

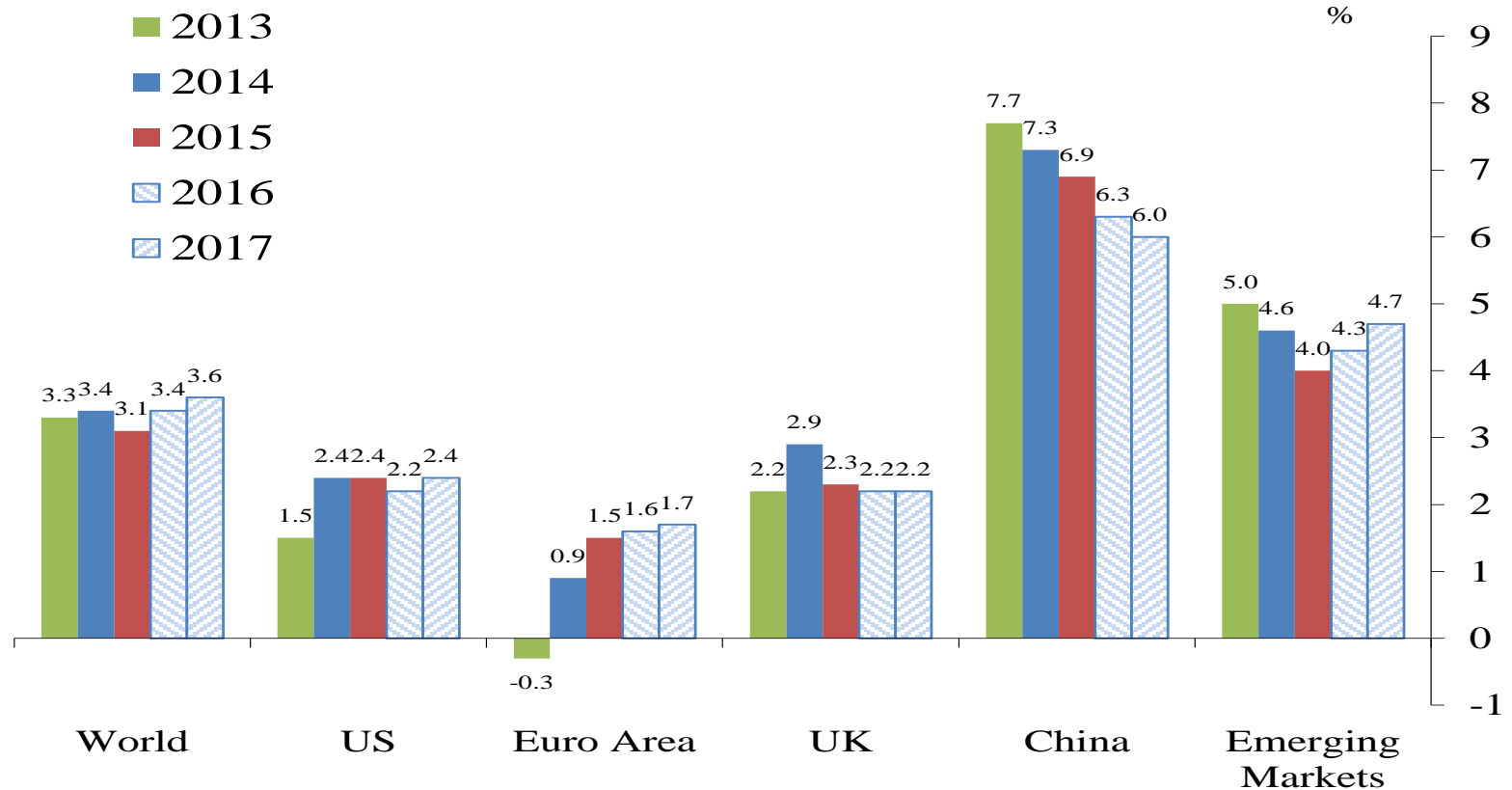


Society of Actuaries Presentation

March 2016

No sudden deterioration in global GDP forecasts

- The performance of the UK and US economies has disappointed, euro area GDP growth beat expectations in 2015.
- Forecasts for GDP growth in 2016 have been revised down, but not precipitously
- Latest OECD & IMF forecasts point to similar pace of global GDP growth in 2016 close to 3%
- World GDP growth to accelerate slightly to 3.4% in 2016
- There has been no sudden deterioration of macroeconomic data commensurate with equity market declines in early 2016

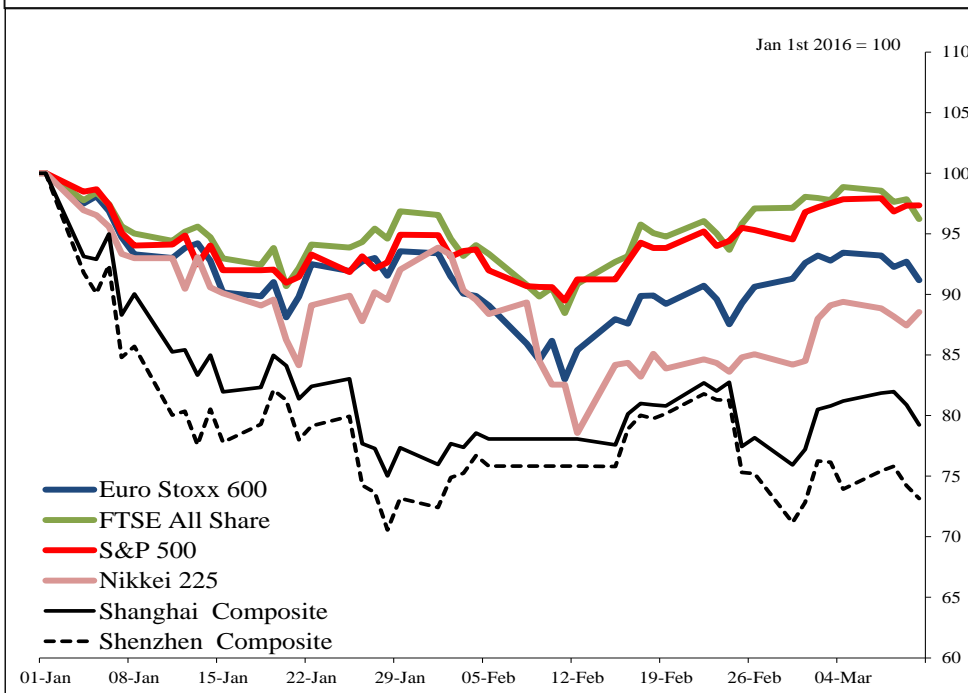


Global Economic Forecasts										
	United States		Euro area		Japan		China		World GDP	
	2016	2017	2016	2017	2016	2017	2016	2017	2016	2017
IMF, Jan 16	2.6	2.6	1.7	1.7	1.0	0.3	6.3	6.0	3.4	3.6
OECD, Feb 16	2.0	2.2	1.4	1.7	0.8	0.6	6.5	6.2	3.0	3.3
EC, Feb 16	2.7	2.6	1.7	1.9	1.1	0.5	6.5	6.2	3.3	3.5
Consensus Feb 16	2.2	2.4	1.6	1.7	1.0	0.6	n.a.	n.a.	n.a.	n.a.

