IRELAND: 5% GROWTH IN SLUGGISH WORLD

Government debt ratio falling, fastest growing in euro area

August 2015

Index

SUMMARY

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

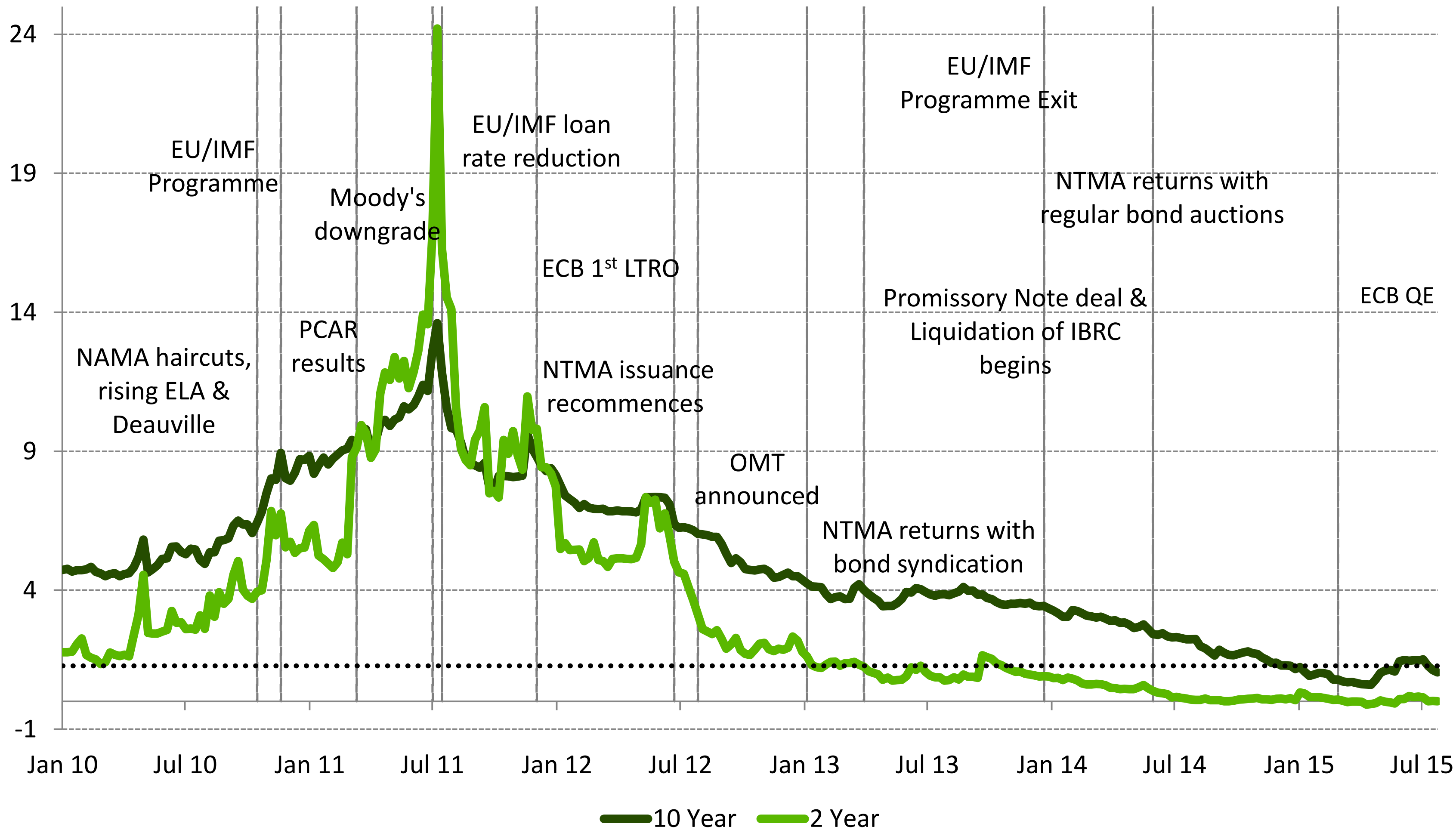
Ireland set for further outperformance in 2015

- **Government likely to beat 2015 deficit target & post 5-year track record**
  - To end-July 2015, tax revenue has beat expectations thanks to the improving economy. The forecasted deficit of -2.3% of GDP is well ahead of the EC target (-2.9%).
  - Deficit was -4.0% of GDP in 2014; compared with the EC limit of -5.1% (outperformance 2011-14).
- **Ireland is growing faster than every other euro area country**
  - Ireland's economy grew by 5.2% and 5.3% in 2014 in real and nominal terms respectively. Q1 2015 saw further strong growth figures (1.4% 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 will lead to rapid growth this year.
  - Unemployment is falling but the pace of improvement has slowed. The unemploy. rate was 9.7% in July 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 has indicated that it is likely to make a profit of up to €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: €11bn 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.
- **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)

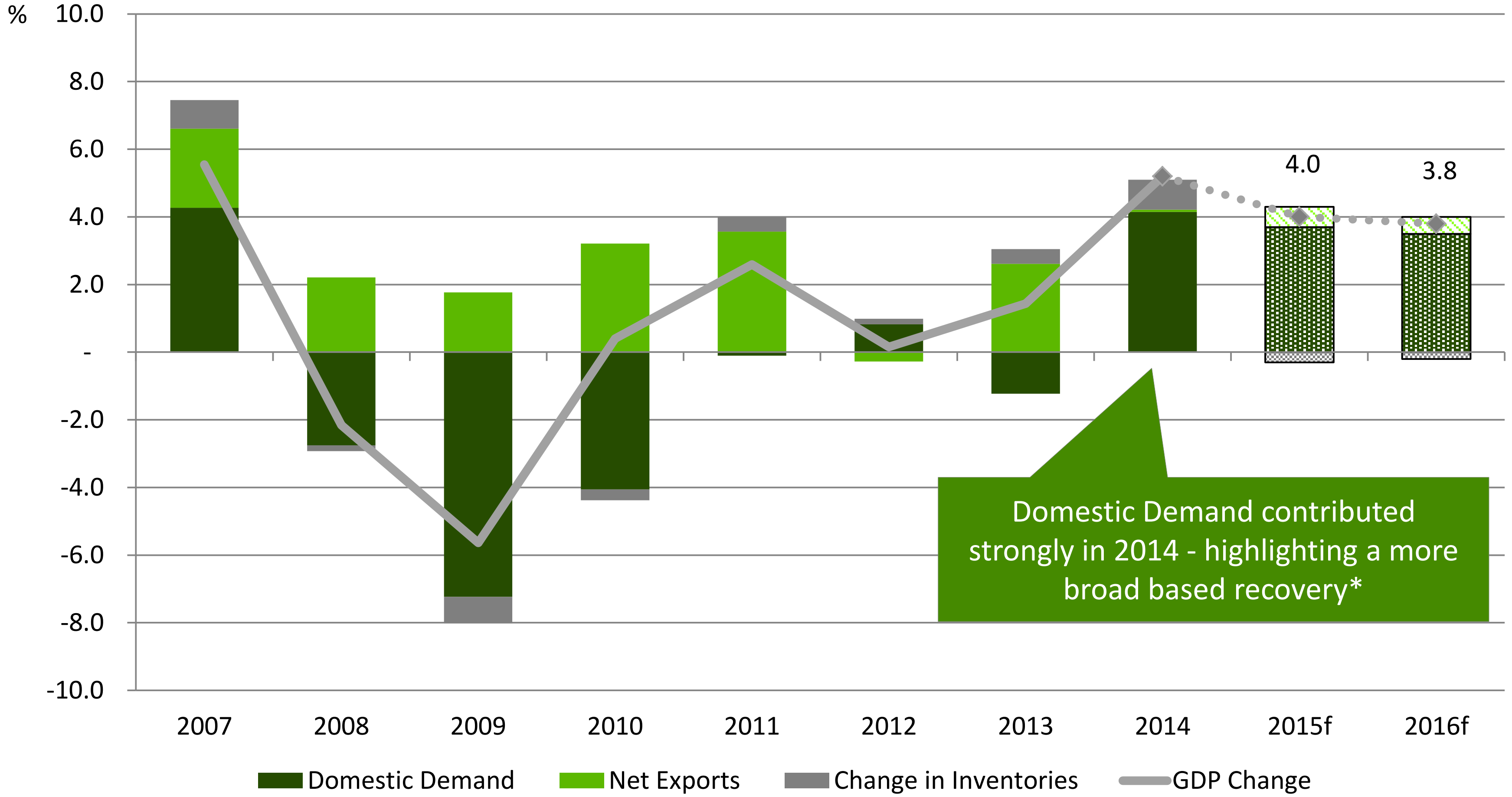
Trend is upwards in Ireland's sovereign credit ratings

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	Stable	May 2014
DBRS	A	R-1 (low)	Stable	Mar. 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 9.7% in July 2015

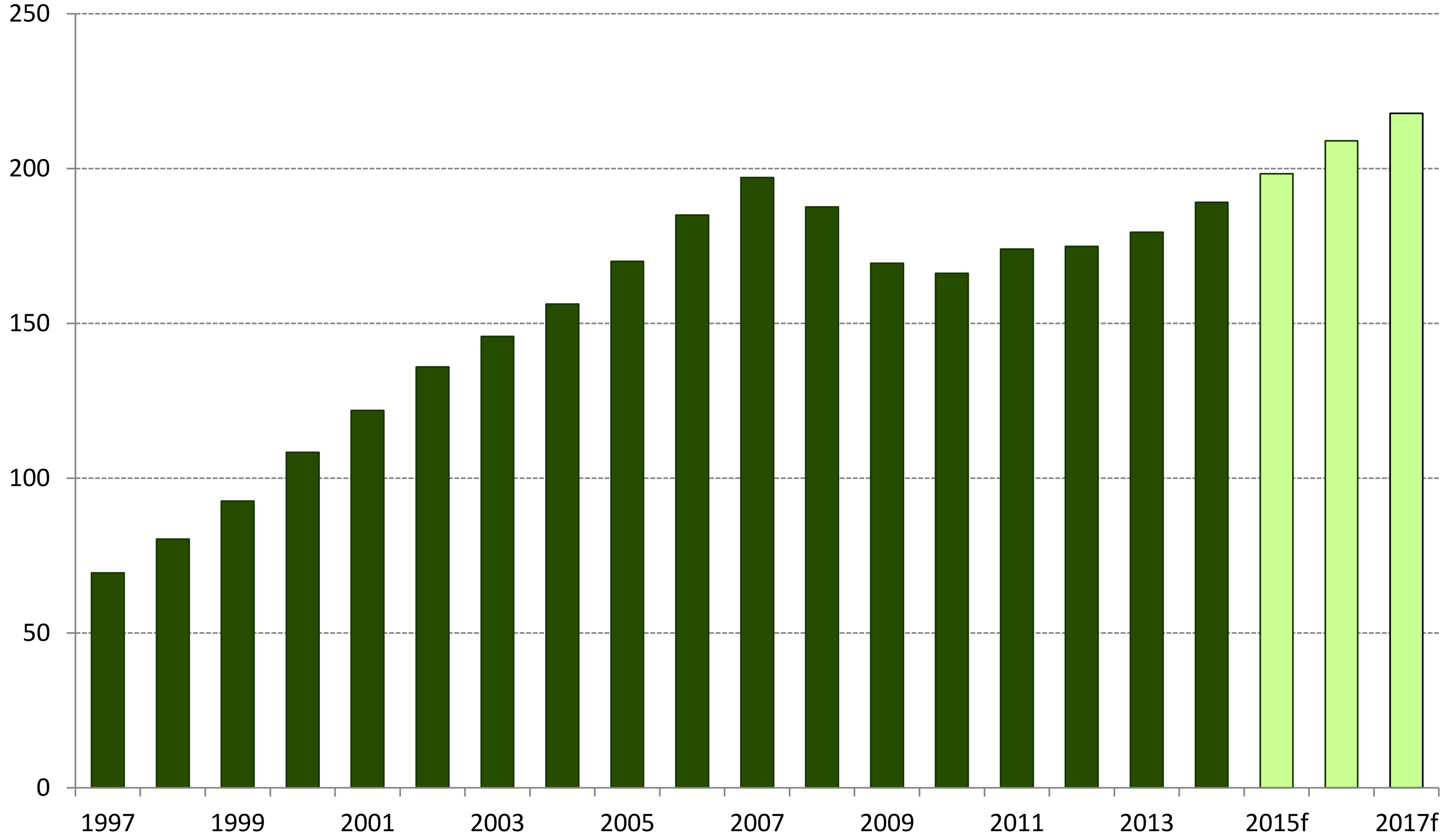
Personal consumption and investment drove 5.2% GDP growth in real terms in 2014



Source: CSO; Department of Finance(2015-16 forecast SPU 2015); NTMA workings

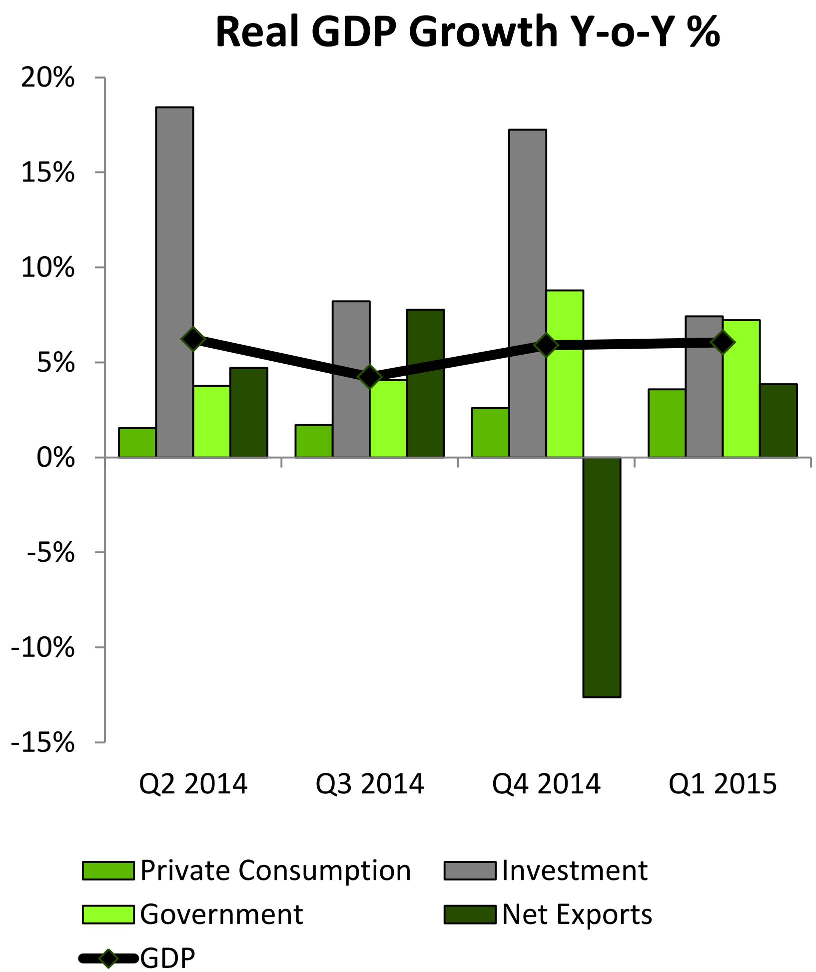
* The new accounting methodology surrounding aircraft trade exaggerates the contribution from domestic demand. Excluding aircraft trade, the contribution is closer to two-thirds of GDP growth. Please see slide 28 for more details.

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)

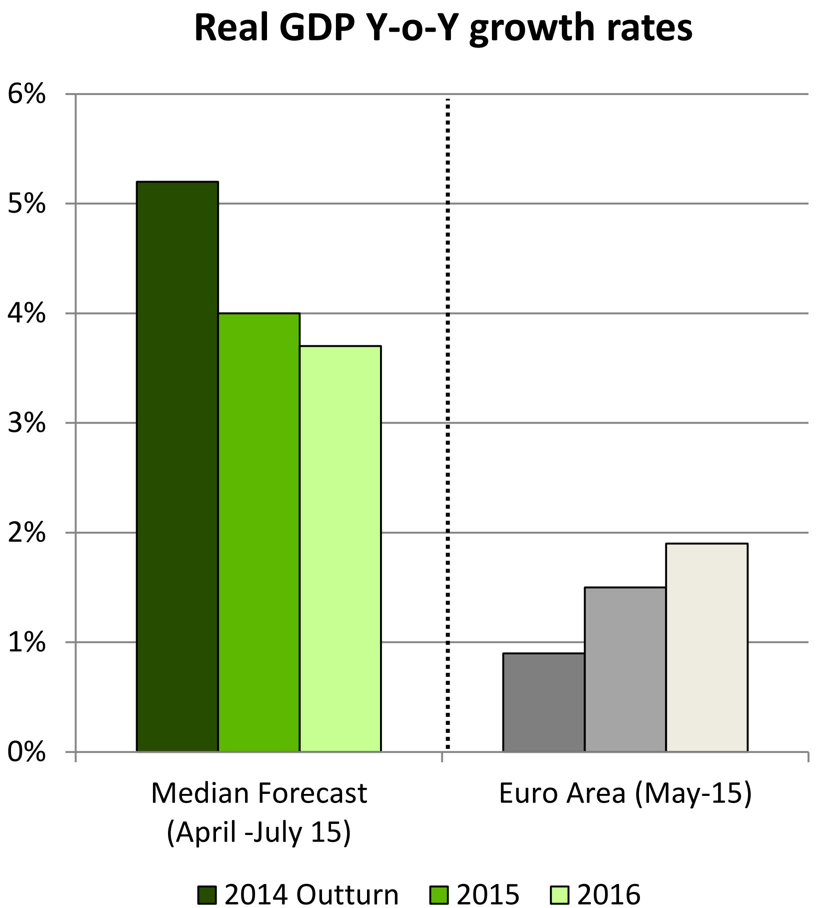
Growth remained strong in Q1 2015, after similar growth in Q3 and Q4 2014



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 Q1 2015 was 1.4%, while CSO revised Q4 2014 growth upwards to 1.4% also.
- Investment was the driver in Q4, but was more subdued in Q1 2015.
- Personal consumption is now a key driver of growth (up 2.0% over 2014). 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.

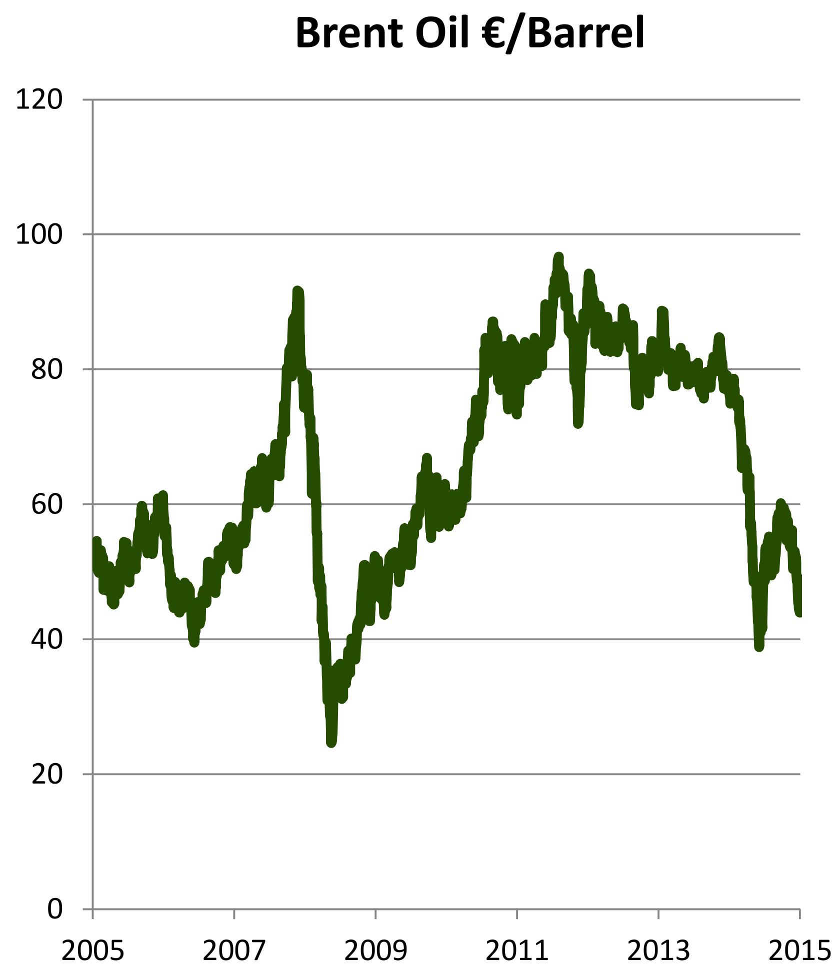
Ireland's economy outperformed the euro area in 2014 and expected to do so again in 2015/16



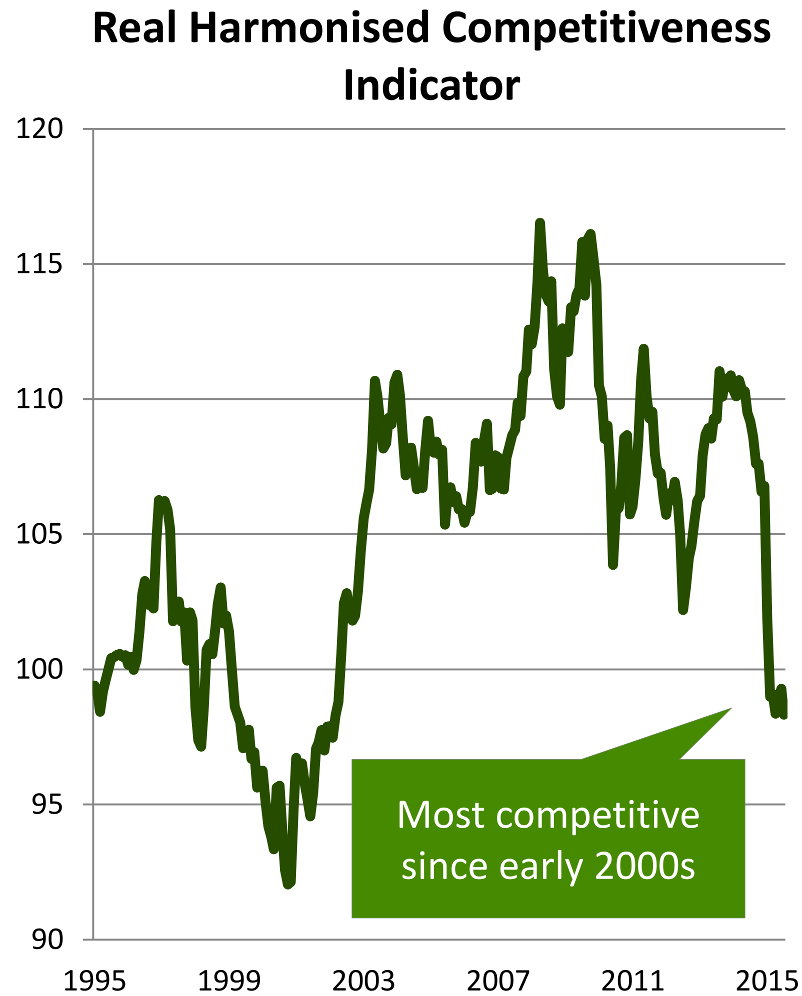
Source: Median forecast based on forecasts from IMF, EU Commission, ESRI and CBI. Euro area forecasts based on EU Commission projections.

Source: CSO; Markit

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



Source: Bloomberg

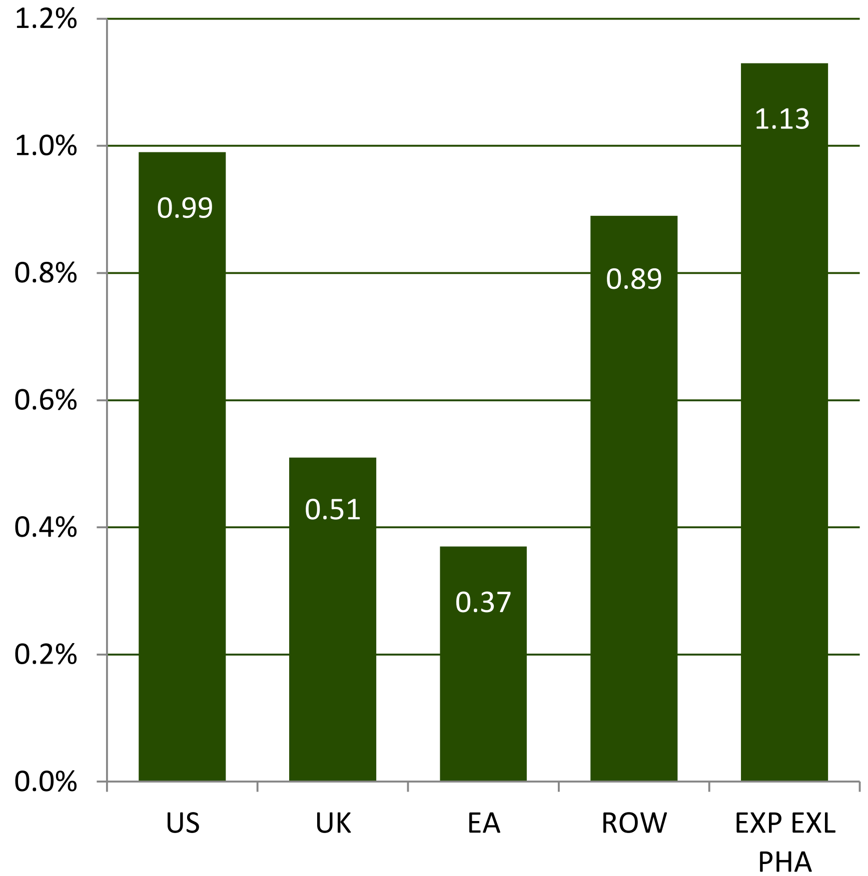


Source: CBI , NTMA workings

Ireland’s goods exports respond vigorously to euro depreciation; GDP follows 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

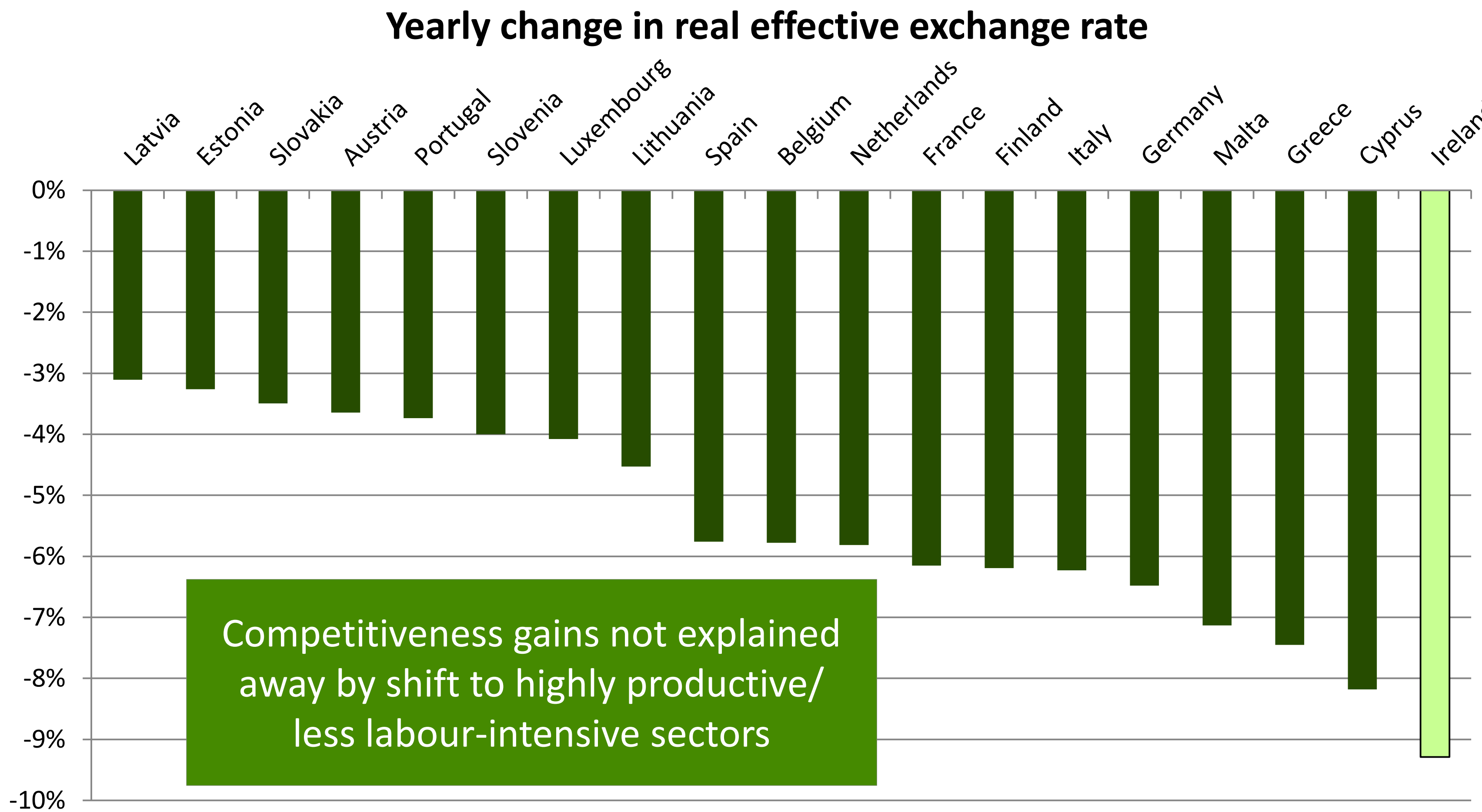
Response of Irish goods exports to 1% depreciation of the euro



Source: CSO; NTMA empirical analysis

Note: All coefficients significant at 99% level

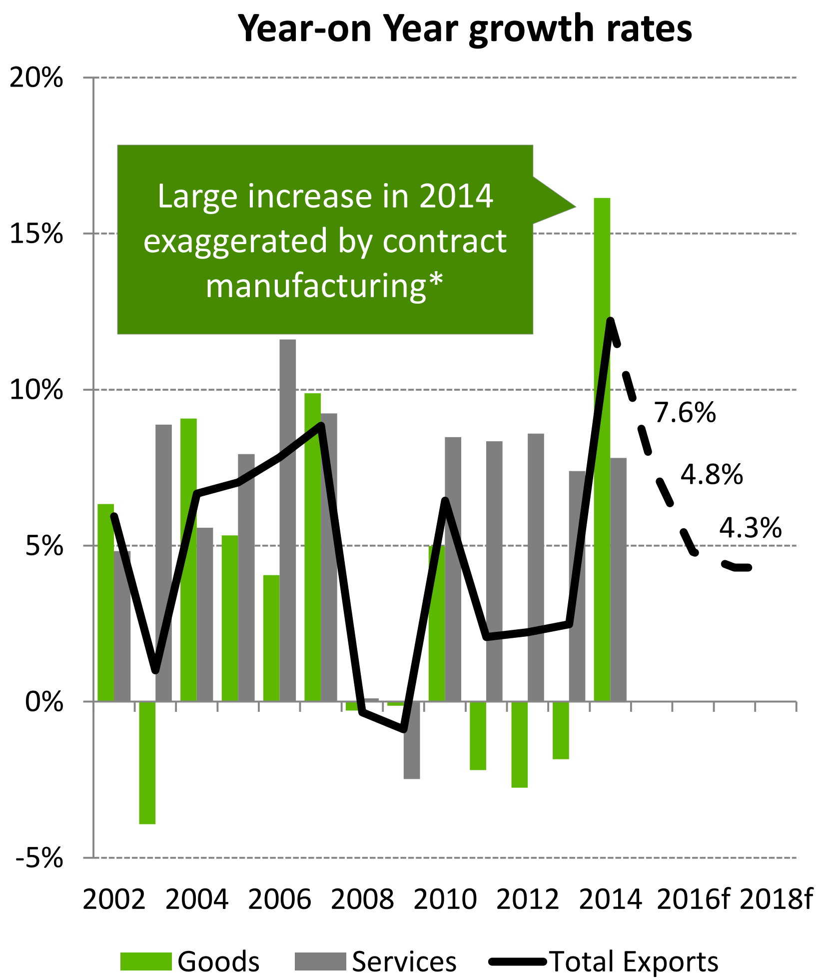
Ireland has benefited the most in the euro area from the recent euro depreciation

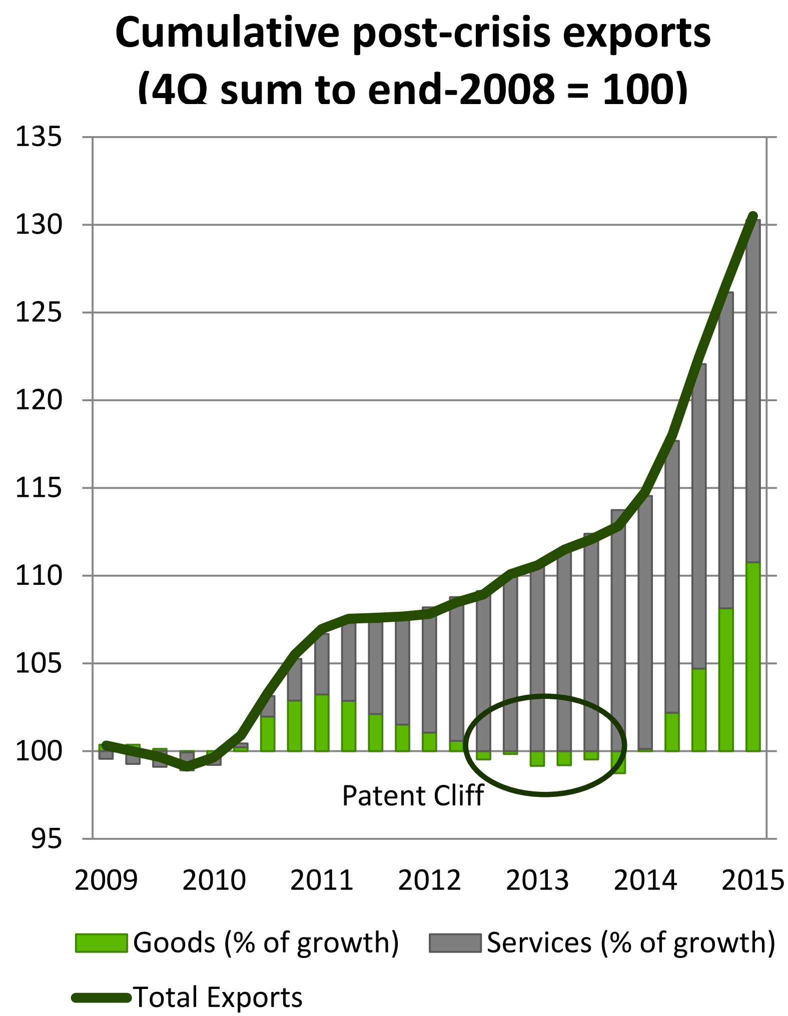


Source: Bruegel - 'Real effective exchange rates for 178 countries: a new database'

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.

