National Treasury Management Agency

Annual Report and Accounts for the year ended

31 December 2010

Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

30 June 2011

Mr Michael Noonan TD

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 2010.

Yours sincerely

John C Corrigan

Chief Executive

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About the NTMA

The National Treasury Management Agency (NTMA) was established in 1990 with a commercial remit outside the civil service structure to borrow for the Exchequer and manage the National Debt. Since 1990 the NTMA has grown considerably and now has a range of functions providing financial and risk management services to the Government. These include the State Claims Agency, the National Pensions Reserve Fund, the National Development Finance Agency, the National Asset Management Agency and certain banking system functions of the Minister for Finance.

Funding and Debt Management: the NTMA is responsible for borrowing on behalf of the Government and managing the National Debt in order to ensure liquidity for the Exchequer and to minimise the interest burden over the medium term. The Funding and Debt Management Directorate also performs a number of other functions including borrowing on behalf of the Housing Finance Agency, providing a Central Treasury Service for State bodies and local authorities, managing the assets of a number of State funds and acting as the State agency for the purchase of carbon credits. The NTMA is also the Scheme Operator of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009.

State Claims Agency: the State Claims Agency manages personal injury, property damage and clinical negligence claims brought against certain State authorities, including Government ministers and health enterprises. It also has a risk management role, advising and assisting State authorities in minimising their claim exposures.

National Pensions Reserve Fund: the NTMA is Manager of the National Pensions Reserve Fund which was established with the objective of meeting as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to rise significantly due to population ageing. The Fund's legislative remit was extended in 2009 and 2010 to allow the Minister for Finance to direct the NPRF Commission, which is responsible for the control, management and investment of the assets of the Fund, to invest in credit institutions in certain circumstances and in Government and Government-guaranteed securities and to make payments to the Exchequer to fund capital expenditure in the years 2011 to 2013.

National Development Finance Agency: The National Development Finance Agency is the statutory financial advisor to State authorities in respect of all public investment projects with a capital value over €30 million. It also has full responsibility for the procurement and delivery of Public Private Partnership (PPP) projects in sectors other than transport and the local authorities.

National Asset Management Agency: the National Asset Management Agency was established in 2009 as part of a range of measures introduced by the Government to safeguard the viability of a number of systemically important financial institutions. It has acquired certain loan assets (land and development and associated loans) in exchange for Government-guaranteed securities issued directly to the institutions. Its mandate is to manage acquired assets to obtain the best achievable financial return for the State.

Banking System Functions: In March 2010 the Government delegated certain banking system functions of the Minister for Finance, related to the oversight and management of the State's interest and holdings in those financial institutions covered by the 2008 Government guarantee, to the NTMA. Following the change of Government, in April 2011 the Minister for Finance announced the creation of a stand-alone unit accountable to him through the Department of Finance to provide State oversight of the banking system and drawing on the resources of the NTMA to carry out its work. The NTMA is working closely with the Department of Finance on the implementation of the new structures.

The NTMA reports directly to the Minister for Finance in the performance of its funding and debt management, State Claims Agency and banking system functions. The National Pensions Reserve Fund, the National Asset Management Agency and the National Development Finance Agency each has its own board. The NTMA has an Advisory Committee to assist and advise on such matters as are referred to the Committee by the NTMA.

The information contained in this annual report is primarily in respect of those functions where the NTMA reports directly to the Minister for Finance. Separate annual reports are published by the National Pensions Reserve Fund Commission, the National Development Finance Agency, the National Asset Management Agency and the Carbon Fund.

Further information on the NTMA is available at **www.ntma.ie.**

NTMA

Report & Accounts

For the year ended 31 December 2010

Contents

Chief Executive's Review

This annual report reviews the work and performance of the National Treasury Management Agency in 2010. It was an exceptionally difficult year and will long be defined by events in the closing weeks when Ireland was required to seek external financial assistance through a three year EU/IMF funding programme.

The year provided a stern test for the NTMA. In addition to our work in the areas of Funding and Debt Management, the State Claims Agency (SCA) and the National Development Finance Agency (NDFA), the NTMA played a key role in supporting the Government's response to the financial crisis through the establishment under its aegis of the National Asset Management Agency (NAMA) and through the establishment of a specialist Banking Unit to provide advice to the Minister on and to manage the State's interest in domestic financial institutions. And, of course, the National Pensions Reserve Fund (NPRF) has provided funds for the recapitalisation of the banking sector.

Funding and Debt Management was a major focus of activity throughout the year. The NTMA frontloaded its annual borrowing programme in early 2010 to take advantage of positive investor sentiment towards Ireland and achieved its full-year borrowing target of €20 billion at an average interest rate of 4.7 per cent before conditions deteriorated. Achievement of this borrowing enabled the Exchequer to maintain €16 billion in cash balances at the end of the year.

The Funding and Debt Management team continues to work hard to maintain strong, supportive relationships with key international investors in Irish Government debt and to identify and develop relationships with prospective new investors. Those relationships will be a key element in positioning Ireland to return to the international bond markets as soon as market conditions permit. The conditions necessary to enable such a return include resolution of the banking sector issues, reduction of the budget deficit in line with the targets agreed in the EU/IMF programme and stabilisation of the debt at a sustainable level. Of course, wider developments in the euro area will also be a critical factor.

The first of these conditions has been met with the publication of the results of the bank stress tests on 31 March last which finally drew a line under the Exchequer exposure to the banking system and will ensure that the banks are adequately capitalised to meet even the most stressed scenarios. Capital markets are now focusing on the issue of public debt sustainability.

The most recent Government projections are for the General Government Debt/GDP ratio to peak at 118 per cent in 2013 (when the debt is projected to reach a nominal value of some €200 billion) and to start to decline thereafter. In accordance with Eurostat rules these are gross figures and do not take account of the value of offsetting assets such as those of the National Pensions Reserve Fund.

Even away from the debt markets 2010 marked a year of change for the NTMA.

In March 2010 the Government delegated certain banking system functions of the Minister for Finance to the NTMA. Following this the NTMA established a specialist Banking Unit and a small number of skilled professionals were recruited from the private sector to create a team capable of dealing with the very significant banking sector challenges facing the State.

In April 2011 the new Minister for Finance announced that a stand-alone unit accountable to him through the Department of Finance with a clear set of objectives to manage the Government's holdings in the financial sector would be created to fulfill the oversight role. The Minister said the Department would be strengthened as necessary and would draw on the resources of the NTMA to carry out its work. The NTMA is working closely with the Department of Finance on the implementation of the new structures which will involve the secondment of the Banking Unit to the Department.

The NTMA provides staff and corporate support services to the National Asset Management Agency. 2010 was NAMA's first full year of operation. From a standing start in December 2009, NAMA moved quickly to become fully operational with 104 staff and a €30 billion balance sheet by end 2010. By any account, this was an enormous logistical challenge – one which required a tremendous effort from staff assigned to NAMA and also from our corporate support services staff.

The year was also one of considerable change for the National Pensions Reserve Fund as more of its assets were deployed for bank recapitalisation and €10 billion was made available as part of Ireland's contribution to the EU/IMF funding programme. Notwithstanding the changing and uncertain environment, that element of the Fund managed by the NTMA on behalf of the National Pensions Reserve Fund Commission continues to perform well. Since its inception in 2001 it has outperformed the average Irish managed pension fund by 1.9 per cent on an annualised basis.

2010 was a landmark year for the National Development Finance Agency. It completed its first procurement project– four post primary schools providing accommodation for 2,700 students in Laois and Offaly were delivered within budget and occupied on time for the start of the new 2010/11 school year. Six further schools which will provide accommodation for approximately 4,700 students in Cork, Limerick, Kildare, Wicklow and Meath are due to be occupied variously between September and November 2011. Overall, the NDFA is either acting as the procurement authority or as financial advisor on more than 50 active infrastructure projects.

The Government has further extended the State Claims Agency's remit. Management of Health Service Executive employer liability, public liability and property damage claims was delegated to the SCA in January 2010 and management of claims against 13 new authorities and several additional classes of claims was delegated to it with effect from February 2011.

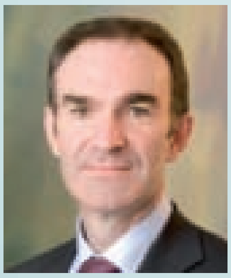
I believe that the NTMA has, over its twenty year history, shown an adaptability, flexibility, and "can-do" attitude in its delivery of financial and risk management services for the State. These qualities have never been more sorely needed than in the very difficult circumstances the country currently faces. On my own behalf and on behalf of the management team I would like to thank all of the staff of the NTMA for the effort they have put in and the contribution they have made in what are extremely challenging times.

John Corrigan
Chief Executive

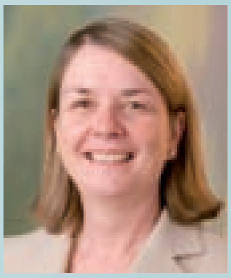
Executive and Advisory Committee

Senior Management Team

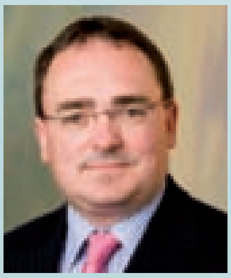
John Corrigan
Chief Executive



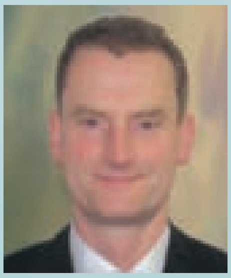
Ciarán Breen
State Claims Agency



Eileen Fitzpatrick
National Pensions
Reserve Fund,
Alternative Assets



Brendan McDonagh
National Asset
Management Agency



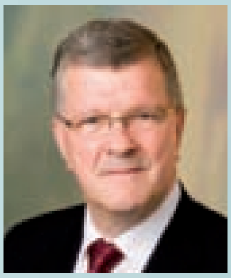
Brendan Murphy
Finance, Technology
and Risk

Brian Murphy
National Development
Finance Agency

Eugene O'Callaghan
National Pensions
Reserve Fund

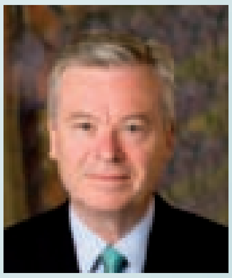
Andrew O'Flanagan
Legal, Control and
Compliance

Michael Torpey
Banking System



Oliver Whelan
Funding and Debt
Management

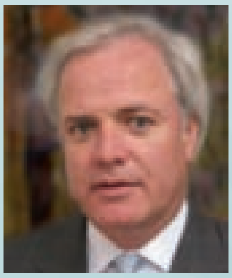
Advisory Committee



David Byrne – Chairperson
David Byrne is a former European Commissioner for Health and Consumer Protection and a former Attorney General.

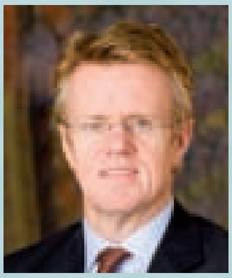
Kevin Cardiff
Kevin Cardiff is Secretary General of the Department of Finance where he has held a number of appointments including most recently Head of Taxation and Financial Services Division.

Hugh Cooney
Hugh Cooney has worked with a number of major professional and advisory firms including Stokes Kennedy Crowley, NCB Corporate Finance, Arthur Andersen and BDO Simpson Xavier. Since his retirement from practice he is a consultant with KPMG and a Company Director.

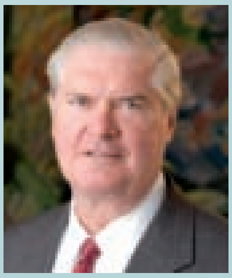


Brendan McDonagh
Brendan McDonagh is former CEO of HSBC North America Holdings Inc with responsibility for the Group's banking and consumer finance operations in the US and Canada. He was also Group Managing Director for HSBC Holdings Inc and a member of the HSBC Group Management Board.

Tytti Noras
Tytti Noras is Legal Counsellor, Financial Markets Department, Ministry of Finance, Finland and a Member of the Board of Directors of the European Investment Bank and the European Investment Fund.



Shane O'Neill
Shane O'Neill is Chief Strategy Officer of Liberty Global Inc and sits on the company's Executive Management Committee. He has also worked with Goldman Sachs, Macquarie Bank and KPMG.



Donald C Roth
Donald C Roth is Managing Partner of EMP Global LLC and former Vice President and Treasurer of the World Bank.

Staffing

Staff numbers in the National Treasury Management Agency rose from 169 at end 2009 to 306 at end 2010. As of 30 June 2011 the number of staff employed was 357. The increase in staff numbers over the last 18 months is mainly in respect of the National Asset Management Agency.

The NTMA's shared services (Finance, HR, IT etc) provide support to all of the Agency's business functions and have recruited additional staff resources in the last year to support NAMA.

NTMA Staffing 30 June 2011	
Funding and Debt Management	12
Banking Unit	8
State Claims Agency	57
National Pensions Reserve Fund	13
National Development Finance Agency	38
National Asset Management Agency	145
Finance, IT and Risk	51
HR and Corporate Services	7
Legal, Control and Compliance	14
Other	12
Total	**357**

Funding and Debt Management

Economic Summary

In 2010 there was a steep rise in Ireland's borrowing costs due to investor concerns about the banking sector, the fiscal situation and the wider issue of euro area stability. Ireland benefited from positive sentiment at the start of the year and bond yields fell back somewhat from 2009 levels. However, a confluence of events in the late summer and autumn led to the Government seeking assistance through a three-year EU/IMF funding programme at the end of November. Key events included the following:

- Additional capital requirements for the banking system were announced on 30 September reflecting the impact of higher than anticipated discounts on loans transferred from Allied Irish Banks to the National Asset Management Agency (NAMA) and the results of an assessment of the capital requirements of Anglo Irish Bank.
- The banks covered by the 2008 Government guarantee of bank liabilities experienced corporate deposit withdrawals, reflecting liquidity and solvency concerns, and became increasingly reliant on Eurosystem funding.
- Ireland's National Accounts for the second quarter disappointed the market. GDP fell by 1.2 per cent quarter-on-quarter, where there had been a consensus expectation for growth.
- The possibility of private sector involvement post-2013 in burden sharing arrangements in euro area countries, which was the subject of decisions by the European Council, caused a sharp jump in the bond yields of some euro area countries, including Ireland.

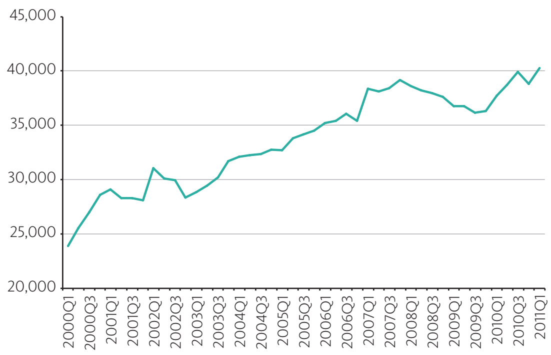
Irish Government 10 Year Bond Yields 2010

Source: Bloomberg

The Irish economy stabilised in 2010, following two and a half years of sharp recession. However, the gradual improvement in the overall economy masked its two speed nature: exports continued to surge but the domestic economy remained in recession. While GDP fell by 0.4 per cent in constant prices over the year, domestic demand fell by 4.9 per cent.

Ireland is enjoying its fastest pace of export growth for a decade. Year on year export growth touched 14 per cent in the third quarter of 2010 – the fastest pace of increase since the first quarter of 2001. Ireland continued to regain the competitive ground lost in 2002–2007. Unit labour costs continued to decline and underlying inflation (HICP) was at -1.6 per cent much lower than the +1.6 per cent in the rest of the euro area.

Export Volume (€m, Quarterly, Seasonally Adjusted)



Source: CSO

The improvement in Irish competitiveness is reflected in the current account on the Balance of International Payments. Ireland ran a current account surplus of €761 million (0.5 per cent of GDP) in 2010 – the first such surplus since 1999.

In contrast to the robustness of the externally focused economy, domestic demand remained weak during 2010. Consumer spending was held back by the challenged labour market, negative wealth effects from falling house prices, fiscal austerity and weak sentiment as a result of the financial situation of Irish banks. However, the pace of decline in consumption slowed to 0.8 per cent in 2010 from 6.9 per cent in 2009.

The economy is expected to return to growth on an annual basis again in 2011. The Department of Finance forecasts GDP growth of 0.8 per cent in 2011 and 2.5 per cent in 2012, driven by continued strong export performance. The medium-term forecasts are for growth on average of 3 per cent per annum over the period 2013–2015. These forecasts are broadly similar to those of the European Commission and the IMF.

Funding Programme 2010

Long-Term Funding

The NTMA raised €19.9 billion in long-term funding in 2010. Funds raised were applied to the Exchequer deficit of €18.7 billion and to refinance maturing bonds.

The NTMA front-loaded a significant portion of its long-term borrowing programme in 2010 in order to maximise the advantage to the Exchequer in terms of the cost of and appetite for Irish Government debt which existed at the start of the year. As a result, the NTMA had achieved its borrowing target for 2010 before funding conditions deteriorated markedly during the final quarter of the year. The weighted average cost of long-term funding raised in 2010 was 4.7 per cent (2009: 4.6 per cent).

In January 2010 the NTMA raised €5 billion through a syndicated bond issue. Syndicated issues are large-scale bond deals which are arranged through a number of recognised Primary Dealers in Irish Government bonds and are open to all investors.

Date	Bond	Tenor (Years)	Amount Raised	Yield
14 January 2010	5% Treasury Bond Oct 2020	10.8	€5 billion	5.091%

Source: NTMA

Bond auctions are generally used to sell new tranches of existing bond issues through the NTMA's recognised Primary Dealers. The NTMA carried out nine monthly auctions from January to September 2010, raising €14.9 billion.

Auction Date	Treasury Bond	Total Sold €m	Bid-Cover Ratio*	Yield %
Tue 19 Jan 10	4% Treasury Bond 2014	632	3.9	3.114
	5.4% Treasury Bond 2025	1,284	3.0	5.477
Tue 16 Feb 10	4% Treasury Bond 2014	767	2.8	3.033
	4.5% Treasury Bond 2020	1,031	2.3	4.745
Tue 16 Mar 10	4.6% Treasury Bond 2016	500	4.5	3.479
	4.5% Treasury Bond 2020	1,000	2.6	4.426
Tue 20 Apr 10	4.6% Treasury Bond 2016	750	3.0	3.663
	5% Treasury Bond 2020	750	3.0	4.688
Tue 18 May 10	4% Treasury Bond 2014	844	3.1	3.110
	4.5% Treasury Bond 2020	949	3.1	4.720
Tue 15 Jun 10	4.6% Treasury Bond 2016	750	3.1	4.521
	4.5% Treasury Bond 2018	750	2.9	5.088
Tue 20 Jul 10	4.6% Treasury Bond 2016	889	3.6	4.496
	5% Treasury Bond 2020	898	3.0	5.537
Tue 17 Aug 10	4% Treasury Bond 2014	520	5.4	3.627
	5% Treasury Bond 2020	1,059	2.4	5.386
Tue 21 Sep 10	4% Treasury Bond 2014	500	5.1	4.767
	4.5% Treasury Bond 2018	1,000	2.9	6.023

* Bid-Cover Ratio is an expression of the level demand for a particular bond in relation to the amount sold at each auction.

Source: NTMA

Short-Term Funding

Short-term borrowing provides liquidity and flexibility in the timing of long-term funding operations. There was a total of €6.2 billion outstanding under the NTMA's short-term debt programmes at end 2010.

The main short-term debt programmes operated by the NTMA are:

- Treasury Bill Programme;
- Ireland Multi–Currency Euro Commercial Paper Programme;
- Ireland US Commercial Paper Programme; and
- Exchequer Notes Programme.

Treasury Bills are short-term Government debt issued to the market primarily through an auction system. They are discount instruments and normally have maturities at issue of between one and twelve months. There were 14 Treasury Bill auctions held between January and September 2010. There was €5.9 billion outstanding at end 2010.

The Ireland Multi–Currency Euro Commercial Paper programme is listed on the Irish Stock Exchange. Paper is sold on a reverse enquiry basis and prices are quoted on Bloomberg.

Ireland's US Commercial Paper programme, which is listed in the US, was launched in July 2009.

Exchequer Notes are flexible short–term funding and liquidity management instruments issued to a broad range of investors, including corporate investors, banks and other institutional clients.

State Savings

State Savings™ is the brand name used by the NTMA to describe the range of savings products offered to personal savers and to reflect the fact that they constitute a direct obligation of the Irish Government.

The products are Savings Bonds (3 year), Savings Certificates (5½ year), Instalment Savings (6 year), National Solidarity Bonds (10 year and 4 year), Prize Bonds and Post Office Savings Bank Deposit Accounts.

During 2010 there were net inflows of €3.44 billion into the State Savings products, the highest level of inflows in any one year. At end 2010 the total amount outstanding was €12.68 billion.

NTMA State Savings Products	Total Outstanding at end 2010 €m	Money Raised / (Repaid) in 2010 Net €m
3 year Savings Bonds	4,239	1,478
5½ year Savings Certificates	3,957	854
6 year Instalment Savings	468	13
10 year National Solidarity Bonds	342	342
Deposit Accounts (including Savings Stamps)	2,344	493
Prize Bonds	1,330	257
Total	**12,680**	**3,437**

Source: NTMA

In April 2010 the NTMA launched a new ten year National Solidarity Bond to encourage individuals and families to invest their savings with the Irish Government. The bond has proved highly successful and, by end 2010, €342 million had been invested in the bond. Following the strong uptake of the ten year Solidarity Bond, a new four year National Solidarity Bond was launched in February 2011.

