



National Treasury Management Agency

IRELAND: 5% GROWTH IN SLUGGISH WORLD

Government debt ratio falling, fastest growing in euro area

September 2015

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SUMMARY



Ireland's bond yields near record lows – in part because of huge structural turnaround

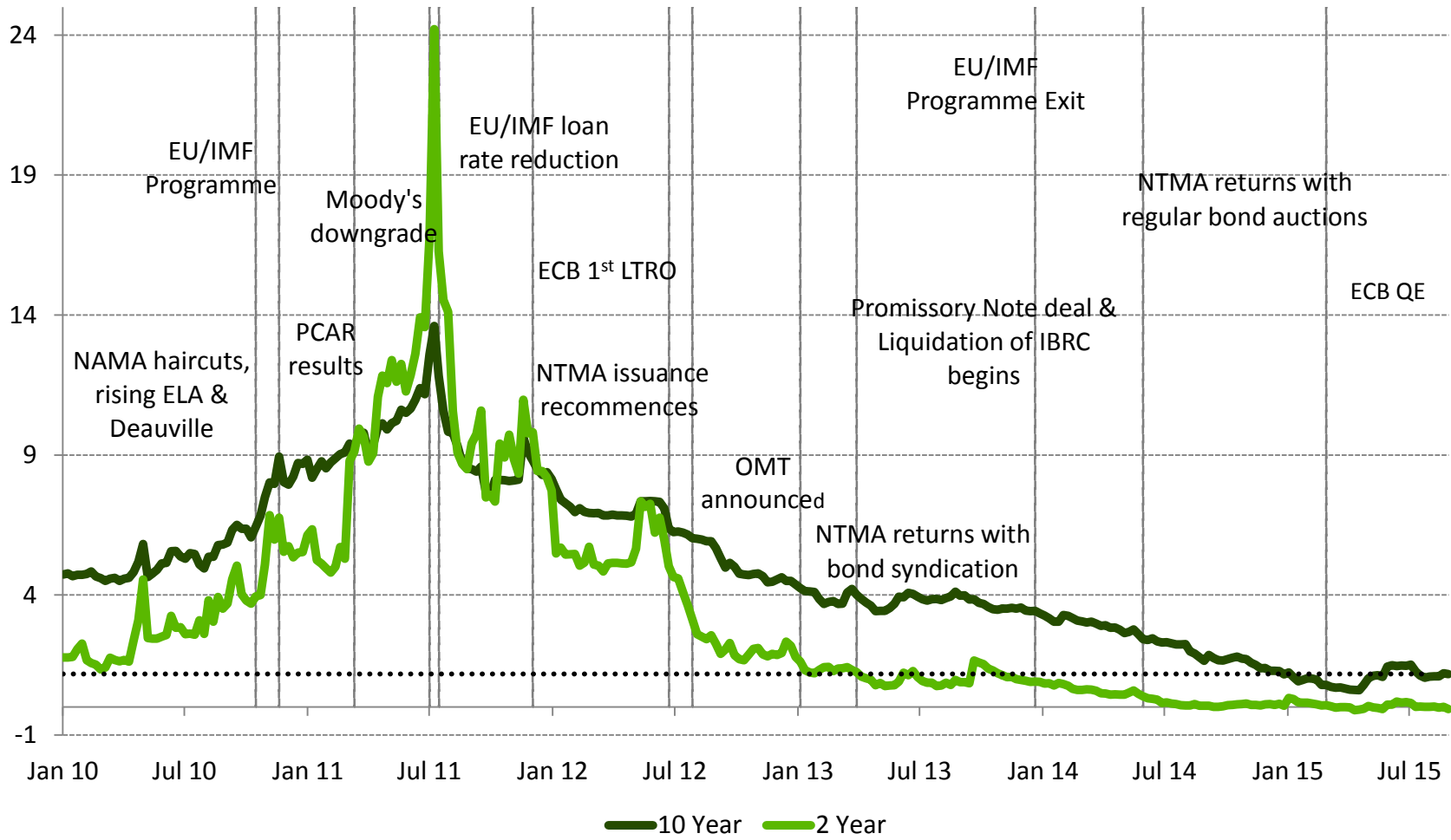
Ireland set for further outperformance in 2015

- **Government likely to beat 2015 deficit target & post 5-year track record**
 - ▶ To end-August 2015, tax revenue has beat expectations thanks to the improving economy. Deficit likely to be c. -2.0% of GDP; well ahead of the EC target (-2.9%).
 - ▶ The General Government deficit was -4.0% of GDP in 2014; compared with the EC limit of -5.1% (Ireland outperformed the EC target in every year 2011-14).
- **Ireland is growing faster than every other euro area country**
 - ▶ Ireland's economy grew by 5.2% and 5.4% in 2014 in real and nominal terms respectively. Q1 and Q2 2015 saw further strong growth (2.1% and 1.9% q-o-q real).
 - ▶ Investment is recovering from a low base. The trade-weighted depreciation of the euro and the drop in the oil price have led to rapid growth this year.
 - ▶ Unemployment is falling but the pace of improvement has slowed a little. The rate was 9.5% in August 2015, down from the crisis peak of 15.1% in Q1 2012.
- **Gross Government debt fell to 108% of GDP in 2014, down from 120%**
 - ▶ Net Government debt was around 88% of GDP by end-2014 because Ireland has large financial assets: cash, fixed income securities in banks and the Ireland Strategic Investment Fund (ISIF). The Minister for Finance has stated that debt repayment will follow sales of equity stakes in Irish banks and the distribution of the IBRC surplus.
 - ▶ NAMA – the State workout bank set up in the crisis - has indicated that it is likely to make a profit of at least €1bn on wind-up if conditions remain favourable.

State has successfully tapped the market in 2015

- **100% of 2015 funding completed; some pre-funding for 2016 to do**
 - ▶ Ireland is prefunded for 2015: it issued throughout 2014 at record low yields.
 - ▶ The NTMA planned to issue €12-15bn worth of long term bonds in 2015 to pre-fund for 2016 and to finance early IMF repayments: €12bn has been issued.
- **The NTMA completed the early repayment of IMF loans in 2015**
 - ▶ A total of €18bn worth of loans was re-financed during Q4 2014 - Q2 2015.
 - ▶ The total interest cost savings could exceed €1.5bn (0.8% of GDP) over 5 years.
 - ▶ The NTMA raised €3.75bn through the syndicated sale of a new benchmark 15-year bond in November 2014. The funds were raised at a yield of 2.487%.
 - ▶ Then in January 2015, it sold a €4bn 7-year bond via syndication (yield 0.87%)
 - ▶ The NTMA issued its first 30-year bond in February, bringing in another €4bn. The yield was 2.088%. A further auction of €1bn of the 2045 bond took place in March, when the yield dropped to 1.31%. The NTMA also sold 7-year bonds in May and 15-year bonds in June and September.
- **Investor base has strengthened**
 - ▶ A 95% share of the February syndication was bought by international investors, led by the UK (29%), Germany (24%) and the US (7%).
 - ▶ Among investor categories, the bias of the deal was to real money: asset managers (45%), fund mgers. (15%), pension/ insurance (12%) and banks (11%).

Ireland's happy bond market story has lots of milestones



Source: Bloomberg (weekly data)



Trend is upwards in Ireland's sovereign credit ratings

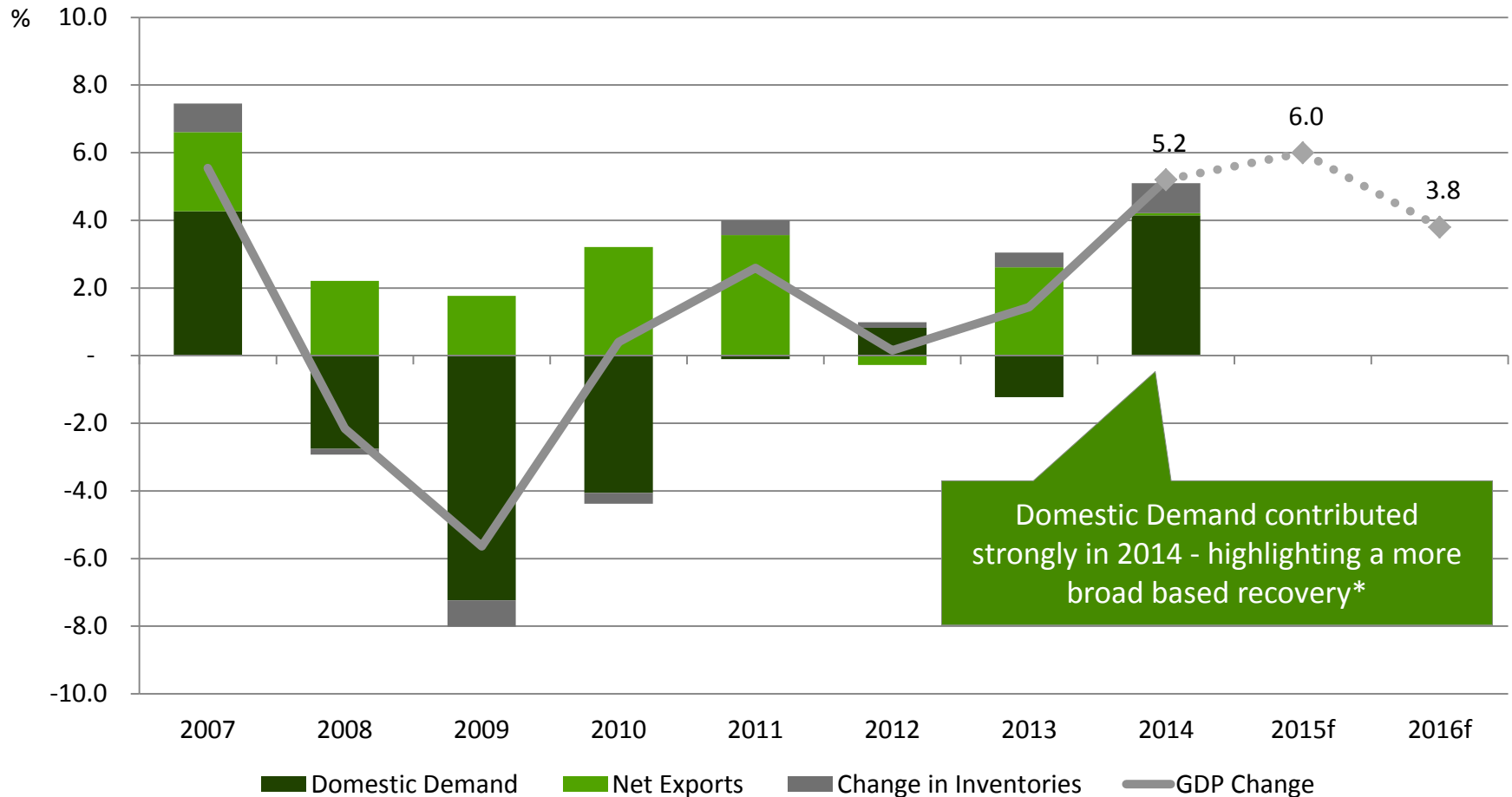
Rating Agency	Long-term	Short-term	Outlook/Trend	Date of last change
Standard & Poor's	A+	A-1	Stable	June 2015
Fitch Ratings	A-	F1	Positive	Aug. 2015
Moody's	Baa1	P-2	Positive	Sept. 2015
DBRS	A	R-1 (low)	Positive	Sept. 2015
R&I	A-	a-1	Stable	Dec. 2014

SECTION 1: MACRO



Recovery has continued in 2015; Unemployment has dropped sharply from a peak of 15.1% of the labour force to 9.5% in August 2015

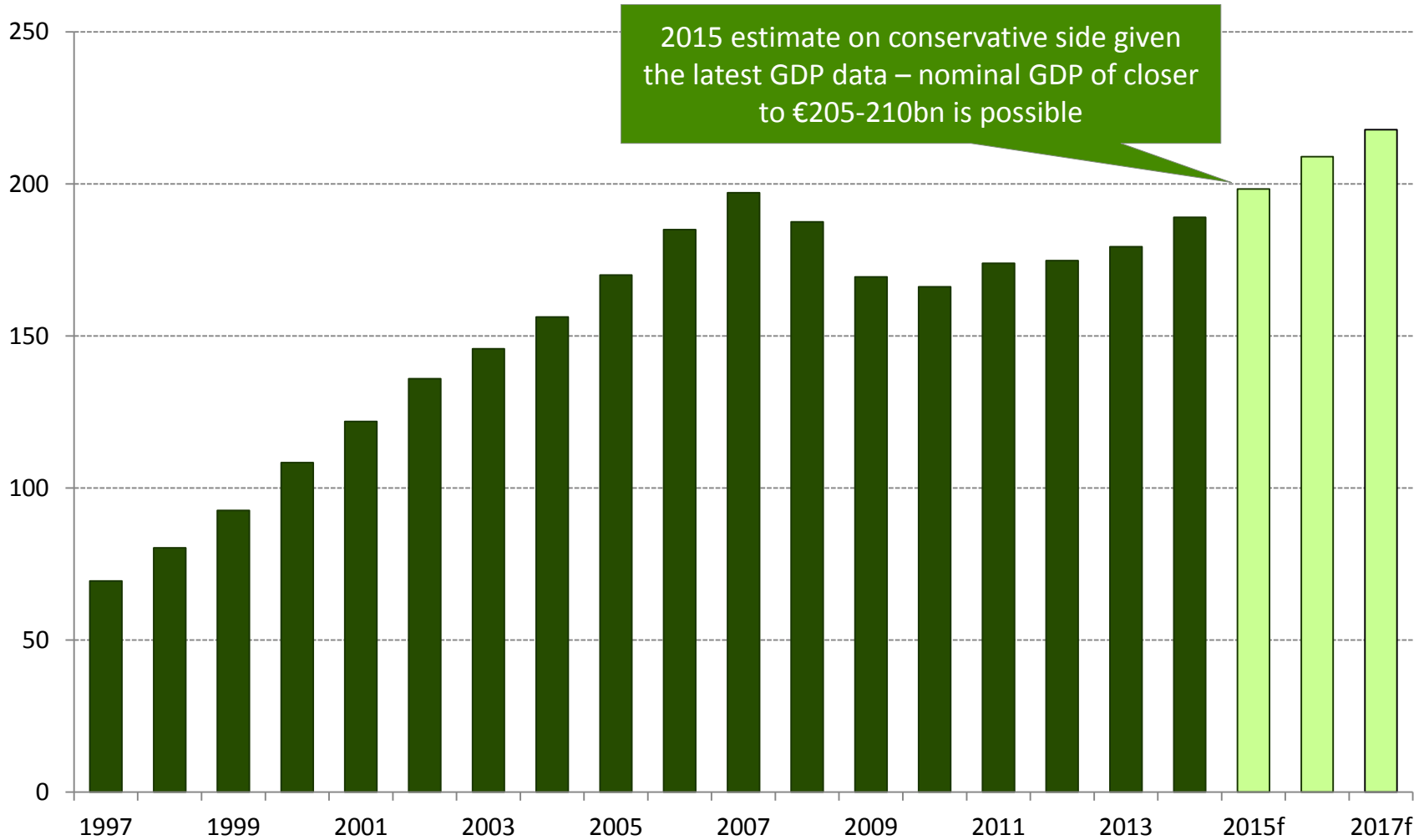
Personal consumption and investment drove 5.2% GDP growth in real terms in 2014



Source: CSO; Department of Finance (forecasts Sept 2015); NTMA workings

* The new accounting methodology surrounding aircraft trade exaggerates the contribution from domestic demand. Excluding aircraft trade, the contribution is closer to two-thirds of GDP growth. Please see slide 28 for more details.

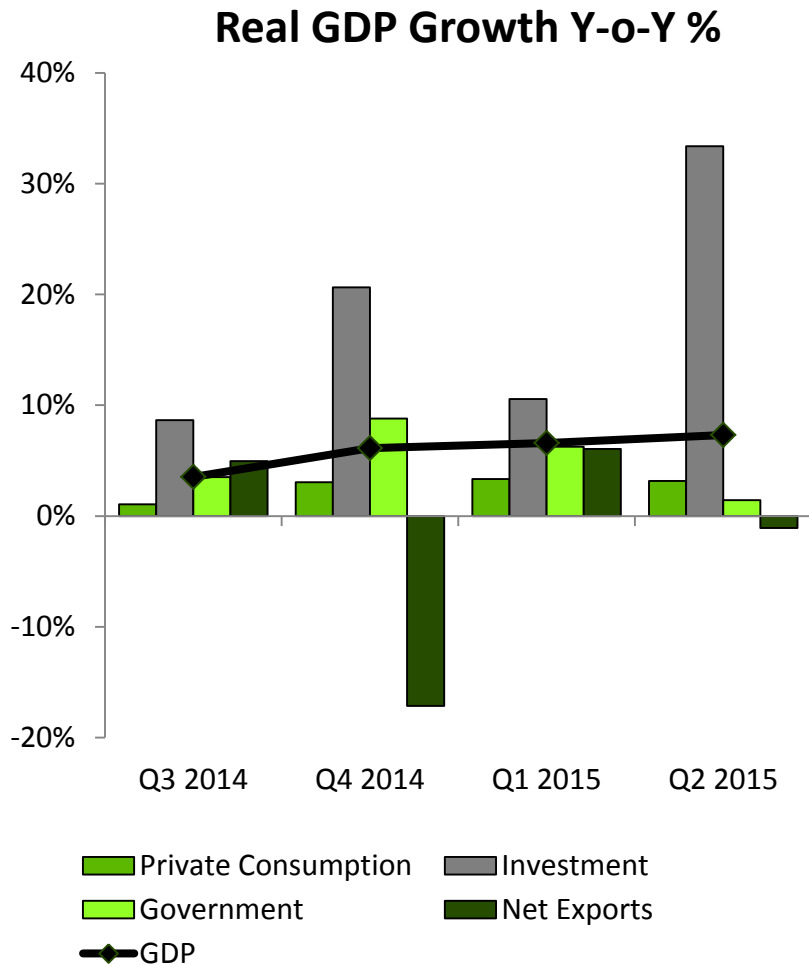
Nominal GDP (€bn) forecasted to exceed pre-crisis peak in 2015 – real GDP is already above peak



Source: CSO; Forecasts from Department of Finance (SPU April 2015)



Growth remained strong in H1 2015, after similar growth in H2 2014

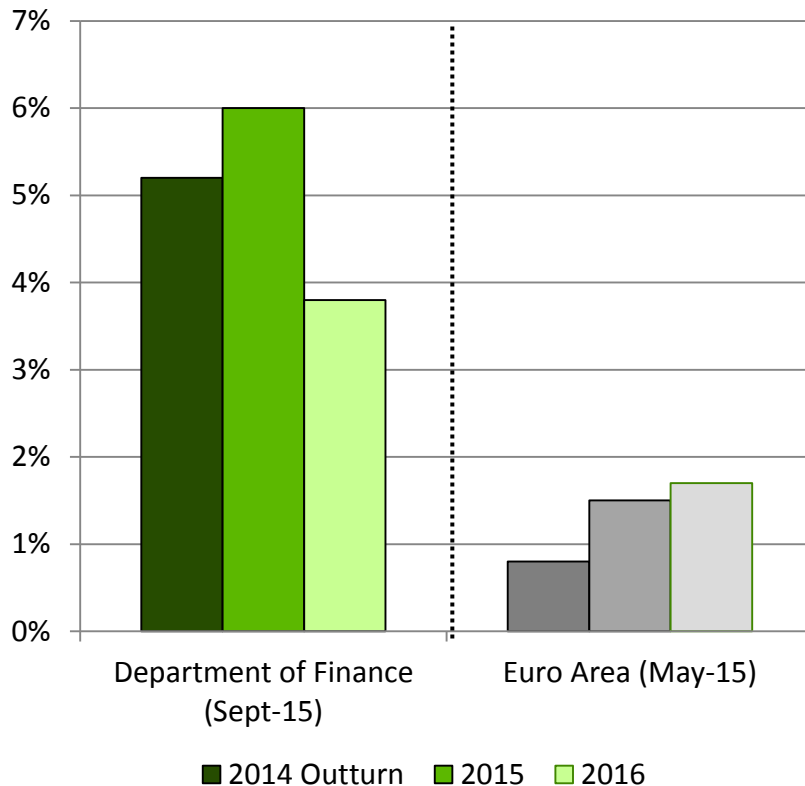


Source: CSO; NTMA workings

- 5.2% real GDP growth for 2014 – above the Government’s last-dated growth forecast of 4.7%.
- Q-Q real growth outturn for Q2 2015 was 1.9%, while CSO revised Q1 2015 growth upwards to 2.1% also.
- Investment was the driver in Q2, after being subdued in Q1 2015.
- Personal consumption is now a key driver of growth (up 2.7% to Q2 2015). Revisions to the data have shown consumption has played a larger role than previously thought.
- Net exports rebounded in Q1 2015 - the weaker euro boosted exports as expected.

Ireland's economy outperformed the euro area in 2014 and expected to do so again in 2015/16

Real GDP Y-o-Y growth rates



Source: Department of Finance; Euro area forecasts based on EU Commission projections.

The composite PMI is a strong leading indicator for Irish GDP growth

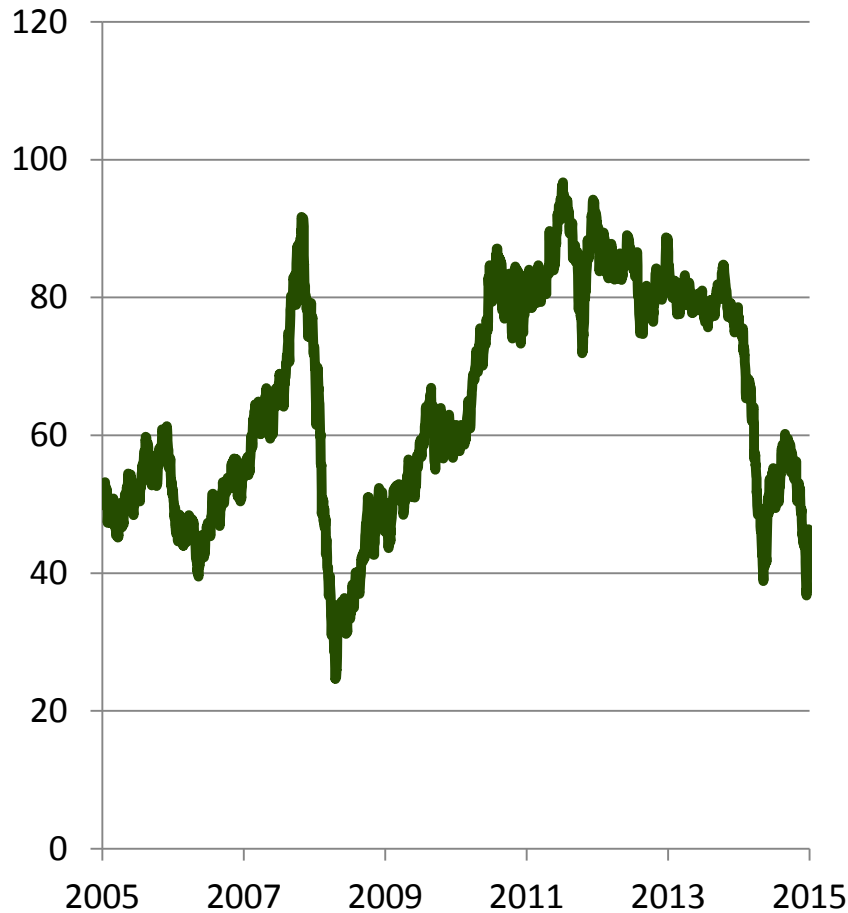


Source: CSO; Markit



External factors such as energy prices and weaker euro likely to continue to boost GDP growth in 2015

Brent Oil €/Barrel



Source: Bloomberg

Real Harmonised Competitiveness Indicator



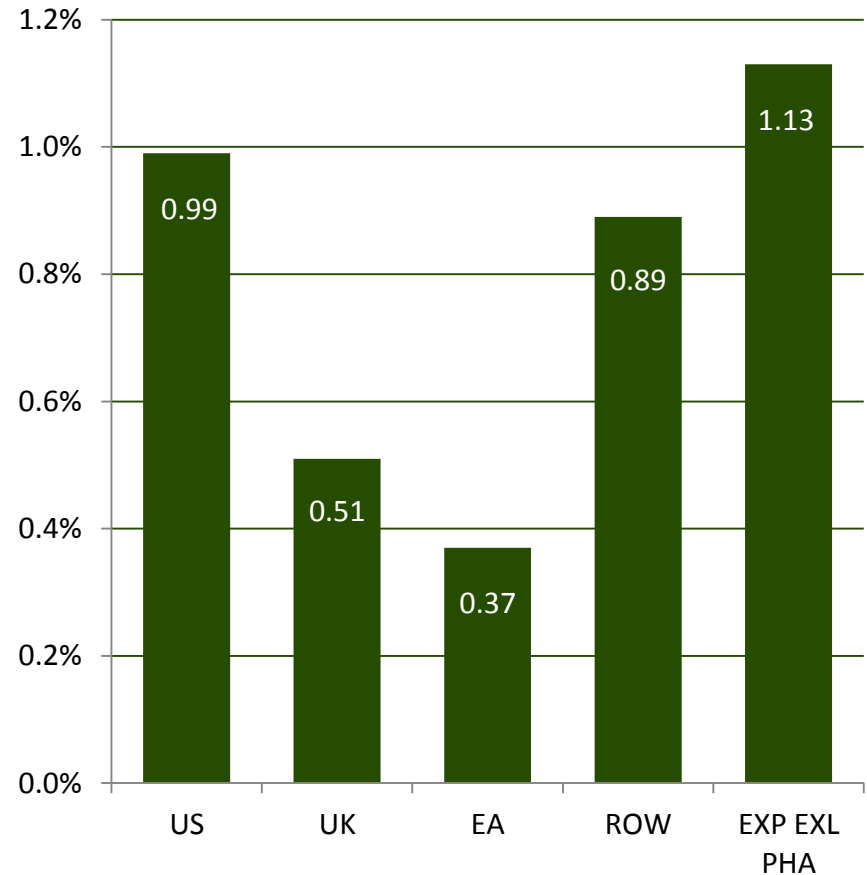
Source: CBI , NTMA workings



Ireland's goods exports respond vigorously to euro depreciation; GDP higher thanks to openness

- A 1% depreciation of the euro increases Irish goods exports to the US by 1%
- The equivalent response for exports to the UK is 0.5% and to the rest of world is 0.9%
- The EUR/USD exchange rate has a positive effect (elasticity of 0.37) on Irish goods exports to the euro area, due to Ireland-based multinational companies' exports to EA for onward sale to the rest of the world
- The elasticity of total goods exports excluding pharma to the exchange rate >1

Response of Irish goods exports to 1% depreciation of the euro

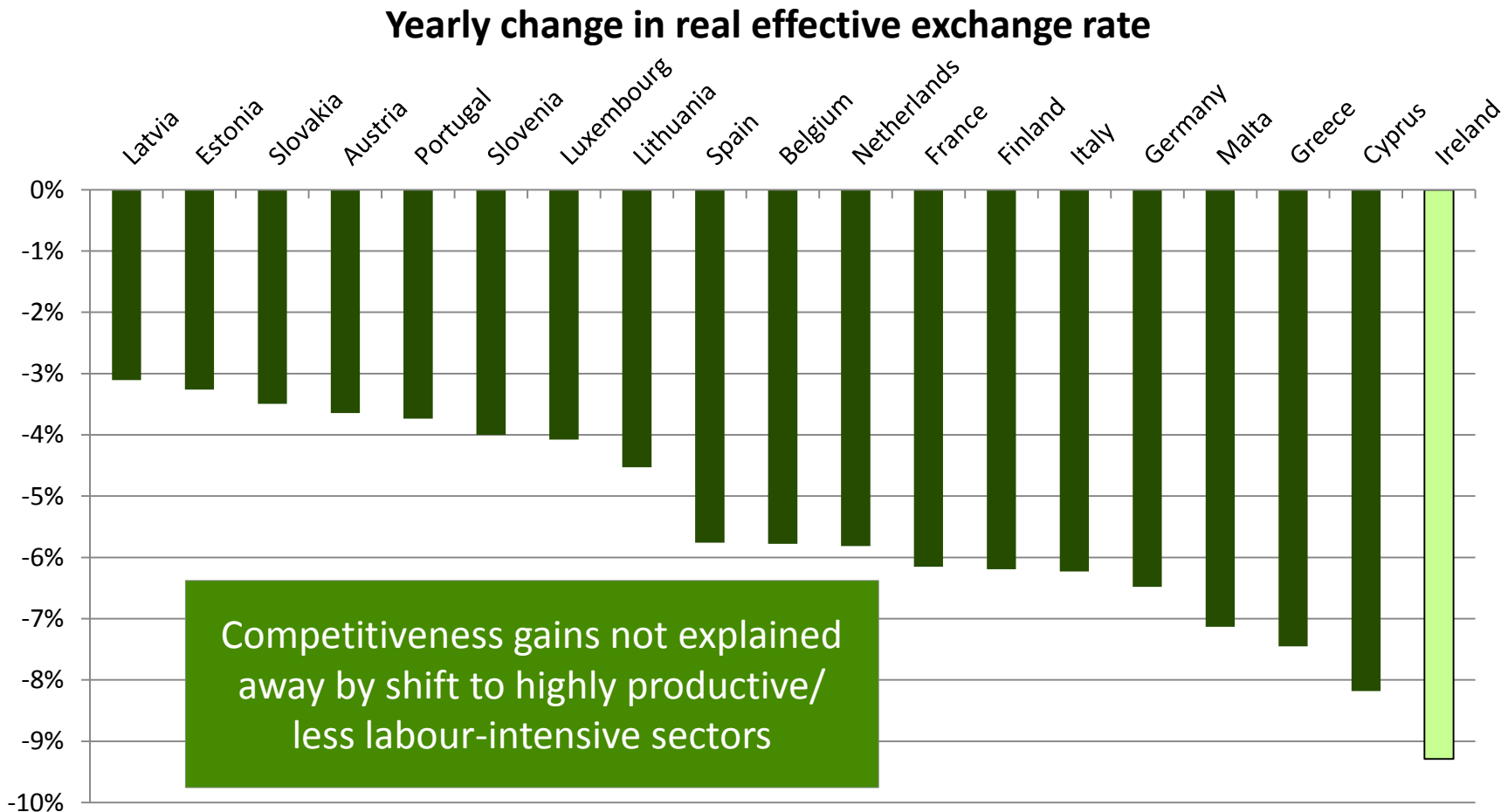


Source: CSO; NTMA empirical analysis

Note: All coefficients significant at 99% level



Ireland has benefited the most in the euro area from the recent euro depreciation



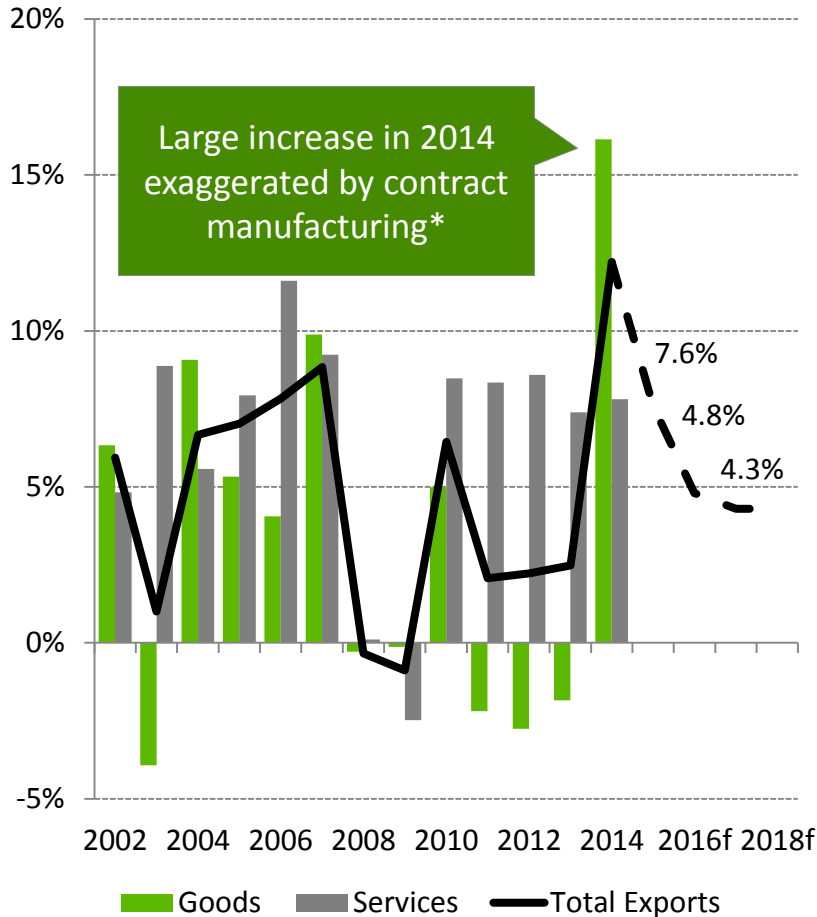
Source: Bruegel - 'Real effective exchange rates for 178 countries: a new database'

Note: REERs cover business sector excluding agriculture, construction and real estate activities and are calculated against 30 trading partners using fixed weights from Q1 2008. Data available to **May 2015**. See [Darvas, Z \(2012\)](#) for more details.

