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[1] has been in place in the Agency for the year ended 31 December 2022 and up to the date of approval of the 2022 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 2022, the ARC comprised four Agency members, with financial and audit expertise, one of whom is the Chairperson. The Committee met formally seven times in 2022.

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 2022 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 and challenged by the appropriate risk committees, including the ARC, during the reporting period.

The ARC also conducted a review and challenged the Agency's principal risks in the reporting period, based on a top-down risk assessment exercise conducted by the ERMC which was supported by a bottom-up exercise by the business units and corporate functions.

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.

1 *From 1 February 2023 the Department of Public Expenditure, National Development Plan Delivery and Reform.*

- 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 established third party risk policy and procedures to assess and manage risks posed by third parties including the monitoring and oversight of critical third party service providers.
- 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. A very small number of payment errors (0.1% in value and number) occurred in 2022. All such payments were fully recovered and no net losses have arisen. While enhanced controls and procedures have been introduced to mitigate this business risk, Management continue to focus on further enhancements to relevant controls and procedures.

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 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 2022, payments with a total value of €7.1m (ex VAT) (2021: €6.15m (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) 2022 €m	Notes
Expert Witnesses	5.76	Note 1
Information Technology & Communications	0.86	Note 2
Professional Services	0.48	Note 3

Note 1: Expert witnesses are witnesses engaged by the 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 causation and liability (e.g. medical and engineer witnesses) and witnesses as to quantum and fact (e.g. actuarial witnesses). The SCA does not competitively procure witnesses as to causation and liability on the basis that it considered that such a procurement process would be likely to give rise to an added level of litigation risk in relation to the acknowledged independence of such witnesses. A panel for the provision of actuarial expert witness services was established in 2021. Tenders for a panel of architectural expert witnesses and separately for three panels of private investigator service providers were received in November 2022 and these panels were put in place before the end of March 2023. 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 includes payments of €0.42m (49% of category total) to sole providers of a service and payments of €0.16m (19% of category total) to financial credit rating agencies where the services were required in order to comply with Ministerial Guidelines issued pursuant to Section 4(4) of the National Treasury Management Agency Act 1990; and payments of €0.14m (16% of category total) to a provider of secondary trading tools, required as an essential contingency arrangement, and economic database services for funding and debt management activities.

Note 3: This includes payments of €0.14m (29% of category total) to sole providers of a service, and payments of €0.17m (35% of category total) to two advisors for specialist services, including non-EU legal advisory services, relating to commercially sensitive and/or time sensitive transactions.

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 2022.

No weaknesses in internal control were identified in relation to 2022 that require disclosure in the financial statements.

Susan Webb

Susan Webb
Chairperson
National Treasury Management Agency

4 May 2023

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

Financial Statements of the

National Debt of Ireland

For the year ended 31 December 2022

Ard Reachtaire Cuntas agus Ciste

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Debt of Ireland

Opinion on the financial statements

I have audited the financial statements of the national debt of Ireland prepared by the National Treasury Management Agency (the Agency) for the year ended 31 December 2022 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 2022, and
- the debt service cost for 2022.

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

15 May 2023

Appendix to the report

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 annual 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 2022 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.

I 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.

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.

Service of National Debt
For the year ended 31 December 2022

	Note	2022 €m	2021 €m
Net Interest Paid on Gross National Debt	3	3,589	3,482
Net Interest Paid on Cash and Other Financial Assets	4	112	112
Fees and Operating Expenses	5	140	151
Total Debt Service Cost		**3,841**	**3,745**

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

On behalf of the Agency

Frank O'Connor

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb

Susan Webb, Chairperson
National Treasury Management Agency

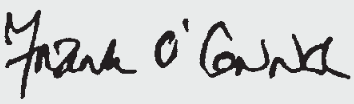
4 May 2023

National Debt Statement
As at 31 December 2022

	Note	2022 €m	2021 €m
Medium/Long Term Debt			
Irish Government Bonds	6	146,565	154,105
EU Programme Loans	7	40,911	40,911
Other Medium/Long Term Debt	8	7,850	7,653
		195,326	202,669
Short Term Debt			
Short Term Paper	9	9,910	9,766
Borrowings from Ministerial Funds	10	5,991	5,099
		15,901	14,865
State Savings Schemes			
State Savings Products	11	20,009	19,643
Gross National Debt		**231,236**	**237,177**
Cash at Central Bank of Ireland	12.1	(23,306)	(27,474)
Other Financial Assets	12.2	(3,045)	(1,675)
Net National Debt	13	**204,885**	**208,028**

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

On behalf of the Agency



Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

National Debt Cash Flow Statement
For the year ended 31 December 2022

	Note	2022 €m	2021 €m
Movement in Exchequer Cash Balances:			
Balance at 1 January	12.1	27,474	17,362
(Increase)/Decrease in Other Financial Assets	12.2	(1,370)	163
Net (Repayment)/Borrowing of Debt (see below)		(7,783)	17,321
		18,321	34,846
Exchequer Surplus/(Deficit)		4,985	(7,372)
Balance at 31 December	12.1	**23,306**	**27,474**

		2022 Net[1] €m	2021 Net[1] €m
Net (Repayment)/Borrowing of Debt:			
Medium/Long Term Debt			
Irish Government Bonds	6	(9,403)	16,902
EU and UK Bilateral Loans	7	-	(505)
Other Medium/Long Term Debt	8	197	3,573
Short Term Debt			
Short Term Paper	9	165	(4,235)
Borrowings from Ministerial Funds	10	892	771
State Savings Schemes			
State Savings Products	11	366	815
Net (Repayment)/Borrowing of Debt		**(7,783)**	**17,321**

1 *The amounts represent the net repayment or borrowing of debt (inclusive of premiums and discounts paid at issue/repayment) together with the rollover of debt and related hedging transactions. As a result, the movements of outstanding balances in notes 6 to 9 (which reflect only the principal amount of the debt) may not agree to the net repayment or borrowing of debt outlined above.*

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

On behalf of the Agency

Frank O'Connor

Susan Webb

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Movement in Net National Debt

For the year ended 31 December 2022

	Note	2022 €m	2021 €m
Net National Debt at 1 January	13.3	208,028	200,282
(Decrease)/Increase in Net National Debt		(3,143)	7,746
Net National Debt at 31 December	13.3	**204,885**	**208,028**

(Decrease)/Increase in Net National Debt represented by:

	2022 €m	2021 €m
Exchequer (Surplus)/Deficit	(4,985)	7,372
Effect of Foreign Exchange Rate Movements	(22)	(26)
Adjustment for Inflation Linked Bonds	99	51
Net Discount on Medium/Long Term Debt	1	6
Net Discount/(Premium) on Bond Issuances	294	(931)
Loss on Cancellations	1,470	1,274
	(3,143)	**7,746**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Notes to the Financial Statements

1. Background

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

National Debt is defined by section 1 of the Act as the debt outstanding for the time being of the Exchequer. For the purpose of the financial statements, this is Gross National Debt and Net National Debt is presented as 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 (notes 14.2, 16 and 17) in relation to the Credit Support Annex (CSA) Collateral Account, the National Loans Advance Interest Account, the National Loans (Winding Up) Account, the National Treasury Management Agency (Unclaimed Dividends) Account and the Surplus Public Expenditure Monies Account. As these are operational accounts at the Central Bank of Ireland ("CBI"), set up for specific purposes outside of the Exchequer Account, the related cash balances are not included with the Cash at Central Bank of Ireland on the National Debt Statement.

2. Basis of Preparation

The financial statements have been prepared for the year ended 31 December 2022, 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 (Gross National Debt), less cash and other financial assets available for redemption of those liabilities at the same date (Net National Debt). 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 on 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 Net 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 Net 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

	2022 €m	2021 €m
Interest Paid on Medium/Long Term Debt		
Irish Government Bonds	2,505	2,446
EU and UK Bilateral Loans	659	764
Schuldscheine Loans	35	35
Medium/Long Term Notes	34	24
European Investment Bank	19	18
Derivatives hedging Medium/Long Term Debt	8	38
SURE Loan	6	-
Council of Europe Development Bank	1	1
	3,267	3,326
Interest Paid/(Received) on Short Term Debt		
Ways & Means: Post Office Savings Bank Fund	146	-
Euro Commercial Paper	21	(4)
Exchequer Notes	4	(1)
Central Treasury Notes	1	-
Irish Treasury Bills	(13)	(25)
	159	(30)
Interest Paid on State Savings Schemes		
10 Year National Solidarity Bonds	78	68
Savings Certificates	49	83
Prizes in respect of Prize Bonds	16	16
Savings Bonds	9	10
4 Year National Solidarity Bonds	6	4
Instalment Savings	5	5
	163	186
Total Net Interest Paid on Gross National Debt	**3,589**	**3,482**

In 2022, the Post Office Savings Bank Fund charged interest on the Ways & Means Advances to the Exchequer.

4. Net Interest Paid on Cash and Other Financial Assets

	2022 €m	2021 €m
Interest Paid on Cash at Central Bank of Ireland	128	122
Interest Received on Other Financial Assets	(16)	(10)
	112	**112**

Interest paid on cash balances represents the negative interest rates charged by the CBI on cash balances held.

5. Fees and Operating Expenses

	2022 €m	2021 €m
EU and UK Bilateral Loans	28	39
Prize Bonds	14	13
Government Bonds and Other Expenses	8	23
Savings Certificates	8	9
10 Year National Solidarity Bonds	7	6
Savings Bonds	3	3
4 Year National Solidarity Bonds	2	2
Instalment Savings	1	1
	71	**96**
Agency Operating Expenses[2]	69	55
	140	**151**

The fees on the Gross National Debt principally include service fees on long-term debt (includes recurring facility fees along with one off transaction fees that reimburse any operational costs of the lender), 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

	2022 €m	2021 €m
Conventional Bonds		
Fixed Rate Bonds	142,489	147,111
Floating Rate Bonds	2,534	5,534
Amortising Bonds	380	397
	145,403	**153,042**
Inflation Linked Bonds	**1,162**	**1,063**
Total Irish Government Bonds	**146,565**	**154,105**

Fixed Rate Bonds:

The net year-on-year reduction in fixed rate bonds of €4.6 billion comprises of bond issuance of €7.1 billion (excluding repurchase agreements) offset by redemptions of €11.8 billion.

Included within fixed rate bonds is €6.9 billion from Ireland's inaugural sovereign green bond issuance in accordance with the Irish Sovereign Green Bond (ISGB) Framework. New issuance under the framework for 2022 was €Nil (2021: €0.8 billion).

Since year-end 2022, the Agency has raised €3.5 billion through the syndicated sale of a new 20-year ISGB maturing in October 2043.

6. Irish Government Bonds (continued)

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 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 2022, the Agency bought back and cancelled €3.0 billion (2021: €2.0 billion) of the Floating Rate Bonds from the CBI at a premium of €1.47 billion (2021: €1.27 billion). The premium paid to buy back these bonds reflects the change in their fair value since they were issued in 2013. The outstanding nominal balance of the Floating Rate Bonds therefore reduced to €2.53 billion at year-end 2022 (2021: €5.53 billion).

Since year-end 2022, the Agency bought and cancelled a further €1.0 billion of the Floating Rate Bonds.

Inflation Linked Bonds:

Year-on-year movement on the Inflation Linked Bonds is as a result of the increase in the redeemable par value of the bonds in issue due to movements in inflation in the period.

7. EU Programme 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 are as follows:

Lender	2022 €m	Weighted Average Residual Maturity Years	2021 €m	Weighted Average Residual Maturity Years
European Financial Stability Facility	18,411	10.1	18,411	11.1
European Financial Stabilisation Mechanism	22,500	7.9	22,500	8.9
Total	**40,911**		**40,911**	

8. Other Medium/Long Term Debt

	2022 €m	2021 €m
Medium/Long Term Notes	3,071	2,871
EU SURE Loan	2,473	2,473
European Investment Bank	1,665	1,665
Schuldscheine Loans	602	602
Council of Europe Development Bank	34	37
Other Medium/Long Term Loans	5	5
	7,850	**7,653**

9. Short Term Paper

The Agency issues short-term paper with maturities of up to one year. The proceeds are used to fund the Exchequer as bridging finance during 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.