An Post acts as agent of the NTMA in the distribution of State Savings products (except Prize Bonds). The Prize Bond Company (a joint venture between An Post and Fexco) operates the Prize Bond Scheme on behalf of the NTMA. All monies raised by State Savings schemes are under the direct management of the NTMA.

Analysis of Debt Service Out-turn relative to Budget (€m)

Exchequer Debt Service Budget
5,157

Exchequer Debt Service Out-turn

Interest	3,492
Sinking Funds	617
Agency expenses	43
Issuance expenses	84
	4,236
Carried forward in CSRA	600
Total Exchequer Cost	4,836

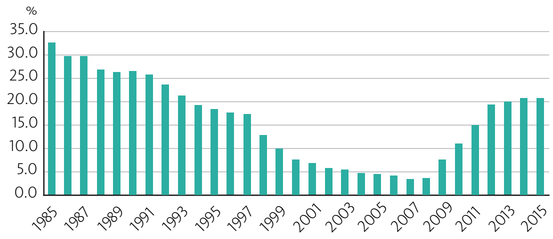
Exchequer Debt Service Savings
(321)

Capital Services Redemption Account

Transfer from Exchequer (600)
(available to defray costs in 2011)

Total Debt Service Savings
(921)

National Debt Interest as % of Tax Revenue 1985–2015



Source: NTMA and Department of Finance

Debt Service and Risk Management

Debt Service Out-turn 2010

The NTMA's primary debt management objectives are to ensure adequate liquidity for the Exchequer and to keep debt service costs to a minimum over the medium term, subject to an acceptable level of risk.

The Exchequer paid €3.492 billion in interest on the National Debt in 2010. The other items charged to debt service costs were sinking funds of €617 million – this is in effect a technical charge on the current budget which is also reflected as a receipt in the capital budget – and fees and administration expenses of €127 million. A further €600 million was paid into the Capital Services Redemption Account (CSRA) to be used to defray debt interest costs in 2011.

Exchequer debt service savings against the Budget were €321 million. Interest rates achieved by the NTMA in the earlier part of 2010, which were lower than those provided for in Budget 2010, accounted for over half of the savings; the balance is explained by timing differences arising from the cash accounting treatment of coupon payments on new borrowings. When the €600 million transferred to the CSRA to be used to defray debt interest costs in 2011 is taken into account, total debt service savings were €921 million.

The NTMA's debt management performance is measured against the National Debt benchmark. The benchmark reflects the medium-term debt management objectives of the Exchequer and represents a portfolio with the interest profile, duration and maturity structure which is consistent with guidelines set by the Minister for Finance. The benchmark performance measurement system takes account of both accumulated cash positions and the net present value of all future cash flows. 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. The NTMA outperformed its benchmark by €48.3 million in 2010.

Interest Burden

The burden that the cost of servicing the debt places on the Exchequer can be expressed in terms of tax revenue. In 2011 interest payments on the National Debt are forecast to account for around 15 per cent of tax revenue. By 2015, based on current assumptions regarding the evolution of tax revenues, debt levels and interest rates on Government borrowing, some 21 per cent of tax revenue will be required to pay interest on the National Debt. While very high, this is lower than in the mid-1980s when around one third of all tax revenues was required for this purpose.

Risk Management

The debt management risks facing the NTMA can be classified as market risk, liquidity risk, counterparty credit risk and operational risk.

In the case of market risk the NTMA has in place a comprehensive set of risk management procedures to quantify and manage, in a timely manner, the impact of movements in interest rates and foreign exchange rates. The 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. There have been significant changes to the composition of the National Debt as a result of the disbursements to date under the EU/IMF programme. The NTMA has put in place a hedging programme to manage the resulting interest rate and exchange rate risks and to protect the Exchequer from potential volatility in future years.

Liquidity risks, specifically funding liquidity risks, arise from the need to have sufficient cash for the Exchequer to meet all obligations as they fall due. These are actively monitored and controlled. Integrated procedures are in place to ensure that the NTMA manages the timing and volume of funding to guarantee sufficient liquidity. One of the main objectives is to ensure that disbursements under the EU/IMF programme are scheduled in such a way as to provide adequate resources while minimising the cost of carry to the State.

Counterparty credit exposures, arising from the placing of deposits as well as transactions in derivatives, are monitored daily against approved limits. The NTMA has in place a comprehensive system for managing its credit risk with other financial institutions. Exposures are measured on an aggregate real-time basis. Counterparties are constantly monitored for any events that might affect their creditworthiness and all counterparty limits are subject to an ongoing detailed review process. The NTMA's treasury system was enhanced significantly in 2010 and 2011 to improve counterparty credit risk management functionality. The counterparty credit risks of the National Asset Management Agency and the National Pensions Reserve Fund are consolidated with those of the Exchequer by the NTMA to ensure that the State's overall counterparty credit risk is managed effectively.

In addition, in order to mitigate the Exchequer's exposure to market counterparties while at the same time ensuring that Ireland has efficient market access for its hedging activities, it was decided that the NTMA should put in place credit support arrangements with the market participants with which it wishes to trade – this involves the posting of collateral to offset exposures and the required agreements have already been negotiated in most cases.

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

Irish Government Bond Market

Benchmark Bonds

Ireland has eleven benchmark bonds with maturities extending across the yield curve to 2025. The total amount outstanding at 31 December 2010 was €90.1 billion.

Bond	Outstanding 31 December 2010 €m	Annual Payment Date
4% Treasury Bond 2011	4,585	11 November
3.9% Treasury Bond 2012	5,751	5 March
5% Treasury Bond 2013	6,055	18 April
4% Treasury Bond 2014	11,882	15 January
4.6% Treasury Bond 2016	10,168	18 April
4½% Treasury Bond 2018	9,282	18 October
4.4% Treasury Bond 2019	7,700	18 June
5.9% Treasury Bond 2019	6,790	18 October
4½% Treasury Bond 2020	11,866	18 April
5% Treasury Bond 2020	7,714	18 October
5.4% Treasury Bond 2025	8,284	13 March

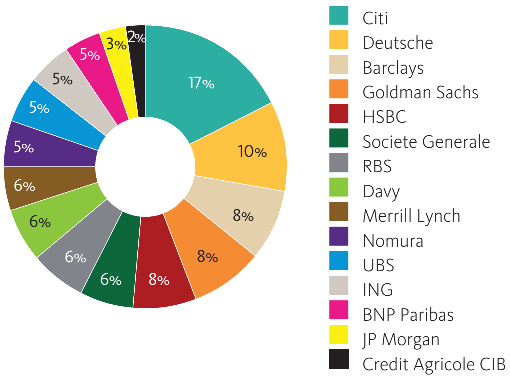
Source: NTMA

Primary Dealer System

The Irish Government bond market has a strong Primary Dealer group, mainly international investment banks with a global reach. The sixteen Primary Dealers recognised by the NTMA each make continuous two-way prices in designated benchmark bonds in specified minimum amounts and within specified maximum bid-offer spreads. A number of stockbrokers also match client orders. The Primary Dealers account for more than 95 per cent of turnover in the Irish Government bond market. During 2010 Ireland recognised Goldman Sachs, Merrill Lynch International and Danske Bank as new Primary Dealers. The Primary Dealers are:

- Barclays Capital, London (www.barcap.com);
- BNP Paribas, London (www.bnpparibas.com);
- Citigroup, London (www.citigroup.com);

Primary Dealers Percentage Share of Auctions 2010



Note: Danske Bank became a Primary Dealer on 14 October 2010. No bond auctions were held subsequent to that date.

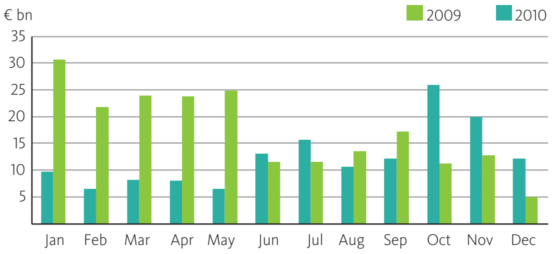
Source: NTMA

- Credit Agricole CIB, London (www.ca-cib.com);
- Danske Bank (www.danskebank.com);
- Davy, Dublin (www.davydirect.com);
- Deutsche Bank, Frankfurt (www.db.com);
- Goldman Sachs, London (www.gs.com);
- HSBC CCF, Paris (www.hsbc.com);
- ING Bank NV, Amsterdam (www.ingwholesale.com);
- JP Morgan, London (www.jpmorgan.com);
- Merrill Lynch International, London (www.baml.com);
- Nomura International plc, London (www.nomura.com);
- Royal Bank of Scotland, London (www.rbsmarkets.com);
- Société Générale, Paris (www.societegenerale.com); and
- UBS Limited, London (www.ubs.com).

The Primary Dealers are members of the Irish Stock Exchange, on which Irish Government bonds are listed. They have exclusive access to the NTMA's bond auctions and may avail of repo[1] and reverse repo facilities which the NTMA provides in Irish Government bonds.

Auctions are conducted via the Bloomberg auction system. Auction results are available within minutes of the 10.00am cut-off time for bids. A non-competitive auction follows directly after the close of each competitive auction. Up to 15 per cent of the amount sold in each competitive auction is available to the Primary Dealers in proportion to each Primary Dealer's uptake of the competitive auction. A further total amount of 15 per cent is available equally to the three Primary Dealers adjudged by the NTMA to have been the most successful in fulfilling their quoting obligations for the designated benchmark bonds. Primary Dealers have the option to take up their non-competitive entitlement until 4.00pm on the second business day following the competitive auction.

Irish Government Bond Turnover



Source: Irish Stock Exchange

Turnover and Liquidity

Turnover in Irish Government bonds on the Irish Stock Exchange in 2010 was €208 billion, up from €149 billion in 2009.

Credit Rating

Ireland's sovereign ratings with the major credit rating agencies are set out in the table below.

	Credit Rating*		
Rating Agency	**Long-Term**	**Short-Term**	**Outlook***
Fitch Ratings	BBB+	F2	Negative
Moody's	Baa3	P-3	Negative
Standard & Poor's	BBB+	A-2	Stable

*as at 30 June 2011

Source: NTMA

[1] Repos are short-term loans of Irish Government bonds by the NTMA to its Primary Dealers. The loans are fully collateralised with cash on which interest is paid. A repo is equivalent to a cash transaction combined with a forward contract - the NTMA agrees to sell bonds immediately to the Primary Dealer and also agrees to buy back the bonds at a fixed price at some specified later date. The NTMA also offers reverse repo facilities to the Primary Dealers.

Challenges

The NTMA has, over a number of years, built up a sophisticated and integrated infrastructure for the distribution of Irish Government bonds and the creation of new debt instruments. It has in place mechanisms to ensure, in as much as it is possible, that the Irish bond market is sufficiently liquid and contains the required range of maturities to appeal to a diversified international investor base. Marketing of Irish bonds to potential investors and ongoing contact with the existing investor base has always formed a core part of the NTMA's activities. While the NTMA is currently not issuing bonds, it is important to retain the structures already in place so that Ireland can recommence issuance when market conditions permit. Contact with investors is critical to ensure they are fully informed on the steps being taken by the Government to resolve the banking and fiscal issues facing the country. As part of its ongoing investor relations programme the NTMA conducted a comprehensive round of meetings and presentations in May and June 2011 across Europe, North America and the Far East to brief existing and prospective institutional investors on these issues. With the downgrade of Ireland's credit rating in recent years, a part of Ireland's existing investor base – which has credit rating constraints on the bonds in which it can invest – is no longer open to it and a key challenge for the NTMA is to further develop the prospective investor base.

Debt Profile

The General Government Debt (GGD) is a measure of the total debt of the State and is the measure used for comparative purposes across the European Union. The National Debt - the net nominal debt incurred by the Exchequer - is its principal component. In addition, the GGD includes the debt of central and local government bodies as well as promissory notes issued to a number of financial institutions as a means of providing State support to these institutions.

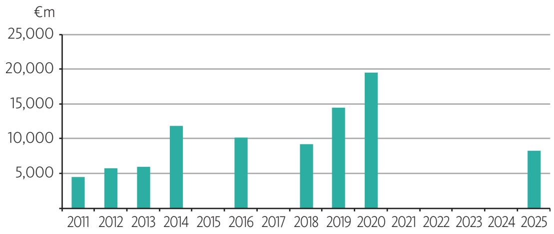
GGD is reported on a gross basis and does not net off outstanding cash balances – unlike the National Debt. While the figures in this section relate primarily to the GGD, it should be noted that the NTMA's responsibilities relate to the National Debt only.

Composition of Debt 31 December 2010

	National Debt €m	General Government Debt €m
Government Bonds	90,102	90,102
Other Medium and Long-Term Debt	673	673
State Savings Schemes	12,680	12,680
Short-Term Debt	6,154	6,154
Liquid Assets	-16,164	-
Sub-total	93,445	109,609
Promissory Notes to Financial Institutions	-	30,850
Debt of other Central Government Bodies	-	5,811
Local Government Debt	-	791
Other Adjustments	-	1,014
Total Debt at 31/12/10	**93,445**	**148,075**
Total Debt at 31/12/09	75,151	104,782
Change in Nominal Value of Debt in 2010	18,294	43,293
Represented by:		
Exchequer Deficit	18,744	18,744
Promissory Notes to Financial Institutions	-	30,850
Interest and Accrual Adjustments	-	1,175
Other General Government Adjustments	-	-864
Change in Capital Services Redemption Account	-600	-
Change in Exchequer Deposits	-	-6,091
Non Cash Movements	150	150
Other	-	-671
	18,294	43,293

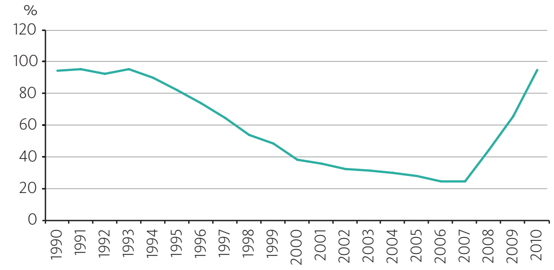
Source: NTMA and Department of Finance

Irish Government Bond Maturity Profile



Source: NTMA

General Government Debt/GDP Ratio 1990–2010



Source: Department of Finance

The increase of €18.3 billion in the National Debt in 2010 is primarily due to the 2010 Exchequer deficit of €18.7 billion. The much larger rise of €43.3 billion in the GGD is primarily due the Exchequer deficit and to the provision of €30.9 billion in State support to a number of financial institutions (Anglo Irish Bank, Irish Nationwide Building Society and EBS Building Society) through the issue of promissory notes to these institutions. A reduction of €6.1 billion in the State's cash balances partially offset these factors.

The promissory notes are being funded on a phased basis to lessen the impact on the Exchequer with the first instalment, equivalent to ten per cent of the total principal sum committed to the relevant institutions, being paid in 2011. Payments will continue to be made on an annual basis over the coming years until the full value of the notes, including interest, has been paid.

The weighted average maturity of Ireland's long-term marketable debt was 6.9 years at end 2010.

Throughout the 1990s the GGD/GDP ratio fell steeply in a period of rapid economic growth. It continued to fall, but at a more moderate pace, during the investment boom of the 2000s and by 2006 stood at 24.8 per cent of GDP, or €44 billion.

Since end 2006 Ireland's GGD has more than tripled to €148 billion or 94.9 per cent of GDP at end 2010. The rapid rise in debt over this period is mainly attributable to the cost of recapitalising the banking system and significant budget deficits due to the economic downturn and the resultant sharp decline in tax revenues. It is Government policy, and is part of the EU/IMF programme, to reduce the budget deficit to less than 3 per cent of GDP by 2015. The build up of precautionary cash balances has also been a factor in the increase in gross debt.

Projected General Government Debt 2011–2015

	Gen Govt Debt (€bn)	Nominal GDP (€bn)	% of GDP
2011	173.0	156.1	110.8
2012	187.3	160.9	116.4
2013	198.0	167.4	118.3
2014	202.1	174.7	115.7
2015	203.5	182.7	111.4

Source: Department of Finance

The GGD is projected to increase by a further €24.9 billion in 2011. This includes an estimate for Exchequer borrowing of up to €10 billion in relation to additional bank capital requirements associated with the Prudential Capital Assessment Review (PCAR) and Prudential Liquidity Assessment Review (PLAR) process carried out in the first quarter of 2011 by the Central Bank. The results of that process show that a further €24 billion is required by the banking sector, of which €10 billion will be provided from the National Pensions Reserve Fund. The remaining requirement of €14 billion will be mitigated by burden sharing with junior bondholders and other capital generating measures by the banks.

The GGD is projected to peak as a percentage of GDP at 118.3 per cent in 2013 and to decline thereafter.

The profile of the Government's assets and liabilities has changed radically as a result of the financial crisis. In 2007 the Government had not issued any guarantees for the liabilities of the domestic banks, did not have any equity interest in them and the National Asset Management Agency (NAMA) had not come into existence. The National Pensions Reserve Fund (NPRF) had €21 billion in assets and minimal exposure to Ireland.

By end 2010 the NPRF had investments, made at the direction of the Minister for Finance, valued at €7.6 billion in Allied Irish Banks and Bank of Ireland and its non-bank investments had diminished substantially in size. Promissory notes to Anglo Irish Bank, Irish Nationwide Building Society and EBS Building Society comprised €30.9 billion of the GGD.

NAMA was established in December 2009. At 31 December 2010 it had €29.7 billion in assets (primarily loans backed by property collateral). Its liabilities were primarily government-guaranteed bonds issued to the banks. The securities issued by NAMA do not constitute part of the GGD as defined by Eurostat.

Government Assets and Liabilities 31 December 2010

Assets	€bn	Liabilities	€bn
A. Liquid Assets	16.2	E. General Government Borrowings	117.2
B. Non-Bank NPRF Investments	15.1	F. Promissory Notes	30.9
=C. Total Non-Bank Financial Assets	**31.3**	**GGD (E+F)**	**148.1**
D. NPRF Investment in Banks	7.6	**Net. Debt (GGD - Non-Bank Financial Assets: C.)**	**116.8**
Total Financial Assets (C+D)	38.9		

Source: NTMA

Ireland's guarantee of banking liabilities constitutes a contingent liability and is not included in the Government balance sheet. The breadth of that guarantee has narrowed considerably since September 2008. The State initially guaranteed €375 billion in liabilities under the Credit Institutions Financial Support Scheme (CIFS). That total is now down to €113 billion under the Eligible Liabilities Guarantee Scheme (ELG Scheme) which replaced CIFS in December 2009.

EU/IMF Programme of Financial Support for Ireland

Programme Summary

The Government agreed, on 28 November 2010, to a three year €85 billion financial support programme for Ireland by the European Union and IMF. The State's contribution to the programme will be €17.5 billion while the external support will amount to €67.5 billion. The terms of the programme include loans of varying maturities up to twelve years with an average maturity of seven and a half years. These staggered maturities are important from a debt management perspective in order to avoid a situation whereby Ireland is faced with a "funding wall" upon the conclusion of the programme.

The external support under the programme comprises:

- €22.5 billion from the IMF Extended Fund Facility;
- €22.5 billion from the European Financial Stabilisation Mechanism; and
- €22.5 billion from the European Financial Stability Facility and bilateral loans from the United Kingdom, Sweden and Denmark.

Support is provided on the basis of specific policy conditionality which is detailed in a Memorandum of Understanding. This is subject to ongoing review.

The average annual interest rate on the €67.5 billion available to be drawn from the three external sources was estimated at 5.8 per cent on the basis of market rates at the time of the agreement. The actual cost will depend on the prevailing market rates at the time of each drawdown.

The IMF Extended Fund Facility

IMF loans are denominated in Special Drawing Rights (SDRs). The SDR is the currency unit of the IMF and consists of a basket of currencies comprised of the yen, US dollar, sterling and the euro. The cost of funding from the IMF varies with the size of a country's quota[2], the amount borrowed and the length of time for which the money is borrowed.

For borrowings up to three times quota the interest rate is the SDR rate plus 1 per cent and a fractional adjustment to reflect a burden-sharing element to compensate the IMF for delayed repayments by any of its borrowers, if required. Borrowings above the threshold of three times quota are charged an additional 2 per cent. On the third anniversary of first exceeding the three times quota threshold an additional 1 per cent is charged on borrowings over three times quota. In addition to the interest charge there is an up-front handling fee of 0.5 per cent on all drawdowns.

The SDR interest rate is reset weekly and is based on a weighted average of the three-month Eurepo rate, three-month Japanese Treasury discount bills, three-month UK Treasury bills, and three-month US Treasury bills.

European Financial Stability Facility (EFSF)

The EFSF was created by the euro area member states following the decisions taken on 9 May 2010 within the framework of the ECOFIN Council. In addition to the EFSF's cost of funds, Ireland currently prepays a margin of 2.47 per cent and there is an up-front service fee of 0.5 per cent. There are additional costs arising from credit enhancement features of EFSF borrowings to ensure that they have an AAA rating from the major credit rating agencies. The structure of the EFSF is currently under review.

