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 2020 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 structures and 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 ensures risks are properly identified, assessed, managed and reported.

In 2020, the ARC comprised four Agency members, with financial and audit expertise, one of whom is the Chair. The Committee met eight times in 2020.

An executive-level Enterprise Risk Management Committee ("ERMC") oversees the effective management of risk and compliance by reviewing and / or approving key risk frameworks and policies, monitoring the organisation's risks and controls and monitoring the overall risk profile and strategic risks.

The Risk Management Policy and Framework and Risk Appetite Framework which were updated in 2020 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 business 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 a review 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 continue to be manual. Management are in the process of automating the relevant business processes and have implemented enhanced controls and procedures during 2020 to reduce and mitigate this business risk.

Covid-19

As a result of the Covid-19 pandemic the NTMA moved to a predominantly remote-working environment during 2020 (in line with similar organisations and government guidelines), with related changes to processes and controls implemented and documented as required to facilitate this change. NTMA Business Units and Corporate Functions considered any material changes to the risk and control environment and to key business processes arising from the impact of Covid-19 as part of the semi-annual risk and control self-assessment process. The impact of Covid-19 and the remote working environment was also considered in the most recent NTMA Strategic Risk Assessment. Certain key processes which changed and / or were introduced as a result of the remote operating environment were reviewed by Internal Audit. The key internal controls, both existing and those introduced in response to the Covid-19 pandemic, continue to be effective.

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, owns 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

Statement on Internal Control (continued)

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.

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 2020, payments with a total value of €6.77m (ex VAT) (2019: €4.98m 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) 2020 €m	Notes
Expert Witnesses	4.71	Note 1
e-Discovery	0.82	Note 2
Information Technology & Communications	0.79	Note 3
Facilities Management/Maintenance	0.25	
Professional Services	0.172	
Marketing Print & Stationery	0.028	

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). A management decision was taken by the SCA that the selection of expert witnesses as to causation and liability would not be competitively procured as it was considered that such a procurement process would be likely to give rise to an added level of litigation risk in relation to the independence of such witnesses. 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. This arrangement relates to specific ongoing litigation being managed by the SCA that is at an advanced stage.

Note 3: This includes payments of €0.216m (27.56%) to sole providers of a service and a payment of €0.224m (28.4%) 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 are reviewed on an on-going basis and are updated as required.

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 2020.

No weaknesses in internal control were identified in relation to 2020 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 2021

Financial Statements of the

National Debt of Ireland

For the year ended 31 December 2020

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 on the national debt of Ireland prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2020 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 2020, and
- the debt service cost for 2020.

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 McCarthy.

Seamus McCarthy
Comptroller and Auditor General

11 May 2021

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 2020 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 on 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 2020

	Note	2020 €m	2019 €m
Net Interest Paid on Gross National Debt	3	4,400	4,972
Net Interest Paid on Cash and Other Financial Assets	4	115	76
Fees and Operating Expenses	5	161	172
Total Debt Service Cost		**4,676**	**5,220**

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 2021

National Debt Statement
As at 31 December 2020

	Note	2020 €m	2019 €m
Medium/Long Term Debt			
Irish Government Bonds	6	136,809	130,067
EU and UK Bilateral Loans	7	41,393	43,269
Other Medium/Long Term Loans	8	4,097	2,578
		182,299	175,914
Short Term Debt			
Short Term Paper	9	14,027	9,998
Borrowings from Ministerial Funds	10	4,328	3,018
		18,355	13,016
State Savings Schemes			
State Savings Products	11	18,828	17,800
Gross National Debt		**219,482**	**206,730**
Cash and Other Financial Assets	12	(19,200)	(18,536)
National Debt	13	**200,282**	**188,194**

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 2021

National Debt Cash Flow Statement

For the year ended 31 December 2020

	Note	2020 €m	2019 €m
Movement in Exchequer Balances:			
Balance at 1 January	12	16,502	15,338
Decrease in Other Financial Assets	12	196	220
Net Borrowing of Debt (see below)		12,981	297
		29,679	15,855
Exchequer (Deficit)/Surplus		(12,317)	647
Balance at 31 December	12	**17,362**	**16,502**

	Note	2020 Net[1] €m	2019 Net[1] €m
Net Borrowing/(Repayment) of Debt:			
Medium/Long Term Debt			
Irish Government Bonds		6,926	(2,942)
EU and UK Bilateral Loans		(1,876)	(1,608)
Other Medium/Long Term Loans	8	1,508	335
Short Term Debt			
Short Term Paper		4,085	3,628
Borrowings from Ministerial Funds	10	1,310	423
State Savings Schemes			
State Savings Products	11	1,028	461
Net Borrowing of Debt		**12,981**	**297**

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 2021

Statement of Movement in National Debt
For the year ended 31 December 2020

	Note	2020 €m	2019 €m
National Debt at 1 January	13	188,194	187,682
Increase in National Debt		12,088	512
National Debt at 31 December	13	**200,282**	**188,194**
Increase in National Debt represented by:			
Exchequer Deficit/(Surplus)		12,317	(647)
Effect of Foreign Exchange Rate Movements		(55)	(23)
Adjustment for Inflation Linked Bonds		(15)	8
Net Discount on Medium/Long Term Loans		10	-
Net Discount/(Premium) on Bond Issuances and Cancellations		(169)	1,174
		12,088	**512**

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 2021

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 Agency's functions relate to the National Debt which is the net debt incurred by the Exchequer after taking account of cash and other financial assets.

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

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 2020, 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, the total consideration is reported within the Exchequer balance on the National Debt. The premium or discount is then reflected 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

	2020 €m	2019 €m
Interest Paid on Medium/Long Term Debt		
Irish Government Bonds	3,179	3,717
EU and UK Bilateral Loans	817	869
Derivatives hedging Medium/Long Term Debt	99	166
Private Placements	35	35
European Investment Bank	18	18
Medium/Long Term Notes	12	8
Council of Europe Development Bank	1	1
	4,161	4,814
Interest (Received) / Paid on Short Term Debt		
Euro Commercial Paper	13	27
Exchequer Notes	(7)	(11)
Irish Treasury Bills	(18)	(9)
	(12)	7
Interest Paid on State Savings Schemes		
10 Year National Solidarity Bonds	127	12
Savings Certificates	75	70
Prizes in respect of Prize Bonds	19	18
4 Year National Solidarity Bonds	12	16
Savings Bonds	10	24
Instalment Savings	8	11
	251	151
Total Net Interest Paid on Gross National Debt	**4,400**	**4,972**

4. Net Interest Paid on Cash and Other Financial Assets

	2020 €m	2019 €m
Interest Paid on Cash Balances	126	87
Interest Received on Financial Assets	(11)	(11)
	115	**76**

Interest paid on cash balances represents the prevailing negative interest rates charged by the Central Bank of Ireland on cash balances held. The increase in costs are due to, on average, a higher Exchequer cash balance held in 2020.

Notes to the Financial Statements (continued)

5. Fees and Operating Expenses

	2020 €m	2019 €m
EU and UK Bilateral Loans	34	36
Government Bonds and Other Expenses	28	21
Prize Bonds	13	12
Savings Certificates	9	9
10 Year National Solidarity Bonds	6	6
Savings Bonds	3	4
4 Year National Solidarity Bonds	2	2
Instalment Savings	1	1
	96	**91**
Agency Operating Expenses[2]	65	81
	161	**172**

The fees on the National Debt principally include service fees on long-term loans, syndication fees on new bond issuance and An Post service fees in relation to State Savings products.

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

6. Irish Government Bonds

	2020 €m	2019 €m
Fixed Rate Bonds	127,946	120,045
Floating Rate Bonds	7,534	8,534
Inflation Linked Bonds	912	927
Amortising Bonds	417	561
	136,809	**130,067**

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 2020, the Agency bought back and cancelled €1.0 billion (2019: €3.0 billion) of the Floating Rate Bonds from the CBI at a premium of €0.65 billion (2019: €1.74 billion). The outstanding nominal balance of the Floating Rate Bonds therefore reduced to €7.53 billion at year end 2020 (2019: €8.53 billion).

Since year end 2020, the Agency bought and cancelled a further €1.0 billion of the Floating Rate Bonds.

Sovereign Green Bond:

In accordance with the Irish Sovereign Green Bond (ISGB) Framework, fixed rate bonds include €6.1 billion from Ireland's inaugural sovereign green bond issuance.

7. EU and UK Bilateral Loans

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 Programme at end 2020, taking into account the effect of currency hedging transactions, are as follows:

Lender	2020 €m	Weighted Average Residual Maturity Years	2019 €m	Weighted Average Residual Maturity Years
European Financial Stability Facility	18,411	12.1 Years	18,411	13.1 Years
European Financial Stabilisation Mechanism	22,500	7.9 Years	22,500	8.9 Years
United Kingdom Treasury	482	0.2 Years	2,358	0.7 Years
Total	**41,393**		**43,269**	

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.

8. Other Medium/Long Term Loans

	2020 €m	2019 €m
Medium/Long Term Notes	2,010	635
European Investment Bank	1,440	1,295
Private Placements	602	602
Council of Europe Development Bank	40	41
Other Medium/Long Term Loans	5	5
	4,097	**2,578**

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.

	2020 €m	2019 €m
European Commercial Paper Programme	4,876	345
Exchequer Notes	4,761	7,339
Irish Treasury Bills	3,760	2,010
Central Treasury Notes	630	304
	14,027	**9,998**

Notes to the Financial Statements (continued)

10. Borrowings from Ministerial Funds

The National Debt includes borrowings from other funds under the control of the Minister for Finance and are an alternative source of Exchequer funding and liquidty. The borrowings act as a sweep where available monies are transferred to the Exchequer Account and are repayable as required.

	2020 €m	2019 €m
Post Office Savings Bank Fund	2,605	2,140
Surplus Public Expenditure Monies Account (note 19)	1,723	878
	4,328	**3,018**

11. State Savings Schemes

	2020 €m	2019 €m
Savings Certificates	6,237	5,961
10 Year National Solidarity Bonds	4,332	3,946
Prize Bonds	4,101	3,653
Savings Bonds	2,402	2,466
4 Year National Solidarity Bonds	1,226	1,257
Instalment Savings	528	515
Savings Stamps	2	2
	18,828	**17,800**

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds, Solidarity Bonds and Prize Bonds include €19 million (2019: €9 million) cash balances held by An Post, Permanent TSB and the Prize Bond Company. An Post and the Prize Bond Company act as registrars for the respective schemes. As the National Debt financial statements are prepared on a cash basis, the liabilities do not include the sum of €270 million (2019: €275 million), being the estimate of the amount of accrued interest at end 2020 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

	2020 €m	2019 €m
Cash Balances		
Exchequer Account and CSRA[3]	17,362	16,502
Other Financial Assets		
Collateral Funding (note 14.2)	252	96
SBCI Medium Term Guaranteed Notes	-	25
Housing Finance Agency Guaranteed Notes	1,586	1,913
	1,838	**2,034**
	19,200	**18,536**

3 The Balance held in the CSRA was €216k (2019: €250k) at end December 2020. The Exchequer and CSRA accounts are held at the CBI.

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 guaranteed notes may not be readily realisable dependent on market conditions.

