National Treasury Management Agency

Annual Report and Accounts for the year ended

31 December 2012

Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

30 June 2013

Mr Michael Noonan TD

Minister for Finance

Government Buildings

Upper Merrion Street

Dublin 2

Dear Minister

I have the honour to submit to you the Report and Accounts of the National Treasury Management Agency for the year ended 31 December 2012.

Yours sincerely

John C. Corrigan

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Chief Executive

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About the NTMA

The National Treasury Management Agency (NTMA) is a State body which operates with a commercial remit to provide asset and liability management services to Government. It has evolved from a single function agency managing the National Debt to a manager of a complex portfolio of public assets and liabilities. Businesses managed by the NTMA include borrowing for the Exchequer and management of the National Debt, the State Claims Agency, the New Economy and Recovery Authority, the National Pensions Reserve Fund and the National Development Finance Agency. The NTMA assigns staff to the National Asset Management Agency and also provides it with business and support services and systems.

Funding and Debt Management: The NTMA is responsible for borrowing on behalf of the Government and managing the National Debt in order to ensure liquidity for the Exchequer and to minimise the interest burden over the medium-term. The Funding and Debt Management Directorate also performs a number of other functions including executing NAMA and NPRF treasury transactions, providing a Central Treasury Service for State bodies and local authorities and managing the assets of the Dormant Accounts Fund. The NTMA is also the Scheme Operator of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009.

State Claims Agency (SCA): Acting as the State Claims Agency, the NTMA manages personal injury, property damage and clinical negligence claims brought against certain State authorities, including Government ministers and health enterprises. It also has a risk management role, advising and assisting State authorities in minimising their claim exposures. In 2012 the Government decided to establish a Legal Costs Unit within the SCA to deal with third-party costs arising from certain Tribunals of Inquiry.

New Economy and Recovery Authority (NewERA): In September 2011 the Government announced the establishment of NewERA, initially on a non-statutory basis, within the NTMA. The core role of NewERA involves the oversight of the financial performance, corporate strategy, capital and investment plans of the five commercial semi-state companies within its remit - ESB, Bord Gáis Éireann, EirGrid, Bord na Móna and Coillte - and working with stakeholders to develop and structure proposals for investment in energy, broadband and water to support economic activity. NewERA's role also involves, where requested, advising on the disposal or restructuring of State assets.

National Pensions Reserve Fund (NPRF): The NTMA is Manager of the National Pensions Reserve Fund which was established with the objective of meeting as much as possible of the costs of social welfare and public service pensions from 2025 onwards. The Fund's investments comprise a globally diversified portfolio of equities, bonds and alternative assets and the public policy investments in Irish banks made at the direction of the Minister for Finance. In June 2013 the Government announced its intention to reorient the NPRF to the Ireland Strategic Investment Fund with a mandate focused on commercial investment in Ireland.

National Development Finance Agency (NDFA): The National Development Finance Agency is the statutory financial advisor to State authorities in respect of all public investment projects with a capital value over €20 million. The NDFA also has full responsibility for the procurement and delivery of Public Private Partnership (PPP) projects in sectors other than transport and the local authorities. It performs its functions through the NTMA.

National Asset Management Agency (NAMA): The National Asset Management Agency was established in 2009 as one of a number of initiatives taken by the Government to address the serious crisis in Irish banking which had developed as a result of excessive lending to the property sector. It has acquired certain loan assets (land and development and associated loans) with a nominal value of €74.2 billion for a consideration of €31.8 billion paid in the form of Government-guaranteed securities issued directly to the institutions. Its mandate is to manage acquired assets to obtain the best achievable financial return for the State. The NTMA assigns staff to NAMA and provides NAMA with business and support services and systems.

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

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

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

NTMA
Report & Accounts

For the year ended 31 December 2012

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Chief Executive's Review

The NTMA made substantial progress across the range of its asset and liability management activities during 2012 and into 2013. It re-engaged with the international debt markets with Ireland's first issuance of new debt since its entry into the EU/IMF programme in November 2010 and Ireland is now well positioned to exit from the programme on schedule at the end of this year. Significant investment commitments were made in line with the Government's intention of reorienting the National Pensions Reserve Fund (NPRF) into an Ireland focused strategic investment fund and the National Development Finance Agency (NDFA) is playing a key role in the delivery of the Government's Infrastructure Stimulus Programme. NewERA is up and running and providing independent corporate finance advice and financial analysis to Government on the commercial semi-state sector while a Legal Costs Unit dealing with third-party costs arising from certain Tribunals of Inquiry has been established in the State Claims Agency (SCA). In addition, in June 2013, the Government announced legislative proposals for the establishment of NewERA on a statutory basis, reorienting the NPRF into the Ireland Strategic Investment Fund (ISIF) and streamlining the NTMA's governance structure.

Managing Ireland's return to the international debt markets is a priority for the NTMA. To this end, the NTMA has continued with the intensive investor relations programme which it commenced in 2011. This has involved a structured programme of face-to-face meetings putting the investment case for Ireland to investors in Europe, the US, the Middle East, Asia and to the domestic market. These presentations are based on three simple principles: tell investors the facts, do not over-promise, and return regularly with a progress update. It is a slow and deliberate process, but one which has helped generate renewed interest among institutional investors in Irish Government bonds.

Increased international investor confidence in Ireland has been reflected in the steep falls in Government bond yields from their peak in mid 2011. The various domestic and external factors driving this are discussed in more detail in the body of this Report. Key among the domestic drivers, however, is the Government's continued success in meeting fiscal targets, while, externally, a number of supportive developments at a European level have had a very significant impact. Ireland does remain vulnerable, however, to international developments and, indeed, volatility increased in global bond markets in May and June 2013, driven primarily by concerns around the future path of quantitative easing policies in the US and Japan.

A key goal for the NTMA in 2012 was to reduce the challenging "funding cliff" presented by a bond repayment of almost €12 billion due in mid January 2014 and which was seen by investors as a major obstacle to Ireland's smooth exit from the EU/IMF programme.

The NTMA progressively reduced and eliminated this funding cliff through a series of bond switches and the issuance of new bonds. A significant landmark was reached in March 2013 with the first new 10-year issuance since January 2010. The transaction, which attracted strong international interest and was heavily oversubscribed, confirmed Ireland's ability to access long-term market funding on sustainable terms. The NTMA's focus over the remainder of the year will be on continuing its market funding programme so that Ireland has the comfort of having 12-15 months' advance funding in place when the EU/IMF programme reaches its scheduled end. Such funding "visibility" is vital if Ireland is to successfully exit the programme at the end of this year.

Turning to the NPRF, during 2012 and the early part of 2013 the Fund took a number of important strides towards refocusing its investments on commercial investment in Ireland in keeping with Government's declared intention of channelling NPRF resources towards productive investment in the Irish economy. It has announced investment commitments to three SME-focused funds that will provide €850 million of equity, credit and restructuring / recovery investment for Irish small and medium-sized enterprises. The NPRF played a significant role in the development of these funds and will be a cornerstone investor in each. By committing its resources as a cornerstone minority investor, the NPRF's assets can be leveraged and act as a catalyst for attracting additional investment from third-party investors into funds targeted at areas of strategic importance and that fill financing gaps in the economy.

The NPRF has also provided funding support to two recent significant Public Private Partnership (PPP) projects (the Schools Bundle 3 and N11/N7 road projects) and the ISIF is expected to play a significant role in the financing of the Government's multi-year €1.4 billion PPP programme which forms part of its €2.25 billion Infrastructure Stimulus Programme.

The NTMA is also playing a key role in the delivery of the Infrastructure Stimulus Programme through its NDFA function. The NDFA is carrying out a comprehensive engagement programme with potential project funders who have been absent from the Irish market since the financial crisis first took hold and continues to seek both traditional and alternative funding sources for capital investment. As we have had to do as part of our debt management function, Ireland needs to rebuild the trust and confidence of investors in our PPP programme and an active investor engagement programme is a key part of that. In addition to putting together financing packages for the Schools Bundle 3 and N11/N7 road projects – the first PPP contracts signed since Ireland's entry into the EU/IMF programme – the NDFA has played a lead role in sourcing some €340 million in funding for capital projects from the European Investment Bank and the Council of Europe Development Bank.

2012 was the first full year of operations for NewERA. It provided financial advice and analysis to Government on a broad range of issues, including funding, capital expenditure, corporate plans and the establishment of Irish Water. It has also been providing assistance and advice on potential State asset disposals and is project-managing the disposal of Bord Gáis Éireann's energy business. Looking beyond these immediate projects, however, the longer-term value for the State arises from having its own dedicated corporate finance expertise with an emphasis on return on capital and on dividend policy.

During 2012 the State Claims Agency maintained its focus on minimising the State's exposure to claims, whether through its ongoing risk management advice to clinicians, schools and State authorities, through its careful and proactive management of almost 6,000 claims, or indeed via its innovative new procurement initiative that aims to secure significant reductions in legal costs. In 2012 the Government decided to establish a Legal Costs Unit within the SCA to deal with third-party costs arising from certain Tribunals of Inquiry – initially the Mahon and Moriarty Tribunals. The Legal Costs Unit is now up and running and is already making significant savings for the State.

The National Asset Management Agency (NAMA) draws on the NTMA for its staff and for a range of corporate support services. By end June 2012 NAMA had assessed all debtor business plans and its focus moved to maximising its return on the acquired loans and on the property assets securing them. In that respect, NAMA has made substantial progress in generating cash flows from its debtors' loans and underlying assets and in repaying the bonds it issued as consideration. Some €10.6 billion in debtor receipts was generated in the period from its inception to end December 2012, allowing NAMA to redeem, over the same period, €4.75 billion of senior bonds and placing it firmly on course to meet its end-2013 target of redeeming €7.5 billion of senior bonds.

In June 2013 the Government announced legislative proposals to establish NewERA on a statutory basis and reorient the NPRF into the Ireland Strategic Investment Fund focused on investment in Ireland on commercial terms that will contribute to economic activity and employment. While the ISIF will build on investment initiatives taken by the NPRF, legislative change is required as the NPRF's statutory investment policy limits the amount of investment in Ireland due to the concentration risk this would entail.

The Government also announced legislative changes – based on proposals put forward by the NTMA - to establish an overarching NTMA Board to oversee all of the NTMA's functions, other than NAMA which will continue to have its own separate governance structure, and which will replace the various boards and committees currently in place. The NTMA has taken on a range of additional responsibilities over the years since its original establishment as a single function debt management agency and this is an opportune moment to streamline the various boards and committees that currently oversee its various functions. I believe the new governance structure will greatly assist in the delivery of the NTMA's objectives in an integrated and coherent manner.

I would like to thank the members of the NTMA Advisory Committee for their assistance and advice during the year. In particular, I wish to acknowledge the invaluable contribution of David Byrne, the Committee Chairperson, and Hugh Cooney, who served as a Committee member and Chairperson of the Audit Committee, both of whose appointments expired at end 2012, and to express my thanks for their service to the Committee.

Finally, I wish to thank management and staff for their continued professionalism and commitment without which the NTMA could not deliver on its challenging mandate.

John Corrigan
Chief Executive

Executive and Advisory Committee

Senior Management Team

John Corrigan
Chief Executive

Ciarán Breen
Director, State Claims Agency

Eileen Fitzpatrick
Director, NewERA

Brendan McDonagh
Director, NTMA and Chief Executive, National Asset Management Agency

Brendan Murphy
Director, Finance, Technology and Risk

Brian Murphy
Director, NTMA and Chief Executive, National Development Finance Agency

Eugene O'Callaghan
Director, National Pensions Reserve Fund

Andrew O'Flanagan
Head of Legal, Control and Compliance

Oliver Whelan
Director, Funding and Debt Management

Our Mission and Values

The NTMA has formulated a mission statement to encapsulate the central purpose of the organisation across its business areas and a set of core values to guide staff behaviour and decision-making.

Mission Statement

To manage public assets and liabilities commercially and prudently.

Core Values

We act commercially while fulfilling our public service responsibilities.

We act with honesty and integrity.

We are results focused and are each accountable for the work we do.

We are adaptable and proactive.

We value our people and treat each other with dignity and respect.

Advisory Committee

(as of 28 June 2013)

Brendan McDonagh

Brendan McDonagh is Chairman and Chief Executive Officer of the Bank of N.T. Butterfield & Son Limited, Hamilton, Bermuda. He is a former CEO of HSBC North America Holdings Inc with responsibility for the Group's banking and consumer finance operations in the US and Canada. He was also Group Managing Director for HSBC Holdings Inc and a member of the HSBC Group Management Board.

Tytti Noras

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

John Moran

John Moran is Secretary General of the Department of Finance. Previously he served as Second Secretary General at the Department of Finance where he was Head of Banking and responsible for all banking policy matters, management of the State's shareholding in banks and reform and reorganisation of the Irish banking sector. Formerly, he was Head of Wholesale Bank Supervision in the Central Bank of Ireland and worked with Zurich Capital Markets, McCann FitzGerald, GE Capital Aviation Services, GPA Group and Sullivan & Cromwell.

Donald C Roth

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

Funding and Debt Management

Ireland re-engaged with the international debt market in 2012 for the first time since its entry into the EU/IMF Programme of Financial Support (the EU/IMF programme) in November 2010. The NTMA took advantage of a number of long-term debt issuance opportunities in 2012 combined with more regular access to the short-term market, particularly through the resumption of the Treasury Bill programme.

Market Review

Irish Government bonds have enjoyed a sustained rally since July 2011 when 10-year yields peaked at over 14 per cent and 2-year yields peaked at over 22 per cent. The agreements reached in July and September 2011 to reduce the cost of the European portion of Ireland's borrowings under the EU/IMF programme created a positive momentum for the market in Irish Government bonds.

This strong performance has been broadly based and has resulted in a dramatic improvement in the yields in Irish Government bonds.

The factors behind the rally include:

- Ireland's consistent delivery on its EU/IMF programme commitments and adherence to all quantitative fiscal targets;
- The progressive elimination of the large refinancing requirement arising from the bond maturity in mid-January 2014;
- The EU leaders' supportive reference to Ireland in their statement of 29 June 2012 on the necessity to break the link between sovereign and banking debt; the statement by the President of the European Central Bank (ECB) on 26 July 2012 that "the ECB is ready to do whatever it takes to preserve the euro"; and the ECB's announcement on 2 August 2012 of the Outright Monetary Transactions (OMT) policy initiative which indicated a commitment to buy, if necessary, sovereign bonds in the secondary market with a focus on bonds with a maturity of one to three years;
- The promissory note arrangement, whereby Irish Government Bonds were issued to the Central Bank of Ireland, and the promissory notes previously held by Irish Bank Resolution Corporation (IBRC) were cancelled. This will have positive implications for the State's funding requirements and for the General Government Balance and the General Government Debt in the medium to long term;
- Regaining access to international debt markets and the first issuance of long-term debt since entering the EU/IMF programme in late 2010; and
- The improvement in Ireland's debt profile, particularly reinforced by the EU agreement on 12 April 2013 to further extend the maturities of the European portion of Ireland's EU/IMF programme loans by an average of seven years.

The decline in bond yields through 2012 was most marked in shorter maturities.

Irish Government Bond Yields

Maturity	Yield at End 2011 (%)	Yield at End 2012 (%)	Change Year to End 2012
2013	7.45	0.77	-6.68
2014	7.58	1.52	-6.06
2015	-	1.58	new issue
2016	7.67	2.50	-5.17
2017	-	3.31	new issue
2018	8.18	3.63	-4.55
2019	8.26	4.21	-4.05
2020	8.25	4.43	-3.82
2025	8.10	5.13	-2.97

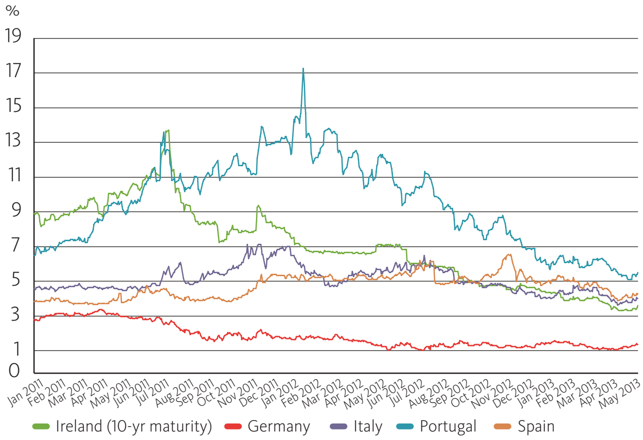
Source: NTMA

Renewed secondary market buying interest through January and February 2012 brought yields in all maturities below 7 per cent and led to three months of stable yields despite an increasingly uncertain backdrop elsewhere in the eurozone. In mid May 2012, however, yields increased above 7 per cent amid increased concerns regarding the situation in Greece along with developments in the Spanish banking sector and concerns regarding the Irish referendum on the EU Fiscal Compact Treaty.

Yields fell again in July 2012 following the statement from the Euro Area Summit on the importance of breaking the link between sovereign and bank debt. In addition, the ECB's announcement in August 2012 of a commitment to buy sovereign bonds in the secondary market with a maturity of between one and three years (Outright Monetary Transactions) led to a sharp rally at the short end of eurozone yield curves. A feature of the Irish Government bond market in the second half of the year was its relative stability in light of volatility in other eurozone Government bond markets.

The positive momentum generated in 2012 carried through into 2013 and significant yield declines were observed in early 2013, particularly following the issuance of a new 10-year benchmark bond in March. However, in May and June 2013 volatility increased in international bond markets, including Ireland, driven primarily by concerns around the future path of quantitative easing policies in the US and Japan.

10 Year Government Bond Yields 1 January 2011 to 31 May 2013



Source: Bloomberg

Funding Activity

Funding Strategy

Since entering the EU/IMF programme the NTMA's working plan has been to return to the markets on a phased basis, both through short-term issuance and by taking advantage of opportunities to issue long-term debt, as and when they arise. During 2012 and the first half of 2013 a number of successful long-term debt market operations were conducted, along with a regular schedule of short-term Treasury Bill auctions which recommenced in July 2012.

A priority for the NTMA in 2012 was to reduce the challenging "funding cliff" presented by a bond repayment of €11.9 billion due in January 2014. The substantial redemption, soon after the end of the EU/IMF programme, was seen by investors as a major obstacle to a smooth exit from the programme. The combined effects of the long-term market operations carried out in 2012 and early 2013 have been to eliminate the January 2014 "funding cliff." This has been viewed positively by the debt markets and has contributed significantly to rebuilding investor confidence in Irish Government bonds.

The NTMA's intensive investor relations programme of 2012 has been continued into 2013. This has helped generate renewed interest among institutional investors in Irish Government bonds and has reinforced existing investor conviction. The NTMA conducted a series of presentations and meetings in the US, UK, mainland Europe, Asia and Ireland between February and October 2012. Additional ad-hoc meetings were also conducted throughout this period.

Following the NTMA's continued re-engagement with the market Ireland is well positioned to exit the EU/IMF programme at year-end. Ireland's consistent delivery on its EU/IMF programme commitments has been central to the fall in bond yields and the significant improvement in investor sentiment towards Ireland. Nonetheless, Ireland's continued access to the international bond markets also remains critically dependent on external factors, particularly developments at a wider eurozone level.

Long-term Funding

In 2012 the NTMA's engagements with the debt markets included bond switches (€4.6 billion); the issuance of conventional bonds (€4.2 billion); and the issuance of a new debt instrument, Irish Amortising Bonds, tailored to meet the needs of the domestic pensions industry (€1.0 billion).

The NTMA's own market borrowings, combined with drawdowns of some €21 billion under the EU/IMF programme during 2012, were applied to fund an Exchequer deficit of €14.9 billion and to refinance €5.6 billion of maturing debt.

The NTMA maintained Exchequer cash and other short-term cash management balances of €19.3 billion at year-end. Against a background where Ireland seeks to achieve sustainable access to the debt markets while running a sizeable though declining budget deficit, the need to hold significant cash balances as Ireland emerges from the EU/IMF programme is paramount. In line with this, it is envisaged that the State will have sufficient cash on hand at the end of the EU/IMF programme to cover 12-15 months of Exchequer financing needs.

Bond Switches 2012

Bond switches provide investors with an opportunity to sell their holdings of one Irish Government bond in exchange for another. In 2012 the NTMA conducted two bond switches with the aim of improving the structure of Ireland's debt and in particular to reduce the funding requirement associated with the refinancing of the 2013 and 2014 bond maturities. In January investors switched €3.53 billion of the 2014 bond into a new 2015 bond while in July holders of the 2013 and 2014 bonds switched €1.04 billion into a new 2017 bond and the existing 5% October 2020 bond.

New Issuance 2012

Along with the second bond switch in July, the NTMA also offered investors the opportunity to invest additional money in the new 5.5% October 2017 and the existing 5% October 2020 bonds. This was Ireland's first long-term debt issuance since September 2010. Investors committed €4.19 billion to these bonds at a yield of 5.9 per cent for the 2017 bond and a yield of 6.1 per cent for the 2020 bond. The weighted-average yield on the combined transaction was 5.95 per cent.

New Issuance 2012			
Date of Sale	Maturity	Amount €m	Yield %
26 Jul.	Oct. 2017	2,894	5.90
26 Jul.	Oct. 2020	1,299	6.10
Total		**4,193**	**5.95**

Source: NTMA

In August the NTMA issued a new debt instrument, Irish Amortising Bonds, tailored to meet the needs of the domestic pensions industry. Unlike standard bonds where the annual interest payments are followed by the repayment of principal at maturity, the new amortising bonds pay an equal payment each year comprising of principal and interest over their lifetime, reflecting the preference of pension schemes and annuity providers for a steady stream of income. A total of €1,021 million was issued at a weighted-average yield of 5.91 per cent over a range of maturities from 2027 to 2047.

Irish Amortising Bonds Issued 2012		
Maturity	Amount €m	Yield %
35-Year Maturity (20 Sep. 2047)	331	5.92
30-Year Maturity (20 May 2042)	323	5.92
25-Year Maturity (20 Jan. 2037)	298	5.92
20-Year Maturity (20 Mar. 2032)	34	5.82
15-Year Maturity (20 Jul. 2027)	35	5.72
Total	**1,021**	**5.91**

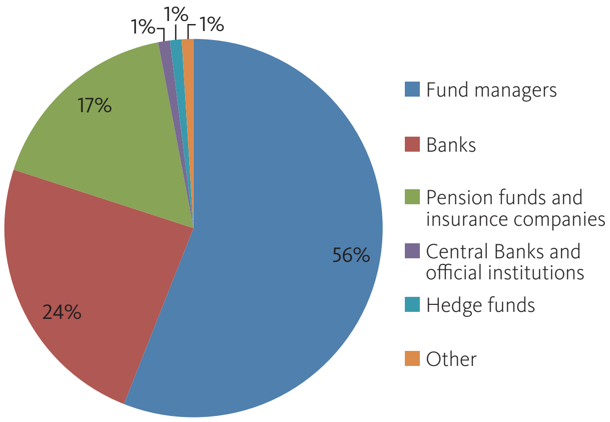
Source: NTMA

2013 Developments

In January 2013 the NTMA raised €2.5 billion by way of a syndicated tap of its 5.5% October 2017 bond. The funds were raised at a yield of 3.32 per cent. A syndicated tap is the sale, at a pre-determined price, of additional amounts of an existing bond through a syndicate of primary dealers.

