



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta National Treasury Management Agency

MIDYEAR BUSINESS UPDATE

& ANNUAL REPORT 2017

Chief Executive: Conor O'Kelly

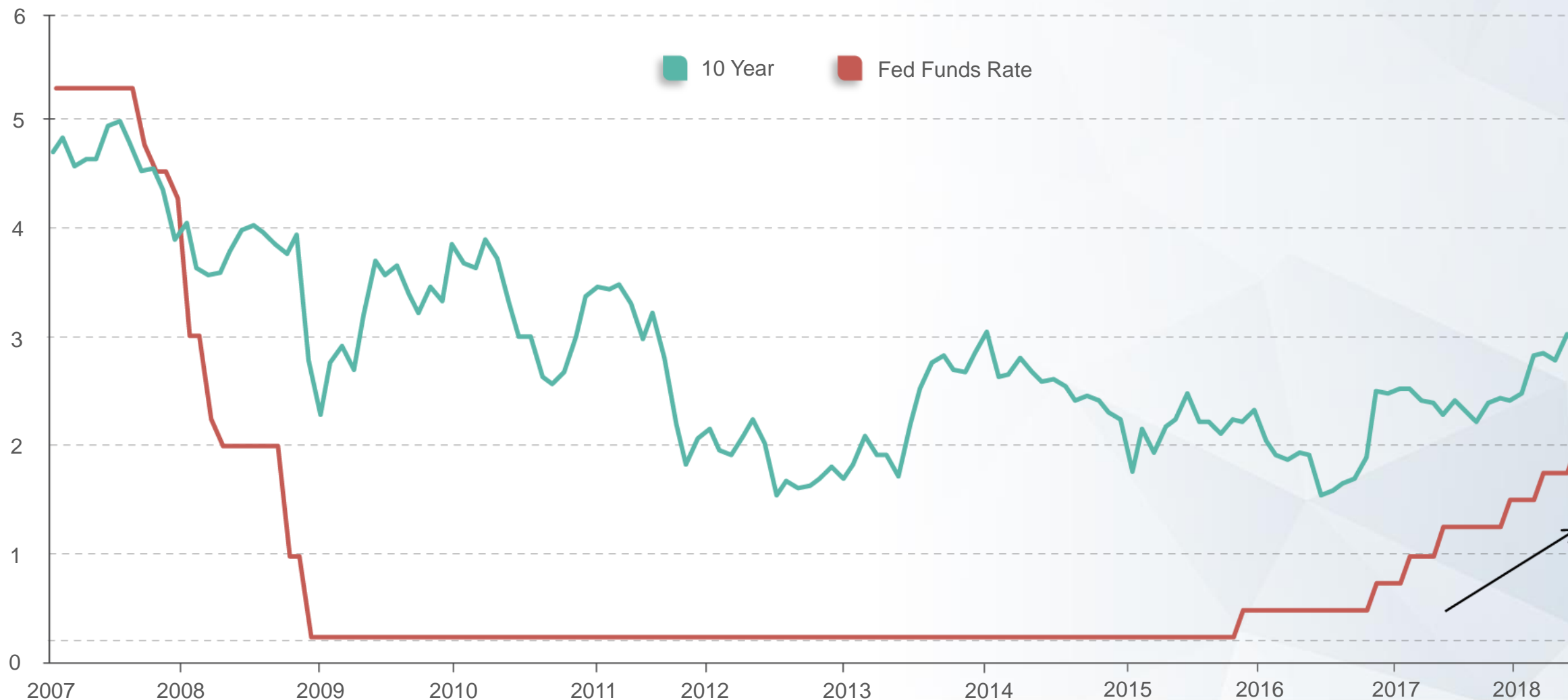


Gníomhaireacht Bainistíochta an Chisteain Naisiunta
National Treasury Management Agency

- **Late Investment Cycle** – what it means for the interest bill and Ireland's credit
- **ISIF** – Investment Returns / “Crowding In” Private Capital / Review
- **NDFA** – Carillion Fallout and Implications
- **NewERA** – Expanded Mandate – Key in-house provider of corporate finance expertise for the State
- **SCA** – Focus of Recent Attention – Portfolio that is getting bigger in line with additional mandates