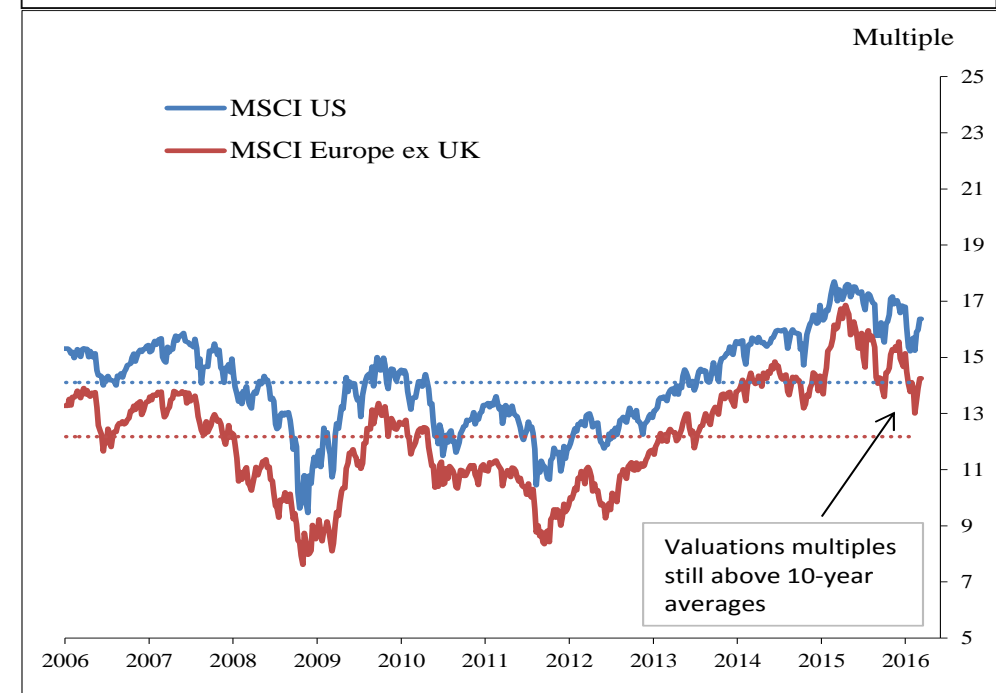
Equity market correction reflected stretched valuations

- Stock market declines sharpest in Asia
- Valuations were already stretched, consensus for modest 5.9% 12mth forward, EPS growth for MSCI Europe ex-UK
- Doubts on pace of Chinese GDP growth were accentuated by uncertainty on the PBOC's exchange rate policy. Policy responses such as the 'circuit breaker' shutting equity markets in early 2016 added to the uncertainty.
- Falling oil prices raised concerns on global demand, but also reflect excess oil supply. Positive impact on consumers not yet appreciated. Equity markets response focused on energy companies – but also indiscriminate across sectors.
- First rate hike from the Federal Reserve has accentuated concerns on high yield credit

Equity market indices through early 2016



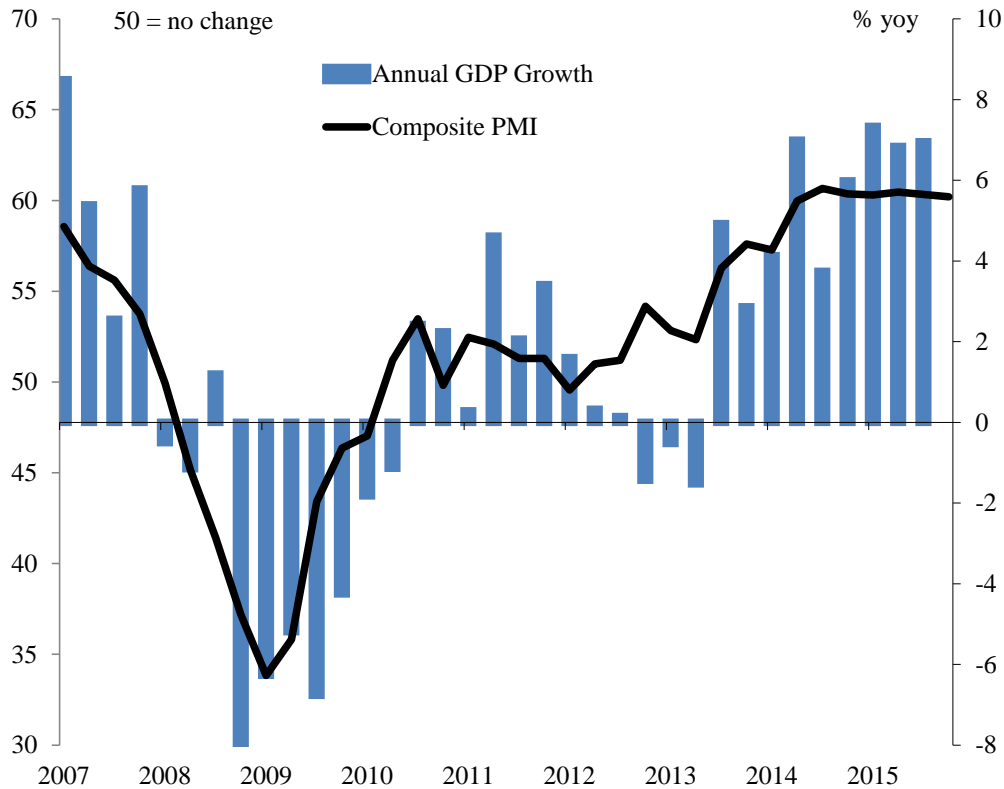
Price to 12 month forward earnings multiples



Indicators suggest momentum has been sustained into 2016

- Short-term indicators suggest the 6%-7% pace GDP growth in 2015 should continue into early 2016
- Composite PMI was 61.1 in January, strongest across developed economies surveyed
- Unemployment now 8.9%, lowest level since 2009

