

## FINANCE ACCOUNTS

Audited Financial Statements of the Exchequer

For the Financial Year 1st January 2017 to 31st December 2017

Presented to both Houses of the Oireachtas pursuant to Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993.

Le ceannach díreach ó  
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## Statement of Accounting Policies and Principles

1. The Finance Accounts, which are prepared under Section 4 of the Comptroller and Auditor General (Amendment) Act, 1993, contain detailed analysis and classification of the payments into and out of the Central Fund as well as details of the National Debt. They also contain certain other statements and footnoted information. The Finance Accounts have a statutorily specified purpose in relation to providing an annual statement of the transactions, recorded on a cash basis, of the Central Fund. The Finance Accounts do not purport to be a comprehensive financial statement for the State, its assets and liabilities.
2. The maintenance of the Central Fund derives from the Constitutional requirement that "All revenues of the State from whatever source arising shall, subject to such exception as may be provided by law, form one fund, and shall be appropriated for the purposes and in the manner and subject to the charges and liabilities determined and imposed by law".
3. The Central Fund Account is prepared on a receipts and payments basis and its euro banking transactions are effected through the Exchequer Account maintained at the Central Bank of Ireland and foreign currency clearing accounts managed by the National Treasury Management Agency. Prior year data is provided for comparison purposes.
4. The information contained in the notes is not specified by legislation, but is provided in order to give further details regarding certain transactions on the Central Fund, or other matters. Explanatory notes are not provided where the data relates to the prior year only. The reader should consult the Finance Accounts for the prior year. Loans provided by and repaid to the Central Fund are recorded on a cash basis in Statement 1.7. Share capital acquired in companies is recorded at historical cost, or historical valuation in the case of non-cash capitalisation, as at the date of acquisition. Investments in International Bodies are recorded at historical cost. Shareholdings denominated in U.S. Dollars are stated in Euro at the exchange rates prevailing at the relevant dates, except in the case of the Asian Development Bank and the International Common Fund for Commodities where any repayment of the shares purchased in U.S. Dollars would be made in Euro at the exchange rates prevailing at the time the shares were purchased. Statement 1.11 only records the amounts the Government has guaranteed under specific legislation.
5. The Statements relating to the National Debt and its servicing and cash flow provided by the National Treasury Management Agency (NTMA) are presented in Part Two of these accounts. The accounts of the National Debt form part of the NTMA's annual accounts for which the Chief Executive of the NTMA is the Accounting Officer.

6. These Accounts comprise the Central Fund Account, Statements 1.1 to 1.11 and the Financial Accounts of the National Debt including the Accounting Policies.
7. The reporting period is the year ended 31 December 2017.

A handwritten signature in black ink, reading "Derek Moran", with a horizontal line underneath.

Derek Moran  
Secretary General  
Department of Finance  
27 June 2018

## **Statement on Internal Financial Control**

### **Responsibility for System of Internal Financial Control**

As Accounting Officer, I am responsible for maintaining a sound system of internal control in respect of those Central Fund transactions which are within the purview of the Department of Finance and for those parts of the process where the Department has ownership. This responsibility is exercised in the context of the resources available to me and my other obligations as Secretary General.

The system of control can provide only reasonable, and not absolute, assurance that transactions are authorised and properly recorded and that material errors are either prevented or would be detected in a timely manner. The system of internal control is based on the identification of risks; an evaluation of the likelihood of those risks being realised; the impact should they be realised and the effective management of them. Maintaining the system of internal financial controls is a continuous process and the system and its effectiveness are kept under ongoing review.

The control system in relation to the Central Fund has the following aspects:

- There is clear separation of duties in respect of transactions. Payments are only made on foot of instructions from the appropriate business sections in the Department of Finance or, where relevant, from the Department of Public Expenditure and Reform. There is also separation of duties within the accounting system used for recording the transactions. This is enforced by appropriate user permissions in the system. All new general ledger accounts are confirmed with the relevant business sections in the Department of Finance and Department of Public Expenditure and Reform.
- Up to date procedure manuals and job instructions are readily accessible to all operational staff.
- Accounting entries are generated from approved data entry templates. Payment instructions are computer generated and are derived from underlying transaction records.
- In the event of a failure of IT systems, arrangements have been established with the Central Bank to allow for the transmission of transactions for manual input by the Bank. Disaster recovery arrangements are in place and a business continuity facility is also available.
- In accordance with Section 2 of the Comptroller and Auditor General Act, 1993, payments from the Central Fund are made in line with credits granted by the Comptroller and Auditor General. These credits are reconciled daily with the Central Bank of Ireland. The credits are input to the accounting system and the monetary and time limits are strictly adhered to.
- Monthly accounts of the Central Fund, in the form of the Exchequer Statement, are produced, reviewed and provided to me. Where appropriate, outturns are compared to profiles established at the start of the year.
- The Department's Audit Committee can advise me in regard to the discharge of my responsibilities for the internal financial control system for the Central Fund.

## Internal Audit

The Department has access to the internal audit service of the Department of Public Expenditure and Reform under a shared service arrangement. I can confirm that the internal audit service has appropriately trained personnel and operates in accordance with a written charter. Its work is informed by analysis of the risks to which the Department is exposed and its annual internal audit plans are based on this analysis and approved by me. These plans aim to cover the key controls on a rolling basis over a reasonable period. The internal audit function is reviewed periodically by me and by the Audit Committee. I have put procedures in place to ensure that the reports of the internal audit function are followed up.

A handwritten signature in black ink, reading "Derek Moran", with a horizontal line underneath.

Derek Moran  
Secretary General  
Department of Finance

27 June 2018





## **Ard Reachtaire Cuntas agus Ciste Comptroller and Auditor General**

### **Report for presentation to the Houses of the Oireachtas**

#### **Finance Accounts**

##### **Opinion on the accounts**

I have audited the Finance Accounts prepared by the Department of Finance for the year ending 31 December 2017 under Section 4 of the Comptroller and Auditor General (Amendment) Act 1993. The accounts comprise the Central Fund of the Exchequer account, the financial statements of Exchequer receipts and issues and guaranteed liabilities, and the financial statements of the national debt.

In my opinion, the accounts properly present

- the payments into and out of the Central Fund of the Exchequer and the surplus for the year ending 31 December 2017, and
- the Central Fund capital investments at 31 December 2017 and the national debt outstanding at that date.

##### **Basis of opinion**

I conducted my audit of the accounts in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions. My responsibilities under those standards are described in the appendix to this report. I am independent of the Department of Finance and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

##### **Report on statement on internal financial control and on other matters**

The Department of Finance has presented a statement on internal financial control together with the accounts. My responsibilities to report in relation to the information in the statement, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

**Seamus McCarthy  
Comptroller and Auditor General**

28 June 2018

## **Appendix to the report**

### **Responsibilities of the Department of Finance**

The statement of accounting policies and principles sets out the Department's responsibilities in relation to the accounts. These are

- the preparation of accounts in the format specified by the Minister for Finance in accordance with section 4 of the Comptroller and Auditor General (Amendment) Act 1993
- ensuring that the accounts properly present the payments into and out of the Central Fund and the surplus for the year ending 31 December 2017, and the capital investment of the Central Fund at 31 December 2017 and the national debt outstanding at that date.
- ensuring the regularity of transactions, and
- such internal control as the Department determines is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error.

### **Responsibilities of the Comptroller and Auditor General**

I am required under section 4 of the 1993 Act to audit the accounts and to report thereon to the Houses of the Oireachtas. My objective in carrying out the audit is to obtain reasonable assurance about whether the accounts as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these accounts.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the accounts whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.

I communicate with the Department regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

### **Statement on Internal Financial Control**

My opinion on the accounts does not cover the statement on internal financial control presented with those accounts, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the accounts, I am required under the ISAs to read the statement on internal financial control presented and, in doing so, consider whether the information therein is materially inconsistent with the accounts or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this information, I am required to report that fact.