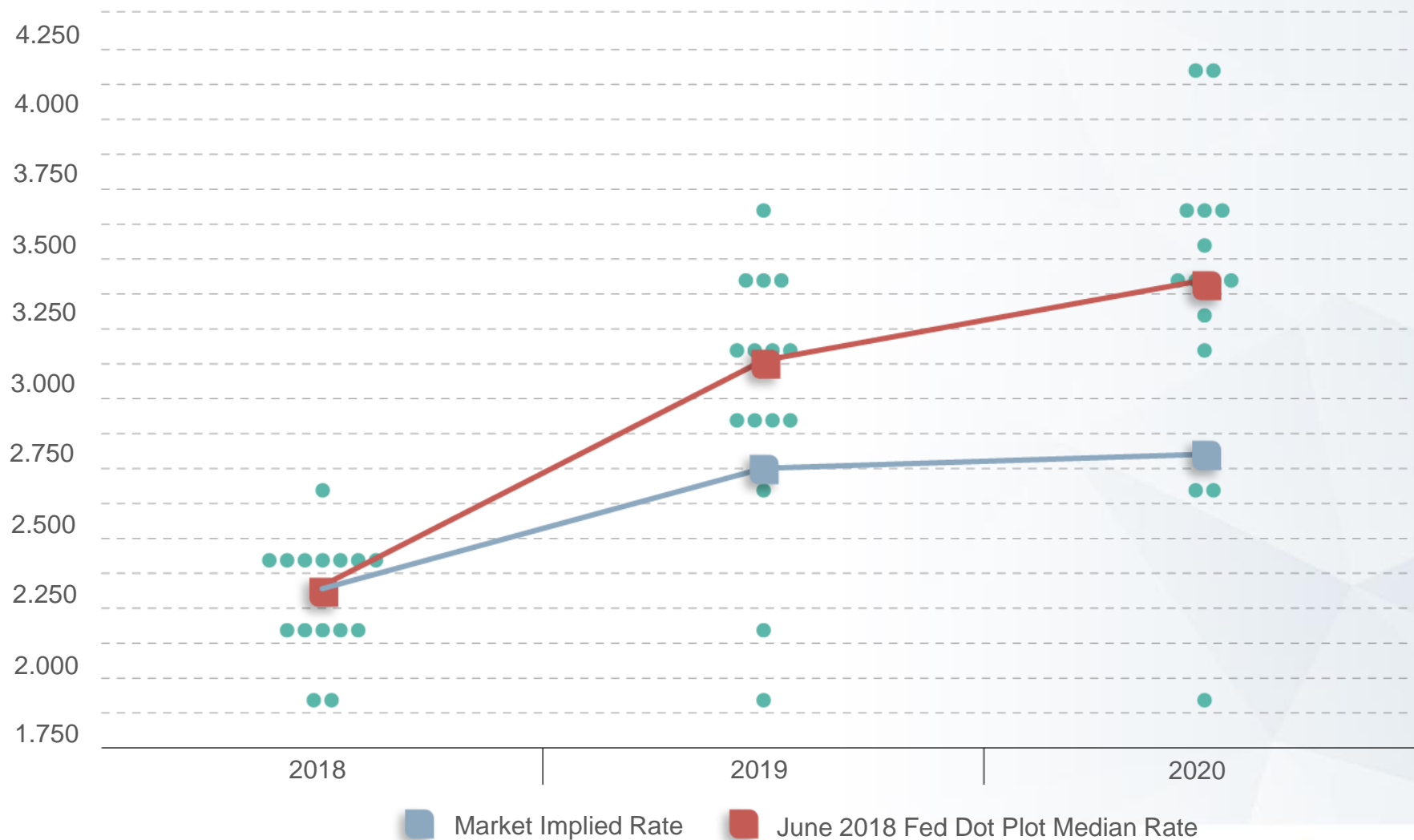
FUNDING AND DEBT MANAGEMENT

US MONETARY POLICY IS TIGHTENING – STRONG SIGNAL WE ARE LATE CYCLE



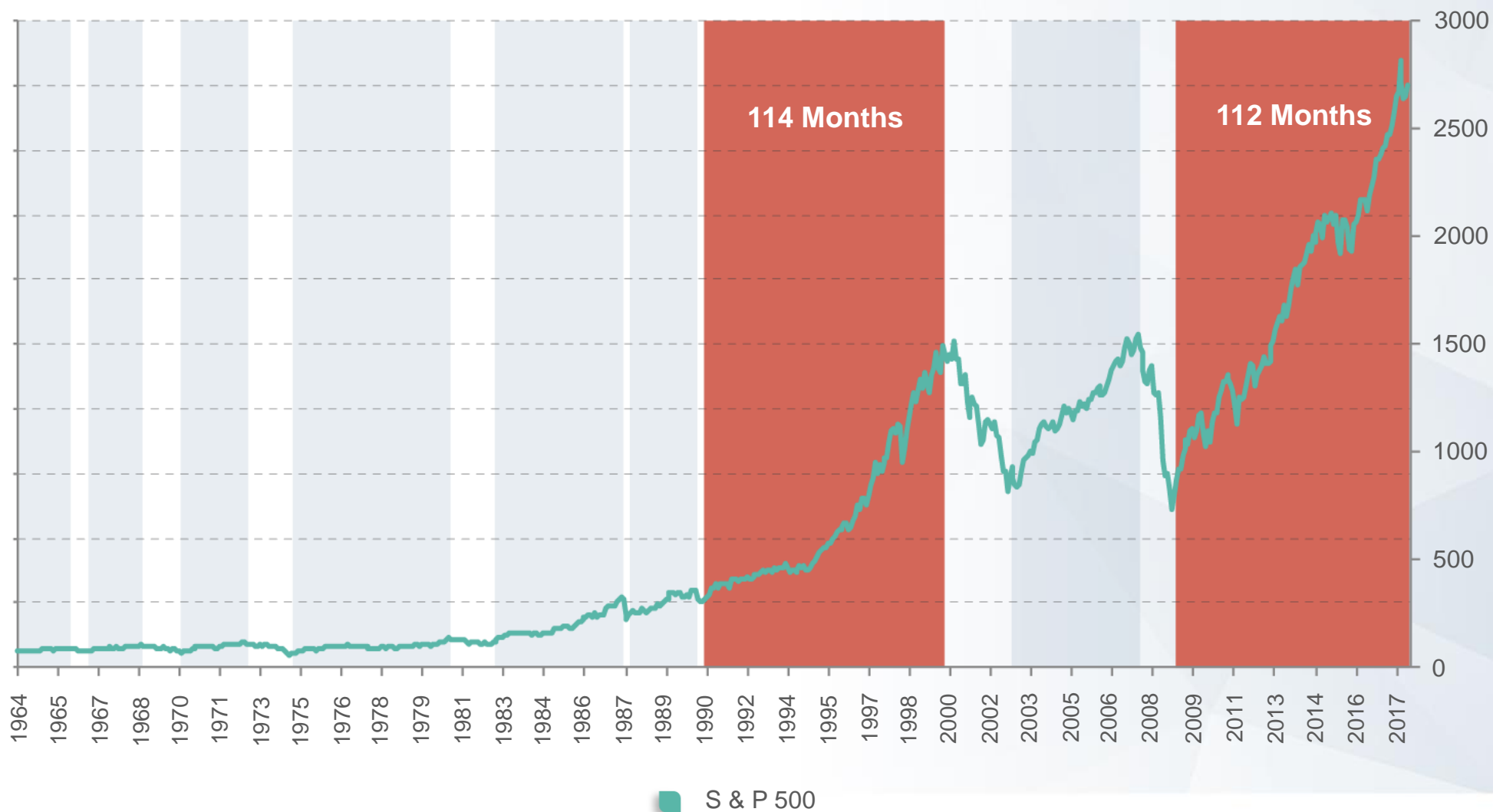
FUNDING AND DEBT MANAGEMENT

MARKET AND FED BOTH THINK US INTEREST RATES WILL CONTINUE TO RISE



FUNDING AND DEBT MANAGEMENT

EQUITY BULL RUN COULD BE THE LONGEST IN US HISTORY SOON (S&P 500 INDEX)

