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What a difference a decade makes !

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Then and now:

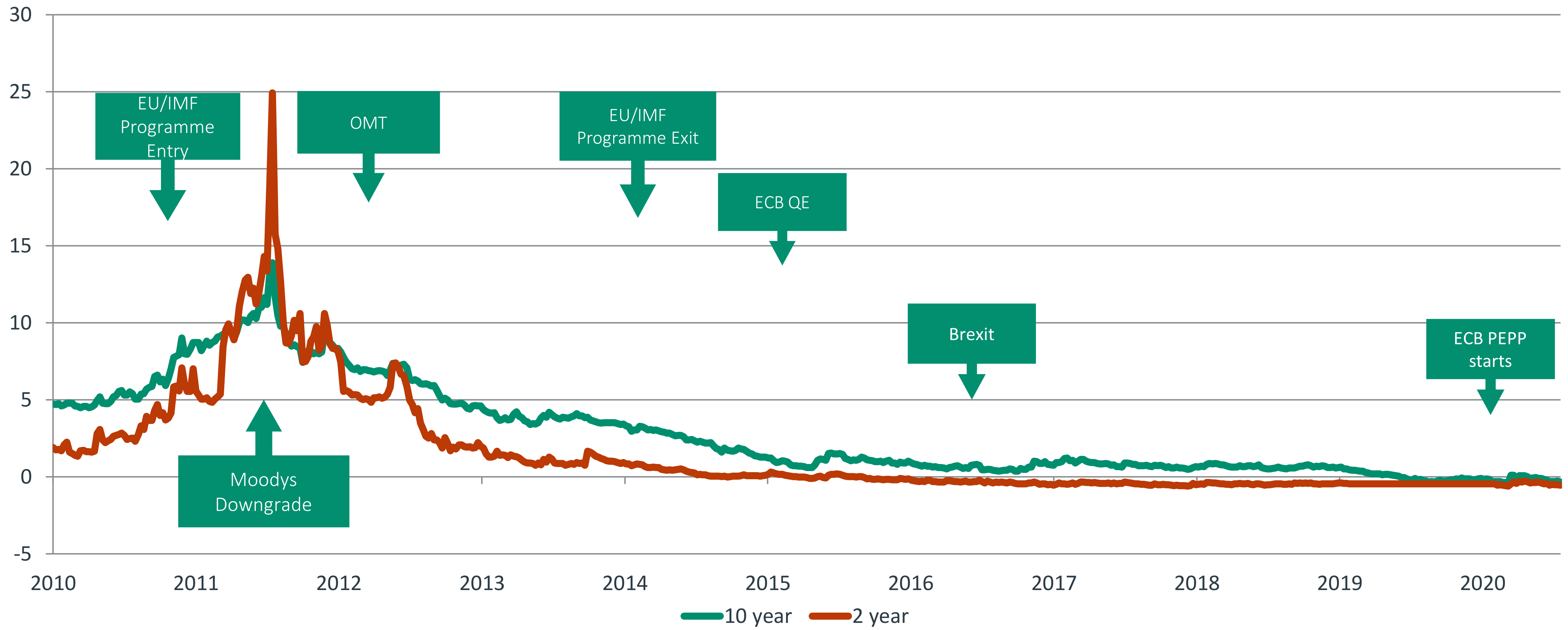
2010

- €20bn to raise
- Crisis (Banking crisis)
- Economic slowdown
  - -22% v. 2007 peak (in GNI* terms)
  - Unemployment: 15.7%

