An Roinn Airgeadais
Department of Finance

National Asset Management Agency

Section 227 Review (2014 – 2018)

Prepared by the Shareholding and Financial Advisory Division, Department of Finance

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Contents

Minister's Foreword

As Minister for Finance I am required to issue a report every five years under section 227 of the National Asset Management Agency Act 2009 where I assess the extent to which NAMA has made progress toward achieving its overall objectives and whether the continuation of NAMA is necessary having regard to the purposes of the Act.

The last such report was issued by my predecessor in 2014 and noted the significant progress NAMA made during the early years of its establishment as the Irish economy recovered from an extremely difficult period. This report considers NAMA's achievements over the period 2014 – 2018 during what was a strong period of recovery for the Irish economy.

It gives me great pleasure now to present this report that clearly demonstrates;

1. NAMA has made extensive progress in achieving its overall objectives over this period; and
2. NAMA is on target to achieving its overall objectives and therefore its continuation is necessary to allow for the completion of its residual activities.

I am therefore very satisfied with the progress NAMA has made and would like to thank the NAMA Board and all of the staff of NAMA for their achievements over this period and wish them the best for the coming years.

In this report I also note the important work that remains as NAMA enters into the final phase of its wind-down. I am recommending that the agency is allowed additional time beyond 2021 to manage its residual loan book and deliver the optimal return from the assets securing those loans, thereby ensuring the best outcome for the taxpayer.

In accordance with section 227 of the Act, I hereby submit this report to the Houses of the Oireachtas.

Paschal Donohoe, TD

Minister for Finance, Public Expenditure and Reform

1. Executive Summary

The purpose of this review, as mandated by section 227 of the National Asset Management Agency Act 2009, is to:

- assess the extent to which NAMA made progress towards achieving its overall objectives, and
- decide whether continuation of NAMA is necessary having regard to the purposes of this Act.

Considering the advanced stage of NAMA's deleveraging activities, it has also been decided to take the opportunity of this review to consider the appropriate wind-down strategy for the final stage of the Agency's work.

This review takes place in the context of an Irish commercial property market that has performed strongly over the course of the preceding years. In particular, Irish commercial property prices at the end of 2018 increased by 34%[1] as compared to the NAMA's valuation reference date of November 2009 and investment into Irish commercial property has accelerated considerably over the period covered by this review.

FINANCIAL PERFORMANCE

NAMA's financial performance since 2014 has greatly exceeded expectations. It recorded an after-tax profit in all 5 years, enabling the Agency to achieve retained earnings of €4.2 billion as of end of 2018.

The primary driver of NAMA's financial performance has been its asset disposals, with a number of key large-scale loan and asset sales generating a substantial amount of cash for the Agency. Total disposal income up to end-2018 reached €37.8 billion. Combined with non-disposal income generated from debtor assets (rental income etc.) over the same period of €6.2 billion, this means NAMA has generated cash of €44 billion since its inception to the end of 2018.

This compares to €10 billion in operational and central cost outflows in addition to senior and subordinated debt redemption of €30.7 billion. NAMA's administrative expenses have been on a downward trend as its portfolio has reduced and there have been associated reductions in

[1] Source - MSCI

asset management costs and NAMA staff numbers. The Agency's voluntary redundancy scheme has been effective to date in enabling NAMA to retain key staff while moderating administrative expenses.

At the end of 2018 NAMA had retained cash and liquid assets of €3.2 billion.

PORTFOLIO PROGRESSION

NAMA's portfolio was reduced from its acquisition value of €31.8 billion, to a carrying value of €1.9 billion at the end of 2018. NAMA's deleveraging activities ensured that just 6% of its acquisition portfolio remained by the end of 2018.

NAMA has largely exited its exposures in foreign jurisdictions. By the end of 2018 only 3% of its remaining portfolio was outside of Ireland. The majority of NAMA's remaining assets are located in Dublin, with considerable portions of the portfolio also located in the Dublin Commuter belt and major urban centres in the State. This remaining portfolio is comprised largely of residential development sites, enabling NAMA to continue to contribute to the supply of housing over the coming years.

When compared to similar asset management companies in Europe, namely SAREB in Spain and FMS Wertmanagement in Germany, NAMA has clearly been more successful in deleveraging its portfolio, as well as delivering more profitability. This is due to a number of factors, including the narrower eligibility criteria for assets acquired by NAMA (land and development and associated loans) along with the strong recovery experienced by the property market in Ireland since 2014.

PROGRESS TOWARDS OBJECTIVES

NAMA's approach towards its strategic objectives has evolved since 2014 to take into account market developments and challenges facing the Irish economy. However, its primary commercial objective, pursuant to section 10 of the NAMA Act, has remained the same and that is to repay its outstanding debt and other obligations and to generate the largest surplus that can feasibly be achieved by the time it completes its work.

Debt Repayment

NAMA achieved it most significant objective in October 2017, when it announced the redemption of all of its €30.2 billion senior debt. This was achieved two years ahead of the original target set out in its 2010 Business Plan and it eliminated the State's contingent liability to the Agency's senior debt.

Since then NAMA has commenced the repayment of its €1.6 billion of subordinated debt ahead of its call date in March 2020. As of end of 2018, €529 million of this debt had been repaid.

Dublin Dockland SDZ

In 2014, NAMA announced a plan to facilitate the delivery of Grade A office accommodation in the Dublin Docklands Strategic Development Zone (SDZ). Ultimately, it is expected that 4.2 million square feet of Grade A office space, as well as 2,200 new residential units, will be delivered on sites in which NAMA has or had an interest in the Dublin Docklands SDZ. NAMA has made considerable progress towards achieving this objective, with all sites in which it has an interest now being granted planning permission and construction already completed in respect of 40% of its current Docklands' portfolio at the close of 2018.

Residential Development

Since the publication of the last Section 227 Review in 2014 NAMA has announced ambitious targets regarding funding or facilitating residential development. NAMA aims to fund or otherwise facilitate the delivery of 20,000 new homes to the market by 2020. NAMA's programme of providing finance to NAMA debtors and receivers who have commercially viable residential projects had, by the end of 2018, delivered about 9,700 new residential units directly and another 3,500 units indirectly. With a steady supply of residential development land either under development or in the planning process, NAMA is on track to achieve its residential development targets.

Social Housing

NAMA has also contributed to the economic and social development of the State by enabling the delivery of social housing through properties securing its loan portfolio. NAMA has worked closely with the Department of Housing, Planning and Local Government, as well as the Housing Agency, to deliver 2,475 new units to Local Authorities and Approved Housing Bodies by the end of 2018.

NARPS

Of the 2,475 residential units delivered by NAMA for social housing at the end of 2018, 1,372 have been delivered through National Asset Residential Property Services DAC (NARPS), a NAMA subsidiary. This vehicle operates by purchasing residential units that are suitable for social housing and then leasing them on to Local Authorities or Approved Housing bodies on long-term leases. NARPS is close to capacity in terms of units that can be provided by NAMA debtors and receivers and it is not expected that it will be possible to add significantly to its portfolio before NAMA winds down. A number of options concerning the future of NARPS were considered by the NAMA Board, including a market sale. After considering all options, it has been decided that, in order to protect NARPS' social housing mandate, NAMA will retain ownership of NARPS until it is in a position, as part of its terminal surplus, to transfer the vehicle to another State entity in the near future.

Wind-down Options

Following a review by the NAMA Board in late 2018 it is likely that the Agency will still retain a small number of residual loans by the end of its expected end date of 2021. These residual assets fall into two categories;

a) Loans secured by assets that cannot be disposed because they are subject to on-going legal actions; and
b) Loans secured by residential development sites that have the potential to deliver a significant value uplift beyond 2021.

Cumulatively, these residual loans are expected to make up less than 1% of NAMA's original portfolio.

Several strategies for the management of these residual loans were considered as part of this review. These options included:

- Dissolution of NAMA by the end of 2021 and the transfer of the residual assets and operations to another State entity;
- Transfer of NAMA residual residential development loans to another State entity;
- Sale of all of NAMA's residual portfolio by end-2021; or
- Retention of NAMA for a limited period in order to manage out the residual loans so as to optimise their value.

After considering the legal, operational and cost implications of these strategies, it is recommended that the last option be adopted, namely, retaining NAMA for a limited period in order to manage out the residual loans. This recommendation has a number of advantages: it requires no amending legislation, it offers the best operations continuity and it has the potential to generate the greatest return for the taxpayer.

RECOMMENDATIONS

NAMA has already achieved one of its primary objectives of repaying its €30.2 billion of senior debt before 2018. The Agency is also on course to achieve its remaining objectives, including deleveraging its loan book over the coming years. In order to achieve its projected €4 billion surplus, NAMA will need to continue carefully managing its deleveraging process, along with its Dublin Docklands SDZ and residential delivery programmes.

Therefore it is recommended that:

1. The work of NAMA continues in order to achieve these objectives;
2. NAMA should continue to manage a small portfolio of residual loans beyond its expected 2021 wind-down date in order to maximise their value in the interest of the taxpayer;
3. NAMA continue to engage actively with the Land Development Agency and other State bodies to identify areas of mutual interest and potential collaboration to ensure that NAMA's activities are aligned to other policy responses in the area of housing to the maximum extent possible while ensuring that NAMA remains faithful to its overall objectives and purposes under the NAMA Act; and
4. Ownership of NARPS be retained by the State, in light of the considerable social and economic contribution that this vehicle makes towards the long term provision of social housing.

2. Purpose

Section 227 of the National Asset Management Agency Act 2009 (the Act) requires the Minister for Finance to assess the extent to which the National Asset Management Agency (NAMA) has made progress towards achieving its overall objectives, and decide whether the continuation of the Agency is necessary having regard to the purposes of the Act, as of the end of 2012 and every five years thereafter.

This is the second report that has been prepared under section 227. The first report was published on 16 July 2014 and focused on NAMA's performance during its start-up phase from 2010 to 2014. After reviewing NAMA's initial operational and deleveraging activity during that period, the report concluded that the continuation of the agency was necessary for NAMA to achieve its objectives and it recommended that NAMA accelerate its asset disposal in order to advance repayment of its senior bonds.

The present report assesses NAMA's achievement of its objectives over the period from the beginning of 2014 until the end of 2018. This phase of NAMA's existence covers substantially different circumstances from those that existed during the period covered in the first section 227 report. Since 2014 the Irish economy has recovered significantly and that has had the effect of generating strong investor interest in Irish assets along with property price appreciation throughout the period. These developments have facilitated NAMA in deleveraging the majority of its assets and redeeming all of its €30.2bn senior debt by October 2017.

In this context, the present report assesses NAMA's progress in achieving its overall objectives while placing particular emphasis on its future wind-down strategy and determining which course of action is most appropriate in light of its obligations under Section 10 of the National Asset Management Act 2009.

It is necessary to assess NAMA's performance by reference to the purposes of the NAMA Act, the purpose of NAMA as an organisation and the strategic objectives of NAMA. The purposes of the Act are set out in Section 2 of the Act and are presented in Figure 2.1 below.

Figure 2.1 - The Purposes of the NAMA Act

2. *The purposes of this Act are—*

(a) to address the serious threat to the economy and the stability of credit institutions in the State generally and the need for the maintenance and stabilisation of the financial system in the State, and

(b) to address the compelling need—

(i) to facilitate the availability of credit in the economy of the State,

(ii) to resolve the problems created by the financial crisis in an expeditious and efficient manner and achieve a recovery in the economy,

(iii) to protect the State's interest in respect of the guarantees issued by the State pursuant to the Credit Institutions (Financial Support) Act 2008 and to underpin the steps taken by the Government in that regard,

(iv) to protect the interests of taxpayers,

(v) to facilitate restructuring of credit institutions of systemic importance to the economy,

(vi) to remove uncertainty about the valuation and location of certain assets of credit institutions of systemic importance to the economy,

(vii) to restore confidence in the banking sector and to underpin the effect of Government support measures in relation to that sector, and

(viii) to contribute to the social and economic development of the State.

The purposes of NAMA as an organisation are set out in Section 10 of the Act and are presented in Figure 2.2 below.

Figure 2.2 - The Purposes of NAMA

10*. (1) NAMA's purposes shall be to contribute to the achievement of the purposes specified in section 2 by—*

(a) the acquisition from participating institutions of such eligible bank assets as is appropriate,

> *(b) dealing expeditiously with the assets acquired by it, and*
>
> *(c) protecting or otherwise enhancing the value of those assets, in the interests of the State.*
>
> *(2) So far as possible, NAMA shall, expeditiously and consistently with the achievement of the purposes specified in subsection (1), obtain the best achievable financial return for the State having regard to—*
>
> *(a) the cost to the Exchequer of acquiring bank assets and dealing with acquired bank assets,*
>
> *(b) NAMA's cost of capital and other costs, and*
>
> *(c) any other factor which NAMA considers relevant to the achievement of its purposes.*

The Board of NAMA implemented these purposes through the formulation of a number of strategic objectives for the Agency. NAMA's Annual Statement for 2019, sets out the Board's current strategic objectives for NAMA, as presented in Figure 2.3, with reference to the purposes of the Act and the purposes of NAMA under the Act.

Figure 2.3 – NAMA's Strategic Objectives

- *The Board's primary commercial objective is to meet all of its remaining subordinated debt and equity obligations and, subject to prevailing market conditions,* ***to generate the largest surplus that can feasibly be achieved by the time it completes its work****. It aims to meet all of its future commitments out of its own resources*
- *manage assets intensively and invest in them so as to optimise their income producing potential and disposal value. Through its disposal activity, it will continue to* ***generate transactions aimed at sustaining the strong performance which the Irish property market*** *has experienced over recent years.*
- ***facilitate the delivery of Grade A office accommodation in the Dublin Docklands Strategic Development Zone****; it will contribute, not only in terms of*

> *project funding, if required, but also in bringing coherence, direction and drive to the delivery process.*
>
> - *f**acilitate the completion of 20,000 new residential units,** subject to commerciality, principally in the Dublin area, in the period to the end of 2020 and, through intensive asset management of residential sites, aims also to maximise the number of sites that are ready for development.*
> - ***make a positive social and economic contribution** across the broad range of its activities.*

As well as the Minister having an obligation to review NAMA pursuant to section 227, section 226 of the Act requires the Comptroller and Auditor General (the C&AG) to assess the extent to which the Agency has made progress in achieving its overall objectives as of the end of 2012, and every three years thereafter. The C&AG published his second progress report on NAMA pursuant to section 226 on 26 July 2018, and this is available on the C&AG's website at https://www.audit.gov.ie/en/Find-Report/Publications/Special%20Reports/.

