NATIONAL TREASURY MANAGEMENT AGENCY

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 1999

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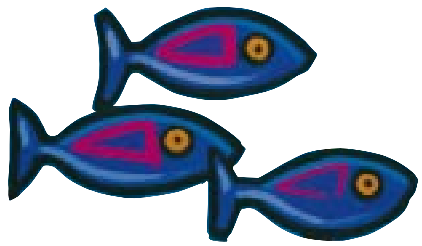

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Michael J. Somers
Chief Executive

Adrian J. Kearns

Jim Farrell

Anne Counihan

Paul Sullivan

John C. Corrigan

LEGAL FRAMEWORK

The National Treasury Management Agency Act, 1990 provided for the establishment of the National Treasury Management Agency "to borrow moneys for the Exchequer and to manage the National Debt on behalf of and subject to the control and general superintendence of the Minister for Finance and to perform certain related functions and to provide for connected matters".

The 1990 Act enabled the Government to delegate the borrowing and debt management functions of the Minister for Finance to the Agency, such functions to be performed subject to such directions or guidelines as he might give. Obligations or liabilities undertaken by the Agency in the performance of its functions have the same force and effect as if undertaken by the Minister. The Agency came into existence on 3 December 1990.

The Chief Executive, who is appointed by the Minister for Finance, is directly responsible to him and is the Accounting Officer for the purposes of the Dáil Public Accounts Committee. The Agency has an Advisory Committee to assist and advise on such matters as are referred to it by the Agency.

National Treasury Management Agency

30 June, 2000

Mr Charlie McCreevy, T.D.,
Minister for Finance,
Government Buildings,
Upper Merrion Street,
Dublin 2.

Dear Minister,

I have the honour to submit to you the Report and Accounts of the National Treasury Management Agency for the year ended 31 December 1999.

Yours sincerely

Michael J. Somers
Chief Executive

Treasury Building, Grand Canal Street, Dublin 2, Ireland. Telephone: 01-6762266 Fax: 01 6766661 Telex: 91997 NTMA EI

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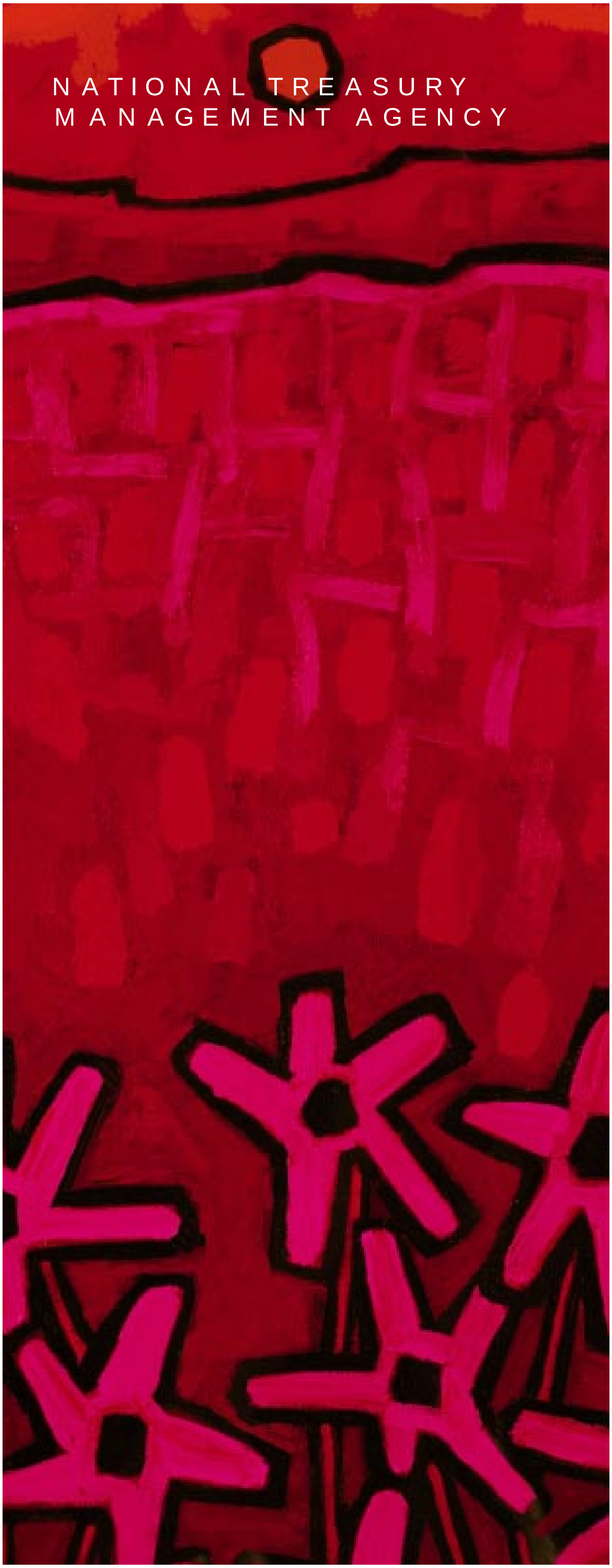


CHIEF EXECUTIVE

Michael J. Somers

DIRECTORS

John C. Corrigan	Euro Debt
Anne Counihan	Legal & Corporate Affairs
Jim Farrell	Operations
Adrian J. Kearns	Foreign Currency Debt
Paul Sullivan	Strategy & Risk Management

ADVISORY COMMITTEE

Joe Moran (Chairman)	Chairman, Forum for the Construction Industry
Gerold W. Brandt	Member of the Managing Board, Bayerische Landesbank, Munich
Paul Carty	Chairman, Deloitte & Touche, Dublin
John F. Daly	Chairman, High Skills Pool Limited
Lewis L. Glucksman	Senior Advisor, Salomon Smith Barney, New York
John Hurley	Secretary General, Department of Finance – from March 2000
Patrick H. Mullarkey	Secretary General, Department of Finance – to March 2000
Donald C. Roth	Managing Partner, Emerging Markets Partnership, Washington D.C.

ADVISORY COMMITTEE

The Advisory Committee met on five occasions in 1999. In March 2000 Paddy Mullarkey resigned from the Committee. John Hurley was appointed to the Committee in March 2000.

The Agency would like to thank the Committee for their advice and assistance during the year and for their commitment of time and effort, both on the Agency's business and, in the case of the overseas members, on travelling to Committee meetings.

In particular, the Agency would like to thank Paddy Mullarkey for his contribution to the Agency during his term of office on the Committee.

STAFF

An organisation such as the Agency depends for its success on the dedication, commitment and professionalism of its people. The advent of the euro and the preparations for Year 2000 compliance imposed additional demands on all Agency employees in 1999; the successful transition to the new market environment and to the new millennium was a reflection of their commitment in a year of change. The Chief Executive and the Directors wish to express their acknowledgement and appreciation of these efforts.

There was an unprecedented budget surplus of IR£1,191 million(Note 1) in 1999. This surplus, combined with cash from the Telecom IPO, facilitated the objective of the Minister for Finance of both putting aside funds to meet part of the State's pension liabilities and reducing the underlying level of the National Debt.

The key features of 1999 were:

- A fall in the mark-to-market value of the National Debt by IR£2.8 billion (notwithstanding an increase, for technical reasons, in its nominal value).
- Exchequer debt service costs IR£344 million below the Budget estimate (after adjustment for exceptional items).
- A 4 percentage points fall in the Debt / GDP ratio – to 52 per cent at end 1999 - the fourth lowest Debt /GDP ratio amongst the 15 EU member states.
- Savings of IR£27 million against an externally audited benchmark.
- A major restructuring of the Irish Bond market through the Securities Exchange Programme (SEP).
- Management of the State's Temporary Holding fund for pension liabilities, pending enactment of the National Pensions Reserve Fund Bill.
- Preparations for the establishment of a Claims Agency to manage liability claims against the State and for the provision of a Central Treasury Service to public sector bodies.
- The absorption of FEOGA(Note 2) debt of IR£375 million into the National Debt.

THE ADVISORY COMMITTEE: (from left to right) John F. Daly, Patrick H. Mullarkey, Gerold W. Brandt, Joe Moran (Chairman), Lewis L. Glucksman, Paul Carty, Donald C. Roth.

(Note 1) Unless otherwise stated, all amounts are expressed in Irish Pound equivalents. The conversion rate for euro equivalents is – €1=IR£0.787564.

(Note 2) Repayment of moneys borrowed by the Minister for Agriculture, Food and Rural Development under the European Agricultural Guidance and Guarantee Fund scheme (FEOGA).

The Agency's funding during the year was directed towards refinancing maturing and prepayable debt. The Agency was also active in other debt management activities, both to support the liquidity of the domestic bond market and to manage the currency composition and interest rate profile of the portfolio in line with policy targets.

The budget surplus in 1999 was IR£1,191 million; as payments into (a) the National Savings interest reserve and (b) the Capital Services Redemption Account did not require to be funded, the overall cash surplus was IR£1,659 million. This allowed the Agency to make significant net repayments of debt – amounting to some IR£1,300 million over the year – after absorbing FEOGA debt of IR£375 million into the National Debt.

During the course of 1999, the Agency's sources of funds were:

	IR£ Million
Bonds denominated in euro	1,361
Section 69 Notes & Commercial Paper (net)	732
Reduction in holdings of Agricultural Commodity Intervention Bills (ACIBs)	88
Other domestic borrowing	17
	2,198

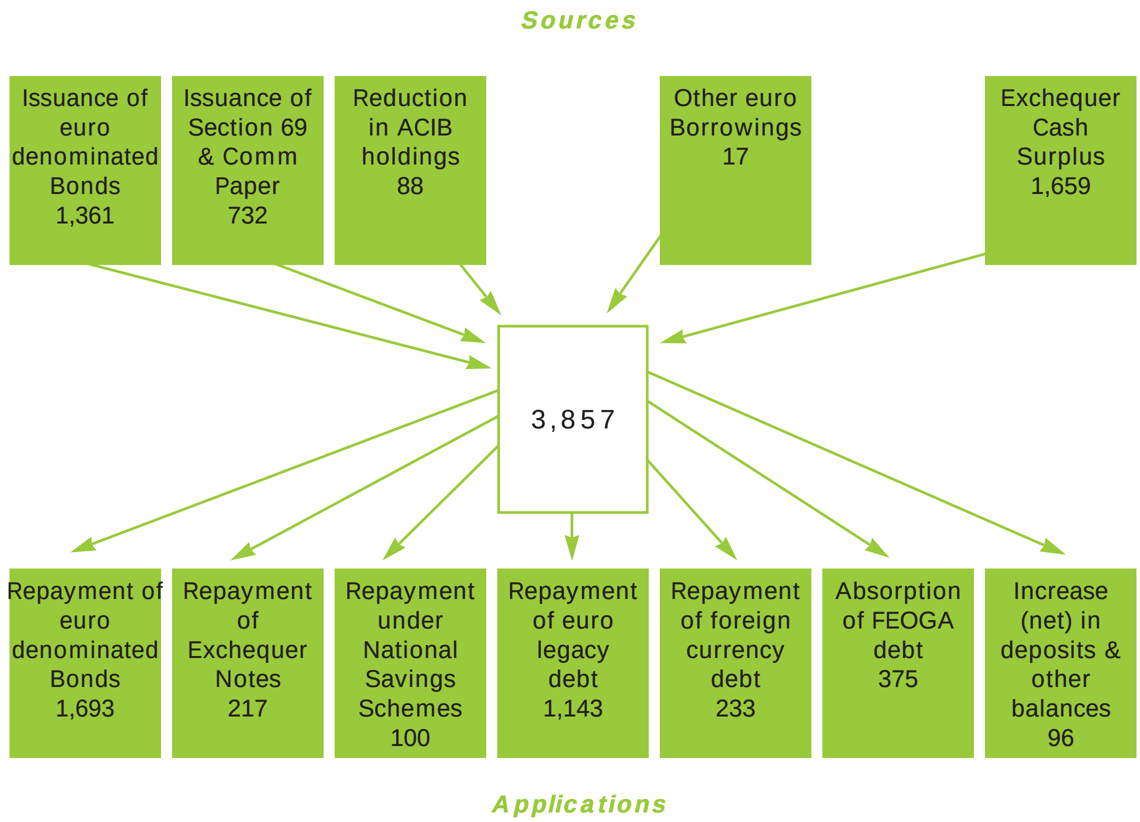
These funds, together with the Exchequer cash surplus of IR£1,659 million, resulted in total sources of IR£3,857 million which were used to repay debt as outlined below, with the excess increasing cash balances:

	IR£ Million
Bonds denominated in euro	1,693
Exchequer Notes (net)	217
National Savings Schemes (net)	100
Euro-legacy debt (Note 1)	1,143
Foreign currency debt	233
FEOGA Debt	375
Increase (net) in Deposits and other Balances	96
	3,857

Note: (1) euro legacy debt comprises debt contracted and denominated in the individual currencies of other EMU participant countries, now replaced by the euro.

The diagram below shows the main sources and applications of funds:

Sources and Application of Funds - IR£ Million



Gross cash flows increased by IR£55 billion to IR£276 billion. These consisted of gross borrowings of IR£106 billion, gross payments of IR£107 billion, flows on foreign exchange and derivatives transactions of IR£57 billion, REPO transactions of IR£4 billion and interest and associated payments of IR£2.2 billion.

The market value of the Debt (Note 1) declined in 1999 by some IR£2.8 billion, from IR£34.9 billion to IR£32.1 billion. The main factors were the Exchequer surplus of IR£1.2 billion and a net present value decline of IR£1.5 billion due to an increase in bond yields during the year; in addition the SEP contributed to a decline of IR£154 million as it lengthened the duration of the portfolio when interest rates were particularly low; this was offset by a foreign exchange translation impact of IR£141 million. Details of the change in the market value of the Debt are shown below.

CHANGE IN MARKET VALUE OF NATIONAL DEBT IN 1999

		IR£ million
Market value of National Debt (Note 1) (estimated 31/12/98)		34,901
Less:		
i) Exchequer Surplus	1,191	
ii) Reduction due to SEP impact on duration	154	
iii) Reduction due to increase in cover of interest overhang on National Savings Schemes (Note 2)	46	
iv) Balance of reduction due to movement in yields	1,507	2,898
		32,003
Plus:		
i) Foreign Exchange Impact		141
Market Value of National Debt (Note 1) (estimated 31/12/99)		32,144
Change in Market Value of National Debt		**(2,757)**

Reflecting the accounting effect of the Securities Exchange Programme (SEP) and the absorption of FEOGA debt into the National Debt, the nominal value of the National Debt increased by some IR£1.8 billion. The SEP involved the exchange of a higher nominal value of low coupon bonds for a lower nominal value of higher coupon bonds; it was an exchange of equivalent market value amounts, with the difference between the nominal amounts of bonds issued and bought back being due to the timing of future cash flows.

Note (1) The market value of the Debt represents the amount of cash that would be required to pay off the Debt and in that respect is a useful measure of the Debt as a call on future Exchequer resources. It includes the nominal value of the gross interest overhang on the National Savings Schemes.

Note (2) National Savings schemes are included at nominal value.

RECONCILIATION OF MOVEMENT IN THE NATIONAL DEBT IN 1999

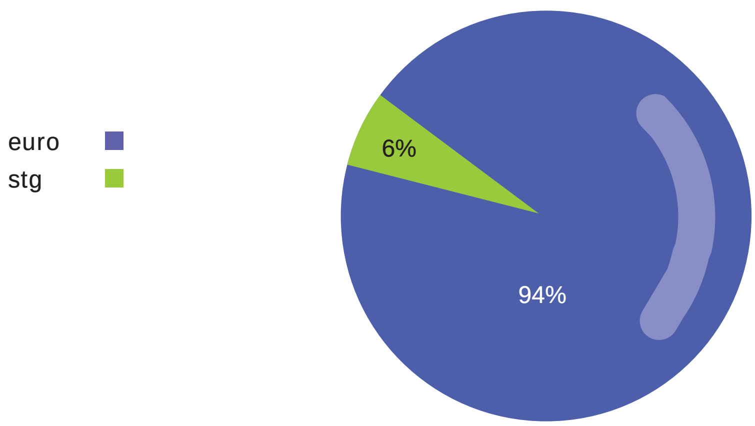
		IR£ million
National Debt (31/12/98) (nominal)		29,541
Less:		
i) Exchequer Surplus	(1,191)	
ii) Increase in Capital Services Redemption account (CSRA) balance	(307)	(1,498)
Plus:		
i) Net premiums on tranches and cancellations (of which some IR£2,700 million related to the SEP)	2,825	
ii) Exchange rate translation impact	141	
iii) FEOGA Debt absorbed into National Debt	375	3,341
National Debt (31/12/99) (nominal)		31,384
Increase in nominal value of National Debt		**1,843**

Note: In accordance with international conventions, all bond and loan amounts are included at their nominal or redemption value – usually 100 – although the market value may differ from this.

CURRENCY AND INTEREST RATE COMPOSITION OF THE DEBT

In the second half of 1998 and early 1999, as part of the transition to the euro, the Agency took the strategic decision to hedge into euro all non-euro related debt other than sterling. Given the significant appreciation of the non-euro currencies against the euro in 1999, in particular the US dollar and Japanese yen, maintaining borrowings in these currencies would have added some IR£400 million to the Debt had they not been hedged into euro.

As a result of this hedging activity, some 94 per cent of the National Debt at year end was in euro with the balance of 6 per cent in sterling.



