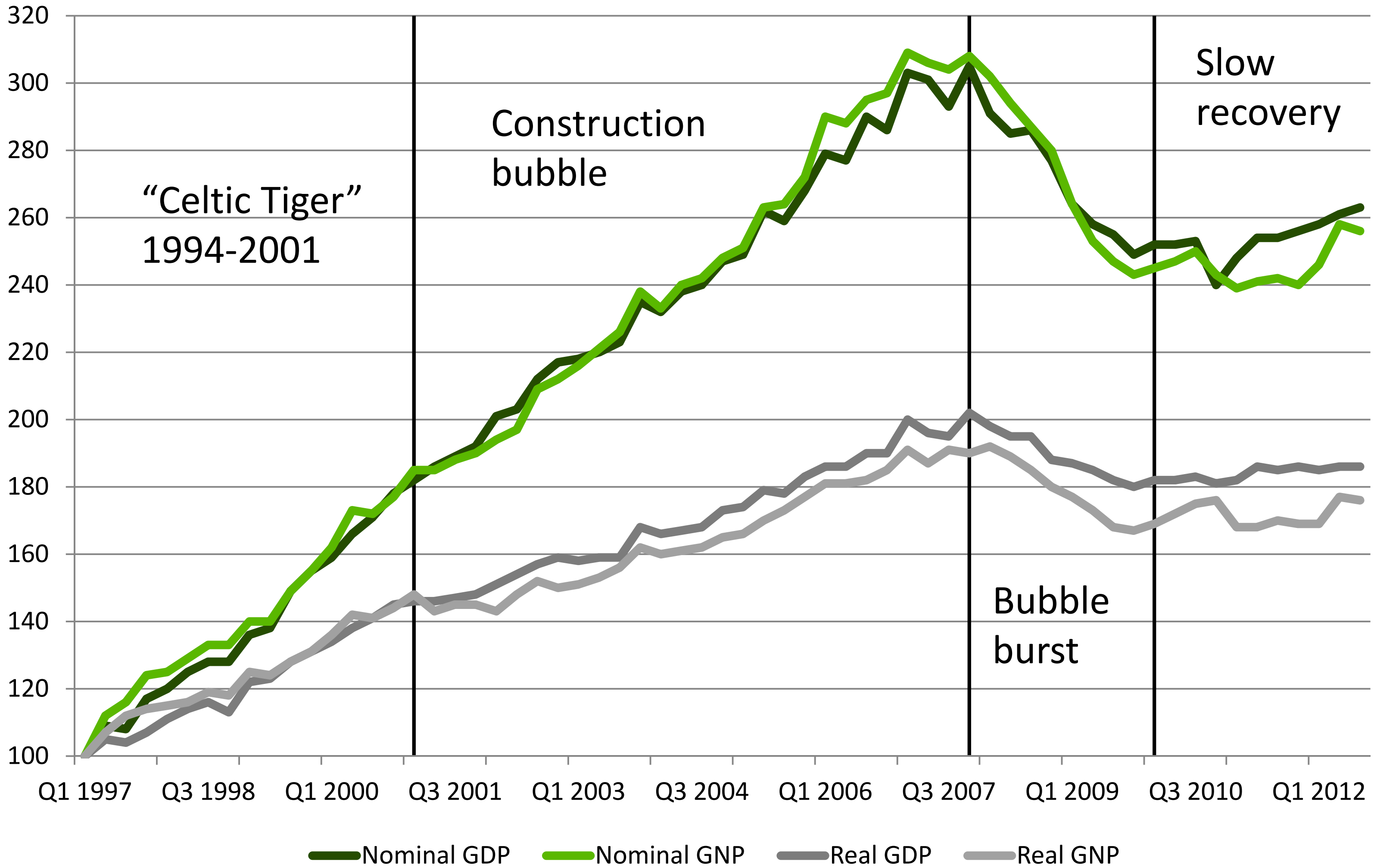
IRELAND: REGAINING CREDITWORTHINESS

Ireland’s market recovery continues, evidenced by normal issuance in January 2013 and positive reaction to Promissory Note deal

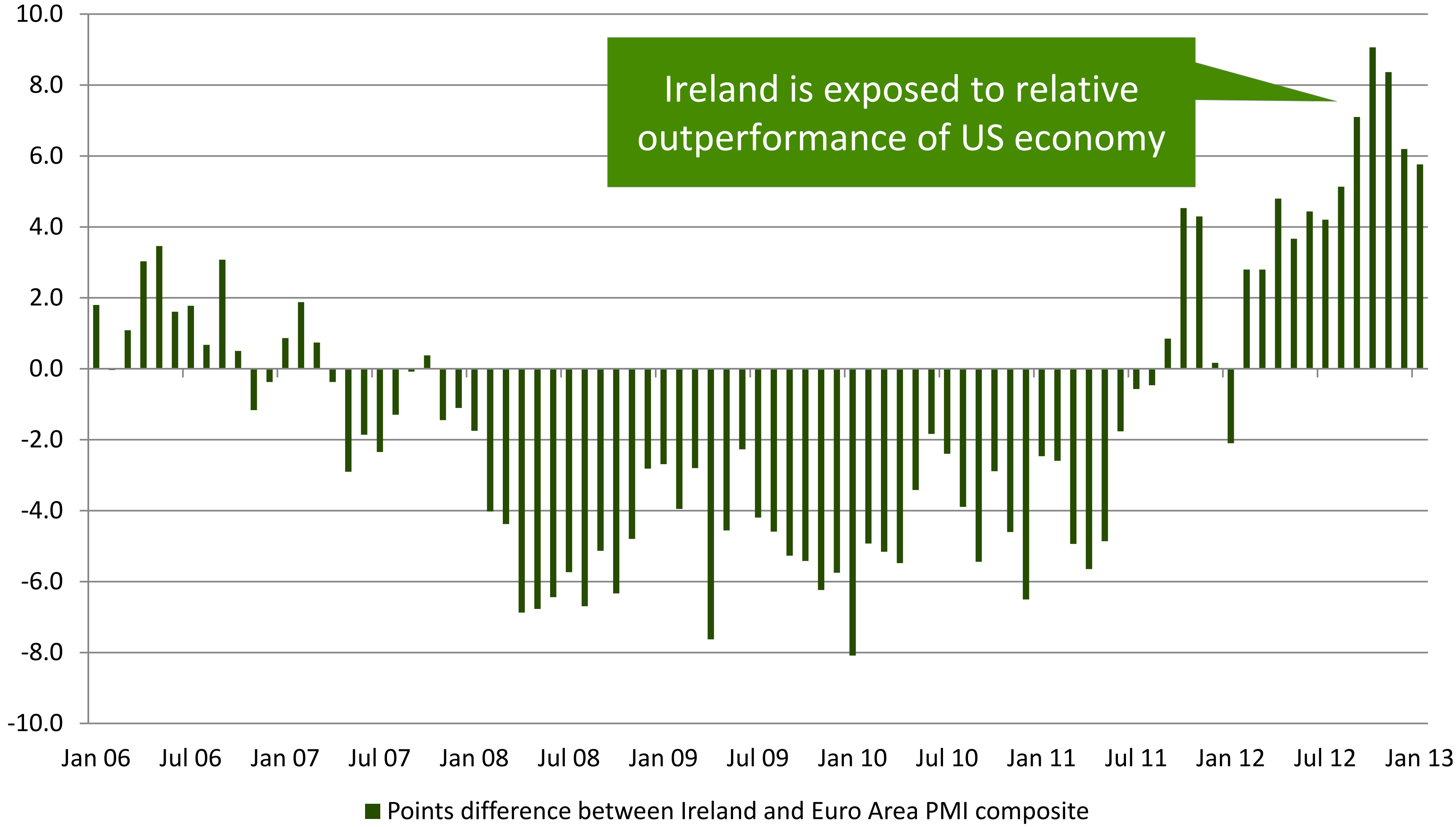
John Corrigan, CEO NTMA
IAPF Conference, March 14th 2013

Economy stable since end-2009 (Q1 1995= 100)