### **Reporting on other matters**

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if there are material matters relating to the manner in which public business has been conducted. I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if there is any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the accounts to be readily and properly audited, or
- the accounts are not in agreement with the accounting records

## CENTRAL FUND ACCOUNT

### Account of Receipts and Payments for year ended 31 December 2017

	Statement No.	Page	€000	2016 €000	€000	2017 €000
<b>Current Receipts:</b>						
Tax Revenue	1.1	15		47,864,486		50,736,543
Non-Tax Revenue	1.2	16		3,103,103		2,864,888
				<u>50,967,589</u>		<u>53,601,431</u>
<b>Less Current Payments:</b>						
<b>Issues for Voted Expenditure - Current</b>	1.3	19	40,066,460		41,968,348	
<b>Non-Voted Issues</b>						
Service of National Debt	2.1	36	6,844,914		6,226,925	
Transfer to/(from) Capital Services Redemption Account	Note 15	56	10		(142)	
Payments charged to Central Fund in respect of Salaries, Allowances, Pensions etc.	1.4	22	38,633		41,760	
Payments to European Union	1.5	23	2,022,828		2,016,213	
Other non-voted Issues	1.6	24	675,033	49,647,878	652,269	50,905,373
<b>Surplus on Current Account</b>				<u>1,319,711</u>		<u>2,696,058</u>
<b>Capital Receipts:</b>						
Gaeltacht Loans Repaid			9		-	
Loans Repaid	1.7	26	2,143,790		1,020,976	
Receipts from European Union	1.9	31	68,661		9,352	
Other Receipts	1.2	16	<u>1,877,092</u>	4,089,552	<u>3,744,613</u>	4,774,941

## CENTRAL FUND ACCOUNT

### Account of Receipts and Payments for year ended 31 December 2017 (Continued)

	Statement No.	Page	€000	2016 €000	€000	2017 €000
<b>Less Capital Payments:</b>						
Issues for Voted Expenditure - Capital	1.3	19	3,919,450		4,322,576	
Non-Voted (payments charged directly under particular legislation)						
Loans Issued	1.7	26	2,320,500		963,210	
Share Capital acquired in Irish Companies	1.8 (A)	27	-		270,000	
Investment in International Bodies	1.8 (B)	30	3,612		8,310	
Other Payments	1.10	32	184,033	6,427,595	1,029	5,565,125
<b>Deficit on Capital Account</b>				<u>(2,338,043)</u>		<u>(790,184)</u>
<b>Exchequer Surplus/(Deficit)</b>				<u>(1,018,332)</u>		<u>1,905,874</u>
<b>Source and Application of Funds</b>						
Net Debt/ Repayment and Other Balances	2.3	37	1,417,056		(193,121)	
Increase/(Decrease) in Exchequer Balances and Commercial Deposits	2.2	36	<u>(2,435,388)</u>		<u>2,098,995</u>	
<b>Net Total</b>				<u>(1,018,332)</u>		<u>1,905,874</u>

**PART ONE**  
**FINANCIAL STATEMENTS OF CENTRAL FUND RECEIPTS AND ISSUES AND**  
**GUARANTEED LIABILITIES**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

## STATEMENT 1.1

### Current: Tax Revenue

	2016	2017
	€000	€000
Income Tax	19,168,970	20,008,988
Value Added Tax	12,420,480	13,303,098
Excise Duty	5,711,486	5,925,318
Corporation Tax	7,351,108	8,201,387
Stamps	1,193,830	1,203,833
Customs	317,867	331,078
Capital Acquisitions Tax	415,205	459,699
Capital Gains Tax	821,961	826,240
Local Property Tax	463,398	476,525
Training and Employment Levy	181	377
<b>Total</b>	<b>47,864,486</b>	<b>50,736,543</b>

## STATEMENT 1.2

### Non-Tax Revenue - Current and Capital

	Current		Capital	
	2016	2017	2016	2017
	€000	€000	€000	€000
<b>Central Bank Surplus Income</b>	1,799,871	1,836,225	-	-
<b>National Lottery Surplus <sup>1</sup></b>	218,957	226,751	-	-
<b>Royalties</b>	280	682	-	-
<b>Receipts from National Treasury Management Agency in respect of the Carbon Fund Act, 2007 <sup>2</sup></b>	-	-	423	431
<b>Income from Credit Institutions <sup>3</sup></b>	47,234	12,205	-	-
<b>Interest received on loans</b>	2,627	679	-	-
<b>Share Dividends</b>	268,802	323,742	-	-
<b>Receipts collected by Government Departments and Offices <sup>4</sup></b>				
Agriculture, Food and the Marine	205	3,010	-	9,478
Culture, Heritage and the Gaeltacht	-	4	-	-
Office of the Minister for Communications, Climate Action and Environment	148,757	119,613	-	-
Defence	1,894	-	-	-
Education and Skills	965	3,936	-	20
Housing, Planning, Community and Local Government	11,804	1,072	-	3,396

<sup>1</sup> Allocation of expenditure, which is part-funded by the National Lottery, is shown in the Estimates for Public Services.

<sup>2</sup> Payments from the Exchequer Account in relation to the Carbon Fund Act, 2007 are receipted back to the Exchequer Account via the National Treasury Management Agency as Manager of the Carbon Fund following the reimbursement from the Voted Expenditure of the Government Department with responsibility for the Carbon Fund.

<sup>3</sup> Following a Government decision on 26 February 2013, the Minister for Finance announced the ending of the ELG Scheme for new liabilities from midnight 28 March 2013. The liabilities continue to be automatically covered by the ELG Scheme in accordance with its terms and conditions until the date of maturity of the liability (subject to a maximum of 5 years from 28 March 2013). As the liabilities continue to mature, the resulting fees paid to the Central Fund will continue to reduce and this is built into budgetary forecasting.

<sup>4</sup> These are receipts that must be credited directly to the Exchequer and cannot be retained by Departments for their own use.



## STATEMENT 1.2

### Non-Tax Revenue - Current and Capital - Continued

	Current		Capital	
	2016	2017	2016	2017
	€000	€000	€000	€000
<b>Receipts collected by Government Departments and Offices <sup>4</sup></b>				
Finance Group	55	76	-	-
Children and Youth Affairs	8,389	1,130	2,663	1,289
Business, Enterprise and Innovation	530	559	2	-
Justice and Equality	12,801	12,932	-	-
National Gallery of Ireland	5	-	-	-
Property Registration Authority	57,917	61,756	-	-
Office of the Director of Public Prosecutions	23	4	-	-
Office of Public Works	1,715	-	2,626	-
Office of the Ombudsman	-	40	-	-
Office of the Revenue Commissioners	1,667	1,180	-	-
Public Expenditure and Reform	37	10	-	-
Employment Affairs and Social Protection	25	29	-	-
Transport, Tourism and Sport	642	478	618	2,596
<b>Other Receipts</b>				
Monies received under various Acts	1,460	1,525	-	-
Voluntary salary and pension surrenders	243	82	-	-

<sup>4</sup> These are receipts that must be credited directly to the Exchequer and cannot be retained by Departments for their own use.

## STATEMENT 1.2

### Non-Tax Revenue - Current and Capital - Continued

	Current		Capital	
	2016	2017	2016	2017
	€000	€000	€000	€000
<b>Other Receipts (continued)</b>				
Pension Related Deductions <sup>5</sup>	13,472	12,361	-	-
NTMA Public Service Pension	219	213	-	-
Receipts from European Investment Bank	401	234	-	-
Nursing Home Support Scheme	14,136	14,258	-	-
Receipts from Local Government Fund <sup>6</sup>	317,900	230,000	-	-
Interest on Contingent Capital Notes in Banks	160,438	-	-	-
Sale of Contingent Capital Notes in AIB	-	-	1,600,000	-
Sale of AIB Shares <sup>7</sup>	-	-	-	3,433,692
IBRC Unsecured Creditors Payment <sup>8</sup>	-	-	270,559	289,320
Miscellaneous	9,632	102	201	4,391
<b>Total</b>	<b>3,103,103</b>	<b>2,864,888</b>	<b>1,877,092</b>	<b>3,744,613</b>

<sup>5</sup> Pension Related Levies received from Central Bank, National Treasury Management Agency, National Asset Management Agency and Houses of the Oireachtas. The figure also includes deductions from certain salaries paid from the Central Fund.

<sup>6</sup> The Water Services Act, 2017 provided for a transfer of up to €250 million from the Local Government Fund to the Central Fund upon a request from the Minister for Finance in respect of the year ended 31 December 2017.

<sup>7</sup> These receipts represent the sale of 29% of the State's shareholding in the Bank following an initial public offering in June 2017.

<sup>8</sup> These payments represent the State's proceeds, as an unsecured creditor, from the first and second interim dividends in relation to the Department of Finance claims submitted to the Joint Special Liquidators of IBRC. The value of each of these interim dividends received was €279.94 million. While the majority of the first interim dividend was received in December 2016, €9.38 million of this was received in January 2017 with the total second interim dividend received in December 2017.

## STATEMENT 1.3

### Issues For Voted Expenditure - Current and Capital <sup>1</sup>

Vote No.	Service	Current		Capital	
		2016 €000	2017 €000	2016 €000	2017 €000
1	President's Establishment	3,601	3,636	-	-
2	Department of the Taoiseach	23,237	26,887	-	-
3	Office of the Attorney General	13,667	13,792	-	-
4	Central Statistics Office	75,109	44,614	-	-
5	Director of Public Prosecutions	38,717	40,876	-	-
6	Office of the Chief State Solicitor	28,823	31,758	-	-
7	Office of the Minister for Finance	27,042	33,580	2,227	21
8	Office of the Comptroller and Auditor General	6,013	6,832	-	-
9	Office of the Revenue Commissioners	303,762	313,496	24,000	18,946
10	Office of the Appeals Commissioner	963	996	-	-
11	Office of the Minister for Public Expenditure and Reform	38,390	42,723	3,257	8,376
12	Superannuation and Retired Allowances	338,121	319,885	-	-
13	Office of Public Works	228,844	238,597	123,714	122,470
14	State Laboratory	7,984	8,308	-	-
15	Secret Service	690	753	-	-
16	Valuation Office	7,897	8,490	-	-

<sup>1</sup> The figures shown are the amounts *issued* to fund current and capital expenditure on each Vote. Details of voted and *actual* expenditure are contained in the Appropriation Accounts.

