



**National Treasury Management Agency**



National Development Finance Agency



National Pensions Reserve Fund



State Claims Agency

## **NATIONAL TREASURY MANAGEMENT AGENCY**

**Press Release**

**23 July 2009**

**Launch of Annual Reports for 2008**

**Summary of Activities**

[www.ntma.ie](http://www.ntma.ie)

## Overall

- The combined total of asset and liability portfolios managed by the NTMA at end-2008 amounted to more than €70 billion.
- The value of the NTMA's transactions in 2008 was €653 billion.

## National Debt

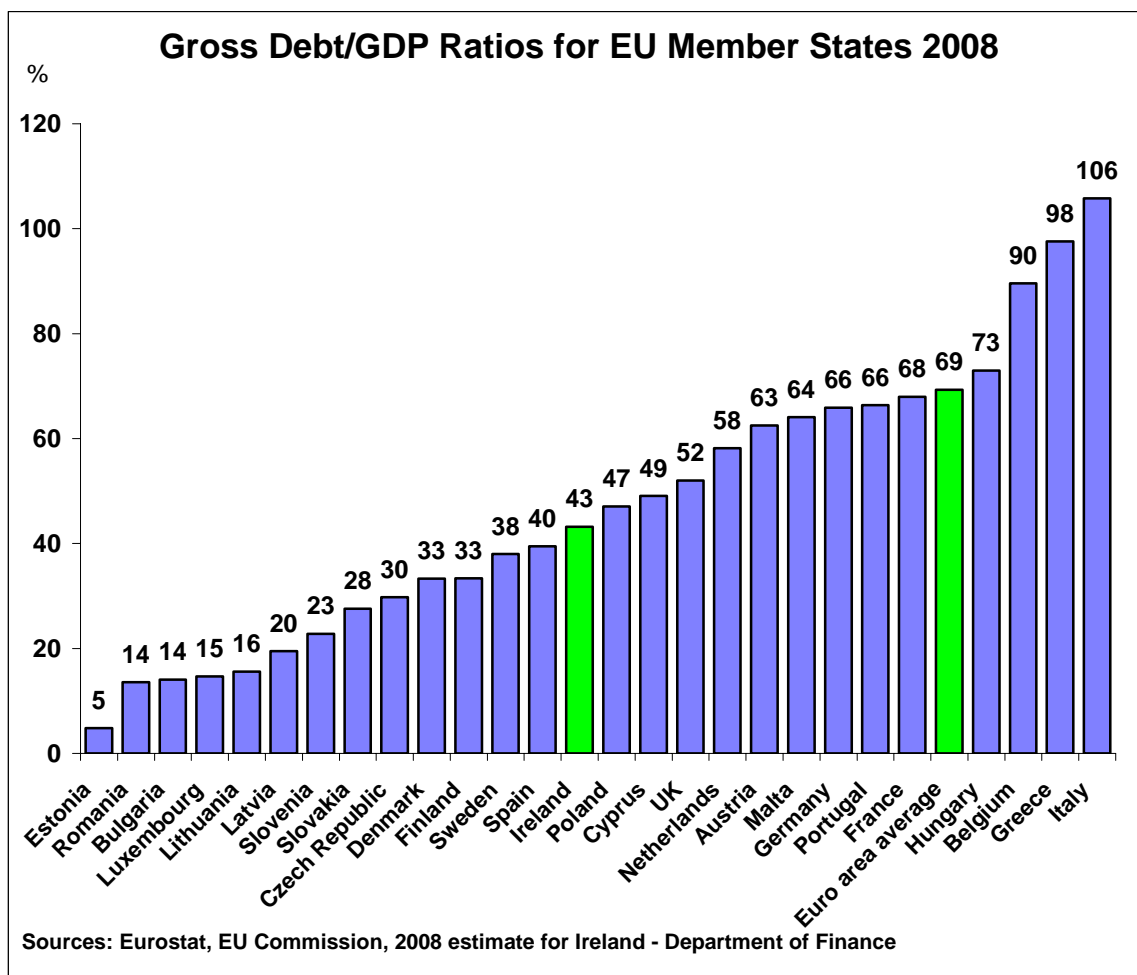
- The NTMA issued two new benchmark bonds in 2008:

Date	Bond	Sold €m	Yield	Transaction Type
8 April	4.4% Treasury Bond 2019	7,000	4.514%	Syndication - new bond
4 November	4% Treasury Bond 2011	4,000	4.028%	Syndication - new bond

Both deals were strongly oversubscribed, reflecting continued investor confidence in Irish Government debt.

