National Treasury Management Agency

Annual Report and Accounts for the year ended

31 December 2011

Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

29 June 2012

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 2011.

Yours sincerely

John C Corrigan

John C Corrigan

Chief Executive

Treasury Building, Sráid na Canálach Móire, Baile Átha Cliath 2. • Treasury Building, Grand Canal Street, Dublin 2.
T: (+353 1) 664 0800 • F: (+353 1) 664 0890 • info@ntma.ie • www.ntma.ie • Swift NTMAIE2D

About the NTMA

The National Treasury Management Agency (NTMA) is a State body which operates with a commercial remit outside public service structures 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, the National Development Finance Agency and the National Asset Management Agency.

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 performs a number of other functions including NAMA and NPRF treasury operations, 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: 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, the Attorney General and health enterprises. It also has a risk management role, advising and assisting State authorities in minimising their claim exposures.

New Economy and Recovery Authority (NewERA): In September 2011 the Government announced the establishment, initially on a non-statutory basis, of NewERA within the NTMA. NewERA will centralise the oversight of the commercial State sector from a shareholder perspective (initially the companies within NewERA's remit are ESB, EirGrid, Bord Gáis, Bord na Móna and Coillte). NewERA also has a central role in the development and implementation of Government plans for investment in energy, water and next-generation telecommunications. NewERA will, where requested by Government, carry out advisory and oversight roles in relation to the disposal or restructuring of commercial State company 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 when these costs are projected to rise significantly due to population ageing. The Fund's legislative remit was amended in 2009 and 2010 to allow the Minister for Finance to direct the NPRF Commission, which is responsible for the control, management and investment of the assets of the Fund, to invest in credit institutions in certain circumstances and in Government and Government-guaranteed securities and to make payments to the Exchequer to fund capital expenditure in the years 2011 to 2013.

National Development Finance Agency: The National Development Finance Agency is the statutory financial advisor to State authorities in respect of all public investment projects with a capital value over €30 million. It also has full responsibility for the procurement and delivery of Public Private Partnership 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 part of a range of measures introduced by the Government to safeguard the viability of a number of systemically important financial institutions. It has acquired certain loan assets (land and development and associated loans) with a nominal value of €74.0 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.

The NTMA reports directly to the Minister for Finance in the performance of its funding and debt management, State Claims Agency and NewERA functions. Each of the National Pensions Reserve Fund, the National Development Finance Agency and the National Asset Management Agency 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 2011

Contents

Chief Executive's Review

Implementation of the Government's response to the economic and financial issues facing the State engaged the National Treasury Management Agency (NTMA) on a variety of fronts during 2011. In addition to its existing businesses, the NTMA commenced work on a Strategic Investment Fund to invest in areas of strategic importance to the Irish economy, and established NewERA to centralise oversight of the commercial State sector from a shareholder perspective and implement Government plans for investment in energy, broadband and water. NewERA will also, where requested, advise on the disposal or restructuring of commercial State company assets.

This report covers the first full year since Ireland sought external financial assistance through a three-year EU/IMF Programme of Financial Support in November 2010. Being out of the longer term markets means working harder than ever to maintain strong, supportive relationships with key international holders of Irish Government debt and, crucially, to identify and develop relationships with prospective new investors so as to position Ireland for a return to the markets before the conclusion of the EU/IMF programme at the end of 2013.

The NTMA has over the past year been engaged in a comprehensive investor relations programme, meeting with investors in Europe, North America, Asia and the Middle East. The purpose of these meetings was to apprise investors of the significant progress made by Ireland in rebalancing the public finances, recapitalising and restructuring the banks, and regaining competitiveness as well as to elicit their perspective on what they regard as the key issues if they are to invest in Irish Government bonds. Increased international investor confidence in Ireland has been reflected in the steep falls in Ireland's bond yields since the summer of 2011, though yields remain very sensitive to wider eurozone developments.

The NTMA's working plan is to re-enter the markets on a phased basis through the issue of short-term Treasury Bills and to gradually increase the size and maturity of this issuance before seeking to issue longer-term bonds. Successful and sustainable market re-entry is dependent both on the State continuing to meet its commitments under the EU/IMF programme and on the resolution of the wider eurozone sovereign debt and banking issues.

In order to diversify and increase its sources of funding, particularly from the domestic market, the NTMA has developed, following consultation with the pensions industry, an amortising Government bond that will facilitate the creation of long-term annuities and is also planning its first issue of an inflation-linked Irish Government bond.

The NTMA is currently working on legislative proposals for presentation to Government to put NewERA on a statutory basis and to enable further investment by the National Pensions Reserve Fund (NPRF), through the Strategic Investment Fund, both in NewERA projects and in areas such as infrastructure, financing for SMEs and venture capital. The unifying theme behind these proposals is the making of investments on a fully commercial basis that will generate economic activity and employment. The aim is to use NPRF assets both directly and as a catalyst for attracting additional third-party capital and also to leverage the commercial expertise and networks available to the NTMA across its NewERA, NPRF and National Development Finance Agency (NDFA) functions to drive much needed investment in the domestic economy.

It is in this context that, on foot of substantial work both by the NTMA and the Irish embassy in Beijing, the NTMA in March 2012 signed a memorandum of understanding with China Investment Corporation International, a subsidiary of China's sovereign wealth fund, to work together in exploring investment opportunities in Ireland.

The NTMA's Banking Unit played a significant role in the recapitalisation and restructuring of the Irish banking system undertaken during 2011 following the conclusion of the Central Bank's PCAR/PLAR review of bank capital and liquidity requirements and engaged with the banks to drive an agenda of burden sharing with subordinated bondholders. The recapitalisation programme was substantially completed by end July 2011. The Banking Unit was seconded to the Department of Finance in August 2011 where their valuable commercial and specialist skills continue to be utilised by the State. Burden sharing measures under the 2011 recapitalisation programme delivered €5.6 billion in capital for the banks which would otherwise have had to be provided by the Exchequer.

The NTMA provides staff and corporate support services to the National Asset Management Agency (NAMA). NAMA has concluded the initial critical phases of its work which have involved the valuation and transfer of loans and review of close to 800 debtor connection business plans and is now focused on maximising its return on the acquired loans and on the property assets securing them. NAMA's success in meeting its objectives and, in particular, its programme of asset disposals has been identified by international investors as a key factor in deciding to invest in Irish Government bonds.

Away from the world of capital markets the State Claims Agency (SCA) continues its work in managing personal injury and property damage claims so that the State's liabilities are contained at the lowest achievable level and in delivering comprehensive risk management programmes to minimise State authorities' claims exposures. At end 2011 the SCA had over 5,300 claims under management with an estimated liability against all active claims of some €1 billion, principally due to clinical claims. The SCA achieved significant savings in the management of clinical claims in 2011. An independent actuarial assessment projected that €106 million would be required to meet the costs of the Clinical Indemnity Scheme in 2011 whereas the out-turn in respect of the scheme was €81 million.

The Government extended the SCA's remit in 2011 and again in 2012 through the delegation of management of claims against 13 new authorities and several additional classes of claims.

The last two and a half years have seen a significant expansion in the NTMA's remit as a result of the additional functions which Government has assigned to the NTMA. The NTMA is now charged with applying commercial and market facing skills to the management of a complex portfolio of public assets and liabilities. We face major challenges; in regaining full access to the debt markets, in ensuring that NAMA is provided with the necessary skills and expertise to deliver on its mandate and in appropriately aligning NewERA, the NPRF and the NDFA to provide a mechanism for commercial investment in the domestic economy. Delivery on these objectives will represent the key focus of the NTMA in both the short and medium term.

I would like to thank the Chairperson and the members of the NTMA Advisory Committee for their assistance and advice during the year. In particular, I wish to pay tribute to Shane O'Neill who, sadly, passed away earlier this year. Shane brought a deep business expertise and perspective to the many challenging issues faced by the NTMA during the four years he served as a member of the Committee. I would also like to acknowledge the contribution made by Kevin Cardiff whose appointment expired on 3 February 2012.

Finally, I wish to thank the management and staff of the NTMA for the commitment and dedication they have demonstrated during another exacting year.

John Corrigan
Chief Executive

Executive and Advisory Committee

Senior Management Team

John Corrigan
Chief Executive

Ciarán Breen
State Claims Agency

Eileen Fitzpatrick
NewERA

Brendan McDonagh
National Asset Management Agency

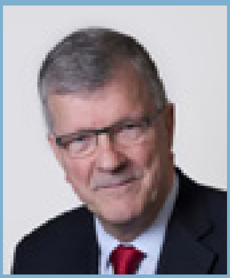
Brendan Murphy
Finance, Technology and Risk

Brian Murphy
National Development Finance Agency

Eugene O'Callaghan
National Pensions Reserve Fund

Andrew O'Flanagan
Legal, Control and Compliance

Michael Torpey
Banking System
(on secondment to Department of Finance)



Oliver Whelan
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.

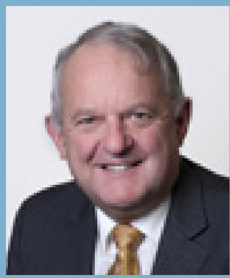
We value our people and treat each other with dignity and respect.

Advisory Committee

(as of 29 June 2012)

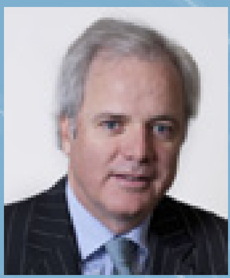
David Byrne – Chairperson

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



Hugh Cooney

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



Brendan McDonagh

Brendan McDonagh is Executive Chairman 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.

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.

Tytti Noras

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

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

Investor Relations and Market Re-entry

A key focus of the NTMA throughout 2011 and into 2012 has been its ongoing investor relations programme and planning to position Ireland for a return to the bond markets at the earliest possible opportunity. Given Ireland's absence from the markets following the suspension of bond auctions and the commencement of the EU/IMF Programme of Financial Support in late 2010, it is imperative for the NTMA to maintain strong, supportive relationships with holders of Irish Government debt and to identify and develop relationships with prospective new investors.

The NTMA has also maintained strong relationships with other market participants especially the sixteen primary dealers in Irish Government bonds. This has helped support liquidity in the secondary market for Government bonds. The close links with primary dealers are also important in positioning Ireland for a smooth return to raising funds in the markets.

From May 2011 and continuing through to the first quarter of 2012 the NTMA followed up on the extensive investor communications work that had been undertaken in 2010 and conducted an extensive round of meetings and presentations to institutional investors in Ireland, the UK, continental Europe, North America, Asia and the Middle East. These presentations concentrated on keeping investors fully informed of the significant progress made by Ireland in consolidating the public finances, recapitalising and restructuring the banks, and regaining competitiveness. This investor relations work is both an essential part of the preparations for return to the bond markets and a source of market intelligence.

The following are seen as key issues from the perspective of investors and potential investors in Irish Government bonds:

- Ireland's ability and willingness to continue to meet the fiscal consolidation targets and the quarterly undertakings set out in the EU/IMF programme;
- Any further recapitalisation requirement for the banks;
- Continued progress in reducing contingent liabilities, of which NAMA's programme of asset disposals is the most important element;
- Ireland continuing to achieve economic growth with surpluses on the current account of the balance of payments, despite the ongoing requirement for fiscal consolidation;
- Improvement in Ireland's sovereign credit ratings; and
- An improvement in market sentiment regarding the eventual resolution of the wider eurozone sovereign debt and banking crisis.

To ease Ireland's funding requirement immediately following the end of the EU/IMF programme in December 2013, the NTMA in January 2012 offered investors the opportunity of exchanging their holdings of the existing January 2014 bond for a new bond maturing in February 2015. As a result of that exercise the bond maturity of almost €12 billion due in January 2014 has been reduced by €3.5 billion to a more manageable level.

Subject to market conditions, the NTMA's working plan is to return to the markets on a phased basis, commencing with the resumption of Treasury Bill auctions in 2012.

The NTMA has developed new funding products in order to diversify and increase its sources of funding, particularly from the domestic market. It has developed, following consultation with the Irish pensions industry, an amortising Government bond that will facilitate the creation of long-term annuities. Unlike standard bonds where the annual interest payment is followed by the repayment of principal at maturity, the new amortising bonds will pay an equal amount each year over their lifetime, reflecting the preference of annuity providers for a steady stream of income. These annuities, based on Irish Government bond yields, will be less expensive to purchase than annuities based on French and German government bond yields which have been the norm for pension annuities up to now.

In response to investor demand, particularly from the Irish pensions industry, the NTMA is also planning its first issue of an inflation-linked Irish Government bond.

Following the resumption of Treasury Bill issuance, and the issue of amortising bonds and inflation linked bonds to meet the needs of the pensions industry, the NTMA plans, subject to market conditions, to issue a conventional bond targeted at international and domestic institutional investors.

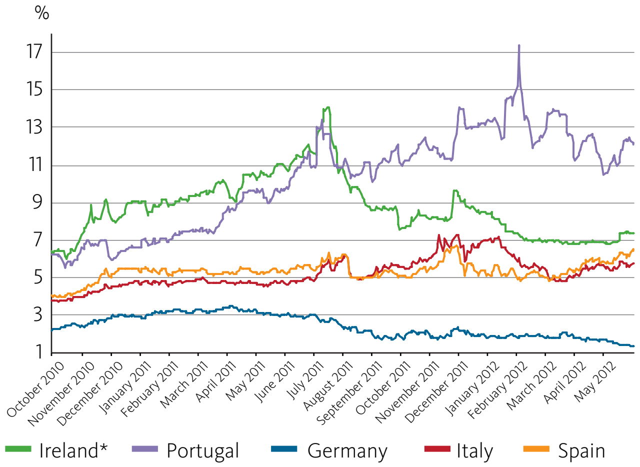
Review of Irish Government Bond Market

The last quarter of 2010 was marked by a sharp rise in Irish bond yields in advance of the Government seeking assistance through the EU/IMF programme at the end of November. Irish 10-year bond yields, having ended 2010 at 9 per cent, continued to rise throughout the first quarter of 2011. Yields fell briefly in April from over 10 per cent back to end-2010 levels following the publication of the Central Bank's PCAR/PLAR review of bank capital and liquidity requirements, but continued their upward trend following Portugal's application in April for EU/IMF assistance. Moody's downgrade of Ireland to sub-investment grade in July, following its downgrade of Portugal also to sub-investment grade, pushed Irish 10-year yields over 14 per cent and 2-year yields over 22 per cent.

From late July 2011 yields declined rapidly as a result of the positive market response to the agreement to cut the interest rate margin and extend the maturity of the EU portion of Ireland's borrowings from the EU/IMF programme, the completion of the banking recapitalisation at end July and increased investor confidence that Ireland was dealing successfully with its fiscal and economic issues. However, the fourth quarter of 2011 saw severe turbulence in global financial markets due to renewed investor concerns over Greece and, indeed, other eurozone countries. Irish bonds performed relatively well in these difficult circumstances with the yield on the benchmark 2020 bond at 8.26 per cent by year end.

Renewed 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, in response to increased worries concerning the Greek situation and developments in the Spanish banking sector, Irish yields succumbed to the general upward pressure in non-German bond markets, and rose back over 7 per cent.

10 Year Government Bond Yields 1 October 2010 to 31 May 2012



* Irish Treasury Bond Oct 2020

Source: Bloomberg

Funding Activity 2011

Long-term Funding

Funding from the EU/IMF programme replaced Ireland's long-term primary market issuance during 2011. Disbursements totalled €34.5 billion during 2011. This borrowing was applied to fund an Exchequer deficit of €24.9 billion (of which €6.5 billion was for bank recapitalisation payments) and to refinance €9.1 billion of maturing debt. The NTMA maintained Exchequer cash balances of €13.1 billion at the Central Bank at year end.

Short-term Funding

Notwithstanding its absence from long-term bond markets, the NTMA was able to maintain a continuous, albeit limited presence in the short-dated market through issuance over the course of 2011 of commercial paper where the amount outstanding at end 2011 was €348 million. The main investors in this programme are overseas financial and investment institutions.

State Savings

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

During 2011 there were net inflows of €1.4 billion into the State Savings products and at end 2011 the total amount outstanding was €14.1 billion.

NTMA State Savings Products	Total Outstanding at end 2011 €m	Money Raised in 2011 Net €m
3 year Savings Bonds	4,784	543
4 and 10 year National Solidarity Bonds	607	265
5½ year Savings Certificates	4,233	276
6 year Instalment Savings	473	5
Prize Bonds	1,449	119
Deposit Accounts	2,518	234
Total	**14,063**	**1,441**

Figures may not total due to rounding.

Source: NTMA

The NTMA launched a new ten year National Solidarity Bond in April 2010 and introduced a four year National Solidarity Bond in February 2011. These bonds have proved highly successful with €607 million invested in them by end 2011.

An Post acts as agent of the NTMA in relation to the 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.

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 total interest cost of the National Debt in 2011 was €4.549 billion of which the Exchequer paid €3.952 billion. The other items charged to debt service costs were sinking funds of €638 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 €188 million. €600 million was paid from the Capital Services Redemption Account (CSRA) and used to defray debt service costs in 2011. Exchequer debt service costs were €256 million less than Budget for a variety of reasons including timing factors and rate reductions on the EU portion of the loans under the EU/IMF programme.