European Financial Stabilisation Mechanism (EFSM)

The European Commission may, via the EFSM, contract borrowings on the capital markets or with financial institutions on behalf of the European Union. This approach to providing financial assistance was based on the existing medium-term financing facility (the balance of payments facility).

In addition to the EFSM's cost of funds, Ireland currently pays a margin of 2.925 per cent and market-standard syndication fees.

Disbursements under the Programme

Disbursements under the EU/IMF programme to end June 2011 amount to €23 billion. Loans from EU sources amount to €15.6 billion and IMF loans amount to €7.4 billion.

Source	Loan Amount	Drawdown Date	Maturity (from date of receipt)	Interest Rate (including all costs)
EFSM	€5.00 billion	12-Jan-11	4 years 11 months	5.54%
	€3.40 billion	24-Mar-11	7 years	6.21%
	€3.00 billion	31-May-11	10 years	6.46%
EFSF	€4.20 billion*	01-Feb-11	5 years 6 months	5.90%
IMF	€5.84 billion	18-Jan-11	7½years average life	2.35%SDR**= € 4.77%
	€1.58 billion	18-May-11	7½years average life	
Total	**€23.02 billion**		**6.83 years; weighted average life**	**5.58%**

*This is the loan amount. The net amount received by the Exchequer was €3.59 billion after deductions for credit enhancement measures etc.

**4.77% is the euro equivalent of the SDR rate on borrowings from the IMF to date when swapped into fixed euro rates.

[2] Each member state is assigned a quota, based broadly on its relative position in the world economy and its contributions to the IMF. A member state's quota determines its maximum financial commitment to the IMF, its voting power, and has a bearing on its access to IMF financing.

Banking System Functions

Background and Functions

In March 2010 the Government delegated to the NTMA certain banking system functions of the Minister for Finance, related to the oversight and management of the State's interest and holdings in those financial institutions covered by the 2008 Government guarantee.

Following the March 2010 Delegation Order the NTMA established a specialist Banking Unit and a small number of skilled professionals were recruited from the private sector to create a team capable of dealing with the very significant banking sector challenges facing the State.

Following the change of Government, in April 2011 the Minister for Finance announced the creation of a stand-alone unit accountable to him through the Department of Finance to provide State oversight of the banking system. He said the Department would be strengthened as necessary and would draw on the resources of the NTMA to carry out its work. The NTMA is working closely with the Department of Finance on the implementation of the new structures which will involve the secondment of the Banking Unit to the Department.

The main functions of the Banking Unit are:

- to lead discussions on behalf of the Minister with the senior management of the six covered credit institutions on issues related to capital requirements and restructuring of the banking system and to advise the Minister on strategies to minimise the cost to the State;
- to manage the State's interests in the ongoing fundamental restructuring and deleveraging of the banking system;
- to manage the capital injections into the covered institutions, including the appropriate timing and structures for any capital injections, and ultimately negotiate the terms and conditions on which any capital support by the State will be provided;
- to oversee the day-to-day legal, regulatory and corporate finance issues which arise at each of the institutions related to the ongoing restructuring of the system including the milestones agreed under the EU/IMF programme;
- to advise the Minister on board composition and corporate governance matters in the covered institutions;
- to carry out all of the roles required of the Minister in respect of any relationship framework with any credit institution; and
- to manage the Minister's shareholdings in the covered institutions.

Capital Injections and PCAR/PLAR Process

Further capital was required by the Irish banks in 2010 bringing the total gross cost of the Irish banking crisis to the State to €46.3 billion by end 2010. Most of the cost is associated with the €34.7 billion provided to Anglo Irish Bank and Irish Nationwide Building Society. The €10.7 billion investments in Allied Irish Banks and Bank of Ireland were made by the National Pensions Reserve Fund (NPRF), thus mitigating the impact on the Exchequer.

Government Bank Recapitalisations to end 2010 (€bn)

	Anglo Irish Bank	Irish Nationwide	Allied Irish Banks	Bank of Ireland**	EBS	Irish Life & Permanent	Total
Equity	4.0	-	3.7	1.7	-	-	**9.4**
Preference Shares	-	-	3.5	1.8	-	-	**5.3**
Promissory* Notes	25.3	5.3	-	-	0.3	-	**30.9**
Special Investment Shares	-	0.1	-	-	0.6	-	**0.7**
Total	**29.3**	**5.4**	**7.2**	**3.5**	**0.9**	**-**	**46.3**

* The promissory notes are being funded on a phased basis to lessen the impact on the Exchequer with the first instalment, equivalent to ten per cent of the total principal sum committed, being paid in 2011. Payments will continue to be made on an annual basis over the coming years until the full value of the notes, including interest, has been paid. In accordance with Eurostat rules, the full value of the notes was included in Ireland's General Government Debt at end 2010.

**Bank of Ireland raised €1.9 billion independently from capital market sources in 2010.

Source: NTMA

Notwithstanding these capital injections, during the fourth quarter of 2010, the banks experienced corporate deposit withdrawals, reflecting liquidity and solvency concerns, and became increasingly reliant on Eurosystem funding.

A key element of the EU/IMF programme was the Prudential Capital Assessment Review (PCAR) and Prudential Liquidity Assessment Review (PLAR) of Allied Irish Banks, Bank of Ireland, EBS and Irish Life and Permanent to be carried out in the first quarter of 2011 by the Central Bank under the supervision of the EU and IMF. The PCAR was based on a three year stress horizon and a minimum core tier 1 capital ratio of 10.5 per cent with an initial recapitalisation to a level of 12 per cent core tier 1 capital.

The Central Bank's PCAR review identified a total additional capital requirement of €24 billion across the four institutions. This includes capital buffers of €5.3 billion made up of €3.0 billion of contingent capital to safeguard against loan losses beyond 2013 and €2.3 billion of cash capital for additional conservation. €10 billion will be provided from the NPRF. It is expected that the remaining requirement of €14 billion will be mitigated by burden sharing with junior bondholders and other capital generating measures by the banks.

PCAR/PLAR Capital Requirements 2011 (€bn)

	Allied Irish Banks	Bank of Ireland	EBS	Irish Life & Permanent	Total
Capital required 2011-2013 pre-buffer	10.5	3.7	1.2	3.3	**18.7**
Additional capital buffer (equity) imposed by Central Bank	1.4	0.5	0.1	0.3	**2.3**
Contingent capital imposed by Central Bank	1.4	1.0	0.2	0.4	**3.0**
Total capital required 2011-2013	**13.3**	**5.2**	**1.5**	**4.0**	**24.0**

Source: Financial Measures Programme

As part of the PLAR process the Central Bank required that the institutions prepare deleveraging plans targeting a reduction in loan-to-deposit ratios to 122.5 per cent by end 2013. This will require a gradual run-off and disposal of up to €73 billion of loans. In determining the additional €24 billion required under the PCAR, some €13 billion in capital was provided for potential loan losses on the sale of non-core assets. Deleveraging these loans will reduce dependence on wholesale funding, while helping to place the banking sector on a stable footing to support the economy.

In tandem with the PCAR/PLAR process the Minister for Finance announced a fundamental restructuring of the domestic banking system based around two pillar banks. The designated pillar banks are Bank of Ireland and the merged entities of Allied Irish Banks and EBS Building Society.

Principal Activities 2010/2011

The work carried out by the NTMA Banking Unit since its establishment in March 2010 includes:

EU/IMF Programme

The implementation of the EU/IMF programme has been a fundamental driver of the work of the Banking Unit. The requirement under the programme to implement a deep restructuring and a recapitalisation of the banking system will have a profound impact on the future shape of the banking system and its cost to the State. The Banking Unit has been closely engaged in the development of the deleveraging and restructuring plans for the relevant institutions.

Bank of Ireland

The Banking Unit managed the negotiations with Bank of Ireland on the terms of the capital support provided by the NPRF to the bank in April 2010 when €1.7 billion of preference shares were converted to equity and the warrants held by the NPRF were cancelled. These actions, in conjunction with the capital sourced from private sources, allowed the bank to achieve the Central Bank's then capital requirements without additional recourse to the State. Following the increased capital requirements under the 2011 PCAR/PLAR process, the Banking Unit has been leading discussions with Bank of Ireland on the options available to the institution to meet the additional capital required.

Allied Irish Banks (AIB)

The Banking Unit managed the complex capital injection of €3.7 billion of equity capital by the NPRF into AIB in December 2010 in order to ensure the bank maintained its minimum capital requirements at the end of 2010. This resulted in the State taking an effective 92.8 per cent shareholding in the bank. The Banking Unit also worked closely with the bank in helping identify a new Executive Chairman in the period following the departure of its Executive Chairman and Group Managing Director. It has been engaged with the bank to structure appropriately the transactions which will ensure the bank meets its new capital requirements arising from the 2011 PCAR/PLAR process.

EBS Building Society

The Banking Unit managed the various recapitalisations of EBS and advised the Minister on the sale process for the institution leading ultimately to the merger of EBS and AIB.

Anglo Irish Bank

The Banking Unit managed the recapitalisation of Anglo Irish Bank to meet the €29.3 billion stress test requirement identified by the Central Bank, working closely with the Central Bank to help assess the capital needs of the bank. It also led discussions with the bank on the development of its restructuring plans throughout 2010. It chaired the steering group which had oversight of the sale of the bank's deposit book and had primary responsibility for the management and execution of this transaction on behalf of the State. The Banking Unit, acting as agent for the Minister, also assessed a number of proposals from the bank including its proposal to invest, with a joint venture partner, in Quinn Insurance Limited.

Irish Nationwide Building Society (INBS)

The Banking Unit managed the recapitalisation of INBS and engaged extensively with the institution in the development of its restructuring plans. It chaired the steering group which had oversight of the sale of the society's deposit book and had primary responsibility for the management and execution of this transaction on behalf of the State. It also conducted an estimate of the capital requirements of the society and dealt with legacy issues arising from previous management and directors.

State Claims Agency

The NTMA is designated as the State Claims Agency (SCA) when performing the claims management and risk management functions delegated to it under the *National Treasury Management Agency (Amendment) Act 2000*. The SCA's principal objectives are:

- to ensure that the State's liabilities in relation to personal injury claims, and the expenses of the SCA in relation to their management, are contained at the lowest achievable level; and
- to implement its employer liability, public liability and clinical risk work programmes, including the minimisation of litigation risk factors in State authorities and healthcare enterprises, and the implementation and audit of risk management systems.

The SCA's remit covers claims against certain State authorities, including the State itself, Government ministers, the Attorney General, health enterprises, the Commissioner of An Garda Síochána, prison governors, community and comprehensive schools and various other bodies. Management of Health Service Executive (HSE) employer liability, public liability and property damage (EL, PL, PD)[1] claims was delegated to the SCA in January 2010. The SCA's remit was further significantly expanded with the delegation of the management of claims against 13 new authorities (including Foras Áiseanna Saothair, the Higher Education Authority and the National Education Welfare Board) and several additional classes of claims (including personal injury related to bullying/harassment, members of the Defence Forces serving abroad and prisoner in-cell sanitation claims) with effect from February 2011. The total number of authorities under the SCA's remit is now 54.

2010 Activity

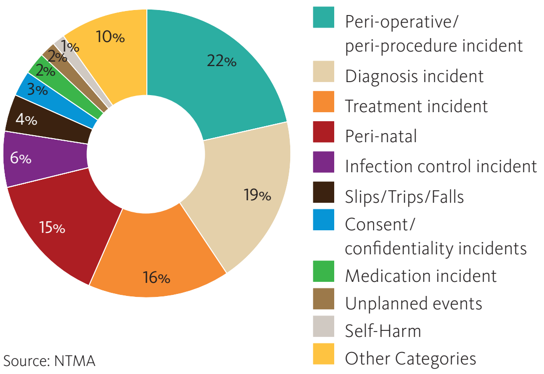
At end 2010, the SCA had 4,243 claims under management. The estimated liability against all active claims was €885 million, broken down as follows:

- Clinical Claims €786 million (89%);
- EL, PL, PD Claims €99 million (11%).

In total the SCA received 1,740 new claims and resolved 1,797 claims in 2010.

Clinical Claims

Clinical Claims by Incident Type



Source: NTMA

Clinical claims are managed under a number of schemes operated by the SCA. Under the main scheme – the Clinical Indemnity Scheme – the SCA has responsibility for the management of all clinical claims taken against hospital enterprises and clinical nursing and allied healthcare practitioners covered by the scheme. Clinical claims managers also provide legal advices in a significant number of inquests.

At the end of 2010 the SCA had 1,935 clinical claims under management with an estimated liability of €786 million. The total paid out in respect of clinical claims in 2010 amounted to €81 million.

Obstetrics-related claims, though accounting for only 20 per cent of the clinical claims volume, represent 56 per cent of the total estimated liability of €786 million. This is due to the high settlement values associated with cerebral palsy and other serious birth-related claims.

[1] Employer Liability means the liability of an employer to its employees for its negligent acts or omissions, and those of its employees. Public Liability means the liability of an owner/occupier of premises for its negligent acts or omissions affecting members of the public. Property Damage Liability means the liability of an owner/occupier for its negligent acts or omissions leading to damage to a third party's property.

Claims Mediation

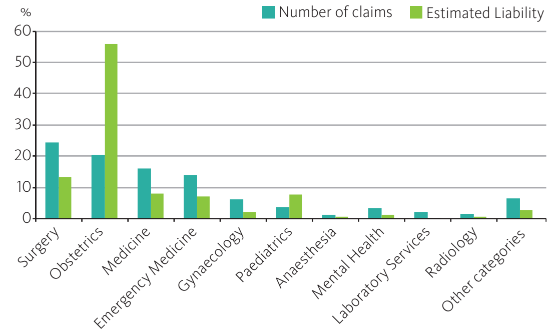
During 2010 the SCA significantly increased the number of settlements in clinical negligence claims achieved as a result of the use of mediation conferences. The SCA is strongly committed to advocating mediation as a preferable alternative to the adversarial courts system, particularly in relation to the resolution of clinical negligence cases.

Periodic Payment Orders and the Medical Negligence Working Group

In October 2010 the Medical Negligence Working Group, chaired by Mr. Justice John Quirke, a judge of the High Court, completed its report which examines the introduction of a periodic payment order (PPO) scheme as an alternative to the current lump sum system of paying compensation in catastrophic injury cases. PPOs are payments made on a periodic basis (normally annual) rather than as a lump sum in respect of treatment, care and the provision of medical and assistive aids and appliances.

The Group, which included representatives of the SCA, the legal profession, the Courts Service, the insurance industry, the HSE and the Department of Justice and Equality, recommended the introduction of legislation to empower the courts, as an alternative to lump sum awards of damages, to make consensual and non-consensual PPOs to compensate injured parties in cases of catastrophic injury where long-term impairment care will be required.

Clinical Claims by Speciality



Source: NTMA

Clinical Risk Management

The SCA has a statutory duty to provide advice and assistance to all health enterprises under the various schemes. It collaborates with risk management and other relevant clinical and administrative personnel to support patient safety and to help minimise the occurrence of clinical claims. The SCA hosts a national electronic reporting system (STARSWeb) which facilitates the identification of clusters of adverse incidents and allows for root cause analysis of claims. The lessons learned from this analysis support the improvement of patient safety and contribute to the reduction of clinical claims in health enterprises.

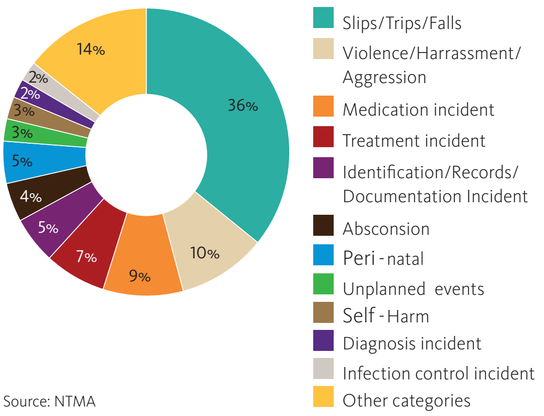
When serious adverse events or trends are identified by the SCA's Clinical Risk Unit, it responds by undertaking detailed analysis, providing advice and making recommendations, or by commissioning external reviews, as appropriate.

A comprehensive programme of clinical risk management training and seminars was undertaken in 2010. This programme was particularly targeted at hospital consultants and other speciality groups. The programme included:

- Systems Analysis Training – 26 risk prevention courses on how systems failures lead to the occurrence of adverse clinical events were delivered to consultants and multidisciplinary staff.
- 17 risk management presentations were made to clinical personnel including those in medical emergency services, graduate medical programmes, clinical nurse management, mental health services and paediatric units.

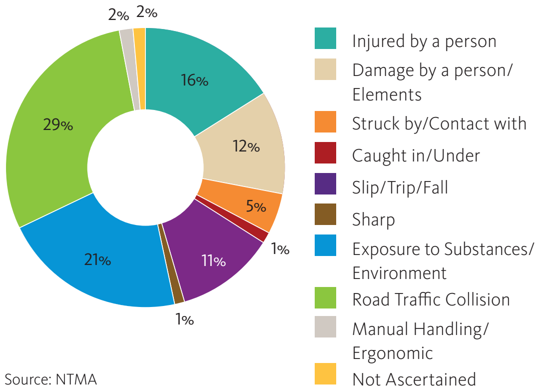
SCA Clinical Risk Advisers visit targeted maternity units. In addition, there is direct collaboration with the HSE and the Institute of Obstetricians regarding the organisation and delivery of training courses and ongoing input into the Confidential Enquiry into Maternal and Child Health. The SCA also hosts bi-annual obstetric forum meetings of all maternity hospitals and maternity units. The Clinical Risk team also continues to promote Open Disclosure (admission of clinical error when it occurs) through training and education initiatives.

Clinical Incidents Reported via STARSWeb



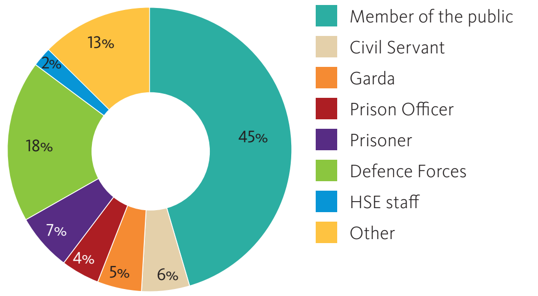
Source: NTMA

EL, PL, PD Claims by Primary Cause



Source: NTMA

EL, PL, PD Claims by Category of Injured Party



Source: NTMA

EL, PL, PD Claims

At the end of 2010 the SCA had 2,308 EL, PL, PD claims under management, with an estimated liability of €99 million. There is an almost even distribution in the number of claims across the three coverage types. The total paid out in respect of EL, PL, PD claims in 2010 amounted to €12 million. The total volume of EL, PL, PD claims showed a 43 per cent increase from 2009. This increase is attributed mainly to the delegation to the SCA of the management of HSE claims which commenced in January 2010.

EL, PL, PD Risk Management

The SCA has a statutory duty to advise and assist State authorities in managing risks which could give rise to personal injury or property damage litigation. Authorities are obliged, by law, to report to the SCA any incidents which may give rise to claims and, since its establishment, it has received 44,113 adverse incident notifications. This includes almost 30,000 notifications received from the HSE since its claims were delegated in 2010. Early reporting of incidents is critical to successful claims and risk management. It enables an early and detailed investigation of the more serious incidents in order to determine the question of liability in advance of any litigation. Data on adverse incidents also enables the SCA to identify any patterns of sub-standard practice which might highlight weaknesses in existing health and safety or litigation risk management procedures.

Annually, the SCA plans and implements an EL, PL, PD risk management work programme based on claims and incident data trend analysis, legal requirements and judgements and any developments in litigation risk management nationally or internationally. In addition to this over 1,300 ad-hoc requests for advices and consultancy services were received in 2010.

Significant projects implemented in 2010 included:

- Rollout of a new safety management system to all Irish Prison Service locations and certification of two locations to the international specification OHSAS 18001 – the first prison locations in Europe to receive this award.
- Completion of noise risk assessments for a number of State authorities at 42 locations.
- Training of almost 400 Department of Agriculture, Fisheries and Food staff in field risk assessment techniques.
- Member of the Project Team which published the report *'Safety Review -Skellig Michael World Heritage Site'* (Byrne Ó Cléirigh 2010).
- Issuance of the *'Guidelines on Managing Safety and Health in Post–Primary Schools'* a joint project undertaken with the Department of Education and Skills, the Health and Safety Authority and the School Development Planning Initiative. This was supported by subsequent educational seminars.
- Completion of a survey of fire safety management in over 700 State buildings, including over 400 Garda Síochána locations.

The SCA encourages and supports State authorities in implementing internationally benchmarked health and safety management systems. This forms a significant part of the annual work programme. Examples of some of the work completed in this regard in 2010 include a programme of surveillance audits with the Defence Forces, the Irish Prison Service and the Department of Agriculture, Fisheries and Food. Risk management reviews were also completed for the Office of the Houses of the Oireachtas, Irish Youth Justice and a number of Garda Síochána facilities.

