



An Roinn Airgeadais
Department of Finance

National Asset Management Agency

Section 227 Review

2019 - 2023

Prepared by the Shareholding and Financial
Advisory Division, Department of Finance
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1 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 (the "Act") where I assess the extent to which NAMA has made progress towards 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 2019 and noted the significant progress NAMA made during the period from 2014 to 2018, which was a strong period of recovery for the Irish economy. This report considers NAMA's achievements over the period from 2019 to 2023, a period which saw some challenges in the wider macro-economic environment.

The Agency has been very effective in managing its loan portfolio and maximising the value of its assets, successfully delivering on the commercial mandate set for it by the Oireachtas and generating profits consistently over a 13-year period. The work of NAMA is now expected to deliver a €4.9 billion surplus to the State over the Agency's lifetime, in addition to fully recouping the €5.6 billion State Aid element of what it paid for the loans it acquired.

This strong commercial performance has exceeded expectations and NAMA's success has been augmented by the Agency's considerable achievements in relation to its supplemental objectives. NAMA has facilitated the delivery of housing at significant scale – 34,000 new homes were funded or enabled by NAMA by end-2023. Moreover, NAMA made a major and long-lasting contribution to the regeneration of Dublin Docklands through the delivery of extensive new commercial and residential space. Finally, NAMA has made an important social contribution by delivering almost 3,000 social housing units, providing homes for 9,000 people.

Internationally, the Agency has been cited as one of the best examples of a successful implementation of a State-backed asset management company in response to the global financial crisis.

I am pleased to present this report that clearly demonstrates that:

1. NAMA has made extensive progress in achieving its overall objectives over this period;
and
2. NAMA is on target to conclude its work by the end of 2025 through a phased and orderly wind down.

I am therefore satisfied with the progress NAMA has made and would like to thank the NAMA Board and staff for their achievements over this period.

Given NAMA is expected to conclude its operations by end-2025, it follows that this report will be the final such review undertaken pursuant to section 227 of the Act.

Notwithstanding this, I note that there may remain some residual NAMA assets and activity unresolved at the end of 2025. I am therefore recommending that a Resolution unit is established, resourced by the National Treasury Management Agency (NTMA) to manage residual NAMA activity to completion, and, to ensure that the final outcomes are maximised for the benefit of the Irish taxpayer.

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

Michael McGrath, TD
Minister for Finance

2 Executive Summary

The purpose of this review, as mandated by section 227 of the National Asset Management Agency Act 2009 (the “Act”), 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 the Act.

The timeframe of this review, 2019 to 2023 inclusive, coincided with a period of macroeconomic uncertainty, with globally disrupted supply chains, energy and construction cost inflation, and a rising interest rate environment, primarily due to the economic impacts of both Covid-19 and Russia’s invasion of Ukraine. These economic headwinds impacted real estate markets globally, including in Ireland.

Strategic Objectives

NAMA’s statutory commercial mandate, based on section 10 (2) of the Act, is to obtain the best achievable financial return for the State, having regard to the cost of acquiring and dealing with bank assets and its own cost of capital and other costs, and any other factor which NAMA considers relevant to the achievement of its purposes. In the context of this overarching statutory commercial mandate, strategic objectives focussing on residential and commercial development, as well as social housing delivery, have been set and achieved, all while delivering a substantial surplus to the taxpayer.

NAMA’s approach towards its strategic objectives has evolved since its inception to take account of market developments and challenges facing the Irish economy. Initially, NAMA’s primary commercial objective was to redeem its €30.2 billion senior debt, which carried a significant contingent liability for the State. NAMA successfully achieved this objective in October 2017, three years ahead of the original target set out in its 2010 Business Plan. By March 2020, NAMA had fully redeemed its €1.6 billion of subordinated debt.

Since 2017, NAMA's primary commercial objective has been to generate the largest surplus that can feasibly be achieved by the time it completes its work. In line with European Commission approval, NAMA aims to conclude its work no later than the end of 2025.