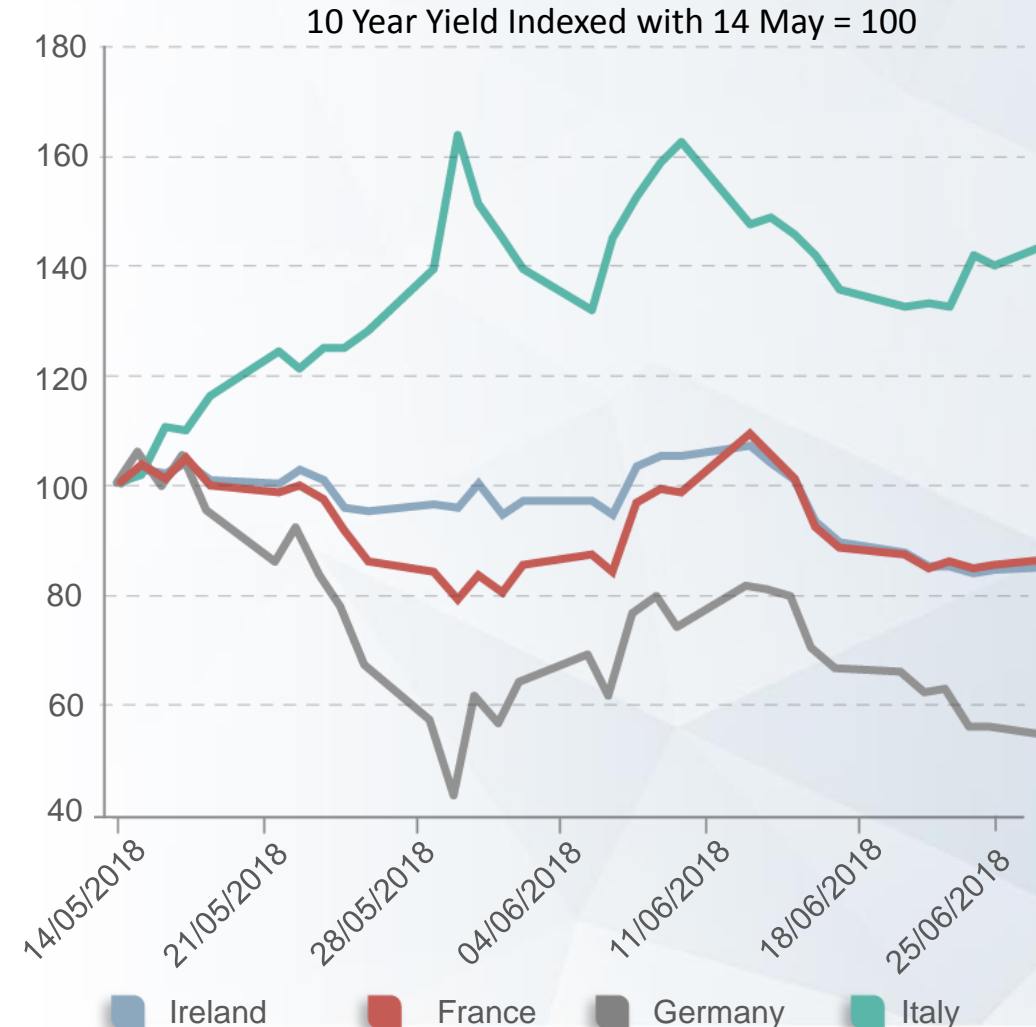
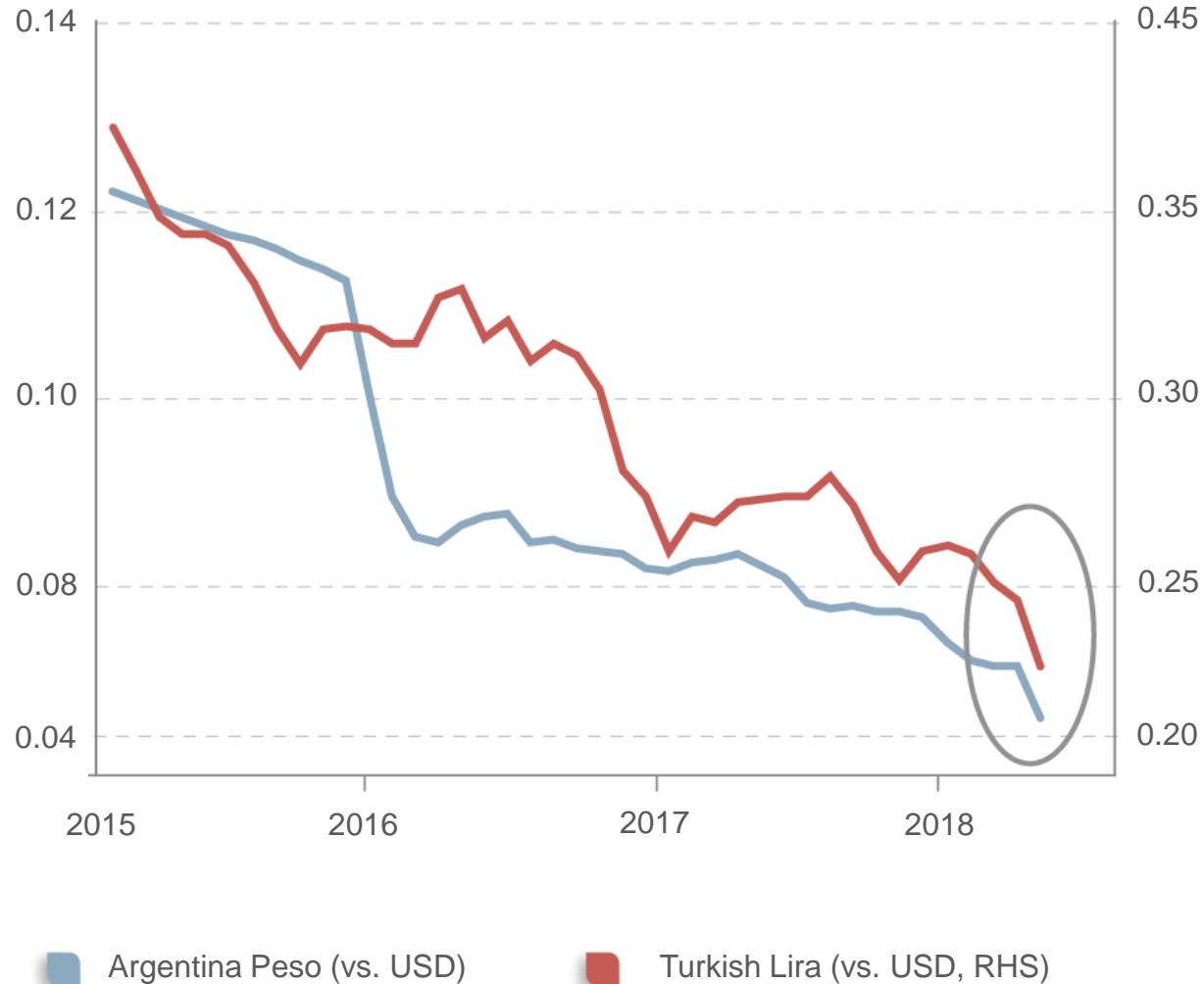


