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26th June 2017

CP109– Consultation on Potential Changes to the Investment framework for Credit Unions

Dear Registrar,

St. Patrick's Credit Union (ESB Staff) Ltd (SPCU) wishes to provide the following submission in response to the recently issued consultation paper on the potential changes to the investment framework for Credit Unions – CP109.

SPCU, which was established in 1962, currently services the needs of over 22,000 members and as at 30th September 2016 had assets amounting to €356m million.

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St. Patrick's Credit Union (ESB Staff) Ltd. is regulated by the Central Bank of Ireland. Registered in Republic of Ireland: Register No. 275CU

Introduction:

CP109 is the latest consultation paper issued by the Central Bank of Ireland (CBI) in relation to regulation of the credit union sector. SPCU welcomes the CBI consulting with the sector.

Before responding to the specific questions contained within the consultation, we wish to make some broader comments on the approach CP109 appears to take.

Inadequate Impact Analysis:

It is the Central Bank's statutory mandate to regulate credit unions with a view to ensuring the protection by each credit union of the funds of its members and the maintenance of the financial stability and well-being of credit unions generally.

In the statutory consultation process, the Central Bank is obliged to conduct a "Regulatory Impact Analysis" (RIA) of any proposed changes. On page 9 of the Regulatory Impact Analysis (appendix to the Consultation paper 109), the following statement is made:

"*Given the range of options being afforded to credit unions under the investment framework incorporating the potential changes, analysis has concentrated on the likely impact on the balance sheet composition.* ***No specific analysis has been performed on the likely impact on income and return on investments in recognition of the limited potential to generate additional return*** *while maintaining appropriate levels of risk in credit union portfolios*". (Bold by writer).

Given the statutory remit of ensuring "*the maintenance of the financial stability and well-being of credit unions*" this approach is insufficient. The result of the Impact Analysis paper is to merely look at the Balance Sheet aspects of credit union investment portfolio and to ignore the impact to the Profit and Loss elements to credit union businesses. Therefore, the RIA not only fails to assess the impact on investment returns of any of its proposals but states clearly that it has no intention of doing so.

By ignoring the impact the proposed changes will have to income from investments to the sector, which, not unsurprisingly, is negative, the 'Impact Analysis' paper does not examine the ***real*** impact the proposed changes has to both the viability and sustainability of the sector. Investments account for approximately three-quarters of the income-generating assets of the sector. In many cases, it is these assets that have ensured that credit unions have maintained both viability and sustainability, yet it is deemed unnecessary to perform "*specific analysis...on the likely impact on income and return in investments*".

Members' savings will be put at risk if reserves in credit unions are allowed to deplete. Reserves are only built up and maintained through the generation of surpluses of which investment income is a vital component. An effective RIA is structured such that it will analyse the costs, benefits and impacts of the potential changes in proposed regulations. It is difficult to see how obligations to perform a full impact analysis have been discharged from what is presented in CP109.

Opportunity Missed:

Because of the nature of the credit-cycle, investment returns are a major part of the business model for credit unions. CP109 seeks to amend regulations around credit unions' investment portfolio which will impact both the profile of the investments and the attendant returns in isolation of the credit union sector's current business model and financial position. As outlined, the paper does not contain an analysis on the negative impact the proposed changes will have on income to the sector.

Given the scale of the reduced income potential, one wonders why a broader paper that proposed positive changes to the loan-portfolio side of the balance sheet equation was not considered. Such a paper could have increased the ability for greater income-generation from credit unions' loan portfolios, in particular, the provision of greater flexibility in relation to lending greater than 5-years. Considering investments in isolation of the broader balance sheet reflects a missed opportunity to seriously address credit unions business model at a time when many stakeholders in the sector are engaged in serious dialogue around the future business model.

