



The slide features a background image of the Bank of Ireland building at night. Overlaid on this are several white boxes containing text and graphics. The central box is titled "Irish Banking Landscape - Moving Forward" and includes the Department of Finance Banking Division logo and the date "30 September 2011". Surrounding this central box are eight other boxes, each representing a different topic: "Overview", "Challenges", "Business Model", "Funding", "Deleveraging", "Recapitalisation", "Renewals + Mergers", and "Recapitalisation". Each box contains small charts, diagrams, and text relevant to that topic. At the bottom of the slide, there are navigation arrows (left and right) and a "More" link.

Overview

Challenges

Business Model

Irish Banking Landscape - Moving Forward

Department of Finance
Banking Division
30 September 2011

Funding

Deleveraging

Recapitalisation

Recapitalisation

Renewals + Mergers

More



Going-concern Banks



For further details see 31 March 2011 Bank Restructuring Presentation on the Department of Finance website



"By honouring its promise to the European Union and International Monetary Fund ... Ireland is regaining the confidence of global investors."

Financial Times
Editorial

2 September 2011



New Business Model

Focus on sustainable banks with sufficient capital bases to grow business and absorb losses

Enhance liquidity

- In process

Deleverage Assets

- In process

✓ Recapitalize

- Banks recapitalized in July 2011

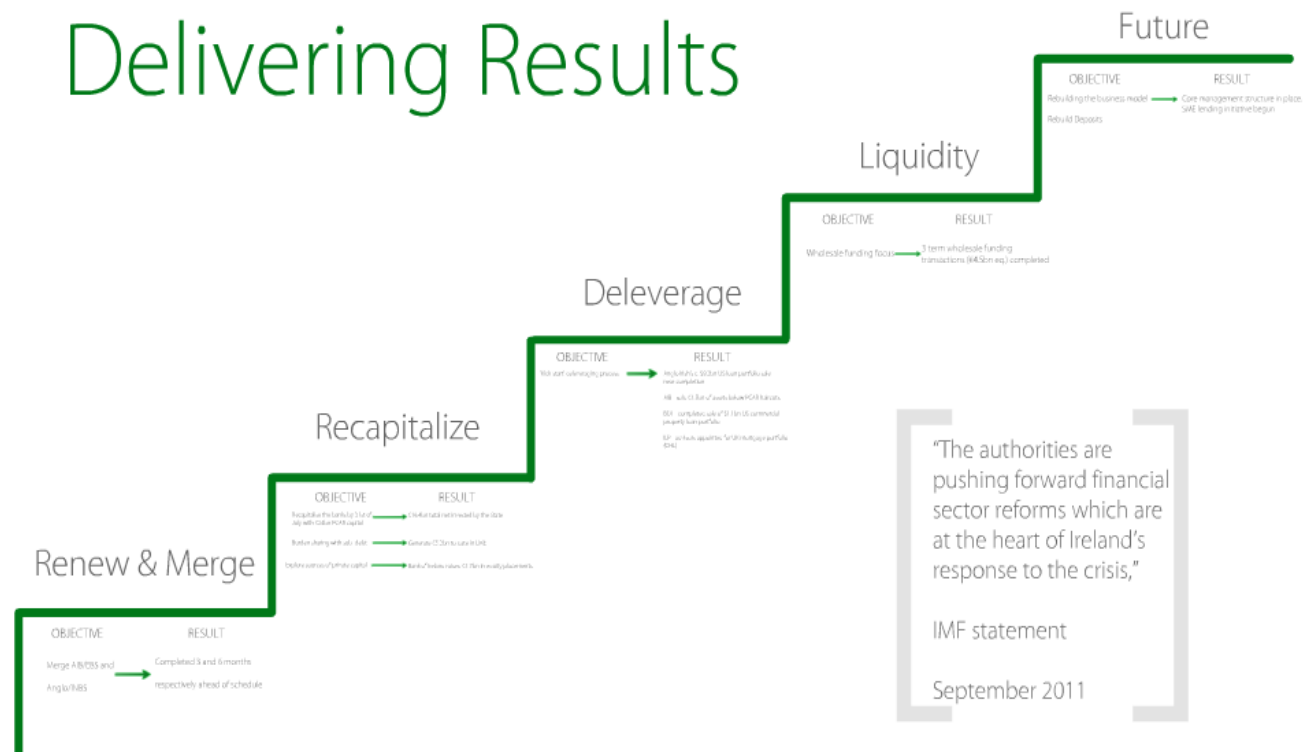
✓ Renewals & Mergers

- Completed ahead of timeframe
- Board renewal underway

Strategic Roadmap for Irish Banking



Delivering Results







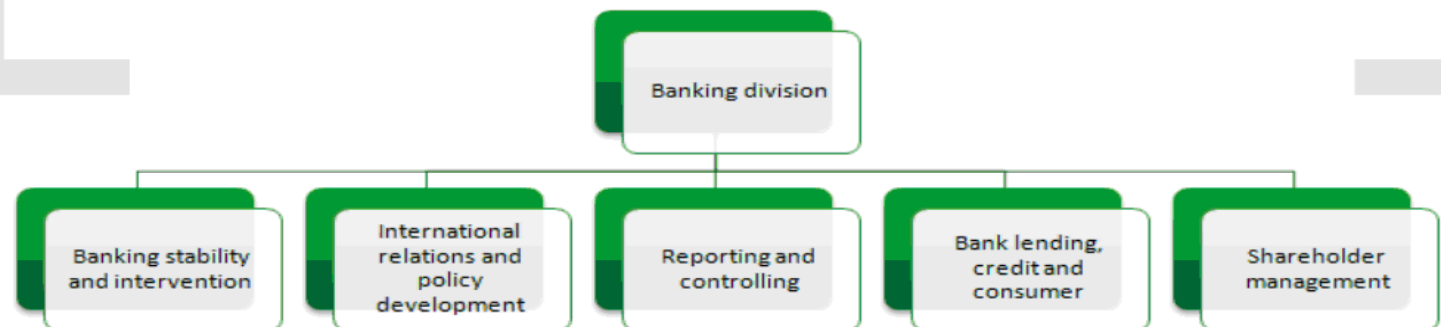
[Creating more integrated structure]

".. it seems particularly vital to urgently and substantially increase staff with financial market expertise in the DoF for it to be able to actively fulfil its part of the stability mandate .."

Report of the Commission of Investigation into the Banking Sector in Ireland (Nyberg Report)

March 2011

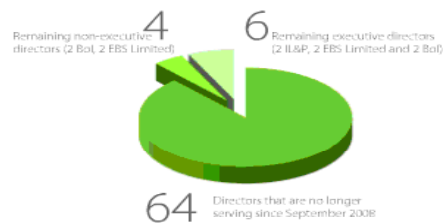
1. Strengthening and enhancing capacity of Banking Division
2. Integrating the NTMA banking team into the Department of Finance
3. Establishing clearer roles and lines of responsibility
4. Relationship frameworks being updated





Renewals + Mergers

Renewal of banks' governance since September 2008



Reorganisation of responsibility for banking

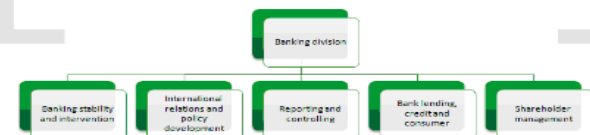
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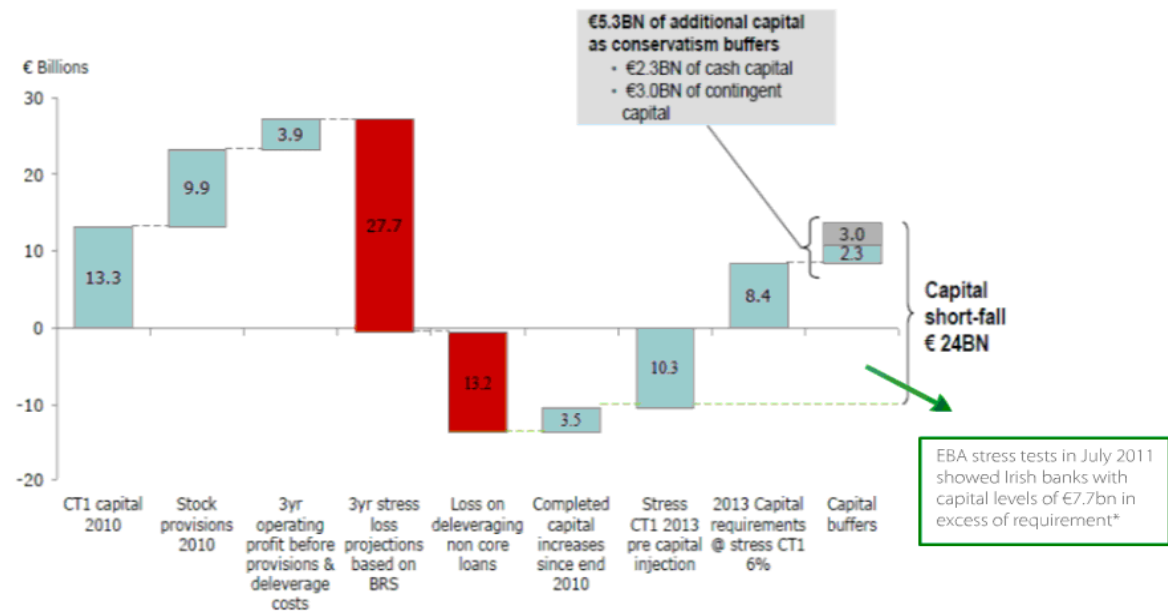


PCAR capital underlies strong capitalisation

"In order to arrive at the stressed loan-loss estimate that is fully credible to the international markets, the Central Bank has engaged BlackRock Solutions, a leading specialist in analysing potential loan losses under stressed conditions."