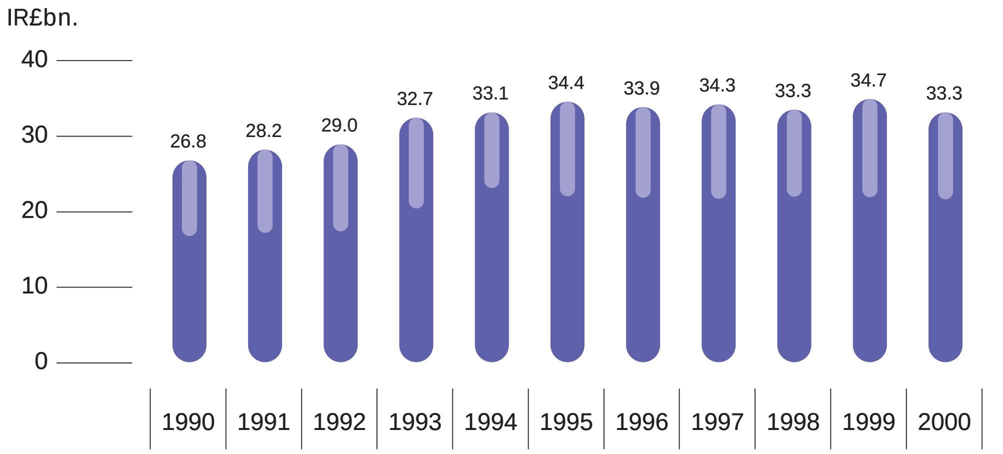
During 1999 the interest duration of the Debt was lengthened slightly – from 3.66 years at end 1998 to 3.87 years at end 1999.

THE GENERAL GOVERNMENT DEBT

The General Government Debt (GGD) is the definition of debt used for comparative purposes within the European Union. The National Debt, as traditionally measured, is the principal component of the GGD. However, GGD is a gross measure of debt and, therefore, does not include any offset for Exchequer cash balances; in addition, GGD represents a wider definition of Government, including Local Government debt and certain other liabilities of Government. Under the recently introduced ESA 95 basis for reporting, measurement of GGD includes the estimated interest overhang on Small Savings products, amounting to some IR£1,883 million at end 1999. The overhang arises on Savings Certificates, Savings Bonds and Instalment Savings because interest is charged to the Budget, and consequently impacts the National Debt as traditionally measured, only when borrowings under these schemes are repaid, rather than in each year as interest accrues.

The GGD was some IR£34.7 billion at end 1999. This compares with a figure of IR£33.3 billion at end 1998, an increase of some IR£1.4 billion.

General Government Debt



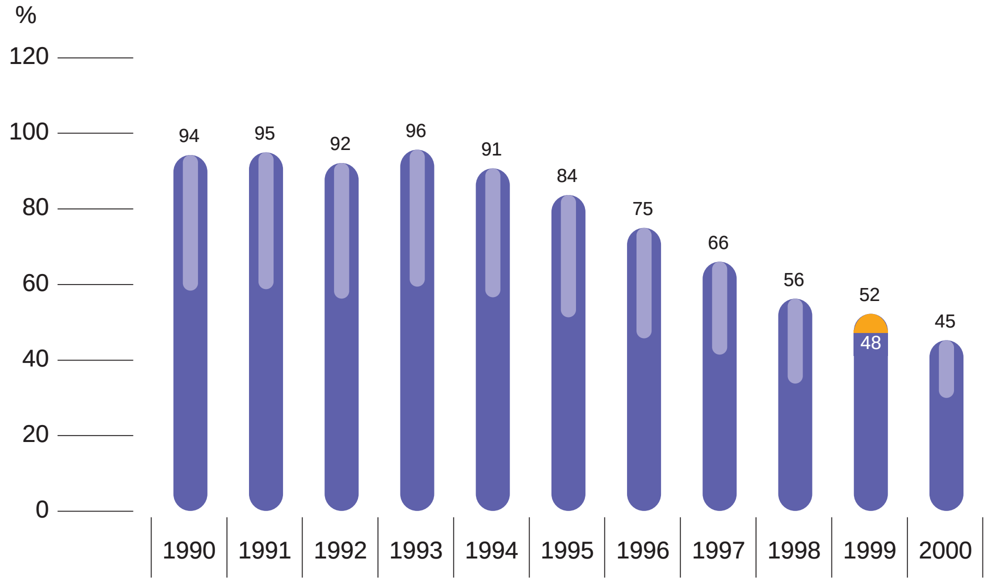
Source: Department of Finance

While the absolute level of Debt has remained within a relatively narrow range over recent years, the ratio of Debt to GDP and GNP has declined sharply because of the very strong growth of the economy.

In 1999, the GGD/GDP ratio fell by some 4 percentage points, - from 56 to 52 per cent and, as can be seen below, would have fallen to 48 per cent had it not been for the accounting effect of the SEP. While the Programme added to the nominal value of the Debt as measured for accounting and reporting purposes, it did not affect the economic value of the Debt as future cash flow savings in interest payments arising from the lower coupons on the new bonds offset the addition to the nominal value of the Debt. Looking forward, a further decline in the ratio, of the order of seven percentage points, is expected this year.

Similarly the National Debt expressed as a percentage of GNP decreased to 54 per cent at end 1999 from almost 57 per cent a year earlier.

GGD - GDP Ratio 1990 to 2000

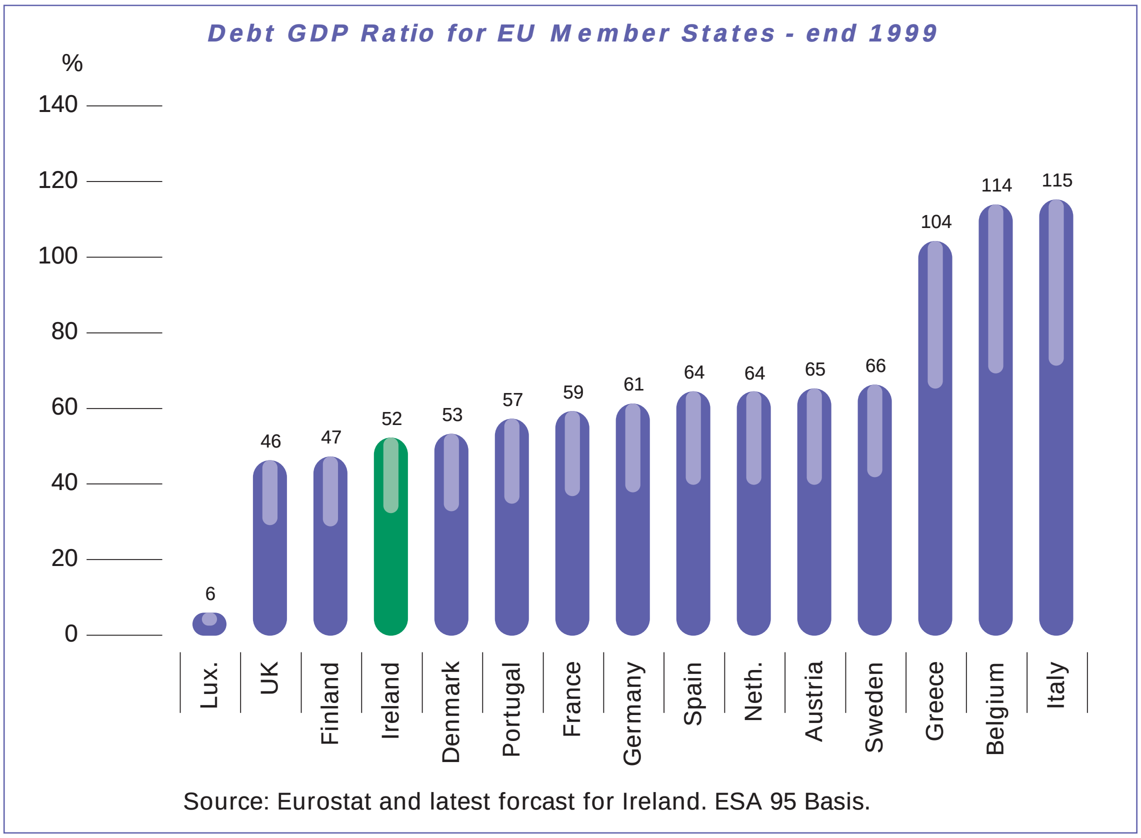


Source: Department of Finance

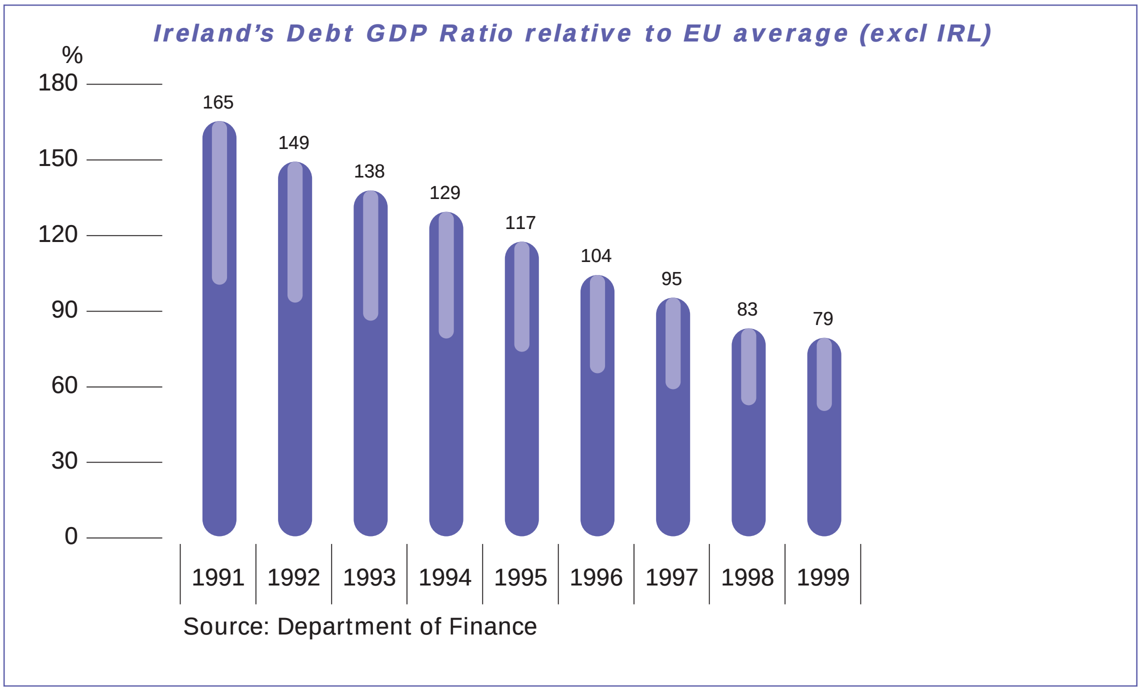
INTERNATIONAL COMPARISONS

International comparisons of indebtedness are normally based on the ratio of General Government Debt to Gross Domestic Product – GGD/GDP.

By the end of 1999, Ireland's comparative indebtedness was the fourth lowest among the fifteen EU Member States. This represents a continuation of the improvement in Ireland's relative position in recent years; as recently as the end of 1996, Ireland was eleventh out of the fifteen Member States.

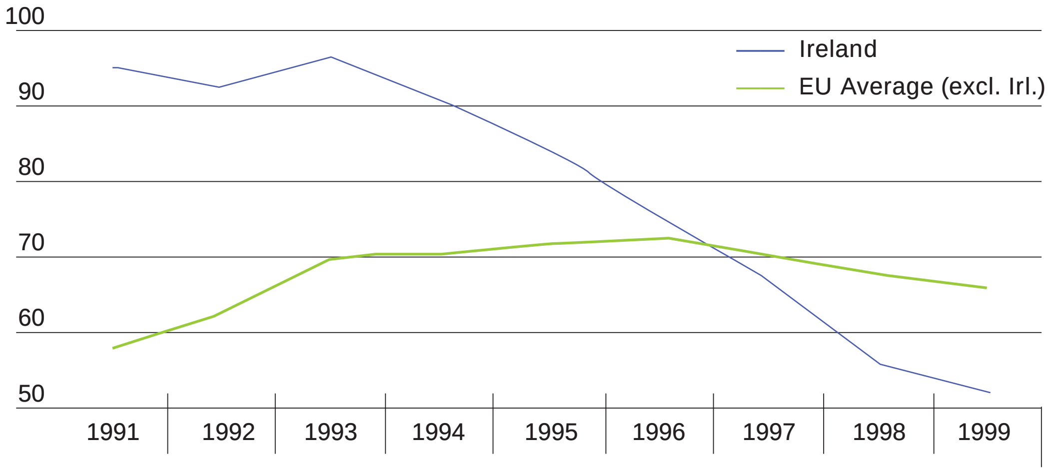


As a result of this improvement, Ireland's comparative indebtedness had fallen to 79 per cent of the EU average by the end of last year; this compares with a position well above the average in the first half of the decade.



The primary factor driving this improvement over the past five years has been the favourable trend of Ireland's performance, rather than a material change in the EU average itself, as can be seen from the graph below.

Ireland and EU Average Debt/GDP Ratios



Source: Eurostat and latest forecast for Ireland. ESA 95 Basis.

The Exchequer debt service cost in 1999 (adjusted for exceptional items) was IR£344 million lower than provided for in the Budget.

The debt service budget for 1999 was set at IR£2,542 million. Allowing for exceptional items (detailed below), Exchequer debt service costs were lower than budget by some IR£344 million as a result of a number of factors including, in particular, the favourable IR£130 million impact of the SEP, realised gains of IR£100 million from interest rate and currency swaps, favourable foreign exchange effects and buoyancy in the Government's finances.

Reported 1999 Exchequer debt service expenditure was IR£2,513 million, some IR£29 million below the budget of IR£2,542 million. Included in this debt service expenditure were two unplanned exceptional items:

- a payment of IR£307 million into the Capital Services Redemption account (CSRA) in December at the direction of the Minister for Finance; and
- the payment in late 1999, in order to reduce Y2K transaction risk in early January, of IR£8 million of interest which would have been payable in the first two weeks of the new year.

Allowing for these exceptional items, the adjusted Exchequer debt service expenditure was IR£2,198 million.

Of the IR£344 million favourable budget variance, IR£307 million has been carried forward in the balance in the CSRA, and is available to the Exchequer in future years; the IR£8 million relating to January 2000 interest costs has been factored into the 2000 budget; and some IR£29 million went towards increasing the 1999 Exchequer surplus.

ANALYSIS OF EXCHEQUER DEBT SERVICE OUTTURN RELATIVE TO BUDGET

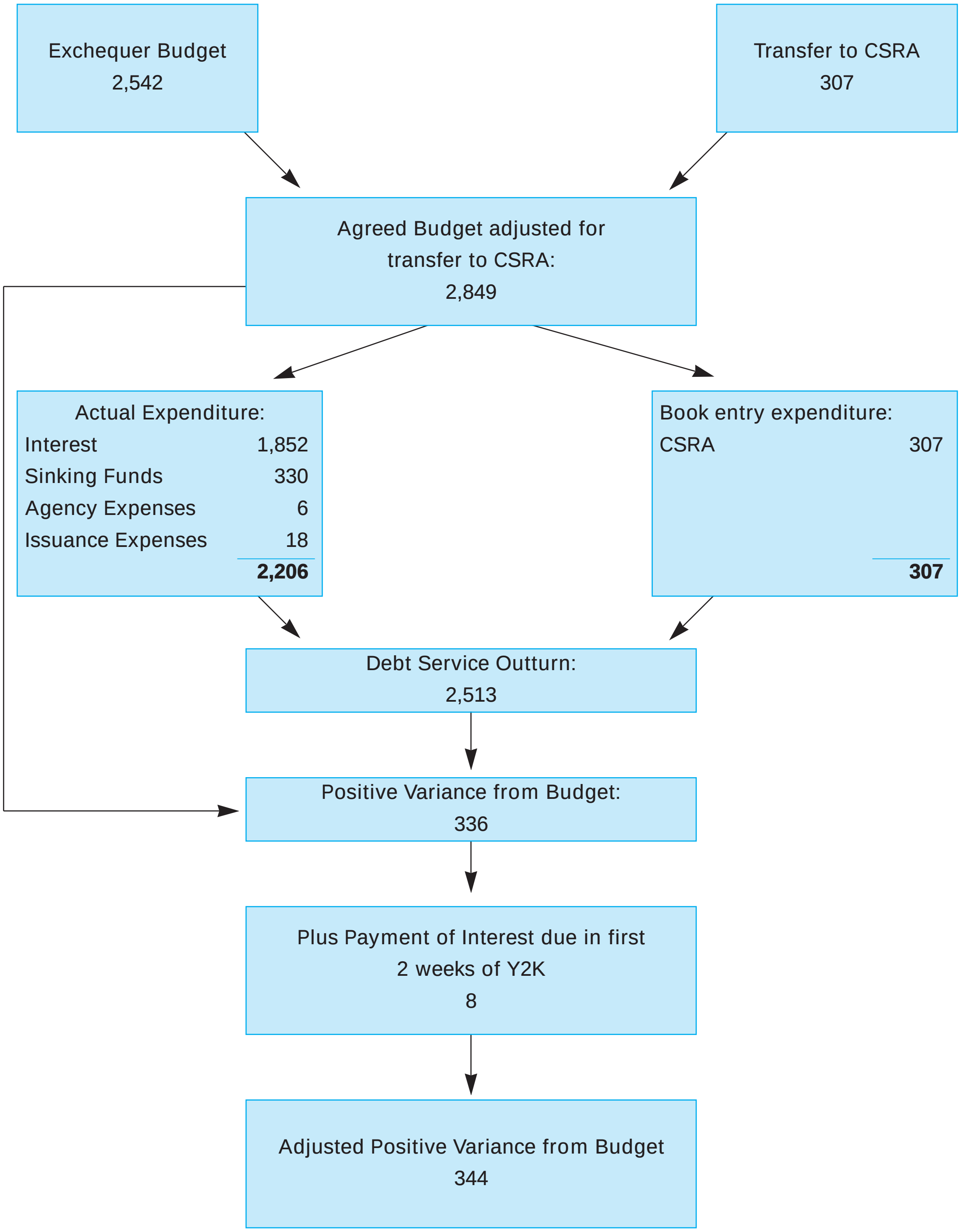
	(IR£ million)	
	OUTTURN	BUDGET
Exchequer Debt Service Expenditure	2,513	2,542
Less: Payment to CSRA	307	—
Less: Y2K early interest payment	8	—
Adjusted Exchequer Debt Service Expenditure	2,198	2,542
Adjusted Favourable Variance from Budget	**344**	

Debt service costs of IR£2,513 million included interest payments of IR£1,852 million, a payment into the CSRA of IR£307 million, sinking fund payments of IR£330 million and administrative and issuance expenses of IR£24 million.