Summary of Issues:

The proposals in CP109:

- Adds deeper viability and sustainability risk to the credit union sector
- Does not reduce systemic risk in credit unions
- Will serve to significantly reduce income from one of the two major income streams credit unions have – and the one that accounts for approximately three-quarters of the income-generating assets of the sector at this time
- Through the cycle and given current asset allocation, SPCU would lose on average, 28% of investment income whilst the cost to the sector given the current mix and at long term returns, would be c. €50m[1] out of c. €230m of total sector income as measured like for like
- Does not adequately address liquidity requirements – in particular the fact that holdings of sovereign bonds cannot be deemed liquid (even partially) despite a robust daily trading market
- Whilst philosophically positive, Investment in Approved Housing Bodies (AHBs) as outlined displays major inconsistencies with general credit union regulatory investment requirements due to (a) duration mismatch (b) lack of liquidity and (c) no discernible return.

The changing definition of bank bonds in CP109 is the most impactful and curtailing change in the consultation paper. Currently credit unions can invest 70% of investments in senior Bank bonds. The proposed additions will not make any meaningful contribution to sector income relative to the loss of income attributable to the loss of bank bond income. The suggested changes undermine the viability of the sector. This change detailed in CP109 has not been subject to any regulatory impact analysis. The Regulator has decided that this is not a 'new regulation' as per the requirements specified in the 2012 consultation protocol for credit unions, but an amendment to the existing definition. It has thus deemed it unnecessary to consider the impact of narrowing the scope of allowable bank bonds.

This change will have more impact on the viability of credit unions than any of the additions proposed. The cost to the sector given the current mix and at long term returns, would be c. €50m[2] out of c. €230m of total sector income as measured like for like. This income will not be replaced to any material extent from the proposed additions. The changes will also impact the larger credit unions disproportionally as the analysis in Appendix 1 confirms.

[1&2] Appendix 1 Goodbody Analysis

The following section addresses the specific questions asked in the Consultation paper.

The Bank is seeking submissions that respond to specific questions mainly around potential additional investment classes.

1. ***Do you have any comments on the current level of diversification in credit union investment portfolios? Are there any barriers to the use of existing diversification options within the current investment framework? If so, please provide details and any suggestions to address these.***

The current level of diversification reflects rational allocation of investments given the returns available. One of the major barriers to proper portfolio diversification is the inability for credit unions to collectively invest (this is a different point to 'collective investment schemes'). If there is a real concern for future viability and sustainability, CP109 would be suggesting a proper examination of the sector and how it can gain the best returns from an acceptable risk profile across the entire sectoral portfolio. Credit Unions are not encouraged to seek a collective solution as this would require changes to either regulation and/or legislation. An indication from the Central Bank that there is an appetite for this would be hugely helpful to support Credit Unions in their quest for sustainability.

The 2016 regulations introduced a prescribed range of investments for credit unions and limits as to counterparty, concentration and maturity exposures. From data produced by the Bank[3] it is apparent that credit unions are not making full use of these options.

In part this could be due to a lack of understanding of how to assess the options available within the permitted limits and barriers that arise from the regulations. Examples of these barriers are likely to include:

- Conflicting regulations in terms of definition of funds a credit union needs to hold for regulatory liquidity requirements and the ability of credit unions to regard bonds that are actively traded in secondary markets as liquid
- Restricting investment in another credit union to 12.5% per cent of regulatory reserves makes this class of investment redundant

[3] Financial Conditions of Credit Union: 2011 - 2016

- The level of concentration in existing credit union portfolios by both asset class and counterparty is reflective of the environment and the fact that deposit institutions are actively discouraging credit unions from placing funds with them at present
- Individual credit union investments risk appetite lower than permitted investments risk profile
- Restrictions on the options for collective investment schemes are dealt with in questions 16 and 17.

Some barriers might be addressed by the Bank engaging fully with both the sector and professional investment firms to review and revise the current limits on credit union investments.

There seems to be a lack of appreciation running through the CP109 proposal that the focus of the BRRD is to shift the regulatory emphasis from the instruments to the institution. There is an inference that MREL eligible senior liabilities are a bad risk and preference MREL senior liabilities are safe. We would argue it is the entity that is the key issue.

There are unprecedented reinvestment risks in the sector given falling deposit rates and the proposals in CP109 will exasperate these risks, as credit unions seek returns to secure individual viability. Credit unions will potentially become more vulnerable though these proposals, to increasingly risky counterparties in an effort to secure minimum required returns in the current environment.

