



Gníomhaireacht Bainistíochta an Chisteáin Náisiúnta
National Treasury Management Agency

2016

National Treasury
Management Agency
Annual Report & Accounts

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NTMA 2016

At a Glance

The NTMA is a State body which provides asset and liability management services to Government. Its purpose is to manage public assets and liabilities commercially and prudently. The NTMA operates across five separate business units: Funding and Debt Management, the Ireland Strategic Investment Fund, the National Development Finance Agency, NewERA and the State Claims Agency.

Business Unit

Funding and Debt Management

Ireland Strategic Investment Fund

Description

The NTMA is responsible for borrowing on behalf of the Government and managing the National Debt in order to ensure adequate liquidity for the Exchequer and to optimise debt service costs over the medium term.

The NTMA controls and manages the Ireland Strategic Investment Fund (ISIF) which has a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the State.

Key Figures

Bond issuance

€8.25bn

of benchmark bonds issued at a weighted average yield of 0.82% and a weighted average maturity of 10 years

Ireland's first 100-year bond

€100m

sold by private placement at a yield of 2.35%

Falling debt service costs

€6.7bn

interest paid on National Debt compared with €7.0bn in 2015

Investing in Ireland

€522m

committed during 2016, bringing the total ISIF commitment to €2.6bn

Co-investment

€7.5bn

the total committed to Ireland including co-investment by private sector partners – a multiple of 2.8 times the ISIF commitment

Investment return and economic impact

2.9%

investment return in 2016 with ISIF capital supporting 140 Irish companies/projects and, directly and indirectly, 21,900 jobs

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National Development Finance Agency

Acting as the National Development Finance Agency (NDFA), the NTMA provides financial advisory, procurement and project delivery services to State authorities on public infrastructure projects.

PPP programme

€1bn

the estimated total capital value of a range of education, health, justice and housing PPP projects being delivered by the NDFA

Ireland's first healthcare PPP

14

new primary care centres being developed across the country

Refinancing

€23m

in savings to the State from the successful refinancing of the N17/N18 Gort to Tuam PPP scheme

NewERA

Acting as NewERA, the NTMA provides a dedicated centre of corporate finance expertise to Government, in particular in relation to shareholder oversight of major commercial State bodies.

Dividends

€427m

in combined dividends were received by the Exchequer from bodies within NewERA's remit in 2015/16

Advice - financing

€3.9bn

the value of financing-related requests from bodies within NewERA's remit on which it provided financial analysis and recommendations in 2016

Advice - capital expenditure

€3.1bn

the value of capital expenditure budgets and requests from bodies within NewERA's remit on which it provided financial analysis and recommendations in 2016

State Claims Agency

Acting as the State Claims Agency (SCA), the NTMA manages claims brought against 139 State authorities, including the State itself. It also provides risk management services, advising and assisting State authorities in minimising their claims exposures.

Estimated outstanding liability

€2.2bn

from almost 9,000 active claims being managed at end-2016

Maternity services - a risk management priority

65%

(€1.09bn) of the total outstanding clinical claims liability is in respect of maternity services

Reducing legal costs

€27m

the amount for which bills of costs received from third parties were settled in 2016 – a reduction of 45% on the €49m claimed

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Chairperson's Statement



During 2016, the NTMA made significant progress across its business mandates as it worked to deliver long-term value to the State. We issued over €8bn in Government bonds at low yields - continuing our strategy of locking in low interest rates and longer maturities. The ISIF built on the progress made in its first year, 2015, committing over €500m to a range of commercial investments that are designed to support economic activity and employment across Ireland. The NDFA achieved financial close on major health and education PPP projects at historically low rates.

The ISIF's continued progress in 2016 means it now has a well-diversified investment portfolio with ISIF capital supporting 140 companies or projects and, directly and indirectly, 21,900 jobs. While the macroeconomic environment in Ireland has improved significantly in recent years and the availability of private capital has increased greatly, there are still material gaps in the market. The ISIF is focused on financing sectors, in conjunction with private sector partners, where these gaps are most pronounced.

It was always anticipated that the initial ISIF investment strategy and portfolio design would change over time and that flexibility and adaptability would be critical elements of its business model. To that end, when the initial ISIF Investment Strategy was finalised in mid-2015, it was agreed that a formal review of the Strategy would take place after eighteen months and that this would include consultation with the Minister for Finance and the Minister for Public Expenditure and Reform. The review, which includes an appraisal of the success of the ISIF's mandate to end-December 2016, is currently underway.

In all its business activities, the NTMA seeks to adopt a commercial and prudent approach. In the area of funding and debt management, this means diversifying our investor base by region and by type, ensuring we always maintain a prudent cash reserve and working to actively manage and smooth our bond redemption profile. This strategy is particularly important for a small open economy such as Ireland and is one we have adopted since we re-entered the markets following our exit from the EU/IMF programme in 2013. The major international political events of 2016, particularly the result of the UK Brexit referendum in June, serve as a reminder of the importance of maintaining a prudent approach and a permanent contingency for unanticipated events.

At Board and committee level we witnessed a number of changes during the year. Brendan McDonagh stepped down from his role as a Board member and John Herlihy stepped down as an external member of the Investment Committee. I would like to take this opportunity to thank Brendan and John for their contribution to the NTMA. In Brendan's case I would note that he previously served as a member of the NTMA Advisory Committee prior to the establishment of the Board and his experience was invaluable in managing the transition to the new governance structure. I would also like to welcome our new Board member, Gerardine Jones, and external Investment Committee member, Mark Ryan.

During 2016, we also carried out our first Board effectiveness review and, arising from this, have reconfigured our committee structure in the light of experience over our first 18 months. We decided it would be more efficient and lead to greater synergies if the Risk and Audit Committees were combined and we also agreed that establishment of a State Claims Agency Strategy Committee, containing relevant external expertise, would be of use, given the specialist nature of the SCA's business and the particular challenges faced by it. The combined Audit and Risk Committee is operational and we expect the SCA Strategy Committee to be formally established in the coming months.

As I mentioned in my remarks in last year's Report, in early 2016 we developed an overall corporate strategy to complement and support our business mandates and their strategic business objectives. The strategy commits the organisation to four strategic goals in support of its business mandates. The primary goal of the NTMA is to deliver long-term value to the State. Three supporting goals – maintaining and enhancing our reputation, developing our capabilities as an adaptive organisation, and enabling our people to reach their potential – will enable delivery of long-term value while building sustainable business performance.

As an organisation, I believe we have made good progress over the last year in embedding a culture that will ensure the achievement of these goals and the continued successful delivery on our business mandates. In conclusion, I would like to thank my fellow Board and committee members, the management team and staff for their work throughout the year and I look forward to their continued commitment and support in the future.



Willie Walsh
Chairperson

Chief Executive's Review



2016 was a very active year for the NTMA across the range of our business mandates. In the performance of our debt management functions we continued to take advantage of the prevailing historically low market rates to issue longer-dated debt at low yields. The ISIF worked with private sector partners to drive a range of strategic investments delivering economic activity that would not otherwise take place, while the NDFA met a number of significant milestones in the financing and construction of essential public infrastructure.

A key focus for NewERA was advising on appropriate dividend targets for commercial State bodies such that there is an appropriate balance between the payment of dividends and re-investment in the business. The State Claims Agency continued its work not only in claims management, but also in risk management and analysis so as to identify the causes and reduce the incidence of claims.

In what has been a low interest rate environment supported by the ECB's quantitative easing programme, the NTMA has lengthened the maturity of Ireland's debt and locked in lower borrowing costs. During 2016, we issued €8.25bn of benchmark bonds at a weighted average yield of 0.82% and a weighted average maturity of 10 years. One particularly noteworthy transaction was our first ever issue of a 100-year note, which saw us borrow €100m at a yield of 2.35%. It is a sign of how far Ireland has travelled that we went from a position of being unable to access the international capital markets at all in 2011 to one in 2016 where we could borrow for 100 years.

Notwithstanding the progress that has been made over the past number of years in putting the public finances on a sustainable footing, Ireland's debt burden, at €200bn, remains high. While our debt as a percentage of GDP has fallen sharply from 120% at peak to 75% at end-2016, it is important to remember that the absolute debt, in monetary terms, has barely moved and is over four times higher than it was in 2007.

2016 saw the ISIF commit over €500m to strategic investments across Ireland. The key economic impact principle covering the ISIF's investments is "additionality" – the ISIF is seeking to invest, in conjunction with private sector partners, where its capital can make a difference and help to generate economic activity that would not otherwise occur. The ISIF's key differentiating features of flexibility across the capital structure and its long-term investment horizon means that it can fill investment gaps and respond to strategic imperatives in a way that other market participants cannot. Its ability to attract private sector capital has meant that co-investment has increased the total committed to Ireland arising from ISIF activity to end-2016 from €2.6bn to €7.5bn – a multiple of 2.8 times the ISIF commitment. This is a higher multiple than we had originally envisaged.

At a time when governments across Europe are constrained by budgetary rules in the amount they can do to support their economies and to address strategic and infrastructural issues, the ISIF, with its unique double bottom line mandate of "commercial return" and "economic impact" represent an innovative approach. Unlike conventional capital spending, as an investment fund, the ISIF's resources are recycled rather than depleted and become available to the State again as investments are realised.

The NDFA met a number of significant milestones in the financing and construction of PPPs during 2016. The Primary Care Centres PPP, Ireland's first healthcare PPP, involving the development of 14 new primary care centres across the country reached financial close and construction is underway at all locations. Schools PPP Bundle 4 providing 2,950 student places was completed as scheduled, with all schools now fully operational, while Schools PPP Bundle 5 providing 4,870 student places also reached financial close and construction is underway.

I referred to the low interest rate environment in my comments on funding and debt management above and this factor has also enabled the funding of PPPs at very

attractive rates. There has been a substantial improvement in the funding costs available to Irish PPP projects with all-in senior debt rates falling from 6.5% in early 2014 to just over 2% in 2016. While each case must be rigorously evaluated on its own merits, in an environment where budgetary restrictions exist and interest rates are at historically low levels, PPPs offer an alternative means of financing some of our significant infrastructural requirements.

During 2016, NewERA built on work previously carried out on setting appropriate financial targets for commercial State bodies within its remit including capital structure, profitability and dividend targets. With invested capital of €15.5bn and over 12,000 employees these companies play a very significant role in the economy. A key focus for NewERA has been advising on appropriate dividend targets for commercial State bodies such that there is an appropriate balance between the payment of dividends and re-investment in the business. NewERA's annual review of the commercial State bodies within its core remit, setting out the common key strategic themes or challenges from a shareholder perspective, was published for the first time in December 2016.

The risk exposure to the State from the costs of claims can be under-appreciated. At end-2016 the State Claims Agency was managing almost 9,000 active claims with an estimated outstanding liability of €2.2bn. This figure represents a €400m increase on the previous year principally due to a reduction in the real rate of return used by the courts in calculating damages and pecuniary losses.

As well as its work on claims management, risk management and analysis to identify the causes and reduce the incidence of claims is a priority for the SCA. With regard to clinical claims its efforts are focused particularly on maternity services which constitute 65% of the total estimated outstanding clinical claims liability. For example, during 2016 it performed an analysis of closed cerebral palsy claims. The results of this analysis will be made available, on a "lessons learnt" basis, to maternity hospitals and units to seek to prevent a recurrence of similar events.


The success or otherwise of the NTMA in achieving its objectives is wholly dependent on the quality and dedication of our people. It is my aim, and that of the Board, to ensure that the NTMA is recognised as an organisation that can attract, develop and retain talent and expertise of the highest calibre. To this end, we have worked hard in 2016 on the embedding of our corporate culture of self-leadership, collaboration and learning. I would like to thank all our people for the contribution they have made towards the attainment of our goals over the past year. Finally, I would also like to thank the Chairperson and the Board for the support and guidance they have provided to us over what has been a very productive 12 months for the NTMA.



Conor O'Kelly
Chief Executive


Funding and Debt Management

Issuing Longer-Dated Debt




Benchmark Bonds
€8.25bn

€8.25bn of benchmark bonds were issued during 2016, at a weighted average yield of 0.82% and a weighted average maturity of 10 years.



Ireland's First
100-yr bond

In March 2016, the NTMA issued Ireland's first 100-year bond. An amount of €100m was sold by private placement, at a yield of 2.35%.



Refinancing
€17bn

Since end-November 2014, the NTMA has reduced the 2017-2020 refinancing requirement by some €17bn through refinancing of IMF loans and bond switches.

Debt Dynamics Continue to Improve

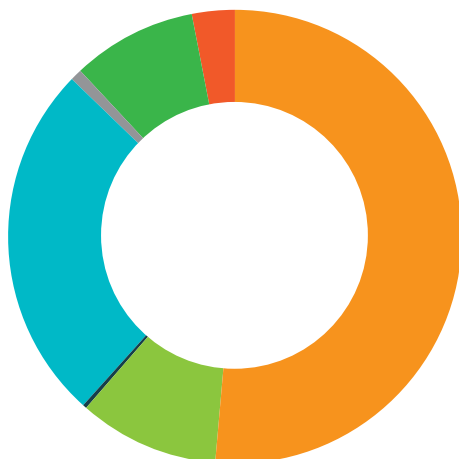


€200bn Debt service costs and other sustainability metrics are improving – although, at some €200bn, Government debt remains at an elevated level.



€6.7bn Interest on the National Debt fell to €6.7bn in 2016 compared with €7.0bn in 2015.

Gross National Debt at End-2016



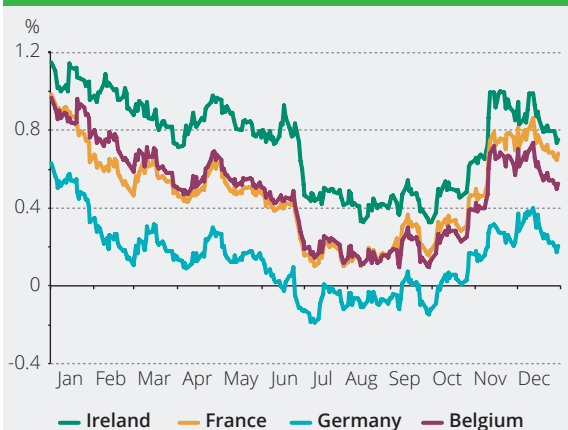
■ Fixed Rate Treasury Bonds	€101.4bn
■ Floating Rate Bonds	€19.5bn
■ Amortising Bonds	€0.7bn
■ EU/IMF Programme	€50.3bn
■ Other Medium & Long-Term Debt	€1.7bn
■ State Savings	€17.2bn
■ Short-Term Debt	€5.9bn

Market Review

Global bond markets experienced significant volatility during 2016. While the ECB quantitative easing measures remained the largest driver of European bond yields, there were several high profile market events throughout the year. These included the UK vote to leave the European Union and the US presidential election. Anticipated changes in the ECB quantitative easing measures and US interest rates also drove this volatility.

The Irish 10-year yield started the year at over 1%. There was a general downward trend in yields over the first half of the year, with a dramatic fall in the week following the UK referendum decision. Ireland's 10-year yield fell to a low of 0.32% in September 2016 before reverting to 0.74% at year end, this increase being in line with the general trend in European bond yields in the fourth quarter of 2016.

10-Year Government Bond Yields 2016



Source: Bloomberg

Funding Activity

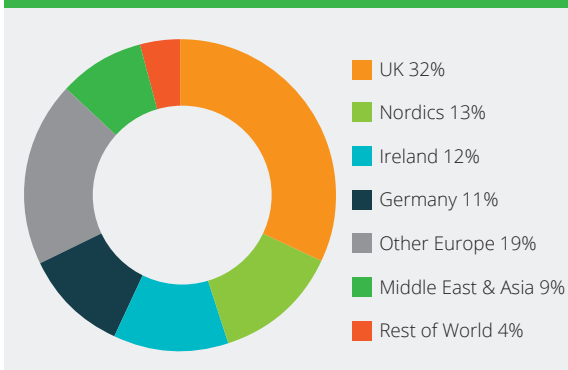
Long-Term Funding

The NTMA issued €8.25bn of benchmark bonds during 2016. This new issuance had a weighted average yield of 0.82% and a weighted average maturity of 10 years. In addition, Ireland's first 100-year bond was issued by private placement at a yield of 2.35%.

This issuance contributed further to the NTMA's strategy of locking in low interest rates and longer maturities while interest rates remain at historically low levels. Over the 2014-2016 period, the NTMA issued €33bn in new bond funding at a weighted average yield of 1.81% and a weighted average maturity of almost 14 years.

The NTMA undertook one bond syndication in 2016, issuing a new 10-year bond in January at a yield of 1.16%. There was strong interest from a broad range of investors, with a total of €3bn being sold. Overseas investors took 88% of the amount issued. Purchases were spread across a range of investor types including fund managers, banks, pension and insurance funds and central banks.

10-Year Bond Syndication by Geographic Area



The NTMA also held six bond auctions during the year, raising a total of €5.25bn.

NTMA Bond Auctions 2016

Auction Date	Bond Name	Auction Size €m*	Yield %	Bid/Cover Ratio
11 February	1% Treasury Bond 2026	1,000	1.00	1.8
14 April	1% Treasury Bond 2026	750	0.82	2.4
12 May	0.8% Treasury Bond 2022	750	0.16	2.6
8 September	1% Treasury Bond 2026	1,000	0.33	2.5
13 October	1% Treasury Bond 2026	1,000	0.50	2.0
3 November	2.4% Treasury Bond 2030	750	0.98	2.6

*excludes non-competitive auctions

In March 2016, the NTMA issued Ireland's first 100-year bond, through Ireland's Euro Medium-Term Note Programme. An amount of €100m was sold by private placement, at a yield of 2.35%. This ultra-long maturity was a significant first for Ireland and represented an important vote of confidence in Ireland as a sovereign issuer.

As part of the strategy of locking in low interest rates and protecting against the risk of future upward movements in rates, a total of €3bn of Floating Rate Bonds held by the Central Bank were also bought back and replaced with medium to long-term fixed rate market funding. The total outstanding balance of the Floating Rate Bonds stood at €19.5bn at end-2016, compared with €25.0bn originally issued in 2013.

The NTMA also reduced the volume of short-term debt maturities by buying back approximately €1.9bn of mostly shorter-dated bonds, replacing them with longer-dated bonds.

Funding and Debt Management (continued)

Short-Term Funding

The NTMA broadened its short-term issuance base by both maturity and volume in 2016.

The NTMA's Treasury Bill programme continued throughout 2016. Four auctions were held during the year, with two of these in the 12-month maturity space. There was €1bn in Treasury Bills outstanding at end-2016.

The NTMA also maintained Ireland's Multi-Currency Euro Commercial Paper (ECP) programme in 2016. Total turnover in ECP during the year was €5.5bn and there was €0.3bn outstanding at end-2016.

As a result of the ECB's expansionary monetary policies and the low interest rate environment, the NTMA was able to issue all Treasury Bills and ECP at negative euro-equivalent interest rates in 2016. Short-term debt was also issued in the form of Exchequer Notes and Central Treasury Notes, mainly to domestic institutional investors.

ECB Quantitative Easing

The ECB introduced quantitative easing measures in March 2015. The programme, whereby national central banks purchase government bonds in the secondary market, is officially known as the Public Sector Purchase Programme (PSPP). Between March 2015 and December 2016, the ECB purchased €1.3 trillion in eurozone public sector bonds. Irish Government bonds accounted for just over €18.5bn of this. The PSPP has been extended until at least December 2017, although at a reduced level from April 2017.

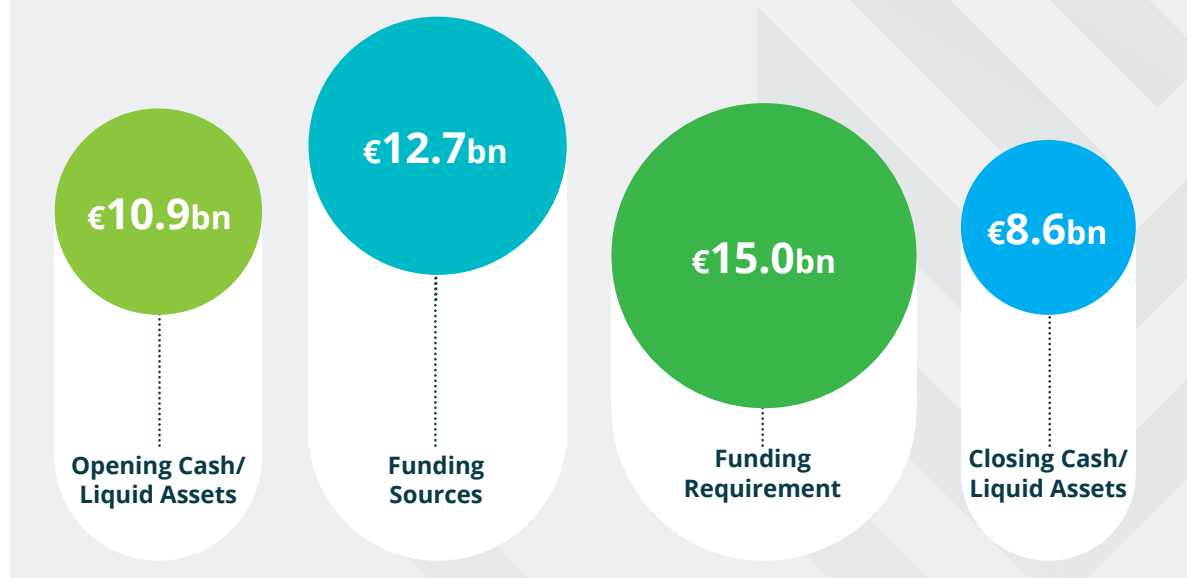
The ECB already held Irish bonds under the Securities Market Programme, which terminated in 2012. The ECB financial statements show nominal holdings of €7.3bn Irish bonds under this programme at end-2016. In addition, the Irish Central Bank held €19.5bn of Floating Rate Bonds at end-2016. These bonds were issued to the Central Bank in exchange for the Promissory Notes provided to IBRC, following IBRC's liquidation in 2013.

As a result, the Eurosystem is currently the largest holder of Irish Government bonds. At end-2016, at least €45.3bn (37%) of the €121.6bn Irish Government bonds in issuance were held by the Eurosystem¹.

Exchequer Funding Sources and Requirements 2016

The NTMA had Exchequer cash and other short-term liquid assets of €8.6bn at end-2016 (down from €10.9bn at end-2015). Bond issuance during 2016 raised €8.7bn cash, while other funding sources totalled €4.0bn and included short-term paper, State Savings products, the 100-year private placement and loans from the European Investment Bank.

These were predominantly applied to fund an Exchequer Borrowing Requirement of €1.0bn and bond maturities of €8.2bn, as well as bond switches and purchases.



¹ Does not include any other Irish Government bonds held by the Eurosystem's Agreement on Net Financial Assets (ANFA) portfolio.

State Savings

State Savings is the brand name applied by the NTMA to the range of Irish Government savings products offered to personal savers. During 2016, there were net inflows of €0.66bn into the State Savings products and at end-2016 the total amount outstanding was €20.1bn.

State Savings Products

	Total Outstanding at End-2016 €m	Net Inflow/ (Outflow) in 2016 €m
Savings Bonds	3,747	(619)
National Solidarity Bonds	4,149	704
Savings Certificates	5,908	(7)
Instalment Savings	498	13
Prize Bonds	2,892	411
Deposit Accounts	2,921	157
Total	20,115	659

Figures may not total due to rounding.

In June 2016, the NTMA announced new issues of State Savings products and changes to the interest rates. The current fixed interest rate offerings are detailed below.

Product	Fixed Rate Total Return %	Annual Equivalent Rate %
3-Year Savings Bond	1.0	0.33
4-Year National Solidarity Bond	2.0	0.50
5-Year Savings Certificate	5.0	0.98
6-Year Instalment Savings	5.5	0.98
10-Year National Solidarity Bond	16.0	1.50

Changes were made to the variable rates on the Deposit Accounts. These now pay a rate of 0.15%. There were also revisions to the variable rate of interest used to determine the value of the Prize Bonds monthly prize fund. With effect from July 2016 the Prize Bonds prize fund rate is 0.85%. The top weekly prize is €50,000, except in the last weekly draw of every calendar quarter, when the top prize is €1m.

Debt Profile

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

National Debt is the net debt incurred by the Exchequer after taking account of cash balances and other financial assets. The primary component of General Government Debt is Gross National Debt – that is the National Debt before netting off cash and financial assets. The NTMA's responsibilities relate to the management of the National Debt only.

Composition of General Government Debt at End-2016

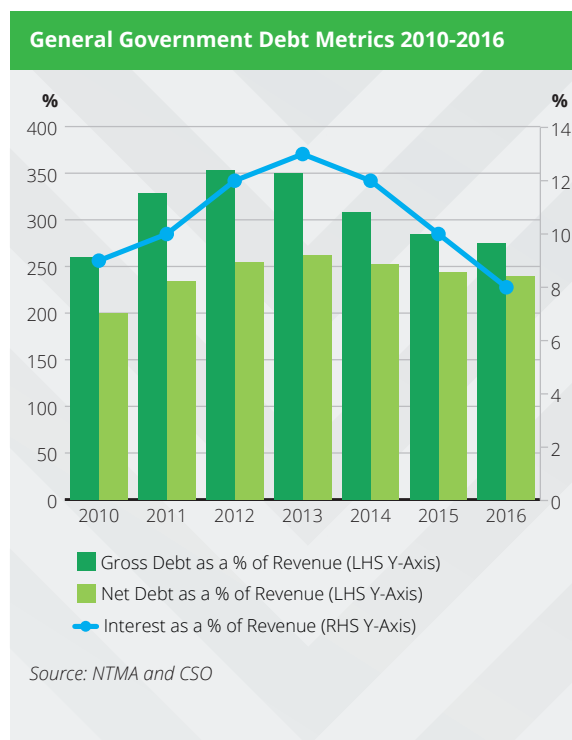
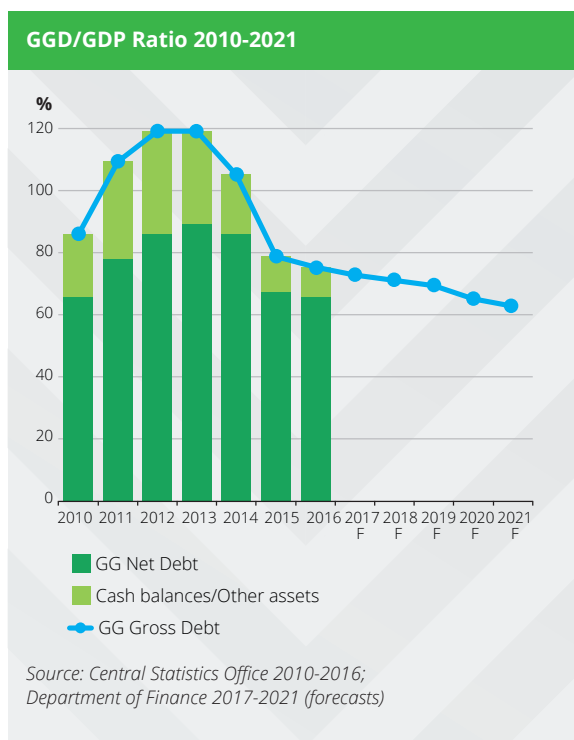
	€bn
Government Bonds	121.6
Fixed Rate Treasury	101.4
Floating Rate	19.5
Amortising	0.7
EU/IMF Programme Funding	50.3
Other Medium and Long-Term Debt	1.7
State Savings Schemes*	17.2
Short-Term Debt	5.9
Gross National Debt	196.7
Less Exchequer Cash and other Financial Assets	11.1
National Debt	185.6
Gross National Debt	196.7
General Government Debt Adjustments	3.8
General Government Debt	200.6

Figures may not total due to rounding.

*State Savings Schemes also include moneys placed by depositors in the Post Office Savings Bank (POSB) which are not an explicit component of the National Debt. These funds are mainly lent to the Exchequer as short-term advances and through the purchase of Irish Government Bonds. Taking into account the POSB Deposits, total State Savings outstanding were €20.1bn at end-2016.

Source: NTMA and Central Statistics Office

Funding and Debt Management (continued)



Ireland's GGD at end-2016 was just over €200bn or 75% of GDP. Although the absolute level of debt remains high, the GGD/GDP ratio has fallen significantly since its year-end 2012/2013 peak of almost 120%, primarily as a result of a sharp rise in GDP. In particular, Ireland's 2015 GDP figure was highly affected by the activities of multinational companies. Nonetheless, underlying economic activity remains strong.

GGD is a gross measure which does not allow for the netting off of cash balances and other financial assets. However, the CSO produces an estimate of General Government Net Debt which, at end-2016, stood at €175bn or 66% of GDP. The financial assets of €25bn netted off for this purpose include ISIF cash and non-equity investments as well as Exchequer cash and financial assets. They exclude the Government's equity stakes in the Irish banking sector, most notably AIB.

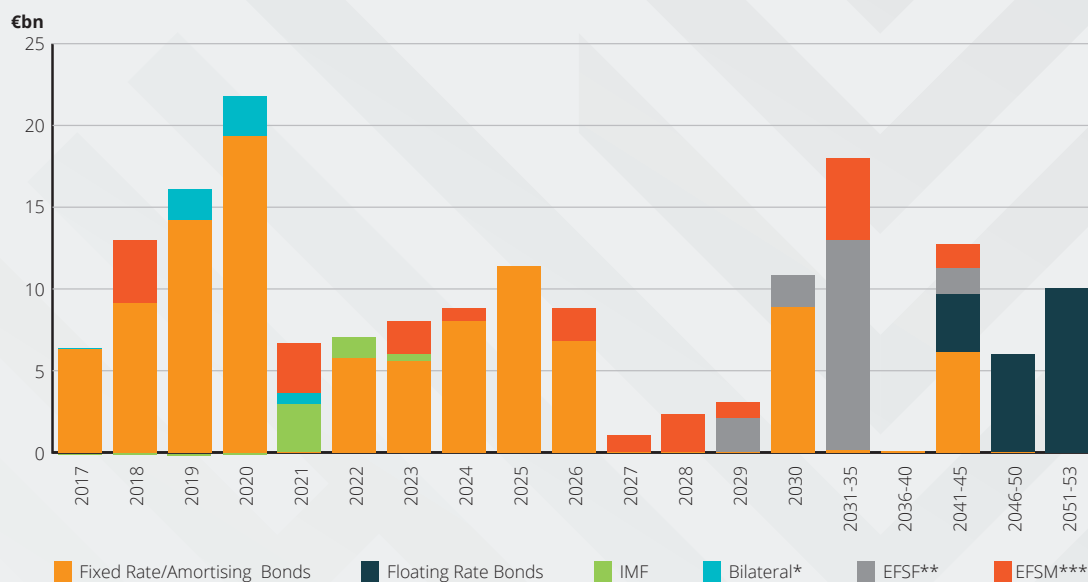
The significant changes in Ireland's GDP figures due to the activities of multinational companies make the ratio of debt to GDP less reliable as an indicator of sustainability. To achieve debt sustainability, measures of debt servicing capacity should be stabilising or improving.

In that context, it is worth focusing on additional metrics to obtain a clearer picture of Ireland's debt burden. These include General Government Debt (gross and net) and Interest, as a percentage of General Government Revenue. While debt dynamics are improving, Ireland still suffers from the legacy of the financial crisis, with absolute debt levels and these alternative metrics remaining at elevated levels.

In recent years the NTMA has significantly improved the Exchequer's debt maturity profile. Since end-November 2014 it has taken steps to reduce the refinancing risk associated with the significant volume of debt maturities arising over the 2017-2020 period. These operations included the early repayment of the bulk of the IMF loan facility and bond purchases and switches, locking in longer maturity debt at low rates. These actions have reduced the 2017-2020 redemptions by close to €17bn.

The weighted average maturity of Ireland's long-term marketable and official debt is estimated at 11.7 years at end-2016.

Maturity Profile of Ireland's Long-Term Marketable and Official Debt at End-2016



Notes:

*Bilateral facilities provided from the UK, Sweden and Denmark.

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

***EFSM loans are also subject to maturity extensions agreed in 2013. It is not expected that Ireland will have to refinance any of its EFSM loans before 2027. However the revised maturity dates of individual EFSM loans will only be determined as they approach their original maturity dates. The chart above reflects both original and revised maturity dates of individual EFSM loans.

Debt Service Out-turn

The NTMA's primary debt management objectives are to ensure adequate liquidity for the Exchequer and to optimise debt service costs over the medium term.

The cash interest cost of the National Debt in 2016 was €6,741m, 3.4% below the corresponding figure for 2015 and 9.8% lower than the 2014 peak. The main reason behind the reduction is the early repayment of the bulk of the IMF loan facility over the period December 2014-March 2015 and its replacement with cheaper, long-term, market funding. The 2016 interest bill was 3.5% lower than estimated in Budget 2016 reflecting the favourable interest rate and funding environment evident throughout much of the year.

National Debt interest comprised 14.1% of Exchequer tax revenue in 2016 compared with 15.3% in 2015 and 18.1% in 2014.

Irish Government Bond Market

Ireland's benchmark bond curve has a range of maturities, extending to 2045.

Irish Government Fixed Rate Treasury Bonds

Bond	Maturity Date	Outstanding End-2016 €m*
5.5% Treasury Bond 2017	18 October 2017	6,227
4.5% Treasury Bond 2018	18 October 2018	9,104
4.4% Treasury Bond 2019	18 June 2019	7,683
5.9% Treasury Bond 2019	18 October 2019	6,540
4.5% Treasury Bond 2020	18 April 2020	11,269
5.0% Treasury Bond 2020	18 October 2020	8,082
0.8% Treasury Bond 2022	15 March 2022	5,728
3.9% Treasury Bond 2023	20 March 2023	5,570
3.4% Treasury Bond 2024	18 March 2024	7,994
5.4% Treasury Bond 2025	13 March 2025	11,390
1.0% Treasury Bond 2026	15 May 2026	6,790
2.4% Treasury Bond 2030	15 May 2030	8,882
2.0% Treasury Bond 2045	18 February 2045	6,099

*excluding repos

Funding and Debt Management (continued)

There were some positive developments for Ireland's credit rating during 2016. Fitch upgraded the rating to A in February, while Moody's upgraded to A3 with a positive outlook in May. Ireland has now regained its A category credit rating with all of the major rating agencies.

Ireland's Sovereign Credit Ratings at End-2016

Rating Agency	Long-term Rating	Short-term Rating	Outlook
Standard & Poor's	A+	A-1	Stable
Moody's	A3	P-2	Positive
Fitch Ratings	A	F1	Stable

Investor Relations

The NTMA continued its extensive programme of investor relations during 2016. It held roadshows across Europe, Asia, the US and the Middle-East.

The Economics Team participated in over 20 conferences or events over the course of the year. In addition, it produces and regularly updates the NTMA investor presentation pack. This covers topics from economic data to updates on Government funding and the banking sector.

This investor relations programme is important in developing and maintaining long-term relationships with investors. It also provides transparency to the market about Ireland's macroeconomic situation and the NTMA's funding plans and keeps investors abreast of Ireland's credit status.

Ireland Strategic Investment Fund

Investing in Ireland



2016 Commitment

€522m

During 2016, the ISIF committed €522m to 22 investments that are designed to support economic activity and employment in Ireland.



Total Commitment

€2.6bn

The ISIFs total commitment to Ireland amounted to €2.6bn at end-2016.



Co-investment

€7.5bn

Co-investment from private sector partners increased the total committed to Ireland to €7.5bn – a multiple of 2.8 times the ISIF commitment.

60

Strong Pipeline

The ISIF has developed a strong and wide-ranging active pipeline of over 60 potential investment opportunities.

2.9%

Investment Return

The ISIF earned a return of 2.9% in 2016.

Significant Economic Impact



140 Irish Companies/Projects

During 2016, ISIF capital supported 140 Irish companies/projects generating:



21,900 Jobs

21,900 jobs are supported, directly and indirectly, by ISIF investments.



€688m

Wages & Salaries



€311m

Exports



€1.1bn

Combined Revenues



€721m

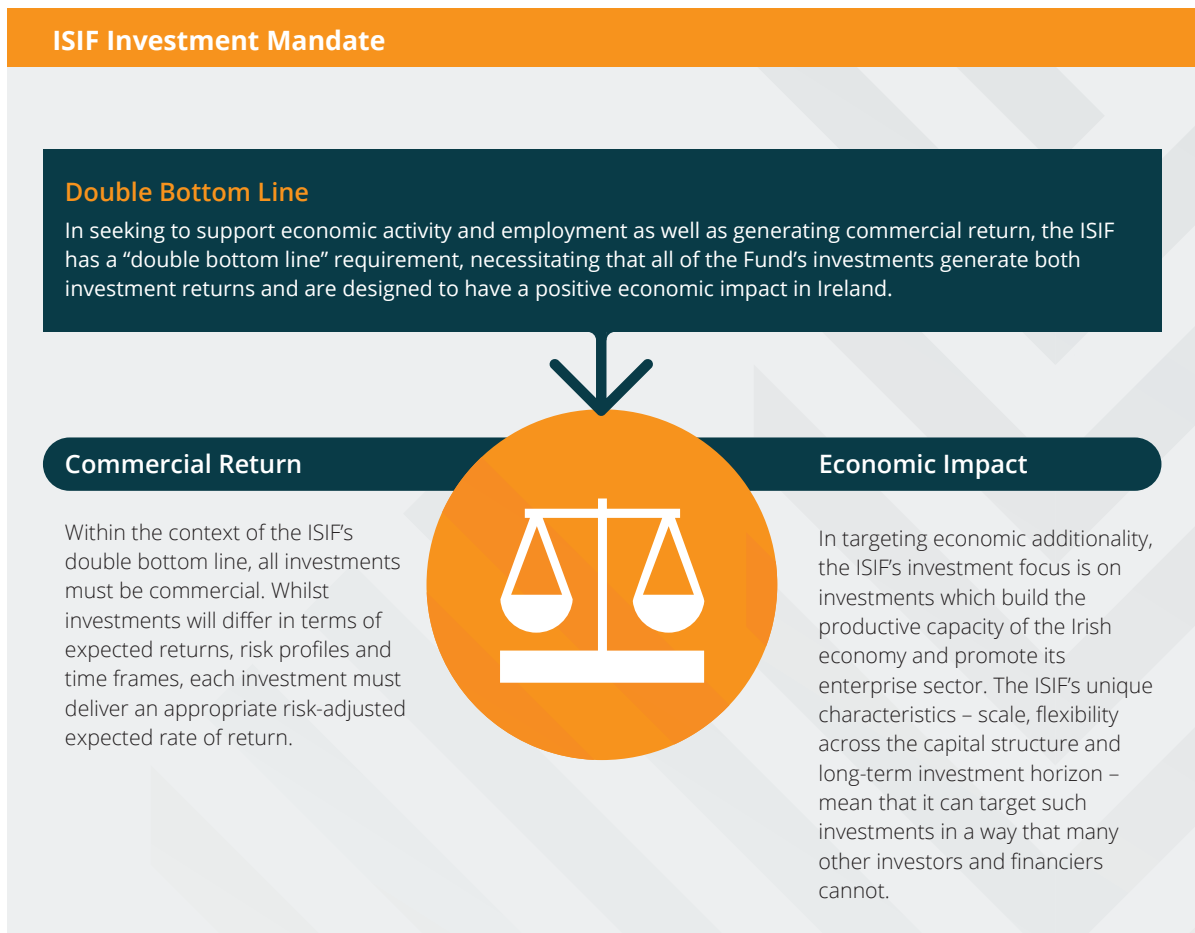
ISIF investment contributed Gross Value Added of €721m to the Irish economy in 2016.

Ireland Strategic Investment Fund (continued)

Mandate

In December 2014, the assets of the National Pensions Reserve Fund (NPRF) transferred to the Ireland Strategic Investment Fund (ISIF). The ISIF has a unique “double bottom line” mandate to invest on a commercial basis in a manner designed to support economic activity and employment in Ireland. The NPRF Discretionary Portfolio was made available to the ISIF to enable it to make investments that meet this mandate. The Directed Portfolio – primarily public policy investments in AIB and Bank of Ireland – continues to be managed within the ISIF under direction from the Minister for Finance.

The ISIF’s double bottom line mandate makes it one of the few sovereign wealth funds globally with a mandate to contribute to economic activity and employment, in addition to delivering commercial returns. The ISIF is required to seek to generate a return over the long term in excess of the cost of Irish Government debt and has set a medium-term performance objective of +4% per annum.



Investment Strategy

In May 2015, the NTMA Board agreed the ISIF Investment Strategy, following consultation with the Minister for Finance and the Minister for Public Expenditure and Reform.

ISIF Investment Strategy – Key Features

A Broad-Based Portfolio

- across sectors including but not limited to infrastructure, energy, water, real estate, housing, food and agriculture, technology, healthcare and finance.
- by types of investment including SME, venture and partnerships with public entities.
- by regional location of its investments.
- by asset class including debt, mezzanine, equity and project investments.
- that seeks to achieve some transformative impact by investment in one or more “big ideas”.

Filling Investment Gaps

Utilisation of the ISIF's key differentiating features of scale, flexibility across the capital structure, long-term investment horizon and credibility as a sovereign investment partner to fill investment gaps and enable transactions which would not otherwise easily be completed.

Co-investment

Attracting co-investment partners where possible so that the impact of ISIF investments will be multiplied in the Irish economy.

Return

Risk-adjusted rates of return tailored to the specific characteristics of each individual investment. Overall long-term portfolio return in excess of the average cost of Government debt.

While the macroeconomic environment in Ireland has improved significantly in recent years and the availability of private capital has increased greatly, there are still material gaps in the market provision of finance to sectors and companies and there remains a wide variety of investment opportunities where ISIF capital, in conjunction with private sector partners, can fill gaps and make a real difference to economic activity.

It is important that the ISIF's investments support the real investment needs of the economy. It was expected that the initial ISIF investment strategy and portfolio design would change over time and that flexibility and adaptability would be critical elements of its business model. To that end, when the initial ISIF Investment Strategy was finalised in mid-2015, it was agreed that a formal review of the Strategy would take place after eighteen months and that this would include consultation with the Minister for Finance and the Minister for Public Expenditure and Reform. The review, which includes an appraisal of the success of the ISIF's mandate to end-December 2016, is currently underway.

Ireland Strategic Investment Fund (continued)



Investments in Ireland















Including investments made by its predecessor (the NPRF), the ISIF had by end-2016 committed €2.6bn to investments consistent with its investment mandate. Including third party co-investor commitments, a total of €7.5bn had been committed to investment in Ireland.

ISIF Capital Committed to Ireland at end-2016

Investment Bucket	€m	
Infrastructure	361	Data connectivity, airport infrastructure, renewable energy and university campus development.
Energy	79	Wind energy and waste-to-energy investments.
Water	450	Investment supporting financing of Irish Water.
Real Estate	502	Various housing and commercial real estate investments.
SME	385	A number of funds/platforms providing senior debt, junior debt, asset finance and equity investment to SMEs.
Food & Agri	100	Forestry, flexible dairy farmer loan product.
Venture Capital	504	A number of venture funds providing early-stage and growth capital, mainly in technology and life sciences sectors.
Direct Equity	109	Investment in two listed companies and in two private companies.
Innovation	12	Investment in early-stage healthcare company.
Other	142	Education investment fund and international financial services investment fund.
Total	2,644	

In 2016, the ISIF committed a total of €522m to 22 new investments (average investment size of €24m) across a diverse range of transaction types and sectors.

ISIF Irish Investments 2016

Investment Bucket	Name	ISIF Commitment €m	Description
 Infrastructure	Aqua Comms	22	Investment in a €90m funding round to support Ireland's first dedicated subsea fibre-optic network interconnecting New York, Dublin and London via Killala, Co. Mayo.
 Infrastructure	daa Finance	35	Investment to underpin a €400m daa bond issue.
 Energy	NTR Wind 1	35	Commitment to a €246m equity fund targeting the construction and operation of onshore wind energy projects in Ireland and the UK.
 Real Estate	Ardstone Residential Partners Fund	25	Commitment to a €184m real estate fund that will provide new residential housing developments, primarily in the Greater Dublin Region.
 Real Estate	Kilkenny Abbey Quarter Development	2	A joint venture between the ISIF and Kilkenny County Council (KCC). The joint venture will acquire sites from KCC and potentially develop up to nine acres of the former Smithwicks Brewery in Kilkenny City into a business/education hub.
 Real Estate	FGPO Ireland Fund	25	Commitment to a €50m real estate fund that will provide industrial, logistics and business park premises across Ireland.
 SME	BMS Finance Ireland	15	Commitment to a €30m non-bank platform providing debt as growth capital to Irish SMEs.
 SME	Causeway Capital Partners I	15	Commitment to a €60m equity fund that will invest in established, growing SMEs in Ireland and the UK.
 SME	Finance Ireland	30	Equity investment in a non-bank lender to the SME sector in Ireland including auto and equipment finance, commercial real estate and agri lending/leasing.
 Food & Agri	MilkFlex Fund No.1	45	Commitment to a €100m fund that provides medium-term loans to dairy farmers with the loan repayments linked to the milk price.
 Food & Agri	The Foraois Limited Partnership	55	Commitment to a forestry partnership that will generate €112m of investments in new and semi-mature forests across Ireland and thereby underpin continued expansion and development of the sector.
 Food & Agri	Receivables Purchase Facility Programme	2	Investment facilitating the creation of a €40m farmer receivables programme in the dairy sector.
 Venture	ACT Ventures V	20	Commitment to a €63m venture capital fund focused on investing in growing ICT companies, primarily in Ireland.
 Venture	Frontline Ventures Fund II	15	Commitment to a €61m early stage venture capital fund that will invest in seed stage/series A rounds in highly innovative information technology companies, primarily in Ireland.

Ireland Strategic Investment Fund (continued)

ISIF Irish Investments 2016 (continued)

Investment Bucket	Name	ISIF Commitment €m	Description
 Venture	Polaris Partners VIII	22	Commitment to a global €307m venture capital fund that is actively investing in Ireland and which focuses on technology and healthcare.
 Venture	Scottish Equity Partners V	16	Commitment to a €292m venture capital fund that will invest in growth and later stage technology, energy and healthcare companies mainly in the UK and Ireland.
 Venture	Seroba Life Sciences Fund III	15	Commitment to a €100m venture capital fund focusing on early stage medical devices and therapeutic technologies in Ireland.
 Venture	Silicon Valley Bank Capital Strategic Investors Fund VIII	44	Commitment to a global venture capital fund of funds. This investment builds on the strategic partnership with Silicon Valley Bank (SVB), whereby SVB will make available an additional \$100m to lend to fast growing technology and healthcare companies in Ireland.
 Venture	Draper Esprit	19	Cornerstone investment in the €154m IPO of Draper Esprit, which is focused on making investments in fast growing technology companies in Western Europe and has committed substantial amounts to investment in Ireland.
 Direct Equity	Swrve Mobile	1	Investment in a €9m funding round by a rapidly growing Irish software company in the field of mobile marketing automation.
 Direct Equity	Genomics Medicine Ireland	12	Investment in a €36m funding round by an Irish company operating in advanced genomic medicine.
Other	Reverence Capital Partners Opportunities Fund I	50	Commitment to a €378m equity fund investing in companies in the financial services sector which expects to locate a number of such businesses' operations in Ireland.
Total		522	

Figures may not total due to rounding.

Connectivity Fund

The Connectivity Fund was established as a sub-fund of the ISIF in 2015 to invest the €335m proceeds from the sale of the State's shareholding in Aer Lingus with the aim of enabling and enhancing Ireland's physical, virtual and energy connectivity. In 2016, the ISIF completed the first two investments from this sub-fund with a combined value of €57m:

- The €22m equity investment in Aqua Comms to support Ireland's first dedicated subsea fibre-optic network interconnecting New York, Dublin and London via Killala, Co. Mayo. The network will be

used by major multinational technology and telecoms companies to provide fast, secure data connections between Ireland, the US and UK and will enable the continued growth of the Irish digital economy.

- The €35m investment in a new 2028 bond issuance by daa, the operator of Dublin and Cork Airports. The new bond issuance underpins long-term financing for the company.

MilkFlex Fund

The ISIF, alongside partners Glanbia, Rabobank and Finance Ireland, launched a new €100m fund during 2016 to offer flexible, competitively priced loans to dairy farmers. It is the first fund of its type in Ireland, and offers flexible, competitively priced loans to Glanbia milk suppliers with loan repayments which can vary according to movements in milk price and helps protect farm incomes from the impact of dairy market price volatility.

Price volatility is a key risk to dairy farmers which significantly constrains their ability to make the investment decisions necessary to expand. To address this, the capital repayment profile of the loans to farmers will be flexible depending on whether milk prices reach certain trigger levels. It will be possible for borrowers to extend their repayment periods by a maximum of two years if a prolonged period of low prices prevails, and likewise, should prices be high for an extended period, repayments are accelerated with a resulting shorter loan term.

Loans are offered for the purpose of investment in primary agricultural production (e.g. investment in dairy equipment, stock, milking infrastructure). Loan repayments will be automatically deducted from the farmer's milk receipts by Glanbia on behalf of the MilkFlex Fund. The profile of repayments will reflect the seasonal milk supply curve, with no loan repayments – interest or principal – during the low milk production months. No security over land, buildings or other assets of the borrower is required.

Economic Impact

The ISIF seeks to allocate the majority of its capital to priority sectors and investments where the highest economic impacts are likely, while also ensuring that all investments satisfy its commercial return objectives.

Over the longer term, 80% of the ISIF's capital is targeted at investments where the highest and most sustainable economic impacts are likely. The remaining 20% is targeted at investments which will provide short-term economic gains or act as an accelerator of market activity. At end-2016, 65% of committed capital was in high economic impact transactions, with 35% in lower economic impact transactions.

The economic impact and employment supported by ISIF investment differ from traditional Government expenditure. With investment, public resources are returned at the end of the investment period; whereas with Government expenditure public resources are depleted as a result of the spending. Returned investment capital can then be recycled into additional beneficial projects.

ISIF Economic Impact 2016



21,900 jobs

are supported directly and indirectly by the Fund's investments.



140 companies/projects

generated turnover of €1.1bn for the financial year 2016 with 28% of their turnover generated from exports.



€688m wages & salaries

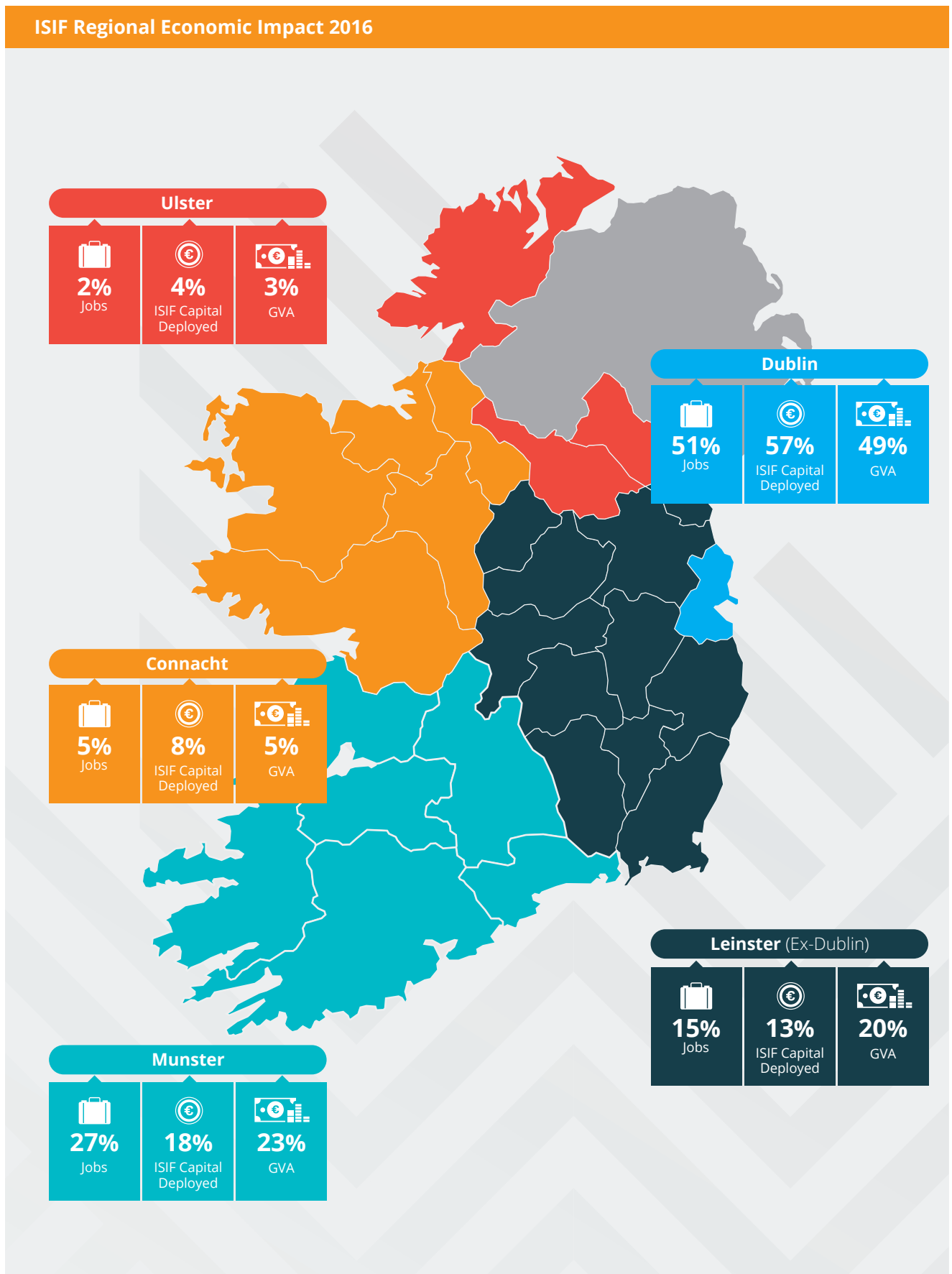
€688m in wages/salaries was earned in 2016 by employees of these companies.



€721m GVA

Gross Value Added in 2016 from ISIF investments was €721m.