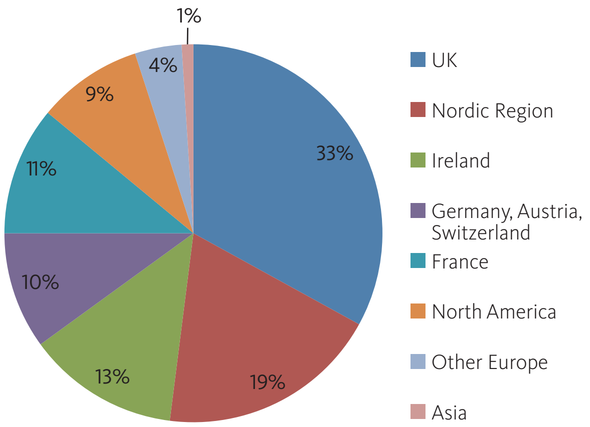
There was broadly-based interest in the issue with over 200 investors submitting bids, including fund managers, banks, pension funds and insurance companies. The total bids received amounted to some €7 billion. Thirteen per cent of the issue was taken up by domestic investors and 87 per cent by overseas investors. The overseas investors were mainly from the UK (33 per cent), Nordic countries (19 per cent), France (11 per cent), and Germany (7 per cent). Outside of Europe, North America accounted for 9 per cent and Asia just over 1 per cent.

2017 Bond Tap by Investor Type



Source: NTMA

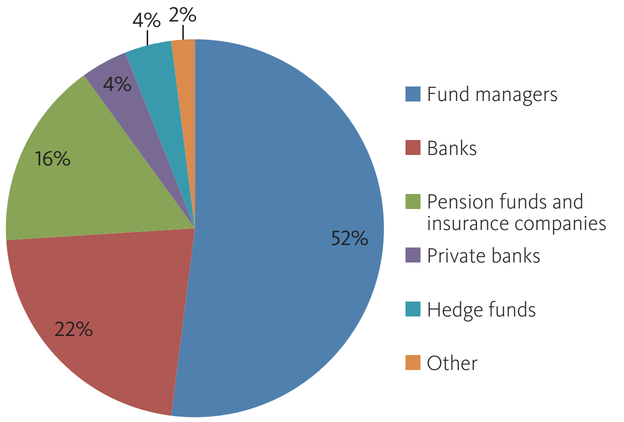
2017 Bond Tap by Geographic Area



Source: NTMA

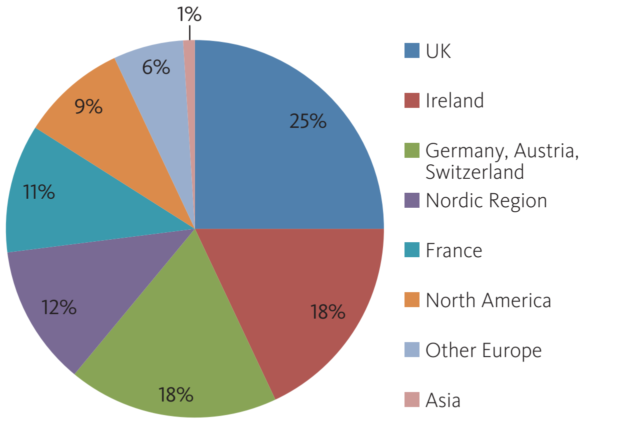
In March 2013 the NTMA launched its second syndicated transaction of the year. This raised €5 billion through the sale of a new benchmark bond maturing in March 2023. The funds were raised at a yield of 4.15 per cent. The sale was the NTMA's first new 10-year issuance since January 2010. There was strong demand for the issue, with over 400 investors submitting bids, including fund managers, banks, pension funds and insurance companies. The total bids received amounted to some €13 billion. Eighteen per cent of the issue was taken up by domestic investors and 82 per cent by overseas investors. The overseas investors were mainly from the UK (25 per cent), Germany (12 per cent), Nordic countries (12 per cent), France (11 per cent) and other European investors (6 per cent). Outside of Europe, North America accounted for 9 per cent and Asia just over 1 per cent.

2023 Bond Issuance by Investor Type



Source: NTMA

2023 Bond Issuance by Geographic Area



Source: NTMA

Promissory Note Transaction

Following the liquidation of Irish Bank Resolution Corporation on 7 February 2013, and the agreement between the Irish Government and the Central Bank of Ireland 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 Treasury bonds. A total amount of €25 billion was issued to the Central Bank with maturities ranging from 25 to 40 years. The bonds will pay interest every six months (June and December) based on the 6-month Euribor interest rate plus a fixed margin which averages 2.63 percentage points across the eight issues.

Floating-Rate Treasury Bonds Issued 2013

Bond	Amount Issued €bn	Interest Margin %
Floating-Rate Treasury Bond 2038	2	2.50
Floating-Rate Treasury Bond 2041	2	2.53
Floating-Rate Treasury Bond 2043	2	2.57
Floating-Rate Treasury Bond 2045	3	2.60
Floating-Rate Treasury Bond 2047	3	2.62
Floating-Rate Treasury Bond 2049	3	2.65
Floating-Rate Treasury Bond 2051	5	2.67
Floating-Rate Treasury Bond 2053	5	2.68

Source: NTMA

There are a number of notable benefits to the State as a result of this transaction. The weighted-average maturity of 34–35 years for the new floating-rate bonds amounts to a considerable extension of the 7-8 years average for the promissory notes and at a lower funding cost for the State. The Central Bank will sell the bonds gradually according to an agreed schedule of minimum amounts – to end 2014 (€0.5bn), 2015-2018 (€0.5bn p.a.), 2019–2023 (€1bn p.a.), 2024 and after (€2bn p.a.). Any sale of the bonds in excess of this schedule will be possible only where such a sale is not disruptive to financial stability. This results in significant annual interest savings for the State. The Central Bank also has an option to exchange a portion of the new floating-rate bonds for fixed- coupon bonds each year until all of the bonds have been exchanged.

The replacement of the promissory notes is estimated to reduce the State's funding requirement by €2 billion annually over the next 10 years.

There will also be a positive impact on the General Government Balance of approximately €1 billion per annum in the coming years. While the benefits for 2013 are likely to be offset by transaction costs resulting from the liquidation of IBRC, the forecast General Government Deficit for 2014 and 2015 is reduced by an estimated 0.6 per cent of Gross Domestic Product annually as a result of the transaction. General Government Debt will also be lower over the long term due to a reduced borrowing requirement.

Short-term Funding

A major goal for the NTMA in 2012 was to regain access to the short-term markets – particularly through its Treasury Bill programme.

The NTMA resumed Treasury Bill auctions in July 2012 with the sale of €500 million of 3-month Bills. This was the first such auction since September 2010 and was followed by three further such auctions during the course of 2012. The programme has continued into 2013 with an auction of Treasury Bills each month in Quarter 1 and Quarter 2.

NTMA Treasury Bill Auctions 2012				
Date of Auction	Maturity	Amount €m	Yield % (annualised)	Bid-to-Cover
5 Jul. 2012	3 months	500	1.80	2.8
13 Sep. 2012	3 months	500	0.70	3.0
18 Oct. 2012	3 months	500	0.70	3.6
15 Nov. 2012	3 months	500	0.55	4.1

Source: NTMA

NTMA Treasury Bill Auctions 2013 (to end June)				
Date of Auction	Maturity	Amount €m	Yield % (annualised)	Bid-to-Cover
17 Jan. 2013	3 months	500	0.20	3.8
21 Feb. 2013	3 months	500	0.24	3.3
21 Mar. 2013	3 months	500	0.24	3.4
18 Apr. 2013	3 months	500	0.20	4.8
16 May 2013	3 months	500	0.13	3.6
20 June 2013	3 months	500	0.20	2.9

Source: NTMA

The NTMA also maintained its Ireland Multi–Currency Euro Commercial Paper (ECP) programme in 2012. The programme is listed on the Irish Stock Exchange. Paper is sold on a reverse-enquiry basis and prices are quoted on Bloomberg. There was €1.3 billion outstanding at end 2012 compared with €348 million at end 2011. 2012 also witnessed an improved spread of investors, an increase in the average maturity of paper issued and a decline in funding costs. The NTMA also issues short-term debt in the form of Exchequer Notes and Central Treasury Notes, mainly to domestic institutional investors.

State Savings

State Savings™ is the brand name applied by the NTMA to the range of Irish Government savings products offered to personal savers.

During 2012 there were net inflows of €2.1 billion into the State Savings products and at end 2012 the total amount outstanding was €16.3 billion.

NTMA State Savings Products		
	Total Outstanding at End 2012 €m	Net Inflow in 2012 (Net €m)
3-year Savings Bonds	5,568	785
4 and 10-year National Solidarity Bonds	1,001	394
5½-year Savings Certificates	4,791	558
6-year Instalment Savings	474	(1)
Prize Bonds	1,649	201
Deposit Accounts	2,774	184
Total	**16,257**	**2,121**

Source: NTMA

An Post acts as agent of the NTMA in relation to the sale and administration of State Savings products (except Prize Bonds). The Prize Bond Company (a joint venture between An Post and the Irish financial services company, Fexco) operates the Prize Bond Scheme on behalf of the NTMA.

In December 2012 and June 2013 the NTMA reduced the interest rates paid on State Savings products to reflect changes in the wider savings market. The rates as of 2 June 2013 were as follows:

- 3-year Savings Bond: 4 per cent fixed-rate total return (AER[1] 1.32 per cent);
- 4-year National Solidarity Bond: 8 per cent fixed-rate total return (AER 1.94 per cent);
- 5-year Savings Certificate: 11 per cent fixed-rate total return (AER 2.11 per cent);
- 6-year Instalment Savings: 14 per cent fixed-rate total return (AER 2.41 per cent); and
- 10-year National Solidarity Bond: 35 per cent fixed-rate total return (AER 3.05 per cent).

There were also changes to the variable interest rate on the Deposit Account Plus account and to the variable rate of interest used to determine the value of the Prize Bonds' monthly prize fund. With effect from 2 June 2013, the 30-day notice Deposit Account Plus pays a variable rate of 0.50 per cent AER and the Prize Bonds prize fund rate is 1.75 per cent. The frequency of the Prize Bonds' top €1 million prize also changed from monthly to every second month.

[1] Annual Equivalent Rate

Debt Profile

General Government Debt (GGD) is a measure of the total *gross* consolidated debt of the State and is the measure used for comparative purposes across the European Union. The National Debt is the *net* debt incurred by the Exchequer after taking account of cash balances and other financial assets and is the principal component of GGD. GGD also includes the debt of central and local government bodies as well as promissory notes issued to a number of financial institutions. GGD is reported on a gross basis and does not net off outstanding cash balances and other financial assets – unlike the National Debt. While the figures in this section relate primarily to the GGD, the NTMA's responsibilities relate to the National Debt only.

Composition of Debt at End 2012	National Debt €bn	General Government Debt €bn
Government Bonds	87.85	
EU/IMF Programme Funding	55.90	
Other Medium and Long-term Debt	0.77	
State Savings Schemes*	13.48	
Short-term Debt	3.48	
Cash and other Financial Assets **	-23.85	
National Debt at 31/12/12	**137.63**	
National Debt		137.63
Adjustment for Cash and other Financial Assets		23.85
Promissory Notes to Financial Institutions***		25.26
Other General Government Debt Adjustments		5.72
General Government Debt at 31/12/12		**192.46**

*State Savings also include moneys invested by depositors in the Post Office Savings Bank (POSB). These funds are mainly lent to the Exchequer as short-term advances. Taking into account the POSB, total State Savings outstanding at end 2012 were €16.3 billion.

**Of which Exchequer cash balances and other short-term cash management balances accounted for €19.3 billion at end 2012.

***In February 2013 €25 billion of floating-rate Government bonds were issued to the Central Bank of Ireland in exchange for the promissory notes previously held by IBRC.

Source: NTMA and Central Statistics Office (CSO)

GGD stood at €192.5 billion or 117.6 per cent of Gross Domestic Product at end 2012.

GGD is projected to peak as a percentage of Gross Domestic Product at 123 per cent in 2013. This estimate is two percentage points higher than the Budget 2013 estimate, largely because of pre-funding for 2014 and 2015 and not due to any deterioration in the fiscal position. Ireland is likely to reach its debt-stabilising primary balance target in 2014 and the GGD should begin to decline as a percentage of GDP aided by a reduction in previously accumulated cash balances.

Projected General Government Debt 2013–2016

Year	% of GDP
2013	123.3
2014	119.4
2015	115.5
2016	110.8

Source: Department of Finance (Stability Programme Update, April 2013)

As noted previously, GGD is a gross measure that does not allow for the netting off of cash balances and other financial assets. However a standardised definition of net General Government Debt (Net GGD) is now used by the Central Statistics Office (CSO)[2]. Net GGD is defined as gross GGD less cash and other deposits held by the Exchequer and certain other government financial assets. The CSO estimates that net GGD stood at €152.4 billion or 93.1 per cent of Gross Domestic Product at end 2012.

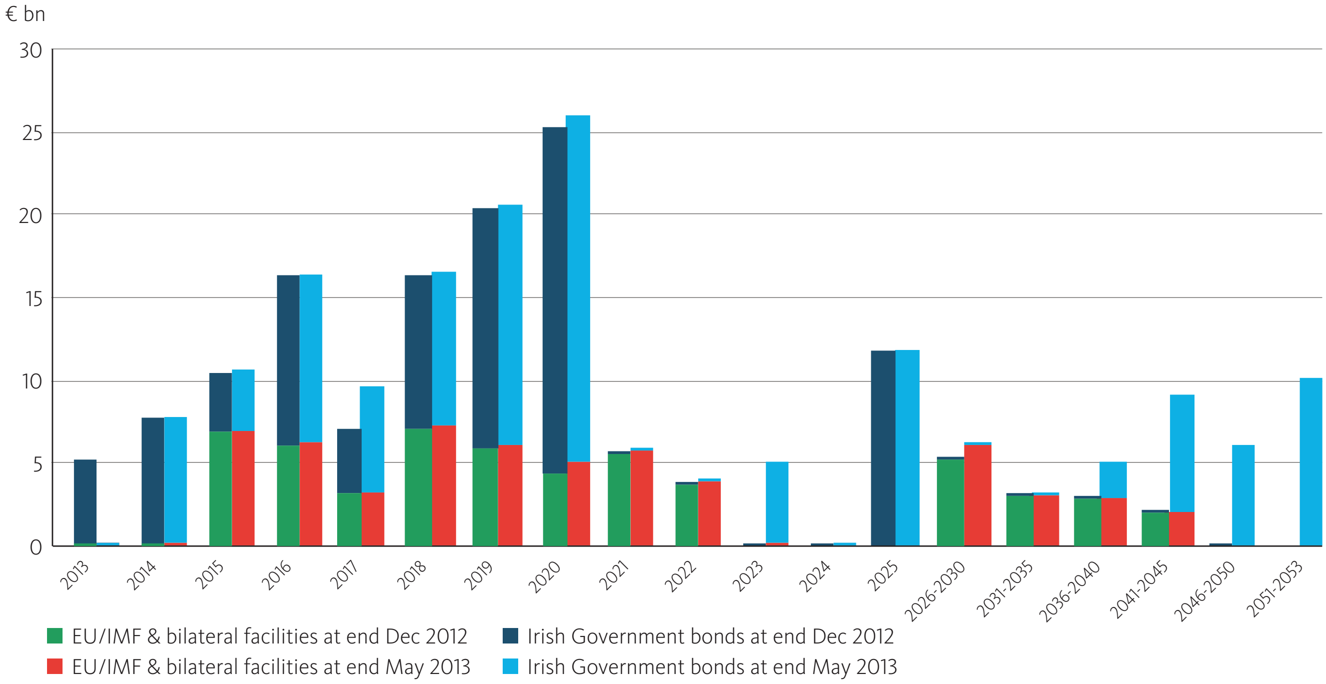
The weighted-average maturity of Ireland's long-term marketable and official debt was 7.3 years at end 2012: the comparable figure at end 2011 was 6.4 years. The weighted-average maturity at end May 2013 was 11.2 years, the increase since end 2012 largely reflecting the issuance in February of long-term floating-rate bonds to replace the IBRC promissory note (these bonds have a weighted-average maturity of 34-35 years) and the issuance in March of a new 10-year benchmark bond.

To support efforts to regain full market access and successfully exit the EU/IMF programme on schedule at end 2013, EU ministers have agreed to lengthen the maturities of the European portion of Ireland's EU/IMF programme loans by increasing the weighted-average maturity by seven years.

This agreement on maturity extensions is another important element in supporting Ireland's successful and durable exit from the EU/IMF programme. It helps to smooth the debt redemption profile and reduces by €20 billion the amount of money that will have to be borrowed in the years 2015 to 2022 to refinance existing debt.

[2] CSO, Government Finance Statistics Annual Results 2009–2012, April 2013

Maturity Profile of Ireland's Long-term Marketable and Official Debt



Source: NTMA

Debt Service Out-turn

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

The cash interest cost of the National Debt charged on the Exchequer in 2012 was €5,679 million. The other items charged to Exchequer debt service costs were sinking funds of €646 million – this is in effect a technical charge on the current budget which is also reflected as a receipt in the capital budget – and fees and administration expenses of €144 million. Exchequer debt service costs were €496 million less than the April 2012 Stability Programme Update (SPU) estimate primarily due to timing factors and the reduced cost of EU/IMF programme funding.

Under the wider General Government measure, interest expenditure in 2012 is estimated at €6,133 million[3], some €327 million below the April 2012 SPU estimate. The ratio of General Government interest expenditure to General Government revenue in 2012 was 10.8 per cent. The April 2013 SPU publication estimated that by 2016, based on assumptions regarding the evolution of revenues, debt levels and interest rates on Government borrowing, the equivalent of some 13.9 per cent of General Government revenues will be required to service General Government debt[4].

[3] CSO, Excessive Deficit Procedure (EDP) Returns April 2013

[4] Department of Finance (Stability Programme Update, April 2013)

Irish Government Bond Market

Benchmark Bonds

Ireland has 12 benchmark bonds with maturities extending across the yield curve to 2025.

The change in profile between end December 2012 and end May 2013 reflects the syndicated tap of the existing 2017 bond in January, new issuance of a 2023 bond in March and the maturity of the 5% 2013 bond in April.

In addition, Ireland has 10 amortising bonds and eight floating-rate bonds. Further details on these bonds can be found in the Long-term Funding section above.

Collective Action Clauses

Under the terms of the European Stability Mechanism Treaty, all eurozone governments are obliged from 1 January 2013 to include Collective Action Clauses (CACs) in the provisions governing new debt issuance with a maturity greater than one year.

CACs allow a supermajority of bondholders (holders of 75 per cent of the aggregate principal amount of a bond) to agree to a modification of the terms and conditions of a bond, such as a restructuring. Any such modifications are legally binding on all holders of the bond, including those who vote against or abstain on it. For the next 10 years eurozone governments will be permitted to issue a certain

Irish Government Benchmark Bonds

Bond	Maturity Date	Outstanding End 2012 €m	Outstanding End May 2013 €m
5.0% Treasury Bond 2013	18 April 2013	5,116	0
4.0% Treasury Bond 2014	15 January 2014	7,599	7,599
4.5% Treasury Bond 2015	18 February 2015	3,640	3,630
4.6% Treasury Bond 2016	18 April 2016	10,176	10,168
5.5% Treasury Bond 2017	18 October 2017	3,929	6,389
4.5% Treasury Bond 2018	18 October 2018	9,276	9,255
4.4% Treasury Bond 2019	18 June 2019	7,700	7,715
5.9% Treasury Bond 2019	18 October 2019	6,782	6,796
4.5% Treasury Bond 2020	18 April 2020	11,809	11,809
5.0% Treasury Bond 2020	18 October 2020	9,052	9,059
3.9% Treasury Bond 2023	20 March 2023	0	5,000
5.4% Treasury Bond 2025	13 March 2025	11,745	11,760

Source: NTMA

amount of older non-CAC bonds as part of their annual funding programmes, beginning at 45 per cent of their annual issuance in 2013 and reducing to five per cent of their annual issuance after 10 years.

Primary Dealer System

The Irish Government bond market has a strong primary dealer group, mainly international investment banks with a global reach. The eighteen primary dealers recognised by the NTMA each make continuous two-way prices in designated benchmark bonds in specified minimum amounts and within maximum bid-offer spreads. A number of stockbrokers also match client orders.

The primary dealers are:

- Barclays, London (www.barcap.com)
- BNP Paribas, London (www.bnpparibas.com)
- Cantor Fitzgerald Ireland Limited, Dublin (www.cantor.com)
- Crédit Agricole CIB, London (www.ca-cib.com)
- Citigroup, London (www.citigroup.com)
- Davy, Dublin (www.davydirect.com)
- Danske Bank, Copenhagen (www.danskebank.com)
- Deutsche Bank, Frankfurt (www.db.com)
- Goldman Sachs, London (www.gs.com)
- HSBC CCF, Paris (www.hsbc.com)
- ING Bank NV, Amsterdam (www.ing-wholesalebanking.nl/)
- JP Morgan, London (www.jpmorgan.com)
- Merrill Lynch International, London (www.baml.com)
- Morgan Stanley & Co International plc (www.morganstanley.com)
- Nomura International plc, London (www.nomura.com)
- Royal Bank of Scotland, London (www.rbsmarkets.com)
- Société Générale, Paris (www.societegenerale.com)
- UBS Limited, London (www.ubs.com)

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

Credit Rating

Ireland retains investment grade status with Standard & Poor's and Fitch, which have both set a rating of BBB+ with a stable outlook, three notches above sub-investment grade. It has a sub-investment grade rating of Ba1 from Moody's since July 2011.

In early 2012 each of the three main rating agencies downgraded a number of eurozone countries in response to the sovereign debt and banking crisis. Ireland avoided a downgrade during that round of rating actions and has maintained its current rating, thanks to progress made in restoring creditworthiness. The announcement by Fitch Ratings in November 2012 that it was revising Ireland's outlook from negative to stable was the first positive action by a ratings agency on Ireland since the start of the financial crisis. This was followed by a similar announcement from Standard and Poor's in February 2013.

Ireland's Sovereign Credit Ratings*

Rating Agency	Long-term Rating	Short-term Rating	Outlook
Standard & Poor's	BBB+	A-2	Stable
Moody's	Ba1	NP	Negative
Fitch Ratings	BBB+	F2	Stable

*As at 28 June 2013

Source: NTMA

EU/IMF Programme of Financial Support for Ireland

The Government agreed, on 28 November 2010, to a three-year €85 billion financial support programme for Ireland by the EU and IMF. The State's contribution to the programme is €17.5 billion while the external support amounts to €67.5 billion.

The external support under the programme comprises:

- €22.5 billion from the IMF Extended Fund Facility;
- €22.5 billion from the European Financial Stabilisation Mechanism (EFSM); and
- €22.5 billion from the European Financial Stability Facility (EFSF) (€17.7bn) and bilateral loans from the United Kingdom (€3.8bn), Sweden (€0.6bn) and Denmark (€0.4bn).

Support is provided on the basis of specific policy conditionality which is detailed in a Memorandum of Understanding.

Liabilities under the EU/IMF programme at end 2012 amounted to €56.4 billion in nominal terms. Loans from EU sources amounted to €37.4 billion and IMF loans amounted to €19 billion. The estimated all-in euro equivalent cost of loans received under the EU/IMF programme was 3.36 per cent at end 2012.