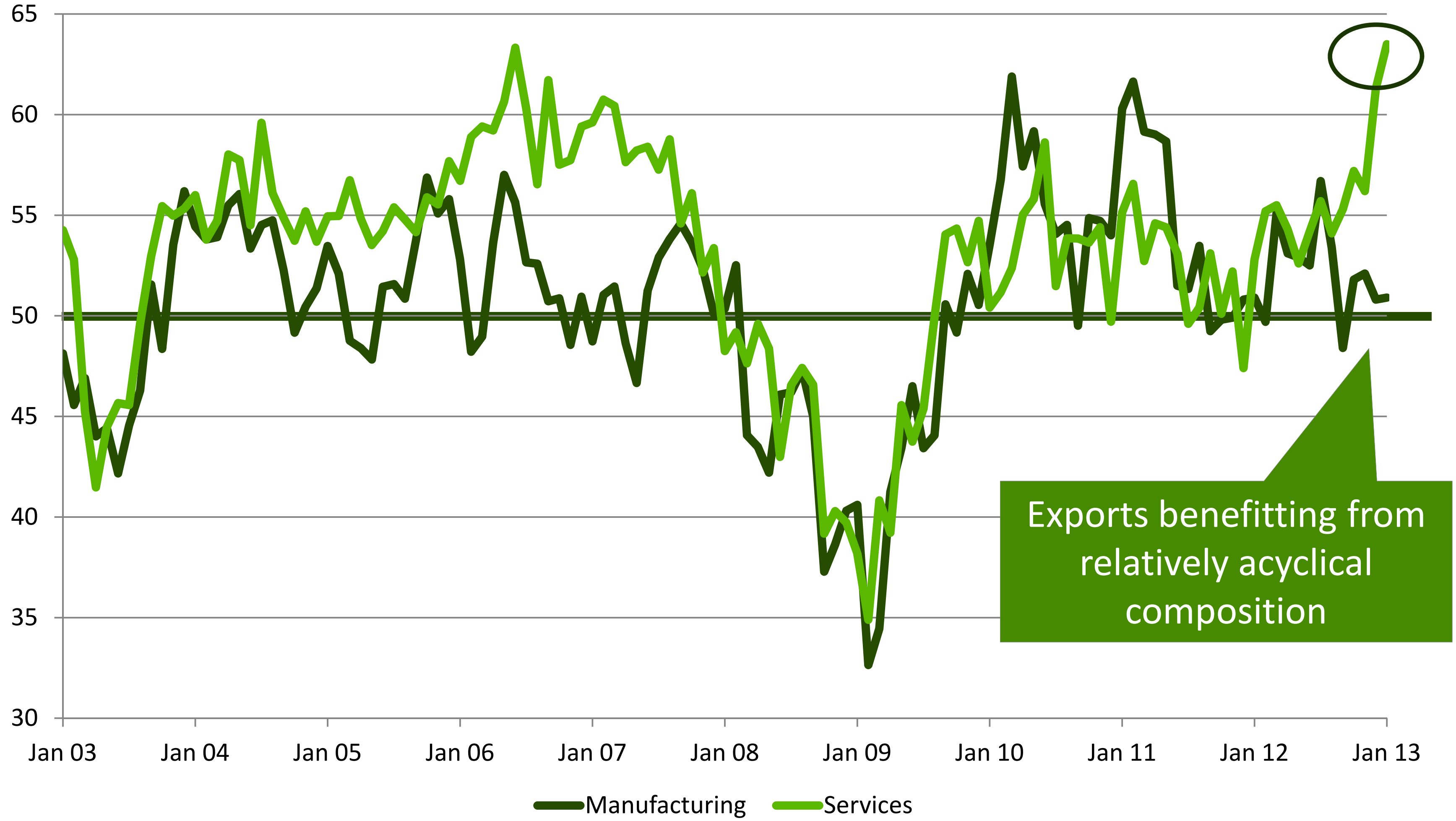
Source: CSO

Ireland's PMI now much stronger than euro area's



Source: Markit; Bloomberg; NCB

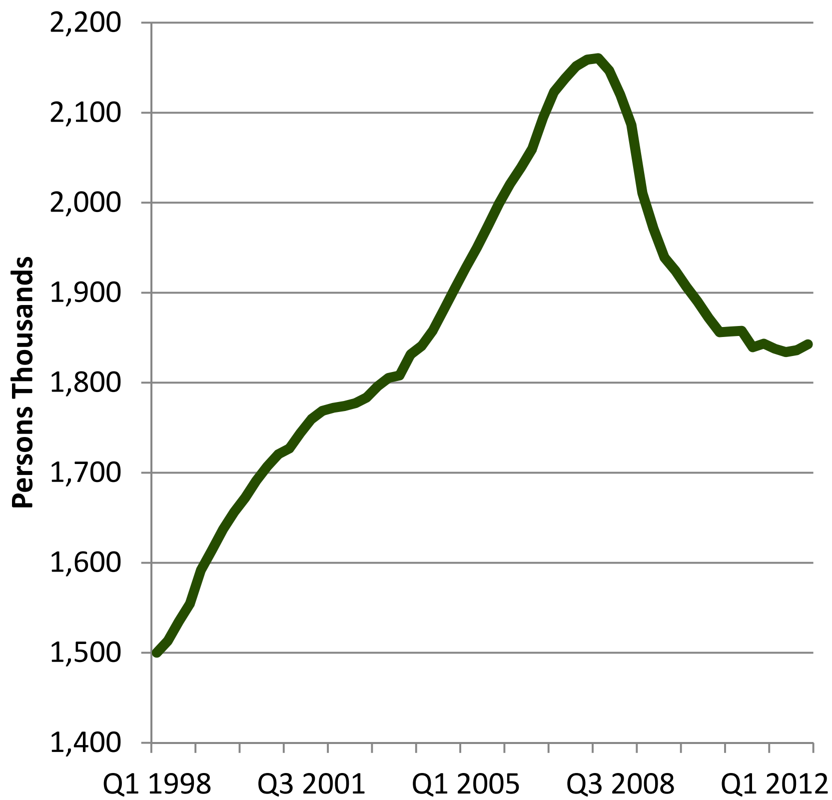
PMI new export orders: services show fastest growth on record