2020

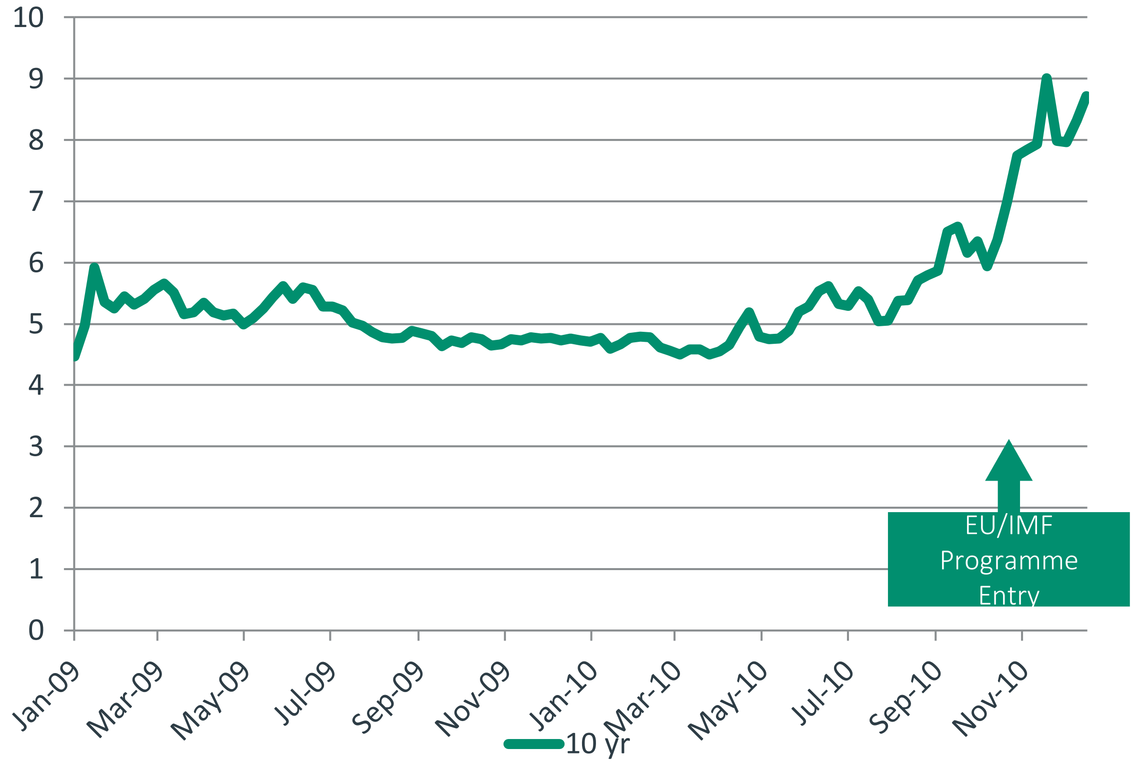
- €20bn raised of €20bn - €24bn range
- Crisis (Covid-19)
- Economic slowdown
  - -10% to -20% (in GNI* terms) [forecast]
  - Unemployment: ~28% (Covid-19 adjusted rate) [*CSO has urged caution on Covid-19 data. The true labour force number is unknown – the labour force survey for Q2 will be key*]