EU/IMF Programme Liabilities Outstanding at End 2012

Lender	Nominal Loan Amount* €bn
EFSM	21.70
EFSF**	12.74
UK	2.45
Denmark	0.20
Sweden	0.30
IMF***	19.03
Total	**56.43**

* Non-euro liabilities are translated into euro at the rates of exchange at 31 Dec. 2012. The net euro amount received by the Exchequer was €55.7 billion after adjustment for below par issuance, deduction of a prepaid margin and the effect of foreign exchange transactions.

** A prepaid margin of €0.53 billion was deducted from the loan of €4.19 billion drawdown on 1 Feb. 2011 giving a net liability of €3.66 billion.

***IMF loans are denominated in Special Drawing Rights (SDRs), an international reserve asset which is composed of a basket of currencies consisting of the euro, Japanese yen, pound sterling and US dollar.

Source: NTMA

Other Functions

In addition to its core functions of borrowing for the Exchequer and debt management, the NTMA Funding and Debt Management Directorate perform a number of other functions.

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

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

The ELG Scheme provides for an unconditional and irrevocable State guarantee for certain eligible liabilities (including deposits) of up to five years maturity issued by participating institutions to the extent that they are not covered by the Deposit Guarantee Scheme operated by the Central Bank of Ireland. These liabilities must have been incurred by participating institutions between the date of their joining the Scheme and the discontinuation of the Scheme. The ELG Scheme was discontinued effective from midnight on 28 March 2013.

Any liabilities guaranteed under the Scheme to 28 March 2013 remain guaranteed until their maturities.

As of the date of the discontinuation of the ELG Scheme amounts guaranteed under the Scheme totalled €75 billion.

Liabilities Covered by ELG Scheme at 28 Mar. 2013	€m
Non-deposit Senior Unsecured Debt	21,302
Deposits	53,282
Total	**74,584**

Source: NTMA

The Deposit Guarantee Scheme is operated by the Central Bank of Ireland and continues to guarantee deposits of up to €100,000 per qualifying depositor per institution. This remains in place and has no expiry date.

Following the liquidation of IBRC on 7 February 2013, the NTMA as ELG Scheme Operator is accepting claims for repayment of any IBRC liabilities guaranteed under the ELG Scheme. Further information is available on the NTMA website. Amounts up to €100,000 may be covered under the Deposit Guarantee Scheme, operated by the Central Bank of Ireland.

IBRC Derivative Guarantee

On 29 November 2010 the Minister for Finance put in place a Deed of Guarantee to cover certain derivative activity undertaken by Anglo Irish Bank Corporation Limited, now IBRC (in Special Liquidation) as it sought to manage underlying interest rate and foreign currency risk within its balance sheet. As a result of the appointment of a Special Liquidator to IBRC on 7 February 2013, derivative counterparties terminated their outstanding derivative transactions with IBRC. In cases where any negative derivative valuations were not already covered by collateral at the date of termination, counterparties are entitled to submit a claim for any shortfall under the Deed of Guarantee.

In March 2013 the Government delegated to the NTMA the functions of:

- Verifying claims for payment in respect of the Deed of Guarantee made by the Minister for Finance on 29 November 2010; and
- Paying out amounts due and payable under the Deed of Guarantee.

Central Treasury Service

The NTMA's Central Treasury Service (CTS) takes deposits from, and makes advances to, non–commercial State bodies, as well as local government authorities, the Health Service Executive and vocational education committees. The objective is to provide these bodies with a competitive alternative to the banking sector for their treasury business and thus to make savings for the Exchequer. At end 2012 CTS loans to a total of 19 designated bodies amounted to €41.1 million. There were 141 deposits placed with the CTS in 2012, with an average balance of €18 million.

Dormant Accounts Fund

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

Pending disbursement, moneys in the Dormant Accounts Fund are managed by the NTMA. The NTMA had €161 million under management at end 2012. €44 million was transferred to the Fund in 2012, while €22 million of previously dormant funds was reclaimed. Disbursements from the Fund amounted to €4 million in 2012.

Other Activities

The Funding and Debt Management Directorate also carries out the following functions:

- Provision of treasury execution services to both the NPRF and NAMA for their hedging requirements as they arise;
- Provision of treasury execution services to the Special Liquidators of IBRC for balance sheet management purposes ahead of any loan sales or loan transfers to NAMA;
- Borrowing on behalf of the Housing Finance Agency under its €6 billion Multi-Currency Commercial Paper Programme;
- Engaging in daily short-term cash management operations to regulate the level of Government cash balances at the Central Bank of Ireland. This is undertaken as part of the overall management of liquidity in the eurozone by the European Central Bank;
- Managing the Carbon Fund and purchasing carbon credits on behalf of Ireland, as part of Ireland's response to its commitments under the Kyoto Protocol. The requirement to purchase carbon credits has been reduced reflecting the effect of the economic downturn on greenhouse gas emissions in Ireland. No carbon credits have been purchased since 2009; and
- Investment of the Residential Institutions Statutory Fund.

State Claims Agency

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

- To ensure that the State's liabilities in relation to personal injury and property damage claims, and the expenses of the SCA in relation to their management, are contained at the lowest achievable level.
- To implement targeted personal injury and property damage risk work programmes to mitigate litigation risk, in State authorities and healthcare enterprises, in order to reduce the costs of future litigation against the State.

The SCA's remit covers personal injury and third-party property damage risks and claims relating to certain State authorities including the State itself, Government ministers, the Attorney General, healthcare enterprises, the Commissioner of An Garda Síochána, prison governors, community and comprehensive schools and various other bodies. There are 54 State authorities within the SCA's remit. The SCA's remit was further extended in April 2012 with the delegation to it by Government of the management of claims in respect of the medicinal products Thalidomide and Nimesulide (Aulin).

In 2012 the Government decided to establish a Legal Costs Unit within the SCA to deal with third-party costs arising from certain Tribunals of Inquiry. The Legal Costs Unit will initially handle claims from parties awarded their legal costs in connection with their attendance at the Mahon and Moriarty tribunals. The third parties will first have been awarded their costs, wholly or partially, by the respective tribunal chairpersons, prior to submitting their costs to the Legal Costs Unit for examination and adjudication. It is expected that the functions of the Legal Costs Unit will be placed on a statutory footing in 2013.

The Minister for Justice, Equality and Defence intends to introduce a new compensation scheme for members of An Garda Síochána maliciously injured in the course of their duties. Under the new proposals, Garda cases seeking compensation for personal injury will no longer be referred to the High Court for adjudication but will instead be managed by the SCA on behalf of the Minister. Savings of €3 million per annum are expected, mainly associated with the speedier delivery of compensation together with reduced legal fees and administrative costs.

Claims Management

The SCA's claims management objective in relation to personal injury and third-party property damage claims is that such claims should be managed so as to ensure the State's liability is contained at the lowest achievable level. This has the following practical implications:

- In cases where the State is considered liable or which involve an apportionment of liability, the SCA's approach is to settle such claims expeditiously, in so far as it is possible to do so, on reasonable terms; and
- In cases where liability is fully disputed by the State, all necessary resources are applied in the defence of such claims.

The SCA manages claims from their initial notification through to final resolution. Claims are investigated in a thorough and timely fashion in order to facilitate early decision-making in relation to liability and strategy.

At end 2012 the SCA had 5,755 claims under management. The estimated liability against all active claims was €1.1 billion, broken down as follows:

Active Claims at End 2012

	Claims	Estimated Outstanding Liability €m
Personal injury (non-clinical) and third-party property damage	3,103	157.1
Personal injury (clinical)	2,652	969.8
Total	**5,755**	**1,126.9**

Source: NTMA

As a result of the delegation of management of claims against new authorities and additional classes of claims, the number of claims under the SCA's active management at end 2012 had increased by 8 per cent when compared with end 2011. In 2012 the SCA received 2,276 new claims and resolved 1,951 claims.

The higher number of personal injury (non-clinical) and third-party property damage claims received in 2011 is due to a large number of in-cell sanitation claims against the Irish Prison Service. The higher number of clinical claims received in 2012 is due to a large number of claims alleging defects in orthopaedic implants manufactured by DePuy Orthopaedics, Inc. The higher number of resolved claims in 2012 is due to the resolution of in-cell sanitation claims.

Claims by Year Received	2010	2011	2012
Personal injury (non-clinical) and third-party property damage	1,262	2,156	1,449
Personal injury (clinical)	544	597	827
Total	**1,806**	**2,753**	**2,276**

Source: NTMA

Claims by Year Resolved	2010	2011	2012
Personal injury (non-clinical) and third-party property damage	1,324	1,218	1,535
Personal injury (clinical)	450	431	416
Total	**1,774**	**1,649**	**1,951**

Source: NTMA

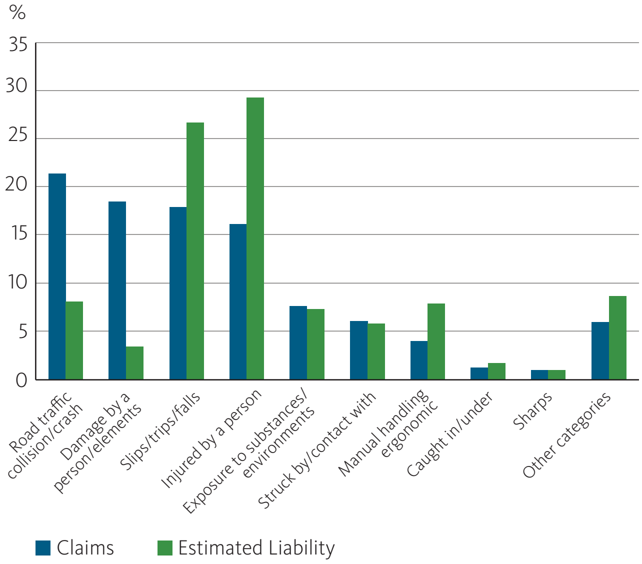
Personal Injury (Non-Clinical) and Third-Party Property Damage

At end 2012 the SCA had 3,103 personal injury (non-clinical) and third-party property damage claims under management, with an estimated liability of €157.1 million. The total paid out in respect of such claims in 2012 amounted to €13 million.

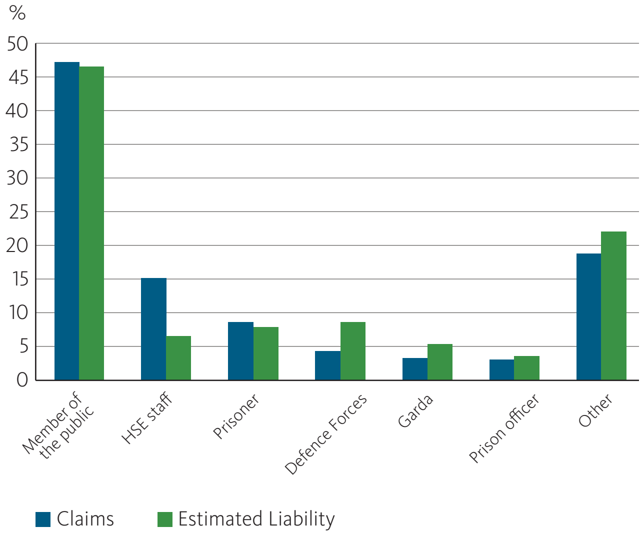
The Health Service Executive (HSE) no longer purchases commercial insurance to cover its personal injury (non-clinical) and third-party property damage exposures. Instead, these claims are managed on a "pay-as-you-go" basis by the SCA.

When the HSE commercially insured the above categories of risk, it paid in excess of €21 million in insurance premia per annum. This means the HSE would have paid approximately €63 million over the past 3 years (2010-2012 inclusive) in dealing with claims which have occurred since 2010. By the end of 2012 only €1.9 million had been expended by the SCA on behalf of the HSE in the management of claims which occurred since 2010, yielding an immediate cash flow saving of approximately €61 million. Based on the current estimated outstanding liability associated with these claims, a long-term saving of at least €30 million is expected to be achieved for the State from their management by the SCA.

Personal Injury (Non-Clinical) and Third-Party Property Damage Claims Received in 2012 by Event Type



Personal Injury (Non-Clinical) and Third-Party Property Damage Claims Received in 2012 by Injured Party



Source: NTMA

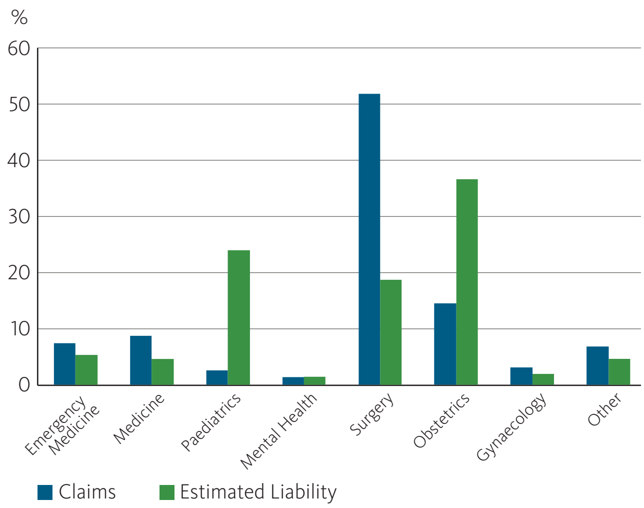
Personal Injury (Clinical)

Clinical claims are managed under a number of separate schemes operated by the SCA. Under the main scheme – the Clinical Indemnity Scheme – the SCA has responsibility for the management of all clinical claims taken against public healthcare enterprises and their clinical, nursing and allied healthcare practitioners.

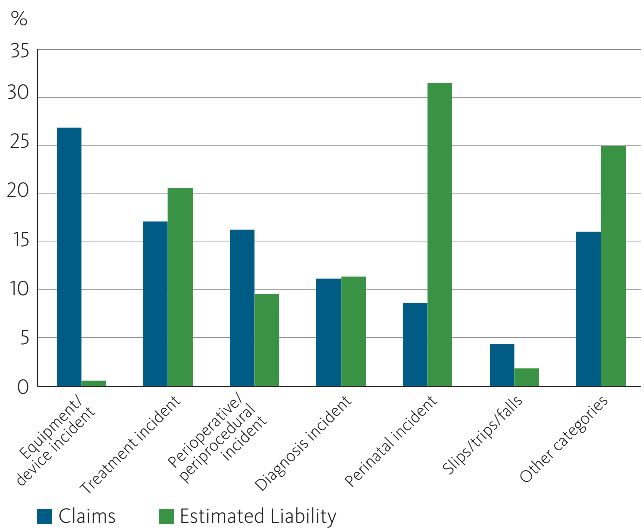
The SCA achieved significant savings on claims and related legal costs associated with the management of clinical claims in 2012. An independent actuarial assessment projected that €127.5 million would be required to satisfy clinical claims and related costs during the year. The net cost, taking account of successful recoveries from third parties, was €84 million – a saving of €43.5 million or 34 per cent.

At end 2012 the SCA had 2,652 clinical claims under management, with an estimated liability of €969.8 million.

Clinical Claims Received in 2012 by Speciality



Clinical Claims Received in 2012 by Event Type



Source: NTMA

Cost Saving Initiatives

The SCA is mandated to ensure that the liability of the State in relation to the management of claims, including the SCA's own expenses, is contained at the lowest achievable level. The SCA has taken a number of cost savings initiatives in recent years as set out below.

Solicitors' Fees

In 2010/2011 the SCA invited tenders in respect of the provision of legal services by solicitors firms for its personal injury (non-clinical), third-party property damage and clinical claims portfolios. Following the tender, the SCA reduced the level of fees paid to its retained solicitors firms by approximately 25 per cent.

In addition the SCA imposed caps on the levels of the fees paid to its panel solicitors in respect of catastrophic injury.

Barristers' Fees

In 2012 the SCA announced a new procurement structure requiring barristers to engage in a competitive tendering process under which their fees were capped at up to 25 per cent below existing levels. This was the first time a State agency had procured barristers for personal injury litigation in this way. Under the new procurement process, barristers were required to set out their fees - subject to the respective caps specified by the SCA - for a wide range of legal services in respect of personal injury actions in the District, Circuit and High Courts. The new procurement structure also provided for a panel of barristers, to provide services to the SCA, who had less than five years practice/experience, so they could gain relevant experience in the area of personal injury actions. This was an initiative by the SCA to encourage younger barristers and to create greater competition at the Irish Bar by increasing the pool of barristers available to it. The barristers procurement initiative attracted approximately 1,000 applications.

Optimal Claims Management and use of the SCA In-House Legal Team

The SCA claims management teams endeavour, wherever possible, and in the appropriate cases, to settle claims prior to the issue and service of legal proceedings, thus reducing the State's overall legal costs bill. In addition, a proportion of litigated claims are handled by the SCA's in-house legal team, thereby reducing the outsourcing costs in respect of legal services. In 2012 the in-house legal team was expanded and a separate, dedicated legal team was established to deal with clinical claims. When fully established it is estimated that an annual saving of approximately €4 million can be achieved.

Claimant Legal Costs

The level of legal costs paid to plaintiffs' legal representatives is carefully reviewed and, wherever possible and by means of negotiations, the SCA seeks to achieve the maximum possible reduction in legal costs. If the SCA cannot successfully agree the level of legal costs to be paid to plaintiffs' legal representatives, the matter is determined by the Taxing Master.

Negotiated Legal Cost Savings			
	2010	2011	2012
Total negotiated savings	€5.5m	€7.1m	€8.0m

Source: NTMA

Money Recoveries/Third-Party Contributions

The SCA vigorously pursues all available money recoveries in accordance with best claim practices and as permitted by law. One such example is the recovery of moneys by means of third party/co-defendant contributions. 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 the third party/co-defendant to the SCA. Additionally, in certain cases, an indemnity in full may be received from a third party/co-defendant.

Recoveries			
	2010	2011	2012
Total recoveries	€6.1m	€15.2m	€3.9m

Source: NTMA

Risk Management

The "risk universe" indemnified by the State and managed by the SCA is extensive. For example, it includes over 200,000 State employees and all public healthcare service users (public healthcare has approximately 7 million contacts with members of the public per annum). It also includes public services that, by their nature, constitute higher risk activities such as the provision of clinical care in hospitals, Defence Forces personnel on operations overseas, members of An Garda Síochána on operational duty, customs inspections, emergency response services and custody of prisoners.

The SCA's risk management objective, and statutory duty, is to advise and assist State authorities and healthcare enterprises on measures to be taken to prevent the occurrence, or to reduce the incidence, of acts or omissions that may give rise to personal injury, property damage or medical negligence adverse events that could subsequently result in claims. The SCA's clinical risk management programme focuses on collaboration with risk managers and other personnel in healthcare enterprises to support patient safety. The personal injury and property damage risk management programme focuses on providing advice and support to State authorities and healthcare enterprises within its remit in relation to risk management structures, maintenance of buildings, fire safety, health and safety and environmental management.

Specifically, the SCA provides a range of practical risk management services and advice to include:

- The hosting of the National Adverse Events Management Systems (NAEMS), a web-based database which facilitates direct reporting of adverse events by State authorities and healthcare enterprises;
- The analysis of adverse events and claims data and the provision of this analysis to State authorities and healthcare enterprises in order to identify risk clusters;
- Publication of risk management guidance and the provision of practical risk management tools;
- The provision of information and training by means of seminars and publications, including the SCA website and newsletters;
- The provision of risk management solutions directly to State authorities and healthcare enterprises in respect of specific risk issues;
- Carrying out risk management reviews and assisting with the development and implementation of State authorities' risk management policies and procedures;
- Supporting the implementation of SCA's recommendations issued to State authorities; and
- The provision of insurance, indemnity and liability advices to state authorities and healthcare enterprises.

Each year, the SCA carries out litigation risk management work programmes in association with client State authorities and healthcare enterprises. State authorities and healthcare enterprises who have actively engaged in SCA supported programmes have shown a significant reduction in the numbers and costs of adverse events and a consequent reduction in the numbers and costs of the claims.

Some significant risk management projects completed during 2012 are summarised below.

Child Protection

The SCA and Association of Community and Comprehensive Schools published the findings of their *Survey of the Management of Child Protection and Welfare in Community and Comprehensive Schools* in November 2012. The survey sought to evaluate the current practices and arrangements in place to manage child protection and welfare and included responses from 56 community and comprehensive schools.

Schools were benchmarked against the current national guidance *Children First: National Guidance for the Protection and Welfare of Children* and the Department of Education and Skills' associated procedures and circulars. The survey results were presented to community and comprehensive schools together with findings and recommendations.

The survey represented an important step in enabling schools to meet the legal requirements set out in the Government's proposed *Children First Bill* aimed at providing a safe environment for children. It provided a clear assessment of the strength of child protection and welfare measures currently in place and identified further measures which could be applied across the community and comprehensive schools sector.

Fire Safety

In 2009 and 2010 the SCA carried out a survey, supported by sample verification audits, of the management of fire safety across State authorities' buildings. Over 730 buildings were included in the survey and individualised reports were sent to each State authority. One of the key recommendations of the survey report was that 'State authorities should ensure all buildings have fire risk assessments which are building specific and in line with best practice requirements.' Following this survey, and to assist in the implementation of this recommendation, the SCA held a series of seminars in 2012 designed to provide practical guidance to State authorities on fire safety management.

The seminars were attended by representatives from almost 40 State authorities. In addition to the SCA speakers there were guest speakers from the Office of Public Works and Dublin Fire Brigade. Key elements of fire safety management and the requirements for and methodology for carrying out fire risk assessments were provided to attendees. In preparation for the seminars the SCA, in conjunction with a number of State authorities, developed and trialled a simplified approach to fire risk assessment appropriate to State authority type fire risks that meets the requirements set out in legislation as well as meeting the duty of care under common law. The fire safety management tools and emergency plans were provided to all State authorities.

Open Disclosure

The SCA, in conjunction with the HSE and the Medical Protection Society, completed a pilot project at the Mater Misericordiae and Cork University hospitals with the objective of providing training and support for doctors and other healthcare professionals to enable them to engage in the open disclosure process in the case of an adverse clinical event.

Traditionally, the generally held view was that an acknowledgement regarding an adverse clinical event, or an apology, would be frowned upon by indemnifiers.

However, there is compelling international evidence to support the concept that open disclosure actually leads to a reduction in the number and cost of claims. Many former litigants report that they had sued because they felt they were not getting honest answers, or because the healthcare professionals and hospital managers failed to apologise for the injury caused to the patient.

This project has informed the wider adoption of open disclosure throughout the country.

National Adverse Events Management System

All State authorities and healthcare enterprises within the SCA's remit are legally obliged to comprehensively report all adverse events that have occurred to the SCA. To facilitate this, all adverse personal injury, clinical and third party property damage adverse events can be reported by means of the web-based National Adverse Events Management System (NAEMS) which is hosted by the SCA for the benefit of State authorities and healthcare enterprises under its remit. The Department of Health has recently reaffirmed that the database is the primary recording and management system for all adverse events that occur throughout the public healthcare system.

The NAEMS database provides key information at national and local level to assist in identifying and managing personal injury, clinical and third-party property damage risks. It helps the SCA to identify and analyse developing trends and patterns and assists with claims investigation and management and is also used by the SCA's actuaries to calculate the current and future monetary liabilities of the claims it handles. State authorities and healthcare enterprises with access to the NAEMS web portal use the system to identify clusters of adverse events and perform root-cause analysis at a local level.

The NAEMS underpinned the establishment of the SCA and its various indemnity schemes and provided a national clinical adverse event reporting and management system that was the first of its kind in Europe. To meet the changing needs of its client State authorities, and the public healthcare system, the SCA, in conjunction with these key stakeholders, is carrying out a major upgrade of the system to better meet the requirements of its client users and to improve its adverse event entry and reporting capabilities and enable its end-to-end adverse event management, policy management and audit tool functionality.