Ireland Strategic Investment Fund (continued)



Responsible Investment

The ISIF is committed to being a long-term sustainable and responsible investor and in July 2016 published its Sustainability and Responsible Investment Policy, reiterating its commitment to operating to the highest global standards. As a responsible investor, the ISIF understands that Environmental, Social and Governance (ESG) factors present both risks and opportunities to be managed across both the Irish and Global Portfolios. The ISIF is putting in place a range of services to assist in the implementation of its Sustainability and Responsible Investment Policy. These included portfolio analytics and active ownership services for the Global Portfolio together with services to assist in the development of an ESG framework for the Irish Portfolio.

Investment in companies involved in the manufacture of cluster munitions and anti-personnel mines is prohibited under the *Cluster Munitions and Anti-Personnel Mines Act 2008*. In 2016, an investment decision was taken to divest from companies involved in the manufacture of tobacco on the basis that the risks associated with tobacco manufacturing outweighed any potential commercial return over the long term. This divestment was completed in December 2016. The issue of whether further categories of investment should be excluded from the ISIF, in particular fossil fuel companies or sub sets of such companies, is under review. It should be noted that all Global Portfolio investments are scheduled to be realised as the ISIF increases its investment commitment in Ireland.

Performance and Portfolio

Performance is reported on two levels, (i) the Discretionary Portfolio - the investment of which is the responsibility of the NTMA and (ii) the Directed Portfolio - the public policy investments made at the direction of the Minister for Finance.

Discretionary Portfolio

The Discretionary Portfolio earned a return of 2.9% in 2016 and has generated a return of 2.1% per annum since inception on 22 December 2014. In 2016, the value of the Discretionary Portfolio increased by €225m to €8.1bn.

The return to the Irish Portfolio was 6.4% in 2016 and the return to the Global Portfolio was 2.2%. The Irish Portfolio benefited principally from double digit increases in the valuation of some of its venture capital investments. The Global Portfolio's significant cash and fixed income investments, in line with market conditions, generated low or marginally negative investment returns, while equities and absolute return mandates generally performed well.

In July 2016 the NTMA completed implementation of a medium-term €6.6bn Global Portfolio Transition Strategy (GPTS), which will position the ISIF as a conservatively managed and liquid portfolio to transition from a largely global portfolio into an Irish portfolio, as investment opportunities in Ireland are executed and drawn down.

The overall objective is to ensure that cash is available as required for Irish investments over an indicative period of four to five years, while making a significant contribution towards the ISIF's investment return objective.

By design, the GPTS is a relatively low risk multi-asset class and multi-strategy investment approach, investing across equities, fixed income, credit, multi-strategy solutions and absolute return mandates through top quality external global asset managers.

Global Portfolio Managers at End-2016

Manager	Mandate	Market Value €m	Global Portfolio %
Goldman Sachs Asset Management	Multi-Asset	1,533	23
J.P. Morgan Asset Management	Multi-Asset	1,210	18
Irish Life Investment Managers	Multi-Asset	815	12
Amundi Asset Management	Fixed Income	680	10
Deutsche Asset Management	Fixed Income	303	5
BlackRock Investment Management	Fixed Income	317	5
Muzinich & Co	Fixed Income	229	3
Acadian Asset Management	Equity	253	4
Generation Investment Management	Equity	165	2
Blackstone Alternative Asset Management	Absolute Return	246	4
Bridgewater Associates	Absolute Return	229	3
AQR Capital Management	Absolute Return	196	3
Global Real Estate Managers*	Real Estate	142	2
NTMA	Cash and Financial Assets	341	5
Total		6,659	100

*Legacy NPRF investments (14 managers).

Figures may not total due to rounding.

The ISIF's global custodian, BNY Mellon, provides custody and transaction services to the NTMA. BNY Mellon is responsible for transaction settlement and the segregated holding of the ISIF's directly owned public markets assets.

Ireland Strategic Investment Fund (continued)

Discretionary Portfolio Asset Allocation at End-2016

	Irish Portfolio €m	Global Portfolio €m	Total €m	Fund Weight %
Quoted Equity	102	689	791	10
Bonds and Debt	474	3,109	3,582	44
Cash	-	740	740	9
Total Financial Assets	474	3,848	4,322	53
Private Equity	512	5	517	6
Real Estate	97	150	248	3
Forestry	41	-	41	1
Infrastructure	206	-	206	3
Absolute Return Funds	-	1,967	1,967	24
Total Alternative Assets	857	2,122	2,978	37
Total	1,432	6,659	8,091	100

Figures may not total due to rounding.

Directed Portfolio

The figures in this section relate to investments held by the ISIF only and do not include public policy investments in Irish financial institutions made by the Minister for Finance through the Exchequer.

During the financial crisis, a total of €20.7bn was invested by the NPRF in AIB and Bank of Ireland at the direction of the Minister for Finance for public policy reasons. These assets transferred to the ISIF on the establishment of the Fund.

At end-2016, the Directed Portfolio comprised:

- (i) Ordinary shares in Allied Irish Banks valued at €4.28 per share.
- (ii) Ordinary shares in Bank of Ireland valued at the market price of €0.23 per share.
- (iii) a €25m loan to the Strategic Banking Corporation of Ireland (SBCI).
- (iv) €215m in cash, committed to lending to the SBCI.

At end-2016, the ISIF's shareholdings in AIB and Bank of Ireland were 99.9% and 13.9% respectively. As the AIB shareholding leaves a free float of only 0.1%, the NTMA engaged an external corporate finance firm to provide an independent fair market valuation as of 31 December 2016 for the purposes of valuing this investment in line with generally accepted accounting principles.

The Directed Portfolio had a valuation of €12.9bn at end-2016. Its return in 2016 was -7.9%. Arising from the €20.7bn invested in AIB and Bank of Ireland, cash returns on investments to date have amounted to €6.4bn while investment valuations at end-2016 were €12.7bn, bringing the total amount (income and value) to €19.0bn.


Directed Portfolio at End-2016

	Cash Invested €bn	Cash Received €bn	End 2016 Value €bn	Total (Income & Value) €bn
Preference Shares	1.8	3.2	-	3.2
Ordinary Shares	2.9	1.0	1.1	2.1
Bank of Ireland	4.7	4.2	1.1	5.3
Preference Shares	3.5	2.2	-	2.2
Ordinary Shares	8.7	-	11.6	11.6
Capital Contribution	3.8	-	-	-
AIB	16.0	2.2	11.6	13.8
Total Bank Investments	20.7	6.4	12.7	19.0
Cash & Loan to SBCI			0.2	
Total Directed Portfolio			12.9	


Figures may not total due to rounding.


National Development Finance Agency

Delivering PPPs


 **€1bn** **Capital Value**
The NDFA is delivering a range of education, health, justice and housing PPP projects with an estimated total capital value of €1bn.



Primary Care Centres
14
The Primary Care Centres PPP, Ireland's first healthcare PPP, involving the development of 14 new primary care centres across the country reached financial close in 2016 and construction is underway at all locations.



Schools PPP Bundle 4
2,950
Schools PPP Bundle 4 providing 2,950 student places in Tipperary, Clare, Louth and Cork, was completed as scheduled in 2016, with all schools now fully operational.


Schools PPP Bundle 5
4,870
Schools PPP Bundle 5 providing 4,870 student places reached financial close in 2016 and construction is underway at all locations.

Providing Financial Advice

 **€3bn** **Capital Value**
The NDFA is providing financial advice on infrastructural projects, including PPPs, with an estimated total capital value of €3bn.


Savings to the State
€23m
The N17/N18 Gort to Tuam PPP scheme was successfully refinanced in 2016, realising €23m in savings to the State.


New Ross Bypass Project
N25
The N25 New Ross bypass project, to which the NDFA was financial advisor, reached financial close in 2016 and is now under construction.

The NTMA is designated as the National Development Finance Agency (NDFA) when providing financial advice to State authorities undertaking major public investment projects with a capital value of more than €20m and when procuring and delivering Public Private Partnership (PPP) projects in sectors other than transport and the local authorities.

Delivery of PPP Projects

The procurement and delivery of approved PPP projects, was the main focus of NDFA activity in 2016. The NDFA is responsible for delivering education, health, justice and housing PPP projects with an estimated total capital value of €1bn. Transport Infrastructure Ireland is responsible for procuring the various road PPP projects. The NDFA acts as financial advisor across the entire PPP programme.

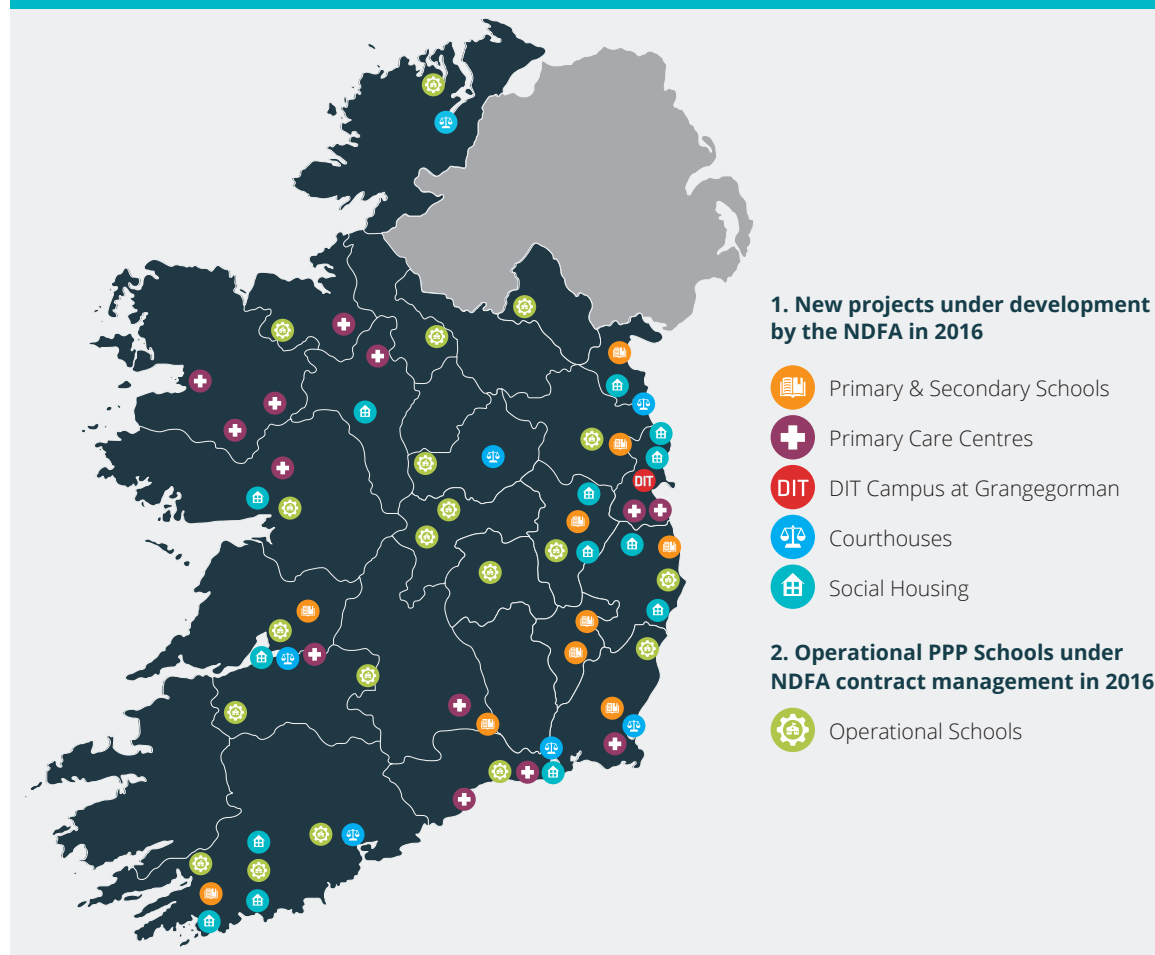
Significant progress was made in 2016, including reaching financial close on the Primary Care Centres PPP, Ireland's first healthcare PPP, providing 14 new primary care centres across the country, and Schools Bundle 5, providing 4,870 student places across four sites. Construction has commenced and is underway at all locations in respect of both these projects. Financial close was also reached on the N25 New Ross bypass, now under construction and the N17/N18 Gort to Tuam PPP scheme was successfully refinanced, realising €23m in savings to the State.

Construction of Schools Bundle 4 providing 2,950 pupil places was completed as scheduled in 2016, with all schools now fully operational. Construction is ongoing on the Courts Bundle project involving the development of new courthouses and refurbishment and extension of existing courthouses in seven locations. All courthouses are scheduled to be completed and operational in 2017.

Progress on the DIT Campus at Grangegorman project was delayed during 2016 due to legal proceedings by an unsuccessful tenderer against the Minister for Education and Skills, and the NTMA. The judgment in the case was delivered in October 2016 and found in favour of the Minister and the NTMA.

The NDFA regularly engages with project sponsors, contractors, advisors and financiers about projects and transaction opportunities. The resurgence of the Irish infrastructure lending market in recent years continued throughout 2016, with significant interest from domestic and international funders in lending to Irish PPP projects. There has been a substantial improvement in the funding costs available to Irish PPP projects with all-in senior debt rates falling from 6.5% in early 2014 to just over 2% in 2016, the lowest on record for Irish PPPs.

NDFA Project Locations



National Development Finance Agency (continued)

Progress on NDFA PPP Projects at End-2016

Projects being Procured by the NDFA



Schools PPP Bundle 4

Description

Four schools providing 2,950 places in Tipperary, Clare, Cork and Louth.

Status

Construction completed in H1 2016. All schools occupied and operational.



Schools PPP Bundle 5

Description

Five schools and one Institute of Further Education providing 4,870 places in Carlow, Meath, Wicklow and Wexford.

Status

Financial close reached in July 2016. Construction underway on all four sites with the schools scheduled to be completed in 2018.



DIT Campus at Grangegorman PPP

Description

The development of two quad buildings at the new DIT Campus in Grangegorman, providing 10,000 student places in applied arts, sciences and engineering.

Status

Preferred Tenderer appointed in February 2015. In March 2015 legal proceedings were initiated against the Minister for Education and Skills, and the NTMA in respect of the public procurement competition for this project. The judgment received in October 2016 found in favour of the Minister and NTMA.



Courts Bundle PPP

Description

The development of new courthouse buildings in Drogheda, Letterkenny, Limerick and Wexford and also the refurbishment and extension works to existing courthouses in Cork, Mullingar and Waterford.

Status

Construction underway with all courthouses scheduled to be operational in 2017.



Primary Care Centres PPP

Description

The development of 14 new primary care centres throughout the country, designed to provide health and social care services in local communities.

Status

Financial close reached in May 2016. Construction underway on all 14 sites with facilities scheduled to be completed in 2017 and 2018.



Social Housing PPP

Description

Development of 1,500 social housing units.

Status

Project in pre-procurement/planning stage.

Projects where the NDFA is Financial Advisor



N17/N18 PPP

Description

Design, construction, operation and maintenance of a new 57km stretch of motorway in Galway.

Status

Construction underway, scheduled for completion in 2017. Project refinanced in May 2016.



M11 PPP (Gorey to Enniscorthy)

Description

Design, construction, operation and maintenance of a new 38km stretch of motorway in Wexford.

Status

Construction underway, scheduled for completion in 2019.



N25 PPP

Description

Design, construction, operation and maintenance of the New Ross bypass.

Status

Financial close reached in January 2016. Construction underway, scheduled for completion in 2019.



Charlemont Street Housing Regeneration PPP

Description

Land Swap PPP involving the delivery of 79 social housing units and community facilities in Dublin.

Status

Construction underway, scheduled for completion in 2018.



Motorway Service Areas

Description

Design, construction, operation and maintenance of two service areas located on the M6 motorway east of Athlone and on the M9 motorway south of Kildcullen together with the fit-out, operation and maintenance of a third service area on the M11 motorway north of Gorey.

Status

Preferred tenderer appointed in May 2015. The project was delayed following an application for judicial review of the contract award by the National Roads Authority. It is expected to reach financial close in 2017.



Convention Centre, Dublin

Description

The NDFA is the financial adviser to the OPW and advised on the sale of shares in the PPP Co.

Status

The Convention Centre has been operating effectively and the change of ownership has been completed.



Dublin Waste to Energy PPP

Description

Design, construction, operation and maintenance of a 600,000 tonne waste to energy plant.

Status

Construction underway, scheduled for completion in 2017.

Provision of Financial Advice

Under its statutory mandate, the NDFA provides financial advice to State authorities undertaking major public investment projects. Projects where the NDFA provided advice in 2016 include the National Broadband Plan, the National Forensic Mental Health Services Hospital, social housing leases, the Cork Radiation Oncology Unit and the Maynooth Education Campus project. The NDFA provided advice to the Department of Transport, Tourism and Sport in relation to its grant assistance to the Páirc Uí Chaoimh redevelopment. The NDFA is also providing project support services to the Housing Delivery Office in the Department of Housing, Planning, Community and Local Government.

Devolved Schools Programme

Following the successful delivery in 2015 of 15 “design and build” school projects (non-PPP) on behalf of the Department of Education and Skills providing 8,600 school places, the NDFA is in the pre-procurement phase for a new project, Presentation College Athenry, Co. Galway which is expected to deliver 1,000 school places. The planning application for this project was submitted in November 2016.

Contract Management Services

At the request of the Department of Education and Skills, the NDFA has taken over the contract management of all operational PPP schools. At the end of 2016 the NDFA was managing the contracts for five schools projects covering 27 schools. Working under a Service Level Agreement, the support provided involves monitoring the relevant PPP companies in the performance of their obligations under the PPP contract, ensuring that the long-term value in these contracts is captured.

In 2016, at the request of the OPW, the NDFA began providing contract management services for the Dublin Convention Centre.

NewERA

Annual Portfolio Review



NewERA's annual review of the commercial State bodies within its core remit, setting out the key strategic challenges facing these companies, was published for the first time in December 2016.



Operating Profit

€1.0bn

€1.0bn of operating profit was generated by the Portfolio in 2015/2016 with an operating profit margin of 17%.



Invested Capital

€15.5bn

€15.5bn in debt and equity capital was invested in the Portfolio with a return on invested capital of 6.1% in 2015/2016.



Equity Valuation

€10.2bn

€10.2bn is the combined indicative commercial equity value of the Portfolio (excluding Irish Water) on an ongoing trading basis.

Setting Financial Targets



An area of focus for NewERA has been to advise on setting appropriate financial targets for commercial State bodies including capital structure, profitability and dividend targets.



€427m

Combined dividends of €427m were received by the Exchequer from bodies within NewERA's remit in 2015/16.

Commercial and Financial Advice



NewERA provided commercial and financial advice to Government on a range of items relating to the State bodies within its core remit in 2016. These included:



€3.9bn

of financing



€2.8bn

capital budgets and commitments



€350m

specific capital projects

NewERA's core role is to provide financial and commercial advice to Government Ministers in relation to a number of major commercial State bodies: Bord na Móna, Coillte, EirGrid, Ervia (including Gas Networks Ireland), ESB and Irish Water (the Portfolio). Where specifically requested by the relevant Government Ministers, NewERA's role also extends to other State bodies or assets. As a dedicated centre of financial expertise NewERA brings an additional commercial focus to the oversight of State-owned enterprises.

NewERA Approach: Active Ownership

NewERA's approach is to facilitate an enhanced level of active ownership by the State as shareholder in the Portfolio bodies. This is consistent with the approach taken in many OECD countries. To this end it has developed a Shareholder Expectations Framework to provide formal clarity and guidance to these bodies in relation to the Government's strategic priorities, policy objectives, financial performance and reporting requirements. These are communicated to the Chairperson and Board of each body by way of annual/biennial letters (Framework Letters) from the relevant Government Ministers.

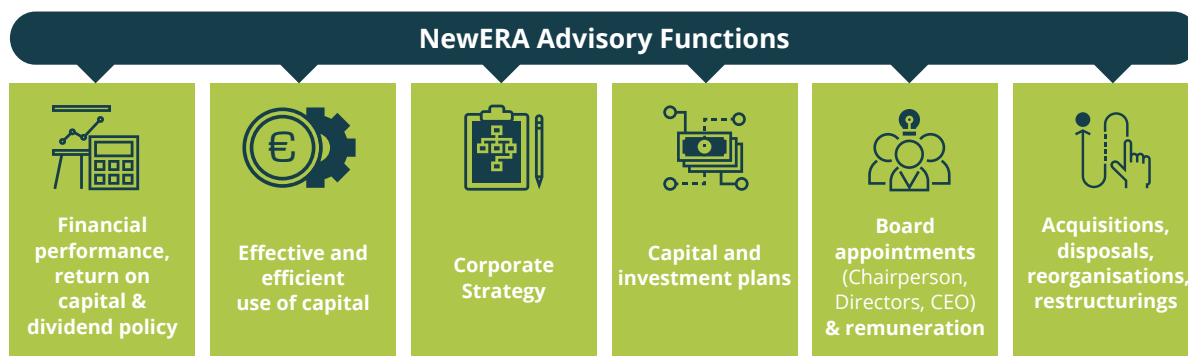
In the Framework Letters issued to date the three primary areas of focus for NewERA from a financial performance perspective have been:

- **Financial performance measurement:** setting out the NewERA methodology that will be applied by it in improving measurement and monitoring of financial performance of the Portfolio by the State in its role as shareholder. To do this, during 2016 NewERA finalised and communicated methodologies to calculate both return on invested capital and weighted average cost of capital on a consistent basis across the Portfolio.

- **Commercial equity valuations:** to facilitate the measurement of shareholder returns the Framework includes a requirement for the Portfolio bodies to undertake a commercial equity valuation on an annual basis. By the end of 2016, five of the six bodies had prepared equity valuations².
- **Financial targets:** formulating financial targets in conjunction with the Portfolio bodies, with the objective of ensuring that the targets balance value creation with prudent financial management, facilitate appropriate levels of infrastructure investment and are well defined and capable of being monitored on an ongoing basis.

A key focus for NewERA has been to advise on appropriate dividend targets for the Portfolio bodies such that there is an appropriate balance between the payment of dividends and re-investment in the business. Dividend targets are now in place with relevant bodies. These dividend targets provide greater clarity to both the bodies themselves and the State as shareholder.

Combined dividends of €427m were received by the Exchequer for 2015/16. These dividends comprise of €304m arising from proceeds from the sale of assets and €123m in respect of normal dividends. Bord na Móna paid a dividend of €10m, Coillte paid a dividend of €4m and EirGrid paid a dividend of €3m. Ervia (based on the performance of Gas Networks Ireland and distribution of sale proceeds following the sale of Bord Gáis Energy) paid total dividends of €151m. In line with its dividend policy and target, ESB's dividend pay-out increased to 35% from 30% of normalised profits and, combined with distribution of special dividends, total dividends of €259m were received by the Exchequer from ESB.



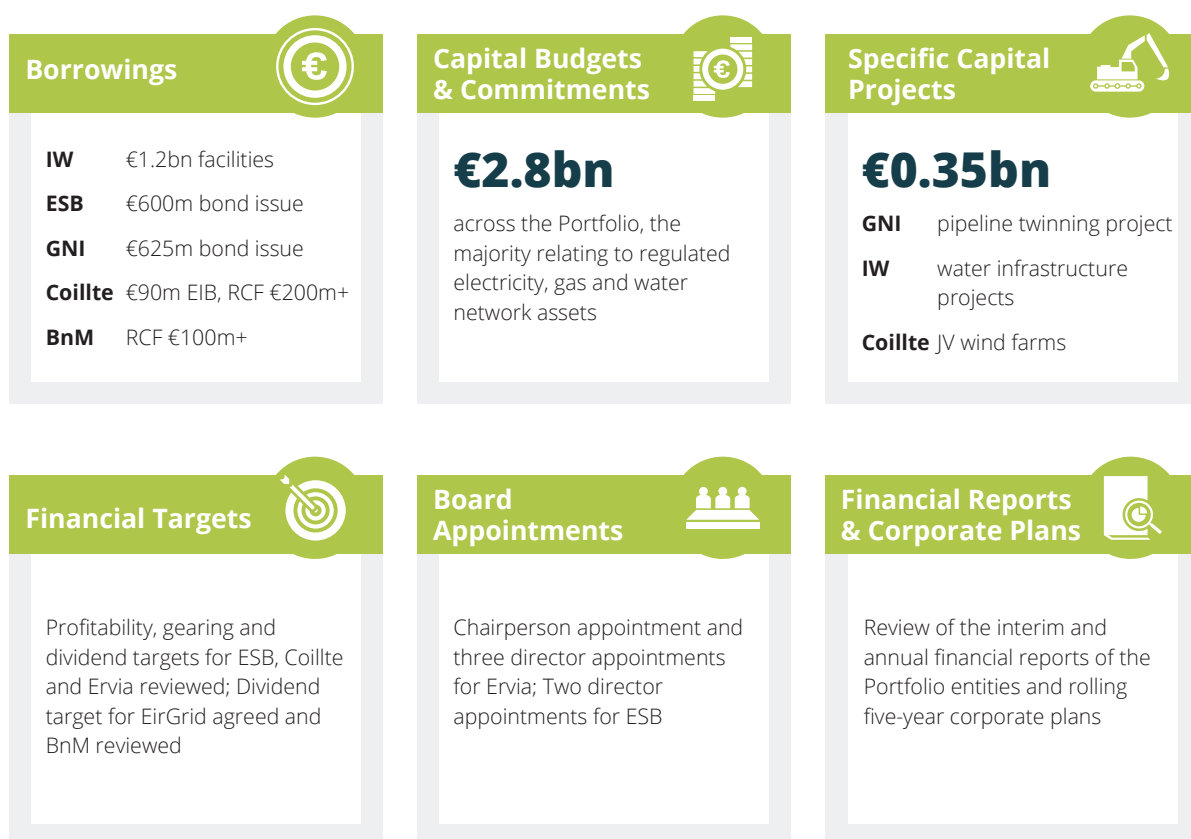
² Due to the stage of development of Irish Water it was agreed that Irish Water was not required to carry out an equity valuation.

NewERA (continued)

Corporate Finance Advisory Services

NewERA Portfolio

During 2016, NewERA provided detailed financial analysis and recommendations (where appropriate) to Ministers on a total of 74 submissions for Ministerial consideration and consent, made by the commercial State bodies within its remit. This included €3.9bn in financing-related requests (including bond issuance, revolving credit facilities (RCF), European Investment Bank (EIB) and commercial debt facilities), €2.8bn in relation to capital expenditure budget requests and €0.35bn in specific capital expenditure project requests. NewERA also worked closely with the Public Appointments Service in carrying out its advisory role with regard to board appointments.



Other State Bodies/Projects

2016 witnessed significant growth in the number and complexity of assignments requested of NewERA by Ministers in relation to other State bodies/projects. These covered a broad range of sectors, including transport, forestry, and climate action.

Selected NewERA Advisory Projects 2016

Project	Description
	NewERA provided financial analysis to the shareholding Ministers in relation to the business plans of relevant entities in the CIÉ Group - Bus Éireann and Irish Rail.
	NewERA carried out a financial review and analysis of An Post, with ongoing assistance to shareholding Ministers regarding the monitoring of its financial position.
	The redevelopment of existing port facilities at Ringaskiddy, Co Cork is necessary to allow the Port of Cork to overcome the existing physical constraints in handling larger vessels and to adapt to the changing nature of port activities. NewERA's financial review and analysis of the financing structure of the Ringaskiddy investment project commenced in 2016.
	A financial review of Dublin Port on behalf of the shareholding Ministers was commenced during 2016 with a focus on whether a revised dividend policy ought to be considered given, in particular, Dublin Port's major capital investment plans.
	A financial review and analysis of daa plc was undertaken and provided to the shareholding Ministers with a particular focus on the capital structure and consideration of a revised dividend policy.
	A financial review and analysis of IAA was undertaken and provided to the shareholding Ministers with a focus on a revised dividend policy.
Climate Action and Renewable Energy	NewERA has provided reviews from a financial perspective of the financial modelling developed by the relevant Government Departments and agencies in relation to climate action measures. NewERA also participated in a number of projects in this area including the planned new renewable electricity support scheme, the renewable heat incentive and the assessment of costs and benefits of biogas and biomethane.
Forestry	NewERA advised Coillte on a €90m long-term loan to finance the cost of planting, forest management and forest road construction and maintenance on the Coillte estate. NewERA also took part in initiatives under the Government's Forestry Programme aimed at increasing investment in the sector. During the year, NewERA worked with Coillte and Bord na Móna and the relevant Government Departments to progress the BioEnergy Ireland activities.

NewERA (continued)

NewERA Annual Financial Review 2015/2016

Each year NewERA prepares a Portfolio Financial Overview of the commercial State bodies within its core remit. The most recent overview, *NewERA Annual Financial Review 2015/16*, was published in December 2016 and is available at ntma.ie/publications. The Review sets out key financial information and metrics both for the Portfolio as a whole and for each of the entities. The key strategic themes emerging from the Review include:

- Deployment of State Capital:** The State has considerable capital invested through State-owned bodies and this, viewed in the context of its available capital, needs to be effectively and efficiently deployed in areas of priority identified by Government. In this context, it may be helpful for the State to develop an overarching framework of principles through which to consider ownership of and investment by State-owned bodies on a consistent basis.
- Market and Technological Change in the Energy Market:** The energy sector, which is the sector in which the majority of the entities in the Portfolio operate, is currently experiencing considerable change (such as integration of EU energy markets, the move towards a decarbonised society, growth in unconventional fuel

sources, evolution of technologies to be employed to assist in this move and energy efficiency obligations). This is expected to give rise to considerable challenges for some of the Portfolio bodies.

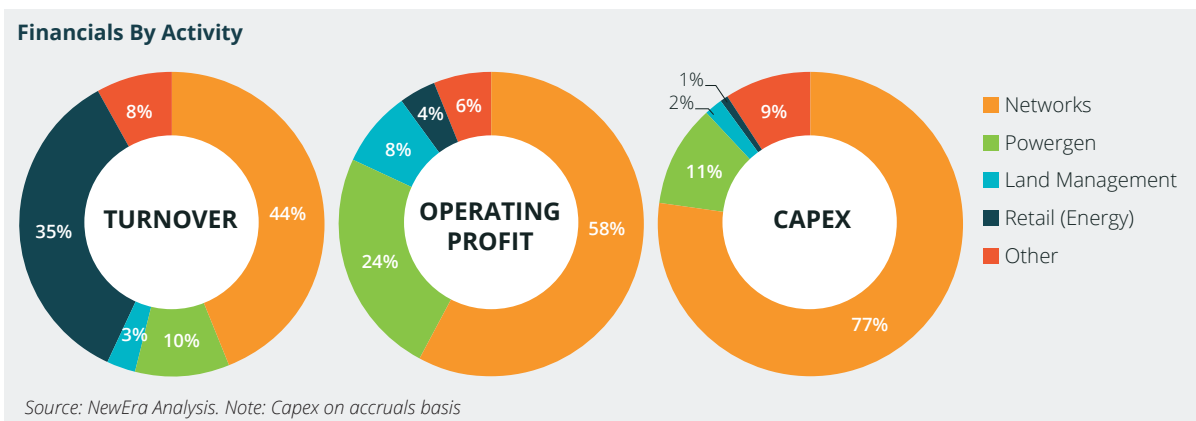
- Brexit:** Brexit is likely to impact the Portfolio given the range of Portfolio investments in the UK (existing and planned) and the extent of the Portfolio bilateral trade with the UK.
- Pension-related Matters:** A challenge in relation to defined benefit pension schemes operated by Portfolio bodies has been the low interest rate environment which has increased the current value of liabilities.

Combined turnover and profitability of the Portfolio bodies increased in 2015/16 over the prior year, as did profit margins and return on invested capital. A significant proportion of operating profit continues to be derived from the Portfolio's regulated electricity and gas networks (2015/16: 58%, 2014/15: 60%). The net gearing (a measure of indebtedness) rose slightly reflecting continuing capital investment, a large proportion of which relates to ESB and Irish Water. Total dividends of €441m were paid, of which €427m was to the Exchequer with the balance paid to the employee share ownership plans of the relevant entities (ESB and Bord na Móna).

Financial Highlights

	2015/16	2014/15	yoy Δ	5yr. avg.
Key Financial Information	€m	€m	€m	€m
Turnover	6,100	5,812	+288	5,816
Operating Profit	1,044	813	+231	896
PAT (adjusted)	623	367	+256	503
Pension Liabilities	1,009	1,240	-232	1,150
Net Debt	7,421	6,582	+839	6,799
Net Assets	6,631	6,421	+210	6,692
Invested Capital	15,537	14,841	+696	15,499
Gross Capex	1,572	1,743	-172	1,406
Dividends Paid (total)	441	476	-35	270
Key Metrics	%	%	%	%
Operating Profit margin	17	14	+3	15
PAT margin	10	6	+4	9
ROIC	6.1	4.8	+1.3	5.1
Net Gearing	53	51	+2	50

Source: Annual Reports, NewERA Analysis.



State Claims Agency

Managing a Complex and Diverse Claims Portfolio



Outstanding Liability

€2.2bn

The SCA was managing 8,898 active claims with an estimated outstanding liability of €2.2bn at end-2016.



Active Claims

€252m

The cost of resolving and managing on-going active claims in 2016 was €252m – a saving of 9% against the independent actuarial assessment of €276m.

Resolving Clinical Claims



98% of clinical negligence cases handled by the SCA are settled without the necessity for a contested court hearing.

Maternity Services - A Risk Management Priority



Estimated Liability

€1.09bn

The estimated liability in respect of maternity services at end-2016 was €1.09bn: 65% of the total estimated outstanding clinical claims liability.



Claims Analysis

The SCA performed an analysis of closed cerebral palsy claims during 2016. The results of this analysis will be made available, on a “lessons learnt” basis, to maternity hospitals and units to seek to prevent a recurrence of similar events.

Reducing Legal Costs



45% In 2016, the SCA settled 284 bills of costs received from third parties for €27m – a reduction of 45% on the €49m claimed.

Enhancing Risk Management



The roll-out of NIMS continued across the public healthcare sector and other larger State authorities. Ireland is the first country worldwide to have implemented a single ICT system to support the management of risk across its public service, including the healthcare sector.

State Claims Agency (continued)

The NTMA is designated as the State Claims Agency (SCA) when managing claims against the State and State authorities and carrying out related risk management functions in order to reduce the costs of future litigation against the State.

The SCA's remit covers personal injury and third-party property damage risks and claims relating to 139 State authorities including the State itself, Government Ministers, the Attorney General, the Health Service Executive, the voluntary healthcare sector, An Garda Síochána, the Irish Prison Service, the Defence Forces and community and comprehensive schools. It also manages third-party costs arising from certain Tribunals of Inquiry and claims for legal costs by parties who have successfully sued the State in respect of personal injury and other non-personal injury related actions.

Claims and Litigation Management

The SCA's claims management objective is, while acting in the best interest of taxpayers in matters of personal injury and property damage litigation, to act fairly and ethically in its dealings with people who have suffered injuries and/or damage and who take legal actions against the State or State bodies, and their families. In cases where the SCA investigation concludes that the relevant State authority bears some or all liability, it seeks to settle claims expeditiously and on fair and reasonable terms. If it considers that the State is not liable, the SCA's policy is to apply all necessary resources to defend the claims.

Active Claims End-2016

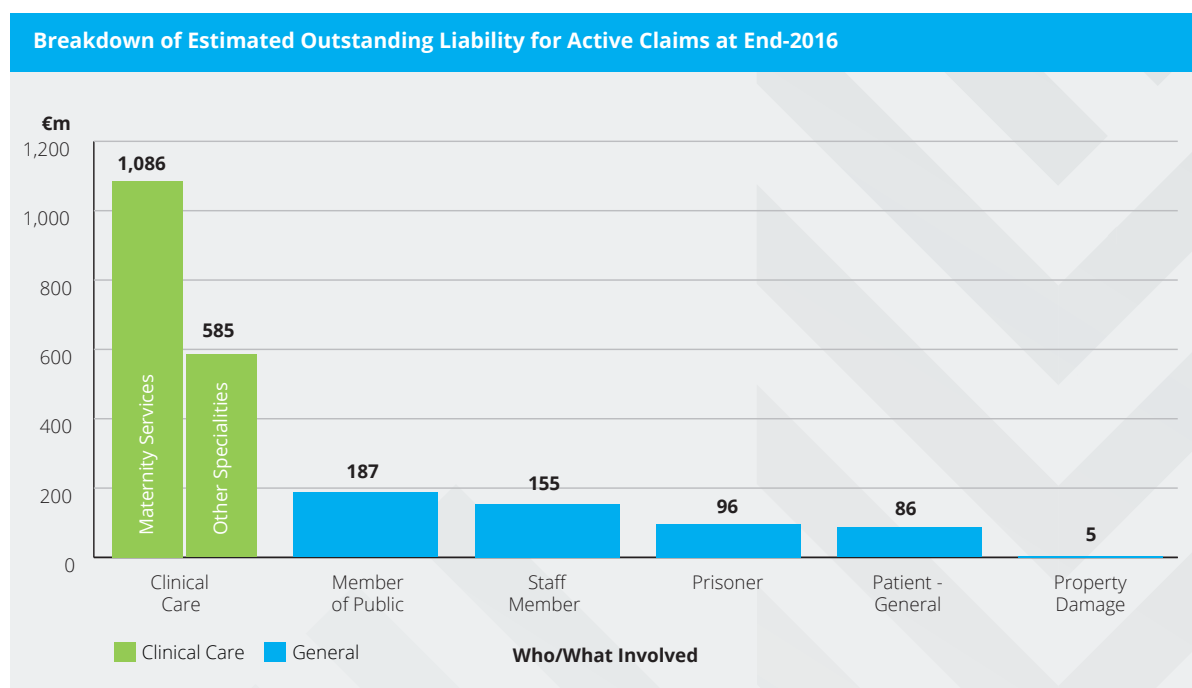
The SCA managed 8,898 active claims with an estimated outstanding liability of €2.2bn at end-2016.

Active Claims at End-2016

	Claims	Estimated Outstanding Liability €m
Clinical	3,021	1,671
General	5,877	530
Total	8,898	2,201

Maternity services claims comprised €1.09bn or 65% of the total estimated outstanding clinical claims liability at end-2016. The high estimated liability associated with maternity services claims relates principally to the high cost of settling catastrophic brain-injury infant cases.

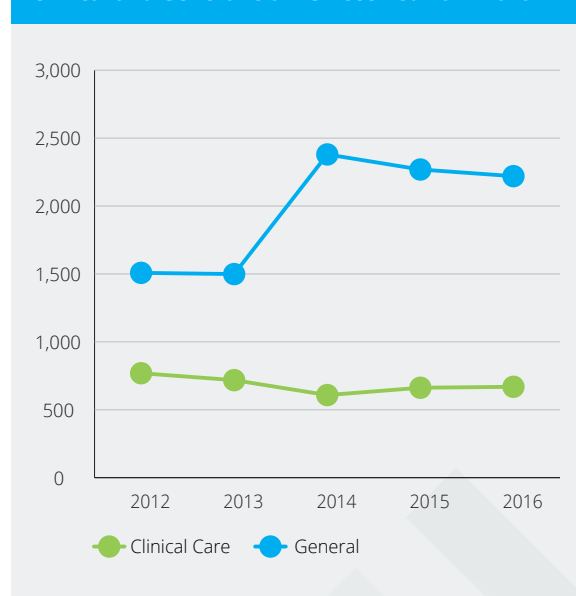
The total estimated outstanding liability of €2.2bn takes account of the Court of Appeal Decision in *Gill Russell v HSE*, following which the SCA sought Leave to Appeal to the Supreme Court. The Court of Appeal had held that the Real Rate of Return (RRR) in respect of the calculation of future care special damages should be 1%. It also held that the RRR in respect of all pecuniary losses should be 1.5%. The RRR used previously to calculate estimated outstanding liability was 3%. The Supreme Court, in its determination of 1 February 2017, refused Leave to Appeal the Court of Appeal's decision.



The SCA received 2,889 claims and resolved 2,306 claims in 2016. The volume of new general claims received has been driven by mass action claims and, principally, the high number of in-cell sanitation claims taken by current and former prisoners against the Irish Prison Service. This has led to a significant increase in claims received since 2014. By contrast, the volume of new clinical claims has remained relatively constant. The earlier years' spike in claims volume, seen in 2012 and 2013, relate, in the main, to symphysiotomy litigation.

The cost of resolving and managing on-going active claims in 2016 was €251.5m compared with €221.7m in 2015. The 2016 out-turn represents a saving of 8.8% against the independent actuarial assessment of €275.7m.

Clinical and General Claims Received 2012-2016



Resolving Clinical Claims

The SCA resolves the majority of claims by negotiating a settlement, either directly with the plaintiff's legal advisors or through a process of mediation: 98% of clinical negligence cases handled by the SCA are settled without the necessity for a contested court hearing. During 2016, the courts found in the SCA's favour in all three clinical claims that were court contested.

Statutory Reforms concerning the Resolution of Clinical Claims

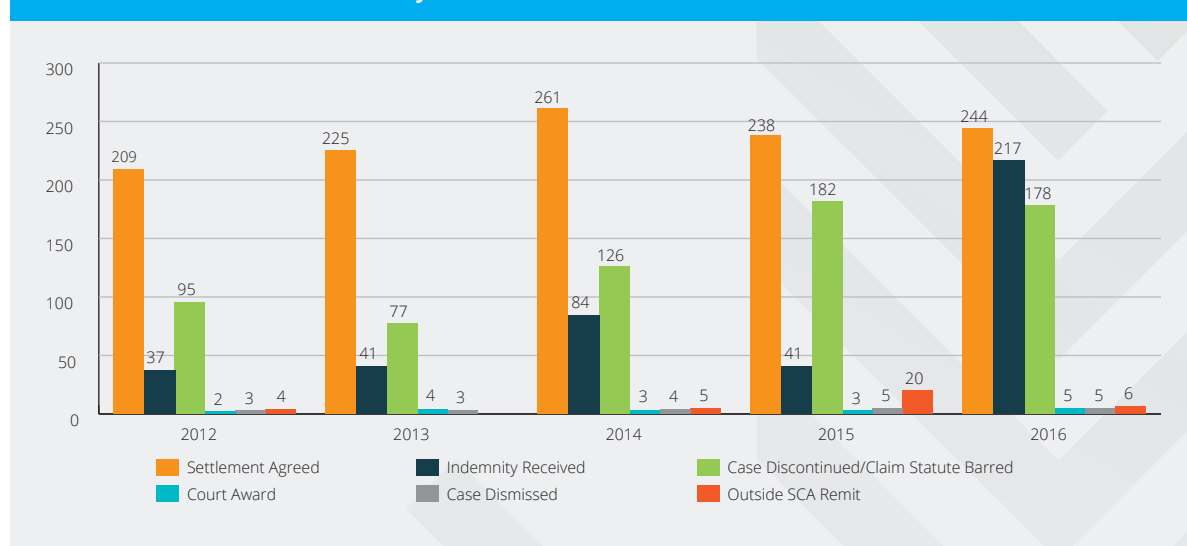
The *Legal Services Regulation Act 2015* included three significant provisions to assist in the management of clinical negligence cases and reduce the number of cases that go to trial. These were:

- Provision for Ministerial power to make regulations for Pre-Action Protocols to facilitate timely communication between plaintiff and defendant and early identification of issues in dispute and to encourage early settlement.
- Provision that an apology by a medical practitioner does not constitute an admission of liability.
- The Statute of Limitations period for the making of a clinical claim was increased from two to three years from the date of incident giving rise to the claim or the date of knowledge (if later).

It is expected that the regulations for Pre-Action Protocols will be introduced for medical negligence cases in 2017.

The *Civil Liability (Amendment) Bill*, when passed into law, will empower the courts, as an alternative to lump sum awards of damages, to make consensual and non-consensual periodic payment orders to compensate injured victims in cases of catastrophic injury where long-term permanent care would be required. The Bill is of considerable importance to families of catastrophically brain-injured infants whose injuries occurred as a result of a clinical negligence event.

Clinical Claims Resolved 2012-2016 by Case Outcome



State Claims Agency (continued)

Cost of Claims Resolved

The SCA has taken a number of measures to reduce legal fees associated with claims. These include:

- The putting in place of SCA barrister and solicitor panels to provide for competitive tendering of legal services to the SCA.
- Close examination of costs of plaintiffs' legal representatives and seeking the maximum possible reduction through negotiation or, if necessary, by determination of a Taxing Master.
- Seeking of third party/co-defendant contributions.

These measures have resulted in a significant reduction in the average costs associated with clinical claims in 2014, 2015 and 2016 compared with the previous two years. The settlement of a number of infant catastrophic injury cases by means of Periodic Payment Orders has also been a significant factor in the fall in average costs of clinical claims in cash terms over this period – of course, in these cases, there will be on-going payments to the plaintiffs in future years.

The average cost of general claims has increased over the five-year period since 2012, notwithstanding the measures taken by the SCA to reduce legal costs. This is due to the greater number of more serious claims being settled, having regard to the ageing effect of the portfolio, particularly HSE-related claims.

Cost of Claims Resolved 2012-2016

Clinical Claims	2012 €000	2013 €000	2014 €000	2015 €000	2016 €000
Cost for All Claims Resolved					
Awards/Settlements	35,357	35,974	44,726	44,467	53,018
Legal Fees - SCA	8,637	9,503	8,861	8,712	8,635
Legal Fees - Plaintiff	12,964	15,410	13,853	15,592	17,633
Other	963	1,247	1,188	1,511	1,707
Total	57,921	62,135	68,628	70,283	80,993

Average Cost per Claim Resolved

Average Awards/Settlements	101	103	93	91	81
Legal Fees - SCA	25	27	18	18	13
Legal Fees - Plaintiff	37	44	29	32	27
Other	3	4	2	3	3
Overall Average	165	178	142	144	124

General Claims	2012 €000	2013 €000	2014 €000	2015 €000	2016 €000
Cost for All Claims Resolved					
Awards/Settlements	8,184	11,249	16,082	17,870	24,087
Legal Fees - SCA	2,493	2,940	3,154	3,796	4,500
Legal Fees - Plaintiff	3,454	4,310	5,711	6,567	8,595
Other	553	827	870	1,050	1,273
Total	14,684	19,327	25,817	29,283	38,455

Average Cost per Claim Resolved

Average Awards/Settlements	5	8	11	13	15
Legal Fees - SCA	2	2	2	3	3
Legal Fees - Plaintiff	2	3	4	5	5
Other	0	1	1	1	1
Overall Average	9	13	18	21	23

Mass Actions

The SCA is managing a number of different mass actions against the State. Each mass action is managed by reference to a specific legal strategy to ensure that the State's liabilities are contained at the lowest achievable level.

Active Mass Action Claims

Mass Action	Active End- 2016	Received 2016	Finalised 2016
In-Cell Sanitation These are cases taken by prisoners (current and former) against the Irish Prison Service alleging, inter alia, breach of their constitutional rights due to lack of in-cell sanitation.	1,263	253	1
Day School Abuse These are cases taken by persons who allege they were physically and/or sexually abused by persons whilst at school. Most of the cases were initiated following the ECHR Judgment in Louise O'Keeffe v Ireland.	167	30	78
Symphysiotomy These are cases taken by women who had a surgical, obstetrical procedure to widen their pelvis.	129	1	2
Prison-Based TB These are cases taken by current and former prisoners and prison officers alleging testing positive for and/or contracting TB.	80	4	1
Pandemrix/Narcolepsy These are cases taken by mostly infant plaintiffs alleging the development of narcolepsy and cataplexy following vaccination against the H1N1 flu virus.	52	12	0
Lariam These are cases taken by current and former members of the Defence Forces, alleging severe psychosis type symptoms, following their ingestion of Lariam, an anti-malarial prophylactic drug prescribed for their use whilst on duty in sub-Saharan Africa.	44	4	1
Thalidomide These are cases taken by persons born with physical disabilities whose mothers had ingested the Thalidomide preparation during pregnancy.	34	9	0
Metal-on-Metal Orthopaedic Implants These are cases taken by persons alleging personal injury having been surgically fitted with orthopaedic hip implants.	28	11	210

State Claims Agency (continued)

SCA Case of Precedence 2016

Teresa Wall (Plaintiff) v National Parks & Wildlife Service (Defendant)

In April 2016 the Circuit Court held that the State defendant had been negligent in circumstances where the plaintiff received injuries whilst hiking on the Wicklow Way in August, 2013 on which occasion she tripped and fell on a boardwalk comprised of railway sleepers which had been joined together. The Court held that there was a failure to maintain the walkway in a safe condition and that this directly led to the injuries suffered by the plaintiff. The plaintiff was awarded €40,000 in general damages.

The defendant appealed the Circuit Court judgment and the appeal was heard in the High Court in late November/early December 2016. Judgment was formally delivered by the High Court on 17 February 2017. The High Court, in an important precedent judgment, held that the defendant was not negligent in not filling in the indentations or replacing the timber sleepers with new sleepers. In particular, in its interpretation of Section 4(iv) of the *Occupiers' Liability Act 1995*, the High Court held that the duty imposed on an Occupier by that section of the Act is not an absolute or strict duty and that the duty of care was to maintain the structure in a safe condition, having regard to its location and the social utility of the defendant's conduct.

The particular case has significant precedential importance for landowners, public and private.

Legal Costs Unit

A Legal Costs Unit (LCU) was established within the SCA in 2013 to deal with third-party costs arising from certain Tribunals of Inquiry (the Mahon, Moriarty, Morris and Smithwick Tribunals). In 2015, the Government extended the LCU's responsibilities to management of all legal costs claims against the State.

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

In 2016, the SCA settled 284 bills of costs. The total amount claimed was €49.2m. These bills were settled for €27.2m – a reduction of 45% on the amount claimed. All of these claims were agreed without the necessity for taxation, thus avoiding delays in settlements and stamp duty charges at 8% of the taxed award.

Risk Management

The SCA's risk management objective is to implement targeted personal injury and property damage risk work programmes to mitigate litigation risk in State authorities and healthcare enterprises, in order to reduce the costs of future litigation against the State. The "risk universe" indemnified by the State and managed by the SCA is extensive. For example, it includes over 200,000 State employees and all public healthcare service users (public healthcare has approximately 7 million contacts with members of the public per annum). It also includes public services that, by their nature, constitute higher risk activities such as the provision of clinical care in hospitals, Defence Forces personnel on operations overseas, members of An Garda Síochána on operational duty, customs inspections, emergency response services and custody of prisoners.

The SCA's clinical risk management programme focuses on collaboration with risk managers and other personnel in healthcare enterprises to support patient safety. The enterprise risk management programme focuses on providing advice and support to State authorities and healthcare enterprises in relation to risk management structures, maintenance of buildings, fire safety, health and safety, and environmental management.

Legal Costs Claims Settled 2016

	Number of Cost Claims Negotiated	Value €m	Cost Claims Agreed €m	Legal Cost Saving %
Mahon Tribunal	39	7.1	2.7	61.3
Moriarty Tribunal	1	0.3	0.2	53.5
Morris Tribunal	11	1.8	1.0	47.0
Other Claims	233	39.9	23.4	41.3
Total	284	49.2	27.2	44.5

Figures may not total due to rounding.

Clinical Risk

Maternity services are a priority area within the clinical risk management programme. During 2016, the SCA continued its review of the three national maternity hospitals and 16 other maternity units. This review sought to compare and contrast the hospitals and maternity units from a risk management perspective.

Other significant clinical risk management activities in 2016 included:

- Engagement with the Clinical Risk Forum established in conjunction with the National Directorate of the HSE, together with regular meetings with other key stakeholders including HIQA, postgraduate training bodies, senior management and front-line hospital staff.
- Formulation and delivery of clinical risk courses at undergraduate level for the Royal College of Physicians of Ireland and Trinity College Medical School.
- An analysis of closed medico-legal cerebral palsy claims was performed during 2016. The results of this analysis will be made available, on a “lessons learnt” basis, to relevant stakeholders to enable the appropriate learning to be applied to prevent, in so far as is possible, recurrence of similar events.

Enterprise Risk

Each year, the SCA devises a risk management work programme to assist State authorities with the development and implementation of risk management policies and procedures. Significant enterprise risk management activities in 2016 included the following:

- The SCA published a major review of assaults on operational prison staff by prisoners in Ireland. The review was initiated in 2015, following a number of violent physical assaults on Irish Prison Services staff by prisoners. The review examined the incidents of assault to determine their root cause, to comment on the potential for future recurrence and to make recommendations for improvement. The SCA's report was accepted in full by the Irish Prison Service.
- The SCA, in collaboration with the Health and Safety Authority and Critical Incident Stress Management (CISM) Network Ireland, launched a new online innovative framework for protecting the psychological health and safety of workers in occupational groups who are likely to be exposed to critical incidents as part of their work. The framework provides feedback on workplace stressors, employees' psychological well-being and critical incident exposure in the workplace. It also provides structured guidance enabling organisations to develop an action plan to mitigate these stressors.



National Incident Management System

The SCA launched the National Incident Management System (NIMS), the successor to the former STARSWeb system, in June 2014. The NIMS is a confidential, highly secure web-based system. It is an end-to-end risk management tool that allows enterprises to manage incidents throughout the incident lifecycle. This includes:

- Reporting of incidents (including Serious Reportable Events).
- Management of investigations.
- Recording of investigation conclusions.
- Recording of recommendations.
- Tracking recommendations to closure.
- Analysis of incident, investigation and recommendations data and other functionality.

NIMS provides State authorities' risk managers and the SCA's own risk experts with complex adverse incident data analysis to identify trends, hot spots and lessons learnt, thus enabling risk management and mitigation responses that will both ensure the safety of service users, patients and State employees and ultimately reduce the cost of claims against the State in the future.

In 2016, the SCA continued the roll-out of NIMS across State authorities. During 2016, 160,000 incidents were recorded, representing a 13% increase on the previous year while the total number of active users increased to approximately 800 from 300 at end-2015. One hundred key management information reports were developed for higher-risk State authorities while NIMS itself was significantly enhanced.

Agency Members



Willie Walsh | Chairperson

(appointed for a five-year term from 22 December 2014)

Member of the Remuneration Committee

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



Maeve Carton | Agency member

(appointed for a three-year term from 22 December 2014)

Member of the Audit and Risk Committee

Chairperson of the Remuneration Committee

Maeve Carton is Group Transformation Director of CRH. Since joining CRH in 1988 she has held a number of senior roles, namely Finance Director and before that Group Controller. Prior to joining CRH, she worked for a number of years as a chartered accountant in an international accountancy practice.