■ S & P 500

Sources: DataStream

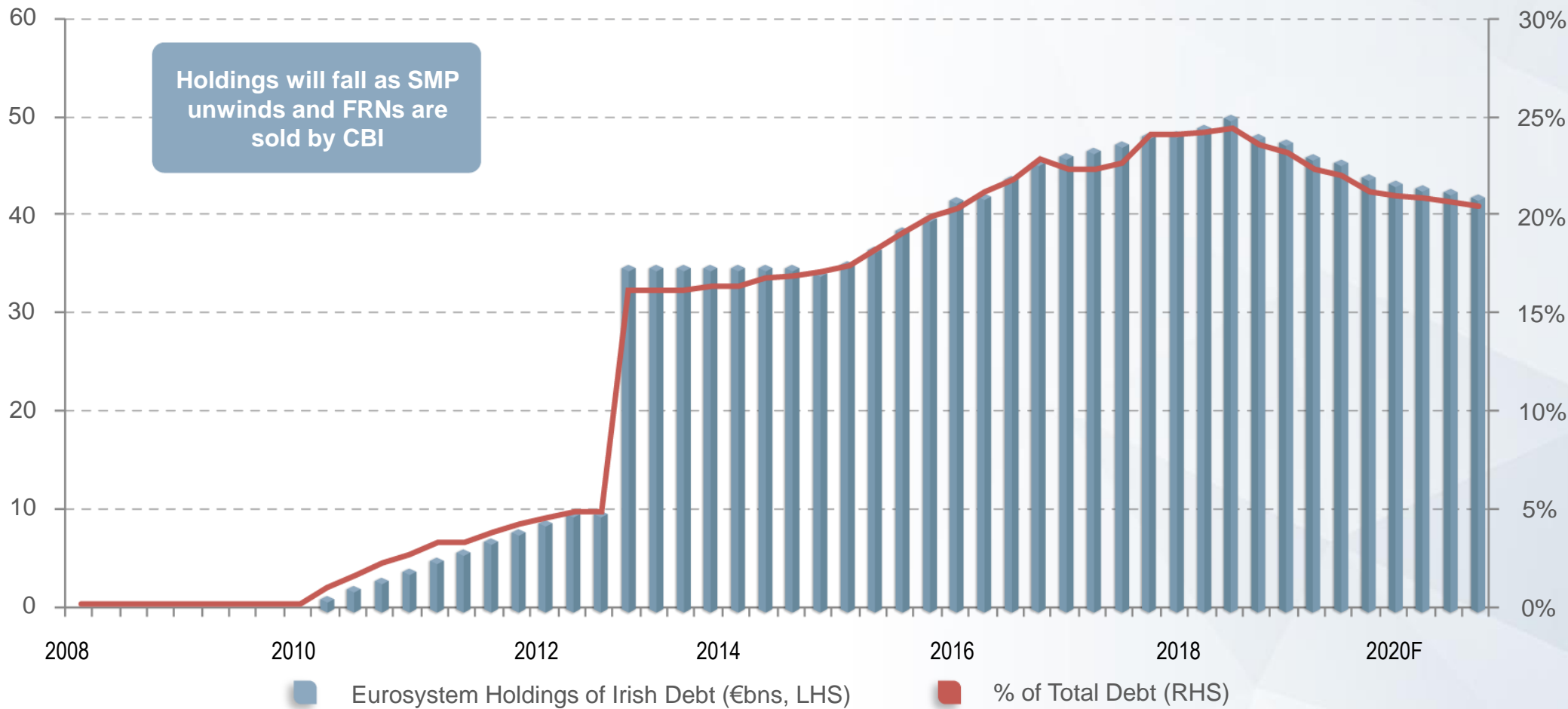
FUNDING AND DEBT MANAGEMENT

VOLATILITY HAS RETURNED TO MANY MKTS – EMERGING MKTS & EA PERIPHERY HAVE SEEN STRONG MOVES IN '18



FUNDING AND DEBT MANAGEMENT

EUROSYSTEM HOLDINGS OF IRISH DEBT JUST BELOW 25% OF TOTAL DEBT



Source: CSO, ECB, NTMA Analysis

Euro system holdings include SMP, PSPP and CBI holdings of FRNs.

Figures do not include ANFA holdings which are likely to further increase the Eurosystem's holdings.

FUNDING AND DEBT MANAGEMENT

THE NTMA IMPROVED IRELAND'S 2018-2020 MATURITY PROFILE IN RECENT YEARS

€17bn reduction in 2018-2020 refinancing needs since end-Nov 2014, from €60bn to €43bn

- €12bn reduction in EU-IMF Programme loans – IMF and Swedish/Danish bilaterals
- €5bn reduction through bilateral switching of fixed rate treasury bonds

