



Presentation on Amortising Bonds

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National Treasury Management Agency

Ireland – short update

Ireland met all its commitments in 2011,
outperforming fiscal targets in particular;
Further progress has continued so far in 2012

October 2012



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Ireland has continued its recovery in 2012

- **Government set to cut deficit to 8.6% of GDP**
 - Troika (EC/ ECB/ IMF) very pleased with delivery on all Programme benchmarks; significant outperformance versus fiscal target in 2011
 - Fiscal numbers on track after eight months (and two Troika reviews)
- **Second consecutive year of modest GDP growth expected**
 - Export growth remains resilient so far in 2012, despite euro area difficulties; Ireland's forecast GDP growth among highest in euro area
 - But domestic demand may continue to decline at a slow pace in 2012
- **Second half of bank deleveraging plan to continue**
 - Deleveraging more than half complete by end-April 2012
 - Government has reformed insolvency laws to deal with mortgage arrears
- **National Asset Management Agency (NAMA) to move into phase of adding value to troubled assets**
 - Ireland's main contingent liability being reduced: on track to repay €7.5bn by 2013 of senior NAMA bonds (repaid €3.25bn by end-H1 2012).
 - NAMA to invest €2bn in the Irish economy over next four years

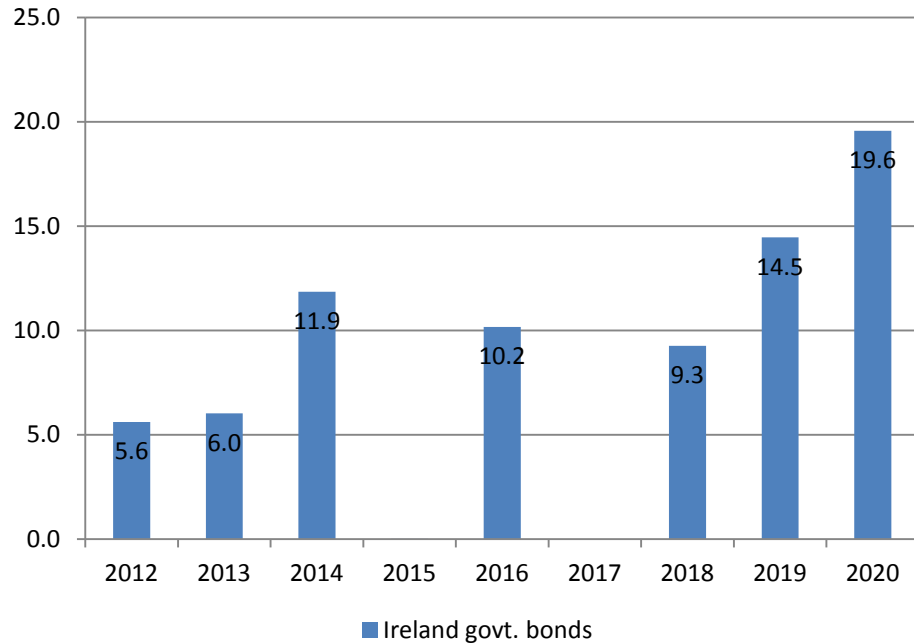


NTMA: Market re-entry during 2012

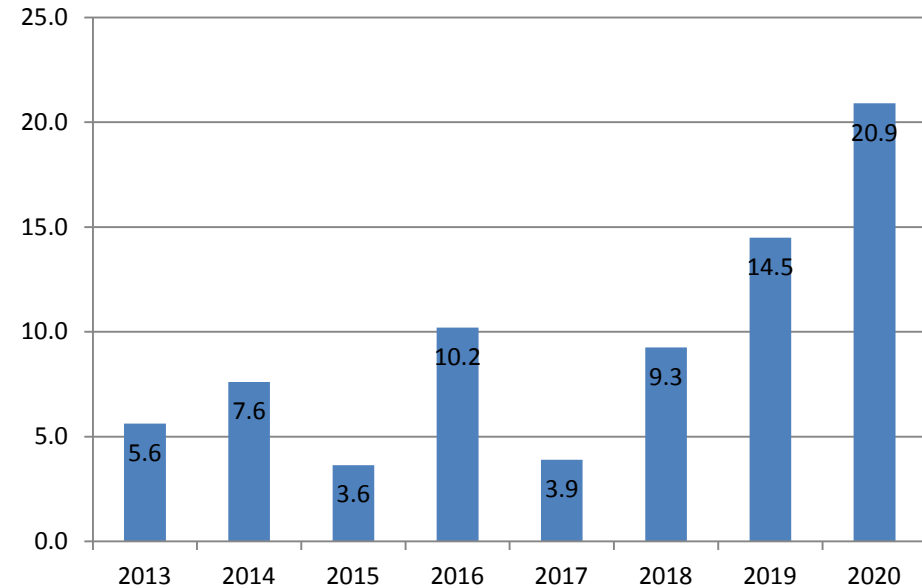