12. Cash and Other Financial Assets (continued)

12.1 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 2020 was Nil (2019: 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 2020 €m	Net 2019 €m
Balance at 1 January			**NIL**	**NIL**
Debt Service				
Medium/Long Term Loans				
Interest	39	(37)	**2**	**5**
Short Term Debt Interest	-	(19)	**(19)**	**(29)**
Fees and Expenses	-	(2)	**(2)**	**(6)**
Borrowing Activity				
Medium/Long Term Loans	1,912	(1,912)	**-**	**-**
Short Term Debt	42,737	(42,718)	**19**	**29**
Foreign Exchange Contracts	986	(986)	**-**	**1**
Balance at 31 December	**45,674**	**(45,674)**	**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 risk and compliance 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.

Notes to the Financial Statements (continued)

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 reviews and monitors the performance of the internal audit, compliance and risk management functions, which are managed on a day to day basis by the Head of Internal Audit, the Head of Compliance and the Head of Risk (Financial, Investment and Enterprise) respectively, to assess their effectiveness.

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 functioning primary dealer market, 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.

13. Risk Management (continued)

13.1 Risk Management Framework (continued)

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 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.

Notes to the Financial Statements (continued)

13. Risk Management (continued)

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 2020 €m	2019 €m
Debt Instruments		
Euro	197,443	185,835
US Dollar	2,174	-
Pound Sterling	471	2,371
	200,088	**188,206**
Foreign Exchange and Swap Contracts		
Euro	2,845	2,359
US Dollar	(2,180)	-
Pound Sterling	(471)	(2,371)
	194	**(12)**
National Debt	**200,282**	**188,194**

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:

2020 €m	Due within 1 Year	Due between 1-5 Years	Due between 5-10 Years	Due over 10 Years	Total
Irish Government Bonds	279	38,436	53,665	44,429	136,809
EU and UK Bilateral Loans[4]	3,483	5,200	10,270	22,440	41,393
Other Medium & Long Term Debt	8	328	849	2,912	4,097
Short Term Debt[5]	17,090	1,265	-	-	18,355
State Savings[6]	7,713	8,451	2,662	2	18,828
Cash & Other Financial Assets	(18,185)	-	(215)	(800)	(19,200)
National Debt	10,388	53,680	67,231	68,983	**200,282**

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 and UK Bilateral Loans	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[5]	11,751	1,265	-	-	13,016
State Savings[6]	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**

4 Amounts due within 1 year in respect of EU and UK Bilateral Loans include a €3bn EFSM loan which was refinanced subsequent to the year end in April 2021 and will now mature in April 2036. EFSM loans are subject to extension with a maximum original weighted average maturity of 19.5 years – see note 7.

5 Short Term Debt includes a portion of the borrowings from the Post Office Savings Bank Fund which is not considered repayable on demand and as such, is categorised in the maturity profile as payable in the period 1-5 years.

6 State Savings maturities are based on contracted maturity information provided by An Post for end 2020.

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 2020		31 December 2019	
	Nominal €m	Fair Value €m	Nominal €m	Fair Value €m
Interest Rate Swaps	3,131	(51)	6,460	(150)
Currency Swaps and Foreign Exchange Contracts	2,845	(200)	2,371	5
	5,976	**(251)**	**8,831**	**(145)**

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 2020 was €Nil (2019: €Nil); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2020 was €0.02 billion (2019: €0.02 billion).

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 2020 was €0.11 billion (2019: €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.

	2020 €m	2019 €m
Balance at 1 January	-	-
Cash Collateral received from counterparties	1,509	1,067
Cash Collateral paid to counterparties	(1,665)	(551)
	(156)	516
Increase/(Decrease) in Exchequer Funding during the Year	156	(516)
Balance at 31 December	**NIL**	**NIL**

Note:	2020 €m	2019 €m
Exchequer Funding at 31 December	252	96
Net Collateral Posted to Counterparties at 31 December (note 12)	(252)	(96)

The Agency has entered into a Collateral Posting Agreement with NAMA. At end 2020, NAMA had posted collateral of €3m (2019: €25m) to the Agency as part of this agreement.

The Agency has also entered into a Collateral Posting Agreement with IBRC. At end 2020, IBRC had posted collateral of €10m (2019: €25m) to the Agency as part of this agreement.

Notes to the Financial Statements (continued)

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

	2020 €m	**2019 €m**
Balance at 1 January	-	-
Receipts		
Derivative Transactions	986	1,187
Interest on Cash and Other Financial Assets	12	13
	998	1,200
Payments		
Derivative Transactions	(986)	(1,187)
Interest on National Debt	(1)	(2)
Expenses on National Debt	-	-
Transfer to Exchequer Account	(11)	(11)
	(998)	(1,200)
Balance 31 December	**-**	**-**

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 2020 €m	Net 2019 €m
NAMA Related Derivatives	137	137	-	-
IBRC Related Derivatives	849	849	-	-
	986	**986**	**-**	**-**

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	2020 €m	2019 €m
Balance at 1 January	38	41
Accrued Interest Received on National Loans - Tranches and Auctions	27	44
Accrued Interest Paid on National Loans	(49)	(47)
Balance at 31 December - Cash with Central Bank of Ireland	**16**	**38**

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	2020 €m	2019 €m
Balance at 1 January	3	3
Receipts from Central Bank Account	-	-
Payments to Central Bank Account	-	-
Balance at 31 December - Cash with Central Bank of Ireland	**3**	**3**

Notes to the Financial Statements (continued)

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	2020 €m	2019 €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 and forms part of the Borrowing from Ministerial Funds on the National Debt. The related cash receipts are included within the Exchequer Account balance on the National Debt (note 12).

Surplus Public Expenditure Monies Account	2020 €m	2019 €m
Balance at 1 January	878	537
Ways and Means Exchequer Receipts	8,273	12,793
Ways and Means Exchequer Payments	(7,428)	(12,452)
Balance at 31 December (note 10)	**1,723**	**878**

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 2020 (2019: 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.

22. Approval of Financial Statements

The financial statements were approved by the Agency on 5 May 2021.

Financial Statements of the

Administration Account

For the year ended 31 December 2020

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 2020 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 2020 and of its income and expenditure for 2020 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

11 May 2021

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 2020

	Note	2020 €000	2019 €000
Income			
Operating income	5	62,702	67,642
Central Fund income	6	54,685	80,722
Net deferred retirement benefit funding	8.2	5,005	3,229
		122,392	151,593
Expenditure			
Staff costs	7.2	(94,118)	(95,601)
Operating expenses	7.2	(30,747)	(37,226)
Net interest expense on defined benefit pension scheme	7.2	(1,000)	(953)
		(125,865)	(133,780)
Excess (expenditure)/income for the year		(3,473)	17,813
Transfer from/(to) capital account		3,473	(17,813)
Net income/(expenditure)for the year		-	-

Other Comprehensive Income For the year ended 31 December 2020		2020 €000	2019 €000
Net income/expenditure for the year		-	-
Actuarial loss recognised on retirement benefit obligations	9.9	(12,390)	(19,800)
Movement in deferred retirement benefit funding	8.3	12,390	19,800
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 2021

Statement of Financial Position

As at 31 December 2020

	Note	2020 €000	2019 €000
Non-current assets			
Property, equipment and vehicles	10	28,960	32,065
Intangible assets	11	1,787	2,155
Receivables	12	431	308
		31,178	**34,528**
Current assets			
Receivables	13	19,490	22,065
Cash at bank		7,524	7,602
		27,014	29,667
Payables; amounts falling due within 1 year	14	(19,913)	(21,378)
Net current assets		**7,101**	**8,289**
Payables; amounts falling due after 1 year	15	(7,532)	(8,597)
Net assets before retirement benefits		**30,747**	**34,220**
Retirement Benefits			
Retirement benefit obligations	9.4	(87,496)	(70,101)
Deferred retirement benefit funding	9.4	87,496	70,101
		-	-
Net assets after retirement benefits		**30,747**	**34,220**
Representing:			
Capital account		**30,747**	**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 2021

Statement of Changes in Capital

For the year ended 31 December 2020

	Note	Capital Account €000
Balance at 1 January 2019		16,401
Payment to acquire property, equipment and vehicles		20,183
Payment to acquire intangible asset		2,140
Amortisation of capital in the period		(4,104)
Disposal of property, equipment and vehicles		(400)
Balance at 31 December 2019		**34,220**
Payment to acquire property, equipment and vehicles	10	786
Payment to acquire intangible assets	11	447
Amortisation of capital in the period		(4,701)
Disposal of property, equipment and vehicles	10	(5)
Balance at 31 December 2020		**30,747**

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 2021

Statement of Cash Flows
For the year ended 31 December 2020

	Note	2020 €000	2019 €000
Cash flows from operating activities			
Net income / expenditure		-	-
Depreciation of property, equipment and vehicles	10	3,886	4,030
Amortisation of intangible assets	11	815	746
Loss on disposal of property, equipment and vehicles		5	368
Decrease in receivables	12, 13	2,452	6,884
Decrease in payables	14	(1,053)	(2,035)
(Decrease)/increase in deferred income	14, 15	(693)	930
(Decrease)/increase in provision	16	(784)	169
Capital funding		1,233	22,323
Amortisation of capital funding		(4,706)	(4,504)
Net cash inflow from operating activities		**1,155**	**28,911**
Cash flows from investing activities			
Payments to acquire property, equipment and vehicles	10	(786)	(20,183)
Payments to acquire intangible assets	11	(447)	(2,140)
Proceeds from sale of property, equipment and vehicles		-	32
Net cash outflow from investing activities		**(1,233)**	**(22,291)**
(Decrease)/Increase in cash at bank		(78)	6,620
Cash at bank at 1 January		7,602	982
Cash at bank at 31 December		**7,524**	**7,602**

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.

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 related Government entities under prescribed legislation. The Agency adopts a cost recovery basis from these entities 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. 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. Significant accounting policies (continued)

4.5. Property, equipment and vehicles (continued)

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.

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

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. Up-front cash payments received from the lessor or lessee as part of lease or sublease are deferred and recognised over the lease term.

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	2020 €000	2019 €000
Recovery of expenses from NAMA		34,965	39,515
Recovery of expenses from ISIF	7.1	16,000	15,210
Recovery of expenses from SBCI	7.1	6,154	5,873
Recovery of expenses from HBFI	7.1	5,044	5,327
Asset covered securities income		186	216
Other income		353	1,501
		62,702	**67,642**

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 fee income based on the nominal amount of each asset covered bond in issue of the relevant institution.

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. There were no professional advisor costs incurred in this regard during 2020 (recovered in 2019: €1.3m).