Please also refer to NAMA's 2018 Annual report which was published on 30 May 2019 for additional information regarding NAMA's activities and performance, available on NAMA's website at http://ww.nama.ie./publications.

3. NAMA progress to end 2014

ESTABLISHMENT AND LOAN ACQUISITION

NAMA was established in December 2009 as a response to the crisis that was then unfolding across the Irish banking system where it became apparent that the outsized proportion of loans for land and property development on the balance sheets of Irish banks posed a threat to their stability. Due to the collapse in Irish property prices and a severe tightening in the supply of credit, a significant portion of these loans were non-performing and posed a material threat to the stability of the domestic financial system.

With the aim of restoring confidence and stability in the Irish financial system, the National Asset Management Agency Act 2009 was enacted. The Act established NAMA as an asset management company to purchase loan books connected to impaired property and development loans from Irish financial institutions and to manage those loans and related collateral over time in order to maximise their value for the taxpayer. It was deemed necessary that all loans related to impacted debtor connections should transfer, not just impaired land and development loans, thereby enabling NAMA to deal with all or most of each debtor's exposure.

The financial institutions that participated in the transfer of these assets from their balance sheets to NAMA (collectively referred to as the Participating Institutions) consisted of Allied Irish Bank plc, EBS, Anglo Irish Bank, Bank of Ireland and Irish Nationwide Building Society (INBS).[2]

In total over 12,000 loans from 800 debtor connections (comprising over 5,000 debtors) with a nominal value of €74.4 billion were transferred from the participating institutions to NAMA. The amount that NAMA paid for these loans was €31.8 billion, which represented a discount of 57%. This figure was based on a loan valuation methodology, approved by the EU Commission, which included an assessment of the long-term economic value of the assets being transferred. The aggregate value of the NAMA loan portfolio comprised the then market value of the loans, determined to be €26.2 billion, plus an additional €5.6 billion representing a projected future uplift in value. Further detail in relation to NAMA's acquisition of loan assets

[2] The business of INBS transferred to Anglo Irish Bank on 1 July 2011 and the merged entity trades as IBRC.

is contained in the C&AG special report on NAMA Acquisition of Bank Assets, which can be found here - https://www.nama.ie/publications/c-ag-special-reports

NAMA discharged the outstanding €31.8 billion for the acquisition of these loans by issuing bond notes to the Participating Institutions. These notes were divided into two types: Senior Bonds to the amount of €30.2 billion which represented the State's contingent liability to NAMA; and Subordinated Debt to the amount of €1.6 billion, which would only be liable for repayment if NAMA first discharged its senior debt obligations.

Due to NAMA paying in excess of the market value for the assets that were transferred to it, the loan acquisition process constituted State aid. As a result, the European Commission had to approve the loan valuation methodology and the actual acquisition of loans from the Participating Institutions. The first tranche of acquisitions was approved by the European Commission in August 2010, the second tranche was approved in November 2010 and the final tranches were approved in July 2014.

ORGANISATION

The Act established NAMA as a State agency under the aegis of the Minister for Finance. NAMA sits at the head of the organisation structure as a holding company; however, the day-to-day operations of NAMA are conducted by a trading company called National Asset Management Agency Investment DAC (NAMAI DAC).

A bespoke ownership arrangement between NAMA and NAMAI DAC enables NAMA's activities to remain off the Government Balance Sheet, which was a vital requirement for regaining financial stability during the immediate aftermath of the financial crisis. This has been achieved by vesting 49% of the shares of NAMAI DAC in NAMA and the remaining 51% of shares have been purchased by private shareholders, who may receive a capped dividend in return for their investment. An agreement between NAMA and the private shareholders ensures that ultimate control over decisions of NAMAI DAC rests with the State agency. This arrangement was approved by Eurostat, the statistical office of the European Union in October 2009.

Beneath NAMAI DAC sit a number of subsidiaries created to implement specific strategic goals of the agency and to de-risk investments in areas such as residential and commercial development. An example of one such subsidiary is National Asset Residential Property Services DAC (NARPS) which manages NAMA's activities in the social housing market.

Together with NAMA and NAMAI DAC, these group entities comprise the 'NAMA Group'. At end of 2014, the number of individual entities within the NAMA Group stood at 14.

INITIAL STRATEGY

NAMA's original strategy, as set out in its July 2010 Business Plan, was aimed at generating cash proceeds in order to redeem its senior bonds and to contribute to the renewal of sustainable activity in the Irish property market. To that end, the Business Plan set out a number of debt redemption targets. NAMA envisaged that it would redeem 60% of its senior debt by 2016 and 80% by 2017. It is important to note that this business plan was formulated before all of the loans were acquired and the total debt issued was finalised at €31.8 billion.

In response to the finalisation of loan transfers and issuance of debt to the Participating Institutions, combined with significant market developments since 2010, NAMA prepared a new strategic plan in early 2012. This plan set a redemption target of 25% of NAMA senior bonds by the end of 2013 with all senior debt to be redeemed by 2020. The end-2013 target was subsequently included as a specific commitment as part of the EU-IMF Programme of Support later in 2012.

In consideration of the continuing weakness and lack of liquidity in the Irish property market, and in order to meet NAMA's end-2013 debt redemption target, the new strategic plan put a focus on the early disposal of UK assets that had limited potential to increase in value over the medium term. Irish assets that were considered likely to appreciate in value over the medium term were to be held. Some sales activity was conducted in the domestic market in order to stimulate renewed market activity, and this was to be complemented by other financial initiatives, such as the 80:20 deferred payment programme and the provision of debtor and vendor finance. NAMA also sought to maximise non-disposal income (rental income etc.) through increased occupancy rates and other asset management measures.

The 2012 strategic plan set the following asset/loan disposal targets to enable it to meet its redemption goals, as laid out in Figure 3.1.

Figure 3.1 – NAMA Disposal and Debt Repayment Targets

	Irish Assets to be Disposed	Total Assets to be Disposed	Senior Bonds to be Redeemed
2010-2013	€2 billion	€8-€10 billion	€7.5 billion
2014-2016	€5 billion	€9-€12 billion	€8 billion
2017-2020	€11 billion	€11-€15 billion	€16 billion

Source: NAMA 2012 Business Plan

PERFORMANCE 2010-2014

By the end of 2014 NAMA had reduced the gross carrying value of its loan portfolio from €31.8 billion at acquisition to €16.7 billion. This was due to a combination of disposals and changes in property valuations, underlying asset quality and in borrower circumstances and in the volume of new loans advanced.

Over the same period NAMA generated €23.7 billion in cash. This arose from €18.7 billion from disposal of assets and loans and €5 billion of non-disposal income, such as rent receipts. As projected in its 2012 strategic plan, the majority of disposal proceeds (57%) came from UK disposals, with 41% from London alone.

While NAMA focused on its primary goal of managing and deleveraging its assets in order to achieve the best financial return for the State during this period, the Agency also initiated other programmes which sought to make an economic and social contribution. The majority of these initiatives involved supporting and reactivating Ireland’s property market, and thus helping to enhance the value of NAMA’s assets.

Examples of such programmes were:

- The 80:20 deferred payment initiative enabling purchasers of residential properties connected to NAMA to defer payment of 20% of the purchase price of the property; this was intended to stimulate sales activity and to kick-start investment in the property sector at a time that the market had frozen;

- rent abatements to support small and medium sized businesses which were paying above market rents in order to protect the viability of those businesses and associated employment;

- working with the IDA to identify commercial property in its portfolio that would be suitable to attract Foreign Direct Investment; and

- enabling the provision of social housing (addressed in more depth in section 7 of this review).

One key project that NAMA facilitated as part of its efforts to support the recovery of the State's finances was the 2013 liquidation of IBRC. As part of the liquidation process NAMA purchased the €12.9bn IBRC loan facility from the Central Bank of Ireland in exchange for the equivalent in NAMA senior bonds, as well as acting as the reserve buyer for any unsold IBRC assets. NAMA's role in this process was integral to its success by removing the Central Bank's direct exposure to the transaction and assisting the Special Liquidators in receiving the best price for IBRC's assets by acting as a credible reserve buyer. As a result, the liquidation was extremely successful and the Special Liquidators were able to repay the outstanding €12.9 billion facility by the end of 2014.

All these initiatives were in line with NAMA's commercial mandate and they protected or enhanced the value of NAMA assets in addition to making a wider social contribution. The success of these programmes demonstrates the scope of NAMA's ability to contribute to the social and economic development of the State.

2014 SECTION 227 REVIEW

NAMA's early years of operation, from late 2009 to mid-2014, were the subject of the Minister's first Section 227 Review published in July 2014. After evaluating the Agency's performance for that period, the review determined that NAMA was on track to achieve its objectives and that its continuation remained necessary. The NAMA Board indicated to the Minister in May 2014 that it had carried out a review of its strategic options in light of improving market conditions and that it had decided to adopt a managed process of accelerating asset disposals with the target of redeeming, by end-2016, a cumulative 80% of the senior bonds originally issued. In the first Section 227 review, this approach was endorsed by the Minister. In order to ensure the best return for its assets, the NAMA Board also committed to the following:

- to set out its pipeline of portfolio sales to the market to help sustain investor interest in and commitment to the Irish market.

- to take full advantage of the strong investor interest in Irish assets and to maintain a flexible approach with a view to accelerating disposals and resulting redemptions beyond the 80% target, while remaining faithful to its overall objectives and the purposes of NAMA under the Act.

- to ensure that proposals to help safeguard NAMA's operational capacity and staffing expertise would receive careful consideration in light of potentially significant value implications associated with losing key employees.

- to agree, in the context of the above targets, to protect its ability to exercise a sufficient level of control to ensure timely and coherent delivery of key Grade A office space within the Dublin Docklands SDZ and Dublin's Central Business District and more generally to maximise the delivery of residential housing units in areas of most need.

4. Market Developments 2014 - 2018

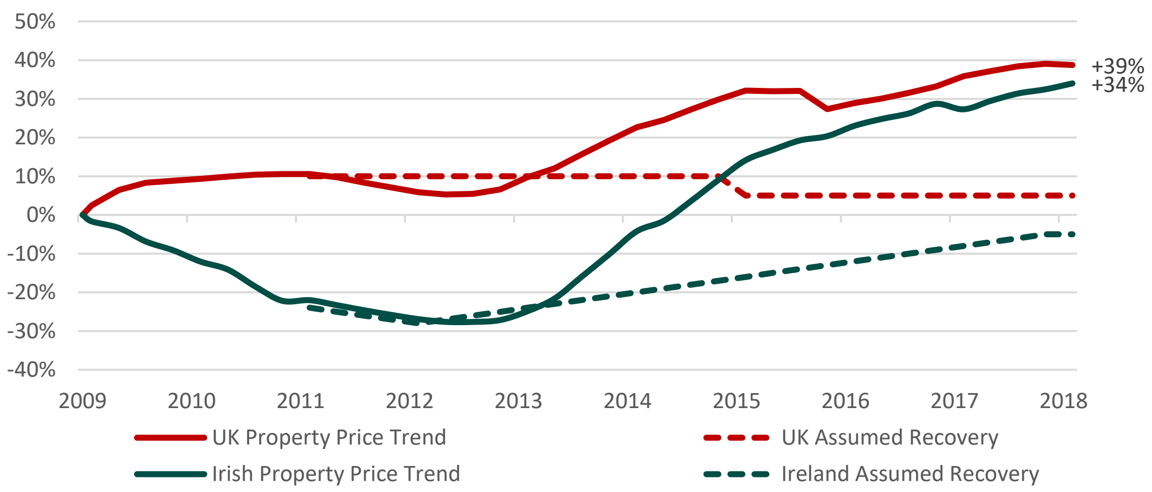
NAMA paid a total of €31.8 billion as consideration for the loans it acquired from the participating institutions. These assets were purchased by NAMA at an acquisition value determined in line with Part 5 of the NAMA Act and the valuation regulations made by the Minister for Finance and published on 5th March 2010. The reference valuation date for the valuation of all property assets was set as the 30th November 2009.

Under the valuation regulations, the acquisition value of each bank asset was set at the long-term economic value of the loan and NAMA was required to apply an uplift adjustment factor ranging from 0% to 25% to the current market value of property to reflect its long-term economic value (‘LEV’). The weighted average Property LEV uplift factor applied to acquired loans was ultimately 8.2%. The price paid in total by NAMA exceeded the market value (at the time the loans transferred) by an estimated €5.6 billion.

COMMERCIAL PROPERTY MARKET

Putting this reference valuation date into context, Figure 4.1 below charts the commercial property price performance in Ireland and the UK from the reference November 2009 valuation date to the end of 2018, along with an estimate of NAMA’s assumed recovery rate as per its updated strategic plan in early 2012.

Figure 4.1 – Irish and UK Commercial Property Prices



Source: MSCI Property Index

As referenced earlier, Irish property prices continued to decline for a significant period post the November 2009 valuation date with prices falling by a further 27% by the end of 2012. As part of its 2012 strategic plan, NAMA had projected a steady long term recovery of Irish property prices back to November 2009 levels by 2018 / 2019. As a result NAMA implemented a strategy to focus on the disposal of appropriately valued UK assets in the short term and it offered relatively few Irish assets for sale until it was clear that the market was recovering.

