National Asset Management Agency

Annual Report
& FINANCIAL STATEMENTS
2015

Paying back debt

NAMA's primary commercial objective is to redeem all of its senior debt (€30.2 billion) before the end of 2018. To date, the Agency has exceeded its 80% senior debt redemption target for end-2016 (currently 81%).

Dublin Docklands SDZ

The Agency is making major progress in delivering up to 2,000 new apartments and 3.8m sq. ft. of commercial property space in Dublin Docklands. To date, construction is underway on sites that will deliver over 1.2m sq. ft. of commercial accommodation and 345 residential units.

Residential Delivery

NAMA could fund, subject to commercial viability, the delivery of 20,000 new residential properties in Dublin, the surrounding counties of Wicklow, Kildare and Meath and larger urban centres such as Cork and Galway over the next five years. Since 2014, the Agency has already funded the delivery of almost 2,800 units countrywide.

Contents

Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

12 May 2016

Mr. Michael Noonan T.D.
Minister for Finance
Government Buildings
Upper Merrion Street
Dublin 2.

Dear Minister,

We have the honour to submit to you the Report and Accounts of the National Asset Management Agency for the year ended 31 December 2015.

Yours sincerely,

Frank Daly
Chairman

Brendan McDonagh
Chief Executive

Key Strategic Objectives set by the NAMA Board

I

The Board's primary commercial objective is to redeem all of its senior debt (€30.2 billion) before the end of 2018. The Board also aims to redeem the NAMA subordinated debt (€1.593 billion) by 1 March 2020 and to generate a surplus by the time its work has been completed. It aims to meet all of its future commitments out of its own resources.

II

In order to meet its primary commercial objective (as at I), NAMA will 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.

III

NAMA will facilitate the delivery of Grade A office accommodation in the Dublin Docklands SDZ; it will contribute, not only in terms of project funding, if required, but also in bringing coherence, direction and drive to the delivery process.

IV

NAMA aims to facilitate the funding, on a commercial basis, of 20,000 new residential units, 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.

V

Subject to the primacy of its Section 10 commercial mandate but often complementing it, NAMA will seek to make a positive social and economic contribution across the broad range of its activities.

Key Financial Indicators 2015

Profit for the Financial Year

€1.8 billion

Senior Bond Redemptions

€5.5 billion in 2015

Cash Generation 2015

€9.1 billion

Disposal Receipts 2015

€8.5 billion

Senior Bond Redemptions (81%)

€24.6 billion

INCEPTION TO END-MARCH 2016

Key Business Highlights 2015

DUBLIN DOCKLANDS SDZ

Construction commenced

1.2m sq. ft.
345
apartments

Construction commenced on sites that will deliver 1.2m sq. ft. of commercial accommodation (mainly Grade A offices to meet demand from FDI and domestic employers) and 345 apartments.

Planning permission

1.7m
sq. ft.

Planning permission obtained for 1.3m sq. ft. of commercial accommodation, 226 apartments and a hotel. Planning applications have been lodged for an additional 430,000 sq. ft. of commercial accommodation and 446 apartments.

Pre-planning

900,000
sq. ft. and 965
apartments

Pre-planning processes underway for a further 900,000 sq. ft. of commercial accommodation and 965 apartments.

RESIDENTIAL DELIVERY PROGRAMME

2,800

Since 2014, NAMA has funded the construction of almost 2,800 new residential units in Ireland on residential development land securing its loan portfolio (of which 2,400 are in the Dublin area). An additional 3,000 units are under construction (of which 2,500 are in the Dublin area).

5,100

Planning permission has been granted for an additional 5,100 units (of which 4,200 are in the Dublin area).

5,000

Planning applications have been lodged for 5,000 units (of which 3,700 are in the Dublin area).

New applications will be lodged within the next 12 months for over 6,600 units (of which 5,200 are in the Dublin area).

SOCIAL HOUSING

6,635

Offered

By end-2015, NAMA had offered 6,635 residential properties for social housing purposes. 2,600 were accepted by local authorities.

2015

2,000

houses delivered by end-2015.

€260m+

Over €100m invested to remediate and complete properties and over €160m invested to purchase houses and apartments.

FACILITATING BUSINESS AND EMPLOYMENT IN IRELAND

IDA Ireland

NAMA is working with IDA Ireland and other State agencies to identify suitable properties for companies looking to establish or expand existing business operations in Ireland.

Rent Abatements

NAMA has approved rent abatements with an annual aggregate value in excess of €24.5m.

Economic Contribution

An important part of NAMA's work is to facilitate important transactions in the Irish property market that might not otherwise take place, including the identification of suitable properties for commercial, educational and health purposes.

Chairman's Statement

Mr Frank Daly
Chairman

NAMA was established by the Oireachtas in late 2009 as a major asset management agency, to take an enormous volume of property-related loans (€74 billion in par debt) from the banks as quickly as possible, to pay a market price for the loans which included a long-term value uplift and subsequently to achieve the best possible financial return for the State as expeditiously as possible. We are now close to achieving all that.

2015 marked another year of major progress in terms of fulfilling our statutory mandate. During the course of the year, we redeemed €5.5 billion of senior debt. That brought the total senior debt redeemed to the end of 2015 to €22.1 billion. Since then, we have redeemed another €2.5 billion which means that we have now exceeded our end-2016 target of redeeming 80% (€24 billion) of our senior debt.

That means that the contingent liability to Irish taxpayers represented by NAMA's senior debt has fallen to less than a fifth of its original scale. There is now just €5.6 billion remaining and our commercial objective now is to redeem all of this by 2018 and our subordinated debt of €1.6 billion by 2020. In addition, subject to current conditions being sustained, we expect to produce a surplus of up to €2.3 billion by the time we finish our work.

Our accelerated debt redemption programme has been highlighted by the credit ratings agencies as a factor in their decisions to upgrade Ireland's sovereign credit ratings. Those upgrades, in turn, have contributed to a reduction in Ireland's borrowing costs. NAMA's performance therefore has a direct impact on the economic success of the State.

It is too easy from the vantage point of 2016 to forget how stagnant the market was in the years from 2009 to 2012 and how much progress has been made since then. As far as the Irish property market was concerned, there was little or no investment activity. The only investors appearing on the scene were those looking to benefit from fire sales of Irish assets. The banks were seeking to reduce, not increase, their exposure to the property sector.

NAMA's first task was to try to stabilise the situation. We re-kindled activity by releasing transactions into the market at a rate that the market could absorb. That involved the sale of €1 billion of Irish assets between 2010 and 2012. As recovery gained momentum, we were able to expand the flow of transactions so as to tap into increasing investor interest in Irish assets, particularly after the completion of the Troika programme in late 2013. In the absence of such a stimulus from NAMA-related transactions, I am convinced that market recovery would have been sluggish, prolonged and fitful.

Over the past seven years, NAMA has had to negotiate a delicate balance in terms of its disposal strategy for Irish assets. Sell too quickly and the taxpayer ends up with a substantial contingent liability. Sell too slowly and the market recovery to normality is prolonged and sluggish. I believe that we got that balance largely right.

Now, in the spring of 2016, the commercial market is again, by and large, functioning as a normal market should. Our involvement will reduce progressively over the coming year. We will look to maximise the disposal value, and oversee the sale, of the remaining assets under the control of our debtors and receivers. By next year, or 2018 at latest, we expect to have completed our deleveraging work and will have repaid the senior debt as we were asked to do in 2009.

Against that much-changed background, we have been looking closely at two sectors where there are emerging supply shortages – prime office space in Dublin and housing in the major urban areas – and assessing whether we can contribute to addressing these shortages, subject to our overriding commercial mandate.

In response, we have made major progress in advancing the development of sites within the Dublin Docklands Strategic Development Zone (SDZ) which are under the control of our receivers and which can ultimately deliver 3.8m square feet of commercial space and about 2,000 residential units. Construction has started on sites which are expected to deliver about a third of that commercial space (work has already completed on nearly 50,000 sq. ft.), planning permission has been obtained for another third and planning permission has been sought or pre-planning work is underway on the remaining third.