DEBT SERVICE COSTS

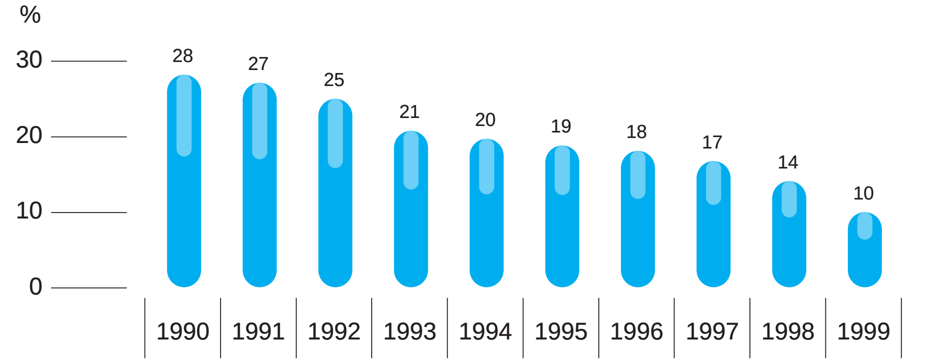
A diagram showing the breakdown of debt service costs is set out below:

Analysis of Debt Service Outturn relative to Budget - IR£ Million



The burden of debt service costs on the economy and the taxpayer continued to fall in 1999. The ratio of interest payments to tax revenues declined by 4 percentage points, continuing the downward trend of the past several years. As a result, interest on the Debt now absorbs approximately 10 per cent of tax revenue compared to almost 30 per cent at the beginning of the decade, resulting in the freeing up of substantial financial resources for other purposes.

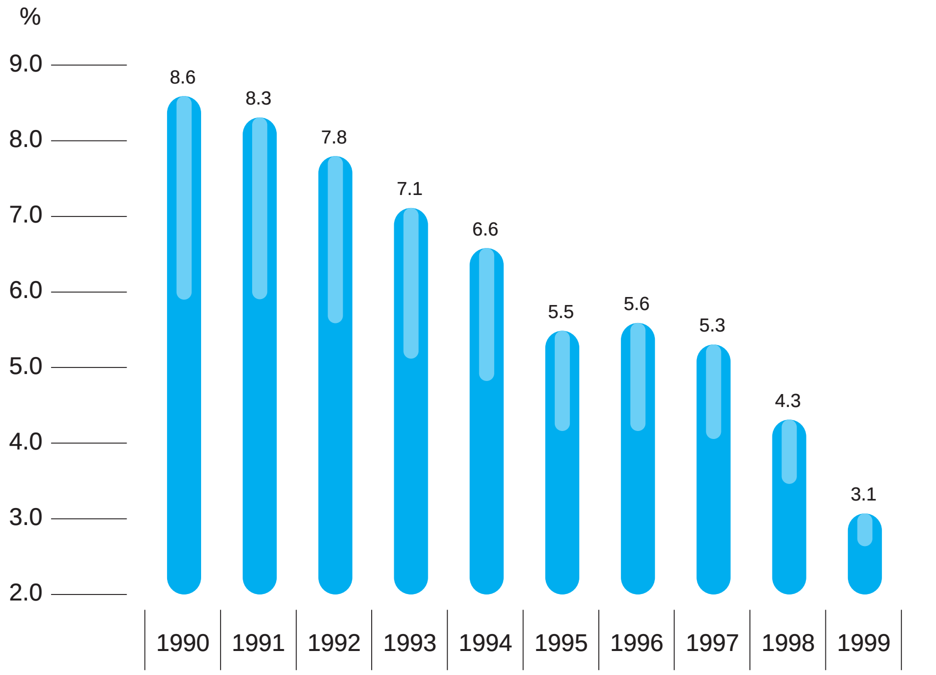
Interest as % of Tax Revenue



Note: The interest series has been adjusted to reflect the cost of accrued interest on the National Savings Schemes over the period.

Similarly, the interest burden expressed relative to GNP showed a further reduction, declining by over 1 percentage point to just over 3 per cent in 1999.

Interest as % of GNP



Note: The interest series has been adjusted to reflect the cost of accrued interest on the National Savings Schemes over the period

The projected strong growth of the economy and related tax buoyancy in the current year point to the continuation of these favourable trends notwithstanding some upward pressure on interest rates. Looking forward, however, a continuation of upward interest rate pressures may slow the pace of this downward trend in future years.

INTEREST ACCRUING ON NATIONAL SAVINGS SCHEMES

In the 1999 Budget, the Minister for Finance introduced full provision for the estimated accrual of interest costs on the National Savings Schemes – amounting to some IR£356 million. The multi annual budgets covering 2000 to 2002 also include similar provisions.

In 1999, cash interest payments of IR£195 million were paid on the National Savings schemes and IR£161 million was paid into the National Savings interest reserve in line with the provisions of the Budget outlined above.

The National Savings interest reserve was established in 1994 to address the growing interest overhang on Savings Certificates, Savings Bonds and Instalment Savings; this overhang has arisen because interest is charged to the Budget only when it is paid out in cash – ie. when these savings are repaid, rather than each year as interest costs accrue. At end 1999, the reserve was IR£853 million, over 45 per cent of the estimated interest overhang of IR£1,883 million.

EURO DENOMINATED DEBT

Following the actions taken by the Agency on the introduction of the euro at the beginning of 1999, outstanding debt comprises four principal categories:

- Medium term debt denominated in euro and all short term debt
- Medium term debt denominated in euro legacy currencies
- Medium term third currency debt (eg US dollars, Japanese yen, Swiss franc and sterling) which, with the exception of sterling, has been hedged into euro
- Retail debt (National Savings Schemes) denominated in Irish pounds.

The first of these categories is discussed in this section. The other categories are discussed in the sections on Foreign Currency Debt and National Savings Schemes.

Medium term debt denominated in euro and short term debt accounted for 73 per cent of the National Debt as at 31 December 1999.

The amounts outstanding were:

	IR£ Million (nominal)			
	31 December 1998		**31 December 1999**	
Bonds denominated in euro				
Domestic Holders	12,534		13,124	
Non-resident Holders	3,504	16,038 *	5,485	18,609
Exchequer Notes denominated in euro		1,203		986
Other Short Term Paper(Note 1)		340		1,122
		17,581		20,717

**Excludes dual currency bonds amounting to IR£101 million; these were repaid in 1999.*

Note 1: Other Short Term Paper – Commercial Paper and Section 69 Notes – includes outstandings in both euro and non euro currencies; as at end 1999 these latter were hedged into euro.

The nominal value of euro denominated bonds outstanding increased by IR£2.6 billion; the main factor giving rise to this increase was the Securities Exchange Programme which was carried out in May 1999. Details of this Programme are set out below.

Bonds outstanding at end 1999 had maturities ranging up to the year 2016, while Exchequer Notes have a maximum maturity of twelve months

Maturity profile of euro denominated government bonds (nominal value)

FUNDING ACTIVITY

Funding activity by the Agency in the wholesale euro denominated bond and short term debt markets during 1999 is shown below:

		IR£ million (cash amounts)
Sale of euro denominated bonds (1)		1,361
Sale (net) of Section 69 Notes and Commercial Paper		732
Reduction in holdings of Agricultural Commodity Intervention Bills		88
Repayment to Agency of other advances (net)		17
	sub-total:	**2,198**
Less:		
Redemption of maturing euro denominated bonds		1,559
Purchase and cancellation of euro denominated bonds		134
Redemption (net) of Exchequer Notes		217
Repayment to financial institutions of FEOGA debt		375
	sub-total:	**2,285**
	Net funding (2)	**(87)**

Notes: (1)excludes net purchases of Irish government bonds by the Agency's secondary trading desk.

(2) excludes the repayment of non-euro denominated debt, other foreign currency debt and National Savings debt.

CURRENT LIQUID ISSUES

The Agency has designated the following five bonds as being those for which Primary Dealers are obliged to make continuous two-way prices during market hours :

Bond		Maturity	Outstanding IR£ million (End June 2000)
6.50%	Treasury Bond 2001	18 October 2001	1,619
2.75%	Treasury Bond 2002	18 October 2002	2,387
3.50%	Treasury Bond 2005	18 October 2005	3,932
4.00%	Treasury Bond 2010	18 April 2010	5,183
4.60%	Treasury Bond 2016	18 April 2016	2,871

PRIMARY DEALER SYSTEM

The Irish Government bond market is based on a Primary Dealer system which was introduced at end 1995. There are six Primary Dealers recognised by the Agency; these Dealers make continuous two-way prices in designated bonds in minimum specified amounts and within maximum specified spreads. There are also a number of stockbrokers who match client orders. However, about 95 per cent of turnover is accounted for by the Primary Dealers.

PRIMARY DEALERS

- ABN AMRO, Dublin and Amsterdam
- AIB Capital Markets, Dublin
- Credit Agricole Indosuez, Paris
- Davy Stockbrokers, Dublin
- Deutsche Bank, Frankfurt
- NCB Stockbrokers, Dublin

Credit Agricole Indosuez and Deutsche Bank became recognised Primary Dealers in December 1998. Primary Dealers are members of the Irish Stock Exchange, and Irish Government bonds are listed on the Exchange.

SECURITIES EXCHANGE PROGRAMME

A major new initiative – the Securities Exchange Programme - was taken by the Agency in 1999 in order to improve liquidity in the bond market and to ensure that Irish bonds trade effectively in the new euro denominated pan-European market.

The rationale underlying the Programme was that, in order to be competitive in the new euro environment, Irish Government bonds must have:

(i) relatively large issue size
(ii) coupons close to prevailing yields, and
(iii) the same technical characteristics as other euro government bond markets

The Agency set out to address the above issues, within the constraints of the overall limited size of the Irish Government bond market, by consolidating about 80 per cent of the market into four bonds, each with outstanding amounts of €3-5 billion (IR£2.4 – IR£3.9 billion equivalent).

In the months preceding the Programme, the Agency held widespread discussions with the major investors in the Irish Government bond market and with the Primary Dealers. As a result of these discussions the Agency achieved broad agreement with the market on the best way of approaching the Programme, in terms of the timing and sequence of the exchanges to be offered.

Contributing to the success of the Programme was the introduction by the Agency of changes in the technical conventions applicable to new issues of Irish Government bonds, ensuring that they conformed closely with equivalent benchmark bonds in other euro government bond markets. These changes were as follows:

- no ex-dividend period
- annual coupon based on actual/actual interest payment calculation
- standard settlement period of T+3 (i.e. three business days after the trade date)

The Agency also reached an agreement with Euroclear and Cedel which enabled same day turnaround for non resident investors in the settlement of trades in Irish Government bonds. This arrangement, based on the Agency providing certain bridging facilities, removed the extra day which these trades previously took to settle.

Tax changes designed to facilitate the participation of the Irish insurance companies in the Programme were provided for in the Budget and incorporated in the 1999 Finance Act.

The Programme was launched in May 1999 with most of the major transactions taking place over three stages in that month.

The following amounts were bought back in the initial three stages of the Programme:

Bonds Bought Back	€ million	IR£ million equivalent	% of Original Issue
6.5% Treasury Bond 2001	897	706	30%
9.25% Capital Stock 2003	1,272	1,002	81%
6.25% Treasury Bond 2004	1,908	1,502	82%
8% Treasury Bond 2006	2,676	2,108	94%
6% Treasury Bond 2008	1,912	1,506	93%
8.75% Treasury Bond 2012	1,238	975	96%
8.25% Treasury Bond 2015	2,369	1,866	98%
	12,272	9,665	

In the case of the 6.5% Treasury Bond 2001, the buyback was limited by the Agency, for market management purposes, to 30 per cent of the outstandings. Excluding the 2001 issue, the average percentage of old issues retired was 91%. This represents the European Union's largest ever securities exchange programme and has enhanced the liquidity and overall quality of Irish Government bonds in the competitive euro bond market.

The amounts outstanding at 30 June 2000 in the new benchmark bonds launched under the Programme were as follows:

New Bonds Issued	€ million	IR£ million equivalent
2.75% Treasury Bond 2002	3,031	2,387
3.5% Treasury Bond 2005	4,993	3,932
4% Treasury Bond 2010	6,581	5,183
4.6% Treasury Bond 2016	3,645	2,871
	18,250	14,373

As at 30 June 2000, these four benchmark bonds accounted for 84 per cent of total outstandings of more than one year to maturity.

DEVELOPMENTS IN EURO GOVERNMENT BOND MARKETS

Liquidity considerations – the ability to buy and sell bonds quickly and in substantial size without triggering major price movements – have come to replace differences in credit standing between the eleven euro area governments as the main focus of investor interest. Issuers wishing to promote the liquidity of their bonds have concentrated new issuance in a number of benchmark bonds across the yield curve and have facilitated the exchange of old illiquid bonds for new liquid bonds. Smaller sovereign issuers have reduced the number of their benchmark bonds in order to boost liquidity.

Most new bonds issued by sovereign issuers in the euro bond market have broadly similar technical characteristics and are sold through competitive auctions, normally confined to primary dealers. However, during the first half of 2000, some smaller euro area governments have used bank syndications to distribute their bonds, particularly where the primary objective has been to achieve a substantial level of outstandings quickly. The syndicate fees for bonds with 10 years to maturity were typically 22½ cents per €100 nominal or €2.25 million per €1 billion issued. In view of the low level of borrowing and to avoid the higher costs involved in syndicated issues, the Agency continues to rely on competitive auctions.

Since the introduction of the euro there has been a significant increase in non-resident holdings of Irish Government bonds. At end 1998 they amounted to IR£3.5 billion, or 21.8 per cent of the total, rising to IR£5.5 billion and 29.5 per cent respectively at end 1999. During the first half of this year non resident holdings continued to increase sharply and reached IR£7.5 billion, or 41 per cent, by mid June.

Ireland's experience in this regard is broadly similar to that of other smaller euro area governments where non resident holders typically account for about 40 per cent of total holdings. This process of investor diversification probably has still some way to go as investors adjust their holdings to bring them into line with the euro-area indices, against which their performance is judged, and seek the pick up in yield available in the smaller markets.

Trading activity in the euro area government bond market is concentrated in Germany, France and Italy. The German Government bund has established itself as the benchmark in the ten year area, helped in part by the success of the 10 year bund futures contract on the EUREX Exchange in Frankfurt, whereas in some of the shorter maturities French Government bonds are regarded as the euro benchmark.

As at 22 June, 2000 the basis point spreads at which Irish benchmark bonds were trading relative to benchmark bonds in the other euro markets in the key 5 and 10 year maturities were as follows:

	5 year	**10 year**
Austria	-5	-7
Belgium	-6	-5
Finland	0	+9
France	+14	+12
Germany	+13	+29
Holland	+6	+14
Italy	-9	-8
Portugal	-12	-10
Spain	-2	-1

The keen rates at which Irish benchmark bonds trade relative to other markets is indicative of the improved liquidity of Irish Government bonds following the Securities Exchange Programme and the continuing strong economic performance and credit rating of the country.

BOND ISSUANCE

The Agency's fixed interest borrowing in 1999 was in four then current benchmark bonds – maturing in 2001, 2005, 2008 and 2010 - all having annual coupons and sold by auction through the six Primary Dealers. Auctions were held in each of the months February – November inclusive apart from May when the Securities Exchange Programme was carried out. The auction results were as follows:

COMPETITIVE AUCTIONS 1999

Month	Bond	Price	Yield %	Nominal IR£million	Proceeds IR£million	*Cover
February	6.5% Treasury Bond 2001	108.40	3.154	118	128.1	3.10
March	6% Treasury Bond 2008	114.67	4.088	98	112.9	3.43
April	6.5% Treasury Bond 2001	108.65	2.864	98	107	7.04
June	3.5% Treasury Bond 2005	97.42	3.971	118	115.1	6.19
July	4% Treasury Bond 2010	92.79	3.971	102	94.3	2.97
August	4% Treasury Bond 2010	90.96	5.119	96	87.4	3.44
September	3.5% Treasury Bond 2005	92.78	4.890	117	108.9	2.89
October	3.5% Treasury Bond 2005	91.22	5.250	158	143.7	1.65
November	4% Treasury Bond 2010	90.04	5.266	158	141.8	2.53
	Total			**1,063**	**1,039.2**	**3.6****

**cover refers to the ratio of total bids to the announced auction size.*

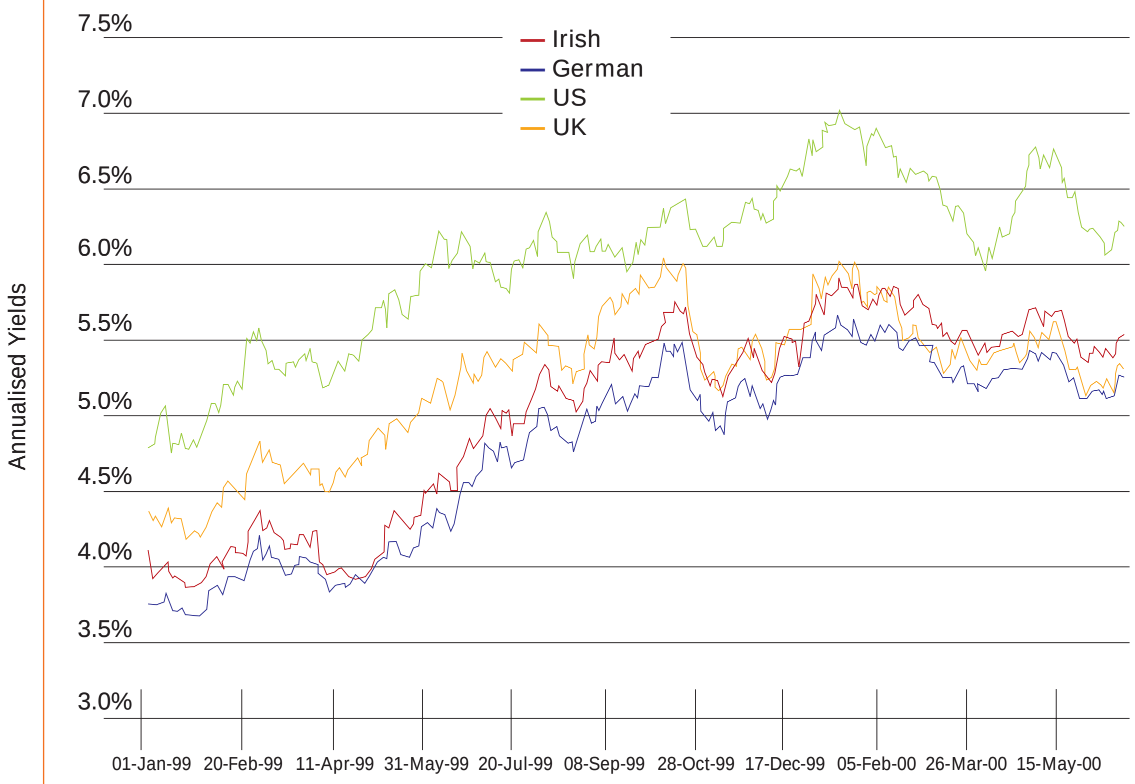
*** weighted average cover for all auctions.*

After each competitive auction there was a non-competitive auction under which the Agency was prepared to accept bids from the Primary Dealers at the average dealt price in the auction for up to 20 per cent of the nominal amount competitively auctioned. In 1999 funding of IR£1,039.2 million was raised by competitive auction and a further IR£134.3 million was raised through the non-competitive auction process.