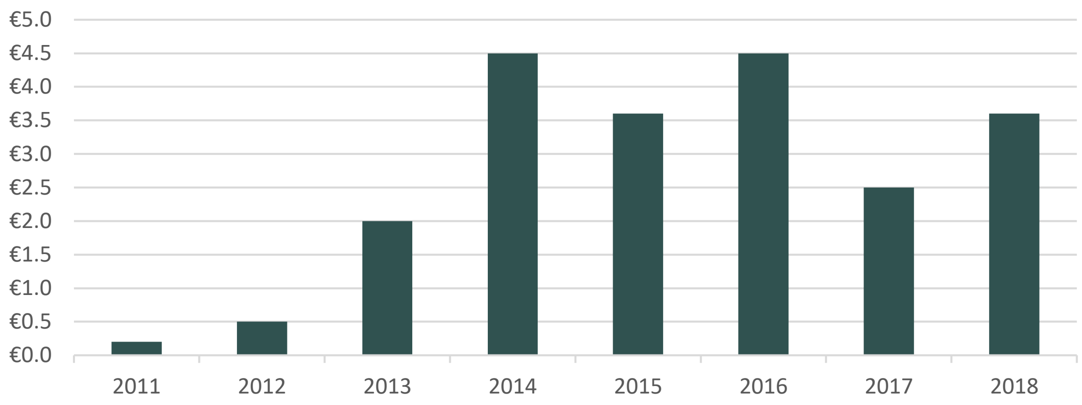
This strategy proved to be effective, with Irish property prices recovering significantly from 2013 as prices stabilised and the recovery in the Irish economy gathered momentum resulting in a significant upsurge in demand for Irish assets from investors. Irish commercial property prices continued to recover throughout 2015 – 2018; by end-2018, commercial property prices were about 34% above November 2009 levels, thereby providing NAMA with a strong market backdrop to recover its investment over this period.

The improvement in UK commercial property prices between November 2009 and March 2012 allowed NAMA an opportunity to focus on the disposal of British assets to meet its end 2013 redemption target of €7.5 billion in the absence of conducive market conditions in Ireland. While NAMA did phase the release of some Irish assets in the period 2010 – 2012 to elicit investor interest and price discovery, it should be noted that by the end of 2012 it had disposed of less than €1 billion[3] of Irish assets.

Overall investment in Irish commercial property rose considerably from 2013 as investor interest in the Irish economy increased. Commercial property investment grew from less than €0.5 billion in 2012 to €4.5 billion in each of 2014 and 2016 before moderating in recent years. Figure 4.2 below illustrates the turnover in Irish commercial property between 2011 and 2018. Section 6 sets out the evolution of NAMA's loan portfolio over this period in detail.

[3] NAMA 2014 Annual Report https://www.nama.ie/uploads/documents/NAMAAnnualReport2014SlidePresentation.pdf

Figure 4.2 – Irish Commercial Property Investment Flows (€bn)



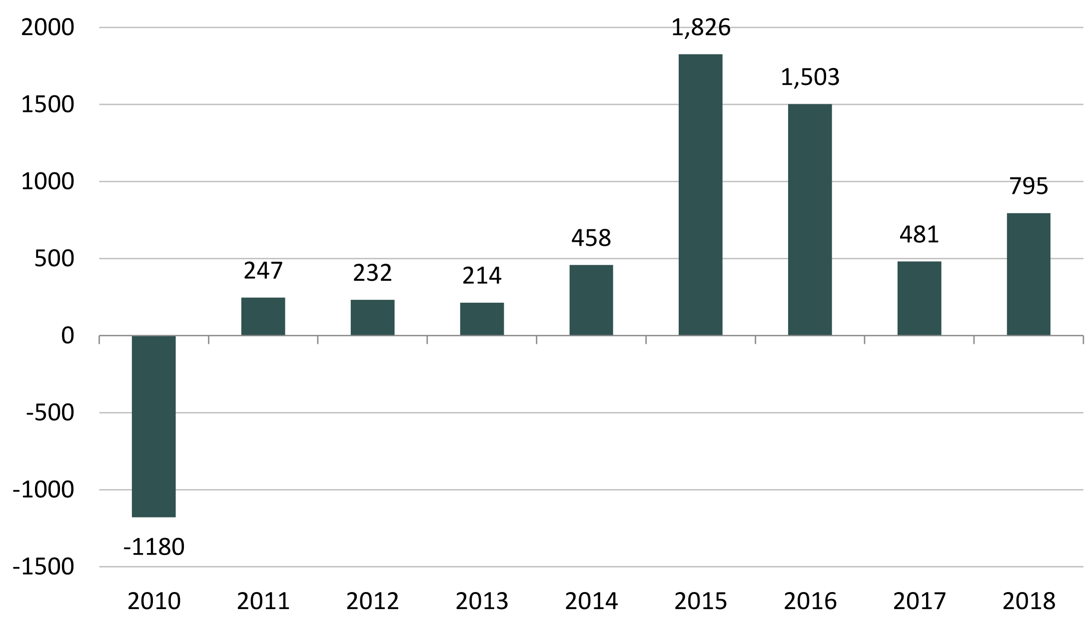
Source: BNP Paribas Real Estate Research

5. NAMA Financial Performance

FINANCIAL PERFORMANCE

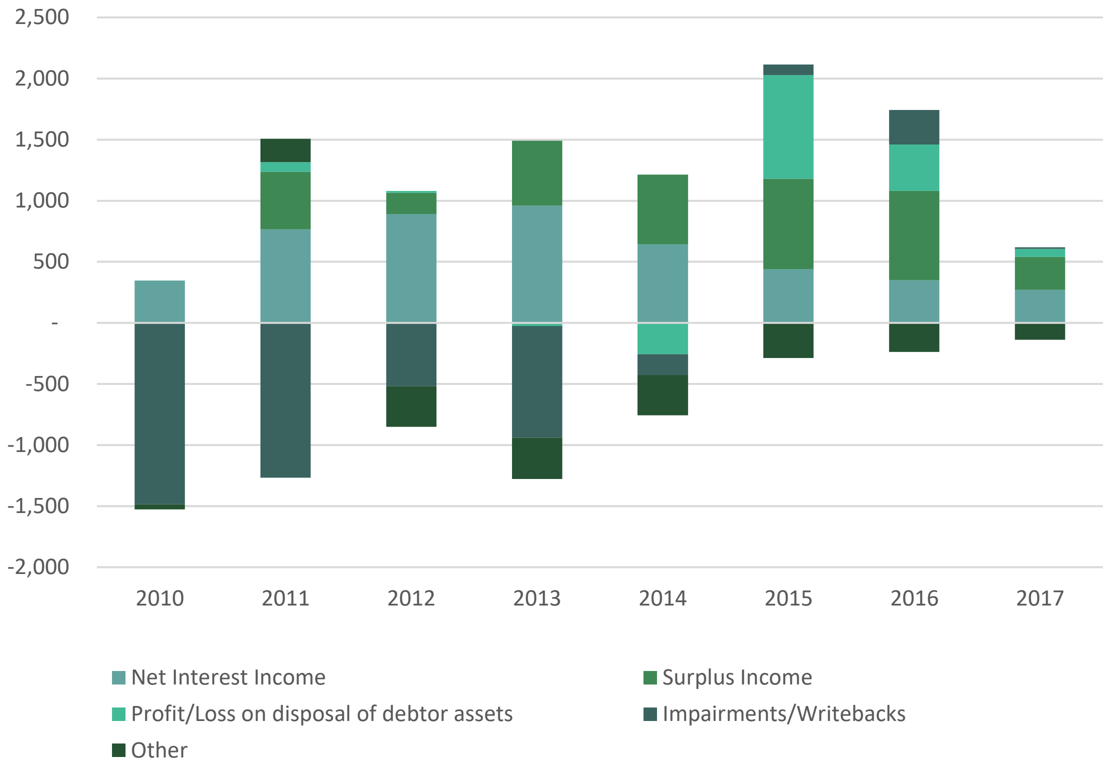
On an accounting basis NAMA has recorded a positive financial return in each year since 2011. NAMA recorded a profit after tax of €795 million in 2018 bringing its total retained earnings to €4.2 billion at 31st December 2018. Figure 5.1 below sets out NAMA's financial performance since its inception and Figure 5.2 sets out the key drivers of this financial performance over the period.

Figure 5.1 – NAMA Profit/(Loss) after tax 2010 – 2018 (€m)



Source: NAMA

Figure 5.2 – NAMA Detailed Financial Performance 2010 – 2017 (€m)



Source: NAMA

As illustrated, NAMA incurred significant impairment charges in the period 2010 to 2013 where the value of its loans and receivables were adjusted following semi-annual impairment reviews. As the Irish economy and property markets improved, impairment charges reduced and NAMA incurred net impairment write backs (or fair value gains under IFRS 9) over the period 2015 – 2018 as property prices recovered and activity levels increased.

Similarly, profits on the disposal of debtor assets also increased considerably during 2015 and 2016 as NAMA brought a number of exceptional large-scale disposals to the market. These major transactions included Projects Arrow and Jewel in 2015 (par value €8.8 billion) and Projects Emerald, Ruby and Tolka in 2016 (par value €5.4 billion).

Surplus income has also made a material contribution to NAMA's financial performance since 2011 delivering €3.2 billion in profit between 2010 and 2017. Surplus income is recognised by

NAMA where debtors have made debt repayments in excess of the acquired NAMA debt or where debtors have an estimated positive net present value subject to certain conditions.

TRANSITION TO IFRS 9

In accordance with its financial reporting requirements, NAMA implemented IFRS 9 with effect from 1 January 2018. This resulted in a change in accounting for the majority of debtor loans from amortised cost to a fair value measurement approach.

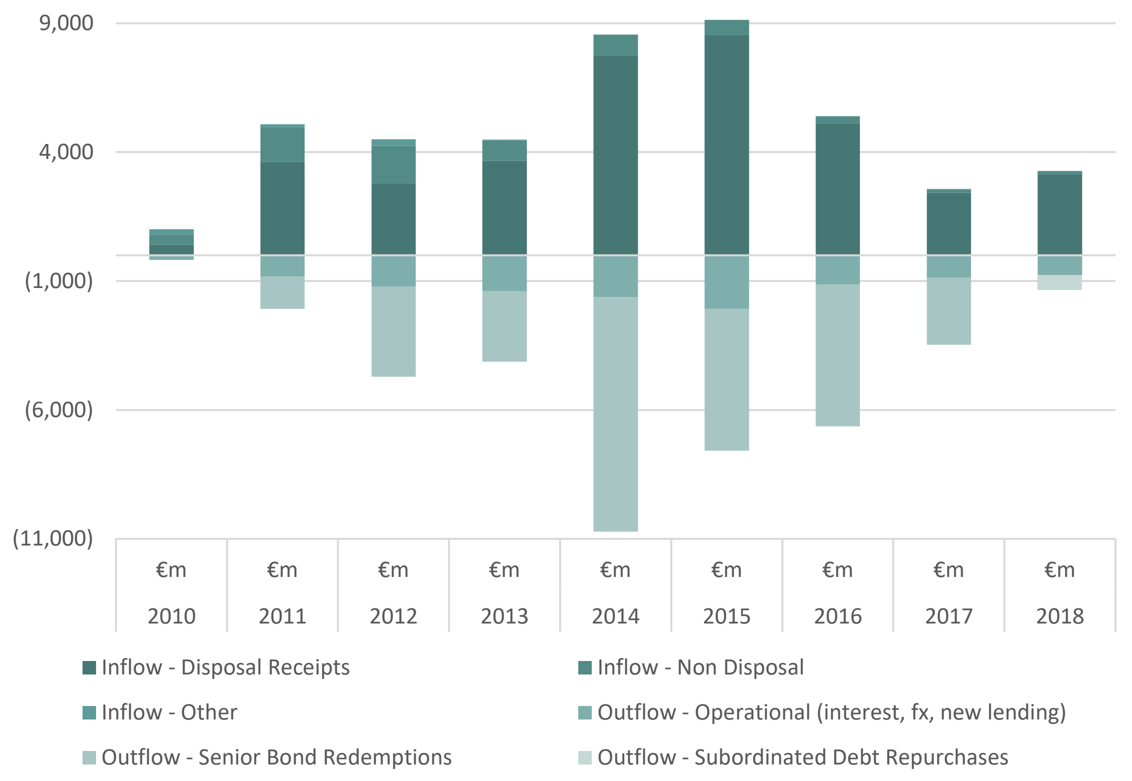
As indicated, NAMA recorded a profit after tax of €795 million in 2018 which included net fair value gains on debtor loans measured at FVTPL (fair value through profit or loss) of €605 million 2018 (2017 €0). Similar to impairment reviews historically, fair value is a key area of judgment in NAMA's financial statements and the judgment process is conducted as part of Fair Value Reviews. These reviews use a present value methodology to assess the fair value of debtor loans. The positive outcome in 2018 reflects a number of factors such as progress towards monetisation timelines and the appreciation of collateral securing debtor loans; the latter is due in part to value adding activities by NAMA coming to fruition and to strong underlying market movements.

NAMA CASH GENERATION

Up to the end of 2018, NAMA generated just under €44 billion in cash inflows since 2010. Disposal receipts accounted for €37.8 billion of all inflows, while the remaining €6.2 billion consisted of non-disposal income and other income. Operational outflows totalled €10 billion to end-2018, made up of operating costs of €1.1 billion, debt servicing costs and foreign exchange costs of €3.7 billion and new lending/investment, vendor finance and other costs of €5.2 billion.

Debt redemption accounted for €30.7 billion of cash outflows to the end of December 2018 with NAMA repaying all of its remaining senior debt in October 2017 and the redemption of c.€0.6 billion of subordinated debt during 2018. NAMA's progress in relation to its debt redemption targets is covered in detail in section 7. Figure 5.3 below provides a summary of all NAMA cashflows for the period 2010 – 2018. At the end of December 2018 NAMA had retained cash and liquid assets of €3.2 billion.

