

Results and Business Review 2012

9 January 2013. The National Treasury Management Agency (NTMA) today reported results for 2012 and provided a review of activities across the range of its business functions.

The following extract is applicable to the National Pensions Reserve Fund.

National Pensions Reserve Fund¹

During 2012 significant progress was made in refocusing the NPRF's investment towards commercial investment in Ireland. The NPRF has today announced investment commitments to three new long-term funds that will provide €50 million of equity, credit and restructuring / recovery investment for Irish small and medium-sized businesses (SMEs) and mid-sized corporates. The NPRF played a significant role in the development of the funds and will be a cornerstone investor in each alongside additional investment from third-party investors. The three funds will involve a total commitment by the NPRF of up to €500 million (see separate statement issued by the NPRF today for details).

Other Ireland-focused initiatives during 2012 include the provision of a standby facility to enable the Schools Bundle 3 PPP project (eight primary and post-primary schools) to proceed with European Investment Bank (EIB) financing and the NPRF's collaboration with Silicon Valley Bank which will make US\$100 million of new lending commitments available to fast-growing Irish technology, life science, cleantech, private equity and venture capital businesses.

The NPRF's Discretionary Portfolio (the Fund *excluding* the public policy investments in Bank of Ireland and Allied Irish Banks made at the direction of the Minister for Finance) earned a preliminary return of +7.3 per cent in 2012. In light of the Government's stated intention to refocus the NPRF's investment towards Ireland, since mid-2011 the Fund has been more focused on capital preservation – via the purchase of options and a reduced exposure to equities – while maintaining its capacity to participate in gains if markets perform well. Since the Fund's inception in April 2001, the Discretionary Portfolio has delivered an annualised return of +3.7 per cent per annum.

The total return in 2012 on the Directed Portfolio (comprising ordinary and preference shares in both Bank of Ireland and Allied Irish Banks) was +10.4 per cent. The Fund's ownership of Bank of Ireland is 15.1 per cent and of Allied Irish Banks is 99.8 per cent.

At 31 December 2012 the total value of the National Pensions Reserve Fund was €14.7 billion, comprising the Discretionary Portfolio of €6.1 billion and the Directed Portfolio currently held at €8.6 billion.

¹ Information in respect of the NPRF is, in the case of direct quoted investments, based on valuation as of close of business on 31 December 2012 and, in the case of indirect investment vehicles, based on the most recently available valuations. Directed Investments have been valued on a preliminary basis as follows: ordinary shares in Bank of Ireland at market price and preference shares in Bank of Ireland and ordinary and preference shares in Allied Irish Banks based on the advice of Goodbody Corporate Finance. Final valuations of all NPRF investments will be published in the NPRF Annual Report for 2012.