10-year and 2-year yields

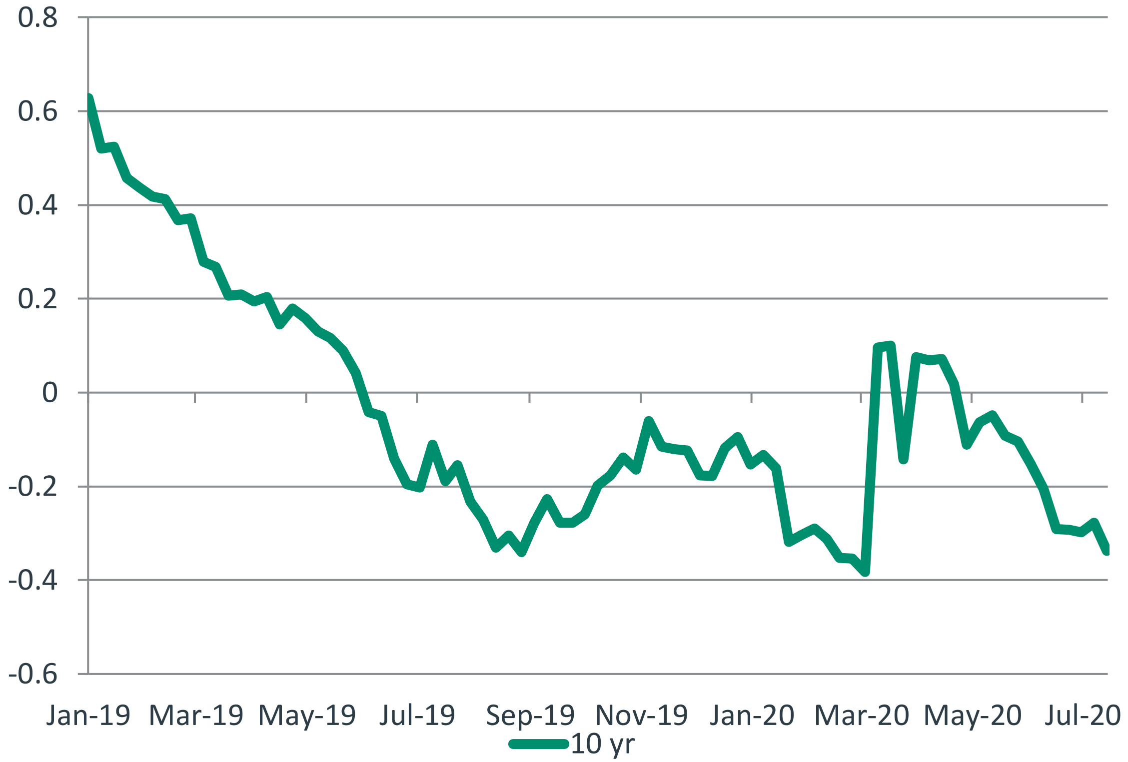


10-year yields

2009 to 2010



2019 to 2020



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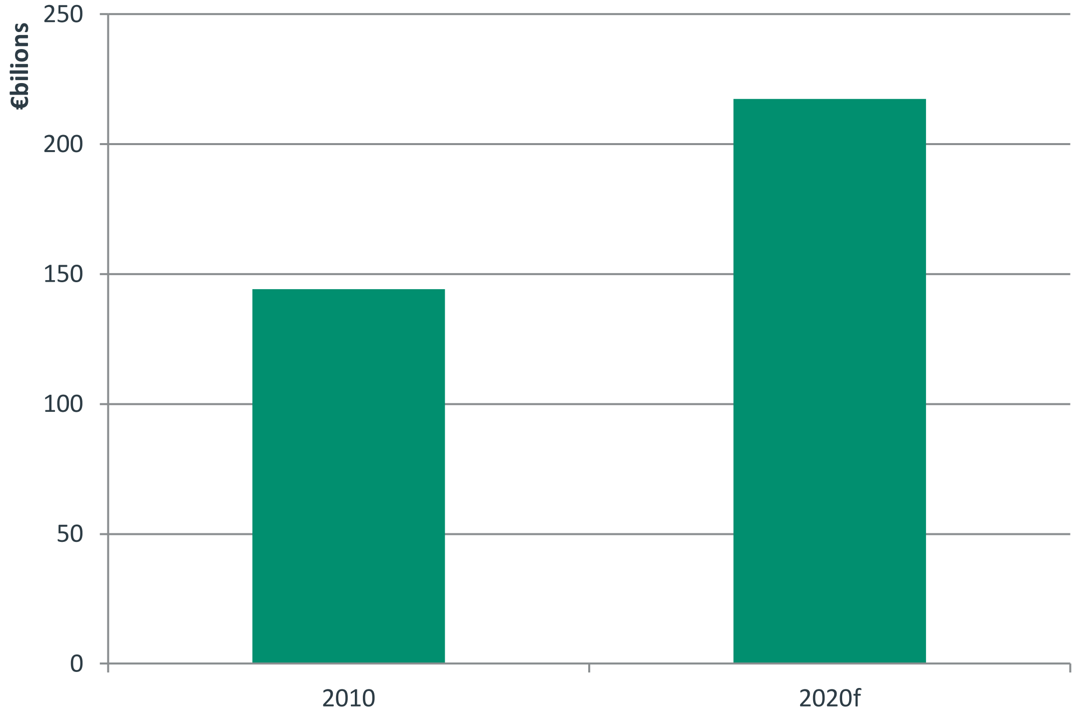
Then and now; issuance:

	2010	2020
Weighted Average Cost	4.70%	0.27%
Weighted Average Maturity	8.8	11.1
Issuance Amount (€ millions)	19,873	20,000
Interest cost (€ millions)	934	54

Then and now; debt:

Stock of Irish Government Debt



Interest payments

N.B.: at these elevated debt stock levels, each 1pp added to the average interest rate is worth €2-2.5bn each year.