The yields on Irish Government 5, 10 and 16 year bonds since the beginning of 1999 are shown in the graph below.

The following graph illustrates how the Irish 10 year benchmark bond has traded since the beginning of 1999 relative to comparable German, US and UK bonds.

Benchmark 10 Year Bond Yields



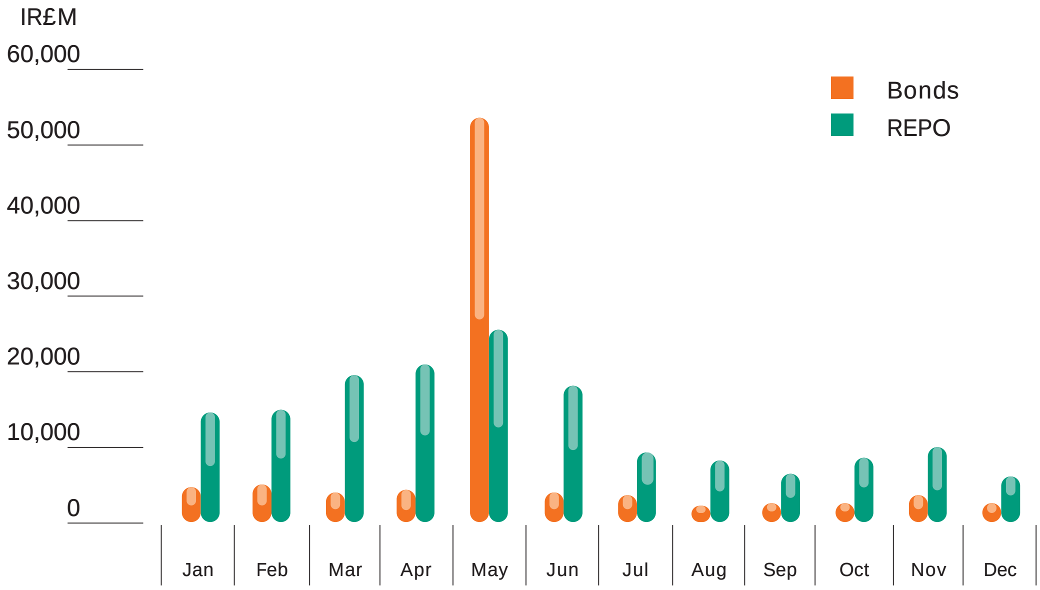
Note: The 6% Treasury Bond 2008 was used as the Irish 10 year benchmark bond up to May 1999, when it was replaced by the 4% Treasury Bond 2010.

Turnover in Irish Government bonds in 1999 (excluding REPOs), as reported by the Irish Stock Exchange, was IR£87.3 billion; this compares with IR£70.7 billion in 1998. However, excluding the Securities Exchange Programme which gave rise to turnover of IR£49.5 billion, there was a decrease in turnover of approximately IR£32.9 billion. This reflected a reduction (see chart below) in activity in anticipation of the Programme and a further concentration of European bond market activity in the core markets of Germany, France and Italy.

Turnover in the first quarter of 2000, at almost the same level as in the final quarter of 1999, was 37 per cent below the level of the first quarter of last year.

Reported turnover figures are understated to the extent that some investors, notably non-residents, increasingly dealt in Irish bonds via Euroclear and Cedel. In cases where the counterparty was also a Euroclear or Cedel participant, the deal would not be included as part of the turnover reported by the Irish Stock Exchange. This Irish experience of a drop in turnover in the bond market was mirrored in the other smaller European bond markets.

Turnover of euro denominated Irish Government Bonds and REPOs - 1999



Source: Irish Stock Exchange

The Agency, through its primary and secondary market transactions, accounted for 11 per cent of total turnover in Irish Government bonds (excluding the Securities Exchange Programme).

Market turnover in the bonds for which Primary Dealers quote continuous prices:

	IR£ million (consideration) (1)
8% Treasury Bond 2000	2,043
6.5% Treasury Bond 2001	3,981
2.75% Treasury Bond 2002	7,220
9.25% Capital Stock 2003	3,721
6.25% Treasury Bond 2004	6,285
3.5% Treasury bond 2005	11,643
8% Treasury Bond 2006	7,356
6% Treasury Bond 2008	7,576
4% Treasury Bond 2010	16,118
8.75% Capital Stock 2012	4,712
8.25% Treasury Bond 2015	7,212
4.6% Treasury Bond 2016	8,127
Total	85,994

Source: The Irish Stock Exchange

Note: (1) The above turnover figures represent the market value of transactions and include the SEP.

The above bonds represented 98.5 per cent of total Irish Government bond market turnover in 1999.

Dealing spreads of 5 basis points for short maturity stocks (out to 5 years) and 10 basis points for medium maturity stocks (6 to 10 years) were typical and the normal deal size in both maturity ranges was around IR£8 million.

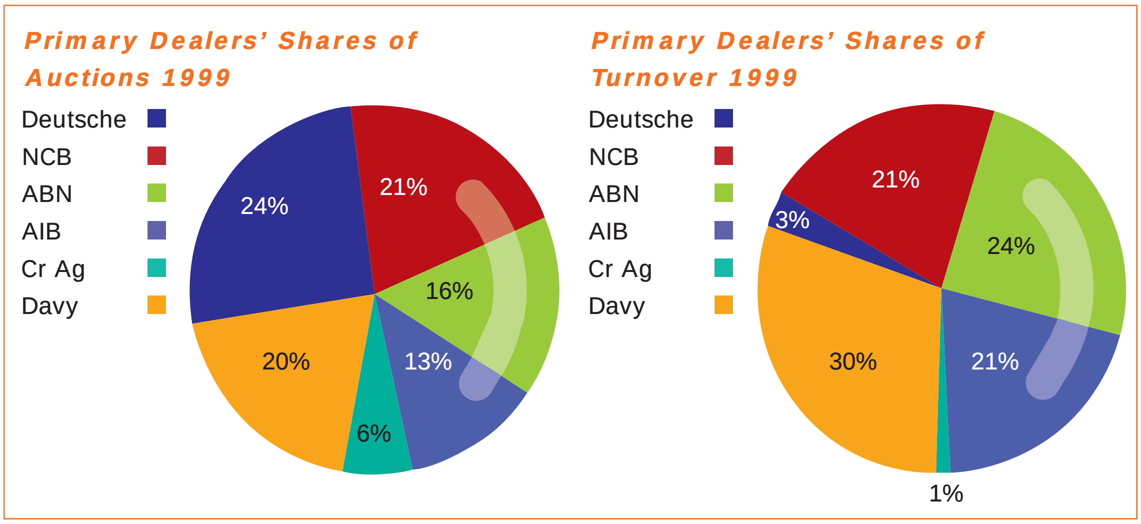
Activity between Primary Dealers via the Inter Dealer Broker (IDB) - which enables Primary Dealers to transact with each other on an anonymous basis – continued to contribute to the liquidity of the market.

SECONDARY TRADER

The Agency maintains a secondary trading function to trade in its bonds with other market participants. This is separated from primary bond desk activity by means of "Chinese Walls". The role of the secondary trader is to provide liquidity to the market and to act as a source of market intelligence.

PRIMARY DEALERS' ACTIVITIES

The market shares of Primary Dealers for both auctions and turnover are shown below.



BOND SWITCHING

The Agency provides a bond switching facility to Primary Dealers and from time to time offers switching facilities generally to the market to enhance the liquidity of a particular bond. Since the introduction of the euro the amount of switching has declined as a range of instruments has become available to the Primary Dealers in the euro area bond market which they can use to hedge their positions.

Excluding transactions under the Securities Exchange Programme, switching activity by the Agency in bonds for which Primary Dealers quote continuous prices was:

	IR£ millions (nominal)	
	Purchases	**Sales**
8% Treasury Bond 2000	42.9	15.8
6.5% Treasury Bond 2001	66.9	46.1
2.75% Treasury Bond 2002	61.4	202.0
9.25% Capital Stock 2003	15.0	39.4
6.25% Treasury Bond 2004	48.4	28.4
3.5% Treasury Bond 2005	141.4	48.8
8% Treasury Bond 2006	43.9	36.2
6% Treasury Bond 2008	166.6	31.5
4% Treasury Bond 2010	56.9	133.5
8.75% Capital Stock 2012	13.8	51.2
8.25% Treasury Bond 2015	26.0	88.0
4.6% Treasury Bond 2016	78.5	45.4
Total:	**762.0**	**766.3**

Price Making Obligations of Primary Dealers

Bond Maturity	**Minimum Size € Millions**	**Maximum Spread € Cents**
over 18 months and under six years to maturity	4	15
6 years to 11 years	3	25
over 11 years to maturity	2	35

BOND SETTLEMENT

The Agency and the Central Bank announced on 30 March, 2000 that the settlement of Irish Government bonds currently carried out by the Central Bank is to be transferred to the Euroclear system. This arrangement will enable local and international financial institutions to safekeep and settle all Irish Government bond transactions in a single settlement location. This will facilitate access to a broader range of investors and increase the liquidity of Irish Government bonds in the international capital markets. The transition to the Euroclear system is expected to be completed in the coming months. The Central Bank will, however, continue as Registrar. Ireland is the first European country to transfer the settlement of Government bonds from its Central Bank to an international securities depository.

BOND INDICES

Irish Government bonds are included in the following international bond indices:

- Bloomberg / EFFAS – Government Bond Index
- JP Morgan – Irish Government Bond Index
- Lehman Brothers – Global Bond Index
- Merrill Lynch – Global Government Bond Index II
- Salomon Smith Barney – World Government Bond Index

SHORT TERM PAPER

The Agency has a number of short term paper programmes which are used opportunistically to borrow funds at attractive rates for cash management purposes. Details of these programmes are set out below:

COMMERCIAL PAPER

The Agency has a €2 billion Commercial Paper Programme (in Frankfurt), a US$5 billion multi-currency ECP Programme (in London) and a US$1 billion CP Programme (in New York). These programmes offer immediate access to a large pool of low cost funds. The proceeds of any drawdowns, which are hedged into euros, are available for liquidity management and for refinancing other more expensive forms of borrowing.

"SECTION 69" NOTES

Section 69 Notes are tax-exempt securities, which are issued in a range of currencies to eligible foreign-owned companies located in Ireland. They are sold directly by the Agency and also through designated banks in Ireland. These notes are flexible short-term instruments producing cost-effective funding for the Exchequer.

EXCHEQUER NOTES

The Agency sells Exchequer Notes in euro to a broad range of investors, including companies, banks and other institutional clients. The available maturities range from one week to one year with a minimum IR£80,000 (equivalent) investment. Outstanding Exchequer Notes at end 1999 amounted to IR£986 million (nominal), a decrease of IR£217 million from the end 1998 level. The Agency makes two-way prices in Exchequer Notes. These prices are shown on Reuters and Bloomberg, page NTMA.

AGRICULTURAL COMMODITY INTERVENTION BILLS

The Agency sells Agricultural Commodity Intervention Bills (ACIBs) which carry similar terms to Exchequer Notes but are issued on behalf of the Minister for Agriculture, Food and Rural Development. Outstandings at year end were IR£60.3 million (nominal).

Marketable debt denominated in euro and short term debt were discussed in the previous section. This section covers medium term debt denominated in the currencies of other EMU countries – euro legacy debt – as well as medium term debt in non-euro currencies.

At year end, 94% of the Debt was effectively in euro with the balance in sterling.

Non-euro denominated medium term debt (excluding the Irish pound denominated National Savings Schemes) amounted to IR£6,766 million (equivalent) at year end of which some IR£1,984 million (equivalent) was in sterling. The balance of IR£4,782 million (equivalent) included euro legacy debt as well as debt in non-euro currencies (other than sterling) which has been fully hedged into euro.

Euro legacy debt comprises outstanding debt contracted prior to 1999 and originally denominated in the individual currencies of countries which are now members of EMU. While not formally redenominated, this debt is effectively euro debt.

Outstanding debt in non-euro currencies such as the US dollar, Swiss franc and Japanese yen, and excluding liabilities in sterling, has been fully hedged into euro constituent currencies.

Taking account of the substantial changes that have taken place in recent years in the structure of the Irish economy and in the strength of the Exchequer finances, the Agency earlier this year commissioned an analysis by the Economic and Social Research Institute (ESRI) of the sensitivity of the Exchequer finances to the sterling exchange rate, the underlying reason for the inclusion of sterling in the portfolio. This analysis has recently been completed and the target weighting for sterling in the portfolio is currently under review.

As all new medium and long term debt issued in 1999 was in euro denominated bonds, there was a net reduction of non-euro denominated debt of IR£1,376 million (equivalent) as a result of both debt maturities and the early redemption of debt where opportunities arose to buy back outstanding debt at competitive prices.

Repayments of non-euro denominated debt – 1999

		IR£ millions (equivalent)
Maturities and early redemption of euro legacy debt		1,143
Maturities and early redemption of non-euro debt(Note 1)		233
	Total	1,376

Note 1: excludes foreign currency short term paper which was issued for cash management purposes and fully hedged into euro

Following completion of the hedging of US dollar and Japanese yen exposures in late 1998 in the lead in to EMU, much of the foreign currency debt management activity in 1999 involved hedging the Swiss franc component of the portfolio. A decision was taken in late 1998 to hedge all Swiss franc debt into euro, but at that time global financial markets were suffering from a significant withdrawal of liquidity induced by a combination of events, including the difficulties in the Eastern European and Asian markets. In these circumstances, it was decided to use the foreign exchange market as the most efficient means of hedging the exposures in Swiss francs until market conditions returned to normal.

By March 1999, liquidity had largely returned to the markets and, at that stage, the Agency began the process of systematically replacing the temporary FX hedges with currency swaps which matched exactly the cashflows on individual loans and which thereby immunised the portfolio against any further fluctuations in the Swiss franc/euro exchange rate or in Swiss franc interest rates.

As a consequence of low interest rates reflecting market conditions generally and the Agency's reduced need for funds in 1999, there was a net outflow of IR£100 million from the National Savings Schemes, reversing the trend of growth in the schemes since the establishment of the Agency (averaging 7 per cent per annum in the period 1990-1998). At year end the balance outstanding under these Schemes was IR£4,358 million, representing approximately 14 per cent of the National Debt.

Details of the totals outstanding for each of the schemes at end 1999 are shown below.

	Total Outstanding at end 1999 IR£ million	Money Raised in 1999 (net) IR£ million
Savings Certificates	2,267	(25)
Savings Bonds	1,014	(133)
Instalment Savings	364	7
Prize Bonds	212	34
Savings Stamps	1	-
Post Office Savings Bank	500	17
Total	**4,358**	**(100)**

In addition, an estimated IR£1,883 million was outstanding at end 1999 in accrued but unpaid interest on Savings Certificates, Savings Bonds and Instalment Savings (as compared to IR£1,768 million at end 1998). In order to provide over time a reasonable level of cover for this accrued interest, an interest reserve fund was created in 1994. A further IR£161 million was paid into this reserve in 1999, bringing the total provision for outstanding accrued interest to IR£853 million. This represents over 45 per cent of the total accrued interest outstanding, up from approximately 40 per cent at end-1998; as a result the uncovered amount of the interest overhang fell from IR£1,076 million at end 1998 to IR£1,030 million at end 1999.

The National Savings Schemes are sold by An Post acting on behalf of the Agency; a number of the products may also be purchased through stockbrokers and banks. Due mainly to the cost of once-off development work required for Year 2000 compliance and the changeover to the euro, the cost of administration of the schemes in 1999 increased by 11 per cent. Of the total of IR£26.2 million paid out for administration, over IR£22 million was paid to An Post. Fees relating to the operating of the Prize Bond schemes amounted to IR£3.76 million, of which IR£3.5 million was paid to The Prize Bond Company with the balance paid to An Post. The Prize Bond Company operates the Prize Bonds scheme and is owned jointly by An Post and The Foreign Exchange Company of Ireland (FEXCO). IR£115,000 was paid to TSB Bank in respect of Instalment Savings. The details are as follows:

Administration Fees - 1999	(IR£ 000)
Post Office Savings Bank	14,096
Savings Certificates	3,631
Savings Bonds	2,101
Instalment Savings	1,798
Prize Bonds	3,764
Savings Stamps	843
Total	26,233

Rates of return on the schemes are competitive with the marketplace generally and the schemes continue to offer attractive investment opportunities involving a unique mix of characteristics, including the following:

- Government risk;
- no investment costs or commissions;
- repayment flexibility; and
- in many cases, rates of return free of Irish income and capital gains taxes.