## STATEMENT 1.3

### Issues For Voted Expenditure - Current and Capital (Continued) <sup>1</sup>

Vote No.	Service	Current		Capital	
		2016 €000	2017 €000	2016 €000	2017 €000
17	Public Appointments Service	9,311	10,963	-	595
18	National Shared Service Office	21,163	24,487	9,830	8,893
19	Office of the Ombudsman	8,043	8,871	-	-
20	Garda Síochána	1,356,012	1,455,821	93,440	89,070
21	Prison Service	289,892	290,911	24,360	22,330
22	Courts Service	28,134	30,737	36,330	60,435
23	Property Registration Authority	27,703	25,975	200	545
24	Office of the Minister for Justice and Equality	323,576	353,864	1,534	3,571
25	Irish Human Rights and Equality Commission	4,886	4,907	1,544	565
26	Office of the Minister for Education and Skills	7,633,164	8,085,908	699,841	690,741
27	International Co-operation	482,121	482,244	700	1,000
28	Office of the Minister for Foreign Affairs and Trade	151,866	148,812	5,216	11,679
29	Office of the Minister for Communications, Climate Action and Environment	93,797	113,920	110,400	157,000
30	Office of the Minister for Agriculture, Food and the Marine	629,395	839,073	180,267	219,125
31	Office of the Minister for Transport, Tourism and Sport	531,699	552,760	912,983	883,903
32	Office of the Minister for Business, Enterprise and Innovation	231,217	255,326	546,933	545,912
33	Office of the Minister for Culture, Heritage and the Gaeltacht	240,414	224,849	132,613	50,785

<sup>1</sup> The figures shown are the amounts *issued* to fund current and capital expenditure on each Vote. Details of voted and *actual* expenditure are contained in the Appropriation Accounts.

# STATEMENT 1.3

## Issues For Voted Expenditure - Current and Capital (Continued) <sup>1</sup>

Vote No.	Service	Current		Capital	
		2016 €000	2017 €000	2016 €000	2017 €000
34	Office of the Minister for Housing, Planning, Community and Local Government	881,767	1,221,930	466,518	792,290
35	Army Pensions	229,466	235,118	-	-
36	Office of the Minister for Defence	541,052	561,190	86,984	92,100
37	Office of the Minister for Employment Affairs and Social Protection	10,912,853	10,733,275	13,551	8,313
38	Office of the Minister for Health	13,242,223	13,887,027	417,642	454,000
39	Office of Government Procurement	13,391	13,021	560	191
40	Office of the Minister for Children and Youth Affairs	1,039,380	1,195,767	24,806	32,060
41	Policing Authority	1,075	1,994	-	-
42	Rural and Community Development	-	74,375	-	47,660
<b>Total Exchequer Issues - Voted Current &amp; Capital Expenditure</b>		<b>40,066,460</b>	<b>41,968,348</b>	<b>3,919,450</b>	<b>4,322,576</b>

<sup>1</sup> The figures shown are the amounts *issued* to fund current and capital expenditure on each Vote. Details of voted and *actual* expenditure are contained in the Appropriation Accounts.

## STATEMENT 1.4

### Current: Payments charged to Central Fund in respect of Salaries, Allowances, Pensions, etc.<sup>1</sup>

	2016	2017
	€000	€000
Annuities, Pensions, etc. of former Constitutional, Ministerial and Judicial Office-holders <sup>2</sup>	13,118	14,901
Salaries and Allowances <sup>3</sup>	819	822
Judicial Salaries <sup>4</sup>	24,696	26,037
<b>Total</b>	<b>38,633</b>	<b>41,760</b>

<sup>1</sup> The breakdown of Central Fund charges in respect of salaries, allowances and pensions is available on the Department of Finance website.

<sup>2</sup> Payments under this heading were as follows: - (a) pensions to former Presidents of Ireland; (b) pensions, retirement lump sums and death gratuities relating to judicial services. (Deductions from lump sum payments to Judges relating to Spouses' and Children's contributions were payable to the Superannuation and Retired Allowances Vote (Vote 12)); (c) pensions to former Ministers, Ministers of State, Attorneys General, Ceann Comhairlí, Leas-Cheann Comhairlí, Cathaoirígh of the Seanad, Leaschathaoirígh of the Seanad and Comptrollers and Auditors General; (d) pensions to surviving spouses and children of former Presidents, members of the judiciary and office holders listed at (c) above; (e) severance payments to former office holders. Severance payments are payable to Ministers, Ministers of State and Attorneys General when they cease to hold office: the initial allowance is 75% of the former office holder's salary, declining to zero over a period of at most 2 years; (f) Retirement lump sums and death gratuities relating to Ministers and other office holders listed at (c) above.

<sup>3</sup> Salaries and Allowances relate to the personal remuneration and annual allowance of the President of Ireland and the remuneration of the Comptroller and Auditor General.

<sup>4</sup> Judicial Salaries relate to the remuneration of Judges of the Supreme Court, Court of Appeal, High Court, Circuit Courts and District Courts.

## STATEMENT 1.5

### Payments to the European Union: Current and Capital

	Current	
	2016	2017
	€000	€000
<b>To European Union Budget</b>		
Customs Duties <sup>1</sup>	279,507	284,840
VAT related payments <sup>2</sup>	252,109	261,758
GNI (Gross National Income) related payments <sup>2</sup>	1,320,647	1,469,615
Own Resources Decision payment for 2014 and 2015 <sup>3</sup>	170,565	-
<b>Total</b>	<b>2,022,828</b>	<b>2,016,213</b>

<sup>1</sup> Payments to the European Union Budget take into account agreements which Ireland has made under the Single European Authorisation System. This system allows a company to pay its customs duty in Member State A in respect of goods imported into Member State B. In 2017, the net effect of the agreements was to increase Ireland's European Budget customs duties payments by approximately €143 million (€130.7 million in 2016). Prior year figure includes an adjustment of €5,604,986 which relates to Ireland's non participation in certain policies in the area of freedom, security and justice.

<sup>2</sup> The VAT and GNI related payments are made on the basis of forecast estimates. Adjustments are made in subsequent years, as the estimates are revised, leading to a mixture of additional payments and/or refunds relating to several years. In addition to adjustments made in respect of previous years' contributions, a number of adjustments may be made to Member States' payments in the course of the budget year following the adoption of any Supplementary Amending Budgets. Contained within the GNI related figure are payments towards the UK Rebate. The 2017 GNI figure includes an adjustment of €9,005,469 which related to Ireland's non participation in some policies in the areas of freedom, security and justice.

<sup>3</sup> The system of own resources consists of three key streams of revenue which finance the EU budget: traditional own resources (mainly customs duties); a resource based on value added tax (VAT); and a resource related to Member States' gross national income (GNI).

## STATEMENT 1.6

### Current: Other Non-Voted Expenditure

	2016	2017
	€000	€000
Houses of the Oireachtas Commission Amendment Act, 2015	113,553	109,488
Payments to parliamentary leaders of qualifying parties under the Ministerial and Parliamentary Offices Act, 1938, as amended, including most recently by the Oireachtas (Ministerial and Parliamentary Offices) (Amendment) Act, 2014. <sup>1</sup>	7,215	7,629
Payments to qualified parties under Section 17 of Electoral Act, 1997	5,755	5,964
Payments to qualifying Independent members under the Ministerial and Parliamentary Offices Act, 1938, as amended, including most recently by the Oireachtas (Ministerial and Parliamentary Offices) (Amendment) Act, 2014.	869	1,025
Returning Officers' Expenses under the Electoral/Referendum Acts (1992 - 2015)	14,962	582
Election Expenses of candidates under the Electoral Act, 1997	2,667	61
Election Postal Charges	14,145	-
Payments to International Development Association <sup>2</sup>	23,490	24,570
Asian Development Fund <sup>3</sup>	3,320	4,339
Council of Europe Development Bank	11	11
Payments to PSE Kinsale Energy Ltd <sup>4</sup>	2,275	2,926
Payments in respect of prevesting day pensions for Eircom and An Post	34	33
Central Bank Coin Issue <sup>5</sup>	-	4,405

<sup>1</sup> Details of annual allowances to parliamentary leaders of qualifying parties are available on the Department of Finance website.

<sup>2</sup> Payments were made under the International Development Association Act, 1960 towards the replenishment of the resources of the Association, which is the concessionary lending body of the World Bank Group.

<sup>3</sup> Payments made under the Development Banks Act 2005 in respect of replenishments of the Asian Development Fund (ADF XI & ADF12)

<sup>4</sup> Remittance to PSE Kinsale Energy Ltd. of a proportion of tax and royalties paid to the State. Partial remittance is provided for under Article X of the 1959 Agreement between Marathon Petroleum and the State covering the exploration and development of Kinsale gas field and the Finance Act 1992. PSE Kinsale Energy Ltd. is a subsidiary of PETRONAS who acquired Marathon Petroleum Ireland Ltd. in 2009.

