IRELAND: DEBT STABILISATION NEAR

Ireland’s market recovery continues, evidenced by normal issuance in early 2013 and fall in yields towards “semi-core”

July 2013

Index

SUMMARY

Ireland is expected to meet fiscal targets and achieve a modest expansion for a third consecutive year in 2013

Ireland continues its macro/fiscal recovery in 2013

- **Government deficit of 7.5% of GDP in 2012 means target was beaten by a wide margin again; this time full percentage point below EU (EDP) target**
  - Second year of outperformance, following deficit 1.5pp of GDP lower in 2011
  - Fiscal data for first half of 2013 point to further progress; Revenue slightly better-than-expectations and expenditure control is quite tight
  - EDP target of 7.5% of GDP looks readily achievable at this stage
- **Second consecutive year of real and nominal GDP growth in 2012**
  - Export growth remained resilient in 2012, despite weak external demand
  - Domestic demand bottoming over last nine months, ending five-year drag
  - Unemployment rate drops from high of 15.1% to 13.7% as of latest data
  - Ireland's GDP growth expected to be among highest in euro area for 2013/14
- **Banking-related contingent liabilities for the State reduced sharply**
  - Pillar bank deleveraging almost complete: haircuts smaller-than-feared
  - State has reformed insolvency laws to deal with mortgage debt overhang
  - Ireland's main contingent liability being reduced: NAMA is well on track to repay €7.5bn of its senior bonds by end-2013 (repaid €6.25bn thus far)
  - Ending of ELG scheme for new liabilities after 28th March 2013 marks significant step towards banking system normalisation; ECB reliance now only ~20% of GDP

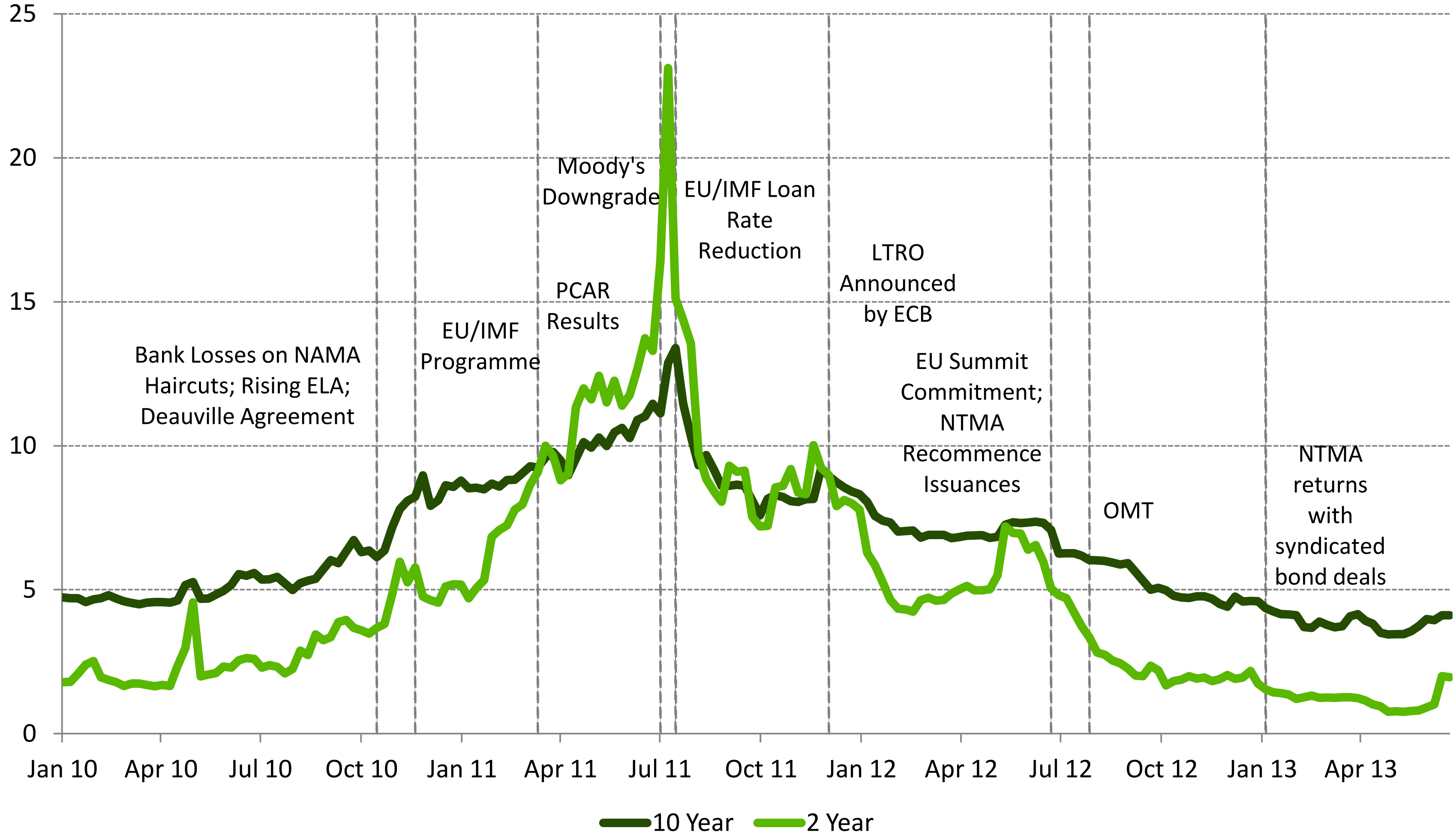
NTMA working plan to normalise market access in 2013 is on track

- **NTMA issued a new 10yr benchmark Treasury Bond in March 2013**
  - Sold €5bn of 2023 bond at 4.15% through a syndicate of six primary dealers; first 10yr issuance since January 2010 (well below previous yield of 5.09%)
  - Broad investor interest: over 400 investors submitted bids, including fund managers, pension funds, banks and insurance companies
  - 82 per cent by overseas investors; mainly from the U.K. (25%), Germany (12%), the Nordic region (12%), France (11%) and U.S. (7%)
- **NTMA also issued conventional bond via syndication in January 2013**
  - Sold €2.5bn of 2017 bond at 3.32% through syndicate of five primary dealers: the first such syndicated deal for three years
  - Investor spread was broad-based and skewed towards real money accounts across the UK, euro area and US
  - This followed the initial return to the Treasury Bill and bond market in 2012
- **Next steps towards sustainable market re-entry in early 2013**
  - Continue regular schedule of Treasury Bill auctions – rate fell to 0.2% or lower over 5th–11th auctions (Jan-Jul 2013) from 1.8% at first auction (July 2012)
  - Continue to engage with investors on a regular basis: the NTMA conducted two non-deal roadshows each year during both 2011 and 2012
  - Possibility of MLT bond auction(s) in Q4 2013 after Budget 2014

Several measures are still available to consolidate Ireland’s recent market return

- **Further reduction in legacy cost to State of banking clean-up would help**
  - Promissory note transaction of early February 2013 yielded substantial benefits as did the agreed EFSM/EFSF maturity extensions (e.g. the average maturity of Ireland’s Government debt is now c. 12.5 years)
  - Delivery on EU summit commitment of 29^{th} June 2012 to break “vicious circle between banks and sovereigns” would further improve Ireland’s debt sustainability
- **Other potential insurance policies help smooth future path**
  - Ireland's potential eligibility for ECB’s new Outright Monetary Transactions (OMT) would be supported by a precautionary credit line from ESM: such insurance policies could underpin sustainable bond market presence
  - Sustained progress toward a full banking union would also be supportive of wider stability (Single Supervisory Mechanism, common deposit insurance, Single Resolution Mechanism)

Irish bond market recovery continues in 2013 (yld: %)

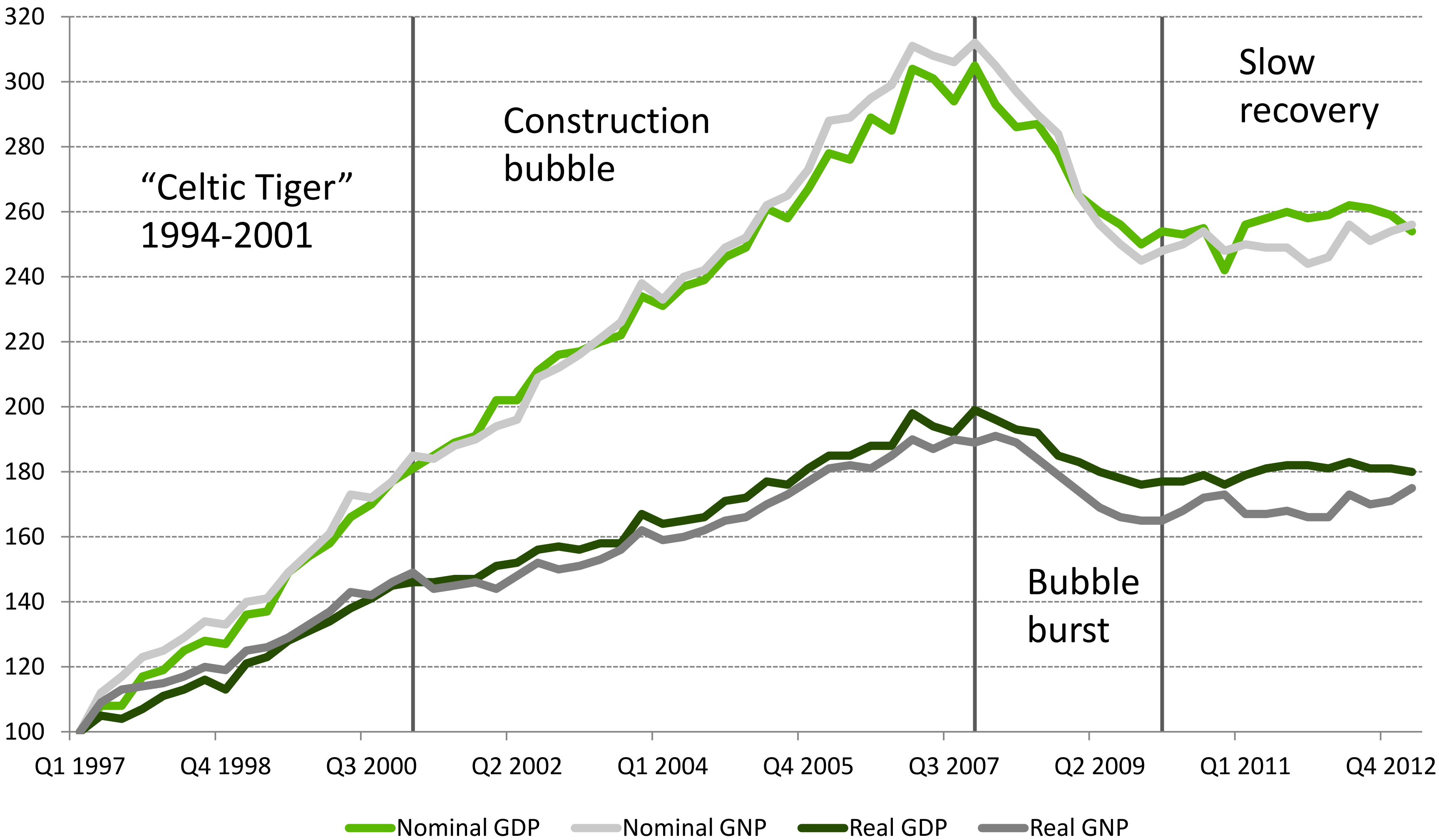


Source: Bloomberg (weekly data)

SECTION 1: MACRO

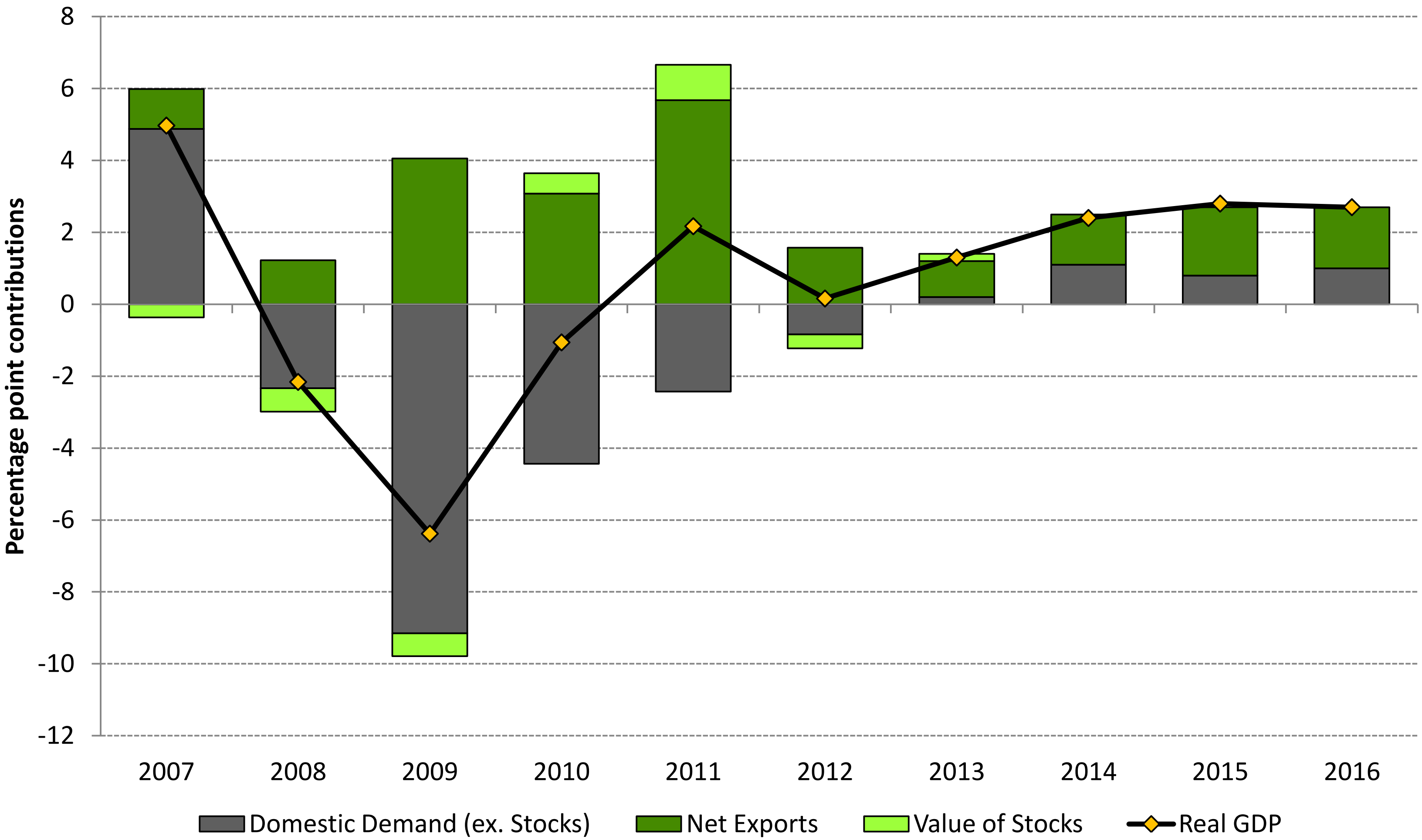
Ireland expecting growth again in 2013; PMIs still well above euro area average; Labour market has turned after five years of difficulty

Economy stable since end-2009 (Q1 1997= 100)



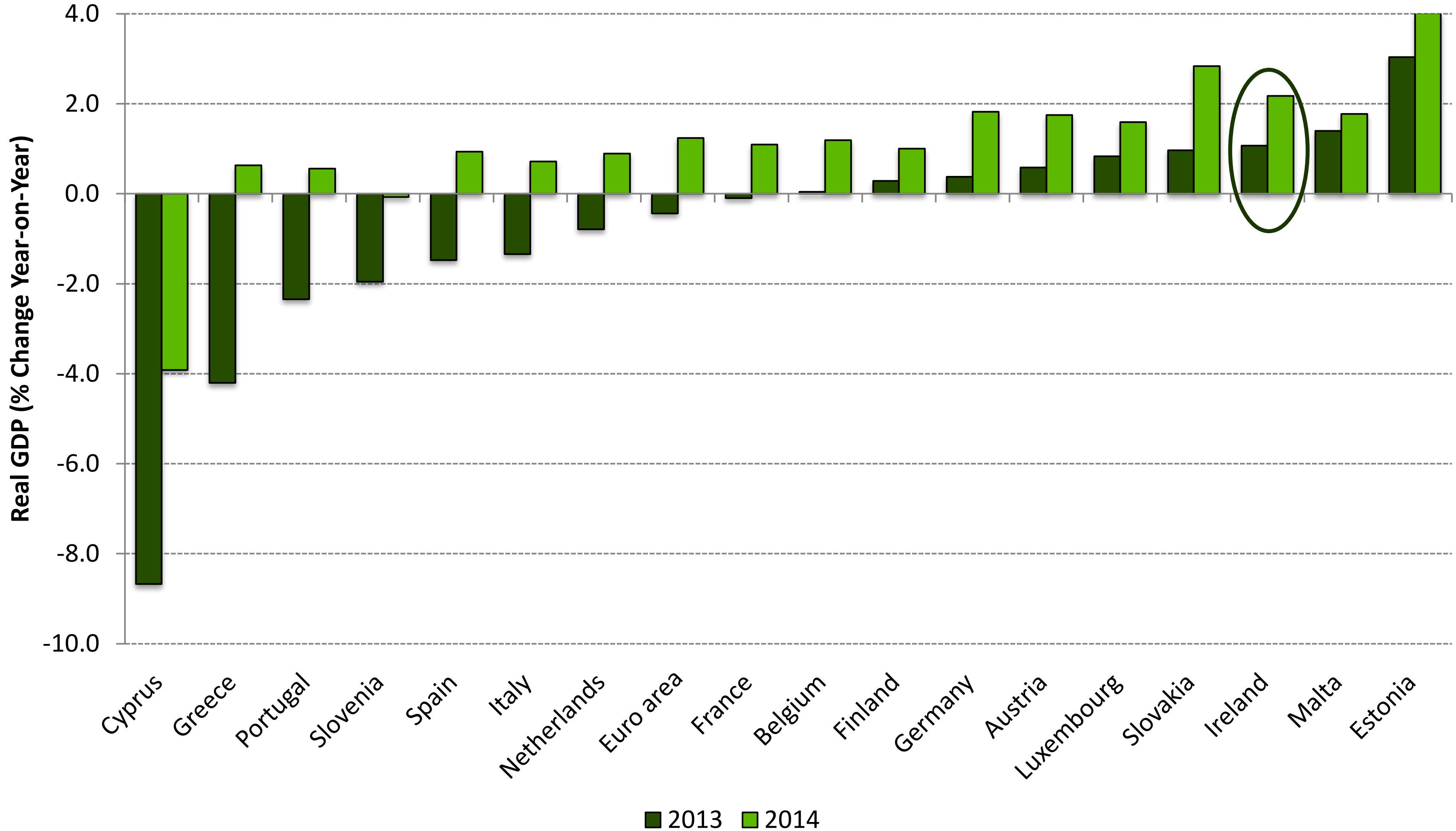
Source: CSO

Exports continue to drive recovery as domestic drag lessens (annual real GDP growth contributions, p.p.)



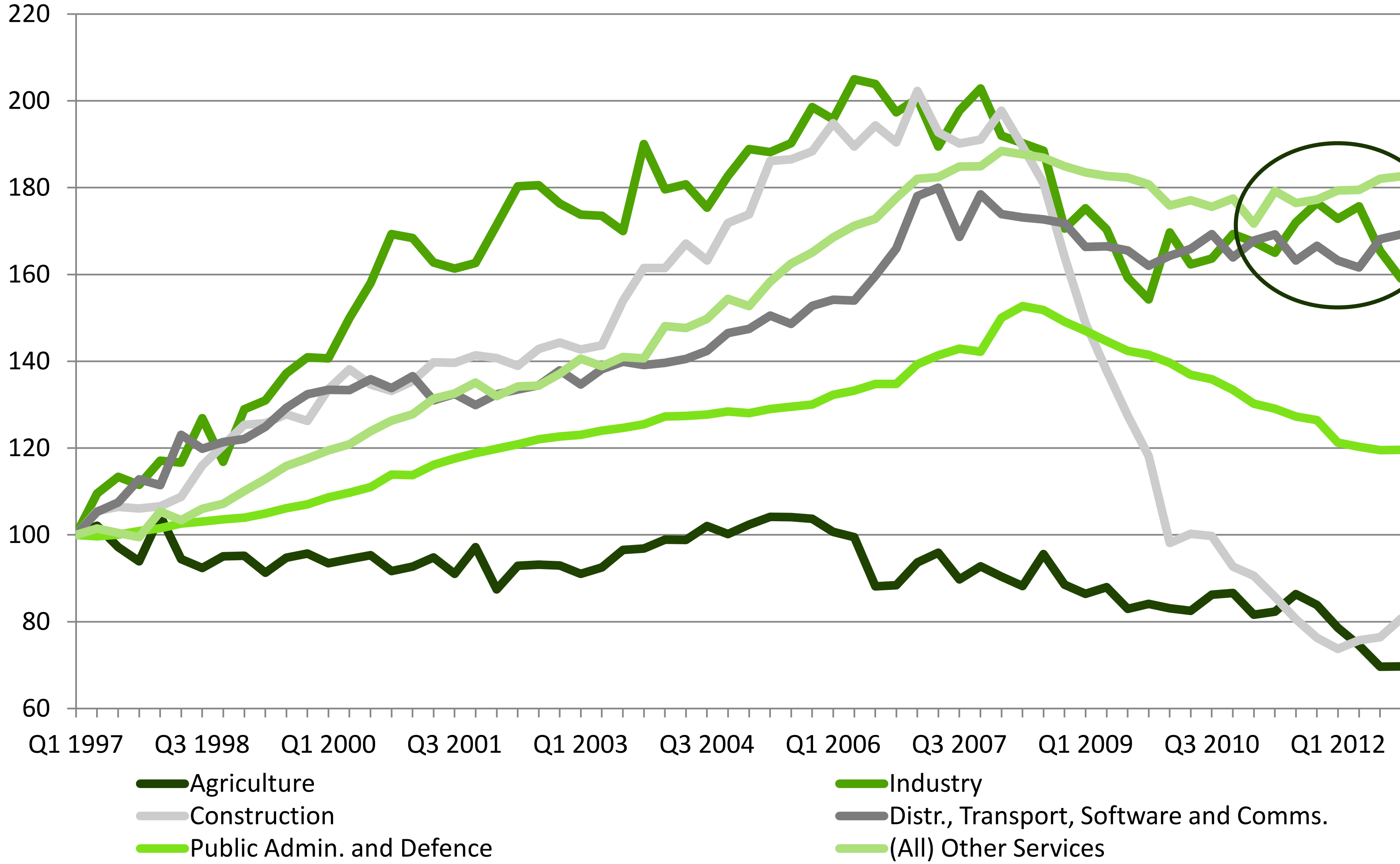
Sources: NTMA, CSO and Department of Finance (SPU April, 2013)

Ireland is expected to rank among fastest growing economies in the euro area for 2013 and 2014



Source: European Commission

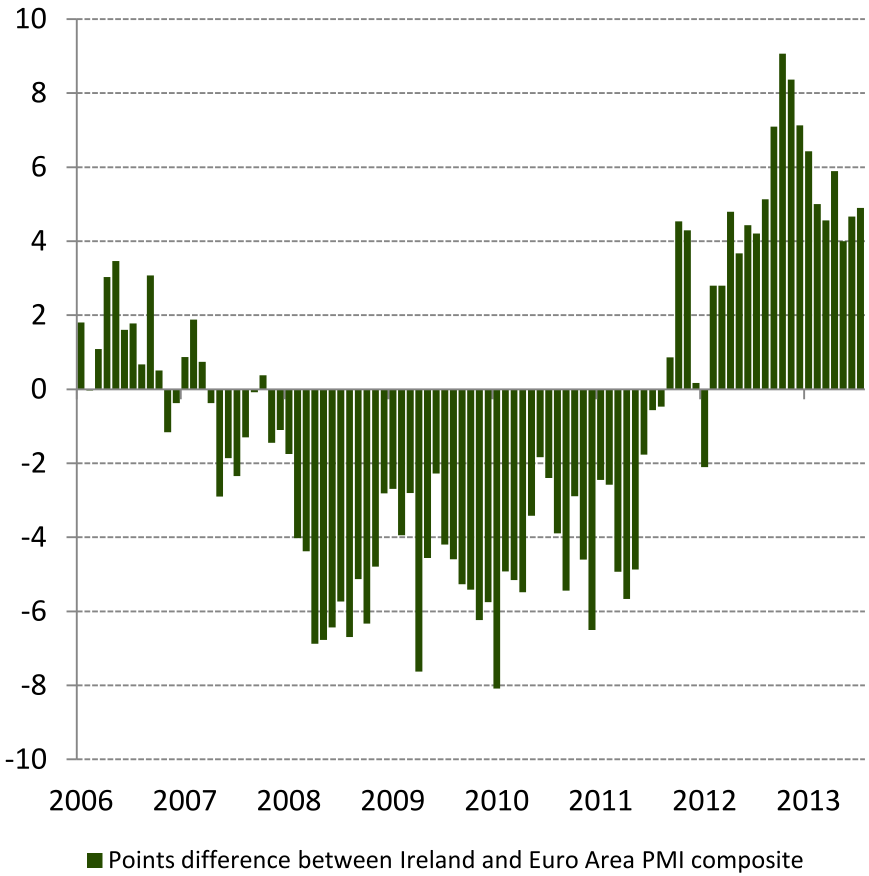
Ireland's export sectors perform best over long run (gross output by main sector, Q1 1997 = 100)



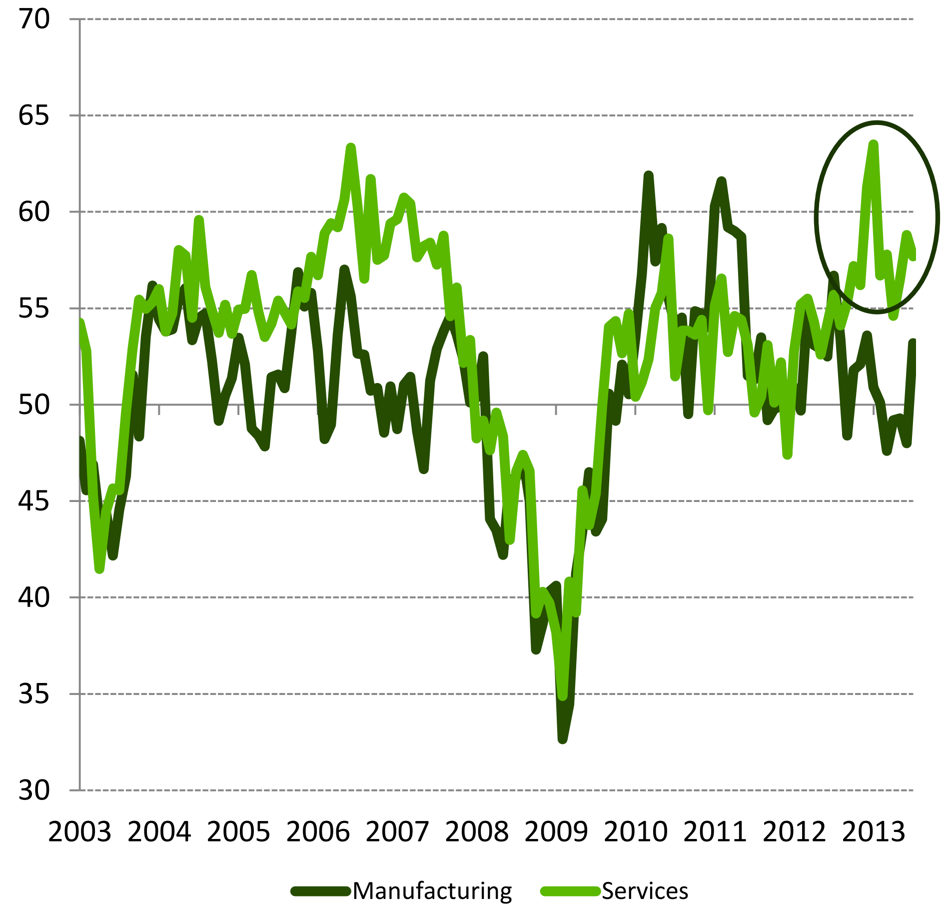
Source: CSO

Ireland continues to perform well relatively

Ireland growing faster than Euro Area

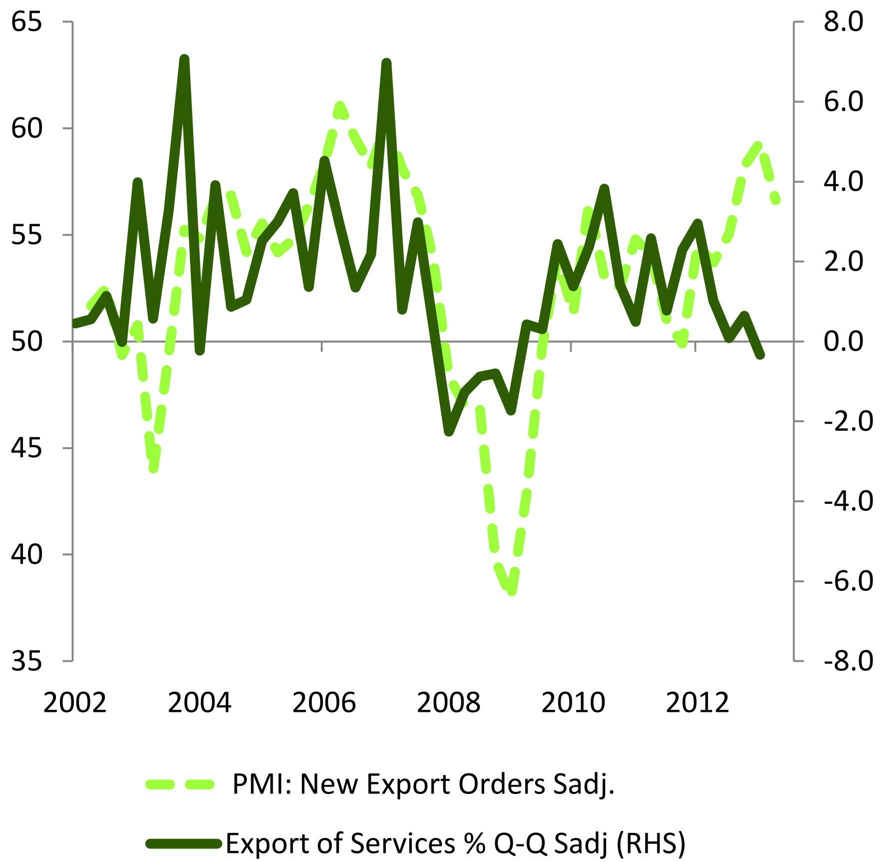


Driven by exports (50 is no-chg.)