Source: Markit; NCB; CSO

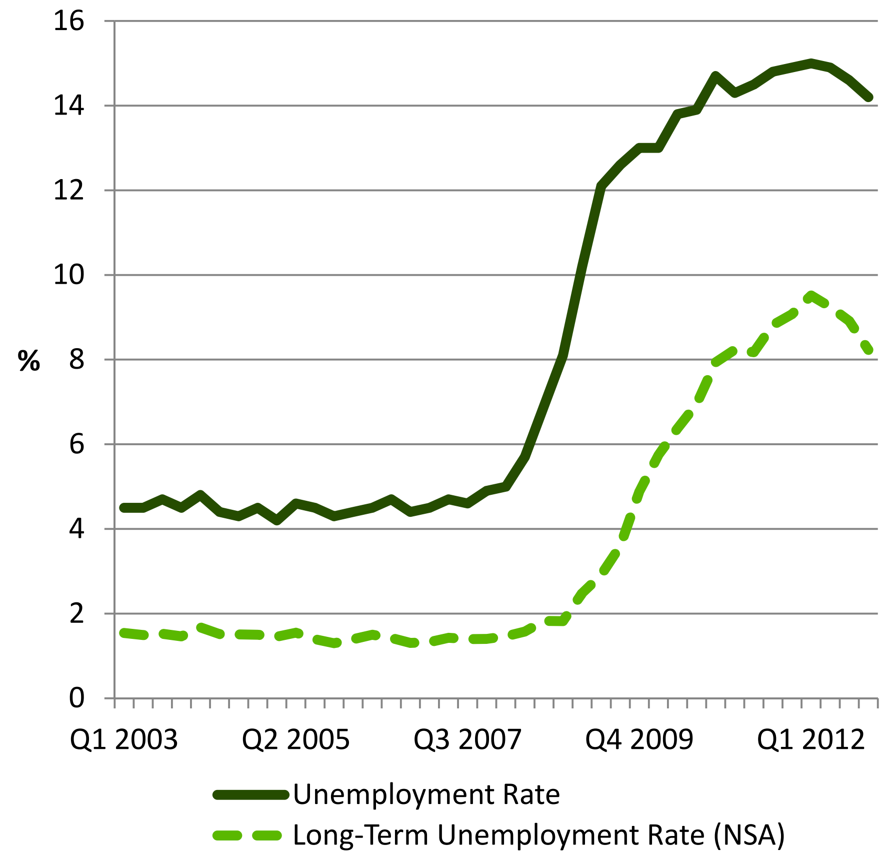
Labour market improving, but still weak

Employment growth for two successive quarters stems the recent decline



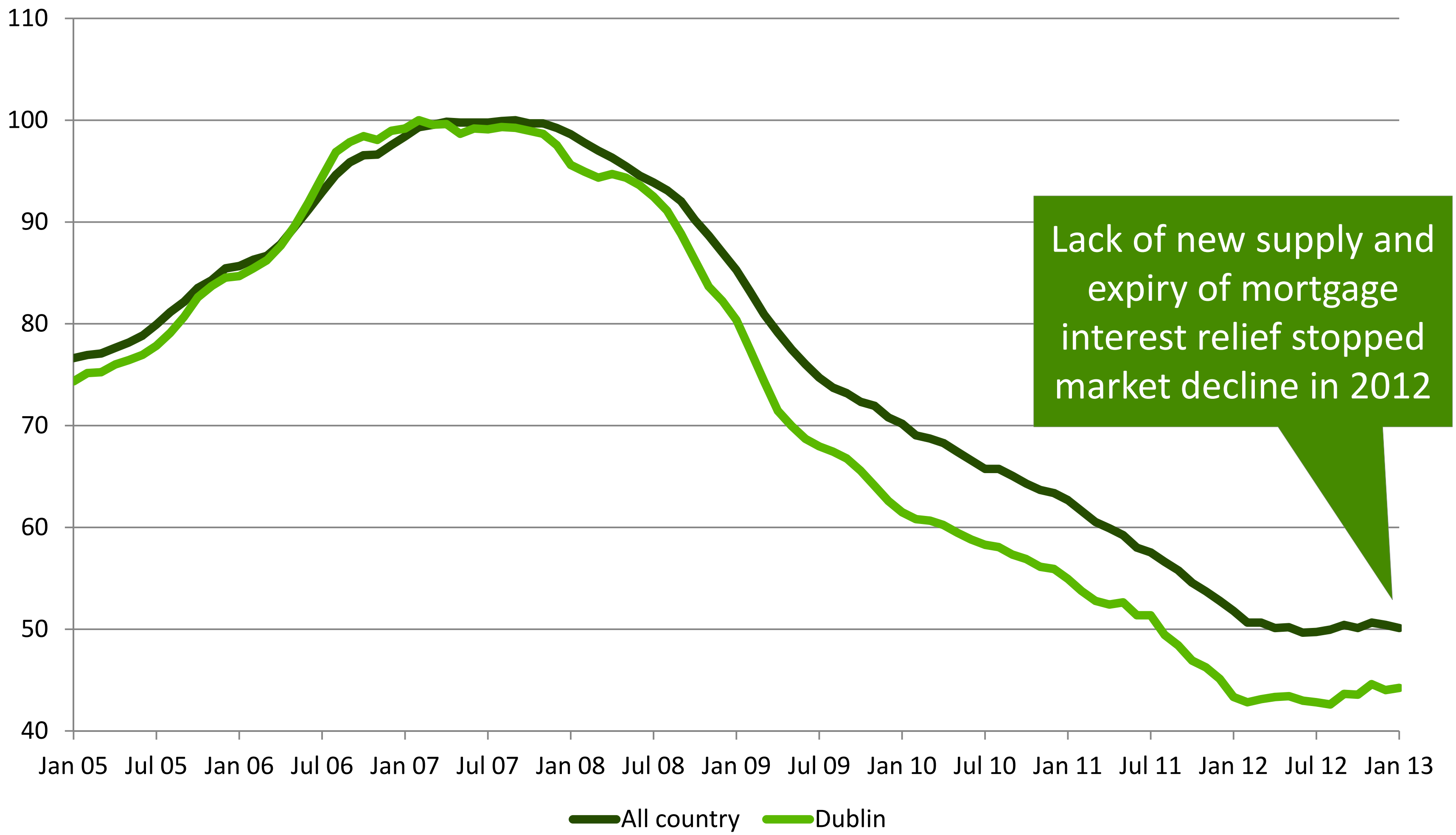
Source: CSO

Unemployment rate falls for three consecutive quarters



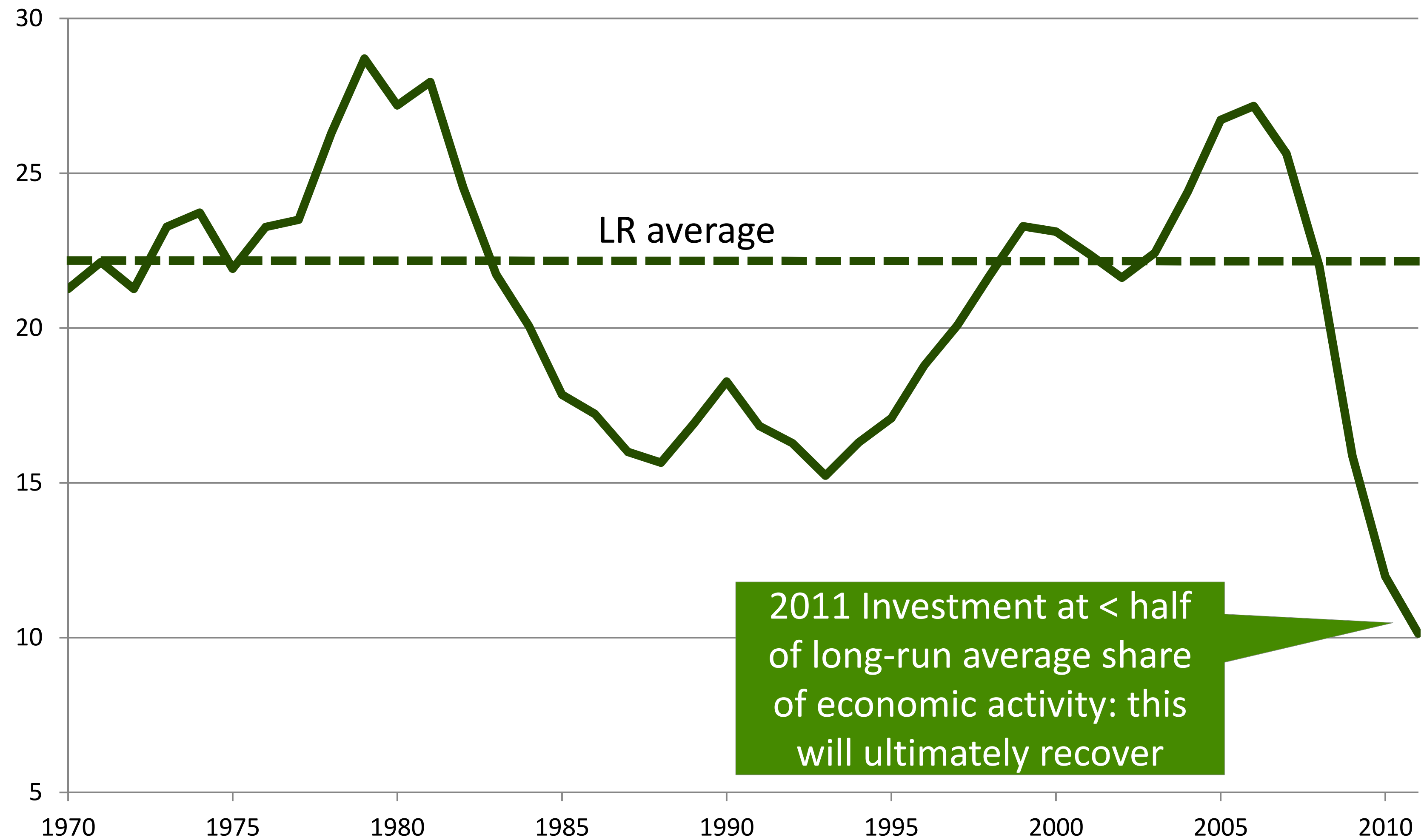
Source: CSO

House prices rise for first time in five years, but risks remain for 2013 (peak: Sep 2007 = 100)