- **Market re-entry for first time in almost two years in July-September 2012**
 - Sold €500m in Treasury Bills in July, with cover of 2.8 at yield of 1.8%. Around 80% of the bills bought by international buyers. Repeated €500m auctions in September, with cover of 3.0 at much lower yield of 0.7%, and in October at a yield of 0.7% with a cover of 3.6.
 - Sold €4.2bn of long-term bonds in July, at rate just below 6%. The majority of the purchases again came from overseas.
 - Sold €1bn in amortising bonds at 5.91% in August; this is a new product mainly demanded by the domestic pensions industry to construct sovereign annuities.
 - Total funding of about €9.7bn raised towards reducing 2014 amortising hurdle.

Maturity profile much smoother for 2013-2015 due to recent bond switches

Jan 2012



Oct 2012



NTMA plans to continue its phased return to the market

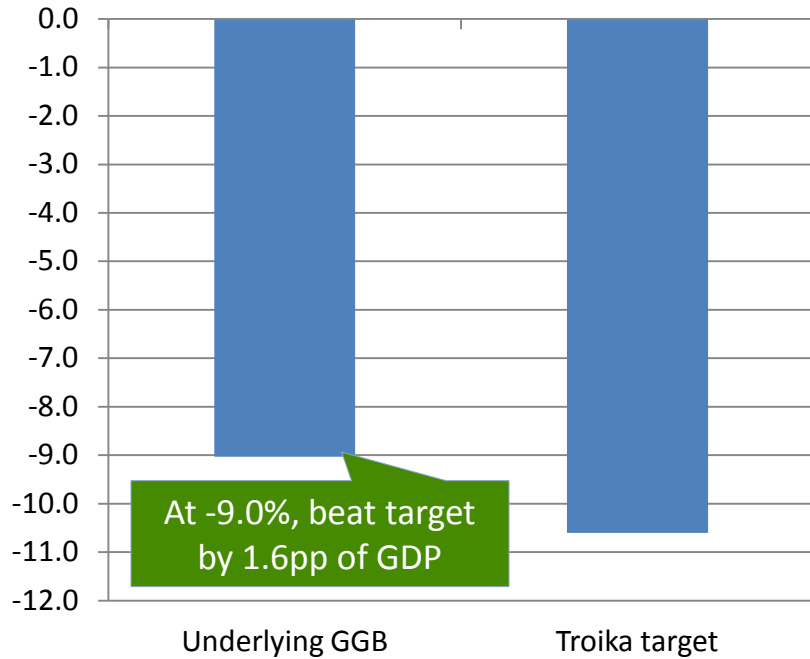
- **Two more components of sustainable market re-entry late in 2012 or early 2013**
 - Launch of longer-term bond issue, possibly through syndication
 - Introduction of inflation-linked bonds: driven mainly by domestic demand
- **Euro area financial conditions have improved**
 - The EU summit declaration of 29 June 2012 to break “vicious circle between banks and sovereigns” was viewed as a very important step
 - The ECB announced a revamped bond purchase programme - Outright Monetary Transactions (OMT) – which led to a sharp rally at the short-end of euro area yield curves
 - **However, risks remain**