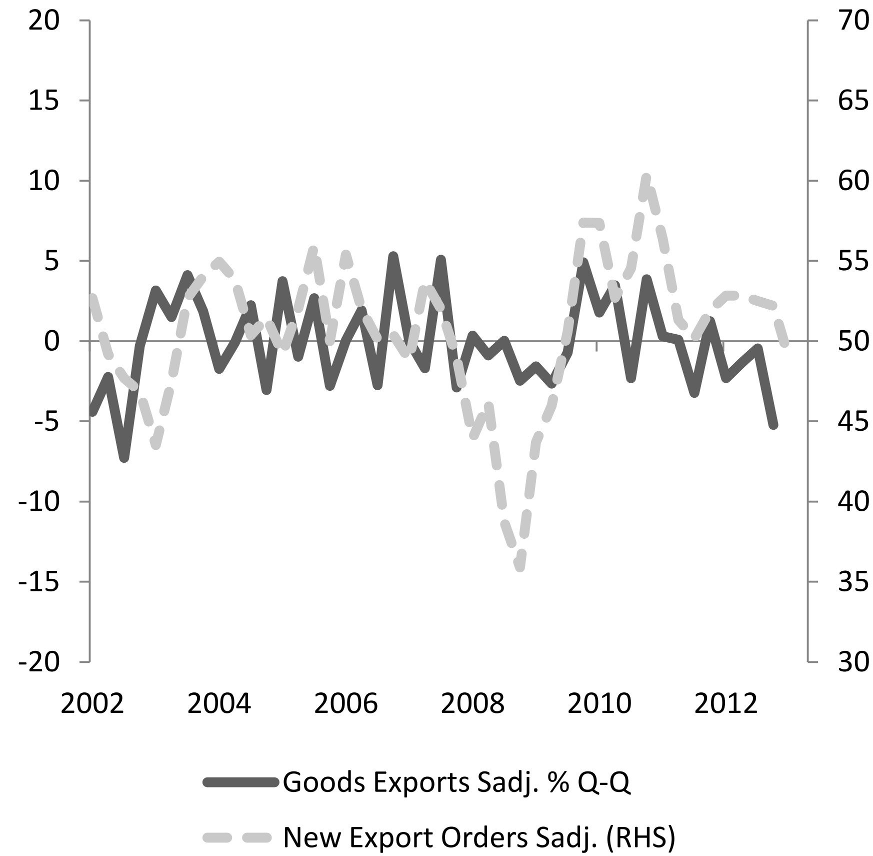


Services exports lead the expansion in external trade with leading indicators still robust

Services: New Export Orders (PMI) and Actual Exports (QNA) – Seasonally Adjusted



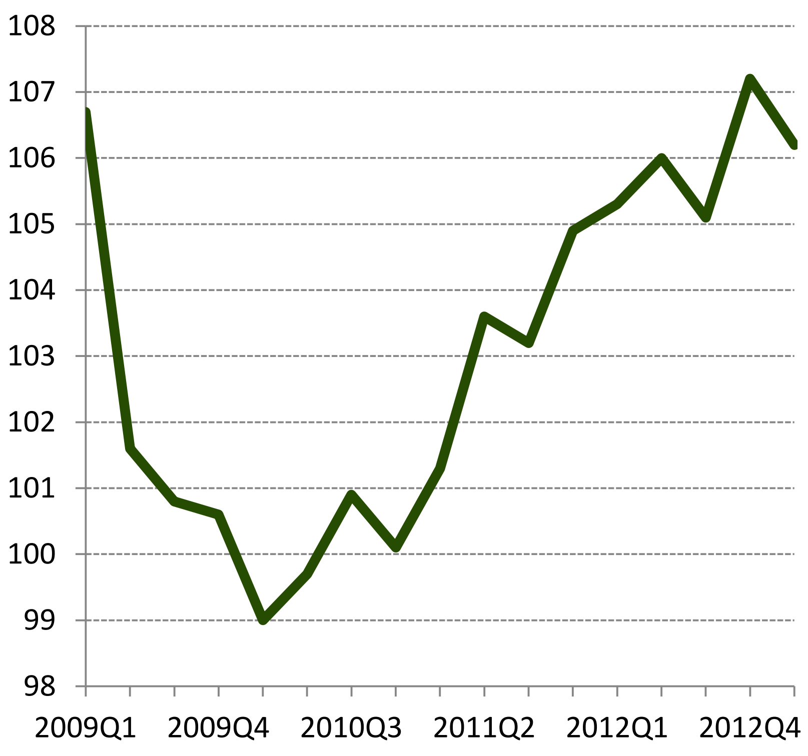
Goods: New Export Orders (PMI) and Actual Exports (QNA) – Seasonally Adjusted



Sources: Investec Ireland, CSO and NTMA calculations

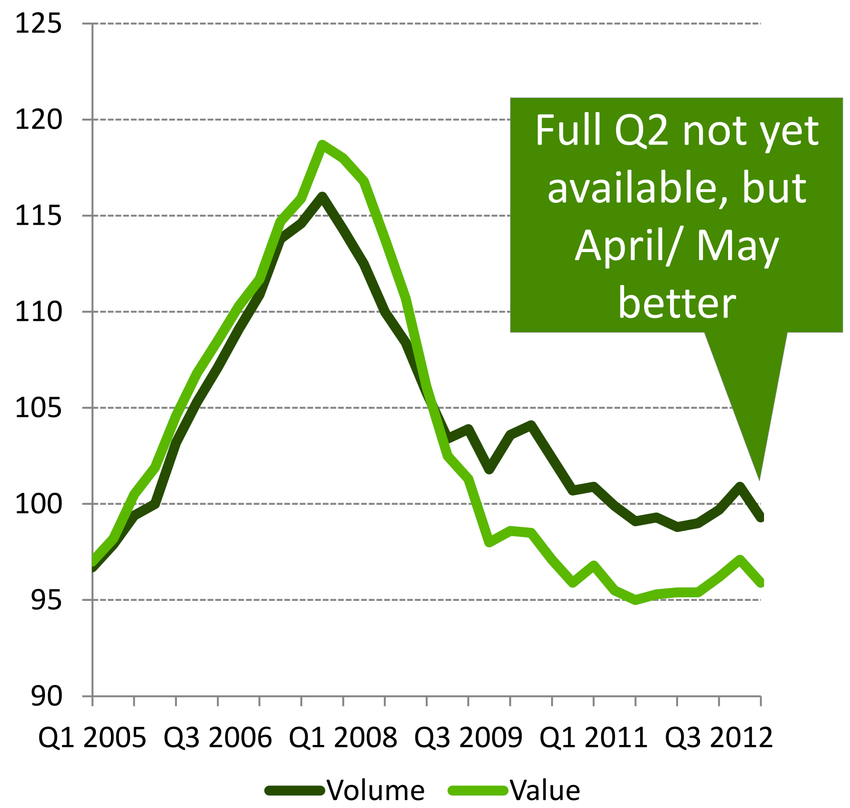
Services and consumption stable to growing of late

Value of non-financial traded services continues to grow (2010=100)



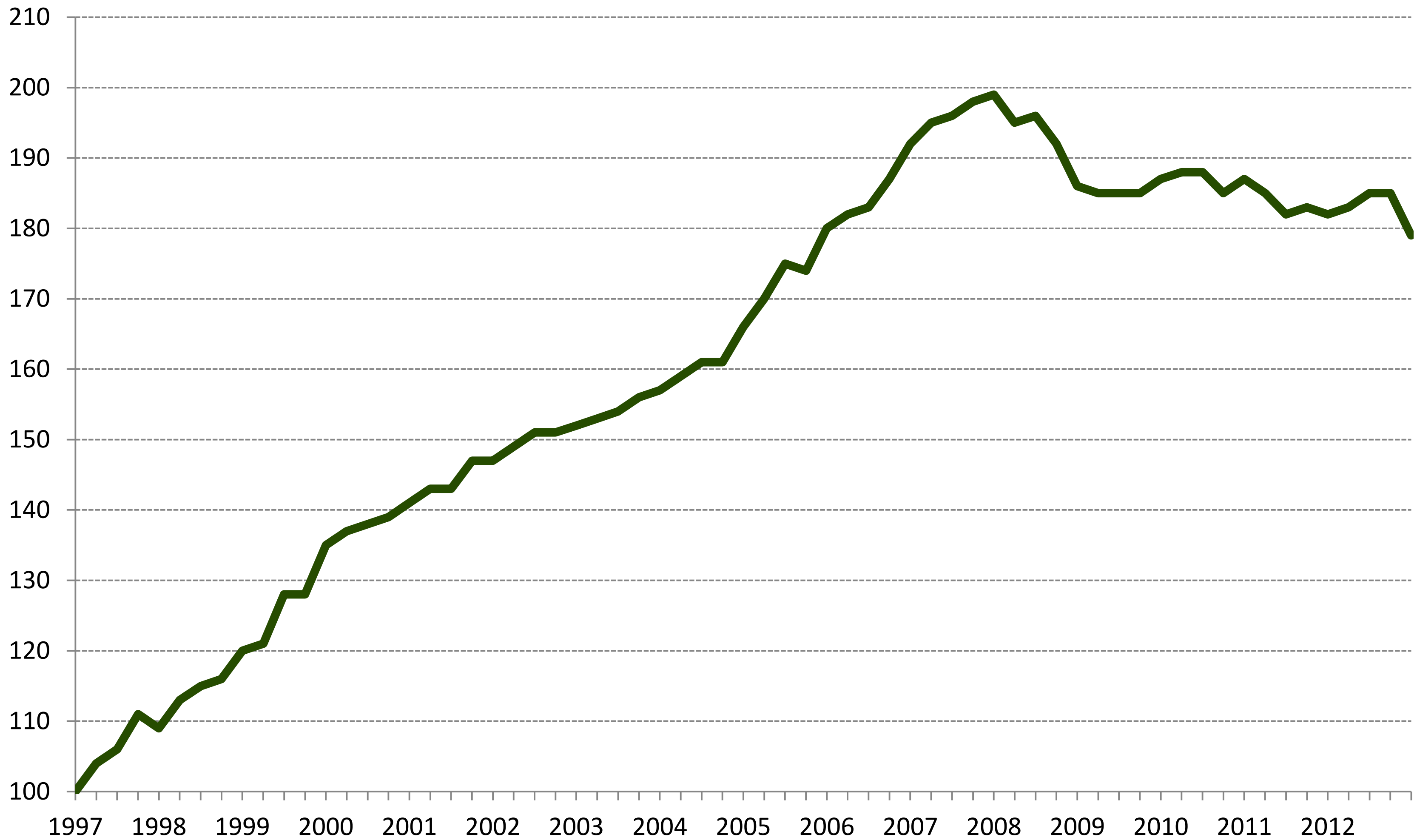
Source: CSO

Core retail sales soften after Q4 2012 boost; broadly stable over 18 months



Source: CSO

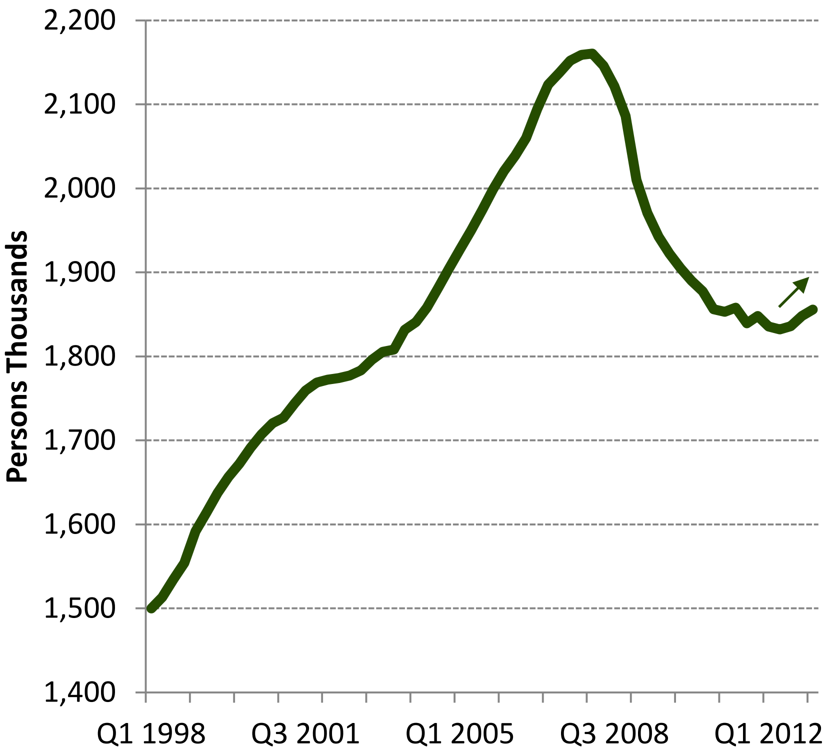
Consumer spending still relatively weak: back at 2006 levels, but 79% higher than 16yrs ago (Q1 1997=100)



Source: CSO

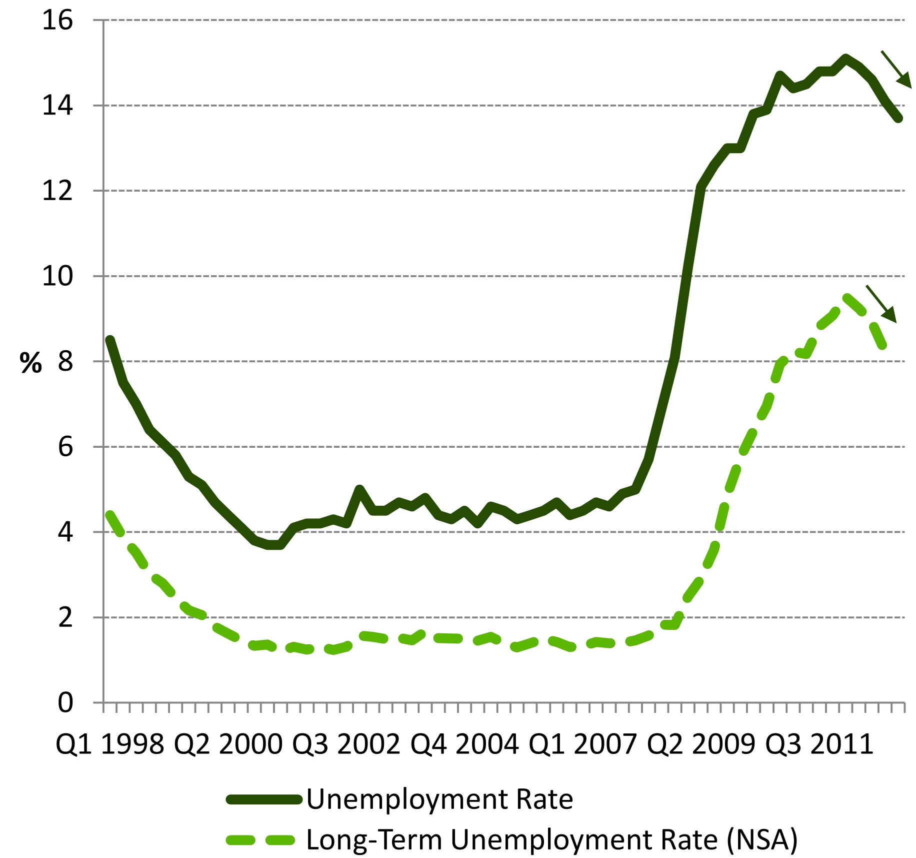
Labour market has reached point of inflection

Employment growth for three successive quarters stems the recent decline



Source: CSO

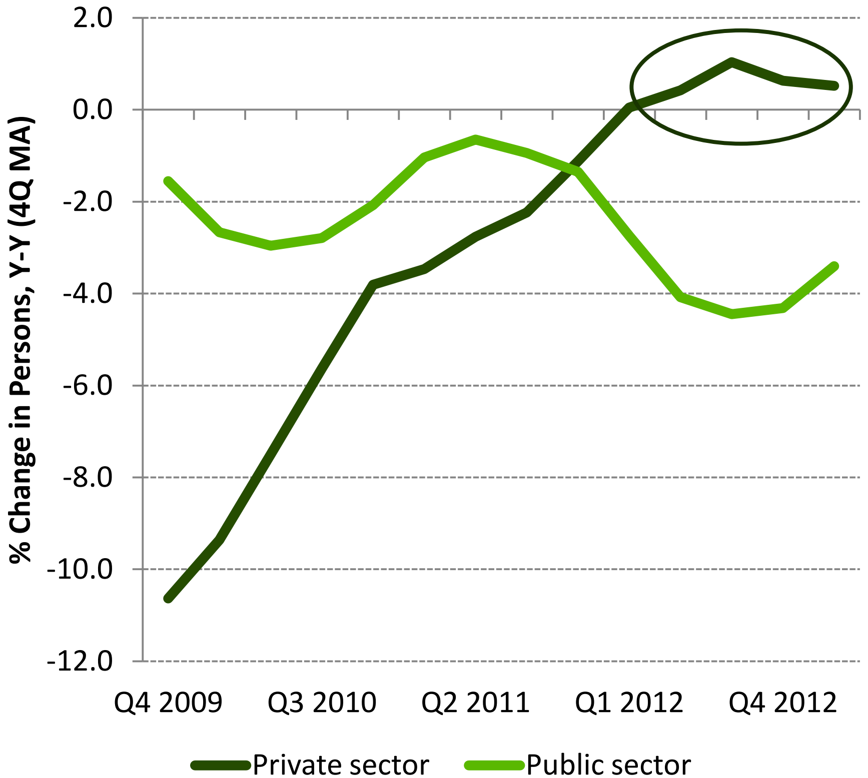
Unemployment rate falls over four consecutive quarters



Source: CSO

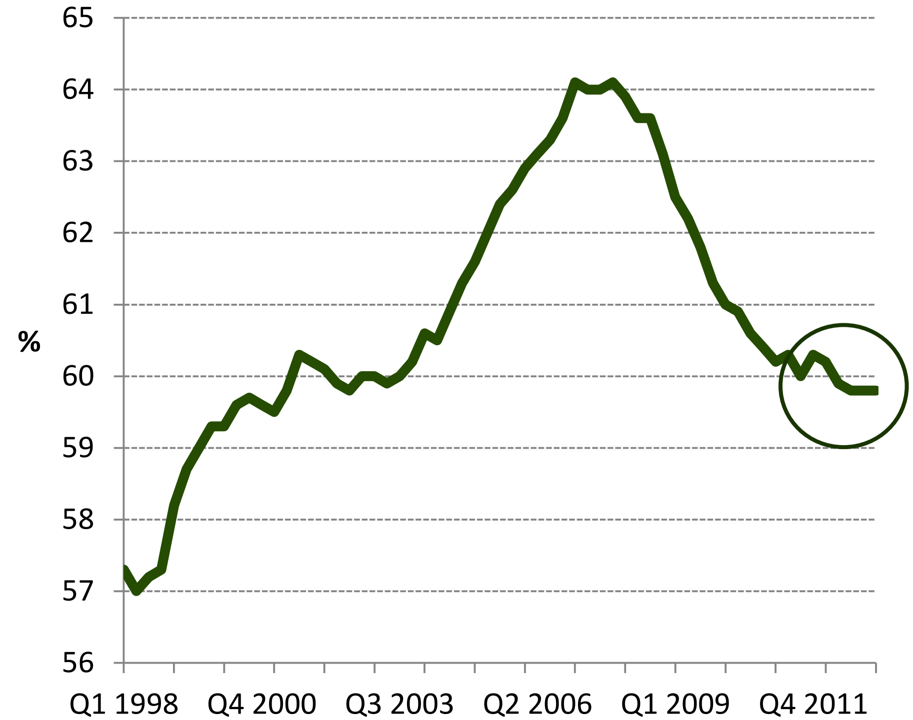
Private sector employment offsetting public sector declines; signs of easing in participation rate decline

Gains in private sector employment begin to offset public sector job shedding



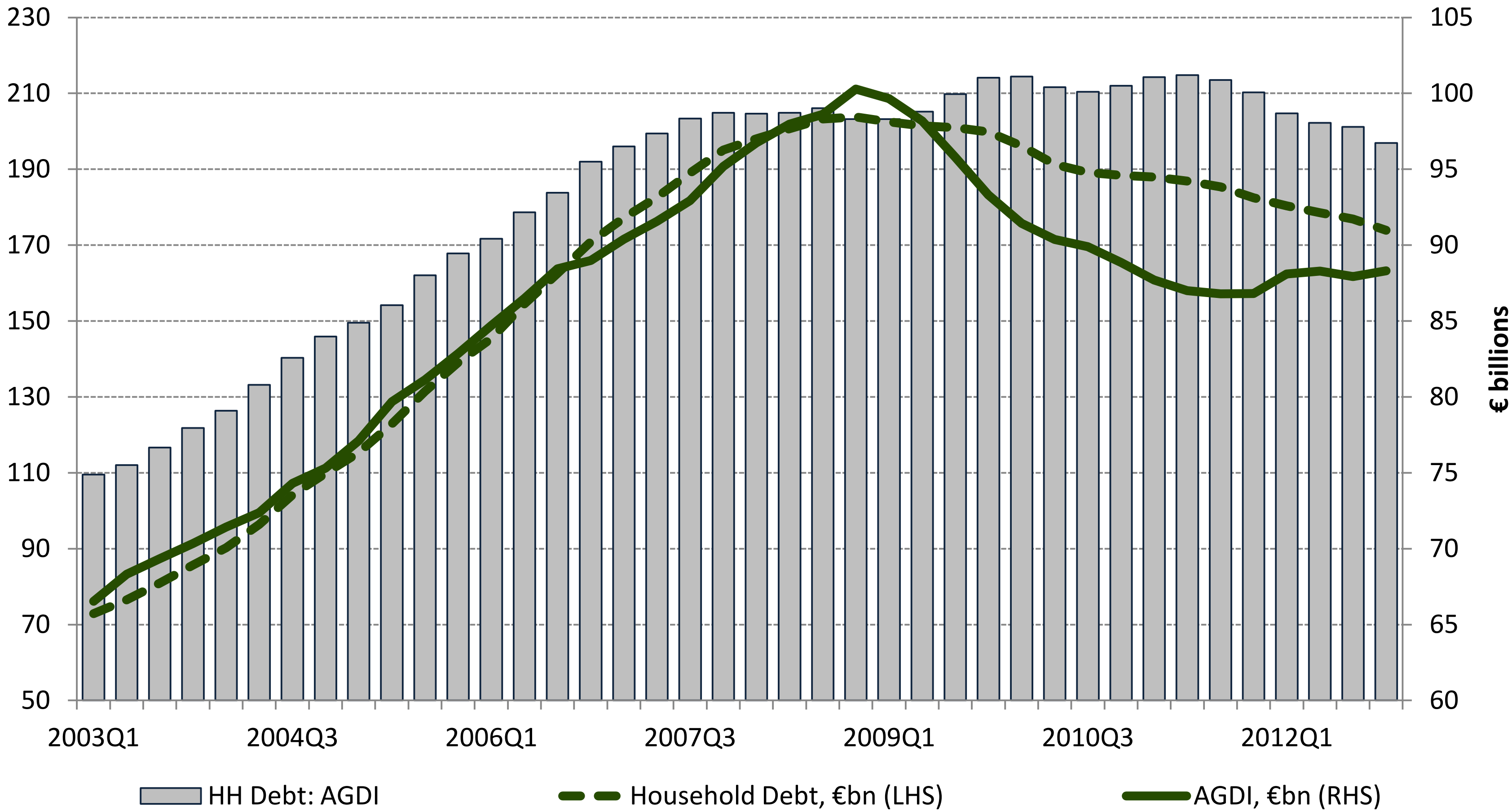
Source: CSO

Signs of stabilisation in labour force participation rate



Source: CSO

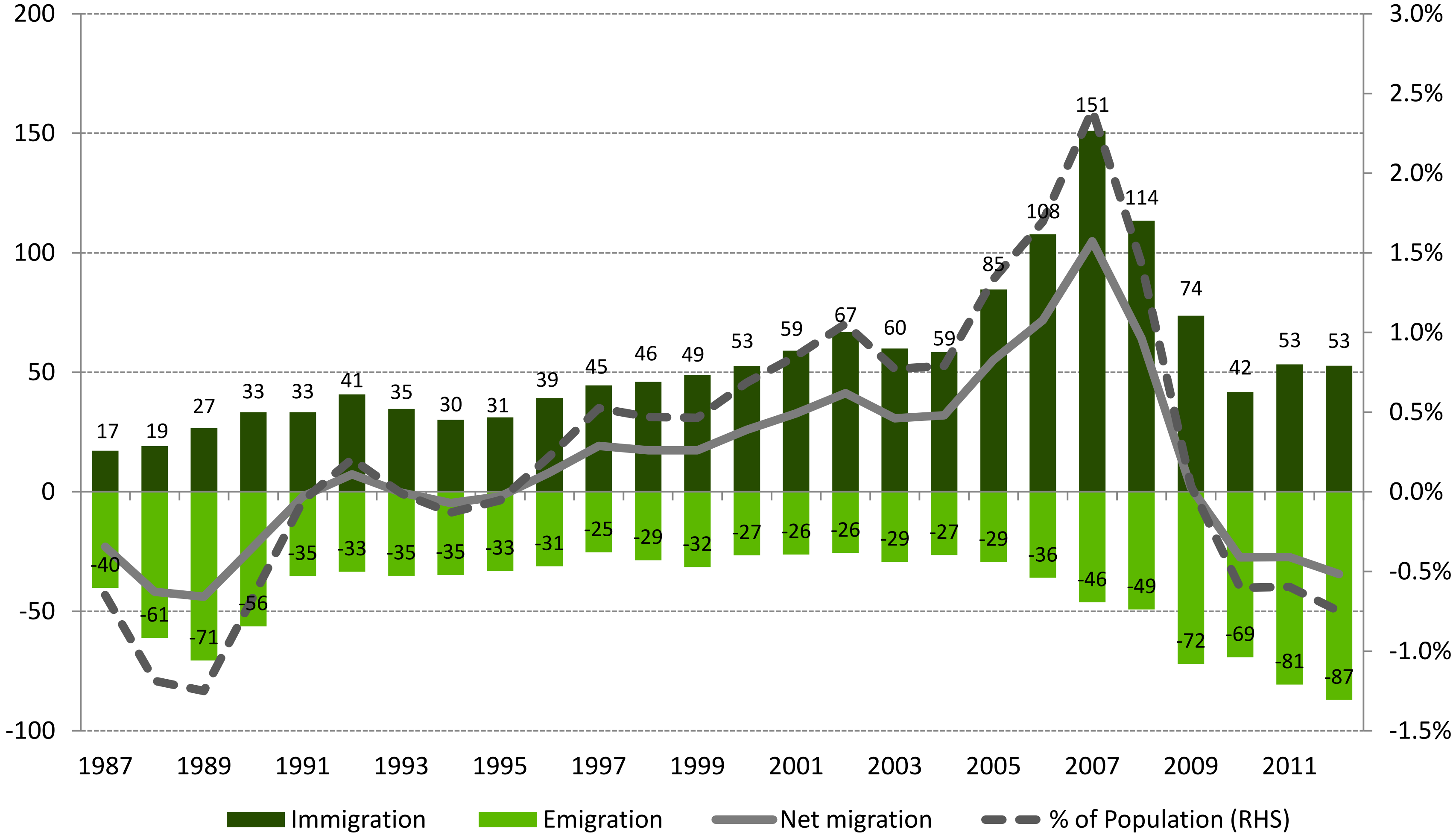
Household debt burden remains quite high, yet disposable incomes have begun to help rebalancing



Sources: CSO and Central Bank of Ireland

Note: AGDI = Actual Gross Disposable Income of households (annualised)

Net *emigration* for first time since mid-1990s, but not as severe as in the late 1980s in % of population terms

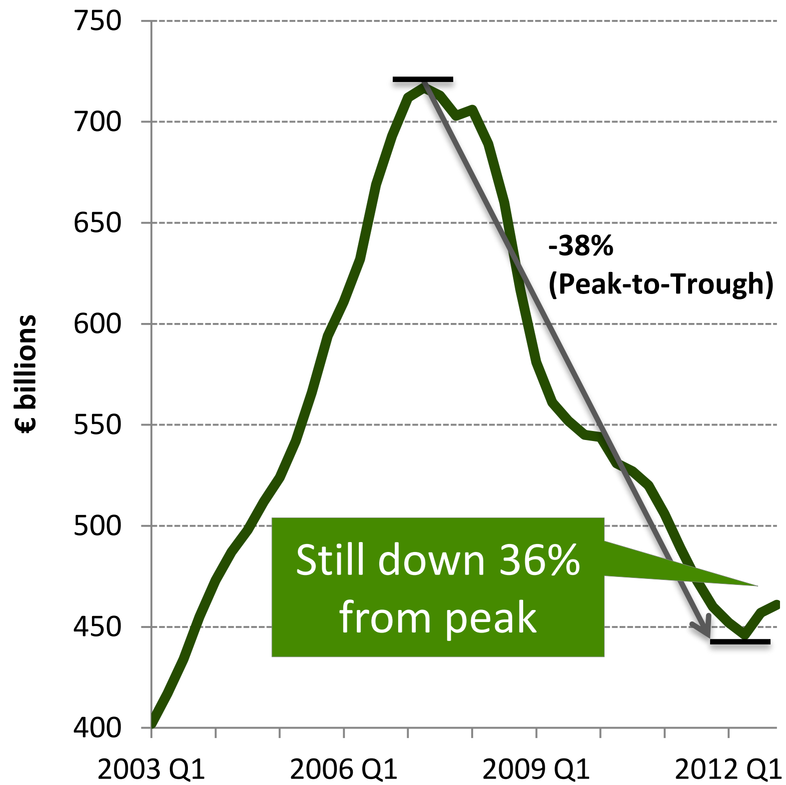


Source: CSO

National Treasury Management Agency

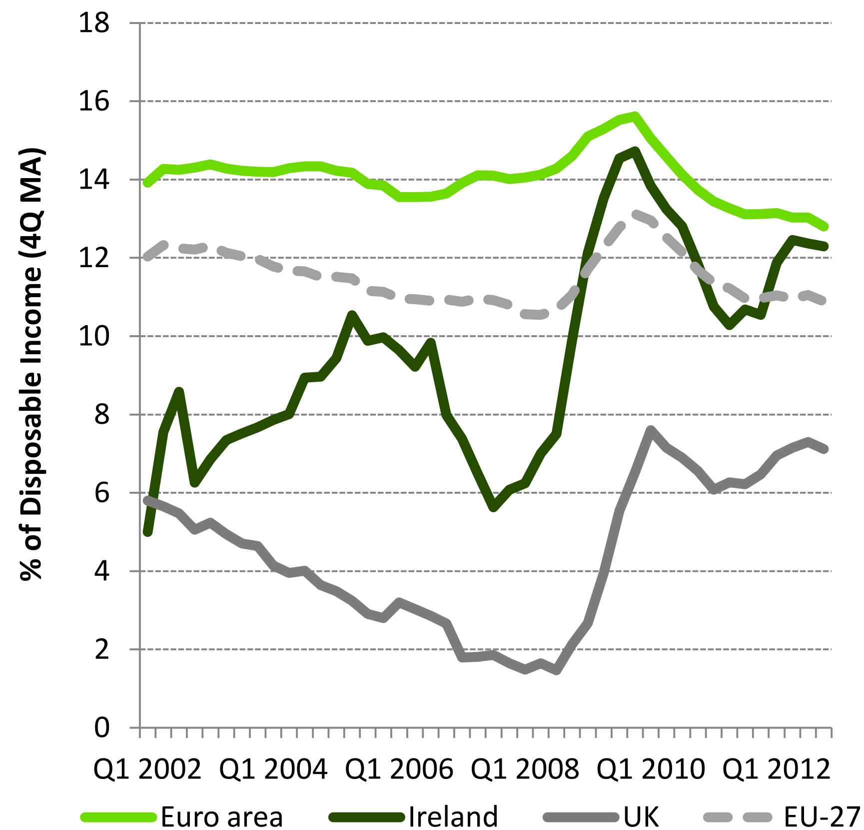
Deleveraging and negative wealth effects have harmed consumer spending

Household net worth improves in H2 2012; first time since mid-2007



Source: Central Bank; DoEHLG; CSO; NTMA

Gross household saving rate still relatively high in historical/international context *

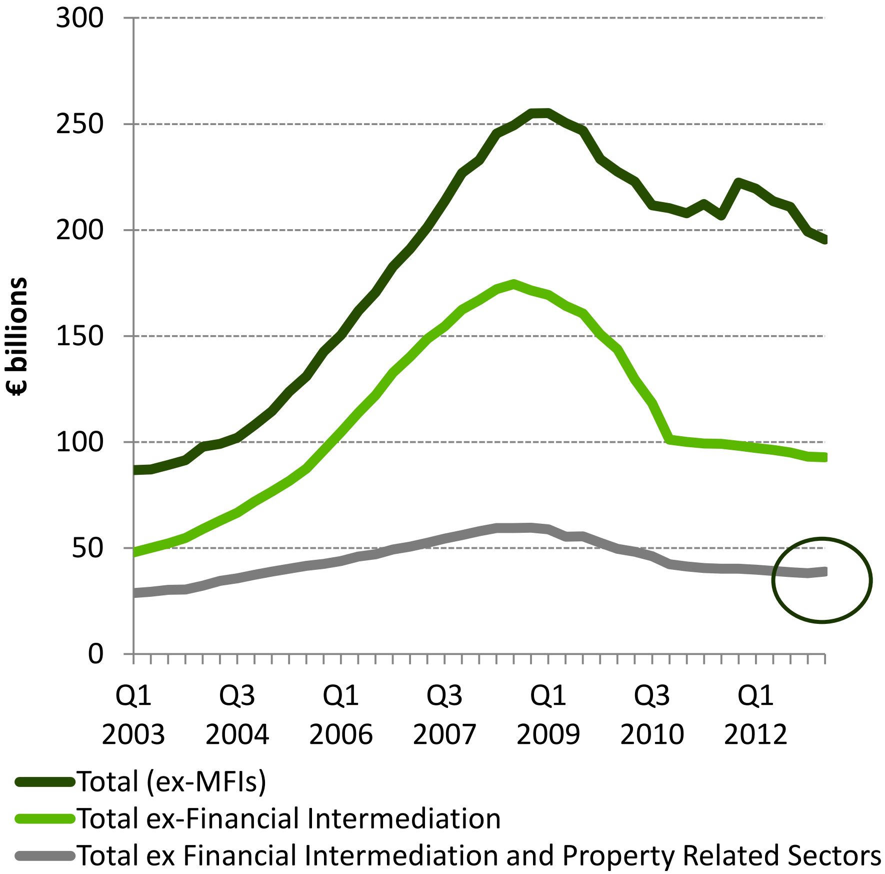


Source: Eurostat

* Measured on ESA-95 basis

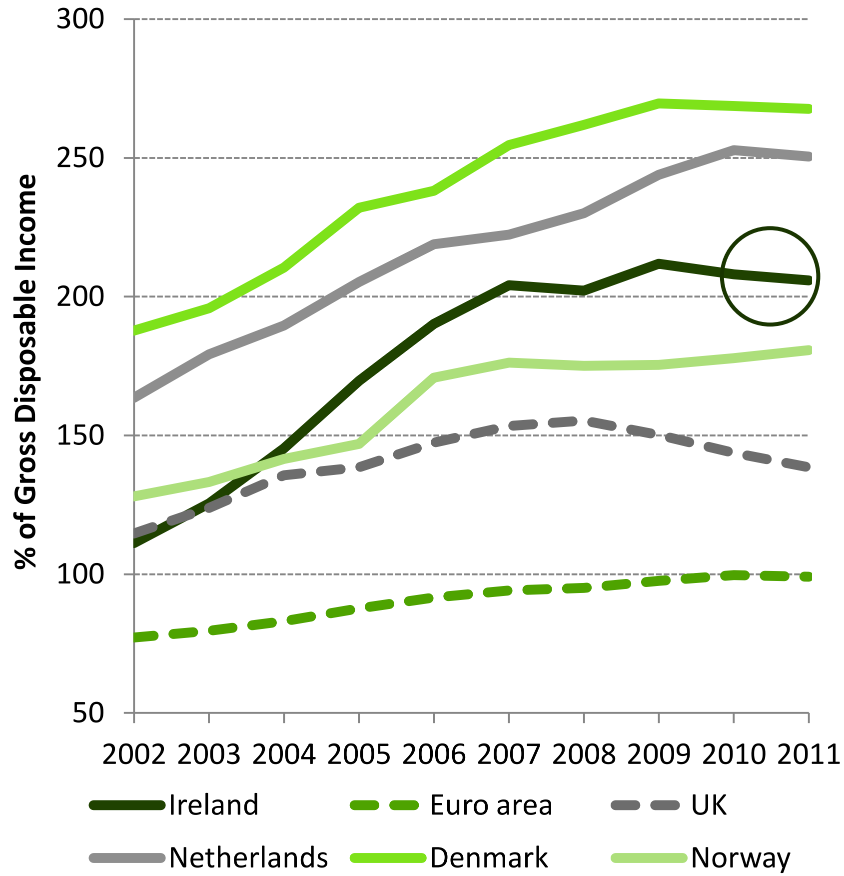
Debt levels are high, apart from "core" domestic private companies