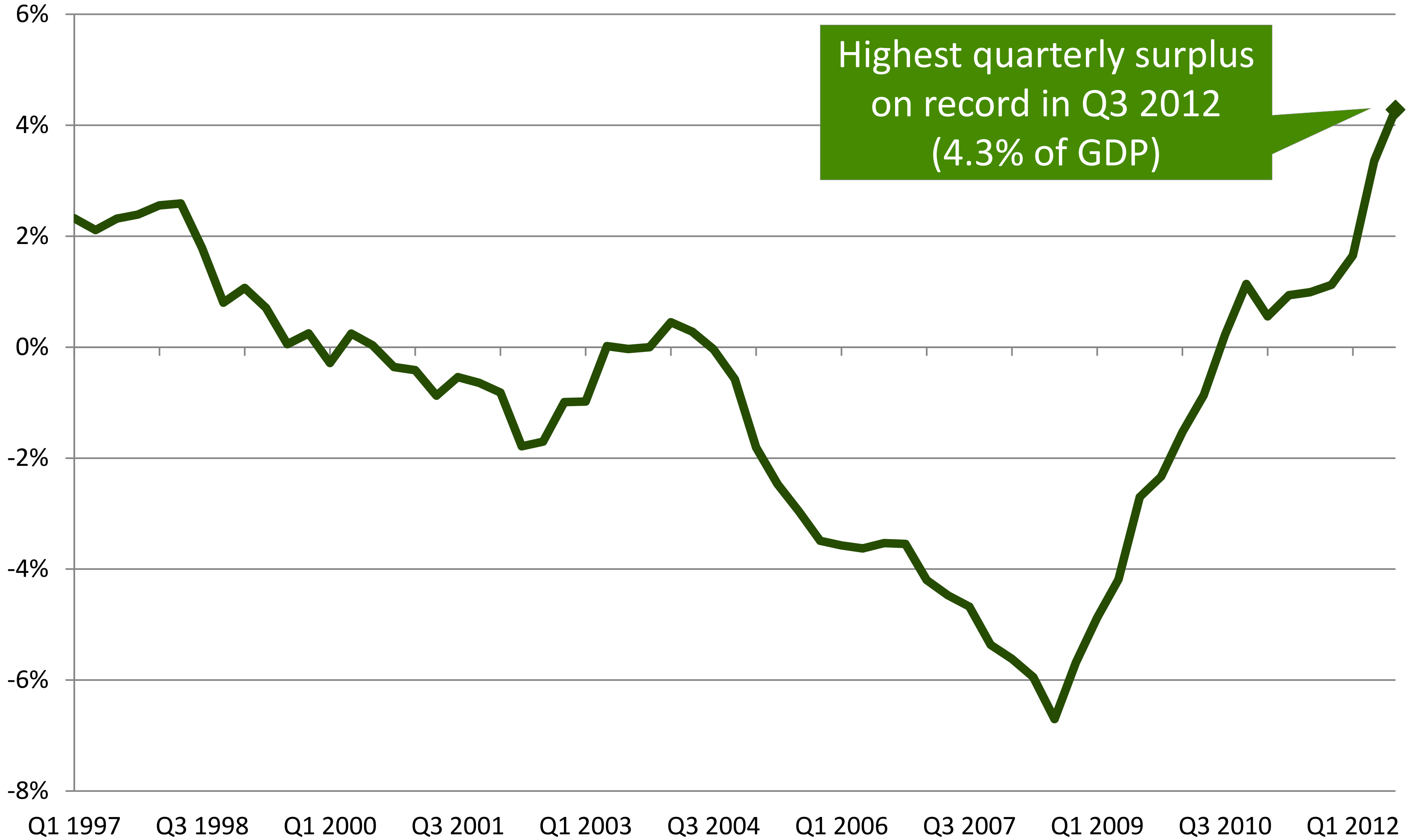
Source: CSO

Investment as a % GDP at all-time low



Source: CSO

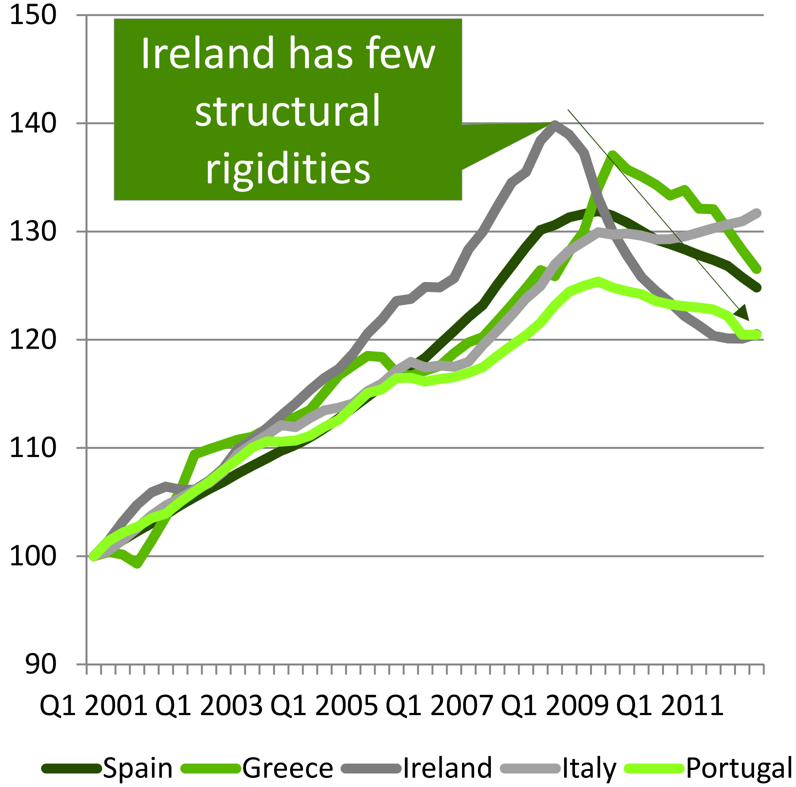
Ireland's BoP current account surplus reflects large-scale rebalancing of economy (4QMA % GDP)



Source: CSO

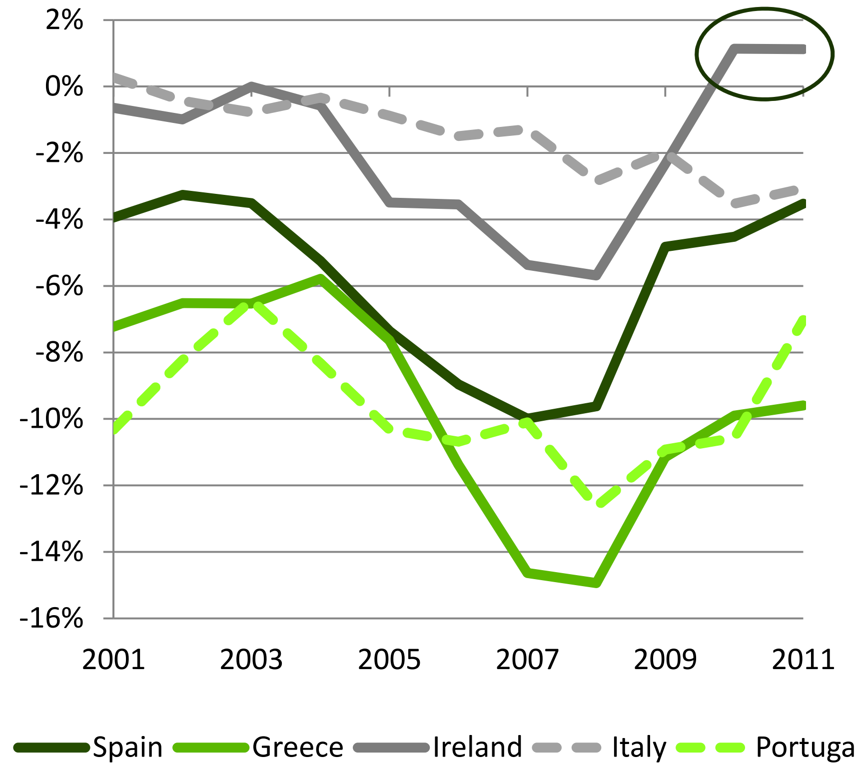
Ireland's competitive position vastly different to the other non-core countries

Unit Labour Costs (Q1 2001=100)



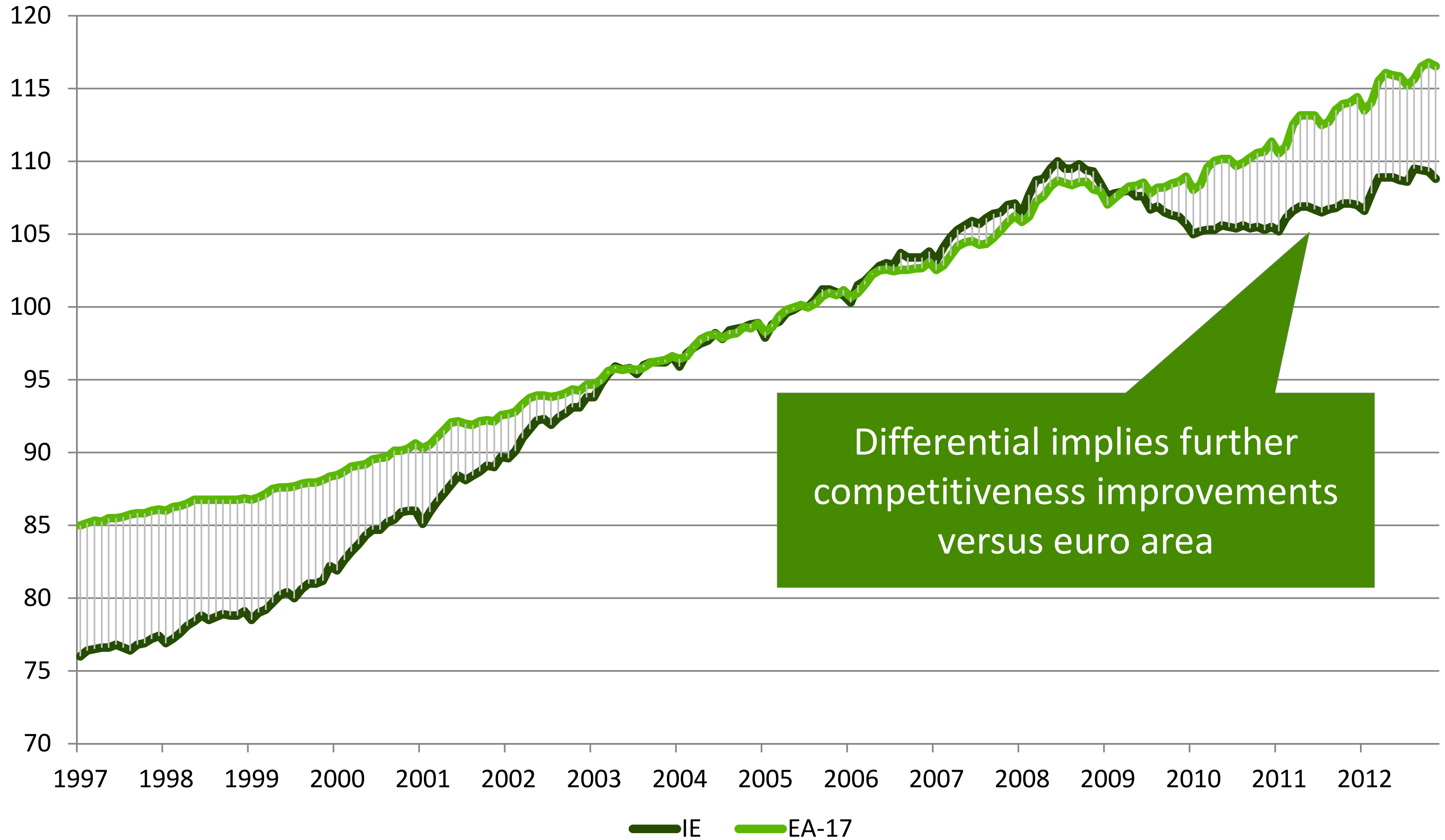
Source: ECB

Current Account Balance (% GDP)