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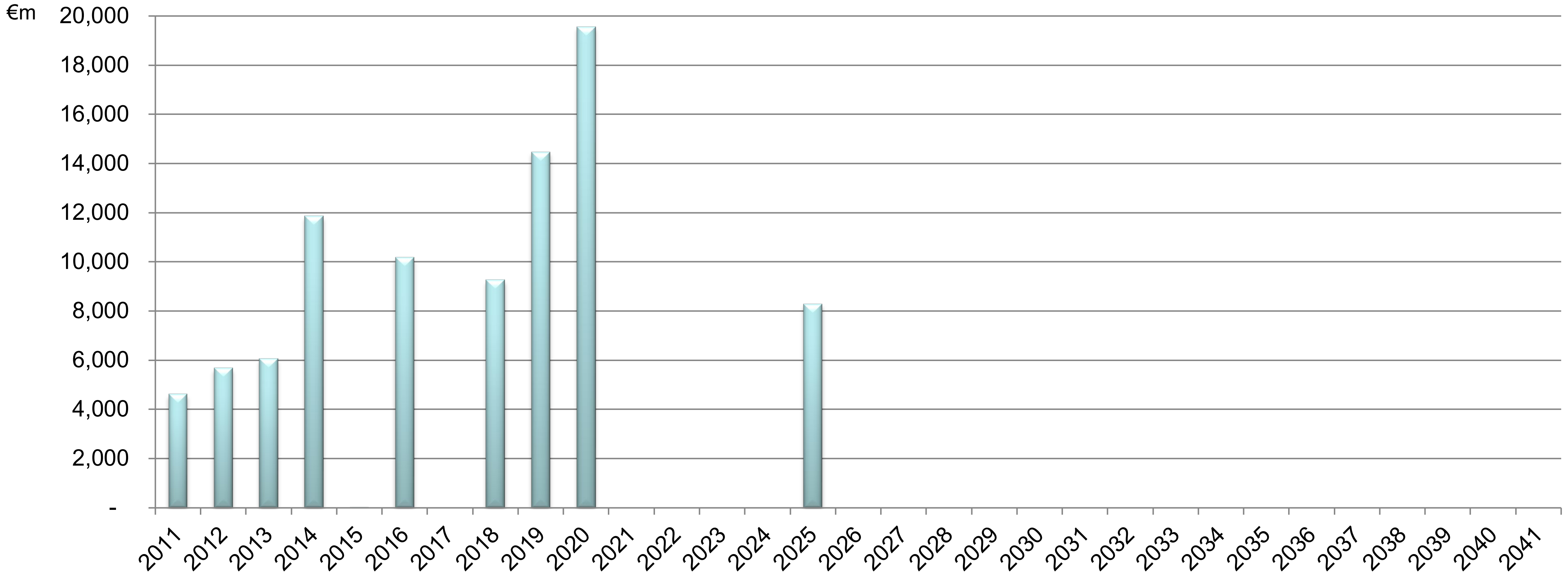
