FINANCIAL STATEMENTS

Prepared by the National Treasury Management Agency in accordance with section 12 of the National Treasury Management Agency Act, 1990

STATEMENT ON INTERNAL CONTROL

Scope of Responsibility

On behalf of the National Treasury Management Agency ("the Agency") we acknowledge the Agency's responsibility for ensuring that an effective system of internal control is maintained and operated. This responsibility takes account of the requirements of the Code of Practice for the Governance of State Bodies (2016).

Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a tolerable level rather than to eliminate it. The system can therefore 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 detected in a timely way.

The system of internal control, which accords with guidance issued by the Department of Public Expenditure and Reform has been in place in the Agency for the year ended 31 December 2019 and up to the date of approval of the financial statements.

Capacity to Handle Risk

The Agency has a formal risk management and governance framework in place, designed to support the proactive management of risk. The Agency's Risk Management Policy and Framework and Risk Appetite Framework, together set out its risk appetite, its risk management processes and details the roles and responsibilities of staff in relation to risk. The Agency has ultimate oversight and accountability in relation to risk management and provides direction by approving the Risk Management Policy and Framework and the Risk Appetite Framework. Thereafter the Agency assures itself on an on-going basis that executive management is responding appropriately to risks and it is assisted in this regard by the Audit and Risk Committee (ARC), which monitors adherence to risk governance and risk appetite and ensure risks are properly identified, assessed, managed and reported.

In 2019, the ARC comprised three Agency members, with financial and audit expertise, one of whom is the Chair. The Committee met seven times in 2019.

An executive-level Enterprise Risk Management Committee (ERMC) oversees the implementation of the Agency's overall risk appetite and senior management's establishment of appropriate systems to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported.

The Risk Management Policy and Framework and Risk Appetite Framework which were updated in 2019 were published and communicated to all staff who are expected to comply with the requirements therein. The embedding of risk management was supported by a programme of risk training and awareness in the reporting period.

Risk and Control Framework

The Agency's Risk Management Policy and Framework, supported by the Risk Appetite Framework, provides the methodology and processes, by which key risks are identified, assessed, managed, monitored and reported and are supported by a suite of risk management policies.

Individual business units and corporate functions maintain risk registers in which their key risks and controls are recorded and responsibility for operation of the controls assigned. These registers are reviewed twice yearly by the respective businesses units and corporate functions and the controls therein are attested by the control owners. Risk registers were reviewed by the appropriate risk committees during the reporting period.

The ARC also conducted two reviews of the Agency's principal risks in the reporting period, based on a top-down risk assessments exercise conducted by the ERMC.

The Agency has an established control environment, as part of which:

- Authority and financial responsibilities are delegated by the Agency Chief Executive to Agency management and staff through the use of delegated authorities which define their authority and financial responsibilities to act on behalf of the Agency.
- It has developed policies and procedures in respect of the management of the key aspects of its activities. These policies and procedures are reviewed by their business owners and updated to align with business processes.
- It has an appropriate financial and budget management system, incorporating accounts payable controls as well as regular reporting of the Agency's costs and monitoring of costs against budget to the Executive Management Team.
- It has an established financial reporting framework to support its external and statutory reporting obligations in respect of its businesses.

- It has established systems, procedures and controls in place to manage and safeguard its business assets including property, equipment and vehicle assets.
- It takes all reasonable measures considered necessary to protect information and systems including the confidentiality, integrity and authenticity of the information stored on Agency systems and to minimise so far as practicable the risk of unauthorised access to information from both internal and external sources. This protection is achieved through the application of recognised standards, policies and controls.
- It has an established Cyber Security Framework to facilitate identification, assessment and management of the cyber risks that the Agency may be exposed to. Regular Staff Awareness Training on cyber risks is also in place for all Agency staff.
- It has a business continuity framework with a view to ensuring the Agency is able to manage disruptive scenarios, provide contingency premises, recover key systems and maintain as far as possible the continuity of critical operations, and resume normal business operations in a timely manner.

Some of the Agency's business processes in particular for the State Claims Agency payments are manual. Management are seeking to automate the relevant business processes and have implemented enhanced controls and procedures to reduce and mitigate this business risk.

On-going Monitoring and Review

The Agency has established processes for the on-going monitoring and review of the effectiveness of controls which are carried out through its three lines of-defence model which includes:

- The first line, comprising the Agency's business units and corporate functions, own the risks associated with business activities and are primarily responsible for managing those risks on a day-to-day basis. This includes implementing and monitoring adherence to the Agency's risk management policies and risk appetite, conducting risk and control self-assessments, managing operational events and implementing appropriate responses. They provide reports for the Agency's Risk Governance Committees on their risks and controls and operational events.
- The second line comprises the Agency's Risk and Compliance functions and is independent of the first line management and operations. The Risk function oversees compliance with risk management policies across the Agency, provides independent review and challenge to the first line, and provides risk reports and information to the various risk governance committees. The Compliance Function and Data Protection Officer promote compliance and personal data protection awareness through training, codes of conduct and relevant policies. They provide compliance and personal data protection support, advice and independent challenge to first line management and submit regular reports to the ERMC and ARC.
- Internal Audit is a third line of defence, providing independent risk-based assurance to key stakeholders on the robustness of the Agency's governance, risk management system and the design and operating effectiveness of the internal control environment under a planned programme of work approved by the ARC. The internal auditor provides regular reporting to the ARC on the status of the internal control environment in the context of reviews undertaken and the status of internal audit issues raised previously.

Procurement

The Agency has an established Procurement Policy (published on its website) and a Procurement Procedure. The Agency's procurement practices are in accordance with the aforementioned documents. A corporate procurement plan, based on the template published in the Office of Government Procurement Policy framework document, is in place and is being implemented. The corporate procurement plan is updated annually.

The Agency's Procurement Procedure is consistent with the current Office of Government Procurement (OGP) guidelines. In certain instances it is deemed appropriate to obtain duly authorised exceptions from the Policy and Procedure (i.e. not run a competitive tender process) in respect of services, supplies or works valued above €5,000 (ex VAT) and below the EU thresholds e.g. for reasons of confidentiality, conflicts of interest, urgency, protection of intellectual property rights, sole source of supply etc.

The Agency is subject to EU Directive 2014/24/EU as implemented in Ireland by the European Union (Award of Public Authority Contracts) Regulations 2016 (the 'Regulations'), in respect of the procurement of services, supplies and works above certain value thresholds set by the EU. Where the Regulations do not apply – either because the value of the procurement is below the EU thresholds or falls outside of the Regulations – the Agency adopts a process (in accordance with its Procurement Policy and Procedure as outlined above) that is designed to achieve the best value for money. Exceptions to the Agency's Procurement Policy and Procedure are approved by senior management.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

The use of exceptions under the Agency's Procurement Policy and Procurement Procedure does not amount to non-compliant procurement. For contracts that are valued above the EU thresholds, EU legislation applies, and the Regulations permit exceptions from a competitive EU tender process in very restricted circumstances.

During 2019, payments with a total value of €4.98m (ex VAT) (2018: €5.88m ex VAT) were made in respect of goods/services that were the subject of procurement exceptions approved in accordance with the Agency's Procurement Policy and Procurement Procedure. A breakdown of these exceptions is provided in the table below.

Category	Total (ex VAT) 2019 €m	Notes
Expert Witnesses	3.50	Note 1
e-Discovery	0.58	Note 2
Information Technology & Communications	0.47	Note 3
Facilities Management/Maintenance	0.30	
Professional Services	0.07	
Marketing Print & Stationery	0.06	

Note 1: Expert witnesses are witnesses engaged by the State Claims Agency ("SCA") to provide reports and give evidence in personal injury and property damage cases being managed by the SCA. Although they are engaged by the SCA, such witnesses are witnesses of the Court and their overriding duty is to provide truthful, independent and impartial expert evidence, within their field of expertise, to the Court. Expert witnesses can be divided into two broad categories: witnesses as to liability and causation (e.g. medical and engineer witnesses) and witnesses as to quantum and fact (e.g. actuarial witnesses). The SCA does not competitively procure witnesses as to causation and liability on the basis that such a procurement process would be likely to give rise to an added level of litigation risk in relation to the acknowledged independence of such witnesses. However, it does plan to put in place competitive procurement processes for certain categories of witness as to quantum and fact based on the volume of activity and total expenditure incurred for such categories of witness. It should be noted that payments to expert witnesses are in respect of a large number of separate engagements, where the amount payable in the majority of individual cases is less than €5,000 (ex VAT).

Note 2: This relates to payments made to a service provider that was appointed by the SCA where, for reasons of extreme urgency, following an order for discovery, the time limits specified for a competitive procedure could not have been complied with in circumstances where the Court could have struck out the State's defence, for non-compliance with the Discovery Order.

Note 3: This includes payments of €0.20m (42.6%) to sole providers of a service and a payment of €0.06m (12.8%) to a service provider where the services are required in order to comply with Ministerial Guidelines issued pursuant to Section 4(4) of the National Treasury Management Act 1990.

The Agency's Procurement Policy and Procurement Procedure remain under review on an on-going basis.

Annual Review of Effectiveness

We confirm that the National Treasury Management Agency has procedures to monitor the effectiveness of its risk management and control procedures. The National Treasury Management Agency's monitoring and review of the effectiveness of the system of internal control is informed by the work of the internal and external auditors, the Audit and Risk Committee which oversees their work, and the senior management within the National Treasury Management Agency responsible for the development and maintenance of the internal financial control framework.

We confirm that the Agency conducted an annual review of the effectiveness of the internal controls for 2019.

No weaknesses in internal control were identified in relation to 2019 that require disclosure in the financial statements.

Maeve Carton
Chairperson
National Treasury Management Agency

Gerardine Jones
Chairperson, Audit & Risk Committee
National Treasury Management Agency

5 May 2020

FINANCIAL STATEMENTS OF THE

NATIONAL DEBT OF IRELAND

For the year ended 31 December 2019

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Debt of Ireland

Opinion on the financial statements

I have audited the financial statements of the National Debt of Ireland prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2019 as required under the provisions of section 12 of the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise the service of national debt, the national debt statement, the national debt cash flow statement, the statement of movement in national debt and the related notes.

In my opinion, the financial statements properly present

- the balance outstanding on the national debt at 31 December 2019, and
- the debt service cost for 2019.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Agency has presented the financial statements together with certain other information in relation to the operation of the national debt. This comprises the Agency's annual report (including the governance statement and Agency members' report) and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

13 May 2020

Appendix to the report of the Comptroller and Auditor General

Responsibilities of the National Treasury Management Agency

As detailed in the governance statement and Agency members' report the members' are responsible for

- the preparation of financial statements in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended)
- ensuring that the financial statements properly present the balance outstanding on the national debt at 31 December 2019 and the debt service cost for the year
- ensuring the regularity of transactions, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 12 of the National Treasury Management Agency Act 1990 (as amended) to audit the financial statements of the National Debt of Ireland and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

SERVICE OF NATIONAL DEBT
For the year ended 31 December 2019

	Note	2019 €m	2018 €m
Net Interest Paid on Gross National Debt	3	4,972	5,733
Net Interest Paid on Cash and Other Financial Assets	4	76	65
Fees and Operating Expenses	5	172	169
Total Debt Service Cost		**5,220**	**5,967**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

NATIONAL DEBT STATEMENT
As at 31 December 2019

	Note	2019 €m	2018 €m
Medium/Long Term Debt			
Irish Government Bonds	6	130,067	131,828
EU/IMF Programme Funding	7	43,269	44,877
Other Medium/Long Term Loans	8	2,578	2,243
		175,914	178,948
Short Term Debt			
Short Term Paper	9	9,998	6,393
Borrowings from Ministerial Funds	10	3,018	2,595
		13,016	8,988
State Savings Schemes			
State Savings Products	11	17,800	17,339
Gross National Debt		**206,730**	**205,275**
Cash and Other Financial Assets	12	(18,536)	(17,593)
National Debt	**13**	**188,194**	**187,682**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

NATIONAL DEBT CASH FLOW STATEMENT

For the year ended 31 December 2019

	Note	2019 €m	2018 €m
Movement in Exchequer Balances:			
Balance at 1 January	12	15,338	10,533
Decrease in Other Financial Assets	12	220	430
Net Borrowing of Debt (see below)		297	4,276
		15,855	15,239
Exchequer Surplus		647	99
Balance at 31 December	**12**	**16,502**	**15,338**

	Note	2019 Net[1] €m	2018 Net[1] €m
Net Borrowing/(Repayment) of Debt:			
Medium/Long Term Debt			
Irish Government Bonds		(2,942)	1,895
EU/IMF Programme Funding		(1,608)	(5)
Other Medium/Long Term Loans	8	335	345
Short Term Debt			
Short Term Paper		3,628	1,680
Borrowings from Ministerial Funds	10	423	314
State Savings Schemes			
State Savings Products	11	461	47
Net Borrowing of Debt		**297**	**4,276**

1 *The amounts represent the net borrowing or repayment of debt (inclusive of premiums and discounts paid at issue/repayment) together with the rollover of debt and related hedging transactions.*

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF MOVEMENT IN NATIONAL DEBT
For the year ended 31 December 2019

	Note	2019 €m	2018 €m
National Debt at 1 January	13	187,682	185,483
Increase in National Debt (nominal)		512	2,199
National Debt at 31 December	**13**	**188,194**	**187,682**
Increase in National Debt (nominal) represented by:			
Exchequer Surplus		(647)	(99)
Effect of Foreign Exchange Rate Movements		(23)	(53)
Adjustment for inflation linked liabilities		8	7
Net Premium on Medium/Long Term Loans		-	(1)
Net Premium on Bond Issuances and Cancellations		1,174	2,345
		512	**2,199**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND

Under the National Treasury Management Agency Act, 1990, The National Treasury Management Agency ("the Agency") performs borrowing and National Debt Management functions on behalf of the Minister for Finance.

The form of the statements has been approved by the Minister for Finance under section 12 of the National Treasury Management Agency Act, 1990.

The financial statements of the National Debt also include disclosure notes in relation to the National Loans Advance Interest Account, the National Loans (Winding Up) Account, the National Treasury Management Agency (Unclaimed Dividends) Account, the Deposit Monies Investment Account, the Surplus Public Expenditure Monies Account and the Account of Stock Accepted in Payment of Inheritance Tax and Death Duties. As these are operational accounts set up for specific purposes, the related cash balances are not included with the Exchequer account balance reported under Cash and Other Financial Assets in the National Debt Statement.

2. BASIS OF PREPARATION

The financial statements have been prepared for the year ended 31 December 2019, on a cash basis under the historical cost convention except where otherwise stated.

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

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest million unless otherwise indicated. Figures may not total due to rounding. Where used, '000' or 'k' denotes thousand, and 'm' denotes million.

2.1 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.

2.2 Liability Valuation

Debt balances are recorded in the National Debt Statement at their redeemable par value. Where medium or long term debt is issued or cancelled at a premium or discount to its redeemable par value any such premium or discount is accounted for through the Statement of Movement in National Debt. For liabilities where the redeemable par value is linked to inflation, the increase or reduction to the liability due to movements in inflation is accounted for through the Statement of Movement in National Debt.

2.3 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 funds 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 net funds flows affect debt service in accordance with the terms of the revised instrument.

2.4 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.

3. NET INTEREST PAID ON GROSS NATIONAL DEBT

	2019 €m	2018 €m
Interest Paid on Medium/Long Term Debt		
Irish Government Bonds	3,717	4,048
EU/IMF Programme Funding	869	994
Derivatives hedging Medium/Long Term Debt	166	234
Private Placements	35	35
European Investment Bank	18	15
Medium/Long Term Notes	8	6
Council of Europe Development Bank	1	1
	4,814	5,333
Interest Paid/(Received) on Short Term Debt		
Euro Commercial Paper	27	34
Exchequer Notes	(11)	(5)
Irish Treasury Bills	(9)	(9)
	7	20
Interest Paid on State Savings Schemes		
Savings Certificates	70	285
Savings Bonds	24	35
Prizes in respect of Prize Bonds	18	18
4 Year National Solidarity Bonds	16	17
10 Year National Solidarity Bonds	12	11
Instalment Savings	11	14
	151	380
Total Net Interest Paid on Gross National Debt	**4,972**	**5,733**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. NET INTEREST PAID ON CASH AND OTHER FINANCIAL ASSETS

	2019 €m	2018 €m
Interest Paid on Cash Balances	87	77
Interest Received on Financial Assets	(11)	(12)
	76	**65**

5. FEES AND OPERATING EXPENSES

	2019 €m	2018 €m
EU/IMF Programme Funding	36	51
Government Bonds and Other Expenses	21	21
Prize Bonds	12	13
Savings Certificates	9	9
10 Year National Solidarity Bonds	6	5
Savings Bonds	4	5
4 Year National Solidarity Bonds	2	2
Instalment Savings	1	1
	91	**107**
Agency Operating Expenses[2]	81	62
	172	**169**

2 *Expenses incurred by the Agency in the performance of its functions are charged on and paid out of the Exchequer Account or the growing produce thereof. Further details can be found in the financial statements of the NTMA Administration Account (Central Fund note).*

6. IRISH GOVERNMENT BONDS

	2019 €m	2018 €m
Fixed Rate Bonds	120,045	119,095
Floating Rate Bonds	8,534	11,534
Index Linked Bonds	927	620
Amortising Bonds	561	579
	130,067	**131,828**

Floating Rate Bonds – Settlement of IBRC Promissory Notes:

Following the liquidation of Irish Bank Resolution Corporation ("IBRC") on 7 February 2013, and the agreement between the Irish Government and the Central Bank of Ireland ("CBI") to replace the promissory notes provided to State-owned IBRC with long-term Government Bonds, the promissory notes were cancelled and replaced with eight new Floating Rate Bonds. A total amount of €25.03 billion was issued on 8 February 2013 to the CBI with maturities ranging from 25 to 40 years.

During 2019, the Agency bought and cancelled €3 billion (2018: €4 billion) of the Floating Rate Bonds at a premium of €1.74 billion (2018: €2.25 billion). The bonds were purchased from the CBI, reducing the total nominal outstanding of the Floating Rate Bonds to €8.53 billion (2018: €11.53 billion).

Since year end, the Agency bought and cancelled a further €0.5 billion of the Floating Rate Bonds.

Sovereign Green Bond

In accordance with the Irish Sovereign Green Bond (ISGB) Framework, fixed rate bonds include €5 billion from Irelands inaugural sovereign green bond issuance.

7. EU/IMF PROGRAMME FUNDING

Ireland's EU/IMF programme provided for €67.5 billion in external support from the International Monetary Fund ("IMF"), the European Financial Stabilisation Mechanism ("EFSM"), the European Financial Stability Facility ("EFSF") and bilateral loans.

The liabilities outstanding under the EU/IMF Programme at end 2019, taking into account the effect of currency hedging transactions, are as follows:

Lender	2019 €m	Weighted Average Residual Maturity Years	2018 €m	Weighted Average Residual Maturity Years
European Financial Stability Facility	18,411	13.1 Years	18,411	14.1 Years
European Financial Stabilisation Mechanism	22,500	8.9 Years	22,500	9.9 Years
United Kingdom Treasury	2,358	0.7 Years	3,966	1.2 Years
Total	**43,269**		**44,877**	

An agreement was reached in 2013 to extend the EFSF and EFSM loans. In respect of the EFSM loans, the revised maturity dates are only determined as they reach their original maturity dates. As a result the average maturity of the EFSM loans reflects only the maturity extensions agreed to date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. OTHER MEDIUM/LONG TERM LOANS

	2019 €m	2018 €m
European Investment Bank	1,295	1,195
Private Placements	602	602
Medium/Long Term Notes	635	400
Council of Europe Development Bank	41	41
Other Medium/Long Term Loans	5	5
	2,578	**2,243**

9. SHORT TERM PAPER

The Agency issues short-term paper with maturities of up to one year to raise short-term funds. The proceeds are used to fund the Exchequer 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 into euro.

	2019 €m	2018 €m
Exchequer Notes	7,339	3,629
Irish Treasury Bills	2,010	2,014
European Commercial Paper Programme	345	466
Central Treasury Notes	304	284
	9,998	**6,393**

10. BORROWINGS FROM MINISTERIAL FUNDS

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.

	2019 €m	2018 €m
Post Office Savings Bank Fund	2,140	2,058
Surplus Public Expenditure Monies Account (note 19)	878	537
	3,018	**2,595**

11. STATE SAVINGS SCHEMES

	2019 €m	2018 €m
Savings Certificates	5,961	5,685
10 Year National Solidarity Bonds	3,946	3,505
Prize Bonds	3,653	3,414
Savings Bonds	2,466	2,855
4 Year National Solidarity Bonds	1,257	1,370
Instalment Savings	515	508
Savings Stamps	2	2
	17,800	**17,339**

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds, Solidarity Bonds and Prize Bonds include €9 million (2018: €10.8 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 the National Debt financial statements are prepared on a cash basis, the liabilities do not include the sum of €275 million (2018: €280 million), being the estimate of the amount of accrued interest at end 2019 in respect of Savings Bonds, Savings Certificates, 10 Year National Solidarity Bonds, 4 Year National Solidarity Bonds and Instalment Savings.

12. CASH AND OTHER FINANCIAL ASSETS

	2019 €m	2018 €m
Cash Balances		
Exchequer Account and CSRA[3]	16,502	15,338
Other Financial Assets		
Collateral Funding (note 14.2)	96	612
SBCI Medium Term Guaranteed Notes	25	85
Housing Finance Agency Guaranteed Notes	1,913	1,558
	2,034	2,255
	18,536	**17,593**

3 *The Balance held in the CSRA was €250k (2018: €310k) at end December 2019.*

The Agency can invest in Deposits, Collateralised Deposits and Sovereign Treasury Bills for maturities of up to one year.

Cash is placed as collateral with counterparties arising from the requirements under Credit Support Annexes in respect of certain derivative transactions. These balances, and access to the related cash collateral, change on a daily basis and are dependent on the market value of these derivatives (See Note 14).

The Housing Finance Agency and SBCI Medium Term Guaranteed Notes may not be readily realisable dependent on market conditions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CASH AND OTHER FINANCIAL ASSETS (CONTINUED)

Foreign Currency Clearing Accounts

The Agency maintains a number of foreign currency clearing accounts for the purpose of managing transactions in these currencies. The balance held in these accounts at end December 2019 was Nil (2018: Nil). The Agency held no other foreign currency cash balances.

The movement in the Foreign Currency accounts are further outlined below:

	Receipts €m	Payments €m	Net 2019 €m	Net 2018 €m
Balance at 1 January 2019			**NIL**	**NIL**
Debt Service				
Medium/Long Term Loan				
Interest	93	(88)	**5**	**(3)**
Short Term Debt Interest	-	(29)	**(29)**	**(36)**
Foreign Exchange Contracts	1,183	(1,182)	**1**	**(32)**
Fees and Expenses	-	(6)	**(6)**	**(7)**
Borrowing Activity				
EU/IMF Programme	1,871	(1,871)	**-**	**(6)**
Short Term Debt	11,145	(11,116)	**29**	**84**
Balance at 31 December 2019	**14,292**	**(14,292)**	**NIL**	**NIL**

13. RISK MANAGEMENT

13.1 Risk Management Framework

The Agency's responsibility for both the issuance of new debt and the repayment of maturing debt, together with the management of the interest rate and currency profile of the total debt portfolio, makes the management of risk a central and critical element of the Agency's business. The principal categories of risk arising from the Agency's National Debt activities are liquidity, market, counterparty credit and operational risk.

