National Treasury Management Agency

REPORT AND FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2000

The paintings reproduced in this report are the work of Jill Coughlan, an Irish Artist.

LEGAL FRAMEWORK

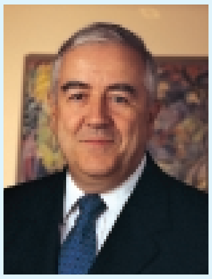
The National Treasury Management Agency Act, 1990 provided for the establishment of the National Treasury Management Agency "to borrow moneys for the Exchequer and to manage the National Debt on behalf of and subject to the control and general superintendence of the Minister for Finance and to perform 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 NTMA, such functions to be performed subject to such directions or guidelines as he might give. Obligations or liabilities undertaken by the NTMA in the performance of its functions have the same force and effect as if undertaken by the Minister. The NTMA came into existence on 3 December 1990.

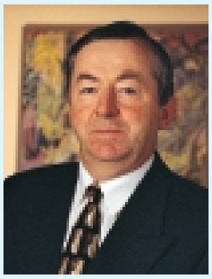
The Chief Executive, who is appointed by the Minister for Finance, is directly responsible to him and is the Accounting Officer for the purposes of the Dáil Public Accounts Committee. The NTMA has an Advisory Committee to assist and advise on such matters as are referred to it by the NTMA.

Additional functions have been given to the NTMA since 1990, most recently under the National Pensions Reserve Fund Act, 2000 and the National Treasury Management Agency (Amendment) Act, 2000. The Dormant Accounts Bill, 2001, currently being debated by the Oireachtas, also proposes additional responsibilities for the NTMA.

DIRECTORS

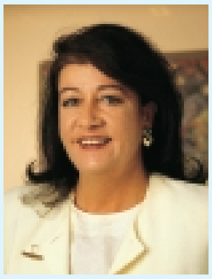


Michael J. Somers
Chief Executive



Jim Farrell

Adrian J. Kearns



Anne Counihan

John C. Corrigan

Paul Sullivan

National Treasury Management Agency

29 June, 2001

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 2000.

Yours sincerely,

Michael J. Somers
Chief Executive

Treasury Building, Grand Canal Street, Dublin 2, Ireland. Telephone: (353) 1 664 0800 Fax: (353) 1 664 0890 email: info@ntma.ie Swift: NTMAIE2D

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TEN YEARS ON ....

In a rapidly changing world it is perhaps appropriate that the picture on the cover of this, the NTMA's tenth annual report, should be called 'Changing Course', as preparations for the substantial increase that is taking place in the range of NTMA's responsibilities and activities have been one of the dominant features of the past year.

Like most financial institutions worldwide, the year began with the expected, but nonetheless welcome, relief that the extensive preparations that had been put in place to deal with the much dreaded Y2K phenomenon had been effective, and that the world as we knew it before the year 2000 was still with us when we opened for business on 4 January 2000 – the very large number of payments managed by the NTMA came and went in an orderly and timely manner, no settlement failures were experienced and the heating, lighting and telephone still worked!

The growing buoyancy of Exchequer revenues throughout the year reduced debt issuance below prior year levels and, in the latter part of the year, the NTMA announced that the bond auctions scheduled for October and November would be cancelled. As a result, the Agency's activities in the debt markets last year were focused in particular on maximising liquidity in Irish Government bonds and minimising yield spreads relative to the major issuers.

Meanwhile, the Government was advancing plans to give substantial new responsibilities to the NTMA. During the year the Agency was actively involved in the drafting of two important pieces of legislation which were passed by the Oireachtas in December – the National Pensions Reserve Fund Act, 2000 and the National Treasury Management Agency (Amendment) Act, 2000. Under these two Acts, the NTMA has responsibility for several new functions in addition to the debt management responsibilities which it continues to have under the original 1990 National Treasury Management Agency Act. These new functions include:

INTRODUCTION

- National Pensions Reserve Fund (NPRF): Management, under the direction of the NPRF Commission, of this long term fund, currently having assets in excess of €7 billion.
- State Claims Agency: Establishment and management of an agency to manage certain liability claims against the State.
- Social Insurance Fund: Management of a longer term investment strategy for the growing surplus in the Fund, currently amounting to almost €1 billion.
- Central Treasury Service: Provision of deposit and lending services to a wide range public bodies including Local Authorities, Health Boards and Vocational Educational Committees.

Since the latter part of 1999, the NTMA has dedicated increasing time and resources to preparing for these new activities, a common characteristic of which is their large financial scale; it is very rare, for example, that a ‘start up’ investment fund would have initial assets of over €7 billion. As a result, the NTMA has placed a lot of emphasis on thorough and detailed planning while at the same time proceeding towards implementation of these new functions as quickly as prudence allows; specific areas of preparation include: business strategy and planning, recruitment of specialist staff, systems development, accounting, custody arrangements and financial management.

These new activities have, in a number of cases, already commenced: in the case of the NPRF (and its precursor, the Temporary Holding Fund for Superannuation Liabilities), the NTMA has been managing the investment of the Fund’s assets in the money markets since mid 1999, pending implementation later this year of the agreed long term asset allocation strategy; the Central Treasury Service came into operation in May 2001 and a number of deposit and loan transactions are already on the books. The implementation and management of the investment strategy for the Social Insurance Fund is expected to start within the next month following completion of securities clearing and custody arrangements, while preparations for the State Claims Agency are well advanced with the initial management of cases expected to commence in the third quarter of this year.

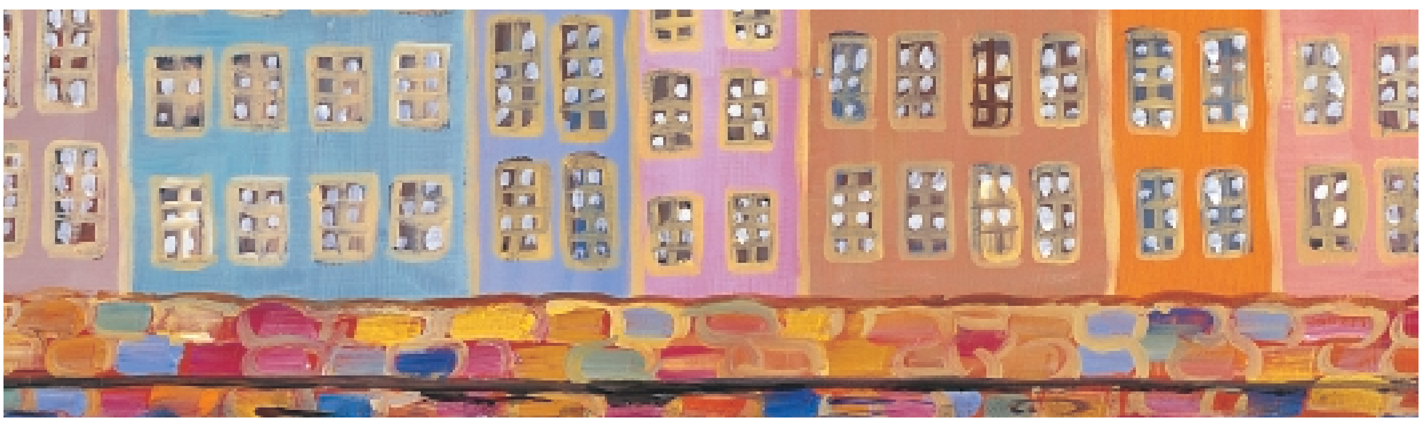
As this is written some ten years on, it all seems a long way from the darker days of December 1990 when the Agency was formally established – a time before budgetary surpluses had been 'invented', when the Debt/GNP ratio stood at almost 100 per cent and certainly a time when the idea of an investment reserve fund to provide for the future would very quickly have been dismissed as fanciful in the extreme!

Looking forward, there will be a 'change of course' in the direction of the NTMA. Change, however, is not new to the Agency. Over the past ten years, the NTMA has engaged directly and positively with the many changes that have occurred in the business and market environment; the introduction of a primary dealership system, the concentration on a smaller number of liquid benchmark stocks and the adoption of bond conventions in line with the larger markets represent some of the significant changes to the Irish Government bond market introduced by the Agency in recent years in response to the more open and competitive international environment.

While the new areas of responsibility will undoubtedly present challenges at various times in the future, they represent important and innovative steps in the overall management of the State's finances.

Meanwhile the Debt, while greatly reduced in relative terms, will still amount to some €34 billion at year end 2001, and annual interest payments cost the Exchequer some €2 billion; clearly, therefore, the Debt continues to require dedicated and professional management.

It is, therefore, with a combination of experience, commitment and optimism that the NTMA takes on its new responsibilities and faces the challenges and opportunities of the coming years.



NATIONAL TREASURY MANAGEMENT AGENCY

CHIEF EXECUTIVE
Michael J. Somers

DIRECTORS

John C. Corrigan	National Pensions Reserve Fund
Anne Counihan	Legal & Corporate Affairs
Jim Farrell	Funding, Debt Management and Information Technology
Adrian J. Kearns	State Claims Agency
Paul Sullivan	Risk & Financial Management

ADVISORY COMMITTEE

Joe Moran (Chairman)	Director, Celtic Unity
Gerold W. Brandt	Member of the Managing Board, Bayerische Landesbank, Munich
Paul Carty	Partner, Deloitte & Touche
John F. Daly	Chairman, High Skills Pool Limited
Lewis L. Glucksman	Private Investor
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.

STAFF
Given the range, scale and complexity of the NTMA's activities, the professionalism and commitment of staff is critical to its success. The Agency's completion of ten successful years of managing the National Debt is in no small part attributable to the commitment of all its staff over that period. In the past year, the substantial preparations required for the NTMA's new activities – the establishment and management of the Central Treasury Service, the National Pensions Reserve Fund and the State Claims Agency and the management of the investment of the Social Insurance Fund – have all required particular effort on the part of staff. The Chief Executive and Directors would like to acknowledge this effort and express their appreciation to all staff members.

SUMMARY OF ACTIVITY

The key features of 2000 were:

- A fall in the nominal value of the National Debt by €3.3 billion.
- Exchequer debt service costs €271 million below the Budget estimate (after adjustment for exceptional items).
- A fall of 11 percentage points in the Debt/GDP ratio, to 39 per cent at end 2000 – the second lowest Debt/GDP ratio among the 15 EU Member States.
- Savings of €29.5 million against an externally audited benchmark.
- Management of some €6.5 billion in the State's Temporary Holding Fund for Superannuation Liabilities, now the National Pensions Reserve Fund following enactment of the National Pensions Reserve Fund Act, 2000.
- Preparations for the establishment of the State Claims Agency to manage certain personal injury compensation and property damage claims against the State and for the provision of a Central Treasury Service to a number of public sector bodies.

ADVISORY COMMITTEE

Gerold W. Brandt   Donald C. Roth   John F. Daly   Joe Moran (Chairman)   John Hurley   Lewis L. Glucksman   Paul Carty

The Advisory Committee met on five occasions in 2000. In March 2000, Paddy Mullarkey resigned from the Committee and John Hurley was appointed a member.

The NTMA 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 NTMA's business and, in the case of the overseas members, on travelling to Committee meetings.

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

FINANCIAL OPERATIONS

The year 2000 represented the third year in a row in which the public finances were in surplus. The Exchequer surplus has grown from €948 million in 1998 to €1,512 million in 1999 and to €3,177 million in 2000; adjusted for certain non-cash items, the underlying cash surplus was €3,050 million.

As was the case in 1999, the NTMA's funding during the year 2000 was based on refinancing maturing and prepayable debt. The NTMA 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.

While the underlying budget surplus in 2000 was €3,050 million, the overall cash surplus was €3,311 million as payments into the Small Savings Reserve Fund and the Capital Services Redemption Account did not require to be funded. This surplus allowed the NTMA to make significant net repayments of debt – amounting to some €3,616 million over the year – after reducing cash balances by €305 million.

During the course of 2000, the NTMA's sources of funds were:

	€ million
Bonds denominated in euro	969
Notes, & Commercial Paper (net)	92
Other domestic borrowing	4
Reduction (net) in deposits and other cash balances	305
	1,370

These funds, together with the Exchequer cash surplus of €3,311 million, resulted in total resources of €4,681 million which were used to repay debt as outlined below:

	€ million
Bonds denominated in euro	2,952
Central Bank Loans [1]	40
National Savings Schemes (net)	237
Euro-legacy debt [2]	1,212
Foreign currency debt [3]	240
	4,681

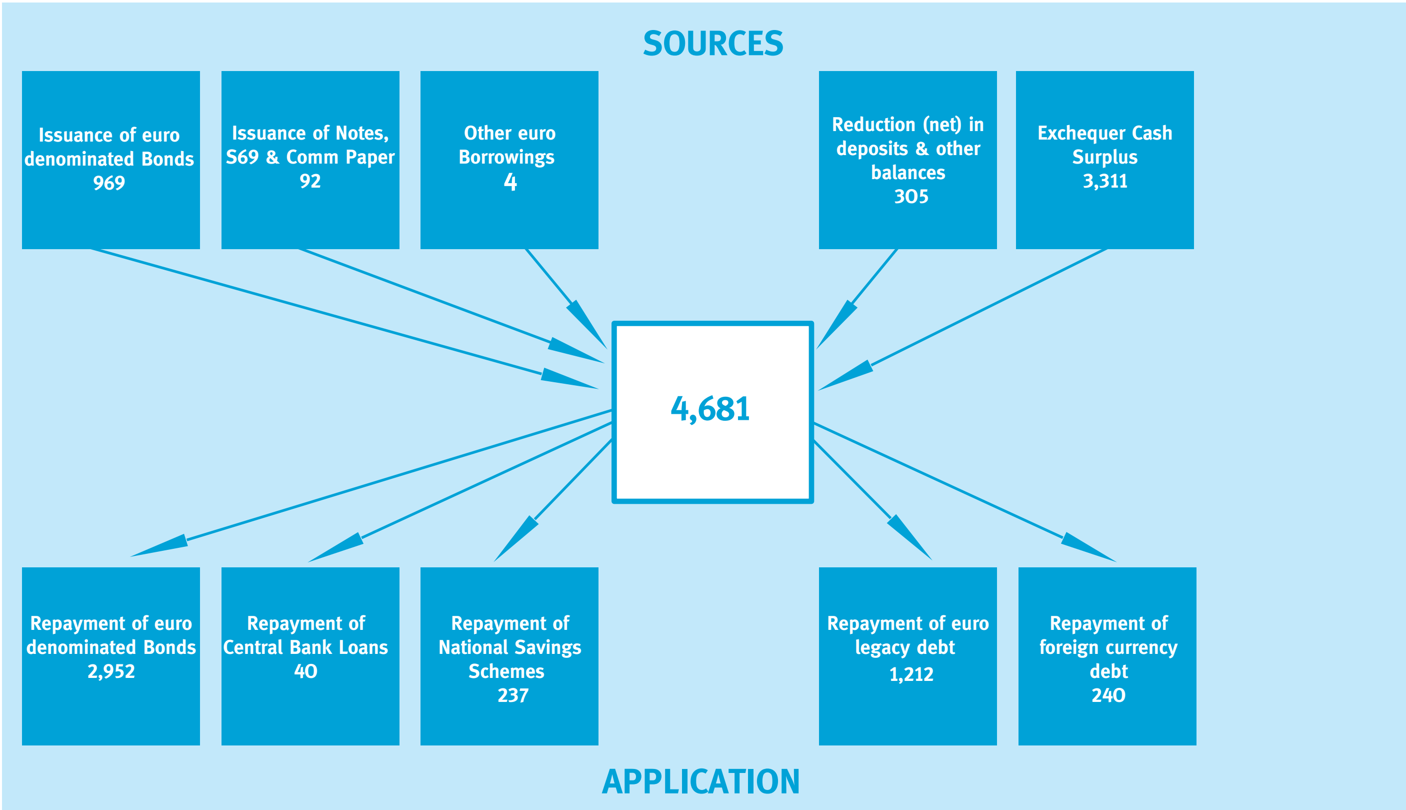
[1] These loans had originally been made to the Exchequer, under the terms of Section 3 (4) of the Bretton Woods Agreements Act, 1957, in relation to Ireland's membership of the IMF and the World Bank.

[2] Euro legacy debt comprises debt contracted and denominated in the individual currencies of other EMU participant countries, now replaced by the euro.

[3] Debt issued in non-euro currencies but hedged into euro. Non euro amounts are shown in euro equivalents.

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

Sources and Application of Funds - € Million



Gross cash flows decreased by €56 billion to €295 billion. These flows consisted of gross borrowings of €61 billion, gross repayments of €65 billion, flows on foreign exchange and derivatives transactions of €79 billion, REPO transactions of €1.4 billion, Temporary Holding Fund transactions of €86 billion and interest and associated payments of €2.6 billion.

The nominal value of the Debt as traditionally measured (the National Debt), which is calculated net of cash balances, was €36.5 billion at end 2000; this is some €3.3 billion below the end 1999 level of €39.8 billion. The decrease in the Debt principally reflects the Exchequer budget surplus of some €3.2 billion; the impact of the surplus and other factors contributing to the fall in the Debt are shown below.

CHANGE IN NOMINAL VALUE OF NATIONAL DEBT IN 2000

	€million equivalent
Value of National Debt (end 1999) (nominal)	39,849
Less: i) Exchequer Surplus	3,177
ii) Exchange Rate Impact	81
iii) Impact of change in CSRA current balance	224
Plus:	
Impact of net discounts on Tranching and Cancellations [4]	144
Decrease in nominal value of National Debt	**3,338**
Value of National Debt (end 2000) (nominal)	**36,511**

Yacht at rest by Jill Coughlan

[4] Premiums/Discounts arise when bonds are issued at other than their par value due to a difference between the coupon on the debt and market yields.

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 NTMA took the strategic decision to hedge into euro all non-euro related debt other than sterling. Given the significant appreciation of the main non-euro currencies, particularly the US dollar, against the euro, maintaining borrowings in these non-euro currencies would have added some €700 million to the Debt at year end had they not been hedged into euro; using current foreign exchange rates the impact would now be in excess of €900 million.

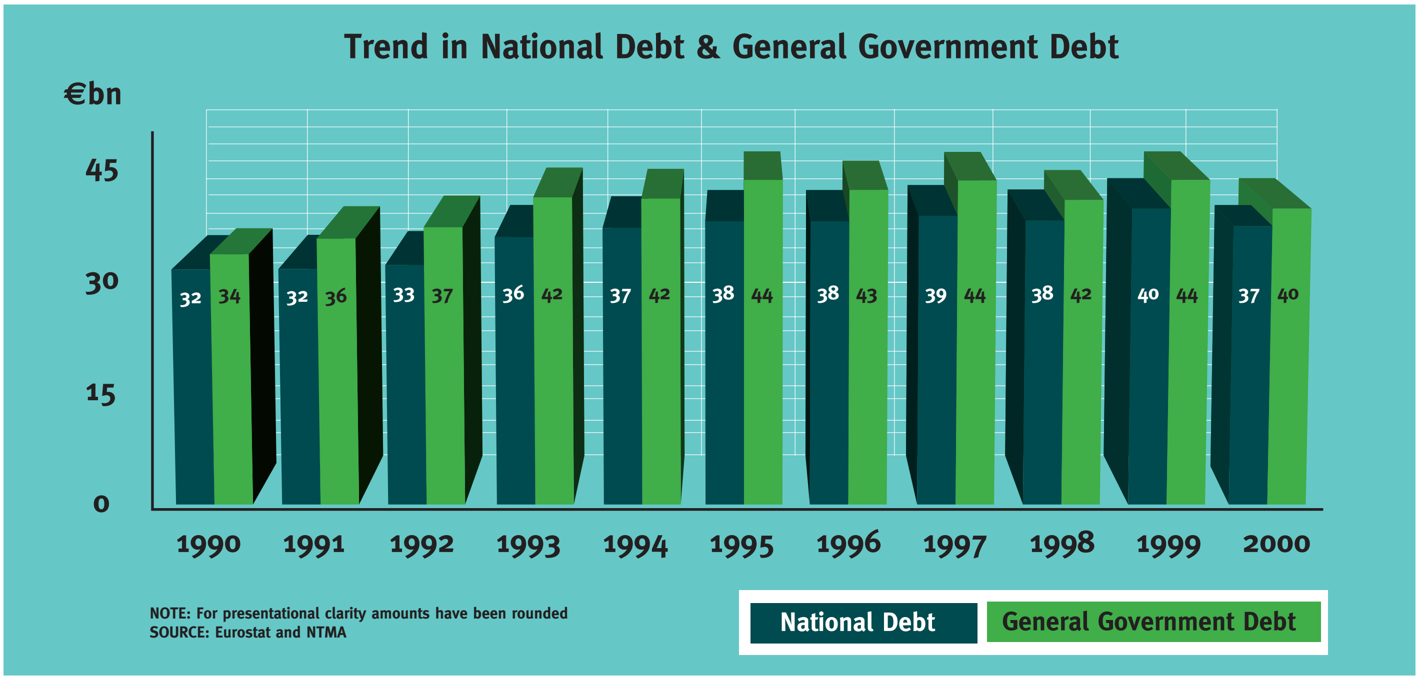
As a result of this hedging activity, some 94 per cent of the National Debt at year end was in euro with the balance of 6 per cent in sterling.