Annual Irish GDP growth and PMI readings



Short-Term Indicators on the Irish Economy

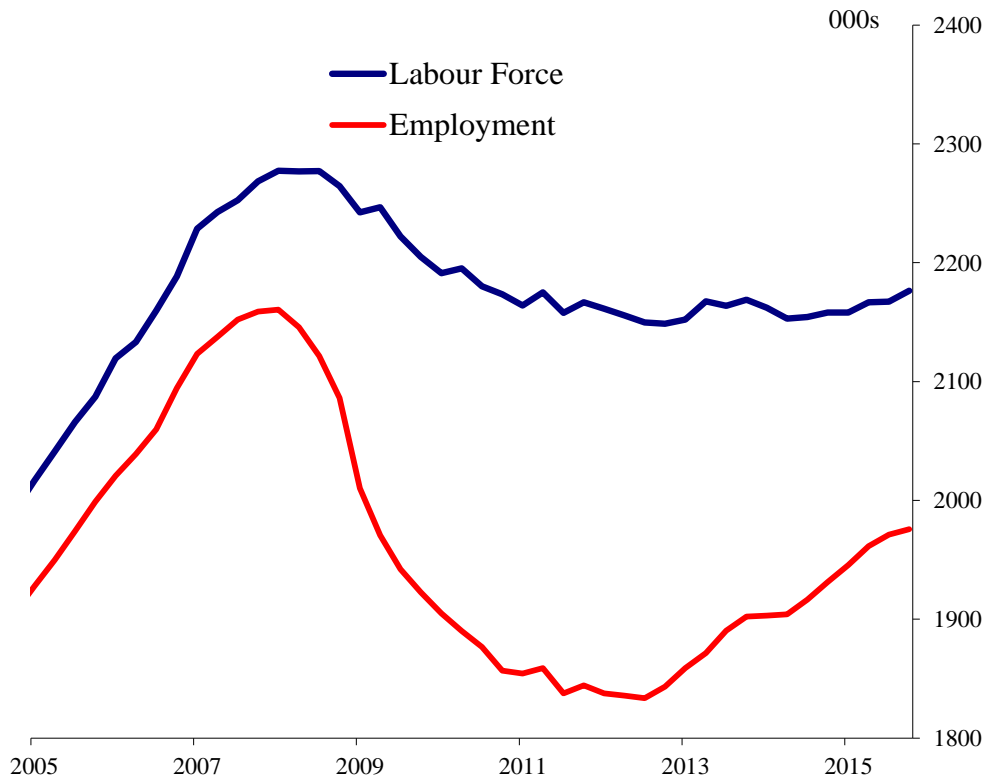
	2014	2015	Latest Observation	Date
Composite PMI (50 = no change)	59.6	60.0	61.1	January
Manufacturing	55.5	55.2	54.3	January
Services	61.5	62.0	64.0	January
Construction	61.1	57.5	63.6	January
Industrial Production, yoy%	21.0	17.3	18.0	December
Modern Sector	30.8	24.0	36.5	December
Traditional Sector	7.5	8.2	-3.5	December
Goods Exports, yoy%	3.9	19.9	5.9	December
Non-pharmaceuticals	5.9	13.8	3.8	December
Retail Sales, yoy%	6.3	8.4	10.3	January
ex-motor trades	3.7	6.2	6.3	January
Tax Revenues, yoy%	9.2	10.5	7.3	January
Unemployment Rate, %	11.3	9.4	8.6	January

Source: Central Statistics Office, Thomson Reuters Datastream

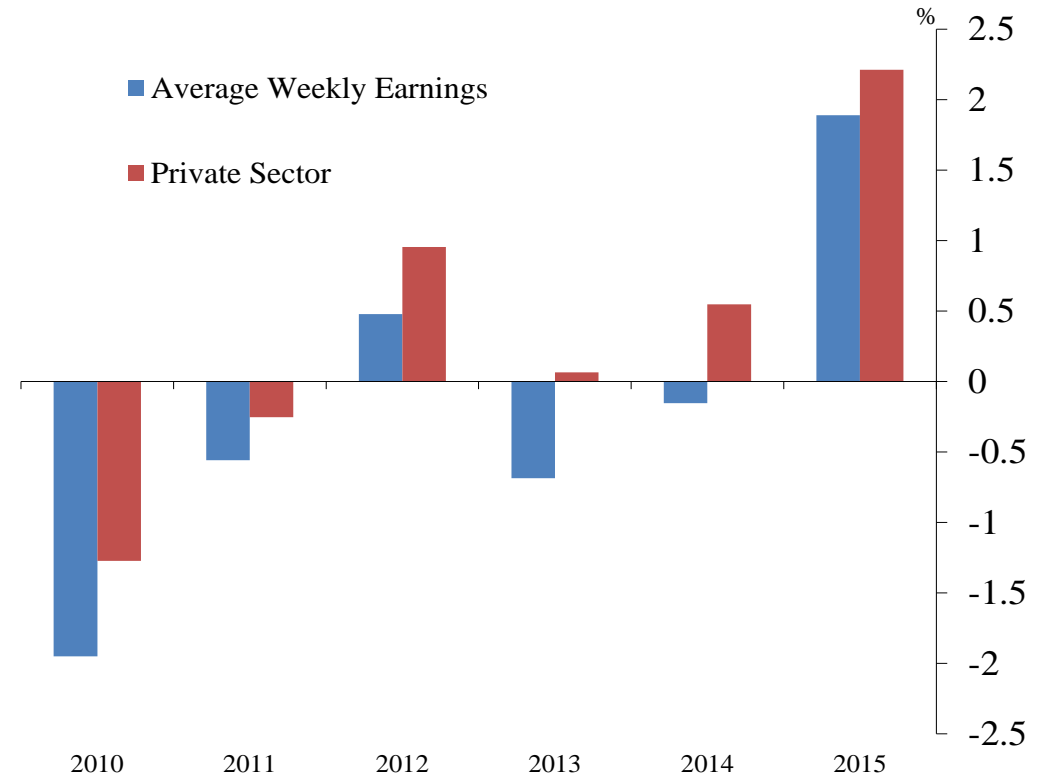
Labour Market remains supportive, as wage growth emerges

- Irish employment grew by just 0.2% in 2015Q4, up 2.3% on the year.
- Services sector PMI indicated companies added jobs at a faster pace in January
- Labour force has grown by 0.8% in on the year, starting to limit declines in the unemployment rate
- Average weekly earnings grew by 1.9% in 2015 and by 2.2% in the private sector.

