National Treasury Management Agency

Annual Report and Accounts for the year ended

31 December 2013

Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

30 June 2014

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 2013.

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 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 (SCA), NewERA, the National Pensions Reserve Fund (NPRF) and the National Development Finance Agency (NDFA). The NTMA assigns staff to the National Asset Management Agency (NAMA) and also provides it with business and support services and systems.

Funding and Debt Management

The NTMA is responsible for borrowing on behalf of the Government and managing the National Debt in order to ensure liquidity for the Exchequer and to minimise the interest burden over the medium-term. The Funding and Debt Management Directorate also performs a number of other functions including 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.

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 and health enterprises. It also has a risk management role, advising and assisting State authorities in minimising their claim exposures. In addition, it deals with third-party costs arising from certain Tribunals of Inquiry.

NewERA

The core role of NewERA involves the oversight of the financial performance, corporate strategy, capital and investment plans of the following commercial State entities - ESB, Ervia (formerly Bord Gáis Éireann), EirGrid, Bord na Móna and Coillte. NewERA's role also involves, where requested, advising on the disposal or restructuring of State assets. In addition, NewERA works with relevant stakeholders to develop proposals for investment in energy, telecommunications, water and forestry to support economic activity and employment.

National Pensions Reserve Fund

The NTMA is Manager of the National Pensions Reserve Fund which was established with the objective of meeting as much as possible of the costs of social welfare and public service pensions from 2025 onwards. The Government has published legislation to establish the Ireland Strategic Investment Fund which will fully absorb the NPRF and have a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland.

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 €20 million. It also has full responsibility for the procurement and delivery of Public Private Partnership (PPP) projects in sectors other than transport and the local authorities.

National Asset Management Agency

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

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

NTMA
Report & Accounts

For the year ended 31 December 2013

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Chief Executive's Review

2013 was a very significant year for Ireland and the NTMA as we emerged successfully and on schedule from the EU/IMF programme and, in the first half of 2014, have returned to participating normally in the sovereign debt markets. Our successful exit was based on a number of factors – both domestic and international – including the Government's steadfast delivery on its programme commitments, the February 2013 promissory note transaction, the extension of the maturities on the European portion of our programme loans, and the interventions by the ECB to calm the wider euro crisis.

The success of the ECB in calming the euro crisis since July 2012 has seen an increased investor appetite for riskier assets generally and Irish Government bonds have been a major beneficiary of this trend. Irish bond yields are now at record lows – a sharp contrast with the situation just three years ago when the yield on our two-year bond peaked at over 22 per cent and 10-year yields peaked at over 14 per cent. The NTMA has taken advantage of these benign market conditions and to date has completed over 80 per cent of its €8 billion funding target for 2014. Most importantly we have turned from the opportunistic and syndicated issuance through which we first returned to the markets to a series of scheduled bond auctions – the final step in gaining what would be regarded as normal market access.

More favourable market conditions have also assisted NAMA greatly in its programme of disposal of loans and property assets which it acquired from the banks in 2009 and 2010. NAMA has met its first debt repayment milestone – the repayment of €7.5 billion or 25 per cent of its senior debt by end-2013 and expects to redeem 50 per cent of its senior debt by end-2014. The NAMA bonds are a contingent liability of the State and NAMA's work in removing that contingent liability in a progressive, but commercially astute, manner has been an important factor in restoring our market credibility. Although our debt dynamics have improved dramatically over the last few years, risks to debt sustainability still represent a significant exposure for the economy. This factor is recognised in the draft National Risk Assessment published by the Government in April 2014 which notes that Ireland's debt/GDP ratio remains high by historical standards and further consolidation is needed in coming years to put the debt ratio firmly on a downward path.

While I have focused particularly on debt management in my comments in this annual report and in its counterparts over the last few years, debt management is but one of the asset and liability management functions performed by the NTMA. This focus is, of course, a result of the extraordinary situation in which Ireland has found itself through our entry into an EU/IMF programme and our subsequent efforts to exit that programme. Indeed, much of the specialist language of the bond markets has become daily currency in the news over the last few years in a way that none of us working in the area could ever have envisaged. One of the signals of the complete normalisation of our debt management activities is that our bond auctions are no longer deemed newsworthy events and generate no more than a few lines in the business pages. There are encouraging signs in recent months that we are returning to that normality.

A further sign of a return to a normal capital market environment was the successful financial close in April 2014 of the N17/N18 (Gort to Tuam) road PPP project – the first PPP deal to include institutional investor debt funding since the onset of the financial crisis. The NDFA, another part of the NTMA family, was financial adviser on the project. Building renewed investor confidence and interest in Ireland's PPP programme has been a major strategic objective for the NDFA over the last two years and it has undertaken an active investor engagement programme to that end.

I have already mentioned NAMA – to which the NTMA assigns staff and provides business and support services. However, this is but one of a number of new functions the NTMA has been asked to perform in recent years. The NTMA (Amendment) Bill 2014, currently before the Oireachtas, provides for the putting of these other new functions on a statutory basis. These are our NewERA functions; the conversion of the National Pensions Reserve Fund into the Ireland Strategic Investment Fund (ISIF) with a mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland; and the State Claims Agency's legal costs accounting function to deal with third-party costs arising from certain Tribunals of Inquiry.

The NTMA has already made considerable progress on these functions.

The NewERA Unit is up and running since September 2011 taking a commercial approach to the oversight of the semi-State companies with an emphasis on return on capital and providing a dedicated source of corporate finance expertise to Government. To this end it has developed a Shareholders' Expectations Framework intended to aid in establishing clarity and alignment of objectives of the shareholder and the relevant commercial State entity. It has also provided advice and project management services to the Government in relation to the sale of BGE's energy business with an enterprise value of up to €1.1 billion.

The NTMA has been working to develop a pipeline of potential investments for the ISIF. A number of these have been concluded and as a result, the NPRF now has some €1.3 billion invested or committed to areas of strategic importance to the Irish economy including infrastructure, venture capital and long-term financing for SMEs. A draft ISIF business plan has been brought to an advanced stage in anticipation of the legislation. This draft business plan is based on an Economic Impact Framework developed by the NTMA which seeks to identify areas for investment with a higher potential economic and employment impact as well as categories of investment that would be expected to assist and accelerate normalisation of capital markets in Ireland following the financial crisis. Indeed, one of the potential advantages of the ISIF is that it is in a position to provide equity finance and thus reduce the disproportionate reliance of Irish businesses on bank credit as a source of finance.

The Legal Costs Unit became operational in February 2013 and seeks to resolve bills of costs by way of negotiation and, where necessary, through the taxation of costs system, in an effort to deliver significant savings to the Exchequer. It has secured savings of 47 per cent on the €6.4 million of legal expense claims from the Mahon and Moriarty tribunals it has negotiated and agreed since it became operational.

The NTMA (Amendment) Bill also provides for the establishment – based on proposals put forward by the NTMA – of an overarching NTMA Board to oversee all of the NTMA's functions, other than NAMA which will continue to have its own separate governance structure, and which will replace the various boards and committees currently in place.

This new governance structure is a very significant development in terms of the role the NTMA will play in post-crisis Ireland. Across the NTMA's functions – in particular, its ISIF, NewERA and NDFA functions there is an implicit "invest in Ireland" objective.

By replacing separate boards that have distinct and narrowly defined mandates with one overarching board, the new governance structure will allow the NTMA work in a more integrated manner and take a strategic view across our mandates towards the achievement of that objective.

The past few years have presented a major challenge to the NTMA as we have sought to re-establish Ireland's presence in the sovereign debt markets and, from a standing start, to establish NAMA as a fully operational entity with a €32 billion balance sheet and a staffing complement of over 300 people. We were also asked to establish a banking unit to manage the State's interest and holdings in the financial institutions and which has been on secondment to the Department of Finance since August 2011. In 2013 this unit was involved in the sale of Irish Life for €1.3 billion, the sale of €1 billion of Bank of Ireland contingent convertible notes, the sale of Bank of Ireland preference shares for €2 billion (including accrued interest), the IBRC Special Liquidation and the promissory note transaction.

I am proud of the role the NTMA has played in meeting the challenges over these last few very demanding years and I would like to thank our staff across all our business units and corporate functions for the energy and commitment they have shown. The challenges facing us in the medium term in delivering on the new mandates which Government has assigned to us are of a different order as we move from crisis to recovery. I believe the NTMA business model, designed to perform commercial and market facing functions while being funded from the Exchequer, has served us well in delivering on the additional functions that have been assigned to us to date and will continue to serve us well as we seek to recruit and retain the specialist skills necessary to the successful performance of these new mandates.

Finally, while I have talked of the advantages to the NTMA of reporting to one overarching board, this is not in any way to seek to diminish the contribution made by the members of the various boards and committees under our current governance structures. I would, therefore, like to take this opportunity to thank the members of the NTMA Advisory Committee, the State Claims Agency Policy Committee, the NPRF Commission, the NDFA Board and the various sub-committees of these bodies for giving so generously of their time and for their hard work, counsel and support.

John Corrigan
Chief Executive

Executive and Advisory Committee

Senior Management Team

(as of 30 June 2014)

John Corrigan
Chief Executive

Ian Black
Director, Finance, Technology and Risk

Ciarán Breen
Director, State Claims Agency

Sinéad Brennan
Head of Human Resources

Des Carville
Head of Banking (on secondment to Department of Finance)

Eileen Fitzpatrick
Director, NewERA

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

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

Eugene O'Callaghan
Director, National Pensions Reserve Fund

Andrew O'Flanagan
Chief Legal Officer

Oliver Whelan
Director, Funding and Debt Management

Our Mission and Values

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

Mission Statement

To manage public assets and liabilities commercially and prudently.

Core Values

We act commercially while fulfilling our public service responsibilities.

We act with honesty and integrity.

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

We are adaptable and proactive.

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

Advisory Committee

(as of 30 June 2014)

Willie Walsh – Chairperson

Willie Walsh is Chief Executive of International Airlines Group (IAG), the parent company of British Airways, Iberia and Vueling. Previously he was Chief Executive at British Airways and Aer Lingus. He is president of the London Chamber of Commerce and Industry.

Brendan McDonagh

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

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 co-chair of the Working Group on Governance of the European Investment Bank. She was previously Legal Counsellor, Financial Markets Department, Ministry of Finance, Finland, a member of the Board of Directors of the European Investment Bank and a member of the Board of Directors of the European Investment Fund.

Donald C Roth

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

Funding and Debt Management

Ireland continued its engagement with the international debt markets in 2013 and maintained an active investor relations programme in advance of its successful exit from the EU/IMF Programme of Financial Support at the end of the year. Having initially re-entered the debt markets in 2012, the NTMA executed two bond syndications in 2013. These syndications saw an increasing number of investors return to the Irish Government bond market and raised a total of €7.5 billion. Regular auctions of short-term Treasury Bills, which resumed in July 2012, continued through 2013 with eight auctions during the year. In January 2014 the NTMA raised €3.75 billion from a syndicated sale of a 10 year new benchmark bond – its first capital market transaction since the end of the EU/IMF programme – and made a full return to the markets with the resumption of regular bond auctions in March 2014.

Market Review

Irish Government bonds have enjoyed a sustained rally since July 2011 when 10-year yields peaked at over 14 per cent and 2-year yields peaked at over 22 per cent. The fall in yields continued during 2013 and into 2014 reaching historical lows.

The factors behind the rally in Irish bonds include:

- Ireland's consistent delivery on its EU/IMF programme commitments and adherence to all quantitative fiscal targets;
- The general reduction in yields in the eurozone since the announcement of Outright Monetary Transactions (OMT) by the ECB in the third quarter of 2012;
- The promissory note arrangement, whereby Irish Government bonds were issued to the Central Bank of Ireland and the promissory notes previously held by Irish Bank Resolution Corporation (IBRC) were cancelled. This has positive implications for the State's funding requirements and for the General Government Balance and the General Government Debt in the medium to long term;
- The improvement in Ireland's debt profile, particularly reinforced by the maturity extensions of the European portfolio of loans under the EU/IMF programme by an average of seven years agreed in 2013;
- The return to international debt market issuance and the successful execution of two bond syndications at sustainable rates during 2013;
- The level of prefunding achieved by the NTMA;
- The successful exit from the EU/IMF programme in December 2013, without the requirement for a precautionary credit line;
- A series of credit rating upgrades during 2013 and 2014 including the upgrade to investment grade status (Baa3, positive outlook) by the ratings agency Moody's in January 2014 followed by the further two notch upgrade to Baa1 in May 2014; and
- The syndication of a new 10 year bond in January 2014 and the return to a regular schedule of bond auctions in early 2014, the first since September 2010, prior to Ireland's entry into the EU/IMF programme.

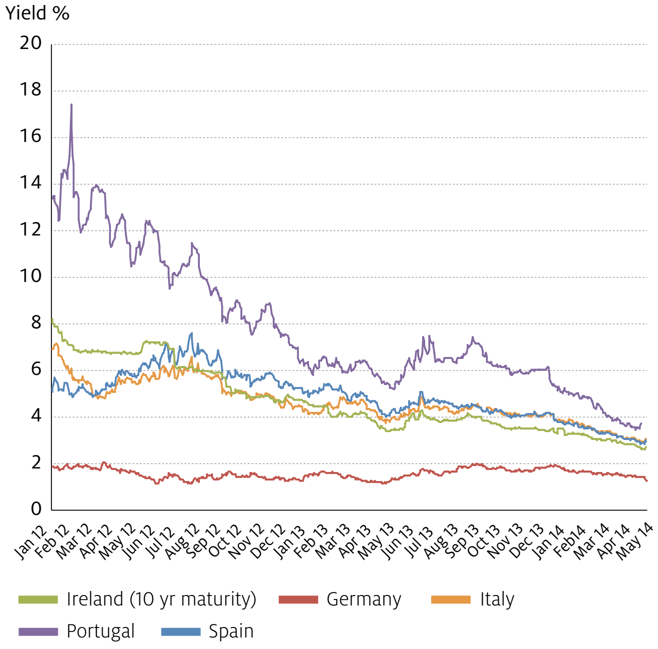
Irish Government Bond Yields

Maturity	Yield at End 2011 (%)	Yield at End 2012 (%)	Yield at End 2013 (%)	Yield at End May 2014 (%)
2013	7.21	0.77	matured	matured
2014	7.53	1.52	0.39	matured
2015	n/a	1.58	0.11	0.30
2016	7.35	2.50	0.88	0.44
2017	n/a	3.31	1.71	0.67
2018	8.13	3.63	2.06	0.93
2019	8.26	4.21	2.60	1.20
2020	8.26	4.43	2.94	1.68
2023	n/a	n/a	3.45	2.34
2024	n/a	n/a	n/a	2.60
2025	8.01	5.13	3.84	2.80

Source: NTMA

The positive momentum behind Irish bond yields in 2012 was sustained into early 2013 and significant declines were observed following the issuance of a new 10-year benchmark bond in March. However, in May and June 2013 volatility increased in international bond markets, driven primarily by concerns around the future path of quantitative easing policies in the US and Japan. Importantly, Irish bond yields showed less volatility in this environment than many of their European counterparts and 10-year yields finished the year at approximately 3.5 per cent. The downward trend in yields continued in early 2014, most notably following the issuance of a new 10-year bond in January and Moody's decision to upgrade Irish Government bonds to investment grade.

10 Year Government Bond Yields 1 January 2012 to 31 May 2014



Source: Bloomberg

Funding Activity

Funding Strategy

Since Ireland entered the EU/IMF programme in November 2010 the NTMA's working plan has been to return to the markets on a phased basis, through short-term issuance, the offering of switch terms to bond holders to encourage the lengthening of maturities and by taking advantage of opportunities to issue long-term debt. During 2013 a number of successful debt market operations were conducted, along with a regular schedule of short-term Treasury Bill auctions.

The NTMA's intensive investor relations programme continued during 2013, helping to generate renewed interest among institutional investors in Irish Government bonds and reinforce existing investor conviction. The NTMA conducted a series of investor presentations and meetings in the US, Asia, UK, Ireland and other European countries during 2013. Additional ad-hoc presentations and meetings were also conducted throughout this period.

The NTMA's market-based funding in 2013, combined with drawdowns of some €11 billion under the EU/IMF programme were applied to fund an Exchequer deficit of €11.5 billion, to redeem €5.1 billion of maturing Government bonds and to buy back and cancel €4.9 billion of the Treasury Bond 2014.

The NTMA maintained Exchequer cash and other short-term investments of €18.5 billion at end-2013, consistent with its stated aim of having sufficient resources on hand at the conclusion of the EU/IMF programme to cover 12-15 months of Exchequer financing needs.

Medium and Long-term Funding

2013 Issuance

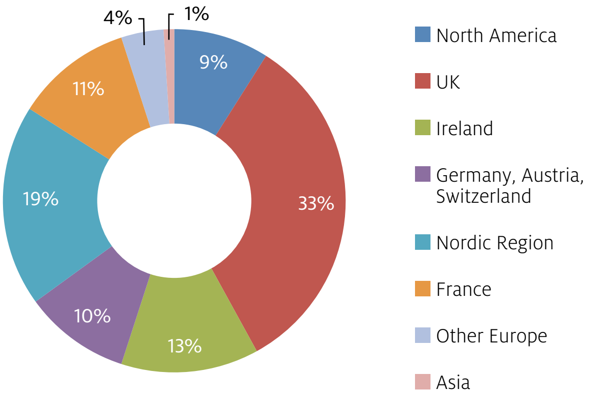
In 2013 the NTMA raised €7.5 billion from two bond syndications – €2.5 billion from an existing 5-year benchmark bond and €5 billion from a new 10-year benchmark bond, its first new 10-year issuance since January 2010, prior to Ireland's entry into the EU/IMF programme. A syndicated tap is the sale, at a pre-determined price, of additional amounts of an existing bond through a syndicate of primary dealers. This issuance added significantly to Ireland's prefunding for 2014, which was positively received by the market and contributed to the decline in Irish yields compared to other countries.

In January 2013 the NTMA raised €2.5 billion by way of a syndicated tap of its 5.5% October 2017 bond. The funds were raised at a yield of 3.32 per cent.

Interest in the issue was broadly-based with over 200 investors submitting bids, including fund managers, banks, pension funds and insurance companies. The total bids received amounted to some €7 billion.

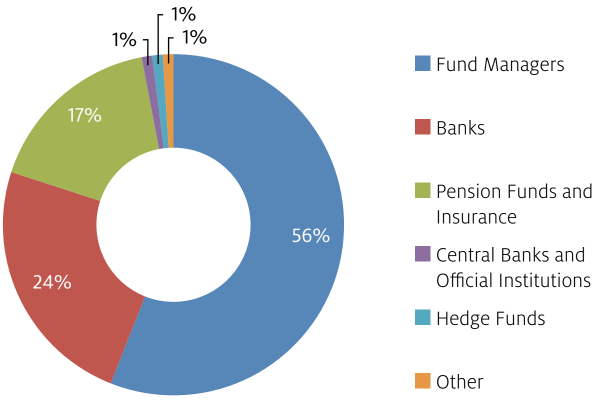
Thirteen per cent of the issue was taken up by domestic investors and 87 per cent by overseas investors. The overseas investors were mainly from the UK (33 per cent), Nordic countries (19 per cent), France (11 per cent), and Germany (7 per cent). Outside of Europe, North America accounted for 9 per cent and Asia just over 1 per cent.

2017 Bond Tap by Geographic Area



Source: NTMA

2017 Bond Tap by Investor Type

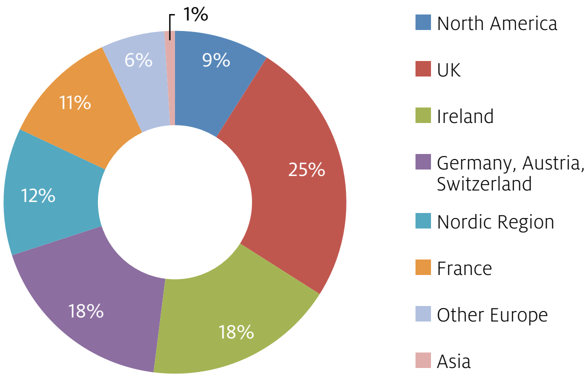


Source: NTMA

In March 2013 the NTMA launched its second syndicated transaction of the year. This raised €5 billion through the sale of a new benchmark bond maturing in March 2023. The funds were raised at a yield of 4.15 per cent. There was strong demand for the issue, with over 400 investors submitting bids, including fund managers, banks, pension funds and insurance companies. The total bids received amounted to some €13 billion.

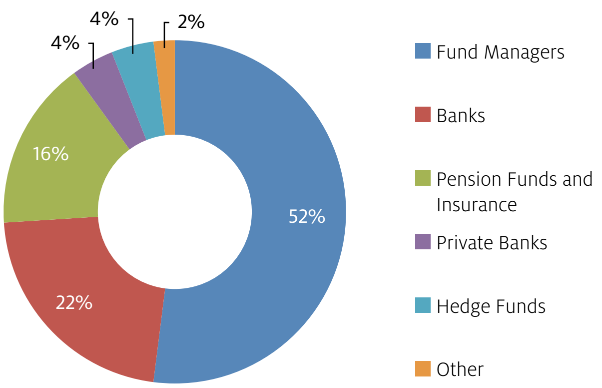
Eighteen per cent of the issue was taken up by domestic investors and 82 per cent by overseas investors. The overseas investors were mainly from the UK (25 per cent), Germany (12 per cent), Nordic countries (12 per cent), France (11 per cent) and other European investors (6 per cent). Outside of Europe, North America accounted for 9 per cent and Asia just over 1 per cent.

2023 Bond Issuance by Geographic Area



Source: NTMA

2023 Bond Issuance by Investor Type



Source: NTMA

2014 Developments

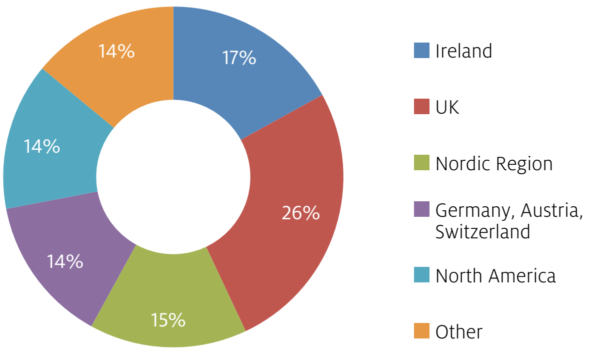
In 2014 Ireland confirmed its full return to normal market funding when, following its exit from the EU/IMF programme without a precautionary credit line, it syndicated a new 10-year benchmark bond in January and followed with a series of regular bond auctions in March, April and May.