The Agency Risk Management Policy and Framework prescribes mandatory standards and definitions for risk management that apply to all parts of the Agency and across all risk categories. These standards are then implemented through the detailed policies and procedures that govern the management of individual risk categories and/or risk management processes.

The Agency Risk Management Framework is predicated on the three-lines-of-defence model and its organisational structure and risk committee structure are aligned in order to establish clear ownership and accountabilities for risk management.

As the first line of defence, the Agency's Business Units and Corporate Functions are primarily responsible for owning and managing risks on a day-to-day basis, taking into account the Agency's risk tolerance and appetite and in line with its policies, procedures, controls and limits.

The second line of defence, which includes the Agency's Risk, Compliance and other control functions, is independent of first line management and operations and its role is to challenge decisions that affect the organisation's exposure to risk and to provide comprehensive and understandable reporting on risks management issues.

The third line of defence includes the Internal Audit function which provides independent risk-based assurance to key stakeholders on the robustness of the Agency's governance, risk management system and the design and operating effectiveness of the internal control environment under a planned programme of work approved by the Audit and Risk Committee.

A number of Agency and management committees, including the Agency Audit and Risk Committee and Risk sub-committees, support the Agency in discharging its responsibilities in relation to risk management.

13. RISK MANAGEMENT (CONTINUED)

13.1 Risk Management Framework (continued)

Agency Audit & Risk Committee (ARC)

The Audit and Risk Committee assists the Agency in:

- the oversight of the quality and integrity of the financial statements, the review and monitoring of the effectiveness of the systems of internal control, the internal audit process and the compliance function, and the review and consideration of the outputs from the statutory auditor; and
- the oversight of the Agency's risk management framework including setting risk appetite, monitoring adherence to risk governance and ensuring risks are properly identified, assessed, managed and reported.

In addition, the Committee oversees the internal audit and risk management functions, which are managed on a day to day basis by the Head of Internal Audit and the Head of Risk (Financial, Investment and Enterprise) respectively.

Management Committees

Enterprise Risk Management Committee (ERMC)

The ERMC oversees the implementation of the Agency's overall risk appetite and senior management's establishment of appropriate systems (including policies, procedures and risk limits) to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported.

Counterparty Credit Risk Committee (CCRC)

The CCRC oversees and advises the ERMC on counterparty credit risk. It formulates, implements and monitors compliance with the NTMA Counterparty Credit Risk Management Policy, including the consideration and recommendation, where appropriate, of any proposed changes and ensures that all appropriate actions are taken in respect of relevant policy or any breaches. It reports relevant counterparty credit risk exposures and details to the ERMC.

Market and Liquidity Risk Committee (MLRC)

The MLRC oversees and advises the ERMC on market and liquidity risk exposures. It formulates, implements and monitors compliance with the NTMA Market and Liquidity Risk Polices, including the consideration and recommendation, where appropriate, of any proposed changes and ensures that all appropriate actions are taken in respect of relevant policy or any breaches. It reports relevant market risk and liquidity risk exposures and details to the ERMC.

Operational Risk and Control Committee (ORCC)

The ORCC reviews and recommends to the ERMC for approval the operational risk policies. The ORCC monitors, reviews and challenges the Agency's operational risks and reports on operational risk management to the ERMC.

Products and Processes Committee (PPC)

The PPC reviews, challenges and recommends to the ERMC for approval proposals and risk assessments in respect of new products and processes, or material changes to existing products and processes.

Principal Risks

Liquidity Risk

A key objective of the Agency is to ensure that the Exchequer has sufficient cash to meet all obligations as they fall due. Ensuring that the Exchequer has sufficient liquidity is one of the Agency's most critical tasks. 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 Agency manages liquidity risk primarily by maintaining appropriate cash buffers, by limiting the amount of liabilities maturing in any particular period of time and by matching the timing and volume of market funding with the projected funding requirements. This is reinforced by the Agency's activities in maintaining a well informed and diversified international investor base, with a presence in all major capital markets and a broad range of debt instruments which can be issued.

Market Risk

Market risk is the risk of loss or increased costs resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates or other market prices. The Agency must have regard both to the short-term and long-term implications of its transactions given its task of managing 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 the Agency's risk appetite. Specific limits are in place to control market risk; exposures against

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. RISK MANAGEMENT (CONTINUED)

13. 1 Risk Management Framework (continued)

Market Risk (continued)

these limits are reported regularly to senior management. As conditions in financial markets change, the appropriate interest rate and currency profile of the portfolio is reassessed in line with periodic limit reviews. The Agency 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 Derivatives (note 14).

Counterparty Credit Risk

Counterparty credit risk is the risk of financial loss arising from a financial market transaction as a result of a counterparty failing to fulfil its financial obligations under that transaction and with regard to the National Debt mainly arises from derivatives, deposits and foreign exchange transactions. The level of counterparty credit risk is managed in accordance with the Agency's risk appetite 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 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 Agency may enter into credit support arrangements with the market participants with which it wishes to trade – this involves the receipt and posting of collateral to offset the market value of exposures. More information on the use of credit support arrangements is set out in Derivatives (note 14).

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which would affect the Agency's ability to execute its business strategy. Sub-categories of operational risk include people risk, governance risk, third party risk, business continuity management and legal and compliance risk. A risk management policy and framework is applicable to the Agency as a whole. The objective of this policy and framework is to ensure that operational risk is managed in an appropriate and integrated manner across the organisation. This policy and framework outlines the strategy, processes, risk criteria, controls and governance structures in place for managing operational risks within the Agency. The policy and framework also sets out the methodology for the risk and control self-assessment process which describes the process for adequate and timely identification, assessment, treatment, monitoring and reporting of the risks posed by the activities of the Agency.

The NTMA Business Continuity Management Group ensures an appropriate and consistent approach to business continuity management across the Agency and provides a supporting role in establishment, implementation, monitoring and improvement of business continuity management activities.

13.2 National Debt – Currency Composition

The Agency hedges the foreign currency risk of the National Debt through the use of foreign exchange contracts and currency swaps. The currency composition of the National Debt, and related currency hedges, is as follows:

Currency **As at 31 December**	**2019** **€m**	**2018** **€m**
Debt Instruments		
Euro	185,835	183,251
US Dollar	-	513
Pound Sterling	2,371	3,607
	188,206	**187,371**
Foreign Exchange and Swap Contracts		
Euro	2,359	4,443
US Dollar	-	(524)
Pound Sterling	(2,371)	(3,608)
	(12)	**311**
National Debt	**188,194**	**187,682**

13. RISK MANAGEMENT (CONTINUED)

13.3 National Debt – Maturity Profile

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

2019 €m	Due within 1 Year	Due between 1-5 Years	Due between 5-10 Years	Due over 10 Years	Total
Irish Government Bonds	17,169	27,055	38,718	47,125	130,067
EU/IMF Funding Programme	1,876	6,282	10,770	24,341	43,269
Other Medium & Long Term Debt	6	228	844	1,500	2,578
Short Term Debt[4]	11,751	1,265	-	-	13,016
State Savings[5]	6,892	8,399	2,507	2	17,800
Cash & Other Financial Assets	(17,669)	(252)	(215)	(400)	(18,536)
National Debt	20,025	42,977	52,624	72,568	**188,194**

2018 €m	Due within 1 Year	Due between 1-5 Years	Due between 5-10 Years	Due over 10 Years	Total
Irish Government Bonds	13,571	36,147	39,289	42,821	131,828
EU/IMF Funding Programme	1,608	7,358	8,500	27,411	44,877
Other Medium & Long Term Debt	5	9	981	1,248	2,243
Short Term Debt[4]	7,722	1,266	0	0	8,988
State Savings[5]	6,481	8,318	2,539	1	17,339
Cash & Other Financial Assets	(16,407)	(781)	(155)	(250)	(17,593)
National Debt	12,980	52,317	51,154	71,231	**187,682**

4 *Short Term Debt has been adjusted to reflect the expected longer maturity of a portion of the Ways and Means monies repayable to the Post Office Savings Bank Fund.*

5 *State Savings maturities are based on contracted maturity information provided by An Post for end 2019.*

14. DERIVATIVES

14.1 Derivatives

As part of its risk management strategy the Agency uses a combination of derivatives including interest rate swaps, currency swaps and foreign exchange contracts. The following table shows the nominal value and fair value, of the instruments related to the National Debt outstanding at year end. The fair 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 2019		31 December 2018	
	Nominal €m	Fair Value €m	Nominal €m	Fair Value €m
Interest Rate Swaps	6,460	(150)	11,566	(310)
Currency Swaps and Foreign Exchange Contracts	2,371	5	4,490	(341)
	8,831	**(145)**	**16,056**	**(651)**

The Agency provides treasury services to the National Asset Management Agency ("NAMA") under section 52 and 235 of the National Asset Management Agency Act, 2009. Accordingly it may enter into derivative transactions with 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 2019 was €Nil (2018: €0.02 billion); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2019 was €0.02 billion (2018: €0.04 billion).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. DERIVATIVES (CONTINUED)

14.1 Derivatives (continued)

The Agency also provides treasury services to IBRC (in liquidation) and accordingly may enter into derivative transactions with IBRC. 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 foreign exchange rate contracts transacted with IBRC outstanding at end 2019 was €0.11 billion (2018: €0.11 billion).

In order to mitigate the risks arising from derivative transactions, the Agency enters into credit support arrangements with its market counterparties. Derivative contracts are drawn up in accordance with Master Agreements of the International Swaps and Derivatives Association ("ISDA"). A Credit Support Annex ("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.

14.2 Credit Support Account

The Agency established a Credit Support Account in the Central Bank of Ireland in 2010 to facilitate these transactions. Derivative contracts are valued daily. When collateral is required from a counterparty it is paid into the Credit Support Account. When the Agency is required to post collateral with a counterparty, it uses the funds in the Credit Support Account to fund the collateral payment. If there are insufficient funds in the Credit Support Account, the account is funded from the Exchequer.

	2019 €m	**2018 €m**
Balance at 1 January	-	-
Cash Collateral received from counterparties	1,067	1,193
Cash Collateral paid to counterparties	(551)	(948)
	516	245
Decrease in Exchequer Funding during the Year	(516)	(245)
Balance at 31 December	**NIL**	**NIL**

Note:	**2019 €m**	**2018 €m**
Exchequer Funding at 31 December	96	612
Net Collateral Posted to Counterparties at 31 December (note 12)	(96)	(612)

The Agency has entered into a Collateral Posting Agreement with NAMA. At end 2019, NAMA had posted collateral of €25m (2018: €25m) to the Agency as part of this agreement.

The Agency has also entered into a Collateral Posting Agreement with IBRC. At end 2019, IBRC had posted collateral of €25m (2018: €25m) to the Agency as part of this agreement.

15. CAPITAL SERVICES REDEMPTION ACCOUNT (CSRA)

15.1 Background

The Capital Services Redemption Account ("CSRA") was established under section 22 of the Finance Act, 1950 as amended. The account is used for the purpose of settling transactions of a normal banking nature that the Agency may enter into in accordance with section 54(7) of the Finance Act, 1970.

Transactions of a normal banking nature include activities such as foreign exchange deals, swaps and interest on deposits which are related to debt servicing costs. 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.

Transactions of a normal banking nature include derivative transactions entered into by the Agency with the National Asset Management Agency ("NAMA") (in accordance with sections 52 and 235 of the National Asset Management Agency Act, 2009 and Statutory Instrument No. 203/2010) and the Irish Bank Resolution Corporation Limited (in Special Liquidation) ("IBRC") (in accordance with section 17(4) of the Irish Bank Resolution Corporation Act, 2013 and Statutory Instrument No. 57/2013) (see also note 14 above). Such transactions entered into with NAMA and IBRC are offset by matching transactions with market counterparties. As a result there is no net effect on the CSRA.

The balance in the CSRA is maintained by the Agency at a level which is subject to guidelines issued by the Minister for Finance under section 4(4) of the National Treasury Management Agency Act, 1990. Under ministerial guidelines the balance in the CSRA from year end 2015 and thereafter each year end was to be less than €1 million. To adhere to these guidelines, the Agency transfers excess funds from the CSRA to the Exchequer Account before year end.

15.2 Movement in the Account for the Year

	2019 €m	2018 €m
Balance at 1 January	-	-
Receipts		
Derivative Transactions	1,187	4,254
Interest on Cash and Other Financial Assets	13	15
	1,200	4,269
Payments		
Derivative Transactions	(1,187)	(4,254)
Interest on National Debt	(2)	(3)
Expenses on National Debt	-	-
Transfer to Exchequer Account	(11)	(12)
	(1,200)	(4,269)
Balance 31 December	**-**	**-**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. CAPITAL SERVICES REDEMPTION ACCOUNT (CSRA) (CONTINUED)

15.3 Derivative Transactions undertaken for IBRC and NAMA

Receipts and payments in respect of derivative transactions undertaken in respect of IBRC and NAMA in the period are outlined below:

	Receipts €m	Payments €m	Net 2019 €m	Net 2018 €m
NAMA Related Derivatives	318	318	-	-
IBRC Related Derivatives	869	869	-	-
	1,187	**1,187**	**-**	**-**

16. NATIONAL LOANS ADVANCE INTEREST ACCOUNT

The Agency can cancel or issue amounts of existing Irish Government Bonds. The settlement amount for each bond transaction includes the accrued interest at that point in the coupon period. The interest paid is deposited in the National Loans Advance Interest Account until the full interest is due on the coupon date. On the coupon date, the interest is then used to offset the related servicing costs of the Exchequer.

Account of Receipts and Payments	2019 €m	2018 €m
Balance at 1 January	41	46
Accrued Interest Received on National Loans - Tranches and Auctions	44	57
Accrued Interest Paid on National Loans	(47)	(62)
Balance at 31 December - Cash with Central Bank of Ireland	**38**	**41**

17. NATIONAL LOANS (WINDING UP) ACCOUNT

When a National Loan, Stock or Government Bond is due for redemption, the full amount outstanding is payable to the holder. Amounts not claimed by the holder at the redemption date are transferred into this account by a payment from the Exchequer. Any future claims which are made in relation to these matured loans are therefore met from this account. This account also includes balances which were held by the Central Bank and the Department of Finance as Paying Agents in respect of uncashed redemption payments, and which were transferred to the Agency.

The balance on the account comprises principally historic amounts. Changes in the way in which bonds are held by investors and the processing of payments means unclaimed amounts rarely arise.

Account of Receipts and Payments	2019 €m	2018 €m
Balance at 1 January	3	3
Receipts from Central Bank Account	-	-
Payments to Central Bank Account	-	-
Payments for Redemption of National Loans	-	-
Balance at 31 December - Cash with Central Bank of Ireland	**3**	**3**

18. NATIONAL TREASURY MANAGEMENT AGENCY (UNCLAIMED DIVIDENDS) ACCOUNT

When interest is due on a bond liability, the full amount due is paid by the Agency to the Paying Agent who then issues it to the registered holder. The balance in the unclaimed dividends account represents unclaimed interest on matured loans, which has been returned to the Agency by the Paying Agent and has yet to be claimed by the registered holders. The Paying Agent maintains a cash float, on behalf of the Agency, which it uses to service claims as they arise during the year.

The balance on the account comprises principally historic amounts. Changes in the way in which bonds are held by investors and the processing of payments means unclaimed amounts rarely arise.

Account of Receipts and Payments	**2019 €m**	**2018 €m**
Balance at 1 January	3	3
Receipts/(Payments) of Unclaimed Interest	-	-
Balance at 31 December - Cash with Central Bank of Ireland	**3**	**3**

19. SURPLUS PUBLIC EXPENDITURE MONIES ACCOUNT

The Surplus Public Expenditure Monies Account records the borrowings and repayments of surplus funds held in the Supply Account of the Paymaster General.

The Supply Account of the Paymaster General is the account through which funding is provided by the Exchequer to Government Departments. Surplus funds which arise periodically on the PMG Supply Account are transferred and recorded against the Surplus Public Expenditure Monies Account.

Following a change in the operation of the Supply Account at the end September 2018, the Surplus Public Expenditure Monies Account replaced the Deposit Monies Investment Account. At the time of conversion, the Deposit Monies Account reported year-to-date receipts and payments of €4.5bn and €4.9bn respectively.

Surplus funds on the PMG Supply Account are transferred to and recorded against the Surplus Public Expenditure Monies Account on a daily basis (note 10).

Surplus Public Expenditure Monies Account	**2019 €m**	**2018 €m**
Balance at 1 January	537	-
Ways and Means Exchequer Receipts	12,793	2,889
Ways and Means Exchequer Payments	(12,452)	(2,352)
Balance at 31 December (note 10)	**878**	**537**

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

No stock was accepted in payment of inheritance tax and death duties during 2019 (2018: nil).

21. EVENTS AFTER THE END OF THE REPORTING PERIOD

Note 6 details 2020 floating rate bond transactions which occurred after the end of the reporting period.

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets which in turn has adversely affected the National Debt. As neither the duration nor the scope of the impact can be predicted, the overall financial impact cannot be estimated at this time.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Agency on 5 May 2020.

Financial Statements

FINANCIAL STATEMENTS OF THE

ADMINISTRATION ACCOUNT

For the year ended 31 December 2019

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Treasury Management Agency – Administration Account

Opinion on the financial statements

I have audited the administration account of the National Treasury Management Agency (the Agency) for the year ended 31 December 2019 as required under the provisions of section 12 of the National Treasury Management Agency Act 1990 (as amended). The administration account comprises

- the statement of income and expenditure and other comprehensive income
- the statement of financial position
- the statement of changes in capital
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the administration account gives a true and fair view of the assets, liabilities and financial position of the Agency at 31 December 2019 and of its income and expenditure for 2019 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland*.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Agency has presented certain other information together with the financial statements. This comprises the Agency's annual report (including the governance statement and Agency members' report) and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

13 May 2020

Appendix to the report of the Comptroller and Auditor General

Responsibilities of the National Treasury Management Agency

As detailed in the governance statement and Agency members' report the Agency members' are responsible for

- the preparation of financial statements in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended)
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 12(2) of the National Treasury Management Agency Act 1990 (as amended) to audit the financial statements of the Agency and to report thereon to the Houses of the Oireachtas.

Separately, I am required by section 12(3) of the Act to report to Dáil Éireann with respect to the correctness of the sums brought to account by the Agency each year. My report under section 12(3) is presented to Dáil Éireann with my Report on the Accounts of the Public Services.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

STATEMENT OF INCOME AND EXPENDITURE AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2019

	Note	2019 €000	2018 €000
Income			
Operating income	5	67,642	61,607
Central Fund income	6	80,722	72,162
Net deferred retirement benefit funding	8.2	3,229	7,542
Transfer to capital account		(17,813)	(14,104)
		133,780	127,207
Expenditure			
Staff costs	7.2	(95,601)	(101,129)
Operating expenses	7.2	(37,226)	(25,427)
Net interest expense	7.2	(953)	(651)
		(133,780)	(127,207)
Net Income/Expenditure for the year		-	-

Other Comprehensive Income For the year ended 31 December 2019		**2019 €000**	**2018 €000**
Net income/expenditure for the year		-	-
Actuarial loss recognised on retirement benefit obligations	9.9	(19,800)	(5,826)
Movement in deferred retirement benefit funding	8.3	19,800	5,826
Total comprehensive income for the year		-	-

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 €000	2018 €000
Non-current assets			
Property, equipment and vehicles	10	32,065	16,312
Intangible assets	11	2,155	761
Receivables	12	308	60
		34,528	**17,133**
Current assets			
Receivables	13	22,065	29,197
Cash at bank		7,602	982
		29,667	30,179
Payables; amounts falling due within 1 year	14	(21,378)	(22,098)
Net current assets		**8,289**	**8,081**
Payables; amounts falling due after 1 year	15	(8,597)	(8,813)
Net assets before retirement benefits		**34,220**	**16,401**
Retirement Benefits			
Retirement benefit obligations	9.4	(70,101)	(47,072)
Deferred retirement benefit funding	9.4	70,101	47,072
		-	-
Net assets after retirement benefits		**34,220**	**16,401**
Representing:			
Capital account		**34,220**	**16,401**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF CHANGES IN CAPITAL
For the year ended 31 December 2019

	Note	Capital Account €000
Balance at 1 January 2018		**2,297**
Payment to acquire property, equipment and vehicles		14,555
Payment to acquire intangible asset		74
Amortisation of capital in the period		(517)
Disposal of property, equipment and vehicles		(8)
Balance at 31 December 2018		**16,401**
Payment to acquire property, equipment and vehicles	10	20,183
Payment to acquire intangible assets	11	2,140
Amortisation of capital in the period		(4,104)
Disposal of property, equipment and vehicles	10	(400)
Balance at 31 December 2019		**34,220**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF CASH FLOWS
For the year ended 31 December 2019

	Note	2019 €000	2018 €000
Cash flows from operating activities			
Net income/expenditure		-	-
Depreciation of property, equipment and vehicles	10	4,030	335
Amortisation of intangible assets	11	746	182
Loss/(Profit) on disposal of property, equipment and vehicles		368	(12)
Decrease/(Increase) in receivables	12, 13	6,884	(22,556)
(Decrease)/Increase in payables	14, 15	(2,035)	8,769
Increase in deferred income	14, 15	930	9,768
Increase in provision	16	169	-
Capital funding		22,323	14,629
Amortisation of capital funding		(4,504)	(525)
Net cash inflow from operating activities		**28,911**	**10,590**
Cash flows from investing activities			
Payments to acquire property, equipment and vehicles	10	(20,183)	(14,555)
Payments to acquire intangible assets	11	(2,140)	(74)
Proceeds from sale of property, equipment and vehicles		32	20
Net cash outflow from investing activities		**(22,291)**	**(14,609)**
Increase/(Decrease) in cash at bank		6,620	(4,019)
Cash at bank at 1 January		982	5,001
Cash at bank at 31 December		**7,602**	**982**

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND

The National Treasury Management Agency (the "Agency") is a state body established under the National Treasury Management Agency Act, 1990. The Agency provides asset and liability management services to Government. Its purpose is to manage public assets and liabilities commercially and prudently. The Agency operates across five separate business units; Funding and Debt Management, the State Claims Agency ("SCA"), NewERA, the Ireland Strategic Investment Fund ("ISIF") and the National Development Finance Agency ("NDFA"). It also assigns staff and provides business and support services and systems to the National Asset Management Agency ("NAMA"), the Strategic Banking Corporation of Ireland ("SBCI") and Home Building Finance Ireland ("HBFI"). NAMA, SBCI and HBFI are independent entities and have their own separate boards.

2. BASIS OF PREPARATION

The financial statements have been prepared on an accruals basis under the historical cost convention in accordance with applicable legislation. 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 as amended.

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest thousand unless otherwise indicated. Where used, '000' or 'k' denotes thousand, and 'm' denotes million.

3. STATEMENT OF COMPLIANCE

The financial statements of the Agency have been prepared in compliance with applicable legislation and FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* issued by Financial Reporting Council in the UK as promulgated by Chartered Accountants Ireland.

4. SIGNIFICANT ACCOUNTING POLICIES

4.1 Going Concern

The financial position, financial performance and cash flows of the Agency are detailed in the financial statements. The Agency members have a reasonable expectation that the entity has adequate resources to continue in operational existence and discharge its mandate for the foreseeable future. Therefore the Agency continues to adopt the going concern basis of accounting in preparing the financial statements.

