



National Treasury Management Agency



National Development Finance Agency



National Pensions Reserve Fund



State Claims Agency

Press Release

Preliminary Results for the Year 2008

www.ntma.ie

The information within is based on bond prices quoted on the Irish Stock Exchange on 30 December 2008 and, in the case of foreign exchange, on rates notified by the Central Bank as of close of business on 30 December 2008. Data in respect of the National Pensions Reserve Fund are, in the case of direct quoted investments, based on valuations as of close of business on 30 December and, in the case of indirect investment vehicles, based on the most recently available valuations. All figures in this statement are preliminary. Unless indicated otherwise, all figures are in euro. Debt ratios are based on Department of Finance estimates for EBR and GGB and CSO figures for GDP and GNP.

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1. SUMMARY OF ACTIVITY 2008

Overall

- The combined total of asset and liability portfolios managed by the NTMA amount to more than €70 billion.
- The value of the NTMA's transactions in 2008 was €652 billion, equivalent to four times Ireland's GNP.
- Fitch Ratings re-affirmed Ireland's AAA credit rating on 24 December 2008.

National Debt

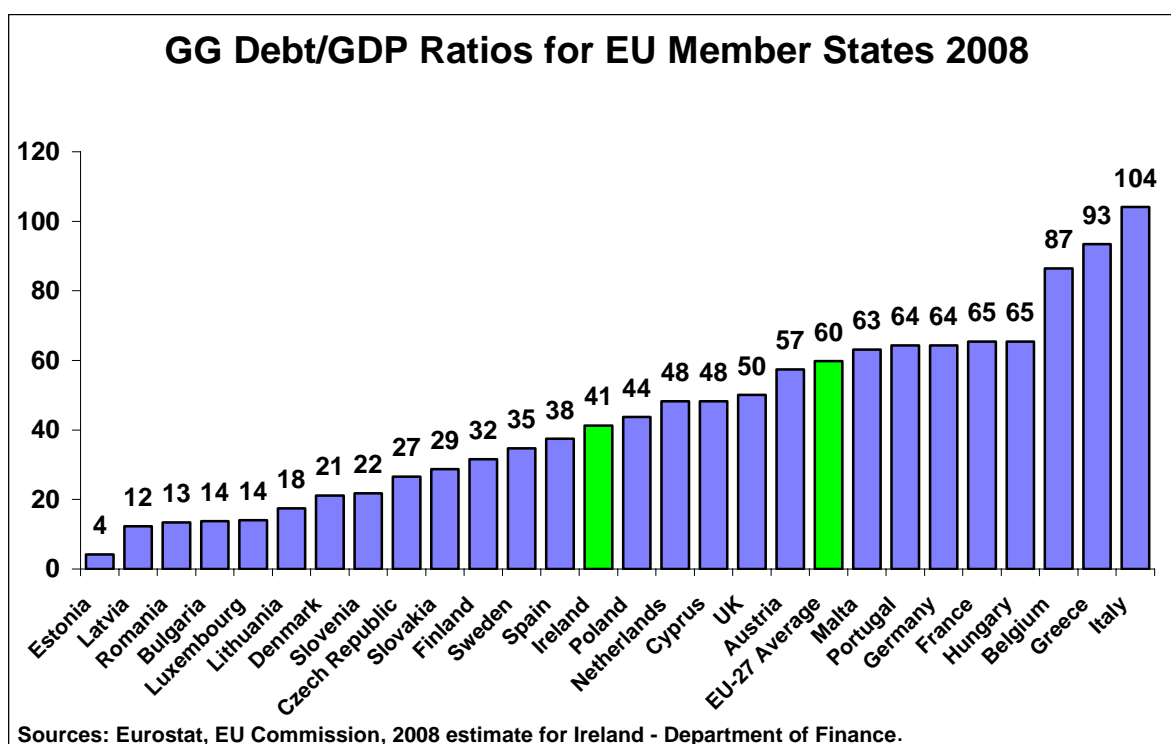
- The Budget for 2008 forecast an Exchequer Borrowing Requirement of just under €5 billion. The latest Department of Finance estimates are for a 2008 EBR of around €13 billion.
- Despite the difficult conditions in global capital markets, the NTMA successfully issued two new benchmark bonds in 2008:
 - In April 2008, the NTMA identified an opportunity to launch an 11-year bond – the 4.4% Treasury Bond 2019. Demand was strong, and an unprecedented €7 billion was issued at a yield of 4.51 per cent. This was the largest deal ever by the NTMA, and one of the biggest in Europe in 2008.
 - In November 2008, in order to take advantage of investor demand for relatively short-dated investments of the highest quality, the NTMA issued a three-year bond – the 4% Treasury Bond 2011. Again the bond was oversubscribed and €4 billion was issued at a yield of 4.028%.

The success of these two deals reflects the confidence of investors in Irish Government bonds.

- The credit rating agencies continue to regard Irish Government debt as among the safest in the world. Moody's, Standard & Poor's, Fitch and Rating & Investment Information Inc. all rank Ireland's debt in the top AAA category with a stable outlook.
- The NTMA's annual net funding requirement is determined by (i) the Exchequer Balance and (ii) maturities of existing loans. Budget 2009 provides for a borrowing requirement of €13.4 billion. In addition a €5 billion bond will fall due for repayment in April 2009, giving a gross debt issuance requirement of €18.4 billion next year. These figures do not take into account any additional funding required as a result of either the deterioration in the public finances since the 2009 Budget was published in mid-October or the bank recapitalisation programme announced by the Minister for Finance on 21 December 2008.

The NTMA has already advised the market that the 2009 net funding requirement will be met by a combination of new syndicated benchmark bond issues and auctions. The NTMA's objective is to further develop a continuous and liquid yield curve for Irish Government bonds. The NTMA is in a comfortable cash position at end 2008 with over €20 billion in Exchequer cash balances and will decide on the timing of its issuance programme in the light of market conditions.

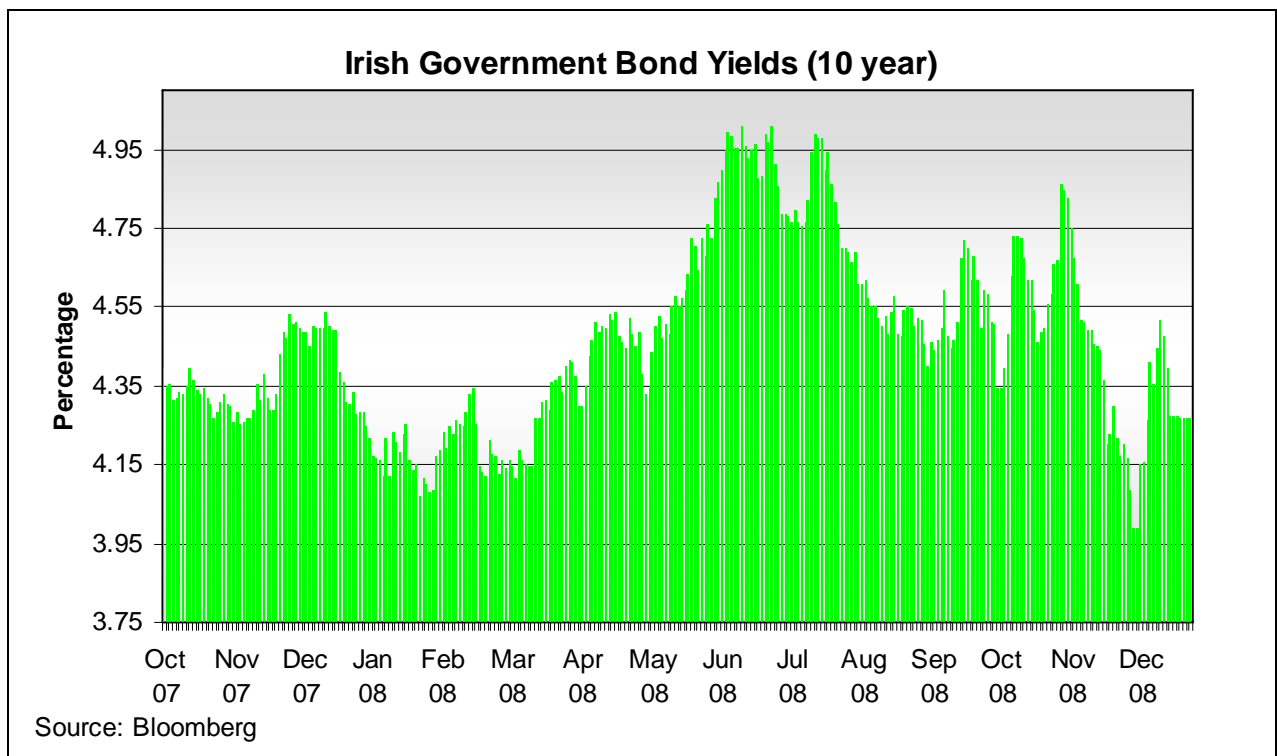
- In line with the 2008 EBR, the National Debt increased by €13 billion and now stands at €50.7 billion. The National Debt/GNP ratio increased from 23.3 per cent at end 2007 to 32.5 per cent at end 2008.
- The General Government Debt/GDP ratio ended the year at 41.3 per cent, up from 24.8 per cent at end 2007. It continues to be well below the EU average of 59.8 per cent. The General Government Debt measure does not allow the €20 billion in cash balances (more than 10 per cent of GDP) to be offset against the gross position.