Irish Employment and Labour Force



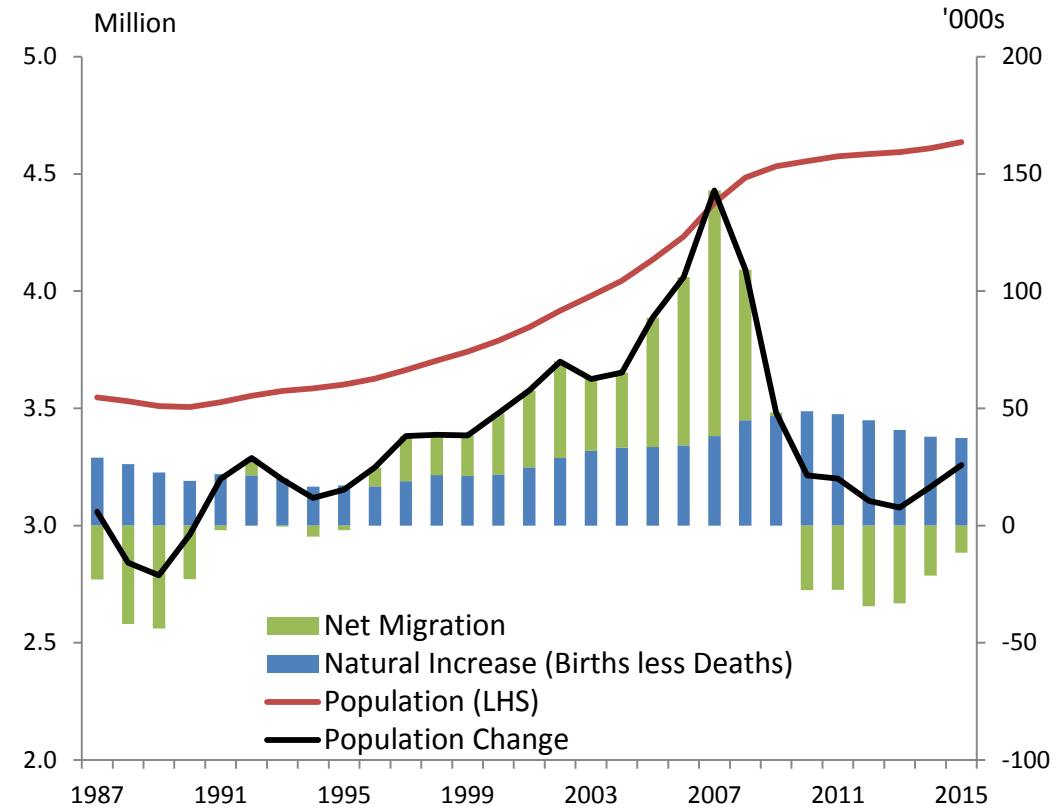
Average Weekly Earnings Growth



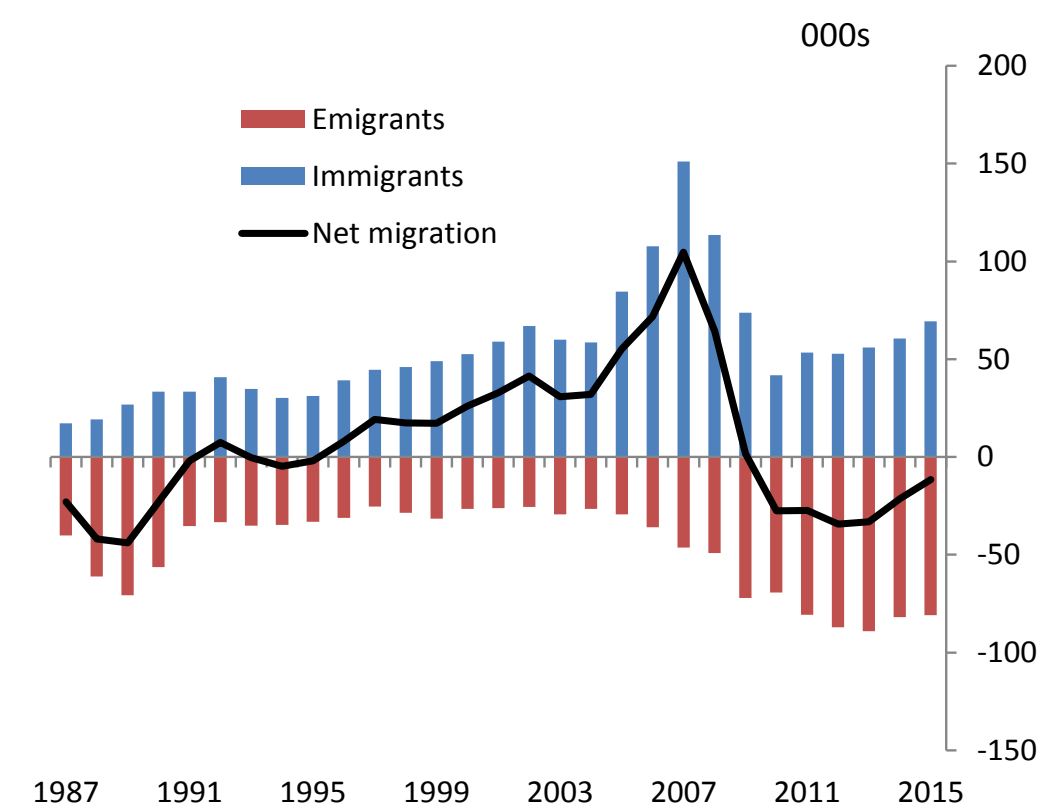
Ireland's Population continues to grow, despite outward migration

- Ireland's Population has continued to grow through the recession.
- In 2015 37,400 natural increase more than offset net migration of 11,600
- Net migration down from 34,400 peak in 2012, emigration 80,900 in 2015
- Population set to increase from 4.6m in 2015 to 4.9m by 2021 and 5.1m by 2026