Central Bank of Ireland

March 2011



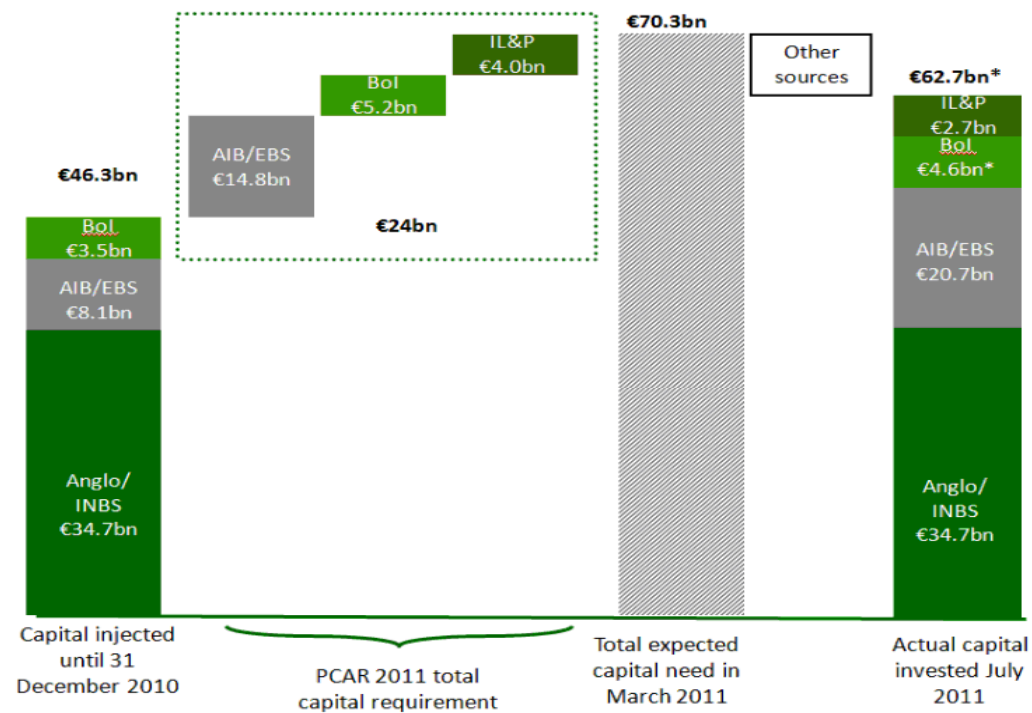
Source: Central Bank of Ireland, April 2011

Note: Anglo Irish Bank and INBS are excluded from the PCAR/PLAR process

* As per: Outcomes of the adverse scenario at 31 December 2012, including recognised mitigating measures as of 30 April 2011



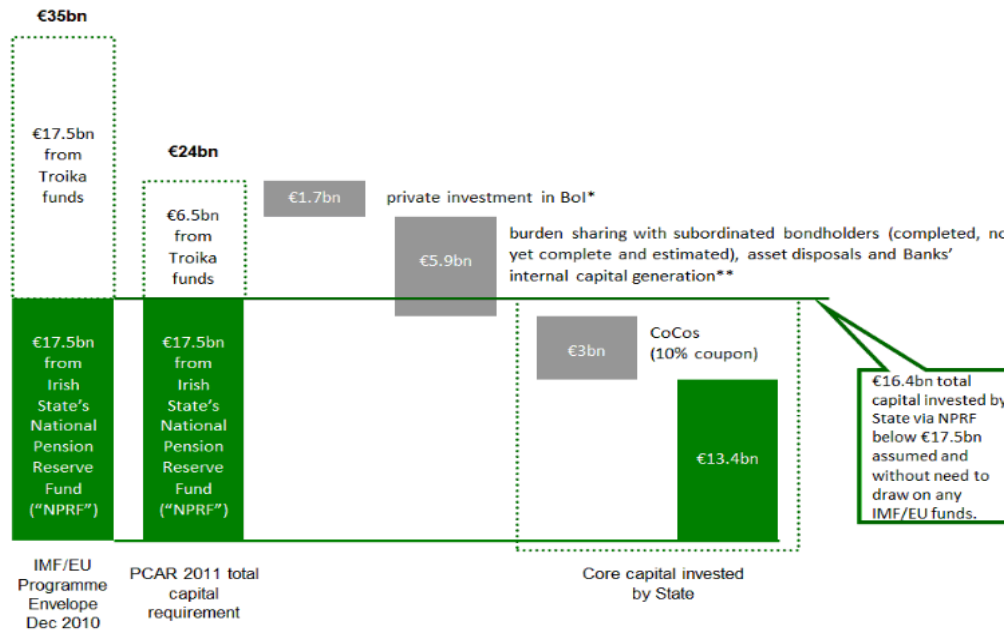
Total expected capital needed in March 2011



* subject to completion of investment process in Bank of Ireland which requires certain preconditions to be satisfied and regulatory clearance