- Deducting the value of the National Pensions Reserve Fund and other funds managed by the NTMA from the gross debt would give a Debt/GDP ratio of around 30 per cent at end 2008. Subtracting Exchequer cash balances reduces the ratio further to 20 per cent.
- The Exchequer's interest payments on the Debt were €1.545 billion, compared with €1.618 billion in 2007. This represents 3.8 per cent of tax revenue; the equivalent figure was 26.7 per cent when the NTMA was established in 1990. This reduction in the interest burden has freed up substantial resources which the Government can use for other purposes.
- Total debt service costs in 2008 were €390 million below budget. In 2007 debt service savings of €358 million were achieved.

- This year saw unprecedented volatility in global capital markets. One result of this was the increased spread in the cost of funding that all European countries pay over the German benchmark rate. However, sovereign bond yields globally have declined sharply in absolute terms due to the reductions in official rates, the markets' belief that the threat of inflation has receded and the prospect of continued contraction in the major economies. As a result, yields on Irish bonds were lower at end 2008 than they were at end 2007.

Bond	30/12/2008	31/12/2007	Change
4% Treasury Bond 2011	3.27%	-	-
5% Treasury Bond 2013	3.68%	4.27%	-0.59%
4.6% Treasury Bond 2016	3.94%	4.35%	-0.41%
4½% Treasury Bond 2018	4.25%	4.49%	-0.24%
4.4% Treasury Bond 2019	4.48%	-	-
4½% Treasury Bond 2020	4.46%	4.55%	-0.09%



- At end 2008, 83 per cent of the National Debt carried fixed rates of interest. The balance mainly related to the retail savings schemes and commercial paper programmes. The high level of fixed interest debt is a result of the policy of locking in long-term borrowing at historically low levels of interest, protecting the Exchequer against the effects of rising interest rates.
- International investors hold 91 per cent of Irish Government bonds, up sharply from 22 per cent at end 1998, just before the introduction of the euro.
- Exchange rate risk in economic terms has been eliminated from the National Debt, as all of the debt is now denominated in, or swapped into, euro.

- Net receipts from the Government retail savings schemes were €1.25 billion, which is double the highest annual level of receipts from the schemes in any year since the NTMA was established in 1990. Some €680 million was received during the month of September, before the Government's bank guarantee scheme was announced (on 30 September). Since then a further €350 million has been received.

Other NTMA Financial Activities

- The NTMA manages the balance in the Exchequer Account at the Central Bank of Ireland. The 2008 turnover on cash management operations was €311 billion, while the average daily transaction size was €306 million. The NTMA targeted end year Exchequer balances of around €20 billion, building up ample liquidity for 2009.
- The NTMA operates the Central Treasury Service (CTS) to provide health, education and local government authorities with a competitive alternative to the banking sector for both borrowing and lending. An average of €44 million in loans to local authorities was outstanding during 2008; CTS customers had an average of €208 million placed on deposit with the NTMA.
- The NTMA manages the assets of the Social Insurance Fund (€2.8 billion at end 2008), the Dormant Accounts Fund (€150 million) and the Education Finance Board Fund (€6.8 million).
- The NTMA manages a passive bond portfolio for the National Pensions Reserve Fund. The portfolio stood at €1.6 billion at end 2008. The Fund's cash balances, currently about €1.7 billion, are also managed by the NTMA.
- The foreign exchange transactions required by the NPRF for its investments in non-euro assets and for the Fund's long-term hedging strategy are executed by the NTMA. Turnover on these activities in 2008 amounted to €43.2 billion. Settlement of hedge transactions was moved to a central counterparty in 2008 to ensure continuous linked settlement and eliminate settlement risk.
- The NTMA borrows on behalf of the Housing Finance Agency. These borrowings averaged €7 billion in 2008. Turnover was €60 billion.
- The NTMA acts as agent for the State with responsibility for the purchase of carbon credits required to meet Ireland's obligations under the Kyoto Protocol. In 2008 the NTMA purchased 3.455 million carbon units which were delivered into the NTMA's Irish Registry account at the Environmental Protection Agency. The NTMA also contracted for 900,000 units to be delivered in 2009. These combined purchases account for almost 25 per cent of the required purchases (18 million units) as outlined in the National Climate Change Strategy 2007-2012.

National Pensions Reserve Fund

- The NPRF was established in April 2001. Its objective is to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically due to the ageing of the population.
- The Fund's investment return from 1 January to 30 December 2008 was minus 29.5 per cent. Its annualised performance since inception is 0.6 per cent (compared to 6.0 per cent at end 2007). Its market value at 30 December 2008 was €16.4 billion.
- The Fund's performance reflects the exceptionally difficult global conditions which marked 2008. Following the rapid and dramatic deterioration of conditions since early September, the credit crisis escalated into the most serious financial and economic crisis since 1929. The major international stock market indices were down in the region of 40 per cent for the year, with the ISEQ index recording a fall of some 66 per cent. All long-term investment funds have been severely affected by these extreme market conditions.

Performance of NPRF and Average Irish Managed Pension Fund to 30 November 2008		
	1 Jan 2008 to 30 November 2008	Inception (April 2001) to 30 November 2008 (annualised)
NPRF	-28.0%	+0.9%
Average Irish Managed Pension Fund	-32.6%	-1.5%

- Despite massive intervention by the world's governments and monetary authorities to restore stability to the financial system and to stimulate the global economy, there is as yet no sign that the worst of the crisis has passed or that markets will start to recover soon.
- The investment strategy of the NPRF Commission is focused on building up a diversified portfolio of equities and other real assets on the basis that – as has historically proved the case - real assets will outperform financial assets (such as bonds) over the Fund's long investment timeframe. While this strategy means that the Fund will suffer volatility over certain short-term periods, ultimately the Fund's performance will be determined by the long-term growth of the global economy over a 25 to 30 year period rather than by sharp market movements in response to extreme events.
- On 21 December 2008 the Minister for Finance announced a €5.5 billion investment by the State to recapitalise credit institutions in Ireland, with the State prepared to underwrite a further €2 billion issuance of core tier-1 capital. While the NPRF Commission will need to review the detail of its investment strategy in the light of the recapitalisation programme, on a broader level it will continue its approach of investing across a range of real and financial assets in order to maximise the Fund's potential long-term return.