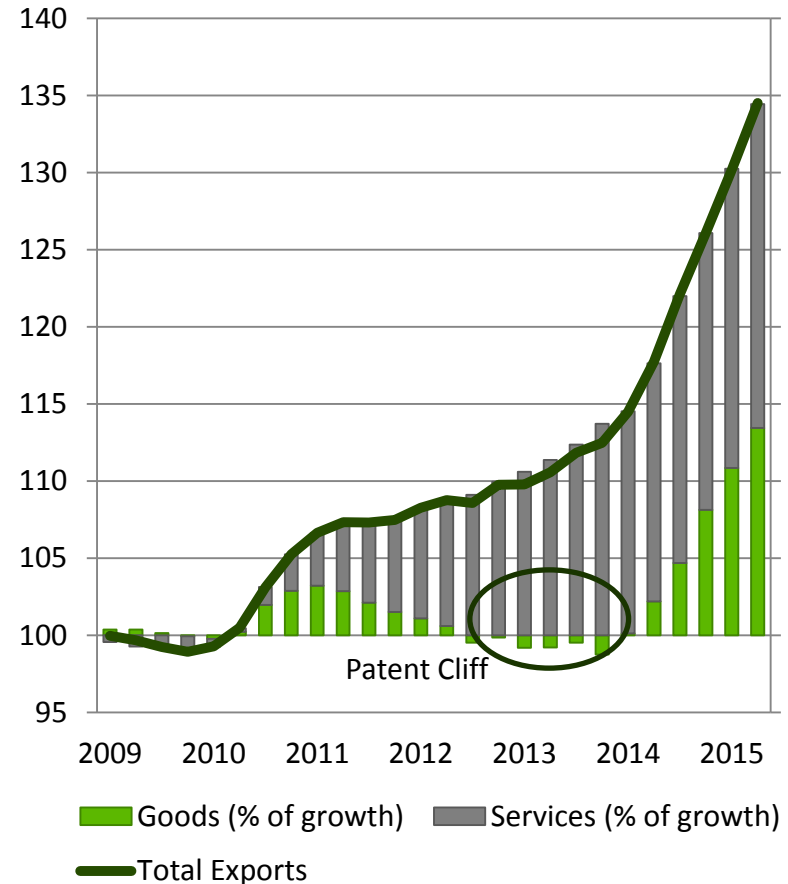


Services exports have driven export performance post-crisis

Year-on Year growth rates



Cumulative post-crisis exports (4Q sum to end-2008 = 100)



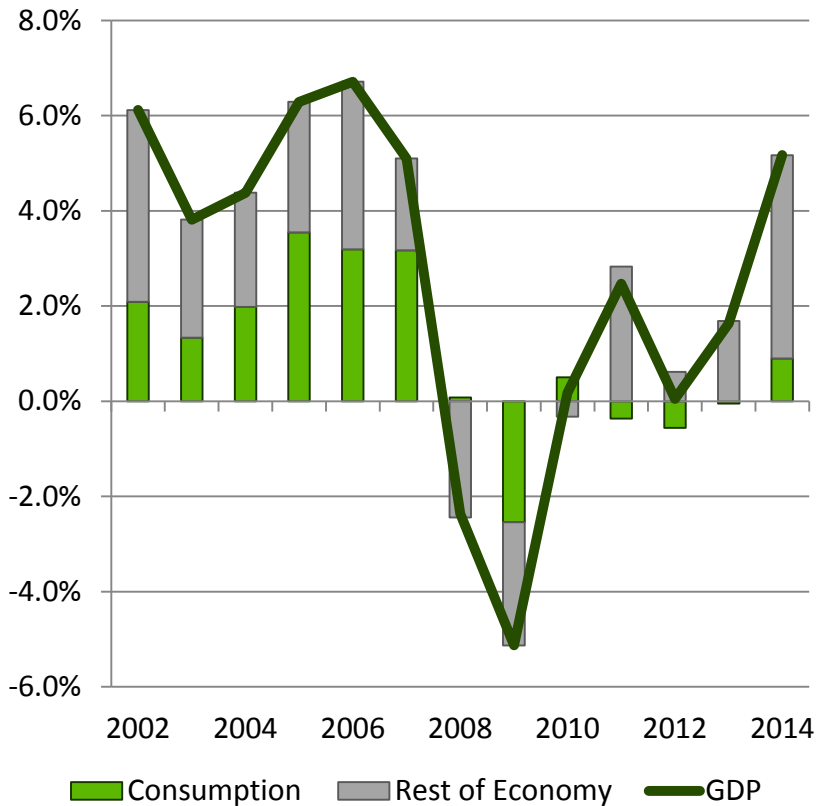
Source: CSO, forecasts from the Department of Finance (SPU April 2015), NTMA calculations

* For discussion on contract manufacturing and its limited effects on Ireland's National Accounts, please see [here](#).

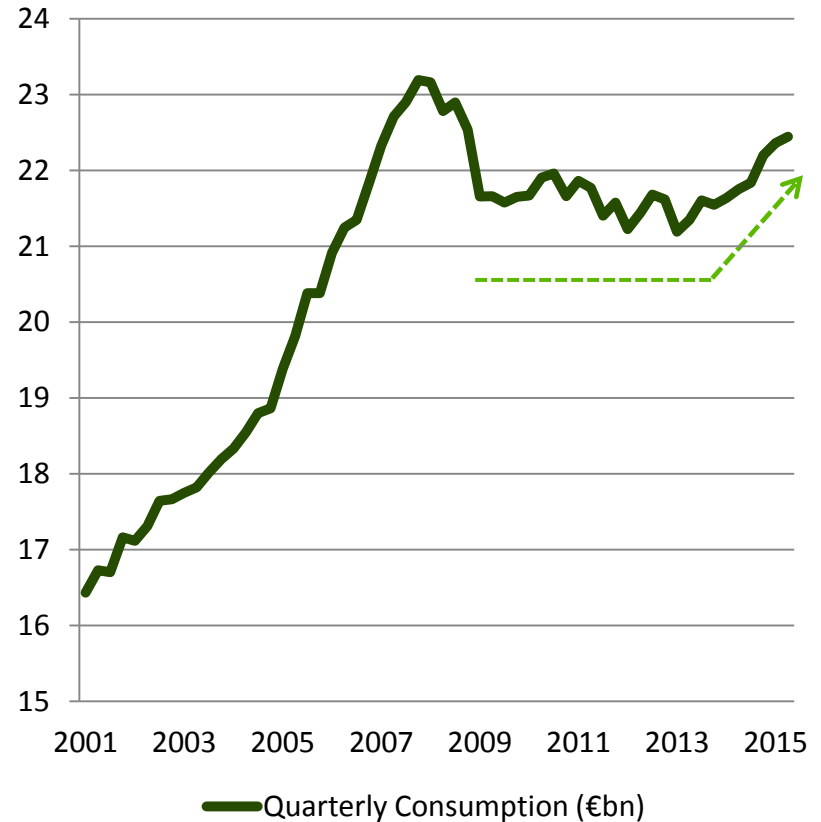


Consumption is slowly recovering

Consumption contributed positively to GDP growth in 2014 - first time since 2010



6 consecutive quarters of positive q-o-q growth for the volume of consumption

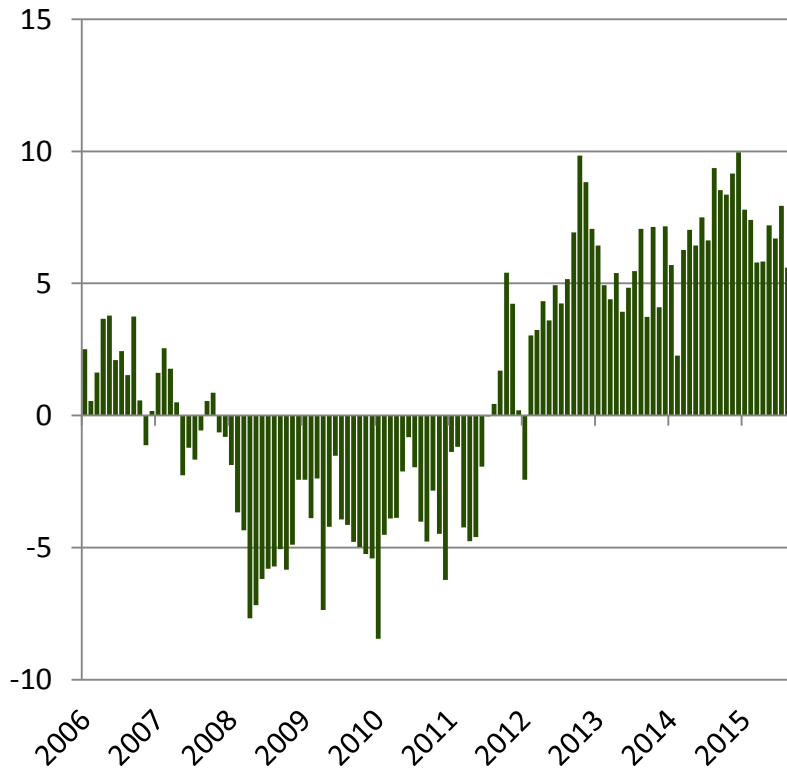


Source: CSO, NTMA calculations

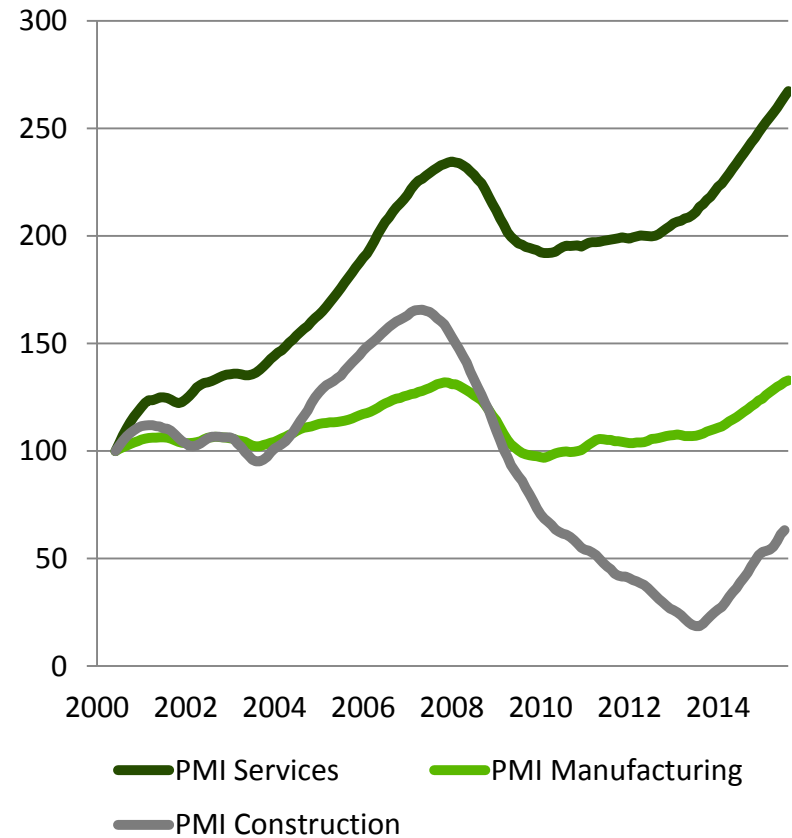


High frequency indicators show Ireland's uniform recovery is much stronger than euro area's

Ireland growing faster than EA PMI composite difference (pts.)



All sectors growing (PMI chg. as cumulative index level, June 2000=100)

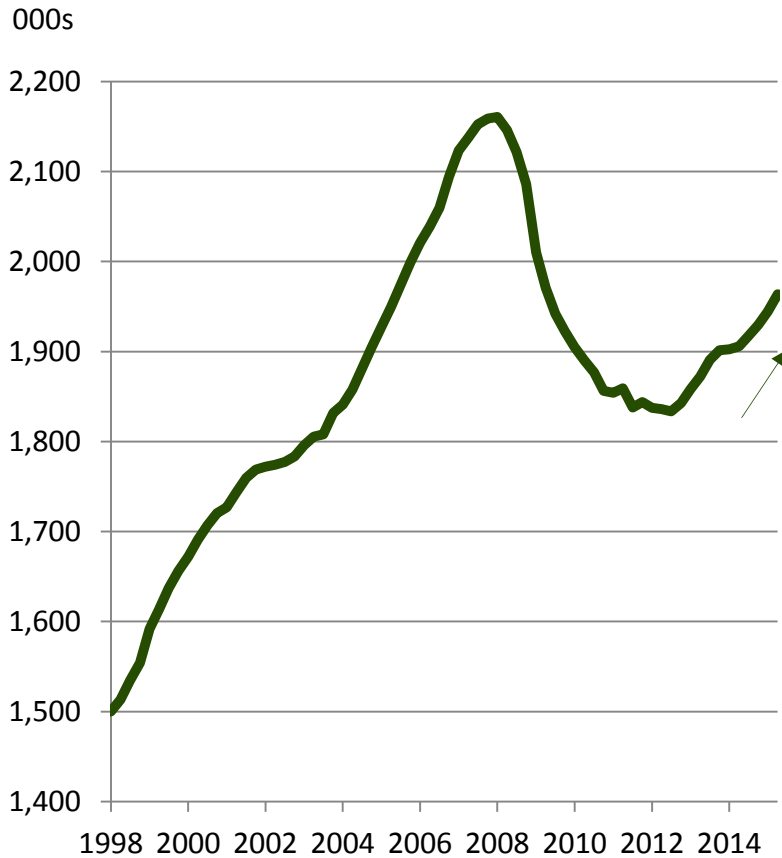


Source: Markit; Bloomberg; Investec ; NTMA workings



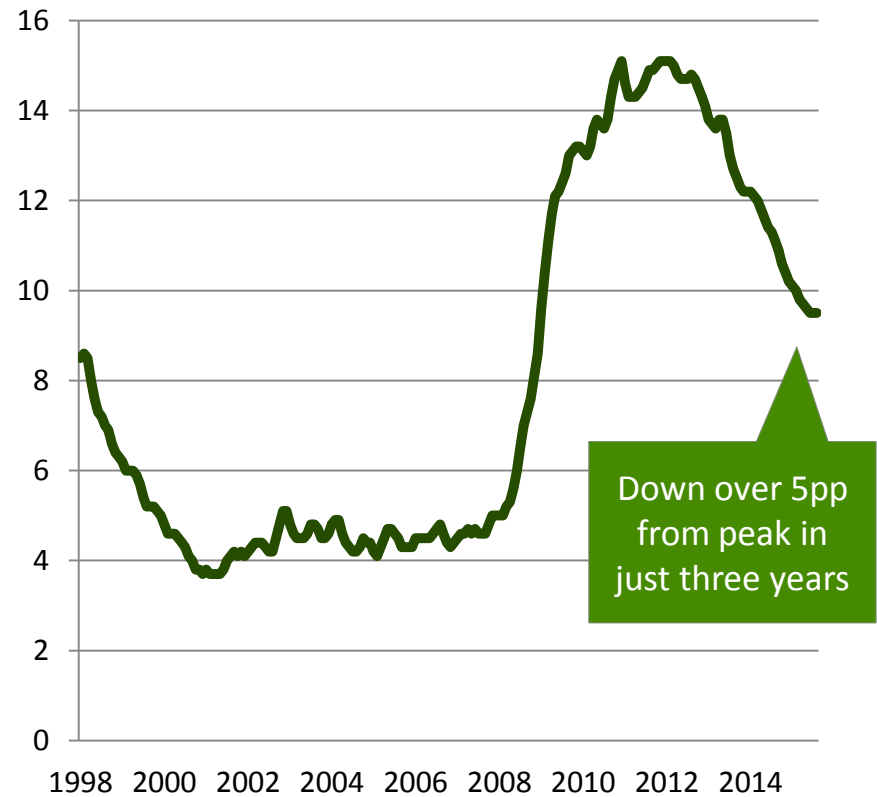
Labour market has recovered since 2012, though employment growth rate slowed

Employment up 6% from cyclical low



Source: CSO

Unemployment rate down to 9.5% in August 2015



Down over 5pp from peak in just three years





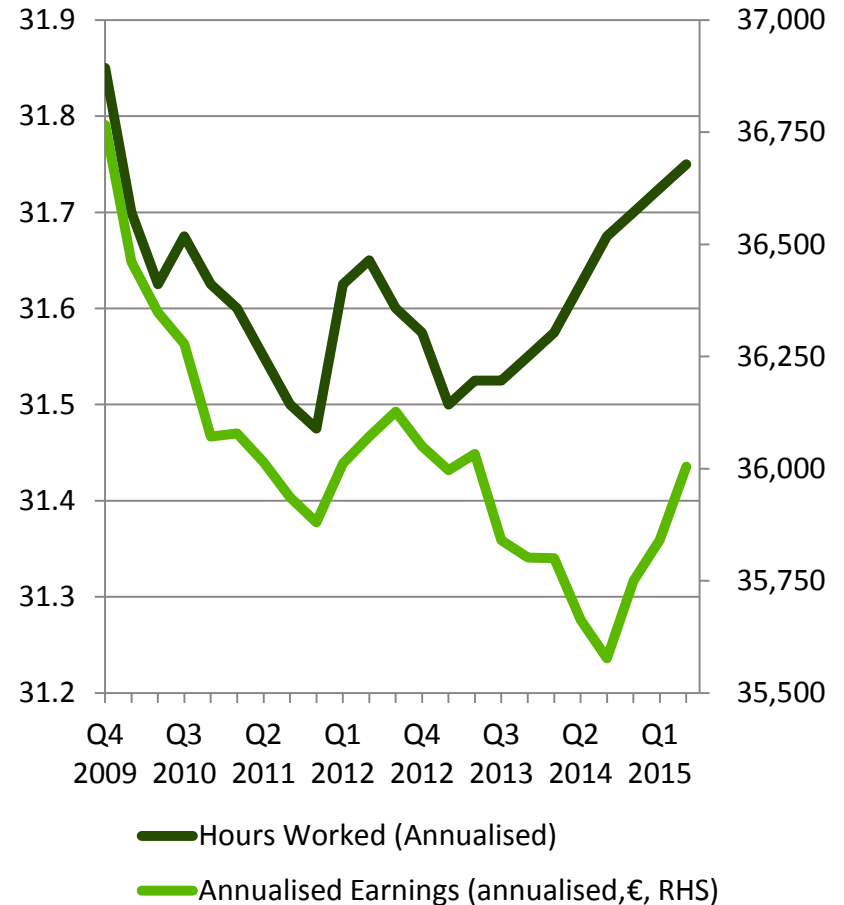
Labour participation has not yet recovered – similar to US; Wages only now recovering means plenty of slack

Participation rate hovering around 60%



Source: CSO

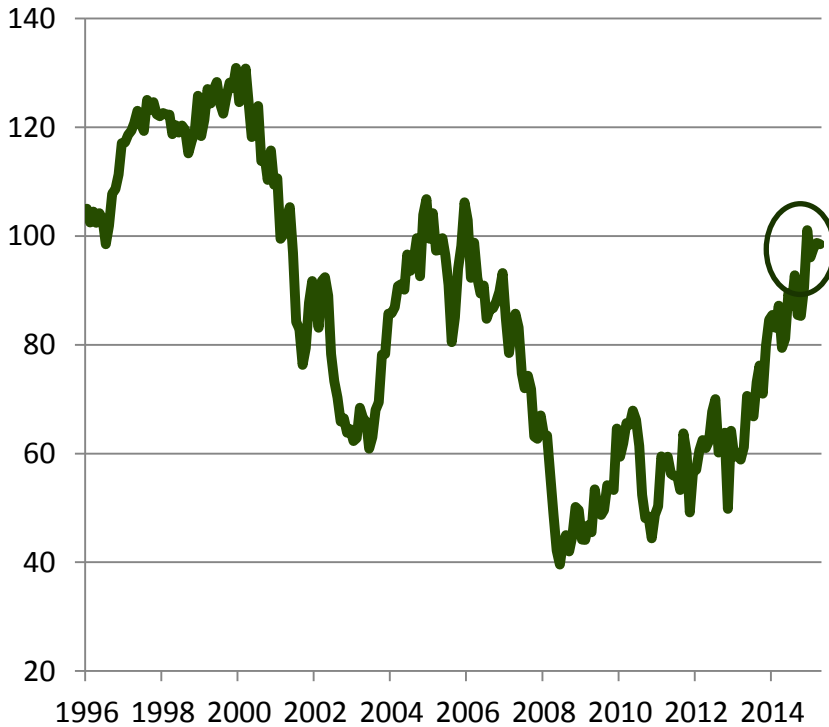
Wages and hours worked beginning to recover, although pockets of excess capacity remain





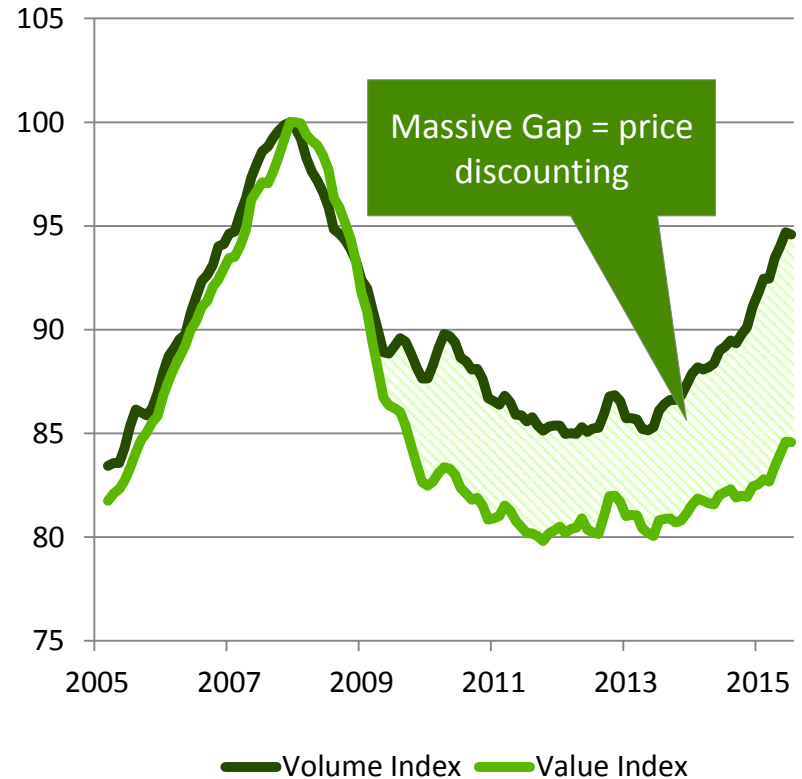
Rising employment and house price rises lift retail sales; confidence back at mid-2000s level

Consumer confidence recovers



Source: KBC, ESRI, CSO

"Core"* retail sales jump (peak=100)

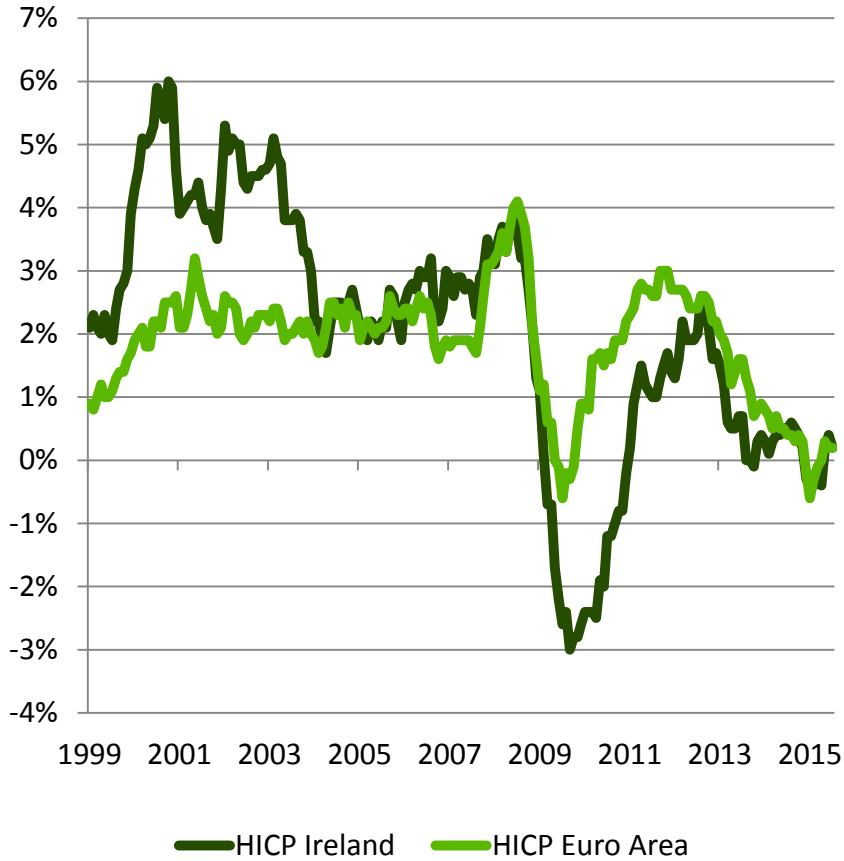


*Excluding motor trade



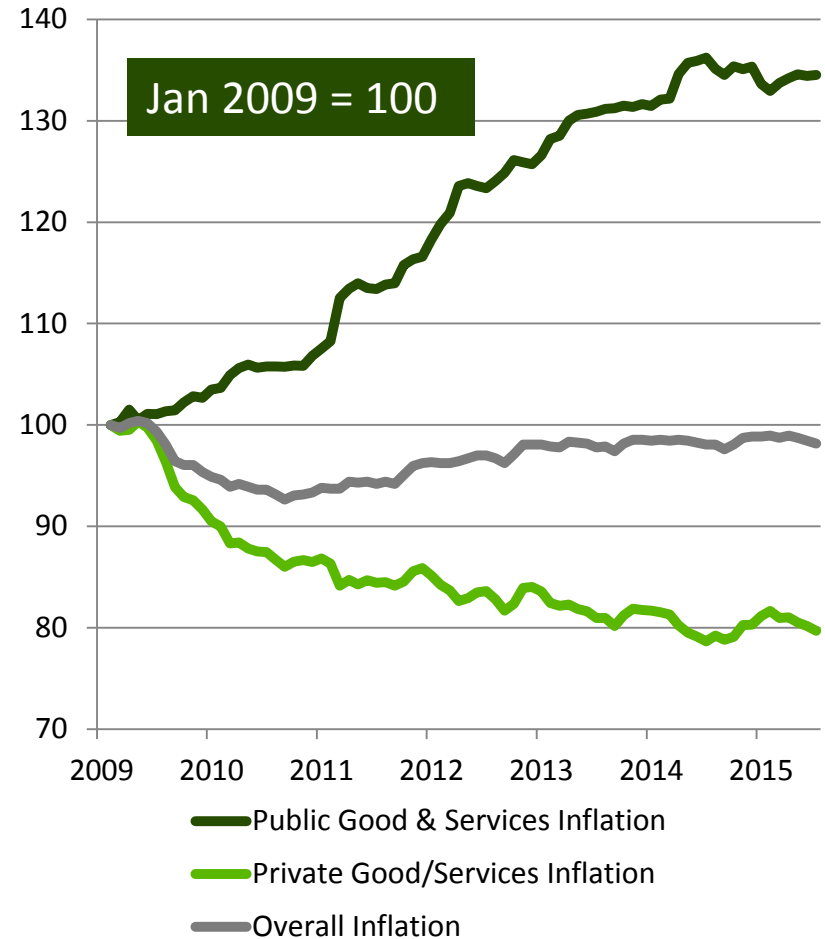
Mild deflation – driven by lower oil prices – underpinning real incomes

Inflation similar to euro area...



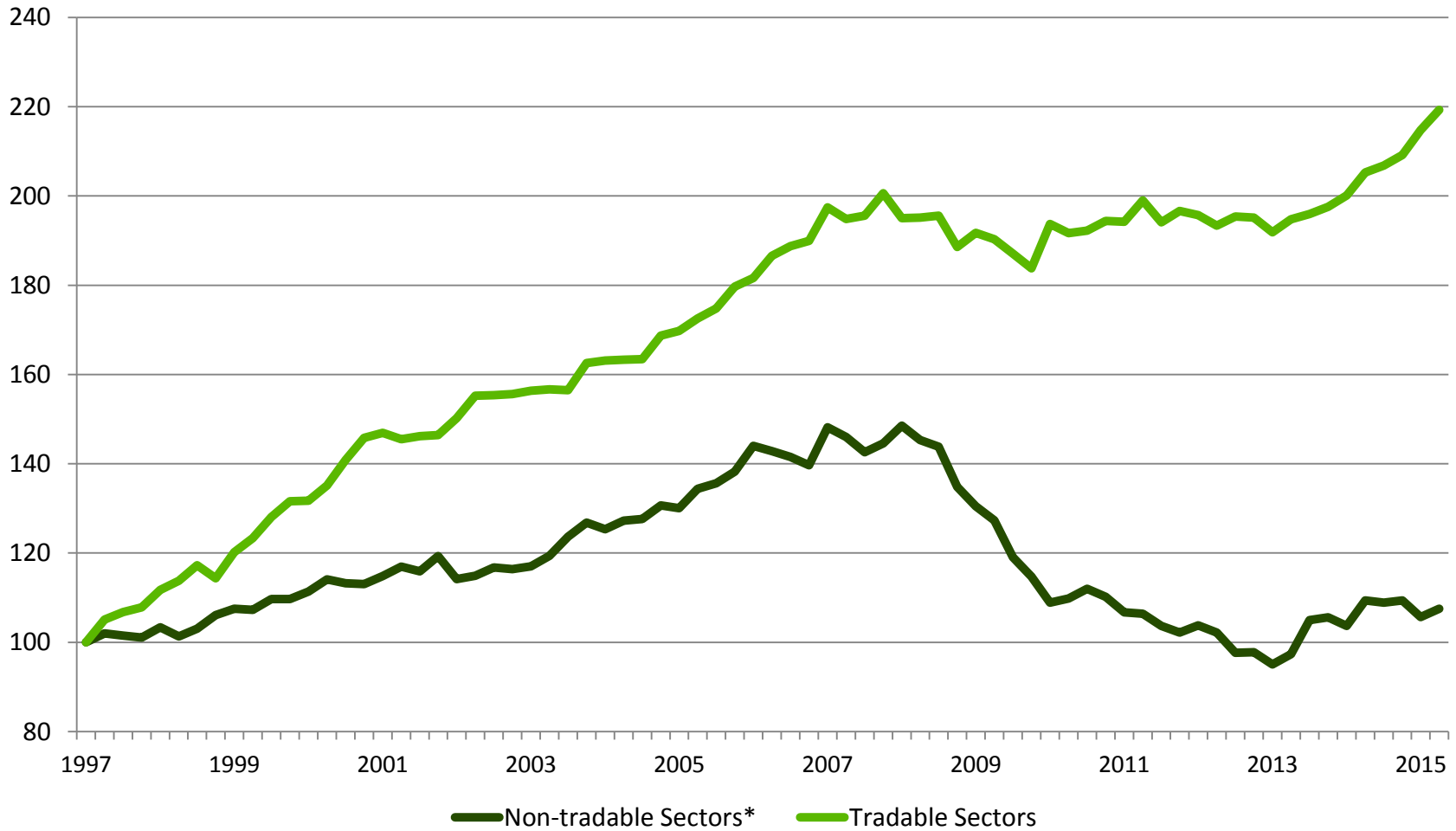
Source: CSO

...and driven by public goods/ services





Ireland's tradable sectors perform best in long run (gross output) but domestic sectors now picking up



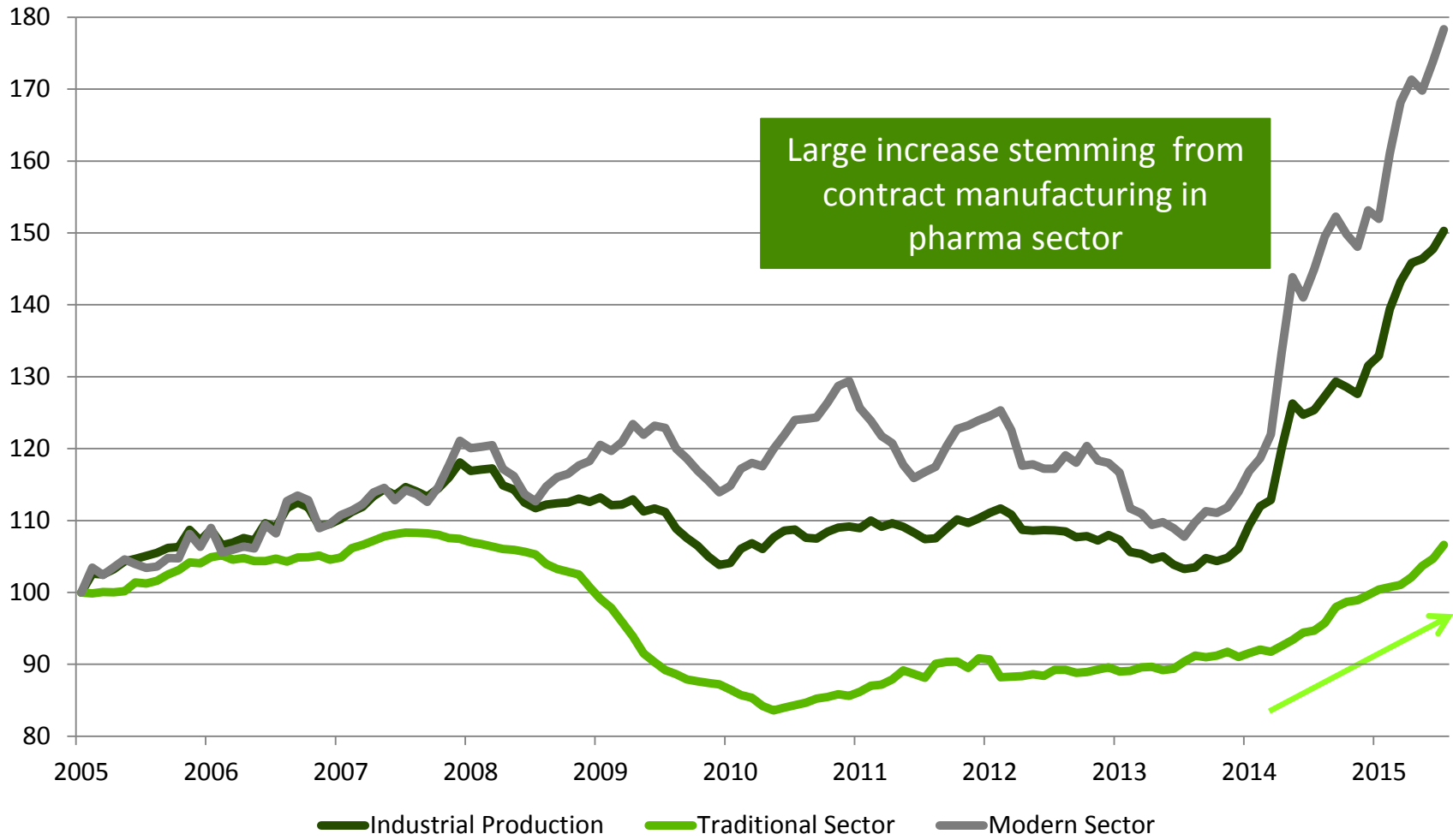
Source: CSO

*Non-tradable sectors = Agriculture, Construction and Public Sector



Industrial production increasing quickly due to pharma; sustained growth from traditional manufacturing

6 month moving averages (Jan 2005 = 100)