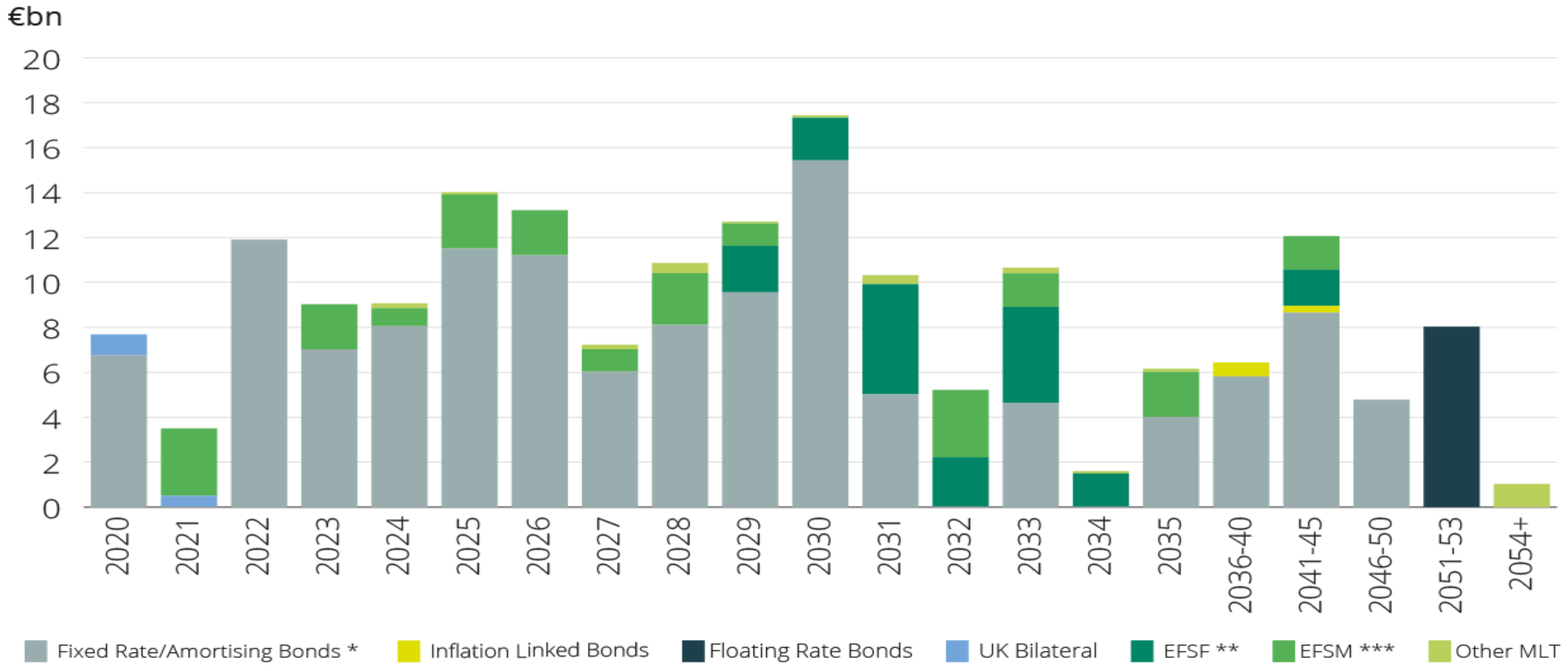
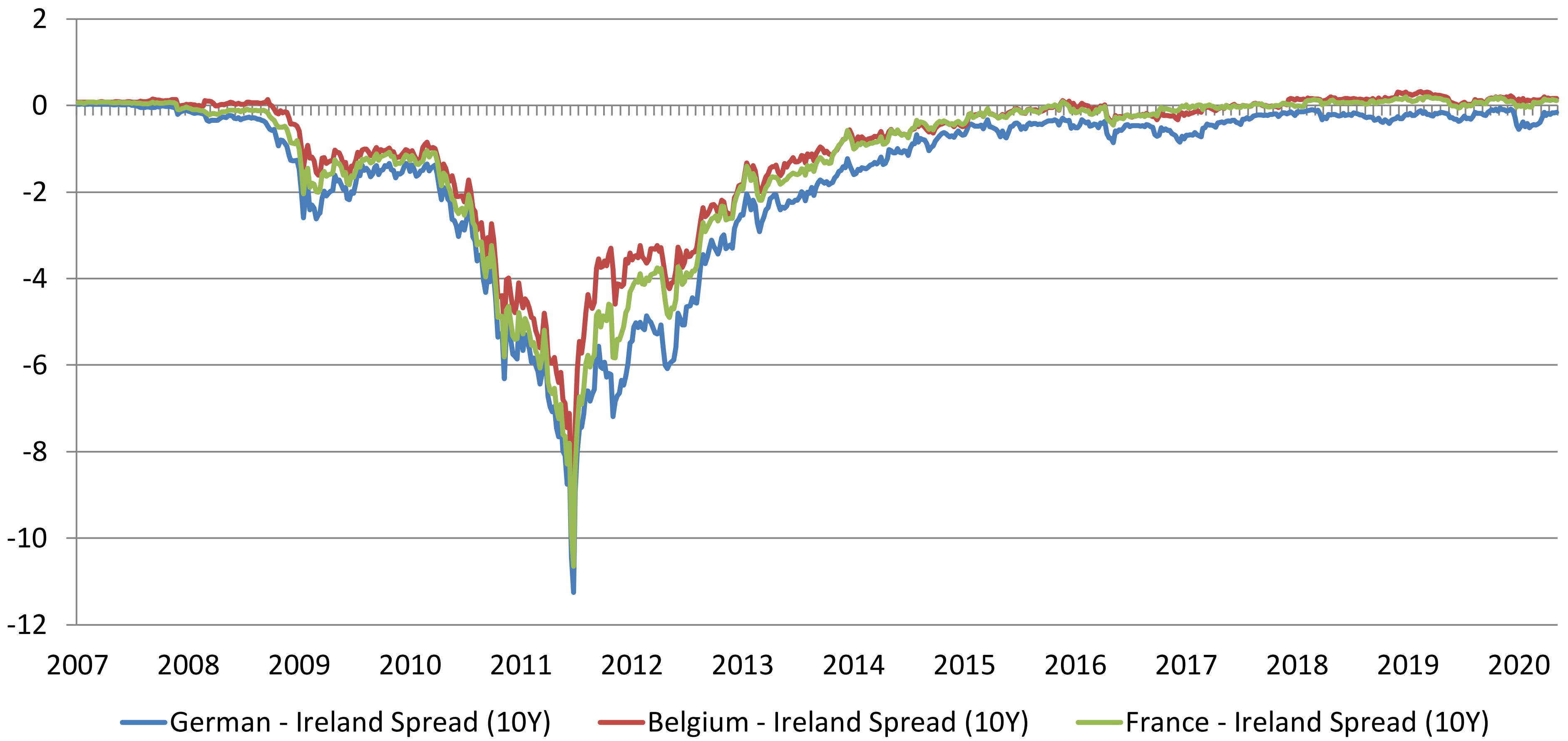
Debt maturity profile 2010