- The Fund has increased its cash balances and maintained a cautious approach to equity investment since the onset of the credit crisis last year. Current cash balances are €1.7 billion, or 10.4 per cent of the total Fund. The Fund is currently 15 per cent underweight its benchmark equity holding.
- The Fund currently holds shares in approximately 2,600 quoted companies worldwide and holds some 160 corporate debt securities. It holds government bonds issued by ten euro area governments. It has investments with 19 property investment managers and 26 private equity investment managers. It also has investments in seven pooled funds (currency, global tactical asset allocation, and equity funds) and five specialised investment products (index plus equity funds and commodity certificates).

State Claims Agency

- The NTMA is designated as the State Claims Agency (SCA) when performing the claims management and risk management functions delegated to it by the Government under the *National Treasury Management Agency (Amendment) Act 2000*.
- The SCA currently manages 4,297 claims, of which 1,675 (39 per cent) relate to clinical claims against health enterprises.
- The total contingent liability against all active claims at present amounts to €612 million and is comprised as follows:
 - Clinical Claims €500 million (82%)
 - Employer Liability/Public Liability/Property Damage (EL/PL/PD) €112 million (18%)
- Claims activity in 2008:

Claim Category	New Claims Received	Claims Resolved
Clinical Claims	466	545
EL/PL/PD	1,288	1,178
Total	1,754	1,723

- In 2008 the SCA paid out a total of €53.3 million (including costs) against all classes of claims. This figure is broken down as follows:

Claim Category	€m
Clinical Claims	41
EL/PL/PD	12
Total	53

- In December 2008, in the case of *Louise O’Keeffe v Leo Hickey and the Minister for Education and Science*, the Supreme Court held that there was no employment relationship between Mr Hickey and the State defendants and that consequently the State could not be vicariously liable for his sexual abuse of the plaintiff. Approximately 135 similar High Court cases against the State will now fail as a consequence of this case.

National Development Finance Agency

- The NDFA was established on 1 January 2003 in accordance with the *National Development Finance Agency Act 2002* to provide financial advice to State authorities undertaking major infrastructure projects.
- Its objectives are:
 - To ensure that the State gets value for money on all public capital investment projects. The NDFA provides centralised expertise to critically examine all financial, risk and insurance aspects of the Government's capital projects.
 - In accordance with the *National Development Finance Agency (Amendment) Act 2007* the NDFA has full responsibility for the procurement of Public Private Partnership (PPP) projects outside the transport and local authority sectors. This includes all aspects of contract documentation, going to tender for projects, contract negotiation, evaluation of tenders, selection of preferred bidders and monitoring of construction.
- To date 125 projects have been referred to the NDFA for financial advice. The NDFA has now completed its formal advice on 40 projects, of which 21 were PPPs. The NDFA is the designated procurement authority for ten of the 125 projects referred to above.
- The major infrastructure projects referred to the NDFA for financial advice in 2008 include the DART Underground Interconnector project. CIE is the procurement body for this project. NDFA is also providing financial advice to the Railway Procurement Agency on the Metro North and Metro West projects.
- During 2008, construction progressed on a number of projects on which the NDFA has completed its financial advice, including the Criminal Courts Complex, the National Conference Centre and Lansdowne Road Stadium.
- The NDFA is currently engaged in the procurement and pre-procurement of a wide variety of PPP projects including the following, all which made significant progress during 2008:
 - Schools Bundles 1 and 2
 - Third Level Bundle 1
 - National Concert Hall
 - Courthouses Bundle
 - National Radiation Oncology Programme.

Asset Covered Securities

- Certain functions devolve on the NTMA under the *Asset Covered Securities Act 2001* in respect of which it receives an annual fee related to the volume of business activity.
- During 2008, €18.8 billion of asset covered securities were issued in Ireland under the Act, bringing the total amount in issue to €71.5 billion.

Consultancy & International Relationships

- Other countries continue to consult the NTMA with respect to its asset and liability management activities. In 2008 the NTMA provided advice and assistance to a range of institutions including:
 - the Ministry of Finance, India
 - the Ministry of Finance, Japan
 - the Microfinance Foundation, Korea
 - the Ministry of Finance, Turkey
 - the Accountant General's Office, Singapore.

In addition, the NTMA participated in the International Retail Debt Management Outreach Symposium hosted by the World Bank in May 2008.

Human Resources

- The total number of staff currently employed by the NTMA across all its business functions is 170.

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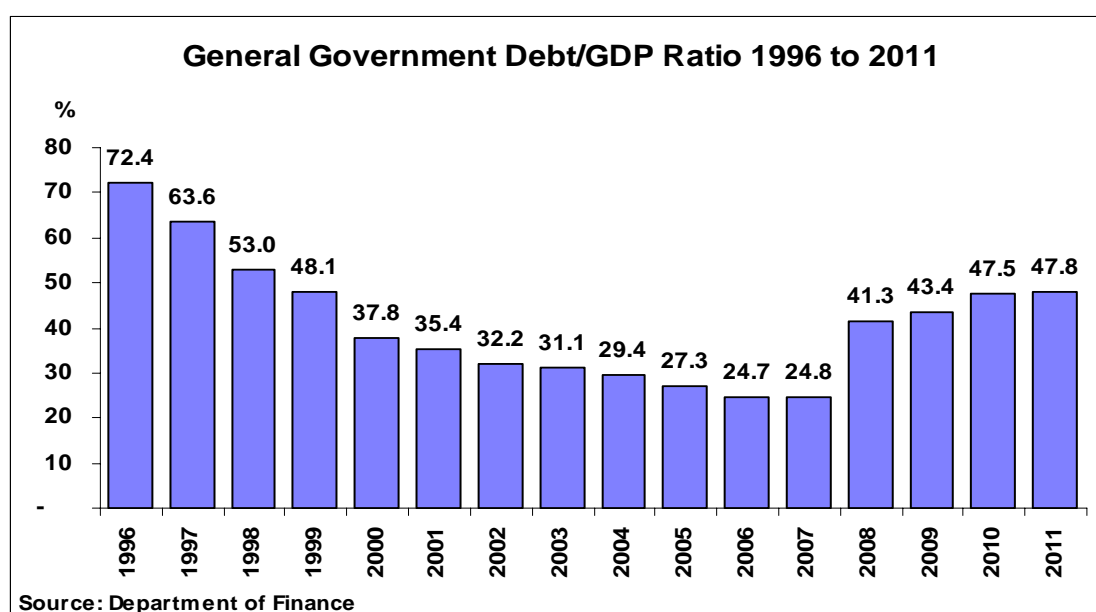
2. GENERAL GOVERNMENT DEBT/NATIONAL DEBT

The National Debt, as traditionally measured in Ireland, is the nominal value of the Exchequer's debt calculated net of Exchequer cash balances and is estimated to be €50.7 billion* at end 2008; an increase of €13.1 billion from €37.6 billion at end 2007. The projected Exchequer Deficit of €13 billion* accounts for virtually all of the increase in the Debt. See Appendix I for detail. The National Debt/GNP ratio increased from 23.3 per cent at end 2007 to 32.5 per cent at end 2008.

General Government Debt (GGD) is the definition used for comparative purposes within the European Union. The National Debt is its principal component. Unlike the National Debt, the GGD does not allow Exchequer cash balances to be offset. In addition, GGD includes local government debt, certain extra-budgetary funds and the accrued interest not provided for in respect of the Government retail savings schemes.