In early January 2014 the NTMA raised €3.75 billion through the syndicated sale of a new 10 year benchmark Treasury Bond maturing in March 2024. The funds were raised at a yield of 3.54 per cent.

Of the amount issued, 17 per cent was taken up by domestic investors and 83 per cent by international investors. The international investors were mainly from the U.K. (26 per cent), the Nordic region (15 per cent), Germany, Austria and Switzerland (14 per cent), and North America (14 per cent).

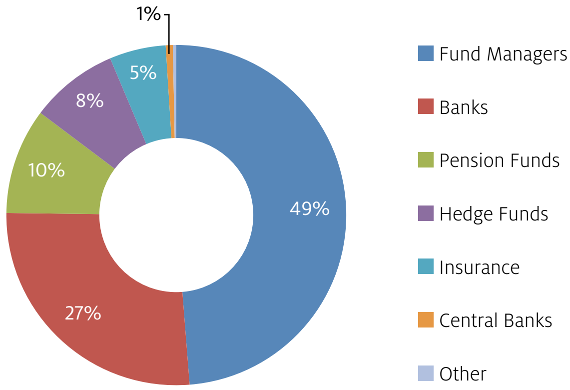
Investor interest was broader than the previous benchmark bond sale in March 2013. The order book included interest from some 400 fund managers, pension funds, insurance companies, banks and other investors, including some from the Middle East and Asia. Although the total order book amounted to some €14 billion, the NTMA decided to limit the size of the new bond to €3.75 billion in order to leave capacity for a series of auctions in its funding programme for the year.

2024 Bond Syndication by Geographic Area



Source: NTMA

2024 Bond Syndication by Investor Type



Source: NTMA

In March 2014 the NTMA restarted its bond auction programme with auctions of €1 billion each in March and April and a further €750 million in May. The new 2024 Treasury Bond was offered in each auction. This resumption of regular bond auctions marked the full normalisation of Ireland's market access.

NTMA Bond Auctions 2014

Auction Date	Bond	Auction Size €m	Yield %	Bid/ Cover Ratio
08 May 2014	3.4% Treasury Bond 2024	750	2.73	2.8
10 April 2014	3.4% Treasury Bond 2024	1000	2.92	2.8
18 March 2014	3.4% Treasury Bond 2024	1000	2.97	2.9

Source: NTMA

Promissory Note Transaction

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

On the liquidation of IBRC the Central Bank of Ireland also acquired €3.5 billion of the Irish Government 5.4% Treasury Bond 2025 following the termination of IBRC's market repo. The Central Bank will sell a minimum of its €28.5 billion bond holdings in accordance with the following schedule: to end-2014 (€0.5 billion), 2015–2018 (€0.5 billion per annum), 2019-2023 (€1 billion per annum), and 2024 onwards (€2 billion per annum until all the bonds are sold). As part of these minimum sales, the Bank had sold €350 million of the Irish Government 5.4% Treasury Bond 2025 by end-December 2013[1].

Short-term Funding

The NTMA's Treasury Bill programme, having resumed in July 2012, continued throughout 2013 and into 2014 with regular auctions.

The NTMA also maintained its Ireland Multi–Currency Euro Commercial Paper (ECP) programme in 2013. The programme is listed on the Irish Stock Exchange. Paper is sold on a reverse-enquiry basis and prices are quoted on Bloomberg. There was €0.5 billion outstanding at end-2013 compared with €1.3 billion at end-2012.

The NTMA also issues short-term debt in the form of Exchequer Notes and Central Treasury Notes, mainly to domestic institutional investors.

NTMA Treasury Bill Auctions 2013

Date of Auction	Maturity	Amount €m	Yield % (annualised)	Bid-to-Cover
17 Jan. 2013	3 months	500	0.200	3.8
21 Feb. 2013	3 months	500	0.240	3.3
21 Mar. 2013	3 months	500	0.240	3.4
18 Apr. 2013	3 months	500	0.195	4.8
16 May 2013	3 months	500	0.129	3.6
20 Jun. 2013	3 months	500	0.200	2.9
18 Jul. 2013	3 months	500	0.200	3.6
19 Sep. 2013	3 months	500	0.180	3.3

Source: NTMA

NTMA Treasury Bill Auctions 2014

Date of Auction	Maturity	Amount €m	Yield % (annualised)	Bid-to-Cover
20 Mar. 2014	3 months	500	0.200	3.8
15 May 2014	3 months	500	0.220	3.5
19 Jun. 2014	3 months	500	0.105	4.2

Source: NTMA

[1] Central Bank of Ireland Annual Report 2013

State Savings

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

During 2013 there were net inflows of €1.9 billion into the State Savings products and at end-2013 the total amount outstanding was €18.2 billion.

NTMA State Savings Products

	Total Outstanding at End 2013 €m	Net Inflow/ (Outflow) in 2013
Savings Bonds	5,342	(226)
National Solidarity Bonds	1,752	751
Savings Certificates	6,002	1,211
Instalment Savings	478	4
Prize Bonds	1,932	283
Deposit Accounts	2,650	(153)
Total	**18,156**	**1,870**

Figures may not total due to rounding.
Source: NTMA

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

In June 2013 the NTMA reduced the interest rates paid on State Savings products to reflect changes in the wider savings market. Further reductions were implemented in December 2013.

The rates following the reductions on 8 December 2013 were as follows:

- 3-year Savings Bond: 4 per cent fixed-rate total return (AER[2] 1.32 per cent);
- 4-year National Solidarity Bond: 6 per cent fixed-rate total return (AER 1.47 per cent);
- 5 ½-year Savings Certificate: 10 per cent fixed-rate total return (AER 1.75 per cent);
- 6-year Instalment Savings: 10 per cent fixed-rate total return (AER 1.75 per cent); and
- 10-year National Solidarity Bond: 30 per cent fixed-rate total return (AER 2.66 per cent);

There were also changes to the variable rate of interest used to determine the value of the Prize Bonds' monthly prize fund. With effect from 8 December 2013, the Prize Bonds prize fund rate is 1.60 per cent. There were no changes to the variable rate on the Ordinary Deposit Account which continues to pay a rate of 0.25 per cent or the 30 day notice Deposit Account Plus which continues to pay a rate of 0.50 per cent.

[2] Annual Equivalent Rate

Debt Profile

General Government Debt (GGD) is a measure of the total *gross* consolidated debt of the State and is the measure used for comparative purposes across the European Union.

National Debt is the *net* debt incurred by the Exchequer after taking account of cash balances and other related assets. National Debt is the principal component of GGD but GGD also includes the liabilities of central and local government bodies.

Unlike National Debt, GGD is reported on a gross basis and does not net off outstanding cash balances and other financial assets. While the figures in this section relate primarily to GGD, the NTMA's responsibilities relate to National Debt only.

Composition of Debt at End 2013

	National Debt €bn	General Government Debt €bn
Government Bonds	111.0	
EU/IMF Programme Funding	66.9	
Other Medium and Long-term Debt	0.8	
State Savings Schemes*	15.5	
Short-Term Debt	3.3	
Gross National Debt at 31/12/13	**197.5**	**197.5**
Less Cash and other Financial Assets**	(23.6)	
National Debt as at 31/12/13	**173.9**	
General Government Debt Adjustments		5.4
General Government Debt as at 31/12/13		**202.9**

*State Savings Schemes also include moneys invested by depositors in the Post Office Savings Bank (POSB) which does not form part of the National Debt. These funds are mainly lent to the Exchequer as short-term advances and through the purchase of Irish Government Bonds. Taking into account the POSB Deposits, total State Savings outstanding were €18.2 billion at end-2013.
**Of which, Exchequer cash balances and other short-term investments accounted for €18.5 billion at end-2013.

Source: NTMA and Central Statistics Office

GGD was €202.9 billion or 123.7 per cent of Gross Domestic Product (GDP) at end-2013. The GGD/GDP ratio is projected to decline to 121.4 per cent at end-2014, aided by a reduction in previously accumulated cash balances, and to fall to 107.2 per cent of GDP by end-2018.

Projected General Government Debt 2014-2018

Year	% of GDP
2014	121.4
2015	120.0
2016	115.9
2017	112.0
2018	107.2

Source: Department of Finance (Stability Programme Update, April 2014)

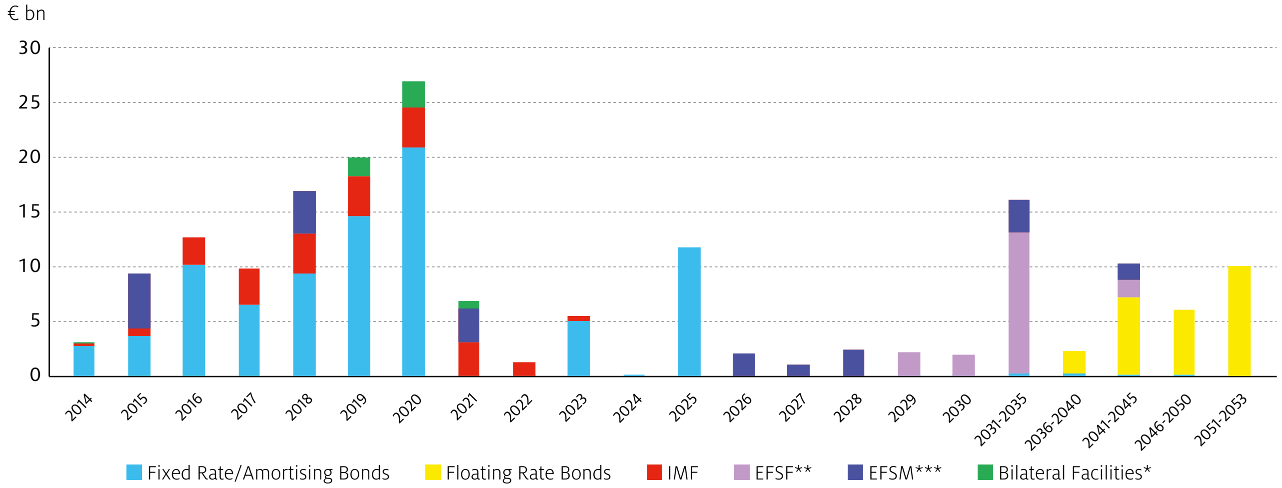
Debt sustainability through stabilising and reducing the debt ratio is critical to maintaining investor confidence in Ireland and, ultimately, to preserving market access. The key policy tool available to the Government to ensure debt sustainability is to run a primary budget balance (the budget balance excluding interest payments) of sufficient size to compensate for any gap between the average interest rate on the stock of debt and nominal GDP growth. The projected fall in the GGD/GDP ratio over the period to 2018 is based on the Government's projected primary budget balances over the period as set out in the Stability Programme Update, April 2014.

As noted previously, GGD is a gross measure that does not allow for the netting off of cash balances and other financial assets. However, the Central Statistics Office (CSO) produces a measure of General Government Net Debt (net GGD)[3], which is calculated by deducting from General Government Gross Debt the value of the financial assets corresponding to the categories of financial liabilities which comprise General Government Gross Debt. The CSO estimates that net GGD stood at €161.2 billion or 98.3 per cent of GDP at end-2013.

The weighted-average maturity of Ireland's long-term marketable and official debt is estimated to have been 12.5 years at end-2013[4]: the comparable figure at end-2012 was 7.3 years. The increase since end-2012 largely reflects the issuance in February 2013 of long-term floating-rate bonds to replace the IBRC promissory note as well as the maturity extensions of Ireland's European Financial Stability Facility (EFSF) and European Financial Stabilisation Mechanism (EFSM) loans under the EU/IMF programme by an average of seven years agreed in 2013.

[3] CSO, Government Finance Statistics, April 2014
[4] As the revised maturity dates of individual EFSM loans will only be determined as they approach their original maturity dates, the end-2013 weighted-average maturity figure of 12.5 years is an estimate.

Maturity Profile of Ireland's Long-Term Marketable and Official Debt at End December 2013



*Bilateral loans were provided by the United Kingdom, Sweden and Denmark.

**EFSF loans reflect the maturity extensions agreed in 2013.

***EFSM loans are also subject to a seven year extension. It is not expected that Ireland will have to refinance any of its EFSM loans before 2027. However, the revised maturity dates of individual EFSM loans will only be determined as they approach their original maturity dates. The original EFSM maturities are reflected above.

Source: NTMA

Debt Service Outturn

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

The cash interest cost of the National Debt charged on the Exchequer in 2013 was €7,324 million. The other items charged to Exchequer debt service costs were sinking funds of €625 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 €134 million.

Under the wider General Government measure, interest expenditure in 2013 is estimated at €7,681 million[5], some €559 million below the corresponding April 2013 SPU estimate.

[5] CSO, Annual EDP Debt and Deficit, April 2014

Irish Government Bond Market

Benchmark Bonds

Ireland has 11 benchmark bonds with maturities extending across the yield curve to 2025.

Irish Government Benchmark Bonds			
Bond	Maturity Date	Outstanding End 2013 €m	Outstanding End May 2014 €m
4.0% Treasury Bond 2014	15 January 2014	2,746	0
4.5% Treasury Bond 2015	18 February 2015	3,630	2,230
4.6% Treasury Bond 2016	18 April 2016	10,169	10,169
5.5% Treasury Bond 2017	18 October 2017	6,389	6,389
4.5% Treasury Bond 2018	18 October 2018	9,256	9,256
4.4% Treasury Bond 2019	18 June 2019	7,700	7,700
5.9% Treasury Bond 2019	18 October 2019	6,767	6,767
4.5% Treasury Bond 2020	18 April 2020	11,809	11,809
5.0% Treasury Bond 2020	18 October 2020	9,052	9,052
3.9% Treasury Bond 2023	20 March 2023	5,000	5,000
3.4% Treasury Bond 2024	18 March 2024	0	6,637
5.4% Treasury Bond 2025	13 March 2025	11,745	11,745

Source: NTMA

The change in profile between end-December 2013 and end-May 2014 reflects the redemption of the January 2014 bond and the new issuance of the 2024 bond in January 2014.

Amortising Bonds

The NTMA has issued amortising bonds, which make equal annual payments over their lifetime, to meet the needs of the Irish pensions industry. Unlike standard bonds where the annual interest payments are followed by the repayment of principal at maturity, amortising bonds pay an equal payment each year comprising of principal and interest over their lifetime, reflecting the preference of pension schemes and annuity providers for a steady stream of income.

There are 10 amortising bonds, with a range of maturities from 2027 out to 2047, which reflect the requirements for longer term bonds by pension funds.

In addition to the original €1 billion amortising bonds sold in 2012, further bonds were sold during 2013 on a limited reverse enquiry basis. As of end December 2013 there was €1.39 billion outstanding in Irish Amortising Bonds.

Floating Rate Bonds

On 8 February 2013 the NTMA issued €25 billion nominal Floating Rate Bonds which were exchanged for the Promissory Notes held by the Central Bank of Ireland. Details of each bond are given in the table below.

Floating Rate Treasury Bond	
	Amount Outstanding End 2013 €m
Floating Rate Treasury Bond 2038	2,000
Floating Rate Treasury Bond 2041	2,000
Floating Rate Treasury Bond 2043	2,000
Floating Rate Treasury Bond 2045	3,000
Floating Rate Treasury Bond 2047	3,000
Floating Rate Treasury Bond 2049	3,000
Floating Rate Treasury Bond 2051	5,000
Floating Rate Treasury Bond 2053	5,034
Total	**25,034**

Source: NTMA

Government Bond Turnover

Turnover in Irish Government bonds increased significantly during 2013, as Ireland returned to normal market issuance. Total nominal turnover, as reported by the Irish Stock Exchange, was €92.2 billion in 2013, compared to €64.7 billion in 2012. January saw the largest monthly turnover in 2013, following the €2.5 billion 2017 bond syndication.

Turnover from January to end-April 2014 was reported at €75.7 billion, an increase of over €42 billion on the same period in 2013. The increased activity in Irish Government bonds reflects improved investor appetite, normalised bid-offer spreads and regular issuance.

Government Bond Turnover			
Turnover by Month	2014 €m	2013 €m	2012 €m
January	36,039	14,827	13,152
February	12,037	5,422	4,904
March	15,388	7,815	3,736
April	12,248	5,593	2,269
May	19,969	5,420	3,832
June		6,792	2,312
July		3,854	9,091
August		5,477	3,676
September		8,851	7,349
October		7,822	6,354
November		7,449	5,213
December		12,897	2,859
Total	**95,681**	**92,218**	**64,748**

Source: Irish Stock Exchange

Primary Dealer System

The Irish Government bond market has a strong primary dealer group, mainly international investment banks with a global reach. The 18 primary dealers recognised by the NTMA each make continuous two-way prices in designated benchmark bonds in specified minimum amounts and within maximum bid-offer spreads. A number of stockbrokers also match client orders.

The primary dealers are:

- Barclays, London
- BNP Paribas, London
- Cantor Fitzgerald Ireland Limited, Dublin
- Crédit Agricole CIB, London
- Citigroup, London
- Davy, Dublin
- Danske Bank, Copenhagen
- Deutsche Bank, Frankfurt
- Goldman Sachs, London
- HSBC CCF, Paris
- ING Bank NV, Amsterdam
- JP Morgan, London
- Merrill Lynch International, London
- Morgan Stanley & Co International plc
- Nomura International plc, London
- Royal Bank of Scotland, London
- Société Générale, Paris
- UBS Limited, London

Cantor Fitzgerald Ireland Ltd was recognised as a Primary Dealer in July 2013.

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 facilities (short-term collaterised borrowing) which the NTMA provides in Irish Government bonds.

Credit Rating

Ireland currently has investment grade status with all of the main rating agencies. Fitch rate Ireland at BBB+; which is three notches into investment grade. Moody's restored Ireland to investment grade with a rating of Baa3 and a positive outlook in January 2014. This was the first rating upgrade by Moody's since July 2011 and was a significant move which positively influenced Irish bond prices. In May, Moody's raised the rating by a further two notches to Baa1 which is equivalent to the current rating of Fitch. Standard & Poor's upgraded Ireland's sovereign credit rating to A- (from BBB+) with a positive outlook in June 2014.

Ireland's Sovereign Credit Ratings*			
Rating Agency	Long-term rating	Short-term rating	Outlook
Standard & Poor's	A-	a-2	Positive
Moody's	Baa1	P-2	Stable
Fitch Ratings	BBB+	F2	Stable
DBRS	A (low)	R-1 (low)	Stable
R&I	BBB+	a-2	Stable

*As at 30 June 2014

Source: NTMA

EU/IMF Programme of Financial Support for Ireland

The three-year EU/IMF Programme of Financial Support for Ireland, which was entered into in November 2010, officially ended on 15 December 2013, with the final Programme disbursement of €800 million, from the EFSM, received in March 2014.

Liabilities under the EU/IMF programme at end-March 2014 amounted to €68.2 billion in nominal terms. Loans from EU sources including the bilateral lenders amounted to €45.7 billion and IMF loans amounted to €22.5 billion. The estimated effective all-in euro equivalent cost of loans received under the EU/IMF programme was 3.40 per cent at end-March 2014.

EU/IMF Programme Liabilities Outstanding at End March 2014

Lender	Nominal Loan Amount €bn*
European Financial Stabilisation Mechanism (EFSM)	22.50
European Financial Stability Facility (EFSF)	18.41
UK	3.83
Denmark	0.40
Sweden	0.60
IMF**	22.45
Total	**68.20**

* Euro equivalents are translated at the reporting date exchange rates, taking account of the effect of currency hedging transactions. The net euro amount received by the Exchequer was €67.5 billion after adjustment for below par issuance, deduction of a prepaid margin, and the effect of foreign exchange transactions.

**IMF loans are denominated in Special Drawing Rights (SDRs), an international reserve asset created by the IMF. Its value is based on a basket of four key international currencies – the euro, Japanese yen, pound sterling and U.S. dollar.

Source: NTMA

At the ECOFIN/Eurogroup meetings in April 2013, in order to support Ireland's efforts to regain full market access and successfully exit the EU/IMF programme, Ministers agreed in principle, subject to national procedures, to lengthen the weighted-average maturity of Ireland's EFSM and EFSF loans by 7 years.

The details of the EFSF loan extensions were agreed in June 2013. Following the agreement, the first of the EFSF loans is now due to mature in 2029. The EFSF operates a pooled system of funding whereby loans are not linked directly to issuance.

EFSM loans are also subject to a 7-year extension. However, due to the back-to-back nature of EFSM loans with bond issues, the precise revised maturity dates of individual EFSM loans will only be determined as they approach their original maturity dates, at which point a funding operation will be executed by the EFSM. It is not expected that Ireland will have to refinance any of its EFSM loans before 2027. It is possible that individual EFSM loans will be extended more than once in order to achieve the objective of increasing the weighted-average maturity.

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.

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

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

The ELG Scheme provides for an unconditional and irrevocable State guarantee for certain eligible liabilities (including deposits) of up to five years maturity issued by participating institutions to the extent that they are not covered by the Deposit Guarantee Scheme operated by the Central Bank of Ireland.

These liabilities must have been incurred by participating institutions between the date of their joining the Scheme and the discontinuation of the Scheme. The ELG Scheme was discontinued effective from midnight on 28 March 2013.

Any liabilities guaranteed under the Scheme up to 28 March 2013 remain guaranteed until their maturities. As of the date of the discontinuation of the ELG Scheme amounts guaranteed under the Scheme totalled €75 billion. Amounts guaranteed at end-December 2013 totalled €20 billion, as debt and deposits continued to mature following the end of the Scheme.

Liabilities covered by ELG Scheme at End 2013	€m
Non-deposit Senior Unsecured Debt	10,816
Deposits	9,275
Total	**20,091**

Source: NTMA

The liquidation of Irish Bank Resolution Corporation (IBRC) on 7 February 2013 triggered claims under the ELG Scheme. The ELG Scheme (unlike the Central Bank's Deposit Guarantee Scheme) is a claim-driven system and the NTMA as ELG Scheme Operator is managing claims submitted in respect of IBRC liabilities guaranteed under the Scheme. Further information is available on the NTMA website.

