

Results and Business Review 2011

13 January 2012. The National Treasury Management Agency (NTMA) today reported results for 2011 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

The NPRF's Discretionary Portfolio earned a preliminary return of +1.6 per cent in 2011 (compared with -3.5 per cent for the average Irish managed pension fund) despite a very volatile year generally and declines in most global equity markets. The positive performance of the Discretionary Portfolio in 2011 was largely due to the Fund in midyear adopting a significant tactical underweight position in equities and purchasing two-year equity index put options which have shielded much of the Fund's quoted equities holdings from adverse price movements.

Since the Fund's inception in April 2001, the Discretionary Portfolio has delivered an annualised return of +3.3 per cent per annum compared with +1.1 per cent per annum for the average Irish managed pension fund.

The Directed Portfolio consists of public policy investments in Allied Irish Banks and Bank of Ireland that were undertaken on foot of directions from the Minister for Finance. Since 2009 the Fund has invested €20.7 billion in preference shares and ordinary shares in the two banks, including €10 billion in July 2011, comprising Bank of Ireland €4.7 billion (where the Fund's shareholding is 15.1 per cent) and Allied Irish Banks €6.0 billion (where the Fund's shareholding is 99.8 per cent).

At 31 December 2011 the total value of the National Pensions Reserve Fund was €4.5 billion, comprising the Discretionary Portfolio of €5.4 billion and the Directed Portfolio currently held at €9.1 billion pending completion of an independent valuation review of the Fund's investments in Allied Irish Banks. The Fund has received a total of €1.8 billion in

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 2011 and, in the case of indirect investment vehicles, based on the most recently available valuations.

cash from Bank of Ireland preference share dividends, the repurchase of warrants by the Bank and the sale of ordinary shares to a consortium of private investors.

In September 2011 the Government announced the establishment of a **Strategic Investment Fund** which will take the form of a portfolio of funds investing in areas of importance to the Irish economy including infrastructure, financing for SMEs and venture capital. The NPRF will be a cornerstone commercial investor in these funds with the expectation of increasing total fund size by attracting other commercial co-investors. In November the NPRF announced a commitment of €250 million to a new Irish infrastructure investment fund which is seeking up to €1 billion from institutional investors in Ireland and overseas and which will invest in infrastructure assets in Ireland, including assets designated for disposal by the Government and commercial State enterprises and also new infrastructure projects.