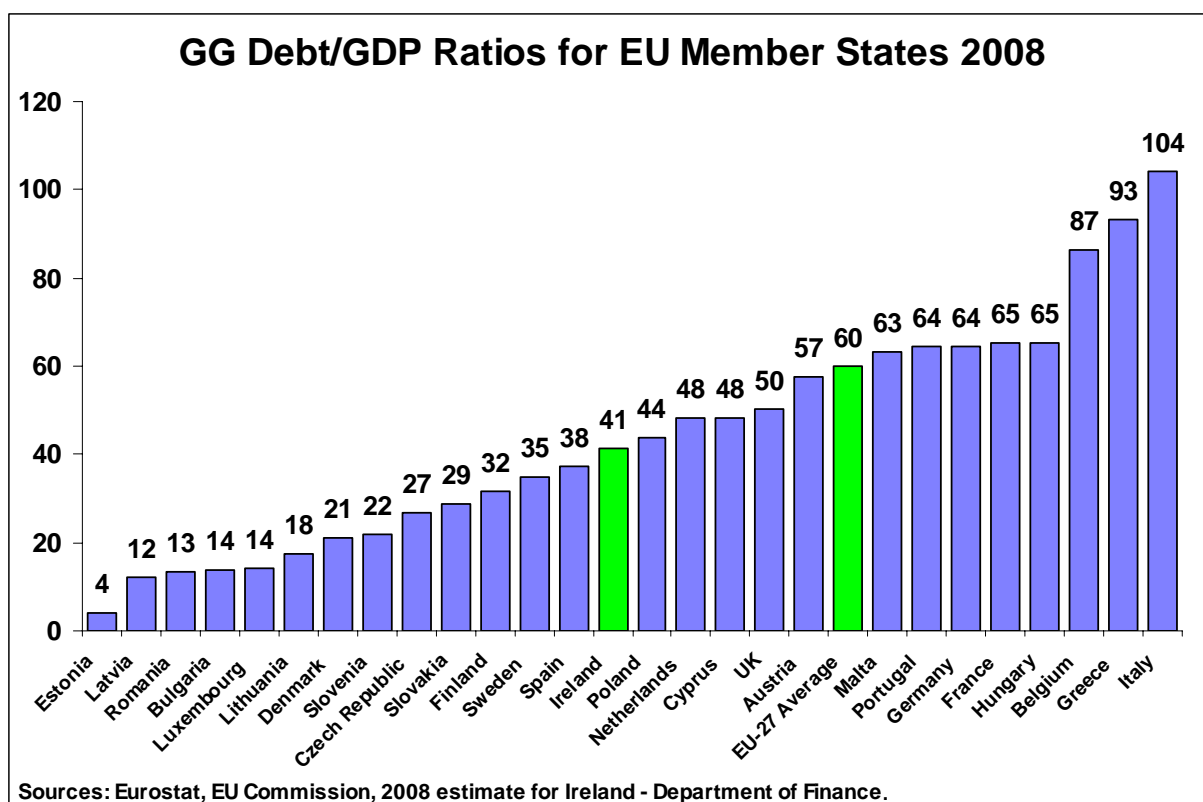
The GGD is estimated at €76.3 billion* at end 2008, an increase of €29.1 billion on end 2007. The GGD/GDP ratio stands at 41.3 per cent at the end of 2008, up from 24.8 per cent at end 2007. The build-up of Exchequer cash balances accounts for 8 percentage points of this increase; the EBR accounts for 7 percentage points.

The Stability Programme Update in Budget 2009 projects a rise in the GGD/GDP ratio over the period 2009 to 2011, peaking at 47.8 per cent.



* Source: Department of Finance forecasts

Ireland still has a relatively low level of indebtedness among the 27 EU Member States. At end 2008, it will be 19 percentage points lower than the EU average.



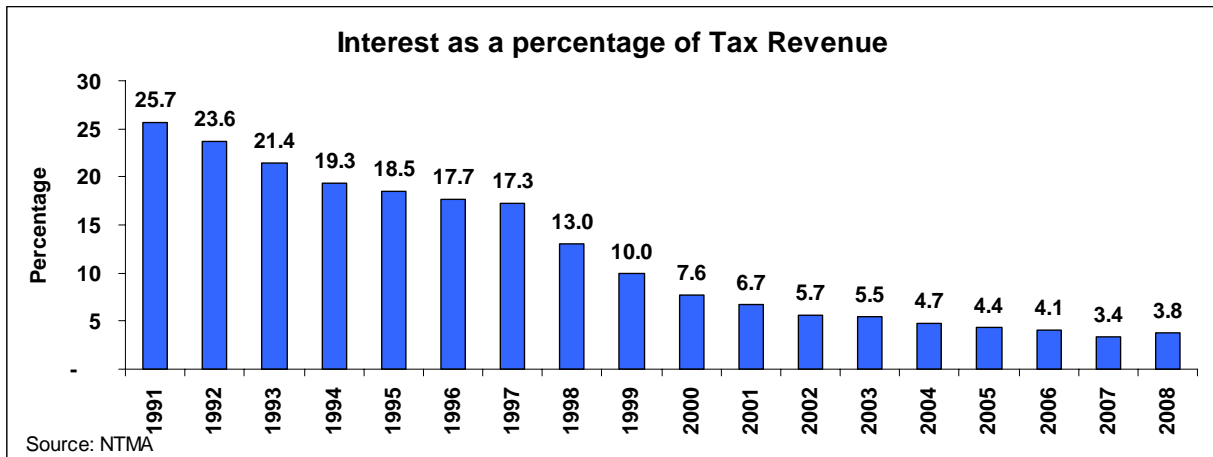
3. DEBT SERVICE COSTS

The Exchequer paid €1.545 billion in interest on the National Debt in 2008, compared with €1.618 billion in 2007. This represents a saving of €90 million against the 2008 Budget. The savings are primarily due to timing issues related to the payment of interest on new borrowings issued in 2008, higher than anticipated deposit interest on Exchequer cash balances, reduced interest rates on borrowings, and certain debt management initiatives.

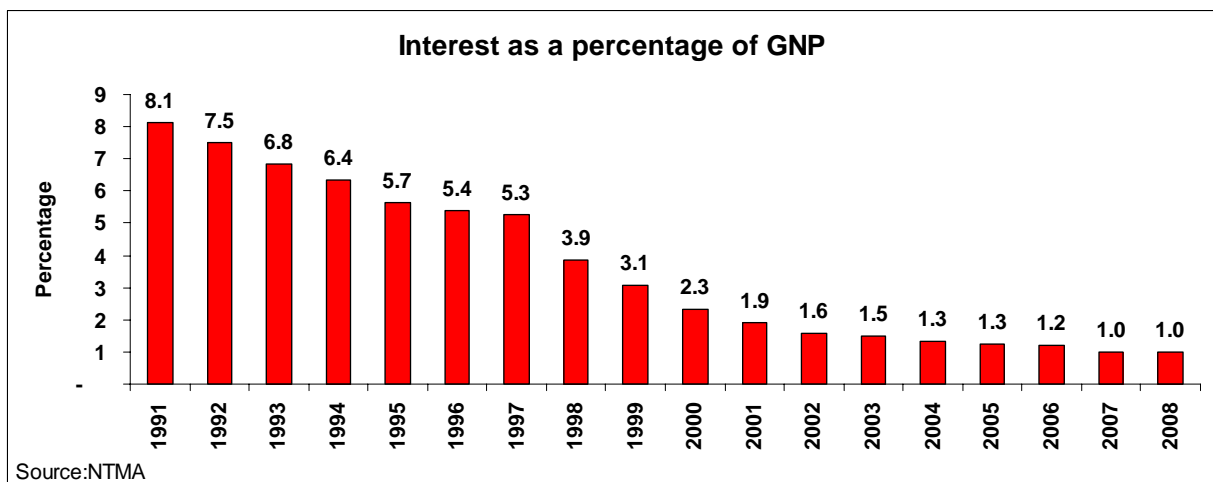
Other items charged to debt service costs included sinking fund annuity payments of €488 million - in effect a technical charge on the current budget which is also reflected as a receipt in the capital budget - and fees and administration expenses of €67 million.