As regards much-needed housing delivery, we consider that our debtors and receivers could potentially deliver 20,000 residential units before the end of 2020 and we have put in place arrangements designed to facilitate maximum delivery over that period, subject again to commercial criteria. As I write this, we have already funded the delivery of almost 2,800 units countrywide since 2014.

The development of the Docklands SDZ and the funding of much-needed housing are good examples of NAMA making a major social and economic contribution while still abiding by the commercial mandate set for it by the legislature. This is also evident in our contribution to the delivery of social housing which saw us meeting our target of delivering 2,000 homes by the end of 2015.

Much has been achieved over the past seven years. The years ahead present a different set of challenges to those faced by Ireland when NAMA was established in 2009. We have been asked, while adhering to our overriding commercial mandate, to make a contribution to addressing those newer challenges, particularly in the area of housing, and we have committed ourselves wholeheartedly to doing what we can.

I thank my colleagues on the Board, the Chief Executive, the Executive team and the staff of NAMA for the dedication and hard work which produced such a successful year for us in 2015.

Chief Executive's Statement

Mr Brendan McDonagh
Chief Executive

The Chairman has referred to the progress made on the redemption of NAMA's senior debt, particularly over the past two years. That progress has been made possible by a major programme of asset sales activity on the part of our debtors and receivers and by a number of major loan sales. We generated €9.1 billion in cash during 2015, including €8.5 billion from loan and asset sales. The total cash generated from inception to end-2015 was €32.7 billion and another €1.3 billion has been generated in the first quarter of 2016.

The principal disposal transactions in 2015 were Project Jewel (loans secured by a number of prominent retail assets, including Dundrum Town Centre) and Project Arrow, a granular portfolio of loans held by approximately 300 smaller debtor connections and secured against more than 1,800 assets. Our sales programmes are rigorous and competitive and are designed to attract interest from bidders best placed to pay the highest price achievable for any particular asset or portfolio. Many countries now look to NAMA as an example of international best practice in working out problem loans and implementing complex multi-billion euro deleveraging programmes in a diligent, professional and effective manner.

I am pleased to report that a substantial profit of €1.8 billion was generated in the 2015 financial year. Part of this profit arose due to once-off factors which are unlikely to be repeated. A significant part of it is also entirely attributable to the work put in by NAMA since acquisition through asset management and corporate finance work on the loans and assets prior to major asset disposals in 2015. Part of it is also attributable to the underlying recovery in the Irish market which has enabled us to achieve strong pricing on many of our sales.

2016 is likely to be a year of transition for NAMA. The debtor management and asset disposal activity which has been our major focus to date will reduce in scale given that we are at an advanced stage in our deleveraging. We have exceeded our 80% senior debt redemption target for end-2016. Increasingly our focus will be on the delivery of commercial and residential accommodation in the Dublin Docklands Strategic Development Zone (SDZ) and housing in the larger urban areas. We have established a new Residential Delivery division to drive and oversee the residential programme and we have put in place a specialist team to manage the Docklands' programme.

Our primary objective with these two major programmes is to enhance the return that our debtors and receivers can generate from their assets so as to maximise our recovery on the original loans. In line with our obligations under Section 10 of the NAMA Act, all projects will be required to pass a stringent commercial viability threshold before we can approve funding.

The Docklands development programme will require total funding of €1.9 billion although we expect that a significant portion of this will be advanced by the various partners and third parties who will work with us on particular sites. The residential programme is expected to require total funding of €5.6 billion with peak funding of €1.8 billion. Likewise, we will seek to de-risk this programme through working with JV partners interested in the co-funding and construction of projects. NAMA will consider all viable options including the provision of development funding, co-funding with other lenders or establishing project-specific joint ventures with major investment or construction groups.

A priority for us is to ensure that the two development programmes do not affect our plan to redeem all of our senior debt by 2018 and our subordinated debt by 2020. Our current projections indicate that there will be no such disruption; in fact, the programmes are expected to increase our projected terminal surplus (currently estimated within a range of €1.6 billion to €2.3 billion). The two programmes will not only enhance NAMA's commercial return on its acquired assets but will also make a major contribution towards meeting shortages in prime office and residential supply, particularly in the Dublin area.

Our intention up to recently was to complete our work by 2018 and, on that basis, we had introduced a redundancy programme which would have seen NAMA reducing its headcount to 292 at the end of 2015 and to 125 at the end of 2016, with additional reductions planned for 2017 and 2018. At the end of 2015, some 50 of our staff left under the redundancy programme.

The original redundancy schedule has now been modified to accommodate the staffing needs of the expanded residential delivery programme. Overall, NAMA is still in wind-down mode and we expect therefore that additional redundancies will take place in each of the coming years but it will be on the basis of phased departures out to 2020 rather than 2018 as originally envisaged. The redundancy programme has been helpful to date in stemming the volume of staff departures at a time when an uncontrolled exodus would have been seriously damaging to our business. Nonetheless, we simply do not have the necessary flexibility in terms of remuneration to compete with the remuneration packages on offer in a rapidly recovering market and therefore we remain vulnerable to the loss of key specialist staff. This has been a recurring feature of our operation to date and will, in all probability, continue to be so in the future.

NAMA's success is all down to the dedicated people involved. The enormous progress made in 2015 could not have been achieved without the major commitment and contribution of the Board, the Board Committees, the Executive team, the staff assigned to NAMA and to those within the wider NTMA who also contributed. We look forward in 2016 to making strong progress not only in further reducing our debt but also on facilitating the delivery of new residential and office supply.