National Pensions Reserve Fund

Legislative and Operating Framework

The National Pensions Reserve Fund (NPRF) was established in April 2001 with a statutory objective to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically due to the ageing of the population. The Fund is controlled by the National Pensions Reserve Fund Commission, a body corporate appointed by the Minister for Finance and including, *ex officio*, the Chief Executive of the NTMA.

The Commission is required to submit an annual report and accounts of the Fund to the Minister for Finance. These are published separately.

The Commission performs its functions through the NTMA, which is the Manager of the Fund. In 2011 the Commission, with the consent of the Minister for Finance, re-appointed the NTMA as Manager for a further five years until April 2016.

The Fund's legislative and operating framework has changed significantly over the last two years.

The provisions of the *Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act, 2009* gave the Minister for Finance power to direct the Commission to invest in credit institutions under certain conditions. Directed investments form part of the Fund, and any income or capital gains from these assets accrues to the Fund. Pursuant to these amendments and to directions from the Minister for Finance, the Fund has since March 2009 invested a total of €10.7 billion in Allied Irish Banks (AIB) and Bank of Ireland.

Following the announcement in late November 2010 that the NPRF would provide part of the State's €17.5 billion contribution to the €85 billion EU-IMF Programme of Financial Support for Ireland, the *Credit Institutions (Stabilisation) Act 2010* gave the Minister for Finance significant powers in relation to contributions to and drawdowns from the Fund and to directing the Commission to make investments in Irish Government and Government guaranteed securities.

The NPRF Commission is required to invest the assets of the Fund, excluding investments made at the direction of the Minister for Finance, so as to secure the optimal total financial return, having regard to the purpose of the Fund and the requirements on the Fund to make payments to the Exchequer, provided the level of risk to the moneys held or invested is acceptable to the Commission.

Arising from the recent legislative changes, the Fund now reports on three levels to include (i) the Discretionary Portfolio (the investment of which remains the Commission's responsibility), (ii) the Directed Portfolio (where the investments are made at the direction of the Minister for Finance), and (iii) the Total Fund.

Portfolio Update

Total Fund

At 31 December 2010 the Fund's total value stood at €22.7 billion. The Discretionary Portfolio was valued at €15.1 billion and the Directed Portfolio was valued at €7.6 billion.

Discretionary Portfolio

The Discretionary Portfolio's asset allocation strategy is based on a diversified portfolio of equities and other real assets. The Discretionary Portfolio comprised 66.4 per cent of the Total Fund at 31 December 2010.

Discretionary Portfolio Asset Allocation 31 December 2010

	€m	% of Discretionary Portfolio
Large cap equity	5,789	38.4
Small cap equity	1,001	6.7
Emerging markets equity	1,554	10.3
Total Quoted Equity	**8,344**	**55.4**
Eurozone government bonds	142	0.9
Eurozone inflation linked bonds	68	0.5
Eurozone corporate bonds	1,013	6.7
Cash	2,281	15.1
Total Financial Assets	**3,504**	**23.3**
Private equity	949	6.3
Property	1,035	6.9
Commodities	526	3.5
Infrastructure	530	3.5
Absolute return funds	171	1.1
Total Alternative Assets	**3,211**	**21.3**
Total Discretionary Portfolio	**15,059**	**100.0**

Directed Portfolio

In the first half of 2009 the Commission, at the direction of the Minister for Finance and for the purposes of recapitalisation, invested €3.5 billion in preference shares in each of Bank of Ireland and AIB.

On 25 April 2010 the Minister for Finance issued a direction to the Commission to convert part of its €3.5 billion holding of preference shares in Bank of Ireland into ordinary shares as part of a capital raising exercise announced by the bank which also included the cancellation of warrants held by and the payment of certain fees to the Fund. The transaction involved no new investment by the Fund in Bank of Ireland and was funded entirely via conversion of preference shares.

Following the transaction the Fund's directed investment in Bank of Ireland now consists of (i) 1.9 billion ordinary shares representing 36 per cent of the bank's ordinary shares in issue and valued at their current market price, and (ii) 1.837 billion units of preference shares paying an annual dividend of 10.25 per cent valued at fair market value.

On 23 December 2010 the Minister for Finance issued a direction to the Commission to invest €3.7 billion cash in AIB in consideration of the issuance of 675 million ordinary shares, 10.5 billion convertible non-voting ordinary shares, the cancellation of warrants and the payment of certain fees. The non-voting ordinary shares were issued to facilitate the disposal of AIB's interests in Poland and in April 2011 were converted into an equivalent number of ordinary shares.

Following the transaction the Fund's directed investment in AIB consisted of (i) 873 million ordinary shares, which represented 49.9 per cent of the bank's ordinary share capital in issue, and 10.5 billion non-voting ordinary shares, both valued at their current market price and, (ii) 3.5 billion units of preference shares paying an annual dividend of 8 per cent valued at fair market value. Following conversion of the non-voting ordinary shares into ordinary shares in April 2011 the Fund's directed investment now represents 92.8 per cent of the bank's ordinary share capital in issue.

The Commission has valued the preference share investments at fair market value at 31 December 2010 as follows:

- AIB 58.5 per cent of cost;
- Bank of Ireland 79.4 per cent of cost.

Directed Portfolio 31 December 2010

	Valuation €m	% of Directed Portfolio
Allied Irish Banks		
3,500 million preference shares	2,047	
11,363 million ordinary and convertible non-voting ordinary shares	3,409	
Total Allied Irish Banks	**5,456**	**71.5**
Bank of Ireland		
1,837 million preference shares	1,459	
1,900 million ordinary shares	712	
Total Bank of Ireland	**2,171**	**28.5**
Total Directed Portfolio	**7,627**	**100.0**

The Directed Portfolio comprised 33.6 per cent of the Total Fund at 31 December 2010.

2011 Update

On foot of directions from the Minister for Finance and in anticipation of the Fund's contribution that will be required under the EU/IMF programme, €10 billion in cash was realised by liquidating assets of the Fund in two tranches in February and April 2011.

Performance

The Discretionary Portfolio earned a return of 11.7 per cent in 2010. Including the directed bank investments, the Fund recorded a total return of -3.0 per cent in 2010.

Fund Performance to 31 December 2010

	Performance 2010 %
Discretionary Portfolio	11.7
Directed Portfolio	-25.9
Total Fund	**-3.0**

The positive performance of the Discretionary Portfolio in 2010 was largely due to strong equity performance with emerging markets performing particularly well, while the strength of overseas currencies against the euro also contributed. Its return on a per annum basis (annualised return) since inception in 2001 to end 2010 was 3.5 per cent compared with an annualised return to the average Irish managed pension fund of 1.6 per cent over the same period, while its return in 2010 of 11.7 per cent compares with 11.4 per cent for the average Irish managed pension fund.

The negative performance of the Directed Portfolio was due to movements in ordinary share prices of both banks and the revaluation of the preference shares at year end.

National Development Finance Agency

The National Development Finance Agency (NDFA) was established on 1 January 2003 to provide financial advice to State authorities undertaking major public investment projects with a capital value of more than €30 million. Its mandate was subsequently extended to give it full responsibility for the procurement and delivery of all Public Private Partnership (PPP) projects in sectors other than transport and the local authorities. It discharges its functions through the NTMA. The Chief Executive of the NTMA is the Chairperson of the NDFA. A director of the NTMA is Chief Executive of the NDFA.

The NDFA is required to submit an annual report and accounts of its activities to the Minister for Finance. These are published separately.

The NDFA has advised on 48 projects with a combined capital value of more than €6.5 billion, 26 of which are PPPs. It is currently working on more than 50 active projects at the request of sponsoring Departments/Agencies.

In addition to providing financial advice on all projects referred to it, the NDFA is also the designated procurement authority for ten of these projects. Of these projects, six have been formally handed over to the NDFA for procurement – involving three discrete bundles of schools (a total of 18 schools), the first and second bundles of third level institutions (a total of 11 facilities) and the redevelopment of the National Concert Hall (recently cancelled).

Progress has been made on a substantial number of projects during 2010 and to date in 2011, some highlights of which are as follows:

Projects where the NDFA is the Designated Procurement Authority

- The NDFA's first procurement project was completed in September 2010 – four post primary schools providing accommodation for 2,700 students in Laois and Offaly were delivered within budget and occupied on time for the start of the new 2010/11 school year.
- The second bundle of schools referred to the NDFA reached financial close in June 2010. Construction work on all sites commenced immediately after contract signing. These six schools will provide accommodation for approximately 4,700 students in Cork, Limerick, Kildare, Wicklow and Meath and are due to be occupied variously between September and November 2011.
- The competition for the third bundle of schools is progressing with tenders due to be received in July 2011 from three shortlisted candidates. This bundle will provide accommodation for 5,700 students across eight schools in Donegal, Leitrim, Limerick, Waterford, Westmeath, Wexford and Galway.
- The first bundle of third level institutions project is at an advanced stage with a preferred tenderer having been appointed in February 2011. This includes developments at Limerick Institute of Technology, University of Limerick, Cork Institute of Technology and Dun Laoghaire Institute of Art, Design & Technology. Financial close is targeted to occur before the end of 2011 and construction is due to commence immediately thereafter.
- The tender documentation was issued to the shortlisted participants in respect of a second bundle of third level institutions at Waterford Institute of Technology and the Institute of Technology, Tallaght in February 2011 and a preferred tenderer is expected to be appointed in the fourth quarter of 2011.

Projects where the NDFA is Financial Advisor

- The NDFA is supporting the National Roads Authority (NRA) in the procurement of two PPP roads projects. The preferred tenderer for the N11 (Arklow-Rathnew, incorporating Newlands Cross) scheme was appointed by the NRA in June 2011. The preferred tenderer for the N17/N18 (Gort-Tuam) scheme is expected to be appointed during the second half of 2011. The NDFA is also advising the NRA on a second tranche of motorway service areas which was launched in May 2011.
- The NDFA continues to provide financial advice on a number of significant infrastructure projects in the transport, justice, waste and water sectors. The NDFA acts as financial advisor to the Health Service Executive on a number of high profile health projects including the National Paediatric Hospital, Sligo General Hospital and Galway University Hospital. It issued a formal Value for Money opinion in respect of the development of a new ward block, including the cystic fibrosis unit, at St Vincent's University Hospital.
- The NDFA has engaged with multilateral funders who are capable of providing cost effective funding to Irish infrastructure. The European Investment Bank (EIB) is providing €44 million funding to the second bundle of schools and will be supporting the third bundle of schools and a number of transport projects. The NDFA has recently joined the European Commission and EIB Working Group on the Project Bonds Initiative, which is aimed at making the financing of infrastructure projects more attractive to capital market investors from 2014 onwards.
- 2010 saw the commissioning of a number of projects to which the NDFA has provided advice:
    - The award winning Convention Centre, Dublin commenced operations in August 2010. Since then, it has hosted over 11,000 international delegates, which is in excess of target and has generated substantial additional revenue for the local economy.
    - The new Aviva Stadium at Lansdowne Road, Dublin was officially opened in May 2010. The State provided €191 million in funding for the development and the NDFA undertook due diligence on the transaction on behalf of the Department of Tourism, Culture & Sport.
    - In the cancer control area, two developments were completed as part of the National Plan for Radiation Oncology (Phase I) at St James's Hospital, Dublin and Beaumont Hospital, Dublin in the fourth quarter of 2010.
    - Construction was completed on the first tranche of motorway service areas in September 2010. This project comprised six service areas in Kildare, Louth and Dublin.

National Asset Management Agency

The National Asset Management Agency (NAMA) was formally established in December 2009 as one of a number of initiatives taken by the Government to address the serious crisis in Irish banking which had developed as a result of excessive lending to the property sector, particularly during the years 2003 to 2007. It has acquired certain loan assets (land and development and associated loans) in exchange for Government-guaranteed securities issued by it directly to the five participating institutions (Allied Irish Banks (AIB), Anglo Irish Bank (Anglo), Bank of Ireland (BoI), Irish Nationwide Building Society (INBS) and EBS Building Society (EBS)).

NAMA's commercial objective, under Section 10 of the NAMA Act, is to obtain, in so far as possible, the best achievable financial return for the State having regard to the cost to the Exchequer of acquiring and dealing with bank assets, NAMA's cost of capital and other costs.

NAMA operates as an independent commercial entity with its own board appointed by the Minister for Finance and including, *ex officio*, the Chief Executive of the NTMA and the Chief Executive of NAMA. All of NAMA's staff are employees of the NTMA and are assigned to NAMA by the NTMA.

NAMA is required to submit an annual report and accounts to the Minister for Finance. These are published separately. NAMA also makes quarterly financial reports to the Minister which are laid before each House of the Oireachtas.

Progress in 2010

In order to manage the heavy workload associated with the establishment of NAMA, the Board met on 27 occasions during 2010. In June the Board agreed a set of strategic policy decisions covering areas such as the management of debtors, debt reduction targets, asset management strategies and NAMA's contribution to the achievement of various public policy objectives.

The NAMA Business Plan, which incorporates the expected impact of these decisions, was agreed by the Board and published in July 2010. The Business Plan projected, under its central scenario, that NAMA would return a gain of €1 billion in Net Present Value terms over its lifetime (expected to be about ten years).

During 2010 NAMA acquired €71.2 billion in nominal loan balances for a consideration of €30.2 billion, a discount of 58 per cent.

The transfers by institution are summarised below:

€bn	AIB	Anglo	BoI	EBS	INBS	Total
Loan balances transferred	18.5	34.0	9.4	0.8	8.5	**71.2**
Consideration paid	8.5	13.0	5.4	0.3	3.0	**30.2**
Discount	54%	62%	42%	60%	64%	**58%**

A portfolio of debtor derivatives, linked to the acquired loans and totalling €14 billion (nominal value), was also acquired and hedged by NAMA. The acquired derivatives were mainly interest rate swaps.

NAMA directly manages the debts of the largest 180 debtors which account for over 80 per cent of its loan portfolio. It also oversees the management by the participating institutions of the debts of the remaining 670 debtors.

NAMA has engaged actively with debtors, including intensive and prolonged negotiation with major debtors. The business plans of the thirty largest debtors (€34 billion nominal value) were reviewed and key decisions taken which led to acceptance of plans or to enforcement. Arrangements were put in place for the processing of credit applications from all debtors, including those managed by the participating institutions under delegated authority from NAMA.

Asset sales of €2 billion were approved in 2010 as was new funding of €406 million for working capital and to facilitate project completion. 23 enforcement actions were also approved by the end of the year.

NTMA Services to NAMA

Under Section 41 of the NAMA Act, the NTMA provides NAMA with business and support services, including HR, IT, market risk, communications and the execution and processing of hedging transactions. NAMA reimburses the NTMA the costs of staff assigned to NAMA and the costs of business and support services. These costs were €15.0 million in 2010.

By the end of 2010 NAMA had, through the NTMA, recruited 104 staff with extensive experience and expertise in the areas of lending, property, accountancy, law, banking and credit. As of 30 June 2011 the number of staff recruited to NAMA was 145. Staff recruited to NAMA are employed on the basis of specified purpose contracts.

As part of the management and hedging of the NAMA balance sheet, the NTMA executed, on NAMA's behalf, a substantial volume of currency and interest rate swaps and FX transactions in market conditions which were particularly difficult during 2010.

Other Functions

In addition to its core function of borrowing for the Exchequer and debt management, the NTMA's Funding and Debt Management Directorate carries out a number of other functions including:

Housing Finance Agency Commercial Paper Programme

The NTMA borrows on behalf of the Housing Finance Agency (HFA) under its €6 billion Multi-Currency Commercial Paper programme. The HFA's borrowings are on-lent to local authorities for social housing and ancillary projects. HFA borrowings are guaranteed by the Minister for Finance.

Central Treasury Services

The NTMA's Central Treasury Service (CTS) takes deposits from, and makes advances to, non–commercial State bodies, as well as local government authorities, the Health Service Executive and vocational education committees. The objective is to provide these bodies with a competitive alternative to the banking sector for their treasury business and thus to make savings for the Exchequer.

During 2010 lending to the designated bodies was €52 million on average. There were 393 deposits placed with the CTS in 2010, with an average balance of €53 million.

European Central Bank Liquidity Management

The NTMA engages in daily short-term cash management operations to regulate the level of Government cash balances at the Central Bank of Ireland. This is undertaken as part of the overall management of liquidity in the euro area by the European Central Bank. Turnover in 2010 was €154.6 billion.

Agricultural Commodity Intervention Bills

Agricultural Commodity Intervention Bills (ACIBs) are issued by the NTMA on behalf of the Minister for Agriculture, Fisheries and Food. They fulfil a short-term funding requirement by bridging the gap between the making of agricultural intervention payments by the Minister for Agriculture, Fisheries and Food and the recoupment of the moneys from the EU. Turnover in 2010 was €1.5 billion.

Dormant Accounts Fund

Under the *Dormant Accounts Act 2001* and the *Unclaimed Life Assurance Policies Act 2003*, balances on dormant accounts with banks, building societies and An Post and the net encashment value of certain life assurance policies are remitted to the State annually to be disbursed for charitable purposes or for purposes of community benefit. The period for determining dormancy is normally 15 years since the last customer-initiated transaction. In the case of life assurance policies with a specified term, it is five years after the end of that term. The legislation guarantees the right of account and policy holders to reclaim their moneys at any time from the financial institutions.

Decisions on disbursements are made by the Government. The Dormant Accounts Board, established under the *Dormant Accounts (Amendment) Act 2005*, advises on priority areas for funding. The Board also has a role in monitoring the impact of this funding.

Pending disbursement, moneys in the Dormant Accounts Fund are managed by the NTMA. The NTMA had €132 million under management at end 2010. Some €39 million was transferred to the Fund in 2010, while €20 million of previously dormant funds was reclaimed. Disbursements from the Fund amounted to €20 million in 2010.

Social Insurance Fund

The income of the Social Insurance Fund derives mainly from Pay-Related Social Insurance (PRSI) contributions by employees, employers and self-employed persons. Payments from the Fund are made in respect of items such as State Pensions, Illness Benefit and Jobseekers Benefit. Since July 2001 the NTMA has managed the accumulated surplus of the Fund, with performance measured against a benchmark agreed with the Minister for Finance.

During 2009 the NTMA transferred €2.9 billion from the Fund back to the Department of Social Protection, bringing the total under management at the beginning of 2010 to €157 million. The balance of the Fund, by then totalling €159 million, was transferred back to the Department by the end of April 2010.

Emissions Trading

Ireland's response to its commitments under the Kyoto Protocol was outlined in the National Climate Change Strategy 2007-2012. Under the Kyoto Protocol Ireland must limit the growth in its emissions in the period 2008-2012 to 13 per cent above 1990 levels. Ireland agreed to a concerted response as a member of the European Union and has, with the EU, adopted a much more challenging reduction for the post-Kyoto period to 2020.

In the period 2008-2012 Ireland intended to achieve its target reductions by a combination of domestic actions (79 per cent) and the purchase of carbon credits (21 per cent). The *Carbon Fund Act 2007* designates the NTMA as the National Purchasing Agent for the purchase of carbon credits on behalf of Ireland. Funding for the purchase of carbon credits is provided from the Exchequer to the Carbon Fund established under the 2007 Act.

The requirement to purchase carbon credits has now been revised downwards to reflect the effect of the economic downturn on greenhouse gas emissions in Ireland and it has been decided to cease purchases of carbon credits for the time being.

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

In December 2009 the Government introduced a new guarantee scheme to follow the Credit Institutions (Financial Support) Scheme 2008 to provide for the guarantee of bank liabilities beyond 29 September 2010, in line with the guarantees offered in other EU countries - the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG Scheme). The Minister for Finance has appointed the NTMA as the ELG Scheme Operator.

The ELG Scheme provides for an unconditional and irrevocable State guarantee for certain eligible liabilities (including deposits) of up to five years maturity incurred by participating institutions from the time of their becoming a participating institution until the closure of the Scheme. The Scheme is reviewed at least on a six monthly basis to determine whether the financial support provided by the Scheme continues to be necessary. The European Commission has approved the extension of the Scheme until 31 December 2011.

Eligible liabilities which may be guaranteed under the Scheme include:

- senior unsecured certificates of deposit;
- senior unsecured commercial paper;
- other senior unsecured bonds and notes; and
- deposits.

Entire debt issuance programmes may also be guaranteed so that all securities issued under these programmes will be guaranteed. Institutions which participate in the ELG Scheme may also issue unguaranteed debt in the normal way.

Governance

Reporting and Governance Structure

As detailed at the front of this report the NTMA has a range of functions providing financial and risk management services to the Government. The Chief Executive reports directly to the Minister for Finance on the NTMA's funding and debt management, State Claims Agency and banking system functions – all of which have been delegated to it by Government or Ministerial Order. Under the legislation which established the NTMA, it does not have a board and it is the Chief Executive's statutory responsibility to carry on and manage and control generally the administration and business of the Agency. The legislation provides for an over-arching Advisory Committee to assist and advise the NTMA on such matters as are referred to the Committee by the NTMA and also for a State Claims Policy Committee to provide advice on policy and procedures relating to the performance of its State Claims Agency functions.