Debt Service Burden

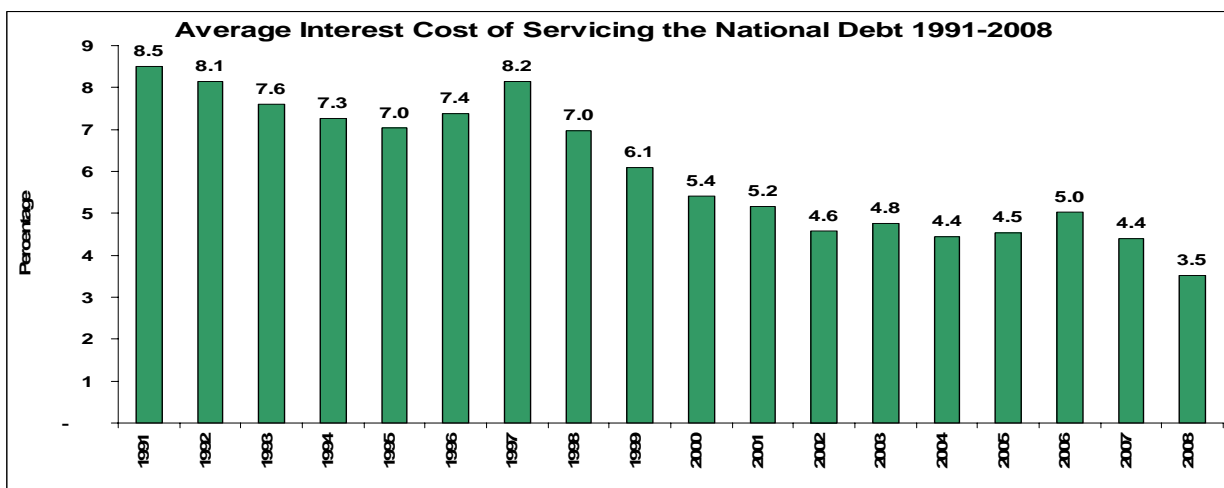
Only 3.8 per cent of tax revenue is now needed to pay interest on the National Debt, compared to 26.7 per cent in 1990 when the NTMA was established.



Interest costs have fallen from 8.1 per cent of GNP in 1991 to 1 per cent in 2008.



The average interest cost of servicing the National Debt has fallen from 8.5 per cent in 1991 to 3.5 per cent in 2008 due to the downward trend in global interest rates, Ireland's improved credit ratings, NTMA's debt management initiatives and Ireland's participation in the euro area.

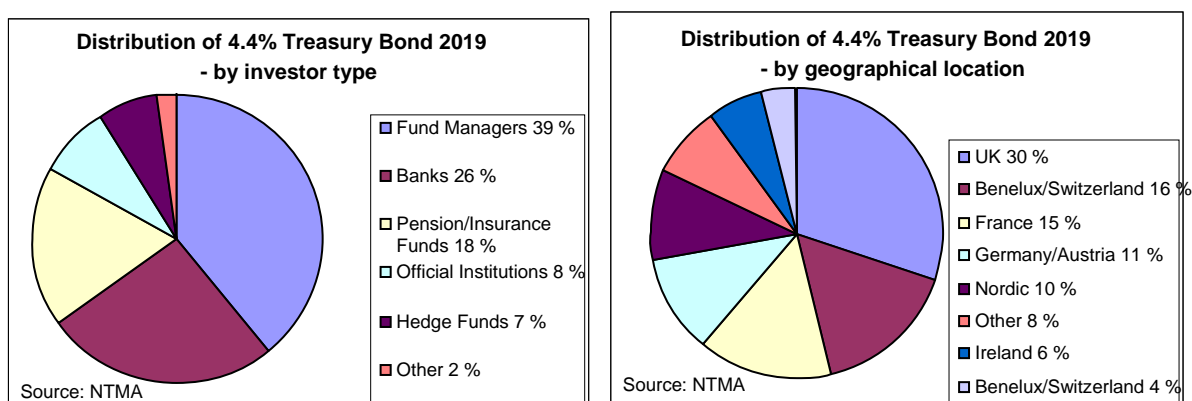


4. FUNDING AND DEBT MANAGEMENT

Bond Market

In April 2008, the NTMA decided to issue, via syndication, a new 11-year bond. After lengthy discussions with financial institutions, the NTMA launched the 4.4% Treasury Bond 2019 to take advantage of a unique funding opportunity in difficult market conditions. Demand for the bond was strong, and an unprecedented €7 billion was issued. This was the largest bond issue by any borrower in Europe since 2004. It was issued at a yield of 4.51 per cent.

Over 180 investors participated in a book that was almost twice oversubscribed and highly diversified. The bonds were distributed across Europe, and also saw significant demand from outside Europe – in particular from Asia. Asset managers took up 38 per cent of the issue, followed by banks with 27 per cent, and pension funds and insurance companies with 18 per cent. Central banks and supranational institutions were also represented, with approximately 8 per cent. The broad distribution highlighted the international appeal of Ireland's bonds, with over 94 per cent allocated outside Ireland.



In November the NTMA successfully raised €4 billion with a second benchmark bond – the 4% Treasury Bond 2011. The bond was designed to take advantage of investor demand in Europe for relatively short-dated investments of the highest quality. The bond was issued at a yield of 4.028 per cent. This was the first sovereign bond issued in Europe after the collapse of Lehman Brothers investment bank in mid-September.

Budget 2009 provides for a borrowing requirement of €13.4 billion. In addition a €5 billion bond will fall due for repayment in April 2009, giving a gross debt issuance requirement of €18.4 billion next year. Other factors, such as a further decline in economic growth and the recently announced bank recapitalisation programme, may result in a higher borrowing figure.

The NTMA plans to hold a series of bond auctions in 2009, including scheduled auctions which will be announced to the market at the beginning of each quarter and, should the occasion arise, extraordinary auctions in response to substantial investor demand. Bonds will be auctioned so as to achieve a target size of €8 billion to €10 billion for each bond. Ireland now has six major benchmark bonds with maturities across the yield curve from three years to 12 years. The NTMA also intends to issue at least two new bonds by syndication in 2009. The timing of the issue and the maturity of the new bonds will be decided in the light of market conditions.

Diversified Holdings of Irish Government Bonds

The investor base for Irish Government bonds has become much more diversified since the introduction of the euro. International investors now hold approximately 91 per cent of our bonds, up from 22 per cent at end 1998 prior to the introduction of the euro.

Ireland's Credit Ratings

All of the four major rating agencies continue to be positive in their assessment of Ireland's credit and all continue to assign the highest possible AAA rating to Ireland's debt, with a stable outlook. Fitch Ratings re-affirmed Ireland's AAA credit rating on 24 December 2008

Government Retail Savings Schemes

Net receipts from the Government retail savings schemes were about €1.25 billion, which is double the highest annual level of receipts from the schemes in any previous year since the NTMA was established in 1990. Some €80 million was received during the month of September, before the Government's bank guarantee scheme was announced (on 30 September). Since then, a further €350 million has been received.

The total value of the Irish personal savings market is now estimated at over €150 billion. The Government retail savings schemes have about 5 per cent of that market, comprising:

Scheme	Amount Outstanding
Post Office Savings Bank (POSB)	€1.8 billion
Savings Certificates, Savings Bonds and Instalment Savings	€4.9 billion
Prize Bonds	€0.8 billion
Total at end 2008	€7.5 billion

Short Term Paper

Over the course of the year there was considerable activity on the NTMA's short-term paper programmes. In response to significant demand for Irish Government commercial paper, borrowings were increased by about €17 billion to fund Government expenditure and build up Exchequer cash balances for 2009. Short-term paper outstanding at the end of the year amounted to about €20 billion.

ECB Liquidity Management

In 2008 the NTMA engaged in short-term cash management transactions to the value of €308 billion in order to regulate the level of Government cash balances at the Central Bank of Ireland. The average size of the daily transactions was €306 million. This activity is undertaken as part of overall management of liquidity by the European Central Bank.

Exchequer Cash Balances

The NTMA has built up ample liquidity for the Exchequer for 2009 and free cash balances at end 2008 are around €20 billion.

