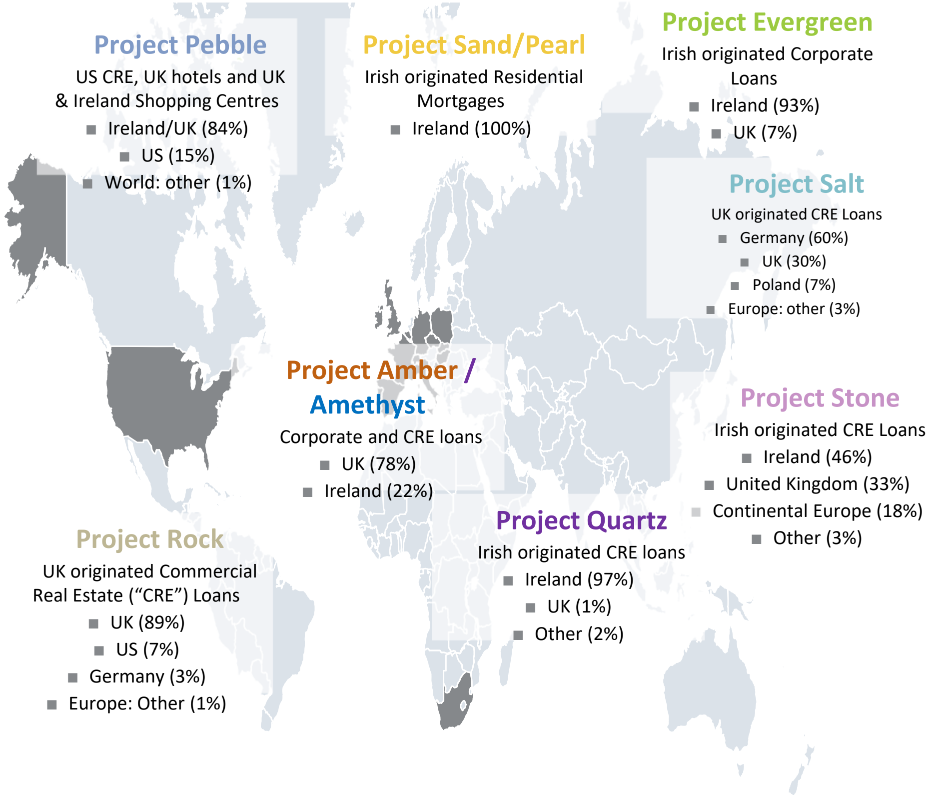
3,500
PROPERTY VALUATIONS WERE OBTAINED

241
INDIVIDUAL BIDS WERE RECEIVED ACROSS 6 PORTFOLIOS

100%
OF THE LOAN BOOK TRANSACTED

Sales Processes

- The IBRC loan portfolio was supported by collateral based in 22 different jurisdictions worldwide
- Strong interest from a variety of financial and strategic buyers and funders, with US private equity houses and hedge funds being key participants across each of the portfolios.



Source:
1. IBRC Progress Update Report

IBRC Liquidation Update

Liquidation update

Recent Developments	▪ The most recent special liquidation progress update report was published in June 2020 giving a comprehensive overview of the work completed to date. It is available on the Department of Finance website www.finance.gov.ie. ▪ Asset realization workstream largely complete. At this stage, loans with a par value of €21.7bn have been prepared, brought to the market and sold ▪ All admitted unsecured creditors and subordinated creditors have been paid 100% of what they were owed at the date of the liquidation. This has involved the review and adjudication of more than 3,000 individual creditor claims. ▪ The State has received the full amount owed as unsecured creditor and owner of the Preference Shares along with associated interest payments (**total of €1.6 billion to date**). Further funds are due to return to the Exchequer as remaining assets are sold . ▪ In 2018, an assessor was appointed pursuant to the Anglo Irish Bank Corporation Act 2009 to determine the fair and reasonable aggregate value of the transferred shares and extinguished rights and the consequent amount of compensation (if any) that may be payable to the previous shareholders. The final report of the assessor was published on the Department of Finance website in April 2020 which concludes that no compensation is payable to former shareholders of any class or to former rights holders. ▪ As a result of Covid-19, the expected timeline for completion of the liquidation has been extended to end-2022 (from end-2021) which allows for delays in court proceedings and asses realization strategies.
Ongoing Tasks	▪ Continued management and resolution of c. 40 legal cases ▪ Completion of the creditor adjudication process ▪ Management of the remaining loan book of c. €3.4bn ▪ Realisation of all remaining assets

Financial Advisory

Analysis, insight and building connections

Financial Advisory

Key objectives

Objective Analysis

Insight

Building Connections

About

- The Financial Advisory team provides insight and analysis into emerging technologies and financial services, while helping to build connections between academia, public bodies, and private institutions

Blockchain & Crypto-Assets

- Coordinate and manage the technical expertise re Blockchain and Crypto-Assets by leading on briefings and providing technical support to other divisions.
- **Ireland:** Regular engagement with ecosystem via the **'Blockchain Ireland'** initiative
- **EU**: Leading the EU Commission Market in Crypto Assets Regulation proposal negotiations
- **GLOBAL**:
  - **OECD:** member of the Committee for Financial Markets; member of the Ad Hoc Experts Group on Digital Finance
  - **WEF**: member of the Digital Currency Governance Consortium
- Ongoing engagement via participation in webinars, roundtables and conferences

BLOCKCHAIN IRELAND

OECD

WORLD ECONOMIC FORUM

Analysis & Insight

- Continuous research into developments in the financial services sector and nascent technologies.
- Examples: Decentralised Finance; Crypto assets travel rule vis a vis tax requirements; application of stablecoins to cross border cash disbursements

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