4.2 Operating income

The Agency is required to provide business and support services and systems, in addition to assigning staff to a number of businesses under prescribed legislation. The Agency adopts a cost recovery basis from these businesses for the provision of staff and services. Operating income is recorded in the Statement of Income and Expenditure and Other Comprehensive Income.

4.3 Central Fund income

Central Fund income included in the Statement of Income and Expenditure and Other Comprehensive Income represents the amount necessary to meet the operating and administration costs incurred by the Agency. The amount is recognised in line with FRS 102 Section 24 Government Grants.

4.4 Expenditure

The costs and expenses incurred by the Agency in the performance of its functions are recognised in the Statement of Income and Expenditure and Other Comprehensive Income.

4.5 Property, equipment and vehicles

Property, equipment and vehicle assets are stated in the Statement of Financial Position at cost less accumulated depreciation. Depreciation is charged to the Statement of Income and Expenditure and Other Comprehensive Income on a straight line basis over the asset's expected useful life.

At each reporting date, the Agency reviews the carrying amount of its property, equipment and vehicles as to whether there is any indication of impairment. Impairment losses are recognised if there are any indications that the carrying amount of an item is greater than the higher of value in use and fair value less costs to sell. A previously recognised impairment loss may be reversed in part or in full when there is an indication that the impairment loss may no longer exist or there has been a change in the estimates used to determine the assets recoverable amount. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.5 Property, equipment and vehicles (continued)

The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount. The recoverable amount is determined as the higher of the fair value less costs of disposal of the asset and its value in use. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate. This discount rate reflects the current market assessment of the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted.

4.6 Intangible assets

Expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised in the Statement of Income and Expenditure and Other Comprehensive Income on a straight line basis over its estimated useful life, from the date on which it is available for use.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

At each reporting date, the Agency reviews the carrying amount of its software to determine whether there is any indication of impairment. If any such indication exists, these assets are subject to an impairment review.

The carrying value of the software is written down by the amount of any impairment and this loss is recognised in the Statement of Income and Expenditure and Other Comprehensive Income in the financial period in which it occurs. A previously recognised impairment loss may be reversed in part or in full when there is an indication that the impairment loss may no longer exist or there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

The impairment review is as detailed in 4.5 above.

4.7 Cash at bank

Cash at bank includes cash at bank and in hand. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

4.8 Leasing

Rentals under operating leases are charged on a straight line basis, net of incentives, over the lease term, to the Statement of Income and Expenditure and Other Comprehensive Income in line with FRS 102 Section 20 Leases.

4.9 Retirement benefits

The Agency operates a defined benefit pension scheme, and for staff who are not in the scheme it makes contributions to Personal Retirement Savings Accounts ("PRSA") or individual retirement funds. Contributions are funded out of the Agency's Administration Account.

The defined benefit pension scheme costs are accounted for under FRS 102 Section 28 Employee Benefits. Pension scheme assets are measured at fair value. Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method. An excess of scheme liabilities over scheme assets is presented in the Statement of Financial Position 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 Statement of Income and Expenditure and Other Comprehensive Income comprises the current service cost and past service cost plus the net interest (note 9.5) cost on the scheme assets and liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience gains and losses are recognised in Other Comprehensive Income 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 Agency to PRSAs is recognised as a charge to the Statement of Income and Expenditure and Other Comprehensive Income in the financial year to which the employee service relates.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.10 Capital account

The capital account represents receipts from the Central Fund which have been allocated for the purchase of property, equipment, vehicles and intangible assets. The receipts are amortised in line with depreciation and amortisation on the related assets.

4.11 Provisions

Provisions are recognised when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that the Agency will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimates of the consideration required to settle the present obligation at the end of the reporting period.

4.12 Taxation

Under the Taxes Consolidation Act 1997, the Agency is exempt from Corporation Tax and Capital Gains Tax.

4.13 Key estimates and assumptions

The presentation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for income and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following estimates have had the most significant effect on amounts recognised in the financial statements.

Retirement Benefits (note 9)

The Agency has obligations to pay pension benefits to members of the defined benefit pension scheme. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and discount rates. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

Provision (note 16)

The Agency makes provisions for legal and constructive obligations, which are known to be outstanding at the reporting date. Provisions require management's best estimates of the expected expenditure required to settle the obligation.

Useful life of assets and residual values

The charge in respect of periodic depreciation of property, equipment and vehicles (note 10) and periodic amortisation of intangible assets (note 11) is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Changing an asset's expected life or its residual value would result in a change in the depreciation or amortisation charge in the Statement of Income and Expenditure and Other Comprehensive Income.

The useful lives and residual values of the Agency's assets are determined by management and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

5. OPERATING INCOME

	Note	2019 €000	2018 €000
Recovery of expenses from NAMA		39,515	40,828
Recovery of expenses from ISIF	7.1	15,210	14,487
Recovery of expenses from SBCI	7.1	5,873	5,895
Recovery of expenses from HBFI	7.1	5,327	-
Asset covered securities income		216	213
Other income		1,501	184
		67,642	**61,607**

The Agency is required to provide business and support services and systems in addition to assigning staff to a number of functions under prescribed legislation as follows:

- To NAMA under sections 41 and 42 of the National Asset Management Agency Act 2009.
- To the SBCI under section 10 of the Strategic Banking Corporation of Ireland Act 2014.
- To HBFI under section 9 of the Home Building Finance Ireland Act 2018.

In addition, under section 48 of the National Treasury Management Agency (Amendment) Act 2014, the expenses of the Agency with regard to the ISIF are defrayed from the ISIF.

Asset covered securities are issued under the Asset Covered Securities Act, 2001 as amended by the Asset Covered Securities (Amendment) Act 2007. The Act (as amended) provides that in the event of a default by a bank registered as a designated mortgage credit institution or as a designated public credit institution under the Act (as amended), the Agency must in the following order, (i) attempt to secure an alternative service provider to manage the relevant asset pools, (ii) secure an appropriate body corporate to become the parent entity of the relevant pools or, (iii) manage the pools itself. In return, the Agency receives asset covered securities income based on the nominal amount of each asset covered bond in issue.

Other income primarily comprises the recovery of professional fees and certain secondment and administrative fees. Under the direction issued to the Agency under Statutory Instrument (S.I.). No. 115 of 2010, the Minister for Finance delegated a number of banking system functions to the Agency. This delegation was revoked with effect from 5 August 2011 under S.I. No. 395 of 2011 and since then Agency staff involved in the provision of banking system functions have been seconded to the Department of Finance Shareholding and Financial Advisory Division. At the direction of the Minister, the related staff and professional advisor costs incurred continue to be met by the Agency. Professional advisor costs of €1.3m were incurred in this regard during 2019 (recovered in 2018: Nil).

6. CENTRAL FUND INCOME

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:

	Note	2019 €000	2018 €000
Opening balance at 1 January	13	(8,892)	1,541
Net amounts received from Central Fund		81,437	61,729
Closing balance at 31 December	13	8,177	8,892
Central Fund income		**80,722**	**72,162**

The total amount recognised as receivable from the Central Fund is:

	Note	2019 €000	2018 €000
Receivable from the Central Fund	13	8,177	8,892
Deferred retirement benefit funding	9.4	70,101	47,072
		78,278	**55,964**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. AGENCY COSTS

7.1 Expenses of the Agency for specified functions

	Note	2019 €000	2018 €000
State Claims Agency		28,457	24,959
Ireland Strategic Investment Fund	5	15,210	14,487
Funding and Debt Management		12,309	12,331
National Development Finance Agency		12,586	11,345
NewERA		6,007	6,065
		74,569	**69,187**
National Asset Management Agency		40,672	40,828
Strategic Banking Corporation of Ireland	5	5,873	5,895
Home Building Finance Ireland	5	5,327	-
Shareholding and Financial Advisory Division		3,865	3,755
		55,737	50,478
Net deferred retirement benefit funding	8.2	3,229	7,542
Other expenses[1]		245	-
		3,474	**7,542**
Total expenses		**133,780**	**127,207**

1 *Other expenses reflect occupancy costs of office space allocated to non-Agency tenants.*

7.2 Agency costs

	Note	2019 €000	2018 €000
Staff Costs			
Remuneration	7.3	80,555	81,418
Other staff costs[2]		3,364	3,522
Defined benefit pension scheme current service charge	9.5	11,654	16,162
PRSA pension cost	7.4	28	27
		95,601	101,129
Operating expenses			
Other operating expenses	7.5	27,990	20,560
Professional fees	7.5	4,460	4,350
Depreciation	10	4,030	335
Amortisation	11	746	182
		37,226	25,427
Net interest expense	9.5	953	651
Total Agency costs		**133,780**	**127,207**

2 *Other staff costs include training, recruitment, temporary staff and secondment fees.*

7. AGENCY COSTS (CONTINUED)

7.3 Remuneration

The following remuneration disclosures are required under The Code of Practice for the Governance of State Bodies (2016) ("the Code"):

Aggregate Employee Benefits

	NAMA €000	SBCI €000	HBFI €000	NTMA €000	2019 €000	2018 €000
Staff short-term benefits	21,170	2,081	2,034	45,322	70,607	70,412
Termination benefits	2,572	-	-	-	2,572	3,803
Pay Related Social Insurance	2,284	211	202	4,679	7,376	7,203
	26,026	**2,292**	**2,236**	**50,001**	**80,555**	**81,418**

The total number of whole time equivalent staff employed at 31 December 2019 was 778 (2018: 787).

Staff Short-Term Benefits

	NAMA €000	SBCI €000	HBFI €000	NTMA €000	2019 €000	2018 €000
Basic pay	20,564	1,929	2,014	42,435	66,942	66,469
Performance related pay	479	103	-	2,054	2,636	2,818
Allowances	127	49	20	833	1,029	1,125
	21,170	**2,081**	**2,034**	**45,322**	**70,607**	**70,412**

Key Management Personnel Compensation

	2019 €000	2018 €000
Agency and committee members' fees	259	230
Management remuneration	2,644	2,842
Performance related pay	200	145
Termination benefits	-	289
Allowances	151	162
Health insurance	48	47
	3,302	**3,715**

Key management personnel in the NTMA consist of Agency and committee members as referred to in the Governance Statement, the Chief Executive and the Executive Management Team ("EMT"). The value of employee benefits for key management personnel is set out above (excluding Pay Related Social Insurance).

This does not include the value of retirement benefits earned in the period. The key management personnel (excluding the Agency members and the Chief Executive) are members of the NTMA pension scheme.

Chief Executive Salary and Benefits

The remuneration of the Chief Executive is determined in accordance with sections 6 (3) of the National Treasury Management Agency Act 1990 as amended.

Conor O'Kelly (Chief Executive)	2019 €000	2018 €000
Annual salary	480	480
Annual taxable benefits	5	5
Post-employment benefits	86	86
	571	**571**

The remuneration of the Chief Executive consists of basic remuneration and taxable benefits (health insurance). The Chief Executive did not receive a discretionary performance related payment in respect of 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. AGENCY COSTS (CONTINUED)

7.3 Remuneration (continued)

Disclosures in respect of Agency staff excluding officers assigned to NAMA, SBCI and HBFI

Voluntary redundancy scheme ("VRS")

There was no VRS in 2019. Thirty three employees participated in a VRS in 2018. Costs of €2.6m relating to the VRS were recognised in 2018. Costs of €2.5m were attributable to statutory and other redundancy payments and €0.1m for garden leave.

Garden leave

Two Agency staff were placed on garden leave during 2019 with an attributable cost of approximately €20k (2018: four staff with an attributable 2018 cost of approximately €152k). This does not represent an incremental cost for the Agency but instead forms part of the overall Agency salary cost that would have been incurred regardless of the decision to place the relevant staff on garden leave. The decision on whether to place these staff members on garden leave was made on a case-by-case basis and included consideration, inter alia, of the person's role within the Agency and the person's new employer.

Disclosures in respect of officers assigned to NAMA

Voluntary redundancy scheme – NAMA

In 2019 thirty-two employees assigned to NAMA participated in a VRS (2018: eighteen employees). Costs of €2.8m (2018: €1.8m) relating to the VRS have been recognised in 2019. Costs of €1.4m (2018: €0.9m) were attributable to statutory and other redundancy payments; €0.6m (2018: €0.4m) related to the "NAMA retention scheme"[1] and €0.8m (2018: €0.5m) for garden leave.

1 *The NAMA retention scheme only applies in circumstances where staff members are made redundant, have met all required performances standards, and have remained with NAMA for the period required to fulfil NAMA's statutory mandate.*

Garden leave – NAMA

Thirty-one employees assigned to NAMA were placed on garden leave during 2019 (2018: eighteen). This does not represent an incremental cost for the Agency but instead forms part of the overall Agency salary cost that would have been incurred regardless of the decision to place the relevant staff on garden leave. The average period of garden leave under the VRS was three months (2018: three months). In addition to those accepted for the VRS, two staff (2018: four) were placed on garden leave during 2019 with an attributable cost of approximately €0.1m (2018: €0.1m). The average period of garden leave for the two staff was one month (2018: two months). The decision on whether to place these two staff members on garden leave was made on a case-by-case basis and included consideration, inter alia, of the person's role within the Agency and the person's new employer.

7.4 Retirement benefits

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme established under section 8 of the National Treasury Management Agency Act, 1990. Contributions are transferred to an externally managed fund. The Agency contribution is determined on the advice of an independent actuary. Following an actuarial review in 2019, the Agency contribution was maintained at 14.2% (2018: 14.2%) of salary in respect of members of the Scheme. Contributions to the defined benefit scheme by the Agency for the year ended 31 December 2019 amounted to €9.4m (2018: €9.3m).

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 the Agency's staff recruited from other areas of the public sector. On 7 April 1997 the Minister for Finance designated the 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 paid out of the Exchequer, as and when benefits fall due for payment in the normal course, in respect of prior service of former public servants employed by the Agency. No provision has been made for funding the payment of such entitlements.

The Agency contributes to a retirement scheme on behalf of the Chief Executive (note 7.3). The Agency also contributed €28k (2018: €27k) to PRSAs for a number of employees who are not members of the defined benefit scheme in 2019.

7. AGENCY COSTS (CONTINUED)

7.5 Operating expenses

Total operating expenses of €37.2m (note 7.2) include technology costs, occupancy costs, business services costs and staff travel expenses.

Professional fees of €4.5m (note 7.2) include advisory fees of €3.5m that include the cost of external advice to management and exclude 'business-as-usual' functions, and may be analysed as follows:

	2019 €000	2018 €000
Legal	549	1,675
Tax and financial	1,586	418
Actuarial	359	511
Public relations and marketing	153	112
Pension and human resources	50	42
Facilities and other	117	170
Advisory fees included in Professional fees	**2,814**	**2,928**
Leasehold improvements advisory fees capitalised	**730**	**1,280**

Advisory fees above include €0.6m (2018: €0.6m) of fees reimbursed to the Agency by NAMA, SBCI, ISIF and HBFI.

8. NET DEFERRED RETIREMENT BENEFIT FUNDING

8.1. Movement in deferred retirement benefit funding

	Note	2019 €000	2018 €000
Opening balance at 1 January		47,072	33,704
Net deferred retirement benefit funding through Income and Expenditure	8.2	3,229	7,542
Movement in deferred retirement benefit funding through Other Comprehensive Income	8.3	19,800	5,826
Closing balance at 31 December		**70,101**	**47,072**

8.2. Net deferred retirement benefit funding through Income and Expenditure

	Note	2019 €000	2018 €000
Charge arising from employee service in reporting period	9.5	11,654	16,162
Net interest expense	9.5	953	651
Employer contributions	9.7	(9,378)	(9,271)
Net deferred retirement benefit funding		**3,229**	**7,542**

8.3. Movement in deferred retirement benefit funding through Other Comprehensive Income

	Note	2019 €000	2018 €000
Movement in amounts recoverable in respect of current year actuarial loss	9.9	**19,800**	**5,826**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT BENEFITS

9.1. Defined benefit pension scheme

Pension scheme assets are measured at fair value at the reporting date. Pension scheme liabilities are measured on an actuarial basis using the projected unit credit method. The valuation is determined by an independent actuary to assess the liabilities at the reporting date, as provided by the scheme administrator Mercer (Ireland) Limited. There have been no changes to the actuarial methods in the period. The key actuarial assumptions are set out in note 9.2.

9.2. Principal actuarial assumptions

The weighted average assumptions used to determine benefit obligations and pension cost were as follows:

	2019		2018	
	Benefit obligations %	Pension cost %	Benefit obligations %	Pension cost %
Discount rate	1.6	2.4	2.4	2.3
Rate of salary increase	2.5	2.75	2.75	2.75
Rate of price inflation	1.5	1.75	1.75	1.75
Rate of pension increase	1.5/2.5	1.75/2.75	1.75/2.75	1.75/2.75

The weighted average life expectancy for mortality tables used to determine benefit obligations were as follows:

	2019		2018	
	Female (Years)	Male (Years)	Female (Years)	Male (Years)
Life expectancy at age 60				
Future pensioners (current age 45)	31.5	29.5	33.0	30.8
Current pensioners (current age 60)	30.1	28.1	31.2	29.1
Life expectancy at age 65				
Future pensioners (current age 45)	27.1	25.1	28.4	26.3
Current pensioners (current age 65)	25.2	23.3	26.0	24.0

9.3. Plan assets

	2019		2018	
	€000	%	€000	%
Equities	87,065	45.7	75,473	48.6
Debt securities	59,937	31.5	53,887	34.7
Property	1,709	0.9	5,591	3.6
Alternatives	21,845	11.4	12,424	8.0
Infrastructure	8,145	4.3	7,454	4.8
Cash	11,804	6.2	466	0.3
Fair value of Plan assets	**190,505**	**100.0**	**155,295**	**100.0**

9. RETIREMENT BENEFITS (CONTINUED)

9.4. Scheme deficit – reconciliation of funded status to the Statement of Financial Position

	Note	2019 €000	2018 €000
Fair value of plan assets		190,505	155,295
Defined benefit obligation	9.6	(260,606)	(202,367)
Net defined benefit liability		**(70,101)**	**(47,072)**

Amounts included in the Statement of Financial Position	2019 €000	2018 €000
Retirement benefit obligations	(70,101)	(47,072)
Deferred retirement benefit funding	70,101	47,072

9.5. Cost relating to defined benefit plans

Amount recognised in the Statement of Income and Expenditure is as follows:

	2019 €000	2018 €000
Charge arising from employee service in reporting period	**11,654**	**16,162**
Interest expense on defined benefit obligations	4,839	4,278
Interest (income) on plan assets	(3,886)	(3,627)
Net interest expense	**953**	**651**

9.6. Change in defined benefit obligation

	2019 €000	2018 €000
Defined benefit obligation at 1 January	202,367	186,680
Charge arising from employee service in reporting period	11,654	16,162
Interest expense on defined benefit obligation	4,839	4,278
Net benefit payments	(1,450)	(1,384)
Participant contributions	5,653	1,571
Insurance premiums	(320)	(310)
Effect of changes in assumptions	28,776	(5,445)
Effect of experience adjustments	9,087	815
Defined benefit obligation at 31 December	**260,606**	**202,367**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. RETIREMENT BENEFITS (CONTINUED)

9.7. Change in fair value of plan assets

	2019 €000	2018 €000
Fair value of plan assets at 1 January	155,295	152,976
Interest income on Plan assets	3,886	3,627
Employer contributions	9,378	9,271
Participant contributions	5,653	1,571
Net benefit payments	(1,450)	(1,384)
Insurance premiums for risk benefits	(320)	(310)
Return on plan assets (excluding interest income)	18,063	(10,456)
Fair value of plan assets at 31 December	**190,505**	**155,295**

9.8. Actual return on scheme assets

	2019 €000	2018 €000
Interest income on Plan assets	3,886	3,627
Return on plan assets (excluding interest income)	18,063	(10,456)
Actual return on scheme assets	**21,949**	**(6,829)**

9.9. Actuarial loss on retirement benefit obligations

Remeasurements recognised in Other Comprehensive Income are as follows:

	2019 €000	2018 €000
Effect of changes in assumptions	(28,776)	5,445
Effect of experience adjustments	(9,087)	(815)
Return on plan assets (excluding interest income)	18,063	(10,456)
Remeasurements included in Other Comprehensive Income	**(19,800)**	**(5,826)**

10. PROPERTY, EQUIPMENT AND VEHICLES

	Leasehold improvements €000	Furniture, equipment and motor vehicles €000	Total €000
Cost:			
Balance at 1 January 2019	19,264	7,217	26,481
Additions at cost	11,839	8,344	20,183
Disposals	(4,501)	(5,650)	(10,151)
Balance at 31 December 2019	**26,602**	**9,911**	**36,513**
Accumulated Depreciation:			
Balance at 1 January 2019	(4,358)	(5,811)	(10,169)
Depreciation for the year	(2,025)	(2,005)	(4,030)
Disposals	4,209	5,542	9,751
Balance at 31 December 2019	**(2,174)**	**(2,274)**	**(4,448)**
Net Book Value at 31 December 2019	**24,428**	**7,637**	**32,065**
Net Book Value at 31 December 2018	**14,906**	**1,406**	**16,312**

The estimated useful life of property, equipment and vehicles, by reference to which depreciation is calculated is as follows:

Leasehold improvements	up to 15 years
Furniture	5 years
Equipment and motor vehicles	3 to 5 years

During the year the Agency relocated from office accommodation at Treasury Building, Grand Canal Street, Dublin 2 to office accommodation at Treasury Dock, North Wall Quay, Dublin 1. The leasehold improvement additions relate to fit-out costs and professional fees in respect of office accommodation at Treasury Dock. Depreciation of the fit out of Treasury Dock and related costs commenced on 1 July 2019, the date on which the premises came in to use. Both properties are leased under occupational leases, as set out in note 16. Assets relating to Treasury Building were derecognised and disposed of at 31 December 2019. Included in these assets was artwork of the Treasury Building valued at €100k transferred to the Office of Public Works ("OPW").

11. INTANGIBLE ASSETS

	Computer software €000
Cost:	
Balance at 1 January 2019	1,234
Additions at cost	2,140
Balance at 31 December 2019	**3,374**
Accumulated Amortisation and Accumulated Impairment:	
Balance at 1 January 2019	(473)
Amortisation for the year	(746)
Balance at 31 December 2019	**(1,219)**
Net Book Value at 31 December 2019	**2,155**
Net Book Value at 31 December 2018	**761**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INTANGIBLE ASSETS (CONTINUED)

Third party software assets are measured at cost less accumulated amortisation and any accumulated impairment losses.

The estimated useful life of intangible assets by reference to which amortisation is calculated is as follows:

Computer software	5 years

12. RECEIVABLES (NON-CURRENT)

	2019 €000	2018 €000
Prepayments	**308**	**60**

Other receivables classified as non-current primarily comprise of software licences, support and maintenance.

13. RECEIVABLES (CURRENT)

	2019 €000	2018 €000
Amounts receivable from NAMA	6,340	12,114
Amounts receivable from ISIF	2,394	4,296
Amounts receivable from SBCI	826	1,177
Amounts receivable from HBFI	763	-
Central Fund	8,177	8,892
Other receivables	1,434	208
Prepayments	2,131	2,510
	22,065	**29,197**

Other receivables primarily comprise of Asset Covered Securities income and income due from the Department of Finance.