2. ***Do you have any comments on the potential introduction of additional investment classes for credit unions and the appropriateness of the classes being considered by the Central Bank?***

While we welcome the addition of alternatives to the current investment options available to credit unions, the addition of the suggested investment classes adds little to the Credit Unions reinvestment challenge, given the suggested restrictions in the maximum percentage of investments that will be available for consideration.

The proposed additional investment classes will have little impact on how investments are managed by credit unions. None of the proposed new classes offers potential yield enhancement at this time and it is difficult to see how credit unions will utilise these options. The additional classes will, for those

credit unions that avail of them, increase workload and costs in terms of information to be processed and the assessment of risks

The new categories also reflect an inconsistent approach regarding risk. On the one hand, there is the removal of senior non-preference bank bonds within a highly regulated sector, and on the other, the introduction of 25 year investments which provide no liquidity. Risks are further compounded with the inclusion of unregulated corporate bonds with demonstrable higher default rates. These categories arguably introduce specific and varied investment and liquidity risks to investment portfolios particularly when compared to highly regulated short duration senior non-preference bank bonds. It might be more appropriate if the Bank were to allow senior non-preferred debt and HoldCo bonds.

Overall, the inclusion of these new asset classes introduces some new risks to the sector that would need to be considered carefully in the context of each investment portfolio.

3. **Taking account of the appropriate risk profile for credit union investments, are there any additional investment classes that the Central Bank should consider? If so, please outline the investment classes and why such investment classes are considered appropriate for credit unions.**

Firstly, **we would suggest an approved Department of Finance list of semi-state companies that would be allowable for credit unions**. This would be a list where there is no specific contractual guarantee to protect capital invested. But credit unions could invest in specific semi-state entities and provide funding up to, say, 10 years as appropriate. This may be potentially limited to an appropriate percentage of investments.

This would allow the CBI to maintain a list of approved entities. Similarly to the social housing proposal it would allow members funds to be invested in the State in support of local enterprise and developments. These investments would not have any explicit Irish Government guarantee and some of these may be unrated from a credit rating perspective but as such it is the implicit government support and oversight that would make these investments possible, without burdening the national accounts.

Secondly, a key credit union principle is cooperation between co-operatives. The current regulations allow credit unions to invest in the shares of other credit unions but this is limited to 12.5% of regulatory reserves. This area should be expanded in terms of the limits allowed and broadened to **permit credit union set up structures such as Credit Union Service Organisations (CUSOs) and/or allow investment in a company/companies that would service strategic partnerships.**

Such investment would facilitate the expanding of financial services available to members across credit unions of all size. Such models are common in other credit unions markets internationally. The expansion of this investment class should be considered as part of an expanded consultation process into an appropriate investment framework.

Finally, we would welcome **the recognition of existing sovereign bond holdings as part of the regulatory liquidity requirement calculations**, probably on a mark to market basis and with appropriate % recognition (e.g. 75% of the value).

4. **Do you have any comments on the potential to include supranational bonds in the list of authorised classes of investments set out in credit union investment regulations with a minimum credit rating requirement and maturity limit?**

Supranational bonds are by definition, backed by more than one European Sovereign. This usually implies very high credit ratings. European Sovereign bonds are already available to credit unions under existing rules. To limit this asset class to a maximum of 50% of regulatory reserves, would equate to a maximum exposure of 8.3% of investments as per the CBI analysis. While we would welcome the inclusion of additional counterparties, the inclusion of supranational bonds does not diversify the underlying counterparties available as the eligible instruments are likely to be backed by European sovereigns and the quantum suggested will add little by the way of diversification.

Given the ratings of existing Supranational bonds in issuance and the yields available, any investments are likely to be of the longest available duration locking in low yields and adding to the mentioned imbalance between assets and liabilities. These bonds offer little significant return. While this potential new asset class offers an opportunity to diversify counterparty exposure, it doesn't help credit unions improve their investment income.

5. Do you have any comments on the suggested concentration limit for credit union investments in supranational bonds? If you have suggestions, please provide them along with supporting rationale.

The Bank has not provided rationale for the proposed concentration limits but by placing these concentration limits it infers that the Bank considers these investments a higher risk than other permitted bond investments. Notwithstanding the yield levels available on these instruments the concentrations limits proposed are too low. Linking limits to regulatory reserves does not provide additional protections to members' savings. If the Bank wishes to use reserves for the setting of limits it should consider using other reserves over and above regulatory reserves. A credit union with larger total reserves is better positioned to absorb losses than a credit union whose total reserves are at levels close to the regulatory minimum requirements.