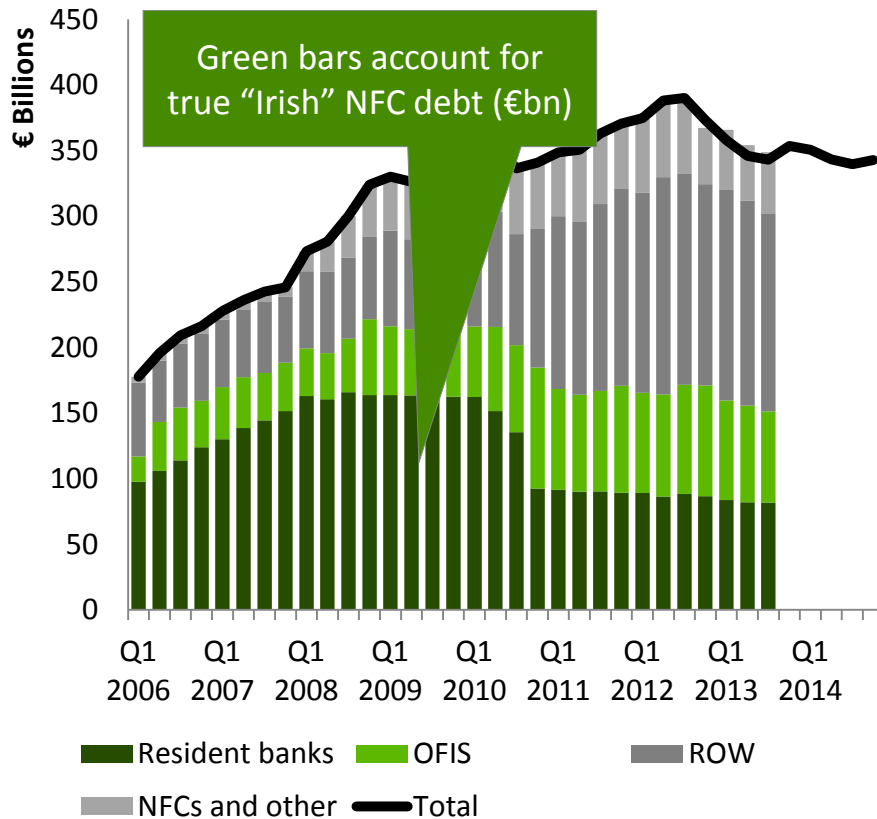


Source: CSO

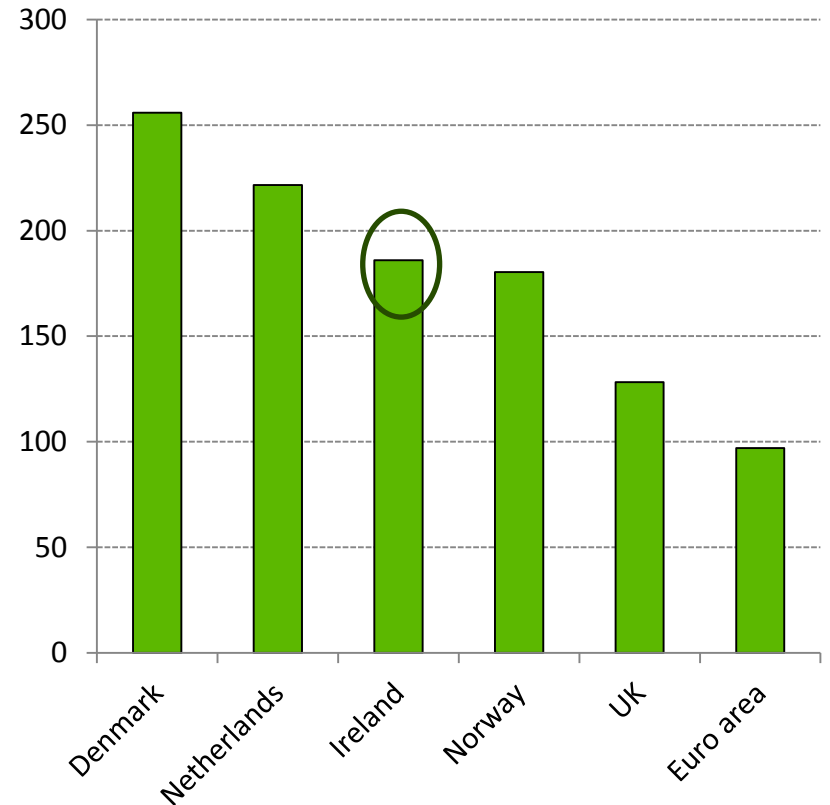


Private debt levels are high, apart from “core” domestic companies

Irish Non-Financial Corporate (NFC) debt is distorted by multinationals (€bn)



Household debt ratio (% DI) declining (see next slide) but still among highest in Europe



Source: NTMA analysis; Breakdown from Cussen, M. “Deciphering Ireland’s Macroeconomic Imbalance Indicators”, [CBI](#)

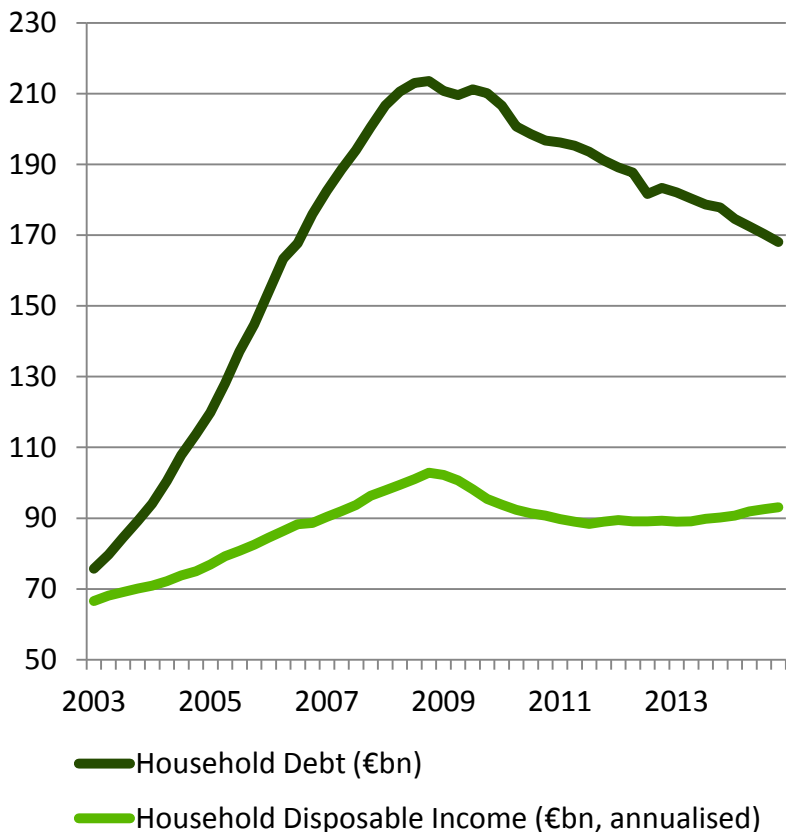
Source: Eurostat (2013 data)

* OFI = Other Fin. Intermediaries

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Household deleveraging continues, but at slow pace; Rising house prices has improved HH balance sheets

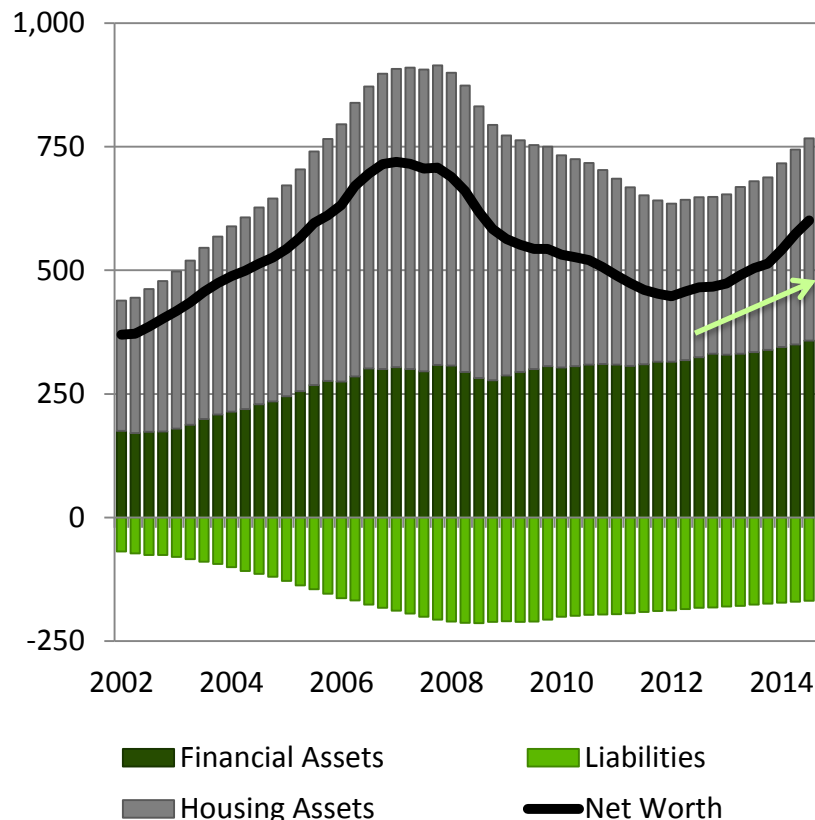
**Debt-to-income ratio in Q4 2014 at 181%*,
the lowest since Q3 2006**



Source: CBI, CSO

* Measure includes both loans and other liabilities.
Excluding other liabilities, debt-to-income ratio is 169%

**Household net worth (€bn) improved in 2014
and will underpin consumer spending**

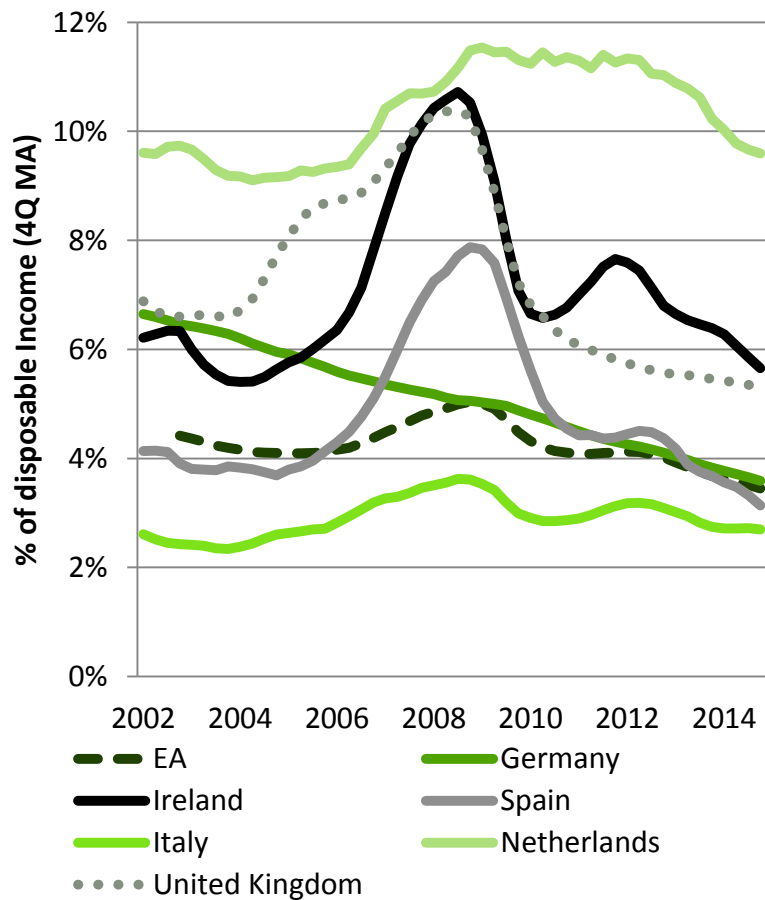


Source: CBI, NTMA calculations



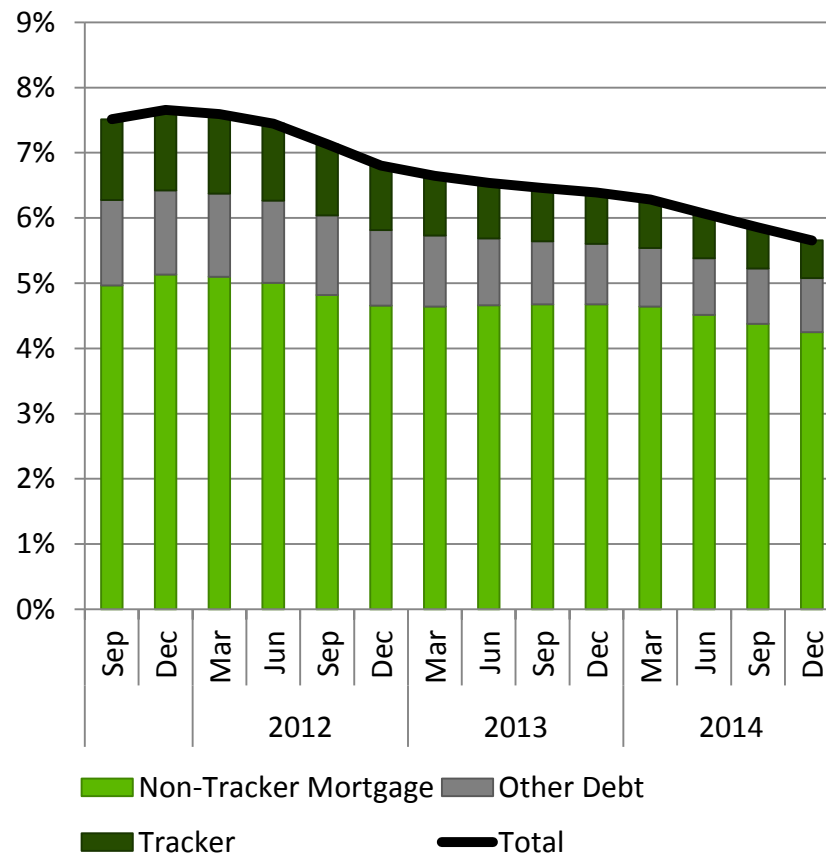
Interest burden high but suppressed by trackers; savings rate around euro area average

Interest burden on households has been suppressed by tracker mortgages..



Source: Eurostat

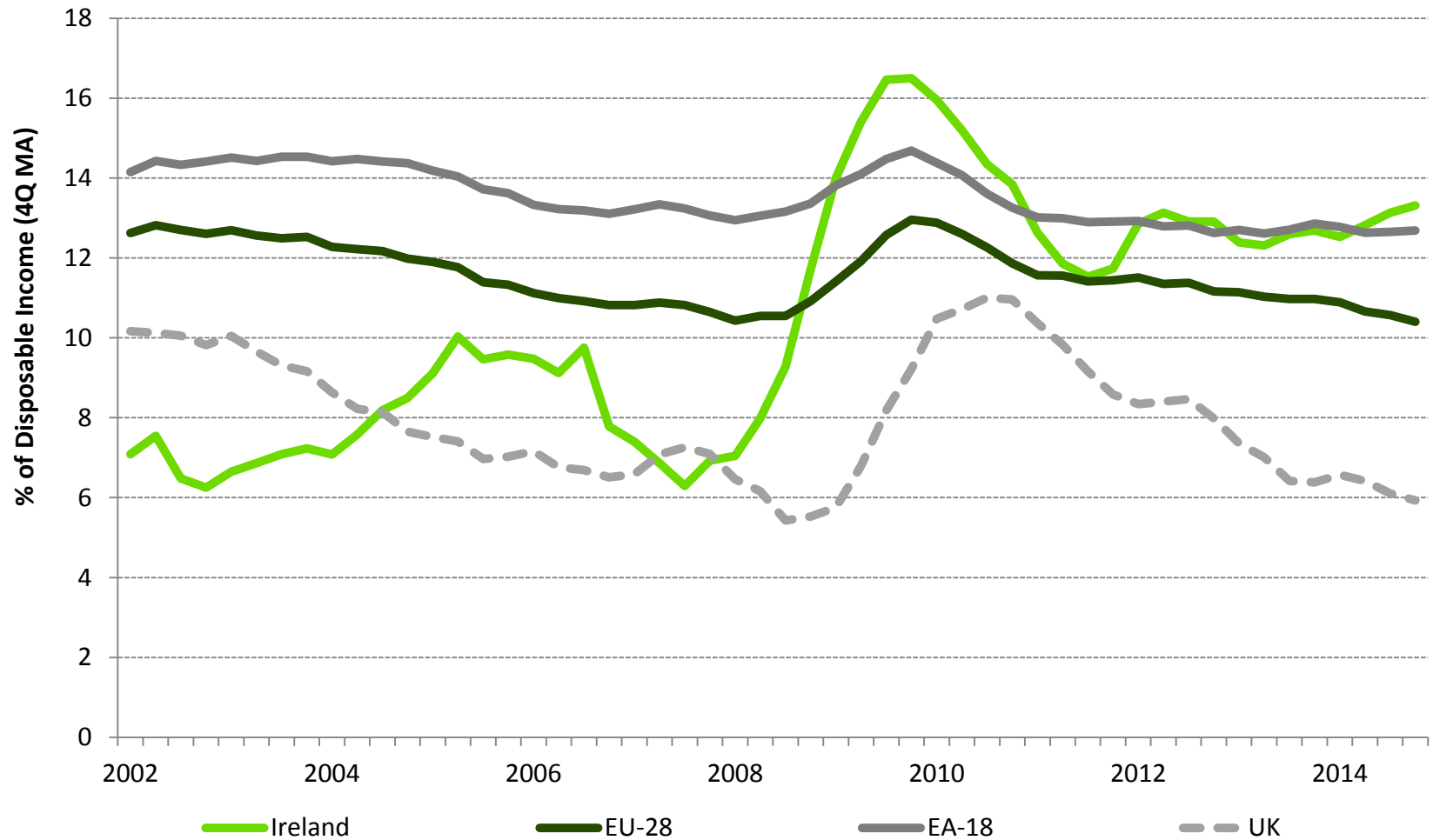
...and falls heavily on households with non-tracker mortgages



Source: CBI, NTMA Analysis

Note: Interest burden is 'actual' (i.e. excludes FISIM adjustment) and is calculated as a share of actual gross disposable income. FISIM estimates for Ireland in 2013 based on unchanged 2012 figures

Gross household saving rate rises, despite improving income prospects



Source: Eurostat, CSO

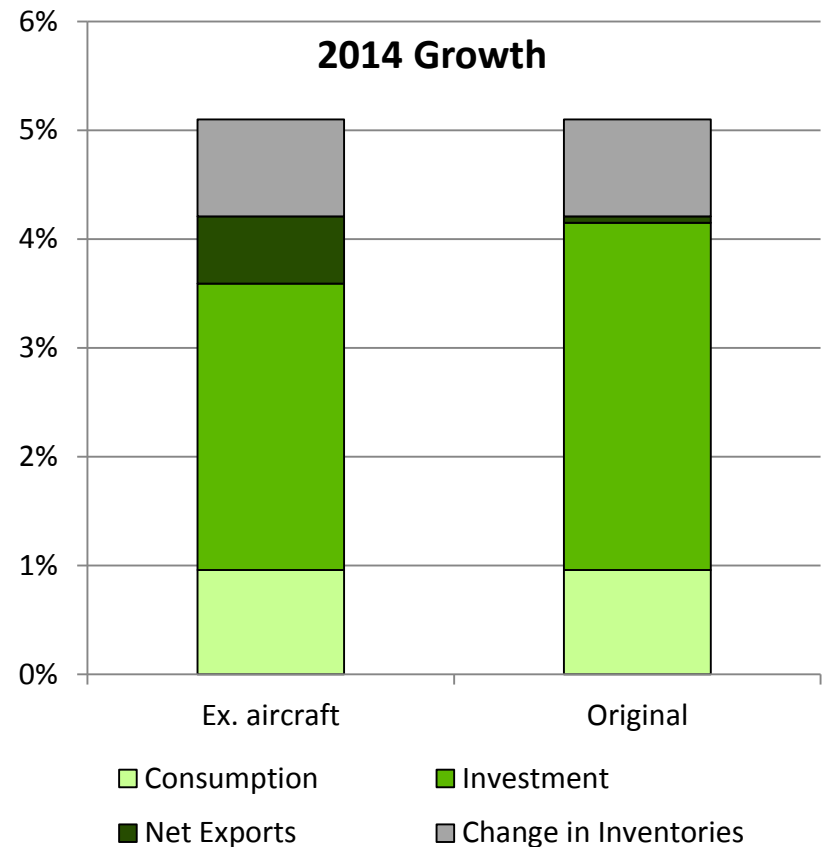


New aircraft trade accounting means Irish national accounts are further complicated

Under the new methodology:

- Trade in aircraft by Irish resident aircraft leasing companies is now recorded in the national accounts.
- This leads to an increase in imports and a subsequent decrease in net exports.
- There is an offsetting increase in investment.
- **Thus, the new methodology has little or no effect generally on GDP and GNP.**
- There are larger Irish imports of goods, thus the Current Account surplus is lower in the Balance of Payments.

Investment is reduced; Net exports increased in excl. aircraft case



Source: CSO



Economic and fiscal forecasts: SPU 2015

	2013	2014	2015f	2016f	2017f
GDP (% change, volume)	1.6	5.2	6.0~	3.8	3.4
GNP (% change, volume)	4.6	6.9	3.9	3.5	2.7
Domestic Demand (Contribution to GDP, p.p.)	-1.2	4.0	3.7	3.5	2.3
Net Exports (Contribution to GDP, p.p.)	2.6	0.1	0.6	0.5	1.0
Current Account (% GDP)	3.1	3.6	7.2^	6.4^	5.5^
General Government Debt (% GDP)	120.0	107.6	105.0	100.3	97.8
Underlying General Government Balance (% GDP^)*	-5.5	-4.0	-2.3	-1.7	-0.9
Inflation (HICP)	0.5	0.3	0.2	1.1	1.5
Unemployment rate (%)	13.1	11.3	9.6	8.8	8.4

Source: CSO; Department of Finance (SPU April 2015)

~Department of Finance forecast September 2015

*Underlying: ex-banking recapitalisation under EDP rules

^Calculated using old accounting methodology surrounding aircraft leasing; outturns likely to be lower than forecast

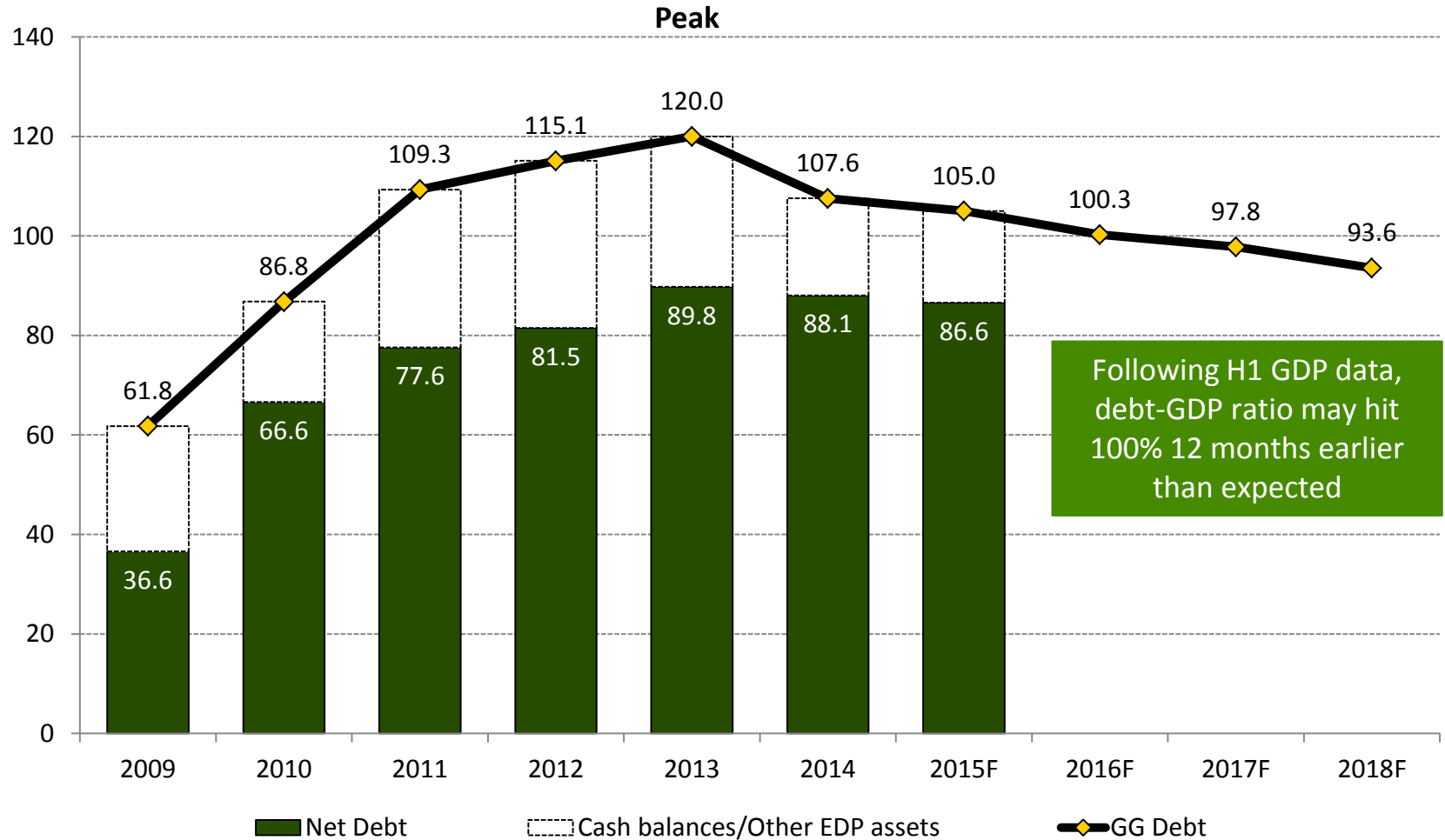


SECTION 2: FISCAL & NTMA FUNDING



Ireland's Government debt ratio forecast to drop to close to 100% of GDP in 2015; country will reach landmark by exiting Excessive Deficit Procedure too

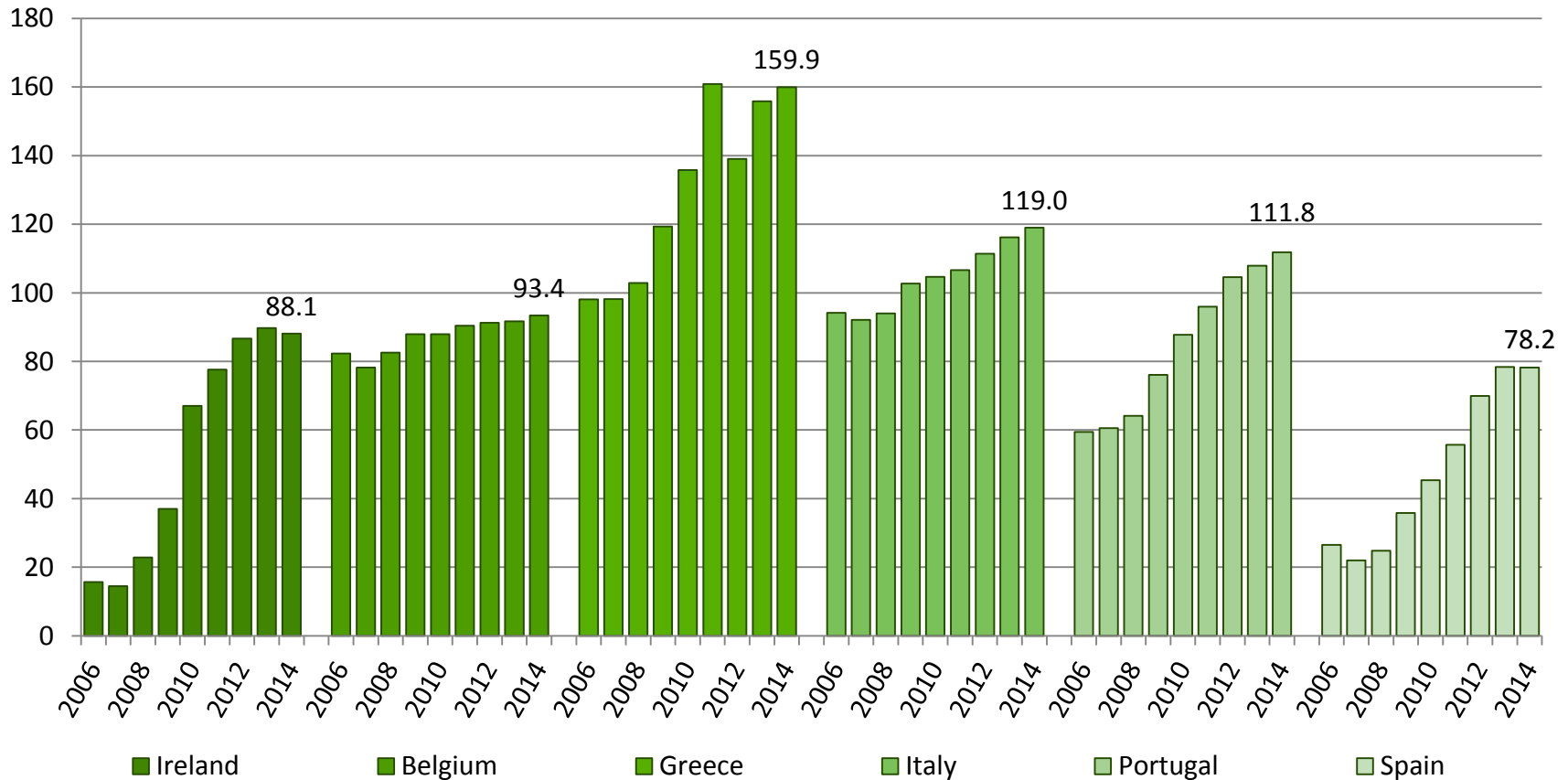
Gross Government debt fell to 108% of GDP at end-2014; likely to drop to close to 100% by end-2015



Source: CSO; April Forecast – SPU 2015 (Department of Finance)



Net Government debt ratio (% GDP) now below that of Belgium – our closest bond market counterpart



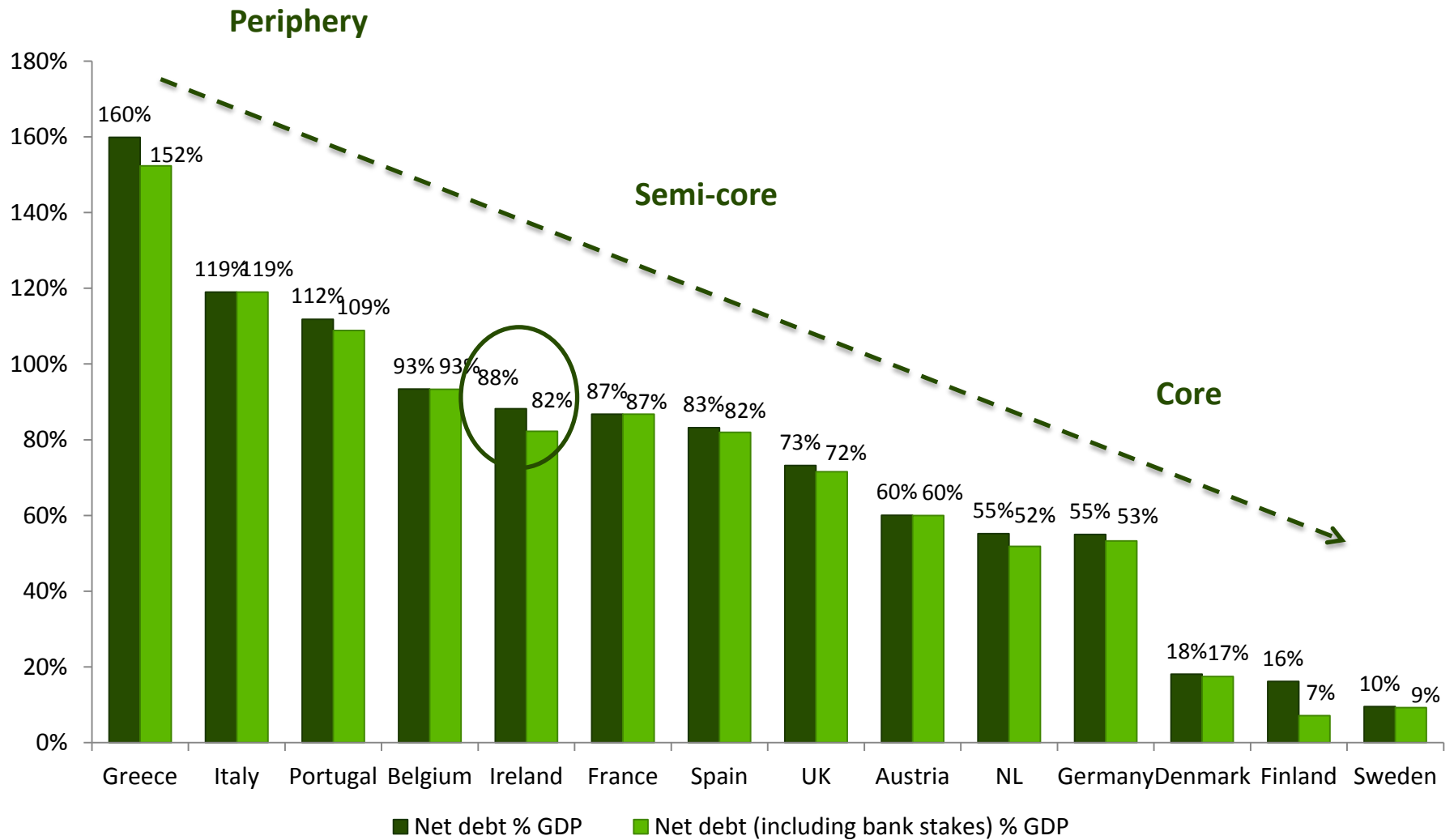
Net General Government Debt = Gross General Government Debt - EDP Assets

EDP Assets = Currency and Deposits + Securities other than Shares (excluding financial derivatives) + Loans

Note: EDP assets are all financial assets (excluding equities) held by general government