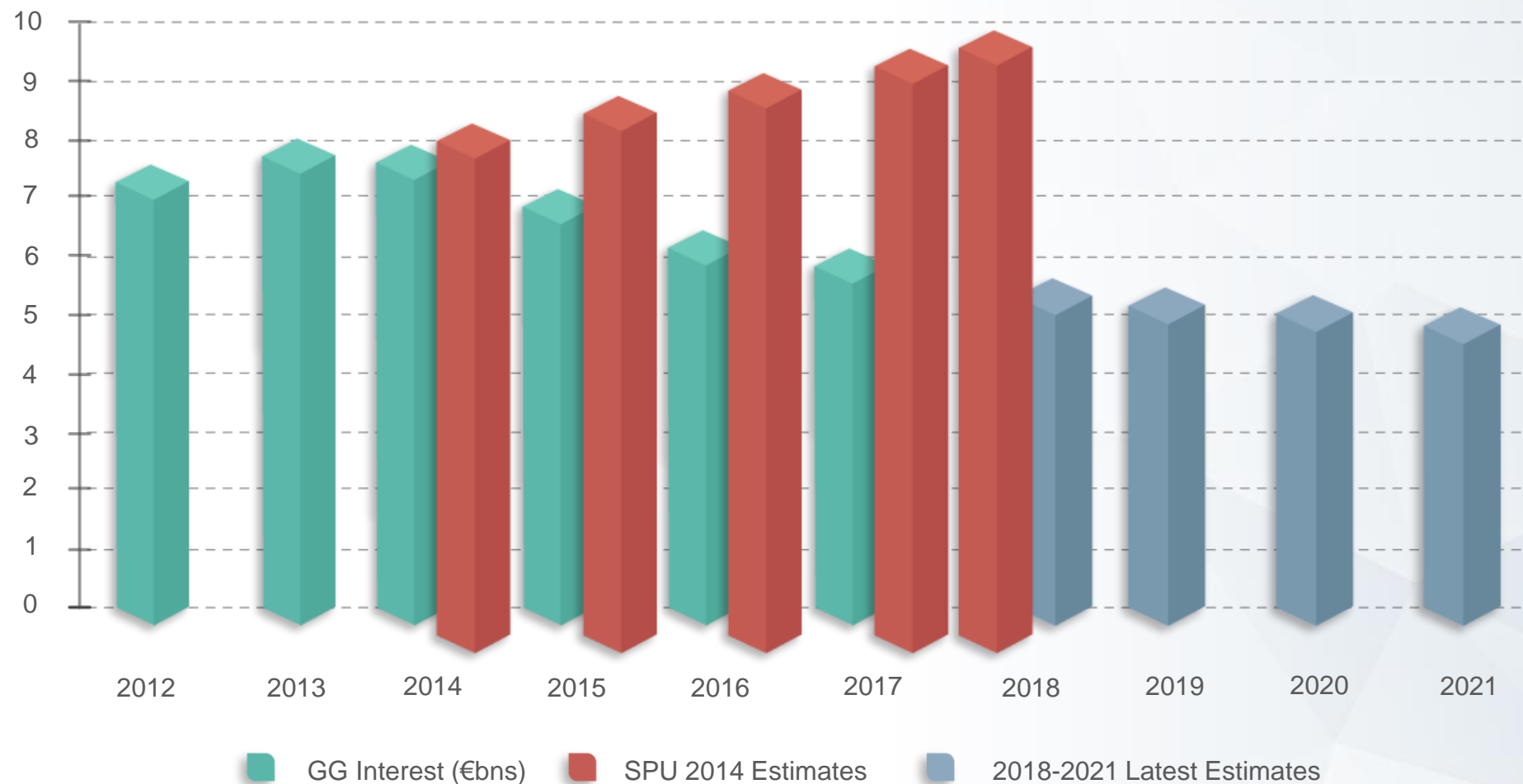
Continued pre-funding means cash balances of €23.4bn at end-June 2018; 2018 bond maturity of €8.8bn already funded. Cash balances expected to be c. €13bn at year-end meaning significant portion of 2019 maturities also already funded.