- To date in 2009 the NTMA has raised €21.7 billion in the bond markets through three syndicated bond issues and five regular monthly bond auctions. This represents 87 per cent of the issuance target of €25 billion for the year. Four further bond auctions are scheduled for the months of August through November this year.
- The NTMA launched a new Treasury Bill programme in March 2009 for short-term funding purposes. To date €14 billion has been issued with maturities ranging from one to twelve months.
- The NTMA has also launched a new short-term borrowing Commercial Paper Programme in the United States. The first borrowings under this programme were made yesterday, 22 July, and \$1.2 billion was raised.
- The NTMA had cash balances of €21.4 billion coming into 2009. These balances which now stand at €25 billion ensure that the NTMA can time its longer term borrowings so as to avoid particularly turbulent conditions in the bond markets.
- During 2008 there were net inflows of €1.25 billion into the Retail Savings Schemes, which is double the highest annual level of inflows in any previous year since the establishment of the NTMA in 1990.
- In June 2009 the NTMA announced a €1 million prize to be awarded in the Prize Bond draw held on the last Friday of every month.
- The Exchequer Borrowing Requirement (EBR) for 2008 was €12.7 billion. As a result, the National Debt increased from €37.6 billion at end 2007 to €50.4 billion at end 2008. The National Debt/GNP ratio increased from 23.3 per cent at end 2007 to 32.2 per cent at end 2008.
- The General Government Debt/GDP ratio stood at 43.2 per cent at end 2008, up from 25 per cent at end 2007. This was well below the euro area average of 69.3 per cent. The General Government Debt measure does not allow the €21.4 billion in Exchequer cash balances (more than 10 per cent of GDP) to be offset against the gross position.

- Subtracting Exchequer cash balances from the gross debt would give a Debt/GDP ratio of around 33 per cent at end 2008. Deducting the value of the National Pensions Reserve Fund and other funds managed by the NTMA reduces the ratio further to 23 per cent.



- In April 2009 the European Commission published forecasts for gross Debt/GDP ratios to 2010 on a “no policy change basis”. Ireland is forecast to remain below the European average.

	2008	2009	2010
Belgium	89.6	95.7	100.9
France	68.0	79.7	86.0
Germany	65.9	73.4	78.7
Greece	97.6	103.4	108.0
<b>Ireland</b>	<b>43.2</b>	<b>59.0</b>	<b>73.0</b>
Italy	105.8	113.0	116.1
Netherlands	58.2	57.0	63.1
Portugal	66.4	75.4	81.5
Spain	39.5	50.8	62.3
UK	52.0	68.4	81.7
<b>Euro Area</b>	<b>69.3</b>	<b>77.7</b>	<b>83.8</b>

Source: European Commission, Ireland ratios updated per Supplementary Budget 2009. The Ireland ratios per the European Commission were: 2008–43.2%; 2009–61.2%; 2010–79.7%.

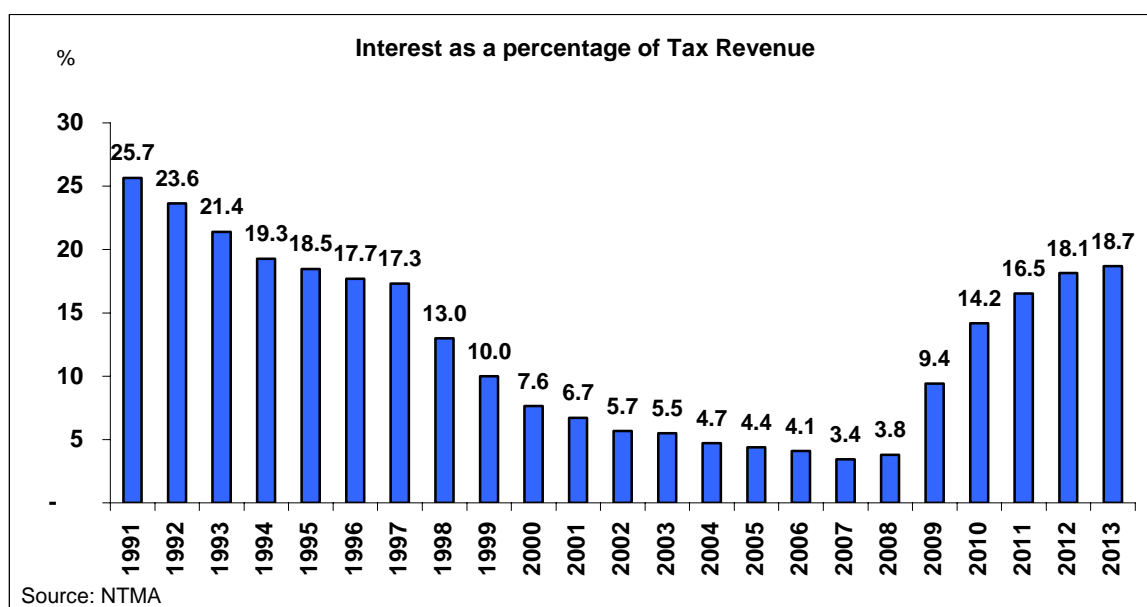
- Forecast debt ratios for 2009–2013 are set out below, along with adjustments for the net cash position:

Year	2009	2010	2011	2012	2013
Gross Debt/GDP*	59%	73%	78%	79%	77%
Cash balance/GDP	12%	12%	10%	7%	4%
Net ratio	47%	61%	69%	72%	73%

\*Source: Department of Finance, Supplementary Budget 2009

These estimates do not include any adjustment in respect of debt issued in connection with the proposed National Asset Management Agency. However, based on the Eurostat decision of 15 July on the statistical recording of public interventions to support financial institutions and financial markets during the financial crisis, it is possible that NAMA may be classified as being outside the government sector and its liabilities may be “off balance sheet”.

- Total debt service costs in 2008 were €391 million below budget. In 2007 debt service savings of €358 million were achieved.
- Interest payments on the debt were 3.8 per cent of tax revenue in 2008; the equivalent figure was 26.7 per cent when the NTMA was established in 1990. In 2009 the forecast is for 9.4 per cent of tax revenue, reflecting higher interest costs on a larger debt and lower tax revenues. While the interest burden will increase substantially over the period 2009–13, it will be no greater than the levels experienced in the mid-1990s.



- Supplementary Budget 2009 forecasts a 2009 EBR of just over €20 billion (including contributions to the National Pensions Reserve Fund of €3 billion). In addition a €5 billion bond fell due for repayment in April 2009, giving a total of €25 billion to be raised. Details of the funding to date in 2009 through a combination of new syndicated benchmark bond issues and auctions of existing bonds are as follows:

Date	Bond	Sold €m	Yield	Transaction Type
8 January	4% Treasury Bond 2014	6,000	4.069%	Syndication - new bond
25 February	3.9% Treasury Bond 2012	4,000	4.010%	Syndication - new bond
24 March	4% Treasury Bond 2011	390	3.459%	Auction - existing bond
	4½% Treasury Bond 2020	910	5.808%	Auction - existing bond
21 April	4% Treasury Bond 2014	300	4.200%	Auction - existing bond
	4½% Treasury Bond 2018	758	5.082%	Auction - existing bond
19 May	4% Treasury Bond 2014	310	3.898%	Auction - existing bond
	4.4% Treasury Bond 2019	700	5.189%	Auction - existing bond
16 June	3.9% Treasury Bond 2012	650	3.056%	Auction - existing bond
	4.6% Treasury Bond 2016	650	4.755%	Auction - existing bond
23 June	5.9% Treasury Bond 2019	6,000	5.932%	Syndication - new bond
21 July	3.9% Treasury Bond 2012	300	2.575%	Auction - existing bond
	4% Treasury Bond 2014	700	3.785%	Auction - existing bond
	<b>TOTAL</b>	<b><u>21,668</u></b>		

- Following the bond auction this week, the NTMA has substantially completed its funding requirement for 2009 and 87 per cent of the target for bond issuance of €25 billion has now been raised. Four further monthly bond auctions are scheduled for August through November 2009.
- Around 83 per cent of the National Debt carries fixed rates of interest. The balance mainly relates to the retail savings schemes and commercial paper programmes. The high level of fixed interest debt is a result of the policy of locking in long-term borrowing at historically low levels of interest, protecting the Exchequer against the effects of rising interest rates.
- Exchange rate risk in economic terms has been eliminated from the National Debt, as all of the debt is now denominated in, or swapped into, euro.
- International investors hold 82 per cent of Irish Government bonds. This compares with 22 per cent at end 1998, before the introduction of the euro.
- During 2009 three of the credit rating agencies (Moody's, Fitch and R&I) reduced Ireland's long-term rating by one notch from the triple A level, while Standard and Poor's reduced it by two notches. All the agencies have a negative outlook on the long-term rating. Ireland still has the top short-term rating with a stable outlook from all four agencies.

Rating Agency	Long-Term	Outlook	Short-Term	Outlook
Moody's	Aa1	Negative	P-1	Stable
Standard & Poor's	AA	Negative	A-1+	Stable
Fitch Ratings	AA+	Negative	F1	Stable
Ratings & Investment Information	AA+	Negative	a-1+	Stable