Gerardine Jones | Agency member

(appointed for a five-year term from 8 March 2017)

Member of the Investment Committee

Gerardine Jones is a chartered accountant with over 30 years business and senior leadership experience. She is currently a Director of Sharpsburg Consultants Limited and also has a number of non-executive director roles, including with BNY Mellon Fund Services (Ireland) DAC, and ITG Limited. She was previously Deputy Chief Executive and Head of Risk at Cantor Fitzgerald Ireland, and Director of Listing at the Irish Stock Exchange.



Derek Moran | Agency member

(ex officio)

Derek Moran is Secretary General of the Department of Finance and is responsible for economic, budgetary and fiscal, banking and financial services policy matters and oversight of Ireland's investments in and support for covered banks. He is a member of the Central Bank Commission and the Civil Service Management Board and is a council member of the Foundation for Fiscal Studies.



Martin Murphy | Agency member

(appointed for a four-year term from 22 December 2014)

Chairperson of the Audit and Risk Committee

Member of the Remuneration Committee

Martin Murphy is a former Managing Director and Chairman of Hewlett Packard Enterprise Ireland. He serves as a board member of Ulster Bank and the UCD Smurfit Business School. He is also chair of the Labour Market Council, an expert group that advises the Government on labour market policy and provides input on wider employment issues. He is a past President of the Dublin Chamber of Commerce.



Conor O'Kelly | Agency member

(ex officio)

Conor O'Kelly is Chief Executive of the NTMA. He is the former Deputy Chairman of Investec Holdings (Ireland) Ltd. Prior to that he was Chief Executive of NCB Group which was subsequently acquired by Investec plc. Before joining NCB as Head of Fixed Income, he spent 11 years with Barclays Capital, where he held a number of senior management positions.



Mary Walsh | Agency member

(appointed for a five-year term from 22 December 2014)

Member of the Audit and Risk Committee

Mary Walsh is a chartered accountant and a former international tax partner in PricewaterhouseCoopers in Dublin. She acts as an independent non-executive director on a number of private sector and not for profit boards. She has held a number of public sector positions in Ireland and the EU.



Robert Watt | Agency member

(ex officio)

Member of the Remuneration Committee

Robert Watt is Secretary General of the Department of Public Expenditure and Reform with responsibility for public expenditure policy, capital spending and Public Private Partnerships and overall management and reform of the Irish public service. He is an economist and has experience in both the public and private sectors.



Susan Webb | Agency member

(appointed for a four-year term from 22 December 2014)

Member of the Audit and Risk Committee

Chairperson of the Investment Committee

Susan Webb is a former Managing Director of Pfizer's international treasury centre based in Dublin. She is an independent non-executive director of Wells Fargo Bank International Unlimited Company and of Depfa Bank plc.

The Agency and its Committees

The NTMA is constituted as an Agency (Board) of nine members with over-arching responsibility for all of the NTMA's functions (excluding NAMA and the SBCI which have their own separate boards). Six members, including the Chairperson, are appointed by the Minister for Finance. The Chief Executive of the NTMA and the Secretary Generals of the Departments of Finance and Public Expenditure and Reform are *ex officio* members of the Agency. The Agency reports to the Minister for Finance.

The term of office of an appointed member is five years, other than the initial appointed members of whom two members are appointed for three years and two members are appointed for four years. The Minister for Finance determines the level of remuneration of appointed members. The *ex officio* members do not receive any remuneration in respect of their membership of the Agency.

There were some changes in Agency membership during 2016 and 2017. Brendan McDonagh, appointed on 22 December 2014, resigned from the Agency with effect from 24 October 2016. Gerardine Jones was appointed to the Agency on 8 March 2017.

The NTMA's functions are vested in the Agency, which may delegate functions to the Chief Executive. In the performance of its duties, the Agency focuses on providing strategic direction and oversight to the organisation and ensuring there are appropriate controls in place, while delegating operational matters to management. It seeks to support and challenge management in the achievement of the NTMA's goals and in fostering a corporate culture that will contribute to the delivery of these goals. There is a formal schedule of matters reserved for decision by the Agency. This schedule includes:

- Annual Report and Financial Statements.
- Risk Management Policy and Framework.
- Risk Appetite Framework.
- Corporate strategy and business unit and corporate function goals.
- Operating budget.
- Remuneration of Chief Executive (after consultation with the Minister).
- Overall remuneration policy.
- Exchequer Funding Plan.
- ISIF Investment Strategy.
- ISIF Irish Portfolio investments (investment decisions of up to €150m are delegated to the Investment Committee).

The Agency has established a number of committees to assist in discharging its responsibilities. At 31 December 2016, the Agency had four committees, each with formal terms of reference:

- Audit Committee.
- Investment Committee.
- Risk Committee.
- Remuneration Committee.

The Agency carried out the first annual review of its effectiveness during 2016. This review took the form of a structured self-assessment evaluation by the Agency and its committees. Arising from the review process, the Agency agreed that establishment of a State Claims Agency Strategy Committee, containing relevant external expertise, would be of use given the specialist nature of the SCA's business and the particular challenges faced by it. The Agency also agreed that it would be more efficient and lead to greater synergies if a combined Audit and Risk Committee were established.

The Audit Committee and Risk Committee were merged with effect from 1 February 2017. It is planned to establish the State Claims Agency Strategy Committee in mid-2017.

The Agency has adopted the *Code of Practice for the Governance of State Bodies* (the Code), adapted in a limited number of cases to reflect the Agency's circumstances. A revised Code came into effect from 1 September 2016. The disclosures set out in this Annual Report and Financial Statements are in line with the requirements of the previous 2009 Code. The NTMA is reviewing its policies and procedures and has an implementation plan in place to ensure compliance with the requirements of the revised Code for the year ending 31 December 2017 and subsequent years.

Codes of business conduct are in place for Agency and committee members and employees. Agency and committee members and employees are expected to ensure that all their activities are governed by the ethical standards reflected in the relevant code.

The NTMA has a Reporting of "Relevant Wrongdoing" and Protected Disclosures Policy in place, whereby employees may, in confidence, raise concerns about possible irregularities in financial reporting or other matters.

The NTMA is a prescribed public body for the purposes of the *Ethics in Public Office Acts 1995 and 2001*. In addition there are specific disclosures of interest requirements under the *National Treasury Management Agency Act 1990* (as amended) and the *Code of Practice for the Governance of State Bodies*. The NTMA has put in place procedures to assist Agency and committee members in meeting their disclosure of interest obligations.

The Agency is supported in its functions by the Agency Secretary who also co-ordinates the operation of the various Agency committees: each of the committees is supported by the Agency Secretary or the Assistant Agency Secretary.

Attendance at Agency and Committee Meetings 2016

	Agency	Investment Committee	Audit Committee	Risk Committee	Remuneration Committee
Number of Meetings	7	12	6	6	2
Agency Members:					
Willie Walsh	7				2
Maeve Carton	5		6		
Brendan McDonagh	6/6(p)	9/9(p)			2
Derek Moran	7				
Martin Murphy	7		6	6	2
Conor O'Kelly	7				
Mary Walsh	6			6	
Robert Watt	6			3	1
Susan Webb	7	12	6		
External Members:					
John Herlihy		1/4(p)			
Richard Leonard		11			
Mark Ryan		5/5(p)			
Julie Sinnamon		10			

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

Committee Reports

Audit Committee Report

The Audit Committee assisted the Agency in the oversight of the quality and integrity of the financial statements, in reviewing and monitoring the effectiveness of the systems of internal control, the internal audit process and the compliance function, and reviewing the outputs from the statutory auditor, the Comptroller and Auditor General.

The Committee comprised three non-executive members of the Agency. The membership of the Committee at 31 December 2016 was:

- Martin Murphy (Chairperson).
- Maeve Carton.
- Susan Webb.

There were no changes to the membership of the Committee during 2016.

The Committee met on six occasions in 2016. The principal activities of the Committee in 2016 were as follows:

Financial Reporting

The Committee reviewed the financial statements prior to recommending them to the Agency. The review focused on the implementation of FRS 102 in relation to the Ireland Strategic Investment Fund and Administration Account financial statements, the consistency of approaches across the financial statements, appropriate estimates and judgements and the clarity and completeness of disclosures.

Internal Controls

The Committee reviewed the adequacy and effectiveness of the internal control systems and the statements to be included in the financial statements concerning internal controls. The Committee's findings were reported to the Agency.

Compliance

The Committee reviewed and approved updates to a number of compliance-related policies including the Reporting of "Relevant Wrongdoing" and Protected Disclosures Policy. It received regular reports from the Head of Compliance.

Internal Audit

The Committee received regular reports from the Head of Internal Audit (the Head of Internal Audit is supported by an external firm, currently KPMG, appointed to carry out internal audit work reporting to the Head of Internal Audit). The Committee reviewed the key findings from the outcome of individual internal audit reviews completed under the 2016 risk based internal audit plan which had been developed focusing on the key risks facing the NTMA. It monitored the implementation of internal audit recommendations, approved the 2017 risk based internal audit plan and reviewed and approved updates to the internal audit charter.

The Agency and its Committees (continued)

Statutory Audit

The Committee reviewed the external audit plan in advance of the audit and met with the external auditor to review the findings from his audit of the financial statements. The Committee also reviewed management's responses to the auditor's findings and recommendations and monitored, on an ongoing basis, the implementation by management of the auditor's recommendations.

Cybersecurity

The Committee worked closely with the Risk Committee in monitoring the NTMA's cybersecurity, including review of the annual cybersecurity report (prepared by an external firm) which identifies cyber threats relevant to the NTMA and assesses the NTMA's capability to defend against these threats.

Delegated Authorities

The Committee reviewed the Consolidated Delegated Authorities (the various delegated authorities from the Chief Executive across the NTMA).

Governance

The Committee reviewed its terms of reference and recommended amendments to the Agency. It undertook a review of its performance and reported to the Agency on this review.

Risk Committee Report

The Risk Committee assisted the Agency in the oversight of the risk management framework including setting risk appetite, monitoring adherence to risk governance and ensuring risks are properly identified, assessed, managed and reported.

The Committee comprised three non-executive members of the Agency. The membership of the Committee at 31 December 2016 was:

- Mary Walsh, Chairperson.
- Martin Murphy (Chairperson of the Audit Committee).
- Robert Watt.

There were no changes to the membership of the Committee during 2016.

The Committee met on six occasions in 2016. The principal activities of the Committee in 2016 were as follows:

Risk Management Policy and Framework

The Committee reviewed and recommended to the Agency updates to the Risk Management Policy and Framework which sets mandatory, high-level minimum requirements and fundamental components for risk management that apply to all business units and corporate functions of the NTMA and across all risk categories.

The Committee reviewed and approved updates to a number of specific risk policies as provided for under the Risk Management Policy and Framework: the Liquidity Risk Management Policy, the Counterparty Credit Risk Policy and

the Anti-Fraud Policy. It also approved the Investment Risk Policy, the Operational Risk Management and Risk and Control Self-Assessment Framework and limits and tolerance levels in respect of the ISIF Irish portfolio.

Risk Appetite

The Committee reviewed and recommended to the Agency updates to the Risk Appetite Framework (which defines the risk appetite for each of the NTMA's key risk categories) and monitored the NTMA's position against its risk appetite.

Principal Risks and Risk Register Review

The Committee reviewed the principal risks faced by the NTMA based on a strategic risk assessment. It also reviewed risk registers for the NTMA's business units.

Risk Monitoring and Reporting

The Committee oversaw further enhancements to the suite of regular risk reports as a reporting and monitoring tool and received regular reports from the Chief Risk Officer. It also approved the annual Risk Management Business Plan and reviewed the stress testing framework and other reports from the NTMA's Risk Management function.

Cybersecurity

The Committee worked closely with the Audit Committee in monitoring the NTMA's cybersecurity, including review of the annual cybersecurity report (prepared by an external firm) which identifies cyber threats relevant to the NTMA and assesses the NTMA's capability to defend against these threats.

Governance

The Committee reviewed its terms of reference and recommended amendments to the Agency. It undertook a review of its performance and reported to the Agency on this review.

Investment Committee Report

The Investment Committee is a statutory committee provided for by the *National Treasury Management Agency Act, 1990* (as amended).

The Committee assists the Agency in the control and management of the Ireland Strategic Investment Fund by making decisions about the acquisition and disposal of assets within such parameters as may be set by the Agency, advising the Agency on the investment strategy for the Fund and overseeing the implementation of the investment strategy.

The Committee is required to comprise of two appointed members of the Agency and not more than five persons who are not members of the Agency but who have acquired substantial relevant expertise and experience and who are appointed by the Agency with the consent of the Minister for Finance (external members). The Agency has decided that the Committee should have three external members. The members of the Committee are:

- Susan Webb, Chairperson (Agency member).
- Gerardine Jones (Agency member).
- Richard Leonard (external member).
Company Director and former Partner, Grant Thornton Ireland.
- Mark Ryan (external member).
Company Director and former Managing Director, Accenture Ireland.
- Julie Sinnamon.
CEO, Enterprise Ireland.

John Herlihy (external member) resigned from the Committee with effect from 1 May 2016. Brendan McDonagh (Chairperson) resigned from the Committee with effect from 6 October 2016. Mark Ryan was appointed to the Committee with effect from 18 July 2016. Susan Webb, previously a Committee member, was appointed Chairperson with effect from 29 November 2016. Gerardine Jones was appointed to the Committee with effect from 29 March 2017.

The Committee met on 12 occasions in 2016. The principal activities of the Committee in 2016 were as follows:

Review of Investment Proposals

The Committee reviewed detailed investment proposals from management. Decisions on investment proposals of up to €150m have been delegated to the Committee by the Agency. Where the Committee supports an investment proposal in excess of €150m, it makes a recommendation on the matter to the Agency. The Committee also actively monitored the investment pipeline in order to provide timely feedback to management on potential investment opportunities.

Investment Strategy

When the ISIF's initial investment strategy was adopted in 2015, it was agreed that the strategy would be formally reviewed after 18 months. This review commenced in the second half of 2016. The Committee has provided advice in relation to the review. This work was ongoing into 2017.

The Committee also put in place formal measures for monitoring the implementation of the investment strategy on a six monthly basis and reviewed the Fund's benchmark. It noted that a 4% benchmark target return was still appropriate at Fund level.

Sustainability and Responsible Investment

The Committee reviewed the ISIF Sustainability and Responsible Investment Policy and recommended it to the Agency.

Portfolio Diversification

The Committee reviewed the ISIF Portfolio Diversification Framework (PDF) and agreed that the investment limits and tolerance levels set out in the PDF be submitted to the Risk Committee for approval.

Portfolio Monitoring and Review

The Committee received regular reports from management on the performance, asset allocation and economic impact

of the Fund. It also commenced formal quarterly review of the performance of individual ISIF investments in Ireland.

Governance

The Committee reviewed its terms of reference and recommended amendments to the Agency. It undertook a review of its performance and reported to the Agency on this review.

Remuneration Committee Report

The Remuneration Committee assists the Agency through review and approval of the NTMA's overall remuneration policy, review and approval of any performance-related pay schemes operated by the NTMA and approval of the total annual payments to be made under any such schemes. It also makes recommendations to the Agency on the remuneration of the Chief Executive.

The Committee comprises four members appointed by the Agency:

- Maeve Carton, Chairperson.
- Martin Murphy.
- Willie Walsh.
- Robert Watt.

Brendan McDonagh served as Chairperson of the Committee until he resigned as a member of the Agency with effect from 24 October 2016. Maeve Carton was appointed to the Committee as Chairperson with effect from 29 March 2017.

The Committee met on two occasions in 2016.

The principal activities of the Committee in 2016 were as follows:

Remuneration

The Committee approved a formal Remuneration Policy to define the parameters within which the Chief Executive and management may operate to recruit and retain high calibre employees and encourage a high level of performance by staff, while complying with applicable law, reflecting good corporate governance and being consistent with, and promoting, sound and effective risk management. The Committee reviewed and approved the total amount in performance related payments to be made in respect of 2015.

Appointments

The Committee reviewed a shortlist of candidates for the external member vacancy on the Investment Committee which occurred during 2016 and made a recommendation to the Agency on the filling of this vacancy. The Committee also provided support and assistance to the Chairperson in the carrying out of his role with regard to the vacancy in Agency membership which arose during 2016 and was filled under the Public Appointments Service assessment process to support the relevant Minister in making appointments to State Boards under his/her remit.

Risk Management

Overview and Governance

The NTMA's approach to risk management is based on the "three lines of defence" model and is designed to support the delivery of its mandates by proactively managing the risks that arise in the course of the NTMA pursuing its strategic objectives. During 2016, the NTMA continued to develop its risk management programme, including its second-line investment risk management function and expanded and enhanced its risk monitoring and reporting.

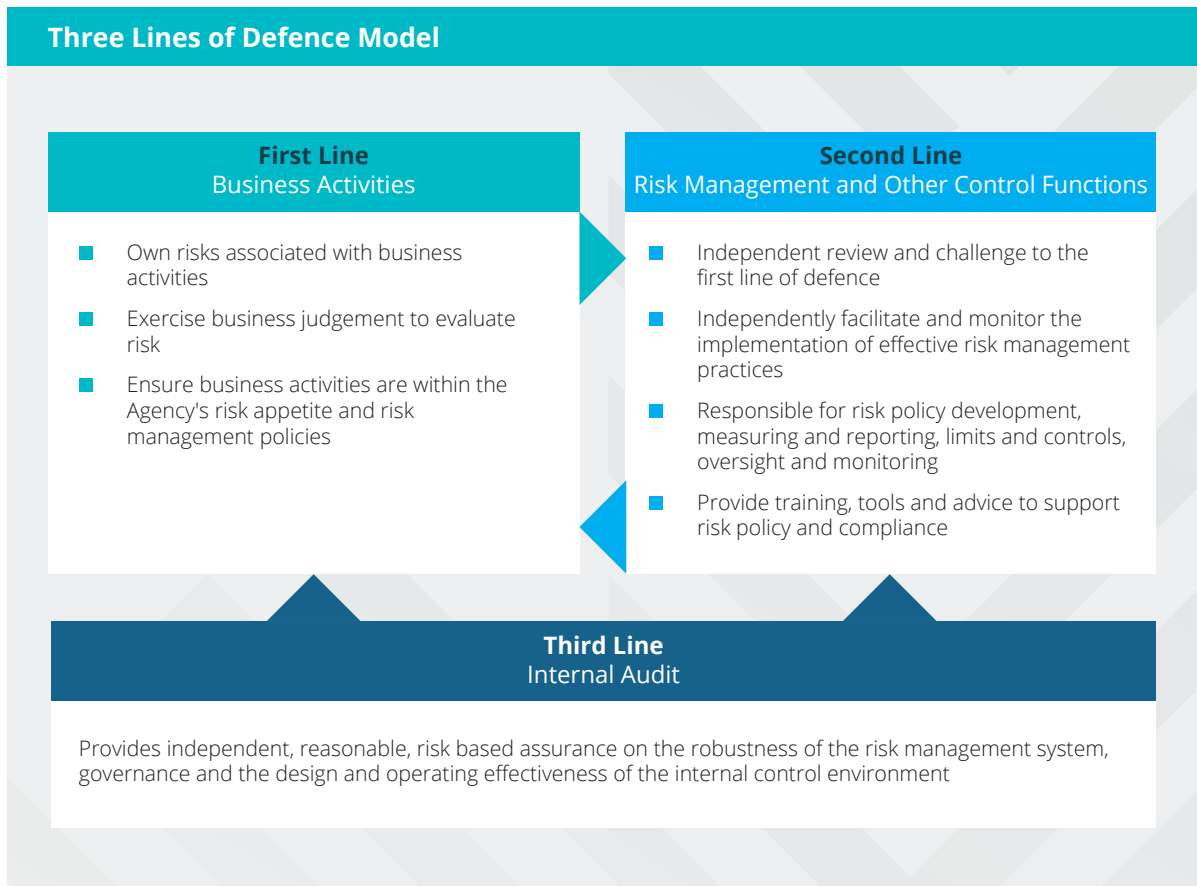
The Agency sets the Risk Management Policy and Framework and the Risk Appetite Framework. The Audit and Risk Committee assists the Agency in the oversight of the risk management framework including monitoring adherence to risk governance and risk appetite and ensuring risks are properly identified, assessed, managed and reported.

An executive Enterprise Risk Management Committee (ERMC) oversees the implementation of the NTMA's overall risk appetite and senior management's establishment of appropriate systems to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported. The ERMC is responsible for ensuring that material risks across the NTMA are reported in a consistent and integrated manner to the Audit and Risk Committee.

Policy and Framework

The Risk Management Policy and Framework defines the standards for risk management across the organisation and sets out the arrangements by which this is achieved. These include the objectives, policy, framework, responsibilities and processes that support the effective and integrated management of risk, consistent with the Agency's agreed risk appetite. The NTMA has defined its risk appetite for each of its key risk categories and measures risk exposures through the use of key risk indicators.

The Risk Management Policy and Framework and Risk Appetite Framework are reviewed annually to ensure that they remain relevant and up to date.



Risk Assessment

The risk assessment processes are designed to ensure that the NTMA manages its risk within its agreed risk appetite, that material risks are identified, and that management of risk is monitored within clearly defined and delineated roles and responsibilities.

Each individual business unit is required to self-assess and review their risks and record them in risk registers. The review:

- Identifies or re-confirms and classifies the risks to the business.
- Assesses the inherent risk impact and likelihood.

- Identifies proposed treatments and controls; allocates owners for any agreed action plans.
- Reports on the implementing of measures and controls to address the residual risks.

All business units present their risk registers to the ERM and Audit and Risk Committee at least annually.

Principal Risks

The ERM performs a strategic risk assessment twice annually, the purpose of which is to identify the principal risks from an NTMA-wide perspective. The principal risks are then assessed by the Audit and Risk Committee and the Agency.

Principal Risks

Risk	Risk Description
Economic, Geopolitical and Market Risk	Extreme economic conditions, unpredictable political landscape and market volatility could adversely impact the NTMA. Possible consequences include problems with access to funding or investment opportunities, deterioration of debt sustainability, increased debt service costs or unfavourable investment returns.
Investment Risk	The NTMA is responsible for making investments as part of its mandate. These include both direct investments and commitments to third party investment managers. Poor investment decisions or management of pre and post investment processes could lead to significant financial and/or reputational damage.
Stakeholder Risk	The NTMA has a wide and diverse stakeholder group, including Government Ministers and Departments, market counterparties and investment partners. Given that its primary business objectives are principally mandated by legislation and ministerial guidelines, failure to engage with, and/or manage stakeholder expectations in the context of competing priorities, could impact its ability to achieve its objectives.
Behavioural Risk	Unethical behaviours, lack of transparency or accountability could affect the delivery of the NTMA's mandates, negatively impacting its reputation.
Operational Risk	Operational risk is inherent in all the NTMA's activities. The NTMA considers risks relating to transaction processing, information technology, data security, cyber-attack, fraud, and business continuity to be its key operational risks.
Third Party Risk	The NTMA relies on a number of third party suppliers in order to deliver its mandates. Failure of the NTMA to oversee and manage third parties, or failure by the third party to deliver or act in a manner consistent with the NTMA's requirements, could lead to financial and/or reputational damage.
Change Risk	The NTMA is undergoing extensive change in a number of areas, which includes moving premises and implementing significant new IT systems. Lack of a strategic, coordinated and comprehensive approach to managing change could lead to significant business disruption, financial loss or reputational damage.
People and Culture Risk	<p>People</p> <p>The NTMA conducts a range of specialised activities on behalf of the State. Failure to recruit, retain and develop a sufficiently skilled and experienced workforce may negatively impact its ability to execute its mandates.</p> <p>Culture</p> <p>A culture that allows the NTMA's people to openly discuss and act on the organisation's current and future risks is essential. Any erosion of that culture may impact negatively on the NTMA's people and its ability to achieve its strategic goals.</p>

There may be other risks and uncertainties that are not yet considered material or not yet known to the Agency and the principal risks may change to accommodate such developments.

Management Team



Conor O'Kelly
Chief Executive



Ian Black
Chief Financial and Operating Officer



Ciarán Breen
Director, State Claims Agency



Sinéad Brennan
Director, Human Resources



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



Eileen Fitzpatrick
Director, NewERA



Brian Murphy
Director, National Development
Finance Agency



Eugene O'Callaghan
Director, Ireland Strategic
Investment Fund



Frank O'Connor
Director, Funding and Debt
Management



Andrew O'Flanagan
Chief Legal Officer

Staffing and Remuneration

The NTMA executes its mandates through five business units: the Funding and Debt Management Unit, the Ireland Strategic Investment Fund Unit, the National Development Finance Agency, NewERA and the State Claims Agency. The NTMA's business units are supported by its corporate functions which provide services across Finance, Operations, Information Technology, Risk, HR, Legal, Compliance, Communications and Internal Audit.

A number of NTMA staff are on secondment to the Department of Finance following the revocation of the delegation of banking system functions of the Minister for Finance to the NTMA from August 2011.

The NTMA assigns staff to the National Asset Management Agency (NAMA) and the Strategic Banking Corporation of Ireland (SBCI) and also provides them with business and support services and systems. NAMA and the SBCI reimburse the NTMA the costs of these services (including staff costs). Both NAMA and the SBCI are independent entities and have their own separate boards.

Other than staff assigned to NAMA and the SBCI, the NTMA had 464 employees at end-2016. 302 employees were assigned to NAMA and 16 employees were assigned to the SBCI.

The NTMA's remuneration model is based on confidential, individually negotiated employment contracts, with competitive, market-aligned remuneration. The typical remuneration package comprises a fixed base salary, pension entitlement and provision for discretionary performance-related pay. In a limited number of cases other allowances or benefits are paid.

The NTMA's objective is to ensure that its remuneration arrangements facilitate it in attracting, developing and retaining high performing and motivated employees, with appropriate skills and experience, so as to ensure that the NTMA can discharge fully its statutory functions in an effective and efficient manner, while complying with applicable law. It aims to operate a remuneration system which:

- allows the NTMA to compete effectively in the labour market and to recruit and retain high calibre employees.
- reflects the NTMA's objectives for good corporate governance.
- manages remuneration in an appropriate manner and encourages a high level of performance.
- is consistent with and promotes sound and effective risk management.

Discretionary performance-related payments are intended to reward exceptional performance having regard to the employee's own performance, the performance of the employee's area of responsibility, and the overall performance of the NTMA. Performance-related payments are made in accordance with parameters approved by the Agency's non-executive Remuneration Committee. The overall amount of performance related payments made in respect of any year is also subject to the approval of the Remuneration Committee.

The NTMA made performance-related payments to 115 staff in 2017 in respect of 2016. These payments, in aggregate, totalled €1,175,050. During 2016, the NTMA made performance-related payments to 60 staff totalling, in aggregate, €492,500 in respect of 2015.

NTMA Remuneration at End-2016

	Base Salary	Total Remuneration
up to €50,000	129	128
€50,001 to €75,000	150	138
€75,001 to €100,000	86	84
€100,001 to €125,000	39	49
€125,001 to €150,000	21	20
€150,001 to €175,000	17	19
€175,001 to €200,000	12	9
€200,001 to €225,000	1	4
€225,001 to €250,000	1	3
€250,001 to €275,000	3	0
€275,001 to €300,000	2	3
€300,001 to €325,000	1	5
€325,001 to €350,000	1	0
€350,001 to €375,000	0	1
€375,001 to €400,000	0	0
€400,001 to €425,000	0	0
€425,001 to €450,000	0	0
€450,001 to €475,000	0	0
€475,001 to €500,000	1	1
Total	464	464

Note: Base salary is set out on a pro-rata basis. Total remuneration includes base salary and any other taxable benefits paid to employees (including performance-related payments paid in 2016 in respect of 2015). It does not include employer pension contributions. The public service pension related deduction is applied to NTMA employees.

Energy Efficiency Report

The NTMA operates from Treasury Building on Grand Canal Street Dublin 2. In 2016, the NTMA consumed 2,057,410 kWh of electricity representing an average consumption of 2,707 kWh per employee. This compares with an average consumption of 2,585 kWh per employee in 2015 – an increase of 5% per employee on the 2015 figure. The increase in average consumption per employee in 2016 is due to a reduction in the average number of employees during the year.

Treasury Building is over 25 years old and has an average BER rating of “F”. This contributes to energy loss through the building fabric. Air conditioning in the building is provided by the landlord and is powered by natural gas.

The landlord completed the fitting of energy efficient variable speed drives to the air handling units in Treasury Building during 2016.

The NTMA has agreed to lease space in the North Docks area of Dublin from late-2018. The new building is under construction and is designed to achieve LEED 2009 Platinum rating and BER A3 energy rating standards.

Financial Statements

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

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Statement of Responsibilities

The National Treasury Management Agency (“the Agency”) is required by the National Treasury Management Agency Acts 1990 to 2014 to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency:

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

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

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



Conor O’Kelly, Chief Executive
National Treasury Management Agency



Willie Walsh, Chairperson
National Treasury Management Agency

8 May 2017

Statement on Internal Financial Control

Responsibility for the System of Internal Financial Control

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

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

Key Control Procedures

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

- establishing appropriate governance structures with clearly defined management responsibilities;
- establishing formal procedures for reporting significant control failures and ensuring appropriate corrective action;
- establishing an Audit and Risk Committee to advise us on discharging our responsibilities for the internal financial control system.

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

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

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

- a comprehensive budgeting system with an annual budget which is reviewed and approved by the Agency members and submitted to 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;
- adoption of an Anti-Fraud policy and the Reporting of ‘Relevant Wrongdoing’ and Protected Disclosures Policy (formerly the Good Faith Reporting Policy).

The Agency has an Audit and Risk Committee which operates in accordance with the principles in the Code of Practice for the Governance of State Bodies. The Agency’s internal audit function is overseen by this Audit and Risk Committee. The work of the internal audit function is informed by an analysis of the risks to which the Agency is exposed, and annual internal audit plans are based on this analysis. These risk-based internal audit plans are agreed with the Chief Executive and management of the Agency and approved by the Agency’s Audit and Risk Committee. On a regular basis, the internal audit function provides the management of the Agency and the Agency’s Audit and Risk Committee with reports of internal audit activity. These reports outline any findings and recommendations in relation to internal controls that have been reviewed. Progress against recommendations is monitored and reported to the Audit and Risk Committee.

The Agency has a Code of Practice on Confidentiality and Professional Conduct which sets out the agreed standards of principles and practice in relation to confidentiality, conflicts of interest, insider dealing, market manipulation and personal account transactions.

The Agency has put in place an appropriate framework to ensure that it complies with the Data Protection Acts. As part of this framework, the Agency has implemented systems and controls to restrict the access to confidential data. Under the framework, where the Agency becomes aware of breaches or alleged breaches of confidential data, these are fully investigated and where necessary reported to the appropriate authorities.

The Agency’s monitoring and review of the effectiveness of the system of internal financial control is informed by the management within the Agency who have responsibility for the development and maintenance of the financial control framework, the findings from the work of the internal audit function and comments made by the Office of the Comptroller and Auditor General in management letters or other reports.

Statement on Internal Financial Control (continued)

Annual Review of Controls

We confirm that, in respect of the year ended 31 December 2016, the Agency members, having taken advice from the Agency's Audit and Risk Committee, conducted a review of the effectiveness of the system of internal financial control.

On behalf of the Agency members



Willie Walsh, Chairperson
National Treasury Management Agency



Martin Murphy, Chairperson, Audit and Risk Committee
National Treasury Management Agency

8 May 2017

Financial Statements of the

National Debt of Ireland

For the year ended 31 December 2016

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

I have audited the financial statements of the National Debt of Ireland for the year ended 31 December 2016 under the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise the service of national debt, the national debt statement, the national debt cash flow statement, the statement of movement in national debt and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended)

Responsibilities of the National Treasury Management Agency

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

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the financial statements

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

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

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

I read the information about the national debt in the annual report of the Agency to identify if there are any material inconsistencies with the audited financial statements and to identify if there is any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended) properly present the balance outstanding on the national debt at 31 December 2016 and the debt service cost for 2016.

In my opinion, the accounting records of the Agency were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information pertaining to the national debt in the Agency's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

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



Seamus McCarthy

Comptroller and Auditor General

12 May 2017

Service of National Debt

For the year ended 31 December 2016

	Note	2016 €m	2015 €m
Interest Paid	3	6,798	7,016
Interest Received and Other Income	4	(57)	(37)
Fees and Operating Expenses	6	104	128
Total Debt Service Cost		6,845	7,107

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

National Debt Statement

As at 31 December 2016

	Note	2016 €m	2015 €m
Medium / Long Term Debt			
Irish Government Bonds	7	121,645	125,086
EU / IMF Programme Funding	8	50,298	49,747
Other Medium / Long Term Loans	9	1,698	1,168
		173,641	176,001
Short Term Debt			
Short Term Paper	10	3,375	2,347
Borrowings from Ministerial Funds	11	2,519	1,579
		5,894	3,926
State Savings Schemes			
State Savings Products	12	17,194	16,692
Gross National Debt			
		196,729	196,619
Cash and Other Financial Assets	13	(11,119)	(13,554)
National Debt			
	14	185,610	183,065

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

National Debt Cash Flow Statement

For the year ended 31 December 2016

	Note	2016 €m	2015 €m
Movement in Exchequer Balances:			
Balance at 1 January	13	7,964	4,089
Decrease in Cash and Other Financial Assets	13	2,856	5,080
Net Repayment of Debt (see below)		(1,417)	(1,141)
		9,403	8,028
Exchequer Deficit		(1,018)	(64)
Balance at 31 December	13	8,385	7,964
Net Borrowing / (Repayment) of Debt:			
Medium / Long Term Debt			
Irish Government Bonds		(4,992)	8,058
EU / IMF Programme Funding		557	(9,068)
Other Medium / Long Term Loans	9	530	241
Short Term Debt			
Short Term Paper		1,046	(1,736)
Borrowings from Ministerial Funds	11	940	1,056
State Savings Schemes			
State Savings Products	12	502	308
Net Repayment of Debt		(1,417)	(1,141)

¹ The amounts represent the net borrowing or repayment of debt in the year, including rollover of debt and related hedging transactions.

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Movement in National Debt

For the year ended 31 December 2016

	Note	2016 €m	2015 €m
National Debt at 1 January	14	183,065	182,309
Increase in National Debt (nominal)		2,545	756
National Debt at 31 December	14	185,610	183,065
Increase in National Debt (nominal) represented by:			
Exchequer Deficit		1,018	64
Effect of Foreign Exchange Rate Movements		(24)	(7)
Net Premium on Medium / Long Term Loans		-	10
Net Premium on Bond Issuances and Cancellations		1,551	689
		2,545	756

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Notes to the Financial Statements

1. Background

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

The form of the statements has been approved by the Minister for Finance under section 12 of the National Treasury Management Agency Act, 1990.

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

2. Basis of Preparation

The financial statements have been prepared for the year ended 31 December 2016, on a cash basis under the historical cost convention except where otherwise stated.

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

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest million unless otherwise indicated. Where used, ‘000’ or ‘k’ denotes thousand, and ‘m’ denotes million.

2.1 Receipts and Payments

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

2.2 Liability Valuation

Debt balances are recorded in the National Debt Statement at their redeemable par value. Where medium or long term debt is issued or cancelled at a premium or discount to its redeemable par value any such premium or discount is accounted for through the Statement of Movement in National Debt.

2.3 Derivatives

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

2.4 Foreign Currencies

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

3. Interest Paid

	2016 €'000	2015 €'000
Interest Paid on Medium / Long Term Debt		
Irish Government Bonds	4,874,417	4,807,531
EU / IMF Programme Funding	1,144,834	1,316,356
Derivatives hedging Medium / Long Term Debt	345,087	354,188
Private Placements	34,693	34,693
European Investment Bank	11,130	8,059
Council of Europe Development Bank	793	674
Other Medium / Long Term Debt	3	(12)
	6,410,957	6,521,489
Interest Paid on Short Term Debt		
Euro Commercial Paper	16,916	10,668
Exchequer Notes ¹	(7,469)	288
Irish Treasury Bills ¹	(1,135)	10
Central Treasury Notes	-	617
Bank Borrowing	(71)	-
	8,241	11,583
Interest Paid on State Savings Schemes		
Savings Certificates	193,844	211,802
Savings Bonds	104,367	197,329
National Solidarity Bonds	39,678	30,259
Prizes in respect of Prize Bonds	26,617	28,893
Instalment Savings	14,370	14,518
	378,876	482,801
Total Interest Paid	6,798,074	7,015,873

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

	2016 €'000	2015 €'000
Savings Certificates	643	3,897
Savings Bonds	107	832
Instalment Savings	736	765
	1,486	5,494

¹ During 2016 the Agency issued Exchequer Notes and Irish Treasury Bills at negative yields reflecting prevailing negative short-term interest rates in the market. As a result, there was a net interest receipt in 2016, compared to an interest payment in 2015.

Notes to the Financial Statements (continued)

4. Interest Received and Other Income

	2016 €'000	2015 €'000
Interest on Cash and Deposits	(13,597)	30,378
Interest on Financial Assets and Other Income	70,877	6,267
	57,280	36,645

Interest on Financial Assets and Other Income in 2016 includes the accumulated investment return of €70 million received from the EFSF (see note 8 for further detail).

5. Capital Services Redemption Account

The balance in the CSRA is maintained by the Agency at a level which is subject to guidelines issued by the Minister for Finance under section 4(4) of the National Treasury Management Agency Act, 1990. Under ministerial guidelines dated 24 September 2014, the balance in the CSRA from year end 2015 and thereafter each year end was to be less than €1 million. To adhere to these guidelines, the Agency transfers excess funds from the CSRA to the Exchequer Account before year end.

5.1 Movement in the Account for the Year

	2016 €'000	2015 €'000
Balance at 1 January	489	451
Receipts		
Derivative Transactions	8,125,347	15,205,071
Interest on Cash and Other Financial Assets	23,233	46,405
	8,148,580	15,251,476
Payments		
Derivative Transactions	(8,125,347)	(15,205,071)
Interest on National Debt	(5,205)	(10,912)
Expenses on National Debt	(4,018)	(1,455)
Transfer to Exchequer Account	(14,000)	(34,000)
	(8,148,570)	(15,251,438)
Balance at 31 December	499	489
Movement in the Year	10	38

5.2 Derivative Transactions

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

Transactions of a normal banking nature include activities such as forward exchange deals, swaps and interest on deposits which are related to debt servicing costs. Receipts from such transactions, other than those in a currency for which a foreign currency clearing account has been established under section 139 of the Finance Act, 1993, must be received into the CSRA. Such amounts may be used to make payments and repayments in respect of normal banking transactions or towards defraying interest and expenses on the public debt.

In addition, transactions of a normal banking nature include derivative transactions entered into by the Agency with the National Asset Management Agency ("NAMA") (in accordance with sections 52 and 235 of the National Asset Management Agency Act, 2009 and Statutory Instrument No. 203/2010) and the Irish Bank Resolution Corporation Limited (in Special Liquidation) ("IBRC") (in accordance with section 17(4) of the Irish Bank Resolution Corporation Act, 2013 and Statutory Instrument No. 57/2013). Such transactions entered into with NAMA and IBRC are offset by matching transactions with market counterparties. As a result there is no net effect on the account.

5. Capital Services Redemption Account (continued)

5.2 Derivative Transactions (continued)

Receipts and payments in respect of derivative transactions undertaken in respect of IBRC and NAMA in the period are outlined below:

	Receipts €'000	Payments €'000	Net 2016 €'000	Net 2015 €'000
NAMA Related Derivatives	5,656,573	(5,656,573)	-	-
IBRC Related Derivatives	2,468,774	(2,468,774)	-	-
	8,125,347	(8,125,347)	-	-

6. Fees Paid and Operating Expenses

	2016 €'000	2015 €'000
EU / IMF Programme Funding	22,844	30,761
Government Bonds and Other Expenses	6,087	16,974
Savings Certificates	8,777	8,772
National Solidarity Bonds	5,861	4,919
Prize Bonds	11,543	10,726
Savings Bonds	5,980	8,782
Instalment Savings	723	706
Fee Receipts	(2)	(2)
	61,813	81,638
Agency Operating Expenses*	42,307	46,459
Total Fees & Expenses	104,120	128,097

*Agency Operating Expenses

Expenses incurred by the Agency in the performance of its functions are charged on and paid out of the Exchequer Account or the growing produce thereof. Further details can be found in the financial statements of the NTMA Administration Account (Central Fund note).

7. Irish Government Bonds

	2016 €m	2015 €m
Fixed Rate Bonds	101,418	101,500
Floating Rate Bonds	19,534	22,534
Amortising Bonds	693	1,052
	121,645	125,086

Floating Rate Bonds – Settlement of IBRC Promissory Notes:

Following the liquidation of Irish Bank Resolution Corporation ("IBRC") on 7 February 2013, and the agreement between the Irish Government and the Central Bank of Ireland ("CBI") to replace the promissory notes provided to State-owned IBRC with long-term Government Bonds, the promissory notes were cancelled and replaced with eight new Floating Rate Treasury Bonds. A total amount of €25.03 billion was issued on 8 February 2013 to the CBI with maturities ranging from 25 to 40 years.

Notes to the Financial Statements (continued)

7. Government Bonds (continued)

During 2016, the Agency bought and cancelled €3 billion (2015 €2 billion) of the Floating Rate Bonds. The bonds were purchased from the CBI, reducing the total nominal outstanding of the Floating Rate Bonds to €19.53 billion (2015 €22.53 billion). The CBI intends to sell these securities in accordance with the following schedule, at a minimum: 2017-2018 €0.5 billion per annum, 2019-2023 (€1 billion per annum), and 2024 on (€2 billion per annum) until all bonds are sold.

On both the 16 February 2017, and 3 May 2017, the Agency bought and cancelled €500 million of Floating Rate Treasury Bonds.

8. EU / IMF Programme Funding

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

Following the agreement of EU member states and bilateral lenders in December 2014, the Agency completed early repayments between December 2014 and March 2015, totalling just over €18 billion (including payments of over €9 billion in 2015). These repayments were made with the agreement of the IMF and no penalties or charges were incurred. As a result all scheduled IMF principal repayment obligations that were originally planned to fall due from July 2015 to January 2021 were discharged.

The liabilities outstanding under the EU / IMF Programme at end 2016, taking into account the effect of currency hedging transactions, are as follows:

Lender	2016 €m	Weighted Average Residual Maturity Years	2015 €m	Weighted Average Residual Maturity Years
International Monetary Fund	4,354	5.0 Years	4,348	6.0 Years
European Financial Stability Facility	18,411	16.1 Years	17,881	17.1 Years
European Financial Stabilisation Mechanism	22,500	10.1 Years	22,500	11.1 Years
United Kingdom Treasury	4,033	3.2 Years	4,018	4.2 Years
Kingdom of Denmark	400	3.6 Years	400	4.6 Years
Kingdom of Sweden	600	3.6 Years	600	4.6 Years
Total	50,298		49,747	

The maturity extensions to loans from the EFSF agreed in June 2013 are reflected above. While maturity extensions to loans from the EFSM were also agreed in 2013, the revised maturity dates will be determined as they approach their original maturity dates. During 2015 one EFSM loan reached its original maturity date and that maturity date was extended. Accordingly the maturity of the EFSM loans disclosed reflects only the maturity extensions agreed to date. It is not however expected that Ireland will have to refinance any of its EFSM loans before 2027.

The change in the liability outstanding to the EFSF between end-2015 and end-2016 reflects the payment of the €530 million pre-paid margin deducted from the initial drawdown in 2011. In July 2016 a total payment of €555 million was received from the EFSF representing the €530 million pre-paid margin, €70 million accumulated investment return less €45 million due to the Member State Guarantors. The investment return of €70 million is reflected in Interest Received and Other Income and the €45 million as part of Interest Paid in the Debt Service Statement.

9. Other Medium / Long Term Loans

	2016 €m	2015 €m
European Investment Bank	950	520
Private Placements	602	602
Medium / Long Term Notes	100	-
Council of Europe Development Bank	41	41
Other Medium / Long Term Loans	5	5
	1,698	1,168

10. Short-Term Paper

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

	2016 €m	2015 €m
Exchequer Notes	1,858	1,197
Central Treasury Notes	167	131
European Commercial Paper Programmes	342	1,019
Irish Treasury Bills	1,008	-
	3,375	2,347

11. Borrowings from Ministerial Funds

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.

	2016 €m	2015 €m
Post Office Savings Bank Fund	1,732	1,114
Deposit Monies Investment Account (note 19)	787	465
	2,519	1,579

12. State Savings Schemes

	2016 €m	2015 €m
Savings Certificates	5,908	5,915
Savings Bonds	3,747	4,366
National Solidarity Bonds	4,149	3,445
Prize Bonds	2,892	2,481
Instalment Savings	496	483
Savings Stamps	2	2
	17,194	16,692

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds, Solidarity Bonds and Prize Bonds are net of €5.7 million (2015: €0.3 million) cash balances held by An Post, Permanent TSB and the Prize Bond Company. An Post and the Prize Bond Company act as registrars for the respective schemes.

As these financial statements are prepared on a cash basis, the liabilities do not include the sum of €451 million (2015: €504 million), being the estimate of the amount of accrued interest at 31 December 2016 in respect of Savings Bonds, Savings Certificates, National Solidarity Bonds and Instalment Savings.

Notes to the Financial Statements (continued)

13. Cash and Other Financial Assets

	2016 €'000	2015 €'000
Cash Balances		
Exchequer Account	8,384,687	7,963,751
Capital Services Redemption Account (note 5.1)	499	489
Cash Deposits		
Deposits with Commercial Banks	199,190	853,184
Collateralised Deposits	-	925,000
Collateral Funding (note 15.2)	417,170	202,930
Other Financial Assets		
Treasury Bills	-	1,184,323
SBCI Medium Term Guaranteed Notes	85,000	-
Housing Finance Agency Guaranteed Notes	2,032,075	2,424,316
	11,118,621	13,553,993

Cash Deposits and Financial Assets

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

Cash is placed as collateral with counterparties arising from the requirements under Credit Support Annexes, in respect of certain derivative transactions. These balances, and access to the related cash collateral, change on a daily basis and are dependent on the market value of derivatives (See Note 15).

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

13. Cash and Other Financial Assets (continued)

Foreign Currency Clearing Accounts

The Agency maintains a number of foreign currency clearing accounts for the purpose of managing transactions in these currencies. The balance held in these accounts at 31 December 2016 was nil (2015: Nil). The Agency held no other foreign currency cash balances, with the exception of one deposit of US \$0.2 million (2015: US\$0.2 million) held at the Central Bank of Ireland as a requirement of the EU / IMF Funding Programme.

The movement in the Foreign Currency accounts are further outlined below:

	Receipts €'000	Payments €'000	Net 2016 €'000	Net 2015 €'000
Balance at 1 January 2016			NIL	NIL
Debt Service				
MLT Loans Interest	164,769	(164,016)	753	(110,133)
Short Term Debt Interest	-	(16,955)	(16,955)	(10,614)
Other Movements	14,145,652	(13,851,184)	294,468	1,973,210
Fees and Expenses	-	(7,424)	(7,424)	(8,283)
Expenses of the Agency	-	(5)	(5)	(1,496)
Borrowing Activity				
EU / IMF Programme	1,034,343	(815,638)	218,705	(683,754)
Short Term Debt	5,441,079	(5,930,621)	(489,542)	(1,158,930)
Balance at 31 December 2016	20,785,843	(20,785,843)	NIL	NIL

14. Risk Management

14.1 Risk Management Framework

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

The Agency has approved the NTMA Risk Management Framework to ensure that the Agency manages its risk profile within its agreed risk appetite; that material risks are adequately identified and monitored; and that suitable and effective risk management arrangements are in place, alongside clearly defined and delineated roles and responsibilities. A related suite of risk management policies establishes and maintains limits consistent with the Agency's risk appetite and commensurate with its strategic goals.

The Agency's Risk Management Framework is predicated on the three-lines-of-defence model and its organisational structure and risk governance structure are aligned in order to establish clear ownership and accountabilities for risk management. As the first line of defence, the Agency's Business Units and Corporate Functions are primarily responsible for managing risks on a day-to-day basis, taking into account the NTMA's risk tolerance and appetite, and in line with its policies, procedures, controls and limits. The second line, which includes the Agency's Risk Management, Compliance and other control functions, is independent of first line management and operations, and its role is to challenge decisions that affect the organisation's exposure to risk and to provide comprehensive and understandable information on risks. The Agency Internal Audit Function, which is part of the third line of defence, provides independent, reasonable, risk based assurance to key stakeholders on the robustness of the NTMA's risk management system, governance and the design and operating effectiveness of the internal control environment.

A number of NTMA Committees and Risk sub-committees support the Agency in discharging its responsibilities in relation to risk management.

Notes to the Financial Statements (continued)

14. Risk Management (continued)

14.1 Risk Management Framework (continued)

Agency Risk Committee (ARC)

The ARC assists the Agency in the oversight of the risk management framework, including setting risk appetite, monitoring adherence to risk governance and ensuring risks are identified, assessed, managed and reported. In addition it oversees the risk management function. It sets standards for the accurate and timely reporting of critical risks and reviews reports on any breaches of risk limits and the adequacy of any proposed action.

Agency Audit Committee

The Audit Committee assists the Agency in the oversight of the quality and integrity of the Agency's financial statements and reviews and monitors the effectiveness of the systems of internal control, the internal audit process and the compliance function, and reviews and considers the outputs from the statutory auditor.

The ARC and Agency Audit Committee merged on 1 February 2017.

Enterprise Risk Management Committee (ERMC)

The ERMC is a management committee which oversees the implementation of the NTMA's overall risk appetite and senior management's establishment of appropriate systems (including policies, procedures and risk limits) to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported, and ensuring that any portfolio concentrations are identified and managed appropriately.

Counterparty Credit Risk Committee (CCRC)

The CCRC oversees and advises the ERMC on counterparty credit risk exposures. It provides dashboard reporting of relevant counterparty credit risk exposures and details to the ERMC. It formulates implements and monitors compliance with the NTMA Counterparty Credit Risk Management Policy and ensures that appropriate actions are taken in respect of any breaches.

Market and Liquidity Risk Committee (MLRC)

The MLRC oversees and advises the ERMC on market and liquidity risk exposures. It provides dashboard reporting of relevant market risk and liquidity risk exposures and details to the ERMC. It formulates implements and monitors compliance with the NTMA Market and Liquidity Risk Management Policies and ensures that appropriate actions are taken in respect of any breaches.

Operational Risk and Control Committee (ORCC)

The ORCC reviews and recommends to the ERMC for approval the operational risk management framework and associated operational risk policies. The ORCC monitors, reviews and challenges the NTMA's operational risks and reports on operational risk management to the ERMC.

Products and Processes Committee (PPC)

The PPC reviews, challenges and recommends to the ERMC for approval proposals and risk assessments in respect of new products and processes, or material changes to existing products and processes.

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

14. Risk Management (continued)

14.1 Risk Management Framework (continued)

Market risk is the risk of loss or increased costs resulting from changes in the value of assets and liabilities (including off-balance sheet assets and liabilities) due to fluctuations in risk factors such as interest rates, foreign exchange rates or other market prices. The Agency must have regard both to the short term and long term implications of its transactions given its task of managing not only the immediate fiscal debt service costs but also the present value of all future payments of principal and interest. The exposure to interest rate and currency risk is controlled by managing the interest rate and currency composition of the portfolio in accordance with the Agency's risk appetite. Specific limits are in place to control market risk; exposures against these limits are reported regularly to senior management. As conditions in financial markets change, the appropriate interest rate and currency profile of the portfolio is reassessed in line with periodic limit reviews. The Agency seeks to achieve the best trade-off between cost and risk over time and has in place a hedging programme to manage interest rate and exchange rate risks and to protect the Exchequer from potential volatility in future years. More information on the use of derivatives is set out in Derivatives (note 15).

Counterparty credit risk is the risk of financial loss arising from a financial market transaction as a result of a counterparty failing to fulfil its financial obligations under that transaction and with regard to the National Debt mainly arises from derivatives, deposits and foreign exchange transactions. The level of counterparty credit risk is managed in accordance with the Agency's risk appetite by dealing only with counterparties of high credit standing. Procedures provide for the approval of risk limits for all counterparties and exposures are reported daily to management. A review of all limits is undertaken periodically to take account of changes in the credit standing of counterparties or economic and political events. In order to mitigate the Exchequer's exposure to market counterparties while at the same time ensuring that Ireland has efficient market access for its hedging activities, the Agency may enter into credit support arrangements with the market participants with which it wishes to trade – this involves the receipt and posting of collateral to offset the market value of exposures. More information on the use of credit support arrangements is set out in Derivatives (note 15).

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.