The guaranteed liabilities of IBRC comprised both bonds and eligible deposits, to the degree that they are not covered by the Deposit Guarantee Scheme. The two ELG-covered bonds were repaid in March 2013 and in total amounted to €934 million. Approximately €110 million has been paid out as of May 2014 in relation to deposit accounts. The NTMA continues to co-ordinate with the IBRC Special Liquidators on resolving outstanding claims.

IBRC Derivatives Guarantee

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

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

i. verifying claims for payment in respect of the Deed of Guarantee made by the Minister for Finance on 29 November 2010; and

ii. paying out amounts due and payable under the Deed of Guarantee.

This process has now been completed, with a total of €37.5 million paid to 10 counterparties.

Central Treasury Service

The NTMA's Central Treasury Service (CTS) takes deposits from, and makes advances to, non-commercial State bodies, as well as local government authorities, the Health Service Executive and education and training boards. 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-2013 CTS loans to a total of 18 designated bodies amounted to €37.4 million. There were 166 deposits placed with the CTS in 2013, with an average balance outstanding of €29.3 million.

Dormant Accounts Fund

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

Pending disbursement, moneys in the Dormant Accounts Fund are managed by the NTMA. The NTMA had €185.5 million under management at end-2013. €44.6 million was transferred to the Fund in 2013, while €19.5 million of previously dormant funds was reclaimed. Disbursements from the Fund amounted to €1.5 million in 2013.

Other Activities

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

- Provision of treasury execution services to both the NPRF and NAMA;
- Provision of treasury execution services to the Special Liquidators of IBRC for balance sheet management purposes;
- Borrowing on behalf of the Housing Finance Agency under its €6 billion Multi-Currency Commercial Paper Programme;
- Engaging in daily short-term cash management operations to regulate the level of Government cash balances at the Central Bank of Ireland. This is undertaken as part of the overall management of liquidity in the eurozone by the European Central Bank; and
- Investment of the Residential Institutions Statutory Fund.

State Claims Agency

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

The SCA's principal objectives are:

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

The SCA's remit covers personal injury and third-party property damage risks and claims relating to certain State authorities including the State itself, Government ministers, the Attorney General, healthcare enterprises, the Commissioner of An Garda Síochána, prison governors, community and comprehensive schools and various other bodies.

In October 2013 the Government delegated to the SCA the management of personal injury claims concerning the ingestion of the medicinal products, Celvepan and Pandemrix. In April 2014 the SCA's remit was further extended with the delegation to it by Government of the management of personal injury and third-party property damage claims in respect of an additional 61 public bodies, bringing the total number within the SCA's remit from 56 to 117.

Claims Management

The SCA's claims management objective is that claims should be managed so as to ensure the State's liability is contained at the lowest achievable level. This has the following practical implications:

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

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

In 2013 the SCA resolved 1,861 claims at a cost of €80.6 million and received 2,242 new claims. At end 2013 the SCA had 6,188 claims under management, an increase of 7.5 per cent from a year earlier. The estimated liability against all active claims was €1.2 billion, broken down as follows:

Active Claims at End 2013

	Claims	Estimated Outstanding Liability €m
Personal injury (clinical)	3,061	1,037
Personal injury (non-clinical) and third-party property damage	3,127	186.7
Total	**6,188**	**1,223.7**

Source: NTMA

Personal Injury (Clinical) Claims

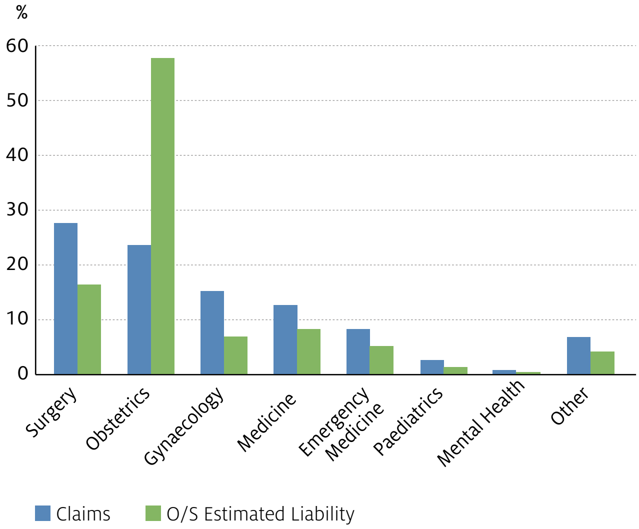
Clinical claims are managed under a number of separate schemes managed by the SCA. Under the main scheme – the Clinical Indemnity Scheme – the State has assumed responsibility for the indemnification and management of clinical negligence claims arising from the diagnosis, treatment and care of patients in public healthcare enterprises.

The SCA resolved 419 personal injury (clinical) claims during 2013 at a cost of €63 million.

The SCA achieved significant savings in the management of personal injury (clinical) claims in 2013. An independent actuarial assessment projected that €154 million would be required in 2013 to cover both the cost of resolving claims and managing ongoing active claims. The net cost, taking account of successful recoveries from third parties, was €119.7 million – a saving of €34.3 million or 22 per cent.

The SCA received 783 new claims in 2013. Surgery and obstetrics-related claims together accounted for approximately half of all new claims and three quarters of the estimated liability of all new claims due to the high values associated with obstetric-related claims.

Clinical claims received in 2013 - by speciality



Source: NTMA

At end 2013 the SCA had 3,061 clinical claims under management, with an estimated liability of €1 billion, compared with 2,652 active claims at end 2012.

This increase reflects a large number of claims relating to the Lourdes Hospital Payment Scheme and symphysiotomies in 2013.

Lourdes Hospital Payment Scheme

In July 2013 the Government approved the establishment of a new Scheme to compensate former patients of Dr Neary (Consultant Obstetrician) who underwent unnecessary bilateral oophorectomies in Our Lady of Lourdes Hospital, Drogheda. In order to qualify for redress the applicants must have undergone a bilateral oophorectomy, or the removal of a remaining single functioning ovary, performed when they were aged 40 years or over. The operation must also have rendered the applicant immediately menopausal and must have been medically unwarranted. The State Claims Agency was requested by the Minister for Health to draft and administer the Scheme.

One hundred applications were received by the SCA which has made 40 awards to date. Thirty-two applications were turned down as the applicants did not fulfil the eligibility criteria and five were withdrawn. Twenty-three further applications are outstanding, pending the submission of supporting documentation. Awards of redress of €60,000 - €100,000 were made to successful applicants. Legal and/or applications costs were paid to a number of successful applicants. These payments averaged €3,500 per applicant. A number of applicants chose not to seek legal advice and assistance was provided to these applicants by a SCA solicitor. It is expected that the Scheme will be concluded by end summer 2014.

Symphysiotomy Cases

Approximately 200 women have made claims against hospitals/maternity units seeking damages in respect of symphysiotomy operations carried out between 1945 and 1982. A symphysiotomy is a surgical operation, typically carried out by obstetricians, to enlarge the size of a mother's pelvis in order to facilitate childbirth in cases of minor obstruction. The women's claims allege that the symphysiotomies were wrongfully carried out and/or were carried out without proper consent and have led to long-term side effects. Currently, the SCA is managing approximately 111 symphysiotomy claims.

Cost of Claims Resolved

The average cost of personal injury (clinical) claims resolved in 2013 (including awards/settlements and related legal and other costs) was €154,000 compared with €56,000 in 2009. This increase is mainly due to the fact that claims affecting 2,500 consultants, which previously would have been handled by medical defence organisations, were admitted by the Minister for Health to the SCA's Clinical Indemnity Scheme from February 2004. Inevitably, this has resulted in a significant increase in the number and severity of claims. In obstetric cases, particularly those involving brain injury to infants, there is typically a period of five to seven years between the date of the adverse event which gives rise to a claim and the date of resolution of the claim.

An additional factor in the higher average cost per claim was the High Court decision, in a 2009 precedent case, to increase by 38.5 per cent the level of general damages in catastrophic injuries cases from €325,000 to €450,000. Legal fee costs have increased in conjunction with award/settlement costs. The table overleaf reflects costs relating to the Clinical Indemnity Scheme (CIS) only.

Cost of CIS claims resolved 2009–2013					
Cost Element	2009 €000	2010 €000	2011 €000	2012 €000	2013 €000
Cost for all claims resolved					
Awards/settlements	13,150	30,161	36,630	35,630	36,430
Legal fees - SCA	4,570	7,710	8,610	9,270	9,060
Legal fees - plaintiff	4,600	11,070	14,250	13,530	15,480
Other	380	880	1,030	1,010	1,170
Total	**22,700**	**49,821**	**60,520**	**59,440**	**62,140**
Average cost per claim resolved					
Awards/settlements	33	68	87	87	90
Legal fees - SCA	11	17	20	23	22
Legal fees - plaintiff	11	25	34	33	38
Other	1	2	2	2	3
Total	**56**	**113**	**143**	**145**	**154**

Figures may not total due to rounding.
Source: NTMA

How Claims are Resolved

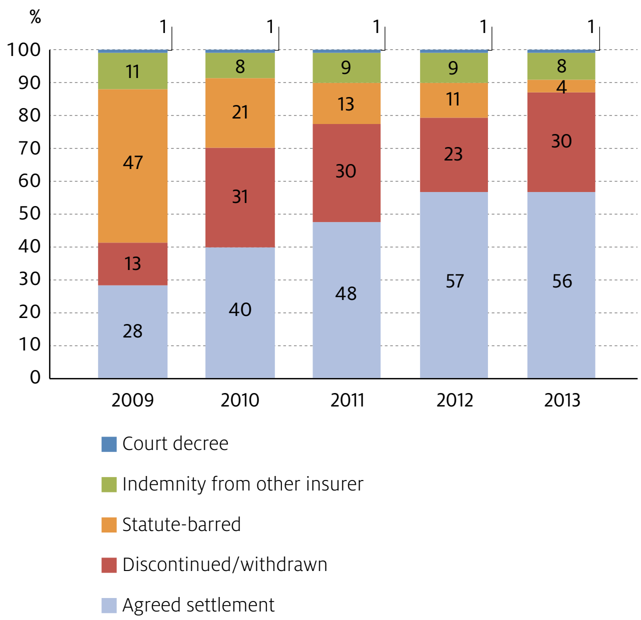
In cases where the SCA investigation concludes that the relevant State authority bears some or all liability, it seeks to settle claims expeditiously on fair and reasonable terms. If it considers that the State is not liable, the SCA's policy is to apply all necessary resources to defend the claims.

The SCA resolves the majority of cases by negotiating a settlement, either directly with the plaintiff's legal team or through a process of mediation: fewer than 3 per cent of clinical negligence cases handled by the SCA result in a contested court hearing.

The SCA advocates mediation as a preferable alternative to the adversarial courts system for resolving clinical negligence cases. In 2013 the SCA settled 19 clinical negligence cases by mediation, representing a three-fold increase on the prior year.

As the portfolio of clinical claims matures year on year, the number of agreed settlements as a proportion of the total is expected to continue to rise as it has done between 2009 and 2013.

How CIS claims were resolved 2009 to 2013



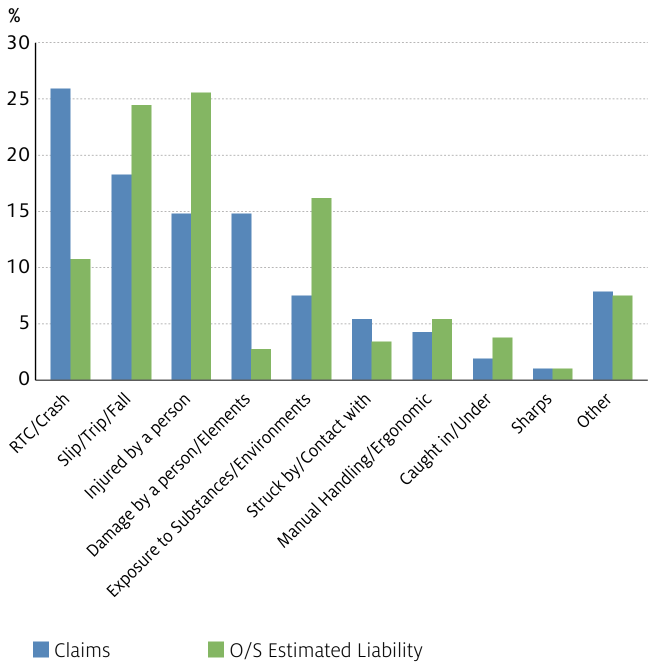
Figures may not total due to rounding.
Source: NTMA

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

The SCA resolved 1,442 personal injury (non-clinical) and third-party property damage claims during 2013 at a cost of €18 million.

The SCA received 1,459 new claims in 2013, the primary causes of which were road traffic accidents; slips, trips and falls; and injuries caused by a person. These categories together accounted for some 60 per cent of new claims received and a similar proportion of the estimated liability of all new claims.

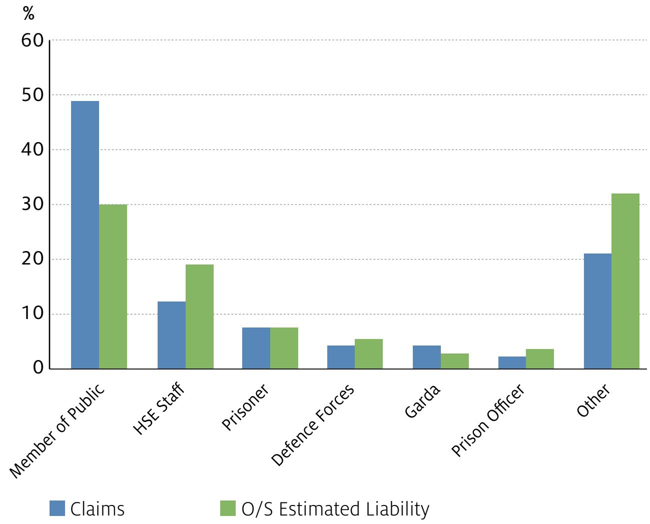
Personal Injury (non-clinical) and third-party property damage claims received in 2013 – by category of primary cause



Source: NTMA

Claims by members of the public constitute the largest public liability category. Claims by HSE staff constitute the largest employer liability category.

Personal Injury (non-clinical) and third party property damage claims received in 2013 – by category of injured person



Source: NTMA

At end 2013 the SCA had 3,127 claims under management, with an estimated liability of €186.7 million. The level of claims under management has remained broadly stable since 2011.

Cost of Claims Resolved

There was an increase in the average cost per claim in 2013 relative to previous years due to the effect of the maturing of HSE claims which were delegated to the SCA in 2010 (see table overleaf). A number of high value HSE claims were resolved in 2013.

Cost of Personal Injury (non-clinical) and third-party damage claims resolved 2009–2013					
Cost Element	2009 €000	2010 €000	2011 €000	2012 €000	2013 €000
Cost for all claims resolved					
Awards/settlements	8,136	7,225	5,972	6,634	10,526
Legal fees - SCA	1,632	1,838	1,537	1,597	2,510
Legal fees - plaintiff	2,713	2,960	2,456	2,304	3,883
Other	483	522	476	473	778
Total	**12,964**	**12,545**	**10,441**	**11,008**	**17,697**
Average cost per claim resolved					
Awards/settlements	7	5	5	4	7
Legal fees - SCA	1	1	1	1	2
Legal fees - plaintiff	2	2	2	2	3
Other	0	0	0	0	1
Total	**10**	**10**	**9**	**7**	**12**

Figures may not total due to rounding.
Source: NTMA

Voluntary Hospitals move to State Indemnity

As of April 2014 the Voluntary Hospitals' Group (VHG) no longer purchases commercial insurance to cover its employer liability, public liability and property damage exposures. Instead, these claims are managed by the SCA on a "pay-as-you-go" basis, in keeping with Government policy of achieving Exchequer savings by self-funding these claims instead of paying insurance premiums.

The cost of VHG claims in the short term is expected to be minimal, mirroring the experience of the HSE following its move to State indemnity cover in 2010/2011. Between 2010 and 2013 the HSE would have paid premiums of circa €84 million but actual claims in the same period have amounted to just €10.8 million, representing cash flow savings of approximately €73 million. Based on the HSE's current profile of its claims liability over the next decade, a saving of at least €30 million is expected to be achieved for the State from the management of those claims by the SCA.

It is estimated that the move to State indemnity by the VHG will provide an immediate cash flow saving of €4 million to the State and as the claims portfolio matures a saving of €2 million per year thereafter.

Cost Saving Initiatives

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

Negotiated Legal Cost Savings			
	2011	2012	2013
Total negotiated savings	€6.9m	€7.9m	€8.3m

Source: NTMA

The SCA vigorously pursues all available money recoveries in accordance with best claim practices and as permitted by law. One such example is the recovery of monies by means of third party/co-defendant contributions. Whether by adjudication of the court or agreement with the third party/co-defendant, a specified percentage contribution in relation to a particular claim may be paid by the third party/co-defendant to the SCA. Additionally, in certain cases, an indemnity in full may be received from a third party/co-defendant.

Recoveries			
	2011	2012	2013
Total recoveries	€15.2m	€3.9m	€1.7m

Source: NTMA

The State Claims Agency, in an initiative designed to reduce barristers' fees, invited barristers to tender competitively for their services in 2012. This tender competition follows the success of a similar initiative by the SCA in 2011 which reduced the costs of fees paid to solicitors by some 25 per cent.

Some 1,000 individual tenders were received across six panels and twelve Circuits countrywide, in response to the tender competition. The new barristers' panels were put in place in January 2013 and are expected to yield legal costs savings in excess of 25 per cent, on an annual basis.

Legal Costs Unit

In 2012 the Government decided to establish a Legal Costs Unit (LCU) within the State Claims Agency to deal with third-party costs arising from certain Tribunals of Inquiry. Pending the enactment of the NTMA Amendment Bill 2014, the LCU has been established on an administrative basis to consider and adjudicate on bills of costs presented for payment by third parties who were awarded their costs by the Mahon and Moriarty Tribunals.

Approximately 220 costs orders have been made in respect of the Mahon Tribunal. The LCU received 104 costs claims to end May 2014 with a total value of €8.53 million. Seventy-three of these claims amounting to €3.53 million have been negotiated and agreed at €1.96 million without the necessity for taxation, representing a saving of approximately 44 per cent.

A further 125 costs orders have been made in respect of the Moriarty Tribunal. The LCU received 27 costs claims to end May 2014 with a total value of €8.55 million. Twenty-four of these claims amounting of €2.86 million have been negotiated and agreed at €1.41 million without the necessity for taxation, representing a saving of approximately 50 per cent.

The Legal Costs Unit continues its robust approach to the management and resolution of bills of costs by way of negotiation and, where necessary, through the taxation of costs system, in an effort to deliver significant savings to the Exchequer.

Risk Management

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

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

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

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

- Supporting the implementation of SCA's recommendations issued to State authorities; and
- The provision of insurance, indemnity and liability advices to State authorities and healthcare enterprises.

Each year, the SCA carries out litigation risk management work programmes in association with client State authorities and healthcare enterprises. Some significant risk management projects undertaken during 2013 are summarised below.

Open Disclosure

The SCA, in conjunction with the HSE, piloted a significant Open Disclosure project in two major acute hospitals. This is a patient-focused project which seeks to establish an open and consistent approach to communicating with patients and their families when things go wrong in healthcare. It includes expressing regret for what has happened and keeping the patient informed. It also provides feedback on investigations and the steps taken to prevent a recurrence of the adverse event.

Following widespread consultation, the National Policy and Guidelines on Open Disclosure were published by the Minister for Health at a national launch on 12 November 2013 at Farmleigh House.

Open Disclosure has now been rolled out to 47 healthcare enterprises countrywide. E-Learning training is being developed for publication on the HSE intranet and formal external evaluation of the pilot project has commenced.

Visitor Safety in the Countryside Group

The SCA and a number of State bodies responsible for the management of national monuments, parks, historic houses, recreation sites and inland navigable waterways across the island of Ireland, as well as for policy development, have joined forces in a new initiative to improve the safety of visitors to their sites. The bodies have become members of the Visitor Safety in the Countryside Group, now a cross-border and UK organisation which aims to enhance safe access to the countryside and hundreds of sites across the country in ways that do not spoil the landscape and heritage or lessen visitors' sense of exploration and adventure.

National Adverse Events Management System

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

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

The NAEMS underpinned the establishment of the SCA and its various indemnity schemes and provided a national clinical adverse event reporting and management system that was the first of its kind in Europe.

The SCA, in conjunction with the Department of Health, HSE, voluntary health enterprises, Irish Prison Service (IPS), Defence Forces, An Garda Síochána and other key stakeholders commenced a project in 2013 to significantly upgrade NAEMS.

The upgraded system will provide the SCA with an enhanced claims management system and all of the SCA's client authorities and health enterprises with a "state of the art" end-to-end adverse event management system. The system has powerful data reporting and analytical tools that will allow for initial incident reporting, capture of investigation recommendations and their assignment and tracking to close. It will provide a national, standardised and cost effective solution across the State bodies to enable them to report and manage adverse events.

The project went live for 117 of the 119 State authorities within the SCA's remit in June 2014. The roll-out to healthcare locations and the IPS commenced in June 2014 and is expected to be complete in Q2 2015.

NewERA

Background and Functions

In September 2011 the Government announced the establishment of NewERA, initially on a non-statutory basis, within the NTMA. The core role of NewERA involves the oversight of the financial performance, corporate strategy, capital and investment plans of the following commercial State entities:

- ESB;
- Ervia (formerly Bord Gáis Éireann (BGE));
- EirGrid;
- Bord na Móna; and
- Coillte.

NewERA's role also involves, where requested, advising on the disposal or restructuring of State assets. In addition, NewERA works with relevant stakeholders to develop proposals for investment in energy, telecommunications, water and forestry to support economic activity and employment.

The NTMA (Amendment) Bill 2014 provides for putting the NTMA's NewERA functions on a statutory basis.

Corporate Finance and Governance Advice

During 2013 NewERA continued its structured programme of engagement on a quarterly basis with the commercial State entities within its remit. This engagement focuses on the financial performance of these entities which collectively generate revenues of c. €6 billion per annum and employ capital of c. €14 billion.

Shareholder Expectations Framework

NewERA has developed, in conjunction with the relevant Government Departments, a Shareholder Expectations Framework intended to provide clarity and guidance for each of the commercial State entities in relation to the Government's strategic priorities, policy objectives and financial performance and reporting requirements.