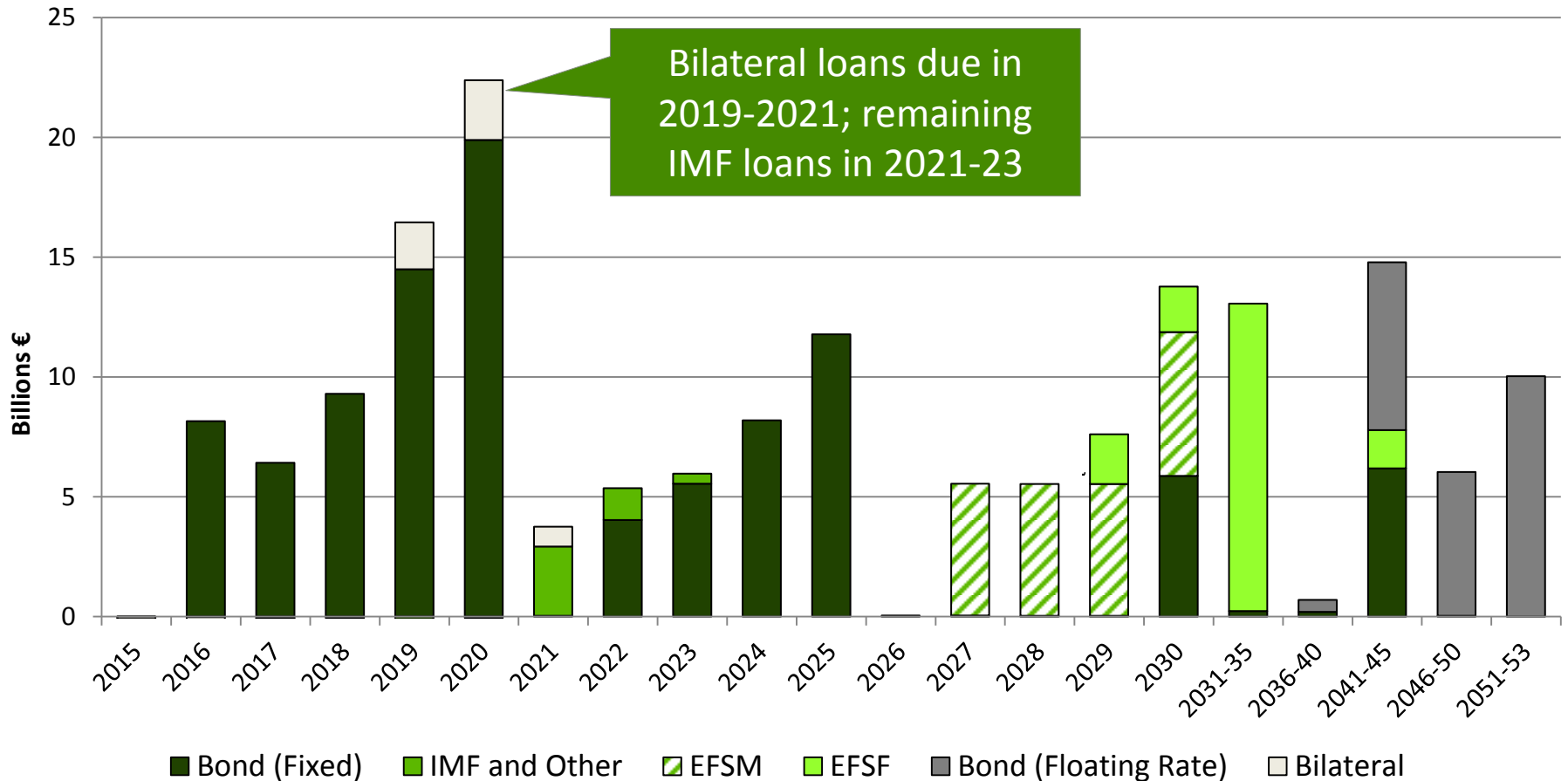
Source: CSO, Eurostat, NTMA analysis

Irish Govt. bank stakes worth c.6% of GDP



Sources: Eurostat, Banks' 2014 annual reports, each countries bank rescue fund, NTMA calculations

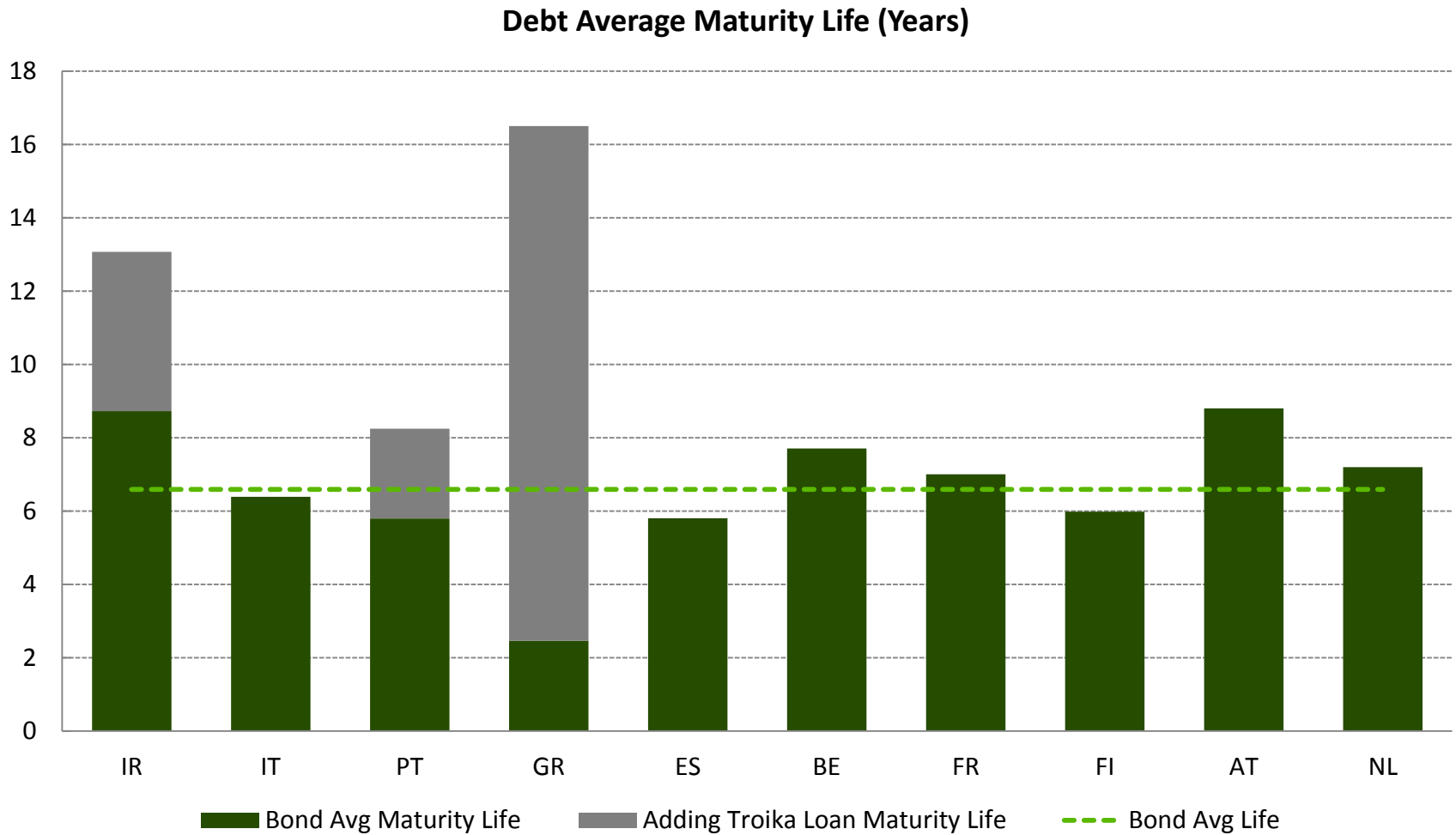
Improved maturity profile following IMF repayment



Source: NTMA

Note: EFSM loans are subject to a 7-year extension that will bring their weighted-average maturity from 12.5 years to 19.5 years. It is not expected that Ireland will refinance any of its EFSM loans before 2027. As such we have placed the EFSM loan maturity dates in the 2027-31 range although these may be subject to change.

Ireland's average maturity favourable when compared with other euro area countries

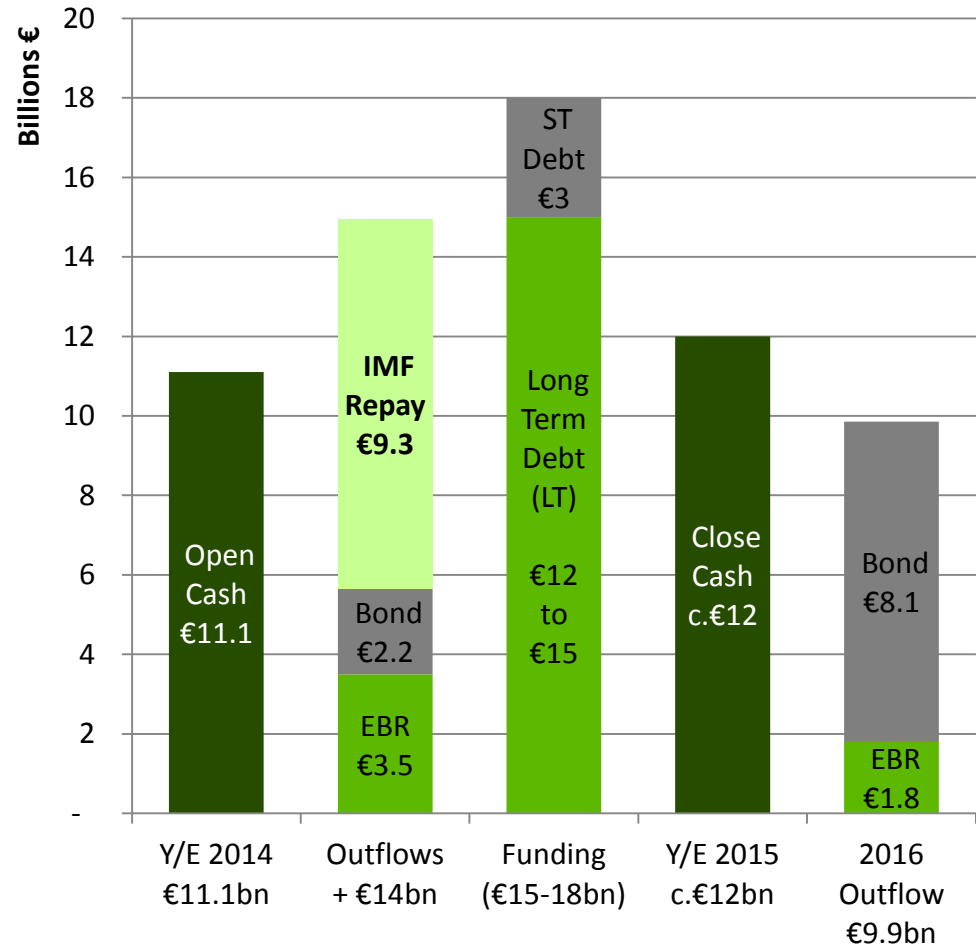


Source: NTMA



NTMA has been funding approximately 12 months in advance; IMF repayments raised 2015 requirement

- Medium-term funding requirement improved following restructuring of IBRC Promissory Note, extension of EFSF/EFSM maturities and IMF deal.
- €18bn worth of IMF repaid in 2014/15 through new issuance and existing cash balances.
- NTMA pre-funded for whole of 2015. It expected to issue €12-15bn worth of long term bonds in 2015: €11bn has been issued so far this year.
- Exchequer had €15.5bn of cash and other liquid assets at end-July 2015.



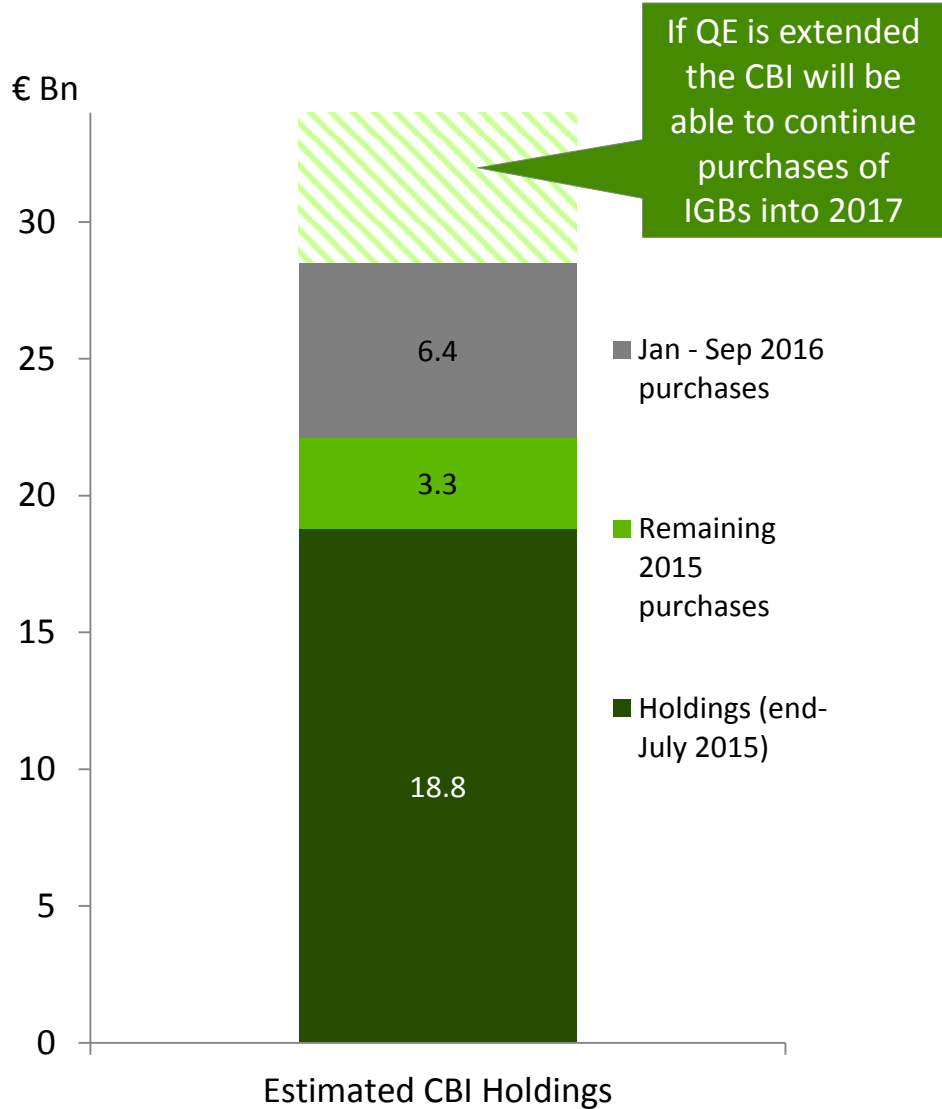
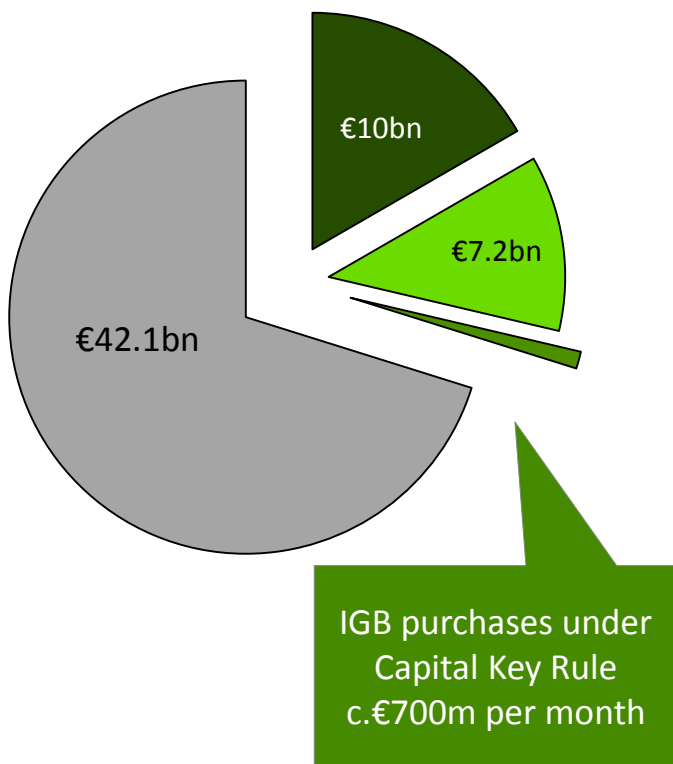
Source: NTMA; Department of Finance

1. EBR is the Exchequer Borrowing Requirement.
2. EFSF loans have been extended by a weighted average of seven years. EFSM loans are also subject to a 7-year extension. It is not expected that Ireland will have to refinance any of its EFSM loans before 2027. A €5bn EFSM loan originally due to mature in 2015 is therefore no longer part of the "Latest Est. Funding Requirement".

Central Bank of Ireland to purchase €700m worth of IGBs per month under ECB's QE programme

Estimated Composition of ECB's QE €60 billion/month programme

- Covered Bonds & ABS
- European Institution securities
- Irish Government Bonds
- Other Government Bonds



Source: NTMA; ECB

Greater geographic balance in holdings of Irish Government Bonds (IGBs)

€ million

End quarter	Dec 2013	Dec 2014	June 2015
1. Resident	52,495	52,276	50,046
(as % of total)	(47.3%)	(44.9%)	(40.2%)
– Credit Institutions and Central Bank*	50,057	47,590	46,379
– General Government	2,153	1,632	745
– Non-bank financial	-	2,702	2,627
– Households (and NFCs)	284	352	296
2. Rest of world	58,512	64,063	74,336
(as % of total)	(52.7%)	(55.1%)	(59.8%)
Total MLT debt	111,007	116,339	124,382

Source: Central Bank of Ireland

* Since March 2013 resident holdings have increased significantly thanks to the IBRC Promissory Note repayment (non-cash settlement) which resulted in €25.034bn of long-dated Government bonds being issued to the Central Bank of Ireland on liquidation of IBRC. The CBI also took €3bn of 2025 IGBs formerly held by IBRC.



Breakdown of Ireland's General Government debt

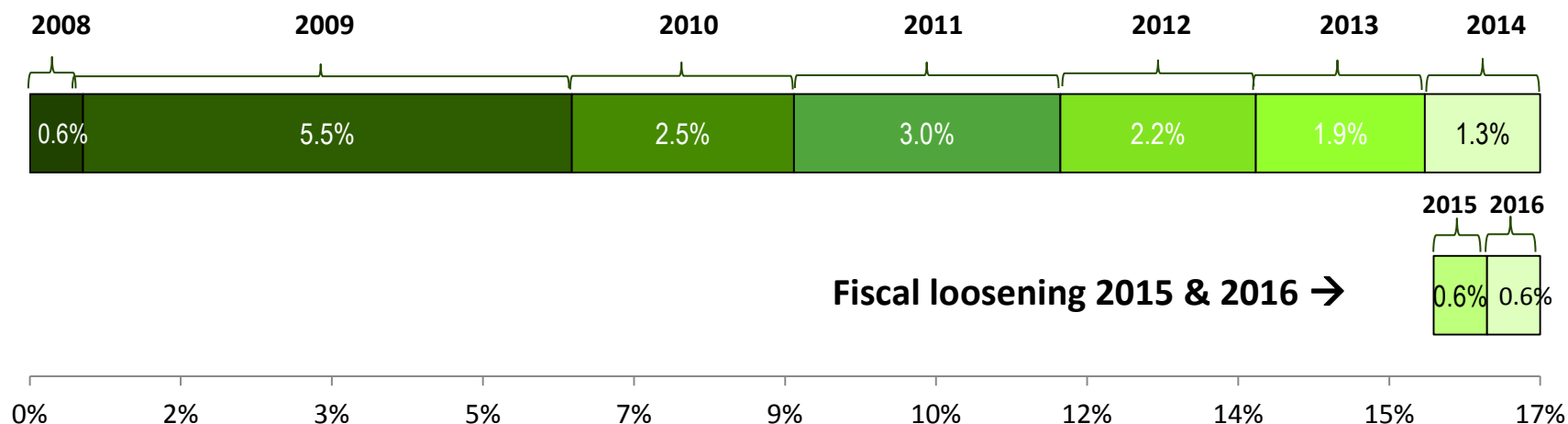
€ million	2010	2011	2012	2013	2014
Currency and deposits (mainly retail debt)	13,708	58,386	62,092	31,356	20,914
Securities other than shares, exc. financial derivatives	96,317	94,013	87,297	112,665	119,078
- <i>Short-term (T-Bills, CP etc)</i>	7,203	3,777	2,535	2,389	3,760
- Long-term (MLT bonds)	89,114	90,236	84,762	110,276	115,318
Loans	34,138	37,723	60,849	71,307	63,329
- <i>Short-term</i>	735	569	1,886	1,436	1,304
- <i>Long-term (official funding and prom notes 2009-12)</i>	33,403	37,166	58,963	69,870	62,025
General Government Debt	144,163	190,123	210,238	215,328	203,321
<i>EDP debt instrument assets</i>	<i>32,883</i>	<i>55,170</i>	<i>58,707</i>	<i>54,266</i>	<i>36,837</i>
Net Government debt	111,280	134,953	151,531	161,062	166,484

Source: CSO (July 2015)



Huge fiscal consolidation 2008-2014 followed by small expansionary budget for 2015 (and probably 2016)

Fiscal consolidation 2008-14 as % of GDP



Breakdown of adjustment measures (€bn unless stated)

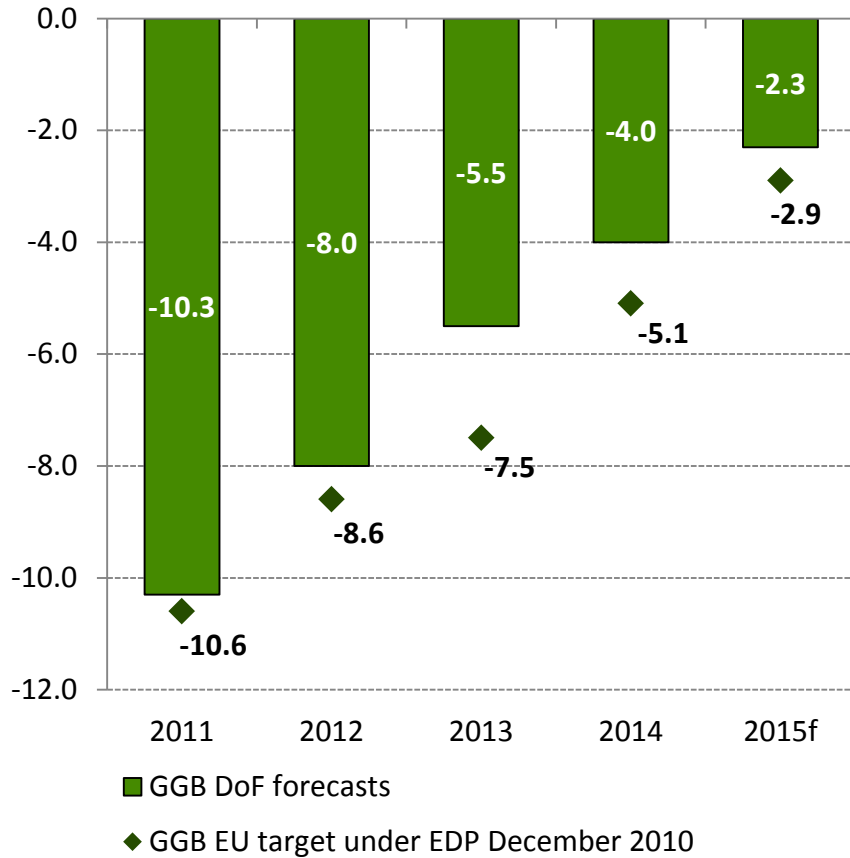
	2008	2009	2010	2011	2012	2013	2014	2015E
Revenue	0.0	5.6	0.0	1.4	1.6	1.4	0.9	-0.4
Expenditure	1.0	3.9	4.3	3.9	2.2	1.9	1.6	-0.6
Total	1.0	9.4	4.3	5.3	3.8	3.5	2.5	-1.0
Total (% of GDP)	0.6%	5.5%	2.5%	3.0%	2.2%	1.9%	1.3%	-0.6%
Progress to Date	1.0	10.4	14.7	20.0	23.8	27.3	29.8	28.8
Progress to Date (% of GDP)	0.6%	6.0%	8.5%	11.5%	13.7%	15.6%	17%	16.4%

Source: Department of Finance, Budgets 2011-2015, NTMA calculations

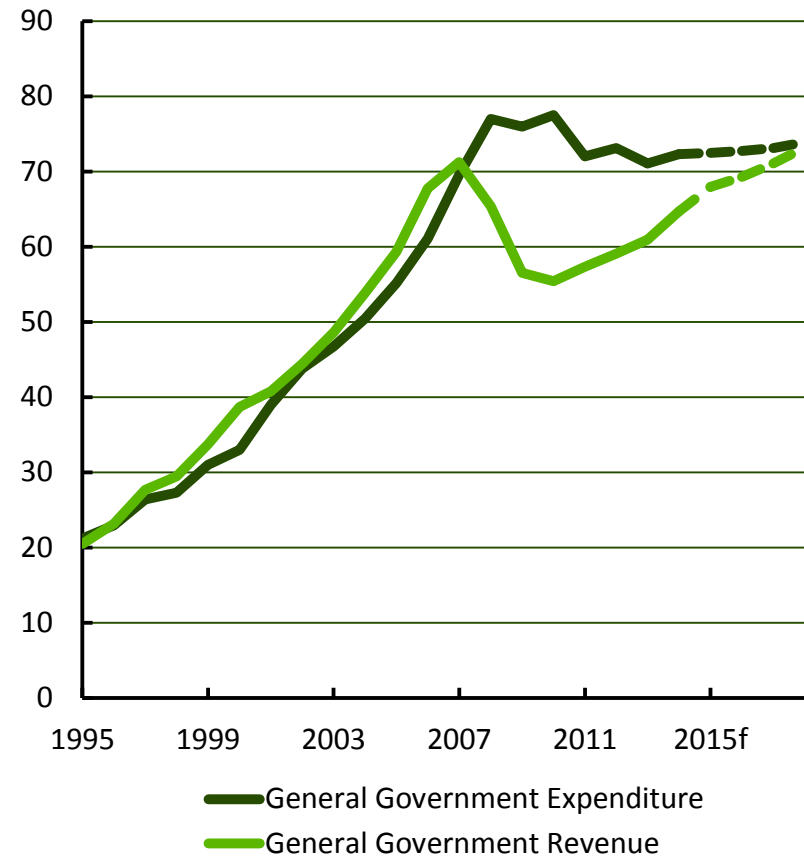


Four straight years of fiscal outperformance – very likely to be five

General Government Balance (% of GDP)



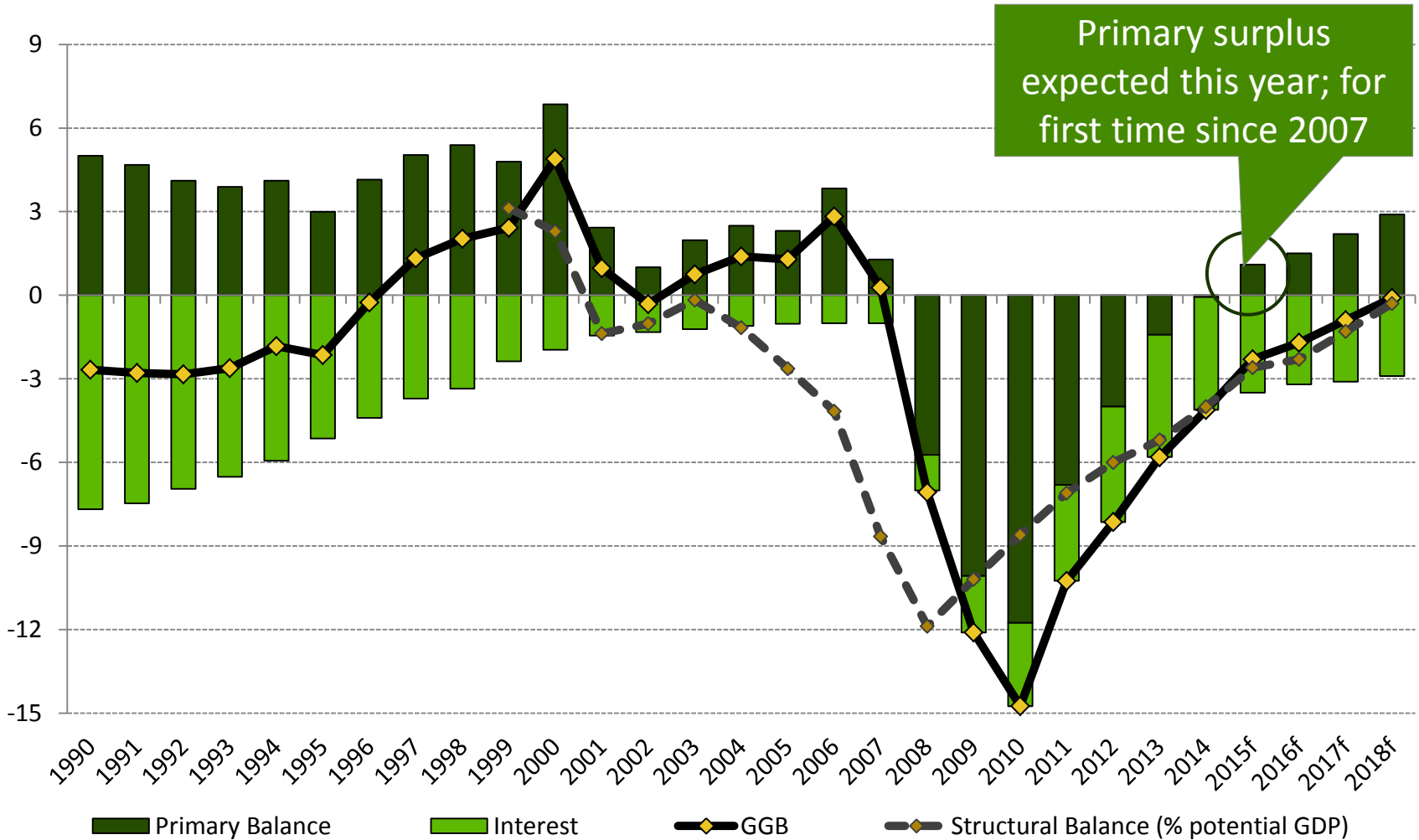
Deficit to be fully closed by 2018 (€bn)



Source: Department of Finance (SPU April 2015) CSO; Eurostat; NTMA workings



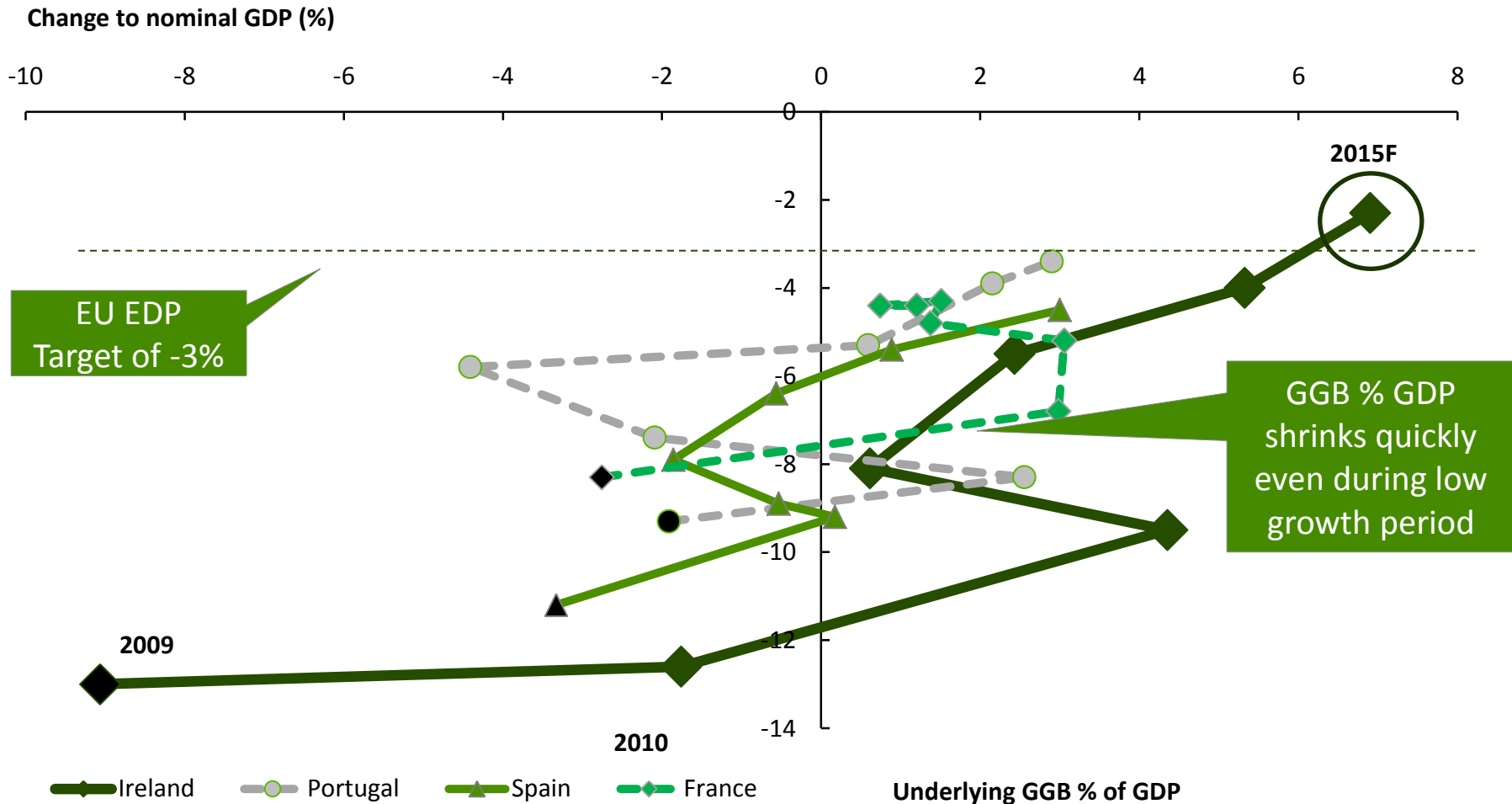
Ireland has confirmed debt sustainability: debt is falling naturally through “snowball” effect



