



National Treasury Management Agency



National Development Finance Agency



National Pensions Reserve Fund



State Claims Agency

NATIONAL TREASURY MANAGEMENT AGENCY

Press Release

24 July 2008

Summary of Activity 2007

www.ntma.ie

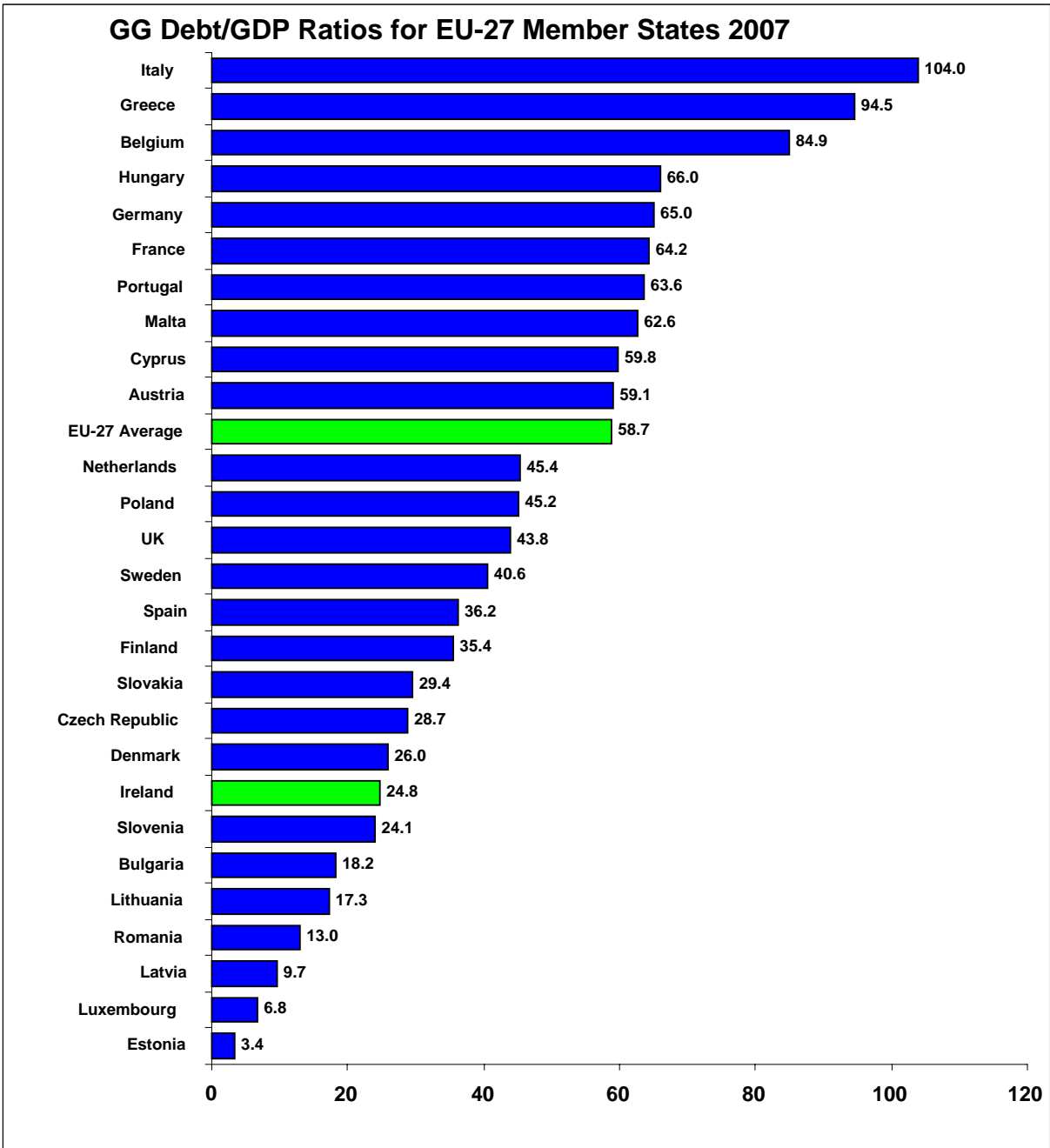
SUMMARY OF ACTIVITY

Overall

- The combined total of asset and liability portfolios managed by the NTMA rose to more than €63 billion.
- The value of the NTMA's transactions in 2007 was almost €540 billion.