During 2000 the duration of the Debt was maintained at close to 3.9 years.

THE GENERAL GOVERNMENT DEBT

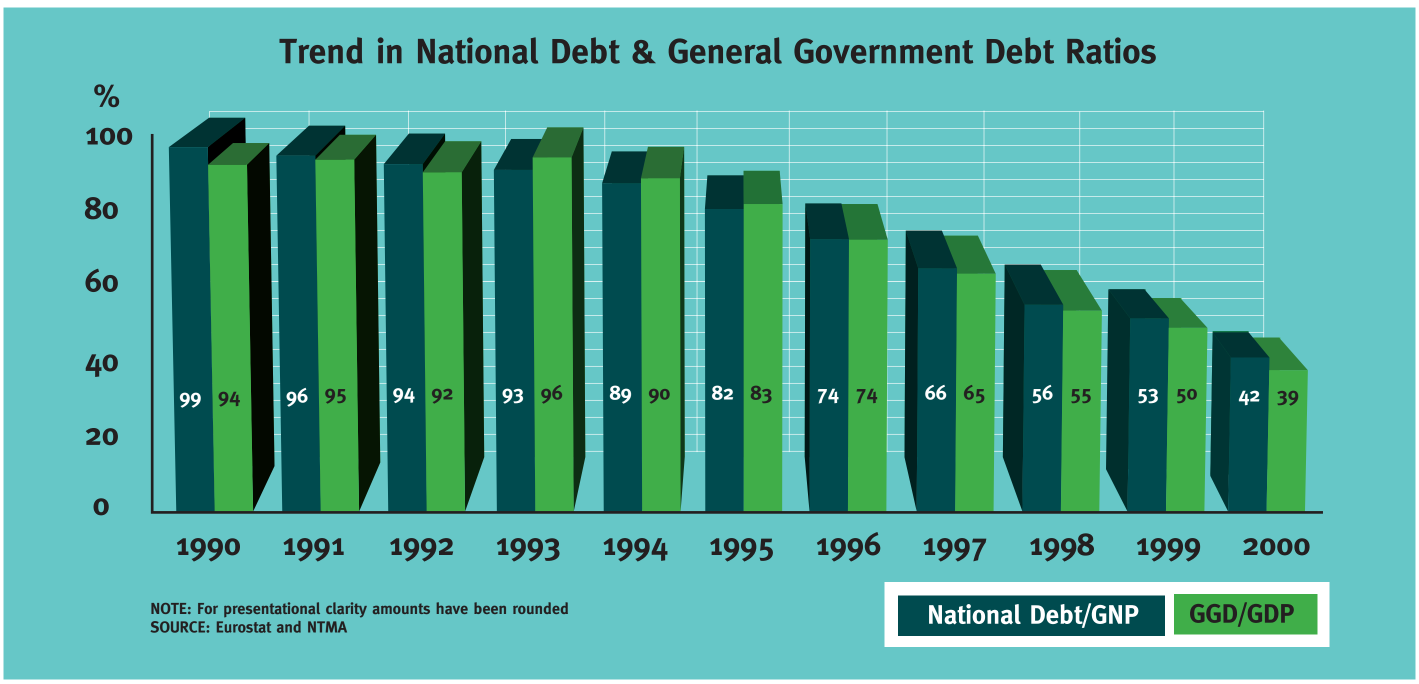
The General Government Debt (GGD) is the definition of debt used for comparative purposes within the European Union. The National Debt, as traditionally measured, is the principal component of the GGD. However, GGD is a gross measure of debt and, therefore, does not include any offset for Exchequer cash balances; in addition, GGD represents a wider definition of Government, including Local Government debt and certain other liabilities of Government. Under the ESA 95 basis for reporting, measurement of GGD includes the estimated interest overhang on the National Savings Schemes, amounting to some €2,378 million at end 2000. This overhang represents interest accrued over several years but not paid on these schemes; investors will receive this interest on encashment or part encashment of their respective investments. The adjustment from National Debt to GGD due to this item stabilised at end 1998 as the Minister has since then provided for full accrual on these schemes.

The GGD was some €40.0 billion at end 2000. This compares with a figure of €43.9 billion at end 1999, a decrease of some €3.9 billion. As in the case of the National Debt outlined above, the decline in the GGD was mainly due to the Exchequer budget surplus. However, GGD fell by some €0.6 billion more than the National Debt, primarily due to the increase (€500 million) in the surplus in the Social Insurance Fund invested in Exchequer Notes which is netted off in the GGD measure of indebtedness.



DEBT RATIOS

While the absolute level of Debt has remained within a relatively narrow range over the past several years, the ratios of Debt to GDP and GNP have declined sharply because of the strong growth of the economy.



The GGD/GDP ratio fell by eleven percentage points during the year – from 50 per cent at the end of 1999 to an estimated 39 per cent at end 2000, reflecting both the Exchequer surplus and the strong growth in GDP in 2000. Similarly, the National Debt expressed as a percentage of GNP decreased by eleven percentage points to 42 per cent at end 2000 from almost 53 per cent a year earlier.

If the €6.4 billion invested at year end in the National Pensions Reserve Fund were to be included as an offset to the National Debt, as is the case with Exchequer cash balances, this would have reduced the National Debt/GNP ratio at end 2000 by an additional 8 percentage points, from 42 per cent to 34 per cent. Similarly, netting out the Fund from the General Government Debt would have reduced the GGD/GDP ratio by an additional 6 percentage points, from 39 per cent to 33 per cent.

The outlook over the next few years, as outlined in the Government's Budget last December, points to a further decline in the GGD/GDP ratio – from 39 per cent at the end of 2000 to some 24 per cent by end 2003, as shown below:

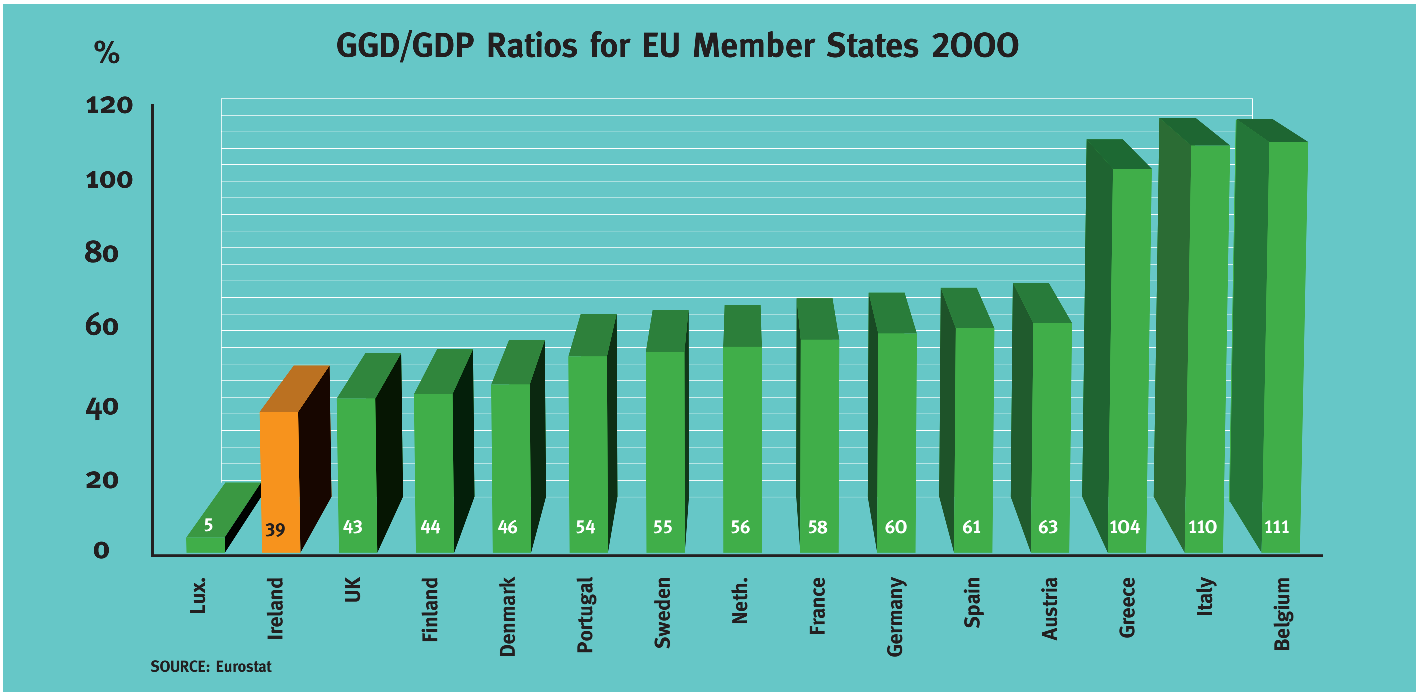
Outlook for GGD/GDP Ratio

SOURCE: Department of Finance

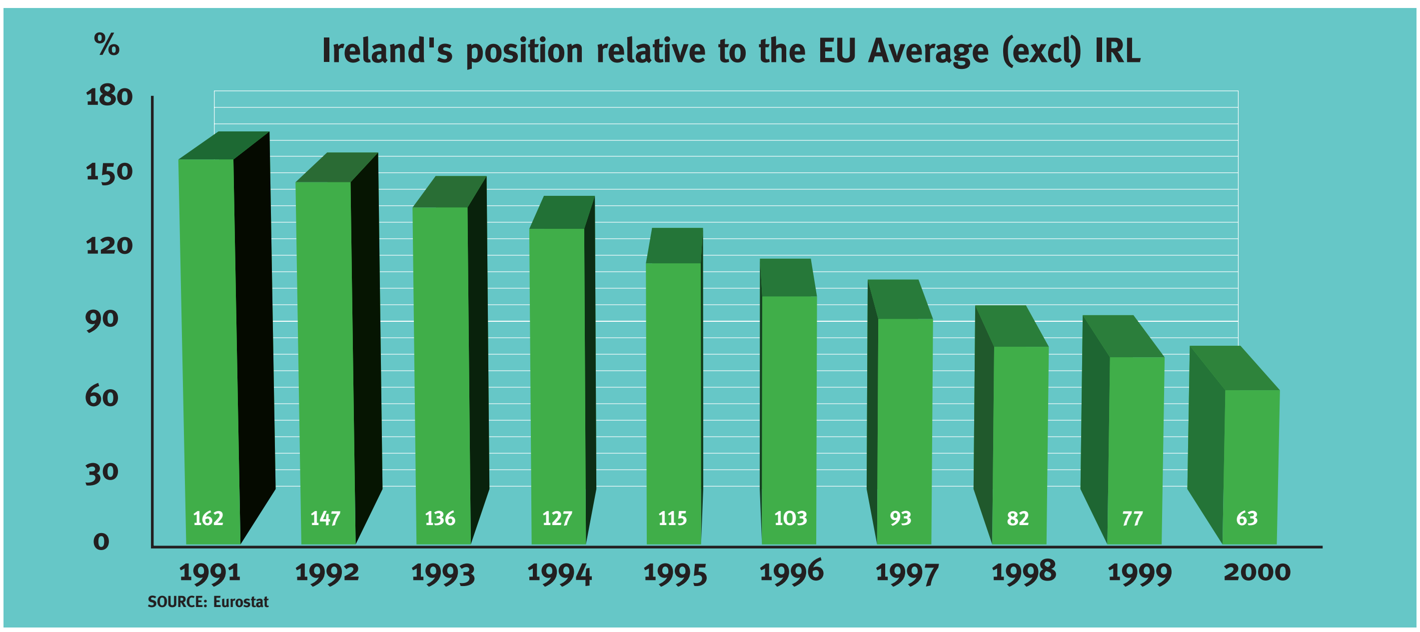
INTERNATIONAL COMPARISONS

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

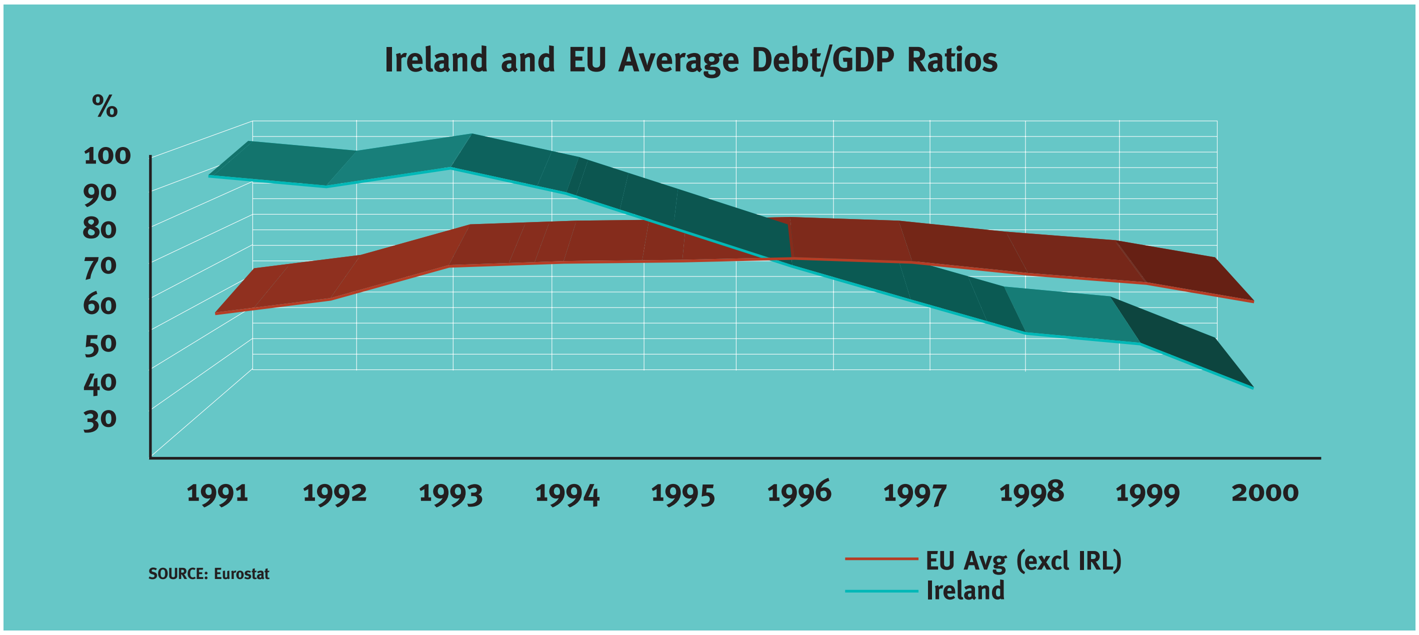
By end 2000, Ireland's comparative indebtedness was the second lowest among the fifteen EU Member States, representing a continuation of the improvement in Ireland's relative position in recent years; as recently as the end of 1996, Ireland was eleventh out of the fifteen Member States.



As a result of this improvement, Ireland's comparative indebtedness had fallen below two thirds 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 seven 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:



Rooftops by Jill Coughlan

DEBT SERVICE COSTS

Reported 2000 Exchequer debt service expenditure was €2,799 million, some €47 million below the budget of €2,846 million. Included in this debt service outturn was an unbudgeted payment of €224 million into the Capital Services Redemption Account (CSRA) in December at the direction of the Minister for Finance.

Allowing for this item, the adjusted Exchequer debt service expenditure was €2,575 million. The overall result, therefore, as shown in the table below, was a favourable debt service variance of some €271 million relative to the Budget estimate, due mainly to the buoyancy in the Government's finances.

Of this €271 million, some €47 million went towards increasing the 2000 Exchequer surplus and €224 million has been carried forward in the balance in the CSRA. As a result, the balance in the CSRA was some €806 million at end 2000; in his Budget last December the Minister decided to use some €508 million and €292 million of this CSRA balance in 2001 and 2002 respectively.

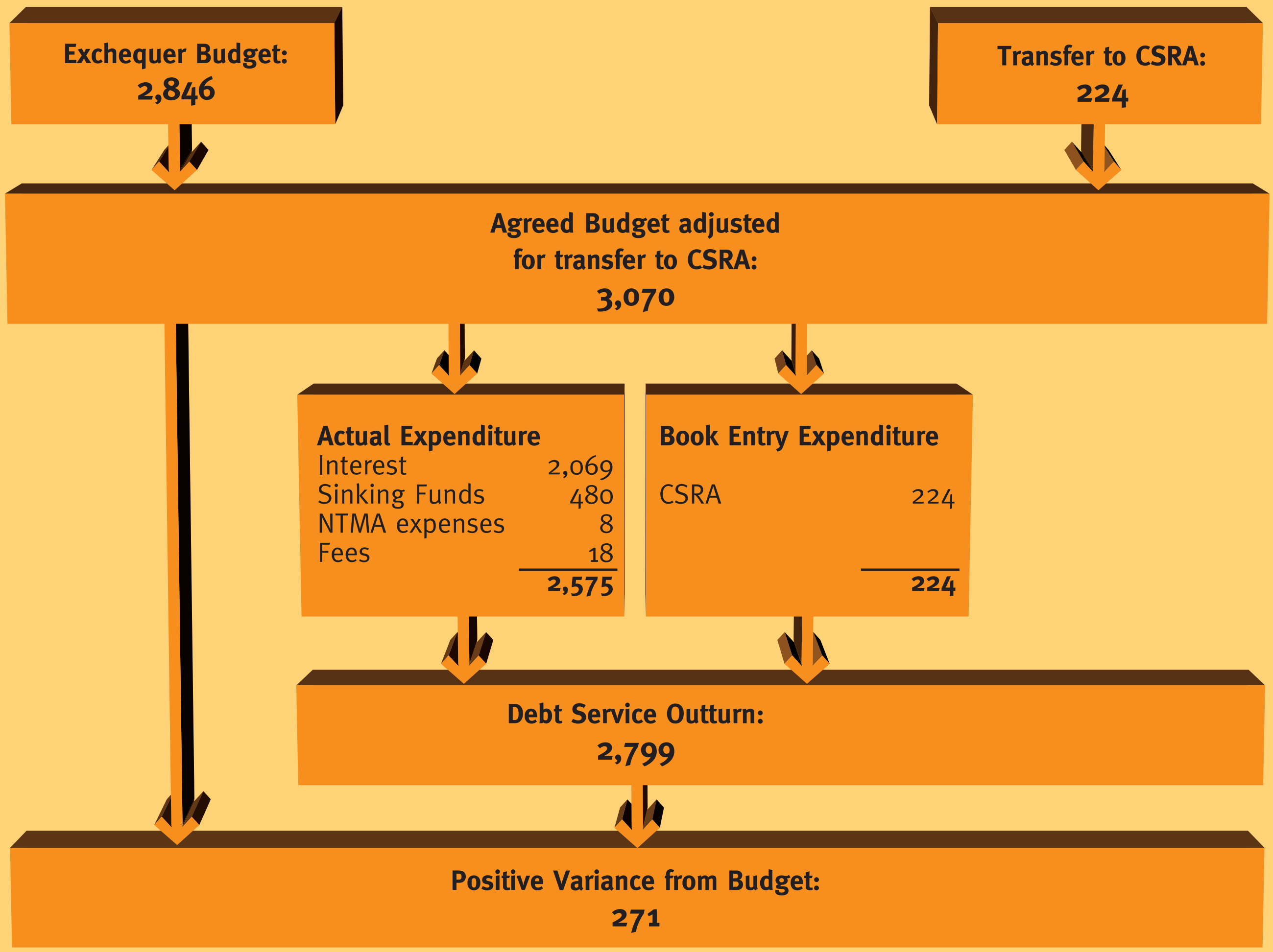
Analysis of Exchequer Debt Service Outturn Relative to Budget

	(€ million)	(€ million)
	OUTTURN	BUDGET
Exchequer Debt Service Expenditure	2,799	2,846
Less: Payment to CSRA	224	
Adjusted Exchequer Debt Service Expenditure	2,575	2,846
Adjusted Favourable Variance from Budget	**271**	

Debt service costs of €2,799 million include interest payments of €2,293 million, sinking fund payments of €480 million, fees of €18 million and administration expenses of €8 million. The interest payments of €2,293 million include the above mentioned transfer of €224 million to the CSRA, giving an underlying Exchequer interest cost of €2,069 million.