Source: NTMA

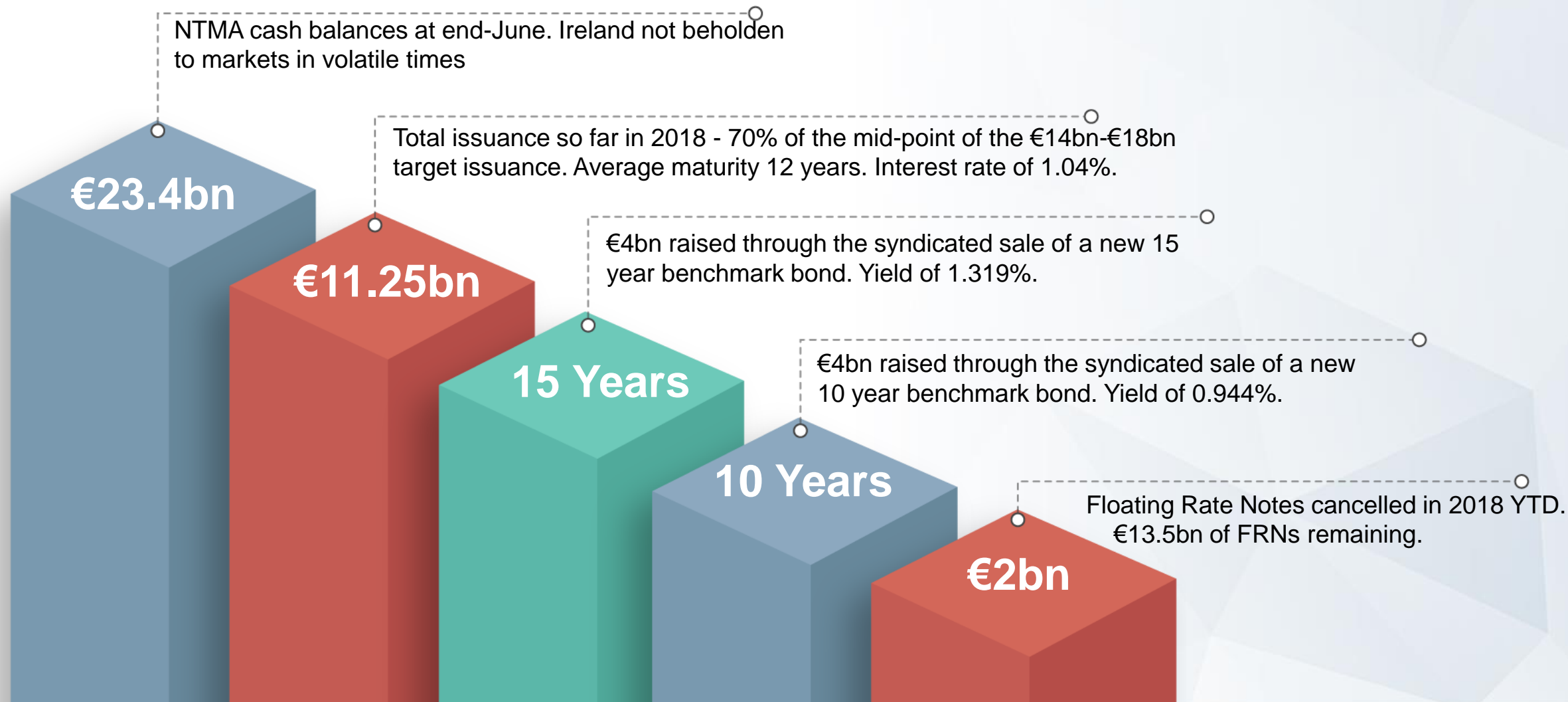
FUNDING AND DEBT MANAGEMENT

INTEREST COSTS WERE EXPECTED TO REACH ALMOST €10BN BUT NOW ARE BELOW €6BN A YEAR – HEADING FOR €5BN



FUNDING AND DEBT MANAGEMENT

2018 YEAR TO DATE FUNDING HIGHLIGHTS



FUNDING AND DEBT MANAGEMENT

IRELAND'S DEBT SERVICEABILITY FLATTERED BY DEBT TO GDP: OTHER METRICS HIGHLIGHT ELEVATED DEBT POSITION

2017	GG debt to GDP %	GG debt to GG revenue %	GG interest to GG revenue %
Greece	178.6%	365.8%	6.5%
Portugal	125.7%	292.9%	9.0%
Italy	131.8%	282.9%	8.2%
Ireland	68.1%	264.2%	7.6%
Spain	98.3%	259.4%	6.8%
Cyprus	97.5%	244.1%	8.0%
UK	87.7%	221.2%	6.9%
Belgium	103.1%	201.5%	4.8%
EA19	86.7%	187.8%	4.3%
EU28	81.6%	181.9%	4.4%
France	97.0%	180.0%	3.3%
Slovenia	73.6%	170.8%	5.8%
Austria	78.4%	162.1%	3.8%
Germany	64.1%	141.9%	2.3%
Netherlands	56.7%	130.0%	2.2%

Source: Eurostat

IRELAND STRATEGIC INVESTMENT FUND

- ISIF – Investment Returns
- “Crowding In” Private Capital
- Review
- Regions
- Areas of Market Failure e.g. Residential Housing

IRELAND STRATEGIC INVESTMENT FUND

INVESTING IN IRELAND



Targeted Investment

ISIF has the ability to act as a catalyst for third party private sector co-investment in areas where private capital is not flowing as freely as it might be.



€3.8bn

ISIF Investment

Co-investment from private sector partners increased the total committed to Ireland to date to €10.4bn, a multiple of 1.7 times the ISIF commitment.



€648m

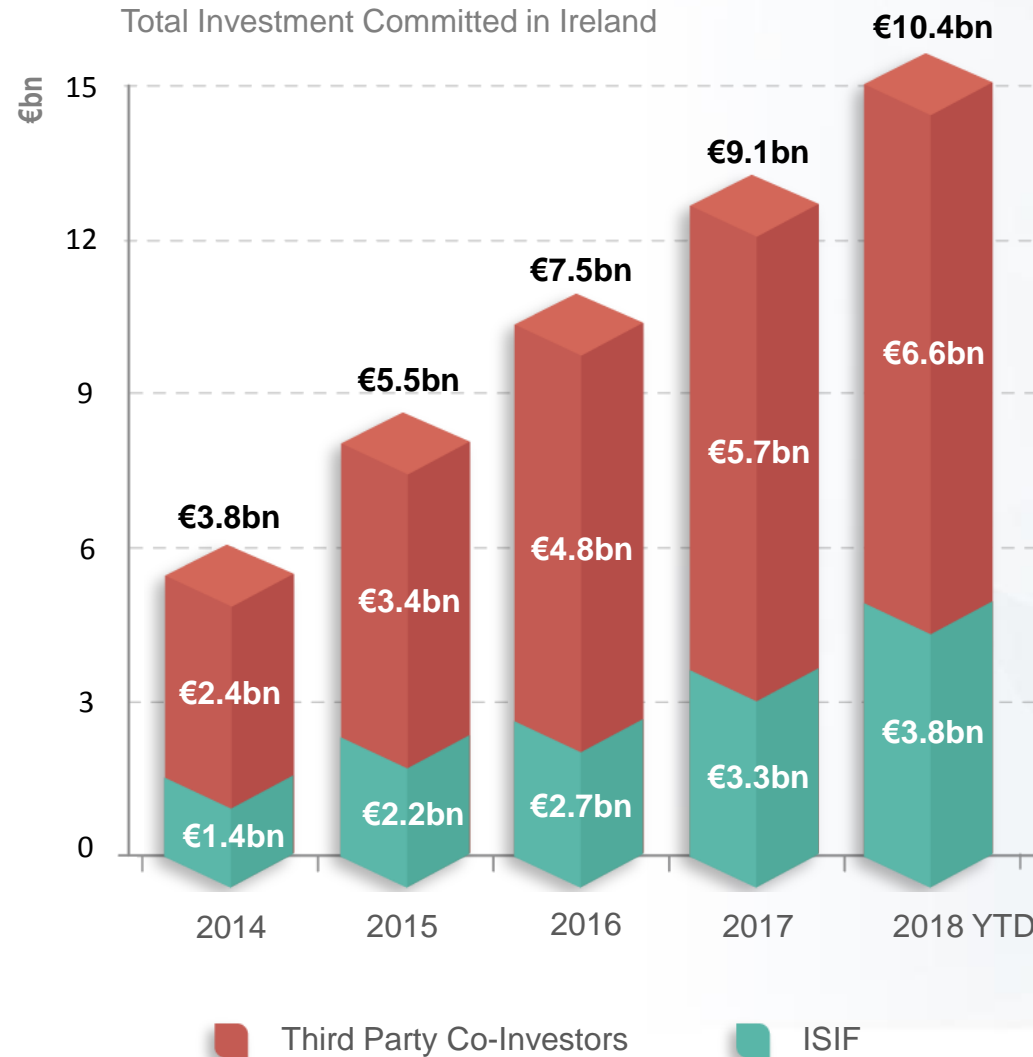
Returns

The Fund has added €648m in investment gains since inception.

2.3% per annum return since inception and in 2017 the Fund recorded a return of 4.3%.