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	2020 €000	2019 €000
Opening balance at 1 January	13	(8,177)	(8,892)
Net amounts received from Central Fund		65,000	81,437
Closing balance at 31 December	14	(2,138)	8,177
Central Fund income		**54,685**	**80,722**

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

	Note	2020 €000	2019 €000
(Payable to)/Receivable from the Central Fund	14, 13	(2,138)	8,177
Deferred retirement benefit funding	9.4	87,496	70,101
		85,358	**78,278**

Notes to the Financial Statements (continued)

7. Agency costs

7.1. Expenses of the Agency for specified functions

	Note	2020 €000	2019 €000
State Claims Agency		28,126	28,457
Ireland Strategic Investment Fund	5	16,000	15,210
Funding and Debt Management		12,615	12,309
National Development Finance Agency		11,252	12,586
NewERA		5,812	6,007
		73,805	**74,569**
National Asset Management Agency		33,892	40,672
Strategic Banking Corporation of Ireland	5	6,154	5,873
Home Building Finance Ireland	5	5,044	5,327
Shareholding and Financial Advisory Division		1,777	3,865
		46,867	55,737
Net deferred retirement benefit funding	8.2	5,005	3,229
Other expenses[1]		188	245
		5,193	**3,474**
Total expenses		**125,865**	**133,780**

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

7.2. Agency costs

	Note	2020 €000	2019 €000
Staff Costs			
Remuneration	7.3	78,116	80,555
Other staff costs[2]		2,519	3,364
Defined benefit pension scheme current service charge	9.5	13,454	11,654
PRSA pension cost	7.4	29	28
		94,118	95,601
Operating expenses			
Other operating expenses[3]		22,538	27,990
Professional fees		3,508	4,460
Depreciation	10	3,886	4,030
Amortisation	11	815	746
	7.5	30,747	37,226
Net interest expense on defined benefit pension scheme	9.5	1,000	953
Agency costs		**125,865**	**133,780**

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

3 *Other operating expenses include technology, occupancy and business service costs.*

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	2020 €000	2019 €000
Staff short-term benefits	18,118	2,503	2,606	45,864	69,091	70,607
Termination benefits	1,869	-	-	-	1,869	2,572
Pay Related Social Insurance	1,937	251	262	4,706	7,156	7,376
	21,924	**2,754**	**2,868**	**50,570**	**78,116**	**80,555**

The total number of whole time equivalent staff employed at 31 December 2020 was 787 (2019: 778).

Staff Short-Term Benefits

	NAMA €000	SBCI €000	HBFI €000	NTMA €000	2020 €000	2019 €000
Basic pay	18,003	2,452	2,569	45,078	68,102	66,942
Performance related pay	-	-	-	-	-	2,636
Allowances	115	51	37	786	989	1,029
	18,118	**2,503**	**2,606**	**45,864**	**69,091**	**70,607**

Key Management Personnel Compensation

	2020 €000	2019 €000
Agency and committee members' fees	283	259
Management remuneration	2,590	2,644
Performance related pay	-	200
Allowances	140	151
Health insurance	46	48
	3,059	**3,302**

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)	2020 €000	2019 €000
Annual salary	480	480
Annual taxable benefits	4	5
Post-employment benefits	86	86
	570	**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 2020.

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

Garden leave

One Agency staff member was placed on garden leave during 2020 with an attributable cost of approximately €3k (2019: two staff with an attributable 2019 cost of approximately €20k). 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 2020 twenty employees assigned to NAMA participated in a VRS (2019: thirty-two employees). Costs of €2.0m (2019: €2.8m) relating to the VRS have been recognised in 2020. Costs of €1.0m (2019: €1.4m) were attributable to statutory and other redundancy payments; €0.4m (2019: €0.6m) related to the "NAMA retention scheme"[1] and €0.6m (2019: €0.8m) 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

Twenty employees assigned to NAMA were placed on garden leave during 2020 (2019: Thirty-one). 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 (2019: three months). In addition to those accepted for the VRS, one employee (2019: two) was placed on garden leave during 2020. The period of garden leave for the staff member was three months (2019: one month). The decision on whether to place the staff member 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.

Costs incurred for officers assigned to NAMA are recovered and included within operating income (note 5).

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% of salary in respect of members of the Scheme. Contributions to the defined benefit scheme by the Agency for the year ended 31 December 2020 amounted to €9.4m (2019: €9.4m). Members of the scheme prior to 1 January 2010 receive benefits based on final salary. A new category of membership was created on 1 January 2010, with benefits based on career average salary for members of staff who had been previously provided with a PRSA and new members of staff from that date.

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 €29k (2019: €28k) to PRSAs for a number of employees who are not members of the defined benefit scheme in 2020.

7. Agency costs (continued)

7.5. Operating expenses

Total operating expenses of €30.7m (note 7.2) include technology costs, occupancy costs, business services costs and staff travel expenses.

Professional fees of €3.5m (note 7.2) include advisory fees and costs for 'business-as-usual' functions. Advisory fees of €1.6m that include the cost of external advice to management, and require disclosure under the Code, are analysed as follows:

	2020 €000	2019 €000
Legal	589	549
Tax and financial	176	1,586
Actuarial	560	359
Public relations and marketing	130	153
Pension and human resources	-	50
Facilities and other	179	117
Advisory fees included in Professional fees	**1,634**	**2,814**
Leasehold improvements advisory fees capitalised	**-**	**730**

Advisory fees above include €0.3m (2019: €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	2020 €000	2019 €000
Opening balance at 1 January		70,101	47,072
Net deferred retirement benefit funding through Income and Expenditure	8.2	5,005	3,229
Movement in deferred retirement benefit funding through Other Comprehensive Income	8.3	12,390	19,800
Closing balance at 31 December		**87,496**	**70,101**

8.2. Net deferred retirement benefit funding through Income and Expenditure

	Note	2020 €000	2019 €000
Charge arising from employee service in reporting period	9.5	13,837	11,654
Net interest expense	9.5	1,000	953
Employer contributions	9.7	(9,832)	(9,378)
Net deferred retirement benefit funding		**5,005**	**3,229**

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

	Note	2020 €000	2019 €000
Movement in amounts recoverable in respect of current year actuarial loss	9.9	**12,390**	**19,800**

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:

	2020		2019	
	Benefit obligations %	**Pension cost %**	**Benefit obligations %**	**Pension cost %**
Discount rate	1.3	1.6	1.6	2.4
Rate of salary increase	2.5	2.5	2.5	2.75
Rate of price inflation	1.5	1.5	1.5	1.75
Rate of pension increase	1.5/2.5	1.5/2.5	1.5/2.5	1.75/2.75

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

	2020		2019	
	Female (Years)	**Male (Years)**	**Female (Years)**	**Male (Years)**
Life expectancy at age 60				
Future pensioners (current age 45)	31.6	29.6	31.5	29.5
Current pensioners (current age 60)	30.2	28.1	30.1	28.1
Life expectancy at age 65				
Future pensioners (current age 45)	27.2	25.3	27.1	25.1
Current pensioners (current age 65)	25.3	23.4	25.2	23.3

9.3. Plan assets

	2020		2019	
	€000	**%**	**€000**	**%**
Equities	91,990	42.4	87,065	45.7
Debt securities	58,684	27.0	59,937	31.5
Property	-	-	1,709	0.9
Alternatives	27,150	12.5	21,845	11.4
Infrastructure	8,512	3.9	8,145	4.3
Cash	30,761	14.2	11,804	6.2
Fair value of Plan assets	**217,097**	**100.0**	**190,505**	**100.0**

9. Retirement benefits (continued)

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

	Note	2020 €000	2019 €000
Fair value of plan assets		217,097	190,505
Defined benefit obligation	9.6	(304,593)	(260,606)
Net defined benefit liability		**(87,496)**	**(70,101)**

Amounts included in the Statement of Financial Position	2020 €000	2019 €000
Retirement benefit obligations	(87,496)	(70,101)
Deferred retirement benefit funding	87,496	70,101

9.5. Cost relating to defined benefit plans

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

	2020 €000	2019 €000
Charge arising from NTMA employee service	13,454	11,654
Department of Public Expenditure and Reform contributions	383	-
Charge arising from employee service in reporting period	**13,837**	**11,654**
Interest expense on defined benefit obligations	4,151	4,839
Interest (income) on plan assets	(3,151)	(3,886)
Net interest expense	**1,000**	**953**

9.6. Change in defined benefit obligation

	2020 €000	2019 €000
Defined benefit obligation at 1 January	260,606	202,367
Charge arising from employee service in reporting period	13,837	11,654
Interest expense on defined benefit obligation	4,151	4,839
Net benefit payments	(2,311)	(1,450)
Participant contributions	5,680	5,653
Insurance premiums	(339)	(320)
Effect of changes in assumptions	22,521	28,776
Effect of experience adjustments	448	9,087
Defined benefit obligation at 31 December	**304,593**	**260,606**

Notes to the Financial Statements (continued)

9. Retirement benefits (continued)

9.7. Change in fair value of plan assets

	2020 €000	2019 €000
Fair value of plan assets at 1 January	190,505	155,295
Interest income on Plan assets	3,151	3,886
Employer contributions	9,832	9,378
Participant contributions	5,680	5,653
Net benefit payments	(2,311)	(1,450)
Insurance premiums for risk benefits	(339)	(320)
Return on plan assets (excluding interest income)	10,579	18,063
Fair value of plan assets at 31 December	**217,097**	**190,505**

9.8. Actual return on scheme assets

	2020 €000	2019 €000
Interest income on Plan assets	3,151	3,886
Return on plan assets (excluding interest income)	10,579	18,063
Actual return on scheme assets	**13,730**	**21,949**

9.9. Actuarial loss on retirement benefit obligations

Remeasurements recognised in Other Comprehensive Income are as follows:

	2020 €000	2019 €000
Effect of changes in assumptions	(22,521)	(28,776)
Effect of experience adjustments	(448)	(9,087)
Return on plan assets (excluding interest income)	10,579	18,063
Remeasurements included in Other Comprehensive Income	**(12,390)**	**(19,800)**

10. Property, equipment and vehicles

	Leasehold improvements €000	Furniture, equipment and motor vehicles €000	Total €000
Cost:			
Balance at 1 January 2020	26,602	9,911	36,513
Additions at cost	-	786	786
Disposals	-	(26)	(26)
Balance at 31 December 2020	**26,602**	**10,671**	**37,273**
Accumulated Depreciation:			
Balance at 1 January 2020	(2,174)	(2,274)	(4,448)
Depreciation for the year	(1,711)	(2,175)	(3,886)
Disposals	-	21	21
Balance at 31 December 2020	**(3,885)**	**(4,428)**	**(8,313)**
Net Book Value at 31 December 2020	**22,717**	**6,243**	**28,960**
Net Book Value at 31 December 2019	**24,428**	**7,637**	**32,065**

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

Leasehold improvements relate to fit-out costs and professional fees in respect of office accommodation at Treasury Dock, North Wall Quay, Dublin 1. The property is leased under operating leases, as set out in note 17.

11. Intangible assets

	Computer software €000
Cost:	
Balance at 1 January 2020	3,374
Additions at cost	447
Balance at 31 December 2020	**3,821**
Accumulated Amortisation and Accumulated Impairment:	
Balance at 1 January 2020	(1,219)
Amortisation for the year	(815)
Balance at 31 December 2020	**(2,034)**
Net Book Value at 31 December 2020	**1,787**
Net Book Value at 31 December 2019	**2,155**

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

Notes to the Financial Statements (continued)

12. Receivables (Non-current)

	2020 €000	2019 €000
Prepayments	**431**	**308**

Prepayments classified as non-current primarily comprise of technology licences, support and maintenance.

13. Receivables (Current)

	2020 €000	2019 €000
Amounts receivable from NAMA	9,280	6,340
Amounts receivable from ISIF	2,546	2,394
Amounts receivable from SBCI	912	826
Amounts receivable from HBFI	732	763
Central Fund	-	8,177
Other receivables	564	1,434
Prepayments	5,456	2,131
	19,490	**22,065**

Other receivables primarily comprise of Asset Covered Securities income and income due from the Department of Public Expenditure and Reform.