Figure 5.3 – NAMA Summary Cashflows



Source: NAMA

Figure 5.4 – NAMA Detailed Cashflow 2014 - 2018

NAMA Cashflows Excl. NARL	2014 €m	2015 €m	2016 €m	2017 €m	2018 €m	Lifetime €m
Opening Cash, Liquid Assets & Collateral Balance	**4,005**	**1,850**	**3,402**	**2,162**	**1,254**	
Inflows						
Disposal Receipts	7,757	8,543	5,103	2,431	3,137	37,763
Non Disposal Income & Other Income	805	550	296	128	134	6,206
	8,562	**9,093**	**5,399**	**2,559**	**3,271**	**43,969**
Operational Outflows						
Bond Interest Payment	(161)	(108)	(85)	(83)	(84)	(1,429)
Derivative Interest & FX Settlements	(571)	(696)	(22)	22	(4)	(2,042)
NAMA Operating Costs	(179)	(171)	(114)	(85)	(78)	(1,106)
New Lending & Vendor Finance	(892)	(994)	(650)	(608)	(499)	(5,168)
Other	185	(72)	(268)	(124)	(103)	(280)
	(1,618)	**(2,042)**	**(1,139)**	**(878)**	**(768)**	**(10,025)**
Net Operational Cashflow	**6,945**	**7,053**	**4,260**	**1,681**	**2,502**	
Senior Bond Redemptions	(9,100)	(5,500)	(5,500)	(2,590)	-	(30,190)
Subordinated Debt Repurchases		-	-	-	(570)	(570)
Net Movement in Period	**(2,155)**	**1,553**	**(1,240)**	**(909)**	**1,933**	
Total Cash, Liquid Assets & Collateral Balance	**1,850**	**3,402**	**2,162**	**1,254**	**3,186**	

Source: NAMA

Taking all of the above into account the NAMA Board now estimates that it will generate a surplus of at least €4 billion by the end of 2021 assuming that market conditions in Ireland remain benign over the next two years and assuming that it can retain the requisite staff resources to complete its work in a commercial and professional manner. It is currently envisaged that €2 billion of the terminal surplus will be transferred to the Exchequer in 2020, a further €1.5 billion to transfer in 2021 and €0.5 billion in 2022.

ADMINISTRATION EXPENSES

NAMA's administration expenses for the period 2014 – 2018 totalled €464 million bringing the total incurred since inception to €873 million. Administration expenses have fallen significantly between 2014 and 2018 as NAMA's loan portfolio reduced with a corresponding saving in servicing and management costs.

NAMA's staff numbers peaked in 2014 at 369 and have since reduced on a phased basis to 238 at the end of 2018. In 2015, NAMA introduced a voluntary redundancy scheme which includes a retention element. This scheme was established to help safeguard NAMA's performance, aid the Agency in retaining its operational capabilities through the retention of key staff during the course of its disposal strategy, and allow NAMA to fulfil its objective of maximising value for the State.

Figure 5.5 below sets out the evolution of NAMA's administration expenses and staffing numbers since inception.

Figure 5.5 – Administration Expenses and Employee Numbers

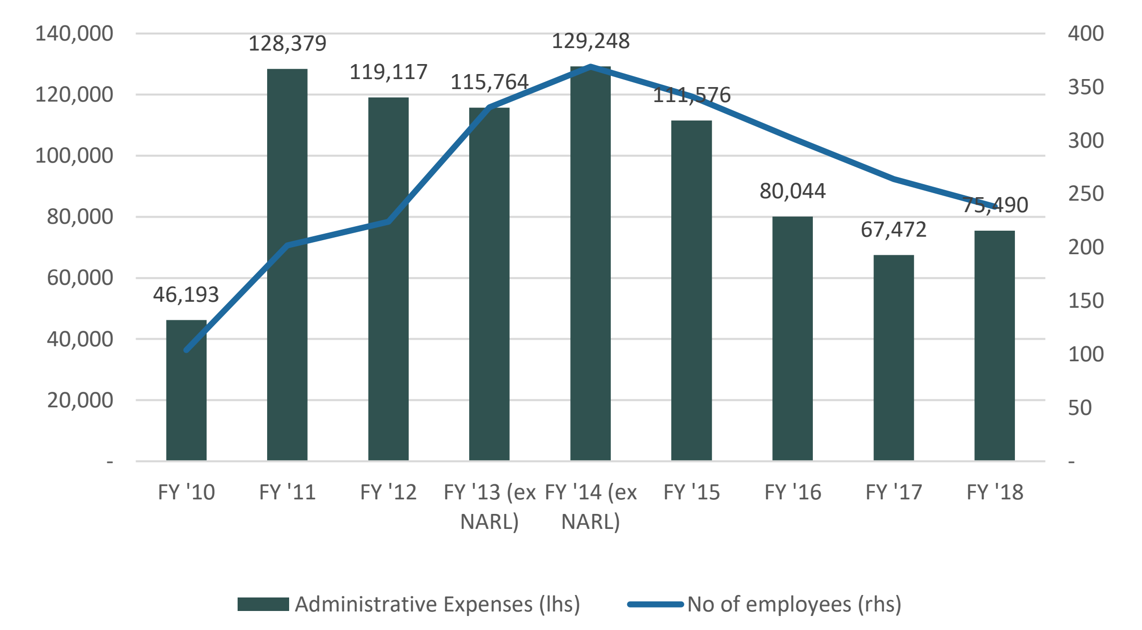


Figure 5.6 below provides detailed information in relation to NAMA's administration expenses over the period 2014 – 2018.

Figure 5.6 – NAMA Operating Costs 2014 – 2018 (ex NARL)

NAMA Operating Costs	FY '14	FY '15	FY '16	FY '17	FY '18
Staff costs (salary cost including pensions)	39,538	39,490	33,412	29,490	29,163
Employee Reduction Scheme	-	3,641	3,866	763	1,954
Overheads and shared service costs	13,368	10,364	9,951	7,727	8,058
Costs reimbursable to NTMA	**52,906**	**53,495**	**47,229**	**37,980**	**39,128**
Primary Servicer Fees	46,129	39,338	15,215	9,881	8,258
Master Servicer Fees	2,543	1,399	1,479	1,600	1,727
IBRC Integration Costs	7,015	-	-	-	-
Portfolio Management Fees	3,772	4,604	3,205	2,417	2,822
Legal Fees	8,187	5,658	3,484	6,534	9,118
Finance, communication & technology costs	4,040	2,455	4,112	4,602	6,005
Rent & occupancy costs	2,964	2,899	2,883	2,636	6,326
Internal audit fees	743	736	752	751	717
External audit remuneration	530	550	1,250	634	904
Board and committee fees and expenses	419	442	435	437	485
Administrative Expenses	**129,248**	**111,576**	**80,044**	**67,472**	**75,490**
No of employees	369	341	302	264	238

Note: Figures exclude NARL (National Asset Resolution Limited, established as part of the liquidation of IBRC)
Source: NAMA

6. NAMA Portfolio Progression

The total carrying value of the NAMA portfolio had fallen to €19.6 billion by the end of 2013, the reference date for the last published NAMA review under section 227 of the NAMA Act. Since 2013, NAMA has reduced its portfolio to less than €2 billion at the end of 2018, just 6% of its original acquired portfolio.

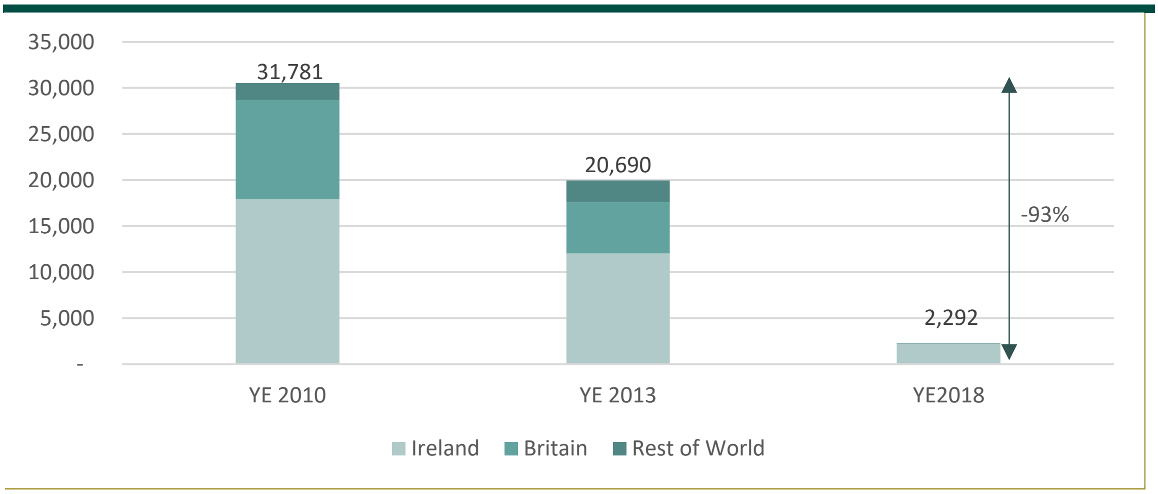
PROGRESSION BY GEOGRAPHY

Figures 6.1 and 6.2 below illustrate the reduction in the portfolio by the geographic location of the assets securing the portfolio.

As of end December 2018, NAMA has exited most of its exposures outside Ireland with 1.4% (€29 million) of the remaining portfolio located in the UK and a further 1.6% (€36 million) located across the rest of the world. Of the remaining portfolio, 74% (€1,660 million) of the security is held on assets located in Dublin, 15% (€331 million) is located in the Dublin Commuter belt[4], a further 6% (€135 million) is located in the urban centres of Cork, Limerick and Galway and only 2% (€54 million) located in other Irish locations.

NAMA's remaining portfolio is now weighted towards Dublin and other urban areas where many of the underlying assets are residential development sites and where there remains potential for NAMA to contribute to housing supply in those areas.

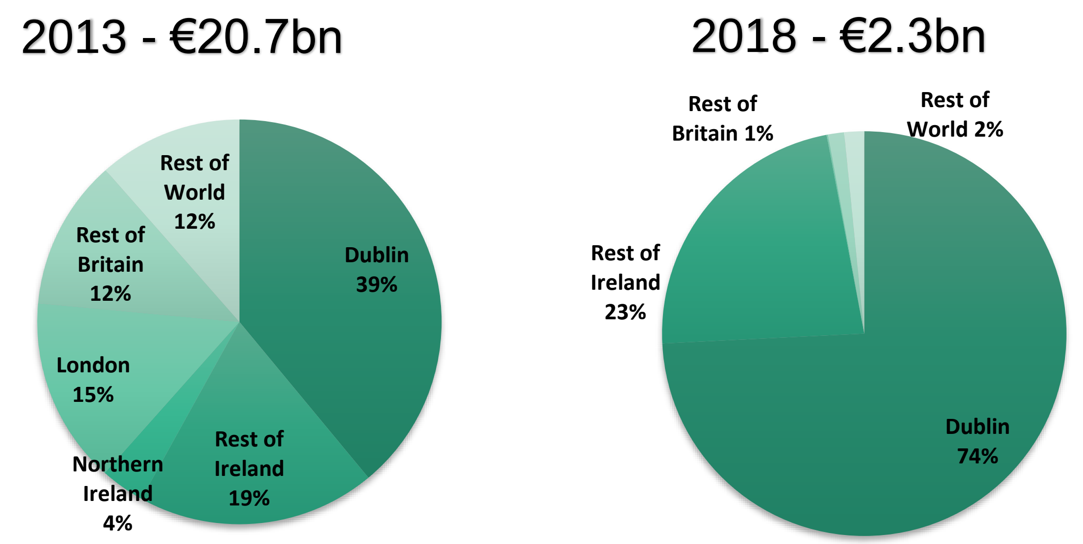
Figure 6.1 – NAMA Portfolio Progression by location – Collateral Value (€m)



Source: NAMA

[4] Commuter belt is defined as Louth, Meath, Kildare and Wicklow

Figure 6.2 – NAMA Portfolio Geographic Location – Collateral Value (€m)