Financial Performance

By the end of 2023, NAMA had generated €47.7 billion cash from its acquired portfolio. The Agency has consistently generated profits since 2011 and has transferred a cumulative total of €4.25 billion to the Exchequer, comprising €3.85 billion from its lifetime surplus and over €400m corporation tax payments. The NAMA Board projects that it will generate a lifetime return of at least €4.9 billion by the end of 2025 assuming that market conditions in Ireland remain benign over the next two years and it can retain the requisite staff resources to complete its work in a commercial and professional manner.

Portfolio Progression

The total carrying value of the NAMA portfolio had fallen to less than €2 billion by the end of 2018, the reference date for the last published NAMA review under section 227 and this represented just 6% of its original acquired portfolio. NAMA has further reduced the total carrying value of its loan portfolio to €0.45 billion as at the end of 2023.

Residential Development

NAMA's residential delivery programme seeks to enhance the value of secured assets while addressing the housing supply shortages in Ireland. In 2015, NAMA set the objective to facilitate the delivery of 20,000 new homes on NAMA-secured land. This objective was achieved in November 2021 and by the end of 2023, NAMA had facilitated the delivery of a total of 34,000 residential homes.

NAMA continues to maximise the number of sites that are shovel-ready for future development and NAMA's secured land bank is estimated to have the potential to deliver almost 15,000 new homes post 2025.

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 and has worked

closely with the Department of Housing, Local Government and Heritage, as well as the Housing Agency and the Land Development Agency. At the end of 2023, 2,985 social housing homes have been delivered or committed by NAMA (through its receivers and borrowers), excluding those delivered under Part V arrangements on NAMA-funded residential developments. 33% of new homes built on NAMA sites during 2023 and 2024 have been agreed or considered for sale to local authorities or AHBs for social housing.

Of the 2,985 homes delivered by NAMA for social housing at the end of 2023, 1,366 have been delivered through the National Asset Residential Property Services DAC (NARPS), a NAMA social housing subsidiary. In 2019, the Minister for Finance issued a direction to NAMA for NARPS to remain in State ownership. Under Housing for All, the Government decided that NARPS will transfer to the Land Development Agency.

Dublin Dockland Strategic Development Zone

One of the objectives set by NAMA was to facilitate the delivery of grade A office accommodation in the Dublin Docklands SDZ. NAMA acquired significant interests in the area and was instrumental in driving and facilitating its overall development. 99% of NAMA's original interests in the Docklands SDZ have now been completed or sold. On completion, these projects will deliver 4.2 million square feet of commercial space and 2,183 residential units.

Poolbeg West Strategic Development Zone

NAMA undertook significant preparatory work, including the procurement of a proficient development partner, in order to progress the development of a key site within the Poolbeg West SDZ (the "glass bottle" site). The site has the potential to provide up to 3,800 residential units (including 10% Part V and 15% social and affordable homes) and 1 million sq. ft. of retail and commercial space, as well as community, public and educational facilities. In June 2023, pursuant to its section 10 commercial mandate, NAMA sold its 20% interest in the project.

Conclusion and Recommendations

Since its establishment in December 2009, NAMA has successfully delivered on its statutory commercial mandate, set and achieved strategic objectives focussing on residential and commercial development, as well as social housing delivery, all while delivering a substantial surplus to the taxpayer. NAMA fully repaid €31.8 billion of total debt by March 2020 and is expected to deliver €4.9 billion surplus to the State by the time it completes its work at end-

2025. This surplus, coupled with NAMA's success in fully recouping the €5.6 billion State Aid element of what it paid for the loans it acquired, represents a significant outperformance relative to expectations at inception.

Over its lifetime, the Agency has demonstrated a favourable track record of achieving and/or exceeding key milestones - redeeming its debt obligations significantly ahead of schedule (with its €30.2 billion Senior Debt redeemed three years ahead of schedule); exceeding its social housing target by more than 30%; and delivering 34,000 new homes directly or indirectly.