	2022 €m	2021 €m
Exchequer Notes	7,521	3,916
Central Treasury Notes	2,389	984
European Commercial Paper Programme	-	1,857
Irish Treasury Bills	-	3,009
	9,910	**9,766**

10. Borrowings from Ministerial Funds

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

	2022 €m	2021 €m
Post Office Savings Bank Fund	3,888	3,075
Surplus Public Expenditure Monies Account (note 17)	2,103	2,024
	5,991	**5,099**

11. State Savings Schemes

	2022 €m	2021 €m
Savings Certificates	5,903	6,087
10 Year National Solidarity Bonds	4,859	4,722
Prize Bonds	4,693	4,440
Savings Bonds	2,417	2,383
4 Year National Solidarity Bonds	1,586	1,466
Instalment Savings	549	543
Savings Stamps	2	2
	20,009	**19,643**

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds, Solidarity Bonds and Prize Bonds include €3 million (2021: €1 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 €349 million (2021: €284 million), being the estimate of the amount of accrued interest at year-end 2022 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

12.1 Exchequer Cash Balances at the Central Bank of Ireland

	2022 €m	2021 €m
Exchequer Account and CSRA[3]	23,306	27,474

3 The Balance held in the CSRA was €204k at year-end 2022 (2021: €216k). The Exchequer and CSRA (note 15) accounts are held at the CBI.

12.2 Other Financial Assets

	2022 €m	2021 €m
Housing Finance Agency Guaranteed Notes	3,010	1,665
Treasury Bills	25	-
SBCI Guaranteed Notes	10	10
	3,045	**1,675**

The Housing Finance Agency and the Strategic Banking Corporation of Ireland ("SBCI") notes are investments held under separate guaranteed note programmes. Guaranteed notes may not be readily realisable dependent on market conditions.

Treasury Bills represent investments in European Treasury Bills issued by other debt agencies.

12.3 Foreign Currency Clearing Accounts

The Agency maintains several foreign currency clearing accounts for the purpose of managing transactions in non-euro currencies. Receipts and payments in foreign currencies are translated into euro at the rates of exchange prevailing at the date of the transaction using swap agreements and other financial instruments (note 2.4).

In 2022, €20.1 billion (2021: €16.1 billion) of receipts and payments were processed through the foreign currency clearing accounts. The cashflows predominantly related to short-term debt activities in non-euro currencies.

The balance held in these accounts at end December 2022 was €Nil (2021: €Nil). The Agency held no other foreign currency cash balances.

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 National 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.

13. Risk Management (continued)

13.1 Risk Management Framework (continued)

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.

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

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 reviews proposals and risk assessments in respect of new treasury products and processes, or material changes to existing products and processes. The MLRC also 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.

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. 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 and behavioural risk, process risk, change and project risk, information technology, data and cyber security risk, governance risk, third-party risk, business disruption risk, fraud risk and also legal and compliance risk. A risk management policy and framework is applicable to the Agency as a whole. The objective of this policy and framework is to ensure that operational risk is managed in an appropriate and integrated manner across the organisation. This policy and framework outlines the strategy, processes, risk criteria, controls and governance structures in place for managing operational risks within the Agency. The policy and framework also sets out the methodology for the risk and control self-assessment process which describes the process for adequate and timely identification, assessment, treatment, monitoring and reporting of the risks posed by the activities of the Agency.

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

13. Risk Management (continued)

13.2 Net National Debt – Currency Composition

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

Currency	As at 31 December	
	2022 €m	2021 €m
Debt Instruments		
Euro	231,236	235,320
US Dollar	-	1,894
AUS Dollar	-	73
	231,236	**237,287**
Foreign Exchange and Swap Contracts		
Euro	-	1,861
US Dollar	-	(1,898)
AUS Dollar	-	(73)
	-	**(110)**
Gross National Debt	**231,236**	**237,177**
Cash and Other Financial Assets		
Euro	**(26,351)**	**(29,149)**
Net National Debt	**204,885**	**208,028**

13. Risk Management (continued)

13.3 Net 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:

2022 €m	Due within 1 Year	Due between 1-5 Years	Due between 5-10 Years	Due over 10 Years	Total
Irish Government Bonds	7,207	38,500	57,004	43,854	146,565
EU Programme Loans	2,000	6,200	17,364	15,347	40,911
Other Medium & Long Term Debt	8	1,801	1,048	4,993	7,850
Short Term Debt[4]	14,636	1,265	-	-	15,901
State Savings[5]	8,786	8,526	2,695	2	20,009
Gross National Debt	32,637	56,292	78,111	64,196	231,236
Cash at Central Bank of Ireland	(23,306)	-	-	-	(23,306)
Other Financial Assets	(25)	(225)	(620)	(2,175)	(3,045)
Cash and Other Financial Assets	(23,331)	(225)	(620)	(2,175)	(26,351)
Net National Debt	9,306	56,067	77,491	62,021	**204,885**

2021 €m	Due within 1 Year	Due between 1-5 Years	Due between 5-10 Years	Due over 10 Years	Total
Irish Government Bonds	11,937	38,251	59,568	44,349	154,105
EU Programme Loans	-	7,200	13,170	20,541	40,911
Other Medium & Long Term Debt	8	1,600	1,249	4,796	7,653
Short Term Debt[4]	13,600	1,265	-	-	14,865
State Savings[5]	7,718	9,233	2,690	2	19,643
Gross National Debt	33,263	57,549	76,677	69,688	237,177
Cash at Central Bank of Ireland	(27,474)	-	-	-	(27,474)
Other Financial Assets	-	(85)	(140)	(1,450)	(1,675)
Cash and Other Financial Assets	(27,474)	(85)	(140)	(1,450)	(29,149)
Net National Debt	5,789	57,464	76,537	68,238	**208,028**

4 €1.3 billion of the borrowings from the Post Office Savings Bank Fund (Borrowings from Ministerial Funds) is not considered repayable on demand and as such, is categorised in the maturity profile as repayable in the period 1-5 years.

5 State Savings maturities are based on contracted maturity information provided by An Post for year-end 2022.

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 Gross 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.

	2022		2021	
	Nominal €m	Fair Value €m	Nominal €m	Fair Value €m
Interest Rate Swaps	236	2	472	(12)
Currency Swaps and Foreign Exchange Contracts	-	-	1,971	102
	236	**2**	**2,443**	**90**

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 and to IBRC (in liquidation). Accordingly it may enter into derivative transactions with NAMA and 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 year-end 2022 was €0.06 billion (2021: €0.09 billion). There were no such derivative transactions outstanding at the end of 2021 or 2022 with NAMA.

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.

	2022 €m	2021 €m
Balance at 1 January	96	-
Cash Collateral received from counterparties	656	648
Cash Collateral paid to counterparties	(742)	(300)
	10	348
Net Exchequer Funding during the Year	-	(252)
Balance at 31 December	**10**	**96**

Note:	2022 €m	2021 €m
Exchequer Funding at 31 December (note 12)	-	-
Net Collateral Posted to Counterparties at 31 December	-	-

The collateral account at the CBI had a surplus balance of €10 million at year end. Under the cash basis of accounting, cash collateral received and any related payables do not form part of the National Debt Statement.

The Agency has entered into Collateral Posting Agreements with NAMA and IBRC. At year-end 2022, IBRC had posted collateral of €10 million (2021: €13 million) to the Agency as part of this agreement. There was no collateral posted by NAMA at the end of 2021 or 2022.

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 NAMA (in accordance with sections 52 and 235 of the National Asset Management Agency Act, 2009 and Statutory Instrument No. 203/2010) and 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

	2022 €m	2021 €m
Balance at 1 January	-	-
Receipts		
Derivative Transactions	756	608
Interest on Cash and Other Financial Assets	16	10
	772	618
Payments		
Derivative Transactions	(756)	(608)
Interest on Net National Debt	(1)	(1)
Transfer to Exchequer Account	(15)	(9)
	(772)	(618)
Balance at 31 December	**-**	**-**

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 2022 €m	Net 2021 €m
NAMA Related Derivatives	2	(2)	-	-
IBRC Related Derivatives	754	(754)	-	-
	756	**(756)**	**-**	**-**

16. Bond Operating Accounts

Receipts and payments on cash accounts held by the Agency at the CBI which support bond related operations and activities are presented below.

2022	National Loans Advance Interest Account €m	National Loans (Winding Up) Account €m	Unclaimed Dividends Account €m
Balance at 1 January	30	3	3
Receipts	20	-	-
Payments	(40)	-	-
Balance at 31 December	**10**	**3**	**3**

2021	National Loans Advance Interest Account €m	National Loans (Winding Up) Account €m	Unclaimed Dividends Account €m
Balance at 1 January	16	3	3
Receipts	36	-	-
Payments	(22)	-	-
Balance at 31 December	**30**	**3**	**3**

The National Loans Advance Interest Account represents accrued interest received on bond issuance during the year. Such monies are deposited to this account until the next bond coupon date, when the accrued interest is then used to offset the related servicing costs of the Exchequer.

The Winding Up Account and the Unclaimed Dividends Account represent unclaimed interest and principal amounts respectively on matured bonds, which have been returned to the Agency and have yet to be claimed by the registered holders. Changes in the way in which bonds are held by investors and the processing of payments means unclaimed amounts rarely arise and as a result amounts held on these accounts comprise principally of historic amounts.

17. 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 Net National Debt (note 12).

Surplus Public Expenditure Monies Account	2022 €m	2021 €m
Balance at 1 January	2,024	1,723
Receipts	28,238	20,581
Payments	(28,159)	(20,280)
Balance at 31 December (note 10)	**2,103**	**2,024**

18. Events after the end of the reporting period

The buy-back and cancellation of floating rate bonds after the end of the reporting period are detailed in Note 6.

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

19. Approval of Financial Statements

The financial statements were approved by the Agency on 4 May 2023.

Financial Statements of the

Administration Account

For the year ended 31 December 2022

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 2022 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 2022 and of its income and expenditure for 2022 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

15 May 2023

Appendix to the report

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 annual 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.

I 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.

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.

Statement of Income and Expenditure and Other Comprehensive Income
For the year ended 31 December 2022

	Note	2022 €000	2021 €000
Income			
Operating income	5	61,983	62,533
Central Fund income	6	62,299	55,181
Net deferred retirement benefit funding	8.2	7,981	6,901
		132,263	124,615
Expenditure			
Staff costs	7.2	(99,457)	(98,558)
Operating expenses	7.2	(34,639)	(28,970)
Net interest expense on defined benefit pension scheme	7.2	(1,567)	(1,040)
		(135,663)	(128,568)
Excess of expenditure over income for the year		(3,400)	(3,953)
Transfer from capital account		3,400	3,953
Net income/(expenditure)for the year		-	-

Other Comprehensive Income For the year ended 31 December 2022		2022 €000	2021 €000
Net income for the year		-	-
Actuarial gain/(loss) recognised on retirement benefit asset/obligations	9.9	153,244	(11,774)
Movement in deferred retirement benefit funding	8.3	(153,244)	11,774
Total comprehensive income for the year		-	-

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

On behalf of the Agency

Frank O'Connor

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Financial Position

As at 31 December 2022

	Note	2022 €000	2021 €000
Non-current assets			
Property, equipment and vehicles	10	22,035	25,318
Intangible assets	11	1,359	1,476
Receivables	12	130	1,167
		23,524	**27,961**
Current assets			
Receivables	13	20,700	18,943
Cash at bank		10,326	7,248
		31,026	26,191
Payables; amounts falling due within 1 year	14	(26,430)	(22,098)
Net current assets		**4,596**	**4,093**
Payables; amounts falling due after 1 year	15	(4,726)	(5,260)
Net assets before retirement benefits		**23,394**	**26,794**
Retirement Benefits			
Retirement benefit asset/(obligations)	9.4	39,092	(106,171)
Deferred retirement benefit funding	9.4	-	106,171
		39,092	-
Net assets after retirement benefits		**62,486**	**26,794**
Representing:			
Capital account		23,394	26,794
Defined benefit pension reserve	9.4	39,092	-
		62,486	**26,794**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Changes in Capital
For the year ended 31 December 2022

	Note	Capital Account €000
Balance at 1 January 2021		**30,747**
Payment to acquire property, equipment and vehicles		415
Payment to acquire intangible asset		560
Depreciation of property, equipment and vehicles		(4,057)
Amortisation of intangible assets		(871)
Balance at 31 December 2021		**26,794**
Payment to acquire property, equipment and vehicles	10	1,042
Payment to acquire intangible assets	11	740
Depreciation of property, equipment and vehicles	10	(4,322)
Amortisation of intangible assets	11	(857)
Disposal of property, equipment and vehicles	10	(3)
Balance at 31 December 2022		**23,394**

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

On behalf of the Agency

Frank O'Connor

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Cash Flows
For the year ended 31 December 2022

	Note	2022 €000	2021 €000
Cash flows from operating activities			
Net income		-	-
Depreciation of property, equipment and vehicles	10	4,322	4,057
Amortisation of intangible assets	11	857	871
Loss on disposal of property, equipment and vehicles	10	3	-
Increase in receivables	12, 13	(720)	(189)
Increase in payables	14	5,392	3,064
Decrease in deferred income	14, 15	(1,594)	(3,151)
Capital funding		1,782	975
Amortisation of capital funding		(5,182)	(4,928)
Net cash inflow from operating activities		**4,860**	**699**
Cash flows from investing activities			
Payments to acquire property, equipment and vehicles	10	(1,042)	(415)
Payments to acquire intangible assets	11	(740)	(560)
Net cash outflow from investing activities		**(1,782)**	**(975)**
Increase/(Decrease) in cash at bank		3,078	(276)
Cash at bank at 1 January		7,248	7,524
Cash at bank at 31 December		**10,326**	**7,248**

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.