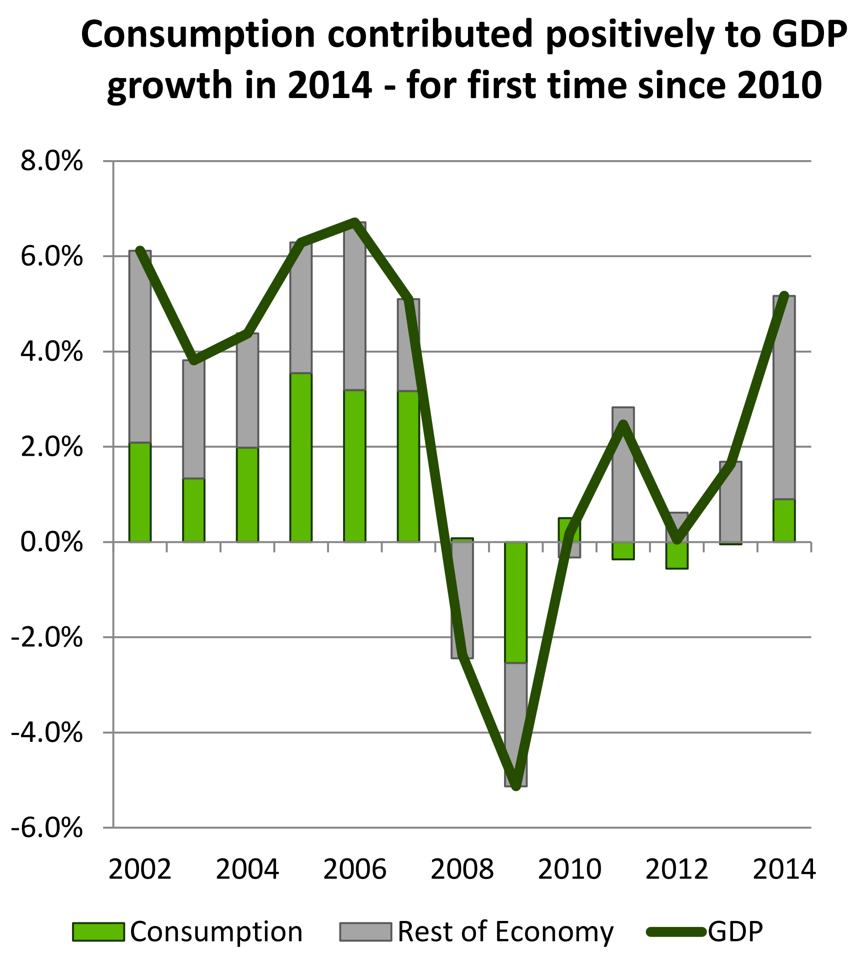
Services exports have driven export performance post-crisis

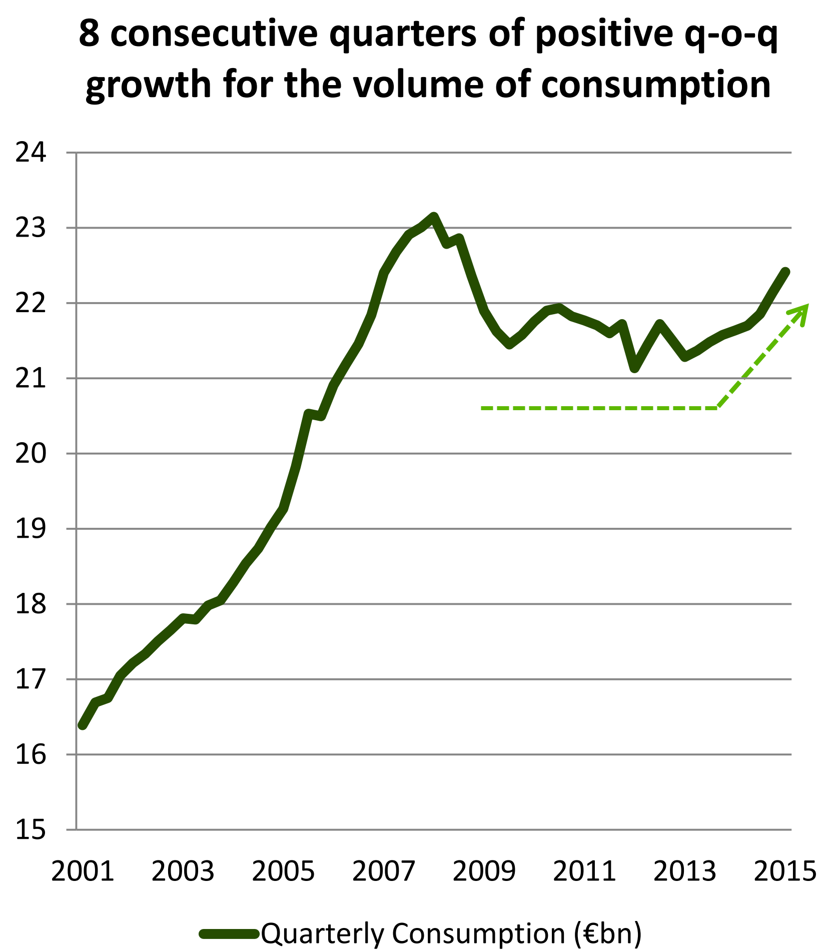




Source: CSO, forecasts from the Department of Finance (SPU April 2015), NTMA calculations
* For discussion on contract manufacturing and its limited effects on Ireland's National Accounts, please see here.

Consumption is slowly recovering

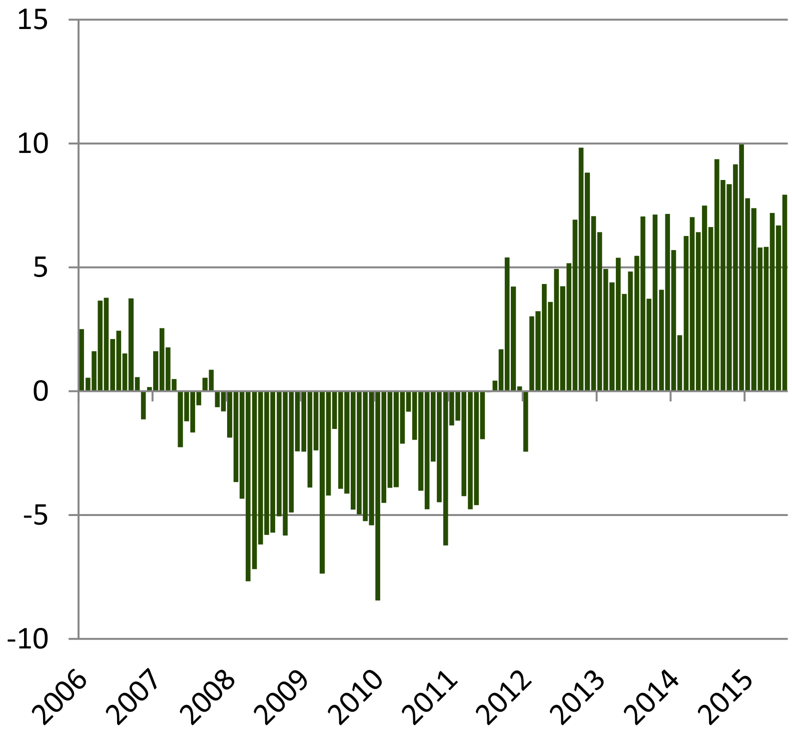




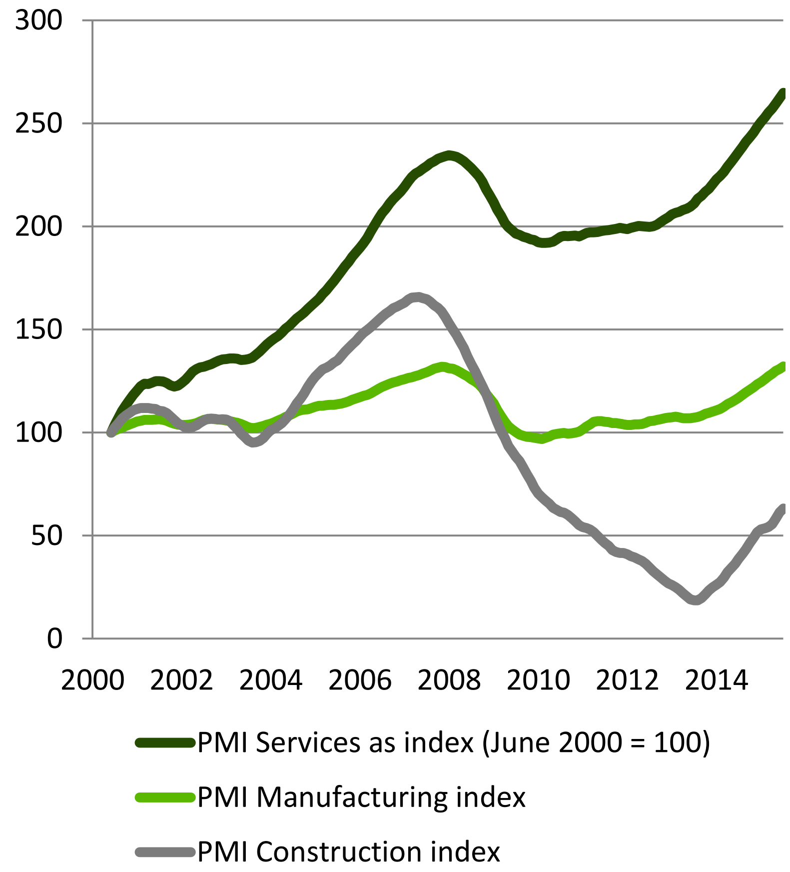
Source: CSO, NTMA calculations

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

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



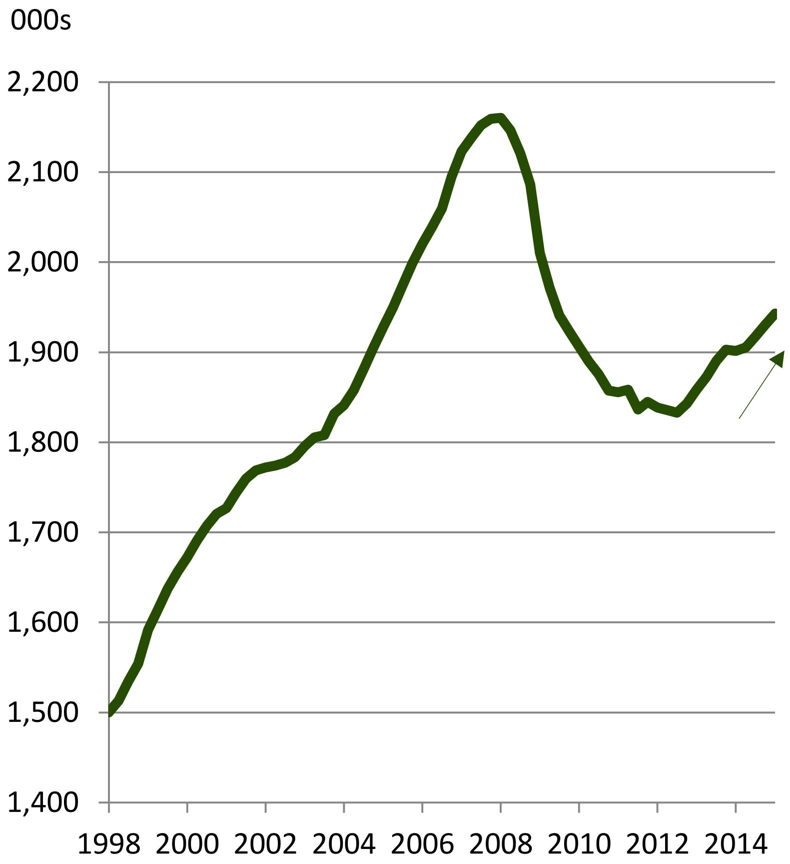
All sectors growing (PMI chg. as cumulative index level, June 2000=100)



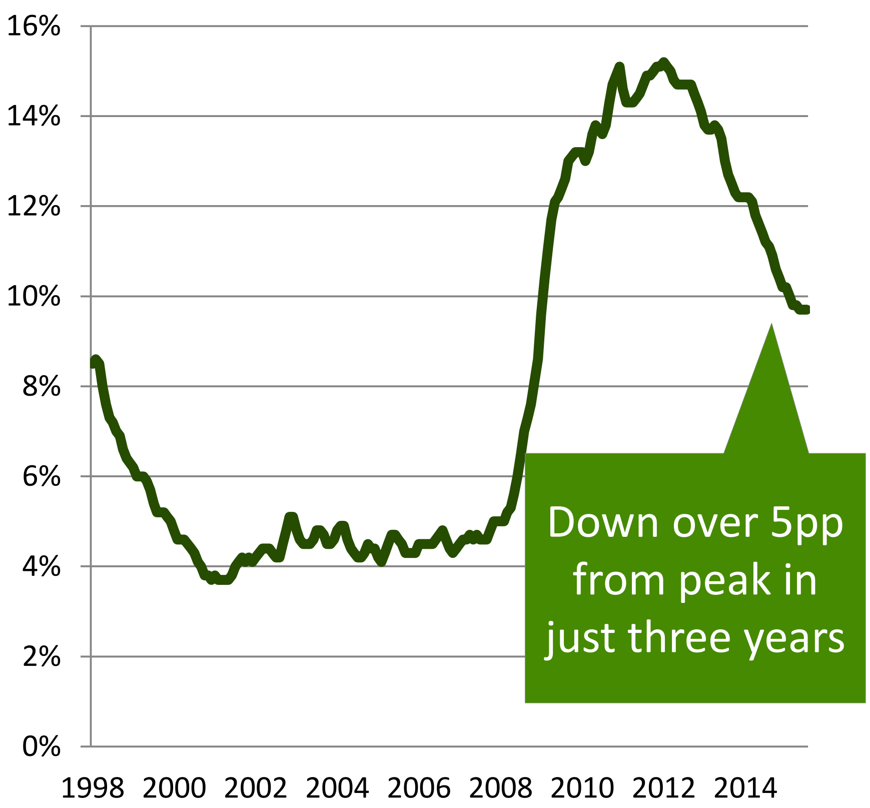
Source: Markit; Bloomberg; Investec ; NTMA workings

Labour market has recovered since 2012, though employment growth rate slowed in 2014

Employment up 6% from cyclical low



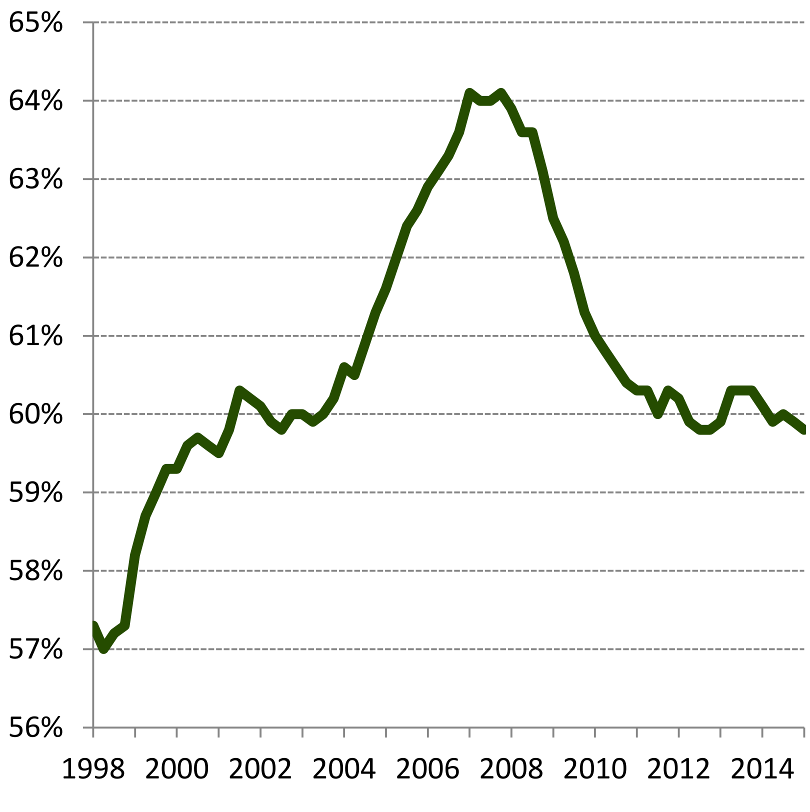
Unemployment rate down to 9.7% in June 2015



Source: CSO

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

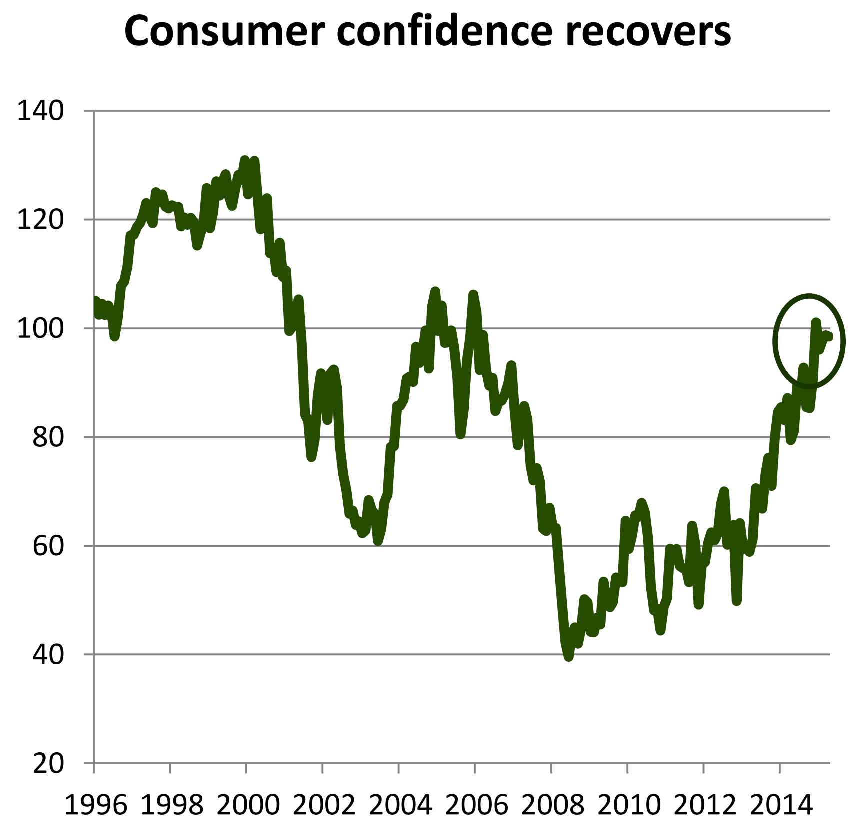
Participation rate hovering around 60%

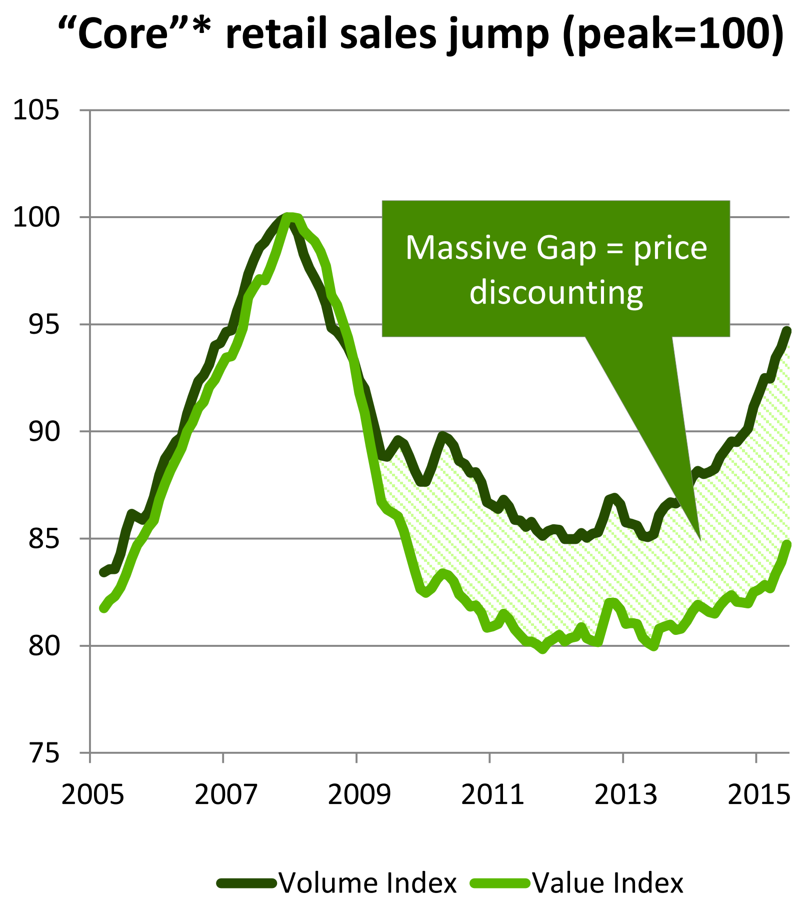


Wages and hours worked beginning to recover, although pockets of excess capacity remain

Source: CSO

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

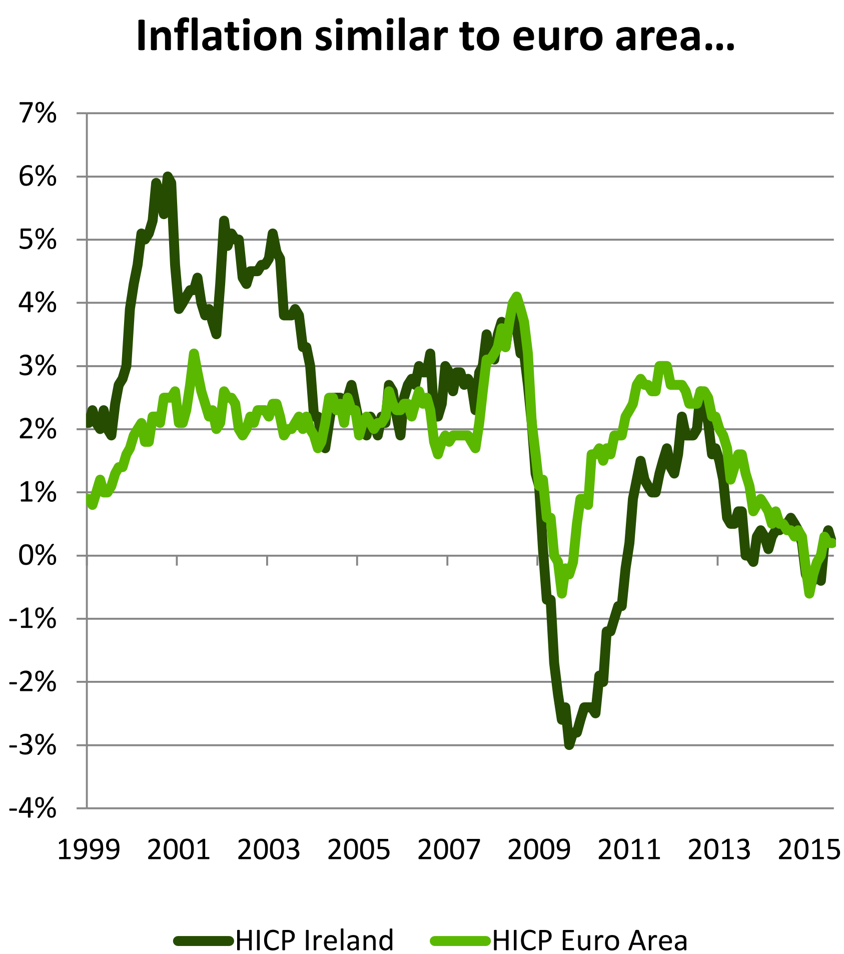


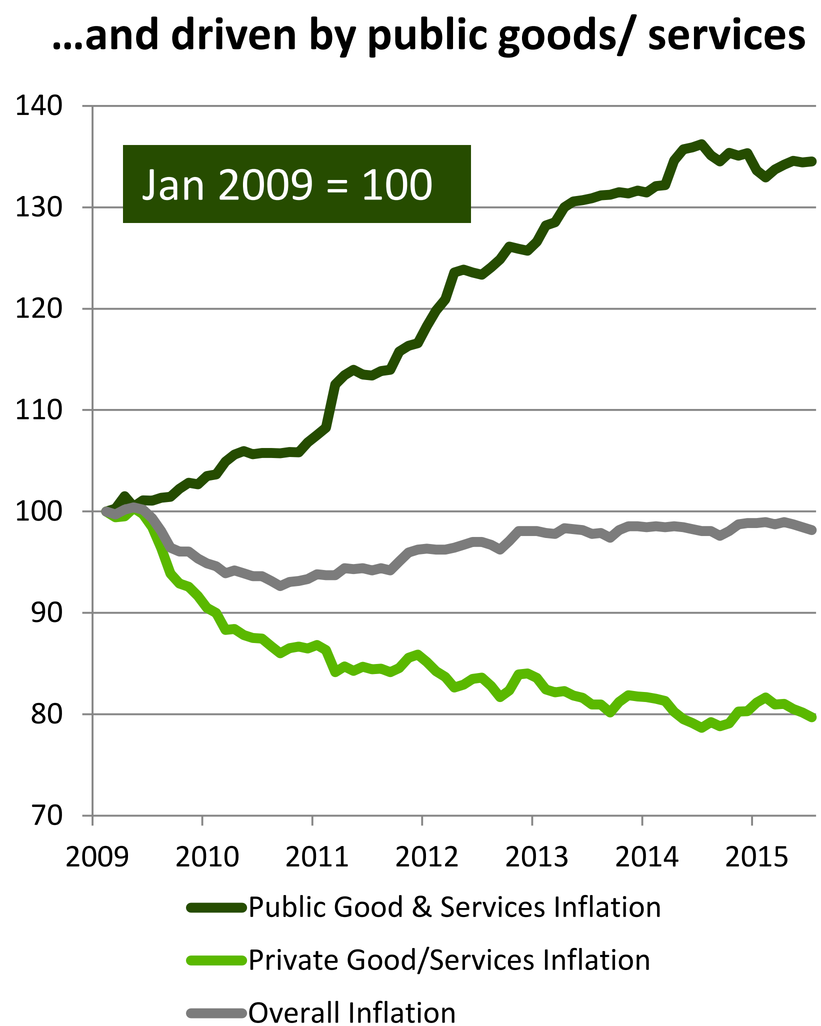


Source: KBC, ESRI, CSO

*Excluding motor trade

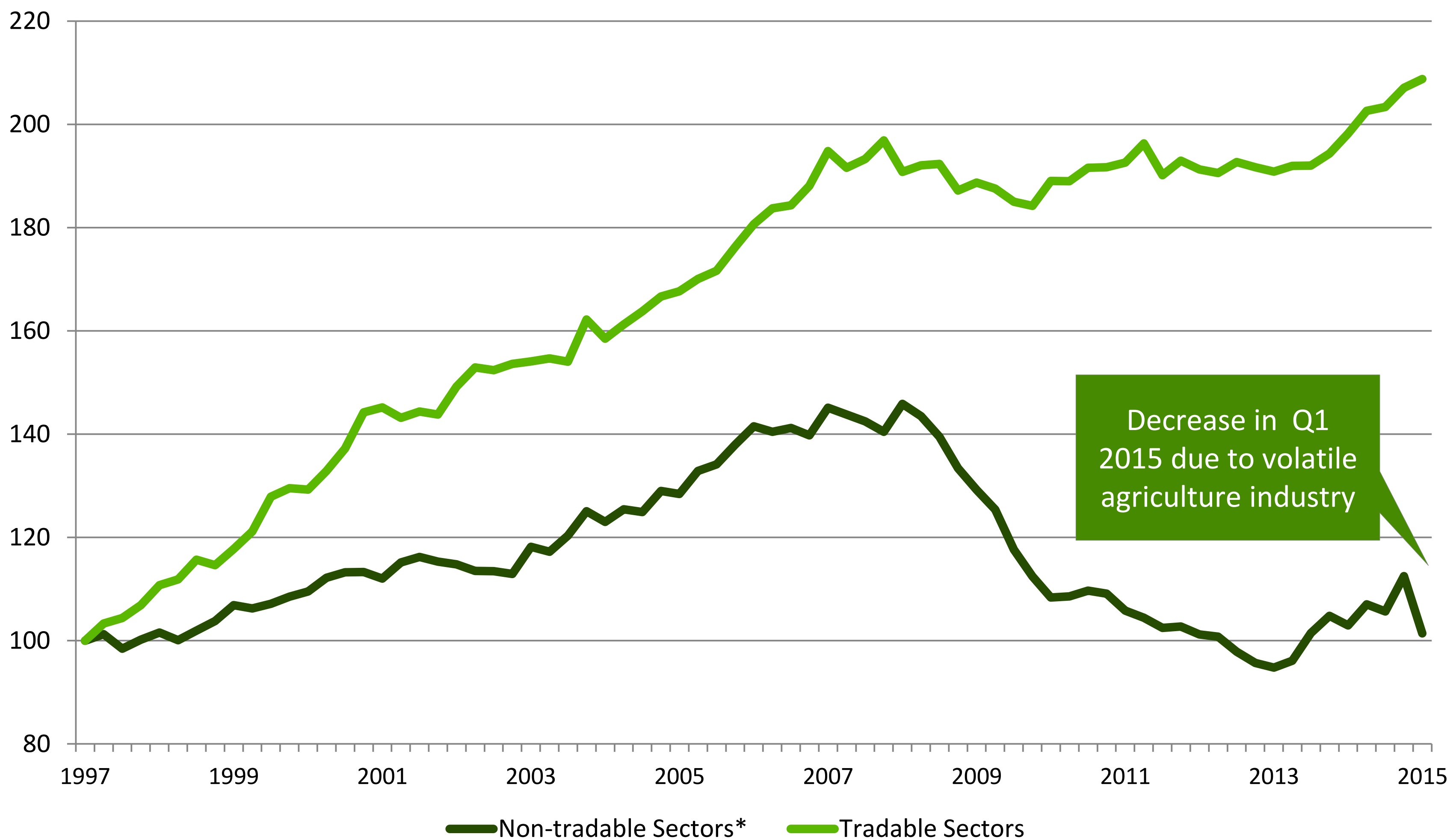
Mild deflation – driven by lower oil prices – underpinning real incomes