The National Pensions Reserve Fund (NPRF), the National Development Finance Agency (NDFA) and the National Asset Management Agency (NAMA) each have their own board. The NTMA acts as the executive in respect of the NPRF and the NDFA. In the case of NAMA it assigns staff to NAMA and also provides it with business and support services and systems. Information specific to the NAMA Board, the NDFA Board and the NPRF Commission is contained in the annual reports of each of those bodies.

Code of Practice for the Governance of State Bodies

During 2010 the NTMA, in conjunction with the Advisory Committee, examined the Code of Practice for the Governance of State Bodies and how it could be adapted to the NTMA's governance structure. The Code's provisions are modelled on a typical corporate structure consisting of a board of directors, which has legal responsibility for the body, and an executive management team and staff, who carry out the functions delegated to them by the board.

The Code sets out a formal schedule of matters specifically reserved for decision by the board. The Advisory Committee has agreed to formally advise the Chief Executive on a specified list of issues on an ongoing basis. This list is based on those matters that would normally be reserved for decision by a board and is as follows:

a) Funding and Debt Management Policy;
b) Business Function Goals and Objectives;
c) Delegated Authority Levels;
d) Remuneration[1];
e) Senior Management Performance Appraisal and Succession Planning;
f) Significant Amendments to the Pension Benefits of Staff;
g) Corporate Policies and Plans;
h) Risk Management Policy;
i) System of Internal Financial Control;
j) NTMA Annual Report and Accounts;
k) Appointment of Internal Audit Firm;
l) Oversight of Audit Committee (including annual review of Committee terms of reference);
m) Operating Budget; and
n) Compliance by the NTMA with Statutory and Regulatory Requirements.

[1] With regard to the Chief Executive the Committee already has a statutory role under Section 6(3) of the NTMA Act 1990 which provides that the Chief Executive's terms and conditions (including terms and conditions relating to remuneration) are determined by the Minister after consultation with the Committee.

While this approach does not impinge in any way on the statutory responsibilities and role of the NTMA Chief Executive, the NDFA and NAMA Boards and the NPRF Commission, it does introduce a formal system of checks and balances into the corporate governance of the NTMA and mirrors the approach specified in the Code.

The NTMA is implementing the Code, adapted to its specific circumstances as set out above, and is, where necessary, putting arrangements in place to ensure compliance with the Code. Codes of business conduct are in place for Advisory Committee and State Claims Policy Committee members and employees of the NTMA. Procedures and policies are also in place with respect to travel, procurement and asset disposals.

The NTMA is a prescribed public body for the purposes of the Ethics in Public Office Acts, 1995 and 2001. In addition there are specific disclosure of interest requirements under the National Pensions Reserve Fund, National Development Finance Agency and National Asset Management Agency Acts.

Advisory Committee

The Advisory Committee consists of seven members appointed by the Minister for Finance.

David Byrne – Chairperson (Appointed from 1 January 2008)

Kevin Cardiff (Appointed from 1 February 2010)

Hugh Cooney (Appointed from 1 January 2008)

Brendan McDonagh (Appointed from 1 September 2010)

Tytti Noras (Reappointed from 1 August 2010)

Shane O'Neill (Appointed from 1 May 2007)

Donald C Roth (Reappointed from 1 January 2011)

Members have been appointed for five year terms other than in the case of Donald C Roth who was reappointed for a three year term with effect from 1 January 2011 and in the case of the Secretary General of the Department of Finance who is appointed on an *ex officio* basis. David Doyle, the previous Secretary General of the Department of Finance, served as a member until he retired as Secretary General on 31 January 2010.

The Advisory Committee met on four occasions in 2010. Attendance by members at meetings in 2010 is set out below. Members of the Committee also provided advice to the NTMA on an ongoing basis through the year.

Committee Member	Meetings Attended
David Byrne	3/4
Kevin Cardiff	4/4
Hugh Cooney	4/4
David Doyle	0/0(p)
Brendan McDonagh	2/2(p)
Tytti Noras	4/4
Shane O'Neill	3/4
Donald C Roth	3/4

(p) refers to the number of meetings it was possible to attend relative to the dates of appointment/retirement.

State Claims Policy Committee

The State Claims Policy Committee consists of seven members appointed by the Minister for Finance.

Noel Whelan – Chairperson (Reappointed from 18 April 2007)
Vice President and Dean Emeritus, University of Limerick

Tony Delany (Appointed from 10 March 2010)
Former Director of Claims at Norwich Union/Hibernian Insurance

Chris Fitzgerald (Appointed from 22 October 2010)
Principal Officer, Department of Health

Deirdre Hanlon (Appointed from 3 May 2007)
Principal Officer, Department of Finance

Anne Marie Hayes (Reappointed from 3 July 2006)
Project Accountant and Health and Safety Authority Board Member

Christopher Moore (Appointed from 10 March 2010)
Brigadier General (Retired)

Niamh Moran (Appointed from 10 March 2010)
Solicitor, Carmody Moran, Solicitors

Appointments are for five year terms. Brendan Phelan, Principal Officer, Department of Health, served as a member until 22 September 2010. The Committee met on four occasions in 2010. Attendance by members at meetings in 2010 is set out below.

Committee Member	Meetings Attended
Noel Whelan	4/4
Tony Delany	3/3(p)
Chris Fitzgerald	1/1(p)
Deirdre Hanlon	4/4
Anne Marie Hayes	3/4
Christopher Moore	3/3(p)
Niamh Moran	3/3(p)
Brendan Phelan	3/3(p)

(p) refers to the number of meetings it was possible to attend relative to the dates of appointment/retirement.

Other Committees

The Advisory Committee has established two committees, each of which has formal terms of reference.

Audit Committee
Members:

Hugh Cooney – Chairperson
Brendan McDonagh
Peter McManamon (Member of the Board of the NDFA)
Maurice O'Connell

The Audit Committee has oversight of the NTMA's internal audit and control systems, risk management framework, financial reporting process and annual financial statements. The internal and external auditors, the Head of Control and the Compliance Officer have full and unrestricted access to the Committee. The Committee also acts as the NDFA Audit Committee. The National Pensions Reserve Fund Commission and the National Asset Management Agency have separate audit committees.

Remuneration Committee
Members:

David Byrne – Chairperson
Paul Carty (Chairperson of the NPRF Commission)
Frank Daly (Chairperson of NAMA)
Brendan McDonagh
Shane O'Neill

The Committee make recommendations to the Advisory Committee on the remuneration of the Chief Executive and senior management of the NTMA and on general remuneration policy in the NTMA. The Chairpersons of the National Asset Management Agency and the National Pensions Reserve Fund Commission are members for the purpose of discussion of issues in relation to staff assigned to NAMA and the NPRF Unit respectively.

Auditors

In accordance with statutory requirements the NTMA is audited by the Comptroller and Auditor General. The NTMA has had in place since its establishment an internal audit function. This work is supplemented by an external firm of auditors, currently PricewaterhouseCoopers, which performs internal audit work.

Energy Usage

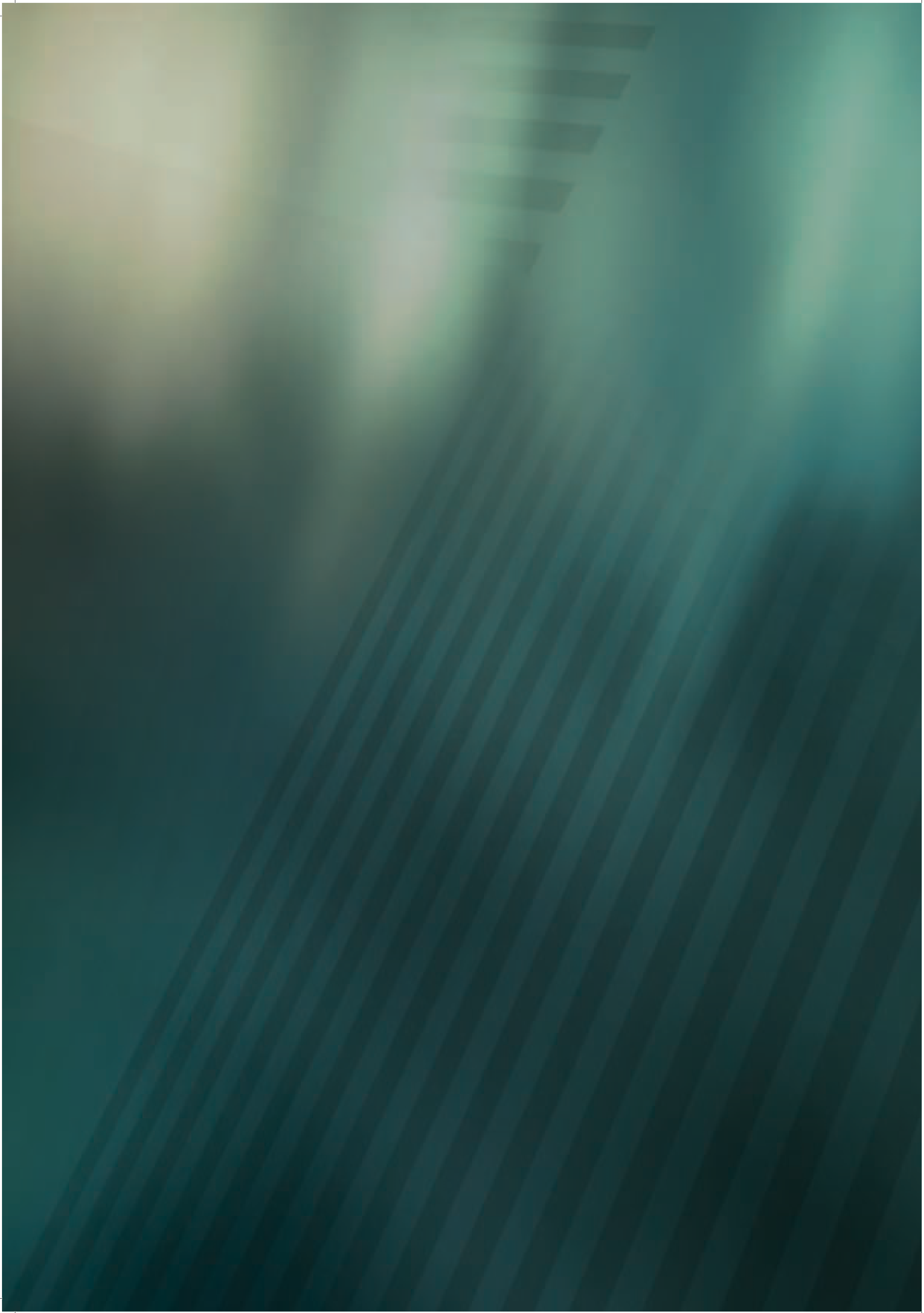
The NTMA is committed to meeting the Government target of a 33 per cent reduction in energy consumption by the year 2020.

In 2010 the NTMA undertook a range of initiatives to improve its energy performance including:

- Completion of a site energy assessment in conjunction with the Sustainable Energy Authority of Ireland.
- Completion of an on-site energy audit by a third party consultant with particular emphasis on landlord managed areas.
- Commencement of recording of energy use within the NTMA, across all its businesses.
- The formation of a "Green Team" to champion energy initiatives and drive energy awareness throughout the organisation.
- Creation of a Corporate Energy Policy to assist in the development of strategy and awareness.
- A test of alternative light fittings which identified feasible proposals offering up to a 50 per cent saving in running costs.
- Installation of infra-red motion detectors on the lighting system.
- Installation of sensors on water supplies with a consequent reduction in water and power usage.

In 2011 the NTMA intends to further improve energy performance by undertaking further initiatives including the following:

- Lighting upgrades on all floors.
- Creation of a quarterly recording and reporting mechanism to drive and monitor improvement. The reports will indicate kilowatt hours of energy consumed versus numbers employed.
- Development and roll-out of a staff energy awareness programme.



Financial Statements

Prepared by the National Treasury Management Agency in Accordance with Section 12 of the National Treasury Management Agency Act, 1990

1. Statement of NTMA's Responsibilities
2. Statement on Internal Financial Control
3. National Debt of Ireland
4. National Treasury Management Agency - Administration Account
5. Post Office Savings Bank Fund
6. Capital Services Redemption Account
7. National Loans Advance Interest Account
8. National Loans (Winding Up) Account
9. National Treasury Management Agency (Unclaimed Dividends) Account
10. Deposit Monies Investment Account
11. Account of Stock Accepted in Payment of Inheritance Tax and Death Duties
12. Small Savings Reserve Fund
13. State Claims Agency
14. Dormant Accounts Fund

Statement of NTMA's Responsibilities

The NTMA 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 NTMA:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- discloses and explains any material departure from applicable accounting standards.

The NTMA 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 NTMA, its funds and the national debt.

The NTMA is also responsible for safeguarding assets under its control and hence for taking reasonable steps in order to prevent and detect fraud and other irregularities.

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Statement on Internal Financial Control

Responsibility for the System of Internal Financial Control

On behalf of the National Treasury Management Agency, I acknowledge the responsibility for ensuring that an effective system of internal financial control is maintained and operated.

The system can only provide reasonable and not absolute assurance that assets are safeguarded, transactions authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Key Control Procedures

The National Treasury Management Agency has taken steps to ensure an appropriate control environment by:

- clearly defining management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action;
- establishing an Audit Committee to advise me on discharging my responsibilities for the internal financial control system.

The National Treasury Management Agency has established processes to identify and evaluate business risks by:

- identifying the nature, extent and financial implication of risks facing the organisation;
- assessing the likelihood of identified risks occurring;
- assessing the organisation's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

The system of internal financial control is based on a framework of regular management information, administrative procedures including segregation of duties, and a system of delegation and accountability. In particular it includes:

- a comprehensive budgeting system with an annual budget which is reviewed and agreed by the Chief Executive with the Minister for Finance;
- regular reviews of periodic and annual financial reports which indicate financial performance against forecasts;
- setting targets to measure financial and other performance;
- clearly defined capital investment control guidelines;
- formal project management disciplines.

The National Treasury Management Agency has an internal audit function, which operates in accordance with the Code of Practice on the Governance of State Bodies. The work of internal audit is informed by analysis of the risk to which the NTMA is exposed, and annual internal audit plans are based on this analysis. The analysis of risk and the internal audit plans are endorsed by the Chief Executive and Directors and approved by the NTMA Audit Committee. At least annually, the Internal Auditor (currently PwC) provides the management of the National Treasury Management Agency and the NTMA Audit Committee with a report of internal audit activity. The report includes the Internal Auditor's opinion of the adequacy and effectiveness of the system of internal financial control.

The National Treasury Management Agency's monitoring and review of the effectiveness of the system of internal financial control is informed by the work of the internal auditor, the executive managers within the NTMA who have responsibility for the development and maintenance of the financial control framework, and comments made by the Comptroller and Auditor General in his management letter or other reports.

Annual Review of Controls

I confirm that, in the year ended 31 December 2010, I, as Chief Executive, having taken advice from the NTMA Audit Committee, conducted a review of the effectiveness of the system of internal financial control.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Financial Statements of the National Debt of Ireland

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for Presentation to the Houses of the Oireachtas

National Debt of Ireland

I have audited the financial statements of the National Debt of Ireland for the year ended 31 December 2010 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Service of Debt Statement, the National Debt Statement, the National Debt Cash Flow Statement, Statement of Movement in National Debt and the related notes. The financial reporting framework is approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act 1990 and is described in paragraph (b) of the Accounting Policies.

Responsibilities of the National Treasury Management Agency

The Agency is responsible for the preparation of the financial statements, for ensuring that they properly present the balance outstanding on the National Debt at year end and the debt service cost for the year, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the Annual Report of the Agency to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared on the basis described in paragraph (b) of the Accounting Policies, properly present the balance outstanding on the National Debt at 31 December 2010 and the debt service cost for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Agency's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

John Buckley
Comptroller and Auditor General

30 June 2011

Accounting Policies

(a) 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 functions on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

Pages 47 to 58 set out the financial statements of 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.

(b) Basis of Accounting

The measurement basis 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.

(c) Reporting Period

The reporting period is for the year ended 31 December 2010.

(d) Reporting Currency

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

(e) 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.

(f) Liability Valuation

Debt balances are recorded at redeemable par value.

(g) 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 that are linked with specific borrowing transactions are recognised in accordance with the underlying transactions. The net fund flows arising on hedging activities that are 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 or converted into other swap instruments the funds flow impact upon debt service in accordance with the terms of the revised instrument.

(h) Foreign Currencies

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

Service of Debt Statement

Year ended 31 December

	Note	2010 €000	2009 €000
Interest paid			
Medium / Long Term Debt[1]	2	3,193,472	1,985,747
Short Term Debt[2]	3	197,136	615,760
National Savings Schemes	4, 10	199,315	250,219
Other Movements	5	4,304	2,670
Sinking Fund payments	6	617,229	572,950
Fees and Expenses	7	84,627	68,606
Expenses of NTMA		42,546	37,345
Interest received on Deposits, Treasury Bills and Short Term Notes		(102,523)	(319,346)
Total Debt Service Cost	**1**	**4,236,106**	**3,213,951**

[1] Medium / Long Term Debt is debt with an original maturity of more than one year

[2] Short Term Debt is debt with an original maturity of not more than one year

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 51 to 58 form part of these financial statements.

National Debt Statement

31 December

	Note		2010 € million		2009 € million
Medium / Long Term Debt [1]					
Irish Government Bonds listed on the Irish Stock Exchange			90,102		70,858
Private Placements			602		217
Medium Term Notes			92		422
Miscellaneous Debt			(21)		31
	8		90,775		71,528
Short Term Debt [2]					
Commercial Paper	9	6,972		16,261	
Borrowings from Funds under the control of the Minister for Finance	17	1,524		1,783	
			8,496		18,044
National Savings Schemes					
Savings Certificates		3,957		3,104	
National Solidarity Bonds		342		-	
Savings Bonds		4,239		2,761	
Instalment Savings		468		456	
Savings Stamps		2		2	
Prize Bonds		1,330		1,073	
	10		10,338		7,396
			109,609		96,968
Less: Liquid Assets	11		(16,164)		(21,816)
National Debt	**14**		**93,445**		**75,152**

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

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

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 51 to 58 form part of these financial statements.

National Debt Cash Flow Statement

Year ended 31 December

	2010 €000	2009 €000
Movement in Exchequer balances:		
Opening Balance in Exchequer Account (note 11)	21,025,141	21,269,014
Deposits, Treasury Bills and Short Term Notes (note 18)	(3,374,868)	-
Borrowing Activity (see below)	12,492,883	24,397,006
	30,143,156	45,666,020
Exchequer Surplus/(Deficit)	(18,744,208)	(24,640,879)
Closing Balance in Exchequer Account (note 11)	**11,398,948**	**21,025,141**

	Receipts[1] €000	Payments[1] €000	2010 Net €000	2009 Net €000
Borrowing Activity				
Irish Government Bonds listed on the Irish Stock Exchange	30,706,008	(11,603,716)	19,102,292	28,896,998
Medium Term Notes	-	(399,090)	(399,090)	-
Private Placements	379,185	-	379,185	212,682
European Investment Bank Loans	-	-	-	(34,092)
Miscellaneous Debt	399,090	(382,477)	16,613	(126)
Commercial Paper	86,236,918	(95,527,319)	(9,290,401)	(5,528,286)
Savings Certificates	1,359,741	(505,858)	853,883	570,192
Savings Bonds	2,133,107	(654,627)	1,478,480	808,133
National Solidarity Bond	348,717	(6,880)	341,837	-
Instalment Savings	108,185	(95,358)	12,827	23,846
Prize Bonds	399,149	(142,406)	256,743	269,410
Borrowings from Ministerial Funds	50,544,316	(50,803,802)	(259,486)	(821,751)
Total Borrowing Activity	172,614,416	(160,121,533)	12,492,883	24,397,006
Deposits, Treasury Bills and Short Term Notes (note 18)	319,180,746	(322,555,614)	(3,374,868)	-
Total Cashflow Activity	**491,795,162**	**(482,677,147)**	**9,118,015**	**24,397,006**

	Receipts[1] €000	Payments[1] €000	2010 Net €000	2009 Net €000
Exchequer Account	478,519,664	(464,691,529)	13,828,135	25,979,380
Foreign Currency Clearing Accounts (note 16)	13,275,498	(17,985,618)	(4,710,120)	(1,582,374)
	491,795,162	**(482,677,147)**	**9,118,015**	**24,397,006**

[1] Receipts and payments represent the gross value of borrowing activity, including rollover of debt.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 51 to 58 form part of these financial statements.

Statement Of Movement In National Debt

Year ended 31 December

	2010 €000	2009 €000
Opening National Debt	75,151,797	50,398,188
Increase in National Debt (nominal)	18,292,863	24,753,609
Closing National Debt	**93,444,660**	**75,151,797**
Increase in National Debt (nominal) represented by:		
Exchequer (Surplus)/Deficit	18,744,208	24,640,879
Effect of foreign exchange rate movements	821	10,944
Medium / Long Term Loans: net reduction/(excess) of proceeds over nominal liability	5,815	4,318
Bond tranching: net reduction/(excess) of proceeds over nominal liability	139,720	97,235
Bond cancellations: net reduction/(excess) of cancellation cost over nominal liability	2,298	251
Movement in CSRA current balance (note 11)	(599,999)	(18)
	18,292,863	**24,753,609**

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 51 to 58 form part of these financial statements.