The Agency can be viewed as having played a prominent and beneficial role in contributing to the stabilisation of the Irish banking sector and, through the faster-than-expected progress in eliminating a significant contingent liability on the State, in facilitating Ireland's return to international bond markets. According to the Asian Development Bank and European Central Bank, NAMA is one of the best examples globally of a successful implementation of a state-backed asset management company.

To achieve its projected contribution of €4.9 billion to the State, NAMA will need to continue carefully managing its deleveraging process, along with the conclusion of its Dublin Docklands SDZ commercial and residential delivery programmes. Therefore, it is recommended that:

- NAMA continue to proceed with its deleveraging activity and resolution of its residual loan book to deliver the optimal return from the assets securing those loans, thereby ensuring the best outcome for the taxpayer.
- NAMA concludes its work by end-2025 through a phased and orderly wind down.
- A Resolution unit is established, resourced by the National Treasury Management Agency (NTMA), with responsibility for managing any NAMA residual activity from 2026 to its completion. It is important that any residual activity to be transferred to a Resolution unit is minimised in so far as practicable.
- The Department of Finance, NAMA, and the NTMA engage with a view to the efficient establishment and resourcing of this Resolution unit including the introduction of necessary legislation to enable its establishment and operation.

3 NAMA Strategic Objectives

Section 227 Reviews

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 to 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 third report that has been prepared under section 227. The first report was published in 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 asset disposals in order to advance repayment of its senior bonds.

The second report was published in July 2019 and focused on NAMA’s performance from 2014 to 2018. In strategically deleveraging the bulk of its assets, NAMA was in a position to redeem all of its €30.2bn senior debt by October 2017. The Minister concluded that NAMA had made extensive progress in achieving its overall objectives and that its continuation was therefore necessary. Noting the potential for NAMA to further contribute to housing delivery and to enhance its lifetime surplus, the Minister also recommended that NAMA continue its operations until end-2025.

The present report assesses NAMA’s achievement of its objectives over the period from 2019 until the end of 2023. The report also assesses NAMA’s progress towards winding down and determining the most appropriate action in light of its obligations under section 10 of the Act.

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 3.1 below.

Figure 3.1 - 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 3.2 below.

Figure 3.2 - 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—*
- (d) *the cost to the Exchequer of acquiring bank assets and dealing with acquired bank assets,*
- (e) *NAMA's cost of capital and other costs, and*
- (f) *any other factor which NAMA considers relevant to the achievement of its purposes.*

The Board of NAMA implemented these purposes through the formulation of strategic objectives based on section 10(2) of the Act. The current strategic objectives set by the Board are set out in figure 3.3.

Figure 3.3 – NAMA's Strategic Objectives

- *The Board's primary commercial objective is to generate the largest surplus that can feasibly be achieved from the management and disposal of its remaining portfolio, subject to prevailing market conditions, by December 2025.*
- *NAMA will focus on the intensive asset management of its remaining residential land portfolio, to both prepare sites for future development and to optimise realisable value in accordance with our commercial mandate. NAMA also aims to work with its remaining debtors/receivers to facilitate delivery of the maximum number of new homes possible from approved funding, subject to commercial viability.*
- *NAMA aims to conclude its work no later than December 2025 through a phased and orderly wind down, having regard to the primacy of its Section 10 commercial mandate. NAMA aims to continue to meet all future commitments out of its own resources.*

- *Subject to the primacy of its Section 10 commercial mandate but often complementing it, and within the context of a much-reduced secured portfolio, NAMA will seek to make a positive social and economic contribution across its remaining 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 fourth progress report on NAMA pursuant to section 226 in July 2023. The report covers the period from 2018 to 2021 and is available on the C&AG's website at: <https://www.audit.gov.ie/en/find-report/publications/2023/special-report-116-nama-progress-on-achievement-of-objectives-as-at-end-2021.pdf>

4 NAMA Progress Towards Objectives

Pursuant to section 10 of the Act, NAMA's overarching statutory objective is to obtain the best achievable financial return from its acquired assets. Consistent with this, NAMA's approach towards its strategic objectives has evolved since its inception to take into account of NAMA's progress, market developments and challenges facing the Irish economy. Initially, NAMA's primary objective was to repay its outstanding debt and other obligations; latterly, it has been to generate the largest surplus that can feasibly be achieved by the time it completes its work.