14. PAYABLES; AMOUNT FALLING DUE WITHIN 1 YEAR

	Note	2019 €000	2018 €000
Payables		2,489	3,717
Accruals		16,004	16,811
Deferred income		2,101	1,444
Provision	16	784	126
		21,378	**22,098**

Accruals include annual leave entitlements of €1.7m (2018: €1.7m) earned but not taken at the reporting date.

15. PAYABLES; AMOUNT FALLING DUE AFTER 1 YEAR

	2019 €000	2018 €000
Deferred income	8,597	8,324
Other Provision	-	489
	8,597	**8,813**

Deferred income includes a lease incentive on rental payments office accommodation at 1 Treasury Dock, North Wall Quay, Dublin 1. The value of the lease incentive is recognised over the life of the lease. The treatment results in income of €6.7m credited to the Statement of Income and Expenditure on a straight-line basis over the period May 2018 to May 2033 when the lease expires. Deferred income includes two advance rentals received on a sublease of office accommodation at Treasury Dock, North Wall Quay, Dublin 1. The amount of €4.0m is credited to the Statement of Income and Expenditure on a straight-line basis over the period May 2018 to May 2022 when the sublease expires.

16. PROVISION

The provision relates to premises costs. Provision movement in the period is detailed as follows:

	Note	2019 €000	2018 €000
At 1 January		615	615
Charges		801	-
Reversals		(632)	-
At 31 December	14,15	**784**	**615**

On 21 February 2020, the Agency agreed to the surrender of the leases at Treasury Building, Grand Canal, Dublin 2 to a third party. An onerous lease provision of €0.8m reflecting the lease commitment and a once off payment for surrender of the lease at Treasury Building were incurred during the year.

Due to the surrendering of the lease, the dilapidations provision relating to Treasury Building was reversed (€0.6m).

17. COMMITMENTS

In 1991 and 2007 the Agency entered into lease agreements of varying duration until 2025 and 2026, in respect of office accommodation at Treasury Building, Grand Canal Street, Dublin 2. The nominal future minimum rentals payable at the reporting date are included below. On 21 February 2020 the Agency agreed to the early surrender of such leases to a third party.

In May 2018 the Agency entered into lease agreement for office accommodation at 1 Treasury Dock, North Wall Quay, Dublin 1, until May 2043, with an option to terminate in 2033. The nominal future minimum rentals payable under non-cancellable operating leases are as follows:

	2019 €000	2018 €000
Within one year	10,489	9,775
In two to five years	41,956	41,956
Over five years	75,248	85,706
	127,693	**137,437**

18. CONTINGENT LIABILITIES

The Agency had no contingent liabilities at 31 December 2019.

19 RELATED PARTIES

Minister for Finance

The Minister for Finance appoints six members of the Agency in accordance with section 3A of the National Treasury Management Agency Act, 1990, as amended.

Key Management Personnel

The Agency is governed by the Agency members, and the administration and business of the Agency is managed and controlled by the Chief Executive and the Executive Management Team. Fees paid to key management personnel are disclosed in note 7.

National Asset Management Agency

In accordance with sections 41 and 42 of the National Asset Management Agency Act 2009, the Agency provides business and support services and systems in addition to assigning staff to NAMA. The recovery of expenses from NAMA is detailed in note 5.

Strategic Banking Corporation of Ireland

In accordance with section 10 of the Strategic Banking Corporation of Ireland Act 2014, the Agency provides business and support services and systems in addition to assigning staff to the SBCI. The recovery of expenses from the SBCI is detailed in note 5.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19 RELATED PARTIES (CONTINUED)

Home Building Finance Ireland

In accordance with section 9 of the Home Building Finance Ireland Act 2018, the Agency provides business and support services and systems in addition to assigning staff to the HBFI. The recovery of expenses from HBFI is detailed in note 5.

Other Government controlled entities

Allied Irish Banks Plc is a related party as it is under the control of the Minister for Finance.

20. NATIONAL DEVELOPMENT FINANCE AGENCY

The National Development Finance Agency in accordance with Part 4 of the National Treasury Management Agency (Amendment) Act 2014, performs financing and advisory functions in relation to specific public investment projects. The costs of these services were discharged by the NTMA and reimbursed by the State Authority to which the projects relate.

The NTMA acting as the NDFA incurred the following reimbursable costs:

	2019 €000	2018 €000
Professional fees	4,733	5,184
Legal fees	591	925
	5,324	**6,109**

The amount receivable from State Authorities at the reporting date is as follows:

	2019 €000	2018 €000
Department of Housing, Planning and Local Government	397	448
Department of Education and Skills	189	267
Grangegorman Development Agency	173	184
Department of Justice and Equality	-	84
South Dublin County Council	-	1
	759	**984**

Reimbursed funds are remitted to the Post Office Savings Bank Fund in accordance with section 30 of the NTMA (Amendment) Act 2014. At 31 December 2019, €1.1m (2018: €0.5m) is owing to the Post Office Savings Bank Fund.

The NTMA, acting as the NDFA, held cash at bank at 31 December 2019 amounting to €1.0m (2018: €0.1m).

The expenditure and reimbursement above is not included in the Statement of Income and Expenditure and Other Comprehensive Income or Statement of Financial Position on pages 108 and 109.

21. EVENTS AFTER THE REPORTING PERIOD

On 21 February 2020, the Agency agreed to the surrender of the leases at Treasury Building, Grand Canal, Dublin 2 to a third party (See Note 16 and Note 17). The outbreak of the novel Coronavirus (COVID-19) was declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020. Whilst the business continues to operate, the majority of the staff are working remotely. Neither the duration nor the scope of the impact can be predicted and any subsequent financial impact cannot be estimated at this time.

22. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Agency on 5 May 2020.

FINANCIAL STATEMENTS OF THE

POST OFFICE SAVINGS BANK FUND

For the year ended 31 December 2019

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Post Office Savings Bank Fund

Opinion on the financial statements

I have audited the financial statements of the Post Office Savings Bank Fund (the Fund) prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2019 as required under the provisions of section 12 of the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise the statement of income and expenditure and retained earnings, the statement of financial position and the related notes.

In my opinion, the financial statements properly present

- the assets and liabilities of the Fund at 31 December 2019, and
- the transactions for 2019.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Agency has presented the financial statements together with certain other information in relation to the operation of the Fund. This comprises the Agency's annual report (including the governance statement and Agency members' report) and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

13 May 2020

Appendix to the report of the Comptroller and Auditor General

Responsibilities of the National Treasury Management Agency

As detailed in the governance statement and Agency members' report the members' are responsible for

- the preparation of financial statements in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended)
- ensuring that the financial statements properly present the Fund's assets and liabilities at 31 December 2019 and the transactions in the year
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 12 of the National Treasury Management Agency Act 1990 (as amended) to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

STATEMENT OF INCOME AND EXPENDITURE AND RETAINED EARNINGS
For the year ended 31 December 2019

	Note	2019 €000	2018 €000
Investment Income	3	31,595	2,521
Interest Paid and Payable	4	(5,076)	(4,778)
Operating Fees	5	(28,612)	(28,572)
Deficit for the Year		**(2,093)**	**(30,829)**
Balance at 1 January		81,839	112,668
Balance at 31 December		**79,746**	**81,839**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 €000	2018 €000
Assets			
Cash with Central Bank of Ireland		813,945	826,135
Central Treasury Loans		13,217	15,885
Other Loans	6	2,154,786	2,061,473
Receivables	7	9,116	12,157
Investments	8	519,788	502,571
		3,510,852	**3,418,221**
Liabilities			
Post Office Savings Bank Deposits	9	3,419,708	3,307,570
Other Liabilities	10	11,398	28,812
Retained Reserves		79,746	81,839
		3,510,852	**3,418,221**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

NOTES TO THE FINANCIAL STATEMENTS

1. 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 to the National Treasury Management Agency (the Agency). The Post Office Savings Bank Fund ("Fund") does not form part of the Exchequer.

The proceeds from Post Office Savings Bank deposits is the primary source of funding. The Fund utilises these proceeds:

- to invest in Irish Government Bonds as part of a secondary bond trading portfolio;
- to undertake sale and repurchase (repo) transactions of Irish Government Bonds as an intermediary between the National Debt and other market counterparties;
- to advance surplus monies in the Fund to the Exchequer as Ways and Means advances;
- to provide short-term funding to the State Claims Agency (SCA) and the National Development Finance Agency (NDFA) for the purpose of funding their activities;
- to provide Central Treasury loans to designated state bodies such as local authorities and other designated non-commercial state bodies in accordance with the National Treasury Management Agency (Amendment) Act 2000.

The Minister for Finance for the Exchequer may appropriate any accumulated surplus in the Fund after making appropriate provision to meet the liabilities to the depositors (Finance Act 1930, Section 19(1)).

2. BASIS OF PREPARATION

The financial statements have been prepared on an accruals basis under the historical cost convention except where otherwise stated.

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest thousand unless otherwise indicated. Where used '000' or 'k' denotes thousand, and 'm' denotes million.

2.1 Investments

Investments are stated at cost.

3. INVESTMENT INCOME

	2019 €000	2018 €000
Net Investment Interest	12,792	14,711
Interest on Cash with Central Bank of Ireland	(3,394)	(4,379)
Gain/(Loss) on Investments	22,197	(7,811)
	31,595	**2,521**

The reduction in Net Investment Interest reflects the lower prevailing yields and lower coupons on bonds in 2019. Sale and Repurchase agreements are also transacted between the Fund and primary dealers in the bond market. The related income or interest cost arising from these transactions is also reflected in Net Investment Interest.

The reduction in Interest on Cash with Central Bank of Ireland is as a result of a decrease in the average cash held during 2019.

The gain on investments in 2019 when compared to 2018, reflects the compression in Irish government bond yields (bond price appreciation) across the Irish yield curve particularly in longer dated bonds which accounted for a large portion of turnover. Such bonds are held at their original cost as the Fund accounts for its bond holdings on a historic cost basis and does not recognise unrealised gains/losses. While unrealised gains/losses on the Fund are not recognised, the Fund's investment performance is monitored on a total return basis (i.e. including unrealised gains/losses).

4. INTEREST PAID AND PAYABLE

	2019 €000	2018 €000
Interest Payable to Depositors of Post Office Savings Bank	**5,076**	**4,778**

5. OPERATING FEES

	2019 €000	2018 €000
Service Fees	**28,612**	**28,572**

Service fees are paid to An Post for their management and administration of depositors accounts.

6. OTHER LOANS

	2019 €000	2018 €000
Advances to Exchequer	2,140,384	2,058,126
Advances to the State Claims Agency	13,317	2,900
Advances to the National Development Finance Agency	1,085	447
	2,154,786	**2,061,473**

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

No financing costs were charged by the Fund to the State Claims Agency or the National Development Finance Agency.

7. RECEIVABLES

	2019 €000	2018 €000
Interest Receivable	6,513	5,445
Cash Balances held by An Post	2,603	6,712
	9,116	**12,157**

8. INVESTMENTS

Bonds	2019 €000	2018 €000
At Cost	**519,788**	**502,571**
Valuation as at 31 December	525,616	500,082

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. INVESTMENTS (CONTINUED)

Schedule of Investment Holdings:

Nominal €000	Stock	2019 Cost €000	2019 Valuation €000
4,752	0.8% Treasury Bond 2022	4,904	4,881
17,323	0.0% Treasury Bond 2022	17,545	17,521
23,668	3.9% Treasury Bond 2023	27,300	26,960
55,572	3.4% Treasury Bond 2024	64,995	64,297
48,999	5.4% Treasury Bond 2025	64,358	63,274
44,999	1.0% Treasury Bond 2026	48,363	48,166
40,700	0.9% Treasury Bond 2028	43,629	43,614
36,000	1.1% Treasury Bond 2029	39,602	39,280
40,285	2.4% Treasury Bond 2030	49,197	49,401
33,491	1.35% Treasury Bond 2031	36,426	37,512
17,667	1.3% Treasury Bond 2033	19,250	19,718
28,900	1.7% Treasury Bond 2037	30,294	34,238
41,968	2.0% Treasury Bond 2045	51,449	53,570
20,300	1.5% Treasury Bond 2050	22,476	23,184
454,624		**519,788**	**525,616**

9. POST OFFICE SAVINGS BANK DEPOSITS

	2019 €000	2018 €000
Post Office Savings Bank Deposits	**3,419,708**	**3,307,570**

10. OTHER LIABILITIES

	2019 €000	2018 €000
Outstanding Bond Trades Payable	10,122	24,401
Outstanding Repo Trades Payable	843	3,951
Accrued DIRT Payable	433	460
	11,398	**28,812**

11. EVENTS AFTER THE END OF THE REPORTING PERIOD

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted global financial markets which in turn has adversely affected the Fund. As neither the duration nor the scope of the impact can be predicted, the overall financial impact cannot be estimated at this time.

12. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Agency on 5 May 2020.

FINANCIAL STATEMENTS OF THE

STATE CLAIMS AGENCY

For the year ended 31 December 2019

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

State Claims Agency

Opinion on the financial statements

The National Treasury Management Agency (the Agency) is known as the State Claims Agency when managing claims on behalf of the State. I have audited the financial statements of the State Claims Agency for the year ended 31 December 2019 as required under the provisions of section 12 of the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise the income statement, the statement of financial position and the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements properly present

- the assets and liabilities of the State Claims Agency at 31 December 2019, and
- the transactions for 2019.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Agency has presented the financial statements together with certain other information in relation to the management of State claims. This comprises the Agency's annual report (including the governance statement and Agency members' report) and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

13 May 2020

Appendix to the report of the Comptroller and Auditor General

Responsibilities of the National Treasury Management Agency

As detailed in the governance statement and Agency members' report the members' are responsible for

- the preparation of financial statements in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended)
- ensuring that the financial statements properly present the assets and liabilities of the State Claims Agency at 31 December 2019 and the transactions in the year
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 12 of the National Treasury Management Agency Act 1990 (as amended) to audit the financial statements of the State Claims Agency and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the State Claims Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the State Claims Agency to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

INCOME STATEMENT
For the year ended 31 December 2019

	Note	2019 €000	2018 €000
Income			
Income	4	431,389	354,593
Costs recovered on behalf of Delegated State Authorities	5	3,475	8,053
		434,864	**362,646**
Expenditure			
Awards and claim settlements	6	307,623	250,628
Expenses	7	123,766	103,965
Reimbursement of costs recovered on behalf of Delegated State Authorities	5	3,475	8,053
		434,864	**362,646**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 €000	2018 €000
Assets			
Cash at bank		3,738	1,471
Receivables	10	13,789	8,864
Investments	9	4,951	4,620
		22,478	**14,955**
Liabilities			
Scheme liabilities	9	(4,951)	(4,620)
Borrowings from Post Office Savings Bank Fund	11	(13,317)	(2,900)
Other liabilities	12	(4,210)	(7,435)
		(22,478)	**(14,955)**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND

Under the National Treasury Management Agency (Amendment) Act, 2000, the management of personal injury and property damage claims against the State and certain State Authorities ("Delegated State Authorities" or "DSAs") was delegated to the National Treasury Management Agency ("NTMA" or "the Agency"). The NTMA also provides related risk advisory services to DSAs. In addition, the National Treasury Management Agency (Amendment) Act 2014, provided for the delegation to the NTMA of the management of claims for legal costs, however so incurred. When performing these functions, the NTMA is known as the State Claims Agency ("SCA"). The SCA incurs expenditure on awards, claim settlements and associated costs. The SCA recovers this expenditure from the Delegated State Authorities who are liable in respect of claims.

The NTMA (Amendment) Act 2000 was amended in 2017 to provide that the SCA would specify the minimum levels of indemnity for classes of medical practitioners. In 2018, it was further amended to provide that the SCA carry out certain functions in relation to an insolvent insurer regulated in another EU Member State and the Insurance Compensation Fund (ICF). This role includes the carrying out of due diligence on claims, the making of an application to the High Court for payment out of the ICF and the distribution, thereafter, to third parties of claim settlement monies.

2. BASIS OF PREPARATION

The financial statements of the SCA relate to the management of claims on behalf of Delegated State Authorities who are liable in respect of claims and from whom the SCA recovers the amounts of any awards and associated costs. The financial statements present the claim activities and report on the transactions processed via the SCA in the year and therefore no amounts are included for outstanding claims incurred but not reported (IBNR) claims. IBNR claims relate to incidents that occurred prior to the reporting date for which the claims had not been reported to the SCA.

The financial statement notes include a disclosure for the estimated liabilities for outstanding claims under management at the reporting date. No amount is included for IBNR liabilities.

Transactions are recognised using the cash basis of accounting as adjusted for accruals for contracted third party service provider costs and the related cost recovery from the relevant Delegated State Authority.

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

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Expenditure

Expenditure on awards, claim settlements and associated costs are recognised on receipt of a validated approval or the validated settlement of such expenditure.

3.2 Income

The SCA recovers the amounts of any awards, claim settlements and associated costs from Delegated State Authorities who are liable in respect of claims. Income is treated as receivable from Delegated State Authorities in line with the recognition of the related expenditure. Amounts are accounted for on an accruals basis.

4. INCOME

	Note	2019 €000	2018 €000
Amounts receivable at 1 January from Delegated State Authorities	10	(8,841)	(6,399)
Received from Delegated State Authorities		426,460	352,122
Received from Scheme funds	9	-	29
Amounts receivable at 31 December	10	13,770	8,841
		431,389	**354,593**

Amounts receivable from Delegated State Authorities comprise reimbursements of any awards, claim settlements and associated costs incurred by the SCA on behalf of the Delegated State Authorities who are liable in respect of the underlying claims.

5. COSTS RECOVERED ON BEHALF OF DELEGATED STATE AUTHORITIES

	2019 €000	2018 €000
Costs recovered on behalf of Delegated State Authorities	**3,475**	**8,053**

In certain cases, whether by adjudication of the court or agreement with the third party /co-defendant, a specified percentage contribution in relation to a particular claim may be paid by a third party /co-defendant to the SCA. These amounts represent costs recovered by the SCA on behalf of the Delegated State Authorities, which are subsequently reimbursed to the relevant Authorities.

6. AWARDS AND CLAIM SETTLEMENTS

	2019 €000	2018 €000
Awards and claim settlements	**307,623**	**250,628**

Expenditure on awards is recognised on receipt of a validated approval or the validated settlement of such expenditure.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. EXPENSES

	2019 €000	2018 €000
Delegated authority expenses		
Legal fees	34,850	35,732
Medical fees	6,117	5,223
Engineers' fees	478	499
Other fees[1]	3,518	3,155
	44,963	44,609
Plaintiff expenses		
Legal fees	78,782	59,332
Other expert fees	2	4
Travel expenses	16	16
	78,800	**59,352**
Witness expenses	3	4
Total other expenses	**123,766**	**103,965**

1 *Other fees include investigation and actuary fees.*

8. REMUNERATION AND EXPENSES (INCLUDED IN THE ADMINISTRATION EXPENSES OF THE NTMA)

The administrative costs incurred by the NTMA in the performance of the SCA's functions amounted to €28.5m (2018: €25.0m). These costs are included in the administration expenses of the NTMA and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from Delegated State Authorities.

9. INVESTMENTS/SCHEME LIABILITIES

Special Obstetrics Indemnity Scheme

In 2008, the Minister for Health established the Special Obstetrics Indemnity Scheme (the "SOIS"). Under the SOIS, the Minister agreed to indemnify the Bon Secours and Mount Carmel Hospitals in respect of specified obstetric claims. The Government delegated the management of claims under the SOIS to the NTMA under S.I. No. 628/2007, National Treasury Management Agency (Delegation of Functions) (Amendment) Order, 2007. The named participating hospitals made contributions to the SOIS fund which is managed by the NTMA on behalf of the Minister for Health under section 29(2) of the National Treasury Management Agency (Amendment) Act, 2000.

The Minister for Health authorised the SCA to draw down amounts from the 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.

The SOIS fund is invested in Exchequer Notes on behalf of the Department of Health. Income earned on the Scheme's investments is paid into the fund and is not recognised as income of the SCA.

Contributions to the fund were additional investments in the SOIS in the form of Short Term Paper Loans during the financial year.

	2019 €000	2018 €000
Balance at 1 January	4,620	4,649
Contributions to fund	331	-
Claim settlements and expenses	-	(29)
Balance at 31 December available for settlement of claims	**4,951**	**4,620**

10. RECEIVABLES

	Note	2019 €000	2018 €000
Receivable from Delegated State Authorities	4	13,770	8,841
Other Receivables		19	23
		13,789	**8,864**

11. BORROWINGS FROM THE POST OFFICE SAVINGS BANK FUND

	2019 €000	2018 €000
Borrowings from the Post Office Savings Bank Fund	**13,317**	**2,900**

Under section 16 of the National Treasury Management Agency (Amendment) Act, 2000 the Minister for Finance may advance monies from the Post Office Savings Bank Fund (the "POSB 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. Funds are drawn from the POSB Fund as required during the year to cover the above costs incurred by the SCA on behalf of the Delegated State Authorities. The SCA then receives reimbursements from the Delegated State Authorities and repays the POSB Fund on a regular basis throughout the year. No financing costs are charged to the SCA in respect of these arrangements.

12. OTHER LIABILITIES

	2019 €000	2018 €000
Payable in respect of expenses	1,132	3,104
Payable in respect of awards	2,604	3,555
Professional Services Withholding Tax	467	661
Amounts due to Delegated State Authorities	7	115
	4,210	**7,435**

13. ESTIMATED LIABILITIES OF DELEGATED STATE AUTHORITIES

	2019 Number of claims	2018 Number of claims
At 1 January	10,658	9,956
New claims	3,516	3,319
Resolved claims	(2,704)	(2,623)
Other claims[1]	110	6
At 31 December[2]	**11,580**	**10,658**

1 Other claims include claims re-opened in the period, claims closed in the period and designated to a prior period.

2 The number of active claims at 31 December 2019 includes 2,472 (2018: 2,267) mass action claims.

At 31 December 2019 the outstanding estimated liability of Delegated State Authorities in respect of claims under management by the SCA was €3,633m (2018: €3,152m), of which €2,723m (2018: €2,331m) was attributable to clinical claims and €910m (2018: €821m) to general claims. The estimated liability is 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. The outstanding estimated liability is the total estimated liability less payments already made. The estimated liability does not include amounts for outstanding claims incurred but not reported (IBNR). IBNR claims relate to incidents that occurred prior to the reporting date for which the claims had not been reported to the SCA.

In respect of relevant active clinical claims at 31 December 2019, the SCA has based its estimated liability on a real rate of return of 1% (2018: 1%) on claims for the cost of future care and 1.5% (2018: 1.5%) for future pecuniary loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. EVENTS AFTER THE REPORTING PERIOD

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has resulted in unforeseen increased demand for services of Delegated State Authorities such as the Health Service Executive. The SCA may be required to increase the scope of cover of the Clinical Indemnity Scheme and General Indemnity Scheme having regard to the many scenarios anticipated in response to the emergency. Government restrictions may also reduce the number of court sittings which would impact the resolution and settlement of claims. As neither the duration nor the scope of the impact can be predicted, the overall financial impact cannot be estimated at this time.

15. RELATED PARTIES

The Minister for Finance appoints six members of the Agency in accordance with section 3A of the National Treasury Management Agency Act, 1990, as amended.

16. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Agency on 5 May 2020.