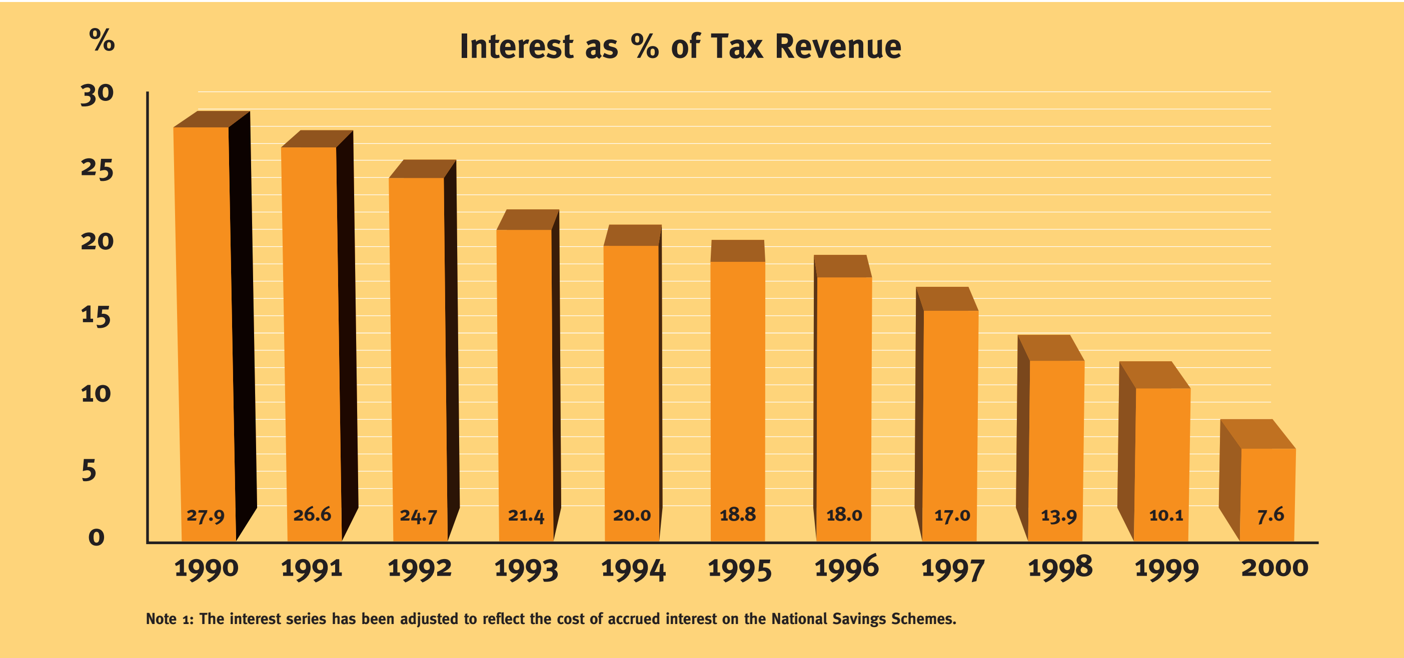
A diagram showing the breakdown of debt service costs is set out below:

Analysis of Debt Service Outturn Relative to Budget - € Million

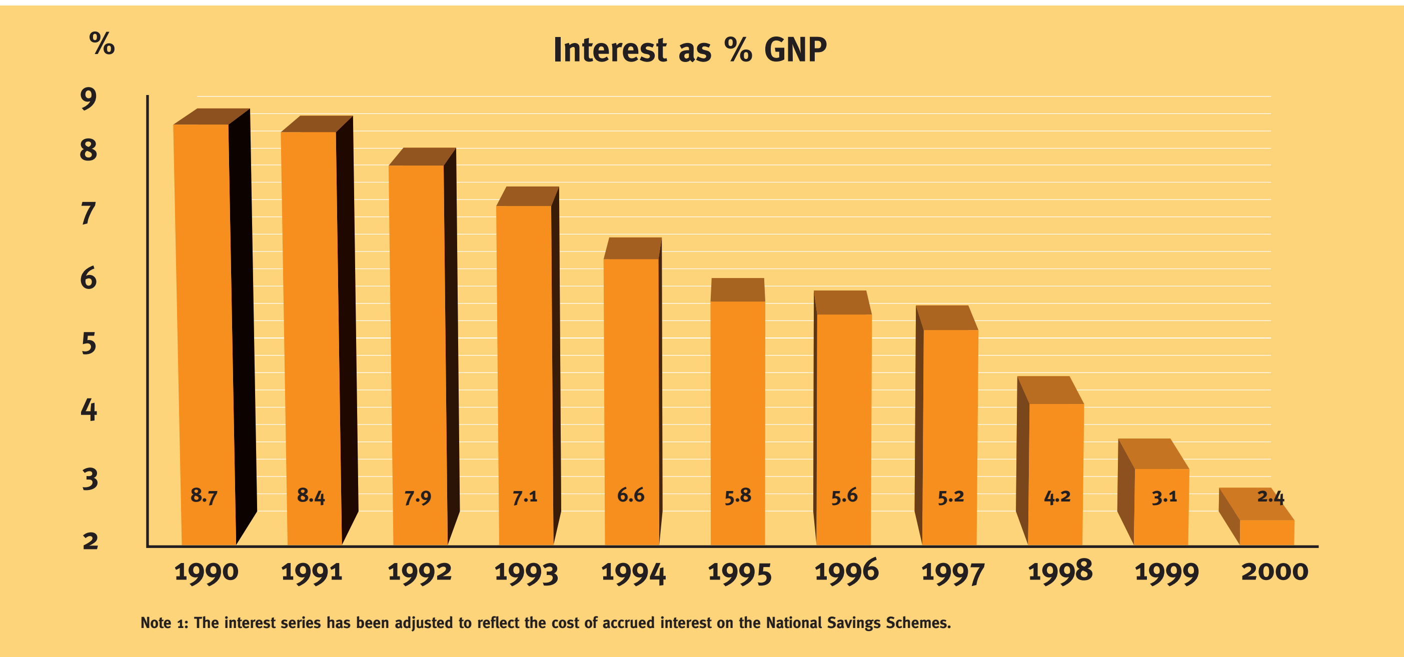


The burden of debt service costs on the economy and the taxpayer continued to fall in 2000. The ratio of interest payments to tax revenues declined by 2.5 percentage points, continuing the downward trend of the past several years. As a result, interest on the Debt now absorbs some 7.6 per cent of tax revenue compared to almost 28 per cent at the beginning of the decade, resulting in the freeing up of substantial financial resources for other purposes.

DEBT SERVICE COSTS



Similarly, the interest burden expressed relative to GNP declined further in 2000, falling to just below 2.5 per cent.



The projected growth of the economy in the current year points to a continuation of these favourable trends, notwithstanding some recent weakening in domestic tax receipts arising from the restrictions introduced to combat Foot and Mouth Disease and the impact of a less favourable international economic environment.

Down in the deep by Jill Coughlan

INTEREST ACCRUING ON NATIONAL SAVINGS SCHEMES

Provision for an estimate of full accrual of interest on the National Savings Schemes was first introduced in the 1999 Budget. In the 2000 Budget, the Minister for Finance continued to provide for full accrual of interest – amounting to some €440 million. The multi annual budgets covering 2001 to 2003 also include similar provisions.

In 2000, cash interest payments of €403 million were made on the National Savings Schemes and €37 million was paid into the Small Savings Reserve Fund in line with the Budget provision outlined above.

The Small Savings Reserve Fund was established in 1994 to address the growing interest overhang on Savings Certificates, Savings Bonds and Instalment Savings; this overhang has arisen because, prior to 1999, interest was charged to the Budget only when it was paid out in cash – ie. when investments in these schemes were repaid – rather than each year as interest accrued. At end 2000, the reserve was €1,120 million, over 47 per cent of the estimated interest overhang of €2,378 million.

DEBT MANAGEMENT ACTIVITY

The Exchequer debt at end 2000 comprised the following principal components:

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

DEBT OUTSTANDING

The composition of the Debt as at end 1999 and end 2000 is shown below:

		€ million (nominal)		
		31 December 1999		**31 December 2000**
Bonds denominated in euro (quoted on Irish Stock Exchange) of which:		23,629		21,784
Domestic Holders	16,670		11,448	
Non-resident Holders	6,959		10,336	
Other Medium Term Debt				
Euro and foreign currency debt hedged in into euro	6,250		4940	
Foreign currency debt	2,518	8,768	2,106	7,046
National Savings Schemes		4,900		4,624
Other Short Term Debt net of cash deposits		2,552		3,057
Total:		**39,849**		**36,511**

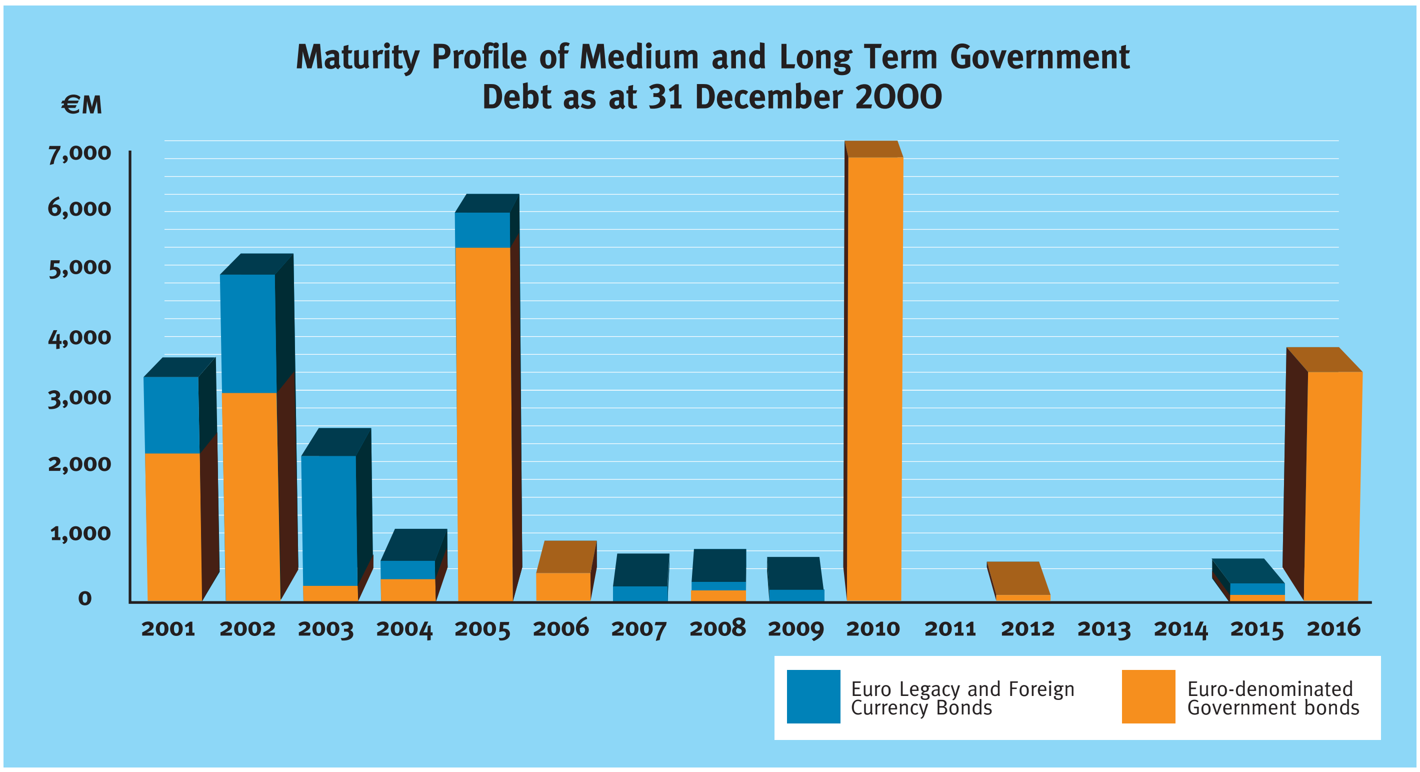
The Debt fell by €3.3 billion reflecting primarily the substantial budget surplus recorded by the Exchequer. The nominal value of euro denominated bonds outstanding decreased by some €1.8 billion and other total medium term debt declined by some €1.7 billion (equivalent), the latter being the result both of debt maturities and of the early redemption of debt where opportunities arose to buy back outstanding debt at competitive prices, while all new bond issuance was in euro.

MATURITY PROFILE

Euro denominated bonds outstanding at end 2000 had maturities ranging out to the year 2016 while most of the medium and long term foreign currency and euro legacy currency debt will mature in the years 2001 to 2003, reflecting the fact that all recent issuance has been in euro denominated bonds.

The short term debt portfolio is made up of Exchequer Notes, Section 69 Notes and Commercial Paper all of which have a maximum maturity of twelve months.

The maturity profile of outstanding medium and long term debt as at year end is shown below:



DEBT MANAGEMENT ACTIVITY

FUNDING ACTIVITY

All medium and long term debt issuance by the NTMA in 2000 was in euro denominated bonds. Details of funding activity, including short term debt issuance, are shown below:

	€ million (cash amounts)
Sale of euro denominated bonds [5]	969
Sale (net) of Short Term Paper	92
Other euro borrowings (net)	4
Sub-total:	**1,065**
Less:	
Maturities of euro denominated bonds	2,952
Maturities and early redemption of euro legacy debt	1,212
Maturities and early redemption of non-euro debt [6,7]	240
Repayment of Central Bank Borrowings	40
Repayment (net) of National Savings Schemes	237
Sub-total:	4,681
Net funding/(repayment)	**(3,616)**

The net repayment of €3,616 million was balanced by an Exchequer cash surplus of €3,311 million and a net reduction in liquid cash balances of €305 million.

CURRENT LIQUID ISSUES

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

Bond	**Maturity**	**Outstanding €million** (End May 2001)
2.75% Treasury Bond 2002	18 October 2002	3,031
3.50% Treasury Bond 2005	18 October 2005	5,422
4.00% Treasury Bond 2010	18 April 2010	6,634
4.60% Treasury Bond 2016	18 April 2016	3,666

These four benchmark bonds account for more than 95 per cent of the amount outstanding in euro denominated bonds with more than one year to maturity and 76 per cent of all debt with a remaining maturity greater than one year (excluding the National Savings Schemes). The success of the Securities Exchange Programme in 1999, under which some 91 per cent of older bonds covered by the programme were exchanged for the new benchmark bonds, has resulted in very small amounts remaining outstanding in non-benchmark euro denominated bonds.

[5] Excludes net purchases of Irish Government bonds by the NTMA's secondary trading desk.

[6] Non euro amounts shown in euro equivalents.

[7] Excludes foreign currency short term paper which was issued for cash management purposes and fully hedged into euro.

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 (listed below) recognised by the NTMA; 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, but about 95 per cent of turnover reported by the Irish Stock Exchange is accounted for by the Primary Dealers.

PRIMARY DEALERS

ABN AMRO, Dublin and London

AIB Capital Markets, Dublin

Credit Agricole Indosuez, Paris

Davy Stockbrokers, Dublin

Deutsche Bank, Frankfurt

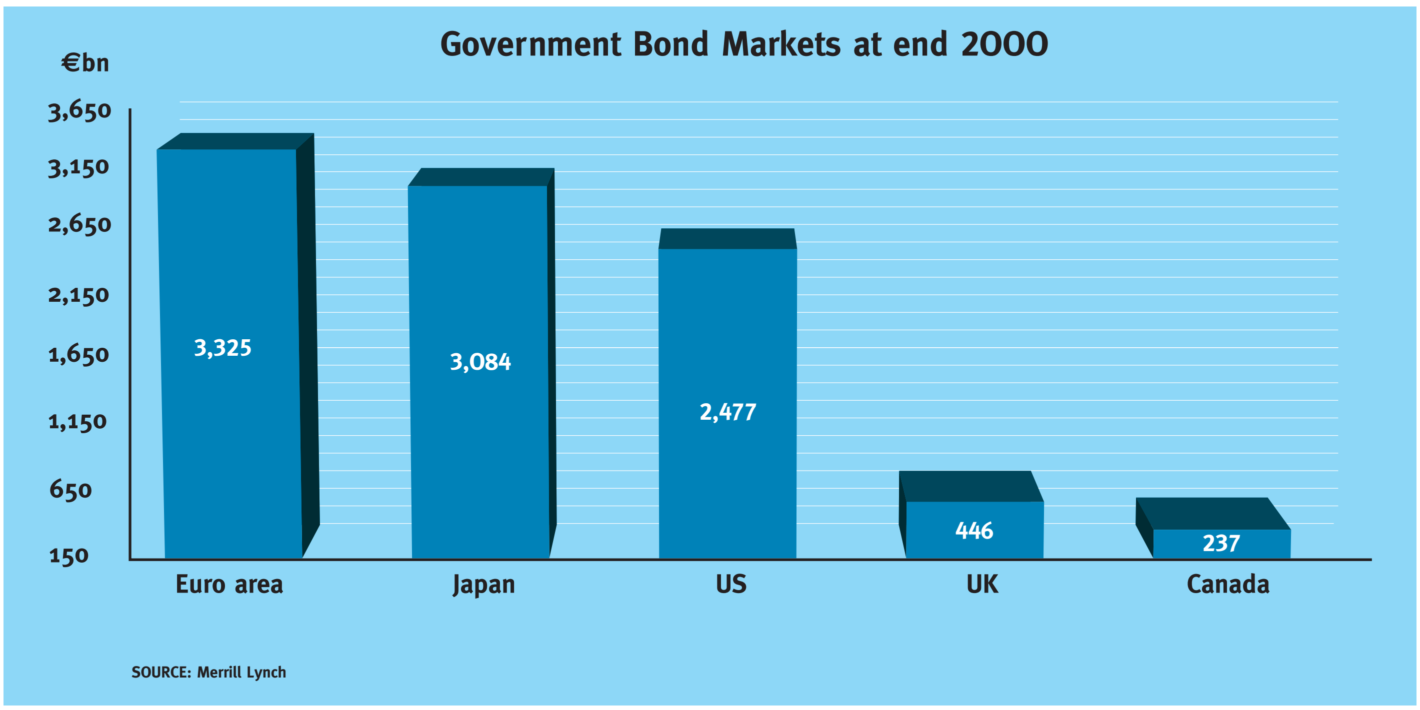
NCB Stockbrokers, Dublin

Primary Dealers are members of the Irish Stock Exchange and Irish Government bonds are listed on the Exchange.