Credit to resident Irish enterprises



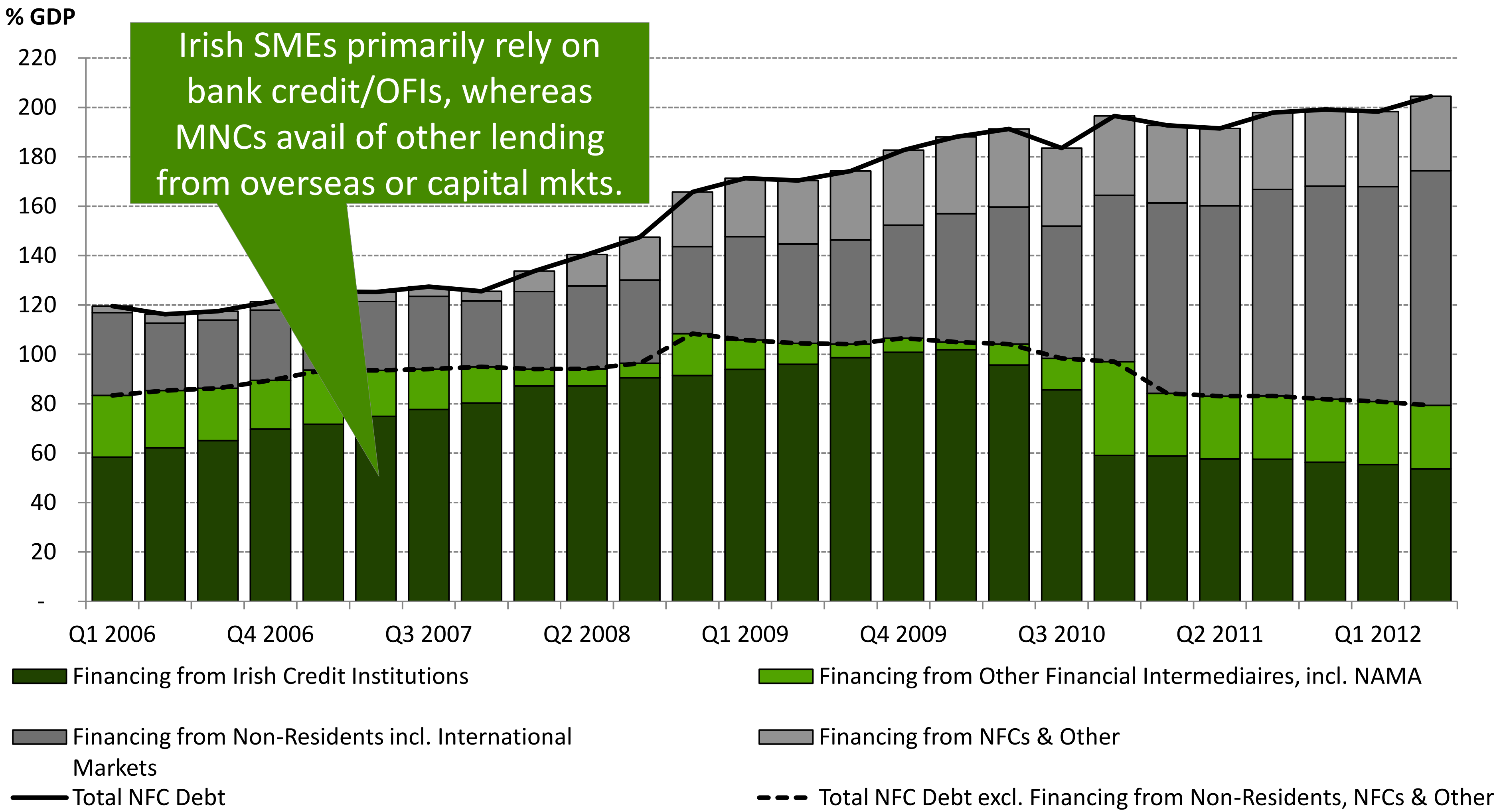
Source: Central Bank of Ireland

Household debt ratios among the highest in EU; declining only gradually



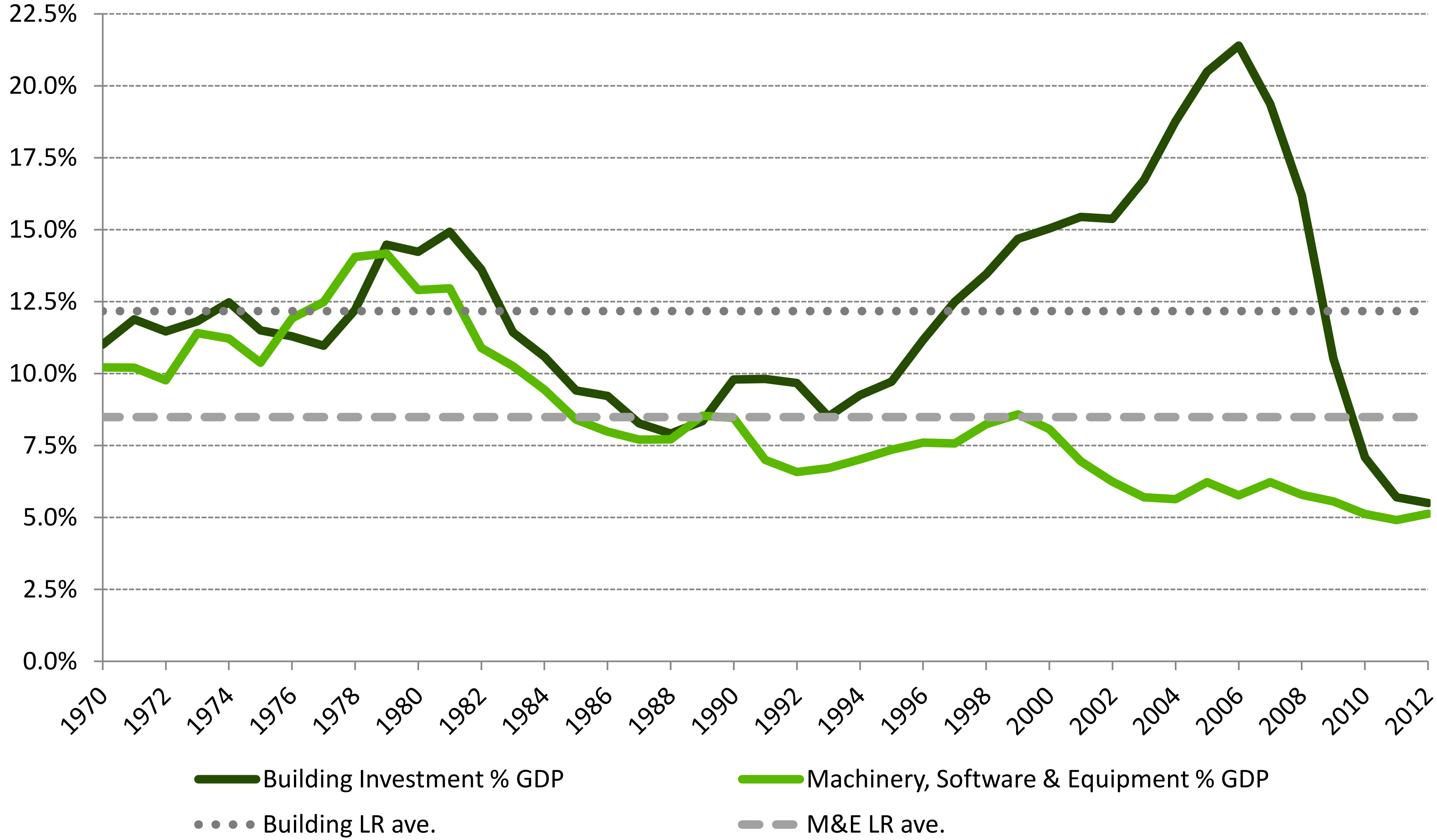
Source: Eurostat

Irish Non-Financial Corporate (NFC) debt is distorted by borrowings of foreign-owned multinationals



Source: Cussen M. and B. O' Leary, Quarterly Bulletin Q1 2013, Central Bank of Ireland.

New investment will eventually recover - to lift economy - when deleveraging loses its strength



Source: CSO; NTMA

Economic and fiscal forecasts: Stability Programme Update, Apr 2013

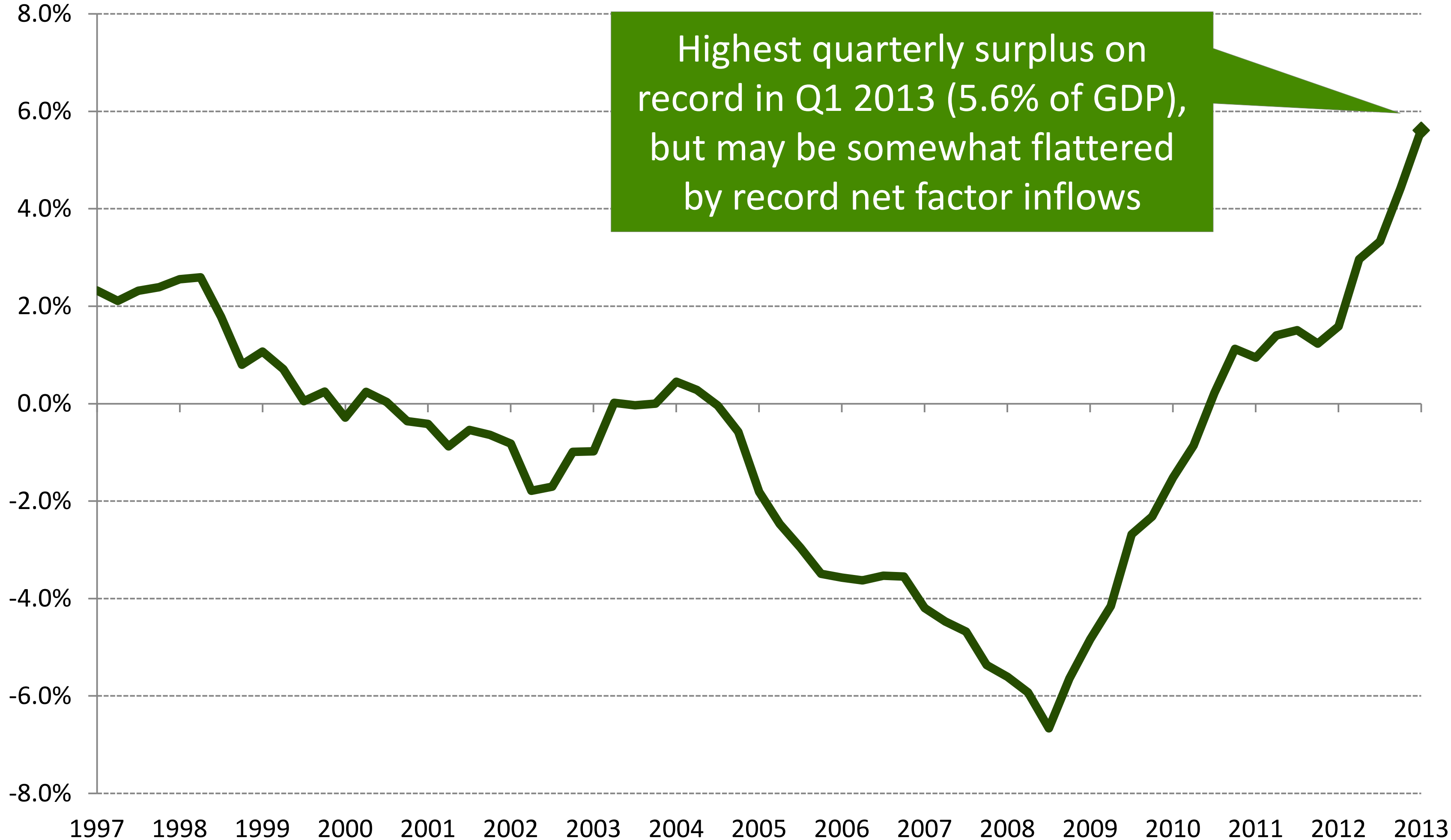
	2011	**2012**	2013f	2014f	2015f	2016f
GDP (% change, volume)	2.2	**0.2**	1.3	2.4	2.8	2.7
GNP (% change, volume)	-1.6	**1.8**	0.8	1.8	2.0	2.0
Current Account (% GDP)	1.2	**4.4**	5.0	5.1	5.2	5.3
General Government Debt (% GDP)	104.1	**117.4**	123.3	119.4	115.5	110.8
Underlying General Government Balance (% GDP)*	-13.1	**-7.5**	-7.4	-4.3	-2.2	-1.7
Inflation (HICP)	1.1	**2.0**	1.2	1.8	2.0	2.0
Unemployment rate (%)	14.6	**14.7**	14.0	13.3	12.8	12.3

Source: Department of Finance, Stability Programme Update (Apr 2013)
* Underlying: ex-banking recapitalisation

SECTION 2: REBALANCING

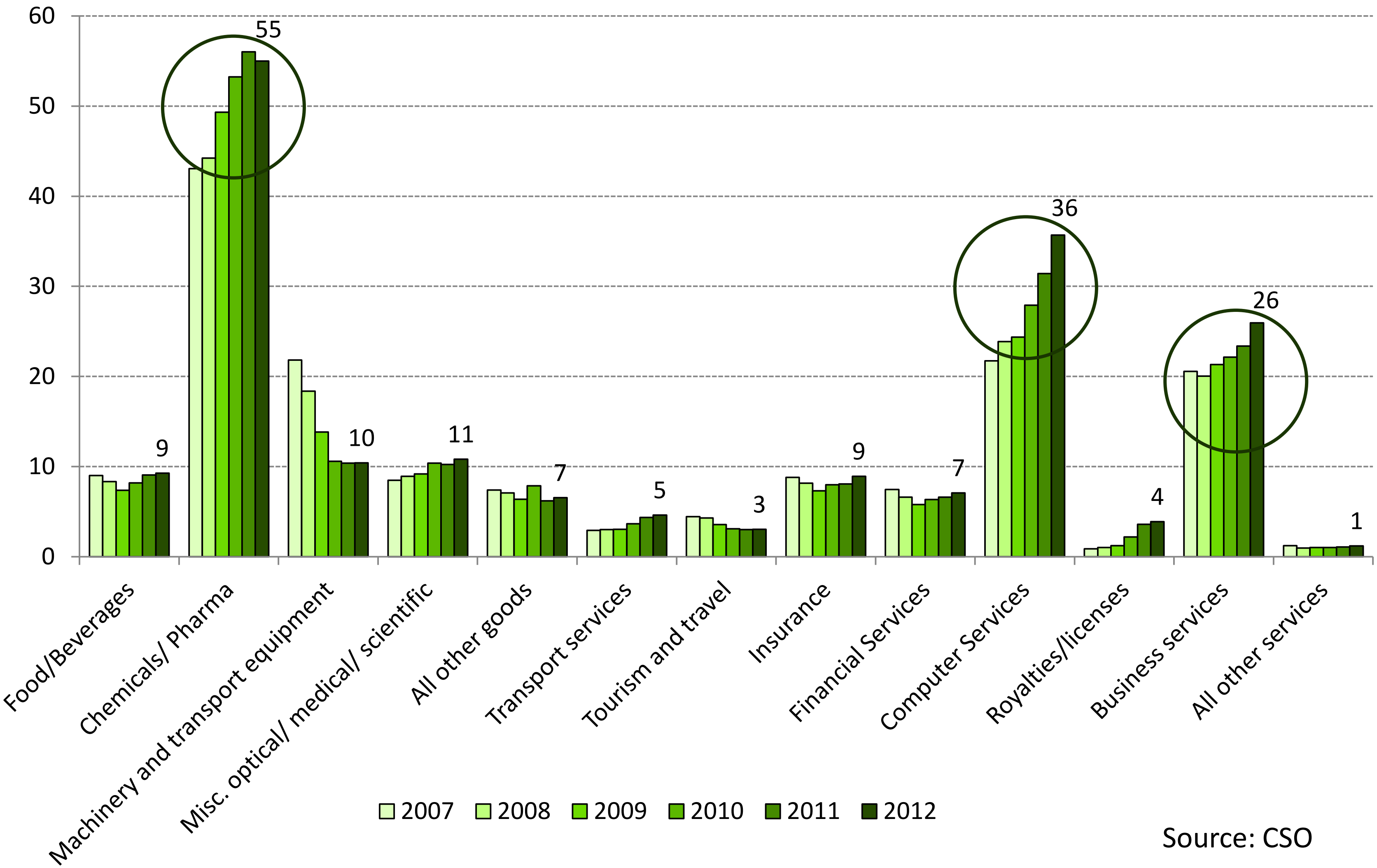
Ireland has accomplished the bulk of its “internal devaluation”; and outperforms other troubled countries thanks to its flexible economy

Ireland's BoP current account surplus reflects large-scale rebalancing of economy (4Q MA, % GDP)



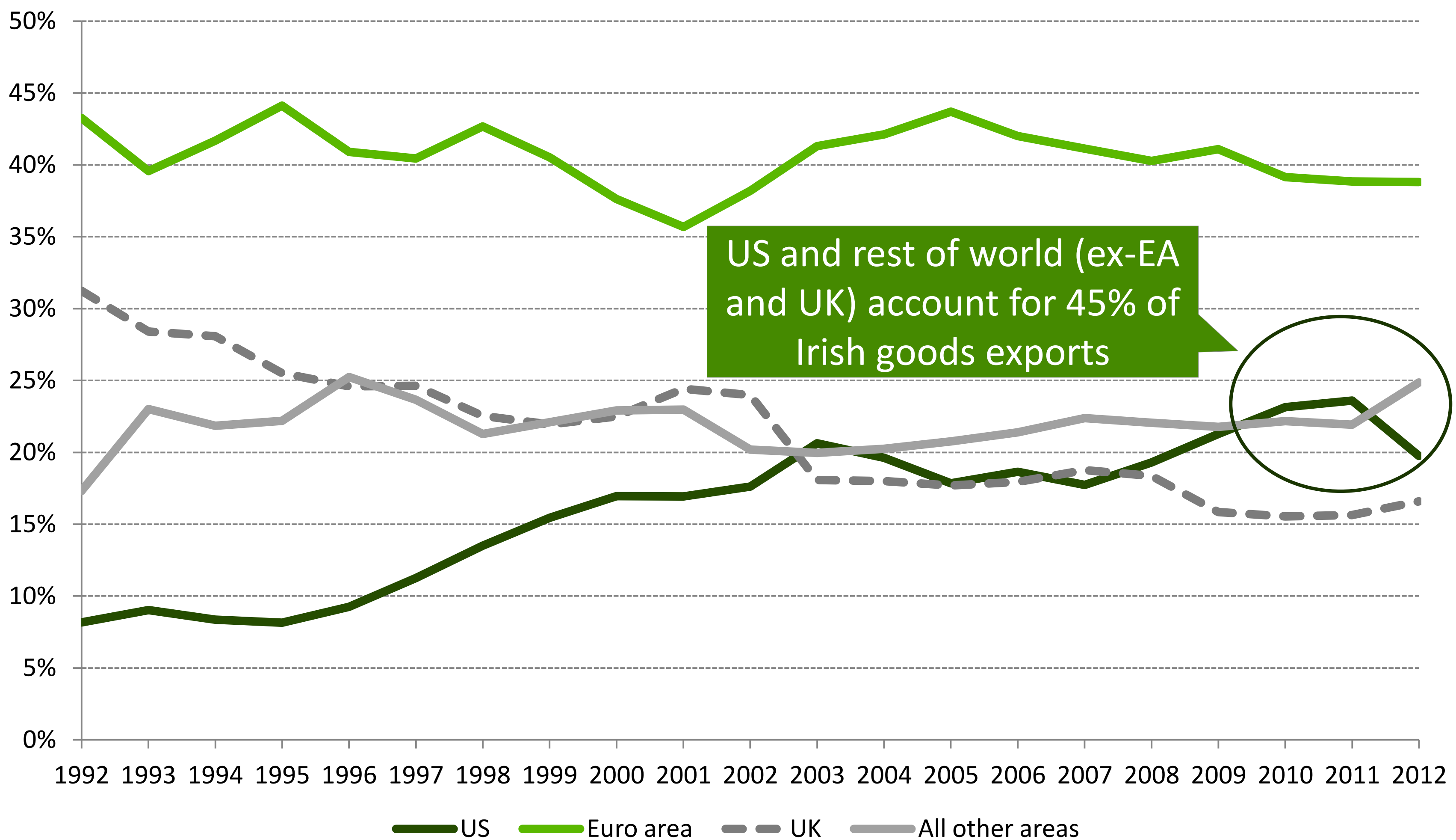
Source: CSO

Exports dominated by pharmaceuticals, IT and businesses services (scale: €bn)



Source: CSO

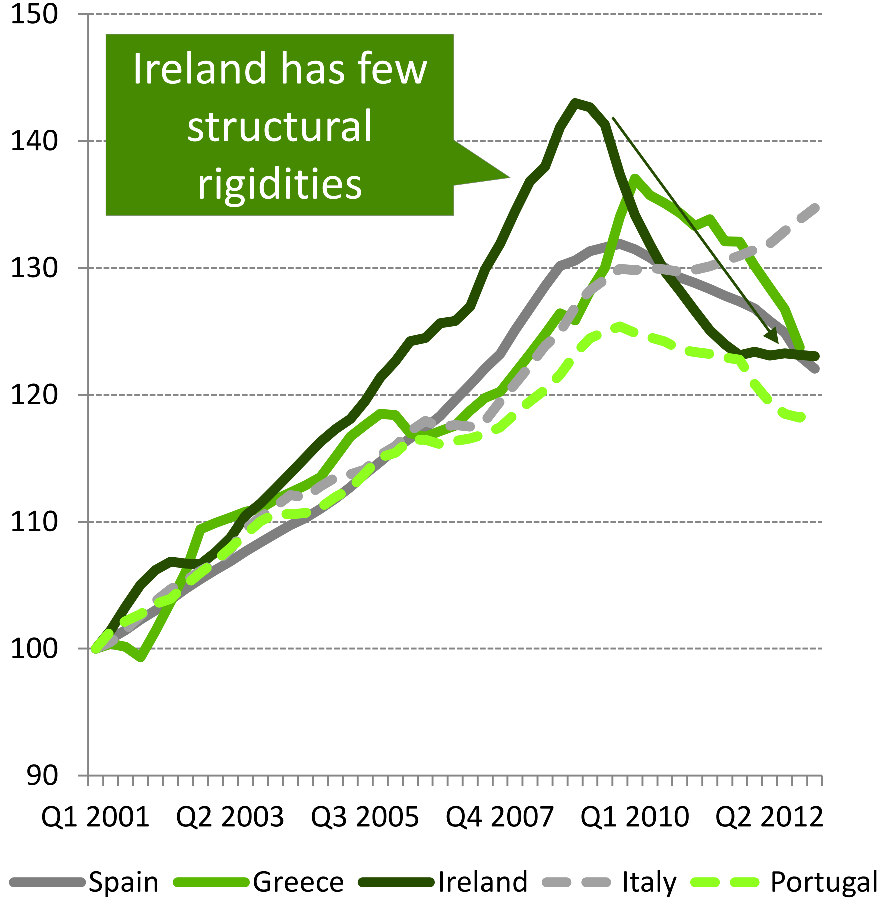
Ireland benefits from trade diversification (goods export shares)



Source: CSO

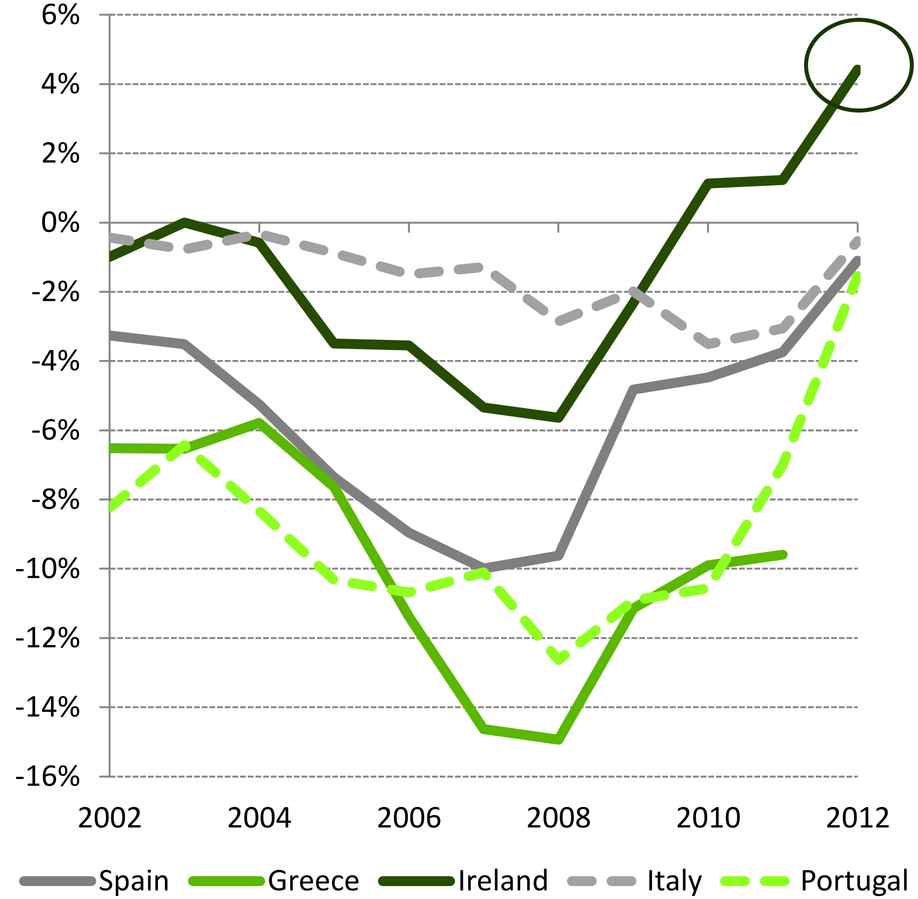
Ireland's competitive position is different to the other non-core countries

Unit Labour Costs (Q1 2001=100)



Source: ECB

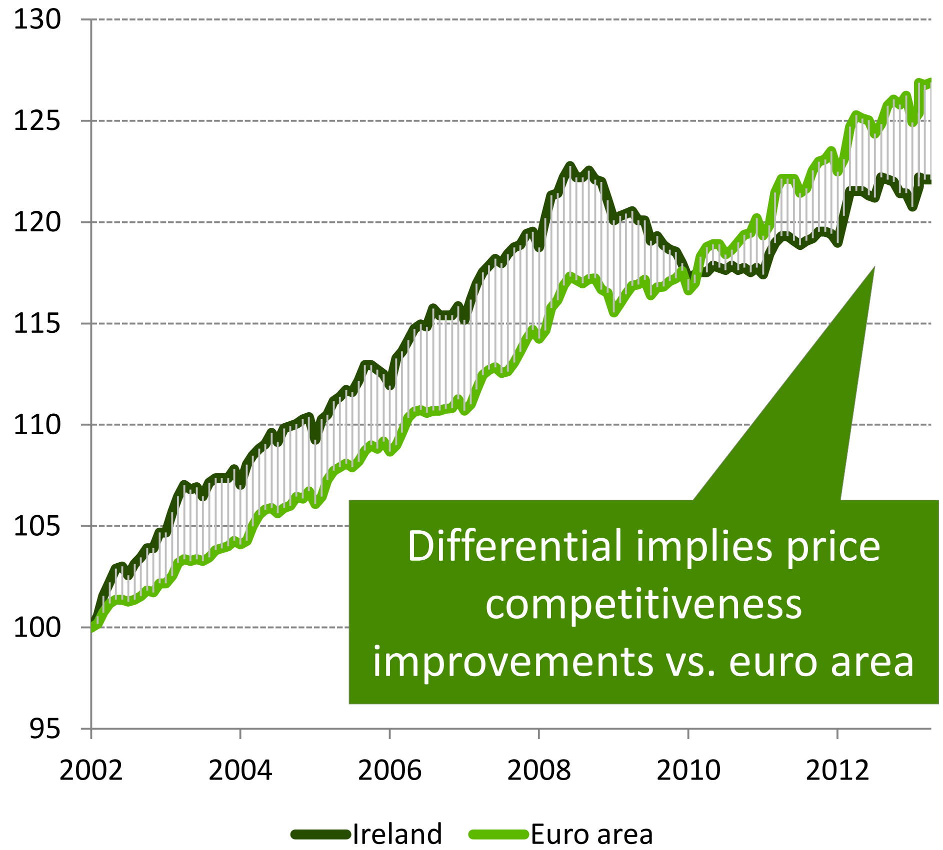
Current Account Balance (% GDP)



Source: DataStream

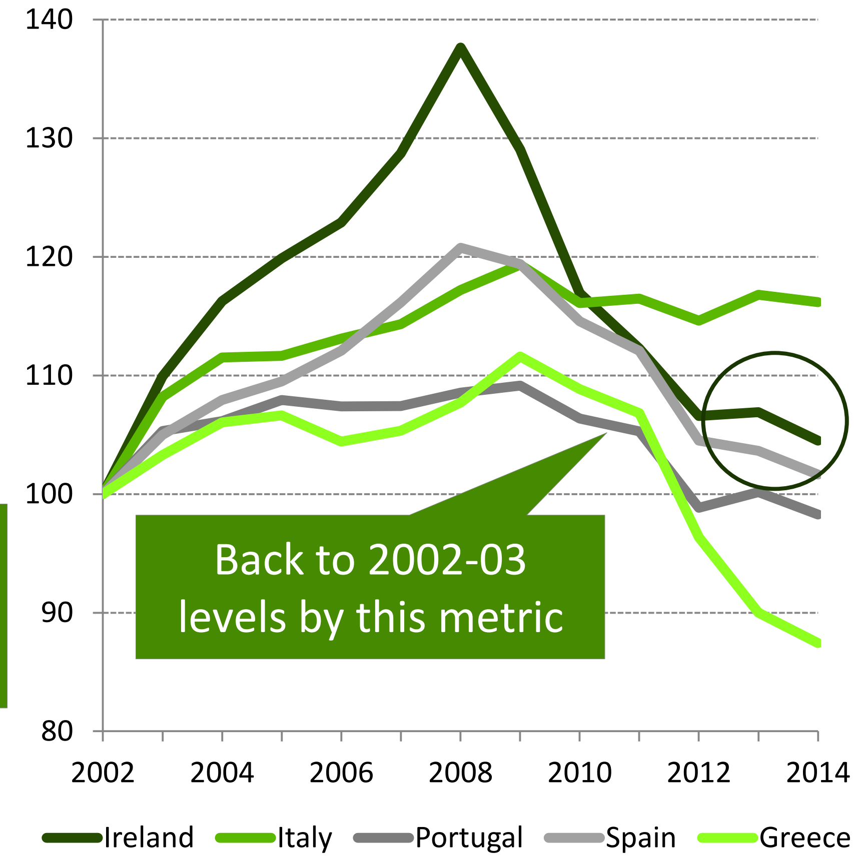
Sharp ‘internal devaluation’ has enabled a rapid recovery of lost competitiveness

Annual HICP Inflation undershoots euro area aggregate since 2008 (Base:2002=100)



Source: Eurostat

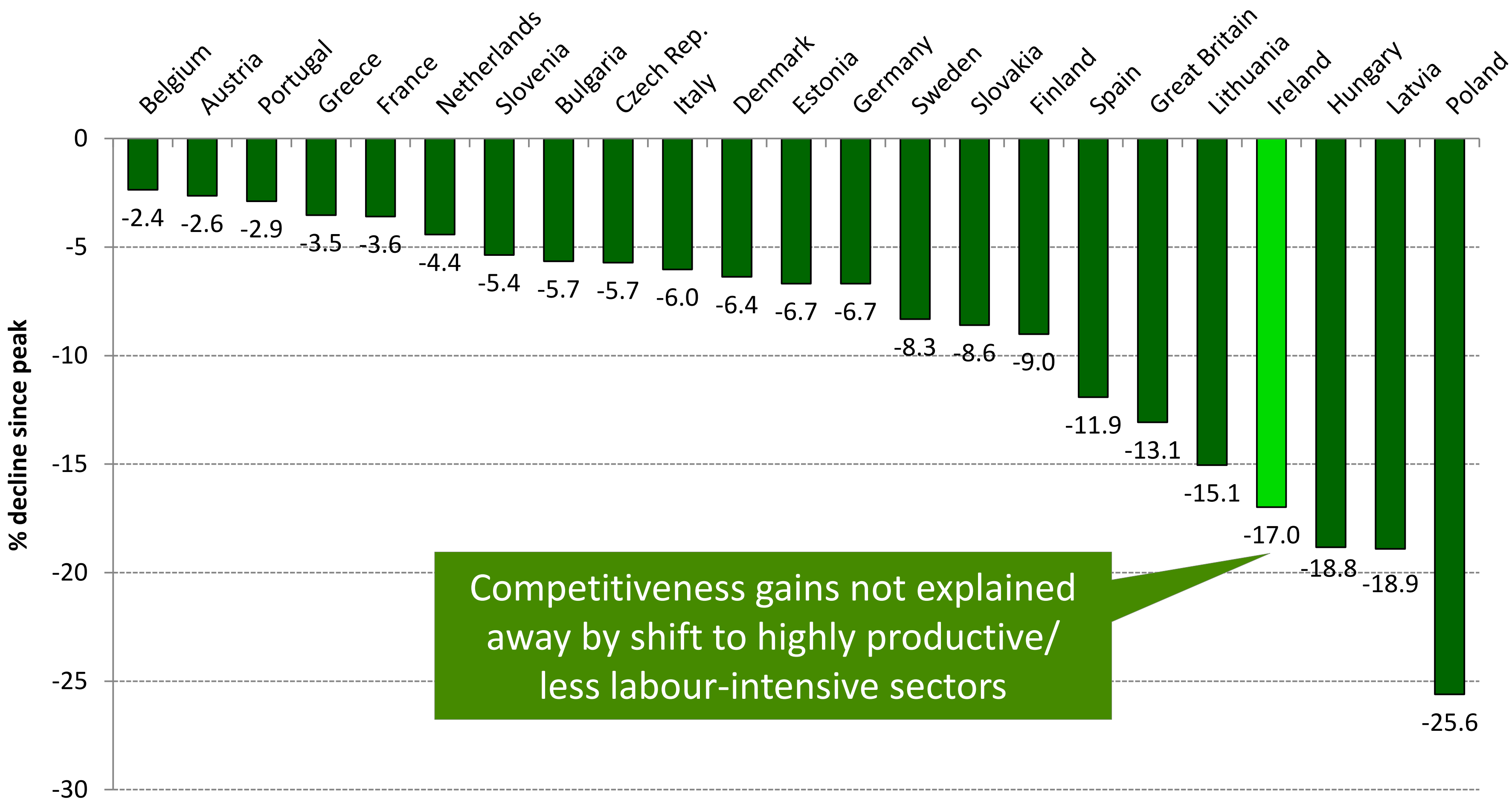
Relative Real Effective Exchange Rates have corrected sharply (Base:2002=100)



Source: AMECO

Note: REERs are deflated by unit labour costs and measure performance relative to 36 industrial countries - double export weights

Competitiveness recovery still exceptional even when compositional effects are corrected for



Source: Bruegel, 2012. 'Real effective exchange rates for 178 countries: a new database'
Note: REERs cover business sector excluding agriculture, construction and real estate activities and are estimated using fixed weights from Q1 2008. Data available to Q4 2011. See Darvas, Z (2012) for more details.