FINANCIAL STATEMENTS OF THE

DORMANT ACCOUNTS FUND

For the year ended 31 December 2019

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Dormant Accounts Fund

Opinion on the financial statements

I have audited the financial statements of the Dormant Accounts Fund (the Fund) prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2019 as required under the provisions of section 46 of the Dormant Accounts Act 2001. The financial statements comprise the investment and disbursements account, the reserve account, the statement of financial position and related notes.

In my opinion, the financial statements properly present

- the balance of the Fund at 31 December 2019, and
- the transactions for 2019.

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Agency has presented the financial statements together with certain other information in relation to the operation of the Fund. This comprises the Agency's annual report (including the governance statement and Agency members' report) and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

13 May 2020

Appendix to the report of the Comptroller and Auditor General

Responsibilities of the National Treasury Management Agency

As detailed in the governance statement and Agency members' report the members' are responsible for

- the preparation of financial statements in the form prescribed under section 46 of the Dormant Accounts Act 2001
- ensuring that the financial statements properly present the Fund's affairs at year-end and the transactions in the year
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 46 of the Dormant Accounts Act 2001 to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Fund's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Fund to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

INVESTMENT AND DISBURSEMENTS ACCOUNT
For the year ended 31 December 2019

	Note	2019 €000	2018 €000
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	3	65,233	68,748
Amounts transferred to Reserve Account	4	(29,000)	(29,277)
Disbursements	5	(37,372)	(27,822)
Interest Expense	6	(57)	(92)
Movement for the year		(1,196)	11,557
Balance at 1 January		202,219	190,662
Balance at 31 December		**201,023**	**202,219**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

RESERVE ACCOUNT

For the year ended 31 December 2019

	Note	2019 €000	2018 €000
Repayment of moneys transferred to the Fund	3	(22,608)	(21,538)
Interest on repayment of moneys transferred to the Fund	3	(145)	(187)
Transfer from Investment and Disbursements Account	4	29,000	29,277
Interest Expense	6	(47)	(51)
Operating Expenses	7	(84)	(372)
Movement for the year		6,116	7,129
Balance at 1 January		87,589	80,460
Balance at 31 December		**93,705**	**87,589**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	2019 €000	2018 €000
Assets			
Cash and Other Financial Assets	8	294,963	290,111
Liabilities			
Other Liabilities	9	(235)	(303)
Net Assets		**294,728**	**289,808**
Represented by:			
Investment and Disbursements Account		201,023	202,219
Reserve Account		93,705	87,589
		294,728	**289,808**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND

The Dormant Accounts Act 2001 (as amended) provides for the transfer of dormant funds in banks, building societies and An Post and the transfer of moneys payable under unclaimed life assurance policies to the Dormant Accounts Fund, while guaranteeing a right of reclaim to those funds. It further provides for a scheme for the disbursement of funds for the purposes of programmes or projects to assist:

(a) the personal and social development of persons who are economically or socially disadvantaged,

(b) the educational development of persons who are educationally disadvantaged, or

(c) persons with a disability (within the meaning of the Equal Status Act 2000).

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 Agency is responsible, under sections 17 and 18 of the Dormants Account Act 2001 (as amended), 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 for or incidental to the performance of its functions. These functions include:

- the making of disbursements in accordance with the directions of the Minister for Public Expenditure and Reform.
- the maintenance of the Reserve Account.
- the defraying of the specified fees, costs and expenses incurred.
- 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 Rural & Community Development[1].
- 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 accounting records of all moneys received and expended by the Agency.
- 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 Rural & Community Development[1].
- the submitting of the annual report on the operation of the Fund to the Minister for Finance, and the presentation of a copy to the Minister for Rural & Community Development[1].

In accordance with the Dormant Accounts (Amendment) Act 2012, the Minister for Rural & Community Development1 is responsible for the administration of the process by which the Government approves projects and programmes to which funds from the Dormant Accounts Fund can be disbursed. In accordance with this Act, a new Disbursement Scheme 2017 – 2019 was approved by Government in July 2017 and a Dormant Accounts Action Plan for 2019 was published in July 2018, which details projects and programmes to which funds from the Dormant Accounts Fund may be allocated.

2. BASIS OF PREPARATION

The financial statements have been prepared for the year ended 31 December 2019. The financial statements are prepared on an accruals basis under the historical cost convention.

The NTMA is required under section 46(1) of the Dormant Accounts Act 2001 to keep all proper and usual accounts of all moneys received or expended by the Agency in relation to the Fund. In accordance with section 46(1) of the Dormant Accounts Act 2001, the financial statements have been prepared in a form specified by the Minister for Finance.

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest thousand unless otherwise indicated. Where used, '000' or 'k' denotes thousand, and 'm' denotes million.

1 *On 3 October 2017 Statutory Instrument 432 conferred powers previously executed by the Department of Arts Heritage, Regional, Rural and Gaeltacht Affairs in relation to the Dormant Accounts Fund, to the Department of Rural & Community Development.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CUMULATIVE AMOUNTS TRANSFERRED AND RECLAIMED IN RESPECT OF DORMANT ACCOUNTS AND UNCLAIMED ASSURANCE POLICIES

Financial Institutions – Dormant Accounts

Institution	Opening Balance 01/01/2019 €000	Transferred €000	Reclaimed €000	Closing Balance 31/12/2019 €000	Interest Paid €000
ACC Loan Management DAC	5,378	-	(3)	5,375	-
Allied Irish Banks plc	93,509	7,662	(2,241)	98,930	(47)
Bank of America Merrill Lynch Intl Ltd	155	-	-	155	-
Bank of Ireland	98,864	14,457	(4,850)	108,471	(5)
Barclays Bank Ireland plc	344	-	-	344	-
BNP Paribas SA	99	44	-	143	-
Citibank Europe plc	29	-	-	29	-
Danske Bank Plc	7,360	311	(107)	7,564	-
EAA Covered Bond Bank	122	-	-	122	-
EBS DAC	31,359	6,846	(2,959)	35,246	(48)
Investec Bank plc	1,651	403	(6)	2,048	-
Irish Bank Resolution Corporation Ltd (in special liquidation)	617	-	-	617	-
JP Morgan Bank (Ireland) plc	49	-	-	49	-
KBC Bank Ireland plc	786	-	-	786	-
Lloyds Bank	453	-	-	453	-
Permanent tsb plc	60,003	7,757	(1,591)	66,169	(4)
Pfizer International Bank	31	-	-	31	-
An Post – State Savings Products	87,381	3,077	(2,913)	87,545	(7)
An Post – Post Office Savings Bank	52,276	4,876	(1,142)	56,010	(32)
RBS NV	35	-	-	35	-
The Royal Bank of Scotland plc	420	-	-	420	-
Scotiabank (Ireland) DAC	93	-	-	93	-
Ulster Bank Ireland DAC	36,630	2,745	(603)	38,772	(1)
TOTAL	**477,644**	**48,178**	**(16,415)**	**509,407**	**(144)**

3. CUMULATIVE AMOUNTS TRANSFERRED AND RECLAIMED IN RESPECT OF DORMANT ACCOUNTS AND UNCLAIMED ASSURANCE POLICIES (CONTINUED)

Assurance Companies – Unclaimed Assurance Policies

Institution	Opening Balance 01/01/2019 €000	Transferred €000	Reclaimed €000	Closing Balance 31/12/2019 €000	Interest paid €000
Specified Term Accounts:					
Ark Life Assurance Co. DAC	1,478	915	(275)	2,118	-
Aviva Life & Pensions UK Ltd	3,995	700	(62)	4,633	-
Equitable Life Assurance Society	53	-	-	53	-
Friends First Life Assurance Co. DAC	3,249	272	(9)	3,512	-
Harcourt Life (Ex Scottish Mutual Life)	-	103	(6)	97	-
Irish Life Assurance plc	11,190	1,837	(722)	12,305	-
New Ireland Assurance Co. DAC	1,110	494	(391)	1,213	-
Phoenix Life Ltd	6,876	739	(73)	7,542	-
The Royal London Mutual Insurance Society Ltd	9,941	475	(275)	10,141	-
St. James Place International plc	11	-	-	11	-
Scottish Legal Life	619	-	-	619	-
Standard Life International DAC	1,948	57	-	2,005	-
Sun Life Assurance Society plc	371	15	-	386	-
Zurich Life Assurance plc	3,373	1,333	(413)	4,293	-
No Specified Term Accounts:					
Acorn Life DAC	192	12	(21)	183	-
Ark Life Assurance Co. DAC	4,944	941	(629)	5,256	-
Aviva Life & Pensions UK Ltd	3,721	687	(46)	4,362	-
Equitable Life Assurance Society	22	-	-	22	-
Friends First Life Assurance Co. DAC	1,734	41	-	1,775	-
Harcourt Life DAC (ex Augura Life Ireland DAC)	145	-	-	145	-
Harcourt Life DAC (ex Scottish Mutual Life DAC)	409	306	(73)	642	-
Irish Life Assurance plc	9,612	636	(434)	9,814	-
New Ireland Assurance Co. DAC	14,378	1,841	(642)	15,577	-
Phoenix Life Ltd	2,069	379	(236)	2,212	-
The Royal London Mutual Insurance Society Ltd	13,307	2,637	(351)	15,593	-
St. James Place International plc	7	-	-	7	-
Scottish Legal Life	615	-	-	615	-
Standard Life International DAC	3,695	655	(971)	3,379	-
Sun Life Assurance Society plc	71	59	(11)	119	-
Zurich Life Assurance plc	4,371	1,648	(347)	5,672	-
TOTAL (UNCLAIMED POLICIES)	**103,506**	**16,782**	**(5,987)**	**114,301**	**-**
The Escheated Estate Fund	4,400	-	-	4,400	-
Accrued Reclaims	(273)	273	(206)	(206)	(1)
GRAND TOTAL	**585,277**	**65,233**	**(22,608)**	**627,902**	**(145)**

Figures may not total due to rounding.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CUMULATIVE 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 decrease the total amount transferred to the Fund and not yet reclaimed by €546,029 from €627,902,626 to €627,356,597.

4. AMOUNTS TRANSFERRED TO THE RESERVE ACCOUNT

Under section 17(4) of the Dormant Accounts Act 2001 as amended, the Agency pays into the Reserve Account, from time to time, an amount determined by the Agency, with the approval of the Minister for Rural & Community Development given with the consent of the Minister for Finance, for the purposes of making repayments from the Fund and of defraying various fees, costs and expenses. An internal transfer from the Investment Account is made as required to maintain the balance in the Reserve Account at a currently approved 15 per cent of the total dormant funds received by the Fund and not yet reclaimed. The balance in the Reserve account may deviate from 15 per cent in the intervening period between the rebalancing dates.

5. DISBURSEMENTS

The following disbursements were made from the Fund during the year:

	2019 €000	2018 €000
On Direction of the Minister for Public Expenditure and Reform:		
Department of Rural & Community Development	12,673	9,700
Department of Children and Youth Affairs	7,039	3,638
Department of Transport, Tourism & Sport	5,000	5,000
Department of Justice Equality & Law Reform	4,873	4,404
Department of Housing, Planning and Local Government	3,000	-
Department of Health	2,700	2,619
Department of Employment Affairs and Social Protection	550	1,764
Department of Defence	502	-
Department of Education and Skills	462	497
Department of Communications, Climate Action and Environment	373	-
Irish Prison Service	200	200
	37,372	**27,822**

6. INTEREST EXPENSE

2019	Investment and Disbursements Account €000	Reserve Account €000	2019 €000
Term Deposits	3	3	6
Cash at Central Bank	(60)	(50)	(110)
	(57)	**(47)**	**(104)**

2018	Investment and Disbursements Account €000	Reserve Account €000	2018 €000
Term Deposits	8	5	13
Commercial Paper	9	-	9
Cash at Central Bank	(109)	(56)	(165)
	(92)	**(51)**	**(143)**

The negative return on Central Bank deposits reflects the prevailing negative interest rates charged in respect of cash balances held on deposit.

7. OPERATING EXPENSES

	2019 €000	2018 €000
Fees of service provider (Pobal)	83	370
Bank Charges	1	2
	84	**372**

Pobal receives an annual service fee for its administration of certain projects in receipt of Dormant Accounts Fund disbursements. The fee was paid by the Department of Rural & Community Development and reimbursed from the Dormant Accounts Fund. The significant reduction in Pobal fees in 2019 was a result of a process change where service fees for allocated projects will be borne directly by the departments in receipt of Fund disbursements in the future. It is not expected the Dormant Accounts Fund will be liable for this fee in 2020.

Expenses of the National Treasury Management Agency

Under section 45(1)(c) of the Dormant Accounts Act 2001 as amended, the Agency is required to report on the costs and expenses incurred by the Agency in performing its function under the legislation. These costs have been estimated and are shown below:

	2019 €000	2018 €000
General Administration[2]	**150**	**150**

8. CASH AND OTHER FINANCIAL ASSETS

	2019 €000	2018 €000
Cash at Central Bank	18,963	24,111
Short Term Instruments & Term Deposits	276,000	266,000
	294,963	**290,111**

9. OTHER LIABILITIES

	2019 €000	2018 €000
Interest Payable on Cash on Deposit	(29)	(30)
Accrued Reclaims	(206)	(273)
	(235)	**(303)**

2 *This is an estimate, included in the Notes to the financial statements only, as the Agency has not charged these expenses to the Dormant Accounts Fund.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CONTINGENT EXCHEQUER LIABILITY

10.1 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 exchequer liability that would have to be met by the Central Fund in the event that all moneys transferred to the Dormant Accounts Fund were reclaimed.

At 31 December 2019 the contingent liability to the Exchequer is estimated at €333m (2018: €295m). The contingent exchequer liability is estimated as the difference between the net cash transferred into the Fund and not yet reclaimed and the net assets of the Fund. No provision or estimate is made for interest which may be payable on future reclaims for the period from the date of transfer to the date of reclaim. Further analysis of the contingent exchequer liability is provided in note 10.2.

Under section 17(7) of the Dormant Accounts Act 2001 as amended, whenever the moneys in the Investment and Disbursements 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. Any such moneys paid from the Central Fund would be repaid, as soon as practicable, from new moneys transferred into the Fund from the financial institutions after providing for any liabilities or contingent liabilities of the Fund.

10.2 Analysis of Contingent Exchequer Liability:

	1 January 2019 €000	Movement during the year €000	31 December 2019 €000
Net Assets of Fund	289,808	4,920	294,728
Dormant Funds Transferred not reclaimed	(585,277)	(42,625)	(627,902)
Contingent liability	**(295,469)**	**(37,705)**	**(333,174)**

10.3 The movement in the Contingent Exchequer Liability for the year is represented by:

	2019 €000	
Interest Expense	(104)	Note 6
Interest on repayments of moneys transferred to the Fund	(145)	Note 3
Disbursements	(37,372)	Note 5
Operating expenses	(84)	Note 7
Movement for the year	**(37,705)**	Note 10.2

11. INVESTMENT RETURN

Under section 45(1)(b) of the Dormant Accounts Act 2001 as amended, the Agency is required to report to the Minister for Rural & Community Development the investment return achieved by the Fund in each financial year. The annualised return on the Fund for the year was -0.03% (2018:- 0.05%).

12. EVENTS AFTER THE END OF THE REPORTING PERIOD

No events requiring adjusting or disclosure in the financial statements occurred after the end of the reporting period.

13. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Agency on 5 May 2020.

FINANCIAL STATEMENTS OF THE

NATIONAL SURPLUS (EXCEPTIONAL CONTINGENCIES) RESERVE FUND

From commencement 31 October 2019
to 31 December 2019

FUND AND OTHER INFORMATION

National Treasury Management Agency

(as delegate of the Minister for Finance in his capacity as manager and controller of the National Surplus (Exceptional Contingencies) Reserve Fund)
Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

Banker

Central Bank of Ireland
New Wapping Street
North Wall Quay
Dublin 1
D01 F7X3

Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Surplus (Exceptional Contingencies) Reserve Fund

Opinion on the financial statements

I have audited the financial statements of National Surplus (Exceptional Contingencies) Reserve Fund (the Fund) prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2019 as required under the provisions of section 12 of the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise

- the statement of financial position
- the statement of changes in net assets
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Fund at 31 December 2019 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland.*

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Agency has presented the financial statements together with certain other information in relation to the operation of the Fund. This comprises the Agency's annual report (including the governance statement and Agency members' report) and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

13 May 2020

Appendix to the report of the Comptroller and Auditor General

Responsibilities of the National Treasury Management Agency

As detailed in the governance statement and Agency members' report, the members' are responsible for

- the preparation of financial statements in the form prescribed under section 28 of the National Treasury Management Agency Act 2000 (as amended)
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 12 of the National Treasury Management Agency Act 1990 (as amended) to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

	Note	As at 31 December 2019 €m
Assets		
Current assets		
Financial assets at fair value through profit or loss	6	1,125
Cash and cash equivalents	7	375
Net assets		**1,500**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF CHANGES IN NET ASSETS
For the period ended 31 December 2019

	Period ended 31 December 2019 €m
Funds received from Ireland Strategic Investment Fund	1,500
Net assets at 31 December 2019	**1,500**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF CASH FLOWS
For the period ended 31 December 2019

	Period ended 31 December 2019 €m
Cash flows from operating activities	
Purchase of Exchequer notes	(1,625)
Proceeds from sales & maturities of Exchequer notes	125
Net cash used in operation activities	**(1,500)**
Cash flows from financing activities	
Funds received from Ireland Strategic Investment Fund	1,500
Net cash from financing activities	**1,500**
Net increase in cash and cash equivalents	-
Cash at 31 December 2019	**-**

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND

The National Surplus (Exceptional Contingencies) Reserve Fund ("the Fund") was established on 31 October 2019 on the commencement of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019 ("the NS(RFEC) Act 2019").

In directions issued by the Minister for Finance (the "Minister") on 7 November 2019 to the National Treasury Management Agency ("the Agency") ("the Directions"), the Minister directed the Agency:

- in accordance with The National Treasury Management Agency (Amendment) Act 2000 (Delegation of Investment Functions) Order 2019 and Section 28(3) of the National Treasury Management Agency (Amendment) Act 2000 ("NTMA (Amendment) Act 2000") to, *inter alia:*
  - invest the Fund, subject to and in accordance with Section 8 of the NS(RFEC) Act 2019 and in a manner consistent with the investment guidelines appended to the Directions (as such guidelines may be amended or replaced from time to time) ("the Investment Guidelines");
  - prepare an annual investment plan in relation to the investment of the assets of the Fund and to submit a copy of the plan to the Department of Finance before the end of October each year (or as soon as reasonably practicable thereafter) and to notify the Department of Finance as soon as reasonably practicable following the making of any changes to the annual investment plan submitted in respect of any year;
  - incur such costs on behalf of the Minister as the Agency considers necessary or expedient in connection with its performance of the functions delegated to it and to charge such costs and pay them out of the Fund in accordance with Section 11 of the NS(RFEC) Act 2019;
- in accordance with Section 12 of the National Treasury Management Agency Act 1990 ("the NTMA Act 1990"), Section 4 of the NS(RFEC) Act 2019 and Section 28(5) of the NTMA (Amendment) Act 2000 to:
  - prepare and keep all proper and usual accounts in relation to the Fund, which shall be subject to audit by the Comptroller and Auditor General;
  - furnish the accounts in relation to the Fund to the Comptroller and Auditor General not later than 4 months after the end of the financial period to which they relate and to submit the accounts, as so audited, to the Minister as part of the Agency's annual report submitted pursuant to Section 13(1) of the NTMA Act 1990.

The Directions also included a direction to the Agency (as controller and manager of the Ireland Strategic Investment Fund) to transfer assets of a value of €1,500 million to the Ireland Strategic Investment Fund ("ISIF") by no later than 30 November 2019. Consequently, on 15 November 2019, in accordance with section 47A(2) of the National Treasury Management Agency Act 2014 and Section 5 of the NS(RFEC) Act 2019 €1,500 million was transferred to the Fund from the assets of the ISIF.

Ownership of the Fund is vested in the Minister and it is domiciled in Ireland. It is not traded in a public market nor does it file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

The financial statements are presented in euro which is the Fund's functional and presentational currency. There was no income or expenses accruing to the Fund in the period from the transfer of the assets to the period end.

2. INVESTMENT OBJECTIVE

The investment Objective of the Fund is to preserve capital to the greatest extent possible subject to prevailing market conditions while ensuring the Fund has adequate liquidity at all times.

The Fund is invested in accordance with Section 8 of the NS(RFEC) Act 2019 and the Investment Guidelines agreed with the Minister and the Annual Investment Plan (as defined in the Directions) prepared by the Agency. In preparing each Annual Investment Plan, the Agency is permitted to have regard to its own risk management policies from time to time.

Any income and capital from maturing investments, as well as any inflows into the Fund will be re-invested in accordance with the Investment Guidelines and the Annual Investment Plan.

3. BASIS OF PREPARATION

The financial statements have been prepared from commencement 31 October 2019 to 31 December 2019. All amounts in the financial statements have been rounded to the nearest €m unless otherwise indicated. Where used, '€'000' or 'k' denotes thousand, 'm' denotes million and 'bn' denotes billion.

Statement of compliance

The financial statements have been prepared in compliance with applicable legislation, and with FRS 102 The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by Financial Reporting Council as promulgated by Chartered Accountants Ireland (March 2018).

4. SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies and estimation techniques adopted by the Fund are as follows:

4.1 Measurement convention

The financial statements are prepared on the historical cost basis modified by the inclusion at fair value of derivatives, investments and other financial instruments designated at fair value through profit ("FVTPL") or loss on initial recognition.

4.2 Going concern

The financial position of the Fund, its cash flows and liquidity position are detailed in the financial statements. In addition, the notes to the financial statements set out the Fund's financial risk management objectives, details of its financial assets and financial liabilities and its exposures to market, credit and liquidity risk.

The Agency members have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Fund continues to adopt the going concern basis of accounting in preparing the financial statements.

4.3 Cash and Cash equivalents

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents and Exchequer notes meeting the conditions to be a cash equivalent, are measured at fair value.

4.4 Recognition and measurement of financial assets and liabilities

The Fund recognises and measures its financial assets and financial liabilities in accordance with Section 11 and Section 12 of FRS 102. The Fund determines the classification of its financial instruments at initial recognition.

Fair value measurement

'Fair value' is the amount for which an asset could be exchanged, a liability settled or an equity instrument granted between knowledgeable willing parties in an arm's length transaction.

Financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities upon initial recognition are measured at transaction price.

Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment or uncollectability.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4.4 Recognition and measurement of financial assets and liabilities (continued)

Exchequer Notes

The Fund is invested in a portfolio of Exchequer notes with maturities between 1 and 12 months. Exchequer note holdings with maturities of more than 3 months are categorised as financial assets at fair value through profit or loss and those with maturities of less than 3 months are categorised as cash and cash equivalents.

Subsequent to initial recognition at their transaction price these investments are measured at fair value with any changes in their fair value recognised in profit or loss.

Impairment

A financial asset not classified at FVTPL is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the loss event has had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor, a breach of contract, default or delinquency in interest or principal payments, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower will enter bankruptcy or other financial reorganisation or adverse changes in the payment status of the borrowers due to adverse national or local economic conditions or adverse change in industry conditions.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

4.5 Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain accounting estimates and judgements that management have made in applying the Fund's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

5. FINANCIAL RISKS

The Agency is responsible for risk management of the Fund. In relation to the Fund, the Agency's responsibility is to implement directions from the Minister for Finance and to value relevant securities for the purpose of the Fund's financial statements.