Source: CSO

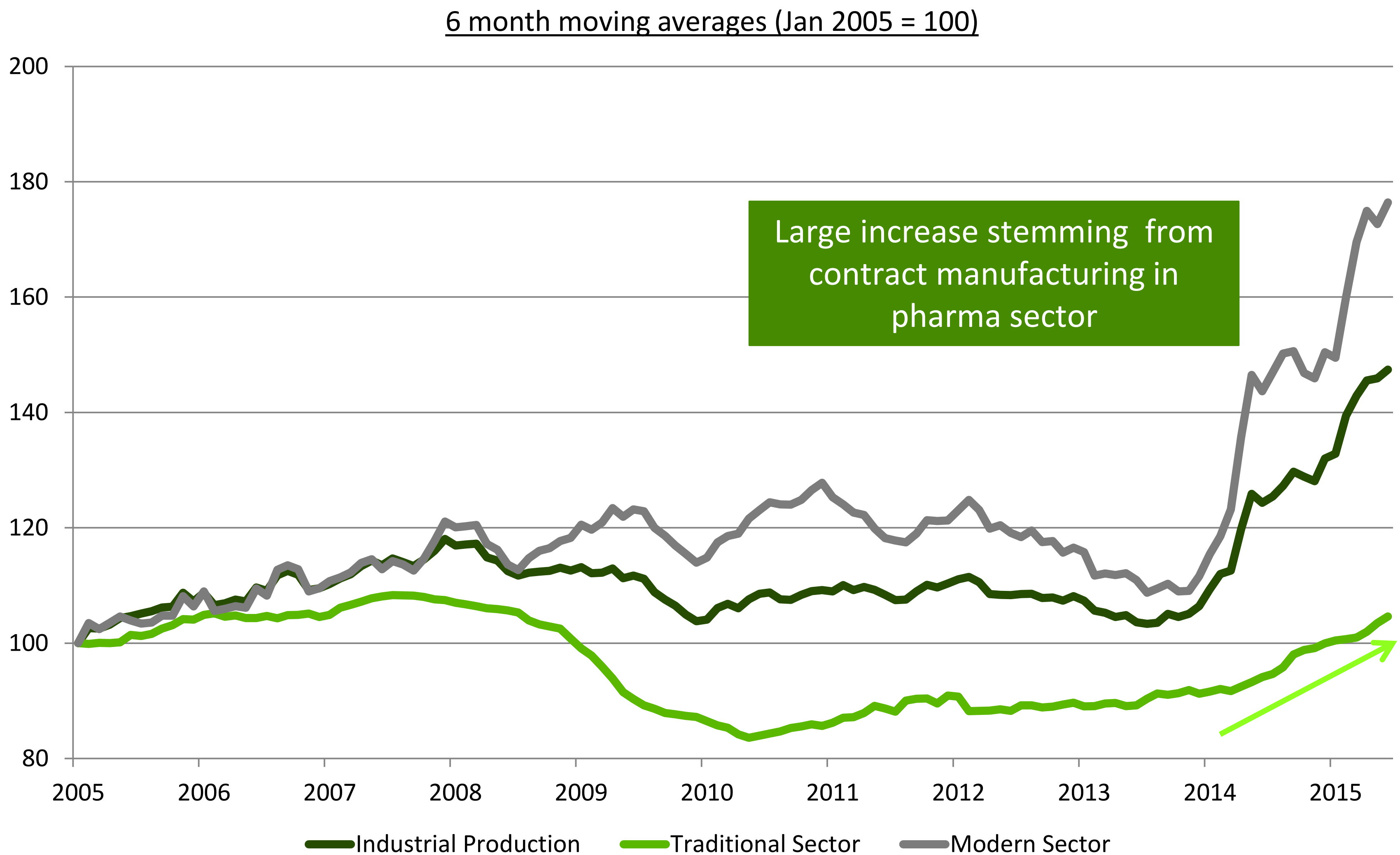
Ireland's tradable sectors perform best in long run (gross output) but domestic sectors now picking up



Source: CSO

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

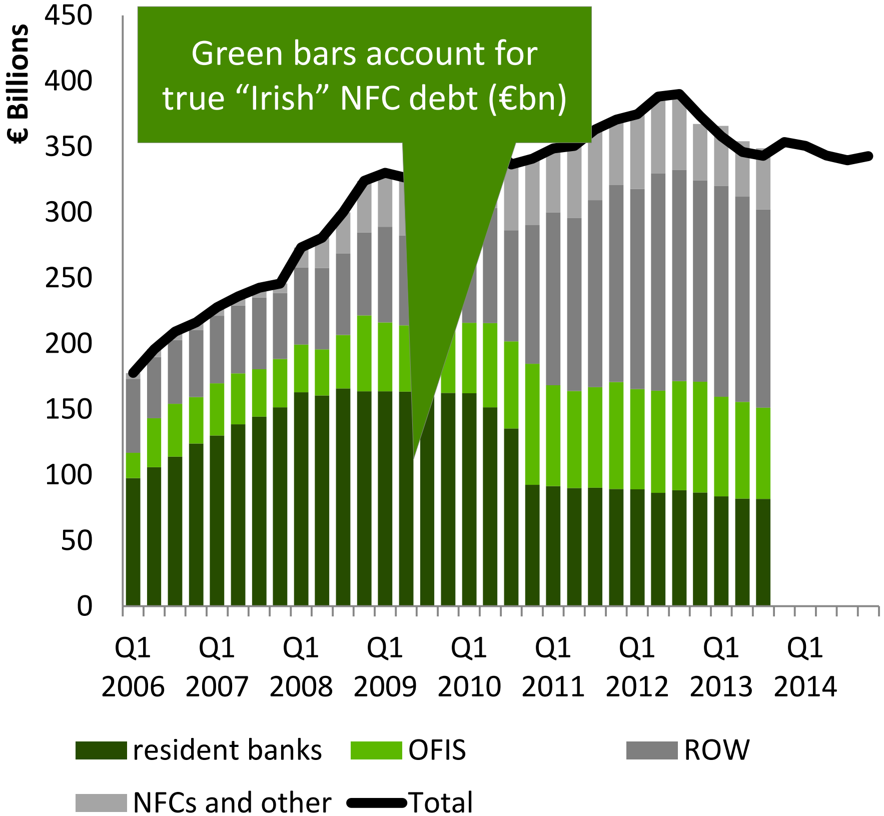
Industrial production increasing quickly due to pharma; sustained growth from traditional manufacturing



Source: CSO

Private debt levels are high, apart from "core" domestic companies

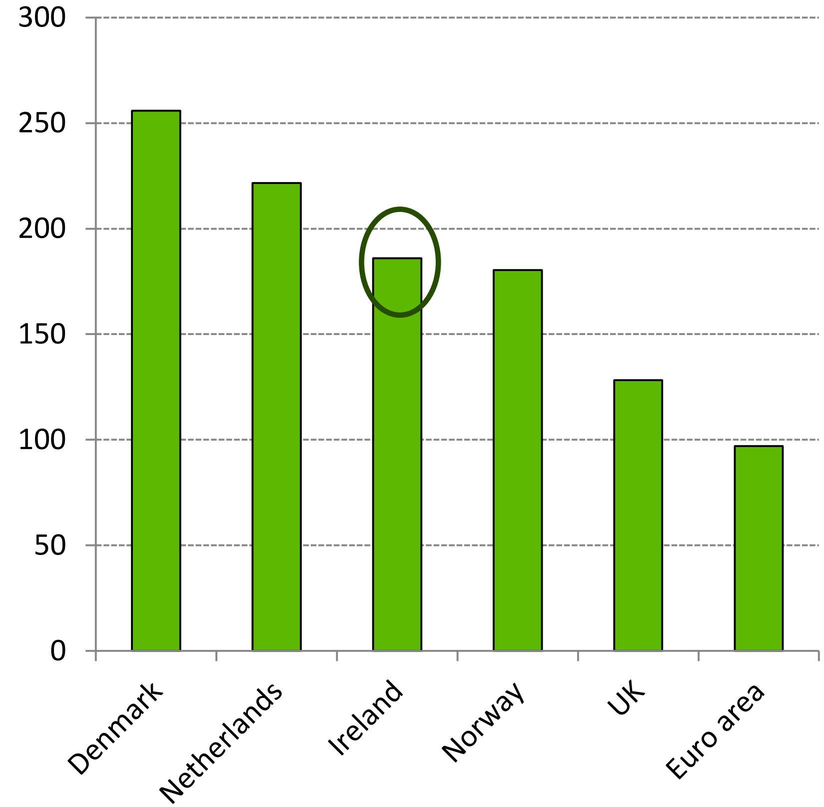
Irish Non-Financial Corporate (NFC) debt is distorted by multinationals (€bn)



Source: NTMA analysis; Breakdown from Cussen, M. "Deciphering Ireland's Macroeconomic Imbalance Indicators", CBI

* OFI = Other Fin. Intermediaries

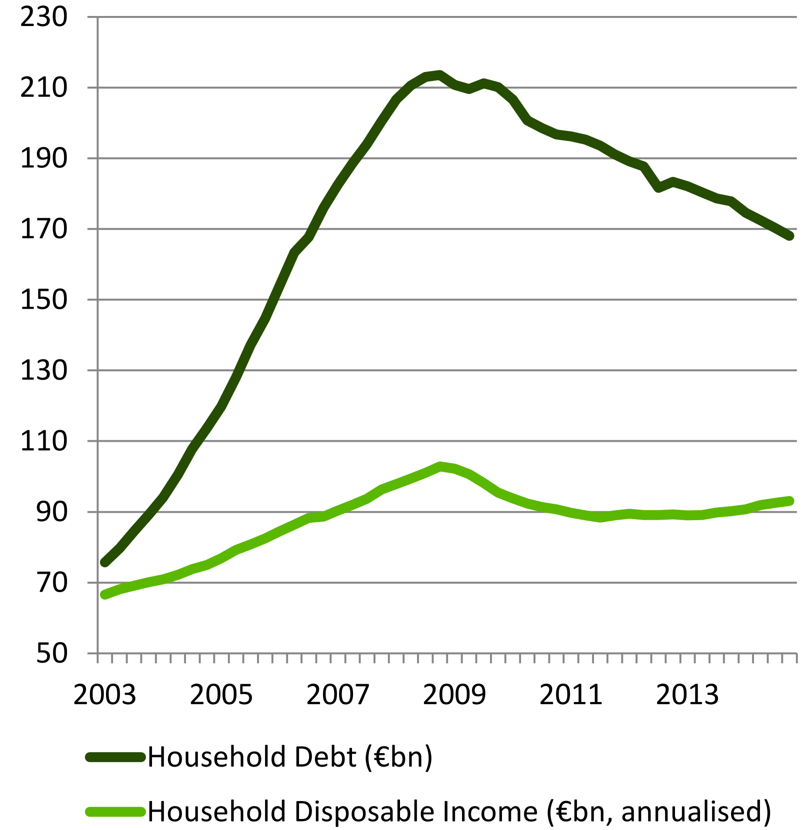
Household debt ratio (% DI) declining (see next slide) but still among highest in Europe



Source: Eurostat (2013 data)

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

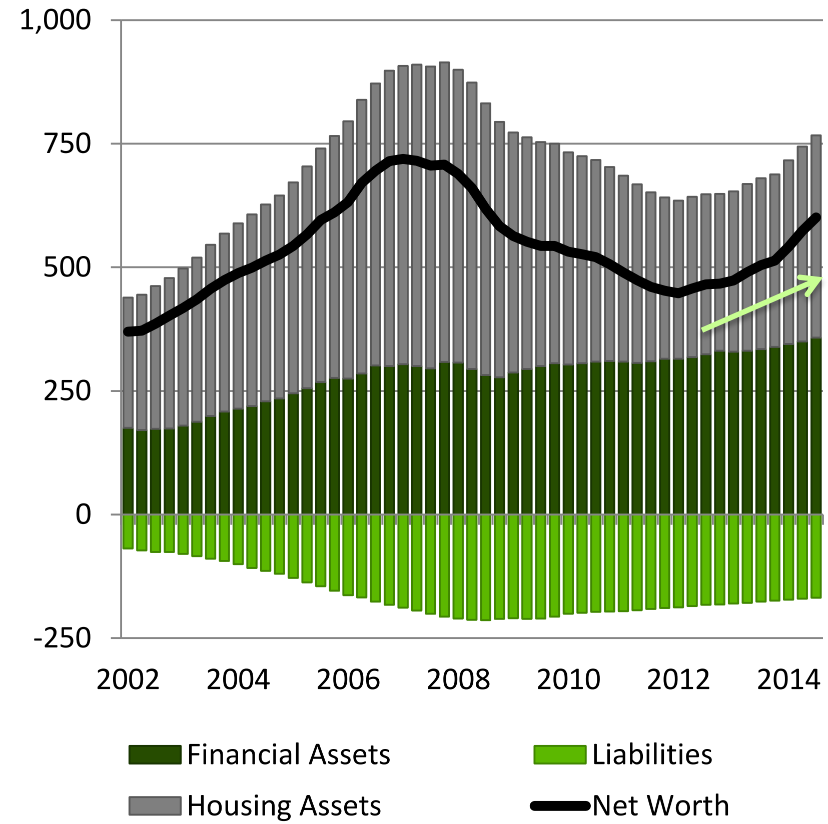
Debt-to-income ratio in Q4 2014 at 181%*, the lowest since Q3 2006



Source: CBI, CSO

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

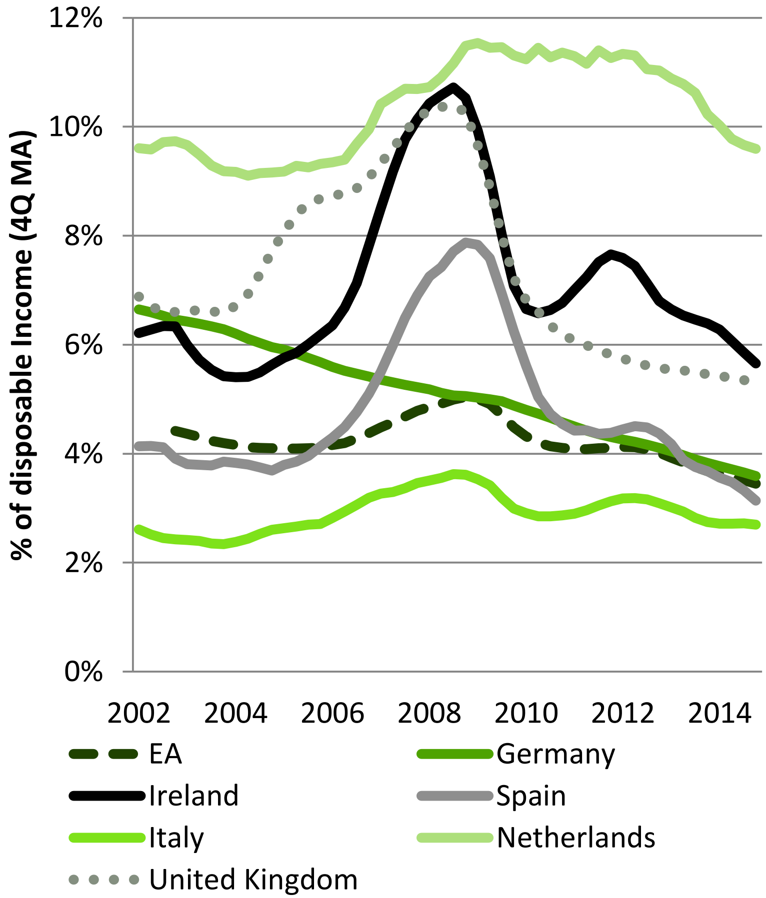
Household net worth (€bn) improved in 2014 and will underpin consumer spending



Source: CBI, NTMA calculations

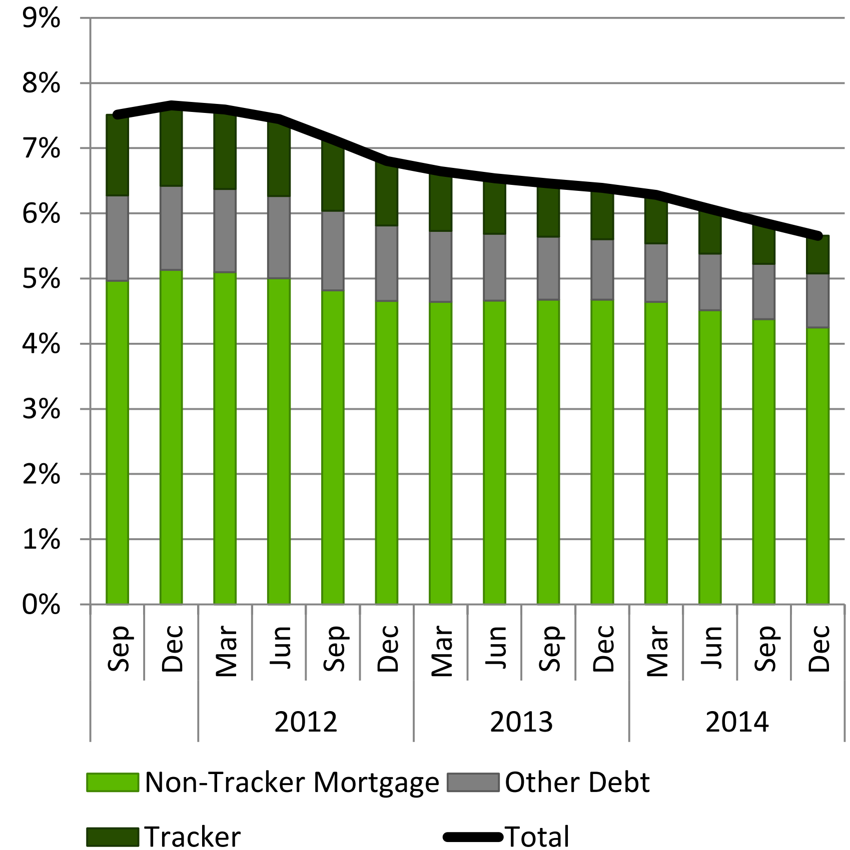
Interest burden high but suppressed by trackers; savings rate around euro area average

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



Source: Eurostat

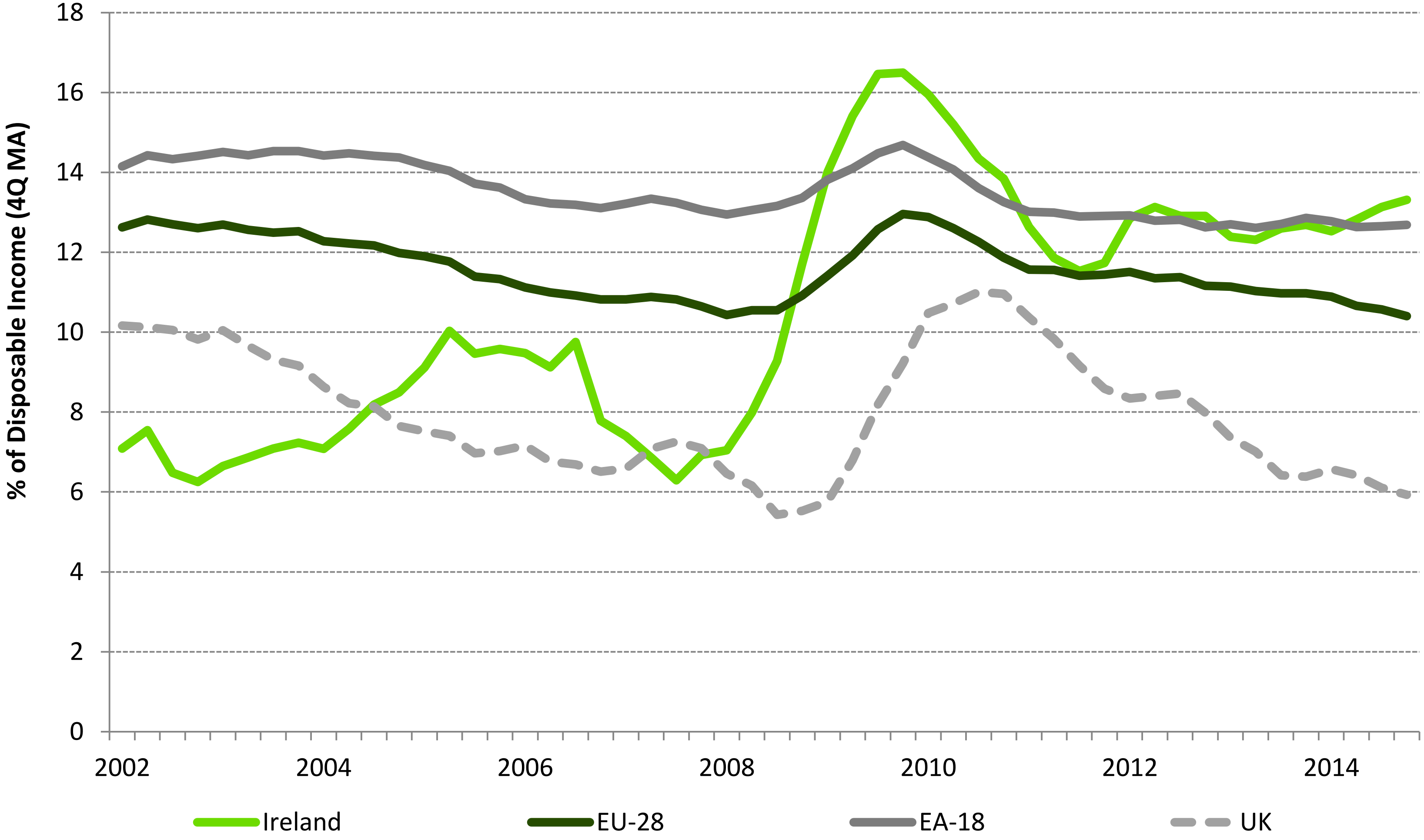
...and falls heavily on households with non-tracker mortgages



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



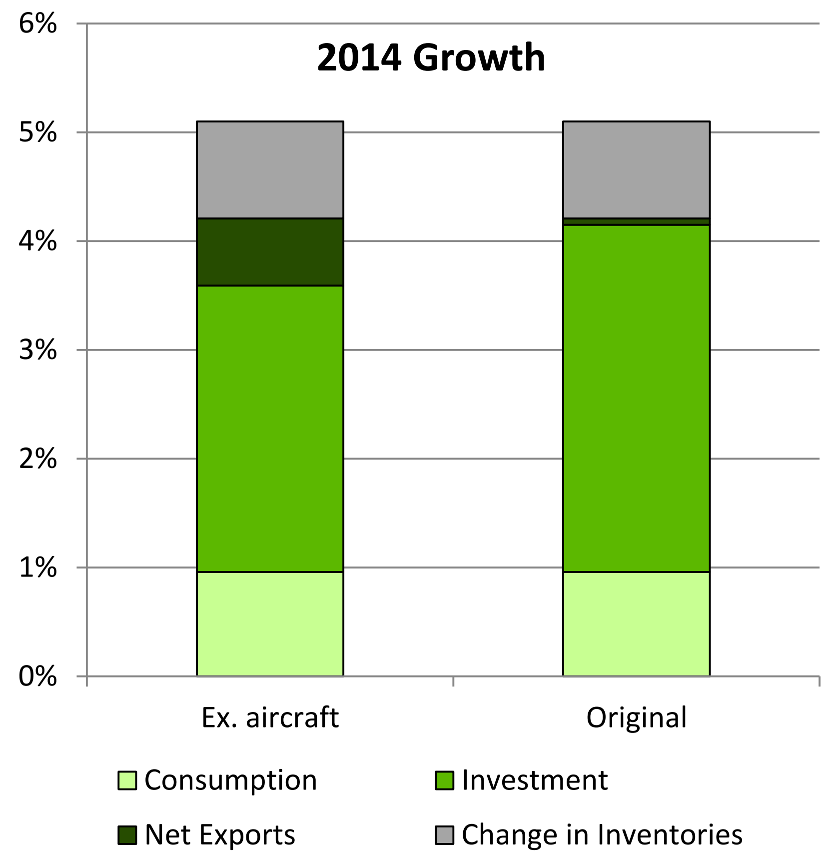
Source: Eurostat, CSO

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	4.0	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)

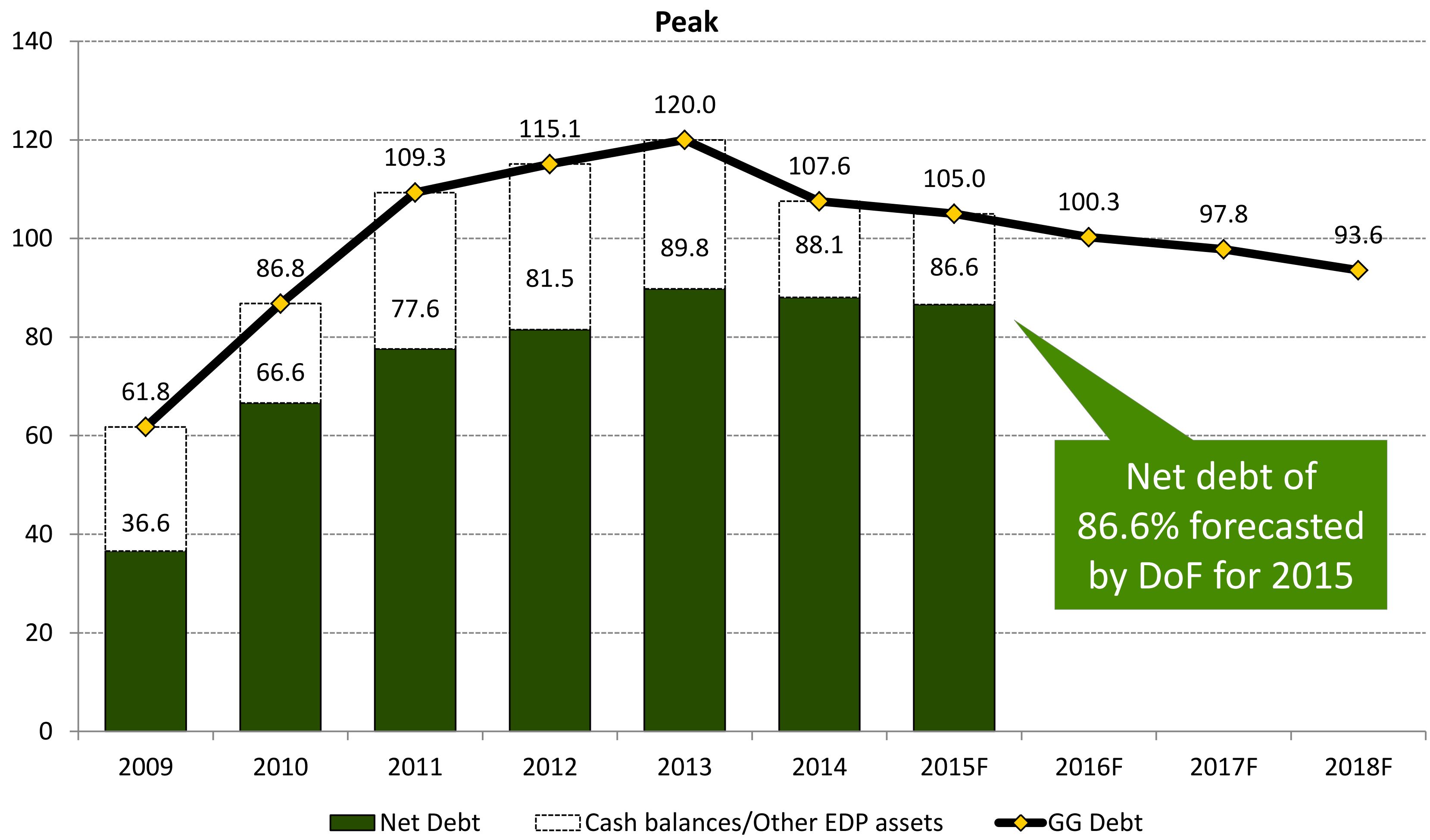
**Underlying: ex-banking recapitalisation under EDP rules*

^Calculated using old accounting methodology surrounding aircraft leasing; outturns likely to be c. 2pps lower than forecast

SECTION 2: FISCAL & NTMA FUNDING

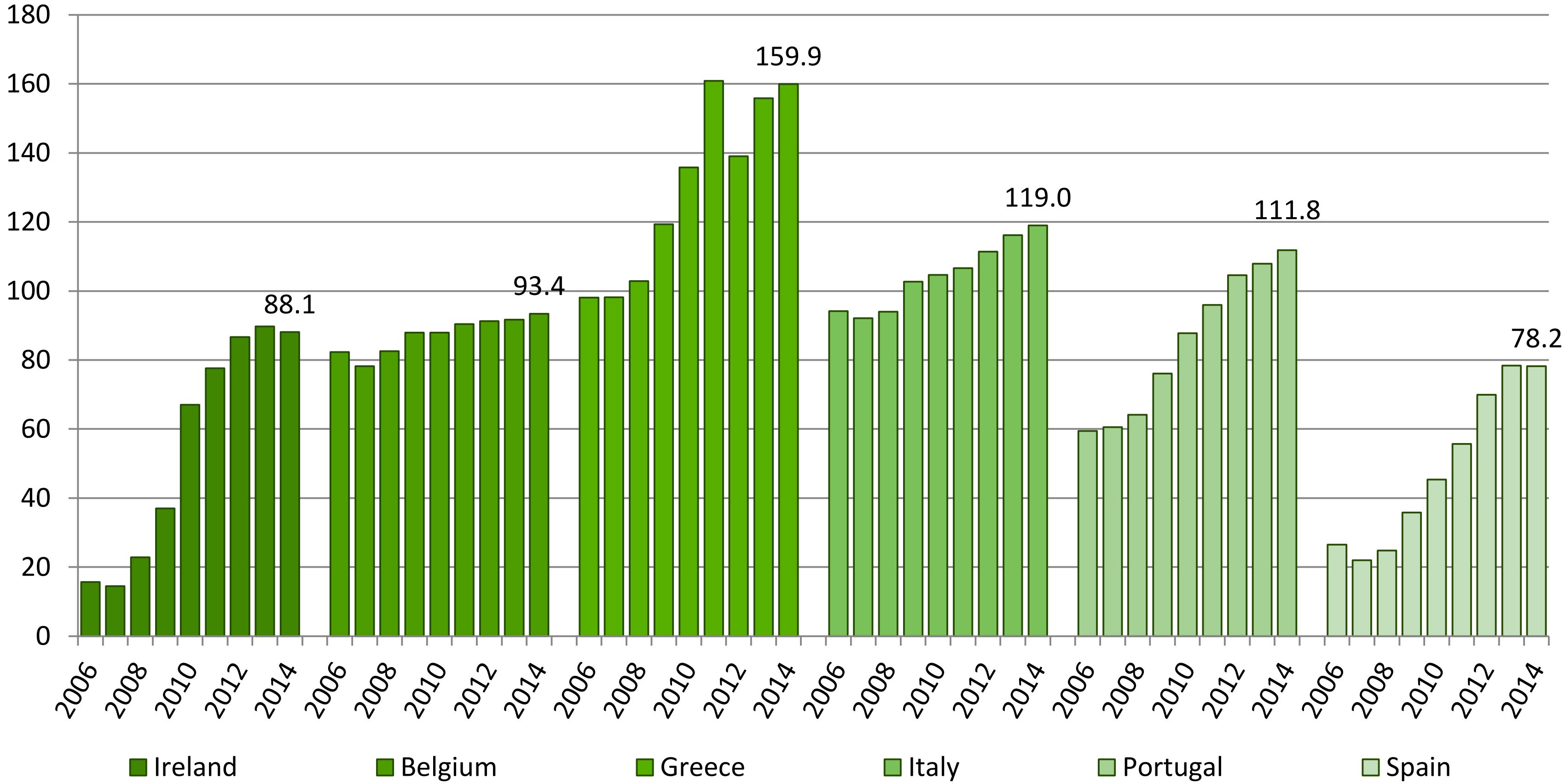
Ireland’s Government debt ratio forecast to drop to 105% of GDP in 2015; country will reach landmark by exiting Excessive Deficit Procedure too

Gross Government debt fell to 108% of GDP at end-2014; likely to drop to 100% by end-2016



Source: Department of Finance (Forecasts from SPU April 2015), CSO, NTMA workings