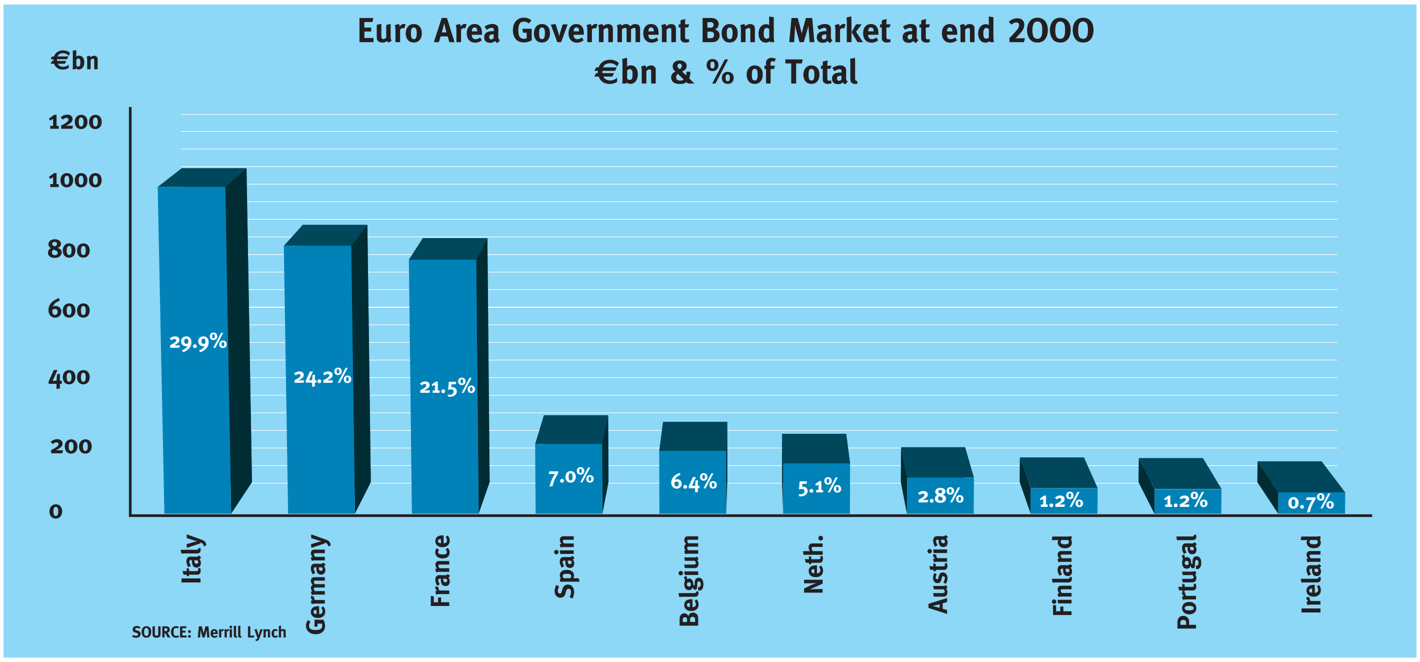
BOND MARKET DEVELOPMENTS

Market Structure

The introduction of the euro on 1 January 1999 was followed by a very significant degree of integration of the sovereign debt markets in the euro-area. From the outset, the euro-area Member States agreed that all new issuance would be in euro and that outstanding stocks of their domestic currency debt would be re-denominated in euro. This has created a euro area government debt market which is larger than either the US Treasuries market or the Japanese Government bond market. The size of the major government bond markets at end 2000 is illustrated below:

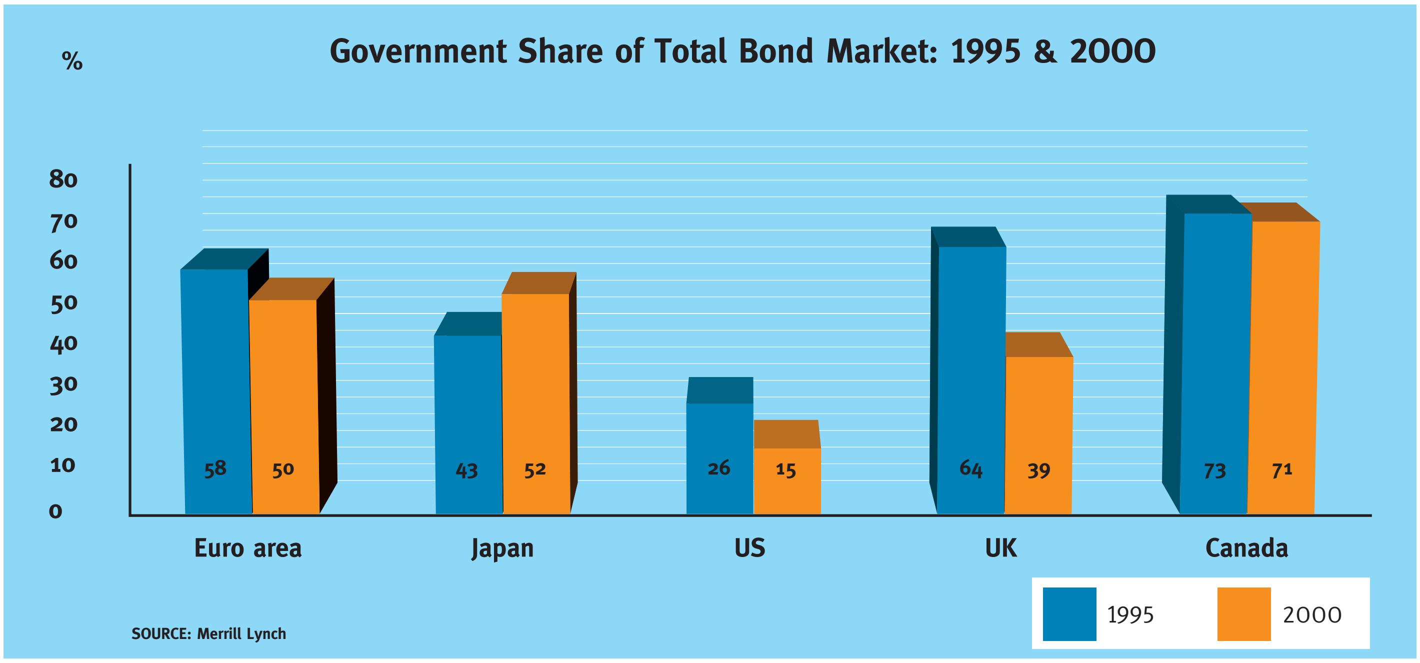


Following the introduction of the single currency, there was a considerable harmonisation of market conventions for euro-area sovereign debt. The twelve national issuers of euro sovereign debt have published indicative issuance calendars and exchange information on issuance techniques. Most euro-area Member States use a system of competitive auctions based on a primary dealing system for the issuance of their debt, although a number of countries have used bank syndications in addition to auctions. Many countries have also used bond exchange and/or debt buyback programmes to enhance liquidity by introducing a smaller number of larger liquid benchmark bonds. The trend towards the concentration of liquidity into a smaller number of benchmarks is likely to continue as budgetary consolidation in the euro-area reduces the supply of sovereign debt. The three major markets of Italy, Germany and France account for over 75 per cent of the total euro area government market.



Governments' Declining Share of Bond Markets

As a result of the general trend towards fiscal tightening in many countries and the expansion of the corporate bond market, the Government sector share of the total bond market has declined in most major markets. Japan is the major exception, where a number of expansionary fiscal packages designed to stimulate the economy has dramatically increased the level of government borrowing and its share of the total bond market. The graph below illustrates the change in the government share of the total bond market over the past five years in the major markets.

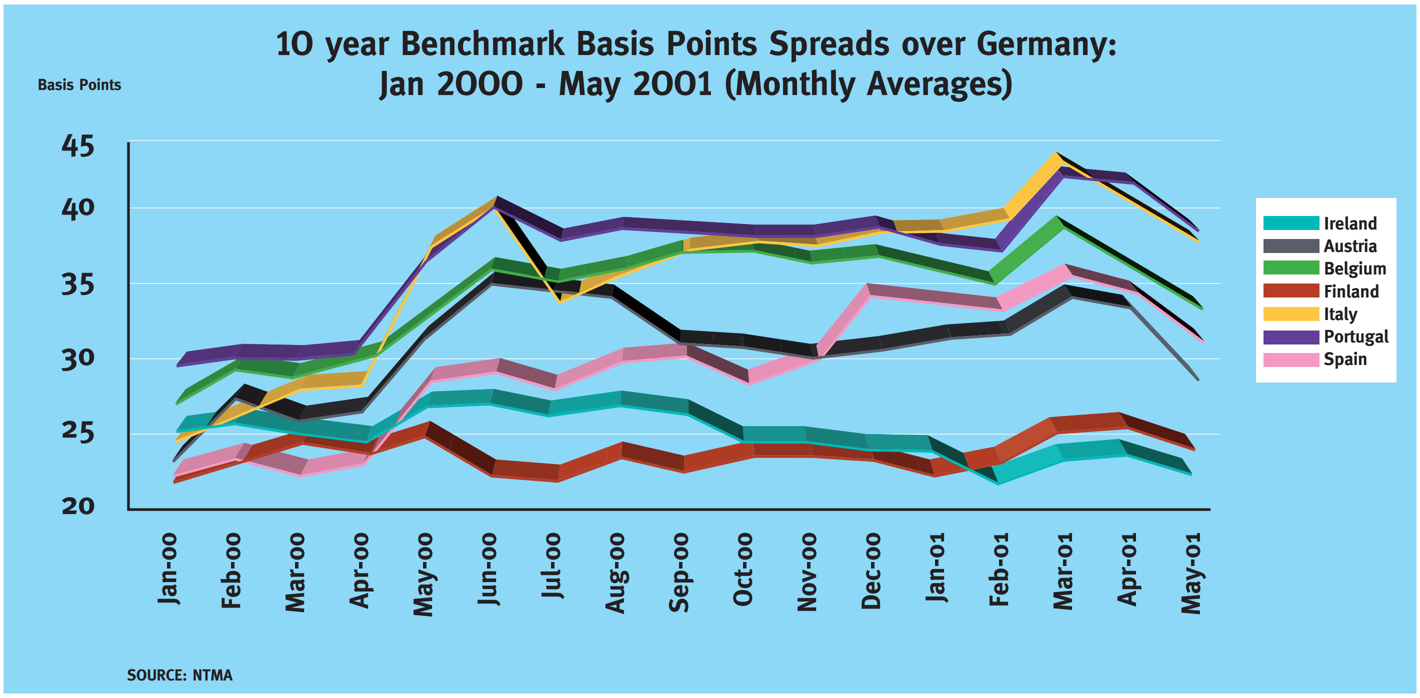


YIELD SPREADS ON EURO AREA GOVERNMENT BONDS

The development of yield spreads between sovereign issuers in the euro-area Government bond market has attracted considerable attention over the past year. The German Government bund has established itself as the euro-area benchmark for ten year bonds while France claims this advantage at some other points on the yield curve. The French and Netherlands ten year benchmarks have traded at the tightest spreads to the German benchmark, at an average of about 14 basis points each.

Over the course of the year 2000, Irish Government bond yields moved in tandem with the yields on other euro-area government bonds at a relatively stable spread of about 25 basis points over German Government bunds at the ten year point on the yield curve; this pattern has broadly continued over the first half of 2001, but with some narrowing of the spread to about 23 basis points.

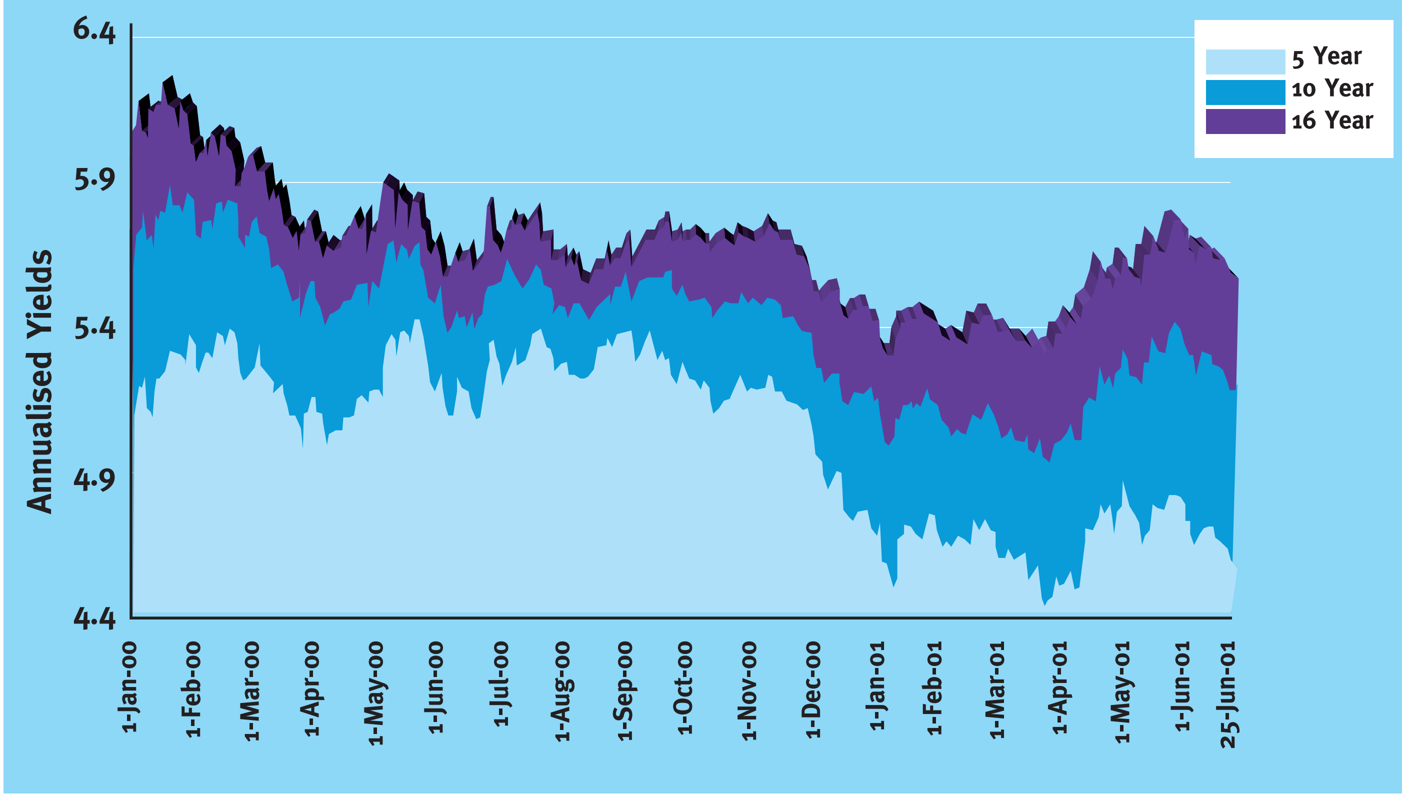
The graph below illustrates the monthly average 10 year benchmark yield spreads over the German bund in the case of the smaller sovereign issuers (excluding the Netherlands) in the euro-area in the year 2000 and during the first five months of 2001.



Spreads are mainly driven by credit risk, liquidity risk and the liquidity of associated derivatives markets, some of these factors being interdependent and their impact varying over time. Despite some tendency for general market yield spreads over the bund to increase, the comparative narrowness of spreads and their relative stability over the course of what is still an early period in the life of the euro-area government bond market is notable. As can be seen from the graph above, Irish Government bonds have been among the better performers in terms of the spread against the bund over the past year and a half.

The yields on Irish Government 5, 10 and 16 year bonds since the beginning of 2000 are shown in the graph below. At the beginning of 2000 the yield on the ten year benchmark Irish Government bond was 5.71 per cent; during the year it traded in a range of 83 basis points, from a high of 5.90 per cent in January to a low of 5.07 per cent in December, closing the year at 5.08 per cent. Over the first half of 2001, the Irish ten year yield traded in a range of 43 basis points from a low of 4.84 per cent in March to a high of 5.27 per cent at end April.

Irish Government Bond Yields
1 January 2000 to 25 June 2001



IRISH GOVERNMENT BOND ISSUANCE

The NTMA's fixed interest borrowing in 2000 was in three of the four benchmark bonds – those maturing in 2005, 2010 and 2016 – all having annual coupons and sold by auction through the six Primary Dealers. Auctions were held in each of the months from February through September. The auctions which had been scheduled for October and November 2000 were cancelled following the publication of the Exchequer returns for the first nine months of the year and the upward revision of the projected full year Exchequer surplus. On 13 December 2000 the NTMA further announced that the limited amount of funding likely to be required in 2001 would be met through short term borrowings rather than bond issuance.

The results of the auctions held in 2000 were as follows:

COMPETITIVE AUCTIONS 2000

Month	Bond	Price	Yield %	Nominal € million	Proceeds € million	Cover [8]
February	4.6% Treasury Bond 2016	86.33	5.938	125	108	3.39
March	4% Treasury Bond 2010	88.14	5.569	152	134	4.50
April	4% Treasury Bond 2010	88.78	5.490	150	133	5.23
May	3.5% Treasury Bond 2005	90.80	5.510	200	182	2.94
June	4% Treasury Bond 2010	89.37	5.429	149	133	1.70
July	3.5% Treasury Bond 2005	91.29	5.454	150	137	3.30
August	3.5% Treasury Bond 2005	91.57	5.415	151	138	2.61
September	3.5% Treasury Bond 2005	92.10	5.321	100	92	3.50
	Total			**1,177**	**1,057**	**3.38** [9]

After each competitive auction there was a non-competitive auction under which the NTMA 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 2000 funding of €1,057 million was raised by competitive auction and a further €104 million was raised through the non-competitive auction process.

[8] Cover refers to the ratio of total bids to the announced auction size.
[9] Weighted average cover for all auctions.

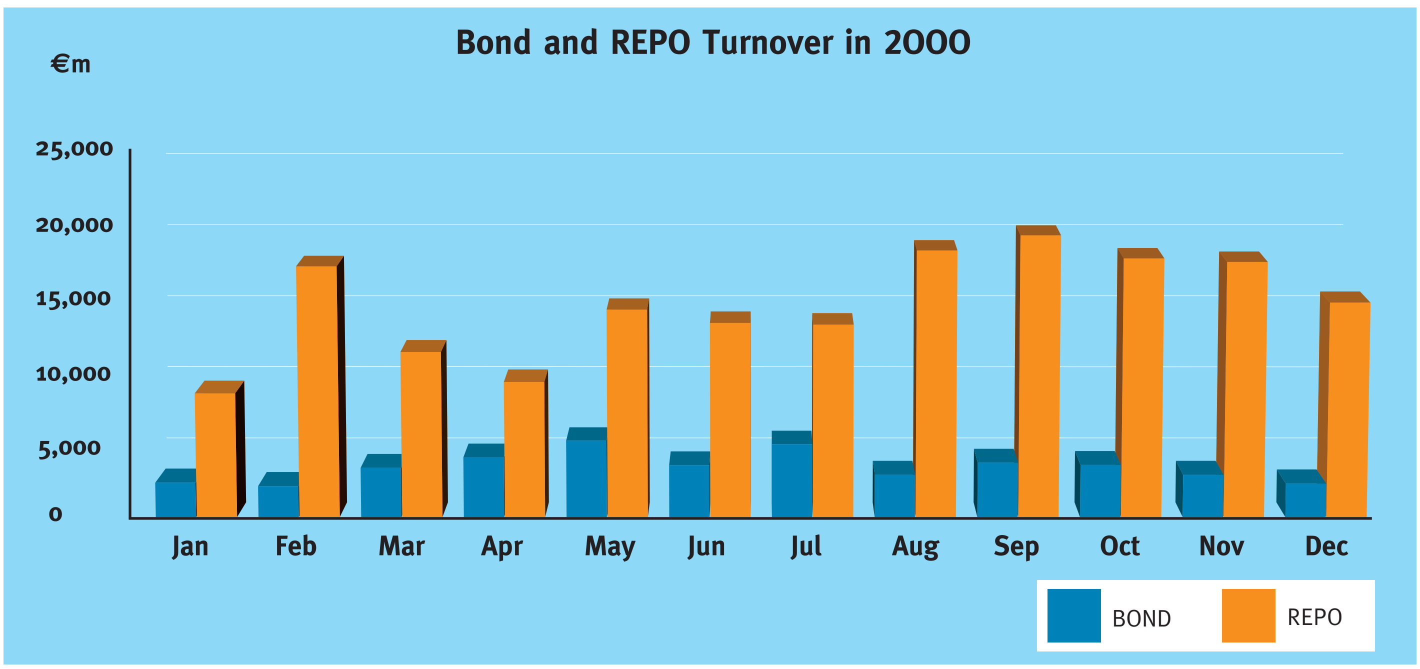
NON RESIDENT HOLDINGS

Non resident holdings of Irish Government bonds have increased significantly since the introduction of the euro. At end 1998, non resident holdings amounted to €4.4 billion, or 21.8 per cent of the total bonds outstanding; by end 1999, these figures had increased to €7 billion and 29.5 per cent respectively. Non-resident participation in the market continued to grow in 2000 and by the end of the year non-resident ownership totalled €10.3 billion, equivalent to some 47.4 per cent of outstanding bonds.

TURNOVER

Turnover in Irish Government bonds in 2000 (excluding REPOs), as reported by the Irish Stock Exchange, was €45.2 billion. However, this figure includes turnover of €8.2 billion by the Inter Dealer Broker (IDB) for the period from 10 April 2000 onwards, giving a net turnover of €37 billion. This compares with €48 billion in 1999, excluding turnover of €62.9 billion arising from the 1999 Securities Exchange Programme. The 2000 figure represents a decline of some 30 per cent on the 1999 figure, excluding the IDB turnover in both years. Turnover in the first quarter of 2001 was €13.2 billion (of which the IDB accounted for €3.2 billion), or 4 per cent above the corresponding quarter of the preceding year, excluding IDB turnover in both periods.