The Agency Risk Management Policy and Framework prescribes mandatory standards and definitions for risk management that apply to all parts of the Agency and across all risk categories. These standards are then implemented through the detailed policies and procedures that govern the management of individual risk categories and/or risk management processes. The Agency Risk Management Framework is predicated on the three-lines-of-defence model and its organisational structure and risk committee structure are aligned in order to establish clear ownership and accountabilities for risk management.

As the first line of defence, the Agency's Business Units and Corporate Functions are primarily responsible for owning and managing risks on a day-to-day basis, taking into account the Agency's risk tolerance and appetite and in line with its policies, procedures, controls and limits.

The second line of defence, which includes the Agency's Risk, Compliance and other control functions, is independent of first line management and operations and its role is to challenge decisions that affect the organisation's exposure to risk and to provide comprehensive and understandable reporting on risks management issues.

The third line of defence includes the Internal Audit function which provides independent risk-based assurance to key stakeholders on the robustness of the Agency's governance, risk management system and the design and operating effectiveness of the internal control environment under a planned programme of work approved by the Audit and Risk Committee.

A number of Agency and management committees, including the Audit and Risk Committee and the Risk sub-committees, support the Agency in discharging its responsibilities in relation to risk management.

5. FINANCIAL RISKS (CONTINUED)

Agency Committees:

Agency Audit & Risk Committee (ARC)
The Audit and Risk Committee assists the Agency in:

- the oversight of the quality and integrity of the financial statements, the review and monitoring of the effectiveness of the systems of internal control, the internal audit process and the compliance function, and the review and consideration of the outputs from the statutory auditor; and
- the oversight of the Agency's risk management framework including setting risk appetite, monitoring adherence to risk governance and ensuring risks are properly identified, assessed, managed and reported.

In addition, the Committee oversees the internal audit and risk management functions, which are managed on a day to day basis by the Head of Internal Audit and the Head of Risk (Financial, Investment and Enterprise) respectively.

Management Committees:

National Surplus (Exceptional Contingencies) Reserve Fund Oversight Committee (NSOC)
The NSOC oversees the NTMA's management of the Fund in accordance with the delegations from the Minister. It reviews and recommends the Annual Investment Plan to the NTMA Chief Executive each year having regard to the Investment Guidelines and any specific direction that may be given from the Minister or Department. It reviews quarterly reports on the implementation of the Annual Investment Plan and monitors performance and compliance with the Annual Investment Plan and Investment Guidelines. It recommends where appropriate any amendments to the Annual Investment Plan or Investment Guidelines.

Enterprise Risk Management Committee (ERMC)
The ERMC oversees the implementation of the NTMA's overall risk appetite and senior management's establishment of appropriate systems (including policies, procedures and risk limits) to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported. It has a number of sub-committees to which it delegates functions.

Counterparty Credit Risk Committee (CCRC)
The CCRC oversees and advises the ERMC on current counterparty credit risk exposures. It formulates, implements and monitors compliance with the NTMA Counterparty Credit Risk Policy, including the consideration and recommendation, where appropriate, of any proposed changes and ensures that all appropriate actions are taken in respect of relevant policy or any breaches. It reports relevant counterparty credit risk exposures and details to the ERMC.

Market and Liquidity Risk Committee (MLRC)
The MLRC oversees and advises the ERMC on market and liquidity risk exposures. It formulates, implements and monitors compliance with the NTMA Market and Liquidity Risk Polices, including the consideration and recommendation, where appropriate, of any proposed changes and ensures that all appropriate actions are taken in respect of relevant policy or any breaches. It reports relevant market risk and liquidity risk exposures and details to the ERMC.

In pursuing its investment objectives, the Fund is exposed to a variety of financial risks: market risk (which can include price risk, interest rate risk and currency risk), liquidity risk and Credit risk. The Agency is responsible for risk management of the Fund's financial performance. In relation to the Fund, the Agency's responsibility is to implement directions from the Minister for Finance and to value relevant securities for the purpose of the Fund's financial statements.

(a) Market Risk
Market risk is the risk of loss or increased costs resulting from changes in the value of assets and liabilities (including off balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates or other market prices. Sub-categories of market risk include interest rate risk, foreign exchange risk and market price risk.

(b) Liquidity Risk
Liquidity risk is the risk that the Fund may not be able to generate sufficient cash resources to settle its obligations in full as they fall due or can only do so on terms that are materially disadvantageous. The Fund's investment policy is designed to ensure adequate liquidity is maintained to meet liabilities in respect of the payment of fees and expenses, if and when they fall due.

(c) Credit Risk
Credit risk arises from the risk that a borrower or counterparty will fail to perform on an obligation leading to a loss of principal or financial reward.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. FINANCIAL RISKS (CONTINUED)

Management Committees (continued)

(d) Valuation of Financial Instruments

Under Amendments to FRS 102, Section 34, the Fund is required to classify fair value measurements using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

Level 1 – Unadjusted quoted prices in active markets that are accessible at the measurement date for identical unrestricted assets or liabilities;

Level 2 – Quoted prices in markets that are not active or financial instruments for which significant inputs are observable (including investments in investees that can generally be redeemed within three months of the measurement date at Net Asset Value), either directly or indirectly. This may include the valuer's assumptions in determining fair value measurement; and

Level 3 – Prices or valuations that require significant unobservable inputs (including investments in investee funds that are restricted from redemption for an uncertain or extended period of time from the measurement date and the valuer's assumptions in determining fair value measurement).

Valuation techniques may include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques may include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, earnings multiples and revenue multiples and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy.

2019	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Exchequer Notes	1,500	-	-	1,500

6. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	As at 31 December 2019 €m
Exchequer notes with a maturity greater than 3 months	1,125

7. CASH AND CASH EQUIVALENTS

	As at 31 December 2019 €m
Exchequer notes with a maturity less than or equal to 3 months	375

8. ACCRUED EXPENSES

In accordance with the Directions and Section 11 of the NS(RFEC) Act 2019, the Agency may charge the internal and external costs of the performance of its delegated functions to the Fund. In the period from the inception of the Fund to 31 December 2019, no costs were incurred by the Fund. As a result no accrual has been made for such costs and expenses.

9. RELATED PARTIES

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Minister for Finance

Management and control of the Fund vests in the Minister for Finance pursuant to Section 4(1) of the NS (RFEC) Act 2019.

National Treasury Management Agency

The Minister for Finance has delegated to the Agency certain of his functions in relation to the investment of the Fund in accordance with the Directions as further outlined in Note 1.

10. EVENTS AFTER THE REPORTING DATE

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a "Global Pandemic" on 11 March 2020, has impacted the global and Irish Economy which may affect the total funds invested in the National Surplus (Exceptional Contingencies) Reserve Fund. While a final decision has not been made on the utilisation of the Fund, projections published by the Minister in the Stability Programme Update on 21 April assume that the balance in the Fund will be paid out to the Exchequer during 2020 to mitigate the occurrence in the State of the exceptional circumstances arising from COVID-19 pursuant to section 9 of the National Surplus (Reserve Fund for Exceptional Contingencies) Act 2019.

11. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Agency on 5 May 2020.

FINANCIAL STATEMENTS OF THE

IRELAND STRATEGIC INVESTMENT FUND

For the year ended 31 December 2019

FUND AND OTHER INFORMATION

Controller and Manager
National Treasury Management Agency
Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

Global Custodian ("Global Custodian")
Bank of New York Mellon
240 Greenwich Street
Manhattan
New York
U.S.A.

BNY Mellon SA/NV
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1000 Bruxelles,
Belgium

Bankers
Central Bank of Ireland
New Wapping Street
North Wall Quay
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Allied Irish Banks p.l.c.
1-4 Lower Baggot Street
Dublin 2
D02 X342

Auditor
Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

Ard Reachtaire Cuntas agus Ciste
Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Ireland Strategic Investment Fund

Opinion on the financial statements

I have audited the financial statements of the Ireland Strategic Investment Fund (the Fund) prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2019 as required under the provisions of section 12 of the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise

- the statement of financial position
- the statement of comprehensive income
- the statement of changes in net assets
- the statement of cash flows and
- the related notes, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the Fund at 31 December 2019 and of its income and expenditure for 2019 in accordance with Financial Reporting Standard (FRS) 102 — *The Financial Reporting Standard applicable in the UK and the Republic of Ireland.*

Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Report on information other than the financial statements, and on other matters

The Agency has presented the financial statements together with certain other information in relation to the operation of the Fund. This comprises the Agency's annual report (including the governance statement and Agency members' report) and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

13 May 2020

Appendix to the report of the Comptroller and Auditor General

Responsibilities of the National Treasury Management Agency

As detailed in the governance statement and Agency members' report the members' are responsible for

- the preparation of financial statements in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended)
- ensuring that the financial statements give a true and fair view in accordance with FRS102
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Responsibilities of the Comptroller and Auditor General

I am required under section 12 of the National Treasury Management Agency Act 1990 (as amended) to audit the financial statements of the Fund and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the Agency to cease to continue as a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

STATEMENT OF FINANCIAL POSITION
As at 31 December 2019

		Discretionary Portfolio		Directed Portfolio		Total	
	Note	2019 €m	2018 €m	2019 €m	2018 €m	2019 €m	2018 €m
Assets							
Investments	7, 8	6,632	7,612	6,726	7,787	13,358	15,399
Loans and receivables	7, 8	451	766	7	-	458	766
Trade and other receivables	9	62	27	-	-	62	27
Cash and cash equivalents	12	999	452	215	215	1,214	667
Total assets		**8,144**	**8,857**	**6,948**	**8,002**	**15,092**	**16,859**
Liabilities							
Derivatives	7	(9)	(4)	-	-	(9)	(4)
Balance due to brokers	7	(3)	-	-	-	(3)	-
Other liabilities	10	(13)	(28)	-	(1)	(13)	(29)
Total liabilities		**(25)**	**(32)**	**-**	**(1)**	**(25)**	**(33)**
Net assets of the Fund at year end		**8,119**	**8,825**	**6,948**	**8,001**	**15,067**	**16,826**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF COMPREHENSIVE INCOME
For the year ended 31 December 2019

		Discretionary Portfolio		Directed Portfolio		Total	
	Note	2019 €m	2018 €m	2019 €m	2018 €m	2019 €m	2018 €m
Income							
Interest income	4	85	92	-	-	85	92
Dividend income	4	14	15	352	250	366	265
Private equity, property and other income	4	38	57	-	-	38	57
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		345	(225)	(1,060)	(3,751)	(715)	(3,976)
Net investment income/(loss)		**482**	**(61)**	**(708)**	**(3,501)**	**(226)**	**(3,562)**
Expenses							
Operating expenses	5	(33)	(31)	-	-	(33)	(31)
Profit/(Loss) for the financial year before tax		**449**	**(92)**	**(708)**	**(3,501)**	**(259)**	**(3,593)**
Taxation	6	-	1	-	-	-	1
Profit/(Loss) for the financial year		**449**	**(91)**	**(708)**	**(3,501)**	**(259)**	**(3,592)**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF CHANGES IN NET ASSETS
For the year ended 31 December 2019

		Discretionary Portfolio		Directed Portfolio		Total	
	Note	2019 €m	2018 €m	2019 €m	2018 €m	2019 €m	2018 €m
Profit/ (Loss) for the year		449	(91)	(708)	(3,501)	(259)	(3,592)
Transfers to the Minister	11	(1,500)	(20)	-	-	(1,500)	(20)
Assets transferred between portfolios	11	345	250	(345)	(250)	-	-
(Decrease)/ Increase in net assets		**(706)**	**139**	**(1,053)**	**(3,751)**	**(1,759)**	**(3,612)**
Net assets at beginning of year		8,825	8,686	8,001	11,752	16,826	20,438
Net assets at end of year		**8,119**	**8,825**	**6,948**	**8,001**	**15,067**	**16,826**

The accompanying notes form an integral part of the financial statements.

On behalf of the Agency

Conor O'Kelly, Chief Executive
National Treasury Management Agency

Maeve Carton, Chairperson
National Treasury Management Agency

5 May 2020

STATEMENT OF CASH FLOWS

For the year ended 31 December 2019

		Discretionary Portfolio		Directed Portfolio		Total	
	Note	2019 €m	2018 €m	2019 €m	2018 €m	2019 €m	2018 €m
Cash flows from operating activities							
Interest received		89	98	-	-	89	98
Tax reclaims received	6	-	1	-	-	-	1
Dividends received	4	14	16	352	250	366	266
Other income received		35	57	-	-	35	57
Proceeds from sale of investments		8,728	3,970	-	-	8,728	3,970
Purchase of investments		(6,941)	(4,164)	(7)	-	(6,948)	(4,164)
Cash collateral received		203	280	-	-	203	280
Cash collateral paid		(200)	(280)	-	-	(200)	(280)
Operating expenses paid	5	(34)	(30)	-	-	(34)	(30)
Effect of exchange rate fluctuations		(191)	(177)	-	-	(191)	(177)
Net cash from operating activities		**1,703**	**(229)**	**345**	**250**	**2,048**	**21**
Cash flows from financing activities							
Transfer between portfolios	11	345	250	(345)	(250)	-	-
Transfer to the Minister	11	(1,500)	(20)	-	-	(1,500)	(20)
Net cash from financing activities		**(1,155)**	**230**	**(345)**	**(250)**	**(1,500)**	**(20)**
Net increase in cash and cash equivalents		548	1	-	-	548	1
Opening cash and cash equivalents		452	450	215	215	667	665
Effect of exchange rate fluctuations on cash and cash equivalents		(1)	1	-	-	(1)	1
Closing cash and cash equivalents		**999**	**452**	**215**	**215**	**1,214**	**667**

NOTES TO THE FINANCIAL STATEMENTS

1. BACKGROUND

The Ireland Strategic Investment Fund ("the Fund") was established on 22 December 2014 on the commencement of Part 6 of the National Treasury Management Agency (Amendment) Act 2014 ("NTMA Act 2014"). The National Treasury Management Agency (the "Agency" or the "Manager") is the controller and manager of the Fund (other than Directed Investments). Section 39(1) of the NTMA Act 2014 requires the Agency to hold or to invest the assets of the Fund (other than the Directed Investments outlined below) on a commercial basis in a manner designed to support economic activity and employment in the State.

Sections 42, 42A, 43 and 47(4) of the NTMA Act 2014 enable the Minister for Finance to give directions to the Agency in relation to certain investments. Investments held as a result of Ministerial directions are referred to in these financial statements as "Directed Investments". The holding and management of the Directed Investments, the exercise by the Agency of voting and other rights attaching to the Directed Investments and the disposal by the Agency of the Directed Investments must be conducted in accordance with directions given by the Minister for Finance. Any interest or other income received in respect of deposits and/or securities held in the Directed Portfolio are held or invested by the Agency in line with Ministerial Direction.

Ownership of the Fund is vested in the Minister for Finance and it is domiciled in Ireland. It is not traded in a public market nor does it file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

The financial statements are presented in euro which is the Fund's functional and presentational currency.

2. BASIS OF PREPARATION

The financial statements have been prepared for the year ended 31 December 2019. The comparative period is the year ended 31 December 2018. All amounts in the financial statements have been rounded to the nearest €m unless otherwise indicated. Where used, '€'000' or 'k' denotes thousand, 'm' denotes million and 'bn' denotes billion.

The financial statements have been prepared pursuant to Section 12 of the National Treasury Management Agency Act 1990 (as amended) in a format approved by the Minister for Finance.

On the commencement of Part 6 of the NTMA Act 2014, the assets and liabilities of the National Pensions Reserve Fund ("NPRF") became the assets and liabilities of the Fund (subject to the provisions of Schedule 4 of the NTMA Act 2014 in the case of certain foreign assets and foreign liabilities). The legal transfer of foreign assets must be done in conjunction with the relevant counterparty. The process is largely complete and a small number of foreign assets have not legally transferred from the NPRF to the Fund as at 31 December 2019. These assets (held by the NPRF Commission acting through the Agency) were previously derecognised by the NPRF Commission and are recognised and presented within the Fund's financial statements for the year ending 31 December 2019, in line with Financial Reporting Standards ("FRS").

Notwithstanding the Fund's significant holdings in the equity of Allied Irish Banks p.l.c. ("AIB") as part of its Directed Investments, the Agency (as manager and controller of the Fund) does not have the ability to exercise control, dominant influence or significant influence over AIB as the Minister has reserved the voting control in the shares to his direction alone. Therefore, the Agency does not consolidate the results and the financial position of AIB into the financial statements of the Fund.

Statement of compliance

The financial statements have been prepared in compliance with applicable legislation, and with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* issued by Financial Reporting Council in the UK as promulgated by Chartered Accountants Ireland.

3. SIGNIFICANT ACCOUNTING POLICIES

3.1 Measurement convention

The financial statements are prepared on the historical cost basis modified by the inclusion at fair value of derivatives, investments and other financial instruments designated at fair value through profit or loss on initial recognition.

3.2 Going concern

The financial position of the Fund, its cash flows and liquidity position are detailed in the financial statements. In addition, the notes to the financial statements set out the Fund's financial risk management objectives, details of its financial assets and financial liabilities and its exposures to market, credit and liquidity risk.

The Agency members have a reasonable expectation that the Fund has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Fund continues to adopt the going concern basis of accounting in preparing the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Critical accounting estimates and judgements

The preparation of financial statements in conformity with FRS 102 requires the use of certain accounting estimates and judgements that management have made in applying the Fund's accounting policies and that have a significant effect on the amounts recognised in the financial statements.

The estimates and associated judgements are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates.

Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities include the fair value measurement of financial assets with significant unobservable inputs.

Critical accounting judgements in applying accounting policies

The Fund was not required to make any critical judgements when applying its accounting policies.

3.4 Foreign currency translation and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates prevailing at the dates of the transactions. Foreign currency assets and liabilities are translated into the functional currency using the exchange rate prevailing at the reporting date.

Foreign exchange gains and losses arising from translation of cash and cash equivalents are included in profit or loss in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income.

3.5 Interest

Interest income and expense are recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market based re-pricing date to the net carrying amount of the financial instrument on initial recognition.

3.6 Dividend income

Dividend income is recognised on the date on which the right to receive payment is established.

3.7 Private equity, property and other income

Private equity, property and other income are recognised on an accruals basis.

3.8 Net gain/(loss) on financial assets and liabilities at fair value through profit or loss (FVTPL)

Net gain/(loss) from financial instruments at FVTPL includes realised and unrealised fair value changes and foreign exchange differences.

3.9 Fees and charges, and other expenses

Other than finance costs recognised over the term of the debt using the effective interest rate method, fees, charges and other expenses are recognised on an accruals basis.

3.10 Cash and cash equivalents

Cash and cash equivalents comprise short term, highly liquid investments that are readily convertible to known amounts of cash and that are subject to an insignificant risk of changes in value. Cash and cash equivalents and treasury bills, meeting the conditions to be a cash equivalent, are measured at fair value.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Recognition and measurement of financial assets and liabilities

The Fund recognises and measures its financial assets and financial liabilities in accordance with Section 11 and Section 12 of FRS 102. The Fund determines the classification of its financial instruments at initial recognition.

Fair value measurement

'Fair value' is the amount for which an asset could be exchanged, a liability settled or an equity instrument granted between knowledgeable willing parties in an arm's length transaction.

Financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities upon initial recognition are measured at transaction price.

Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest rate method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment or uncollectability.

Impairment

A financial asset not classified at FVTPL is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and the loss event has had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor, a breach of contract, default or delinquency in interest or principal payments, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower will enter bankruptcy or other financial reorganisation or adverse changes in the payment status of the borrowers due to adverse national or local economic conditions or adverse change in industry conditions.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

3.12 Financial assets and liabilities

The significant accounting policies for the Fund's financial assets and liabilities by investment type are outlined below.

Basic financial assets and liabilities

Quoted equities, debt instruments and investment funds

Investments are measured at fair value, which is the unadjusted bid market value on the primary exchange or market where the investment is quoted.

Direct private equity, convertible preference shares, convertible loans and unquoted equities

Investments in preference and ordinary shares are measured initially at transaction price less attributable transaction costs. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with changes in their fair value recognised in profit or loss. The Fund engages an external valuation advisor to gain assurance that the carrying values of such investments are appropriate at year end.

Where it is deemed that fair value cannot be measured reliably, such investments are measured at cost less impairment. A reliable measure of fair value for a number of holdings is not available and these holdings are valued at cost less impairment.

Loans and receivables

Loans and receivables subsequent to initial recognition are measured at amortised cost using the effective interest rate method. Basic debt instruments (that are non-interest bearing), which are payable or receivable within one year, are measured at the undiscounted amount of the cash or other consideration expected to be paid or received (i.e. net of impairment) unless the arrangement constitutes, in effect, a financing transaction. If the arrangement constitutes a financing transaction, the Fund measures the debt instrument at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial assets and liabilities (continued)

Basic financial assets and liabilities (continued)

Unquoted investment funds (property, private equity, forestry, energy, infrastructure and pooled)

The estimated fair value for unquoted investments in property, private equity, forestry, energy, infrastructure and unquoted pooled funds for which there is not an active market is based on the latest valuation placed on the fund or partnership by the external manager of that fund or partnership in the audited financial statements. Where audited financial statements are not available, e.g. in circumstances where the fund or partnership's year end does not coincide with that of the Fund, the latest available valuation from unaudited financial statements is used.

The valuations of these investments are determined by external managers using accepted industry valuation methods and guidelines published by relevant industry bodies. Such valuation methodologies used by external managers may include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows, third party transactions or events which suggest material impairment or improvement in the fair value of the investment. In the first year of ownership, cost is usually considered to be an appropriate estimate of the fair value for these investments unless there is an indication of impairment in value.

A range of possible values can exist for these investments and estimated fair values may differ from the values that would have been used had there been an active market value for such investments.

The Agency uses external managers' valuations to determine the fair value of an investment in line with its valuation process as overseen by the Valuation Committee.

Other receivables and payables and amounts due to/(from) third parties

Other receivables are recognised initially at transaction price less attributable transaction costs. Other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method, less impairment in the case of trade receivables.

Receivables and payables under sale and repurchase agreements and securities borrowed

When the Fund purchases a financial asset and simultaneously enters into an agreement to resell the same or a substantially similar asset at a fixed price on a future date (reverse sale and repurchase agreement), the arrangement is accounted for as a basic debt instrument at amortised cost if it qualifies as basic and is recognised in the Statement of Financial Position as a receivable from a reverse sale and repurchase agreement and the underlying asset is not recognised in the Fund's financial statements.

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments that do not meet the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition, such financial instruments are measured at fair value with changes recognised in profit or loss, except investments in instruments that are not publicly traded and where fair value cannot otherwise be measured reliably which are measured at cost less impairment.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Unquoted debt instruments

Unquoted debt instruments are recognised at their fair value. The Fund uses an external valuation advisor, where required, to gain assurance that the carrying values of such investments are appropriate at year end. Where it is deemed that fair value cannot be measured reliably, such investments are measured at cost less impairment.

The Agency has established procedures to periodically review the valuation of investments. Based on its judgement, and relevant information available to it, the Agency may in certain circumstances determine that an adjustment to the external source's valuation is appropriate in recording an investment's fair value.