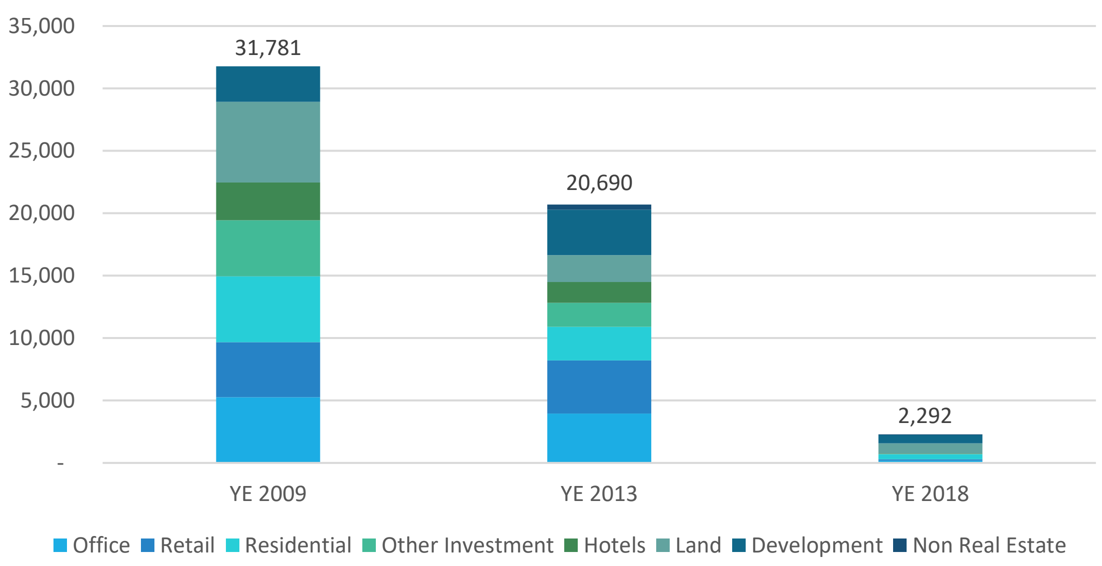


Source: NAMA

PROGRESSION BY SECTOR

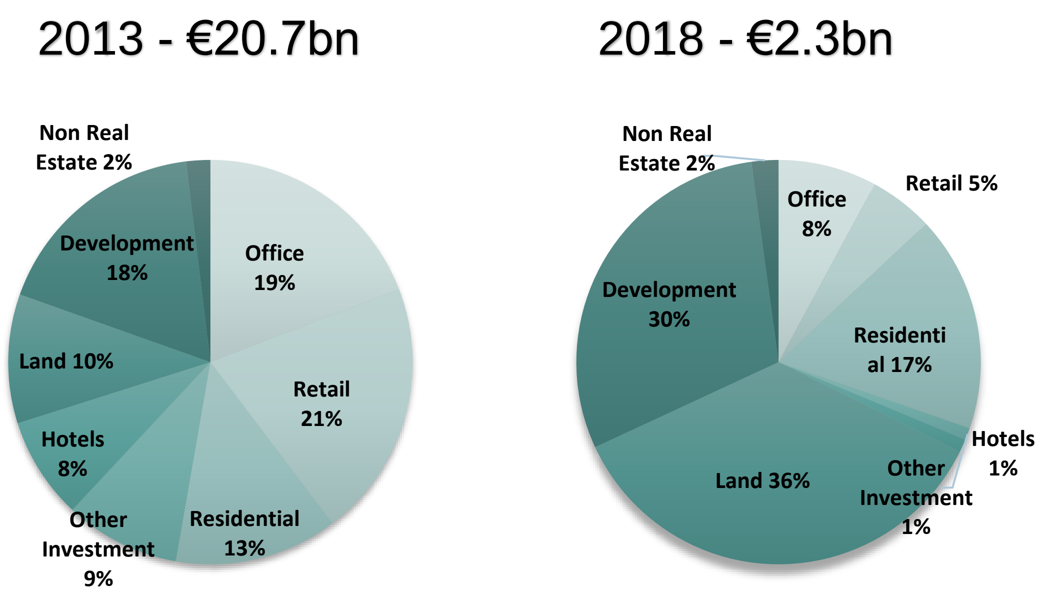
Figures 6.3 and 6.4 below set out the NAMA portfolio progression by reference to the sectoral diversity of assets securing its loans. At the end of 2018, NAMA's remaining portfolio was distributed across a mix of asset types. NAMA's relative exposure to land, development and residential assets has increased in recent years as NAMA has focused on its residential delivery programme. These assets currently represent about 83% of the remaining portfolio, up from 41% at end 2013. The residual 17% of assets are primarily linked to office and retail exposures; this includes 3% in other investments and non-real estate assets.

Figure 6.3 – NAMA Remaining Portfolio by Sector – Collateral Value (€m)



Source: NAMA

Figure 6.4 – NAMA Remaining Portfolio by Sector – Collateral Value (€m)

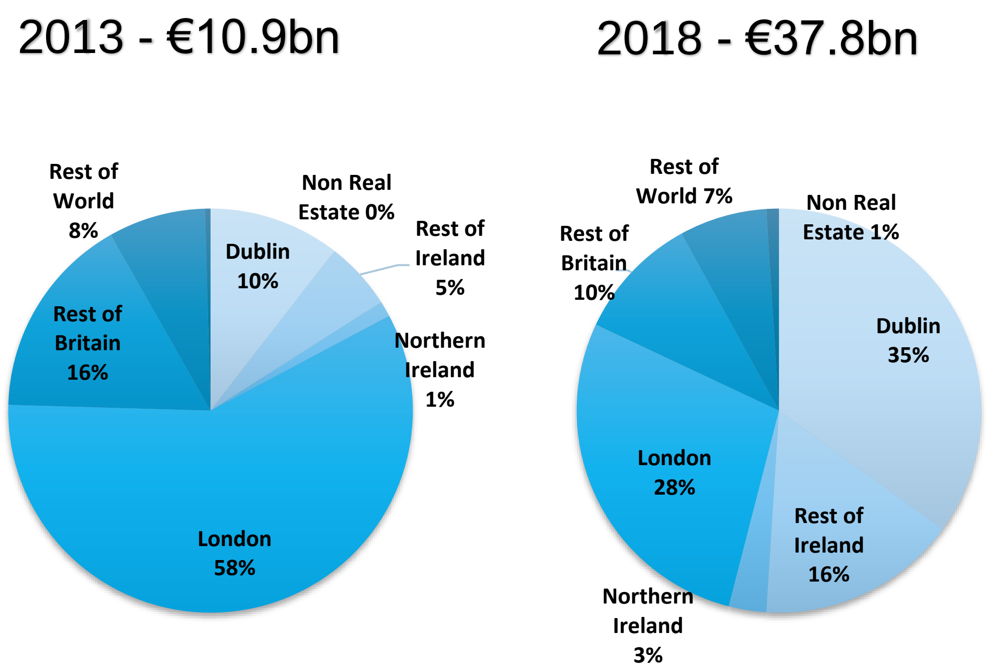


Source: NAMA

ASSET DISPOSALS

By the end of 2018, NAMA had raised a total of €37.8 billion from asset and loan sales. Figure 6.5 sets out NAMA's cumulative disposals from its inception to the end of 2013 and 2018 respectively. As indicated elsewhere in this report, NAMA focused on the disposal of its UK assets during the period to the end of 2013 where they accounted for almost 75% of all disposals with Irish assets representing only 15% (€1.7 billion) of disposals over the same period. Since 2013 NAMA has taken advantage of conducive market conditions in Ireland to increase the relative proportion of Irish asset disposals. By the end of 2018 Irish disposals represented 51% of all receipts (€19.3 billion).

Figure 6.5 – NAMA Disposals by Geographic Location since inception



Source: NAMA

COMPARISON VS OTHER EUROPEAN ASSET MANAGEMENT COMPANIES (AMCS)

A number of other asset management companies ('AMCs') were established across Europe as a response to the financial crisis. While it is important to note that the characteristics of the response in individual countries varied depending on the nature of the assets acquired and the market conditions observed, it is useful to consider the deleveraging progress of NAMA when compared to responses in other countries over a similar period.

The section below looks at the progress made in NAMA when compared to the AMCs established in Spain (SAREB - *Sociedad de Gestión de Activos procedentes de la Reestructuración Bancaria)* and in Germany (FMS - *FMS Wertmanagement*).

SAREB

SAREB was established in 2012 as part of the financial assistance package agreed with the international authorities for the restructuring and recapitalisation of the Spanish banking sector. SAREB acquired more than 200,000 individual property and development assets valued at more than €50bn with a commitment to liquidate these assets in an orderly manner over a 15-year period (to end 2027).

As of end December 2017 SAREB had reduced its portfolio by c.27% repaying almost €13bn of its outstanding debt. SAREB has also introduced a number of innovative solutions to assist in the orderly wind-down of its loan book and make a positive social and economic contribution such as the creation of the Témpore REIT, online loan sales, facilitating the construction of more than 5,200 properties and making a significant contribution to social housing.

FMS Wertmanagement

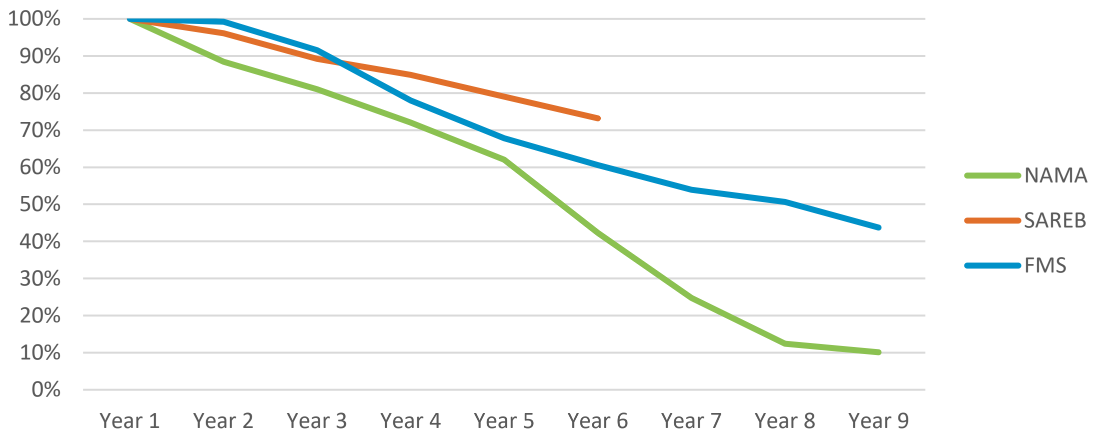
FMS Wermanagement is an AMC wholly owned by the German Financial Market Stabilization Fund. FMS was established in 2010 to manage the liquidation of a portfolio of assets that it assumed from Hypo Real Estate Group. In contrast to NAMA and SAREB, the FMS portfolio consists of a diverse set of public sector bonds and loans, structured products, commercial real estate and infrastructure loans spread across a wide geographic base. FMS was originally established to be wound down over a 10 year period; however this was subsequently revised given the long maturity profile of its assets[5].

FMS' portfolio, with an original nominal value of €175.7bn, was reduced to €76.8bn billion by the end of December 2017 (including €7.2bn of assets transferred from DEPFA). This means

[5] https://ec.europa.eu/info/publications/economy-finance/what-makes-good-bad-bank-irish-spanish-and-german-experience_en

FMS had reduced its initial portfolio to €76.8bn or by c.56%. Figure 6.6 below charts the deleveraging progress of the three entities from inception out to the end of December 2017.

Figure 6.6 – Selected AMC Portfolio Deleveraging Progression



Source: NAMA, SAREB, FMS Wertmanagement, European Commission
Note: Figures shown loans and receivables net of impairment for NAMA/Sareb and nominal balance for FMS Wertmanagement.

Of the three AMCs concerned, NAMA is clearly the most advanced of the three institutions in terms of deleveraging progress with its remaining portfolio at the end of 2017 (year 9 of operation) standing at c.10% of its original value. Again, it is important to recognise the inherent differences in the asset mix across the different agencies. However, NAMA's strong progress can be attributed in a large part to the strong recovery in the Irish economy since 2013 and the increase in institutional investor demand for NAMA's Irish assets over this time. In contrast the SAREB portfolio is primarily located in Spain where real estate prices have only recently started to recover. FMS have already indicated that given the complexity of its portfolio and the long maturity date of its exposures that its pace of deleveraging will slow over time.

In terms of financial performance NAMA has outperformed both asset management companies, having returned to profitability in 2011 and currently expected to achieve a surplus of €4 billion by the time it completes its operations. In contrast SAREB has continued to take significant write-downs on asset values leading to accounting losses in each year to end of 2017 while FMS has posted only small net profits since 2011.

7. NAMA progress towards objectives

Since inception, NAMA's primary commercial objective has been the redemption of its outstanding debt through the appropriate deleveraging of its assets with a view to achieving the best possible financial return for the taxpayer. In tandem with this primary objective, the NAMA Board has also adopted a number of secondary goals that contribute to the economic and social development of the State. NAMA has modified its approach to achieving its objectives over time in response to the various challenges that have emerged in the market and its own performance.

In 2014, NAMA adopted a revised set of strategic objectives, taking into consideration its strong financial performance, improved market conditions and the conclusions of the first Section 227 Review. In addition to the new targets for accelerated debt redemption, the Board agreed to pursue two programmes which would support the maximisation of the value of NAMA assets. First, NAMA committed to facilitating the development of its sites for office accommodation in the Dublin Docklands Strategic Development Zone. Secondly, the Board committed to facilitate the delivery of 4,500 new residential units through financing NAMA debtors and receivers. In 2015 this target was revised to 20,000 new residential units by 2020.

It is NAMA's performance in light of these renewed objectives that will be assessed in the following sections of this review.

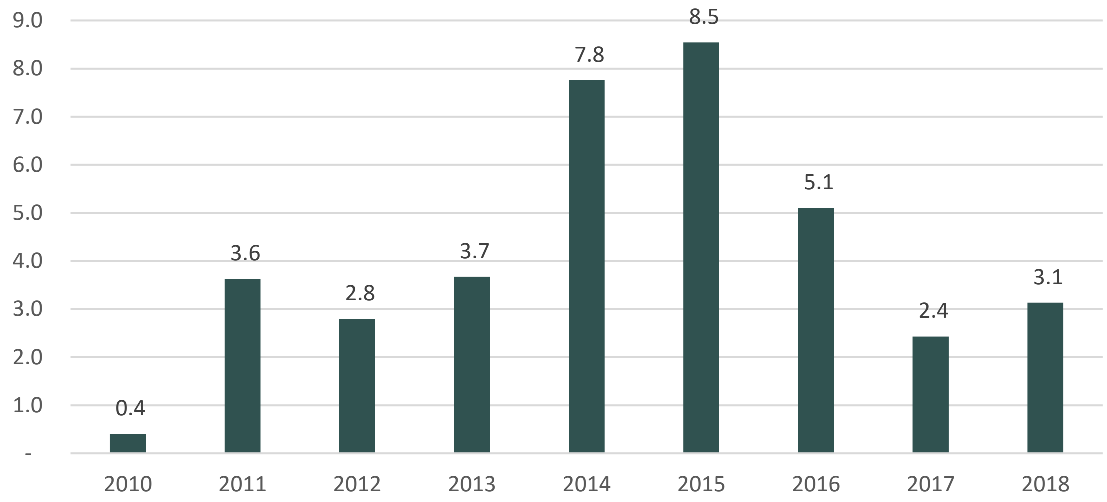
DEBT REDEMPTION

NAMA originally set debt redemption targets as part of its 2010 business plan and these targets were subsequently revised in 2012 and again in 2014. In May 2014, following a strategic review, the NAMA board took a decision to accelerate its asset disposal programme and set a more ambitious debt redemption target: 80% of its outstanding senior debt was to be redeemed by the end of 2016 and all remaining senior debt to be repaid by the end of 2018.