Business Review Highlights

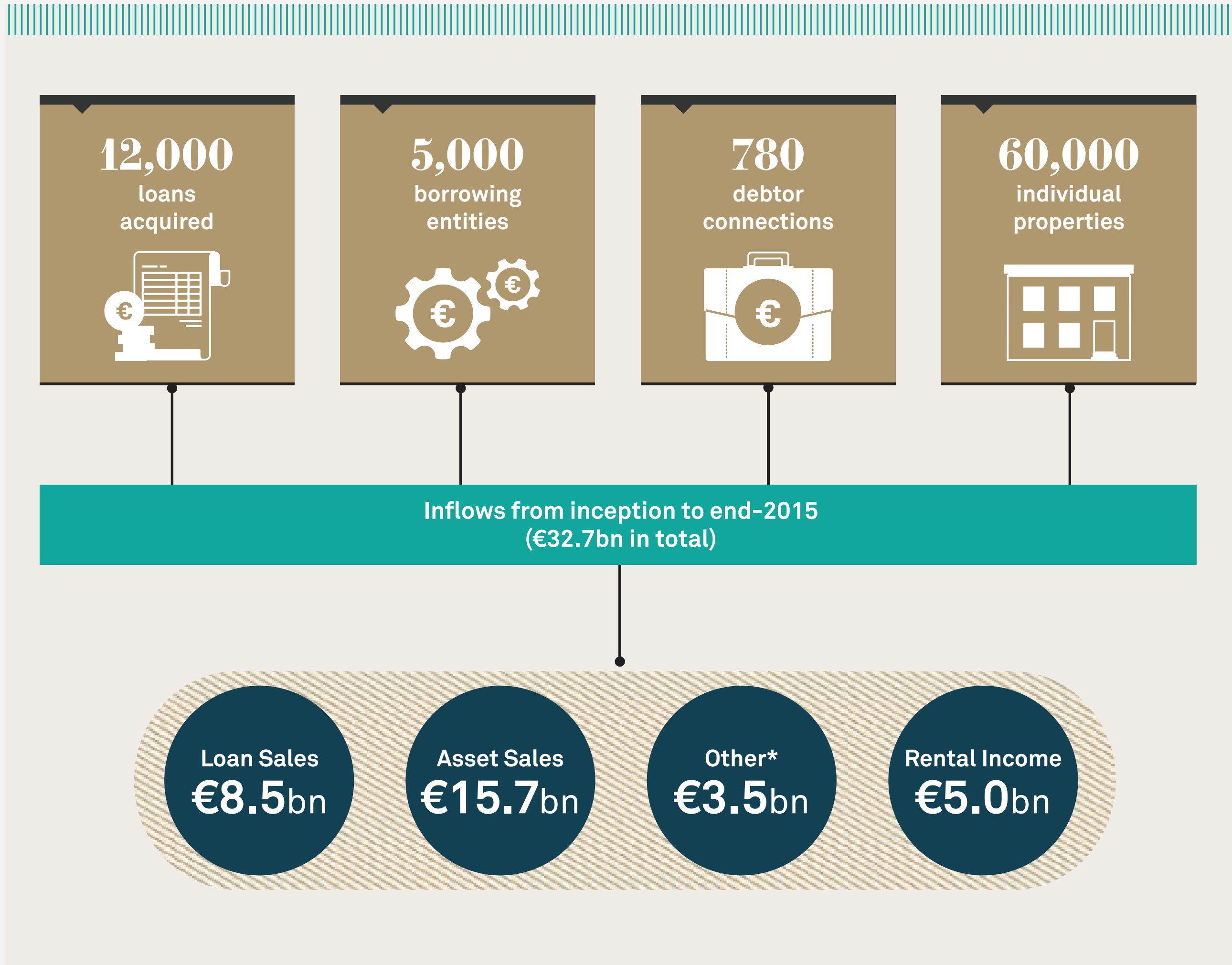
Debtor Engagement Highlights

At inception, NAMA acquired loans with balances of €74 billion and with a current market value of €26.2 billion at acquisition. In accordance with the European Commission's valuation methodology, NAMA paid €31.8 billion for these loans, including €5.6 billion in State Aid to the five Participating Institutions.

Furthermore, NAMA acquired loans valued by reference to a property collateral valuation date of 30 November 2009. As a result, NAMA absorbed losses arising from the 25%-30% decline in Irish property values over the following four years up to the end of 2013. It is estimated that this market decline reduced the value of the loans by another €4 billion which was additional to the €5.6 billion in State Aid.

Through its engagement with debtors and receivers, NAMA is on track to recover all of the €31.8 billion it paid to the banks, including the €5.6 billion in State Aid, and to generate a surplus for the Exchequer.

- Following acquisition of the loans, NAMA directly managed the engagement with the largest debtor connections, and delegated day-to-day management of smaller debtor connections, within specified delegated authority limits, to the Participating Institutions.
- NAMA's preferred approach is to work consensually with debtors to maximise debt repayment. Where this is not possible, NAMA takes whatever action is necessary to ensure that the interests of taxpayers are protected to the greatest extent legally possible.



**Unencumbered assets, Non Real Estate assets, Loan Redemptions*

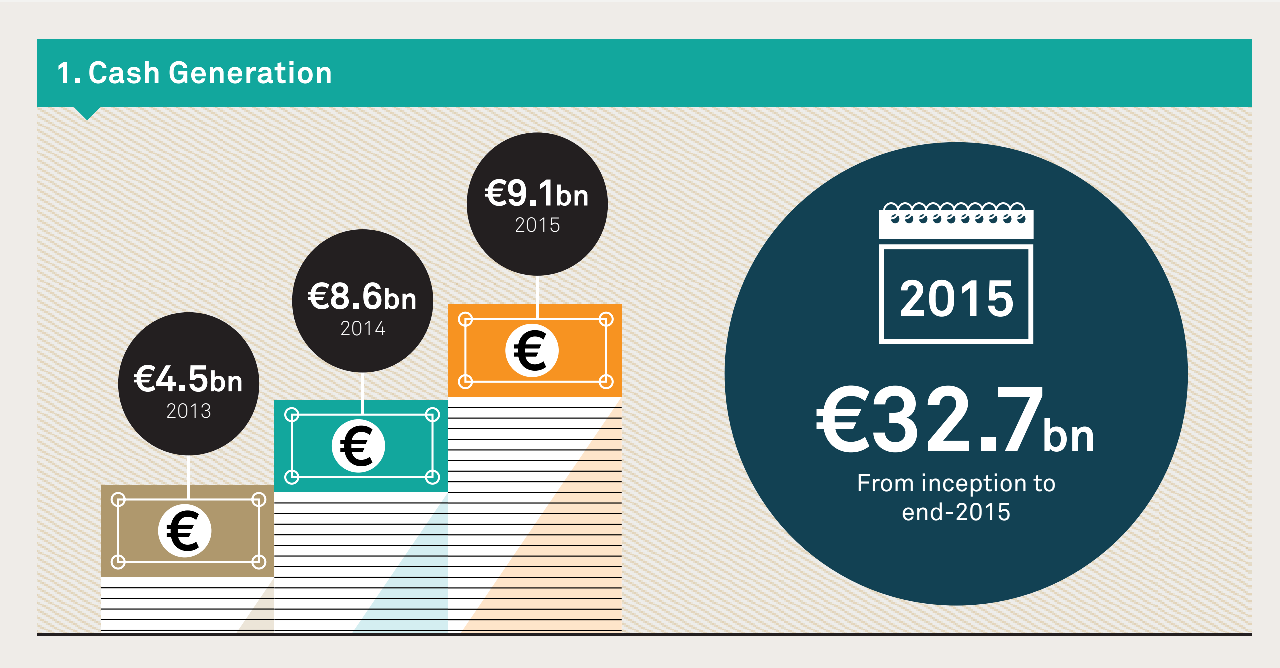
Business Review (continued)

NAMA Market Highlights

1. Cash Generation

NAMA is ahead of target on its senior debt redemption schedule because of its strong cash performance – over €34 billion to end March 2016 through asset and loan sales and €5 billion in non-disposal, mainly rental income.

Well-planned asset sales in the British and Irish markets and a focus on maximising income from debtor assets have been key to this strong cash generation.

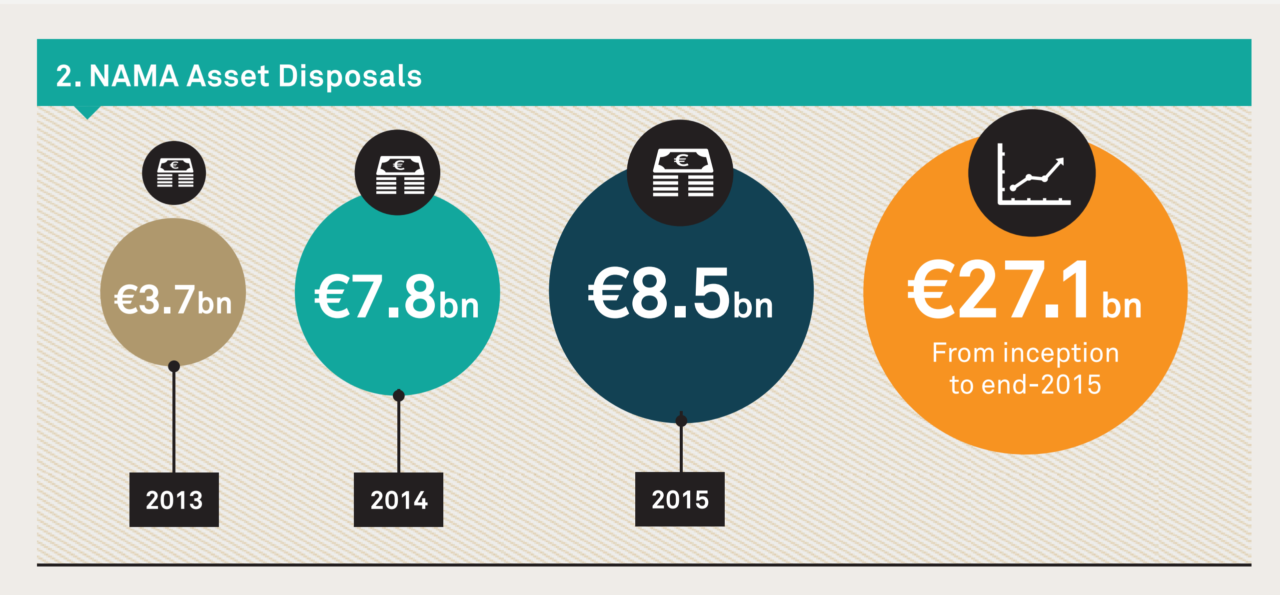


2. NAMA Asset Disposals

Asset Sales

Section 10 of the NAMA Act 2009 sets out NAMA's mandate which is to obtain the best achievable financial return for the State, deal expeditiously with the assets acquired by it and to protect or otherwise enhance the value of those assets.