The Fund has a Valuation Committee in place (Note 15.7(ii)). During the year, the membership of the Valuation Committee comprised of the Chief Financial and Operating Officer, the Head of Risk, the Senior Risk Manager, the Director of ISIF and other senior Agency and ISIF management personnel. The Valuation Committee assists the Agency in the determination of the valuation of investments of the Fund by:

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Financial assets and liabilities (continued)

Financial instruments not considered to be basic financial instruments (other financial instruments) (continued)

Unquoted debt instruments (continued)

- reviewing the periodic investment valuations and valuation basis for the assets of the Fund in accordance with the accounting framework as adopted by the Fund;
- approving the asset valuations for inclusion in the annual financial statements of the Fund; and
- supporting the NTMA Audit and Risk Committee with their review and approval of the Fund financial statements.

3.13 Derecognition of financial assets and liabilities

The Fund derecognises a financial asset when:

- the contractual rights to the cash flows from the asset are settled or expired;
- it expires, or the Fund transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- despite retaining some significant risk and rewards of ownership, the Fund has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Fund derecognises the asset and recognises separately any rights and obligations retained or created in the transfer.

On derecognition of a financial asset, the carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised are recognised in profit or loss in the year of the transfer.

If a transfer does not result in derecognition because the Fund has retained significant risks and rewards of ownership of the transferred asset, the Fund continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. Other than when the conditions for offset are met (see Note 3.14), the asset and liability are not offset. In subsequent periods, the Fund recognises any income on the transferred asset and any expense incurred on the financial liability.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expired. The Fund recognises in profit or loss any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.

3.14 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Fund has a legally enforceable and current right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

3.15 Investment rebates

Investment rebates are generally recognised on an accruals basis at the point that the Fund becomes aware that it is entitled to a rebate from an investment manager. In instances when the Fund has not been given prior knowledge of a rebate, the rebate is recognised on receipt.

3.16 Collateral

Cash placed as collateral is recognised in the Statement of Financial Position as Balances due from brokers. These amounts represent margin accounts, cash collateral for borrowed securities and derivatives and sales transactions awaiting settlement. Collateral placed with the Fund is recognised in Balances due to brokers in the financial liabilities of the Statement of Financial Position.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. INCOME

4.1 Discretionary Portfolio

	2019 €m	2018 €m
Interest income	85	92
Property fund income	14	49
Dividend income	14	15
Private equity income	20	5
Other income	4	3
	137	**164**

Other income includes investment rebates of €1.8m (2018: €1.6m) and class action income of €1.2m (2018: €0.7m).

4.2 Directed Portfolio

	2019 €m	2018 €m
Dividend income	**352**	**250**

On 3 May 2019, the Fund received a dividend payment of €328m (2018:€233m) from AIB. On 10 June 2019, the Fund received a dividend payment of €24m (2018: €17m) from BOI.

5. OPERATING EXPENSES

The amounts required to cover the investment management and operating costs of the Fund are as follows:

5.1 Discretionary Portfolio – fees and expenses

	2019 €m	2018 €m
NTMA recharge	15	14
Investment managers' fees	11	12
Legal fees	2	1
Global Custodian fees	1	1
Systems and services	1	1
Tax fees	1	1
Other fees	2	1
	33	**31**

Under Section 48 of the NTMA Act 2014, the expenses of the Agency in the performance of its functions relating to the Fund are required to be defrayed from the Fund. These amount to €15.2m in 2019 (2018: €14.5m).

Other fees include €0.3m for the termination of a service agreement in the period.

5.2 Advisory fees

In line with the requirements of the Code of Practice for the Governance of State Bodies 2016 ("the Code"), advisory fees incurred by the Fund during the year are disclosed below.

	2019 €m	2018 €m
Legal	2	1
Financial and tax advisory	1	3
Pensions and human resources	-	-
Other	-	-
	3	**4**

These costs are included in Note 5.1 Fees and expenses and are inclusive of any advisory fees recharged through the NTMA.

6. TAXATION

The income and profits of the Fund are exempt from Irish Corporation Tax in accordance with Section 230(1) and 230 (1A) of the Taxes Consolidation Act, 1997 as amended. The Fund may, however, be liable for taxes in overseas jurisdictions.

Dividends and interest may be subject to irrecoverable foreign withholding taxes imposed by the country from which the investment income is received. Distributions of income and gains received by the Fund from its property and private equity fund investments may also be subject to foreign withholding taxes. The Fund may also be subject to additional foreign taxes payable on certain property and private equity investments annually, based on their asset values at the reporting date.

	2019 €m	2018 €m
Foreign taxes	-	-
Withholding tax reclaim	-	1
Net Tax Income	**-**	**1**

The Fund received €0.1m (2018: €0.6m) withholding tax reclaims in relation to tax reclaims submitted to the year ended 31 December 2019.

7. DISCRETIONARY FINANCIAL ASSETS AND LIABILITIES

7.1 Fund structure and transition

The ISIF is comprised of the Discretionary Portfolio and the Directed Portfolio. The ISIF has a “double bottom line” mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. In December 2014, the assets of the NPRF transferred to the Ireland Strategic Investment Fund. The NPRF Discretionary Portfolio was made available to the ISIF to enable it to make investments that meet this mandate.

In July 2018, the Minister for Finance announced that the ISIF would focus on priority themes that will support Project Ireland 2040 - regional development, housing, indigenous industry, climate change and sectors adversely affected by Brexit.

The Discretionary Portfolio is comprised of the Irish Portfolio and the Global Portfolio. During 2016, the ISIF implemented a Global Portfolio Transition Strategy, which positioned the Global Portfolio as a conservatively managed and liquid portfolio that will provide cash to fund investment opportunities in Ireland as they develop.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. DISCRETIONARY FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

7.2 Discretionary Portfolio valuation

The total Discretionary Portfolio at 31 December amounts to €8.1bn (2018: €8.8bn). The composition of the Discretionary Portfolio by investment type is as follows:

Investments at FVTPL	Note	2019 €m	2018 €m
Quoted equities		610	456
Direct private equity		266	235
Quoted debt instruments		1,359	1,918
Unquoted debt instruments		88	258
Property fund investments		172	142
Private equity fund investments		1,057	776
Forestry investments		59	52
Energy investments		34	31
Infrastructure investments		270	250
Quoted investment funds		1,633	2,509
Unquoted investment funds		988	913
Convertible preference shares		43	43
Other derivative instruments		-	-
		6,579	**7,583**
Loans and receivables at amortised cost			
Other debt		451	764
Other bonds		-	2
		451	**766**
Derivatives at FVTPL			
Equity options		(8)	2
Swaps		-	(1)
Futures contracts	13.1	17	13
Foreign exchange contracts	13.1	35	11
		44	**25**
Cash and cash equivalents			
Cash		988	421
Treasury bills		11	31
	12	**999**	**452**
Trade and other receivables	9	62	27
Balance due to brokers		(3)	-
Other liabilities	10	(13)	(28)
Total discretionary net assets		**8,119**	**8,825**

7. DISCRETIONARY FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

7.3 Irish Portfolio valuation

At 31 December 2019, €2.7bn (2018: €2.6bn) is invested in the Irish Portfolio with the remaining €5.4bn (2018: €6.2bn) invested in the Global Portfolio. The breakdown of the Irish Portfolio by investment type is as follows:

Investments at FVTPL	**2019 €m**	**2018 €m**
Private equity fund investments	1,056	774
Infrastructure investments	270	250
Quoted equities	208	190
Property fund investments	155	110
Direct private equity	266	235
Unquoted debt instruments	88	94
Convertible preference shares	43	43
Forestry investments	59	52
Quoted debt instruments	36	35
Energy investments	34	31
	2,215	**1,814**
Loans and receivables at amortised cost		
Other debt	451	764
Other bonds	-	2
	451	**766**
Cash and cash equivalents	10	12
Trade and other receivables	2	2
Total Irish Portfolio valuation	**2,678**	**2,594**

As at 31 December 2019, a total of €4.6bn (2018: €4.1bn) was committed to the Irish Portfolio.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. DIRECTED PORTFOLIO

The Agency holds a portfolio of Directed Investments which is subject to directions given by the Minister for Finance pursuant to Section 42A and Sections 43 of the NTMA Act 2014. The holding and management of the portfolio of Directed Investments, the exercise by the Agency of voting and other rights attaching to the Directed Investments and the disposal by the Agency of the Directed Investments must be conducted in accordance with directions given by the Minister for Finance.

8.1 Directed portfolio valuation

	2019 Unit Millions	2018 Unit Millions	Valuation € 2019 Per Unit	Valuation € 2018 Per Unit	2019 €m	2018 €m
Bank of Ireland (BoI)						
Ordinary Shares[1]	150	150	4.882	4.872	**734**	**733**
Allied Irish Banks (AIB)						
Ordinary Shares[2]	1,930	1,930	3.104	3.654	**5,992**	**7,054**
Total directed investments assets					**6,726**	**7,787**
HBFI Loan					7	-
Cash (Note 12, 14.3)					215	215
Total directed investments					**6,948**	**8,002**

1 *The value of BOI ordinary share is based on quoted bid prices. The Fund's % shareholding of 13.95% remains the same as at 31 December 2018. Considering the volume of holding in these shares, if traded in a small number of large trades, there could be a premium or discount to the quoted bid price.*

2 *The value of AIB ordinary share is based on quoted bid prices. The Fund's % shareholding of 71.12% remains the same as at 31 December 2018. Considering the volume of holding in these shares, if traded in a small number of large trades, there could be a premium or discount to the quoted bid price.*

8.2 Directed investment valuation movement

Bank of Ireland	2019 €m	2018 €m
Opening valuation	733	1,072
Investment gain/(loss) during the year	1	(339)
Closing Valuation	**734**	**733**

Allied Irish Banks		
Opening valuation	7,054	10,465
Investment (loss)/gain during the year	(1,062)	(3,411)
Closing Valuation	**5,992**	**7,054**

9. TRADE AND OTHER RECEIVABLES

	2019 €m	2018 €m
Interest receivable	16	24
Dividend receivable	2	-
Tax reclaims recoverable	1	2
Amounts receivable for securities sold	43	1
	62	**27**

10. OTHER LIABILITIES

	2019 €m	2018 €m
Amounts payable for securities purchased	4	17
Other accrued expenses	9	11
	13	**28**

Other liabilities on the Directed Portfolio relates to negative interest payable.

11. TRANSFERS

11.1 Transfers to the Exchequer/Minister

	2019 €m	2018 €m
Transfer to the Minister from Discretionary Portfolio	**1,500**	**20**

During the year, the Fund was directed by the Minister to transfer assets with a value of €1.5bn to the National Surplus (Exceptional Contingencies) Reserve Fund.

In 2018, €20m was transferred from the Discretionary Portfolio to Home Building Finance Ireland (HBFI) to discharge the liability of the Minister in respect of the shares allotted and issued to the Minister under Section 10(2) of the Home Building Finance Ireland Act 2018.

11.2 Transfers between Discretionary and Directed Portfolios

	2019 €m	2018 €m
Net transfer from Directed to Discretionary portfolio	**345**	**250**

Dividend payments of €328m (2018: €233m) and €24m (2018: €17m) which the Fund received from AIB on the 3 May 2019 and BOI on the 10 June 2019 respectively were transferred from the Directed Portfolio to the Discretionary Portfolio on receipt; in accordance with the applicable Ministerial direction that cash proceeds from the Directed Investments shall form part of the Discretionary Portfolio.

Funds of €7m (2018: €0) were transferred from the Discretionary Portfolio to the directed portfolio to fund the provision of loans to HBFI.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. CASH AND CASH EQUIVALENTS

Discretionary Portfolio	2019 €m	2018 €m
Cash at Central Bank of Ireland	769	101
Cash with Global Custodian	219	320
Treasury Bills	11	31
	999	**452**

Directed Portfolio	2019 €m	2018 €m
Cash at Central Bank of Ireland (Note 14.3)	**215**	**215**

13. COMMITMENTS

13.1 Foreign currency and futures commitments

The notional principal and unrealised gain of currency derivative contracts entered into by the manager and investment managers on behalf of the Fund (excluding Directed Investments) were:

NTMA	31 December 2019 Notional Principal €m	31 December 2019 Unrealised gain €m	31 December 2018 Notional Principal €m	31 December 2018 Unrealised gain €m
Foreign exchange contracts	1,953	22	1,543	5
Investment Managers				
Foreign exchange contracts	1,862	13	1,956	6
Futures contracts	219	17	636	13
		52		**24**

Foreign exchange contracts

The Fund (excluding Directed Investments) follows a policy of hedging its foreign currency risk, using forward foreign exchange contracts and cross currency swaps. The Fund's investment managers are not required to hedge currency exposure. They are permitted to carry out spot and foreign exchange contracts in order to satisfy the settlement of securities transactions, and to manage their portfolios as agreed with the Fund. The notional value represents the total contracted foreign exchange contracts outstanding at the year end.

Financial futures

The Fund's investment managers are permitted to execute futures contracts as agreed with the Fund.

13. COMMITMENTS (CONTINUED)

13.2 Uncalled investment commitments

The Fund (excluding Directed Investments) has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at 31 December 2019, the Fund's outstanding commitments totalled €1.3bn (2018: €1.4bn).

The Fund has entered into commitments in respect of certain types of investments as outlined below.

	Time-frame of commitment Years	2019 €m	2018 €m
Total unquoted investments	0-9	800	916
Total loans and receivables	0-8	470	475
Total uncalled commitments		**1,270**	**1,391**

Funding of Commitment

The Agency seeks to manage the Fund (excluding Directed Investments) to ensure that it will always have sufficient liquidity, without omitting attractive investment opportunities, to fund its commitments as they are called.

The NTMA Liquidity Risk Management Policy is applicable to the Fund. This policy sets out the minimum acceptable standards to be adhered to by those responsible for treasury transactions which give rise to liquidity risk within the NTMA. The Fund is not subject to externally imposed capital requirements and as at 31 December 2019, the Discretionary Portfolio was predominantly invested in readily realisable assets.

14. RELATED PARTIES

14.1 Minister for Finance

Ownership of the Fund vests in the Minister for Finance pursuant to Section 38(3) of the NTMA Act 2014. Under Section 46(1) and 46(2) of the NTMA Act 2014, the Minister for Finance may make payments into the Fund from the Central Fund. Where the Minister for Finance proposes to make a payment into the Fund, the Houses of the Oireachtas must pass a resolution approving the payment before the Minister for Finance can process the payment. Transactions between the Fund and the Minister for Finance during the year are detailed in Note 11.

14.2 National Treasury Management Agency

The Fund (excluding Directed Investments) is controlled and managed by the Agency pursuant to Section 41(1) of the NTMA Act, 2014.

The NTMA Investment Committee ("the Investment Committee") is a statutory committee provided for by the National Treasury Management Agency Act, 1990 (as amended). The Investment Committee assists the Agency in the control and management of the Fund (excluding Directed Investments) by making decisions about the acquisition and disposal of assets within such parameters as may be set by the Agency, advising the Agency on the investment strategy for the Fund and overseeing the implementation of the investment strategy. The Agency has delegated investment decisions up to €150m to the Investment Committee. Proposed investments in excess of €150m are referred to the Agency with a recommendation from the Investment Committee.

The Investment Committee is required to comprise of two appointed members of the Agency and not more than five persons who are not members of the Agency but who have acquired substantial relevant expertise and experience and who are appointed by the Agency with the consent of the Minister for Finance.

Under Section 48 of the NTMA Act 2014, the expenses of the Agency are defrayed from the Fund. For the year ended 31 December 2019, these expenses were €15.2m (2018: €14.5m).

Key management personnel

The Fund (excluding Directed Investments) is controlled and managed by the Agency. The key management personnel and their compensation are disclosed in the Agency's Administration Account Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. RELATED PARTIES (CONTINUED)

14.3 Strategic Banking Corporation of Ireland

The Fund and the Strategic Banking Corporation of Ireland (the "SBCI") are both under the control of the Minister for Finance. As part of the Directed Investments, under the direction of the Minister for Finance, the Fund provided a loan facility of €240m to the SBCI in 2015. In 2016, €25m of this facility was drawn down. During 2017, the €25m loan the Fund had issued to the SBCI was transferred to the Minister. At 31 December 2019, the outstanding commitment on the loan facility is €215m and this is held within the Directed Investments cash balance (see Note 12).

14.4 Other Government controlled entities

The Central Bank of Ireland and Allied Irish Banks plc are related parties of the Fund as both are under the control of the Minister for Finance. Cash held by the Fund at the Central Bank of Ireland is disclosed in Note 12. The Fund's investment in AIB is disclosed in Note 8.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO

The Agency is responsible for risk management of the Discretionary Portfolio. In relation to the Directed Portfolio, the Agency's responsibility is to implement directions from the Minister for Finance and to value relevant securities for the purpose of the Fund's financial statements. As such, references to the Fund in this note refer to the Discretionary Portfolio.

The base currency of the Fund is euro. The measured returns and monitored portfolio risks are aggregated in euro.

In the ordinary course of its activities, the Agency actively manages a variety of risks including investment risk, market risk, credit risk, liquidity risk and operational risk.

The Agency Risk Management Policy and Framework prescribes mandatory standards and definitions for risk management that apply to all parts of the Agency and across all risk categories. These standards are then implemented through the detailed policies and procedures that govern the management of individual risk categories and/or risk management processes.

The Agency Risk Management Framework is predicated on the three-lines-of-defence model and its organisational structure and risk committee structure are aligned in order to establish clear ownership and accountabilities for risk management.

As the first line of defence, the Agency's Business Units and Corporate Functions are primarily responsible for owning and managing risks on a day-to-day basis, taking into account the Agency's risk tolerance and appetite and in line with its policies, procedures, controls and limits.

The second line of defence, which includes the Agency's Risk, Compliance and other control functions, is independent of first line management and operations and its role is to challenge decisions that affect the organisation's exposure to risk and to provide comprehensive and understandable reporting on risks management issues.

The third line of defence comprises the Internal Audit function which provides independent risk based assurance to key stakeholders on the robustness of the Agency's governance, risk management system and the design and operating effectiveness of the internal control environment under a planned programme of work approved by the Audit and Risk Committee.

A number of Agency and management committees, including the Audit and Risk Committee and the Risk sub-committees, support the Agency in discharging its responsibilities in relation to risk management.

Agency Committees:

NTMA Investment Committee

The NTMA Investment Committee comprises non-executive members and is responsible for overseeing the Fund's investment strategy. The role of the Investment Committee is described in Note 14.2.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

Agency Committees: (continued)

Agency Audit & Risk Committee (ARC)

The ARC comprises members of the Agency Board and assists the Agency Board in:

- the oversight of the quality and integrity of the financial statements, the review and monitoring of the effectiveness of the systems of internal control, the internal audit process and the compliance function, and the review and consideration of the outputs from the statutory auditor; and
- the oversight of the Agency's risk management framework including setting risk appetite, monitoring adherence to risk governance and ensuring risks are properly identified, assessed, managed and reported.

In addition, the Committee oversees the internal audit and risk management functions, which are managed on a day to day basis by the Head of Internal Audit and the Head of Risk (Financial, Investment and Enterprise) respectively.

Management Committees:

Portfolio Management Committee (PMC)

The first line of defence includes the PMC which comprises senior members of the Fund investment team. The core functions of the PMC are to consider and make investment recommendations to the NTMA Investment Committee and provide management oversight of the Fund's investments. The Fund's internal investment process seeks to ensure all investment opportunities are thoroughly evaluated in terms of commerciality, capacity to generate a suitable economic impact and appropriateness in the context of the overall Fund.

Enterprise Risk Management Committee (ERMC)

The ERMC oversees the implementation of the Agency's overall risk appetite and senior management's establishment of appropriate systems (including policies, procedures and risk limits) to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported.

Counterparty Credit Risk Committee (CCRC)

The CCRC oversees and advises the ERMC on current counterparty credit risk exposures. It formulates, implements and monitors compliance with the NTMA Counterparty Credit Risk Policy, including the consideration and recommendation, where appropriate, of any proposed changes and ensures that all appropriate actions are taken in respect of relevant policy or any breaches. It reports relevant counterparty credit risk exposures and details to the ERMC.

Market and Liquidity Risk Committee (MLRC)

The MLRC oversees and advises the ERMC on market and liquidity risk exposures. It formulates, implements and monitors compliance with the NTMA Market and Liquidity Risk Polices, including the consideration and recommendation, where appropriate, of any proposed changes and ensures that all appropriate actions are taken in respect of relevant policy or any breaches. It reports relevant market risk and liquidity risk exposures and details to the ERMC.

Operational Risk and Control Committee (ORCC)

The ORCC reviews and recommends to the ERMC for approval the operational risk policies. The ORCC monitors, reviews and challenges the Agency's operational risks and reports on operational risk management to the ERMC.

Products and Processes Committee (PPC)

The PPC reviews, challenges and recommends to the ERMC for approval proposals and risk assessments in respect of new products and processes, or material changes to existing products and processes.

Nominations Committee

The nominations committee approves and oversees nominations of Directors and observers to the board of ISIF investee companies.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.1 Investment risk

Investment risk is the risk that actual investment performance deviates from relevant strategies. The Agency has an open appetite for investment risk where it is willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of risk-adjusted reward.

Any deviations from relevant investment mandates could result in sub-optimal investment returns or actual capital losses on original outlays. It is therefore vital the on-going management of investment risk is fully integrated into the activities and objectives of the Fund. While investment risk may arise from insufficiently robust internal assessment or monitoring processes, it can also arise from a variety of external sources such as adverse macro-economic or market developments, regulatory shocks, underperformance of individual investments or fraud.

Investment Risk includes the following sub-categories:

- Investment process risk: risk of incurring sub-optimal returns or capital losses due to insufficiently robust assessment or approval processes of investment proposals or subsequent monitoring of transactions;
- Economic impact risk: risk that the economic impact objectives of any relevant investment strategy are not achieved;
- Permanent capital loss risk: risk that the ISIF loses all influence over a particular investment, or that there are illiquid markets at the time of exit, resulting in a full capital loss in relation to that commitment; and
- Portfolio concentration risk: risk of portfolio concentration arising from the pursuit of a particular investment strategy. Portfolio over concentration could take many facets, including economic or industry sector, geography, counterparty etc.

The NTMA Investment Risk Policy is applicable to the Fund.

15.2 Market risk

Market risk is the risk of loss or increased costs resulting from changes in the value of assets and liabilities (including off balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates or other market prices. Sub-categories of market risk include interest rate risk, foreign exchange risk and market price risk.

The Fund has adopted a Global Portfolio Transition Strategy, which is designed to provide adequate liquidity to allow the Fund's transition into an Irish focused portfolio in line with the ISIF's mandate.

The Agency Market Risk Management Policy is applicable to the "Global Portfolio Transition Strategy". This Policy sets out the minimum acceptable standards to be adhered to by those responsible for treasury transactions which give rise to market risk within the Global Portfolio Transition Strategy.

The Fund uses derivatives to manage its exposure to foreign currency, interest rate and other price risks. The instruments used include interest rate swaps, forward contracts, futures and options. The Fund does not apply hedge accounting.

i) Interest rate risk

Interest rate risk is the risk that movements in interest rates may adversely impact the value of an underlying financial instrument or may impact the cash flows of the Fund.

Interest rate exposure

The following table details the value as at 31 December 2019 of fixed interest bearing securities in the Discretionary Portfolio exposed to the risk fair value may change consequent to a change in interest rates:

Fixed interest bearing securities	2019 €m	2018 €m
Maturing within one year	210	266
Maturing between one and five years	1,284	1,932
Maturing after five years	321	440
Total fixed interest bearing securities	**1,815**	**2,638**

This table reflects the portion of financial securities exposed to the risk that fair value may change as a result of changes in interest rates. For disclosure purposes, fixed interest bearing assets are included in exposures to both price and interest rate risk. The table does not reflect any potential exposure to changes in interest rates relating to investments held in investment funds.