14.2 National Debt – Currency Composition

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

Currency		
As at 31 December	2016	2015
	€m	€m
Debt Instruments		
Euro	178,340	175,446
US Dollar	2,448	2,579
Pound Sterling	4,148	5,420
Australian Dollar	-	132
Japanese Yen	364	348
Chinese Yuan	524	-
	185,824	183,925
Foreign Currency and Swap Contracts		
Euro	7,270	7,627
US Dollar	(2,450)	(2,581)
Pound Sterling	(4,148)	(5,424)
Australian Dollar	-	(134)
Japanese Yen	(364)	(348)
Chinese Yuan	(522)	-
	(214)	(860)
National Debt	185,610	183,065

Notes to the Financial Statements (continued)

14. Risk Management (continued)

14.3 National Debt – Maturity Profile

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

2016 €m	Due within 1 year	Due between 1-5 Years	Due between 5-10 Years	Due over 10 Years	Total
Irish Government Bonds	6,306	42,764	37,611	34,964	121,645
EU / IMF Funding Programme	21	14,528	6,538	29,211	50,298
Other Medium & Long Term Debt	5	4	331	1,358	1,698
Short Term Debt ¹	4,629	1,265	0	0	5,894
State Savings ²	6,654	7,752	2,786	2	17,194
Cash & Other Financial Assets	(9,195)	(1,849)	(75)	0	(11,119)
National Debt	8,420	64,464	47,191	65,535	185,610

2015 €m	Due within 1 year	Due between 1-5 Years	Due between 5-10 Years	Due over 10 Years	Total
Irish Government Bonds	8,155	50,159	30,450	36,322	125,086
EU / IMF Funding Programme	(652)	7,950	11,238	31,211	49,747
Other Medium & Long Term Debt	5	1	331	831	1,168
Short Term Debt ¹	3,161	765	-	-	3,926
State Savings ²	6,447	7,903	2,341	1	16,692
Cash & Other Financial Assets	(11,286)	(2,016)	(252)	-	(13,554)
National Debt	5,830	64,762	44,108	68,365	183,065

¹ Short Term Debt has been adjusted to reflect the expected longer maturity of a portion of the Ways and Means monies repayable to the POSBF. Prior year figures have been restated similarly

² State Savings maturities are based on actual maturity information provided by An Post for end 2016. Prior year figures have been restated similarly

15. Derivatives

15.1 Derivatives

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

	31 December 2016		31 December 2015	
	Nominal €m	Present Value €m	Nominal €m	Present Value €m
Interest Rate Swaps	16,119	(805)	18,620	(1,067)
Exchange Contracts	7,885	171	8,631	812
	24,004	(634)	27,251	(255)

The Agency provides treasury services to the National Asset Management Agency ("NAMA") under section 52 and 235 of the National Asset Management Agency Act, 2009. Accordingly it may enter into derivative transactions with NAMA. Any such transactions are offset by matching transactions with market counterparties. As a result there is no net effect on the National Debt accounts. The nominal value of interest rate swaps transacted with NAMA outstanding at end 2016 was €0.02 billion (2015: €4.7 billion); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2016 was €0.6 billion (2015: €2.0 billion).

15. Derivatives (continued)

15.1 Derivatives (continued)

The Agency also provides treasury services to IBRC (in liquidation) and accordingly may enter into derivative transactions with IBRC. Any such transactions are offset by matching transactions with market counterparties. As a result there is no net effect on the National Debt accounts. The nominal value of foreign exchange rate contracts transacted with IBRC outstanding at end 2016 was €0.32 billion (2015: €0.3 billion).

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

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

15.2 Credit Support Account

	2016 €m	2015 €m
Balance at 1 January	-	-
Cash Collateral received from counterparties	2,249	4,794
Cash Collateral paid to counterparties	(2,463)	(4,485)
	(214)	309
Net Exchequer Funding during the Year	214	(309)
Balance at 31 December	NIL	NIL

Note:	2016 €m	2015 €m
Exchequer Funding at 31 December	417	203
Net Collateral Posted to Counterparties at 31 December (note 13)	(417)	(203)

The Agency has entered into a Collateral Posting Agreement with NAMA. At end 2016, NAMA had posted collateral of €0.058 billion (2015: €0.26 billion) to the Agency as part of this agreement.

The Agency has also entered into a Collateral Posting Agreement with IBRC. At end 2016, IBRC had posted collateral of €0.046 billion (2015: €0.036 billion) to the Agency as part of this agreement.

16. National Loans Advance Interest Account

The Agency can cancel or issue amounts of existing Irish Government Bonds. These transactions are effected by means of sales or purchases undertaken by the Post Office Savings Bank Fund ("POSBF"). The POSBF then settles with the Exchequer. The settlement amount for each bond transaction includes the accrued interest at that point in the coupon period. The interest paid is deposited in the National Loans Advance Interest Account until the full interest is due on the coupon date. On the coupon date, the interest is then used to offset the related servicing costs of the Exchequer.

A full interest coupon is payable to the registered owner where a bond is held on an ex-dividend date. The purpose of this account is for the POSBF to compensate the Exchequer for the unearned element of the interest arising on tranching bonds cum-dividend or on cancelling bonds ex-dividend.

Account of Receipts and Payments	2016 €'000	2015 €'000
Balance at 1 January	24,124	48,810
Accrued Interest Received on National Loans - Tranches and Auctions	35,606	30,369
Accrued Interest Paid on National Loans	(30,641)	(55,055)
Balance at 31 December - Cash with Central Bank of Ireland	29,089	24,124

Notes to the Financial Statements (continued)

17. National Loans (Winding Up) Account

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

Account of Receipts and Payments	2016 €'000	2015 €'000
Balance at 1 January	3,121	3,075
Receipts from Exchequer	115	707
Receipts from Central Bank Account	63	63
Payments to Central Bank Account	(63)	(69)
Payments for Redemption of National Loans	(65)	(655)
Balance at 31 December - Cash with Central Bank of Ireland	3,171	3,121

18. National Treasury Management Agency (Unclaimed Dividends) Account

When interest is due on a bond liability, the full amount due is paid by the Agency to the Paying Agent who then issues it to the registered holder. The balance in the unclaimed dividends account represents unclaimed interest on matured loans, which has been returned to the Agency by the Paying Agent and has yet to be claimed by the registered holders. The Paying Agent maintains a cash float, on behalf of the Agency, which it uses to service claims as they arise during the year.

Account of Receipts and Payments	2016 €'000	2015 €'000
Balance at 1 January	2,519	2,549
Receipts / (Payments) of unclaimed interest	67	(30)
Balance at 31 December - Cash with Central Bank of Ireland	2,586	2,519

19. Deposit Monies Investment Account

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

Account of Receipts and Payments	2016 €'000	2015 €'000
Balance at 1 January	465,119	67,225
Ways and Means Advances Paid to the Exchequer	4,994,364	6,226,322
Ways and Means Advances Repaid by the Exchequer	(4,672,671)	(5,828,428)
Balance at 31 December - Ways and Means Advances to the Exchequer (note 11)	786,812	465,119

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

No stock was accepted in payment of inheritance tax and death duties during 2016 (2015: nil).

21. Events after the end of the reporting period

Note 7 details 2017 floating rate bond transactions. No other events requiring adjusting or disclosure in the financial statements occurred after the end of the reporting period.

22. Approval of Financial Statements

The financial statements were approved by the Agency on 8 May 2017.

Financial Statements of the

National Treasury Management Agency Administration Account

For the year ended 31 December 2016

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

National Treasury Management Agency-Administration Account

I have audited the administration account of the National Treasury Management Agency for the year ended 31 December 2016 under the National Treasury Management Agency Act 1990 (as amended). The administration account comprises the statement of income and expenditure and other comprehensive income, the statement of financial position, the statement of changes in capital, the statement of cash flows and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended) and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the Agency

The Agency is responsible for the preparation of the administration account, for ensuring that it gives a true and fair view and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the administration account

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

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

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

In addition, I read the Agency's annual report to identify if there are any material inconsistencies with the audited administration account and to identify if there is any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the administration account

In my opinion, the administration account

- gives a true and fair view of the assets, liabilities and financial position of the Agency as at 31 December 2016 and of its income and expenditure for 2016, and
- has been properly prepared in accordance with generally accepted accounting practice.

In my opinion, the accounting records of the Agency were sufficient to permit the administration account to be readily and properly audited. The administration account is in agreement with the accounting records.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information given in the Agency's annual report is not consistent with the related administration account or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters.



Seamus McCarthy

Comptroller and Auditor General

12 May 2017

Statement of Income and Expenditure and Other Comprehensive Income

For the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Income			
Operating income	5	62,292	66,357
Central fund income	6	47,418	42,281
Net deferred retirement benefit funding	8.1	4,392	7,761
Transfer from capital account	17	(13)	791
		114,089	117,190
Expenditure			
Staff costs	7.1	(94,627)	(98,693)
Other operating expenses	7.1	(19,078)	(18,022)
Net interest expense of defined benefit pension scheme	9.5	(384)	(475)
		(114,089)	(117,190)
Net Income / Expenditure		-	-

Other Comprehensive Income For the year end 31 December 2016	Note	2016 €'000	2015 €'000
Actuarial (loss) / gain recognised on retirement benefit obligations	9.6	(18,347)	14,375
Movement in deferred retirement benefit funding	8.2	18,347	(14,375)
Total recognised gain / (loss)		-	-

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Financial Position

as at 31 December 2016

	Note	2016 €'000	2015 €'000
Non Current assets			
Property, equipment and vehicles	10	1,205	2,370
Intangible assets	11	1,178	-
Receivables	12	140	87
		2,523	2,457
Current assets			
Receivables	13	10,845	10,517
Cash at bank		835	3,789
		11,680	14,306
Payables; amounts falling due within 1 year	14	(12,003)	(14,235)
Net current assets		(323)	71
Payables; amounts falling due after 1 year	15	(489)	(830)
Net assets before retirement benefits		1,711	1,698
Retirement Benefits			
Retirement benefit obligations	9.4	(41,662)	(18,923)
Deferred retirement benefit funding	9.4	41,662	18,923
		-	-
Net assets after retirement benefits		1,711	1,698
Representing:			
Capital account	17	1,711	1,698

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Changes in Capital

For the year ended 31 December 2016

	Note	Capital Account €'000
Balance at 1 January 2015		2,489
Payment to acquire fixed assets		920
Amortisation of capital in the period		(1,707)
Disposal of fixed assets		(4)
Balance at 31 December 2015		1,698
Payment to acquire fixed assets	10	595
Payment to acquire intangible assets	11	1,242
Amortisation of capital in the period	17	(1,801)
Disposal of fixed assets	17	(23)
Balance at 31 December 2016		1,711

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Cash Flows

For the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Cash flows from operating activities			
Net income / expenditure		-	-
Depreciation of fixed assets	10	1,737	1,707
Amortisation of intangible assets	11	64	-
Profit on disposal of fixed assets		(23)	(49)
(Increase) in receivables	12, 13	(381)	(3,877)
(Decrease) / increase in payables	14	(2,421)	7,126
(Decrease) in deferred income	14, 15	(467)	(469)
Increase in provisions	16	315	-
Capital funding	17	1,837	920
Amortisation of capital funding	17	(1,824)	(1,711)
Net cash (outflow) / inflow from operating activities		(1,163)	3,647
Cash flows from investing activities			
Payments to acquire fixed assets	10	(595)	(920)
Payments to acquire intangible assets	11	(1,242)	-
Proceeds from sale of fixed assets		46	53
Net cash (outflow) from investing activities		(1,791)	(867)
(Decrease) / increase in cash at bank		(2,954)	2,780
Cash at bank at 1 January		3,789	1,009
Cash at bank at 31 December		835	3,789

Notes to the Financial Statements

1. Background

The National Treasury Management Agency (the "Agency") is a state body established under the National Treasury Management Agency Act, 1990. The Agency provides asset and liability management services to Government. Its purpose is to manage public assets and liabilities commercially and prudently. The NTMA operates across five separate business units; Funding and Debt Management, the State Claims Agency ("SCA"), NewERA, the Ireland Strategic Investment Fund ("ISIF") and the National Development Finance Agency ("NDFFA"). It also assigns staff and provides business and support services and systems to the National Asset Management Agency ("NAMA") and the Strategic Banking Corporation of Ireland ("SBCI"). Both NAMA and the SBCI are independent entities and have their own separate boards.

2. Basis of preparation

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

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest thousand unless otherwise indicated. Where used, '000' or 'k' denotes thousand, and 'm' denotes million.

3. Statement of Compliance

The financial statements of the Agency have been prepared in compliance with applicable legislation, FRS 102 *The Financial Reporting Standard applicable in the United Kingdom and Ireland issued by Financial Reporting Council in the UK for use in Ireland*.

4. Significant accounting policies

4.1. Going Concern

The financial position, financial performance and cash flows of the Agency are detailed in the financial statements. The Agency members have a reasonable expectation that the entity has adequate resources to continue in operational existence and discharge its mandate for the foreseeable future. Therefore the Agency continues to adopt the going concern basis of accounting in preparing the financial statements.

4.2. Operating income

The Agency is required to provide business and support services and systems, in addition to assigning staff to a number of businesses under prescribed legislation. The Agency adopts a cost recovery basis from these businesses for the provision of staff and services. Other income is recorded in the Statement of Income and Expenditure and Other Comprehensive Income.

4.3. Central Fund income

Central Fund income included in the Statement of Income and Expenditure and Other Comprehensive Income represents the amount necessary to meet the operating and administration costs incurred by the Agency. The amount is recognised in line with FRS 102 Section 25 Government Grants.

4.4. Expenditure

The costs and expenses incurred by the Agency in the performance of its functions are recognised in the Statement of Income and Expenditure and Other Comprehensive Income.

4.5. Property, equipment and vehicles

Property, equipment and vehicle assets are stated in the Statement of Financial Position at cost less accumulated depreciation. Depreciation is charged to the Statement of Income and Expenditure and Other Comprehensive Income on a straight line basis, with the charge being calculated over the asset's expected useful life.

At each reporting date, the Agency reviews the carrying amount of its property, equipment and vehicles as to whether there is any indication of impairment. Impairment losses are recognised if there are any indications that the carrying amount of an item is greater than the higher of value in use and fair value less costs to sell. A previously recognised impairment loss may be reversed in part or in full when there is an indication that the impairment loss may no longer exist or there has been a change in the estimates used to determine the assets recoverable amount. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

4. Significant Accounting Policies (continued)

4.5. Property, equipment and vehicles (continued)

The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount. The recoverable amount is determined as the higher of the fair value less costs of disposal of the asset and its value in use. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate. This discount rate should reflect the current market assessment of the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted.

4.6. Intangible assets

Expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred. Software is amortised in the Statement of Income and Expenditure on a straight line basis over its estimated useful life, from the date on which it is available for use. The estimated useful life of current software is 5 years (note 11).

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

At each reporting date, the Agency reviews the carrying amount of its software to determine whether there is any indication of impairment. If any such indication exists, these assets are subject to an impairment review.

The impairment review comprises a comparison of the carrying amount of the asset with its recoverable amount. The recoverable amount is determined as the higher of the fair value less costs of disposal of the asset and its value in use. Value in use is calculated by discounting the expected future cash flows obtainable as a result of the asset's continued use, including those resulting from its ultimate disposal, at a market-based discount rate. This discount rate should reflect the current market assessment of the time value of money and the risks specific to the asset for which future cash flow estimates have not been adjusted.

The carrying value of the software is written down by the amount of any impairment and this loss is recognised in the Statement of Income and Expenditure in the financial period in which it occurs. A previously recognised impairment loss may be reversed in part or in full when there is an indication that the impairment loss may no longer exist and there has been a change in the estimates used to determine the asset's recoverable amount. The carrying amount of the asset will only be increased up to the amount that it would have been had the original impairment not been recognised.

4.7. Cash at bank

Cash at bank includes cash at bank and in hand. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

4.8. Leasing

Rentals under operating leases are charged to the Statement of Income and Expenditure and Other Comprehensive Income.

Notes to the Financial Statements (continued)

4. Significant Accounting Policies (continued)

4.9. Pensions

The Agency operates a defined benefit pension scheme, and for staff who chose not to join the scheme it makes contributions to Personal Retirement Savings Accounts ("PRSA") or individual retirement funds. Contributions are funded out of the Agency's administration budget.

The defined benefit pension scheme costs are accounted for under section 28 of FRS 102. 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 in the Statement of Financial Position 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 Statement of Income and Expenditure and Other Comprehensive Income comprises the current service cost and past service cost plus the net interest (note 9.5) cost on the scheme assets and liabilities.

Actuarial gains and losses arising from changes in actuarial assumptions and from experience are recognised in Other Comprehensive Income for the year in which they occur and a corresponding adjustment is recognised in the amount recoverable from the Central Fund.

The cost of contributions by the Agency to PRSAs is recognised as a charge to the Statement of Income and Expenditure and Other Comprehensive Income in the financial year to which the employee service relates.

4.10. Capital account

The capital account represents receipts from the Central Fund which have been allocated for the purchase of property, equipment, vehicles and intangible assets. The receipts are amortised in line with depreciation and amortisation on the related assets.

4.11. Provisions

Provisions are recognised when the Agency has a present obligation (legal or constructive) as a result of a past event, it is probable that the Agency will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amounts recognised as provisions are the best estimates of the consideration required to settle the present obligation at the end of the reporting period.

4.12. Taxation

Under specific provisions in the Taxes Consolidation Act 1997, the Agency is exempt from corporation tax. In addition, the Agency is not subject to Irish capital gains tax or corporation tax on any chargeable gains accruing to it.

4.13. Key estimates and assumptions

The presentation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following estimates have had the most significant effect on amounts recognised in the financial statements.

Defined benefit pension scheme (note 9)

The Agency has obligations to pay pension benefits to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors, including; life expectancy, salary increases, asset valuations and discount rates. Management estimates these factors in determining the net pension obligation in the statement of financial position. The assumptions reflect historical experience and current trends.

Provisions (note 16)

The Agency makes provisions for legal and constructive obligations, which are known to be outstanding at the reporting date. Provisions require management's best estimates of the expected expenditure required to settle the obligation.

Property, equipment and vehicles useful life (note 10)

The charge in respect of periodic depreciation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Changing an asset's expected life or its residual value would result in a change in the depreciation charge in the Statement of Income and Expenditure and Other Comprehensive Income.

The useful lives of the Agency's assets are determined by management and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

4. Significant Accounting Policies (continued)

4.13. Key estimates and assumptions (continued)

Intangible assets' useful life (note 11)

The charge in respect of periodic amortisation is derived after determining an estimate of an asset's expected useful life and the expected residual value at the end of its life. Changing an asset's expected life or its residual value would result in a change in the amortisation charge in the Statement of Income and Expenditure and Other Comprehensive Income.

The useful lives of the Agency's assets are determined by management and reviewed at least annually for appropriateness. The lives are based on historical experience with similar assets as well as anticipation of future events, which may impact their life.

5. Operating income

		2016 €'000	2015 €'000
Recovery of expenses from NAMA	7.2	46,697	53,495
Recovery of expenses from ISIF	7.2	10,428	8,686
Recovery of expenses from SBCI	7.2	4,213	3,634
Asset covered securities income		279	289
Other income		675	253
		62,292	66,357

The Agency is required to provide business and support services and systems in addition to assigning staff to a number of functions under prescribed legislation as follows:

- To NAMA under sections 41 and 42 of the National Asset Management Agency Act 2009. The cost of these services for the year ended 31 December 2016 was €46.7m (2015: €53.5m).
- To the SBCI under section 10 of the Strategic Banking Corporation of Ireland Act 2014. The cost of these services for the year ended 31 December 2016 was €4.2m (2015: €3.6m).

In addition, under section 48 of the National Treasury Management Agency (Amendment) Act 2014, the expenses of the Agency with regard to the ISIF are defrayed from the ISIF.

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

Other income primarily comprises the recovery of certain secondment, administrative and professional fees.

Notes to the Financial Statements (continued)

6. Central fund

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

	Note	2016 €'000	2015 €'000
Opening balance at 1 January	14	3,086	(1,092)
Net amounts received from Central Fund		42,307	46,459
Closing balance at 31 December	13, 14	2,025	(3,086)
Central Fund Income		47,418	42,281

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

	Note	2016 €'000	2015 €'000
Receivable from / (Payable to) the Central Fund	13, 14	2,025	(3,086)
Deferred retirement benefit funding	9.4	41,662	18,923
		43,687	15,837

7. Agency costs

7.1. Agency costs

	Note	2016 €'000	2015 €'000
Staff Costs			
Employment costs		81,481	82,920
Defined benefit pension scheme current service charge	9.5	13,120	15,737
PRSA pension cost	7.5	26	36
		94,627	98,693
Other operating expenses			
Other operating expenses		13,726	12,349
Professional fees		3,551	3,966
Depreciation	10	1,737	1,707
Amortisation	11	64	-
		19,078	18,022
Net interest expense of defined benefit pension scheme	9.5	384	475
Total Agency costs		114,089	117,190

Employment costs include remuneration and other staff related costs. Other operating expenses include technology costs, occupancy costs, business services costs and staff travel expenses.

Under the direction issued to the Agency under Statutory Instrument (S.I.) No. 115 of 2010, the Minister for Finance delegated a number of banking system functions to the Agency. This delegation was revoked with effect from 5 August 2011 under S.I. No. 395 of 2011 and since then Agency staff involved in the provision of banking system functions have been seconded to the Department of Finance. At the direction of the Minister, the related staff and professional advisor costs incurred continue to be met by the Agency. Professional advisor costs of €394k were incurred in this regard during 2016 (2015: €78k).

7. Agency costs (continued)

7.2. Expenses of the Agency for specified functions

	Note	2016 €'000	2015 €'000
State Claims Agency		19,376	15,674
Funding and Debt Management		11,461	10,132
National Development Finance Agency		9,457	9,149
Ireland Strategic Investment Fund	5	10,428	8,686
NewERA		5,304	6,233
		56,026	49,874
National Asset Management Agency	5	46,697	53,495
Strategic Banking Corporation of Ireland	5	4,213	3,634
Shareholding and Financial Advisory Division		2,761	2,426
Pension adjustment*	8.1	4,392	7,761
		58,063	67,316
Total expenses		114,089	117,190

* The pension adjustment is the difference between the provision for pension costs in the Income and Expenditure Account and the actual pension contributions made.

7.3. Remuneration and expenses

Agency member fees and expenses

Remuneration of Agency members is determined by the Minister for Finance and is set out below:

Agency member	2016 €	2015 €
Willie Walsh (Chairperson) ¹	-	-
Maeve Carton	30,000	30,000
Brendan McDonagh (Resigned 24 October 2016)	22,500	30,000
Martin Murphy	30,000	30,000
Mary Walsh	30,000	30,000
Susan Webb	30,000	30,000
Agency fees	142,500	150,000

¹ Remuneration attached to the position of Chairperson is €45,000 per annum. The Chairperson waived his remuneration for 2016 and 2015.

Derek Moran and Robert Watt serve on the Agency in an ex officio capacity as Secretary General of the Department of Finance and the Department of Public Expenditure and Reform respectively. Conor O'Kelly serves in an ex officio capacity as Chief Executive of the Agency. They received no remuneration in respect of their membership.

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

Agency member	Travel €	Accommodation and related expenses €	Total 2016 €	Total 2015 €
Brendan McDonagh	6,519	2,255	8,774	23,109

Agency members are reimbursed approved expenses on a vouched basis. Expenses relate to travel and accommodation costs to attend Agency meetings in the Agency's offices in Dublin.

Notes to the Financial Statements (continued)

7. Agency costs (continued)

7.3 Remuneration and expenses (continued)

Investment Committee member fees and expenses

Remuneration of Investment Committee members is determined by the Agency with the consent of the Minister for Finance and is set out below:

Investment Committee member	2016 €	2015 €
Richard Leonard	20,000	16,750
John Herlihy (Resigned 30 April 2016)	6,667	16,750
Mark Ryan (Appointed 18 July 2016)	9,127	-
Investment Committee fees	35,794	33,500

Remuneration of external members is €20,000 per annum. Brendan McDonagh and Susan Webb, as Agency members, do not receive any additional remuneration in respect of their membership of the Investment Committee. Julie Sinnamon, appointed in her capacity as a public servant, does not receive any remuneration in respect of her membership.

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

Investment Committee Member	Travel €	Accommodation and related expenses €	Total 2016 €	Total 2015 €
Richard Leonard	1,928	793	2,721	2,464

Investment Committee members are reimbursed approved expenses on a vouched basis. Expenses relate to travel and accommodation costs to attend Investment Committee meetings in the Agency's offices in Dublin.

Chief Executive Remuneration

Conor O'Kelly (Appointed 5 January 2015)	2016 €	2015 €
Salary	480,000	476,364
Taxable benefits	4,911	2,183
Employer Pension Contributions	86,400	85,090

The remuneration of Conor O'Kelly consisted of basic remuneration and taxable benefits (health insurance). Conor O' Kelly did not receive a discretionary performance related payment in respect of 2016.

Voluntary redundancy scheme

There was no Voluntary Redundancy Scheme ('VRS') in 2016. In 2015, 29 Agency staff participated in a VRS scheme with costs of €1.4m attributable to statutory and redundancy payments.

Garden leave

3 Agency staff were placed on garden leave during 2016 (2015: 3) with an attributable 2016 cost of approximately €0.1m (2015: €0.1m). The average period of garden leave for the 3 staff was 2 months (2015: 2 months). The decision on whether to place these 3 staff members on garden leave was made on a case-by-case basis and included consideration, inter alia, of the person's role within the Agency and the person's new employer.

Other Staff Costs

In 2016 retention payments totalling €0.1m were made to three members of staff (2015: €0.1m to four members of staff). These payments were made on a limited and exceptional basis in order to retain the expertise and experience of key staff in critical business areas. The practice of entering into employment contracts providing for retention payments has been discontinued. No retention arrangement has been entered into since mid-2014 and such arrangements do not extend beyond 2017.

7. Agency costs (continued)

7.4. Disclosures in respect of officers assigned to NAMA

Voluntary redundancy scheme

At the reporting date 41 employees assigned to NAMA participated in a VRS (2015: 50 employees). Costs of €3.9m (2015: €3.6m) relating to the VRS have been recognised in 2016. Costs of €1.7m (2015: €1.3m) was attributable to statutory and other redundancy payments, €0.8m (2015: €1.0m) related to the "retention scheme"¹, and €1.4m (2015: €1.3m) for garden leave.

¹ The retention scheme only applies in circumstances where staff members are made redundant, have met all required performances standards, and have remained with NAMA for the period required to fulfil the NAMA's statutory mandate.

Garden leave

41 employees assigned to NAMA were placed on garden leave during 2016 (2015: 50) as part of the VRS. This does not represent an incremental cost for the Agency but instead forms part of the overall Agency salary cost that would have been incurred regardless of the decision to place the relevant staff on garden leave. The average period of garden leave under the VRS for 39 staff was 3 months (2015: 3 months) and for 2 staff was 6 months. In addition to those accepted for the VRS, 7 staff (2015: 15) were placed on garden leave during 2016 with an attributable 2016 cost of approximately €0.2m (2015: €0.3m). The average period of garden leave for the 7 staff was 2 months (2015: 2 months). The decision on whether to place these 7 staff members on garden leave was made on a case-by-case basis and included consideration, inter alia, of the person's role within the Agency and the person's new employer.

7.5. Superannuation

Superannuation entitlements of staff are conferred under a defined benefit superannuation scheme established under section 8 of the National Treasury Management Agency Act, 1990. Contributions are transferred to an externally managed fund. The Agency contribution is determined on the advice of an independent actuary. Following an actuarial review in 2016, the Agency contribution was maintained at 14.2% (2015: 14.2%) of salary in respect of members of the Scheme. Contributions to the defined benefit scheme by the Agency for the year ended 31 December 2016 amounted to €9.1m (2015: €8.5m).

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

The Agency also contributed €26k (2015: €36k) to PRSAs for a number of employees who are not members of the defined benefit scheme in 2016.

8. Net deferred retirement benefit funding

8.1 Net deferred retirement benefit reserve funding in respect of the year

	Note	2016 €'000	2015 €'000
Charge arising from employee service in reporting period	9.5	13,120	15,737
Net interest expense	9.5	384	475
Income applied to pay contributions to pension fund	7.5	(9,112)	(8,451)
Net deferred retirement benefit funding		4,392	7,761

8.2. Movement in the deferred retirement benefit funding

	Note	2016 €'000	2015 €'000
Movement in amounts recoverable in respect of current year actuarial loss / (gain)	9.6	18,347	(14,375)

Notes to the Financial Statements (continued)

9. Retirement benefits

9.1. Defined benefit pension scheme

The valuation of the defined benefit scheme used for the purposes of FRS 102 disclosures is based on data provided by the scheme administrator, Mercer (Ireland) Limited. The valuation is determined by an independent actuary to take account of the requirements of FRS 102 in order to assess the liabilities at the Statement of Financial Position date. Scheme assets are stated at their fair value at the Statement of Financial Position date.

9.2. Change in defined benefit obligation

	Note	2016 €'000	2015 €'000
Defined benefit obligation at beginning of year		131,378	123,342
Charge arising from employee service in reporting period		13,985	15,737
(Gain) on curtailments / changes / introductions		(865)	-
Interest expense		3,688	2,837
Benefit payments		679	49
Participant contributions		1,520	1,484
Insurance premiums		(244)	(241)
Effect of changes in assumptions		30,289	(16,723)
Effect of experience adjustments		(7,667)	4,893
Defined benefit obligation at end of year	9.4	172,763	131,378

9.3. Change in fair value of plan assets

	Note	2016 €'000	2015 €'000
Fair value of plan assets at end of prior year		112,455	97,805
Interest income		3,304	2,362
Employer contributions		9,112	8,451
Participant contributions		1,520	1,484
Benefit payments from plan assets		679	49
Insurance premiums for risk benefits		(244)	(241)
Return on plan assets (excluding interest income)		4,275	2,545
Fair value of plan assets at end of year	9.4	131,101	112,455

Plan Assets

The asset allocations at the year-end were as follows:

	2016 %	2015 %
Equities	48.92	53.80
Debt securities	32.47	31.78
Property	3.99	4.39
Alternatives	9.53	9.95
Cash	5.09	0.08
	100.00	100.00

	2016 €'000	2015 €'000
Actual return on scheme assets	7,579	4,907

9. Retirement benefits (continued)

9.4. Scheme deficit

	Note	2016 €'000	2015 €'000
Defined benefit obligation	9.2	(172,763)	(131,378)
Fair value of plan assets	9.3	131,101	112,455
Net defined benefit liability		(41,662)	(18,923)
Amounts in the Statement of Financial Position			
Retirement benefit obligations		(41,662)	(18,923)
Deferred retirement benefit funding	6	41,662	18,923

9.5. Cost relating to defined benefit plans

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

	Note	2016 €'000	2015 €'000
Charge arising from employee service in reporting period	8.1	13,120	15,737
Interest expense on defined benefit obligation		3,688	2,837
Interest (income) on plan assets		(3,304)	(2,362)
Net interest expense	7.1	384	475

9.6. Actuarial (loss) / gain

Remeasurements recognised in Other Comprehensive Income are as follows:

	2016 €'000	2015 €'000
Effect of changes in assumptions	(30,289)	16,723
Effect of experience adjustments	7,667	(4,893)
Return on plan assets (excluding interest income)	4,275	2,545
Remeasurements included in Other Comprehensive Income	(18,347)	14,375

Notes to the Financial Statements (continued)

9. Retirement benefits (continued)

9.7. Principal actuarial assumptions

The principal actuarial assumptions used were as follows:

	2016 %	2015 %
Weighted average assumptions used to determine benefit obligations:		
Discount rate	2.1	2.8
Rate of salary increase	2.5	2.5
Rate of price inflation	1.5	1.5
Rate of pension increase	1.5 / 2.5	1.5 / 2.5
Weighted average assumptions used to determine pension cost:		
	%	%
Discount rate	2.8	2.3
Expected long-term return on scheme assets	2.8	2.3
Rate of salary increase	2.5	2.5
Rate of price inflation	1.5	1.5
Rate of pension increase	1.5 / 2.5	1.5 / 2.5
Weighted average life expectancy at age 60 for mortality tables used to determine benefit obligations:		
	Years	Years
Future Pensioners		
- Male (current age 45)	30.5	30.4
- Female (current age 45)	32.7	32.6
Current pensioners		
- Male (current age 60)	28.8	28.6
- Female (current age 60)	30.9	30.7
Weighted average life expectancy at age 65 for mortality tables used to determine benefit obligations:		
	Years	Years
Future Pensioners		
- Male (current age 45)	26.1	26.0
- Female (current age 45)	28.2	28.1
Current pensioners		
- Male (current age 65)	23.8	23.7
- Female (current age 65)	25.9	25.8

10. Property, equipment and vehicles

	Leasehold improvements €'000	Furniture, equipment and motor vehicles €'000	Total €'000
Cost:			
Balance at 1 January 2016	4,078	6,873	10,951
Additions at cost	423	172	595
Disposals	-	(931)	(931)
Balance at 31 December 2016	4,501	6,114	10,615
Accumulated Depreciation:			
Balance at 1 January 2016	3,087	5,494	8,581
Depreciation for the year	1,044	693	1,737
Disposals	-	(908)	(908)
Balance at 31 December 2016	4,131	5,279	9,410
Net Book Value at 31 December 2016	370	835	1,205
Net Book Value at 31 December 2015	991	1,379	2,370

The estimated useful life of property, equipment and vehicles, by reference to which depreciation is calculated is as follows:

Leasehold improvements	10 years
Furniture	7 years
Equipment and motor vehicles	3 to 5 years

The capitalised leasehold costs relate to fit-out costs of the office space occupied by the Agency. The property is leased under long-term leases, as set out in note 18.

11. Intangible assets

	Computer software €'000	Total €'000
Cost:		
Balance at 1 January 2016	-	-
Additions at cost	1,242	1,242
Disposals	-	-
Balance at 31 December 2016	1,242	1,242
Accumulated Amortisation:		
Balance at 1 January 2016	-	-
Amortisation for the year	64	64
Disposals	-	-
Balance at 31 December 2016	64	64
Net Book Value at 31 December 2016	1,178	1,178
Net Book Value at 31 December 2015	-	-

Notes to the Financial Statements (continued)

11. Intangible assets (continued)

Software costs were previously charged to the Statement of Income and Expenditure and Other Comprehensive Income in the year in which they were incurred. In the current period third party system development software assets are measured at cost less accumulated amortisation and any accumulated impairment losses (note 4.6).

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

Computer software 5 years

12. Receivables (Non-current)

	2016 €'000	2015 €'000
Prepayments	140	87

13. Receivables (Current)

	2016 €'000	2015 €'000
Amounts receivable from NAMA	5,295	5,723
Amounts receivable from ISIF	454	1,910
Amounts receivable from SBCI	214	350
Central Fund	2,025	-
Other receivables	861	522
Prepayments	1,996	2,012
	10,845	10,517

Other receivables primarily comprise Asset Covered Securities income and income due from the Housing Finance Agency.

14. Payables; amount falling due within 1 year

	Note	2016 €'000	2015 €'000
Creditors		2,678	2,813
Central Fund		-	3,086
Accruals		8,669	7,869
Deferred income	15	158	467
Other provisions	16	498	-
		12,003	14,235

Accruals include annual leave entitlements of €1.6m (2015: €1.2m) earned but not taken at the reporting date.

15. Payables; amount falling due after 1 year

		2016 €'000	2015 €'000
Deferred Income		-	158
Other Provisions	16	489	672
		489	830

Deferred income relates to a reverse premium on rental payments on the fourth floor of leasehold premises (note 18). The value of the reverse premium has been spread across the life of the lease. This treatment has resulted in income of €2.0m that will be credited to the Statement of Income and Expenditure on a straight-line basis over the period January 2013 to April 2017.

16. Provisions

Other provisions include premises costs. Provision movement in the period is detailed as follows:

	Note	2016 €'000	2015 €'000
At 1 January		672	672
Additions		315	-
Charges		-	-
Reversals		-	-
At 31 December	14, 15	987	672

17. Capital account

		2016 €'000	2015 €'000
Opening balance		1,698	2,489
Transfer to Statement of Income and Expenditure			
Capital Funding			
Fixed Assets	1,837		
Amortisation of capital funding			
Amortisation in line with depreciation	(1,801)		
Net amount released on asset disposal	(23) (1,824)	13	(791)
Closing balance		1,711	1,698

18. Commitments

In 1991, 2007 and 2012, the Agency entered into lease agreements of varying duration until 2017, 2026 and 2027, in respect of office accommodation at Treasury Building, Grand Canal Street, Dublin 2, D02XN96.

The 2016 gross annual rental cost under these operating leases is €2.8m, excluding a reverse premium of €0.5m per annum relating to deferred income included in note 14 and note 15.

The nominal future minimum rentals payable under non-cancellable operating leases are as follows:

	2016 €'000	2015 €'000
Within one year	2,075	2,793
In two to five years	6,893	7,245
Over five years	7,420	9,143
	16,388	19,181

19. Contingent liabilities

The Agency had no contingent liabilities at 31 December 2016.

Notes to the Financial Statements (continued)

20. Related parties

Minister for Finance

The Minister for Finance appoints six members of the Agency in accordance with section 3A of the National Treasury Management Agency Act, 1990, as amended.

Key Management Personnel

The Agency is governed by the Agency members, and the administration and business of the Agency is managed and controlled by the Chief Executive. The Chief Executive and the Agency members have the authority and responsibility for planning, directing and controlling the activities of the Agency and therefore are key management personnel of the Agency. Fees paid to Agency members and the Chief Executive's remuneration are disclosed in note 7.

National Asset Management Agency

In accordance with sections 41 and 42 of the National Asset Management Agency Act 2009, the Agency provides business and support services and systems in addition to assigning staff to NAMA. The recovery of expenses from NAMA is detailed in note 5.

Strategic Banking Corporation of Ireland

In accordance with section 10 of the Strategic Banking Corporation of Ireland Act 2014, the Agency provides business and support services and systems in addition to assigning staff to the SBCI. The recovery of expenses from the SBCI is detailed in note 5.

21. National Development Finance Agency

The National Development Finance Agency in accordance with Part 4 of the National Treasury Management Agency (Amendment) Act 2014, performs financing and advisory functions in relation to specific public investment projects. The costs of these services were discharged by the NTMA and reimbursed by the State Authority to which the projects relate.

The NTMA acting as the NDFA incurred the following reimbursable costs:

	1-Jan-16 to 31-Dec-16 €'000	27-Jan-15 to 31-Dec-15 €'000
Consultancy fees	1,606	1,909
Legal fees	522	950
Other project expenses	-	9
	2,128	2,868

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

	2016 €'000	2015 €'000
Department of Education	424	59
Department of Justice	12	183
Grangegorman Development Agency	-	33
Health Service Executive	125	84
Department of Housing, Planning, Community and Local Government	60	-
	621	359

Reimbursed funds are remitted to the Post Office Savings Bank Fund in accordance with section 30 of the NTMA Act 2014. At 31 December 2016, €2.8m (2015: €0.5m) is owing to the Post Office Savings Bank Fund.

21. National Development Finance Agency (continued)

The NTMA, acting as the NDFA, held Cash at Bank at 31 December 2016 amounting to €2.3m (2015: €0.1m). This is not included in the cash at bank balance as reflected on the statement of financial position.

The expenditure and reimbursement above is not included in the Statement of Income and Expenditure or Statement of Financial Position on pages 78 and 79.

22. Events after the reporting period

On 11 January 2017 the Agency entered into an agreement for lease and associated arrangements in respect of office accommodation at Block D1, Dublin Landings, North Wall Quay, Dublin 1. The Agency anticipates moving into the new building in early 2019 and is considering its options for the existing leases in Grand Canal Street.

23. Approval of financial statements

The financial statements were approved by the Agency on 8 May 2017.

Financial Statements of the

Post Office Savings Bank Fund

For the year ended 31 December 2016

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

I have audited the financial statements of the Post Office Savings Bank Fund (the Fund) for the year ended 31 December 2016 under the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise the statement of income and expenditure and retained earnings, the statement of financial position and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended).

Responsibilities of the National Treasury Management Agency

The National Treasury Management Agency (the Agency) is responsible for the preparation of the financial statements in the specified format and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the financial statements

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

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

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

In addition, I read the information about the Fund in the Agency's annual report to identify if there are any material inconsistencies with the audited financial statements and to identify if there is any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with the National Treasury Management Agency Act 1990 (as amended) properly present the state of the Fund's affairs at 31 December 2016 and of its income and expenditure for 2016.

In my opinion, the accounting records of the Agency in relation to the Fund were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information about the Fund in the Agency's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

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



Seamus McCarthy
Comptroller and Auditor General

12 May 2017

Statement of Income and Expenditure and Retained Earnings

For the year ended 31 December 2016

	Note	2016 €'000	2015 €'000
Investment Income	3	17,175	9,241
Interest Paid and Payable	4	(6,039)	(8,118)
Operating Expenses	5	(28,173)	(26,821)
Deficit for the Year		(17,037)	(25,698)
Balance at 1 January		164,712	190,410
Balance at 31 December		147,675	164,712

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency



Willie Walsh, Chairperson
National Treasury Management Agency

8 May 2017

Statement of Financial Position

As at 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Cash with Central Bank of Ireland		731,782	872,256
Central Treasury Loans		22,103	26,288
Loans and Receivables	6	1,737,789	1,117,640
Other Assets	7	21,887	29,130
Investments	8	556,313	885,746
		3,069,874	2,931,060
Liabilities			
Post Office Savings Bank Deposits	9	2,921,027	2,763,939
Other Liabilities	10	1,172	2,409
Retained Reserves		147,675	164,712
		3,069,874	2,931,060

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Notes to the Financial Statements

1. 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 to the National Treasury Management Agency (the Agency). The Post Office Savings Bank Fund ("Fund") does not form part of the Exchequer.

The Minister for Finance may appropriate for the Exchequer any accumulated surplus in the Fund after making appropriate provision for depreciation in the value of the Fund's assets available to meet the liabilities to the depositors (Finance Act 1930, Sect 19(1)).

During 2016 the Fund had the following main purposes:

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

Prior to 1 January 2016 the Fund was used as an intermediary for the purpose of primary issuance including the tranching, cancellation and sale of securities issued by the Agency. Section 87 of the Finance Act, 2015 amended the Finance Act, 1970 to facilitate this change in regard to the cancellation of securities and permits the Minister to purchase and cancel securities created or issued by him or under any other provision of an Act of the Oireachtas whenever and so often as he thinks fit and in any manner, whether in the open market or otherwise.

2. Basis of Preparation

The financial statements have been prepared on an accruals basis under the historical cost convention except where otherwise stated.

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest thousand unless otherwise indicated. Where used '000' or 'k' denotes thousand, and 'm' denotes million.

2.1 Investments

Investments are stated at cost.

3. Investment Income

	2016 €'000	2015 €'000
Net Interest Received and Receivable	24,966	39,295
Loss on Investments	(7,791)	(30,054)
	17,175	9,241

The lower Net Interest Received and Receivable reflects reduced investment holdings, and lower coupon or return on these investments in 2016. The trading loss on Investments in 2016 was smaller than 2015, reflecting the maturity of bond holdings during the year.

The Fund accounts for its bond holdings on a historic cost basis and does not recognise unrealised gains / losses. While unrealised gains / losses on the Fund are not recognised, the Agency does monitor on an on-going basis the Fund's investment performance on a total return basis (i.e. including unrealised gains / losses).

Sale and Repurchase agreements are also transacted between the Fund and primary dealers in the bond market. The related income or interest cost arising from these transactions is reflected in Net Interest Received and Receivable.

4. Interest Paid and Payable

	2016 €'000	2015 €'000
Interest Payable to Depositors of Post Office Savings Bank	6,039	8,118

5. Operating Expenses

	2016 €'000	2015 €'000
Services Fees	28,173	26,821

6. Loans and Receivable

	2016 €'000	2015 €'000
Advances to Exchequer	1,731,537	1,114,370
Advances to the State Claims Agency	3,500	2,800
Advances to the National Development Finance Agency	2,752	470
	1,737,789	1,117,640

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

No financing costs were charged by the Fund to the State Claims Agency or the National Development Finance Agency.

7. Other Assets

	2016 €'000	2015 €'000
Interest Receivable	8,697	17,071
Cash Balances held by An Post	6,027	1,651
Outstanding Bond Trade Settlements	7,163	10,408
	21,887	29,130

Notes to the Financial Statements (continued)

8. Investments

Bonds	2016 €'000	2015 €'000
At Cost	556,313	885,746
Valuation as at 31 December	560,091	893,196

Schedule of Investment Holdings:-

Nominal €'000	Stock	2016 Cost €'000
898	5.5% Treasury Bond 2017	963
18,914	4.5% Treasury Bond 2018	21,024
32,852	5.9% Treasury Bond 2019	37,519
42,053	4.4% Treasury Bond 2019	50,651
78,694	5.0% Treasury Bond 2020	92,272
111,402	4.5% Treasury Bond 2020	135,805
16,742	0.8% Treasury Bond 2022	17,496
17,714	3.9% Treasury Bond 2023	21,841
27,672	3.4% Treasury Bond 2024	33,930
42,172	5.4% Treasury Bond 2025	58,973
14,740	1.0% Treasury Bond 2026	14,844
35,854	2.4% Treasury Bond 2030	41,784
25,978	2.0% Treasury Bond 2045	29,211
465,685		556,313

9. Post Office Savings Bank Deposits

	2016 €'000	2015 €'000
Post Office Savings Bank Deposits	2,921,027	2,763,939

In 2016 €2,657,810 (2015: €3,570,517) was transferred from the Fund to the Dormant Accounts Fund under the Dormant Accounts Act, 2001. At 31 December 2016, a liability of €44,020,938 (2015: €42,612,249) remained following account reactivations of €790,249 (2015: €468,202) and the capitalisation of interest (net of DIRT) of €33,715 (2015: €42,859). If reclaimed by POSB depositors this is payable from the Dormant Accounts Fund. The POSB deposits of €2,921,026,935 (2015: €2,763,939,004) do not include this liability.

10. Other Liabilities

	2016 €'000	2015 €'000
Net Funds payable due under Sale and Repurchase Agreements	685	1,572
DIRT due to An Post	487	837
	1,172	2,409

11. Events after the end of the reporting period

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

12. Approval of Financial Statements

The financial statements were approved by the Agency on 8 May 2017.

Financial Statements of the

State Claims Agency

For the year ended 31 December 2016

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

State Claims Agency

I have audited the financial statements of the State Claims Agency (the Agency) for the year ended 31 December 2016 under the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise the income statement, the statement of financial position and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended).

Responsibilities of the National Treasury Management Agency

The National Treasury Management Agency is responsible for the preparation of the financial statements in the specified format and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the financial statements

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

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

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

In addition, I read the information about the Agency in the annual report of the National Treasury Management Agency to identify if there are material inconsistencies with the audited financial statements and to identify if there is any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with the National Treasury Management Agency Act 1990 (as amended), properly present the state of the Agency's affairs at 31 December 2016 and its transactions for 2016.

In my opinion, the accounting records of the National Treasury Management Agency were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the books of account.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information about the Agency in the National Treasury Management Agency's annual report is not consistent with the related financial statements, or
- the statement on internal financial control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

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



Seamus McCarthy

Comptroller and Auditor General

12 May 2017

Income Statement

For the year ended 31 December 2016

Income	Note	2016 €'000	2015 €'000
Income receivable	4	256,213	219,324
Costs recovered on behalf of Delegated State Authorities	5	2,248	7,024
		258,461	226,348
Expenditure			
Awards and claim settlements payable	6	184,360	164,614
Expenses	7	71,853	54,710
Reimbursement of costs recovered on behalf of Delegated State Authorities	5	2,248	7,024
		258,461	226,348

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Financial Position

As at 31 December 2016

	Note	2016 €'000	2015 €'000
Assets			
Cash at bank		2,757	3,023
Receivables	10	9,071	9,428
Investments	9	5,119	5,469
		16,947	17,920
Liabilities			
Scheme liabilities	9	(5,119)	(5,469)
Borrowings from Post Office Savings Bank Fund	11	(3,500)	(2,800)
Other liabilities	12	(8,328)	(9,651)
		(16,947)	(17,920)

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Notes to the Financial Statements

1. Background

Under the National Treasury Management Agency (Amendment) Act, 2000, the management of personal injury and property damage claims against certain State Authorities ("Delegated State Authorities"), and of the underlying risks, was delegated to the National Treasury Management Agency ("NTMA"). In addition, the National Treasury Management Agency (Amendment) Act 2014, provided for the delegation to the NTMA of the management of claims for costs. When performing these functions, the NTMA is known as the State Claims Agency ("SCA"). The SCA incurs expenditure on awards, claim settlements and associated costs. The SCA recovers this expenditure from the Delegated State Authorities who are liable in respect of claims.

The SCA has three objectives as follows:

- A duty to act in the best interest of taxpayers in matters of personal injury and property damage litigation, to act fairly and ethically in its dealings with people who have suffered injuries and / or damage and who take legal actions against the State or State bodies, and their families;
- To provide risk advisory services to Delegated State Authorities with the aim of reducing over time the frequency and severity of claims;
- To deal with certain legal costs claims.

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

In 2008, the Government delegated the management of historical claims against consultant obstetricians which were previously managed by the Medical Protection Society ("MPS") to the NTMA under S.I. No. 628/2007, National Treasury Management Agency (Delegation of Functions) (Amendment) Order, 2007. The delegation of the management of the claims included the transfer of an existing fund to the SCA. Following draw down of the balance of the fund in 2013, any remaining claim settlements and expenses are being met by the SCA under the Clinical Indemnity Scheme, and reimbursed to the SCA by the Health Service Executive (the "HSE").

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

Claims alleging personal injury in respect of the medicinal products Thalidomide and Nimesulide were delegated to the SCA in April 2012. In October 2013 the Government delegated to the SCA the management of personal injury claims concerning the ingestion of the medicinal products Celvepan and Pandemrix.

Following a Government decision in 2012, a State Legal Cost Unit was set up within the SCA in February 2013 to deal with third-party costs arising from certain Tribunals of Enquiry. The functions of the Legal Cost Unit were considerably extended under Part 5 of the National Treasury Management Agency (Amendment) Act 2014 and the delegation that was put in place under the National Treasury Management Agency (Delegation of Claims for Costs Management Functions) Order 2015.

In April 2014 the claims management of a further 61 public bodies (including the Voluntary Hospitals' Group Delegations) was delegated to the SCA, bringing the total number within the SCA's remit from 56 to 117. Another delegation by Government in June 2015 further increased the number of public bodies to 129.

In 2016 a further 10, Section 38 Health Act, non-acute agencies were taken under the remit of the General Indemnity Scheme. The SCA are now managing claims and providing risk advice to 139 Delegated State Authorities.

2. Basis of preparation

The financial statements of the SCA relate to the management of claims on behalf of Delegated State Authorities who are liable in respect of claims and from whom the SCA recovers the amounts of any awards and associated costs. The financial statements present the claim activities and report on the transactions processed via the SCA in the year and therefore no amount is included within the liabilities for the value of outstanding claims.

Transactions are recognised using the cash basis of accounting as adjusted for accruals for contracted third party service provider costs and the related cost recovery from the relevant Delegated State Authority.

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

3. Significant accounting policies

3.1. Expenditure

Expenditure on awards, claim settlements and associated costs are recognised on receipt of a validated approval or the validated settlement of such expenditure.

3.2. Income receivable

The SCA recovers the amounts of any awards, claim settlements and associated costs from Delegated State Authorities who are liable in respect of claims. Amounts are accounted for on an accruals basis. Income is treated as received and receivable from Delegated State Authorities in line with the recognition of the related expenditure.

4. Income receivable

	Note	2016 €'000	2015 €'000
Amounts receivable at 1 January from Delegated State Authorities	10	(7,156)	(11,812)
Received from Delegated State Authorities		253,968	223,927
Received from Scheme funds	9	350	53
Amounts receivable at 31 December	10	9,051	7,156
		256,213	219,324

Amounts receivable from Delegated State Authorities comprise reimbursements of any awards, claim settlements and associated costs incurred by the SCA on behalf of the Delegated State Authorities who are liable in respect of the underlying claims.

5. Costs recovered on behalf of Delegated State Authorities

	2016 €'000	2015 €'000
Costs recovered on behalf of Delegated State Authorities	2,248	7,024

In certain cases, whether by adjudication of the court or agreement with the third party / co-defendant, a specified percentage contribution in relation to a particular claim may be paid by a third party / co-defendant to the SCA. These amounts represent costs recovered by the SCA on behalf of the Delegated State Authorities, which are subsequently reimbursed to the relevant Authorities.

Notes to the Financial Statements (continued)

6. Awards and claim settlements payable

	2016 €'000	2015 €'000
Awards and claim settlements payable	184,360	164,614

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

7. Expenses

	2016 €'000	2015 €'000
<i>State Claims Agency expenses</i>		
Legal fees	24,365	18,516
Medical fees	4,026	3,798
Engineers' fees	429	345
Other fees (including investigation and actuary fees)	1,605	1,328
	30,425	23,987
<i>Plaintiff expenses</i>		
Legal fees	41,184	30,094
Other expert fees	223	604
Travel expenses	17	18
	41,424	30,716
<i>Witness expenses</i>		
	4	7
Total other expenses	71,853	54,710

8. Remuneration and expenses (included in the administration expenses of the NTMA)

The administrative costs incurred by the NTMA in the performance of the SCA's functions amounted to €19.4m (2015: €15.7m). These costs are included in the administration expenses of the NTMA and are charged on the Central Fund. The NTMA does not seek reimbursement of these costs from Delegated State Authorities.

9. Investments / scheme liabilities

In 2008, the Minister for Health established the Special Obstetrics Indemnity Scheme (the "SOIS"). Under the SOIS, the Minister agreed to indemnify the Bon Secours and Mount Carmel Hospitals in respect of specified obstetric claims. The Government delegated the management of claims under the SOIS to the NTMA under S.I. No. 628/2007, National Treasury Management Agency (Delegation of Functions) (Amendment) Order, 2007. The named participating hospitals made contributions to a fund which is managed by the NTMA on behalf of the Minister for Health under section 29(2) of the National Treasury Management Agency (Amendment) Act, 2000.

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

SOIS funds

Scheme funds are invested in Exchequer Notes on behalf of the Department of Health. Income earned on the Scheme's investments is paid into the fund and is not recognised as income of the SCA.

	Note	2016 €'000	2015 €'000
Balance at 1 January		5,469	5,522
Claim settlements and expenses	4	(350)	(53)
Income earned		-	-
Balance at 31 December available for settlement of claims		5,119	5,469

10. Receivables

	Note	2016 €'000	2015 €'000
Receivable from Delegated State Authorities	4	9,051	7,156
Receivable from Third Parties in respect of recovered costs		-	2,250
Other Receivables		20	22
Total		9,071	9,428

11. Borrowings from the Post Office Savings Bank Fund

	2016 €'000	2015 €'000
Borrowings from the Post Office Savings Bank Fund	3,500	2,800

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

Notes to the Financial Statements (continued)

12. Other liabilities

	2016 €'000	2015 €'000
Payable in respect of expenses	4,950	4,831
Payable in respect of awards	2,897	2,004
Professional Services Withholding Tax	417	454
Amounts due to Delegated State Authorities	64	2,362
	8,328	9,651

13. Estimated liabilities of Delegated State Authorities

	2016 Number of claims	2015 Number of claims
At 1 January	8,275	7,221
New claims	2,889	2,943
Resolved claims	(2,306)	(1,863)
Other ¹	40	(26)
At 31 December ²	8,898	8,275

¹ Other claims include claims re-opened in the period, claims closed in the period and designated to a prior period.

