

NAMA Business Plan

6th July 2010 – The National Asset Management Agency (NAMA) has today published a Business Plan which details the Agency's financial projections for its expected lifetime.

The Plan published today updates and revises the interim Business Plan published in October of last year which was prepared on the basis of information supplied at that time by the five Participating Institutions (Anglo Irish Bank, AIB, Bank of Ireland, EBS and Irish Nationwide) and in advance of the detailed examination of any of the key loans by the Agency. The updated Plan has been approved by the Board of NAMA and was submitted to the Minister for Finance on 30 June 2010.

Plan informed by practical experience over past 8 months and due diligence of loans over the past 3 months

The plan has been informed by a number of factors, in particular:

- The Agency's detailed examination and acquisition and management of €16 billion of loans in Tranche I and the advance preparations made for the imminent acquisition of €13 billion of loans in Tranche II.
- The Agency's experience in the tendering of necessary services to support its work.

Key conclusions

Key conclusions of the Plan include:

- The Plan projects that the Agency will return a profit to the taxpayer of €1.0 billion in Net Present Value (NPV) terms under its central scenario where NAMA recovers the LEV (Long Term Economic Value) of the assets.

NAMA also examined two variations on this central scenario; one in which NAMA recovers the long-term economic value of assets plus 10% and one in which it recovers the long-term economic value minus 10%. The respective NPV outcomes are a profit of €3.9 billion and a loss of €0.8 billion.

- The Plan anticipates that the average discount applied to the full portfolio of loans acquired will be 50%, reflecting the discount paid on the loans acquired in Tranche I. Final discounts are of course applied loan by loan and will only be determined as individual loans are transferred.

- The percentage of loans which are “income producing” (i.e. loans which are at least paying the interest due on the monies borrowed) is, at 25%, significantly less than the 40% level indicated by the Participating Institutions last October. This has had a significant impact on the updated NPV figure.
- NAMA anticipates spending approximately €1.6 billion on services over its lifetime to support its activities. This figure is €1.0 billion less than had been forecast previously, partly due to the competitive and thorough public procurement process applied by the Agency.

Comments by Chairman - Frank Daly and Chief Executive Brendan McDonagh

Speaking today, Frank Daly, Chairman of the Board of NAMA, said that the Plan provided a robust framework for the challenges ahead: “We have enormous challenges in the months and years ahead but this Plan gives us a realistic expectation that we can manage this extraordinary project effectively and return a profit to the taxpayer. That – together with the rigorous pursuit of all outstanding loans – is our key objective.”

Mr. Daly added that the Plan confirms that the Participating Institutions had not disclosed or had been unaware of the extent of the financial crisis afflicting their borrowers: “To say the least we are extremely disappointed and disturbed to find that, only months after being led to believe that 40% of loans were income producing, the real figure is actually 25%. We are equally taken aback to learn that the banks were not even using the full range of legal options available to them in order to secure income in respect of troubled loans. The banks displayed a remarkable generosity towards their borrowers. NAMA has no intention of maintaining that approach. We will pursue all avenues to ensure the fullest possible repayment of all outstanding monies from relevant borrowers and we will work towards increasing the income stream for NAMA as soon as possible as part of the Debtor Business Plan review process.”

Brendan McDonagh said that NAMA is now operational and it had been an enormous challenge to bring NAMA to this point from a start-up operation at the beginning of 2010: “I would extend my appreciation to all my colleagues and the Board of NAMA for the huge effort made by all concerned. There have been and will continue to be many obstacles to be overcome. The economic environment continues to be challenging and this will have a significant bearing on NAMA’s ability to deliver on its targets but I am confident in the ability of the strong team at NAMA to protect taxpayers’ interests. Today NAMA publishes its Annual Statement, an updated Business Plan, its first quarterly report and the codes of practice approved by the Minister for Finance. There is a significant amount of other information available on the NAMA website.”

Strategic and Policy Decisions

The Plan also sets out details of a number of strategic and policy decisions taken by the Board on 21 issues including NAMA debt reduction targets; advances of new money; hotels and unfinished estates; the land needs of Government authorities and local communities; and the sale of NAMA assets.

Progress in Infrastructure and Corporate Governance arrangements

NAMA has devoted a substantial amount of time in the first six months to putting the necessary infrastructure and corporate governance arrangements in place. The Board and its related committees are now fully operational and have met 57 times.

The recruitment of employees who have the necessary skills and who were also able to meet significant prequalifying criteria, including full disclosure of their personal assets, interests and liabilities as required under Section 42 of the NAMA Act, has been challenging. As of the end of June 2010, however, NAMA has recruited 45 staff, is in the process of recruiting a further 33 and aims to achieve its full complement of just over 90 by the end of the year.