State Burden Reduced



* subject to certain preconditions and regulatory clearance

** assumes progress on targeted assets disposals and remaining LME transactions

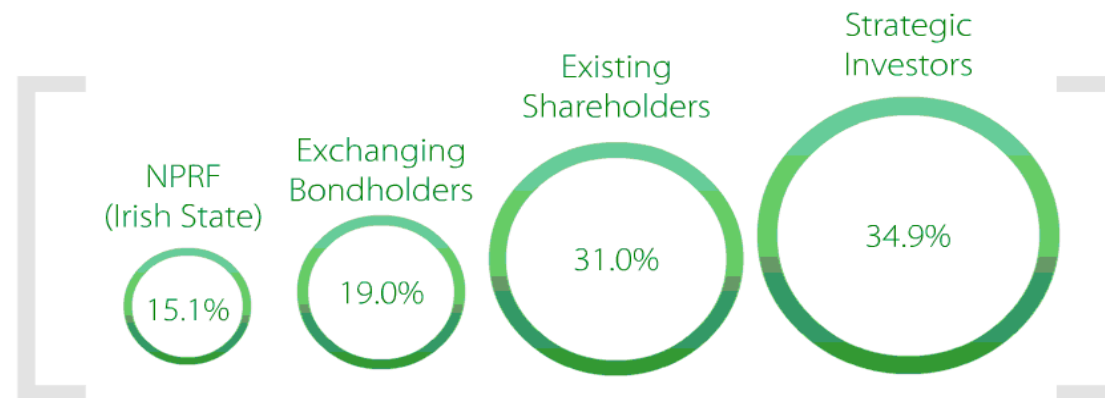


Successful Bol equity investment

“Behold, a modern-day banking miracle.”

Financial Times,
Alphaville
25th July 2011

1. For the PCAR 2011 BOI requirement of €5.2bn. State’s total net investment is only €1.3bn; €265m in equity and €1bn in CoCo
2. Private investors led by Fairfax Financial Holdings and including WL Ross, Capital Research (part of The Capital Group), Fidelity Investments and Kennedy Wilson agreed to an investment of up to €1.123bn.
3. Existing shareholders contributed €600m in rights offering
4. Investors taking genuine equity risk - no risk protection or guarantees from the State (such as IndyMac Bank or BankUnited in the US or LTCB/Shinsei in Japan)





Deleveraging overview

SYSTEM

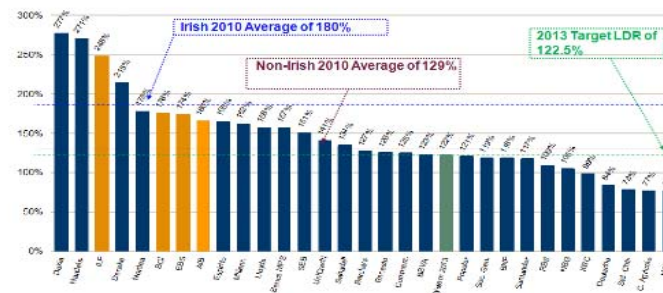
1. Banks will deleverage to LDR of 122.5% by 01/01/2014
2. Non-core deleveraging units set-up in each bank
3. Deleveraging committees in place for each bank
4. A Banking Division review committee monitors system-wide progress

NAMA

1. Some €30bn of NAMA bonds have been issued against €71bn of loans sold to NAMA at 58% average haircut

European LDRs benchmarking as at December 2010

In comparison to their European peers, Irish banks currently have significantly higher loan to deposit ratios



Source: SNL Financial (most recent data available presented in chart) & CBR
Note: Irish average relates to AIB, EBS, FBS and UBS (does not include deposits transferred from Anglo Irish)



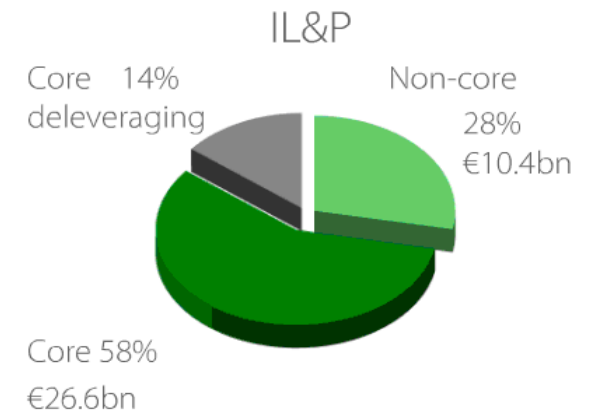
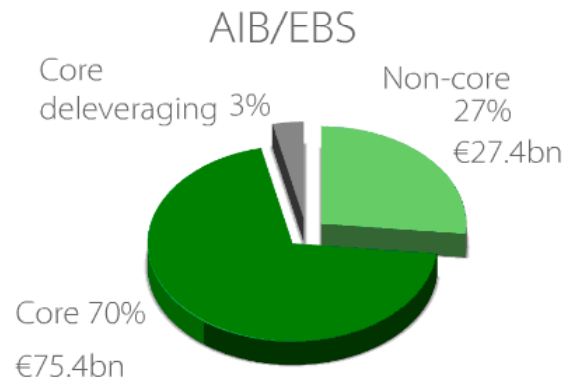
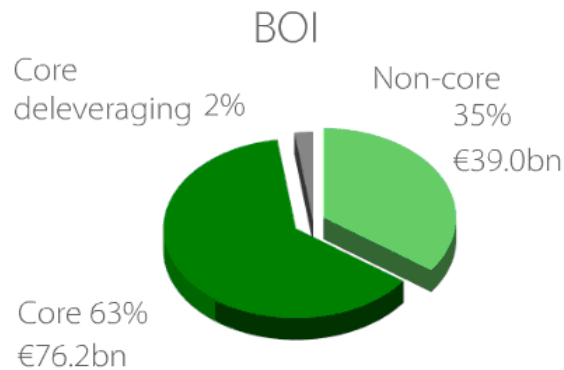
Asset and business disposals