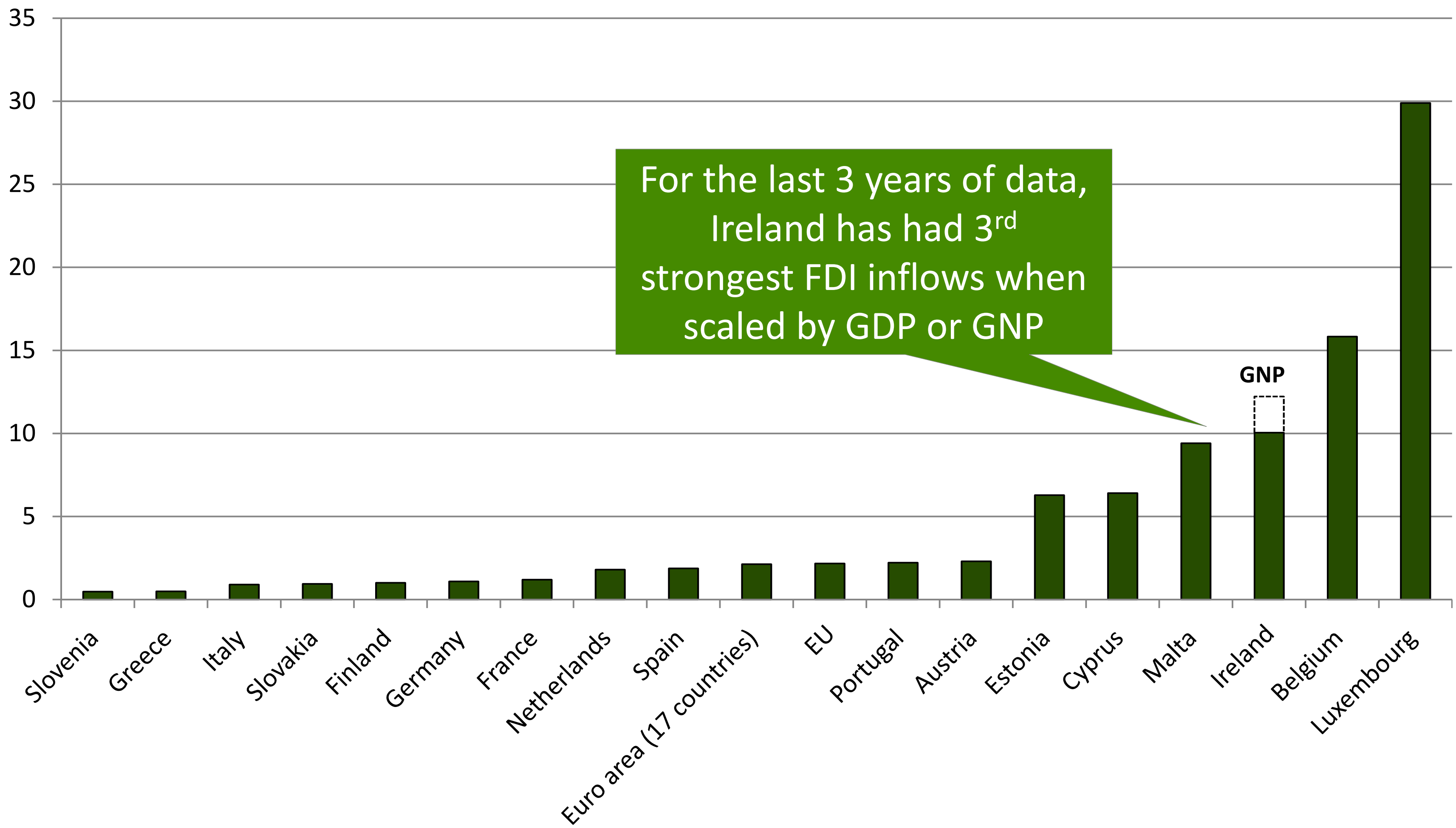
Source: DataStream

Ireland's HICP Inflation has undershot that of the euro area since 2008



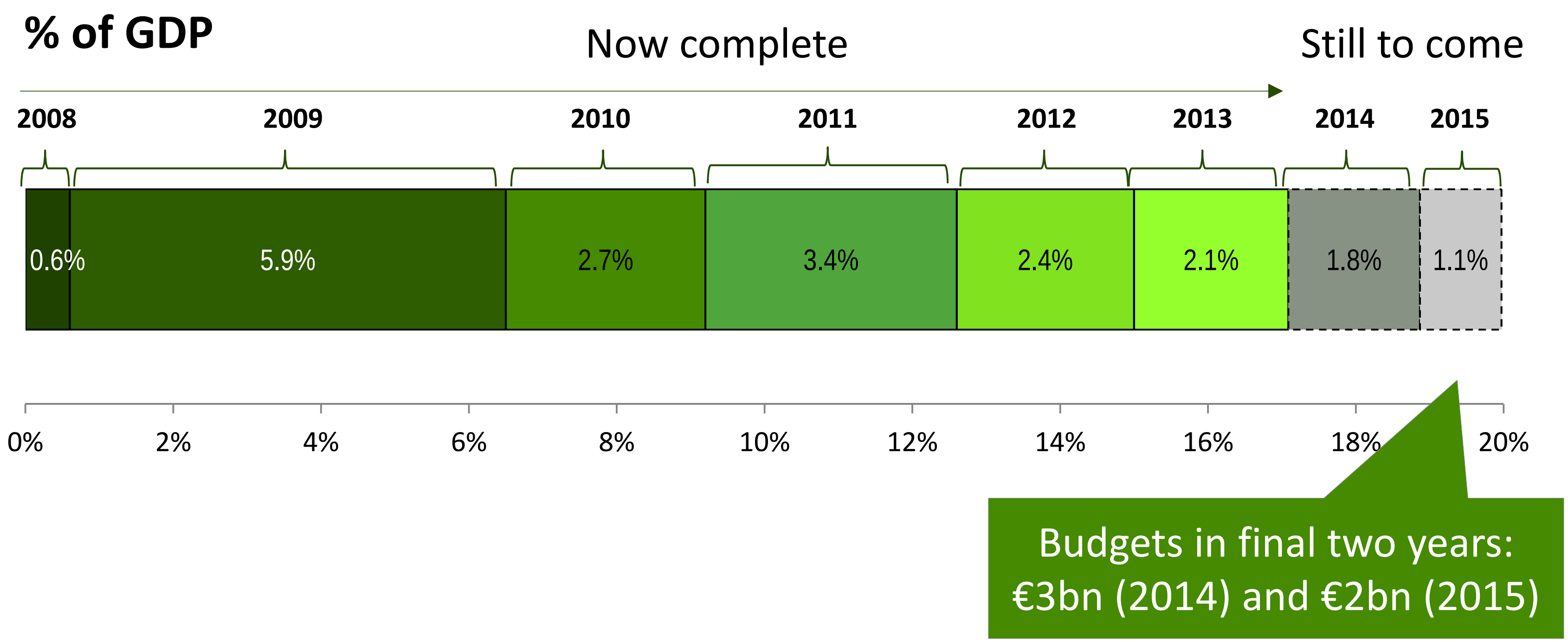
Source: Eurostat

Ireland continues to attract foreign investment (average FDI inflows per annum as a share of GDP, 2009 – 2011)