This requirement to act expeditiously meant that NAMA could not have adopted a long term holding strategy which would have involved awaiting some optimum price level at some indeterminate point in the future before disposing of the assets. It has had to respond pragmatically to market conditions and to take advantage of opportunities to sell assets where demand and price conditions are favourable.



NAMA actively instigated a programme of asset sales by its debtors in Britain in the period 2010 to 2012 when conditions were strong in that market. Likewise NAMA responded actively when conditions in the Irish market improved significantly in more recent years.

Asset and Loan Sales by Location

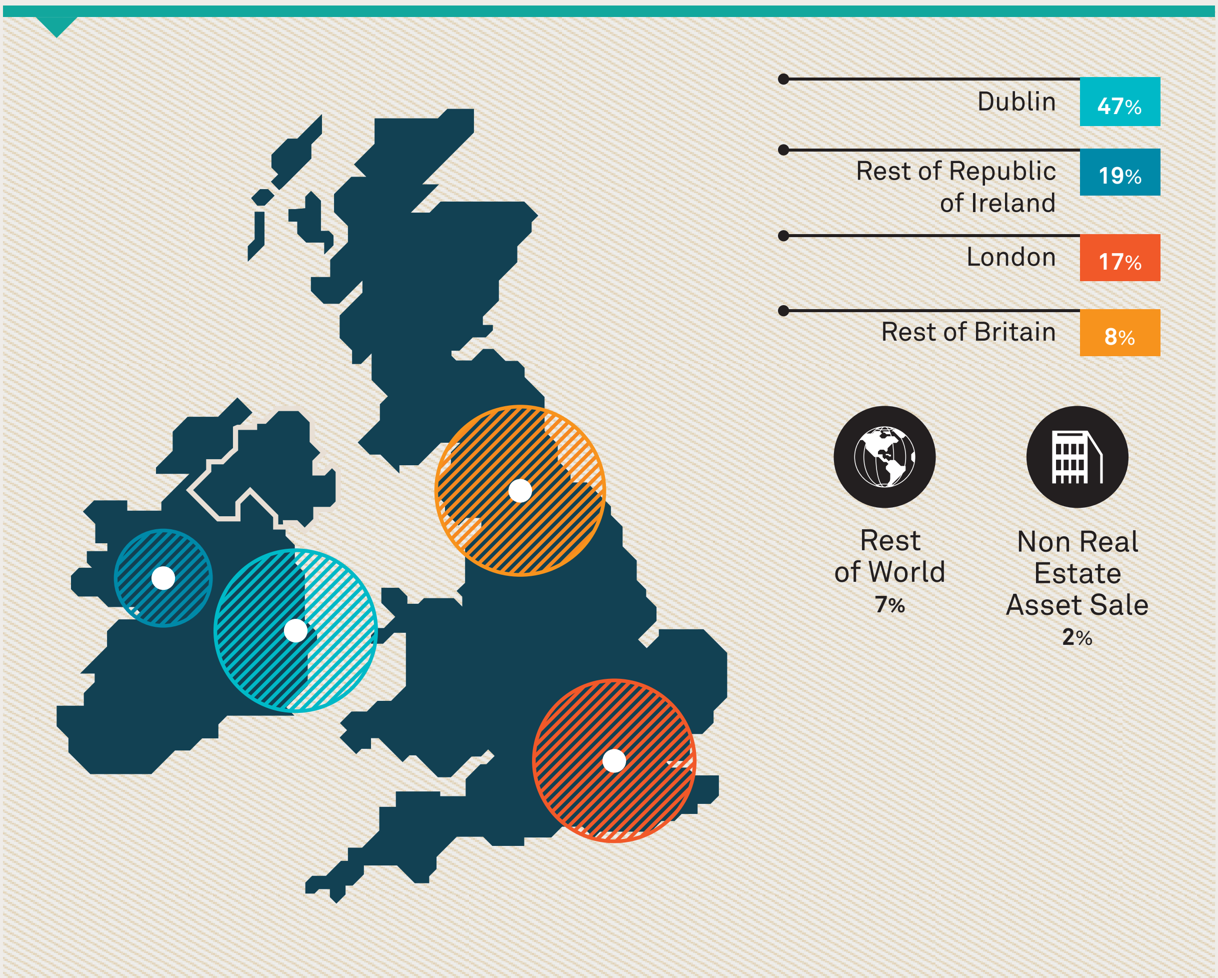
In each of its main markets NAMA's approach has been to release assets for sale in a phased and orderly manner that is consistent with the level of demand, the availability of credit and the absorption capacity of each market.

As a result of that strategy, Britain accounted for almost 80% of all NAMA disposals between 2010 and 2012. Ireland, by contrast, accounted for just 12% of disposals during that period. That approach meant that the Irish market was not overwhelmed with supply at a time when its absorption capacity was low.

In Ireland, NAMA placed a major emphasis on asset management to enhance the future disposal value of the collateral securing its loans, most notably by working with debtors and receivers to complete unfinished projects, to fund viable commercial and residential development and to enhance planning permissions and remove other obstacles to development. During the period from 2010 to 2012, when there was little other activity in the Irish market, NAMA invested over €600 million in the property sector.

The strong recovery in the Irish market over the past two years has enabled NAMA to increase significantly the volume of assets being offered for sale. Reflecting this, of the €8.5 billion in disposal receipts in 2015, 66% or €5.6 billion was generated from the sale of Irish properties and loans.

Disposals by Location 2015



Business Review (continued)

Asset and Loan Sales by Sector

A breakdown of disposals by sector for 2015 is shown adjacent. This breakdown underlines the diversity of NAMA's portfolio with four sectors (retail, residential, office and land and development) each accounting for more than 15% of total disposal proceeds in 2015.

Asset and Loan Sales by Transaction Type

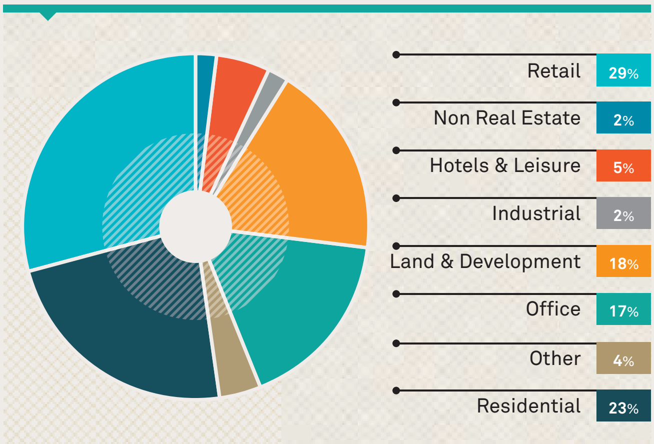
NAMA has taken advantage of increased investor interest in Irish commercial assets over recent years by creating portfolios of loans and property assets for sale. This can be seen in the higher proportion of property portfolio and loan portfolio sales over the past two years.

To sustain the positive momentum in the Irish market, NAMA has phased its disposal activity to ensure a regular flow of transactions to the market which in turn has provided greater clarity to potential investors, thus sustaining the interest of potential bidders and, through more competitive pricing, increasing the return to the State.