It is considered that a better approach would be that the concentration limit for these bonds is combined with the overall concentration level for Irish and EEA State securities of 70%. Credit unions could then manage their exposure to this class of bond within their own risk appetite.

We would recommend increasing the quantity to a percentage of investments as opposed to a percentage of regulatory reserves. This would be consistent with the existing methodology employed by the central bank for the purposes of prudential returns.

6. Do you have any comments on the potential to include corporate bonds in the list of authorised classes of investments set out in credit union investment regulations with a minimum credit rating requirement and maturity limit?

Allowing credit unions invest in corporate bonds has, on the face of it, the potential to provide an opportunity for better returns. However, this potential is severely restricted by the credit rating and maturity limits that the Bank proposes. Therefore, this new asset class offers counterparty diversity without any significant improvement in return.

However, as the Bank recognises, this new asset class has very different characteristics to any of the existing asset classes that credit unions have been able to invest in up to this point. Research shows that levels of default for this category of investment vary depending on the industry type and credit rating. Credit unions would have to move up the knowledge curve to be able to make comfortable investments in corporate bonds. This demands time and resources, at a time when both are in short supply across the sector.

If Credit Unions begin investing in Corporate Bonds it will in practice be to search for yield and not for any theoretical diversification of risk. Capping the maximum to 25% of regulatory reserves limits any contribution or scale available in the asset class. The cap will promote concentration risk in the least desirable A-rated corporate bonds with the highest yield. It is a likely outcome that some credit unions will unwittingly place 25% or their regulatory capital at undue risk.

The best relatively risk adjusted application of the inclusion of corporate bonds would be through a Collective Investment Scheme with specific concentration limits in the fund. This would allow for the diversification of counterparty, liquidity and duration risk. The question also arises whether or not the CBI would allow some of these funds to be considered for liquidity subject to a suitable haircut and mark to market?

Allowing Corporate bonds is a welcome proposal. Investment should likely be limited to an appropriate minimum rating.

7. **Do you have any comments on the suggested concentration limit for credit union investments in corporate bonds? If you have suggestions, please provide them along with supporting rationale.**

The Bank has not provided rationale for the proposed concentration limits. It is considered that a better approach would be that the concentration limit for these bonds is combined with the overall concentration level for bank bonds of 70%. Credit unions could then manage their exposure to this class of bond within their own risk appetite.

Direct holdings in Corporate bonds is a questionable acceptable-risk given the risk of capital loss. We would suggest that the benefit of diversification is obvious and necessary when investing in corporate bonds and use of a collective investment scheme with strict concentration and maturity limits might be the best way to invest in these funds. Appropriate qualifications would allow for the scale necessary to create diversified portfolios of suitable corporate bonds. This would help mitigate default risk and the risk of selection bias towards the highest yielding qualifying bonds.

Investments in Approved Housing Bodies: the following questions are taken collectively:

8. **Do you think it is appropriate for credit unions to undertake investments in AHBs? If so, please provide a rationale.**
9. **What would the most appropriate structure for investments in AHBs be e.g. investment vehicle?**
10. **What do you consider to be the risks associated with this type of investment and what mitigants do you feel are available to manage these risks?**
11. **How can the ALM issues associated with such investments be addressed by credit unions?**
12. **Given the existing mismatch between the maturity profile of the sector's funding and assets and the likely maturity profile of such investments, the Central Bank is of the view that the concentration limit would need to be set at a level that reflects this. Do you have any views on what an appropriate concentration limit would be for such an investment? What liquidity and ALM requirements could be introduced to mitigate these risks and potentially facilitate a larger concentration limit?**
13. **Do you have any comments on the proposal to include investments in Tier 3 AHBs in the list of authorised classes of investments set out in credit union investment regulations with a 25 year maturity limit?**

We welcome the opportunity for credit unions to invest in Approved Housing Bodies (AHBs). The specifics of the investment risk however are unclear from such a proposal. In general terms, without visibility on a specific proposal, it is hard to recommend investing in long term funds (up to 25 years), where there is no visibility on returns, no indication on the default risks in real and nominal terms and no clarity on the underlying exposure.