Notes to the Financial Statements

1. Total Service Cost

	Note	Charged on Foreign Currency Clearing Accounts €000	Charged on Central Fund €000	Charged on CSRA €000	Total Service Cost 2010 €000
Interest paid					
Medium / Long Term Debt	2	4	1,422,209	1,771,259	3,193,472
Short Term Debt	3	16,397	153,255	27,484	197,136
National Savings Schemes	4,10	-	78,578	120,737	199,315
Other Movements	5	(4,727,658)	5,260,529	(528,567)	4,304
Sinking Fund payments	6	-	-	617,229	617,229
Fees and Expenses	7	306	84,321	-	84,627
Expenses of NTMA		827	41,719	-	42,546
Interest received on Deposits, Treasury Bills and Short Term Notes		-	-	(102,523)	(102,523)
		(4,710,124)	7,040,611	1,905,619	4,236,106
Inter Account Movement		-	2,505,618	(2,505,618)	-
Net cash paid		**(4,710,124)**	**9,546,229**	**(599,999)**	**4,236,106**

2. Interest on Medium / Long Term Debt

	2010 €000	2009 €000
Irish Government Bonds listed on the Irish Stock Exchange	3,175,026	1,965,997
European Investment Bank Loans	-	2,011
Private Placements	12,478	-
Medium Term Notes	19,218	17,131
Miscellaneous Debt	(13,250)	608
	3,193,472	**1,985,747**

3. Interest on Short Term Debt

	2010 €000	2009 €000
Commercial Paper	87,462	593,366
Borrowings from Funds under the control of the Minister for Finance	109,674	22,394
	197,136	**615,760**

Notes to the Financial Statements (Continued)

4. Interest on National Savings Schemes

	2010 €000	2009 €000
Savings Certificates	93,493	398,447
Savings Bonds	52,428	50,065
Instalment Savings	18,963	16,531
Prizes in respect of Prize Bonds	34,431	27,831
Small Savings Reserve (note 10)	-	(242,655)
	199,315	**250,219**

Payments for Interest on National Savings Schemes in 2010 include transfers to the Dormant Accounts Fund in respect of accumulated capitalised interest on certain accounts deemed dormant by An Post under the Dormant Accounts Act 2001. The net interest amounts transferred were as follows:

	2010 €000	2009 €000
Savings Certificates	(662)	(2,004)
Savings Bonds	(245)	(43)
Instalment Savings	(4)	(99)
	(911)	**(2,146)**

5. Other Movements

The NTMA, as part of its remit, engages in a range of debt management transactions including derivatives (see note 13). This figure reflects the net cashflows associated with these activities.

6. Sinking Fund Payments

Under the Finance Act 1950, Section 22, as amended, specified amounts were provided for the redemption of debt. The sums provided and applied were as follows:

	2010 €000	2009 €000
Capital Services Redemption Account (Note 15)	**617,229**	**572,950**

Notes to the Financial Statements (Continued)

7. Fees and Expenses

	2010	2009
	€000	€000
Expenses of:		
Government Bonds and Other Loans	51,232	38,381
Savings Certificates	8,730	7,947
National Solidarity Bonds	943	-
Prize Bonds	11,505	12,778
Savings Bonds	10,453	7,657
Instalment Savings	1,764	1,843
	84,627	**68,606**

8. Medium / Long Term Debt

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

	2010	2009
	€million	€million
Debt due for repayment within 1 year	4,585	1,179
Debt due for repayment between 2 and 5 years	23,779	24,891
Debt due for repayment in more than 5 years	62,411	45,458
	90,775	**71,528**

9. Commercial Paper

The NTMA issues short-term commercial paper of maturities of up to 1 year to raise short-term funds from the international money markets. The proceeds are used to fund the Exchequer deficit and as bridging finance in the replacement of longer term debt, and for other liquidity management purposes. Borrowings may be in a range of currencies, but all non-euro borrowings are immediately swapped back into euro using foreign exchange contracts.

Notes to the Financial Statements (Continued)

10. National Savings Schemes

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds and Prize Bonds are net of €14.3 million (2009: €20.9 million) cash balances held by An Post, Permanent TSB and the Prize Bond Company. An Post and the Prize Bond Company act as registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €368 million (2009: €346 million), being the estimate of the amount of accrued interest at 31 December 2010 in respect of Savings Bonds, Savings Certificates and 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. Where in any calendar year interest payments 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 gross interest cost of the savings schemes for 2010 was €199 million which represented 57.57 per cent of the interest accrued at 31 December 2009 of €346 million. No resources were applied from the Fund towards meeting interest payments during 2010.

		€ million
Estimated accrued interest at 31 December 2010		368
Balance of Small Savings Reserve Fund at 1 January 2010	NIL	
Amount applied during 2010 (Note 4)	NIL	
Balance of Small Savings Reserve Fund at 31 December 2010		NIL
Estimated accrued interest not provided for at 31 December 2010		**368**

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

11. Liquid Assets

	Opening balance at 1 January 2010 €000	Movements during 2010 €000	Closing balance at 31 December 2010 €000
Exchequer Account	21,025,141	(9,626,193)	11,398,948
Capital Services Redemption Account (note 15)	452	599,999	600,451
Deposits, Treasury Bills and Short Term Notes	790,000	3,374,868	4,164,868
	21,815,593	**(5,651,326)**	**16,164,267**

Notes to the Financial Statements (Continued)

12. Risk Management

The NTMA'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 NTMA's business. The principal categories of risk arising from the NTMA's activities are liquidity, market, counterparty credit and operational risk. In all of these areas the NTMA has comprehensive policies and procedures to measure and control the risk involved.

A major objective of the NTMA is to ensure that the Exchequer has sufficient cash to meet all obligations as they fall due. Ultimately the protection of liquidity is the NTMA's most critical task. Liquidity risks related to the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The NTMA manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time and matching the timing and volume of funding. This is reinforced by the NTMA'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. On 28 November 2010, the Government agreed to a three year €85 billion financial support programme for Ireland by members of the EU and the IMF. The terms of the programme include loans of varying maturities up to twelve years with an average maturity of seven and a half years. The staggered maturities are important from a risk management perspective in order to avoid a situation whereby Ireland is faced with a “funding wall” on conclusion of the programme. The NTMA seeks to ensure that disbursements under the EU/IMF programme are scheduled in such a way as to provide adequate liquidity while minimising the cost of carry to the State.

Market risk is the risk that movements in market interest or exchange rates or other prices adversely impact on debt service costs or the total market value of the debt. The NTMA must have regard both to the short-term and long-term implications of its transactions given its task of controlling not only the immediate fiscal debt service costs but also the present value of all future payments of principal and interest. The exposure to interest rate and currency risk is controlled by managing the interest rate and currency composition of the portfolio in accordance with Ministerial guidelines. 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. As conditions in financial markets change, the appropriate interest rate and currency profile of the portfolio is reassessed. The NTMA seeks to achieve the best trade-off between cost and risk over time and has in place a hedging programme to manage interest rate and exchange rate risks and to protect the Exchequer from potential volatility in future years. More information on the use of derivatives is set out in Note 13 - Derivatives.

Counterparty credit risk arises 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. In order to mitigate the Exchequer's exposure to market counterparties while at the same time ensuring that Ireland has efficient market access for its hedging activities, the NTMA may enter into credit support arrangements with the market participants with which it wishes to trade – this involves the posting of collateral to offset the market value of exposures. More information on the use of credit support arrangements is set out in Note 13 - Derivatives.

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.

Notes to the Financial Statements (Continued)

13. Derivatives

As part of its risk management strategy the NTMA uses a combination of derivatives including interest rate swaps, currency swaps and foreign exchange contracts. The following table shows the nominal value and present value, of the instruments related to the National Debt outstanding at year end. The present value of each instrument is determined by using an appropriate rate of interest to discount all its future cashflows to their present value.

	31 December 2010		31 December 2009	
	Nominal	Present Value	Nominal	Present Value
	€ million	€ million	€ million	€ million
Interest Rate Swaps	195	(9)	195	(11)
Currency Swaps & Foreign Exchange Contracts	637	22	5,829	114
	832	**13**	**6,024**	**103**

The NTMA provides treasury services to NAMA under Section 52 of the National Asset Management Agency Act 2009. Accordingly it may enter into derivative transactions with NAMA or with any other person as an agent of NAMA. Any such transactions are offset by matching transactions with market counterparties. As a result there is no net effect on the National Debt accounts. The nominal value of interest rate swaps transacted with NAMA outstanding at end 2010 was €15.8 billion (2009: NIL); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2010 was €10.3 billion (2009: NIL).

In order to mitigate the risks arising from derivative transactions, the NTMA enters into credit support arrangements with its market counterparties. The NTMA established a Credit Support Account in 2010 to facilitate these transactions.

Credit Support Annexes - Receipts and Payments	Year ended 31 December 2010 €000
Balance at 1 January 2010	NIL
Net margin transfers received from counterparties	11,000
Interest received from Central Bank on cash balances	4
Interest paid to counterparties on cash collateral balances held	(4)
Balance at 31 December 2010 (Cash with Central Bank of Ireland)	**11,000**

The purpose of this account is to administer collateral balances arising under Credit Support Annexes (CSAs). A CSA is a legal document which may be attached to an ISDA Master Agreement to regulate credit support (in this case, cash collateral) for derivative transactions and it defines the circumstances under which counterparties are required to post collateral.

Under the CSAs, the posting of cash constitutes an outright transfer of ownership. However, the transfer is subject to an obligation to return equivalent collateral in line with changes in market values or under certain circumstances such as a Termination Event or an Event of Default. The provider of collateral is entitled to deposit interest on cash balances posted.

As at end-2010, the NTMA had not posted any cash collateral as this was not required under the terms of the CSAs that were in place.

Notes to the Financial Statements (Continued)

14. National Debt

The NTMA hedges the foreign currency risk of the National Debt through the use of forward foreign exchange contracts and currency swaps. The currency composition of the National Debt, and related currency hedges, are as follows: -

Currency	As at 31 December 2010 € million	As at 31 December 2009 € million
Debt Instruments		
Euro[1]	92,838	69,454
US Dollar	470	5,511
Pounds Sterling	23	158
Japanese Yen	92	75
Swiss Franc	20	12
Swedish Krona	17	39
	93,460	75,249
Foreign Currency & Swap Contracts		
Euro	611	5,706
US Dollar	(474)	(5,518)
Pounds Sterling	(23)	(159)
Japanese Yen	(92)	(75)
Swiss Franc	(20)	(12)
Swedish Krona	(17)	(39)
	(15)	(97)
National Debt	**93,445**	**75,152**

[1] This figure is net of liquid assets as at 31 December 2010 of €16,164 million (31 December 2009: €21,816 million)

15. 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.

Notes to the Financial Statements (Continued)

16. Foreign Currency Clearing Accounts

		€000
Balance at 1 January 2010		NIL
Amounts received under Finance Act 1988 [S67 (8)]	41,916,251	
Amounts paid under Finance Act 1970 [S54 (7)]	(37,188,593)	4,727,658
Foreign Currency Borrowing receipts	13,275,498	
Foreign Currency Borrowing payments	(17,985,618)	(4,710,120)
Interest paid on Foreign Currency Borrowings (note 1)		
- Medium/ Long Term Debt	(4)	
- Short Term Debt	(16,397)	(16,401)
Expenses of Foreign Currency Borrowings (note 1)		(306)
Expenses of NTMA		(826)
Expenses of NDFA		(5)
Balance at 31 December 2010		**NIL**

17. 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.

	2010	**2009**
	€ million	**€ million**
Post Office Savings Bank Fund	1,208	1,208
Ulysses Securitisation plc	-	127
Deposit Monies Investment Account	316	448
	1,524	**1,783**

18. Deposits, Treasury Bills and Short Term Notes Activity

The NTMA places short-term deposits and buys Treasury Bills and Short Term Notes for maturities of up to one year for the purpose of liquidity management.

Financial Statements of the National Treasury Management Agency – Administration Account

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

National Treasury Management Agency – Administration Account

I have audited the financial statements of the National Treasury Management Agency for the year ended 31 December 2010 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprises the Accounting Policies, the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the Agency

The Agency is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Agency's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Agency's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Agency's affairs at 31 December 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or

- the information given in the Agency's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- the Statement on Internal Financial Control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

John Buckley
Comptroller and Auditor General

30 June 2011

Accounting Policies

(a) 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.

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

(b) Reporting Currency

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

(c) 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.

(d) 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.

(e) Leasing

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

(f) Pensions

The NTMA operates a Defined Benefit pension scheme for certain employees and makes contributions to Personal Retirement Savings Accounts (PRSA) for other employees. Contributions are funded out of the NTMA's administration budget.

The Defined Benefit Scheme pension costs are accounted for under FRS 17. Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit method. An excess of scheme liabilities over scheme assets is presented on the Balance Sheet as a liability. Deferred pension funding represents the corresponding asset to be recovered in future periods from the Central Fund.

The Defined Benefit pension charge in the Income and Expenditure Account comprises the current service cost and past service cost plus the difference between the expected return on scheme assets and the interest cost on the scheme liabilities. An amount corresponding to the pension charge is recognised as income recoverable from the Central Fund in future periods.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience surpluses and deficits are recognised in the Statement of Total Recognised Gains and Losses for the year in which they occur and a corresponding adjustment is recognised in the amount recoverable from the Central Fund.

The cost of contributions by the NTMA to PRSAs is recognised as a charge in the Administration Account in the financial year to which the employee service relates.

(g) Software

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

(h) Capital Account

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

Income and Expenditure Account

Year ended 31 December

	Note	2010 €000	2009 €000
Income			
Amount receivable from Central Fund	9	34,024	37,869
Other income	10	18,720	1,023
Transfer (to)/from capital account	5	(456)	461
		52,288	39,353
Expenditure			
Net Deferred Pension Funding	8(a)	-	61
Agency Costs	1	(49,907)	(39,414)
Net Income/(Expenditure) for year		**2,381**	**Nil**

Statement of Total Recognised Gains and Losses

Year ended 31 December

		2010 €000	2009 €000
Net Income transferred to Defined Benefit Pension Reserve		2,381	-
Actuarial (loss)/gain recognised on Pension Liabilities	7(f)	(1,344)	6,228
Movement in Deferred Pension Funding	8(b)	-	(5,602)
Total Recognised Gain for the year		**1,037**	**626**

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 65 to 72 form part of these financial statements.

Balance Sheet

31 December

	Note	2010 €000	2009 €000
Fixed Assets			
Fixed assets	2	1,901	1,445
Current Assets			
Cash at bank and in hand		685	96
Debtors	3	11,494	4,005
Total Current Assets		12,179	4,101
Current Liabilities			
Creditors	4	12,179	4,101
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities before pensions		**1,901**	**1,445**
Deferred Pension Funding	7(d)	-	-
Pension Asset / (Liability)	7(d)	1,663	626
		1,663	626
Total Assets less Current Liabilities		**3,564**	**2,071**
Representing:			
Capital account	5	1,901	1,445
Defined Benefit Pension Reserve	7(d)	1,663	626
		3,564	**2,071**

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 65 to 72 form part of these financial statements.

Notes To The Financial Statements

1. Agency Costs

	2010 €000	2009 €000
Salaries	27,276	20,106
Consultancy and legal expenses	10,190	8,702
Operating expenses	7,306	5,110
Establishment expenses	3,393	2,149
Defined Benefit Pension annual cost (FRS 17, Note 7(e))	841	1,959
Depreciation (note 2)	737	590
PRSA Pension Costs (note 6)	164	798
Total expenses	**49,907**	**39,414**

Consultancy and legal expenses include €7.9m related to banking system functions. As referred to in Note 10, €2.9m of this €7.9m is recoverable from the covered credit institutions.

Remuneration and Expenses

Remuneration of Advisory Committee members is set by the NTMA with the consent of the Minister for Finance.

Advisory Committee

Chairperson: €50,000 per annum
Other Members: €25,000 per annum

Kevin Cardiff and David Doyle, both appointed in their capacity as Secretary General of the Department of Finance, did not receive any remuneration in respect of their membership.

During 2010 members of the Advisory Committee either (a) gifted ten per cent of their remuneration back to the Minister for Finance or (b) had the Public Service Pension Related Deduction applied to their fee.

A total of €25,318 in expenses was paid to Advisory Committee members in 2010 reflecting travel and accommodation expenses incurred by non-Irish based members. Expenses comprised €21,278 for travel and €4,040 for accommodation.

Chief Executive Remuneration 2010:

Salary: €490,000
Taxable benefits: €27,561

The Chief Executive's pension entitlements are within the standard entitlements in the model public sector defined benefit superannuation scheme.

The remuneration of the Chief Executive is determined by the Minister for Finance after consultation with the Advisory Committee.

The remuneration of the Chief Executive consists of basic salary, taxable benefits (car and health insurance) and a performance related payment of up to 80 per cent of annual salary. In view of the economic challenges facing the country, the Chief Executive and the other members of the NTMA senior management team waived their performance related pay awarded for 2010.

Notes to the Financial Statements (Continued)

2. Fixed Assets

	Property €000	Furniture, Equipment & Motor Vehicles €000	Total €000
Cost:			
Opening balance at 1 January 2010	1,382	4,586	5,968
Additions at cost	163	1,035	1,198
Disposals	-	(229)	(229)
Balance at 31 December 2010	**1,545**	**5,392**	**6,937**
Accumulated depreciation:			
Opening balance at 1 January 2010	1,189	3,334	4,523
Depreciation for the period	78	659	737
Disposals	-	(224)	(224)
Balance at 31 December 2010	1,267	3,769	5,036
Net book value at 31 December 2010	278	1,623	1,901
Net book value at 31 December 2009	193	1,252	1,445

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

Property	20 years
Equipment & Motor Vehicles	3 to 5 years
Furniture	10 years

The capitalised property costs relate to the fit-out costs of the office space occupied by the NTMA. The property is leased under a long-term lease, which is subject to rent reviews. The current annual rent is €1,757,500 per annum.

3. Debtors

	2010 €000	2009 €000
Central Fund	-	1,697
Prepayments	1,242	1,197
Other debtors	10,252	1,111
	11,494	4,005

4. Creditors

	2010 €000	2009 €000
Central Fund	6,824	-
Creditors	62	162
Accruals	5,293	3,939
	12,179	4,101

Notes to the Financial Statements (Continued)

5. Capital Account

			2010 €000	2009 €000
Opening balance			1,445	1,906
Transfer from /(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets		1,198		
Amortisation of capital funding				
- Amortisation in line with depreciation	(737)			
- Net amount released on asset disposal	(5)	(742)	456	(461)
Amount released on disposal of investment			-	-
Closing balance			1,901	1,445

6. Superannuation

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme set up under Section 8 of the National Treasury Management Agency Act 1990. Contributions, including those of staff who have opted for dependent benefit arrangements, are transferred to an externally managed fund. The NTMA contribution is determined on the advice of an independent actuary and is, at present, set at a level of 25 per cent of payroll. It was also recommended that a contribution of 10.5 per cent be made in respect of new members of the Scheme from 1 January 2010. These new entrants, including staff who where previously members of Personal Retirement Savings Accounts, will receive benefits based on career average earnings. Contributions to the defined benefit scheme by the NTMA for the year ended 31 December 2010 amounted to €3,222,454 (2009: €1,898,320).

Liabilities arising under the defined benefit 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 out of the Exchequer, as and when benefits fall due for payment in the normal course, in respect of prior service of former civil servants employed by the NTMA. No provision has been made for funding the payment of such entitlements.

The NTMA also contributed €163,943 (2009: €797,660) to Personal Retirement Savings Accounts (PRSAs) for a number of employees who are not members of the defined benefit scheme in 2010.

Notes to the Financial Statements (Continued)

7. Retirement Benefits

(a) Defined Benefit Pension Scheme

The valuation of the defined benefit scheme used for the purposes of FRS17 disclosures has been based on data provided by the Scheme Administrator. It has been updated by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their bid value at the balance sheet date.

(b) Change in the present value of defined benefit obligations

	2010 €000	2009 €000
Benefit obligations at beginning of year	37,993	36,698
Service cost	1,465	1,068
Interest cost	2,284	2,122
Scheme members' contributions	613	286
Past service costs	-	927
Actuarial (gain)/loss	1,120	(855)
Benefits paid	(602)	(2,213)
Premiums paid	(44)	(40)
Benefit obligations at end of year	42,829	37,993

(c) Change in the fair value of scheme assets

	2010 €000	2009 €000
Fair value of scheme assets at beginning of year	38,619	31,157
Expected return on scheme assets	2,908	2,158
Actuarial gain/(loss)	(224)	5,373
Employer contributions	3,222	1,898
Member contributions	613	286
Benefits paid from scheme	(602)	(2,213)
Premiums paid	(44)	(40)
Fair value of scheme assets at end of year	44,492	38,619

Scheme assets

The asset allocations at the year end were as follows:

	2010	2009
Equities	78.13%	80.60%
Bonds	16.67%	15.06%
Property	2.04%	2.36%
Other	3.16%	1.98%
	100.00%	100.00%

To develop the expected long-term rate of return on assets assumption, consideration was given to the current level of expected returns on risk free investments (primarily government bonds), the historical level of the risk premium associated with the other asset classes in which the portfolio is invested and the expectations for future returns of each asset class. The expected return for each asset class was then weighted based on the target asset allocation to develop the expected long-term rate of return on assets assumption for the portfolio.