4. Significant accounting policies (continued)

4.5. Property, equipment and vehicles (continued)

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. 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. There are no finance leases held by the Agency.

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 assets over scheme liabilities is presented in the Statement of Financial Position as an asset. The Defined Benefit pensions reserve represents the excess of funding over scheme liabilities at 31 December 2022. In the prior year, an excess of scheme liabilities over scheme assets was presented in the Statement of Financial Position as a deferred retirement benefit liability.

The defined benefit pension credit/charge in the Statement of Income and Expenditure and Other Comprehensive Income comprises the current service credit/cost and past service credit/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 due to or 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.

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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities 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.

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	2022 €000	2021 €000
Recovery of expenses from NAMA		26,284	32,238
Recovery of expenses from ISIF	7.1	18,422	17,226
Recovery of expenses from SBCI	7.1	7,745	6,535
Recovery of expenses from HBFI	7.1	6,171	6,038
Asset covered securities income		103	176
Other income		3,258	320
		61,983	**62,533**

5. Operating income (continued)

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. In this regard, professional advisor costs of €2.7m were recovered from the relevant financial institutions during 2022 (incurred and recovered in 2021: Nil).

6. Central Fund income

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

	Note	2022 €000	2021 €000
Opening balance at 1 January	14	1,657	2,138
Net amounts received from Central Fund		69,400	54,700
Closing balance at 31 December	14	(8,758)	(1,657)
Central Fund income		**62,299**	**55,181**

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

	Note	2022 €000	2021 €000
(Payable to) from the Central Fund	14	(8,758)	(1,657)
Deferred retirement benefit funding	9.4	-	106,171
		(8,758)	**104,514**

7. Agency costs

7.1. Expenses of the Agency for specified functions

	Note	2022 €000	2021 €000
State Claims Agency		31,655	29,192
Ireland Strategic Investment Fund	5	18,422	17,226
Funding and Debt Management		13,350	12,395
National Development Finance Agency		12,746	11,626
NewERA		6,793	6,084
		82,966	**76,523**
National Asset Management Agency		26,220	30,214
Strategic Banking Corporation of Ireland	5	7,745	6,535
Home Building Finance Ireland	5	6,171	6,038
Shareholding and Financial Advisory Division		4,386	2,171
		44,522	44,958
Net deferred retirement benefit funding	8.2	7,981	6,901
Other expenses[1]		194	186
		8,175	7,087
Total expenses		**135,663**	**128,568**

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

7.2. Agency costs

	Note	2022 €000	2021 €000
Staff Costs			
Remuneration	7.3	79,836	80,856
Other staff costs[2]		2,233	2,408
Defined benefit pension scheme current service charge	9.5	17,368	15,265
PRSA pension cost	7.4	20	29
		99,457	98,558
Operating expenses			
Technology costs		10,669	10,251
Occupancy costs		9,383	7,430
Other operating expenses		4,093	3,019
Professional fees		5,315	3,342
Depreciation	10	4,322	4,057
Amortisation	11	857	871
	7.5	34,639	28,970
Net interest expense on defined benefit pension scheme	9.5	1,567	1,040
Agency costs		**135,663**	**128,568**

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

7. Agency costs (continued)

7.3. Remuneration

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

Aggregate Employee Benefits

	NAMA €000	SBCI €000	HBFI €000	NTMA €000	2022 €000	2021 €000
Staff short-term benefits	13,117	3,111	3,167	51,172	70,567	69,848
Termination benefits	1,771	-	-	-	1,771	3,459
Pay Related Social Insurance	1,427	330	355	5,386	7,498	7,549
	16,315	**3,441**	**3,522**	**56,558**	**79,836**	**80,856**

The total number of whole time equivalent staff employed at 31 December 2022 was 773 (2021: 781).

Staff Short-Term Benefits

	NAMA €000	SBCI €000	HBFI €000	NTMA €000	2022 €000	2021 €000
Basic pay	12,661	2,917	3,022	48,154	66,754	66,140
Performance related pay	341	136	88	2,244	2,809	2,731
Allowances	115	58	57	774	1,004	977
	13,117	**3,111**	**3,167**	**51,172**	**70,567**	**69,848**

Key Management Personnel Compensation

	2022 €000	2021 €000
Agency and committee members' fees	325	310
Management remuneration	2,608	2,408
Performance related pay	130	195
Allowances	144	124
Health insurance	42	45
	3,249	**3,082**

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.

7. Agency costs (continued)

7.3. Remuneration (continued)

Chief Executive Salary and Benefits

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

Frank O'Connor (Chief Executive) – term of office commenced on 1 July 2022	2022 €000
Salary	240
Taxable benefits	2
Post-employment benefits	43
	285

Conor O'Kelly (Chief Executive) – term of office expired on 30 June 2022	2022 €000	2021 €000
Salary	294	480
Taxable benefits	2	4
Post-employment benefits	43	86
	339	**570**

The remuneration of the Chief Executive consists of basic remuneration and taxable benefits (health insurance). 2022 amounts have been pro-rated for the applicable 6-month periods. The Chief Executive did not receive a discretionary performance related payment in respect of 2022 or 2021.

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

Garden leave

Five Agency staff members were placed on garden leave during 2022 with an attributable cost of approximately €315k (2021: three staff members with an attributable 2021 cost of approximately €24k). 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. In addition pay in lieu payments totalling €13k were made to three members of staff in 2022 (2021: None).

Disclosures in respect of officers assigned to NAMA

Voluntary redundancy scheme (VRS) – NAMA

In 2022 fourteen employees assigned to NAMA participated in a VRS (2021: thirty-three employees). Costs of €1.8m (2021: €3.8m) relating to the VRS have been recognised in 2022. Costs of €1.0m (2021: €2.1m) were attributable to statutory and other redundancy payments; €0.3m (2021: €0.6m) related to the "NAMA retention scheme"[1] and €0.5m (2021: €1.0m) for garden leave and pay in lieu of notice.

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

Fourteen employees assigned to NAMA were placed on garden leave during 2022 (2021: Thirty-three). 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 (2021: three months). Except for those employees that were accepted for the VRS, no other employees (2021: two) were placed on garden leave during 2022.

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

7. Agency costs (continued)

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 2022, the Agency contribution was increased from 14.2% to 16.3% of salary in respect of members of the Scheme. Contributions to the defined benefit scheme by the Agency for the year ended 31 December 2022 amounted to €11.0m (2021: €9.6m). 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 relevant 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 section 4 of the Superannuation and Pensions Act 1963 (as amended). Subject to the terms of that section, 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 certain 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 €20k (2021: €29k) to PRSAs for a number of employees who are not members of the defined benefit scheme in 2022.

7.5. Operating expenses

Total operating expenses of €34.6m (note 7.2) include technology costs, occupancy costs, business services costs and staff travel expenses.

Professional fees of €5.3m (note 7.2) include advisory fees and costs for 'business-as-usual' functions. Advisory fees of €3.8m that include the cost of external advice, and require disclosure under the Code, are analysed as follows:

	2022 €000	2021 €000
Legal	262	199
Tax and financial	2,591	734
Actuarial	665	578
Public relations and marketing	133	134
Pension and human resources	24	102
Facilities and other	113	84
Advisory fees included in Professional fees	**3,788**	**1,831**

Advisory fees above include €0.2m (2021: €0.2m) 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	2022 €000	2021 €000
Opening balance at 1 January		106,171	87,496
Net deferred retirement benefit funding through Income and Expenditure	8.2	7,981	6,901
Movement in deferred retirement benefit funding through Other Comprehensive Income	8.3	(153,244)	11,774
		(39,092)	**106,171**
Transfer to defined benefit pension reserve		**39,092**	**-**
Closing balance at 31 December		**-**	**106,171**

8. Net deferred retirement benefit funding (continued)

8.2. Net deferred retirement benefit funding through Income and Expenditure

	Note	2022 €000	2021 €000
Charge arising from employee service in reporting period	9.5	17,368	15,393
Net interest expense	9.5	1,567	1,040
Employer contributions	9.7	(10,954)	(9,532)
Net deferred retirement benefit funding		**7,981**	**6,901**

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

	Note	2022 €000	2021 €000
Movement in amounts recoverable in respect of current year actuarial loss	9.9	**(153,244)**	**11,774**

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. A triennial valuation review was completed in 2022 and used to set the funding rate for the next three years. This will be reviewed again in 2025. 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:

	2022		2021	
	Benefit obligations %	Pension cost %	Benefit obligations %	Pension cost %
Discount rate	4.3	4.3	1.6	1.6
Rate of salary increase	3.6	3.6	3.2	3.2
Rate of price inflation	2.6	2.6	2.2	2.2
Rate of pension increase	2.6/3.6	2.6/3.6	2.2/3.2	2.2/3.2

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

	2022		2021	
	Female (Years)	Male (Years)	Female (Years)	Male (Years)
Life expectancy at age 60				
Future pensioners (current age 45)	31.5	29.5	31.4	29.4
Current pensioners (current age 60)	30.1	28.2	30.0	28.1
Life expectancy at age 65				
Future pensioners (current age 45)	27.0	25.1	26.9	25.0
Current pensioners (current age 65)	25.2	23.4	25.1	23.3

9. Retirement benefits (continued)

9.3. Plan assets

	2022		2021	
	€000	%	€000	%
Equities	92,195	39.0	106,616	42.5
Debt securities	70,981	30.0	59,676	23.8
Alternatives	28,069	11.9	33,076	13.2
Infrastructure	11,595	4.9	9,720	3.9
Cash	33,556	14.2	41,861	16.7
Fair value of Plan assets	**236,396**	**100.0**	**250,949**	**100.0**

9.4. Scheme surplus/(deficit) – reconciliation of funded status to the Statement of Financial Position

	Note	2022 €000	2021 €000
Fair value of plan assets		236,396	250,949
Defined benefit obligation	9.6	(197,304)	(357,120)
Net defined benefit asset/(liability)		**39,092**	**(106,171)**

Amounts included in the Statement of Financial Position	2022 €000	2021 €000
Retirement benefit asset/(obligations)	39,092	(106,171)
Deferred retirement benefit funding	-	106,171
Defined benefit pension reserve	**39,092**	**-**

9.5. Cost relating to defined benefit plans

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

	2022 €000	2021 €000
Charge arising from NTMA employee service	17,368	15,265
Department of Public Expenditure and Reform contributions	-	128
Charge arising from employee service in reporting period	**17,368**	**15,393**

Interest expense on defined benefit obligations	5,695	3,933
Interest (income) on plan assets	(4,128)	(2,893)
Net interest expense	**1,567**	**1,040**

9. Retirement benefits (continued)

9.6. Change in defined benefit obligation

	2022 €000	2021 €000
Defined benefit obligation at 1 January	357,120	304,593
Charge arising from employee service in reporting period	17,368	15,393
Interest expense on defined benefit obligation	5,695	3,933
Net benefit payments	(2,316)	(4,066)
Participant contributions	5,842	5,686
Insurance premiums	(394)	(331)
Effect of changes in assumptions	(182,145)	29,941
Effect of experience adjustments	(3,866)	1,971
Defined benefit obligation at 31 December	**197,304**	**357,120**

9.7. Change in fair value of plan assets

	2022 €000	2021 €000
Fair value of plan assets at 1 January	250,949	217,097
Interest income on Plan assets	4,128	2,893
Employer contributions	10,954	9,532
Participant contributions	5,842	5,686
Net benefit payments	(2,316)	(4,066)
Insurance premiums for risk benefits	(394)	(331)
Return on plan assets (excluding interest income)	(32,767)	20,138
Fair value of plan assets at 31 December	**236,396**	**250,949**

9.8. Actual return on scheme assets

	2022 €000	2021 €000
Interest income on Plan assets	4,128	2,893
Return on plan assets (excluding interest income)	(32,767)	20,138
Actual return on scheme assets	**(28,639)**	**23,031**

9.9. Actuarial gain/(loss) on retirement benefit obligations

Remeasurements recognised in Other Comprehensive Income are as follows:

	2022 €000	2021 €000
Effect of changes in assumptions	182,145	(29,941)
Effect of experience adjustments	3,866	(1,971)
Return on plan assets (excluding interest income)	(32,767)	20,138
Remeasurements included in Other Comprehensive Income	**153,244**	**(11,774)**

10. Property, equipment and vehicles

	Leasehold improvements €000	Furniture, equipment and motor vehicles €000	Total €000
Cost:			
Balance at 1 January 2022	26,662	11,026	37,688
Additions at cost	13	1,029	1,042
Disposals	-	(101)	(101)
Balance at 31 December 2022	**26,675**	**11,954**	**38,629**
Accumulated Depreciation:			
Balance at 1 January 2022	(5,785)	(6,585)	(12,370)
Depreciation for the year	(1,896)	(2,426)	(4,322)
Disposals	-	98	98
Balance at 31 December 2022	**(7,681)**	**(8,913)**	**(16,594)**
Net Book Value at 31 December 2022	**18,994**	**3,041**	**22,035**
Net Book Value at 31 December 2021	**20,877**	**4,441**	**25,318**

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 16.