² The number of active claims at 31 December 2016 includes 1,797 mass action claims.

At 31 December 2016 the estimated liability of Delegated State Authorities in respect of claims under management by the SCA was €2,201m (2015: €1,789m), of which €1,671m (2015: €1,353m) was attributable to Clinical Claims and €530m (2015: €436m) to General Claims. The estimated liability is calculated by reference to the ultimate cost of resolving each claim including all foreseeable costs such as settlement amounts, plaintiff legal costs and defence costs. The SCA has based its estimated liability in respect of certain active clinical claims at 31 December 2016 on a real rate of return of 1% and 1.5%. The increase in the estimated liability of Delegated State Authorities in respect of claims under management by the SCA from 2015 to 2016 is due in large part to a change in the real rate of return assumption in these estimates, in respect of certain active clinical claims, from 3% in 2015 to 1% and 1.5% for the year ended 31 December 2016. The impact of this change on the estimated liability as at 31 December 2015 has been estimated at circa €300m.

The 2015 estimated liability calculation was informed by actuarial assumptions which employed the then prevailing real rate of return of 3%. However, on 5 November 2015, the Court of Appeal, upholding an earlier High Court judgment, ruled that in cases involving catastrophic injuries, claims for the cost of future care should be calculated at a real rate of return of 1% and claims for future pecuniary loss should be calculated at a real rate of return of 1.5%. The SCA made Legal Submissions to the Supreme Court in March 2016 seeking Leave to Appeal the decision of the Court of Appeal to that Court.

Pending the Supreme Court's determination, the SCA continued to settle cases involving catastrophic injury on the basis of a real rate of return of 3%. The settlement agreements in these cases included a provision for additional compensation to be paid should the Supreme Court refuse Leave to Appeal or having heard such an Appeal determined that the real rate of return should be lower than 3%. The additional compensation would represent the difference in the rate calculations and it is now expected that the additional compensation due will be in order of circa €40 million, as advised by the actuaries to the scheme. This additional compensation is included in the estimated liability of claims under management at 31 December 2016.

14. Events after the reporting period

On 2 February 2017, the Supreme Court delivered its determination and refused Leave to Appeal the Court of Appeal ruling in respect of a real rate of return that should apply to cases involving catastrophic injury.

15. Related parties

The Minister for Finance appoints six members of the Agency in accordance with section 3A of the National Treasury Management Agency Act, 1990, as amended.

16. Approval of financial statements

The financial statements were approved by the Agency on 8 May 2017.

Financial Statements of the

Dormant Accounts Fund

For the year ended 31 December 2016

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Statement of Agency's Responsibilities

For the year ended 31 December 2016

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

In preparing those statements, the Agency:

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

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

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



Conor O'Kelly, Chief Executive
National Treasury Management Agency



Willie Walsh, Chairperson
National Treasury Management Agency

8 May 2017

Comptroller and Auditor General

Report 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 2016 under the Dormant Accounts Act 2001. The financial statements comprise the investment and disbursements account, the reserve account, the statement of financial position and the related notes. The financial statements have been prepared in the form prescribed under section 46 of the Dormant Accounts Act 2001.

Responsibilities of the National Treasury Management Agency

The National Treasury Management Agency (the Agency) is responsible for the preparation of the financial statements in the specified format and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the financial statements

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

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

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

In addition, I read the information about the Fund in the annual report of the Agency to identify if there are any material inconsistencies with the audited financial statements and to identify if there is any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with the Dormant Accounts Act 2001 properly present the state of the Fund's affairs at 31 December 2016 and its transactions for 2016.

In my opinion, the accounting records of the Agency in relation to the Fund were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

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

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information about the Fund in the Agency's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

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



Seamus McCarthy
Comptroller and Auditor General

12 May 2017

Investment and Disbursement Account

For the year ended 31 December 2016

	Note	2016 €000	2015 €000
Moneys transferred to the Fund in respect of dormant accounts and unclaimed assurance policies	3	54,590	53,900
Amounts transferred to Reserve Account	4	(31,877)	(21,199)
Disbursements	5	(12,041)	(8,939)
Interest (Expense)/Income	6	(12)	334
Movement for the year		10,660	24,096
Balance at 1 January		171,833	147,737
Balance at 31 December		182,493	171,833

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Reserve Account

For the year ended 31 December 2016

	Note	2016 €000	2015 €000
Repayment of moneys transferred to the Fund	3	(25,075)	(17,375)
Interest on repayment of moneys transferred to the Fund	3	(147)	(183)
Transfer from Investment and Disbursements Account	4	31,877	21,199
Interest (Expense)/Income	6	(44)	134
Operating Expenses	7	(200)	(750)
Movement for the year		6,411	3,025
Balance at 1 January		70,080	67,055
Balance at 31 December		76,491	70,080

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency



Willie Walsh, Chairperson
National Treasury Management Agency

8 May 2017

Statement of Financial Position

As at 31 December 2016

	Note	2016 €000	2015 €000
Assets			
Cash and balances with Banks	8	259,108	242,357
Receivables	9	-	117
Liabilities			
Other Liabilities	10	(124)	(561)
Net Assets		258,984	241,913
Represented by:			
Investment and Disbursements Account		182,493	171,833
Reserve Account		76,491	70,080
		258,984	241,913

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Notes to the Financial Statements

1. Background

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

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

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

- the making of disbursements in accordance with the directions of the Minister for Public Expenditure and Reform
- the maintenance of the Reserve Account
- the defraying of the specified fees, costs and expenses incurred
- the defraying of the remuneration, fees and expenses of the authorised inspectors
- the repayment of moneys transferred to the Fund
- the preparation of the annual investment plan, having regard to the disbursement plan and any direction from the Minister for the Arts, Heritage, Regional, Rural and Gaeltacht Affairs¹
- 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 adequate accounting records of all moneys received and expended by the Agency
- the submitting of annual accounts to the Comptroller and Auditor General and the presentation of a copy of accounts so audited to the Minister for Finance and the Minister for Arts, Heritage, Regional, Rural and Gaeltacht Affairs¹.

In accordance with the Dormant Accounts (Amendment) Act 2012, the Minister for Arts, Heritage, Regional, Rural and Gaeltacht Affairs¹ is responsible for the administration of the process by which the Government approves projects and programmes to which funds from the Dormant Accounts Fund can be disbursed. In accordance with this Act, a new Disbursement Scheme was approved by Government in December 2013 and a Dormant Accounts Action Plan for 2016 was published, which details projects and programmes to which funds from the Dormant Accounts Fund may be allocated.

2. Basis of Preparation

The financial statements have been prepared for the year ended 31 December 2016. The financial statements are prepared on an accruals basis under the historical cost convention.

The NTMA is required under section 46(1) of the Dormant Accounts Act 2001 to keep all adequate accounting records of moneys received or expended by the Agency in relation to the Fund. In accordance with section 46(1) of the Dormant Accounts Act 2001, the financial statements have been prepared in a form specified by the Minister for Finance.

The presentation currency is euro. All amounts in the financial statements have been rounded to the nearest thousand unless otherwise indicated. Where used, '000' or 'k' denotes thousand, and 'm' denotes million.

¹ On 13 July 2016 Statutory Instrument 308 conferred powers previously executed by the Department of Environment, Community and Local Government in relation to the Dormant Accounts Fund, to the Department of Arts Heritage, Regional, Rural and Gaeltacht Affairs.

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

Financial Institutions – Dormant Accounts

Institution	Opening Balance € 01/01/2016	Transferred	Reclaimed	Closing Balance € 31/12/2016	Interest paid
ACC Loan Management DAC (formerly ACC Bank)	6,228,762	-	(196,708)	6,032,054	452
Allied Irish Banks plc	77,524,908	6,991,133	(1,378,314)	83,137,727	11,788
Barclays Bank Ireland plc	344,025	-	-	344,025	-
BNP Paribas SA	83,575	2,596	-	86,171	-
Bank of America Merrill Lynch Intl Ltd	154,778	-	-	154,778	-
Bank of Ireland	78,959,741	8,439,572	(2,976,188)	84,423,125	5,348
Bank of Scotland plc	567,088	-	-	567,088	-
Citibank Europe plc	28,700	-	-	28,700	-
EBS DAC	21,029,987	13,004,559	(9,211,466)	24,823,080	48,070
EAA Covered Bond Bank	122,119	-	-	122,119	-
KBC Bank Ireland plc	786,096	59	-	786,155	-
Irish Bank Resolution Corporation Ltd (in special liquidation)	629,363	-	(11,988)	617,375	249
Investec Bank plc	1,689,546	24,253	(20,087)	1,693,712	-
JP Morgan Bank (Ireland) plc	48,897	-	-	48,897	-
Danske Bank plc	6,522,165	-	(102,487)	6,419,678	36
Permanent tsb plc	44,260,027	6,127,412	(1,338,511)	49,048,928	4,679
Pfizer International Bank	30,514	-	(204)	30,310	18
An Post – State Savings Products	88,076,813	3,434,839	(5,009,770)	86,501,882	22,962
An Post – Post Office Savings Bank	40,710,616	2,657,810	(682,702)	42,685,724	59,115
RBS NV (formerly ABN AMRO)	35,455	-	-	35,455	-
The Royal Bank of Scotland plc	386,955	33,083	-	420,038	-
Scotiabank (Ireland) DAC	92,953	-	-	92,953	-
Ulster Bank Ireland DAC	29,670,529	1,942,709	(351,001)	31,262,237	293
TOTAL (Banks)	397,983,612	42,658,025	(21,279,426)	419,362,211	153,010

Notes to the Financial Statements (continued)

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

Assurance Companies – Unclaimed Assurance Policies

Institution	Opening Balance € 01/01/2016	Transferred	Reclaimed	Closing Balance € 31/12/2016	Interest paid
Specified Term Accounts:					
Ark Life Assurance Co. DAC	834,761	101,798	(23,190)	913,369	-
Aviva Life & pensions UK Ltd	3,599,830	225,045	(69,284)	3,755,591	-
Equitable Life Assurance Society	7,388	45,690	-	53,078	-
Friends First Life Assurance Co. DAC	2,404,303	217,867	(51,897)	2,570,273	-
Irish Life Assurance plc (including former Canada Life Ireland)	8,634,684	1,677,950	(428,746)	9,883,888	-
New Ireland Assurance Co. DAC	880,852	6,823	(130,742)	756,933	-
Phoenix Life Ltd	5,354,957	659,703	(43,327)	5,971,333	-
The Royal London Mutual Insurance Society Ltd (including former Caledonian Life)	8,695,387	785,281	(84,163)	9,396,505	-
St. James Place International plc	10,649	-	-	10,649	-
Scottish Friendly	602,366	-	-	602,366	-
Standard Life International DAC	1,518,506	280,243	(25,445)	1,773,304	-
Sun Life Assurance Society plc	336,951	10,088	-	347,039	-
Zurich Life Assurance plc ²	1,742,630	764,687	(68,504)	2,438,813	-
No Specified Term Accounts:					
Acorn Life DAC	84,237	120,647	(55,450)	149,434	-
Ark Life Assurance Co. DAC	1,100,600	385,496	(141,006)	1,345,090	-
Augura Life Ireland DAC	-	144,696	(1,056)	143,640	-
Aviva Life & Pensions UK Ltd	3,228,195	882,944	(219,378)	3,891,761	-
Equitable Life Assurance Society	21,485	-	-	21,485	-
Friends First Life Assurance Co. DAC	1,285,269	376,482	(88,573)	1,573,178	-
Irish Life Assurance plc (including former Canada Life Ireland)	8,624,434	1,636,209	(807,032)	9,453,611	-
New Ireland Assurance Co. DAC	12,589,367	672,856	-	13,262,223	-
Phoenix Life Ltd	558,905	-	(4,253)	554,652	-
The Royal London Mutual Insurance Society Ltd (including former Caldeonian Life)	11,127,506	1,209,655	(832,846)	11,504,315	-
St. James Place International plc	-	7,290	-	7,290	-
Scottish Friendly	538,684	-	-	538,684	-
Standard Life International DAC	1,524,085	285,790	(251,056)	1,558,819	-
Sun Life Assurance Society plc	59,597	-	-	59,597	-
Zurich Life Assurance plc ²	2,708,885	880,743	(369,941)	3,219,687	-
TOTAL (UNCLAIMED POLICIES)	78,074,513	11,377,983	(3,695,889)	85,756,607	-
The Escheated Estate Fund	4,400,000	-	-	4,400,000	-
Accrued Reclaims	(554,333)	554,333	(99,605)	(99,605)	(6,536)
GRAND TOTAL	479,903,792	54,590,341	(25,074,919)	509,419,213	146,474

² Opening balances changed to reflect reallocation between specified and no specified term accounts, upon Institution instruction. Total combined opening balances remain unchanged.

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

The amounts transferred to the Fund included accounts denominated in currencies other than euro. The effect of revaluing these accounts at the year end exchange rates would be to decrease the total amount transferred to the Fund and not yet reclaimed by €441,026 from €509,419,213 to €508,978,187.

4. Amounts transferred to the Reserve Account

Under section 17 (4) of the Dormant Accounts Act 2001 as amended, the Agency pays into the Reserve Account, from time to time, an amount determined by the Agency, with the approval of the Minister for the Arts, Heritage, Regional, Rural and Gaeltacht Affairs³ given with the consent of the Minister for Finance, for the purposes of making repayments from the Fund and of defraying various fees and expenses. A transfer is made periodically by the Agency to maintain the balance in the Reserve Account at a currently approved 15 per cent of the total dormant funds received by the Dormant Accounts Fund and not yet reclaimed. The balance in the Reserve account may deviate from 15 per cent in the intervening period between the periodic rebalancing dates.

5. Disbursements

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

	2016 €000	2015 €000
On Direction of the Minister for Public Expenditure and Reform:		
Department of Environment, Community and Local Government ^{3 4}	993	2,596
Department of Tourism and Transport	4,493	1,942
Health Service Executive	1,275	1,915
Department of Children and Youth Affairs	1,560	759
Department of Justice and Equality	2,983	733
Irish Prison Service (administered by Pobal ³)	188	189
Department of Education and Skills	549	(12)
Department of Social Protection	-	906
Pobal ³ (refund)	-	(89)
	12,041	8,939

6. Interest (Expense)/Income

	Investment and Disbursements Account €000	Reserve Account €000	2016 €000	2015 €000
Bond Holding	-	-	-	29
Commercial Term Deposits	73	16	89	550
Cash at Central Bank	(85)	(60)	(145)	(111)
	(12)	(44)	(56)	468

The negative return on Central Bank deposits in 2016 reflects the prevailing negative interest rates charged in respect of cash balances held on deposit.

³ For further detail on service provider Pobal, and Department of Environment, Community and Local Government see Note 7.

⁴ 634k of the disbursements in 2016 was made to the Department of Housing, Planning, Community and Local Government following transfer of responsibility for some projects to that Department.

Notes to the Financial Statements (continued)

7. Operating Expenses

	2016 €000	2015 €000
Fees of service provider (Pobal)	200	750

Pobal receives an annual service fee for its administration of certain projects in receipt of Dormant Accounts Fund disbursements. The fee was paid by the Department of Environment, Community and Local Government⁵ and reimbursed from the Dormant Accounts Fund.

Expenses of the National Treasury Management Agency

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

	2016 €000	2015 €000
General Administration ⁶	150	150

8. Cash and balances with Banks

	2016 €000	2015 €000
Cash at Central Bank	27,108	52,357
Commercial Term Deposits	232,000	190,000
	259,108	242,357

9. Receivables

	2016 €000	2015 €000
Interest Receivable on Cash on Deposit	-	117

10. Other Liabilities

	2016 €000	2015 €000
Interest Payable on Cash on Deposit	(24)	-
Accrued Reclaims	(100)	(561)
	(124)	(561)

⁵ This fee was paid 31 May 2016 prior to Statutory Instrument 308 transferring powers to the Department of Arts, Heritage, Regional, Rural and Gaeltacht Affairs.

⁶ This is an estimate, included in the Notes to the financial statements only, as the Agency has not charged these expenses to the Dormant Accounts Fund.

11. Contingent Exchequer Liability

11.1 As a result of cumulative disbursements to date the net assets of the Fund are less than the dormant funds transferred and not yet reclaimed. This difference represents a contingent exchequer liability that would have to be met by the Central Fund in the event that all moneys transferred to the Dormant Accounts Fund were reclaimed.

At 31 December 2016 the contingent liability to the Exchequer is estimated at €250m (2015: €238m). The contingent exchequer liability is estimated based on the net cash transferred into the fund and not yet reclaimed. No provision or estimate is made for interest which may be payable on future reclaims for the period from the date of transfer to the date of reclaim. Further analysis of the contingent exchequer liability is provided in Note 11.2.

Under section 17(7) of the Dormant Accounts Act 2001 as amended, whenever the moneys in the Investment and Disbursements Account are insufficient to meet the deficiency in the Reserve Account, a payment can be made out of the Central Fund into the Reserve Account of an amount not exceeding the deficiency. If this occurred the moneys would be 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.

11.2 Analysis of Contingent Exchequer Liability:

	1 January 2016 €000	Movement during the year €000	31 December 2016 €000
Net Assets of Fund	241,913	17,071	258,984
Dormant Funds Transferred not reclaimed	(479,904)	(29,515)	(509,419)
Contingent liability	(237,991)	(12,444)	(250,435)

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

	2016 €000	
Interest Expense	(56)	Note 6
Interest on repayments of moneys transferred to the Fund	(147)	Note 3
Disbursements	(12,041)	Note 5
Operating expenses	(200)	Note 7
Movement for the year	(12,444)	Note 11.2

13. Investment Return

Under section 45 (1)(b) of the Dormant Accounts Act 2001 as amended, the Agency is required to report to the Minister for Arts, Heritage, Regional, Rural and Gaeltacht Affairs the investment return achieved by the Fund. The annualised return on the Fund for the year was -0.02% per cent (2015: 0.19%).

14. Events after the end of the reporting period

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

15. Approval of Financial Statements

The financial statements were approved by the Agency on 8 May 2017.

Financial Statements of the

Ireland Strategic Investment Fund

For the year ended 31 December 2016

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Fund and Other Information

Controller and Manager

National Treasury Management Agency
Treasury Building
Grand Canal Street
Dublin 2
D02 XN96

Global Custodian

The Bank of New York Mellon ("BNYM")
One Canada Square
London
E14 5AL
United Kingdom

Bankers

Central Bank of Ireland
Dame Street
Dublin 2
D02 P656

Allied Irish Banks p.l.c.
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Dublin 2
D02 X342

Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 WP44

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

Ireland Strategic Investment Fund

I have audited the financial statements of the Ireland Strategic Investment Fund for the year ended 31 December 2016 under the National Treasury Management Agency Act 1990 (as amended). The financial statements comprise the statement of financial position, the statement of comprehensive income, the statement of changes in net assets, the statement of cash flows and the related notes. The financial statements have been prepared in the form prescribed under section 12 of the National Treasury Management Agency Act 1990 (as amended), and in accordance with generally accepted accounting practice in Ireland.

Responsibilities of the National Treasury Management Agency

The National Treasury Management Agency (the Agency) is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

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

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

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

Scope of audit of the financial statements

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

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

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

In addition, I read the information about the Fund in the Agency's annual report to identify if there are any material inconsistencies with the audited financial statements and to identify if there is any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements

- give a true and fair view of the results of the Fund's operations for the year ended 31 December 2016 and of its balances at that date
- have been properly prepared in accordance with generally accepted accounting practice.

In my opinion, the accounting records of the Agency in relation to the Fund were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information about the Fund in the Agency's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

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



Seamus McCarthy
Comptroller and Auditor General

12 May 2017

Statement of Financial Position

as at 31 December 2016

	Note	Discretionary portfolio		Directed portfolio		Total	
		2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m
Assets							
Investments	7, 8	7,169	5,356	12,651	13,761	19,820	19,117
Loans and receivables	7, 8	461	395	25	-	486	395
Trade and other receivables	9	61	396	-	-	61	396
Balance due from brokers	7	39	-	-	-	39	-
Cash and cash equivalents	12	427	1,731	215	240	642	1,971
Total assets		8,157	7,878	12,891	14,001	21,048	21,879
Liabilities							
Financial liabilities	7	(48)	(1)	-	-	(48)	(1)
Balance due to brokers	7	-	(15)	-	-	-	(15)
Other liabilities	10	(18)	(5)	(0)	(0)	(18)	(5)
Total liabilities		(66)	(21)	(0)	(0)	(66)	(21)
Net assets of the Fund at year end		8,091	7,857	12,891	14,001	20,982	21,858

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Comprehensive Income

for the year ended 31 December 2016

	Note	Discretionary portfolio		Directed portfolio		Total	
		2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m
Income							
Interest income	4	61	49	(0)	0	61	49
Dividend income	4	16	38	-	446	16	484
Private equity, property and other income	4	13	34	-	-	13	34
Net gains / (losses) on financial assets and liabilities at fair value through profit or loss	8	160	(31)	(1,110)	2,338	(950)	2,307
Net investment income / (loss)		250	90	(1,110)	2,784	(860)	2,874
Expenses							
Operating expenses	5	(26)	(15)	(0)	(0)	(26)	(15)
Profit / (loss) for the financial year before tax		224	75	(1,110)	2,784	(886)	2,859
Taxation	6	10	(6)	-	-	10	(6)
Profit / (loss) for the financial year		234	69	(1,110)	2,784	(876)	2,853

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Changes in Net Assets

as at 31 December 2016

	Note	Discretionary portfolio		Directed portfolio		Total	
		2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m
Profit / (loss) for the year		234	69	(1,110)	2,784	(876)	2,853
Transfers (to) / from the Exchequer	11	-	335	-	(3,500)	-	(3,165)
Assets transferred from the NPRF	11	0	1	-	0	0	1
Assets transferred between portfolios		-	280	-	(280)	-	-
Increase / (decrease) in net assets		234	685	(1,110)	(996)	(876)	(311)
Net assets at beginning of year		7,857	7,172	14,001	14,997	21,858	22,169
Net assets at end of year		8,091	7,857	12,891	14,001	20,982	21,858

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

On behalf of the Agency



Conor O'Kelly, Chief Executive
National Treasury Management Agency

8 May 2017



Willie Walsh, Chairperson
National Treasury Management Agency

Statement of Cash Flows

for the year ended 31 December 2016

	Note	Discretionary portfolio		Directed portfolio		Total	
		2016 €m	2015 €m	2016 €m	2015 €m	2016 €m	2015 €m
Cash flows from operating activities							
Interest received		60	46	-	-	60	46
Tax reclaims received	6, 9	13	1	-	-	13	1
Dividends received	4.1, 9	19	34	-	446	19	480
Other income received		10	26	-	-	10	26
Proceeds from sale of investments		10,380	7,207	-	2,465	10,380	9,672
Purchase of investments		(11,676)	(7,845)	(25)	-	(11,701)	(7,845)
Net cash collateral received	7	(54)	15	-	-	(54)	15
Operating expenses paid	5, 10	(22)	(15)	-	-	(22)	(15)
Net cash from operating activities		(1,270)	(531)	(25)	2,911	(1,295)	2,380
Cash flows from financing activities							
Transfer between portfolios		-	280	-	(280)	-	-
Transfer (to) / from the Exchequer		-	335	-	(3,500)	-	(3,165)
Transfer from the NPRF		-	0	-	-	-	0
Net cash from financing activities		-	615	-	(3,780)	-	(3,165)
Net (decrease) / increase in cash and cash equivalents		(1,270)	84	(25)	(869)	(1,295)	(785)
Opening cash and cash equivalents		1,731	1,689	240	1,109	1,971	2,798
Effect of exchange rate fluctuations on cash and cash equivalents		(34)	(42)	-	-	(34)	(42)
Closing cash and cash equivalents		427	1,731	215	240	642	1,971

Notes to the Financial Statements

1. Background

The Ireland Strategic Investment Fund (“the Fund”) was established on 22 December 2014 on the commencement of Part 6 of the National Treasury Management Agency (Amendment) Act 2014 (“NTMA Act 2014”). The National Treasury Management Agency (the “Agency” or the “Manager”) is the controller and manager of the Fund. Section 39(1) of the NTMA Act 2014 requires the Agency to hold or to invest the assets of the Fund (other than the directed investments) on a commercial basis in a manner designed to support economic activity and employment in the State. Sections 42, 43 and 47(4) of the NTMA Act 2014 enable the Minister for Finance to give directions to the Agency in relation to certain investments. Investments held as a result of Ministerial directions are referred to in these financial statements as “Directed Investments”.

The address of the Fund is National Treasury Management Agency, Treasury Building, Grand Canal Street, Dublin 2, D02 XN96.

Ownership of the Fund vests with the Minister for Finance and it is not traded in a public market nor does it file its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

2. Basis of preparation

The financial statements have been prepared for the year ended 31 December 2016. The comparative period is the year ended 31 December 2015. All amounts in the financial statements have been rounded to the nearest €m unless otherwise indicated. Where used, ‘€’000’ or ‘k’ denotes thousand, ‘m’ denotes million and ‘bn’ denotes billion.

The financial statements have been prepared pursuant to Section 12 of the National Treasury Management Agency Act 1990 (as amended) in a format approved by the Minister for Finance.

On the commencement of Part 6 of the NTMA Act 2014, the assets and liabilities of the National Pensions Reserve Fund (“NPRF”) became the assets and liabilities of the Fund (subject to the provisions of Schedule 4 of the NTMA Act 2014 in the case of certain foreign assets and foreign liabilities). The legal transfer of foreign assets must be done in conjunction with the relevant counterparty. The process is largely complete and a small number of foreign assets have not legally transferred from the NPRF to the Fund as at 31 December 2016. These assets (held by the NPRF Commission acting through the Agency) were previously derecognised by the NPRF Commission following the transition date and are recognised and presented within the Fund’s financial statements for the year ending 31 December 2016, in line with Financial Reporting Standards (“FRS”).

Notwithstanding the Fund’s significant holdings in the equity of Allied Irish Banks p.l.c. (“AIB”) as part of its Directed Investments, the Agency (as manager and controller of the Fund) does not have the ability to exercise control, dominant influence or significant influence over AIB as the Minister has reserved the voting control in the shares to his direction alone. Therefore, the Agency does not consolidate the results and the financial position of AIB into the financial statements of the Fund.

Statement of compliance

The financial statements have been prepared in compliance with applicable legislation, FRS 102 *Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland issued by Financial Reporting Council in the UK for use in Ireland*.

3. Significant accounting policies

3.1 Measurement convention

The financial statements are prepared on the historical cost basis; except for financial assets and financial liabilities designated at fair value through profit or loss and derivative financial instruments.

The financial statements are presented in euro, which is also the Fund’s functional currency.

3.2 Going concern

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

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

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

3.3 Critical accounting estimates and judgements

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

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

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

3.4 Foreign currency translation

(a) Functional and presentation currency

The Fund is owned by the Minister for Finance and domiciled in Ireland. The Directed Investments held are investments in Irish companies. The primary activity of the Discretionary Portfolio is to invest on a commercial basis in a manner designed to support economic activity and employment in the State. The primary users of the financial statements are based in Ireland and thus, the performance of the Fund is measured in and reported in euro.

(b) Transactions and balances

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

Foreign exchange gains and losses arising from translation and / or relating to cash and cash equivalents are included in profit or loss in the Statement of Comprehensive Income.

Foreign exchange gains and losses relating to the financial assets and liabilities carried at fair value through profit or loss are presented in the Statement of Comprehensive Income.

3.5 Interest

Interest income and expense are recognised using the effective interest rate method. The effective interest rate is the rate that exactly discounts the estimated future cash payments or receipts, without consideration of future credit losses, over the expected life of the financial instrument or through to the next market based re-pricing date to the net carrying amount of the financial instrument on initial recognition.

3.6 Dividend income

Dividend income is recognised on the date on which the right to receive payment is established.

3.7 Net gain / (loss) on financial assets and liabilities at fair value through profit or loss (FVTPL)

Net gain / (loss) from financial instruments at FVTPL includes realised and unrealised fair value changes and foreign exchange differences.

3.8 Fees and charges, and other expenses

Fees, charges and other expenses are recognised on an accruals basis.

3.9 Cash and cash equivalents

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

3. Significant accounting policies (continued)

3.10 Measurement of financial assets and liabilities

Fair value measurement

'Fair value' is the amount for which an asset could be exchanged, a liability settled or an equity instrument granted between knowledgeable willing parties in an arm's length transaction.

Financial assets and financial liabilities are initially recognised when the Fund becomes a party to the contractual provisions of the instruments. Financial assets and financial liabilities upon initial recognition are measured at transaction price.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and valuation models. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, earnings before interest, taxes, depreciation and amortisation ("EBITDA") multiples and revenue multiples and expected price volatilities and correlations.

Amortised cost measurement

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount minus any reduction for impairment or uncollectability.

Impairment

A financial asset not classified at FVTPL is assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset or a group of financial assets is 'impaired' if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event had an impact on the estimated future cash flows of the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes significant financial difficulty of the issuer or obligor, a breach of contract, default or delinquency in interest or principal payments, restructuring of the amount due on terms that the Fund would not otherwise consider, indications that a borrower will enter bankruptcy or other financial reorganisation or adverse changes in the payment status of the borrowers due to adverse national or local economic conditions or adverse change in industry conditions.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

3.11 Financial assets and liabilities

The Fund holds two types of investments:

(a) Discretionary Investments

Investments made in accordance with Section 39 of the NTMA Act 2014, whereby the Agency is required to hold or invest the assets of the Fund on a commercial basis in a manner designed to support economic activity and employment in the State.

i) Valuation of Discretionary Investments

The Agency has established procedures to periodically review the valuation of investments. Based on its judgement, and relevant information available to it, the Agency may in certain circumstances determine that an adjustment to the external manager's valuation is appropriate in recording an investment's fair value.

The Fund has a Valuation Committee in place (Note 15.7(ii)). During the year, the membership of the Valuation Committee comprised of the Chief Financial and Operating Officer, the Chief Risk Officer and other senior ISIF and Agency management personnel. The Valuation Committee assists the Agency in the determination of the valuation of investments of the Fund by:

- reviewing the periodic investment valuations and valuation basis for the assets of the fund in accordance with the accounting framework as adopted by the Fund;
- approving the asset valuations for inclusion in the annual financial statements of the Fund; and
- supporting the NTMA Audit Committee with their review and approval of the Fund financial statements and other activities that may arise.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

3.11 Financial assets and liabilities (continued)

(a) Discretionary Investments (continued)

i) Valuation of discretionary investments (continued)

Classification, recognition and measurement

Basic financial assets and liabilities

Quoted equities, debt instruments and investment funds

Investments are measured at fair value, which is the unadjusted bid market value on the primary exchange or market where the investment is quoted.

Direct private equity and unquoted equities

Investments in preference and ordinary shares are measured initially at transaction price less attributable transaction costs. Subsequent to initial recognition, investments that can be measured reliably are measured at fair value with changes in their fair value recognised in profit or loss. Where it is deemed that fair value cannot be measured reliably, such investments are measured at cost less impairment.

Debt instruments

The Fund has designated debt instruments that meet the definition of basic financial instruments as financial assets at fair value through profit or loss at initial recognition as they form part of a group of financial assets that are managed with its performance evaluated on a fair value basis. Other debt instruments not managed or evaluated on a fair value basis are measured at amortised cost.

Unquoted debt instruments

Unquoted debt instruments are valued at their fair value as estimated by the Manager using bond valuation models based on observable market data.

Investments in property, private equity, forestry, energy and infrastructure funds

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

The valuations of these investments are determined by external managers using accepted industry valuation methods and guidelines published by relevant industry bodies. Such valuation methodologies used by external managers may include considerations such as earnings multiples of comparable publicly traded companies, discounted cash flows, third party transactions or events which suggest material impairment or improvement in the fair value of the investment. In the first year of ownership, cost is usually considered to be an appropriate estimate of the fair value for these investments unless there is an indication of an impairment in value.

A range of possible values can exist for these investments and estimated fair values may differ from the values that would have been used had there been an active market value for such investments.

The Agency uses external managers' valuations to determine the fair value of an investment in line with its valuation process as overseen by the Valuation Committee.

Unquoted investment funds

Unquoted investment funds are valued at the most recent net asset value as published by the Funds' administrators.

3. Significant accounting policies (continued)

3.11 Financial assets and liabilities (continued)

(a) Discretionary Investments (continued)

i) Valuation of discretionary investments (continued)

Financial instruments not considered to be basic financial instruments (other financial instruments)

Other financial instruments that do not meet the definition of basic financial instruments are recognised initially at fair value. Subsequent to initial recognition other financial instruments are measured at fair value with changes recognised in profit or loss, except investments in equity instruments that are not publicly traded and where fair value cannot otherwise be measured reliably are measured at cost less impairment.

Derivative financial instruments

Derivative financial instruments are recognised at fair value. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss.

Long-term receivables

Long-term receivables are shown at their fair value. The fair value of these receivables is estimated by discounting the contractual future cash flows at the market rate that is currently available to the Fund for similar financial instruments.

Loans and receivables

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

Other receivables and payables, cash, amounts due to / (from)

Other receivables are recognised initially at transaction price less attributable transaction costs. Other payables are recognised initially at transaction price plus attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method, less impairment in the case of trade receivables.

Receivables and payables under sale and repurchase agreements and securities borrowed

When the Fund purchases a financial asset and simultaneously enters into an agreement to resell the same or a substantially similar asset at a fixed price on a future date (reverse sale and repurchase agreement), the arrangement is accounted for as a basic debt instrument at amortised cost if it qualifies as basic and is recognised in the Statement of Financial Position as a receivable from a reverse sale and repurchase agreement and the underlying asset is not recognised in the Fund's financial statements.

Receivables from reverse sale and repurchase agreements and payables under sale and repurchase agreements are subsequently measured at amortised cost.

(b) Directed Investments

The Agency holds the Directed Investments subject to directions given by the Minister for Finance pursuant to section 43 of the NTMA Act 2014. The holding and management of the Directed Investments, the exercise by the Agency of voting and other rights attaching to the Directed Investments and the disposal by the Agency of the Directed Investments must be conducted in accordance with directions given by the Minister for Finance.

Any interest or other income received in respect of deposits and / or securities held in the Directed Portfolio are held or invested by the Agency in line with Ministerial Direction.

Notes to the Financial Statements (continued)

3. Significant accounting policies (continued)

3.11. Financial assets and liabilities (continued)

(b) Directed Investments (continued)

i) Valuation of directed investments

Ordinary shares

The ordinary shares held as part of the Directed Portfolio are valued at fair value. Fair value is the closing market value on the primary exchange or market where the investment is quoted.

Where closing market prices are deemed not to be a reliable estimation of fair value, ordinary shares are valued using appropriate valuation methodologies. Valuation methodologies used include discounted cash flow analysis, total equity analysis, comparable company analysis or precedent transaction analysis.

Loans

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

3.12 Derecognition

The Fund derecognises a financial asset when:

- the contractual rights to the cash flows from the asset are settled or expired;
- it expires, or it transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the Fund has retained some significant risk and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the Fund derecognises the asset and recognises separately any rights and obligations retained or created in the transfer.

On derecognition of a financial asset, the carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised are recognised in profit or loss in the year of the transfer.

If a transfer does not result in derecognition because the Fund has retained significant risks and rewards of ownership of the transferred asset, the Fund continues to recognise the transferred asset in its entirety and recognises a financial liability for the consideration received. The asset and liability are not offset. In subsequent periods, the Fund recognises any income on the transferred asset and any expense incurred on the financial liability.

The Fund derecognises a financial liability when its contractual obligations are discharged, cancelled or expired.

The Fund recognises in profit or loss any difference between the carrying amount of the financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed.

3. Significant accounting policies (continued)

3.13 Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the Statement of Financial Position when, and only when, the Fund has a legally enforceable right to offset the recognised amounts and it intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis for gains and losses from financial instruments at FVTPL and foreign exchange gains and losses.

4. Income

4.1 Discretionary Portfolio

	2016 €m	2015 €m
Interest income	61	49
Dividend income	16	38
Property income	7	24
Other income	5	9
Private equity income	1	1
	90	121

Other income includes rebates of €3m (2015: €7m), securities lending of €nil (2015: €1m) and miscellaneous income of €2m (2015: €1m).

4.2 Directed Portfolio

	2016 €m	2015 €m
Interest income	(0)	0
Dividend income	-	446
	(0)	446

The interest income of (€0m) above represents €162k of negative interest being charged on the bank account. In 2015, interest income of €18k represents interest received from Irish Exchequer notes that were held.

During 2015, the Fund held preference shares in AIB. The holding of these preference shares entitled the Fund to a dividend. On 13 May 2015, the Fund received a dividend of €280m in cash. On 18 December 2015, following the redemption and conversion of the preference shares, the Fund received a further €166m dividend income.

Notes to the Financial Statements (continued)

5. Operating expenses

The amounts required to cover the investment management and operating costs of the Fund are as follows:

5.1 Discretionary Portfolio – fees and expenses

	2016 €m	2015 €m
Investment managers' fees	10	3
Global Custodian fees	1	1
System and services	1	1
Legal fees	2	1
Tax fees	1	0
Professional fees	1	0
Other	(0)	0
NTMA recharge	10	9
	26	15

Under section 48 of the NTMA Act 2014, the expenses of the Agency in the performance of its functions relating to the Fund are required to be defrayed from the Fund. These amount to €10.4m in 2016 (2015: €8.7m).

6. Discretionary portfolio taxation

The income and profits of the Fund are exempt from Irish Corporation Tax in accordance with section 230(1) and 230 (1A) of the Taxes Consolidation Act, 1997 as amended. The Fund may, however, be liable for taxes in overseas jurisdictions where full tax exemptions are not available.

Dividends and interest may be subject to irrecoverable foreign withholding taxes imposed by the country from which the investment income is received. Distributions of income and gains received by the Fund from its property and private equity fund investments may also be subject to foreign withholding taxes. The Fund may also be subject to additional foreign taxes payable on certain property and private equity investments annually, based on their asset values at the reporting date.

The foreign taxes provided for are detailed below:

	2016 €m	2015 €m
Withholding tax reclaim	0	2
Foreign taxes on income	10	(8)
Net tax cost	10	(6)

The Fund received €0.3m (period from 22 December 2014 to 31 December 2015: €1m) withholding tax reclaims in relation to tax reclaims submitted for the year ended 31 December 2016. The Fund received a refund of €13m from the United States in relation to the NPRF during 2016.

7. Discretionary financial assets and liabilities

7.1 Fund structure and transition

Following the establishment of the ISIF in December 2014, the Fund has invested on a commercial basis in a manner designed to support economic activity and employment in Ireland. During 2016, the ISIF implemented a Global Portfolio Transition Strategy (GPTS), which positioned the Global Portfolio as a conservatively managed and liquid portfolio that will provide cash to fund investment opportunities in Ireland as they develop.

The total Discretionary Portfolio amounts to €8.1bn, of which €1.4bn is invested in the Irish Portfolio and €6.7bn is invested in the Global Portfolio. As at 31 December 2016, a total of €2.6bn was committed to the Irish Portfolio.

7. Discretionary financial assets and liabilities (continued)

7.2 Discretionary Portfolio valuation

	2016 €m	2015 €m
Investments at FVTPL		
Quoted equities	335	1,091
Direct private equity	48	17
Unquoted equities	0	0
Quoted debt instruments	1,941	581
Unquoted debt instruments	210	185
Property investments	189	236
Private equity investments	469	367
Forestry investments	41	30
Energy investments	26	-
Infrastructure investments	130	125
Quoted investment funds	2,912	2,306
Unquoted investment funds	829	387
Convertible preference shares	29	-
Convertible loan	1	-
Long-term receivables	-	18
Unrealised gain on equity options	-	11
Unrealised gain on futures contracts	9	-
Unrealised gain on foreign exchange contracts	-	2
Total investments at FVTPL	7,169	5,356
Loans and receivables		
Other debt	366	300
Other bonds	95	95
Total loans and receivables	461	395
Financial liabilities		
Unrealised loss on equity options	(1)	-
Unrealised loss on credit default swaps	(1)	-
Unrealised loss on futures contracts	-	(1)
Unrealised loss on foreign exchange contracts	(46)	-
Total financial liabilities	(48)	(1)
Cash and cash equivalents		
Treasury bills	33	450
Cash	394	1,281
Total cash and cash equivalents	427	1,731
Total discretionary financial assets and liabilities	8,009	7,481
Trade and other receivables	61	396
Balance due from brokers	39	-
Balance due to brokers	-	(15)
Other liabilities	(18)	(5)
Total discretionary net assets	8,091	7,857

Notes to the Financial Statements (continued)

8. Directed Investments

The Agency holds Directed Investments subject to directions given by the Minister for Finance pursuant to section 43 of the NTMA Act 2014. The holding and management of the Directed Investments, the exercise by the Agency of voting and other rights attaching to the Directed Investments and the disposal by the Agency of the Directed Investments must be conducted in accordance with any directions given by the Minister for Finance.

8.1 Directed Investments valuation

	2016 Units Millions	2015 Units Millions	Valuation (€) 2016 Per Unit	Valuation (€) 2015 Per Unit	2016 €m	2015 €m
Bank of Ireland (BoI)						
Ordinary Shares ¹	4,512	4,512	0.234	0.338	1,056	1,525
Allied Irish Banks (AIB)						
Ordinary Shares ²	2,711	2,711	4.277	4.5138	11,595	12,236
Total directed investments assets					12,651	13,761
Cash (Note 12)					215	240
SBCI Loan (Note 14.3)					25	-
Total directed investments					12,891	14,001

¹ The valuation of BoI ordinary shares is based on quoted bid prices.

² Given the Fund's ordinary share holding in AIB (99.9%), the Agency engaged EY to provide an independent fair value of the investments.

8.2 Directed investment valuation movement

	2016 €m	2015 €m
Bank of Ireland		
Opening valuation	1,525	1,412
Investment (loss) / gain during the year	(469)	113
Closing Valuation	1,056	1,525
Allied Irish Banks		
Opening valuation	12,236	11,711
Preference share redemption	-	(1,700)
Investment (loss) / gain during the year	(641)	2,225
Closing Valuation	11,595	12,236

8. Directed investments (continued)

8.2 Directed investment valuation movement (continued)

i) Valuation of directed investment of AIB shares

In determining the Fund's valuation of AIB, EY considered a number of valuation methodologies including a valuation based on comparable company yields, comparable company analysis and precedent transaction analysis.

For the purposes of valuing the AIB ordinary shares, a comparable company analysis was deemed the most appropriate methodology. This analysis used comparable, publicly available market multiples, such as tangible book value relative to return on equity, to allocate value to the ordinary shares. EY also had consideration to other multiples such as price to earnings and price to book.

While there was an increase in the net book value of AIB over the year, the value as at 31 December 2016 is lower due to a decrease in the peer group valuations.

It should be noted that there are a number of sensitivities which may impact the AIB valuation including:

- Potential IPO of AIB shares in 2017;
- Changes in sentiment and perceptions of investors regarding banks and the outlook for the banking industry and the broader domestic and European economy;
- Changes in AIB's financial performance and outlook. AIB is heavily exposed to the domestic Irish economy. The United Kingdom's decision to leave the European Union may impact the terms under which Ireland's economy will operate and the extent to which inward investment will continue to flow.

All other things remaining constant, a 1% movement in the valuation of the comparable peer group would have impacted the AIB ordinary share valuation by approximately €104.3m as at 31 December 2016 (2015: €122.4m).

9. Trade and other receivables

	2016 €m	2015 €m
Private equity receivable	19	382
Accrued interest on fixed income securities	27	10
Amounts receivable for securities sold	13	-
Dividends receivable	0	2
Tax reclaims recoverable	2	2
	61	396

10. Other liabilities

	2016 €m	2015 €m
Other accrued expenses	10	5
Amounts payable for securities purchased	8	-
	18	5

Notes to the Financial Statements (continued)

11. Transfers

11.1 Assets derecognised by the NPRF

From 22 December 2014, the NPRF Commission consists of a single commissioner (the Chief Executive of the Agency) who is required by the NTMA Act 2014 to do everything that is reasonably practicable to give effect to the legal transfer of any remaining assets governed by foreign law. The transfer of foreign assets must be done in conjunction with the relevant counterparty. This process is largely complete and a small number of foreign assets had not legally transferred from NPRF to the Fund as at 31 December 2016. The assets of the NPRF were previously derecognised by the NPRF Commission and are recognised and presented within the Fund's financial statements, in line with financial reporting standards.

A breakdown of the assets remaining in legal ownership of the NPRF as at 31 December reflected in the financial statements of the Fund is listed below:

	2016 €m	2015 €m
Discretionary Portfolio		
Assets	0.4	1
Total Assets legally held in the NPRF	0.4	1

11.2 Transfers to the Exchequer

On 19 March 2015, €1.6bn was transferred to the Exchequer from the Directed Portfolio as directed by the Minister for Finance.

On 18 December 2015, €1.9bn was transferred to the Exchequer from the Directed Portfolio as directed by the Minister for Finance. This amount relates to the proceeds from the AIB preference shares redemption and associated dividends. Under the Direction from the Minister for Finance, €0.2bn of this cash was used to redeem the Minister's outstanding EBS Promissory Notes and the remainder was remitted to the Exchequer.

	2016 €m	2015 €m
Transfer to the Exchequer 19 March 2015	-	1,634
Transfer to the Exchequer 18 December 2015	-	1,866
	-	3,500

11.3 Transfers from the Exchequer

On 6 November 2015, €335m was transferred from the Exchequer to the Fund.

The €335m was contributed by the Exchequer for the purpose of a new Connectivity Fund within the Discretionary Portfolio. The Connectivity Fund has been earmarked for investment in projects that enhance Ireland's physical, virtual or energy connectivity.

	2016 €m	2015 €m
Transfer from the Exchequer	-	335

12. Cash and cash equivalents

	2016 €m	2015 €m
Discretionary Portfolio		
Cash at Central Bank of Ireland	139	1,169
Cash with Global Custodian	255	112
Treasury bills	33	450
	427	1,731
Directed portfolio		
Cash at Central Bank of Ireland	215	240

13. Commitments

13.1 Foreign currency and futures commitments

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

	2016 Notional Principal €m	2016 Unrealised gain / (loss) €m	2015 Notional Principal €m	2015 Unrealised (loss) €m
NTMA				
Foreign exchange contracts	799	(31)	1,614	2
Investment managers				
Foreign exchange contracts	2,110	(15)	18	(0)
Futures contracts	1,973	9	471	(1)
		(37)		1

Foreign exchange contracts

The Fund follows a policy of hedging its foreign currency risk, using forward foreign exchange contracts and cross currency swaps.

The Fund's investment managers are not required to hedge currency exposure. They are permitted to carry out spot and foreign exchange contracts in order to satisfy the settlement of securities transactions, and to manage their portfolios solely in line with the Statement of Investment Objectives and Restrictions agreed with the Fund.

The notional value represents the total contracted foreign exchange contracts outstanding at the year end.

Financial futures

The Fund's investment managers are permitted to execute futures contracts solely in line with the Statement of Investment Objectives and Restrictions agreed with the Fund.

13.2 Uncalled investment commitments

The Fund has entered into commitments related to the funding of investments. These commitments are generally payable on demand based on the funding needs of the investment subject to the terms and conditions of each agreement. As at 31 December 2016, the outstanding commitments totalled €1.4bn (2015: €1.2bn).

The Fund has entered into commitments in respect of certain types of investments as outlined below.

	Time-frame of commitment Years	2016 €m	2015 €m
Total unquoted investments	0-9	866	965
Total loans and receivables	0-2	527	248
Total uncalled commitments		1,393	1,213

Funding of Commitment

The Agency seeks to manage the Fund to ensure that it will always have sufficient liquidity, without omitting attractive investment opportunities, to fund its commitments as they are called.

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

The Fund is not subject to externally imposed capital requirements and as at 31 December 2016, the Discretionary Portfolio was predominantly invested in readily realisable assets.

Notes to the Financial Statements (continued)

14. Related Parties

14.1 Minister for Finance

Ownership of the Fund vests in the Minister for Finance pursuant to section 38(3) of the NTMA Act 2014.

Under section 46(1) and 46(2) of the NTMA Act 2014, the Minister for Finance may make payments into the Fund from the Central Fund. Where the Minister for Finance proposes to make a payment into the Fund, the Houses of the Oireachtas must pass a resolution approving the payment before the Minister for Finance can process the payment.

14.2 National Treasury Management Agency

The Fund is controlled and managed by the Agency pursuant to section 41(1) of the NTMA Act, 2014.

The NTMA Investment Committee (“the Investment Committee”) is a statutory committee provided for by the National Treasury Management Agency Act, 1990 (as amended). The Investment Committee assists the Agency in the control and management of the Fund by making decisions about the acquisition and disposal of assets within such parameters as may be set by the Agency, advising the Agency on the investment strategy for the Fund and overseeing the implementation of the investment strategy. The Agency has delegated investment decisions up to €150m to the Committee. Proposed investments in excess of €150m are referred to the Agency with a recommendation from the Investment Committee.

The Investment Committee is required to comprise of two appointed members of the Agency and not more than five persons who are not members of the Agency but who have acquired substantial relevant expertise and experience and who are appointed by the Agency with the consent of the Minister for Finance.

Under section 48 of the NTMA Act 2014, the expenses of the Agency are defrayed from the Fund. For the year ended 31 December 2016 these expenses were €10.4m (2015: €8.7m).

Key management personnel

The Agency is governed by the Agency members and the administration and business of the Agency is managed and controlled by the Chief Executive. The Chief Executive and the Agency members have the authority and responsibility for planning, directing and controlling the activities of the Agency and therefore are key management personnel of the Agency. Please refer to the NTMA Administration Account financial statements for key management personnel compensation.

14.3 Strategic Banking Corporation of Ireland

The Fund and the Strategic Banking Corporation of Ireland (“SBCI”) are both under the control of the Minister for Finance. The Fund has provided a loan facility of €240m to the SBCI. During the year, the Fund issued €25m (2015: nil) from this loan facility to the SBCI.

15. Financial risk management – Discretionary Portfolio

The Agency is responsible for risk management of the Discretionary Portfolio. In relation to the Directed Portfolio, the Agency’s responsibility is to implement directions from the Minister for Finance and to value relevant securities for the purpose of the Fund’s financial statements, as such, references to the Fund in this note refer to the Discretionary Portfolio.

The base currency of the Fund is euro. The measured returns and monitored portfolio risks are aggregated in euro.

In the ordinary course of its activities, the Agency actively manages a variety of financial risks including investment risk, market risk, credit risk and liquidity risk.

The Agency Risk Management Policy and Framework defines mandatory, high-level minimum standards and definitions for risk management that apply to all parts of the Agency and across all risk categories. These standards are then implemented through the detailed policies and procedures that govern the management of individual risk categories and / or risk management processes.

The Agency Risk Management Framework is predicated on the three-lines-of-defence model and its organisational structure and risk committee structure are aligned in order to establish clear ownership and accountabilities for risk management.

15. Financial risk management – Discretionary Portfolio (continued)

As the first line of defence, the Agency's Business Units and Corporate Functions are primarily responsible for managing risks on a day-to-day basis, taking into account the Agency's risk tolerance and appetite and in line with its policies, procedures, controls and limits.

The second line, which includes the Agency's Risk Management, Compliance and other control functions, is independent of first line management and operations and its role is to challenge decisions that affect the organisation's exposure to risk and to provide comprehensive and understandable information on risks.

The third line includes the Internal Audit function which provides independent, reasonable, risk based assurance to key stakeholders on the robustness of the NTMA's risk management system, governance and the design and operating effectiveness of the internal control environment.

All three lines of defence integrate at the Agency level. A number of Agency and management committees, including the Audit and Risk Committees and the Risk sub-committees, support the Agency in discharging its responsibilities in relation to risk management.

Agency committees:

NTMA Investment Committee

The Investment Committee comprises non-executive members and is responsible for overseeing the Fund's investment strategy. The role of the Investment Committee is described in Note 14.2.

Agency Risk Committee (ARC)

The ARC comprises members of the Agency and reviews the Agency's overall risk identification and assessment processes. It sets a standard for the accurate and timely monitoring of critical risks and reviews reports on any material breaches of risk limits and the adequacy of any proposed action.

Agency Audit Committee

The Agency Audit Committee assists the Agency in the oversight of the quality and integrity of the Agency's financial statements and reviews and monitors the effectiveness of the systems of internal control, the internal audit process and the compliance function, and reviews and considers the outputs from the statutory auditor.

The ARC and the Agency Audit Committee merged on 1 February 2017.

Management committees:

Portfolio Management Committee (PMC)

The first line of defence includes the PMC which comprises senior members of the Fund investment team. The core functions of the PMC are to consider and make investment recommendations to the Agency Investment Committee and provide management oversight of the Fund's investments. The Fund's internal investment process seeks to ensure all investment opportunities are thoroughly evaluated in terms of commerciality, capacity to generate a suitable economic impact and appropriateness in the context of the overall Fund.

Enterprise Risk Management Committee (ERMC)

The ERMC is a management committee which oversees the implementation of the Agency's overall risk appetite and senior management's establishment of appropriate systems (including policies, procedures and risk limits) to ensure enterprise risks are effectively identified, measured, monitored, controlled and reported.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

Management committees (continued):

Counterparty Credit Risk Committee (CCRC)

The CCRC oversees and advises the EMRC on counterparty credit risk exposures. It provides dashboard reporting of relevant counterparty credit risk exposures and details to the EMRC. It formulates policy and it implements and monitors compliance with the Agency Counterparty Credit Risk Management Policy and ensures that all appropriate actions are taken in respect of any breaches.

Market and Liquidity Risk Committee (MLRC)

The MLRC oversees and advises the EMRC on market and liquidity risk exposures. It provides dashboard reporting of relevant market risk and liquidity risk exposures and details to the EMRC. It formulates, implements and monitors compliance with the market and liquidity risk aspects of the Agency's Risk Management framework and policies and ensures that appropriate actions are taken in respect of relevant policy or any breaches.