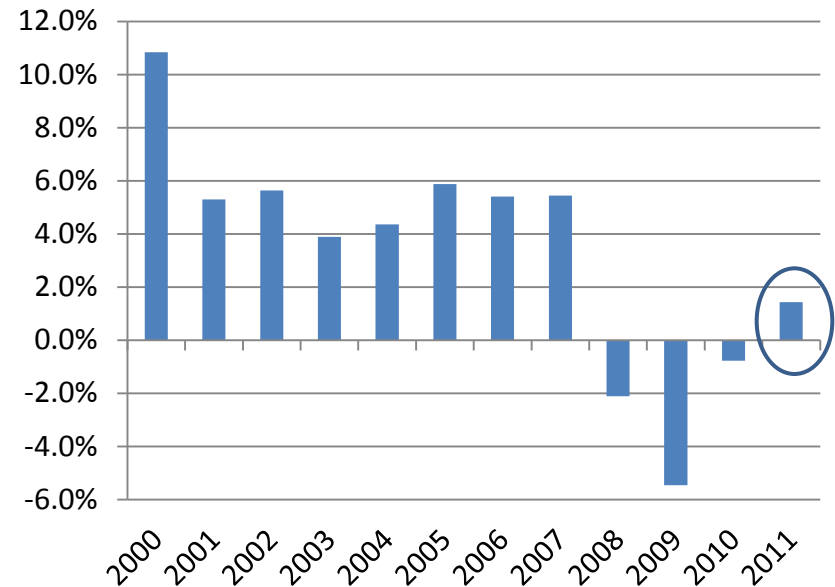
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Ireland has passed the turning point of its crisis

General Govt. deficit (% of GDP)



GDP (volume, % change yoy)



Source: Department of Finance; CSO

Ireland's Credit Ratings have stabilised over last year

Rating Agency	Long Term Rating	Outlook
Standard and Poor's	BBB+	Negative
Fitch	BBB+	Negative
Moody's	Ba1	Negative
R & I	BBB+	Negative
DBRS	A (low)	Negative

Source: Bloomberg

Last downgrade was by
DBRS in August 2011

Topics

- Why Amortising Bonds?
- What are Amortising Bonds?
- Maturity of Bonds
- How are they issued?
- Yields?