11. Intangible assets

	Computer software €000
Cost:	
Balance at 1 January 2022	4,381
Additions at cost	740
Balance at 31 December 2022	**5,121**
Accumulated Amortisation and Accumulated Impairment:	
Balance at 1 January 2022	(2,905)
Amortisation for the year	(857)
Balance at 31 December 2022	**(3,762)**
Net Book Value at 31 December 2022	**1,359**
Net Book Value at 31 December 2021	**1,476**

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

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

Computer software	5 years

12. Receivables (Non-current)

	2022 €000	2021 €000
Prepayments	**130**	**1,167**

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

13. Receivables (Current)

	2022 €000	2021 €000
Amounts receivable from NAMA	8,770	10,147
Amounts receivable from ISIF	3,388	2,959
Amounts receivable from SBCI	1,332	1,089
Amounts receivable from HBFI	998	950
Other receivables	3,059	174
Prepayments	3,153	3,624
	20,700	**18,943**

Other receivables primarily comprise of costs recoverable on behalf of Shareholding and Financial Advisory Division (SFAD), Asset Covered Securities income and income due from the Department of Public Expenditure and Reform.

14. Payables; amount falling due within 1 year

	2022 €000	2021 €000
Trade and other payables	3,690	2,931
Central Fund	8,758	1,657
Accruals	13,448	15,916
Deferred income	534	1,594
	26,430	**22,098**

Accruals include rental charges of €4.1m (2021: €4.5m) and annual leave entitlements of €2.5m (2021: €2.5m) earned but not taken at the reporting date.

15. Payables; amount falling after 1 year

	2022 €000	2021 €000
Deferred income	**4,726**	**5,260**

Deferred income includes a lease incentive on rental payments of 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 termination option arises.

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 has been 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. Commitments

In May 2018 the Agency entered into lease agreements 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:

	2022 €000	2021 €000
Within one year	8,683	8,683
In two to five years	34,731	34,731
Over five years	46,845	55,528
	90,259	**98,942**

17. Contingent liabilities

The Agency had no contingent liabilities at 31 December 2022.

18. 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 HBFI. The recovery of expenses from HBFI is detailed in note 5.

Other Government controlled entities

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

19. 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:

	2022 €000	2021 €000
Professional fees	10,158	10,370
Legal fees	581	545
	10,739	**10,915**

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

	2022 €000	2021 €000
Department of Housing, Local Government and Heritage	47	595
Department of Education	2,716	2,471
Department of Further & Higher Education	495	-
	3,258	**3,066**

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 2022, €3.5m (2021: €2.5m) is owing to the Post Office Savings Bank Fund.

The NTMA, acting as the NDFA, held cash at bank at 31 December 2022 amounting to €1.5m (2021: €2.4m).

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.

20. Events after the reporting period

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

21. Approval of financial statements

The financial statements were approved by the Agency on 4 May 2023.

Introduction

Business Review

Governance and Corporate Information

Financial Statements

Portfolio of Investments - ISIF

Financial Statements of the

Post Office Savings Bank Fund

For the year ended 31 December 2022

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 2022 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 2022, and
- the transactions of the Fund for 2022.

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

15 May 2023

Appendix to the report

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 annual 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 2022 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.

I 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.

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.

Statement of Income and Expenditure and Retained Earnings
For the year ended 31 December 2022

	Note	2022 €000	2021 €000
Interest and Similar Income	3	147,293	2,356
Net Loss on Investments at Fair Value	4	(119,726)	(24,522)
Interest Expense	5	(2,521)	(6,045)
Operating Expenses	6	(29,171)	(28,721)
Loss for the Year		**(4,125)**	**(56,932)**
Balance at 1 January		14,850	71,782
Balance at 31 December		**10,725**	**14,850**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Financial Position

As at 31 December 2022

	Note	2022 €000	2021 €000
Assets			
Cash with Central Bank of Ireland		297,405	810,180
Receivables	7	13,685	11,857
Central Treasury Loans		6,041	8,547
Investments	8	498,945	522,159
Advances	9	3,964,795	3,084,671
		4,780,871	**4,437,414**
Liabilities			
Post Office Savings Bank Deposits		4,768,352	4,420,416
Other Liabilities	10	1,794	2,148
Equity			
Retained Earnings		10,725	14,850
		4,780,871	**4,437,414**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Notes to the Financial Statements

1. Background

The Minister for Finance ("the Minister") guarantees the repayment and servicing of moneys invested by depositors in the Post Office Savings Bank. An Post remits the net deposits to the National Treasury Management Agency ("the Agency"). The Post Office Savings Bank Fund ("Fund") does not form part of the Exchequer and is reported separately to the National Debt of Ireland.

The proceeds from Post Office Savings Bank deposits are the Fund's primary source of funding. These deposits are utilised:

- 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 Agency and other market counterparties;
- to advance surplus monies in the Fund to the Exchequer as Ways and Means ("W&M") advances. The W&M advances to the Exchequer are a liability that forms part of the National Debt;
- 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 bodies such as local authorities and other non-commercial state bodies in accordance with the National Treasury Management Agency (Amendment) Act 2000.

The Minister may appropriate for the Exchequer any accumulated surplus remaining in the Fund after making appropriate provision to meet the liabilities of the Fund, provided that at least 10% of such surplus amount is also retained in the Fund (Finance Act 1930, Section 19(1)). Under guidelines issued by the Minister to the Agency, the reserves in the Fund are not permitted to go below €5m. The payment of W&M interest on balances advanced to the Exchequer is made to the extent necessary to ensure this.

2. Basis of Preparation

The financial statements have been prepared on an accruals basis under the historical cost convention except for investments which are stated at fair value through profit or loss. The form of the financial statements has been approved by the Minister 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.

2.1 Investments

Investments are stated at fair value through profit or loss and represent a portfolio of Irish Government Bonds. The fair value of Irish Government Bonds held within the Fund is calculated using constituent bond market prices from the ICE BoA European Government Index and composite bid prices from Bloomberg for non-index bonds. Gains and losses on such assets are recognised in the profit or loss on an ongoing basis. The Fund uses a weighted average cost basis for calculating gains and losses.

The Fund recognises investments on their 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. Subsequent to initial recognition loans and advances are carried at the nominal value.

Central Treasury Loans are fixed term variable rate loans. Advances to the SCA and the NDFA are short-term facilities to fund their activities for which no interest is charged. Interest is charged on W&M advances to the Exchequer only to the extent necessary to ensure the reserves in the Fund remain above the €5m minimum level required by guidelines issued by the Minister to the Agency.

2.3 Interest on Loans and Advances and Investments

Interest and fees on loans and advances and interest on investments held are recognised on an accruals basis in accordance with the underlying terms of the loan, advance or investment. For the purpose of presenting the performance of investments held, interest on the investments are included as part of the Gain/Loss on Investments at fair value.

2.4 Sale and Repurchase Agreements

The Fund acts as an intermediary for sale and repurchase agreements between the National Debt and market counterparties. The stock sold as part of the sale and repurchase agreements are Irish Government Bonds. 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.

2. Basis of Preparation (continued)

2.5 Advances to the Exchequer

Inflows and outflows in respect of the proceeds from Post Office Savings Bank Deposits together with the payment of operating expenses and settlement of repo transactions are paid into or from the Exchequer Account and are accounted as part of the Advances to the Exchequer. W&M interest, to the extent it is charged, is capitalised as part of the Advances to the Exchequer. These transactions between the Exchequer and the Fund are not settled and are non-cash transactions. The Fund may seek repayment/advance further monies to the Exchequer to the extent it is required to fund its investment and other activities.

3. Interest and Similar Income

	2022 €000	2021 €000
Ways & Means Interest	146,267	-
Other Income	592	143
Interest on Sale and Repurchase Agreements	434	2,213
	147,293	**2,356**

In 2022, the Fund charged interest of €146m (2021: €Nil) on the W&M advances to the Exchequer to ensure the reserves in the Fund remained above the €5m minimum level required by guidelines issued by the Minister to the Agency. The W&M interest charged was capitalised as part of the Advances to the Exchequer balance.

Other Income includes facility commitment fees and interest on central treasury loans.

4. Net Loss on Investments at Fair Value

	2022 €000	2021 €000
Realised Loss on Investments	(60,038)	(11,268)
Unrealised Loss on Investments	(67,263)	(19,445)
Interest on Investments held	7,575	6,191
	(119,726)	**(24,522)**

The loss on investment securities in 2022 reflected the significant increase in yields across the Irish Government Bond (IGB) yield curve which resulted in a depreciation of bond prices.

5. Interest Expense

	2022 €000	2021 €000
Interest on Post Office Savings Bank Deposits	(2,318)	(2,358)
Interest on Cash Balances	(203)	(3,687)
	(2,521)	**(6,045)**

Interest on cash balances represents the net interest charged by the Central Bank of Ireland on cash balances held on deposit. During the latter months of 2022, a return to a positive interest rate environment was observed.

6. Operating Expenses

	2022 €000	2021 €000
Service Fees	**(29,171)**	**(28,721)**

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

7. Receivables

	2022 €000	2021 €000
Interest Receivable	6,885	4,881
Net Deposits due from An Post	6,800	6,976
	13,685	**11,857**

Interest Receivable primarily includes interest on investments, central treasury loans and central bank deposit interest.

8. Investments

Bonds	2022 €000	2021 €000
At Nominal	581,800	482,665
At Cost	575,111	531,062
Fair Value as at 31 December	**498,945**	**522,159**
Unrealised Loss as at 31 December	(76,166)	(8,903)

The movement in the unrealised loss during 2022 was €67m (2021: €19m). (see note 4).

Schedule of Investment 2022

2022 Opening Fair Value €000	Treasury Bonds	2022 Purchases €000	2022 Sales €000	2022 Movement in Unrealised Loss €000	2022 Closing Fair Value €000
16,319	3.4% Treasury Bond 2024	153,188	(149,269)	(79)	20,159
49,896	5.4% Treasury Bond 2025	133,160	(137,454)	(251)	45,351
47,645	1.0% Treasury Bond 2026	50,881	(51,085)	(3,846)	43,595
35,719	0.2% Treasury Bond 2027	159,433	(124,781)	(1,583)	68,788
28,744	0.9% Treasury Bond 2028	89,779	(115,681)	(126)	2,716
37,494	1.1% Treasury Bond 2029	199,328	(194,569)	(1,896)	40,357
5,983	2.4% Treasury Bond 2030	76,565	(45,117)	(3,566)	33,865
81,608	0.2% Treasury Bond 2030	129,647	(180,239)	(1,027)	29,989
12,249	1.35% Treasury Bond 2031	58,487	(37,141)	(4,252)	29,343
25,353	0.0% Treasury Bond 2031	162,558	(152,975)	(1,794)	33,142
-	0.35% Treasury Bond 2032	197,585	(171,025)	(957)	25,603
26,482	1.3% Treasury Bond 2033	-	(5,709)	(4,796)	15,977
26,597	0.4% Treasury Bond 2035	58,859	(67,930)	(1,188)	16,338
26,910	1.7% Treasury Bond 2037	30,442	(27,011)	(6,419)	23,922
19,464	0.55% Treasury Bond 2041	2,511	(2,785)	(6,628)	12,562
48,786	2.0% Treasury Bond 2045	20,060	(18,340)	(16,082)	34,424
32,910	1.5% Treasury Bond 2050	12,154	(9,477)	(12,773)	22,814
522,159		**1,534,637**	**(1,490,588)**	**(67,263)**	**498,945**

9. Advances

	2022 €000	2021 €000
Advances to the Exchequer	3,888,192	3,074,968
Advances to the State Claims Agency	73,117	7,217
Advances to the National Development Finance Agency	3,486	2,486
	3,964,795	**3,084,671**

Advances to the Exchequer represent funds that are lent to the Exchequer as a ways and means of funding Exchequer requirements. Interest charged by the Fund to the Exchequer is detailed in note 3. No interest is charged by the Fund to the State Claims Agency or the National Development Finance Agency.

10. Other Liabilities

	2022 €000	2021 €000
Balance due under Sale and Repurchase Agreements	1,617	991
Accrued Interest on Cash Balances	-	902
Accrued Interest on Post Office Savings Bank Deposits	177	255
	1,794	**2,148**

11. Commitments

In July 2021, the Minister issued a direction to the Agency, to enter into a revolving 5-year credit facility to provide funding to Uisce Éireann. The credit facility has been provided to Uisce Éireann under the National Treasury Management Agency (Amendment) Act 2000 which allows for the provision of central treasury services (including the advance of moneys from the Fund) to designated bodies such as local authorities and other non-commercial state bodies. The facility commitment totalled €350m.