SAVINGS CERTIFICATES, SAVINGS BONDS & INSTALMENT SAVINGS

In anticipation of lower interest rates generally following the introduction of the euro, the Agency cut the rates of return on these products in the latter part of 1998; these rates of return, which have been maintained to date, are as follows:

- **Savings Certificates:** 16 per cent after five years and six months, equivalent to an average annual rate of interest of 2.74 per cent; and
- **Savings Bonds:** 8 per cent after three years, equivalent to an average annual rate of interest of 2.60 per cent.
- **Instalment Savings:** 15 per cent after five years, equivalent to an average annual rate of interest of 2.57 per cent after allowance is made for payment of the instalments over twelve months.

Whereas Savings Certificates and Savings Bonds are designed for lump sum investments up to certain limits, Instalment Savings enable investors to save over time by means of fixed monthly instalments.

During 1999, rather than providing automatic re-investment facilities, the Agency decided to repay a number of issues of Savings Certificates, Savings Bonds and Instalment Savings as individual investments in these issues matured. This policy has continued into 2000. Investors, however, are given the option of re-investing in the current issues of Savings Certificates or Savings Bonds. This will have the effect of consolidating the investment base for these products in the current issues, and will facilitate the better administration of the schemes.

PRIZE BONDS

Prize Bonds raised IR£34 million net in 1999, an increase of some 40 per cent over the 1998 level, bringing the total invested to IR£212 million. This reflects the prevailing low interest rate environment which has enhanced the appeal of Prize Bonds.

The rate of interest used to determine the prize fund was reduced from 3.0 per cent to 2.75 per cent with effect from 1 October, 1999.

The Prize Bonds scheme has been operated by The Prize Bond Company Limited since 1989 under a ten year contract. In March 1999, the Agency sought tenders for the service of operating the Prize Bonds scheme for a further ten year period. Following evaluation of the tenders in accordance with standard public sector procurement procedures, augmented by the use of external advisers, the new contract was again awarded to The Prize Bond Company Limited.

POST OFFICE SAVINGS BANK

Funds available to the Exchequer from the Post Office Savings Bank (POSB) increased by IR£16 million in 1999.

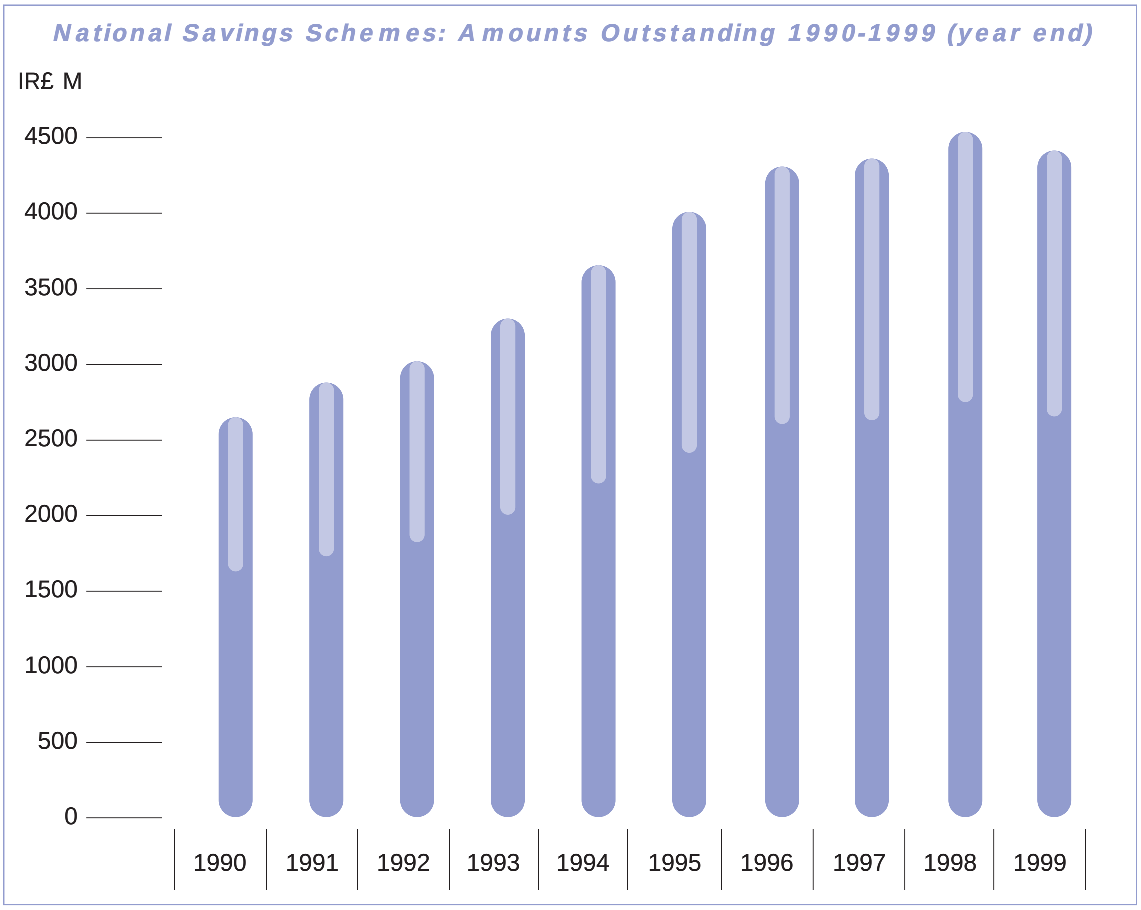
There are tiered interest rates on both POSB accounts – the Demand Account and the Deposit Account Plus (a special savings account) as follows:

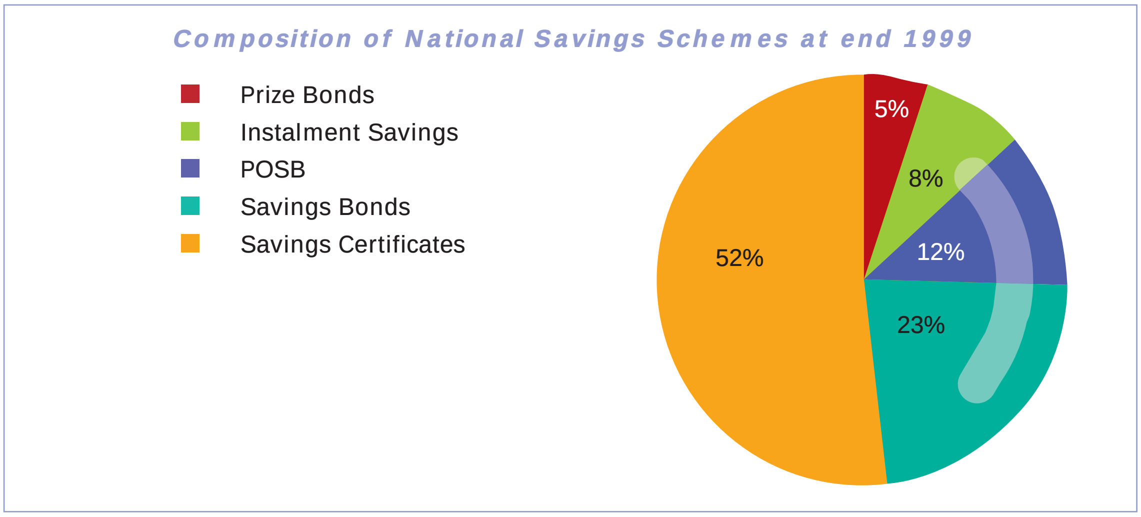
DEMAND ACCOUNT	**Rates up to 9 April 1999**	**Rates from 10 April 1999**
under IR£5,000	0.50% p.a.	0.25% p.a.
IR£5,000 and over	1.00% p.a	0.50% p.a

DEPOSIT ACCOUNT PLUS	**Rates up to 9 April 1999**	**Rates from 10 April 1999**
under IR£5,000	3.50% p.a.	2.0% p.a.
IR£5,000 - IR£24,999	4.50% p.a.	2.0% p.a.
IR£25,000 - IR£39,999	4.75% p.a.	2.0% p.a.
IR£40,000 - IR£50,000	5.00% p.a	2.5% p.a.

NATIONAL SAVINGS SCHEMES : AMOUNTS OUTSTANDING 1990 – 1999

Note: excludes accrued interest.





ULYSSES
SECURITISATION PLC

Ulysses Securitisation p.l.c. was established in 1995 for the purpose of securitising local authority mortgage payments and is managed by the Agency under a Corporate Services Agreement.

To date, a portfolio of mortgage payments has been securitised through the issuance of bonds totalling IR£190 million (IR£140 million in 1995 and IR£50 million in 1996). These bonds were redenominated into euro with effect from 1 January 1999.

Ulysses continued to operate successfully in 1999 and returned a net profit of IR£8.7 million.

The 1999 audited accounts of Ulysses have been lodged with the Companies Office.

CREDIT RATINGS

SHORT-TERM

Ireland has the top A1+, P1 and F1+ ratings from Standard & Poor's, Moody's Investors Service and Fitch(Note 1) respectively.

LONG-TERM

During the course of 1999, Ireland's debt grade was maintained unchanged.

- Moody's: AAA.
- Standard & Poor's: AA+.
- Fitch: (note 1) AAA.

Note 1: Duff and Phelps was taken over by Fitch IBCA at end May 2000. The new organisation is known as Fitch.
Both Duff and Phelps, and Fitch IBCA had awarded Ireland the top long term rating of AAA for both foreign and local currency debt and the top short term rating of F1+. These ratings are unchanged for the new organisation, Fitch.

OPERATING COSTS

The operating costs of the Agency were IR£6.3 million. Of this, IR£1.4 million was paid to the Exchequer in the form of PAYE, Social Welfare contributions and VAT, leaving a net cost of IR£4.9 million. This is equivalent to some 1.6 basis points (hundredths of one percent) of the National Debt.

By its nature, the management of the Debt gives rise to various forms of financial risk, including market risk, liquidity risk, counterparty credit risk and operational risk.

The Agency applies a number of risk management tools to quantify and manage the risks to which both the Debt and debt service costs are exposed as a result of the volatility of financial markets. These tools include systems to quantify the sensitivity of budgeted debt service costs, in both the current year and future years, to movements in exchange rates and interest rates; internal risk limits are used to manage these exposures.

Refinancing and liquidity risk are actively controlled. While access to financial markets is primarily dependent on the ongoing credit standing of the Irish economy, it is also subject to variations in the conditions and liquidity of the capital markets themselves; political and economic developments in particular countries or regions can have a significant impact on conditions in financial markets that have become increasingly interlinked. In order to contain this exposure the Agency limits the concentration of debt maturities. The introduction of the euro and a single currency government bond market helps reduce liquidity risk; with a share of approximately 1% of the large euro government bond market, Ireland now has greater access than before to 'domestic currency' funding.

The Agency manages short term liquidity by regularly updating cash flow forecasts and managing issuance dates and volumes to ensure that the Exchequer has adequate cash resources to meet its needs at all times.

Credit exposures arising from deposits and derivative transactions are monitored and controlled closely within approved limits.

Operational risk is controlled by rigorous policies and procedures governing payments and the separation of duties, in line with best practice in the financial sector generally.

STRATEGY AND RISK MANAGEMENT

BENCHMARK AND STRATEGY

The Agency's key objectives are, first, to protect liquidity to ensure that the Exchequer's funding needs can be financed prudently and cost effectively and, secondly, to ensure debt service costs are kept to a minimum subject to containing risk within acceptable limits. In addition to achieving these objectives, the Agency's performance is measured by reference to an independent and externally approved and audited benchmark portfolio (the Benchmark).

The Benchmark reflects the medium term strategic debt management objectives of the Exchequer and represents an appropriate target interest rate, currency mix and maturity profile for the portfolio. Revisions to the Benchmark are made from time to time (subject to appropriate external approvals) to take account of significant changes in structural economic relationships but not in response to short term market movements.

This Benchmark performance measurement system takes account not just of current cash outflows but also of the net present value of all liabilities; in effect it calculates the impact of the Agency's actions not only in the year under review but also their projected impact over the full life of the debt. This measurement of performance against the Benchmark was carried out in 1999 by the Quantitative Finance Group of Warburg Dillon Read, based on data audited by PricewaterhouseCoopers.

The Agency has developed risk management tools that measure the sensitivity of performance relative to the Benchmark to possible future movements in interest rates and exchange rates. These models incorporate both sensitivity and Value at Risk (VAR) measures. Risk control limits are used to contain, within an acceptable range, the Agency's performance exposure.

The Agency follows industry best practice in the quantification and distribution of decision support information and has systems in place that allow detailed performance and risk management information to be calculated daily and networked electronically to the Agency's portfolio managers and senior management.

The Operations Group is responsible for processing all payments and receipts (amounting to IR£276 billion in 1999), and for financial control and reporting, information technology and counterparty credit risk.

The principal developments within the Group in 1999 were the completion of the year 2000 (Y2K) project, further enhancements to the IT systems, the installation of an electronic settlement system for euro payments and the upgrade of the local area network to provide greater functionality.

Having successfully completed the necessary operational and systems changes to facilitate the conversion of the debt to the euro the focus turned to two critical projects – the Y2K project and the euro settlements project. All systems operated satisfactorily on 1 January 2000.

The euro settlements project (Irish Real Time Interbank Settlements System – IRIS) involved the installation of a system for settling euro payments electronically on a real time basis; it is linked to the European euro settlements system, TARGET. Both systems operate via SWIFT and bring considerable benefits to all participants in terms of efficiency, security and extensions of settlement deadlines. While the extension of the settlement deadlines has resulted in longer working hours, the Agency can now compete more effectively with the banking sector as it is no longer constrained by early dealing and settlement cut-off deadlines which hitherto prevailed. The system was put into operation in September 1999, following the completion of preparatory arrangements early in the third quarter. The Agency is the only non banking institution in Ireland which is a member of IRIS.

Staff turnover in the Operations Group continued at a high rate, particularly in the IT area. Despite this factor and a 4 per cent increase in transaction volumes all critical targets were met, while high control standards were maintained.

A small number of overseas consultancy assignments were completed for Government Agencies during the year. The most notable was the licensing of the Agency's IT systems to the Ministry of Finance of a Central European country. Other opportunities in consultancy are being considered as they arise.

The Agency conducts its business within a strong risk management and control environment. In line with policy, internal audits are undertaken by an external firm twice a year to ensure that best practice is followed and the highest standards of processing, accounting, reporting and control are maintained. The annual audit is carried out by the Comptroller and Auditor General. Satisfactory reports were received in all instances.

LEGAL

The legal unit provides the Agency with legal advice and support for its borrowing and hedging activities.

A growing body of legislation is increasingly affecting the Agency's operations; as a result, legal advice is provided on a range of legislative issues. In addition, the legal unit provides advice on draft legislation specific to the Agency, such as the National Pensions Reserve Fund Bill, 2000 and the National Treasury Management Agency (Amendment) Bill, 2000. This latter bill relates to personal injury claims involving the State, the provision of central treasury services to certain designated bodies, fund management and the provision of consultancy.

PERSONNEL

Staff numbers fluctuated during the year and at year end, including four vacancies since filled, stood at fifty two, down from fifty five at end 1998.

The annual safety audit confirmed that health, safety and welfare standards continued to be maintained at a high level.

The Government recently published draft legislation and issued statements on a number of new areas of financial management within the State sector in which the Agency would be centrally involved. These are:

- National Pensions Reserve Fund Bill, 2000
- National Treasury Management Agency (Amendment) Bill, 2000
- Dormant Accounts with financial institutions.

National Pensions Reserve Fund Bill, 2000

In July 1999 the Government announced that they were going to put aside funds to meet future liabilities for social welfare and public service pensions and that the Agency would be centrally involved in this project. Funds from the sale of State assets together with a sum equivalent to 1% of GNP would be earmarked for investment each year towards meeting these liabilities.

The Agency has worked closely with the Department of Finance in advancing the arrangements necessary for the establishment of the new Fund. The Agency managed the proceeds of the Telecom flotation as part of the Exchequer's cash deposits until legislation establishing the Temporary Holding Fund was passed in December 1999. Sums totalling IR£3,015 million were paid into the Fund by end 1999 with a further IR£1,850 million due by end 2000. This money is placed on deposit pending the enactment of legislation establishing the National Pensions Reserve Fund. Interest earned on the deposits to 23 June 2000 totals IR£93 million.

On 14 June 2000 the Government published the National Pensions Reserve Fund Bill 2000. The following extract from the Explanatory Memorandum sets out the main provisions of the Bill:

- the establishment of a National Pensions Reserve Fund, to provide towards the Exchequer cost of social welfare and public service pensions from 2025 onwards;

- a statutory obligation to pay a sum equivalent to 1 per cent of GNP from the Exchequer into the Fund each year until at least 2055, with provision to enable additional sums to be paid into the Fund from time to time by resolution of Dáil Éireann;

- the establishment of an independent Commission, the National Pensions Reserve Fund Commission, to control and manage the Fund, with discretionary authority to determine and implement an investment strategy for the Fund, based on commercial principles;

- a strictly commercial investment mandate for the Fund with the objective of securing the optimal return over the long-term subject to prudent risk management;

- a prohibition on drawdowns from the Fund prior to 2025, with drawdowns thereafter to be determined under ministerial rules by reference to projected increases in the number of persons over 65 in the population at that time and with a view to avoiding undue fluctuations in the net Exchequer balance from year to year;

- the appointment of the National Treasury Management Agency as Manager of the Fund to act as agent of the Commission and to carry out such functions as are delegated to it for this purpose by the Commission – the appointment of the Agency will be for a period of 10 years, following which there will be the option, at five yearly intervals, to extend this further or to appoint an alternative Manager;

- the appointment by the Commission of (i) investment managers to invest and manage portions of the Fund and (ii) custodians to ensure the safekeeping and security of the assets of the Fund;

- accountability of the Commission to the Minister for Finance (hereafter "the Minister") and to the Dáil, including provision for detailed annual reports and for appearance of the Commission chairperson before the Committee of Public Accounts;

- annual audit of the Fund by the Comptroller and Auditor General;

It is expected that the Bill will be enacted into law later this year. In the meantime the Agency is undertaking a considerable amount of preparatory work to ensure that it is ready to implement its mandate when the legislation is enacted.

