National Treasury Management Agency

Annual Report and Accounts for the year ended
31 December 2009

National Treasury Management Agency

30 June 2010

Mr. Brian Lenihan T.D.
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 2009.

Yours sincerely,

John C. Corrigan
Chief Executive

Treasury Building, Grand Canal Street, Dublin 2, Ireland. Telephone: (353 1) 664 0800 Fax: (353 1) 664 0890 e-mail: info@ntma.ie Swift: NTMAIE2D

NTMA

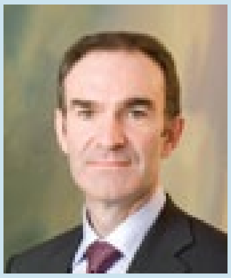
REPORT & ACCOUNTS

For the year ended 31 December 2009

Contents

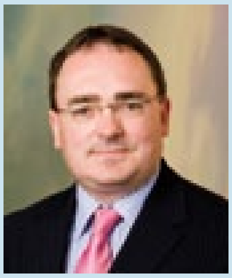
Chief Executive & Directors

John C. Corrigan
Chief Executive



Ciarán Breen
State Claims Agency

Eileen Fitzpatrick
Investment Manager Selection, National Pensions Reserve Fund



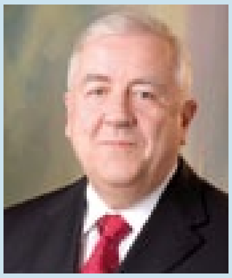
Brendan McDonagh
National Asset Management Agency

Brendan Murphy
Finance, Technology and Risk

Brian Murphy
National Development Finance Agency

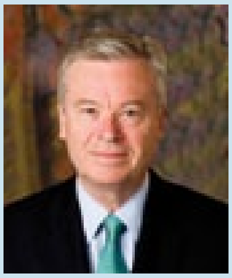
Eugene O'Callaghan
National Pensions Reserve Fund

Oliver Whelan
Funding and Debt Management

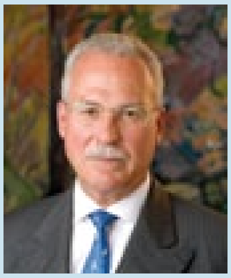


Michael J. Somers retired as Chief Executive of the NTMA at the end of 2009. His contribution since the inception of the NTMA is greatly appreciated.

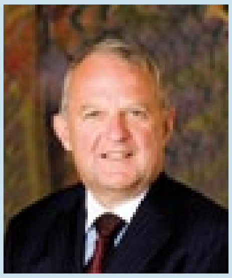
Advisory Committee



David Byrne
Chairman



Gerold W. Brandt
(Term ended 31 December 2009)

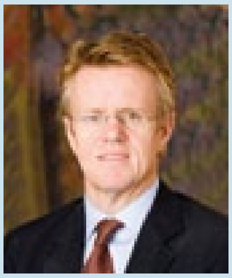


Hugh Cooney

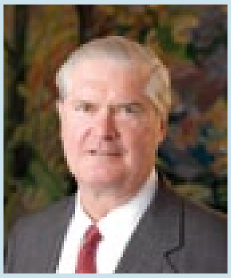
Kevin Cardiff
(With effect from 1 February 2010)

David Doyle
(Term ended 31 January 2010)

Tytti Noras



Shane O'Neill



Donald C. Roth

The Advisory Committee met formally on four occasions in 2009. Other meetings with members of the Committee took place on a regular basis. The NTMA Audit Committee also met four times in 2009. We thank all the Committee members for their advice and assistance during the year and for their commitment of time and effort.

Staff

Staff numbers in the National Treasury Management Agency remained steady at 169 at the end of 2009, compared to 170 at the end of 2008. In June 2010 the number of staff employed by the NTMA was 224, with recruitment mainly taking place in respect of the National Asset Management Agency.

The Chief Executive and Directors appreciate the dedication and hard work of the staff during the year.

About the NTMA

The NTMA was established in 1990 to borrow for the Exchequer and manage the National Debt. It operates with a commercial remit outside the civil service structure. The NTMA has grown considerably since 1990 and now has a range of functions providing financial and risk management services to the Government. These include the National Pensions Reserve Fund, the National Asset Management Agency, the National Development Finance Agency, the State Claims Agency and certain banking system functions of the Minister for Finance.

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 additional functions including borrowing on behalf of the Housing Finance Agency, providing a Central Treasury Service for State bodies and local authorities, managing the assets of a number of State funds and acting as the State agency for the purchase of carbon credits. The NTMA is also the Scheme Operator of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 which enables participating institutions to apply to the Minister for Finance for certain securities to be guaranteed by the Minister.

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 when these costs are projected to rise significantly due to population ageing.

National Asset Management Agency: the National Asset Management Agency was established in 2009 under the aegis of the NTMA as part of a range of measures introduced by the Government to safeguard the viability of a number of systemically important financial institutions. It will acquire certain loan assets (land and development and associated loans) in exchange for Government-guaranteed securities issued directly to the institutions.

National Development Finance Agency: The National Development Finance Agency has full responsibility for the procurement and delivery of Public Private Partnership (PPP) projects in sectors other than transport and the local authorities. It is also responsible for the provision of advice on the financing of public investment projects with a capital value of more than €30 million.

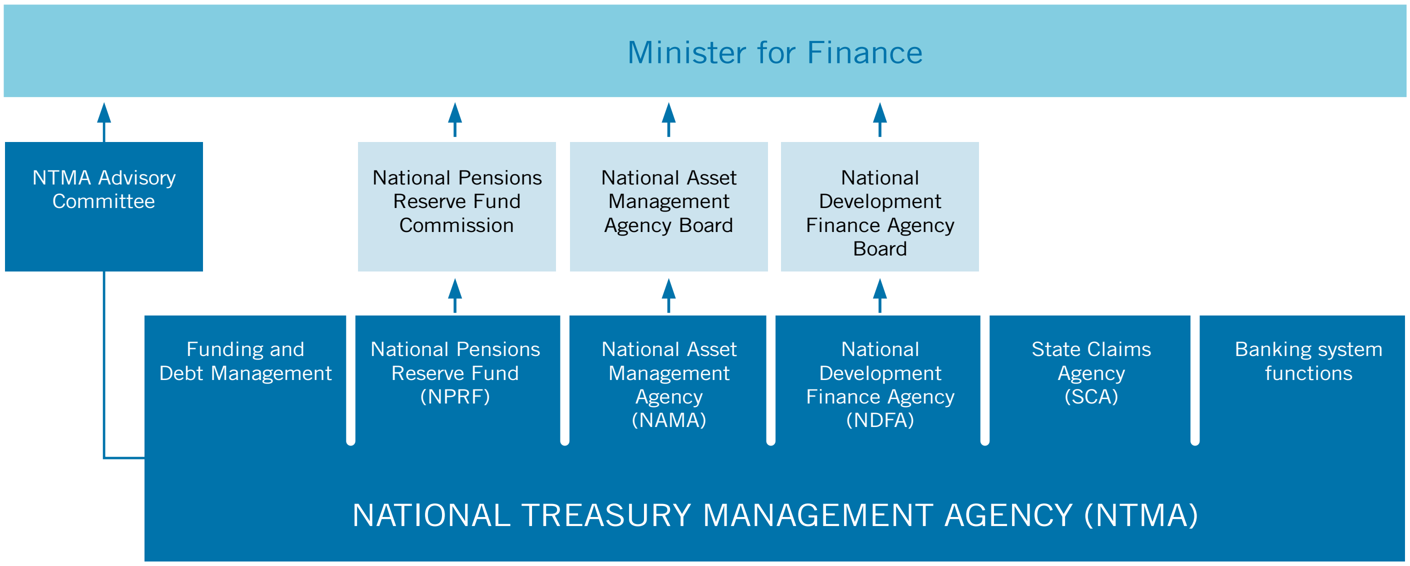
State Claims Agency: the SCA manages personal injury, property damage and clinical negligence claims brought against certain State authorities, including Government Ministers and health enterprises. It also has a risk management role, advising and assisting State authorities in minimising their claim exposures.

Banking System Functions: the Government has delegated certain banking system functions of the Minister for Finance to the NTMA including the leading of discussions with the covered credit institutions to determine their likely capital requirements, negotiating the terms and conditions on which any capital support provided by the State will be invested and managing any Ministerial shareholdings in these institutions.

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

The information contained in this annual report is primarily in respect of those functions where the NTMA reports directly to the Minister for Finance. Separate annual reports are published by the National Pensions Reserve Fund Commission, the National Development Finance Agency and the Carbon Fund. The National Asset Management Agency will produce its first annual report in respect of the year 2010.

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


Minister for Finance
NTMA Advisory Committee
National Pensions Reserve Fund Commission
National Asset Management Agency Board
National Development Finance Agency Board
Funding and Debt Management
National Pensions Reserve Fund (NPRF)
National Asset Management Agency (NAMA)
National Development Finance Agency (NDFA)
State Claims Agency (SCA)
Banking system functions
NATIONAL TREASURY MANAGEMENT AGENCY (NTMA)

Overview 2009

FUNDING AND DEBT MANAGEMENT

At 31 December 2009 Ireland's National Debt stood at €75.2 billion compared to €50.4 billion at end-2008. The NTMA raised €35.4 billion in long-term funding in 2009. This funding was used to meet the Exchequer deficit of €24.6 billion and to refinance a maturing €5 billion bond, leaving a carryover of more than €5 billion in long-term funding available to finance the deficit in 2010.

The yield premium, or spread, over Germany which Ireland pays on its bonds narrowed to 1.45 per cent at year-end compared to nearly 3 per cent in March. As the year progressed, international investors showed greater appetite for Irish debt allowing the NTMA to sell more bonds with longer maturities to a more diverse base.

The NTMA completed four syndicated bond transactions in 2009 raising a total of €23 billion. The last of these was a €7 billion bond with 15-year maturity issued in October. More than 90 per cent of the October bond was allocated to international investors, underlining the strong confidence in Ireland's long-term debt. In addition the NTMA re-opened its bond auction programme in March 2009 and carried out nine bond auctions to raise €10.7 billion. International investors held 84 per cent of Ireland's bonds at end-2009.

The NTMA also used the short-term debt markets to build up high Exchequer cash balances during 2009 in order to maintain flexibility on the timing of entry to the bond markets. It launched a Treasury Bill programme in March 2009 and a US Commercial Paper programme in July 2009. By the end of 2009, a combined total of €12.4 billion had been raised under these two programmes.

During 2009 there were net inflows of €1.76 billion into the Retail Savings Schemes, the highest level of inflows in any year since the establishment of the NTMA in 1990.

Total debt service costs in 2009 were €686 million below budget. Approximately half of this difference is explained by the interest rates achieved by the NTMA on 2009 borrowing which were lower than those prevailing at the time the Supplementary Budget was agreed in April. The balance arises as a result of timing issues related to the cash accounting treatment of the payment of coupons on debt issued in 2009. Savings on an accruals basis were €335 million.

As a result of the NTMA's policy of locking in long-term borrowing at historically low interest rates, some 95 per cent of the National Debt now carries fixed rates of interest, protecting the Exchequer against the effects of rising rates.

The General Government Debt/GDP ratio was 65.6 per cent at end-2009, up from 44.4 per cent at end-2008[1]. This is well below the euro area average of 78.7 per cent. General Government Debt is a "gross" measure and does not allow for the offsetting of Exchequer cash balances or the assets of the National Pensions Reserve Fund against the gross position. On a net basis, Ireland's debt/GDP ratio was 37.9 per cent at end-2009.

Ireland's spreads have continued to be volatile in 2010 as result of a number of factors. These include general instability in European bond markets, concerns about the sustainability of the public finances in a number of peripheral European economies and uncertainty about the cost to the Exchequer of restructuring the Irish banking sector. Nevertheless, as of end-June 2010, the NTMA has met more than 80 per cent of the 2010 borrowing target for long-term funds through a variety of initiatives and, when the maturity profile of the net short-term borrowing position is taken into account, the Exchequer is funded into 2011:

- A new 10-year benchmark bond was issued by syndication in January which raised €5 billion.
- Bond auctions of existing series of bonds have raised a further €10 billion.
- Retail savings, including the new National Solidarity Bond, have raised €1.4 billion.

1 Source: Department of Finance. In accordance with the preliminary decision of Eurostat that the operations of the National Asset Management Agency should be classified outside the general government sector, these figures do not include any adjustment in respect of debt issued in connection with NAMA.

STATE CLAIMS AGENCY

Acting as the State Claims Agency (SCA), the NTMA manages personal injury, including clinical claims, and third party property damage claims brought against Government Ministers, the Attorney General, health enterprises and other State authorities.

Claims activity in 2009

Claim Category	New Claims Received	Claims Resolved
Clinical Claims	421	502
Employer Liability, Public Liability & Property Damage Claims	798	1,129
Total	1,219	1,631

The trend in clinical claims volume is flat. However, there has been a 26 per cent increase in the spend on clinical claims in 2009 compared to 2008. This increase reflects a maturing claims portfolio.

The SCA's remit was significantly expanded in 2009 with the delegation by the Minister for Finance of employer liability, public liability and third party property damage claims and associated risks against the Health Service Executive (HSE) with effect from 1 January 2010.

There has been a significant decline in employer liability and public liability claim volumes associated with incidents that have occurred since the SCA was established. Since 2002, the number of employer liability claims has fallen by 86 per cent and the number of public liability claims has fallen by 36 per cent.

At end-June 2010 the SCA had approximately 4,050 claims under management. The total estimated liability against all active claims was approximately €783 million, broken down as follows:

Clinical Claims	€693 million (88.5%)
Employer Liability, Public Liability & Property Damage	€90 million (11.5%)

NATIONAL PENSIONS RESERVE FUND

The National Pensions Reserve Fund's asset mix changed significantly in 2009. In the first half of the year, the Fund, at the direction of the Minister for Finance, invested a total of €7 billion to recapitalise Bank of Ireland and Allied Irish Banks plc. For both performance and asset allocation purposes, a distinction is now drawn between the Discretionary Portfolio (the investment of which is the Commission's responsibility) and the Directed Investments (the Fund's investments in Bank of Ireland and Allied Irish Banks, which were made at the direction of the Minister for Finance).

The Fund's Discretionary Portfolio earned a return of 20.6 per cent in 2009. Since the Fund's inception in 2001, the Discretionary Portfolio has delivered an annualised return of 2.6 per cent per annum. Including the Directed Investments, the Fund recorded a return of 11.5 per cent in 2009.

At 31 December 2009 the total Fund's value stood at €22.3 billion.

NATIONAL DEVELOPMENT FINANCE AGENCY

The National Development Finance Agency (NDFA) is currently working on more than 50 projects.

The first bundle of schools referred to the NDFA for procurement reached financial close in March 2009. The four schools in Laois and Offaly will provide 2,700 pupil places and the schools are due to be occupied by September 2010.

A Preferred Tenderer was appointed in October 2009 for the second bundle of schools referred to the NDFA and the project reached financial close in June 2010. The six schools in Cork, Limerick, Kildare, Wicklow and Meath will provide accommodation for approximately 4,700 students and are due to be occupied by November 2011.

The NDFA is currently engaged in the procurement and pre-procurement of a wide variety of PPP projects including the following:

- Schools Bundle 3;
- Third Level Education PPP Programme;
- National Concert Hall;
- National Plan for Radiation Oncology.

The NDFA continues to provide financial advice on a number of infrastructure projects including Metro North, DART Underground and Thornton Hall Prison Campus. It also acts as financial advisor to the HSE on a number of health projects including the National Paediatric Hospital. In addition, the NDFA is working closely with Dublin City Council and other local authorities on a number of projects in the waste and water sectors.

ADDITIONAL FUNCTIONS

The Government, as part of a range of measures designed to safeguard the viability of a number of systemically important financial institutions, established the National Asset Management Agency (NAMA) under the aegis of the NTMA in 2009**.**

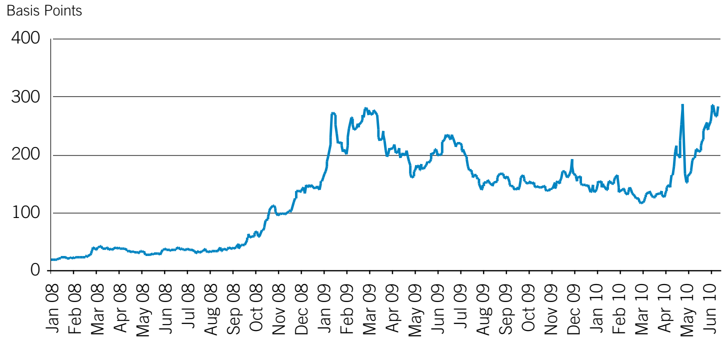
It appointed the NTMA as the Scheme Operator of the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 which enables participating institutions to apply to the Minister for Finance for certain securities to be guaranteed by the Minister.

In 2010 it delegated a number of the banking system functions of the Minister for Finance to the NTMA.

Funding & Debt Management

The NTMA faced a number of challenges in 2009 from a funding and debt management perspective. These included an increasing and uncertain budget deficit, a banking crisis and considerable volatility in the capital markets. Ireland's bond yield spreads widened against Germany as can be seen in the following chart. However the strong liquidity position built up by the NTMA in 2008 enabled it to time its entry into the markets carefully and to take advantage of more positive investor sentiment towards Ireland as the year progressed.

Ireland-Germany 10 Year Bond Yield Spread 2008-2010



Source: Bloomberg

Ireland demonstrated both a clear plan and the determination to deal with its fiscal and banking problems with the April 2009 budget and the announcement of measures to stabilise the banking system, and spreads against Germany narrowed from a high of about 2.8 per cent in March to less than 1.5 per cent by end-year.

The difficult conditions on euro area sovereign bond markets have persisted in 2010 and Ireland's yields rose sharply in April as a result of a number of factors, including the sovereign funding uncertainties within the EU.

FUNDING ACTIVITY

The NTMA raised €35.4 billion in long-term funding in 2009. This money was used to fund the Exchequer deficit of €24.6 billion and to refinance a maturing €5 billion bond, leaving a carryover of more than €5 billion in long-term funding available for 2010. Additional cash balances of €16 billion were carried into 2010, funded through the issue of short-term debt.