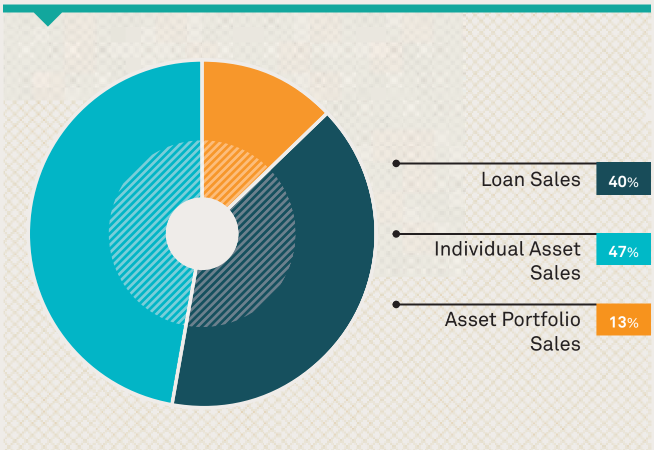
Residential property, on the other hand, has largely been sold in individual sales to individual buyers. Reflecting this, in its capacity as a secured lender, NAMA has approved the sale by debtors and receivers of 12,781 residential property units since inception. 88% (11,219 of the 12,781 units) of the units were sold on the open market by NAMA debtors and receivers in individual sales transactions to individual house buyers.

The remaining units, 1,562 units (12% of the total) were sold on the open market by NAMA debtors and receivers as part of larger group or portfolio sales. The properties that were sold in groups or portfolios were typically already tenanted and vacant possession was not sought prior to the sale.

Disposals by Sector 2015



Disposals by Transaction Type 2015



NAMA has approved the sale by debtors and receivers of 12,781 residential property units since inception. 88% of the units were sold in individual sales transactions to individual house buyers.

NAMA'S APPROACH TO SELLING LOANS SECURED ON RESIDENTIAL PROPERTY

1. When it offers loans for sale, NAMA discourages debtors and receivers from seeking vacant possession of the residential properties that secure the loans. This ensures that there is minimal disruption to tenants in these properties. These loans are generally acquired by investors seeking long-term rental streams, rather than seeking to sell properties in the short-term and therefore existing tenancy arrangements tend not to be adversely affected by NAMA loan sales.

   In addition to securing existing rental supply, these loan sales have added to overall residential supply as the proceeds from the loan sales have been used to fund new residential construction. NAMA's funding for residential development is detailed elsewhere in this Annual Report.

2. Before any loan sale, NAMA reviews the assets of the debtors concerned in order to establish if their properties could be used for residential development.

   For example, prior to marketing the sale of NAMA's Ruby and Emerald portfolios in March 2016, NAMA removed 16 debtor connections from the proposed loan sale as it identified properties owned by these debtors that could be used to deliver additional residential supply on a commercial basis, funded by NAMA. These sites will contribute to the achievement of NAMA's stated commercial objective of funding the construction of 20,000 new homes in Ireland by 2020. NAMA adopted the same approach prior to marketing the Project Arrow portfolio in 2015.

3. In addition, prior to the sale of loans linked to residential property, NAMA reviews the potential of the underlying properties for delivery of social housing. In cases where local authorities indicate that certain residential units are suitable for social housing, the loans concerned are withdrawn from the sale e.g. 425 properties were removed from the Project Arrow loan sale for onward leasing or direct sale to local authorities and approved social housing bodies.

Business Review (continued)

Examples of NAMA Property Portfolio Sales in 2015

Rockbrook Estate
Completed January 2015

- Investment and development opportunity in Sandyford, Dublin 18.

Tara Collection
Completed May 2015

- Dublin office collection comprising approx. 350,000 sq. ft. over four separate buildings.

Plum Collection
Completed May 2015

- Six separate residential developments across Dublin.

Harvest Collection
Completed June 2015

- Four shopping centres comprising approx. 184,000 sq. ft.

Crystal Collection
Completed July 2015

- Seven hotels with a total of 830 bedrooms.

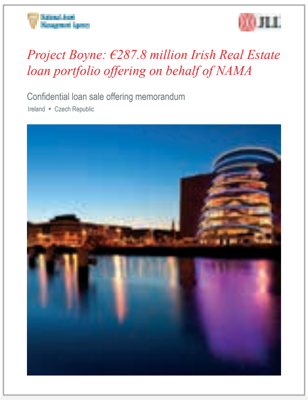
Bank Portfolio
Completed October 2015

- A total of 12 bank branches located in Dublin city centre and surrounding areas.

Examples of NAMA Loan Portfolio Sales in 2015

Project Boyne

- Circa €300m par debt, single connection portfolio secured on Irish office and retail assets, which was sold to Deutsche Bank in Q1 2015.



Project Albion

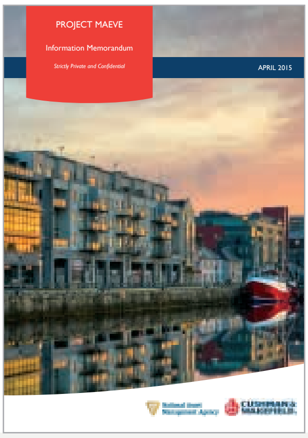
- Circa £250m par debt, multi-connection portfolio secured primarily on British assets, which was sold to Oaktree in Q3 2015.

Project Arch

- Circa €600m par debt, multi-connection portfolio secured on various assets including a number of prominent Irish hotels, which was sold to Deutsche Bank in Q3 2015.

Project Maeve

- Circa €800m par debt, single connection portfolio secured mainly on Irish based assets, which was sold to Deutsche Bank in Q3 2015.



Project Jewel

- Circa €2.6 billion par debt portfolio secured on Irish assets, predominately retail, incorporating Dundrum Town Centre and a 50% ownership interest in a number of other shopping centres, which was sold to Hammerson PLC and Allianz Real Estate GmbH in Q4 2015.

Project Arrow

- Circa €6.2 billion par debt granular portfolio, secured on assets predominantly located in Ireland and Britain, which was sold to Cerberus in Q4 2015.

Business Review (continued)

Development Funding Highlights

NAMA's strategic planning is focused not only on the disposal of property but also on investment in assets so as to make them more attractive to purchasers and thereby enhance their ultimate disposal value. Since its inception, NAMA has, in this context, advanced substantial development funding for Irish projects and expects to approve substantial additional funding, on a commercial basis, for new Irish projects over the period to end-2020. The particular focus of this funding will be the delivery of new houses and apartments in the larger urban areas and new Grade A office accommodation in the Dublin Docklands in response to the emerging needs of the Irish economy.

NAMA may fund, subject to commercial viability, the delivery of 20,000 new residential properties in Dublin, the surrounding counties of Wicklow, Kildare and Meath and large urban centres such as Cork and Galway over the next five years. It also aims to facilitate the delivery of substantial new office accommodation in the Dublin Docklands, where the Agency holds an interest in approximately 75% of the developable land area of 22 hectares, in response to demand from both Foreign Direct Investment (FDI) and domestic employers. If required, NAMA's peak funding outlay across these two funding programmes could be of the order of €2.5 billion; however, NAMA is open to joint venture and other partnership arrangements which could involve other parties meeting at least some of that funding requirement.

1. Dublin Docklands SDZ

A core objective of NAMA's development activity is to facilitate the delivery of office accommodation within the Dublin Docklands SDZ area.

Docklands SDZ Scheme

The North Lotts and Grand Canal Docks area of the Dublin Docklands was designated as a SDZ in December 2012 and the Docklands SDZ scheme was approved by An Bord Pleanála in May 2014.

Development Space

NAMA has an interest in 15 of the 20 development blocks and has developed detailed strategies for each of these blocks.

Commercial & Residential Space

It is estimated that up to 3.8m sq. ft. gross of commercial space and some 2,000 apartments could potentially be delivered if all the sites in which NAMA has an interest were to be fully developed over the lifetime of the Dublin Docklands SDZ scheme.

Planning and Construction Progress to date

Pre-planning 900,000 sq.ft.

900,000 sq.ft. Commercial
965 Residential Units

- Spencer Dock – Phase 2
- 10-12 Hanover Quay
- Waterways Ireland – Block 19
- Mayor St – Block 3
- North Wall Quay – Block 9

Planning submitted 430,000 sq.ft. (Not yet granted)

430,000 sq.ft. Commercial
446 Residential Units**

- Project Wave – Phase 2
- Wintertide – Block 5

Planning granted 1.3m sq.ft. (not under construction)

1.3m sq.ft. Commercial*
226 Residential Units
169 Bedroom Hotel

- 76 Sir John Rogerson's Quay
- Wintertide – Block 10A
- Spencer Dock – Phase 1
- EXO Building Point Village
- City Quay

Construction commenced 1.2m sq.ft.