<sup>5</sup> Section 14A of the Economic and Monetary Union Act, 1998 (as inserted by Section 137 of the Finance Act, 2002) which came into operation on 25 March 2002 provides for the net proceeds from the issue of coin, from 1 January 2002, to be passed directly to the Exchequer as directed by the Minister for Finance. Where the net proceeds of coin issue, together with expenses, result in a net cost to the Central Bank, the Minister reimburses the difference to the bank, as was the case in 2017.



## STATEMENT 1.6

### Current: Other Non-Voted Expenditure – Continued

	2016	2017
	€000	€000
Pension Insolvency Payments Scheme (PIPS) <sup>6</sup>	5,663	5,671
Payments to Department of Social Protection under section 48 (b) of the Pensions Act, 1990 <sup>7</sup>	13,107	4,497
Payments under Credit Institutions (Financial Support) Act, 2008 <sup>8</sup>	4,179	57
Transfer of monies equivalent to Local Property Tax collected to Local Government Fund <sup>9</sup>	463,175	480,440
Irish Fiscal Advisory Council <sup>10</sup>	613	571
<b>Total</b>	<b>675,033</b>	<b>652,269</b>

<sup>6</sup> Ongoing payments to pensioners accepted into the Pension Insolvency Payments Scheme (PIPS) under Section 22 of the Social Welfare and Pensions Act, 2009. Where there are associated capital receipts they are recorded in Statement 1.2.

<sup>7</sup> Government Decisions of 9/12/14 and 24/3/15 accepted recommendations of payments of a cash lump sum by way of compensation to each deferred member of the Waterford Crystal Factory and staff schemes. This figure also includes ongoing pension payments paid in 2017.

<sup>8</sup> In December 2009 the Government introduced a new guarantee scheme to follow the Credit Institutions (Financial Support) Scheme 2008 to provide for the guarantee of bank liabilities beyond 29 September 2010 – the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009. The Minister for Finance appointed the NTMA as the ELG Scheme Operator. As a result of the appointment of a Special Liquidator to IBRC on 7 February 2013, derivative counterparties terminated their outstanding derivative transactions with Irish Bank Resolution Corporation. In cases where any negative derivative valuations were not already covered by collateral at the date of termination, counterparties are entitled to submit a claim for any shortfall under the Deed of Guarantee. In March 2013 the Minister delegated to the NTMA the functions of verifying claims for payment in respect of the Deed of Guarantee made by the Minister for Finance on 29 November 2010 and for paying out amounts due and payable under the deed of Guarantee.

<sup>9</sup> In 2014 and subsequent years, Local Property Tax receipts are collected by the Revenue Commissioners and deposited into the Central Fund (Exchequer). The Minister for Finance will then pay into the Local Government Fund an amount equivalent to the local property tax paid into the Central Fund during that year, in accordance with section 157 of the Finance (Local Property Tax) Act, 2012. The amount owing to the Local Government Fund at end 2017 was €12.179 million which was transferred from the Exchequer to the Local Government Fund in January 2018. As of 2018 the Local Property Tax is payable directly to the Local Government Fund.

<sup>10</sup> The Irish Fiscal Advisory Council is an independent statutory body established under the Fiscal Responsibility Act, 2012. The role of the Council is to independently assess, and comment publicly on, whether the Government is meeting its own stated budgetary targets and objectives. The Fiscal Responsibility Act, 2012 provides for an expenditure ceiling of €800,000 for the Fiscal Council in 2012. This sum is to be adjusted by the annual percentage change in the Harmonised Index of Consumer Prices published by the Central Statistics Office for each subsequent year.

## STATEMENT 1.7

### Capital: Loan Transactions

Body/Fund	Outstanding at 31 December 2016 €000	Loans Issued 2017 €000	Loans Repaid 2017 €000	Outstanding at 31 December 2017 €000
<b>Department of Agriculture, Food and the Marine</b>				
FEOGA Guarantee	770,000	740,000	770,000	740,000
<b>Department of Finance</b>				
EU Stability Support to Greece	347,439	-	-	347,439
Insurance Compensation Fund <sup>1</sup>	705,694	-	70,000	635,694
Advances to PMG Supply Account under section 3 of Appropriation Act, 2017 <sup>2</sup>	180,500	193,210	180,500	193,210
Advances to An Post <sup>3</sup>	-	30,000	-	30,000
<b>Office of Public Works</b>				
Local Loans Fund	615	-	476	139
<b>Department of Transport, Tourism and Sport</b>				
Coras Iompair Éireann <sup>4</sup>	12,511	-	-	12,511
<b>Total</b>	<u>2,016,759</u>	<u>963,210</u>	<u>1,020,976</u>	<u>1,958,993</u>

<sup>1</sup> The purpose of the Insurance Compensation Fund is to provide a certain minimum level of protection for insurance policy holders and claimants should an insurance company go into liquidation. The Fund also allows administrators to apply to the High Court for funding where necessary in order to enable them to meet their financial obligations as they arise. The Central Bank has responsibility under Section 6 of the 1964 Insurance Act to carry out an annual assessment of the needs of the Fund and where it is of the opinion that the state of the Fund is such that financial support should be provided for it, it is allowed determine an appropriate contribution to be paid to the Fund by each insurer or insurer authorised in another Member State in relation to insured risks in the State. However, because it is not pre-funded, there is provision in Section 5 of the 1964 Insurance Act, which allows the Minister for Finance to provide the necessary monies in the form of a repayable loan on such terms as the Minister decides after consulting with the Bank where there are insufficient funds available to enable payments out of the Fund to be made expeditiously. The amount of accrued interest at 31 December 2016 is €147 million. Payments in respect of accrued interest will be shown in Statement 1.2.

<sup>2</sup> In order to ensure a sufficient balance in the Paymaster General Supply Account, Section 3 of the Appropriation Act 2017 provides for advances from the Central Fund in December 2017 to the PMG Supply Account in order to facilitate electronic funds transfers in respect of certain payments due on 1 and 2 January 2018, and certain payments, under the Social Welfare Acts, made on an agency basis by An Post payable between 1 January 2018 and 5 January 2018. The advance of €193.21 million was repaid to the Central Fund in January 2018.

<sup>3</sup> Under Section 29 of the Postal Telecommunications Act 1983, the Minister for Finance made available a loan facility of €30 million to An Post for capital works as part of An Post's Strategic Plan.

<sup>4</sup> Amounts of £6,000,000 (€7.6 million) and £3,853,000 (€4.9 million) were provided by the Exchequer as non-repayable non-interest bearing advances for transfer to Ostlanna Iompair Éireann in order to assist that company to discharge its liabilities.

## STATEMENT 1.8(A)

### Capital: Share Capital acquired in Companies

Department/Body	Shareholding at 31 December 2016 €000	Shares acquired 2017 €000	Shares disposed 2017 €000	Shareholding at 31 December 2017 €000
<b>Agriculture, Food and the Marine</b>				
Coillte Teoranta <sup>1</sup>	795,060	-	-	795,060
Irish National Stud Company Ltd <sup>1</sup>	13,769	-	-	13,769
Murphy's Irish Seafood (formerly Fastnet Mussels Ltd)	19	-	-	19
Kush Seafarms Ltd	19	-	-	19
<b>Communications, Climate Action and Environment</b>				
An Post <sup>2</sup>	68,239	-	-	68,239
Bord na Móna plc <sup>3</sup>	78,664	-	-	78,664
EirGrid <sup>4</sup>	38	-	-	38
Irish National Petroleum Corporation	0.003	-	-	0.003
National Oil Reserves Agency <sup>1</sup>	0.001	-	-	0.001
<b>Housing, Planning, Community and Local Government</b>				
Housing Finance Agency plc. <sup>1</sup>	39	-	-	39
National Building Agency Ltd <sup>1</sup>	0.2	-	-	0.2
Irish Water <sup>5</sup>	54,000	270,000	-	324,000

<sup>1</sup> Taken from the Financial Statements for the year ended 31 December 2016.

<sup>2</sup> Taken from the Financial Statements for the year ended 31 December 2017. The An Post National Lottery Company no longer trades and is in voluntary liquidation.

<sup>3</sup> Taken from Financial Statements for year ended March 2017. The shareholding at Bord na Mona stood at 95% on 29 March 2017.

<sup>4</sup> Taken from Financial Statements for year ended 30 September, 2017.

<sup>5</sup> A Government decision of 18 July 2017 (S180/20/10/1277C) provided that a capital contribution of €270 million would be advanced from the Central Fund. These funds represent the Government's 2017 Capital contribution as equity and are assumed in Irish Water's 2017 budget. The provision by the Government of €270 million capital for 2017 is in line with Irish Water's Business Plan 2015-2021. The payment was made by way of equity contribution resulting in the allocation of €270 million of B shares (540 shares in total) of €0.01 each, to be split equally between both the Minister for Finance and the Minister for Housing, Planning, Community & Local Government.