Government Bond Issuance

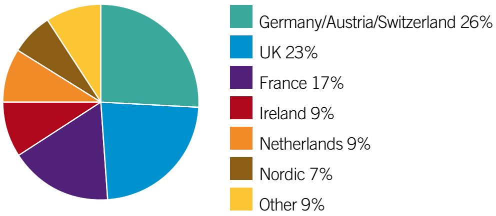
Bond Syndications

Syndicated issues are large-scale bond deals which are arranged through a number of appointed banks and are open to all institutional investors. The NTMA launched four new benchmark bonds through syndicated issues in 2009. Each of the issues was strongly oversubscribed.

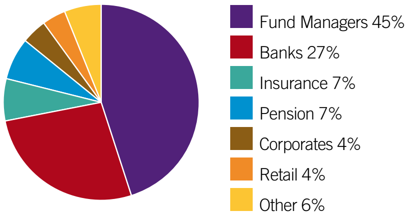
Date	Bond	Tenor (Years)	Amount Raised	Yield
8 January 2009	4% Treasury Bond 2014	5	€6 billion	4.069%
23 February 2009	3.9% Treasury Bond 2012	3	€4 billion	4.01%
23 June 2009	5.9% Treasury Bond 2019	10.3	€6 billion	5.932%
6 October 2009	5.4% Treasury Bond 2025	15.4	€7 billion	5.472%
Total			€23 billion	

Distribution of 5.4% Treasury Bond 2025

Geography



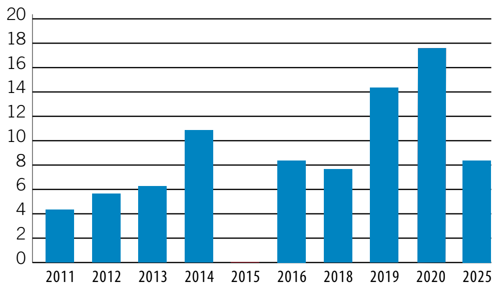
Investor



Source:NTMA

Building Up the Irish Government Bond Curve

€ billion



Source:NTMA

As the year progressed, international investors showed greater appetite for Irish debt allowing the NTMA to sell more bonds with longer maturities to a more diverse base. The distribution of the 5.4% Treasury Bond 2025 issued in October 2009 illustrates the diversity of investors in Irish bonds.

The new bonds were targeted to develop the Irish bond curve. There are now liquid benchmark bonds available at most maturities and the curve extends to 2025. This is important to investors and helps the liquidity of the market.

Bond Auctions

Bond auctions are generally used to sell additional tranches of existing bond issues through the NTMA's recognised Primary Dealers. The NTMA re-opened its bond auction programme in March 2009 and carried it through on a monthly basis to November 2009. The monthly auctions were of €1 billion to €1.5 billion each and two bonds were offered at each auction.

Auction Date	Treasury Bond	Total Sold €m	Bid-Cover Ratio[1]	Yield
Tue 24 Mar 09	4% Treasury Bond 2011	€390	3.8	3.459%
	4.5% Treasury Bond 2020	€910	2.7	5.808%
Tue 21 Apr 09	4% Treasury Bond 2014	€300	1.6	4.200%
	4.5% Treasury Bond 2018	€758	1.1	5.082%
Tue 19 May 09	4% Treasury Bond 2014	€310	4.8	3.898%
	4.4% Treasury Bond 2019	€700	1.8	5.189%
Tue 16 Jun 09	3.9% Treasury Bond 2012	€650	2.2	3.056%
	4.6% Treasury Bond 2016	€650	2.5	4.755%
Tue 21 Jul 09	3.9% Treasury Bond 2012	€390	4.3	2.575%
	4% Treasury Bond 2014	€910	3.1	3.785%
Tue 18 Aug 09	4% Treasury Bond 2014	€500	3.7	3.393%
	4.5% Treasury Bond 2018	€748	2.7	4.550%
Tue 15 Sep 09	4% Treasury Bond 2014	€374	4.0	3.312%
	4.5% Treasury Bond 2020	€887	2.3	4.913%
Tue 20 Oct 09	3.9% Treasury Bond 2012	€505	5.2	2.178%
	4.6% Treasury Bond 2016	€780	3.4	3.867%
Tue 17 Nov 09	4% Treasury Bond 2014	€200	7.9	3.072%
	5.9% Treasury Bond 2019	€802	2.5	4.735%

1 Bid-Cover Ratio is an expression of the level demand for a particular bond in relation to the amount sold at each auction

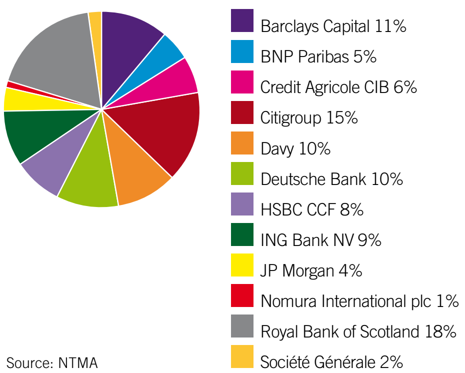
THE IRISH GOVERNMENT BOND MARKET

Benchmark Bonds

Ireland now has eleven major benchmark bonds with maturities extending across the yield curve to 2025. The amount outstanding in each exceeds €4 billion.

Bond	Outstanding 30 June 2010 (€m)	Annual Payment Date
4% Treasury Bond 2011	4,390	11 November
3.9% Treasury Bond 2012	5,560	5 March
5% Treasury Bond 2013	6,028	18 April
4% Treasury Bond 2014	10,837	15 January
4.6% Treasury Bond 2016	9,279	18 April
4½% Treasury Bond 2018	8,256	18 October
4.4% Treasury Bond 2019	7,700	18 June
5.9% Treasury Bond 2019	6,767	18 October
4½% Treasury Bond 2020	11,852	18 April
5% Treasury Bond 2020	5,753	18 October
5.4% Treasury Bond 2025	8,289	13 March

Primary Dealers % Share of Auctions 2009



Source: NTMA

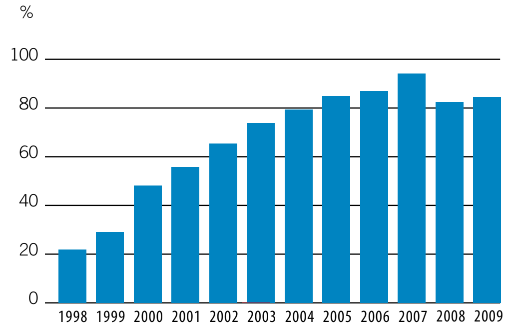
Primary Dealer System

The Irish Government bond market has a strong Primary Dealer group, mainly international investment banks with a global reach. The fifteen Primary Dealers recognised by the NTMA each make continuous two-way prices in designated benchmark bonds in specified minimum amounts and within specified maximum bid-offer spreads. A number of stockbrokers also match client orders. The Primary Dealers account for more than 95 per cent of turnover in the Irish Government bond market. During 2009 Ireland recognised JP Morgan, Nomura International, Société Genérale and UBS as new Primary Dealers. Goldman Sachs and Merrill Lynch International became Primary Dealers in February and April 2010 respectively. Dresdner Bank resigned its role as a Primary Dealer after it was taken over by Commerzbank and withdrew from primary dealing in several bond markets.

The Primary Dealers are:

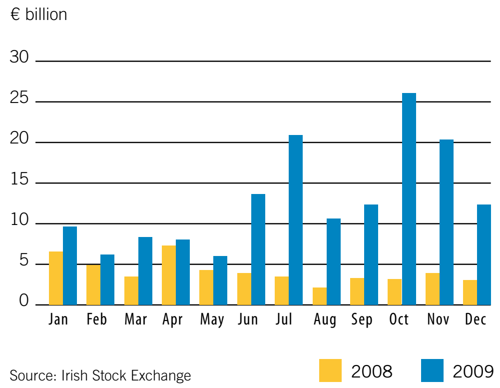
- Barclays Capital, London (www.barcap.com)
- BNP Paribas, London (www.bnpparibas.com)
- Credit Agricole CIB, London (www.ca-cib.com)
- Citigroup, London (www.citigroup.com)
- Davy, Dublin (www.davydirect.com)
- Deutsche Bank, Frankfurt (www.db.com)
- Goldman Sachs, London (www.gs.com)
- HSBC CCF, Paris (www.hsbc.com)
- ING Bank NV, Amsterdam (www.ingwholesale.com)
- Merrill Lynch International, London (www.ml.com)
- Nomura International plc, London (www.nomura.com)
- JP Morgan, London (www.jpmorgan.com)
- Royal Bank of Scotland, London (www.rbsmarkets.com)
- Société Générale, Paris (www.societegenerale.com)
- UBS Limited, London (www.ubs.com)

Non-resident Holdings of Irish Government Bonds 1998–2009



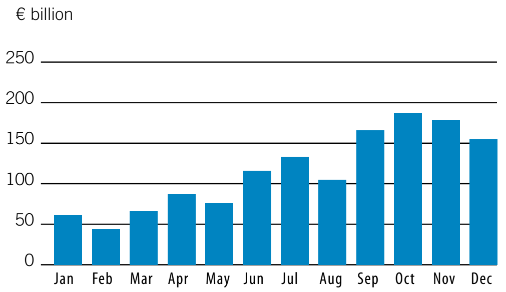
Source: Central Bank of Ireland Quarterly Bulletin

Irish Government Bond Turnover



Source: Irish Stock Exchange

Repo Turnover in Irish Government Bonds in 2009



Source: Irish Stock Exchange

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

Bond Auctions

Bond auctions, when required, normally take place on the third Tuesday of the month. The recognised Primary Dealers have exclusive access to these auctions. At 10.00 a.m. on the Tuesday one week beforehand, the NTMA announces the bonds to be auctioned on Bloomberg, Reuters and www.ntma.ie. Three days later the auction size is announced.

Auctions are conducted via the Bloomberg Auction System. Auction results are available within minutes of the 10.00 a.m. cut-off time for bids. A non-competitive auction follows directly after the close of each competitive auction. Up to 15 per cent of the amount sold in each competitive auction is available to the Primary Dealers in proportion to each Primary Dealer's uptake of the competitive auction. A further total amount of 15 per cent is available equally to the three Primary Dealers adjudged by the NTMA to have been the most successful in fulfilling their quoting obligations for the designated benchmark bonds. Primary Dealers have the option to take up their non-competitive entitlement until 4.00 p.m. on the second business day following the competitive auction.

Diversified Holdings of Irish Government Bonds

The investor base for Irish Government bonds has diversified since the introduction of the euro. Holdings by international investors have increased from 22 per cent of the total in 1998 to an estimated 84 per cent in 2009.

Turnover and Liquidity

Turnover in Irish Government bonds on the Irish Stock Exchange in 2009 was €149 billion, up from €50 billion in 2008.

Repos[1]

Repos are an important component of liquidity in the bond market and generate more than eight times the turnover of the cash market. Repo turnover reported by the Irish Stock Exchange was €1,380 billion in 2009.

The NTMA was active in the repo market during the year, providing repo and reverse repo facilities to the Primary Dealers. This activity contributed to the smooth and efficient operation of the market for all participants and was a useful source of market intelligence for the NTMA.

CREDIT RATING

Ireland remains highly rated by the major credit rating agencies, despite downgrades over the past 18 months in response to the deterioration in the public finances and the problems in the Irish banking sector.

	Credit Rating*		
Rating Agency	**Long-Term**	**Short-Term**	**Outlook***
Moody's	Aa1	P-1	Negative
Standard & Poor's	AA	A-1+	Negative
Fitch Ratings	AA-	F-1+	Stable
Rating & Investment Information Inc	AA	a-1+	Negative

* as at 30 June 2010

While the rating agencies acknowledge Ireland's low level of debt coming into the current crisis, and note that the fiscal and banking measures taken to date represent considerable progress, uncertainty regarding the cost to the Exchequer of restructuring the Irish banking system is reflected in the lower ratings.

1 Repos are short-term loans of Irish Government bonds by the NTMA to its Primary Dealers. The loans are fully collateralised with cash on which interest is paid. A repo is equivalent to a cash transaction combined with a forward contract – the NTMA agrees to sell bonds immediately to the Primary Dealer and also agrees to buy back the bonds at a fixed price at some specified later date. The NTMA also offers reverse repo facilities to the Primary Dealers.

The decisive and determined actions taken by Ireland in dealing with recent problems underpin its credit rating. Positive factors include:

- clear fiscal policies determined to reduce budget deficit to 3 per cent of GDP by 2014;
- decisive action taken to deal with the banking crisis, including the establishment of the National Asset Management Agency;
- the National Pensions Reserve Fund (€22.3 billion at end-2009);
- strong liquidity position (€21.8 billion cash in Exchequer at end-2009);
- flexible and skilled workforce;
- business-friendly and open economy, including low corporation tax regime;
- strong consensus on the need for both fiscal consolidation and encouraging business.

SHORT-TERM FUNDING

During 2009 there was considerable activity on the NTMA's short-term debt programmes. Borrowings were increased to more than €20 billion during the year in order to maintain high cash balances in the Exchequer account. This has provided flexibility for the NTMA in timing its funding operations in 2009 and 2010.

The NTMA operates the following short-term debt programmes:

- Treasury Bill Programme;
- Ireland US$50 billion Euro Commercial Paper Programme;
- Ireland US Commercial Paper Programme;
- Exchequer Notes Programme;
- Section 69 Multi-Currency Notes Programme.

Ireland launched a Treasury Bill programme in March 2009. Treasury Bills are short-term Irish Government debt issued to the market primarily through an auction system. They are zero coupon instruments issued at a discount and normally have maturities at issue of between one and twelve months. There was €8.4 billion outstanding at end-2009.

In order to further diversify its sources of short-term borrowing, the NTMA launched a US Commercial Paper programme in July 2009. The programme was well received by investors and there was €4 billion outstanding at end-2009.

The Ireland US$50 billion Multi–Currency Euro Commercial Paper programme is listed on the Irish Stock Exchange. It is designed to raise short-term funds from the international money markets – usually significantly below Euribor – as bridging finance in the replacement of longer term debt and for other liquidity management purposes. Tenors of up to one year are available, subject to funding requirements. There was €3 billion outstanding at end-2009.

Exchequer Notes are flexible short–term funding and liquidity management instruments issued by the NTMA to a broad range of investors, including corporate investors, banks and other institutional clients. There was €695 million outstanding at end-2009.

The Section 69 Multi-Currency Notes programme was introduced to encourage foreign-owned companies located in Ireland to invest their surplus funds in Ireland. There was €90 million outstanding at end-2009.

RETAIL SAVINGS

The NTMA has a number of schemes designed to attract funds from domestic private investors. These are Savings Bonds (3 year), Instalment Savings (5 year), Savings Certificates (5½ year), Prize Bonds and Post Office Savings Bank Deposit Accounts. These products, and the National Solidarity Bond issued in 2010, are now branded as "State Savings™" to reflect that they constitute a direct obligation of the Irish Government.

During 2009 there were net inflows of €1.76 billion into the retail savings products, the highest level of inflows in any year since the establishment of the NTMA in 1990. At end-2009 the total amount outstanding was €9.3 billion, equivalent to 12 per cent of the National Debt. A further €346 million was outstanding in accrued interest.

With the exception of Prize Bonds, the schemes are operated by An Post on behalf of the NTMA. Prize Bonds are operated by the Prize Bond Company Limited – a joint venture between An Post and FEXCO, a financial services company.

State Savings™ Product	Total Outstanding at end-2009 (€m)	Money Raised / (Repaid) in 2009 (net) (€m)
Savings Bonds (3 year)	2,761	808
Instalment Savings (5 year)	456	24
Savings Certificates (5½ year)	3,103	570
Savings Stamps	2	0
Prize Bonds	1,073	269
Post Office Savings Bank	1,892	91
Total	9,287	1,762

National Solidarity Bond

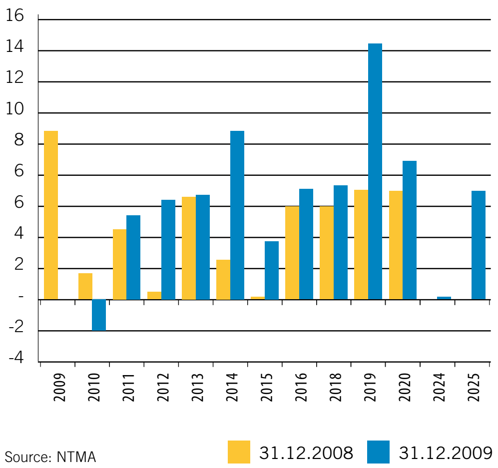
In Budget 2010 the Minister for Finance announced a new National Solidarity Bond to encourage individuals and families to invest their savings with the Irish Government for up to ten years. The NTMA launched the National Solidarity Bond in April 2010. The bond will pay a 50 per cent gross return over 10 years and is available for purchase in all Post Offices.

The minimum individual investment in the Solidarity Bond is €500 but savers can accumulate that amount through regular lodgements of €25 or more. The maximum individual investment is €250,000 or €500,000 from two joint savers. There are no fees, charges or sales commissions attached to the bond.

Savers can withdraw their money at any time without penalty but the longer money is left invested the greater the return. Savers who leave their money invested for at least five years will earn a bonus payment in addition to the annual interest rate of 1 per cent payable on the bond. The maximum bonus payment will be earned by savers who leave their money invested for the full ten years, earning a total gross return of 50 per cent/AER 4.14 per cent (net after tax return is 47.5 per cent/AER 3.96 per cent). By end-June 2010 some €74 million had been invested in the bond.