National Debt

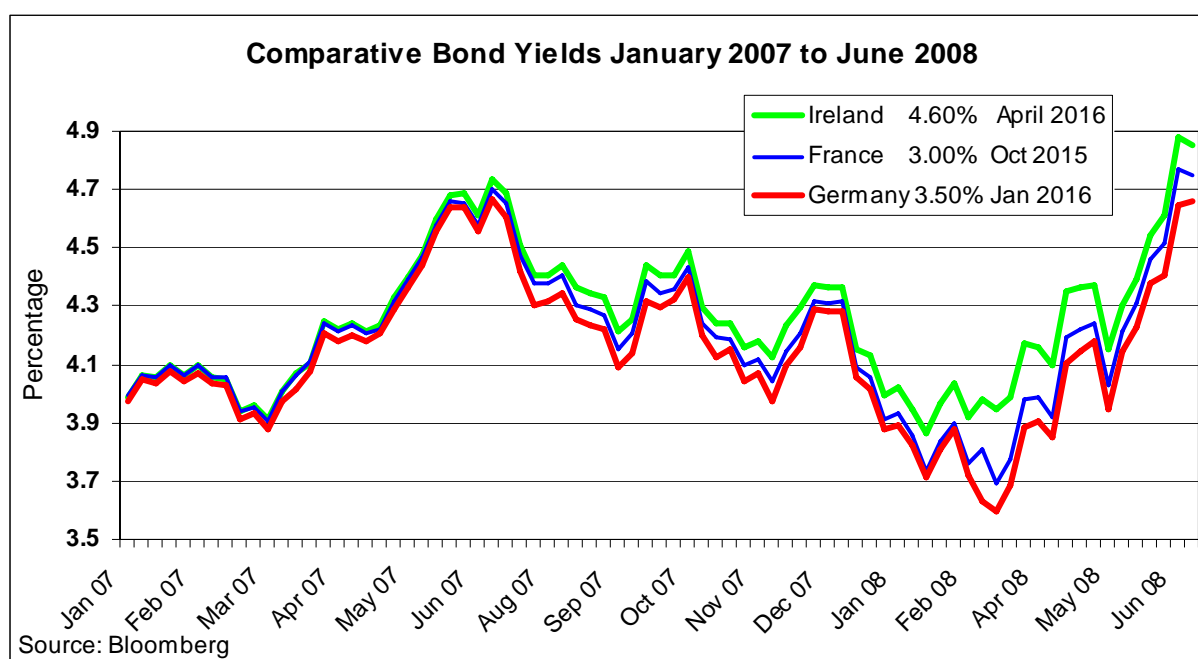
- In October 2007, the NTMA issued a new €6 billion bond - the 4½% Treasury Bond 2018. This was the largest deal by any government in Europe in 2007 and, at the time, it was the largest ever executed by the NTMA. Despite the difficulties in the global capital markets due to the credit crisis, the launch of the bond was a success and the issue was oversubscribed almost three times. The bond was issued at a yield of 4.58 per cent, 15 basis points over the yield on the German 10-year benchmark bond.
- In April 2008, the NTMA launched another benchmark bond - the 4.4% Treasury Bond 2019 – taking advantage of a unique funding opportunity in volatile market conditions. Again demand for the bond was strong, and an unprecedented €7 billion was issued. The bond was issued at a yield of 4.51 per cent.
- Total debt service costs in 2007 were €358 million below budget.
- The Exchequer's interest payments on the debt were €1.618 billion, compared with €1.859 billion in 2006. This represents 3.4 per cent of tax revenue – when the NTMA was established in 1990, interest payments were 26.7 per cent of tax revenue. This reduction in the interest burden has freed up substantial resources which the Government can use for other purposes.
- In line with the Exchequer deficit, the National Debt increased by €1.6 billion and stood at €37.6 billion at end 2007. However the National Debt/GNP ratio fell from 23.6 per cent at end 2006 to 23.3 per cent at end 2007.
- The National Debt, less the National Pensions Reserve Fund and other funds managed by the NTMA, is now equivalent to just over three months' tax revenue (down from four months at end 2006). When the NTMA was established, it took over three months' tax revenue just to pay the interest on the debt.
- Ireland's General Government Debt/GDP ratio ended the year at 24.8 per cent. It continues to be one of the lowest in the EU.
- Deducting the value of the National Pensions Reserve Fund and other funds managed by the NTMA would give an even lower Debt/GDP ratio of around 11.8 per cent at end 2007 (12.4 per cent at end 2006).