Irish Population, Level and Change



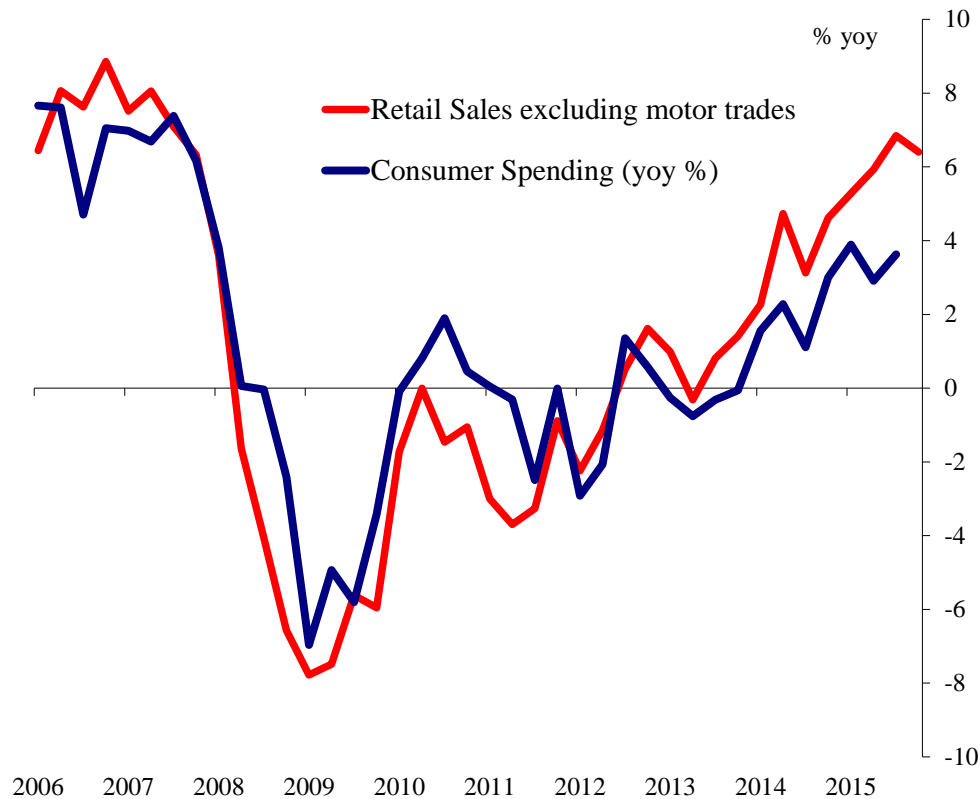
Net Migration



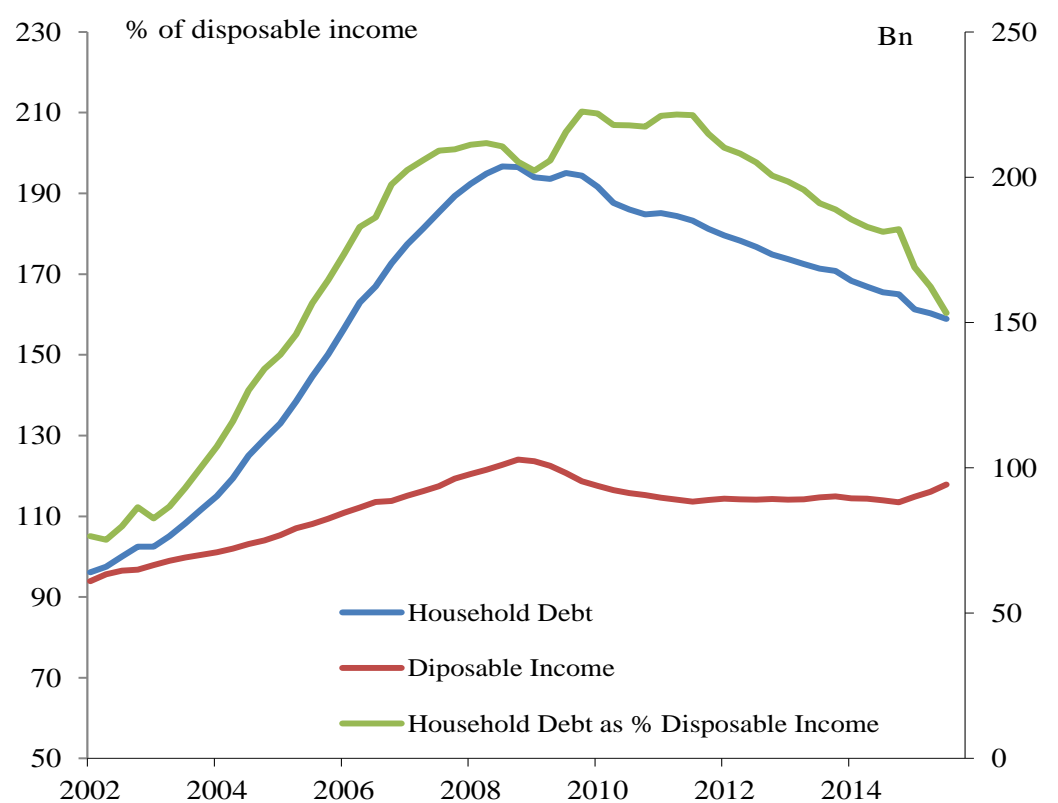
Recovery in Consumer Spending set to continue

- Retail Sales growth has remained robust in January, +10.3% yoy
- 34% yoy gain in car sales point to growing consumer confidence to spend on big ticket items
- Employment and wage growth will help consumer, tax cuts €750m in 2016, 0.8% of disposable income
- Savings remain high, debt falling to 160% of disposable income in 2015Q4

Retail Sales & consumer spending



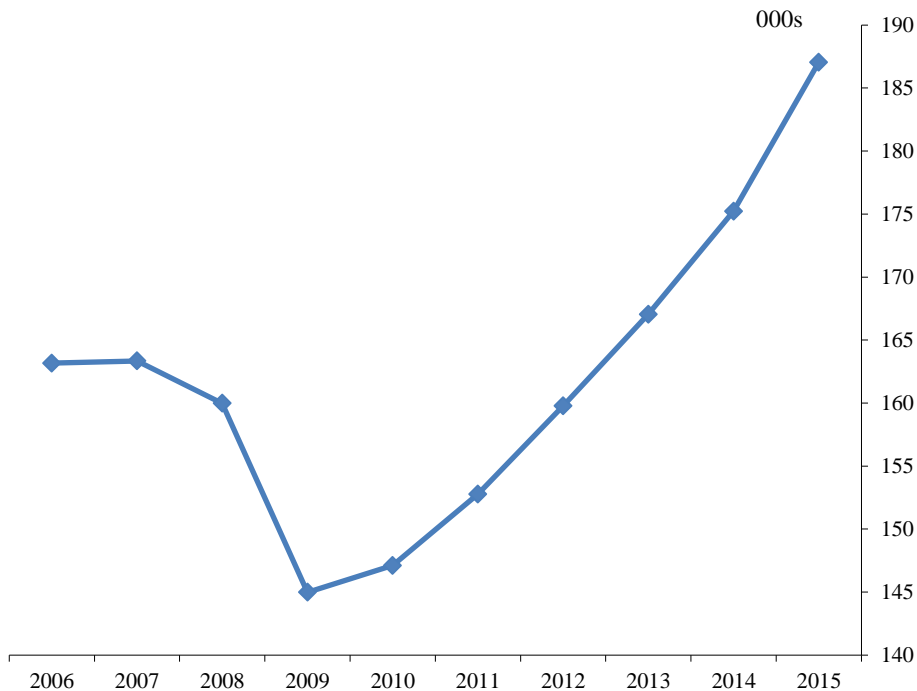
Irish Household Debt and Disposable Incomes



Record year for FDI in 2015

- Multinational enterprises constitute 25% of GDP and over 10% of private sector employment
- 50% of jobs multinational sector jobs are in Dublin and the mid-East
- ICT Services (36%), Pharmaceuticals (27%), Other Manufacturing (26%), Financial Services (10%)
- Industrial Development Authority indicated multinational sector jobs grew by 6.8% in 2015 to 187,000
- FDI related job announcements have remained strong in early 2015, Oracle, First Data and Credit Suisse

Employment in Multinational Sector



Leading FDI Investments in 2014

IT Sector: Intel, IBM, Airbnb, Hewlett Packard, PayPal, Workday, Yelp

Pharmaceutical & Medical Devices: Alexion, Biomarin, Johnson & Johnson, Regeneron

Leading FDI Investments in 2015

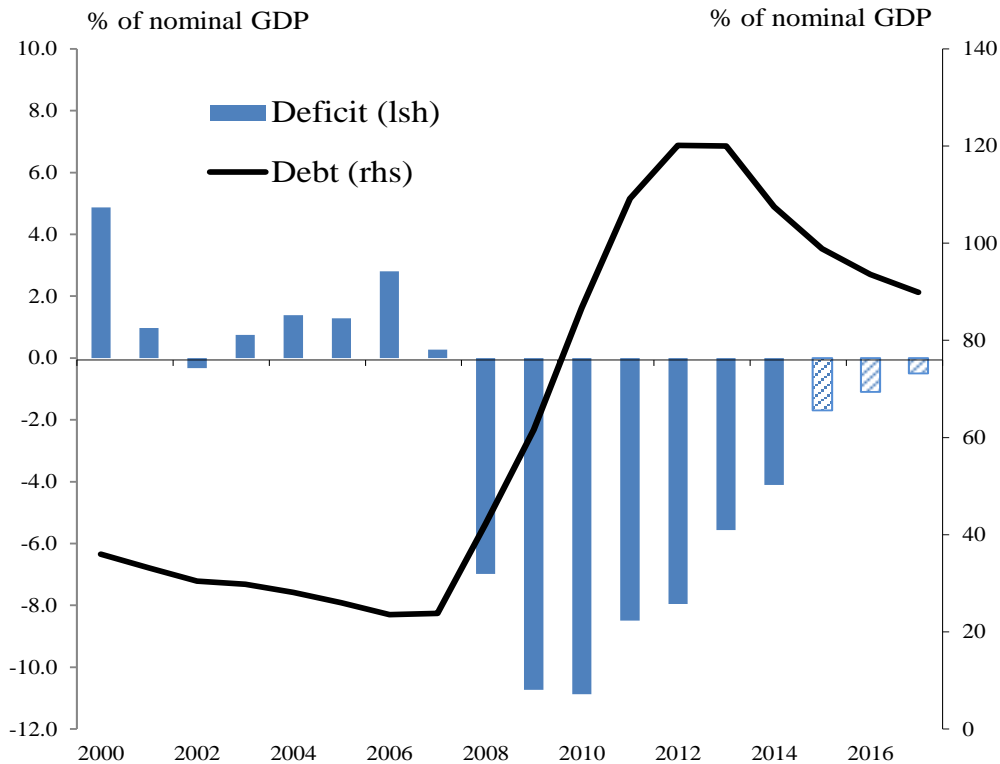
IT Sector: Apple, Facebook, Uber, Zalando