Reported turnover figures are understated to the extent that investors who are not members of the Irish Stock Exchange, notably non-residents, dealt in Irish Government bonds via Euroclear and Clearstream with counterparties who likewise are not members of the Irish Stock Exchange; such deals would not be included as part of the turnover reported by the Irish Stock Exchange. Total REPO turnover reported to the Irish Stock Exchange in 2000 amounted to €177.2 billion, an increase of 13.2 per cent over the 1999 figure of €156.5 billion.



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

	€million
6.5% Treasury Bond 2001[10]	2,337
2.75% Treasury Bond 2002	5,566
3.5% Treasury Bond 2005	9,551
4% Treasury Bond 2010	20,880
4.6% Treasury Bond 2016	5,583
Total	**43,917**

Source: The Irish Stock Exchange

The above bonds represented 97.3 per cent of total Irish Government bond market turnover in 2000.

Dealing spreads of 5 cents for short maturity stocks (out to 5 years) and 7 cents for medium maturity stocks (6 to 10 years) were typical and the normal deal size in both maturity ranges was around €10 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.

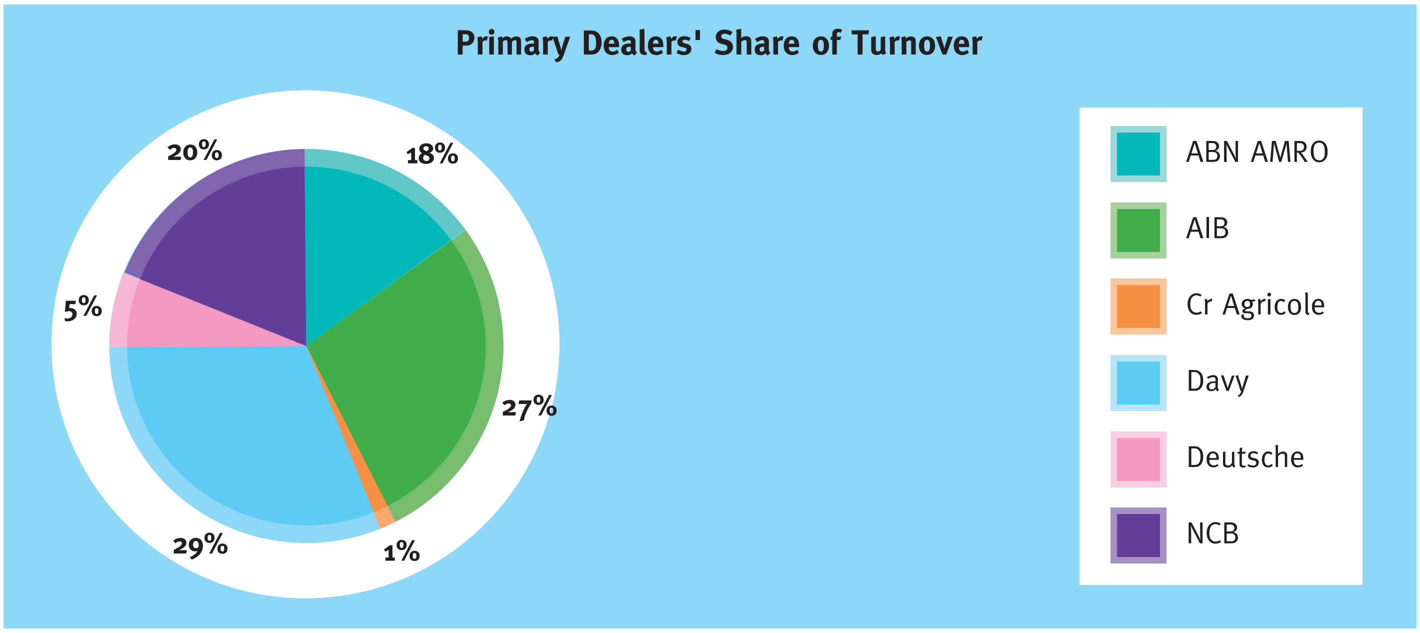
SECONDARY TRADER

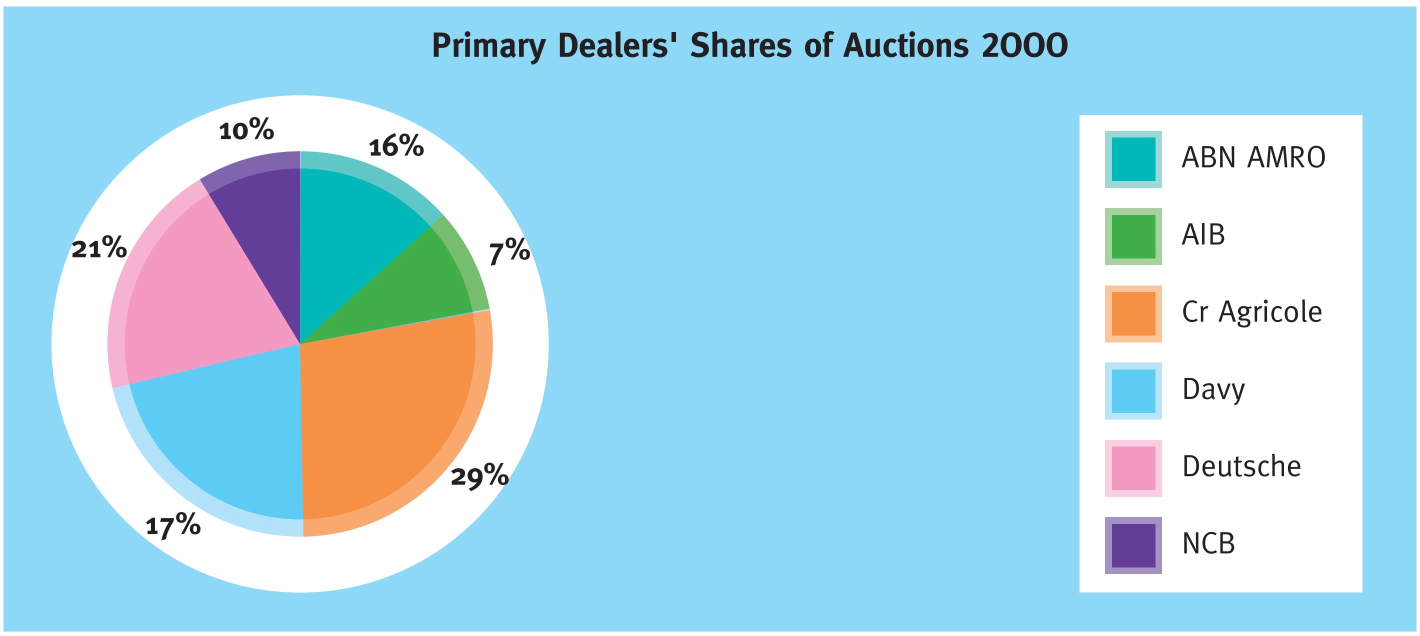
The NTMA maintains a secondary trading function to trade in its bonds with other market participants. This is separated from primary bond desk activity by means of "Chinese Walls". The role of the secondary trader is to provide liquidity to the market and to act as a source of market intelligence for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

10 The obligation of the Primary Dealers to quote two way prices for this bond ceased in April 2000 when it's remaining life became less than 18 months.

PRIMARY DEALERS' ACTIVITIES

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





PRICE MAKING OBLIGATIONS OF PRIMARY DEALERS

Bond Maturity	Minimum Size €millions	Maximum Spread €cents
Over 18 months and under 6 years to maturity	4	15
6 years to 11 years to maturity	3	25
Over 11 years to maturity	2	35

CLEARING AND SETTLEMENT OF IRISH GOVERNMENT BONDS

The clearing and settlement function for Irish Government bonds was transferred to Euroclear from the Central Bank of Ireland on 4 December 2000. The Central Bank of Ireland Securities Settlements Office, CBISSO, ceased operations at close of business on 1 December 2000 and the transfer to Euroclear took place without any disruption of service. This new arrangement allows financial institutions to safekeep Irish Government bonds and also to settle domestic and cross-border transactions in a single location. It increases significantly the liquidity of Irish Government bonds in the international capital markets by facilitating access for a broader range of investors. It also fully satisfies the standards for real time delivery versus payment in relation to accounts at a central bank which the European Central Bank has set as a requirement for settlement systems to be eligible for use in its monetary policy operations from 1 January 2002.

The decision to outsource settlement activity to Euroclear followed a strategic review of CBISSO by a study group comprising the NTMA, the Central Bank of Ireland and local market representatives. Ireland is the first European country to transfer the settlement of Government bonds from its Central Bank to an international securities depository. The transfer to Euroclear means that the settlement of Irish Government bonds matches the highest international standards and it represents a further important step in ensuring that Irish Government bonds are in the mainstream of the new pan-European euro-denominated government bond market.

The Central Bank of Ireland will, however, continue to act as Registrar for Irish Government bonds. Following the transfer of the settlement function to Euroclear, the total of all holdings of Euroclear participants in each bond is recorded in an omnibus account on the Central Bank’s register. Transactions between Euroclear participants are effected within the Euroclear system without affecting the Bank’s register while transactions between the local market and Euroclear participants are notified between the Bank and Euroclear.

The Euroclear System is the world's largest clearing and settlement system for internationally traded securities, providing cross-border securities services to market participants located in more than eighty countries. It is expected that considerable consolidation of the current fragmented settlement infrastructure in Europe will occur over the coming years as investors demand reductions in the cost of trading.

NON-EURO DENOMINATED DEBT

Non-euro denominated medium term debt (excluding the Irish pound denominated National Savings Schemes) amounted to €7,046 million (equivalent) at end 2000, of which some €2,111 million (equivalent) was in sterling and €5 million in working balances in other currencies. The balance of €4,940 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, but excluding liabilities in sterling, has been fully hedged into euro constituent currencies.

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

Commercial Paper

The NTMA has a €2 billion Commercial Paper Programme, a US$5 billion multi-currency Euro Commercial Paper Programme and a US Domestic US$1 billion Commercial Paper Programme. 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

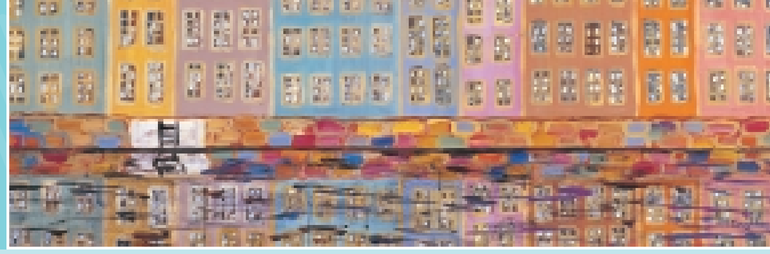
Section 69 Notes are tax-exempt securities, which are issued in a range of currencies to eligible foreign-owned companies located in Ireland. They are sold directly by the NTMA and also through designated banks in Ireland. These notes are flexible short-term instruments producing cost-effective funding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

Exchequer Notes

The NTMA sells Exchequer Notes in euro to a range of investors, including companies, banks and other institutions. Available maturities range from one day to one year with a minimum €100,000 (or equivalent) investment. The NTMA makes two-way prices in Exchequer Notes; these prices are shown on Reuters and Bloomberg, page "NTMA".

AGRICULTURAL COMMODITY INTERVENTION BILLS

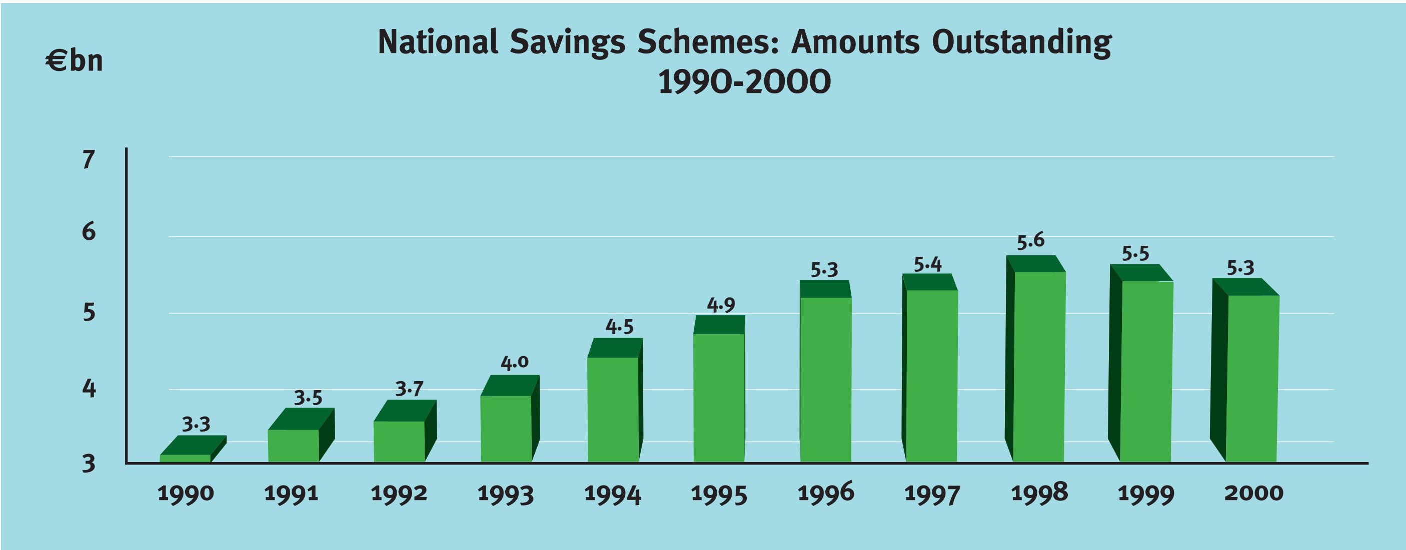
The NTMA sells Agricultural Commodity Intervention Bills (ACIBs) which carry similar terms to Exchequer Notes but are issued on behalf of the Minister for Agriculture, Food and Rural Development.



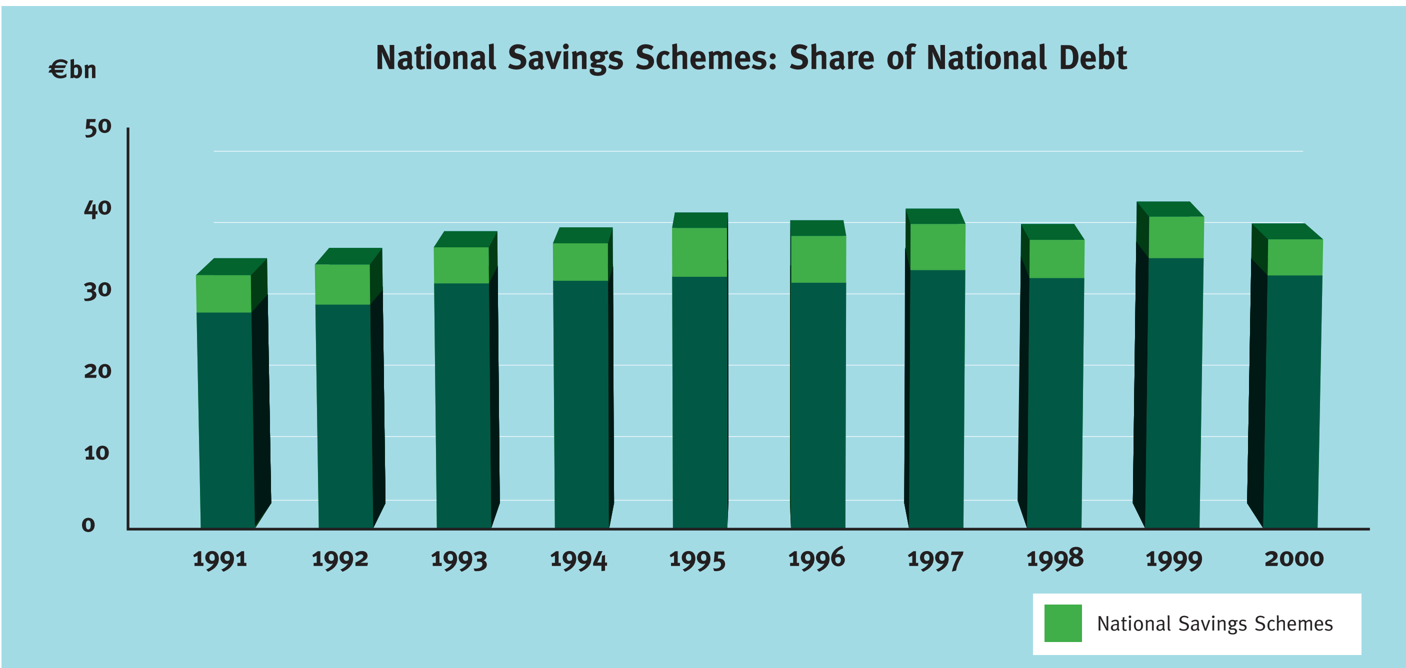
Quay Impression by Jill Coughlan

NATIONAL SAVINGS SCHEMES

In 2000, there was a net outflow from the National Savings Schemes of €237 million. At end year the total amount outstanding on the schemes was €5,308 million, representing a decrease of over 4 per cent on the equivalent 1999 figure.



As at year end, the schemes accounted for some 13 per cent of the total National Debt; this share has been relatively constant since 1996 as can be seen below:



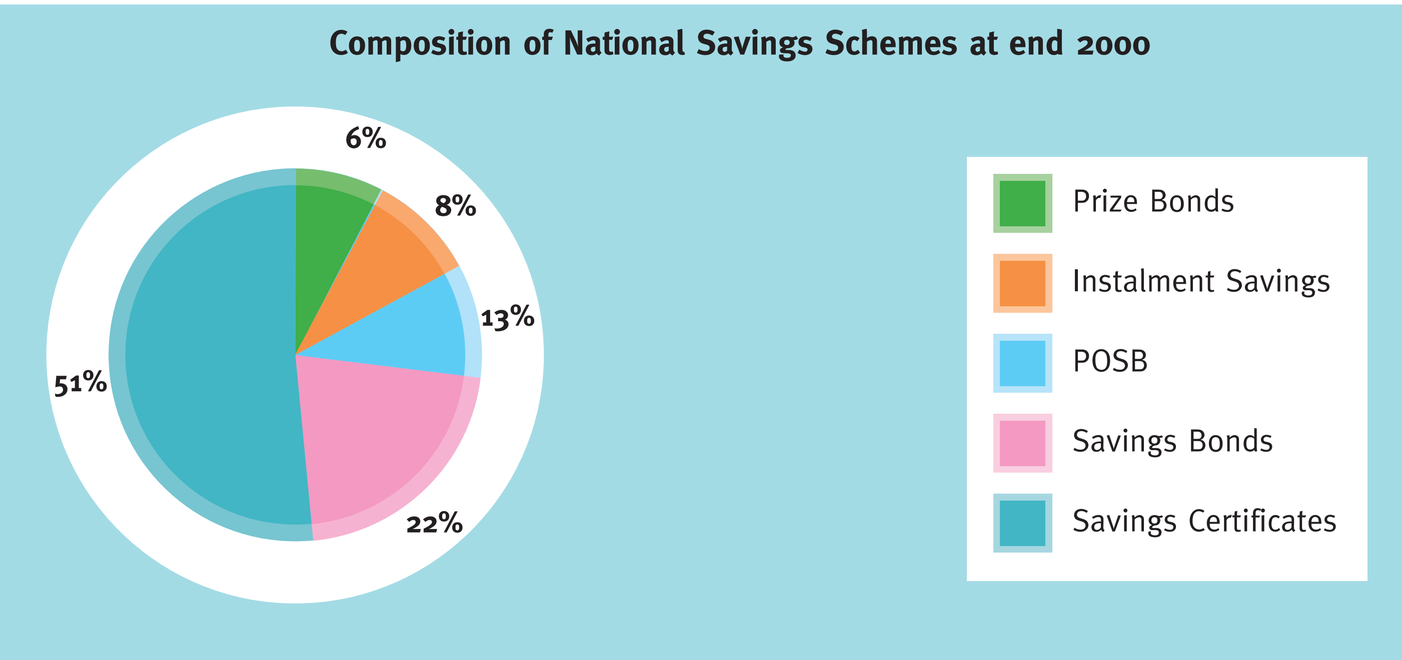
NATIONAL SAVINGS SCHEMES

A notable feature of the recent performance of the Savings Schemes is that moneys are being repaid from all schemes except the Post Office Savings Bank (POSB) and Prize Bonds. The POSB had experienced a net outflow of funds in the years before 1997, but since then this trend has been reversed. With the introduction of the Special Savings Incentive Accounts in 2001, the net inflow of funds to the POSB is expected to continue. Similarly, Prize Bonds have benefited in recent years from the lower interest rate environment, enhancing their appeal as an alternative savings product.