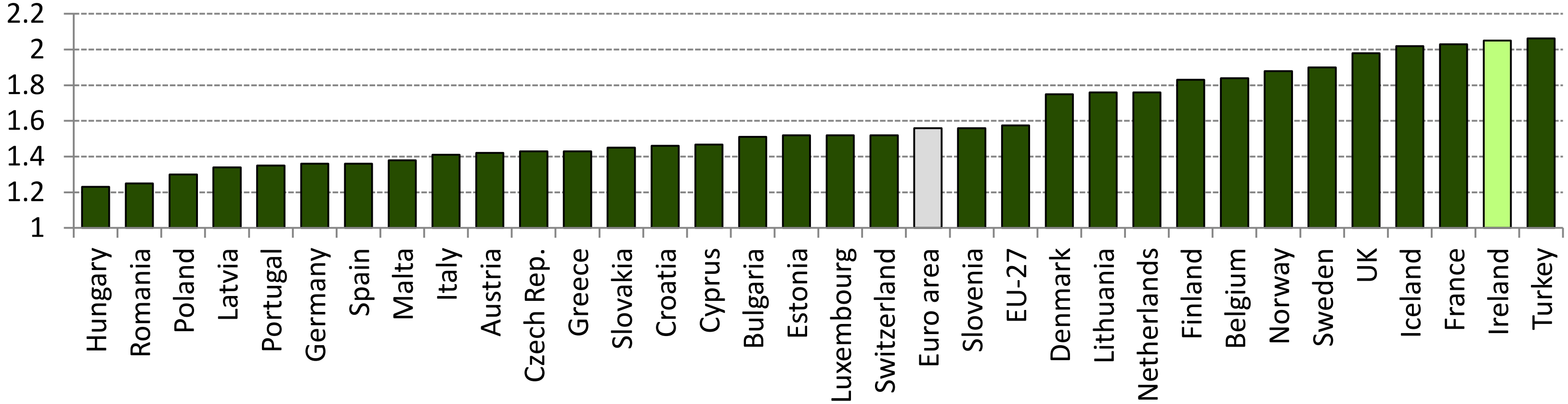
Ireland is far more open than other non-cores

	Exports (%GDP)	Imports (%GDP)	Openness proxy (X+M/GDP)
Ireland	108	84	1.92
Spain	32	31	0.63
Italy	30	29	0.59
Portugal	39	39	0.78
Greece	27	32	0.59

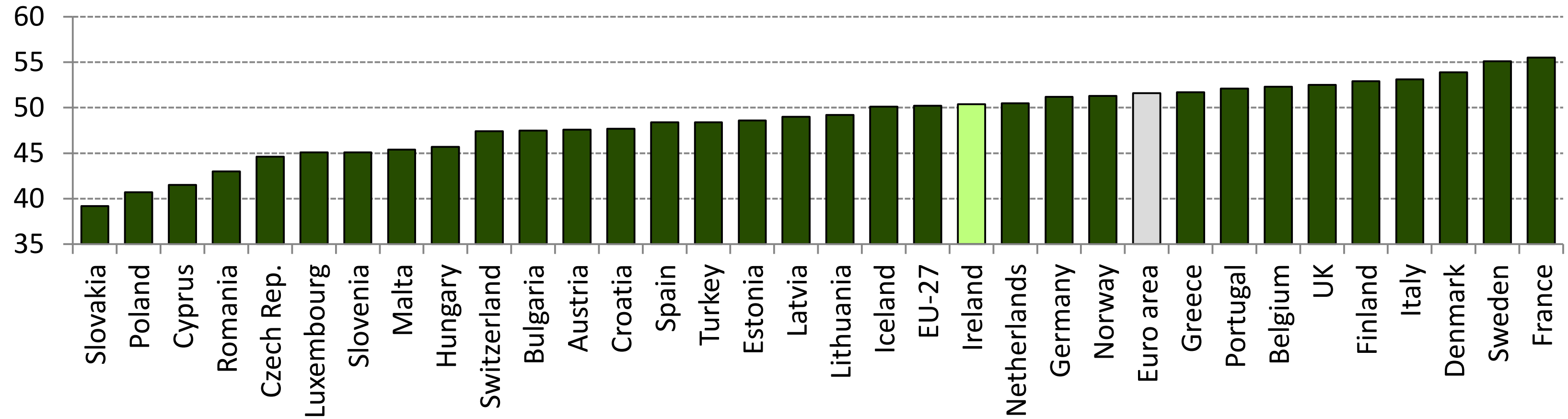
Source: Eurostat
Note: Based on 2012 data

Favourable population characteristics underpin debt sustainability over longer term

Fertility rates in Ireland are above typical international replacement rates

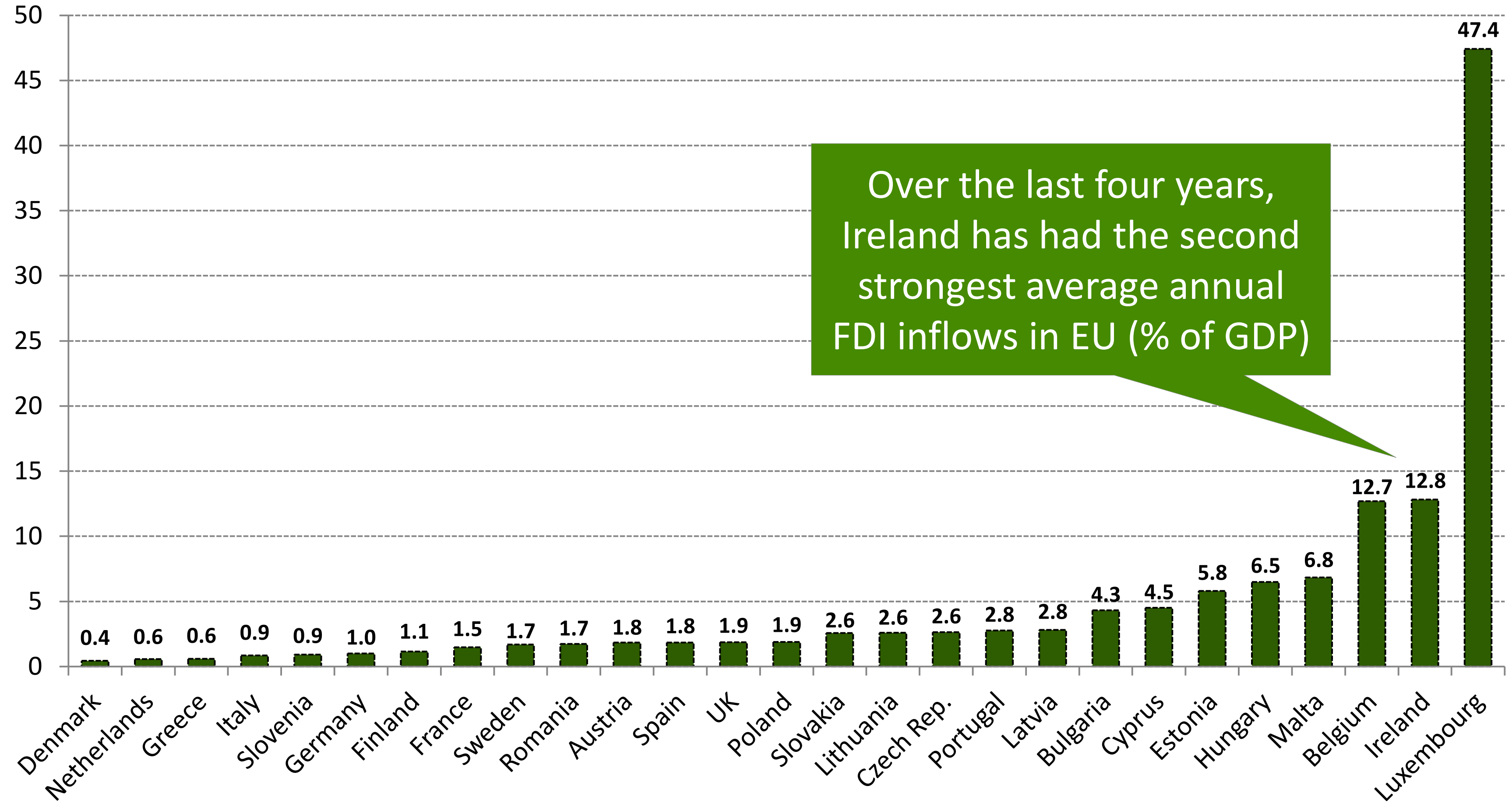


Dependency ratios (age <15 & 65+ : ages 15-64) also compare well against euro area



Sources: World Bank WDI; Eurostat

Ireland continues to attract foreign investment (Average FDI inflows per annum as a share of GDP, 2009 – 2012)



Sources: UNCTADStat

SECTION 3: PROMISSORY NOTE DEAL

Lower deficit and funding needs for Ireland in short and medium-term; reduction in Government debt in longer-term

Four-fold benefits from Promissory Note deal

- NPV reduction in Ireland's General Government debt
  - Interest payments that leave consolidated “Ireland Inc.” – General Government-IBRC-CB-NAMA - key here
- NTMA funding need c.€20bn lower over next decade
  - Rollover risk much lower on Programme exit
- General Government deficit lower statistically in 2014 and 2015 and for a number of years thereafter
  - Because IBRC was classified outside General Government
  - Unlikely to be any GGB benefit in 2013, thanks to up-front costs of IBRC liquidation
- Deal cements domestic buy-in to final years of fiscal consolidation
  - Market reaction has been positive

Shorthand balance sheets of relevant parties to deal: before and after

CBI (before)

Assets	Liabilities
ELA	Central Bank reserves “i.e. other liabilities”

IBRC (before)

Assets	Liabilities
Prom. Notes Loan Assets Other assets	ELA

CBI (after)

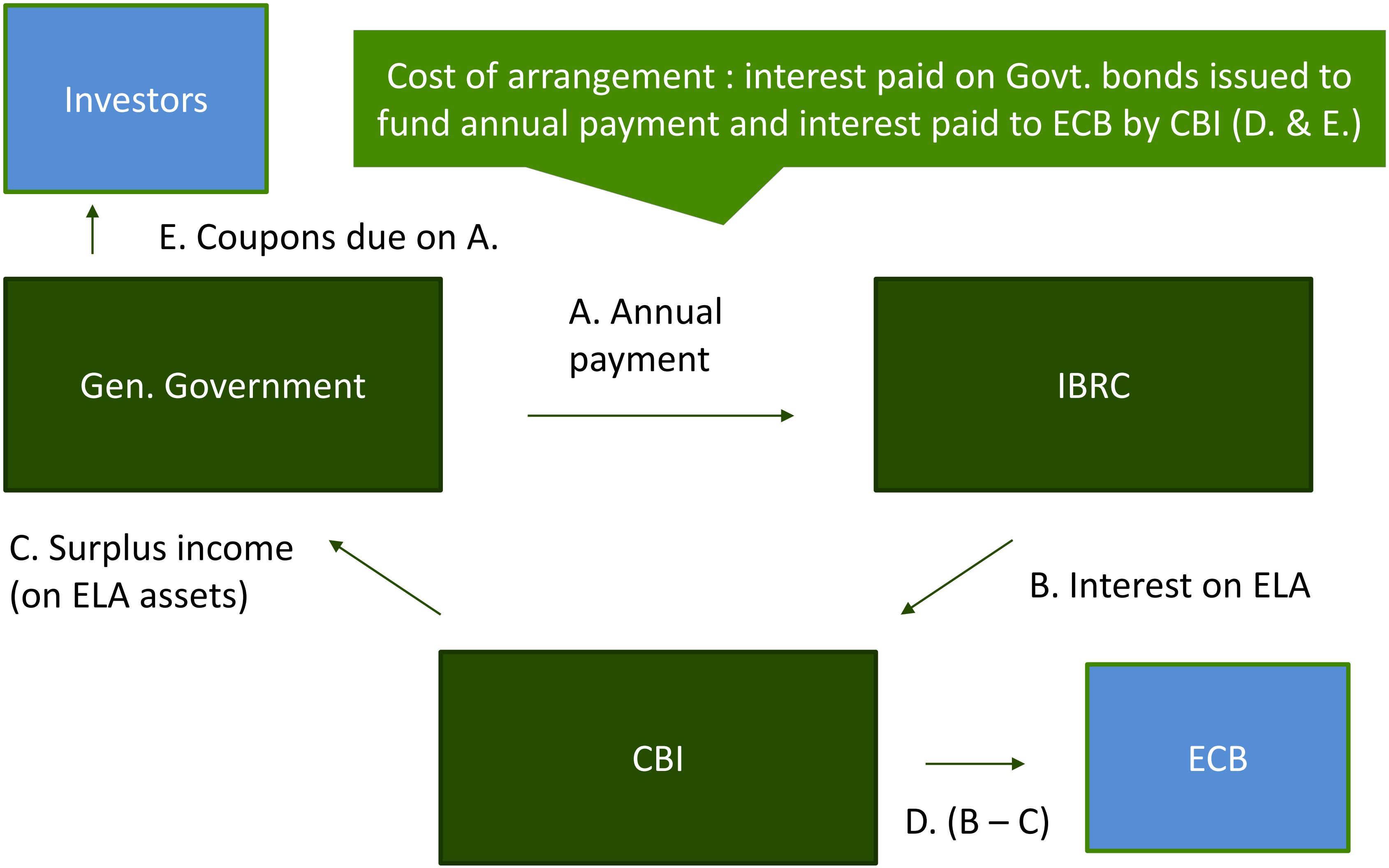
Assets	Liabilities
Govt. bonds NAMA bonds	Central Bank reserves “i.e. other liabilities”

NAMA (after)

Assets	Liabilities
Loan Assets	NAMA bonds

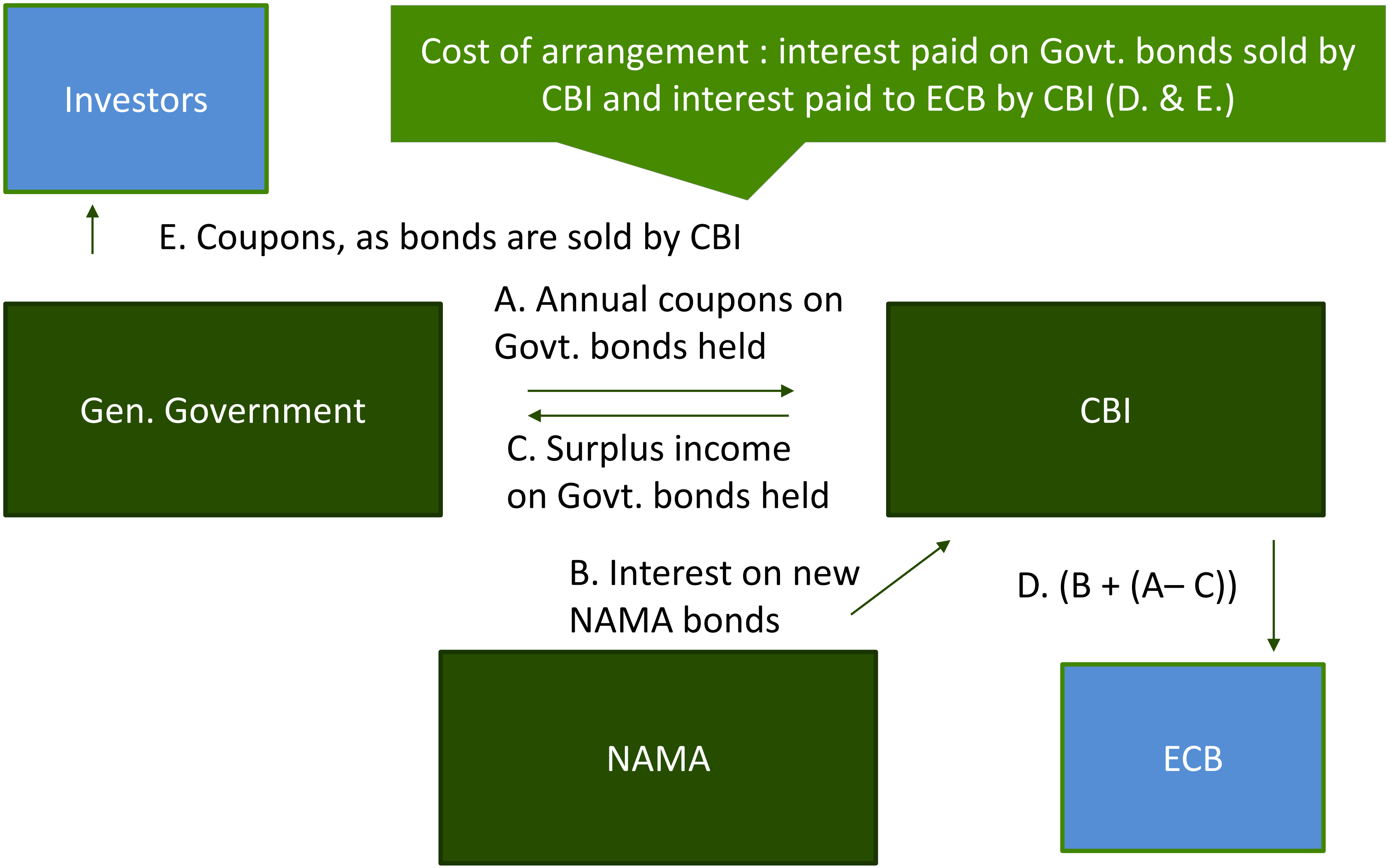
Source: NTMA

Promissory notes/ ELA: Cost before for “Ireland Inc.”



Source: NTMA

Promissory notes/ ELA: Cost after for “Ireland Inc.”



Source: NTMA

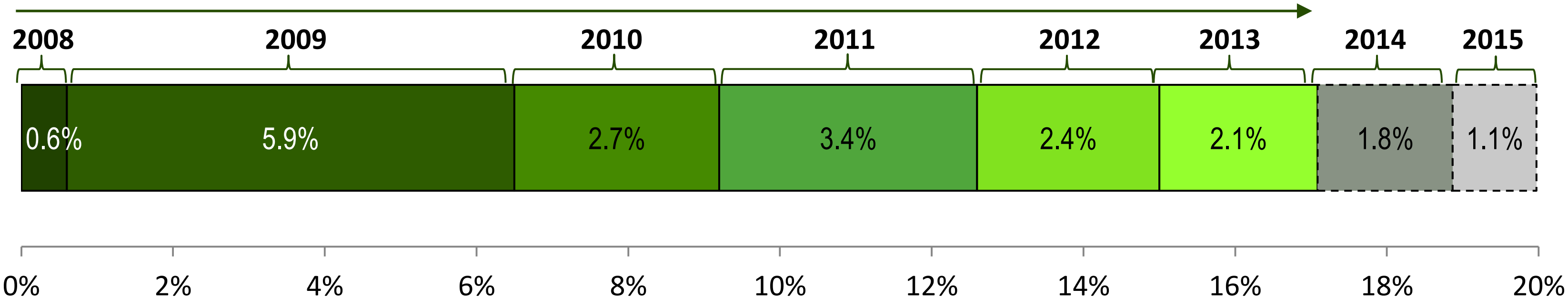
SECTION 4: FISCAL & FUNDING

Fiscal trends improving : debt ratio has almost stabilised after five-year consolidation so far

Fiscal Consolidation thus far...

% of GDP

Now complete Still to come



Breakdown of revenue measures (€bn unless stated)

	2008	2009	2010	2011	2012	**2013**	2014	2015
Revenue	0.0	5.6	0.0	1.4	1.6	**1.4**	1.1	0.7
Expenditure	1.0	3.9	4.3	3.9	2.2	**1.9**	2.0	1.3
Total	1.0	9.4	4.3	5.3	3.8	**3.5**	3.1	2.0
Total (% of GDP)	0.6%	5.9%	2.7%	3.4%	2.4%	**2.1%**	1.8%	1.1%
Progress to Date (% of Total)	3%	32%	45%	62%	74%	**84%**	94%	100%
Progress to Date	1.0	10.4	14.7	20.0	23.8	**27.3**	30.4	32.4
Progress to Date (% of GDP)	0.6%	6.5%	9.2%	12.6%	15.0%	**17.1%**	18.9%	20.0%

Sources: Report of the Review Group on State Assets and Liabilities, Budget 2011, Budget 2012, Budget 2013 and Stability Programme Update, April 2013.

Fiscal Consolidation remaining...

- Budget 2013 went some way toward specifying consolidation measures required over 2014–15

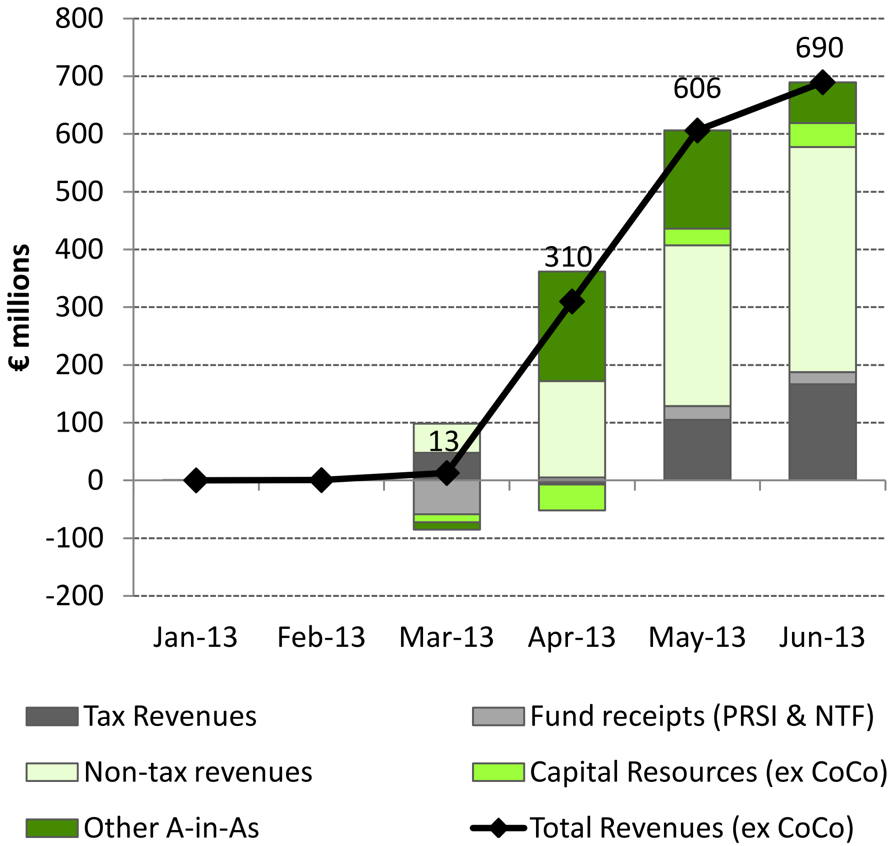
Remaining Consolidation (€bn)	2014	2015
Total Measures	**3.1**	**2.0**
Revenue	**1.1**	**0.7**
Expenditure	**2.0**	**1.3**
...of which current	*1.9*	*1.3*
...of which capital	*0.1*	*0.0*
Estimated Carry Forward*	**1.2**	**0.5**
...of which revenue	*0.6*	*0.1*
*...of which expenditure**	*0.6*	*0.4*

Sources: Department of Finance; IMF and NTMA

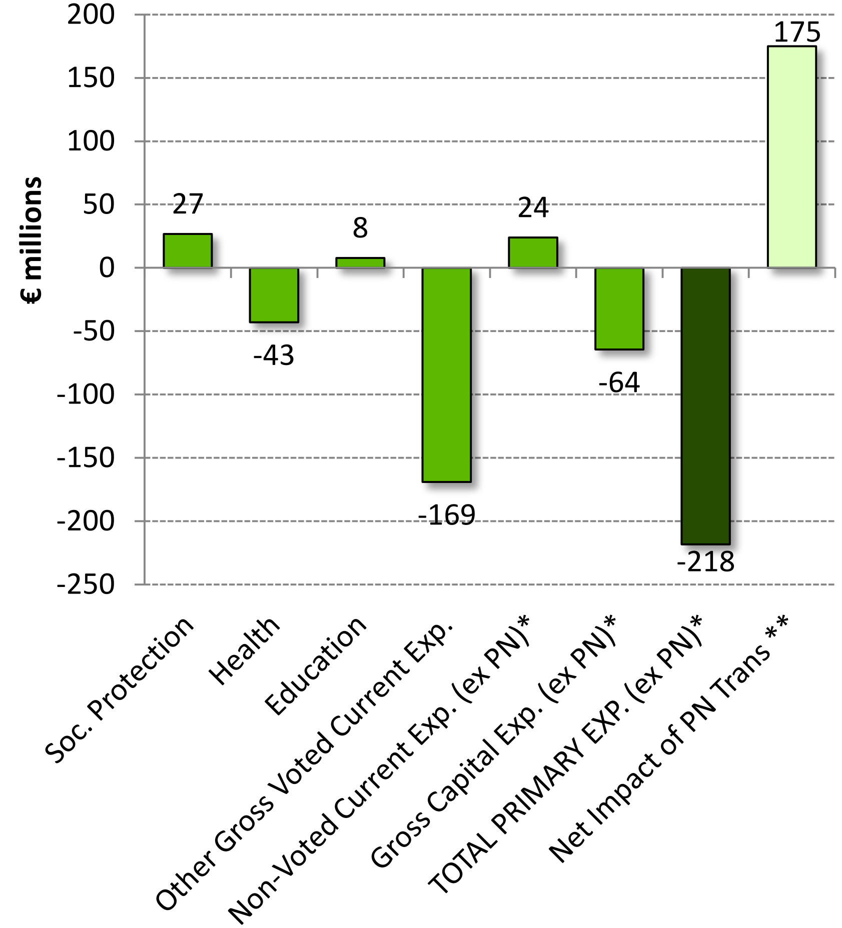
* Total carry forward is based on IMF estimates and may vary due to uncertainty on the carry forward relating to expenditure; revenue C/F is from Department of Finance

At end H1 2013, revenues are performing well and expenditures are being kept in close check

Cumulative Exchequer revenue outperformance versus cumulative *profile*



Cumulative expenditures versus cumulative *profile* (June 2013)

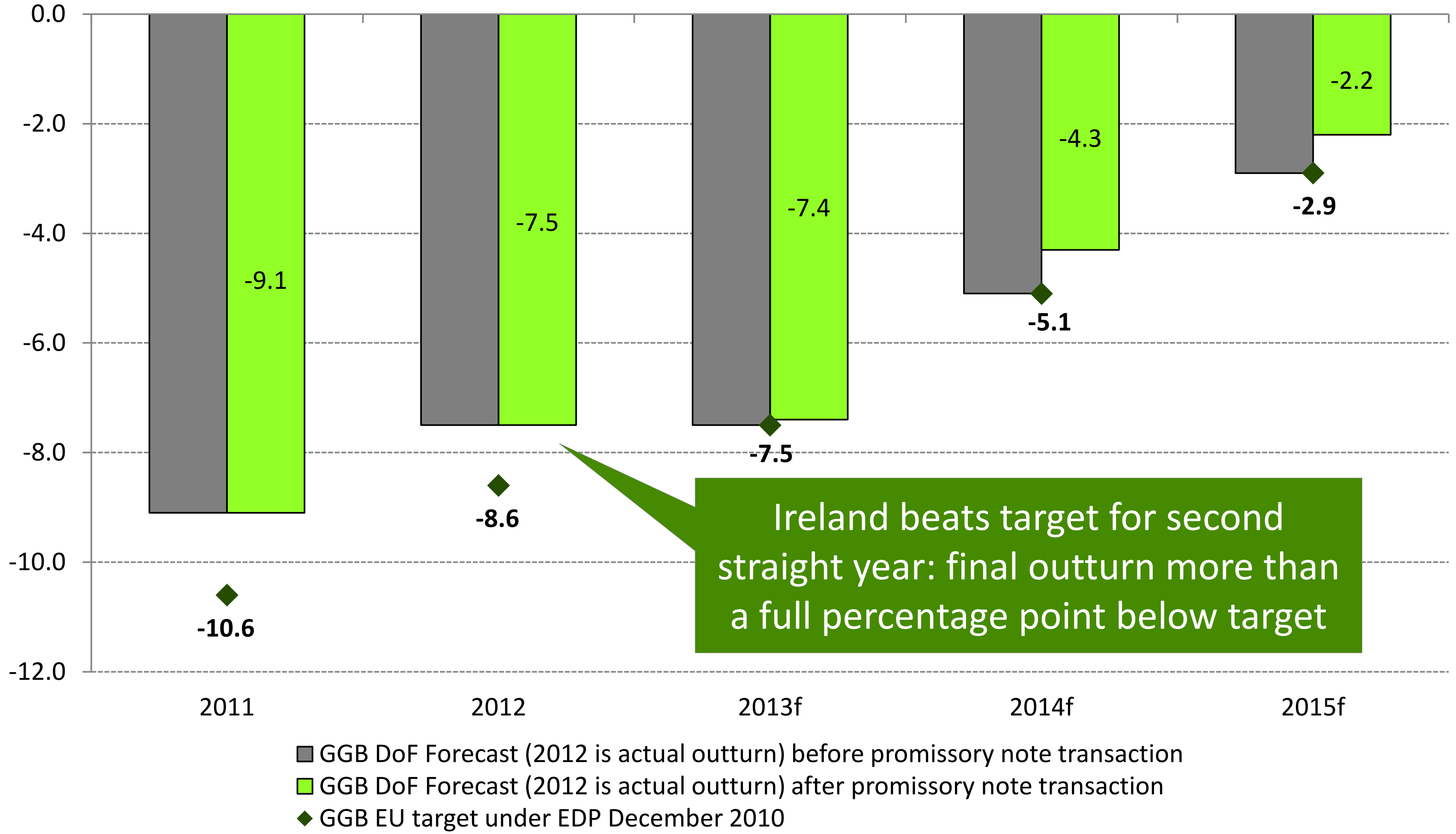


Source: Department of Finance and NTMA

* These items remove Promissory Note (PN) related impacts, including est. pay-out under Ministerial guarantees stemming from IBRC liquidation plus the originally expected PN payment.