Pharmaceutical & Medical Devices: Alexion, Amneal, DePuy Synthes, Zimmer

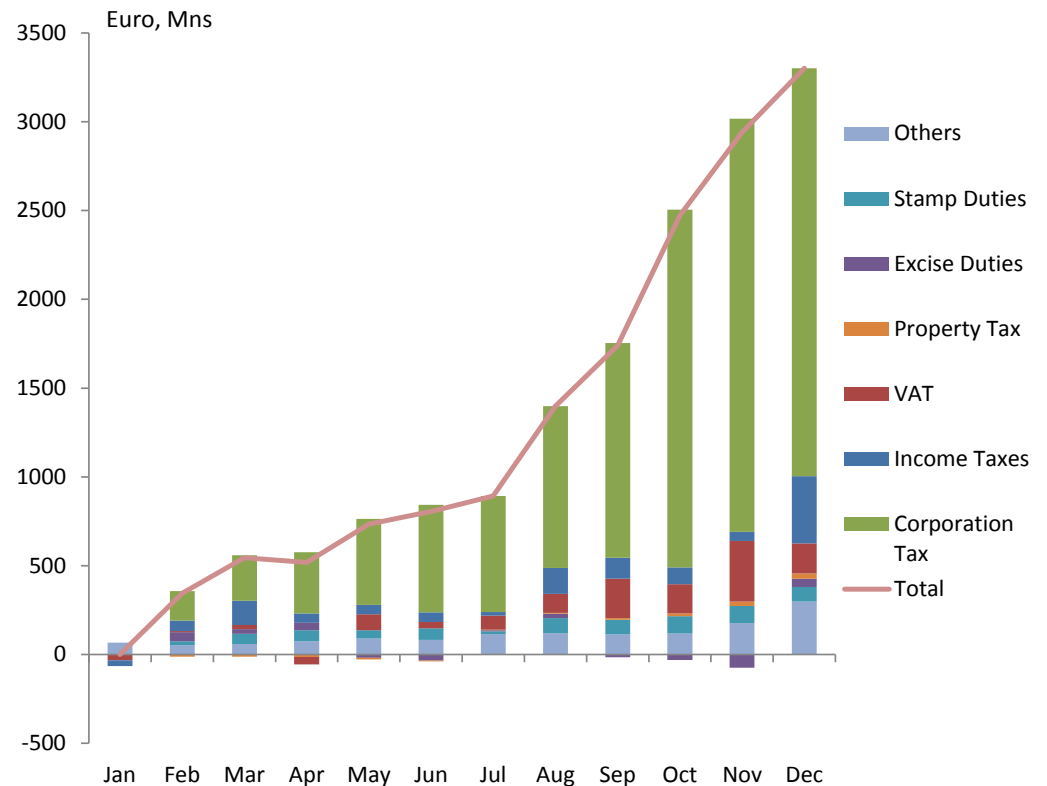
Irish public finances continue to improve

- Government expected deficit to equal 1.5% of GDP in 2015
- Deficit forecast to fall to 0.7% of GDP in 2016, based on €1.5bn budget giveaway, and 0% in 2017
- Tax revenues were up 7.3% yoy in January – strong performance for Income Tax & VAT
- Debt GDP ratio to fall from 107.5% in 2014, to 98.9% in 2015, 93.6% in 2016 and 89.9% in 2017.
- Debt/GDP projections do not include any sales of state banking sector assets.

Irish Government Deficit and Debt Projections



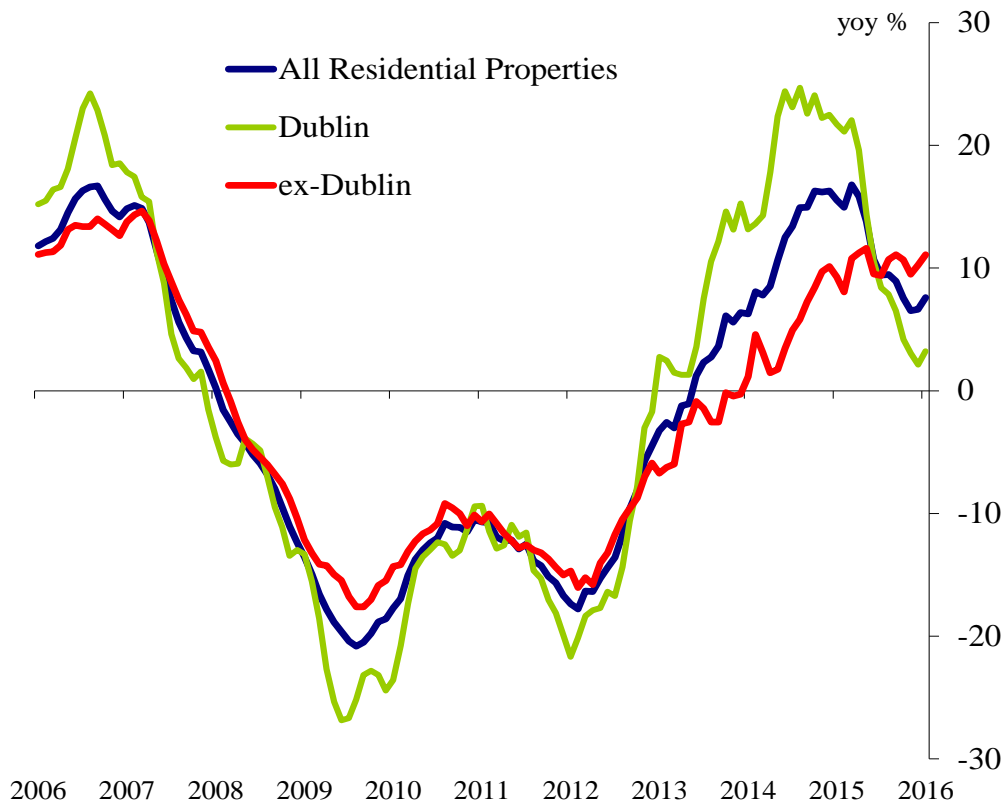
Tax Revenue outperformance, 2015



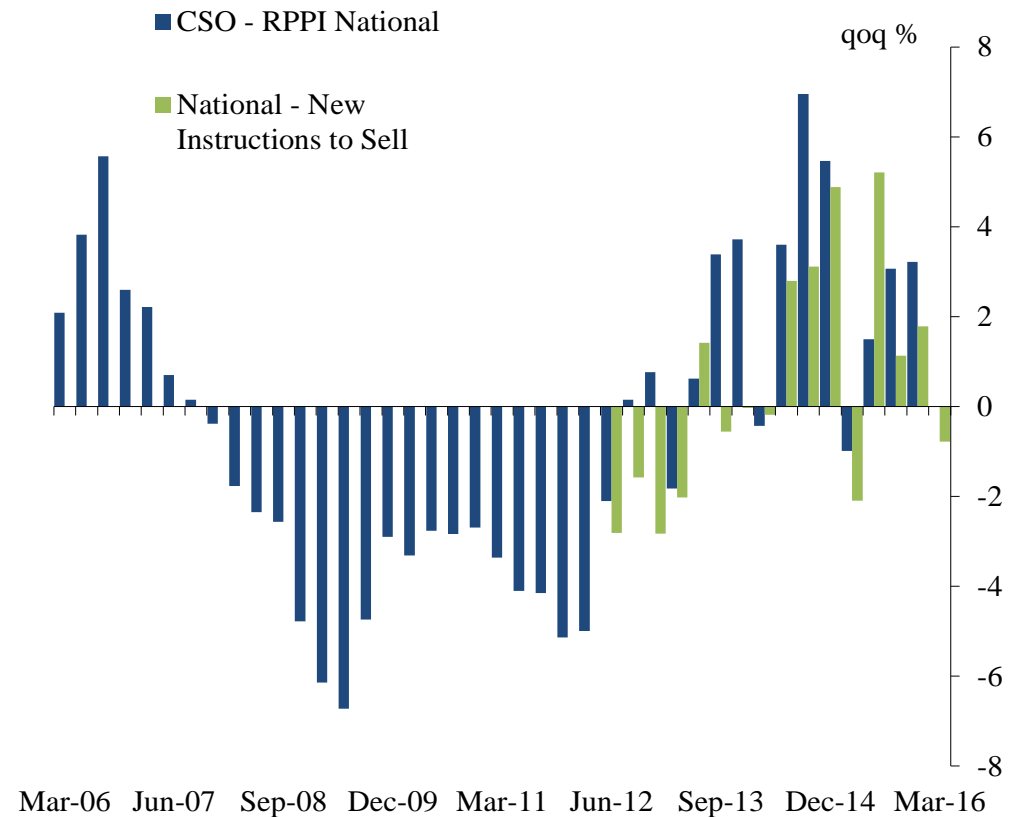
Prices have weakened at the turn of the year