A Shareholder Expectations letter based on this Framework was issued to the Board of ESB during 2013 and it is intended that Framework letters will be issued to the other entities within NewERA's remit in 2014. It is envisaged that these letters will be updated on an annual basis.

Dividend Policy

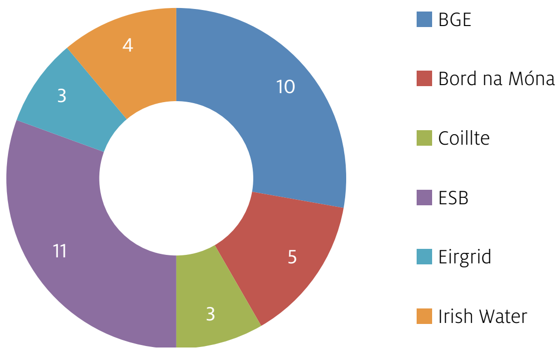
NewERA reviewed the dividend policy of ESB and provided advice to the Department of Communications, Energy and Natural Resources and the Department of Public Expenditure and Reform on a revised dividend policy, which was announced by ESB in October 2013. The revised policy envisages an increase in ESB's dividend payout ratio from 2015, with a target payout of 40 per cent of normalised profits after tax by 2017, while having regard to ESB's investment grade credit rating. NewERA will review the existing dividend policy of each of the other companies following issue of the respective Framework letters by the relevant Ministers.

Financial Analysis

NewERA has provided detailed financial analysis and recommendations to relevant Ministers on requests for advice concerning the commercial State entities. These requests primarily stem from legislative obligations on commercial State entities to seek Ministerial approval (e.g. for an entity to borrow) or arise under the Code of Practice for the Governance of State Bodies. During 2013 NewERA provided detailed financial analysis and recommendations (where appropriate) to relevant Ministers on a total of 36 requests for advice, including €2.9 billion in financing-related requests and €0.6 billion in capital expenditure project requests.

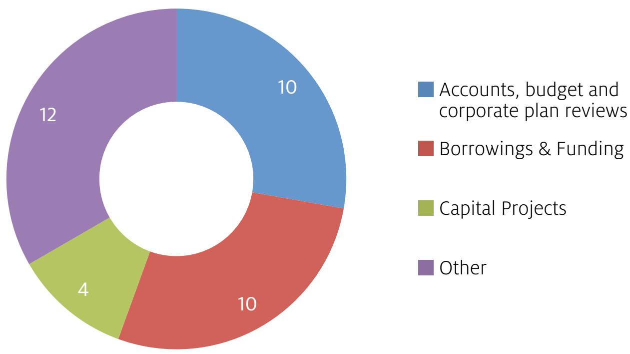
An overview of these requests, broken down by company and by category as follows:

Requests by Company[6]



Source: NTMA

Request by Type[7]



Source: NTMA

[6] Irish Water is a subsidiary of Bord Gáis

[7] "Other" includes advice on such matters as pensions and establishment of subsidiaries

Portfolio Financial Overview

During quarter 4 2013 NewERA prepared a Portfolio Financial Overview the purpose of which was to provide a snapshot of the financial performance of each of the commercial State entities within its remit as at the date of their respective latest published annual financial statements[8]. It also provided an overview of the financial performance of these entities on a combined basis for the first time. This report was finalised in early 2014 and issued to relevant stakeholders. The main financial and operating performance measures covered by the report are summarised below:

- Turnover increased from €5.6 billion to €6.1 billion in the latest reported financial year with all entities reporting revenue increases;
- Adjusted operating margins for the latest reported financial period were at their highest level since 2008/09;
- In the latest reported financial year, the entities spent an aggregate of €1.25 billion on capital investment, bringing the total spend over the past five years to €6.4 billion;
- Combined net debt increased from €6.7 billion to €6.8 billion in the latest reported financial year representing a multiple of EBITDA of 3.7 times and a net interest cover of 4.6 times. The increase in net debt of just €0.1 billion when coupled with capital investment of €1.25 billion is reflective of cash generation from operations of the combined entities in excess of €1 billion;
- Net gearing (excl. pension and employee liabilities) remained at the same level as the previous reported financial year;
- Return on Capital Employed increased in the latest reported financial year to 6.6 per cent from the prior year and was marginally higher than the historical 5 year average;
- Dividends of €102 million paid in the latest reported financial year representing c. 1.5 per cent of combined net assets and a payout rate of 26 per cent of profit after tax; and
- Adjusted earnings growth in latest financial year was 34 per cent but over last 5 years the average earnings growth was –1 per cent.

Other Activities

NewERA also carried out financial reviews of both An Post and RTÉ at the request of the Minister for Communications, Energy and Natural Resources. The An Post review focused on An Post's historical performance and future plans and also provided peer company analysis. The RTÉ review analysed the company on a group and divisional basis together with a benchmarking exercise of the financial performance of RTÉ relative to peer broadcasting organisations.

[8] The dates of the latest financial statements are as follows: EirGrid – 30 Sep. 2012; Coillte, BGE and ESB – 31 Dec. 2012; Bord na Móna – 27 Mar. 2013.

State Asset Disposals & Restructuring

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

Ervia (formerly BGE): Disposal of Energy Business

NewERA has provided financial advice to the Government Steering Group established to oversee the sale of BGE's energy business. Following the announcement on 27 November 2013 by the Minister for Communications, Energy and Natural Resources that bids received at that date were not acceptable, further interaction with bidders resulted in revised bids which offered materially increased value. On 12 December 2013 a consortium comprising Centrica plc, Brookfield Renewable Power Inc and iCON Infrastructure was selected as the preferred bidder on the basis of its revised bid which had an enterprise value of up to €1.1 billion.

NewERA is currently examining options for the longer term corporate structure of Ervia, which is responsible for gas networks and water/waste water infrastructure, and will report to Government in the second half of 2014.

ESB: Disposal of Non-strategic Power Generation Capacity

ESB was asked by Government to develop proposals for the sale of some non-strategic generation capacity, with the specific objective of delivering special dividends to the Government targeted at up to €400 million by the end of 2014. NewERA is working closely with ESB and the Government Steering Group established to oversee these disposals. Within this role NewERA provides analysis of bids received and a recommendation to the relevant Ministers as to whether or not, from a financial perspective, the Ministers should consent to the respective sales.

In February 2013 ESB's shareholding in the power generation plants Marchwood Power Limited in the UK and Bizkaia Energia SL in Spain were identified for sale. The sale of ESB's 50 per cent shareholding in Marchwood Power Limited to Munich Re, a major European insurance company based in Germany completed in November 2013 and a competitive price was achieved with dividends of c. €153 million paid to the State in the first quarter of 2014 from the proceeds of the sale. The sale of Bizkaia to an affiliate of ArcLight Capital Partners LLC, a US based energy investment firm, completed in May 2014.

In October 2013 ESB announced its intention to sell its two peat stations, West Offaly Power and Lough Ree Power. It is expected that the sales process for these two plants will be completed in late 2014.

Bord na Móna/Coillte: Beneficial Merger

In June 2013 the Government announced that it was not proceeding with the sale of harvesting rights in Coillte and that the company should instead undergo a restructuring, overseen by NewERA and the relevant stakeholder Departments, which will include operational streamlining, financial de-leveraging and a critical examination of the disposal options for its non-core activities such as telecoms and wind. The Government also announced that financial analysis would be carried out to evaluate how to give effect to a beneficial merger of Coillte and Bord na Móna with the objective of creating a streamlined and refocused commercial state company operating in the bio-energy and forestry sectors.

A report on the financial costs and benefits of a Coillte/Bord na Móna merger was prepared by NewERA in conjunction with the two companies.

In June 2014 the Government announced a joint venture between Bord na Móna and Coillte focusing on their common business activities in biomass, wind energy, shared services, and recreation and tourism. NewERA will oversee the implementation process to give effect to the Government decision.

Activities to Facilitate Investment in Economic Infrastructure

NewERA continues to work with the relevant Government Departments and other stakeholders on investment initiatives in the areas of water, energy and telecommunications.

Irish Water

During 2013 NewERA provided advice to the Department of the Environment, Community and Local Government on certain financial aspects of the establishment of Irish Water. This has included:

- Construction of a high level financial model, based on inputs from the Department of Environment, Community and Local Government and Irish Water, to assist Government in the assessment of Irish Water's likely annual funding requirements; and
- Advising on potential capital structures that meet various accounting and credit rating constraints.

Energy Retrofit

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

The Government, as announced by the Minister for Communications, Energy and Natural Resources, indicated its intention to provide €35 million as seed capital with a view to a fund of over €70 million being established in conjunction with private sector investment. NewERA provided extensive advice and analysis to the Department of Communications, Energy and Natural Resources on the establishment of the Fund.

Following a competitive process Sustainable Development Capital LLP (SDCL), a specialist financial and investment advisory firm headquartered in London and with offices in Dublin, New York and Hong Kong, was selected as investment adviser and manager of the Fund. SDCL also manages a similar energy efficiency fund in the UK.

The Fund has recently reached a first close of €35 million with a capital commitment of €17.2 million from the Government, together with private sector capital from London & Regional Properties (€12.8m) and the Glen Dimplex Group (€5m). It is anticipated that as much as €300 million leveraged funding will be delivered by the Fund over the next three years based on a fund size of €70 million.

Telecommunications

During 2013 NewERA was a member of the high-level Steering Group established to oversee the implementation of the National Broadband Plan. In April 2014 the Minister for Communications, Energy and Natural Resources, announced that the Government has committed to a major telecommunications network build-out to rural Ireland, with fibre as a cornerstone of its investment. This project is to address all parts of Ireland that cannot access commercial high-speed broadband services. Detailed planning work is continuing in order to deliver the project with a comprehensive implementation strategy targeted to be published later in 2014.

National Pensions Reserve Fund

The National Pensions Reserve Fund (the Fund) is controlled by the National Pensions Reserve Fund Commission and performs its functions through the NTMA, which is the Manager of the Fund. The Chief Executive of the NTMA is an *ex officio* member of the Commission. The Commission publishes a separate detailed annual report and accounts.

Legislative and Operating Framework

The NPRF's legislative and operating framework has changed significantly since the Fund was established in 2001 with a statutory objective to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards. Under this objective, the Commission is required to invest the assets of the Fund so as to secure the optimal total financial return, with regard to its purpose and an acceptable risk level. This investment strategy has been implemented through a globally diversified portfolio including quoted equities, bonds, property, private equity, commodities and absolute return funds.

In 2009 and 2010 €10.7 billion of the Fund's assets was invested in Allied Irish Banks (AIB) and Bank of Ireland at the direction of the Government. A further €10 billion investment was made in 2011 as part of the EU/IMF programme. The remainder of the Fund has continued to be managed by the Commission in line with its original statutory objective.

In September 2011 the Government announced its intention under the Strategic Investment Fund initiative to channel resources from the Fund, following appropriate changes to its governing legislation, towards productive investment in the Irish economy.

This was followed in June 2013 with the announcement of legislative proposals to establish the Ireland Strategic Investment Fund (ISIF) to fully absorb the Fund and have a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. This legislation was published in May 2014. The establishment of the ISIF will involve the dissolution of the Commission and the creation of a new NTMA Board and Investment Committee to oversee and manage it. The ISIF will also hold the Fund's directed investments in AIB and Bank of Ireland.

Capital Preservation Strategy

In light of the proposed changes to the Fund's investment mandate, in 2011 the Commission acknowledged the need to ensure that resources were available when appropriate commercial investment opportunities in Ireland were developed or sourced. At the same time, it was necessary to maintain the Fund's capacity to participate in gains if equity markets performed well, in accordance with the investment strategy developed to implement its current statutory mandate.

In June 2011 the Commission adopted a 'Capital Preservation Strategy' in order to achieve what the Commission considered an appropriate balance between these objectives. The impact of the strategy has been to reduce the Fund's downside equity exposure, via the purchase of options and a reduced exposure to equities, and its implementation has been adjusted over time to reflect market pricing and the expected timeframe for mandate change.

The disposal of the Fund's private equity and property portfolios has also been accelerated to improve liquidity, including the sale of approximately €800 million of global private equity interests in December 2013 following a competitive sale process.

Performance and Portfolio Update

The Fund reports on three levels to include (i) the Discretionary Portfolio (the investment of which is the Commission's responsibility), (ii) the Directed Portfolio (public policy investments made at the direction of the Minister for Finance), and (iii) the Total Fund. At end-2013 the Fund's total value stood at €19.9 billion. The Discretionary Portfolio was valued at €6.8 billion and the Directed Portfolio was valued at €13.1 billion.

Discretionary Portfolio

The Discretionary Portfolio earned a return of 6.4 per cent in 2013. The value of the Fund increased by €742 million during the year, including €340 million of dividend income transferred from the Directed Portfolio.

The implementation of the Capital Preservation Strategy since June 2011 has rendered the Fund's long-term benchmark, which did not incorporate a capital preservation element, no longer suitable as a measure of relative performance.

In that context the Fund's secondary benchmark - the average cost of five-year Irish government debt - provides a more suitable measure and the Fund outperformed this benchmark by 3.8 per cent in 2013. From June 2011 to end-December 2013 the Fund's performance was 6.7 per cent per annum. The average yield on five-year Irish government debt over the same period was 4.8 per cent.

Discretionary Portfolio Asset Allocation at End 2013	Valuation €m	Discretionary Portfolio %
Large Cap Equity	1,039	15.2
Small Cap Equity	330	4.8
Emerging Markets Equity	332	4.9
Total Quoted Equity	**1,701**	**24.9**
Value of Equity Put Options	**70**	**1.0**
Eurozone Government Bonds	–	0.0
Eurozone Inflation Linked Bonds	130	1.9
Corporate Bonds	546	8.0
Other Debt	194	2.8
Long Term Receivables	343	5.0
Cash & Cash Equivalents	2,438	35.7
Total Financial Assets	**3,651**	**53.5**
Private Equity	134	2.0
Property	347	5.1
Commodities & Forestry	336	4.9
Infrastructure	341	5.0
Absolute Return Funds	246	3.6
Total Alternative Assets	**1,405**	**20.6**
Total Discretionary Portfolio	**6,827**	**100.0**

Figures may not total due to rounding.

Source: NTMA

Directed Portfolio

Since 2009 a total of €20.7 billion of the Fund's assets have been invested in AIB and Bank of Ireland at the direction of the Minister for Finance for public policy reasons. At end-2013 the Fund's shareholding in AIB and Bank of Ireland was 99.8 per cent and 14.1 per cent respectively. The Fund's Directed Portfolio had a year-end valuation of €13.1 billion (up €4.5 billion from €8.6 billion at end-2012). At end-2013 the Directed Portfolio comprised both ordinary and preference shares in AIB, valued at €10.0 billion, and ordinary shares in Bank of Ireland, valued at €1.1 billion. It also included cash proceeds of €1.9 billion from the sale and redemption of the Fund's holding of Bank of Ireland preference shares in December 2013.

As the Fund's preference share investment in AIB is unlisted and its ordinary share holding leaves a free float of only 0.2 per cent, the Commission, as it has in previous years, engaged an external corporate finance firm to provide an independent fair market valuation as of 31 December 2013 for the purposes of valuing these investments in line with generally accepted accounting principles. Following this exercise the AIB ordinary shares have been valued at 1.25 cents per share and the AIB preference shares have been valued at 100 per cent of cost.

The Fund's ordinary share holding in Bank of Ireland was valued at its market price of 25.2 cents per share at 31 December 2013.

The Directed Portfolio's return in 2013 was 57.6 per cent. In addition to the change in values of the holdings in AIB and Bank of Ireland, this return also includes the proceeds from the Bank of Ireland preference share redemption and sale.

NPRF Banking Investments Since Inception	Original investment €bn	Cash received to date €bn	End 2013 value €bn	Total (income & value) €bn
Preference Shares	1.8	3.2	–	3.2
Ordinary Shares	2.9	1.0	1.1	2.2
Bank of Ireland	**4.7**	**4.2**	**1.1**	**5.4**
Preference Shares	3.5	0.0	3.5	3.5
Ordinary Shares	8.7	–	6.5	6.5
Capital Contribution	3.8	–	–	–
AIB	**16.0**	**0.0**	**10.0**	**10.1**
Total Bank Investments	**20.7**	**4.2**	**11.2**	**15.4**
Cash			**1.9**	
Total Directed Portfolio			**13.1**	

Figures may not total due to rounding.

Source: NTMA

The valuation of €11.2 billion combined with cash of €4.2 billion received since inception (some of which has been remitted under Ministerial Direction to the Exchequer or transferred to the Fund's Discretionary Portfolio), amounts to a total value of €15.4 billion at end-2013 (-26 per cent on the original investment of €20.7 billion).

It should be noted that the figures set out above reflect the NPRF's investments in AIB and Bank of Ireland only and do not represent the totality of the State's financial position in Irish banks.

Total Fund

The Total Fund, comprising both the Directed and Discretionary Portfolios, recorded a return of 35.4 per cent in 2013.

Investment in Ireland

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

As at 31 December 2013 the total amount committed to investments that would come under the Strategic Investment Fund initiative was €1,252 million.

This includes:

- €375 million to three long-term funds that will provide €850 million of equity, credit and restructuring / recovery investment for Irish small and medium-sized businesses (SMEs) and mid-sized corporates;
- A $50 million contribution to the €100 million China Ireland Technology Fund to invest in fast-growing Irish technology companies with a substantial presence or strategic interest in China, and in Chinese fast-growing technology companies with a substantial presence or strategic interest in establishing a presence in Ireland;
- A two-year bridging facility of €250 million on commercial terms with Irish Water to fund the initiation of the metering programme and Irish Water's start-up costs; and
- A provision of stand-by credit facilities to enable the N11/N7 roads PPP project to proceed with European Investment Bank financing.

In allocating funds to investment in Ireland, part of the Fund's objective is to act as a catalyst for third party capital investing in Ireland, thereby increasing the amount of investment that can be achieved from the limited resources of the Fund. The total project size was 2.1 times the Fund's commitment as at 31 December 2013.

Commitments Under the Strategic Investment Fund Initiative at End 2013

	NPRF Committed Capital €m	3rd Party Committed Capital €m	Total Project Size in Ireland €m	Multiple of Total Project Size to NPRF Commitment
SME Equity Fund – Better Capital	50	50	100	2.0x
SME Equity Fund – Carlyle Cardinal	125	125	250	2.0x
SME Credit Fund – BlueBay	200	250	450	2.3x
China Ireland Technology Fund	72*	36	72	1.0x
Innovation Fund Ireland	125	125	250	2.0x
Local Venture Capital Funds	81	320	401	5.0x
Silicon Valley Bank	36*	72	72	2.0x
Irish Water	250	–	250	1.0x
Irish Infrastructure Fund	250	66	316	1.3x
Irish Forestry	30	187	217	7.2x
PPP Schools Bundle 3 (Standby facility)	14	121	121	8.6x
PPP N11 (Standby facility)	18	165	165	9.1x
Committed	**1,252**	**1,517**	**2,664**	**2.1x**

*In the case of both China Ireland Technology Fund and Silicon Valley Bank, the NPRF committed €36m (total €72m) to global funds as part of the wider third party relationships. These commitments are not included in the total project size in Ireland figures.

Figures may not total due to rounding.

Source: NTMA

National Development Finance Agency

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

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

Infrastructure Stimulus Programme

In July 2012 the Minister for Public Expenditure and Reform, Brendan Howlin TD, announced on behalf of the Government a €2.25 billion Infrastructure Stimulus Programme, including €1.4 billion of projects to be delivered as PPPs.

The planned PPP investment is being directed towards projects that meet key infrastructural needs and are in line with the priorities identified in the Government's Investment Framework, covering education, health, justice and transport. The NDFA is responsible for delivering three education PPP projects, one health PPP project and one justice PPP project with an estimated total capital value of c. €650 million. The National Roads Authority (NRA) is responsible for procuring the various road PPP projects, amounting to c. €750 million. The NDFA is financial advisor across the entire PPP programme.

The funding of these PPPs is expected to come from the European Investment Bank (EIB), the National Pensions Reserve Fund/Ireland Strategic Investment Fund, domestic and international banks and institutional investors. The proposed capital expenditure under the stimulus package is additional to the existing Exchequer-funded investment programme.

In April 2014 the first project launched under the stimulus programme - the N17/N18 road PPP project (a 57-kilometre stretch of motorway linking Gort and Tuam in Galway) - successfully reached financial close and construction works are underway. The EIB provided €144 million of the total project funding requirement of €290 million, with the remainder coming from commercial and institutional investors including French banks Natixis and Société Genérale, Belgian insurer Ageas and Bank of Ireland. This project is the largest in the stimulus programme to date and the first Irish PPP to include institutional investor debt funding since the financial crisis. It is expected that over 450 construction jobs will be created during the construction phase. The competitions for all the other projects in the stimulus programme are now underway. Separately, the NDFA is delivering 15 non-PPP school projects with a combined value of c. €80 million on behalf of the Department of Education & Skills. Three "Design & Build" contracts were awarded at the start of 2014 and construction is underway at all sites.

Engagement with Potential Investors, Funders, Contractors and Service Providers

The NDFA has actively engaged with sponsors, equity providers, contractors, professional service providers, and with potential international and domestic project funders to build awareness and support for the delivery of the Infrastructure Stimulus Programme. The participation of institutional investors in the N17/N18 (Gort Tuam) road project is a strong sign of renewed international interest in the Irish PPP market.

In conjunction with the Department of Finance and the Department of Public Expenditure and Reform the NDFA has facilitated discussions between the EIB and a number of Government Departments regarding the provision of direct loans to the Exchequer. The EIB has approved a total of €450 million of direct loans to the Exchequer since July 2012, comprising €100 million in July 2012 and €100 million in June 2013 for traditional (non-PPP) school building projects, €100 million in November 2012 for water/wastewater projects and €150 million in January 2014 for the extension of Dublin's Luas light rail system.

In January 2014 a €41 million loan facility was signed between Council of Europe Development Bank and Ireland to fund up to 50 per cent of the Cork prison project and the National Children's Detention Facility.