## STATEMENT 1.8(A)

### Capital: Share Capital acquired in Companies – Continued

Department/Body	Shareholding at 31 December 2016 €000	Shares acquired 2017 €000	Shares disposed 2017 €000	Shareholding at 31 December 2017 €000
<b>Finance</b>				
Irish Bank Resolution Corporation Ltd (formerly Anglo Irish Bank – in liquidation) <sup>6</sup>	4,123,000	-	-	4,123,000
Permanent TSB Group <sup>7</sup>	2,161,498	-	-	2,161,498
Strategic Banking Corporation of Ireland (SBCI) <sup>8</sup>	10,000	-	-	35,000
<b>Transport, Tourism and Sport</b>				
DAA	186,337	-	-	186,337
Shannon Group	38	-	-	38
Irish Aviation Authority	22,675	-	-	22,675
Drogheda Port <sup>9</sup>	8,237	-	-	-
Dublin Port Company	14,464	-	-	14,464
Dun Laoghaire Harbour Company	14,540	-	-	14,540
Galway Harbour Company	8,927	-	-	8,927
New Ross Port Company	4,672	-	-	4,672
Port of Cork Company	22,518	-	-	22,518

<sup>6</sup> S.I. 36/2013 of 7 February 2013, pursuant to Section 4 of the Irish Bank Resolution Corporation Act, 2013, provided for the winding up of Irish Bank Resolution Corporation Limited (IBRC). This reflects the share capital of the IBRC in their 2012 interim report for the six months to the 30 June 2012 (the last report which the IBRC published prior to its liquidation in February 2013). Section 262 of the Companies Act 1963 (requiring accounts to be prepared and filed) was dis-applied by the IBRC Act so while there is no requirement to file accounts for the IBRC (in Special Liquidation), the Special Liquidators have provided a copy of their most recent Progress Update Report dated 5 May 2017 to the Company Registration Office. Contained in the report is a summary of the cash inflows and outflows in the liquidation for the 12 months to February 2017. The Special Liquidators are expected to publish a further Progress Update Report in H1 2018 and this will contain a summary of the cash inflows and outflows in the liquidation for the 12 months to February 2018.

<sup>7</sup> The market value of the State's holding in the Permanent TSB Group at 31 December 2017 was €0.77 billion.

<sup>8</sup> The SBCI received its original €10 million of share capital from the National Pension Reserve Fund (NPRF) now the Ireland Strategic Investment Fund (ISIF). In addition, it has a €240 million loan facility with ISIF. The SBCI has received Ministerial approval to convert a further €25 million of this loan facility into equity shares. This is to ensure that the SBCI has sufficient equity capital to meet the needs of the following projects: Agricultural Cash Flow Loan Support Scheme, Brexit Mitigation Measure and future risk sharing schemes as well as covering any operating losses as required.

<sup>9</sup> National Port Policy published in 2013 provided that the 5 designated Ports of Regional Significance would be transferred to local authority control. The Harbours Act 2015 provides the necessary legislative framework for transfer. The Act provides for two models of transfer: (1) the transfer and dissolution of the Company and (2) the transfer of the shareholding in the company. Drogheda Port transferred to Louth County Council on 2 October 2017.

## STATEMENT 1.8(A)

### Capital: Share Capital acquired in Companies – Continued

Department/Body	Shareholding at 31 December 2016 €000	Shares acquired 2017 €000	Shares disposed 2017 €000	Shareholding at 31 December 2017 €000
<b>Transport, Tourism and Sport (continued)</b>				
Port of Waterford Company	18,676	-	-	18,676
Shannon Foynes Port Company	22,187	-	-	22,187
Wicklow Port Company <sup>10</sup>	1,964	-	-	-
<b>Total</b>	<b>7,629,580</b>	<b>270,000</b>	<b>-</b>	<b>7,914,379</b>

<sup>10</sup> National Port Policy published in 2013 provided that the 5 designated Ports of Regional Significance would be transferred to local authority control. The Harbours Act 2015 provides the necessary legislative framework for transfer. The Act provides for two models of transfer: (1) the transfer and dissolution of the Company and (2) the transfer of the shareholding in the company. Wicklow Port Company transferred to Wicklow County Council on 30 August 2016.

## STATEMENT 1.8 (B)

### Capital: Investments in International Bodies under International Agreements

	Shareholding at 31 December 2016 <sup>1</sup>	Cost of Shares Acquired in 2017	Disposal of Shares in 2017	Shareholding at 31 December 2017 <sup>1</sup>
	€000	€000	€000	€000
International Bank for Reconstruction and Development <sup>1,2</sup>	49,507	2,731	-	46,110
International Finance Corporation Act, 1958 <sup>3</sup>	1,224	-	-	1,075
European Bank for Reconstruction and Development <sup>3</sup>	18,780	-	-	18,780
European Investment Bank <sup>3</sup>	122,663	-	-	122,663
International Common Fund for Commodities <sup>1,3</sup>	529	-	-	529
Multilateral Investment Guarantee Agency <sup>3</sup>	888	-	-	780
European Financial Stability Facility <sup>3</sup>	453	-	-	453
European Stability Mechanism <sup>3</sup>	1,273,760	-	-	1,273,760
Council of Europe Development Bank <sup>3</sup>	15,261	-	-	15,261
Asian Development Bank <sup>4</sup>	11,823	1,046	-	21,513
Asian Infrastructure Investment Bank <sup>5</sup>	-	4,533	-	21,929
<b>Total</b>	<b>1,494,888</b>	<b>8,310</b>	<b>-</b>	<b>1,522,853</b>

<sup>1</sup> All shareholding amounts represent the actual shareholdings at the relevant dates. Shareholdings denominated in US dollars are stated in Euro at the exchange rates prevailing at the relevant dates except in the case of International Common Fund for Commodities where any repayment of the shares purchased in US Dollars would be made in Euro at the exchange rates prevailing at the time the shares were purchased.

<sup>2</sup> Payments made under the Bretton Woods Agreement Act, 1957-1999.

<sup>3</sup> There were no new shares acquired in these institutions in 2017. Any changes in value of shareholdings relate to exchange rate fluctuations.

<sup>4</sup> In June 2011, Ireland subscribed to the Fifth General Capital Increase of the Asian Development Bank (ADB) which will cost approximately €8.3 million and will be paid over a ten-year period. Payments are made under the Development Banks Act, 2005. To ensure consistency with the recording of Ireland's shareholding at other institutions the method used to illustrate Ireland's ADB shareholding has been revised in 2017. Previously shareholding was calculated on the basis of each instalment of Ireland's subscription as it was paid to the ADB in Euro. From 2017 onwards, shareholding will be illustrated by converting Ireland's total subscribed paid-in capital in the ADB to Euro.

<sup>5</sup> Ireland became a member of the Asian Infrastructure Investment Bank (AIIB) on 23 October 2017. As per the conditions of membership agreed with the Bank, Ireland subscribed to paid-in capital totalling US\$26.3 million to be paid in equal annual instalments over 5 years. The first instalment of US\$5.27 million was paid in 2017. Payments are made under the Asian Infrastructure Investment Bank Act, 2017. As with all other institutions, the shareholding amount represents Ireland's total subscribed paid-in capital at the Bank.

## STATEMENT 1.9

### Capital: Receipts from the European Union

	2016	2017
	€000	€000
European Regional Development Fund	68,548	9,212
Trans European Network	80	134
Turkish Aid Protocol <sup>1</sup>	33	6
<b>Total</b>	<b>68,661</b>	<b>9,352</b>

<sup>1</sup> Ireland's share of repayments of EU loans under the Association Agreement with that country.

## STATEMENT 1.10

### Capital: Other Non-Voted Expenditure <sup>1, 2</sup>

	2016		2017	
	€000	€000	€000	€000
<b>Payments under other Acts</b>				
Capital Contribution to Irish Water under the Water Services (No. 2) Act 2013	184,000		-	
Insurance Acts, 1953-1988	1		-	
Carbon Fund Act, 2007	-		1,029	
Convention of Lomé Act, 1976	32	184,033	-	1,029
<b>Total</b>		184,033		1,029

<sup>1</sup>

Year	Market Value of NPRF/ISIF	Discretionary Portfolio	Directed Portfolio
2016	€21.0 bn	€8.1 bn	€12.9 bn
2017	€20.4 bn	€8.7 bn	€11.7 bn

The Ireland Strategic Investment Fund (ISIF) was established on 22 December 2014 with a statutory mandate to invest on a commercial basis in a manner designed to support economic activity and employment in the State. The assets of the National Pensions Reserve Fund (NPRF) became assets of the ISIF on the ISIF's establishment (except for assets governed by foreign law which remain NPRF assets until their transfer). The National Treasury Management Agency (NTMA) has advised that the Discretionary Portfolio (the Fund excluding the public policy investments in Allied Irish Banks and Bank of Ireland) was valued at €8.7 billion as at 31 December 2017. The Directed Portfolio (public policy investments in Allied Irish Banks and Bank of Ireland made at the direction of the Minister for Finance) was valued at €11.7 billion at 31 December 2017. The Total Fund size at 31 December 2017 was €20.4 billion.