- CSO RPPI Index fell by 0.5% in January, up 1.2% in 3 months to January, +7.6% yoy
- Split between 3.4% rise in Dublin, 11.4% ex-Dublin
- But Dublin HPI down on the month for three consecutive months
- MyHome asking prices fell by 0.8% in 2015Q4, and by 0.1% in Dublin
- Still broadly happy with our 5% forecast for end-2016

CSO RPPI Inflation



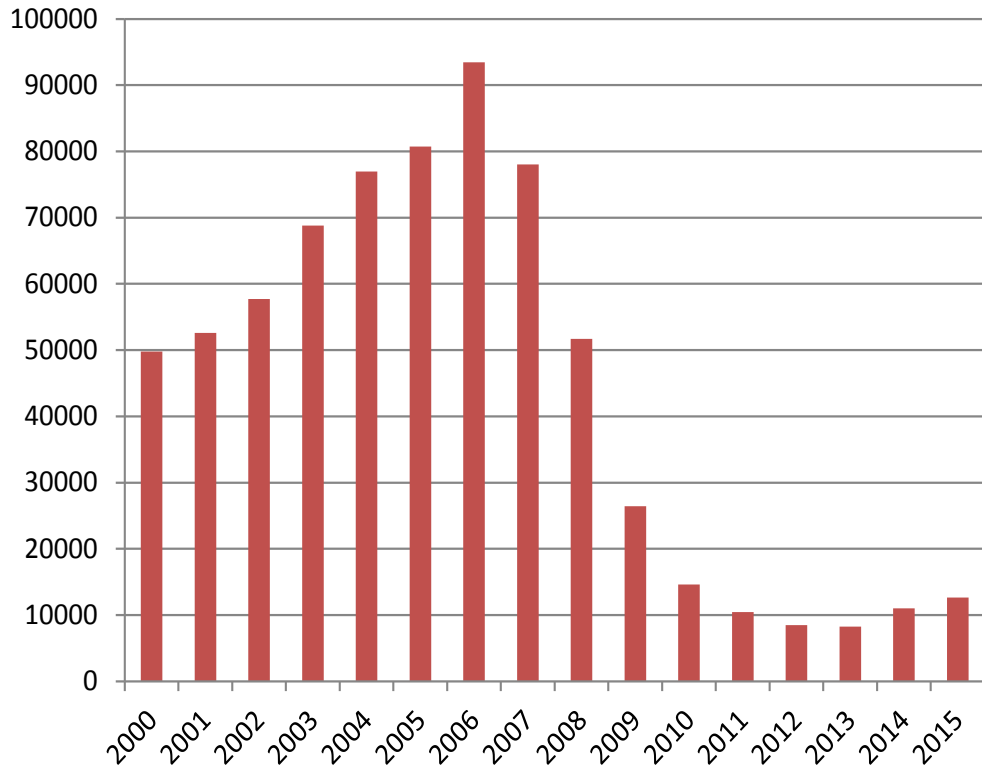
MyHome Asking Prices and CSO RPPI



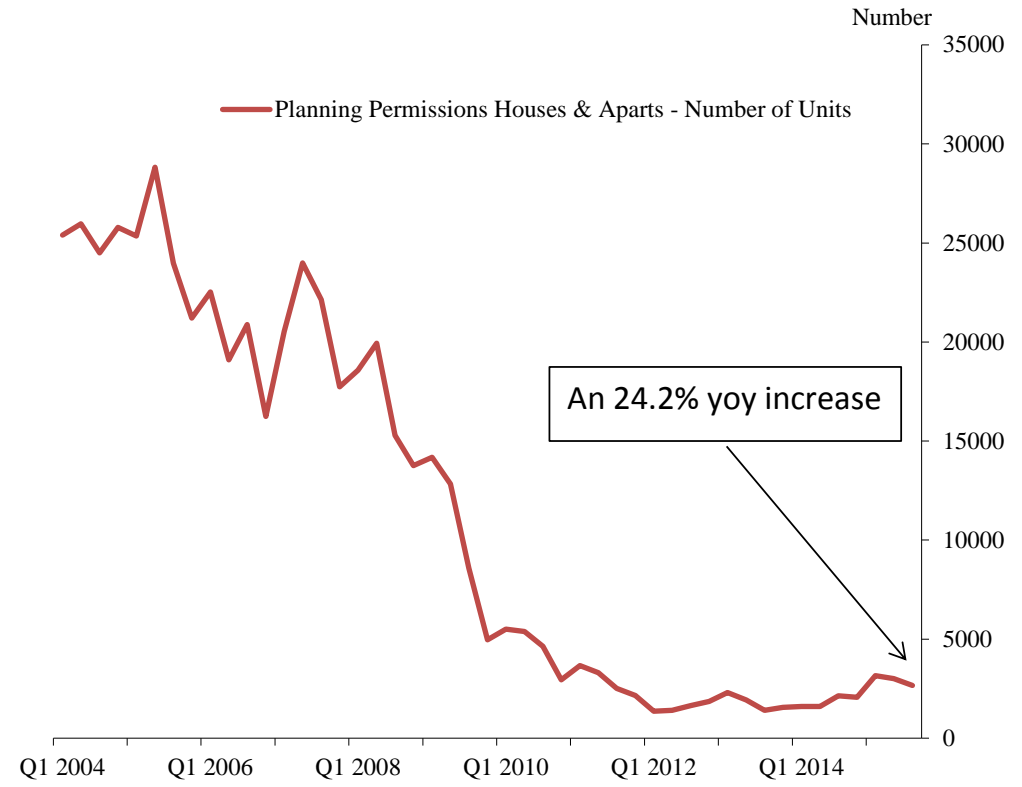
Housebuilding remains at low ebb

- Housebuilding remains at exceptionally low levels – just 12,666 completions in 2015 vs. 11,016 in 2014
- Changes to planning regulations have received muted reaction
- DoE analysis suggest new regulations will take €20/k off cost of new apartments, industry closer to €5k-10k
- Regulation changes mean delay of 6-9 months for projects currently at planning phase