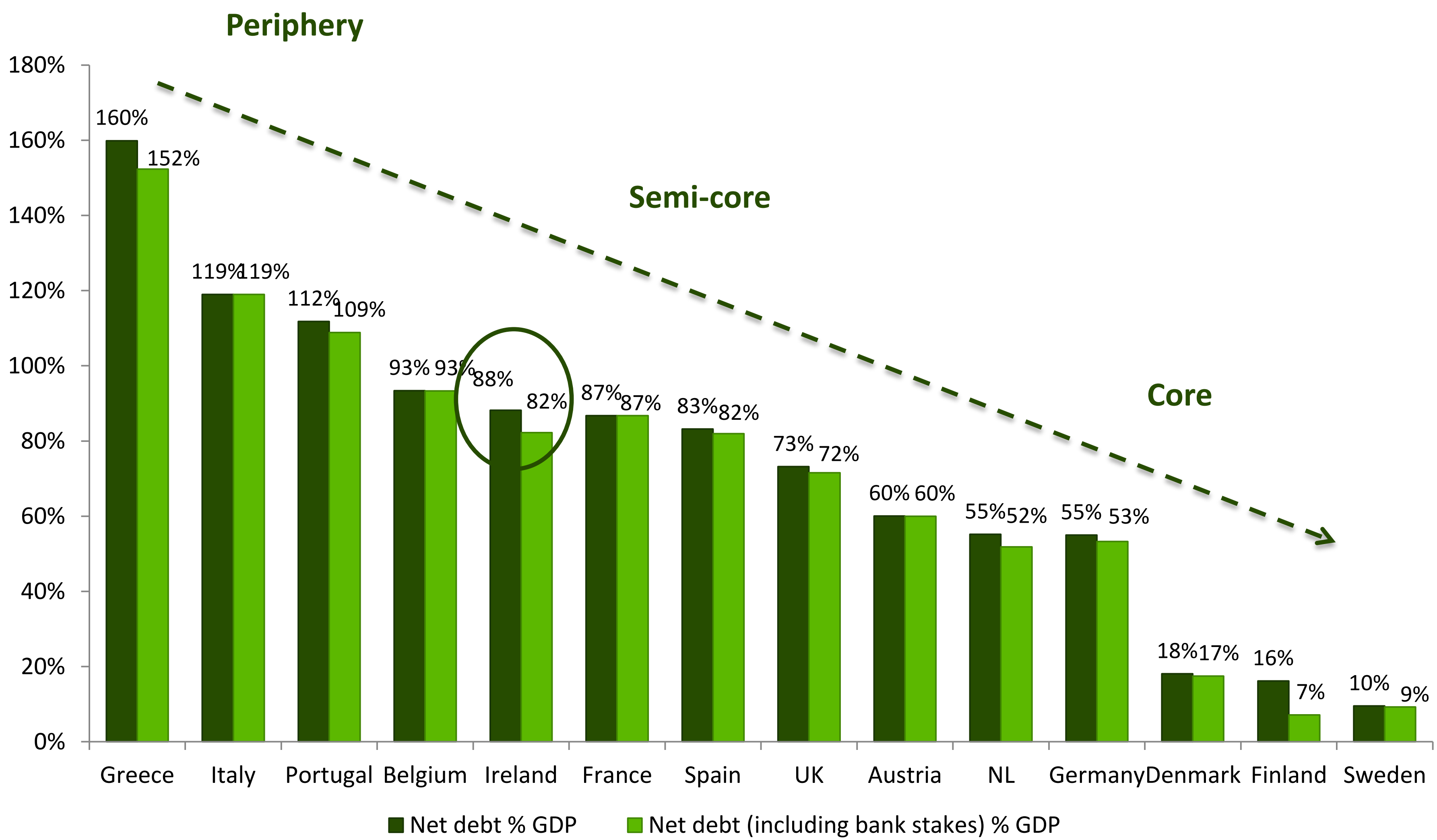
Net Government debt ratio (% GDP) now below that of Belgium – our closest bond market counterpart



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

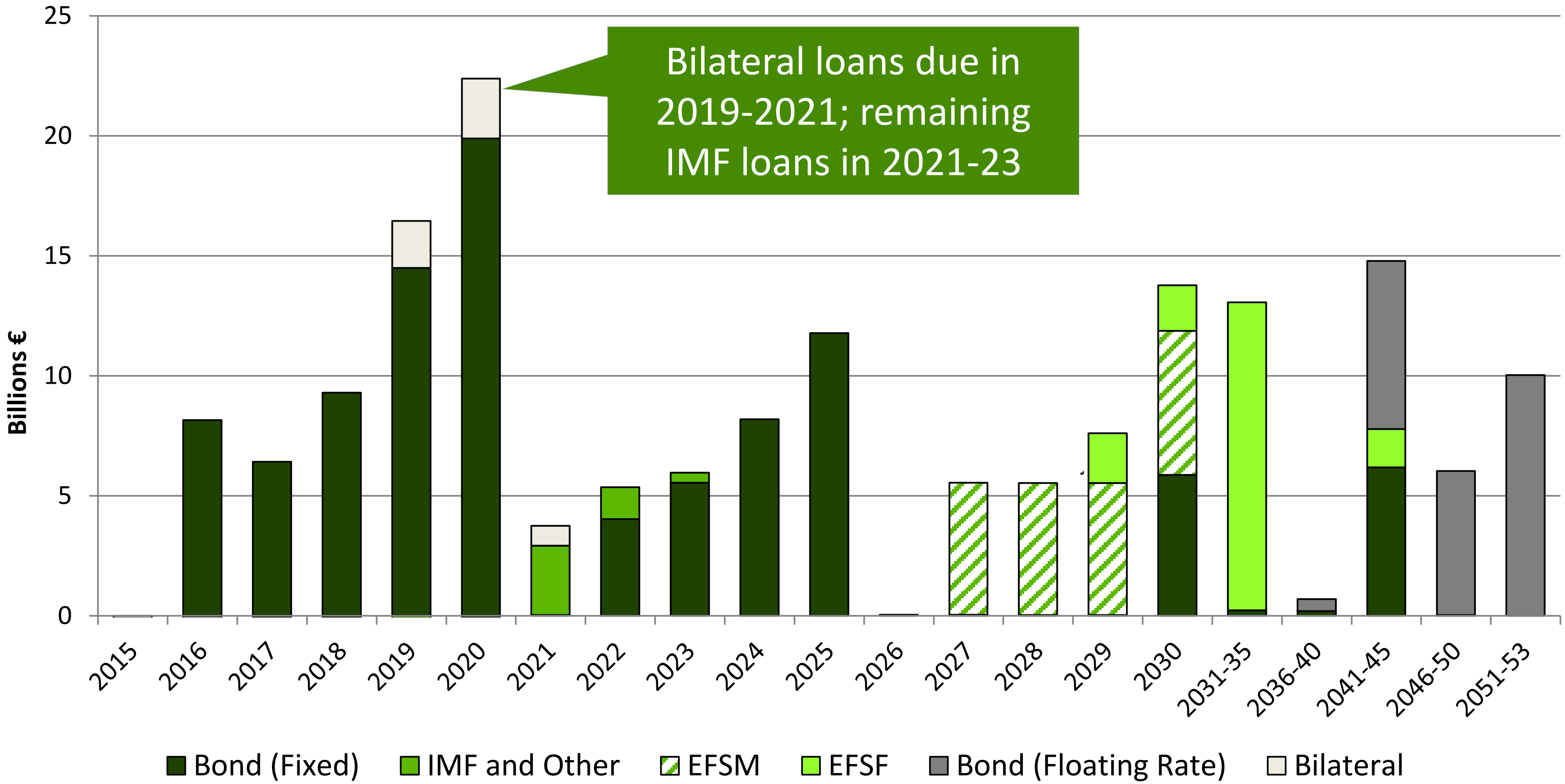
Source: CSO, Eurostat, NTMA analysis

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



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

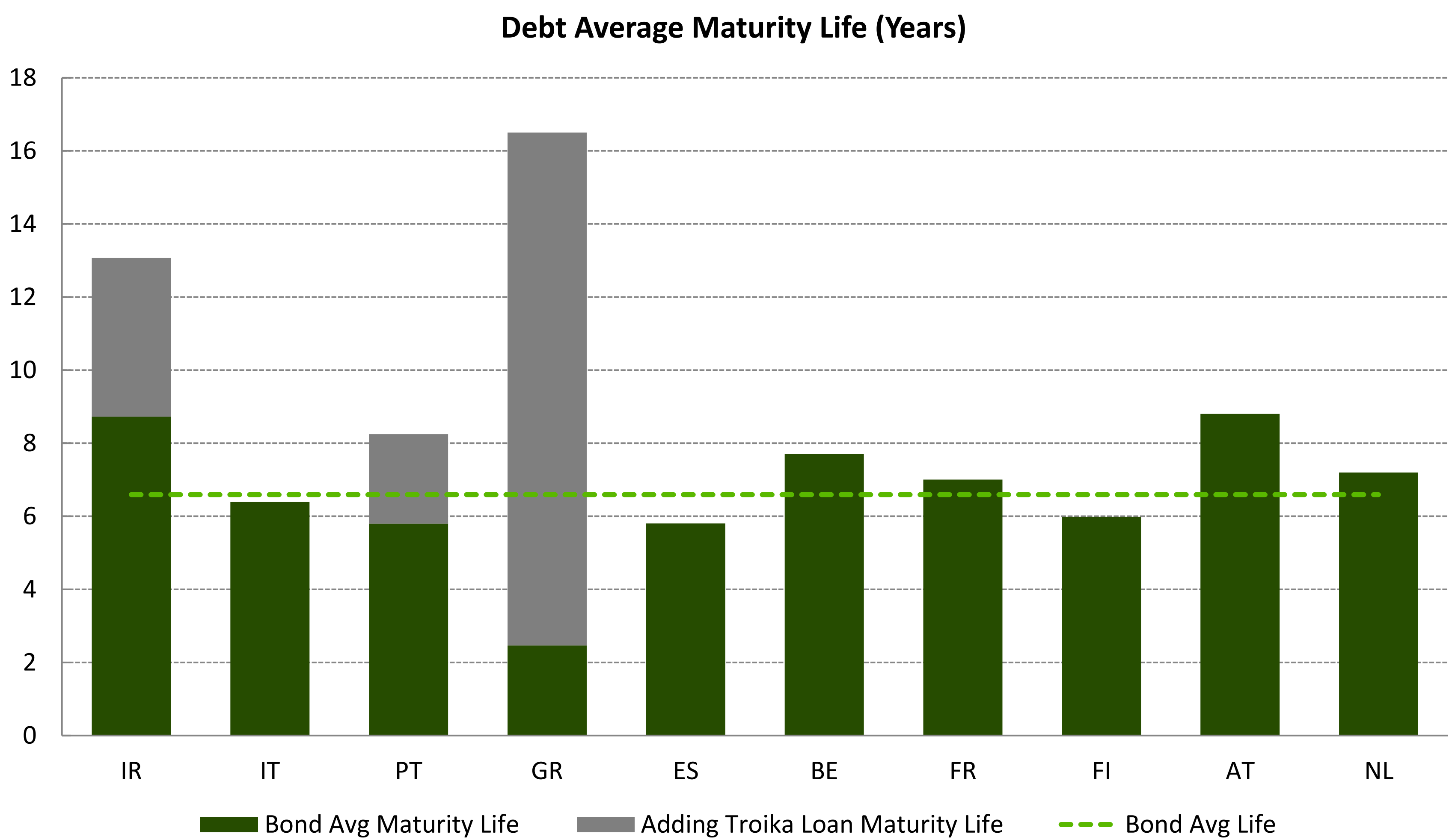
Improved maturity profile following IMF repayment



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.

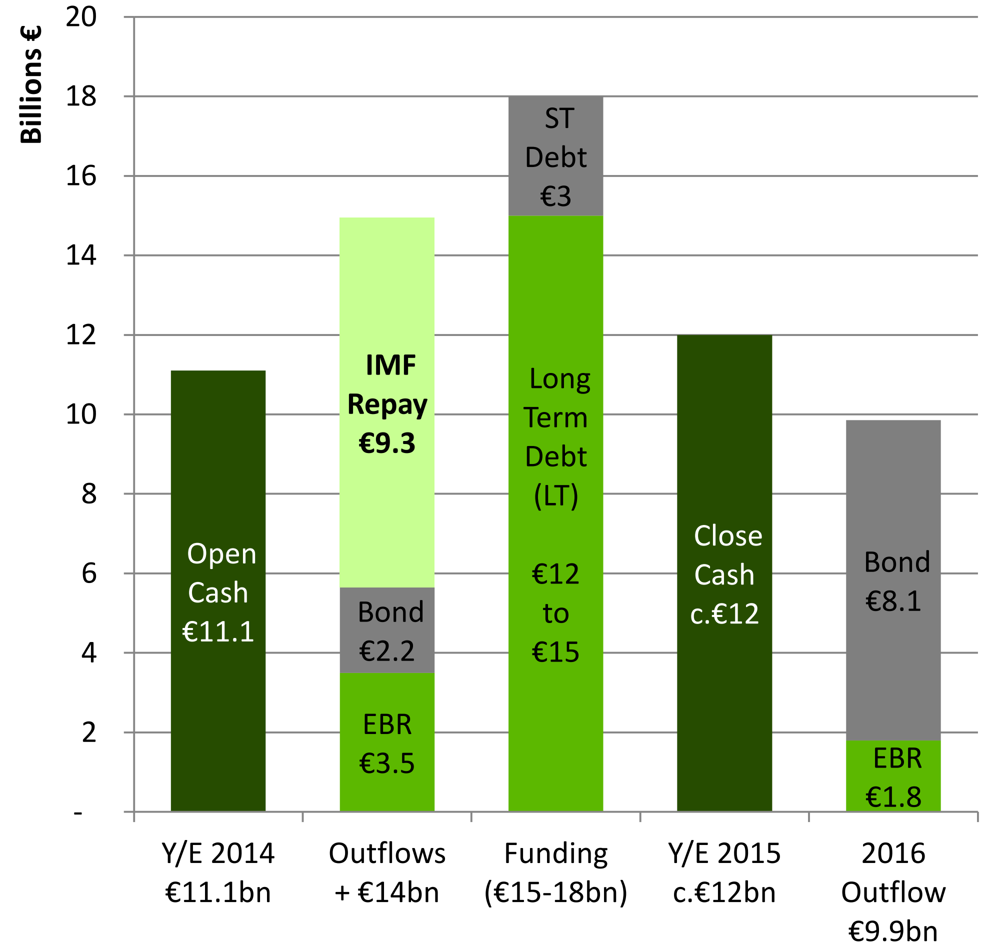
Ireland's average maturity favourable when compared with other euro area countries



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

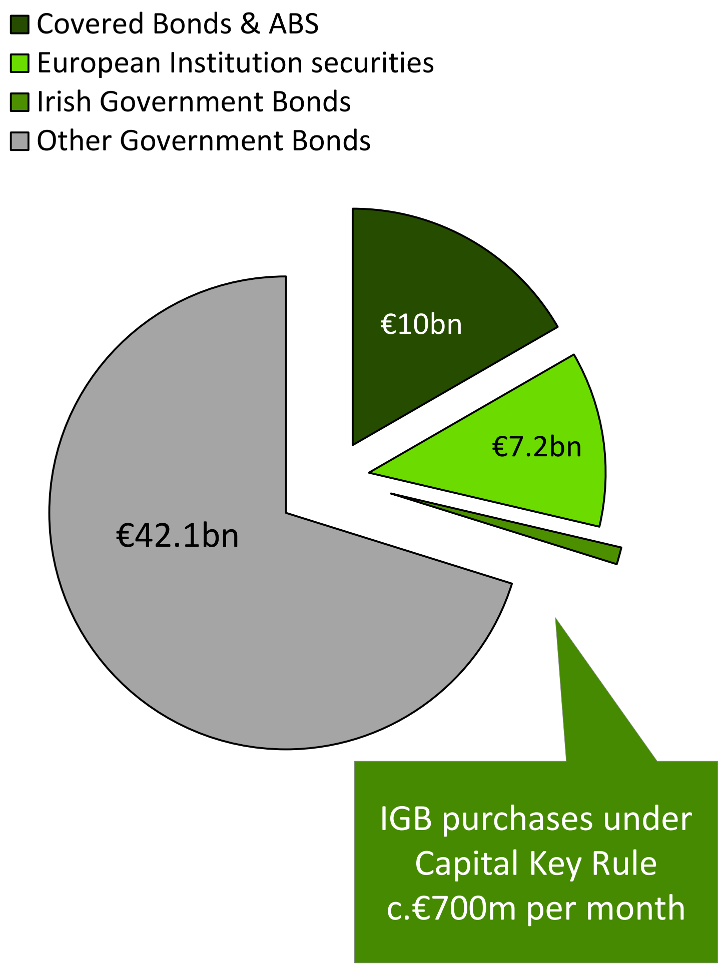


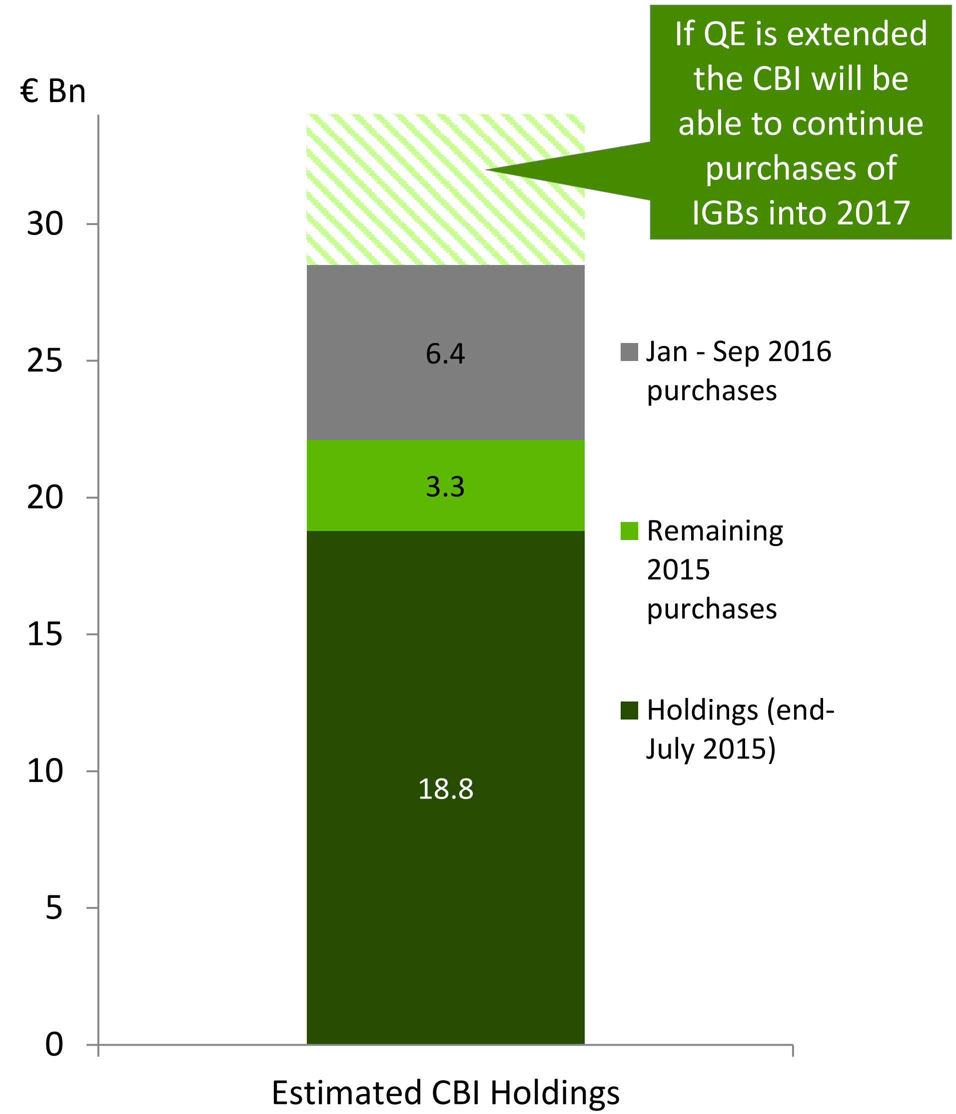
Source: NTMA; Department of Finance

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





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.

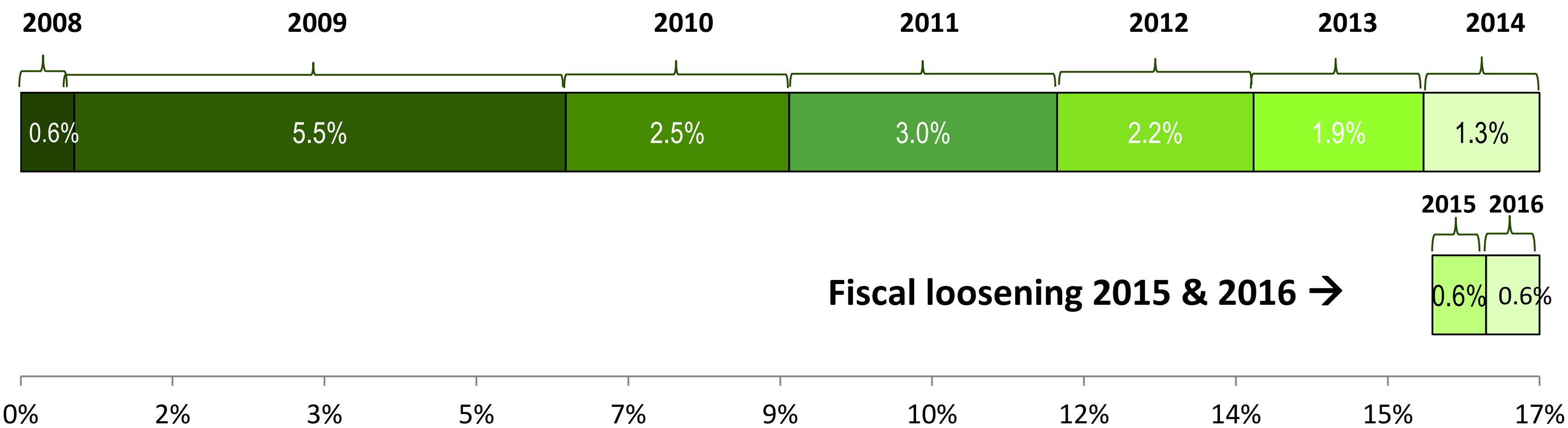
Breakdown of Ireland’s General Government debt

€ 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
- Short-term (T-Bills, CP etc)	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
- Short-term	735	569	1,886	1,436	1,304
- Long-term (official funding and prom notes 2009-12)	33,403	37,166	58,963	69,870	62,025
General Government Debt	**144,163**	**190,123**	**210,238**	**215,328**	**203,321**
EDP debt instrument assets	*32,883*	*55,170*	*58,707*	*54,266*	*36,837*
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



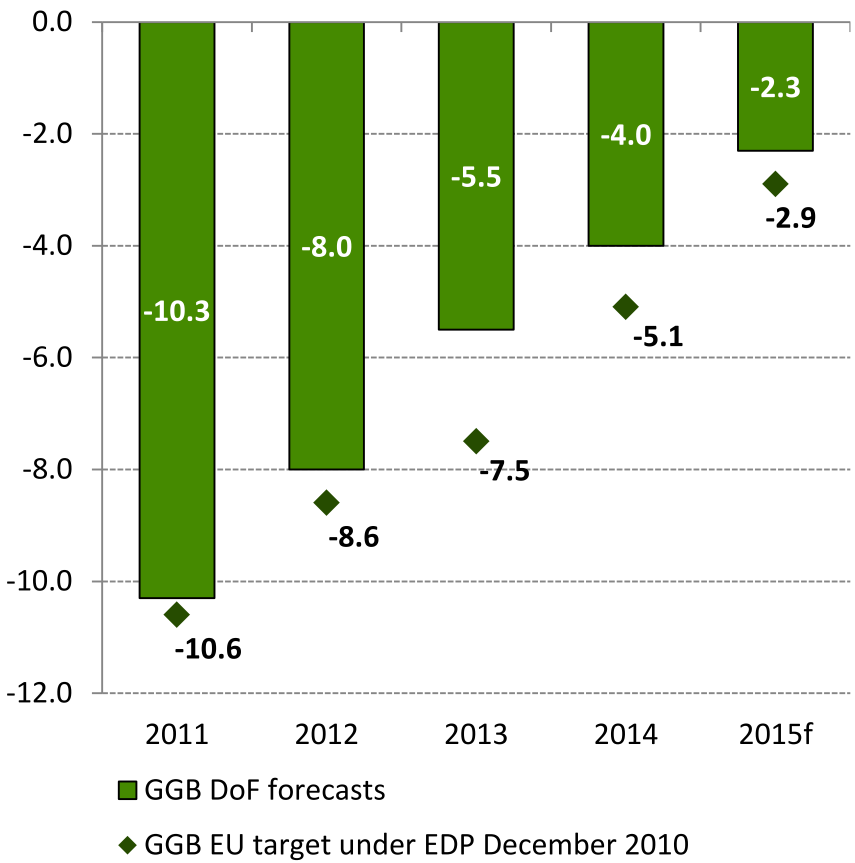
Breakdown of adjustment measures (€bn unless stated)

	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%**

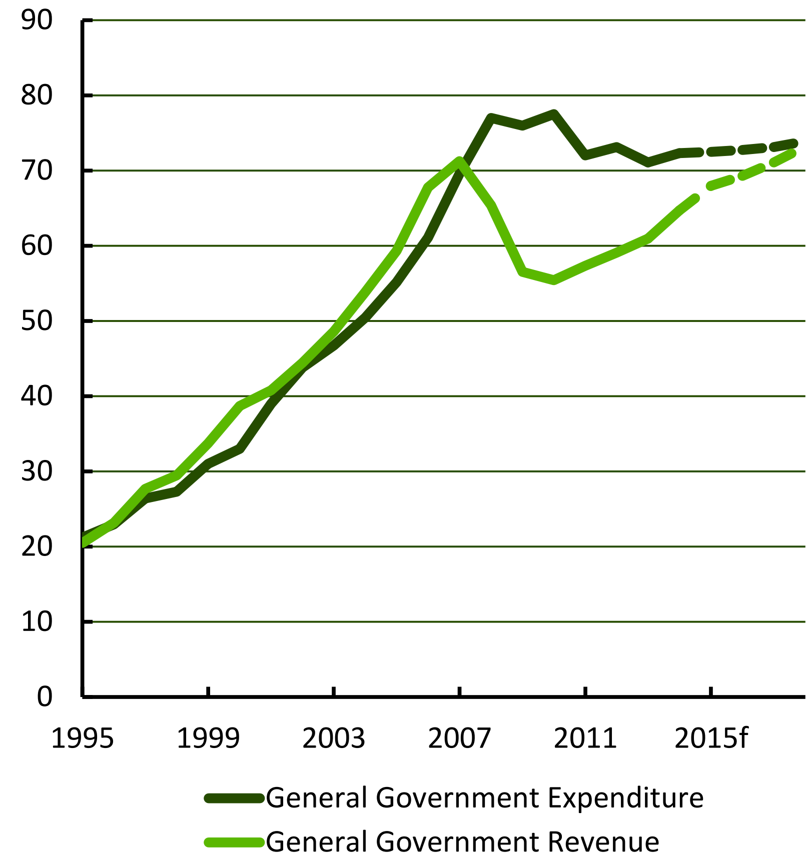
Source: Department of Finance, Budgets 2011-2015, NTMA calculations

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

General Government Balance (% of GDP)

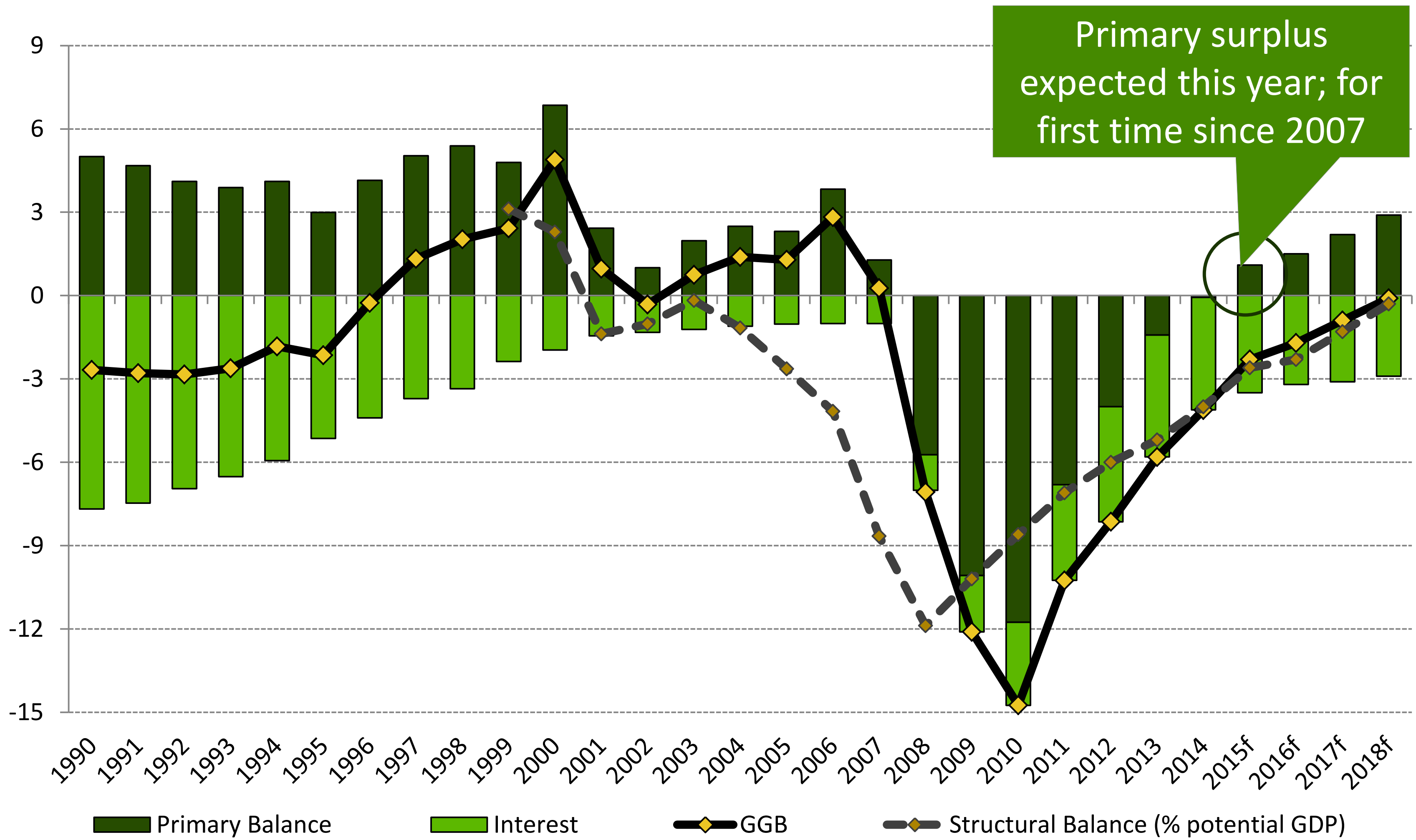


Deficit to be fully closed by 2018 (€bn)



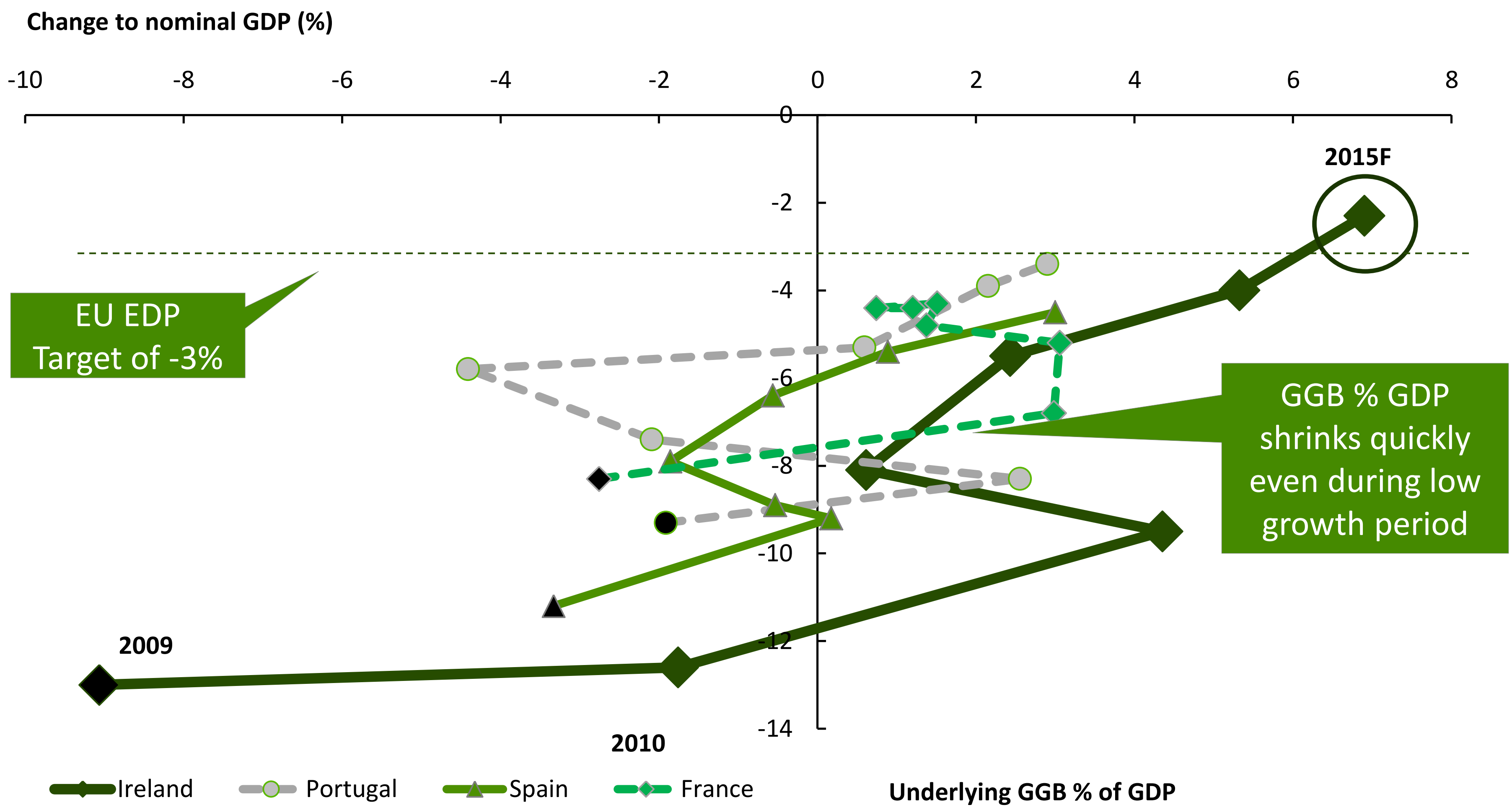
Source: Department of Finance (SPU April 2015) CSO; Eurostat; NTMA workings