Maturity Profile of National Debt

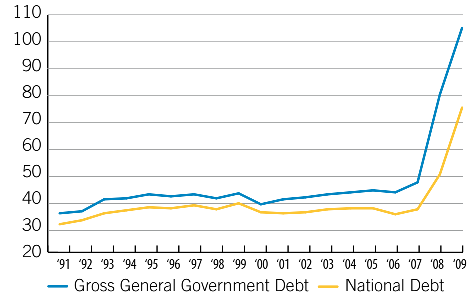
€ billion



Source: NTMA

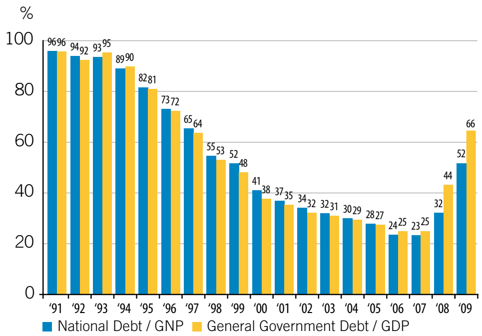
Debt Outstanding

€ billion



Source: Eurostat, Department of Finance & NTMA

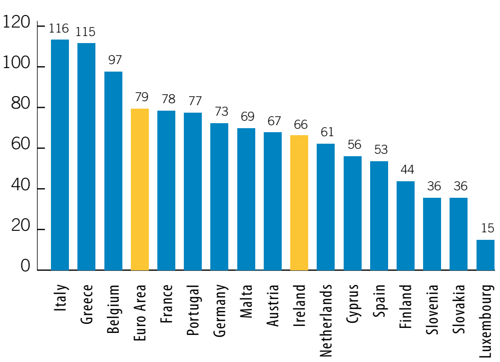
National Debt & General Government Debt Ratios



Source: Eurostat, Department of Finance & NTMA

Gross Debt/GDP Ratios for European States 2009

€ billion



Source:European Commission, Department of Finance (Ireland estimate)

Debt Profile

NATIONAL DEBT

The National Debt, as traditionally measured in Ireland, is the nominal value of central government debt outstanding minus Exchequer cash balances. It increased by €24.8 billion in 2009 and stood at €75.2 billion at the end of the year. The 2009 Exchequer deficit of €24.6 billion accounts for virtually all of the increase.

Change in Nominal Value of National Debt in 2009

	€ million	€ million
National Debt (end-2008)		**50,398**
Plus		
(i) Exchequer Deficit	24,641	
(i) Non-cash movements*	113	
Change in nominal value of National Debt		**24,754**
National Debt (end-2009)		**75,152**

* Impact of exchange rate movements and net discounts on tranches and cancellations of government bonds. Premiums and discounts arise when bonds are issued or cancelled at a price other than their par value due to a difference between the coupon on the debt and market yields.

DEBT COMPOSITION

	€ million (nominal)	
	31 December 2009	**31 December 2008**
Irish Government Bonds	70,858	41,864
Other Medium- and Long-Term Debt	670	482
Retail Savings Schemes	9,287	7,494
Short-Term Debt	16,153	22,617
Liquid Assets	(21,816)	(22,059)
Total	75,152	50,398

At end-2009, all of the National Debt was denominated in, or swapped into, euro.

The weighted average duration of the National Debt increased to 6.01 years at end-2009 from 5.39 at end-2008, mainly as a result of the issue of longer-dated bonds and the reduction in short-term borrowings outstanding.

General Government Debt

General Government Debt (GGD) is the definition used for comparative purposes within the European Union. The National Debt is its principal component. Unlike the National Debt, the GGD does not allow any offset for Exchequer cash balances. In addition, GGD includes the debt of certain central and local government bodies as well as accrued interest not provided for in respect of the retail savings schemes.

GGD stood at €104.7 billion at end-2009, an increase of €24.8 billion on end-2008. Again, the Exchequer deficit accounted for almost all of this increase.

Debt Ratios

The National Debt/GNP ratio stood at 57.3 per cent at end-2009, up from 32.6 per cent at end-2008. The gross General Government Debt/GDP ratio increased by 21.2 percentage points from 44.4 per cent at end-2008 to 65.6 per cent at end-2009.

When account is taken of the €22.3 billion in the National Pensions Reserve Fund and the €21.8 billion held in Exchequer cash balances at end-2009, Ireland's underlying indebtedness position is stronger, with the net General Government Debt/GDP ratio falling to 37.9 per cent.

Ireland's comparative indebtedness was well below the euro area average at end-2009, notwithstanding the significant increase in its debt over the last two years.

Debt Forecasts

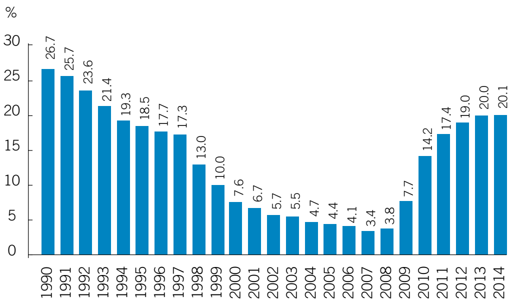
The most recent Department of Finance estimates forecast an increase in the gross General Government Debt/GDP ratio peaking at 95 per cent in 2012. In May 2010 the European Commission published forecasts for GGD/GDP ratios to 2011 on a "no policy change basis". Ireland is forecast to remain close to the euro area average.

	2009	2010	2011
Belgium	96.7	99.0	100.9
France	77.6	83.6	88.6
Germany	73.2	78.8	81.6
Greece	115.1	124.9	133.9
Ireland	**65.6**	**86.9**	**92.5**
Italy	115.8	118.2	118.9
Netherlands	60.9	66.3	69.6
Portugal	76.8	85.8	91.1
Spain	53.2	64.9	72.5
UK	68.1	79.1	86.9
Euro Area	78.7	84.7	88.5

Source: European Commission, Ireland ratios are the most recent Department of Finance forecasts. The Ireland ratios per the European Commission Spring Forecast were: 2010–77.3%; 2011–87.3%.

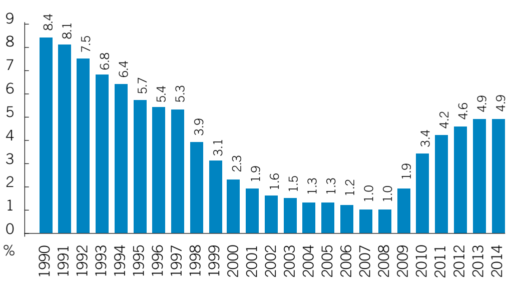
The projections for borrowing and debt levels given in this section take into account capital injections of €17.1 billion in 2009 and the first half of 2010 to recapitalise Anglo Irish Bank, Educational Building Society and Irish Nationwide Building Society. They do not include any adjustment in respect of debt issued in connection with the National Asset Management Agency (NAMA). The securities issued by NAMA will not constitute part of the General Government Debt as defined by Eurostat. It is projected that interest on the performing loans acquired by NAMA will offset the interest cost of the securities issued by it. Thus the securities issued by NAMA will not increase the burden of debt service costs to be borne by the Exchequer.

Interest as a percentage of Tax Revenue



Source: NTMA

Interest as a percentage of GNP



Source: NTMA

DEBT SERVICE COSTS

The Exchequer paid €2.535 billion in interest on the National Debt in 2009, compared with €1.544 billion in 2008. The other items charged to debt service costs were sinking funds of €573 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 €106 million.

A further €243 million in interest was paid from the Small Savings Reserve Fund (SSRF). The Exchequer has been building up the SSRF since 1994 to pay some of the accrued interest on the retail savings schemes as it falls due in large amounts.

Debt service savings against the Budget were €686 million. Almost half of this difference is explained by the interest rates achieved by the NTMA on 2009 borrowing which were lower than those prevailing at the time the Supplementary Budget was agreed. The balance is explained by timing issues related to the payment of coupons on debt issued in 2009. Savings on an accruals basis were €335 million.

Interest Burden

For illustrative purposes, the burden that the cost of servicing the debt places on the Exchequer can be expressed in terms of tax revenue or GNP. Both measures have fallen sharply since the NTMA was established. Only 7.7 per cent of tax revenue collected in 2009 was needed to pay interest on the National Debt, compared to 26.7 per cent in 1990.

Interest costs fell from 8.4 per cent of GNP in 1990 to 1.9 per cent in 2009. While the interest burden will increase substantially over the period 2010-14, it is expected that it will be no greater than that experienced in the early 1990s.

State Claims Agency

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 by the Government under the *National Treasury Management Agency (Amendment) Act 2000*. The SCA was established in December 2001. Its principal objectives are:

- to provide a professional and cost-effective service for the management of personal injury and property damage claims against the State;
- to provide a risk management advisory service with the aim of minimising future litigation.

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

The remit of the State Claims Agency has been considerably expanded since its inception and as a result the overall volume of claims under management has increased.

- National Treasury Management Agency (Delegation of Functions) Order 2003 – delegated the management of clinical claims.
- National Treasury Management Agency (Delegation of Claims Management Functions) Order 2005 – delegated the management of hearing loss, child abuse claims and other torts.
- National Treasury Management Agency (Delegation of Functions) Order (Amendment) 2007 – extended the State indemnity in respect of clinical claims to certain medical services and organisations.
- National Treasury Management Agency (Delegation of Functions) Order 2009 – extended the State indemnity in respect of the employer liability (EL), public liability (PL) and third party property damage (including motor) claims against the Health Service Executive with effect from 1 January 2010.

CURRENT POSITION

By June 2010 the SCA had approximately 4,050 claims under management. The total estimated liability against all active claims was approximately €783 million, broken down as follows:

Clinical Claims	€693 million (88.5%)
Employer Liability, Public Liability & Property Damage (EL/PL/PD)[1]	€90 million (11.5%)

In total the SCA received 1,219 new claims and resolved 1,631 claims in 2009.

CASES OF PRECEDENT VALUE

As part of the SCA's claims management strategy, cases that involve issues of public policy and are of precedent value are identified at an early stage and robustly defended. The SCA successfully defended a number of such cases in 2009 in the areas of policing and prisons' litigation.

CLINICAL CLAIMS

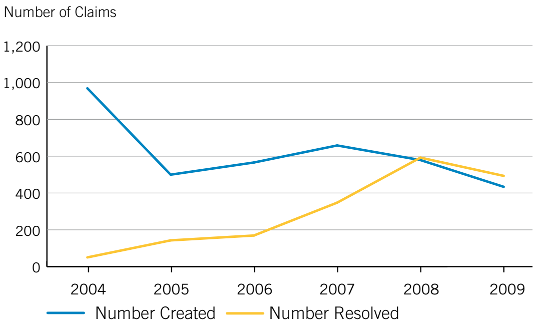
Clinical claims are managed under a number of schemes operated by the SCA:

- The Clinical Indemnity Scheme (CIS) was established in July 2002 to rationalise the existing medical indemnity arrangements by transferring to the State full responsibility for the indemnification and management of all clinical claims against enterprises and practitioners covered by the scheme.

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

- The *National Treasury Management Agency (Delegation of Functions) (Amendment) Order 2007* regularised the handling of claims related to the provision of obstetric services at Mount Carmel Hospital in Dublin and Bon Secours Hospital in Cork under the Special Obstetrics Indemnity Scheme. 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.

Clinical Claim Trends



Source: NTMA

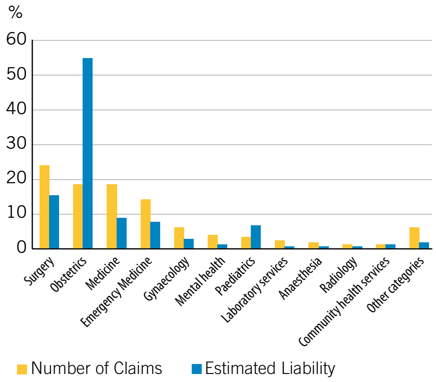
Clinical Claims under Management

At end-2009 the SCA had 1,783 clinical claims under management. The total paid out in respect of fully resolved claims amounts to €72 million since inception.

Trends

The trend in clinical claim volumes is flat. However, there was a 26 per cent increase in the spend on clinical claims in 2009 compared to 2008. This reflects a maturing claims portfolio, with an increasing volume of higher value claims now being resolved.

Clinical Claims by Speciality



Source: NTMA

Clinical Claims Activity

Obstetric-Related Claims

Obstetric-related claims, though accounting for only 18 per cent of clinical claims volume, represent 57 per cent of the total estimated liability. This is due to the high settlement and court values associated with cerebral palsy and other serious birth-related claims.

Periodic Payment Orders and the Medical Negligence Working Group

The power to make awards of damages on a periodic basis has been a feature of the English legal landscape since the passing into law, in that jurisdiction, of the Damages Act 1996. There is no similar statutory provision for making periodic payments as part of compensation in current Irish Law. However, there has been judicial comment, dating as far back as 2006, advocating the introduction of a Periodic Payment Order (PPO) Scheme in this jurisdiction. This has now been taken a stage further with the establishment of a Working Group on Medical Negligence, chaired by Mr Justice Quirke of the High Court. The Group, established at the request of the President of the High Court, Mr Justice Nicholas Kearns, will consider whether certain categories of damages for catastrophic injuries can or should be awarded by way of Periodic Payment Orders.

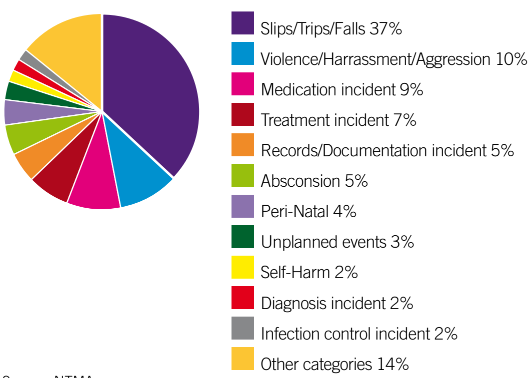
It is expected that the Group, which will report to the President of the High Court, will make such recommendations and provide such draft legislation, regulations or rules of court as may be necessary to give effect to the Group's recommendations as to Periodic Payment Orders before the end of 2010.

A statutory Periodic Payment Order Scheme, if introduced, would radically transform the system of payment of compensation in catastrophic injury cases.

CLINICAL RISK MANAGEMENT

The SCA has a statutory brief to provide advice and assistance to all health enterprises under the various schemes. It works with risk management and other relevant clinical and administrative personnel to support patient safety and to help minimise clinical claims.

Clinical Incidents Reported via StarsWeb



Source: NTMA

Clinical Incident Reporting System – STARSweb

Enterprises have a statutory obligation to report adverse clinical incidents and "near-misses" to the SCA. To facilitate this, the SCA has implemented STARSweb – a web-based IT system. The majority of acute sector enterprises are now "live" on the STARSweb system. While all data input by enterprises is confidential to those enterprises, the SCA maintains a national database to identify and analyse adverse trends and clusters.

The SCA supports enterprises in notifying incidents by:

- training risk management personnel in report generation using STARSweb data;
- providing feedback reports, including benchmarking reports.

When serious adverse events or trends are identified by the SCA's Clinical Risk Advisers, they respond by undertaking detailed analysis, providing advice and making recommendations or by commissioning external reviews, as appropriate. Approximately 337,716 adverse clinical events had been notified on the system to date.

Seminars and Training

A critical aspect of the SCA's national clinical risk management strategy is to provide the necessary education and skills in clinical risk management to all of those bodies and agencies that are responsible for delivering healthcare. A comprehensive programme of training and seminars was undertaken in 2009. This programme was particularly targeted at hospital consultants and other speciality groups. The programme included:

- Systems Analysis Training - 11 courses delivered to consultants and multidisciplinary staff;
- e-Learning module on patient safety for doctors developed in collaboration with Royal College Surgeons of Ireland (RCSI) and Royal College Physicians Ireland (RCPI);
- Presentations provided to 25 forums ranging from Addiction Services, Irish Association of Emergency Medicines, Irish Hospital Consultants, Irish Institute of Radiography and Radiation Therapy etc;
- Masterclass in Paediatric Safety aimed at Consultant Paediatricians Specialist Registrars, CEOs and Risk Managers.

Closed Claims Analysis

The aim of reviewing closed claims documentation is to reduce those contributory factors which give rise to adverse events and which result in litigation. The results of the reviews are shared with all health enterprises indemnified by the Clinical Indemnity Scheme in order to support patient safety.

Obstetrics

SCA Clinical Risk Advisers visit targeted maternity units. In addition, there is direct collaboration with the HSE and the Institute of Obstetricians regarding the organisation and delivery of training courses, input into the Confidential Enquiry into Maternal and Child Health and bi-annual Obstetric Forum meetings of all maternity hospital and maternity units hosted by SCA.

Mental Health

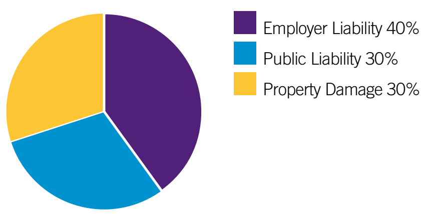
The SCA, in conjunction with the HSE, has published a booklet entitled "Risk Management in Mental Health Services". The booklet is the first of its kind in the Mental Health Services. It outlines a systematic approach to risk assessment and management, thereby, reducing the potential for harm.

Collaboration with other Stakeholders

Examples of the healthcare initiatives in which the SCA participates include:

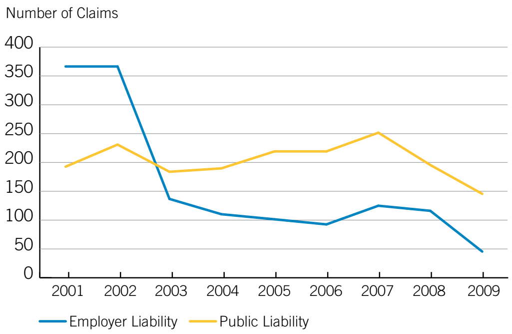
- Commission on Patient Safety and Quality Assurance Implementation Steering Group;
- Health Service Executive (HSE) Healthcare Associated Infections Group;
- Health Information and Quality Authority/HSE/SCA STARSweb System Report Implementation Group;
- Medical Education and Training Review – HSE-commissioned review of training needs for healthcare professionals;
- 'Safe Surgery Saves Lives' project – Royal College of Surgeons in Ireland project to implement World Health Organisation checklist.