14. Payables; amount falling due within 1 year

	Note	2020 €000	2019 €000
Trade and other payables		3,071	2,489
Central Fund		2,138	-
Accruals		12,231	16,004
Deferred income		2,473	2,101
Provision	16	-	784
		19,913	**21,378**

Accruals include rental charges of €4.9m (2019: €5.4m) and annual leave entitlements of €3.1m (2019: €1.7m) earned but not taken at the reporting date.

15. Payables; amount falling after 1 year

	2020 €000	2019 €000
Deferred income	**7,532**	**8,597**

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 €7.5m 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. An amount of €8.2m will be credited to the Statement of Income and Expenditure on a straight-line basis over the period May 2018 to May 2022 and an amount of €0.2m will be credited to the Statement of Income and Expenditure on a straight-line basis over the period May 2019 to May 2024 when the subleases expire.

16. Provision

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

	Note	2020 €000	2019 €000
At 1 January		784	615
Charges		-	801
Reversals		(784)	(632)
At 31 December	14	**-**	**784**

On 21 February 2020 the Agency surrendered the leases, with the landlord's agreement, at Treasury Building, Grand Canal, Dublin 2 to a third party. An onerous lease provision of €0.8m incurred in 2019 reflecting the lease commitment was offset against a once off payment for surrender of the leases at Treasury Building in 2020.

17. Commitments

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 lease are as follows:

	2020 €000	2019 €000
Within one year	8,648	10,489
In two to five years	34,731	41,956
Over five years	64,211	75,248
	107,590	**127,693**

18. Contingent liabilities

The Agency had no contingent liabilities at 31 December 2020.

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.

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.

Notes to the Financial Statements (continued)

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:

	2020 €000	2019 €000
Professional fees	5,540	4,733
Legal fees	599	591
	6,139	**5,324**

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

	2020 €000	2019 €000
Department of Housing, Planning and Local Government	286	397
Department of Education and Skills	2,225	189
Grangegorman Development Agency	64	173
Health Service Executive	42	-
	2,617	**759**

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 2020, €2.0m (2019: €1.1m) is owing to the Post Office Savings Bank Fund.

The NTMA, acting as the NDFA, held cash at bank at 31 December 2020 amounting to €0.6m (2019: €1.0m).

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 112 and 113.

21. Events after the reporting period

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

22. Approval of financial statements

The financial statements were approved by the Agency on 5 May 2021.

Financial Statements of the

Post Office Savings Bank Fund

For the year ended 31 December 2020

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 2020 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 2020, and
- the transactions of the Fund for 2020.

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

11 May 2021

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 2020 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 2020

	Note	2020 €000	2019 (restated) €000
Realised and Unrealised Gain on Investments	3	11,669	30,513
Interest and Similar Income	4	12,351	12,792
Interest and Similar Expense	5	(9,270)	(8,470)
Operating Expenses	6	(28,542)	(28,612)
(Deficit)/Surplus for the Year		**(13,792)**	**6,223**
Balance at 1 January:			
As Previously Reported		79,746	81,839
Prior Year Adjustment	2.4	5,828	(2,488)
As Restated		85,574	79,351
Balance at 31 December		**71,782**	**85,574**

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 2021

Statement of Financial Position
As at 31 December 2020

	Note	2020 €000	2019 (restated) €000
Assets			
Cash with Central Bank of Ireland		832,325	813,945
Receivables	7	13,161	10,097
Central Treasury Loans		11,420	13,217
Investments	8	521,702	525,616
Advances	9	2,616,753	2,154,786
		3,995,361	**3,517,661**
Liabilities			
Post Office Savings Bank Deposits		3,918,568	3,419,708
Other Liabilities	10	5,011	12,379
Equity			
Retained Earnings		71,782	85,574
		3,995,361	**3,517,661**

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 2021

Notes to Financial Statements

1. Background

The Minister for Finance guarantees the repayment and servicing of monies 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 are the Fund's 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; and
- 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 with the exception of investments which are stated at fair value through profit and loss.

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 fair value through profit and loss and represent a portfolio of Irish Government Bonds. Gains and losses on such assets are recognised in the profit and loss on an on-going basis. Premiums and discounts on acquisitions or disposal of bonds are not amortised to income due to the high turnover and liquidity within the portfolio.

The Fund recognises investments on trade date, being the date the Fund commits to purchasing the assets.

2.2 Loans and Advances

Loans and advances are recognised when cash is advanced to borrowers.

2.3 Sale and Repurchase Agreements

The Fund acts as an intermediary for sale and repurchase agreements between the National Debt and market counterparties. For each transaction, the National Debt issues new underlying stock which is cancelled on maturity. The related income or interest costs are reflected in the Fund's statement of income and expenditure and retained earnings.

2.4 Change in Accounting Policy and Prior-Year Adjustment

A change in the accounting policy has been made to state investments at their fair market value. Previously such investments were recognised at cost. The prior year balances have been restated and the impact of this change has been to increase the retained earnings by €5.8m at year end 2019.

The presentation of the statement of income and expenditure and retained earnings has been amended to provide a better reflection of the activities of the Fund and comparative numbers have been recategorised in accordance with the amended format.

2. Basis of Preparation (continued)

2.4 Change in Accounting Policy and Prior-Year Adjustment (continued)

The below table outlines in more detail the prior year adjustments and impact on the previously reported 31 December 2019 figures.

Statement of Income and Expenditure and Retained Earnings for the year ended 31 December 2019

	As previously reported €000	As restated €000	Adjustment €000	Explanation for adjustment
Investment Income	31,595	-	(31,595)	Amended presentation – recategorisation
Interest Paid and Payable	(5,076)	-	5,076	Amended presentation – recategorisation
Realised and Unrealised Gain on Investments	-	30,513	30,513	Amended presentation – recategorisation and addition of unrealised gains
Interest and Similar Income	-	12,792	12,792	Amended presentation – recategorisation
Interest and Similar Expense	-	(8,470)	(8,470)	Amended presentation – recategorisation
Subtotal of Changes	**26,519**	**34,835**	**8,316**	Addition of unrealised gains for year end 31 December 2019
(Deficit)/Surplus for the Year	(2,093)	6,223	8,316	Addition of unrealised gains for year end 31 December 2019

Statement of Financial Position as at 31 December 2019

	As previously reported €000	As restated €000	Adjustment €000	Explanation for adjustment
Receivables	9,116	10,097	981	Recategorisation of accrued interest expense
Investments	519,788	525,616	5,828	Investments restated to fair value from cost
Other Liabilities	(11,398)	(12,379)	(981)	Recategorisation of accrued interest expense
Subtotal of Changes	**517,506**	**523,334**	**5,828**	Investments restated to fair value from cost
Retained Reserves 31 December 2019	79,746	85,574	5,828	Addition of unrealised gain in the period
Retained Reserves 1 January 2019	81,839	79,351	(2,488)	Addition of unrealised loss in the period

3. Realised and Unrealised Gain on Investments

	2020 €000	2019 €000
Realised Gain on Investments	6,955	22,197
Unrealised Gain on Investments	4,714	8,316
	11,669	**30,513**

The gains on investment securities in 2020 reflected the continued compression in yields (bond price appreciation), across the Irish Government Bond yield curve, though to a lesser extent than 2019.

4. Interest and Similar Income

	2020 €000	2019 €000
Interest on Investments held	10,389	9,586
Interest on Repurchase Agreements	1,946	3,205
Other Income	16	1
	12,351	**12,792**

Notes to the Financial Statements (continued)

5. Interest and Similar Expense

	2020 €000	2019 €000
Interest on Post Office Savings Bank Deposits	(5,471)	(5,076)
Interest on Cash Balances	(3,799)	(3,394)
	(9,270)	**(8,470)**

Interest on cash balances represent the prevailing negative interest rates charged by the Central Bank of Ireland on cash balances held.

6. Operating Expenses

	2020 €000	2019 €000
Service Fees	(28,542)	(28,612)
	(28,542)	**(28,612)**

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

7. Receivables

	2020 €000	2019 €000
Interest Receivable	5,817	7,494
Cash Balances held by An Post	7,344	2,603
	13,161	**10,097**

8. Investments

Bonds	2020 €000	2019 €000
At Nominal	450,146	454,624
At Cost	511,160	519,788
Fair Value as at 31 December	**521,702**	**525,616**

8. Investments (continued)

Schedule of Investment:

2020 Opening Fair Value €000	Treasury Bonds	2020 Purchases €000	2020 Sales €000	2020 Unrealised Gain/(Loss) €000	2020 Closing Fair Value €000
-	4.5% Treasury Bond 2020	39,596	(39,596)	-	-
4,881	0.8% Treasury Bond 2022	24,645	(24,073)	(8)	5,445
17,521	0.0% Treasury Bond 2022	35,468	(48,939)	23	4,073
26,960	3.9% Treasury Bond 2023	24,172	(39,931)	124	11,325
64,297	3.4% Treasury Bond 2024	73,159	(118,121)	415	19,750
63,274	5.4% Treasury Bond 2025	118,344	(113,441)	(351)	67,826
48,166	1.0% Treasury Bond 2026	104,934	(106,317)	602	47,385
-	0.2% Treasury Bond 2027	133,967	(75,161)	768	59,574
43,614	0.9% Treasury Bond 2028	150,025	(151,873)	507	42,273
39,280	1.1% Treasury Bond 2029	275,821	(268,019)	1,126	48,208
49,401	2.4% Treasury Bond 2030	160,021	(176,614)	123	32,931
-	0.2% Treasury Bond 2030	206,994	(174,435)	92	32,651
37,511	1.35% Treasury Bond 2031	124,652	(134,329)	(904)	26,930
19,718	1.3% Treasury Bond 2033	42,519	(32,594)	826	30,469
-	0.4% Treasury Bond 2035	59,932	(46,564)	567	13,935
34,239	1.7% Treasury Bond 2037	7,581	(20,406)	(523)	20,891
53,570	2.0% Treasury Bond 2045	41,846	(73,462)	(323)	21,631
23,184	1.5% Treasury Bond 2050	54,610	(43,039)	1,650	36,405
525,616		**1,678,286**	**(1,686,914)**	**4,714**	**521,702**

9. Advances

	2020 €000	2019 €000
Advances to the Exchequer	2,604,650	2,140,384
Advances to the State Claims Agency	10,117	13,317
Advances to the National Development Finance Agency	1,986	1,085
	2,616,753	**2,154,786**

Advances to the Exchequer represents funds that are mainly lent to the Exchequer as a ways and means of funding Exchequer requirements. No financing costs were charged by the Fund to the Exchequer, the State Claims Agency or the National Development Finance Agency.

10. Other Liabilities

	2020 €000	2019 €000
Trade Payables (Bonds)	-	10,122
Balance due under Sale and Repurchase Agreements	3,579	843
Accrued Interest on Cash Balances	967	981
Accrued DIRT	465	433
	5,011	**12,379**

The Fund reimburses An Post for DIRT it has paid to Revenue on applicable Post Office Savings Bank deposits.

Notes to the Financial Statements (continued)

11. 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.

12. Approval of Financial Statements

The financial statements were approved by the Agency on 5 May 2021.

Financial Statements of the

State Claims Agency

For the year ended 31 December 2020

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 2020 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 2020, and
- the transactions of the State Claims Agency for 2020.