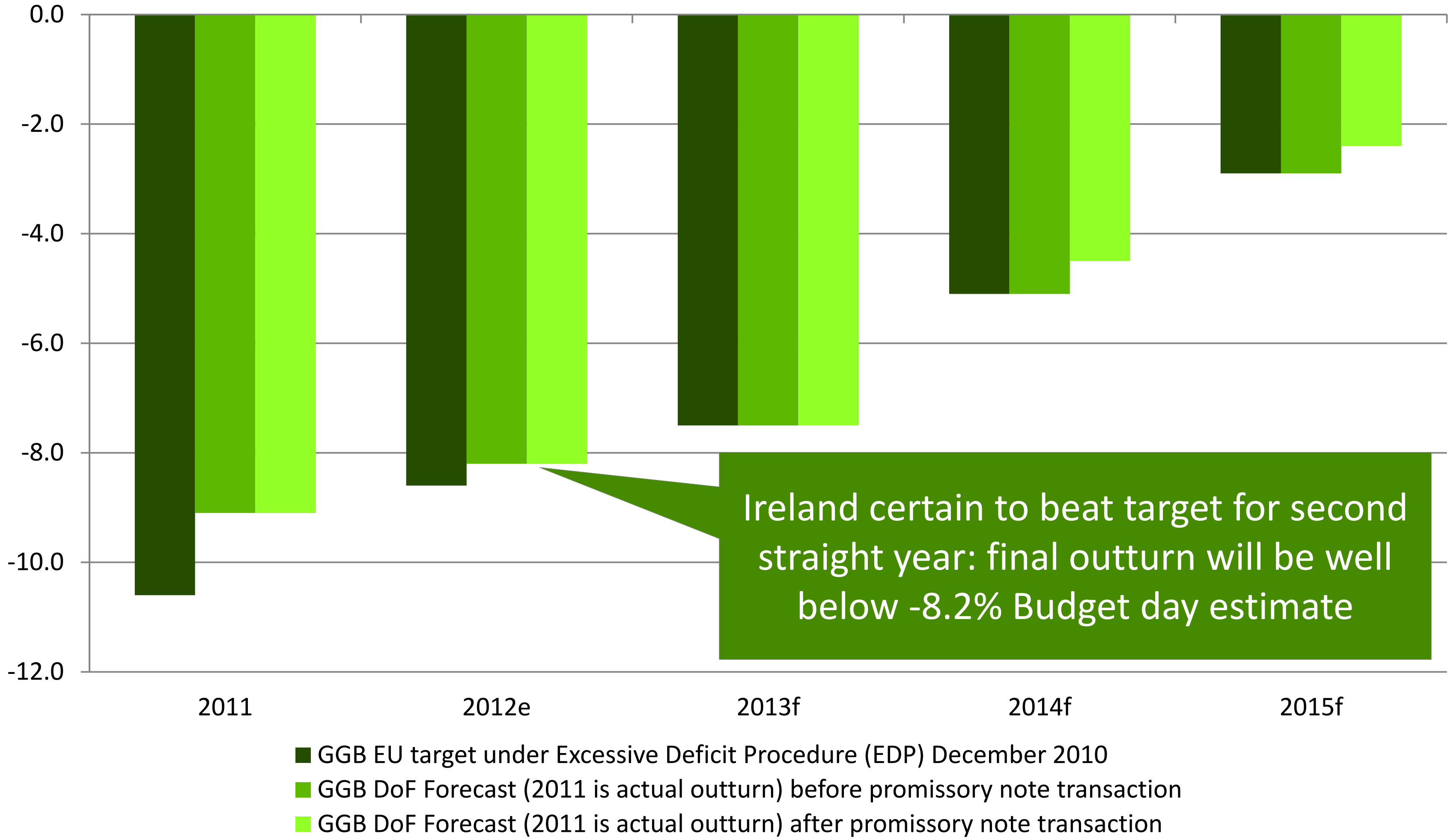
Sources: UNCTAD World Investment Report 2012; IMF WEO database; CSO; NTMA

Fiscal consolidation thus far...



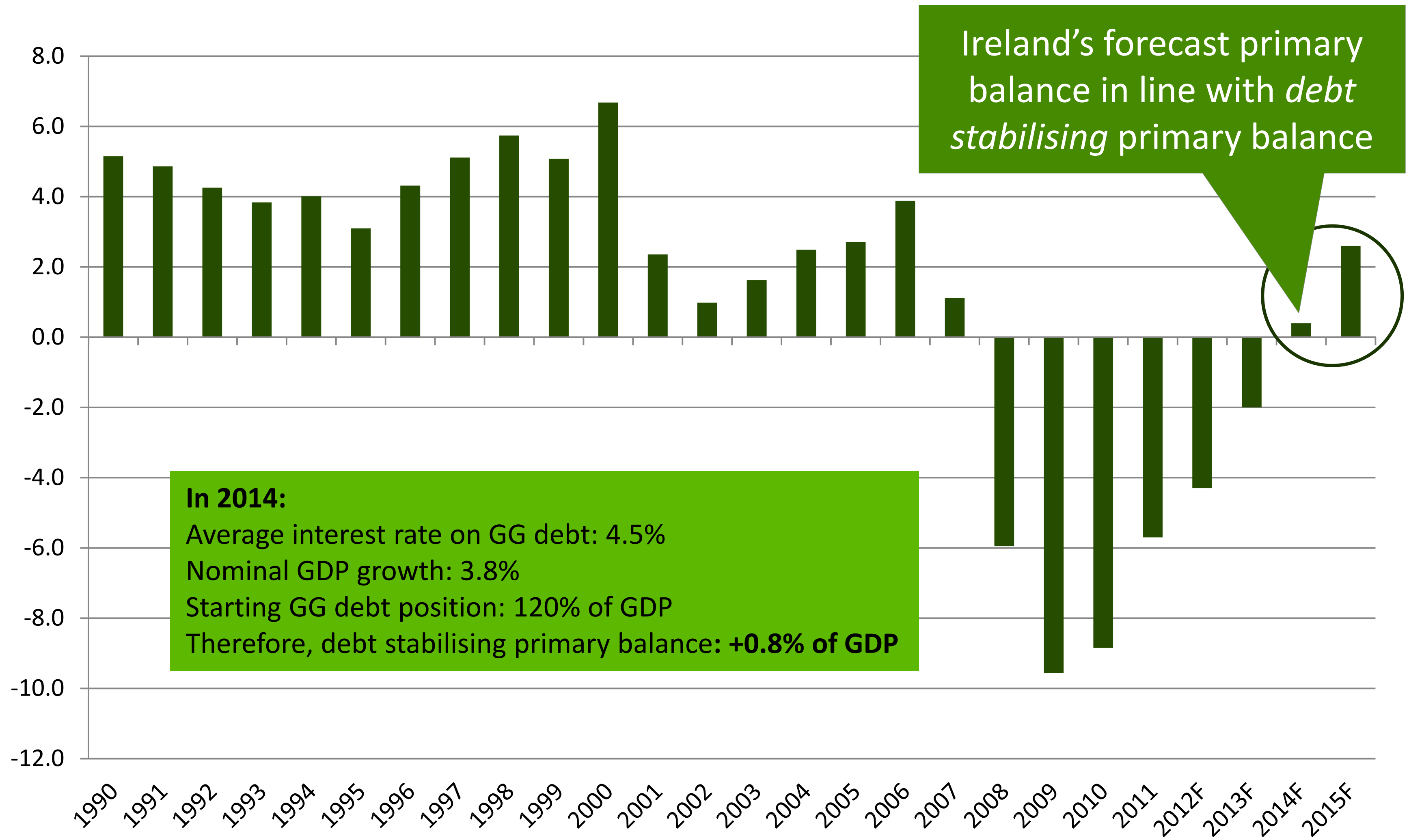
Source: Department of Finance: Budgets 2011, 2012 and 2013 and Medium Term Fiscal Statement, November 2012.

Promissory note transaction to sustain outperformance of Programme/EDP fiscal targets (GGB % GDP)



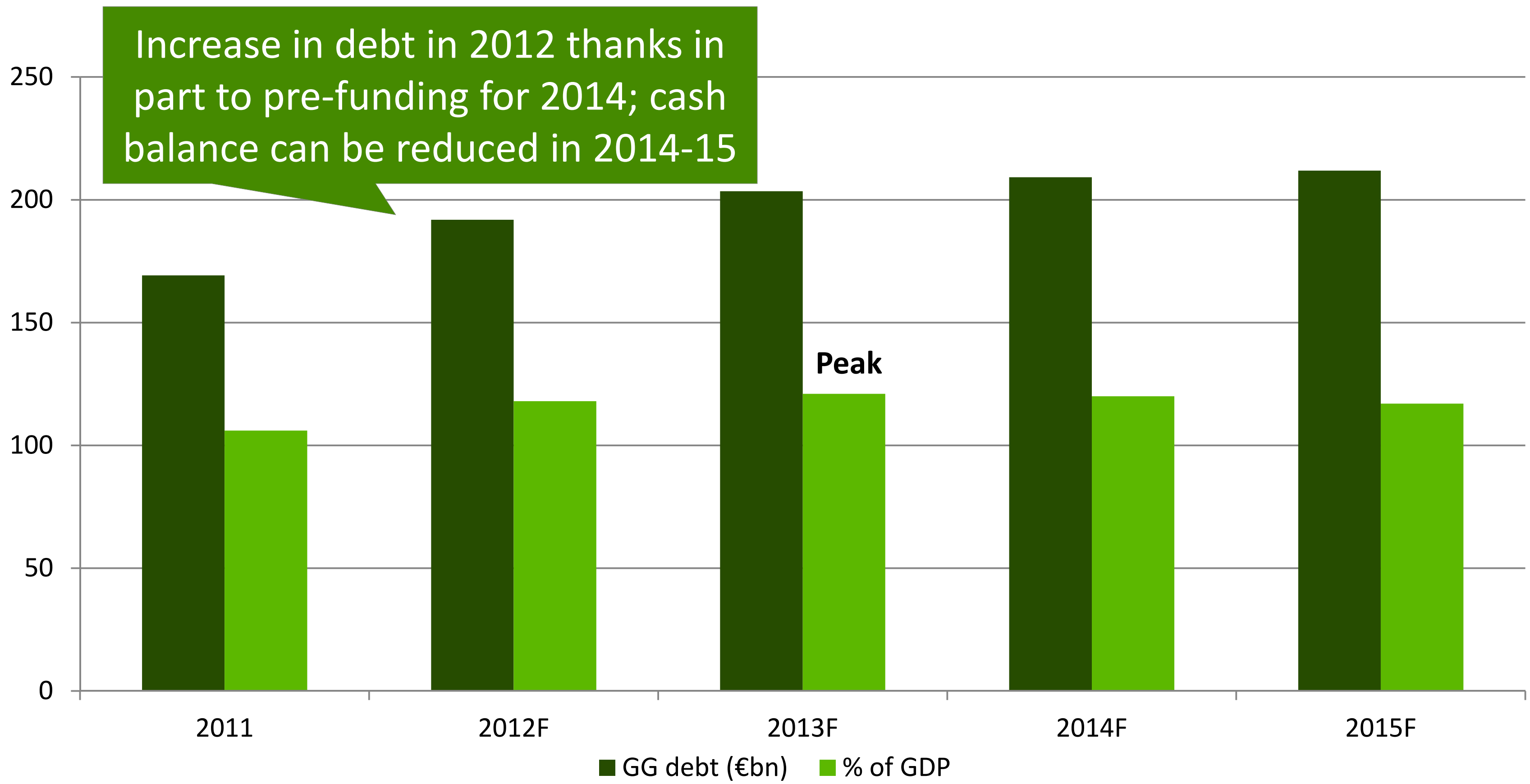
Source: Department of Finance; CSO

Ireland not far from confirming debt sustainability: primary surplus (% of GDP) to be achieved by 2014