Additional objectives set by the NAMA Board included facilitating the development of its sites for office accommodation in the Dublin Docklands Strategic Development Zone, maximising the delivery of new residential units, and ensuring the phased and orderly wind down of the Agency.

Financial performance and surplus

NAMA achieved a significant objective in October 2017, when it announced the redemption of all of its €30.2 billion senior debt. This was achieved three 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. By March 2020, NAMA had fully redeemed its €1.6 billion of subordinated debt.

The early achievement of this objective was enabled by the significant cash generated by NAMA from its acquired portfolio. From inception to end-2023, NAMA had generated cumulative cash of €47.7 billion, primarily from loan and asset disposals. Furthermore, NAMA has consistently reported profits since 2011, creating a cash surplus for the State.

The NAMA Board now estimates that it will generate an overall return for the State of at least €4.9 billion by the end of 2025, assuming that market conditions in Ireland remain benign over the next two years and that it can retain the requisite staff resources to complete its work in a commercial and professional manner.

By the end of 2023, NAMA had transferred a cumulative total of €4.25 billion to the Exchequer (€3.85 billion from its lifetime surplus and over €400m corporation tax payments) and expects to transfer a further €650m to the Exchequer by end-2025.

NAMA Portfolio

Through a strategic programme of phased deleveraging, NAMA's loan portfolio has been reduced from its original acquisition value of €31.8 billion, to a carrying value of approximately €0.45 billion at the end of 2023. NAMA's deleveraging activities meant that just over 1% of its acquisition portfolio remained by the end of 2023.

NAMA has largely exited its exposures in foreign jurisdictions. By the end of 2023 only 1% of its remaining portfolio was located 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.

Residential Development

The significant shortfall in the supply of housing in recent years prompted NAMA to implement a programme of assisting its debtors and receivers to develop commercially viable residential projects through the provision of funding. This not only contributes to new housing supply, but it also enables debtors and receivers to increase their debt repayments, consistent with NAMA section 10 mandate.

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 all stages of 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.

In November 2021, NAMA achieved its target of facilitating the delivery of 20,000 units. NAMA will use its remaining lifespan to maximise delivery of units.

By the end of 2023, NAMA had delivered a total of 34,000 residential units, including 14,000 units directly delivered by NAMA and a further 20,000 indirectly delivered. “Indirectly delivered” refers to 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.

NAMA’s residential programme also aims to maximise the number of sites that are shovel-ready for future development and has identified capacity for almost 15,000 units to be delivered on residential sites in its secured portfolio. In seeking to progress the future development of these sites, NAMA had achieved planning permission for 2,800 units and almost 5,000 units were in the planning system. The majority of the 15,000 units can only be delivered when the necessary supporting infrastructure (roads, water, utilities, waste, etc.) is put in place by other parties and appropriate zoning and planning permission is obtained.

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 and the Land Development Agency.

By the end of 2023, NAMA had identified over 7,600 residential units as potentially suitable for social housing from its secured portfolio and offered these to local authorities/approved housing bodies. Many of these units were not required at the time of offer, deemed unsuitable or unviable, or subsequently became unavailable. 2,985 social housing homes have been delivered or committed by NAMA (through its receivers and borrowers), excluding those delivered under Part V arrangements on NAMA-funded residential developments. 33% of new homes built on NAMA sites during 2023 and 2024 have been agreed or considered for sale to local authorities or AHBs for social housing.

NARPS (National Asset Residential Property Services DAC)

In order to expedite the delivery of social housing, in 2012 NAMA established a new subsidiary called National Asset Residential Property Services DAC (NARPS).

NARPS operates by purchasing, at market value, suitable properties for social housing from NAMA debtors and receivers and 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 Department of Housing, Local Government and Heritage, 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 1,366 social housing units since 2012 representing 46% of all NAMA social housing delivery.