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

11 May 2021

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 2020 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 2020

	Note	2020 €000	2019 €000
Income			
Income	4	430,012	431,389
Costs recovered on behalf of Delegated State Authorities	5	9,127	3,475
		439,139	**434,864**
Expenditure			
Awards and claim settlements	6	289,136	307,623
Expenses	7	140,876	123,766
Reimbursement of costs recovered on behalf of Delegated State Authorities	5	9,127	3,475
		439,139	**434,864**

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 2021

Statement of Financial Position

As at 31 December 2020

	Note	2020 €000	2019 €000
Assets			
Cash at bank		3,268	3,738
Receivables	10	9,394	13,789
Investments	9	4,950	4,951
		17,612	**22,478**
Liabilities			
Scheme liabilities	9	(4,950)	(4,951)
Borrowings from Post Office Savings Bank Fund	11	(10,117)	(13,317)
Other liabilities	12	(2,545)	(4,210)
		(17,612)	**(22,478)**

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 2021

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 in respect of awards, claim settlements and associated costs. The SCA recovers this expenditure from the Delegated State Authorities whose claims are managed by the SCA.

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 whose claims are managed by the SCA and from whom the SCA recovers the amounts of any awards settlements 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 incurred but not reported (IBNR) liabilities. IBNR liabilities relate to claim-generating incidents that have occurred but have 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.

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.

4. Income

	Note	2020 €000	2019 €000
Amounts receivable at 1 January from Delegated State Authorities	10	(13,770)	(8,841)
Received from Delegated State Authorities		434,408	426,460
Received from Scheme funds	9	1	-
Amounts receivable at 31 December	10	9,373	13,770
		430,012	**431,389**

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

	2020 €000	2019 €000
Costs recovered on behalf of Delegated State Authorities	**9,127**	**3,475**

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

	2020 €000	2019 €000
Awards and claim settlements	**289,136**	**307,623**

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

7. Expenses

	2020 €000	2019 €000
Delegated authority expenses		
Legal fees	38,262	34,850
Medical fees	7,608	6,117
Engineers' fees	326	478
Other fees[1]	2,974	3,518
	49,170	44,963
Plaintiff expenses		
Legal fees	91,699	78,782
Other expert fees	2	2
Travel expenses	3	16
	91,704	**78,800**
Witness expenses	2	3
Total other expenses	**140,876**	**123,766**

1 Other fees include investigation and actuary fees.

Notes to the Financial Statements (continued)

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 €28.1m (2019: €28.5m). 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.

	2020 €000	2019 €000
Balance at 1 January	4,951	4,620
Contributions to fund	-	331
Claim settlements and expenses	(1)	-
Balance at 31 December available for settlement of claims	**4,950**	**4,951**

10. Receivables

	Note	2020 €000	2019 €000
Receivable from Delegated State Authorities	4	9,373	13,770
Other Receivables		21	19
		9,394	**13,789**

11. Borrowings from the Post Office Savings Bank Fund

	2020 €000	2019 €000
Borrowings from the Post Office Savings Bank Fund	**10,117**	**13,317**

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

	2020 €000	2019 €000
Payable in respect of expenses	197	1,132
Payable in respect of awards	1,647	2,604
Professional Services Withholding Tax	689	467
Amounts due to Delegated State Authorities	12	7
	2,545	**4,210**

13. Estimated liabilities of Delegated State Authorities

	2020 Number of claims	2019 Number of claims
At 1 January	11,580	10,658
New claims	3,628	3,516
Resolved claims	(3,221)	(2,704)
Other claims[1]	188	110
At 31 December[2]	**12,175**	**11,580**

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 2020 includes 2,877 (2019: 2,472) mass action claims.

At 31 December 2020 the outstanding estimated liability of Delegated State Authorities in respect of claims under management by the SCA was €4,032m (2019: €3,633m), of which €3,031m (2019: €2,723m) was attributable to clinical claims and €1,001m (2019: €910m) 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.

In respect of relevant active clinical claims at 31 December 2020, the SCA has based its estimated liability on a real rate of return of 1% (2019: 1%) on claims for the cost of future care and 1.5% (2019: 1.5%) for future pecuniary loss.

Notes to the Financial Statements (continued)

14. Events after the reporting period

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

15. Approval of financial statements

The financial statements were approved by the Agency on 5 May 2021.

Financial Statements of the

Dormant Accounts Fund

For the year ended 31 December 2020

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 2020 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 2020, and
- the Fund transactions for 2020.

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

11 May 2021

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 2020

	Note	2020 €000	2019 €000
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	3	64,687	65,233
Amounts transferred to Reserve Account	4	(28,600)	(29,000)
Disbursements	5	(93,435)	(37,372)
Interest Expense	6	(39)	(57)
Movement for the year		(57,387)	(1,196)
Balance at 1 January		201,023	202,219
Balance at 31 December		**143,636**	**201,023**

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 2021

Reserve Account
For the year ended 31 December 2020

	Note	2020 €000	2019 €000
Repayment of moneys transferred to the Fund	3	(21,541)	(22,608)
Interest on repayment of moneys transferred to the Fund	3	(163)	(145)
Transfer from Investment and Disbursements Account	4	28,600	29,000
Interest Expense	6	(29)	(47)
Operating Expenses	7	(90)	(84)
Movement for the year		6,777	6,116
Balance at 1 January		93,705	87,589
Balance at 31 December		**100,482**	**93,705**

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 2021

Statement of Financial Position
As at 31 December 2020

	Note	2020 €000	2019 €000
Assets			
Cash and Other Financial Assets	8	244,210	294,963
Liabilities			
Total Liabilities	9	(92)	(235)
Net Assets		**244,118**	**294,728**
Represented by:			
Investment and Disbursements Account		143,636	201,023
Reserve Account		100,482	93,705
		244,118	**294,728**

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 2021

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 (note 10.1).
- the preparation of the annual investment plan, having regard to the disbursement plan and any direction from the Minister for Rural and 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 and 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 and Community Development[1].

In accordance with the Dormant Accounts (Amendment) Act 2012, the Minister for Rural and Community Development[1] 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 Disbursement Scheme 2020 – 2022 was approved by Government in July 2020 and a Dormant Accounts Action Plan for 2021 was published in November 2020, 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 2020. 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 27 July 2017, Statutory Instrument 354 transferred functions 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 and Community Development. On 3 October 2017, Statutory Instrument 432 delegated the powers and duties of the Minister for Rural and Community Development in relation to the Dormant Accounts Fund to the Minister of State at the Department of Rural and 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 01/01/2020 €000	Transferred €000	Reclaimed €000	Closing Balance 31/12/2020 €000	Interest Paid €000
ACC Loan Management DAC	5,375	-	(48)	5,327	-
Allied Irish Banks plc	98,930	6,919	(1,420)	104,429	(2)
Bank of America Europe Designated Activity Company	155	-	-	155	-
Bank of Ireland	108,471	9,379	(3,835)	114,015	(8)
Barclays Bank Ireland plc	344	-	-	344	-
BNP Paribas SA	143	-	-	143	-
Citibank Europe plc	29	-	-	29	-
Citco Bank	-	19	-	19	-
Danske Bank Plc	7,564	625	(171)	8,018	-
EAA Covered Bond Bank	122	-	-	122	-
EBS DAC	35,246	10,387	(3,598)	42,035	(34)
Investec Bank plc	2,048	-	(42)	2,006	-
Irish Bank Resolution Corporation Ltd (in special liquidation)	617	-	-	617	-
JP Morgan Bank (Ireland) plc	49	-	-	49	-
KBC Bank Ireland plc	786	6	(786)	6	(67)
Lloyds Bank	453	-	-	453	-
Permanent tsb plc	66,169	5,289	(1,679)	69,779	(9)
Pfizer International Bank	31	-	-	31	-
An Post - State Savings Products	87,545	3,124	(2,761)	87,908	(15)
An Post - Post Office Savings Bank	56,010	3,518	(986)	58,542	(26)
RBS NV	35	-	-	35	-
The Royal Bank of Scotland plc	420	-	-	420	-
Scotiabank (Ireland) DAC	93	-	-	93	-
Ulster Bank Ireland DAC	38,772	9,004	(726)	47,050	-
Total	**509,407**	**48,270**	**(16,052)**	**541,625**	**(161)**

3. Cumulative amounts transferred and reclaimed in respect of dormant accounts and unclaimed assurance policies (continued)

Assurance Companies – Unclaimed Assurance Policies

Institution	Opening Balance 01/01/2020 €000	Transferred €000	Reclaimed €000	Closing Balance 31/12/2020 €000	Interest paid €000
Specified Term Accounts:					
Ark Life Assurance Co. DAC	2,118	259	(176)	2,201	-
Aviva Life and Pensions UK Ltd	4,633	325	(36)	4,922	-
Equitable Life Assurance Society	53	-	-	53	-
Friends First Life Assurance Co. DAC	3,512	292	-	3,804	-
Harcourt Life (Ex Scottish Mutual Life)	97	-	-	97	-
Irish Life Assurance plc	12,305	2,626	(528)	14,403	-
New Ireland Assurance Co. DAC	1,213	200	(247)	1,166	-
Phoenix Life Ltd	7,542	1,156	(151)	8,547	-
The Royal London Mutual Insurance Society Ltd	10,141	608	(76)	10,673	-
St. James Place International plc	11	-	-	11	-
Scottish Legal Life	619	-	-	619	-
Standard Life International DAC	2,005	175	-	2,180	-
Sun Life Assurance Society plc	386	39	-	425	-
Zurich Life Assurance plc	4,293	1,408	(579)	5,122	-
No Specified Term Accounts:					
Acorn Life DAC	183	-	-	183	-
Ark Life Assurance Co. DAC	5,256	914	(839)	5,331	-
Aviva Life and Pensions UK Ltd	4,362	468	(94)	4,736	-
Equitable Life Assurance Society	22	-	-	22	-
Friends First Life Assurance Co. DAC	1,775	79	(52)	1,802	-
Harcourt Life DAC (ex Augura Life Ireland DAC)	145	2	(5)	142	-
Harcourt Life DAC (ex Scottish Mutual Life DAC)	642	-	-	642	-
Irish Life Assurance plc	9,814	2,379	(565)	11,628	-
New Ireland Assurance Co. DAC	15,577	547	(591)	15,533	-
Phoenix Life Ltd	2,212	136	(102)	2,246	-
The Royal London Mutual Insurance Society Ltd	15,593	934	(198)	16,329	-
St. James Place International plc	7	-	-	7	-
Scottish Legal Life	615	-	-	615	-
Standard Life International DAC	3,379	1,089	(394)	4,074	-
Sun Life Assurance Society plc	119	58	-	177	-
Zurich Life Assurance plc	5,672	2,517	(776)	7,413	-
TOTAL (UNCLAIMED POLICIES)	**114,301**	**16,211**	**(5,409)**	**125,103**	**-**
The Escheated Estate Fund	4,400	-	-	4,400	-
Accrued Reclaims	(206)	206	(80)	(80)	(2)
GRAND TOTAL	**627,902**	**64,687**	**(21,541)**	**671,048**	**(163)**

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 Fund does not recognise a liability in respect of Dormant moneys transferred to the Fund (note 10.1). Interest paid on dormant accounts reclaimed is in respect of the period from the transfer of the accounts to the Fund until their reclaim.

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 €1,699,888 from €671,048,403 to €669,348,515.