Source: Department of Finance; Eurostat

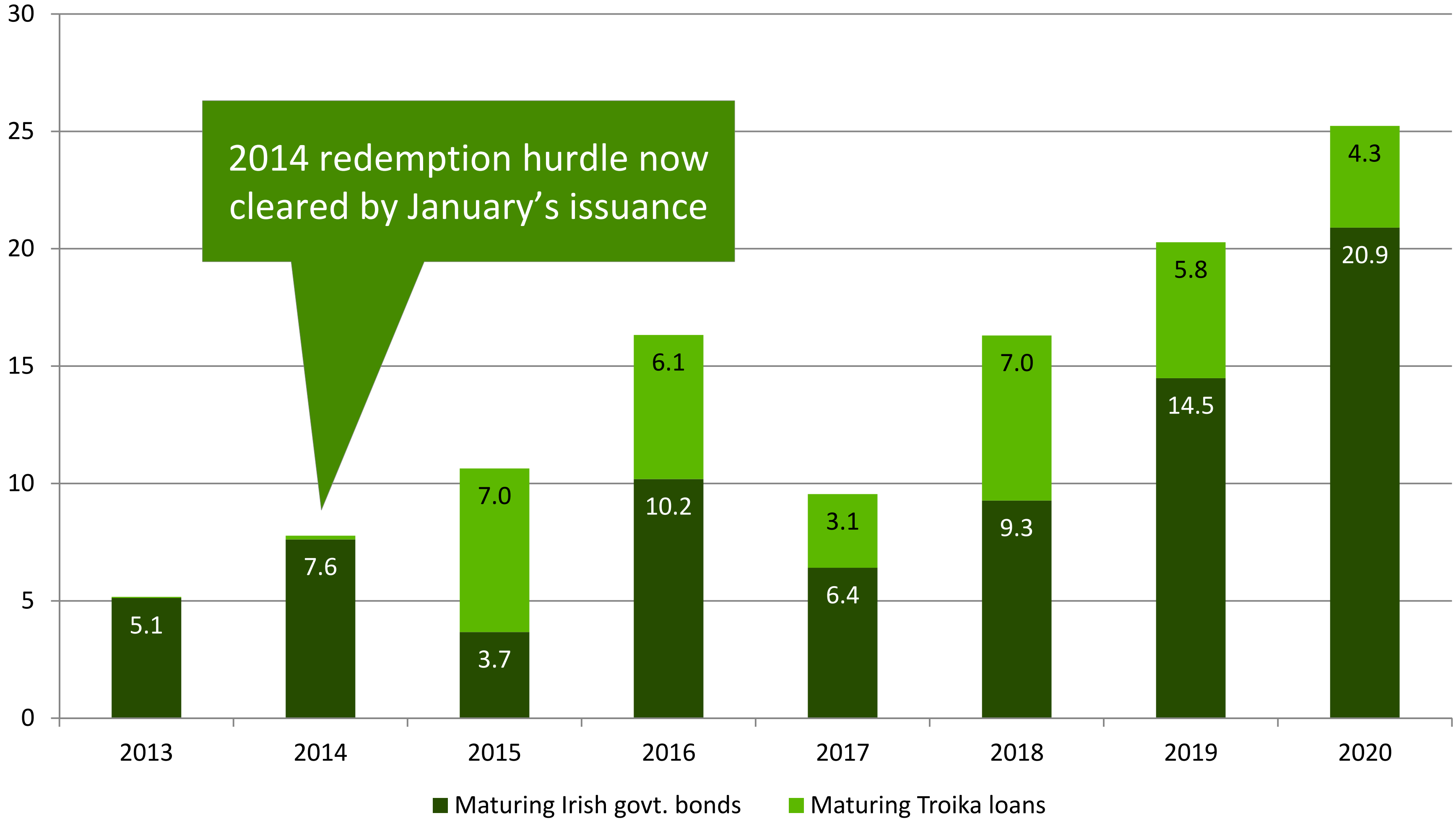
Gross Government debt is set to stabilise at c.120% of GDP in 2013, lower than originally forecast



- All things equal, 2013 debt level will be lower than Budget day forecast due to sale of Irish Life and BOI CoCos

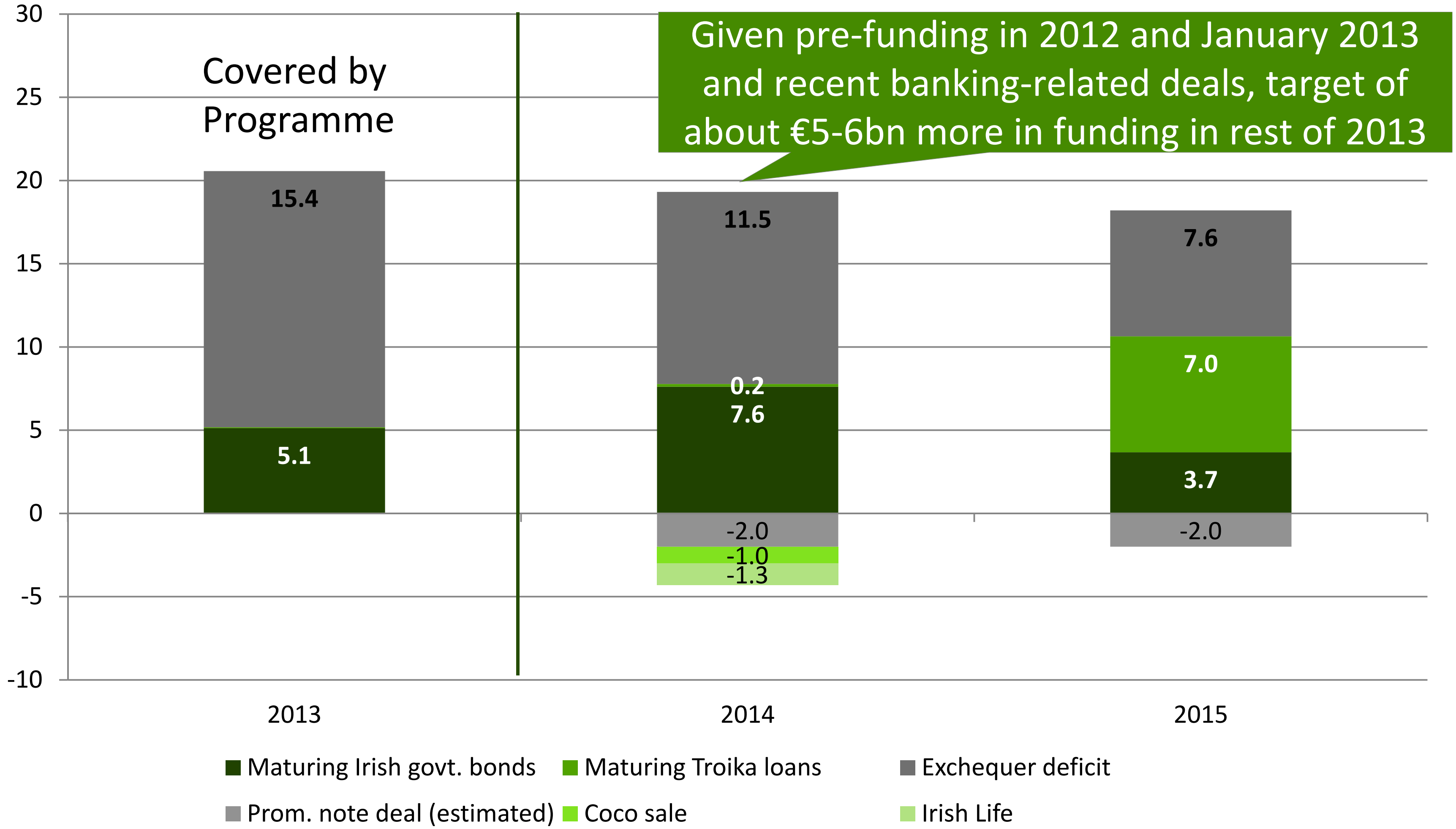
Source: Department of Finance; CSO

Maturity profile now much smoother for 2013-2015



Source: NTMA

Total funding requirement declining steadily (€bn)