EL/PL/PD Claims by Classification



Source: NTMA

Claim Trends by Date of Incident



Source:NTMA

EMPLOYER LIABILITY, PUBLIC LIABILITY & THIRD PARTY PROPERTY DAMAGE CLAIMS

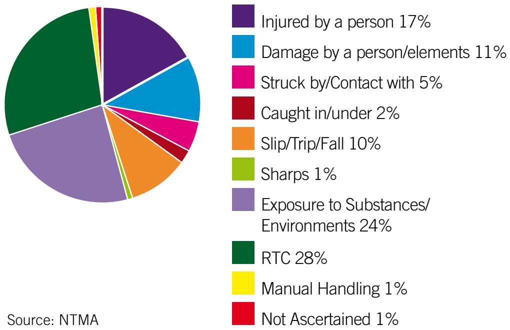
At the end of 2009, the SCA had 2,271 EL/PL/PD claims under management. The total paid out in respect of fully resolved claims to date amounts to €63.5 million since inception.

Trends

There has been a significant decline in EL and PL claim volumes associated with incidents that have occurred since the inception of the SCA. Since 2002, the number of EL claims has fallen by 86 per cent and the number of PL claims has fallen by 36 per cent.

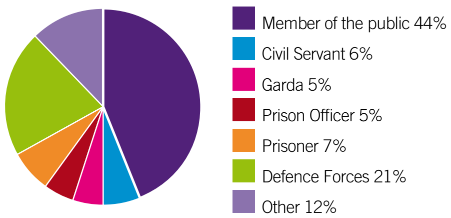
This analysis excludes categories of claims such as trespass to the person (including sexual abuse claims) and hearing loss claims, as the majority of these are historical in

EL/PL/PD Claims by Primary Cause



Source: NTMA

EL/PL/PD Claims by Category of Injured Party



Source: NTMA

nature. The expected activity associated with the HSE EL/PL/PD liabilities is likely to result in an increase in claims volumes in 2011.

EL/PL/PD Claims Activity

Sexual Abuse Claims

These claims relate to child abuse mainly in day-schools, that is, national schools funded by the Department of Education and Science but either managed by patrons/managers or by Boards of Management (since 1975). A minority of claims relate to abuse in residential institutions. A further category is associated with alleged physical or sexual abuse in other State authorities.

The SCA has received in total 512 physical and sexual abuse claims from the Department of Education and Science, the Department of Health and Children and the Department of Justice, Equality and Law Reform. Of these claims, 169 are currently active and 343 have been resolved.

The SCA is also managing 51 cases taken by plaintiffs, former residents of religious-run institutions who suffered physical and/or sexual abuse. These are cases which arise from the Indemnity Agreement between the State and certain religious congregations.

Hearing Loss Claims

The handling of Defence Forces hearing loss claims was transferred to the SCA with effect from September 2005. This was a residual claims portfolio associated with historical hearing loss claims against the Minister for Defence. A total of 1,239 active and dormant claims have been transferred from the Department of Defence to the SCA since 2005 and, of these, 906 have been resolved to date.

EMPLOYER LIABILITY, PUBLIC LIABILITY & PROPERTY DAMAGE RISK MANAGEMENT

The SCA has a statutory brief to advise and assist State authorities in managing risks which could give rise to personal injury or property damage litigation. Authorities are obliged by law to report to the SCA any incidents which may give rise to claims and, since its establishment; it has received 10,387 adverse incident notifications. Early reporting of incidents is critical to successful claims and risk management. It enables an early and detailed investigation of the more serious incidents in order to determine the question of liability in advance of any litigation. Data on adverse incidents also enables the SCA to identify any patterns of sub-standard practice which might highlight weaknesses in existing health and safety or litigation risk management procedures.

The SCA has forged strong relationships with all State authorities to promote good risk management practices. The Defence Forces, the Irish Prison Service, An Garda Síochána, the Office of Public Works and the Department of Agriculture and Food have high levels of risk associated with them by reference to the number of staff employed and the nature of the activities in which they are engaged.

Special Group on Public Service Numbers and Expenditure

The Report of the Special Group on Public Service Numbers and Expenditure Programmes recommended 'the more widespread use of SCA risk management services by Departments generally'. Following on from this, the Department of Finance formally notified all Departments of the SCA's risk management services with a recommendation that, where appropriate, these services should replace externally provided and costly risk management consultancy services.

Health and Safety Risk Management Systems

The SCA has encouraged State authorities to implement comprehensive internationally benchmarked health and safety management systems. Examples achieved to date include:

- *Defence Forces* – the annual surveillance audits of Defence Forces Units (including Reserve Defence Forces) were completed by SCA and all units successfully met the required standard;
- *Irish Prison Service* – the new Health and Safety Risk Management System has been successfully implemented in two pilot sites and has commenced in all others;
- *An Garda Síochána* – a Strategic Garda Team has developed an Action Plan to

implement the recommendations of the *Review of Health & Safety Risk Management in An Garda Síochána*;

- *Office of Public Works (OPW)* – a review of the risk management systems in the OPW was completed and the SCA have issued its findings and recommendations to the OPW;
- *Revenue Commissioners* – the SCA provided an action plan to implement its risk management systems review recommendations;
- *Department of Agriculture, Fisheries and Food* – the management of risk in the Department's fisheries activities was reviewed and a draft report is currently being prepared. The Department is currently implementing the SCA's review recommendations in all other areas;
- *Other State authorities* – initiatives in respect of risk management systems were also undertaken in the Office of the Houses of the Oireachtas and the Probation Service.

Liaison with State Authorities
In addition to the work with the authorities listed above, the SCA has established a Risk Management Network. The objective of the Network is to contribute to the continuous improvement of the management of health and safety risk in State authorities. It provides a forum through which health and safety and litigation risk management personnel can share their knowledge and experience.

General Risk Consultancy Services
Annually the SCA plans and implements an EL/PL/PD risk management work programme based on claims and incident data trend analysis, legal requirements and judgements, and any developments in litigation risk management nationally or internationally. Over 300 ad-hoc requests for advice and consultancy services were received in 2009.

Examples of some of the work completed in 2009 included:

- H1N1 influenza – ongoing provision of advice, particularly in respect of indemnity issues and contingency planning;
- Noise – in light of new legislation in 2007, initiatives were launched in all State authorities in 2008/09 to review all activities which could lead to claims associated with noise-induced hearing loss;
- In conjunction with the Department of Education and Skills, the Health and Safety Authority and the School Development Planning Initiative, the SCA has developed a practical toolkit to help schools implement health and safety risk management systems. This includes guidance, reference, frequently asked questions and worked examples, etc. It is currently being finalised and will be available in schools in 2010;
- Following a review of visitor risk management at Office of Public Works Heritage sites which commenced in early 2008, taking in a sample of eight of the larger sites, the SCA issued its findings and recommendations to the OPW in early 2009;
- In order to demonstrate that the SCA's EL/PL Risk Management Unit delivers its services in accordance with best customer service standards, the Unit has been accredited to the ISO9001 Quality Management System standard.

Banking System Functions

In March 2010 the Government delegated a number of the banking system functions of the Minister for Finance to the NTMA. The NTMA is required to carry out these functions in accordance with any directions by the Minister. The main functions delegated to the NTMA and the parameters set out in the directions can be summarised as follows:

- to lead discussions with the covered credit institutions to determine their likely capital requirements;
- to negotiate the terms and conditions on which any capital support provided by the State will be invested;
- to manage any Ministerial shareholdings in these institutions.

The Minister has holdings in five institutions: Bank of Ireland, Allied Irish Banks, Anglo Irish Bank, the Irish Nationwide Building Society and the Education Building Society. Bank of Ireland and Allied Irish Banks are listed institutions in which the Minister has indirect shareholdings through the National Pensions Reserve Fund. Anglo Irish Bank has been nationalised and the State has invested in Special Investment Shares in the two building societies, the terms of which place them under Ministerial control.

Initial work in the banking area has focused on the analysis of the financial condition of Bank of Ireland and Allied Irish Banks. The NTMA has also provided advice to the Department of Finance on specific banking related issues. The NTMA, in consultation with the Department of Finance, negotiated with Bank of Ireland and Allied Irish Banks ahead of the Minister's Banking Statement to the Dáil on 30 March 2010 in which he set out details of the revised capital requirements for financial institutions, as determined by the Financial Regulator, and what State support might be provided. In the case of Bank of Ireland, these negotiations led to the agreement on the terms and conditions on which State support would be provided as part of the bank's capital raising announced on 26 April 2010.

National Pensions Reserve Fund

National Pensions Reserve Fund

The National Pensions Reserve Fund was established in April 2001. Its objective is to meet as much as possible of the costs of social welfare and public service pensions from 2025 onwards when these costs are projected to increase dramatically due to the ageing of the population.

The Fund is controlled by the National Pensions Reserve Fund Commission, a body corporate appointed by the Minister for Finance and including, *ex officio*, the Chief Executive of the NTMA. The Commission's functions include the determination and implementation of the NPRF's investment strategy in accordance with its statutory investment policy. This policy requires that the NPRF be invested so as to secure the optimal total financial return provided the level of risk is acceptable to the Commission. The Commission performs its functions through the NTMA, which was appointed as manager of the Fund for ten years until April 2011.

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

DIRECTED INVESTMENTS

On 30 March 2009 the Minister for Finance directed the Commission to invest €3.5 billion in preference shares issued by Bank of Ireland and on 12 May 2009 directed the Commission to invest €3.5 billion in preference shares issued by Allied Irish Banks plc (AIB). The investments followed intensive discussions between the Government and Bank of Ireland and AIB with a view to securing the capital position of these two listed banks. The directions were made under the *Investment of the National Pensions Reserve Fund and Miscellaneous Provisions Act, 2009* which empowers the Minister to direct the Commission to invest in listed credit institutions where it is deemed to be *"necessary, in the public interest, for either or both of the following purposes — (a) to remedy a serious disturbance in the economy of the State; (b) to prevent potential serious damage to the financial system in the State and ensure the continued stability of that system*."

The Directed Investments form part of the National Pensions Reserve Fund and any income or capital gains from these assets will accrue to the Fund. The Directed Investments do not involve any change in the date of the first drawdown from the Fund – 2025.

The transactions were funded by €4 billion from the Fund's existing resources and €3 billion from a frontloading of the Exchequer contributions to the Fund for 2009 and 2010.

PERFORMANCE

Performance of the National Pensions Reserve Fund is now reported on three levels to include (i) the Discretionary Portfolio (ii) the Directed Investments and (iii) the Total Fund.

The Discretionary Portfolio earned a return of 20.6 per cent in 2009. Since the Fund's inception in 2001, the Discretionary Portfolio has delivered an annualised return of 2.6 per cent per annum. Including the bank preference shares and related warrants, which are held at cost and zero respectively, the Fund recorded a total return of 11.5 per cent in 2009.

Fund Performance

	Performance 2009 %	Performance since inception* %
Discretionary Portfolio	20.6	2.6
Directed Investments	0.0	0.0
Total	**11.5**	**1.7**

* April 2001 to 31 December 2009 annualised

The Fund's positive return in 2009 is primarily attributable to the performance of its equity investments. During 2009 all markets, except for Japan, rebounded strongly from the low levels at the end of 2008. Emerging market equities performed particularly well.

At 31 December 2009 the total Fund's value stood at €22.3 billion.

ASSET ALLOCATION

The Fund's asset allocation strategy is primarily focused on building up a diversified portfolio of equities and other real assets on the basis that, over the long holding period before significant disbursements are made from the Fund, such assets will outperform financial assets such as bonds and cash.

The Fund avoided selling equities at market lows in March to meet the cost of the Directed Investments and, instead, met the €4 billion required from the Fund's resources mainly from its cash reserves and the sale of its government bond portfolio. As a result, the Discretionary Portfolio had an elevated level of quoted equity investment of 80 per cent following completion of the recapitalisation in May compared with 57 per cent before the preference share investments were made. The Fund took advantage of the strong equity market rally to reduce its absolute risk and exposure to the equity markets through phased equity sales of €2.7 billion through the remainder of the year. The Investment Portfolio's exposure to the quoted equity markets had been reduced to 63 per cent by year end.

The assets of ten university and non-commercial State body pension funds (€993 million) were transferred to the NPRF on 31 December 2009 and credited against the annual Exchequer contribution. These assets were transitioned into the Fund's asset allocation during January 2010.

NPRF Asset Allocation as at 31 December 2009	% of Total fund	% of Discretionary Portfolio*	% of Benchmark
Large Cap Equity	33.9	52.8	48.4
Small Cap Equity	3.3	5.1	5.0
Emerging Markets Equity	3.5	5.4	5.0
Total Listed Equity	**40.7**	**63.3**	**58.4**
Bonds	5.5	8.5	8.0
Cash	12.1	18.8	23.5
Total Financial Assets	**17.6**	**27.3**	**31.5**
Private Equity	2.8	4.3	4.3
Property	1.7	2.7	3.0
Commodities	0.7	1.1	1.6
Total Alternative Assets	**5.2**	**8.1**	**8.9**
Currency and Asset Allocation Funds	0.8	1.3	1.2
Total Absolute Return Assets	**0.8**	**1.3**	**1.2**
Assets transferred on 31.12.09 from University and Non-Commercial State Body Pension Funds	4.4		
Total Discretionary Portfolio	**68.7**	**100.0**	**100.0**
Directed Investments	**31.3**		
Total Fund	**100.0**		

* Asset classes as a percentage of the Discretionary Portfolio are calculated excluding assets transferred on 31 December 2009

Principal NTMA Activities

The principal activities of the NTMA in its capacity as Fund Manager are:

- provision of policy advice to the NPRF Commission;
- implementation of the Fund's investment strategy;
- selection and performance review of investment managers and specific investment vehicles;
- oversight of the Fund's directed investments in bank preference shares and monitoring the financial condition of the institutions concerned;
- development and operation of Fund controls to ensure that the Fund is managed within the parameters set down by the Commission and that the operational risks to the Fund are minimised;
- preparation of the Fund's financial statements and monitoring of the Fund's global custodian.

National Development Finance Agency

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 infrastructure projects. Its mandate was subsequently extended to give it full responsibility for the procurement and delivery of all Public Private Partnership (PPP) projects other than transport projects and certain local authority PPPs. It discharges its functions through the NTMA. The Chief Executive of the NTMA is the Chairperson of the NDFA. A director of the NTMA is Chief Executive of the NDFA.

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

The NDFA has completed its advice on 48 projects with a combined capital value of more than €6.5 billion, 26 of which are PPPs. It is currently working on more than 50 active projects in conjunction with the sponsoring Departments/Agencies.

In addition to providing financial advice on all projects referred to it, the NDFA is also the designated procurement authority for eleven of these projects. Of these eleven projects, four have been formally handed over to the NDFA for procurement – comprising two discrete bundles of schools, the redevelopment of the National Concert Hall and the first bundle of Third Level Institutions.

Progress has been made on a substantial number of projects during 2009 and in the first half of 2010, some highlights of which are as follows:

- The first bundle of schools referred to the NDFA for procurement reached financial close in March 2009. The four schools in Laois and Offaly will provide 2,700 pupil places and are due to be occupied by September 2010.
- The second bundle of schools referred to the NDFA reached financial close in June 2010. The six schools in Cork, Limerick, Kildare, Wicklow and Meath will provide accommodation for approximately 4,700 students and are due to be occupied by November 2011.
- The National Concert Hall was handed over to the NDFA for procurement in May 2008. Two candidates have been shortlisted and tenders have been evaluated. A decision is expected shortly from the Department of Tourism, Culture and Sport.
- The first bundle of Third Level Institutions comprises educational facilities at Cork Institute of Technology, University of Limerick and Limerick Institute of Technology, together with new facilities at Dun Laoghaire Institute of Art, Design & Technology. It was handed over to the NDFA for procurement in July 2009. Three candidates have been shortlisted and final tenders are due for submission in July 2010. It is anticipated that contract award will take place in early 2011.
- In 2009 and to date in 2010, Value for Money opinions were issued in respect of the following projects:
    - First Bundle of Schools;
    - Second Bundle of Schools;
    - National Integrated Medical Imaging System (NIMIS);
    - St Vincent's University Hospital;
    - Motorway Service Areas;
    - Fingal County Council Wastewater Treatment Scheme;
    - Metropolitan Area Network 2;
    - Midlands Decentralisation.

- The NDFA continues to provide financial advice on a number of major infrastructure projects including Metro North, DART Underground and Thornton Hall Prison Campus. The NDFA also acts as financial advisor to the HSE on a number of significant health projects including the National Paediatric Hospital. In addition, the NDFA is working closely with Dublin City Council and other local authorities on a number of projects in the waste and water sectors.
- A number of facilities to which the NDFA has provided advice were completed in 2009 and 2010:
  - The Criminal Courts of Justice opened in November 2009, three months ahead of schedule.
  - The Convention Centre Dublin is scheduled to commence operations in August 2010. The building is owned by the State, is being operated on the State's behalf by a private sector consortium over a 25 year contract period and will revert to being operated by the State at the conclusion of this period.
  - The Aviva Stadium at Lansdowne Road was officially opened in May 2010. The State provided €191 million in funding for the development and NDFA undertook due diligence on the transaction on behalf of the Department of Tourism, Culture and Sport.
  - The implementation of the National Integrated Medical Imaging System (NIMIS) project has commenced and will deliver a filmless, paperless integrated information management solution for radiology and cardiology imaging on a nationwide basis.

National Asset Management Agency

PURPOSE AND ESTABLISHMENT

The Government, as part of a range of measures designed to safeguard the viability of a number of systemically important financial institutions, established the National Asset Management Agency (NAMA) in 2009.

The *National Asset Management Agency Act 2009* was passed into law in November 2009. NAMA was formally established and its Board appointed in December 2009. The NAMA initiative was developed within the common EU framework detailed in the European Commission Guidance on the Treatment of Impaired Assets and was approved by the Commission, in the context of its State Aid rules, in February 2010.

NAMA is required to submit an annual report and accounts of its activities to the Minister for Finance. These are published separately. The first annual report will be in respect of 2010. NAMA will also make a quarterly report to the Minister of its activities and the activities of each NAMA group entity which is to be laid before each House of the Oireachtas.