Source: Department of Finance; Eurostat; IMF



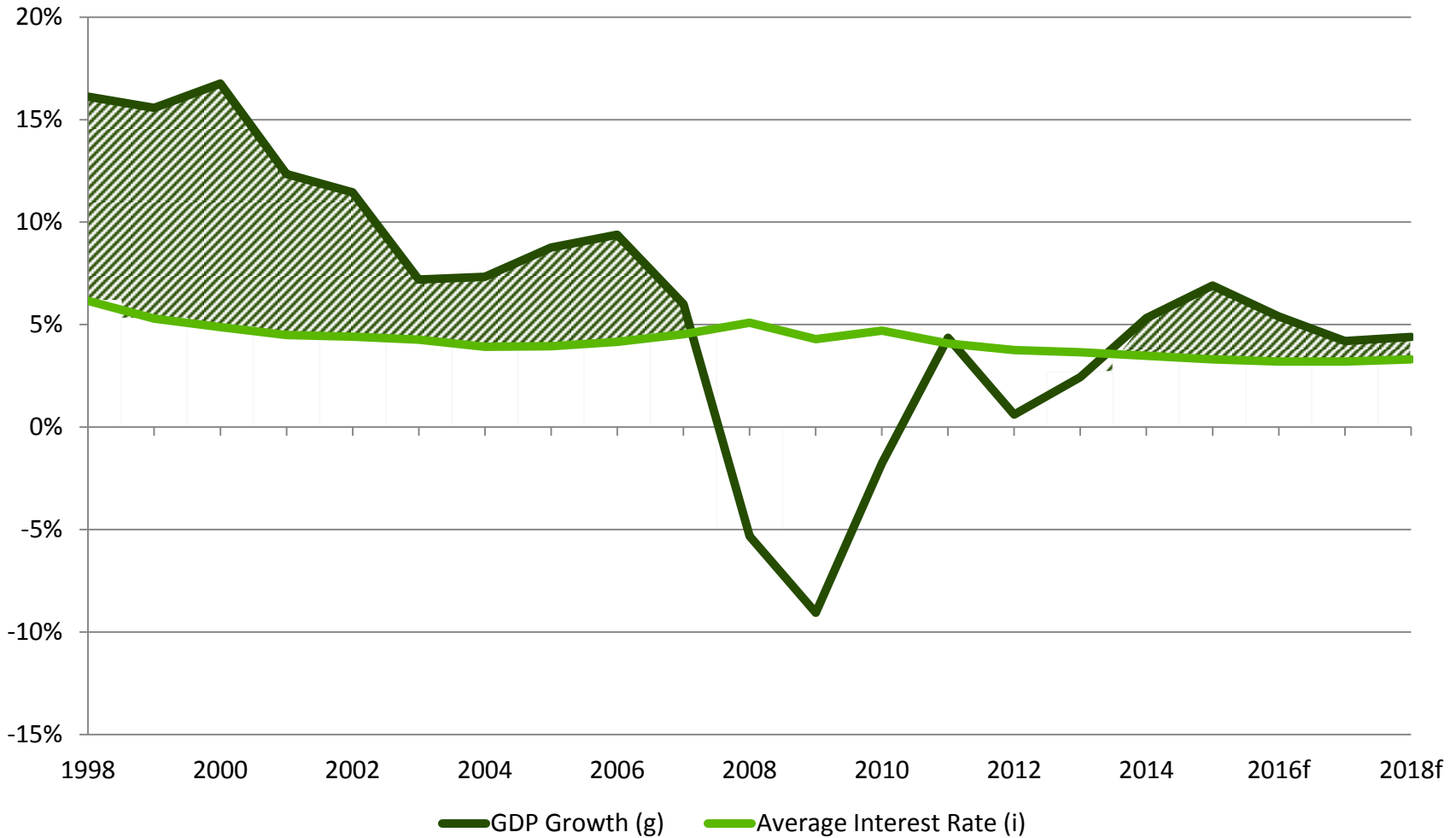
Ireland's fiscal adjustment route quicker than peers



Source: European Commission, DataStream
 Note: All black markers are 2009 starting points



Average interest on total Government below 3.5%; so interest rate-growth maths (i-g) in Ireland's favour



Source: Department of Finance forecasts; DataStream

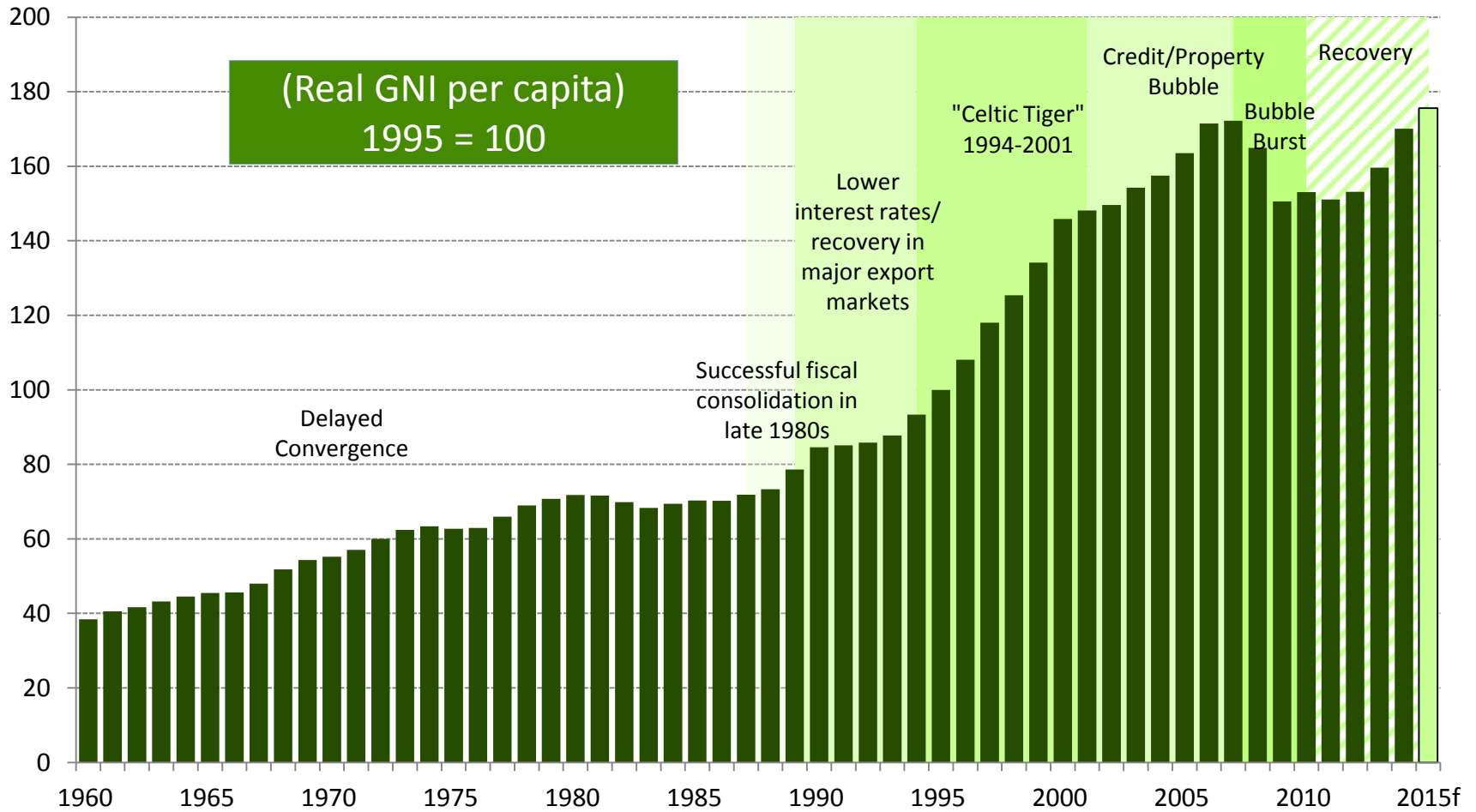


SECTION 3: LONG TERM FUNDAMENTALS



Rebalancing achieved; Fundamentals are in place but competitiveness crucial

Much rebalancing has taken place; 2007 peak in GNI per capita to be surpassed in 2015

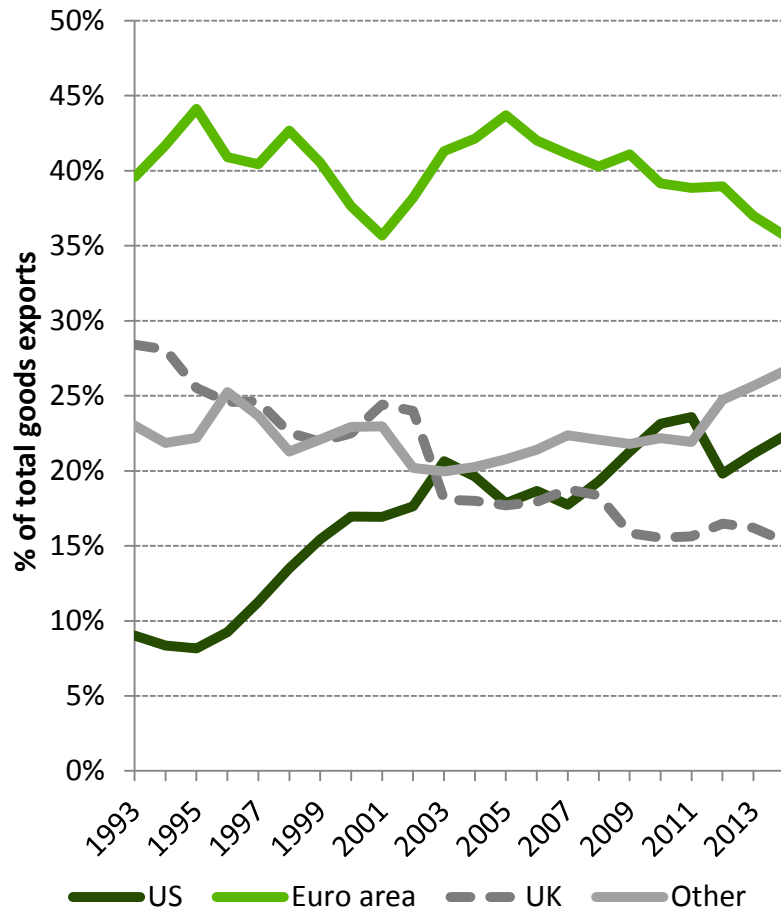


Source: CSO



Ireland's openness has been critical to rebalancing

Ireland benefits from export diversification by destination...



Source: CSO

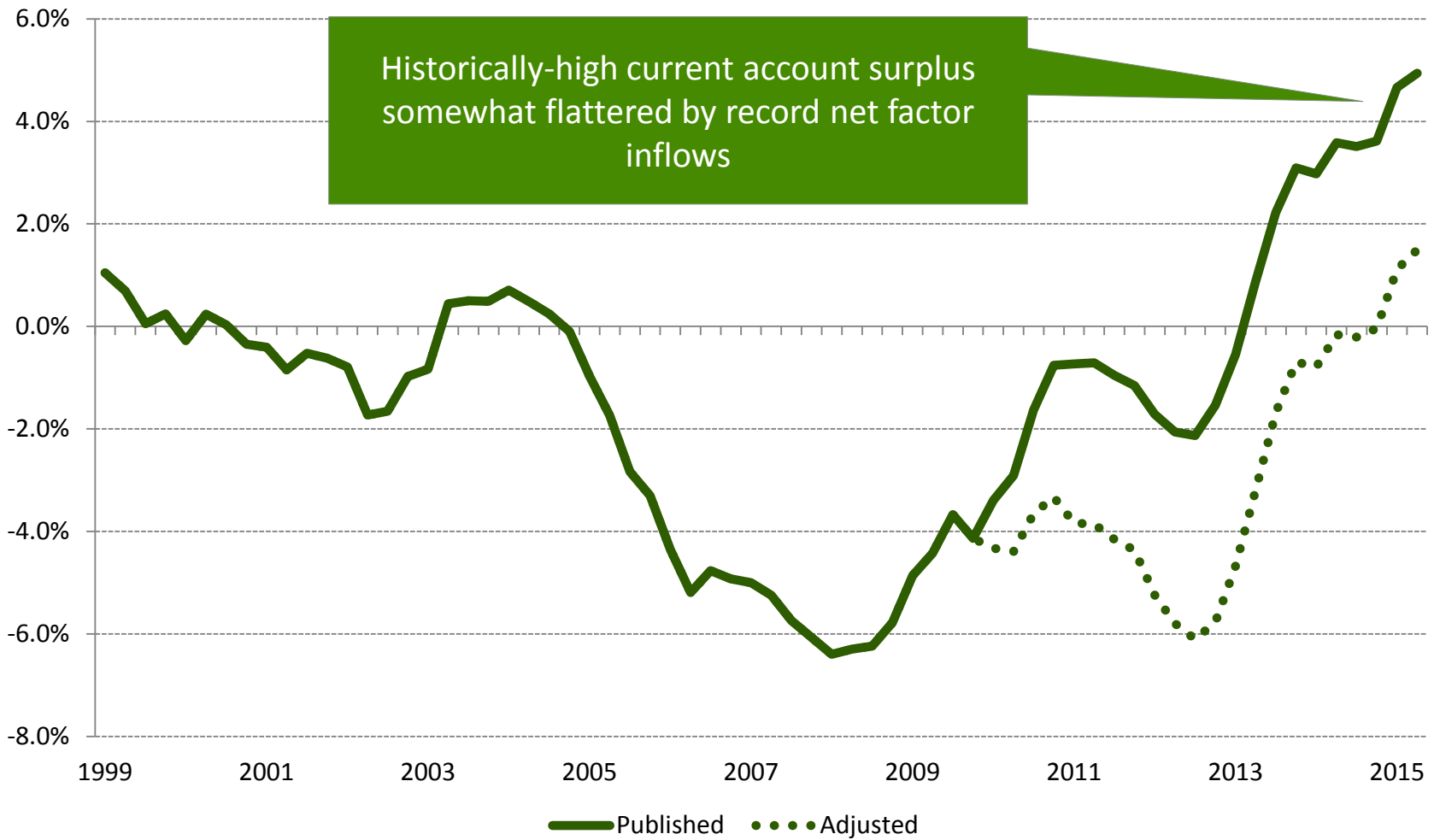
...and openness relative to other non-cores

	Exports (%GDP) 1999	Exports (%GDP) 2014
Ireland	87	112
Spain	26	32
Italy	23	29
Portugal	27	40
Belgium	64	83

Source: DataStream (value of exports)



Ireland's current account surplus reflects rebalancing but affected by aircraft leasing and re-domiciled PLCs

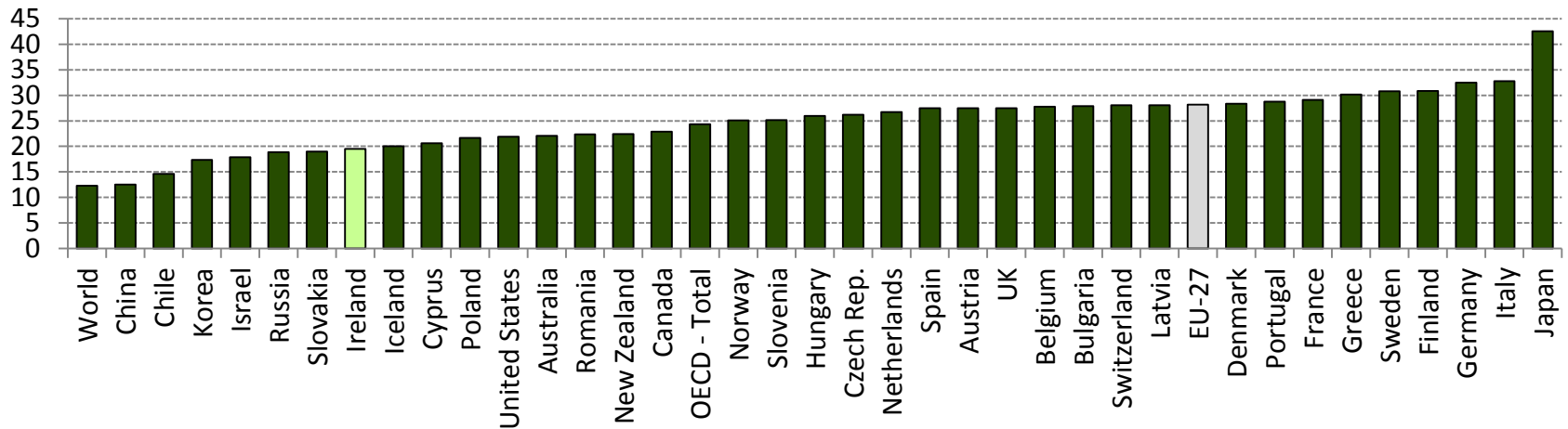


Source: CSO

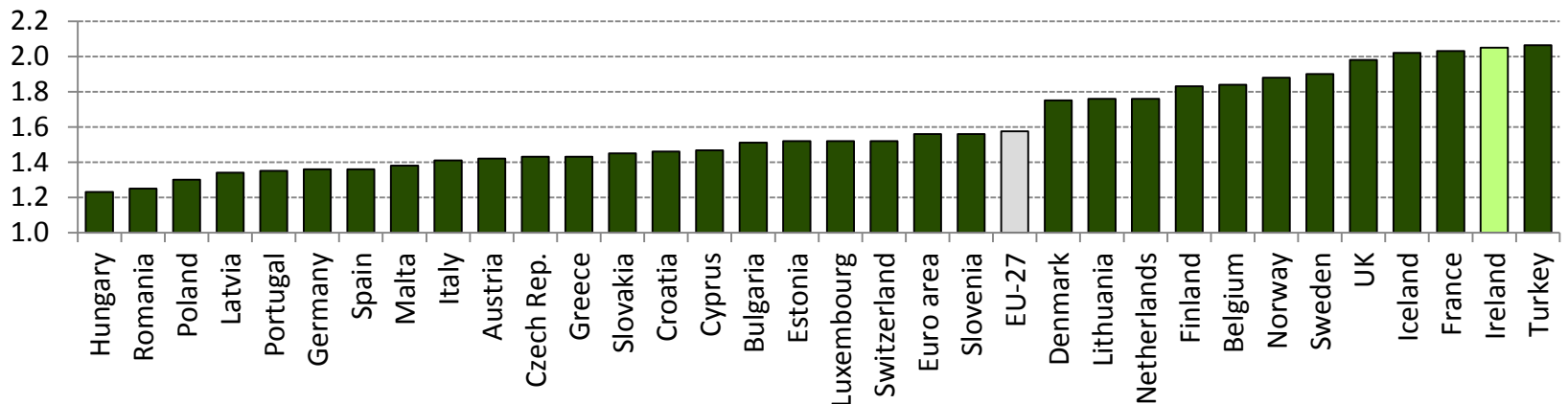
* Adjusted for estimates of the undistributed profits of redomiciled PLCs (for more information, [see Fitzgerald, J. \(2013\), 'The Effect of Redomiciled PLCs on GNP and the Irish Balance of Payments'](#))

Favourable population characteristics underpin debt sustainability over longer term

Old age dependency ratio (65+ : ages 15-64) compares well against OECD countries



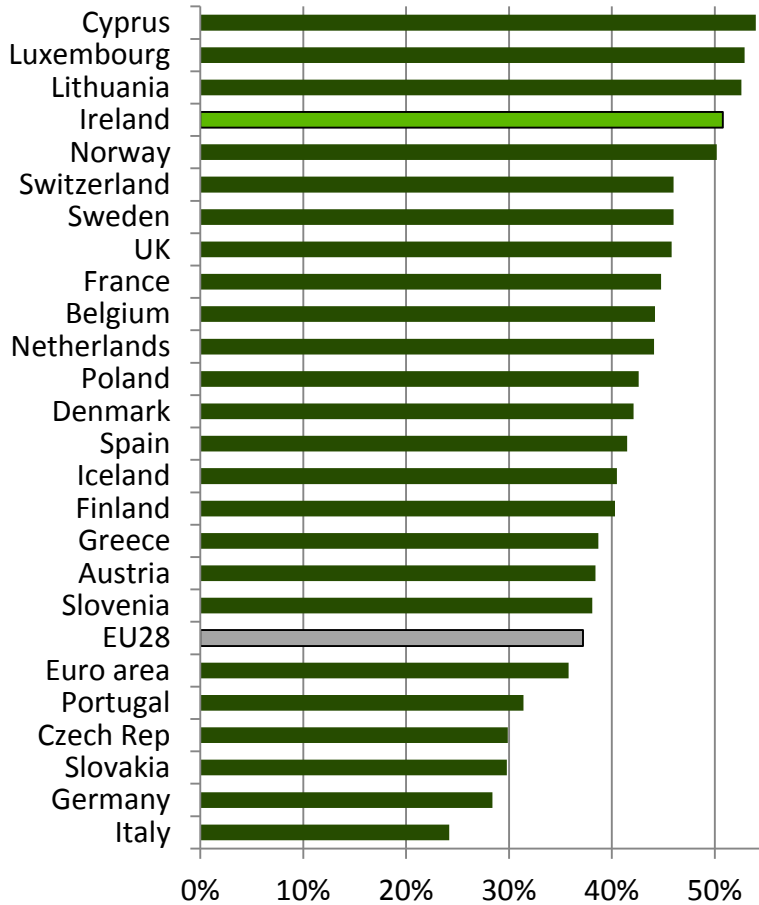
Fertility rates in Ireland are above typical international replacement rates



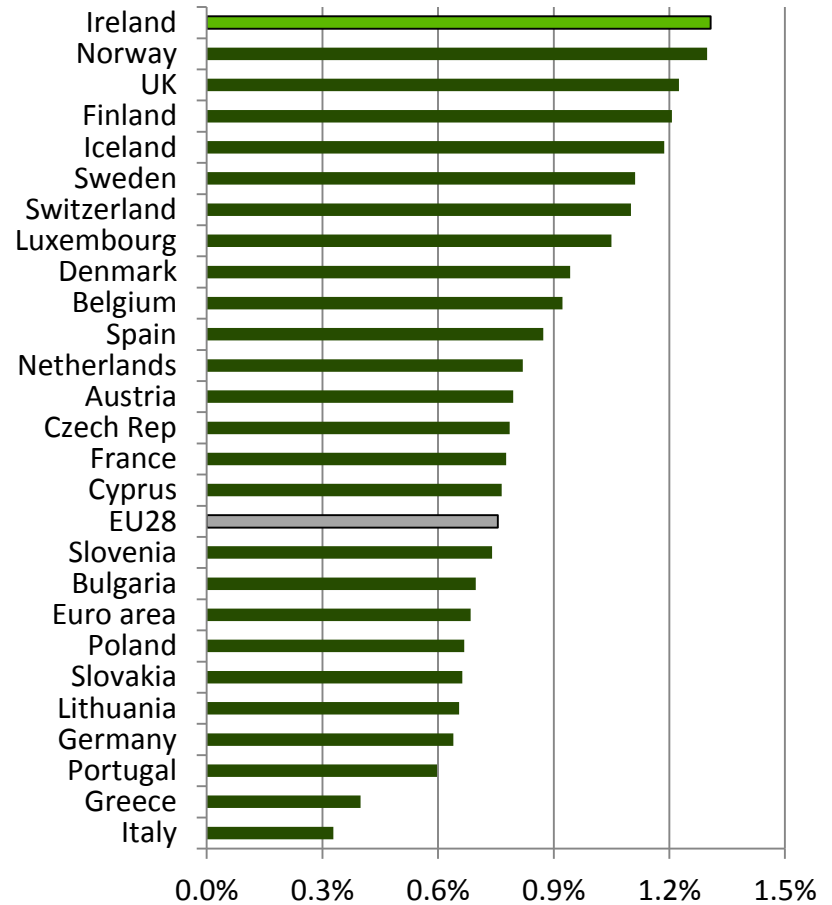
Source: World Bank WDI (2012); OECD (2014)

Workforce is young and educated - especially so in IT sector

Ireland has one of the largest % of 25-34 years old with a third-level degree...



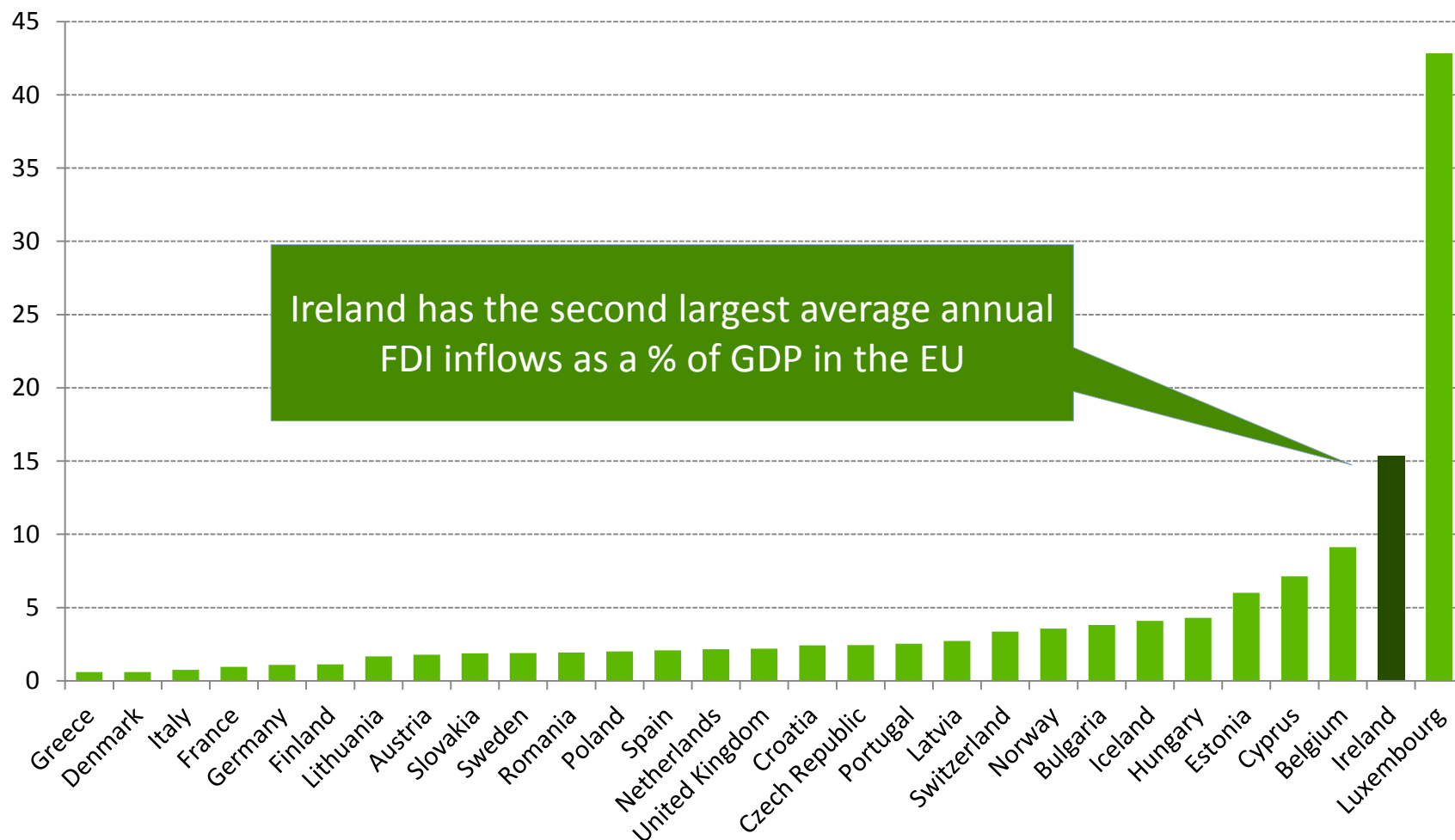
...and the highest % of population working in IT with a third-level degree



Source: Eurostat



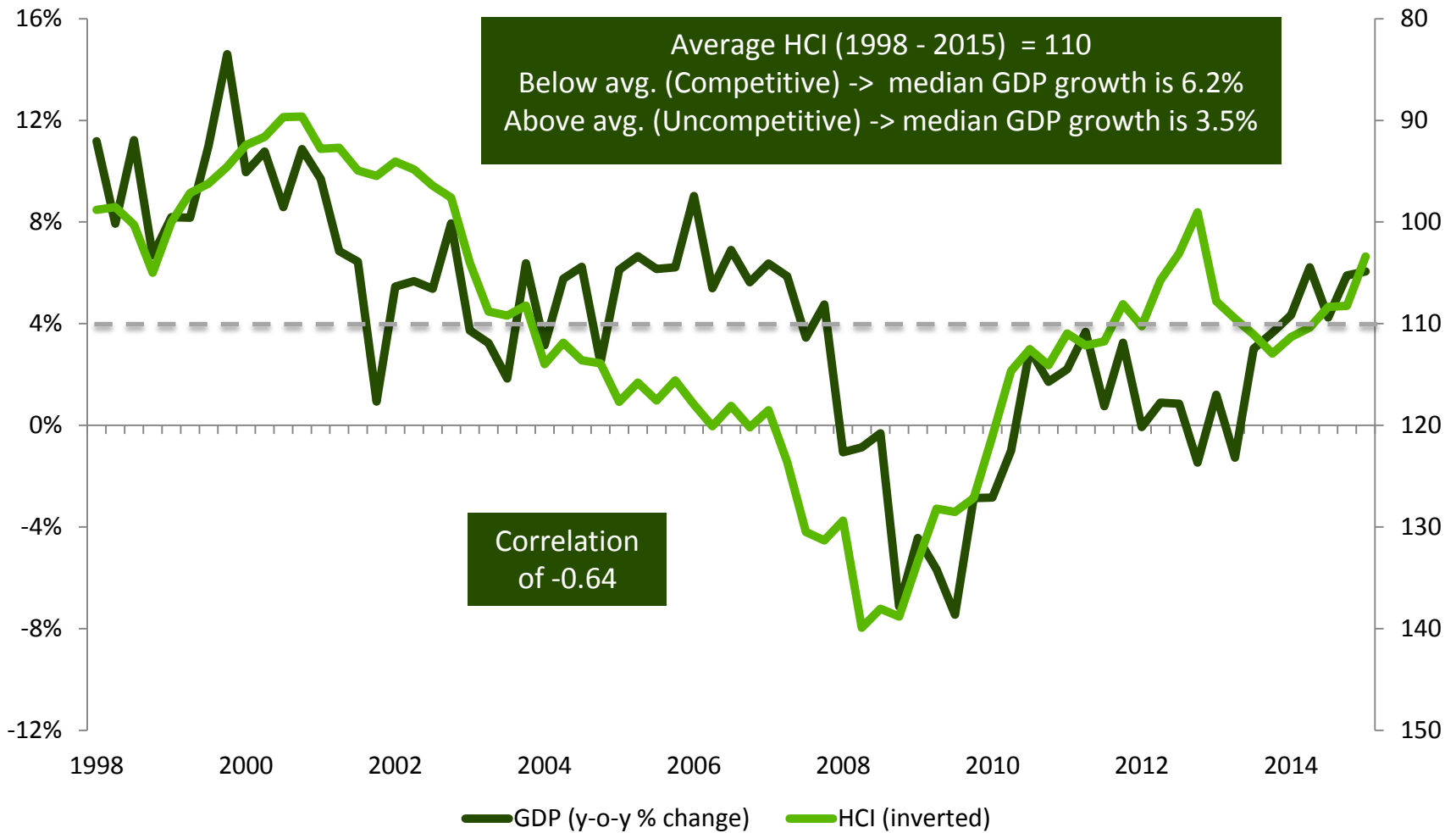
Ireland continues to attract foreign investment (average FDI inflows per annum as a share of GDP, 2009 – 2013)



Source: UNCTADStat



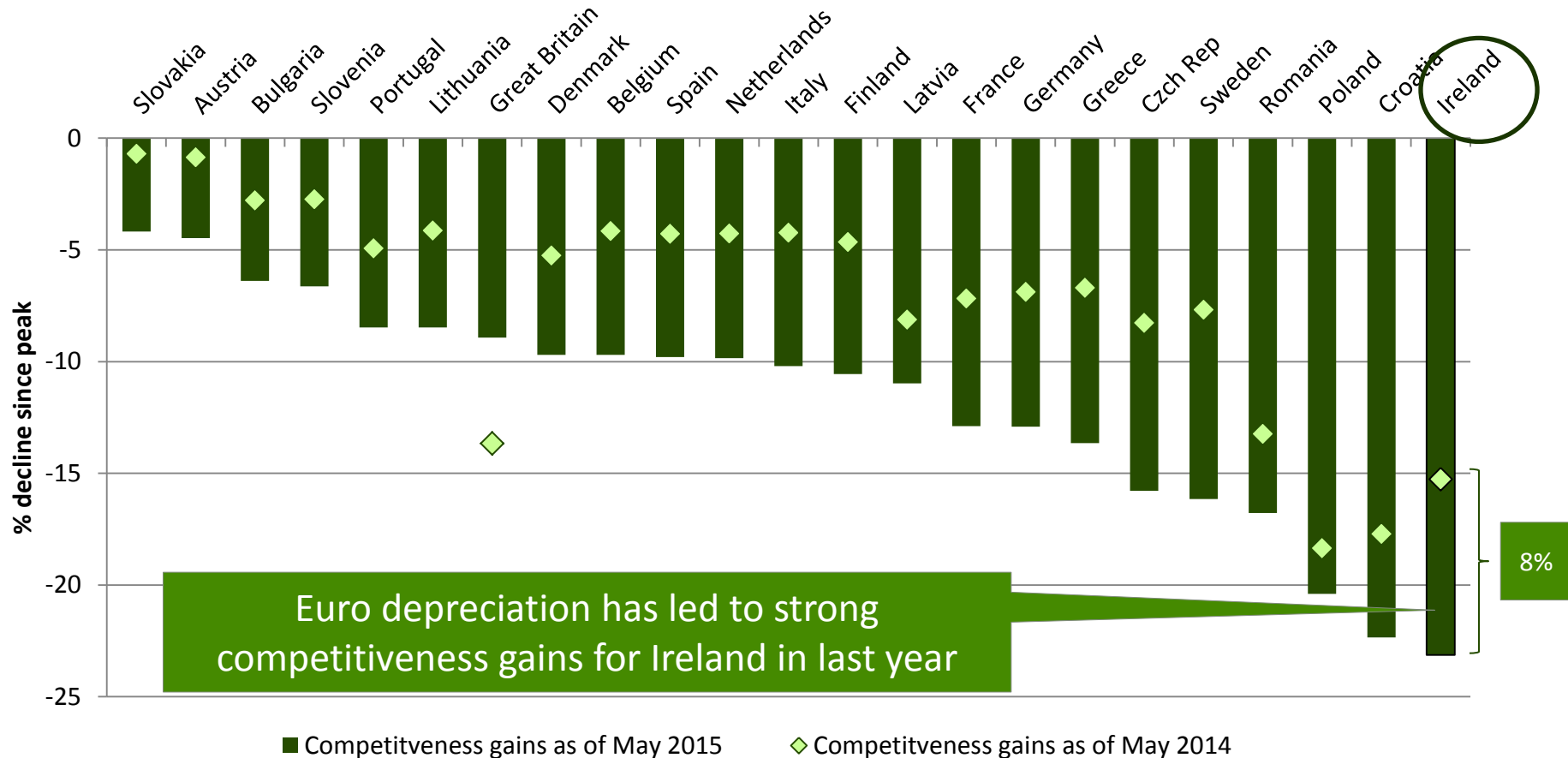
Despite the underlying fundamentals competitiveness is crucial for Ireland's future growth