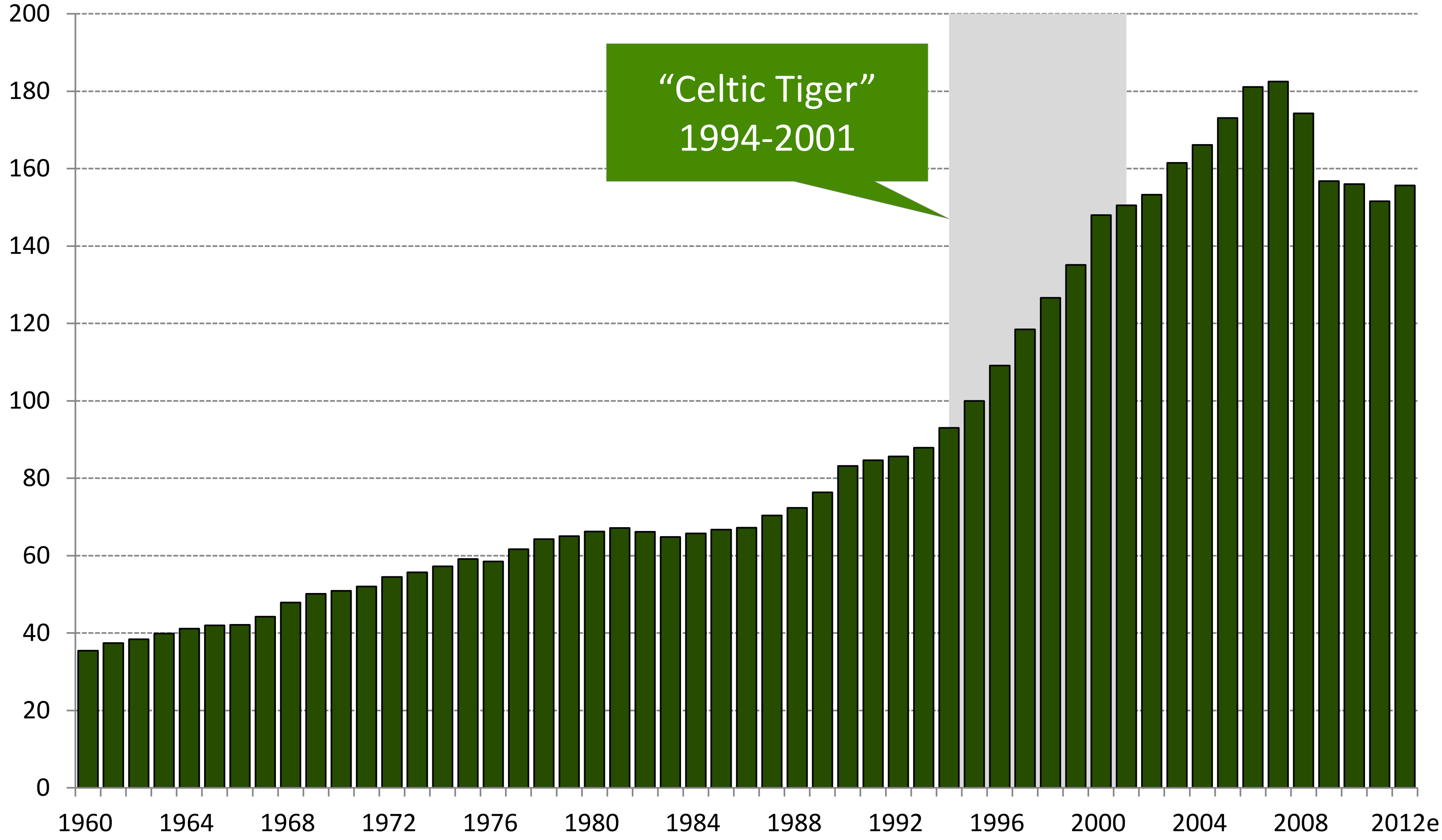
** The est. net impact of PN transaction for 2013 (GG basis) reflects €0.7bn in additional interest costs on the new floating rate bonds, €0.2bn due to accrued interest under Eurostat rules and €1.15bn estimated pay-out under Ministerial guarantees. These offset the 2013 accrued interest savings related to the transaction estimated at €1.875bn.

Promissory note transaction to sustain outperformance of Programme/EDP fiscal targets (GGB % GDP)



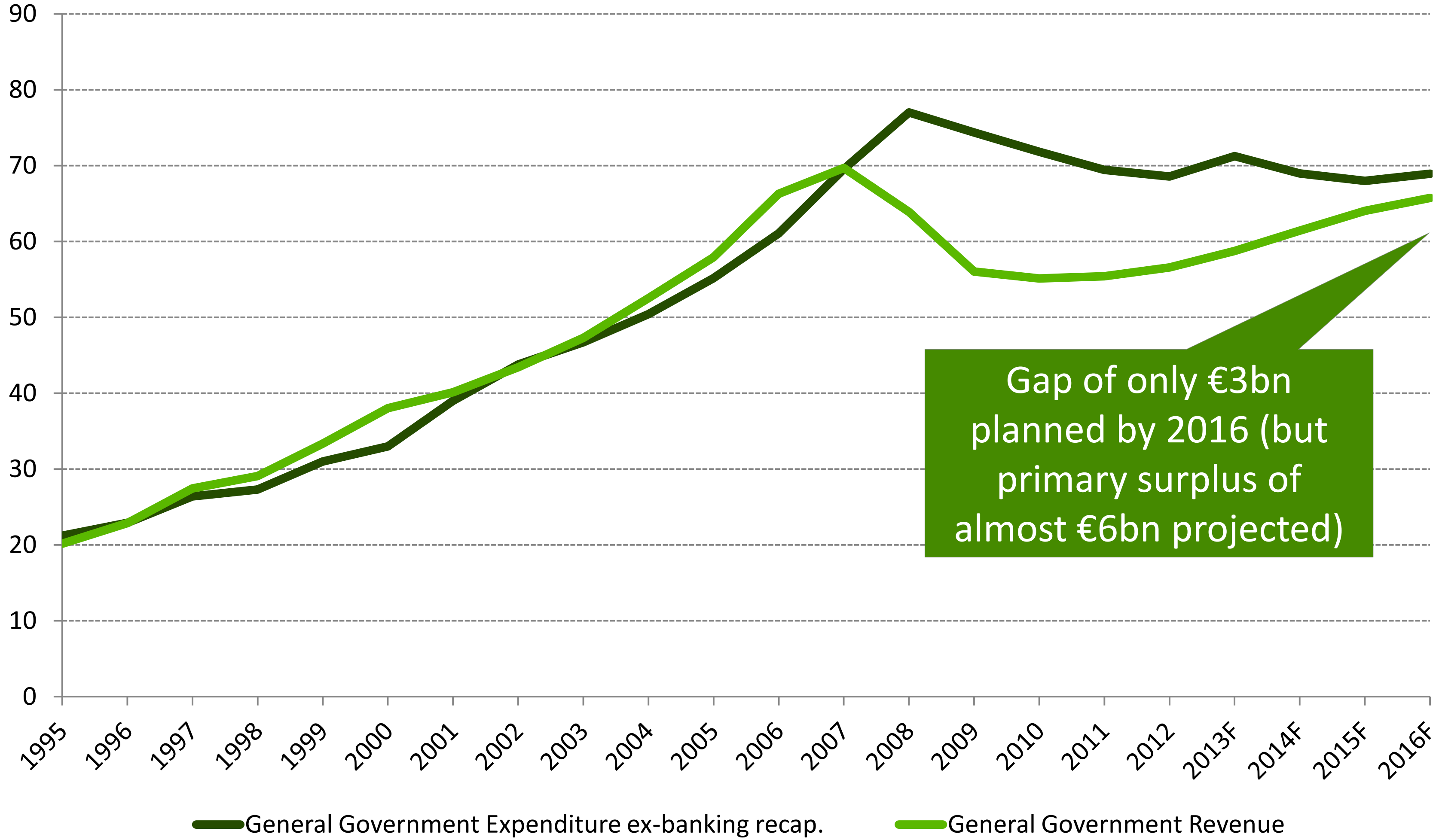
Source: Department of Finance; CSO; Eurostat

Gains from 2001-07 bubble lost, but living standards up c. 56% from 1995 (real GNI per capita 1995 =100)



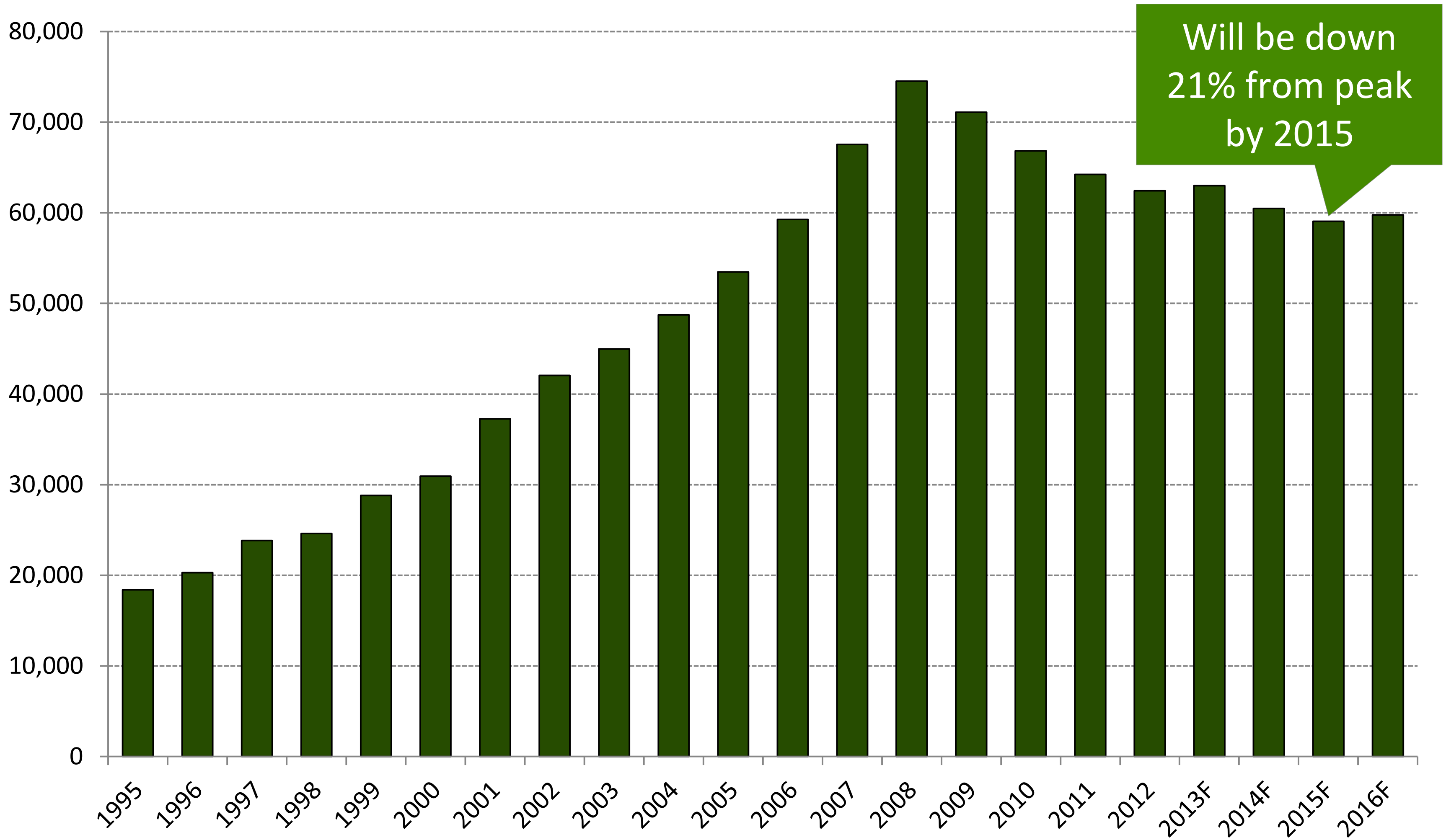
Sources: CSO; AMECO

General Government revenue is growing and expenditure coming down (€bn)



Source: Department of Finance; Eurostat; CSO

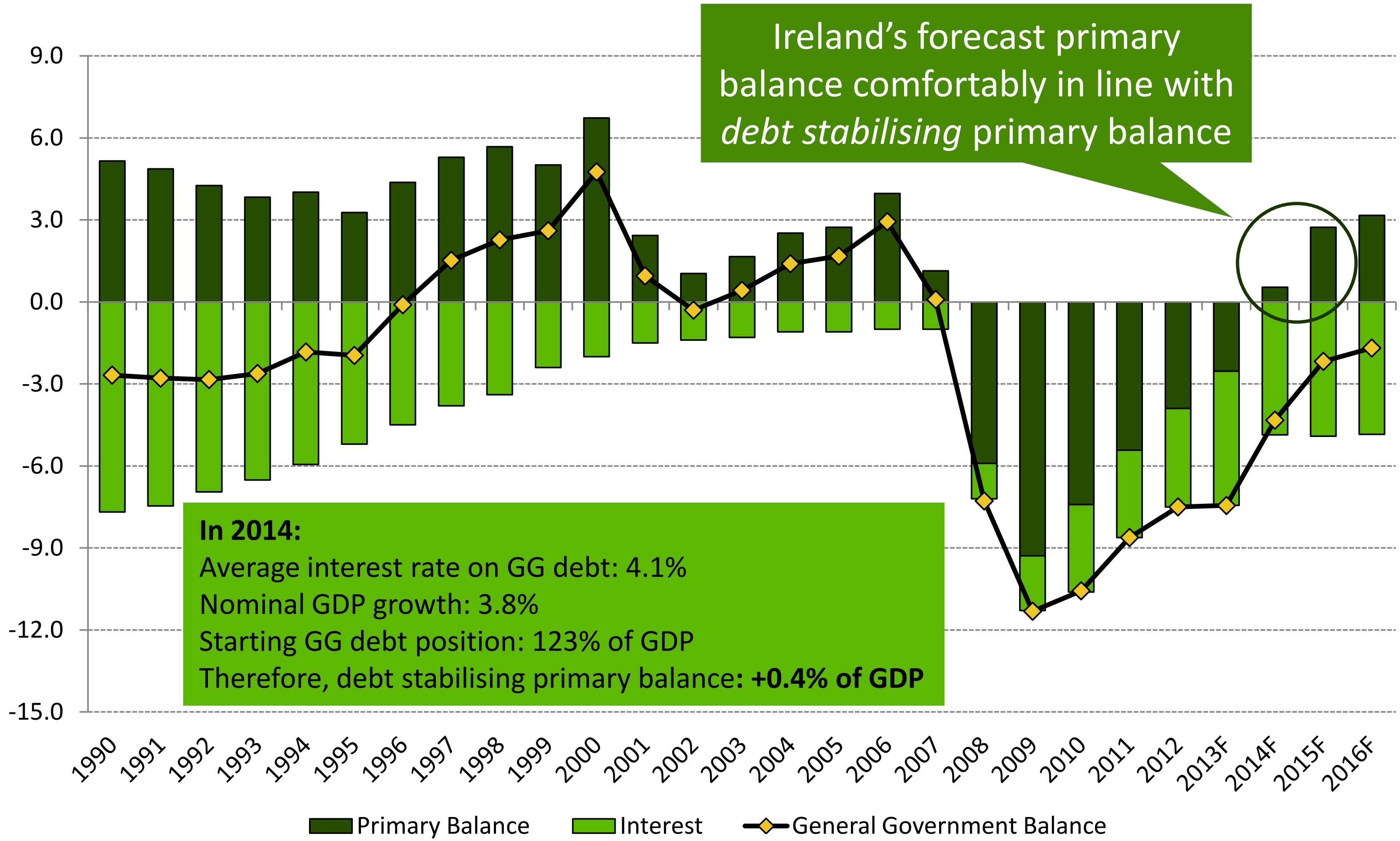
Primary government expenditure cut sharply (€m)*



Source: Department of Finance; Eurostat

*excluding interest expenditure (and banking recapitalisation)

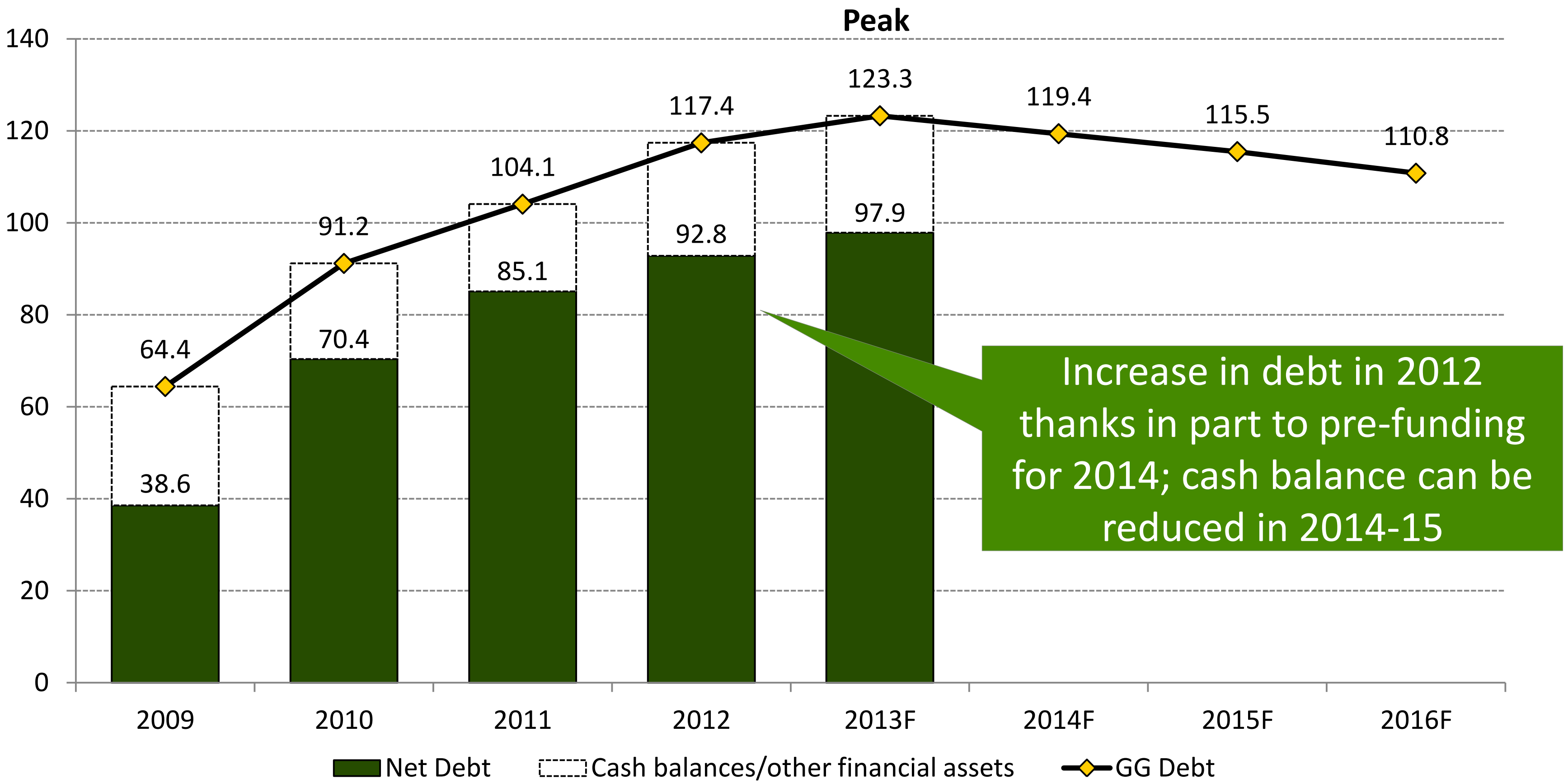
Ireland not far from confirming debt sustainability: primary surplus (% of GDP) to be achieved by 2014



In 2014:
Average interest rate on GG debt: 4.1%
Nominal GDP growth: 3.8%
Starting GG debt position: 123% of GDP
Therefore, debt stabilising primary balance: **+0.4% of GDP**

Source: Department of Finance; Eurostat; NTMA

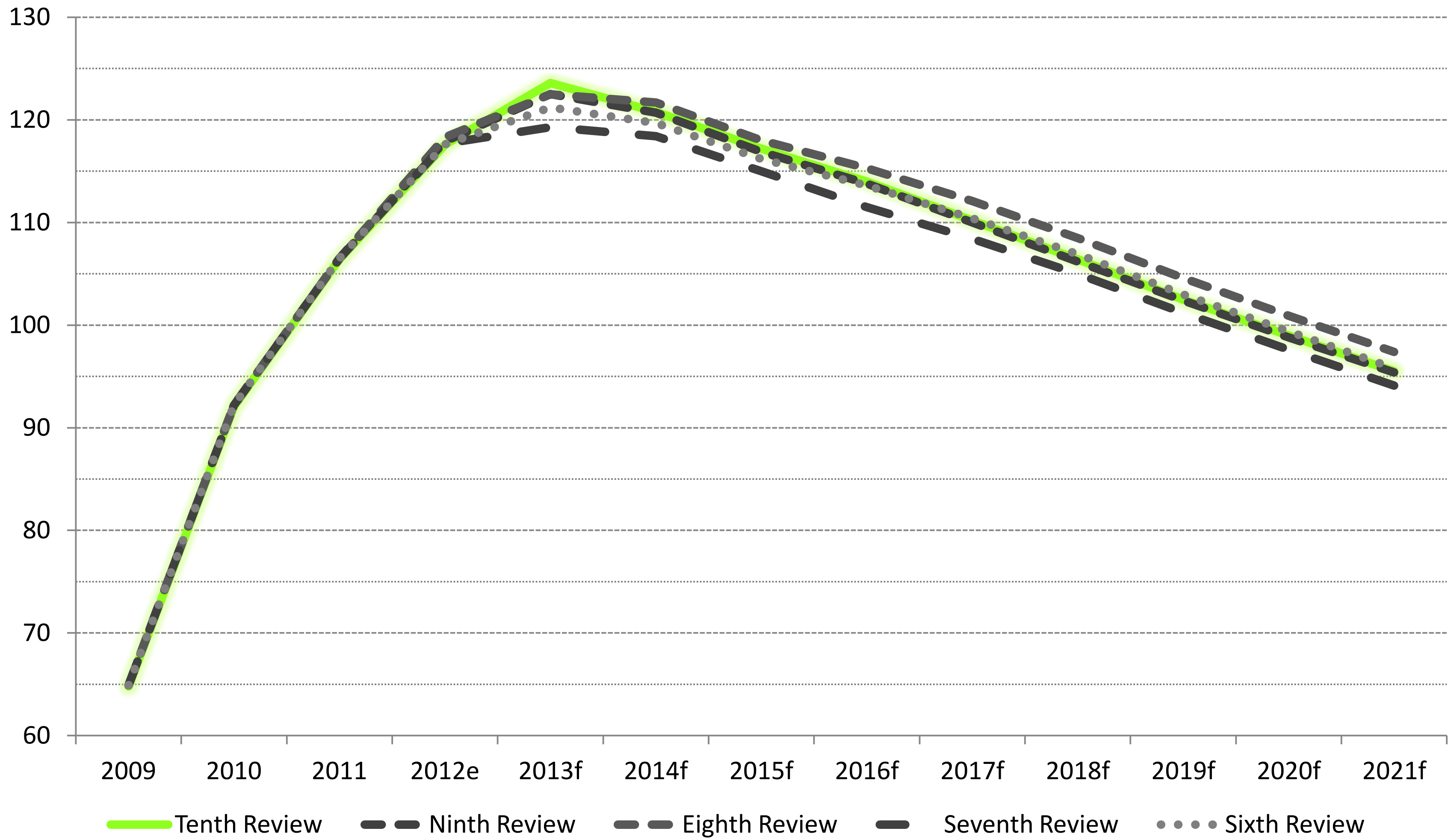
Gross Government debt is set to stabilise at c.123% of GDP in 2013



- All things equal, 2013 debt level will be lower than Budget day forecast due to sale of Irish Life and BOI CoCos

Source: Department of Finance; CSO

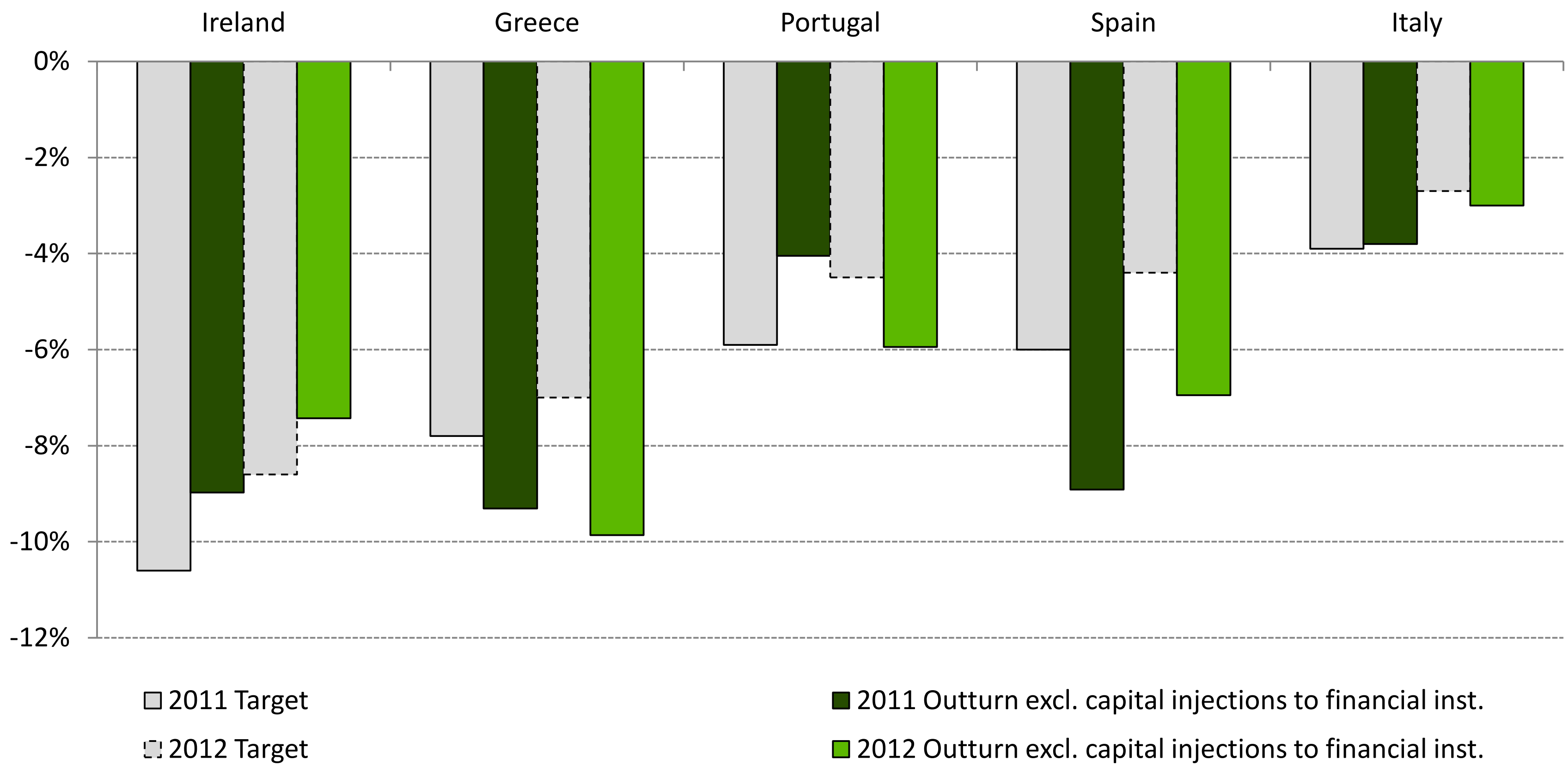
IMF continues to forecast a declining debt trajectory (% of GDP)



Source: IMF, Various Staff Reports

Ireland is the only troubled country to outperform its Government deficit target for two straight years

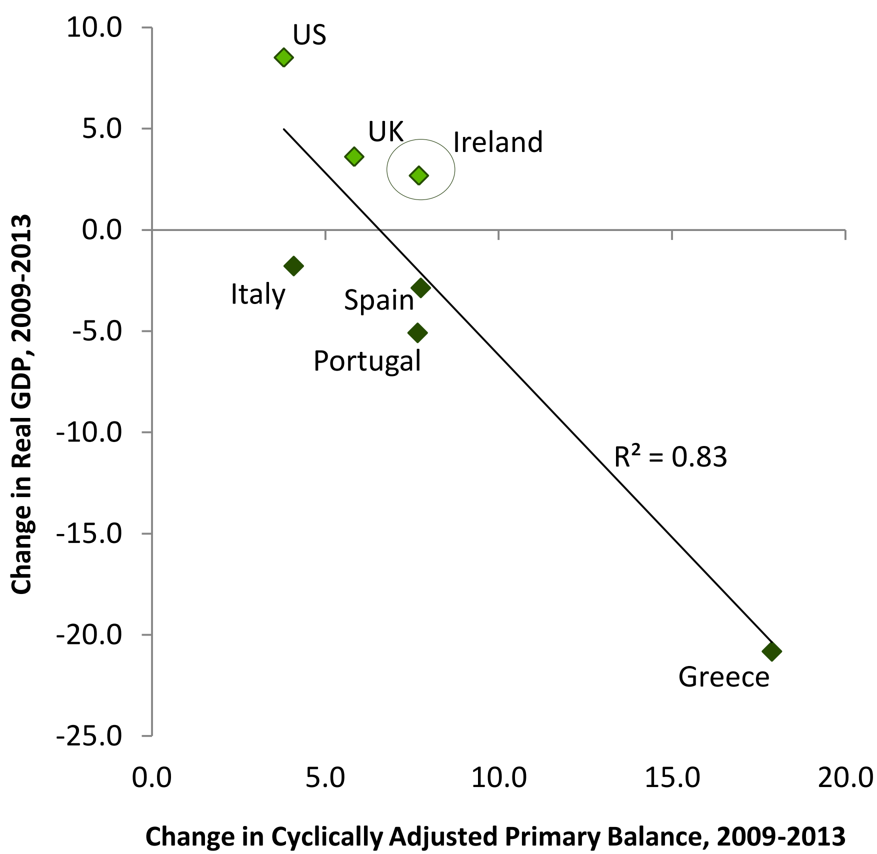
General Government Balance (ex capital injections to support fin institutions (% of GDP))



Sources: European Commission Stability Programme Updates for Ireland (2012) Italy (April 2011) and Spain (April 2011); Council Recommendation on Portugal's 2012 National Reform Programme (May 2012); Economic Adjustment Programme for Greece – Fifth Review (October 2011); Eurostat - Supplementary Tables for the Financial Crisis

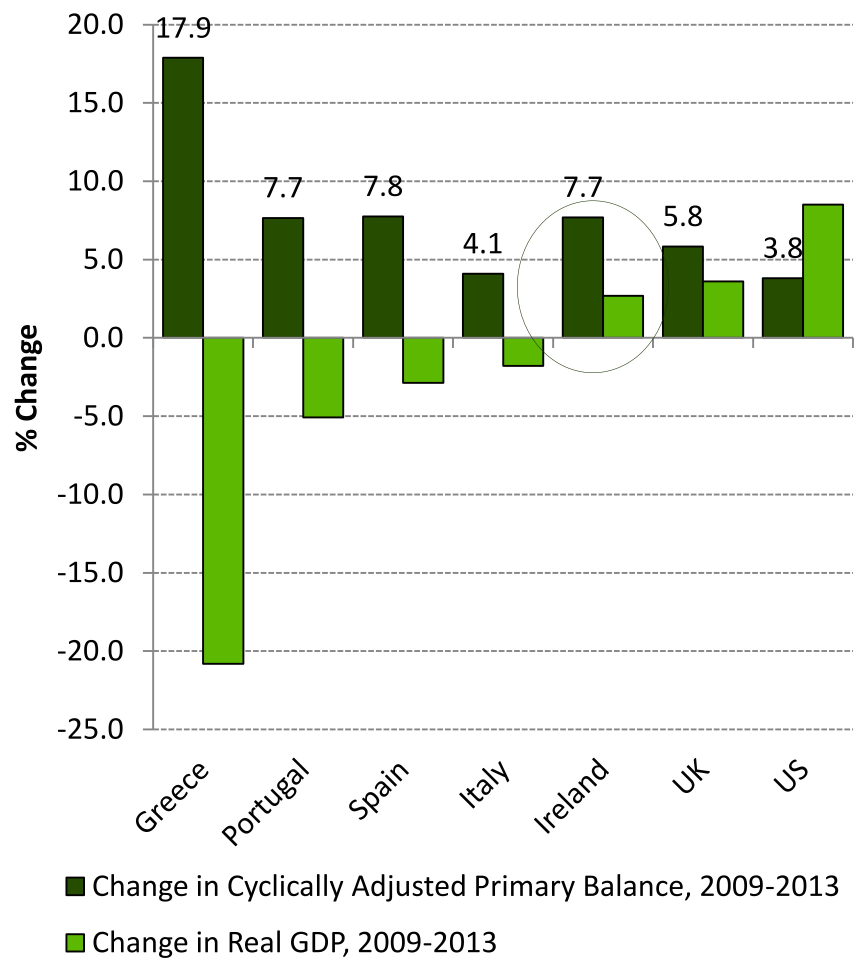
Ireland's adjustment easier on GDP because of relatively lower fiscal multiplier – thanks to openness

Growth has been possible despite consolidation unlike elsewhere in EA . . .