The outflow on the other schemes, i.e. Savings Certificates, Savings Bonds and Instalment Savings, reflects both the NTMA's reduced need for funds and the current policy of not automatically rolling over issues of these instruments when they reach their maturity dates. The rates of return on the schemes, while lower relative to the marketplace than in the past, remain competitive given that the schemes offer a unique mix of attractive characteristics, including:

- Government risk;
- no investment costs or commissions; and
- repayment flexibility.

The composition of the outstanding National Savings debt at year end is shown below:



Details of the total amounts outstanding at end 2000 and the net amounts raised or repaid in 2000 in each of the Savings Schemes are as follows:

Savings Schemes	**Total outstanding at end 2000 € million**	**Money raised/ repaid in 2000 (net) € million**
Savings Certificates	2,706	-173
Savings Bonds	1,163	-124
National Instalment Savings	456	-6
Prize Bonds	297	27
Savings Stamps	2	—
Post Office Savings Bank (POSB)		
1. Ordinary Deposit Account	632	61
2. Deposit Account Plus	52	-12
POSB Fund Investment Income	—	-10
Total	**5,308**	**-237**

In addition, an estimated €2,378 million was outstanding at end 2000 in accrued but unpaid interest on Savings Certificates, Savings Bonds and Instalment Savings (compared to €2,391 million at end 1999). 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 €37 million was paid into this reserve in 2000, bringing the total provision for outstanding accrued interest to €1,120 million. This represents 47 per cent of the total accrued interest outstanding (as compared to 45 per cent at end 1999).

ADMINISTRATION COSTS

With the exception of Prize Bonds, the National Savings Schemes are operated by An Post on behalf of the NTMA. Prize Bonds are managed by The Prize Bond Company Limited (a joint venture owned equally by An Post and FEXCO, Killorglin, Co. Kerry).

The total cost of administration for the schemes in 2000 was €33.1 million. A breakdown for each of the schemes is set out below:

Savings Schemes	**€m**
Savings Certificates	4.2
Savings Bonds	2.3
Instalment Savings	2.4
Prize Bonds	4.9
Savings Stamps	1.1
Post Office Savings Bank [11]	18.2
Total:	**33.1**

These fees are determined largely as a percentage of the actual business conducted, but include some once-off expenditure in 2000 on the computerisation of the pre-1985 records of Savings Certificates. The administration costs of €33.1 million in 2000 were slightly below the €33.3 million level of 1999.

[11] Fees relating to the Post Office Savings Bank (POSB) are paid from the POSB Fund

SAVINGS CERTIFICATES, SAVINGS BONDS AND INSTALMENT SAVINGS

In 2000, Savings Certificates, Savings Bonds and Instalment Savings experienced a total net outflow of €303 million. To some extent, this was a result of the NTMA's decision to repay old issues of these instruments. In 1999, the NTMA decided to discontinue the practice of automatically rolling over investments as they reached maturity; as an alternative, investors are now given the option of re-investing their money in the then current issues of Savings Certificates, Savings Bonds and Instalment Savings.

Savings Certificates and Savings Bonds are lump sum investments for a specified period of time. The savings period for Savings Certificates is 5 years and 6 months; for Savings Bonds, it is 3 years. Instalment Savings differ in that they involve regular saving of a specified amount on a monthly basis for 1 year, and the total is then invested for a period of 5 years.

The current rates of return on these investment products were last fixed in the latter part of 1998 and are free of Irish income tax; these rates are set out below:

- Savings Certificates: 16 per cent over a 5 year and 6 month period, equivalent to an average annual rate of return of 2.74 per cent if held to the full term. The minimum investment in Savings Certificates is IR£50 with a maximum of IR£60,000 for an individual and IR£120,000 for a joint holding.

- Savings Bonds: 8 per cent over a 3 year period, equivalent to an average annual rate of return of 2.6 per cent if held for the full term. The minimum investment in Savings Bonds is IR£100 with a maximum of IR£60,000 for an individual and IR£120,000 for a joint holding.

- Instalment Savings: 15 per cent after 5 years, equivalent to an average annual rate of interest of 2.57 per cent after allowance is made for the payment of the instalments over 12 months. The minimum monthly investment in Instalment Savings is IR£20 with a maximum investment limit of IR£300 monthly.

POST OFFICE SAVINGS BANK

The Post Office Savings Bank (POSB) had a net inflow of €49 million in 2000 and the investment base grew to €684 million by end-year. This trend of net inflows has continued in 2001 and is expected to accelerate with the establishment of two Special Savings Incentive Accounts (SSIAs), giving customers the option of a fixed or variable rate of return. These two SSIAs were launched with the same initial interest rate of 4 per cent per annum. SSIAs offer an incentive to savers in the form of a Government commitment to 'top up' the amount saved by 25 per cent, effected by giving a tax credit at the current standard rate of income tax of 20 per cent. To benefit from this Exchequer bonus, an individual must keep his or her savings in the account for the full five year period of the scheme. Early withdrawal will attract an exit tax of 23 per cent on the total amount withdrawn. Interest earned on SSIAs also attracts tax at 23 per cent.

The book-based demand deposit account of the Post Office Savings Bank grew by €61 million in 2000 to €632 million. Deposit Account Plus saw a net outflow of €12 million in 2000. There are tiered interest rates on both these accounts. The rates which applied throughout 2000 are as follows:

Demand Account	**Rates**
Under IR£5,000	0.25% p.a.
IR£5,000 and over	0.50% p.a.

Demand Account Plus	**Rates**
Under IR£40,000	2.0% p.a.
IR£40,000-IR£75,000	2.5% p.a.

PRIZE BONDS

The Prize Bonds scheme has been operated by The Prize Bond Company Limited since 1989. Following the award of a further 10-year contract to the company in 1999, it was decided to re-launch the Prize Bonds brand in November with the following changes:

- A new logo as shown below:

- A new prize structure, doubling the number of prizes each week.
- A new minimum purchase of four units, for an amount of IR£20.
- A new website at **www.prizebonds.ie.**

The rate of interest used to determine the prize fund remained at 2.75 per cent throughout 2000. So as to allow for the increase in the number of prizes from November 2000, the cash value of many of the prizes was lowered.

Prior to the November re-launch, Prize Bonds had raised €21 million, some €15 million lower in than the same period in 1999. However, sales in the final two months of 2000 recovered substantially and net receipts for the full year amounted to €27 million (€43 million in 1999). The total amount invested in Prize Bonds stood at €297 million at end-2000, up from €269 million in 1999.

INTERNATIONAL GOVERNMENT RETAIL SAVINGS CONFERENCE

In May 2001, the NTMA hosted the second annual International Government Retail Savings Conference in Dublin. The Minister for Finance, Mr. Charlie McCreevy T.D., opened the conference. The aim of the conference was to provide a forum for senior executives in the Government retail savings areas in a number of countries to discuss technological, marketing and other issues of common interest and to exchange ideas for future developments.

Representatives from the United States of America, United Kingdom, Canada, Sweden, Italy and Ireland at the Savings Conference.

In October 2000, Standard and Poor's announced a change from "stable" to "positive" in the outlook for the AA+ rating for Ireland's long term debt. In April 2001, the Japanese credit rating agency, Rating and Investment Information Inc. (R&I) announced that it had assigned new top grade ratings of AAA to Ireland's euro-denominated and foreign currency long term debt and a-1 to short term debt. R&I had previously rated only individual Irish Government Samurai bonds, where the rating had been AA+.

Moody's and Fitch both reaffirmed the AAA rating for Ireland's long term debt. Likewise, Moody's, Standard & Poor's and Fitch reaffirmed the top short term ratings. The details of the ratings are:

SHORT-TERM

Moody's:	P-1
Standard & Poor's:	A-1+
Fitch:	F1+
Rating & Investment Information Inc.:	a-1

LONG-TERM

Moody's:	AAA
Standard & Poor's:	AA+
Fitch:	AAA
Rating & Investment Information Inc.:	AAA

Waiting for the euro by Jill Coughlan

RISK

The management of a range of financial risks – market risk, liquidity risk, counterparty credit risk and operational risk – is an integral part of managing the National Debt. These are risks that cannot be eliminated; the focus, therefore, is to contain and manage these risks in a professional manner.

In the case of market risk, the NTMA has in place a number of risk management procedures in order to quantify and manage, in a timely manner, the risk to which the level of the debt and the cost of debt service are exposed as a result of movements in interest and foreign exchange rates. These risk management tools include systems to quantify the sensitivity of budgeted debt service costs, both in the current year and in future years, to movements in market rates; internal risk limits are used to contain these exposures.

Liquidity risks associated with the need to refinance maturing debt are actively controlled. While access to financial markets is primarily dependent on the credit standing of the Irish economy, fluctuations in general supply and demand conditions in the international capital markets can also have a significant influence on the availability and cost of funds at different times as financial markets have become increasingly interlinked. The introduction of the euro and the emergence of a single euro denominated government bond market help reduce liquidity risk for Ireland since, with a share of approximately 1 per cent of the large euro government bond market, Ireland now has greater access than before to 'domestic currency' funding.

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

Credit exposures arising from deposit placings and from derivative transactions are monitored and managed closely within approved limits. These exposures are measured on an aggregate basis across the various portfolios managed by the NTMA, thereby capturing the net exposure of the Exchequer.

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

BENCHMARK AND STRATEGY

The NTMA's primary debt management objectives are, first, to protect liquidity and market access to ensure that the Exchequer's funding needs can be financed prudently and cost effectively and, secondly, to ensure that debt service costs are kept to a minimum subject to containing risk within acceptable limits. In addition to achieving these objectives, the NTMA'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 duration, currency mix and maturity profile for the portfolio, within the context of written guidelines set by the Minster for Finance. An annual assessment of the Benchmark is carried out by the NTMA's independent advisors, Warburg Dillon Read. In addition, 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 flows and reported cash costs, but also of the net present value of all liabilities; in effect, it calculates the impact of the NTMA'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 2000 by the Quantitative Finance Group of Warburg Dillon Read, based on data audited by PricewaterhouseCoopers.

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

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

OPERATIONS

In 2000 the Operations Group had two principal objectives;

- Support existing business through the provision of processing, financial control, information technology and counterparty risk management services.

- In conjunction with the business managers, prepare for the three new business activities to come on stream in 2001, namely the management of the National Pensions Reserve Fund, the State Claims Agency and the Central Treasury Service.

While the volume of transactions was down some 16 per cent on the previous year, cash flows through the NTMA nevertheless totalled €295 billion.

A number of projects were completed during the year, in particular the following;

- Settlement of Irish Government bonds transferred from the Central Bank to Euroclear.

- Cash management procedures put in place to assist the European Central Bank in managing market liquidity.

- Network operating system upgraded to NT4. Network infrastructure upgraded from Token-Ring to Ethernet.

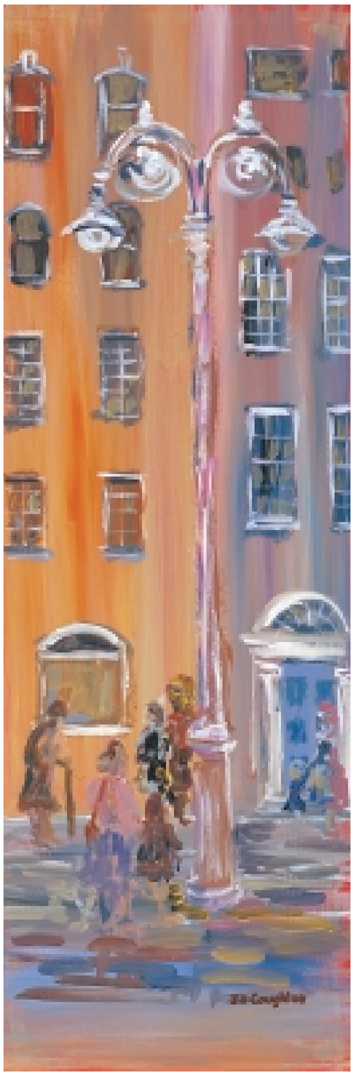
- Database management systems upgraded and moved to NT4 with significant savings on maintenance costs and improvements in service.

- New web site installed **(www.ntma.ie).**

- Internet and e-mail facilities provided on the local area network through a combination of secure firewalls and routers.

- Consultancy assignments undertaken both in Ireland and in Central Europe.

The NTMA was audited by the Comptroller and Auditor General. In addition, an internal audit was conducted by PricewaterhouseCoopers. Both audits were totally satisfactory, with no significant recommendations. The Agency was also 100 per cent compliant with the Prompt Payments Act, 1997.



Merrion Street by Jill Coughlan

LEGAL

The legal unit provides the Agency with in-house legal advice in connection with all of its functions including the negotiation of documentation for the Agency's borrowing and derivatives transactions, its new Central Treasury Service activities and other functions conferred by the National Pensions Reserve Fund Act and the National Treasury Management Agency (Amendment) Act, both of which were enacted in the year 2000.

As part of its general functions, the legal section advises on legislative and regulatory developments and provides day to day advice on contracts and other legal matters affecting the Agency. It is also responsible for ensuring compliance with professional conduct rules in the areas of confidentiality, conflicts of interest and other procedures associated with best business practice which all Agency staff are required to observe.

PERSONNEL

The impact of the strong growth of the economy on the labour market was felt by the NTMA in 2000 and staff turnover for the year reached a high of 21 per cent. By year-end, however, staff levels had recovered to fifty persons, close to the opening level of fifty two. Since year end, primarily reflecting hiring for the NTMA's new activities, the headcount has increased to fifty six and is expected to rise further over the balance of the current year.

It is the NTMA's policy to protect the health and welfare of its staff by maintaining a safe and healthy working environment. This requirement has been met in line with our Safety Statement.

ULYSSES SECURITISATION P.L.C.

Ulysses Securitisation p.l.c. was established in 1995 for the purpose of securitising local authority mortgage payments and is managed by the NTMA 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 2000 and returned a net profit of €13.8 million.

The 2000 audited accounts of Ulysses have been lodged with the Companies Office.

ULYSSES
SECURITISATION PLC

Two Acts passed by the Oireachtas in December 2000, the National Pensions Reserve Fund Act, 2000 and the National Treasury Management Agency (Amendment) Act, 2000, assign significant new responsibilities to the NTMA. Further new fund management responsibilities will arise for the NTMA following enactment of the Dormant Accounts Bill, 2001. Details of these new business activities are outlined below.

NATIONAL PENSIONS RESERVE FUND

The National Pensions Reserve Fund is designed to prefund, in part, the Exchequer cost of social welfare and public service pensions over the long term by setting aside the equivalent of 1 per cent of GNP each year from the annual Budget; there is also provision to enable additional sums – for example, the proceeds from the sale of State assets – to be paid into the Fund from time to time by resolution of Dail Eireann. The Fund was formally established on 2 April 2001 under the National Pensions Reserve Fund Act, 2001. Also on that date, the National Pensions Reserve Fund Commission was appointed by the Minister for Finance: under the Act, the Commission is responsible for the control, management and investment of the assets of the Fund. As required by section 21 of the Act, the Commission appointed the NTMA as Manager of the Fund to act as its agent in the performance of its functions; the NTMA's appointment is for a period of 10 years.

Following its establishment in April 2001, some €6,482 million was paid into the Fund from the Temporary Holding Fund for Superannuation Liabilities. That Fund had been set up in 1999 to receive part of the Telecom Eireann flotation proceeds as well as the GNP related contributions for 1999 and 2000 set aside for pension prefunding purposes, pending the establishment of the National Pensions Reserve Fund. Under delegated authority from the Commission, the moneys in the Fund are being managed by the NTMA on a cash basis pending their long term investment.

The objective of the Fund is to meet as much as possible, within prudent risk parameters to be agreed by the Commission, of the projected escalating cost to the Exchequer of social welfare and public service pensions from 2025 onwards (money accumulating in the Fund cannot be drawn on until then). The Fund is free to invest in all asset classes (the only exception being Irish Government securities). It is expected that, because of its long-term holding period, the Fund will have a heavy concentration in a well-diversified portfolio of international equities. It is further expected that the management of the Fund's assets will be substantially outsourced to external investment managers. These issues are currently being considered by the Commission with assistance from the NTMA and outside investment consultants. As Manager of the Fund, the NTMA is in the process of skilling up in the key areas of asset allocation, portfolio construction, risk management, external manager selection and performance measurement and evaluation.

STATE CLAIMS AGENCY

The National Treasury Management Agency (Amendment) Act, 2000 provides for the delegation to the NTMA of a number of functions, including the management of certain personal injury and property damage claims against the State. When carrying out its new claims management and associated risk management functions, the NTMA is to be known as the State Claims Agency.

The NTMA expects the Claims Agency to be formally established shortly by means of a delegation order by the Government. Specialist claims, legal and risk management staff are currently being recruited. In addition, it is proposed to establish a panel of law firms to furnish legal advice in relation to some of the more complex cases and to provide legal representation at some court sittings outside Dublin. Panels of barristers and of medical, engineering and other experts will also be set up.

The Agency has acquired, and has customised to its own requirements, claims/risk management software which will facilitate the recording, reporting and analysis of data on incidents and claims. It will assist particularly in the presentation to State authorities of information on the history of their claims and in the development of risk management procedures. This will be supplemented by a document management system which will retain electronic records of key documents to facilitate business with service providers including lawyers as well as medical and engineering consultants.

MANDATE

The Agency's mandate, as set out in the legislation, is to manage claims so as to ensure that the State's liability (including legal and other expenses) is contained at the lowest achievable level. The intention is to apply best commercial practice to the management of claims with the objective of ensuring that they are resolved fairly, expeditiously and cost-effectively. There will be an emphasis on immediate and thorough investigation of adverse incidents with a view to determining the extent, if any, of the State's liability. The Agency will have discretion in determining the State's tactics towards individual claims; in the case of genuine claims where liability is undisputed, early and fair settlement will be sought; otherwise, cases will be contested.

CLAIMS UNDER MANAGEMENT

The Agency will manage personal injury and property damage claims which involve the payment of awards, settlements and associated expenses out of Exchequer funds. As prescribed in the Act, this includes claims against the State itself, Ministers, the Attorney General, the Commissioner of the Gárda Síochána, prison governors, community and comprehensive schools and various other bodies listed in the Schedule to the Act. Provision is made for the inclusion of other publicly funded bodies as may be prescribed by the Minister for Finance at a later stage.

In addition to new claims arising after its establishment, the Agency is expected to take over the management of some existing claims outstanding against State authorities. The transfer of such claims, principally those which are at an early stage in the litigation process, has been agreed on a case-by-case basis with the various State authorities.

The Agency will not be responsible for claims against public entities whose liabilities are not met directly from Exchequer funds or which operate their own insurance arrangements. In addition, the legislation specifically excludes claims relating to injuries criminally inflicted on Gardaí and prison officers and claims arising out of alleged assaults by members of the Garda Síochána and prison officers.

RISK MANAGEMENT AND INSURANCE FUNCTIONS

In addition to its claims management function, the legislation requires the Agency to provide a risk advisory service to State authorities with a view to reducing over time the incidence and severity of claims. This service will focus on any risks that may be highlighted by the data on claims received from State authorities or that come to light from any risk evaluations or audits that the Agency may commission. Furthermore, the Act provides that, where it considers it appropriate to do so, the Agency may purchase insurance cover against certain insurable risks.

FEATURES OF LEGISLATION

Some of the other main features of the Act include:

- Provisions which enable the Minister for Finance and the Attorney General to issue directions and guidelines to the Agency in relation to the performance of its claims management functions.

- Provision for the establishment by the Minister of a Policy Committee which will advise the Agency on policy and procedures. The Policy Committee, which will consist of a chairperson and six other members, is required under the legislation to have substantial expertise and experience in the areas of claims management, litigation, insurance, risk management, the public service, and actuarial, accountancy, auditing, trade union and consumer protection matters.

- An obligation on State authorities to report to the Agency, as soon as may be, any adverse incidents which have potential to give rise to claims and to facilitate the Agency's investigation of such incidents.

- Arrangements relating to the payment of settlement amounts, awards or costs due to claimants and to the payment of fees to professional experts. The Agency will make such payments out of advances from the Post Office Savings Bank Fund and will subsequently recoup the amounts involved from State authorities.

NEW BUSINESS ACTIVITIES

SOCIAL INSURANCE FUND

The Social Insurance Fund is the fund into which all social insurance contributions are paid and out of which payments such as unemployment assistance and contributory old age pensions are made.