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

Exchequer Debt Service Budget
5,031

↓

Debt Service Expenditure:	
Interest	4,549
Sinking Funds	638
Agency Expenses	41
Issuance Expenses	147
Total Debt Service	5,375
Transfer from CSRA	-600
Total Exchequer Cost	4,775

↓

Exchequer Debt Service Savings
(256)

Source: NTMA

Debt Profile

General Government Debt (GGD) is a measure of the total debt of the State and is the measure used for comparative purposes across the European Union. The National Debt is the net debt incurred by the Exchequer after taking account of cash balances and other related assets and is the principal component of General Government Debt. General Government Debt also includes the debt of central and local government bodies as well as promissory notes issued to a number of financial institutions as a means of providing State support to these institutions. General Government Debt is reported on a gross basis and does not net off outstanding cash balances and other financial assets – unlike the National Debt.

The figures in this section relate primarily to the GGD, but it should be noted that the NTMA's responsibilities relate to the National Debt only.

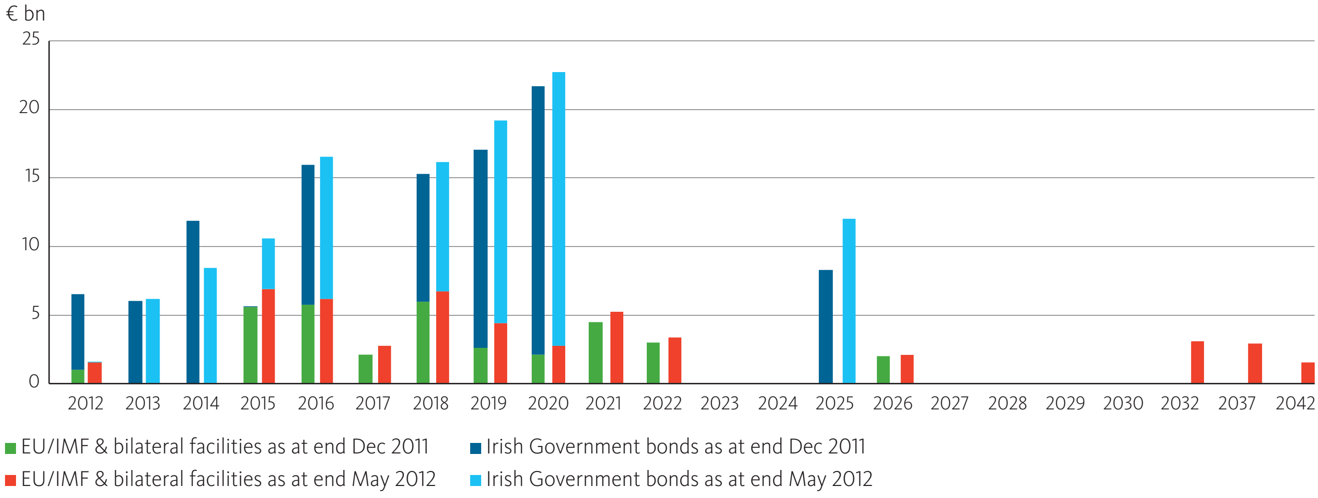
Composition of Debt 31 December 2011	National Debt €m	General Government Debt €m
Government Bonds	85,310	
EU/IMF Programme Funding	34,629	
Other Medium and Long Term Debt	673	
State Savings Schemes*	11,546	
Short-Term Debt	4,616	
Cash and other Financial Assets	-17,692	
National Debt at 31/12/11	**119,082**	
National Debt		119,082
Adjustment for Cash and other Financial Assets		17,692
Promissory Notes to Financial Institutions**		28,333
Other General Government Debt Adjustments		4,157
General Government Debt at 31/12/11		**169,264**
Change in Nominal Value of Debt in 2011	25,637	25,023

*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 are €14,063 million.

**The promissory notes are being funded on a phased basis to lessen the impact on the Exchequer with the first instalment, equivalent to ten per cent of the total principal sum committed to the relevant institutions, being paid in 2011. Payments will continue to be made on an annual basis over the coming years until the full value of the notes, including interest, has been paid. The 2012 payment of €3.06 billion to Irish Bank Resolution Corporation (IBRC) was settled by delivery of the equivalent fair value amount of the 5.4% Treasury Bond 2025 to IBRC.

Source: NTMA and Department of Finance.

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

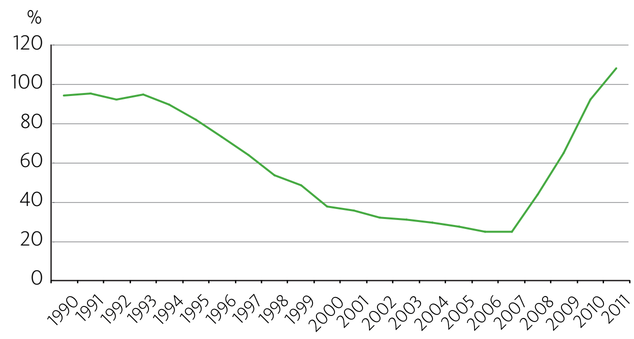


Source: NTMA

The weighted average maturity of Ireland's long-term marketable and official debt was 6.4 years at end 2011: the comparable figure at end 2010 was 6.9 years. By end May 2012 the weighted average maturity had increased to 7.6 years. The increase in the weighted average maturity is due to the lengthening of maturities of loans provided under the EU/IMF programme, the bond exchange in January 2012 and the settlement of the 2012 payment on the promissory note issued to IBRC by delivery of the equivalent fair value amount of the 5.4% Treasury Bond 2025 to IBRC.

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

General Government Debt/GDP Ratio 1990–2011



Source: Department of Finance

Since end 2006 Ireland's GGD has increased to €169 billion or 108.2 per cent of GDP at end 2011. The rapid rise in debt over this period is mainly attributable to significant budget deficits due to the severe economic recession and to the cost of recapitalising the banking system. The build-up of precautionary cash balances has also been a factor in the increase in gross debt.

As noted previously the GGD is a gross measure that does not allow the netting off of cash balances and other financial assets. The concept of net government debt is not specifically defined or generally used in international comparisons. However, netting off the €13.8 billion in cash, deposits and other liquid assets held by the Exchequer, as well as the €5.4 billion NPRF Discretionary Portfolio would give a net government debt position of 96 per cent of GDP at end 2011.

GGD is projected to peak as a percentage of GDP at 120.3 per cent in 2013 and to decline thereafter. Stabilising and subsequently reducing the debt ratio is one of the Government's key policy objectives and the Government is committed to reducing the General Government deficit to less than 3 per cent of GDP by end 2015.

Projected General Government Debt 2012–2015

	% of GDP
2012	117.5
2013	120.3
2014	119.5
2015	117.4

Source: Department of Finance (Stability Programme Update, April 2012)

The salient target in order to achieve debt sustainability is not the debt level per se, but that the ratio of debt to GDP peaks and begins to decline smoothly. Four variables are important in this equation: the starting debt level, the rate of nominal GDP growth, the average interest rate on the stock of debt and the primary General Government budget balance (the budget balance excluding interest payments that will stabilise the debt ratio). It is projected that Ireland will have reached its debt stabilising primary balance of around +1 per cent of GDP by 2014.

Composition of General Government Balance 2012–2015 % of GDP	2012	2013	2014	2015
1. General Government Balance	-8.3	-7.5	-4.8	-2.8
2. Interest Expenditure*	-4.1	-5.6	-5.5	-5.6
Primary Balance = (1-2)	**-4.2**	**-1.9**	**0.8**	**2.8**

*The increase in interest expenditure in 2013 reflects the impact of the ending of the promissory note interest holiday which applied in 2011 and 2012.

Figures may not total due to rounding.

Source: Department of Finance (Stability Programme Update, April 2012)

Given the rapidly increasing volume of debt in recent years, the cost of servicing the debt has also increased significantly. In 2011 General Government interest expenditure as a percentage of General Government revenues amounted to 9.6 per cent. In 2007 the equivalent figure was just 2.9 per cent. By 2015, based on current assumptions regarding the evolution of revenues, debt levels and interest rates on Government borrowing, the equivalent of some 15.5 per cent of General Government revenues will be required to service General Government debt[1].

Irish Government Bond Market

Benchmark Bonds

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

Bond	Outstanding 31/12/2011 (€m)	Outstanding 31/05/2012 (€m)
3.9% Treasury Bond 2012	5,545	Matured
5.0% Treasury Bond 2013	6,028	6,028
4.0% Treasury Bond 2014	11,870	8,227
4.5% Treasury Bond 2015	n/a	3,630
4.6% Treasury Bond 2016	10,201	10,169
4.5% Treasury Bond 2018	9,296	9,256
4.4% Treasury Bond 2019	7,700	7,700
5.9% Treasury Bond 2019	6,770	6,789
4.5% Treasury Bond 2020	11,852	11,852
5.0% Treasury Bond 2020	7,738	7,708
5.4% Treasury Bond 2025	8,284	11,748

Source: NTMA

The change in profile between end December 2011 and end May 2012 reflects the bond exchange in January 2012 which offered investors the opportunity of exchanging their holdings of the existing January 2014 bond for a new bond maturing in February 2015 and the settlement of the 2012 payment on the promissory note issued to IBRC by delivery of the equivalent fair value amount of the 5.4% Treasury Bond 2025 to IBRC.

Primary Dealer System

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

The primary dealers are:

- Barclays, London (www.barcap.com);
- BNP Paribas, London (www.bnpparibas.com);
- Credit Agricole CIB, London (www.ca-cib.com);
- Citigroup, London (www.citigroup.com);

[1] Ireland – Stability Programme Update April 2012: Department of Finance

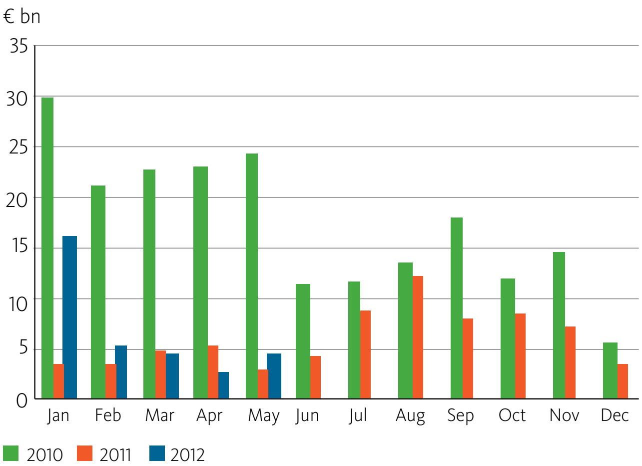
- Davy, Dublin (www.davydirect.com);
- Danske Bank, Copenhagen (www.danskebank.com);
- Deutsche Bank, Frankfurt (www.db.com);
- Goldman Sachs, London (www.gs.com);
- HSBC CCF, Paris (www.hsbc.com);
- ING Bank NV, Amsterdam (www.ingwholesale.com);
- JP Morgan, London (www.jpmorgan.com);
- Merrill Lynch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

Turnover and Liquidity

Turnover in Irish Government bonds on the Irish Stock Exchange in 2011 was €74.1 billion in volume terms. Turnover fell in the first half of 2011 following Ireland's entry into the EU/IMF programme in November 2010, recovering during the second half of 2011 and into 2012, although still at significantly lower levels than pre-programme. This decline is due in part to the absence of primary issuance since September 2010.

Irish Government Bond Turnover



Figures based on volume
Source: Irish Stock Exchange

Repos

Repos are an important component of liquidity in the bond market and generate multiples of the turnover of the cash market. They provide a collateralised mechanism for investors to enhance their returns by lending their bond holdings on a short-term basis. Repo turnover reported by the Irish Stock Exchange was €625 billion in 2011.

The NTMA was active in the repo market during the year, providing repo and reverse repo facilities to the primary dealers. Overall the NTMA's repo activity amounted to €22 billion. This activity contributed to the smooth and efficient operation of the market for all participants and was a useful source of market intelligence for the NTMA.

Credit Rating

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

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

*as at 29 June 2012

Source: NTMA

EU/IMF Programme of Financial Support for Ireland

Programme Summary

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

The external support under the programme comprises:

- €22.5 billion from the IMF Extended Fund Facility;
- €22.5 billion from the European Financial Stabilisation Mechanism; and
- €22.5 billion from the European Financial Stability Facility (€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. This is subject to ongoing review.

During 2011 there were significant changes to the structure of the interest rate margins and the maturities of loans provided under the programme and these are outlined below. These lower interest rate margins and longer maturities will assist Ireland's debt dynamics both through lower debt service costs than would otherwise be the case and reduced pressure on the State to refinance maturing debt in the short to medium term.

European Financial Stabilisation Mechanism (EFSM)

The European Commission, via the EFSM, borrows on the capital markets on behalf of the European Union. In October 2011 the EU Council of Ministers approved an EU Commission proposal to eliminate the margin of 2.925 per cent on the facility and to increase the average maturity of lending to Ireland from 7.5 years to 12.5 years.

European Financial Stability Facility (EFSF)

The EFSF was created by the eurozone member states following the decisions taken on 9 May 2010 within the framework of the ECOFIN Council. The original margin of 2.47 per cent which applied to the EFSF's loans to Ireland was removed after a Statement by the eurozone Heads of State or Government and EU Institutions in July 2011. In addition, the weighted average maturity of the loans was extended from 7.5 years to 15 years. The requirement for the EFSF to maintain a cash buffer against each of its bond issues was also removed and this resulted in a further effective reduction in cost for Ireland.

Bilateral Loans

The interest rate structure on the UK bilateral loan was reviewed after the change in the EFSF's interest rate margin structure. The new interest rate structure is composed of the UK's weighted average cost of sovereign borrowing in the six months prior to a disbursement to Ireland plus an administration fee of 0.18 per cent per annum.

The rate of interest on the bilateral loans from Sweden and Denmark has been established at 3-month EURIBOR (the rate of interest for euro interbank deposits) plus 1 percentage point.

The IMF Extended Fund Facility

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

Borrowings under the Programme

Liabilities under the EU/IMF programme to 31 May 2012 amounted to €49.58 billion in nominal terms. Loans from EU sources amounted to €32.74 billion and IMF loans amounted to €16.84 billion. The estimated all-in euro equivalent cost of loans received under the EU/IMF programme was 3.46 per cent at 31 May 2012.

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

Liabilities outstanding at 31 May 2012 under the EU/IMF Programme of Financial Support for Ireland				
Lender	**Nominal Loan Amount***	**Date of Draw Down**	**Maturity Date**	**Term from Date of Drawdown**
European Financial Stabilisation Mechanism (EFSM)	€5.00 billion	12-Jan-11	04-Dec-15	4.9 yrs
	€3.40 billion	24-Mar-11	04-Apr-18	7 yrs
	€3.00 billion	31-May-11	04-Jun-21	10 yrs
	€2.00 billion	29-Sep-11	04-Sep-26	14.9 yrs
	€0.50 billion	06-Oct-11	04-Oct-18	7 yrs
	€1.50 billion	16-Jan-12	04-Apr-42	30.2 yrs
	€3.00 billion	05-Mar-12	04-Apr-32	20.1 yrs
EFSM Total	**€18.40 billion**			**11.8 yrs weighted average life**
European Financial Stability Facility (EFSF)	€4.19 billion**	01-Feb-11	18-Jul-16	5.5 yrs
	€3.00 billion	14-Nov-11	04-Feb-22	10.2 yrs
	€1.27 billion	12-Jan-12	04-Feb-15	3.1 yrs
	€0.48 billion	19-Jan-12	19-Jul-12	0.5 yrs
	€1.00 billion	15-Mar-12	23-Aug-12	0.4 yrs
	€2.80 billion	03-Apr-12	03-Apr-37	25 yrs
EFSF Total	**€12.74 billion**			**10.1 yrs weighted average life**
United Kingdom Bilateral Loan	€0.50 billion	14-Oct-11	14-Apr-19	7.5 yrs
	€0.50 billion	30-Jan-12	30-Jul-19	7.5 yrs
	€0.50 billion	28-Mar-12	28-Sep-19	7.5 yrs
UK Total	**€1.50 billion**			**7.5 yrs weighted average life**
Denmark Bilateral Loan	€0.10 billion	30-Mar-12	30-Sep-19	7.5 yrs
Denmark Total	**€0.10 billion**			**7.5 yrs weighted average life**
International Monetary Fund	**€16.84 billion**	18-Jan-11	Amortising: 18 Jul 2015-18 Jan 2021	**4.5 -10 yrs**
		18-May-11	Amortising: 18 Nov 2015-18 May 2021	
		07-Sep-11	Amortising: 07 Mar 2016-07 Sep 2021	
		16-Dec-11	Amortising: 16 Jun 2016-16 Dec 2021	
		29-Feb-12	Amortising: 31 Aug 2016-28 Feb 2022	
Overall Total	**€49.58 billion****			**9.8 yrs weighted average life**

* Non-euro liabilities are translated into euro at the rates of exchange at 31 May 2012. The net euro amount received by the Exchequer was €47.8 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 February 2011 giving a net liability of €3.66 billion. This margin prepayment will be refunded to Ireland in 2016.