By the end of December 2013, NAMA had repaid €7.5 billion of Senior Debt, thereby meeting its 2010 business plan redemption target of 25%, which had been included as a commitment under the EU-IMF Programme of Support. Following the NAMA Board decision to accelerate disposals in May 2014, NAMA made immediate progress in achieving this aim as investor interest and confidence in Irish property investment grew. NAMA generated disposal proceeds of €7.8 billion in 2014, rising to €8.5 billion in 2015 before reducing in recent years. NAMA completed the last of its large asset sales in 2018. NAMA has confirmed that its focus into

2019 and beyond will be on realising value in its remaining portfolio which is secured by more granular assets.

Figure 7.1 – NAMA Disposal Proceeds (€bn)



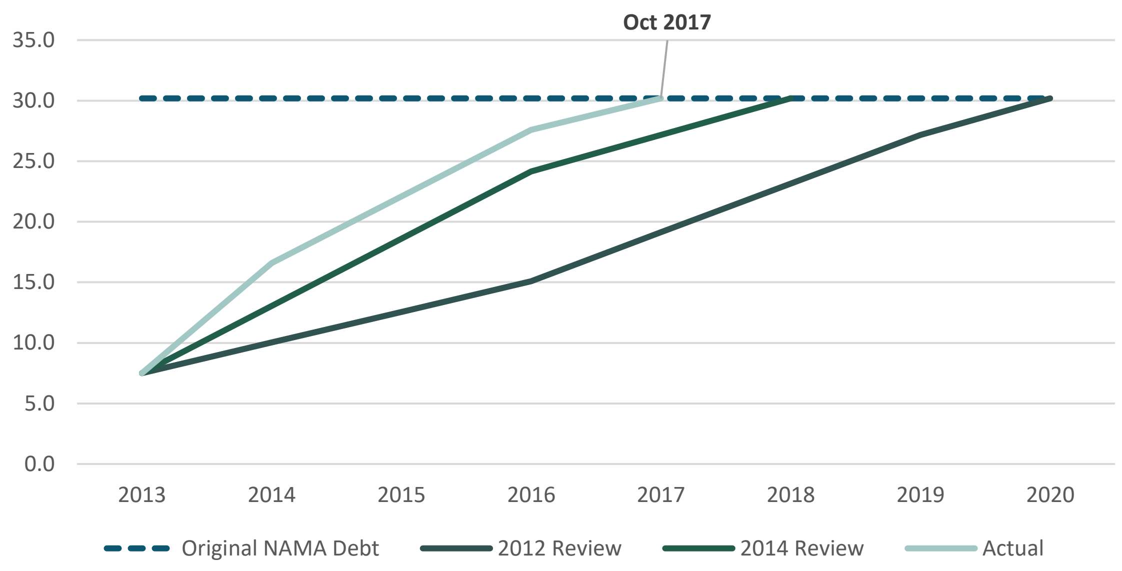
Source: NAMA

2014 saw a significant increase in the level of demand and activity in the Irish commercial property market. A number of factors contributed to this increase including the strong economic recovery, Ireland's exit from the Troika programme in late 2013 and renewed interest from investors in Irish property assets with attractive yields.

As indicated in figure 7.1 above, this backdrop allowed NAMA to significantly accelerate its disposal activity and to take advantage of conducive market conditions. NAMA generated €7.8 billion from disposals in 2014 of which €3.7 billion was from Irish assets, more than double the total volume of Irish asset disposals between the years 2010 – 2013. This momentum continued into 2015 and 2016 where a number of exceptional large-scale disposals were completed.

Figure 7.2 sets out NAMA's repayment of its senior debt since the end of 2013 which culminated in the full repayment of all its senior debt in October 2017. This was well ahead of the end 2018 target set following the 2014 strategic review and three years ahead of the target set in the 2012 strategic plan.

Figure 7.2 – NAMA Senior Debt Repayment



Source: NAMA

NAMA also commenced the repayment of its outstanding subordinated debt in April 2018. To end-2018, NAMA has redeemed more than €500 million of this subordinated debt. NAMA expects that the remaining €1.06 billion will be redeemed, at the latest, by the March 2020 first call date.

In furtherance of its primary commercial mandate, NAMA has also adopted a number of secondary objectives that contribute to the economic and social development of the State.

On 3 December 2015, NAMA announced new targets in relation to facilitating the delivery of 20,000 new residential units. This followed its adoption of an ambitious development plan for the Dublin Docklands SDZ in 2014. NAMA has also continued to assist in the provision of social housing where it has been in a position do so.

DOCKLANDS SDZ

In May 2014 An Bord Pleanála approved the Dublin Docklands Strategic Development Zone (SDZ) planning scheme. This SDZ encompassed land around the North Lotts and Grand

Canal Dock. The area was designated a SDZ in order to provide for its continued economic and social regeneration, as well as to foster its nascent character as an international financial hub.

A total of 66 hectares is encompassed within the SDZ, of which 22 hectares was developable land. NAMA had an interest in 16.74 hectares of that developable land and 15 out of the 20 development blocks in the SDZ. NAMA initially had an interest in 75% of all potential developments in the SDZ and has played a key role in delivering this infrastructure in the Docklands.

In September 2014, the Board of NAMA approved its Dublin Docklands SDZ Business Plan and in December 2015 it announced that it would commit to funding its development, if private funding was not available. Current estimates are that 4.2 million square feet of Grade A commercial space, as well as 2,200 new residential units will be delivered in the Docklands SDZ. Delivery on these objectives was to be achieved by working with debtors and receivers to develop plans for each development block on a site-by-site basis, providing appropriate finance to progress development and seeking joint ventures in order to de-risk NAMA's exposure to each project.

NAMA has made significant progress in reaching its objectives in the Docklands. By January 2019 all sites had been granted planning permission and construction had been completed on 40% of NAMA's Docklands portfolio, delivering over 1 million square feet of commercial space and 190 residential units. Construction is underway on the remaining 60% of sites.

NAMA has also funded the provision of new infrastructure in the Docklands SDZ as part of its overall strategic plan for the area, including the funding of a new road, North Wall Avenue, which links North Wall Quay and Sheriff Street Upper.

NAMA's investment in the Docklands SDZ has been the catalyst for the regeneration of the area and has facilitated the flow of foreign direct investment into the State, with international tech companies like Google and AirBnB establishing European headquarters or expanding their operations in offices whose development has been facilitated by NAMA.

RESIDENTIAL DEVELOPMENT

The significant shortfall in the supply of housing in recent years has enabled NAMA to implement a programme of assisting its debtors and receivers in developing commercially viable residential projects through the provision of funding. This not only contributes new housing supply, but it also enables debtors and receivers to increase their debt repayments. NAMA established its residential delivery team in April 2014 and shortly thereafter engaged in a detailed analysis of its residential delivery capacity.

The Board approved its first residential delivery target in 2014 with a plan to facilitate the delivery of 4,500 new homes in the Greater Dublin Area (GDA) by the end of 2016. On 3 December 2015, NAMA announced an expanded target of facilitating the delivery of 20,000 residential units throughout the country by 2020.

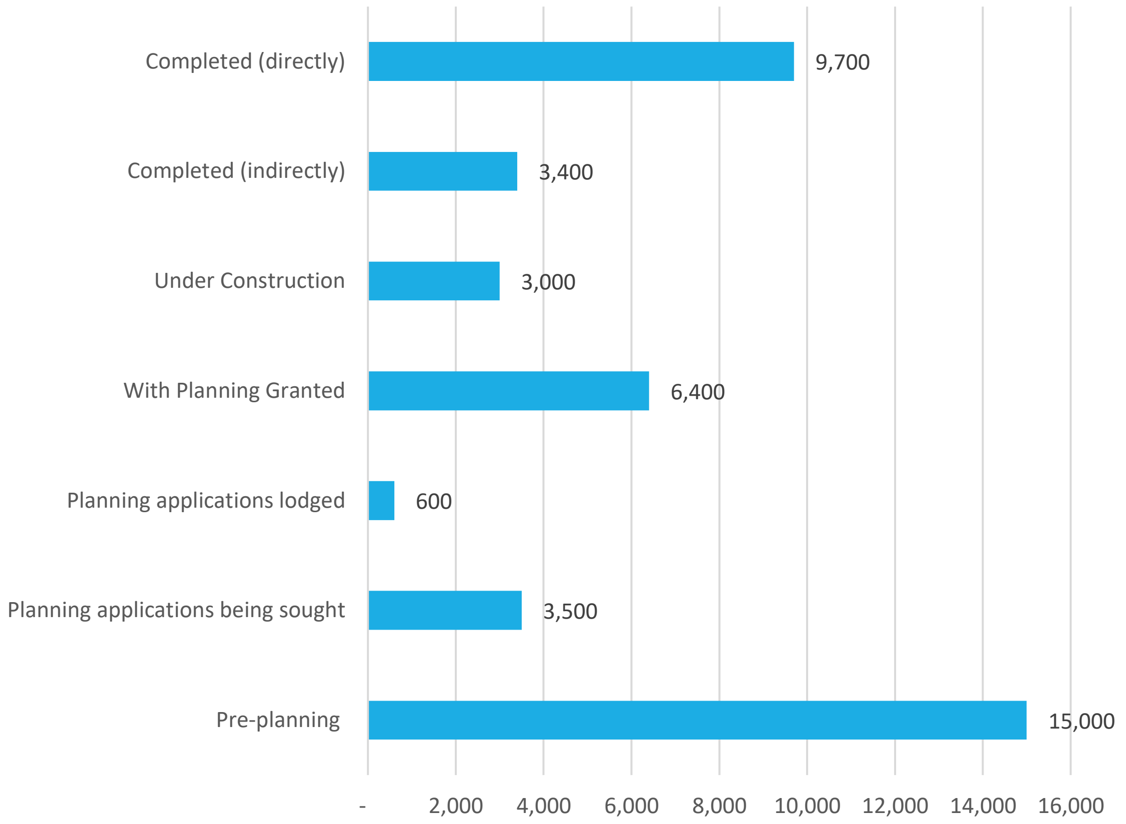
NAMA's residential delivery programme operates by providing loans to debtors or receivers in order to finance the development of residential units on land securing NAMA loans. Due to the constraints of EU State aid rules, as well as the primacy of NAMA's commercial mandate under section 10 of the Act, NAMA may only lend to commercially viable developments that will enhance the value of the underlying property asset. This, in effect, means that NAMA must operate in an analogous manner to a private market operator, such as a bank, or other provider of finance for residential development. Correspondingly, NAMA cannot require its debtors to construct a higher proportion of social or affordable housing than would apply in the case of non-NAMA debtors. Any attempt to do so would interfere with the constitutional property rights of debtors and receivers on the basis that they would not be in a position to maximise the value of their assets in order to repay the debt owed to NAMA.

From 2014 to the end of 2018, NAMA has funded the delivery of 9,700 new units directly and an estimated 3,500 units have been indirectly delivered, bringing the total amount of new homes facilitated by NAMA for this period to 13,200.[6] "Indirectly delivered units" are considered to be new homes that have been delivered on sites for which NAMA had funded planning permission, legal costs or enabling works, but in which the Agency no longer had an interest by the delivery stage. As NAMA's residential programme matures in the coming years, it is expected that a larger proportion of homes will be indirectly delivered, as a more buoyant property market enables a greater number of debtor connections to refinance out of NAMA.

Full figures detailing the progress of NAMA's residential delivery programme since 2014 are contained in figure 7.3.

[6] NAMA Annual Statement 2019

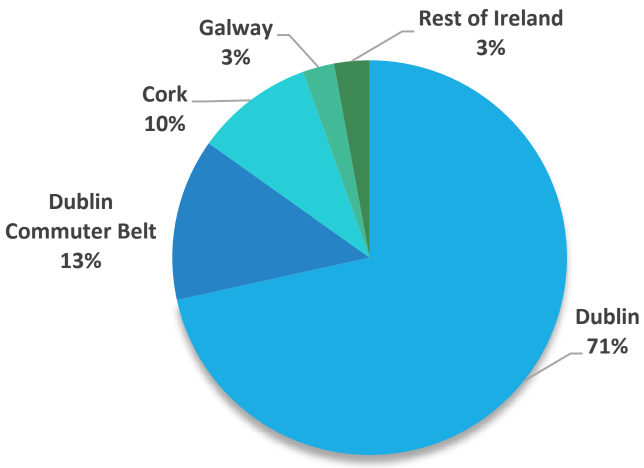
Figure 7.3 – NAMA Residential Delivery Progress (as of end 2018)



Source: NAMA

While units have been completed throughout the country, the majority of delivered units have been concentrated in the greater Dublin area ('GDA').

Figure 7.4 – NAMA Residential Delivery by region (as of end 2018)



Source: NAMA

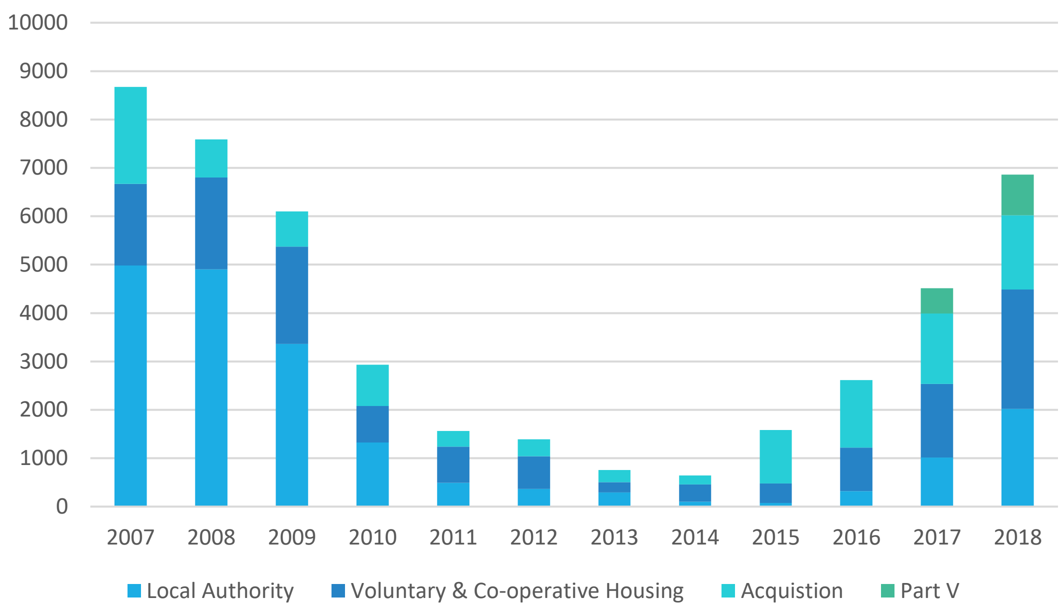
NAMA met its initial target of delivering 4,500 in the GDA by 2016. When indirectly facilitated units are considered, NAMA is on track to meet its 2020 target. NAMA currently expects that about two-thirds of the 20,000 unit target will be delivered directly by 2020 with the remaining third delivered indirectly.