At present there is a surplus of some €1 billion in the Fund which is invested in short term Exchequer Notes. As this surplus is forecast to increase significantly over the coming years, it has been decided to invest a portion of the Fund in longer maturity assets in the context of a recently agreed investment strategy.

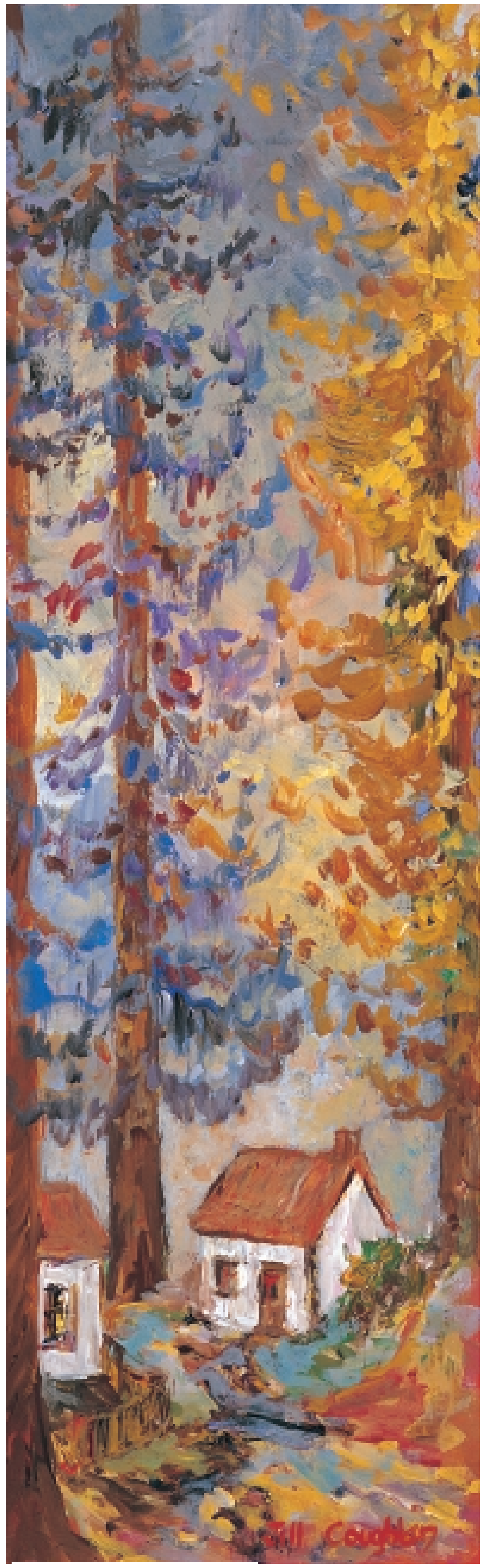
The Minister for Finance has delegated authority to the NTMA to manage the Fund and implementation is currently being finalised.

CENTRAL TREASURY SERVICE

The National Treasury Management Agency (Amendment) Act, 2000, which was passed in December, provided, inter alia, for the NTMA to make available a Central Treasury Service to Local Authorities, Health Boards, Vocational Education Committees and other designated bodies.

This service, providing deposit and loan facilities to the above mentioned bodies, is designed both to give them a competitive alternative to banks and also to make savings for the Exchequer. There are some one hundred and twenty bodies eligible to avail of the service.

Since early this year, the NTMA has been actively marketing the programme and lending and deposit activity commenced in May 2001.



Forest's Edge by Jill Coughlan

DORMANT ACCOUNTS

The Dormant Accounts Bill, 2001, currently being debated by the Oireachtas, will give effect to the previously announced decision of the Government that balances on dormant accounts in certain financial institutions would be remitted to the State and used for charitable purposes or purposes of societal or community benefit. The balances in question will be transferred not later than 30 April each year, commencing 2003. The period for determining dormancy will be 15 years since the last customer-initiated transaction. Notwithstanding that accounts may be declared dormant, the Bill guarantees the right of the holders of the accounts to reclaim their moneys at any time.

The balances on dormant accounts, including accrued interest, will be remitted to a new fund – the Dormant Accounts Fund – which will be managed by the NTMA. Moneys from the Intestate Estates Fund Deposit Account may, on the direction of the Minister for Finance, also be paid into the Dormant Accounts Fund.

Disbursements from the Fund will be made on the direction of the Dormant Accounts Disbursement Board, to be established under the Bill and consisting of nine members appointed by the Minister for Social, Community and Family Affairs. Pending disbursement, moneys in the Fund will be invested by the NTMA in a range of eligible assets.

FINANCIAL STATEMENTS PREPARED BY THE NATIONAL TREASURY MANAGEMENT AGENCY IN ACCORDANCE WITH SECTION 12 OF THE NATIONAL TREASURY MANAGEMENT AGENCY ACT, 1990

1. National Debt of Ireland
2. National Treasury Management Agency - Administration Account
3. Post Office Savings Bank Fund
4. Capital Services Redemption Account
5. National Loans Advance Interest Account
6. National Loans (Winding Up) Account
7. National Treasury Management Agency (Unclaimed Dividends) Account
8. Deposit Monies Investment Account
9. Account of the National Loans Sinking Fund
10. Account of Stock Accepted in Payment of Inheritance Tax and Death Duties
11. Small Savings Reserve Fund
12. Prompt Payment of Accounts Act
13. Account of the Temporary Holding Fund for Superannuation Liabilities for Year ended 31 December 2000
14. Account of the Temporary Holding Fund for Superannuation Liabilities for period ended 25 April 2001

FISH
IMAGE
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FINANCIAL STATEMENTS

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

CONTENTS

NATIONAL TREASURY MANAGEMENT AGENCY

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

6 June 2001

I have audited the financial statements on pages 62 to 81.

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 60. 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 2000 and its balances at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

NATIONAL DEBT OF IRELAND

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 63 to 73 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 2000.

Reporting Currency

The reporting currency is the EURO, which is denoted by the symbol €.

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 Euros at the rates of exchange prevailing at the date of the transaction. Liabilities and assets in foreign currencies are translated into Euros at the rates of exchange ruling at the year end dates.

	Notes	2000 Total Cost €'000	1999 Total Cost €'000
Interest paid			
Medium / Long Term Debt*	2	1,501,386	1,922,046
Short Term Debt**	3	177,589	93,112
National Savings Schemes	4, 9	440,190	451,934
Other Movements	5	95,497	(14,510)
Sinking Fund payments	6	480,437	418,220
Fees and Expenses	7	17,664	22,879
Expenses of NTMA		7,709	7,869
Interest received on deposits with Central Bank and other banks		(145,405)	(101,485)
Total Service Cost €	1	**2,575,067**	**2,800,065**
Total Service Cost IR£		**2,028,030**	**2,205,230**

* 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

6 June 2001

The notes on pages 67 to 73 form part of these financial statements.

NATIONAL DEBT OF IRELAND

NATIONAL DEBT STATEMENT 31 December 2000

	Notes		2000 €million		1999 €million
Medium / Long Term Debt *					
Irish Government Bonds listed on The Irish Stock Exchange			21,784		23,629
Other Irish Government Public Bond Issues			2,759		3,630
Private Placements			2,126		2,595
European Investment Bank Loans			541		654
Medium Term Notes			1,052		1,103
Miscellaneous Debt			(345)		(410)
Borrowings from Central Bank			0		167
	8		27,917		31,368
Short Term Debt **					
Commercial Paper		2,684		2,677	
Borrowings from Funds under the control of the Minister for Finance	16	3,776		3,081	
			6,460		5,758
National Savings Schemes					
Savings Certificates		2,706		2,879	
Savings Bonds		1,163		1,288	
National Instalment Savings		456		461	
Savings Stamps		2		2	
Prize Bonds		297		269	
	9		4,624		4,899
			39,001		42,025
Less Liquid Assets	10		(2,490)		(2,176)
National Debt €	12		36,511		39,849
National Debt IR£			**28,755**		**31,384**

* 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

6 June 2001

The notes on pages 67 to 73 form part of these financial statements.

	2000 €'000	1999 €'000
Movement in Exchequer balances:		
Opening Balance in Exchequer Account (note 10)	1,593,596	1,671,124
Commercial Deposits (note 10)	(250,000)	0
Borrowing Activity (see below)	(3,087,181)	(1,589,474)
	(1,743,585)	81,650
Exchequer Surplus/(Deficit)	3,177,455	1,511,946
Closing Balance in Exchequer Account (note 10)	1,433,870	1,593,596

	Receipts €'000	Payments €'000	2000 Net €'000	1999 Net €'000
Borrowing Activity				
Irish Government Bonds listed on The Irish Stock Exchange	1,907,560	(3,887,224)	(1,979,664)	(420,909)
Other Irish Government Public Bond Issues	0	(914,984)	(914,984)	(966,869)
Private Placements	0	(465,028)	(465,028)	(505,571)
European Investment Bank Loans	0	(132,465)	(132,465)	(129,369)
Medium Term Notes	0	(26,360)	(26,360)	(112,330)
Miscellaneous Debt	7,122,351	(7,035,842)	86,509	(33,041)
Borrowings from the Central Bank	0	(167,216)	(167,216)	0
Commercial Paper	51,591,356	(51,499,336)	92,020	178,438
Savings Certificates	215,630	(388,190)	(172,560)	(31,333)
Savings Bonds	247,320	(371,649)	(124,329)	(168,885)
Savings Stamps	0	0	0	0
National Instalment Savings	60,407	(66,432)	(6,025)	9,379
Prize Bonds	69,347	(42,159)	27,188	43,003
Borrowings from Ministerial Funds	24,121,846	(23,426,113)	695,733	548,013
Total Borrowing Activity	85,335,817	(88,422,998)	(3,087,181)	(1,589,474)
Commercial Deposit Activity	20,828,803	(21,078,803)	(250,000)	0

Total Activity	Receipts €'000	Payments €'000	2000 Net €'000	1999 Net €'000
Exchequer Account	93,996,477	(96,959,031)	(2,962,554)	(1,752,437)
Foreign Currency Clearing Accounts (Note 14)	12,168,143	(12,542,770)	(374,627)	162,963
	106,164,620	(109,501,801)	(3,337,181)	(1,589,474)

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

The notes on pages 67 to 73 form part of these financial statements.

NATIONAL DEBT OF IRELAND

STATEMENT OF MOVEMENT IN NATIONAL DEBT Year ended 31 December 2000

	2000 €'000	1999 €'000
Opening National Debt	39,849,344	37,508,919
Increase / (Decrease) in National Debt (nominal)	(3,338,022)	2,340,425
Represented by:		
Exchequer (Surplus)/Deficit (note 15)	(3,177,455)	(1,511,946)
Effect of Foreign Exchange Rate Movements	(80,825)	179,342
Bond Tranching: net excess of proceeds over nominal liability	302,776	233,682
Bond Cancellations: net excess of cancellation cost over nominal liability	(158,200)	3,353,597
Movement in CSRA current balance (note 10)	(224,286)	(390,366)
FEOGA Borrowings (note 15)	-	476,152
Other nominal movements	(32)	(36)
	(3,338,022)	2,340,425
Closing National Debt €	**36,511,322**	**39,849,344**
Closing National Debt IR£	**28,755,003**	**31,383,909**

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

The notes on pages 67 to 73 form part of these financial statements.

1. Total Service Cost

	Notes	Charged on Foreign Currency Clearing Accounts €'000	Charged on Central Fund €'000	Charged on CSRA €'000	Total Service Cost 2000 €'000
Interest paid					
Medium / Long Term Debt	2	103,081	171,496	1,226,809	1,501,386
Short Term Debt	3	73,354	89,381	14,854	177,589
National Savings Schemes	4	-	147,002	293,188	440,190
Other Movements	5	(552,916)	887,943	(239,530)	95,497
Sinking Fund payments	6	-	426	480,011	480,437
Fees and Expenses	7	1,915	15,380	369	17,664
Expenses of NTMA		-	7,709	-	7,709
Interest received on deposits with Central Bank and other banks		(62)	-	(145,343)	(145,405)
		(374,628)	1,319,337	1,630,358	2,575,067
Inter Account Movement		-	1,854,642	(1,854,642)	-
Net cash paid		(374,628)	3,173,979	(224,284)	2,575,067

2. Interest on Medium / Long Term Debt

	Total Cost 2000 €'000	Total Cost 1999 €'000
Irish Government Bonds listed on The Irish Stock Exchange	1,009,777	1,301,217
Other Irish Government Public Bond Issues	217,640	262,181
Private Placements	150,528	178,397
European Investment Bank Loans	47,607	52,886
Medium Term Notes	50,626	49,952
Miscellaneous Debt	24,688	76,487
Borrowings from Central Bank	520	926
	1,501,386	1,922,046

3. Interest on Short Term Debt

	Total Cost 2000 €'000	Total Cost 1999 €'000
Commercial Paper	157,439	83,675
Borrowings from Funds under the control of the Minister for Finance	20,150	9,437
	177,589	93,112

4. Interest on National Savings Schemes

	Total Cost 2000 €'000	Total Cost 1999 €'000
Savings Certificates	188,618	111,273
Savings Bonds	162,956	95,962
National Instalments Savings	43,974	33,185
Prizes in respect of Prize Bonds	7,569	6,759
Small Savings Reserve (note 9)	37,073	204,755
	440,190	451,934

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 2000 were as follows:

	€'000
Central Fund (6.5% Exchequer Stock, 2000 - 05)	426
Capital Services Redemption Account (Note 13)	480,011
	480,437

7. Fees and Expenses

	Total Cost 2000 €'000	Total Cost 1999 €'000
Expenses of Irish Pound Borrowings	0	4,309
Expenses of Savings Certificates	4,235	4,611
Expenses of Prize Bonds	4,873	4,779
Expenses of Savings Bonds	2,316	2,668
Expenses of National Instalment Savings	2,391	2,283
Expenses of Savings Stamps	1,070	1,071
Expenses of Foreign Loans	2,779	3,158
	17,664	22,879

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 2000 €millions	As at 31 December 1999 €millions
Debt due for repayment within 1 year	3,453	4,102
Debt due for repayment between 2 and 5 years	13,436	11,451
Debt due for repayment in more than 5 years	11,028	15,815
	27,917	31,368

9. National Savings Schemes

Amounts shown in respect of Savings Certificates, National Instalment Savings, Savings Bonds and Prize Bonds are net of €1.8 million (1999: €5.8 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 €2,378 million (1999: €2,391 million), being the estimate of the amount of accrued interest at 31 December 2000 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 €76 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. The Minister paid in €37m in 2000. 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 actual interest cost for 2000 was 16.85 per cent of the interest accrued at the 31 December 1999 of €2,391m. However, it was decided that no monies would be drawn down in 2000 from the fund to meet the excess over 11 per cent.

		€millions
Estimated accrued interest at 31 December 2000		2,378
Small Savings Reserve Fund		
Balance at 1 January 2000	(1,083)	
Amount provided during 2000	(37)	
Balance at 31 December 2000 (Note 16)		(1,120)
Estimated accrued interest not provided for at 31 December 2000		1,258

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 2000 €'000	**Movements during 2000 €'000**	**Closing balance at 31 December 2000 €'000**
Exchequer Account	1,593,596	(159,726)	1,433,870
Capital Services Redemption Account			
Current Balance (note 13)	581,962	224,286	806,248
Commercial Deposits*	0	250,000	250,000
	2,175,558	314,560	2,490,118

* These deposits were placed in compliance with ECB guidelines on liquidity management of Governmental balances held at the Central Bank of Ireland.

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 2000		31 December 1999	
	Nominal €million	**Present Value €million**	**Nominal €million**	**Present Value €million**
Interest Rate Swaps	3,349	19	3,889	42
Currency Swaps & Foreign Exchange Contracts	6,646	425	8,021	552
	9,995	444	11,910	594

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 2000 € millions	**As at 31 December 1999 € millions**
Euro Basket Currencies*	34,405	37,331
Sterling	2,114	2,519
US Dollar	(7)	-
Swiss Franc	(1)	(1)
Japanese Yen	-	-
	36,511	39,849

* This figure is net of liquid assets as at 31 December 2000 €2,490m (31 December 1999 €2,176m)

13. Capital Services Redemption Account

This account is used to record;

(a) payments of interest and principal out of an annual annuity designed to amortise borrowing for voted capital under section 22 (7) of the Finance Act, 1950.

(b) certain receipts and payments arising out of debt servicing and debt management transactions authorised by section 67(8) of the Finance Act, 1988 and section 54(7) of the Finance Act, 1970.

14. Foreign Currency Clearing Accounts

		€'000
Balance at 1 January 2000		(3)
Deposit interest received		55
Amounts received under Finance Act 1988 [S67 (8)]	16,574,746	
Amounts paid under Finance Act 1970 [S54 (7)]	(16,021,829)	552,917
Foreign Currency Borrowing receipts	12,168,143	
Foreign Currency Borrowing payments	(12,542,770)	(374,627)
Interest paid on Foreign Currency Borrowings (note 1)		
Medium/ Long Term Debt	(103,073)	
Short Term Debt	(73,354)	(176,427)
Expenses of Foreign Currency Borrowings (note 1)		(1,915)
Balance at 31 December 2000		(0)

15. FEOGA Borrowings

In implementation of the provisions of section 213 of the Finance Act, 1999 the Minister for Agriculture, Food and Rural Development assigned €476 million (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.

16. Borrowings from Funds under the control of the Minister for Finance

These funds are short term borrowings of the Exchequer drawn down as a "ways and means" of funding Exchequer requirements from a number of funds under the control of the Minister for Finance.

	As at 31 December 2000 € millions	As at 31 December 1999 € millions
Post Office Savings Bank Fund	510	422
Small Savings Reserve Fund	1,120	1,083
Ulysses Securitisation plc	209	194
Deposit Monies Investment Account	1,937	1,382
	3,776	3,081

CONTENTS

ADMINISTRATION ACCOUNT

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 60 to 73. Financial information covering the Agency itself is set out on pages 76 to 81.

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 ".

Reporting Currency

The reporting currency is the EURO, which is denoted by the symbol €.

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.

ADMINISTRATION ACCOUNT

INCOME AND EXPENDITURE ACCOUNT Year ended 31 December 2000

	Notes	2000 €	1999 €
Income			
Central Fund	8	7,874,272	7,812,549
Other income		147,730	170,974
Transfer (to)\from capital account	5	(30,088)	(49,948)
		7,991,914	7,933,575
Expenditure	1	(7,991,914)	(7,933,575)
Net income/(expenditure)		NIL	NIL

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

The notes on pages 79 to 81 form part of these financial statements.

ADMINISTRATION ACCOUNT

BALANCE SHEET 31 December 2000

	Notes	2000 €	1999 €
Fixed Assets			
Fixed assets	2	1,249,620	1,202,898
Financial Assets	7	46,853	63,487
Current Assets			
Cash at bank and in hand		32,558	27,589
Debtors	3	723,677	718,635
Total Current Assets		756,235	746,224
Current Liabilities			
Creditors	4	756,235	746,224
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities		1,296,473	1,266,385
Representing:			
Capital account	5	1,296,473	1,266,385
		1,296,473	1,266,385

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

The notes on pages 79 to 81 form part of these financial statements.

1. Expenditure

	Year Ended 31 December 2000 €	Year Ended 31 December 1999 €
Salaries and superannuation	4,595,000	4,429,384
Establishment expenses	476,909	461,885
Operating expenses	2,483,906	2,676,797
Depreciation	428,242	365,509
Amortisation	7,857	-
Total expenses	7,991,914	7,933,575

2. Fixed Assets

	Property €	Furniture, Equipment & Motor Vehicles €	Total €
Cost:			
Opening balance at 1 January 2000	1,208,420	2,511,202	3,719,622
Additions at cost	7,618	530,376	537,994
Disposals	-	(373,167)	(373,167)
Balance at 31 December 2000	1,216,038	2,668,411	3,884,449
Accumulated depreciation:			
Opening balance at 1 January 2000	541,122	1,975,602	2,516,724
Depreciation for the period	60,801	367,441	428,242
Disposals	-	(310,137)	(310,137)
Balance at 31 December 2000	601,923	2,032,906	2,634,829
Net book value at 31 December 2000	614,115	635,505	1,249,620
Net book value at 31 December 1999	667,298	535,600	1,202,898

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 €382,953.