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



Source: Department of Finance; Eurostat; IMF

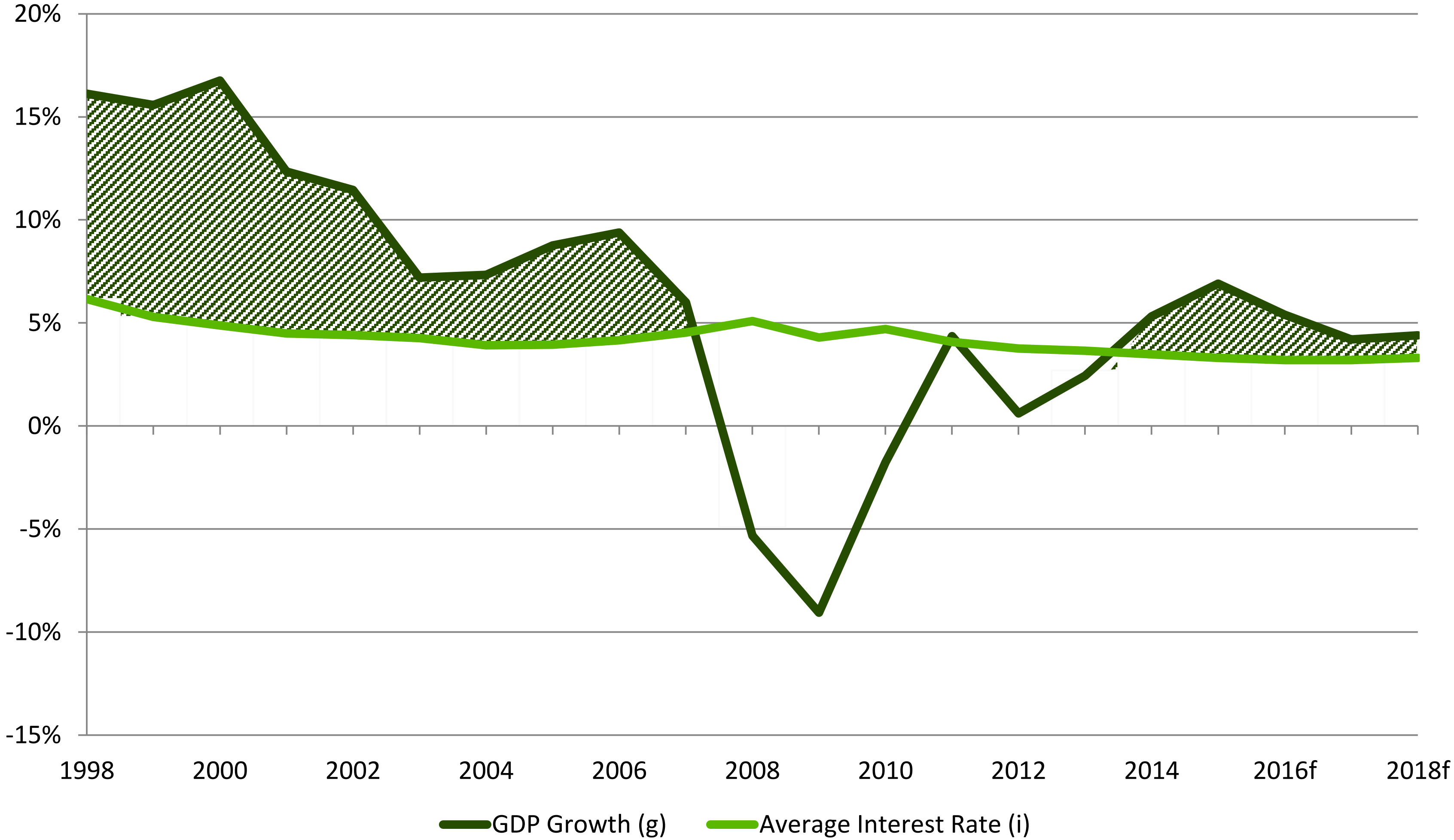
Ireland's fiscal adjustment route quicker than peers



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

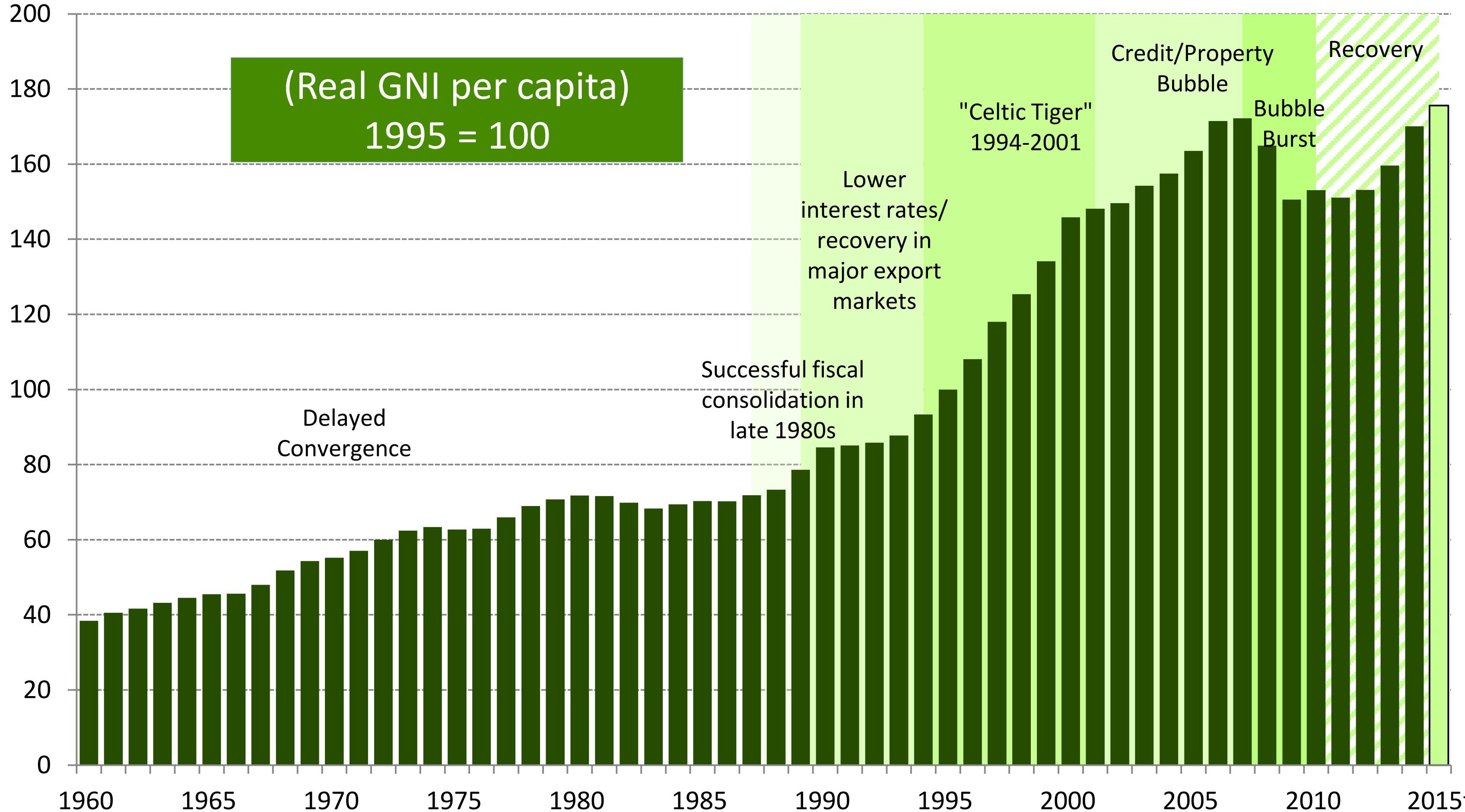


Source: Department of Finance forecasts; DataStream

SECTION 3: LONG TERM FUNDAMENTALS

Rebalancing achieved; Fundamentals are in place but competitiveness crucial

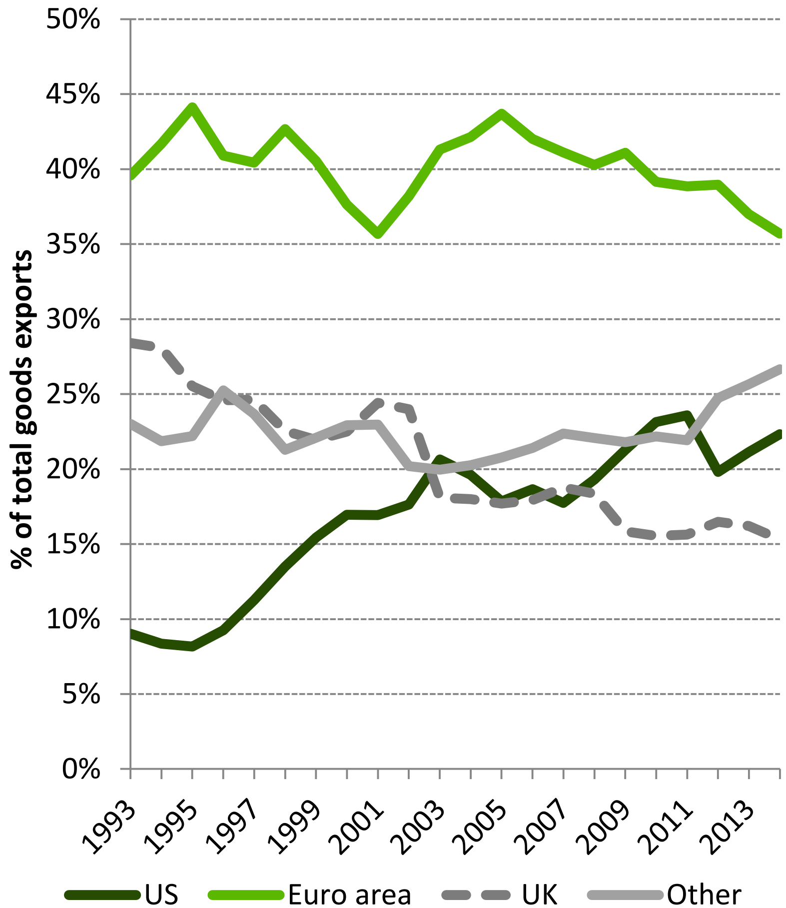
Much rebalancing has taken place; 2007 peak in GNI per capita to be surpassed in 2015



Source: CSO

Ireland's openness has been critical to rebalancing

Ireland benefits from export diversification by destination...



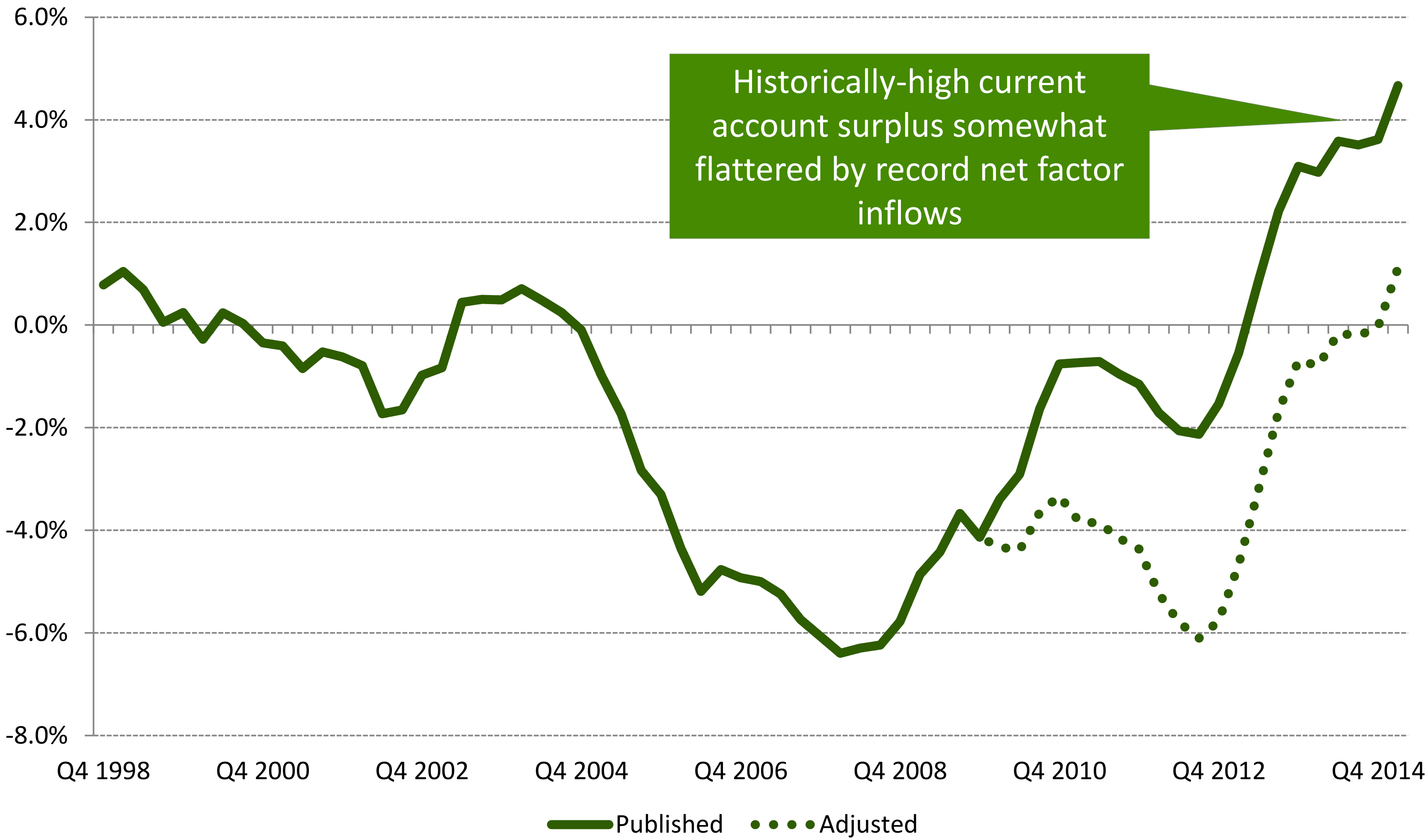
Source: CSO

...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

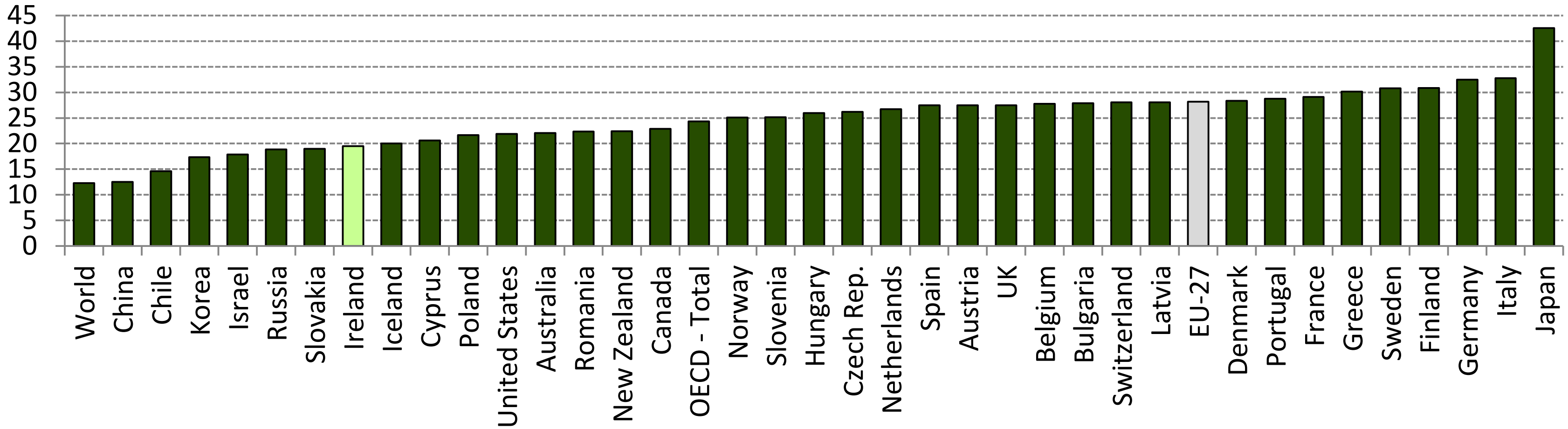


Source: CSO

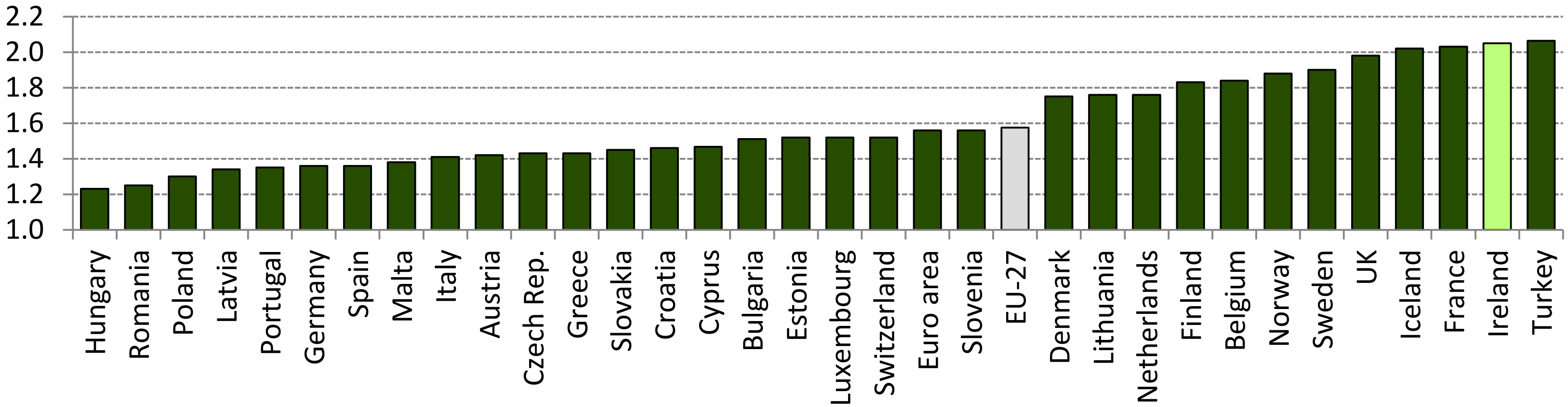
* Adjusted for estimates of the undistributed profits of redomiciled PLCs (for more information, see Fitzgerald, J. (2013), 'The Effect of Redomiciled PLCs on GNP and the Irish Balance of Payments')

Favourable population characteristics underpin debt sustainability over longer term

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



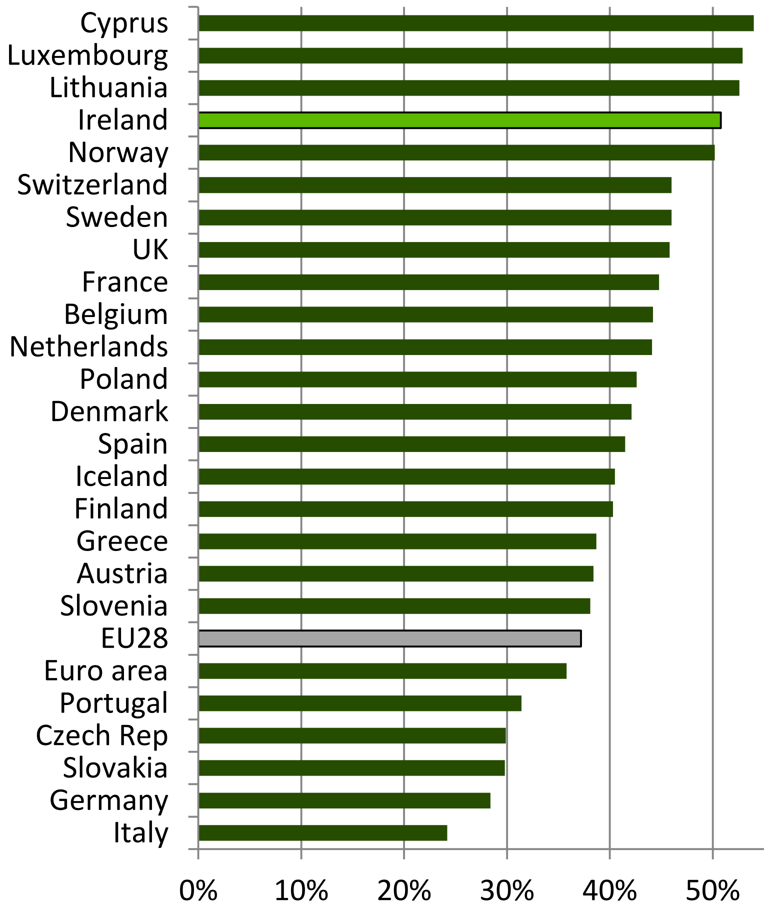
Fertility rates in Ireland are above typical international replacement rates



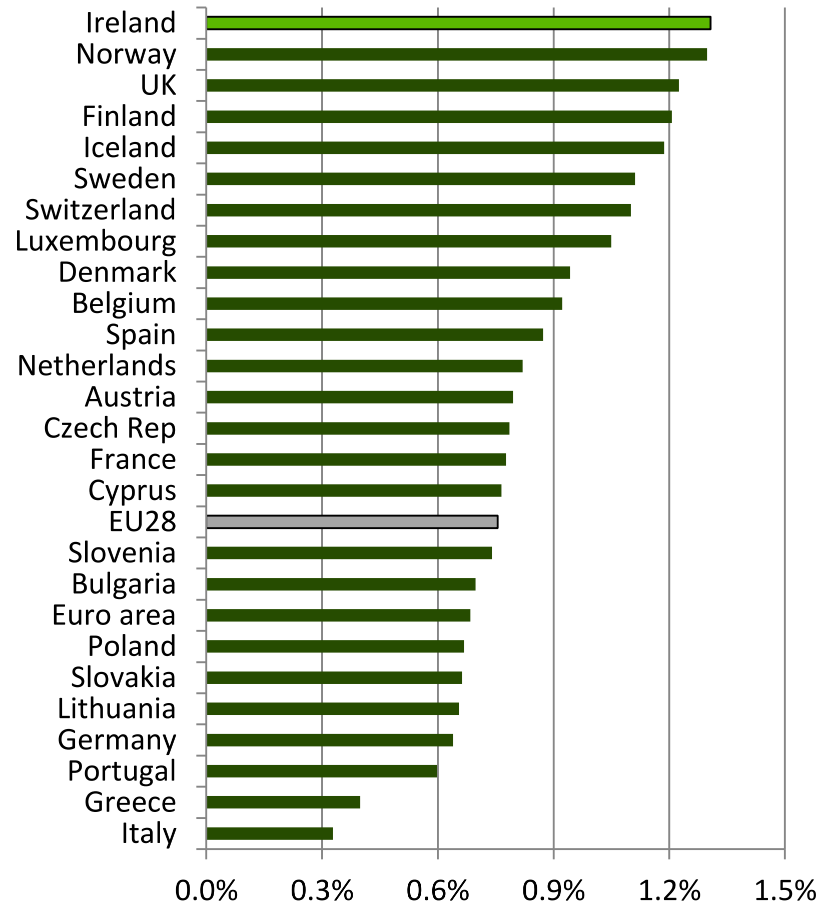
Source: World Bank WDI (2012); OECD (2014)

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…

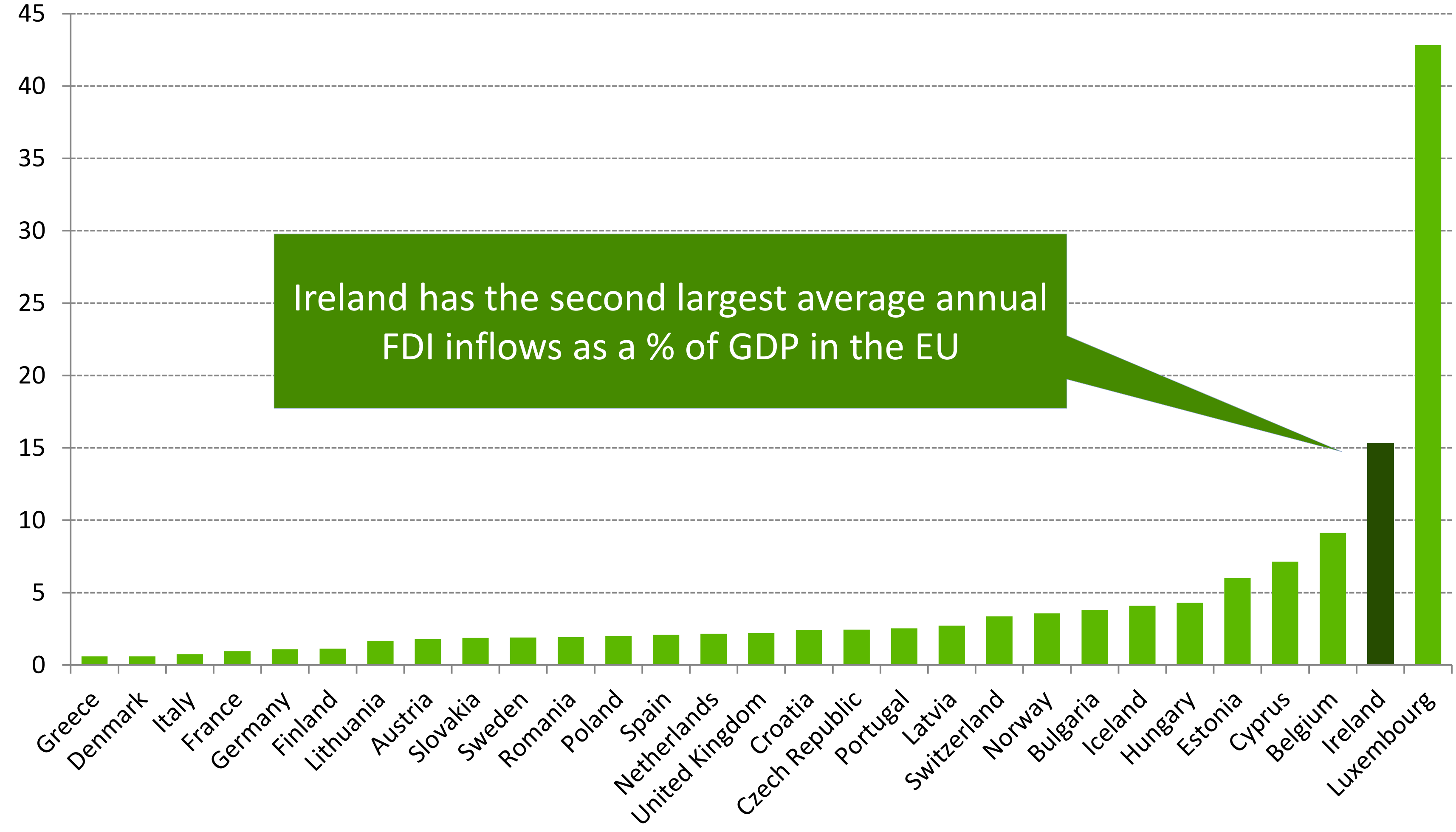


…and the highest % of population working in IT with a third-level degree



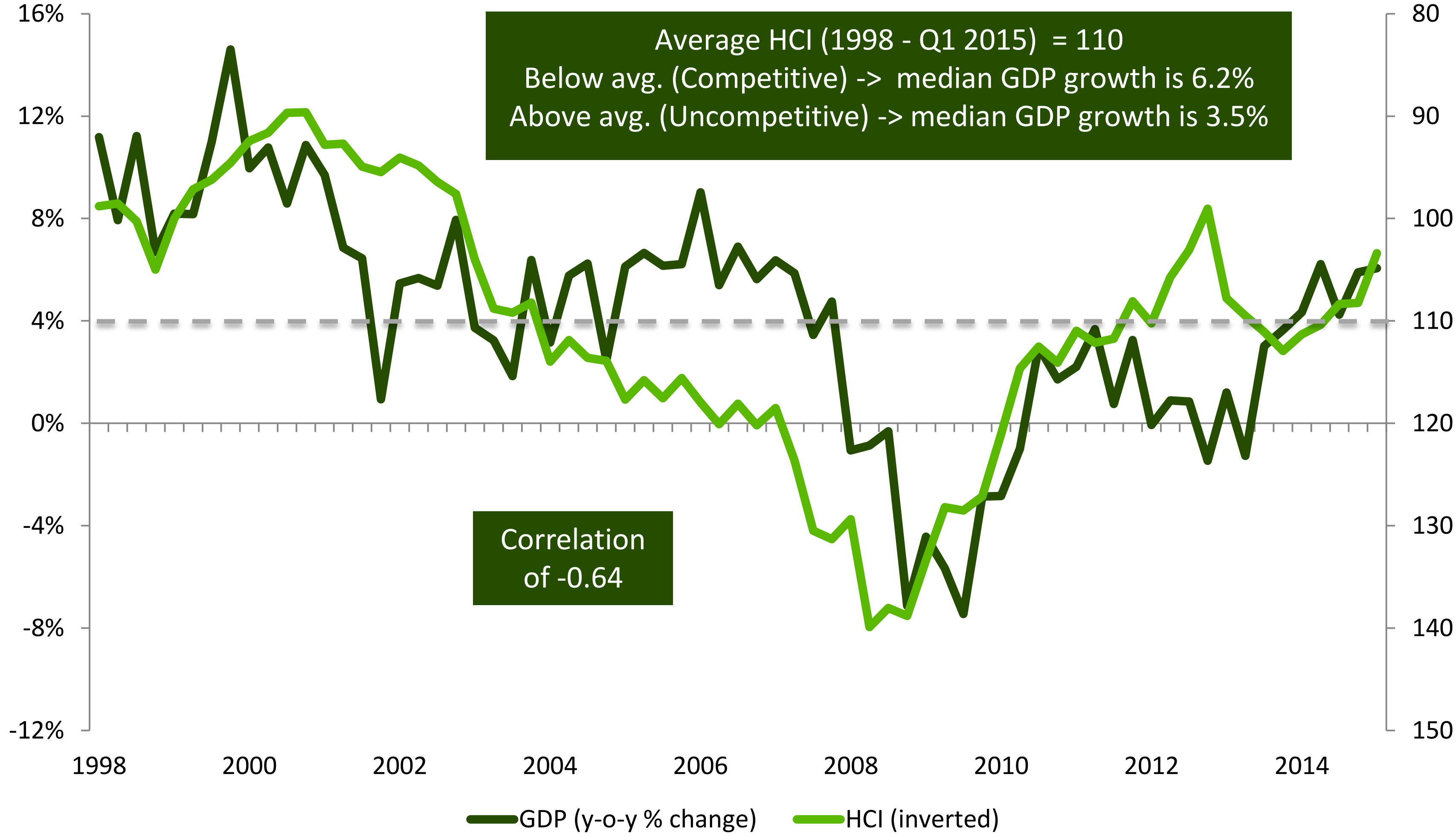
Source: Eurostat

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



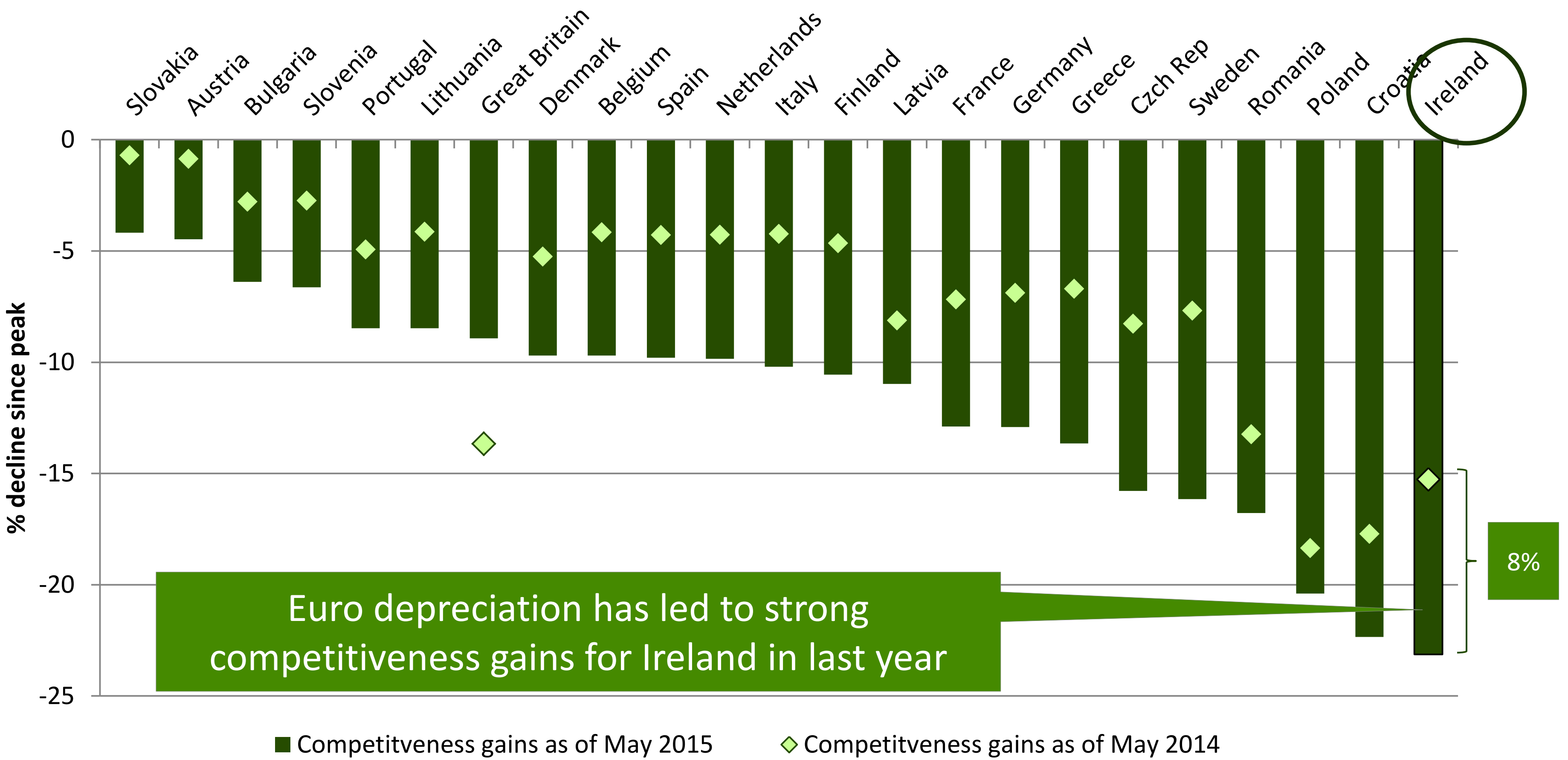
Source: UNCTADStat

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

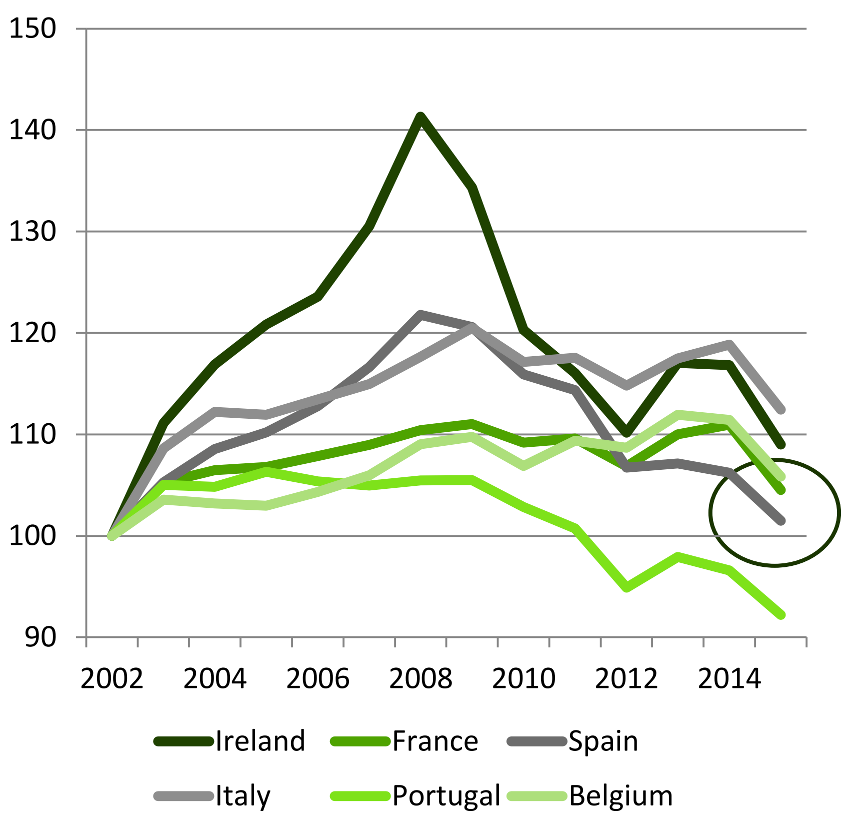


Source: Bruegel - ‘Real effective exchange rates for 178 countries: a new database’