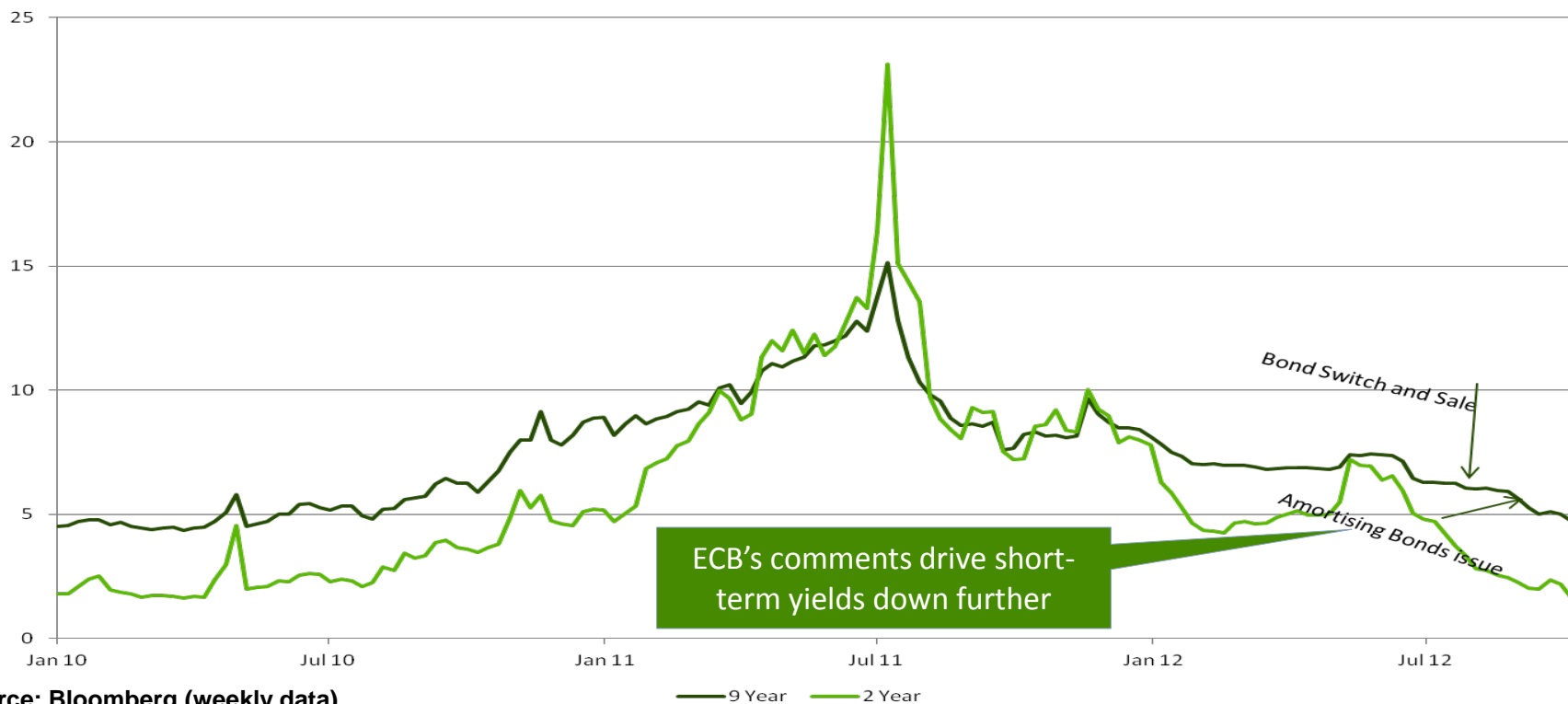


Why Amortising Bonds?

- Amortising bonds were developed in response to a need for Irish Pension Funds to access higher yields for annuity purposes and the need for the Irish State to fund.
- The crisis over the last two years meant that yields were too high for Ireland to issue debt at sustainable yields.
- Now yields are at levels which are acceptable to the state – at least in the short term – and also of benefit to the Pensions Industry.



Irish sovereign bonds delivered best returns in euro area in 2011 and continued normalisation in 2012



Source: Bloomberg (weekly data)

What are Amortising Bonds?

- Amortising bonds are bonds which make equal annual payments over their lifetime.
- Each such annual payment includes a partial principal repayment and a payment of interest. There is no principal left on maturity and as such the bonds are ideal for structuring of annuities.
- See http://www.ntma.ie/download/government_bonds/IABInformationMemorandum.pdf for the Information Memorandum with more information.



Maturity and Issuance

Maturity of Bonds:

- Bonds will be from 15 years to 35 years in five year segments but the NTMA will respond to the market if other maturities are required.

How will they be issued?

- We can issue by Tap, Auction or Reverse inquiry . A tap will be an announced issue with set prices. An auction will determine the price by the level of demand. It is likely that Taps will be the initial method of issuance.



First Amortising Bond Issue – August 2012

Bond	Yield
• 5.72% Amortising Bond 20 July 2027	5.72%
• 5.82% Amortising Bond 20 March 2032	5.82%
• 5.92% Amortising Bond 20 January 2037	5.92%
• 5.92% Amortising Bond 20 May 2042	5.92%
• 5.92% Amortising Bond 20 September 2047	5.92%



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Yields

- There is an upper yield beyond which the State will not issue regardless of the market
- There is a benefit to the amortising structure which should be reflected in the yield
- And the next bonds will be issued at a yield of.....?





THANK YOU

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