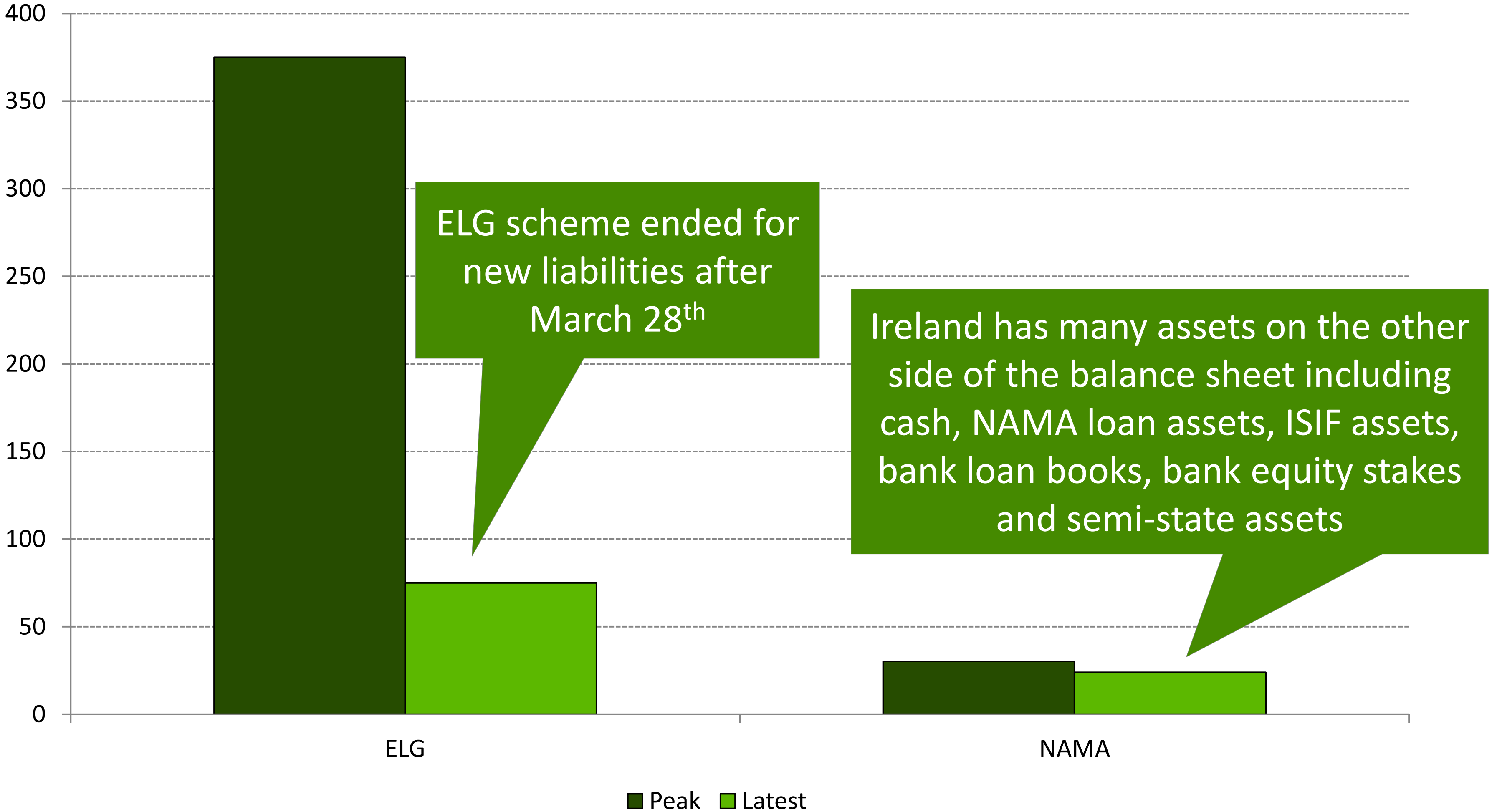


Source: IMF; NTMA

...while consolidation continues to deliver



Contingent liabilities reduced considerably (€bn)



Source: NTMA; Central Bank of Ireland; NAMA

Foreign ownership of marketable bonds is high

€ million

End quarter	**March 2012**	**June 2012**	**September 2012**	**December 2012**	**March 2013**
1. Resident	**18,755**	**22,447**	**24,211**	**24,387**	**51,600**
	(23.5%)	**(27.0%)**	**(27.4%)**	**(27.8%)**	**(43.0%)**
– MFIs and Central Bank	**17,158**	**20,083**	**21,285**	**21,784**	**49,126**
– General Government & Financial Intermediaries	**1,392**	**2,180**	**2,737**	**2,416**	**2,271**
– Households & Non-Financial Corporations	**205**	**184**	**189**	**188**	**203**
2. Rest of world	**60,896**	**60,684**	**64,295**	**63,466**	**68,483**
	(76.5%)	**(73.0%)**	**(72.6%)**	**(72.2%)**	**(57.0%)**
Total MLT debt	**79,651**	**83,131**	**88,506**	**87,853**	**120,083**
Total MLT debt (adjusted for IBRC Promissory Note repayment) *	**79,651**	**83,131**	**88,506**	**87,853**	**95,049**

Source: Central Bank of Ireland

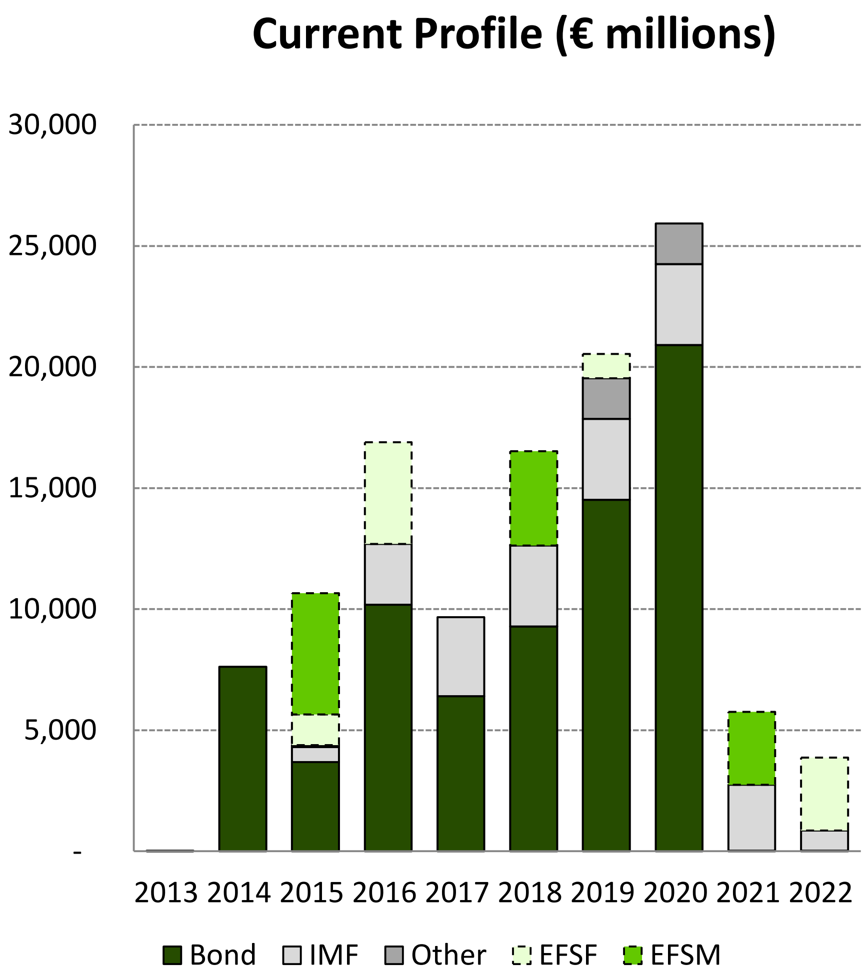
* The Mar-2013 holdings are adjusted here for the recent IBRC Promissory Note repayment (non-cash settlement) which resulted in €25bn of long-dated Government bonds being issued to the Central Bank of Ireland on liquidation of IBRC. This transaction results in a large increase in the share of resident holdings.

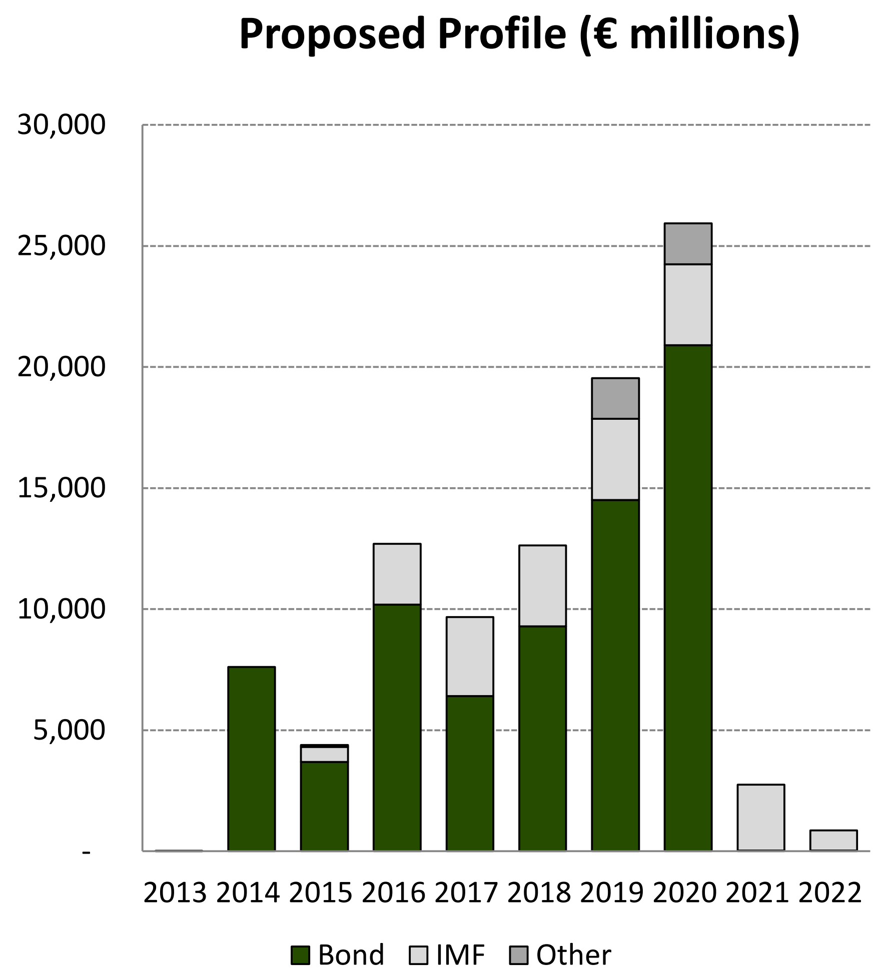
Breakdown of General Government debt

€ million	2007	2008	2009	2010	2011	2012
Currency and deposits (mainly retail debt)	7,676	8,843	10,307	13,707	15,216	17,477
Securities other than shares, exc. financial derivatives	37,386	67,969	91,391	96,317	88,550	89,289
- Short-term (T-Bills, CP etc)	*5,598*	*25,525*	*20,443*	*7,203*	*3,777*	*2,535*
- Long-term (MLT bonds)	*31,788*	*42,443*	*70,948*	*89,114*	*84,773*	*86,754*
Loans	2,094	2,791	2,845	34,140	65,459	85,695
- Short-term	*389*	*455*	*707*	*735*	*574*	*1,901*
- Long-term (official funding and promissory notes)	*1,704*	*2,336*	*2,138*	*33,405*	*64,886*	*83,793*
General Government Debt	**47,155**	**79,603**	**104,544**	**144,164**	**169,226**	**192,461**

Source: CSO

Maturity profile envisaged under maturity extensions will be much smoother



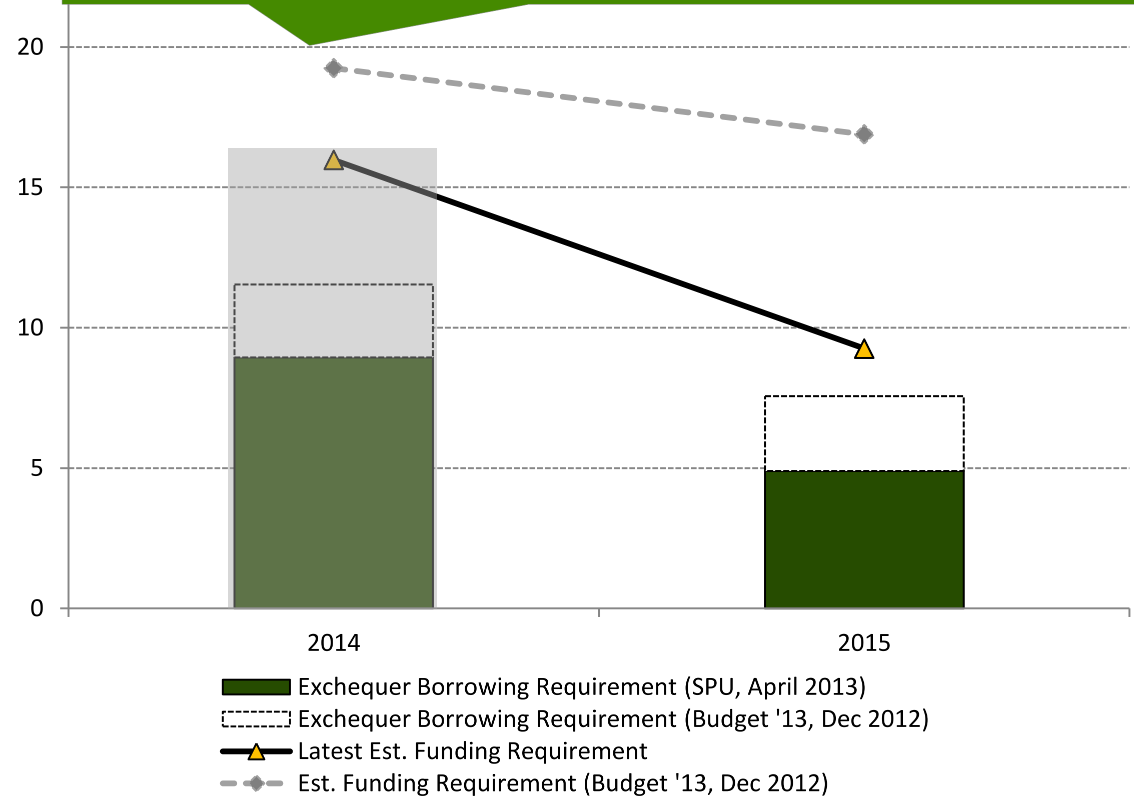


Source: NTMA

Total funding requirements are steadily declining (€bn)

- Funding requirement substantially improved since Budget 2013 (Dec. 2012) following sale of BOI CoCos and Irish Life. Restructuring of IBRC Promissory Note and extension of EFSF/EFSM maturities also of significant benefit
- Cumulative NTMA Funding Requirement for 2014-15 now c.€11bn lower than at Budget 2013
- End-June *cash and other financial assets* of €30.6bn provide a considerable funding buffer for future years

EFSF/EFSM maturity extension and banking-related deals meant that 2014-15 funding requirement was dramatically reduced; NTMA has already pre-funded that lower 2014 requirement (shaded) via its 2012 and 2013 market forays



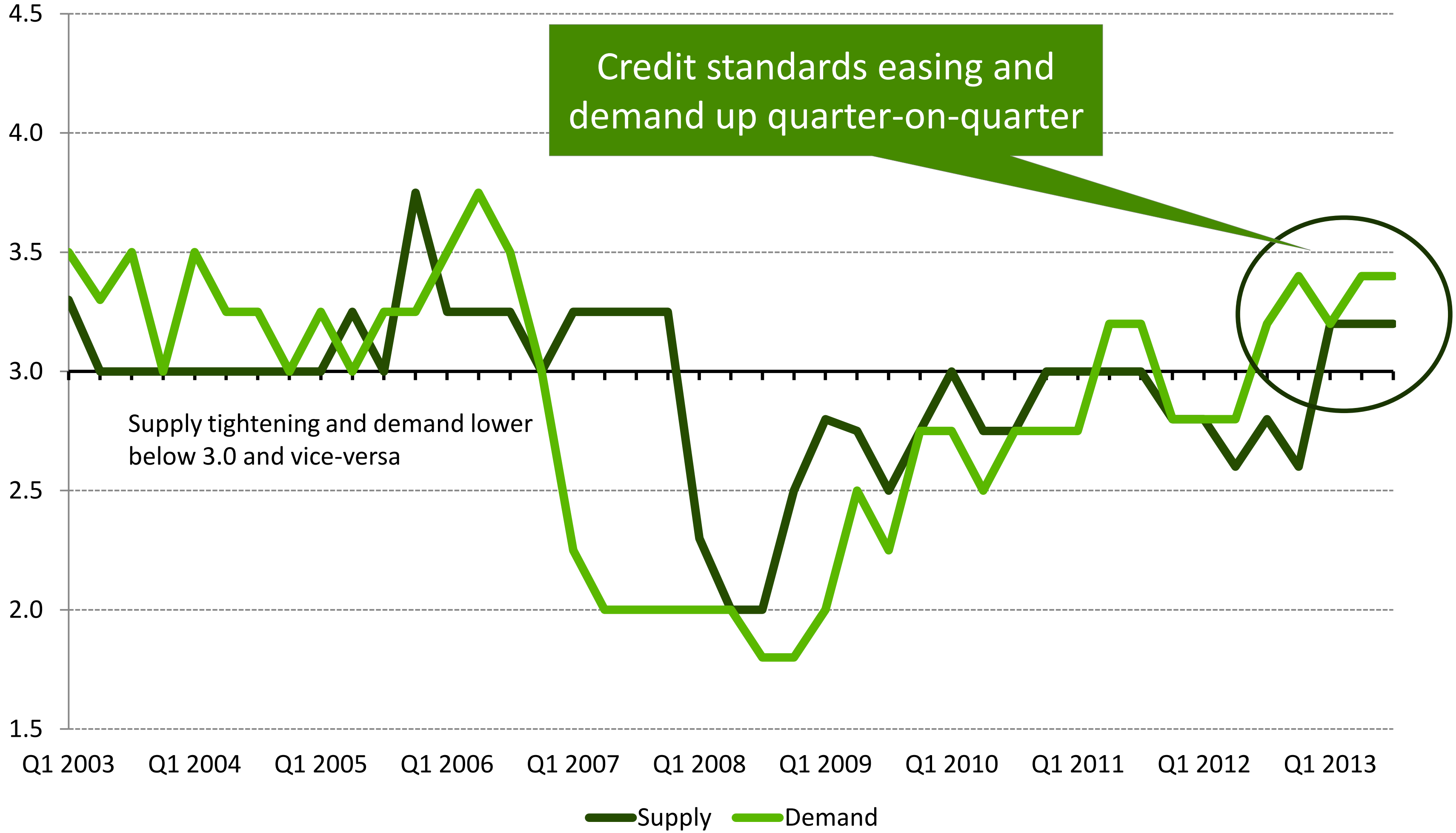
Source: NTMA; Department of Finance

1. "Est. Funding Requirement" includes the EBR, maturing Government bonds and EU/IMF Programme loans.
2. EFSF loans have been extended by a weighted average 7 years . EFSM loans are also subject to a 7 year extension. It is not expected that Ireland will have to refinance any of its EFSM loans before 2027. A €5bn EFSM loan originally due to mature in 2015 is therefore no longer part of the "Latest Est. Funding Requirement" in 2015.

SECTION 5: PROPERTY

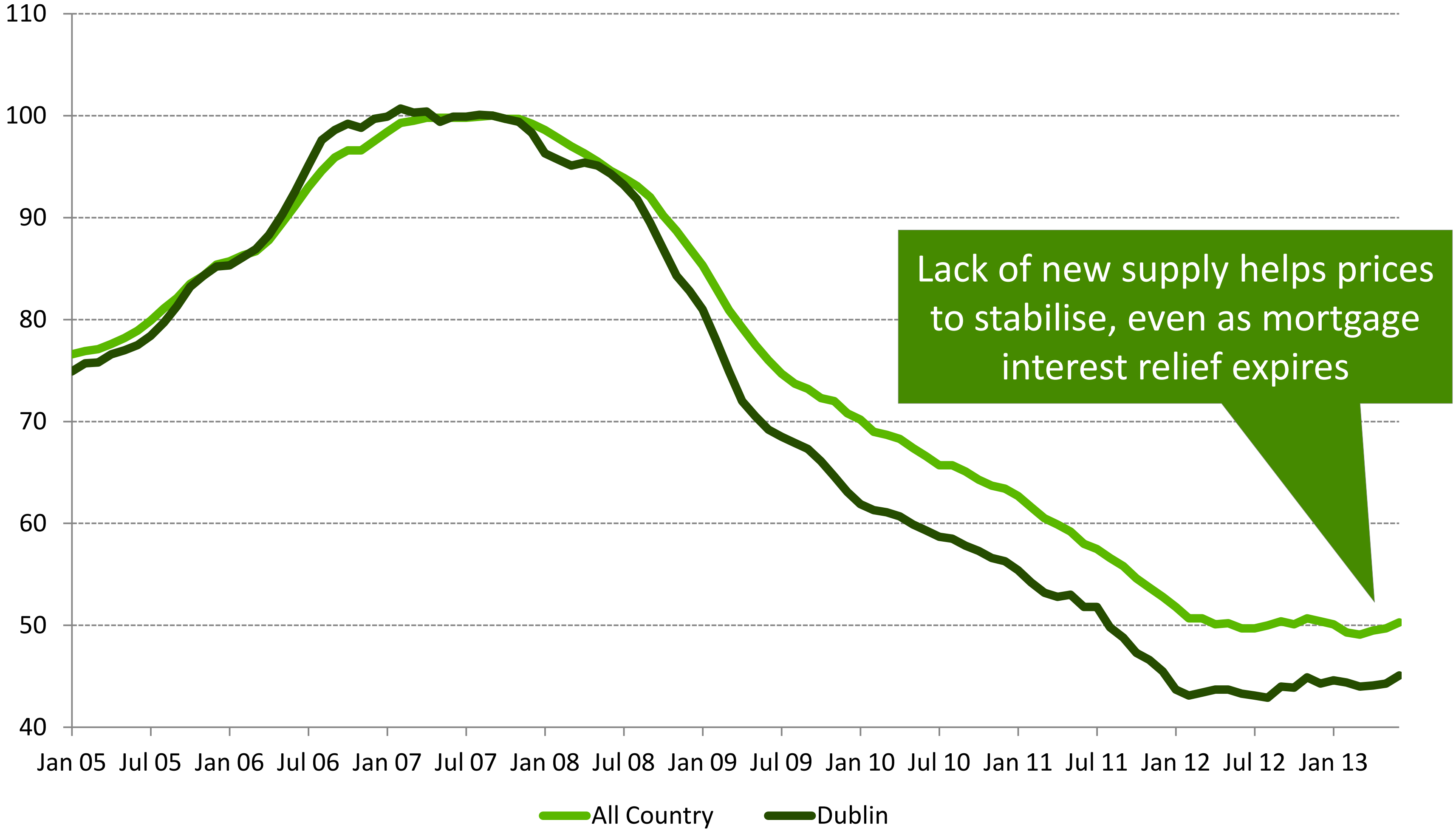
Signs of house price stabilisation have emerged since mid-2012, but risks remain; interest in Irish commercial property thanks to search for yield

Mortgage demand rising even after expiry of interest relief; banks appear to be easing credit standards



Source: ECB (Bank lending survey)

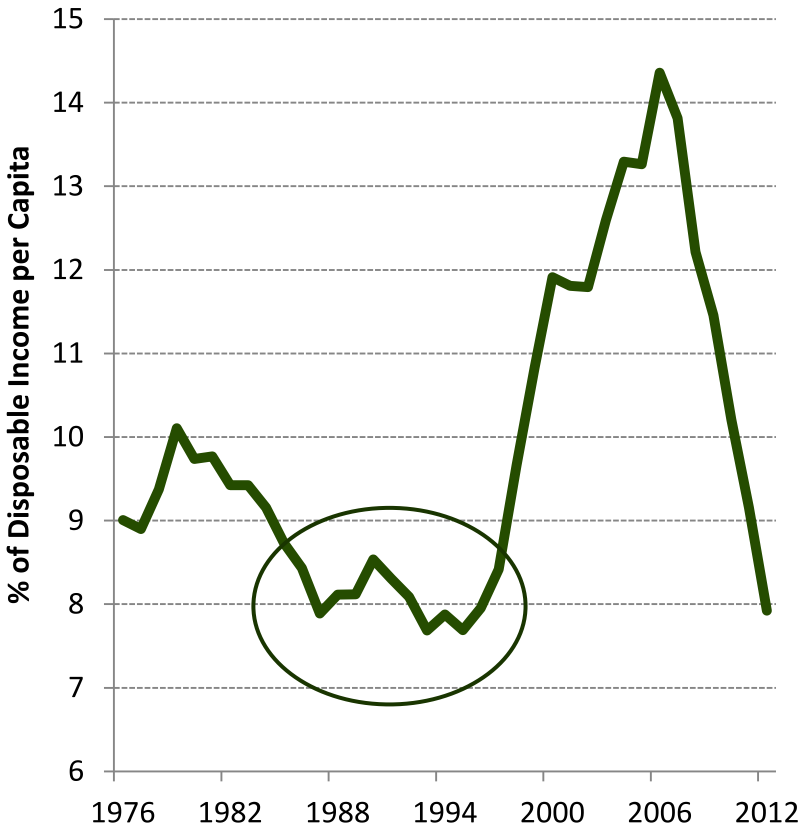
House prices rise for first time in five years, but risks remain (Base: Sep 2007 = 100)



Source: CSO

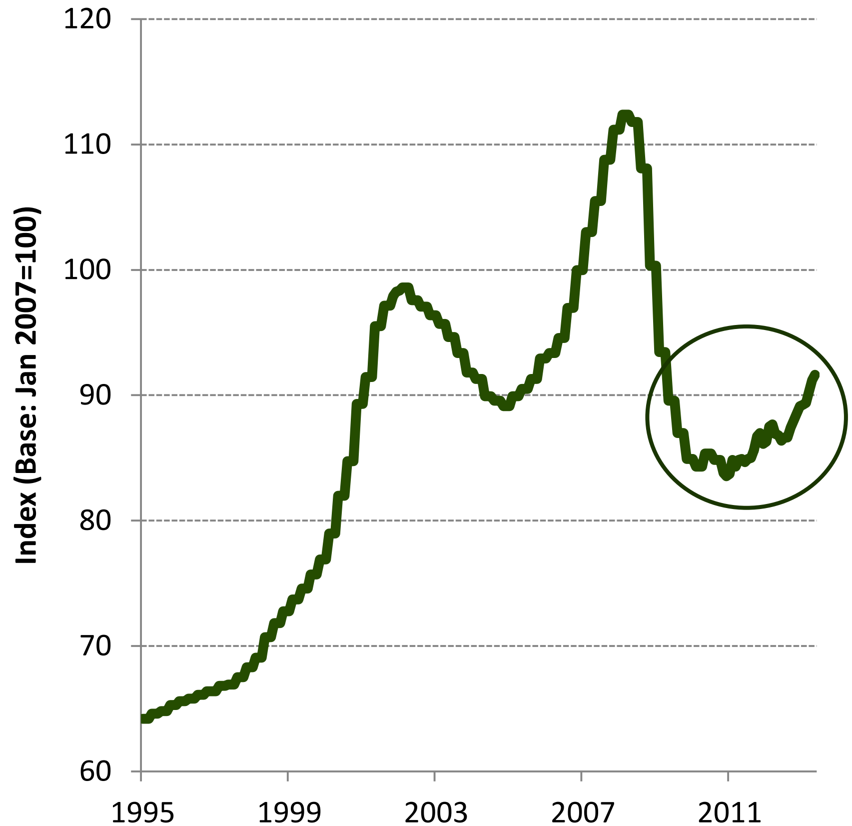
House prices near typical trough; rents rising

Valuations returns to 1980s levels as a share of disposable income per capita



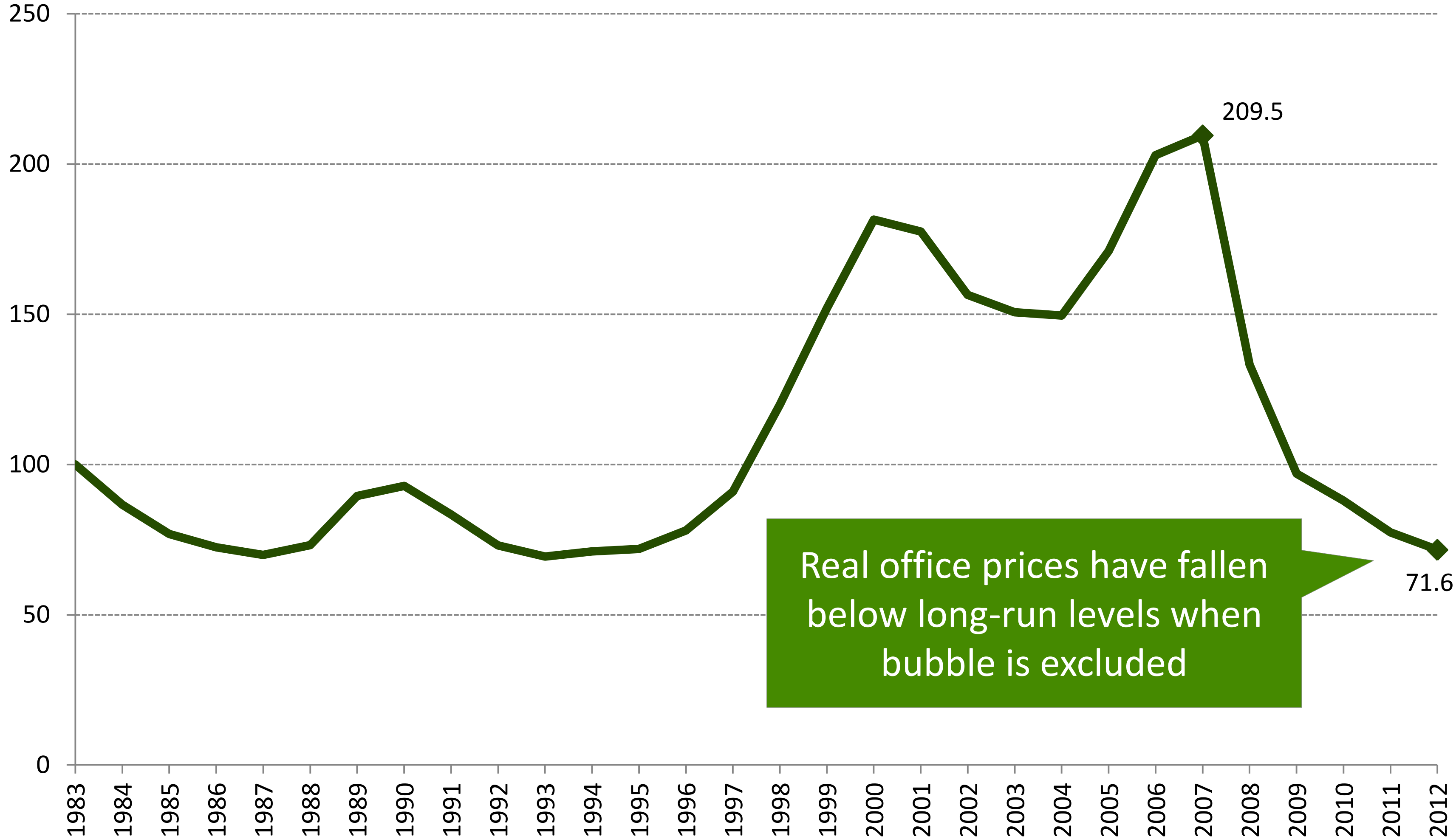
Source: CSO; NTMA

Rents have risen from a new lower level thanks to lack of supply (CPI sub index)



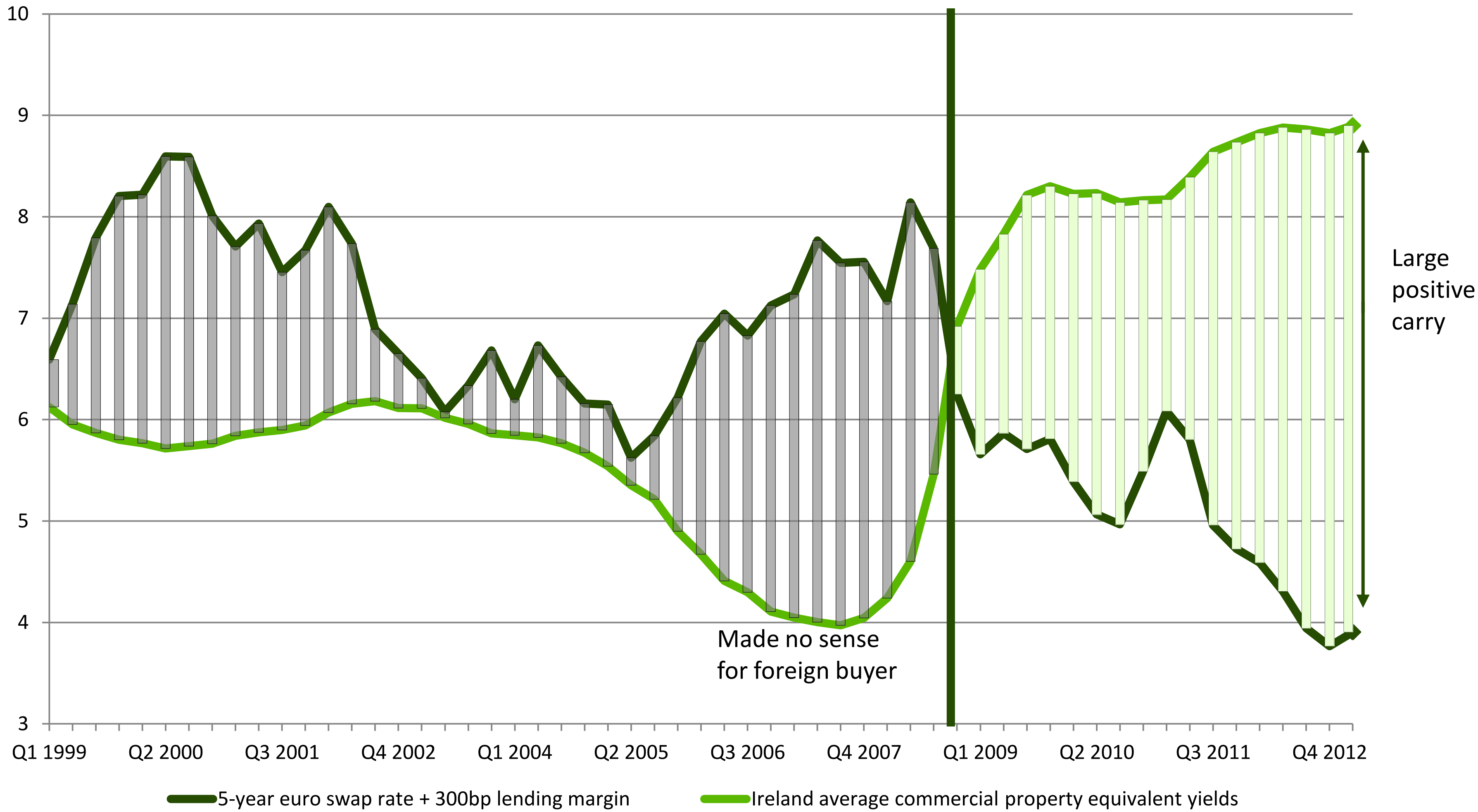
Source: CSO; NTMA

Real commercial property prices in 2012 were down almost 66 per cent from their peak (index 1983 = 100)