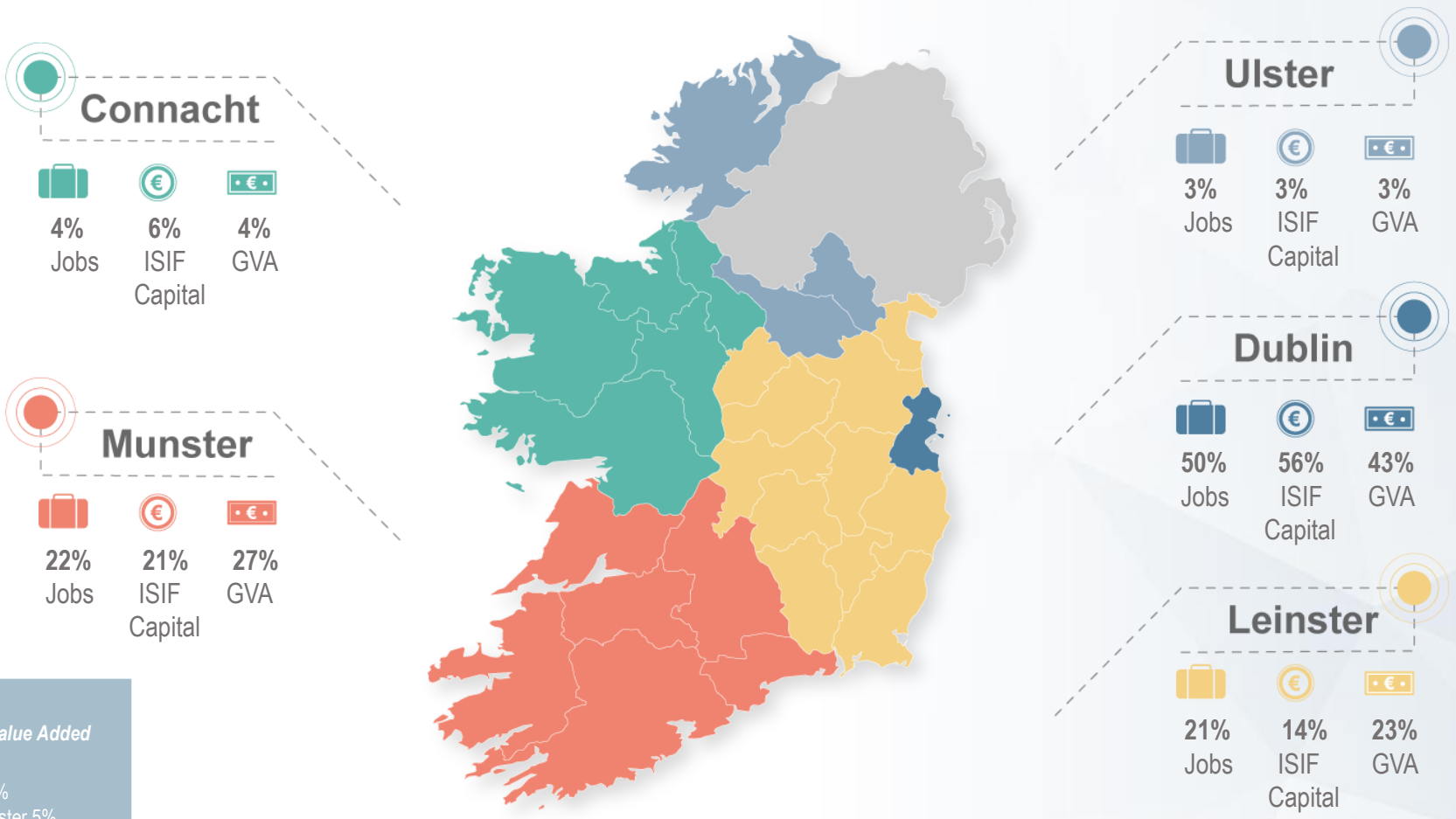
IRELAND STRATEGIC INVESTMENT FUND

CO-INVESTMENT – ISIF HAS CATALYSED €10.4BN INVESTMENT IN IRISH BUSINESSES, INFRASTRUCTURE & PROJECTS



IRELAND STRATEGIC INVESTMENT FUND

ISIF INVESTMENTS ARE REGIONALLY BALANCED – 50% OF JOBS SUPPORTED ARE EX-DUBLIN



**CSO Regional Split of Irish Gross Value Added*

Region	Percentage
Dublin	45%
Leinster	19%
Munster	24%
Connacht	7%
Ulster	5%

IRELAND STRATEGIC INVESTMENT FUND

ISIF HAS COMMITTED OVER €725M TO PLATFORMS THAT ARE TARGETING DELIVERY OF 15,000 NEW HOMES BY 2021



ISIF COMMITMENT
€725M

In the residential housing sector, which continues to experience a shortage of capital.



**15,000
NEW
HOMES**

In H1 2018 ISIF backed a new rental housing platform and a follow-on investment to Activate Capital.

NATIONAL TREASURY MANAGEMENT AGENCY

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NATIONAL DEVELOPMENT FINANCE AGENCY

THE LAST 12 MONTHS HAS BEEN A PERIOD OF RECORD DELIVERY IN TERMS OF ACCOMMODATION PPP PROJECTS



DUBLIN INSTITUTE OF TECHNOLOGY GRANGEGORMAN PPP

Work recommenced on the DIT Grangegorman PPP during 2017, following the judgment in favour of the Minister for Education and Skills and the NTMA in October 2016 in a case by an unsuccessful tenderer.

Financial close was reached in March 2018, with the project planned to become operational in 2020.

SCHOOL BUNDLES 5 PPP PROJECT (SB5) - IMMEDIATE PRIORITIES

- Construction has restarted on the three most advanced schools - these schools are now expected to open before September.
- In the case of the other three SB5 buildings, preliminary work will be undertaken during the summer with a view to completion by the end of December.