## Other NTMA Financial Activities

- The Government has announced plans for a Credit Institutions Financial Support Scheme to ensure that participating institutions have access to stable long-term funding from the capital markets so that they can discharge their central role of lending to the economy of the State. Under the scheme, participating institutions may apply to the Minister for Finance for certain securities to be guaranteed by the Minister. The NTMA will operate the scheme on behalf of the Minister.
- The NTMA manages the balance in the Exchequer Account at the Central Bank of Ireland. The 2008 turnover on cash management operations was €310 billion, while the average daily transaction size was €766 million. The NTMA built up end-year Exchequer balances to €21.4 billion, ensuring ample liquidity for early 2009. Exchequer cash balances currently stand at around €25 billion.
- The NTMA operates the Central Treasury Service (CTS), providing non-commercial State bodies with a competitive alternative to the banking sector for both borrowing and lending. An average of €44 million in loans to local authorities was outstanding during 2008; CTS customers had an average of €208 million placed on deposit with the NTMA.
- The NTMA manages the assets of the Social Insurance Fund (€2.9 billion at end 2008), the Dormant Accounts Fund (€151 million) and the Education Finance Board Fund (€6.9 million).
- The NTMA borrows on behalf of the Housing Finance Agency. These borrowings averaged €3.9 billion in 2008. Turnover was €60 billion.
- 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. In 2008 the NTMA purchased 3.455 million carbon units which were delivered into the NTMA's Irish Registry account at the Environmental Protection Agency. The NTMA also contracted for 900,000 units to be delivered in 2009.

## National Asset Management Agency

- The Government has announced that it intends to establish a National Asset Management Agency (NAMA) which will operate as an independent commercial entity under the aegis of the NTMA. The objective is to enable the supply of credit to the economy to resume; this will be done by transferring certain impaired assets from the financial institutions to NAMA in order to clean up the banks' balance sheets.
- NAMA will buy property-related loans from the covered banks at an appropriate discount and will pay for them by the issue of Irish government securities directly to the banks or by securities issued by NAMA and guaranteed by the Minister for Finance. It is expected that these securities will be "off balance sheet" and thus will not count as government debt.
- The Government will publish the enabling legislation shortly.

## 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.
- In 2008 the Fund experienced its most challenging year yet as the credit crunch escalated into the most serious financial and economic crisis since the 1930s. The investment return was -30.4 per cent, reducing annualised return since inception to 0.5 per cent from 6.1 per cent at end 2007. The Fund's market value at end 2008 was €16.1 billion.
- In 2009, under the direction of the Minister for Finance, the Fund invested a total of €7 billion to recapitalise Allied Irish Banks and Bank of Ireland. These transactions were funded by €4 billion from the Fund's existing resources and by €3 billion from a frontloading of the Exchequer contributions to the Fund for 2009 and 2010.
- The Fund secured a return of 1.3 per cent for the first six months of 2009, bringing its annualised performance since inception to 0.6 per cent. At 30 June 2009 the Fund's value stood at €19.4 billion.

## 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.
- At end-June 2009 the SCA had approximately 4,140 claims under management. The total outstanding contingent liability against all active claims was approximately €658 million, broken down as follows:

Clinical Claims	€566 million (86%)
Employer Liability, Public Liability & Property Damage Claims (EL/PL/PD)	€92 million (14%)

- Claims activity in 2008:

Claim Category	New Claims Received	Claims Resolved
Clinical Claims	466	545
EL/PL/PD Claims	1,288	1,178
Total	1,754	1,723

- There has been a significant decline in EL and PL claim volumes associated with incidents that have occurred since the SCA was established. Since 2002, the number of EL claims has fallen by 78 per cent and the number of PL claims has fallen by 38 per cent.

## National Development Finance Agency

- The NDFA was established on 1 January 2003 to provide financial advice to State authorities undertaking major infrastructure projects. The NDFA also has full responsibility for the procurement and delivery of certain Public Private Partnership (PPP) projects.
- To date 129 projects have been referred to the NDFA for financial advice. The NDFA is currently working on over 50 active projects. The NDFA is the designated procurement authority for ten of the 129 projects referred to above.
- The DART Underground urban rail project was the most significant infrastructure project referred to the NDFA for financial advice in 2008. Córas Iompair Éireann (CIE) is the procurement body for this project. During 2008 the NDFA also provided financial advice on Metro North, Motorway Service Areas, Thornton Hall Prison and a number of projects in the waste and water sectors.
- The first bundle of schools referred to the NDFA for procurement reached financial close in March 2009. Construction works have commenced, and all four schools are due to be completed by September 2010.
- The NDFA is currently engaged in the procurement and pre-procurement of a wide variety of PPP projects including the following, all of which made significant progress during 2008:
  - Schools Bundles 2 and 3;
  - Third Level Education PPP Programme;
  - National Concert Hall;
  - Bundle of Courthouses; and
  - National Plan for Radiation Oncology.

## Consultancy & International Relationships

- Other countries continue to consult the NTMA about its asset and liability management activities. In May 2008 the NTMA chaired the International Retail Debt Management Symposium hosted by the World Bank.

## Human Resources

- Staff numbers in the National Treasury Management Agency grew from 151 to 170 during 2008. Recruitment occurred mainly in the State Claims Agency and in the National Development Finance Agency. In June 2009 the number of staff employed by the NTMA was 168.