Source: CSO, CBI



Competitiveness recovery still exceptional even when compositional effects are accounted for



Euro depreciation has led to strong competitiveness gains for Ireland in last year

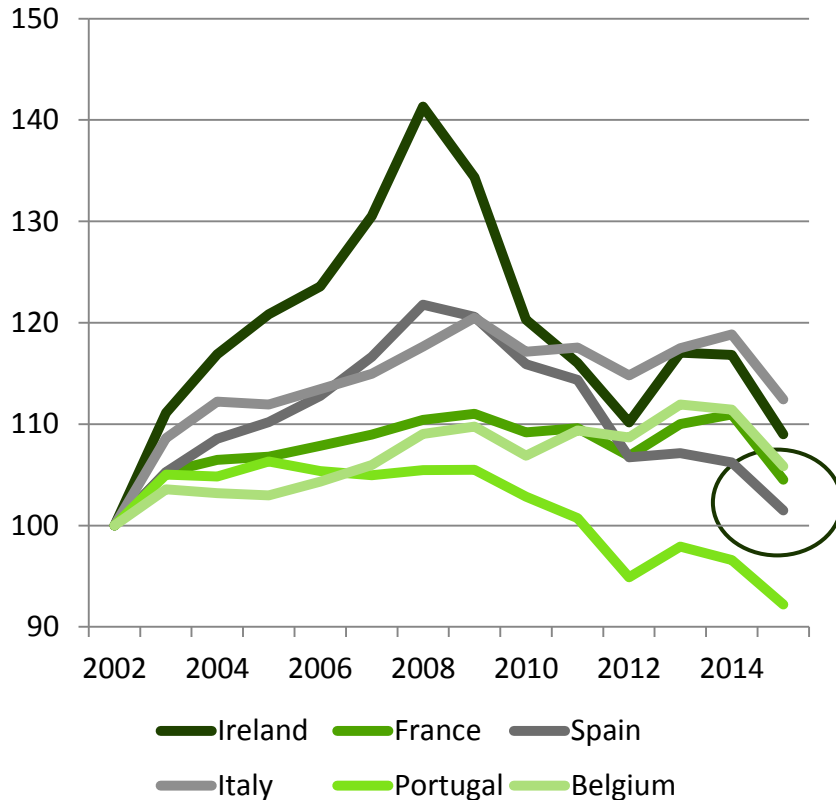
8%

Source: Bruegel - 'Real effective exchange rates for 178 countries: a new database'

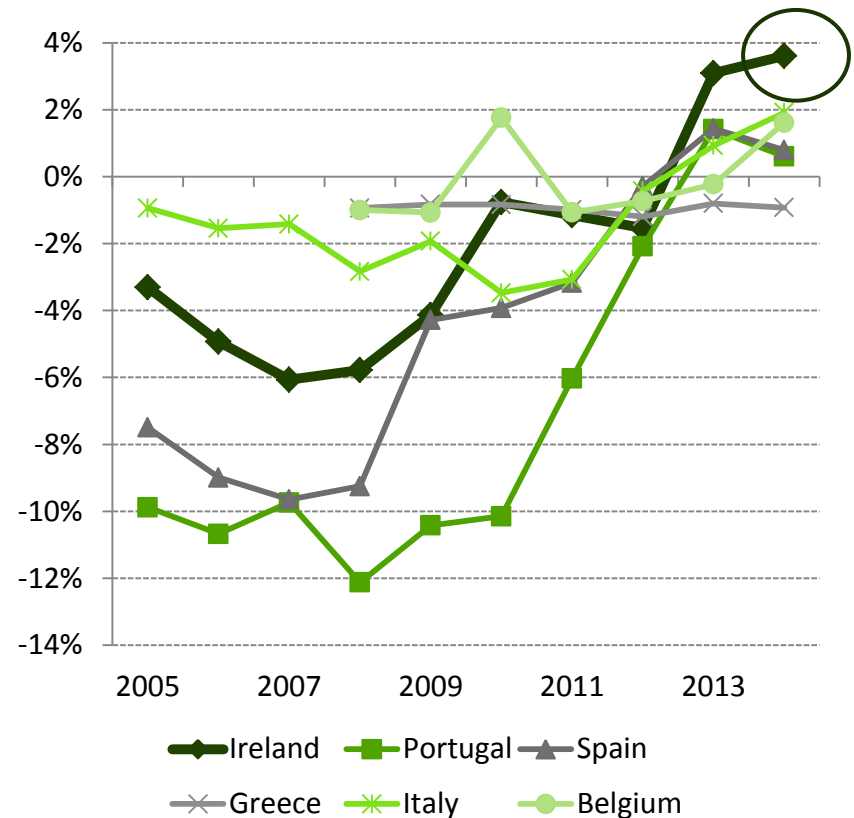
Note: REERs cover business sector excluding agriculture, construction and real estate activities and are calculated against 30 trading partners using fixed weights from Q1 2008. Data available to **May 2015**. See [Darvas, Z \(2012\)](#) for more details.

Ireland's competitive position is different to the other non-core countries

Relative real effective exchange rates have corrected sharply (base:2002=100)



Current account balance (% GDP)



Source: AMECO

Note: REERs are deflated by unit labour costs and measure performance relative to 36 industrial countries - double export weights

Source: Eurostat; NTMA Workings

Note Ireland's CA Balance re-calculated using ESA 2010 compliant GDP series

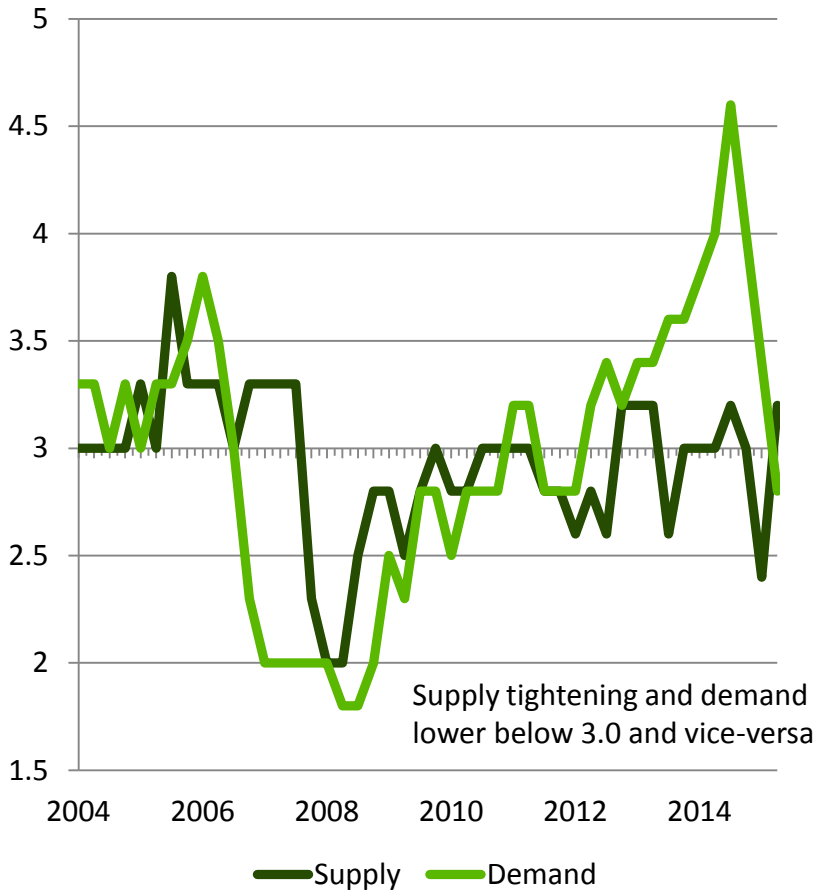
SECTION 4: PROPERTY



Property prices rising thanks to lack of supply, reasonable starting valuations and strong capital inflows

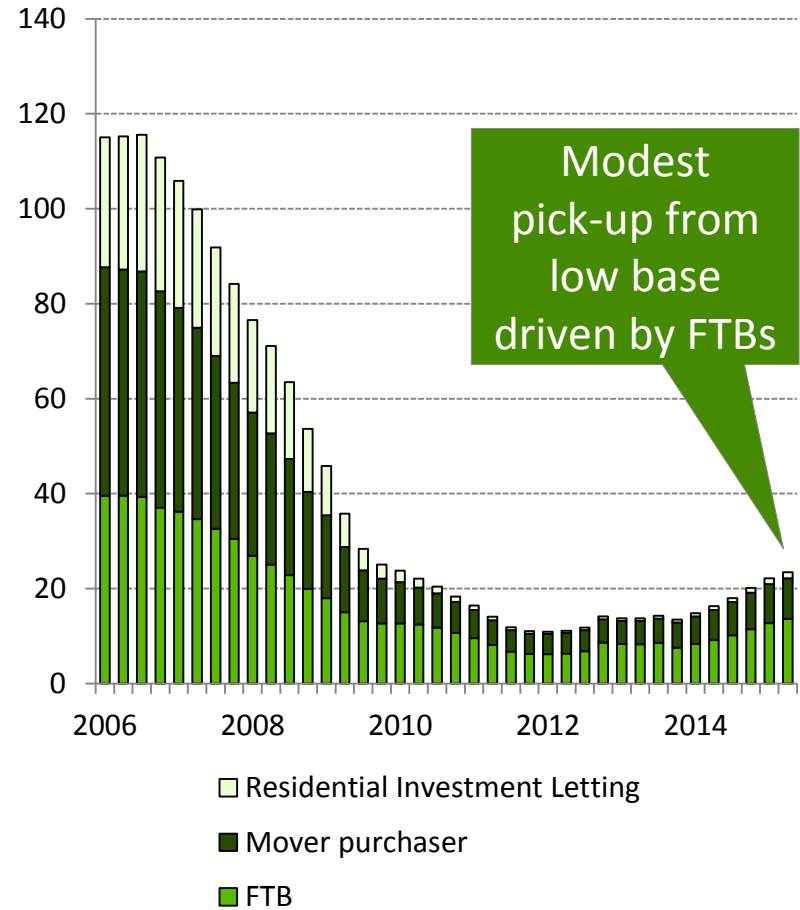
New CBI mortgage rules impact demand before and after introduction

Demand tightens, credit standards ease slightly following CBI rules



Source: ECB and CBI (Bank lending survey)

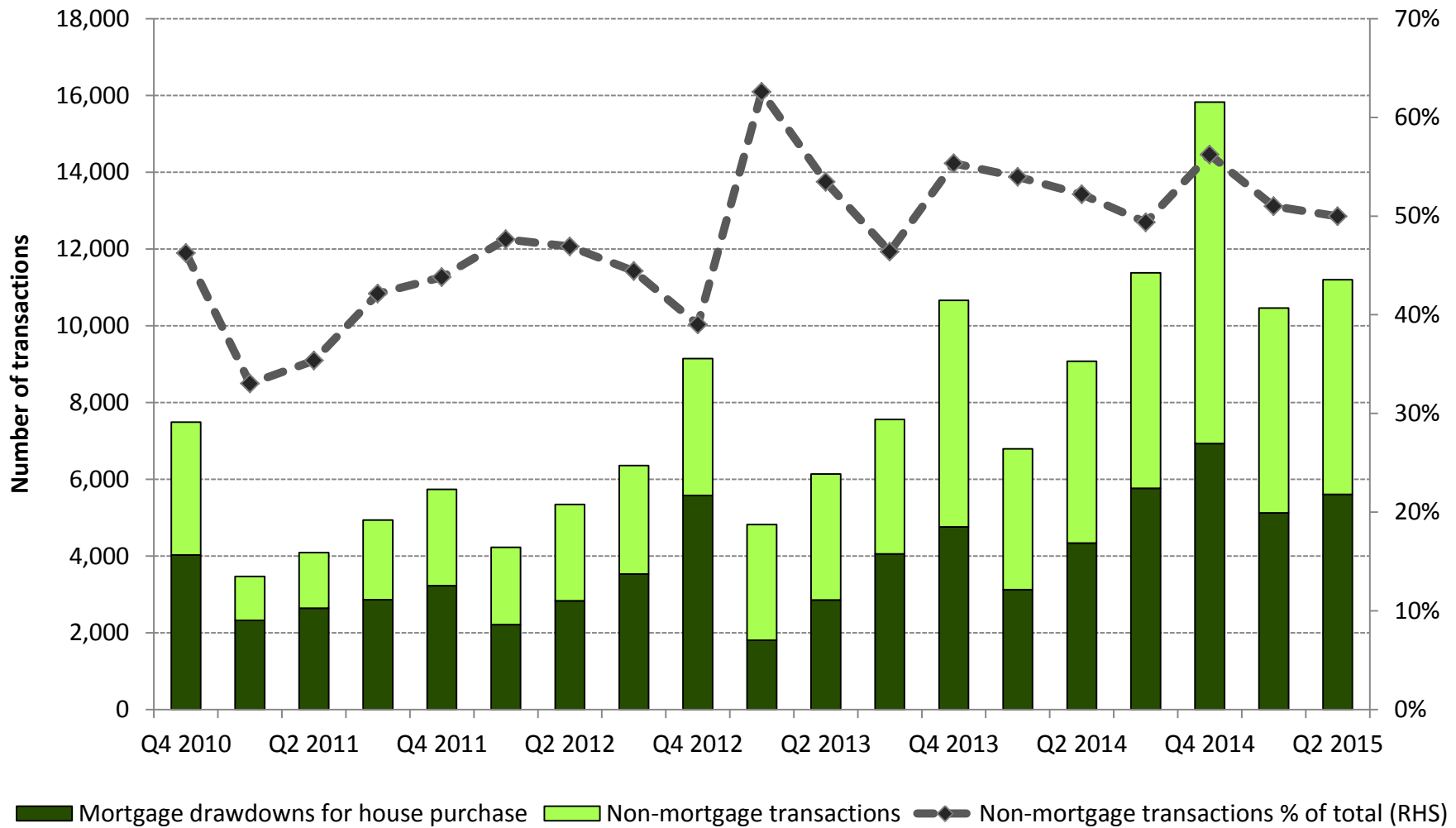
Mortgage drawdowns rise from deep trough ('000s)



Source: Irish Banking Federation
FTBs = First Time Buyers



Residential market continues to be boosted by non-mortgage purchasers



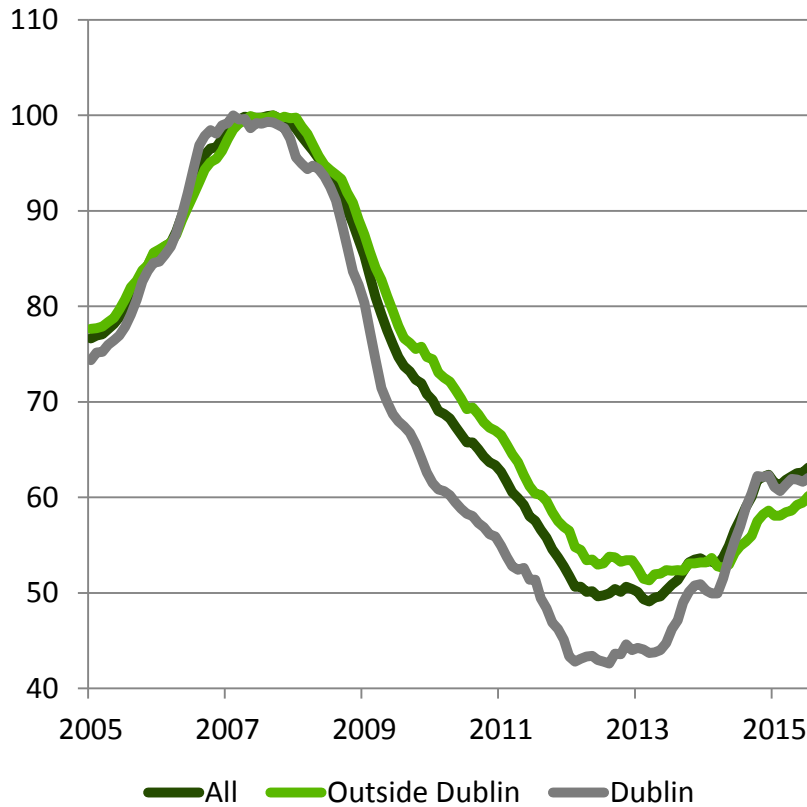
Source: IBF; Property Services Regulatory Authority; NTMA

Note: Non-mortgage transactions are implied by difference between total transactions on property price register and IBF mortgage data

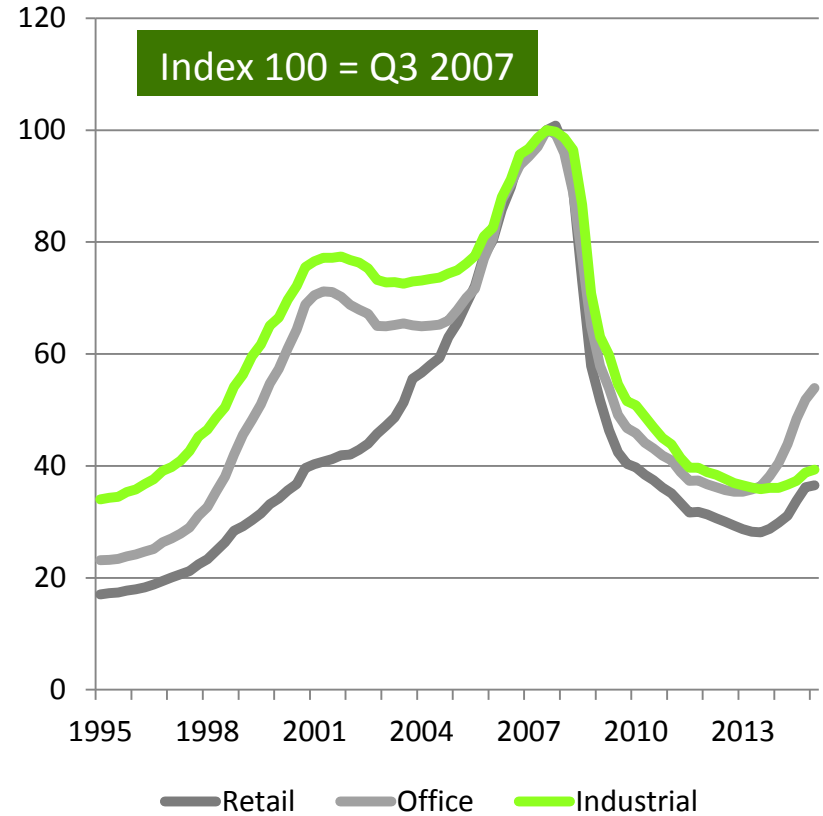


Property prices have rebounded since 2012 (peak = 100 for all indices)

House prices surge, led by Dublin



Office leads commercial property

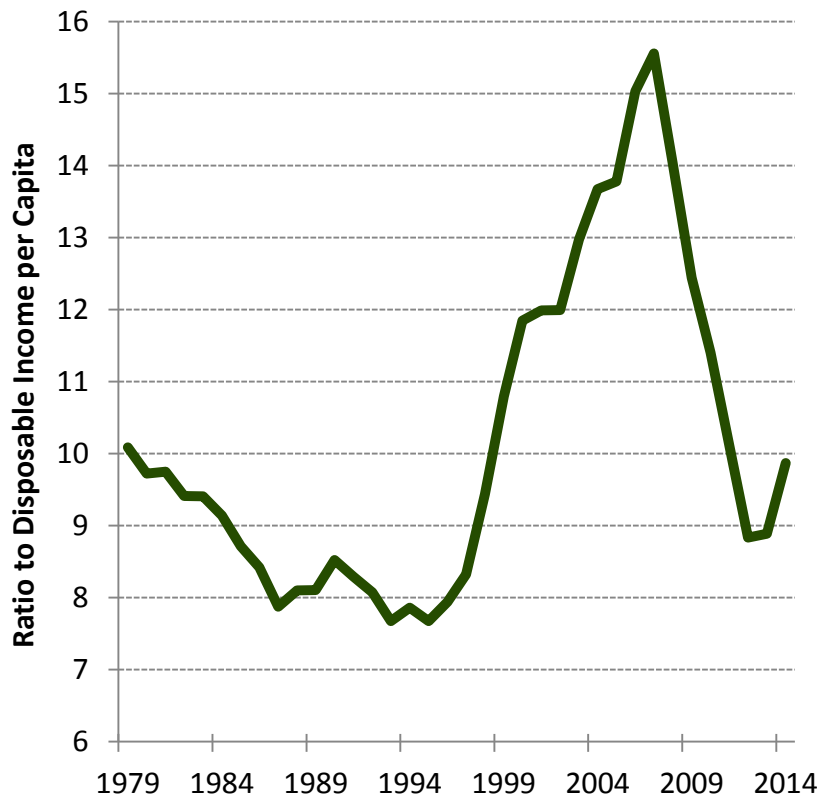


Source: CSO; IPD



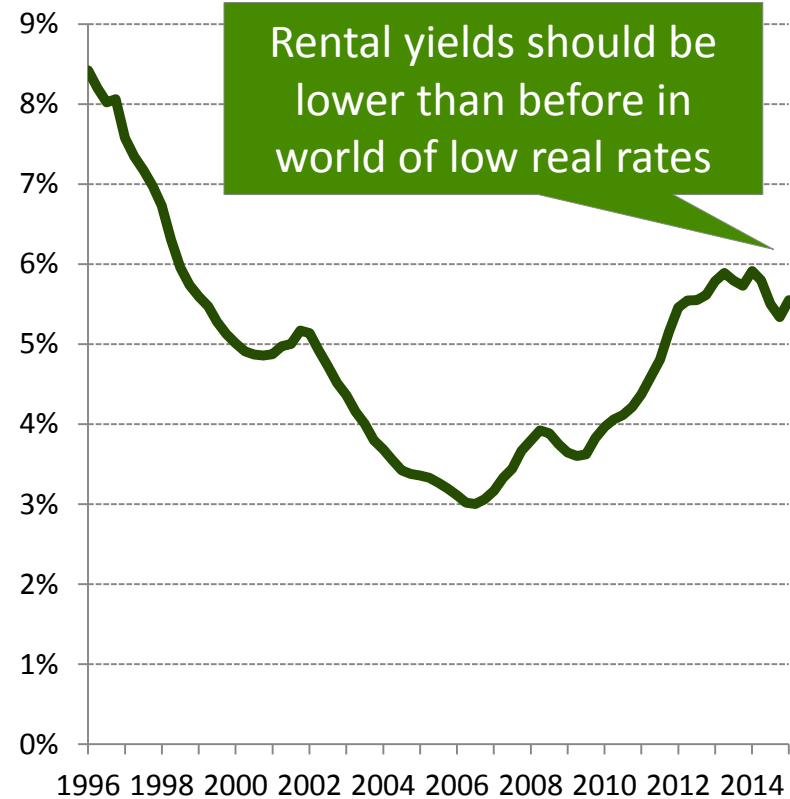
Housing valuations are still relatively attractive

Average Irish house prices/ disposable income per capita



Source: CSO; NTMA, IPD

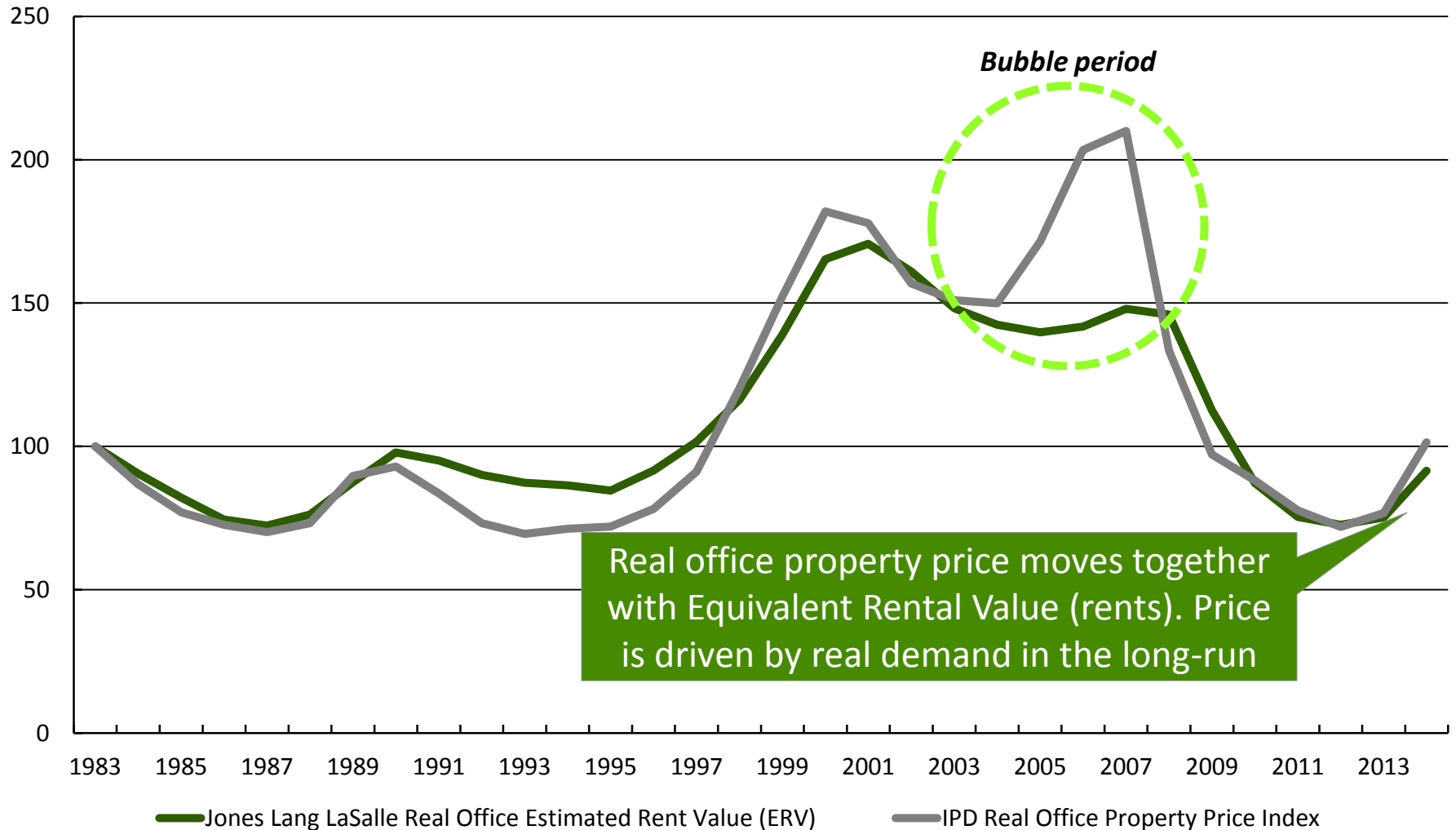
Rental yields still exceed 5%



Rental yields should be lower than before in world of low real rates



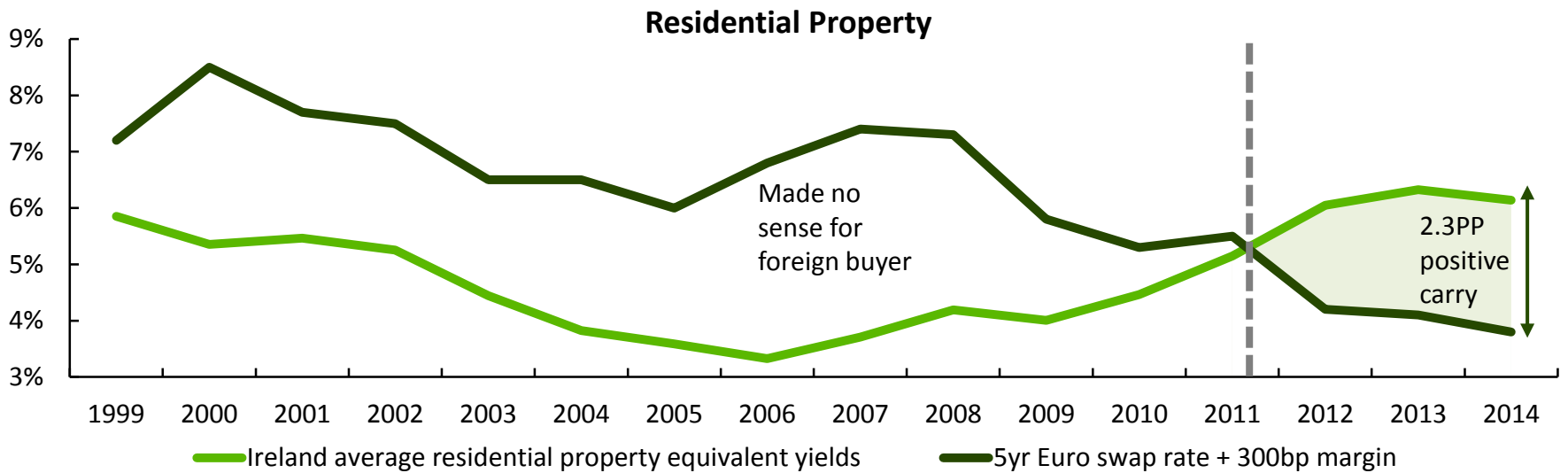
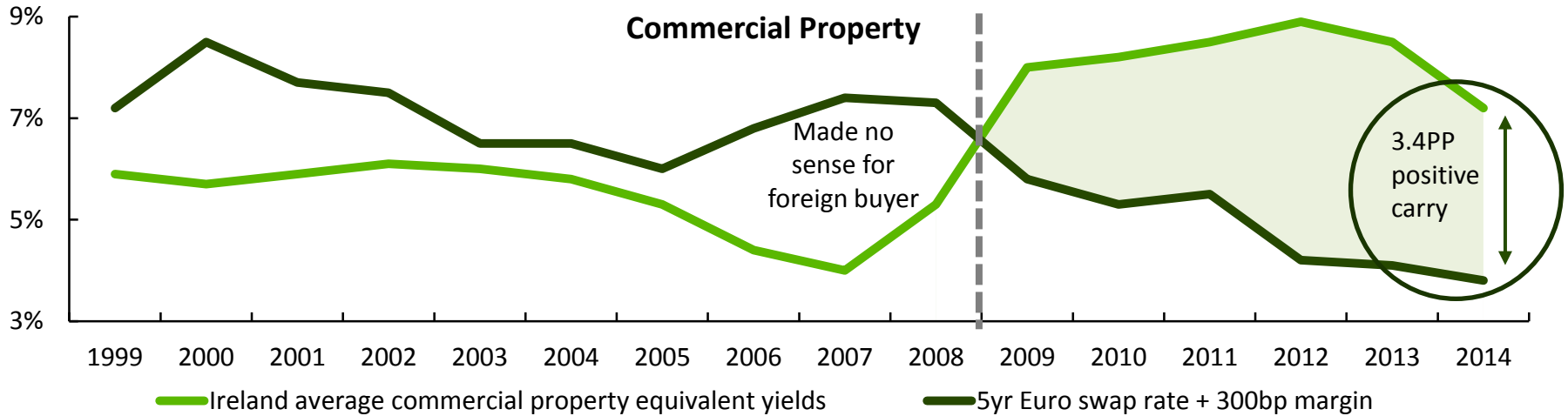
Real commercial property prices down 52% from peak (index 1983 = 100)



Source: Jones Lang LaSalle; IPD; NTMA



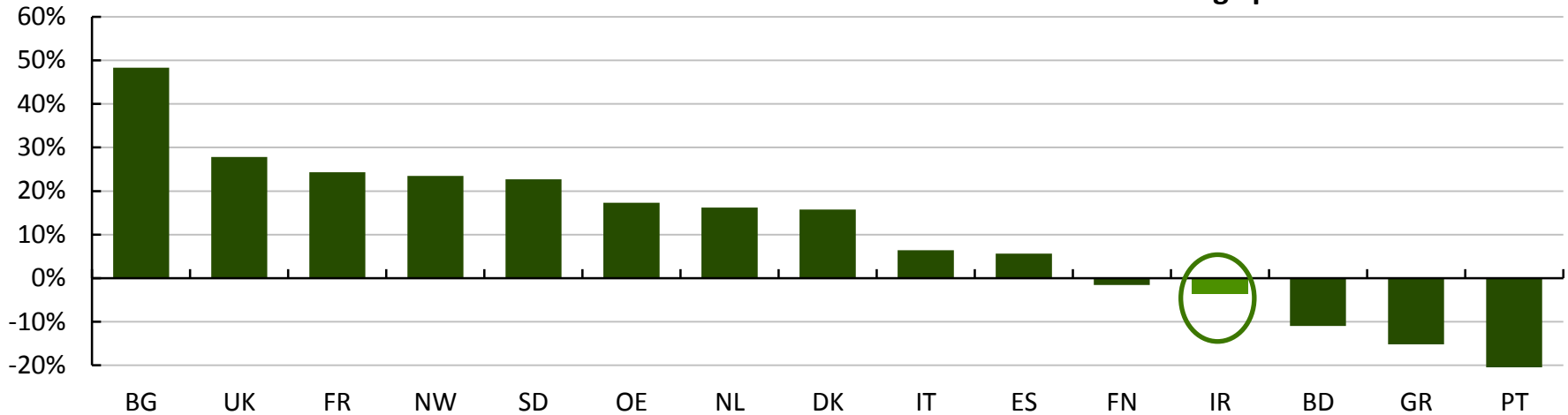
Foreign buyers interested on "carry trade" grounds



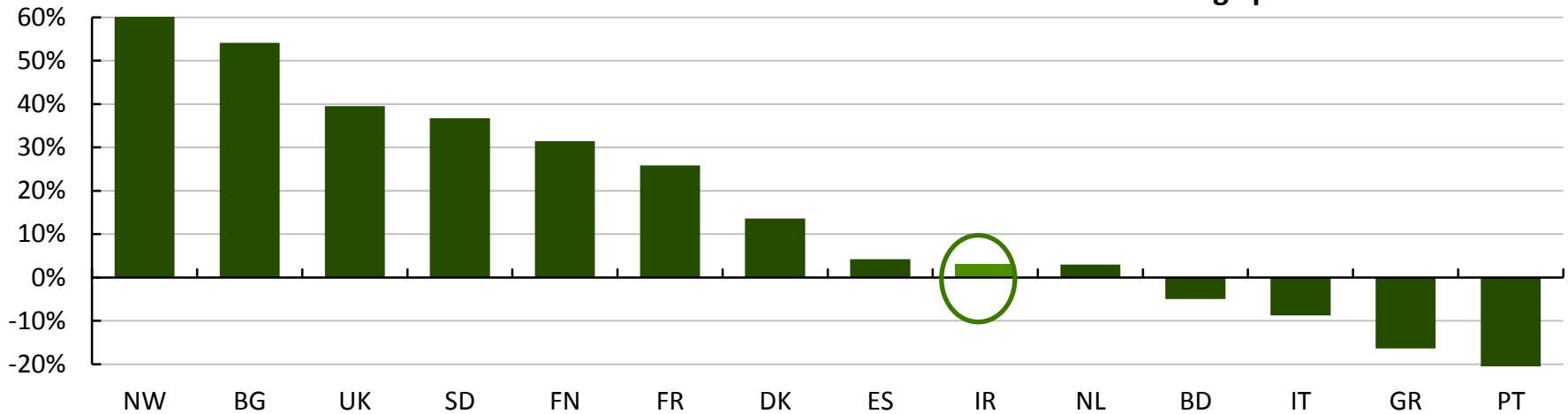
Source: IPD; NTMA

Irish house price valuation is still attractive versus European countries

Deviation from average price-to-income ratio



Deviation from average price-to-rent ratio



Source: OECD, NTMA Workings

Note: Measured as % over or under valuation relative to long term averages since 1990.