At 31 December 2022, no drawdown of funds had occurred under the facility (2021: €Nil).

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 4 May 2023.

Financial Statements of the

State Claims Agency

For the year ended 31 December 2022

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 legal claims against the State.

I have audited the financial statements of the State Claims Agency for the year ended 31 December 2022 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 2022, and
- the transactions of the State Claims Agency for 2022.

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
Comptroller and Auditor General

15 May 2023

Appendix to the report

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 annual 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 2022 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.

I 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.

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.

Income Statement
For the year ended 31 December 2022

	Note	2022 €000	2021 €000
Income			
Income	4	551,482	513,000
Costs recovered on behalf of Delegated State Authorities	5	15,162	4,547
		566,644	**517,547**
Expenditure			
Awards and claim settlements	6	373,456	370,986
Expenses	7	178,026	142,014
Reimbursement of costs recovered on behalf of Delegated State Authorities	5	15,162	4,547
		566,644	**517,547**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Financial Position
As at 31 December 2022

	Note	2022 €000	2021 €000
Assets			
Cash at bank		72,646	2,701
Receivables	10	5,875	9,856
Investments	9	4,934	4,947
		83,455	**17,504**
Liabilities			
Scheme liabilities	9	(4,934)	(4,947)
Borrowings from Post Office Savings Bank Fund	11	(73,117)	(7,217)
Other liabilities	12	(5,404)	(5,340)
		(83,455)	**(17,504)**

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

On behalf of the Agency

Frank O'Connor

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

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) estimates. IBNR estimates 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. No amount is included for IBNR estimates.

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	2022 €000	2021 €000
Amounts receivable at 1 January from Delegated State Authorities	10	(9,840)	(9,373)
Received from Delegated State Authorities		555,444	512,530
Received from Scheme funds	9	13	3
Amounts receivable at 31 December	10	5,865	9,840
		551,482	**513,000**

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

	2022 €000	2021 €000
Costs recovered on behalf of Delegated State Authorities	**15,162**	**4,547**

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

	2022 €000	2021 €000
Awards and claim settlements	**373,456**	**370,986**

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

7. Expenses

	2022 €000	2021 €000
Delegated authority expenses		
Legal fees	40,560	40,098
Medical fees	8,785	8,156
Engineers' fees	549	334
Other fees[1]	3,666	3,044
	53,560	51,632
Plaintiff expenses		
Legal fees[2]	124,453	90,378
Other expert fees	12	3
Travel expenses	-	-
	124,465	**90,381**
Witness expenses	1	1
Total other expenses	**178,026**	**142,014**

1 *Other fees include investigation and actuary fees.*

2 *Legal fees include those of the Clinical Indemnity Scheme and General Indemnity Scheme and those paid by the Legal Cost Unit as part of the SCA Legal Cost Management Function.*

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 €31.7m (2021: €29.2m). 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.

9. Investments/scheme liabilities (continued)

Special Obstetrics Indemnity Scheme (continued)

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.

	2022 €000	2021 €000
Balance at 1 January	4,947	4,950
Claim settlements and expenses	(13)	(3)
Balance at 31 December available for settlement of claims	**4,934**	**4,947**

10. Receivables

	Note	2022 €000	2021 €000
Receivable from Delegated State Authorities	4	5,865	9,840
Other Receivables		10	16
		5,875	**9,856**

11. Borrowings from the Post Office Savings Bank Fund

	2022 €000	2021 €000
Borrowings from the Post Office Savings Bank Fund	**73,117**	**7,217**

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

	2022 €000	2021 €000
Payable in respect of expenses	1,117	54
Payable in respect of awards	3,282	4,256
Professional Services Withholding Tax	1,003	671
Amounts due to Delegated State Authorities	2	359
	5,404	**5,340**

Payable in respect of awards includes amounts for awards authorised for settlement in December 2022 and paid to claimants in January 2023.

13. Estimated liabilities of Delegated State Authorities

	2022 Number of claims	2021 Number of claims
At 1 January	11,408	12,175
New claims	2,699	3,145
Resolved claims	(3,082)	(4,100)
Other claims[1]	179	188
At 31 December[2]	**11,204**	**11,408**

1 Other claims include claims re-opened in the period, claims downgraded to incidents and claims deleted from NIMS.

2 The number of active claims at 31 December 2022 includes 1,795 (2021: 2,016) mass action claims.

At 31 December 2022 the outstanding estimated liability of Delegated State Authorities in respect of claims under management by the SCA was €4,957m (2021: €4,530m), of which €3,858m (2021: €3,409m) was attributable to clinical claims and €1,099m (2021: €1,121m) to general claims. The estimated liability is calculated by reference to the ultimate cost of resolving each claim including all foreseeable costs such as settlement amounts, plaintiff legal costs and defence costs. The outstanding estimated liability is the total estimated liability less payments already made. The estimated liability does not include amounts for outstanding incurred but not reported (IBNR) liabilities. IBNR liabilities relate to claim-generating incidents that occurred but have not been reported to the SCA.

In respect of relevant active clinical claims at 31 December 2022, the SCA has based its estimated liability on a real rate of return of 1% (2021: 1%) on claims for the cost of future care and 1.5% (2021: 1.5%) for future pecuniary loss.

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 4 May 2023.

Financial Statements of the

Dormant Accounts Fund

For the year ended 31 December 2022

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 2022 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 2022, and
- the Fund transactions for 2022.

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

15 May 2023

Appendix to the report

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 annual 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.

I 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.

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.

Investment and Disbursements Account

For the year ended 31 December 2022

	Note	2022 €000	2021 €000
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	3	59,047	61,607
Amounts transferred to Reserve Account	4	(31,633)	(29,206)
Disbursements	5	(54,504)	(51,695)
Interest Income/(Expense)	6	162	(12)
Movement for the year		(26,928)	(19,306)
Balance at 1 January		124,330	143,636
Balance at 31 December		**97,402**	**124,330**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Reserve Account
For the year ended 31 December 2022

	Note	2022 €000	2021 €000
Repayment of moneys transferred to the Fund	3	(25,974)	(22,848)
Interest on repayment of moneys transferred to the Fund	3	(149)	(146)
Transfer from Investment and Disbursements Account	4	31,633	29,206
Interest Income/(Expense)	6	249	(8)
Operating Expenses	7	(2)	(1)
Movement for the year		5,757	6,203
Balance at 1 January		106,685	100,482
Balance at 31 December		**112,442**	**106,685**

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

On behalf of the Agency

Frank O'Connor

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Financial Position
As at 31 December 2022

	Note	2022 €000	2021 €000
Assets			
Cash and Other Financial Assets	8	209,867	231,055
Liabilities			
Total Liabilities	9	(23)	(40)
Net Assets		**209,844**	**231,015**
Represented by:			
Investment and Disbursements Account		97,402	124,330
Reserve Account		112,442	106,685
		209,844	**231,015**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

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 Dormant Accounts 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[1].
- 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[2].
- 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[2].
- 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[2].

In accordance with the Dormant Accounts Acts 2001 to 2012, the Minister for Rural and Community Development[2] 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. A Dormant Accounts Action Plan 2023 was published by the Department of Rural and Community Development in November 2022 which details projects and programmes to which funds from the Dormant Accounts Fund may be allocated under the 2023-2025 Dormant Accounts Disbursement Scheme. In accordance with the Acts, funds for approved projects and programmes are initially funded from the accounts of the relevant Minister or Departments of State. On the direction of the Minister for Public Expenditure and Reform[1], the Agency disburses funds to reimburse the relevant Ministers and Departments of State the amounts paid.

1 From 1 February 2023 became the Minister for Public Expenditure, National Development Plan Delivery and Reform.

2 On 27 July 2017, Statutory Instrument No. 354 of 2017 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 22 September 2020, Statutory Instrument No. 409 of 2020 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.

2. Basis of Preparation

The financial statements have been prepared for the year ended 31 December 2022. 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.

2. Basis of Preparation (continued)

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

Financial Institutions – Dormant Accounts

2022 Institution	Opening Balance 01/01/2022 €000	Transferred €000	Reclaimed €000	Closing Balance 31/12/2022 €000	Interest Paid €000
ACC Loan Management DAC	5,317	-	(13)	5,304	-
Allied Irish Banks plc	113,247	11,122	(2,605)	121,764	(7)
Bank of America Europe DAC	187	-	-	187	-
Bank of Ireland	120,079	9,291	(4,783)	124,587	(7)
Barclays Bank Ireland plc	344	-	-	344	-
BNP Paribas SA	143	-	-	143	-
Citibank Europe plc	29	-	-	29	-
Citco Bank	39	4	-	43	-
Danske Bank Plc	8,146	330	(70)	8,406	-
EAA Covered Bond Bank	122	-	-	122	-
EBS DAC	44,883	6,040	(6,321)	44,602	(67)
Investec Bank plc	2,005	-	-	2,005	-
Irish Bank Resolution Corporation Ltd (in special liquidation)	617	-	-	617	-
JP Morgan Bank (Ireland) plc	49	-	-	49	-
KBC Bank Ireland plc	10	12	-	22	-
Lloyds Bank	453	1,281	-	1,734	-
Permanent tsb plc	71,510	4,513	(1,454)	74,569	(4)
Pfizer International Bank	31	-	-	31	-
An Post - State Savings Products	88,427	4,070	(2,115)	90,382	(7)
An Post - Post Office Savings Bank	60,905	4,165	(1,369)	63,701	(56)
RBS NV	35	-	-	35	-
The Royal Bank of Scotland plc	420	-	-	420	-
Rabo Bank Ireland DAC	10	75	-	85	-
Scotiabank (Ireland) DAC	93	-	-	93	-
Ulster Bank Ireland DAC	49,344	3,318	(2,714)	49,948	(1)
TOTAL (UNCLAIMED ACCOUNTS)	**566,445**	**44,221**	**(21,444)**	**589,222**	**(149)**

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

Assurance Companies – Unclaimed Assurance Policies

2022 Institution	Opening Balance 01/01/2022 €000	Transferred €000	Reclaimed €000	Closing Balance 31/12/2022 €000	Interest paid €000
Specified Term Accounts:					
Ark Life Assurance Co. DAC[3]	2,279	1,322	(141)	-[3]	-
Aviva Life and Pensions UK Ltd	5,427	382	(36)	5,773	-
Equitable Life Assurance Society	53	-	-	53	-
Friends First Life Assurance Co. DAC	5,715	201	(56)	5,860	-
Irish Life Assurance plc[3]	16,062	1,837	(129)	21,230[3]	-
New Ireland Assurance Co. DAC	1,319	78	(297)	1,100	-
Phoenix Life Ltd	8,748	489	(11)	9,226	-
The Royal London Mutual Insurance Society Ltd	10,955	248	(76)	11,127	-
St. James Gate	11	-	-	11	-
Scottish Legal Life	619	-	-	619	-
Standard Life International DAC	3,300	194	(79)	3,415	-
Sun Life Assurance Society plc	441	102	(55)	488	-
Utmost PanEurope DAC (ex Augura Life Ireland DAC)	-	14	-	14	
Utmost PanEurope DAC (Ex Scottish Mutual Life)	104	5	(26)	83	-
Zurich Life Assurance plc	6,070	1,694	(202)	7,562	-
No Specified Term Accounts:					
Acorn Life DAC	184	80	(1)	263	-
Ark Life Assurance Co. DAC[3]	5,490	479	(196)	-[3]	-
Aviva Life and Pensions UK Ltd	6,054	-	(26)	6,028	-
Equitable Life Assurance Society	22	-	-	22	-
Friends First Life Assurance Co. DAC	3,190	256	(53)	3,393	-
Irish Life Assurance plc[3]	12,549	982	(716)	18,5883	-
New Ireland Assurance Co. DAC	17,239	1,932	(150)	19,021	-
Phoenix Life Ltd	1,944	338	-	2,282	-
The Royal London Mutual Insurance Society Ltd	17,399	2,547	(468)	19,478	-
St. James Place International plc	7	-	-	7	-
Scottish Legal Life	615	-	-	615	-
Standard Life International DAC	4,313	969	(649)	4,633	-
Sun Life Assurance Society plc	193	24	-	217	-
Utmost PanEurope DAC (ex Augura Life Ireland DAC)	172	12	(2)	182	-
Utmost PanEurope DAC (ex Scottish Mutual Life DAC)	532	-	(16)	516	-
Zurich Life Assurance plc	7,993	641	(1,159)	7,475	-
TOTAL (UNCLAIMED POLICIES)	**138,999**	**14,826**	**(4,544)**	**149,281**	**-**
Escheated Estates[4]	4,400	-	-	4,400	-
Accrued Reclaims	(37)	-	14	(23)	-
GRAND TOTAL	**709,807**	**59,047**	**(25,974)**	**742,880**	**(149)**

Figures may not total due to rounding.