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

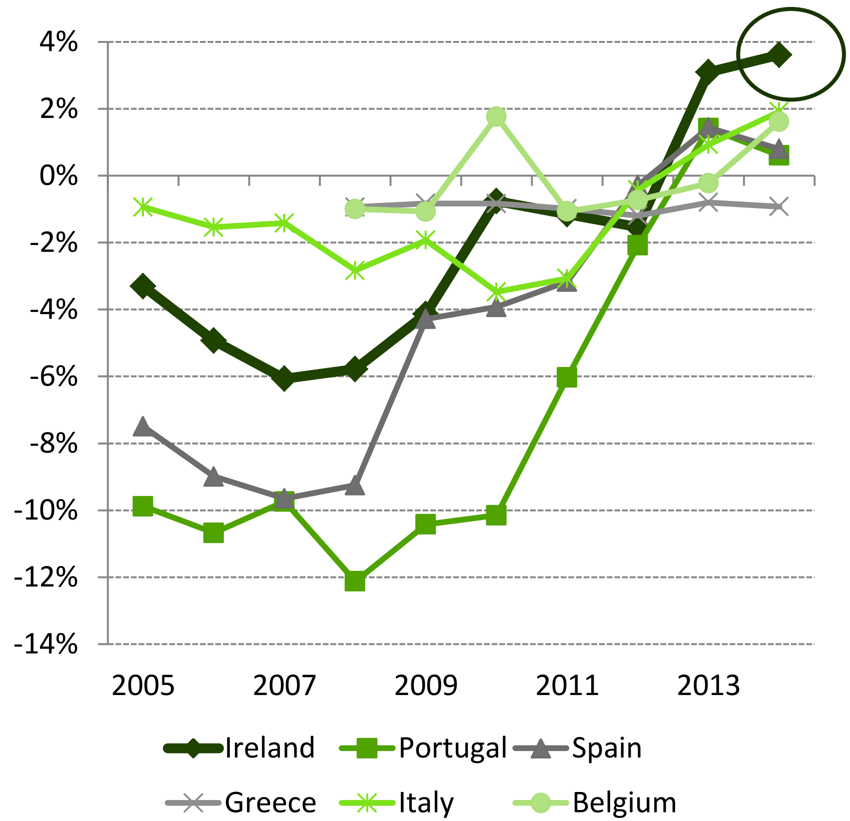
Relative real effective exchange rates have corrected sharply (base:2002=100)



Source: AMECO

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

Current account balance (% GDP)



Source: Eurostat; NTMA Workings

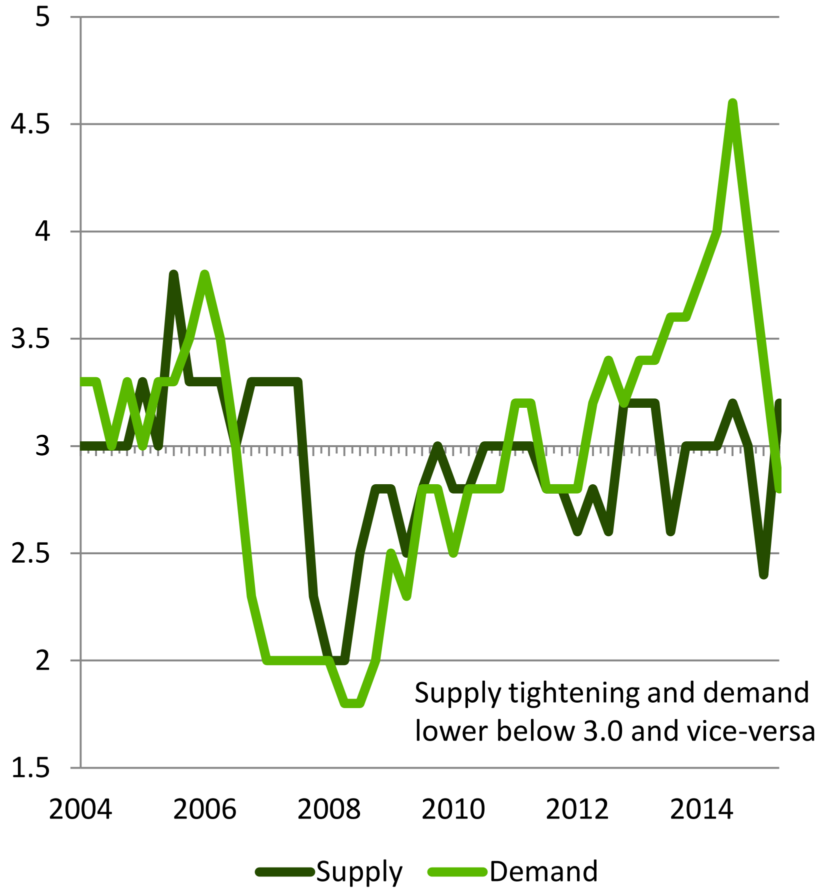
Note Ireland's CA Balance re-calculated using ESA 2010 compliant GDP series

SECTION 4: PROPERTY

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

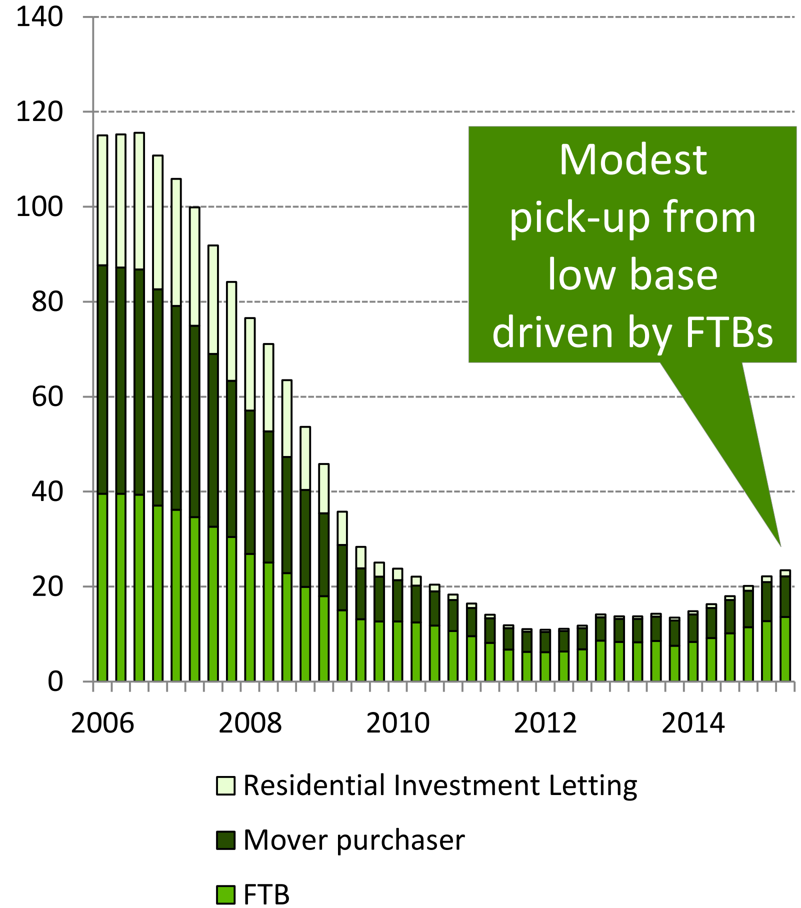
New CBI mortgage rules impact demand before and after introduction

Demand tightens, credit standards ease slightly following CBI rules



Source: ECB and CBI (Bank lending survey)

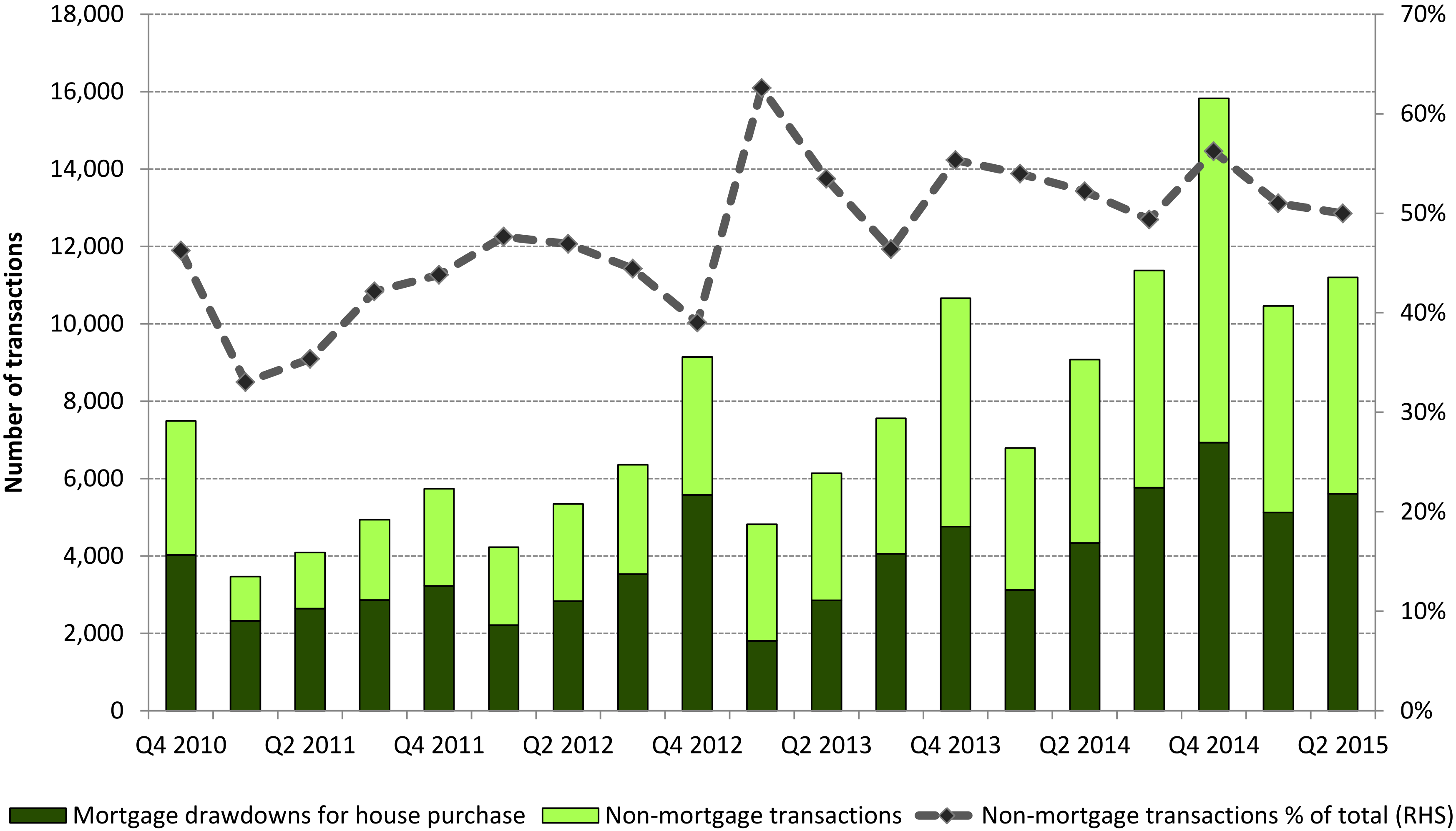
Mortgage drawdowns rise from deep trough ('000s)



Source: Irish Banking Federation

FTBs = First Time Buyers

Residential market continues to be boosted by non-mortgage purchasers

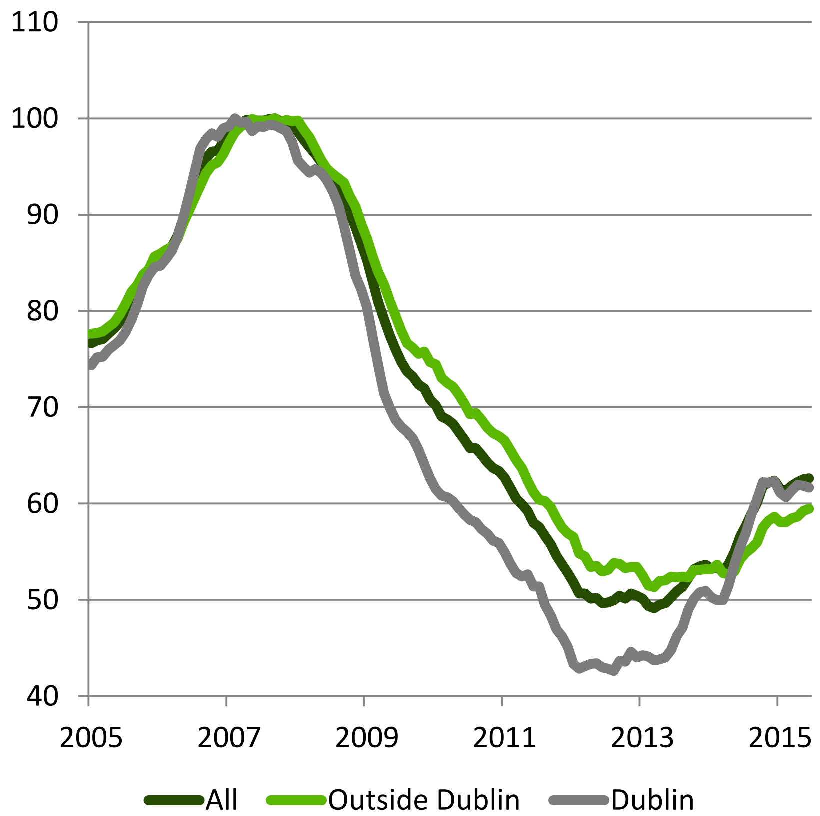


Source: IBF; Property Services Regulatory Authority; NTMA

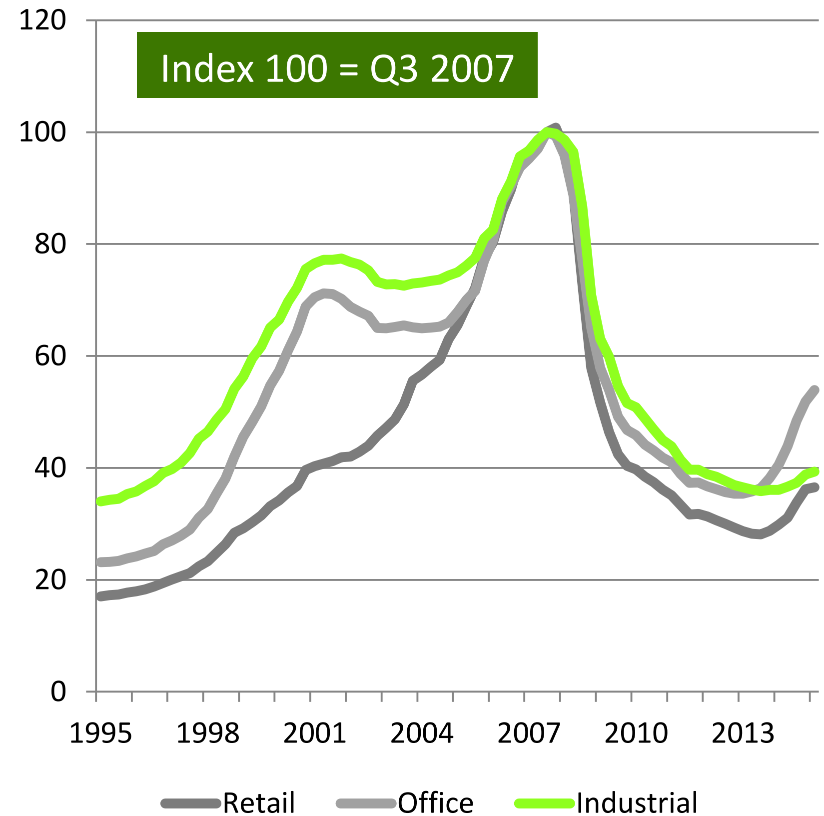
Note: Non-mortgage transactions are implied by difference between total transactions on property price register and IBF mortgage data

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

House prices surge, led by Dublin



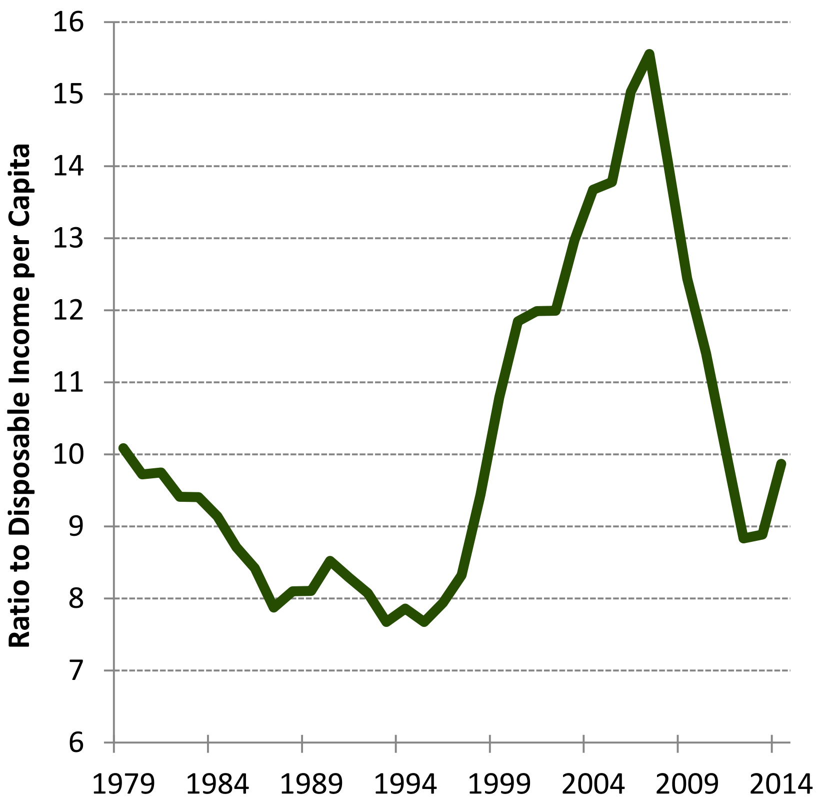
Office leads commercial property



Source: CSO; IPD

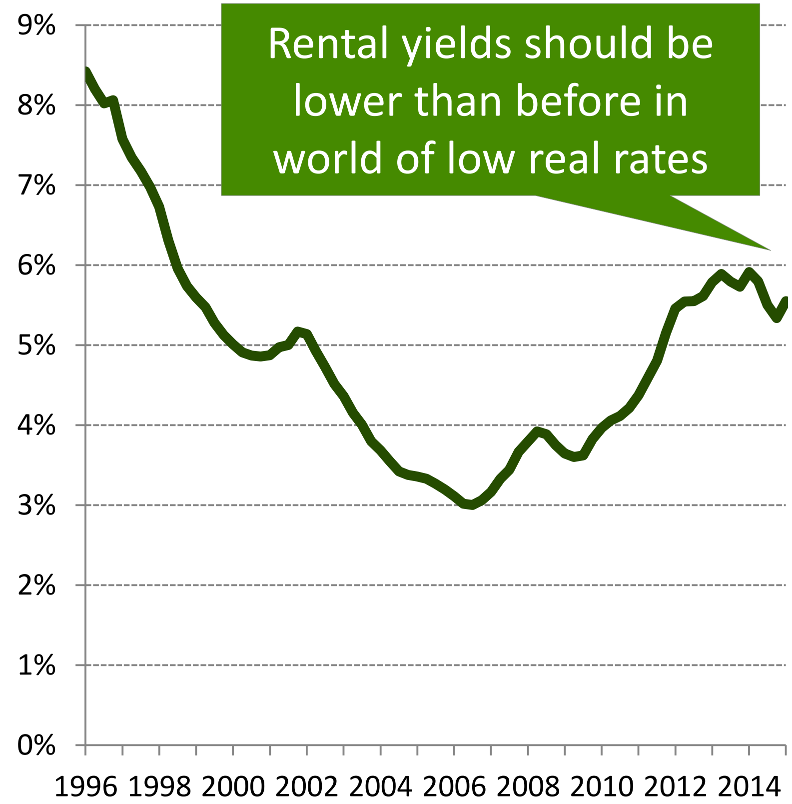
Housing valuations are still relatively attractive

Average Irish house prices/ disposable income per capita

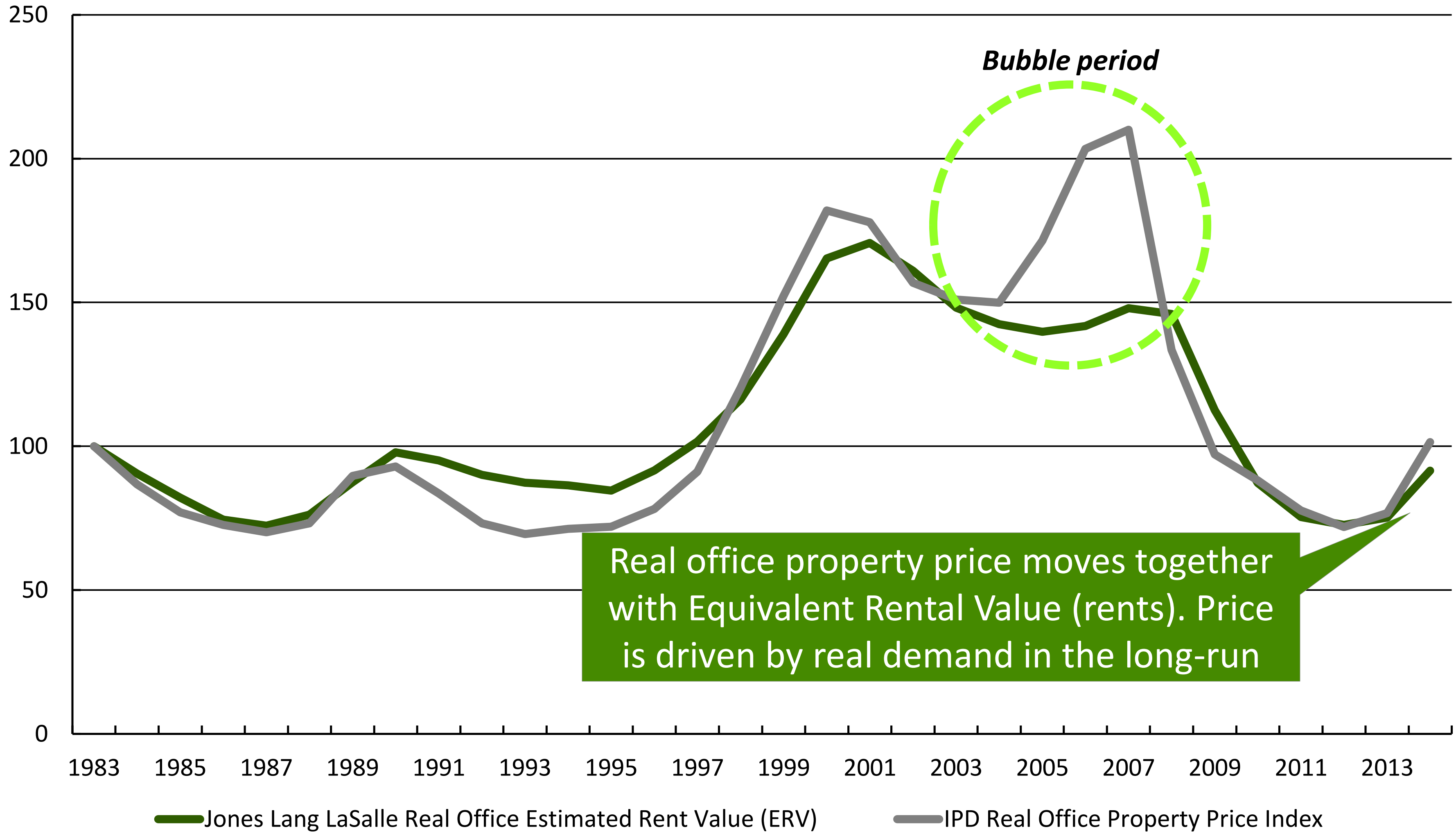


Source: CSO; NTMA, IPD

Rental yields still exceed 5%

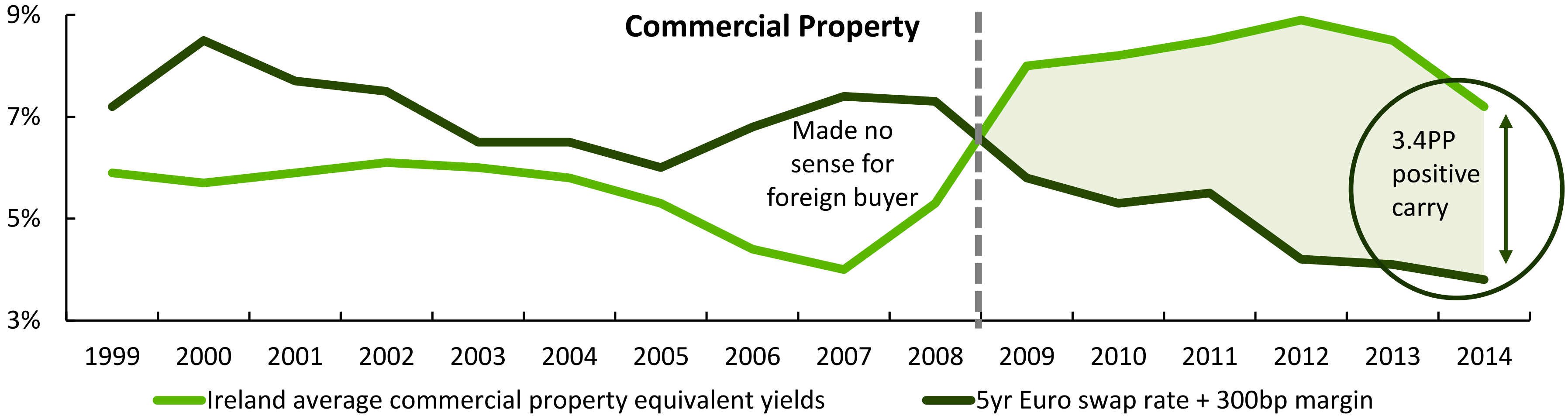


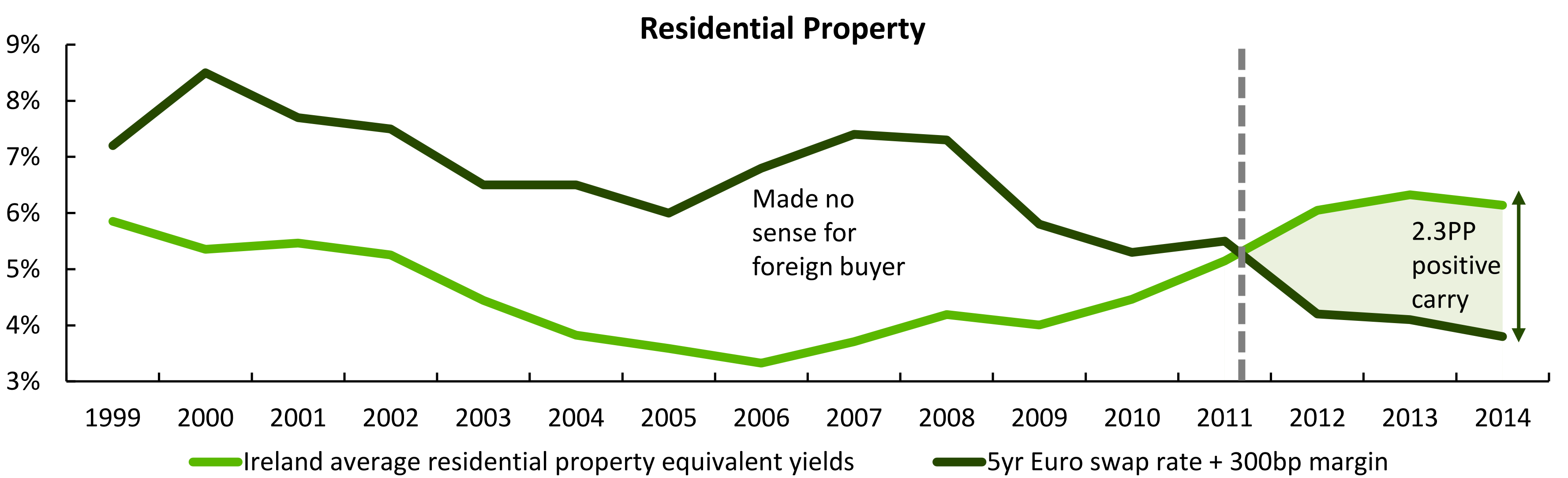
Real commercial property prices down 52% from peak (index 1983 = 100)