Operational Risk and Control Committee (ORCC)

The ORCC is a management committee that reviews and recommends to the EMRC for approval the operational risk management framework and associated operational risk policies. The ORCC monitors, reviews and challenges the NTMA's operational risks and reports on operational risk management to the EMRC.

15.1 Investment risk

Investment risk is the risk that actual investment performance deviates from relevant strategies. The Agency has an open appetite for investment risk where it is willing to consider all potential delivery options and choose the one that is most likely to result in successful delivery while also providing an acceptable level of risk-adjusted reward.

Any deviations from relevant investment mandates could result in sub-optimal investment returns or actual capital losses on original outlays. It is therefore vital the ongoing management of investment risk is fully integrated into the activities and objectives of the Fund. While investment risk may arise from insufficiently robust internal assessment or monitoring processes, it can also arise from a variety of external sources such as adverse macro-economic or market developments, regulatory shocks, underperformance of individual investments or fraud.

Investment risk includes the following sub-categories:

- Investment process risk: risk of incurring sub-optimal returns or capital losses due to insufficiently robust assessment or approval processes of investment proposals or subsequent monitoring of transactions;
- Economic impact risk: risk that the economic impact objective of the investment strategy does not materialise;
- Permanent capital loss risk: risk of loss of control over a particular investment or that there are illiquid markets at the time of investment exit; and
- Portfolio concentration risk: risk associated with an over-concentration as a result of the pursuit of an investment strategy including economic / industry sector, geography, counterparty etc.

The NTMA Investment Risk Policy is applicable to the Fund.

15.2 Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Sub-categories of market risk include interest rate risk, foreign exchange risk and market price risk.

The Fund has adopted a GPTS, which is designed to provide adequate liquidity to allow the Fund's transition into an Irish focused portfolio in line with the ISIF's mandate.

The Fund uses derivatives to manage its exposure to foreign currency, interest rate and other price risks. The instruments used include interest rate swaps, forward contracts, futures and options. The Fund does not apply hedge accounting.

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

i) Interest rate risk

Interest rate risk is the risk that movements in interest rates may adversely impact the value of an underlying financial instrument or may impact the cashflows of the Fund.

Interest rate exposure

The following table details the value of fixed-interest bearing securities in the Discretionary Portfolio exposed to the risk fair value may change consequent to a change in interest rates as at 31 December:

	2016 €m	2015 €m
Fixed interest bearing securities		
Maturing within one year	415	1
Maturing between one and five years	1,296	292
Maturing after five years	391	265
Total fixed interest bearing securities	2,102	558

This table reflects the portion of financial securities exposed to the risk fair value may change as a result of changes in interest rates. For disclosure purposes, fixed-interest bearing assets are included in exposures to both price and interest rate risk. The table does not reflect any potential exposure to changes in interest rates relating to investments held in investment funds.

In addition to the interest-bearing securities detailed in the table above, the Fund holds investment cash including cash and cash equivalents of €0.4bn (2015: €1.7bn) (Note 12) and liquid funds of €1.0bn (2015: €1.5bn). These assets are interest-bearing and the future cash flows from these assets will fluctuate with changes in market interest rates.

Sensitivity analysis

The sensitivity analysis below reflects how net assets would have been affected by changes in the relevant risk variable that were reasonably possible at the reporting date. Management has determined that a fluctuation in interest rates of 50 basis points is reasonably possible, considering the economic environment in which the Fund operates.

The table below sets out the effect on the Fund's fixed interest bearing securities of an increase of 50 basis points in interest rates at 31 December. A reduction in interest rates of the same amount would have resulted in an equal but opposite effect to the amounts shown. The impact results primarily from the decrease in the fair value of fixed rate securities. This analysis assumes a linear interest rate curve and that all other variables remain constant.

Effect on Discretionary Portfolio net assets	2016	2015
€m reduction	(11)	(3)
% reduction	-0.13%	-0.04%

ii) Foreign exchange risk

Foreign exchange risk is the risk that movements in exchange rates affect the underlying value of assets, liabilities and derivative instruments that are denominated in a currency other than euro. The present value of future cash flows will fluctuate with changes in exchange rates which can also impact future cashflows.

The Fund has outstanding commitments in respect of property and private equity investments of USD 198m and JPY 16m at 31 December 2016 (USD 181m and JPY 16m at 31 December 2015).

Foreign exchange risk management

The Fund seeks to manage its foreign currency risk using forward foreign exchange contracts and cross currency swaps. The profit / loss on these forward foreign exchange contracts and cross currency swaps offsets the change in the value of the Fund's non-euro investments due to exchange rate movements.

Foreign exchange risk exposure

The following table details the asset value in the Discretionary Portfolio exposed to currency risk both before and after the impact of the currency hedge. In relation to holdings in investment funds, it details the base currency of the relevant fund. When appropriate, the Agency manages the exposure generated by the underlying investments of a fund in addition to its base currency.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

ii) Foreign exchange risk (continued)

	Local Currency 2016 m	Base Currency 2016 €m	Net Exposure 2016 €m
US dollar	2,953	2,801	483
British pound	268	313	24
Swedish krona	9	1	1
Singapore dollar	1	1	1
Danish krone	80	11	0
South Korean won	1	0	0
Australian dollar	5	3	(1)
Japanese yen	967	8	(2)
Swiss franc	3	3	(2)
Hong Kong dollar	11	1	(3)
Norwegian krona	4	0	(4)
New Zealand dollar	-	-	(5)
Canadian dollar	2	2	(10)
Total		3,144	482

	Local Currency 2015 m	Base Currency 2015 €m	Net Exposure 2015 €m
US dollar	2,087	1,917	538
Other*	Various	35	28
British pound	47	63	14
Hong Kong dollar	447	53	39
South Korean won	29,446	23	23
New Taiwan dollar	630	18	18
South African rand	169	10	10
Australian dollar	28	19	9
Brazil real	36	8	8
Canadian dollar	53	35	6
Swedish krona	59	6	(0)
Norwegian krona	19	2	(2)
Swiss franc	7	6	(6)
Japanese yen	1,067	8	(15)
Total		2,203	670

*Other is made up of several currencies including Malaysian ringgit, Indonesian rupiah and Thailand baht.

5. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

ii) Foreign exchange risk (continued)

Sensitivity analysis

The table below sets out the effect on the net assets of a reasonably possible weakening of the US dollar against the euro by 5% (2015: 5%) at 31 December 2016. The analysis assumes that all other variables, in particular interest rates, remain constant.

Effect on Discretionary portfolio net assets	2016	2015
€m reduction	(140)	(27)
% reduction	-1.73%	-0.34%

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

iii) Market price risk

Market price risk is the risk resulting from a change in the value of investments due to changes in the prices of securities unrelated to interest rate or exchange rate changes, such as equities and commodities.

Market price risk exposure

The asset value in the Discretionary Portfolio exposed to market price risk at 31 December is the value of financial investments as detailed in the following table:

	2016	2015
	€m	€m
Exposure to market price risk		
Quoted investments	5,188	3,989
Direct private equity	48	17
Unquoted investments	1,069	572
Property investments	189	236
Private equity investments	469	367
Forestry investments	41	30
Energy investments	26	-
Infrastructure investments	130	125
Long-term receivables	-	18
Derivative instrument assets	9	2
Total financial assets at FVTPL	7,169	5,356
Derivative instrument liabilities	(48)	(1)
Treasury bills	33	450
Total exposed to market price risk	7,154	5,805
Not exposed to market price risk		
Deposits and cash	394	1,281
Loans and receivables	461	395
Total not exposed to market price risk	855	1,676
Total Discretionary Portfolio financial assets and liabilities	8,009	7,481

Market price risk management

A geographical analysis of the Fund's Discretionary Portfolio exposed to market price risk is shown below. Fund investments are shown based on their relevant country of incorporation. The Agency monitors the market price risk inherent in the investment portfolio by ensuring full and timely access to relevant information from the Fund's investment managers. The Agency meets investment managers regularly and at each meeting reviews relevant investment performances.

Analysis by geographical classification	2016	2015
	€m	€m
Europe excluding Ireland	3,503	3,229
North America	1,920	1,635
Ireland	1,035	752
Asia Pacific	106	66
Emerging markets	590	123
Total	7,154	5,805

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.2 Market risk (continued)

iii) Market price risk (continued)

Exposure

The following table sets out the concentration of the Discretionary Portfolio's financial assets and liabilities of the Fund exposed to market price risk by instrument type as at the reporting date.

	2016 €m	2015 €m
Equity and managed fund investments		
Exchange-traded equity investments	335	1,091
Unlisted equity investments	884	758
Direct private equity	48	17
Unquoted investment funds	829	387
Quoted open-ended investment funds	1,473	806
Total equity and managed fund investments	3,569	3,059
Debt securities		
Exchange-traded debt securities	1,941	581
Other debt securities	211	185
Quoted open-ended investment funds	1,439	1,500
Long-term receivable	-	18
Total debt securities	3,591	2,284
Treasury Bills	33	450
Total investment assets	7,193	5,793
Derivative assets / (liabilities)		
Listed equity index options	(0)	11
Unlisted equity options	(1)	-
Foreign currency forward contracts	(46)	2
Foreign currency futures contracts	9	(1)
Credit default swaps	(1)	-
Total derivative assets / (liabilities)	(39)	12
Total	7,154	5,805

Sensitivity analysis

The table below sets out the effect on the net assets of the Discretionary Portfolio of a reasonably possible weakening in market prices of 5% at 31 December 2016. The estimates are made on an individual investment basis. The analysis assumes that all other variables, in particular interest and foreign currency rates, remain constant.

	2016	2015
Effect on Discretionary portfolio net assets		
€m reduction	(358)	(290)
% reduction	-4.4%	-3.7%

15. Financial risk management – Discretionary Portfolio (continued)

15.3 Credit risk

Credit risk arises from the risk that a borrower or counterparty will fail to perform on an obligation leading to a loss of principal or financial reward.

The main direct credit risk to which the Fund is exposed arises from the Fund's investments in debt securities. The Fund is also subject to counterparty credit risk on cash and cash equivalents, balances due from brokers, trading derivative products, trade and other receivables and loans and receivables.

Credit risk management

In managing credit risk the Agency seeks to minimise the impact of credit default on the Fund's financial assets. The Fund aims to mitigate its credit risk exposure by monitoring the size of its credit exposure to, and the creditworthiness of, counterparties. Counterparties are selected based on their overall suitability, financial strength, regulatory environment and specific circumstances.

To control the exposure to the Fund in the event of default, investments are made across a variety of industry sectors and issuers to reduce credit risk concentrations.

The Fund's Global Custodian, Bank of New York Mellon, holds the Fund's securities in segregated accounts, where required, minimising the risk of loss of the securities held by the Global Custodian. In the event of the Global Custodian's failure, the ability of the Fund to transfer the securities might be temporarily impaired. The Fund's Global Custodian is a member of a major securities exchange and at 31 December 2016, held a long-term Moody's credit rating of A1. The Agency monitors the credit rating and Service Organisation Control (SOC 1) reporting of its Global Custodian on a regular basis.

At 31 December 2016, cash held at the Central Bank of Ireland was €139m (2015: €1,169m) and with the Global Custodian was €255m (2015: €112m) (Note 12).

The direct exposure to credit risk in the Discretionary Portfolio at 31 December 2016 is the carrying value of the financial securities as set out below.

	Reference	2016 €m	2015 €m
Cash and cash equivalents	(i)	427	1,731
Balance due from brokers	(ii)	39	-
Debt securities	(iii)	2,151	766
Loans and receivables	(iv)	461	395
Trade and other receivables	(v)	61	396
Derivatives assets	(vi)	9	12
Total		3,148	3,300

i) Cash and cash equivalents

The Fund's cash and cash equivalents are held mainly with the Central Bank of Ireland and the Global Custodian, which are respectively rated AAA (2015: AAA) based on ECB rating and A1 (2015: A1) based on Moody's ratings.

ii) Balances due from brokers

Balances due from brokers represent margin accounts, cash collateral for borrowed securities and sales transactions awaiting settlement. Counterparty credit risk relating to unsettled transactions is considered small due to the short settlement period involved and the high credit quality of the brokers used. As at 31 December 2016, €39m was due from brokers.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.3 Credit risk (continued)

Credit risk management (continued)

iii) Debt securities

At 31 December, the Fund had invested in debt securities issued by entities with the following external credit rating*:

External Rating	2016 €m	2015 €m	2016 %	2015 %
Aa1 to Aa3 / AAA to AA	191	116	10%	15%
A1 to A3 / A+ to A-	504	229	23%	30%
Baa1 to Baa3 / BBB+ to BBB-	992	385	46%	50%
Ba1 to Ba3 / B+ to BB-	225	-	10%	0%
B1 to B3 / B+ to B-	77	-	4%	-
Caa1 to Caa3 / CCC+ to CCC-	6	-	0%	-
No external rating	156	36	7%	5%
	2,151	766	100%	100%

*Where Moody's credit rating is not available Standard and Poor's rating is used.

iv) Loans and receivables

Rating	2016 €m	2015 €m	2016 %	2015 %
No external rating	461	395	100%	100%

The credit risk of loans and receivables is reviewed as part of the impairment review process.

v) Trade and other receivables

Primarily comprises of accrued interest on fixed income securities and amounts due within one year from the sale of private equity investments.

vi) Derivatives

The table below outlines an analysis of derivative assets outstanding at 31 December:

	Fair value €m	Gross Notional amount €m	Fair value %	Notional amount %
2016				
Exchange traded	9	1,973	100%	100%
Total	9	1,973	100%	100%
	Fair value €m	Gross Notional amount €m	Fair value %	Notional amount %
2015				
Exchange traded	10	1,283	83%	44%
OTC – other bilateral	2	1,632	17%	56%
Total	12	2,915	100%	100%

15. Financial risk management – Discretionary Portfolio (continued)

15.3 Credit risk (continued)

Collateral and other credit enhancements, and their financial effect

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

Derivatives

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

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

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

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

15.4 Liquidity risk

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

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

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

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

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

At 31 December 2016, the Fund was predominantly invested in readily realisable assets.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.5 Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events which would affect the Fund's ability to execute its business strategy. Sub-categories of operational risk include people risk, governance risk, third party risk, business continuity management and legal and compliance risk.

An Operational Risk Management and Risk and Control Self-Assessment Framework is applicable to the Agency as a whole. The objective of this framework is to ensure that operational risk is managed in an appropriate and integrated manner across the organisation. This framework outlines the strategy, processes, risk criteria, controls and governance structures in place for managing operational risks within the Agency.

The framework also sets out the methodology for the Risk and Control Self Assessment process which describes the process for adequate and timely identification, assessment, treatment, monitoring and reporting of the risks posed by the activities of the Agency.

The NTMA Business Continuity Management Committee is a sub-committee of the Operational Risk and Control Committee. The role of this committee is to ensure an appropriate and consistent approach to business continuity management across the Agency and providing a supporting role in establishment, implementation, monitoring and improvement of business continuity management activities.

The assessment of the adequacy of the controls and processes in place at the Fund's service providers with respect to operational risk is carried out via regular discussions with the relevant service providers and a review of the service providers' SOC 1 reports on internal controls, if any are available. The Agency reviews the findings documented in the SOC 1 report on the Global Custodian's internal controls annually.

15.6 Capital management

The Fund is not subject to externally imposed capital requirements.

15.7 Fair Values of Financial Instruments

i) Valuation models

The fair values of financial assets and financial liabilities that are traded in active markets that the Fund can access at the measurement date are obtained directly from an exchange on which the instruments are traded. For all other financial instruments, the Fund determines fair values using other valuation techniques.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective and requires varying degrees of judgement depending on liquidity, uncertainty of market factors, pricing assumptions and other risks affecting the specific instrument.

The Fund measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments, quoted prices for identical or similar instruments in markets that are considered less than active or other valuation techniques in which all significant inputs are directly or indirectly observable from market data; and
- Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for instruments but for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques may include net present value and discounted cash flow models, comparison with similar instruments for which observable market prices exist and other valuation models. Assumptions and inputs used in valuation techniques may include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity indices, earnings multiples and revenue multiples and expected price volatilities and correlations.

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair Values of Financial Instruments (continued)

i) Valuation models (continued)

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Fund uses widely recognised valuation models for determining the fair value of common and simple financial instruments that use mainly observable market data and require little management judgement and estimation. Observable prices and model inputs are usually available in the financial markets for listed debt and equity securities, exchange traded derivatives and simple OTC derivatives. The availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with the determination of fair values. The availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

ii) Valuation framework

The Fund has a management control framework for the measurement of fair values. The valuation process is overseen by the Valuation Committee ("the Committee"), a management committee responsible for developing the Fund's valuation processes and procedures, conducting periodic reviews of those procedures and evaluating their consistent application. During the year, the Committee comprised of the Chief Financial and Operating Officer, the Chief Risk Officer and other ISIF and Agency senior management personnel. The Valuation Committee assists the Agency in the determination of the valuation of investments of the Fund.

The valuation process and procedures are defined depending on the instrument type. Where third party information is used to measure fair value, reviews are undertaken and documented to support the resulting valuations. This includes:

- verifying that the broker or pricing service is approved by the Fund for use in pricing the relevant type of financial instrument;
- understanding how the fair value has been arrived at and the extent to which it represents actual market transactions;
- when prices for similar instruments are used to measure fair value, understanding how these prices have been adjusted to reflect the characteristics of the instrument subject to measurement; and
- if a number of quotes for the same financial instrument have been obtained, reviewing how fair value has been determined using those quotes.

In addition, an external independent review is conducted of the existence and valuation of the investment positions included in the ISIF Discretionary Portfolio as at 31 December.

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair Values of Financial Instruments (continued)

ii) Valuation framework (continued)

The table below analyses financial instruments measured at fair value at the reporting date by the level in the fair value hierarchy. The amounts are based on the values recognised in the Statement of Financial Position. All fair value measurements below are recurring.

2016	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets and liabilities at fair value through profit and loss				
i) Equities and managed funds				
Quoted equities	335	-	-	335
Direct private equity	-	-	48	48
Unquoted equities	-	-	0	0
Quoted investment funds	2,912	-	-	2,912
Unquoted investment funds	-	829	-	829
Convertible preference shares	-	-	29	29
ii) Debt securities				
Unlisted debt securities	-	166	44	210
Listed debt securities	1,941	-	-	1,941
Convertible loan	-	-	1	1
iii) Limited partnerships / trusts				
Property investments	-	-	189	189
Private equity investments	-	-	469	469
Forestry investments	-	-	41	41
Energy investments	-	-	26	26
Infrastructure investments	-	-	130	130
iv) Derivatives financial assets				
Futures contracts	9	-	-	9
	5,197	995	977	7,169
v) Derivatives financial liabilities				
Equity options	(0)	(1)	-	(1)
Foreign exchange contracts	-	(46)	-	(46)
Credit default swaps	-	(1)	-	(1)
Total	5,197	947	977	7,121
Treasury bills	33	-	-	33
	5,230	947	977	7,154

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair Values of Financial Instruments (continued)

ii) Valuation framework (continued)

2015	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Financial assets and liabilities at fair value through profit and loss				
i) Equities and managed funds				
Quoted equities	1,091	-	-	1,091
Direct private equity	-	-	17	17
Unquoted equities	-	-	0	0
Quoted investment funds	2,306	-	-	2,306
Unquoted investment funds	-	387	-	387
Long-term receivables	-	18	-	18
ii) Debt securities				
Unlisted debt securities	-	160	25	185
Listed debt securities	581	-	-	581
iii) Limited partnerships / trusts				
Property investments	-	-	236	236
Private equity investments	-	-	367	367
Forestry investments	-	-	30	30
Infrastructure investments	-	-	125	125
iv) Derivatives financial assets				
Equity options	11	-	-	11
Foreign exchange contracts	-	2	-	2
	3,989	567	800	5,356
v) Derivatives financial liabilities				
Futures contracts	(1)	-	-	(1)
Total	3,988	567	800	5,355
Treasury bills	450	-	-	450
	4,438	567	800	5,805

Notes to the Financial Statements (continued)

15. Financial risk management – Discretionary Portfolio (continued)

15.7 Fair Values of Financial Instruments (continued)

ii) Valuation framework (continued)

The following table shows a reconciliation from the opening balances to the closing balances for fair value measurements in Level 3 of the fair value hierarchy:

	Total €m
Balance at 1 January 2016	800
Total gains or losses recognised in profit or loss	62
Purchases	289
Sales	(174)
Balance at 31 December 2016	977
	Total €m
Balance at 1 January 2015	606
Total gains or losses recognised in profit or loss	91
Purchases	229
Sales	(126)
Balance at 31 December 2015	800

16. Financial risk management – Directed Portfolio

16.1 Fair Values of Financial Instruments

i) Valuation framework

All investments and disposals relating to the Directed Portfolio are made at the direction of the Minister for Finance. The Agency's responsibilities regarding the Directed Portfolio include the implementation of directions from the Minister and the valuation of relevant securities for the purpose of the Fund's financial statements.

As the Fund's ordinary shareholding of 99.9% in AIB leaves a free float of only 0.1%, the Agency engaged an external firm to provide an independent fair market value of the Fund's holding as at 31 December 2016 for the purpose of valuing this investment in line with generally accepted accounting principles.

The Fund's ordinary shareholding in Bank of Ireland was valued at its relevant quoted market price at 31 December 2016.

The Fund's Global Custodian, Bank of New York Mellon, holds the Fund's investments in Bank of Ireland and AIB in segregated accounts. In the event of the Global Custodian's failure, the ability of the Fund to transfer these securities might be temporarily impaired. Bank of New York Mellon is a member of a major securities exchange and at 31 December 2016 held a long-term Moody's credit rating of A1. The Agency monitors the credit ratings of its Global Custodian on a regular basis and reviews the findings documented in the SOC 1 report on the Global Custodian's internal controls on a regular basis.

16. Financial risk management – Directed Portfolio (continued)

16.1 Fair Values of Financial Instruments (continued)

i) Valuation framework (continued)

The table below analyses financial instruments at fair value at the reporting date by the level in the fair value hierarchy. The amounts are based on the values recognised in the Statement of Financial Position. All fair value measurements below are recurring.

2016	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Allied Irish Banks	-	11,595	-	11,595
Bank of Ireland	1,056	-	-	1,056
	1,056	11,595	-	12,651

2015	Level 1 €m	Level 2 €m	Level 3 €m	Total €m
Allied Irish Banks	-	12,236	-	12,236
Bank of Ireland	1,525	-	-	1,525
	1,525	12,236	-	13,761

Market price risk exposure

The cumulative Directed Portfolio asset value exposed to market price risk at 31 December 2016 comprises the value of investments as detailed in the following table:

	2016 €m	2015 €m
Exposure to market risk		
Allied Irish Banks	11,595	12,236
Bank of Ireland	1,056	1,525
Total financial assets FVTPL	12,651	13,761
Not exposed to market price risk		
Cash	215	240
SBCI Loan	25	-
Total not exposed to market price risk	240	240
Total Directed Investments	12,891	14,001

17. Contingent liabilities

The National Treasury Management Agency (Amendment) Act 2014 provides for the transfer of the liabilities of the National Pensions Reserve Fund Commission (the "Commission") to the NTMA (as controller and manager of the ISIF) on and after the date of constitution of the ISIF, and states that the NTMA (as controller and manager of the ISIF) is responsible for discharging the obligations of the Commission under any such liability. In this regard, litigation is ongoing in New York in respect of the 2007 leveraged buy-out of the Tribune Company. The litigation involves more than 5,000 shareholders of the Tribune Company, including the Commission. In January 2017 a New York District Court judge dismissed the claim. The plaintiff is seeking to appeal that decision to the U.S. Second Circuit Court of Appeals. As of the reporting date, the NTMA (as controller and manager of the ISIF) has a possible but uncertain obligation in respect of this case and therefore no provision has been recognised. In addition, the possibility of an outflow of resources cannot be reliably estimated, nor is it practicable to estimate the financial effect, if any, on the NTMA of the outcome of the case on the ISIF.

Notes to the Financial Statements (continued)

18. Events after the reporting date

The €25m loan issued by the Fund to the SBCI during the year was converted into share capital of the SBCI by the Minister for Finance in February 2017. The share capital of the SBCI is held by the Minister for Finance.

AIB has declared a dividend of €250m, which will be paid to the Fund in cash on 9 May 2017 and transferred to the Discretionary Portfolio.

19. Approval of financial statements

The financial statements were approved by the Agency on 8 May 2017.

Portfolio of Investments Ireland Strategic Investment Fund

31 December 2016

Quoted Equities

EUROPE		
Belgium		
Holding	Security Description	Value €m
19,763	Anheuser-Busch	1.98
		1.98
	% of Total Investments	0.01%

Denmark		
Holding	Security Description	Value €m
17,454	Novo Nordisk	0.60
		0.60
	% of Total Investments	0.00%

Finland		
Holding	Security Description	Value €m
175,913	Citycon	0.41
159,669	Nokia	0.73
		1.14
	% of Total Investments	0.01%

France		
Holding	Security Description	Value €m
10,638	Air Liquide	1.12
15,561	Airbus	0.98
56,929	AXA	1.37
30,598	BNP Paribas	1.85
14,216	Cie De Saint-Gobain	0.63
16,725	Danone	1.01
44,802	Engie	0.54
5,967	Essilor International	0.64
6,751	Fonciere Des Regions	0.56
24,310	Klepierre	0.91
6,680	L'Oreal	1.16
7,427	LVMH Moet Hennessy Louis Vuitton	1.35
54,782	Orange	0.79
9,654	Safran	0.66
32,118	Sanofi	2.47
16,189	Schneider Electric	1.07
22,097	Societe Generale	1.03
68,323	Total	3.32
2,718	Unibail-Rodamco	0.61
15,262	Vinci	0.98
27,930	Vivendi	0.50
		23.53
	% of Total Investments	0.11%

Germany		
Holding	Security Description	Value €m
12,261	Adidas	1.83
12,503	Allianz	1.96
25,130	BASF	2.21
38,136	Bayer	3.77
8,773	Bayerische Motoren Werke [BMW]	0.78
15,737	Beiersdorf	1.27
27,270	Daimler	1.92

Germany (continued)		
Holding	Security Description	Value €m
37,738	Deutsche Bank	0.65
26,237	Deutsche Post	0.82
87,040	Deutsche Telekom	1.42
54,443	E.On	0.37
11,007	Fresenius & Co	0.81
11,420	GEA Group	0.44
4,406	Muenchener Rueckversicherungs	0.79
27,048	SAP	2.23
23,257	Siemens	2.70
5,009	Volkswagen	0.67
33,290	Vonovia	1.03
		25.67
	% of Total Investments	0.12%

Ireland		
Holding	Security Description	Value €m
3,391	Accenture	0.38
164	Alkermes	0.01
816	Allegion	0.05
1,510	Allergan	0.30
2,789,297	Bank Of Ireland	0.65
22,758	CRH	0.75
2,110	Eaton Corp	0.13
5,479	Endo International	0.09
351,565	Green Reit	0.48
1,374	Ingersoll-Rand	0.10
3,806	Johnson Controls International	0.15
5,000,000	Malin Corp	58.03
1,856	Mallinckrodt	0.09
5,868	Medtronic	0.40
92,941	National Toll Road Eur 0.00125	0.01
799	Pentair	0.04
1,040	Perrigo	0.08
974	Seagate Technology	0.04
353	Willis Towers Watson	0.04
		61.80
	% of Total Investments	0.30%

Israel		
Holding	Security Description	Value €m
1	Africa Israel Investments	0.00
1	Airport City	0.00
0	Energix-Renewable Energies	0.00
1,073	Ituran Location And Control	0.03
0	Tower Semiconductor	0.00
		0.03
	% of Total Investments	0.00%

Italy		
Holding	Security Description	Value €m
212,518	Enel	0.89
69,503	ENI	1.07
393,397	Intesa Sanpaolo	0.95
		2.91
	% of Total Investments	0.01%

Jersey Channel Islands		
Holding	Security Description	Value €m
679	Dehi Automotive	0.04
		0.04
	% of Total Investments	0.00%

Netherlands		
Holding	Security Description	Value €m
10,133	ASML Holding	1.08
1,581	Chicago Bridge & Iron	0.05
106,111	ING Groep	1.42
35,057	Koninklijke Ahold Delhaize	0.70
25,951	Koninklijke Philips	0.75
1,082	Lyondellbasell Industries	0.09
2,854	Mylan	0.10
335	Qiagen	0.01
66,436	Royal Dutch Shell PLC B	1.83
71,429	SNS Reaal Groep NV Eur1.63	0.06
		6.08
	% of Total Investments	0.03%

Norway		
Holding	Security Description	Value €m
39,690	Entra	0.37
9,183	Opera Software	0.04
		0.41
	% of Total Investments	0.00%

Spain		
Holding	Security Description	Value €m
179,666	Banco Bilbao Vizcaya Argentari	1.15
398,979	Banco Santander	1.98
157,132	Iberdrola	0.98
28,754	Industria De Diseno Textil	0.93
2,662	Let's Gowex	0.02
55,637	Merlin Properties Socimi	0.57
118,984	Telefonica	1.05
		6.68
	% of Total Investments	0.03%

Sweden		
Holding	Security Description	Value €m
38,484	Svenska Cellulosa	1.04
		1.04
	% of Total Investments	0.00%

Switzerland		
Holding	Security Description	Value €m
516	Allied World Assurance	0.03
1,939	Chubb	0.24
710	Garmin	0.03
10,102	Novartis	0.70
5,623	PSP Swiss Property	0.46
1,788	Syngenta	0.67
989	TE Connectivity	0.07
4,134	Transocean	0.06
56,697	UBS Group	0.84
28,420	Wolseley	1.65
		4.74
	% of Total Investments	0.02%

United Kingdom		
Holding	Security Description	Value €m
22,783	African Minerals	0.00
1,546	Aon	0.16
538	Arris International	0.02
517	Atlassian Corp	0.01
47,971	Big Yellow Group	0.38
10,904,502	Draper Esprit	44.16
5,802	Enesco	0.05
74,594	Hammerson	0.50
717	Liberty Global PLC Lilac	0.01
1	Livanova	0.00
1,204	Nielsen Holdings	0.05
7,889	Noble	0.04
2,924	Rowan Cos	0.05
25,670	Shanks Group	0.03
43,041	Unilever	1.68
56,332	Unite Group	0.40
		47.56
	% of Total Investments	0.23%
	Total European Quoted Equities	184.22
	% of Total Investments	0.88%

NORTH AMERICA		
Canada		
Holding	Security Description	Value €m
29,091	H&R Real Estate Investment Tr Stapled Unit	0.46
14,876	Smart Reit Variable Vtg Unit	0.34
700	Thomson Reuters Corp	0.03
		0.83
	% of Total Investments	0.00%

United States		
Holding	Security Description	Value €m
2,967	3M	0.50
42,140	Abbott Laboratories	1.54
7,791	Abbvie	0.46
501	Abiomed	0.05
22,323	Acadia Realty Trust	0.69

United States (continued)		
Holding	Security Description	Value €m
2,681	Activision Blizzard	0.09
304	Acuity Brands	0.07
2,234	Adobe Systems	0.22
514	Advance Auto Parts	0.08
1,518	Aecom	0.05
4,262	AES	0.05
1,818	Aetna	0.21
8,181	Affiliated Managers Group	1.13
2,314	Aflac	0.15
725	Agco	0.04
1,411	Agilent Technologies	0.06
2,331	Agnc Investment Corp	0.04
816	Air Products & Chemicals	0.11
907	Akamai Technologies	0.06
437	Akorn	0.01
703	Alaska Air Group	0.06
516	Albemarle	0.04
1,272	Alcoa	0.03
250	Alexandria Real Estate Equitie	0.03
740	Alexion Pharmaceuticals	0.09
700	Align Technology	0.06
62	Alleghany	0.04
375	Alliance Data Systems	0.08
1,753	Alliant Energy	0.06
500	Allison Transmission Holdings	0.02
2,300	Allscripts Healthcare Solution	0.02
1,955	Allstate	0.14
2,764	Ally Financial	0.05
901	Ahabet	0.68
2,605	Ahabet Inc-CI A	1.96
1,418	Ahabet Inc-CI C	1.04
1,852	Amazon.com	1.32
963	Amdocs	0.05
29	Amerco	0.01
1,609	Ameren	0.08
1,405	American Airlines Group	0.06
509	American Campus Communities	0.02
1,950	American Electric Power	0.12
3,914	American Express	0.28
495	American Financial Group Inc/O	0.04
1,579	American Homes 4 Rent	0.03
3,507	American International Group I	0.22
200	American National Insurance	0.02
21,496	American Tower	2.16
1,185	American Water Works	0.08
674	Ameriprise Financial	0.07
1,223	Amerisourcebergen	0.09
1,074	Ametek	0.05
3,612	Amgen	0.50
1,937	Amphenol	0.12
602	Amtrust Financial Services	0.02

United States (continued)		
Holding	Security Description	Value €m
1,831	Anadarko Petroleum	0.12
1,529	Analog Devices	0.11
4,646	Annaly Capital Management	0.04
200	Ansys	0.02
1,268	Anthem	0.17
800	Ao Smith	0.04
1,525	Apache	0.09
736	Apartment Investment & Management	0.03
666	Apple Hospitality Reit	0.01
25,965	Apple	2.85
5,136	Applied Materials	0.16
211	Aptargroup	0.01
611	Aqua America	0.02
700	Aramark	0.02
3,676	Archer-Daniels-Midland	0.16
2,214	Arconic	0.04
400	Arista Networks	0.04
700	Arrow Electronics	0.05
1,350	Arthur J Gallagher & Co	0.07
1,579	Artisan Partners Asset Management	0.04
100	Ashland Global Holdings	0.01
654	Associated Banc-Corp	0.02
513	Assurant	0.05
29,527	AT&T	1.19
300	Athenahealth	0.03
415	Atmos Energy	0.03
781	Autodesk	0.05
1,924	Automatic Data Processing	0.19
506	Autonation	0.02
185	Autozone	0.14
8,883	Avalonbay Communities	1.49
1,235	Avangrid	0.04
636	Avery Dennison	0.04
341	Avnet	0.02
271	B/E Aerospace	0.02
2,146	Baker Hughes	0.13
670	Ball	0.05
45,587	Bank Of America	0.96
361	Bank Of Hawaii	0.03
4,496	Bank Of New York Mellon	0.20
245	Bankunited	0.01
2,321	Baxter International	0.10
3,408	BB&T	0.15
805	Becton Dickinson And Co	0.13
2,621	Bed Bath & Beyond	0.10
400	Bemis	0.02
9,097	Berkshire Hathaway	1.41
402	Berry Plastics Group	0.02
2,811	Best Buy	0.11
2,434	Biogen	0.65
135	Bio-Rad Laboratories	0.02
151	Bio-Techne	0.01

Quoted Equities (continued)

United States (continued)			United States (continued)			United States (continued)		
Holding	Security Description	Value €m	Holding	Security Description	Value €m	Holding	Security Description	Value €m
294	Black Knight Financial Service	0.01	4,182	Charles Schwab	0.16	5,352	Corning	0.12
447	Blackrock	0.16	854	Charter Communications	0.23	1,152	Corporate Office Properties	0.03
2,809	Blue Buffalo Pet Products	0.06	4,265	Chesapeake Energy	0.03	7,317	Costco Wholesale	1.11
2,463	Boeing	0.36	22,125	Chesapeake Lodging	0.54	2,159	Coty	0.04
129	Bok Financial	0.01	7,822	Chevron	0.87	542	CR Bard	0.12
1,300	Booz Allen Hamilton Holding	0.04	4,639	Chimera Investment	0.07	344	Crane	0.02
718	Borgwarner	0.03	103	Chipotle Mexican Grill	0.04	114	Credit Acceptance	0.02
10,991	Boston Properties	1.31	636	Choice Hotels International	0.03	1,200	Cree	0.03
5,916	Boston Scientific	0.12	1,845	Church & Dwight	0.08	1,243	Crown Castle International	0.10
1,100	Brandywine Realty Trust	0.02	1,273	Cigna	0.16	301	Crown Holdings	0.02
1,000	Brinker International	0.05	411	Cimarex Energy	0.05	448	CSRA	0.01
7,252	Bristol-Myers Squibb	0.40	1,186	Cincinnati Financial	0.09	3,940	CSX	0.13
44,817	Brixmor Property Group	1.04	437	Cinemark Holdings	0.02	353	Cubesmart	0.01
700	Broadridge Financial Solutions	0.04	950	Cintas	0.10	125	Cullen/Frost Bankers	0.01
2,179	Brocade Communications Systems	0.03	22,367	Cisco Systems	0.64	728	Cummins	0.09
800	Brown & Brown	0.03	690	Cit Group	0.03	5,407	CVS Health	0.40
2,858	Brown-Forman	0.12	12,594	Citigroup	0.71	18,333	Cyrusone	0.78
1,169	Bruker C	0.02	2,534	Citizens Financial Group	0.09	2,831	Danaher	0.21
230	Brunswick	0.01	1,355	Citrix Systems	0.11	779	Darden Restaurants	0.05
832	Burlington Stores	0.07	191	Clean Harbors	0.01	1,158	Davita	0.07
653	BWX Technologies	0.02	2,757	Clear Channel Outdoor Holdings	0.01	631	DCT Industrial Trust	0.03
1,642	CA	0.05	1,072	Clorox	0.12	48,414	DDR	0.70
246	Cabela's	0.01	1,537	CME Group	0.17	1,027	Deere	0.10
46	Cable One	0.03	1,910	CMS Energy	0.08	1,987	Dell Technologies Inc Class V	0.10
1,011	Cabot	0.05	500	CNA Financial	0.02	3,642	Delta Air Lines	0.17
2,210	Cabot Oil & Gas	0.05	2,412	Coach	0.08	1,178	Dentsply Sirona	0.06
3,000	Cadence Design Systems	0.07	16,448	Coca-Cola	0.65	2,018	Devon Energy	0.09
7,468	Caine	0.08	319	Cognex	0.02	900	Dexcom	0.05
464	Camden Property Trust	0.04	2,820	Cognizant Technology Solutions	0.15	494	Diamond Offshore Drilling	0.01
1,261	Campbell Soup	0.07	1,193	Colfax	0.04	156	Diamondback Energy	0.01
2,297	Capital One Financial	0.19	4,439	Colgate-Palmolive	0.28	1,300	Dick's Sporting Goods	0.07
1,501	Cardinal Health	0.10	479	Columbia Property Trust	0.01	985	Digital Realty Trust	0.09
12,561	Care Capital Properties	0.30	10,709	Comcast	0.70	1,425	Dillard's	0.08
359	Carlisle Cos	0.04	574	Comerica	0.04	2,077	Discover Financial Services	0.14
643	Carmax	0.04	525	Commerce Bancshares I	0.03	2,101	Discovery Communications	0.05
600	Carter's	0.05	2,489	Commercehub	0.04	200	Dish Network	0.01
380	Casey's General Stores	0.04	293	Commscope Holding	0.01	600	Dolby Laboratories	0.03
2,472	Caterpillar	0.22	597	Communications Sales & Leasing	0.01	1,844	Dollar General	0.13
1,137	CBOE Holdings	0.08	134	Compass Minerals International	0.01	1,137	Dollar Tree	0.08
1,386	CBRE Group	0.04	450	Computer Sciences	0.03	2,719	Dominion Resources	0.20
1,136	CBS	0.07	2,868	Conagra Brands	0.11	571	Domino's Pizza	0.09
200	CDK Global	0.01	418	Concho Resources	0.05	1,124	Donaldson	0.04
600	CDW	0.03	3,918	Conocophillips	0.19	875	Donnelley Financial Solutions	0.02
143	Celanese	0.01	418	Consol Energy	0.02	800	Douglas Emmett	0.03
12,582	Celgene	1.38	1,739	Consolidated Edison	0.12	709	Dover	0.05
558	Centene	0.03	769	Constellation Brands	0.11	4,208	Dow Chemical	0.23
3,178	Centerpoint Energy	0.07	204	Continental Resources	0.01	2,513	Dr Horton	0.07
4,786	Centurylink	0.11	328	Cooper Cos	0.05	1,311	Dr Pepper Snapple Group	0.11
1,494	Cerner	0.07	634	Copart	0.03	294	Dril-Quip	0.02
766	CF Industries Holdings	0.02	392	Corecivic	0.01	252	Dst Systems	0.03
1,671	CH Robinson Worldwide	0.12	1,600	Corelogic Inc/United States	0.06	1,090	DTE Energy	0.10
400	Charles River Laboratories	0.03				2,956	Duke Energy	0.22
						1,400	Duke Realty	0.04

United States (continued)		
Holding	Security Description	Value €m
419	Dun & Bradstreet	0.05
315	Dunkin' Brands Group	0.02
929	E*Trade Financial	0.03
163	Eagle Materials	0.02
6,623	Eastgroup Properties	0.46
986	Eastman Chemical	0.07
1,290	Eaton Vance	0.05
6,050	Ebay	0.17
212	Echostar	0.01
1,118	Ecolab	0.12
189	Edgewell Personal Care	0.01
1,613	Edison International	0.11
1,204	Edwards Lifesciences	0.11
3,228	Ei Du Pont De Nemours	0.22
13,743	Electronic Arts	1.03
4,186	Eli Lilly	0.29
2,540	Emerson Electric	0.13
1,100	Empire State Realty Trust	0.02
475	Energizer Holdings	0.02
923	Entergy	0.06
578	Envision Healthcare	0.03
2,115	EOG Resources	0.20
323	EPR Properties	0.02
793	EQT	0.05
574	Equifax	0.06
339	Equinix	0.11
900	Equity Commonwealth	0.03
177	Equity Lifestyle Properties	0.01
540	Equity One	0.02
18,291	Equity Residential	1.12
500	Erie Indemnity	0.05
274	Essex Property Trust	0.06
1,829	Estee Lauder	0.13
1,588	Eversource Energy	0.08
4,508	Exelon	0.15
389	Expedia	0.04
1,098	Expeditors International of Washington	0.06
2,877	Express Scripts Holding	0.19
569	Extended Stay America	0.01
535	Extra Space Storage	0.04
18,403	Exxon Mobil	1.58
794	F5 Networks	0.11
10,582	Facebook	1.16
400	Factset Research Systems	0.06
2,360	Fastenal	0.11
6,720	Federal Realty Investment	0.91
1,000	Federated Investors	0.03
8,054	Fedex	1.42
1,709	Fidelity National Information	0.12
4,172	Fifth Third Bancorp	0.11
289	First American Financial	0.01
3,397	First Data	0.05

United States (continued)		
Holding	Security Description	Value €m
813	First Horizon National	0.02
248	First Republic Bank	0.02
251	First Solar	0.01
2,471	Firstenergy	0.07
1,189	Fiserv	0.12
2,900	Fitbit	0.02
68	Fleetcor Technologies	0.01
852	Flir Systems	0.03
5,262	Flowers Foods	0.10
427	Flowsolve	0.02
1,187	Fluor	0.06
665	FMC	0.04
1,643	FMC Technologies Inc	0.06
500	FNF Group	0.02
1,309	Foot Locker	0.09
19,371	Ford Motor	0.22
600	Fortinet	0.02
1,501	Fortive	0.08
925	Fortune Brands Home & Security	0.05
1,226	Franklin Resources	0.05
5,921	Freeport-Mcmoran	0.07
3,837	Frontier Communications	0.01
3,200	Gamestop	0.08
730	Gaming And Leisure Properties	0.02
4,318	GAP	0.09
566	Gartner	0.05
1,165	General Dynamics	0.19
36,833	General Electric	1.11
2,442	General Growth Properties	0.06
2,448	General Mills	0.14
4,863	General Motors	0.16
304	Genesee & Wyoming	0.02
570	Gentex	0.01
1,243	Genuine Parts	0.11
7,374	Gilead Sciences	0.50
506	Global Payments	0.03
1,115	Goldman Sachs Group	0.25
1,170	Goodyear Tire & Rubber	0.03
491	Graco	0.04
20	Graham Holdings	0.01
1,700	Graphic Packaging Holding	0.02
766	Great Plains Energy	0.02
13,983	Groupon	0.04
2,275	H&R Block	0.05
1,138	Hain Celestial Group	0.04
3,238	Halliburton	0.17
1,887	Hanesbrands	0.04
349	Hanover Insurance	0.03
783	Harley-Davidson	0.04
364	Harman International Industries	0.04
809	Harris	0.08

United States (continued)		
Holding	Security Description	Value €m
2,312	Hartford Financial Services	0.10
1,169	Hasbro	0.09
800	Hawallan Electric Industries	0.03
1,061	HCA Holdings	0.07
28,429	HCP	0.80
629	HD Supply Holdings	0.03
610	Healthcare Trust Of America	0.02
736	Heico	0.05
355	Helmerich & Payne	0.03
618	Henry Schein	0.09
1,371	Hershey	0.13
870	Hess	0.05
7,443	Hewlett Packard Enterprise	0.16
209	Hexcel	0.01
443	Highwoods Properties	0.02
300	Hill-Rom Holdings	0.02
564	Hilton Worldwide Holdings	0.01
1,196	Hologic	0.05
5,789	Home Depot	0.74
15,303	Honeywell International	1.68
1,508	Hormel Foods	0.05
1,219	Hospitality Properties Trust	0.04
5,257	Host Hotels & Resorts	0.09
8,532	HP	0.12
241	Hubbell	0.03
641	Humana	0.12
3,631	Huntington Bancshares	0.05
234	Huntington Ingalls Industries	0.04
2,124	Huntsman	0.04
412	Hyatt Hotels	0.02
161	IAC	0.01
400	IDEX	0.03
761	IDEXX Laboratories	0.08
1,646	Illinois Tool Works	0.19
683	Illumina	0.08
664	Ingredion	0.08
23,262	Intel	0.80
34,157	Intercontinental Exchange	1.83
4,546	International Business Machine	0.72
385	International Flavors & Fragrances	0.04
2,040	International Paper	0.10
2,035	Interpublic	0.05
11,628	Intuit	1.26
201	Intuitive Surgical	0.12
1,546	Iron Mountain	0.05
596	Jack Henry & Associates	0.05
1,691	Jacobs Engineering Group	0.09
602	JB Hunt Transport Services	0.06
4,400	JC Penney Co	0.03
2,485	Jetblue Airways	0.05
986	JM Smucker	0.12
593	John Wiley & Sons	0.03

Quoted Equities (continued)

United States (continued)			United States (continued)			United States (continued)		
Holding	Security Description	Value €m	Holding	Security Description	Value €m	Holding	Security Description	Value €m
13,173	Johnson & Johnson	1.44	555	M&T Bank	0.08	200	National Fuel Gas	0.01
90	Jones Lang LaSalle	0.01	661	Macerich	0.04	2,049	National Instruments	0.06
17,236	JPMorgan Chase & Co	1.41	262	Macquarie Infrastructure	0.02	2,242	National Oilwell Varco	0.08
1,567	Juniper Networks	0.04	3,419	Macy's	0.12	477	National Retail Properties	0.02
483	Kansas City Southern	0.04	71	Madison Square Garden	0.01	5,026	Navient	0.08
345	Kar Auction Services	0.01	858	Manhattan Associates	0.04	488	NCR	0.02
2,453	Kate Spade	0.04	898	Manitowoc FoodService	0.02	2,238	Netapp	0.07
1,222	KBR	0.02	695	Manpowergroup	0.06	1,801	Netflix	0.21
1,315	Kellogg	0.09	2,771	Marathon Oil	0.05	1,100	New York Community Bancorp	0.02
5,490	Keycorp	0.10	1,921	Marathon Petroleum	0.09	25,594	Newell Brands	1.08
991	Keysight Technologies	0.03	24	Markel	0.02	651	Newfield Exploration	0.03
200	Kilroy Realty	0.01	273	Marketaxess Holdings	0.04	100	Newmarket	0.04
1,801	Kimberly-Clark	0.19	1,277	Marriott International	0.10	2,501	Newmont Mining	0.08
2,032	Kimco Realty	0.05	2,983	Marsh & McLennan Cos	0.19	6,084	News	0.07
6,578	Kinder Morgan	0.13	335	Martin Marietta Materials	0.07	2,156	Nextera Energy	0.24
362	Kirby	0.02	2,197	Masco	0.07	15,582	Nike	0.75
1,023	Kla-Tencor	0.08	3,972	Mastercard	0.39	2,134	Nisource	0.04
2,186	Kohl's	0.10	700	Match Group	0.01	1,409	Noble Energy	0.05
2,401	Kraft Heinz	0.20	2,067	Mattel	0.05	349	Nordson	0.04
5,032	Kroger	0.16	439	Maxim Integrated Products	0.02	1,626	Nordstrom	0.07
1,509	L Brands	0.09	880	McCormick & Co	0.08	954	Norfolk Southern	0.10
634	Laboratory Corporation of America	0.08	3,669	McDonald's	0.42	22,807	Northern Trust	1.93
1,208	LAM Research	0.12	942	McKesson	0.13	850	Northrop Grumman	0.19
366	Lamar Advertising	0.02	1,109	MDU Resources Group	0.03	9,106	NRG Energy	0.11
433	Lamb Weston Holdings	0.02	1,412	Mead Johnson Nutrition	0.09	2,021	Nu Skin Enterprises	0.09
991	Landstar System	0.08	200	Mednax	0.01	3,624	Nuance Communications	0.05
779	Laredo Petroleum	0.01	13,604	Merck & Co	0.76	1,339	Nucor	0.08
534	Las Vegas Sands	0.03	300	Mercury General	0.02	2,584	NVIDIA	0.26
262	Lear	0.03	4,736	Metlife	0.24	23	NVR	0.04
846	Leggett & Platt	0.04	248	Mettler-Toledo International	0.10	2,838	Occidental Petroleum	0.19
288	Leidos Holdings	0.01	8,519	MFA Financial	0.06	1,323	Oceaneering International	0.04
1,299	Lennar	0.05	586	MGM Resorts International	0.02	907	OGE Energy	0.03
470	Lennox International	0.07	1,900	Michaels Cos	0.04	261	Old Dominion Freight Line	0.02
1,551	Leucadia National	0.03	1,250	Microchip Technology	0.08	2,115	Old Republic International	0.04
1,460	Level 3 Communications	0.08	3,408	Micron Technology	0.07	305	Omega Healthcare Investors	0.01
572	Liberty Broadband	0.04	36,554	Microsoft	2.15	1,387	Omnicom Group	0.11
1,300	Liberty Interactive	0.02	14,073	Mid-America Apartment Communit	1.31	4,652	On Semiconductor	0.06
2,500	Liberty Media Corp-Liberty	0.08	165	Middleby	0.02	1,195	Oneok	0.07
627	Liberty Property Trust	0.02	264	Mohawk Industries	0.05	14,783	Oracle	0.54
313	Liberty Ventures	0.01	839	Molson Coors Brewing	0.08	560	O'Reilly Automotive	0.15
8,105	Life Storage	0.66	5,662	Mondelez International	0.24	670	Oshkosh	0.04
158	Lifepoint Health	0.01	1,858	Monsanto	0.19	433	Outfront Media	0.01
600	Lincoln Electric Holdings	0.04	1,990	Monster Beverage	0.08	1,100	Owens Corning	0.05
1,425	Lincoln National	0.09	707	Moody's	0.06	1,731	Paccar	0.10
1,724	Linear Technology	0.10	6,573	Morgan Stanley	0.26	200	Packaging Corp Of America	0.02
720	Live Nation Entertainment	0.02	376	Morningstar	0.03	100	Palo Alto Networks	0.01
1,759	LKQ	0.05	1,158	Mosaic	0.03	2,077	Pandora Media	0.03
1,494	Loews	0.07	901	Motorola Solutions	0.07	178	Panera Bread	0.03
4,292	Lowe's Cos	0.29	800	Msc Industrial Direct	0.07	900	Paramount Group	0.01
772	L Financial Holdings	0.03	824	MSCI	0.06	668	Parker-Hannifin	0.09
1,228	LSC Communications	0.03	858	Murphy Oil	0.03	544	Parsley Energy	0.02
857	Lululemon Athletica	0.05	740	Nasdaq	0.05	674	Patterson	0.03

United States (continued)		
Holding	Security Description	Value €m
614	Patterson-Uti Energy	0.02
1,880	Paychex	0.11
4,379	Paypal Holdings	0.16
1,548	PBF Energy	0.04
10,520	Pebblebrook Hotel Trust	0.30
2,196	People's United Financial	0.04
6,927	Pepsico	0.69
961	Perkinelmer	0.05
26,617	Pfizer	0.82
2,519	PG&E	0.15
1,534	Phillips 66	0.13
2,100	Piedmont Office Realty Trust Inc	0.04
486	Pilgrim's Pride	0.01
739	Pinnacle Foods	0.04
936	Pinnacle West Capital	0.07
587	Pioneer Natural Resources	0.10
1,329	Pitney Bowes	0.02
4,471	Platform Specialty Products	0.04
2,150	PNC Financial Services Group Inc	0.24
403	Polaris Industries	0.03
647	Pool	0.06
1,004	Post Holdings	0.08
1,327	PPG Industries	0.12
2,969	PPL	0.10
1,169	Praxair	0.13
700	Premier	0.02
240	Priceline Group	0.33
1,391	Principal Financial Group	0.08
600	Proassurance	0.03
12,009	Procter & Gamble	0.96
2,898	Progressive Corp	0.10
9,093	Prologis	0.46
2,104	Prudential Financial	0.21
400	PTC	0.02
2,425	Public Service Enterprise	0.10
7,271	Public Storage	1.54
1,044	Pultegroup	0.02
10,182	PVH	0.87
567	QEP Resources	0.01
1,024	Qorvo	0.05
23,769	Qualcomm	1.47
3,539	Quality Care Properties	0.05
2,432	Quanta Services	0.08
954	Quest Diagnostics	0.08
939	Quintiles IMS Holdings	0.07
832	Ralph Lauren	0.07
865	Range Resources	0.03
138	Raymond James Financial	0.01
400	Rayonier	0.01
3,201	Realogy Holdings	0.08
1,248	Realty Income	0.07
1,100	Red Hat	0.07