3 Ark Life Assurance Co. was acquired by Irish Life Group. A Portfolio transfer during 2022 transferred the Ark Life specified (€3,460k) and non specified (€5,773k) balances to the Irish Life specified and non specified accounts.

4 Section 28 of the Dormant Accounts Act, 2001 provides for funds in respect of escheated estates to be transferred to the Fund from the Intestate Estates Fund Deposit Account by the Minister for Public Expenditure and Reform.

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

2021 Summary

2021	Opening Balance 01/01/2021 €000	Transferred €000	Reclaimed €000	Closing Balance 31/12/2021 €000	Interest Paid €000
Financial Institutions	541,625	43,283	(18,463)	566,445	(145)
Assurance Companies	125,103	18,324	(4,428)	138,999	-
Escheated Estates	4,400	-	-	4,400	-
Accrued Reclaims	(80)	-	43	(37)	(1)
GRAND TOTAL	**671,048**	**61,607**	**(22,848)**	**709,807**	**(146)**

A detailed 2021 breakdown by individual financial institutions and assurance companies can be viewed in the 2021 financial statements for the Dormant Accounts Fund.

The Fund does not recognise a liability in respect of dormant monies 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 €979k from €742,881k to €741,901k (2021: €392k from €709,807k to €709,415k).

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 and Disbursements 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.

5. Disbursements

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

	2022 €000	2021[5] €000
On Direction of the Minister for Public Expenditure and Reform:		
Department of Rural and Community Development	12,302	12,481
Department of Tourism, Culture, Arts, Gaeltacht, Sport and Media	12,000	10,000
Department of Children, Equality, Disability, Integration and Youth	10,436	9,250
Department of Justice	9,331	8,734
Department of Social Protection	3,980	5,000
Department of Housing, Local Government and Heritage	3,288	3,000
Department of Education	1,625	1,108
Department of Defence	984	942
Department of Further and Higher Education, Research, Innovation and Science	450	300
Department of Health	108	350
Irish Prison Service	-	274
Department of Environment, Climate and Communications	-	256
	54,504	**51,695**

5 2021 comparatives have been amended to reflect a re-categorisation of disbursed amounts between the Department of Rural and Community Development and the Department of Justice. The total disbursements in 2021 remain unchanged.

6. Interest Income/(Expense)

2022	Investment and Disbursements Account €000	Reserve Account €000	2022 €000
Exchequer Notes	162	251	413
Cash at Central Bank	-	(2)	(2)
	162	**249**	**411**

2021	Investment and Disbursements Account €000	Reserve Account €000	2021 €000
Cash at Central Bank	(12)	(8)	(20)

7. Operating Expenses

	2022 €000	2021 €000
Bank Charges	(2)	(1)
	(2)	**(1)**

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:

	2022 €000	2021 €000
General Administration[6]	**(175)**	**(175)**

6 *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.*

8. Cash and Other Financial Assets

	2022 €000	2021 €000
Cash at Central Bank	1,638	1,055
Term Deposits	207,940	230,000
Interest Receivable on Exchequer Notes	279	-
Interest Receivable on Cash Balances	10	-
	209,867	**231,055**

9. Total Liabilities

	2022 €000	2021 €000
Interest Payable on Cash Balances	-	(3)
Accrued Reclaims	(23)	(37)
	(23)	**(40)**

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 2022 the contingent liability to the Exchequer is estimated at €533m (2021: €479m). 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 2022 €000	Movement during the year €000	31 December 2022 €000
Net Assets of Fund	231,015	(21,171)	209,844
Dormant funds transferred not reclaimed	(709,807)	(33,073)	(742,880)
Contingent liability	**(478,792)**	**(54,244)**	**(533,036)**

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

	2022 €000	
Disbursements	54,504	Note 5
Interest on repayments of moneys transferred to the Fund	149	Note 3
Operating expenses	2	Note 7
Interest Income	(411)	Note 6
Movement for the year	**54,244**	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 0.16% (2021: -0.01%) as a result of the return to a positive interest rate environment in 2022.

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 4 May 2023.

Financial Statements of the

National Surplus (Exceptional Contingencies) Reserve Fund

For the year ended 31 December 2022

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 2022 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 2022 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

15 May 2023

Appendix to the report

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 annual 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.

I 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.

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.

Statement of Financial Position
As at 31 December 2022

	Note	2022 €m	2021 €m
Assets			
Current Assets			
Financial assets at amortised cost	7	1,000	-
Cash and cash equivalents	7	1,000	-
Receivables	8	6	-
Net Assets of the Fund at year end		**2,006**	-

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

	Note	2022 €m	2021 €m
Income			
Interest income	6	6	-
Net investment income		6	-
Profit and total comprehensive income for the year		**6**	-

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Changes in Net Assets
For the year ended 31 December 2022

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Contribution received from Exchequer	2,000	-
Profit for the year	6	-
Increase in net assets	**2,006**	**-**
Net Assets at beginning of the year	-	-
Net Assets at end of the year	**2,006**	**-**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Cash Flows
for the year ended 31 December 2022

	Year ended 31 December 2022 €m	Year ended 31 December 2021 €m
Cash flows from operating activities		
Purchase of investments	(1,000)	-
Net cash outflow from operating activities	**(1,000)**	**-**
Cash flows from financing activities		
Contribution received from Exchequer	2,000	-
Net cash inflow from financing activities	**2,000**	**-**
Net increase in cash and cash equivalents	1,000	-
Cash and cash equivalents at end of the year	**1,000**	**-**

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 20 October 2020 (the "2020 Directions"), the National Treasury Management Agency (the "Agency") was directed pursuant to section 12 of the National Treasury Management Agency Act 1990 (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 National Treasury Management Agency (Amendment) Act 2000 (Delegation of Investment Functions) Order 2019 (the "Order"), to:

- transfer €1,500 million, being the entire balance of the Fund as at that date, to the Exchequer's Central Fund (which transfer was completed on 28 October 2020);
- 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 and to the extent that assets are so transferred into the Fund, to invest the Fund, subject to and in accordance with Section 8 of the NS(RFEC) Act 2019 and in a manner consistent with the Ministerial investment guidelines appended to the 2020 Directions (and as may be amended from time to time) ("the Investment Guidelines") and subject to and in accordance with such general or specific instructions as the Minister or the Department of Finance may issue from time to time;
- 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;
- 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; and
- 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.

Pursuant to section 5(2) of the NS(RFEC) Act 2019, the Minister is required (subject to subsections (5) – (7) of section 5 and section 6 of the NS(RFEC) Act 2019), to pay a prescribed amount of €500 million from the Central Fund, into the Fund in each of 2019, 2020, 2021, 2022 and 2023. Under section 6(1) of the NS(RFEC) Act 2019, Dáil Éireann may, on a proposal brought by the Minister no earlier than 1 November of a particular year, pass a resolution authorising the Minister not to pay the prescribed amount into the Fund in that year. Pursuant to section 6(3) of the NS(RFEC) Act 2019, the Minister may not make such a proposal unless the Minister is satisfied on reasonable grounds that, by reason of the existence of exceptional circumstances, the making of the payment of the prescribed amount into the Fund would place an undue burden on the public finances. Pursuant to resolutions passed by Dáil Éireann pursuant to section 6(1) of the NS(RFEC) Act 2019, the Minister was authorised not to pay the prescribed amount into the Fund in 2020 or 2021, owing to the exceptional circumstances posed by Brexit and the COVID-19 pandemic. Accordingly, following the above-mentioned transfer of €1,500 million to the Exchequer on 28 October 2020, the balance of the Fund was €Nil throughout the remainder of 2020 and in 2021.

On 27 September 2022 a resolution was passed by Dáil Éireann pursuant to section 5(4) of the NS(RFEC) Act 2019 (the "Dáil Resolution"), to approve the making of a payment into the Fund of the sum of €1,500 million in 2022 and the sum of €3,500 million in 2023 from the Central Fund. Pursuant to section 5(4) of the NS(RFEC) Act 2019, such payments are in addition to the €500 million prescribed amounts to be paid in each of 2022 and 2023 pursuant to section 5(2) of the NS(RFEC) Act 2019 (subject to the terms of that Act).

On 1 November 2022, arising from the Dáil Resolution and in accordance with section 5(2) and section 5(4) of the NS(RFEC) Act 2019, €2,000 million in aggregate was transferred to the Fund from the Central Fund.

The Fund is domiciled in Ireland. Under section 3(1) of the NS(RFEC) Act 2019 the total value of the fund shall not exceed €8,000 million at any given time. 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 Investment Guidelines) 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 2022. All amounts in the financial statements have been rounded to the nearest million 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 (January 2022).

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. Investments are designated at transaction cost on initial recognition and subsequently measured at amortised cost.

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 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.

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 initially at transaction cost and subsequently measured at amortised cost.

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 which could be exchanged between knowledgeable, willing parties in an arm's length transaction.

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.

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.

4. Significant Accounting Policies (continued)

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

Exchequer Notes

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

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

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 function, 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.

Agency Committees:

Agency Audit & Risk Committee (ARC)

The ARC comprises members of the Agency Board and 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.

5. Financial Risks (continued)

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 (for onward recommendations to the Agency) having regard to the Investment Guidelines and any specific direction that may be given by the Minister or Department of Finance. 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.

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.

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 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

5. Financial Risks (continued)

Management Committees: (continued)

Market and Liquidity Risk Committee (MLRC) (continued)

d) Valuation of Financial Instruments *(continued)*

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.

2022	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Exchequer notes	2,000	-	-	2,000

2021	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Exchequer notes	-	-	-	-

6. Interest Income

	2022 €m	2021 €m
Exchequer note interest	6	-

7. Investments of the Fund

Financial Assets at Amortised Cost	Yield	Maturity Date	Residual Maturity Days	€m
Exchequer note	1.97%	03 Apr 2023	93	500
Exchequer note	2.07%	02 May 2023	122	500
				1,000
Cash and Cash Equivalents				
Exchequer note	1.7%	01 Feb 2023	32	500
Exchequer note	1.85%	01 Mar 2023	60	500
				1,000

8. Receivables

	2022 €m	2021 €m
Interest Receivable	6	-

Interest receivable relates to exchequer note interest.

9. Management Expenses

In accordance with the 2020 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 in relation 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 2021 or 2022.

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 Order and the 2020 Directions as further outlined in Note 1.

11. Events after the reporting date

No events requiring an adjustment 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 4 May 2023.

Financial Statements of the

Ireland Strategic Investment Fund

For the year ended 31 December 2022

Fund and Other Information

Controller and Manager

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

Global Custodian ("Global Custodian")

Bank of New York Mellon
240 Greenwich Street
Manhattan
New York
U.S.A.

BNY Mellon SA/NV
Rue Montoyer 46,
1000 Bruxelles,
Belgium

Bankers

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

AIB Group
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 2022 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 2022 and of its income and expenditure for 2022 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

15 May 2023

Appendix to the report

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 annual 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.

I 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.

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.