CARILLION COLLAPSE – A TEST OF THE PPP MODEL

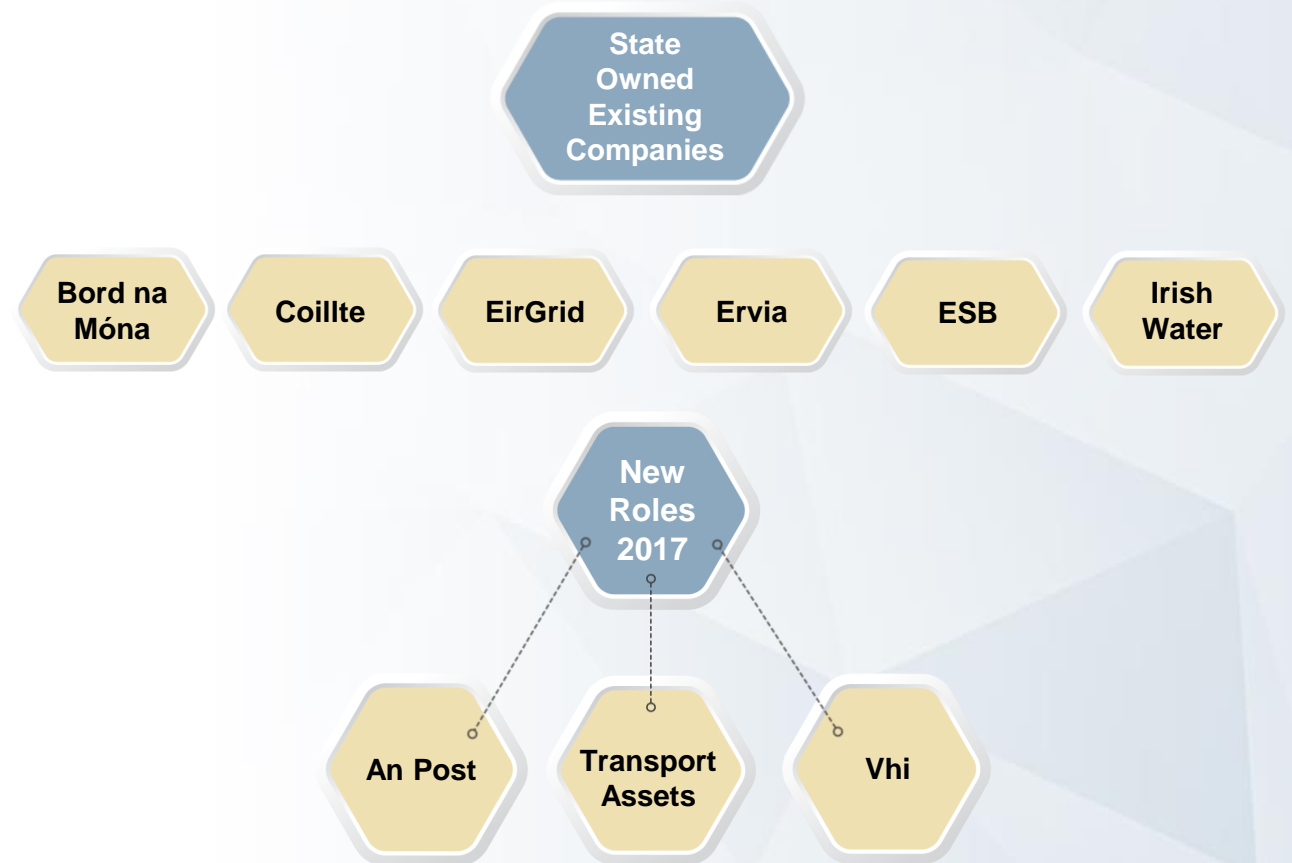
- Private capital has taken all of the financial risk - the taxpayer is not out of pocket.
- Going forward - counterparty risk is going to have to become a more significant part of the analysis of any procurement.

NEWERA

ACTIVE STATE OWNERSHIP



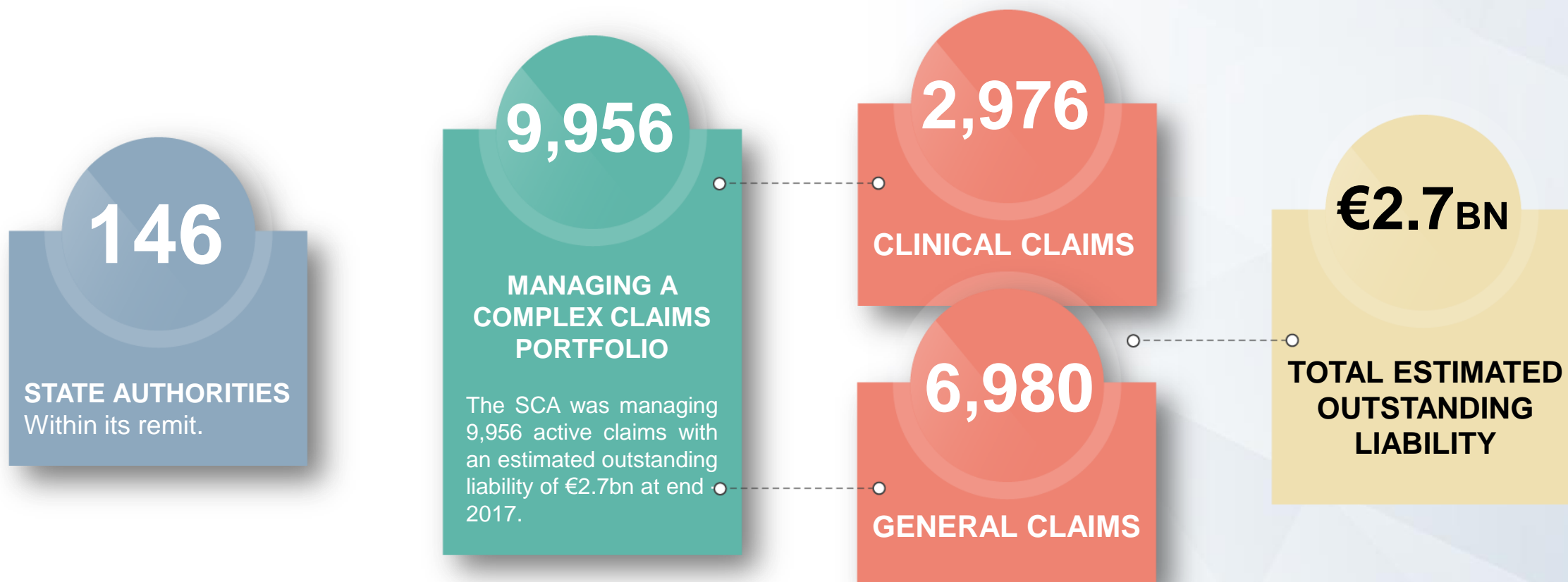
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NewERA – Key in-house provider of corporate finance expertise for the State

STATE CLAIMS AGENCY

INCREASINGLY FOCUSED MANAGING AND MITIGATING RISKS



APPLE

OUR ROLE

- Escrow Agent / Custodian and Investment Managers appointed and in place
- Payments commenced
- Expected that all funds will transfer by end-September 2018.



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