Project Procurement and Delivery – Key Developments

Education

On 9 November 2012 the NDFA awarded the PPP contract for Schools Bundle 3 to BAM PPP PGGM Infrastructure Cooperatie, a joint venture between BAM PPP and Dutch pension fund administrator PGGM. Funding was provided by the EIB and Bank of Ireland with a stand-by credit facility provided by the National Pensions Reserve Fund. All eight schools in this bundle were delivered on schedule in 2013 and 2014. The schools, which provide a total of 5,700 school places, are located in counties Galway, Donegal, Leitrim, Limerick, Westmeath and Wexford.

The fourth and fifth bundles of School PPP projects were launched together in 2013. The preferred tenderer for Schools Bundle 4 – comprising four schools – was selected in June 2014 and it is expected that the construction of these schools will commence before the end of the year. The preferred tenderer for Schools Bundle 5 – comprising six schools – is expected to be selected in Q1 2015 with construction to commence in Q3 2015.

Up to 1,000 construction jobs are expected to be created during the construction phase of the two projects.

One of the larger PPP projects in the stimulus programme is the development of two university buildings as part of the new city centre campus for Dublin Institute of Technology (DIT) at Grangegorman. The NDFA has shortlisted three candidates and it is expected that a preferred tenderer will be selected in Q3 2015. Construction of the Central and East Quad buildings is due to be completed in early 2018. Up to 1,500 jobs are expected to be created during the construction phase.

Roads

In April 2013 the contract for the N11/N7 PPP Project (a 50-kilometre section of the N11 road network and the N7 Newlands Cross free-flow junction) was awarded to the joint venture consortium of BAM PPP and Dutch pension provider PGGM Infrastructure Cooperatie. Funding was provided by the EIB and Bank of Ireland with a stand-by credit facility provided by the National Pensions Reserve Fund. The NDFA was financial advisor to this project. Construction work is underway and is due to be completed in 2015.

Health

The NDFA is engaged with the Health Service Executive on the procurement of up to 14 regional Primary Care Centres. The procurement process for the Primary Care Centres PPP project commenced in December 2013 and three consortia were shortlisted in June 2014. Financial close is currently scheduled for Q3 2015.

Justice

The Courts PPP Bundle comprises seven regional courthouses which involves a mix of new courthouse buildings in Drogheda, Letterkenny, Limerick and Wexford and the refurbishment/ extension of existing courthouses in Cork, Mullingar and Waterford. The procurement process commenced in April 2014 and expressions of interest received in June are currently being evaluated.

Meet the Buyer Initiative

As part of a programme-wide initiative with Enterprise Ireland, a series of "Meet the Buyer" events have been held around the country offering small and medium sized companies within the construction sector the opportunity to meet directly with representatives of the bidding consortia for the projects. To date over 300 companies have attended these events. It is intended to hold further such events in the second half of 2014 and 2015.

Miscellaneous

The NDFA provides contract administration services to the Department of Education and Skills on PPP projects which are already operational. The NDFA also provides ad hoc financial advisory services to different Government Departments and Agencies in relation to completed PPP projects (e.g. review of the indexation on unitary charge payments, review of loan refinancing and debt restructuring), and other projects which involve the long-term commitment of public funds.

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 acquired certain loan assets (land and development and associated loans) in exchange for Government-guaranteed securities issued by it directly to five participating institutions, namely, Allied Irish Banks, Anglo Irish Bank, Bank of Ireland, Irish Nationwide Building Society and EBS Building Society.[9]

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

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

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

Progress to Date

The first phase of NAMA's work involved the valuation and transfer of land and development and associated loans with a nominal value of €74.2 billon. In purchasing these loans, NAMA issued senior and sub-ordinated debt of €31.8 billion, representing a significant injection of liquidity at a critical time in the restructuring of the Irish banking system.

NAMA has made significant progress by reference to the primary commercial mandate that the legislature set for it, namely achieving the best financial return for the State from its acquired loans and the assets securing them. This progress is evident in the profits and the cash flows that NAMA is generating. For the third year in succession, despite a prudent impairment policy, NAMA reported a profit, after tax and impairment, of more than €200 million in 2013. It also reported continuing strong cash flows. From inception to end-2013 NAMA had generated €15.1 billion in debtor receipts (asset disposals and non-disposal receipts).

Its strong cash performance enabled NAMA to meet its first debt repayment milestone – the repayment of €7.5 billion or 25 per cent of its senior debt by end-2013. Meeting this target was an important element in the progress that Ireland is making in reducing the State's contingent liabilities and it was a contributory factor in enabling Ireland to exit the EU/IMF programme at end-2013.

NAMA has generated cash primarily through the disposal of property and other assets held by its debtors and receivers and the disposal of its loans. From inception to end-2013 NAMA generated €10.9 billion in disposal receipts. Approximately 68 per cent of those sales related to assets in Britain, particularly in London, reflecting the continued strength of that market since 2009. In Ireland the significant recovery in the property market since mid-2013 has enabled NAMA to increase the flow of assets for sale, including a number of sizeable loan and property portfolios that have attracted interest from large institutional buyers.

NAMA also provides funding to enhance the value of assets under the control of its debtors and receivers.

By end-2013 it had approved over €1 billion in development funding for projects in Ireland. Over €600 million of this has already been drawn down. NAMA is committed to advancing total development funding of €2.5 billion for Irish projects over the period to end-2016.

NAMA also seeks to make a wider contribution in the Irish economy. This includes directly supporting 15,000 jobs in Ireland in trading businesses linked to its loans; its work with the IDA in identifying suitable commercial properties to meet the requirements of foreign direct investment; and its support of small and medium businesses in the retail sector through its rent abatement initiative. NAMA is also engaging proactively with Government Departments and other public bodies in relation to their possible need for land or properties. In this way, NAMA has identified over 4,600 residential properties as being available and potentially suitable for social housing provision.

NTMA Services to NAMA

Under Section 41 of the NAMA Act, the NTMA provides NAMA with business and support services, including HR, IT, market risk, transaction processing and treasury services. NAMA reimburses to the NTMA the cost of these services which was €41 million (including staff costs) in 2013. By the end of 2013, the NTMA had assigned to NAMA 331 staff with extensive experience and expertise in the areas of lending, property, accountancy, law, banking and credit.

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

Governance

Reporting and Governance Structure

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

The NTMA does not have a board and it is the Chief Executive's statutory responsibility to carry on and manage and control generally the administration and business of the Agency. The Chief Executive is appointed by the Minister for Finance. The Chief Executive reports directly to the Minister on the NTMA's funding and debt management, State Claims Agency and NewERA functions. The NTMA's governing legislation provides for an Advisory Committee and for a State Claims Agency 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. It assigns staff to NAMA and also provides NAMA 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* Chairperson of the NDFA.

NTMA (Amendment) Bill 2014

The National Treasury Management Agency (Amendment) Bill, published in May 2014, will, when enacted, streamline and simplify the NTMA's governance structures to enable a more integrated approach to the performance of its functions. The Agency will be reconstituted as a body with a Chairperson and eight other members who will have over-arching responsibility for all of the NTMA's functions (excluding NAMA which will continue to have its own separate board). The Advisory Committee, NPRF Commission, NDFA Board and State Claims Agency Policy Committee will be dissolved. The Bill also provides for:

- the putting of the NTMA's NewERA functions on a statutory basis;
- the conversion of the NPRF into the Ireland Strategic Investment Fund with a mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland;
- the putting of the State Claims Agency's legal costs function on a statutory basis; and
- the transfer of the NDFA's functions to the NTMA.

Advisory Committee

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

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

a. Funding and Debt Management Policy;

b. Business Function Goals and Objectives;

c. Delegated Authority Levels;

d. Remuneration;

e. Senior Management Performance Appraisal and Succession Planning;

f. Significant Amendments to the Pension Benefits of Staff;

g. Corporate Policies and Plans;

h. Risk Management Policy;

i. System of Internal Financial Control;

j. NTMA Annual Report and Accounts;

k. Appointment of Internal Audit Firm;

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

m. Operating Budget; and

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

The Advisory Committee consists of up to seven members appointed by the Minister for Finance. Members over the period 1 January 2013 to 30 June 2014 are as follows:

Willie Walsh – Chairperson (Appointed from 11 November 2013)

Brendan McDonagh (Appointed from 1 September 2010)

John Moran (Appointed from 6 March 2012)

Tytti Noras (Reappointed from 1 August 2010)

Donald C Roth (Reappointed from 1 January 2014)

The Advisory Committee met on 5 occasions in 2013. Members of the Committee also provided advice to the NTMA on an ongoing basis through the year.

NTMA Advisory Committee – Meeting Attendance 2013	
Committee Member	Meetings Attended
Willie Walsh	1/1(p)
Brendan McDonagh	5/5
John Moran	5/5
Tytti Noras	5/5
Donald C Roth	5/5

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

Source: NTMA

State Claims Agency 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 7 members appointed by the Minister for Finance. Members over the period 1 January 2013 to 30 June 2014 are as follows:

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

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

Charlie Hardy (Appointed from 1 July 2012 to 15 November 2013)
Principal Officer, Department of Health

Mary Jackson (Appointed from 1 December 2013)
Principal Officer, Department of Health

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

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

Fachtna Murphy (Appointed from 1 July 2012)
Former Garda Commissioner

Wendy Thompson (Appointed from 1 July 2012)
Insurance & Litigation Manager, Railway Procurement Authority

The Committee met on 4 occasions in 2013.

State Claims Agency Policy Committee – Meeting Attendance 2013	
Committee Member	Meetings Attended
Noel Whelan	4/4
Tony Delany	4/4
Charlie Hardy	1/3(p)
Mary Jackson	1/1(p)
Christopher Moore	4/4
Niamh Moran	4/4
Fachtna Murphy	4/4
Wendy Thompson	4/4

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

Source: NTMA

Other Committees

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

Audit Committee

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

Members over the period 1 January 2013 to 30 June 2014 are as follows:

Brendan McDonagh – Chairperson

Gerry Murray
Member of the NDFA Board

Michael O'Grady
External Member

Remuneration Committee

The Remuneration Committee makes recommendations to the Advisory Committee on the remuneration of the Chief Executive and senior management of the NTMA and on general remuneration policy in the NTMA. Members over the period 1 January 2013 to 30 June 2014 are as follows:

Don Roth – Chairperson
(Member over full period and Chairperson from 25 March 2014)

Paul Carty
Chairperson of the NPRF Commission

Frank Daly
Chairperson of the NAMA Board

Brendan McDonagh

Willie Walsh (from 11 November 2013)

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

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

Auditors

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

Staffing & Remuneration

Staff numbers in the NTMA have risen markedly since end-2009 as a result of additional activities which Government has asked the NTMA to carry out over the period; NAMA, banking system functions of the Minister for Finance and NewERA. Numbers have risen from 169 at end-2009 to 657 at end-2013.

The bulk of the increase in staff numbers over the period is due to NAMA. All NAMA staff are employees of the NTMA and are assigned to NAMA under section 42 of the *National Asset Management Agency Act 2009*.

Other than a small number of staff reassigned from other functions within the NTMA, staff assigned to NAMA 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 for the costs incurred by the NTMA in assigning staff and providing business and support services to NAMA.

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

NTMA Staffing at End 2013	
Funding and Debt Management	15
State Claims Agency	77
NewERA	13
National Pensions Reserve Fund	15
National Development Finance Agency	52
National Asset Management Agency	331
Banking Unit (on secondment to Department of Finance)	14
Finance, Technology and Risk	98
HR and Corporate Services	10
Legal, Control and Compliance	18
Other	14
Total	**657**

Source: NTMA

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

NTMA Salaries by Salary Band at End 2013

	NTMA (ex NAMA)	NAMA	Total
Up to €50,000	100	39	139
€50,001 to €75,000	112	99	211
€75,001 to €100,000	50	83	133
€100,001 to €125,000	26	54	80
€125,001 to €150,000	13	36	49
€150,001 to €175,000	11	11	22
€175,001 to €200,000	5	5	10
€200,001 to €225,000	1	0	1
€225,001 to €250,000	2	1	3
€250,001 to €275,000	4	1	5
€275,001 to €300,000	0	0	0
€300,001 to €325,000	1	0	1
€325,001 to €350,000	0	0	0
€350,001 to €375,000	0	1	1
€375,001 to €400,000	0	1	1
€400,001 to €425,000	1	0	1
Total	**326**	**331**	**657**

Notes:

1. The public service pension deduction is applied to NTMA employees.
2. The pay reductions provided for in the *Financial Emergency Measures in the Public Interest Act 2013*, which took effect from 1 July 2013, apply to NTMA staff and are reflected in the above table.

Source: NTMA

Reflecting remuneration structures in sectors the NTMA recruits from, a performance-related pay provision is built into the contract terms of most employees. However, the NTMA made performance-related payments to only 11 staff in respect of 2013. These payments, in aggregate, totalled €76,500. No performance-related payments were made to any employee earning a salary of over €200,000.

Remuneration details of the NTMA Chief Executive are set out in the Financial Statements (see page 77). 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 2013 the NTMA consumed 1,578,651 kWh of electricity representing an average consumption of 2,631 kWh per employee. This compares with an average consumption of 2,921 kWh per employee in 2012 – a reduction of 10 per cent per employee.

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

Actions Undertaken in 2013

In 2013 the NTMA undertook a range of initiatives to improve its energy performance:

- Completion of the programme of removal of existing light fittings and the installation of new energy saving light fittings;
- Completion of the installation of sensors on all water supplies; and
- Removal of the existing chiller unit on the air conditioning system and replacement with a more energy efficient unit which offers a 27 per cent reduction in energy consumed.

Actions Planned for 2014

In 2014 the NTMA intends to further improve energy performance by upgrading the air handling units for all the floors in Treasury Building occupied by the NTMA and carrying out an energy survey of the IT communication rooms with a view to introducing energy efficiency measures where possible.

Financial Statements

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

Statement of NTMA's Responsibilities

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

In preparing those statements, the Agency:

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

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

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

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2014

Statement on Internal Financial Control

Responsibility for the System of Internal Financial Control

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

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

Key Control Procedures

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

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

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

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

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

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

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

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

Annual Review of Controls

I confirm that, in the year ended 31 December 2013, I, as Chief Executive, having taken advice from the Agency's Audit Committee, conducted a review of the effectiveness of the system of internal financial control.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2014

Financial Statements of the National Debt of Ireland

For the year ended 31 December 2013

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

National Debt of Ireland

I have audited the financial statements of the National Debt of Ireland for the year ended 31 December 2013 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, the statement of movement in national debt and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the Act and on the basis set out in paragraph (b) of the accounting policies.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of Audit of the Financial Statements

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

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

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

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

Opinion on the Financial Statements

In my opinion, the financial statements, which have been properly prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 and on the basis set out in paragraph (b) of the accounting policies, properly present the balance outstanding on the national debt at 31 December 2013 and the debt service cost for 2013.

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

Matters on which I report by exception

I report by exception if

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

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

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

30 June 2014

Accounting Policies

(a) Background

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

Pages 49 to 65 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.

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

(b) Basis of Accounting

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

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

(c) Reporting Period

The reporting period is for the year ended 31 December 2013.

(d) Reporting Currency

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

(e) Receipts and Payments

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

(f) Liability Valuation

Debt balances are recorded at redeemable par value.

(g) Derivatives

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

(h) Foreign Currencies

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

(i) Maturity Profile

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

Service of Debt Statement

Year Ended 31 December

	Note	2013 €000	2012 €000
Interest Paid			
Medium/Long Term Debt	2	7,075,211	5,481,813
Short Term Debt	3	25,245	38,881
State Savings Schemes	4, 10	349,952	283,502
Other Movements	5	(993)	3,288
Sinking Fund Payments	6	624,552	645,681
Fees and Expenses	7(a)	96,463	104,002
Expenses of the Agency	7(b)	37,938	40,077
Interest Received on Deposits, Treasury Bills and Other Financial Assets		(125,204)	(128,818)
Total Debt Service Cost	1	**8,083,164**	**6,468,426**

Notes 1 to 25 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2014

National Debt Statement

31 December

	Note		2013 € million		2012 € million
Medium/Long Term Debt	8(a)				
Irish Government Bonds listed on the Irish Stock Exchange	8(b)		111,007		87,853
Private Placements			602		602
Medium Term Notes			65		65
European Investment Bank Loans			100		100
EU/IMF Programme Funding	8(c)		66,942		55,898
Other Medium/Long Term Loans			5		5
			178,721		144,523
Short Term Debt					
Short Term Paper	9	2,645		2,690	
Borrowings from Funds under the Control of the Minister for Finance	17	676		786	
			3,321		3,476
State Savings Schemes					
Savings Certificates		6,002		4,791	
National Solidarity Bonds		1,752		1,001	
Savings Bonds		5,342		5,568	
Instalment Savings		476		472	
Savings Stamps		2		2	
Prize Bonds		1,932		1,649	
	10		15,506		13,483
			197,548		161,482
Less: Cash and Other Financial Assets	11		(23,601)		(23,850)
National Debt	14		**173,947**		**137,632**

Notes 1 to 25 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2014

National Debt Cash Flow Statement

Year Ended 31 December

	Note	2013 €000	2012 €000
Movement in Exchequer Balances:			
Opening Balance in Exchequer Account	11	15,279,782	13,098,521
Deposits, Treasury Bills and Other Financial Assets	18	(10,597,868)	(3,977,042)
Borrowing Activity (see below)		36,287,560	24,110,031
		40,969,474	33,231,510
Exchequer Deficit		(11,503,359)	(14,891,728)
IBRC Promissory Notes Liability discharged by the Issue of Irish Government Bonds	24	(25,034,000)	(3,060,000)
Closing Balance in Exchequer Account	11	**4,432,115**	**15,279,782**

	Receipts[1] €000	Payments[1] €000	2013 Net €000	2012 Net €000
Borrowing Activity[2]				
Irish Government Bonds listed on the Irish Stock Exchange	39,193,800	(15,820,893)	23,372,907	1,978,842
EIB Loans	-	-	-	100,000
EU/IMF Programme Funding	22,844,050	(11,797,165)	11,046,885	21,235,237
Other Medium/Long Term Loans	-	(126)	(126)	(126)
Commercial Paper	31,941,267	(31,986,292)	(45,025)	(229,565)
Savings Certificates	1,890,460	(679,613)	1,210,847	558,065
Savings Bonds	1,925,299	(2,150,806)	(225,507)	785,354
National Solidarity Bond	794,785	(43,786)	750,999	393,754
Instalment Savings	108,374	(104,115)	4,259	(1,485)
Prize Bonds	476,385	(193,955)	282,430	200,610
Borrowings from Ministerial Funds	58,257,322	(58,367,431)	(110,109)	(910,655)
Total Borrowing Activity	**157,431,742**	**(121,144,182)**	**36,287,560**	**24,110,031**

[1] Receipts and payments represent the gross value of borrowing activity, including rollover of debt and related hedging transactions.
[2] Borrowing activity includes €25.03 billion of floating rate Government bonds which were issued to the Central Bank of Ireland following the liquidation of IBRC in exchange for the Promissory Notes previously held by IBRC.

Notes 1 to 25 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2014

Statement of Movement in National Debt

Year Ended 31 December

	Note	2013 €000	2012 €000
Opening National Debt		137,632,014	119,082,027
Increase in National Debt (nominal)		36,314,637	18,549,987
Closing National Debt		**173,946,651**	**137,632,014**
Increase in National Debt (nominal) represented by:			
Exchequer Deficit		11,503,359	14,891,728
Settlement of IBRC Promissory Notes Discharged through the issue of Irish Government Bonds	24	25,034,000	3,060,000
Discount on Irish Government Bonds issued in Settlement of Instalment on IBRC Promissory Notes		-	411,550
Net Premium/(Discount) on Bond Issuances and Cancellations		(219,150)	152,987
Medium/Long Term Loans: Net Reduction of Proceeds over Nominal Liability		-	37,700
Effect of Foreign Exchange Rate Movements		(3,433)	(4,023)
Movement in CSRA Current Balance	11	(139)	45
		36,314,637	**18,549,987**

Notes 1 to 25 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

30 June 2014

Notes to the Financial Statements

1. Total Debt Service Cost

	Note	Charged on Foreign Currency Clearing Accounts €000	Charged on Central Fund €000	Charged on CSRA €000	Total Service Cost 2013 €000
Interest Paid					
Medium/Long Term Debt	2	207,027	4,859,426	2,008,758	7,075,211
Short Term Debt	3	1,181	24,064	-	25,245
State Savings Schemes	4,10	-	343,057	6,895	349,952
Other Movements	5	(979,982)	910,478	68,511	(993)
Sinking Fund Payments	6	-	-	624,552	624,552
Fees and Expenses	7(a)	4,608	103,554	(11,699)	96,463
Expenses of the Agency	7(b)	1,200	36,738	-	37,938
Interest Received on Deposits, Treasury Bills and Short Term Notes		-	(12,026)	(113,178)	(125,204)
Inter Account Movement		-	2,583,978	(2,583,978)	-
Total Debt Service Cost		**(765,966)**	**8,849,269**	**(139)**	**8,083,164**

2. Interest on Medium/Long Term Debt

	2013 €000	2012 €000
Irish Government Bonds listed on the Irish Stock Exchange	5,128,943	4,074,819
EU/IMF Programme Funding	1,904,968	1,368,581
European Investment Bank Loans	3,665	-
Private Placements	34,693	34,693
Medium Term Notes	2,953	3,760
Other Medium/Long Term Debt	(11)	(40)
	7,075,211	**5,481,813**

3. Interest on Short Term Debt

	2013 €000	2012 €000
Short Term Paper	**25,245**	**38,881**

Notes to the Financial Statements (Continued)

4. Interest on State Savings Schemes

	2013 €000	2012 €000
Savings Certificates	103,824	72,627
Savings Bonds	187,790	138,383
Instalment Savings	13,460	18,351
Prizes in respect of Prize Bonds	35,160	47,613
National Solidarity Bonds	9,718	6,528
	349,952	**283,502**

Payments for interest on State Savings Schemes in 2013 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:

	2013 €000	2012 €000
Savings Certificates	906	872
Savings Bonds	515	47
Instalment Savings	224	273
	1,645	**1,192**

5. Other Movements

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

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

6. Sinking Fund Payments

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

	Note	2013 €000	2012 €000
Capital Services Redemption Account	15	**624,552**	**645,681**

Notes to the Financial Statements (Continued)

7 (a). Fees and Expenses

	2013 €000	2012 €000
EU/IMF Programme Funding	60,793	84,761
Government Bonds and Other Expenses	13,677	1,928
Savings Certificates	9,207	7,610
National Solidarity Bonds	3,032	4,418
Prize Bonds	12,038	10,879
Savings Bonds	10,714	8,755
Instalment Savings	743	1,121
Fee Receipts	(13,741)	(15,470)
	96,463	**104,002**

7 (b). Expenses of the Agency

Expenses incurred by the Agency in the performance of its functions are charged on and paid out of the Central Fund or the growing produce thereof.