Statement of Financial Position

As at 31 December 2022

	Note	Discretionary Portfolio		Directed Portfolio		Total	
		2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
Assets							
Investments	7, 8	7,036	6,721	5,499	4,439	12,535	11,160
Loans and receivables	7, 8	483	684	327	200	810	884
Trade and other receivables	9	70	24	3	4	73	28
Balance due from brokers		-	34	-	-	-	34
Cash and cash equivalents	12	1,268	2,233	452	180	1,720	2,413
Total assets		**8,857**	**9,696**	**6,281**	**4,823**	**15,138**	**14,519**
Liabilities							
Derivatives	7	(1)	(38)	-	-	(1)	(38)
Balance due to brokers	7	(75)	-	-	-	(75)	-
Other liabilities	10	(49)	(11)	-	-	(49)	(11)
Total liabilities		**(125)**	**(49)**	**-**	**-**	**(125)**	**(49)**
Net assets of the Fund at year end		**8,732**	**9,647**	**6,281**	**4,823**	**15,013**	**14,470**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Comprehensive Income

For the year ended 31 December 2022

		Discretionary Portfolio		Directed Portfolio		Total	
	Note	2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
Income							
Interest income	4	65	25	8	2	73	27
Dividend income	4	12	32	88	-	100	32
Private equity and other income	4	24	39	-	-	24	39
Net gains/(losses) on financial assets and liabilities at fair value through profit or loss		(782)	876	2,617	1,040	1,835	1,916
Net investment income/(loss)		**(681)**	**972**	**2,713**	**1,042**	**2,032**	**2,014**
Expenses							
Operating expenses	5	(33)	(32)	-	-	(33)	(32)
Profit/(loss) for the financial year before tax		**(714)**	**940**	**2,713**	**1,042**	**1,999**	**1,982**
Taxation		-	-	-	-	-	-
Profit/(loss) for the financial year		**(714)**	**940**	**2,713**	**1,042**	**1,999**	**1,982**

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

On behalf of the Agency

Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

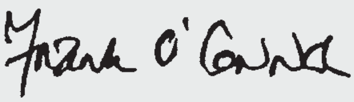
4 May 2023

Statement of Changes in Net Assets
For the year ended 31 December 2022

	Note	Discretionary Portfolio		Directed Portfolio		Total	
		2022 €m	2021 €m	2022 €m	2021 €m	2022 €m	2021 €m
Profit/(loss) for the year		(714)	940	2,713	1,042	1,999	1,982
Transfers to the Exchequer	11	-	-	(1,456)	(249)	(1,456)	(249)
Assets transferred between portfolios	11	(201)	(95)	201	95	-	-
Increase/(Decrease) in net assets		**(915)**	**845**	**1,458**	**888**	**543**	**1,733**
Net assets at beginning of year		9,647	8,802	4,823	3,935	14,470	12,737
Net assets at end of year		**8,732**	**9,647**	**6,281**	**4,823**	**15,013**	**14,470**

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

On behalf of the Agency



Frank O'Connor, Chief Executive
National Treasury Management Agency

Susan Webb, Chairperson
National Treasury Management Agency

4 May 2023

Statement of Cash Flows

For the year ended 31 December 2022

	Note	Discretionary Portfolio 2022 €m	Discretionary Portfolio 2021 €m	Directed Portfolio 2022 €m	Directed Portfolio 2021 €m	Total 2022 €m	Total 2021 €m
Cash flows from operating activities							
Interest received		40	39	-	-	40	39
Dividends received		24	26	93	-	117	26
Other income received		16	22	-	-	16	22
Proceeds from sale of investments		6,135	4,993	2,389	591	8,524	5,584
Purchase of investments		(6,584)	(3,777)	(955)	(422)	(7,539)	(4,199)
Cash collateral received		1,238	541	-	-	1,238	541
Cash collateral paid		(1,105)	(586)	-	-	(1,105)	(586)
Operating expenses paid		(31)	(30)	-	-	(31)	(30)
Effect of exchange rate fluctuations		(487)	(232)	-	-	(487)	(232)
Net cash inflow/(outflow) from operating activities		**(754)**	**996**	**1,527**	**169**	**773**	**1,165**
Cash flows from financing activities							
Transfer between portfolios	11	(201)	(95)	201	95	-	-
Transfer to the Exchequer	11	-	-	(1,456)	(249)	(1,456)	(249)
Net cash outflow from financing activities		**(201)**	**(95)**	**(1,255)**	**(154)**	**(1,456)**	**(249)**
Net increase in cash and cash equivalents		(955)	901	272	15	(683)	916
Opening cash and cash equivalents		2,233	1,329	180	165	2,413	1,494
Effect of exchange rate fluctuations on cash and cash equivalents		(10)	3	-	-	(10)	3
Closing cash and cash equivalents		**1,268**	**2,233**	**452**	**180**	**1,720**	**2,413**

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") 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, 42B, 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 2022. The comparative period is the year ended 31 December 2021. 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.

Notwithstanding the Fund's significant holdings in the equity of AIB Group p.l.c ("AIB") as part of its Directed Investments, the Agency (as controller and manager 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 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, and in compliance with FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* issued by Financial Reporting Council in the UK.

3. Significant accounting policies

3.1 Measurement convention

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

3.2 Going concern

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

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

3. Significant accounting policies (continued)

3.3 Critical accounting estimates and judgements

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

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

Key sources of estimation uncertainty

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

Critical accounting judgements in applying accounting policies

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

3.4 Foreign currency translation and balances

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

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 and other income

Private equity 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 gains and losses arising from movements in foreign exchange.

3.9 Fees and charges, and other expenses

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

3.10 Cash and cash equivalents

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

3. Significant accounting policies (continued)

3.11 Recognition and measurement of financial assets and liabilities

The Fund recognises and measures its financial assets and financial liabilities in accordance with the recognition, measurement, presentation and disclosure provisions of 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 could be exchanged 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.

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 at fair value are so measured with changes in their fair value recognised in profit or loss. The Fund engages an external valuation advisor to gain assurance that the carrying values of such investments are appropriate at year end.

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

Loans and receivables

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

3. Significant accounting policies (continued)

3.12 Financial assets and liabilities (continued)

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

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

The valuations of these investments are assessed 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.

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.

3. Significant accounting policies (continued)

3.12 Financial assets and liabilities (continued)

Unquoted debt instruments (continued)

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.

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

	2022 €m	2021 €m
Interest income	65	25
Direct private equity and private equity fund income	22	35
Dividend income	12	32
Other income	2	4
	101	**96**

Other income includes investment rebates of €1.4m (2021: €2.0m), corporate action income of €0.5m (2021: €1.4m), class action income of €0.04m (2021: €0.03m). Dividend income includes withholding tax reclaims of €0.8m in 2022 (2021: €0.7m) with further information on this outlined in note 6.

4.2 Directed Portfolio

	2022 €m	2021 €m
Dividend Income	88	-
Interest income	8	2
	96	**2**

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

	2022 €m	2021 €m
NTMA recharge	18	17
Investment managers' fees	8	9
Advisory fees	5	5
Global Custodian fees	1	-
Systems and services	1	1
	33	**32**

Under Section 48 of the NTMA Act 2014, the expenses of the Agency (NTMA recharges) in the performance of its functions relating to the Fund are required to be defrayed from the Fund. These amounted to €18.4m in 2022 (2021: €17.2m).

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.

	2022 €m	2021 €m
Legal	3	3
Financial and tax advisory	2	2
	5	**5**

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.

	2022 €m	2021 €m
Withholding tax reclaims	1	1

The Fund received withholding tax reclaims in 2022 of €0.8m (2021: €0.7m). This is included in dividend 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 National Pension Reserve Fund "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 is a conservatively managed and liquid portfolio that will provide cash to fund investment opportunities in Ireland as they develop.

In May 2020 in response to the COVID-19 pandemic, the Minister for Finance instructed the ISIF to make a €2bn fund available, known as the Pandemic Stabilisation and Recovery Fund (PSRF) which was a sub-portfolio of the Fund's Irish Portfolio which sought to invest in medium and large-scale enterprises in Ireland impacted by COVID-19 with a focus on enterprises employing more than 250 employees or with annual turnover in excess of €50m. ISIF continued to support the stabilisation and recovery efforts of businesses within key parts of the economy until the PSRF was formally closed in June 2022.

In June 2022, the revised ISIF Impact investment strategy was launched, with a focus on four key investment themes: climate, housing and enabling investments, indigenous scaling businesses, and food and agriculture. The Fund retains the flexibility to address any stabilisation investments that arise that are clear national priorities. Where possible, ISIF will target regional development across all impact themes. ISIF's strategy includes a fifth Compelling and National theme for situations that require the Fund to adapt to new national priorities, such as Brexit or another pandemic.

7. Discretionary Financial assets and liabilities (continued)

7.2 Discretionary Portfolio valuation

The total Discretionary Portfolio at 31 December 2022 amounts to €8.7bn (2021: €9.6bn). The composition of the Discretionary Portfolio by investment type is as follows:

Investments at FVTPL[1]	Note	2022 €m	2021 €m
Quoted equities		744	799
Direct private equity		410	396
Quoted debt instruments		699	291
Unquoted debt instruments		110	46
Property fund investments		189	146
Private equity fund investments		1,658	1,787
Forestry fund investments		93	78
Energy fund investments		45	35
Infrastructure fund investments		353	318
Quoted investment funds		1,337	1,604
Unquoted investment funds		1,004	1,180
Quoted commodities		239	-
Convertible preference shares		25	23
		6,906	**6,703**
Loans and receivables at amortised cost			
Other debt		**483**	**684**
Derivative assets at FVTPL[1]			
Foreign exchange contracts		123	-
Futures contracts	13.1	7	15
Equity options		-	3
		130	**18**
Derivative liabilities at FVTPL			
Equity options		(1)	-
Foreign exchange contracts	13.1	-	(38)
		(1)	**(38)**
Cash and cash equivalents			
Cash		982	1,675
Cash equivalent		274	553
Treasury bills		12	5
	12	**1,268**	**2,233**
Trade and other receivables	9	70	24
Balance (due to)/due from brokers		(75)	34
Other liabilities	10	(49)	(11)
Total discretionary net assets		**8,732**	**9,647**

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 2022, €3.6bn (2021: €3.8bn) is invested in the Irish Portfolio with the remaining €5.1bn (2021: €5.8bn) invested in the Global Portfolio. The breakdown of the Irish Portfolio by investment type is as follows:

Investments at FVTPL	2022 €m	2021 €m
Private equity fund investments	1,654	1,787
Infrastructure fund investments	353	318
Quoted equities	121	236
Property fund investments	189	141
Direct private equity	410	396
Unquoted debt instruments	110	46
Convertible preference shares	25	24
Forestry fund investments	93	78
Quoted debt instruments	61	79
Energy fund investments	45	35
	3,061	**3,140**
Loans and receivables at amortised cost		
Other debt	**483**	**684**
Cash and cash equivalents	4	4
Trade and other receivables	10	6
Total Irish Portfolio valuation	**3,558**	**3,834**

Economic impact on valuations:

Given the significant financial market disruption and global macro-economic uncertainty that rising interest rates and the war in Ukraine continue to cause, 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, 42B, 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.

8. Directed Portfolio (continued)

8.1 Directed portfolio valuation

	2022 Unit Millions	2021 Unit Millions	Valuation € 2022 Per Unit	Valuation € 2021 Per Unit	2022 €m	2021 €m
Bank of Ireland (BoI)						
Ordinary Shares[1]	-	83	-	4.986	-	416
AIB Group p.l.c (AIB)						
Ordinary Shares[2]	1,521	1,930	3.616	2.084	5,499	4,023
Total directed investments assets					5,499	4,439
HBFI Loan[3]					330	125
Irish Exchequer Note					-	75
Cash (Note 12, 14.3)					452	180
Receivables for investments sold					-	4
Total					**6,281**	**4,823**

1 *The Fund completed the sale of the State's directed shareholding in Bank of Ireland on 23 September 2022, with the State (through ISIF's directed portfolio) no longer retaining any ownership in the Group.*

2 *The value of AIB ordinary shares is based on the quoted bid price. The Fund made a number of disposals in 2022 and reduced its shareholding in the Group from 71.12% to 56.8%. 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.*

3 *Includes balance of €3m interest receivable (2021: €0.8m).*

8.2 Directed investment valuation movement

Bank of Ireland	2022 €m	2021 €m
Opening valuation	416	494
Disposal of shares	(508)	(334)
Investment gain during the year	92	256
Closing Valuation	**-**	**416**
AIB Group plc		
Opening valuation	4,023	3,239
Disposal of shares	(1,051)	-
Investment gain during the year	2,527	784
Closing Valuation	**5,499**	**4,023**

9. Trade and other receivables

9.1 Discretionary Portfolio

	2022 €m	2021 €m
Interest receivable	13	8
Dividend receivable	5	-
Tax reclaims recoverable	2	1
Amounts receivable for securities sold	50	15
	70	**24**

9. Trade and other receivables (continued)

9.2 Directed Portfolio

	2022 €m	2021 €m
Interest receivable	3	-
Amounts receivable for securities sold	-	4
	3	**4**

10. Other liabilities

	2022 €m	2021 €m
Amounts payable for securities purchased	39	2
Other accrued expenses	10	9
	49	**11**

Other accrued expenses include investment manager fees of €3.4m (2021: €3.3m) and NTMA recharges of €3.14m (2021: €2.9m).

11. Transfers

11.1 Transfers to the Exchequer/Minister

	2022 €m	2021 €m
Transfer to the Exchequer from Directed Portfolio	**1,456**	**249**

In 2022, €1,456m was transferred from the Fund's directed portfolio to the Exchequer as directed by the Minister for Finance.

11.2 Transfers between Discretionary and Directed Portfolios

	2022 €m	2021 €m
Net transfer to Directed from Discretionary portfolio	**(201)**	**(95)**

Funds of €201m (2021: €95m) were transferred from the Fund's Discretionary Portfolio to the Directed Portfolio to fund the provision of loans to Home Building Finance Ireland ("HBFI").