United States (continued)		
Holding	Security Description	Value €m
935	Regal Beloit	0.06
1,009	Regal Entertainment	0.02
273	Regency Centers	0.02
256	Regeneron Pharmaceuticals	0.09
6,204	Regions Financial	0.08
500	Reinsurance Group of America Inc	0.06
888	Reliance Steel & Aluminum	0.07
1,777	Republic Services	0.10
351	Resmed	0.02
989	Retail Properties of America Inc	0.01
1,174	Rice Energy	0.02
7,616	Rite Aid	0.06
32,928	RLJ Lodging	0.77
1,665	Robert Half International	0.08
732	Rockwell Automation	0.09
631	Rockwell Collins	0.06
2,224	Rollins	0.07
462	Roper Technologies	0.08
2,727	Ross Stores	0.17
196	Royal Gold	0.01
473	RPC	0.01
1,000	RPM International	0.05
733	RR Donnelley & Sons	0.01
310	Ryder System	0.02
1,627	S&P Global	0.17
414	Sabre Corp	0.01
2,757	Salesforce.Com	0.18
1,900	Sally Beauty Holdings	0.05
3,000	Santander Consumer USA	0.04
156	SBA Communications	0.02
1,007	Scana	0.07
300	Scotts Miracle-Gro	0.03
587	Scripps Networks Interactive I	0.04
868	Sealed Air	0.04
470	Seattle Genetics	0.02
507	SEI Investments	0.02
970	Sempra Energy	0.09
1,022	Senior Housing Properties	0.02
500	Service Corp International	0.01
476	Servicemaster Global Holdings	0.02
300	Servicenow	0.02
558	Sherwin-Williams	0.14
14,204	Shire	0.78
211	Silgan Holdings	0.01
13,611	Simon Property Group	2.30
3,878	Sirius XM Holdings	0.02
215	Six Flags Entertainment	0.01
1,935	Skechers U.S.A.	0.05
1,112	Skyworks Solutions	0.08
5,091	SL Green Realty	0.52
411	Snap-On	0.07
601	Sonoco Products	0.03

United States (continued)		
Holding	Security Description	Value €m
4,037	Southern	0.19
2,795	Southwest Airlines	0.13
2,753	Southwestern Energy	0.03
3,080	Spectra Energy	0.12
406	Spectrum Brands Holdings	0.05
700	Spirit Aerosystems Holdings	0.04
1,566	Spirit Realty Capital	0.02
391	Splunk	0.02
1,931	Sprint	0.02
2,709	Sprouts Farmers Market	0.05
400	SS&C Technologies Holdings	0.01
932	St Jude Medical	0.07
800	Stanley Black & Decker	0.09
11,023	Staples	0.09
6,357	Starbucks	0.33
1,050	Starwood Property Trust	0.02
1,697	State Street	0.13
1,620	Steel Dynamics	0.05
279	Stericycle	0.02
648	Store Capital	0.02
1,587	Stryker	0.18
221	Sun Communities	0.02
1,969	Suntrust Banks	0.10
553	Superior Energy Services	0.01
3,676	Symantec	0.08
3,605	Synchrony Financial	0.12
1,600	Synopsys	0.09
389	Synovus Financial	0.02
3,686	Sysco	0.19
1,355	T Rowe Price Group	0.10
700	Tableau Software	0.03
538	Tanger Factory Outlet Centers	0.02
409	Targa Resources	0.02
3,569	Target	0.24
9,370	Taubman Centers	0.66
666	TCF Financial	0.01
1,341	Tegna	0.03
200	Teleflex	0.03
600	Telephone & Data Systems	0.02
431	Tempur Sealy International	0.03
1,000	Tenet Healthcare	0.01
4,037	Teradata	0.10
2,820	Teradyne	0.07
1,129	Terex	0.03
642	Tesoro	0.05
5,265	Texas Instruments	0.36
1,104	TFS Financial	0.02
1,715	Thermo Fisher Scientific	0.23
265	Thor Industries	0.03
907	Tiffany & Co.	0.07
3,288	Time Warner	0.30
1,230	Timken	0.05

Quoted Equities (continued)

United States (continued)		
Holding	Security Description	Value €m
3,773	TJX Cos	0.27
795	T-Mobile Us	0.04
743	Torchmark	0.05
1,552	Toro	0.08
1,154	Total System Services	0.05
1,190	Tractor Supply	0.09
295	Transdigm Group	0.07
1,324	Travelers Cos	0.15
995	Treehouse Foods	0.07
366	Trimble	0.01
827	Trinity Industries	0.02
1,074	Tripadvisor	0.05
1,100	Tupperware Brands	0.05
5,627	Twenty-First Century Fox	0.15
2,313	Two Harbors Investment	0.02
2,690	Tyson Foods	0.16
1,194	UDR	0.04
1,518	UGI	0.07
391	Ultra Salon Cosmetics	0.09
100	Ultimate Software Group	0.02
3,607	Under Armour	0.09
3,476	Union Pacific	0.34
1,962	United Continental Holdings	0.14
3,081	United Parcel Service	0.34
556	United Rentals	0.06
294	United States Cellular	0.01
692	United States Steel	0.02
3,247	United Technologies	0.34
400	United Therapeutics	0.05
4,818	Unitedhealth Group	0.73
497	Universal Health Services	0.05
1,585	UNUM Group	0.07
3,260	Urban Outfitters	0.09
7,275	US Bankcorp	0.35
1,005	US Foods Holding	0.03
983	USG	0.03
143	Vail Resorts	0.02
2,376	Valero Energy	0.15
168	Valmont Industries	0.02
200	Valspar Corp	0.02
600	Vantiv	0.03
619	Varian Medical Systems	0.05
232	VCA	0.02
525	Vectren Corp	0.03
682	Veeva Systems	0.03
1,362	Ventas	0.08
2,702	Vereit	0.02
680	Verifone Systems	0.01
735	Verisign	0.05
852	Verisk Analytics	0.07
19,096	Verizon Communications	0.97
809	Vertex Pharmaceuticals	0.06

United States (continued)		
Holding	Security Description	Value €m
1,924	VF	0.10
1,400	Viacom	0.05
6,952	Visa	0.52
800	Vista Outdoor	0.03
500	VMware	0.04
14,185	Vornado Realty Trust	1.40
637	Vulcan Materials	0.08
2,700	VWR	0.06
146	Wabtec Corp	0.01
14,826	Walgreens Boots Alliance	1.16
9,118	Wal-Mart Stores	0.60
7,015	Walt Disney	0.69
2,118	Waste Management	0.14
399	Waters	0.05
400	Watsco	0.06
1,759	Wec Energy Group	0.10
497	Weingarten Realty Investors	0.02
384	Wellcare Health Plans	0.05
21,009	Wells Fargo	1.10
14,181	Welltower	0.90
778	Wendy's	0.01
1,000	Wesco International	0.06
419	West Pharmaceutical Services Inc	0.03
887	Westar Energy	0.05
1,056	Western Digital	0.07
3,638	Western Union	0.07
1,734	Westrock	0.08
2,320	Weyerhaeuser	0.07
354	Whirlpool	0.06
291	Whitewave Foods	0.02
3,166	Whole Foods Market	0.09
2,609	Williams Cos	0.08
1,100	Williams-Sonoma	0.05
1,200	World Fuel Services	0.05
262	WP Carey	0.01
1,144	WPX Energy Inc	0.02
531	WR Berkley	0.03
163	WR Grace	0.01
468	WW Grainger	0.10
810	Wyndham Worldwide	0.06
267	Wynn Resorts	0.02
2,754	Xcel Energy	0.11
13,092	Xerox	0.11
1,121	Xilinx	0.06
1,386	Xylem	0.07
3,364	Yahoo!	0.12
1,338	Ye	0.05
1,000	Yum China Holdings	0.02
2,093	Yum! Brands	0.13
863	Zayo Group Holdings	0.03
400	Zillow Group	0.01
684	Zimmer Biomet Holdings	0.07

United States (continued)		
Holding	Security Description	Value €m
1,180	Zions Bancorporation	0.05
2,442	Zoetis	0.12
		134.53
	% of Total Investments	0.64%
	Total North American Quoted Equities	135.36
	% of Total Investments	0.65%

ASIA PACIFIC		
Australia		
Holding	Security Description	Value €m
200,430	Arrium	0.00
107,890	Charter Hall Group	0.35
11,196	DSHE Holdings Ltd NPV	0.00
257,531	The GPT Group	0.89
306,821	Mirvac Group	0.45
268,837	Prime Infra GRP-Prime AETD Holdings	0.00
93,312	Scentre	0.30
174,759	Vicinity Centres	0.36
		2.35
	% of Total Investments	0.01%

Hong Kong		
Holding	Security Description	Value €m
56,500	Cheung Kong Property Holdings	0.33
129,600	Hongkong Land Holdings	0.77
63,000	Sun Hung Kai Properties	0.76
		1.86
	% of Total Investments	0.01%

Japan		
Holding	Security Description	Value €m
29,500	Hoya	1.17
132,000	Mitsubishi Estate	2.49
11,800	Nidec	0.96
75	Nippon Building Fund	0.39
372	Nomura Real Estate Master Fund	0.53
670	Orix Jreit	1.00
37,800	Sekisui House	0.60
31,000	Sumitomo Realty & Development	0.78
		7.92
	% of Total Investments	0.04%

Singapore		
Holding	Security Description	Value €m
404,300	Ascendas Hospitality Trust	0.19
181,600	Ascendas Real Estate Investment	0.27
1,564	Broadcom	0.26
76,800	City Developments	0.42

Singapore (continued)		
Holding	Security Description	Value €m
320,000	Fortune Real Estate Investment	0.35
		1.48
% of Total Investments		0.01%
Total Asia Pacific Quoted Equities		13.61
% of Total Investments		0.07%

EMERGING MARKETS

Bermuda		
Holding	Security Description	Value €m
447	Arch Capital Group	0.04
717	Aspen Insurance Holdings	0.04
703	Assured Guaranty	0.03
600	Axis Capital Holdings	0.04
129	Bunge	0.01
100	Endurance Specialty Holdings	0.01
236	Everest Re Group	0.05
1,200	Genpact	0.03
1,726	Invesco	0.05
933	Lazard	0.04
1,200	Marvell Technology Group	0.02
1,210	Nabors Industries	0.02
341	Renaissancere Holdings	0.04
421	Signet Jewelers	0.04
800	Validus Holdings	0.04
30	White Mountains Insurance Group	0.02
1,444	XL Group	0.05
		0.55
% of Total Investments		0.00%

Cayman Islands		
Holding	Security Description	Value €m
1,383	Herbalife	0.06
		0.06
% of Total Investments		0.00%

China		
Holding	Security Description	Value €m
286,000	China Hongxing Sports	0.02
		0.02
% of Total Investments		0.00%

Curacao		
Holding	Security Description	Value €m
5,375	Schlumberger	0.43
		0.43
% of Total Investments		0.00%

Liberia		
Holding	Security Description	Value €m
557	Royal Caribbean Cruises	0.04
		0.04
% of Total Investments		0.00%

Panama		
Holding	Security Description	Value €m
2,405	Carnival	0.12
257	Copa Holdings	0.02
		0.14
% of Total Investments		0.00%

Puerto Rico		
Holding	Security Description	Value €m
923.00	Popular	0.04
		0.04
% of Total Investments		0.00%

South Africa		
Holding	Security Description	Value €m
77,602	African Bank Investments	0.04
		0.04
% of Total Investments		0.00%

South Korea		
Holding	Security Description	Value €m
3,227	Forhuman	0.00
		0.00
% of Total Investments		0.00%

Turkey		
Holding	Security Description	Value €m
0	Enka Insaat Ve Sanayi	0.00
		0.00
% of Total Investments		0.00%

Virgin Islands		
Holding	Security Description	Value €m
1,952.00	Michael Kors Holdings	0.08
		0.08
% of Total Investments		0.00%
Total Emerging Markets Quoted Equities		1.37
% of Total Investments		0.01%
Total Quoted Securities - Equities		334.55
% of Total Investments		1.60%

Quoted Debt Instruments

EUROPE		
Austria		
Nominal	Security Description	Value €m
916,000	OMV AG 1.750% 11/25/2019	0.96
1,500,000	Unicredit Bank Austria AG Regs 2.625% 01/30/2018	1.54
		2.50
	% of Total Investments	0.01%

Belgium		
Nominal	Security Description	Value €m
1,000,000	Anheuser-Busch Inbev SA/N Regs 0.800% 04/20/2023	1.02
1,721,000	Anheuser-Busch Inbev SA/N Regs 0.875% 03/17/2022	1.77
6,312,000	Anheuser-Busch Inbev SA/N Regs 6.500% 06/23/2017	7.57
3,112,000	Anheuser-Busch Inbev SA/N Regs variable rate 03/17/2020	3.15
600,000	Argenta Spaarbank NV Regs variable rate 05/24/2026	0.63
2,868,000	BNP Paribas Fortis 4.375% 02/01/2017	2.88
600,000	KBC Bank NV Regs 1.250% 05/28/2020	0.63
1,000,000	KBC Group NV Regs variable rate 03/29/2049	1.01
1,315,000	Ontex Group NV Regs 4.750% 11/15/2021	1.39
2,041,000	Solvay Regs 4.625% 06/27/2018	2.18
		22.22
	% of Total Investments	0.11%

Denmark		
Nominal	Security Description	Value €m
1,503,000	Danske Bank variable rate 09/29/2021	1.84
22,696,993	Nykredit Realkredit 1.000% 01/01/2021	3.13
11,761,904	Nykredit Realkredit 2.000% 10/01/2047	1.54
21,860,440	Realkredit Danmark 2.000% 01/01/2020	3.12
17,841,203	Realkredit Danmark 2.000% 10/01/2047	2.33
		11.96
	% of Total Investments	0.06%

Finland		
Nominal	Security Description	Value €m
1,509,000	CRH Finland Services Oyj Regs 2.750% 10/15/2020	1.64
758,000	Op Corporate Bank PLC Regs 1.125% 06/17/2019	0.78
		2.42
	% of Total Investments	0.01%

France		
Nominal	Security Description	Value €m
835,000	Air Liquide Finance SA Regs 1.750% 09/27/2021 DD 09/27/16	0.76
2,000,000	Air Liquide SA 2.908% 10/12/2018	2.11
2,700,000	Autoroutes Du Sud De La F Regs 4.000% 09/24/2018	2.88
5,000,000	AXA SA Regs variable rate 04/16/2040	5.56
1,500,000	Banque Federative Du Cred Regs 0.250% 06/14/2019	1.51
1,000,000	Banque Federative Du Cred Regs variable rate 06/03/2020	1.01
2,800,000	Banque Federative Du Credit Mu 2.875% 06/21/2017	2.84
1,582,000	BNP Paribas SA 2.375% 05/21/2020 DD 05/21/15	1.49
2,391,000	BNP Paribas SA Regs 2.500% 08/23/2019	2.54
2,700,000	BPCE SA Regs 1.625% 02/08/2017	2.70
600,000	BPCE SA Regs 2.875% 04/22/2026	0.62
2,700,000	BPCE SFH SA Regs 2.125% 09/17/2020	2.92
1,500,000	Capgemini SA Regs 1.750% 07/01/2020	1.57
600,000	Casino Guichard Perrachon Regs Step 08/06/2019	0.66
4,000,000	Cie De Financement Foncie Regs 0.125% 02/18/2020	4.03
700,000	Cie De Saint-Gobain Regs 0.000% 03/27/2020	0.70
700,000	Credit Agricole SA/London Regs 1.875% 12/20/2026	0.70
1,700,000	Danone SA Regs 0.167% 11/03/2020	1.70
1,500,000	Dexia Credit Local SA Regs 0.625% 01/21/2022	1.53
8,400,000	Electricite De France SA 5.000% 02/05/2018	8.86
739,000	Engie SA Regs 2.250% 06/01/2018	0.76
700,000	Engie SA Regs variable rate 06/29/2049	0.73
700,000	Engie SA Regs variable rate 07/29/2049	0.73
3,800,000	Eutelsat SA Regs 5.000% 01/14/2019	4.18
1,000,000	Faurecia Regs 3.625% 06/15/2023	1.04
1,680,621	French Republic Governmen Regs 0.100% 03/01/2021	1.79
7,650,000	Lafarge SA Regs Step 11/29/2018	8.40
3,009,000	Orange SA 4.750% 02/21/2017	3.03
700,000	Orange SA Regs variable rate 10/29/2049	0.74
478,978	Picard Groupe SAs Regs variable rate 08/01/2019	0.48
842,000	RCI Banque SA Regs 2.125% 10/06/2017	0.99
716,000	Renault SA Regs 3.625% 09/19/2018	0.76

France (continued)		
Nominal	Security Description	Value €m
3,010,000	Renault SA Regs 4.625% 09/18/2017	3.11
600,000	Sanef SA Regs 1.875% 03/16/2026	0.65
400,000	Sanofi Regs 0.000% 01/13/2020	0.40
1,048,000	SFR Group SA 144A 6.000% 05/15/2022 DD 05/08/14	1.02
2,000,000	Societe Generale SA 6.125% 08/20/2018	2.19
100,000	Societe Generale SA Regs 1.000% 04/01/2022	0.10
3,600,000	Societe Generale SA Regs variable rate 09/16/2026	3.69
1,000,000	SPCM SA Regs 2.875% 06/15/2023	1.00
1,700,000	Total Capital International SA 2.100% 06/19/2019 DD 06/23/14	1.62
775,000	Total SA Regs variable rate 12/29/2049	0.75
2,215,000	Unibail-Rodamco SE Regs 2.250% 08/01/2018	2.29
		87.14
	% of Total Investments	0.42%

Germany		
Nominal	Security Description	Value €m
583,347	Bundesrepublik Deutschlan Regs 2.000% 01/04/2022	0.66
96,000	Bundesrepublik Deutschlan Regs 3.250% 07/04/2042	0.15
1,074,000	Commerzbank AG 144A 8.125% 09/19/2023 DD 09/19/13	1.14
700,000	Commerzbank AG Regs 4.000% 03/23/2026	0.72
650,000	Continental AG Regs 0.000% 02/05/2020	0.65
1,610,000	Continental AG Regs 3.000% 07/16/2018	1.68
139,000	Daimler AG 1.750% 11/08/2017	0.16
6,760,000	Daimler AG Regs 2.375% 07/16/2018	8.08
4,600,000	Deutsche Bank AG 2.850% 05/10/2019 DD 05/12/16	4.35
1,600,000	Deutsche Bank AG 1.000% 03/18/2019	1.61
2,000,000	Deutsche Bank AG Regs 1.250% 09/08/2021	2.01
600,000	Eurogrid Gmbh Regs 3.875% 10/22/2020	0.68
600,000	FMS Wertmanagement AOER 0.000% 10/20/2020	0.61
900,000	Heidelbergcement AG Regs 1.500% 02/07/2025	0.91
325,000	Henkel AG & Co KgaA Regs 0.000% 09/13/2018	0.33
1,500,000	IHO Verwaltungs Gmbh Regs 3.250% 09/15/2023	1.55
250,000	Robert Bosch Gmbh 5.125% 06/12/2017	0.26
3,123,000	SAP SE Regs 2.125% 11/13/2019	3.33

Germany (continued)		
Nominal	Security Description	Value €m
1,285,000	Thyssenkrupp AG 4.000% 08/27/2018	1.36
5,400,000	Volkswagen Bank Gmbh Regs 1.500% 02/13/2019	5.55
		35.78
	% of Total Investments	0.17%

Guernsey Channel Islands		
Nominal	Security Description	Value €m
1,398,000	Credit Suisse Group Fundi Regs 2.750% 08/08/2025	1.59
7,700,000	Credit Suisse Group Funding Gu 2.750% 03/26/2020 Dd 09/26/15	7.24
		8.83
	% of Total Investments	

Ireland		
Nominal	Security Description	Value €m
1,062,000	Ardagh Packaging Finance 144A variable rate 05/15/2021 DD 05/16/16	1.04
1,895,000	Ardagh Packaging Finance 144A variable rate 12/15/2019 DD 07/03/14	1.82
500,000	Cloverie PLC For Swiss Re Regs variable rate 09/01/2042	0.62
35,000,000	DAA Finance PLC Regs 1.554% 06/07/2028	35.44
824,000	Endo Ltd / Endo Finance Ltd 144A 6.000% 07/15/2023 DD 07/09/15	0.68
8,700,000	ESB Finance Ltd Regs 6.250% 09/11/2017	9.08
5,200,000	FCA Capital Ireland PLC Regs 2.625% 04/17/2019	5.45
1,340,000	FCA Capital Ireland PLC Regs 2.875% 01/26/2018	1.38
3,800,000	FCA Capital Ireland PLC Regs 4.000% 10/17/2018	4.05
2,563,000	GE Capital European Fund Regs 1.625% 03/15/2018	2.62
2,483,000	GE Capital European Fund Regs 2.250% 07/20/2020	2.68
725,000	Grifols Worldwide Operations L 5.250% 04/01/2022 DD 04/01/15	0.71
442,420	Ireland Government Bond Regs 1.000% 05/15/2026	0.45
2,350,000	Smurfit Kappa Acquisition 144A 4.875% 09/15/2018 DD 09/12/12	2.29
		68.33
	% of Total Investments	0.33%

Italy		
Nominal	Security Description	Value €m
1,486,000	2l Rete Gas Spa Regs 1.750% 07/16/2019	1.54
5,110,000	Assicurazioni Generali Sp Regs 2.875% 01/14/2020	5.67
1,800,000	Assicurazioni Generali Sp Regs variable rate 07/10/2042	2.34

Italy (continued)		
Nominal	Security Description	Value €m
1,428,000	Autostrade Per L'Italia Spa 3.625% 11/30/2018	1.53
544,000	Banca Monte Dei Paschi Di Regs 1.250% 01/20/2060	0.54
916,000	Enel Spa 4.750% 06/12/2018	0.98
9,195,000	Intesa Sanpaolo Spa 3.875% 01/16/2018 DD 01/16/13	18.45
3,092,000	Intesa Sanpaolo Spa Regs 1.125% 01/14/2020	3.13
2,600,000	Intesa Sanpaolo Spa Regs 3.000% 01/28/2019	2.73
300,000	Intesa Sanpaolo Spa Regs 4.000% 11/08/2018	0.32
2,400,000	Intesa Sanpaolo Spa Regs 4.375% 10/15/2019	2.65
8,100,000	Iren Spa Regs 2.750% 11/02/2022	8.80
119,888	Italy Buoni Poliennali De Regs 2.100% 09/15/2021	0.13
4,491,928	Italy Buoni Poliennali De Regs 2.250% 04/22/2017	4.53
2,050,138	Italy Buoni Poliennali De Regs 2.350% 09/15/2021	2.22
2,250,000	Italy Buoni Poliennali De Regs 4.500% 03/01/2026	2.78
13,603,000	Italy Buoni Poliennali Del Tes 0.700% 05/01/2020	13.85
1,290,000	Italy Buoni Poliennali Del Tes 3.750% 05/01/2021	1.47
1,440,000	Mediobanca Spa Regs 2.250% 03/18/2019	1.49
1,205,000	Telecom Italia Spa/Milano 6.125% 12/14/2018	1.34
2,986,000	Terna Rete Elettrica Nazi Regs 2.875% 02/16/2018	3.08
1,800,000	Unicredit Spa Regs 1.500% 06/19/2019	1.84
470,000	Unicredit Spa Regs 2.125% 10/24/2026	0.47
7,250,000	Unicredit Spa Regs 3.375% 01/11/2018	7.48
		89.36
	% of Total Investments	0.43%

Jersey Channel Islands		
Nominal	Security Description	Value €m
7,165,000	Heathrow Funding Ltd Regs 6.250% 09/10/2018	9.07
17,550,000	UBS Group Funding Jersey 144A 2.950% 09/24/2020 DD 09/24/15	16.66
		25.73
	% of Total Investments	0.12%

Luxembourg		
Nominal	Security Description	Value €m
4,665,000	Actavis Funding Scs 3.000% 03/12/2020 DD 03/12/15	4.49
274,000	Arcelormittal 5.125% 06/01/2020 DD 06/01/15	0.27
137,000	Arcelormittal 6.125% 06/01/2018 DD 05/27/08	0.14
1,225,000	Arcelormittal variable rate 03/01/2021 DD 03/07/11	1.27

Luxembourg (continued)		
Nominal	Security Description	Value €m
3,555,000	Arcelormittal variable rate 06/01/2019 DD 05/20/09	3.95
2,770,000	Glencore Finance Europe S Regs 3.375% 09/30/2020	3.02
6,900,000	Glencore Finance Europe S Regs Step 04/03/2022	9.18
1,200,000	Heidelbercement Finance Regs 3.250% 10/21/2020	1.32
1,565,000	Heidelbercement Finance Regs 5.625% 01/04/2018	1.65
2,500,000	Holcim Us Finance Sarl & 144A 6.000% 12/30/2019	2.60
1,290,000	Ineos Group Holdings Sa 144A 5.875% 02/15/2019 DD 02/18/14	1.25
1,150,000	Mallinckrodt Internationa 144A 4.875% 04/15/2020 DD 04/15/15	1.10
10,234,000	SES Sa 144A 3.600% 04/04/2023 DD 04/04/13	9.47
730,163	Travel Port 6/16 Tib	0.70
		40.41
	% of Total Investments	0.19%

Netherlands		
Nominal	Security Description	Value €m
2,946,000	ABB Finance Bv Regs 2.625% 03/26/2019	3.12
5,310,000	ABN Amro Bank NV Regs variable rate 06/30/2025	5.59
3,615,000	Achmea Bank NV 2.000% 01/23/2018	3.69
1,543,000	Achmea Bank NV Regs 0.875% 09/17/2018	1.57
3,000,000	ASML Holding NV 5.750% 06/13/2017	3.08
8,268,000	BMW Finance NV 3.625% 01/29/2018	8.59
350,000	BMW Finance NV 5.000% 10/02/2017	0.42
3,112,000	BMW Finance NV Regs 0.500% 09/05/2018	3.14
1,553,000	Brenntag Finance BV Regs 5.500% 07/19/2018	1.68
1,283,000	Bunge Finance Europe BV 1.850% 06/16/2023	1.32
2,824,000	Cooperatieve Rabobank UA 3.500% 10/17/2018	3.01
6,050,000	Cooperatieve Rabobank UA 4.875% 01/10/2023	8.31
350,000	Cooperatieve Rabobank UA Regs 0.125% 10/11/2021	0.35
2,530,000	Cooperatieve Rabobank UA/ NY 2.250% 01/14/2020 DD 01/14/15	2.40
615,000	De Volksbank NV Regs variable rate 11/05/2025	0.64
900,000	Deutsche Bahn Finance BV Regs 0.000% 07/19/2021	0.90
914,000	Deutsche Telekom Internat Regs 0.625% 04/03/2023	0.92
5,598,000	EDP Finance BV 144A 4.900% 10/01/2019 DD 09/29/09	5.56
4,550,000	EDP Finance BV 144A 4.125% 01/15/2020	4.41

Quoted Debt Instruments (continued)

Netherlands (continued)		
Nominal	Security Description	Value €m
3,022,000	EDP Finance BV Regs 8.625% 01/04/2024	4.67
450,000	Evonik Finance BV Regs 0.000% 03/08/2021	0.45
1,859,000	Fiat Chrysler Automobiles NV 4.500% 04/15/2020 DD 04/14/15	1.80
300,000	Gas Natural Fenosa Financ Regs variable rate 11/29/2049	0.30
750,000	Goodyear Dunlop Tires Eur Regs 3.750% 12/15/2023	0.79
2,410,000	ING Bank NV 144A 2.450% 03/16/2020 DD 03/16/15	2.29
2,247,000	ING Bank NV 3.250% 04/03/2019	2.41
3,100,000	ING Bank NV Regs 0.700% 04/16/2020	3.16
6,004,000	ING Bank NV Regs variable rate 11/21/2023	5.89
2,425,000	ING Bank NV variable rate 05/29/2023	2.62
3,022,000	ING Groep NV 4.750% 05/31/2017	3.08
5,700,000	JAB Holdings BV Regs 2.125% 09/16/2022	6.08
2,389,000	Lyondellbasell Industries NV 5.000% 04/15/2019 DD 04/09/12	2.39
6,500,000	Mylan NV 144A 2.500% 06/07/2019 DD 06/09/16	6.13
1,500,000	Mylan NV 144A 3.150% 06/15/2021 DD 06/09/16	1.40
1,400,000	Mylan NV Regs 1.250% 11/23/2020	1.42
718,000	NN Group NV Regs variable rate 04/08/2044	0.75
4,100,000	Nomura Europe Finance NV Regs 1.875% 05/29/2018	4.21
3,297,000	NXP Bv / NXP Funding Llc 144A 4.125% 06/15/2020 DD 06/09/15	3.24
1,300,000	NXP Bv / NXP Funding Llc Regs 4.125% 06/15/2020	1.28
4,500,000	Paccar Financial Europe B Regs 0.125% 05/24/2019	4.53
1,583,000	Paccar Financial Europe B Regs 1.513% 05/29/2018	1.87
7,800,000	Ren Finance BV Regs 4.750% 10/16/2020	8.97
2,590,000	Shell International Finance BV 2.125% 05/11/2020 DD 05/11/15	2.45
700,000	Teva Pharmaceutical Finance Regs 0.375% 07/25/2020	0.69
425,000	Teva Pharmaceutical Finance Regs 1.125% 10/15/2024	0.41
2,500,000	Teva Pharmaceutical Finance Ne 1.700% 07/19/2019 DD 07/21/16	2.33
3,550,000	Teva Pharmaceutical Finance Ne 2.800% 07/21/2023	3.19
3,110,000	Unilever NV Regs 1.750% 08/05/2020	3.31
1,100,000	Volkswagen Financial Serv Regs 2.375% 11/13/2018	1.31
		142.13
	% of Total Investments	0.68%

Norway		
Nominal	Security Description	Value €m
275,000	DNB Bank ASA Regs variable rate 12/29/2049	0.27
1,285,000	Statoil ASA 2.250% 11/08/2019 DD 11/10/14	1.23
100,000	Statoil ASA Regs 0.750% 11/09/2026	0.10
		1.59
	% of Total Investments	0.01%
Portugal		
Nominal	Security Description	Value €m
8,800,000	Brisa Concessao Rodoviari Regs 2.000% 03/22/2023	9.00
300,000	Brisa Concessao Rodoviari Regs 3.875% 04/01/2021	0.34
2,945,175	Portugal Obrigacoes Do Te 144A 4.800% 06/15/2020	3.29
		12.62
	% of Total Investments	0.06%
Spain		
Nominal	Security Description	Value €m
1,000,000	Amadeus Capital Markets S Regs 0.125% 10/06/2020	1.00
2,700,000	AYT Cedula Cajas Global 4.000% 03/21/2017	2.72
2,100,000	Banco Popular Espanol SA Regs 2.125% 10/08/2019	2.21
1,350,000	Bankia SA 4.250% 05/25/2018	1.43
300,000	Bankia SA Regs 1.125% 08/05/2022	0.31
1,500,000	Bankia SA Regs variable rate 05/22/2024	1.52
4,800,000	Caixabank SA Regs 2.500% 04/18/2017	4.83
700,000	Caixabank SA Regs 3.125% 05/14/2018	0.73
1,000,000	Deutsche Bank SA Espanola Regs 0.625% 12/15/2021	1.01
600,000	Gas Natural Capital Marke Regs 6.000% 01/27/2020	0.71
500,000	Merlin Properties Socimi Regs 2.225% 04/25/2023	0.51
5,400,000	Santander International Debt Regs 1.375% 03/25/2017	5.42
3,179,000	Spain Government Bond 1.150% 07/30/2020	3.30
7,056,000	Spain Government Bond 1.400% 01/31/2020	7.36
6,003,000	Spain Government Bond 144A 4.600% 07/30/2019	6.73
5,000,000	Spain Government Bond 144A 5.850% 01/31/2022	6.37
3,075,378	Spain Government Inflatio 144A 0.550% 11/30/2019	3.21
133,000	Telefonica Emisiones SAU 5.375% 02/02/2018	0.16
800,000	Telefonica Emisiones SAU Regs 4.797% 02/21/2018	0.84
5,900,000	Telefonica Emisiones SAU Regs 5.375% 02/02/2026	8.23
1,900,000	Telefonica Emisiones SAU Regs 5.597% 03/12/2020	2.49
		61.09
	% of Total Investments	0.29%

Sweden		
Nominal	Security Description	Value €m
1,392,000	Nordea Bank AB Regs variable rate 02/15/2022	1.40
375,000	Nordea Bank AB Regs variable rate 09/07/2026	0.37
750,000	Nordea Bank AB Regs variable rate 11/10/2025	0.77
1,309,000	Scania CV AB Regs 1.625% 09/14/2017	1.32
2,512,000	Svenska Handelsbanken AB 2.250% 06/17/2019 Dd 06/17/14	2.39
3,043,000	Svenska Handelsbanken AB Regs 2.250% 06/14/2018	3.15
2,907,000	Svenska Handelsbanken AB Regs variable rate 01/15/2024	3.03
1,506,000	Swedbank AB Regs variable rate 12/05/2022	1.54
		13.98
	% of Total Investments	0.07%
Switzerland		
Nominal	Security Description	Value €m
1,179,000	Credit Suisse AG 144A 6.500% 08/08/2023 Dd 08/08/13	1.19
763,000	Credit Suisse AG Regs variable rate 09/18/2025	0.84
2,170,000	Credit Suisse AG/London 4.750% 08/05/2019	2.43
786,000	Credit Suisse AG/London Regs 0.375% 04/11/2019	0.79
3,000,000	Credit Suisse AG/London Regs 1.125% 09/15/2020	3.10
2,352,000	Credit Suisse AG/New York Ny 5.400% 01/14/2020 Dd 01/14/10	2.39
3,875,000	Credit Suisse AG/New York Ny 1.700% 04/27/2018	3.67
6,650,000	Credit Suisse AG/New York Ny 1.750% 01/29/2018	6.30
3,356,000	Credit Suisse London 0.625% 11/20/2018	3.39
700,000	UBS AG Regs variable rate 02/12/2026	0.75
1,663,000	UBS AG/Stamford Ct 2.350% 03/26/2020 Dd 03/26/15	1.57
		26.41
	% of Total Investments	0.13%
United Kingdom		
Nominal	Security Description	Value €m
6,300,000	Anglian Water Services Financing Regs 4.500% 02/22/2026	8.50
7,100,000	Aviva PLC Regs variable rate 05/22/2038	7.63
1,800,000	Aviva PLC Regs variable rate 06/03/2041	2.33
1,377,000	Barclays Bank PLC 144A 10.179% 06/12/2021 Dd 06/12/09	1.62
1,020,000	Barclays Bank PLC 6.750% 05/22/2019	1.06
2,850,000	Barclays Bank PLC variable rate 01/16/2023	3.47
2,568,000	Barclays PLC 2.750% 11/08/2019 Dd 11/10/14	2.43

United Kingdom (continued)		
Nominal	Security Description	Value €m
1,125,000	Barclays PLC Regs 1.875% 12/08/2023	1.14
210,000	Barclays PLC Regs 3.250% 02/12/2027	0.24
5,765,000	Barclays PLC Regs variable rate 11/11/2025	5.72
6,300,000	BG Energy Capital PLC Regs 3.000% 11/16/2018	6.65
1,950,000	BG Energy Capital PLC Regs 5.125% 12/07/2017	2.37
3,125,000	BP Capital Markets PLC 2.241% 09/26/2018 Dd 09/26/13	2.99
875,000	BP Capital Markets PLC Regs 1.117% 01/25/2024	0.89
5,000,000	BP Capital Markets PLC Regs 2.177% 09/28/2021	5.44
1,367,000	British Telecommunication Regs 1.125% 06/10/2019	1.40
1,395,000	FCE Bank PLC Regs 1.875% 04/18/2019	1.45
7,900,000	FCE Bank PLC Regs 2.625% 11/20/2018	9.48
2,115,000	FCE Bank PLC Regs 2.759% 11/13/2019	2.57
4,000,000	Firstgroup PLC 6.125% 01/18/2019	5.11
1,855,000	Firstgroup PLC Regs 8.125% 09/19/2018	2.41
475,000	G4S International Finance Regs 1.500% 01/09/2023	0.48
744,000	G4S International Finance Regs 2.625% 12/06/2018	0.78
6,230,000	Go-Ahead Group PLC 5.375% 09/29/2017	7.51
6,000,000	Great Rolling Stock Co Lt Regs 6.250% 07/27/2020	8.14
5,629,000	Hammerson PLC 6.000% 02/23/2026	8.26
2,800,000	Hammerson PLC Regs 1.750% 03/15/2023	2.83
6,460,000	Hammerson PLC Regs 2.750% 09/26/2019	6.87
1,055,000	HSBC Bank PLC variable rate 03/20/2023	1.28
5,500,000	HSBC Holdings PLC Regs 6.500% 05/20/2024	8.20
4,025,000	HSBC Holdings PLC Regs variable rate 01/10/2024	4.21
2,050,000	HSBC Holdings PLC variable rate 10/18/2022	2.48
6,600,000	Intercontinental Hotels Group 3.875% 11/28/2022	8.44
1,250,000	International Game Techno Regs Step 02/02/2018	1.33
3,000,000	Lloyds Bank PLC 2.400% 03/17/2020 Dd 03/17/15	2.84
2,342,000	Lloyds Bank PLC 2.700% 08/17/2020	2.24
1,500,000	Lloyds Bank PLC 6.375% 01/21/2021	1.63
2,490,000	Lloyds Bank PLC Regs 1.875% 10/10/2018	2.58
1,180,000	Lloyds Bank PLC Regs 6.500% 03/24/2020	1.39
5,200,000	Lloyds Bank PLC Regs 7.500% 04/15/2024	8.32

United Kingdom (continued)		
Nominal	Security Description	Value €m
1,100,000	Lloyds Bank PLC variable rate 07/09/2025	1.40
1,000,000	Lloyds Banking Group PLC 3.100% 07/06/2021 Dd 07/06/16	0.96
300,000	Lloyds Banking Group PLC Regs variable rate 06/27/2049	0.30
1,250,000	Marks & Spencer PLC 144A 6.250% 12/01/2017	1.23
6,200,000	Marks & Spencer PLC Regs 4.750% 06/12/2025	8.14
217,000	Marks & Spencer PLC Regs 6.125% 12/06/2021	0.30
5,751,000	National Express Group Pl Regs 6.625% 06/17/2020	7.88
2,000,000	National Grid Gas PLC Regs 6.000% 06/07/2017	2.39
5,000,000	Nationwide Building Socie 144A 2.450% 07/27/2021 Dd 07/27/16	4.68
4,250,000	Nationwide Building Socie Regs 1.625% 04/03/2019	4.39
8,035,000	Nationwide Building Socie Regs variable rate 03/20/2023	8.34
5,000,000	Next PLC Regs 5.375% 10/26/2021	6.79
1,900,000	Prudential PLC variable rate 05/29/2039	2.69
2,243,000	Rio Tinto Finance PLC 2.000% 05/11/2020	2.38
4,085,000	Royal Bank Of Scotland Gr Regs 1.625% 06/25/2019	4.18
160,000	Royal Bank Of Scotland Gr Regs 2.500% 03/22/2023	0.16
1,175,000	Royal Bank Of Scotland Pl Regs 5.375% 09/30/2019	1.34
7,010,000	Royal Bank Of Scotland PLC/ The 6.625% 09/17/2018	8.96
3,245,000	Royal Bank Of Scotland PLC/ The 6.934% 04/09/2018	3.48
4,000,000	Santander UK Group Holdings Pl 2.875% 08/05/2021 Dd 08/05/16	3.71
10,500,000	Santander UK PLC 2.500% 03/14/2019 Dd 03/14/16	10.02
1,021,000	Santander UK PLC 144A 5.000% 11/07/2023 Dd 11/07/13	0.99
1,516,000	Santander UK PLC Regs 0.250% 04/21/2022	1.52
1,492,000	Santander UK PLC Regs 0.875% 01/13/2020	1.52
1,555,000	Santander UK PLC Regs 0.875% 11/25/2020	1.58
5,470,000	Santander UK PLC Regs 2.000% 01/14/2019	5.68
6,589,000	Santander UK PLC Regs 4.125% 09/14/2017	7.87
5,000,000	Sky PLC Regs 1.500% 09/15/2021	5.21
754,000	Sky PLC Regs 1.875% 11/24/2023	0.79
1,221,000	Sse PLC Regs variable rate 09/29/2049	1.26
2,612,000	Standard Chartered PLC 144A 2.250% 04/17/2020 Dd 04/17/15	2.43

United Kingdom (continued)		
Nominal	Security Description	Value €m
2,780,000	Tesco Corporate Treasury Regs 1.375% 07/01/2019	2.82
1,498,000	Tesco PLC Regs 3.375% 11/02/2018	1.58
691,502	Virgin Media Secured Fina Regs 6.000% 04/15/2021	0.84
6,700,000	Western Power Distributio Regs 3.625% 11/06/2023	8.45
776,000	WPP Finance 2013 Regs 0.750% 11/18/2019	0.79
2,800,000	Yorkshire Building Societ Regs 1.250% 03/17/2022	2.80
		284.56
% of Total Investments		1.36%
Total European Quoted Debt		937.06
% of Total Investments		4.48%

NORTH AMERICA		
Canada		
Nominal	Security Description	Value €m
500,000	1011778 BC ULC / New Red 144A 6.000% 04/01/2022 DD 10/08/14	0.48
816,000	1011778 BC ULC / New Red 144A 4.625% 01/01/2022 DD 05/22/15	0.81
2,196,000	Bank Of Nova Scotia 0.500% 23-Jul-2020	2.24
2,600,000	Bank Of Nova Scotia/The 2.050% 06/05/2019 DD 06/05/14	2.47
760,000	Brookfield Residential Pr 144A 6.125% 07/01/2022 DD 06/25/13	0.72
1,175,000	Canadian Imperial Bank 0.000% 25-Jul-2022 Covered	1.16
6,500,000	Canadian Natural Resources 3.450% 11/15/2021	6.30
1,998,000	Canadian Natural Resources 5.700% 05/15/2017	1.92
2,000,000	Cenovus Energy 5.700% 10/15/2019 DD 04/15/10	2.03
1,176,000	Cogeco Communications 144A 4.875% 05/01/2020 DD 04/23/13	1.15
1,066,917	Concordia 10/15 (Usd) TI	0.79
1,500,000	Fairfax Financial Holdings 7.500% 19-Aug-2019 Senior Note	1.18
2,155,000	Glencore Canada Financial 7.375% 05/27/2020	2.93
1,000,000	Glencore Finance Canada L 144A variable rate 10/25/2017 DD 10/25/12	0.96
925,000	Lions Gate 12/16 Cov-Lite Tlb	0.88
705,000	Masonite International 144A 5.625% 03/15/2023 DD 03/23/15	0.69
1,025,000	Norbord 144A 5.375% 12/01/2020 DD 11/26/13	1.00
1,665,000	Royal Bank Of Canada 2.150% 03/06/2020 DD 03/06/15	1.57
1,300,000	Seven Generations Energy 144A 8.250% 05/15/2020 DD 05/10/13	1.31

Quoted Debt Instruments (continued)

Canada (continued)		
Nominal	Security Description	Value €m
1,488,000	Toronto Dominion 0.375% 12-Jan-2021 Emtn	1.51
3,185,000	Transcanada Pipelines 1.625% 11/09/2017 DD 11/09/15	3.02
225,000	Transcanada Pipelines 7.125% 01/15/2019 DD 01/09/09	0.23
1,215,000	Videotron 5.000% 07/15/2022 DD 07/15/12	1.18
		36.53
	% of Total Investments	0.17%

United States		
Nominal	Security Description	Value €m
479,000	21st Century Fox America Inc 4.500% 02/15/2021 DD 08/15/11	0.49
1,300,000	21st Century Fox America Inc 6.900% 03/01/2019 DD 02/13/09	1.35
735,000	Acadia Healthcare Co Inc 5.625% 02/15/2023 DD 08/15/15	0.70
596,873	Advanced Disposal 10/16 Cov-Lite Tlb	0.57
1,000,000	AES Corp/Va 7.375% 07/01/2021 DD 07/01/12	1.06
1,648,000	AES Corp/Va 8.000% 06/01/2020 DD 12/01/08	1.82
375,000	AES Corp/Va variable rate 06/01/2019 DD 05/20/14	0.36
12,500,000	Air Lease Corp 2.125% 01/15/2018 DD 09/16/14	11.88
3,165,000	Air Lease Corp 2.625% 09/04/2018 DD 08/18/15	3.02
3,323,000	Air Lease Corp 3.375% 06/01/2021 DD 04/11/16	3.20
4,435,000	Air Lease Corp 4.750% 03/01/2020 DD 02/05/13	4.46
751,196	Air Medical 4/15 Cov-Lite Tlb	0.71
8,803,000	Albemarle Corp Regs 1.875% 12/08/2021	9.23
749,295	Alliant Insurance 7/15 Cov-Lite Tlb	0.71
1,365,000	Ally Financial Inc 3.600% 05/21/2018 DD 05/19/15	1.30
2,335,000	Ally Financial Inc 4.125% 03/30/2020 DD 03/30/15	2.24
1,380,000	Ally Financial Inc 7.500% 09/15/2020 DD 03/15/11	1.47
1,033,654	Amag Pharmaceuticals 8/15 Tlb	0.98
685,000	Amc Entertainment Holdings Inc 5.875% 02/15/2022 DD 02/07/14	0.68
850,489	American Airlines 2013-1 Class 4.000% 01/15/2027 DD 07/15/14	0.83
4,638,857	American Airlines 2013-2 Class 4.950% 07/15/2024 DD 07/15/14	4.69
1,645,000	American Axle & Manufacturing 7.750% 11/15/2019 DD 11/03/11	1.73

United States (continued)		
Nominal	Security Description	Value €m
816,000	American Builders & Contr 144A 5.625% 04/15/2021 DD 04/16/13	0.80
1,668,000	American Express Credit Corp 2.375% 05/26/2020 DD 05/26/15	1.58
1,000,000	American International Group I 2.300% 07/16/2019 DD 07/16/14	0.95
2,045,000	American International Group I 6.765% 11/15/2017	2.50
1,845,000	American Tower Corp 2.800% 06/01/2020 DD 05/07/15	1.75
1,537,000	American Tower Corp 3.300% 02/15/2021 DD 01/12/16	1.47
277,000	American Tower Corp 4.700% 03/15/2022 DD 03/12/12	0.28
9,074,000	American Tower Corp 5.000% 02/15/2024 DD 08/19/13	9.27
2,201,000	Amgen Inc Regs 2.125% 09/13/2019	2.32
735,000	Amsted Industries Inc 144A 5.000% 03/15/2022 DD 03/17/14	0.70
814,000	Anadarko Petroleum Corp 4.850% 03/15/2021 DD 03/17/16	0.83
130,000	Anadarko Petroleum Corp 8.700% 03/15/2019 DD 03/05/09	0.14
1,657,000	Anheuser-Busch Inbev Finance I 2.650% 02/01/2021 DD 01/25/16	1.58
2,345,000	Anheuser-Busch Inbev Worldwide 5.375% 01/15/2020 DD 10/16/09	2.43
450,000	Anheuser-Busch Inbev Worldwide 6.875% 11/15/2019 DD 11/15/10	0.48
7,500,000	Apache Corp 3.625% 02/01/2021 DD 12/03/10	7.38
847,000	Apple Inc 2.000% 05/06/2020 DD 05/13/15	0.81
804,000	Aramark Services Inc 5.125% 01/15/2024 DD 12/17/15	0.79
1,941,000	Ashland Llc 3.875% 04/15/2018 DD 02/26/13	1.89
1,185,000	Ashtead Capital Inc 144A 6.500% 07/15/2022 DD 07/16/12	1.18
2,800,000	AT&T Inc 3.875% 08/15/2021 DD 08/18/11	2.74
2,309,000	AT&T Inc 5.200% 03/15/2020 DD 03/15/16	2.35
1,400,000	AT&T Inc 2.650% 12/17/2021	1.54
1,725,000	Aviation Capital Group Co 144A 4.625% 01/31/2018 DD 01/22/13	1.68
1,008,000	Ball Corp 5.000% 03/15/2022 DD 03/09/12	1.00
9,590,000	Bank Of America Corp 2.250% 04/21/2020 DD 04/21/15	9.04
1,635,000	Bank Of America Corp 5.000% 05/13/2021 DD 05/13/11	1.69

United States (continued)		
Nominal	Security Description	Value €m
1,600,000	Bank Of America Corp 6.875% 11/15/2018 DD 11/24/98	1.65
5,335,000	Bank Of America Corp 7.625% 06/01/2019 DD 06/02/09	5.69
50,000	Bank Of America Corp 6.500% 07/15/2018	0.05
6,300,000	Bank Of America Corp 7.750% 04/30/2018	8.02
3,431,000	Bank Of America Corp Regs 1.875% 01/10/2019	3.56
1,514,000	Bank Of America Corp Regs 2.500% 07/27/2020	1.63
625,000	Bank Of America Corp Regs variable rate 07/26/2019	0.63
2,585,000	Bank Of New York Mellon Corp/T 2.150% 02/24/2020 DD 02/24/15	2.45
1,754,242	Bass Pro Shops 5/15 Tlb	1.66
1,600,000	BB&T Corp 2.450% 01/15/2020 DD 12/08/14	1.53
497,487	Beacon Roofing 9/15 Cov-Lite Tl	0.48
700,000	Beacon Roofing Supply Inc 6.375% 10/01/2023 DD 04/01/16	0.71
3,511,000	Bear Stearns Cos Llc/The 4.650% 07/02/2018 DD 06/25/03	3.46
5,738,000	Bear Stearns Cos Llc/The 7.250% 02/01/2018 DD 02/01/08	5.76
850,000	Belden Inc 144A 5.500% 09/01/2022 DD 08/27/12	0.83
635,000	Berry Plastics 6/16 Cov-Lite Tlg	0.61
725,000	Berry Plastics Corp 5.125% 07/15/2023 DD 06/05/15	0.70
1,500,000	Boardwalk Pipelines 5.750% 09/15/2019 DD 08/21/09	1.53
598,500	Boyd Gaming 8/16 Cov-Lite Tlb	0.57
1,500,000	Buckeye Partners 2.650% 11/15/2018 DD 11/14/13	1.43
750,000	CA Inc 5.375% 12/01/2019 DD 11/13/09	0.77
885,459	Caesars Growth (Harrah's) 4/14 Cov-Lite Tl	0.85
1,500,000	Calatlantic Group Inc 6.625% 05/01/2020 DD 04/29/10	1.56
965,000	Calatlantic Group Inc 8.375% 01/15/2021 DD 12/22/10	1.07
2,135,081	Caine 5/13 Cov-Lite Tlb1	2.02
990,000	Caine Corp 144A 6.000% 01/15/2022 DD 10/31/13	0.98
1,300,000	Caine Corp Regs 6.000% 01/15/2022 DD 10/31/13	1.29
740,000	Cantor Fitzgerald 144A 7.875% 10/15/2019 DD 10/19/09	0.78
4,825,000	Capital One Financial Corp 6.750% 09/15/2017 DD 09/04/07	4.74
1,674,000	Capital One Na/Mclean Va 2.400% 09/05/2019 DD 09/05/14	1.59

United States (continued)		
Nominal	Security Description	Value €m
875,000	Casella Waste 9/16 Cov-Lt Tlb 0.000% 10/17/2023 DD 09/26/16	0.84
1,326,000	Cco Holdings Llc / Cco Holding 5.125% 02/15/2023 DD 12/17/12	1.29
971,000	Cedar Fair / Canada'S Wonde 5.375% 06/01/2024 DD 12/01/14	0.95
1,145,000	Celanese Us Holdings Llc 5.875% 06/15/2021 DD 05/06/11	1.21
1,005,000	Centene Corp 5.625% 02/15/2021 DD 02/11/16	1.00
1,325,000	Centurylink Inc 5.625% 04/01/2020 DD 03/21/13	1.33
5,381,994	CF Industries Inc 7.125% 05/01/2020 DD 04/23/10	5.51
2,500,000	CF Industries Inc 7.125% 05/01/2020 DD 04/23/10	2.59
1,910,000	Chevron Corp 1.961% 03/03/2020 DD 03/03/15	1.81
886,000	Cinemark Usa Inc 4.875% 06/01/2023 DD 05/24/13	0.85
1,213,000	CIT Group Inc 5.375% 05/15/2020 DD 05/04/12	1.22
1,685,000	CIT Group Inc 144A 5.500% 02/15/2019 DD 02/07/12	1.69
3,200,000	Citigroup Inc 2.400% 02/18/2020 DD 02/18/15	3.03
6,100,000	Citigroup Inc 5.375% 08/09/2020	6.31
550,000	Citigroup Inc 7.625% 04/03/2018	0.70
975,000	Citigroup Inc Regs 0.750% 10/26/2023	0.96
2,654,000	Citigroup Inc Regs 5.000% 08/02/2019	2.99
1,000,000	Citycenter Holdings 10/13 Cov-Litetlb	0.96
1,000,000	CNO Financial Group Inc 4.500% 05/30/2020 DD 05/19/15	0.97
3,445,000	Columbia Pipeline Group Inc 3.300% 06/01/2020 DD 12/01/15	3.33
1,500,000	Commscope Inc 144A 4.375% 06/15/2020 DD 06/11/15	1.46
875,000	Commscope Inc 144A 5.500% 06/15/2024 DD 05/30/14	0.86
2,737,421	Community Health 5/15 TLG	2.51
805,000	Concho Resources Inc 6.500% 01/15/2022 DD 05/23/11	0.79
2,300,000	Conocophillips 6.000% 01/15/2020 DD 05/21/09	2.41
450,000	Conocophillips 5.200% 05/15/2018	0.45
4,800,000	Conocophillips Co 1.050% 12/15/2017 DD 12/07/12	4.53
5,000,000	Conocophillips Co 4.200% 03/15/2021 DD 03/08/16	5.04
6,400,000	Conocophillips Co 1.500% 05/15/2018	6.05
3,000,000	Conocophillips Co 2.875% 11/15/2021	2.88