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 performs a number of other functions.

NAMA and NPRF Treasury Operations
The NTMA provides treasury services to both the NPRF and NAMA for their hedging requirements as they arise. During 2011 the NTMA executed foreign exchange transactions, interest rate and cross currency swaps on behalf of NAMA and the NPRF totalling €46.9 billion.

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

The ELG Scheme provides for an unconditional and irrevocable State guarantee for certain eligible liabilities (including deposits) of up to five years maturity incurred by participating institutions from the time of their becoming a participating institution until the closure of the Scheme. The Scheme is reviewed at least on a six monthly basis to determine whether the financial support provided by the Scheme continues to be necessary. The Scheme has been extended until 31 December 2012 following approval by the EU Commission.

Eligible liabilities which may be guaranteed under the Scheme include:

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

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

At 31 December 2011 amounts covered by the ELG Scheme totalled €102 billion. This compares with €113 billion at end 2010 and €375 billion covered by the Credit Institutions (Financial Support) Scheme 2008.

From 30 March 2012 Bank of Ireland UK ceased to be a participating institution but deposits placed before that date under the Scheme remain guaranteed.

Central Treasury Services
The NTMA's Central Treasury Service (CTS) takes deposits from, and makes advances to, non–commercial State bodies, as well as local government authorities, the Health Service Executive and vocational education committees. The objective is to provide these bodies with a competitive alternative to the banking sector for their treasury business and thus to make savings for the Exchequer. At end 2011 CTS loans to a total of 19 designated bodies amounted to €41.7 million. There were 264 deposits placed with the CTS in 2011, with an average balance of €26 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.

Decisions on disbursements are made by the Government. The Dormant Accounts Board advises on priority areas for funding. The Board also has a role in monitoring the impact of this funding.

Pending disbursement, moneys in the Dormant Accounts Fund are managed by the NTMA. The NTMA had €143 million under management at end 2011. €43 million was transferred to the Fund in 2011, while €24 million of previously dormant funds was reclaimed. Disbursements from the Fund amounted to €8 million in 2011.

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

- borrowing on behalf of the Housing Finance Agency under its €6 billion Multi-Currency Commercial Paper Programme;
- issuing Agricultural Commodity Intervention Bills on behalf of the Minister for Agriculture, Food and the Marine to fulfil a short-term funding requirement by bridging the gap between the making of agricultural intervention payments by the Minister and the recoupment of the moneys from the EU;
- 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; 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 and no carbon credits were purchased in 2011.

Banking System Functions

Background and Summary of Activity

In March 2010 the Government delegated to the NTMA certain banking system functions of the Minister for Finance related to the oversight and management of the State's interest and holdings in those financial institutions covered by the 2008 Government guarantee. Following this the NTMA established a specialist Banking Unit and a small number of skilled professionals were recruited from the private sector to create a team capable of dealing with the very significant banking sector challenges facing the State.

In April 2011 the Minister for Finance announced the creation of a stand-alone unit accountable to him through the Department of Finance to provide State oversight of the banking system and drawing on the resources of the NTMA to carry out its work. The delegation of banking system functions to the NTMA was revoked with effect from 5 August 2011 and the NTMA Banking Unit has since then been seconded to the Department of Finance.

From its establishment the NTMA Banking Unit engaged with the banks to advise the Minister on strategies for bank recapitalisation and to manage the State's shareholdings in the covered institutions. This involved:

- identifying and delivering available internal capital generation;
- burden sharing with the holders of subordinated debt in the banks;
- negotiating and executing the provision of capital (equity and other); and
- engaging with potential private investors.

The recapitalisation and restructuring of the banking system constituted the primary focus of the work of the Banking Unit in 2011. A key element of the EU/IMF Programme of Financial Support for Ireland was the Financial Measures Programme (FMP) introduced by the Central Bank of Ireland in March 2011 and which included a Prudential Capital Assessment Review (PCAR) and Prudential Liquidity Assessment Review (PLAR) of Allied Irish Banks (AIB), Bank of Ireland, EBS Building Society (EBS) and Irish Life & Permanent. The FMP identified a total additional capital need of €24 billion across the four institutions and required that they prepare deleveraging plans targeting a reduction in loan-to-deposit ratios to 122.5 per cent by end 2013.

In tandem with the FMP, the Minister for Finance announced a fundamental restructuring of the domestic banking system based around two pillar banks: Bank of Ireland and the merged entities of AIB and EBS.

The bank recapitalisation was substantially completed by end July 2011. Burden sharing with subordinated bondholders and other capital generating measures by the banks significantly mitigated the cost of the recapitalisation to the State. The Banking Unit was seconded to the Department of Finance in August 2011.

The Banking Unit, working with the Department of Finance, also successfully negotiated the sale to private investors of €1.0 billion (net of fees) of ordinary shares in Bank of Ireland that had been purchased by the National Pensions Reserve Fund (NPRF) via a rights issue as part of the recapitalisation of the bank. As a result of this sale, together with other private investment from the capital raising process (€0.6 billion) and other capital generated from non-State sources, the overall cost to the State of Bank of Ireland's recapitalisation was considerably reduced with the result that the bank remained in majority private ownership following the completion of the recapitalisation process.

The Banking Unit was also closely engaged in the development of the deleveraging and restructuring plans for the relevant institutions; managed the transfer of the deposit books and senior NAMA notes of Anglo Irish Bank and Irish Nationwide Building Society to AIB and Irish Life & Permanent, respectively; and managed the mergers of AIB with EBS and of Anglo Irish Bank with Irish Nationwide Building Society.

Recapitalisation Programme

At end 2010 the total amount of capital provided by the State to the banks was €46.3 billion. The PCAR/PLAR review in March 2011 identified a total additional capital requirement of €24.0 billion for AIB, Bank of Ireland, EBS and Irish Life & Permanent. This included capital buffers of €5.3 billion made up of €3.0 billion of contingent capital to safeguard against loan losses beyond 2013 and €2.3 billion of cash capital for additional conservatism. The review was based on a three-year stress horizon and a minimum core tier 1 capital ratio of 10.5 per cent.

€10 billion of the €24 billion capital requirement was provided by the NPRF. Burden sharing with bondholders (€5.6 billion) combined with other capital generating measures by the banks (€1.9 billion) contributed a further €7.5 billion, thereby reducing the Exchequer requirement to €6.5 billion.

The Government participation in the bank recapitalisations required following the PCAR/PLAR review brought the total Government recapitalisation to €62.8 billion at end 2011, of which €20.7 billion was provided from the NPRF. In addition, the Government acquired Irish Life for €1.3 billion in June 2012 to complete the recapitalisation of Irish Life & Permanent. It is expected that the proceeds of an onward sale of Irish Life in due course will reduce the amount the Government has committed to bank recapitalisation.

PCAR/PLAR Capital Requirements 2011 (€bn)

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

Source: Financial Measures Programme

Gross Government Bank Recapitalisations to end 2011 (€bn)

	Irish Bank Resolution Corporation*	AIB**	Bank of Ireland	Irish Life & Permanent	Total
NPRF	**-**	**16.0**	**4.7**	**-**	**20.7**
Exchequer Cash	4.1	4.5	-	2.7	11.3
Exchequer Promissory Notes	30.6	0.3	-	-	30.9
Exchequer Total	**34.7**	**4.8**	**-**	**2.7**	**42.1**
Overall Total	**34.7**	**20.7**	**4.7**	**2.7**	**62.8**

* Anglo Irish Bank Corporation Limited and Irish Nationwide Building Society were merged in July 2011 and renamed Irish Bank Resolution Corporation Limited in October 2011.

** Includes EBS. AIB acquired EBS in July 2011.

Figures may not total due to rounding.

Source: Department of Finance.

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 its employer liability, public liability and clinical risk work programmes, including the minimisation of litigation risk factors in State authorities and healthcare enterprises, and the implementation and audit of risk management systems.

The SCA's remit covers claims against certain State authorities, including the State itself, Government ministers, the Attorney General, health enterprises, the Commissioner of An Garda Síochána, prison governors, community and comprehensive schools and various other bodies. The SCA's remit was further significantly 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. There are 54 State authorities within the SCA's remit.

Claims Management

At end 2011 the SCA had 5,306 claims under management. The estimated liability against all active claims was €991.1 million, broken down as follows:

- Clinical Claims — €859.8 million (87 per cent)
- EL, PL, PD Claims[3] — €131.3 million (13 per cent)

In total, the SCA received 2,697 new claims and resolved 1,656 claims in 2011. 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 2011 had increased by 25 per cent compared with end 2010.

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

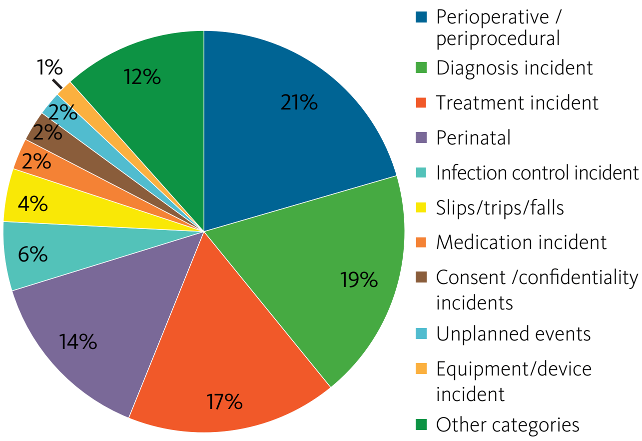
Clinical Claims Portfolio

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

The SCA achieved significant savings in the management of clinical claims in 2011. An independent actuarial assessment projected that €106 million would be required to meet the costs of the Clinical Indemnity Scheme in 2011. The out-turn in respect of the scheme, including successful recoveries from third parties, was €81 million – a saving of 24 per cent.

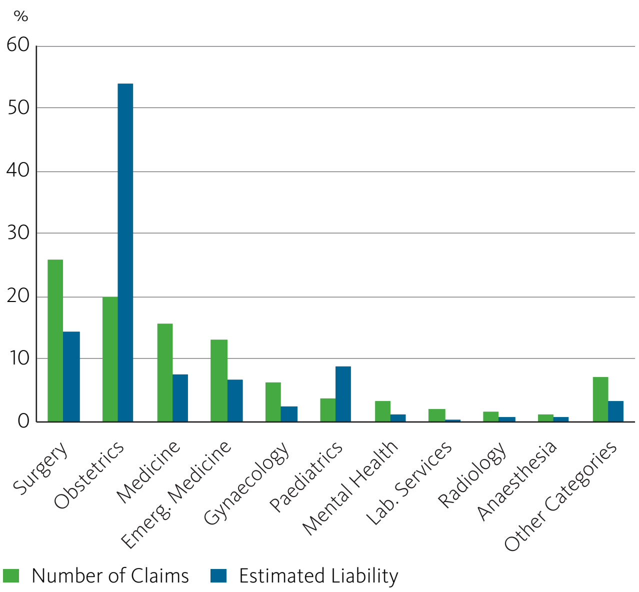
At the end of 2011 the SCA had 2,139 clinical claims under management with an estimated liability of €859.8 million. The total paid out in respect of all clinical claims in 2011 amounted to €97.5 million. Active obstetrics-related claims, though accounting for only 23 per cent of the clinical claims volume, represent 59 per cent of the total estimated liability. This is due to the high settlement values associated with cerebral palsy and other serious birth-related claims.

Clinical Claims by Incident Type (Active and Resolved)



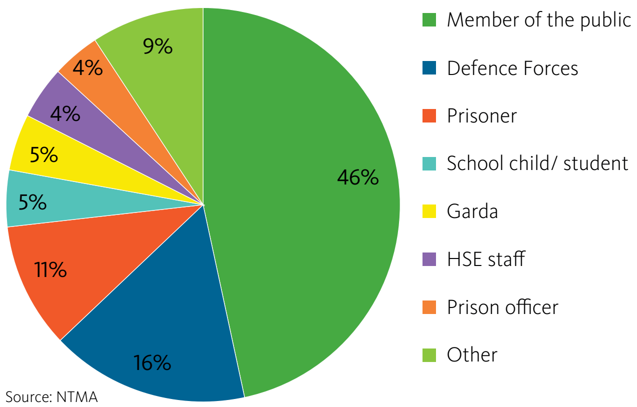
Source: NTMA

Clinical Claims by Specialty (Active and Resolved)



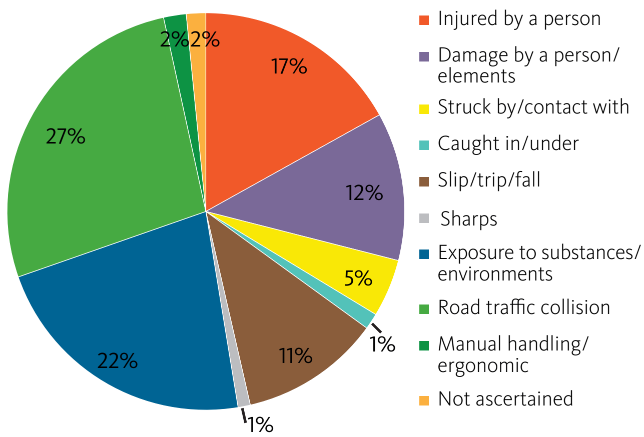
Source: NTMA

EL, PL, PD Claims by Claimant Type (Active and Resolved)



Source: NTMA

EL, PL, PD Claims by Primary Cause (Active and Resolved)



Source: NTMA

Claims Mediation

The SCA is strongly committed to advocating mediation as a preferable alternative to the adversarial courts system, particularly in relation to the resolution of clinical negligence cases. During 2011 it participated in 11 successful mediation conferences, representing a significant increase in the number of settlements in clinical negligence claims achieved as a result of the use of mediation.

EL, PL, PD Claims Portfolio

At the end of 2011 the SCA had 3,167 EL, PL, PD claims under management, with an estimated liability of €131.3 million. The total paid out in respect of EL, PL, PD claims in 2011 amounted to €13.4 million.

Prior to the delegation of the management of EL, PL, PD claims against the Health Service Executive (HSE) and 13 other State authorities to the SCA, these bodies were paying a total of €21.2 million in insurance premia annually. During 2010 and 2011, a total of €1.1 million was expended in the management of EL, PL, PD claims against these authorities, yielding a cash flow saving of €41.3 million. Based on the current outstanding estimated liability associated with these claims since 1 January 2010, a long-term saving of €15.3 million is expected to be achieved for the State through their management by the SCA on a pay-as-you-go basis.

Risk Management

The SCA has a statutory duty to advise and assist State authorities (including health enterprises) in managing risks which could give rise to personal injury (including from adverse clinical events) or property damage litigation. All State authorities are statutorily obliged to report to the SCA any incidents which may give rise to claims.

Early reporting of incidents is critical to successful risk management. It enables an early and detailed investigation of the more serious incidents in order to determine the question of liability in advance of any litigation. Data on adverse incidents also enable the SCA to identify any patterns of sub-standard practice which might highlight weaknesses in existing clinical, health and safety or litigation risk management procedures.

The SCA hosts a national electronic reporting system (STARsWeb) which facilitates the reporting of adverse incidents (clinical, employee, visitor or damage related) in certain State authorities. The STARsWeb system allows for direct electronic reporting of incidents and this has been implemented across all public health enterprises and was also introduced to all prisons in 2011. Reports from the system allow for the identification of clusters of adverse incidents and allows for root cause analysis of both incidents and claims.

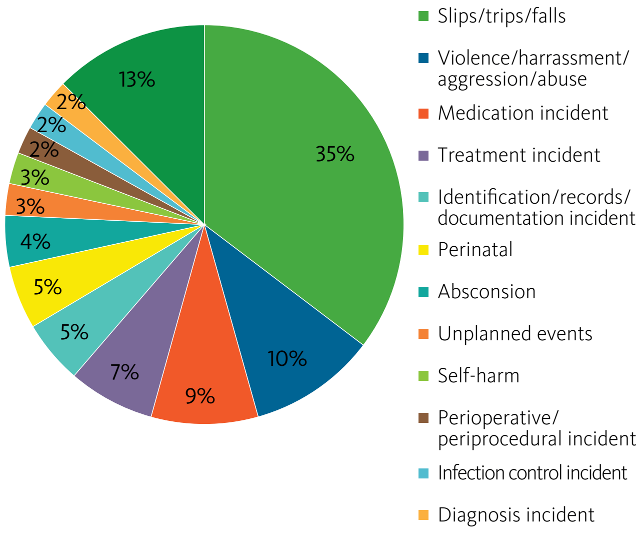
In 2011 the SCA developed a user and technical requirements specification to upgrade the system to meet all State authorities' current and future needs. The objective is to have all adverse incidents reported at local level electronically. The system will also give State authorities advanced reporting functionality and, where required, additional functionality such as incident management, corrective action tracking, risk registers, etc.

Clinical Risk Management

The SCA provides support and advice on the implementation of optimal clinical risk management practices in health enterprises/ hospitals covered by the Clinical Indemnity Scheme. When serious adverse events or trends are identified by the SCA, it responds by undertaking detailed analysis, providing advice and making recommendations, or by commissioning external reviews, as appropriate.