1.2m sq.ft. Commercial
345 Residential Units

- Boland's Quay
- Capital Dock
- 5 Hanover Quay
- Project Wave – Phase 1

Construction completed 47,500 sq.ft.

47,500 sq.ft. Commercial

- 8 Hanover Quay

** Including City Quay*
*** Including 285 residential unit equivalent in the form of student accommodation*

Construction Commenced

1 Boland's Quay

A NAMA-appointed receiver controls this mixed use development. Planning permission was granted in July 2015 for a 330,000 sq. ft. gross commercial development (including a cultural element), 41 residential units and ancillary space. Demolition works commenced in September 2015 with the main construction due to commence in Q3 2016.

2 Capital Dock

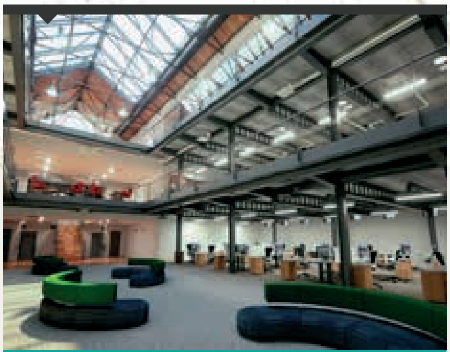
NAMA holds a minority shareholding in this development with Kennedy Wilson. It is structured as a QIAIF and authorised by the Central Bank of Ireland. Planning permission was granted in October 2015 for 403,000 sq. ft. gross commercial accommodation (including a cultural element) and 200 apartments. Enabling/basement works commenced in December 2015.

3 5 Hanover Quay

The property is owned by South Dock Fund, an ICAV that is authorised by Central Bank of Ireland. NAMA is a minority shareholder in this fund. Planning permission was granted in April 2015 for 205,000 sq. ft. gross commercial space and 100 residential units. The residential portion of the site was recently sold to Cairn Homes. Enabling and de-contamination works commenced in December 2015.

4 Project Wave

Oxley Holdings Ltd acquired a long leasehold interest from NAMA with the right to develop, manage and realise the site. NAMA retains the freehold interest and will receive a secure income stream in addition to a percentage of any future sales proceeds. Planning was granted in November 2015 for Phase 1 comprising of an office building of 304,000 sq. ft. gross. Construction works commenced December 2015.



5 8 Hanover Quay

This property was developed by City Development Fund, an ICAV that is authorised by Central Bank of Ireland. NAMA is a minority shareholder in this fund. The building comprising 47,500 sq. ft. gross is completed and has been let to a US corporation, Airbnb. The completed property has been sold to BNP Paribas Real Estate Investment Management.

Infrastructure Works/New Road: New and supporting infrastructure is an important element of the Docklands SDZ. The Planning Scheme requires the provision of a new road connecting Sheriff Street Upper and North Wall Quay adjacent to the Point Village Hub. Planning permission for this road was granted in November 2015. Construction of the NAMA funded road is due to commence shortly and will be completed later this year. The new road will facilitate commercial and residential development in an area where the various adjoining sites are under the control of NAMA receivers.

Planning/pre-planning works continue on the remaining sites and a dedicated team in NAMA together with NAMA's receivers and investment partners work closely with Dublin City Council as Development Agency to deliver on the objectives of the SDZ Planning Scheme.

Business Review (continued)

2. Residential Delivery

Residential Development Land

NAMA's loans are secured by approximately 2,800 hectares of residential development land in Ireland. This land is owned by NAMA debtors or, in the case of enforcement, is managed on behalf of debtors by duly appointed insolvency practitioners.

Section 10 of the NAMA Act requires NAMA to obtain the best financial return for the State, deal expeditiously with the assets acquired by it and protect or otherwise enhance the value of those assets. In line with this, NAMA is working with debtors and receivers to identify, where commercially feasible, opportunities to bring forward new residential development on this land. In this respect, NAMA has indicated that it aims to facilitate the construction of up to 20,000 new residential units in Ireland by 2020, subject to commercial feasibility. This equates to approximately one-fifth of expected demand for housing over that period. Notwithstanding this significant contribution, other sources of new output will also be required.

Reflecting both demand and economic viability, over 90% of the potential delivery will be in Dublin and the neighbouring counties of Wicklow, Kildare and Meath and there will be a particular focus on the starter home market.

In some areas within Dublin and in the wider Dublin area, development remains unviable for commercial, planning and infrastructural reasons, with the latter being a major issue in certain areas in which development might otherwise be economically viable.

Outside of the Dublin area, there are very substantial commercial, planning and infrastructural barriers to new development. Much of the development land within NAMA's portfolio outside the major urban areas is not commercially viable to develop at current sales prices and in addition requires substantial progress by public authorities in terms of putting in place the necessary planning frameworks and addressing public infrastructure deficits, for example, roads, water, sewerage, transport and schools.

Breakdown by county of residential development land controlled by NAMA debtors and receivers as of April 2016.

County	Sum of Area (Hectares)
Carlow	13
Clare	5
Cork	620
Donegal	4
Dublin	1,173
Galway	48
Kildare	204
Kilkenny	33
Laois	30
Leitrim	6
Limerick	115
Louth	13
Mayo	11
Meath	100
Monaghan	5
Offaly	12
Roscommon	5
Sligo	5
Waterford	57
Westmeath	77
Wexford	30
Wicklow	240
GRAND TOTAL	**2,806**

Residential Delivery Funding

Delivery of 20,000 residential units by end-2020 subject to commercial viability

NAMA's Residential Delivery Progress to date

Units	Greater Dublin Area	Total Ireland
Completed (across 58 developments) since start 2014	2,466	**2,768**
Under Construction (across 40 developments)	2,534	**3,096**
Planning Permission Granted (across 39 developments)	4,296	**5,176**
Planning applications lodged	3,760	**5,066**
Planning applications to be lodged within 12 months	5,228	**6,627**

22,733
units

22,733 units completed/ under construction/ planning granted, lodged or about to be lodged.

32,951
units

Another **32,951 units** are at the pre-planning stage or feasibility stages – some of these sites have specific infrastructural requirements such as roads, water and sewerage that will need to be addressed by local authorities and other State bodies.

21,700
units

Since the beginning of 2014, NAMA debtors and receivers have sold sites with the potential to deliver some **21,700 units**; 1,217 units have been delivered on these sites to date.

Breakdown of units delivered to date

	Total Built to date
Fingal County Council	491
Dublin City Council	432
South Dublin County Council	807
Dun Laoghaire Rathdown County Council	455
Sub-Total	**2,185**
Louth	10
Meath	70
Kildare	127
Wicklow	74
Total Greater Dublin Area	**2,466**
Cork	154
Galway	42
Rest of Ireland	106
Outside of Greater Dublin Area	**302**
NATIONAL TOTAL	**2,768**

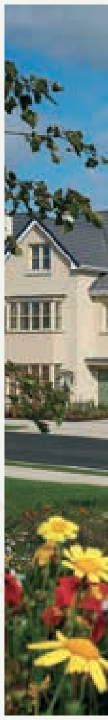
Examples of NAMA funded housing delivery

01	**COILL DUBH** Broomfield, Malahide, Co. Dublin
02	**HONEYPARK** Dun Laoghaire, Co. Dublin
03	**BRACKEN PARK** Castleknock, Dublin 15
04	**MILLER'S GLEN** Swords, Co. Dublin
05	**MAOILÍN** Ballymoneen Road, Co. Galway
06	**CASTLEPARK** Maynooth, Co. Kildare
07	**PIPER'S HILL** Naas, Co. Kildare

01

02

03



04

05

06

07

Business Review (continued)

Social and Economic Contribution

In the context of its overriding commercial mandate, NAMA seeks to manage its portfolio in Ireland in a manner that complements the objectives of other public bodies, including Government departments, State agencies and local authorities. This has been particularly evident in the areas of social housing and in the resolution of unfinished housing estates.

1. Social Housing

Throughout 2015, NAMA continued to work closely with the Department of the Environment, Community and Local Government (DECLG) and the Housing Agency in seeking to match the residential stock held by its debtors and receivers with the requirements of local authorities for social housing.