<sup>2</sup> An actuarial valuation was carried out in 2017, using data as at 31 December 2015, by the Department of Public Expenditure and Reform to update the accrued liability in respect of Public Service occupational pensions. Further information can be found at <http://www.per.gov.ie/wp-content/uploads/Final-Accrued-Liability-Report.pdf>



## STATEMENT 1.11

### Guaranteed Liabilities

At 31 December 2017, the Government had guaranteed, under specific legislation, the due payment of obligations in respect of liabilities of which the principal or capital value outstanding was €4.58 billion. The individual amounts represent capital raised and commitments entered into in accordance with the relevant statutes.

Relevant Department and Nature of Liability	Amounts Outstanding at 31 December 2016	Changes in Guaranteed Liabilities in 2017	Amounts Outstanding at 31 December 2017
	€000	€000	€000
<b>Finance</b>			
ACP-EEC Convention of Lomé (contracts of Guarantee between State and European Investment Bank) Act, 1976 <sup>1</sup>	6,216	43	6,259
Credit Institutions (Financial Support) Act, 2008 Eligible Liabilities Guarantee <sup>2</sup>	1,377,000	(1,101,000)	276,000
National Asset Management Agency <sup>3</sup>	2,590,000	(2,590,000)	-
Strategic Banking Corporation of Ireland <sup>4</sup>	635,000	50,000	685,000
<b>Business, Enterprise and Innovation</b>			
Credit Guarantee Act, 2012 <sup>5</sup>	2,773	875	3,648

<sup>1</sup> This figure (€6,259,147) represents Ireland's share of the EU guarantee of loans from the European Investment Bank to African, Caribbean and Pacific (ACP) countries under the conventions of Lomé and Cotonou. These conventions are financial and political frameworks for cooperation between the EU and the ACP countries.

<sup>2</sup> The total liability under the Bank Guarantee Scheme at the 31 December 2017 was €276 million. Under Section 6 of the Credit Institutions (Financial Support) Act, 2008, all financial support arising under the Scheme is, as far as possible, recouped from the credit institutions to which support is provided. The Act does, however, provide (Section 4) that expenditure not met under Section 6 will be met from the Central Fund. Under the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 (S.I. 490 of 2009), a credit institution that avails of the guarantee is liable to pay a charge for the guarantee which is credited to the Central Fund (see Statement 1.2). Following a Government decision on 26 February 2013, the Minister announced the ending of the ELG Scheme for new liabilities from 28 March 2013. However, eligible liabilities covered under the Scheme which were incurred up to that time continue to be covered up to their maturity date which could be up to 5 years from the date the liability was incurred. This means cover for these liabilities expired at the end of March 2018. The ELG Scheme is now closed and is in the process of being wound up with terms and conditions to be finalised in due course.

<sup>3</sup> The Ministerial guarantee covers Senior Floating Rate Notes denominated in Euro, which were issued and used by NAMA as consideration (95%) for the loan portfolios acquired from each of the Participating Institutions. On 25 October 2017 NAMA redeemed the final €500m of senior notes. In doing so NAMA has repaid all of the €30.2 billion of government guaranteed senior debt originally issued by NAMA in 2010 and 2011 to acquire bank loans. This means the guarantee is no longer in operation with all the liabilities having being repaid.

<sup>4</sup> The Strategic Banking Corporation of Ireland (SBCI) is a company limited by shares and wholly owned by the Minister for Finance. Section 18 of the SBCI Act 2014 gives the Minister for Finance the authority to guarantee any moneys borrowed by the SBCI up to a maximum of €4 billion. This is measured as an aggregate of all guarantees outstanding at any given time (accrued interest does not count towards this maximum amount).

<sup>5</sup> The Credit Guarantee Acts allow the Minister for Business, Enterprise and Innovation to provide partial Guarantees to banks in respect of lending to employment-creating firms. This figure (€3,648,879) represents the maximum possible exposure, as at December 2017, on claims against guarantees which have been provided in respect of lending. The guarantee comes into effect when the loan is drawn down by the firm, and there can be a time lag between approval and drawdown. Therefore the figure provided covers the total guarantees approved and not the drawn down amount. The Strategic Banking Corporation of Ireland manages the Credit Guarantee Scheme. This guarantee if invoked is paid by the State (the "Guarantor") to the Lender on the unrecovered amounts in the event of a borrower defaulting on the Scheme Facility repayments.

## STATEMENT 1.11

### Guaranteed Liabilities - Continued

Relevant Department and Nature of Liability	Amounts	Changes in	Amounts
	Outstanding at 31 December 2016 €000	Guaranteed Liabilities in 2017 €000	Outstanding at 31 December 2017 €000
<b>Housing, Planning, Community and Local Government</b>			
Housing Finance Agency plc. <sup>6</sup>	3,600,900	5,635	3,606,535
<b>Total</b>	8,211,889	(3,634,447)	4,577,442

<sup>6</sup> Housing Finance Agency guaranteed debt held by NTMA is included in the Financial Statements of the National Debt. HFA's outstanding debt securities in issue as at 31 December 2017, for Guaranteed Notes with the NTMA, was €1.742 billion – see page 46.

**PART TWO**  
**FINANCIAL STATEMENTS OF THE NATIONAL DEBT OF IRELAND**  
**FOR THE YEAR ENDED 31 DECEMBER 2017**

## STATEMENT 2.1 - NATIONAL DEBT OF IRELAND

Service of National Debt	Year Ended 31 December		
	Notes	2017 €m	2016 €m
Interest Paid on Gross National Debt	3	6,046	6,798
Interest Paid / (Received) on Cash and Other Financial Assets	4	46	(57)
Fees and Operating Expenses	5	135	104
<b>Total Debt Service Cost</b>		<b>6,227</b>	<b>6,845</b>

## STATEMENT 2.2 - NATIONAL DEBT OF IRELAND

National Debt Statement		Year Ended 31 December	
	Notes	2017 €m	2016 €m
<b>Medium / Long Term Debt</b>			
Irish Government Bonds	6	127,851	121,645
EU/IMF Programme Funding	7	44,882	50,298
Other Medium/ Long Term Loans	8	1,898	1,698
		<b>174,361</b>	<b>173,641</b>
<b>Short Term Debt</b>			
Short Term Paper	9	4,766	3,375
Borrowings from Ministerial Funds	10	2,281	2,519
		<b>7,047</b>	<b>5,894</b>
<b>State Savings Schemes</b>			
State Savings Products	11	17,292	17,194
		<b>198,700</b>	<b>196,729</b>
<b>Gross National Debt</b>			
Cash and Other Financial assets	12	(13,217)	(11,119)
<b>National Debt</b>	13	<b>185,483</b>	<b>185,610</b>

## STATEMENT 2.3 - NATIONAL DEBT OF IRELAND

National Debt Cash Flow Statement		Year ended 31 December	
	Notes	2017 €m	2016 €m
<b>Movement in Exchequer Balances:</b>			
Balance at 1 January	12	8,385	7,964
Decrease in Cash and Other Financial Assets	12	49	2,856
Net Borrowing / (Repayment) of Debt (see below)		193	(1,417)
		8,627	9,403
Exchequer Surplus / (Deficit)		1,906	(1,018)
<b>Balance at 31 December</b>	12	<b>10,533</b>	<b>8,385</b>
		<b>2017 Net <sup>1</sup></b>	<b>2016 Net <sup>1</sup></b>
<b>Net Borrowing / (Repayment) of Debt</b>		<b>€m</b>	<b>€m</b>
<b>Medium/Long Term Debt</b>			
Irish Government Bonds		4,105	(4,992)
EU/IMF Programme Funding		(5,391)	557
Other Medium/Long Term Loans	8	197	530
<b>Short Term Debt</b>			
Short Term Paper		1,422	1,046
Borrowings from Ministerial Funds	10	(238)	940
<b>State Savings Schemes</b>			
State Savings Products	11	98	502
<b>Net Borrowing / (Repayment) of Debt</b>		<b>193</b>	<b>(1,417)</b>

<sup>1</sup> The amounts represent the net borrowing or repayment of debt in the period, including rollover of debt and related hedging transactions.

## STATEMENT 2.4 - NATIONAL DEBT OF IRELAND

Statement of Movement in National Debt		Year ended 31 December	
	Notes	2017 €m	2016 €m
National Debt at 1 January	13	185,610	183,065
(Decrease) / Increase in National Debt (nominal)		(127)	2,545
<b>National Debt at 31 December</b>	13	<b>185,483</b>	<b>185,610</b>
<b>Decrease in National Debt (nominal) represented by:</b>			
Exchequer (Surplus) / Deficit		(1,906)	1,018
Effect of Foreign Exchange Rate Movements		(54)	(24)
Adjustment for Inflation Linked Liabilities		4	-
Net Discount on Medium/Long Term Loans		3	-
Net Premium on Bond Issuances and Cancellations		1,826	1,551
		<b>(127)</b>	<b>2,545</b>

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements

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#### **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, the related 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 2017, 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. For liabilities where the redeemable par value is linked to inflation, the increase or reduction to the liability due to movements in inflation is accounted for through the Statement of Movement in National Debt.



## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements – Continued

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#### 2. Basis of Preparation - continued

##### 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 on Gross National Debt

Interest Paid on Medium / Long Term Debt	2017 €m	2016 €m
Irish Government Bonds	4,422	4,874
EU/IMF Programme Funding	997	1,145
Derivatives hedging Medium / Long Term Debt	301	345
European Investment Bank	15	11
Private Placements	35	35
Medium / Long Term Notes	2	-
Council of Europe Development Bank	1	1
	<u>5,773</u>	<u>6,411</u>
<b>Interest Paid on Short Term Debt</b>		
Euro Commercial Paper	15	17
Exchequer Notes <sup>1</sup>	(3)	(7)
Irish Treasury Bills <sup>1</sup>	(4)	(1)
	<u>8</u>	<u>9</u>

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<sup>1</sup> During 2016 and 2017 the Agency issued Exchequer Notes and Irish Treasury Bills at negative yields reflecting prevailing negative short-term interest rates in the market.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 3. Interest Paid on Gross National Debt - continued

Interest Paid on State Savings Schemes	2017 €m	2016 €m
Savings Certificates	147	194
Savings Bonds	47	104
10 Year National Solidarity Bonds	11	10
4 Year National Solidarity Bonds	25	29
Prizes in respect of Prize Bonds	21	27
Instalment Savings	14	14
	<u>265</u>	<u>378</u>
<b>Total Interest Paid on Gross National Debt</b>	<b><u>6,046</u></b>	<b><u>6,798</u></b>

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:

	2017 €000	2016 €000
Savings Certificates	450	643
Savings Bonds	54	107
Instalment Savings	1,224	736
	<u>1,728</u>	<u>1,486</u>

#### 4. Interest Paid / (Received) on Cash and Other Financial Assets

	2017 €m	2016 €m
Interest on Cash and Deposits	46	14
Interest on Financial Assets and Other Income	-	(71)
	<u>46</u>	<u>(57)</u>

Interest on Financial Assets and Other Income in 2016 includes the accumulated investment return of €70 million received from the EFSF (see note 7 for further detail).

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

<b>5. Fees and Expenses</b>	<b>2017</b>	<b>2016</b>
	<b>€m</b>	<b>€m</b>
EU/IMF Programme Funding	31	23
Government Bonds and Other Expenses	15	6
Savings Certificates	9	9
10 Year National Solidarity Bonds	5	3
4 Year National Solidarity Bonds	2	2
Prize Bonds	12	12
Savings Bonds	5	6
Instalment Savings	1	1
	<b>80</b>	<b>62</b>
Agency Operating Expenses <sup>2</sup>	55	42
	<b>135</b>	<b>104</b>
<b>6. Irish Government Bonds</b>	<b>2017</b>	<b>2016</b>
	<b>€m</b>	<b>€m</b>
Fixed Rate Bonds	110,837	101,418
Floating Rate Bonds	15,534	19,534
Amortising Bonds	597	693
Index Linked Bonds	613	-
	<b>127,581</b>	<b>121,645</b>

#### **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.

During 2017, the Agency bought and cancelled €4 billion (2016: €3 billion) of the Floating Rate Bonds at a premium of €1.95 billion (2016: €1.36 billion). The bonds were purchased from the CBI, reducing the total nominal outstanding of the Floating Rate Bonds to €15.53 billion (2016: €19.53 billion). The CBI intends to sell these securities in accordance with the following schedule, at a minimum: 2018 €0.5 billion, 2019-2023 (€1 billion per annum), and 2024 onwards (€2 billion per annum) until all bonds are sold.

Since the year-end, the Agency has bought and cancelled a further €1.5 billion of the Floating Rate Bonds.

<sup>2</sup> 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).

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 7. 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"), the European Financial Stability Facility ("EFSF") and other bilateral loans.

Following the agreement of EU member states and bilateral lenders in December 2014, the Agency made early repayments between December 2014 and March 2015, totalling just over €18 billion. In December 2017 following the agreement of EU member states and bilateral lenders the Agency completed the early repayment of the remaining IMF loan facility and the bilateral loans from both Sweden and Denmark. The repayment of approximately €4.5 billion discharged all of the remaining IMF principal loan obligations that were originally to fall due from January 2021 to December 2023. The repayment of € 1 billion bilateral loans from Sweden (€0.6billion) and Denmark (€0.4 billion) discharged loan obligations that were originally to fall due from September 2019 to May 2021.

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

Lender	Weighted		Weighted	
	2017	Average Term	2016	Average Term
	€m	Years	€m	Years
International Monetary Fund <sup>3</sup>	5	0.2 Years	4,354	5.0 Years
European Financial Stability Facility	18,411	15.1 Years	18,411	16.1 Years
European Financial Stabilisation Mechanism	22,500	9.1 Years	22,500	10.1 Years
United Kingdom Treasury	3,966	2.2 Years	4,033	3.2 Years
Kingdom of Denmark	-	-	400	3.6 Years
Kingdom of Sweden	-	-	600	3.6 Years
<b>Total</b>	<b>44,882</b>		<b>50,298</b>	

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. 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.

<sup>3</sup> The 2017 residual balance in respect of the IMF reflects cashflows due subsequent to the year-end.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 8. Other Medium / Long Term Loans

	2017	2016
	€m	€m
European Investment Bank	950	950
Private Placements	602	602
Medium/Long Term Notes	300	100
Council of Europe Development Bank	41	41
Other Medium/Long Term Loans	5	5
	<b>1,898</b>	<b>1,698</b>

#### 9. Short Term Paper

The Agency issues short-term paper with 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.

	2017	2016
	€m	€m
Exchequer Notes	2,061	1,858
Irish Treasury Bills	2,009	1,008
European Commercial Paper Programme	536	342
Central Treasury Notes	160	167
	<b>4,766</b>	<b>3,375</b>

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 10. 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.

	2017 €m	2016 €m
Post Office Savings Bank Fund	1,894	1,732
Deposit Monies Investment Account (note 19)	387	787
	<b>2,281</b>	<b>2,519</b>

#### 11. State Savings Schemes

	2017 €m	2016 €m
Savings Certificates	6,026	5,908
Savings Bonds	3,250	3,747
Prize Bonds	3,170	2,892
10 Year National Solidarity Bonds	2,967	2,643
4 Year National Solidarity Bonds	1,376	1,506
Instalment Savings	501	496
Savings Stamps	2	2
	<b>17,292</b>	<b>17,194</b>

Amounts shown in respect of Savings Certificates, Instalment Savings, Savings Bonds, Solidarity Bonds and Prize Bonds are net of €3.5 million (2016: €5.7 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 the National Debt financial statements are prepared on a cash basis, the liabilities do not include the sum of €452 million (2016: €451 million), being the estimate of the amount of accrued interest at 31 December 2017 in respect of Savings Bonds, Savings Certificates, 10 Year National Solidarity Bonds, 4 Year National Solidarity Bonds and Instalment Savings.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

12. Cash and Other Financial Assets		
	2017	2016
	€m	€m
<b>Cash Balances</b>		
Exchequer Account and CSRA <sup>4</sup>	10,533	8,386
<b>Cash Deposits</b>		
Deposits with Commercial Banks	-	199
Collateral Funding (note 14.2)	857	417
<b>Other Financial Assets</b>		
SBCI Medium Term Guaranteed Notes	85	85
Housing Finance Agency Guaranteed Notes	1,742	2,032
	<b>13,217</b>	<b>11,119</b>
<b>Cash Deposits and Financial Assets</b>		

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 these derivatives (See Note 14).

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

<sup>4</sup> The Balance held in the CSRA was €357k (2016: €499K) at 31 December.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 12. 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 2017 was Nil (2016: Nil). The Agency held no other foreign currency cash balances.

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

	Receipts €m	Payments €m	Net 2017 €m	Net 2016 €m
Balance at 1 January 2017			NIL	NIL
<b>Debt Service</b>				
Medium / Long Term Loan Interest	155	(166)	(11)	1
Short Term Debt Interest	-	(15)	(15)	(17)
Other Movements	15,512	(15,324)	188	294
Fees and Expenses <sup>6</sup>	-	(7)	(7)	(7)
<b>Borrowing Activity</b>				
EU/IMF Programme	4,040	(4,319)	(279)	219
Short Term Debt	5,422	(5,298)	124	(490)
Balance at 31 December 2017	25,129	(25,129)	NIL	NIL

<sup>6</sup> Includes no expenses of the Agency in 2017 (2016: €5k).



## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements – Continued

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#### 13. Risk Management

##### *13.1 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 Agency and management committees, including the Agency Audit and Risk Committee and Risk sub-committees, support the Agency in discharging its responsibilities in relation to risk management.

##### **Agency Audit & Risk Committee (ARC)**

The ARC comprises members of the Agency Board and was formed from the merger of the Audit and Risk Committees on 1st February 2017. 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. It also 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.

##### **Management Committees**

##### **Enterprise Risk Management Committee (ERMC)**

The ERMC 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.

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements – Continued

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#### *13.1 Risk Management Framework - continued*

##### **Counterparty Credit Risk Committee (CCRC)**

The CCRC oversees and advises the ERM on counterparty credit risk exposures. It provides dashboard reporting of relevant counterparty credit risk exposures and details to the ERM. It formulates implements and monitors compliance with the Agency 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 ERM on market and liquidity risk exposures. It provides dashboard reporting of relevant market risk and liquidity risk exposures and details to the ERM. 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 any breaches.

