2013 was a landmark year for Ireland, not least in that it marked our exit from the Troika Programme and our return to the long-term sovereign bond markets. It was also a landmark year for NAMA. We successfully passed our first milestone by paying down 25% of NAMA Senior Bonds (€7.5 billion) in full and on schedule.

This was a key target for NAMA and was one of the Troika milestones that had to be fulfilled. Meeting it highlights the real progress that the Agency is making in managing and reducing our liabilities.

NAMA’s progress has continued in 2014 and is demonstrated by very substantial loan and asset sales in Ireland in the early part of the year. We are increasingly confident that we will complete our work on behalf of taxpayers earlier than the 2020 date originally envisaged.

Indeed, subject to the outcome of portfolio and asset sales currently underway, we aim to have as much as 50% of our Senior Bonds repaid by the end of 2014 – a full two years ahead of schedule. This would have been unthinkable 12 months ago and reflects the successful strategies pursued by NAMA and the remarkable rebound in sentiment towards Ireland on the part of international capital.

When NAMA was first set up, some expressed concern that it would cost the State billions of euro because, it was suggested, the assets that NAMA needed to sell would not realise enough cash to repay the Senior Bonds. From where we stand today, it is our strong expectation that NAMA will not cost the taxpayer a cent and we are aiming to generate a surplus over our lifetime through a phased and orderly disposal of our assets. By meeting and exceeding our own strategic targets, we have also contributed to building confidence in Ireland’s recovery and to the international perception that Ireland is, once again, a good location in which to do business and to invest.

In addition to repaying our debts, we are using our cash reserves prudently and commercially to add further value to our portfolio and this will have benefits throughout the wider economy. We have invested €600m in commercially viable projects in our Irish portfolio and have committed to investing at least €2.5 billion in total development funding in Ireland by end-2016 if suitable commercial opportunities present themselves.

This investment facilitates NAMA in delivering a commercial return for taxpayers but it also generates substantial employment during the construction and fit-out phases of projects. Government and industry studies indicate that investment on the scale envisaged by NAMA could contribute up to 30,000 construction and associated jobs in the Irish economy in the period out to 2016. NAMA is playing an important role therefore in getting people back to work in construction and in supporting Government policy aimed at a vibrant and sustainable construction industry. This is in addition to the estimated 15,000 people whose jobs have been sustained in business linked to our loans; we provided support to those businesses during very difficult economic circumstances.

In everything we do, we are conscious that our primary obligation is to Irish taxpayers and I would hope that this is evident in the broad range of activities described in our Annual Report.

I am now more confident than ever that NAMA, by maintaining a phased and orderly approach, will achieve not only its primary commercial objective of repaying its liabilities and recovering its costs (and possibly producing a surplus) but will also make a significant contribution more generally to the Irish economy, both in terms of job creation and of wider public policy objectives such as the provision of housing.
2013 represented a year of substantial progress for NAMA and for the Irish property market, which is where 56% of the property exposure securing our residual loan book in located. More specifically, 92% of NAMA’s Irish portfolio is located in Dublin, in the counties contiguous to Dublin and in Cork, Limerick and Galway and it is in these areas that demand for commercial and residential assets has emerged most strongly over the past year.

In 2013, we achieved, as the NAMA Chairman points out, our first major debt redemption milestone. We generated cash proceeds of €4.5 billion in 2013. From inception to end-2013, NAMA had overseen the sale of €10.6 billion worth of loans and property and other assets held as security, including the sale of over 10,000 individual properties in Ireland and Britain. And in 2013, for the third year in succession, despite a prudent impairment charge, we generated a profit on our activities.

I am pleased that NAMA was in a position to make a substantial contribution to the resurgence of activity in the Irish property market in 2013. We always said that we would make assets available to the market in line with its absorption capacity and, as demand picked up in 2013 and the market’s capacity increased, we responded accordingly. By end-February 2013, our cumulative sales in the Irish market had reached €900m; by end-February 2014, that had increased to a cumulative €2.3 billion. Our strategy in 2011 and 2012 proved, in retrospect, to have been strategically and commercially sensible: our strategy was to avoid force-feeding assets into a fragile Irish market, to allow prices to recover and, in the meantime, to focus on capturing and maximising the income that the assets produced.

During the first half of 2013, we completed the sale of our first major Irish loan portfolio to Starwood.

The pace of disposal activity has continued into the first quarter of 2014. Transactions which commenced in 2013 and completed in early 2014 included a loan portfolio of €373m par debt—Project Holly—which was secured by offices, hotels and land in Dublin and Meath. In early April 2014, we announced the sale of the Northern Ireland debtor portfolio (Project Eagle) which comprises loans with a par value of €4.6 billion. This highly complex transaction is expected to complete by mid-2014. There are also a number of other loan portfolios which are either currently on the market or due to come to the market over the course of the year.