In the previous section 227 report, it was determined that NARPS satisfied a nationwide demand for a secure portfolio of social housing that would otherwise be unmet. It was therefore recommended that the NARPS portfolio be retained by NAMA and ultimately in State ownership.

To that end, in 2019, the Minister for Finance issued 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.

In April 2021, the Department of Housing advised the Department of Finance that transferring and consolidating the NARPS portfolio within the Land Development Agency (LDA) would be

their preferred option and the publication of the Government’s “Housing for All” plan included a commitment to agree the process which will allow for the transfer of NARPS to the LDA.

It was agreed that the LDA would acquire the NARPS portfolio by way of an amendment to the LDA Act 2021. The timeline for the transfer of NARPS to the LDA is therefore subject to the approval and timing of legislative amendments to the LDA Act.

Dublin Dockland Strategic Development Zone

One of the objectives set by NAMA was to facilitate the delivery of grade A office accommodation in the Dublin Docklands SDZ. NAMA originally held an interest in 75% of the 22 hectares of developable land in the Dublin Docklands SDZ and has been instrumental in driving and facilitating the development of the area.

NAMA has successfully completed this objective with 99% of NAMA’s original interests in the Docklands SDZ now completed or sold. The remaining 1% relates to a leasehold interest in a site which is planned for sale with Waterways Ireland. On completion, the projects in which NAMA originally had an interest will deliver 4.2 million square feet of commercial space and 2,183 residential units across 15 sites.

NAMA’s investment in the Docklands SDZ can be viewed as the catalyst for the regeneration of the area and facilitated the flow of foreign direct investment into the State, with international tech and finance companies establishing European headquarters or expanding their operations in offices whose development was facilitated by NAMA.

Poolbeg West Strategic Development Zone

The Poolbeg West SDZ encompasses land located to the east of Dublin’s South Docks. The Poolbeg West SDZ Planning Scheme was approved by Dublin City Council in October 2017, with the formal adoption of the Planning Scheme announced by an Bord Pleanála in April 2019.

NAMA undertook considerable preparatory work for the consolidation and future development of the site and, in June 2021, following a competitive open market campaign, a consortium of Ronan Group Real Estate, Oaktree Capital Management and Lioncor Developments acquired

a controlling 80% shareholding in the development site within the Poolbeg West SDZ (the “glass bottle” site). NAMA retained a 20% shareholding in the project.

In June 2023, in line with its section 10 commercial mandate, NAMA sold its 20% interest in the development project. The site has the potential to provide up to 3,800 residential units (including 10% Part V and 15% social and affordable homes) and 1 million sq. ft. of retail and commercial space, as well as community, public and educational facilities.

Wind down

In line with European Commission approval, NAMA aims to conclude its work no later than the end of December 2025. In November 2021, the NAMA Board submitted to the Minister for Finance its Strategic Plan for the orderly wind-down of the Agency.

NAMA is currently taking commercial and operational steps to ensure the orderly dissolution of the Agency by end-2025 with a priority focus is on the completion of most of its deleveraging activity before the end of 2024.

Consistent with the experience of workout vehicles in Ireland and other jurisdictions, final resolution may extend beyond the completion date to manage unresolved litigation and remaining assets which are considered to have additional value for the State.

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.

Market Conditions

In the years following the previous section 227 report, the economy faced several macro-economic challenges. This included disruption to global supply chains, followed by energy and construction cost inflation and interest rate rises as a consequence of the economic impacts of both Covid-19 and Russia’s invasion of Ukraine. Throughout this period of economic uncertainty, NAMA managed to deleverage the majority of its remaining assets, facilitate the development of new housing, and deliver €3.85 billion of its lifetime surplus.

The achievement of NAMA's remaining projected surplus of €650m is dependent on favourable market conditions which will facilitate the deleveraging of the remaining assets in its portfolio. Therefore, should there be a domestic or international financial or macroeconomic shock that impacts the Irish economy and property market, this may reduce NAMA's ability to deliver the remaining projected surplus.