Phase 1 of the upgrade, which will deliver upgraded and intelligent data entry forms and significantly enhanced end user reporting capabilities, was commenced in late 2012 and will be completed and rolled out nationwide by the end of 2013. Phase 2, involving end-to-end adverse event management and enhanced root-cause analysis tools, will commence in 2014. Once completed, it is envisaged that all Government Departments, healthcare enterprises and the large number of agencies under the remit of the SCA will use this cost effective solution to report and manage adverse events.

New Economy and Recovery Authority

Background and Functions

In September 2011 the Government announced the establishment of the New Economy and Recovery Authority (NewERA), initially on a non-statutory basis, within the NTMA. The core role of NewERA involves the oversight of the financial performance, corporate strategy and capital and investment plans of the five commercial semi-state companies within its remit – ESB, Bord Gáis Éireann (BGE), EirGrid, Bord na Móna and Coillte – and working with stakeholders to develop and structure proposals for investment in energy, broadband and water to support economic activity. NewERA's role also involves, where requested, advising on the disposal or restructuring of State assets.

During 2012, its first full year of operations, NewERA has provided independent corporate finance advice and financial analysis to Government on a broad range of issues across its remit and has actively engaged with a wide number of stakeholders and Government Departments.

In June 2013 the Government announced legislative proposals for putting NewERA on a statutory basis.

Corporate Finance and Governance Advice

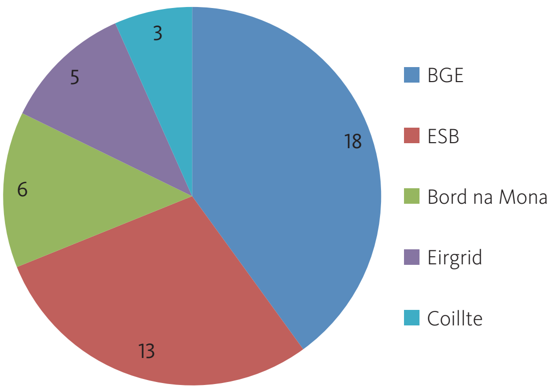
During 2012 NewERA commenced a structured programme of engagement on a quarterly basis with the five commercial semi-state companies within its remit. This engagement focuses on the financial performance of these companies which collectively generate revenues of c. €6 billion per annum and employ capital of c. €13.6 billion.

NewERA also provided detailed financial analysis and recommendations (where appropriate) to relevant Ministers on a total of 45 requests for advice concerning the commercial semi-state companies, including €2.5 billion in financing-related requests and €1 billion in capital expenditure requests for projects.

These requests primarily stem from legislative obligations on commercial semi-state companies to seek Ministerial approval (e.g. for an entity to borrow) or arise under the Code of Practice for the Governance of State Bodies.

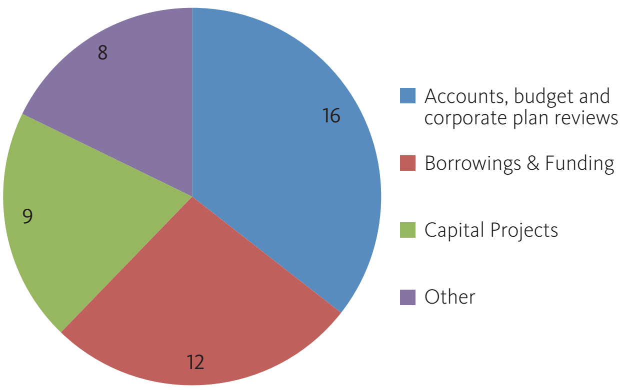
An overview of these requests, broken down by company and by category is as follows:

Requests by Company



Source: NTMA

Requests by Type



Note: "Other" includes advice on such matters as pensions and establishment of subsidiaries

Source: NTMA

State Asset Disposals

A Government decision in relation to the disposal of State assets was announced in February 2012. The Government decided that the asset disposal options to be pursued include the sale of Bord Gáis Éireann's energy business and some of ESB's non-strategic power generation capacity with consideration also to be given to the sale of some of Coillte's assets, excluding the sale of land, and the sale of the State's remaining shareholding in Aer Lingus when market conditions are favourable and at an acceptable price.

Bord Gáis Éireann: Disposal of Energy Business
NewERA is project managing this process on behalf of the Government and ensuring that shareholder objectives in relation to the sale are achieved. Activities undertaken include:

- Preparation of a detailed pre-transaction report setting out an indicative valuation, evaluation of potential investor interest, potential transaction issues and operational milestones to be achieved pre transaction launch;
- Agreed operational arrangements with BGE for day-to-day management of the transaction including participation in the BGE transaction management group; and
- Detailed analysis of potential BGE capital structures following the disposal and an estimate of likely net proceeds to the State, in the context of BGE's investment grade credit rating.

ESB: Disposal of Non-strategic Power Generation Capacity
ESB was asked by Government to develop proposals for the sale of some non-strategic generation capacity, with the specific objective of delivering special dividends to the Government targeted at up to €400 million by the end of 2014. NewERA is providing financial advice to Government on this process including:

- Analysis of the proposed ESB plant disposals, including expected gross valuation range;
- Analysis of the potential impact of disposals on ESB's credit metrics and credit rating;
- Analysis of quantum of potential dividends to the State in the context of ESB's investment-grade credit rating; and
- Ongoing engagement with ESB in relation to the disposal process.

Aer Lingus Group Plc: Disposal of Government's Shareholding
NewERA is advising the Government Steering Group that was established to review the options and appropriate timing with respect to a disposal of the State's shareholding in Aer Lingus. During 2012 its work included:

- Financial and commercial advice to the Government Steering Group in respect of Ryanair plc's offer for Aer Lingus in June 2012;
- Preparation of a detailed Indicative Valuation Report for the Government Steering Group;
- Updates on equity market conditions, Aer Lingus' performance and preliminary review of disposal options; and
- Preliminary analysis of options for disposal of shareholding based on the European Commission investigation into Ryanair's offer under EU merger control rules.

In February 2013 the European Commission announced its decision to prohibit the Ryanair offer for Aer Lingus. Ryanair has said it will appeal the decision.

Coillte: Consideration of Disposal of Harvesting Rights
Working closely with Coillte, NewERA has provided detailed financial and commercial advice to the Government regarding the implications of a possible disposal of harvesting rights including:

- Setting out an indicative valuation, consideration of investor interest and identifying potential transaction issues; and
- Evaluation of financial, accounting, taxation and technical aspects of the potential transaction plus consideration of the implications for Coillte.

In June 2013 the Government announced that it was not proceeding with the sale of harvesting rights in Coillte and that the current focus must be on the restructuring of Coillte, overseen by NewERA and the relevant stakeholder Departments. The Government also announced that further financial analysis would be undertaken to establish the viability of a Bord na Móna/Coillte merger.

Activities to Facilitate Investment in Economic Infrastructure

Irish Water

In April 2012 the Government announced the establishment of Irish Water as a subsidiary of Bord Gáis Éireann. NewERA has provided extensive advice to the Department of the Environment, Community and Local Government on the financial aspects of setting up a new utility. This included:

- Construction of a detailed financial model to allow analysis of the cost base and operating cash-flows for a range of scenarios for Irish Water to assist Government in the assessment of Irish Water's likely annual funding requirements;
- Advising on potential capital structures that meet various accounting and credit rating constraints;
- Input into draft legislation in relation to capital structure and corporate governance arrangements for Irish Water; and
- Engagement with the National Pensions Reserve Fund (NPRF) regarding provision of funding by the NPRF to Irish Water.

Energy Retrofit

Energy Retrofit involves investment in domestic, public and commercial buildings in order to help meet Ireland's commitment to achieving a 20 per cent reduction in energy demand by 2020 through energy efficiency measures. The National Energy Efficiency Fund (the "Fund") was announced by the Minister for Public Expenditure and Reform in Budget 2013 to finance energy efficiency projects in the non-domestic sector with finance to be provided on a commercial basis.

The Government, as announced by the Minister for Communications, Energy and Natural Resources, has indicated its intention to provide €35 million as seed capital with a view to a fund of over €70 million being established in conjunction with private sector investment. During 2012 NewERA undertook analysis relating to the structure of the Fund and engaged with a large number of interested parties, including energy efficiency service providers, banks and investment managers, regarding outline terms and conditions of the Fund. A competitive process for establishment of the Fund will be commenced in the second half of 2013.

Export Wind

In 2012 the Government continued to explore the potential of renewable energy exports to other EU countries, in particular the UK. NewERA produced, in conjunction with the Department of Communications, Energy and Natural Resources, a detailed report for Government on the issues involved in export wind which include EU considerations, an initial assessment of the relative economics of renewable electricity in Ireland and the UK, potential grid and planning issues, proposed project timelines and financing requirements. NewERA continues to provide financial advice and analysis on this project.

Broadband

The National Broadband Plan was published by the Department of Communications, Energy and Natural Resources on 30 August 2012 with an objective of ensuring the availability of high-speed broadband to all households/businesses in Ireland during the lifetime of the Government. The Plan recognises that further State intervention will be required in areas where commercial deployment of high-speed broadband networks is not viable. NewERA is a member of the high-level steering group established to oversee the implementation of the Plan. As part of the Plan NewERA carried out a review of relevant State assets owned by commercial and non-commercial State entities with a view to determining the extent to which opportunities exist to enhance the rollout of high-speed broadband on a commercial basis to support delivery of Government's broadband objectives.

National Pensions Reserve Fund

Legislative and Operating Framework

The National Pensions Reserve Fund ("the Fund") was established in April 2001 with a statutory objective to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards. The Fund is controlled by the National Pensions Reserve Fund Commission and performs its functions through the NTMA, which is the Manager of the Fund. The Chief Executive of the NTMA is an *ex officio* member of the Commission.

The Commission publishes a separate detailed annual report and accounts.

Under the Fund's original statutory investment policy, the Commission is required to invest the assets of the Fund so as to secure the optimal total financial return, having regard to the purpose of the Fund and the requirements on the Fund to make payments to the Exchequer, provided the level of risk to the moneys held or invested is acceptable to the Commission. The Commission has implemented its investment strategy through a globally diversified portfolio including quoted equities, bonds, property, private equity, commodities and absolute return funds.

The Fund's legislative and operating framework changed significantly in 2009 when the Government decided to utilise part of the assets of the Fund to assist in dealing with the financial crisis facing Ireland. Since 2009 the Fund has invested a total of €20.7 billion in Allied Irish Banks (AIB) and Bank of Ireland at the direction of the Minister for Finance, including €10 billion during 2011 as part of the EU/IMF programme.

The remainder of the Fund has continued to be managed by the Commission in line with its original statutory investment policy.

In September 2011 the Government announced its intention under the Strategic Investment Fund initiative to channel resources from the Fund, following appropriate changes to its governing legislation, towards productive investment in the Irish economy. In June 2013 the Government announced legislative proposals to establish the Ireland Strategic Investment Fund (ISIF) which will absorb the Fund and will have a statutory mandate to invest in the Irish economy to support economic activity and employment, building on initiatives already taken by the Fund in this area. The ISIF will also hold the Fund's directed investments in AIB and Bank of Ireland.

The proposals will involve the dissolution of the National Pensions Reserve Fund Commission and the oversight and management of the ISIF by a new NTMA Board and Investment Committee.

Irish Allocation and Capital Preservation Strategy

Pending the legislative changes referred to above, the Commission decided that up to 20 per cent of the Fund may be allocated to investments in Ireland, allowing it to avail of attractive investment opportunities while ensuring that concentration risk resulting from an increased level of investment in Ireland was within acceptable limits.

The Commission also acknowledged that the proposed changes to the Fund's investment mandate required capital to be preserved (the "Capital Preservation Strategy") in order to ensure the availability of resources when appropriate commercial investment opportunities in Ireland were developed or sourced. At the same time, in accordance with the investment strategy developed to implement its current statutory mandate, it was necessary to maintain the Fund's capacity to participate in gains if equity markets performed well.

The Commission considered the Capital Preservation Strategy to be a means of applying a "prudent person" principle, combining adherence to the Fund's long-term investment strategy with a common sense approach to reducing volatility given the prospective calls on the Fund's assets for investment in Ireland. The Capital Preservation Strategy was implemented by selling a portion of the Fund's equity positions and purchasing equity put options.

Performance and Portfolio Update

The Fund reports on three levels to include (i) the Discretionary Portfolio (the investment of which is the Commission's responsibility), (ii) the Directed Portfolio (public policy investments made at the direction of the Minister for Finance), and (iii) the Total Fund.

At end 2012 the Fund's total value stood at €14.7 billion. The Discretionary Portfolio was valued at €6.1 billion and the Directed Portfolio was valued at €8.6 billion.

Discretionary Portfolio

The Discretionary Portfolio earned a return of 7.8 per cent in 2012. From the Fund's inception in 2001 to end 2012, the Discretionary Portfolio has delivered an annualised performance of 3.7 per cent per annum. The Fund has exceeded its long-term benchmark (3.0 per cent per annum) by 0.7 per cent per annum since inception. In the context of the Fund's changing circumstances and timeframe and as the long-term benchmark does not incorporate a capital preservation element, the Fund's long-term benchmark has become substantially less relevant.

In recognition of the financial difficulties facing the Exchequer, the Commission introduced a secondary investment objective in January 2010 of seeking to outperform the cost of Irish Government debt over rolling five-year periods. From January 2010 to end 2012, the Fund's annualised performance was 7.1 per cent per annum, exceeding the average yield on Irish 5-year Government debt of 6.3 per cent per annum. The yield on Irish 5-year debt was 3.3 per cent at end 2012.

Discretionary Portfolio Asset Allocation at End 2012

	Assets €m	% of Discretionary Portfolio
Large Cap	1,252	20.6
Small Cap	203	3.3
Emerging Markets	510	8.4
Equity Put Options	87	1.4
Total Quoted Equity	**2,052**	**33.7**
Eurozone government bonds	0	0
Eurozone inflation-linked bonds	135	2.2
Eurozone corporate bonds	401	6.6
Cash	1,420	23.4
Total Financial Assets	**1,956**	**32.2**
Private Equity	736	12.1
Property	454	7.5
Commodities	270	4.4
Infrastructure	372	6.1
Absolute Return Funds	244	4.0
Total Alternative Assets	**2,076**	**34.1**
Total Discretionary Portfolio	**6,084**	**100**

Figures may not total due to rounding.
Source: NTMA

Directed Portfolio

Since 2009 a total of €20.7 billion of the Fund's assets have been invested in AIB and Bank of Ireland at the direction of the Minister for Finance for public policy reasons, via a combination of ordinary and preference shares and a capital contribution (AIB only). At end 2012 the Fund's percentage ownership of AIB and Bank of Ireland was 99.8 per cent and 15.1 per cent, respectively.

€2 billion cash has been received from income and sale of investments and the valuation of the remaining investments, on a fair value basis as at end 2012, was €8.6 billion.

The Fund's ordinary share holding in Bank of Ireland was valued at its market price of €0.11 (11 cents) per share at end 2012.

As the Fund's ordinary share holding of 99.8 per cent in AIB leaves a free float of only 0.2 per cent and its preference share investments in both AIB and Bank of Ireland are unlisted, for the purposes of valuing these investments in line with generally accepted accounting principles the Commission engaged Goodbody Corporate Finance to provide an independent fair market valuation.

As at end 2012 the Commission has valued the AIB ordinary shares at €0.0079 (0.79 cents) per share (2011: €0.0076 (0.76 cents)) and has valued the preference share investments as follows:

- AIB — 66.4 per cent of cost (vs 63.5 per cent at end 2011);
- Bank of Ireland — 91.7 per cent of cost (vs 80.2 per cent at end 2011)

Directed Portfolio at End 2012

	Valuation €m	% of Directed Portfolio
Allied Irish Banks		
3,500 million preference shares	2,323	27.0
516 billion ordinary shares	4,078	47.4
Total Allied Irish Banks	**6,401**	**74.4**
Bank of Ireland		
1,837 million preference shares	1,684	19.6
4,512 million ordinary shares	514	6.0
Total Bank of Ireland	**2,198**	**25.6**
Total Directed Portfolio	**8,599**	**100.0**

Figures may not total due to rounding.
Source: NTMA

The Directed Portfolio's return in 2012 was 10.5 per cent. In addition to the change in values of the holdings in AIB and Bank of Ireland, this return also includes a €188 million cash dividend received on the Bank of Ireland preference shares.

Total Fund

The Total Fund, comprising both the Directed and Discretionary Portfolios, recorded a return of 9.4 per cent in 2012.

Investment in Ireland

During 2012 and the early part of 2013, significant progress was made in refocusing the Fund towards commercial investment in Ireland.

In January 2013 the Commission announced investment commitments to three new long-term funds that will provide €850 million of equity, credit and restructuring/recovery investment for Irish small and medium-sized businesses (SMEs) and mid-sized corporates. The Fund played a significant role in the development of the funds and will be a cornerstone investor in each alongside additional investment from third-party investors. The three funds will involve a total commitment by the Fund of €375 million.

Other Ireland-focused initiatives include the provision of stand-by credit facilities to enable both the Schools Bundle 3 Public Private Partnership (PPP) project and the N11/N7 roads PPP project to proceed with European Investment Bank financing.

In June 2012 the Commission announced a collaboration with Silicon Valley Bank which will make US$100 million of new lending commitments available to fast-growing Irish technology, life science, cleantech, private equity and venture capital businesses.

The Commission also announced its fourth (March 2012) and fifth (March 2013) commitments in support of Innovation Fund Ireland. It has earmarked €125 million for the Innovation Fund Ireland initiative and its five investment commitments to date amount to a total of €86 million.

National Development Finance Agency

The National Development Finance Agency (NDFA) was established on 1 January 2003 to provide financial advice to State authorities undertaking major public investment projects with a capital value of more than €20 million. Its mandate was subsequently extended to give it full responsibility for the procurement and delivery of all Public Private Partnership (PPP) projects in sectors other than transport and the local authorities. It discharges its functions through the NTMA. The Chief Executive of the NTMA is the *ex officio* Chairperson of the NDFA. A director of the NTMA is Chief Executive of the NDFA.

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

Infrastructure Stimulus Programme

In July 2012 the Minister for Public Expenditure and Reform, Brendan Howlin TD, announced on behalf of the Government a €2.25 billion Infrastructure Stimulus Programme aimed at promoting jobs and growth in the Irish economy.

This stimulus programme will provide investment in a range of important projects and includes €1.4 billion investment in PPPs. The funding of these PPPs is expected to come from the European Investment Bank (EIB), the National Pensions Reserve Fund, domestic banks, other potential sources of funding such as institutional investors, and is additional to the existing Exchequer-funded investment programme.

The planned PPP investment will be directed towards projects that meet key infrastructural needs and are in line with the priorities identified in the Government's Investment Framework, covering education, health, justice and transport.

The NDFA will be responsible for procuring the Programme's three education PPPs, up to two health PPPs and two justice PPP projects with an estimated total capital value of c. €650 million. The National Roads Authority (NRA) will be responsible for procuring the various road PPP projects, amounting to c. €750 million. The NDFA will act as financial advisor across the entire PPP programme.

Engagement with Potential Investors, Funders, Contractors and Service Providers

Since the announcement of the Stimulus Programme in July 2012, the NDFA has met with potential participants including funders, equity investors, contractors and professional service providers to build awareness and support for the delivery of the Infrastructure Stimulus Programme.

The NDFA, in conjunction with the leading international business publisher PPP Bulletin, hosted a seminar on 21 March 2013 focused on the delivery and financing challenges for the Irish PPP programme. This well-attended event brought together a broad spectrum of participants likely to bid for Irish PPP projects.

The NDFA continues to liaise with the Department of Public Expenditure and Reform and the Department of Finance in seeking ways to streamline the PPP process and attract project sponsors and investors. In December 2012 the Government decided that, on a temporary and exceptional basis, there would be some reimbursement of bid costs for accommodation projects (e.g. schools, courthouses etc.) in the new PPP Programme.

In particular, the NDFA continues to engage with potential international and domestic project funders who have been absent from the Irish market since the financial crisis first took hold and continues to seek both traditional and alternative funding sources for capital investment.

In conjunction with the Department of Finance and the Department of Public Expenditure and Reform the NDFA has facilitated discussions between the EIB and a number of Government Departments regarding the provision of direct loans to the Exchequer which included a €100 million loan in July 2012 to finance a programme of school building projects and another €100 million loan in November 2012 to part finance a number of water/wastewater projects. In June 2013 the EIB assigned a further €100 million direct loan to the Exchequer for additional school building projects.

The NDFA has also led discussions with the Council of Europe Development Bank (CEB), which provides low cost funding for projects in a variety of sectors including health, education and social housing. In March 2013 the CEB approved €41 million of loans for the Cork prison project and the National Children's Detention Facility.

Existing Projects

On 9 November 2012 the NDFA, in its capacity as procuring agent on behalf of the Minister for Education & Skills, awarded the PPP contract for Schools Bundle 3 to BAM PPP PGGM Infrastructure Cooperatie, a joint venture between BAM PPP and Dutch pension fund administrator PGGM.

This was a very significant event, being the first Irish PPP deal signed since Ireland entered the EU/IMF programme in 2010. The funding structure for the Schools Bundle 3 project involved the participation of the EIB and Bank of Ireland (both of whom also funded Schools Bundle 2) together with the support of the National Pensions Reserve Fund.

In April 2013 the N11/N7 PPP Project (Arklow-Rathnew road project, incorporating Newlands Cross flyover) reached financial close. The NDFA were financial advisors to the project. This project had the same funders and funding structure as Schools Bundle 3.

The construction phase for both projects is now underway. Schools Bundle 3 PPP involves the construction of eight schools providing accommodation for 5,700 students, which will be available for occupancy in 2014. The N11/N7 PPP is due to be completed in 2015. The Schools Bundle 3 PPP is expected to provide employment for up to 1,100 people, with the N11/N7 PPP anticipated to provide employment for up to 1,000 people.

In March 2012 the Minister for Education and Skills announced details of 219 new school building projects as part of a €2 billion five-year priority investment programme. The NDFA has been requested to act on behalf of the Department of Education and Skills in procuring and delivering 18 schools within this programme, in addition to the PPP schools programme. Tendering for this programme is already underway and it is expected that the first projects will commence construction by the end of summer 2013.

On 1 October 2012 the NDFA, at the request of the Department of Education and Skills, took over the contract management of the 15 operational PPP schools. This involves the monitoring of the delivery by the PPP companies of the facilities management services within the original Pilot PPP bundle (signed in 2003), Schools Bundle 1 (2009) and Schools Bundle 2 (2010).

A number of other projects where the NDFA provides financial advice are summarised below:

- As financial advisor, the NDFA works with the NRA in the procurement of its second roads PPP programme. Discussions have recently recommenced with the preferred tenderer for the N17/N18 scheme (Gort-Tuam) with a view to achieving financial close in Q4 2013. The NRA also recently launched the third scheme in the second roads PPP programme (N25 New Ross Bypass) with the fourth scheme (M11 Gorey/Enniscorthy) expected to launch by the end of summer 2013.
- The NDFA is acting as financial advisor to the Health Service Executive on a number of health projects in planning and design phase including the relocation of the National Forensic Mental Health Services to St Ita's Portrane, the Centre of Excellence for Successful Ageing at St James's Hospital and the National Paediatric Hospital.
- The NDFA is acting as financial advisor to Dublin City Council on a number of waste and water projects including the Poolbeg Waste-to-Energy PPP Project, Ringsend Waste Water Treatment Works Extension Project and Ringsend Long Sea Outfall Tunnel Project.
- The NDFA continues to provide financial advice on a number of other significant infrastructure projects in the transport, health, waste and water sectors. These projects will assist in improving national productivity and competitiveness, support sustainable employment and deliver vital infrastructure for social and environmental needs.