SECTION 5: NAMA



NAMA is set to make a profit of up to €1bn on wind-up

NAMA: over half of its original debt repaid

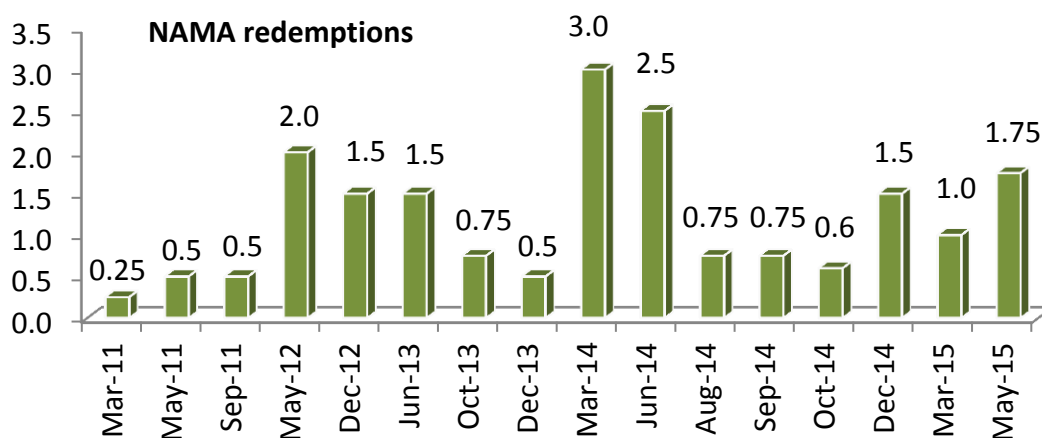
- **NAMA's operating performance is strong**
 - ▶ Acquired 12,000 loans (over 60,000 saleable property units) related to €74bn par of loans of 758 debtors for €32bn
 - ▶ NAMA continues to generate net profit after impairment charges.
- **Repaid €19.35bn (64%) of €30.2bn of original senior debt**
 - ▶ Repaid €9.1bn in 2014; further €1bn in March and €1.75bn in May 2015.
 - ▶ NAMA is meeting its senior debt redemption targets ahead of schedule. Originally, a target of 50% of redemptions was set for 2016. The Agency now plans to redeem a total of 80% of its senior debt by 2016.
- **NAMA may realise a surplus of up to €1bn, subject to market conditions remaining favourable**
 - ▶ According to CEO Brendan McDonagh, NAMA may realise this surplus by the time NAMA completes its work (circa 2018).

NAMA: financial summary

2011 – 2014 Financial results (€m)

	2011	2012	2013	2014
Net interest income	771	894	960	642
Operating profit before impairment	1,278	826	1,198	648
Impairment charges	(1,267)	(518)	(914)	(137)
Profit before tax and dividends	11	308	283	510
Tax (charge)/credit and dividends	235	(76)	(70)	(52)
Profit for the year	246	232	213	458

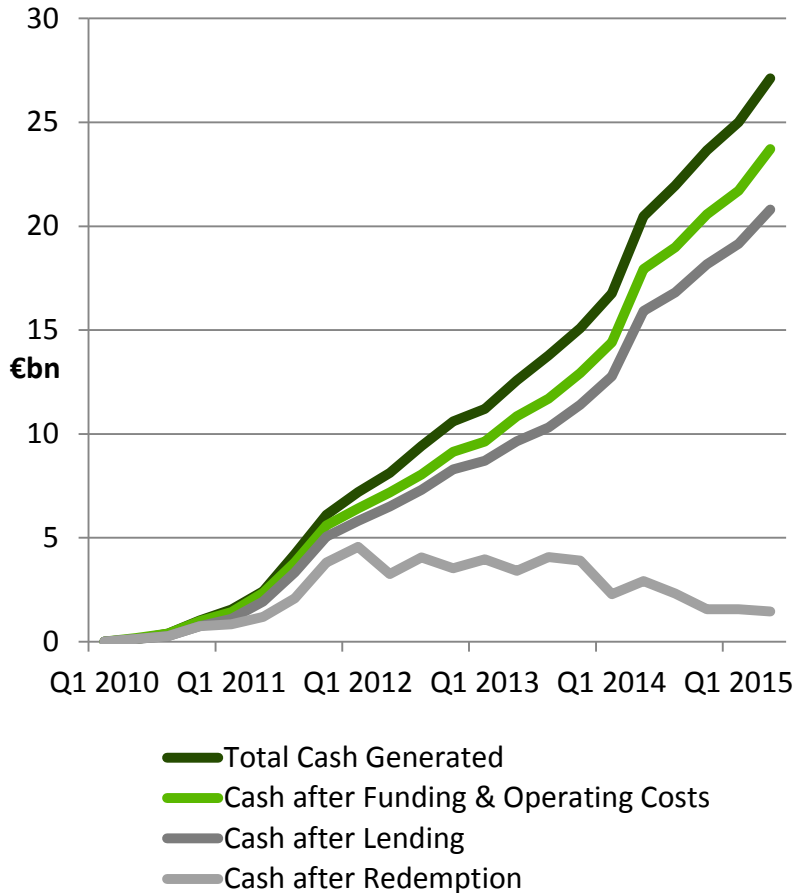
Source: NAMA



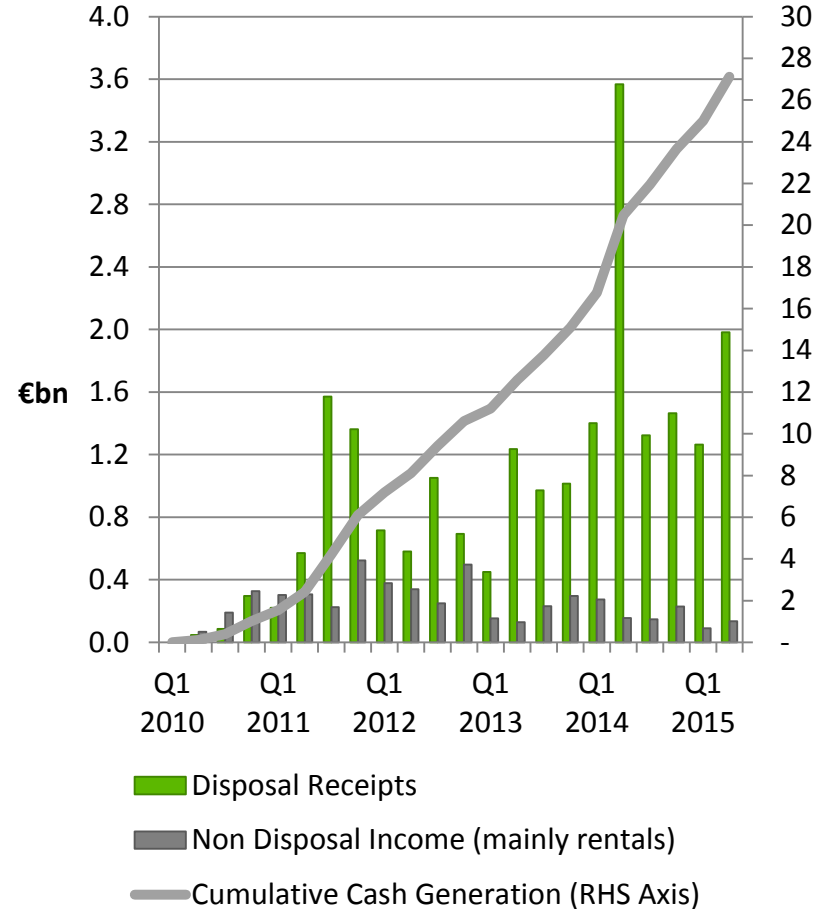
- **NAMA continues to generate net profit after impairment charges.**
- 2014 operating profit and impairment charges much lower than previous years
- €1.75bn of NAMA senior bonds redeemed in May 2015 bringing total amount redeemed to €19.35bn (64% of its senior debt liabilities)
- **All of €30.2bn in NAMA senior bonds expected to be redeemed by 2020**

NAMA: Summary of cash flows from inception

Total cash generated of €27.1bn from inception to end Q2-15



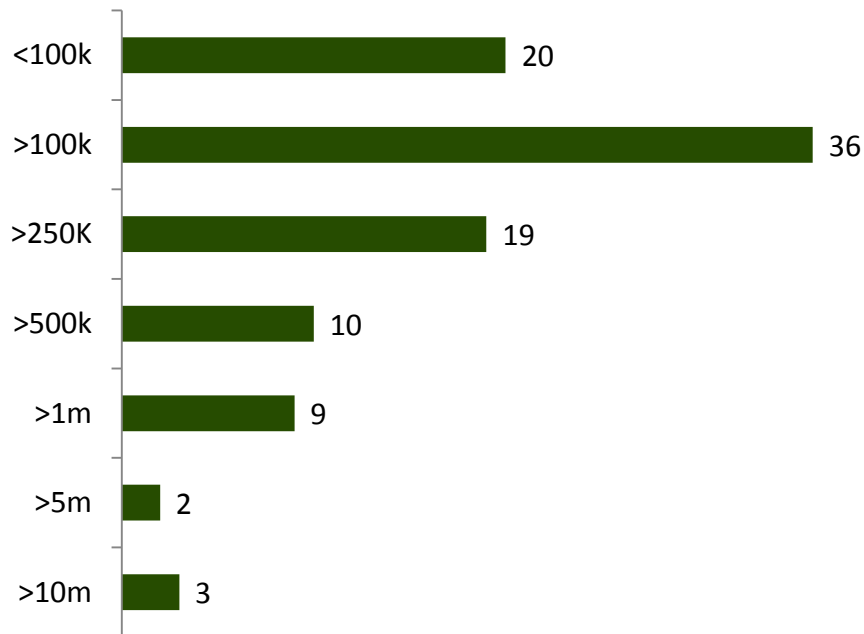
High level of non-disposal income (€5.2bn)



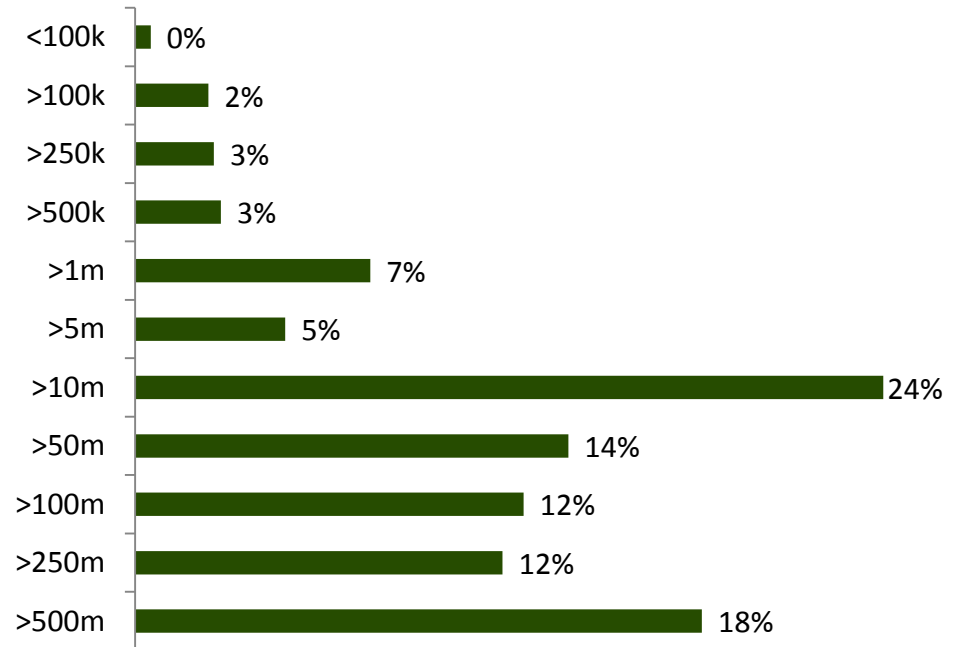
Disposal transaction analysis

	< €10m	>10m - <50m	> €50m	Total
Total Disposals (€m)	4,461	5,219	12,250	21,930
No. of Transactions	8,117	246	72	8,435
Average Disposal Value (€m)	.55	21.2	170.1	2.6

Disposal Transaction Volume by Range

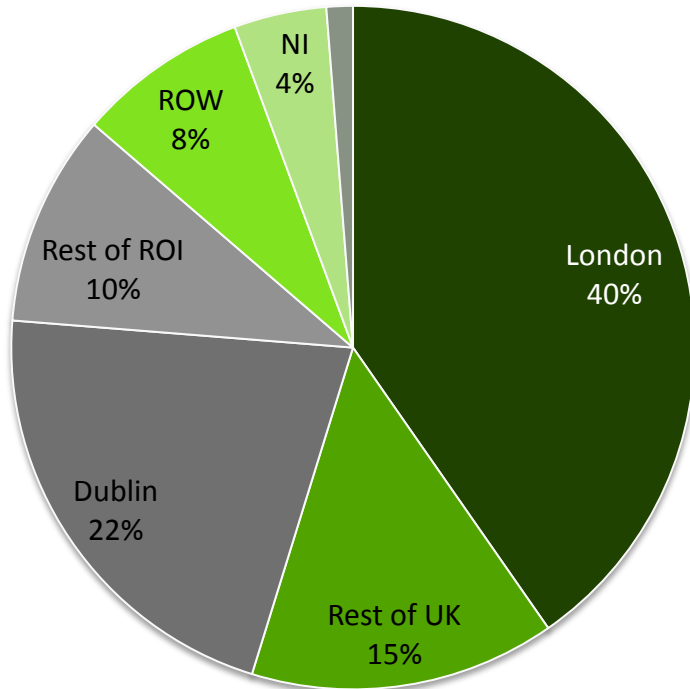


Disposal Proceeds Value by Range

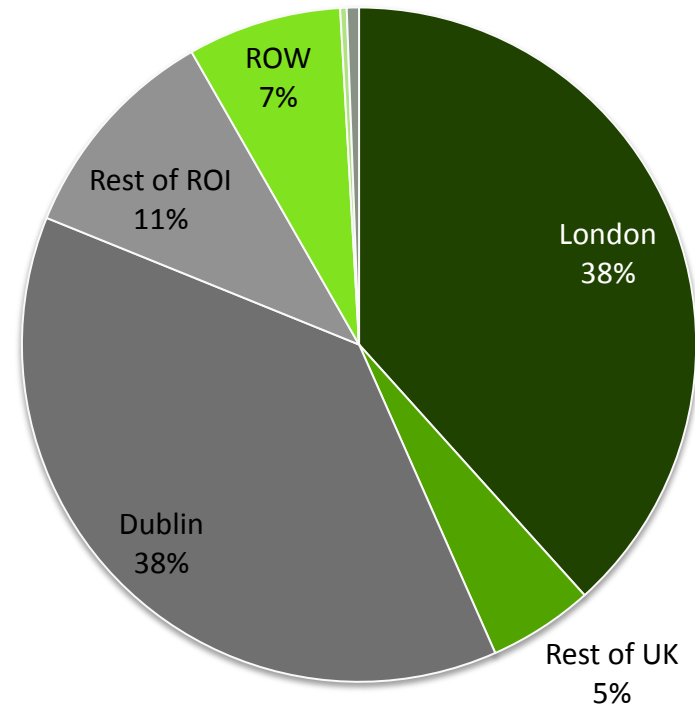


Disposal Trend by Location

**Disposals by Location since Inception
(€21.9bn)**



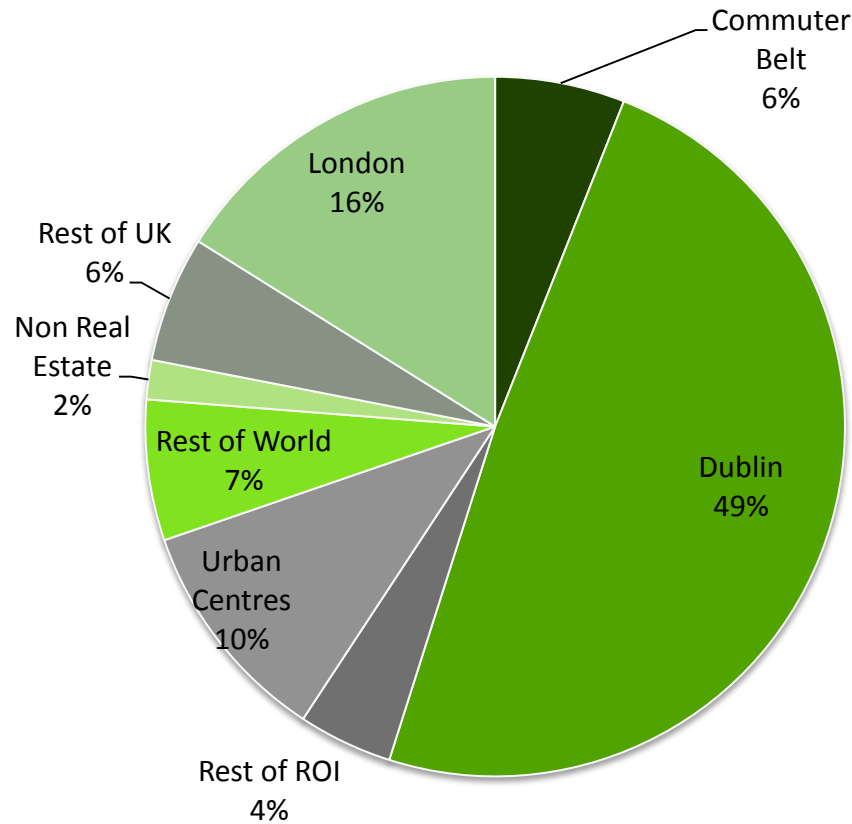
**Disposals by Location 2015 YTD
(€2.8bn)**



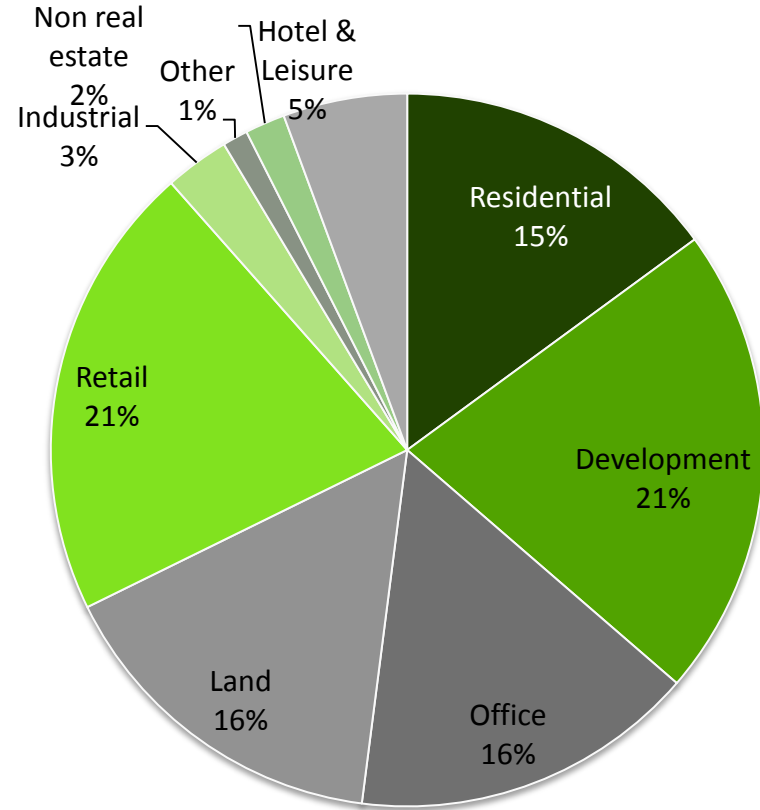
- Deliberate NAMA focus on UK disposals during 2010 – 2013 period.
- ROI transactions have increased significantly since Q4 2013 - from €2bn to €6.9bn.

Breakdown of NAMA property portfolio, June 2015

Geographic Breakdown



Sector Breakdown

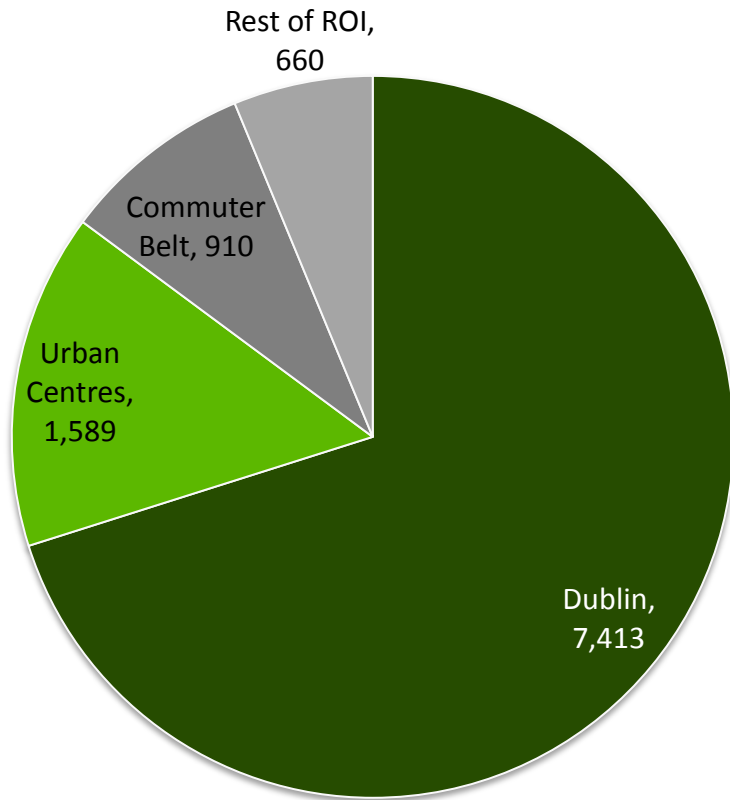


Source: NAMA

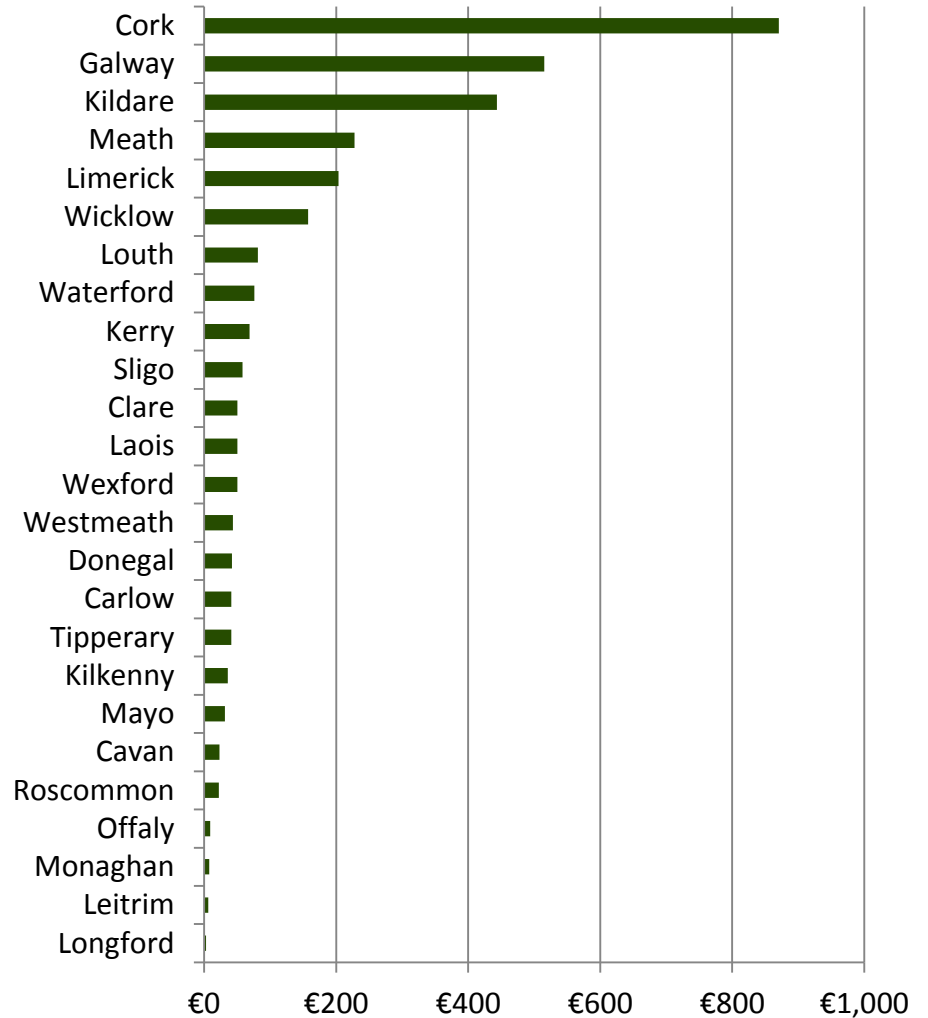


Remaining Irish portfolio by county (June 2015)

Remaining Portfolio = €10.6bn



Irish Portfolio by county excl. Dublin (€m)



Source: NAMA

NAMA: strategic initiatives progress

- ▶ **Dublin Docklands Strategic Development Zone (SDZ):**
 - A core objective of NAMA's development funding is to facilitate the delivery of Grade A office accommodation in the SDZ.
 - NAMA has an interest in 15 of the 20 development blocks identified in the SDZ and has developed detailed strategies for these 15 blocks.
 - It is estimated that up to 3.8m sq. ft. of commercial space and 1,950 apartments could potentially be delivered over the lifetime of the Dublin Docklands SDZ Scheme.
- ▶ **Social Housing:**
 - A SPV – NARPSL – was established by NAMA to expedite social housing delivery. It acquires residential units from NAMA debtors and receivers and leases them directly to approved housing bodies (Department of the Environment, Community and Local Government; and the Housing Agency).
 - By end-June 2015, over 1,400 units were delivered under this initiative. NAMA expects that a further 600 units (which are in active negotiation) will be delivered in 2015.
- ▶ **Residential Development:**
 - As part of its contribution to address emerging residential supply shortages in the Greater Dublin area, NAMA is committed to facilitating the completion of 4,500 new residential units in the period to the end of 2016.
 - NAMA had delivered 1,566 units by end-March 2015.

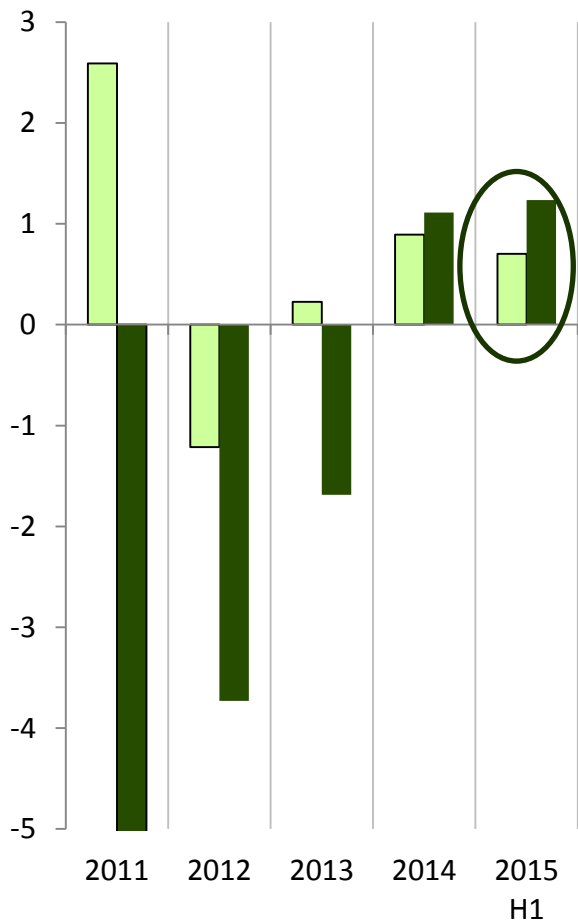
SECTION 6: BANKING



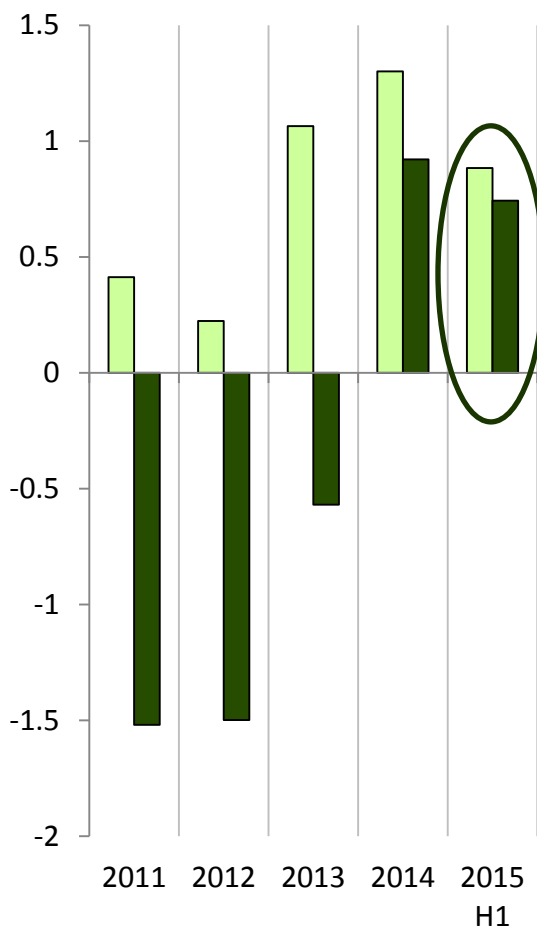
Banks overhauled since late 2010; AIB and BOI returned to profit in 2014

AlB and BOI returned to profit in 2014 (€bn); PTSB breaks even in H1 2015

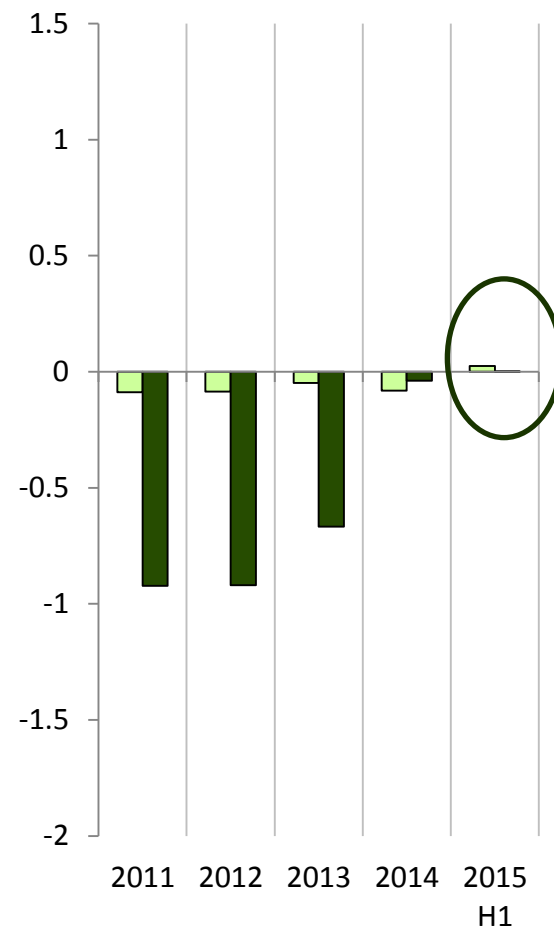
Allied Irish Bank



Bank of Ireland



Permanent TSB

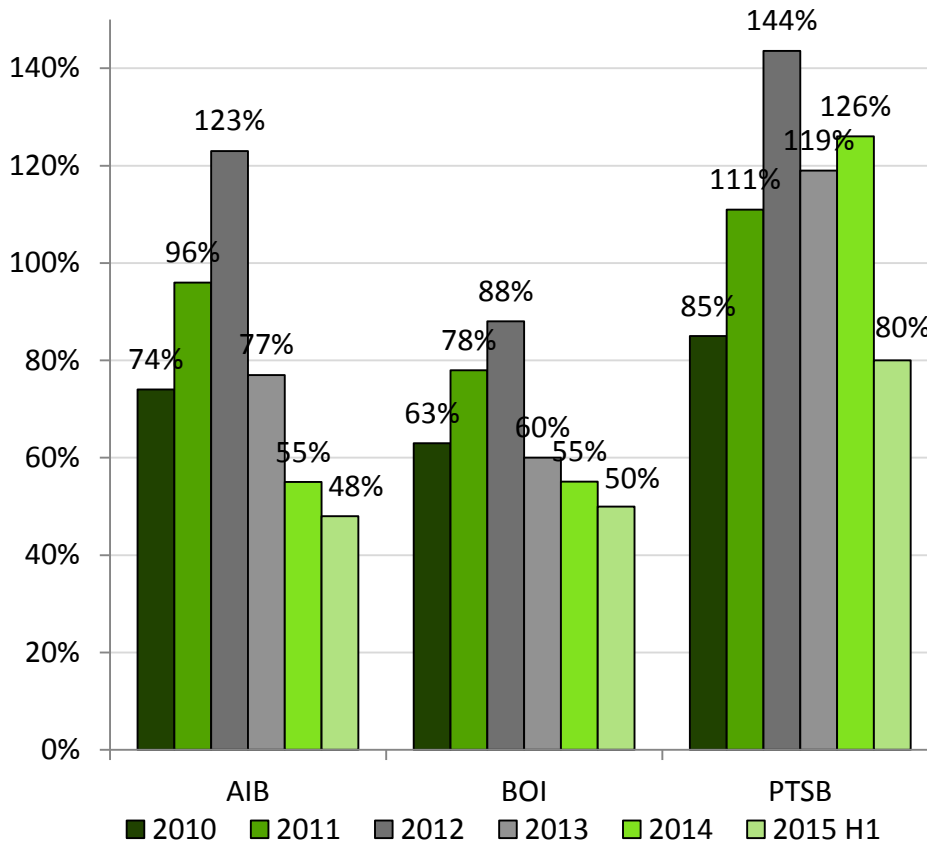


Pre-Provisions Post-Provisions



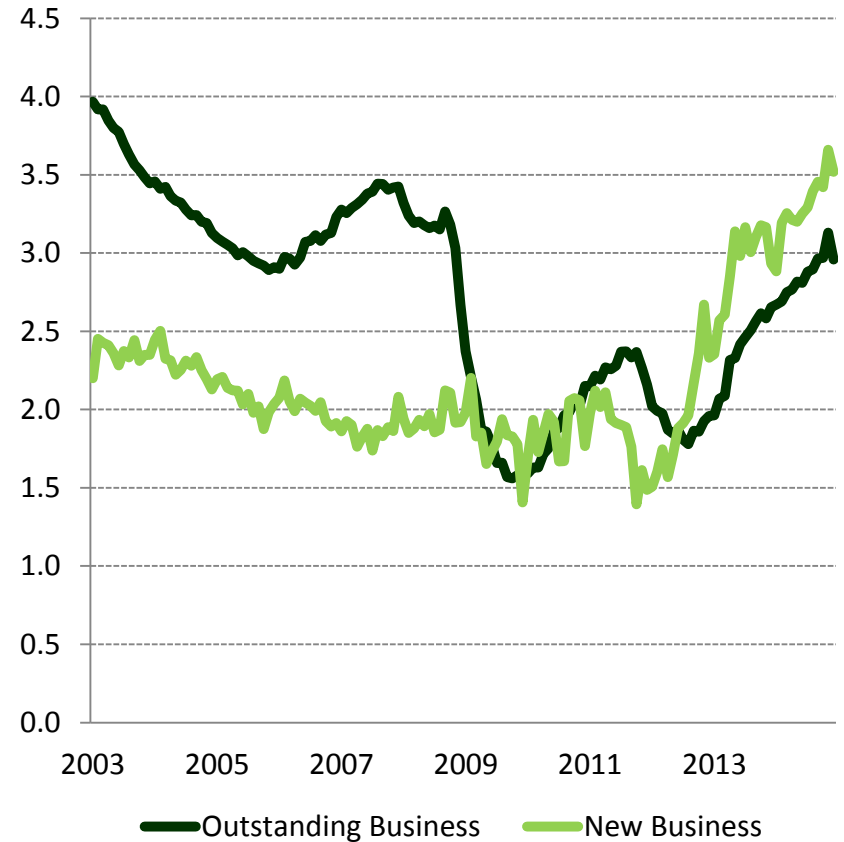
Banks fundamentally rebuild profitability

Cost income ratios improve dramatically



Source: Annual reports of Irish domestic banks

Net interest margins recover %



Source: Central Bank of Ireland

Note: Margins are derived from weighted average interest rates on loans and deposits to and from households and non-financial corporations.