- International investors held 93 per cent of Irish Government bonds, up sharply from 22 per cent at end 1998, just before the introduction of the euro.
- At end 2007, 83 per cent of the National Debt carried fixed rates of interest. The balance related mainly to the retail savings schemes. The high level of fixed interest debt is a result of the NTMA's policy of locking in long-term borrowing at historically low interest rates, protecting the Exchequer against potential future increases.
- Bond yields were:

	At 31 December 2007	At 30 June 2008
3¼% Treasury Bond 2009	4.13%	4.66%
5% Treasury Bond 2013	4.27%	4.91%
4.6% Treasury Bond 2016	4.35%	4.88%
4½% Treasury Bond 2018	4.49%	4.99%
4.4% Treasury Bond 2019	–	5.07%
4½% Treasury Bond 2020	4.55%	5.08%

- Exchange rate risk has been eliminated from the National Debt, as all of the debt is now denominated in, or swapped into, euro.
- During 2007 interest rates on the Government retail savings schemes were increased in line with general market trends and by year end there had been a net capital inflow of €107 million into the schemes.
- The interest rate increases facilitated the introduction of a new prize structure for Prize Bonds, with a new top prize of €1 million (up from €150,000).
- There was a repayment of €330 million to holders of maturing Special Savings Incentive Accounts (SSIA's) in An Post.
- The credit rating agencies continue to regard Irish Government debt as among the safest in the world. Moody's, Standard & Poor's, Fitch and Rating & Investment Information Inc. all rank Ireland's debt in the top AAA category with a stable outlook.



Other NTMA Financial Activities

- The NTMA manages the balance in the Exchequer Account at the Central Bank of Ireland. The 2007 turnover on cash management operations was €190 billion. The average daily transaction size was €465 million. The NTMA built up end-year Exchequer cash balances to around €4 billion, ensuring ample liquidity for early 2008.
- The NTMA borrows on behalf of the Housing Finance Agency. During 2007 the average level of borrowings was €2.58 billion. Turnover was €44 billion.
- The NTMA manages the assets of the Social Insurance Fund on behalf of the Department of Social and Family Affairs. Total assets under management were €3.3 billion at end 2007, up from €2.7 billion at end 2006.

- The NTMA operates the Central Treasury Service to provide health, education and local government authorities with a competitive alternative to the banking industry for both borrowing and lending. An average of €33 million in loans and €84 million in deposits was outstanding during 2007.
- The NTMA manages a passive bond portfolio for the National Pensions Reserve Fund. This bond portfolio has made gains of €405 million since inception and stood at €2.3 billion at end 2007. The NPRF's cash balances, €720 million on average in 2007, are also managed by the NTMA.
- The foreign exchange transactions required by the NPRF for its investments in non-euro assets and for the Fund's long-term hedging strategy are executed by the NTMA. Turnover on these activities in 2007 was over €43 billion.
- The NTMA manages the assets of the Dormant Accounts Fund, which came to €205 million at end December 2007 (€211.3 million at end 2006).
- The NTMA manages the assets of the Education Finance Board Fund. The balance in the Fund at end 2007 was €8.6 million.
- The NTMA acts as agent for the State with responsibility for the purchase of carbon credits required to meet Ireland's obligations under the Kyoto Protocol. NTMA invested €3.7 million in 2007 on foot of agreements entered into by the Minister for the Environment, Heritage and Local Government with the World Bank.