KEY FEATURES

Some of the key features of NAMA are as follows:

- NAMA operates as an independent commercial entity with its own board. The Chief Executive Officer of NAMA is the person who is accountable for the purposes of the *Comptroller and Auditor General (Amendment) Act 1993*.
- The NTMA provides NAMA with a number of business and support services - these include information technology, transaction processing, financial control, human resources, internal control, compliance, risk management and treasury services. It is expected that NAMA will employ up to 100 core staff with financial, banking, property, credit and risk skills and it will operate in conjunction with a number of specialist service providers.
- NAMA is an asset management agency which has the capacity to take a longer-term perspective on borrowers and assets insofar as it makes commercial sense to do so.
- It will acquire about €81 billion in loan balances from five participating institutions – Allied Irish Banks, Anglo Irish Bank, Bank of Ireland, Educational Building Society and Irish Nationwide Building Society. The loans acquired will be the performing and non-performing loans of borrowers with significant exposure to the property sector. It is expected that the full portfolio of loans will have been transferred by February 2011.
- In exchange for these loans, NAMA will pay consideration to the institutions in the form of senior and subordinated bonds which will be issued at a significant discount. The institutions can then use these securities as collateral with the European Central Bank and with the market in order to secure liquidity. The securities issued by NAMA will not constitute part of the General Government Debt as defined by Eurostat.
- It is projected that interest on the performing loans acquired by NAMA will offset the interest cost of securities issued by it.

Finance, Technology & Risk

The NTMA's Finance, Technology and Risk Directorate provides shared services in the areas of financial control, risk management, information technology and transaction processing to all the NTMA's distinct businesses.

The expansion of the NTMA's remit in recent years has placed additional demands on the Finance, Technology and Risk Directorate. The focus in 2009 was on enhancing counterparty credit and liquidity risk management systems, putting in place support services for NAMA and strengthening the security of the NTMA's networks. Careful planning has ensured that the introduction of new products and the development of the new businesses has been fully integrated within the NTMA's comprehensive network of systems and controls. Information technology is critical and systems have been developed to support the businesses as required. During the year transactions with cashflows of €1,119 billion were processed.

The NTMA seeks to control and manage risk in accordance with the highest professional standards and continually modifies and enhances its controls and risk management practices to reflect changes in its business, markets, products and evolving best practice.

RISK MANAGEMENT

The NTMA's primary debt management objectives are to ensure adequate liquidity for the Exchequer and to keep debt service costs to a minimum subject to an acceptable level of risk. The risks encountered by the NTMA can be classified as market risk, liquidity risk, counterparty credit risk and operational risk.

In the case of market risk, the NTMA has in place a comprehensive set of risk management procedures to quantify and manage, in a timely manner, the impact of movements in interest rates and foreign exchange rates. The risk management tools include systems to quantify the sensitivity of budgeted debt service costs, both in the current year and in future years, to movements in market rates.

Liquidity risks, specifically funding liquidity risks, relate to the need to have sufficient cash to meet all liabilities as they arise. These are actively monitored and controlled. Integrated procedures are in place to ensure that the NTMA manages the timing and volume of issuance to guarantee sufficient liquidity. During 2009 the Risk Unit enhanced liquidity risk profiling models in response to the Exchequer borrowing requirement and the volatility in the markets.

Counterparty credit exposures, arising from the placing of deposits as well as transactions in derivatives, are monitored daily against approved limits. The NTMA has in place a comprehensive system for managing its credit risk with other financial institutions. Exposures are measured on an aggregate real-time basis across the various NTMA portfolios. Counterparties are constantly monitored for any events that might affect their creditworthiness and all counterparty limits are subject to an ongoing detailed review process.

Operational risk is controlled by rigorous policies and procedures governing payments and by the separation of duties, in line with best practice in the financial sector. Management of operational risk is the responsibility of all business units and is supplemented by the work of the NTMA's Control and Compliance Units and the current internal auditor, PricewaterhouseCoopers.

Debt Management Benchmark

The National Debt Benchmark reflects the medium-term debt management objectives of the Exchequer and represents a portfolio with the interest profile, duration and maturity structure which is consistent with guidelines set by the Minister for Finance.

The Benchmark performance measurement system takes account of both the accumulated cash positions and the net present value of all future cash flows. It calculates the impact of the NTMA's actions not only in the year under review, but also their projected impact over the full life of the debt. The measurement of performance against the Benchmark and the results achieved were audited by PricewaterhouseCoopers. The NTMA outperformed its benchmark by €149 million in 2009.

The NTMA has developed risk management tools, incorporating both sensitivity and Value at Risk analysis. These tools measure the interest rate sensitivity of performance relative to the Benchmark. Risk limits are used to control the NTMA's performance exposure within an acceptable range.

The NTMA has in place systems that allow detailed performance and risk management information to be calculated daily and communicated electronically to its portfolio managers and senior management.

Value at Risk and sensitivity measures are based on historical data and only purport to estimate probable maximum risk up to a defined confidence level in normal market conditions. Stress tests are used to supplement these measures by estimating the possible impact on the debt service budget and the NTMA's benchmark performance that may occur under extreme market conditions.

Back testing is also used to verify the predictive power of the Value at Risk model. Under this process, actual performance is compared to the estimates which had been forecast using the Value at Risk model.

AUDIT

In accordance with statutory requirements, the NTMA is audited by the Comptroller and Auditor General. In line with the best standards of corporate governance, the NTMA has had in place since its establishment an internal audit function. This work is supplemented by an external firm of auditors, currently PricewaterhouseCoopers, which performs internal audit work.

The NTMA internal control system relies on strict organisational independence of the monitoring and control functions, the segregation of duties and the application of the maker/checker principle to all activities. The NTMA has received satisfactory reports in respect of its business from both its external and internal auditors in respect of 2009.

There is an NTMA Audit Committee, an NPRF Audit Committee and a NAMA Audit Committee which report respectively to the NTMA Advisory Committee, the NPRF Commission and the NAMA Board. These Audit Committees reviewed the effectiveness of the controls of the NTMA and other service providers through meetings with management, the Office of the Comptroller and Auditor General, and the Internal Auditor.

Other Functions

In addition to its core function of borrowing for the Exchequer and managing the debt, the NTMA's Funding and Debt Management Directorate carries out a number of other functions including:

Housing Finance Agency Commercial Paper Programme
The NTMA borrows on behalf of the Housing Finance Agency (HFA) under its €6 billion Multi-Currency Commercial Paper programme. The HFA's borrowings are on-lent to local authorities for social housing and ancillary projects. HFA borrowings are guaranteed by the Minister for Finance, and the programme has the top short-term credit ratings from Moody's and Standard & Poor's. The average amount outstanding under the programme in 2009 was €3.6 billion.

Central Treasury Services
The NTMA's Central Treasury Service (CTS) takes deposits from, and makes advances to, non–commercial State bodies, as well as local government authorities, the Health Service Executive and vocational education committees. The objective is to provide these bodies with a competitive alternative to the banking sector for their treasury business and thus to make savings for the Exchequer.

During 2009 lending to the designated bodies was €54.4 million on average. There were 634 deposits placed with the CTS in 2009, with an average balance of €209 million.

European Central Bank Liquidity Management
The NTMA engages 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 euro area by the European Central Bank. Turnover in 2009 was €591 billion.

Agricultural Commodity Intervention Bills
Agricultural Commodity Intervention Bills (ACIBs) are issued by the NTMA on behalf of the Minister for Agriculture and Food. They fulfil a short-term funding requirement by bridging the gap between the making of agricultural intervention payments by the Minister for Agriculture and Food and the recoupment of the moneys from the EU. Turnover in 2009 was €465 million.

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

Decisions on disbursements are made by the Government. The Dormant Accounts Board, established under the *Dormant Accounts (Amendment) Act 2005*, advises on priority areas for funding. The Board also has a role in monitoring the impact of this funding.

Pending disbursement, moneys in the Fund are managed by the NTMA. The NTMA had €135 million under management at end December 2009, compared with €151 million at end-2008. Some €41 million was transferred to the Fund in 2009, while €19 million of previously dormant funds was reclaimed. Disbursements from the Fund amounted to €38 million in 2009.

Social Insurance Fund
The income of the Social Insurance Fund derives mainly from Pay-Related Social Insurance (PRSI) contributions by employees, employers and self-employed persons. Payments from the Fund are made in respect of items such as State Pensions, Illness Benefit and Jobseekers Benefit. Since July 2001 the NTMA has managed the accumulated surplus of the Fund, with performance measured against a benchmark agreed with the Minister for Finance.

During 2009 the NTMA transferred €2.9 billion from the Fund back to the Department of Social and Family Affairs, bringing the total under management at the end of the year to € 157 million. The balance of the Fund was transferred back to the Department by the end of April 2010.

Emissions Trading

Ireland's response to its commitments under the Kyoto Protocol was outlined in the National Climate Change Strategy 2007-2012 published by the Department for the Environment, Heritage and Local Government in April 2007. Under the Kyoto Protocol Ireland must limit the growth in its emissions in the period 2008-2012 to 13 per cent above the 1990 levels. Ireland agreed to a concerted response as a member of the European Union and has, with the EU, adapted a much more challenging reduction for the post-Kyoto period to 2020.

In the period 2008-2012 Ireland intended to achieve its target reductions by a combination of domestic actions (79 per cent) and the purchase of carbon credits (21 per cent). The *Carbon Fund Act 2007* designates the NTMA as the National Purchasing Agent for the purchase of carbon credits on behalf of Ireland. Funding for the purchase of carbon credits is provided from the Exchequer to the Carbon Fund established under the 2007 Act. To date the NTMA has purchased 5.255 million carbon units which were delivered into the NTMA's Irish Registry account at the Environmental Protection Agency. These combined purchases account for almost 30 per cent of the required purchases (18 million units) as outlined in the National Climate Change Strategy 2007-2012.

The requirement to purchase carbon credits has now been revised downwards to reflect the effect of the economic downturn on greenhouse gas emissions in Ireland. The updated figures indicated a Distance to Target for the Kyoto period 2008-2012 in the range of 1.3 million to 1.8 million tonnes per annum for each of the five years 2008-2012 as compared to 3.6 million tonnes per annum anticipated in the National Climate Change Strategy or a total of 6.5 million to 9 million tonnes over the five year period.

In light of these revised estimates of the Government's need to purchase carbon credits, it has decided to cease purchases of carbon credits for the time being.

Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009

In September 2008 the Government put in place a guarantee arrangement to safeguard all deposits (retail, commercial, institutional and interbank), covered bonds, senior debt and dated subordinated debt (Lower Tier 2 capital) with the following Irish financial institutions: Allied Irish Banks, Anglo Irish Bank, Bank of Ireland, Educational Building Society, Irish Life and Permanent, Irish Nationwide Building Society and their approved subsidiaries. PostBank subsequently joined the scheme. The guarantee covers all existing aforementioned facilities with these institutions and will expire on 29 September 2010.

In December 2009 the Government introduced a new guarantee scheme to provide for the guarantee of bank liabilities beyond 29 September 2010, in line with the guarantees offered in other EU countries. The scheme is entitled the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (ELG Scheme) under *Section 6(4) of the Credit Institutions (Financial Support) Act 2008* and it came into effect on 9 December 2009. The Minister for Finance has appointed the NTMA as the ELG Scheme Operator.

The ELG Scheme provides for an unconditional and irrevocable State guarantee for certain eligible liabilities (including deposits) of up to five years maturity incurred by participating institutions during the period from the commencement date of the ELG Scheme to 29 September 2010 on certain terms and conditions. The ELG Scheme is reviewed at least on a six monthly basis to determine whether the financial support provided by the ELG Scheme continues to be necessary. On 29 June 2010 the European Commission extended the ELG Scheme until 31 December 2010, with certain modifications with regard to non-retail deposits.

Eligible liabilities which may be guaranteed under the ELG Scheme include:

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

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

Full details of the scheme can be found at www.ntma.ie.

Financial Statements

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

Financial Statements of the National Debt of Ireland

For the year ended 31 December 2009

Statement of Agency's Responsibilities

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

In preparing those statements, the NTMA is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

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

The NTMA is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

Statement on Internal Financial Control

Responsibility for System of Internal Financial Control

On behalf of the National Treasury Management Agency, 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 period.

Key Control Procedures

The National Treasury Management Agency has taken steps to ensure an appropriate control environment by:

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

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

- identifying the nature, extent and financial implication of risks facing the body including the extent and categories which it regards as acceptable;
- assessing the likelihood of identified risks occurring;
- assessing the body's ability to manage and mitigate the risks that do occur;
- assessing the costs of operating particular controls relative to the benefit obtained.

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

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

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

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

Statement on Internal Financial Control (continued)

Annual Review of Controls

I confirm that, in the year ended 31 December 2009, I, as Chief Executive, having taken advice from the NTMA Audit Committee, conducted a review of the effectiveness of the system of internal financial controls.

John C. Corrigan

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

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

I have audited the financial statements of the National Treasury Management Agency for the year ended 31 December 2009 under the National Treasury Management Agency Act 1990.

The financial statements, which have been prepared under the accounting policies set out therein, comprise the Accounting Policies, the Service of Debt Statement, the National Debt Statement, the National Debt Cash Flow Statement, Statement of Movement in National Debt, the related notes and in relation to administration costs, the Accounting Policies, the Income and Expenditure Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes.

Respective Responsibilities of the Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the National Treasury Management Agency Act 1990, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements properly present, in accordance with Generally Accepted Accounting Practice in Ireland, the results of the Agency's operations for the year and its balances at the year-end. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

I review whether the Statement on Internal Financial Control reflects the Agency's compliance with the Code of Practice for the Governance of State Bodies and report any material instance where it does not do so, or if the statement is misleading or inconsistent with other information of which I am aware from my audit of the financial statements. I am not required to consider whether the Statement on Internal Financial Control covers all financial risks and controls, or to form an opinion on the effectiveness of the risk and control procedures.

I read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

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

Opinion

In my opinion, the financial statements properly present, in accordance with Generally Accepted Accounting Practice in Ireland, the results of the Agency's operations for the year ended 31 December 2009 and its balances at that date.

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

John Buckley
Comptroller and Auditor General

25 June 2010

Accounting Policies

Background

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

The financial statements set out on pages 50 to 60 are for 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.

Basis of Accounting

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

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

Reporting Period

The reporting period is for the year ended 31 December 2009.

Reporting Currency

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

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.

Liability Valuation

Debt balances are recorded at redeemable par value.

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 linked with specific borrowing transactions are recognised in accordance with the underlying transactions. The net fund flows arising on hedging activities 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 and converted into other swap instruments the fund flows impact upon debt service in accordance with the terms of the revised instrument.

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 dates.

Service of Debt Statement

Year ended 31 December 2009

	Notes	2009 Total Cost €000	2008 Total Cost €000
Interest paid			
Medium / Long Term Debt*	2	1,985,747	1,444,354
Short Term Debt**		615,760	254,937
National Savings Schemes	4, 10	250,219	210,658
Other Movements	5	2,670	2,930
Sinking Fund payments	6	572,950	487,977
Fees and Expenses	7	68,606	32,570
Expenses of NTMA		37,345	34,552
Interest received on deposits with Central Bank and other banks		(319,346)	(368,432)
Total Service Cost	**1**	**3,213,951**	**2,099,546**

* Medium / Long Term Debt is debt with an original maturity of more than one year

** Short Term Debt is debt with an original maturity of not more than one year

John C. Corrigan

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 54 to 60 form part of these financial statements.

National Debt Statement

31 December 2009

	Notes		2009 € million		2008 € million
Medium / Long Term Debt *					
Irish Government Bonds listed on the Irish Stock Exchange			70,858		41,863
Private Placements			217		-
European Investment Bank Loans			-		29
Medium Term Notes			422		439
Miscellaneous Debt			31		15
	8		71,528		42,346
Short Term Debt **					
Commercial Paper	9	16,261		21,783	
Borrowings from Funds under the control of the Minister for Finance	16	1,783		2,605	
			18,044		24,388
National Savings Schemes					
Savings Certificates		3,104		2,533	
Savings Bonds		2,761		1,952	
Instalment Savings		456		432	
Savings Stamps		2		2	
Prize Bonds		1,073		804	
	10		7,396		5,723
			96,968		72,457
Less Liquid Assets	11		(21,816)		(22,059)
National Debt	**13**		**75,152**		**50,398**

* Medium / Long Term Debt is debt with an original maturity of more than one year

** Short Term Debt is debt with an original maturity of not more than one year

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 54 to 60 form part of these financial statements.

National Debt Cash Flow Statement

Year ended 31 December 2009

	2009 €000	2008 €000
Movement in Exchequer balances:		
Opening Balance in Exchequer Account (note 11)	21,269,014	3,996,063
Deposit Activity (note 17)	-	(300,000)
Borrowing Activity (see below)	24,397,006	30,287,429
	45,666,020	33,983,492
Exchequer Surplus/(Deficit)	(24,640,879)	(12,714,478)
Closing Balance in Exchequer Account (note 11)	**21,025,141**	**21,269,014**

	Receipts* €000	Payments* €000	2009 Net €000	2008 Net €000
Borrowing Activity				
Irish Government Bonds listed on the Irish Stock Exchange	40,498,542	(11,601,544)	28,896,998	10,845,854
Other Irish Government Public Bond Issues	-	-	-	(35,242)
Private Placements	212,682	-	212,682	-
European Investment Bank Loans	-	(34,092)	(34,092)	(74,575)
Miscellaneous Debt	-	(126)	(126)	(3,892)
Commercial Paper	177,543,574	(183,071,860)	(5,528,286)	18,425,348
Savings Certificates	1,214,287	(644,095)	570,192	310,621
Savings Bonds	1,460,232	(652,099)	808,133	277,285
Instalment Savings	110,713	(86,867)	23,846	23,536
Prize Bonds	370,272	(100,862)	269,410	171,834
Borrowings from Ministerial Funds	56,759,625	(57,581,376)	(821,751)	346,660
Total Borrowing Activity	278,169,927	(253,772,921)	24,397,006	30,287,429
Deposit Activity (note 17)	210,498,690	(210,498,690)	-	(300,000)
Total Activity	**488,668,617**	**(464,271,611)**	**24,397,006**	**29,987,429**

	Receipts* €000	Payments* €000	2009 Net €000	2008 Net €000
Exchequer Account	471,620,270	(445,640,890)	25,979,380	23,754,468
Foreign Currency Clearing Accounts (note 15)	17,048,347	(18,630,721)	(1,582,374)	6,232,961
	488,668,617	**(464,271,611)**	**24,397,006**	**29,987,429**

Receipts and payments represent the gross value of borrowing activity, including rollover of debt.