Debt maturity profile 2020



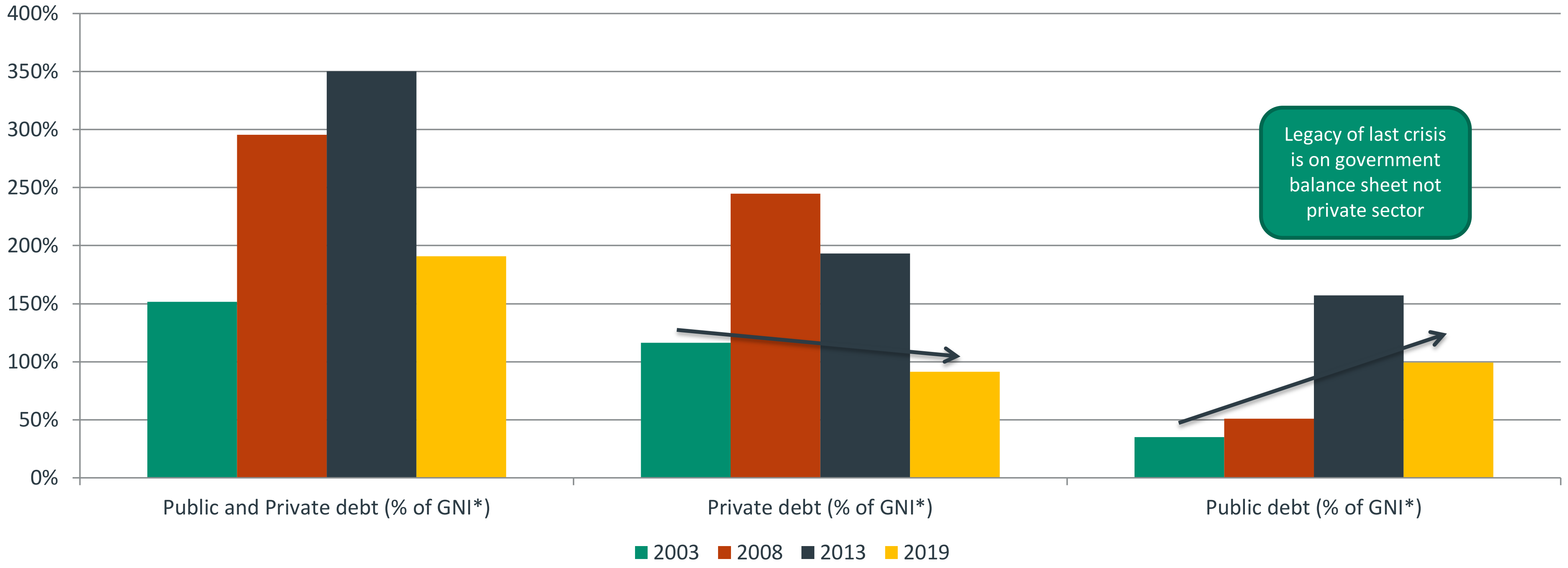
Ireland v. selected countries (10-yr spread)



What is different this time ?

- Crisis is worldwide – Ireland is not an outlier.
- Better starting point – economy is not over-leveraged.
- Credibility of Irish Government having managed the last crisis well.
- Net issuance is lower.
- More EU solidarity
- ECB intervention: key difference for the Eurozone versus 2010.

Ireland has repaired balance sheets – especially households



Source: CSO, CBI
Note: Private debt includes household and Irish-resident enterprises (ex. financial intermediation)
CBI quarterly financial accounts data used for household and CSO data for nominal government liabilities.