National Asset Management Agency

The National Asset Management Agency (NAMA) was formally established in December 2009 as one of a number of initiatives taken by the Government to address the serious crisis in Irish banking which had developed as a result of excessive lending to the property sector, particularly during the years 2003 to 2007. It has acquired certain loan assets (land and development and associated loans) in exchange for Government-guaranteed securities issued by it directly to five participating institutions, namely, Allied Irish Banks, Anglo Irish Bank, Bank of Ireland, Irish Nationwide Building Society and EBS Building Society.[5]

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

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

NAMA is required to submit an annual report and accounts to the Minister for Finance. These are published separately. NAMA also submits quarterly financial reports to the Minister which are laid before each House of the Oireachtas. Its Chairman and Chief Executive attend and give evidence, whenever requested, to the Public Accounts Committee, the Joint Committee on Finance, Public Expenditure and Reform and other relevant Oireachtas committees.

Progress to Date

NAMA has concluded the first critical phase of its work which involved the valuation and transfer of loans with a nominal value of €74.2 billion acquired from the participating institutions. The consideration paid for the acquired loans - €31.8 billion in the form of senior and subordinated bonds (€30.2 billion and €1.6 billion respectively) - was injected into the Irish banking system, providing liquidity at a critical time in the restructuring of the banking system. By end June 2012 NAMA had assessed all debtor business plans, providing the business platform for the implementation of asset disposal and management strategies designed to ensure maximum debt repayment by debtors.

NAMA is now fully focused on actively managing the acquired loan portfolio to achieve the best possible return for the State. In that respect, NAMA has made substantial progress, most notably in generating cash flows from its debtors' loans and underlying assets and in repaying its debt. Some €10.6 billion in debtor receipts was generated in the period from NAMA's inception to end 2012 and €4.75 billion in senior bonds was redeemed over the same period. NAMA is firmly on course to meet its end-2013 target of redeeming €7.5 billion of its senior bonds. NAMA generated a profit (after impairment, tax and dividends) of €228 million in 2012.

A significant element of NAMA's progress to date relates to the disposal of assets held by its debtors and receivers. NAMA and its debtors and receivers had completed loan and asset sales of €6.8 billion by end 2012. In addition to the proceeds of loan and asset sales, some €3.8 billion was generated in non-disposal (mainly rental) income from debtor assets up to the end of 2012.

NAMA also provides funding to enhance the value of assets under the control of its debtors and receivers. By end 2012 it had approved advances of €1.7 billion in development funding for residential and commercial projects in order to increase their long-term recoverable value. NAMA announced during 2012 that it would make at least €2 billion available in development funding for projects in Ireland over the period to 2016 in order to maximise the realised proceeds from these assets. It also announced that it would make €2 billion in vendor finance available to prospective buyers of commercial assets controlled by its debtors and receivers.

IBRC

In February 2013 the Government appointed Special Liquidators to Irish Bank Resolution Corporation (IBRC). The Liquidators are required to value and offer for sale the IBRC loan portfolio to the market. NAMA has been directed by the Minister for Finance to acquire any loans that have not been sold to third parties after the Liquidators have completed their valuation and sales process. This acquisition is expected to take place towards the end of 2013. As part of the transaction, NAMA has issued senior bonds to a value of just under €13 billion to the Central Bank to acquire the Bank's floating charge over IBRC assets.

NTMA Services to NAMA

Under Section 41 of the NAMA Act, the NTMA provides NAMA with business and support services, including HR, IT, market risk, transaction processing and treasury services. NAMA reimburses to the NTMA the cost of these services which was €37 million (including staff costs) in 2012.

By end 2012 the NTMA had assigned 224 staff to NAMA with extensive experience and expertise in the areas of lending, property, accountancy, law, banking and credit.

[5] Anglo Irish Bank and Irish Nationwide Building Society were merged in July 2011 and renamed Irish Bank Resolution Corporation Limited (IBRC) in October 2011. Special Liquidators were appointed to IBRC in February 2013. EBS Building Society was acquired by Allied Irish Banks in July 2011.

Governance

Reporting and Governance Structure

The NTMA is a statutory body established under the *National Treasury Management Agency Act 1990.*

The NTMA does not have a board and it is the Chief Executive's statutory responsibility to carry on and manage and control generally the administration and business of the Agency. The Chief Executive is appointed by the Minister for Finance. The Chief Executive reports directly to the Minister for Finance on the NTMA's funding and debt management and State Claims Agency functions – which have been delegated to it by Government or Ministerial Order – and its NewERA functions which it is currently performing on a non-statutory basis. The NTMA's governing legislation provides for an Advisory Committee and for a State Claims Policy Committee.

The National Pensions Reserve Fund (NPRF), the National Development Finance Agency (NDFA) and the National Asset Management Agency (NAMA) – all of which were established under their own governing legislation – each have their own board. The NTMA acts as the executive in respect of the NPRF and the NDFA. In the case of NAMA it assigns staff to NAMA and also provides it with business and support services and systems. Information specific to the NAMA Board, the NDFA Board and the NPRF Commission is contained in the annual reports of each of those bodies. The NTMA Chief Executive is an *ex officio* member of the NPRF Commission and the board of NAMA and is *ex officio* Chairman of the NDFA.

In June 2013 the Government announced legislative changes - based on proposals put forward by the NTMA - to streamline the corporate governance of the NTMA. These will entail the establishment of an over-arching NTMA Board responsible to the Minister for Finance and the dissolution of the Advisory Committee, the State Claims Policy Committee, the NPRF Commission and the NDFA Board. No change to the governance arrangements in respect of NAMA is proposed.

Advisory Committee

The Advisory Committee assists and advises the NTMA in relation to such matters as are referred to it for that purpose by the NTMA. It also advises the Minister for Finance on the Chief Executive's terms and conditions (including terms and conditions relating to remuneration).

To enhance the corporate governance of the NTMA, the Advisory Committee has agreed to formally advise the Chief Executive on a specified list of issues on an ongoing basis. This list is based on those matters that would normally be reserved for decision by a board and is as follows:

a) Funding and Debt Management Policy;

b) Business Function Goals and Objectives;

c) Delegated Authority Levels;

d) Remuneration;

e) Senior Management Performance Appraisal and Succession Planning;

f) Significant Amendments to the Pension Benefits of Staff;

g) Corporate Policies and Plans;

h) Risk Management Policy;

i) System of Internal Financial Control;

j) NTMA Annual Report and Accounts;

k) Appointment of Internal Audit Firm;

l) Oversight of Audit Committee (including annual review of Committee terms of reference);

m) Operating Budget; and

n) Compliance by the NTMA with Statutory and Regulatory Requirements.

The Advisory Committee consists of up to seven members appointed by the Minister for Finance. Members over the period 1 January 2012 to 28 June 2013 are as follows:

David Byrne – Chairperson (Appointed from 1 January 2008 to 31 December 2012)

Kevin Cardiff (Appointed from 1 February 2010 to 3 February 2012)

Hugh Cooney (Appointed from 1 January 2008 to 31 December 2012)

Brendan McDonagh (Appointed from 1 September 2010)

John Moran (Appointed from 6 March 2012)

Tytti Noras (Reappointed from 1 August 2010)

Donald C Roth (Reappointed from 1 January 2011)

Members have been appointed for five-year terms other than in the case of Donald C Roth who was reappointed for a three-year term and in the case of the Secretary General of the Department of Finance, John Moran, whose term is for the duration of his appointment as Secretary General. Kevin Cardiff, the previous Secretary General of the Department of Finance, served as a member until 3 February 2012.

The Advisory Committee met on six occasions in 2012. Members of the Committee also provided advice to the NTMA on an ongoing basis through the year.

NTMA Advisory Committee – Meeting Attendance 2012	
Committee Member	**Meetings Attended**
David Byrne	5/6(p)
Hugh Cooney	6/6
Brendan McDonagh	6/6
John Moran	4/5 (p)
Tytti Noras	6/6
Donald C Roth	6/6

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

Source: NTMA

State Claims Policy Committee

The State Claims Policy Committee advises the NTMA on policy and procedures relating to the performance of its State Claims Agency functions. The Committee consists of seven members appointed by the Minister for Finance. Members over the period 1 January 2012 to 28 June 2013 are as follows:

Noel Whelan – Chairperson (Reappointed 1 July 2012)
Vice President and Dean Emeritus, University of Limerick

Tony Delany (Appointed from 22 February 2010)
Former Director of Claims at Norwich Union/Hibernian Insurance

Chris Fitzgerald (Appointed from 22 October 2010 to 28 February 2012)
Principal Officer, Department of Health

Charlie Hardy (Appointed from 27 June 2012)
Principal Officer, Department of Health

Christopher Moore (Appointed from 22 February 2010)
Brigadier General (Retired)

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

Fachtna Murphy (Appointed from 27 June 2012)
Former Garda Commissioner

Wendy Thompson (Appointed from 27 June 2012)
Insurance & Litigation Manager, Railway Procurement Authority.

The Committee met on four occasions in 2012.

SCA Policy Committee – Meeting Attendance 2012	
Committee Member	**Meetings Attended**
Noel Whelan	4/4
Tony Delany	4/4
Chris Fitzgerald	0/0(p)
Charlie Hardy	2/3(p)
Christopher Moore	4/4
Niamh Moran	2/4(p)
Fachtna Murphy	3/3(p)
Wendy Thompson	2/3(p)

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

Source: NTMA

Other Committees

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

Audit Committee

The Audit Committee has oversight of the NTMA's internal audit and control systems, risk management framework, financial reporting process and annual financial statements. The internal and external auditors, the Head of Control and the Head of Compliance have full and unrestricted access to the Committee. The Committee also acts as the NDFA Audit Committee. The NPRF Commission and NAMA have separate audit committees. Members over the period 1 January 2012 to 28 June 2013 are as follows:

Hugh Cooney (Chairperson to 31 December 2012)

Brendan McDonagh (Chairperson from 1 January 2013)

Peter McManamon (to 31 December 2012)
Member of the NDFA Board

Gerry Murray (from 1 January 2013)
Member of the NDFA Board

Maurice O'Connell (to 20 December 2012)
External Member

Michael O'Grady (from 20 December 2012)
External Member

Remuneration Committee

The Remuneration Committee make recommendations to the Advisory Committee on the remuneration of the Chief Executive and senior management of the NTMA and on general remuneration policy in the NTMA. Members over the period 1 January 2012 to 28 June 2013 are as follows:

David Byrne – Chairperson (to 31 December 2012)

Paul Carty – Chairperson of the NPRF Commission

Frank Daly – Chairperson of the NAMA Board

Brendan McDonagh

Donald C Roth

Corporate Governance Codes

The Code of Practice for the Governance of State Bodies is modelled on a typical corporate structure consisting of a board of directors, which has legal responsibility for the body, and an executive management team and staff, who carry out the functions delegated to them by the board. The NTMA is implementing the Code adapted to its specific governance structures. This includes the Chief Executive formally seeking advice from the Advisory Committee on an ongoing basis on matters that would normally be reserved for decision by a board.

Codes of business conduct are in place for Advisory Committee and State Claims Policy Committee members and NTMA employees. Committee members and employees are expected to ensure that all their activities are governed by the ethical standards reflected in the relevant code. A separate code has been prepared for employees assigned to NAMA reflecting specific requirements of the NAMA Act.

The NTMA is a prescribed public body for the purposes of the *Ethics in Public Office Acts, 1995 and 2001*. In addition there are specific disclosure of interest requirements under the NPRF, NDFA and NAMA Acts.

Auditors

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

Staffing & Remuneration

Staff numbers in the NTMA have risen markedly since end 2009 as a result of additional activities which Government has asked the NTMA to carry out over the period; NAMA, banking system functions of the Minister for Finance and NewERA. Staff numbers have risen from 169 at end 2009 to 500 at end 2012.

The bulk of the increase in staff numbers over the period is due to NAMA. All NAMA staff are employees of the NTMA and under section 42 of the *National Asset Management Agency Act 2009*, the NTMA assigns staff to NAMA. Other than a small number of staff reassigned from other functions within the NTMA, NAMA staff are employed on the basis of specified purpose contracts - their employment lasts for as long as NAMA requires their particular function. NAMA reimburses the NTMA the costs incurred by the NTMA in assigning staff and providing business and support services to NAMA.

Following the revocation of the delegation of banking system functions to the NTMA from 5 August 2011, the NTMA banking team was seconded to the Department of Finance.

NTMA Staffing at End 2012	
Funding and Debt Management	14
State Claims Agency	69
NewERA	12
National Pensions Reserve Fund	13
National Development Finance Agency	44
National Asset Management Agency	224
Banking Unit (on secondment to Department of Finance)	12
Finance, Technology and Risk	74
HR and Corporate Services	8
Legal, Control and Compliance	16
Other	14
Total	**500**

Source: NTMA

The NTMA's business model is designed to support it in acting commercially to achieve its business objectives. Under the NTMA business model there are no general pay grades and staff are employed on the basis of confidential individually negotiated contracts. This business model has enabled the NTMA to compete with the private sector to attract and retain staff with specialist and highly marketable skills – often in mid-career. It has been essential in enabling the NTMA to staff itself with the professional expertise necessary to carry out the new functions which successive Governments have assigned to it.

NTMA Salaries by Salary Band at End 2012	NTMA (ex NAMA)	NAMA	Total
Up to €50,000	92	25	117
€50,001 to €75,000	71	49	120
€75,001 to €100,000	52	58	110
€100,001 to €125,000	21	39	60
€125,001 to €150,000	14	31	45
€150,001 to €175,000	11	9	20
€175,001 to €200,000	4	9	13
€200,001 to €225,000	2	0	2
€225,001 to €250,000	1	1	2
€250,001 to €275,000	3	1	4
€275,001 to €300,000	2	0	2
€300,001 to €325,000	0	0	0
€325,001 to €350,000	2	0	2
€350,001 to €375,000	0	2	2
€375,001 to €400,000	0	0	0
€400,001 to €425,000	1	0	1
Total	**276**	**224**	**500**

Notes:

1. The public service pension deduction is applied to NTMA employees.
2. In December 2011 the Minister for Finance requested NTMA employees whose salaries exceeded €200,000 to waive 15 per cent of salary or such amount of salary as exceeds €200,000 if application of the full 15 per cent reduction would bring their salary to below €200,000. Reductions in respect of employees waiving such amounts are reflected in the above table.

Source: NTMA

Reflecting remuneration structures in sectors the NTMA recruits from, a performance-related pay provision is built into the contract terms of most employees. However, the NTMA made performance-related payments to only six staff in respect of 2012. These payments, in aggregate, totalled €43,100. No performance-related payments were made to any employee earning a salary of over €200,000.

The pay reductions provided for in the *Financial Emergency Measures in the Public Interest Act 2013*, to take effect from 1 July 2013, apply to NTMA staff.

Remuneration details of the NTMA Chief Executive are set out in the Financial Statements (see page 69). Remuneration details of the Chief Executives of NAMA and the NDFA are set out in the Financial Statements of those bodies.

Energy Usage

The NTMA operates from Treasury Building on Grand Canal Street, Dublin 2 where it leases space on four floors. In 2012 the NTMA consumed 1,402,099 kWh of electricity representing an average consumption of 2,921 kWh per employee. This compares with an average consumption of 3,743 kWh per employee in 2011 – a reduction of 22 per cent per employee.

Air conditioning in the building is provided by the landlord and is powered by natural gas.

Actions Undertaken in 2012

In 2012 the NTMA undertook a range of initiatives to improve its energy performance:

- As part of further tenant (NTMA) fit-out works of additional floor space occupied by the NTMA, energy saving light fittings and infrared motion detectors were installed on the light fittings.
- Following consultation with the NTMA, the landlord completed an energy assessment on the landlord-managed services.
- The NTMA continued its programme of installation of electronic sensors on water supplies reducing both water and power usage.
- The NTMA continued its programme of removal of existing light fittings from the existing occupied areas and the installation of new energy saving light fittings.
- An energy awareness programme was rolled out to all NTMA staff.
- Double-sided printing was installed as the default setting on all printers.
- An automatic 'power off' facility was installed on staff PCs.

Actions Planned for 2013

In 2013 the NTMA intends to further improve energy performance by:

- Completion of the programme of removal of existing light fittings and the installation of new energy saving light fittings.
- Completion of the installation of sensors on water supplies.
- The landlord will upgrade the air-handling units for all the floors in Treasury Building occupied by NTMA to improve their energy efficiency. This will have the effect of reducing the energy consumed by the air-handling units by 10 per cent.

Financial Statements

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

Statement of NTMA's Responsibilities

The National Treasury Management Agency ("the Agency") is required by the National Treasury Management Agency Act, 1990 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency:

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

The Agency is responsible for keeping in such form as may be approved by the Minister all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency, its funds and the National Debt.

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

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2013

Statement on Internal Financial Control

Responsibility for the System of Internal Financial Control

I acknowledge the responsibility for ensuring that an effective system of internal financial control is maintained and operated.

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

Key Control Procedures

I have taken steps to ensure an appropriate control environment by:

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

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

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

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

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

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

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

Annual Review of Controls

I confirm that, in the year ended 31 December 2012, I, as Chief Executive, having taken advice from the Agency's Audit Committee, conducted a review of the effectiveness of the system of internal financial control.

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2013

Financial Statements of the National Debt of Ireland

For the year ended 31 December 2012

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

National Debt of Ireland

I have audited the financial statements of the National Debt of Ireland for the year ended 31 December 2012 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the service of debt statement, the national debt statement, the national debt cash flow statement, statement of movement in national debt and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the Act and on the basis set out in paragraph (b) of the accounting policies.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

I read the information in the annual report of the Agency to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 and on the basis set out in paragraph (b) of the accounting policies, properly present the balance outstanding on the national debt at 31 December 2012 and the debt service cost for 2012.

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

Promissory note transaction

Without qualifying my opinion, I draw attention to note 24 to the financial statements which outlines the accounting treatment adopted in relation to the bonds issued by the Agency in connection with the settlement of the promissory note instalment which was due for payment by the Minister for Finance in March 2012.

Matters on which I report by exception

I report by exception if

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

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

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

30 June 2013

Accounting Policies

(a) Background

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

Pages 45 to 59 set out the financial statements of the National Debt of Ireland. The form of the statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

For the year ended 31 December 2012, the financial statements of the National Debt include disclosure notes in relation to the National Loans Advance Interest Account, the National Loans (Winding Up) Account, the National Treasury Management Agency (Unclaimed Dividends) Account, the Deposit Monies Investment Account and the Account of Stock Accepted in Payment of Inheritance Tax and Death Duties. These accounts were presented separately in previous years. As they are operational accounts set up for specific purposes, their cash balances are not included with the Exchequer account balance reported under Cash and Other Financial Assets in the National Debt Statement.

(b) Basis of Accounting

The measurement basis adopted is that of historical cost except where otherwise stated. Transactions are recognised using the cash basis of accounting.

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

(c) Reporting Period

The reporting period is for the year ended 31 December 2012.

(d) Reporting Currency

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

(e) Receipts and Payments

Receipts and payments relating to the National Debt through the Exchequer Account, Foreign Currency Clearing Accounts and the Capital Services Redemption Account (CSRA) are recorded at the time the money is received or payment made.

(f) Liability Valuation

Debt balances are recorded at redeemable par value.

(g) Derivatives

Swap agreements and other financial instruments are entered into for hedging purposes as part of the process of managing the National Debt. The results of those hedging activities that are linked with specific borrowing transactions are recognised in accordance with the underlying transactions. The net fund flows arising on hedging activities that are not linked with specific borrowing transactions are included in debt service costs at the time the funds are received or payment made. Where swaps are terminated or converted into other swap instruments the net fund flows affect debt service in accordance with the terms of the revised instrument.

(h) Foreign Currencies

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

(i) Maturity Profile

Medium/Long Term Debt is debt with an original maturity of more than one year and Short Term Debt is debt with an original maturity of not more than one year.

Service of Debt Statement

Year ended 31 December

	Note	2012 €000	2011 €000
Interest Paid			
Medium/Long Term Debt	2	5,481,813	4,350,509
Short Term Debt	3	38,881	215,889
State Savings Schemes	4, 10	283,502	209,232
Other Movements	5	3,288	4,473
Sinking Fund Payments	6	645,681	638,409
Fees and Expenses	7	104,002	147,183
Expenses of the Agency		40,077	41,126
Interest Received on Deposits			
Treasury Bills and Short Term Notes		(128,818)	(232,090)
Total Debt Service Cost	1	**6,468,426**	**5,374,731**

Notes 1 to 25 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

National Debt Statement

Year ended 31 December

	Note		2012 € million		2011 € million
Medium / Long Term Debt					
Irish Government Bonds listed on the Irish Stock Exchange			87,853		85,310
Private Placements			602		602
Medium Term Notes			65		66
European Investment Bank Loans			100		-
EU/IMF Programme Funding	8(b)		55,898		34,629
Other Medium/ Long Term Loans			5		5
	8(a)		144,523		120,612
Short Term Debt					
Commercial Paper	9	2,690		2,920	
Borrowings from Funds under the Control of the Minister for Finance	17	786		1,696	
			3,476		4,616
State Savings Schemes					
Savings Certificates		4,791		4,233	
National Solidarity Bonds		1,001		607	
Savings Bonds		5,568		4,782	
Instalment Savings		472		473	
Savings Stamps		2		2	
Prize Bonds		1,649		1,449	
	10		13,483		11,546
			161,482		136,774
Less: Cash and Other Financial Assets	11		(23,850)		(17,692)
National Debt	14		**137,632**		**119,082**

Notes 1 to 25 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

National Debt Cash Flow Statement

Year ended 31 December

	2012 €000	2011 €000
Movement in Exchequer Balances:		
Opening Balance in Exchequer Account (note 11)	13,098,521	11,398,948
Deposits, Treasury Bills and Short Term Notes (note 18)	(3,977,042)	(428,349)
Borrowing Activity (see below)	24,110,031	27,046,402
	33,231,510	38,017,001
Exchequer Deficit	(14,891,728)	(24,918,480)
Payment of Instalment on IBRC Promissory Notes Discharged by the Issue of Irish Government Bonds (note 24)	(3,060,000)	-
Closing Balance in Exchequer Account (note 11)	**15,279,782**	**13,098,521**

	Receipts[1] €000	Payments[1] €000	2012 Net €000	2011 Net €000
Borrowing Activity[2]				
Irish Government Bonds listed on the Irish Stock Exchange	16,646,062	(14,667,220)	1,978,842	(4,791,698)
EIB Loans	100,000	-	100,000	-
EU/IMF Programme Funding	32,462,214	(11,226,977)	21,235,237	34,510,074
Other Medium/ Long Term Loans	-	(126)	(126)	(126)
Commercial Paper	32,103,692	(32,333,257)	(229,565)	(4,052,034)
Savings Certificates	1,119,801	(561,736)	558,065	276,113
Savings Bonds	2,395,702	(1,610,348)	785,354	543,017
National Solidarity Bond	412,462	(18,708)	393,754	265,030
Instalment Savings	115,741	(117,226)	(1,485)	4,747
Prize Bonds	346,089	(145,479)	200,610	118,639
Borrowings from Ministerial Funds	34,225,028	(35,135,683)	(910,655)	172,640
Total Borrowing Activity	119,926,791	(95,816,760)	24,110,031	27,046,402
Deposits, Treasury Bills and Short Term Notes (note 18)	148,653,311	(152,630,353)	(3,977,042)	(428,349)
Total Cashflow Activity	**268,580,102**	**(248,447,113)**	**20,132,989**	**(26,618,053)**

	Receipts[1] €000	Payments[1] €000	2012 Net €000	2011 Net €000
Exchequer Account	261,181,235	(238,761,848)	22,419,387	24,437,936
Foreign Currency Clearing Accounts (note 16)	7,398,867	(9,685,265)	(2,286,398)	2,180,117
	268,580,102	**(248,447,113)**	**20,132,989**	**26,618,053**

Notes 1 to 25 form part of these financial statements.