Deleveraging overview (AIB, BoI, IL&P)

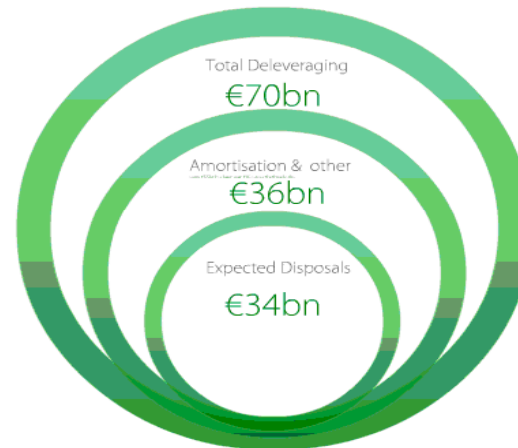
- Approximately €11bn of the €70bn total deleveraging will come from redemptions within the core book across the banks – mainly IL&P and AIB's EBS unit
- Core and non-core deleveraging to date approx. €13bn. Some €18bn of non-core will remain after 2013



Note : balances as at 31 December 2010 per PCAR



Pre-2014 System-wide deleveraging (AIB/BoI/IL&P)



More



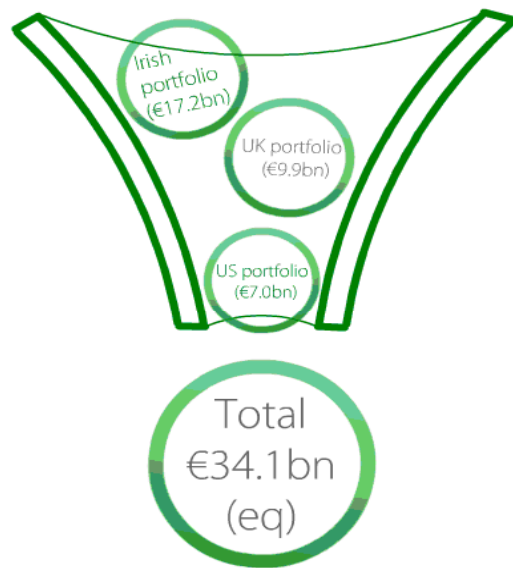
(AIB/BoI/IL&P)

Region	Detail
UK (60%)	Commercial and residential property and corporate loan portfolios
Ireland (18%)	Commercial and residential property
US (14%)	Commercial property and commercial loan portfolios
Europe (7%)	Diversified portfolios of infrastructure and project finance related loans
Rest of world (1%)	Residual exposures

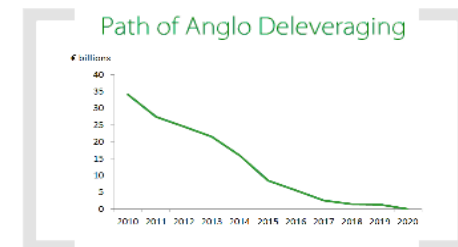
Geographical split



Anglo/INBS deleveraging

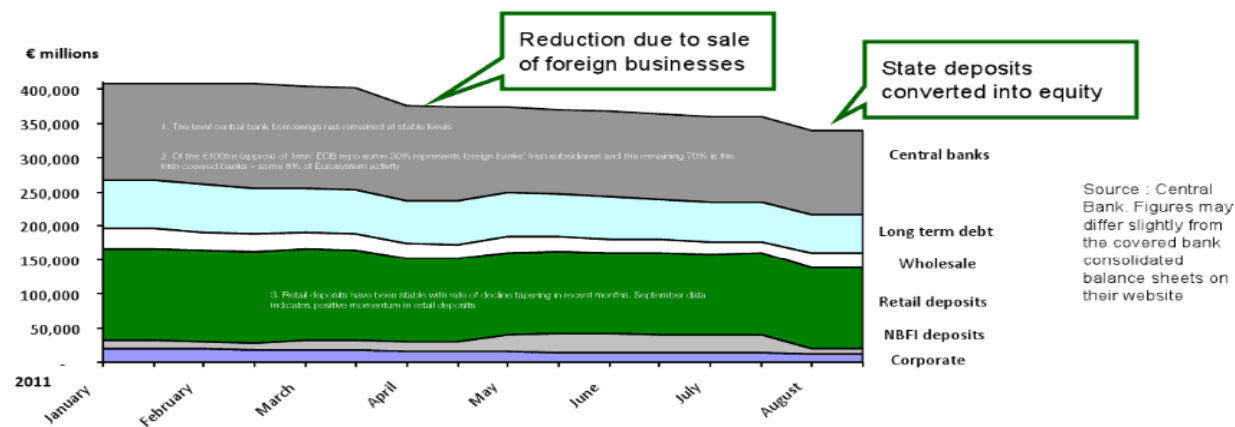


Portfolio	Outline
US	Bidders for the \$5.2bn US commercial loan portfolio have been identified and sale completion progresses.
UK & IRELAND	INBS residential loan portfolio being reviewed as well as Irish commercial property portfolio. Options relating to UK portfolio being reviewed.