John C. Corrigan

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 54 to 60 form part of these financial statements.

Statement of Movement in National Debt

Year ended 31 December 2010

	2009 €000	2008 €000
Opening National Debt	50,398,188	37,559,513
Increase in National Debt (nominal)	24,753,609	12,838,675
Closing National Debt	**75,151,797**	**50,398,188**
Increase in National Debt (nominal) represented by:		
Exchequer (Surplus)/Deficit	24,640,879	12,714,478
Effect of foreign exchange rate movements	10,944	51,767
Medium Long Term Loans: net reduction/(excess) of proceeds over nominal liability	4,318	-
Bond tranching: net reduction/(excess) of proceeds over nominal liability	97,235	71,814
Bond cancellations: net reduction/(excess) of cancellation cost over nominal liability	251	217
Movement in CSRA current balance (note 11)	(18)	408
Other nominal movements	-	(9)
	24,753,609	**12,838,675**

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 54 to 60 form part of these financial statements.

Notes to the Financial Statements

1. Total Service Cost

	Notes	Charged on Foreign Currency Clearing Accounts €000	Charged on Central Fund €000	Charged on CSRA €000	Total Service Cost 2009 €000
Interest paid					
Medium / Long Term Debt	2	2,012	741,574	1,242,161	1,985,747
Short Term Debt	3	147,389	162,101	306,270	615,760
National Savings Schemes	4,10	-	(181,650)	431,869	250,219
Other Movements	5	(1,732,915)	1,667,875	67,710	2,670
Sinking Fund payments	6	-	-	572,950	572,950
Fees and Expenses	7	316	56,290	12,000	68,606
Expenses of NTMA		807	36,538	-	37,345
Interest received on deposits with Central Bank and other banks		-	-	(319,346)	(319,346)
		(1,582,391)	2,482,728	2,313,614	3,213,951
Inter Account Movement		-	2,313,632	(2,313,632)	-
Net cash paid		**(1,582,391)**	**4,796,360**	**(18)**	**3,213,951**

2. Interest on Medium / Long Term Debt

	Total Cost 2009 €000	Total Cost 2008 €000
Irish Government Bonds listed on the Irish Stock Exchange	1,965,997	1,410,587
Other Irish Government Public Bond Issues	-	4,219
European Investment Bank Loans	2,011	8,020
Medium Term Notes	17,131	15,471
Miscellaneous Debt	608	6,057
	1,985,747	**1,444,354**

Notes to the Financial Statements (continued)

3. Interest on Short Term Debt

	Total Cost 2009 €000	Total Cost 2008 €000
Commercial Paper	593,366	215,224
Borrowings from Funds under the control of the Minister for Finance	22,394	39,713
	615,760	**254,937**

4. Interest on National Savings Schemes

	Total Cost 2009 €000	Total Cost 2008 €000
Savings Certificates	398,447	214,765
Savings Bonds	50,065	55,007
Instalment Savings	16,531	21,795
Prizes in respect of Prize Bonds	27,831	20,260
Small Savings Reserve (note 10)	(242,655)	(101,169)
	250,219	**210,658**

Payments for Interest on National Savings Schemes in 2009 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 due to be transferred in 2009 were as follows:

	2009 €000
Savings Certificates	(2,004)
Savings Bonds	(43)
Instalment Savings	(99)
	(2,146)

5. Other Movements

The NTMA, as part of its remit, engages in a range of debt management transactions including derivatives (see note 12). This figure reflects the net cashflows associated with these activities.

6. Sinking Fund Payments

Under the Finance Act 1950, specified amounts were provided for the redemption of debt. The sums provided and applied in 2009 were as follows:

	2009 €000
Capital Services Redemption Account (Note 14)	**572,950**

Notes to the Financial Statements (continued)

7. Fees and Expenses

	Total Cost 2009 €000	Total Cost 2008 €000
Expenses of Government Bonds and Other Loans	38,381	10,639
Expenses of Savings Certificates	7,947	5,837
Expenses of Prize Bonds	12,778	8,598
Expenses of Savings Bonds	7,657	5,147
Expenses of Instalment Savings	1,843	1,821
Expenses of Savings Stamps	-	528
	68,606	**32,570**

8. Medium / Long Term Debt

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

	As at 31 December 2009 € million	As at 31 December 2008 € million
Debt due for repayment within 1 year	1,179	5,101
Debt due for repayment between 2 and 5 years	24,891	11,242
Debt due for repayment in more than 5 years	45,458	26,003
	71,528	**42,346**

9. Commercial Paper

The NTMA issues short-term commercial paper of maturities up to 1 year to raise short-term funds from the international money markets. The proceeds are used to fund the Exchequer deficit and as bridging finance in the replacement of longer term debt and for other liquidity management purposes. Borrowings may be in a range of currencies, but all non-euro borrowings are immediately swapped back into euro using foreign exchange contracts. The NTMA used the issuance of short-term commercial paper to build up Exchequer cash balances at the end of 2009.

Notes to the Financial Statements (continued)

10 National Savings Schemes

In 2009 the gross interest payment on the savings schemes was €493 million, however when the drawdown from the Small Savings Reserve Fund of €243 million was credited against the Central Fund, the net interest cost was €250 million.

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds and Prize Bonds are net of €20.9 million (2008: €14.7 million) being cash balances held by An Post, Permanent TSB Bank and the Prize Bond Company. An Post and the Prize Bond Company acts as registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €346 million (2008: €653 million), being the estimate of the amount of accrued interest at 31 December 2009 in respect of Savings Bonds, Savings Certificates and Instalment Savings.

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The gross interest cost of the savings schemes for 2009, before the drawdown from the Small Savings Reserve Fund, represented 75.50 % per cent of the interest accrued at 31 December 2008 of €653 million.

		€ million
Estimated accrued interest at 31 December 2009		346
Balance of Small Savings Reserve Fund at 1 January 2009	(243)	
Amount applied during 2009 (Note 4)	243	
Balance of Small Savings Reserve Fund at 31 December 2009 (Note 16)		NIL
Estimated accrued interest not provided for at 31 December 2009		**346**

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

11. Liquid Assets

	Opening balance At 1 January 2009 €000	**Movements during 2009 €000**	**Closing balance at 31 December 2009 €000**
Exchequer Account	21,269,014	(243,873)	21,025,141
Capital Services Redemption Account			
Current Balance (note 14)	434	18	452
Bank Deposits	790,000	-	790,000
	22,059,448	**(243,855)**	**21,815,593**

Notes to the Financial Statements (continued)

12. Derivatives

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

A major requirement of the NTMA is to ensure that future funding needs can readily be met at all times. Ultimately the protection of liquidity is the NTMA's most critical task. Risks to the liquidity of the National Debt can arise either from domestic events or, given the high level of linkage between markets, from events outside Ireland. The NTMA manages this risk primarily by controlling the amount of liabilities maturing in any particular period of time. This is reinforced by the NTMA's activities in continuing to develop 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 it issues.

Market risk is the risk of a rise in debt service costs and in the total market value of the debt due to changes in market interest or exchange rates. The NTMA has to have regard to both medium and short term objectives given its task of controlling not only near term fiscal debt service costs but also the present value of all future payments of principal and interest. Fixed interest rate borrowings are subject to a market valuation risk in the event of a decline in interest rates. While carrying less market valuation risk than fixed rate debt, floating rate borrowings carry a higher risk to the near term fiscal cost of servicing the debt. The balance between fixed and floating rate liabilities has to be managed for both the euro and foreign currency portfolios. The exposure to interest rate and currency risk is controlled through limiting the currency and interest rate concentration of the portfolio. 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. The NTMA seeks to achieve the best trade-off between cost and risk over time. As conditions in financial markets change the appropriate interest rate and currency profile of the portfolio is reassessed.

Counterparty credit risk exposures arise 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 in economic and political events.

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

As part of its risk management strategy the NTMA uses a combination of derivatives including interest rate swaps, currency swaps and foreign exchange contracts. The following table shows the nominal value of the instruments used and their present value.

	31 December 2009		31 December 2008	
	Nominal € million	Present Value € million	Nominal € million	Present Value € million
Interest Rate Swaps	195	(11)	280	(10)
Currency Swaps & Foreign Exchange Contracts	5,829	114	7,395	(64)
	6,024	103	7,675	(74)

The Present Value of an instrument is determined by using an appropriate rate of interest to discount all its future cashflows to their present value.

Notes to the Financial Statements (continued)

13. National Debt

The NTMA hedges the foreign currency risk of the National Debt through the use of forward foreign exchange contracts and currency swaps. The currency composition of the National Debt, taking into account these transactions is as follows: -

Currency	**As at 31 December 2009 € million**	**As at 31 December 2008 € million**
Debt instruments		
Euro*	69,454	43,129
US $	5,511	5,148
Pounds Sterling	158	768
Japanese Yen	75	313
Swiss Franc	12	875
Swedish Krona	39	44
	75,249	50,277
Foreign currency & Swap Contracts		
Euro	5,706	7,394
US $	(5,518)	(5,243)
Pounds Sterling	(159)	(777)
Japanese Yen	(75)	(316)
Swiss Franc	(12)	(892)
Swedish Krona	(39)	(45)
	(97)	121
National Debt	**75,152**	**50,398**

* This figure is net of liquid assets as at 31 December 2009 of €21,816 million (31 December 2008: €22,059 million)

14. Capital Services Redemption Account

This account is used to record:

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

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

Notes to the Financial Statements (continued)

15. Foreign Currency Clearing Accounts

		€000
Balance at 1 January 2009		NIL
Amounts received under Finance Act 1988 [S67 (8)]	18,824,127	
Amounts paid under Finance Act 1970 [S54 (7)]	(17,091,212)	1,732,915
Foreign Currency Borrowing receipts	17,048,347	
Foreign Currency Borrowing payments	(18,630,721)	(1,582,374)
Interest paid on Foreign Currency Borrowings (note 1)		
- Medium/ Long Term Debt	(2,012)	
- Short Term Debt	(147,389)	(149,401)
Expenses of Foreign Currency Borrowings (note 1)		(316)
Expenses of NTMA		(807)
Expenses of NDFA		(17)
Balance at 31 December 2009		**NIL**

16. 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.

	As at 31 December 2009 € million	**As at 31 December 2008 € million**
Post Office Savings Bank Fund	1,208	1,545
Small Savings Reserve Fund	-	243
Ulysses Securitisation plc	127	127
Deposit Monies Investment Account	448	690
	1,783	**2,605**

17. Deposit Activity

The NTMA places short-term deposits for maturities of up to 1 year for the purpose of liquidity management.

Financial Statements of the National Treasury Management Agency – Administration Account

For the year ended 31 December 2009

Accounting policies

Background

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

Information relating to the National Debt of Ireland is contained on pages 44 to 60 Financial information covering the Agency itself is set out on pages 61 to 72.

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".

Reporting Currency

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

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.

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.

Leasing

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

Pensions

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

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

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

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

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

Accounting policies (continued)

Software

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

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 2009

	Notes	2009 €	2008 €
Income			
Amount receivable from Central Fund	9	37,868,880	33,397,700
Other income	10	1,022,861	1,163,921
Transfer (to)/from capital account	5	461,272	(281,138)
		39,353,013	34,280,483
Expenditure			
Net Deferred Pension Funding	8(a)	60,680	(1,189,697)
Agency Costs	1	(39,413,693)	(33,090,786)
Net Income/(Expenditure) for year		**Nil**	**Nil**

Statement of Total Recognised Gains and Losses

Year ended 31 December 2009

		2009 €	2008 €
Net Income transferred to Defined Benefit Pension Reserve		-	-
Actuarial gain/(loss) recognised on Pension Liabilities	7(f)	6,228,294	(9,174,000)
Movement in Deferred Pension Funding	8(b)	(5,602,294)	6,731,311
Total Recognised Gain / (Loss) for the year		**626,000**	**(2,442,689)**

John C. Corrigan

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 66 to 72 form part of these financial statements.

Balance Sheet

31 December 2009

	Notes	2009 €	2008 €
Fixed Assets			
Fixed assets	2	1,445,291	1,906,538
Financial Assets	12	-	25
Current Assets			
Cash at bank and in hand		96,063	519,504
Debtors	3	4,004,629	3,796,676
Total Current Assets		4,100,692	4,316,180
Current Liabilities			
Creditors	4	4,100,692	4,316,180
Current Assets less Current Liabilities		-	-
Total Assets less Current Liabilities before pensions		**1,445,291**	**1,906,563**
Deferred Pension Funding	7(d)	-	5,541,614
Pension Asset / (Liability)	7(d)	626,000	(5,541,614)
		626,000	-
Total Assets less Current Liabilities		**2,071,291**	**1,906,563**
Representing:			
Capital account	5	1,445,291	1,906,563
Defined Benefit Pension Reserve	7(d)	626,000	-
		2,071,291	**1,906,563**

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 66 to 72 form part of these financial statements.

Notes to the Financial Statements

1. Agency Costs

	Year Ended 31 December 2009 €	Year Ended 31 December 2008 €
Salaries	20,106,437	19,909,765
Defined Benefit Pension annual cost (FRS 17, Note 7(e))	1,959,000	777,000
PRSA Pension Costs (note 6)	797,660	684,784
Establishment expenses	2,149,143	2,180,771
Operating expenses	5,109,942	5,623,645
Consultancy and Legal expenses	8,701,753	3,273,858
Depreciation (note 2)	589,758	640,963
Total expenses	39,413,693	33,090,786

2. Fixed Assets

	Property €	Furniture, Equipment & Motor Vehicles €	Total €
Cost:			
Opening balance at 1 January 2009	1,382,083	4,723,323	6,105,406
Additions at cost	-	194,728	194,728
Disposals	-	(331,372)	(331,372)
Balance at 31 December 2009	1,382,083	4,586,679	5,968,762
Accumulated depreciation:			
Opening balance at 1 January 2009	1,120,280	3,078,588	4,198,868
Depreciation for the period	69,104	520,654	589,758
Disposals	-	(265,155)	(265,155)
Balance at 31 December 2009	1,189,384	3,334,087	4,523,471
Net book value at 31 December 2009	192,699	1,252,592	1,445,291
Net book value at 31 December 2008	261,803	1,644,735	1,906,538

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

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

The property is leased under a long-term lease, which is subject to rent reviews. The current annual rent is €1,757,500 per annum.

Notes to the Financial Statements (continued)

3. Debtors

	2009 €	2008 €
Central Fund	1,697,269	1,173,242
Prepayments	1,196,841	1,616,675
Other debtors	1,110,519	1,006,759
	4,004,629	3,796,676

4. Creditors

	2009 €	2008 €
Creditors	161,755	522,887
Accruals	3,938,937	3,793,293
	4,100,692	4,316,180

5. Capital Account

			2009 €	2008 €
Opening balance			1,906,563	1,625,425
Transfer from /(to) Income and Expenditure Account				
Asset Funding				
- Fixed Assets		194,728		
Amortisation of capital funding				
- Amortisation in line with depreciation	(589,758)			
- Net amount released on asset disposal	(66,217)	(655,975)	(461,247)	281,138
Amount released on disposal of investment			(25)	-
Closing balance			1,445,291	1,906,563

6. Superannuation

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme set up under Section 8 of the National Treasury Management Agency Act 1990. Those of the Chief Executive are provided under his contract of service. Contributions, including those of staff who have opted for dependent benefit arrangements, are transferred to an externally managed fund. The NTMA contribution is determined on the advice of an independent actuary and is, at present, set at a level of 25 per cent of payroll. Contributions by the NTMA for the year ended 31 December 2009 amounted to € 1,898,320 (2008: € 1,966,697) to the defined benefit scheme.

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

The NTMA also contributed €797,660 (2008: €684,784) to Personal Retirement Savings Accounts (PRSAs) for a number of employees who are not members of the defined benefit scheme in 2009.

Notes to the Financial Statements (continued)

7. Retirement Benefits

(a) Defined Benefit Pension Scheme

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

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

	Year ended 31 December 2009 €000	Year ended 31 December 2008 €000
Benefit obligations at beginning of year	36,698	40,657
Service cost	1,068	1,199
Interest cost	2,122	2,288
Scheme members' contributions	286	259
Past service costs	927	-
Actuarial (gain)/loss	(855)	(6,753)
Benefits paid	(2,213)	(884)
Premiums paid	(40)	(68)
Benefit obligations at end of year	37,993	36,698

(c) Change in the fair value of scheme assets

	Year-ended 31 December 2009 €000	Year-ended 31 December 2008 €000
Fair value of scheme assets at beginning of year	31,157	43,100
Expected return on scheme assets	2,158	2,710
Actuarial gain/(loss)	5,373	(15,927)
Employer contributions	1,898	1,967
Member contributions	286	259
Benefits paid from scheme	(2,213)	(884)
Premiums paid	(40)	(68)
Fair value of scheme assets at end of year	38,619	31,157

Scheme assets

The asset allocations at the year end were as follows:

Equities	80.60%	71.88%
Bonds	15.06%	23.23%
Property	2.36%	3.51%
Other	1.98%	1.38%
	100.00%	100.00%

Notes to the Financial Statements (continued)

7. Retirement Benefits (continued)

(c) Change in the fair value of scheme assets (continued)

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

	Year-ended 31 December 2009 €000	Year-ended 31 December 2008 €000
Actual return on scheme assets	7,531	(13,217)

(d) Scheme Surplus / (Deficit)

	2009 €000	2008 €000
Fair value of scheme assets	38,619	31,157
Present value of funded obligations	37,993	36,698
(Deficit)/ Surplus at year end	**626**	**(5,541)**

Amounts in the balance sheet	**2009 €000**	**2008 €000**
Asset		
Deferred Pension Funding	-	5,541
Liabilities		
Pension (Liability) / (Asset)	626	(5,541)
Defined Benefit Pension Reserve	626	-

Deferred Pension Funding

The NTMA recognises an asset corresponding to the defined benefit scheme deficit on the basis of a number of past events. These events include the statutory basis for the establishment of the superannuation schemes, and the policy and practice currently in place in relation to funding public service pensions. The NTMA has no evidence that this funding policy will not continue to meet such sums in accordance with current practice.