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 and 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:

	2020 €000	2019 €000
On Direction of the Minister for Public Expenditure and Reform:		
Department of Rural and Community Development	49,481	12,673
Department of Health	11,247	2,700
Department of Children, Equality, Disability, Integration and Youth	9,585	7,039
Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media	7,975	5,000
Department of Justice	6,598	4,873
Department of Social Protection	3,216	550
Department of Housing, Local Government and Heritage	3,000	3,000
Department of Defence	1,005	502
Department of Education	577	462
Department of Environment, Climate and Communications	551	373
Irish Prison Service	200	200
	93,435	**37,372**

6. Interest Expense

2020	Investment and Disbursements Account €000	Reserve Account €000	2020 €000
Cash at Central Bank	(39)	(29)	(68)
	(39)	**(29)**	**(68)**

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)**

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

	2020 €000	2019 €000
Fees of service provider (Pobal)	89	83
Bank Charges	1	1
	90	**84**

Pobal receives an annual service fee for its administration of certain projects in receipt of Dormant Accounts Fund disbursements. The fee is paid by the Department of Rural and Community Development and reimbursed from the Dormant Accounts Fund. Due to a process change where service fees for allocated projects are borne directly by the departments in receipt of Fund disbursements, it is not expected the Dormant Accounts Fund will be liable for this fee in 2021.

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 are detailed below:

	2020 €000	2019 €000
General Administration[2]	**150**	**150**

8. Cash and Other Financial Assets

	2020 €000	2019 €000
Cash at Central Bank	5,210	18,963
Term Deposits	239,000	276,000
	244,210	**294,963**

9. Total Liabilities

	2020 €000	2019 €000
Interest Payable on Cash Balances	(10)	(29)
Accrued Reclaims	(82)	(206)
	(92)	**(235)**

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 2020 the contingent liability to the Exchequer is estimated at €427m (2019: €333m). 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, 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 are required to 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 2020 €000	Movement during the year €000	31 December 2020 €000
Net Assets of Fund	294,728	(50,610)	244,118
Dormant Funds Transferred not reclaimed	(627,902)	(43,146)	(671,048)
Contingent liability	**(333,174)**	**(93,756)**	**(426,930)**

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

	2020 €000	
Disbursements	(93,435)	Note 5
Interest on repayments of moneys transferred to the Fund	(163)	Note 3
Operating expenses	(90)	Note 7
Interest Expense	(68)	Note 6
Movement for the year	**(93,756)**	Note 10.2

11. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act 2001, the Agency is required to report to the Minister for Rural and Community Development the investment return achieved by the Fund in each financial year. The annualised return on the Fund for the year was -0.02% (2019: -0.03%).

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 2021.

Financial Statements of the

National Surplus (Exceptional Contingencies) Reserve Fund

For the year ended 31 December 2020

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 2020 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 2020 and of the Fund transactions during the year 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

11 May 2021

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 2020

	Note	2020 €m	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 2021

Statement of Changes in Net Assets

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 €m	Period ended 31 December 2019 €m
Funds received from Ireland Strategic Investment Fund		-	1,500
Transfer to the Exchequer	8	(1,500)	-
(Decrease)/Increase in net assets		**(1,500)**	**1,500**
Net Assets at beginning of the year		1,500	-
Net Assets at end of year		**-**	**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 2021

Statement of Cash Flows
For the year ended 31 December 2020

	Year ended 31 December 2020 €m	Period ended 31 December 2019 €m
Cash flows from operating activities		
Purchase of Exchequer notes	(1,250)	(1,625)
Proceeds from sale and maturities of Exchequer notes	2,750	125
Net cash inflow/(outflow) in operating activities	**1,500**	**(1,500)**
Cash flows from financing activities		
Funds received from Ireland Strategic Investment Fund	-	1,500
Transfer to the Exchequer	(1,500)	-
Net cash (outflow)/inflow from financing activities	**(1,500)**	**1,500**
Net increase in cash and cash equivalents	**-**	**-**
Cash at 31 December	**-**	**-**

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

A resolution was passed by Dáil Eireann on 13 October 2020 approving the payment of moneys out of the Fund to the Exchequer's Central Fund to allow for public expenditure to remedy or mitigate the impact of the COVID-19 virus (the "Dáil Resolution").

In directions issued by the Minister to the Agency on 20 October 2020 (the "2020 Directions"), the Minister directed the Agency to, *inter alia*:

- pursuant to section 28(3) of the NTMA (Amendment) Act 2000, arising from the Dáil Resolution and in accordance with section 10 of the NS(RFEC) Act 2019, as soon as practicable to convert the assets standing to the credit of the Fund into cash and to transfer the balance to the Exchequer's Central Fund;
- pursuant to section 12 of the NTMA Act 1990, section 28 of the NTMA (Amendment) Act 2000, section 4 and section 8 of the NS(RFEC) Act 2019 and the Order, to, *inter alia*:
  - preserve an account in respect of the Fund in order to allow the Agency to manage any assets which may be transferred into the Fund in the future in accordance with the NS(RFEC) Act 2019;
  - incur only such expenses under section 11 of the NS(RFEC) Act 2019 (being external expenses and outlay) as may be agreed in advance by the Department of Finance.

On 28 October 2020, €1,500 million was transferred from the Fund to the Exchequer's Central Fund pursuant to the 2020 Directions.

The Fund 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. 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 for year ended 31 December 2020. The comparative period is for the period 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 in the UK for use in 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 of fair value of derivatives, investments and other financial instruments designated at fair value through profit or loss (FVTPL) 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.

4. Significant Accounting Policies (continued)

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

Exchequer Notes

The Fund was invested in a portfolio of Exchequer notes with maturities between 1 and 12 months during 2020 and 2019. 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 were measured at fair value with any changes in their value to be recognised in profit and loss.

Impairment

A financial asset not classified as a financial assets at fair value through profit or loss (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 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 Agency's investment of the Fund in accordance with the Order and any directions 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 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. 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 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.

Notes to the Financial Statements (continued)

5. Financial Risks (continued)

Management Committees (continued):

Market and Liquidity Risk Committee (MLRC) (continued)

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.

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.

2020	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Exchequer Notes	-	-	-	-

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

	2020 €m	2019 €m
Exchequer notes with a maturity greater than 3 months	-	1,125

7. Cash and cash equivalents

	2020 €m	2019 €m
Exchequer notes with a maturity less than or equal to 3 months	-	375

8. Transfer to the Exchequer

In accordance with the Ministerial Direction dated the 20 October 2020, €1,500 million was transferred from the Fund to the Exchequer on the 28 October 2020.

9. Management Expenses

In accordance with the Directions and Section 11 of the NS(RFEC) Act 2019, the Agency may incur only such external costs and outlay in the performance of its delegated functions to the Fund as may be agreed in advance by the Department of Finance. No such external costs or outlay were incurred by the Agency in 2019 or 2020.

10. 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 pursuant to section 4(1) of the NS (RFEC) Act 2019.

National Treasury Management Agency

The Minister has delegated to the Agency certain of his functions in relation to the investment of the Fund in accordance with the Directions and the 2020 Directions as further outlined in Note 1.

10. Events after the reporting date

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

11. Approval of Financial Statements

The financial statements were approved by the Agency on 5 May 2021.

Financial Statements of the

Ireland Strategic Investment Fund

For the year ended 31 December 2020

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
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BNY Mellon SA/NV
Rue Montoyer 46,
1000 Bruxelles,
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Bankers
Central Bank of Ireland
New Wapping Street
North Wall Quay
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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 2020 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 2020 and of its income and expenditure for 2020 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

11 May 2021

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 2020

	Note	Discretionary Portfolio		Directed Portfolio		Total	
		2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Assets							
Investments	7, 8	6,812	6,632	3,733	6,726	10,545	13,358
Loans and receivables	7, 8	683	451	37	7	720	458
Trade and other receivables	9	20	62	-	-	20	62
Cash and cash equivalents	12	1,329	999	165	215	1,494	1,214
Total assets		**8,844**	**8,144**	**3,935**	**6,948**	**12,779**	**15,092**
Liabilities							
Derivatives	7	(16)	(9)	-	-	(16)	(9)
Balance due to brokers	7	(10)	(3)	-	-	(10)	(3)
Other liabilities	10	(16)	(13)	-	-	(16)	(13)
Total liabilities		**(42)**	**(25)**	**-**	**-**	**(42)**	**(25)**
Net assets of the Fund at year end		**8,802**	**8,119**	**3,935**	**6,948**	**12,737**	**15,067**

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 2021

Statement of Comprehensive Income

For the year ended 31 December 2020

		Discretionary Portfolio		Directed Portfolio		Total	
	Note	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Income							
Interest income	4	39	85	-	-	39	85
Dividend income	4	32	14	-	352	32	366
Private equity, property and other income	4	46	38	-	-	46	38
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		626	345	(2,993)	(1,060)	(2,367)	(715)
Net investment income/(loss)		**743**	**482**	**(2,993)**	**(708)**	**(2,250)**	**(226)**
Expenses							
Operating expenses	5	(30)	(33)	-	-	(30)	(33)
Profit/(Loss) for the financial year before tax		**713**	**449**	**(2,993)**	**(708)**	**(2,280)**	**(259)**
Taxation	6	-	-	-	-	-	-
Profit/(Loss) for the financial year		**713**	**449**	**(2,993)**	**(708)**	**(2,280)**	**(259)**

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 2021

Statement of Changes in Net Assets

For the year ended 31 December 2020

	Note	Discretionary Portfolio 2020 €m	Discretionary Portfolio 2019 €m	Directed Portfolio 2020 €m	Directed Portfolio 2019 €m	Total 2020 €m	Total 2019 €m
Profit/ (Loss) for the year		713	449	(2,993)	(708)	(2,280)	(259)
Transfers to the Minister	11	-	(1,500)	(50)	-	(50)	(1,500)
Assets transferred between portfolios	11	(30)	345	30	(345)	-	-
Increase/(Decrease) in net assets		**683**	**(706)**	**(3,013)**	**(1,053)**	**(2,330)**	**(1,759)**
Net assets at beginning of year		8,119	8,825	6,948	8,001	15,067	16,826
Net assets at end of year		**8,802**	**8,119**	**3,935**	**6,948**	**12,737**	**15,067**

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 2021

Statement of Cash Flows

For the year ended 31 December 2020

		Discretionary Portfolio		Directed Portfolio		Total	
	Note	2020 €m	2019 €m	2020 €m	2019 €m	2020 €m	2019 €m
Cash flows from operating activities							
Interest received		54	89	-	-	54	89
Tax reclaims received	6	1	-	-	-	1	-
Dividends received	4	32	14	-	352	32	366
Other income received		20	35	-	-	20	35
Proceeds from sale of investments		5,537	8,728	10	-	5,547	8,728
Purchase of investments		(5,456)	(6,941)	(40)	(7)	(5,496)	(6,948)
Cash collateral received		530	203	-	-	530	203
Cash collateral paid		(523)	(200)	-	-	(523)	(200)
Operating expenses paid	5	(33)	(34)	-	-	(33)	(34)
Effect of exchange rate fluctuations		203	(191)	-	-	203	(191)
Net cash from operating activities		**365**	**1,703**	**(30)**	**345**	**335**	**2,048**
Cash flows from financing activities							
Transfer between portfolios	11	(30)	345	30	(345)	-	-
Transfer to the Minister	11	-	(1,500)	(50)	-	(50)	(1,500)
Net cash from financing activities		**(30)**	**(1,155)**	**(20)**	**(345)**	**(50)**	**(1,500)**
Net increase in cash and cash equivalents		335	548	(50)	-	285	548
Opening cash and cash equivalents		999	452	215	215	1,214	667
Effect of exchange rate fluctuations on cash and cash equivalents		(5)	(1)	-	-	(5)	(1)
Closing cash and cash equivalents		**1,329**	**999**	**165**	**215**	**1,494**	**1,214**

Notes to the Financial Statements

1. Background

The Ireland Strategic Investment Fund ("ISIF" or "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. Section 39(1) of the NTMA Act 2014 requires the Agency to hold and 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. Section 47A(2) of the NTMA Act 2014 also enables the Minister for Finance to give directions to the Agency in relation to the transfer of assets from the Fund to certain other funds. 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 Fund's portfolio of Directed Investments (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 2020. The comparative period is the year ended 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.