While there has been much discussion within the sector about the potential for credit unions to provide the funding necessary to increase the level of social housing so as to alleviate the current housing and homeless crisis, it may not be the panacea that many suggest. It is far from certain, or indeed, widely accepted that a lack of funding is preventing the growth of social housing.

Cash is cheap at the moment and any investment that offers a return under a quasi-state guarantee would be attractive to private money as well as credit union money. Credit unions are not the only investment portfolio that is looking for this type of investment opportunity and it's fair to say that financing is not the issue around social housing.

The proposal to introduce AHBs as potential investment options for credit unions is somewhat ambiguous; "*investment in AHBs could be facilitated through a number of structures including collective investment schemes*" and it does not appear from the paper that enough research has been undertaken into this sector.

These investments would be long-term and illiquid; hardly an attractive mix and this moment would not appear to be the most opportune time in the interest-rate cycle to potentially invest members' funds for 25 years. Investments of this nature and duration cannot be specifically critiqued as to the prudent use of members' funds in the absence of any indication of the likely attributable returns.

14. Do you have any comments on the proposal to amend the existing counterparty limit for credit union investments? If you have suggestions, please provide them along with supporting rationale.

The Bank proposes to reduce the counterparty limit from 25% to 20%. This would effectively force credit unions to rebalance their exposures. This means that credit unions would need to invest in new products and counterparties that offer very little opportunity to improve current yield levels. In fact, in some cases they would be forcing credit unions to forego yield in order to comply with the new counterparty limit; effectively forcing a loss of money on a credit union.

We would therefore **not support** an amendment to the current limits at this time. European banking institutions are currently exiting the domestic Irish banking market. Irish domestic banks are currently pricing away non-bank financial intermediary deposits and in the current environment credit unions are already struggling to preserve capital with negative interest rates being applied by many domestic and most European deposit providers.

The Bank's data shows 86% of credit unions have an exposure to a counterparty which is in excess of 20%. For many smaller credit unions, the proposed limits will increase workload by requiring them to assess other institutions.

15. Do you have any comments on the proposed transitional arrangement to reduce the counterparty limit to 20% of total investments?

We are not of the view that the introduction of this measure is appropriate at this time. The proposed transitional arrangements are different to transitional arrangements of the current and previous regulations and the original 1997 Credit Union Act. For some credit unions, the maturities of their counterparties with exposure up to 25% are longer than 1 year. Credit unions may not be able to liquidate these investments and could find themselves in breach of regulatory requirements. For those credit unions that are able to liquidate the investments, they may be doing so at a cost or loss which would not be incurred if they were permitted to hold them to maturity.

Other Considerations – Collective Investment Schemes

16. Do you have any comments on the use of collective investment schemes for credit union investments?

The Bank reports only 3% of total investments are held in collective investment schemes. The wider use of collective investment schemes would allow credit unions access to a diversified pool of investment options that are professionally managed at a very low cost with potentially higher yields than currently available. Collective investment schemes would also increase options for liquid funds.

If we take the example of deposits or bank bonds, the credit union can capture higher returns by placing or holding these investment instruments directly. The benefit of a collective investment scheme is the provision of diversification of counterparties and the ability to place funds with various maturities. Whilst the counterparty diversification is a clear benefit, the costs and fees associated with the running of a collective investment scheme would need to be examined.

17. Are there any barriers to credit unions using collective investment schemes in the existing investment regulatory framework?

The regulations permit collective investment schemes only where the underlying investments of the scheme are composed entirely of instruments specified in regulation 25(1)(a), (b) and (c). Most schemes have within their terms the ability to invest in derivatives, options and swaps which would not fall within the permitted class of investments. The use of these options is primarily available as a risk mitigation tool to prevent volatility in fund values in times of excessive activity.

By only permitting credit unions to invest in funds where these options are not used runs contrary to the overarching principle that investment should not involve risk to members' savings. The restrictions prevent credit unions investing in a wide range of what would be otherwise suitable collective investment schemes such as UCITS or exchange traded funds (ETFs); investments specifically designed for retail clients and which are highly regulated.