	2010 €000	2009 €000
Actual return on scheme assets	2,684	7,531

Notes to the Financial Statements (Continued)

7. Retirement Benefits (Continued)

(d) Scheme Surplus / (Deficit)

	2010 €000	2009 €000
Fair value of scheme assets	44,492	38,619
Present value of funded obligations	(42,829)	(37,993)
(Deficit)/ Surplus at year end	1,663	626
Amounts in the balance sheet		
Asset		
Deferred Pension Funding	–	–
Pension Asset	1,663	626
Defined Benefit Pension Reserve	**1,663**	**626**

Defined Benefit Pension Reserve

The Defined Benefit Pension Reserve represents the excess of scheme assets over scheme liabilities at 31 December 2010 as measured for the purposes of FRS17.

(e) Components of pension expense

The amount recognised in the income expenditure account is as follows:

	2010 €000	2009 €000
Current service cost	1,465	1,068
Interest cost	2,284	2,122
Expected return on scheme assets	(2,908)	(2,158)
Past service costs	–	927
Income and Expenditure Charge (Note 1)	841	1,959

(f) Actuarial gain / (loss)

The actuarial gain / (loss) recognised in the Statement of Total Recognised Gains and Losses is as follows:

	2010 €000	2009 €000
Actuarial gain / (loss) on scheme obligations	(1,120)	855
Actuarial gain / (loss) on scheme assets	(224)	5,373
Statement of Total Recognised Gains and Losses	(1,344)	6,228
Cumulative amount recognised in Statement of Total Recognised Gains and Losses	(8,291)	(6,947)

Notes to the Financial Statements (Continued)

7. Retirement Benefits (Continued)

(g) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2010	2009
Weighted average assumptions used to determine benefit obligations		
Discount rate	5.50%	5.75%
Rate of compensation increase	4.00%	4.00%
Weighted average assumptions used to determine pension expense for year ended:		
Discount rate	5.75%	5.75%
Expected long-term return on scheme assets	7.23%	6.94%
Weighted average life expectancy at age 60 for mortality tables used to determine benefit obligations:		
Future Pensioners		
Male (year of birth 1966)	30.1	28.4
Female (year of birth 1966)	31.3	31.5
Current Pensioners		
Male (year of birth 1951)	28.1	26.3
Female (year of birth 1951)	29.6	29.4
Weighted average life expectancy at age 65 for mortality tables used to determine benefit obligations:		
Future Pensioners		
Male (year of birth 1966)	25.7	23.6
Female (year of birth 1966)	26.7	26.7
Current Pensioners		
Male (year of birth 1946)	23.0	21.6
Female (year of birth 1946)	24.5	24.7

(h) History of defined benefit obligations, assets and experience gains and losses

	2010 €000	2009 €000	2008 €000	2007 €000	2006 €000
Defined benefit obligation	42,829	37,993	36,698	40,657	39,166
Fair value of scheme assets	44,492	38,619	31,157	43,100	36,244
Deficit/ (Surplus)	**(1,663)**	**(626)**	**5,541**	**(2,443)**	**2,922**
Difference between expected and actual return on scheme assets:					
Amount	224	(5,373)	15,927	2,126	(1,895)
Expressed as a % of scheme assets	0.5%	(13.9%)	51.1%	4.9%	(5.2%)
Experience (gains) / losses on scheme liabilities:					
Amount	(1,814)	(1,348)	(2,140)	610	221
Expressed as a % of scheme liabilities	(4.2%)	(3.5%)	(5.8%)	1.5%	0.6%

Notes to the Financial Statements (Continued)

8. Net Deferred Pension Funding

(a) Net Deferred Pension Reserve Funding in respect of the year

	2010 €000	2009 €000
Funding recoverable in respect of current year pension costs (note 7(e))	-	1,959
Income applied to pay contributions to pension fund (note 6)	-	(1,898)
Net Deferred Pension Funding	-	61

(b) Movement in the Deferred Pension Funding

	2010 €000	2009 €000
Movement in amount recoverable in respect of current year actuarial loss/(gain)	-	(6,228)
Actuarial movement transferred to Defined Benefit Pension Reserve	-	626
	-	(5,602)

(c) Movement in Defined Benefit Pension Reserve

	2010 €000	2009 €000
Opening balance	626	-
Actuarial (loss)/gain	(1,344)	-
Actuarial movement transferred from Deferred Pension Funding	-	626
Transfer from Income and Expenditure Account	2,381	-
Closing balance	1,663	626

9. Central Fund Income

(a) The Central Fund operates on a receipts and payments basis whereas these financial statements have been prepared on an accruals basis. The following table sets out the reconciling items:

	2010 €000	2009 €000
Opening amount due from Central Fund (note 3)	(1,697)	(1,173)
Received from Central Fund	42,545	37,345
Amount due (to)/from Central Fund at year end (notes 3 & 4)	(6,824)	1,697
Central Fund Receivable for year	34,024	37,869

(b) The total amount recognised as (payable to) / recoverable from the Central Fund is:

	2010 €000	2009 €000
Creditors (Note 4)	(6,824)	-
Debtors (note 3)	-	1,697
Deferred Pension Funding (note 7(d))	-	-
	(6,824)	1,697

Notes to the Financial Statements (Continued)

10. Other Income

	2010	2009
	€000	€000
Asset Covered Income	641	827
Consultancy and other income	228	196
Recovery of expenses from covered credit institutions	2,886	-
Recovery of expenses from the National Asset Management Agency	14,965	-
	18,720	1,023

Asset Covered Income is income that the NTMA receives in its role under the Asset Covered Securities Act 2001.

Under sections 41 and 42 of the National Asset Management Agency Act 2009, the NTMA provides the National Asset Management Agency (NAMA) with business and support services and systems in addition to assigning staff to the functions of NAMA as agreed. The cost of these services for the year ended 31 December 2010 was €15.0m.

Under the direction issued to the NTMA under S.I. no. 115 of 2010, the Minister for Finance delegated a number of banking system functions to the NTMA. As referred to in Note 1, the NTMA has incurred €7.9m of legal and consultancy costs in 2010 related to this function, €2.9m of which is recoverable from the covered credit institutions.

11. Expenses of NTMA for other functions

The NTMA incurred the following costs to fulfil the functions delegated to it.

	2010	2009
	€m	€m
National Pensions Reserve Fund	4.5	6.1
National Development Finance Agency	7.1	7.3
State Claims Agency	7.8	7.8
National Asset Management Agency	15.0	2.8

These costs are included in the Income and Expenditure account.

Financial Statements of the Post Office Savings Bank Fund

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for Presentation to the Houses of the Oireachtas

Post Office Savings Bank Fund

I have audited the financial statements of the Post Office Savings Bank Fund for the year ended 31 December 2010 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Income and Expenditure Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the National Treasury Management Agency

The National Treasury Management Agency is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Fund's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Fund's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Post Office Savings Bank Fund's affairs at 31 December 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Matters on Which I am Required to Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- the information given in the Agency's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

John Buckley
Comptroller and Auditor General

30 June 2011

Accounting Policies

(a) 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 NTMA. The Post Office Savings Bank Fund does not form part of the Exchequer.

The fund has the following 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 NTMA, and
- to provide moneys under Central Treasury Services to designated state bodies.

(b) Reporting Currency

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

(c) Basis of Accounting

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

(d) Investments

Investments are stated at cost.

Income and Expenditure Account

Year ended 31 December

	Note	2010 €000	2009 €000
Investment income	1	58,871	59,379
Interest paid and payable	2	30,285	24,703
Other expenses	3	32,756	32,368
		63,041	57,071
Surplus/(Deficit) for the year		(4,170)	2,308
Balance at beginning of year		12,214	9,906
Balance at end of year		8,044	12,214

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 78 to 80 form part of these financial statements.

Balance Sheet

31 December

	Note	2010 €000	2009 €000
Assets			
Advances	4	1,207,439	1,213,438
Investments in Bonds	5	746,034	319,044
Debtors	7	33,324	8,173
Central Treasury Loans		48,162	54,185
Commercial Paper	10	48,500	85,000
Cash		279,096	227,791
		2,362,555	1,907,631
Liabilities			
Post Office Savings Bank Deposits	8	2,342,351	1,891,875
Creditors	9	12,160	3,542
Accumulated Reserves		8,044	12,214
		2,362,555	1,907,631

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 78 to 80 form part of these financial statements.

Notes to the Financial Statements

1. Investment Income

	2010 €000	2009 €000
Interest received and receivable	134,835	41,362
Profit/(Loss) on sale of investments	(75,964)	18,017
	58,871	59,379

2. Interest Paid and Payable

	2010 €000	2009 €000
Interest paid and credited to depositors of Post Office Savings Bank	30,285	24,703

3. Other Expenses

	2010 €000	2009 €000
Management expenses	32,756	32,368

4. Advances

	2010 €000	2009 €000
Advances to Exchequer	1,207,439	1,208,307
Advances to State Claims Agency	-	5,131
	1,207,439	1,213,438

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

5. Investments

	2010 €000	2009 €000
Bonds		
At cost	746,034	319,044
At market value	660,938	319,065

Notes to the Financial Statements (Continued)

5. Investments (Continued)

Schedule of Investment Holdings:-

Nominal €000	Stock	Cost €000
43,727	4% Treasury Bond 2011	43,923
14,306	3.9% Treasury Bond 2012	14,178
26	8.75% Capital Stock 2012	28
6,666	5% Treasury Bond 2013	6,525
360	4% Treasury Bond 2014	335
83	8.25% Treasury Bond 2015	100
163,956	4.5% Treasury Bond 2018	144,005
102,514	4.6% Treasury Bond 2016	94,199
124,080	4.4% Treasury Bond 2019	102,954
131,517	5.9% Treasury Bond 2019	128,727
118,362	4.5% Treasury Bond 2020	100,129
28,410	5% Treasury Bond 2020	22,613
106,696	5.4% Treasury Bond 2025	88,318
840,703		746,034

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

	2010 €000	2009 €000
Dividends and interest receivable	19,550	7,972
Cash balances held by An Post	13,774	201
	33,324	8,173

8. POSB Deposits

	2010 €000	2009 €000
Deposits from Post Office Savings Bank	2,342,351	1,891,875

In April 2010 €2,527,789 (2009: €1,827,799) was transferred from the Post Office Savings Bank Fund to the Dormant Accounts Fund under the Dormant Accounts Act 2001. At 31 December 2010 following account reactivations of €805,525 (2009: €491,011) and interest (net of DIRT) capitalised of €248,339 (2009: €230,589), there was a balance of €33,494,686 (2009: €31,524,084) due to Depositors from the Dormant Accounts Fund. The Deposits from Post Office Saving Bank of €2,342,351,094 (2009: €1,891,874,799) do not include this Dormant Accounts Fund liability.

Notes to the Financial Statements (Continued)

9. Creditors

	2010	2009
	€000	€000
Net funds due under Sale and Repurchase Agreements	10,014	1,889
Outstanding bond settlements	-	6
DIRT due to An Post	2,052	1,557
Management expenses due to An Post	94	90
	12,160	3,542

10. Commercial Paper

	2010	2009
	€000	€000
Agricultural Commodity Intervention Bills	48,500	85,000

The Post Office Savings Bank Fund purchased Agricultural Commodity Intervention Bills issued by the Minister for Agriculture and Food as investments.

Financial Statements of the Capital Services Redemption Account

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have examined the account on pages 83 and 84. 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 2010 and the balance at that date.

John Buckley
Comptroller and Auditor General

30 June 2011

Account of Receipts and Payments

Year ended 31 December 2010

		€000
Balance at 1 January 2010		452
Receipts		
Amounts received from Central Fund under Finance Act 1950, Section 22 as amended:		
- Interest	1,888,388	
- Sinking Fund	617,229	
		2,505,617
Amounts received under Finance Act 1988 [S 67 (8)]		24,039,545
Deposit interest received		102,523
Other interest received		-
		26,648,137
Payments		
Amounts applied in the redemption of National Debt:		
-Irish Government Bonds Listed on Irish Stock Exchange	617,229	617,229
Amounts applied in meeting interest and expenses on National Debt (note 2)		1,919,479
Amounts applied in respect of liabilities under Finance Act 1970 [S 54 (7)]		23,510,978
Balance at 31 December 2010		600,451
		26,648,137

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Notes to the Account

1. This account was established under Section 22 of the Finance Act 1950

Annuities

Annuities are provided for in each year's Finance Act and are paid into the Capital Services Redemption Account 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.

Cash Management

The Minister for Finance may enter into transactions of a normal banking nature in accordance with section 54 of the Finance Act 1970 (as amended by section 118 of the Finance Act 1983, section 67 of the Finance Act 1988 and section 15 of the National Treasury Management Agency Act 1990.)

Such transactions of a normal banking nature include portfolio management activities which are not related to principal borrowings e.g. forward exchange deals, swaps and interest on deposits. Receipts from such transactions, other than those in a currency 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. Such amounts may be used to make payments and repayments in respect of normal banking transactions or towards defraying interest and expenses on the public debt. The balance in the account is maintained by the NTMA at a level subject to guidelines issued by the Minister for Finance under section 4(4) of the National Treasury Management Agency Act 1990.

Receipts and payments arising from transactions of a normal banking nature include receipts and payments of €23.4 billion arising from derivatives which were entered into with the National Asset Management Agency and matching derivatives entered into with other counterparties.

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

	2010 €000
4% Treasury Bond 2010	31,596
8.5% Capital Stock 2010	146
3.9% Treasury Bond 2012	120,000
8.75% Capital Stock 2012	805
4% Treasury Bond 2014	288,271
8.25% Treasury Bond 2015	609
4.6% Treasury Bond 2016	195,370
4.5% Treasury Bond 2018	351,866
4.4% Treasury Bond 2019	330,000
4.5% Treasury Bond 2020	393,446
5% Treasury Bond 2020	59,149
Small Savings Interest	120,737
Cash Management Borrowings	638
Irish Treasury Bills	26,846
Total	**1,919,479**

Financial Statements of the National Loans Advance Interest Account

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have examined the account on page 86. 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 2010 and the balance at that date.

John Buckley
Comptroller and Auditor General

30 June 2011

Account of Receipts and Payments

Year ended 31 December 2010

	€000
Balance at 1 January 2010	126,609
Accrued interest received on National Loans	
- Tranches and Auctions	312,149
Accrued interest paid on National Loans	(374,342)
Balance at 31 December 2010	
- Cash with Central Bank of Ireland	64,416

Note to the Account

The NTMA 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.

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Financial Statements of the National Loans (Winding Up) Account

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have examined the account on pages 89 and 90. 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 2010 and the balance at that date.

John Buckley
Comptroller and Auditor General

30 June 2011

Account of Receipts and Payments

Year ended 31 December 2010

	Note	€000
Balance at 1 January 2010		3,298
Receipts from Exchequer	1	876
Receipts from Central Bank Suspense Account		207
Payments to Central Bank Suspense Account		(213)
Payments for redemption of National Loans	2	(500)
Balance at 31 December 2010		
- Cash with Central Bank of Ireland		3,668

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

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 redemption date 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 2010

	€
4.5% National Loan 1973/78	762
7.5% National Loan 1981-86	2,286
9.75% National Loan 1984-89	1,801
6% Exchequer Loan 1985/90	1,143
11.5% Exchequer Stock 1990	1,856
7% National Loan 1987/92	1,905
7.5% Development Stock 88/93	2,603
9.25% National Loan 89/94	2,525
9.25% Exchequer Loan 91/96	1,760
11% National Loan 1993-98	1,200
6.25% Treasury Bond 1999	17,030
6.5% Exchequer Stock 00/05	64,249
14.75% Development Stock 2002/04	2,920
6.25% Treasury Bond 2004	15,237
9% Capital Stock 2006	41,509
6% Treasury Stock 2008	17,005
8.5% Capital Stock 2010	298,982
4% Treasury Bond 2010	25,475
Total	**500,248**

Financial Statements of the National Treasury Management Agency (Unclaimed Dividends) Account

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

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

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2010 and the balance at that date.

John Buckley
Comptroller and Auditor General

30 June 2011

Account of Receipts and Payments

Year ended 31 December 2010

	Note	€
Balance at 1 January 2010		2,417,732
Receipt of unclaimed dividends		124,998
Payment of unclaimed dividends	2	(396)
Balance at 31 December 2010 - Cash with Central Bank of Ireland	1	**2,542,334**

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Notes to the Account

1. When a dividend is due on a loan liability, the full amount due is paid by the National Treasury Management Agency to the Paying Agent and then issued to the registered holders. The balance on this account represents dividends on matured loans, which have not been claimed by the registered holders and have been returned to the National Treasury Management Agency by the Paying Agent. The balance is available to cover future claims on these dividends. 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	-
Foreign Bonds administered by Paying Agent	396
	396

Financial Statements of the Deposit Monies Investment Account

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

I have examined the account on page 94. 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 2010 and the balance at that date.

John Buckley
Comptroller and Auditor General

30 June 2011

Account of Receipts and Payments

Year ended 31 December 2010

	€000
Balance at 1 January 2010	447,848
Ways and Means Advances paid to Exchequer	7,445,229
Ways and Means Advances repaid by Exchequer	(7,576,784)
Balance at 31 December 2010 - Ways and Means Advances to Exchequer	316,293

Note to the Account

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

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Account of Stock Accepted in Payment of Inheritance Tax and Death Duties

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

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 transactions for the year ended 31 December 2010 and the balance at that date.

John Buckley
Comptroller and Auditor General

30 June 2011

Account of Receipts and Payments

Year ended 31 December 2010

		€000
Balance at 1 January 2010		NIL
Receipts		
Interest received on stock holdings	NIL	
Proceeds of stock redemption	NIL	
Payments		
Paid to Revenue Commissioners for value of stock transferred to the Minister for Finance		
- Nominal	NIL	
- Interest	NIL	
Repayment to Exchequer		NIL
Balance at 31 December 2010		NIL

Stock Account

Balance at 1 January 2010		NIL
Movement for the year		
Nominal amount of stock transferred to the Minister for Finance	NIL	
Nominal amount of stock redeemed	NIL	
		NIL
Balance at 31 December 2010		NIL

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

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

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

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

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2010 and the balance at that date.

John Buckley
Comptroller and Auditor General

30 June 2011

Account of Receipts and Payments

Year ended 31 December 2010

	€000
Balance at 1 January 2010	NIL
Received/(paid) from/(to) Exchequer	NIL
Balance at 31 December 2010	NIL
Estimated accrued interest at 31 December 2010	367,862

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. 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 gross interest cost of the savings schemes for 2010 was €199 million which represented 57.57 per cent of the interest accrued at 31 December 2009 of €346 million. No resources were applied from the Fund towards meeting interest payments during 2010.

Any 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.

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Financial Statements of the State Claims Agency

For the year ended 31 December 2010

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

State Claims Agency

I have audited the financial statements of the State Claims Agency (the Agency) for the year ended 31 December 2010 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Claims Statement Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the National Treasury Management Agency

The National Treasury Management Agency is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Agency's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Agency's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Agency's affairs at 31 December 2010 and of its income and expenditure for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Matters on Which I am Required to Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the National Treasury Management Agency's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- I have not received all the information and explanations I required for my audit, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

John Buckley
Comptroller and Auditor General
30 June 2011

Accounting Policies

(a) Background

Under the National Treasury Management Agency (Amendment) Act 2000, the management of personal injury and property damage claims against the State and of the underlying risks was delegated to the NTMA. When performing these functions, the NTMA is known as the State Claims Agency (SCA).

The Act sets out two objectives for the SCA:

- To manage claims so as to ensure that the State's liability and associated legal and other expenses are contained at the lowest achievable level; and,
- To provide risk advisory services to State authorities with the aim of reducing over time the frequency and severity of claims.

In February 2003, the management of clinical negligence claims and associated risks under the Clinical Indemnity Scheme was delegated to the State Claims Agency. The Scheme was established in order to rationalise medical indemnity arrangements for the health service. Under the Scheme, the State assumes full responsibility for the indemnification and management of clinical negligence claims.

The significant accounting policies adopted are as follows: -

(b) Reporting Currency

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

(c) Basis of Accounting

The financial statements are prepared on an accruals basis under the historical cost convention. The functions of the Agency relate to the management of claims on behalf of State authorities who are liable in respect of claims and from whom the Agency recovers the amounts of any awards and associated costs. The financial statements report only on the transactions of the Agency and therefore no amount is included for the value of outstanding claims.

(d) Expenditure

Expenditure on awards and claims settlement expenses are recognised on receipt of a validated approval or the validated settlement of such claims. Lodgements to court are recognised as expenditure on behalf of State authorities at the date of lodgement.

(e) Amounts Receivable from State Authorities

Amounts are treated as receivable from State authorities in line with the recognition of the related expenditure.

Claims Statement Account

Year ended 31 December

	Note	2010 €000	2009 €000
Received and receivable from State authorities			
in respect of claims and expenses	1	95,963	63,891
Costs recovered on behalf of State authorities		4,678	837
		100,641	64,728
Paid and payable in respect of Awards		63,300	41,042
Other expenses	2	32,663	22,849
Reimbursement of costs recovered to State authorities		4,678	837
		100,641	64,728

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 106 to 108 form part of these financial statements.