In addition to the interest bearing securities detailed in the table above, the Fund holds investment cash including cash and cash equivalents of €1.0bn (2018: €0.5bn) (Note 12) and liquid funds of €0.2bn (2018: €0.6bn). These assets are interest bearing and the future cash flows from these assets will fluctuate with changes in market interest rates.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.2 Market risk (continued)

i) Interest rate risk (continued)

Sensitivity analysis

The sensitivity analysis below reflects how net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Management has determined that a fluctuation in interest rates of 50 basis points is reasonably possible, considering the economic environment in which the Fund operates.

The table below sets out the effect on the Fund's fixed interest bearing securities of an increase of 50 basis points in interest rates at 31 December. A reduction in interest rates of the same amount would have resulted in an equal but opposite effect to the amounts shown. The impact results primarily from the decrease in the fair value of fixed rate securities. This analysis assumes a linear interest rate curve and that all other variables remain constant.

Effect on Discretionary Portfolio net assets	2019	2018
€m Reduction	(9)	(13)
% reduction	(0.11%)	(0.15%)

ii) Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates affect the underlying value of assets, liabilities and derivative instruments that are denominated in a currency other than euro. The present value of future cash flows will fluctuate with changes in exchange rates which can also impact future cashflows.

The Fund has outstanding commitments in respect of property and private equity investments of USD 103m at 31 December 2019 (USD 130m and JPY 16m at 31 December 2018).

Foreign exchange risk management

The Fund seeks to manage its foreign currency risk using forward foreign exchange contracts and cross currency swaps. The profit/loss on these forward foreign exchange contracts and cross currency swaps offsets the change in the value of the Fund's non-euro investments due to exchange rate movements.

Foreign exchange risk exposure

The following table details the asset value in the Discretionary Portfolio exposed to currency risk both before and after the impact of the currency hedge. In relation to holdings in investment funds, it details the base currency of the relevant fund. When appropriate, the Agency manages the exposure generated by the underlying investments of a fund in addition to its base currency.

	Local currency 2019 m	Base currency 2019 €m	Net exposure after hedging 2019 €m
US dollar	3,307	2,944	111
Singapore dollar	2	1	1
South Korean won	-	-	-
New Zealand dollar	-	-	(7)
Israeli shekel	1	-	(8)
Norwegian krone	5	-	(8)
Hong Kong dollar	36	4	(4)
Australian dollar	7	4	(5)
Swedish krona	35	3	(6)
Japanese yen	1,805	15	(38)
Danish krone	84	11	(6)
Canadian dollar	12	8	(11)
Swiss franc	6	5	(21)
British pound	230	271	(15)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.2 Market risk (continued)

ii) Foreign exchange risk (continued)

	Local currency 2018 m	Base currency 2018 €m	Net exposure after hedging 2018 €m
US dollar	3,424	2,990	237
Singapore dollar	-	-	-
South Korean won	-	-	-
New Zealand dollar	-	-	(6)
Israeli shekel	-	-	(7)
Norwegian krone	5	1	(7)
Hong Kong dollar	22	2	(6)
Australian dollar	3	2	(5)
Swedish krona	55	5	(14)
Japanese yen	952	8	(23)
Danish krone	123	16	(8)
Canadian dollar	1	1	(16)
Swiss franc	1	1	(12)
British pound	268	300	(12)

Sensitivity analysis

The table below sets out the effect on the net assets of a reasonably possible weakening of the US dollar against the euro by 5% at 31 December.

Effect on Discretionary Portfolio net assets	2019	2018
€m Reduction	(6)	(12)
% reduction	(0.06%)	(0.13%)

A strengthening of the US dollar against the euro would have resulted in an equal but opposite effect to the amounts shown above.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.2 Market risk (continued)

iii) Market price risk

Market price risk is the risk resulting from a change in the value of investments due to changes in the prices of securities unrelated to interest rate or exchange rate changes, such as equities and commodities.

Market price risk exposure

The asset value in the Discretionary Portfolio exposed to market price risk at 31 December is the value of financial investments as detailed in the following table:

Exposure to market price risk	2019 €m	2018 €m
Quoted investments	3,602	4,883
Direct private equity	266	235
Unquoted investments	1,119	1,214
Property fund investments	172	142
Private equity fund investments	1,057	776
Infrastructure investments	270	250
Forestry investments	59	52
Energy investments	34	31
Derivative instrument assets	53	29
Financial assets at FVTPL	**6,632**	**7,612**
Treasury bills	11	31
Derivative instrument liabilities	(9)	(4)
Total exposed to market price risk	**6,634**	**7,639**
Not exposed to market price risk		
Deposits and cash	988	421
Loans and receivables	451	765
Total not exposed to market price risk	**1,439**	**1,186**
Total Discretionary Portfolio financial assets and liabilities	**8,073**	**8,825**

Market price risk management

The Agency monitors the market price risk inherent in the investment portfolio by ensuring full and timely access to relevant information from the Fund's Investment Managers. The Agency meets Investment Managers regularly and at each meeting reviews relevant investment performances. A geographical analysis of the Fund's Discretionary Portfolio exposed to market price risk is shown below. Investments are shown based on their relevant country of incorporation.

Analysis by geographical classification	2019 €m	2018 €m
Europe excluding Ireland	3,021	4,030
North America	1,458	1,638
Ireland	1,354	1,227
Emerging markets	631	609
Asia pacific	170	135
Total	**6,634**	**7,639**

* This analysis excludes loans and receivables, deposits and cash.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.2 Market risk (continued)

iii) Market price risk (continued)

Analysis by investment type

The following table sets out the concentration of the Discretionary Portfolio's financial assets and liabilities of the Fund exposed to market price risk by instrument type as at the reporting date.

Equity and managed fund investments	2019 €m	2018 €m
Exchange traded equity investments	610	456
Unlisted equity investments	1,636	1,293
Direct private equity	266	235
Unquoted investment funds	988	914
Quoted open ended investment funds	1,083	1,430
Total equity and managed fund investments	**4,583**	**4,328**
Debt securities		
Exchange traded debt securities	1,359	1,918
Other debt securities	88	258
Quoted open ended investment funds	550	1,079
Total debt securities	**1,997**	**3,255**
Treasury bills	11	31
Total investment assets	**6,591**	**7,614**
Derivative assets/(liabilities)		
Listed equity index options	1	5
Unlisted equity options	(9)	(3)
Foreign currency forward contracts	35	11
Futures contracts	17	13
Credit default swaps	(1)	-
Equity index swaps	-	(1)
Interest rate swaps	-	-
Total derivative assets/(liabilities)	**43**	**25**
Total	**6,634**	**7,639**

Sensitivity analysis

The table below sets out the effect on the net assets of the Discretionary Portfolio of a reasonably possible weakening in market prices of 5% at 31 December. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

Effect on Discretionary Portfolio net assets	2019	2018
€m Reduction	(332)	(382)
% reduction	(4.1%)	(4.3%)

A 5% strengthening in market prices would result in an equal but opposite effect to the amounts shown above.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.3 Credit risk

Credit risk arises from the risk that a borrower or counterparty will fail to perform on an obligation leading to a loss of principal or financial reward.

The Agency Counterparty Credit Risk Management Policy is applicable to the Global Portfolio Transition Strategy. This Policy sets out the minimum acceptable standards to be adhered to by those responsible for treasury transactions which give rise to credit risk within the Global Portfolio Transition Strategy.

The main direct credit risk to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also subject to counterparty credit risk on cash and cash equivalents, balances due from brokers, trading derivative products, trade and other receivables and loans and receivables.

Credit risk management

In managing credit risk the Agency seeks to minimise the impact of credit default on the Fund's financial assets. The Fund aims to mitigate its credit risk exposure by monitoring the size of its credit exposure to, and the creditworthiness of, counterparties. Counterparties are selected based on their overall suitability, financial strength, regulatory environment and specific circumstances.

To control the exposure to the Fund in the event of default, investments are made across a variety of industry sectors and issuers to reduce credit risk concentrations.

The Fund's Global Custodian holds the Fund's securities in segregated accounts, where required, minimising the risk of loss of the securities held by the Global Custodian. In the event of the Global Custodian's failure, the ability of the Fund to transfer the securities might be temporarily impaired. The Fund's Global Custodian is a member of a major securities exchange and at 31 December 2019, held a long-term Moody's credit rating of Aa1. The Agency monitors the credit rating and Service Organisation Control (SOC 1) reporting of its Global Custodian on a regular basis.

At 31 December 2019, cash held at the Central Bank of Ireland was €769m (2018: €101m) and with the Global Custodian was €219m (2018: €320m) (Note 12).

The exposure to credit risk in the Discretionary Portfolio at 31 December 2019 is the carrying value of the financial securities as set out below.

	Reference	2019 €m	2018 €m
Cash and cash equivalents (Note 12)	(i)	999	452
Balance due from brokers	(ii)	-	-
Debt securities	(iii)	1,447	2,176
Loans and receivables	(iv)	451	766
Trade and other receivables	(v)	62	27
Derivative assets	(vi)	53	29
Total		**3,012**	**3,450**

i) Cash and cash equivalents

The Fund's cash and cash equivalents are held mainly with the Central Bank of Ireland and the Global Custodian, which are respectively rated AAA (2018: AAA) and Aa1 (LT Deposit Rating) (2018: Aa1).

ii) Balances due from brokers

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement. Counterparty credit risk relating to unsettled transactions is considered low due to the short settlement period involved and the high credit quality of the brokers used. As at 31 December 2019, €0m (2018: €0m) was due from brokers.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.3 Credit risk (continued)

iii) Debt securities

At 31 December, the Fund had invested in debt securities issued by entities with the following external credit rating*:

External rating	2019 €m	2018 €m	2019 %	2018 %
Aa1 to Aa3/AAA to AA	142	239	10%	11%
A1 to A3/A+ to A-	527	745	36%	34%
Baa1 to Baa3/BBB+ to BBB-	525	801	36%	37%
Ba1 to Ba3/B+ to BB-	106	161	8%	7%
B1 to B3/B+ to B-	88	117	6%	6%
Caa1 to Caa3/CCC+ to CCC-	5	5	-%	-%
No external rating	54	108	4%	5%
	1,447	**2,176**	**100%**	**100%**

* Where Moody's credit rating is not available Standard and Poor's rating is used.

iv) Loans and receivables

Rating	2019 €m	2018 €m	2019 %	2018 %
No external rating	**451**	**766**	**100%**	**100%**

The credit risk of loans and receivables is reviewed as part of the impairment review process. No impairment was required after review.

v) Trade and other receivables

Primarily comprises accrued interest on fixed income securities and amounts receivable for securities sold.

vi) Derivatives

The table below outlines an analysis of derivative assets outstanding at 31 December:

2019	Fair value €m	Gross notional amount €m
Exchange traded	18	219
OTC – other bilateral	35	3,815
Total	**53**	**4,034**

2018	Fair value €m	Gross notional amount €m
Exchange traded	13	2,592
OTC – other bilateral	16	1,655
Total	**29**	**4,247**

Collateral and other credit enhancements and their financial effect

The Fund mitigates the credit risk of derivatives by entering into master netting agreements and holding collateral in the form of cash and marketable securities.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.3 Credit risk (continued)

Derivatives

Derivative transactions are either transacted on an exchange (through a broker) or entered into under International Derivatives Swaps and Dealers Association (ISDA) master netting agreements. Under ISDA master netting agreements in certain circumstances, e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions.

Derivative financial instruments generating counterparty credit risk arise from the Fund's forward foreign exchange contracts and cross currency swap contracts. The Fund's forward foreign exchange contracts and cross currency swaps were entered into only with approved counterparties within defined limits. In order to mitigate the credit risks arising from derivative transactions, the Fund enters into Credit Support Annexes (CSA) with its market counterparties. CSAs require the posting of collateral by counterparties in specified circumstances.

The Fund's activities may give rise to settlement risk, which is the risk that on a settlement date a counterparty fails to pay the Fund the agreed terms of a transaction. For the majority of transactions, the Fund mitigates this risk by conducting settlements through a broker to ensure that a trade is settled only when both parties have fulfilled their contractual settlement obligations.

Forward foreign exchange contracts and cross currency swaps are settled through Continuous Linked Settlement (CLS) where trades are pre-matched ahead of settlement date limiting the risk of settlement failure.

15.4 Liquidity risk

Liquidity risk is the possibility that over a specific time horizon, the Fund will have insufficient cash to meet its obligations as they fall due. Sub-categories of liquidity risk include funding liquidity risk, refinancing risk, maturity concentration risk and market liquidity risk.

The Fund's policy in managing liquidity is to ensure, as far as possible, it will always have sufficient liquidity under both normal and stressed conditions without incurring unacceptable losses or risking damage to the Fund's reputation.

The Agency Liquidity Risk Management Policy is applicable to the Fund. This Policy sets out the minimum acceptable standards to be adhered to by those responsible for treasury transactions which give rise to liquidity risk within the Agency.

The Fund's investments in listed securities are considered to be readily realisable because they are traded on major stock exchanges.

The Fund's financial assets include unlisted equity investments, which are generally illiquid. In addition, the Fund holds investments in unlisted investment funds, which may be subject to redemption restrictions. As a result, the Fund may not be able to liquidate some of its investments in these instruments in due time to meet its liquidity requirements.

At 31 December 2019, 57% of the Fund was invested in readily realisable assets.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which would affect the Fund's ability to execute its business strategy. Sub-categories of operational risk include people risk, governance risk, third party risk, business continuity management and legal and compliance risk.

An Operational Risk Management and Risk and Control Self-Assessment Framework is applicable to the Agency as a whole. The objective of this Framework is to ensure that operational risk is managed in an appropriate and integrated manner across the organisation. This Framework outlines the strategy, processes, risk criteria, controls and governance structures in place for managing operational risks within the Agency.

The Framework also sets out the methodology for the Risk and Control Self-Assessment process which describes the process for adequate and timely identification, assessment, treatment, monitoring and reporting of the risks posed by the activities of the Agency.

The NTMA Business Continuity Management Group is a sub-group of the Operational Risk and Control Committee. The role of this group is to ensure an appropriate and consistent approach to business continuity management across the Agency and providing a supporting role in establishment, implementation, monitoring and improvement of business continuity management activities.

The assessment of the adequacy of the controls and processes in place at the Fund's service providers with respect to operational risk is carried out via regular discussions with the relevant service providers and a review of the service providers' SOC 1 reports on internal controls, if any are available. The findings documented in the SOC 1 report on the Global Custodian's internal controls are reviewed quarterly.

15.6 Capital management

The Fund is not subject to externally imposed capital requirements.

15.7 Fair values of financial instruments

i) Valuation models

The fair values of financial assets and financial liabilities that are traded in active markets that the Fund can access at the measurement date are obtained directly from an exchange on which the instruments are traded. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The fair value measurements are categorised on the basis of the lowest level input that is significant to the fair value measurement in its entirety:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable (i.e. for which market data is unavailable). This category includes all instruments for which the valuation technique includes inputs not based on observable data. This category includes instruments that are valued based on quoted prices for instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques may include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques may include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, earnings multiples and revenue multiples and expected price volatilities and correlations.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.7 Fair values of financial instruments (continued)

i) Valuation models (continued)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognised valuation models for determining the fair value of common and simple financial instruments that use mainly observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the financial markets for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

ii) Valuation framework

The Fund has a management control framework for the measurement of fair values. The valuation process is overseen by the Valuation Committee ("the Committee"), a management committee responsible for developing the Fund's valuation processes and procedures, conducting periodic reviews of those procedures and evaluating their consistent application. During the year, the Committee comprised of the Chief Financial and Operating Officer, the Head of Risk, the Senior Risk Manager, the Director of ISIF and other senior Agency and ISIF management personnel. The Valuation Committee assists the Agency in the determination of the valuation of investments of the Fund. An external firm has been appointed by the NTMA to provide valuation services related to selected Fund investments.

The valuation process and procedures are defined depending on the instrument type. Where third party information is used to measure fair value, reviews are undertaken and documented to support the resulting valuations. This includes:

- verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, reviewing how fair value has been determined using those quotes.

In addition, an external independent review is conducted of the existence and valuation of the investment positions included in both the ISIF Discretionary and Directed Portfolio as at 31 December 2019.The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy. The amounts are based on the values recognised in the Statement of Financial Position. All fair value measurements below are recurring.

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.7 Fair values of financial instruments (continued)

ii) Valuation framework (continued)

2019	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
i) Equities and managed funds				
Quoted equities	610	-	-	**610**
Direct private equity	-	-	266	**266**
Quoted investment funds	1,633	-	-	**1,633**
Unquoted investment funds	-	477	511	**988**
Convertible preference shares	-	-	43	**43**
ii) Debt securities				
Unlisted debt securities	-	-	88	**88**
Listed debt securities	1,359	-	-	**1,359**
iii) Limited partnerships/trusts				
Property fund investments	-	-	172	**172**
Private equity fund investments	-	-	1,057	**1,057**
Forestry investments	-	-	59	**59**
Energy investments	-	-	34	**34**
Infrastructure investments	-	-	270	**270**
iv) Derivatives financial assets				
Equity Options	1	-	-	**1**
Foreign exchange contracts	-	35	-	**35**
Futures contracts	17	-	-	**17**
	3,620	**512**	**2,500**	**6,632**
v) Derivatives financial liabilities				
Equity index swaps	-	-	-	**-**
Interest rate swaps		-		**-**
Credit default swaps	-		-	**-**
OTC Options	-	(9)	-	**(9)**
	-	**(9)**	**-**	**(9)**
Treasury bills	11	-	-	**11**
Total	**3,631**	**503**	**2,500**	**6,634**

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.7 Fair values of financial instruments (continued)

ii) Valuation framework (continued)

2018	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
i) Equities and managed funds				
Quoted equities	456	-	-	**456**
Direct private equity	-	-	235	**235**
Quoted investment funds	2,509	-	-	**2,509**
Unquoted investment funds	-	444	469	**913**
Convertible preference shares	-	-	43	**43**
ii) Debt securities				
Unlisted debt securities	-	179	79	**258**
Listed debt securities	1,918	-	-	**1,918**
iii) Limited partnerships/trusts				
Property fund investments	-	-	142	**142**
Private equity fund investments	-	-	776	**776**
Forestry investments	-	-	52	**52**
Energy investments	-	-	31	**31**
Infrastructure investments	-	-	250	**250**
iv) Derivatives financial assets				
Equity Options	5	-	-	**5**
Foreign exchange contracts	-	11	-	**11**
Futures contracts	13	-	-	**13**
	4,901	**634**	**2,077**	**7,612**
v) Derivatives financial liabilities				
Equity index swaps	-	(1)	-	**(1)**
Interest rate swaps	-	-	-	**-**
Credit default swaps		-		**-**
OTC Options	-	(3)	-	**(3)**
	-	**(4)**	**-**	**(4)**
Treasury bills	31	-	-	**31**
Total	**4,932**	**630**	**2,077**	**7,639**

15. FINANCIAL RISK MANAGEMENT – DISCRETIONARY PORTFOLIO (CONTINUED)

15.7 Fair values of financial instruments (continued)

ii) Valuation framework (continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	Total €m
Balance at 1 January 2019	2,077
Transfers into Level 3	40
Total gains or losses recognised in profit or loss	148
Purchases	377
Sales	(142)
Balance at 31 December 2019	**2,500**

	Total €m
Balance at 1 January 2018	1,685
Transfers into Level 3	59
Total gains or losses recognised in profit or loss	70
Purchases	436
Sales	(173)
Balance at 31 December 2018	**2,077**

16. FINANCIAL RISK MANAGEMENT - DIRECTED PORTFOLIO

16.1 Fair values of financial instruments

i) Valuation framework

All investments and disposals relating to the Directed Portfolio are made at the direction of the Minister for Finance. The Agency's responsibilities regarding the Directed Portfolio include the implementation of directions from the Minister and the valuation of relevant securities for the purpose of the Fund's financial statements.

The Fund's ordinary shareholding in AIB and Bank of Ireland was valued at its relevant quoted market price at 31 December 2019.

The Fund's Global Custodian holds the Fund's investments in Bank of Ireland and AIB in segregated accounts. In the event of the Global Custodian's failure, the ability of the Fund to transfer these securities might be temporarily impaired. The Global Custodian is a member of a major securities exchange and at 31 December 2019 held a long-term Moody's credit rating of Aa1. The credit rating of the Fund's Global Custodian is monitored on a regular basis and the findings documented in the SOC 1 report on the Global Custodian's internal controls are reviewed on a quarterly basis.

16. FINANCIAL RISK MANAGEMENT - DIRECTED PORTFOLIO (CONTINUED)

16.1 Fair values of financial instruments (continued)

i) Valuation framework (continued)

The table below analyses financial instruments at fair value at the reporting date by the level in the fair value hierarchy. The amounts are based on the values recognised in the Statement of Financial Position. All fair value measurements below are recurring.

2019	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Allied Irish Banks	5,992	-	-	5,992
Bank of Ireland	734	-	-	734
	6,726	**-**	**-**	**6,726**

2018	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Allied Irish Banks	7,054	-	-	7,054
Bank of Ireland	733	-	-	733
	7,787	**-**	**-**	**7,787**

Market price risk exposure

The cumulative Directed Portfolio asset value exposed to market price risk at 31 December 2019 comprises the value of investments as detailed in the following table:

	2019 €m	2018 €m
Exposure to market price risk		
Allied Irish Banks	5,992	7,054
Bank of Ireland	734	733
	6,726	**7,787**
Not exposed to market price risk		
Cash	215	215
HBFI Loan	7	-
	222	**215**
Total Directed Investments	**6,948**	**8,002**

17. CONTINGENT LIABILITIES

The NTMA Act 2014 provides for the transfer of the liabilities of the National Pensions Reserve Fund Commission (the "Commission") to the NTMA (as controller and manager of the ISIF) on and after the date of constitution of the ISIF, and states that the NTMA (as controller and manager of the ISIF) is responsible for discharging the obligations of the Commission under any such liability. In this regard, litigation is on-going in New York in respect of the 2007 leveraged buy-out of the Tribune Company. The litigation, which consists of a federal law action and a number of related state law actions, involves more than 4,000 shareholders of the Tribune Company, including the Commission.

The federal law action against the shareholder defendants, including the Commission, was dismissed by a United States District Court in January 2017. In April 2019, the District Court denied the plaintiff's motion to amend the complaint to assert a further count against shareholder defendants. In July 2019, the plaintiff appealed these District Court rulings to the Second Circuit and filed its opening brief in January 2020. The related state law claims were dismissed by a United States District Court in September 2013. The Second Circuit has twice affirmed the dismissal of the state law claims, once in March 2016 and again in December 2019.

As of the reporting date, no provision has been recognised in these financial statements as the possibility of an outflow of resources cannot be reliably determined and it is not practicable to estimate the financial effect, if any, should the appeal of the federal law action succeed.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

18. EVENTS AFTER THE REPORTING DATE

The outbreak of the novel Coronavirus (COVID-19), declared by the World Health Organisation as a “Global Pandemic” on 11 March 2020, has impacted global financial markets which in turn has adversely affected the net assets of the fund. As neither the duration nor the scope of the impact can be predicted, the overall financial impact cannot be estimated at this time.

19. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved by the Agency on 5 May 2020.