National Development Finance Agency

- The NTMA discharges the functions of the National Development Finance Agency, providing financial advice to State authorities undertaking major infrastructure projects. The NDFA was established on 1 January 2003.
- A total of 121 projects has been referred to the NDFA. To date it has completed its advice on 38 projects with a combined capital value of €6 billion, 21 of which were PPPs.
- The NDFA completed its advice on ten projects in 2007:
 - Criminal Courts Complex
 - National Conference Centre
 - Lansdowne Road
 - O'Devaney Gardens
 - Spencer Dock Social and Affordable Housing
 - Wexford County Council Loan
 - M3 Clonee – Kells
 - N6 Galway – Ballinasloe
 - N7/N8 Portlaoise – Cullahill
 - M50 Extension

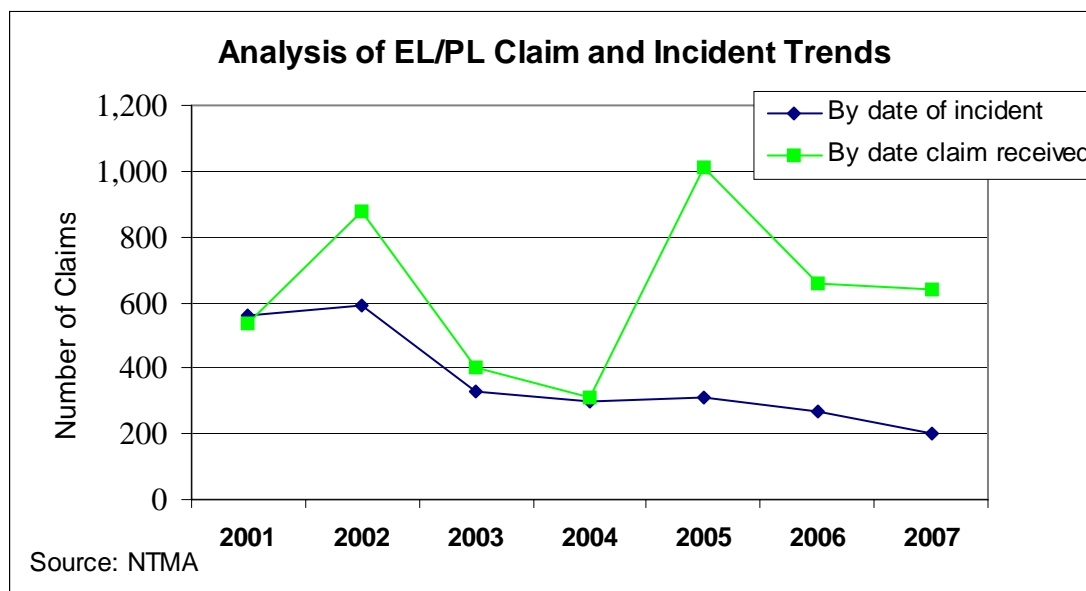
These projects have a combined capital value of €2.6 billion.

- The NDFA is currently engaged in the procurement of a number of schools. It has commenced pre-procurement work on the National Concert Hall, the Abbey Theatre, and other education projects and courthouses.

- The NDFA continues to provide financial advice on projects including Thornton Hall Prison, Motorway Service Areas on the M1 and the M4, and Metro North and Metro West. In addition, the NDFA continues to work closely with Dublin City Council and other local authorities on social and affordable housing regeneration schemes, as well as projects in the waste and water sectors.