Balance Sheet

31 December

	Note	2010 €000	2009 €000
Assets			
Investments	3	7,657	10,254
Debtors	4	2,066	5,067
Cash		1,500	150
		11,223	15,471
Liabilities			
Special Obstetrics Scheme	5	7,657	10,254
Borrowings from Post Office Savings Bank Fund	6	-	5,131
Creditors	7	3,566	86
		11,223	15,471

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 106 to 108 form part of these financial statements.

Notes to the Financial Statements

1. Income

	2010 €000	2009 €000
Received from State authorities	96,233	59,819
Received from the Special Obstetrics Scheme	2,730	4,900
Increase / (decrease) in receivables	(3,000)	(828)
	95,963	63,891

2. Other Expenses

	2010 €000	2009 €000
State Claims Agency expenses		
- Legal fees	12,560	9,130
- Medical fees	1,295	1,036
- Engineers' fees	95	103
- Other fees (investigation, actuary, etc)	723	447
- NTMA Administration expenses recovered	-	-
	14,673	10,716
Plaintiff expenses		
- Legal fees	17,960	12,119
- Other expert fees	3	-
- Travel expenses	8	8
	17,971	12,127
Witness expenses	19	6
	32,663	22,849

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the State Claims Agency's functions amounted to €7,763,261 (2009: €7,828,414). These costs are included in the administration expenses of the National Treasury Management Agency and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from State Authorities.

Remuneration and Expenses (included in the administration expenses of the NTMA)

Remuneration of State Claims Policy Committee members is set by the NTMA with the consent of the Minister for Finance.

Chairperson:	€13,713 per annum
Other Members:	€9,142 per annum

State Claims Policy Committee remuneration set out above takes into account a ten per cent reduction in fees agreed by the Committee, at the request of the Minister for Finance, in 2009.

Chris Fitzgerald, Deirdre Hanlon and Brendan Phelan, appointed in their capacity as civil servants, did not receive any remuneration in respect of their membership.

A total of €270 in expenses was paid to Committee members in 2010. This was in respect of travel costs.

Notes to the Financial Statements (Continued)

3. Investments

Investments comprise Exchequer Notes, which are invested on behalf of the Department of Health on behalf of whom the State Claims Agency manages the Special Obstetrics Scheme (see Note 5).

4. Debtors

	2010 €000	2009 €000
Receivable from State authorities	2,061	5,061
Other	5	6
	2,066	5,067

5. Special Obstetrics Scheme

In 2008, the Minister for Health & Children established the Special Obstetrics Indemnity Scheme. Under the Scheme, the Minister agreed to indemnify Bon Secours and Mount Carmel Hospitals in respect of specified obstetric claims. The named, participating hospitals made contributions to a Fund. In addition, under the terms of an arrangement between the Medical Protection Society (MPS) and the Minister for Health & Children, the MPS transferred certain funds to the State to part-fund the cost of designated obstetric claims against named obstetricians covered by the arrangement. The Minister authorised the State Claims Agency to drawdown amounts from time to time from the relevant Fund to reimburse the SCA under Section 16(2) of the National Treasury Management Agency (Amendment) Act 2000 for any amounts paid by the SCA on behalf of the participating hospitals or on behalf of any person covered by the MPS arrangement in relation to the payment of claims or claim expenses as they arise. Income earned on the Scheme's investments is paid into the Scheme and is not recognised as income of the State Claims Agency.

The movement on the Special Obstetrics Indemnity Scheme during 2010 was:

	€000
Opening balance	10,254
Contributions to Fund	80
Claim settlements and expenses	(2,730)
Income earned	53
Balance available for settlement of claims	7,657

6. Borrowings from POSB

Under Section 16 of the National Treasury Management Agency Act (Amendment) 2000, the Minister for Finance may advance moneys from the Post Office Savings Bank Fund to the SCA for payment of the amount of any costs, charges and expenses in respect of the services of professional and other expert advisers, the amount of any award or settlement to be paid to a claimant in respect of a delegated claim, and the amount of interest (if any) payable thereon.

7. Creditors

	2010 €000	2009 €000
Payable in respect of awards	2,919	-
Payable in respect of expenses	347	2
Professional Services Withholding Tax due	233	76
Amounts due to State authorities	66	8
Other	1	-
	3,566	86

8. Administration Expenses

The State Claims Agency may recover administration expenses it has incurred from unsuccessful claimants. When such expenses are recovered, they are transferred to the National Treasury Management Agency Administration account.

Notes to the Financial Statements (Continued)

9. Estimated Liabilities of State Authorities

Claims activity for 2010 was as follows:

New claims received	1,740
Claims resolved	1,797
Claims under management – 31 December 2010	4,243

At 31 December 2010 the estimated liability of State Authorities in respect of claims under management by the State Claims Agency was €885m (2009: €725m), of which €786m (2009: €636m) was attributable to Clinical Claims and €99m (2009: €89m) to Employer Liability, Public Liability and Property Damage Claims. The estimated liability is an estimate calculated by reference to the ultimate cost of resolving each claim including all foreseeable costs such as settlement amounts, plaintiff legal costs and defence costs.

Financial Statements of the Dormant Accounts Fund

For the year ended 31 December 2010

Statement of Agency's Responsibilities

The NTMA is required by the Dormant Accounts Act 2001 as amended by the Dormant Accounts (Amendment) Act 2005 and the Unclaimed Life Assurance Policies Act 2003 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the NTMA:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- prepares the financial statements on a going concern basis unless it is inappropriate to do so;
- discloses and explains any material departure from applicable accounting standards.

The NTMA shall, in relation to the Dormant Accounts Fund, keep in a form that may be specified by the Minister for Finance 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 Fund.

The NTMA is also responsible for safeguarding assets under its control and hence for taking reasonable steps in order to prevent and detect fraud and other irregularities.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

Report of the Comptroller and Auditor General for presentation to the Houses of the Oireachtas

Dormant Accounts Fund

I have audited the financial statements of the Dormant Accounts Fund for the year ended 31 December 2010 under the Dormant Accounts Act 2001. The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Investment and Disbursements Account, the Reserve Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the National Treasury Management Agency

The National Treasury Management Agency is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view of the state of the Fund's affairs at year end and of its transactions for the year, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Fund's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Dormant Accounts Fund's affairs at 31 December 2010 and of its transactions for the year then ended.

In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Matters on Which I am Required to Report by Exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where moneys have not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Agency's Annual Report for the year for which the financial statements are prepared is not consistent with the financial statements, or
- I find there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

John Buckley
Comptroller and Auditor General

30 June 2011

Accounting Policies

(a) Background

The Dormant Accounts Act 2001 as amended by the Dormant Accounts (Amendment) Act 2005, provides for a scheme to transfer dormant funds in banks, building societies and An Post to the care of the State, while guaranteeing a right of reclaim to those funds. It further provides for the introduction of a scheme for the disbursement, for charitable purposes, or purposes of societal and community benefit, of funds which are not likely to be reclaimed.

The Unclaimed Life Assurance Policies Act 2003 provided for the transfer of unclaimed life assurance policies to the State, and amended the Dormant Accounts Act 2001 where necessary, to extend the legislation to life assurance policies.

The Dormant Accounts Fund consists of a Reserve Account from which reclaims and various expenses are paid and an Investment and Disbursements Account from which investments and disbursements are made.

The National Treasury Management Agency ("the NTMA") is responsible, under sections 17 and 18 of the 2001 Act, for establishing, managing and controlling the Dormant Accounts Fund and has all powers (including the power to charge fees, payable from the Fund, in relation to the management and control of the Fund) that are necessary to the performance of its functions. These functions include:

- the making of disbursements in accordance with the directions of the Dormant Accounts Board or Minister for Finance
- the maintenance of the Reserve Account
- the defraying of the fees, costs and expenses incurred by the NTMA and the Dormant Accounts Board
- the defraying of the remuneration, fees and expenses of the authorised inspectors
- the repayment of moneys transferred to the Fund
- the preparation of the annual investment plan, having regard to the disbursement plan and any direction from the Minister for Community, Equality and Gaeltacht Affairs
- the investment of any moneys standing to the credit of the Fund that are not, for the time being, required for the purpose of meeting the liabilities of the Fund
- the keeping of proper accounts of all moneys received and expended by the NTMA
- the submitting of annual accounts to the Comptroller and Auditor General and the presentation of a copy of accounts so audited to the Minister for Finance and the Minister for Community, Equality and Gaeltacht Affairs.

As provided for in the Dormant Accounts (Amendment) Act 2005, the Minister for Community, Equality and Gaeltacht Affairs established the Dormant Accounts Board on 4 January 2006. It replaces the Dormant Accounts Fund Disbursements Board which was dissolved on the same date. While the Dormant Accounts Board has a mainly monitoring and advisory role, it is also empowered to direct the NTMA to make disbursements from the Dormant Accounts Fund resulting from grant applications approved by the former Dormant Accounts Fund Disbursements Board before its dissolution (section 11(3) of the Dormant Accounts (Amendment) Act 2005 refers).

The significant accounting policies adopted are as follows: -

(b) Reporting Currency

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

(c) Reporting Period

The reporting period is the year ended 31 December 2010.

(d) Basis of Accounting

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

Investment and Disbursements Account

Year ended 31 December

	Note	2010 €000	2009 €000
Interest on investments		437	804
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	1	39,286	41,384
Amount transferred to Reserve Account	2	(24,758)	(23,906)
Disbursements	3	(20,267)	(37,644)
Movement for the year		(5,302)	(19,362)
Balance at 1 January		85,728	105,090
Balance at 31 December		80,426	85,728

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 116 to 120 form part of these financial statements.

Reserve Account

Year ended 31 December

	Note	2010 €000	2009 €000
Transfer from Investment and Disbursements Account	2	24,758	23,906
Interest on investments		201	330
Repayment of moneys transferred to the Fund	1	(20,304)	(19,052)
Interest on repayment of moneys transferred to the Fund	1	(165)	(243)
Other expenses	4	(1,618)	(1,717)
Movement for the year		2,872	3,224
Balance at 1 January		49,128	45,904
Balance at 31 December		52,000	49,128

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 116 to 120 form part of these financial statements.

Balance Sheet

31 December

	Note	2010 €000	2009 €000
Assets			
Financial Assets			
- Investments at cost		-	-
Current Assets			
- Cash	5	132,451	134,961
- Debtors		215	137
Liabilities			
- Accrued Reclaims		(240)	(242)
Net Assets	6	132,426	134,856
Represented by:			
Investment and Disbursements Accounts		80,426	85,728
Reserve Account		52,000	49,128
		132,426	134,856

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2011

The notes on pages 116 to 120 form part of these financial statements.

Notes to the Financial Statements

1. Cumulative amounts transferred and reclaimed in respect of dormant accounts and unclaimed assurance policies

Banks – Dormant Accounts

Institution	Opening Balance 1/1/10 €	Transferred €	Reclaimed €	Closing Balance 31/12/10 €	Interest Paid €
ACC Bank plc	5,004,932	1,080,699	583,553	5,502,078	2,569
Allied Irish Banks plc	48,473,921	6,051,482	928,831	53,596,572	6,326
AIB Finance Limited	1,637,302	-	19,337	1,617,965	2
Anglo Irish Bank Corporation plc	549,194	87,875	92,334	544,735	217
Barclays Bank plc	280,762	-	-	280,762	-
BNP Paribas	67,487	-	-	67,487	-
Bank of America	154,778	-	-	154,778	-
Bank of Ireland / ICS Building Society	49,424,311	5,915,600	1,719,935	53,619,976	8,274
Bank of Ireland Treasury & International Banking	3,783,528	17	37,915	3,745,630	130
Bank of Scotland (Ireland)	483,034	207,909	123,855	567,088	1,452
Citibank	28,700	-	-	28,700	-
EBS Building Society	11,280,924	2,604,291	831,474	13,053,741	24,063
EAA Corporate Services plc (formerly WestLB Ireland plc)	122,119	-	-	122,119	-
First Active	8,474,351	-	200,705	8,273,646	1,890
Investec Bank (UK) Limited (Irish Branch)	371,336	6,636	-	377,972	-
JP Morgan Ireland plc	48,897	-	-	48,897	-
National Irish Bank Limited	4,543,194	584,026	357,371	4,769,849	3,216
Permanent TSB	23,972,160	2,141,225	368,509	25,744,876	8,543
Permanent TSB (accounts of Irish Nationwide Building Society)	4,767,703	456,064	45,841	5,177,926	137
Pfizer International Bank	19,286	-	527	18,759	-
An Post – Instalment Savings	1,142,471	276,307	178,134	1,240,644	16,984
An Post - Instalment Savings (Capitalised interest)	3,839,275	404,824	408,425	3,835,674	-
An Post - Post Office Savings Bank (Capitalised Interest)	-	10,583	-	10,583	-
An Post - Post Office Savings Bank	30,862,348	2,517,205	775,155	32,604,398	30,474
An Post - Savings Bonds (Capitalised interest)	3,129,066	208,607	453,507	2,884,166	-
An Post - Savings Bonds	2,058,347	235,549	359,996	1,933,900	-
An Post - Savings Certs (Capitalised interest)	47,809,982	5,407,694	6,070,152	47,147,524	-
An Post - Savings Certs	12,753,911	3,243,657	2,382,058	13,615,510	48,849
RBS NV (formerly ABN AMRO)	34,992	-	-	34,992	-
Scotiabank (Ireland) Limited	1,003,127	-	-	1,003,127	-
Ulster Bank Ireland Limited	11,615,620	1,834,935	324,065	13,126,490	6,845
TOTAL	277,737,058	33,275,185	16,261,679	294,750,564	159,971

Notes to the Financial Statements (Continued)

1. Amounts transferred and reclaimed in respect of dormant accounts and unclaimed assurance policies (Continued)

Assurance Companies – Unclaimed Assurance Policies

Institution	Opening Balance 1/1/10 €	Transferred €	Reclaimed €	Closing Balance 31/12/10 €	Interest Paid €
Specified Term					
Acorn Life	-	1,028	-	1,028	-
Ark Life	44,851	6,218	-	51,069	-
Caledonian Life	104,748	-	-	104,748	-
Canada Life Assurance	321,940	257,921	-	579,861	-
Canada Life Ireland	282,812	168,329	7,485	443,656	-
Equitable Life	-	4,210	-	4,210	
Friends First	944,154	7,294	37,684	913,764	-
Hibernian Life	1,350,545	523,395	49,584	1,824,356	-
Irish Life	3,369,681	851,064	58,847	4,161,898	-
New Ireland	363,105	78,492	224,823	216,774	-
Phoenix Ireland (formerly Alba Life)	128,306	42,825	-	171,131	-
Phoenix Ireland (formerly Royal & SunAlliance)	668,130	24,873	78,485	614,518	-
Phoenix Ireland (formerly Scottish Provident Ireland)	131,431	21,880	-	153,311	-
Royal Liver	4,070,653	974,573	470,429	4,574,797	-
St. James Place	10,649	-	-	10,649	-
Scottish Legal Life	268,716	170,558	-	439,274	-
Standard Life	591,394	195,960	145,108	642,246	-
Sun Life Financial of Canada	143,040	4,953	5,794	142,199	-
Zurich Insurance (formerly Eagle Star)	265,638	119,271	14,192	370,717	-
No Specified Term					
Ark Life	12,697	103,807	-	116,504	-
Caledonian Life	31,113	-	-	31,113	-
Canada Life Assurance	160,702	2,159	120,740	42,121	-
Canada Life Ireland	3,465,474	539,062	192,857	3,811,679	-
Friends First	1,007,637	1,499	76,435	932,701	-
Hibernian	1,712,562	135,771	40,367	1,807,966	-
Irish Life	5,076,992	104,611	129,306	5,052,297	-
New Ireland	11,096,665	602,227	1,521,983	10,176,909	-
Phoenix Ireland (formerly Alba Life)	15,033	-	-	15,033	-
Phoenix Ireland (formerly Royal & SunAlliance)	96,421	4,976	-	101,397	-
Phoenix Ireland (formerly Scottish Provident Ireland)	237,666	-	-	237,666	-
Royal Liver	7,639,070	508,795	550,993	7,596,872	-
Scottish Legal Life	403,922	46,122	-	450,044	-
Standard Life	1,153,179	52,173	24,511	1,180,841	-
Sun Life Financial of Canada	57,703	-	-	57,703	-
Zurich Insurance (formerly Eagle Star)	1,174,730	456,666	56,051	1,575,345	-
TOTAL	46,401,359	6,010,712	3,805,674	48,606,397	-
The Escheated Estate Fund	4,400,000	-	-	4,400,000	-
Accrued Reclaims	-	-	236,474	(236,474)	5,401
GRAND TOTAL	328,538,417	39,285,897	20,303,827	347,520,487	165,372

Notes to the Financial Statements (Continued)

1. Amounts transferred and reclaimed in respect of dormant accounts and unclaimed assurance policies (Continued)

The amounts transferred to the Fund included accounts denominated in currencies other than euro. The effect of revaluing these accounts at the year end exchange rates would be to reduce the total amount transferred to the Fund and not yet reclaimed by €686,641 from €347,520,487 to €346,833,828.

2. Transfers to the Reserve Account

Under Section 17 (4) of the Dormant Accounts Act 2001, the National Treasury Management Agency pays into the Reserve Account, from time to time, an amount determined by the NTMA, with the approval of the Minister for Community, Equality and Gaeltacht Affairs given with the consent of the Minister for Finance, for the purposes of making repayments from the Fund and of defraying various fees and expenses of the NTMA, the Board and the authorised inspectors. Currently, a transfer is made periodically by the NTMA to maintain the balance in the Reserve Account at a presently approved 15 per cent of the total dormant funds received by the Dormant Accounts Fund and not yet reclaimed. The balance in the Reserve account may drop below 15 per cent in the intervening period between the periodic rebalancing dates.

3. Disbursements

The following disbursements were made from the Fund during the period.

	2010	2009
	€000	€000
On direction of the Dormant Accounts Board (s. 41 Dormant Accounts Act 2001)		
Pobal (formerly ADM, Service provider and agent of the Dormant Accounts Board)	875	4,264
On direction of the Minister for Finance		
Health Service Executive	6,119	8,805
Department of Education and Science	2,003	8,404
Department of Community, Equality and Gaeltacht Affairs (for the Rural Social Scheme)	5,286	7,739
Office of the Minister for Children	2,966	5,240
Department of Arts, Sport and Tourism	395	1,304
Department of Communications, Energy and Natural Resources	-	775
Department of Environment, Heritage and Local Government	719	500
Irish Prison Service	218	420
Department of Justice, Equality and Law Reform	672	193
Department of Social and Family Affairs	1,014	-
	20,267	37,644

Notes to the Financial Statements (Continued)

4. Other Expenses

	2010	2009
	€000	€000
Expenses of the Dormant Accounts		
- Board Fees	66	72
- Board Expenses	3	4
- Fees of service provider (Pobal)	1,500	1,507
- Consultancy and Advisory fees	38	124
- Other Expenses	11	11
	1,618	1,718

5. Cash

This figure represents the cash balance held at the Central Bank of Ireland.

6. Contingent Exchequer Liability

(a) As a result of cumulative disbursements to date the net assets of the fund are less than the dormant funds transferred and not yet reclaimed. This difference represents a contingent liability that would have to be met by the Exchequer in the event that all moneys transferred to the Dormant Accounts Fund were reclaimed. Under section 17(7) of the Dormant Accounts Act 2001, whenever the moneys in the Investment and Disbursement Account are insufficient to meet the deficiency in the Reserve Account, a payment can be made out of the Central Fund into the Reserve Account of an amount not exceeding the deficiency. The moneys are repaid to the Central Fund, as soon as practicable, from surplus moneys remaining in the Fund after providing for any liabilities or contingent liabilities of the Fund.

(b) Analysis of Contingent Exchequer Liability

	1 January 2010	Movement during the year	31 December 2010
	€000	€000	€000
Net Assets of Fund	134,856	(2,430)	132,426
Dormant Funds Transferred not reclaimed	(328,538)	(18,982)	(347,520)
Contingent liability	(193,682)	(21,412)	(215,094)

(c) The movement in the Contingent Exchequer Liability is represented by:

	€000
Interest on investments	638
Interest on repayments of moneys transferred to the Fund (see note 1)	(165)
Disbursements (see note 3)	(20,267)
Other expenses (see note 4)	(1,618)
Movement for the year	(21,412)
Contingent Exchequer liability at 1/1/2010	(193,682)
Contingent Exchequer liability at 31/12/2010	(215,094)

Notes to the Financial Statements (Continued)

7. Expenses of the National Treasury Management Agency

Under section 45 (1)(c) of the Dormant Accounts Act 2001, the NTMA is required to report to the Disbursements Board certain specified information including a separate account of the administration fees and expenses incurred by the NTMA in the operation of the Fund. These are detailed below:

	2010	2009
	€000	€000
General Administration	150	150
Total	150	150

This is an estimate, included in the Notes to the accounts only, as the NTMA has decided not to charge this amount to the Disbursements Board.

8. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act 2001, the NTMA is required to report to the Disbursements Board the investment return achieved by the Fund. The annualised return on the Fund for the period covered by the investment plan was 0.40 per cent (2009: 0.72 per cent).

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