The SCA's annual clinical risk work programme is based on trend analysis of adverse clinical events notified to the SCA via the STARsWeb system, closed claims analysis, evidence-based research and international best practice.

Clinical Events Recorded on STARsWeb



Source: NTMA

In 2011 the SCA's specific clinical risk management activities included:

- Evidence-based training in systems analysis, attended by 402 multidisciplinary healthcare personnel. The training is directed towards senior personnel within the health sector who will need to conduct and participate in reviews of serious and catastrophic clinical events, with the objective of preventing recurrence of similar adverse events.
- Thirty risk management presentations to clinical personnel in medical sub-specialities, undergraduate and postgraduate medical and nursing programmes.
- A pilot project in conjunction with the HSE and the Medical Protection Society at two large hospitals, with the objective of identifying the barriers to a culture of open disclosure and the necessary supports to promote such a culture. The findings of this study will inform the National Standards on Open Disclosure which will be developed by the Health Information and Quality Authority in due course.
- Holding a number of national seminars to ensure high-level participation in and debate on governance and clinical risk management issues as they relate to various specialities. These included seminars on: Governance for Patient Safety; Human Factors in Healthcare; and National Early Warning Score for Detection of the Deteriorating Patient.

- The publication of a report on all clinical incidents notified to the SCA during 2010 collating clinical incident types by reference to the various specialities and examining the quality of the reported data.
- The publication of a report providing detailed analysis of clinical claims closed during 2010. The aim of this report is to detect any contributory factors leading to adverse events resulting in litigation and also to inform relevant "lessons learnt" topics for patient safety education.

EL, PL, PD Risk Management

Annually, the SCA plans and implements an EL, PL, PD risk management work programme based on claims and incident data trend analysis, legal requirements, court judgements and developments in litigation risk management nationally and internationally.

Significant work completed in 2011 included:

- The provision of advices on over 2,500 ad hoc queries on risk management, indemnity or insurance issues.
- Thirty-one reports following reviews of identified risks were issued. These included a report on the management of firearms in An Garda Síochána and on compliance and maintenance systems in the Irish Prison Service.
- Thirty-two sets of technical guidelines were issued including guidelines on: State Indemnity in the Health Service Executive; Medication Safety in Schools; the Inspection, Testing and Maintenance of Equipment and Machinery; and Lone Working.
- The risk management service provided by the SCA to State authorities retained its ISO 9001 accreditation, the internationally recognised standard for Quality Management Systems, following an independent audit.

The SCA also encourages and supports State authorities in implementing internationally benchmarked health and safety and/or environmental management systems. Twenty-two audits were completed in 2011 including a programme of surveillance audits with the Defence Forces, the Irish Prison Service (for both safety and environmental management systems), the Department of Agriculture, Food and the Marine and the Irish Youth Justice Service.

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 roles of NewERA will centre around the oversight of the commercial State sector in Ireland including, where requested, advising on the disposal or restructuring of State assets and ensuring that Government plans for investment in energy, broadband and water are implemented within the sector. It will have a wide corporate governance role encompassing oversight of financial performance, corporate strategy, capital and investment plans and will act as a Shareholder Executive managing State assets from a portfolio perspective.

Following the Government announcement the NTMA commenced the task of assembling a small specialist team. This included the assignment of existing staff from the National Pensions Reserve Fund (NPRF) and the National Development Finance Agency (NDFA) and the recruitment of a small number of skilled professionals with the financial skills capable of carrying out the specific roles assigned to NewERA.

The main functions of NewERA are as follows:

- corporate governance from a shareholder perspective of the following commercial State companies: ESB, Bord Gáis, EirGrid, Bord na Móna, Coillte;
- working with Departments to develop and implement proposals for investment in line with NewERA Programme for Government commitments in energy, water and next-generation telecommunications;
- working with the NPRF to bring forward proposals for investment of available resources in the NewERA initiative;
- working with the NPRF to develop a Strategic Investment Fund;
- reviewing capital investment plans of these commercial State companies from a shareholder perspective;
- identifying possible synergies between investment programmes of different commercial State companies;
- where requested by Government, advising on, and if appropriate overseeing, any restructuring or disposal of commercial State company assets.

The NTMA is currently working on legislative proposals for presentation to Government to put NewERA on a statutory basis.

Principal Activities 2011 / 2012

Disposal of State Assets

NewERA has participated in a number of Inter-Departmental Steering Committees to consider a range of State assets as potential candidates for inclusion in the Government programme of asset disposals. NewERA was requested to provide advice to Government on the appropriate valuation to be placed on these assets, the most appropriate method for disposal, where applicable, and the likely timeframe for any such disposal. As part of that process, NewERA prepared reports on a number of State assets addressing those issues, for consideration by Government. This work was undertaken in the context of seeking to ensure State compliance with the Memorandum of Understanding under the EU/IMF Programme of Financial Support for Ireland.

A Government decision in relation to the disposal of State assets was announced in February 2012 and it has been agreed with the EU/IMF troika[4] that part of the sale proceeds may be used for investment in the Irish economy. The Government has 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. Consideration will 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.

Work has now commenced on the specific regulatory, legislative, corporate governance and financial measures which need to be taken to allow the asset disposal programme to proceed.

Shareholder Executive

NewERA has engaged with similar organisations, commonly called shareholder executives, responsible for the oversight of state-owned companies in the UK, France, Sweden, Norway and New Zealand. Using the output from these discussions and taking account of existing OECD guidelines in this area, NewERA is progressing proposals on the establishment of a shareholder executive which would be most appropriate in the Irish legislative environment and reflects global best practice.

NewERA now provides advice to Government Departments in relation to a range of financial activities in the commercial State companies including investment proposals, corporate plans, capital expenditure projects, financial statements and other items as stipulated under the relevant legislation and the Code of Practice for the Governance of State Bodies.

In order to effectively carry out its roles, NewERA has built strong relationships with key stakeholders including the commercial State bodies under its remit and their respective Government Departments, within a well-defined operating framework.

[4] The European Commission, the European Central Bank and the International Monetary Fund.

Energy, Water and Next-Generation Telecommunications

The Government launched its Action Plan for Jobs in February 2012 which referenced the role of NewERA in developing and implementing proposals for commercial investment in line with Programme for Government commitments in the energy, water and next generation telecommunications areas.

NewERA is engaging with the Department of Communications, Energy and Natural Resources on a range of potential projects including telecommunications, renewable electricity and biomass.

NewERA is working closely with the Department of Environment, Community and Local Government in relation to the establishment of a new water utility and how it could best be structured to facilitate investment and achieve Government objectives for improvement of the water delivery service. In this context the Government announced in April 2012 the establishment of Irish Water as a subsidiary of Bord Gáis.

National Pensions Reserve Fund

Legislative and Operating Framework

The National Pensions Reserve Fund ("NPRF" or "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 when these costs are projected to increase significantly due to the ageing of the population. The Fund is controlled by the National Pensions Reserve Fund Commission, a body corporate appointed by the Minister for Finance and including, *ex officio*, the Chief Executive of the NTMA. The Commission performs its functions through the NTMA, which is the Manager of the Fund.

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

The Fund's legislative and operating framework has changed significantly since 2009 when the Government decided to utilise part of the assets of the Fund to assist in dealing with the financial crisis facing Ireland. 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.

Legislative changes in 2009 gave the Minister for Finance power to direct the Commission to invest in credit institutions under certain conditions while further legislative changes in 2010 gave the Minister significant powers in relation to varying contributions to the Fund, draw downs from the Fund and directing the Commission to make investments in Irish Government and Government-guaranteed securities.

As a result of these amendments and following directions from the Minister for Finance the Fund has since March 2009 invested a total of €20.7 billion in Allied Irish Banks (AIB) and Bank of Ireland, including €10 billion invested during 2011 under the EU/IMF Programme of Financial Support for Ireland. Any income or capital gains from these assets accrues to the Fund.

In 2011 the Commission, in accordance with the Fund's legislation and with the consent of the Minister for Finance, reappointed the NTMA as Manager of the Fund for a further five years until April 2016.

Strategic Investment Fund

Following the announcement by the Government in September 2011 of its intention to establish a Strategic Investment Fund to invest in areas of strategic importance to the Irish economy, the NPRF's mandate will be reoriented towards investment in Ireland, subject to the necessary legislative amendments. It is envisaged that the NPRF, as a strictly commercial investor, will be a cornerstone investor in a number of funds to be created under the Strategic Investment Fund umbrella to invest in sectors of strategic importance to the Irish economy including infrastructure, financing for SMEs and venture capital, thereby also acting as a catalyst for attracting additional third-party capital into these investment opportunities.

In this regard, in November 2011 the Commission announced a commitment of €250 million to a new Irish infrastructure investment fund which is seeking up to €1 billion from institutional investors in Ireland and overseas and which will invest in infrastructure assets in Ireland.

Portfolio Update

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

At 31 December 2011 the Fund's total value stood at €13.4 billion. The Discretionary Portfolio was valued at €5.4 billion and the Directed Portfolio was valued at €8.0 billion.

Discretionary Portfolio

The Discretionary Portfolio's asset allocation strategy is based on a diversified portfolio of equities and other real assets. The significant asset disposals undertaken during 2011 to provide for the Fund's contribution of €10 billion to the EU/IMF programme required that the composition of the Discretionary Portfolio be realigned with its significantly reduced size. This involved the sale of a large proportion of the Fund's liquid assets (mainly equities) on a phased basis in the first half of 2011 and also resulted in a significant reduction in the number of investment managers on the Fund's roster. In addition, because of their larger weightings in the much reduced Discretionary Portfolio, a portion of the Fund's exposures to illiquid asset classes - principally private equity (around one quarter of total exposure) and property - were sold in 2011 where, despite difficult market conditions generally, bids were sourced opportunistically at or close to valuation thereby avoiding any material discounts.

The Discretionary Portfolio earned a return of 2.1 per cent in 2011 despite declines in most global equity markets. This positive performance was due largely to the adoption in midyear of a significant tactical underweight position in equities and the purchase of two-year equity index put options which shielded much of the Fund's quoted equity holding from adverse price movements. Since the Fund's inception in 2001 the Discretionary Portfolio has delivered an annualised return of 3.3 per cent per annum.

Discretionary Portfolio Asset Allocation 31 December 2011	Assets €m	% of Discretionary Portfolio
Large Cap	1,346	24.7
Small Cap	141	2.6
Emerging Markets	376	6.9
Equity Put Options	265	4.9
Total Quoted Equity	**2,128**	**39.1**
Eurozone government bonds	-	0.0
Eurozone inflation-linked bonds	78	1.4
Eurozone corporate bonds	271	5.0
Cash	946	17.3
Total Financial Assets	**1,295**	**23.7**
Private Equity	772	14.2
Property	507	9.3
Commodities	273	5.0
Infrastructure	308	5.6
Absolute Return Funds	170	3.1
Total Alternative Assets	**2,030**	**37.2**
Total Discretionary Portfolio	**5,453**	**100.0**

Figures may not total due to rounding.

Source: NTMA

The Discretionary Portfolio comprised 40.6 per cent of the Total Fund at 31 December 2011.

Directed Portfolio

In 2009 the Minister for Finance, for public policy reasons, directed the Commission to invest €3.5 billion in preference shares in each of Bank of Ireland and AIB.

In December 2010 the Minister for Finance issued a direction to the Commission to invest €3.7 billion in cash in AIB, comprising ordinary shares and convertible non-voting shares. The non-voting shares were issued to facilitate the disposal of AIB's interests in Poland and in April 2011 were converted into an equivalent number of ordinary shares following conclusion of the disposal.

Following the announcement in November 2010 that the Fund would provide €10 billion of the State's €17.5 billion contribution to the EU/IMF programme, the Commission raised the required amount by disposing of liquid assets from the Discretionary Portfolio during February and April 2011. In July 2011, pursuant to directions from the Minister for Finance, this amount was invested in AIB (€5 billion in ordinary shares and a €3.8 billion capital contribution) and Bank of Ireland (€1.2 billion in ordinary shares). During the second half of 2011 the Fund received €1.0 billion (net of fees) from the sale of Bank of Ireland ordinary shares to a consortium of private investors. These proceeds were, following a direction from the Minister of Finance, remitted to the Exchequer.

At end 2011 the Fund's shareholding in AIB was 99.8 per cent and in Bank of Ireland 15.1 per cent.

The Fund's ordinary share holding in Bank of Ireland was valued at its market price of €0.082 (8.2 cents) per share at 31 December 2011.

As the preference share investments in both banks are unlisted and given the Fund's ordinary share holding in AIB is 99.8 per cent and the free float is only 0.2 per cent, 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 valuation as at 31 December 2011. The Commission has valued the AIB ordinary shares at €0.0076 (0.76 cents) per share and has valued the preference share investments as follows:

- AIB 63.5 per cent of cost;
- Bank of Ireland 80.2 per cent of cost.

Directed Portfolio 31 December 2011	Valuation €m	% of Directed Portfolio
Allied Irish Banks		
3,500 million preference shares	2,224	27.9
513 billion ordinary shares	3,896	48.9
Total Allied Irish Banks	**6,119**	**76.9**
Bank of Ireland		
1,837 million preference shares	1,473	18.5
4,512 million ordinary shares	370	4.6
Total Bank of Ireland	**1,843**	**23.1**
Cash	**0**	**0**
Total Directed Portfolio	**7,962**	**100.0**

Figures may not total due to rounding.

Source: NTMA

The Directed Portfolio's return in 2011 was -58.1 per cent. It comprised 59.4 per cent of the Total Fund at 31 December 2011.

National Development Finance Agency

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

The NDFA has completed its advice on 48 projects with a combined capital value of more than €6.5 billion, 26 of which are PPPs. It is currently working on 25 projects at the request of sponsoring Departments/agencies.

In addition to providing financial advice on all projects referred to it, the NDFA was also designated the procurement authority for ten PPP projects. Of the six projects that have been formally handed over to the NDFA, two discrete bundles of schools are fully completed and one bundle is advanced in procurement.

The remaining three PPP projects handed over to the NDFA were cancelled. The first and second bundles of the third level PPP programme, which were well advanced in procurement, were cancelled in November 2011. This cancellation was due to a Government decision arising out of the review of the Infrastructure and Capital Investment 2012-16 Medium Term Exchequer Framework. The National Concert Hall project was cancelled in November 2010.

Progress on projects during 2011 and to date in 2012 is summarised below:

Projects where the NDFA is the Designated Procurement Authority

- The second bundle of PPP schools referred to the NDFA in May 2008 was completed ahead of schedule with the final school completed in October 2011. These six schools provide accommodation for approximately 4,700 students in Cork, Limerick, Kildare, Wicklow and Meath.
- The preferred tenderer for the third bundle of schools was appointed in September 2011. Subject to the satisfactory resolution of a number of commercial and procurement issues the project should reach financial close and commence construction later this year. This bundle will provide accommodation for 5,700 students across eight schools in Donegal, Galway, Leitrim, Limerick, Waterford, Westmeath and Wexford.

Projects where the NDFA is Financial Advisor

- The NDFA is acting as financial advisor to the Health Service Executive (HSE) on a number of projects 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 an energy management concession and has recently been engaged to provide financial advice on proposed infrastructure investment in support of the HSE's primary care strategy. The NDFA is also providing financial advice in relation to the National Paediatric Hospital. This project is currently on hold pending the outcome of the Review Group appointed by the Minister for Health following An Bord Pleanála's decision in respect of the planning application for the Mater Hospital site in February 2012.
- The NDFA is supporting the National Roads Authority (NRA) in the procurement of two PPP roads projects. The preferred tenderer for the N11 (Arklow-Rathnew, incorporating Newlands Cross) scheme was appointed by the NRA in June 2011. The preferred tenderer for the N17/N18 (Gort-Tuam) scheme was appointed in October 2011. The NDFA is also advising the NRA on a second tranche of motorway service areas which was launched in May 2011.
- The NDFA continues to provide financial advice on a number of significant infrastructure projects in the 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.
- The NDFA was engaged by IDA Ireland in July 2011 to provide financial advice in relation to a proposed land sale within Letterkenny Business & Technology Park for the purpose of developing an alternative energy centre on the site. The NDFA completed its financial pre-qualification and tender evaluations in Q1 2012.
- Following a request from the Government Construction Contracts Committee (the GCCC), the NDFA has been working with it on developing a guidance document for the financial appraisal of contractors under GCCC contracts. This is now in its final stages and it is expected that this will form the basis of new guidance to be issued by the Department of Public Expenditure and Reform in respect of the financial appraisal of GCCC tenders.