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 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 and to fully wind down by end of 2025. The recovery of the Irish economy led to a much tighter labour market in which NAMA had to compete for staff and expertise. As NAMA is winding down, it is not recruiting new employees.

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.

Wind Down Risks

Two key challenges to the achievement of wind-down by end-2025 are the pace of deleveraging and the significant level of work still required to resolve par debt and the final exit of the debtor connections. The uncertain economic environment may impinge on asset values, defer asset/loan sale transactions, and delay debtor exits.

Legal Risks

A number of legal risks must be managed in order to ensure that NAMA delivers upon its objectives. It is currently assumed that loans c.€25m could still be the subject of ongoing litigation by end-2025. The litigation will likely involve both Irish and foreign court jurisdictions and its resolution will be largely outside the control of NAMA.

5 Conclusion and Recommendation

NAMA was established in December 2009 as part of the State's response to the 2008 banking crisis. NAMA was to acquire certain property-related loans from Irish banks in order to cleanse their balance sheets and enable them to obtain credit and continue to lend into the real economy. NAMA acquired 11,500 land and development and associated loans from five financial institutions, comprising approximately 60,000 properties and 800 debtor connections. The loans had a par value of €74 billion while their market value was just €26 billion. NAMA acquired the loans for consideration of €32 billion.

Since that time, NAMA has been operating in line with its statutory mandate to achieve the best commercial return from its acquired loans. By the end of 2023, the total carrying value of the NAMA portfolio has fallen to approximately €0.45 billion, representing just over 1% of NAMA's original portfolio, and NAMA had generated cash of €47.7 billion from the loans.

NAMA has also made a considerable contribution to social and economic development of the State. NAMA drove the development and regeneration of the Dublin Docklands SDZ, facilitated the delivery of 34,000 residential units, and provided 2,985 homes for social housing. In recognition of the important role that NAMA's social housing vehicle, NARPS, makes to this sector, under the Government's Housing for All plan, it was decided that NARPS will transfer from the NAMA to the Land Development Agency. The timeline for this transfer to take place is subject to the enactment of legislative amendments to the LDA Act 2021.

NAMA continues to work through its remaining loan book and towards achieving its remaining objectives, particularly its residential delivery programme. NAMA's priority focus is on the completion of most of its deleveraging activity before the end of 2024.

This report has illustrated the progress NAMA has made across its mandate and it is clear that the Agency is progressing into its final stages of winding down. NAMA projects that it will deliver a lifetime surplus of €4.9 billion by the time it completes its work. In line with European Commission approval, NAMA aims to conclude its work by December 2025.

Recommendation

In line with the experience of workout vehicles in Ireland and other jurisdictions, it is probable that unresolved litigation and assets will remain after NAMA's December 2025 end date. I am therefore recommending the establishment of a NAMA Resolution Unit, resourced by the

National Treasury Management Agency (NTMA) to manage any residual NAMA activity post 2025. This will ensure that the value of the remaining NAMA portfolio will be maximised to the benefit of the Irish taxpayer.

To that end, I am recommending that my department, NAMA, and the NTMA are to promptly engage with a view to the efficient establishment and resourcing of this new Resolution unit including the introduction of necessary legislation to enable its establishment and operation.

Recommendations

- NAMA continues to proceed with its deleveraging activity and resolution of its residual loan book to deliver the optimal return from the assets securing those loans, thereby ensuring the best outcome for the taxpayer.
- NAMA concludes its work by December 2025 through a phased and orderly wind down.
- A Resolution unit is established, resourced by the National Treasury Management Agency (NTMA), with responsibility for managing any NAMA residual activity from 2026 to its completion. It is important that any residual activity to be transferred to a Resolution unit is minimised in so far as practicable.
- The Department of Finance, NAMA, and the NTMA engage with a view to the efficient establishment and resourcing of this Resolution unit, including the introduction of necessary legislation to enable its establishment and operation.



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