MIDYEAR BUSINESS UPDATE
& ANNUAL REPORT 2017

Chief Executive: Conor O’Kelly
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
US MONETARY POLICY IS TIGHTENING – STRONG SIGNAL WE ARE LATE CYCLE

10 Year
Fed Funds Rate
MARKET AND FED BOTH THINK US INTEREST RATES WILL CONTINUE TO RISE

Sources: Fed, Bloomberg
FUNDING AND DEBT MANAGEMENT

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

Sources: DataStream
FUNDING AND DEBT MANAGEMENT

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

Source: DataStream, Bloomberg
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.
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
INTEREST COSTS WERE EXPECTED TO REACH ALMOST €10BN BUT NOW ARE BELOW €6BN A YEAR – HEADING FOR €5BN

Source: CSO, Department of Finance
Forecasts (SPU 2018)
NTMA cash balances at end-June. Ireland not beholden to markets in volatile times.

Total issuance so far in 2018 - 70% of the mid-point of the €14bn-€18bn target issuance. Average maturity 12 years. Interest rate of 1.04%.

€4bn raised through the syndicated sale of a new 15 year benchmark bond. Yield of 1.319%.

€4bn raised through the syndicated sale of a new 10 year benchmark bond. Yield of 0.944%.

Floating Rate Notes cancelled in 2018 YTD. €13.5bn of FRNs remaining.
IRELAND’S DEBT SERVICEABILITY FLATTERED BY DEBT TO GDP: OTHER METRICS HIGHLIGHT ELEVATED DEBT POSITION

<table>
<thead>
<tr>
<th>2017</th>
<th>GG debt to GDP %</th>
<th>GG debt to GG revenue %</th>
<th>GG interest to GG revenue %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Greece</td>
<td>178.6%</td>
<td>365.8%</td>
<td>6.5%</td>
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<tr>
<td>Portugal</td>
<td>125.7%</td>
<td>292.9%</td>
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<td>Italy</td>
<td>131.8%</td>
<td>282.9%</td>
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<td><strong>Ireland</strong></td>
<td><strong>68.1%</strong></td>
<td><strong>264.2%</strong></td>
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<tr>
<td>Spain</td>
<td>98.3%</td>
<td>259.4%</td>
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<tr>
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<td>EA19</td>
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<td>EU28</td>
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<td>France</td>
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<td>180.0%</td>
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<td>Slovenia</td>
<td>73.6%</td>
<td>170.8%</td>
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<tr>
<td>Austria</td>
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<td>Germany</td>
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<td>141.9%</td>
<td>2.3%</td>
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<tr>
<td>Netherlands</td>
<td>56.7%</td>
<td>130.0%</td>
<td>2.2%</td>
</tr>
</tbody>
</table>

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.

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.

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

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

**IRELAND STRATEGIC INVESTMENT FUND**

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

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

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

NewEra Advisory Functions

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

- New Roles 2017
  - An Post
  - Transport Assets
  - Vhi

- State Owned Existing Companies
  - Bord na Móna
  - Coillte
  - EirGrid
  - Ervia
  - ESB
  - Irish Water

- Acquisitions, Disposals, Reorganisations, Restructurings
- Board Appointments (Chairperson, Directors, CEO) and Remuneration
- Financial Performance, Return on Capital and Dividend Policy
- Effective and Efficient Use of Capital
- Corporate Strategy
- Capital and Investment Plans
The SCA was managing 9,956 active claims with an estimated outstanding liability of €2.7bn at end 2017.
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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