Our expectation up to the third quarter of 2013 was that we would be in a position to repay another €7.5 billion of Senior Bonds by end-2016 (cumulatively €15 billion) and the remaining €15 billion of our Senior Bonds by 2020. The resurgence in Irish market activity in 2013 has created opportunities for us in terms of accelerating Irish asset disposals and the pace at which we can repay our Senior Bonds. We now anticipate that we may be in a position to complete our work some two years ahead of schedule. That foreshortened horizon also brings with it its own challenges.

Our primary commercial objective was set in Section 10 of the National Asset Management Agency Act, 2009 which requires that we obtain the best achievable financial return for the State from management of our acquired assets. This we have always interpreted to mean that, at minimum, we repay our €30.1 billion of Senior Bonds and our costs. I should emphasise that NAMA is self-financing and therefore is not, in any way, a drain on the Exchequer. The recent improvement in market conditions means that, in addition to the Senior Bonds, we can also aspire to repaying our €1.6 billion of subordinated debt and possibly returning a surplus to the Exchequer provided it is done in an orderly and phased manner, a strategy which has served us well to date.

Another major objective is to fulfil our commercial remit within the shortest feasible timespan. Of the €30.1 billion of the Senior Bonds that we originally issued, just under €20 billion was outstanding by the end of March 2014. This is a contingent liability of Irish taxpayers and part of our job is to remove that contingent liability progressively but in a commercially astute manner that does not threaten the viability of Ireland’s strong return to the international debt market.

We also need to continue to respond dynamically to the strong demand for Irish assets evident during the second half of 2013 and in the early part of 2014. I have already mentioned the recent escalation in our portfolio and loan sales activity. This has enabled us to redeem a greater amount of Senior Bonds than we had envisaged: we have already exceeded the €10 billion cumulative Senior Bond redemption target which we had set for end-2014 and I expect that we will make substantial additional Senior Bonds repayments by the end of the year. We hope to reduce the €20 billion in Senior Bonds (outstanding as at end-March 2014) towards the €15 billion level by end-2014.
FINANCIAL HIGHLIGHTS

Total cumulative cash generated

Cumulative disposal receipts

Cumulative NAMA bond redemptions

Operating profit before impairment

NAMA Loans and receivables (net of impairment)
PROGRESS IN 2013

NAMA continues to be profitable, making an operating profit, before tax and impairment charges, of €1,198m in 2013, an increase of 45% over 2012. NAMA reports a profit after impairment, tax and dividends of €211m.

€10.5 BILLION IN SENIOR BOND REDEMPTIONS
- NAMA achieved its end-2013 target of redeeming €7.5 billion of Senior Bonds relating to its existing portfolio. €2.75 billion was redeemed in 2013. In March 2014, NAMA redeemed a further €3 billion of Senior Bonds bringing total amount redeemed to €10.5 billion – 35% of NAMA’s Senior Bonds in issue.
- In addition, by end-March 2014, NAMA had redeemed €4.2 billion of the Senior Bonds issued in respect of the acquisition of the IBRC loan facility deed and floating charge.

€10.9 BILLION IN ASSET AND LOAN SALES COMPLETED
- From inception to end-2013, NAMA generated sales of €10.9 billion worth of loans, property and other assets held as security, including the sale of over 10,000 individual properties.
- During 2013, NAMA completed the sale of its first major Irish loan portfolio – Project Aspen, an €800m par debt portfolio secured entirely on Irish commercial property.
- The Agency had completed loan sales with a par debt value in excess of €3.9 billion by end-2013.

€15.1 BILLION IN CASH FLOWS
- From inception to end-2013, NAMA generated €15.1 billion in debtor receipts (asset disposals and non-disposal receipts) from its original loan portfolio, including €4.5 billion during 2013.
- In addition, NAMA received €1.4 billion in repayments from the IBRC Special Liquidators (‘IBRC SL) in 2013.

€1 BILLION IN DEVELOPMENT FUNDING
- NAMA has approved over €1 billion in development funding for projects in Ireland. Over €600m of this has already been drawn down.
- NAMA is committed to advancing total development funding of €2.5 billion for Irish projects over the period to end-2016.
- NAMA has advanced €373m in vendor finance to date and is committed to advancing up to €2 billion in total if required.

FACILITATING BUSINESS
- NAMA works closely with the IDA to identify suitable commercial properties to meet the requirements of foreign direct investment. Among such transactions in 2013 were the letting of 120,000 sq. ft. in Dublin’s Grand Canal Square to Facebook for its European headquarters and a number of substantial lettings in Burlington Plaza, Dublin.
- NAMA, through the deployment of working capital, is directly supporting 15,000 jobs in Ireland in trading businesses linked to its loans.
- NAMA is supporting employment in small and medium business in the retail sector through rent abatements and longer-term rent reliefs.

SOCIAL HOUSING
- NAMA is working closely with the DECLG and the Housing Agency to facilitate local authorities and housing bodies to purchase and lease properties for social housing.
- To date, 684 units have been delivered under this initiative and NAMA expects that another 400 properties will be taken up by local authorities and housing bodies in 2014. Another 900 residential units could potentially be delivered in 2015/16.