##### **Operational Risk and Control Committee (ORCC)**

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

##### **Products and Processes Committee (PPC)**

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

##### **Liquidity Risk**

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.

##### **Market Risk**

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 14).

## NATIONAL DEBT OF IRELAND

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### Notes To The Financial Statements – Continued

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#### *13.1 Risk Management Framework - continued*

##### **Counterparty Credit Risk**

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 14).

##### **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 Agency'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 Group is a sub-group of the Operational Risk and Control Committee. The role of this group 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.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 13. Risk Management - continued

##### 13.2 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	
	2017	2016
	€m	€m
<b>Debt Instruments</b>		
Euro	181,076	178,340
US Dollar	401	2,448
Pound Sterling	3,637	4,148
Japanese Yen	-	364
Chinese Yuan	-	524
	<b>185,114</b>	<b>185,824</b>
<b>Foreign Currency and Swap Contract</b>		
Euro	4,418	7,270
US Dollar	(412)	(2,450)
Pound Sterling	(3,637)	(4,148)
Japanese Yen	-	(364)
Chinese Yuan	-	(522)
	<b>369</b>	<b>(214)</b>
<b>National Debt</b>	<b>185,483</b>	<b>185,610</b>

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 13. Risk Management - continued

##### 13.3 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:

<b>2017</b>	<b>Due within</b>	<b>Due between</b>	<b>Due between</b>	<b>Due over</b>	<b>Total</b>
<b>€m</b>	<b>1 Year</b>	<b>1-5 Years</b>	<b>1-5 Years</b>	<b>10 Years</b>	
Irish Government Bonds	9,159	42,697	37,279	38,446	127,581
EU/IMF Funding Programme	3,905	6,966	5,800	28,211	44,882
Other Medium & Long Term Debt	4	7	531	1,356	1,898
Short Term Debt <sup>7</sup>	5,782	1,265	0	0	7,047
State Savings <sup>8</sup>	7,638	7,275	2,376	3	17,292
Cash & Other Financial Assets	(11,597)	(1,345)	(115)	(160)	(13,217)
<b>National Debt</b>	<b>14,891</b>	<b>56,865</b>	<b>45,871</b>	<b>67,856</b>	<b>185,483</b>

  

<b>2016</b>	<b>Due within</b>	<b>Due between</b>	<b>Due between</b>	<b>Due over</b>	<b>Total</b>
<b>€m</b>	<b>1 Year</b>	<b>1-5 Years</b>	<b>1-5 Years</b>	<b>10 Years</b>	
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 <sup>7</sup>	4,629	1,265	0	0	5,894
State Savings <sup>8</sup>	6,654	7,752	2,786	2	17,194
Cash & Other Financial Assets	(9,195)	(1,849)	(75)	0	(11,119)
<b>National Debt</b>	<b>8,420</b>	<b>64,464</b>	<b>47,191</b>	<b>65,535</b>	<b>185,610</b>

<sup>7</sup> Short Term Debt has been adjusted to reflect the expected longer maturity of a portion of the Ways and Means monies repayable to the Post Office Savings Bank Fund.

<sup>8</sup> State Savings maturities are based on actual maturity information provided by An Post for end 2017.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 14. Derivatives

##### 14.1 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 2017		31 December 2016	
	Nominal	Present Value	Nominal	Present Value
	€m	€m	€m	€m
Interest Rate Swaps	13,929	(506)	16,119	(805)
Exchange Contracts	5,081	(409)	7,885	171
	<b>19,010</b>	<b>(915)</b>	<b>24,004</b>	<b>(634)</b>

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 2017 was €0.02 billion (2016: €0.02 billion); the nominal value of currency swaps and foreign exchange rate contracts transacted with NAMA outstanding at end 2017 was €0.4 billion (2016: €0.6 billion).

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 2017 was €0.27 billion (2016: €0.32 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.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 14. Derivatives - continued

##### 14.2 Credit Support Account

	2017 €m	2016 €m
Balance at 1 January	-	-
Cash Collateral received from counterparties	1,580	2,249
Cash Collateral paid to counterparties	(2,020)	(2,463)
	(440)	(214)
Net Exchequer Funding during the year	440	214
Balance at 31 December	<b>NIL</b>	<b>NIL</b>

#### Note:

	2017 €m	2016 €m
Exchequer Funding at 31 December	857	417
Net Collateral Post to Counterparties at 31 December (note 12)	(857)	(417)

The Agency has entered into a Collateral Posting Agreement with NAMA. At end 2017, NAMA had posted collateral of €0.025 billion (2016: €0.058 billion) to the Agency as part of this agreement.

The Agency has also entered into a Collateral Posting Agreement with IBRC. At end 2017, IBRC had posted collateral of €0.025 billion (2016: €0.046 billion) to the Agency as part of this agreement.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 15. Capital Services Redemption Account

##### 15.1 Background

The Capital Services Redemption Account (“CSRA”) was established under section 22 of the Finance Act, 1950 as amended. The account is used for the purpose of settling transactions of a normal banking nature that the Agency may enter into 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. Until the legislation was amended by the Finance Act, 2017, receipts of interest on deposits, other than those in a currency for which a foreign currency clearing account had been established under section 139 of the Finance Act, 1993, had to 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.

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) (see also note 14 above). 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 CSRA.

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 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.

##### 15.2 Movement in the Account for the Year

	<b>2017</b>	<b>2016</b>
	<b>€000</b>	<b>€000</b>
Balance at 1 January	499	489
<b>Receipts</b>		
Derivative Transactions	7,194,111	8,125,347
Interest on Cash and Other Financial Assets	16,248	23,233
	<u>7,210,359</u>	<u>8,148,580</u>
<b>Payments</b>		
Derivative Transactions	(7,194,111)	(8,125,347)
Interest on National Debt	(5,390)	(5,205)
Expenses on National Debt	-	(4,018)
Transfer to Exchequer Account	(11,000)	(14,000)
	<u>(7,210,501)</u>	<u>(8,148,570)</u>
<b>Balance at 31 December</b>	<b>357</b>	<b>499</b>
Movement in the Year	<u>(142)</u>	<u>10</u>



## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 15. Capital Services Redemption Account - continued

##### 15.3 Derivative Transactions undertaken for IBRC and NAMA

	Receipts €000	Payments €000	Net 2017 €000	Net 2016 €000
NAMA Related Derivatives	4,842,371	(4,842,371)	-	-
IBRC Related Derivatives	2,351,740	(2,351,740)	-	-
	<b>7,194,111</b>	<b>(7,194,111)</b>		

#### 16. National Loans Advance Interest Account

The Agency can cancel or issue amounts of existing Irish Government Bonds. 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.

Account of Receipts and Payments	2017 €000	2016 €000
Balance at 1 January	29,089	24,124
Accrued Interest Received on National Loans – Tranches and Auctions	79,178	35,606
Accrued Interest Paid on National Loans	(62,010)	(30,641)
Balance at 31 December – Cash with Central Bank of Ireland	<b>46,257</b>	<b>29,089</b>

#### 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.

The balance on the account comprises principally historic amounts. Changes in the way in which bonds are held by investors and the processing of payments means unclaimed amounts rarely arise.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 17. National Loans (Winding Up) Account - continued

Account of Receipts and Payments	2017 €000	2016 €000
Balance at 1 January	3,171	3,121
Receipts from Exchequer	-	115
Receipts from Central Bank Account	62	63
Payments to Central Bank Account	(63)	(63)
Payments for Redemption of National Loans	(36)	(65)
Balance at 31 December - Cash with Central Bank of Ireland	<u>3,134</u>	<u>3,171</u>

#### 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.

The balance on the account comprises principally historic amounts. Changes in the way in which bonds are held by investors and the processing of payments means unclaimed amounts rarely arise.

Account of Receipts and Payments	2017 €000	2016 €000
Balance at 1 January	2,586	2,519
Receipts/(Payments) of unclaimed interest	(10)	67
Balance at 31 December - Cash with Central Bank of Ireland	<u>2,576</u>	<u>2,586</u>

#### 19. Deposit Monies Investment Account

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

The Supply Account of the Paymaster General is the account through which funding is provided by the Exchequer to Government Departments. Surplus funds which arise periodically on the PMG Supply Account are transferred and recorded against the Deposit Monies Investment Account.

## NATIONAL DEBT OF IRELAND

### Notes To The Financial Statements – Continued

#### 19. Deposit Monies Investment Account - continued

Account of Receipts and Payments	2017 €000	2016 €000
Balance at 1 January	786,812	465,119
Ways and Means Advances Paid to Exchequer	8,002,432	4,994,364
Ways and Means Advances Repaid by the Exchequer	(8,402,064)	(4,672,671)
Balance at 31 December – Ways and Means Advances to the Exchequer (note 10)	<b>387,180</b>	<b>786,812</b>

#### 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 2017 (2016: nil).

#### 21. Events after the end of reporting period

Note 6 details 2018 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 29 May 2018.