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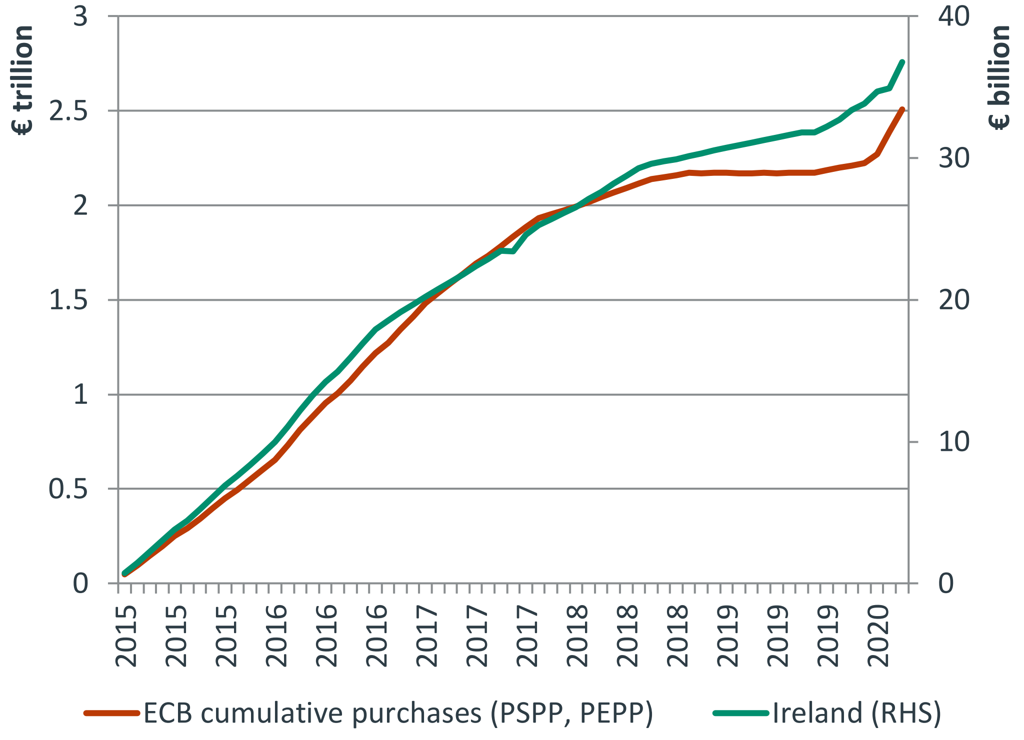
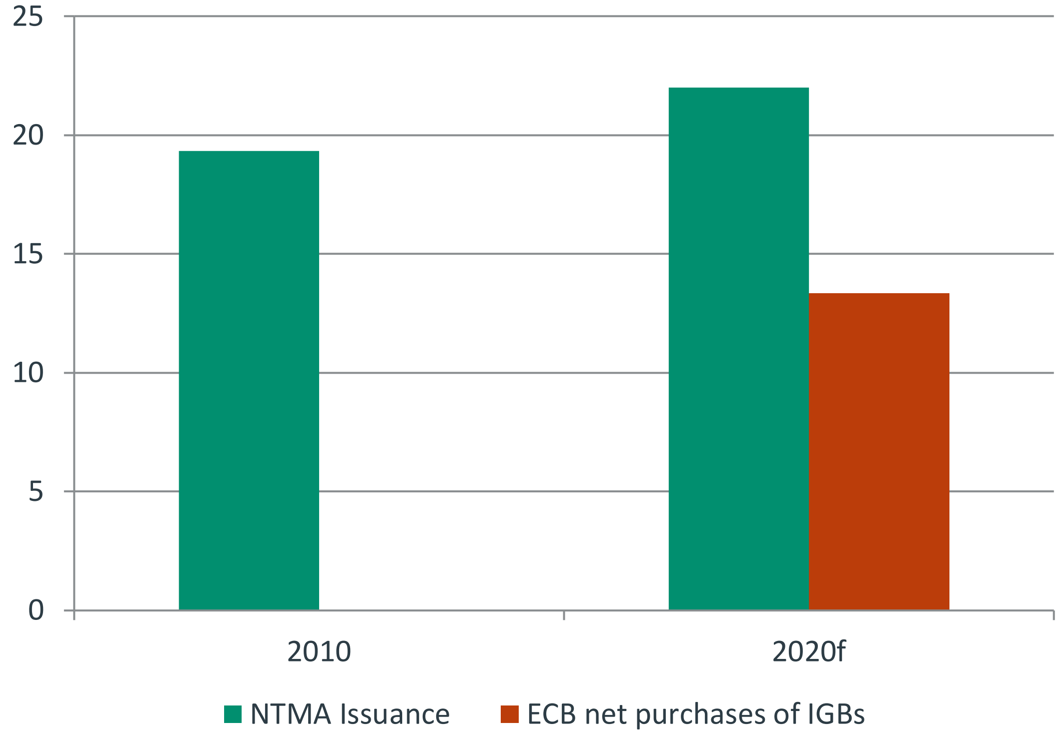
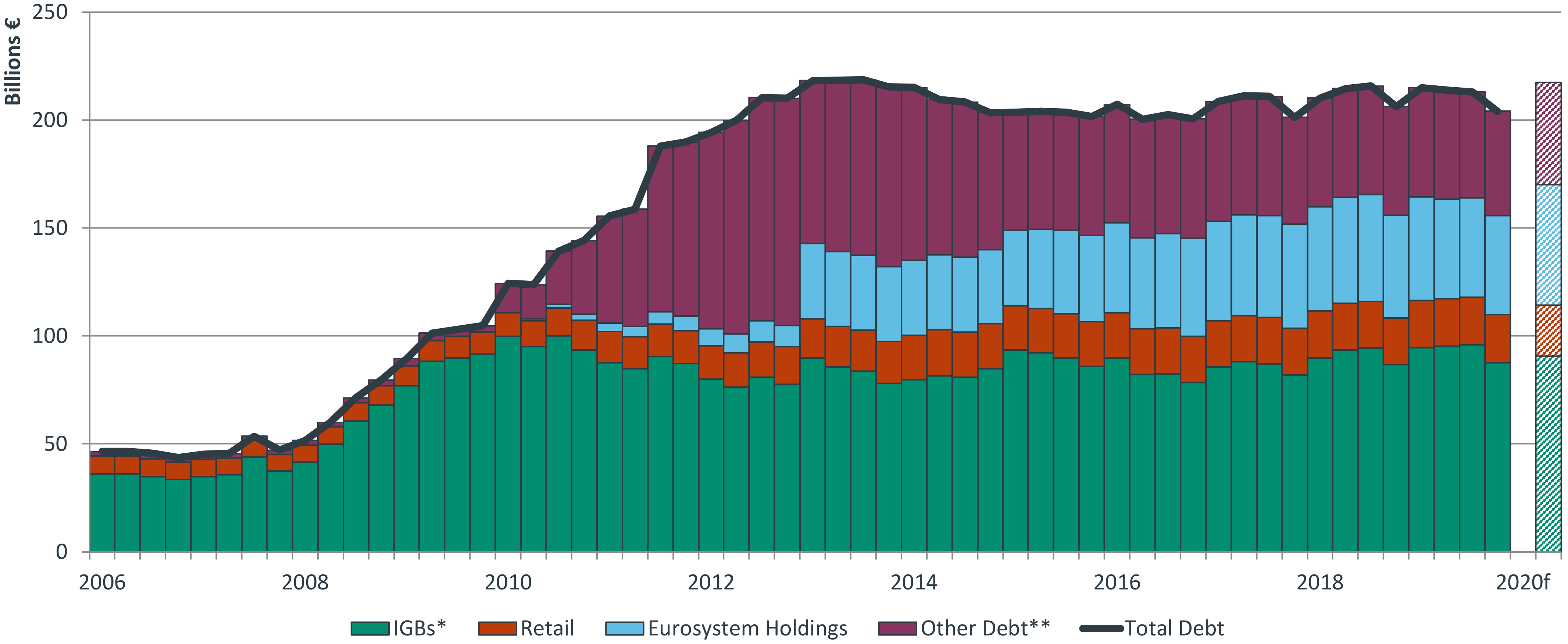
ECB intervention