Source: Jones Lang LaSalle; IPD; NTMA

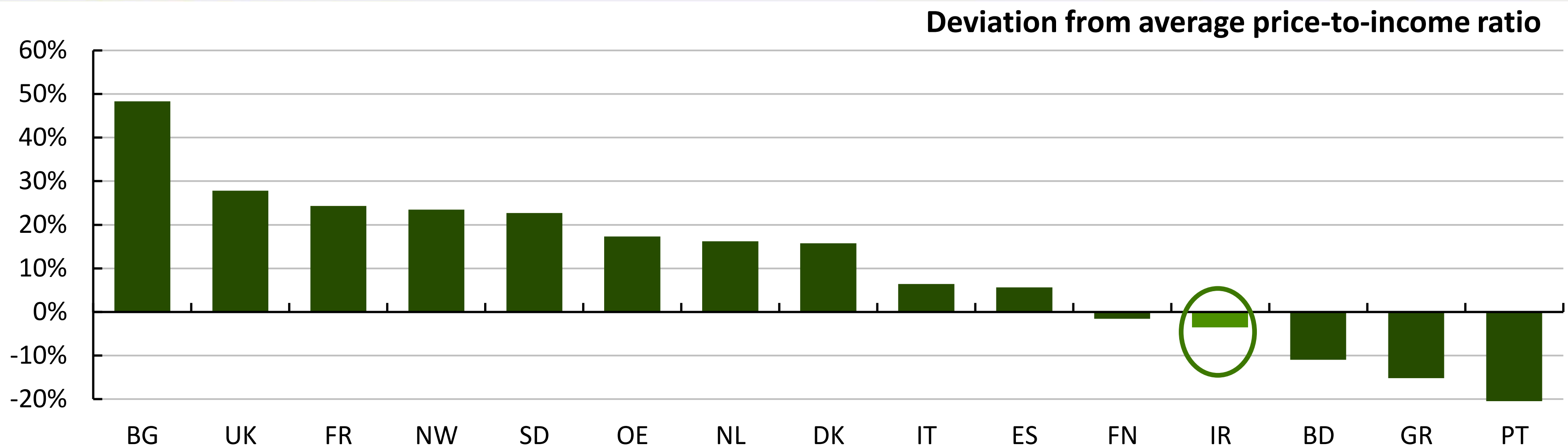
Foreign buyers interested on “carry trade” grounds

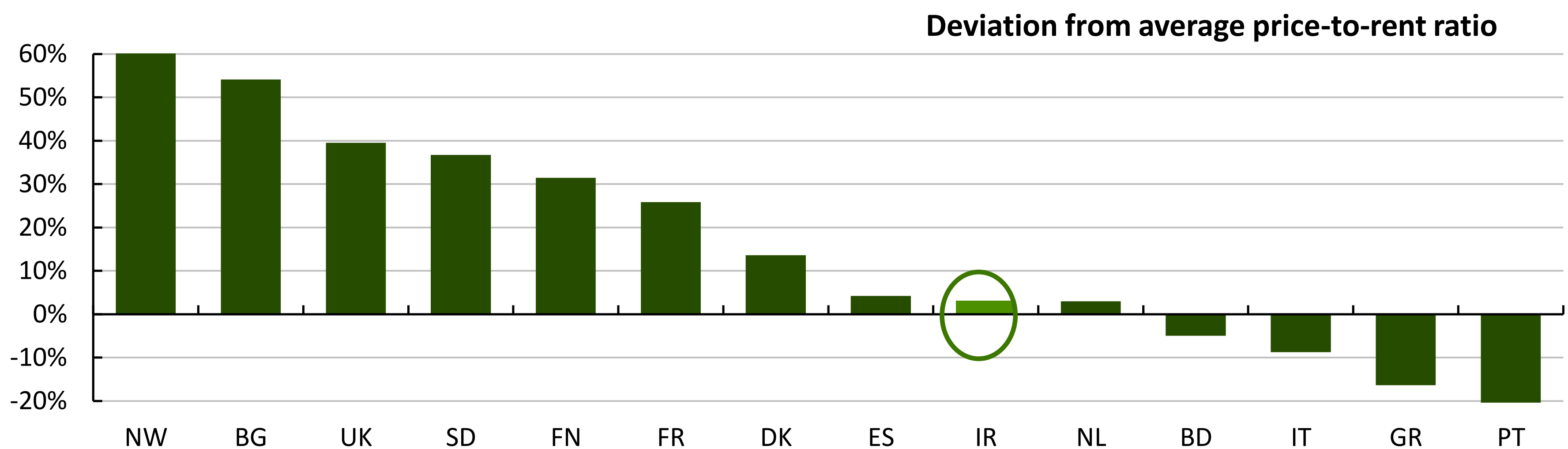




Source: IPD; NTMA

Irish house price valuation is still attractive versus European countries





Source: OECD, NTMA Workings

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

All data updated to 2014 Q4

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

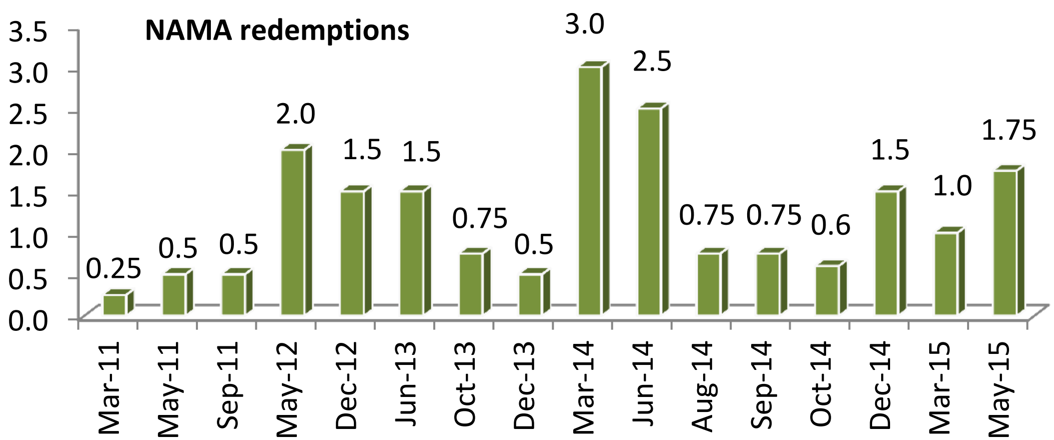
- **NAMA's operating performance is strong**
  - Acquired 12,000 loans (over 60,000 saleable property units) related to €74bn par of loans of 758 debtors for €32bn
  - NAMA continues to generate net profit after impairment charges.
- **Repaid €19.35bn (64%) of €30.2bn of original senior debt**
  - Repaid €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).

More NAMA information available on www.nama.ie

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**

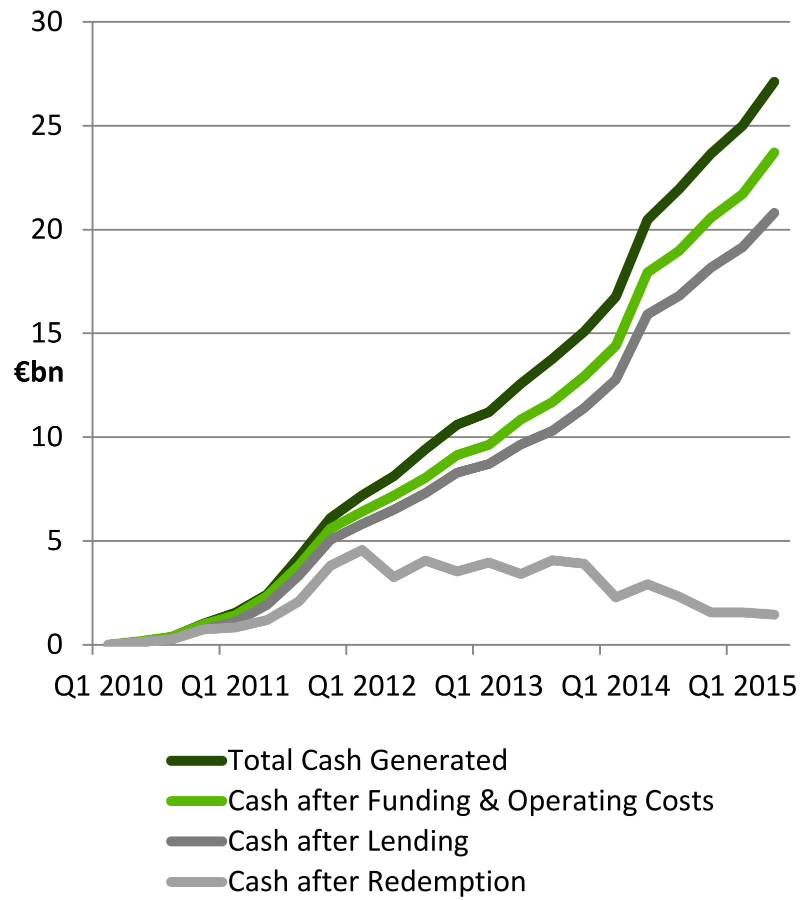
Source: NAMA



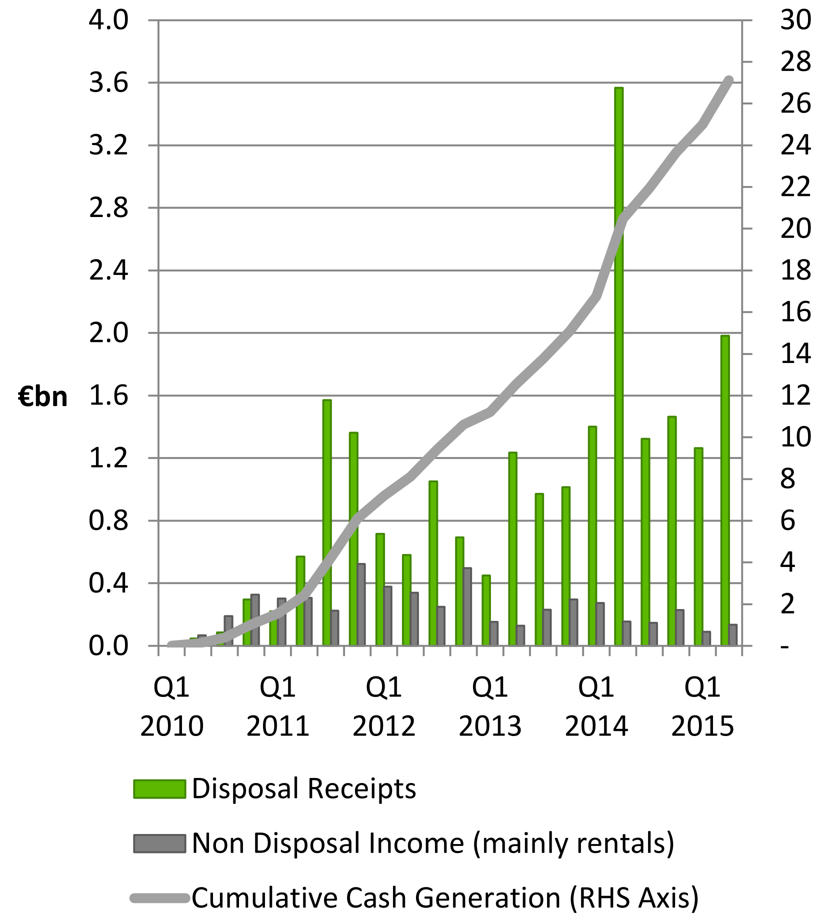
- **NAMA continues to generate net profit after impairment charges.**
- 2014 operating profit and impairment charges much lower than previous years
- €1.75bn of NAMA senior bonds redeemed in May 2015 bringing total amount redeemed to €19.35bn (64% of its senior debt liabilities)
- **All of €30.2bn in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



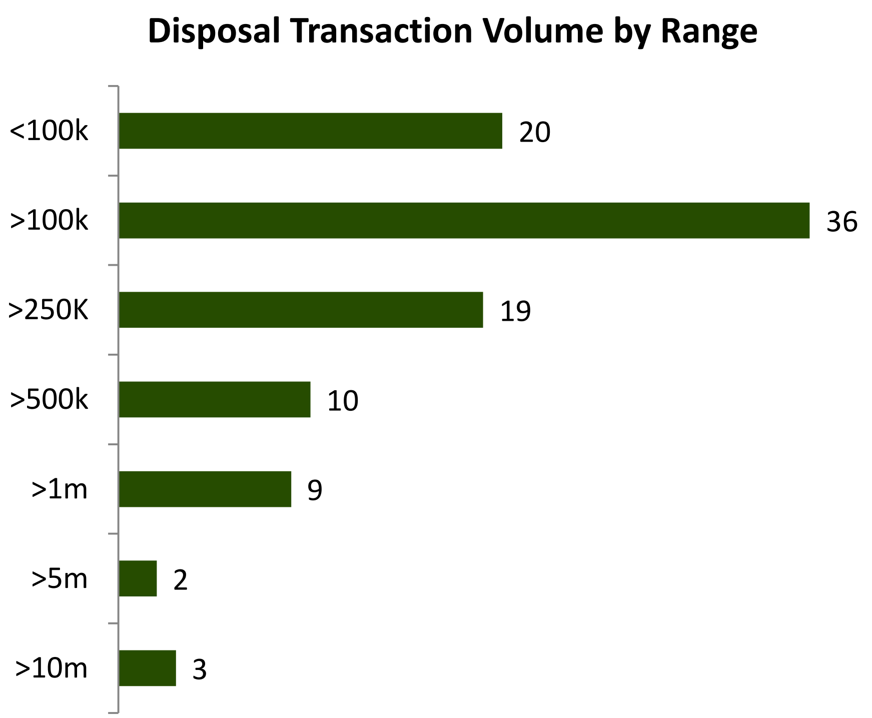
High level of non-disposal income (€5.2bn)

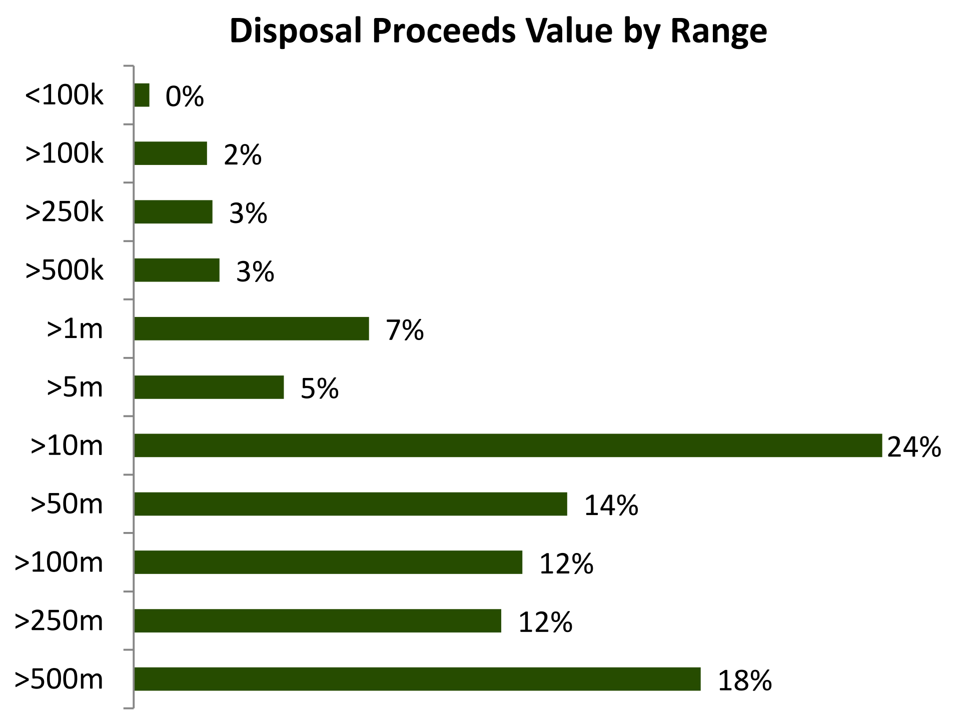


Source: NAMA

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

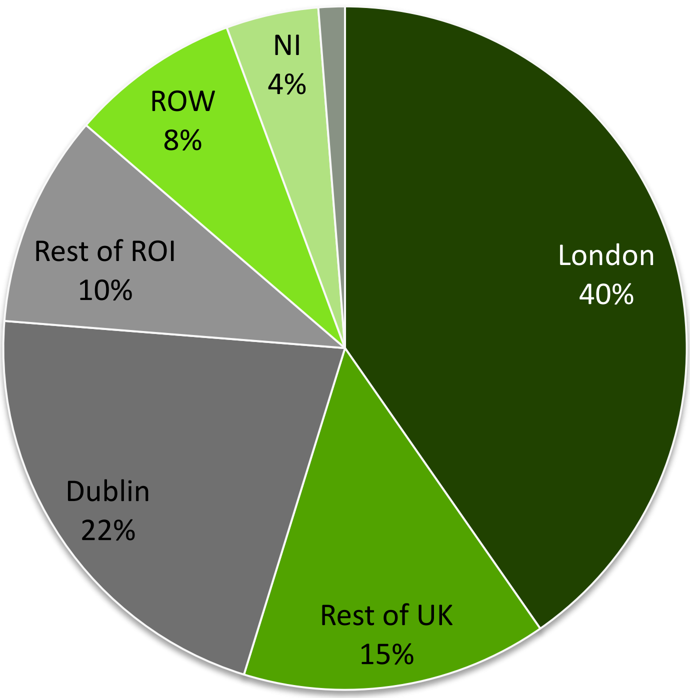




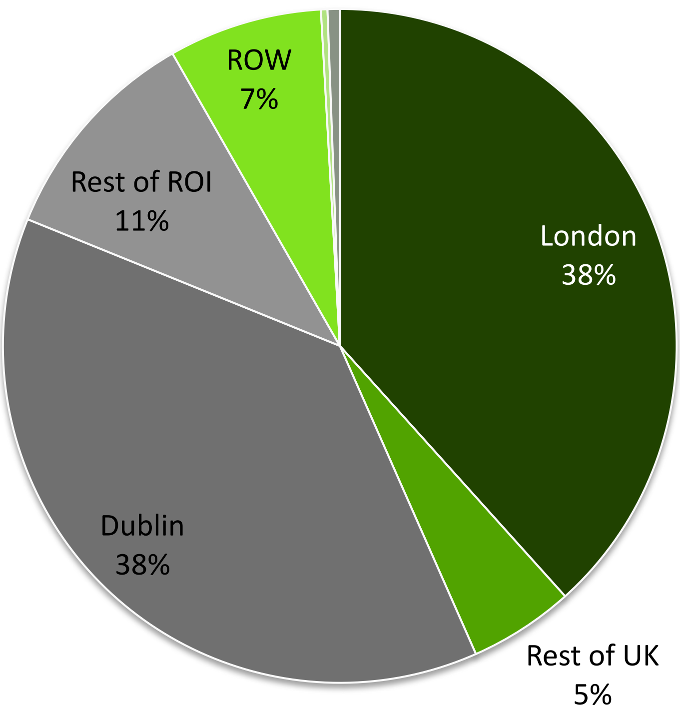
Source: NAMA

Disposal Trend by Location

Disposals by Location since Inception (€21.9bn)



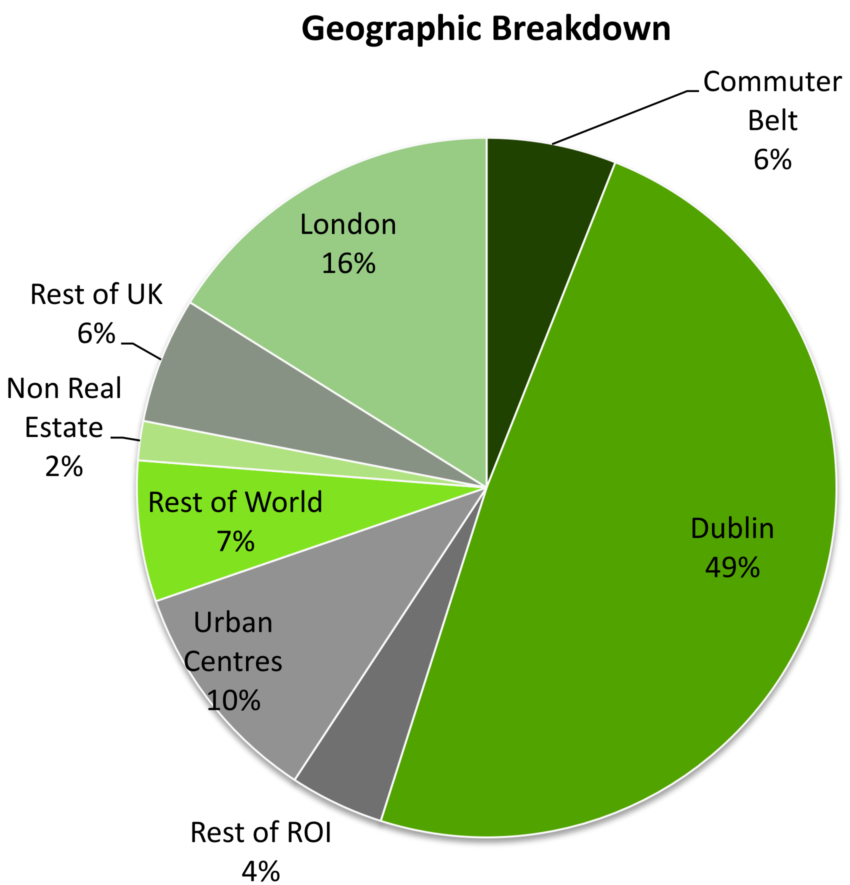
Disposals by Location 2015 YTD (€2.8bn)

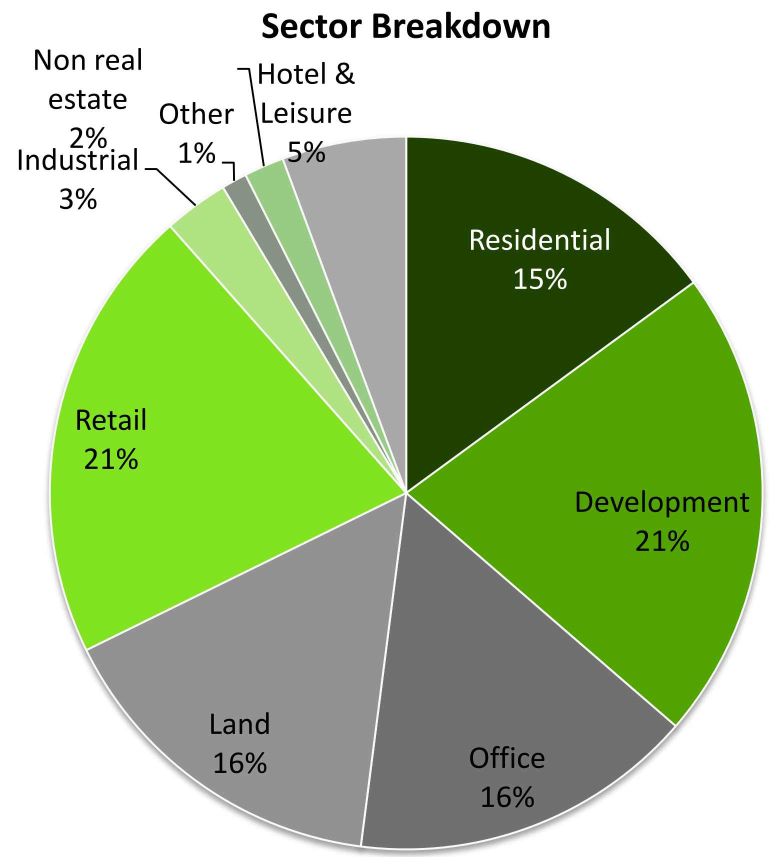


- Deliberate NAMA focus on UK disposals during 2010 – 2013 period.
- ROI transactions have increased significantly since Q4 2013 - from €2bn to €6.9bn.

Source: NAMA

Breakdown of NAMA property portfolio, June 2015

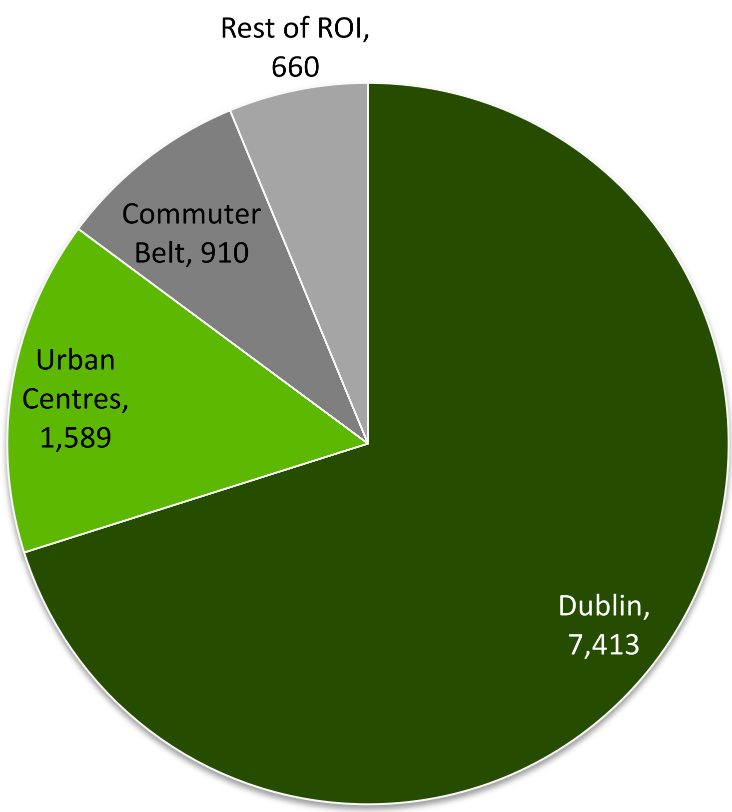




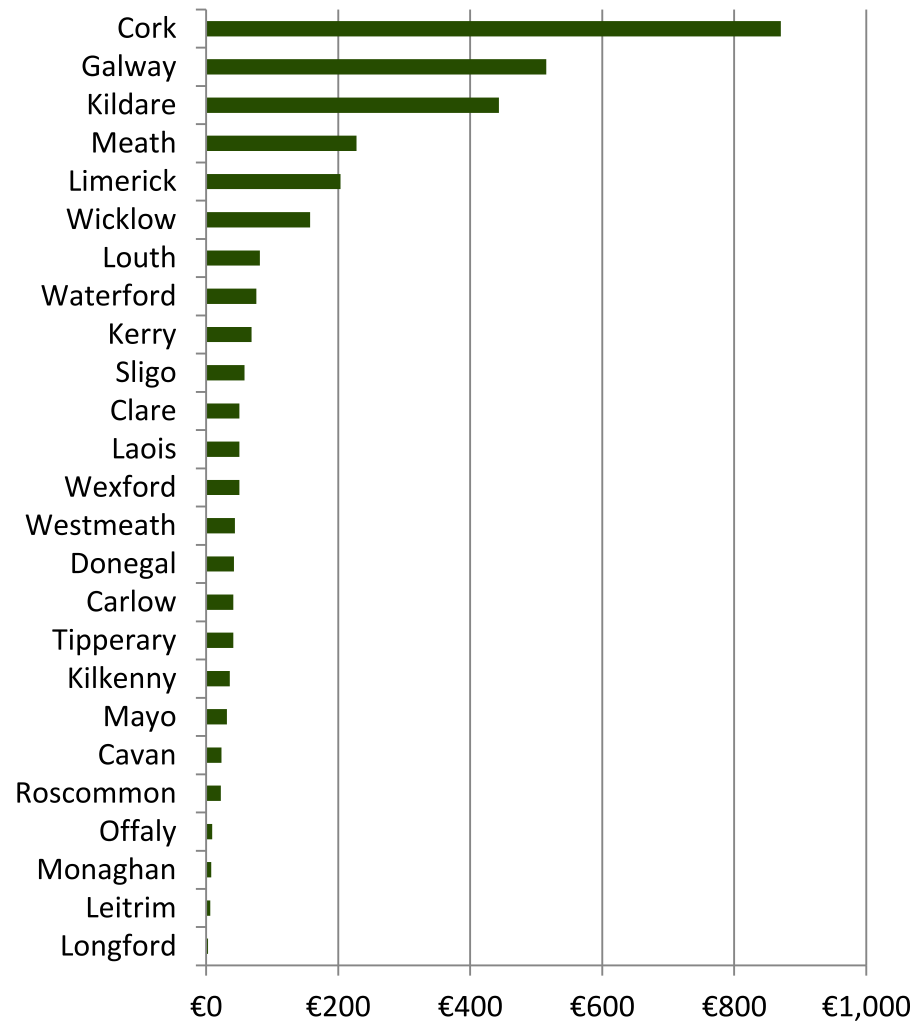
Source: NAMA

Remaining Irish portfolio by county (June 2015)

Remaining Portfolio = €10.6bn



Irish Portfolio by county excl. Dublin (€m)



Source: NAMA

NAMA: strategic initiatives progress

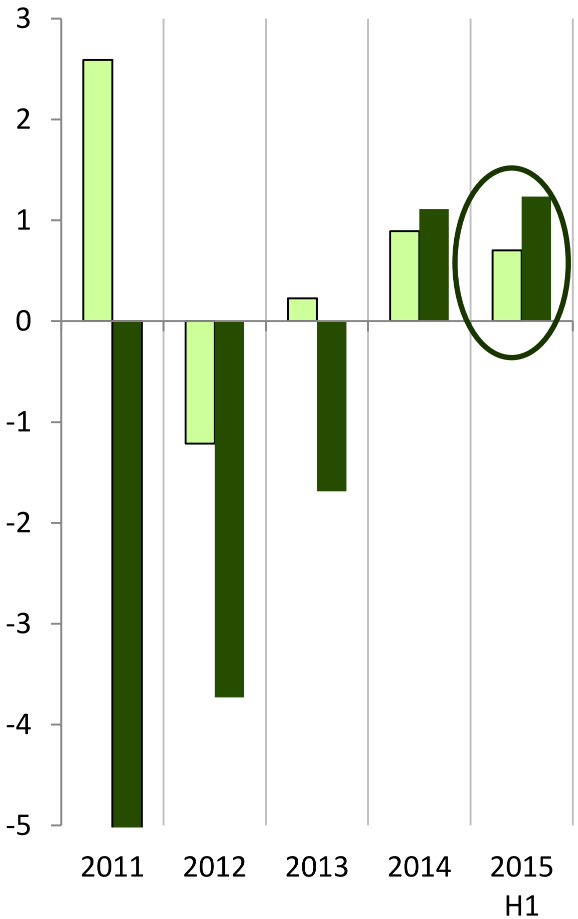
- **Dublin Docklands Strategic Development Zone (SDZ):**
  - A core objective of NAMA's development funding is to facilitate the delivery of Grade A office accommodation in the SDZ.
  - NAMA has an interest in 15 of the 20 development blocks identified in the SDZ and has developed detailed strategies 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

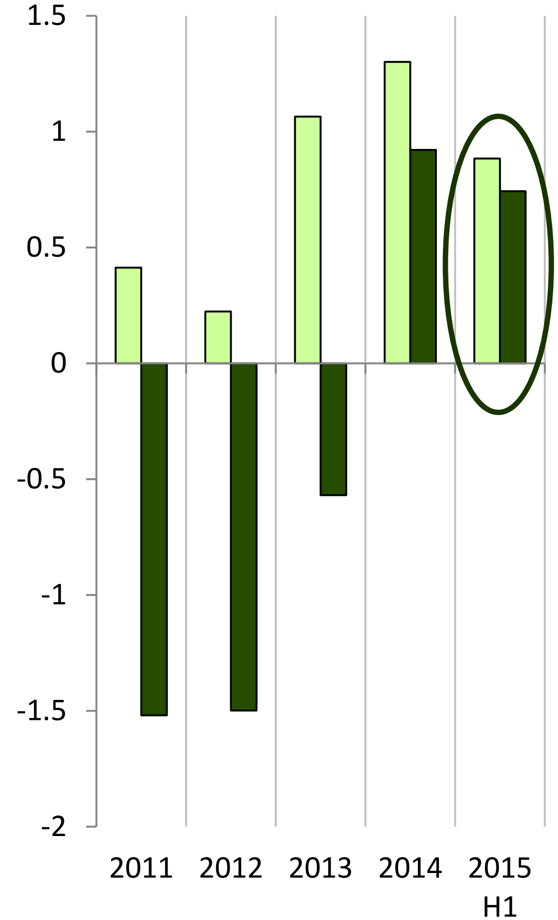
Banks overhauled since late 2010; AIB and BOI returned to profit in 2014

