

## Results and Business Review 2010

**Friday 7 January 2011.** The National Treasury Management Agency (NTMA) today reported results for 2010 and provided a review of activities across the range of its business functions.

### **National Pensions Reserve Fund**<sup>2</sup>

At 31 December 2010 the total value of the National Pensions Reserve Fund (“NPRF”) stood at €24.4 billion.

This total value comprised €14.9 billion in the Discretionary Portfolio (the Fund excluding the investments in Bank of Ireland and Allied Irish Banks (AIB) held on the direction of the Minister for Finance) and €9.5 billion in the Directed Portfolio.

The NPRF’s Discretionary Portfolio earned a return of 11.1 per cent in 2010. Since the Fund’s inception in April 2001, the Discretionary Portfolio has delivered an annualised return of 3.4 per cent per annum compared with 1.6 per cent per annum for the average Irish managed pension fund and the Irish inflation rate over the same period of 2.6 per cent per annum.

The positive performance of the Discretionary Portfolio in 2010 was largely due to strong equity performance with emerging markets performing particularly well, while the strength of overseas currencies against the euro also contributed.

The Directed Portfolio of €9.5 billion comprised preference share investments of €3.3 billion carried at cost (AIB €3.5 billion, Bank of Ireland €1.8 billion) and ordinary shares of €4.1 billion<sup>3</sup> that are valued at market price (AIB €3.4 billion, Bank of Ireland €0.7 billion). The return on the Directed Portfolio in 2010 was -7.9 per cent.

In December 2010 the NPRF, at the direction of the Minister for Finance, invested €3.7 billion in cash in AIB (in consideration of the issuance of 675 million ordinary shares and

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<sup>2</sup> 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 2010 and, in the case of indirect investment vehicles, based on the most recently available valuations. All performance and valuation figures, including Directed Portfolio investments, are preliminary and subject to revision.

<sup>3</sup> Figures do not add due to rounding.

10.5 billion convertible non-voting shares (“CNV shares”), the cancellation of warrants held by the NPRF and the payment by AIB to the NPRF of certain fees). The CNV shares were issued in order to facilitate the ongoing disposal of AIB’s Polish interests. The NPRF intends to increase its holding in AIB’s ordinary shares by converting all of the CNV shares into ordinary shares either following completion of the Polish disposal or at the latest by September 2011. The NPRF currently holds 49.9 per cent of the ordinary share capital of AIB and approximately 92.8 per cent of the total issued share capital of AIB.

The total Fund recorded a return of 4.5 per cent in 2010.

The NPRF will provide up to €10 billion of the State’s €17.5 billion contribution to the €85 billion EU-IMF programme. After an NPRF contribution of €10 billion, the value of the assets remaining in its Discretionary Portfolio would be approximately €4.9 billion, which would include capacity for the proposed investments in Irish infrastructure assets and water metering services as set out in The National Recovery Plan 2011-2014. The Credit Institutions (Stabilisation) Act 2010 also provides for Ministerial directions for the Fund to invest in Irish Government securities or for payments to the Exchequer to fund capital expenditure in the financial years 2011, 2012 and 2013. The implications of these developments for the Fund’s operations and investment strategy are being considered by the NPRF Commission.