- In addition to providing pre-procurement advice regarding the funding and financing of projects, procurement advice throughout the project and PPP project delivery activities, the NDFA has also provided post-construction stage advice to project sponsors in relation to a number of PPP projects which are now operational. For example, in relation to the Criminal Courts of Justice, the Convention Centre Dublin and the pilot schools projects (in each of which the NDFA had no procurement role), the NDFA has assisted sponsoring bodies with ensuring that the PPP contract payment mechanisms are operating effectively and creating payment handbooks for training support for staff where required, and has provided consultative advice to the sponsoring body regarding the practical application of the payment mechanism in their PPP buildings with a view to improving efficiency and effectiveness.
- The NDFA continues to engage with multilateral funders in order to maximise the availability of cost effective funding for Irish infrastructure. The European Investment Bank (EIB) has provided indicative terms for up to €50 million of debt funding for the third bundle of PPP schools, which is expected to reach financial close later this year. In conjunction with the Department of Public Expenditure and Reform, the NDFA is also facilitating discussions between the EIB and the Department of Education and Skills regarding the provision of a direct loan to the Exchequer to finance several bundles of schools to be procured on a traditional (non-PPP) basis. The NDFA has continued its engagement with the Council of Europe Development Bank, which provides low cost funding for projects in a variety of sectors including health, education and social housing.
- In March 2012, the Minister for Education and Skills announced details of 219 new major school building projects which will begin over the next five years as part of a €2 billion capital investment programme. These new projects are in addition to 56 major school building projects that were already announced for 2012. The Department of Education and Skills' five-year plan includes a number of alternative methods of delivering projects. The NDFA, together with the Office of Public Works, Vocational Education Committees and County Councils will assist the Department with the delivery of over 80 major school projects. This programme of support by the NDFA will be in addition to the PPP schools programme, for which the NDFA continues to act as procuring and delivery agent. The NDFA has already started work with the Department on identifying an optimum delivery strategy for approximately 20 school building projects. Co-operation between the various agencies involved will also mean that projects will be accelerated and co-ordinated.

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 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 in 2011/2012

NAMA has concluded the first critical phase of its work which has involved the valuation and transfer of loans with a nominal value of €74.0 billion acquired from the institutions participating in the NAMA scheme. The consideration paid for the acquired loans - €31.8 billion - has been injected into the banking system.

NAMA is now in a new phase in its evolution and is focused on maximising its return on the acquired loans and on the property assets securing them. NAMA's review of the draft business plans submitted by 773 debtor connections has been completed: in a majority of cases, the outcome of this review has been agreement by the debtor to a schedule of asset sales and debt repayments; in a minority of cases, where agreement was not achievable, enforcement action has been taken by NAMA.

Up to end May 2012, NAMA had approved asset sales valued at €9.2 billion. It had also approved advances of €1.3 billion as working and development capital to debtors to preserve asset values and enable the completion of projects.

NAMA has also introduced a number of initiatives aimed at attracting international investor capital and increasing market activity in both commercial and residential property markets in Ireland. These include the provision of vendor finance to facilitate the sale of Irish commercial property under the control of NAMA debtors and the proposed launch of one or more qualifying investor funds (QIFs) as a way of attracting institutional investors such as pension funds and sovereign wealth funds to purchase Irish properties on a phased basis.

NTMA Services to NAMA

Under Section 41 of the NAMA Act, the NTMA provides NAMA with business and support services, including HR, IT, market risk, communications and treasury services. NAMA reimburses the NTMA the costs of staff assigned to NAMA and the costs of business and support services. These costs were €28 million in 2011.

By end 2011 NAMA had, through the NTMA, recruited 193 staff with extensive experience and expertise in the areas of lending, property, accountancy, law, banking and credit. This number had increased to 214 by end May 2012.

[5] Anglo Irish Bank and Irish Nationwide Building Society were merged in July 2011 and renamed Irish Bank Resolution Corporation Limited in October 2011. 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 over-arching 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.

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 seven members appointed by the Minister for Finance. Members over the period 1 January 2011 to 29 June 2012 are as follows:

David Byrne – Chairperson (Appointed from 1 January 2008)

Hugh Cooney (Appointed from 1 January 2008)

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

Brendan McDonagh (Appointed from 1 September 2010)

John Moran (Appointed from 6 March 2012)

Tytti Noras (Reappointed from 1 August 2010)

Shane O'Neill (Appointed from 1 May 2007. Resigned 31 August 2011)

Donald C Roth (Reappointed from 1 January 2011)

Shane O'Neill

Shane O'Neill, who served as a member of the NTMA Advisory Committee for four years before stepping down due to illness in August 2011, passed away in February 2012. Shane, who forged a highly successful international business career, was always very generous in giving of his time and talents to the NTMA. He brought, with good humour, a deep business expertise and perspective to the many challenging issues faced by the NTMA at a very difficult time for the country.

The Committee, Chief Executive and senior management of the NTMA would like to record their sincere appreciation of the contribution Shane made to the NTMA and the commitment and energy he brought to his work.

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. As of 29 June 2012 there was one vacancy on the Committee.

The Advisory Committee met on five occasions in 2011. Members of the Committee also provided advice to the NTMA on an ongoing basis through the year.

Committee Member	Meetings Attended
David Byrne	5/5
Hugh Cooney	5/5
Kevin Cardiff	5/5
Brendan McDonagh	5/5
Tytti Noras	5/5
Shane O'Neill	2/3 (p)
Donald C Roth	5/5

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

State Claims Policy Committee

The State Claims Policy Committee 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 as of 29 June 2012 are as follows:

Tony Delany (Appointed from 10 March 2010)

Former Director of Claims at Norwich Union/Hibernian Insurance

Niamh Moran (Appointed from 10 March 2010)

Solicitor, Carmody Moran, Solicitors

Christopher Moore (Appointed from 10 March 2010)

Brigadier General (Retired)

The following persons also served as members during the period 1 January 2011 to 29 June 2012:

Noel Whelan – Chairperson (to 17 April 2012)

Vice President and Dean Emeritus, University of Limerick

Chris Fitzgerald (to 28 February 2012)

Principal Officer, Department of Health

Deirdre Hanlon (to 14 October 2011)

Principal Officer, Department of Public Expenditure and Reform

Anne Marie Hayes (to 2 July 2011)

Project Accountant and Health and Safety Authority Board Member

As of 29 June 2012 there were four vacancies on the Committee.

The Committee met on four occasions in 2011.

Committee Member	Meetings Attended
Noel Whelan	4/4
Deirdre Hanlon	2/3(p)
Anne Marie Hayes	2/2(p)
Niamh Moran	4/4
Tony Delany	4/4
Christopher Moore	4/4
Chris Fitzgerald	3/4(p)

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

Other Committees

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

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

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

Remuneration Committee

Members:

David Byrne – Chairperson
Paul Carty (Chairperson of the NPRF Commission)
Frank Daly (Chairperson of the NAMA Board)
Brendan McDonagh
Donald C Roth

The Committee make recommendations to the Advisory Committee on the remuneration of the Chief Executive and senior management of the NTMA and on general remuneration policy in the NTMA.

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 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. Numbers have risen from 169 at end 2009 to 433 at end 2011. As of 31 May 2012 the number of staff employed was 473.

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 31 May 2012	
Funding and Debt Management	13
Banking Unit (on secondment to Department of Finance)	9
State Claims Agency	68
National Pensions Reserve Fund	14
National Development Finance Agency	36
National Asset Management Agency	214
NewERA	10
Finance, IT and Risk	71
HR and Corporate Services	8
Legal, Control and Compliance	17
Other	13
Total	**473**

Source: NTMA

The NTMA's business model is designed to support it in acting commercially to achieve its business objectives. The legislation which established the NTMA in 1990 deliberately positioned it outside of public service structures with operational freedom to negotiate market-competitive salaries. 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 31 May 2012

	NTMA (ex NAMA)	NAMA	Total
Up to €50,000	88	23	111
€50,001 to €100,000	114	100	214
€100,001 to €150,000	33	69	102
€150,001 to €200,000	14	18	32
€200,001 to €250,000	2	1	3
Over €250,000	8	3	11
Total	**259**	**214**	**473**

Notes:

1. The public service pension deduction is applied to NTMA employees.
2. Staff assigned to NAMA are NTMA employees.

Source: NTMA

The members of the NTMA senior management team waived any consideration for performance-related pay in respect of 2011 (as they did previously in respect of 2010). The NTMA made performance-related payments to five key staff in respect of 2011. These payments in aggregate totalled €62,610. This compares with payments totalling €1,981,760 to 258 staff members in respect of 2010.

Remuneration details of the NTMA Chief Executive are set out in the Financial Statements (see page 61). 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 2011 the NTMA consumed 877,498 kWh of electricity compared with 936,207 kWh of electricity in 2010. The overall decrease in electricity usage was achieved despite a significant increase in staff numbers and floor space during 2011. On a per employee basis the NTMA achieved an annual saving of 883 kWh of electricity in 2011 compared with 2010.

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

Actions Undertaken in 2011

In 2011 the NTMA undertook a range of initiatives to improve its energy performance:

- Completion of a site energy assessment in conjunction with the Sustainable Energy Authority of Ireland;
- As part of the tenant (NTMA) fit out works of the additional floor space occupied by the NTMA, energy saving light fittings were installed and infrared motion detectors were installed on the light fittings;
- NTMA agreed with its landlord to carry out an energy assessment on the landlord-managed services and to identify energy saving opportunities;
- Continuation of the programme of installation of sensors on water supplies reducing both water and power usage; and
- Lighting upgrades i.e. the NTMA has commenced the removal of existing light fittings from existing occupied areas and the installation of new energy saving light fittings.

Actions Planned for 2012

In 2012 the NTMA intends to further improve energy performance by:

- Continuation of the replacement of existing light fittings with new fittings on all floors;
- Completion of the installation of sensors on water supplies;
- Roll out of a staff energy awareness programme; and
- Work with the landlord to reduce energy usage on landlord managed services.

Financial Statements

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

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

Statement of NTMA's Responsibilities

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

In preparing those statements, the NTMA:

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

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

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

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Statement on Internal Financial Control

Responsibility for the System of Internal Financial Control

I acknowledge 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 has established processes to identify and evaluate business risks by:

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

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

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

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

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

Annual Review of Controls

I confirm that, in the year ended 31 December 2011, I, as Chief Executive, having taken advice from the NTMA Audit Committee, conducted a review of the effectiveness of the system of internal financial control.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Financial Statements of the National Debt of Ireland

For the year ended 31 December 2011

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

National Debt of Ireland

I have audited the financial statements of the National Debt of Ireland for the year ended 31 December 2011 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the service of debt statement, the national debt statement, the national debt cash flow statement, statement of movement in national debt and the related notes. The financial reporting framework is approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act 1990 and is described in paragraph (b) of the Accounting Policies.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

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

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared on the basis described in paragraph (b) of the Accounting Policies, properly present the balance outstanding on the National Debt at 31 December 2011 and the debt service cost for the year then ended.

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

Change of Accounting Policy

Without qualifying my opinion, I draw attention to the change in accounting policy outlined in Note 19.

Matters on which I report by exception

I report by exception if

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

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

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Accounting Policies

(a) Background

The National Treasury Management Agency (NTMA) was established under the National Treasury Management Agency Act, 1990 to perform the borrowing and national debt management functions on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

Pages 43 to 54 set out the financial statements of the National Debt of Ireland. The form of the statements has been approved by the Minister for Finance under Section 12 of the National Treasury Management Agency Act, 1990.

(b) Basis of Accounting

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

The National Debt Statement is a Statement of the total amounts of principal borrowed by Ireland not repaid at the end of the year, less liquid assets available for redemption of those liabilities at the same date 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 2011

(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 funds flow affect upon debt service in accordance with the terms of the revised instrument.

(h) Foreign Currencies

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

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	2011 €000	2010 €000
Interest paid			
Medium / Long Term Debt	2	4,350,509	3,193,472
Short Term Debt	3	215,889	197,136
State Savings Schemes	4, 10	209,232	199,315
Other Movements	5	4,473	4,304
Sinking Fund payments	6	638,409	617,229
Fees and Expenses	7	147,183	84,627
Expenses of NTMA		41,126	42,546
Interest received on Deposits, Treasury Bills and Short Term Notes		(232,090)	(102,523)
Total Debt Service Cost	**1**	**5,374,731**	**4,236,106**

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2012

The notes on pages 47 to 54 form part of these financial statements.

National Debt Statement

31 December

	Note	2011 € million	2011 € million	2010 € million	2010 € million
Medium / Long Term Debt					
Irish Government Bonds listed on the Irish Stock Exchange			85,310		90,102
Private Placements			602		602
Medium Term Notes			66		66
EU/IMF Programme Funding	8(b)		34,629		0
Miscellaneous Debt			5		5
	8(a)		120,612		90,775
Short Term Debt					
Commercial Paper	9	2,920		6,972	
Borrowings from Funds under the control of the Minister for Finance	17	1,696		1,524	
			4,616		8,496
State Savings Schemes					
Savings Certificates		4,233		3,957	
National Solidarity Bonds		607		342	
Savings Bonds		4,782		4,239	
Instalment Savings		473		468	
Savings Stamps		2		2	
Prize Bonds		1,449		1,330	
	10		11,546		10,338
			136,774		109,609
Less: Cash and other financial assets	11		(17,692)		(16,164)
National Debt	14		**119,082**		**93,445**

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2012

The notes on pages 47 to 54 form part of these financial statements.

National Debt Cash Flow Statement

Year ended 31 December

	2011 €000	2010 €000
Movement in Exchequer balances:		
Opening Balance in Exchequer Account (note 11)	11,398,948	21,025,141
Deposits, Treasury Bills and Short Term Notes (note 18)	(428,349)	(3,374,868)
Borrowing Activity (see below)	27,046,402	12,492,883
	38,017,001	30,143,156
Exchequer Surplus/(Deficit)	(24,918,480)	(18,744,208)
Closing Balance in Exchequer Account (note 11)	**13,098,521**	**11,398,948**

	Receipts[1] €000	Payments[1] €000	2011 Net €000	2010 Net €000
Borrowing Activity				
Irish Government Bonds listed on the Irish Stock Exchange	10,576,146	(15,367,844)	(4,791,698)	19,102,292
EU/IMF Programme Funding	43,967,401	(9,457,327)	34,510,074	-
Medium Term Notes	-	-	-	(382,351)
Private Placements	-	-	-	379,185
Miscellaneous Debt	-	(126)	(126)	(126)
Commercial Paper	16,959,777	(21,011,811)	(4,052,034)	(9,290,401)
Savings Certificates	820,566	(544,453)	276,113	853,883
Savings Bonds	1,398,206	(855,189)	543,017	1,478,480
National Solidarity Bond	293,921	(28,891)	265,030	341,837
Instalment Savings	99,186	(94,439)	4,747	12,827
Prize Bonds	311,197	(192,558)	118,639	256,743
Borrowings from Ministerial Funds	26,772,708	(26,600,068)	172,640	(259,486)
Total Borrowing Activity	101,199,108	(74,152,706)	27,046,402	12,492,883
Deposits, Treasury Bills and Short Term Notes (note 18)	326,548,252	(326,976,601)	(428,349)	(3,374,868)
Total Cashflow Activity	**427,747,360**	**(401,129,307)**	**(26,618,053)**	**9,118,015**

	Receipts[1] €000	Payments[1] €000	2011 Net €000	2010 Net €000
Exchequer Account	413,385,112	(388,947,176)	24,437,936	13,828,135
Foreign Currency Clearing Accounts (note 16)	14,362,248	(12,182,131)	2,180,117	(4,710,120)
	427,747,360	**(401,129,307)**	**26,618,053**	**9,118,015**

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

John C. Corrigan

National Treasury Management Agency

29 June 2012

The notes on pages 47 to 54 form part of these financial statements.

Statement Of Movement In National Debt

Year ended 31 December

	2011 €000	2010 €000
Opening National Debt	93,444,660	75,151,797
Increase in National Debt (nominal)	25,637,367	18,292,863
Closing National Debt	**119,082,027**	**93,444,660**
Increase in National Debt (nominal) represented by:		
Exchequer Deficit	24,918,480	18,744,208
Effect of foreign exchange rate movements	20,888	821
Medium / Long Term Loans: net reduction of proceeds over nominal liability	98,933	5,815
Bond tranching: net reduction/(excess) of proceeds over nominal liability	(970)	139,720
Bond cancellations: net reduction/(excess) of cancellation cost over nominal liability	(10)	2,298
Movement in CSRA current balance (note 11)	600,046	(599,999)
	25,637,367	**18,292,863**

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2012

The notes on pages 47 to 54 form part of these financial statements.