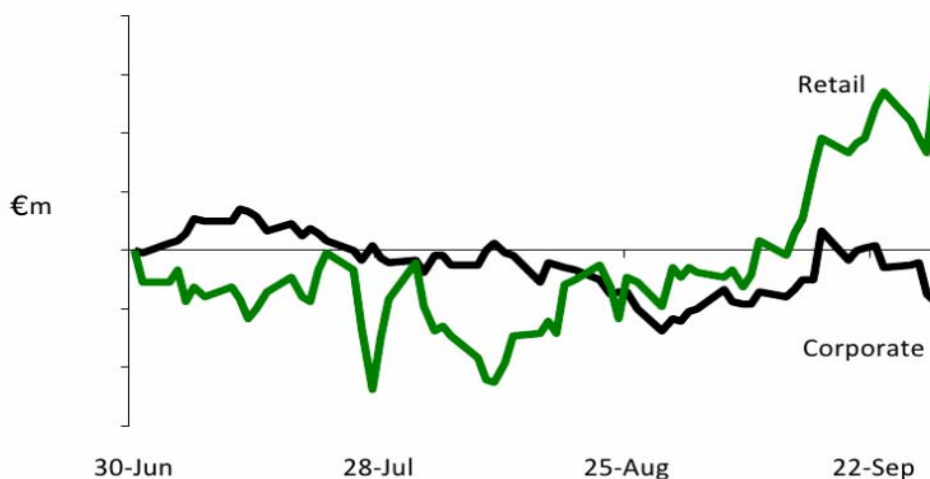


Funding of the banks





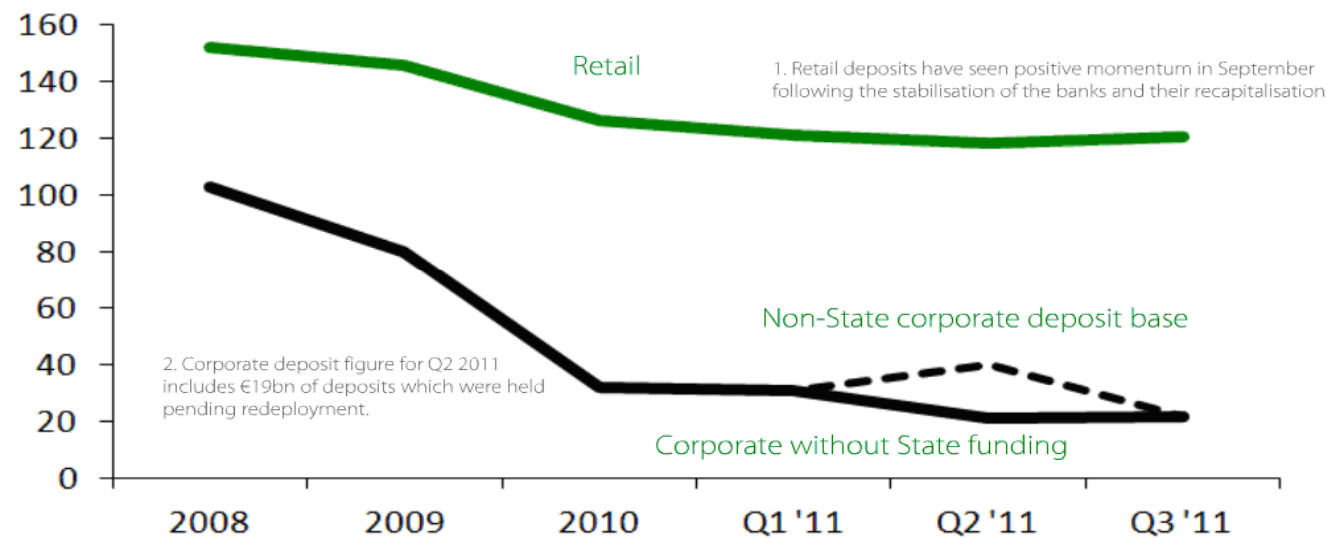
Bank deposits – cumulative flows since mid-year



1. A more detailed view of retail deposits since the recapitalisations has seen some positive momentum in the deposit market
2. Corporate deposits flow have manifested more volatility