12. Cash and cash equivalents

Discretionary Portfolio	2022 €m	2021 €m
Cash	982	1,675
Cash equivalent	274	553
Treasury Bills	12	5
	1,268	**2,233**

Directed Portfolio		
Cash	**452**	**180**

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

13. Commitments

13.1 Foreign currency and futures commitments

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

NTMA	31 December 2022 Notional Principal €m	31 December 2022 Unrealised gain €m	31 December 2021 Notional Principal €m	31 December 2021 Unrealised (loss)/gain €m
Foreign exchange contracts	2,616	118	2,676	(35)
Investment Managers				
Foreign exchange contracts	2,535	4	1,419	(3)
Futures contracts	162	7	672	15
		129		**(23)**

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. In line with its accounting policies, derivatives to hedge exposures are accounted for at fair value with immediate recognition of all gains and losses in the income statement. The Fund's investment managers are not required to hedge currency exposure. The majority of non-Euro investments are hedged by Investment Managers. 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).

Futures contracts

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 2022, the Fund's outstanding commitments totalled €1.9bn (2021: €1.5bn). The Fund has entered into commitments in respect of certain types of investments as outlined below.

	Time-frame of commitment Years	2022 €m	2021 €m
Total unquoted investments	0-9	1,192	1,189
Total loans and receivables	0-8	712	342
Total uncalled commitments		**1,904**	**1,531**

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 as at 31 December 2022.

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 2022, these expenses were €18.4m (2021: €17.2m).

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 2022, there is currently a nil balance on the SBCI loan facility (2021: €Nil), and the committed funding available under that facility is €165m.

14.4 Home Building Finance Ireland

The Fund and Home Building Finance Ireland ("HBFI") 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 €730m to HBFI in 2019. At 31 December 2022 the balance outstanding was €330m (2021: €125m). The loan operates as a revolving loan facility with a maturity date of 16 May 2029.

14.5 Other Government controlled entities

AIB Group Plc ("AIB") is a related party of the Fund and under the control of the Minister for Finance. The Fund's directed 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:

ISIF Clearing Committee

The ISIF Clearing Committee oversees the governance of the overall Irish Portfolio investment process and, through independent challenge and perspective, will provide additional assurance for the Investment Committee, and will recommend investment decisions regarding the Irish Portfolio.

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 ISIF 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 reviews proposals and risk assessments in respect of new treasury products and processes, or material changes to existing products and processes. 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.

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.

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 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 Implementation 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 Implementation 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 2022 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	2022 €m	2021 €m
Maturing within one year	197	14
Maturing between two and five years	597	734
Maturing after five years	445	268
Total fixed interest bearing securities	**1,239**	**1,016**

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 €0.3bn (2021: €0.6bn) (Note 12) and liquid funds of €0.3bn (2021: €0.6bn). 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	2022	2021
€m Reduction	(6)	(5)
% reduction	(0.07%)	(0.05%)

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 of USD $328m (2021: USD $250m) and GBP £16m (£17m) at 31 December 2022.

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 2022 m	Base currency 2022 €m	Net exposure after hedging 2022 €m
US dollar	3,659	3,427	32
Australian dollar	46	29	24
Canadian dollar	25	18	4
Swedish krona	69	6	0
Mexican Peso	62	3	0
Thai baht	0	0	0
Polish Zloty	0	0	0
South Korean Won	0	0	0
Singapore dollar	3	2	(1)
Japanese yen	6,509	47	(2)
New Zealand dollar	2	2	(2)
Israeli shekel	12	3	(4)
Norwegian krone	30	3	(5)
Danish krone	26	3	(9)
Hong Kong dollar	28	3	(11)
Swiss franc	11	12	(19)
British pound	347	391	(91)

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

ii) Foreign exchange risk (continued)

	Local currency 2021 m	Base currency 2021 €m	Net exposure after hedging 2021 €m
US dollar	4,381	3,889	148
Singapore dollar	213	254	10
South Korean won	8	5	1
New Zealand dollar	2	1	1
Israeli shekel	1	1	-
Norwegian krone	3	-	-
Hong Kong dollar	3	1	(2)
Australian dollar	45	4	(2)
Swedish krona	1	-	(6)
Japanese yen	11	8	(10)
Danish krone	10	9	(14)
Canadian dollar	34	4	(20)
Swiss franc	10	1	(21)
British pound	2,396	19	(26)

iii) Foreign exchange risk

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	2022	2021
€m Reduction	(2)	(7)
% reduction	(0.02%)	(0.08%)

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

iv) 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.

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

iv) Market price risk (continued)

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	2022 €m	2021 €m
Quoted investment funds	1,337	1,604
Quoted equities	744	799
Quoted debt instruments	699	291
Direct private equity	410	396
Unquoted investment funds	1,004	1,180
Unquoted debt instruments	110	46
Convertible preference shares	25	23
Property fund investments	189	146
Private equity fund investments	1,658	1,787
Quoted commodities	239	-
Infrastructure fund investments	353	318
Forestry fund investments	93	78
Energy fund investments	45	35
Derivative instrument assets	130	18
Financial assets at FVTPL	**7,036**	**6,721**
Treasury bills	12	5
Derivative instrument liabilities	(1)	(38)
Total exposed to market price risk	**7,047**	**6,688**
Not exposed to market price risk		
Deposits and cash	1,256	2,228
Loans and receivables	483	684
Trade and Other receivables	70	24
Balance due from/(to) brokers	(75)	34
Other liabilities	(49)	(11)
Total not exposed to market price risk	**1,685**	**2,959**
Total Discretionary Portfolio financial assets and liabilities	**8,732**	**9,647**

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.

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

iv) Market price risk (continued)

Analysis by geographical classification	2022 €m	2021 €m
Europe excluding Ireland	2,798	2,514
North America	1,561	1,562
Ireland	1,861	1,690
Emerging markets	800	884
Asia pacific	27	38
Total	**7,047**	**6,688**

This analysis excludes loans and receivables, deposits and cash.

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	2022 €m	2021 €m
Exchange traded equity investments	744	799
Quoted commodities	239	-
Unlisted equity investments	2,338	2,364
Direct private equity	410	396
Unquoted investment funds	1,004	1,180
Quoted open ended investment funds	902	1,009
Total equity and managed fund investments	**5,637**	**5,748**
Debt securities		
Exchange traded debt securities	699	291
Other debt securities	135	69
Quoted open ended investment funds	435	595
Total debt securities	**1,269**	**955**
Treasury bills	12	5
Total investment assets	**6,918**	**6,708**
Derivative assets		
Equity options	-	3
Futures contracts	7	15
Foreign currency forward contracts	123	-
Total derivative assets	**130**	**18**
Derivative liabilities		
Foreign currency forward contracts	-	(38)
Equity options	(1)	-
Equity index swaps	-	-
Total derivative liabilities	**(1)**	**(38)**
Total	**7,047**	**6,688**

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

iv) Market price risk (continued)

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	2022	2021
€m Reduction	(352)	(334)
% reduction	(4.0%)	(3.5%)

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

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 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.

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

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 2022, held a long-term Moody's credit rating of Aa2 (2021: 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 2022, cash held at the Central Bank of Ireland was €982m (2021: €1,673m) and with the Global Custodian was €274m (2021: €549m).

The exposure to credit risk in the Discretionary Portfolio at 31 December 2022 is the carrying value of the financial securities as set out below.

	Reference	2022 €m	2021 €m
Cash and cash equivalents (Note 12)	(i)	1,268	2,233
Debt securities	(ii)	834	360
Loans and receivables	(iii)	483	684
Trade and other receivables	(iv)	70	58
Derivative assets	(v)	130	18
Total		**2,785**	**3,353**

15. Financial risk management – Discretionary Portfolio (continued)

15.3 Credit risk (continued)

Credit risk management (continued)

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 (2021: AAA) and Aa2 (LT Deposit Rating) (2021: Aa1). Cash equivalents includes Exchequer notes, treasury bills and short-term funds maturing within 90 days.

ii) Debt securities

At 31 December, the Fund had invested in debt securities issued by entities with the following Moody's credit rating:

External rating	2022 €m	2021 €m	2022 %	2021 %
Aa1 to Aa3/AAA to AA	358	3	43%	1%
A1 to A3/A+ to A-	80	2	10%	1%
Baa1 to Baa3/BBB+ to BBB-	67	23	8%	6%
Ba1 to Ba3/BB to BB-	132	203	16%	56%
B1 to B3/B+ to B-	37	58	4%	16%
Caa1 to Caa3/CCC+ to CCC-	6	3	1%	1%
No external rating	154	68	18%	19%
	834	**360**	**100%**	**100%**

iii) Loans and receivables

Rating	2022 €m	2021 €m	2022 %	2021 %
No external rating	483	684	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:

2022	Fair value €m	Gross notional amount €m
Exchange traded	7	162
OTC – other bilateral	123	5,151
Total	**130**	**5,313**

2021	Fair value €m	Gross notional amount €m
Exchange traded	15	694
OTC – other bilateral	3	1,237
Total	**18**	**1,931**

Collateral and other credit enhancements and their financial effect

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

15. Financial risk management – Discretionary Portfolio (continued)

15.3 Credit risk (continued)

Credit risk management (continued)

Derivatives

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

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

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

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

15.4 Liquidity risk

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

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

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

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

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

At 31 December 2022, 49% (2021: 51%) of the Fund was invested in readily realisable assets.

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 and behavioural risk; process risk; change and project risk; information technology, data and cyber security risk; governance risk; third-party risk; business disruption risk; fraud risk; 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.

15. Financial risk management – Discretionary Portfolio (continued)

15.5 Operational risk (continued)

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.

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 Finance, 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.

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair values of financial instruments (continued)

ii) Valuation framework (continued)

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 2022. 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.

2022	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
i) Equities and managed funds				
Quoted equities	744	-	-	**744**
Quoted commodities	239	-	-	**239**
Direct private equity	-	-	410	**410**
Quoted investment funds	1,337	-	-	**1,337**
Unquoted investment funds	-	720	284	**1,004**
Convertible preference shares	-	-	25	**25**
ii) Debt securities				
Unlisted debt securities	-	5	105	**110**
Listed debt securities	699	-	-	**699**
iii) Limited partnerships/trusts				
Property fund investments	-	-	189	**189**
Private equity fund investments	-	-	1,658	**1,658**
Forestry fund investments	-	-	93	**93**
Energy fund investments	-	-	45	**45**
Infrastructure fund investments	-	-	353	**353**
iv) Derivatives financial assets				
Foreign exchange contracts	-	123	-	**123**
Futures contracts	7	-	-	**7**
	3,026	**848**	**3,162**	**7,036**
v) Derivatives financial liabilities				
Equity options	-	(1)	-	**(1)**
	3,026	**847**	**3,162**	**7,035**
Treasury bills	12	-	-	**12**
Total	**3,038**	**847**	**3,162**	**7,047**

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair values of financial instruments (continued)

ii) Valuation framework (continued)

2021	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
i) Equities and managed funds				
Quoted equities	799	-	-	**799**
Direct private equity	-	-	396	**396**
Quoted investment funds	1,604	-	-	**1,604**
Unquoted investment funds	-	819	361	**1,180**
Convertible preference shares	-	-	23	**23**
ii) Debt securities				
Unlisted debt securities	-	-	46	**46**
Listed debt securities	291	-	-	**291**
iii) Limited partnerships/trusts				
Property fund investments	-	-	146	**146**
Private equity fund investments	-	-	1,787	**1,787**
Forestry fund investments	-	-	78	**78**
Energy fund investments	-	-	35	**35**
Infrastructure fund investments	-	-	318	**318**
iv) Derivatives financial assets				
Equity Options	3	-	-	**3**
Foreign exchange contracts	-	-	-	**-**
Futures contracts	15	-	-	**15**
	2,712	819	3,190	**6,721**
v) Derivatives financial liabilities				
Foreign exchange contracts	-	(38)	-	**(38)**
	2,712	781	3,190	**6,683**
Treasury bills	5	-	-	**5**
Total	**2,717**	**781**	**3,190**	**6,688**

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:

	2022 €m	2021 €m
Balance at 1 January	3,190	2,841
Total gains or losses recognised in profit or loss	(22)	518
Purchases	436	475
Sales	(442)	(644)
Balance at 31 December	**3,162**	**3,190**

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 was valued at its relevant quoted market price at 31 December 2022 (2021: AIB and Bank of Ireland).

The Fund's Global Custodian holds the Fund's investments in 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 2022 held a long- term Moody's credit rating of Aa2 (2021: 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	
2022	**2022 €m**	**2021 €m**
AIB	5,499	4,023
Bank of Ireland	-	416
	5,499	**4,439**

Market price risk exposure

The cumulative Directed Portfolio asset value exposed to market price risk at 31 December 2022 comprises the value of investments as detailed in the following table:

	2022 €m	**2021 €m**
Exposure to market price risk		
AIB	5,499	4,023
Bank of Ireland	-	416
	5,499	**4,439**
Not exposed to market price risk		
Cash	452	180
Receivables for investments sold	-	4
Irish Exchequer Note	-	75
HBFI Loan	330	125
	782	**384**
Total Directed Investments	**6,281**	**4,823**

17. Comparative Information

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

18. Events after the reporting period

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

19. Approval of financial statements

The financial statements were approved by the Agency on 4 May 2023.