National Treasury Management Agency (Amendment) Bill, 2000

This bill, recently published by the Government, sets out four new areas of responsibility for the Agency:

- Claims management
- Central Treasury Service
- Management of Funds
- Consultancy

CLAIMS MANAGEMENT

The bill provides for the delegation to the Agency of the management of personal injury and property damage claims against the State. Government Departments paid out almost IR£100 million in compensation costs and associated legal fees in 1999 and the Government decision was prompted by the view that savings could be achieved by applying to State claims the same commercial discipline that is applied to claims against insurance companies.

In addition to its claims management function, the Agency will also have responsibility for putting procedures in place to minimise the incidence of claims, such as the provision of a risk management advisory service to State authorities. The Agency will also be empowered to purchase insurance cover for certain risks.

The Agency has been engaged in extensive consultations with representatives of the insurance industry, the legal profession and Government Departments. In these consultations the view has frequently been expressed that claims against the State are inherently no different from claims against conventional insurers and that, by applying a more commercial approach to managing them, savings can be achieved.

Information from Government Departments and Offices suggests that, excluding army deafness cases, about 70 per cent of State claims currently outstanding relate to personal injury.

CENTRAL TREASURY SERVICE

The new legislation will enable the Agency to offer a central treasury service to certain public sector bodies such as local authorities, health boards and vocational education committees.

Both deposit and loan facilities will be offered to the above mentioned bodies at competitive rates of interest thereby generating savings for the Exchequer.

The provision of a central treasury service is a practice followed in the private sector for some time, particularly by multinational companies.

FUND MANAGEMENT SERVICE

The Agency will be empowered to provide a fund management service whenever such a service is requested by a Minister.

CONSULTANCY SERVICE

The legislation will enable the Agency to provide consultancy services within its areas of expertise. Income from such services will be used to defray the Agency's administration expenses.

Dormant Accounts

The Government recently decided that balances on dormant accounts in all financial institutions, except for credit unions, would be remitted to the State. Legislation to give effect to this measure is in the course of preparation. While consultations are still taking place with the various institutions involved, the principal features to be incorporated in the legislation are likely to be as follows;

- Financial institutions such as banks, building societies, the Post Office and insurance companies will be required to make an annual return to the Department of Finance of all dormant accounts held by them. The definition of a dormant account has yet to be agreed.

- Following submission of the annual return, further efforts will be made to contact the account holders. If no contact is achieved within a certain period of time, the relevant funds together with accrued interest will be remitted to the Agency for credit to a newly established Fund.

- The Fund will be managed by the Agency and all moneys received will be invested in short term debt instruments, pending a decision by a board of trustees on their ultimate disposal.

- The board of trustees will be appointed by the Government. Their remit will be to disburse the surplus funds for charitable purposes or for purposes of societal or community benefit.

The principal tasks to be carried out by the Agency arising from this measure are;

- to receive moneys from financial institutions and keep records of amounts received from and refunded to each institution
- to invest moneys in short term debt instruments pending a decision by the trustees on their disposal
- to make refunds to financial institutions when directed to do so
- to disburse surplus moneys in accordance with trustees' directions
- to prepare annual accounts for Fund

It is not known at this stage how much money will be remitted to the State under this measure. A major determinant will of course be the time limit for defining dormant accounts.


J. NOLAN '00.

FINANCIAL STATEMENTS

PREPARED BY THE NATIONAL TREASURY MANAGEMENT AGENCY *IN ACCORDANCE WITH SECTION TWELVE OF THE NATIONAL TREASURY MANAGEMENT AGENCY ACT,1990*

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STATEMENT OF AGENCY'S RESPONSIBILITIES

The Agency is required by the National Treasury Management Agency Act, 1990 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency is required to:

* select suitable accounting policies and then apply them consistently;
* make judgements and estimates that are reasonable and prudent;
* prepare the financial statements on the going concern basis unless it is inappropriate;
* disclose and explain any material departure from applicable accounting standards.

The Agency is responsible for keeping in such form as may be approved by the Minister all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency, its funds and the national debt.

The Agency is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have audited the financial statements on pages 56 to 75.

Responsibilities of The Agency and of The Comptroller And Auditor General

The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities on page 54. It is my responsibility, under Section 12 of the National Treasury Management Agency Act 1990 to audit the financial statements presented to me by the Agency and to report on them. As the result of my audit I form an independent opinion on the financial statements.

Basis of Opinion

In the exercise of my function as Comptroller and Auditor General, I plan and perform my audit in a way which takes account of the special considerations which attach to State bodies in relation to their management and operation.

An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made in the preparation of the financial statements, and of whether the accounting policies are appropriate, consistently applied and adequately disclosed.

My audit was conducted in accordance with auditing standards which embrace the standards issued by the Auditing Practices Board and in order to provide sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement whether caused by fraud or other irregularity or error. I obtained all the information and explanations that I required to enable me to fulfil my function as Comptroller and Auditor General and in forming my opinion, I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, proper books of account have been kept by the Agency and the financial statements, which are in agreement with them properly present the results of the Agency's operations for the year ended 31 December 1999 and its balances at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

ACCOUNTING POLICIES

Background

The National Treasury Management Agency (NTMA) was established under the National Treasury Management Agency Act, 1990 to perform the borrowing and National Debt Management function on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

The financial statements set out on pages 57 to 68 are for the National Debt of Ireland. The form of the statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

Basis of Accounting

The measurement base adopted is that of historical cost except where otherwise stated. Transactions are recognised using the cash basis of accounting.

The National Debt Statement is a statement of the total amounts of principal borrowed by Ireland not repaid at the end of the year, less liquid assets available for redemption of those liabilities at the same date. The Minister for Finance under various statutes also guarantees borrowings by State and other agencies. These guarantees are not included in these financial statements.

Reporting Period

The reporting period is for the year ended 31 December 1999.

Reporting Currency

The reporting currency is the Irish Pound which is denoted by the symbol IR£.

Receipts and Payments

Receipts and payments relating to the National Debt through the Exchequer Account, Foreign Currency Clearing Accounts and the Capital Services Redemption Account (CSRA) are recorded at the time the money is received or payment made.

Liability Valuation

Debt balances are recorded at redeemable par value.

Derivatives

Swap agreements and other financial instruments are entered into for hedging purposes as part of the process of managing the National Debt. The results of those hedging activities linked with specific borrowing transactions are recognised in accordance with the underlying transactions. The net fund flows arising on hedging activities not linked with specific borrowing transactions are included in debt service costs at the time the funds are received or payment made. Where swaps are terminated and converted into other swap instruments the fund flows impact upon debt service in accordance with the terms of the revised instrument.

Foreign Currencies

Receipts and payments in foreign currencies are translated into Irish pounds at the rates of exchange prevailing at the date of the transaction. Liabilities and assets in foreign currencies are translated into Irish Pounds at the rates of exchange ruling at the year end dates.

SERVICE OF DEBT STATEMENT — *Year ended 31 December 1999*

	Notes	1999 Total Cost IR£'000	1998 Total Cost IR£'000
Interest paid			
Medium / Long Term Debt*	2	1,513,735	1,763,289
Short Term Debt**	3	73,332	92,293
National Savings Schemes	4, 9	355,928	191,074
Other Movements	5	(11,428)	137,339
Sinking Fund payments	6	329,375	294,836
Fees and Expenses	7	18,018	12,734
Expenses of NTMA		6,197	6,068
Interest received on deposits with Central Bank and other banks		(79,927)	(87,477)
Total Service Cost IR£	1	**2,205,230**	**2,410,156**
Total Service Cost Euro		***2,800,065***	***3,060,267***

* *Medium / Long Term Debt is Debt with an original maturity of more than one year*

** *Short Term Debt is Debt with an original maturity of not more than one year*

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000
The notes on pages 61 to 68 form part of these financial statements.

NATIONAL DEBT STATEMENT

31 December 1999

	Notes		1999 IR£million		1998 IR£million
Medium / Long Term Debt *					
Irish Government Bonds listed on The Irish Stock Exchange	15		18,609		16,038
Other Irish Government Public Bond Issues			2,859		3,411
Private Placements			2,044		2,371
European Investment Bank Loans			515		579
Medium Term Notes			869		794
Miscellaneous Debt			(324)		171
Borrowings from Central Bank			132		132
	8		24,704		23,496
Short Term Debt **					
Commercial Paper		2,108		1,543	
Borrowings from Funds under the control of the Minister for Finance		2,427		1,994	
			4,535		3,537
National Savings Schemes					
Savings Certificates		2,267		2,292	
Savings Bonds		1,014		1,147	
National Instalment Savings		364		356	
Savings Stamps		1		1	
Prize Bonds		212		179	
	9		3,858		3,975
			33,097		31,008
Less Liquid Assets	10		(1,713)		(1,467)
National Debt IR£	12		31,384		29,541
National Debt EURO			***39,849***		***37,509***

** Medium / Long Term Debt is Debt with an original maturity of more than one year*

*** Short Term Debt is Debt with an original maturity of not more than one year*

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

The notes on pages 61 to 68 form part of these financial statements.

NATIONAL DEBT CASH FLOW STATEMENT *Year ended 31 December 1999*

	Receipts IR£'000	Payments IR£'000	1999 Net IR£'000	1998 Net IR£'000
Borrowing Activity				
Irish Government Bonds listed on				
The Irish Stock Exchange	16,804,284	(17,135,777)	(331,493)	(785,771)
Other Irish Government Public Bond Issues	0	(761,471)	(761,471)	(189,375)
Private Placements	0	(398,170)	(398,170)	(111,672)
European Investment Bank Loans	0	(101,886)	(101,886)	(266,763)
Medium Term Notes	0	(88,467)	(88,467)	(51,352)
Miscellaneous Debt	27,638,659	(27,664,681)	(26,022)	(75,183)
Commercial Paper	60,402,606	(60,262,075)	140,531	47,122
Savings Certificates	148,254	(172,931)	(24,677)	145,087
Savings Bonds	168,723	(301,730)	(133,007)	1,847
Savings Stamps	0	0	0	1,284
National Instalment Savings	50,147	(42,760)	7,387	28,583
Prize Bonds	63,439	(29,571)	33,868	23,521
Borrowings from Ministerial Funds	33,960,036	(33,528,441)	431,595	830,502
Total Borrowing Activity	139,236,148	(140,487,960)	(1,251,812)	(402,170)
Represented by movement in Exchequer:				
Opening Balance in Exchequer Account (note 10)			(1,316,117)	(971,623)
Exchequer (Surplus)/Deficit			(1,190,754)	(746,664)
Closing Balance in Exchequer Account (note 10)			1,255,059	1,316,117
			(1,251,812)	(402,170)

Total Borrowing Activity

	Receipts IR£'000	Payments IR£'000	1999 Net IR£'000	1998 Net IR£'000
Exchequer Account	130,280,754	(131,660,910)	(1,380,156)	345,178
Foreign Currency				
Clearing Accounts (Note 14)	8,955,394	(8,827,050)	128,344	(747,348)
	139,236,148	(140,487,960)	(1,251,812)	(402,170)

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

The notes on pages 61 to 68 form part of these financial statements.

STATEMENT of MOVEMENT in NATIONAL DEBT

Year ended 31 December 1999

	1999 IR£'000	1998 IR£'000
Opening National Debt	29,540,674	30,688,551
Increase / (Decrease) in National Debt (nominal)	1,843,235	(1,147,877)
Represented by:		
Exchequer (Surplus)/Deficit (note 16)	(1,190,754)	(746,664)
Effect of Foreign Exchange Rate Movements	141,243	(162,241)
Bond Tranching: net excess of proceeds over nominal liability	184,039	(496,313)
Bond Cancellations: net excess of cancellation cost over nominal liability	2,641,173	407,378
Movement in CSRA current balance (note 10)	(307,438)	(150,001)
FEOGA Borrowings (note 16)	375,000	-
Other nominal movements	(28)	(36)
	1,843,235	(1,147,877)
Closing National Debt IR£	**31,383,909**	**29,540,674**
Closing National Debt EURO	***39,849,344***	***37,508,919***

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

The notes on pages 61 to 68 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Total Service Cost

	Notes	Charged on Foreign Currency Clearing Accounts IR£'000	Charged on Central Fund IR£'000	Charged on CSRA IR£'000	Total Service Cost 1999 IR£'000
Interest paid					
Medium / Long Term Debt	2	127,086	404,290	982,359	1,513,735
Short Term Debt	3	17,853	55,477	2	73,332
National Savings Schemes	4	-	198,243	157,685	355,928
Other Movements	5	(16,202)	453,212	(448,438)	(11,428)
Sinking Fund payments	6	-	680	328,695	329,375
Fees and Expenses	7	1,234	13,127	3,657	18,018
Expenses of NTMA		-	6,197	-	6,197
Interest received on deposits with Central Bank and other banks		(1,625)	-	(78,302)	(79,927)
		128,346	1,131,226	945,658	2,205,230
Inter Account Movement		-	1,253,070	(1,253,070)	-
Net cash paid		128,346	2,384,296	(307,412)	2,205,230

2. Interest on Medium / Long Term Debt

	Total Cost 1999 IR£'000	Total Cost 1998 IR£'000
Irish Government Bonds listed on The Irish Stock Exchange	1,024,792	1,232,838
Other Irish Government Public Bond Issues	206,484	216,037
Private Placements	140,499	137,483
European Investment Bank Loans	41,651	84,426
Medium Term Notes	39,340	36,323
Miscellaneous Debt	60,240	54,513
Borrowings from Central Bank	729	1,669
	1,513,735	1,763,289

3. Interest on Short Term Debt

	Total Cost 1999 IR£'000	Total Cost 1998 IR£'000
Commercial Paper	65,899	87,664
Borrowings from Funds under the control of the Minister for Finance	7,433	4,629
	73,332	92,293

4. Interest on National Savings Schemes

	Total Cost 1999 IR£'000	Total Cost 1998 IR£'000
Savings Certificates	87,635	70,439
Savings Bonds	75,576	33,627
National Instalments Savings	26,136	12,270
Prizes in respect of Prize Bonds	5,323	5,738
Small Savings Reserve (note 9)	161,258	69,000
	355,928	191,074

5. Other Movements

The NTMA, as part of its remit, engages in a range of debt management transactions including derivatives (See note 11). This figure reflects the net cashflows associated with these activities.

6. Sinking Fund Payments

Under Finance Act 1950 and under the prospectus covering the issue of certain loans specified amounts were provided for the redemption of debt. The sums provided and applied in 1999 were as follows

	IR£'000
Central Fund (6.5% Exchequer Stock, 2000 - 05)	680
Capital Services Redemption Account (Note 13)	328,695
	329,375

7. Fees and Expenses

	Total Cost 1999 IR£'000	Total Cost 1998 IR£'000
Expenses of Irish Pound Borrowings	3,394	307
Expenses of Savings Certificates	3,631	3,408
Expenses of Prize Bonds	3,764	2,864
Expenses of Savings Bonds	2,101	1,884
Expenses of National Instalment Savings	1,798	1,712
Expenses of Savings Stamps	843	829
Expenses of Foreign Loans	2,487	1,730
	18,018	12,734

8. Medium / Long Term Debt

The maturity profile of the Medium / Long Term Debt, taking into account the treasury management transactions entered into by the Agency, is as follows:-

	As at 31 December 1999 IR£millions	As at 31 December 1998 IR£millions
Debt due for repayment within 1 year	3,231	2,641
Debt due for repayment between 2 and 5 years	9,018	11,051
Debt due for repayment in more than 5 years	12,455	9,804
	24,704	23,496

9. National Savings Schemes

Amounts shown in respect of Savings Certificates, National Instalment Savings, Savings Bonds and Prize Bonds are net of IR£4.6 million (1998: IR£ 6.6 million) being cash balances held by An Post, TSB Bank and the Prize Bond Company. An Post and the Prize Bond Company acts as the registrar for the respective schemes.

As these financial statements are prepared on a cash basis the liabilities do not include the sum of IR£1,883 million (1998: IR£ 1,768 million), being the estimate of the amount of accrued interest at 31 December 1999 in respect of Savings Bonds, Savings Certificates and National Instalment Savings.

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for IR£ 60 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent.

		IR£millions
Estimated accrued interest at 31 December 1999		1,883
Small Savings Reserve Fund		
Balance at 1 January 1999	(692)	
Amount provided during 1999	(161)	
Balance at 31 December 1999		(853)
Estimated accrued interest not provided for at 31 December 1999		1,030

The balance in the Fund is transferred to the Exchequer as part of the borrowings from funds under the control of the Minister for Finance.

10. Liquid Assets

	Opening balance At 1 January 1999 IR£'000	Movements during 1999 IR£'000	Closing balance at 31 December 1999 IR£'000
Exchequer Account	1,316,117	(61,058)	1,255,059
Capital Services Redemption Account			
Current Balance (note 13)	150,895	307,438	458,333
	1,467,012	246,380	1,713,392

11. Derivatives

The Agency's responsibility for both the issuance of new debt and the repayment of maturing debt, together with the management of the interest rate and currency profile of the total debt portfolio, makes the management of risk a central and critical element of the Agency's business. The principal categories of risk arising from the Agency's activities are liquidity risk, market risk, counterparty credit risk and operational risk. In all of these areas the Agency has comprehensive policies and procedures to measure and control the risk involved.