Source: IPD and NTMA

Foreign buyers now interested on valuation grounds



Source: IPD; NTMA

SECTION 6: NAMA

NAMA is profitable, generating a healthy cash flow and repaying its debt

NAMA: sustained progress in 2012 and 2013

- **NAMA's operating performance is strong**
  - Successfully acquired 12,000 loans (over 45,000 individual properties) related to **€73.8bn** par of loans of 800 debtors for **€31.8bn**
  - New organisation established from scratch (226 staff recruited with long standing experience in banking, asset management and property)
  - Since inception to date, over 26,000 credit decisions have been made. To end-June 2013 sales of **€8.4bn** have completed with further **€2bn active disposal pipeline** in progress
- **Senior debt redemption on track**
  - Paid down over **€6.25bn** of NAMA Senior Bonds (**21%** of the Agency's total senior debt liabilities) by June 2013
  - Current cash balances and liquid asset holding of €3.7bn (including CSA derivative collateral paid to the NTMA); €12.9bn in cash flows generated by NAMA since inception
  - Firmly **on target to have repaid €7.5 billion or 25% of debt by end-2013**

NAMA: financial summary
2011 and 2012 financial results (€m)

	2011	2012
Net interest income	771	894
Operating profit before impairment	1,278	826
Impairment charges	(1,267)	(518)
Profit before tax and dividends	11	308
Tax (charge)/credit and dividends	230	(80)
Profit for the year	241	228

Source: NAMA

- **NAMA continues to generate net profits after impairment charges**, despite unfavourable market movements
- 2012 Operating Profits of €826m (before an impairment charge of €518m)

NAMA: Distribution of larger debtors

Nominal Debt	Number of debtors	Average nominal debt per debtor €m	Total nominal debt in this category €m
In excess of €2,000m	3	2,758	8,275
Between €1,000 and €2,000m	9	1,549	13,945
Between €500m and €999m	17	674	11,454
Between €250m and €499m	34	347	11,796
Between €100m and €249m	82	152	12,496
Between €50m and €100m	99	68	6,752
Between €20m and €50m	226	32	7,180
Less than €20m	302	7	2,117
TOTAL	**772**	**96**	**74,015**

Source: NAMA

NAMA: Strategy is multi-faceted

- **Financing Strategy**
  - To date NAMA has approved advances of over €1.8bn in working and development capital, providing equity capital and credit facilities only where appropriate, to preserve and enhance value of assets securing Agency's loans
  - €1.2bn in advances drawn to date for range of projects across Agency's portfolio
- **Asset Disposal**
  - Orderly phased approach implemented to generate maximum return for taxpayer
  - €8.4bn in completed sales to end-June 2013; currently 80% of disposal income generated in the UK
  - €1.5bn of assets on the market in Ireland through debtors and receivers
- **Recurring Income**
  - €4.3bn in non-disposal cash, mainly rental income; generating €100m in monthly non-disposal cash despite the sale of over €8bn of assets and loans

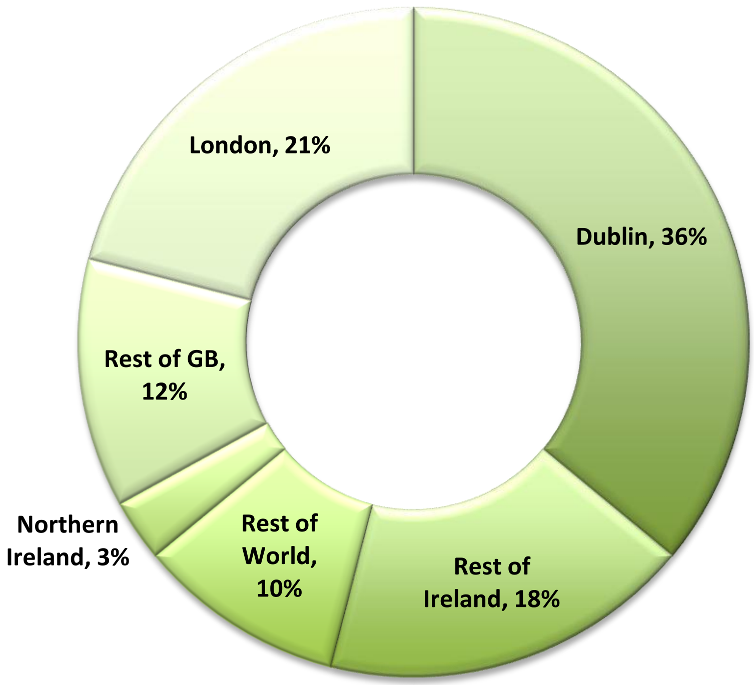
NAMA: Strategic initiatives

- **Vendor Finance:**
  - €360m approved to date. Offers medium-term finance to commercial buyers. First transaction in April 2012 (Offices in Dublin 2). Number of further significant transactions concluded, e.g. Edward Square, Galway; Project Aspen (sale of Irish loan portfolio with par value of €800m). Others under consideration, including IFSC properties. Intended to loan over €2bn to end-2016
- **Qualifying Investor Fund & REITs:**
  - NAMA welcomes establishment of Ireland's first REIT as means of adding liquidity to market
  - NAMA partnering with Oaktree in respect of a new QIF authorised by Central Bank of Ireland in July 2013 that combines the parties' respective ownership of land with a development potential of up to 50,000 sq. m in Dublin's south Docklands.
- **Social Housing:**
  - Offers long-term leasing options to local authorities. More than 4,200 properties identified. NAMA facilitates direct engagement between Local Authorities and debtors (or receivers)
- **Deferred Payment Initiative:**
  - Piloted in May 2012 for family homes in Greater Dublin & Cork. Second phase launched in Oct. 2012, third phase in March 2013 - offering is now close to 400 properties in 13 counties

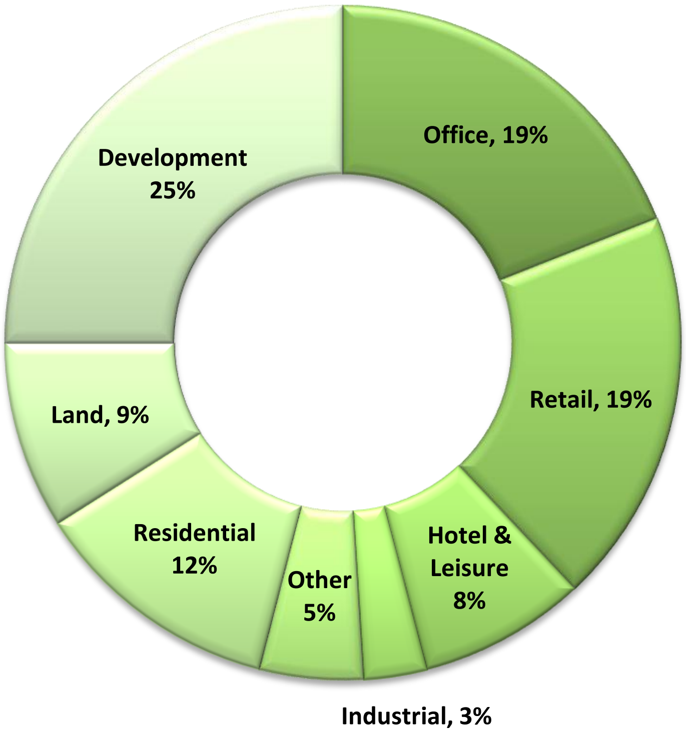
Breakdown of NAMA property portfolio, December 2012

- **10,000+ properties, 56,000 units**

Property portfolio by worldwide location

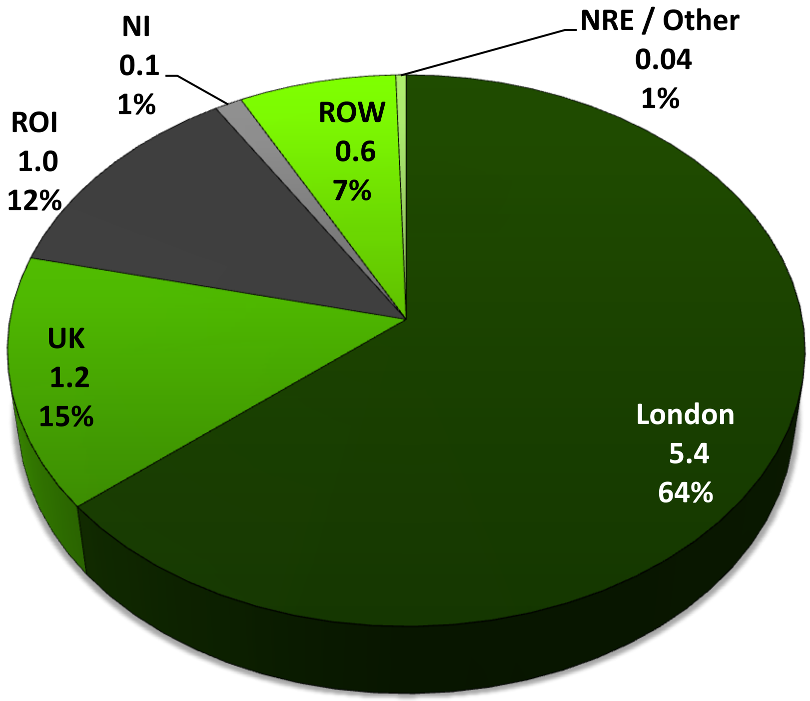


Property portfolio by underlying asset class



Source: NAMA

Asset disposals to end-June 2013 (sale proceeds by location)



Location	Value €bn	%
London	5.4	64
Rest of UK	1.2	15
ROI	1.0	12
NI	0.1	1
ROW	0.6	7
NRE / Other	0.0	1
	8.4	**100**

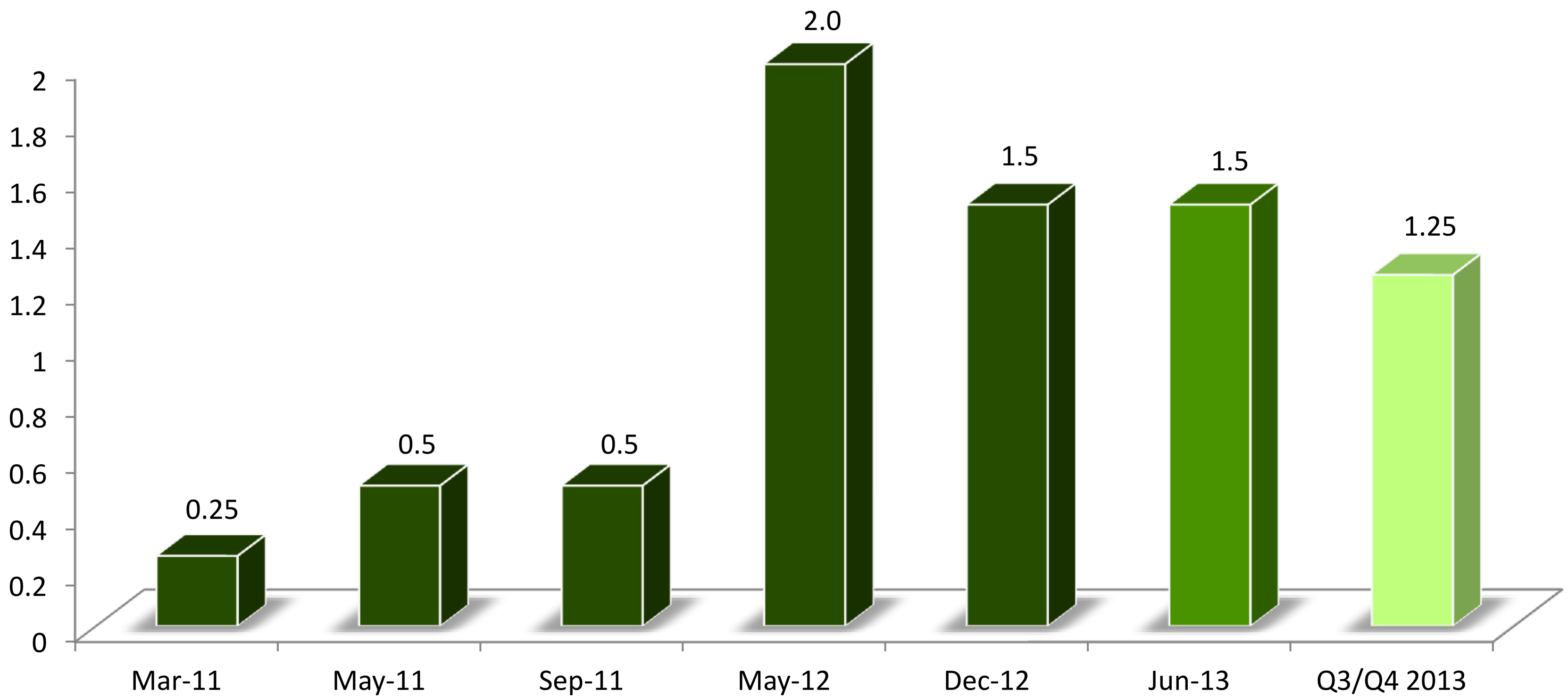
- Main focus to date UK disposals due to liquidity etc.
- Increasing emphasis on Irish disposals in response to heightened international demand
- **To end-June 2013: €8.4bn** generated in asset disposals

Source: NAMA

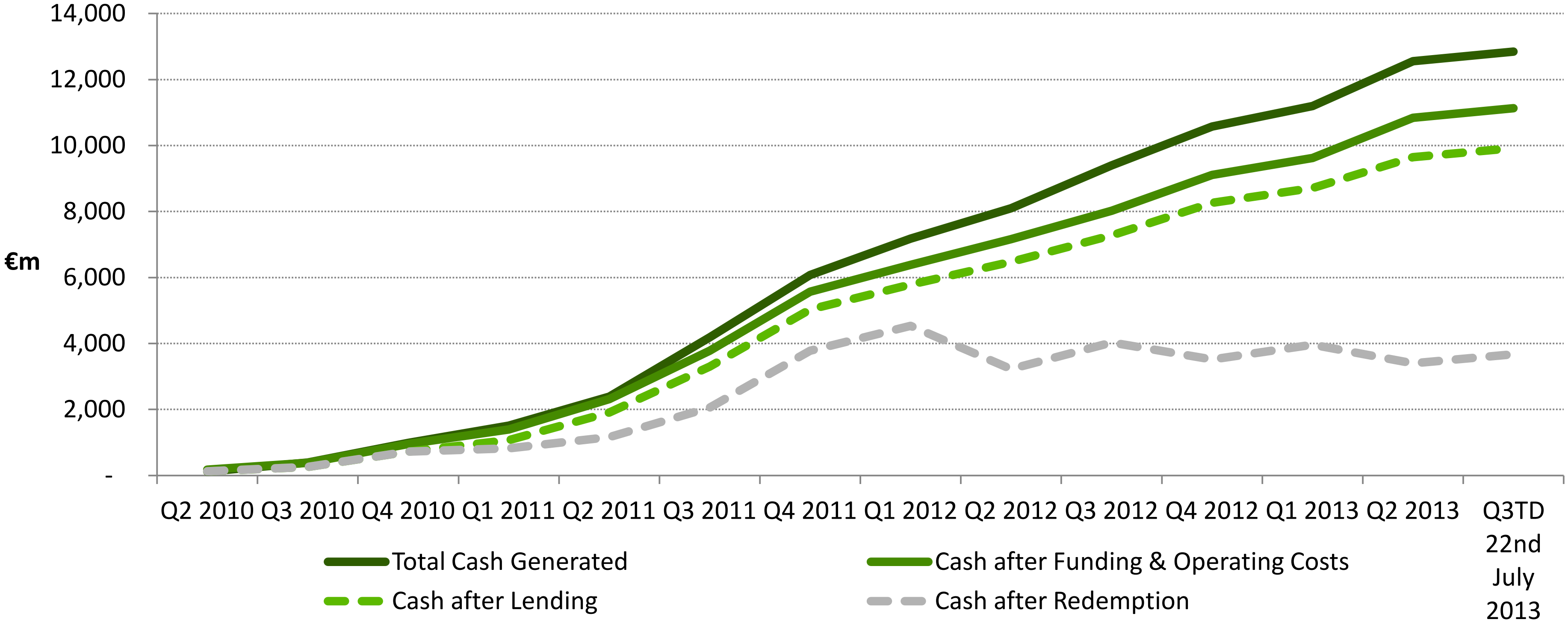
NAMA: Summary of bond repayments from inception

NAMA Senior Bonds

- June 2013: €1.5bn of NAMA senior bonds redeemed (cumulative €6.25bn)
- On course to meet target of redeeming €7.5bn of senior bonds by end-2013
- All of €30.2bn in NAMA senior bonds expected to be redeemed by 2020



NAMA: Summary of cash flows from inception

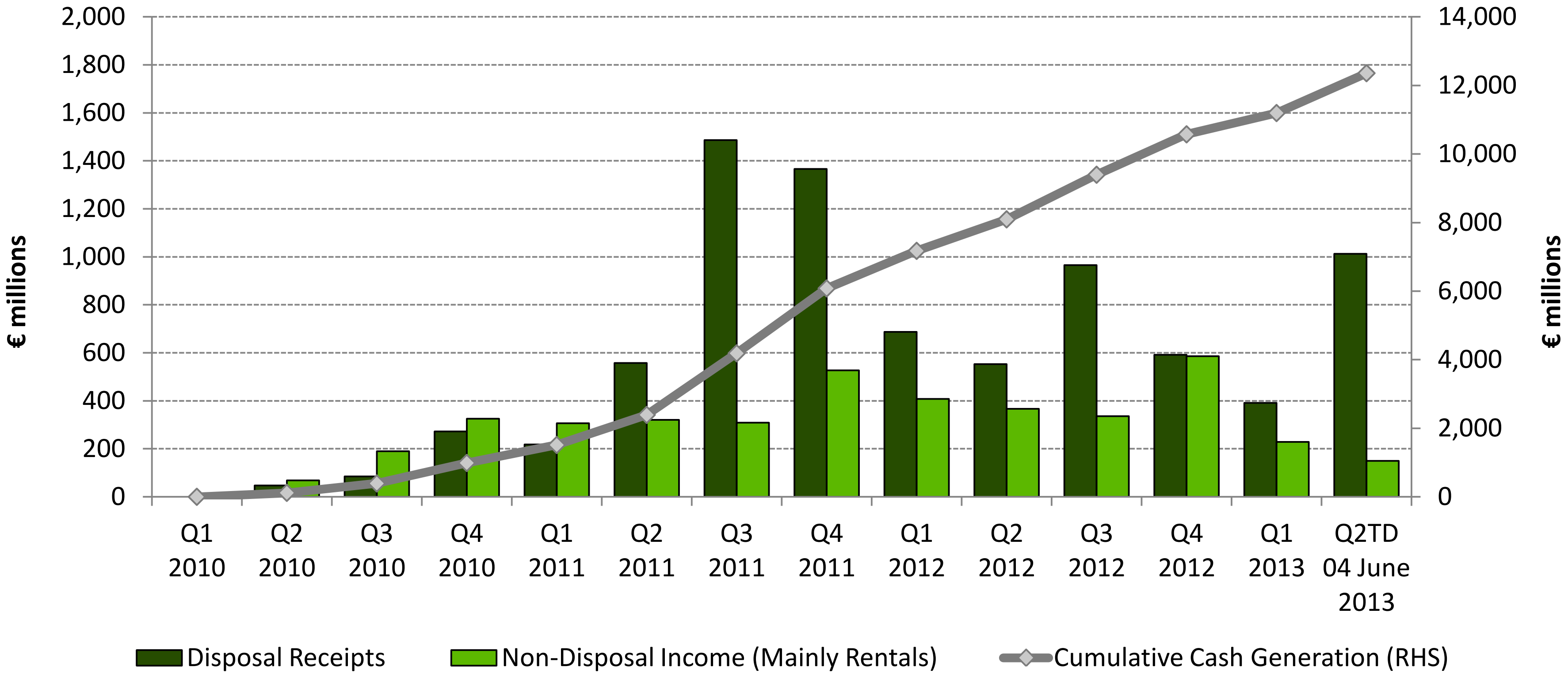


Source: NAMA

- **Total cash generated of €12.9bn from inception to date**

- Disposal proceeds €8.4bn as of June 2013
- NAMA senior debt redemptions of over €6.25bn by end-June 2013
- Lending disbursement (new advances) of €1.2bn as of early June 2013
- Latest cash and equivalent balances of €3.7 (end-June)

NAMA: cash received disposal v. non-disposal income, Q2 2013



Source: NAMA

- **Key feature is the level of non-disposal income**
  - €100m monthly run-rate of non-disposal income
  - Cash generation is very important to NAMA's future strategy

NAMA: favourable property market measures in Budget 2012

- **Budget 2012 contained a number of significant measures aimed at boosting the property market**
  - Helped to boost NAMA's book of loan assets, underpin collateral in the banking system and brought forward mortgage demand

- **Stamp duty on commercial property cut from 6% to 2%**
  - Now lower than the current UK rate. Should boost overseas demand

- **NAMA can directly approve rent reductions with tenants of commercial properties under its control**
  - Changes to upward-only rent legislation shelved

- **Incentive Scheme**
  - Property bought before the end of 2013 will be exempt from CGT on sale as long as it is held for at least seven years

NAMA: on track to achieve long-term objectives

- **NAMA on plan to meet short-term debt redemption targets (€7.5bn by Dec 2013)**
  - Vendor finance, deferred payments and social initiatives are building momentum and have been supplemented by other measures in 2013
  - Introduction of REIT legislation (launch of first REIT subsequently) and consideration of QIF options
  - €2bn of vendor finance available between 2013 and 2016 to support disposal activities. The majority of new equity is expected early in the period, i.e. 2013-14. The initiative will widen potential investor base, even if finance is not ultimately used, and can help overcome weak credit availability
  - NAMA to provide €2bn of development capital to projects in Ireland between 2013 and 2016 to support income generation
  - Strong recurring cash position, reflecting both location and quality of assets and NAMA's asset management approach

SECTION 7: BANKING*

Deleveraging plan well ahead of target and deposits are growing

* Some information in this section is provided by the banking unit of the Department of Finance

Gross cost to State of domestic bank recapitalisation

€ bn	AIB/EBS	BoI	IL&P	IBRC	Total	% of GDP**
Pre-PCAR 2011:						
Government Preference Shares (2009) –NPRF	3.5	3.5*			7.0	4%
Ordinary Share Capital (2009) – Exchequer				4.0	4.0	3%
Promissory Notes (2010)	0.3			30.6	30.9	20%
Special Investment Shares (2010) – Exchequer	0.6			0.1	0.7	0%
Ordinary Share Capital (2010) –NPRF	3.7				3.7	2%
Total pre-PCAR 2011	**8.1**	**3.5**		**34.7**	**46.3**	**30%**
PCAR 2011:						
Capital from Exchequer	3.9		2.7		6.6	4%
NPRF Capital	8.8	1.2			10.0	6%
Total PCAR 2011	**12.7**	**1.2**	**2.7**		**16.5**	**11%**
Purchase of Irish Life			1.3		1.3	
Total Recapitalisation from the State	**20.8**	**4.7**	**4.0**	**34.7**	**64.1**	**41%**
Source of Funds:						
Promissory Notes	0.3			30.6	30.9	20%
Exchequer	4.5		4.0	4.1	12.6	8%
NPRF	16.0	4.7			20.7	13%

Source: Department of Finance

**€1.7bn of BoI's government preference shares were converted into ordinary shares in May/June 2010 (€1.8bn government preference shares remain in existence).*
*** 2011 GDP*

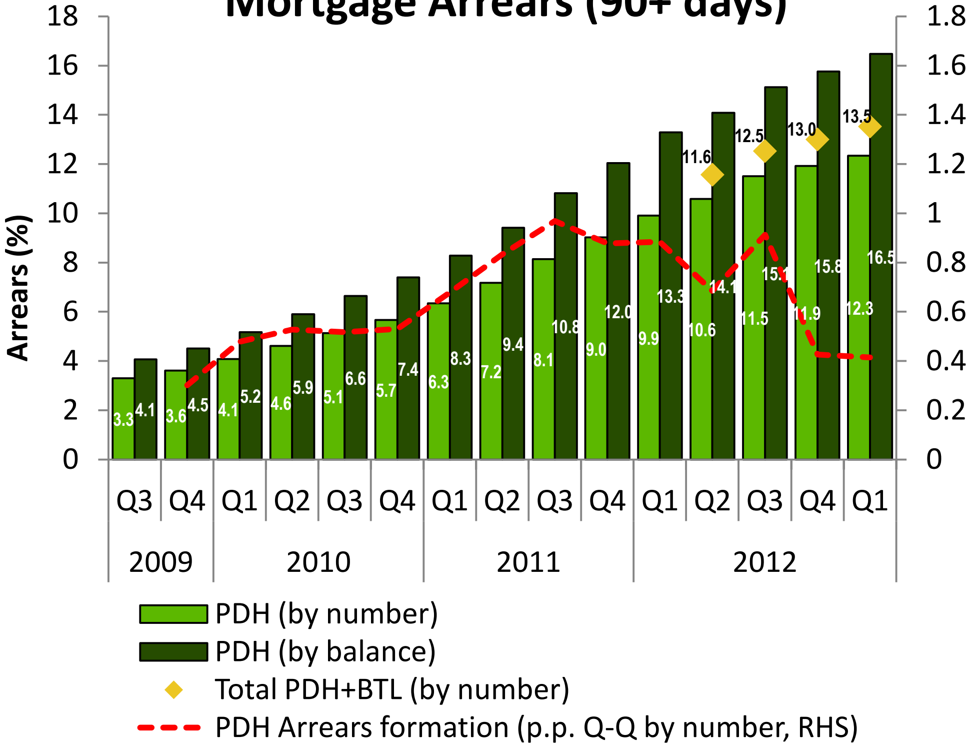
Ireland took the necessary step of transparently recapitalising its domestic banks in 2011;

The cost of bank recaps 2009-2011 amounted to c.41% of 2011 GDP;

As other European nations now face similar obstacles to Ireland, Europe is seeking alternative ways of breaking the sovereign-bank links

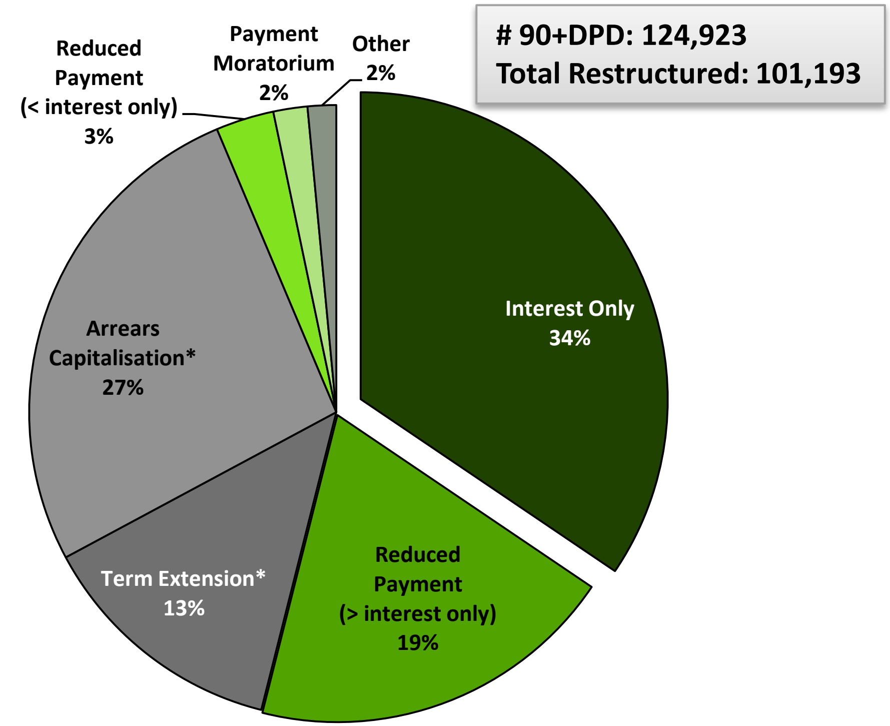
Irish residential mortgage arrears – still challenging

Mortgage Arrears (90+ days)



Source: Central Bank of Ireland (CBI)

Total Restructured/Rescheduled Cases



Source: Central Bank of Ireland

- PDH mortgage arrears continue to rise, albeit at a slower pace with underlying numbers for early arrears also slowing. The smaller BTL market shows relatively higher arrears
- Forbearance strategies to date have been largely short-term in nature, with a heavy reliance on interest-only restructurings - though some restructurings straddle several categories

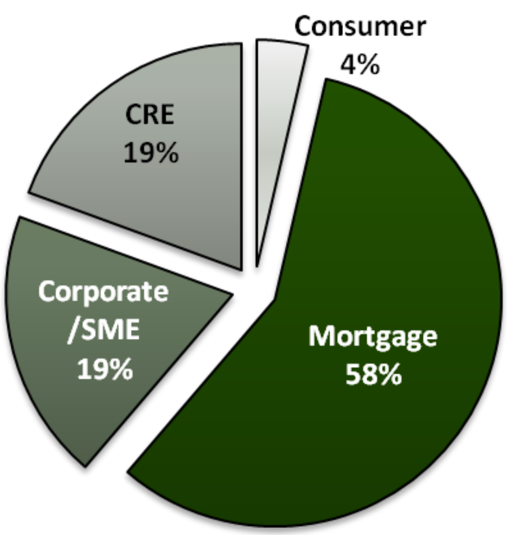
* Only includes accounts with these restructurings and no other forbearance arrangement

Asset quality reflects huge losses already recognised; Sovereign linkages are being slowly dismantled

Impaired loans and provisions at PCAR banks (group and 3 banks)

PCAR Banks (€bn)	Dec-11	Jun-12	Dec-12
Total Loans	242.6	235.7	224.7
Impaired	45.4	47.6	53.3
(Impaired as % of Total)	*18.7%*	*20.2%*	*23.7%*
Provisions	23.6	25.4	27.2
(Provisions as % of book)	*9.7%*	*10.8%*	*12.1%*
(Provisions as % of Impaired)	*51.9%*	*53.3%*	*51.1%*

Loan Asset Mix (PCAR banks)



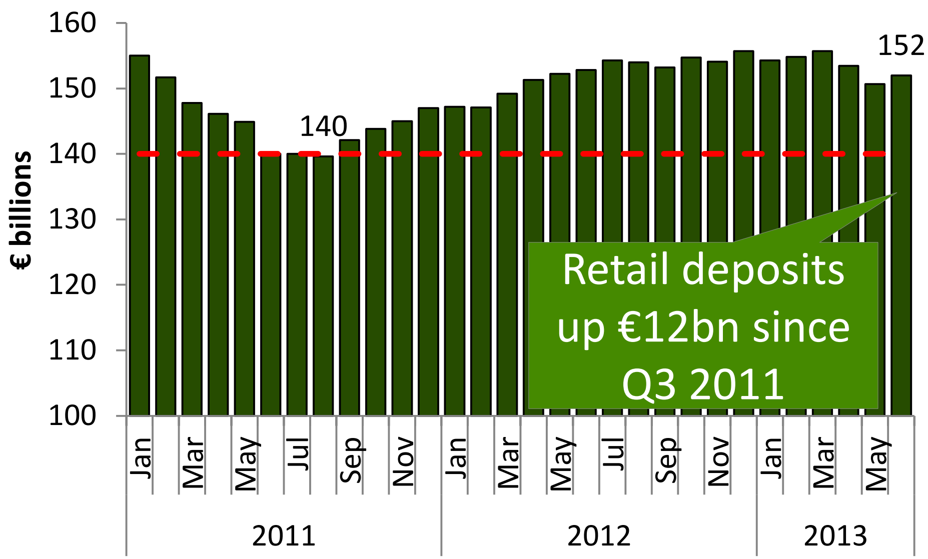
Source: Published bank accounts

Impaired Loans % (Coverage %)[1] by Bank and Asset					
		Dec-11	Jun-12	Dec-12	*Book (€bn)*[2]
BOI	Irish Residential Mortgages	9.7 (38)	8.2 (59)	13.1 (40)	***27.5***
	UK Residential Mortgages	2.5 (18)	0.4 (120)	2.3 (22)	***27.5***
	Irish SMEs	20.3 (47)	22.7 (46)	26.5 (43)	***10.7***
	UK SMEs	16.5 (36)	17.5 (32)	17.9 (37)	***3.5***
	Corporate	9.5 (38)	10.8 (38)	10.1 (44)	***8.7***
	CRE - Investment	27.0 (34)	32.1 (32)	35.9 (35)	***15.6***
	CRE - Land/Development	82.6 (54)	88.1 (58)	89.5 (60)	***3.6***
	Consumer Loans	10.2 (82)	10.0 (82)	9.4 (85)	***3.0***
		14.3 (41)	**14.7 (46)**	**17.7 (43)**	***100.2***
AIB	Irish Residential Mortgages	14.5 (41)	17.4 (39)	19.9 (38)	***39.5***
	UK Residential Mortgages	5.9 (87)	n.a.	9.2 (67)	***3.0***
	Irish SMEs	33.9 (70)	36.5 (67)	40.7 (70)	***10.3***
	UK SMEs	16.1 (60)	20.0 (54)	21.2 (52)	***4.9***
	Corporate	9.4 (77)	9.2 (82)	15.6 (73)	***5.2***
	CRE	48.6 (64)	52.7 (63)	62.0 (59)	***22.3***
	Consumer Loans	25.1 (80)	28.0 (79)	30.5 (80)	***4.7***
		25.2 (60)	**28.1 (58)**	**32.7 (56)**	**89.9**
PTSB	Irish Residential Mortgages	16.2 (40)	16.2 (47)	19.6 (45)	**24.6**
	UK Residential Mortgages	2.0 (51)	2.6 (35)	1.7 (57)	**7.4**
	Commercial	38.7 (56)	40.7 (60)	49.7 (66)	**2.2**
	Consumer Loans	18.6 (100)	23.5 (104)	32.1 (105)	**0.4**
		14.5 (44)	**15.1 (51)**	**17.9 (51)**	**34.7**