NAMA's residential funding programme has been successful in increasing the supply of new housing over the last four years in circumstances where total output nationwide has lagged behind a considerable rise in demand. What is more, it has achieved this while complying with its section 10 obligations and maximising the cash return for the State. The success of this programme has served as the model for the newly established Home Building Finance Ireland, which aims to fund the delivery of additional supply through lending to non-NAMA developers.

SOCIAL HOUSING

NAMA's social housing programme evolved in the context of a sharp decrease in social housing investments from traditional sources following the financial crisis. The sharp decrease in new social housing units (see figure 7.5) and the continued need for such services gave rise to an increased gap between supply and demand in this area. It is in these circumstances that NAMA examined its portfolio to determine if it could provide solutions within the ambit of its commercial mandate.

Figure 7.5 – Social Housing Completion and Acquisitions (2007-2018)



Source: Department of Housing, Planning and Local Government – Note: prior to 2017 Part V new builds recorded as part of Local Authority and Voluntary & Co-operative Housing headings

Since 2011, NAMA has worked closely with the Department of Housing, Planning and Local Government (DHPLG) and the Housing Agency in order to maximise the delivery of social housing from the assets securing its loans. Following an initial review of its portfolio, it was announced in December 2011 that NAMA had the potential to provide 2,000 social housing units.

In order to expedite delivery, a Project Steering Group was established in 2012, consisting of NAMA, DHPLG and the Housing Agency. The Group was tasked with managing the flow of information between NAMA, its debtors and receivers, local authorities and approved housing bodies.

The Project Steering Group instituted a multi-step process of delivery for suitable properties. This process involved:

- NAMA identifying properties within its portfolio that were suitable for social housing
- Confirmation of demand of the identified properties by Local Authorities
- Valuation and approval of sale or lease to the relevant Local Authority or Approved Housing Body
- Approval of funding by NAMA for any required completion or remediation works in order to ensure that the properties were fit for purpose.
- Project management of the process through to legal conveyance of the properties.

Between 2011 and 2018, NAMA identified a total of 6,984 residential properties as being potentially suitable for social housing. Of the units identified, demand was confirmed by local authorities for 2,663 properties, of which 2,481 had been contracted or delivered for social housing use by end-2018.

NARPS (NATIONAL ASSET RESIDENTIAL PROPERTY SERVICES DAC)

It was clear from an early stage that the lack of available capital from Local Authorities and Approved Housing Bodies was inhibiting them from purchasing suitable social housing units linked to the NAMA portfolio. In order to address this difficulty, NAMA established a new subsidiary called National Asset Residential Property Services DAC (NARPS) in 2012.

NARPS operates by purchasing, at market value, suitable properties for social housing from NAMA debtors and receivers and then leasing these properties to local authorities and approved housing bodies, who then lease them in turn to families on social housing lists. A standard lease was created, in consultation with the DHLPG, the Housing Agency and the Irish Council for Social Housing, to enable the long-term leasing of all NARPS properties for social housing. This standard lease form has provided a model for other types of social housing projects. Key features of this lease are:

- Terms of at least 20 years.
- Rent at a discount to market rent.
- Rent fixed from an initial period and then reviewed every three years.

- Lessee is responsible for property management and maintenance while lessor is responsible for costs such as insurance or local property tax.

- An option for the Local Authority or Approved Housing Body to purchase the property at a discounted price two-thirds of the way through the lease term.

By implementing this model NARPS has successfully delivered 1,372 social housing units since 2012. NARPS is now close to capacity in terms of units that can be provided by NAMA debtors and receivers and it is not expected that it will be possible to add significantly to its portfolio before NAMA winds down.

In light of the limited opportunities to expand NARPS over the coming years, the Board of NAMA has been considering its options in relation to the vehicle, particularly in the context of NAMA's obligation under section 10 of the NAMA Act to achieve the best possible return for the taxpayer. Among other options, the Board considered engaging in a capital-raising process with the aim of attracting private capital so as to enable the NARPS vehicle to acquire additional social housing units. It was expected that the vehicle would spark considerable interest from private investors given its scale and low risk funding model.

Consultations about the future of NARPS have been ongoing since 2016. It was considered important that NARPS should continue to provide social housing on a long-term basis and also that a mechanism would be devised to enable it to expand its mandate. It was clear from these consultations that a market sale of NARPS could not ensure the continued use of NARPS properties for social housing indefinitely into the future without considerably reducing the vehicle's market value. This approach was therefore ruled out on the basis that it would not satisfy NAMA's section 10 obligations.

On 14 February 2019, NAMA wrote to the Minister of Finance indicating that the Board of NAMA had considered the position of NARPS and that they believed that the retention of NARPS in State ownership could fulfil the purposes of the NAMA Act since it would constitute protecting or otherwise enhancing the value of a NAMA asset in the interest of the State. The letter further acknowledged that it was open to the Minister to issue a direction under section 14(2) of the NAMA Act directing NAMA to retain NARPS if doing so would contribute to the social and economic development of the State.

On 8 March 2019, the Minister responded to NAMA in a letter in which he agreed that NARPS's social housing mandate was contributing to the social and economic development of the State and that a decision on the long term future of NARPS would be made as part of this section 227 review.

In consideration that NARPS satisfies a nationwide demand for a secure portfolio of social housing that would otherwise be unmet, it is recommended that NARPS is retained as an asset by NAMA until such time as it may be transferred to the Exchequer pursuant to section 60 of the NAMA Act, i.e. likely to be after March 2020. After NAMA transfers ownership of NARPS to the Minister for Finance, the Minster will have the ability to transfer NARPS to another suitable State entity where its contribution to social housing within the State can continue indefinitely and potentially be expanded. The Department will consider options in relation to the future of NARPS in consultation with stakeholders over the coming months.

To that end, the Minister for Finance will issue a direction to NAMA pursuant to section 14(2) of the NAMA Act instructing the Board of NAMA to retain ownership of NARPS so that the vehicle will form part of the assets to be transferred to the State once NAMA has completed its deleveraging activities.

8. NAMA Key Residual Risks

Notwithstanding the considerable progress NAMA has made in achieving its objectives to date it is important to recognise that a number of key residual risks remain which could impact on NAMA's ability to realise its expected surplus.

CURRENT MARKET CONDITIONS

The buoyant economic climate since 2013 has enabled NAMA to capitalise on rising asset prices to dispose of loans and assets and to generate a projected terminal surplus of €4 billion. In the years following the 2014 Section 227 Report, NAMA has successfully deleveraged the majority of its assets and completed all of its remaining major portfolio sales. The remainder of NAMA's portfolio is granular and will require extensive asset management in order to maximise value.

Achieving NAMA's projected surplus with these remaining assets is contingent on favourable market conditions remaining. This includes a continuation of the robust performance of the commercial and residential property markets in order for the successful completion of its residential programme and Dublin Dockland SDZ programme.

The ability of NAMA to deliver fully on its objectives is vulnerable to domestic and external financial or economic shocks, which could cause investors to revise their current positive view of Ireland or of property as an asset class. Such shocks may be precipitated through risks such as a disorderly exit by the United Kingdom from the European Union or a sharp tightening in European monetary policy.

NAMA OPERATIONAL CAPACITY

NAMA's ability to achieve its objectives is premised on the assumption that NAMA can retain the required operational capacity and staffing expertise.

The recruitment, retention and motivation of staff with the appropriate level of experience and expertise remains crucial if NAMA is to continue to deliver on its strategic objectives. The failure to retain staff could prove disruptive to the effective management of remaining debtor relationships and effective oversight of debtor business plans, thereby potentially compromising the ultimate recovery for the taxpayer as well as the delivery of NAMA's residential delivery and Dublin Docklands SDZ programmes.

The recovery of the Irish economy has led to a much tighter labour market in which NAMA must compete for staff and expertise. Furthermore, there is a perception that the Agency is not in a position to offer long-term opportunities for employment in light of its expected winding-up. These factors present NAMA with a considerable challenge in maintaining operational capacity.

In order to mitigate these forces and to retain key expertise, NAMA has been operating a staff redundancy programme with a significant emphasis on retention. Under this scheme staff members will receive redundancy and retention payments if they meet certain performance criteria and if the Agency meets specified targets.

Overall, this scheme has been successful in its objective and its continued operation should help NAMA to retain adequate staffing and expertise levels for as long as necessary into the future.

LEGAL RISKS

A number of legal risks must be managed in order to ensure that NAMA delivers upon its objectives. It is assumed that loans with a carrying value of €250m could still be the subject of ongoing litigation by end-2021. The litigation will likely involve both Irish and foreign court jurisdictions and its resolution will be largely outside the control of NAMA.

In addition, NAMA faces risks in ensuring that its operations remain compliant with EU State aid rules. A decision of 26 January 2018 by the European Commission concluded that NAMA's residential funding programme did not breach State aid rules. This decision is currently being appealed by a number of developers to the General Court of the European Union, with the Court's determination not expected until 2020 at the earliest. There is a possibility that the General Court's determination could subsequently be appealed to the ECJ. The full implications of an unfavourable ultimate outcome to this process from NAMA's perspective would depend very much on the key conclusions reached by the ECJ in its determination.

9. Wind-down Options

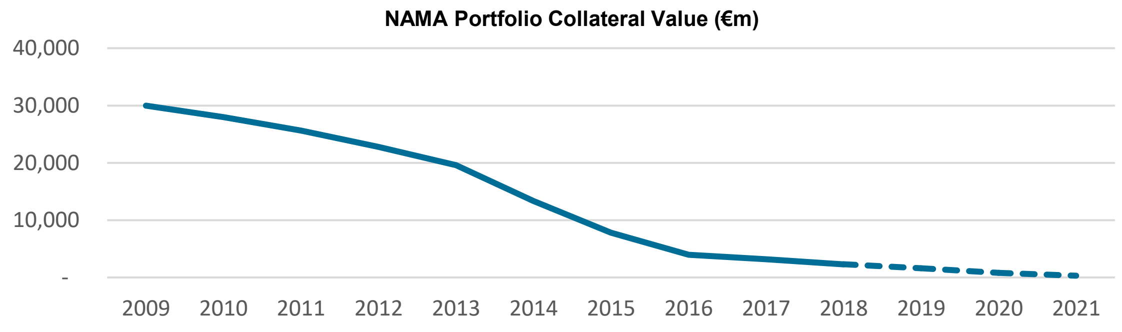
ESTIMATED END 2021 PORTFOLIO

As set out in section 7 above, NAMA is expected to substantially achieve its objectives by end 2021. However it is clear that a small number of residual assets are likely to remain in situ at that time due to on-going legal actions and the requirement of the NAMA Board to achieve its Section 10 objectives of obtaining the best return for the State.

The NAMA Board conducted an exercise in late 2018 to review its loan portfolio with a view to mapping out its projected evolution over the coming years. Over the period 2019 to 2021, NAMA expects to complete its deleveraging and Dublin Docklands programmes and its funding of residential development. However, a small residual portfolio is expected to remain in place at the end of 2021. The results of the NAMA Board review are set out in figure 9.1 below. As illustrated, NAMA currently expects to hold a residual loan portfolio of about €0.3 billion at the end of 2021. It is important to note that these estimates have been arrived at based on the assumption that market conditions remain benign over the next few years thereby enabling planned sales and exits to be completed in the period 2019 – 2021.

Figure 9.1 - Estimated Collateral Value of NAMA residual portfolio

	2018	**2019f**	**2020f**	**2021f**
	€ billion	**€ billion**	**€ billion**	**€ billion**
Collateral Value	2.3	1.6	0.8	0.3
As % of original	7.2%	5.0%	2.5%	0.9%



Source: NAMA

As indicated, it is currently expected that loans representing c.1% of NAMA's originally acquired portfolio will remain outstanding. These residual exposures will comprise of two categories, as outlined below.

1. RESIDUAL LITIGATION LOANS

The first category of residual assets will comprise a number of loans that are unlikely to be resolved by 2021 due to on-going litigation. The NAMA Board has estimated that this category could represent about €250 million (83%) of the residual 2021 loan portfolio.

While NAMA currently aim to resolve all of its residual litigation by the end of 2021, such an objective is not entirely within its control. NAMA generally resolves litigation either through court judgements or through out-of-court settlements on terms that are acceptable to it. NAMA applies a risk-reward analysis which guides it in determining an appropriate course of action on a case by case basis. It is highly likely that some litigation will remain outstanding by end 2021 particularly in cases where NAMA is named as a defendant and where settlement on terms acceptable to NAMA is not possible. This residual litigation will need to be managed appropriately post 2021 to ensure that taxpayer interests are protected and to allow associated proceeds to be realised over time and returned to the State.