Social Housing Programme

2,000 delivered to date

NAMA achieved its **end-2015 target of delivering 2,000 houses and apartments for social housing**. The 2,000 units equate to more than one-third of the total of 5,700[1] Part V social housing units delivered in Ireland between **2002 and 2011**.

Houses & Apartments

6,635 offered

Since the start of 2012, NAMA has **identified over 6,635 houses** and apartments, controlled by its debtors and receivers, as available for social housing. **2,590 of these units have been confirmed as suitable by local authorities**.

NAMA's commitment

€160 million

NAMA has invested €160m through its special vehicle, NARPSL, to purchase houses and apartments from its debtors and receivers and to lease them directly to local authorities and approved housing bodies.

€100million

€100m has been funded by NAMA (to date) in completing properties, remedying previous building defects and ensuring compliance with Site Resolution Plans and / or Multi-Unit Development legislation, as part of NAMA's social housing programme.

135 individual transactions

The delivery of the 2,000 units has involved 135 individual transactions across 18 counties and has involved significant co-operation between various stakeholders.

1 *The total acquisitions of social housing units under Part V amounted to 5,744 units over the period 2002-2011 inclusive. (http://www.environ.ie/en/Publications DevelopmentandHousing/Housing/FileDownLoad,33908,en.pdf)*

Determining the suitability of properties for social housing

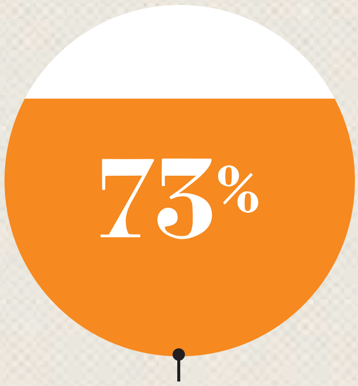
The onus for determining the suitability of properties for social housing purposes rests with the local authorities and the Housing Agency. An important consideration for local authorities when assessing the suitability of identified houses and apartments is the requirement to provide for an appropriate mix of housing tenures and to avoid undue housing segregation within individual developments and wider residential areas. Where suitability of a property has been determined and terms have been agreed for delivery, NAMA has funded its debtors or receivers to complete the properties to ensure all units delivered are in full compliance with relevant planning and building legislation.

Once the suitability of a property has been confirmed, NAMA facilitates contact and negotiation between its debtor or receiver and a local authority or Approved Housing Body to acquire the property. Contractual arrangements can take the form of direct purchase or by way of long-term lease through NAMA's special purpose vehicle – National Asset Residential Property Services Limited ('NARPSL').

NARPSL was established by NAMA as a means of expediting the provision of social housing. It operates by purchasing properties from NAMA's debtors and receivers and making them immediately available to local authorities or Approved Housing Bodies by way of a standard long term lease agreed with the DECLG.

2015 key facts

In 2015, there was an 87% increase in delivery as projects were completed and more Approved Housing Bodies engaged with the NARPSL leasing model. The NARPSL leasing model has been a significant source of residential unit delivery for many of the larger Approved Housing Bodies in recent years.



73% of social housing properties delivered by NAMA in 2015 were through NARPSL which highlights the importance of the role of this mechanism. It is unlikely that these units would otherwise have been delivered due to the lack of capital funding available to local authorities and Approved Housing Bodies.

Examples of properties delivered for social housing in 2015 through NAMA's social housing SPV, NARPSL include:

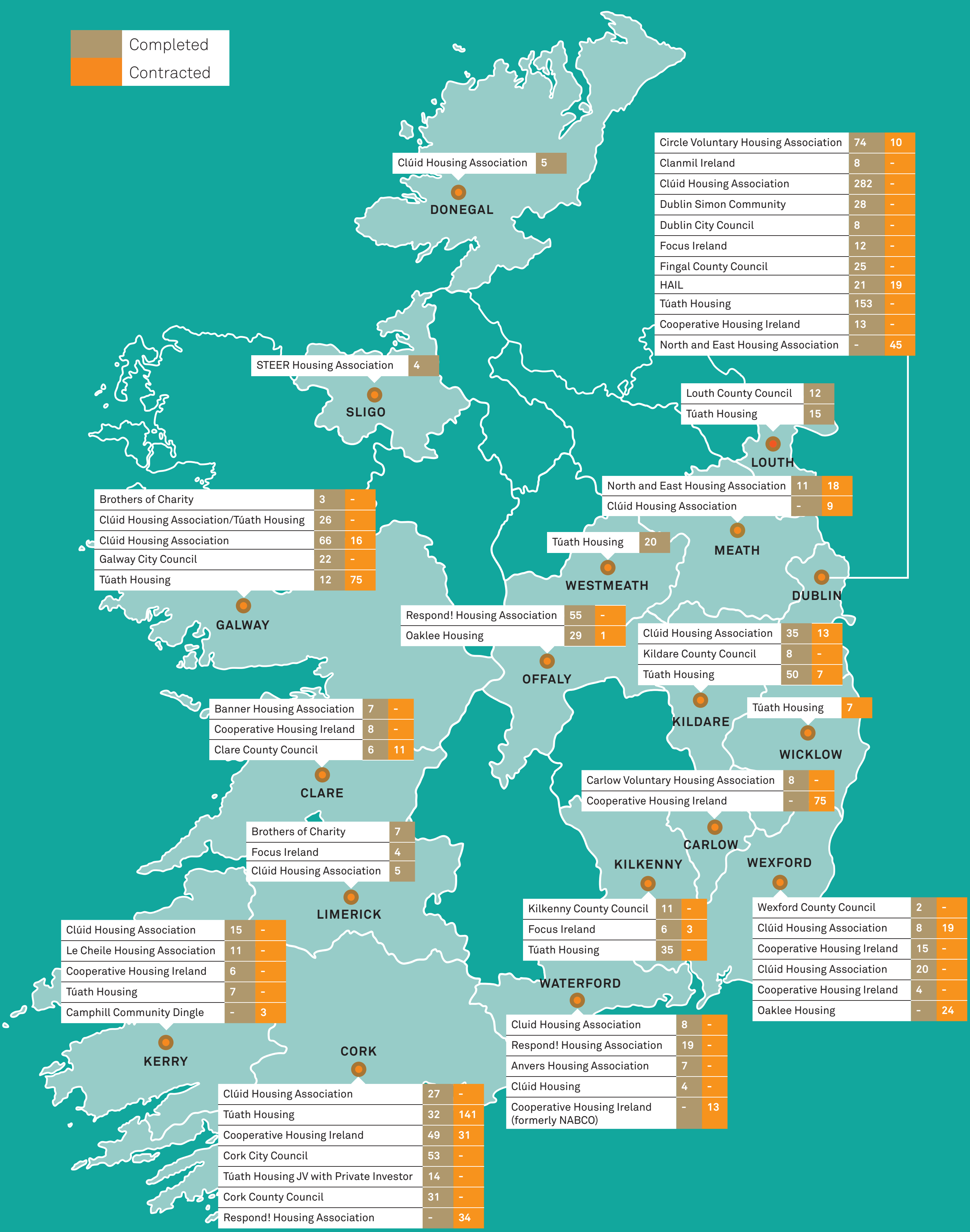
01	**THE MILLS** **Lismore, Co. Waterford** Long term lease of 8 houses to Co-Operative Housing Ireland (formerly NABCO).
02	**TALLAGHT CROSS WEST** **South Dublin** Long term lease of 65 apartments to Túath Housing.
03	**PARKTON MEWS** **Enniscorthy, Co. Wexford** Long term lease of 15 houses to Co-Operative Housing Ireland (formerly NABCO).