8 (a). Medium/Long Term Debt

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

	2013 € million	2012 € million
Debt Due for Repayment within 1 year	3,002	5,143
Debt Due for Repayment between 2 and 5 years	48,909	41,704
Debt Due for Repayment in more than 5 years	126,810	97,676
	178,721	**144,523**

8 (b). Irish Government Bonds listed on the Irish Stock Exchange

	2013 € million	2012 € million
Fixed Rate Bonds	84,586	86,832
Floating Rate Bonds (note 24)	25,034	-
Amortising Bonds	1,387	1,021
	111,007	**87,853**

8 (c). EU/IMF Programme Funding

Ireland's EU-IMF programme provides for €67.5 billion[1] in external support from the International Monetary Fund ("IMF"), the European Financial Stabilisation Mechanism ("EFSM") and the European Financial Stability Facility ("EFSF") and other bilateral loans. The final programme disbursement of €0.80 billion from the EFSM took place in March 2014.

[1] The net euro amount received by the Exchequer was €67.5 billion after adjustment for below par issuance, deduction of a prepaid margin, and the effect of foreign exchange transactions.

Notes to the Financial Statements (Continued)

8(c). EU/IMF Programme Funding (Continued)

The liabilities outstanding under the EU/IMF Programme at end 2013 included in note 8(a) above, taking into account the effect of currency hedging transactions, are as follows:

	2013 € million	Weighted Average Term Years	2012 € million	Weighted Average Term Years
Lender				
International Monetary Fund	22,528	7.3 Years	19,030	7.3 Years
European Financial Stability Facility	17,881	20.7 Years	12,214	11.7 Years
European Financial Stabilisation Mechanism	21,700	12.4 Years	21,700	12.4 Years
United Kingdom Treasury	3,833	7.5 Years	2,454	7.5 Years
Kingdom of Denmark	400	7.5 Years	200	7.5 Years
Kingdom of Sweden	600	7.5 Years	300	7.5 Years
Total	**66,942**		**55,898**	

The maturity extensions to loans from the EFSF agreed in June 2013 are reflected above. While maturity extensions to loans from the EFSM were also agreed in 2013, the revised maturity dates will only be determined as they approach their original maturity dates. Accordingly the EFSM loan maturity extensions are not reflected above. It is not expected that Ireland will have to refinance any of its EFSM loans before 2027.

The net loan provided by the EFSF of €17,881 million above is net of certain prepaid margins deducted from the initial drawdown in 2011. The total nominal debt due to the EFSF is €18,411 million. €485 million of the prepaid margin of €530 million will be rebated to Ireland along with the related EFSF investment return; the remaining prepaid margin of €45 million is due to the Member State Guarantors, and will be reflected as a debt service cost in future periods.

9. Short Term Paper

The Agency issues short-term paper of maturities of up to one year to raise short-term funds. 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.

Notes to the Financial Statements (Continued)

10. State Savings Schemes

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds and Prize Bonds are net of €9.6 million (2012: €22.0 million) cash balances held by An Post, Permanent TSB and the Prize Bond Company. An Post and the Prize Bond Company act as registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €604 million (2012: €548 million), being the estimate of the amount of accrued interest at 31 December 2013 in respect of Savings Bonds, Savings Certificates and Instalment Savings.

The Small Savings Reserve Fund ("the Fund") was set up under section 160 of the Finance Act, 1994. In any calendar year if interest payments on encashments of small savings exceed 11 per cent of the total interest accrued on such savings for the previous year, the resources of the Fund may be applied towards meeting those interest costs which exceed 11 percent of that accrued income. The initial amount paid into the Fund has been expended. No moneys were paid into the Fund in 2013 or were held in the Fund at year end.

11. Cash and Other Financial Assets

	Opening Balance at 1 January 2013 €000	Movements during 2013 €000	Closing Balance at 31 December 2013 €000
Exchequer Account	15,279,782	(10,847,667)	4,432,115
Capital Services Redemption Account (note 15)	360	139	499
Housing Finance Agency Guaranteed Notes	3,982,178	(278,422)	3,703,756
Deposits, Collateralised Deposits and Treasury Bills	4,065,338	10,043,387	14,108,725
CSA Collateral Funding (note 13)	522,743	832,897	1,355,640
	23,850,401	**(249,666)**	**23,600,735**

Deposits, Collateralised Deposits and Treasury Bills are made up of Deposits with commercial banks of €3.679 billion (2012: €2.680 billion), Collateralised Deposits of €7.389 billion (2012: €0.339 billion) and Treasury Bills of €3.041 billion (2012: €1.046 billion).

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.

Notes to the Financial Statements (Continued)

12. Risk Management

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

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

On 28 November 2010, the Government agreed to a three year €85 billion financial support programme for Ireland from members of the EU and the IMF. The external contribution to the programme amounted to €67.5 billion. The terms of the programme include loans of varying maturities. The staggered maturities are important from a risk management perspective so as to avoid a situation whereby Ireland is faced with a large "funding cliff" in any one particular year. The Agency sought to ensure that disbursements under the EU/IMF programme were scheduled in such a way as to provide adequate liquidity while optimising the costs to the State. The programme officially concluded in December 2013 with the final disbursement of funding in March 2014.

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

Counterparty credit risk arises from derivatives, deposits and foreign exchange transactions. The level of credit risk is minimised by dealing only with counterparties of high credit standing. Procedures provide for the approval of risk limits for all counterparties and exposures are reported daily to management. A review of all limits is undertaken periodically to take account of changes in the credit standing of counterparties or economic and political events. In order to mitigate the Exchequer's exposure to market counterparties while at the same time ensuring that Ireland has efficient market access for its hedging activities, the Agency may enter into credit support arrangements with the market participants with which it wishes to trade – this involves the receipt and posting of collateral to offset the market value of exposures. More information on the use of credit support arrangements is set out in Derivatives (note 13).

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

Notes to the Financial Statements (Continued)

13. Derivatives

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

	31 December 2013		31 December 2012	
	Nominal € million	Present Value € million	Nominal € million	Present Value € million
Interest Rate Swaps	28,909	(923)	12,844	(1,328)
Currency Swaps & Foreign Exchange Contracts	18,225	(750)	14,990	329
	47,134	**(1,673)**	**27,834**	**(999)**

The Agency provides treasury services to the National Asset Management Agency ("NAMA") under section 52 of the National Asset Management Agency Act, 2009. Accordingly it may enter into derivative transactions with NAMA. Any such transactions are offset by matching transactions with market counterparties. As a result there is no net effect on the National Debt accounts. The nominal value of interest rate swaps transacted with NAMA outstanding at end 2013 was €23.5 billion (2012: €19.4 billion); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2013 was €5.6 billion (2012: €6.2 billion).

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

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

Credit Support Account	2013 € million	2012 € million
Balance at 1 January	-	-
Margin transfers received from counterparties	5,702	4,353
Margin transfers paid to counterparties	(6,535)	(4,161)
Net Exchequer funding during the year	833	(192)
Balance at 31 December	**NIL**	**NIL**

Note:	2013 € million	2012 € million
Exchequer Funding at 31 December	1,356	523
Net Collateral Posted to counterparties at 31 December	(1,356)	(523)

Notes to the Financial Statements (Continued)

13. Derivatives (Continued)

The Agency entered into two Collateral Posting Agreements with NAMA under which NAMA is required to post collateral to the Agency when required to do so by the Agency. At end 2013, NAMA had posted collateral of €0.802 billion (2012: €1.15 billion) as part of these agreements.

14. National Debt – Currency Composition

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

Currency	As at 31 December 2013 € million	2012 € million
Debt Instruments		
Euro	155,722	122,940
US Dollar	9,323	8,345
Pounds Sterling	6,462	4,717
Japanese Yen	1,697	1,843
Swiss Franc	24	81
	173,228	137,926
Foreign Currency & Swap Contracts		
Euro	18,225	14,693
US Dollar	(9,323)	(8,335)
Pounds Sterling	(6,462)	(4,721)
Japanese Yen	(1,697)	(1,850)
Swiss Franc	(24)	(81)
	719	(294)
National Debt[1]	**173,947**	**137,632**

[1] This figure is net of cash and other financial assets as at 31 December 2013 of €23,601 million (31 December 2012: €23,850 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 of the Finance Act, 1950 (as amended);

(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 (as amended).

Notes to the Financial Statements (Continued)

16. Foreign Currency Clearing Accounts

	Note	€000	2013 €000
Balance at 1 January 2013			NIL
Amounts Received under Finance Act, 1988 [section 67 (8)]		26,797,890	
Amounts Paid under Finance Act, 1970 [section 54 (7)]		(25,817,908)	979,982
Foreign Currency Borrowing Receipts		7,922,195	
Foreign Currency Borrowing Payments		(8,688,161)	(765,966)
Interest Paid on Foreign Currency Borrowings	1		
Medium/Long Term Debt		(207,027)	
Short Term Debt		(1,181)	(208,208)
Expenses of Foreign Currency Borrowings			(4,608)
Expenses of the Agency			(1,200)
Balance at 31 December 2013			**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.

	2013 € million	2012 € million
Post Office Savings Bank Fund	471	624
Deposit Monies Investment Account (note 22)	205	162
	676	**786**

18. Deposits, Treasury Bills and Other Financial Assets

The Agency places short-term investments in Deposits, Collateralised Deposits and Treasury Bills for maturities of up to one year for the purpose of liquidity management.

19. National Loans Advance Interest Account

The Agency from time to time issues or cancels amounts of existing Irish Government Bonds. This occurs by means of sales or purchases by the Post Office Savings Bank Fund (POSBF) which in turn settles with the Exchequer. The settlement amount for each bond transaction includes the accrued interest at that point in the coupon period.

A full dividend is payable to the registered owner in cases where the bond is held to the ex-dividend date. The accrued interest paid is stored in the National Loans Advance Interest Account until the full dividend is due on the coupon date. The purpose of the account is for the POSBF to then compensate the Exchequer for the unearned element of the dividend paid on the coupon date arising on tranching bonds cum-dividend or on cancelling bonds ex-dividend. Upon coupon date, these amounts are then used to offset the related servicing costs of the Exchequer.

Notes to the Financial Statements (Continued)

19. National Loans Advance Interest Account (Continued)

	2013 €000	2012 €000
Account of Receipts and Payments		
Balance at 1 January	12,179	11,924
Accrued interest received on National Loans		
- Tranches and Auctions	42,038	65,242
Accrued interest paid on National Loans	(48,873)	(64,987)
Balance at 31 December - Cash with Central Bank of Ireland	**5,344**	**12,179**

20. National Loans (Winding Up) Account

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

	2013 €000	2012 €000
Account of Receipts and Payments		
Balance at 1 January	3,455	3,363
Receipts from Exchequer	198	1,193
Receipts from Central Bank Suspense Account	102	69
Payments to Central Bank Suspense Account	(70)	(138)
Payments for Redemption of National Loans	(596)	(1,032)
Balance at 31 December - Cash with Central Bank of Ireland	**3,089**	**3,455**

Notes to the Financial Statements (Continued)

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

	2013 €000	2012 €000
National Loans Redeemed during the Year Ended		
National Bonds 1966-77	1	-
5.25% Nat Dev Loan 1979-84	-	1
9% Conversion Stock 1980-82	1	-
6% Exchequer Stock 1980-85	-	1
7.5% National Loan 1981-86	4	-
5.75% National Loan 1982-87	1	-
5.75% Exchequer Stock 1984-89	9	1
9.75% National Loan 1984-89	3	-
6% Exchequer Loan 1985-90	7	-
14% Exchequer Loan 1985-90	2	-
6.75% National Loan 1986-91	2	-
7% National Loan 1987-92	11	-
15% Conversion Stock 1988	1	-
11.5% Exchequer Stock 1990	3	-
11% National Loan 1993-98	1	-
13% Exchequer Stock 1994	1	-
7.75% Capital Stock 1997	-	5
6.5% Exchequer Stock 2000-05	42	-
8.25% Capital Stock 2008	-	5
6% Treasury Stock 2008	-	39
8.5% Capital Stock 2010	38	68
8.75% Capital Stock 2012	271	912
5% Treasury Bond 2013	198	-
	596	**1,032**

Notes to the Financial Statements (Continued)

21. National Treasury Management Agency (Unclaimed Dividends) Account

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

Account of Receipts and Payments	2013 €000	2012 €000
Balance at 1 January	2,556	2,610
Payment of Unclaimed Dividends	(28)	(54)
Balance at 31 December - Cash with Central Bank of Ireland	**2,528**	**2,556**

Dividends Claimed and Paid in Year	2013 €000	2012 €000
Irish Government Bonds Registered with Central Bank of Ireland	28	47
Foreign Bonds Administered by Paying Agent	-	7
Balance at 31 December - Cash with Central Bank of Ireland	**28**	**54**

22. Deposit Monies Investment Account

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

Account of Receipts and Payments	2013 €000	2012 €000
Balance at 1 January	162,082	256,383
Ways and Means Advances Paid to Exchequer	6,763,310	6,527,704
Ways and Means Advances Repaid by Exchequer	(6,720,417)	(6,622,005)
Balance at 31 December – Ways and Means Advances to Exchequer	**204,975**	**162,082**

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

No stock was accepted in payment of inheritance tax and death duties during 2013.

Notes to the Financial Statements (Continued)

24. Settlement of IBRC Promissory Notes

2013

Following the legislation placing Irish Bank Resolution Corporation ("IBRC") into special liquidation on 7 February 2013, and the agreement between the Irish Government and the Central Bank of Ireland ("CBI") to replace the promissory notes provided to State-owned IBRC with long-term Government Bonds, the promissory notes were cancelled and replaced with eight new Floating Rate Treasury Bonds. A total amount of €25.03 billion was issued on 8 February 2013 to the CBI with maturities ranging from 25 to 40 years. The bonds will pay interest every six months (June and December) based on the 6-month Euribor interest rate plus a fixed margin which averages 2.63 percentage points across the eight issues. The Agency has entered into short-term interest rate derivative trades to hedge an element of the exposure to interest rate movements. Further information is included within Note 13 – Derivatives.

2012

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

25. Events since the Balance Sheet Date

In May 2014, the Government published the National Treasury Management Agency (Amendment) Bill. The Bill will, when enacted, streamline and simplify the Agency's governance structures to enable a more integrated approach to the performance of its functions. The Agency will be reconstituted as a body with a Chairperson and eight other members who will have over-arching responsibility for all of the Agency's functions (excluding NAMA which will continue to have its own separate board). The National Development Finance Agency Board, the Agency Advisory Committee, National Pensions Reserve Fund Commission and State Claims Policy Committee will be dissolved.

There is no impact on the carrying values of the National Debt.

Financial Statements of the National Treasury Management Agency – Administration Account

For the year ended 31 December 2013

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

National Treasury Management Agency - Administration Account

I have audited the administration account of the National Treasury Management Agency for the year ended 31 December 2013 under the National Treasury Management Agency Act 1990. The administration account, which has been prepared under the accounting policies set out therein, comprises the accounting policies, the income and expenditure account, the statement of total recognised gains and losses, the balance sheet and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the administration account

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

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

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

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

Opinion on the administration account

In my opinion, the administration account, which has been properly prepared in accordance with generally accepted accounting practice in Ireland, gives a true and fair view of the state of the Agency's affairs at 31 December 2013 and of its income and expenditure for 2013.

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

Matters on which I report by exception

I report by exception if

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

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

Seamus McCarthy
Comptroller and Auditor General

28 June 2014

Accounting Policies

(a) Background

The National Treasury Management Agency ("the Agency") operates with a commercial remit to provide asset and liability management services to Government. It has evolved from being a single function agency managing the National Debt to becoming the manager of a complex portfolio of public assets and liabilities. Businesses managed by the Agency include borrowing for the Exchequer and management of the National Debt, the State Claims Agency, the New Economy and Recovery Authority, the National Pensions Reserve Fund and the National Development Finance Agency. It assigns staff to the National Asset Management Agency ("NAMA") and also provides it with business and support services and systems. In addition, under the direction issued to the Agency under Statutory Instrument (S.I.) No. 115 of 2010, the Minister for Finance delegated a number of banking system functions to the Agency. This delegation was revoked with effect from 5 August 2011 under S.I. No. 395 of 2011 and the Agency Banking Unit has since then been seconded to the Department of Finance.

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

(b) Reporting Currency

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

(c) Basis of Accounting

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

(d) Fixed Assets and Depreciation

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

(e) Leasing

Rentals under operating leases are charged to the Income and Expenditure Account on an accruals basis.

(f) Pensions

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

The defined benefit pension scheme 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 gains and losses are recognised in the Statement of Total Recognised Gains and Losses for the year in which they occur and a corresponding adjustment is recognised in the amount recoverable from the Central Fund.

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

Accounting Policies (Continued)

(g) Software

Computer software costs are charged to the Income and Expenditure Account in the period in which they are incurred.

(h) Capital Account

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

Income and Expenditure Account

Year ended 31 December

	Note	2013 €000	2012 €000
Income			
Amount Receivable from Central Fund	1(a)	41,915	34,621
Other Income	2	41,847	37,715
Net Deferred Pension Funding	4(a)	1,049	948
Transfer from/(to) Capital Account	9	47	(274)
		84,858	73,010
Expenditure			
Agency Costs	3(a)	(84,858)	(73,010)
Net Income/(Expenditure)		-	-

Statement of Total Recognised Gains and Losses

Year ended 31 December

	Note	2013 €000	2012 €000
Actuarial (Loss)\Gain recognised on Pension Liabilities	5(f)	(1,630)	3,415
Movement in Deferred Pension Funding	4(b)	1,630	(3,415)
Total Recognised (Loss)\Gain		-	-

Notes 1 to 11 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

27 June 2014

Balance Sheet

31 December

	Note	2013 €000	2012 €000
Fixed Assets			
Fixed Assets	6	3,202	3,249
Current Assets			
Debtors	7	9,130	13,757
Cash at Bank and in Hand		3,180	1,393
Total Current Assets		12,310	15,150
Current Liabilities			
Creditors	8	(12,310)	(15,150)
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities before Pensions		3,202	3,249
Deferred Pension Funding	5(d)	3,549	870
Pension Liability	5(d)	(3,549)	(870)
		-	-
Total Assets less Current Liabilities		**3,202**	**3,249**
Representing:			
Capital Account	9	**3,202**	**3,249**

Notes 1 to 11 form part of these financial statements.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

27 June 2014

Notes to the Financial Statements

1. Central Fund Income

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

	Note	2013 €000	2012 €000
Opening Amount due to Central Fund		9,419	3,963
Received from Central Fund		37,938	40,077
Amount due to Central Fund at year end	8	(5,442)	(9,419)
Central Fund Receivable for year		**41,915**	**34,621**

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

	Note	2013 €000	2012 €000
Creditors	8	(5,442)	(9,419)
Deferred Pension Funding	5(d)	3,549	870
		(1,893)	**(8,549)**

2. Other Income

	2013 €000	2012 €000
Recovery of Expenses from NAMA	40,768	36,890
Asset Covered Securities Income	811	465
Other Income	237	290
Recovery of Expenses from Covered Credit Institutions	31	70
	41,847	**37,715**

Under sections 41 and 42 of the National Asset Management Agency Act 2009, the Agency provides NAMA with business and support services and systems in addition to assigning staff to the functions of NAMA as agreed. The cost of these services for the year ended 31 December 2013 was €40.8m (2012: €36.9m).

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

The Agency recovered professional fees of €0.03m (2012: €0.07m) relating to banking system functions.

Other income primarily comprises an annual service fee charged to the Housing Finance Agency for borrowing on its behalf under a Commercial Paper Programme.

Notes to the Financial Statements (Continued)

3. Agency Costs

(a) Agency Costs

	Note	2013 €000	2012 €000
Employment Costs		57,831	51,009
Operating Expenses		13,371	11,884
Defined Benefit Pension Annual Cost	5(e)	6,617	5,599
Professional Fees		5,803	3,242
Depreciation	6	1,088	1,121
PRSA Pension Costs	3(d)	148	155
Total Expenses		**84,858**	**73,010**

Operating expenses include technology costs, occupancy costs, business services costs and staff travel expenses.

Following an internal tax compliance review, the Agency agreed a voluntary unprompted settlement with the Revenue Commissioners in respect of historic tax matters amounting to €0.37m, which was paid in 2013.

Under the direction issued to the Agency under Statutory Instrument (S.I.) No. 115 of 2010, the Minister for Finance delegated a number of banking system functions to the Agency. This delegation was revoked with effect from 5 August 2011 under S.I. No. 395 of 2011 and the Agency Banking Unit has since then been seconded to the Department of Finance. At the direction of the Minister, the costs of the Banking Unit, comprising staff costs and professional adviser costs, continue to be met by the Agency. Professional adviser costs of €2.1m (2012: €1.1m) were incurred in this regard. These costs are included in the Agency costs set out above.

(b) Expenses of the Agency for Specified Functions

	2013 €m	2012 €m
National Asset Management Agency	40.8	36.9
State Claims Agency	11.5	10.3
National Development Finance Agency	7.1	6.1
National Pensions Reserve Fund	3.9	3.9

Notes to the Financial Statements (Continued)

3. Agency Costs (Continued)

(c) Remuneration and Expenses
Advisory Committee Fees & Expenses

Remuneration of Advisory Committee members is set by the Agency with the consent of the Minister for Finance. Remuneration in respect of 2012 and 2013 is set out below:

	2013 €	2012 €
Willie Walsh (Chairperson – appointed 11 November 2013)	-	-
David Byrne (Chairperson – term ended 31 December 2012)	-	45,000
Kevin Cardiff (term ended 3 February 2012)	-	-
Hugh Cooney (term ended 31 December 2012)	-	22,500
Brendan McDonagh	22,500	22,500
John Moran (appointed 6 March 2012)	-	-
Tytti Noras	22,500	22,500
Donald Roth	22,500	22,500
Board Fees	**67,500**	**135,000**

The Chairperson of the Advisory Committee (Willie Walsh) waived his remuneration for 2013.