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

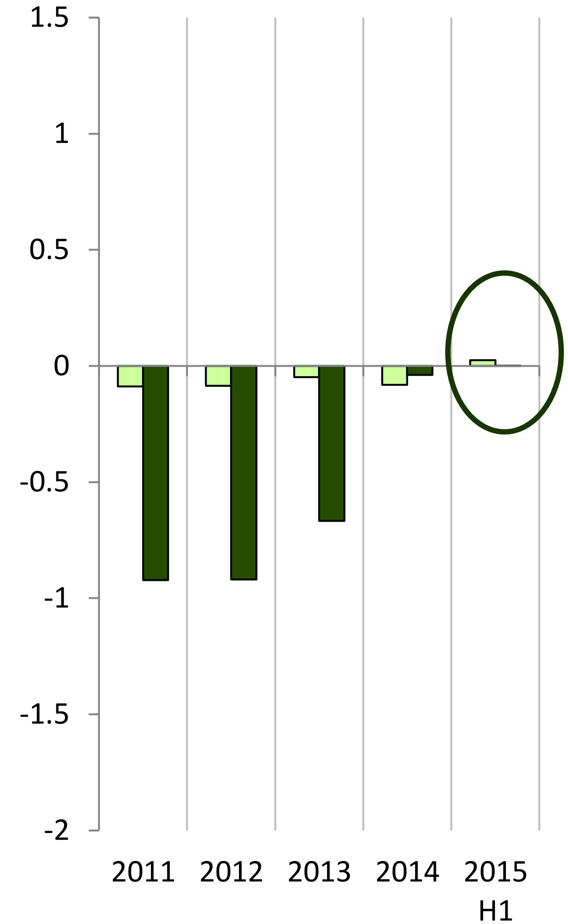
Allied Irish Bank



Bank of Ireland



Permanent TSB

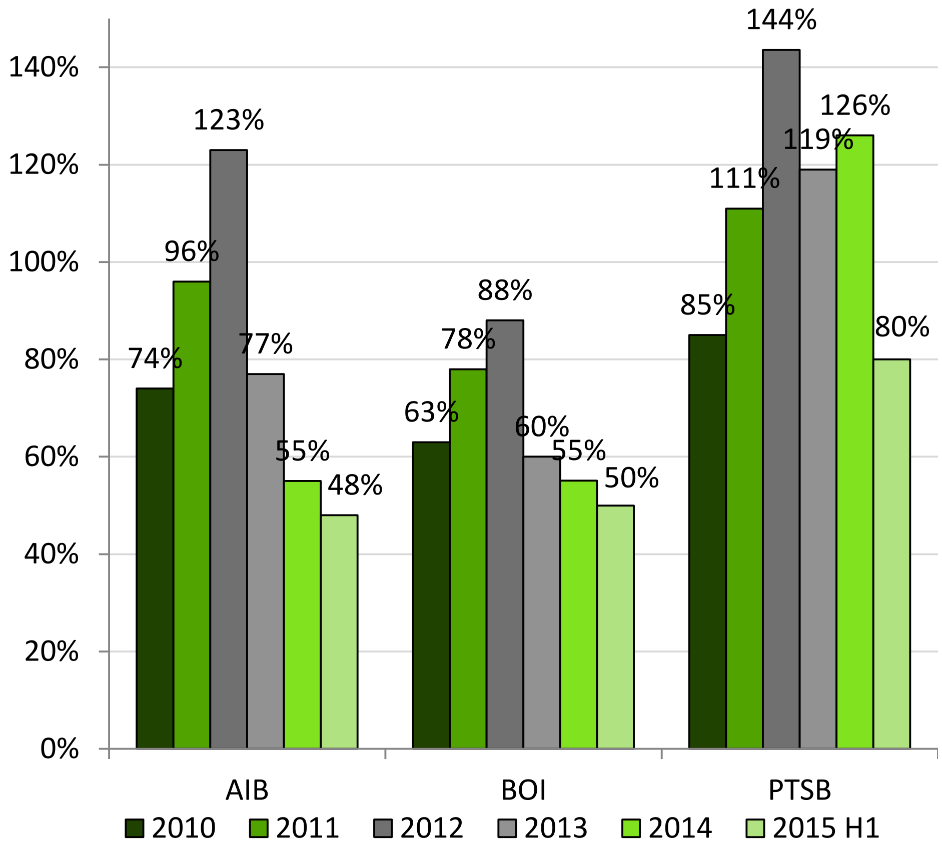


Pre-Provisions   Post-Provisions

Source: Annual reports of banks

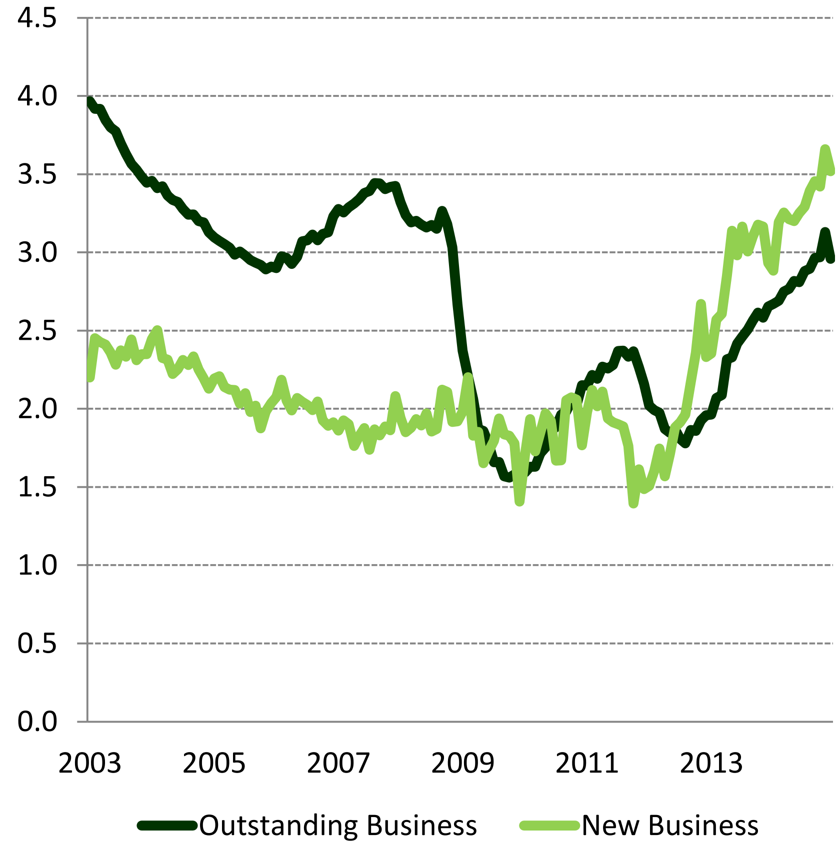
Banks fundamentally rebuild profitability

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

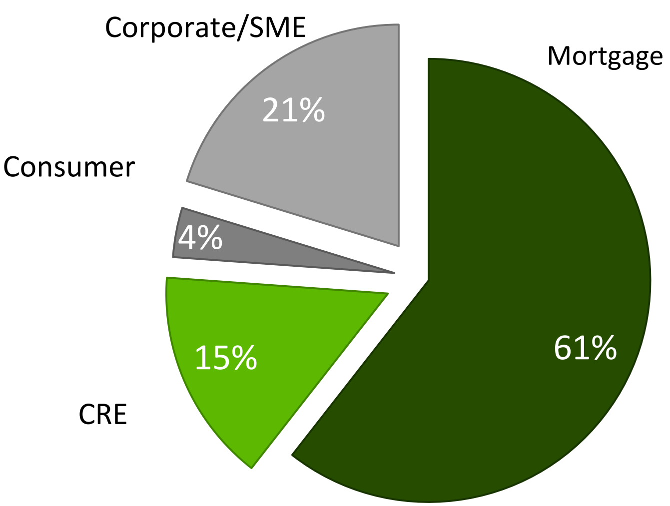
Impaired loans and provisions at PCAR banks (group and three banks)

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

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

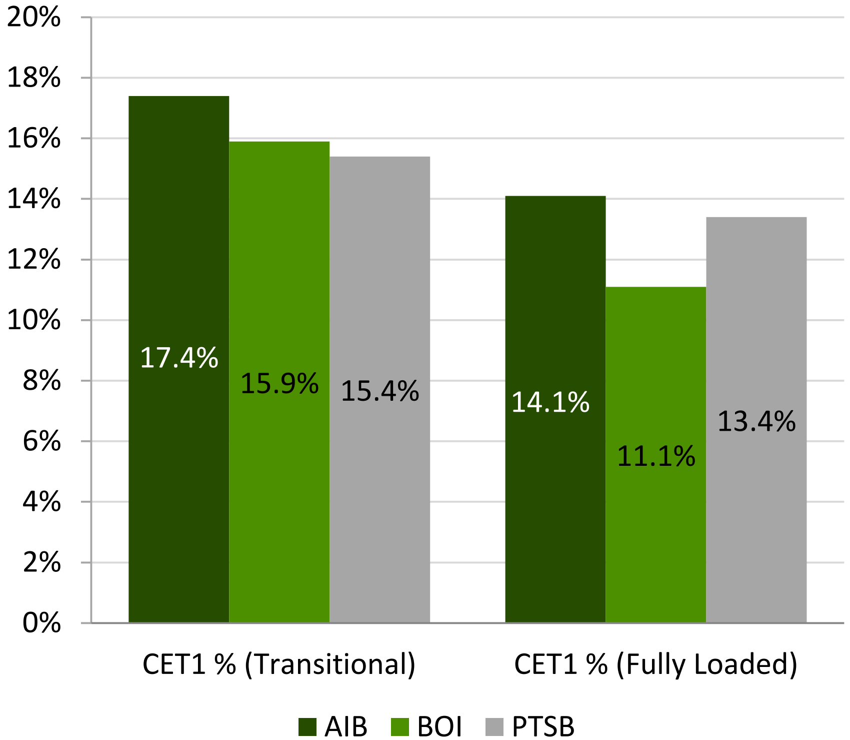
Loan Asset Mix (banks Jun 15)



Source: Published bank accounts

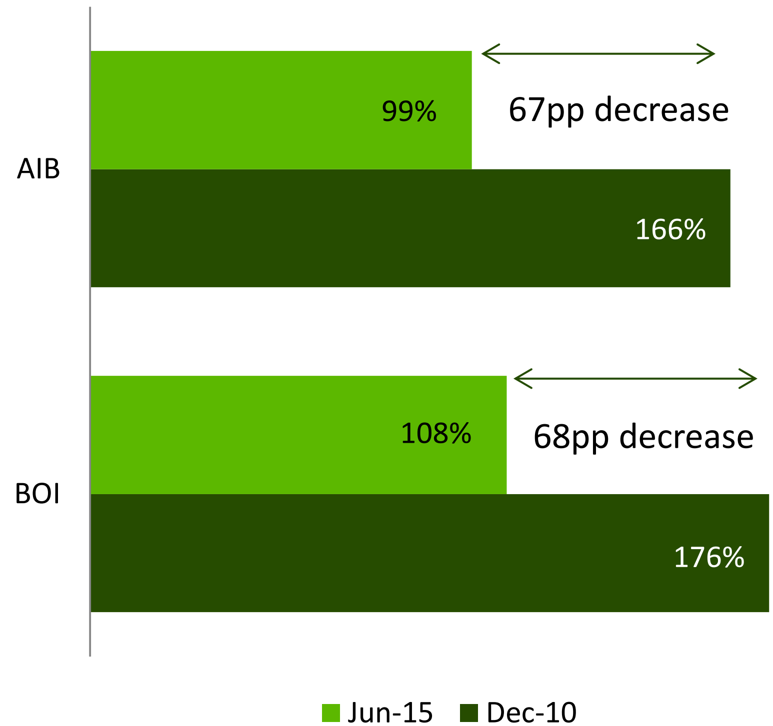
Capital and loan-to-deposit ratios strengthened

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.
* AIB's fully loaded CET1 ratio includes €3.5bn worth of preference shares which can be included before end-2017. If excluded the ratio would be 8.3%.

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

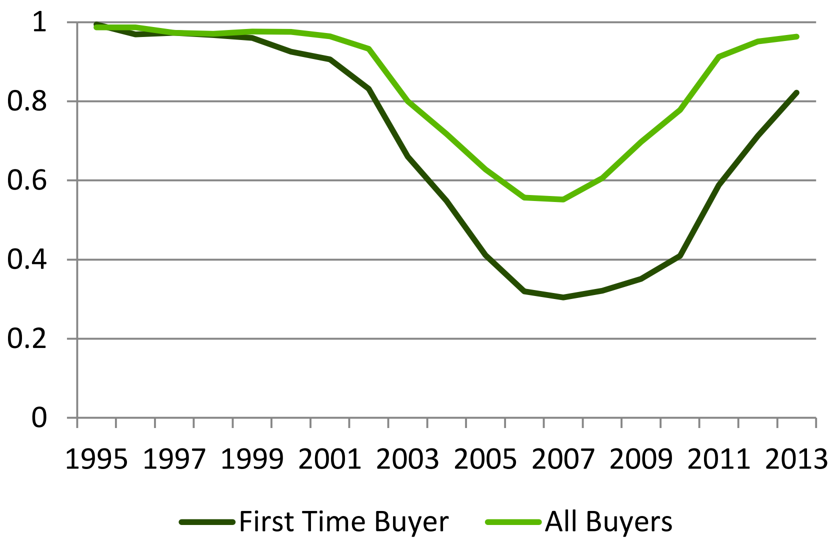
Source: CBI

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

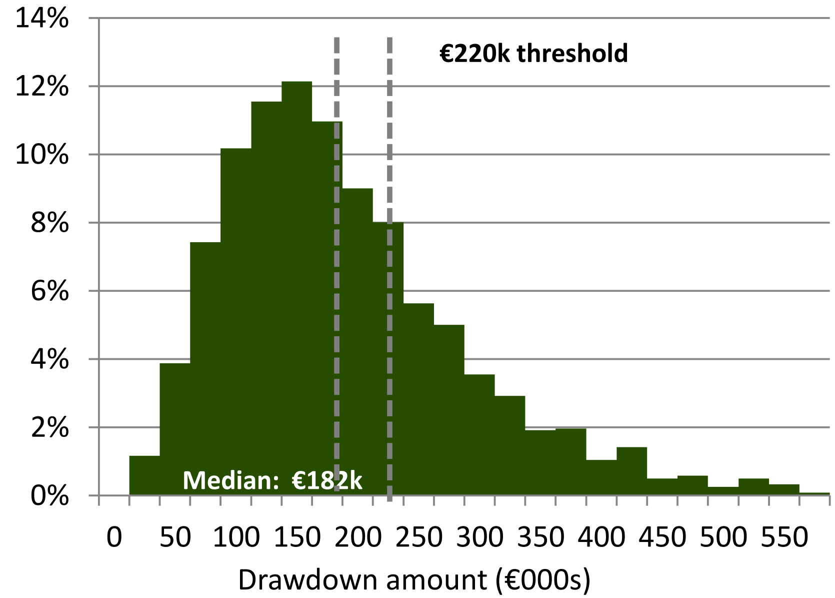
Note: Banks included in this measure are outlined here; Balance sheet calculated on consolidated basis

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



House price distribution for FTBs in 2014 H1



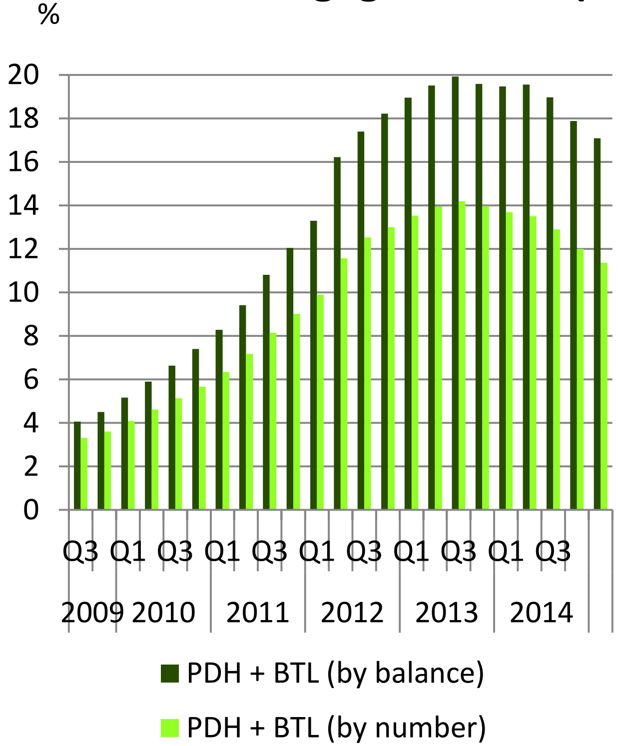
Source: CBI

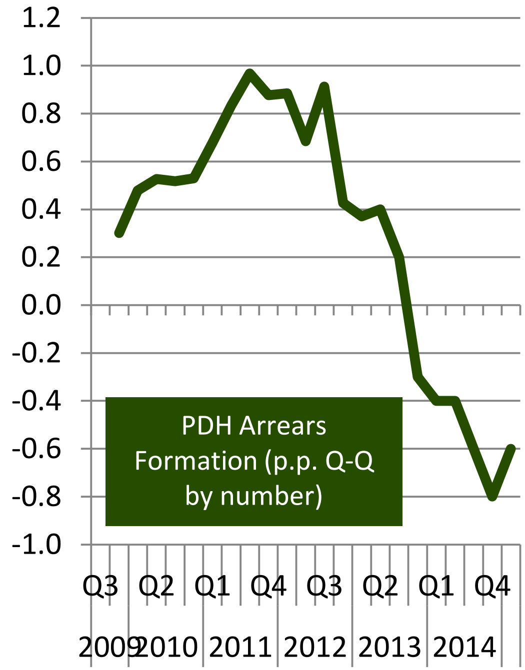
Key changes to lending rules
Banks must restrict lending for primary dwelling purchase above 80 per cent LTV to no more than 15 per cent of the aggregate value of the flow of all principal dwelling loans*
Bank must restrict lending for primary dwelling purchase above 3.5 times LTI to no more than 20 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

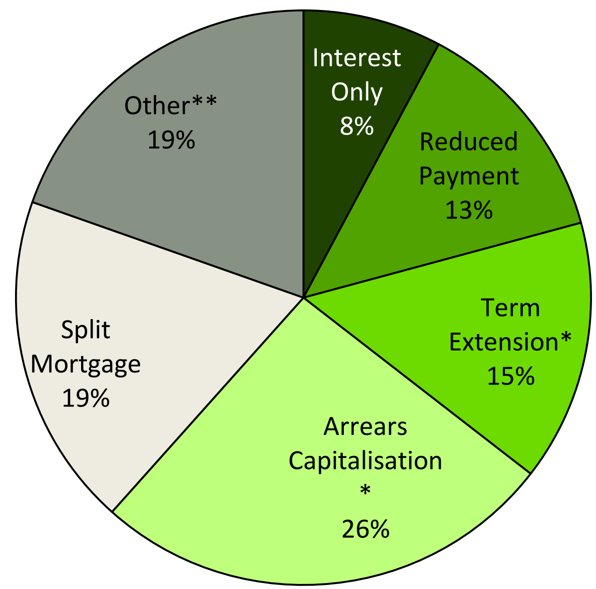
Irish residential mortgage arrears – improving but still challenging

Mortgage Arrears (90+ days)





Total Restructured/Rescheduled Cases

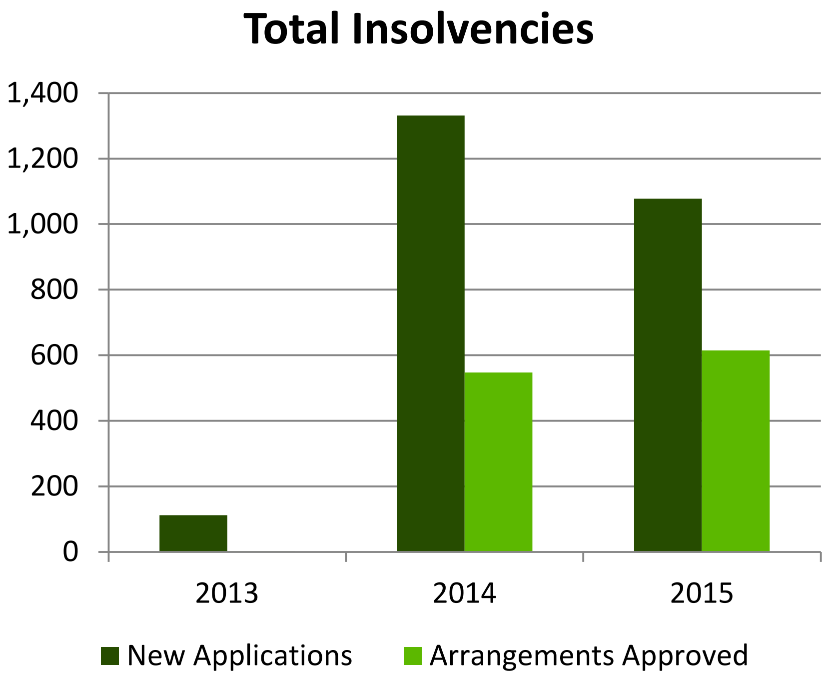


Source: CBI

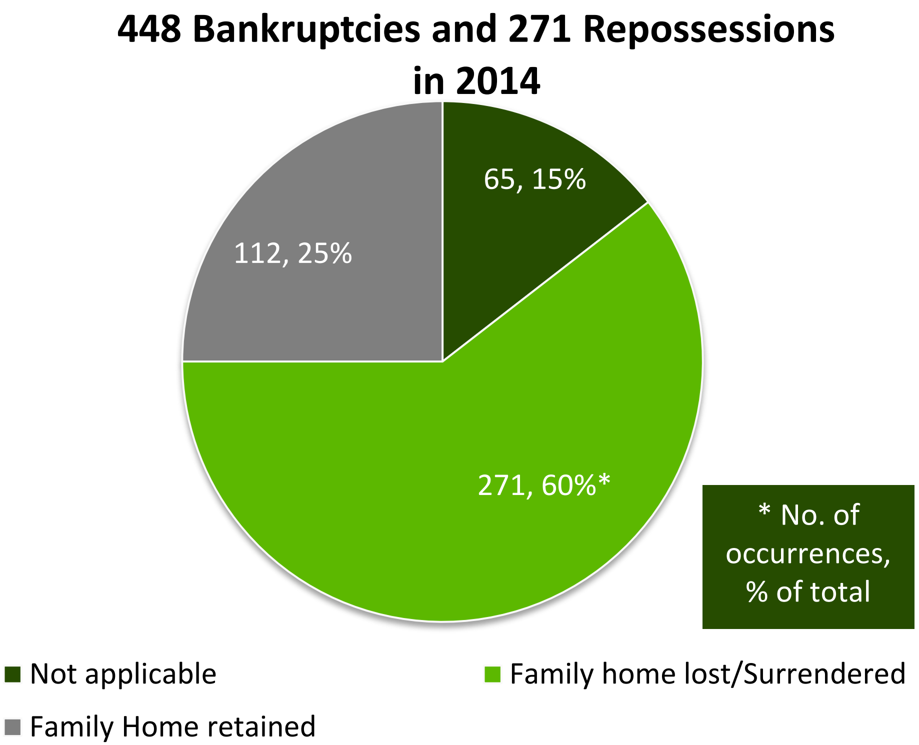
- PDH mortgage arrears have fallen steady since Q3 2013. The smaller BTL market (c. 25% of total) has higher arrears but also saw declines in the same period.
- Some 117,263 PDH mortgage accounts were classified as restructured at end-March, reflecting a q-o-q increase of 2.3%. Of these restructured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



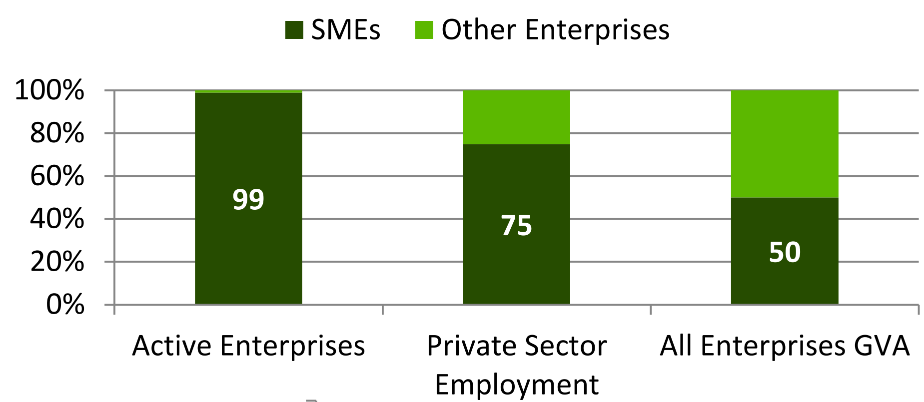
Source: ISI

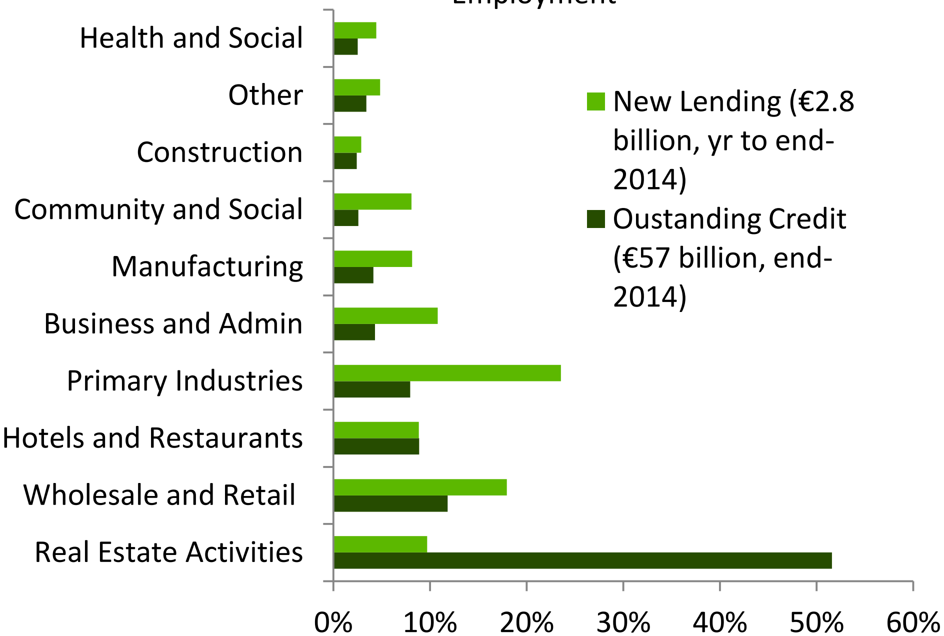


- Personal Insolvency legislation enacted and in use, but take-up has been slow.
- In May 2015, the Government announced a number of new measures to support mortgage holders who are in arrears. It has agreed to give the courts the power to review and, where appropriate, to approve insolvency deals that 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





Source: CBI

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.

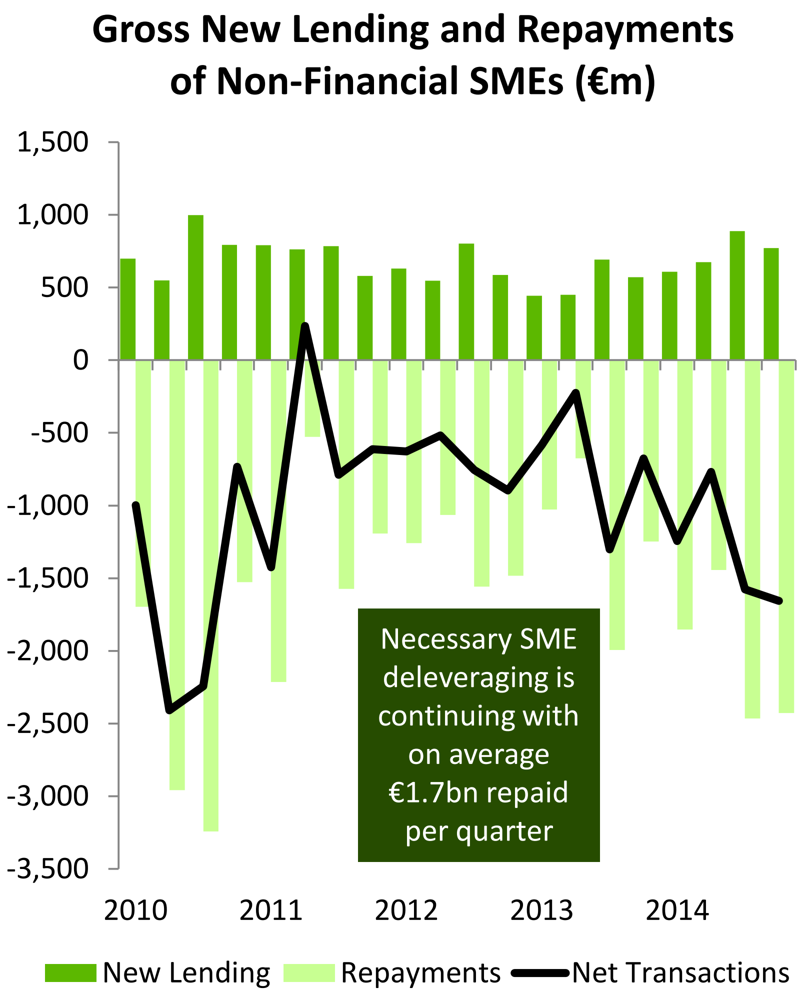
The SBCI's initial funding partners are the EIB, KfW (the German promotional bank) and the Ireland Strategic Investment Fund (ISIF).

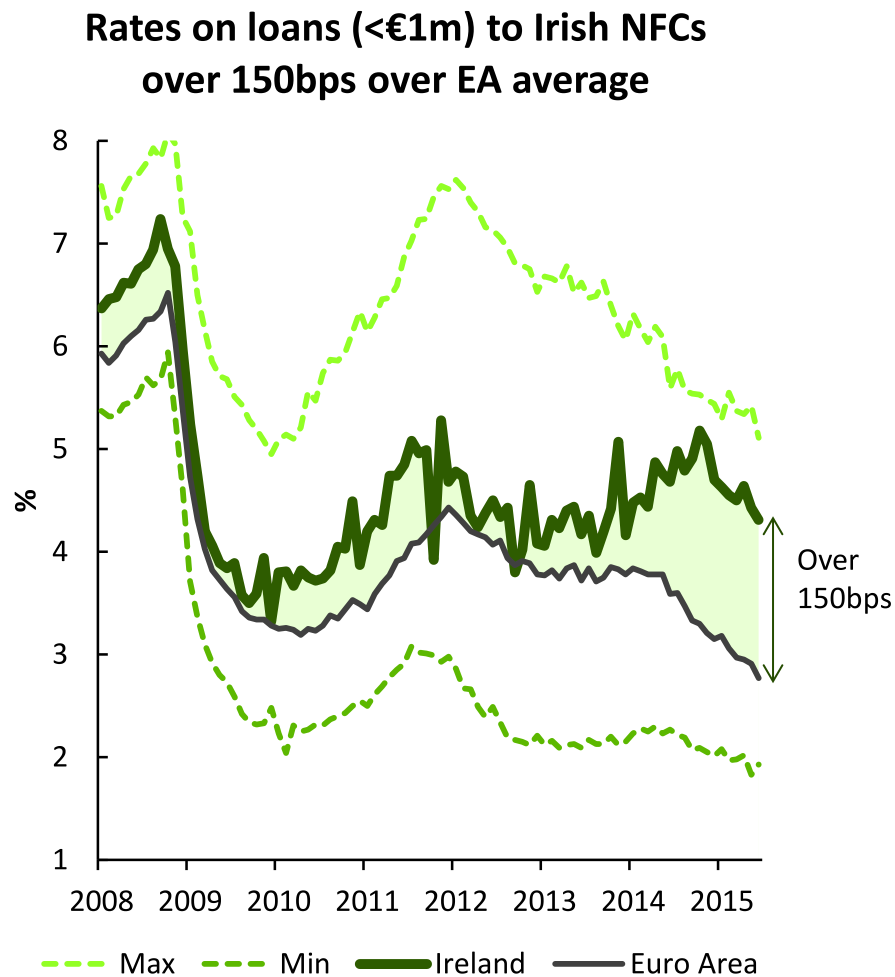
These partners are providing long-term funding at attractive rates to the SBCI, which in turn will provide the funding to Irish SMEs through Irish-based credit institutions.

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





Source: CBI; ECB

National Treasury Management Agency

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.'

Disclaimer

The information in this presentation is issued by the National Treasury Management Agency (NTMA) for informational purposes. The contents of the presentation do not constitute investment advice and should not be read as such. The presentation does not constitute and is not an invitation or offer to buy or sell securities.

The NTMA makes no warranty, express or implied, nor assumes any liability or responsibility for the accuracy, correctness, completeness, availability, fitness for purpose or use of any information that is available in this presentation nor represents that its use would not infringe other proprietary rights. The information contained in this presentation speaks only as of the particular date or dates included in the accompanying slides. The NTMA undertakes no obligation to, and disclaims any duty to, update any of the information provided. Nothing contained in this presentation is, or may be relied on as a promise or representation (past or future) of the Irish State or the NTMA.

The contents of this presentation should not be construed as legal, business or tax advice.