Many ETFs which would be suitable as investments for credit unions and whose assets are comprised of the current permitted range of investments are accumulating in nature. An accumulating fund is designed to offer growth in the fund rather than income. Any income generated will be reinvested within the scheme, raising the value of the credit union's investment. Under the Regulations, a credit union shall not distribute from its annual operating surplus investment income unless the income has been received by the balance sheet date or will be received within 12 months of the balance sheet date. This precludes credit unions for using gains in accumulating funds for the payment of dividend and limits credit unions to only investing in distributing funds.

18. Do you agree with the proposed timelines for the introduction of potential changes to the investment framework set out in this consultation paper? If you have other suggestions please provide them, along with the supporting rationale.

Whilst the proposed timelines are themselves not an issue the consultation process represents a significant missed opportunity for the Central Bank to take a serious look at the investment function in credit unions.

The proposed introduction of new asset classes not only misses the point of what is actually important to credit unions at the moment (falling investment returns; negative yields on unnecessary high regulatory required liquid funds), it actually places a huge amount of extra work onto a sector that is already resource-stretched while not delivering any real benefit.

A better approach would be to engage fully with the sector to amend regulations such that the credit union sector could leverage a full range of product, counterparty exposure and return that would be commensurate with a portfolio the size of the combined sector's.

Reviewing restrictions on the entry of credit unions to suitable UCITS or exchange traded funds (ETFs) would also be useful. It appears that the Bank has already decided to change the definition of permitted bank bonds and exclude input from credit unions on this change.

Throughout the document the Bank continuously refers to the legal obligation of managing investments so as not to involve undue risk and one could consider this point invokes an atmosphere of fear that prevents considered analysis of alternative investment options.

Summary:

We welcome additional categories such as supranational bonds, corporate bonds and AHBs. As outlined above, we believe that any reduction of counterparty exposure limits in the absence of more domestically available deposit providers should not be considered at this time. As set out above we do not support the revised definition of bank bonds described in CP109.

We have outlined the inadequacy of the regulatory impact analysis in relation to assessing the negative income-generating impact the proposals in CP109 will have. We also believe that this consultation was an opportunity missed to consider both major income-generating assets for credit unions, namely the loan and investment portfolios, and the potential for shifting the business model from the over-reliance on investment income.

Focusing on the investment potential across the sector, the consultation could have considered how to better optimise the investment assets on a collective basis rather than on an entity-by-entity basis, thus leveraging the scale of the sector.

Finally, we believe that there is potential to consider other investment-types (eg semi-state companies; Credit Union Service Organisations (CUSOs)/strategic partnership investment) and the recognition of existing sovereign bond holdings as part of the regulatory liquidity requirement calculations.

As stated at the outset, we welcome meaningful engagement and consultation. Accordingly, we would hope that the Bank gives serious consideration to the issues and suggestions raised in this paper and would welcome further engagement in these areas.

Yours sincerely,

Robert Cooper,

CEO.

Appendix 1: (Supplied by Goodbody Stockbrokers, SPCU Investment Advisers).

Appendix 1: Credit Union Returns

	EURIBOR (3M)	Irish 10 yr Generic	Senior Bank Bond	Overnight Deposit	Term Deposits
Average (2003-2017)	1.56%	4.12%	2.88%	0.41%	2.22%
Current	-0.37%	0.78%	0.52%	0.00%	0.00%
Difference	1.93%	3.34%	2.36%	0.41%	2.22%

Current Mix	**€150m**	**€50m**	**€24.5m**
Deposits	71%	75%	84%
Bank Bonds	19%	18%	9%
EEA State Securities	7%	4%	1%
CIS	2%	2%	5%
Other	1%	1%	1%

	150,000,000	**50,000,000**	**24,500,000**
Deposits	1,907,615	671,696	368,626
Bank Bonds	820,029	258,957	63,444
EEA State Securities	432,362	82,355	10,088
CIS	12,269	4,090	5,010
Other	23,434	7,811	3,828
Total	**3,195,709**	**1,024,908**	**450,997**

