

Resolution Report on the intervention conditions and other matters relevant to seeking a Transfer Order for Killorglin Credit Union Limited (“KCU”) under the Central Bank and Credit Institutions (Resolution) Act 2011 (the “2011 Act”)

To: The Governor
From: Special Resolution Unit (“SRU”) of the Central Bank of Ireland (the “Bank”)
Date: 5 December 2014

A. INTRODUCTION

1. This Resolution Report (the “**Report**”) is prepared in order to assist you in the performance of your functions under the 2011 Act in respect of the matters discussed herein. To the extent that this Report outlines a policy position or suggests a course of action, this is done for consideration and discussion purposes only and does not purport to represent an official policy view or decision of the Bank, whether for the purposes of the 2011 Act or any other purpose, and whether with respect to institutions named in this Report or generally.
2. This Report includes information made available to SRU by the Registry of Credit Unions (“**RCU**”). RCU is a division of the Bank and is responsible for the registration, regulation and supervision of credit unions. Credit unions are mutual not for profit organisations whose principal activities are the acceptance of shares and deposits from members and the making of loans to members. They are regulated under the Credit Union Act, 1997 (as amended) (the “**CUA**”).
3. The purpose of this Report is to outline the facts which may assist you to determine: (a) whether the conditions for intervention set out in section 9 of the 2011 Act (the “**Intervention Conditions**”) have been fulfilled in relation to KCU; and (b) whether an application for a transfer order transferring KCU’s assets and liabilities to Tralee Credit Union Limited (“**TCU**”) under Part 5 of the 2011 Act (the “**Transfer Order**”) should be made. Finally, the Report provides an overview of the proposed content of the Transfer Order, should you decide that an application for such an order should be made.
4. Throughout this Report SRU refers to various documents and correspondence concerning KCU that it has reviewed and considered during the course of its examination of the matters

Union Prudential Return". The PR must be completed and submitted to RCU quarterly, no later than 21 days after the end of the relevant reporting period.

TABLE 1: PRs as at June 2010 and the years ended 30 September 2010 to 30 September 2014.

Prudential Return Extract Summary						
€'m	Jun-10	Sep-10	Sep-11	Sep-12	Sep-13	Sep-14
Assets						
Cash & Current Accounts	3.2	1.4	1.1	0.5	0.6	0.6
Total Deposits & Investments	15.5	17.4	18.0	23.2	24.2	25.6
Loans to Members	22.8	21.4	11.6	8.3	6.9	5.9
Provision for Bad and Doubtful Debts	(2.1)	(6.3)	(3.3)	(1.0)	(1.3)	(2.2)
Fixed Asset	5.7	4.5	3.4	3.2	3.1	0.6
Other Assets	0.1	0.1	0.0	0.3	0.3	0.1
Total Assets	45.2	38.5	30.7	34.5	33.9	30.6
Liabilities						
Member Shares	39.5	38.0	33.9	30.9	30.1	29.9
Borrowings	1.0	1.0	-	-	-	-
Other Liabilities	0.0	0.0	0.2	0.2	0.2	0.4
Total Liabilities	40.6	39.0	34.0	31.1	30.3	30.2
Net Worth	4.7	(0.5)	(3.3)	3.4	3.6	0.3
Reserves						
Statutory Reserves	4.4	4.4	4.4	4.5	4.5	4.5
Additional Regulatory Reserve	-	-	(8.3)	(1.4)	(1.3)	(2.5)
General Reserves	0.3	0.3	-	-	0.1	0.4
Undistributed Surplus brought forward	0.2	0.2	-	-	-	-
YTD Surplus/(Deficit)	(0.2)	(5.3)	0.4	0.1	0.2	(2.1)
Unrealised Reserve	-	0.0	0.1	0.2	0.1	0.0
Total Reserves	4.7	(0.5)	(3.3)	3.4	3.6	0.3
<i>Total Realised Reserves/Regulatory Ratio</i>	<i>10.34%</i>	<i>-1.38%</i>	<i>-11.25%</i>	<i>9.32%</i>	<i>10.44%</i>	<i>0.96%</i>
<i>Capital Shortfall €'m</i>	<i>-</i>	<i>4.9</i>	<i>7.2</i>	<i>0.3</i>	<i>-</i>	<i>3.1</i>

65. KCU in the PR as at 30 June 2010 reported total reserves of c. €4.7 million and a RRR of 10.3%.

66. As detailed above in Section C (*Regulatory Background*), MSN prepared a number of reports during August and September 2010. The reports recommended, *inter alia*, additional bad debt provisions and an impairment on the carrying value of the Premises. The PR submitted for the year ended 30 September 2010 reflects the adjustments recommended by the MSN reports. The key issues identified by MSN are as follows:

66.1 c. €3.1 million of loans were given to borrowers by KCU on terms that no interest or capital repayments were required to be made to KCU until the fifth