Notes to the Financial Statements

1. Total Debt Service Cost

	Notes	Charged on Foreign Currency Clearing Accounts €000	Charged on Central Fund €000	Charged on CSRA €000	Total Service Cost 2011 €000
Interest paid					
Medium / Long Term Debt	2	(48,215)	1,997,319	2,401,405	4,350,509
Short Term Debt	3	7,949	207,726	214	215,889
State Savings Schemes	4,10	-	203,107	6,125	209,232
Other Movements	5	2,204,429	(2,588,975)	389,019	4,473
Sinking Fund payments	6	-	-	638,409	638,409
Fees and Expenses	7	632	143,622	2,929	147,183
Expenses of NTMA		15,323	25,803	-	41,126
Interest received on Deposits, Treasury Bills and Short Term Notes		-	-	(232,090)	(232,090)
Inter Account Movement		-	2,605,965	(2,605,965)	-
Total Debt Service Cost		**2,180,118**	**2,594,567**	**600,046**	**5,374,731**

2. Interest on Medium / Long Term Debt

	2011 €000	2010 €000
Irish Government Bonds listed on the Irish Stock Exchange	4,105,621	3,175,026
EU/IMF Programme Funding	207,068	-
Private Placements	34,693	12,478
Medium Term Notes	3,132	5,949
Miscellaneous Debt	(5)	19
	4,350,509	**3,193,472**

3. Interest on Short Term Debt

	2011 €000	2010 €000
Commercial Paper	91,455	87,462
Borrowings from Funds under the control of the Minister for Finance	124,434	109,674
	215,889	**197,136**

Notes to the Financial Statements (Continued)

4. Interest on State Savings Schemes

	2011 €000	2010 €000
Savings Certificates	73,044	93,493
Savings Bonds	72,552	52,428
Instalment Savings	19,242	18,963
Prizes in respect of Prize Bonds	41,924	34,431
National Solidarity Bond	2,470	-
	209,232	**199,315**

Payments for Interest on National Savings Schemes in 2011 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:

	2011 €000	2010 €000
Savings Certificates	(294)	(662)
Savings Bonds	(25)	(245)
Instalment Savings	58	(4)
	(261)	**(911)**

5. Other Movements

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

6. Sinking Fund Payments

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

	2011 €000	2010 €000
Capital Services Redemption Account (Note 15)	**638,409**	**617,229**

Notes to the Financial Statements (Continued)

7. Fees and Expenses

	2011 €000	2010 €000
EU/IMF Programme Funding	113,759	41,166
Government Bonds and Other Loans	848	10,066
Savings Certificates	8,567	8,730
National Solidarity Bonds	1,435	943
Prize Bonds	10,305	11,505
Savings Bonds	10,926	10,453
Instalment Savings	1,343	1,764
	147,183	**84,627**

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 NTMA, is as follows: -

	2011 €million	2010 €million
Debt due for repayment within 1 year	6,537	4,585
Debt due for repayment between 2 and 5 years	39,538	23,779
Debt due for repayment in more than 5 years	74,537	62,411
	120,612	**90,775**

8(b). EU/IMF Programme Funding

The liabilities outstanding under the programme at end 2011 included in 8(a) above, which are stated net of currency hedging transactions, are as follows: -

	€million	Weighted Average Term Years
Lender		
International Monetary Fund	12,598	7.5 Years
European Financial Stability Facility	7,650	6.6 Years
European Financial Stabilisation Mechanism	13,900	8 Years
United Kingdom Treasury	481	7.5 Years
	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. EFSF debt includes interim funding of €986 million maturing in 2012 which is due to be replaced by longer term funding under the Programme.

Notes to the Financial Statements (Continued)

9. Commercial Paper

The NTMA issues short-term commercial paper of maturities of up to 1 year to raise short-term funds from the international 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 €9.3 million (2010: €14.3 million) cash balances held by An Post, Permanent TSB and the Prize Bond Company. An Post and the Prize Bond Company acts as registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €465 million (2010: €368 million), being the estimate of the amount of accrued interest at 31 December 2011 in respect of Savings Bonds, Savings Certificates and Instalment Savings.

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The gross interest cost of the savings schemes for 2011 was €209 million which represented 57 per cent of the interest accrued at 31 December 2010 of €368 million. No resources were applied from the Fund towards meeting interest payments during 2011.

		€ million
Estimated accrued interest at 31 December 2011		465
Balance of Small Savings Reserve Fund at 1 January 2011	NIL	
Amount applied during 2011 (Note 4)	NIL	
Balance of Small Savings Reserve Fund at 31 December 2011		NIL
Estimated accrued interest not provided for at 31 December 2011		465

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 2011 €000	Movements during 2011 €000	Closing balance at 31 December 2011 €000
Exchequer Account	11,398,948	1,699,573	13,098,521
Capital Services Redemption Account (note 15)	600,451	(600,046)	405
Housing Finance Agency Guaranteed Notes	3,584,868	263,082	3,847,950
Deposits and Treasury Bills	580,000	(549,846)	30,154
CSA Collateral Funding (note 13)	-	715,113	715,113
	16,164,267	**1,527,876**	**17,692,143**

Notes to the Financial Statements (Continued)

11. Cash and other Financial Assets (Continued)

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

A key objective of the NTMA is to ensure that Exchequer has sufficient cash to meet all obligations as they fall due. Ultimately the protection of liquidity is the NTMA's most critical task. Liquidity risks related to the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The NTMA manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time and matching the timing and volume of funding. This is reinforced by the NTMA's activities in continuing to 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 NTMA seeks to ensure that disbursements under the EU/IMF programme are scheduled in such a way as to provide adequate liquidity while minimising the cost of carry to the State.

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

Counterparty credit risk arises from derivatives, deposits and foreign exchange transactions. The level of credit risk is minimised by dealing only with counterparties of high credit standing. Procedures provide for the approval of risk limits for all counterparties and exposures are reported daily to management. A review of all limits is undertaken periodically to take account of changes in the credit standing of counterparties or economic and political events. In order to mitigate the Exchequer's exposure to market counterparties while at the same time ensuring that Ireland has efficient market access for its hedging activities, the NTMA may enter into credit support arrangements with the market participants with which it wishes to trade – this involves the 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.

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

Notes to the Financial Statements (Continued)

13. Derivatives

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

	31 December 2011		31 December 2010	
	Nominal € million	Present Value € million	Nominal € million	Present Value € million
Interest Rate Swaps	9,094	(814)	195	(9)
Currency Swaps & Foreign Exchange Contracts	9,009	400	637	22
	18,103	**(414)**	**832**	**13**

The NTMA provides treasury services to NAMA under Section 52 of the National Asset Management Agency Act 2010. 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 2011 was €22.8 billion (2010: €15.8 billion); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2011 was €8.6 billion (2010: €10.3 billion).

In order to mitigate the risks arising from derivative transactions, the NTMA 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 NTMA 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 NTMA 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.

Credit Support Account	2011 € million	2010 € million
Balance at 1 January - Net collateral posted by counterparties	11	-
Margin transfers received from counterparties	2,709	113
Margin transfers paid to counterparties	(3,435)	(102)
Exchequer funding at 31 December	715	-
Balance at 31 December	**-**	**11**

Collateral transfers funded from the Exchequer as at 31 December 2011 differed from the net present value of the derivatives outstanding at that date mainly because not all trades were covered by CSAs. At end 2011, the NTMA was in the process of negotiating CSAs with a number of counterparties including the National Asset Management Agency (NAMA). At 31 December 2011, collateral posted by the NTMA included collateral covering NAMA-related derivatives with a net present value of €386 million. In March 2012, the NTMA entered into a Collateral Posting Agreement with NAMA under which it is required to post collateral to the NTMA when required to do so by the NTMA. In June 2012, NAMA made its first collateral posting under this agreement.

Notes to the Financial Statements (Continued)

14. National Debt – Currency Composition

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

Currency	As at 31 December 2011 € million	2010 € million
Debt Instruments		
Euro	110,563	92,838
US Dollar	5,659	470
Pounds Sterling	1,979	23
Japanese Yen	1,430	92
Swiss Franc	-	20
Swedish Krona	-	17
	119,631	93,460
Foreign Currency & Swap Contracts		
Euro	8,459	611
US Dollar	(5,610)	(474)
Pounds Sterling	(1,976)	(23)
Japanese Yen	(1,422)	(92)
Swiss Franc	-	(20)
Swedish Krona	-	(17)
	(549)	(15)
National Debt[1]	**119,082**	**93,445**

[1] This figure is net of cash and other financial assets as at 31 December 2011 of €17,692 million (31 December 2010: €16,164 million)

15. Capital Services Redemption Account

This account is used to record:

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

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

Notes to the Financial Statements (Continued)

16. Foreign Currency Clearing Accounts

		€000
Balance at 1 January 2011		NIL
Amounts received under Finance Act 1988 [S67 (8)]	55,827,790	
Amounts paid under Finance Act 1970 [S54 (7)]	(58,032,219)	(2,204,429)
Foreign Currency Borrowing receipts	14,362,248	
Foreign Currency Borrowing payments	(12,182,131)	2,180,117
Interest paid on Foreign Currency Borrowings (note 1)		
- Medium/ Long Term Debt	48,215	
- Short Term Debt	(7,949)	40,266
Expenses of Foreign Currency Borrowings (note 1)		(631)
Expenses of NTMA		(15,323)
Balance at 31 December 2011		**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.

	2011 €million	2010 €million
Post Office Savings Bank Fund	1,440	1,208
Deposit Monies Investment Account	256	316
	1,696	**1,524**

18. Deposits, Treasury Bills and Short Term Notes Activity

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

19. Change in accounting policy – National Debt

Heretofore, the National Debt Statement was 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.

For 2011, it 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.

This revised accounting policy clarifies that certain assets which may not be readily realisable in cash are taken into account in the Statement including CSA Collateral Funding which, while not readily realisable, will be realised with changes in the market value of related derivatives or as the derivative matures.

Financial Statements of the National Treasury Management Agency – Administration Account

For the year ended 31 December 2011

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

National Treasury Management Agency - Administration Account

I have audited the financial statements of the National Treasury Management Agency for the year ended 31 December 2011 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 statement of total recognised gains and losses, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

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

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Agency's affairs at 31 December 2011 and of its income and expenditure for the year then ended.

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

Matters on which I report by exception

I report by exception if

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

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

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Accounting Policies

(a) Background

The National Treasury Management Agency was established under the National Treasury Management Agency Act 1990 to perform the borrowing and National Debt management function on behalf of the Minister for Finance and other such functions as the Government may delegate to it.

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

(b) Reporting Currency

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

(c) Basis of Accounting

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

(d) Fixed Assets and Depreciation

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

(e) Leasing

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

(f) Pensions

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

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

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

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

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

(g) Software

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

(h) Capital Account

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

Income and Expenditure Account

Year ended 31 December

	Notes	2011 €000	2010 €000
Income			
Amount receivable from Central Fund	9	43,987	34,024
Other income	10	51,843	18,720
Transfer (to) / from capital account	5	(1,074)	(456)
		94,756	52,288
Expenditure			
Net Deferred Pension Funding	8(a)	(1,672)	-
Agency Costs	1	(93,084)	(49,907)
Net Income / (Expenditure) for year		**-**	**2,381**

Statement of Total Recognised Gains and Losses

Year ended 31 December

	Notes	2011 €000	2010 €000
Net Income transferred to Defined Benefit Pension Reserve		-	2,381
Actuarial (loss) / gain recognised on Pension Liabilities	7(f)	(6,672)	(1,344)
Movement in Deferred Pension Funding	8(b)	5,009	-
Total Recognised (loss) / gain for the year		**(1,663)**	**1,037**

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2012

The notes on pages 61 to 68 form part of these financial statements.

Balance Sheet

31 December

	Notes	2011 €000	2010 €000
Fixed Assets			
Fixed assets	2	2,975	1,901
Current Assets			
Cash at bank and in hand		(623)	685
Debtors	3	11,353	11,494
Total Current Assets		10,730	12,179
Current Liabilities			
Creditors	4	10,730	12,179
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities before pensions		**2,975**	**1,901**
Deferred Pension Funding	7(d)	3,337	-
Pension (Liability) / Asset	7(d)	(3,337)	1,663
		-	1,663
Total Assets less Current Liabilities		**2,975**	**3,564**
Representing:			
Capital account	5	2,975	1,901
Defined Benefit Pension Reserve	7(d)	-	1,663
		2,975	**3,564**

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2012

The notes on pages 61 to 68 form part of these financial statements.

Notes To The Financial Statements

1. Agency Costs

	2011 €000	2010 €000
Salaries	40,089	27,276
Consultancy and Legal expenses	38,357	10,190
Operating expenses	8,464	7,306
Establishment expenses	2,299	3,393
Defined Benefit Pension annual cost (FRS 17, Note 7(e))	2,860	841
Depreciation (note 2)	850	737
PRSA Pension Costs (note 6)	165	164
Total expenses	**93,084**	**49,907**

Consultancy and legal expenses (including the costs arising from the settlement of certain legal proceedings) include €36.2m (2010: €8.6m) related to banking system functions. As referred to in Note 10, €23.3m (2010: €2.9m) of this €36.2m (2010: €8.6m) is recoverable from the covered credit institutions, including €16.7m relating to the costs arising from the settlement of certain legal proceedings.

Remuneration and Expenses

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

Advisory Committee

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

Kevin Cardiff appointed in his capacity as Secretary General of the Department of Finance, did not receive any remuneration in respect of his membership.

During 2011 and 2010 members of the Advisory Committee either (a) gifted ten per cent of their remuneration back to the Minister for Finance or (b) had the Public Service Pension Related Deduction applied to their fee.

A total of €36,558 in expenses was paid to Advisory Committee members in 2011 (2010: €25,318) reflecting travel and accommodation expenses incurred by non-Irish based members. Expenses comprised €31,833 (2010: €21,278) for travel and €4,725 (2010: €4,040) for accommodation.

Chief Executive Remuneration 2011:

Salary €490,000
Taxable benefits €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 remuneration of the Chief Executive consists of basic salary, taxable benefits (car and health insurance) and a performance related payment of up to 80 per cent of annual salary. In view of the economic challenges facing the country, the Chief Executive and the other members of the NTMA senior management team waived any consideration for performance related pay in 2011 (as they did previously in 2010).

Notes to the Financial Statements (Continued)

2. Fixed Assets

	Property €000	Equipment & Motor Vehicles €000	Total €000
Cost:			
Opening balance at 1 January 2011	1,545	5,392	6,937
Additions at cost	670	1,394	2,064
Disposals	-	(373)	(373)
Balance at 31 December 2011	2,215	6,413	8,628
Accumulated depreciation:			
Opening balance at 1 January 2011	1,267	3,769	5,036
Depreciation for the period	52	798	850
Disposals	-	(233)	(233)
Balance at 31 December 2011	1,319	4,334	5,653
Net book value at 31 December 2011	**896**	**2,079**	**2,975**
Net book value at 31 December 2010	278	1,623	1,901

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

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

The capitalised property costs relate to the fit-out costs of the office space occupied by the NTMA. The property is leased under a long-term lease, which is subject to rent reviews.

3. Debtors

	2011 €000	2010 €000
Prepayments	1,633	1,242
Other debtors	9,720	10,252
	11,353	11,494

4. Creditors

	2011 €000	2010 €000
Central Fund	3,963	6,824
Creditors	2,036	62
Accruals	4,730	5,293
National Development Finance Agency	1	-
	10,730	12,179

Notes to the Financial Statements (Continued)

5. Capital Account

			2011 €000	2010 €000
Opening balance			1,901	1,445
Transfer from /(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets		2,064		
Amortisation of capital funding				
- Amortisation in line with depreciation	(850)			
- Net amount released on asset disposal	(140)	(990)	1,074	456
Closing balance			2,975	1,901

6. Superannuation

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme set up under Section 8 of the National Treasury Management Agency Act 1990. Contributions, including those of staff who have opted for dependent benefit arrangements, are transferred to an externally managed fund. The NTMA contribution is determined on the advice of an independent actuary and is, at present, set at a level of 25 per cent of payroll. It was also recommended that a contribution of 10.5 per cent be made in respect of new members of the Scheme from 1 January 2010. These new entrants, including staff who previously availed of Personal Retirement Savings Account arrangements, will receive benefits based on career average earnings. Contributions to the defined benefit scheme by the NTMA for the year ended 31 December 2011 amounted to €4,531,817 (2010: €3,222,454).

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

The NTMA also contributed €165,167 (2010: €163,943) to Personal Retirement Savings Accounts (PRSAs) for a number of employees who are not members of the defined benefit scheme in 2011.

Notes to the Financial Statements (Continued)

7. Retirement Benefits

(a) Defined Benefit Pension Scheme

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

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

	2011 €000	2010 €000
Benefit obligations at beginning of year	42,829	37,993
Service cost	3,452	1,465
Interest cost	2,577	2,284
Scheme members' contributions	865	613
Past service costs	166	-
Actuarial (gain)/loss	3,144	1,120
Benefits paid	(365)	(602)
Premiums paid	(108)	(44)
Benefit obligations at end of year	52,560	42,829

(c) Change in the fair value of scheme assets

	2011 €000	2010 €000
Fair value of scheme assets at beginning of year	44,492	38,619
Expected return on scheme assets	3,335	2,908
Actuarial gain/(loss)	(3,528)	(224)
Employer contributions	4,532	3,222
Member contributions	865	613
Benefits paid from scheme	(365)	(602)
Premiums paid	(108)	(44)
Fair value of scheme assets at end of year	49,223	44,492

Scheme assets

The asset allocations at the year end were as follows:

Equities	51.06%	78.13%
Bonds	35.19%	16.67%
Property	1.78%	2.04%
Other	11.97%	3.16%
	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.

	2011 €000	2010 €000
Actual return on scheme assets	(193)	2,684

Notes to the Financial Statements (Continued)

7. Retirement Benefits (Continued)

(d) Scheme Surplus / (Deficit)

	2011 €000	2010 €000
Fair value of scheme assets	49,223	44,492
Present value of funded obligations	(52,560)	(42,829)
(Deficit)/ Surplus at year end	(3,337)	1,663
Amounts in the balance sheet		
Asset		
Deferred Pension Funding	3,337	-
Pension (Liability) / Asset	(3,337)	1,663
Defined Benefit Pension Reserve	**-**	**1,663**

Defined Benefit Pension Reserve

The Defined Benefit Pension Reserve represents the excess of scheme assets over scheme liabilities at 31 December 2011 as measured for the purposes of FRS17.