	150,000,000	**50,000,000**	**24,500,000**
Weighted Return	2.13%	2.05%	1.84%
Weighted Return ex Bank Bonds	1.58%	1.53%	1.58%
Cost to the credit union sector	0.55%	0.52%	0.26%
CU Investments	11,421,100,000	11,421,100,001	11,421,100,002
Income per long term average	243,323,411	234,111,443	210,239,877
Income lost	62,437,556	59,151,369	29,575,684
Avergae Sector cost	50,388,203		

Assumptions in Model:

- Central Bank identified assets are 100% invested.
- Deposits based on 10% at EURIBOR 20% on overnight deposit rate and 70% on the term deposit rate.
- Investments are allocated across the sector in proportion to today's mix quoted in CP109 and at the average returns pre and post crisis shown below in the period 2003 to 2017

	EURIBOR (3M)	Irish 10 yr Generic	Senior Bank Bond	Overnight Deposit	Term Deposits
Average (2003-2017)	1.56%	4.12%	2.88%	0.41%	2.22%
Current	-0.37%	0.78%	0.52%	0.00%	0.00%
Difference	1.93%	3.34%	2.36%	0.41%	2.22%

Impact on SPCU (as per Goodbody model)

	St Patricks ESB
Deposits	44%
Bank Bonds	46%
EEA State Securities	10%
Other	0%
	100%

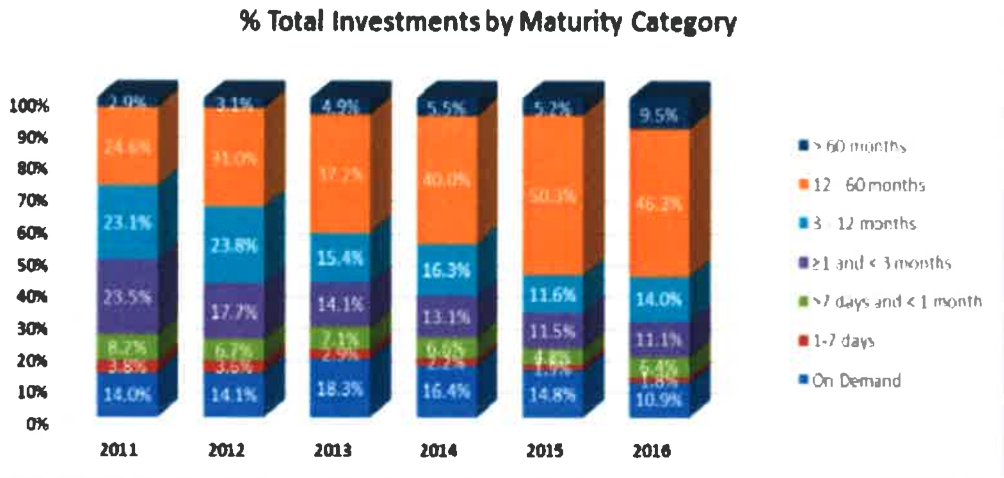
Investments	290,631,339
Deposits	2,290,532
Bank Bonds	3,846,667
EEA State Securities	1,196,743
Other	0
Total	**7,333,942**
Income to Credit Union	7,333,942
Return %	2.52%
Income ex-bonds	3,487,274
Return ex-bonds %	1.20%
Reinvested in Deposits	1,756,541
Net Cost to CU at current %	2,090,126
% of Income (cost)	**28%**

Duration of Credit Union Investments in Years

	2011	2012	2013	2014	2015	2016
> 60	3%	3%	5%	6%	5%	10%
12-60	25%	31%	37%	40%	50%	46%
3-12	23%	24%	15%	16%	12%	14%
0-3	49%	42%	43%	38%	33%	30%
90	2.6	2.8	4.4	5.0	4.7	8.6
36	8.9	11.2	13.4	14.4	18.1	16.7
7.5	1.7	1.8	1.2	1.2	0.9	1.1
1.5	0.7	0.6	0.6	0.6	0.5	0.5
Years	**1.16**	**1.36**	**1.63**	**1.76**	**2.01**	**2.23**

Note: As per the data in Chart 4 on page 5 of the regulatory impact analysis contained in CP109

Chart 4



Source: Prudential returns submitted by individual credit unions (December quarter returns)