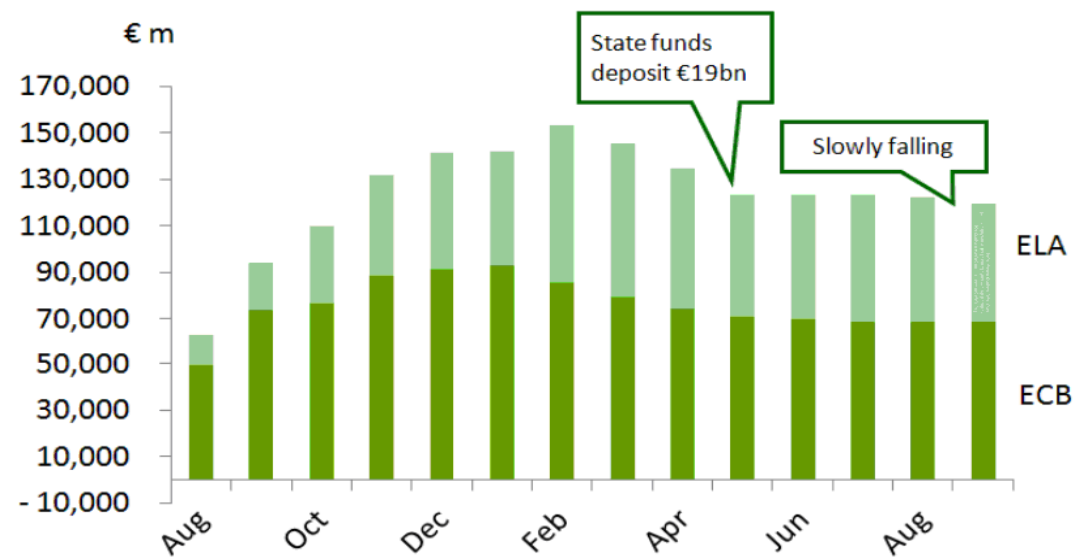


Bank deposits





Central bank reliance has stabilised





Wholesale funding progress

"Presumably, their decision to invest is connected with the fact that Bol recently managed to access term markets, and raise €2.9bn in bilateral secured funding."

Financial Times, Alphaville

25th July 2011

March 2011

- The assumption was, conservatively, that Irish banks would be unable to access wholesale funding until 2013

June/July 2011

- Bank of Ireland successfully executed €2.9bn (eq.) of term, wholesale repo (on UK assets) for 1 and 3 years with two international banks in June/July.
- IL&P announced a 2 year transaction (on UK assets) with an international bank in August for €1.6bn (eq.).

Next Steps

- The Department of Finance has started dialogue with the Irish Bankers Federation and the banks directly to raise visibility of Irish mortgage Asset Covered Securities ("ACS" or "covered bonds") during 3rd quarter. The next phase of focus will be on the Irish mortgage ACS market to examine wholesale funding opportunities
- Other forms of capital markets instruments are also being explored by the banks in order to continue the process of normalising funding



Support for Irish economy

Core Lending

1. The restructuring of the domestic banking sector creates capacity for the pillar banks to lend in excess of 30bn over the next three years in SME and other important sector. This is in excess of Central Bank Estimates of the likely demand for SME and mortgage credit over this period.
2. Commitments from banks to ensure €30bn of new lending in the system
3. Measures in place to monitor bank credit lending

State support

1. Enhancement of Credit Review Office threshold has been increased from €250,000 to €500,000
2. A temporary, partial state guarantee framework being progressed with €0.4bn target

Mortgage & Lending Arrears

1. Inter-departmental group to report to Government at end September on mortgages arrears
2. Central Bank of Ireland monitoring compliance with Revised Code of Conduct on Mortgage Arrears and
3. Reviewing Code of Conduct for Business Lending to SME sector

“Whilst there were undoubtedly major credit supply problems in the market in 2008/9, the conventional wisdom has failed to recognise the progress made since then.”