ECB bought €2.5trn of EA sovereign debt - will add another €1 trn by mid-2021





ECB has become a major holder of Irish debt – likely c.25% by year-end



Source: CSO, Eurostat, CBI, ECB, NTMA Analysis
**IGBs excludes those held by Eurosystem. Eurosystem holdings include SMP, PSPP and CBI holdings of FRNs. Figures do not include ANFA.*
***Other debt Includes IMF, EFSF, EFSM, Bilateral as well as IBRC-related liabilities. Retail includes State Savings and other currency and deposits. The CSO series has been altered to exclude the impact of IBRC on the data.*

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Issues for Pension Funds

- 2010
  - Declining ratings quality but good yields
  - Developing Bond Market
  - Fear of debt restructuring
  - Question of EU support

- 2020
  - Good and improving ratings quality but low yields
  - Developed and liquid Bond Market
  - Low interest rate underpinned by ECB for foreseeable future..
  - Inflation Risk in Long Term?

Issues for Government

- Sparking economic growth while managing a large outstanding and increasing debt stock
  - Need to balance borrowing, spending and debt levels

- Educating the public that fiscal largesse is not endless

- Low interest rate underpinned by ECB for foreseeable future.
  - Inflation Risk in Long Term?

Innovations since 2010

- **<u>Amortising Bonds</u>**
  - The NTMA first issued amortising bonds in 2012.
  - They were issued to meet the needs of the Irish pensions industry , particularly for annuity payments. They were issued at just under 6%.
  - Now yields would be well under 1% so less attractive.
- **<u>Private placements</u>**
  - The NTMA also issues bonds by private placement, under its EMTN (Euro Medium Term Note) Programme.
  - In 2020 to date, we have issued 5 bonds by private placement, totalling €950m. Three of these were 100 year issues.

Cont.

- **<u>Inflation-linked Bonds</u>**
  - The NTMA issued its first inflation-linked bond in April 2017: €610m.
  - It matures in April 2040 and has an annual coupon of 0.25%. The interest payments and principal repayment are linked to the Eurostat Harmonised Index of Consumer Prices (HICP) for Ireland, ex. tobacco.
  - A second inflation-linked bond was issued in 2019. This was also a private placement, for a total of €300m, maturing in 2045.
- **<u>Green Bonds</u>**
  - Initial €3billion of 10-year issued in 2017 with a tap of €2billion in 2019.
  - Annual reports on allocation and impact in line with international best-practice.

Thank you

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