2. RESIDUAL RESIDENTIAL LOANS

A second category of loans was identified by the NAMA Board as part of its review in late 2018 and relates to a small number of loan exposures that are secured on sites that have the potential to deliver significant housing capacity over time. The NAMA Board has identified a small portfolio of connections and sites which, in their view, will not achieve peak value by 2021 and, in relation to which, NAMA's section 10 objective can only be fulfilled over a horizon beyond that date. The carrying value of these exposures at end 2021 is currently estimated at about €60 million.

As part of the 2018 review, the NAMA Board evaluated options in relation to residual sites using projected cashflows up to 2023 or 2025 (depending on particular sites). This ensured that disposal options were evaluated on a consistent basis and that the assessment of the best achievable return from the State's perspective was based on a more appropriate performance horizon than 2020/2021.

The loans identified for management over the extended period are secured by sites where NAMA projects significant value uplift from land zoning and planning decisions which are expected to be made by local authorities after 2021. In some cases, a valuation uplift is also expected from the commencement of major public infrastructure works. While clearly a significant element of risk applies to such assumptions, and to development land generally, the NAMA analysis provided to the Department indicates that a substantial positive NPV would be generated from holding these sites beyond 2021 even at conservative discount rates.

As a result of this analysis, the NAMA Board has determined that, given the probable value enhancement associated with these loans, it would be contrary to its Section 10 obligations to dispose of them in 2021 at what it considers would be sub-optimal prices.

OPTIONS FOR MANAGING RESIDUAL LOAN PORTFOLIO

The NAMA Act 2009 does not specify a termination date for NAMA and the timing of NAMA's eventual dissolution will be a decision for the Minister for Finance in due course. While the NAMA Board and management have, to date, assumed a dissolution date in 2021, it is clear from the issues set out in this review that strict adherence to such a date could have significant value implications for its residual portfolio.

It is important to recognise upfront that even in the absence of any residual residential development activity beyond end-2021, a number of operational activities in respect of NAMA will be required to be managed beyond that date including:

- Legal activities – Management of statutory and compliance obligations (FOI, Data Protection, etc.), litigation and staffing issues.
- Financial reporting activities – Preparation of financial accounts, on-going engagement with C&AG, statutory auditors, operational assistance for past asset sales, maintenance of IT systems etc.
- Communications – preparation of responses to queries through various channels including parliamentary questions, media and members of the public. On-going engagement and cooperation with the Department of Finance and the Oireachtas where necessary.

NAMA has estimated that the likely annual average cost of these activities in the years after 2021 would be €13.5m. These costs will need to be incurred regardless of how the NAMA wind-down is managed. In light of the complexity of NAMA's eventual dissolution, consideration has been given to the potential merits of a limited range of alternative options for both the management of NAMA's residual loans and the completion of its residual operational activities as set out above.

The different scenarios explored include the following:

1. Dissolution of NAMA by end-2021 and transfer of residual loans and operations to another State entity: a legal transfer of all remaining NAMA assets to another State entity such as the Ireland Strategic Investment Fund (ISIF), NTMA or the Land Development Agency along with the transfer of responsibility for all remaining associated operational activities.

2. Sale of NAMA's residual portfolio at end- 2021: a sale of NAMA in its entirety before end 2021.

3. Transfer of NAMA residual residential loans to another State entity: a legal transfer of NAMA residual residential development loans to another State entity such as ISIF, NTMA or Land Development Agency. In this scenario NAMA would continue to manage its residual litigation loans and associated operational activities.

4. Retention of NAMA for a limited period: approval given to NAMA to continue in operation on a much reduced basis beyond 2021 for a limited period in order to manage out the remaining assets and prepare for dissolution.

Each option was considered under the following headings:

- Legal Issues;
- Operational continuity; and
- Estimated cost implications.

OPTION 1 – DISSOLUTION OF NAMA BY END 2021

This option would involve a scenario whereby NAMA would wind down and be dissolved by the end of 2021 and that all residual loans and operational activity would be transferred to another State agency, such as an agency under the NTMA (e.g. ISIF) or alternatively a transfer to another State entity outside of the NTMA.

Legal Considerations

Any transfer of loans from NAMA to another State entity, including a body under the NTMA would require enabling legislation to ensure that the receiving entity would have the required legislative powers to manage them. The NAMA Act contains a number of powers that greatly assist NAMA in its engagement with debtors, including powers relating to Statutory Receivers, access to Land Registry records and litigation. Such powers are not currently available to other State entities including the NTMA and may be difficult to introduce in future legislation.

Furthermore, in its submission, the Board of NAMA has raised concerns that the proposed transfer of loans to another agency could give rise to legal challenge which could potentially delay the ability of either NAMA or the transferee to manage these residual exposures.

Operational Considerations

It is assumed that NAMA staff would be re-assigned to the NTMA and that would be likely to reduce the loss of key staff and would provide some operational continuity. However, the transfer of staff to a body outside the NTMA is likely to be significantly more difficult to facilitate contractually and could be highly disruptive, heightening risks of key staff departures and the consequent loss of corporate knowledge in relation to debtors and assets.

Any receiving entity would also be required to put in place equivalent IT systems and service panels (legal, IT, Receivers etc.) for the performance of critical functions. It is estimated that this infrastructure would be likely to take significant time to put in place.

Cost implications

In all scenarios there are a number of residual tasks and activities that will need to be conducted regardless of where NAMA's residual loans are managed. These include legal, financial and reporting activities and the resources required will be somewhat dependent on the volume of tasks remaining. NAMA has estimated that annual average costs in the order of €13.5m (staffing, systems, premises etc.) may be incurred as part of the wind-down of its activities after 2021 depending on the level of unresolved litigation remaining at the end of 2021.

It is likely that the transfer of residual activities from NAMA to another legal entity would generate costs over and above what would be required were the loans to remain managed in NAMA. These additional costs would be driven by a number of factors including the requirement to put in place an operational infrastructure as set out above, appointing appropriate staff with the requisite experience ensuring operational continuity and legal costs involved in putting in place a regulatory framework and managing any potential legal challenge to the transfer of assets.

It is also likely that replacing the existing panels of service providers could give rise to additional or elevated costs given the comparative benefit NAMA enjoys from its existing panels and the expected limited nature of the activity to transfer.

OPTION 2 – SALE OF NAMA'S RESIDUAL PORTFOLIO AT END- 2021

Option 2 considered the potential sale of any residual residential assets remaining in NAMA at end 2021.

Legal Considerations

A Ministerial direction would be required under this scenario to allow the NAMA Board to bring forward the sale of assets to 2021 in circumstances where it believes that NAMA's Section 10 obligations would only be satisfied by managing out the residual assets over an extended period beyond 2021.

Operational Considerations

Notwithstanding any decision to proceed with the wind down of NAMA at the end of 2021, there are likely to be residual matters that will need to be managed either by NAMA or the NTMA after this date, including on-going legal, financial and reporting obligations. Furthermore there are likely to be some residual loans that may not be capable of being sold, particularly loans that may be tied up in litigation and awaiting resolution by the courts.

Cost implications

The cost implications of instructing NAMA to proceed with this course of action are considerable. Taking the residual residential loans alone, the NAMA Board has indicated that there is a significant potential value differential that could be realised from adopting a 'long-term hold' strategy towards the strategic sites securing the portfolio.

The range of potential gains that could be realised is highly sensitive to assumptions regarding future site valuations and the discount rate to be applied. The table below illustrates the potential gain where a future site valuation of €50,000 per deliverable unit is assumed and cash flows are discounted at 10% resulting in a potential gain of €176 million.

Figure 9.2 – Residual residential loans – potential gains[7]

	NPV of net cash flows @10%
2021 sale	€45m
2023/2024 sale	€221m
Potential retention gain	€176m

OPTION 3 – TRANSFER OF RESIDUAL RESIDENTIAL LOANS

Option 3 looked at a scenario where a smaller NAMA would manage out its residual litigation and operational activities for an extended period but with the transfer of residual residential loans to another State entity. The benefit of this option over Option 1 above would be to limit the level of activity NAMA would undertake in order to manage the residual litigation loans and operational activity. Furthermore residual residential loans could be managed over a longer period by a State entity that is not in wind-down thereby potentially providing greater flexibility to maximise the return to the State from those loans.

Legal Considerations

As above, legislation would be required to facilitate the transfer of loans from NAMA to another State entity including a body under the NTMA. Furthermore the risk of legal challenge in this scenario is arguably heightened given the selective nature of the loans to be transferred to the new entity and the fact that a NAMA legal entity would remain in existence.

Operational Considerations

Similar operational issues arise under this scenario as under Option 1 with the added complexity arising where NAMA would be required to retain sufficient skill and expertise to manage the residual litigation and operational activities while also ensuring that sufficient

[7] Estimates assume a €50,000 per unit site value at disposal in 2023/2024 and deduction of asset management costs of €5,000 per deliverable unit

expertise would transfer to the new entity to manage the residual residential loans. As such there is likely to be considerable duplication of activity under this scenario.

Cost implications

As indicated, Option 3 would see an overall increase in the level of costs incurred given the parallel management of residual loans across two separate entities. Additional staff and operational costs would be incurred to ensure that appropriate resources were available in both entities to manage the remaining loans appropriately.

OPTION 4 – LIMITED CONTINUATION OF NAMA

This scenario looks at the implications of allowing NAMA to continue its work in a limited capacity beyond 2021 to enable it to capture the likely uplift in value from working out its estimated residual loan book in an orderly manner.

Legal Considerations

Minimal, the NAMA Act 2009 does not specify a termination date for NAMA nor does NAMA's State aid approval clearly define an end date however State Aid approval would be required. Allowing NAMA additional time beyond its expected end-date in these circumstances is entirely consistent with its obligations under Section 10 of the NAMA Act. NAMA will continue to be subject to the obligation to deal with its assets expeditiously to obtain the best achievable financial return for the State.

Operational Considerations

Providing NAMA with clarity in terms of its timeline at an early stage will allow the agency to better plan and manage its remaining staff ensuring that it can retain sufficient expertise over this extended period. Similarly providing clarity to its remaining debtors will allow the agency to agree plans into the future and ensure continued cooperation of debtors.

Cost implications

As set out above, NAMA has indicated that annual average costs of €13.5m will be incurred to manage the wind-down of the organisation beyond 2021 in any scenario. These costs cover legal, finance and on-going reporting costs that will be unavoidable. NAMA has estimated that the additional annual cost of retaining a small residential delivery team beyond 2021 would be

€3.5m. Thus, the total annual average cost of managing the NAMA wind-down and the residual residential loans, would be €17m.

Figure 9.3 – Options Summary

	Existing Legal Basis	Operational Continuity	Cost Effective
Option 1 - 2021 dissolution of NAMA	✓	✓	✗
Option 2 - Sale of NAMA's residual residential loans	✓	✗	✗
Option 3 - Transfer of residual residential loans	✗	✗	✗
Option 4 - Limited continuation of NAMA	✓	✓	✓

RECOMMENDATION

Taking into consideration the operational, legal and financial difficulties outlined above, it is recommended that NAMA be permitted to continue to work out its residual loans for a limited period beyond 2021. It is recommended that NAMA is instructed to report to the Minister for Finance before the end of 2021 setting out in detail its proposals and a detailed plan for the ultimate dissolution of NAMA. At that stage, there will be greater visibility around the scale and status of the residual loan portfolio.

10. Conclusion and Recommendation

In October 2017 NAMA repaid the final €500 million tranche of the €30.2 billion Government guaranteed senior debt originally issued by the agency in 2010 and 2011. This repayment came two years ahead of the schedule indicated in its July 2010 business plan and over a year ahead of the target indicated in its 2014 strategy review. This repayment finally eliminated the State's contingent liability to the agency's senior debt and marked the full achievement of one of its primary objectives.

Notwithstanding this achievement, NAMA continues to work through its remaining loan book and work towards achieving all of its objectives including the repayment of its remaining subordinated debt and equity obligations, its residential delivery programme and Dublin Docklands SDZ programme. As indicated, NAMA now projects that it will generate a final surplus of €4 billion before it finally completes its work in the coming years and to do this it will need to carefully manage its remaining portfolio and deliver on these objectives.

This report has illustrated that NAMA is making considerable progress across its mandate and it is clear that the Agency needs to continue in order to complete its remaining tasks and generate the largest surplus that can feasibly be achieved by the time it completes its work. NAMA is well positioned to achieve this.

Furthermore, it is now clear that NAMA has the potential to exceed its current expectations should it be allowed additional time to continue to work through a small quantum of residual loans for a period beyond its original expected end date of 2021. The loans concerned are outlined in detail in chapter 9 of this report and represent less than 1% of NAMA's original portfolio. NAMA has established a successful platform to manage these loans and it is clearly not in the taxpayers' interest to impose a deadline on NAMA which would see it forced to take commercial decisions which go against its obligations under Section 10 of the NAMA Act where it is not necessary to do so.

Therefore it is recommended that NAMA is allowed additional time to work through its residual loan portfolio with a view to submitting a detailed wind-down plan for its ultimate dissolution to the Minister for Finance by the end of 2021. In the meantime NAMA will commence the transfer of its surplus to the Exchequer in 2020 as originally envisaged. It is currently anticipated that NAMA will deliver €2 billion of its surplus in 2020 and a further €2 billion in 2021.

Furthermore, in recognising the important work being undertaken across Government in the area of housing, it is recommended that NAMA continue to engage actively with the Land Development Agency and other State bodies to identify areas of mutual interest and potential collaboration to ensure that NAMA's activities are aligned to other policy responses in the area of housing to the maximum extent possible while ensuring that NAMA remains faithful to its overall objectives and purposes under the NAMA Act.

NAMA has also made a considerable contribution to social and economic development not least in the area of social housing. In recognition of the important role that NAMA's social housing vehicle, NARPS, makes to this sector, it is recommended that a direction is issued to NAMA pursuant to section 14(2) of the NAMA Act instructing the Board of NAMA to retain ownership of NARPS so that the vehicle will form part of the assets to be transferred to the State once NAMA has completed its deleveraging activities thereby preserving a secure long term portfolio of social housing into the future.

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