Source: NTMA; Department of Finance

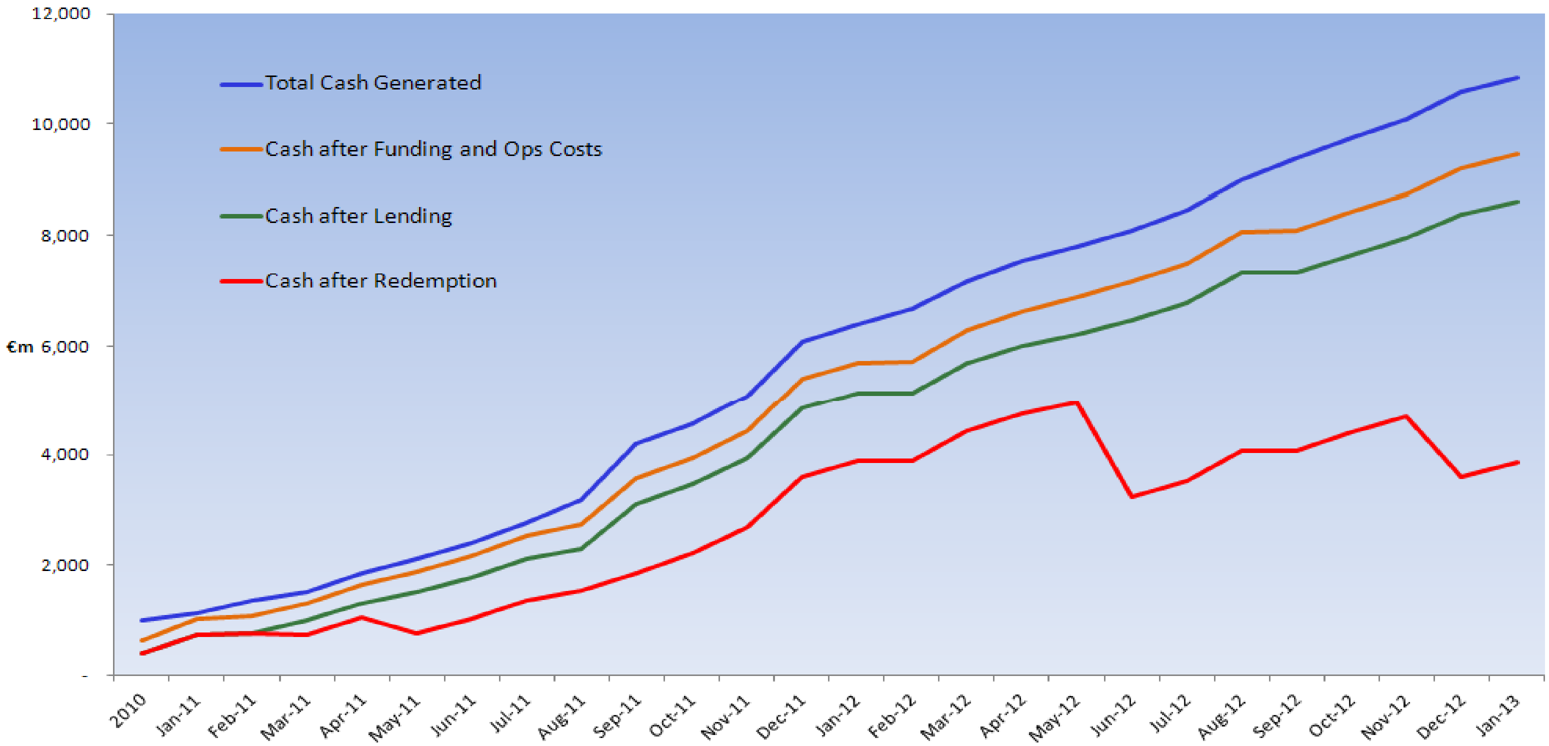
Four-fold benefits from Promissory Note deal

- **NPV reduction in Ireland's General Government debt**
  - Interest payments that leave consolidated "Ireland Inc." key here
- **NTMA funding need c.€20bn lower over next decade**
  - Rollover risk much lower on Programme exit
- **General Government Deficit lower statistically in 2014 and 2015 and for a number of years thereafter**
  - Coupon on Promissory Notes was higher than coupon on new bonds
  - There may not be any Deficit benefit in 2013, thanks to up-front costs of IBRC liquidation
- **Deal cements domestic buy-in to final years of fiscal consolidation**
  - Market reaction has been positive

Banking sector recapitalised and right-sized; contingent liabilities recede

- **Bank deleveraging plan has continued apace and other contingent liabilities reduced sharply**
  - Pillar bank deleveraging almost complete by end-2012 ahead of 2013 target
  - State has reformed insolvency laws to deal with mortgage debt overhang
  - Ireland's main contingent liability being reduced: NAMA is well on track to repay €7.5bn by 2013 of its senior bonds (repaid €4.75bn by end-2012)
  - ELG liability down to €73bn by end-2012 (mainly deposits over 100k). Ending of ELG scheme after 28th March 2013 for new liabilities was a big step towards banking system normalisation

NAMA: Generating lots of cash and repaying its debts



Source: NAMA

- **Total cash generated of €10.5 billion between end-Mar 2010 and end-Dec 2012**

- Disposal proceeds €7 billion at Feb 2013 (€3.6 billion generated in non-disposal income by end-2012)
- NAMA senior debt redemptions of €4.75 billion as of end-2012 and other loan repaid of €0.3 billion
- Lending disbursement (new advances) of over €1 billion (end-2012)
- End-year cash and equivalent balances of €3.6 billion

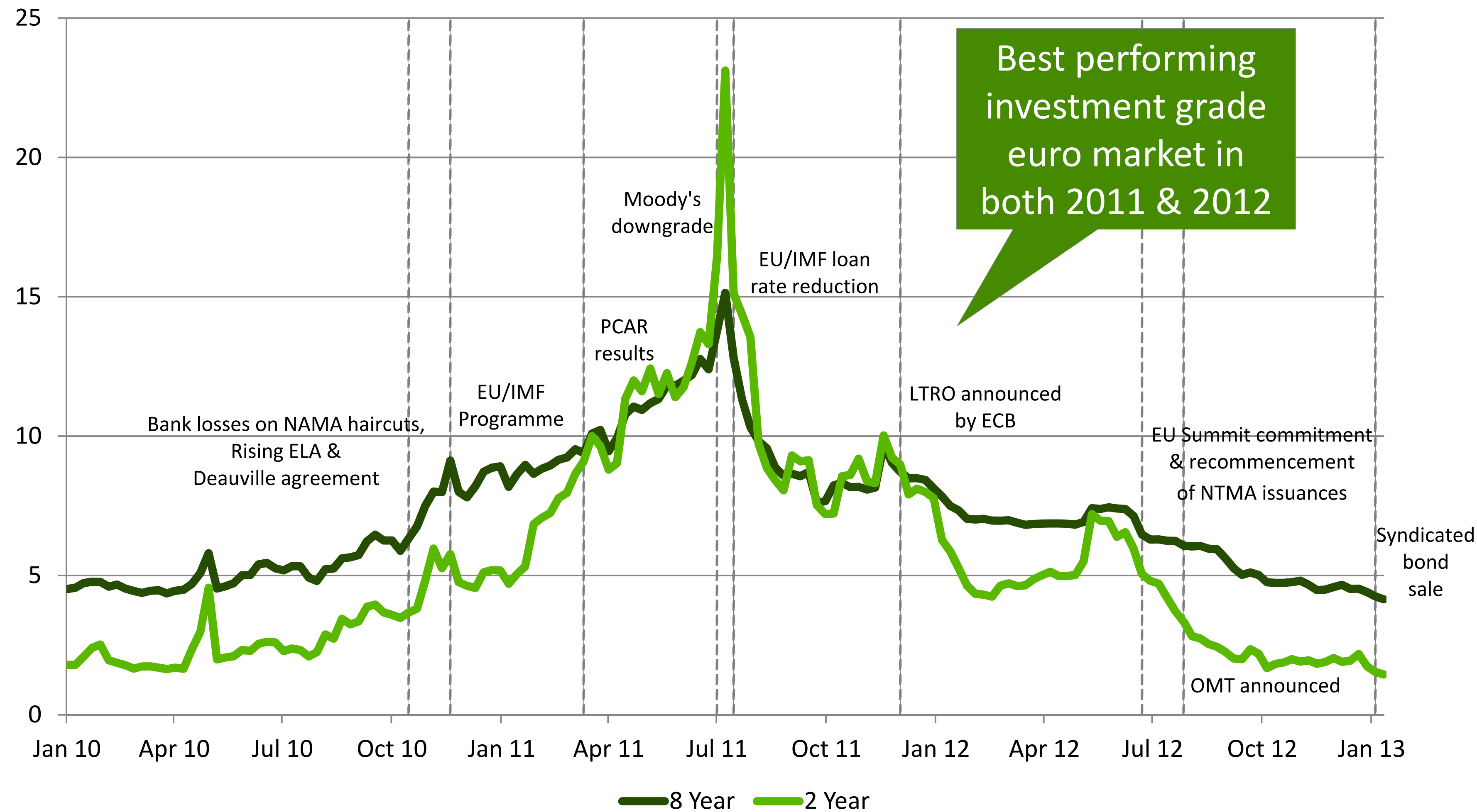
Ireland's credit ratings at inflection point

Outlooks recently upgraded

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

Source: Bloomberg

Irish bond market recovery continues in 2012 (yld: %)



Source: Bloomberg (weekly data)