John Trethowan, Credit Review Office 3rd quarterly report

February 2011

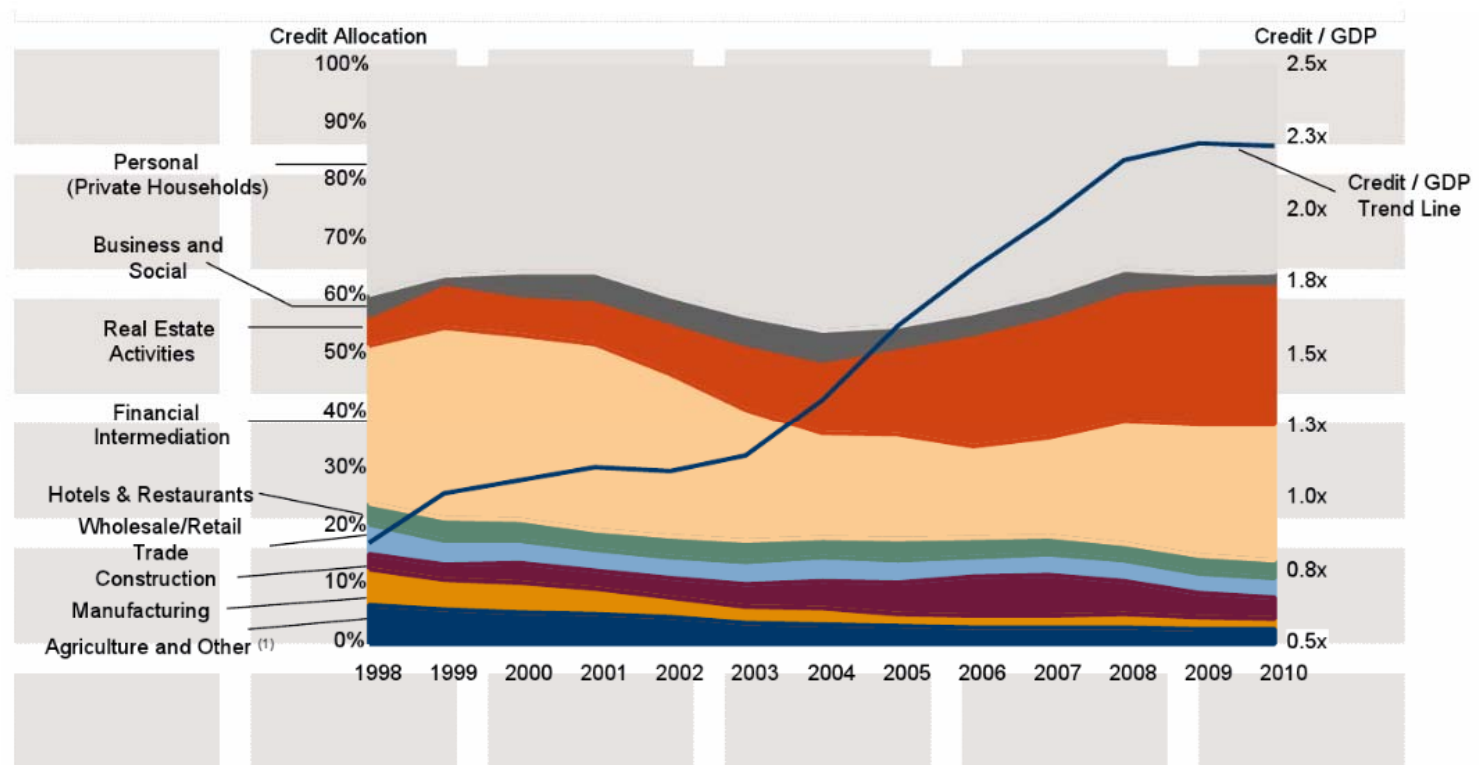


SME Lending





Credit allocation became skewed towards Real Estate lending



Note 1 : Agriculture and Other sector includes: Agriculture and Forestry, Fishing, Mining & Quarrying, Transport, Storage and Communications and Electricity, Gas & Water Supply.
Source: ESRI



Challenges ahead

“Continued timely implementation of the program remains essential to support the ongoing recovery, limit contagion risks, and rebuild market confidence”

IMF

2 September 2011

Deleveraging

- International market conditions will determine demand and price levels
- Authorities' focus is on delivery of quantum and order of sale
- NAMA selling some €7bn of assets by 2014

Liquidity

- Focus on reducing reliance on ECB funding has begun to gain some success
- Challenge will be to maintain increases in retail deposit market

Domestic Demand

- High unemployment rates deters consumer spending
- Focus on SME lending and government initiatives around that target sector
- From total mortgages of 777,321 some 55,763 (7.2%) in arrears for 90 days+ and some 69,837 (9%) have been restructured

Growth

- With global growth under pressure, achieving domestic growth will be difficult but current account deficit is moving into surplus

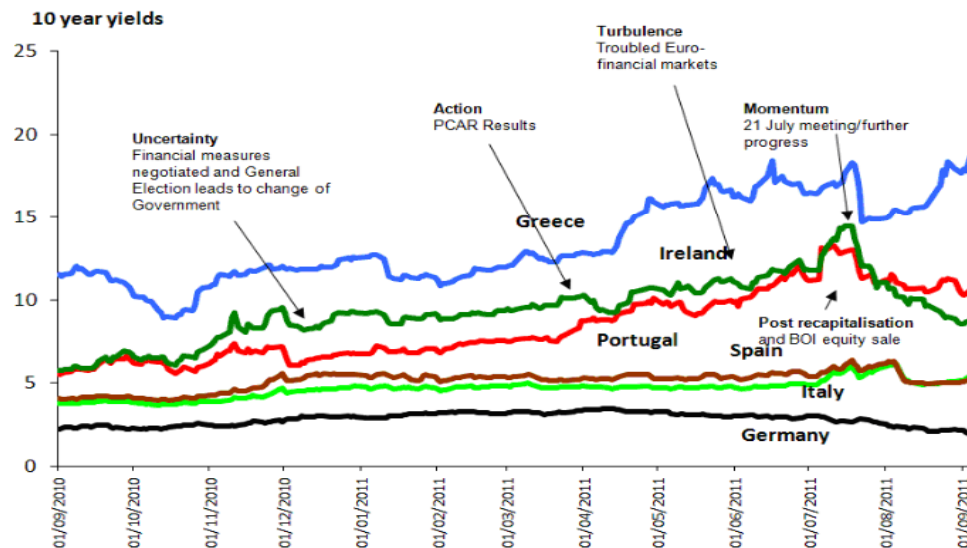


Momentum on banking stabilisation measures

"Irish public finances are closely linked to the state of the banking system. This is a major drawback on the way down But it can also turn into a blessing on the way up."

Berenberg Bank
Research report

28 July 2011



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