5. NATIONAL PENSIONS RESERVE FUND

The National Pensions Reserve Fund was established in April 2001. Its objective is to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically due to the ageing of the population.

The Fund is controlled by the National Pensions Reserve Fund Commission, a body corporate appointed by the Minister for Finance and including, *ex officio*, the Chief Executive of the NTMA. The Commission performs its functions through the NTMA which was appointed as manager of the Fund for ten years until April 2011.

Performance & Investment Strategy

The Fund's investment return from 1 January to 30 December 2008 was minus 29.5 per cent, reducing its annualised performance since inception in 2001 to 0.6 per cent (compared to 6.0 per cent at end 2007). Its market value at 30 December 2008 was €16.4 billion.

The Fund's performance reflects the exceptionally difficult market conditions in 2008 as the worsening credit crisis took its toll on economic growth. Following the dramatic deterioration in conditions since early September - in particular following the collapse of Lehman Brothers - the credit crunch escalated into the most serious financial and economic crisis since 1929, with major international stock market indices down in the region of 40 per cent for the year and the domestic ISEQ index recording a decline of some 66 per cent. All long-term investment funds have been severely affected by these extreme market conditions.

Performance of the NPRF and the Average Irish Managed Pension Fund to 30 November 2008		
	1 Jan 2008 to 30 November 2008	Inception (April 2001) to 30 November 2008 (annualised)
NPRF	-28.0%	+0.9%
Average Irish Managed Pension Fund	-32.6%	-1.5%

Despite massive intervention by the world's governments and monetary authorities to restore stability to the financial system and to stimulate the global economy, there is as yet no sign that the worst of the crisis has passed or that markets will start to recover soon.

The investment strategy of the NPRF Commission is primarily focused on building up a diversified portfolio of equities and other real assets on the basis that – as has historically proved the case – real assets will outperform financial assets such as bonds over the Fund's long investment timeframe. While this strategy means that the Fund will suffer volatility over certain short-term periods – and in severe bear markets it will experience negative returns – ultimately the Fund's performance will be determined by the long-term growth of the global economy over a 25 to 30 year period, rather than by sharp market movements in response to extreme events.

On 21 December 2008 the Minister for Finance announced a €5.5 billion investment by the State to recapitalise credit institutions in Ireland, with the State prepared to underwrite a further €2 billion issuance of core tier-1 capital. While the NPRF Commission will need to review the detail of its investment strategy in the light of the recapitalisation programme, on a broader level it will continue its approach of investing across a range of real and financial assets in order to maximise the Fund's potential long-term return.

Asset Allocation

The Fund has increased its cash balances and maintained a cautious approach to equity investment since the onset of the credit crisis last year. Current cash balances are €1.7 billion (10.4 per cent of the total Fund). The Fund is currently 15 per cent underweight its benchmark equity holding.

NPRF Asset Allocation			
	30 December 2008		End 2009 Target
	€m	%	%
Large Cap Equity	8,794	53.8	56
Small Cap Equity	517	3.1	5
Emerging Markets Equity	198	1.2	5
Private Equity**	616	3.8	10*
Property**	730	4.5	8
Commodities	78	0.5	2
Fixed Income	3,521	21.5	13
Currency and Other Funds	203	1.2	1
Cash	1,698	10.4	-
Total	16,355	100.0	100

* including a 2% allocation to infrastructure

** predominantly based on end-September valuations which are expected to be adjusted downward when end-December valuations are received.

The Fund currently holds shares in approximately 2,600 quoted companies worldwide and holds some 160 corporate debt securities. It holds government bonds issued by ten euro area governments. It has investments with 19 property investment managers and 26 private equity investment managers. It also has investments in seven pooled funds (currency, global tactical asset allocation, and equity funds) and five specialised investment products (index plus equity funds and commodity certificates).

6. STATE CLAIMS AGENCY

The NTMA is designated as the State Claims Agency (SCA) when performing the claims management and risk management functions delegated to it by the Government under the *National Treasury Management Agency (Amendment) Act 2000*. The SCA was established in December 2001. Its principal objectives are:

- to provide a professional and cost-effective service for the management of personal injury and property damage claims against the State; and
- to provide a risk management advisory service with the aim of minimising future litigation.

The SCA's remit covers personal injury and property damage claims against certain State authorities, including the State itself, Government ministers, the Attorney General, health enterprises, the Commissioner of An Garda Síochána, prison governors, community and comprehensive schools and various other bodies.

The SCA currently manages 4,297 claims, of which 1,675 (39 per cent) relate to clinical claims against health enterprises. The total contingent liability against all active claims at present amounts to €12 million and is broken down as follows:

- Clinical Claims €500 million (82%)
- Employer Liability/Public Liability/Property Damage (EL/PL/PD) €12 million (18%)

EL/PL/PD CLAIMS

The SCA currently manages 2,622 active EL/PL/PD claims, broken down by volume as follows:

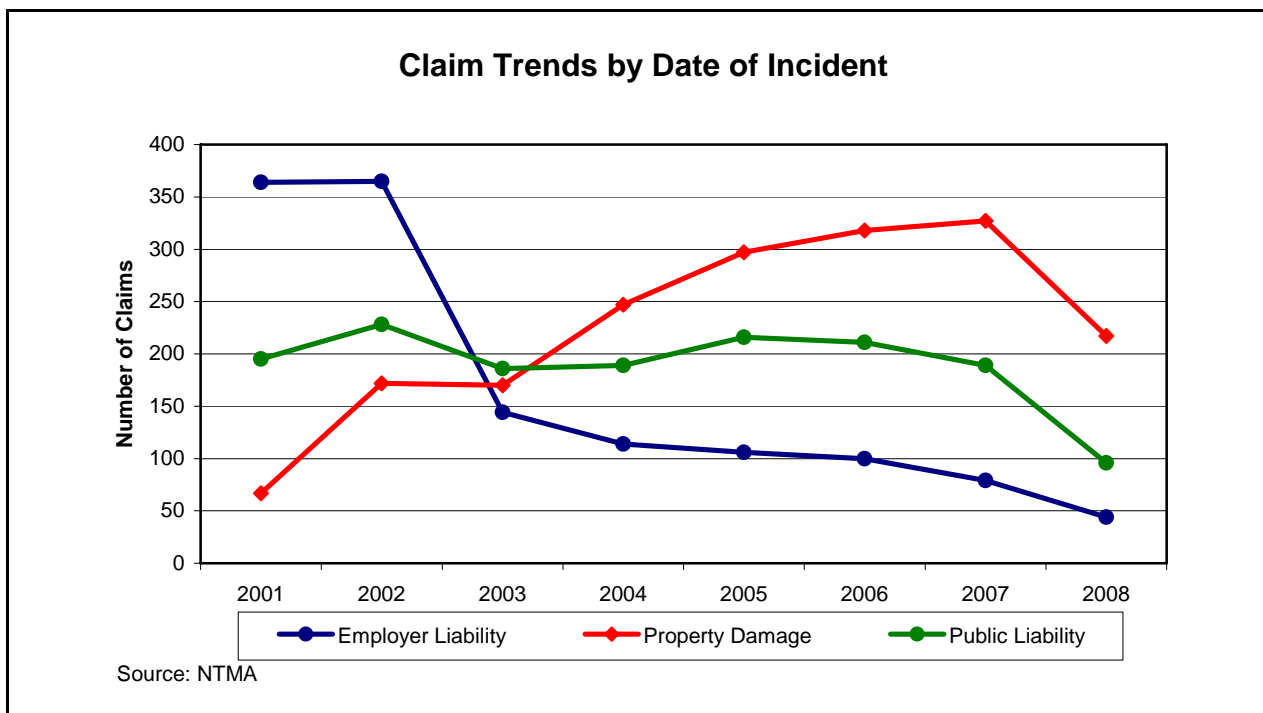
- Employer Liability 46%
- Public Liability 43%
- Property Damage 11%

The SCA received 1,288 new claims in 2008, and resolved 1,178 claims.