Defined Benefit Pension Reserve

The Defined Benefit Pension Reserve represents the excess of scheme assets over scheme liabilities at 31 December 2009 as measured for the purposes of FRS17.

Notes to the Financial Statements (continued)

7. Retirement Benefits (continued)

(e) Components of pension expense

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

	Year-ended 31 December 2009 €000	Year-ended 31 December 2008 €000
Current service cost	1,068	1,199
Interest cost	2,122	2,288
Expected return on scheme assets	(2,158)	(2,710)
Past service costs	927	-
Income and Expenditure Charge (Note 1)	1,959	777

(f) Actuarial gain / (loss)

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

	Year-ended 31 December 2009 €000	Year-ended 31 December 2008 €000
Actuarial gain / (loss) on scheme obligations	855	6,753
Actuarial gain / (loss) on scheme assets	5,373	(15,927)
Statement of Total Recognised Gains and Losses	6,228	(9,174)
Cumulative amount recognised in Statement of Total Recognised Gains and Losses	(6,947)	(13,175)

(g) Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2009	2008
Weighted average assumptions used to determine benefit obligations		
Discount rate	5.75%	5.75%
Rate of compensation increase	4.00%	4.00%
Weighted average assumptions used to determine pension expense:		
Discount rate	5.75%	5.50%
Expected long-term return on scheme assets	6.94%	6.20%
Weighted average life expectancy at age 60 for mortality tables used to determine benefit obligations:		
Future Pensioners		
- Male	28.4	28.4
-Female	31.5	31.5
Current Pensioners		
- Male	26.3	25.4
-Female	29.4	28.5

Notes to the Financial Statements (continued)

7. Retirement Benefits (continued)

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

	2009	2008	2007	2006	2005
	€000	€000	€000	€000	€000
Defined benefit obligation	37,993	36,698	40,657	39,166	35,997
Fair value of scheme assets	38,619	31,157	43,100	36,244	23,598
Deficit/ (Surplus)	**(626)**	**5,541**	**(2,443)**	**2,922**	**12,399**
Difference between expected and actual return on scheme assets:					
Amount	(5,373)	15,927	2,126	(1,895)	(1,887)
Expressed as a % of scheme assets	(13.9%)	51.1%	4.9%	(5.2%)	(8.0%)
Experience (gains) / losses on scheme liabilities:					
Amount	(1,348)	(2,140)	610	221	1,054
Expressed as a % of scheme liabilities	(3.5%)	(5.8%)	1.5%	0.6%	2.9%

8. Net Deferred Pension Funding

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

	2009	2008
	€	€
Funding recoverable in respect of current year pension costs (note 7(e))	1,959,000	777,000
Income applied to pay contributions to pension fund (note 6)	(1,898,320)	(1,966,697)
Net Deferred Pension Funding	60,680	(1,189,697)

(b)Movement in the Deferred Pension Funding	**2009**	**2008**
	€	€
Amount recoverable in respect of current year actuarial loss	-	9,174,000
Decrease in Defined Benefit Pension Reserve	-	(2,442,689)
Reduction in amount recoverable in respect of current year actuarial gain	(6,228,294)	-
Actuarial gain transferred to Defined Benefit Pension Reserve	626,000	-
	(5,602,294)	(6,731,311)

Notes to the Financial Statements (continued)

9. Central Fund Income

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

	2009 €	2008 €
Opening amount due from Central Fund (note 3)	(1,173,242)	(2,327,072)
Received from Central Fund	37,344,853	34,551,530
Amount due from Central Fund at year end (note 3)	1,697,269	1,173,242
Central Fund Receivable for year	37,868,880	33,397,700

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

	2009 €	2008 €
Debtors (note 3)	1,697,269	1,173,242
Deferred Pension Funding (note 7(d))	-	5,541,000
	1,697,269	6,714,242

10. Other Income

	2009 €	2008 €
Asset Covered Income	826,917	730,311
Consultancy and other income	195,944	433,610
	1,022,861	1,163,921

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

11. Expenses of NTMA for other functions

The NTMA incurred the following costs to fulfil the functions delegated to it.

	2009 €000	2008 €000
National Pensions Reserve Fund	6.1	6.6
National Development Finance Agency	7.3	7.7
State Claims Agency	7.8	7.5
National Asset Management Agency	2.8	-

These costs are included in the Income and Expenditure account.

12. Financial Assets

The NTMA joined TARGET during 1999, which is a real time settlement system administered by IRIS Ltd. The system is used to settle euro transactions through the European System of Central Banks. As a condition of membership, the NTMA was required to purchase 20 ordinary IR£1 (€1.27) shares purchased at par. In 2009, IRIS Ltd was placed in voluntary liquidation and the NTMA received €2,801.69 as a final distribution in relation to its shareholding in January 2009.

Financial Statements of the Post Office Savings Bank Fund

For the year ended 31 December 2009

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

I have audited the financial statements of the Post Office Savings Bank Fund for the year ended 31 December 2009 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.

Respective Responsibilities of the National Treasury Management Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the National Treasury Management Agency Act 1990, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Post Office Savings Bank Fund's affairs at 31 December 2009 and of its income and expenditure for the year then ended.

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

John Buckley
Comptroller and Auditor General

25 June 2010

Accounting Policies

Background

The Minister for Finance guarantees the repayment and servicing of moneys invested by depositors in the Post Office Savings Bank. An Post remits the net proceeds of such investment to the NTMA. The Post Office Savings Bank Fund does not form part of the Exchequer. The fund has the following main purposes:

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

The significant accounting policies adopted by the fund are as follows:-

Reporting Currency

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

Basis of Accounting

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

Investments

Investments are stated at cost.

Income and Expenditure Account

Year ended 31 December 2009

	Notes	2009 €	2008 €
Investment income	1	59,378,502	49,087,881
Interest paid and payable	2	24,702,687	17,950,111
Other expenses	3	32,367,826	30,283,417
		57,070,513	48,233,528
Surplus/(Deficit) for the year		2,307,989	854,353
Balance at beginning of year		9,906,004	9,051,651
Balance at end of year		12,213,993	9,906,004

John C. Corrigan

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 78 to 80 form part of these financial statements.

Balance Sheet

31 December 2009

	Notes	2009 €	2008 €
Assets			
Advances	4	1,213,437,402	1,550,099,052
Investments in Bonds	5	319,044,274	155,237,408
Debtors	7	8,172,968	5,775,494
Central Treasury Loans		54,184,564	57,566,966
Commercial Paper	10	85,000,000	7,000,000
Cash		227,791,458	8,633,801
		1,907,630,666	1,784,312,721
Liabilities			
Post Office Savings Bank Deposits	8	1,891,874,799	1,771,074,279
Creditors	9	3,541,874	3,332,438
Accumulated Reserves		12,213,993	9,906,004
		1,907,630,666	1,784,312,721

John C. Corrigan

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 78 to 80 form part of these financial statements.

Notes to the Financial Statements

1. Investment Income

	2009	2008
	€	
Interest received and receivable	41,361,882	53,716,413
Profit/(Loss) on sale of investments	18,016,620	(4,628,532)
	59,378,502	49,087,881

2. Interest Paid and Payable

	2009	2008
	€	€
Interest paid and credited to depositors of Post Office Savings Bank	24,702,687	17,950,111

3. Other Expenses

	2009	2008
	€	€
Management expenses	32,367,826	30,283,417

4. Advances

	2009	2008
	€	€
Advances to Exchequer	1,208,306,282	1,544,967,932
Advances to State Claims Agency	5,131,120	5,131,120
	1,213,437,402	1,550,099,052

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

Notes to the Financial Statements (continued)

5. Investments

	2009	2008
	€	€
Bonds		
At cost	319,044,274	155,237,408
At market value	319,065,037	158,400,736

Schedule of Investment Holdings:-

Nominal	Stock	Cost
€		€
3,288,485	4% Treasury Bond 2010	3,292,413
43,015	8.5% Capital Stock 2010	46,640
35,808,000	3.9% Treasury Bond 2012	37,043,501
26,000	8.75% Capital Stock 2012	30,372
4,360,643	5% Treasury Bond 2013	4,667,131
69,962,000	4% Treasury Bond 2014	72,064,556
83,460	8.25% Treasury Bond 2015	100,544
15,169,700	4.5% Treasury Bond 2018	14,906,864
18,047,598	4.6% Treasury Bond 2016	18,783,730
16,617,962	4.4% Treasury Bond 2019	16,250,106
45,631,500	5.9% Treasury Bond 2019	49,441,794
31,037,128	4.5% Treasury Bond 2020	30,155,002
72,230,400	5.4% Treasury Bond 2025	72,261,621
312,305,891		319,044,274

6. Sale and Repurchase Agreements

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

7. Debtors

	2009	2008
	€	€
Dividends and interest receivable	7,972,227	5,775,494
Cash balances held by An Post	200,741	-
	8,172,968	5,775,494

Notes to the Financial Statements (continued)

8. POSB Deposits

	2009	2008
	€	€
Deposits from Post Office Savings Bank	1,891,874,799	1,771,074,279
	1,891,874,799	1,771,074,279

In April 2009 €1,827,799 (2008: €2,061,304) was transferred from the Post Office Savings Bank Fund to the Dormant Accounts Fund under the Dormant Accounts Act 2001. At 31 December 2009 following account reactivations of €491,011 (2008: €587,680) and interest (net of DIRT) capitalised of €230,589, there was a balance of €31,524,084 (2008: €29,956,707) due to Depositors from the Dormant Accounts Fund. The Deposits from Post Office Saving Bank liability figure of €1,891,874,799 (2008: €1,771,074,280) does not include this Dormant Accounts Fund liability.

9. Creditors

	2009	2008
	€	€
Net funds due under Sale and Repurchase Agreements	1,889,469	128,130
Outstanding bond settlements	6,051	-
DIRT due to An Post	1,556,709	2,253,456
Management expenses due to An Post	89,645	81,796
Cash balances due to An Post	-	869,056
	3,541,874	3,332,438

10. Commercial Paper

	2009	2008
	€	€
Agricultural Commodity Intervention Bills	85,000,000	7,000,000
	85,000,000	7,000,000

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

Financial Statements of the Capital Services Redemption Account

For the year ended 31 December 2009

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

I have examined the account on pages 83 and 84. 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 2009 and the balance at that date.

John Buckley
Comptroller and Auditor General

25 June 2010

Account of Receipts and Payments

Year ended 31 December 2009

		€
Balance at 1 January 2009		433,472
Receipts		
Amounts received from Central Fund		
under Finance Act 1950, Section 22 as amended:		
- Interest	1,740,681,709	
- Sinking Fund	572,949,548	2,313,631,257
Amounts received under Finance Act 1988 [S 67 (8)]		9,603,989
Deposit interest received		319,346,293
Other interest received		-
		2,643,015,011
Payments		
Amounts applied in the redemption of National Debt:		
- Irish Government Bonds Listed on Irish Stock Exchange	572,949,548	572,949,548
Amounts applied in meeting interest on National Debt (note 2)		1,992,300,220
Amounts applied in respect of liabilities under Finance Act 1970 [S 54 (7)]		77,313,679
Balance at 31 December 2009		451,564
		2,643,015,011

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

Notes to the Account

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

Annuities

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

Cash Management Borrowings

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

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

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

	Year ended 31 December 2009
4% Treasury Bond 2010	31,539,998
8.5% Capital Stock 2010	553,696
8.75 % Capital Stock 2012	2,699,582
5% Treasury Bond 2013	172,868,733
8.25% Treasury Bond 2015	609,566
4.6% Treasury Bond 2016	269,054,550
4.5% Treasury Bond 2018	288,172,855
4.4% Treasury Bond 2019	150,000,000
5.9% Treasury Bond 2019	6,125,610
4.5% Treasury Bond 2020	320,536,719
Small Savings Interest	431,868,893
Cash Management Borrowings	2,760,706
Commercial Paper Programmes	297,558,970
Irish Treasury Bills	5,950,342
Expenses	12,000,000
Total	**1,992,300,220**

Financial Statements of the National Loans Advance Interest Account

For the year ended 31 December 2009

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

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

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2009 and the balance at that date.

John Buckley
Comptroller and Auditor General

25 June 2010

Account of Receipts and Payments

Year ended 31 December 2009

	€
Balance at 1 January 2009	4,171,184
Accrued interest received on National Loans	
- Tranches and Auctions	245,526,349
Accrued interest paid on National Loans	(123,087,848)
Balance at 31 December 2009	
- Cash with Central Bank of Ireland	126,609,685

Note to the Account

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

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

Financial Statements of the National Loans (Winding Up) Account

For the year ended 31 December 2009

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

I have examined the account on pages 89–90. I have obtained all the information and explanations that I have required.

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2009 and the balance at that date.

John Buckley
Comptroller and Auditor General

25 June 2010

Account of Receipts and Payments

Year ended 31 December 2009

	Note	€
Balance at 1 January 2009		3,726,380
Receipts from Exchequer	1	2,500,000
Receipts from Central Bank Suspense Account		213,021
Payments to Central Bank Suspense Account		(99,940)
Payments for redemption of National Loans	2	(3,041,139)
Balance at 31 December 2009		
- Cash with Central Bank of Ireland		3,298,322

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

Notes to the Account

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

2. National Loans redeemed during the year ended 31 December 2009

	€
3% Transport Stock 1955/60	1,523
4.5% National Loan 1973/78	1,741
5.25% National Development Loan 1979/84	1,270
12% Exchequer Stock 1985	1,270
6% Exchequer Stock 1980-85	762
6% Exchequer Loan 1985/90	18,395
14% National Loan 1985/90	127
7% National Loan 1987/92	3,276
9.25% National Loan 89/94	2,568
11.5% Exchequer Stock 1990	714
9.75% National Development Loan 1992/97	8,608
8.75% Exchequer Bond 1997	6,268
6.5% Treasury Bond 2001	5,968
8.25 Treasury Bond 2003	1,196
9.25% Capital Stock 2003	25,543
6.25% Treasury Bond 2004	2,368
8% Treasury Bond 2006	8,456
9% Capital Stock 2006	58,789
6% Treasury Stock 2008	360,554
8.25% Capital Stock 2008	31,743
3.25% Treasury Bond 2009	2,500,000
Total	**3,041,139**

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

For the year ended 31 December 2009

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

I have examined the account on page 92. 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 2009 and the balance at that date.

John Buckley
Comptroller and Auditor General

25 June 2010

Account of Receipts and Payments

Year ended 31 December 2009

	Note	€
Balance at 1 January 2009		1,784,282
Receipt of unclaimed dividends		646,084
Payment of unclaimed dividends	2	(12,634)
Balance at 31 December 2009		
- Cash with Central Bank of Ireland	1	2,417,732

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

Notes to the Account

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

2. Unclaimed Dividends paid in year

	€
Irish Government Bonds registered with Central Bank of Ireland	10,410
Foreign Bonds administered by Paying Agent	2,224
	12,634

Financial Statements of the Deposit Monies Investment Account

For the year ended 31 December 2009

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

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

In my opinion the account, which is in agreement with the accounting records maintained by the National Treasury Management Agency in respect of this activity, properly reflects transactions for the year ended 31 December 2009 and the balance at that date.

John Buckley
Comptroller and Auditor General

25 June 2010

Account of Receipts and Payments

Year ended 31 December 2009

	€
Balance at 1 January 2009	690,282,000
Ways and Means Advances paid to Exchequer	7,934,516,000
Ways and Means Advances repaid by Exchequer	(8,176,950,000)
Balance at 31 December 2009	
- Ways and Means Advances to Exchequer	447,848,000

Note to the Account

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

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

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

For the year ended 31 December 2009

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

I have examined the account on pages 97 and 98. 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 2009 and the balance at that date.

John Buckley
Comptroller and Auditor General

25 June 2010

Account of Receipts and Payments

Year ended 31 December 2009

		€
Balance at 1 January 2009		NIL
Receipts		
Interest received on stock holdings	NIL	
Proceeds of stock redemption	NIL	
Payments		
Paid to Revenue Commissioners for value of stock transferred to the Minister for Finance		
- Nominal	NIL	
- Interest	NIL	
Repayment to Exchequer		NIL
Balance at 31 December 2009		NIL

Stock Account

Balance at 1 January 2009		NIL
Movement for the year		
Nominal amount of stock transferred to the Minister for Finance	NIL	
Nominal amount of stock redeemed	NIL	
		NIL
Balance at 31 December 2009		NIL

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

Notes to the Account

1. Purpose of the Account

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

2. Stock Account

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

Financial Statements of the Small Savings Reserve Fund

For the year ended 31 December 2009

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

I have examined the account on page 100. 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 2009 and the balance at that date.

John Buckley
Comptroller and Auditor General

25 June 2010

Account of Receipts and Payments

Year ended 31 December 2009

	€
Balance at 1 January 2009	242,654,611
Received/(paid) from/(to) Exchequer	(242,654,611)
Balance at 31 December 2009	0
Estimated accrued interest at 31 December 2009	346,222,218

Section 160 of the Finance Act 1994 provided for the establishment of a fund to be known as the Small Savings Reserve Fund. It provided for €76 million to be paid into the fund in 1994 and in each year thereafter for such sums, if any, as the Minister for Finance may decide. Where in any calendar year interest payment on encashments of small savings exceed 11 per cent of total interest accrued on such savings at the end of the immediately preceding calendar year, the resources of the fund may be applied towards meeting so much of those interest payments which, as a percentage of the said total interest accrued, exceed 11 per cent. The gross interest cost of the savings schemes for 2009, before the drawdown from the Small Savings Reserve Fund, was €493 million which represented 75.50 % per cent of the interest accrued at 31 December 2008 of €653 million.

The balance in the Fund is transferred to the Exchequer as repayable ways and means advances. No interest was paid by the Exchequer on such funds advanced.

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

Financial Statements of the State Claims Agency

For the year ended 31 December 2009

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

I have audited the financial statements of the State Claims Agency for the year ended 31 December 2009 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.

Respective Responsibilities of the National Treasury Management Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the National Treasury Management Agency Act 1990, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the State Claims Agency's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the State Claims Agency's affairs at 31 December 2009 and of its transactions for the year then ended.