A major requirement of the Agency is to ensure that future funding needs can readily be met at all times. Ultimately the protection of liquidity is the Agency's most critical task. Risks to the liquidity of the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The Agency manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time. This is reinforced by the Agency's activities in continuing to develop a well informed and diversified international investor base, through maintaining its presence in all major capital markets and by extending the range of debt instruments which it issues.

Market risk is the risk of a rise in debt service costs and in the total market value of the debt due to changes in market interest or exchange rates. The Agency has to have regard to both medium and short term objectives given its task of controlling not only near term fiscal debt service costs but also the present value of all future payments of principal and interest. Fixed interest rate borrowings are subject to a market valuation risk in the event of a decline in interest rates. While carrying less market valuation risk than fixed rate debt, floating rate borrowings carry a higher risk to the near term fiscal cost of servicing the debt. The balance between fixed and floating rate liabilities has to be managed for both the domestic and foreign currency portfolios. The exposure to interest rate and currency risk is controlled through limiting the currency and interest rate concentration of the portfolio. Specific quantitative limits are in place to control market risk; exposures against these limits are reported regularly both to portfolio managers and to senior management. The Agency seeks to achieve the best trade-off between cost and risk over time. As conditions in financial markets change the appropriate interest rate and currency profile of the portfolio is reassessed.

Counterparty credit risk exposures arise from derivatives, deposits and foreign exchange transactions. The level of credit risk is minimised by dealing only with counterparties of high credit standing. Procedures provide for the approval of risk limits for all counterparties and exposures are reported daily to management. A review of all limits is undertaken periodically to take account of changes in the credit standing of counterparties or in economic and political events.

Comprehensive controls have been established to ensure that operational risks are managed in a prudent manner. These controls include the segregation of duties between dealing, processing, payments and reporting.

As part of its risk management strategy the Agency uses a combination of derivatives including interest rate swaps, currency swaps and foreign exchange contracts. The following table shows the nominal value of the instruments used and their present value.

	31 December 1999		31 December 1998	
	Nominal IR£million	Present Value IR£million	Nominal IR£million	Present Value IR£million
Interest Rate Swaps	3,063	33	5,984	139
Currency Swaps & Foreign Exchange Contracts	6,317	435	6,815	(46)
	9,380	468	12,799	93

The Present Value of an instrument is determined by using an appropriate rate of interest to discount all its future cashflows to their present value.

12. National Debt

The currency composition of the National Debt, taking into account the treasury management transactions entered into by the Agency, is as follows: -

	As at 31 December 1999 IR£ millions	As at 31 December 1998 IR£ millions
Euro Basket Currencies*	29,401	27,778
Sterling	1,984	1,763
US Dollar	-	-
Swiss Franc	(1)	-
Japanese Yen	-	-
	31,384	29,541

** This figure is net of liquid assets as at 31 December 1999 IR£1,713m (31 December 1998 IR£1,467m)*

13. Capital Services Redemption Account

The Capital Service Redemption Account (CSRA) was established by Section 22 of the Finance Act, 1950 arising from a Government decision that each year's borrowing for voted capital services should be amortised from current revenues over a period of thirty years. In this way it was intended that such capital borrowing would not incur permanent additions to the public debt. Each year's Finance Act provides for the amount required for this purpose to be paid into the CSRA from the Central Fund. This annual payment is comprised of principal and interest. The maximum amount of interest which may be paid in any year is fixed in the Act. A sum not exceeding this amount may then be paid from the CSRA towards interest repayments on the National Debt. The principal is applied towards funding debt redemption although it may also be applied in a number of ways set out in section 22(7) of the Finance Act, 1950.

Since the 1988 Finance Act, interest received by the Exchequer from its deposit accounts and receipts from certain debt management transactions (e. g. swap receipts) are also paid into the CSRA. Payments relating to debt management transactions may also be made through the account. As a result of these transactions, balances can build up in the Account. These balances are available for interest payments.

14. Foreign Currency Clearing Accounts

		IR£'000
Balance at 1 January 1999		Nil
Deposit interest received		1,625
Amounts received under Finance Act 1988 [S67 (8)]	14,884,762	
Amounts paid under Finance Act 1970 [S54 (7)]	(14,868,560)	16,202
Foreign Currency Borrowing receipts	8,955,394	
Foreign Currency Borrowing payments	(8,827,050)	128,344
Interest paid on Foreign Currency Borrowings (note 1)		
- Medium/ Long Term Debt	(127,086)	
- Short Term Debt	(17,853)	(144,939)
Expenses of Foreign Currency Borrowings (note 1)		(1,234)
Balance at 31 December 1999		(2)

The balance of IR£2,000 on this account represents the difference between service of debt total of IR£128.346 million referred to in note 1 of the accounts and the net foreign currency borrowing receipts/payments of IR£128.344 million.

15. Securities Exchange Programme

The Agency undertook a securities exchange programme in May 1999 whereby a number of high coupon bonds, which were trading at prices considerably above par, were consolidated and exchanged for a smaller number of lower coupon bonds. The programme represented a response by the Agency to the more competitive euro environment in which investors demand

- large issue size (around Euro 5 billion)
- coupons close to prevailing yields (investors are generally unwilling to purchase bonds trading above par as they would incur capital losses at maturity).
- bonds having common technical characteristics

The coupons on the new bonds ranged from 2.75% to 4.6% compared with 6% to 9.25% on the old bonds and an issue size as close as possible to Euro 5 billion was targeted. Additionally the new bonds had the standard specification adopted by issuers in the euro zone (for example, no ex-dividend period).

While the economic value of the new bonds issued was equal to the economic value of the old bonds redeemed, the par value of the new bonds was IR£2.7 billion equivalent higher, thereby increasing the amount of the reported debt by IR£2.7 billion equivalent. This increase in the debt will be offset by future debt service savings through the lower interest payments. In 1999 debt service costs were reduced by IR£130m as a result of the Securities Exchange Programme.The Central Bank of Ireland acts as registrar for Irish Government Bonds listed on The Irish Stock Exchange.

16. FEOGA Borrowings

In implementation of the provisions of section 213 of the Finance Act, 1999 the Minister for Agriculture, Food and Rural Development assigned IR£375 million of FEOGA borrowings to the Minister for Finance in 1999 which increased the National Debt by such amount. The Minister for Finance delegated to the Agency the function of discharging the borrowings. The Agency discharged the borrowings during 1999.

NATIONAL TREASURY MANAGEMENT AGENCY

ADMINISTRATION ACCOUNT *FOR THE YEAR ENDED 31 DECEMBER 1999*

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ACCOUNTING POLICIES

Background

The National Treasury Management Agency was established under the National Treasury Management Agency Act, 1990 to perform the borrowing and National Debt management function on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

Information relating to the National Debt of Ireland is contained on pages 54 to 68. Financial information covering the Agency itself is set out on pages 70 to 75.

Under Section 11 of the National Treasury Management Agency Act, 1990 " the expenses incurred by the Agency in the performance of its functions shall be charged on and paid out of the Central Fund (Exchequer) or the growing produce thereof ".

Basis of Accounting

The financial statements have been prepared on an accruals basis under the historical cost convention. The form of the financial statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated by annual instalments over their estimated useful lives.

Leasing

Rentals under the operating lease are charged to the income and expenditure account on an accruals basis.

Software

Computer software costs are charged to the income and expenditure account in the period in which they are incurred.

Capital Account

The capital account represents receipts from the Central Fund which have been allocated for the purchase of fixed assets. The receipts are amortised in line with depreciation on the related fixed assets.

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 December 1999

	Notes	1999	1998
		IR£	IR£
Income			
Central Fund	8	6,152,882	6,079,278
Other income		134,653	54,457
Transfer (to)\from capital account	5	(39,337)	127,421
		6,248,198	6,261,156
Expenditure	1	(6,248,198)	(6,261,156)
Net income/(expenditure)		NIL	NIL

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000
The notes on pages 73 to 75 form part of these financial statements.

ADMINISTRATION ACCOUNT

BALANCE SHEET

31 December 1999

	Notes	1999 IR£	1998 IR£
Fixed Assets			
Fixed Assets	2	947,359	958,022
Financial Assets	7	50,000	-
Current Assets			
Cash at bank and in hand		21,728	5,104
Debtors	3	565,971	532,723
Total Current Assets		587,699	537,827
Current Liabilities			
Creditors	4	587,699	537,827
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities		997,359	958,022
Representing:			
Capital account	5	997,359	958,022
		997,359	958,022

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

The notes on pages 73 to 75 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Expenditure

	Year Ended 31 December 1999 IR£	Year Ended 31 December 1998 IR£
Salaries and superannuation	3,488,423	3,498,282
Establishment expenses	363,764	339,380
Operating expenses	2,108,149	2,150,897
Depreciation	287,862	272,597
Total expenses	6,248,198	6,261,156

2. Fixed Assets

	Property IR£	Furniture, Equipment & Motor Vehicles IR£	Total IR£
Cost:			
Opening balance at 1 January 1999	951,708	1,830,974	2,782,682
Additions at cost	-	334,485	334,485
Disposals	-	(187,727)	(187,727)
Balance at 31 December 1999	951,708	1,977,732	2,929,440
Accumulated depreciation:			
Opening balance at 1 January 1999	378,583	1,446,077	1,824,660
Depreciation for the period	47,585	240,277	287,862
Disposals	-	(130,441)	(130,441)
Balance at 31 December 1999	426,168	1,555,913	1,982,081
Net book value at 31 December 1999	525,540	421,819	947,359
Net book value at 31 December 1998	573,125	384,897	958,022

NOTES TO THE FINANCIAL STATEMENTS

The estimated useful lives of fixed assets by reference to which depreciation is calculated is as follows:

Property	20 years
Equipment & Motor Vehicles	2 to 5 years
Furniture	10 years

The property is leased under a long-term lease, which is subject to rent reviews. The annual rent is IR£301,600.

3. Debtors

	1999 IR£	1998 IR£
Central Fund	215,267	260,012
Prepayments	331,391	240,543
Other debtors	19,313	32,168
	565,971	532,723

4. Creditors

	1999 IR£	1998 IR£
Creditors	6,444	7,382
Accruals	581,255	530,445
	587,699	537,827

5. Capital Account

			1999 IR£	1998 IR£
Opening balance at 1 January 1999			958,022	1,085,443
Transfer from /(to) Income and Expenditure Account				
Funding for asset acquisitions				
- Fixed Assets	334,485			
- Financial Assets	50,000	384,485		
Amortisation of capital funding				
- Amortisation in line with depreciation	(287,862)			
- Net amount released on asset disposal	(57,286)	(345,148)	39,337	(127,421)
Balance at 31 December 1999			997,359	958,022

NOTES TO THE FINANCIAL STATEMENTS

6. Superannuation

Superannuation entitlements of staff are conferred under a defined benefits superannuation scheme set up under Section 8 of the National Treasury Management Agency Act, 1990. Those of the Chief Executive are provided under his contract of service. Contributions, including those of staff who have opted for dependant benefit arrangements, are transferred to an externally managed fund. The Agency contribution is determined on the advice of an independent actuary and is, at present, set at a level of 25% of payroll. Contributions by the Agency for the year ended 31 December 1999 amounted to IR£ 548,233 (1998: IR£ 563,440).

Liabilities arising under the scheme are provided for under the above arrangements, except for entitlements arising in respect of the service of certain members of NTMA staff recruited from other areas of the public sector. On 7 April 1997 the Minister for Finance designated the National Treasury Management Agency as an approved organisation for the purposes of the Public Sector (Transfer of Service) Scheme. This designation provides for, inter alia, contributions to be made, as and when benefits fall due for payment in the normal course, in respect of former civil servants employed by the Agency. No provision has been made for funding the payment of such entitlements.

7. Financial Assets

The Agency joined TARGET during 1999, which is a real time settlement system administered by IRIS Ltd. The system is used to settle euro transactions through the European System of Central Banks. As a condition of membership, the Agency was required to pay IR£50,000, which was apportioned as follows:

- 20 ordinary IR£1 shares purchased at par
- IR£19,042.36 as a loan repayable over the period commencing on 30 September 1999 and ending on 30 September 2003
- IR£30,937.64 as a non-repayable, irrevocable and unconditional capital contribution to the company. This will be amortised over 5 years.

8. Central Fund Income

This is an accrual figure whereas the expenses of NTMA which appear on the Service of Debt Statement is cash drawn from the Central Fund. These figures are reconciled as follows;

	IR£
Central Fund Income per Service of Debt Statement	6,197,627
Movement in Central Fund Debtors (note 3)	(44,745)
Income from Central Fund per Income and Expenditure Account	6,152,882

POST OFFICE SAVINGS BANK FUND

***FINANCIAL STATEMENTS** FOR THE YEAR ENDED 31 DECEMBER 1999*

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REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined in accordance with auditing standards the financial statements set out in pages 79 to 84 which are in the form approved by the Minister for Finance.

I have obtained all the information and explanations which I considered necessary for the purpose of my audit.

In my opinion proper books of account have been kept by the National Treasury Management Agency in respect of the Fund and the financial statements, which are in agreement with them, give a true and fair view of the state of affairs of the Fund at 31 December 1999 and of its transactions for the year then ended.

John Purcell
Comptroller and Auditor General

29 June 2000

ACCOUNTING POLICIES

Background

The Minister for Finance guarantees the repayment and servicing of moneys invested by depositors in the Post Office Savings Bank. An Post remits the net proceeds of such investment to the Agency. The Post Office Savings Bank Fund does not form part of the Exchequer. The fund has two main purposes :-

- to invest the moneys made available by depositors, and
- to act as an intermediary through which the tranching, cancellation, sale and repurchase (repo) transactions and secondary market trading can be transacted by the Agency.

The significant accounting policies adopted by the fund are as follows:-

Basis of Accounting

The financial statements are prepared on an accruals basis under the historical cost convention.

Investments

Investments are stated at cost.

INCOME AND EXPENDITURE ACCOUNT

Year ended 31 December 1999

	Notes	1999 IR£	1998 IR£
Investment income	1	3,508,562	15,275,497
Interest paid and payable	2	3,405,146	5,084,857
Other expenses	3	14,096,543	12,876,415
		17,501,689	17,961,272
		(13,993,127)	(2,685,775)
Balance at beginning of year		24,422,244	27,108,019
Balance at end of year		10,429,117	24,422,244

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000
The notes on pages 82 to 84 form part of these financial statements.

BALANCE SHEET

31 December 1999

	Notes	1999 IR£	1998 IR£
Assets			
Advances	4	332,106,162	288,322,631
Investments	5	94,799,050	85,122,934
Debtors	7	4,910,581	3,820,783
Agricultural Intervention Paper		-	100,000,000
Agricultural Commodity Intervention Bills		11,813,460	-
Cash at bank		68,298,059	21,171,932
		511,927,312	498,438,280
Liabilities			
Deposits	8	500,134,013	473,307,202
Creditors	9	1,364,182	708,834
Accumulated Reserves		10,429,117	24,422,244
		511,927,312	498,438,280

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

The notes on pages 82 to 84 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. Investment Income

	1999 IR£	1998 IR£
Interest received and receivable	8,217,180	12,896,408
Profit on sale of investments	(4,708,618)	2,379,089
	3,508,562	15,275,497

2. Interest Paid and Payable

	1999 IR£	1998 IR£
Interest paid and credited to depositors of POSB	3,405,146	5,069,650
Interest paid and payable in respect of deposits from TSB Bank	-	15,207
	3,405,146	5,084,857

3. Other Expenses

	1999 IR£	1998 IR£
Management expenses	14,094,843	12,874,347
Miscellaneous	1,700	2,068
	14,096,543	12,876,415

The management expenses are paid to An Post in respect of its administration of the Post Office Savings Bank.

4. Advances

Advances represent Ways and Means funds, which have been loaned to the Exchequer.

NOTES TO THE FINANCIAL STATEMENTS

5. Investments

	1999	1998
	IR£	IR£
At cost	94,799,050	85,122,934
At market value	93,388,318	85,937,802

Schedule of Investment Holdings:-

Nominal IR£	Stock	Cost IR£
48,473	11.75% Capital Stock, 2000	53,851
571,474	8% Treasury Bond, 2000	601,602
23,788,301	6.5% Treasury Bond, 2001	24,980,654
113,909	8% Capital Loan, 2001	122,421
308,837	9% Government Bond, 2001	338,566
5,953,984	2.75% Treasury Bond, 2002	5,730,109
36,161	12.25% Development Stock, 2000 - 03	39,287
234,357	9.25% Capital Stock, 2003	271,510
114,296	8.25% Exchequer Bond, 2003	130,744
1,536,290	6.25% Treasury Bond, 2004	1,638,566
81,085	14.75% Development Stock, 2002 - 04	104,406
21,405,976	3.5% Treasury Bond, 2005	19,963,098
1,068,767	6.5% Exchequer Stock, 2000 - 05	1,088,102
41,562	12.5% Capital Stock, 2005	59,859
1,465,443	8% Treasury Bond, 2006	1,719,575
146,862	9% Capital Stock, 2006	186,456
341,250	6% Treasury Bond 2008	359,682
103,050	8.25% Capital Stock, 2008	119,912
26,325,585	4% Treasury Bond, 2010	23,525,257
39,378	8.5% Capital Stock, 2010	51,973
39,922	8.75% Capital Stock, 2012	52,257
480,610	8.25% Treasury Bond, 2015	614,618
14,550,923	4.6% Treasury Bond, 2016	12,933,549
112,961	Variable Rate Treasury Bond, 2000	112,996
		94,799,050

NOTES TO THE FINANCIAL STATEMENTS

6. Sale and Repurchase Agreements

Sale and Repurchase agreements are transacted between the Post Office Savings Bank Fund and primary dealers in the bond market. The related income or interest cost arising from these transactions is reflected in investment income in the Income and Expenditure account.