Kevin Cardiff and John Moran served on the Committee in their capacity as Secretary General of the Department of Finance. They received no remuneration in respect of their membership.

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

Expenses incurred in respect of Committee members are set out below:

Committee Member[1]	Travel €	Accommodation & Subsistence €	Tax €	Total 2013 €	Total 2012 €
Brendan McDonagh	17,122	2,037	13,507	32,666	20,200
Tytti Noras	6,283	1,738	2,369	10,390	8,330
Donald Roth	19,735	1,663	13,390	34,788	28,032
	43,140	**5,438**	**29,266**	**77,844**	**56,562**

Advisory Committee members are reimbursed approved expenses on a vouched basis. The Revenue Commissioners have clarified that tax is payable on these vouched expenses. The relevant taxes payable to the Revenue Commissioners for 2013 are identified separately above. The 2012 expenses are shown inclusive of tax.

[1] Brendan McDonagh lives in Bermuda, Tytti Noras lives in Finland and Donald Roth lives in the USA. Expenses relate to travel and accommodation costs to attend Advisory Committee meetings in the Agency's offices in Dublin.

Notes to the Financial Statements (Continued)

3. Agency Costs (Continued)

(c) Remuneration and Expenses (Continued)
Chief Executive Remuneration

	2013	2012
Salary	€416,500	€416,500
Taxable benefits	€29,129	€29,600

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. In 2012, the Chief Executive agreed to waive 15 per cent of his salary following a request by the Minister for Finance and this adjustment is reflected above. The pay reductions provided for in the Financial Emergency Measures in the Public Interest Act 2013, which took effect from 1 July 2013, apply to NTMA staff. Notwithstanding the reductions imposed by this Act, the Chief Executive has continued to waive such amount that his annual base salary remains as it was under the original waiver arrangement.

The remuneration of the Chief Executive consists of basic salary, taxable benefits (car and health insurance) and a performance related payment of up to 80 per cent of annual salary. The Chief Executive waived any consideration for performance related pay in respect of 2012 and 2013.

(d) Superannuation

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme set up under section 8 of the National Treasury Management Agency Act, 1990. Contributions, including those of staff who have opted for defined benefit arrangements, are transferred to an externally managed fund. The Agency contribution is determined on the advice of an independent actuary. For 2013 the Agency contribution was set at a level of 25 per cent of salary in respect of members of the Scheme prior to 1 January 2010 who receive benefits based on final salary. A contribution of 10 per cent of salary was made in respect of new members of the Scheme from 1 January 2010. These new entrants, including staff that previously availed of PRSA arrangements, will receive benefits based on career average earnings. Contributions to the defined benefit scheme by the Agency for the year ended 31 December 2013 amounted to €5.568m (2012: €4.651m). Following an actuarial review at the end of 2013, the contribution rate for all members is set at 14.2 per cent for 2014.

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

The Agency also contributed €147,791 (2012: €154,705) to PRSAs for a number of employees who are not members of the defined benefit scheme in 2013.

Notes to the Financial Statements (Continued)

4. Net Deferred Pension Funding

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

	Note	2013 €000	2012 €000
Funding Recoverable in Respect of Current Year Pension Costs	5(e)	6,617	5,599
Income Applied To Pay Contributions to Pension Fund	3(d)	(5,568)	(4,651)
Net Deferred Pension Funding		**1,049**	**948**

(b) Movement in the Deferred Pension Funding

	Note	2013 €000	2012 €000
Movement in amount recoverable in respect of current year actuarial loss/(gain)	5(f)	**1,630**	**(3,415)**

5. 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. The valuation has been determined by an independent actuary to take account of the requirements of FRS17 in order to assess the liabilities at the balance sheet date. Scheme assets are stated at their market value at the balance sheet date.

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

	2013 €000	2012 €000
Benefit Obligations at Beginning of Year	63,254	52,560
Service Cost	7,616	6,130
Interest Cost	3,034	2,974
Actuarial (Gain)/Loss	6,060	2,211
Benefits Paid	(344)	(490)
Premiums Paid	(130)	(131)
Benefit Obligations at End of Year	**79,490**	**63,254**

Notes to the Financial Statements (Continued)

5. Retirement Benefits (Continued)

(c) Change in the Fair Value of Scheme Assets

	2013 €000	2012 €000
Fair Value of Scheme Assets at Beginning of Year	62,384	49,223
Expected Return on Scheme Assets	2,921	2,504
Actuarial Gain	4,430	5,626
Employer Contributions	5,568	4,651
Member Contributions	1,112	1,001
Benefits Paid from Scheme	(344)	(490)
Premiums Paid	(130)	(131)
Fair value of Scheme Assets at End of Year	**75,941**	**62,384**

Scheme assets	%	%
The Asset Allocations at the Year End were as Follows:		
Equities	51.20	49.38
Bonds	34.31	33.82
Property	4.19	4.83
Alternatives	9.93	8.19
Cash	0.37	3.78
	100.00	**100.00**

To develop the assumption for the expected long-term rate of return on assets, 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 actual asset allocation to develop the assumption for the expected long-term rate of return on assets for the portfolio.

	2013 €000	2012 €000
Actual Return on Scheme Assets	**7,351**	**8,130**

(d) Scheme Surplus/(Deficit)

	2013 €000	2012 €000
Fair Value of Scheme Assets	75,941	62,384
Present Value of Funded Obligations	(79,490)	(63,254)
Deficit at year end	**(3,549)**	**(870)**
Amounts in the Balance Sheet		
Deferred Pension Funding	3,549	870
Pension Liability	(3,549)	(870)

Notes to the Financial Statements (Continued)

5. Retirement Benefits (Continued)

(e) Components of Pension Expense

The amount recognised in the Income and Expenditure Account is as follows:

	Note	2013 €000	2012 €000
Total Service Cost		7,616	6,130
Less Employee Contributions		(1,112)	(1,001)
Employer Current Service Cost		6,504	5,129
Interest Cost		3,034	2,974
Expected Return on Scheme Assets		(2,921)	(2,504)
Income and Expenditure Charge	3(a)	**6,617**	**5,599**

(f) Actuarial gain/(loss)

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

	2013 €000	2012 €000
Actuarial Loss on Scheme Obligations	(6,060)	(2,211)
Actuarial Gain on Scheme Assets	4,430	5,626
Statement of Total Recognised Gains and Losses	**(1,630)**	**3,415**

Notes to the Financial Statements (Continued)

5. Retirement Benefits (Continued)

(g) Principal Actuarial Assumptions

The principal actuarial assumptions used were as follows:

	2013 %	2012 %
Weighted average assumptions used to determine benefit obligations:		
Discount rate	4.00	4.30
Rate of salary increase	3.00	3.00
Rate of price inflation	2.00	2.00
Rate of pension increase	2.00/3.00	2.00/3.00
Weighted average assumptions used to determine pension expense:		
Discount rate	4.30	5.10
Expected long-term return on scheme assets	4.46	4.84
Rate of salary increase	3.00	4.00
Rate of price inflation	2.00	2.00
Rate of pension increase	2.00/3.00	2.00/4.00

	Years	Years
Weighted average life expectancy at age 60 for mortality tables used to determine benefit obligations:		
Future Pensioners		
- Male (current age 45)	30.5	30.4
- Female (current age 45)	31.6	31.5
Current Pensioners		
- Male (current age 60)	28.6	28.4
- Female (current age 60)	30.0	29.9
Weighted average life expectancy at age 65 for mortality tables used to determine benefit obligations:	**Years**	**Years**
Future Pensioners		
- Male (current age 45)	26.0	25.9
- Female (current age 45)	27.0	26.9
Current Pensioners		
- Male (current age 65)	23.5	23.3
- Female (current age 65)	24.9	24.8
Expected return on assets by asset allocation:	%	%
Equity securities	6.50	6.50
Debt securities	3.00	3.00
Property	5.50	5.50
Cash	1.00	1.00
Alternatives	6.50	6.50
Weighted average return based on asset allocation	4.49	4.46

The estimated pension expense for the year ended 31 December 2014 is €8.871m.

Notes to the Financial Statements (Continued)

5. Retirement Benefits (Continued)

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

	2013 €000	2012 €000	2011 €000	2010 €000	2009 €000
Defined Benefit Obligation	79,490	63,254	52,560	42,829	37,993
Fair Value of Scheme Assets	75,941	62,384	49,223	44,492	38,619
Deficit/(Surplus)	**3,549**	**870**	**3,337**	**(1,663)**	**(626)**
Difference between Expected and Actual Return on Scheme Assets:					
Amount	(4,430)	(5,626)	3,528	224	(5,373)
Expressed as a % of Scheme Assets	(5.8%)	(9.0%)	7.2%	0.5%	(13.9%)
Experience (Gain)/Losses on Scheme Liabilities:					
Amount	532	(1,128)	(821)	(1,814)	(1,348)
Expressed as a % of Scheme Liabilities	0.7%	(1.8%)	(1.6%)	(4.2%)	(3.5%)

6. Fixed Assets

	Property Fit-Out Costs €000	Furniture, Equipment & Motor Vehicles €000	Total €000
Cost:			
Opening Balance at 1 January 2013	2,494	7,346	9,840
Additions at Cost	324	738	1,062
Disposals	-	(118)	(118)
Balance at 31 December 2013	**2,818**	**7,966**	**10,784**
Accumulated Depreciation:			
Opening Balance at 1 January 2013	1,383	5,208	6,591
Depreciation for the Period	81	1,007	1,088
Disposals	-	(97)	(97)
Balance at 31 December 2013	**1,464**	**6,118**	**7,582**
Net Book Value at 31 December 2013	1,354	1,848	3,202
Net Book Value at 31 December 2012	1,111	2,138	3,249

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

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

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

Notes to the Financial Statements (Continued)

7. Debtors

	2013 €000	2012 €000
Amounts Receivable from NAMA	5,351	8,778
Other Debtors	2,315	2,893
Prepayments	1,464	2,086
	9,130	**13,757**

8. Creditors

	2013 €000	2012 €000
Central Fund	5,442	9,419
Creditors	3,524	1,809
Deferred Income	1,563	2,032
Accruals	1,781	1,890
	12,310	**15,150**

Deferred Income relates to a reverse premium on rental payments that will be credited to the Income and Expenditure Account on an annual basis in the period to April 2017 (Note 10).

9. Capital Account

			2013 €000	2012 €000
Opening Balance			3,249	2,975
Transfer from/(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets		1,062		
Amortisation of Capital Funding				
- Amortisation in Line with Depreciation	(1,088)			
- Net amount Released on Asset Disposal	(21)	(1,109)	(47)	274
Closing Balance			**3,202**	**3,249**

10. Commitments

Operating Leases

In 1991, 2004 and 2007, the Agency entered into lease agreements of varying duration until 2026 and 2027, in respect of office accommodation at Treasury Building, Grand Canal Street, Dublin 2. The Agency also entered into a lease in 2012 until 2017 in respect of office accommodation on the fourth floor at Treasury Building, Grand Canal Street, Dublin 2.

The gross annual rental cost under these operating leases is €2.8m, excluding a reverse premium of €0.5m per annum relating to deferred income included in Note 8.

The nominal future minimum lease payments are set out in the following table:

Notes to the Financial Statements (Continued)

10. Commitments (Continued)

31 December 2013	Less than 1 year €000	1-5 years €000	More than 5 years €000	Total €000
Operating Leases	2,828	9,527	13,861	26,216

11. Events since the Balance Sheet Date

In May 2014, the Government published the National Treasury Management Agency (Amendment) Bill. The Bill will, when enacted, streamline and simplify the NTMA's governance structures to enable a more integrated approach to the performance of its functions. The NTMA will be reconstituted as a body with a Chairperson and eight other members who will have over-arching responsibility for all of the NTMA's functions (excluding NAMA which will continue to have its own separate board). The National Development Finance Agency Board, NTMA Advisory Committee, NPRF Commission and State Claims Policy Committee will be dissolved.

There is no impact to the carrying values on the Balance Sheet.

Financial Statements of the Post Office Savings Bank Fund

For the year ended 31 December 2013

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

Post Office Savings Bank Fund

I have audited the financial statements of the Post Office Savings Bank Fund (the Fund) for the year ended 31 December 2013 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 statements have been prepared in the form prescribed under section 12 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

Scope of audit of the financial statements

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

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

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

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

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the Fund's affairs at 31 December 2013 and of its income and expenditure for 2013.

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

Matters on which I report by exception

I report by exception if

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

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

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General
30 June 2014

Accounting Policies

(a) Background

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

The Fund has the following main purposes:

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

(b) Reporting Currency

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

(c) Basis of Accounting

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

(d) Investments

Investments are stated at cost.

Income and Expenditure Account

Year Ended 31 December

	Note	2013 €000	2012 €000
Investment Income	1	65,905	122,087
Interest Paid and Payable	2	9,988	39,416
Other Expenses	3	26,303	29,362
		36,291	68,778
Surplus for the Year		29,614	53,309
Balance at 1 January		66,604	13,295
Balance at 31 December		**96,218**	**66,604**

Notes 1 to 8 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency
30 June 2014

Balance Sheet

31 December

	Note	2013 €000	2012 €000
Assets			
Advances	4	484,932	637,434
Investments	5	1,319,896	1,359,760
Debtors	6	44,902	54,460
Central Treasury Loans		37,384	41,117
Cash with Central Bank of Ireland		864,379	751,599
		2,751,493	**2,844,370**
Liabilities			
Post Office Savings Bank Deposits	7	2,650,450	2,773,689
Creditors	8	4,825	4,077
Accumulated Reserves		96,218	66,604
		2,751,493	**2,844,370**

Notes 1 to 8 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency
30 June 2014

Notes to the Financial Statements

1. Investment Income

	2013 €000	2012 €000
Net Interest Received and Receivable	64,017	48,570
Profit on Sale of Investments	1,888	73,517
	65,905	**122,087**

Sale and Repurchase agreements are transacted between the Fund and primary dealers in the bond market. The related income or interest cost arising from these transactions is reflected in Investment Income.

2. Interest Paid and Payable

	2013 €000	2012 €000
Interest Paid and Credited to Depositors of Post Office Savings Bank	**9,988**	**39,416**

3. Other Expenses

	2013 €000	2012 €000
Management Expenses	**26,303**	**29,362**

4. Advances

	2013 €000	2012 €000
Advances to Exchequer	470,632	623,634
Advances to the State Claims Agency	14,300	13,800
	484,932	**637,434**

Advances to the Exchequer represent Ways and Means funds, which have been loaned to the Exchequer.
No financing costs were charged by the Fund to the State Claims Agency.

5. Investments

	2013 €000	2012 €000
Bonds		
At Cost	1,319,896	1,359,760
Valuation as at 31 December	**1,366,997**	**1,412,212**

Notes to the Financial Statements (Continued)

5. Investments (Continued)

Schedule of Investment Holdings:

Nominal €000	Stock	2013 Cost €000
305,988	4.0% Treasury Bond 2014	313,611
83	8.25% Treasury Bond 2015	101
429,900	4.5% Treasury Bond 2015	453,485
818	4.6% Treasury Bond 2016	876
109,221	5.5% Treasury Bond 2017	123,083
59,369	4.5% Treasury Bond 2018	65,295
1,932	5.9% Treasury Bond 2019	2,214
43,103	4.4% Treasury Bond 2019	46,400
41,932	5.0% Treasury Bond 2020	46,117
43,117	4.5% Treasury Bond 2020	46,335
7,779	3.9% Treasury Bond 2023	7,908
43,921	5.4% Treasury Bond 2025	49,392
11,617	5.72% Amortising Bond 2027	11,620
21,408	5.82% Amortising Bond 2032	21,416
28,126	5.92% Amortising Bond 2037	29,778
29,734	5.92% Amortising Bond 2042	31,686
61,265	5.92% Amortising Bond 2047	70,579
1,239,313		**1,319,896**

6. Debtors

	2013 €000	2012 €000
Dividends and Interest Receivable	40,549	44,490
Cash Balances held by An Post	4,353	9,862
Balance due from Dormant Accounts Fund	-	108
	44,902	**54,460**

7. Post Office Savings Bank Deposits

	2013 €000	2012 €000
Deposits from Post Office Savings Bank	**2,650,450**	**2,773,689**

In April 2013 €2,282,998 (2012: €1,826,048) was transferred from the Fund to the Dormant Accounts Fund under the Dormant Accounts Act, 2001. At 31 December 2013, a liability of €37,378,265 (2012: €36,220,683) remained following account reactivations of €1,190,604 (2012: €1,416,277) and the capitalisation of interest (net of DIRT) of €65,188 (2012: €250,258). If reclaimed by POSB depositors this is payable from the Dormant Accounts Fund. The POSB deposits of €2,650,449,890 (2012: €2,773,688,432) do not include this liability.

8. Creditors

	2013 €000	2012 €000
Net Funds due under Sale and Repurchase Agreements	4,164	1,337
DIRT due to An Post	661	2,740
	4,825	**4,077**

Financial Statements of the Capital Services Redemption Account

For the year ended 31 December 2013

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

I have audited the Capital Services Redemption Account for the year ended 31 December 2013 under Section 22 of the Finance Act 1950. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects the transactions for the year ended 31 December 2013 and the balance at that date.

Seamus McCarthy
Comptroller and Auditor General

28 June 2014

Account of Receipts and Payments

Year Ended 31 December

	Note		2013 €000		2012 €000
Balance at 1 January			360		405
Receipts					
Interest Annuity		1,959,426		2,011,484	
Sinking Fund Annuity		624,552		645,681	
	2		2,583,978		2,657,165
Derivative Transactions	3	76,014,770		17,020,772	
Interest on Cash and Other Financial Assets		114,162		130,108	
Other Interest		1		26	
Commitment and Other Fees	4	12,089		15,460	
			76,141,022		17,166,366
			78,725,360		**19,823,936**
Payments					
Redemption of:					
Irish Government Bonds Listed on Irish Stock Exchange		619,489		645,555	
Other Debt Instruments		5,063		126	
			624,552		645,681
Derivative Transactions	3	76,139,480		17,152,053	
Interest on National Debt	5	1,960,440		2,025,842	
Expenses on National Debt	5	389		-	
			78,100,309		19,177,895
Balance at 31 December			499		360
			78,725,360		**19,823,936**

Notes 1 to 5 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

26 June 2014

Notes to the Account

1. Background

The Capital Services Redemption Account ("CSRA") was established under section 22 of the Finance Act, 1950 as amended. The balance in the account is maintained by the National Treasury Management Agency ("the Agency") at a level subject to guidelines issued by the Minister for Finance under section 4(4) of the National Treasury Management Agency Act, 1990. Under ministerial guidelines, the balance in the CSRA at year end 2013 was to be less than €1 million.

2. Annuities

Under section 22 of the Finance Act, 1950 as amended, annuities are provided for in each year's Finance Act and are paid into the CSRA 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 ("Sinking Fund").

3. Derivative Transactions

The Minister for Finance may enter into transactions of a normal banking nature in accordance with section 54(7) of the Finance Act, 1970 as amended and in accordance with section 67(8) of the Finance Act, 1988.

Transactions of a normal banking nature include portfolio management activities such as forward exchange deals, swaps and interest on deposits which are related to debt servicing costs. Receipts from such transactions, other than those in a currency for which a foreign currency clearing account has been established under section 139 of the Finance Act, 1993, must be received into the CSRA. 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.

In 2013, derivative transactions included:

	€000 Receipts	€000 Payments	€000 Net
NAMA Related Derivatives	23,261,699	(23,261,699)	-
IBRC Related Derivatives	52,424,049	(52,424,049)	-
National Debt Related Derivatives	329,022	(453,732)	(124,710)
	76,014,770	**(76,139,480)**	**(124,710)**

In 2012, derivative transactions included:

	€000 Receipts	€000 Payments	€000 Net
NAMA Related Derivatives	16,741,446	(16,741,446)	-
IBRC Related Derivatives	-	-	-
National Debt Related Derivatives	279,326	(410,607)	(131,281)
	17,020,772	**(17,152,053)**	**(131,281)**

Notes to the Account (Continued)

3. Derivative Transactions (Continued)

Receipts and payments arising from transactions of a normal banking nature include receipts and payments of €23.3 billion (2012: €16.7 billion) arising from derivatives which were entered into with the National Asset Management Agency ("NAMA") in accordance with sections 52 and 235 of the National Asset Management Agency Act, 2009. Statutory Instruction No. 203/2010 delegates NAMA transactions of a normal banking nature to the Agency. Such transactions are offset by matching transactions with market counterparties and as a result there is no net effect on the account.

The Agency entered into two Collateral Posting Agreements with NAMA under which NAMA is required to post collateral to the Agency when required to do so by the Agency. At end 2013, NAMA had posted collateral of €0.802 billion (2012: €1.15 billion) as part of these Agreements.

Receipts and payments arising from transactions of a normal banking nature include receipts and payments of €52.4 billion (2012: NIL) arising from derivatives which were entered into with the Irish Bank Resolution Corporation Limited (in Special Liquidation) ("IBRC") in accordance with section 17(4) of the Irish Bank Resolution Corporation Act, 2013. Statutory Instruction No. 57/2013 delegates IBRC transactions of a normal banking nature to the Agency. Such transactions are offset by matching transactions with market counterparties and as a result there is no net effect on the account.

The Agency entered into a Collateral Posting Agreement with IBRC under which IBRC is required to post collateral to the Agency when required to do so by the Agency. At end 2013, IBRC had posted collateral of €0.102 billion (2012: NIL) as part of this Agreement.

4. Commitment and Other Fees

	2013 €000	2012 €000
Refund of Commitment Fees	11,858	15,460
Other Fee Receipts	231	-
	12,089	**15,460**

Notes to the Account (Continued)

5. Amounts Applied in Meeting Interest and Expenses on National Debt

	2013 €000	2012 €000
Interest		
Fixed Rate Treasury Bonds (Maturity 2013 to 2025)	1,647,361	1,890,602
Amortising Bonds (Maturity 2032)	1,011	-
Floating Rate Treasury Bonds (Maturity 2038 to 2053)	304,188	-
European Financial Stability Facility Interest	-	115,330
State Savings Interest	6,895	5,551
Interest Paid on Credit Support Annex (CSA) Cash Collateral	985	1,290
Irish Treasury Bills	-	701
Short Term Paper	-	12,368
	1,960,440	2,025,842
Expenses		
European Financial Stability Facility Fees	389	-
	1,960,829	**2,025,842**

Account of the Small Savings Reserve Fund

For the year ended 31 December 2013

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

I have audited the account of the Small Savings Reserve Fund for the year ended 31 December 2013 under the National Treasury Management Agency Act 1990. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2013 and the balance at that date.