Trends

There continues to be a significant decline in EL and PL claim volumes associated with incidents that have occurred since the inception of the SCA. Since 2002, the number of EL claims has fallen by 88 per cent and the number of PL claims has fallen by 58 per cent. The downward trend continued in 2008 with the number of EL and PL claims falling by 44 per cent and 49 per cent respectively. These declines may be overstated however as claims may yet arise from incidents that occurred in 2008.

The above analysis excludes categories of claims such as trespass to the person (including sexual abuse claims) and hearing loss claims, as the majority of these are historical in nature. Over 600 hearing loss claims were transferred by the Department of Defence to the SCA in 2008. When these claims are included, the overall number of active claims under SCA management has increased.



Organ Retention Litigation

In a 2004 test case *Bridget Devlin and Terence Devlin v the National Maternity Hospital* the High Court dismissed the Plaintiffs' action on the basis that they had not made out a case in nervous shock. The Supreme Court upheld this decision. A significant number of other organ retention cases have now been discontinued as a result of this judgement.

Sexual Abuse Claims

The SCA has received 479 sexual abuse claims from the Department of Education and Science, the Department of Health and Children, and the Department of Justice, Equality and Law Reform. Of these claims, 299 are currently active and 180 have been resolved.

In December 2008, in the case of *Louise O’Keeffe v Leo Hickey and the Minister for Education and Science*, the Supreme Court held that there was no employment relationship between Mr Hickey and the State defendants and that, consequently, the State could not be vicariously liable for the sexual abuse of the plaintiff. Approximately 135 similar High Court cases against the State will now fail as a consequence of this case.

Hearing Loss Claims

The SCA received an additional 600 hearing loss claims in 2008. These are historical in nature and many were dormant for a long period of time. This brought the total number of hearing loss claims to 1,231. Of these claims, 668 have been resolved and 563 are currently active.

Employer Liability, Public Liability & Property Damage Risk Management

The SCA has a statutory brief to advise and assist State authorities in managing risks that may give rise to personal injury or property damage litigation. The SCA works closely with all State authorities to promote risk management and to assist them in implementing a variety of risk management initiatives.

The SCA has recommended that all State authorities should implement health and safety risk management systems based on international standards. To this end, the Defence Forces, the Irish Prison Service, An Garda Síochána, the Office of Public Works, the Department of Agriculture and Food, the Revenue Commissioners and others have well advanced the implementation of health and safety management systems in line with legislative requirements and best practice standards.

CLINICAL INDEMNITY SCHEME

The Clinical Indemnity Scheme (CIS) was established in July 2002 to rationalise the existing medical indemnity arrangements by transferring to the State, via health boards (now the HSE), hospitals and other health agencies, responsibility for managing clinical claims and associated risks. Under the CIS, the State assumes full responsibility for the indemnification and management of all clinical claims against enterprises and practitioners covered by the scheme.

Employer liability and public liability claims of health enterprises are expressly covered by insurance policies written by commercial insurers.

Clinical Claims

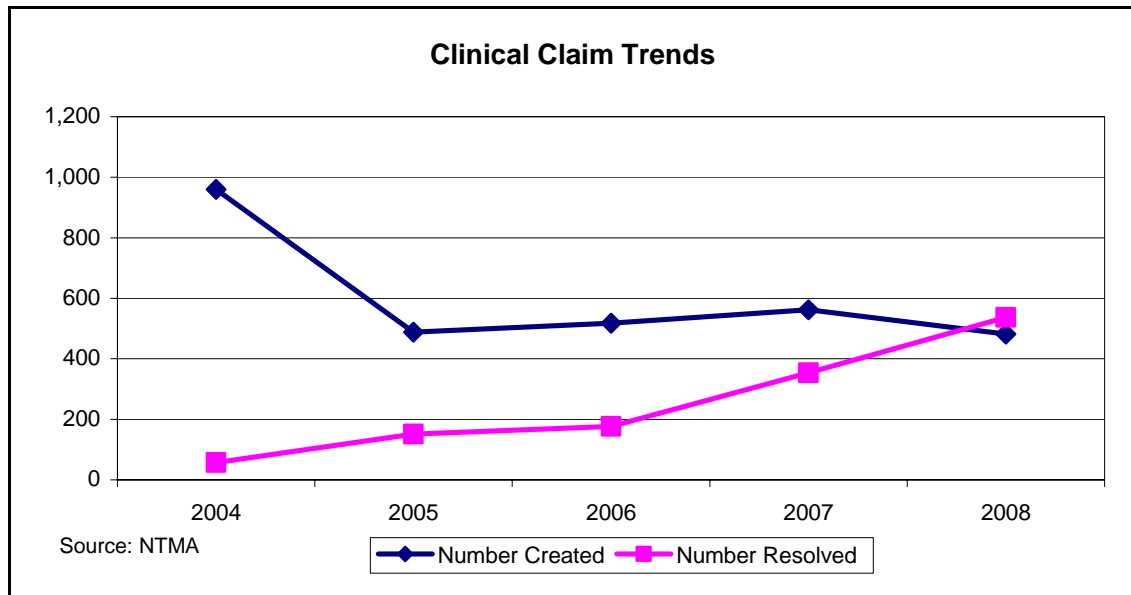
The SCA currently manages 1,675 clinical claims. It received 466 new claims in 2008, and resolved 545 claims.

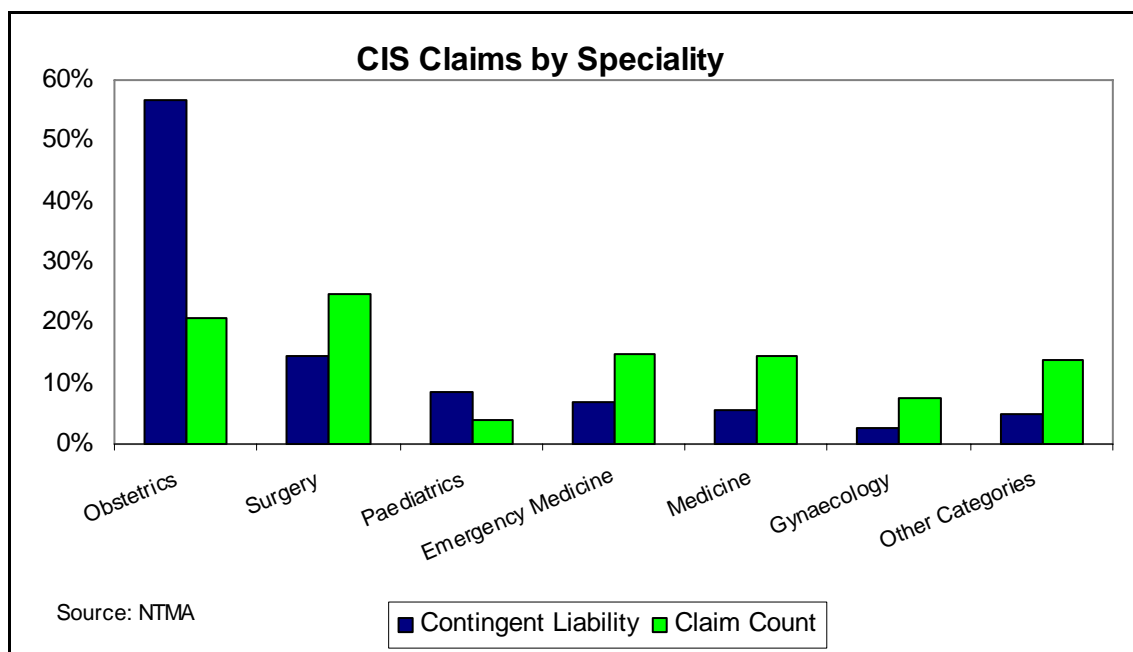
MRSA

The SCA is currently managing 134 active healthcare-associated infection claims. The SCA's first MRSA claim was settled in May 2008.