3. Debtors

	2000	1999
	€	€
Central Fund	438,288	273,333
Prepayments	257,912	420,780
Other debtors	27,477	24,522
	723,677	718,635

4. Creditors

	2000	1999
	€	€
Creditors	6,251	8,182
Accruals	749,984	738,042
	756,235	746,224

5. Capital Account

			2000	1999
			€	€
Opening balance			1,266,385	1,216,437
Transfer from /(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets	537,994			
- Financial Assets repayment (note 7)	(8,777)	529,217		
Amortisation of capital funding				
- Amortisation in line with depreciation	(428,242)			
- Net amount released on asset disposal	(63,030)			
- Amortisation of Financial Assets	(7,857)	(499,129)	30,088	49,948
Closing balance			1,296,473	1,266,385

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 2000 amounted to €628,920 (1999: €696,112).

6. Superannuation (continued)

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 €63,487, which was apportioned as follows:

- 20 ordinary IR£1 (€1.27) shares purchased at par
- €24,178.82 as a loan repayable over the period commencing on 30 September 1999 and ending on 30 September 2003
- €39,282.70 as a non-repayable, irrevocable and unconditional capital contribution to the company. This will be amortised over 5 years.

The position at 31 December 2000 was:

	€
Opening balance	63,487
Amortisation	(7,857)
Loan repayment received	(8,777)
Closing balance	46,853

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;

	2000 €	1999 €
Central Fund Income per Service of Debt Statement	7,709,317	7,869,363
Movement in Central Fund Debtors (note 3)	164,955	(56,814)
Income from Central Fund per Income and Expenditure Account	7,874,272	7,812,549

CONTENTS

POST OFFICE SAVINGS BANK FUND

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined in accordance with auditing standards the financial statements set out in pages 85 to 90 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 2000 and of its transactions for the year then ended.

John Purcell
Comptroller and Auditor General

7 June 2001

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:-

Reporting Currency

The reporting currency is the EURO, which is denoted by the symbol €.

Basis of Accounting

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

Investments

Investments are stated at cost.

POST OFFICE SAVINGS BANK FUND

INCOME AND EXPENDITURE ACCOUNT Year ended 31 December 2000

	Notes	2000 €	1999 €
Investment income	1	17,072,758	4,454,955
Interest paid and payable	2	3,249,843	4,323,644
Other expenses	3	18,205,317	17,898,917
		21,455,160	22,222,561
		(4,382,402)	(17,767,606)
Balance at beginning of year		13,242,247	31,009,853
Balance at end of year		8,859,845	13,242,247

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

The notes on pages 88 to 90 form part of these financial statements.

POST OFFICE SAVINGS BANK FUND

BALANCE SHEET 31 December 2000

	Notes	2000 €	1999 €
Assets			
Advances	4	509,814,093	421,687,840
Investments	5	153,725,844	120,369,964
Debtors	7	5,776,500	6,235,152
Agricultural Commodity Intervention Bills		6,000,000	15,000,000
Cash at bank		24,975,425	86,720,646
		700,291,862	650,013,602
Liabilities			
Deposits	8	684,405,822	635,039,201
Creditors	9	7,026,195	1,732,154
Accumulated Reserves		8,859,845	13,242,247
		700,291,862	650,013,602

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

The notes on pages 88 to 90 form part of these financial statements.

1. Investment Income

	2000	1999
	€	€
Interest received and receivable	17,499,448	10,433,667
Profit/(Loss) on sale of investments	(426,690)	(5,978,712)
	17,072,758	4,454,955

2. Interest Paid and Payable

	2000	1999
	€	€
Interest paid and credited to depositors of POSB	3,249,843	4,323,644
	3,249,843	4,323,644

3. Other Expenses

	2000	1999
	€	€
Management expenses	18,205,317	17,896,758
Miscellaneous	0	2,159
	18,205,317	17,898,917

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.

5. Investments

	2000 €	1999 €
At cost	153,725,844	120,369,964
At market value	157,705,105	118,578,703

Schedule of Investment Holdings:-

Nominal IR£	Stock	Cost €
30,336,768	6.5% Treasury Bond, 2001	31,610,886
152,612	8% Capital Loan, 2001	135,260
519,290	9% Government Bond, 2001	548,426
6,340,268	2.75% Treasury Bond, 2002	6,123,262
309,144	9.25% Capital Stock, 2003	341,842
143,778	8.25% Exchequer Bond, 2003	160,121
7,180,874	6.25% Treasury Bond, 2004	7,451,303
149,467	14.75% Development Stock, 2002 - 04	186,000
41,121,601	3.5% Treasury Bond, 2005	38,489,608
51,829	12.5% Capital Stock, 2005	69,271
2,122,674	8% Treasury Bond, 2006	2,407,355
437,880	9% Capital Stock, 2006	521,030
643,108	6% Treasury Bond, 2008	665,675
266,902	8.25% Capital Stock, 2008	314,033
26,128,909	4% Treasury Bond, 2010	23,829,367
50,491	8.5% Capital Stock, 2010	62,288
146,876	8.75% Capital Stock, 2012	189,363
653,756	8.25% Treasury Bond, 2015	840,758
43,630,883	4.6% Treasury Bond, 2016	39,779,996
		153,725,844

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

	2000 €	1999 €
Dividends and interest receivable	3,553,282	2,462,704
Other debtors	2,223,218	3,772,448
	5,776,500	6,235,152

8. Deposits

	2000 €	1999 €
Deposits from POSB	684,405,822	635,039,201
	684,405,822	635,039,201

9. Creditors

	2000 €	1999 €
Net funds due under Sale and Repurchase Agreements	0	1,194,059
Other creditors	7,026,195	538,095
	7,026,195	1,732,154

CAPITAL SERVICES REDEMPTION ACCOUNT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 92 and 93. 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

CAPITAL SERVICES REDEMPTION ACCOUNT

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

Account of Receipts and Payments		**Year ended 31 December 2000 €**
Balance at 1 January 2000		581,962,317
Receipts		
Amounts received from Central Fund		
under Finance Act 1950, Section 22 as amended:-		
- Interest	1,374,630,877	
- Sinking Fund	480,011,391	1,854,642,268
Amounts received under Finance Act 1988 [S 67 (8)]		809,664,961
Other amounts received under specific borrowing transactions		16,478,468
Deposit interest received		145,343,454
		3,408,091,468
Payments		
Amounts applied in the redemption of National Debt:-		
Irish Government Bonds Listed on Irish Stock Exchange	344,584,470	
Other Irish Government Public Bond Issues	2,000,000	
Small Savings	6,453,114	
Other Euro borrowings	126,973,808	480,011,392
Amounts applied in meeting interest on National Debt (note 2)		1,551,697,766
Amounts applied in respect of liabilities under Finance Act 1970, [S 54 (7)]		570,134,628
Balance at 31 December 2000		806,247,682
		3,408,091,468

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

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 2000 €
8% Treasury Bond, 2000	133,438,881
11.75% Capital Stock, 2000	2,946,337
6.5% Treasury Bond, 2001	133,599,752
8% Capital Loan, 2001	1,779,277
9% Government Bond, 2001	10,230,721
2.75% Treasury Bond, 2002	5,193,025
8.25% Exchequer Bond, 2003	820,560
9.25% Capital Stock, 2003	19,529,688
12.25% Development Stock, 2000 - 03	2,240,342
14.75% Development Stock, 2002 - 04	3,790,093
6.25% Treasury Bond, 2004	18,059,526
3.5% Treasury Bond, 2005	171,289,015
6.5% Exchequer Stock, 2000 - 05	5,540,939
12.5% Capital Stock, 2005	992,564
8% Treasury Bond, 2006	10,215,047
9% Capital Stock, 2006	12,681,104
8.25% Capital Stock, 2008	433,679
6% Treasury Bond, 2008	4,503,049
4% Treasury Bond, 2010	215,549,865
8.5% Capital Stock, 2010	1,464,673
8.75% Capital Stock, 2012	3,843,331
8.25% Treasury Bond, 2015	1,156,255
4.6% Treasury Bond, 2016	146,868,393
Variable Rate Treasury Bond, 2000	16,303,979
Other Irish Government Public Bond Issues	58,268,613
Small Savings	293,187,855
Other Euro Borrowings	17,128,408
European Investment Bank	2,436,106
Private Placements	75,828,971
Swap Driven Issues	175,962,147
Medium Term Notes	3,992,360
Commercial Paper	2,054,541
Expenses	368,670
	1,551,697,766

NATIONAL LOANS ADVANCE INTEREST ACCOUNT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 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 transactions for the year ended 31 December 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

NATIONAL LOANS ADVANCE INTEREST ACCOUNT

Account of Receipts and Payments		**Year ended 31 December 2000 €**
Balance at 1 January 2000		13,906,973
Accrued interest received on National Loans		
- Tranches and Auctions	33,686,027	
- Cancellations	30,556	33,716,583
Accrued interest paid on National Loans		(45,056,170)
Balance at 31 December 2000		
- Cash with Central Bank of Ireland		2,567,386

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

6 June 2001

NATIONAL LOANS (WINDING UP) ACCOUNT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 97 and 98. 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

NATIONAL LOANS (WINDING UP) ACCOUNT

Account of Receipts and Payments	Note	Year ended 31 December 2000 €
Balance at 1 January 2000		4,896,478
Amount provided to meet late redemption claims	1	31,076,868
Payments for redemption of National Loans	2	(25,404,366)
Balance at 31 December 2000		
- Cash with Central Bank of Ireland		10,568,980

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

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 by a payment from the Exchequer. 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. Any further claims are met from this account.

2. National Loans redeemed during the year ended 31 December 2000

	€
5.5% National Loan, 1966	381
5.5% Exchequer Stock, 1971-74	317
4.5% National Loan, 1973-78	2,920
4.25% National Loan, 1975 - 80	2,793
11% Finance Stock, 1979	424
5.25% National Development Loan, 1979 - 84	381
6% Exchequer Stock, 1980 - 85	762
7.5% National Loan, 1981 - 86	129
5.75% National Loan, 1982-87	889
8.5% Conversion Stock, 1986-88	5,029
15% Conversion Stock, 1988	144
5.75% Exchequer Stock, 1984 - 89	2,793
9.75% National Loan, 1984 - 89	9,667
11.5% Exchequer Stock, 1990	776
6% Exchequer Loan, 1985 - 90	1,143
14% National Loan, 1985 - 90	13,760
6.75% National Loan, 1986 - 91	4,745
7% National Loan, 1987 - 92	4,081
7.5% Development Stock, 1988-93	13,386
9.25% National Loan, 1989 - 94	10,301
9.5% Conversion Bond, 1995	1,781
12% Conversion Stock, 1995	419
9.25% Exchequer Loan, 1991 - 96	1,306
9% Capital Loan, 1996	5,423
7.75% Capital Stock, 1997	22,629
9.75% National Development Loan, 1992 - 97	5,841
9.75% Capital Stock 1998	200,993
11% National Loan, 1993 - 98	16,828
11.5% Development Loan 1997/1999	40,314
6.25% Treasury Bond, 1999	209,050
7.5% Capital Stock, 1999	189,552
8% Treasury Bond, 2000	1,412,170
11.75% Capital Stock, 2000	47,437
14.5% Finance Loan, 1998-2000	25,608
13% Finance Stock, 1997-2002	37,198
12.25% Development Stock, 2000-03	209,564
6.5% Exchequer Stock, 2000-05	22,774,205
Variable Rate Treasury Bond, 2000	129,227
Total	25,404,366

NTMA (UNCLAIMED DIVIDENDS) ACCOUNT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 100 and 101. 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

NTMA (UNCLAIMED DIVIDENDS) ACCOUNT

Account of Receipts and Payments	**Note**	**Year ended 31 December 2000 €**
Balance at 1 January 2000		1,482,469
Receipt of unclaimed dividends		379
Payment of unclaimed dividends	2	(39,309)
Balance at 31 December 2000		
- Cash with Central Bank of Ireland	1	1,443,539

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

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. The Paying Agent maintains a cash float, on behalf of the National Treasury Management Agency, which it uses to service claims as they arise during the year.

2. Unclaimed Dividends paid in year	**€**
Irish Government Bonds registered with Central Bank of Ireland	23,442
Foreign Bonds administered by Commerzbank AG	15,867
	39,309

DEPOSIT MONIES INVESTMENT ACCOUNT

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on page 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

DEPOSIT MONIES INVESTMENT ACCOUNT

Account of Receipts and Payments	**Year ended 31 December 2000 €**
Balance at 1 January 2000	1,381,651,000
Ways and Means Advances paid to Exchequer	19,249,330,000
Ways and Means Advances repaid by Exchequer	(18,694,420,000)
Balance at 31 December 2000 - Ways and Means Advances to Exchequer	1,936,561,000

Note to the Account

This account records the borrowings and repayments of surplus funds held in the Supply Account of the Paymaster General.

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

ACCOUNT OF THE NATIONAL LOANS SINKING FUND

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 105 and 106. 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

ACCOUNT OF THE NATIONAL LOANS SINKING FUND

Account of Receipts and Payments - 6.5% Exchequer Stock, 2000 - 05	**Year ended 31 December 2000 €**
Balance at 1 January 2000	NIL
Receipts from Exchequer	426,226
Amount applied in redemption of Stock	(426,226)
Balance at 31 December 2000	NIL

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

ACCOUNT OF THE NATIONAL LOANS SINKING FUND

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.

2. Investment of Balances

Funds available are loaned as Ways and Means advances to the Exchequer. However, as the bond matured in 2000 on the date of the receipt from the Exchequer, no interest was earned.

3. Cumulative Sinking Fund Provision

	6.5% Exchequer Stock, 2000 - 05 €
Cumulative sinking fund provision (including interest earned thereon)	40,358,527
Cumulative amounts applied in cancellations	(40,358,527)
Sinking Fund balance at 31 December 2000	NIL
6.5% Exchequer Stock, 2000 - 05 outstanding at 31 December 2000	NIL

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

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 108 and 109. 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

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

Account of Receipts and Payments		**Year ended 31 December 2000 €**
Balance at 1 January 2000		159,625
Receipts		
Interest received on stock holdings	5,353	
Proceeds of stock redemption	205,852	211,205
Payments		
Paid to Revenue Commissioners for value of stock transferred to the Minister for Finance		
- Nominal	(274,402)	
- Interest	(2,823)	(277,225)
Balance at 31 December 2000		93,605

Stock Account

Balance at 1 January 2000		45,050
Movement for the year		
Nominal amount of stock transferred to the Minister for Finance	160,802	
Nominal amount of stock redeemed	(205,852)	
		(45,050)
Balance at 31 December 2000		Nil

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

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

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 111. 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

ACCOUNT OF THE SMALL SAVINGS RESERVE FUND

Account of Receipts and Payments	**Year ended 31 December 2000 €**
Balance at 1 January 2000	1,083,414,225
Received from Exchequer	37,073,115
Balance at 31 December 2000	1,120,487,340
Estimated accrued interest at 31 December 2000	2,378,495,216

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 actual interest cost for 2000 was 16.85 per cent of the interest accrued at the 31 December 1999 of €2,391m. However, it was decided that no monies would be drawn down in 2000 from the fund to meet the excess over 11 per cent.

The balance in the Fund is transferred to the Exchequer as repayable ways and means advances. No interest was paid by the Exchequer on such funds advanced.

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

NATIONAL TREASURY MANAGEMENT AGENCY

REPORT OF THE 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 2000.

John Purcell
Comptroller and Auditor General
7 June 2001

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. There were no late payments and therefore no interest was paid.

In accordance with the Prompt Payments of Accounts Act, 1997, the following information is provided for
the financial period ending 31 December 2000.

(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 ¤317

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%

The total amount of interest paid with respect to late payments was NIL

Michael J Somers, Chief Executive
National Treasury Management Agency

6 June 2001

ACCOUNT OF THE TEMPORARY HOLDING FUND FOR SUPERANNUATION LIABILITIES

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 115 to 116. 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 2000 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

TEMPORARY HOLDING FUND FOR SUPERANNUATION LIABILITIES

For the year ending 31 December 2000

Account of Income and Expenditure	**Year ended 31 December 2000 €**	**Period ended 31 December 1999 €**
Opening Balance	27,901,176	Nil
Interest received and receivable	228,469,725	27,901,176
Interest paid and payable	Nil	Nil
Closing Balance at 31 December 2000	256,370,901	27,901,176

Balance Sheet as at 31 December 2000	**Note**	**2000 €**	**1999 €**
Investment Assets			
Cash Deposits with Banks	2	6,402,910,873	3,828,270,146
Current Assets			
Interest Receivable		30,745,618	27,901,176
Current Liabilities			
Creditors; Amounts falling due within 1 year		Nil	Nil
Net Current Assets		30,745,618	27,901,176
Total Assets		**6,433,656,491**	**3,856,171,322**
Net Income/(Expenditure) for period ending 31 December 2000		256,370,901	27,901,176
State Investment in Fund	1	6,177,285,590	3,828,270,146
		6,433,656,491	**3,856,171,322**

Michael J Somers, Chief Executive
National Treasury Management Agency
6 June 2001

TEMPORARY HOLDING FUND FOR SUPERANNUATION LIABILITIES

NOTES TO THE FINANCIAL STATEMENTS

1. State Investment in Fund

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 investment transactions in the year were as follows;

	31 December 2000 €	31 December 1999 €
Opening Balance 1 January	3,828,270,146	Nil
Transfer in during period	2,349,015,444	3,828,270,146
Closing Balance 31 December	**6,177,285,590**	**3,828,270,146**

2. Investment Assets

	31 December 2000 €	31 December 1999 €
Cash on deposit with banks	6,402,910,873	3,828,270,146

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

The maturity profile of deposits placed are as follows;

1 Month or less	5,546,701,823	1,549,849,546
More than 1 and less than 3 months	856,209,050	1,413,420,600
More than 3 and less than 6 months	Nil	865,000,000
Total	**6,402,910,873**	**3,828,270,146**

ACCOUNT OF THE TEMPORARY HOLDING FUND FOR SUPERANNUATION LIABILITIES

REPORT OF THE COMPTROLLER AND AUDITOR GENERAL

I have examined the account on pages 118 to 119. 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 period ended 25 April 2001 and the balance at that date.

John Purcell
Comptroller and Auditor General

7 June 2001

TEMPORARY HOLDING FUND FOR SUPERANNUATION LIABILITIES

For the period ended 25 April 2001

Account of Income and Expenditure	**Period ended 25 April 2001 €**	**Year ended 31 December 2000 €**
Opening Balance	256,370,901	27,901,176
Interest received and receivable	81,224,685	228,469,725
Interest paid and payable	Nil	Nil
Closing Balance at 25 April 2001	337,595,586	256,370,901

Balance Sheet	**Note**	**Period ended 25 April 2001 €**	**Year ended 31 December 2000 €**
Investment Assets			
Cash Deposits with Banks	2	6,481,870,151	6,402,910,873
Current Assets			
Interest Receivable		33,011,025	30,745,618
Current Liabilities			
Creditors; Amounts falling due within 1 year		Nil	Nil
Net Current Assets		33,011,025	30,745,618
Total Assets		**6,514,881,176**	**6,433,656,491**
Net Income/(Expenditure) for period ending 25 April 2001		337,595,586	256,370,901
State Investment in Fund	1	6,177,285,590	6,177,285,590
		6,514,881,176	**6,433,656,491**

Michael J Somers, Chief Executive
National Treasury Management Agency
6 June 2001

1. State Investment in Fund

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 investment transactions in the year were as follows;

	25 April 2001 €	31 December 2000 €
Opening Balance 1 January	6,177,285,590	3,828,270,146
Transfer in during period	Nil	2,349,015,444
Closing Balance	6,177,285,590	6,177,285,590

2. Investment Assets

	25 April 2001 €	31 December 2000 €
Cash on deposit with banks	6,481,870,151	6,402,910,873

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

The maturity profile of deposits placed are as follows;

	25 April 2001	31 December 2000
1 Month or less	1,751,783,772	5,546,701,823
More than 1 and less than 3 months	3,211,888,554	856,209,050
More than 3 and less than 6 months	1,518,197,825	Nil
Total	6,481,870,151	6,402,910,873

3. Dissolution of the Fund

The amount of €6,514,881,176 (Principal €6,481,870,151 and accrued interest €33,011,025) was transferred to the National Pensions Reserve Fund on the 6th of April 2001.No further transactions occurred after that date. The Minister for Finance signed an order formally dissolving the Fund on 25th April 2001 under the National Pensions Reserve Act, 2000 (Dissolution of Temporary Holding Fund for Superannuation Liabilities) Order, 2001 (S.I. No.177 of 2001).

NOTES