(e) Components of pension expense

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

	2011 €000	2010 €000
Current service cost	3,452	1,465
Interest cost	2,577	2,284
Expected return on scheme assets	(3,335)	(2,908)
Past service costs	166	-
Income and Expenditure Charge (Note 1)	2,860	841

(f) Actuarial gain / (loss)

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

	2011 €000	2010 €000
Actuarial gain / (loss) on scheme obligations	(3,144)	(1,120)
Actuarial gain / (loss) on scheme assets	(3,528)	(224)
Statement of Total Recognised Gains and Losses	(6,672)	(1,344)
Cumulative amount recognised in Statement of Total Recognised Gains and Losses	(14,963)	(8,291)

Notes to the Financial Statements (Continued)

7. Retirement Benefits (Continued)

(g) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

		2011	2010
Weighted average assumptions used to determine benefit obligations			
Discount rate		5.10%	5.50%
Rate of compensation increase		4.00%	4.00%
Weighted average assumptions used to determine pension expense for year ended:			
Discount rate		5.50%	5.75%
Expected long-term return on scheme assets		7.10%	7.23%
Weighted average life expectancy at age 60 for mortality tables used to determine benefit obligations:			
Future Pensioners	- Male (year of birth 1967)	30.2	30.1
	- Female (year of birth 1967)	31.4	31.3
Current Pensioners	- Male (year of birth 1952)	28.2	28.1
	- Female (year of birth 1952)	29.7	29.6
Weighted average life expectancy at age 65 for mortality tables used to determine benefit obligations:			
Future Pensioners	- Male (year of birth 1967)	25.8	25.7
	- Female (year of birth 1967)	26.8	26.7
Current Pensioners	- Male (year of birth 1947)	23.2	23.0
	- Female (year of birth 1947)	24.6	24.5

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

	2011 €000	2010 €000	2009 €000	2008 €000	2007 €000
Defined benefit obligation	52,560	42,829	37,993	36,698	40,657
Fair value of scheme assets	49,223	44,492	38,619	31,157	43,100
Deficit/ (Surplus)	**3,337**	**(1,663)**	**(626)**	**5,541**	**(2,443)**
Difference between expected and actual return on scheme assets:					
Amount	3,528	224	(5,373)	15,927	2,126
Expressed as a % of scheme assets	7.2%	0.5%	(13.9%)	51.1%	4.9%
Experience (gains) / losses on scheme liabilities:					
Amount	(821)	(1,814)	(1,348)	(2,140)	610
Expressed as a % of scheme liabilities	(1.6%)	(4.2%)	(3.5%)	(5.8%)	1.5%

Notes to the Financial Statements (Continued)

8. Net Deferred Pension Funding

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

	2011 €000	2010 €000
Funding recoverable in respect of current year pension costs (note 7(e))	2,860	-
Income applied to pay contributions to pension fund (note 6)	(4,532)	-
Net Deferred Pension Funding	(1,672)	-

(b) Movement in the Deferred Pension Funding

	2011 €000	2010 €000
Opening balance	-	-
Movement in amount recoverable in respect of current year actuarial loss (note 7(f))	6,672	-
Less reduction in Defined Benefit Pension Reserve (note 8(c))	(1,663)	-
	5,009	-

(c) Movement in Defined Benefit Pension Reserve

	2011 €000	2010 €000
Opening balance	1,663	626
Actuarial loss	-	(1,344)
Transfer to Deferred Pension Funding	(1,663)	-
Transfer from Income and Expenditure Account	-	2,381
Closing balance	-	1,663

9. Central Fund Income

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

	2011 €000	2010 €000
Opening amount due to / (from) Central Fund (note 4)	6,824	(1,697)
Received from Central Fund	41,126	42,545
Amount due (to)/from Central Fund at year end (note 4)	(3,963)	(6,824)
Central Fund Receivable for year	43,987	34,024

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

	2011 €000	2010 €000
Creditors (Note 4)	(3,963)	(6,824)
Deferred Pension Funding (note 7(d))	3,337	-
	(626)	(6,824)

Notes to the Financial Statements (Continued)

10. Other Income

	2011 €000	2010 €000
Recovery of expenses from the National Asset Management Agency	27,714	14,965
Recovery of expenses from covered credit institutions	23,343	2,886
Asset covered securities income	566	641
Consultancy and other income	220	228
	51,843	18,720

Under sections 41 and 42 of the National Asset Management Agency Act 2010, the NTMA provides the National Asset Management Agency (NAMA) with business and support services and systems in addition to assigning staff to the functions of NAMA as agreed. The cost of these services for the year ended 31 December 2011 was €27.7m (2010: €15.0m).

As referred to in Note 1, the NTMA has incurred €36.2m (2010: €8.6m) of legal and consultancy expenses in 2011 related to banking system functions, €23.3m (2010: €2.9m) of which is recoverable from the covered credit institutions.

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

11. Expenses of NTMA for specified functions

	2011 €m	2010 €m
National Pensions Reserve Fund	3.7	4.5
National Development Finance Agency	5.9	7.1
State Claims Agency	8.5	7.8
National Asset Management Agency	27.7	15.0

Under the direction issued to the NTMA under Statutory Instrument (S.I.). No. 115 of 2010, the Minister for Finance delegated a number of banking system functions to the NTMA. The delegation of banking system functions to the NTMA was revoked with effect from 5 August 2011 under S.I. No. 395 of 2011 and the NTMA 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 NTMA. Costs incurred in the period from 5 August 2011 to 31 December 2011 amounted to €6.3 million.

These costs are included in the Agency costs referred to in Note 1.

Financial Statements of the Post Office Savings Bank Fund

For the year ended 31 December 2011

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

Post Office Savings Bank Fund

I have audited the financial statements of the Post Office Savings Bank Fund for the year ended 31 December 2011 under the National Treasury Management Agency Act 1990. The financial statements, which have been prepared under the accounting policies set out therein, comprise the accounting policies, the income and expenditure account, the balance sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and Generally Accepted Accounting Practice in Ireland.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

In addition, I read all the financial and non-financial information pertaining to the Post Office Savings Bank Fund in the Annual Report of the National Treasury Management 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 accordance with Generally Accepted Accounting Practice in Ireland, give a true and fair view of the state of the Post Office Savings Bank Fund's affairs at 31 December 2011 and of its income and expenditure for the year then ended.

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

Matters on Which I Report by Exception

I report by exception if

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

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

Seamus McCarthy
Comptroller and Auditor General
29 June 2012

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

The fund has the following main purposes:

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

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

	Notes	2011 €000	2010 €000
Investment income	1	73,723	58,871
Interest paid and payable	2	38,281	30,285
Other expenses	3	30,191	32,756
		68,472	63,041
Surplus/(Deficit) for the year		5,251	(4,170)
Balance at beginning of year		8,044	12,214
Balance at end of year		13,295	8,044

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

The notes on pages 74 to 76 form part of these financial statements.

Balance Sheet

31 December

	Notes	2011 €000	2010 €000
Assets			
Advances	4	1,439,987	1,207,439
Investments	5	755,876	746,034
Debtors	7	32,118	33,324
Central Treasury Loans		41,715	48,162
Commercial Paper	10	12,750	48,500
Cash		253,228	279,096
		2,535,674	2,362,555
Liabilities			
Post Office Savings Bank Deposits	8	2,517,690	2,342,351
Creditors	9	4,689	12,160
Accumulated Reserves		13,295	8,044
		2,535,674	2,362,555

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

The notes on pages 74 to 76 form part of these financial statements.

Notes to the Financial Statements

1. Investment Income

	2011 €000	2010 €000
Interest received and receivable	162,126	134,835
Profit/(Loss) on sale of investments	(88,403)	(75,964)
	73,723	58,871

2. Interest Paid and Payable

	2011 €000	2010 €000
Interest paid and credited to depositors of Post Office Savings Bank	38,281	30,285

3. Other Expenses

	2011 €000	2010 €000
Management expenses	30,191	32,756

4. Advances

	2011 €000	2010 €000
Advances to Exchequer	1,439,987	1,207,439

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

5. Investments

	2011 €000	2010 €000
Bonds		
At cost	755,876	746,034
At market value	791,005	660,938

Notes to the Financial Statements (Continued)

5. Investments (Continued)

Schedule of Investment Holdings:-

Nominal €000	Stock	2011 Cost €000
500,108	3.9% Treasury Bond 2012	494,268
26	8.75% Capital Stock 2012	27
99,272	5% Treasury Bond 2013	95,265
36,539	4% Treasury Bond 2014	33,440
83	8.25% Treasury Bond 2015	100
8,990	4.5% Treasury Bond 2018	7,361
14,942	4.6% Treasury Bond 2016	13,006
23,119	4.4% Treasury Bond 2019	18,562
9,277	5.9% Treasury Bond 2019	7,928
25,697	4.5% Treasury Bond 2020	19,429
29,289	5% Treasury Bond 2020	23,200
56,532	5.4% Treasury Bond 2025	43,290
803,874		755,876

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

	2011 €000	2010 €000
Dividends and interest receivable	26,300	19,550
Cash balances held by An Post	5,818	13,774
	32,118	33,324

8. POSB Deposits

	2011 €000	2010 €000
Deposits from Post Office Savings Bank	2,517,690	2,342,351

In April 2011 €2,368,518 (2010: €2,527,789) was transferred from the Post Office Savings Bank Fund to the Dormant Accounts Fund under the Dormant Accounts Act 2001. At 31 December 2011 following account reactivations of €563,638 (2010: €805,525) and interest (net of DIRT) capitalised of €261,088 (2010: €248,339), a balance of €35,560,654 (2010: €33,494,686) was due to Depositors from the Dormant Accounts Fund. The Deposits from Post Office Saving Bank of €2,517,690,458 (2010: €2,342,351,094) does not include this Dormant Accounts Fund liability.

Notes to the Financial Statements (Continued)

9. Creditors

	2011 €000	2010 €000
Net funds due under Sale and Repurchase Agreements	2,147	10,014
DIRT due to An Post	2,542	2,052
Management expenses due to An Post	-	94
	4,689	12,160

10. Commercial Paper

	2011 €000	2010 €000
Agricultural Commodity Intervention Bills	12,750	48,500

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

Financial Statements of the Capital Services Redemption Account

For the year ended 31 December 2011

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

I have examined the account on pages 79 and 80. 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 2011 and the balance at that date.

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Account of Receipts and Payments

Year ended 31 December 2011

	2011 €000	2010 €000
Balance at 1 January	600,451	452
Receipts		
Amounts received from Central Fund		
under Finance Act 1950, Section 22 as amended:		
- Interest	1,967,556	1,888,388
- Sinking Fund	638,409	617,229
Amounts received under Finance Act 1988 [S 67 (8)]	42,817,586	24,039,545
Deposit interest received	232,994	102,523
Other interest received	1	-
Refund of IMF commitment fee	42,193	-
	46,299,190	26,648,137
Payments		
Amounts applied in the redemption of National Debt:		
Irish Government Bonds Listed on Irish Stock Exchange	638,409	617,229
Amounts applied in meeting interest and expenses on National Debt (note 2)	2,499,486	1,919,479
Amounts applied in respect of liabilities under Finance Act 1970 [S 54 (7)]	43,160,890	23,510,978
Balance at 31 December	405	600,451
	46,299,190	26,648,137

John C. Corrigan, Chief Executive
National Treasury Management Agency

29 June 2012

Notes to the Account

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

Annuities

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

Cash Management

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

Transactions of a normal banking nature include portfolio management activities which are not related to principal borrowings e.g. forward exchange deals, swaps and interest on deposits. Receipts from such transactions, other than those in a currency for which a foreign currency clearing account has not been established under section 139 of the Finance Act 1993, must be received into the Capital Services Redemption Account. Such amounts may be used to make payments and repayments in respect of normal banking transactions or towards defraying interest and expenses on the public debt. The balance in the account is maintained by the NTMA at a level subject to guidelines issued by the Minister for Finance under section 4(4) of the National Treasury Management Agency Act 1990.

Receipts and payments arising from transactions of a normal banking nature include receipts and payments of €24.1 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:-

	2011 €000
4% Treasury Bond 2011	5,599
3.9% Treasury Bond 2012	224,231
5% Treasury Bond 2013	170,509
4% Treasury Bond 2014	433,957
4.5% Treasury Bond 2018	344,579
4.4% Treasury Bond 2019	100,000
5.9% Treasury Bond 2019	207,224
4.5% Treasury Bond 2020	529,491
5% Treasury Bond 2020	385,398
IMF EU Facility Interest	46,133
Interest Paid on CSA cash Collateral balances	904
State Savings Interest	6,124
Cash Management Borrowings	214
Expenses	45,123
Total	**2,499,486**

Financial Statements of the National Loans Advance Interest Account

For the year ended 31 December 2011

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

I have examined the account on page 82. 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 2011 and the balance at that date.

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Account of Receipts and Payments

Year ended 31 December 2011

	€000
Balance at 1 January 2011	64,416
Accrued interest received on National Loans	
- Tranches and Auctions	11,926
Accrued interest paid on National Loans	(64,418)
Balance at 31 December 2010	
- Cash with Central Bank of Ireland	11,924

Note to the Account

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

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Financial Statements of the National Loans (Winding Up) Account

For the year ended 31 December 2011

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

I have examined the account on pages 85 and 86. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2011 and the balance at that date.

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Account of Receipts and Payments

Year ended 31 December 2011

	Note	€000
Balance at 1 January 2011		3,668
Receipts from Exchequer	1	-
Receipts from Central Bank Suspense Account		138
Payments to Central Bank Suspense Account		(207)
Payments for redemption of National Loans	2	(236)
Balance at 31 December 2011		
- Cash with Central Bank of Ireland		**3,363**

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Notes to the Account

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

2. National Loans redeemed during the year ended 31 December 2011

	€
6% Exchequer Stock 1980-85	349
7.5% National Loan 1981-86	1,289
9.75% National Loan 1984-89	744
6% Exchequer Stock 1985/90	31
11.5% Exchequer Stock 1990	71
7% National Loan 1987/92	1,270
9.25% Exchequer Loan 91/96	762
9.75% National Development Loan 92/97	1,777
7.75% Capital Stock 1997	885
6.5% Exchequer Stock 00/05	20,316
6.5% Treasury Bond 2001	1,388
8% Treasury Bond 2006	7,141
8.5% Capital Stock 2010	135,002
4% Treasury Bond 2010	64,433
Total	**235,458**

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

For the year ended 31 December 2011

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

I have examined the account on page 88. 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 2011 and the balance at that date.

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Account of Receipts and Payments

Year ended 31 December 2011

	Note	€
Balance at 1 January 2011		2,542,334
Receipt of unclaimed dividends		76,572
Payment of unclaimed dividends	1	(8,853)
Balance at 31 December 2011		
- Cash with Central Bank of Ireland	2	**2,610,053**

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Notes to the Account

1. Dividends claimed and paid in year

	€
Irish Government Bonds registered with Central Bank of Ireland	2,685
Foreign Bonds administered by Paying Agent	6,168
	8,853

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

Financial Statements of the Deposit Monies Investment Account

For the year ended 31 December 2011

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

I have examined the account on page 90. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2011 and the balance at that date.

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Account of Receipts and Payments

Year ended 31 December 2011

	€000
Balance at 1 January 2011	316,293
Ways and Means Advances paid to Exchequer	4,298,941
Ways and Means Advances repaid by Exchequer	(4,358,851)
Balance at 31 December 2011	
- Ways and Means Advances to Exchequer	**256,383**

Note to the Account

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

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

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

For the year ended 31 December 2011

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

I have examined the account on pages 93 and 94. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2011 and the balance at that date.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Account of Receipts and Payments

Year ended 31 December 2011

		€000
Balance at 1 January 2011		NIL
Receipts		
Interest received on stock holdings	NIL	
Proceeds of stock redemption	NIL	
Payments		
Paid to Revenue Commissioners for value of stock transferred to the Minister for Finance		
- Nominal	NIL	
- Interest	NIL	
Repayment to Exchequer		NIL
Balance at 31 December 2011		NIL

Stock Account

Balance at 1 January 2011		NIL
Movement for the year		
Nominal amount of stock transferred to the Minister for Finance	NIL	
Nominal amount of stock redeemed	NIL	
		NIL
Balance at 31 December 2011		NIL

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Notes to the Account

1. Purpose of the Account

This account, established under the Finance Act 1954, amended by the Capital Acquisitions Tax Act 1976, is a vehicle for the handling of certain designated Irish Government Bonds which are accepted by the Revenue Commissioners at face value in lieu of death duties. The Irish Government Bonds are received by the Revenue Commissioners and transferred to the Minister for Finance. They are then cancelled and the proceeds (at market value) taken into the account. Any shortfall between this and the liability to the Revenue Commissioners (at face value) is made up by the Exchequer and the Revenue Commissioners are paid in full.