The financial statements have been prepared pursuant to Section 12 of the National Treasury Management Agency Act 1990 (as amended) (the "NTMA Act 1990") 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). ISIF is the beneficial owner of these foreign assets but the legal transfer of foreign assets must be done in conjunction with the relevant counterparty. The process is largely complete but a small number of foreign assets have not legally transferred from the NPRF to the Fund as at 31 December 2020. 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 2020, 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.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

3.2 Going concern (continued)

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.

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 net gains/losses on financial assets and liabilities at fair value through 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. Significant accounting policies (continued)

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.

3.11 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.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

3.12 Financial assets and liabilities (continued)

Basic financial assets and liabilities (continued)

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.

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 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.

3. Significant accounting policies (continued)

3.12 Financial assets and liabilities (continued)

Basic financial assets and liabilities (continued)

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. A reliable measure of fair value for a number of debt instruments is not available and these debt instruments are valued 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:

- 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

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

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.

4. Income

4.1 Discretionary Portfolio

	2020 €m	2019 €m
Interest income	39	85
Property fund income	20	14
Dividend income	32	14
Private equity income	19	20
Other income (see note 6)	7	4
	117	**137**

Other income includes investment rebates of €2.0m (2019: €1.8m), class action income of €2.8m (2019: €1.2m) and withholding tax refund €1.1m (see note 6).

4.2 Directed Portfolio

	2020 €m	2019 €m
Dividend income	-	352

There were no dividend payments made for the year ended 31 December 2020. In the prior year, on 3 May 2019, the Fund received a dividend payment of €328m from AIB. On 10 June 2019, the Fund received a dividend payment of €24m 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

	2020 €m	2019 €m
NTMA recharge	16	15
Investment managers' fees	8	11
Legal fees	1	2
Global Custodian fees	1	1
Systems and services	1	1
Tax fees	1	1
Other fees	2	2
	30	**33**

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 amounted to €16.0m in 2020 (2019: €15.2m).

5. Operating expenses (continued)

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.

	2020 €m	2019 €m
Legal	1	2
Financial and tax advisory	2	1
	3	3

These costs are included in Note 5.1 (Discretionary Portfolio - 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.

	2020 €m	2019 €m
Withholding tax reclaim	1	-

The Fund received €1.1m (2019: €0.1m) withholding tax reclaims in relation to tax reclaims submitted to the year ended 31 December 2020. This is included in other income in note 4 above.

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 hold and invest the Discretionary Portfolio 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.

The Fund's Discretionary Portfolio is comprised of the Irish Portfolio and the Global Portfolio. The Global Portfolio as a conservatively managed and liquid portfolio that will provide cash to fund investment opportunities in Ireland as they develop.

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.

In May 2020, the Minister for Finance instructed the ISIF to make a €2bn fund available, known as the Pandemic Stabilisation and Recovery Fund (PSRF). The PSRF is a sub-portfolio of the Fund's Irish Portfolio. It seeks to support (on commercial terms) medium and large enterprises affected by Covid-19 in Ireland, with a focus on enterprises employing more than 250 employees or with annual turnover in excess of €50m. The Fund considers investments in enterprises below these levels if they are assessed to be of substantial scale and of significant importance at national or regional level. The Fund also continues to engage with and support its existing portfolio of investments. As the economy transitions from a stabilisation phase to a recovery phase, the Fund's particular focus is expected to return to the priority themes of regional development, housing, indigenous industry, climate change and sectors adversely affected by Brexit.

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 2020 amounts to €8.8bn (2019: €8.1bn). The composition of the Discretionary Portfolio by investment type is as follows:

Investments at FVTPL[1]	Note	2020 €m	2019 €m
Quoted equities		577	610
Direct private equity		273	266
Quoted debt instruments		1,204	1,359
Unquoted debt instruments		112	88
Property fund investments		158	172
Private equity fund investments		1,524	1,057
Forestry investments		66	59
Energy investments		30	34
Infrastructure investments		297	270
Quoted investment funds		1,351	1,633
Unquoted investment funds		1,107	988
Convertible preference shares		57	43
		6,756	**6,579**
Loans and receivables at amortised cost			
Other debt		**683**	**451**
Derivative assets at FVTPL[1]			
Equity options		2	1
Futures contracts	13.1	7	17
Foreign exchange contracts	13.1	47	35
		56	**53**
Derivative liabilities at FVTPL			
Swaps		(1)	-
Equity options		(15)	(9)
		(16)	**(9)**
Cash and cash equivalents			
Cash		1,329	988
Treasury bills		-	11
	12	**1,329**	**999**
Trade and other receivables	9	20	62
Balance due to brokers		(10)	(3)
Other liabilities	10	(16)	(13)
Total discretionary net assets		**8,802**	**8,119**

1 *Investments at FVTPL and Derivative assets at FVTPL represent Investments in the Statement of Financial Position.*

7. Discretionary financial assets and liabilities (continued)

7.3 Irish Portfolio valuation

At 31 December 2020, €3.4bn (2019: €2.7bn) is invested in the Irish Portfolio with the remaining €5.4bn (2019: €5.4bn) invested in the Global Portfolio. The breakdown of the Irish Portfolio by investment type is as follows:

Investments at FVTPL	2020 €m	2019 €m
Private equity fund investments	1,524	1,056
Infrastructure investments	297	270
Quoted equities	158	208
Property fund investments	153	155
Direct private equity	273	266
Unquoted debt instruments	112	88
Convertible preference shares	57	43
Forestry investments	66	59
Quoted debt instruments	82	36
Energy investments	30	34
	2,752	**2,215**
Loans and receivables at amortised cost		
Other debt	**683**	**451**
Cash and cash equivalents	5	10
Trade and other receivables	6	2
Total Irish Portfolio valuation	**3,446**	**2,678**

Impact of Covid-19 on valuations

Given the significant challenges that are present in the current environment with determining valuations estimates in the midst of the global pandemic, certain investment valuation inputs for Direct private equity and Unquoted debt instruments are more reliant on unobservable information and forward-looking assumptions.

8. Directed Portfolio

The Agency holds a portfolio of Directed Investments which is subject to directions given by the Minister for Finance pursuant to Sections 42, 42A, 43 and 47(4) 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.

Notes to the Financial Statements (continued)

8. Directed Portfolio (continued)

8.1 Directed portfolio valuation

	2020 Unit Millions	2019 Unit Millions	Valuation € 2020 Per Unit	Valuation € 2019 Per Unit	2020 €m	2019 €m
Bank of Ireland (BoI)						
Ordinary Shares[1]	150	150	3.296	4.882	**494**	**734**
Allied Irish Banks (AIB)						
Ordinary Shares[2]	1,930	1,930	1.678	3.104	**3,239**	**5,992**
Total directed investments assets					**3,733**	**6,726**
HBFI Loan					37	7
Cash (Note 12, 14.3)					165	215
Total directed investments					**3,935**	**6,948**

1 *The value of BOI ordinary shares is based on the quoted bid price. The Fund's percentage shareholding of 13.95% remains the same as at 31 December 2019. Considering the volume of holding in these shares, if traded in a small number of large trades, there could be an impact on the quoted bid price.*

2 *The value of AIB ordinary shares is based on the quoted bid price. The Fund's percentage shareholding of 71.12% remains the same as at 31 December 2019. Considering the volume of holding in these shares, if traded in a small number of large trades, there could be an impact on the quoted bid price.*

8.2 Directed investment valuation movement

Bank of Ireland	2020 €m	2019 €m
Opening valuation	734	733
Investment (loss)/gain during the year	(240)	1
Closing Valuation	**494**	**734**

Allied Irish Banks		
Opening valuation	5,992	7,054
Investment (loss) during the year	(2,753)	(1,062)
Closing Valuation	**3,239**	**5,992**

9. Trade and other receivables

	2020 €m	2019 €m
Interest receivable	16	16
Dividend receivable	2	2
Tax reclaims recoverable	1	1
Amounts receivable for securities sold	1	43
	20	**62**

10. Other liabilities

	2020 €m	2019 €m
Amounts payable for securities purchased	8	4
Other accrued expenses	8	9
	16	**13**

11. Transfers

11.1 Transfers to the Exchequer/Minister

	2020 €m	2019 €m
Transfer to the Minister from Discretionary Portfolio	**-**	**1,500**

In October 2020, a loan of €50m was advanced from the Directed Portfolio of the Fund to the Strategic Banking Corporation of Ireland ("SBCI"), which was immediately converted to equity in SBCI pursuant to Section 11(7)(a) of the Strategic Banking Corporation of Ireland Act 2014 (as amended) (the "SBCI Act 2014"). The shares issued by SBCI are held directly by the Minister for Finance and not by the Fund. (See note 14.3)

In 2019, the Agency was directed by the Minister for Finance to transfer assets with a value of €1.5bn from the Fund to the National Surplus (Exceptional Contingencies) Reserve Fund.

11.2 Transfers between Discretionary and Directed Portfolios

	2020 €m	2019 €m
Net transfer (to)/from Directed to Discretionary portfolio	**(30)**	**345**

Funds of €30m (2019: €7m) were transferred from the Discretionary Portfolio to the Directed Portfolio to fund the provision of loans to Home Building Finance Ireland ("HBFI").

In 2019 dividend payments of €328m and €24m 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.

12. Cash and cash equivalents

Discretionary Portfolio	2020 €m	2019 €m
Cash	302	769
Cash equivalent	1,027	219
Treasury Bills	-	11
	1,329	**999**
Directed Portfolio		
Cash	**165**	**215**

Cash equivalents includes Exchequer notes and short-term funds maturing within 90 days.

Notes to the Financial Statements (continued)

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) was:

NTMA	31 December 2020 Notional Principal €m	31 December 2020 Unrealised gain €m	31 December 2019 Notional Principal €m	31 December 2019 Unrealised gain €m
Foreign exchange contracts	2,049	19	1,953	22
Investment Managers				
Foreign exchange contracts	1,463	28	1,862	13
Futures contracts	399	7	219	17
		54		**52**

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. See note 15.2 ii).

Financial futures

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

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 2020, the Fund's outstanding commitments totalled €1.1bn (2019: €1.3bn). The Fund has entered into commitments in respect of certain types of investments as outlined below.

	Time-frame of commitment Years	2020 €m	2019 €m
Total unquoted investments	0-9	763	800
Total loans and receivables	0-8	343	470
Total uncalled commitments		**1,106**	**1,270**

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 2020.