Trends

In 2008 the number of claims resolved exceeded the number of claims received for the first time since the inception of the CIS. Clinical claims take on average three to five years to resolve and those claims received at inception of the Scheme are now maturing in significant numbers.





The high value of the cumulative contingent liability for obstetric-related claims is explained by the high contingent liability levels associated with cerebral injury/palsy and other significant injury cases.

Clinical Risk Management

The SCA has a statutory brief, as part of the Clinical Indemnity Scheme, to promote clinical risk management in all participating health enterprises. The SCA's Clinical Risk Advisory Service provides advice and assistance to the HSE and other health enterprises and works with risk management and other relevant clinical and administrative personnel to support patient safety and to minimise the occurrence of clinical claims.

7. NATIONAL DEVELOPMENT FINANCE AGENCY

The National Development Finance Agency (NDFA) was established in 2003 to provide financial advice to State authorities undertaking major infrastructure projects (i.e. over €30 million in value). In 2007 it was mandated to undertake the procurement and delivery of all such projects outside the transport and local government sectors.

To date 125 projects have been referred to NDFA for financial advice, two thirds of which are Public Private Partnerships (PPPs). The NDFA has now completed its formal advice on 40 projects, of which 21 were PPPs.

PPP PROJECTS FOR NDFA PROCUREMENT

The NDFA is the designated procurement authority for ten of the 125 projects referred to above. Three projects are currently in the formal procurement phase – two discrete bundles of schools and the redevelopment of the National Concert Hall. The remaining seven projects are at various pre-procurement stages, where the NDFA is supporting the sponsoring departments/agencies, and will be handed over to the NDFA for procurement in 2009. These projects include a bundle of new courthouses, the Drogheda decentralisation project and educational projects. Pre-procurement work includes: site and title issues, policy matters, finalising scope and output specification, and the public sector benchmark.

Education

The NDFA is currently assisting the Department of Education and Science in providing 23 new post-primary schools and four new primary schools through PPP, and is at present procuring the first and second bundles of those schools.

PPP Schools - Bundle 1

The Schools Bundle 1 project is the first Public Private Partnership in the €300 million Schools PPP programme. Macquarie Partnerships for Ireland (MPFI) is the Preferred Tenderer and secured full planning permission for all four schools in August 2008. The NDFA has almost finalised contractual details with MPFI and is awaiting the completion of financing terms by MPFI and its chosen financiers.

PPP Schools - Bundle 2

The Department of Education and Science commenced the pre-procurement stage of the Schools Bundle 2 project in early 2008. The Department handed the project over to the NDFA to be procured under the Competitive Dialogue Procedure in May 2008. Following the evaluation of the Expression of Interest submissions received, three candidates were shortlisted and Invitation to Participate in Dialogue documents were issued in September 2008. The NDFA expects to invite tenders by summer 2009 and to announce the appointment of the Preferred Tenderer in early autumn 2009.

PPP Schools - Bundle 3

On 16 December 2008, the Minister for Education and Science announced the third bundle of schools. Six of the schools are post-primary schools and one is a primary school. The Department of Education and Science PPP Unit has commenced the pre-procurement process, following which the project will be handed over to the NDFA to procure. The current indicative timeframe is for these schools to become operational in late 2012.

NDFA is currently engaged with the Department of Education on pre-procurement planning for further schools bundles.

Third Level PPP Programme

The three bundles of the €70 million Third Level PPP Programme were announced by the Minister for Education and Science in January 2008. Pre-procurement work on Bundle 1 (Limerick IT, University of Limerick, Cork IT and Dun Laoghaire IADT) is nearing completion and the Department of Education expects to hand over this bundle to the NDFA for procurement in the first quarter of 2009. Pre-procurement of the second bundle (IT Tallaght and Waterford IT) commenced in September 2008 and it is expected to be handed over to the NDFA for procurement in the third quarter of 2009.

National Concert Hall

At the beginning of 2008, the PPP project for redevelopment of the National Concert Hall was in the pre-procurement phase. In May 2008, it was handed over to the NDFA for procurement. A Contract Notice was published in the Official Journal of the European Union on 29 May 2008. Three participants were shortlisted in September 2008. It is anticipated that tenders will be submitted in August 2009.

National Radiation Oncology Programme

In February 2008, the National Plan for Radiation Oncology (NPRO) was subsumed by the National Cancer Control Programme and the HSE appointed the NPRO Project Board. The contracts for the Phase 1 projects (traditionally procured) for St James's Hospital and Beaumont Hospital were awarded in early December 2008. The Phase 1 projects will be delivered in 2010 and the Phase 2 projects (by PPP) are on schedule to be delivered in 2014.

FINANCIAL ADVISORY ROLE

DART Underground Interconnector Project

The NDFA is the statutory financial and insurance advisor to CIE/Irish Rail in relation to this project. The provision of financial advice has commenced and is expected to increase substantially in 2009. The advice provided by the NDFA will apply to both the PPP and non-PPP elements of the project.

Metro North

In March 2007, the Railway Procurement Agency (RPA) announced the start of the procurement process for Metro North and a notice was published in the EU Official Journal. In November 2007 the RPA pre-qualified four consortia to be invited to tender for the scheme, and issued the tender documents in May 2008. Tenders are due to be submitted in early 2009. Following the evaluation of the tenders, and the granting of the railway order for Metro North, it is planned to bring two of the consortia to Best and Final Offer stage.

Metro West

The Metro West project entails the design, build, finance and maintenance of an orbital railway serving key areas in the west of Dublin. The preferred route has now been determined. The Metro West outline business case and PPP assessment were also finalised in 2008 and pre-procurement work, including public consultation, is underway.

Thornton Hall – project procured by the Irish Prison Service

Significant progress was made during the year on the procurement of the new prison at Thornton Hall. The *Prison Development (Confirmation of Resolutions) Act 2008* was enacted in July and gives effect to the planning permission for the prison. Negotiations are at an advanced stage with the Preferred Tenderer - the Leargas consortium - and it is anticipated that, if outstanding issues can be resolved, financial close will occur in mid-2009.

VALUE FOR MONEY

During 2008 the NDFA issued value-for-money opinions in respect of the following projects:

- National Cancer Control Programme – Phase 1: issued in September 2008
- National Broadband Scheme: issued in November 2008.

8. ASSET COVERED SECURITIES ACT 2001

The *Asset Covered Securities Act 2001* provides that, in the event of any issuer of securities defaulting, the NTMA must in the following order:

- Secure an alternative service provider to manage relevant asset pools; or
- Secure an alternative obligor for the relevant pools; or
- Manage the pools itself.

The NTMA receives an annual commitment fee of one tenth of one basis point of the nominal amount of asset covered bonds issued. During 2008, €18.8 billion was issued under the legislation, bringing the total amount in issue to €71.4 billion.

9. OTHER NTMA FUNCTIONS

Under the *National Treasury Management Agency Act 1990*, the Minister for Finance may seek advice on, inter alia, the borrowing of money by persons whose borrowing is subject to his consent (including the timing and terms and conditions), the sale of assets on behalf of the State (including the employment of financial institutions) and on stock exchanges and other markets for stocks and shares.

**National Treasury Management Agency
31 December 2008**

APPENDIX I - CHANGE IN NOMINAL VALUE OF NATIONAL DEBT 2007-2008

	€million
Value of National Debt (end 2007) (nominal)	37,564
Plus:	
(i) Exchequer Deficit (Department of Finance forecast)	13,000
(ii) Non-cash movements*	120
<u>Change in nominal value of National Debt</u>	<u>13,120</u>
<u>Value of National Debt (end 2008) (nominal)</u>	<u>50,684</u>

***Note:** Impact of exchange rate movements and net discounts on tranches and cancellations.
Premiums/discounts arise when bonds are issued at a price other than their par value due to a difference between the coupon on the bonds and market yields.

APPENDIX II - EBR GRAPH: EXCHEQUER BALANCE 2007 AND 2008

As at 30/12/2008