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

[2] Borrowing activity includes Irish Government bonds issued to IBRC in respect of Promissory Note repayment.

John C. Corrigan

John C. Corrigan, Chief Executive

National Treasury Management Agency

28 June 2013

Statement Of Movement In National Debt

Year ended 31 December

	2012 €000	2011 €000
Opening National Debt	119,082,027	93,444,660
Increase in National Debt (nominal)	18,549,987	25,637,367
Closing National Debt	**137,632,014**	**119,082,027**

	2012 €000	2011 €000
Increase in National Debt (nominal) represented by:		
Exchequer Deficit	14,891,728	24,918,480
Settlement of Instalment on IBRC Promissory Note (discharged through the issue of Irish Government Bonds) (note 24)	3,060,000	-
Discount on Irish Government Bonds issued in Settlement of Instalment on IBRC Promissory Note	411,550	-
Bond Tranching: Net Reduction/(Excess) of Proceeds over Nominal Liability	199,752	(970)
Bond Cancellations: Net Reduction/(Excess) of Cancellation Cost over Nominal Liability	(46,765)	(10)
Medium/Long Term Loans: Net Reduction of Proceeds over Nominal Liability	37,700	98,933
Effect of Foreign Exchange Rate Movements	(4,023)	20,888
Movement in CSRA Current Balance (note 11)	45	600,046
	18,549,987	**25,637,367**

Notes 1 to 25 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Notes to the Financial Statements

1. Total Debt Service Cost

	Note	Charged on Foreign Currency Clearing Accounts €000	Charged on Central Fund €000	Charged on CSRA €000	Total Service Cost 2012 €000
Interest Paid					
Medium / Long Term Debt	2	(35,358)	3,458,592	2,058,579	5,481,813
Short Term Debt	3	2,649	23,164	13,068	38,881
State Savings Schemes	4,10	-	277,951	5,551	283,502
Other Movements	5	(2,255,159)	2,179,839	78,608	3,288
Sinking Fund Payments	6	-	-	645,681	645,681
Fees and Expenses	7	283	119,179	(15,460)	104,002
Expenses of the Agency		1,187	38,890	-	40,077
Interest Received on Deposits, Treasury Bills and Short Term Notes		-	-	(128,818)	(128,818)
Inter Account Movement		-	2,657,164	(2,657,164)	-
Total Debt Service Cost		**(2,286,398)**	**8,754,779**	**45**	**6,468,426**

2. Interest on Medium / Long Term Debt

	2012 €000	2011 €000
Irish Government Bonds listed on the Irish Stock Exchange	4,074,819	4,105,621
EU/IMF Programme Funding	1,368,581	207,068
Private Placements	34,693	34,693
Medium Term Notes	3,760	3,132
Miscellaneous Debt	(40)	(5)
	5,481,813	**4,350,509**

3. Interest on Short Term Debt

	2012 €000	2011 €000
Commercial Paper	38,881	91,455
Borrowings from Funds under the control of the Minister for Finance	-	124,434
	38,881	**215,889**

Notes to the Financial Statements (Continued)

4. Interest on State Savings Schemes

	2012 €000	2011 €000
Savings Certificates	72,627	73,044
Savings Bonds	138,383	72,552
Instalment Savings	18,351	19,242
Prizes in respect of Prize Bonds	47,613	41,924
National Solidarity Bond	6,528	2,470
Small Savings Reserve (note 10)	-	-
	283,502	**209,232**

Payments for interest on National Savings Schemes in 2012 include transfers to the Dormant Accounts Fund in respect of accumulated capitalised interest on certain accounts deemed dormant by An Post under the Dormant Accounts Act 2001. The net interest amounts transferred were as follows:

	2012 €000	2011 €000
Savings Certificates	872	(294)
Savings Bonds	47	(25)
Instalment Savings	273	58
	1,192	**(261)**

5. Other Movements

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

The net fund flows arising on hedging activities that are not linked with specific borrowing transactions are included in debt service costs at the time the funds are received or payment made.

6. Sinking Fund Payments

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

	2012 €000	2011 €000
Capital Services Redemption Account (Note 15)	**645,681**	**638,409**

Notes to the Financial Statements (Continued)

7. Fees and Expenses

	2012 €000	2011 €000
EU/IMF Programme Funding	69,301	113,759
Government Bonds and Other Loans	1,918	848
Savings Certificates	7,610	8,567
National Solidarity Bonds	4,418	1,435
Prize Bonds	10,879	10,305
Savings Bonds	8,755	10,926
Instalment Savings	1,121	1,343
	104,002	**147,183**

8(a). Medium / Long Term Debt

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: -

	2012 €million	2011 €million
Debt due for Repayment within 1 year	5,143	6,537
Debt due for Repayment between 2 and 5 years	41,704	39,538
Debt due for Repayment in more than 5 years	97,676	74,537
	144,523	**120,612**

8(b). EU/IMF Programme Funding

The liabilities outstanding under the EU/IMF programme at end 2012 included in 8(a) above, taking into account the effect of currency hedging transactions, are as follows:

	2012 €million	Weighted Average Term Years	2011 €million	Weighted Average Term Years
Lender				
International Monetary Fund	19,030	7.5 Years	12,598	7.5 Years
European Financial Stability Facility	12,214	11.7 Years	7,650	6.6 Years
European Financial Stabilisation Mechanism	21,700	12.4 Years	13,900	8 Years
United Kingdom Treasury	2,454	7.5 Years	481	7.5 Years
Kingdom of Denmark	200	7.5 Years	-	
Kingdom of Sweden	300	7.5 Years	-	
	55,898		**34,629**	

The first drawdown from the EFSF amounted to €4,194 million and took place in February 2011. A prepaid interest margin of €530 million was deducted from the drawdown and the net amount received amounted to €3,664 million. This net amount is included in the EFSF liability outstanding. Subsequently the terms of the loan were amended and the interest margin no longer applies. The prepaid margin will be refunded to Ireland when the debt matures in 2016 leaving a net liability of €3,664 million to be repaid at that date. The net cost of servicing this loan is charged on the original amount drawn down of €4,194 million.

Notes to the Financial Statements (Continued)

9. Commercial Paper

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

10. State Savings Schemes

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds and Prize Bonds are net of €22.0 million (2011: €9.3 million) cash balances held by An Post, Permanent TSB and the Prize Bond Company. An Post and the Prize Bond Company act as registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €548 million (2011: €465 million), being the estimate of the amount of accrued interest at 31 December 2012 in respect of Savings Bonds, Savings Certificates and Instalment Savings.

The Small Savings Reserve Fund (the Fund) was set up under Section 160 of the Finance Act 1994. The initial amount paid into the Fund has been expended. No moneys were paid into the Fund in 2012 or are held in the Fund at year end. In the normal course where interest payments on encashments of small savings exceed 11 per cent of the total interest accrued for the previous year, the resources of the Fund may be applied towards meeting those interest costs which exceed 11 percent of that accrued income. The gross interest cost of the small savings schemes for 2012 was €284 million which represented 61 per cent of the interest accrued of €465 million at 31 December 2011.

	€ million
Estimated Accrued Interest at 31 December 2012	548
Balance of Small Savings Reserve Fund at 1 January 2012	NIL
Amount Applied during 2012 (Note 4)	NIL
Balance of Small Savings Reserve Fund at 31 December 2012	NIL
Estimated Accrued Interest not Provided for at 31 December 2012	548

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

11. Cash and Other Financial Assets

	Opening Balance at 1 January 2012 €000	**Movements during 2012 €000**	**Closing Balance at 31 December 2012 €000**
Exchequer Account	13,098,521	2,181,261	15,279,782
Capital Services Redemption Account (note 15)	405	(45)	360
Housing Finance Agency Guaranteed Notes	3,847,950	134,228	3,982,178
Deposits and Treasury Bills	30,154	4,035,184	4,065,338
CSA Collateral Funding (note 13)	715,113	(192,370)	522,743
	17,692,143	**6,158,258**	**23,850,401**

Notes to the Financial Statements (Continued)

11. Cash and Other Financial Assets (Continued)

Deposits with commercial banks and Treasury Bills are made up of Deposits of €3,020m and Treasury Bills of €1,045m.

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

CSA Collateral Funding arises from the requirement to post cash collateral under Credit Support Annexes associated with certain derivative transactions. These balances, and access to the related cash collateral, change on a daily basis and are dependent on the market value of these derivatives.

12. Risk Management

The Agency's responsibility for both the issuance of new debt and the repayment of maturing debt, together with the management of the interest rate and currency profile of the total debt portfolio, makes the management of risk a central and critical element of the Agency's business. The principal categories of risk arising from the Agency's activities are liquidity, market, counterparty credit and operational risk. In all of these areas the Agency has policies and procedures to measure and control the risk involved.

A key objective of the Agency is to ensure that the Exchequer has sufficient cash to meet all obligations as they fall due. Ultimately the protection of liquidity is the Agency's most critical task. Liquidity risks related to the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The Agency manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time and matching the timing and volume of funding. This is reinforced by the Agency's activities in continuing to enhance a well informed and diversified international investor base, through maintaining its presence in all major capital markets and by extending the range of debt instruments which can be issued.

On 28 November 2010, the Government agreed to a three year €85 billion financial support programme for Ireland by members of the EU and the IMF. The State's contribution to the programme is set at €17.5 billion while the external contribution will amount to €67.5 billion. The terms of the programme include loans of varying maturities. The staggered maturities are important from a risk management perspective in order to avoid a situation whereby Ireland is faced with a "funding wall" on conclusion of the programme. The Agency seeks to ensure that disbursements under the EU/IMF programme are scheduled in such a way as to provide adequate liquidity while minimising the cost of carry to the State.

Market risk is the risk that movements in market interest or exchange rates or other prices adversely impact on debt service costs or the total market value of the debt. The Agency must have regard both to the short-term and long-term implications of its transactions given its task of controlling not only the immediate fiscal debt service costs but also the present value of all future payments of principal and interest. The exposure to interest rate and currency risk is controlled by managing the interest rate and currency composition of the portfolio in accordance with Ministerial guidelines. Specific quantitative limits are in place to control market risk; exposures against these limits are reported regularly both to portfolio managers and to senior management. As conditions in financial markets change, the appropriate interest rate and currency profile of the portfolio is reassessed. The 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 Note 13 - Derivatives.

Counterparty credit risk arises from derivatives, deposits and foreign exchange transactions. The level of credit risk is minimised by dealing only with counterparties of high credit standing. Procedures provide for the approval of risk limits for all counterparties and exposures are reported daily to management. A review of all limits is undertaken periodically to take account of changes in the credit standing of counterparties or 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 Note 13 - Derivatives.

Controls have been established to ensure that operational risks are managed in a prudent manner. These controls include the segregation of duties between dealing, processing, payments and reporting.

Notes to the Financial Statements (Continued)

13. Derivatives

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

	31 December 2012		31 December 2011	
	Nominal € million	Present Value € million	Nominal € million	Present Value € million
Interest Rate Swaps	12,844	(1,328)	9,094	(814)
Currency Swaps & Foreign Exchange Contracts	14,990	329	9,009	400
	27,834	**(999)**	**18,103**	**(414)**

The Agency provides treasury services to the National Asset Management Agency ("NAMA") under Section 52 of the National Asset Management Agency Act 2009. Accordingly it may enter into derivative transactions with NAMA. Any such transactions are offset by matching transactions with market counterparties. As a result there is no net effect on the National Debt accounts. The nominal value of interest rate swaps transacted with NAMA outstanding at end 2012 was €19.4 billion (2011: €22.8 billion); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2012 was €6.2 billion (2011: €8.6 billion).

In order to mitigate the risks arising from derivative transactions, the Agency enters into credit support arrangements with its market counterparties. Derivative contracts are drawn up in accordance with Master Agreements of the International Swaps and Derivatives Association (ISDA). A Credit Support Annex (CSA) is a legal document which may be attached to an ISDA Master Agreement to regulate credit support (in this case, cash collateral) for derivative transactions and it defines the circumstances under which counterparties are required to post collateral. Under the CSAs, the posting of cash constitutes an outright transfer of ownership. However, the transfer is subject to an obligation to return equivalent collateral in line with changes in market values or under certain circumstances such as a Termination Event or an Event of Default. The provider of collateral is entitled to deposit interest on cash balances posted.

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.

Notes to the Financial Statements (Continued)

13. Derivatives (continued)

Credit Support Account	2012 € million	2011 € million
Balance at 1 January	-	11
Margin transfers received from counterparties	4,353	2,709
Margin transfers paid to counterparties	(4,161)	(3,435)
Net Exchequer funding during the year	(192)	715
Balance at 31 December	-	-

Note:	2012 € million	2011 € million
Exchequer Funding at 31 December	523	715
Net Collateral Posted by (to) counterparties at 31 December	(523)	(715)

In March 2012, the Agency entered into a Collateral Posting Agreement with NAMA under which it is required to post collateral to the Agency when required to do so by the Agency. At end 2012, NAMA had posted collateral of €1.15bn as part of this agreement.

14. National Debt – Currency Composition

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

	As at 31 December	
Currency	2012 € million	2011 € million
Debt Instruments		
Euro	122,940	110,563
US Dollar	8,345	5,659
Pounds Sterling	4,717	1,979
Japanese Yen	1,843	1,430
Swiss Franc	81	-
	137,926	119,631
Foreign Currency & Swap Contracts		
Euro	14,693	8,459
US Dollar	(8,335)	(5,610)
Pounds Sterling	(4,721)	(1,976)
Japanese Yen	(1,850)	(1,422)
Swiss Franc	(81)	-
	(294)	(549)
National Debt[1]	**137,632**	**119,082**

[1] This figure is net of cash and other financial assets as at 31 December 2012 of €23,850 million (31 December 2011: €17,692 million)

Notes to the Financial Statements (Continued)

15. Capital Services Redemption Account

This account is used to record:

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

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

16. Foreign Currency Clearing Accounts

	€000	€000
Balance at 1 January 2012		NIL
Amounts Received under Finance Act 1988 [S67 (8)]	37,287,633	
Amounts Paid under Finance Act 1970 [S54 (7)]	(35,032,475)	2,255,158
Foreign Currency Borrowing Receipts	7,398,867	
Foreign Currency Borrowing Payments	(9,685,265)	(2,286,398)
Interest Paid on Foreign Currency Borrowings (note 1)		
- Medium/Long Term Debt	35,359	
- Short Term Debt	(2,649)	32,710
Expenses of Foreign Currency Borrowings (note 1)		(283)
Expenses of the Agency		(1,187)
Balance at 31 December 2012		**NIL**

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

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

	2012 €million	2011 €million
Post Office Savings Bank Fund	624	1,440
Deposit Monies Investment Account (note 22)	162	256
	786	**1,696**

18. Deposits, Treasury Bills and Short Term Notes Activity

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

19. National Loans Advance Interest Account

The Agency from time to time issues or cancels amounts of existing Irish Government Bonds. This is effected by means of sales or purchases by the Post Office Savings Bank Fund, which in turn settles with the Exchequer. The accrued interest element of the settlement amount for each bond transaction takes into account the fact that a full dividend is payable to the registered owner in cases where bonds are held on an ex-dividend date. The purpose of this account is for the Post Office Savings Bank Fund to compensate the Exchequer for the unearned element of the dividend arising on tranching bonds cum-dividend or on cancelling bonds ex-dividend. These amounts are then used to offset the related servicing costs of the Exchequer.

Notes to the Financial Statements (Continued)

19. National Loans Advance Interest Account (continued)

	2012 €000	2011 €000
Account of Receipts and Payments		
Balance at 1 January	11,924	64,416
Accrued interest received on National Loans		
- Tranches and Auctions	65,242	11,926
Accrued interest paid on National Loans	(64,987)	(64,418)
Balance at 31 December - Cash with Central Bank of Ireland	**12,179**	**11,924**

20. National Loans (Winding Up) Account

When a National Loan is due for redemption, the full amount outstanding is payable to loan holders. Any amount not claimed at the redemption date is transferred into this account by a payment from the Exchequer. This account also includes balances which were held by the Central Bank and the Department of Finance as Paying Agents in respect of uncashed redemption payments, and were transferred to the Agency. Any further claims are met from this account.

	2012 €000	2011 €000
Account of Receipts and Payments		
Balance at 1 January	3,363	3,668
Receipts from Exchequer	1,193	-
Receipts from Central Bank Suspense Account	69	138
Payments to Central Bank Suspense Account	(138)	(207)
Payments for Redemption of National Loans	(1,032)	(236)
Balance at 31 December - Cash with Central Bank of Ireland	**3,455**	**3,363**

Notes to the Financial Statements (Continued)

20. National Loans (Winding Up) Account (Continued)

	2012 €000	2011 €000
National Loans Redeemed during the Year Ended		
5.25% National Development Loan 79-84	1	-
6% Exchequer Stock 1980-85	1	-
7.5% National Loan 1981-86	-	1
9.75% National Loan 1984-89	-	1
7% National Loan 1987-92	-	1
5.75% Exchequer Stock 1984-89	1	-
7% National Loan 1987-92	-	1
9.75% National Development Loan 92/97	-	2
7.75% Capital Stock 1997	5	1
6.5% Treasury Bond 2001	-	2
6.5% Exchequer Stock 00/05	-	20
8% Treasury Bond 2006	-	7
8.25% Capital Stock 2008	5	-
6% Treasury Stock 2008	39	-
8.5% Capital Stock 2010	68	136
4% Treasury Bond 2010	-	64
8.75% Capital Stock 2012	912	-
	1,032	**236**

21. National Treasury Management Agency (Unclaimed Dividends) Account

When a dividend is due on a loan liability, the full amount due is paid by the Agency to the Paying Agent and then issued to the registered holders. The balance on the unclaimed dividends account represents dividends on matured loans, which have not been claimed by the registered holders and have been returned to the Agency by the Paying Agent. The balance is available to cover future claims on these dividends. The Paying Agent maintains a cash float, on behalf of the Agency, which it uses to service claims as they arise during the year.

Account of Receipts and Payments	2012 €000	2011 €000
Balance at 1 January	2,610	2,542
Receipt of Unclaimed Dividends	-	77
Payment of Unclaimed Dividends	(54)	(9)
Balance at 31 December - Cash with Central Bank of Ireland	**2,556**	**2,610**

Dividends claimed and paid in year	2012 €000	2011 €000
Irish Government Bonds Registered with Central Bank of Ireland	47	3
Foreign Bonds Administered by Paying Agent	7	6
Balance at 31 December - Cash with Central Bank of Ireland	**54**	**9**

Notes to the Financial Statements (Continued)

22. Deposit Monies Investment Account

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

Account of Receipts and Payments	**2012**	**2011**
	€000	**€000**
Balance at 1 January	256,383	316,293
Ways and Means Advances Paid to Exchequer	6,527,704	4,298,941
Ways and Means Advances Repaid by Exchequer	(6,622,005)	(4,358,851)
Balance at 31 December – Ways and Means Advances to Exchequer	**162,082**	**256,383**

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

No stock was accepted in payment of inheritance tax and death duties during 2012.

24. Settlement of Instalment on IBRC Promissory Note

In 2010, the Minister for Finance issued promissory notes to Anglo Irish Bank plc Limited (subsequently Irish Bank Resolution Corporation Limited, "IBRC"). An instalment of €3.06 billion was due for payment by the Minister to IBRC on 31 March 2012. IBRC agreed to accept the Government bonds issued by the Agency on behalf of the Minister equivalent in value to the cash due in settlement of the instalment and entered into a bond subscription agreement with the Agency. Under a Set Off Deed dated 30 March 2012, the Minister, IBRC and the Agency agreed that the proceeds of the bond sale to IBRC were to be netted against the instalment payment due to IBRC under the promissory notes. As a result no cash transactions occurred on the Exchequer account. However, as the effect was to increase the National Debt, the Agency accounted for the sale of the bonds in accordance with the standard treatment of a bond issue.

25. Post Balance Sheet Events

Promissory Note Transaction

Following the liquidation of Irish Bank Resolution Corporation (IBRC) on 7 February 2013, and the agreement between the Irish Government and the Central Bank of Ireland 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 Treasury Bonds. A total amount of €25 billion was issued on 8 February 2013 to the Central Bank of Ireland with maturities ranging from 25 to 40 years. The bonds will pay interest every six months (June and December) based on the 6-month Euribor interest rate plus a fixed margin which averages 2.63 percentage points across the eight issues.

Financial Statements of the National Treasury Management Agency – Administration Account

For the year ended 31 December 2012

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

National Treasury Management Agency - Administration Account

I have audited the administration account of the National Treasury Management Agency for the year ended 31 December 2012 under the National Treasury Management Agency Act 1990. The administration account, which has been prepared under the accounting policies set out therein, comprises the accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in its preparation is applicable law and generally accepted accounting practice in Ireland.

Responsibilities of the Agency

The Agency is responsible for the preparation of the administration account, for ensuring that it gives a true and fair view of the state of the Agency's affairs and of its income and expenditure, and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the administration account and report on it in accordance with applicable law.

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

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

Scope of audit of the administration account

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

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

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

In addition, I read the Agency's annual report to identify if there are any material inconsistencies with the audited administration account. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the administration account

In my opinion, the administration account, which has been properly prepared in accordance with generally accepted accounting practice in Ireland, gives a true and fair view of the state of the Agency's affairs at 31 December 2012 and of its income and expenditure for 2012.

In my opinion, proper books of account have been kept by the Agency. The administration account is in agreement with the books of account.

Matters on which I report by exception

I report by exception if

- I have not received all the information and explanations I required for my audit, or
- my audit noted any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Agency's annual report is not consistent with the related administration account, or
- the Statement on Internal Financial Control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- I find there are other material matters relating to the manner in which public business has been conducted.

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

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

30 June 2013

Accounting Policies

(a) Background

The National Treasury Management Agency ("the Agency") operates with a commercial remit to provide asset and liability management services to Government. It has evolved from being a single function agency managing the National Debt to becoming the manager of a complex portfolio of public assets and liabilities. Businesses managed by the Agency include borrowing for the Exchequer and management of the National Debt, the State Claims Agency, the New Economy and Recovery Authority, the National Pensions Reserve Fund and the National Development Finance Agency. It assigns staff to the National Asset Management Agency ("NAMA") and also provides it with business and support services and systems.

Under Section 11 of the National Treasury Management Agency Act 1990 the expenses incurred by the Agency in the performance of its functions shall be charged on and paid out of the Central Fund (Exchequer) or the growing produce thereof. Under Sections 41 and 42 of the National Asset Management Agency Act 2009, the Agency provides NAMA with business and support services and systems in addition to assigning staff to the functions of NAMA. Such costs incurred by the Agency are reimbursed by NAMA to the Agency.

(b) Reporting Currency

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

(c) Basis of Accounting

The financial statements have been prepared on an accruals basis under the historical cost convention. The form of the financial statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act 1990.