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

John Buckley
Comptroller and Auditor General

25 June 2010

Accounting Policies

Background

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

The Act sets out two objectives for the SCA:

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

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

The significant accounting policies adopted are as follows: -

Reporting Currency

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

Basis of Accounting

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

Expenditure

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

Amounts Receivable from State Authorities

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

Claims Statement Account

Year ended 31 December 2009

	Notes	2009 €	2008 €
Received and receivable from State authorities			
in respect of claims and expenses	1	63,891,379	53,110,101
Costs recovered on behalf of State authorities		836,721	744,398
		64,728,100	53,854,499
Paid and payable in respect of Awards		41,042,507	33,368,957
Other expenses	2	22,848,872	19,766,416
Reimbursement of costs recovered to State authorities		836,721	719,126
		64,728,100	53,854,499

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 106 to 108 form part of these financial statements.

Balance Sheet

31 December 2009

	Notes	2009 €	2008 €
Assets			
Investments	3	10,253,910	12,904,007
Debtors	4	5,066,885	5,895,289
Cash		150,232	28,993
		15,471,027	18,828,289
Liabilities			
Special Obstetrics Scheme	5	10,253,910	12,904,007
Borrowings from Post Office Savings Bank Fund	6	5,131,120	5,131,120
Creditors	7	85,997	793,162
		15,471,027	18,828,289

John C. Corrigan

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 106 to 108 form part of these financial statements.

Notes to the Financial Statements

1. Income

	2009	2008
	€	€
Received from State authorities	53,930,514	45,757,065
Received from the Special Obstetrics Scheme	4,899,663	1,464,155
Receivable from State authorities	5,061,202	5,888,881
	63,891,379	53,110,101

2. Other Expenses

	2009	2008
	€	€
State Claims Agency expenses		
- Legal fees	9,129,380	8,118,979
- Medical fees	1,035,728	753,451
- Engineers' fees	103,288	119,486
- Other fees	447,237	382,439
- NTMA Administration expenses recovered	-	25,272
	10,715,633	9,399,627
Plaintiff expenses		
- Legal fees	12,118,795	10,355,454
- Other expert fees	-	695
- Travel expenses	8,459	5,019
	12,127,254	10,361,168
Witness expenses	5,985	5,621
	22,848,872	19,766,416

In addition to the above expenses, the administrative costs incurred by the National Treasury Management Agency in the performance of the State Claims Agency's functions amounted to €7,828,414 (2008: €7,527,021). These costs are included in the administration expenses of the National Treasury Management Agency and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from the State Authorities.

3. Investments

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

4. Debtors

	2009	2008
	€	€
Receivable from State authorities	5,061,202	5,888,881
Other	5,683	6,408
	5,066,885	5,895,289

Notes to the Financial Statements (continued)

5. Special Obstetrics Scheme

In 2008, the Minister for Health & Children established the Special Obstetrics Indemnity Scheme. Under the Scheme, the Minister agreed to indemnify Bon Secours and Mount Carmel Hospitals in respect of specified obstetric claims. The named, participating hospitals made contributions to a Fund. In addition, under the terms of an arrangement between the Medical Protection Society (MPS) and the Minister for Health & Children, the MPS transferred certain funds to the State to part-fund the cost of designated obstetric claims against named obstetricians covered by the arrangement. The Minister authorised the State Claims Agency to drawdown amounts from time to time from the relevant Fund to reimburse the SCA under Section 16(2) of the National Treasury Management Agency (Amendment) Act 2000 for any amounts paid by the SCA on behalf of the participating hospitals or on behalf of any person covered by the MPS arrangement in relation to the payment of claims or claim expenses as they arise. Income earned on the Scheme's investments is paid into the Scheme.

The movement on the Special Obstetrics Indemnity Scheme during 2009 was:

	€
Opening balance	12,904,007
Contributions to Fund	2,042,500
Claim settlements and expenses	(4,899,663)
Income earned	207,066
Balance available for settlement of claims	10,253,910

6. Borrowings from POSB

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

7. Creditors

	2009 €	2008 €
Payable in respect of awards	-	435,931
Payable in respect of expenses	1,829	166,253
Professional Services Withholding Tax due to Revenue Commissioners	75,833	177,540
Amounts due to State authorities	7,818	13,076
Other	517	362
	85,997	793,162

8. Administration Expenses

The State Claims Agency may recover administration expenses it has incurred from unsuccessful claimants. When such expenses are recovered, they are transferred to the National Treasury Management Agency Administration account

Notes to the Financial Statements (continued)

9. Estimated Liabilities of State Authorities

At 31 December 2009, the Agency had 4,037 claims under management. The movement in claims under management during the year was:

Claims under management - 1 January 2009	4,297
New claims received	1,446
Claims resolved	(1,706)
Claims under management – 31 December 2009	4,037

At 31 December 2009 the estimated liability of State Authorities in respect of claims under management by the State Claims Agency was €725m, of which €636m was attributable to Clinical Claims and €89m to Employer Liability, Public Liability and Property Damage Claims. The estimated liability is an estimate calculated by reference to the ultimate cost of resolving each claim including all foreseeable costs such as settlement amounts, plaintiff legal costs and defence costs.

Financial Statements of the Dormant Accounts Fund

For the year ended 31 December 2009

Statement of Agency’s Responsibilities

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

- In preparing those statements, the NTMA is required to:
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate;
- disclose and explain any material departure from applicable accounting standards.

The NTMA is responsible for keeping in such form as may be approved by the Minister all proper and usual accounts of all moneys received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Fund.
The NTMA is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

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

I have audited the financial statements of the Dormant Accounts Fund for the year ended 31 December 2009 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.

Respective Responsibilities of the National Treasury Management Agency and the Comptroller and Auditor General

The Agency is responsible for preparing the financial statements in accordance with the Dormant Accounts Act 2001, and for ensuring the regularity of transactions. The Agency prepares the financial statements in accordance with Generally Accepted Accounting Practice in Ireland. The accounting responsibilities of the Agency are set out in the Statement of Agency's Responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

I report my opinion as to whether the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland. I also report whether in my opinion proper books of account have been kept. In addition, I state whether the financial statements are in agreement with the books of account.

I report any material instance where moneys have not been applied for the purposes intended or where the transactions do not conform to the authorities governing them.

I also report if I have not obtained all the information and explanations necessary for the purposes of my audit.

Basis of Audit Opinion

In the exercise of my function as Comptroller and Auditor General, I conducted my audit of the financial statements in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board and by reference to the special considerations which attach to State bodies in relation to their management and operation. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures and regularity of the financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgments made in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Fund's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations that I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In my opinion, the financial statements give a true and fair view, in accordance with Generally Accepted Accounting Practice in Ireland, of the state of the Dormant Accounts Fund's affairs at 31 December 2009 and of its transactions for the year then ended.

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

John Buckley
Comptroller and Auditor General

25 June 2010

Accounting Policies

Background

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

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

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

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

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

As provided for in the Dormant Accounts (Amendment) Act 2005, the Minister for Community, Equality and Gaeltacht Affairs established the Dormant Accounts Board on 4 January 2006. It replaces the Dormant Accounts Fund Disbursements Board which was dissolved on the same date. While the Dormant Accounts Board has a mainly monitoring and advisory role, it is also empowered to direct the NTMA to make disbursements from the Dormant Accounts Fund resulting from grant applications approved by the former Dormant Accounts Fund Disbursements Board before its dissolution (section 11(3) of the Dormant Accounts (Amendment) Act 2005 refers).

The significant accounting policies adopted are as follows: -

Reporting Currency

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

Reporting Period

The reporting period is the year ended 31 December 2009.

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 2009

	Notes	2009 €	2008 €
Interest on investments		804,491	6,230,608
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	1	41,384,437	33,033,686
Amount transferred to Reserve Account	2	(23,906,425)	(22,339,226)
Disbursements	3	(37,644,335)	(73,050,705)
		(19,361,832)	(56,125,637)
Balance at 1 January		105,090,373	161,216,010
Balance at 31 December		85,728,541	105,090,373

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 116 to 120 form part of these financial statements.

Reserve Account

Year ended 31 December 2009

	Notes	2009 €	2008 €
Transfer from Investment and Disbursements Account	2	23,906,425	22,339,226
Interest on investments		330,326	1,666,496
Repayment of moneys transferred to the Fund	1	(19,051,956)	(19,500,790)
Interest on repayment of moneys transferred to the Fund	1	(243,698)	(335,231)
Other expenses	4	(1,717,634)	(1,999,780)
Movement for the year		3,223,463	2,169,921
Balance at 1 January		45,904,239	43,734,318
Balance at 31 December		49,127,702	45,904,239

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 116 to 120 form part of these financial statements.

Balance Sheet

31 December 2009

	Notes	2009 €	2008 €
Assets			
Financial Assets			
- Investments at cost		-	-
Current Assets			
- Cash	5	134,961,567	149,725,598
- Debtors		136,931	1,390,259
Liabilities			
- Creditors		(242,255)	(121,245)
Net Assets	6	134,856,243	150,994,612
Represented by:			
Investment and Disbursements Account		85,728,541	105,090,373
Reserve Account		49,127,702	45,904,239
		134,856,243	150,994,612

John C Corrigan, Chief Executive
National Treasury Management Agency

25 June 2010

The notes on pages 116 to 120 form part of these financial statements.

Notes to the Financial Statements

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

Banks – Dormant Accounts Institution	Opening Balance 1/1/09 €	Transferred €	Reclaimed €	Closing Balance 31/12/09 €	Interest Paid €
ABN AMRO	34,992	-	-	34,992	-
ACC Bank plc	4,171,635	1,452,251	618,954	5,004,932	3,893
Allied Irish Banks plc	43,742,030	5,173,002	441,111	48,473,921	2,277
AIB Finance Limited	1,970,714	-	333,412	1,637,302	4,952
Anglo Irish Bank Corporation plc	408,092	153,626	12,524	549,194	49
Barclays Bank plc	280,762	-	-	280,762	-
BNP Paribas	67,487	-	-	67,487	-
Bank of America	154,778	-	-	154,778	-
Bank of Ireland	42,267,780	6,122,075	862,353	47,527,502	6,025
Bank of Ireland Treasury & International Banking	3,599,859	217,072	33,403	3,783,528	138
Bank of Scotland (Ireland)	521,997	10,782	49,745	483,034	-
Citibank	28,700	-	-	28,700	-
EBS Building Society	9,340,422	3,096,349	1,155,847	11,280,924	58,643
First Active	6,498,033	2,145,479	169,161	8,474,351	671
ICS Building Society	2,464,304	794,177	1,361,672	1,896,809	16,323
Investec Bank (UK) Limited (Irish Branch)	364,734	10,677	4,075	371,336	213
Irish Nationwide Building Society	4,209,500	558,203	-	4,767,703	-
JP Morgan Ireland plc	48,897	-	-	48,897	-
National Irish Bank Limited	4,054,090	544,725	55,621	4,543,194	322
An Post – Instalment Savings	1,095,323	187,754	140,606	1,142,471	23,863
An Post - Instalment Savings (Capitalised interest)	3,938,106	317,754	416,585	3,839,275	-
Permanent TSB	21,912,744	2,785,108	725,692	23,972,160	16,956
Pfizer International Bank	-	21,058	1,772	19,286	-
An Post - Post Office Savings Bank	29,519,078	1,827,799	484,529	30,862,348	6,482
An Post - Savings Bonds (Capitalised interest)	3,171,809	278,752	321,495	3,129,066	-
An Post - Savings Bonds	2,023,810	276,321	241,784	2,058,347	-
An Post - Savings Certs (Capitalised interest)	49,814,576	5,321,387	7,325,981	47,809,982	-
An Post - Savings Certs	12,174,529	3,149,965	2,570,583	12,753,911	89,702
Scotiabank (Ireland) Limited	1,003,127	-	-	1,003,127	-
Ulster Bank Ireland Limited	10,223,236	1,929,476	537,092	11,615,620	13,189
WestLB Ireland plc	122,119	-	-	122,119	-
TOTAL	259,227,263	36,373,792	17,863,997	277,737,058	243,698

Notes to the Financial Statements (continued)

1. Amounts transferred and reclaimed in respect of dormant accounts and unclaimed assurance policies (continued)

Assurance Companies – Unclaimed Assurance Policies Institution	Opening Balance 1/1/09 €	Transferred €	Reclaimed €	Closing Balance 31/12/09 €	Interest Paid €
Specified Term					
Alba Life	67,705	60,601	-	128,306	-
Ark Life	6,349	38,502	-	44,851	-
Caledonian Life	104,748	-	-	104,748	-
Canada Life Assurance	230,145	91,795	-	321,940	-
Canada Life Ireland	269,859	12,953	-	282,812	-
Eagle Star	211,535	81,228	27,125	265,638	-
Friends First	947,500	671	4,017	944,154	-
Hibernian Life	1,223,293	223,189	95,937	1,350,545	-
Irish Life	2,623,919	1,041,921	296,159	3,369,681	-
New Ireland	452,655	79,889	169,439	363,105	-
Royal Liver	3,593,919	498,655	21,921	4,070,653	-
Royal & SunAlliance	642,149	25,981	-	668,130	-
St. James Place	10,649	-	-	10,649	-
Scottish Legal Life	268,716	-	-	268,716	-
Scottish Provident Ireland	96,245	74,743	39,557	131,431	-
Standard Life	348,930	259,611	17,147	591,394	-
Sun Life Financial of Canada	143,040	-	-	143,040	-
No Specified Term					
Alba Life	15,033	-	-	15,033	-
Ark Life	-	12,697	-	12,697	-
Caledonian Life	31,113	-	-	31,113	-
Canada Life Assurance	160,702	-	-	160,702	-
Canada Life Ireland	3,260,624	243,955	39,105	3,465,474	-
Eagle Star	1,076,075	237,507	138,852	1,174,730	-
Friends First	1,035,470	55,430	83,263	1,007,637	-
Hibernian	1,642,064	115,373	44,875	1,712,562	-
Irish Life	4,949,416	212,245	84,669	5,076,992	-
New Ireland	10,011,615	1,100,137	15,087	11,096,665	-
Royal & SunAlliance	93,760	3,855	1,194	96,421	-
Royal Liver	7,208,304	516,122	85,356	7,639,070	-
Scottish Legal Life	403,922	-	-	403,922	-
Scottish Provident Ireland	241,394	13,355	17,083	237,666	-
Standard Life	1,160,352	-	7,173	1,153,179	-
Sun Life Financial of Canada	47,473	10,230	-	57,703	-
TOTAL	42,578,673	5,010,645	1,187,959	46,401,359	-
The Escheated Estate Fund	4,400,000	-	-	4,400,000	-
GRAND TOTAL	306,205,936	41,384,437	19,051,956	328,538,417	243,698

Notes to the Financial Statements (continued)

1. 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 €991,801 from €328,538,417 to €327,546,616.

2. Transfers to the Reserve Account

Under Section 17 (4) of the Dormant Accounts Act 2001, the National Treasury Management Agency pays into the Reserve Account, from time to time, an amount determined by the NTMA, with the approval of the Minister for Community, Equality and Gaeltacht Affairs given with the consent of the Minister for Finance, for the purposes of making repayments from the Fund and of defraying various fees and expenses of the NTMA, the Board and the authorised inspectors. Accordingly, a transfer is made at the beginning of each quarter by the NTMA to maintain the balance in the Reserve Account at a currently approved 15% of the total dormant funds received by the Dormant Accounts Fund and not yet reclaimed. The balance in the Reserve account may drop below 15% in the intervening period between the quarterly rebalancing dates.

3. Disbursements

The following disbursements were made from the Fund during the period.

	2009 €	2008 €
On direction of the Dormant Accounts Board (s. 41 Dormant Accounts Act 2001)		
Pobal (formerly ADM, Service provider and agent of the Dormant Accounts Board)	4,264,446	10,524,631
On direction of the Minister for Finance		
Health Service Executive	8,804,948	13,397,028
Department of Education and Science	8,403,730	18,771,252
Department of Community, Equality and Gaeltacht Affairs	7,739,459	9,563,454
Office of the Minister for Children	5,240,455	2,999,978
Department of Arts, Sport and Tourism	1,304,000	874,483
Department of Communications, Energy and Natural Resources	774,457	517,259
Department of Environment, Heritage and Local Government	500,000	-
Irish Prison Service	419,735	272,660
Department of Justice, Equality and Law Reform	193,105	129,960
Department of Community, Equality and Gaeltacht Affairs (for the Rural Social Scheme)	-	16,000,000
	37,644,335	73,050,705

Notes to the Financial Statements (continued)

4. Other Expenses

	2009	2008
	€	€
Expenses of the Dormant Accounts		
- Board Fees	71,375	79,498
- Board Expenses	3,879	8,209
- Fees of service provider (Pobal)	1,507,169	1,800,000
- Consultancy and Advisory fees	124,116	80,368
- Advertising	-	13,988
- Other Expenses	11,095	17,717
	1,717,634	1,999,780

5. Cash

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

6. Contingent Exchequer Liability

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

(b) Analysis of Contingent Exchequer Liability

	1 January 2009	Movement during the year	31 December 2009
	€	€	€
Net Assets of Fund	150,994,612	(16,138,369)	134,856,243
Dormant Funds Transferred not reclaimed	(306,205,936)	(22,332,481)	(328,538,417)
Contingent liability	(155,211,324)	(38,470,850)	(193,682,174)

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

	€
Interest on investments	1,134,817
Interest on repayments of moneys transferred to the Fund (see note 1)	(243,698)
Disbursements (see note 3)	(37,644,335)
Other expenses (see note 4)	(1,717,634)
Movement for the year	(38,470,850)
Contingent Exchequer liability at 1/1/2009	(155,211,324)
Contingent Exchequer liability at 31/12/2009	(193,682,174)

Notes to the Financial Statements (continued)

7. Expenses of the National Treasury Management Agency

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

	2009 €	2008 €
General Administration	150,000	150,000
Total	150,000	150,000

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

8. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act 2001, the NTMA is required to report to the Disbursements Board the investment return achieved by the Fund.The annualised return on the Fund for the period covered by the investment plan was 0.72% (2008: 3.95%).

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

Tel: +353 1 664 0800
Fax: +353 1 664 0890

www.ntma.ie