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 with the approval of a resolution passed by both Houses of the Oireachtas. 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 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 NTMA Act 1990. 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 Fund assets in accordance with the provisions of Part 6 of the NTMA Act 2014 and the investment strategy prepared under it and within any 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 authority to the Investment Committee to make decisions on the investment and disposal of Fund assets, subject to no individual investment being greater than €150m. Proposed investments in excess of €150m are recommended by the Investment Committee to the Agency for decision where the Investment Committee is supportive of the proposed investment.

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 2020, these expenses were €16.0m (2019: €15.2m).

Key management personnel

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

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 from the Fund to the SBCI was converted to shares of €1.00 each in the capital of the SBCI pursuant to Section 11(7)(a) of the SBCI Act 2014. These shares are held directly by the Minister and not by the Fund. In October 2020, the Minister for Finance subscribed for additional shares in the capital of the SBCI. The Minister's subscription was paid for by the immediate conversion to equity, in accordance with Section 11(7)(a) of the SBCI Act 2014, of a €50m loan advanced by the Fund to the SBCI on 15 October 2020 using cash held in the Directed Portfolio. The shares issued by the SBCI are held directly by the Minister and not by the Fund. At 31 December 2020, the Fund's outstanding commitment to the SBCI under the loan facility is €165m (2019: €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 risk and compliance 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 implementation of the Fund's investment strategy. The role of the Investment Committee is described in Note 14.2.

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 reviews and monitors the performance of the internal audit, compliance and risk management functions, which are managed on a day to day basis by the Head of Internal Audit, the Head of Compliance and the Head of Risk (Financial, Investment and Enterprise) respectively, to assess their effectiveness.

Management Committees:

PSRF Clearing Committee

The PSRF Clearing Committee oversees the governance of the overall PSRF investment process and, through independent challenge and perspective, provides additional assurance for the NTMA Investment Committee and recommends investment decisions regarding the PSRF. Its responsibilities include making recommendations on the PSRF strategy to the Investment Committee for recommendation to the Agency for approval in accordance with Part 6 of the NTMA Act 2014. It also provides oversight of implementation of the PSRF strategy, and reviews and makes recommendations to the Investment Committee on the investment of Fund assets (including disposals) where such investment is within the terms of the PSRF strategy. It comprises up to five members, including the NTMA Chief Executive, the Chief Legal Officer of the NTMA and three representatives from the ISIF Portfolio Management Committee. The NTMA Head of Risk attends meetings of the PSRF Clearing Committee as an observer.

15. Financial risk management – Discretionary Portfolio (continued)

Management Committees (continued):

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 PSRF Clearing Committee and/or 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.

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. The NTMA Investment Risk Policy addresses all of the above issues and has been adopted in respect of the Fund.

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.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

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 2020 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	2020 €m	2019 €m
Maturing within one year	210	210
Maturing between two and five years	1,408	1,284
Maturing after five years	217	321
Total fixed interest bearing securities	**1,835**	**1,815**

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 €1.1bn (2019: €1.0bn) (Note 12) and liquid funds of €0.2bn (2019: €0.2bn). These assets are interest bearing and the future cash flows from these assets will fluctuate with changes in market interest rates.

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	2020	2019
€m Reduction	(9)	(9)
% reduction	(0.11%)	(0.11%)

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

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 173m at 31 December 2020 (2019: USD 103m).

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 2020 m	Base currency 2020 €m	Net exposure after hedging 2020 €m
US dollar	3,762	3,066	135
Singapore dollar	2	1	1
South Korean won	-	-	-
New Zealand dollar	2	1	(2)
Israeli shekel	-	-	(3)
Norwegian krone	3	-	(3)
Hong Kong dollar	35	4	(3)
Australian dollar	8	5	(5)
Swedish krona	25	3	(7)
Japanese yen	1,657	13	(31)
Danish krone	44	6	(2)
Canadian dollar	9	6	(9)
Swiss franc	5	5	(17)
British pound	224	249	(7)

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 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)

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	2020	2019
€m Reduction	(7)	(6)
% reduction	(0.08%)	(0.06%)

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	2020 €m	2019 €m
Quoted investment funds	1,351	1,633
Quoted equities	577	610
Quoted debt instruments	1,204	1,359
Direct private equity	273	266
Unquoted investment funds	1,107	988
Unquoted debt instruments	112	88
Convertible preference shares	57	43
Property fund investments	158	172
Private equity fund investments	1,524	1,057
Infrastructure investments	297	270
Forestry investments	66	59
Energy investments	30	34
Derivative instrument assets	56	53
Financial assets at FVTPL	**6,812**	**6,632**
Treasury bills	-	11
Derivative instrument liabilities	(16)	(9)
Total exposed to market price risk	**6,796**	**6,634**
Not exposed to market price risk		
Deposits and cash	1,329	988
Loans and receivables	683	451
Total not exposed to market price risk	**2,012**	**1,439**
Total Discretionary Portfolio financial assets and liabilities	**8,808**	**8,073**

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	2020 €m	2019 €m
Europe excluding Ireland	2,860	3,021
North America	1,711	1,458
Ireland	1,526	1,354
Emerging markets	657	631
Asia pacific	42	170
Total	**6,796**	**6,634**

** 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	2020 €m	2019 €m
Exchange traded equity investments	577	610
Unlisted equity investments	2,286	1,636
Direct private equity	146	266
Unquoted investment funds	1,107	988
Quoted open ended investment funds	760	1,083
Total equity and managed fund investments	**4,876**	**4,583**
Debt securities		
Exchange traded debt securities	1,203	1,359
Other debt securities	87	88
Quoted open ended investment funds	590	550
Total debt securities	**1,880**	**1,997**
Treasury bills	-	11
Total investment assets	**6,756**	**6,591**
Derivative assets		
Listed equity index options	2	1
Futures contracts	7	17
Foreign currency forward contracts	47	35
Total derivative assets	**56**	**53**
Derivative liabilities		
Unlisted equity options	(15)	(9)
Credit default swaps	-	(1)
Equity index swaps	(1)	-
Total derivative liabilities	**(16)**	**(10)**
Total	**6,796**	**6,634**

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	2020	2019
€m Reduction	(325)	(332)
% reduction	(3.7%)	(4.1%)

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 2020, held a long-term Moody's credit rating of Aa1 (2019: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 2020, cash held at the Central Bank of Ireland was €302m (2019: €769m) and with the Global Custodian was €239m (2019: €219m).

The exposure to credit risk in the Discretionary Portfolio at 31 December 2020 is the carrying value of the financial securities as set out below.

	Reference	2020 €m	2019 €m
Cash and cash equivalents (Note 12)	(i)	1,329	999
Debt securities	(ii)	1,316	1,447
Loans and receivables	(iii)	683	451
Trade and other receivables	(iv)	4	62
Derivative assets	(v)	56	53
Total		**3,388**	**3,012**

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 (2019: AAA) and Aa1 (LT Deposit Rating) (2019: Aa1). Cash equivalents includes Exchequer notes and short-term funds maturing within 90 days.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.3 Credit risk (continued)

Credit risk management (continued)

ii) Debt securities

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

External rating	2020 €m	2019 €m	2020 %	2019 %
Aa1 to Aa3/AAA to AA	132	142	10%	10%
A1 to A3/A+ to A-	375	527	28%	36%
Baa1 to Baa3/BBB+ to BBB-	416	525	31%	36%
Ba1 to Ba3/B+ to BB-	101	106	8%	8%
B1 to B3/B+ to B-	93	88	8%	6%
Caa1 to Caa3/CCC+ to CCC-	4	5	-%	-%
No external rating	195	54	15%	4%
	1,316	**1,447**	**100%**	**100%**

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

iii) Loans and receivables

Rating	2020 €m	2019 €m	2020 %	2019 %
No external rating	683	451	100%	100%

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

iv) Trade and other receivables

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

v) Derivatives

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

2020	Fair value €m	Gross notional amount €m
Exchange traded	8	399
OTC – other bilateral	48	3,512
Total	**56**	**3,911**

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

15. Financial risk management – Discretionary Portfolio (continued)

15.3 Credit risk (continued)

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.

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 2020, 51% (2019: 57%) of the Fund was invested in readily realisable assets.

Notes to the Financial Statements (continued)

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.

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.

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair values of financial instruments (continued)

i) Valuation models (continued)

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 2020.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.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair values of financial instruments (continued)

ii) Valuation framework (continued)

2020	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
i) Equities and managed funds				
Quoted equities	577	-	-	**577**
Direct private equity	-	-	273	**273**
Quoted investment funds	1,351	-	-	**1,351**
Unquoted investment funds	-	783	324	**1,107**
Convertible preference shares	-	-	57	**57**
ii) Debt securities				
Unlisted debt securities	-	-	112	**112**
Listed debt securities	1,204	-	-	**1,204**
iii) Limited partnerships/trusts				
Property fund investments	-	-	158	**158**
Private equity fund investments	-	-	1,524	**1,524**
Forestry investments	-	-	66	**66**
Energy investments	-	-	30	**30**
Infrastructure investments	-	-	297	**297**
iv) Derivatives financial assets				
Foreign exchange contracts	-	47	-	**47**
Equity Options	-	2	-	**2**
Futures contracts	7	-	-	**7**
	3,139	**832**	**2,841**	**6,812**
v) Derivatives financial liabilities				
Equity Options	-	(15)	-	**(15)**
Interest rate swaps	(1)	-	-	**(1)**
	(1)	**(15)**	**-**	**(16)**
Treasury bills	-	-	-	**-**
Total	**3,138**	**817**	**2,841**	**6,796**

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	-	629	359	**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	**664**	**2,348**	**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**	**655**	**2,348**	**6,634**

Notes to the Financial Statements (continued)

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:

	2020 €m	2019 €m
Balance at 1 January	2,348	1,912
Transfers into Level 3	-	-
Total gains or losses recognised in profit or loss	389	164
Purchases	234	414
Sales	(130)	(142)
Balance at 31 December	**2,841**	**2,348**

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 2020.

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 2020 held a long-term Moody's credit rating of Aa1 (2019: 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.

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.

	Level 1 Total	
2020	**2020 €m**	**2019 €m**
Allied Irish Banks	3,239	5,992
Bank of Ireland	494	734
	3,733	**6,726**

16. Financial risk management - Directed Portfolio (continued)

16.1 Fair values of financial instruments (continued)

i) Valuation framework (continued)

Market price risk exposure

The cumulative Directed Portfolio asset value exposed to market price risk at 31 December 2020 comprises the value of investments as detailed in the following table:

	2020 €m	2019 €m
Exposure to market price risk		
Allied Irish Banks	3,239	5,992
Bank of Ireland	494	734
	3,733	**6,726**
Not exposed to market price risk		
Cash	165	215
HBFI Loan	37	7
	202	**222**
Total Directed Investments	**3,935**	**6,948**

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. The briefing before the Second Circuit is complete, and the Second Circuit heard oral argument in August 2020. The Court has not yet issued its decision. 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. The plaintiffs have asked the U.S. Supreme Court to review the latest dismissal, and that request is currently pending.

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.

18. Comparative Information

Certain comparative information has been reclassified for consistency with the current year disclosures.

19. Events after the reporting date

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

Notes to the Financial Statements (continued)

20. Approval of financial statements

The financial statements were approved by the Agency on 5 May 2021.