(d) Fixed Assets and Depreciation

Fixed assets are stated at cost less accumulated depreciation. Fixed assets are depreciated by annual instalments over their estimated useful lives.

(e) Leasing

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

(f) Pensions

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

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

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

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

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

(g) Software

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

(h) Capital Account

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

Income and Expenditure Account

Year ended 31 December

	Note	2012 €000	2011 €000
Income			
Amount Receivable from Central Fund	1(a)	34,621	43,987
Other Income	2	37,715	51,843
Transfer (to) / from Capital Account	9	(274)	(1,074)
		72,062	94,756
Expenditure			
Agency Costs	3(a)	(73,010)	(93,084)
Net Deferred Pension Funding	4(a)	948	(1,672)
Net Income / (Expenditure)		-	-

Statement of Total Recognised Gains and Losses

Year ended 31 December

	Note	2012 €000	2011 €000
Net Income transferred to Defined Benefit Pension Reserve		-	-
Actuarial Gain / (Loss) recognised on Pension Liabilities	5(f)	3,415	(6,672)
Movement in Deferred Pension Funding	4(b)	(3,415)	5,009
Total Recognised Gain / (Loss)		-	**(1,663)**

Notes 1 to 11 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Balance Sheet

31 December

	Note	2012 €000	2011 €000
Fixed Assets			
Fixed Assets	6	3,249	2,975
Current Assets			
Cash at Bank and in Hand		1,393	(623)
Debtors	7	13,757	11,353
Total Current Assets		15,150	10,730
Current Liabilities			
Creditors	8	(15,150)	(10,730)
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities before Pensions		3,249	2,975
Deferred Pension Funding	5(d)	870	3,337
Pension (Liability) / Asset	5(d)	(870)	(3,337)
		-	-
Total Assets less Current Liabilities		**3,249**	**2,975**
Representing:			
Capital Account	9	3,249	2,975
Defined Benefit Pension Reserve	5(d)	-	-
		3,249	**2,975**

Notes 1 to 11 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Notes to the Financial Statements

1. Central Fund Income

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

	2012 €000	2011 €000
Opening amount due to / (from) Central Fund (note 8)	3,963	6,824
Received from Central Fund	40,077	41,126
Amount due (to) / from Central Fund at year end (note 8)	(9,419)	(3,963)
Central Fund Receivable for year	**34,621**	**43,987**

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

	2012 €000	2011 €000
Creditors (note 8)	(9,419)	(3,963)
Deferred Pension Funding (note 5(d))	870	3,337
	(8,549)	**(626)**

2. Other Income

	2012 €000	2011 €000
Recovery of Expenses from the National Asset Management Agency	36,890	27,714
Recovery of Expenses from Covered Credit Institutions	70	23,343
Asset Covered Securities Income	465	566
Consultancy and Other Income	290	220
	37,715	**51,843**

Under Sections 41 and 42 of the National Asset Management Agency Act 2009, the Agency provides NAMA with business and support services and systems in addition to assigning staff to the functions of NAMA as agreed. The cost of these services for the year ended 31 December 2012 was €36.9m (2011: €27.7m).

The Agency has incurred €1.1m (2011: €36.2m) of professional fees in 2012 relating to banking system functions, of which €0.07m (2011: €23.3m) is recoverable from the covered credit institutions. Recovery of expenses from the covered credit institutions is lower than the prior year due to significantly lower costs incurred by the Agency in 2012.

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

Notes to the Financial Statements (Continued)

3. Agency Costs

(a) Agency Costs

	2012 €000	2011 €000
Employment Costs	51,009	40,089
Professional Fees	3,242	38,357
Operating Expenses	11,884	10,763
Defined Benefit Pension Annual Cost (note 5(e))	5,599	2,860
Depreciation (note 6)	1,121	850
PRSA Pension Costs (note 3(d))	155	165
Total Expenses	**73,010**	**93,084**

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. The delegation of banking system functions to the Agency was revoked with effect from 5 August 2011 under S.I. No. 395 of 2011 and the Agency Banking Unit has since then been seconded to the Department of Finance. At the direction of the Minister, the costs of the Banking Unit, comprising staff costs and certain consultancy costs, continue to be met by the Agency. These costs are included in the Agency costs set out above.

(b) Expenses of the Agency for specified functions

	2012 €m	2011 €m
National Pensions Reserve Fund ("NPRF")	3.9	3.7
National Development Finance Agency ("NDFA")	6.1	5.9
State Claims Agency	10.3	8.5
National Asset Management Agency	36.9	27.7

Notes to the Financial Statements (Continued)

3. Agency Costs (continued)

(c) Remuneration and Expenses

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

Advisory Committee

Chairperson:	€45,000 per annum
Other Members:	€22,500 per annum

The Secretary General of the Department of Finance is an ex officio member of the Advisory Committee. He does not receive any remuneration in respect of his membership.

Remuneration of Committee members set out above takes into account a 10 per cent reduction in fees agreed by the Committee with effect from 1 January 2012.

A total of €32,121 in expenses was paid to Advisory Committee members in 2012 (2011: €36,558) reflecting travel and accommodation expenses incurred by non-Irish based members. Expenses comprised €28,195 (2011: €31,833) for travel and €3,926 (2011: €4,725) for accommodation.

Chief Executive Remuneration	2012	2011
Salary	€416,500	€490,000
Taxable benefits	€29,600	€28,635

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

The remuneration of the Chief Executive is determined by the Minister for Finance after consultation with the Advisory Committee. The Chief Executive agreed to waive 15 per cent of his salary following a request by the Minister for Finance and this adjustment is reflected above.

The remuneration of the Chief Executive consists of basic salary, taxable benefits (car and health insurance) and a performance related payment of up to 80 per cent of annual salary. The Chief Executive waived any consideration for performance related pay in respect of 2012 (as he did previously in respect of 2011 and 2010).

(d) Superannuation

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme set up under Section 8 of the National Treasury Management Agency Act 1990. Contributions, including those of staff who have opted for defined benefit arrangements, are transferred to an externally managed fund. The Agency contribution is determined on the advice of an independent actuary and is, at present, set at a level of 25 per cent of salary in respect of members of the Scheme prior to 1 January 2010 who receive benefits based on final salary. A contribution of 10 per cent of salary is made in respect of new members of the Scheme from 1 January 2011. These new entrants, including staff who previously availed of Personal Retirement Savings Account arrangements, will receive benefits based on career average earnings. Contributions to the defined benefit scheme by the Agency for the year ended 31 December 2012 amounted to €4.651m (2011: €4.532m).

Liabilities arising under the defined benefit scheme are provided for under the above arrangements, except for entitlements arising in respect of the service of certain members of the Agency's staff recruited from other areas of the public sector. On 7 April 1997 the Minister for Finance designated the Agency as an approved organisation for the purposes of the Public Sector (Transfer of Service) Scheme. This designation provides for, inter alia, contributions to be made out of the Exchequer, as and when benefits fall due for payment in the normal course, in respect of prior service of former civil servants employed by the Agency. No provision has been made for funding the payment of such entitlements.

The Agency also contributed €154,705 (2011: €165,167) to PRSAs for a number of employees who are not members of the defined benefit scheme in 2012.

Notes to the Financial Statements (Continued)

4. Net Deferred Pension Funding

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

	2012 €000	2011 €000
Funding recoverable in respect of current year pension costs (note 5(e))	5,599	2,860
Income applied to pay contributions to pension fund (note 3(d))	(4,651)	(4,532)
Net Deferred Pension Funding	**948**	**(1,672)**

(b) Movement in the Deferred Pension Funding

	2012 €000	2011 €000
Movement in amount recoverable in respect of current year actuarial (gain)/loss (note 5(f))	(3,415)	6,672
Less reduction in Defined Benefit Pension Reserve (note 4(c))	-	(1,663)
	(3,415)	**5,009**

(c) Movement in Defined Benefit Pension Reserve

	2012 €000	2011 €000
Opening balance	-	1,663
Actuarial loss	-	-
Transfer to Deferred Pension Funding	-	(1,663)
Transfer from Income and Expenditure Account	-	-
	-	**-**

5. Retirement Benefits

(a) Defined Benefit Pension Scheme

The valuation of the defined benefit scheme used for the purposes of Financial Reporting Standard 17 disclosures has been based on data provided by the scheme administrator. The valuation has been determined by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

(b) Change in the Present Value of Defined Benefit Obligations

	2012 €000	2011 €000
Benefit Obligations at Beginning of Year	52,560	42,829
Service Cost	5,129	3,452
Interest Cost	2,974	2,577
Scheme Members' Contributions	1,001	865
Past Service Costs	-	166
Actuarial (Gain) / Loss	2,211	3,144
Benefits Paid	(490)	(365)
Premiums Paid	(131)	(108)
Benefit Obligations at End of Year	**63,254**	**52,560**

Notes to the Financial Statements (Continued)

5. Retirement Benefits (Continued)

(c) Change in the Fair Value of Scheme Assets

	2012 €000	2011 €000
Fair Value of Scheme Assets at Beginning of Year	49,223	44,492
Expected Return on Scheme Assets	2,504	3,335
Actuarial Gain / (Loss)	5,626	(3,528)
Employer Contributions	4,651	4,532
Member Contributions	1,001	865
Benefits Paid from Scheme	(490)	(365)
Premiums Paid	(131)	(108)
Fair value of Scheme Assets at End of Year	**62,384**	**49,223**

Scheme assets	%	%
The Asset Allocations at the Year End were as Follows:		
Equities	49.38	51.06
Bonds	33.82	35.19
Property	4.83	1.78
Alternatives	8.19	9.71
Other	3.78	2.26
	100.00	**100.00**

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

	2012 €000	2011 €000
Actual Return on Scheme Assets	**8,130**	**(193)**

(d) Scheme Surplus / (Deficit)

	2012 €000	2011 €000
Fair Value of Scheme Assets	62,384	49,223
Present Value of Funded Obligations	(63,254)	(52,560)
(Deficit) / Surplus at year end	**(870)**	**(3,337)**

Amounts in the Balance Sheet		
Asset		
Deferred Pension Funding	870	3,337
Pension (Liability) / Asset	(870)	(3,337)
Defined Benefit Pension Reserve	-	-

Notes to the Financial Statements (Continued)

5. Retirement Benefits (Continued)

(d) Scheme Surplus / (Deficit) (Continued)

Defined Benefit Pension Reserve

The Defined Benefit Pension Reserve represents the excess of scheme assets over scheme liabilities at 31 December 2012 as measured for the purposes of FRS17.

(e) Components of Pension Expense

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

	2012 €000	2011 €000
Current Service Cost	5,129	3,452
Interest Cost	2,974	2,577
Expected Return on Scheme Assets	(2,504)	(3,335)
Past Service Costs	-	166
Income and Expenditure Charge (note 3(a))	**5,599**	**2,860**

(f) Actuarial Gain / (Loss)

The actuarial gain / (loss) recognised in the statement of total recognised gains and losses is as follows:

	2012 €000	2011 €000
Actuarial Gain / (Loss) on Scheme Obligations	(2,211)	(3,144)
Actuarial Gain / (Loss) on Scheme Assets	5,626	(3,528)
Statement of Total Recognised Gains and Losses	**3,415**	**(6,672)**
Cumulative amount recognised in Statement of Total Recognised Gains and Losses	**(11,548)**	**(14,963)**

Notes to the Financial Statements (Continued)

5. Retirement Benefits (Continued)

(g) Principal Actuarial Assumptions

The principal actuarial assumptions used were as follows:

	2012 %	2011 %
Weighted average assumptions used to determine benefit obligations		
Discount rate	4.30	5.10
Rate of compensation increase	3.00	4.00
Weighted average assumptions used to determine pension expense for year ended:		
Discount rate	5.10	5.50
Expected long-term return on scheme assets	4.84	7.10

	2012 Years	2011 Years
Weighted average life expectancy at age 60 for mortality tables used to determine benefit obligations:		
Future Pensioners - Male (year of birth 1967)	30.4	30.2
- Female (year of birth 1967)	31.5	31.4
Current Pensioners - Male (year of birth 1952)	28.4	28.2
- Female (year of birth 1952)	29.9	29.7
Weighted average life expectancy at age 65 for mortality tables used to determine benefit obligations:		
Future Pensioners - Male (year of birth 1967)	25.9	25.8
- Female (year of birth 1967)	26.9	26.8
Current Pensioners - Male (year of birth 1947)	23.3	23.2
- Female (year of birth 1947)	24.8	24.6

(h) History of Defined Benefit Obligations, Assets and Experience Gains and Losses

	2012 €000	2011 €000	2010 €000	2009 €000	2008 €000
Defined Benefit Obligation	63,254	52,560	42,829	37,993	36,698
Fair Value of Scheme Assets	62,384	49,223	44,492	38,619	31,157
Deficit / (Surplus)	**870**	**3,337**	**(1,663)**	**(626)**	**5,541**
Difference between Expected and Actual Return on Scheme Assets:					
Amount	(5,626)	3,528	224	(5,373)	15,927
Expressed as a % of Scheme Assets	(9.0%)	7.2%	0.5%	(13.9%)	51.1%
Experience (Gains) / Losses on Scheme Liabilities:					
Amount	(1,128)	(821)	(1,814)	(1,348)	(2,140)
Expressed as a % of Scheme Liabilities	(1.8%)	(1.6%)	(4.2%)	(3.5%)	(5.8%)

Notes to the Financial Statements (Continued)

6. Fixed Assets

	Property €000	Furniture Equipment & Motor Vehicles €000	Total €000
Cost:			
Opening Balance at 1 January 2012	2,215	6,413	8,628
Additions at Cost	279	1,131	1,410
Disposals	-	(198)	(198)
Balance at 31 December 2012	**2,494**	**7,346**	**9,840**
Accumulated Depreciation:			
Opening balance at 1 January 2012	1,318	4,335	5,653
Depreciation for the Period	65	1,056	1,121
Disposals	-	(183)	(183)
Balance at 31 December 2012	**1,383**	**5,208**	**6,591**
Net Book Value at 31 December 2012	**1,111**	**2,138**	**3,249**
Net Book Value at 31 December 2011	896	2,079	2,975

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

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

The capitalised property costs relate to the fit-out costs of the office space occupied by the Agency. The property is leased under long-term leases, as referred to in note 10.

7. Debtors

	2012 €000	2011 €000
Prepayments	2,086	1,633
Other Debtors	11,671	9,720
	13,757	**11,353**

8. Creditors

	2012 €000	2011 €000
Central Fund	9,419	3,963
Creditors	1,809	2,036
Accruals	1,890	4,730
Deferred Income	2,032	-
National Development Finance Agency	-	1
	15,150	**10,730**

Deferred Income relates to a reverse premium that will be credited to the Income and Expenditure Account in the period to April 2017 (note 10)

Notes to the Financial Statements (Continued)

9. Capital Account

			2012 €000	2011 €000
Opening Balance			2,975	1,901
Transfer from / (to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets		1,410		
Amortisation of Capital Funding				
- Amortisation in Line with Depreciation	(1,121)			
- Net amount Released on Asset Disposal	(15)	(1,136)	274	1,074
Closing Balance			**3,249**	**2,975**

10. Commitments

Operating Leases

In 1991, 2004 and 2007, the Agency entered into lease agreements of varying duration until 2025 and 2026, in respect of office accommodation at Treasury Building, Grand Canal Street, Dublin 2. The annual rental payment under these operating leases is €1.75m.

The Agency also entered into a lease in 2012 until 2017 in respect of office accommodation on the fourth floor at Treasury Building, Grand Canal Street, Dublin 2. The annual rental payment under this operating lease is €1.1m (excluding reverse premium of €0.5m per annum relating to deferred income included in Note 8).

11. Events since the Balance Sheet Date

In June 2013, the Government announced legislative proposals to streamline the corporate governance of the Agency and its related agencies. These will entail the establishment of an over-arching Board responsible to the Minister for Finance and the dissolution of the Advisory Committee, the State Claims Policy Committee, the NPRF Commission and the NDFA Board. Included in this announcement was legislative proposals for placing NewERA on a statutory footing.

Financial Statements of the Post Office Savings Bank Fund

For the year ended 31 December 2012

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

Post Office Savings Bank Fund

I have audited the financial statements of the Post Office Savings Bank Fund (the Fund) for the year ended 31 December 2012 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the income and expenditure account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law. My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of Audit of the Financial Statements

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

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

I also seek to obtain evidence about the regularity of financial transactions in the course of audit. In addition, I read the information about the Fund in the Agency's annual report to identify if there are any material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the Fund's affairs at 31 December 2012 and of its income and expenditure for 2012.

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

Matters on Which I Report by Exception

I report by exception if

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

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

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General
30 June 2013

Accounting Policies

Background

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

The fund has the following main purposes:

- to invest the moneys made available by depositors, and
- to act as an intermediary through which the tranching, cancellation, sale and repurchase (repo) transactions and secondary market trading can be transacted by the Agency, and
- to provide moneys under Central Treasury Services to designated state bodies.

Reporting Currency

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

Basis of Accounting

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

Investments

Investments are stated at cost.

Income and Expenditure Account

Year ended 31 December

	Note	2012 €000	2011 €000
Investment Income	1	122,087	73,723
Interest Paid and Payable	2	39,416	38,281
Other Expenses	3	29,362	30,191
		68,778	**68,472**
Surplus for the Year		53,309	5,251
Balance at Beginning of Year		13,295	8,044
Balance at End of Year		**66,604**	**13,295**

Notes 1 to 10 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Balance Sheet

31 December

	Notes	2012 €000	2011 €000
Assets			
Advances	4	637,434	1,439,987
Investments	5	1,359,760	755,876
Debtors	7	54,460	32,118
Central Treasury Loans		41,117	41,715
Commercial Paper	10	-	12,750
Cash		751,599	253,228
		2,844,370	**2,535,674**
Liabilities			
Post Office Savings Bank Deposits	8	2,773,689	2,517,690
Creditors	9	4,077	4,689
Accumulated Reserves		66,604	13,295
		2,844,370	**2,535,674**

Notes 1 to 10 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Notes to the Financial Statements

1. Investment Income

	2012 €000	2011 €000
Net Interest Received and Receivable	48,570	162,126
Profit/(Loss) on Sale of Investments	73,517	(88,403)
	122,087	**73,723**

2. Interest Paid and Payable

	2012 €000	2011 €000
Interest Paid and Credited to Depositors of Post Office Savings Bank	**39,416**	**38,281**

3. Other Expenses

	2012 €000	2011 €000
Management Expenses	**29,362**	**30,191**

4. Advances

	2012 €000	2011 €000
Advances to Exchequer	623,634	1,439,987
Advances to The State Claims Agency	13,800	-
	637,434	**1,439,987**

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

5. Investments

	2012 €000	2011 €000
Bonds		
At cost	**1,359,760**	**755,876**
Valuation as at 31 December	1,412,212	791,005

Notes to the Financial Statements (Continued)

5. Investments (Continued)

Schedule of Investment Holdings:-

Nominal €000	Stock	2012 Cost €000
470,228	5% Treasury Bond 2013	476,948
508,113	4% Treasury Bond 2014	520,640
83	8.25% Treasury Bond 2015	101
12,615	4.5% Treasury Bond 2018	12,876
28,877	4.6% Treasury Bond 2016	30,655
14,491	5.5% Treasury Bond 2017	15,941
49,198	4.4% Treasury Bond 2019	49,119
1,519	5.9% Treasury Bond 2019	1,651
45,836	4.5% Treasury Bond 2020	45,917
53,591	5% Treasury Bond 2020	53,877
50,958	5.4% Treasury Bond 2025	52,091
12,064	5.72% Amortising Bond 2027	12,066
21,719	5.82% Amortising Bond 2032	21,728
20,309	5.92% Amortising Bond 2037	20,317
21,995	5.92% Amortising Bond 2042	22,004
23,829	5.92% Amortising Bond 2047	23,829
1,335,425		**1,359,760**

6. Sale and Repurchase Agreements

Sale and Repurchase agreements are transacted between the Post Office Savings Bank Fund and primary dealers in the bond market. The related income or interest cost arising from these transactions is reflected in investment income in the Income and Expenditure account.

7. Debtors

	2012 €000	2011 €000
Dividends and Interest Receivable	44,490	26,300
Cash Balances held by An Post	9,862	5,818
Balance due from Dormant Accounts Fund	108	-
	54,460	**32,118**

8. POSB Deposits

	2012 €000	2011 €000
Deposits from Post Office Savings Bank	2,773,689	2,517,690

In April 2012 €1,826,048 (2011: €2,368,518) was transferred from the Post Office Savings Bank Fund to the Dormant Accounts Fund under the Dormant Accounts Act, 2001. At 31 December 2012 following account reactivations of €1,416,277 (2011: €563,638) and interest (net of DIRT) capitalised of €250,258 (2011: €261,088), a balance of €36,220,683 (2011: €35,560,654) was due to depositors from the Dormant Accounts Fund. The deposits from Post Office Saving Bank of €2,773,688,432 (2011: €2,517,690,458) do not include this Dormant Accounts Fund liability.

Notes to the Financial Statements (Continued)

9. Creditors

	2012 €000	2011 €000
Net Funds due under Sale and Repurchase Agreements	1,337	2,147
DIRT due to An Post	2,740	2,542
	4,077	**4,689**

10. Commercial Paper

	2012 €000	2011 €000
Agricultural Commodity Intervention Bills	-	12,750

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

Financial Statements of the Capital Services Redemption Account

For the year ended 31 December 2012

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

I have audited the Capital Services Redemption Account for the year ended 31 December 2012 under Section 22 of the Finance Act 1950. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects the transactions for the year ended 31 December 2012 and the balance at that date.

Seamus McCarthy
Comptroller and Auditor General

30 June 2013

Account of Receipts and Payments

Year ended 31 December

	Note		2012 €000		2011 €000
Balance at 1 January			405		600,451
Receipts					
Amounts received from Central Fund					
under Finance Act 1950, Section 22 as Amended:					
- Interest	1		2,011,484		1,967,556
- Sinking Fund			645,681		638,409
Amounts received under Finance Act 1988 [S 67 (8)]	1		17,020,772		42,817,586
Deposit Interest Received			127,059		232,994
Other Interest Received			3,075		1
Refund of Commitment Fees			15,460		42,193
			19,823,936		**46,299,190**
Payments					
Amounts Applied in the Redemption of National Debt:					
- Irish Government Bonds Listed on Irish Stock Exchange		645,555		638,409	
- Other Medium/ Long Term Loans		126		-	
			645,681		638,409
Amounts Applied in Meeting Interest and					
Expenses on National Debt	2		2,025,842		2,499,486
Amounts Applied in Respect of Liabilities					
under Finance Act 1970 [S 54 (7)]			17,152,053		43,160,890
Balance at 31 December			360		405
			19,823,936		**46,299,190**

Notes 1 to 2 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Notes to the Account

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

The balance in the account is maintained by the National Treasury Management Agency ("the Agency") at a level 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 Capital Services Redemption Account at year end 2012 was to be less than €1m (2011: €1m).

Annuities

Annuities are provided for in each year's Finance Act and are paid into the Capital Services Redemption Account from current revenue charged on the Central Fund. A fixed amount may be used for servicing (interest payments) of the public debt. The balance must be used for principal repayments.

Cash Management

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

Transactions of a normal banking nature include portfolio management activities which are not related to principal borrowings e.g. forward exchange deals, swaps and interest on deposits. Receipts from such transactions, other than those in a currency for which a foreign currency clearing account has been established under section 139 of the Finance Act 1993, must be received into the Capital Services Redemption Account. Such amounts may be used to make payments and repayments in respect of normal banking transactions or towards defraying interest and expenses on the public debt.