Annual Housing Completions



Residential Planning Permissions



NAMA to build 20,000 home by 2020

- 93% of 20,000 units will be in Greater Dublin Area.
- €5.6bn in funding for new Resi construction.
- Further 32,650 unit landbank may become commercially viable in future to develop or sell to market.
- Plans are likely to increase previously guided €1.75bn lifetime surplus on wind-up of agency

NAMA site planning lifecycle

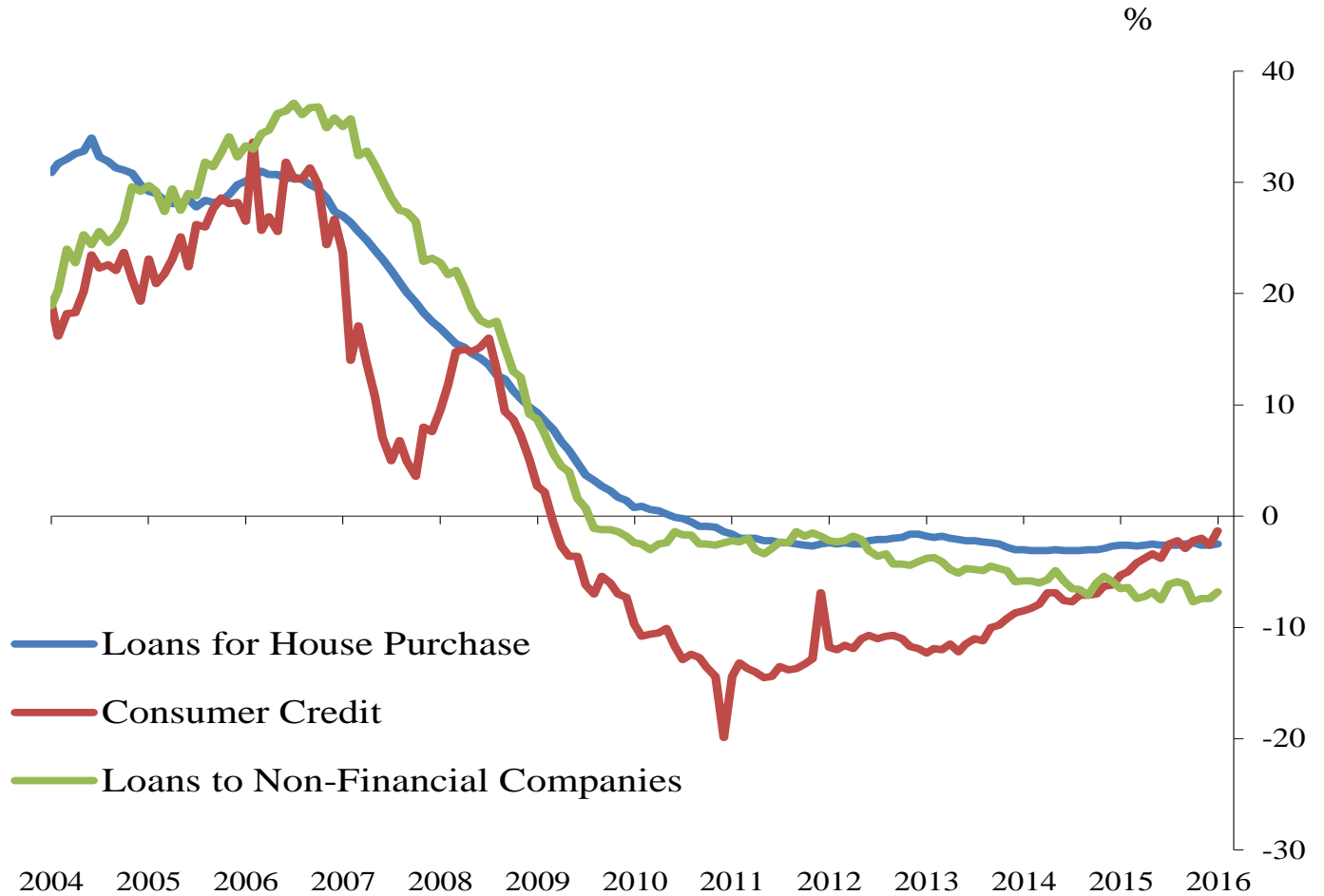
	Status	Total Resi Units
TIER 1 sites	Completed - end 2015	2,300
	Under construction	2,950
	With planning permission but not yet under construction	4,900
	Sub-total	10,150
TIER 2 Sites	Planning applications lodged	3,900
	Planning applications to be lodged within 12 months	6,000
	Sub-total	9,900
	TOTAL	20,050

Source: NAMA, December 2015

Credit continues to contract

Annual change in stock of bank lending

- Mortgage lending fell 2.5% year to January, PNFCs -6.8%, consumer credit -1.3%, Other Household -9.0%
- Including securitised loans rate of contraction is sharper at -3.6% in January
- Total consumer lending is contracting by 5% per annum.
- Key development in 2015 is stabilisation of non-SME corporate debt



Banking sector policies could come into focus

	Sinn Féin	Fianna Fáil	Labour	Fine Gael
Divestment of banking sector assets	Will delay sale of AIB for at least five years		Will proceed as planned with 25% disposal of AIB in 2016 followed by strategic review of banking sector including ownership	Committed to disposing of state banking sector assets and recovering all taxpayer money invested
Mortgage interest rates	Central Bank empowered to set caps on SVR interest rates	Central Bank empowered to regulate mortgage rates		
Competition	Will seek to promote greater competition in the banking sector	Statutory code to encourage mortgage switching		Code of conduct and standardised forms to encourage mortgage switching
Banking sector levy	Increase bank levy by €44m		Increase banking sector levy by €350m to €500m	No change
Access to finance		Set up a new State Enterprise Bank	Strategic Banking Corporation to help provide finance to smaller companies	
Non-performing debts	Increase pressure on banks to resolve mortgage distress Amend the Insolvency Act 2013 to remove the banks' veto	Require Central Bank to publish targets for dealing with SME debt		
Other	Move the entire cost of financial sector regulation onto the banking sector €70m saving/cost			

Any negative impact on the UK economy will affect Ireland

- Short-term impacts from uncertainty onto consumer & business confidence difficult to quantify
- Trade effects could reduce UK GDP by 1%-3%, negative impact doubles or triples if FDI, investment and productivity growth affected over the long-term
- A 1% reduction in UK GDP tends to reduce Ireland's GDP by 0.3%

Additional trade channels could hurt Irish economy

- Trade: UK share in Irish goods now close to 15%, but higher in labour intensive sectors such as agriculture, food & beverages, textiles and base metals. UK share 20% in services exports.
- ESRI envisaged worst case scenario of 20% drop in trade with UK, in event of no free trade agreement, accompanied by additional non-tariff measures

Foreign Direct Investment

- Ireland could see some benefit if uncertainty on EU membership hurts FDI inflows into UK
- UK attractive to FDI due to range of factors (markets, technology, tax) which will persist
- Planned cuts in UK corporation tax rate will offset negative impact of EU exit

Migration and Labour Markets

- Net migration between Ireland and UK was 60,000 through 2011-13.
- Econometric evidence reversal of outflow could have pushed down wages by 4%
- 400,000 born in ROI now resident in the UK, 230,000 born in the UK now in ROI.



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