State Claims Agency

- Acting as the State Claims Agency (SCA), the NTMA manages personal injury, property damage and clinical claims brought against certain State authorities, including Government Ministers and health enterprises.
- The SCA currently handles approximately 4,500 claims. The total outstanding reserve against all claims amounts to approximately €565 million, comprising:
 - Clinical Claims €449 million (79.5%)
 - Employer Liability/Public Liability/Property Damage (EL/PL/PD) €116 million (20.5%)
- Trends:
 - Since 2002 the number of EL claims has fallen by 84 per cent and the number of PL claims has fallen by 28 per cent.
 - However, the total number of active claims under SCA management has increased due to the delegation of additional categories of claims. The additional categories include claims related to hearing loss, trespass to the person and child sexual abuse.
- In total the SCA received 1,493 new claims and resolved 1,258 claims in 2007.



- As a result of a Supreme Court decision in November 2007 in an organ retention case, the SCA intends to close approximately 200 such cases against hospitals and State defendants.
- A comprehensive programme of EL /PL risk management initiatives was undertaken in 2007. This included:
 - certification audits of the health and safety management system in the Defence Forces;
 - risk reviews in An Garda Síochána and the Department of Agriculture and Food;

- the launch of the Irish Prison Service health and safety management system;
 - the establishment of a Risk Management Network for State authorities;
 - training courses and seminars for schools and Government departments.
- Key developments arising from the Clinical Indemnity Scheme Risk Management Service Plan for 2007 included:
 - the establishment of a Paediatric Forum, an Obstetrics Forum and a Healthcare-Associated Infections Forum;
 - the hosting of the annual meeting of the International Medication Safety Network;
 - provision of advice following analysis of closed claims;
 - training for risk managers in report generation and root-cause analysis.

National Pensions Reserve Fund

- The NPRF was established in April 2001 with the objective of meeting as much as possible of the costs of social welfare and public service pensions from 2025 onward. The NTMA was appointed as manager of the Fund for ten years until 2011.
- The Fund grew by €2.253 billion to €21.153 billion at end 2007 (€18.9 billion at end 2006). Investment returns added €637 million, or 3.3 per cent, while the Exchequer contributed €1.616 billion.
- The Fund's positive 3.3 per cent investment return compared with a negative 3.7 per cent for the average Irish managed pension fund. The Fund's annualised return to end 2007 stood at 6 per cent since inception.
- The Fund's value at end 2007 was equivalent to 13.1 per cent of GNP.
- At end 2007 the Fund held shares in over 2,500 quoted companies worldwide. It also held some 190 debt securities and had investments in 25 property investment vehicles, 26 private equity investment vehicles and 11 specialised investment products (including currency and emerging markets funds and commodity certificates).

NPRF Asset Allocation – 31 December 2007		
	€m	%
Large Cap Equity	14,080	66.6
Small Cap Equity	749	3.5
Emerging Markets Equity	430	2.0
Total Quoted Equity	15,259	72.1
Private Equity	403	1.9
Property	647	3.1
Commodities	286	1.3
Total Alternative Assets	1,336	6.3
Fixed Income	3,567	16.9
Currency Funds	165	0.8
Cash	826	3.9
Total Financial Assets	4,558	21.6
Total	21,153	100

New Activities

- Since June 2007, the NTMA has managed the foreign currency requirements - about €100 million per annum - of the Department of Foreign Affairs.
- The Health Act 2007 provided that the NTMA may, at the request of the Health Service Executive, manage moneys in patients' private property accounts on terms agreed with the HSE.
- The remit of the Central Treasury Service was extended in 2007 to include all non-commercial State bodies.

Asset Covered Securities

- Certain functions devolve on the NTMA under the Asset Covered Securities Act 2001. It receives an annual fee related to the volume of bonds issued by the designated institutions.
- During 2007, €12.2 billion of asset covered securities were issued in Ireland under the Act, bringing the total amount in issue to €72.2 billion.

Consultancy & International Relationships

- Other countries continue to consult the NTMA about its asset and liability management activities.

Human Resources

- Staff numbers in the National Treasury Management Agency grew from 130 to 151 during 2007. Recruitment occurred mainly in the State Claims Agency and in the National Development Finance Agency. In June 2008, the number of staff employed by the NTMA was 163.