Receipts and payments arising from transactions of a normal banking nature include receipts and payments of €16.7 billion arising from derivatives which were entered into with the National Asset Management Agency and matching derivatives entered into with other counterparties.

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

	€000 2012
3.9% Treasury Bond 2012	207,051
8.75% Capital Stock 2012	803
5.5% Treasury Bond 2017	45,450
4.5% Treasury Bond 2018	414,701
4.4% Treasury Bond 2019	241,802
5.9% Treasury Bond 2019	226,454
4.5% Treasury Bond 2020	163,456
5% Treasury Bond 2020	399,536
5.4% Treasury Bond 2025	191,349
European Financial Stability Facility (EFSF)	115,330
Interest Paid on Credit Support Annex (CSA) Cash Collateral	1,290
State Savings Interest	5,551
Irish Treasury Bills	701
Commercial Paper Programmes	12,368
Total	**2,025,842**

Account of the Small Savings Reserve Fund

For the year ended 31 December 2012

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

I have audited the account of the Small Savings Reserve Fund for the year ended 31 December 2012 under the National Treasury Management Agency Act 1990. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2012 and the balance at that date.

Seamus McCarthy
Comptroller and Auditor General

30 June 2013

Account of Receipts and Payments

Year ended 31 December

	2012 €000	2011 €000
Balance at 1 January	NIL	NIL
Received/(Paid) from/(to) Exchequer	NIL	NIL
Balance at 31 December	**NIL**	**NIL**
Estimated Accrued Interest at 31 December	547,928	464,812

The Small Savings Reserve Fund (the Fund) was set up under Section 160 of the Finance Act 1994. The initial amount paid into the Fund has been expended. No moneys were paid into the Fund in 2012 or are held in the Fund at year end. In the normal course where interest payments on encashments of small savings exceed 11 per cent of the total interest accrued for the previous year, the resources of the Fund may be applied towards meeting those interest costs which exceed 11 percent of that accrued income. The gross interest cost of the small savings schemes for 2012 was €284 million which represented 61 per cent of the interest accrued of €465 million at 31 December 2011.

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

State Claims Agency Financial Statements

For the year ended 31 December 2012

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

State Claims Agency

I have audited the financial statements of the State Claims Agency (the Agency) for the year ended 31 December 2012 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the claims statement account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

In addition, I read the information about the Agency in the annual report of the National Treasury Management Agency to identify if there are any material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the Agency's affairs at 31 December 2012 and of its income and expenditure for 2012.

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

Matters on Which I Report by Exception

I report by exception if

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

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

Seamus McCarthy

Seamus McCarthy
Comptroller and Auditor General

30 June 2013

Accounting Policies

Background

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

The Act sets out two objectives for the SCA:

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

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

The SCA's remit was further expanded in February 2011 with the delegation of the management of personal injury and property damage claims against 13 new authorities (including Foras Áiseanna Saothair, the Higher Education Authority and the National Education Welfare Board) and several additional classes of claims (including personal injury related to bullying/harassment, members of the Defence Forces and An Garda Síochána while serving abroad and prisoner in-cell sanitation claims).

Claims alleging personal injury in respect of the medicinal products Thalidomide and Nimesulide were delegated to the SCA in April 2012. In addition, during 2012 the Government announced its decision to establish a State Legal Cost Unit within the SCA to deal with third party costs arising from certain Tribunals of Enquiry. The unit was set up in February 2013.

The significant accounting policies adopted are as follows: -

Reporting Currency

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

Basis of Accounting

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

Expenditure

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

Amounts Receivable from State Authorities

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

Claims Statement Account

Year ended 31 December

	Notes	2012 €000	2011 €000
Received and receivable from State Authorities in respect of claims and expenses	1	100,224	110,253
Costs recovered on behalf of State Authorities		3,818	14,847
		104,042	**125,100**
Paid and payable in respect of awards		56,847	67,745
Other expenses	2	43,377	42,508
Reimbursement of costs recovered to State Authorities		3,818	14,847
		104,042	**125,100**

Notes 1 to 8 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Balance Sheet

31 December

	Notes	2012 €000	2011 €000
Assets			
Investments	3	5,327	5,936
Debtors	4	13,831	3,811
Cash		2,048	(1,305)
		21,206	**8,442**
Liabilities			
Special Obstetrics Indemnity Scheme	3	5,327	5,936
Borrowings from Post Office Savings Bank Fund	5	13,800	-
Creditors	6	2,079	2,506
		21,206	**8,442**

Notes 1 to 8 form part of these financial statements.

John C. Corrigan, Chief Executive

National Treasury Management Agency

28 June 2013

Notes to the Financial Statements

1. Income

	2012 €000	2011 €000
Opening Balance	(3,807)	(2,061)
Received from State Authorities	89,559	106,710
Received from the Special Obstetrics Indemnity Scheme	645	1,797
Closing Balance	13,827	3,807
	100,224	**110,253**

2. Other Expenses

	2012 €000	2011 €000
State Claims Agency expenses		
- Legal fees	16,497	13,612
- Medical fees	3,317	1,386
- Engineers' fees	278	176
- Other fees (including investigation and actuary fees)	992	839
	21,084	**16,013**
Plaintiff expenses		
- Legal fees	22,271	26,474
- Other expert fees	-	2
- Travel expenses	13	8
	22,284	**26,484**
Witness expenses	9	11
	43,377	**42,508**

In addition to the above expenses, the administrative costs incurred by the NTMA in the performance of the SCA's functions amounted to €10,308,315 (2011: €8,474,952). 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 State Authorities.

Remuneration and Expenses (included in the administration expenses of the NTMA)
Remuneration of State Claims Policy Committee members is set by the NTMA with the consent of the Minister for Finance.

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

Chris Fitzgerald (term expired on 28 February 2012), appointed in his capacity as a civil servant, did not receive any remuneration in respect of his membership. Wendy Thompson (appointed with effect from 1 July 2012) waived her fees as a Committee member for 2012.

No Committee member related expenses were paid for 2012.

Notes to the Financial Statements (Continued)

3. Special Obstetrics Indemnity Scheme/Investments

In 2008, the Minister for Health established the Special Obstetrics Indemnity Scheme (the "Scheme"). Under the Scheme, the Minister agreed to indemnify the Bon Secours and Mount Carmel Hospitals in respect of specified obstetric claims. The Government delegated managing claims under the Scheme to the NTMA under SI 628/2007 National Treasury Management Agency (Delegation of Functions) (Amendment) Order 2007 (the "Order"). The named participating hospitals made contributions to a fund which is managed by the NTMA on behalf of the Minister for Health under section 29(2) of the National Treasury Agency Amendment Act, 2000. In addition, the Order delegated to the SCA the management of historical claims against consultant obstetricians which were previously managed by the Medical Protection Society (MPS).

The Minister for Health authorised the SCA to drawdown amounts from time to time 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 or on behalf of any person covered by the MPS.

As at 31 December 2012 Scheme funds are invested in Exchequer Notes. Income earned on the Scheme's investments is paid into the fund and is not recognised as income of the SCA.

The movement on the Special Obstetrics Indemnity Scheme during 2012 was:

	2012	2011
	€000	€000
Opening balance	5,936	7,657
Contributions to Fund	-	-
Claim settlements and expenses	(645)	(1,797)
Income earned	36	76
Balance available for settlement of claims	**5,327**	**5,936**

Investments comprise Exchequer Notes, which are invested on behalf of the Department of Health.

4. Debtors

	2012	2011
	€000	€000
Receivable from State authorities	13,827	3,807
Other	4	4
	13,831	**3,811**

5. Borrowings from the Post Office Savings Bank Fund

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

Notes to the Financial Statements (Continued)

6. Creditors

	2012 €000	2011 €000
Payable in respect of Expenses	874	2,250
Payable in respect of Awards	785	-
Professional Services Withholding Tax due	335	169
Amounts due to State Authorities	85	86
Other	-	1
	2,079	**2,506**

7. Estimated Liabilities of State Authorities

During 2012, 2,276 new claims were received and almost 1,951 were settled. At 31 December 2012, the SCA had a total of 5,755 claims under management.

At 31 December 2012 the estimated liability of State Authorities in respect of claims under management by the SCA was €1.1bn (2011: €991m), of which €970m (2011: €860m) was attributable to Clinical Claims and €157m (2011: €131m) to Employer Liability, Public Liability and Property Damage Claims. The liability is an estimate calculated by reference to the ultimate cost of resolving each claim including all foreseeable costs such as settlement amounts, plaintiff legal costs and defence costs.

8. Events since the balance sheet date

In June 2013, the Government announced legislative proposals to streamline the corporate governance of the NTMA and its related agencies. These will entail the establishment of an over-arching NTMA Board responsible to the Minister for Finance and the dissolution of the Advisory Committee, the State Claims Policy Committee, the National Pensions Reserve Fund Commission and the National Development Finance Agency Board.

Dormant Accounts Fund Financial Statements

For the year ended 31 December 2012

Statement of Agency's Responsibilities

The National Treasury Management Agency ("the Agency") is required by the Dormant Accounts Act 2001 (as amended by the Unclaimed Life Assurance Policies Act 2003, the Dormant Accounts (Amendment) Act 2005 and the Dormant Accounts (Amendment) Act 2012) to prepare financial statements in respect of the operations of the Dormant Accounts Fund for each financial year.

In preparing those statements, the Agency:

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

The Agency shall, in relation to the Dormant Accounts Fund, keep in a form that may be specified by the Minister for Finance all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Fund.

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

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

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

Dormant Accounts Fund

I have audited the financial statements of the Dormant Accounts Fund for the year ended 31 December 2012 under the Dormant Accounts Act 2001. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the investment and disbursements account, the reserve account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.
My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

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

Scope of Audit of the Financial Statements

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

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

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.
In addition, I read the information about the Dormant Accounts Fund in the annual report of the National Treasury Management Agency to identify if there are any material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the Dormant Accounts Fund's affairs at 31 December 2012 and of its transactions for 2012.

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

Matters on Which I am Required to Report by Exception

I report by exception if

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

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

Séamus Mc Carthy.

Séamus McCarthy
Comptroller and Auditor General

30 June 2013

Accounting Policies

Background

The Dormant Accounts Act 2001 (as amended by the Unclaimed Life Assurance Policies Act 2003, the Dormant Accounts (Amendment) Act 2005 and the Dormant Accounts (Amendment) Act 2012), provides for a scheme to transfer dormant funds in banks, building societies and An Post and the transfer of moneys payable under unclaimed life assurance policies to the care of the State, while guaranteeing a right of reclaim to those funds. It further provides for the introduction of a scheme for the disbursement, for charitable purposes, or purposes of societal and community benefit, of funds which are not likely to be reclaimed.

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

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

- the making of disbursements in accordance with the directions of the Dormant Accounts Board or Minister for Public Expenditure and Reform
- the maintenance of the Reserve Account
- the defraying of the fees, costs and expenses incurred by the Agency and the Dormant Accounts Board
- the defraying of the remuneration, fees and expenses of the authorised inspectors
- the repayment of moneys transferred to the Fund
- the preparation of the annual investment plan, having regard to the disbursement plan and any direction from the Minister for the Environment, Community and Local Government
- the investment of any moneys standing to the credit of the Fund that are not, for the time being, required for the purpose of meeting the liabilities of the Fund
- the keeping of proper accounts of all moneys received and expended by the 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 Finance and the Minister for the Environment, Community and Local Government.

As provided for in the Dormant Accounts (Amendment) Act 2005 as amended, the Minister for the Environment, Community and Local Government established the Dormant Accounts Board on 4 January 2006. It replaced the Dormant Accounts Fund Disbursements Board which was dissolved on the same date. Section 5 of the Dormant Accounts (Amendment) Act 2012 provided for the dissolution of the Dormant Accounts Board on the appointed day. Under the terms of the Dormant Accounts (Amendment) Act 2012 (Appointed Day) Order 2012 the Dormant Accounts Board was dissolved as of 31 December 2012, and its functions transferred to the Minister for Environment, Community and Local Government. While the Dormant Accounts Board had a mainly monitoring and advisory role, it was empowered to direct the Agency to make disbursements from the Dormant Accounts Fund.

The significant accounting policies adopted are as follows:

Reporting Currency

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

Reporting Period

The reporting period is the year ended 31 December 2012.

Basis of Accounting

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

Investment and Disbursements Account

Year ended 31 December

	Note	2012 €000	2011 €000
Interest on Investments		1,881	919
Moneys Transferred to the Fund in Respect of Dormant Accounts and Unclaimed Assurance Policies	1	43,886	43,080
Amount Transferred to Reserve Account	2	(28,286)	(27,401)
Disbursements	3	(4,160)	(8,403)
Movement for the Year		13,321	8,195
Balance at 1 January		88,621	80,426
Balance at 31 December		**101,942**	**88,621**

Notes 1 - 10 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Reserve Account

Year ended 31 December

	Note	2012 €000	2011 €000
Transfer from Investment and Disbursements Account	2	28,286	27,401
Interest on Investments		123	412
Repayment of Moneys Transferred to the Fund	1	(22,331)	(24,345)
Interest on Repayment of Moneys Transferred to the Fund	1	(223)	(194)
Other expenses	4	(803)	(938)
Movement for the Year		5,052	2,336
Balance at 1 January		54,336	52,000
Balance at 31 December		**59,388**	**54,336**

Notes 1 - 10 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Balance Sheet

31 December

	Note	2012 €000	2011 €000
Assets			
Financial Assets			
- Investments at Cost	10	50,115	-
Current Assets			
- Cash	5	109,556	142,727
- Debtors	9	1,835	341
Liabilities			
- Accrued Reclaims		(176)	(111)
Net Assets		**161,330**	**142,957**
Represented by:			
Investment and Disbursements Accounts		101,942	88,621
Reserve Account		59,388	54,336
		161,330	**142,957**

Notes 1 - 10 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2013

Notes to the Financial Statements

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

Banks – Dormant Accounts

Institution	Opening Balance 1/1/12 €	Transferred €	Reclaimed €	Closing Balance 31/12/12 €	Interest Paid €
ACC Bank plc	5,798,335	1,341,800	(1,080,673)	6,059,462	12,472
Allied Irish Banks plc	56,948,196	5,487,860	(1,251,491)	61,184,565	4,268
AIB Finance Limited	1,139,928	-	(120,949)	1,018,979	4,524
Barclays Bank plc	280,762	63,263	-	344,025	-
BNP Paribas	80,715	2,861	(1)	83,575	-
Bank of America	154,778	-	-	154,778	-
Bank of Ireland & ICS Building Society	57,032,790	10,031,867	(5,911,847)	61,152,810	8,981
Bank of Ireland Treasury & International Banking	4,276,502	267,451	(28,263)	4,515,690	1,814
Bank of Scotland (Ireland)	567,088	-	-	567,088	-
Citibank	28,700	-	-	28,700	-
EBS Building Society	14,539,903	1,974,880	(1,433,422)	15,081,361	64,553
EAA Corporate Services plc (formerly WestLB Ireland plc)	122,119	-	-	122,119	-
First Active	8,227,774	-	(109,238)	8,118,536	638
IBB	785,993	-	-	785,993	-
Irish Bank Resolution Corporation Ltd (in special liquidation)	628,342	1,367	(346)	629,363	30
Investec Bank (UK) Limited (Irish Branch)	504,975	1,054,195	(1,553)	1,557,617	4
JP Morgan Ireland plc	48,897	-	-	48,897	-
National Irish Bank Limited	4,945,485	615,023	(259,540)	5,300,968	2,487
Permanent TSB	33,233,024	2,703,935	(887,511)	35,049,448	12,982
Pfizer International Bank	30,144	3,807	(334)	33,617	-
An Post – Instalment Savings	1,375,666	394,833	(116,742)	1,653,757	13,069
An Post - Instalment Savings (Capitalised Interest)	3,893,934	562,035	(288,870)	4,167,099	-
An Post - Post Office Savings Bank (Capitalised Interest)	16,765	3,413	-	20,178	-
An Post - Post Office Savings Bank	34,418,737	1,822,635	(1,258,331)	34,983,041	49,816
An Post - Savings Bonds (Capitalised Interest)	2,859,487	227,278	(180,083)	2,906,682	-
An Post - Savings Bonds	1,997,768	320,063	(138,681)	2,179,150	-
An Post - Savings Certs (Capitalised Interest)	46,853,810	4,848,434	(3,976,902)	47,725,342	-
An Post - Savings Certs	14,204,711	2,801,295	(1,686,485)	15,319,521	43,223
RBS NV (formerly ABN AMRO)	34,992	-	-	34,992	-
RBS	36,646	-	-	36,646	-
Scotiabank (Ireland) Limited	1,003,127	-	-	1,003,127	-
Ulster Bank Ireland Limited	14,371,861	1,537,023	(234,154)	15,674,730	338
TOTAL	**310,441,954**	**36,065,318**	**(18,965,416)**	**327,541,856**	**219,199**

Notes to the Financial Statements

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

Assurance Companies – Unclaimed Assurance Policies

Institution	Opening Balance 1/1/12 €	Transferred €	Reclaimed €	Closing Balance 31/12/12 €	Interest Paid €
Specified Term					
Acorn Life	251	2,654	(2,654)	251	-
Ark Life	49,268	6,233	(10,970)	44,531	-
Caledonian Life	104,748	-	-	104,748	-
Canada Life Assurance	646,812	233,762	(880,574)	-	-
Canada Life Ireland	575,914	858,284	(29,984)	1,404,214	-
Equitable Life	7,131	-	-	7,131	-
Friends First	1,091,764	958,194	(113,514)	1,936,444	-
Hibernian Life	2,030,357	876,037	(251,798)	2,654,596	-
Irish Life	4,095,589	185,027	(84,195)	4,196,421	-
New Ireland	208,611	3,540	-	212,151	-
Phoenix Ireland (formerly Alba Life)	188,218	-	-	188,218	-
Phoenix Ireland (formerly Royal & SunAlliance)	816,905	91,259	-	908,164	-
Phoenix Ireland (formerly Scottish Provident Ireland)	235,052	1,038,786	(25,444)	1,248,394	-
Royal London (Royal Liver)	5,001,937	863,809	(37,060)	5,828,686	-
St. James Place	10,649	-	-	10,649	-
Scottish Legal Life	497,435	99,505	(11,941)	584,999	-
Standard Life	783,166	49,244	(41,467)	790,943	-
Sun Life Financial of Canada	157,894	25,122	(15,525)	167,491	-
Zurich Insurance (formerly Eagle Star)	448,937	357,262	(1,647)	804,552	-
No Specified Term					
Acorn Life	5,986	2,654	-	8,640	-
Ark Life	6,869	139,941	(112,909)	33,901	-
Caledonian Life	31,113	-	-	31,113	-
Canada Life Assurance	99,019	11,773	(110,792)	-	-
Canada Life Ireland	3,466,289	309,838	(117,876)	3,658,251	-
Friends First	844,151	168,449	(47,354)	965,246	-
Hibernian	1,853,715	48,589	(24,982)	1,877,322	-
Irish Life	5,105,574	1,108	(66,439)	5,040,243	-
New Ireland	11,387,598	20,000	(908,908)	10,498,690	-
Phoenix Ireland (formerly Alba Life)	15,033	-	-	15,033	-
Phoenix Ireland (formerly Royal & SunAlliance)	16,660	5,250	-	21,910	-
Phoenix Ireland (formerly Scottish Provident Ireland)	236,246	56,402	(17,453)	275,195	-
Royal London (formerly Royal Liver)	8,110,306	860,675	(176,204)	8,794,777	-
Scottish Legal Life	468,778	11,941	-	480,719	-
Standard Life	1,196,763	115,544	(22,681)	1,289,626	-
Sun Life Financial of Canada	47,473	-	-	47,473	
Zurich Insurance (formerly Eagle Star)	1,682,255	308,881	(82,359)	1,908,777	-
TOTAL	51,524,466	7,709,763	(3,194,730)	56,039,499	-
The Escheated Estate Fund	4,400,000	-	-	4,400,000	-
Accrued Reclaims	(111,577)	111,577	(171,120)	(171,120)	4,262
GRAND TOTAL	**366,254,843**	**43,886,658**	**(22,331,266)**	**387,810,235**	**223,461**

Notes to the Financial Statements (Continued)

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

The amounts transferred to the Fund included accounts denominated in currencies other than euro. The effect of revaluing these accounts at the year end exchange rates would be to reduce the total amount transferred to the Fund and not yet reclaimed by €277,866 from €387,810,237 to €387,532,371.

2. Transfers 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 the Environment, Community and Local Government given with the consent of the Minister for Finance, for the purposes of making repayments from the Fund and of defraying various fees and expenses of the Agency, the Board and the authorised inspectors. Currently, a transfer is made periodically by the Agency to maintain the balance in the Reserve Account at a currently approved 15 per cent of the total dormant funds received by the Dormant Accounts Fund and not yet reclaimed. The balance in the Reserve Account may deviate from 15 per cent in the intervening period between the periodic rebalancing dates.

3. Disbursements

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

	2012 €000	2011 €000
On direction of the Dormant Accounts Board		
(S. 41 Dormant Accounts Act 2001)		
-Pobal (formerly ADM, Service provider and agent of the Dormant Accounts Board)	1,653	408
On direction of the Minister for Public Expenditure and Reform		
Department of Children and Youth Affairs	1,599	3,000
Department of Education and Skills	379	1,600
Department of Environment, Community and Local Government	279	1,441
Department of Social Protection	192	274
Irish Prison Service	58	229
Department of Justice and Equality	-	209
Health Service Executive	-	1,242
	4,160	**8,403**

Notes to the Financial Statements (Continued)

4. Other Expenses

	2012 €000	2011 €000
Expenses of the Dormant Accounts Board		
Board Fees	32	63
Board Expenses	1	2
Fees of Service Provider (Pobal)	750	851
Consultancy and Advisory fees	10	11
Other Expenses	10	11
	803	**938**

5. Cash

This figure represents the cash balance held at the Central Bank of Ireland, and Commercial Term Deposits held with Permanent TSB and AIB IFSC.

6. Contingent Exchequer Liability

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

(b) Analysis of Contingent Exchequer Liability:

	1 January 2012 €000	Movement during the year €000	31 December 2012 €000
Net Assets of Fund	142,957	18,373	161,330
Dormant Funds Transferred not Reclaimed	(366,255)	(21,555)	(387,810)
Contingent Liability	**(223,298)**	**(3,182)**	**(226,480)**

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

	€000
Interest on Investments	2,004
Interest on Repayments of Moneys Transferred to the Fund (see note 1)	(223)
Disbursements (see note 3)	(4,160)
Other expenses (see note 4)	(803)
Movement for the year	**(3,182)**

Notes to the Financial Statements (Continued)

7. Expenses of the Agency

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

	2012	2011
	€000	€000
General Administration	150	150

This is an estimate, included in the Notes to the accounts only, as the Agency has not charged these fees and expenses to the Dormant Accounts Board.

8. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act 2001 as amended, the Agency is required to report to the Minister for Environment, Community and Local Government the investment return achieved by the Fund. The annualised return on the Fund for the year was 1.29 per cent (2011: 0.89 per cent).

9. Debtors

	2012	2011
	€000	€000
Accrued Bond Interest Receivable	1,753	-
Accrued Central Bank Deposit Interest Receiveable	13	341
Accrued Commercial Deposits Interest Receiveable	69	-
	1,835	**341**

10. Financial Asset

	2012	2011
	€000	€000
5.0% Irish Treasury Bond 2013	50,115	-

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