Seamus Mc Carthy.

Seamus McCarthy
Comptroller and Auditor General

27 June 2014

Account of Receipts and Payments

Year Ended 31 December

	2013 €000	2012 €000
Balance at 1 January	NIL	NIL
Received/(Paid) from/(to) Exchequer	NIL	NIL
Balance at 31 December	**NIL**	**NIL**
Estimated Accrued Interest at 31 December	603,622	547,928

The Small Savings Reserve Fund ("the Fund") was set up under section 160 of the Finance Act, 1994. Small Savings include Savings Certificates, National Instalment Savings and Savings Bonds. The initial amount paid into the Fund has been expended. No moneys were paid into the Fund in 2013 or were held in the Fund at year end. In the normal course where interest payments on encashments of small savings exceed 11 per cent of the total interest accrued for the previous year, the resources of the Fund may be applied towards meeting those interest costs which exceed 11 percent of that accrued income. Interest payments on encashments of small savings in 2013 were €298 million which represented 54 per cent of the interest accrued of €548 million at 31 December 2012.

John C. Corrigan

John C. Corrigan, Chief Executive
National Treasury Management Agency

24 June 2014

Financial Statements of the State Claims Agency

For the year ended 31 December 2013

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

State Claims Agency

I have audited the financial statements of the State Claims Agency (the Agency) for the year ended 31 December 2013 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 statements have been prepared in the form prescribed under section 12 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the financial statements

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

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

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

In addition, I read the information about the Agency in the annual report of the National Treasury Management Agency to identify 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 2013 and of its income and expenditure for 2013.

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

Matters on which I report by exception

I report by exception if

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

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

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General
27 June 2014

Accounting Policies

(a) Background

Under the National Treasury Management Agency (Amendment) Act, 2000 (the "Act"), the management of personal injury and property damage claims against the State and of the underlying risks was delegated to the National Treasury Management Agency ("NTMA"). When performing these functions, the NTMA is known as the State Claims Agency (the "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 (the "Scheme") was delegated to the SCA. The Scheme was established in order to rationalise medical indemnity arrangements for the health service. Under the Scheme, the State assumes full responsibility for the indemnification and management of clinical negligence claims.

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

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

The significant accounting policies adopted are as follows:

(b) Reporting Currency

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

(c) Basis of Accounting

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

(d) 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.

(e) 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

	Note	2013 €000	2012 €000
Received and receivable from State Authorities in Respect of			
Claims and Expenses	1	139,592	100,224
Costs Recovered on Behalf of State Authorities		1,738	3,818
		141,330	**104,042**
Paid and Payable in Respect of Awards		92,521	56,847
Other Expenses	2	47,071	43,377
Reimbursement of Costs Recovered to State Authorities		1,738	3,818
		141,330	**104,042**

Notes 1 to 8 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

25 June 2014

Balance Sheet

31 December

	Note	2013 €000	2012 €000
Assets			
Investments	3	5,623	5,327
Debtors	4	15,096	13,831
Cash		2,126	2,048
		22,845	**21,206**
Liabilities			
Special Obstetrics Indemnity Scheme	3	5,623	5,327
Borrowings from Post Office Savings Bank Fund	5	14,300	13,800
Creditors	6	2,922	2,079
		22,845	**21,206**

Notes 1 to 8 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

25 June 2014

Notes to the Financial Statements

1. Income

	Note	2013 €000	2012 €000
Opening Balance	4	(13,827)	(3,807)
Received from State Authorities		138,272	89,559
Received from the Special Obstetrics Indemnity Scheme		65	645
Closing Balance	4	15,082	13,827
		139,592	**100,224**

2. Other Expenses

	2013 €000	2012 €000
State Claims Agency Expenses		
Legal Fees	18,759	16,497
Medical Fees	2,674	3,317
Engineers' Fees	265	278
Other Fees (including investigation and actuary fees)	1,107	992
	22,805	**21,084**
Plaintiff Expenses		
Legal Fees	24,233	22,271
Other Expert Fees	2	-
Travel Expenses	12	13
	24,247	**22,284**
Witness Expenses	19	9
	47,071	**43,377**

In addition to the above expenses, the administrative costs incurred by the NTMA in the performance of the SCA's functions amounted to €11,466,570 (2012: €10,308,315). These costs are included in the administration expenses of the NTMA and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from State Authorities.

Remuneration and Expenses (included in the administration expenses of the NTMA)
Remuneration of State Claims Policy Committee members is set by the NTMA with the consent of the Minister for Finance. Remuneration in respect of 2012 and 2013 is set out below:

		2013 €	2012 €
Noel Whelan	(Chairperson – reappointed 1 July 2012)	13,713	10,918
Anthony Delaney		9,142	9,142
Christopher Moore		9,142	9,142
Niamh Moran		9,142	9,142
Fachtna Murphy	(appointed 1 July 2012)	9,142	4,571
Wendy Thompson	(appointed 1 July 2012)	-	-
Charlie Hardy	(appointed 1 July 2012)	-	-
Board Fees		**50,281**	**42,915**

Notes to the Financial Statements (Continued)

2. Other Expenses (Continued)

Charlie Hardy, appointed in his capacity as a civil servant, did not receive any remuneration in respect of his Committee membership. Wendy Thompson waived her fees as a Committee member for 2012 and 2013.

No Committee member related expenses were paid for 2013.

3. Special Obstetrics Indemnity Scheme/Investments

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

The Minister for Health authorised the SCA to draw down amounts from time to time from the fund to reimburse the SCA under section 16(2) of the National Treasury Management Agency (Amendment) Act, 2000 for any amounts paid by the SCA on behalf of the participating hospitals or on behalf of any person covered by the MPS.

During 2013, following an agreement between Mount Carmel and the Department of Health, Mount Carmel made a contribution of €350,000 to the fund towards the cost of prospective claims.

As at 31 December 2013 Scheme funds are invested in Exchequer Notes. Income earned on the Scheme's investments is paid into the fund and is not recognised as income of the SCA.

The movement on the Special Obstetrics Indemnity Scheme during 2013 was:

	2013 €000	2012 €000
Opening Balance	5,327	5,936
Contributions to Fund	350	-
Claim Settlements and Expenses	(65)	(645)
Income Earned	11	36
Balance Available for Settlement of Claims	**5,623**	**5,327**

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

4. Debtors

	2013 €000	2012 €000
Receivable from State Authorities	15,082	13,827
Other	14	4
	15,096	**13,831**

Notes to the Financial Statements (Continued)

5. Borrowings from the Post Office Savings Bank Fund

Under section 16 of the National Treasury Management Agency (Amendment) Act, 2000 the Minister for Finance may advance moneys from the Post Office Savings Bank Fund (the "POSB") to the SCA for payment of the amount of any costs, charges and expenses in respect of the services of professional and other expert advisers, the amount of any award or settlement to be paid to a claimant in respect of a delegated claim, and the amount of interest (if any) payable thereon. Funds are drawn from the POSB Fund as required during the year to cover the above costs incurred by the SCA on behalf of the State Authorities. The SCA then receives reimbursements from the State Authorities and repays the POSB on a regular basis throughout the year. No financing costs are charged to the SCA from the POSB.

6. Creditors

	2013 €000	2012 €000
Payable in respect of Expenses	1,423	874
Payable in respect of Awards	521	785
Professional Services Withholding Tax due	405	335
Amounts due to State Authorities	573	85
	2,922	**2,079**

7. Estimated Liabilities of State Authorities

During 2013, 2,242 (2012: 2,276) new claims were received and almost 1,861 (2012: 1,951) were settled. At 31 December 2013, the SCA had a total of 6,188 (2012: 5,755) claims under management.

At 31 December 2013 the estimated liability of State Authorities in respect of claims under management by the SCA was €1.23bn (2012: €1.1bn), of which €1.04bn (2012: €970m) was attributable to Clinical Claims and €187m (2012: €157m) to Employer Liability, Public Liability and Property Damage Claims. The liability is an estimate calculated by reference to the ultimate cost of resolving each claim including all foreseeable costs such as settlement amounts, plaintiff legal costs and defence costs.

8. Events since the Balance Sheet Date

In April 2014 the claims management of a further 61 public bodies (including the Voluntary Hospitals' Group delegations) were delegated to the SCA, bringing the total number within the SCA's remit from 56 to 117.

In May 2014 the Government published the National Treasury Management Agency (Amendment) Bill. The Bill will, when enacted, streamline and simplify the NTMA's governance structures to enable a more integrated approach to the performance of its functions. The NTMA will be reconstituted as a body with a Chairperson and eight other members who will have over-arching responsibility for all of the NTMA's functions (excluding NAMA which will continue to have its own separate board). The National Development Finance Agency Board, NTMA Advisory Committee, NPRF Commission and State Claims Policy Committee will be dissolved.

Financial Statements of the Dormant Accounts Fund

For the year ended 31 December 2013

Statement of Agency's Responsibilities

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

In preparing those statements, the Agency:

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

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

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

John C. Corrigan, Chief Executive
National Treasury Management Agency

26 June 2014

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

Dormant Accounts Fund

I have audited the financial statements of the Dormant Accounts Fund for the year ended 31 December 2013 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 statements have been prepared in the form prescribed under section 46 of the Act, and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

Scope of audit of the financial statements

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

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

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

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

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with generally accepted accounting practice in Ireland, give a true and fair view of the state of the Dormant Accounts Fund's affairs at 31 December 2013 and of its transactions for 2013.

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

Matters on which I am required to report by exception

I report by exception if

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

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

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General
28 June 2014

Accounting Policies

(a) Background

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

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

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

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

As provided for in the Dormant Accounts (Amendment) Act 2005, the Minister for Environment, Community and Local Government established the Dormant Accounts Board on 4 January 2006. It replaced the Dormant Accounts Fund Disbursements Board which was dissolved on the same date. Section 5 of the Dormant Accounts (Amendment) Act 2012 provided for the dissolution of the Dormant Accounts Board on the appointed day. Under the terms of the Dormant Accounts (Amendment) Act 2012 (Appointed Day) Order 2012 the Dormant Accounts Board was dissolved as of 26 September 2012, and its functions transferred to the Minister for Environment, Community and Local Government. While the Dormant Accounts Board had a mainly monitoring and advisory role, it was empowered to direct the Agency to make disbursements from the Dormant Accounts Fund.

The significant accounting policies adopted are as follows:

(b) Reporting Currency

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

(c) Reporting Period

The reporting period is the year ended 31 December 2013.

(d) Basis of Accounting

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

Investment and Disbursements Account

Year ended 31 December

	Note	2013 €000	2012 €000
Moneys Transferred to the Fund in Respect of Dormant Accounts and Unclaimed Assurance Policies	1	44,561	43,886
Amount Transferred to Reserve Account	2	(23,425)	(28,286)
Disbursements	3	(1,487)	(4,160)
Interest Earned	10	1,509	1,881
Movement for the Year		21,158	13,321
Balance at 1 January		101,942	88,621
Balance at 31 December		**123,100**	**101,942**

Notes 1 - 10 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

26 June 2014

Reserve Account

Year ended 31 December

	Note	2013 €000	2012 €000
Repayment of Moneys Transferred to the Fund	1	(19,546)	(22,331)
Interest on Repayment of Moneys Transferred to the Fund	1	(422)	(223)
Transfer from Investment and Disbursements Account	2	23,425	28,286
Other Expenses	4	(647)	(803)
Interest Earned	10	210	123
Movement for the Year		3,020	5,052
Balance at 1 January		59,388	54,336
Balance at 31 December		**62,408**	**59,388**

Notes 1 - 10 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

26 June 2014

Balance Sheet

31 December

	Note	2013 €000	2012 €000
Assets			
Financial Assets			
- Investments at Cost	5	49,052	50,115
Current Assets			
- Cash and Bank Deposits	6	134,378	109,556
- Debtors	7	2,137	1,835
Liabilities			
- Accrued Reclaims		(59)	(176)
Net Assets		**185,508**	**161,330**
Represented by:			
Investment and Disbursements Accounts		123,100	101,942
Reserve Account		62,408	59,388
		185,508	**161,330**

Notes 1 - 10 form part of these financial statements.

John C. Corrigan, Chief Executive
National Treasury Management Agency

26 June 2014

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 1/1/13 €	Transferred €	Reclaimed €	Closing Balance 31/12/13 €	Interest Paid €
ACC Bank plc	6,059,462	593,282	(398,928)	6,253,816	11,093
Allied Irish Banks plc	62,203,544	7,299,548	(1,641,602)	67,861,490	5,352
Barclays Bank Ireland plc	344,025	-	-	344,025	-
BNP Paribas SA	83,575	-	-	83,575	-
Bank of America National Association	154,778	-	-	154,778	-
Bank of Ireland (The Governer & Company of)	65,668,500	6,264,130	(2,809,591)	69,123,039	34,313
Bank of Scotland plc	567,088	-	-	567,088	-
Citibank Europe plc	28,700	-	-	28,700	-
EBS Ltd	15,081,361	2,088,616	(1,221,934)	15,948,043	41,960
EAA Corporate Services plc (formerly WestLB Ireland plc)	122,119	-	-	122,119	-
KBC Bank Ireland plc	785,993	-	-	785,993	-
Irish Bank Resolution Corporation Ltd (in special liquidation)	629,363	-	-	629,363	-
Investec Bank plc	1,557,617	52,787	(583)	1,609,821	27
JP Morgan Bank (Ireland) plc	48,897	-	-	48,897	-
Danske Bank (formerly National Irish Bank Ltd)	5,300,968	445,692	(36,489)	5,710,171	295
Permanent TSB plc	35,049,448	4,454,271	(920,946)	38,582,773	5,162
Pfizer International Bank	33,617	-	(44)	33,573	-
An Post – Instalment Savings	1,653,757	472,010	(211,142)	1,914,625	15,899
An Post - Instalment Savings (Capitalised Interest)	4,167,099	660,532	(431,753)	4,395,878	-
An Post - Post Office Savings Bank (Capitalised Interest)	20,178	1,141	-	21,319	-
An Post - Post Office Savings Bank	34,983,041	2,281,857	(1,241,346)	36,023,552	54,869
An Post - Savings Bonds (Capitalised Interest)	2,906,682	885,897	(370,631)	3,421,948	-
An Post - Savings Bonds	2,179,150	1,402,527	(429,794)	3,151,883	-
An Post - Savings Certs (Capitalised Interest)	47,725,342	5,348,264	(4,437,900)	48,635,706	-
An Post - Savings Certs	15,319,521	3,220,933	(1,933,554)	16,606,900	73,784
RBS NV (formerly ABN AMRO)	34,992	-	-	34,992	-
The Royal Bank of Scotland plc	36,646	690	-	37,336	-
Scotiabank (Ireland) Limited	1,003,127	-	(910,174)	92,953	182,544
Ulster Bank (formerly First Active)	8,118,536	-	(75,896)	8,042,640	97
Ulster Bank Ireland Limited	15,674,730	355,730	(222,134)	15,808,326	535
TOTAL	**327,541,856**	**35,827,907**	**(17,294,441)**	**346,075,322**	**425,930**

Notes to the Financial Statements

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

Assurance Companies – Unclaimed Assurance Policies

Institution	Opening Balance 1/1/13 €	Transferred €	Reclaimed €	Closing Balance 31/12/13 €	Interest Paid €
Specified Term					
Acorn Life Ltd	251	-	(251)	-	-
Ark Life Assurance Co. Ltd	44,531	653,496	(159,523)	538,504	-
Aviva Life & Pensions Ire Ltd (formerly Hibernian)	2,654,596	751,382	(180,170)	3,225,808	-
Caledonian Life	104,748	-	-	104,748	-
Canada Life Ireland	1,404,214	574,617	(243,037)	1,735,794	-
Equitable Life	7,131	-	-	7,131	-
Friends First Life Assurance Co. Ltd	1,936,444	440,860	(307,518)	2,069,786	-
Irish Life Assurance Co.plc	4,196,421	37,212	(67,066)	4,166,567	-
New Ireland Assurance Co. plc	212,151	27,555	(25)	239,681	-
Phoenix Life Ltd (formerly Alba Life)	188,218	-	-	188,218	-
Phoenix Life Ltd (formerly Royal & SunAlliance)	908,164	11,986	-	920,150	-
Phoenix Life Ltd (formerly Scottish Provident Ireland)	1,248,394	1,272,823	(47,928)	2,473,289	-
Royal London Mutual Insurance Society Ltd	5,828,686	1,022,031	(33,072)	6,817,645	-
St. James Place International plc	10,649	-	-	10,649	-
Scottish Legal Life	584,999	13,320	-	598,319	-
Standard Life International Ltd	790,943	255,777	-	1,046,720	-
Sun Life	167,491	52,242	(26,134)	193,599	-
Zurich Life Assurance plc (formerly Eagle Star)	804,552	362,101	(124,596)	1,042,057	-
No Specified Term					
Acorn Life Ltd	8,640	14,108	(7,902)	14,846	-
Ark Life Assurance Co. Ltd	33,901	222,209	(31,227)	224,883	-
Aviva Life & Pensions Ire Ltd (formerly Hibernian)	1,877,322	80,560	(18,279)	1,939,603	-
Caledonian Life	31,113	-	-	31,113	-
Canada Life Ireland	3,658,251	73,210	(368,500)	3,362,961	-
Friends First Life Assurance Co. Ltd	965,246	201,403	(26,669)	1,139,980	-
Irish Life Assurance Co. plc	5,040,243	407,276	(66,928)	5,380,591	-
New Ireland Assurance Co. plc	10,498,690	276,880	-	10,775,570	-
Phoenix Life Ltd (formerly Alba Life)	15,033	-	-	15,033	-
Phoenix Life Ltd (formerly Royal & SunAlliance)	21,910	12,743	-	34,653	-
Phoenix Life Ltd (formerly Scottish Provident Ireland)	275,195	-	-	275,195	-
Royal London Mutual Insurance Society Ltd	8,794,777	1,057,294	(246,954)	9,605,117	-
Scottish Legal Life	480,719	22,105	-	502,824	-
Standard Life International Ltd	1,289,626	343,056	(170,780)	1,461,902	-
Sun Life	47,473	-	-	47,473	
Zurich Life Assurance plc (formerly Eagle Star)	1,908,777	375,738	(66,322)	2,218,193	-
TOTAL	**56,039,499**	**8,561,984**	**(2,192,881)**	**62,408,602**	**-**
The Escheated Estate Fund	4,400,000	-	-	4,400,000	-
Accrued Reclaims	(171,120)	171,120	(58,975)	(58,975)	(4,374)
GRAND TOTAL	**387,810,235**	**44,561,011**	**(19,546,297)**	**412,824,949**	**421,556**

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 €469,191 from €412,824,949 to €412,355,758.

2. Transfers to the Reserve Account

Under section 17 (4) of the Dormant Accounts Act 2001 as amended, the Agency pays into the Reserve Account, from time to time, an amount determined by the Agency, with the approval of the Minister for 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. A transfer is made periodically by the Agency to maintain the balance in the Reserve Account at a currently approved 15 per cent of the total dormant funds received by the Dormant Accounts Fund and not yet reclaimed. The balance in the Reserve Account may deviate from 15 per cent in the intervening period between the periodic rebalancing dates.

3. Disbursements

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

	2013 €000	2012 €000
On direction of the Minister for Public Expenditure and Reform:		
Department of Children and Youth Affairs	800	1,599
Department of Education and Skills	8	379
Department of Environment, Community and Local Government	5	-
Department of Environment, Community and Local Government (adminstered by Pobal)	591	1,932
Department of Social Protection	-	192
Irish Prison Service	-	58
Irish Prison Service (adminstered by Pobal)	83	-
	1,487	**4,160**

Notes to the Financial Statements (Continued)

4. a) Other Expenses

	2013 €000	2012 €000
Board Fees	-	32
Board Expenses	1	1
Fees of Service Provider (Pobal*)	645	750
Consultancy and Advisory fees	1	10
Other Expenses	-	10
	647	**803**

* Pobal receives an annual service fee for its administration of projects in receipt of Dormant Accounts Fund grants. The fee is paid by the Department of the Environment, Community and Local Government (DECLG) and reimbursed from the Dormant Accounts Fund.

b) Expenses of the National Treasury Management Agency

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

	2013 €000	2012 €000
General Administration	150	150

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

5. Financial Asset

	2013 €000	2012 €000
5.0% Irish Treasury Bond 2013	-	50,115
4.0% Irish Treasury Bond 2014	49,052	-
	49,052	**50,115**

6. Cash and Bank Deposits

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

Notes to the Financial Statements (Continued)

7. Debtors

	2013 €000	2012 €000
Bond Interest Receivable	1,885	1,753
Central Bank Deposit Interest Receivable	11	13
Commercial Deposit Interest Receivable	241	69
	2,137	**1,835**

8. (a) Contingent Exchequer Liability

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

(b) Analysis of Contingent Exchequer Liability:

	1 January 2013 €000	Movement during the year €000	31 December 2013 €000
Net Assets of Fund	161,330	24,178	185,508
Dormant Funds Transferred not Reclaimed	(387,810)	(25,015)	(412,825)
Contingent Liability	**(226,480)**	**(837)**	**(227,317)**

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

	Note	€000
Interest Earned	10	1,719
Interest on Repayments of Moneys Transferred to the Fund	1	(422)
Disbursements	3	(1,487)
Other expenses	4	(647)
Movement for the year		**(837)**

Notes to the Financial Statements (Continued)

9. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act 2001 as amended, the Agency is required to report to the Minister for Environment, Community and Local Government the investment return achieved by the Fund. The annualised return on the Fund for the year was 1.64 per cent (2012: 1.29 per cent).

10. Interest Earned

	Investment & Disbursements Account €000	Reserve Account €000	Total 2013 €000	Total 2012 €000
Bond Holding	892	-	892	1,315
Commercial Deposits	595	181	776	402
Central Bank Deposits	22	29	51	287
	1,509	**210**	**1,719**	**2,004**

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

Tel: +353 1 238 4000

www.ntma.ie