United States (continued)		
Nominal	Security Description	Value €m
1,612,000	Constellation Brands Inc 3.875% 11/15/2019 DD 11/03/14	1.58
2,830,882	Continental Airlines 2009-2 CI 7.250% 05/10/2021 DD 11/10/09	3.00
827,734	Continental Airlines 2012-1 CI 4.150% 10/11/2025 DD 03/22/12	0.81
609,000	Continental Resources Inc/ Ok 3.800% 06/01/2024 DD 05/19/14	0.53
115,000	Cox Communications Inc 144A 6.250% 06/01/2018 DD 06/05/08	0.12
277,000	Crown Castle International Cor 4.875% 04/15/2022 DD 04/15/14	0.28
10,428,000	Crown Castle International Cor 5.250% 01/15/2023 DD 10/15/12	10.65
1,100,000	CSC Holdings Llc 8.625% 02/15/2019 DD 02/12/09	1.15
1,680,000	CVS Health Corp 2.250% 08/12/2019 DD 08/12/14	1.60
2,000,000	Daimler Finance North Ame 144A 1.500% 07/05/2019 DD 07/06/16	1.87
2,900,000	Daimler Finance North Ame 144A 2.000% 07/06/2021 DD 07/06/16	2.67
805,000	Dean Foods Co 144A 6.500% 03/15/2023 DD 02/25/15	0.80
1,001,000	Dehi Corp 4.150% 03/15/2024 DD 03/03/14	0.98
3,153,149	Delta Air Lines 2009-1 Class A 7.750% 06/17/2021 DD 11/24/09	3.31
1,250,000	Devon Energy Corp 4.000% 07/15/2021 DD 07/12/11	1.23
17,390,000	Diamond 1 Finance Corp / 144A 3.480% 06/01/2019 DD 06/01/16	16.84
789,000	Diamond 1 Finance Corp / 144A 5.450% 06/15/2023 DD 06/01/16	0.79
4,400,000	Diamond 1 Finance Corp / 144A 5.875% 06/15/2021 DD 06/22/16	4.44
522,000	Diamond 1 Finance Corp / 144A 7.125% 06/15/2024 DD 06/22/16	0.55
568,575	Diamond Resorts 8/16 Cov-Lite TI	0.54
2,284,000	Digital Realty Trust 5.875% 02/01/2020 DD 08/01/10	2.36
3,000,000	Discover Bank/Greenwood De 3.200% 08/09/2021 DD 08/07/14	2.86
3,400,000	Discover Financial Services 3.850% 11/21/2022 DD 11/21/12	3.27
1,805,000	Dish Dbs Corp 5.125% 05/01/2020 DD 04/05/13	1.77
2,400,000	Dollar Tree Inc 5.250% 03/01/2020 DD 03/01/16	2.35
1,162,000	Dominion Resources Inc/Va 2.500% 12/01/2019 DD 11/25/14	1.11

United States (continued)		
Nominal	Security Description	Value €m
520,000	Dr Horton Inc 3.625% 02/15/2018 DD 02/05/13	0.50
1,400,000	Dr Horton Inc 4.000% 02/15/2020 DD 02/09/15	1.36
629,000	Duke Realty 6.750% 03/15/2020 DD 04/01/10	0.67
489,980	Dynegy 4/13 Tlb2	0.47
1,000,000	Dynegy 6/16 Incremental Tranche C TI	0.96
2,900,000	E*Trade Financial Corp 5.375% 11/15/2022 DD 11/17/14	2.91
1,500,000	Eastman Chemical Co 2.700% 01/15/2020 DD 11/20/14	1.43
2,000,000	Emera US Finance 144A 2.150% 06/15/2019 DD 06/16/16	1.89
1,500,000	Emera US Finance 144A 2.700% 06/15/2021 DD 06/16/16	1.41
1,407,534	Endo Pharmaceuticals 12/13 Tla	1.34
1,650,000	Energy Transfer Equity 3/15 TI	1.57
1,135,000	Energy Transfer Equity 7.500% 10/15/2020 DD 09/20/10	1.20
2,810,000	Energy Transfer Partners 2.500% 06/15/2018 DD 06/23/15	2.68
735,000	Energy Transfer Partners 4.650% 06/01/2021 DD 05/12/11	0.72
3,145,000	Eog Resources Inc 4.400% 06/01/2020 DD 05/20/10	3.16
947,000	ERAC USA Finance Llc 144A 5.250% 10/01/2020 DD 07/01/10	0.98
994,872	Exopack 11/13 (Usd) Cov-Lt TI	0.95
100,000	Expedia Inc 5.950% 08/15/2020 DD 08/05/10	0.10
850,000	Exxon Mobil Corp 1.912% 03/06/2020 DD 03/06/15	0.81
3,732,000	Fidelity National Information 2.850% 10/15/2018 DD 10/20/15	3.60
1,523,000	Fidelity National Information 3.625% 10/15/2020 DD 10/20/15	1.50
1,234,000	First Data Corp 144A 5.000% 01/15/2024 DD 11/25/15	1.18
3,155,000	Ford Motor Credit Co Llc 1.724% 12/06/2017 DD 06/06/14	2.99
1,565,000	Ford Motor Credit Co Llc 2.240% 06/15/2018 DD 06/16/15	1.49
4,355,000	Ford Motor Credit Co Llc 2.459% 03/27/2020 DD 03/27/15	4.08
1,500,000	Ford Motor Credit Co Llc 2.943% 01/08/2019 DD 01/08/16	1.44
1,545,000	Ford Motor Credit Co Llc 3.157% 08/04/2020 DD 08/04/15	1.48

Quoted Debt Instruments (continued)

United States (continued)			United States (continued)			United States (continued)		
Nominal	Security Description	Value €m	Nominal	Security Description	Value €m	Nominal	Security Description	Value €m
1,705,000	Ford Motor Credit Co Llc 5.000% 05/15/2018 DD 05/03/11	1.68	648,375	Hanson Building 10/16 Cov-Lite TI	0.62	2,865,000	International Lease Finance 144A 7.125% 09/01/2018 DD 08/20/10	2.93
1,800,000	Ford Motor Credit Co Llc 8.125% 01/15/2020 DD 12/14/09	1.97	5,000,000	Harris Corp 2.700% 04/27/2020	4.74	5,558,000	International Lease Finance Co 6.250% 05/15/2019 DD 05/24/11	5.67
2,900,000	Forest Laboratories Llc 144A 4.375% 02/01/2019 DD 01/31/14	2.86	1,100,000	Hartford Financial Services Gr 5.500% 03/30/2020 DD 03/23/10	1.14	1,200,000	Iron Mountain Inc 144A 6.000% 10/01/2020 DD 09/29/15	1.20
1,580,000	Fresenius Medical Care US 144A 5.625% 07/31/2019 DD 01/26/12	1.60	1,355,000	HCA Inc 3.750% 03/15/2019 DD 03/17/14	1.32	810,000	Isle Of Capri Casinos Inc 5.875% 03/15/2021 DD 03/05/13	0.80
1,000,000	Fresenius Medical Care Us 144A 5.750% 02/15/2021 DD 02/03/11	1.02	1,500,000	HCA Inc 5.875% 03/15/2022 DD 02/16/12	1.53	768,000	Istar Inc 5.000% 07/01/2019 DD 06/13/14	0.73
1,225,247	Gates Global 7/14 (Usd) Cov-Lite TI	1.16	2,701,000	HCA Inc 6.500% 02/15/2020 DD 08/01/11	2.80	865,000	Jack Ohio Finance Llc / J 144A 6.750% 11/15/2021 DD 11/08/16	0.83
1,000,000	GCP Applied Technologies 144A 9.500% 02/01/2023 DD 01/27/16	1.09	5,000,000	HCP Inc 3.750% 02/01/2019 DD 01/23/12	4.88	2,350,000	Jackson National Life Global 144A 2.300% 04/16/2019 DD 04/16/14	2.24
3,000,000	General Motors Co 3.500% 10/02/2018 DD 04/02/14	2.90	3,350,000	HCP Inc 4.000% 12/01/2022 DD 12/01/15	3.27	720,000	JC Penney Corp Inc 144A 5.875% 07/01/2023 DD 06/23/16	0.70
9,438,000	General Motors Co 4.875% 10/02/2023 DD 04/02/14	9.39	1,016,000	HD Supply Inc 144A 5.750% 04/15/2024 DD 04/11/16	1.02	1,785,000	JPMorgan Chase & Co 2.550% 03/01/2021 DD 03/01/16	1.69
1,640,000	General Motors Financial Co In 3.150% 01/15/2020 DD 01/12/15	1.57	6,125,000	Hewlett Packard Enterprise Co variable rate 10/05/2018 DD 10/05/16	5.87	302,000	JPMorgan Chase & Co 6.000% 01/15/2018 DD 12/20/07	0.30
3,000,000	General Motors Financial Co In 3.500% 07/10/2019 DD 07/10/14	2.90	10,250,000	Hewlett Packard Enterprise Co variable rate 10/15/2020 DD 10/15/16	9.89	1,200,000	KFC Holding Co/Pizza Hut 144A 5.000% 06/01/2024 DD 06/16/16	1.16
1,000,000	General Motors Financial Co In 4.200% 03/01/2021 DD 03/01/16	0.98	906,543	Hilton Hotels 8/16 Extended TI	0.87	1,025,000	Kinder Morgan Energy Partners 5.000% 10/01/2021 DD 09/20/11	1.04
190,000	Georgia-Pacific Llc 144A 2.539% 11/15/2019 DD 11/06/14	0.18	66,676	Hilton Hotels 9/13 Cov-Lite TI	0.06	1,850,000	Kinder Morgan Energy Partners 5.300% 09/15/2020 DD 05/19/10	1.89
3,325,000	Glencore Funding Llc 144A 2.500% 01/15/2019 DD 05/30/13	3.15	1,116,000	Holly Energy Partners / Hol 6.500% 03/01/2020 DD 03/12/12	1.09	4,300,000	Kinder Morgan Energy Partners 5.950% 02/15/2018 DD 02/12/08	4.26
1,200,000	Glencore Funding Llc 144A 3.125% 04/29/2019 DD 04/29/14	1.14	778,000	Honeywell International Inc 0.650% 02/21/2020	0.79	354,000	Kinder Morgan Energy Partners 6.500% 04/01/2020 DD 03/30/10	0.37
2,892,000	G Capital / G Financing 4.375% 11/01/2018 DD 05/01/14	2.84	1,078,000	Host Hotels & Resorts 3.750% 10/15/2023 DD 03/28/13	1.00	1,000,000	Kinder Morgan Energy Partners 9.000% 02/01/2019 DD 12/19/08	1.07
1,250,000	G Capital / G Financing 5.375% 11/01/2023 DD 05/01/14	1.27	725,000	Howard Hughes Corp/The 144A 6.875% 10/01/2021 DD 10/02/13	0.72	5,980,000	Kinder Morgan Energy Partners 2.650% 02/01/2019	5.70
340,437	Golden Nugget 11/13 TI	0.33	300,000	HSBC Finance Corp Regs 4.875% 05/30/2017	0.31	2,000,000	Kinder Morgan Finance Co 144A 6.000% 01/15/2018 DD 12/20/10	1.98
145,902	Golden Nugget 11/13 Tranche B Delayed TI	0.14	4,600,000	HSBC USA Inc 2.350% 03/05/2020 DD 03/05/15	4.33	3,600,000	Kinder Morgan Inc/De 7.250% 06/01/2018 DD 05/30/08	3.64
1,405,000	Goldman Sachs Group Inc/T Regs 2.625% 08/19/2020	1.52	7,673,000	HSBC USA Inc 2.375% 11/13/2019 DD 11/13/14	7.30	1,000,000	Kinder Morgan Inc/De 6.500% 09/15/2020	1.06
5,000,000	Goldman Sachs Group Inc/T Regs 6.375% 05/02/2018	5.42	1,720,000	Huntington National Bank/ The 2.400% 04/01/2020 DD 02/26/15	1.62	420,000	Kinetic Concepts Inc / Kc 144A 7.875% 02/15/2021 DD 02/09/16	0.43
2,787,000	Goldman Sachs Group Inc/T Regs variable rate 04/29/2019	2.81	997,500	Huntsman International 11/16 Tlb2	0.96	734,000	KLX Inc 144A 5.875% 12/01/2022 DD 12/08/14	0.72
3,185,000	Goldman Sachs Group Inc/ The 2.600% 04/23/2020 DD 01/23/15	3.02	1,043,000	Huntsman International Llc 4.875% 11/15/2020 DD 11/19/12	1.03	655,000	Kraton Polymers Cov-Lite 12/15 Tlb	0.63
980,000	Graphic Packaging Internationa 4.875% 11/15/2022 DD 11/06/14	0.95	1,048,000	Hyatt Hotels Corp 3.375% 07/15/2023 DD 05/10/13	0.98	1,650,000	Kroger Co/The 2.950% 11/01/2021	1.58
7,500,000	Halliburton Co 2.000% 08/01/2018 DD 08/05/13	7.13	4,201,000	Hyundai Capital America 144A 3.000% 03/18/2021 DD 03/18/16	3.98	981,000	L Brands Inc 5.625% 02/15/2022 DD 02/07/12	0.99
2,900,000	Halliburton Co 3.250% 11/15/2021 DD 11/14/11	2.81	3,100,000	Hyundai Capital America Regs 2.000% 03/19/2018	2.94	1,700,000	L Brands Inc 7.000% 05/01/2020 DD 05/04/10	1.81
1,062,000	Hanesbrands Inc 144A 4.625% 05/15/2024 DD 05/06/16	0.98	1,345,000	IAC/InteractVecorp 4.875% 11/30/2018 DD 11/15/13	1.30			
			1,000,000	ICAHN Enterprises / Icahn E 3.500% 03/15/2017 DD 01/21/14	0.95			
			740,000	ICAHN Enterprises / Icahn E 6.000% 08/01/2020 DD 08/01/13	0.72			
			2,167,832	Infor (Lawson) 1/14 B5 Tlb	2.06			

United States (continued)		
Nominal	Security Description	Value €m
705,000	Lamar Media Corp 5.375% 01/15/2024 DD 07/15/14	0.69
1,000,000	Lear Corp 5.375% 03/15/2024 DD 03/14/14	0.99
1,300,000	Lennar Corp 4.500% 06/15/2019 DD 02/12/14	1.27
1,575,000	Lennar Corp 4.500% 11/15/2019 DD 11/25/14	1.55
1,030,000	Lennar Corp 4.750% 04/01/2021 DD 03/04/16	1.01
1,500,000	Level 3 8/13 (2020) Tlb	1.44
1,046,000	Level 3 Financing Inc 5.375% 08/15/2022 DD 11/15/14	1.02
992,288	Lightower 4/13 TI	0.95
2,561,000	Manufacturers & Traders Trust 2.100% 02/06/2020 DD 02/06/15	2.42
3,250,000	Marathon Oil Corp 2.700% 06/01/2020 DD 06/10/15	3.09
2,785,000	Marathon Petroleum Corp 5.125% 03/01/2021 DD 09/01/11	2.88
1,300,000	Masco Corp 3.500% 04/01/2021 DD 03/17/16	1.24
3,000,000	Mcdonald'S Corp Regs 0.500% 01/15/2021	3.03
1,736,023	MEG Energy 2/13 Cov-Lite TI	1.60
1,000,000	Mercer International Inc 7.000% 12/01/2019 DD 11/26/14	0.98
630,000	Mercer International Inc 7.750% 12/01/2022 DD 11/26/14	0.63
1,878,000	Metlife Inc 7.717% 02/15/2019 DD 02/15/09	1.99
1,350,000	Metropolitan Life Global Fundi 4.625% 05/16/2017	1.37
2,520,000	MGM Resorts International 5.250% 03/31/2020 DD 12/19/13	2.53
1,008,000	Micron Technology 144A 7.500% 09/15/2023 DD 04/26/16	1.06
2,000,000	Molson Coors Brewing 1.450% 07/15/2019 DD 07/07/16	1.87
1,500,000	Molson Coors Brewing 2.100% 07/15/2021 DD 07/07/16	1.39
997,500	Monarch 5/16 (Usd) Cov-Lite 0.000% 09/13/2023 DD 05/18/16	0.95
1,350,000	Mondelez International 1.000% 03/07/2022	1.37
9,330,000	Morgan Stanley 2.650% 01/27/2020 DD 01/27/15	8.89
4,353,000	Morgan Stanley 6.625% 04/01/2018 DD 04/01/08	4.37
3,680,000	Morgan Stanley 7.300% 05/13/2019 DD 05/13/09	3.89
2,700,000	Morgan Stanley 2.250% 03/12/2018	2.77
1,950,000	Morgan Stanley 5.000% 05/02/2019	2.17
3,000,000	Morgan Stanley 5.375% 08/10/2020	3.55
1,600,000	Morgan Stanley variable rate 01/27/2022	1.60

United States (continued)		
Nominal	Security Description	Value €m
800,000	Morgan Stanley variable rate 12/03/2019	0.80
919,860	Motorcity Casino 7/14 Tlb	0.88
500,000	MUFG Americas Holdings Corp 2.250% 02/10/2020 DD 02/10/15	0.47
1,085,000	MUFG Union Bank Na 2.250% 05/06/2019 DD 05/06/14	1.03
983,631	Multiplan 5/16 Cov-Lite Tlb	0.95
1,250,000	Murphy Oil Corp variable rate 12/01/2017 DD 11/30/12	1.19
800,000	Murphy Oil Corp variable rate 12/01/2022 DD 11/30/12	0.73
3,125,000	Mylan 2.600% 06/24/2018 DD 12/24/13	2.98
3,000,000	Mylan 2.550% 03/28/2019	2.84
1,495,000	NBC Universal Media 5.150% 04/30/2020 DD 04/30/11	1.55
815,806	Neiman Marcus 3/14 Cov-Lite TI	0.67
500,000	Newell Brands 2.600% 03/29/2019 DD 03/30/16	0.48
774,000	Newell Brands 3.150% 04/01/2021 DD 03/30/16	0.75
1,025,000	Newfield Exploration Co 5.750% 01/30/2022 DD 09/30/11	1.02
2,507,000	Nextera Energy Capital Holding 2.700% 09/15/2019 DD 03/11/14	2.41
1,033,000	Nielsen Finance / Nielsen 4.500% 10/01/2020 DD 04/01/13	1.00
2,000,000	Noble Energy 8.250% 03/01/2019 DD 02/27/09	2.13
7,000,000	Noble Energy 4.150% 12/15/2021	6.91
8,198,175	Northwest Airlines 2007-1 Clas 7.027% 05/01/2021 DD 10/10/07	8.68
1,145,000	NRG Energy Inc 7.625% 01/15/2018 DD 07/15/11	1.15
344,000	NRG Energy Inc 7.875% 05/15/2021 DD 11/15/11	0.34
514,000	NVR Inc 3.950% 09/15/2022 DD 09/10/12	0.50
1,014,000	Omega Healthcare Investors Inc 4.950% 04/01/2024 DD 10/01/14	0.97
2,270,000	Omnicom Group Inc 6.250% 07/15/2019 DD 07/01/09	2.38
530,000	Onemain Financial Holding 144A 6.750% 12/15/2019 DD 12/11/14	0.52
750,000	Oracle Corp 2.250% 10/08/2019 DD 07/08/14	0.72
1,015,000	Oshkosh Corp 5.375% 03/01/2022 DD 02/21/14	1.00
1,243,000	Outfront Media Capital Llc / O 5.250% 02/15/2022 DD 11/15/14	1.22
1,076,718	Patheon 1/14 (Usd) TI	1.03
720,000	Penn National Gaming Inc 5.875% 11/01/2021 DD 05/01/14	0.71

United States (continued)		
Nominal	Security Description	Value €m
6,850,000	Penske Truck Leasing Co L 144A 4.250% 01/17/2023 DD 01/17/13	6.75
1,608,000	Penske Truck Leasing Co L 144A 4.875% 07/11/2022 DD 07/13/12	1.64
1,450,000	Pioneer Natural Resources Co 7.500% 01/15/2020	1.56
10,700,000	Plains All American Pipeline L 2.600% 12/15/2019 DD 12/09/14	10.16
2,600,000	Plains All American Pipeline L 8.750% 05/01/2019 DD 04/20/09	2.81
7,000,000	Plains All American Pipeline L 5.000% 02/01/2021	7.14
1,700,000	PNC Bank Na 2.300% 06/01/2020 DD 06/01/15	1.61
1,350,000	Prologis 1.375% 10/07/2020	1.40
6,000,000	Prologis 3.000% 01/18/2022	6.67
585,000	ProVident Funding Associa 144A 6.750% 06/15/2021 DD 06/04/13	0.56
820,000	Pultegroup Inc 4.250% 03/01/2021 DD 03/01/16	0.80
1,000,000	Quikrete 11/16 Cov-Lite Tlb	0.96
1,670,000	QVC Inc 3.125% 04/01/2019 DD 03/18/14	1.60
965,000	Range Resources Corp 144A 5.750% 06/01/2021 DD 09/16/16	0.96
702,000	Realogy Group Llc / Realo 144A 5.250% 12/01/2021 DD 11/21/14	0.68
710,000	Regal Entertainment Group 5.750% 06/15/2023 DD 06/13/13	0.69
2,610,000	Regions Bank/Birmingham Al 2.250% 09/14/2018 DD 07/31/15	2.48
1,022,438	Revlon 7/16 Cov-Lite Tlb	0.98
568,575	Reynolds Group 8/16 (Usd) TI	0.55
720,000	Reynolds Group Issuer Inc / Re 5.750% 10/15/2020 DD 09/28/12	0.70
990,000	Rivers Pittsburgh Borrowe 144A 6.125% 08/15/2021 DD 07/25/16	0.96
341,000	Sabine Pass Liquefaction Llc 5.750% 05/15/2024 DD 11/15/14	0.35
1,000,000	Sabine Pass Liquefaction Llc variable rate 04/15/2023 DD 10/15/13	1.01
723,000	Sabre Gbl Inc 144A 5.375% 04/15/2023 DD 04/14/15	0.70
2,620,000	Santander Holdings Usa Inc 2.650% 04/17/2020 DD 04/17/15	2.46
1,071,797	Scientific Games 10/14 Inc Tlb2	1.03
771,000	Sealed Air Corp 144A 6.500% 12/01/2020 DD 11/28/12	0.82
1,500,000	Senior Housing Properties Trus 6.750% 04/15/2020 DD 04/09/10	1.54

Quoted Debt Instruments (continued)

United States (continued)		
Nominal	Security Description	Value €m
345,000	Service Corp International/US 5.375% 01/15/2022 DD 01/15/14	0.34
922,000	Service Corp International/US 7.625% 10/01/2018 DD 10/03/06	0.96
5,300,000	SES Global Americas Holding Regs 1.875% 10/24/2018	5.48
2,480,708	Sinclair Television (8/10) Tlb 0.000% 04/09/2020 DD 08/19/10	2.35
1,000,000	Sinclair Television / Tlb 0.000% 01/03/2024 DD 12/15/16	0.95
1,253,000	Six Flags Entertainment Corp 144A 5.250% 01/15/2021 DD 12/21/12	1.22
1,200,000	SL Green Realty Corp 5.000% 08/15/2018 DD 08/05/11	1.19
744,289	Solenis 7/14 (Usd) Cov-Lite Tl	0.71
510,000	Solvay Finance America Llc 144A 3.400% 12/03/2020 DD 12/03/15	0.49
2,600,000	Southern Power Co 2.375% 06/01/2020 DD 05/20/15	2.45
1,010,000	Sprint Communications Inc 144A 7.000% 03/01/2020 DD 03/01/12	1.04
1,370,000	Sprint Communications Inc 144A 9.000% 11/15/2018 DD 11/09/11	1.43
480,000	Sprint Spectrum Co Llc / 144A 3.360% 03/20/2023 DD 10/27/16	0.46
580,000	Standard Industries Inc/N 144A 5.500% 02/15/2023 DD 02/23/16	0.57
110,000	Steel Dynamics Inc 6.375% 08/15/2022 DD 02/15/13	0.11
5,910,000	Synchrony Financial 2.600% 01/15/2019 DD 12/04/15	5.64
1,140,000	Targa Resources Partners / 4.125% 11/15/2019 DD 10/28/14	1.10
735,000	Taylor Morrison Communities 144A 5.250% 04/15/2021 DD 04/16/13	0.71
7,156,000	TCI Communications Inc 7.875% 02/15/2026 DD 02/14/96	9.11
1,000,000	Tenet Healthcare 4.750% 06/01/2020 DD 10/16/12	0.96
1,200,000	Tenet Healthcare 6.000% 10/01/2020 DD 09/27/13	1.19
1,000,000	Tenet Healthcare 6.250% 11/01/2018 DD 11/21/11	1.00
2,406,000	Time Warner Cable 5.000% 02/01/2020 DD 12/11/09	2.42
356,000	Time Warner Cable 8.750% 02/14/2019 DD 11/18/08	0.38
7,756,000	Time Warner Entertainment Co L 8.375% 03/15/2023 DD 09/15/93	9.25
1,275,000	T-Mobile Usa Inc 6.500% 01/15/2024 DD 11/21/13	1.30
1,987,067	Transdigm 2/13 Cov-Lite Tlc 0.000% 02/28/2020 DD 02/25/13	1.90

United States (continued)		
Nominal	Security Description	Value €m
720,000	Treehouse Foods Inc 4.875% 03/15/2022 DD 03/11/14	0.70
1,300,000	Tri Pointe Group Inc / Tri Poi 4.375% 06/15/2019 DD 06/15/15	1.25
770,000	Tri Pointe Group Inc / Tri Poi 5.875% 06/15/2024 DD 06/15/15	0.75
900,000	Tribune Media Co 5.875% 07/15/2022 DD 01/15/16	0.87
2,190,000	Tyson Foods Inc 2.650% 08/15/2019 DD 08/08/14	2.10
750,000	Univision Communications 144A 5.125% 05/15/2023 DD 05/21/13	0.70
1,252,727	Valeant 3/15 F1 Tlb	1.19
1,888,806	Valeant 9/13 Series C Tlb	1.79
2,548,000	Ventas Realty / Ventas Capi 2.700% 04/01/2020 DD 03/19/13	2.43
2,336,000	Vereit Operating Partnership L 3.000% 02/06/2019 DD 08/06/14	2.21
1,300,000	Vereit Operating Partnership L 4.125% 06/01/2021 DD 06/02/16	1.25
2,900,000	Verizon Communications Inc 4.150% 03/15/2024	2.86
3,100,000	Volkswagen Group of America 144A 1.600% 11/20/2017 DD 11/20/14	2.93
3,165,000	Volkswagen Group of America 144A 2.450% 11/20/2019 DD 11/20/14	3.00
4,574,000	Walgreen Co 3.100% 09/15/2022 DD 09/13/12	4.34
1,588,000	Walgreens Boots Alliance Inc 2.600% 06/01/2021 DD 06/01/16	1.50
2,000,000	Walgreens Boots Alliance Inc 2.700% 11/18/2019 DD 11/18/14	1.92
1,000,000	Wellcare Health Plans Inc 5.750% 11/15/2020 DD 11/14/13	0.97
3,180,000	Wells Fargo & Co 2.150% 01/30/2020 DD 02/02/15	3.00
878,000	Wells Fargo & Co 2.600% 07/22/2020 DD 07/22/15	0.84
803,000	West Corp 144A 5.375% 07/15/2022 DD 07/01/14	0.74
1,800,000	Western Gas Partners 2.600% 08/15/2018 DD 08/14/13	1.71
545,000	Westlake Chemical Corp 144A 4.625% 02/15/2021 DD 08/15/16	0.54
500,000	Weyerhaeuser Co 7.375% 10/01/2019 DD 10/01/09	0.53
2,125,000	Williams Partners 5.250% 03/15/2020 DD 02/09/10	2.15
792,000	Windstream Services Llc 7.750% 10/15/2020 DD 10/06/10	0.77
875,000	WMG Acquisition Corp 144A 5.000% 08/01/2023 DD 07/27/16	0.83
1,235,000	WR Grace & Co-Conn 144A 5.125% 10/01/2021 DD 09/16/14	1.22

United States (continued)		
Nominal	Security Description	Value €m
3,400,000	Wyndham Worldwide Corp 3.900% 03/01/2023 DD 02/22/13	3.22
994,900	Yonkers Racing 8/13 Tl	0.95
1,170,000	Yum! Brands Inc 5.300% 09/15/2019 DD 08/25/09	1.17
690,000	Zebra Technologies Corp 7.250% 10/15/2022 DD 10/15/14	0.71
2,365,000	ZF North America Capital 144A 4.000% 04/29/2020 DD 04/29/15	2.33
1,265,000	ZF North America Capital 144A 4.500% 04/29/2022 DD 04/29/15	1.24
2,900,000	ZF North America Capital Regs 2.250% 04/26/2019	3.02
5,000,000	Zoetis Inc 3.450% 11/13/2020 DD 11/13/15	4.87
		815.85
	% of Total Investments	3.90%
	Total North American Quoted Debt	852.37
	% of Total Investments	4.08%

ASIA PACIFIC		
Australia		
Nominal	Security Description	Value €m
10,050,000	Apt Pipelines 144A 3.875% 10/11/2022 DD 10/11/12	9.56
100,000	Apt Pipelines Regs 1.375% 03/22/2022	0.10
1,291,000	Australia Government Bond Regs 3.750% 04/21/2037	0.92
5,200,000	BHP Billiton Finance 2.250% 09/25/2020	5.60
1,606,000	BHP Billiton Finance Regs variable rate 04/28/2020	1.60
2,130,000	BHP Billiton Finance USA 3.250% 11/21/2021	2.08
350,000	BHP Billiton Finance USA 3.850% 09/30/2023	0.35
1,690,000	Commonwealth Bank Of Australia 2.300% 03/12/2020 DD 03/12/15	1.60
3,065,000	Macquarie Group 144A 3.000% 12/03/2018 DD 12/03/13	2.95
2,545,000	Macquarie Group 144A 6.000% 01/14/2020 DD 01/14/10	2.62
500,000	National Australia Bank Regs variable rate 11/12/2024	0.51
1,500,000	National Australia Bank /NE 1.375% 07/12/2019 DD 07/12/16	1.40
1,000,000	National Australia Bank /NE 1.875% 07/12/2021 DD 07/12/16	0.92
1,664,000	National Australia Bank /NE 2.000% 01/14/2019 DD 01/14/16	1.58
10,238,000	Newcrest Finance Pty 144A 4.200% 10/01/2022 DD 10/01/12	9.77
237,000	Newcrest Finance Pty 144A 4.450% 11/15/2021 DD 11/15/11	0.23

Australia (continued)		
Nominal	Security Description	Value €m
2,200,000	Origin Energy Finance 144A 3.500% 10/09/2018	2.11
2,700,000	Origin Energy Finance Regs 2.500% 10/23/2020	2.88
9,457,000	Rio Tinto Finance Usa 9.000% 05/01/2019 DD 04/17/09	10.34
10,200,000	SGSP Australia Assets Pty Regs Step 04/09/2023	9.53
		66.65
	% of Total Investments	0.32%

Japan		
Nominal	Security Description	Value €m
2,555,000	Bank of Tokyo-Mitsubishi 144A 2.300% 03/05/2020 DD 03/05/15	2.40
6,000,000	Mitsubishi UFJ Financial Group 2.920% 03/01/2021	5.73
575,000	Mizuho Bank Ltd 144A 2.400% 03/26/2020 DD 03/26/15	0.54
9,000,000	Mizuho Bank Ltd 144A 2.700% 10/20/2020 DD 10/20/15	8.51
2,755,000	Softbank Group Corp 144A 4.500% 04/15/2020 DD 04/23/13	2.68
2,405,000	Sumitomo Mitsui Banking Corp 2.450% 01/16/2020 DD 01/16/15	2.27
		22.13
	% of Total Investments	0.11%

Hong Kong		
Nominal	Security Description	Value €m
2,944,000	AIA Group Ltd Regs 1.750% 03/13/2018	2.78
939,000	Standard Chartered Bank Hong Kong Regs 5.875% 06/24/2020	0.96
		3.75
	% of Total Investments	0.02%

New Zealand		
Nominal	Security Description	Value €m
285,000	ANZ New Zealand Internationall Ltd 144A 2.600% 09/23/2019 DD 09/23/14	0.27
		0.27
	% of Total Investments	0.00%
	Total Asia Pacific Quoted Debt	92.80
	% of Total Investments	0.44%

EMERGING MARKETS		
Bermuda		
Nominal	Security Description	Value €m
2,196,000	Fidelity International Lt Regs 6.875% 02/24/2017	2.22
		2.22
	% of Total Investments	0.01%

Cayman Islands		
Nominal	Security Description	Value €m
14,150,000	Apidos Clo X 10A A 144A variable rate 10/30/2022 DD 11/15/12	13.40
1,232,318	Fraser Sullivan Cl 7A A1R 144A variable rate 04/20/2023 DD 06/30/15	1.17
3,175,000	Hpht Finance 15 Ltd 144A 2.250% 03/17/2018 DD 03/17/15	3.01
10,900,000	OCP Clo 2015-9 Ltd 9A A1 144A variable rate 07/15/2027 DD 07/01/15	10.34
5,000,000	Sound Point Clo Xi L 1A A 144A variable rate 07/20/2028 DD 05/26/16	4.76
5,286,000	Southern Water Services F Regs 6.640% 03/31/2026	8.46
50,000	Southern Water Services Finance 6.125% 03/31/2019	0.07
1,800,000	York Clo 1 Ltd 1A A 144A variable rate 01/22/2027 DD 01/22/15	1.71
		42.91
	% of Total Investments	0.21%

Chile		
Nominal	Security Description	Value €m
1,480,000	Celulosa Arauco Y Constitucion 7.250% 07/29/2019 DD 07/27/09	1.55
		1.55
	% of Total Investments	0.01%

Curacao		
Nominal	Security Description	Value €m
4,300,000	Teva Pharmaceutical Finance 3.650% 11/10/2021 DD 11/10/11	4.13
		4.13
	% of Total Investments	0.02%

Mexico		
Nominal	Security Description	Value €m
1,000,000	America Movil SAB de CV 1.000% 06/04/2018	1.01
2,500,000	America Movil SAB de CV 3.000% 07/12/2021	2.76
1,550,000	BBVA Bancomer Sa/Texas 144A 7.250% 04/22/2020 DD 04/22/10	1.61
1,625,000	Cemex SAB de CV 144A 6.500% 12/10/2019 DD 08/12/13	1.63
805,000	Cemex SAB de CV 144A 7.250% 01/15/2021 DD 10/02/13	0.81
		7.83
	% of Total Investments	0.04%
	Total Emerging Markets Quoted Debt	58.64
	% of Total Investments	0.28%
	Total Quoted Debt Instruments	1,940.88
	% of Total Investments	9.29%

Direct Private Equity

Cost €m	Security Description	Value €m
6.00	Advanced Manufacturing Control Systems	Note 1
0.36	Allianz Irish Life	0.43
30.00	Finance Ireland	Note 1
11.38	Swrve Mobile	Note 1
Total Direct Private Equity		47.81
% of Total Investments		0.23%

Unquoted Equities

Nominal	Security Description	Value €m
12,092	Allied Irish Banks	0.05
Total Unquoted Equities		0.05
% of Total Investments		0.00%

Unquoted Debt Instruments

Commitment €m	Security Description	Value €m
21.50	European Investment Bank 0.000% 01/08/2027	23.30
13.70	European Investment Bank 0.000% 01/08/2037	15.81
13.17	European Investment Bank Regs 0.000% 01/08/2032	14.72
96.35	Bank of Ireland Var rate 06/12/2027	111.80
40.00	Bluebay Ireland Corporate Subordinated	25.35
5.00	Milkflex Facility B1 Subordinated	Note 1
0.10	Milkflex Facility B2 Subordinated	Note 1
50.00	Quadrant	Note 1
Total Unquoted Debt Instruments		209.43
% of Total Investments		1.00%

Property Investments

Commitment €m	Security Description	Value €m
47.43	Apollo Domestic Emerging Markets Fund	25.77
25.00	Ardstone Residential Partners Fund ICAV	16.05
16.31	Asian Retail Mall II Limited	0.04
37.95	Berkshire Multifamily Value Fund	4.29
35.14	Blackrock Japan Core Plus Fund	0.06
35.04	CBRE Strategic Partners UK Fund III	0.41
57.97	CBRE Strategic Partners USI IV Liquidating Trusts	1.95
23.72	Composition Capital Asia Fund	0.99
15.01	FDV-Venture	0.05
46.10	Forum Asian Realty Income II	1.82
44.13	Forum European Realty Income II Group Limited	14.11
29.91	Grosvenor French Retail Feeder Investment SA	29.53
64.63	Madison Marquette Fund Group LLLC	1.36
52.18	Morgan Stanley Real Estate Fund V International	3.07
104.35	Morgan Stanley Real Estate Fund V U.S.	2.82
104.35	Morgan Stanley Real Estate Fund VI International	12.65
47.43	PRECO III (UK)	3.60
0.16	Rockspring Peripheral Europe	0.33
47.43	Silverpeak Real Estate Partners II	5.58
75.00	Tishman Speyer European Real Estate Venture VI	18.04
55.53	Tishman Speyer Real Estate Fund VI Property Fund	15.66
75.00	WLR Cardinal Mezzanine Fund	30.92
2.00	Kilkenny Regeneration	-
25.00	Finegrain	-
Total Property Investments		189.08
% of Total Investments		0.90%

Private Equity Investments

Commitment €m	Security Description	Value €m
0.26	Act 2001 - BIAM Venture Capital	0.22
20.00	Act V Venture Capital Fund Ltd	0.63
26.03	Arch Venture Fund VIII	36.74
10.00	Atlantic Bridge II	7.84
20.00	Atlantic Bridge III	6.96
0.36	Bank Of Ireland Unlisted Fund	0.02
14.93	BMS Finance Ireland	6.78
125.00	Carlyle Cardinal Ireland	50.07
15.00	Causeway Capital Partners I	3.16
47.43	China Ireland Growth Technology Fund	17.09
0.56	Delta Equity Fund II (UCC)	0.29
23.00	Delta Equity Fund III	17.38
0.15	Delta Equity Fund No.2 (Fas)	0.08
0.09	Delta I 9900777	0.10
11.86	Draper Fisher Jurveston	12.79
15.00	Fountain Healthcare Partners Fund I	8.33
15.00	Fountain Healthcare Partners Fund II	3.20
11.00	Frontline Venture Fund I L.P.	8.05
15.00	Frontline Ventures Fund II L P	0.00
10.00	Highland Europe Technology Growth II L P	3.98
10.00	Highland Europe Technology Growth	13.85
12.19	Lightstone Ventures	6.13
47.43	OCM Opportunities Fund VIIIB	4.46
47.43	Polaris Venture Partners VI	57.22
47.43	Polaris Partners VII	28.26
23.72	Polaris Partners VIII	0.72
53.13	Reverence Capital Partners Opportunities Fund I	40.52
15.00	Seroba Kernel Life Sciences Fund II	14.27
14.23	Seroba Life Sciences Fund III Limited Partnership	0.40
11.86	Sofinnova Venture Partners VIII	5.91
23.72	Strategic Investors Fund V	26.28
23.72	Strategic Investors Fund VI	21.72
33.20	Strategic Investors Fund VIII	0.54
18.00	Ulster Bank Diageo Venture Fund	10.14
49.54	Westsummit Global Technology Fund	55.99
16.00	Scottish Equity Partners	-
92.00	Leeds Equity Partners Fund	-
Total Private Equity Investments		470.12
% of Total Investments		2.25%

Forestry Investments

Commitment €m	Security Description	Value €m
20.00	ALBIM 1st Forestry Fund	33.77
55.00	Foraois	7.11
0.14	ILIM IFUT - Irish Forestry Unit Trust	0.14
Total Forestry Investments		41.01
% of Total Investments		0.20%

Energy Investments

Commitment €m	Security Description	Value €m
35.00	NTR Wind 1	26.41
Total Energy Investments		26.41
% of Total Investments		0.13%

Infrastructure Investments

Commitment €m	Security Description	Value €m
250.00	Irish Infrastructure Trust	130.10
Total Infrastructure Investments		130.10
% of Total Investments		0.62%

Quoted Investment Funds

Nominal	Security Description	Value €m
16,600,128	Acadian Global Managed Volatility Equity Fund	252.76
40	Amundi 12-24 Month Ireland	407.81
27	Amundi 6 Month Ireland	272.20
200,000	AQR Systematic Total Return Fund	195.89
2,300,905	Blackrock EUR Liquid First Fund Premium	2.30
3,594,717	Deutsche Floating Rate Notes	302.68
6,875,000	GIM Specialist Investment Funds ISIF Global Macro Opp Fund X EUR C	644.94
1,258,824	Goldman Sachs Alternative Risk Permia Portfolio	122.01
9,019,945	Goldman Sachs Alternative Trend Portfolio Class IO Shares	82.06
1,150,082	Goldman Sachs Emerging Markets Debt Local Portfolio IO	12.97
2,621,738	Goldman Sachs Emerging Markets Debt Portfolio Class IO Shares	26.35
3,575,979	Goldman Sachs Emerging Markets Equity Portfolio IO Acc	33.89
7,598,200	Goldman Sachs Global Credit Portfolio (Hedged) IO Acc	84.12
5,698,893	Goldman Sachs Global High Yield Portfolio IO	103.38
1,390,736	Goldman Sachs Tactical Exposure Portfolio	139.48
2,199,890	Muzinich Enhanced Yield Short-Term Fund Hedged	229.23
Total Quoted Investment Funds		2,912.06
% of Total Investments		13.93%

Unquoted Investment Funds

Nominal	Security Description	Value €m
210,000	Blackstone Class A	208.68
40,000	Blackstone Class B	37.47
61,612	Bridgewater Pure Alpha Euro Fund Ltd	124.09
44,750	Bridgewater Pure Alpha Euro Sub Series A	51.44
32,105	Bridgewater Pure Alpha Major Markets II Ltd	53.56
560,240	Generation IM Global Equity Fund	164.79
1,840,000	ISIF Absolute Alpha Fund	189.28
Total Unquoted Investment Funds		829.30
% of Total Investments		3.97%

Convertible Preference Shares and Convertible Loan

Commitment €m	Security Description	Value €m
23.60	Aquacomms	Note 1
12.28	Genomics Medicine Ireland Ltd	Note 1
1.00	Swrve Mobile	Note 1
Total Convertible Preference Shares and Convertible Loan		30.02
% of Total Investments		0.14%

Unrealised Gain on Futures Contracts

Security Description	Value €m
Unrealised Gain on Futures Contracts	9.06
Total Unrealised Gain on Futures Contracts	9.06
% of Total Investments	0.04%
Total Investments at fair value through profit and loss	7,169.90
	34.31%

Loans and Receivables

Other Debt

Ireland		
Commitment €m	Security Description	Value €m
450.00	Irish Water Loans	300.00
325.00	Activate Loans	Note 1
44.00	Dublin Waste to Energy Loans	Note 1
20.00	Milkflex Senior Facility Loan Note	Note 1
2.00	Dairygold RPPF	Note 1
54.00	DCU	Note 1
Total Loans and Receivables - Other Debt		366.14
% of Total Investments		1.75%

Other Bonds

Ireland		
Commitment €m	Security Description	Value €m
8.00	Bluebay Ireland Corporate Credit 1 Limited Senior Notes	4.50
150.00	Bluebay Ireland Corporate Credit 1 Limited Super Senior Notes	90.00
Total Loans and Receivables - Other Bonds		94.50
% of Total Investments		0.45%
Total loans and Receivables		460.64

Financial Liabilities

Unrealised loss on equity options

Nominal	Security Description	Value €m
2,032	DJ Euro Stoxx 50	(0.22)
(5,935)	DJ Euro Stoxx 50 - OTC	(0.37)
(174)	S & P 500 INDEX - OTC	(0.40)
(1,646,858)	TOPIX INDEX - OTC	(0.18)
(92)	FTSE 100 INDEX - OTC	(0.24)
Total unrealised loss on equity index options		(1.42)
% of Total Investments		(0.01%)

Unrealised loss on credit default swaps

Nominal	Security Description	Value €m
(1,000,000)	CDX_BP UL CDX.NA.HY.26_V1 P 500BPS 2021 Jun 20	(0.07)
(4,650,000)	CDX_BP UL Itraxx_Europe_26_1 P 100BPS 2021 Dec 20	(0.06)
(3,400,000)	CDX_BP UL Itraxx_Europe_26_1 P 100BPS 2021 Dec 20	(0.05)
(1,500,000)	CDX_BP UL Itraxx_Europe_Cross P 500BPS 2021 Dec 20	(0.14)
(250,000)	CDX_BP UL Itraxx_Europe_Cross P 500BPS 2021 Dec 20	(0.02)
(500,000)	CDX_BP UL Itraxx_Europe_Cross P 500BPS 2021 Dec 20	(0.05)
(250,000)	CDX_BP UL Itraxx_Europe_Cross P 500BPS 2021 Dec 20	(0.02)
(1,499,764)	CDX_BP UL Itraxx_Europe_Cross P 500BPS 2021 Jun 20	(0.14)
Total unrealised loss on credit default swaps		(0.55)
% of Total Investments		(0.00%)

Unrealised loss on foreign exchange contracts

Security Description	Value €m
Unrealised loss on foreign exchange contracts	(46.24)
Total unrealised loss on foreign exchange contracts	(46.24)
% of Total Investments	(0.22%)
Total financial liabilities	(48.21)

Cash Deposits and Other Cash Investments

Deposits and cash

Security Description	Value €m
Euro	202.66
US Dollar	187.03
Other Currencies	(0.50)
Sterling	4.16
Japanese Yen	0.17
Total Deposits and Cash	393.52
% of Total Investments	1.88%

Treasury bills

Nominal	Security Description	Value €m
34,520,000	US Treasury Bills	32.72
Total Treasury Bills		32.72
% of Total Investments		0.16%
Total cash deposits and other cash Investments		426.24
% of Total Investments		
Total Discretionary Investments		8,008.58
% of Total Investments		38.32%

Directed Investments

Directed investment assets

Nominal	Security Description	Value €m
2,710,809,057	Allied Irish Banks	11,594.13
4,512,323,039	Bank of Ireland	1,055.88
Total Directed Investment Assets		12,650.01
% of Total Investments		60.53%

Loans

Commitment €m	Security Description	Value €m
240.00	SBCI Utilisation Loan	25.00
Total loans		25.00
% of Total Investments		0.12%

Cash

Security Description	Value €m
Euro	215.03
Total Cash	215.03
% of Total Investments	1.03%
Total Directed Investments	12,890.05
% of Total Investments	61.68%
Total Investments	20,898.63
% of Total Investments	100.00%

Note 1: The market value has not been disclosed as this is commercially sensitive information.

Note 2: Futures 31 December 2016

Contracts	Security Description	Unrealised Profit & Loss €m
(186)	EURO-BUXL 30 Bond Future (Expiring March 2017)	(0.36)
(171)	EURO-BOBL Futures (Expiring March 2017)	(0.20)
(26)	EURO-BTP Future (Expiring March 2017)	(0.04)
(19)	EURO-BUND Future (Expiring March 2017)	(0.01)
(137)	EURO-SCHATZ Future (Expiring March 2017)	(0.02)
(67)	EURO-OAT Future (Expiring March 2017)	(0.10)
8	US Treasury Bond Future (Expiring March 2017)	(0.00)
61	US 10 Year Treasury Future (Expiring March 2017)	0.02
(6)	US 5 Year Treasury Future (Expiring March 2017)	0.00
696	90 day Euro-Dollar Future (Expiring December 2017)	0.58
1,067	90 day Euro-Dollar Future (Call December 2017)	1.57
(1,223)	90 day Euro-Dollar Future (Expiring December 2018)	0.18
543	90 day Euro-Dollar Future (Call December 2018)	0.44
(137)	90 day Euro-Dollar Future (Expiring December 2019)	0.35
(55)	90 day Euro-Dollar Future (Expiring December 2020)	0.14
(2)	90 day Euro-Dollar Future (Expiring December 2021)	0.01
(326)	90 day Euro-Dollar Future (Expiring June 2017)	0.22
1,117	90 day Euro-Dollar Future (Call June 2017)	1.50
(270)	90 day Euro-Dollar Future (Expiring June 2018)	0.47
437	90 day Euro-Dollar (Call June 2018)	0.23
361	90 day Euro-Dollar Future (Call June 2019)	0.46
(170)	90 day Euro-Dollar Future (Expiring June 2019)	0.41
(87)	90 day Euro-Dollar Future (Expiring June 2020)	0.23
(36)	90 day Euro-Dollar Future (Expiring June 2021)	0.09
(1)	90 day Euro-Dollar Future (Expiring June 2022)	0.00
(328)	90 day Euro-Dollar Future (Expiring March 2017)	0.12
11,081	90 day Euro-Dollar Future (Call March 2017)	1.12
(285)	90 day Euro-Dollar Future (Expiring March 2018)	0.44
303	90 day Euro-Dollar Future (Call March 2018)	0.16
(200)	90 day Euro-Dollar Future (Expiring March 2019)	0.46
583	90 day Euro-Dollar Future (Call March 2019)	0.55
(97)	90 day Euro-Dollar Future (Expiring March 2020)	0.25
(37)	90 day Euro-Dollar Future (Expiring March 2021)	0.10
(2)	90 day Euro-Dollar Future (Expiring March 2022)	0.01
(324)	90 day Euro-Dollar Future (Expiring September 2017)	0.32
1,166	90 day Euro-Dollar Future (Expiring September 2017)	1.79
(252)	90 day Euro-Dollar Future (Expiring September 2018)	0.49
480	90 day Euro-Dollar Future (Call September 2018)	0.32
(156)	90 day Euro-Dollar Future (Expiring September 2019)	0.39
(70)	90 day Euro-Dollar Future (Expiring September 2020)	0.18
(6)	90 day Euro-Dollar Future (Expiring September 2021)	0.02
(21)	Australian 10 year Bond Future (Expiring March 2017)	(0.00)
(1,247)	Euro foreign currency (Expiring March 2017)	(1.65)
(56)	Long Gilt Future (Expiring March 2017)	(0.15)
307	3 month Euro EURIBOR Future (Expiring December 2017)	(0.09)
219	3 month Euro EURIBOR Future (Expiring December 2018)	(0.10)
140	3 month Euro EURIBOR Future (Expiring December 2019)	(0.10)
58	3 month Euro EURIBOR Future (Expiring December 2020)	(0.05)
1	3 month Euro EURIBOR Future (Expiring December 2021)	(0.00)

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Contracts	Security Description	Unrealised Profit & Loss €m
332	3 month Euro EURIBOR Future (Expiring June 2017)	(0.05)
271	3 month Euro EURIBOR Future (Expiring June 2018)	(0.10)
172	3 month Euro EURIBOR Future (Expiring June 2019)	(0.10)
90	3 month Euro EURIBOR Future (Expiring June 2020)	(0.07)
39	3 month Euro EURIBOR Future (Expiring June 2021)	(0.04)
1	3 month Euro EURIBOR Future (Expiring June 2022)	(0.00)
334	3 month Euro EURIBOR Future (Expiring March 2017)	(0.03)
284	3 month Euro EURIBOR Future (Expiring March 2018)	(0.10)
199	3 month Euro EURIBOR Future (Expiring March 2019)	(0.10)
100	3 month Euro EURIBOR Future (Expiring March 2020)	(0.07)
42	3 month Euro EURIBOR Future (Expiring March 2021)	(0.04)
1	3 month Euro EURIBOR Future (Expiring March 2022)	(0.00)
330	3 month Euro EURIBOR Future (Expiring September 2017)	(0.07)
251	3 month Euro EURIBOR Future (Expiring September 2018)	(0.11)
159	3 month Euro EURIBOR Future (Expiring September 2019)	(0.10)
72	3 month Euro EURIBOR Future (Expiring September 2020)	(0.06)
12	3 month Euro EURIBOR Future (Expiring September 2021)	(0.01)
(50)	90 day Sterling Future (Expiring December 2017)	0.02
(29)	90 day Sterling Future (Expiring December 2018)	0.02
(25)	90 day Sterling Future (Expiring December 2019)	0.02
(14)	90 day Sterling Future (Expiring December 2020)	0.01
(60)	90 day Sterling Future (Expiring June 2017)	0.02
(41)	90 day Sterling Future (Expiring June 2018)	0.02
(29)	90 day Sterling Future (Expiring June 2019)	0.02
(16)	90 day Sterling Future (Expiring June 2020)	0.01
(11)	90 day Sterling Future (Expiring June 2021)	0.01
(20)	90 day Sterling Future (Expiring March 2020)	0.02
(60)	90 day Sterling Future (Expiring September 2017)	0.02
(36)	90 day Sterling Future (Expiring September 2018)	0.02
(29)	90 day Sterling Future (Expiring September 2019)	0.02
(14)	90 day Sterling Future (Expiring September 2020)	0.01
(11)	90 day Sterling Future (Expiring September 2021)	0.01
(29)	90 day Sterling LIBOR Future (Expiring March 2019)	0.02
(14)	90 day Sterling LIBOR Future (Expiring March 2021)	0.01
(60)	90 day Sterling LIBOR Future (Expiring March 2017)	0.01
(42)	90 day Sterling LIBOR Future (Expiring March 2018)	0.02
(29)	SPI 200 Index Future (Expiring March 2017)	(0.06)
(29)	S&P TSE 60 Index Future (Expiring March 2017)	(0.01)
(71)	CAC 40 Euro Index Future (Expiring January 2017)	(0.05)
(11)	DAX Index Future (Expiring March 2017)	(0.05)
392	Euro Stoxx 50 Future (Expiring March 2017)	0.26
(11)	Hang Seng Index Future (Expiring January 2017)	(0.02)
(10)	S&P MIB Index Future (Expiring March 2017)	(0.02)
(69)	Topix Index Future (Expiring March 2017)	(0.20)
(20)	Amsterdam Index Future (Expiring January 2017)	(0.05)
(22)	MSCI SING IX ETS (Expiring January 2017)	0.01
(12)	IBEX 35 Index Future (Expiring January 2017)	(0.01)
(49)	Swiss Market IX Future (Expiring March 2017)	(0.07)
169	OMX S30 Index Future (Expiring January 2017)	0.02
(32)	FTSE 100 Index Future (Expiring March 2017)	(0.08)
709	Mini MSCI Emerging Market Future (Expiring March 2017)	(0.60)
(150)	S&P 500 emini Index Future (Expiring March 2017)	0.03
Total Futures		9.06





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