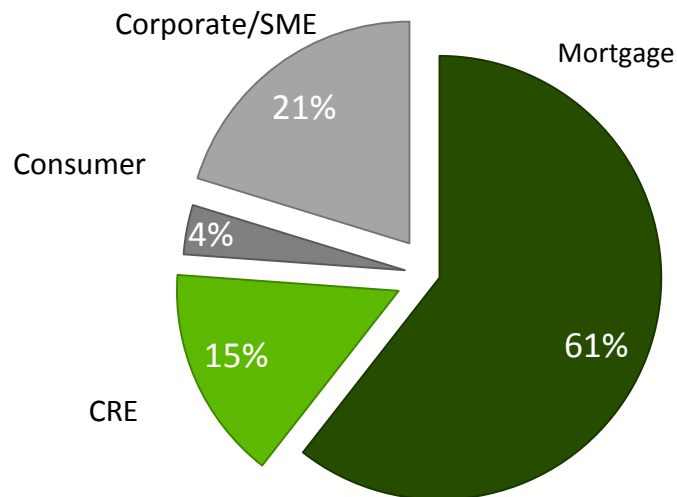
Asset quality improving as impaired loans and provisions continue to fall

Impaired loans and provisions at PCAR banks (group and three banks)

PCAR Banks (€bn)	Dec-13	Dec-14	Jun-15
Total Loans	208.9	197.1	192.6
Impaired	53.9	43.1	37.4
<i>(Impaired as % of Total)</i>	25.8%	21.9%	19.4%
Provisions	29.4	23.5	18.7
<i>(Provisions as % of book)</i>	14.1%	12.0%	9.7%
<i>(Provisions as % of Impaired)</i>	54.5%	54.5%	50.1%

Impaired Loans % (Coverage %) ¹ by Bank and Asset					
		Dec-13	Dec-14	Jun-15	Book (€bn)
BOI	Irish Residential Mortgages	14.2(49)	12.6(46)	11.1(48)	25.3
	UK Residential Mortgages	2.4(24)	2.0(23)	1.8(24)	28.1
	Irish SMEs	26.7(50)	25.6(51)	24.3(52)	9.5
	UK SMEs	17.1(50)	16.9(44)	13.9(46)	2.6
	Corporate	7.5(41)	5.6(54)	5.1(59)	8.6
	CRE - Investment	42.3(38)	37.2(46)	35.8(48)	12.5
	CRE - Land/Development	89.3(68)	89.5(74)	90.1(75)	2.5
	Consumer Loans	8.4(90)	6.4(98)	5.3(100)	3.2
		18.5(48)	18.2(50)	14.4(53)	92.4

Loan Asset Mix (banks Jun 15)



AIB	Irish Residential Mortgages	23.0(43)	22.6(40)	20.1(36)	35.3
	UK Residential Mortgages	11.3(53)	11.6(59)	11.5(58)	2.6
	SMEs/Corporate	30.0(64)	21.4(68)	16.8(63)	17.9
	CRE	66.7(64)	56.9(62)	48.6(62)	13.8
	Consumer Loans	33.2(81)	27.2(69)	23.3(75)	3.7
	34.9(59)	29.2(51)	24.6(48)	73.3	

PTSB	Irish Residential Mortgages	26.0(47)	25.5(46)	24.0(47)	21.9
	UK Residential Mortgages	1.3(85)	1.5(60)	2.3(63)	3.8
	Commercial	68.7(63)	74.0(60)	71.3(61)	0.9
	Consumer Loans	26.0(105)	29.7(94)	28.7(93)	0.3
	23.6(51)	24.5(51)	22.6(50)	26.9	

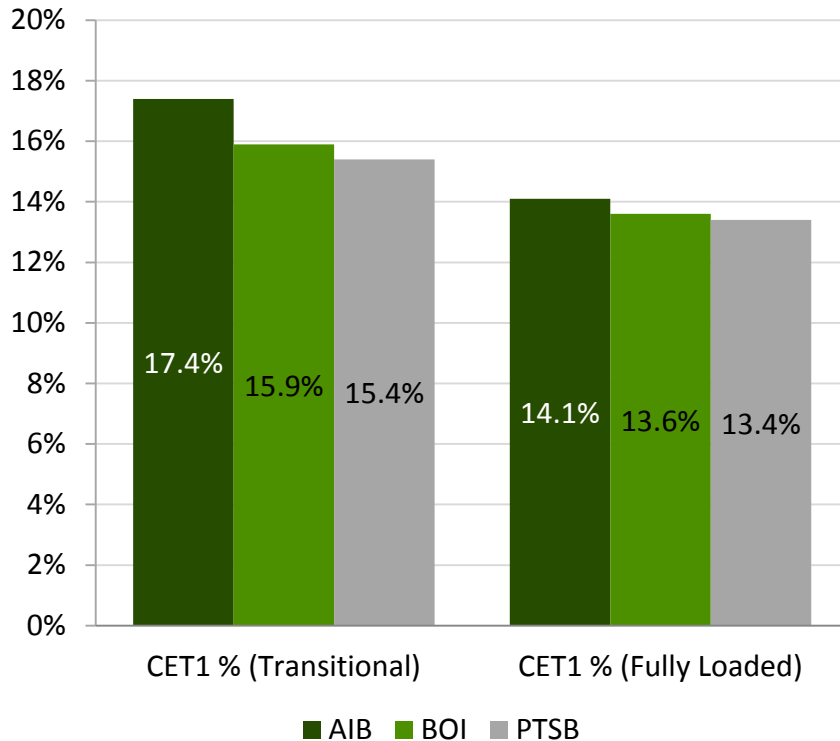
Source: Published bank accounts

¹ Total impairment provisions are used for coverage ratios (in parentheses)



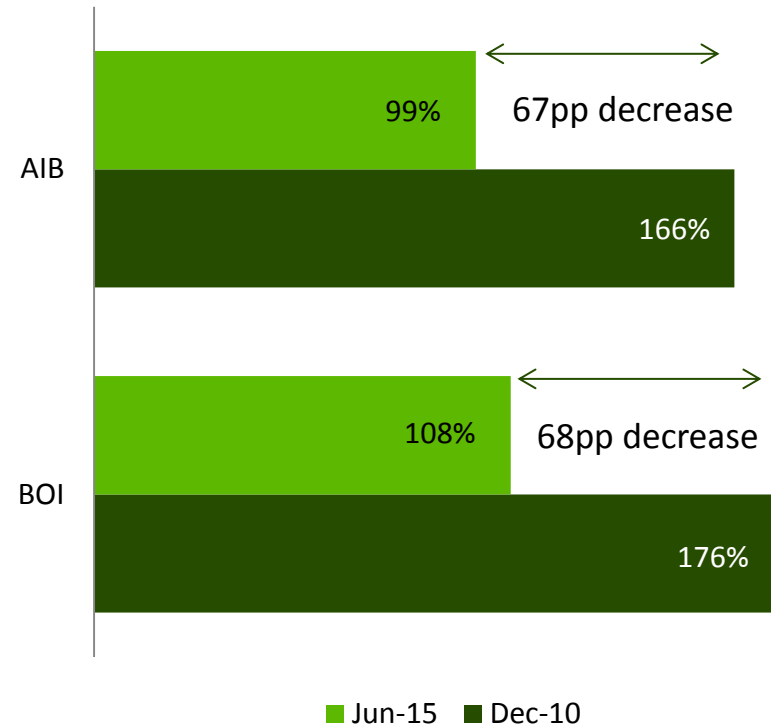
Capital and loan-to-deposit ratios strengthened

Core Tier 1 Capital Ratios (Jun-15)



Source: Published bank accounts

Loan-to-Deposit Ratios (Dec-10 to Jun-15)



Source: Published bank accounts

- Core Tier 1 capital ratios at the PLAR banks remain well above minimum requirements.

Note: "Transitional" refers to the transitional Basel III required for CET1 ratios which came into effect 1 January 2014. "Fully loaded" refers to the actual Basel III basis for CET1 ratios.

* The AIB and BOI fully loaded CET1 ratios include €3.5bn and €1.3bn of preference shares respectively. Excluding these preference shares, the ratio for AIB is 8.3% and for BOI is 11.1%.

Aggregated balance sheet of the “Covered” banks much slimmer and more solid

Total Assets: €263.6 bn

Loans and receivables - loans to customers	176.4
Loans and receivables - loans to credit institutions	7.9
Loans and receivables - debt instruments	12.4
Available-for-sale financial assets	35.2
Cash & cash balances with central banks	13.0
Other	18.7

Total Liabilities, Minority Interest and Equity: €263.6 bn

Deposits excl. Credit Institutions	159.6
Deposits from Credit Institutions and Central Banks	32.4
Debt Certificates	28.3
Subordinated Liabilities	4.6
Other liabilities	16.0
Equity & Minority Interest	22.7
Total Liabilities, Minority Interest and Equity	263.6

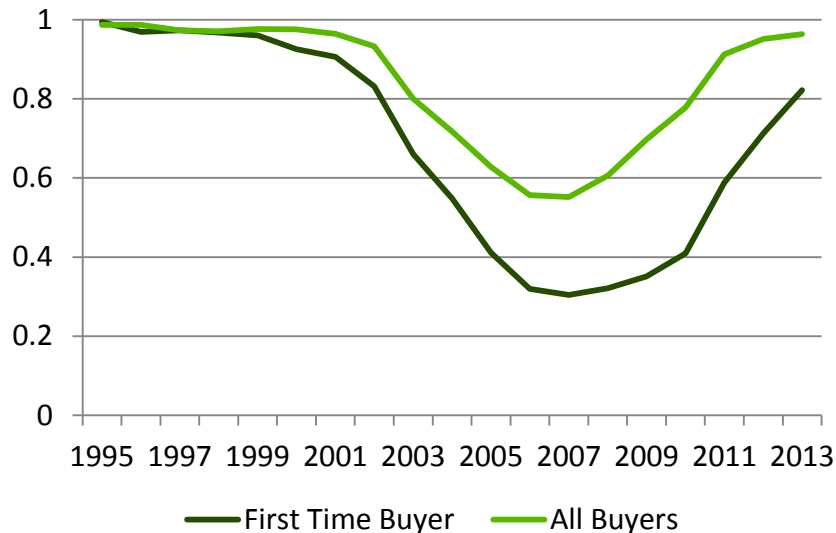
Source: CBI

Note: Banks included in this measure are outlined [here](#);
Balance sheet calculated on consolidated basis



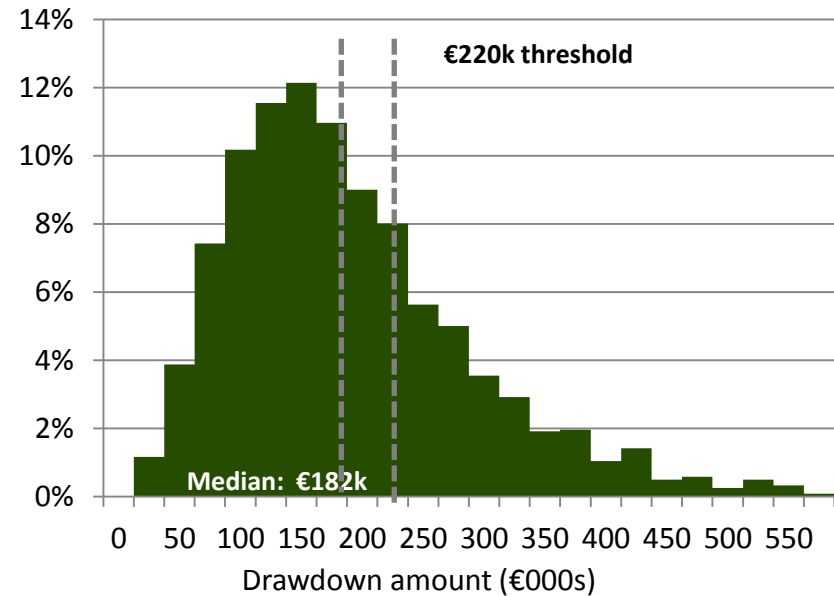
Introduction of CBI's macro-prudential rules will increase resilience of banking and household sector

Proportion of loans below 3.5 times LTI by year



Source: CBI

House price distribution for FTBs in 2014 H1



Key changes to lending rules

Banks must restrict lending for primary dwelling purchase above 80 per cent LTV to no more than 15 per cent of the aggregate value of the flow of all principal dwelling loans*

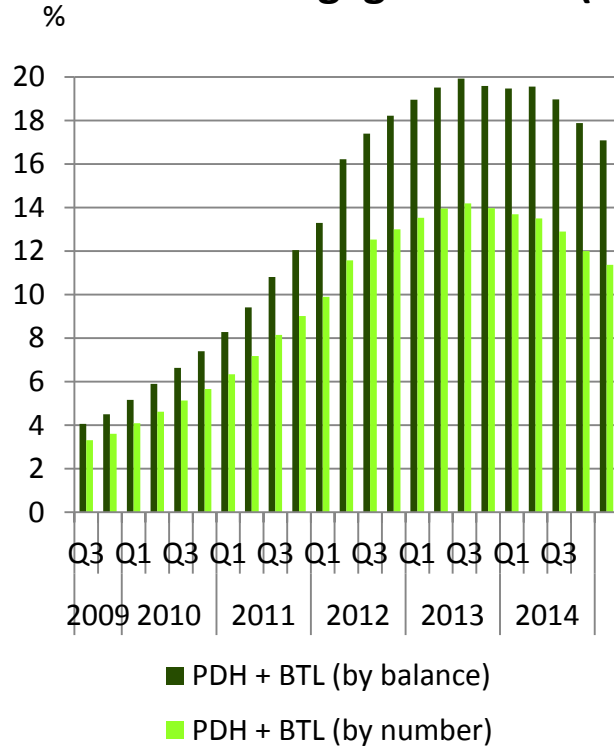
Bank must restrict lending for primary dwelling purchase above 3.5 times LTI to no more than 20 per cent of that aggregate value

Banks must limit Buy-to-Let loans (BTL) above 70 per cent LTV to 10 per cent of all BTL loans.

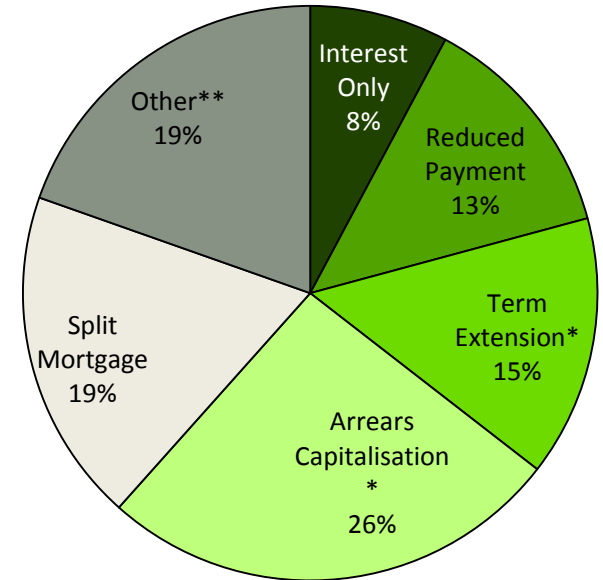
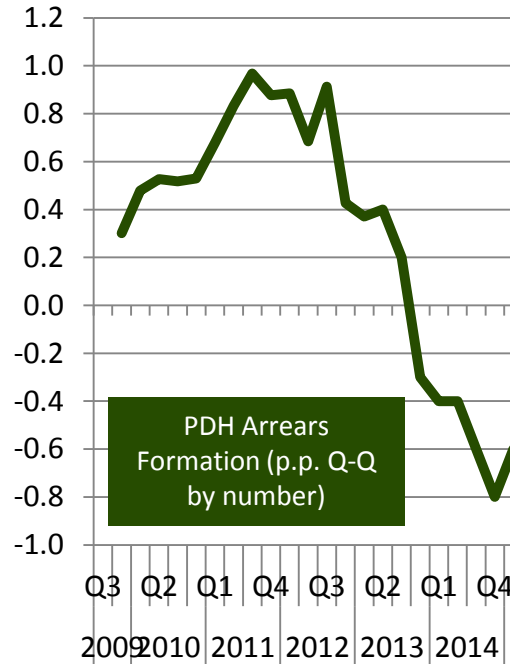
* First time buyers can borrow 90% of the first €220,000 and 80% of the remaining property value

Irish residential mortgage arrears – improving but still challenging

Mortgage Arrears (90+ days)



Total Restructured/Rescheduled Cases



Source: CBI

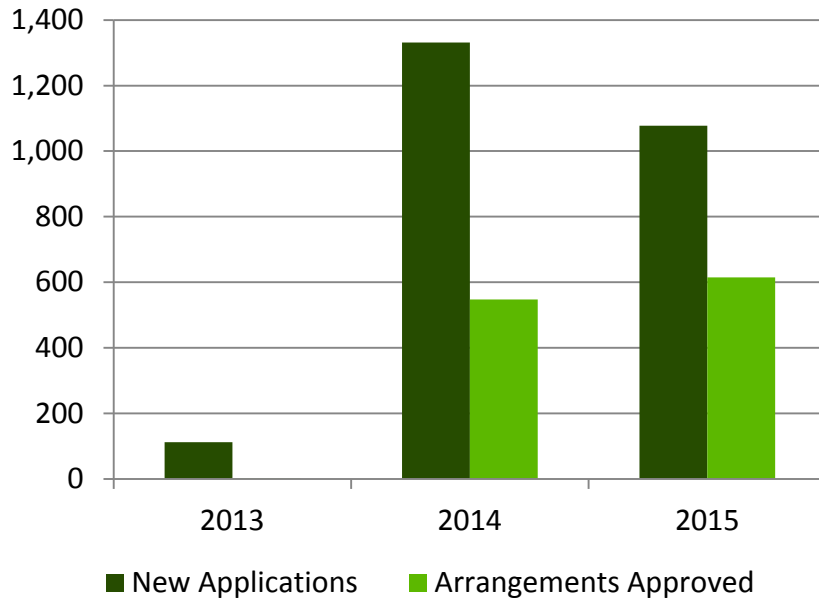
- PDH mortgage arrears have fallen steady since Q3 2013. The smaller BTL market (c. 25% of total) has higher arrears but also saw declines in the same period.
- Some 117,263 PDH mortgage accounts were classified as restructured at end-March, reflecting a q-o-q increase of 2.3%. Of these restructured accounts, 85.1% were meeting the terms of the restructured arrangement.

* Only includes accounts with these restructurings and no other forbearance arrangement.

** 'Other' comprises accounts offered temporary Interest rate reductions, payment moratoriums and long-term solutions pending six months completion of payments.

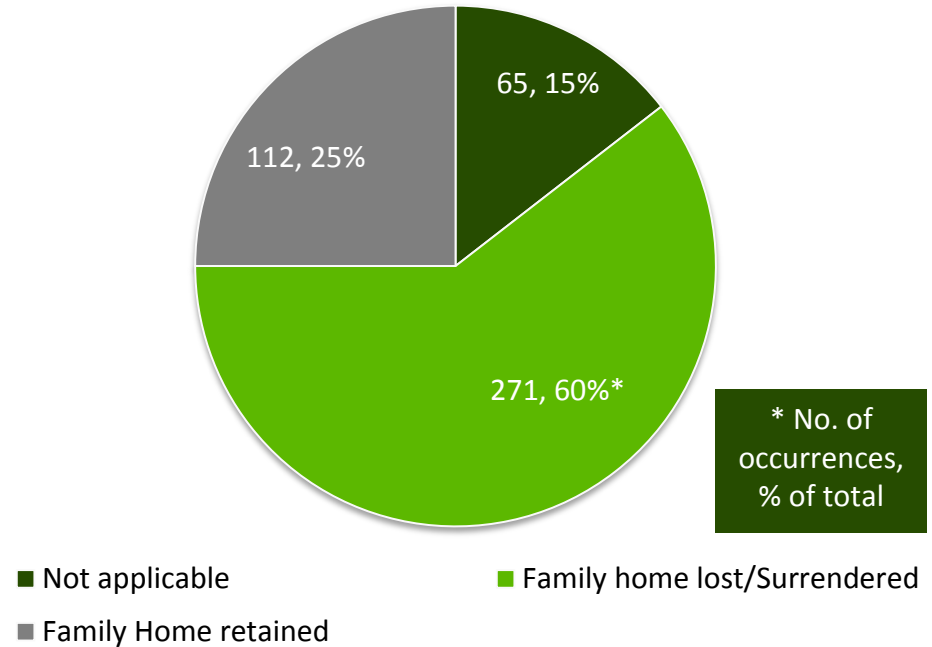
Personal Insolvency Arrangements (PIA) and bankruptcies on the rise

Total Insolvencies



Source: ISI

448 Bankruptcies and 271 Repossessions in 2014

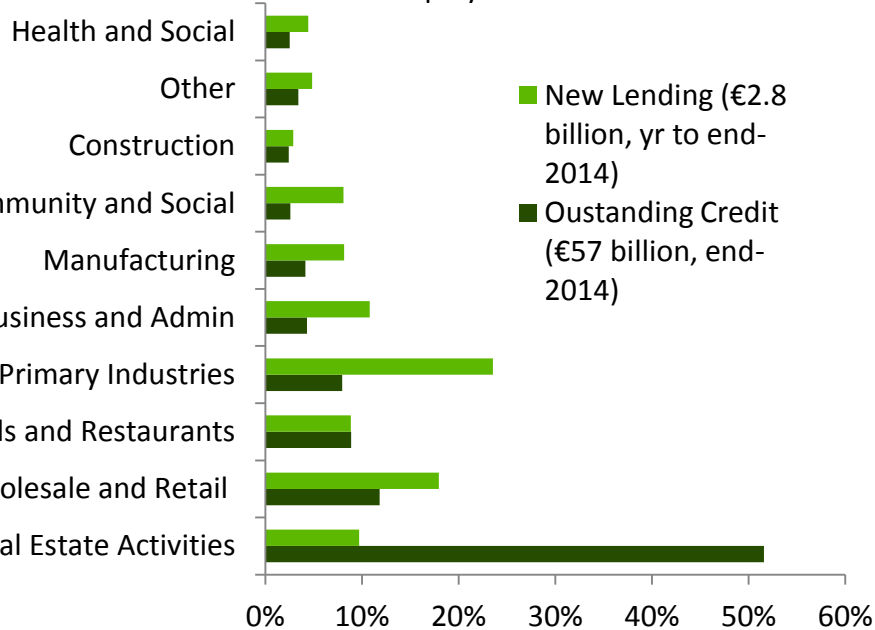
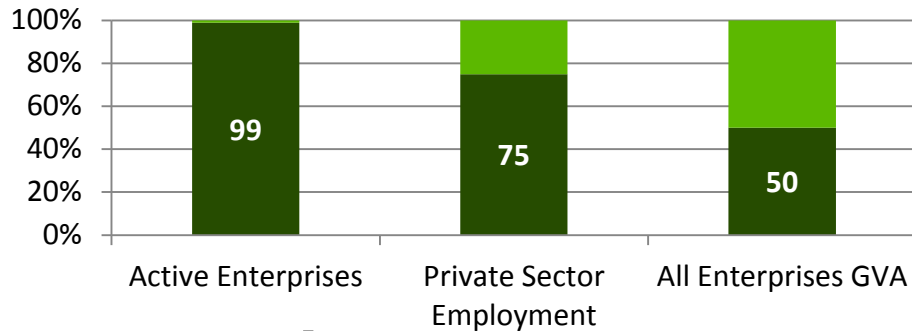


- Personal Insolvency legislation enacted and in use, but take-up has been slow.
- In May 2015, the Government announced a number of new measures to support mortgage holders who are in arrears. It has agreed to give the courts the power to review and, where appropriate, to approve insolvency deals that have been rejected by banks.
- Court rules and procedures will also be streamlined to guide more cases towards the Insolvency Service.
- A Mortgage to Rent scheme will be expanded, including in particular by increasing the property value thresholds that apply.

Small and medium-sized business (SME) credit trends and lending policy supports

SME Share of the Irish Economy

■ SMEs ■ Other Enterprises



In October 2014, the Strategic Banking Corporation of Ireland (SBCI) was formally launched with the goal of ensuring access to flexible funding for Irish SMEs.

The SBCI's initial funding partners are the EIB, KfW (the German promotional bank) and the Ireland Strategic Investment Fund (ISIF).

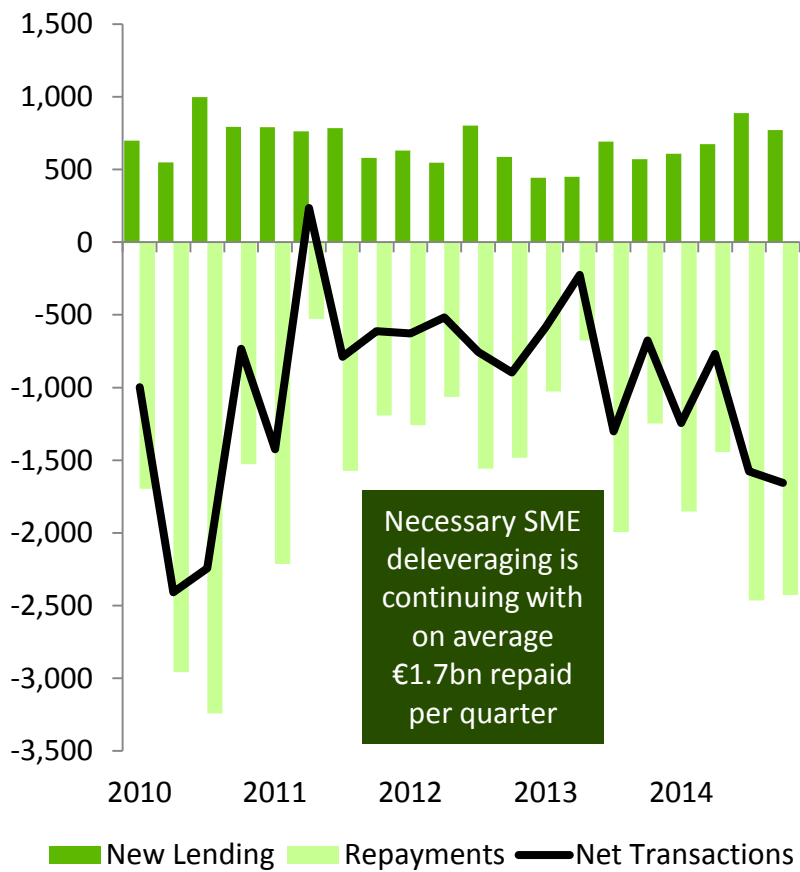
These partners are providing long-term funding at attractive rates to the SBCI, which in turn will provide the funding to Irish SMEs through Irish-based credit institutions.

Range of additional funding supports include:

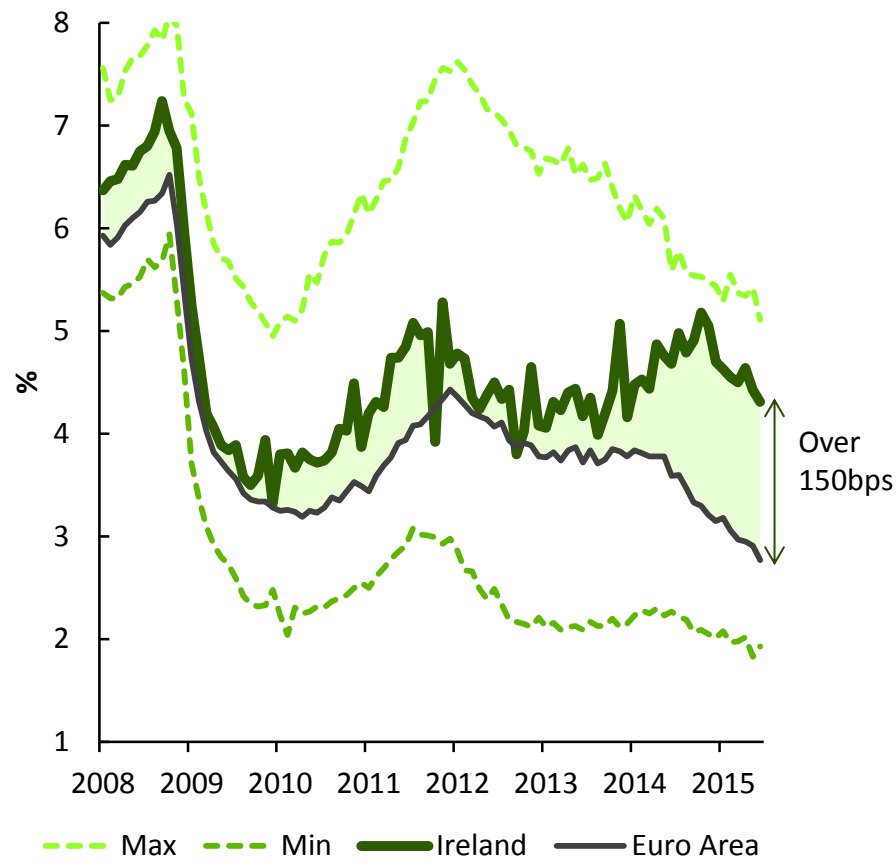
- Microfinance Fund - €40m available over 5 years
- Loan Guarantee Scheme - €150m per annum over 3 years
- Enterprise Ireland – upwards of €200m in 2013
- European Investment Bank , European Investment Fund (€80m through AIB) and Silicon Valley Bank partnership with the NPRF (\$100m over 5 years)

SME deleveraging continuing as dispersion in SME interest rates persisting across EA

Gross New Lending and Repayments of Non-Financial SMEs (€m)



Rates on loans (<€1m) to Irish NFCs over 150bps over EA average



Source: CBI; ECB

Note: Annualised Agreed Rate is defined by the ECB as 'the interest rate that is individually *agreed* between the reporting agent and the NFC for a loan, converted to an annual basis and quoted in percentages per annum. The rate shall cover all interest payments on loans, but no other charges that may apply.'



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