[1] Total impairment provisions are used for coverage ratios (in parentheses)
[2] Book value before impairment provisions as at December 2012

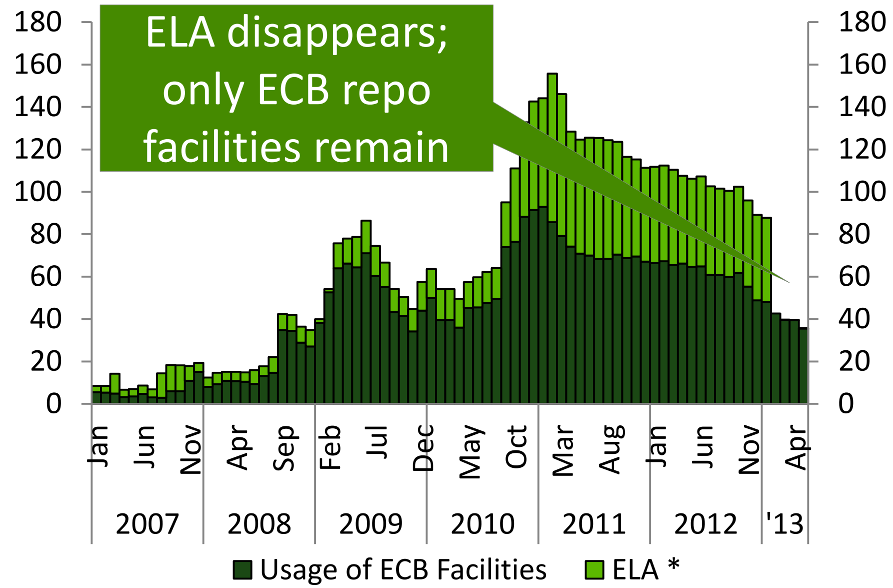
Bank deposits have stabilised; Drawings on ECB facilities reduced

Covered Banks' retail & corp. deposits



Source: CBI & DoF (excludes (i) NTMA pre-recapitalisation deposits, (ii) AIB Poland)

Covered Bank's ECB and ELA facilities (€bn)



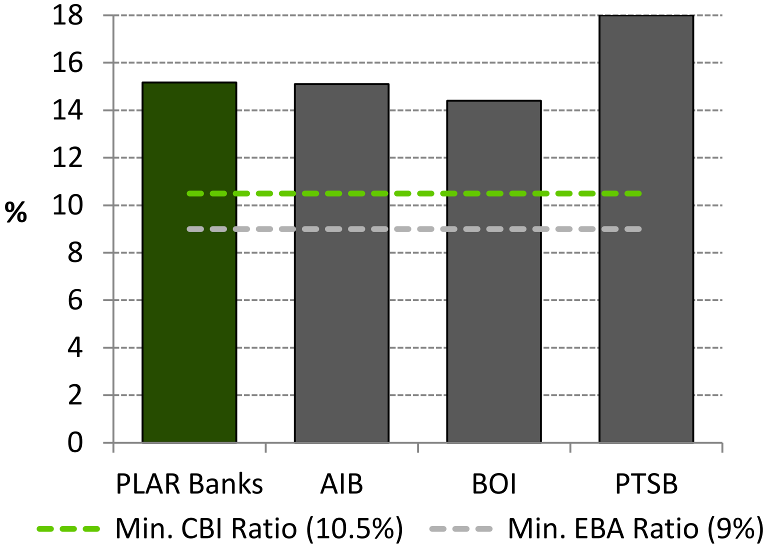
Source : CBI (* ELA proxied by sum of CBI's other claims on euro area credit institutions and other assets)

- As of end-June 2013 Covered Banks' deposits were up €12bn from their trough in Q3 2011
- ELG scheme ended for new liabilities Mar 2013 with no significant impact on deposit volumes
- All 3 Covered Banks returned to market funding: since Nov 2012, >€3bn raised in term repo markets via private placements; €2.5bn in secured covered bond market transactions; €250m in LT2 debt

- Covered Banks' usage of ECB repo facilities has fallen significantly: down to €35bn (June 2013) from peak of €93bn (Jan 2011)
- ECB repo usage now represents c.4.3% of total Eurosystem funding, down from a 2011 peak of c.18.8%

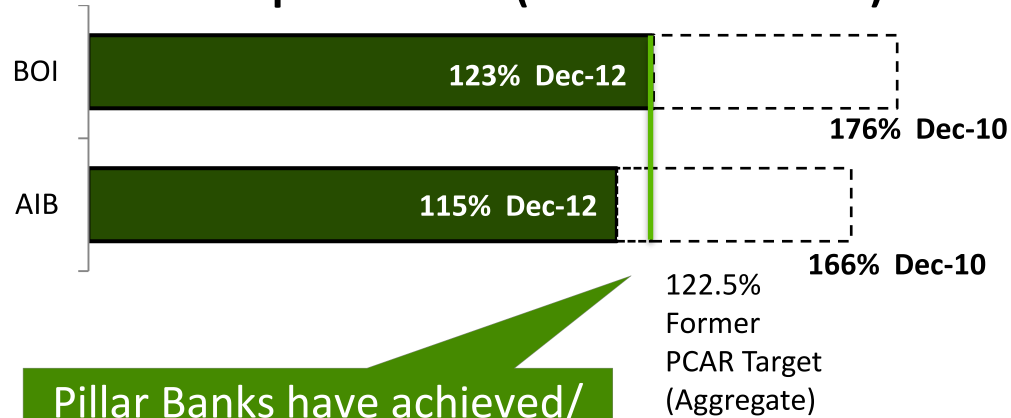
Capital and loan-to-deposit ratios strengthened

Core Tier 1 Capital Ratios (Dec 2012)



Source: Published bank accounts

Loan-to-Deposit Ratios (Dec-10 to Dec-12)



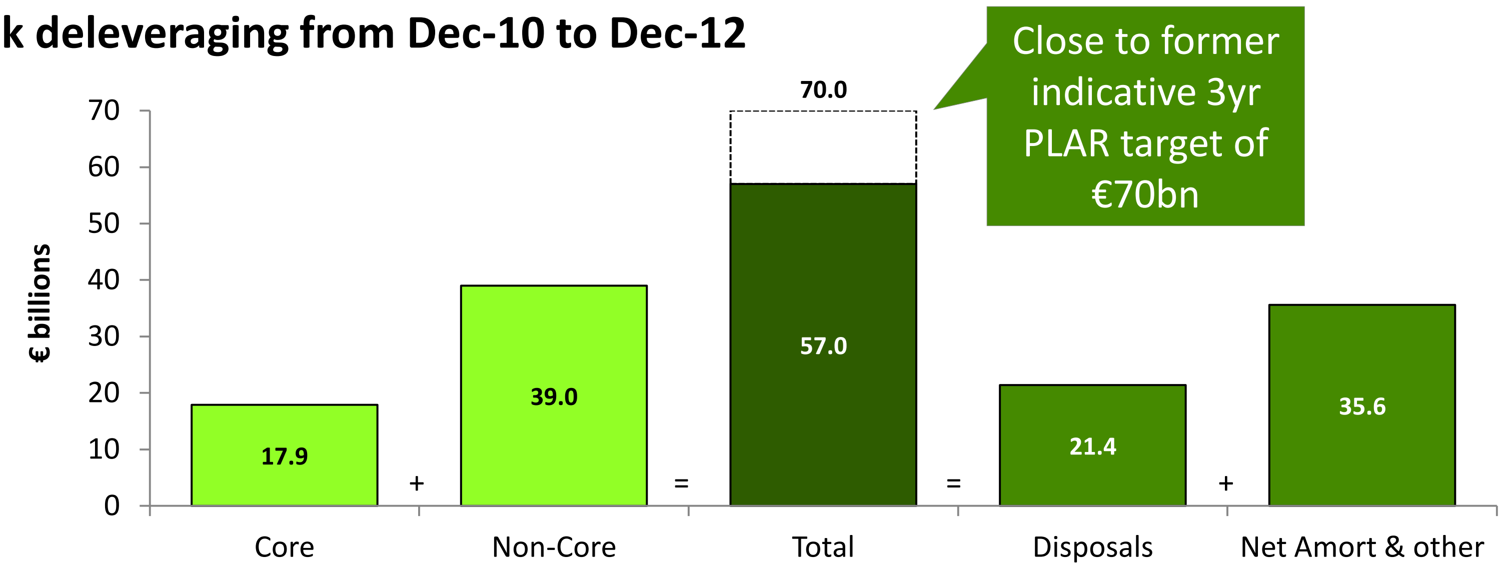
Pillar Banks have achieved/ surpassed original 122.5% PCAR targets for end-2013

Source: Published bank accounts

- Core Tier 1 capital ratios at the PLAR banks remain well above minimum requirements and among best-capitalised in Europe, with significant buffers available for future losses
- Pillar bank LDRs are at or below former PCAR targets; streamlined deleveraging framework removed LDR targets, thus minimising lending and deposit pricing distortions
- Deleveraging is now assessed based on the ‘existing nominal targets for disposal and run-offs of non-core assets in line with the 2011 Financial Measures Programme while avoiding fire sales of assets’ (MEFP 4)

Deleveraging programs continue to progress

Bank deleveraging from Dec-10 to Dec-12

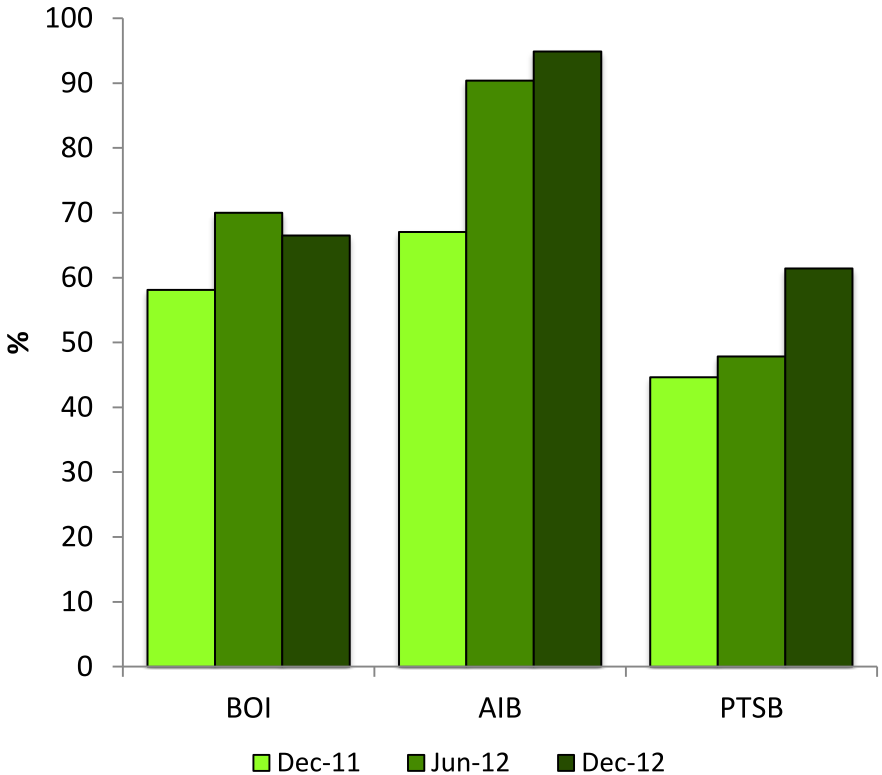


Source: Department of Finance

- **Cumulative deleveraging at AIB, BOI & PTSB to end-Dec 2012 of €57bn (81% of 3yr target); €20.8bn achieved in 2012**
- **AIB** - disposals are ahead of plan and the programme is nearing completion. Remaining deleveraging required to reach its target is to be achieved through loan work-out and amortisation
- **BOI** - has completed its disposal plan and the remaining deleveraging is on target and forecast to be achieved through rundown of non-core loan books
- **PTSB** - deleveraging programme postponed pending consideration of EC Restructuring Plan

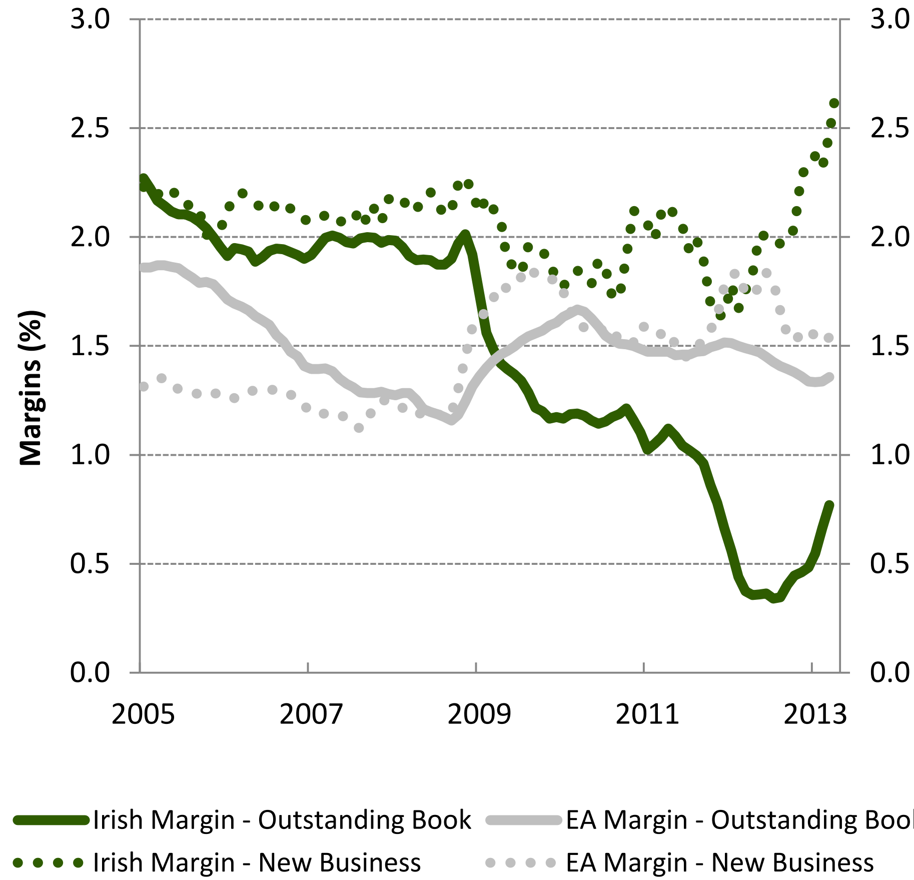
Profits are compressed; although net interest margins on new lending are more favourable

Income declines have left efficiency ratios weakened (cost/Income ratios less ELG fees)



Source: Annual reports of Irish domestic banks

More favourable margins on new lending are slowly feeding into total outstanding book



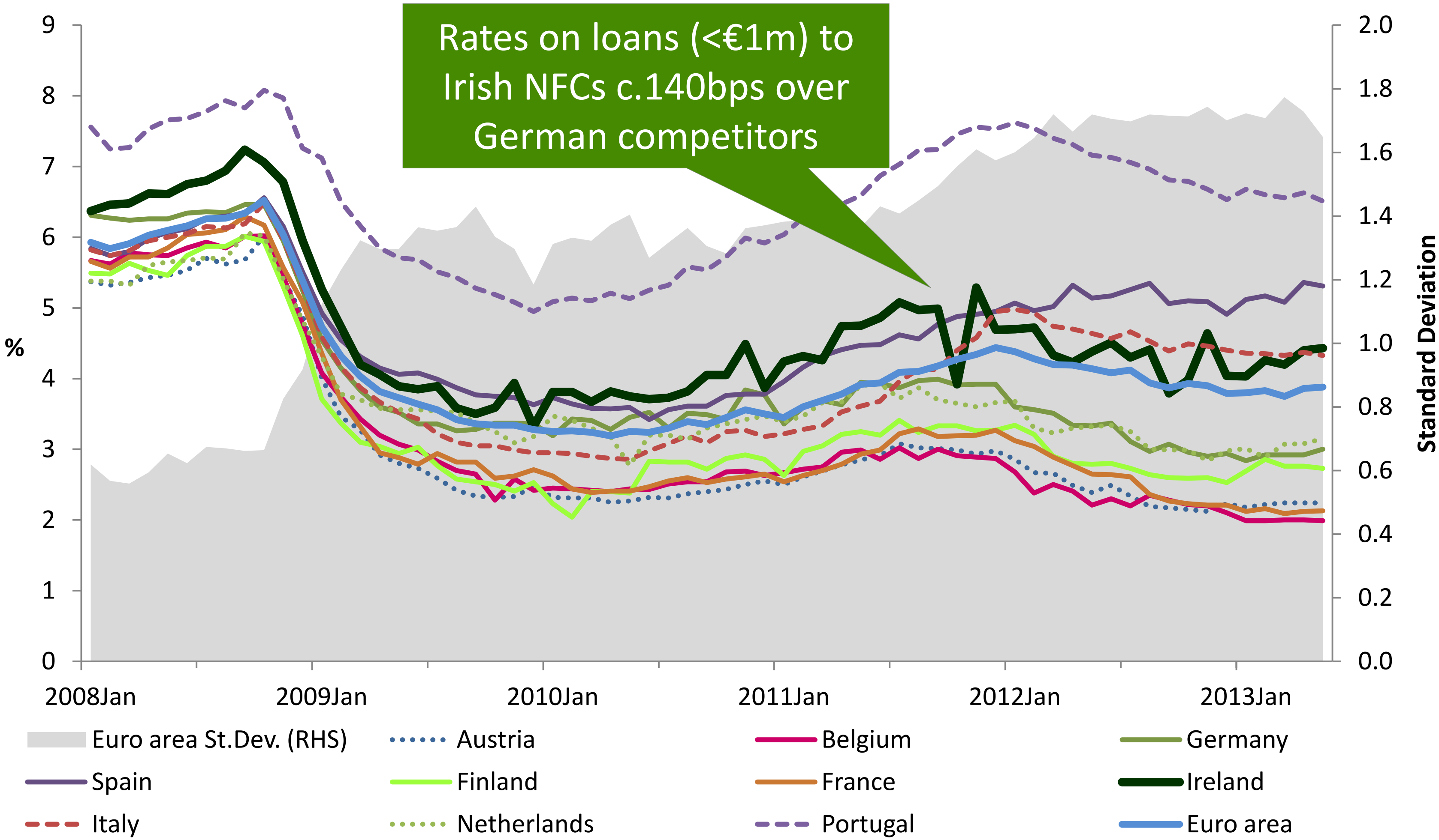
Source: ECB

Note: Margins are derived from interest margins on loans to NFCs and term deposits from NFCs (all agreed maturities). Loans exclude revolving loans and overdrafts, convenience and extended credit card debt.

SME credit and lending

- The SME sector (firms with <250 employees) accounts for approximately 69% of persons engaged, 99.8% of active enterprises and 52% of turnover
- The Credit Review Office reviews bank decisions to refuse/reduce/ withdraw credit facilities of €1,000 - €500,000. **It has overturned 56% of referred decisions to date**, supplying €13m credit & protecting 1,102 jobs
- In 2013, the **NPRF introduced 3 new SME funds** to provide equity, credit and restructuring/recovery investment worth up to €850m with NPRF acting as a cornerstone investor alongside third-party investors.
- Range of additional funding supports include:
  - MicroFinance Fund - €40m available over 5 years
  - Loan Guarantee Scheme - €150m per annum over 3 years
  - Enterprise Ireland – upwards of €200m in 2013
  - European Investment Bank , European Investment Fund (€80m through AIB) and Silicon Valley Bank partnership with the NPRF ($100m over 5 years)

Latest ECB data show dispersion in SME interest rates persisting (New NFC loans <1yr, <€1m)



Source: ECB

Note: Based on work from a forthcoming paper by Holton S., M. Lawless and F. McCann (2013) as presented to the ESRI conference, '[SME Financing: Recent Trends and Policy Options]', April 2013.

Mortgage arrears – policy responses

- **Engagement with the banks – Central Bank**
  - Lenders have submitted loan modification and resolution options
  - Ipsos MRBI engaged to conduct Household Income Survey
  - Debt resolution strategies in place:
    - Code of Conduct on Mortgage Arrears
    - Mortgage Arrears Resolution Process
    - Mortgage Arrears Resolution Targets
    - Pilot three month co-ordinated resolution approach for borrowers with multiple distressed secured/unsecured debts across various lenders
- **Mortgage to Rent Scheme – D/Environment**
  - Launched in June 2012
  - Involvement of 12 Approved Housing Bodies
  - Involves loss of ownership for those facing repossession by banks
  - Debtors become social housing tenants

…For more details on mortgage arrears policies, see Department of Finance Presentation Oct-12

Dealing with household debt – mortgage arrears resolution targets

- Central Bank has introduced strict quantitative targets for 'sustainable' resolution of distressed mortgages (PDH & BTLs > 90 days arrears)
  - **Target 1:** Sustainable proposals to be put in place (20% of distressed mortgages by end-June 2013 rising to 50% by end-year; 'vast majority' of cases by end-2014)
  - **Target 2:** Quarterly targets for conclusion of sustainable solutions to be introduced by Q3 2013
  - **Target 3:** 75% of all concluded arrangements to have terms of agreements being met from Q1 2014
- Regulatory action considered for failure to meet targets, poor resolution strategies/implementation including additional capital requirements & more rigorous provisioning from January 2014
- Code of Conduct on Mortgage Arrears setting out how lenders engage with distressed borrowers has been revised to facilitate further resolution of arrears cases

Key Targets	2013 Q2	2013 Q3	2013 Q4	2014 Q1	2014 Q2	2014 Q3	2014 Q4
Proposed [Target 1]	20%	30%	50%	*TBD*	*TBD*	*TBD*	*TBD*
Concluded [Target 2]	-	-	*TBD*	*TBD*	*TBD*	*TBD*	*TBD*
Terms being met [Target 3]	-	-	-	75%	75%	75%	75%

Main provisions of Personal Insolvency Bill

Personal Insolvency Arrangement (PIA)

Insolvent Debtor
€20,000 - €3,000,000
Secured/ Unsecured (>6yrs)

→ Applies via personal insolvency practitioner to →

Insolvency Service of Ireland

→ Approved → Debt settlement/restructuring mechanism provided. Family home protected, protected from action by all bound creditors & covered unsecured debts discharged after supervision period **if conditions met**

→ Not Approved → Exposed to creditor action and possible bankruptcy with discharge period of 3yrs

Alternative mechanisms:

Debt Settlement Arrangement (DSA)
>€20,000, Unsecured (>5yrs)
Debtor obliged to pay agreed amount for up to 5/6 years
Remainder of debts discharged at end of period

Debt Relief Notice
No income/assets
<€20,000, Unsecured
Write-off of qualifying debts subject to supervision period

- DSA process similar to PIA; both require approval of 65% of creditors (by value)
- Bill has been enacted as of December 2012
- Insolvency Service of Ireland established in Q1 2013 & applications taken from Q3 2013

APPENDIX

Additional banking data

Summary balance sheets of “covered banks” December 2012 (*June 2012 for IBRC*)

€m	AIB	BOI	PTSB	IBRC	Total (*excl. IBRC*)
As at:	**Dec-12**	**Dec-12**	**Dec-12**	**Jun-12**	**Dec-12**
Assets:					
Loans and advances to customers	72,972	92,621	31,758	15,565	197,351
Promissory notes	-	-	-	27,785	-
NAMA notes	17,387	4,428	-	-	21,815
Loans and advances to banks	2,914	9,506	1,396	2,093	13,816
Available for sale assets	16,344	11,093	-	4,530	27,437
Other assets	8,852	22,026	7,694	3,184	38,572
Cash	4,047	8,472	71	8	12,590
Total assets	**122,516**	**148,146**	**40,919**	**53,165**	**311,581**
Liabilities:					
Deposits from banks	28,442	21,272	13,827	45,470	63,541
Customer accounts	63,610	75,170	16,639	518	155,419
Debt securities in issue	10,666	18,073	6,505	1,360	35,244
Subordinated liabilities	1,271	1,707	337	533	3,315
Other liabilities	7,286	10,076	777	2,550	18,139
Other Liabilities - Life	-	13,244	-	-	13,244
Total liabilities	**111,275**	**139,542**	**38,085**	**50,431**	**288,902**
Total equity	**11,241**	**8,604**	**2,834**	**2,734**	**22,679**
Total liabilities and equity	**122,516**	**148,146**	**40,919**	**53,165**	**311,581**

Source: Published accounts, 31 December 2012

Loan book analysis

Total loans (€bn)	AIB	BOI	PTSB	Total
Residential mortgages	43	55	32	130
Corporate	5	9	0	14
SME	15	14	0	29
CRE	22	19	2	44
other	5	3	0	8
Total (Dec 2012)	**90**	**100**	**35**	**225**

Source: Company Data Annual Reports, 31 December 2012

Mortgage analysis (€bn)	AIB	BOI	PTSB	Total
Irish owner occupier	32	21	18	70
Irish Buy-to-let	8	7	7	21
Total Irish	**40**	**27**	**25**	**92**
UK owner occupier	3	17	0	19
UK Buy-to-let	0	11	7	19
Total UK	**3**	**28**	**7**	**38**
Total residential mortgages (Dec 2012)	**43**	**55**	**32**	**130**

Source: Annual Reports, December 2012

Central bank 2011 - 2013 projected losses under adverse scenario

Projected stressed losses derived from bottom-up analysis of loan data by Blackrock Solution

€bn	AIB	BOI	ILP	EBS	Total
Residential mortgages	3	2.4	2.7	1.4	9.5
Corporate	1	1.1	0	0	2.1
SME	2.7	1.8	0	0	4.5
CRE	4.5	3.9	0.4	0.2	9.0
other	1.4	0.9	0.3	0	2.6
Total	**12.6**	**10.1**	**3.4**	**1.6**	**27.7**
% of loan book					
Residential mortgages	9.9%	3.9%	7.9%	8.7%	6.7%
Corporate	4.7%	5.2%	0.0%	0.0%	4.9%
SME	13.9%	10.6%	0.0%	0.0%	12.3%
CRE	26.2%	18.8%	19.5%	23.4%	22.1%
other	25.0%	16.4%	20.7%	0.0%	20.7%
Total	**13.4%**	**8.0%**	**9.1%**	**9.4%**	**10.1%**

Source: PCAR 2011

- The €27.7bn of projected losses is significantly more conservative than the banks' own forecast provisions over the same period (c. €22bn) and is designed to add to the credibility of the tests
- The losses are projected on a "repossess and sale" approach using stressed property values with little recognition of customer repayment capacity, incorporating the write-down experience of foreign jurisdictions (UK repossession levels)
- Negative equity (as opposed to unemployment levels) had a large bearing on forecast residential loan losses
- Modelled rental income declines assumed on commercial real estate (with little regard to sustainable cash flows from actual lease contracts)

Projected adverse case losses by bank and portfolio used for capital purposes (derived from BlackRock analysis)

Product		AIB	BOI	ILP	EBS	Total	
Residential Mortgages	BlackRock lifetime loan losses post-deleveraging	4,908 *(15.8%)*	4,286 *(7.2%)*	5,209 *(15.4%)*	2,495 *(15.7%)*	9,925 *(7.1%)*	16,898 *(12%)*
	CB three-year projected losses	3,066 *(9.9%)*	2,366 *(3.9%)*	2,679 *(7.9%)*	1,380 *(8.7%)*	5,838 *(4.1%)*	9,491 *(6.7%)*
Corporate	BlackRock lifetime loan losses post-deleveraging	1,133 *(5.5%)*	1,379 *(6%)*	0 *(0%)*	0 *(0%)*	1,608 *(3.7%)*	2,512 *(5.8%)*
	CB three-year projected losses	972 *(4.7%)*	1,179 *(5.2%)*	0 *(0%)*	0 *(0%)*	1,362 *(3.1%)*	2,151 *(4.9%)*
SME	BlackRock lifetime loan losses post-deleveraging	4,085 *(21.2%)*	2,871 *(16.6%)*	0 *(0%)*	0 *(0%)*	5,398 *(14.8%)*	6,956 *(19%)*
	CB three-year projected losses	2,674 *(13.9%)*	1,837 *(10.6%)*	0 *(0%)*	0 *(0%)*	3,603 *(9.9%)*	4,511 *(12.3%)*
CRE	BlackRock lifetime loan losses post-deleveraging	4,717 *(27.5%)*	4,950 *(24.2%)*	411 *(20.1%)*	225 *(26.7%)*	8,114 *(20.1%)*	10,303 *(25.5%)*
	CB three-year projected losses	4,490 *(26.2%)*	3,847 *(18.8%)*	400 *(19.5%)*	197 *(23.4%)*	7,159 *(17.7%)*	8,934 *(22.1%)*
Non-mortgage Consumer and Other	BlackRock lifetime loan losses post-deleveraging	1,674 *(29.8%)*	1,332 *(24.5%)*	444 *(26.8%)*	0 *(0%)*	2,477 *(19.5%)*	3,450 *(27.1%)*
	CB three-year projected losses	1,403 *(25%)*	891 *(16.4%)*	342 *(20.7%)*	0 *(0%)*	2,052 *(16.1%)*	2,635 *(20.7%)*
Total	BlackRock lifetime loan losses post-deleveraging	16,517 *(17.6%)*	14,819 *(11.8%)*	6,064 *(16.1%)*	2,719 *(16.3%)*	27,522 *(10%)*	40,119 *(14.6%)*
	CB three-year projected losses	12,604 *(13.4%)*	10,119 *(8%)*	3,421 *(9.1%)*	1,577 *(9.4%)*	20,014 *(7.3%)*	27,722 *(10.1%)*

Source: PCAR 2011

Projected adverse case mortgage book losses used for capital purposes derived from BlackRock

		AIB	BOI	ILP	EBS	Total
Ireland	BlackRock lifetime loan losses post-deleveraging	4,846 *(17.6%)*	3,836 *(13.7%)*	5,103 *(19.4%)*	2,495 *(15.7%)*	16,280 *(16.7%)*
	CB three-year projected losses	3,007 *(10.9%)*	2,016 *(7.2%)*	2,594 *(9.9%)*	1,380 *(8.7%)*	8,997 *(9.2%)*
Owner Occupier	BlackRock lifetime loan losses post-deleveraging	2,968 *(14.7%)*	2,075 *(9.9%)*	2,975 *(15.3%)*	2,164 *(15.5%)*	10,181 *(13.7%)*
	CB three-year projected losses	1,791 *(8.9%)*	1,115 *(5.3%)*	1,598 *(8.2%)*	1,164 *(8.3%)*	5,668 *(7.6%)*
Buy-to-Let	BlackRock lifetime loan losses post-deleveraging	1,879 *(25.5%)*	1,761 *(24.9%)*	2,128 *(30.8%)*	331 *(17.1%)*	6,099 *(26.2%)*
	CB three-year projected losses	1,216 *(16.5%)*	901 *(12.7%)*	996 *(14.4%)*	216 *(11.2%)*	3,330 *(14.3%)*
UK	BlackRock lifetime loan losses post-deleveraging	62 *(1.8%)*	451 *(1.4%)*	106 *(1.4%)*	0 *(-)*	619 *(1.4%)*
	CB three-year projected losses	59 *(1.7%)*	350 *(1.1%)*	85 *(1.1%)*	0 *(-)*	494 *(1.1%)*
Owner Occupier	BlackRock lifetime loan losses post-deleveraging	37 *(1.2%)*	112 *(0.6%)*	6 *(1.3%)*	0 *(-)*	156 *(0.7%)*
	CB three-year projected losses	34 *(1.1%)*	92 *(0.5%)*	5 *(1.1%)*	0 *(-)*	131 *(0.6%)*
Buy-to-Let	BlackRock lifetime loan losses post-deleveraging	25 *(5.2%)*	338 *(2.9%)*	100 *(1.4%)*	0 *(-)*	462 *(2.4%)*
	CB three-year projected losses	25 *(5.3%)*	259 *(2.2%)*	79 *(1.1%)*	0 *(-)*	363 *(1.9%)*
Total Residential Mortgages	BlackRock lifetime loan losses post-deleveraging	4,908 *(15.8%)*	4,286 *(7.2%)*	5,209 *(15.4%)*	2,495 *(15.7%)*	16,898 *(12.0%)*
	CB three-year projected losses	3,066 *(9.9%)*	2,366 *(3.9%)*	2,679 *(7.9%)*	1,380 *(8.7%)*	9,491 *(6.7%)*

Source: PCAR 2011