2. Stock Account

The Stock Account records transactions at nominal par value. Any balance on this account consists of bonds held by the Minister for Finance but not yet sold by the Minister to discharge a tax liability to the Revenue Commissioners.

Account of the Small Savings Reserve Fund

For the year ended 31 December 2011

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

I have examined the account on page 96. 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 2011 and the balance at that date.

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

29 June 2012

Account of Receipts and Payments

Year ended 31 December 2011

	€000
Balance at 1 January 2011	NIL
Received/(paid) from/(to) Exchequer	NIL
Balance at 31 December 2011	NIL
Estimated accrued interest at 31 December 2011	464,812

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and, in each year thereafter, for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The gross interest cost of the savings schemes for 2011 was €209 million which represented 57 per cent of the interest accrued at 31 December 2010 of €368 million. No resources were applied from the Fund towards meeting interest payments during 2011.

Any balance in the Fund is transferred to the Exchequer as repayable ways and means advances.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Financial Statements of the State Claims Agency

For the year ended 31 December 2011

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

State Claims Agency

I have audited the financial statements of the State Claims Agency (the Agency) for the year ended 31 December 2011 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 all the financial and non-financial information pertaining to the State Claims Agency in the Annual Report of the National Treasury Management 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 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 2011 and of its income and expenditure for the year then ended.

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

Matters on Which I Report by Exception

I report by exception if

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

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

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General
29 June 2012

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 NTMA. When performing these functions, the NTMA is known as the State Claims Agency (SCA).

The Act sets out two objectives for the SCA:

- To manage claims so as to ensure that the State's liability and associated legal and other expenses are contained at the lowest achievable level; and,

- To provide risk advisory services to State Authorities with the aim of reducing over time the frequency and severity of claims.

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

The SCA's remit was further significantly 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.

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 Agency relate to the management of claims on behalf of State Authorities who are liable in respect of claims and from whom the Agency recovers the amounts of any awards and associated costs. The financial statements report only on the transactions of the Agency and therefore no amount is included for the value of outstanding claims.

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	2011 €000	2010 €000
Received and receivable from State Authorities in respect of claims and expenses	1	110,253	95,963
Costs recovered on behalf of State Authorities		14,847	4,678
		125,100	100,641
Paid and payable in respect of awards		67,745	63,300
Other expenses	2	42,508	32,663
Reimbursement of costs recovered to State Authorities		14,847	4,678
		125,100	100,641

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

The notes on pages 102 to 104 form part of these financial statements.

Balance Sheet

31 December

	Notes	2011 €000	2010 €000
Assets			
Investments	3	5,936	7,657
Debtors	4	3,811	2,066
Cash		(1,305)	1,500
		8,442	11,223
Liabilities			
Special Obstetrics Scheme	5	5,936	7,657
Borrowings from Post Office Savings Bank Fund	6	-	-
Creditors	7	2,506	3,566
		8,442	11,223

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

The notes on pages 102 to 104 form part of these financial statements.

Notes to the Financial Statements

1. Income

	2011 €000	2010 €000
Received from State Authorities	106,710	96,233
Received from the Special Obstetrics Scheme	1,797	2,730
Increase / (decrease) in receivables	1,746	(3,000)
	110,253	95,963

2. Other Expenses

	2011 €000	2010 €000
State Claims Agency expenses		
- Legal fees	13,612	12,560
- Medical fees	1,386	1,295
- Engineers' fees	176	95
- Other fees (including investigation and actuary fees)	839	723
	16,013	14,673
Plaintiff expenses		
- Legal fees	26,474	17,960
- Other expert fees	2	3
- Travel expenses	8	8
	26,484	17,971
Witness expenses	11	19
	42,508	32,663

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the State Claims Agency's functions amounted to €8,474,952 (2010: €7,763,261). These costs are included in the administration expenses of the National Treasury Management Agency and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from State Authorities.

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

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

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

No Committee member related expenses were paid for 2011.

Notes to the Financial Statements (Continued)

3. Investments

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

4. Debtors

	2011 €000	2010 €000
Receivable from State authorities	3,807	2,061
Other	4	5
	3,811	2,066

5. Special Obstetrics Scheme

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

The movement on the Special Obstetrics Indemnity Scheme during 2011 was:

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

6. Borrowings from POSB

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.

7. Creditors

	2011 €000	2010 €000
Payable in respect of awards	-	2,919
Payable in respect of expenses	2,250	347
Professional Services Withholding Tax due	169	233
Amounts due to State Authorities	86	66
Other	1	1
	2,506	3,566

Notes to the Financial Statements (Continued)

8. Estimated Liabilities of State Authorities

During 2011, 2,700 new claims were received and almost 1,660 were settled. At 31 December 2011, the Agency had a total of just over 5,300 claims under management.

At 31 December 2011 the estimated liability of State Authorities in respect of claims under management by the State Claims Agency was €991m (2010: €885m), of which €860m (2010: €786m) was attributable to Clinical Claims and €131m (2010: €99m) to Employer Liability, Public Liability and Property Damage Claims. The estimated liability is an estimate calculated by reference to the ultimate cost of resolving each claim including all foreseeable costs such as settlement amounts, plaintiff legal costs and defence costs.

Financial Statements of the Dormant Accounts Fund

For the year ended 31 December 2011

Statement of Agency's Responsibilities

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

In preparing those statements, the NTMA:

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

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

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

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

Report of the Comptroller and Auditor General

I have audited the financial statements of the Dormant Accounts Fund for the year ended 31 December 2011 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 all the financial and non-financial information pertaining to the Dormant Accounts Fund in the Annual Report of the National Treasury Management 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 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 2011 and of its transactions for the year then ended.
In my opinion, proper books of account have been kept by the Agency. The financial statements are in agreement with the books of account.

Matters on Which I am Required to Report by Exception

I report by exception if

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

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

Séamus McCarthy
Comptroller and Auditor General

29 June 2012

Accounting Policies

Background

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

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

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

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

- the making of disbursements in accordance with the directions of the Dormant Accounts Board or Minister for Public Expenditure and Reform
- the maintenance of the Reserve Account
- the defraying of the fees, costs and expenses incurred by the NTMA and the Dormant Accounts Board
- the defraying of the remuneration, fees and expenses of the authorised inspectors
- the repayment of moneys transferred to the Fund
- the preparation of the annual investment plan, having regard to the disbursement plan and any direction from the Minister for 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 NTMA
- the submitting of annual accounts to the Comptroller and Auditor General and the presentation of a copy of accounts so audited to the Minister for Finance and the Minister for the Environment, Community and Local Government.

As provided for in the Dormant Accounts (Amendment) Act 2005, 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. While the Dormant Accounts Board has a mainly monitoring and advisory role, it is also empowered to direct the NTMA to make disbursements from the Dormant Accounts Fund.

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 2011.

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

	Notes	2011 €000	2010 €000
Interest on investments		919	437
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	1	43,080	39,286
Amount transferred to Reserve Account	2	(27,401)	(24,758)
Disbursements	3	(8,403)	(20,267)
Movement for the year		8,195	(5,302)
Balance at 1 January		80,426	85,728
Balance at 31 December		88,621	80,426

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

The notes on pages 112 to 116 form part of these financial statements.

Reserve Account

Year ended 31 December

	Notes	2011 €000	2010 €000
Transfer from Investment and Disbursements Account	2	27,401	24,758
Interest on investments		412	201
Repayment of moneys transferred to the Fund	1	(24,345)	(20,304)
Interest on repayment of moneys transferred to the Fund	1	(194)	(165)
Other expenses	4	(938)	(1,618)
Movement for the year		2,336	2,872
Balance at 1 January		52,000	49,128
Balance at 31 December		54,336	52,000

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

The notes on pages 112 to 116 form part of these financial statements.

Balance Sheet

31 December

	Note	2011 €000	2010 €000
Assets			
Financial Assets			
- Investments at cost		-	-
Current Assets			
- Cash	5	142,727	132,451
- Debtors		341	215
Liabilities			
- Accrued Reclaims		(111)	(240)
Net Assets		142,957	132,426
Represented by:			
Investment and Disbursements Accounts		88,621	80,426
Reserve Account		54,336	52,000
		142,957	132,426

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

28 June 2012

The notes on pages 112 to 116 form part of these financial statements.

Notes to the Financial Statements

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

Banks – Dormant Accounts

Institution	Opening Balance 1/1/11 €	Transferred €	Reclaimed €	Closing Balance 31/12/11 €	Interest Paid €
ACC Bank plc	5,502,078	473,768	(177,511)	5,798,335	2,890
Allied Irish Banks plc	53,596,572	4,017,189	(665,565)	56,948,196	2,668
AIB Finance Limited	1,617,965	-	(478,037)	1,139,928	1,856
Barclays Bank plc	280,762	-	-	280,762	-
BNP Paribas	67,487	13,228	-	80,715	-
Bank of America	154,778	-	-	154,778	-
Bank of Ireland & ICS Building Society	53,619,976	6,753,477	(3,340,663)	57,032,790	39,013
Bank of Ireland Treasury & International Banking	3,745,630	628,986	(98,114)	4,276,502	-
Bank of Scotland (Ireland)	567,088	-	-	567,088	-
Citibank	28,700	-	-	28,700	-
EBS Building Society	13,053,741	2,765,069	(1,278,907)	14,539,903	22,159
EAA Corporate Services plc (formerly WestLB Ireland plc)	122,119	-	-	122,119	-
First Active	8,273,646	-	(45,872)	8,227,774	84
IBB	-	785,993	-	785,993	-
Irish Bank Resolution Corporation Ltd (formerly Anglo)	544,735	116,658	(61,072)	600,321	9,678
Irish Bank Resolution Corporation Ltd (formerly Irish Nationwide Building Society)	5,177,926	688,721	(5,838,626)	28,021	3,948
Investec Bank (UK) Limited (Irish Branch)	377,972	130,274	(3,271)	504,975	-
JP Morgan Ireland plc	48,897	-	-	48,897	-
National Irish Bank Limited	4,769,849	359,160	(183,524)	4,945,485	468
Permanent TSB	25,744,876	8,606,031	(1,117,883)	33,233,024	15,171
Pfizer International Bank	18,759	11,462	(77)	30,144	-
An Post – Instalment Savings	1,240,644	298,574	(163,552)	1,375,666	15,848
An Post - Instalment Savings (Capitalised interest)	3,835,674	420,512	(362,252)	3,893,934	-
An Post - Post Office Savings Bank (Capitalised Interest)	10,583	6,182	-	16,765	-
An Post - Post Office Savings Bank	32,604,398	2,362,016	(547,677)	34,418,737	15,924
An Post - Savings Bonds (Capitalised interest)	2,884,166	242,029	(266,708)	2,859,487	-
An Post - Savings Bonds	1,933,900	310,489	(246,621)	1,997,768	-
An Post - Savings Certs (Capitalised interest)	47,147,524	3,927,812	(4,221,526)	46,853,810	-
An Post - Savings Certs	13,615,510	2,344,665	(1,755,464)	14,204,711	61,454
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	13,126,490	1,825,137	(579,766)	14,371,861	1,967
TOTAL	294,750,564	37,124,078	(21,432,688)	310,441,954	193,128

Notes to the Financial Statements (Continued)

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

Assurance Companies – Unclaimed Assurance Policies

Institution	Opening Balance 1/1/11 €	Transferred €	Reclaimed €	Closing Balance 31/12/11 €	Interest Paid €
Specified Term					
Acorn Life	1,028	-	(777)	251	-
Ark Life	51,069	34,609	(36,410)	49,268	-
Caledonian Life	104,748	-	-	104,748	-
Canada Life Assurance	579,861	216,957	(150,006)	646,812	-
Canada Life Ireland	443,656	307,394	(175,136)	575,914	-
Equitable Life	4,210	2,921	-	7,131	-
Friends First	913,764	218,060	(40,060)	1,091,764	-
Hibernian Life	1,824,356	504,843	(298,842)	2,030,357	-
Irish Life	4,161,898	81,881	(148,190)	4,095,589	-
New Ireland	216,774	28,904	(37,067)	208,611	-
Phoenix Ireland (formerly Alba Life)	171,131	17,087	-	188,218	-
Phoenix Ireland (formerly Royal & SunAlliance)	614,518	202,387	-	816,905	-
Phoenix Ireland (formerly Scottish Provident Ireland)	153,311	81,741	-	235,052	-
Royal Liver	4,574,797	650,565	(223,425)	5,001,937	-
St. James Place	10,649	-	-	10,649	-
Scottish Legal Life	439,274	58,161	-	497,435	-
Standard Life	642,246	140,920	-	783,166	-
Sun Life Financial of Canada	142,199	25,038	(9,343)	157,894	-
Zurich Insurance (formerly Eagle Star)	370,717	133,085	(54,865)	448,937	-
No Specified Term					
Acorn Life	-	5,986	-	5,986	-
Ark Life	116,504	6,302	(115,937)	6,869	-
Caledonian Life	31,113	-	-	31,113	-
Canada Life Assurance	42,121	124,149	(67,251)	99,019	-
Canada Life Ireland	3,811,679	363,885	(709,275)	3,466,289	-
Friends First	932,701	79,981	(168,531)	844,151	-
Hibernian	1,807,966	48,034	(2,285)	1,853,715	-
Irish Life	5,052,297	110,816	(57,539)	5,105,574	-
New Ireland	10,176,909	1,210,689	-	11,387,598	-
Phoenix Ireland (formerly Alba Life)	15,033	-	-	15,033	-
Phoenix Ireland (formerly Royal & SunAlliance)	101,397	4,233	(88,970)	16,660	-
Phoenix Ireland (formerly Scottish Provident Ireland)	237,666	-	(1,420)	236,246	-
Royal Liver	7,596,872	779,150	(265,716)	8,110,306	-
Scottish Legal Life	450,044	18,734	-	468,778	-
Standard Life	1,180,841	54,600	(38,678)	1,196,763	-
Sun Life Financial of Canada	57,703	-	(10,230)	47,473	-
Zurich Insurance (formerly Eagle Star)	1,575,345	208,122	(101,212)	1,682,255	-
TOTAL	48,606,397	5,719,234	(2,801,165)	51,524,466	-
The Escheated Estate Fund	4,400,000	-	-	4,400,000	-
Accrued Reclaims	(236,474)	236,474	(111,577)	(111,577)	373
GRAND TOTAL	347,520,487	43,079,786	(24,345,430)	366,254,843	193,501

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 €441,417 from €366,254,843 to €365,813,426.

2. Transfers to the Reserve Account

Under Section 17 (4) of the Dormant Accounts Act 2001, the National Treasury Management Agency pays into the Reserve Account, from time to time, an amount determined by the NTMA, with the approval of the Minister for 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 NTMA, the Board and the authorised inspectors. Currently, a transfer is made periodically by the NTMA to maintain the balance in the Reserve Account at a 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 period.

	2011 €000	2010 €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)	408	875
On direction of the Minister for Public Expenditure and Reform		
Department of Arts, Sport and Tourism	-	395
Department of Community, Equality and Gaeltacht Affairs (for the Rural Social Scheme) (2010)	-	5,286
Department of Education and Skills (2011)	1,600	-
Department of Education and Science (2010)	-	2,003
Department of Children and Youth Affairs (2011)	3,000	-
Office of the Minister for Children	-	2,966
Department of Environment, Community and Local Government (2011)	1,441	-
Department of Environment, Heritage and Local Government (2010)	-	719
Department of Justice and Equality (2011)	209	-
Department of Justice and Law Reform (2010)	-	672
Department of Social Protection (2011)	274	-
Department of Social and Family Affairs (2010)	-	1,014
Health Service Executive	1,242	6,119
Irish Prison Service	229	218
	8,403	20,267

Notes to the Financial Statements (Continued)

4. Other Expenses

	2011 €000	2010 €000
Expenses of the Dormant Accounts Board		
- Board Fees	63	66
- Board Expenses	2	3
- Fees of service provider (Pobal)	851	1,500
- Consultancy and Advisory fees	11	38
- Other Expenses	11	11
	938	1,618

5. Cash

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

6. Contingent Exchequer Liability

(a) As a result of cumulative disbursements to date the net assets of the fund are less than the dormant funds transferred and not yet reclaimed. This difference represents a contingent 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, 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 2011 €000	Movement during the year €000	31 December 2011 €000
Net Assets of Fund	132,426	10,531	142,957
Dormant Funds Transferred not reclaimed	(347,520)	(18,735)	(366,255)
Contingent liability	(215,094)	(8,204)	(223,298)

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

	€000
Interest on investments	1,331
Interest on repayments of moneys transferred to the Fund (see note 1)	(194)
Disbursements (see note 3)	(8,403)
Other expenses (see note 4)	(938)
Movement for the year	(8,204)

Notes to the Financial Statements (Continued)

7. Expenses of the National Treasury Management Agency

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

	2011	2010
	€000	€000
General Administration	150	150

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

8. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act 2001, the NTMA is required to report to the Dormant Accounts Board the investment return achieved by the Fund. The annualised return on the Fund for the year was 0.89 per cent (2010: 0.4 per cent).

National Treasury Management Agency
Treasury Building
Grand Canal Street
Dublin 2
Ireland

Tel: +353 1 664 0800

www.ntma.ie