7. Debtors

	1999 IR£	1998 IR£
Dividends and interest receivable	1,939,537	2,061,808
Net funds due under Sale and Repurchase Agreements	-	-
Other debtors	2,971,044	1,758,975
	4,910,581	3,820,783

8. Deposits

	1999 IR£	1998 IR£
Deposits from POSB	500,134,013	473,307,202
Deposits from TSB Bank	-	-
	500,134,013	473,307,202

9. Creditors

	1999 IR£	1998 IR£
Net funds due under Sale and Repurchase Agreements	940,398	163,385
Other creditors	423,784	545,449
	1,364,182	708,834

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 86 and 87. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

CAPITAL SERVICES REDEMPTION ACCOUNT

(Finance Act, 1950 Section 22 (No 18 of 1950 as amended))

Account of Receipts and Payments		**Year ended 31 December 1999 IR£**
Balance at 1 January 1999		150,895,097
Receipts		
Amounts received from Central Fund		
under Finance Act 1950, Section 22 as amended:-		
- Interest	924,375,017	
- Sinking Fund	328,694,838	1,253,069,855
Amounts received under Finance Act 1988 [S 67 (8)]		7,297,268,252
Deposit interest received		78,302,029
		8,779,535,233
Payments		
Amounts applied in the redemption of National Debt:-		
Irish Government Bonds Listed on Irish Stock Exchange	152,586,274	
Other Irish Government Public Bond Issues	127,032,052	
Small Savings	49,076,512	328,694,838
Amounts applied in meeting interest on National Debt (note 2)		1,143,677,776
Amounts applied in respect of liabilities under Finance Act 1970, [S 54 (7)]		6,848,830,049
Balance at 31 December 1999		458,332,570
		8,779,535,233

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

NOTES TO THE ACCOUNT

1. This account was established under Section 22 of the Finance Act 1950. Annuities are paid into it from current revenue charged on the Central Fund. A fixed amount may be used for servicing (interest payments) of the public debt. The balance must be used for principal repayments. Each years Finance Act makes an annuity provision which specifies a maximum amount to be used for interest payments. In addition, under the Finance Act 1988 receipts from transactions of a normal banking nature, e.g. forward exchange deals, swaps and interest on deposits, for which a foreign currency clearing account has not been established under Section 139 of the Finance Act 1993, must be received into the Capital Services Redemption Account and may be used towards defraying interest and expenses on the public debt and towards the making of payments and repayments in respect of such transactions.

2. **Amounts applied in meeting interest on National Debt:-**

	Year ended 31 December 1999 IR£
6.25% Treasury Bond, 1999	463
7.5% Capital Stock, 1999	1,871,577
8% Treasury Bond, 2000	103,947,068
11.75% Capital Stock, 2000	4,646,388
6.5% Treasury Bond, 2001	125,735,819
8% Capital Loan, 2001	1,401,581
9% Government Bond, 2001	9,141,749
2.75% Treasury Bond, 2002	25,568,983
8.25% Exchequer Bond, 2003	2,088,577
9.25% Capital Stock, 2003	45,488,901
12.25% Development Stock, 2000 - 03	1,846,305
14.75% Development Stock, 2002 - 04	2,990,611
6.25% Treasury Bond, 2004	15,404,467
3.5% Treasury Bond, 2005	48,610,466
6.5% Exchequer Stock, 2000 - 05	4,459,038
12.5% Capital Stock, 2005	825,144
8% Treasury Bond, 2006	131,026,361
9% Capital Stock, 2006	5,040,731
8.25% Capital Stock, 2008	342,127
6% Treasury Bond 2008	68,803,108
8.5% Capital Stock, 2010	641,574
8.75% Capital Stock, 2012	55,197,529
8.25% Treasury Bond 2015	114,584,144
Variable Rate Treasury Bond, 2000	26,622,849
Other Irish Government Public Bond Issues	6,742,941
Small Savings	157,684,200
Other Irish Pound Borrowings	3,729,138
European Investment Bank	147,577
Private Placements	15,646,683
Medium Term Notes	2,964,136
Commercial Paper	1,902
Miscellaneous Debt	156,819,705
Expenses	3,655,934
	1,143,677,776

NATIONAL LOANS ADVANCE INTEREST ACCOUNT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 89. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

NATIONAL LOANS ADVANCE INTEREST ACCOUNT

Account of Receipts and Payments		**Year ended 31 December 1999 IR£**
Balance at 1 January 1999		16,506,054
Accrued interest received on National Loans		
- Tranches and Auctions	39,258,361	
- Cancellations	26,494	39,284,855
Accrued interest paid on National Loans		(44,838,278)
Balance at 31 December 1999		
- Cash with Central Bank of Ireland		10,952,631

Note to the Account

The Agency from time to time issues or cancels amounts of existing Irish Government Bonds. This is effected by means of sales or purchases by the Post Office Savings Bank Fund, which in turn settles with the Exchequer. The accrued interest element of the settlement amount for each bond transaction takes into account the fact that a full dividend is payable to the registered owner in cases where bonds are held on an ex-dividend date. The purpose of this account is for the Post Office Savings Bank Fund to compensate the Exchequer for the unearned element of the dividend arising on tranching bonds cum-dividend or on cancelling bonds ex-dividend. These amounts are then used to offset the related servicing costs of the Exchequer.

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

NATIONAL LOANS (WINDING UP) ACCOUNT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 91 and 92. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects the transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

Account of Receipts and Payments

	Note	Year ended 31 December 1999 IR£
Balance at 1 January 1999		3,355,635
Transfer from Central Bank		330,594
Transfer from Department of Finance		55,614
Receipts from Exchequer		2,758,611
Payments for redemption of National Loans	2	(2,644,164)
Balance at 31 December 1999 - Cash with Central Bank of Ireland		3,856,290

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

NATIONAL LOANS (WINDING UP) ACCOUNT

NOTES TO THE ACCOUNT

1. When a National Loan is due for redemption, the full amount outstanding is payable to loan holders. Any amount not claimed at the end of the quarter in which redemption occurs is transferred into this account. This account also includes balances, which were held by the Central Bank and the Department of Finance as Paying Agents, in respect of uncashed redemption payments, and were transferred to the National Treasury Management Agency in 1999. Any further claims are met from this account.

2. **National Loans redeemed during the year ended 31 December 1999**

	IR£
4.25% National Loan, 1975 - 80	250
5% National Savings Bonds, 1971 - 81	150
9% Conversion Stock, 1980 - 82	400
5.25% National Development Loan, 1979 - 84	2,200
6% Exchequer Stock, 1980 - 85	400
7.5% National Loan, 1981 - 86	200
5.75% Exchequer Stock, 1984 - 89	6,500
9.75% National Loan, 1984 - 89	1,500
6% Exchequer Loan, 1985 - 90	950
11.5% Exchequer Stock, 1990	5,395
14% National Loan, 1985 - 90	1,000
6.75% National Loan, 1986 - 91	1,857
7% National Loan, 1987 - 92	14,836
8.75% Capital Loan 1992	9,750
9.25% National Loan, 1989 - 94	5,011
9.5% Conversion Bond, 1995	7,709
12% Conversion Stock, 1995	35,631
12.25% Capital Stock, 1995	20,000
9.25% Exchequer Loan, 1991 - 96	4,486
7.75% Capital Stock, 1997	22,279
8.75% Exchequer Bond, 1997	3,914
9.75% National Development Loan, 1992 - 97	2,500
9.75% Capital Stock 1998	142,101
11% National Loan, 1993 - 98	16,563
13% Finance Stock, 1997 - 2002	35,688
14.5% Finance Loan 1998/2000	142,592
11.5% Development Loan 1997/1999	77,587
6.25% Treasury Bond 1999	1,887,290
7.5% Capital Stock 1999	195,425
Total	2,644,164

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 94 and 95. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects the transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

NATIONAL TREASURY MANAGEMENT AGENCY (UNCLAIMED DIVIDENDS) ACCOUNT

Account of Receipts and Payments

	Note	Year ended 31 December 1999 IR£
Balance at 1 January 1999		NIL
Transfer from Central Bank		1,100,755
Receipt of unclaimed dividends		85,370
Payment of unclaimed dividends		(18,586)
Balance at 31 December 1999		
- Cash with Central Bank of Ireland	1	1,167,539

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

NOTES TO THE ACCOUNT

1. When a dividend is due on a Loan liability, the full amount due is paid by the National Treasury Management Agency to the Paying Agent and then issued to the registered holders. The balance on this account represents dividends on matured loans, which have not been claimed by the registered holders and have been returned to the National Treasury Management Agency by the Paying Agent. The balance is available to cover future claims on these dividends.

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 97. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

Account of Receipts and Payments	Year ended 31 December 1999 IR£
Balance at 1 January 1999	893,414,000
Ways and Means Advances paid to Exchequer	11,768,648,003
Ways and Means Advances repaid by Exchequer	(11,573,923,415)
Balance at 31 December 1999 - Ways and Means Advances to Exchequer	1,088,138,588

Note to the Account

This account is used to transfer funds between the Supply Account of the Paymaster General (PMG) and the Exchequer Deposit Account. Should a surplus arise on the Supply Account of the PMG it is loaned to the Exchequer as "Ways and Means" by this fund. Repayments of "Ways and Means" fund any subsequent deficits until the total drawn in is exhausted.

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

ACCOUNT OF THE NATIONAL LOANS SINKING FUND

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 99 and 100. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

ACCOUNT OF THE NATIONAL LOANS SINKING FUND

Account of Receipts and Payments - 6.5% Exchequer Stock, 2000 - 05	**Year ended 31 December 1999 IR£**
Balance at 1 January 1999	0
Sinking Fund payments from Central Fund	680,779
Interest earned on Investments	4,747
Amount applied in cancellation of Stock	(685,526)
Balance at 31 December 1999	NIL

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

NOTES TO THE ACCOUNT

1. Basis of the Account

The prospectus published at the issue of certain National Loans requires the setting aside of a specified percentage of the nominal value of such loans on interest days in each financial year to provide for sinking funds thereon. Only one such loan was extant at 31 December 1999 (6.5% Exchequer Stock, 2000 - 05).

The sinking fund payments, together with interest earned on the sinking fund outstanding balance lent to the Exchequer, are carried to the sinking fund to provide for cancellation or redemption of the Loan.

2. Investment of Balances

Funds available from time to time are advanced as Ways and Means lending to the Exchequer. Interest is paid on the amount advanced from the sinking fund only when the amount of the loan outstanding exceeds the balance in the sinking fund.

3. Cumulative Sinking Fund Provision

	6.5% Exchequer Stock, 2000 - 05 IR£
Cumulative sinking fund provision (including interest earned thereon)	31,449,243
Cumulative amounts applied in cancellations	(31,449,243)
Sinking Fund balance at 31 December 1999	NIL
6.5% Exchequer Stock, 2000 - 05 outstanding at 31 December 1999	134,509,976

ACCOUNT OF STOCK ACCEPTED IN PAYMENT OF INHERITANCE TAX AND DEATH DUTIES

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 102 and 103. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

ACCOUNT OF STOCK ACCEPTED IN PAYMENT OF INHERITANCE TAX AND DEATH DUTIES

Account of Receipts and Payments		**Year ended 31 December 1999 IR£**
Balance at 1 January 1999		46,677
Receipts		
Interest received on stock holdings	6,041	
Proceeds of stock sold for cancellation	153,921	159,962
Payments		
Paid to Revenue Commissioners for value of stock transferred to the Minister for Finance		
- Nominal	(78,855)	
- Interest	(2,069)	(80,924)
Balance at 31 December 1999		125,715

Stock Account

Balance at 1 January 1999		NIL
Movement for the year		
Nominal amount of stock transferred to the Minister for Finance	185,896	
Nominal amount of stock sold for cancellation	(150,416)	
		35,480
Balance at 31 December 1999		35,480

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

NOTES TO THE ACCOUNT

1. Purpose of the Account

This account established under the Finance Act 1954, amended by the Capital Acquisitions Tax Act 1976, is a vehicle for the handling of certain designated Irish Government Bonds which are accepted by the Revenue Commissioners at face value in lieu of death duties. The Irish Government Bonds are received by the Revenue Commissioners and transferred to the Minister for Finance. They are then cancelled and the proceeds (at market value) taken into the account. Any shortfall between this and the liability to the Revenue Commissioners (at face value) is made up by the Exchequer and the Revenue Commissioners are paid in full.

2. Stock Account

The Stock Account records transactions at nominal par value. Any balance on this account consists of bonds held by the Minister for Finance but not yet sold by the Minister to discharge a tax liability to the Revenue Commissioners.

ACCOUNT OF THE SMALL SAVINGS RESERVE FUND

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 105. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

Account of Receipts and Payments	Year ended 31 December 1999 IR£
Balance at 1 January 1999	692,000,000
Received from Exchequer	161,258,041
Balance at 31 December 1999	853,258,041

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for IR£ 60 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent.

The balance in the Fund is transferred to the Exchequer as repayable ways and means advances.

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

STATEMENT OF COMPLIANCE
PROMPT PAYMENT OF ACCOUNTS ACT, 1997

REPORT OF COMPTROLLER AND AUDITOR GENERAL PURSUANT TO SECTION 13 OF THE PROMPT PAYMENT OF ACCOUNTS ACT, 1997

Responsibilities of the Agency and of the Comptroller and Auditor General

The Agency is obliged to comply with the Act and, in particular, is required to ensure that it

- pays its suppliers by the appropriate payment date
- if payment to a supplier is late, include the appropriate penalty interest with the payment together with the information required by Section 6
- disclose its payment practices in the period in the appropriate way.

Under Section 13 of the Act, it is my responsibility, as auditor of the National Treasury Management Agency, to report on whether, in all material respects, the Agency has complied with the provisions of the Act.

Basis of Opinion

My examination included a review of the payment systems and procedures in place and checking, on a test basis, evidence relating to the operation of the Act by the Agency during the year.

I obtained all the information and explanations which I considered necessary for the exercise of my function under Section 13 of the Act.

Opinion

As the result of my examination, it is my opinion that the Agency complied in all material respects with the provisions of the Act during the year ended 31 December 1999.

John Purcell
Comptroller and Auditor General

29 June 2000

STATEMENT OF COMPLIANCE - PROMPT PAYMENT OF ACCOUNTS ACT, 1997

The National Treasury Management Agency (NTMA) undertakes to comply with the Prompt Payment of Accounts Act, 1997. In accordance with the Act and guidelines issued by the Department of Enterprise, Trade and Employment, the following information is provided.

Procedures established to ensure compliance with the Act

The NTMA have procedures in place to ensure that all invoices received are paid within the time limits specified on the invoices or the statutory time limit if no period is specified. While the procedures are designed to ensure compliance with the Act, they can only provide reasonable and not absolute assurance against material non-compliance with the Act. These procedures operated in the financial period under review and in the case of late payments, the relevant suppliers were notified and interest was paid to them.

In accordance with the Prompt Payments of Accounts Act, 1997, the following information is provided for the financial period ending 31 December 1999.

(a) Payment Practices

The NTMA makes payments to suppliers in accordance with the terms stated on invoices or terms specified in individual contracts if appropriate. The standard terms are 30 days.

(b) Late payments in excess of £250

Number of Invoices	Average Period of Delay
Nil	n\a

(c) Overall percentage of late payments of total payments and total interest paid

The overall percentage of late payments to total payments was 0.01%

The total amount of interest paid with respect to late payments was IR£ 1.61

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

ACCOUNT OF THE TEMPORARY HOLDING FUND FOR SUPERANNUATION LIABILITIES

Report of the Comptroller and Auditor General

I have examined the account on pages 109 to 110. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 1999 and the balance at that date.

John Purcell
Comptroller and Auditor General

29 June 2000

TEMPORARY HOLDING FUND FOR SUPERANNUATION LIABILITIES

for the period 24 December 1999 to 31 December 1999

Account of Income and Expenditure	**Note**		**Period ended 31 December 1999 IR£**
Opening Balance			Nil
Interest Receivable			21,973,962
Interest paid and payable			Nil
Closing Balance at 31 December 1999			21,973,962

Balance Sheet as at 31 December 1999

	Note		**IR£**
Investment Assets			
Cash Deposits with Banks	2	3,015,007,749	3,015,007,749
Current Assets			
Interest Receivable		21,973,962	
Current Liabilities			
Creditors; Amounts falling due within 1 year		Nil	
Net Current Assets			21,973,962
Total Assets			**3,036,981,711**
Net Income/(Expenditure) for period ending 31 December 1999			21,973,962
State Investment in Fund	1		3,015,007,749
			3,036,981,711

Michael J Somers, Chief Executive
National Treasury Management Agency

28 June 2000

NOTES TO THE FINANCIAL STATEMENTS

1. State Investment in Fund

	31 December 1999
	IR£
	3,015,007,749

The Government decided to provide resources for pre-funding part of the future cost of social welfare and public sector pensions and to set aside 1 per cent of Gross National Product (GNP) annually for this purpose.

The Temporary Holding Fund for Superannuation Liabilities Act, 1999 provided for the establishment of a fund to be known as the Temporary Holding Fund for Superannuation Liabilities. A sum of IR£ 3,015 million was paid into the fund from the Exchequer in 1999. This amount represents the initial payment to the fund and not the actual liability of the state.

2. Investment Assets

	31 December 1999
	IR£
Cash on deposit with banks	3,015,007,749

Assets of the Fund are invested in short term money market deposits.

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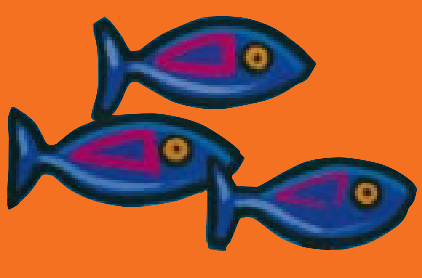

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