01

03

02

Social Housing Delivery as at Q4 2015



DONEGAL

Clúid Housing Association	5	

DUBLIN

Circle Voluntary Housing Association	74	10
Clanmil Ireland	8	-
Clúid Housing Association	282	-
Dublin Simon Community	28	-
Dublin City Council	8	-
Focus Ireland	12	-
Fingal County Council	25	-
HAIL	21	19
Túath Housing	153	-
Cooperative Housing Ireland	13	-
North and East Housing Association	-	45

SLIGO

STEER Housing Association	4	

LOUTH

Louth County Council	12	
Túath Housing	15	

GALWAY

Brothers of Charity	3	-
Clúid Housing Association/Túath Housing	26	-
Clúid Housing Association	66	16
Galway City Council	22	-
Túath Housing	12	75

MEATH

North and East Housing Association	11	18
Clúid Housing Association	-	9

WESTMEATH

Túath Housing	20	

OFFALY

Respond! Housing Association	55	-
Oaklee Housing	29	1

KILDARE

Clúid Housing Association	35	13
Kildare County Council	8	-
Túath Housing	50	7

WICKLOW

Túath Housing		7

CLARE

Banner Housing Association	7	-
Cooperative Housing Ireland	8	-
Clare County Council	6	11

CARLOW

Carlow Voluntary Housing Association	8	-
Cooperative Housing Ireland	-	75

LIMERICK

Brothers of Charity	7	
Focus Ireland	4	
Clúid Housing Association	5	

KILKENNY

Kilkenny County Council	11	-
Focus Ireland	6	3
Túath Housing	35	-

WEXFORD

Wexford County Council	2	-
Clúid Housing Association	8	19
Cooperative Housing Ireland	15	-
Clúid Housing Association	20	-
Cooperative Housing Ireland	4	-
Oaklee Housing	-	24

KERRY

Clúid Housing Association	15	-
Le Cheile Housing Association	11	-
Cooperative Housing Ireland	6	-
Túath Housing	7	-
Camphill Community Dingle	-	3

WATERFORD

Cluid Housing Association	8	-
Respond! Housing Association	19	-
Anvers Housing Association	7	-
Clúid Housing	4	-
Cooperative Housing Ireland (formerly NABCO)	-	13

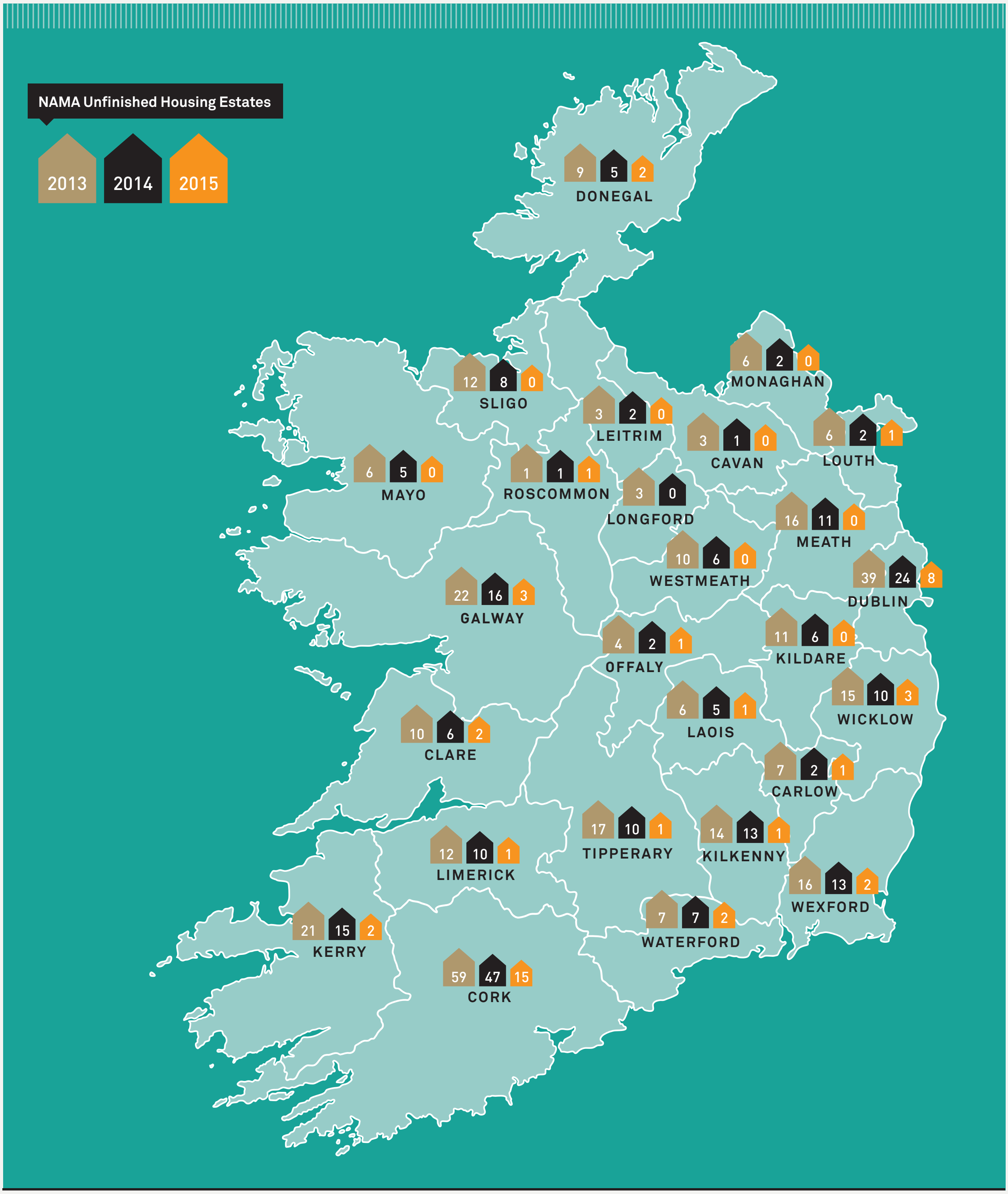
CORK

Clúid Housing Association	27	-
Túath Housing	32	141
Cooperative Housing Ireland	49	31
Cork City Council	53	-
Túath Housing JV with Private Investor	14	-
Cork County Council	31	-
Respond! Housing Association	-	34

Business Review (continued)

2. Resolution of Unfinished Housing Estates

NAMA advances funding for site resolution works on unfinished housing estates in which it has an interest as a secured lender. In 2010 NAMA had exposure to **332 unfinished housing estates**. By end-2015 that figure had reduced to 47 which represents a substantial reduction in the number of unfinished housing estates within the overall NAMA portfolio. This partially reflects the impact of a number of loan sales but it largely reflects the impact of funding to debtors and receivers to undertake remedial works in line with Site Resolution Plans agreed with local authorities.



3. Wider Economic Contribution

Another important part of NAMA's work is to facilitate important transactions in the Irish property market that might not otherwise take place. NAMA continues to work closely with IDA Ireland in identifying suitable properties for Foreign Direct Investment.

This has resulted in a number of very significant property transactions in Ireland with companies such as Google, Facebook, Eli Lilly, Kerry Group, Novartis, LinkedIn, Amazon, BSkyB, AdRoll, Scottish & Southern Energy (SSE), Airbnb, Bristol Myers Squibb and Yahoo.

Facilitating Commercial Transactions

facebook
The letting of a combined 250,000 sq. ft. of Grade A office space at 4 and 5 Grand Canal Square to Facebook for its EMEA headquarters

LinkedIn
The sale of an office development site in Dublin 2 to LinkedIn and a 10 year lease arrangement with Yahoo for over 71,000 sq. ft. of office space at the Point Village

Google
The sale of lands in South Dublin to Google to enable it to expand its existing presence in Ireland

facebook
The sale of a site in County Meath to Facebook for the construction of a global data centre

There has been continuous engagement with the Department of Education and Skills in respect of potential school sites in areas of high demand. Through this process, a number of sites were identified by NAMA, and where suitable, NAMA facilitated negotiations between its debtors and receivers and the Department in respect of the sale of the subject sites. The sale process is in line with NAMA's derogation from open marketing as approved by the NAMA Board, which facilitates the sale of assets to Government departments, local authorities and State bodies at current market value (determined by an independent valuation). Through this process, over 25 potential sites for schools were identified by NAMA and are being progressed for sale with the relevant parties.

The following have been delivered to date:

Facilitating the Provisions of Schools

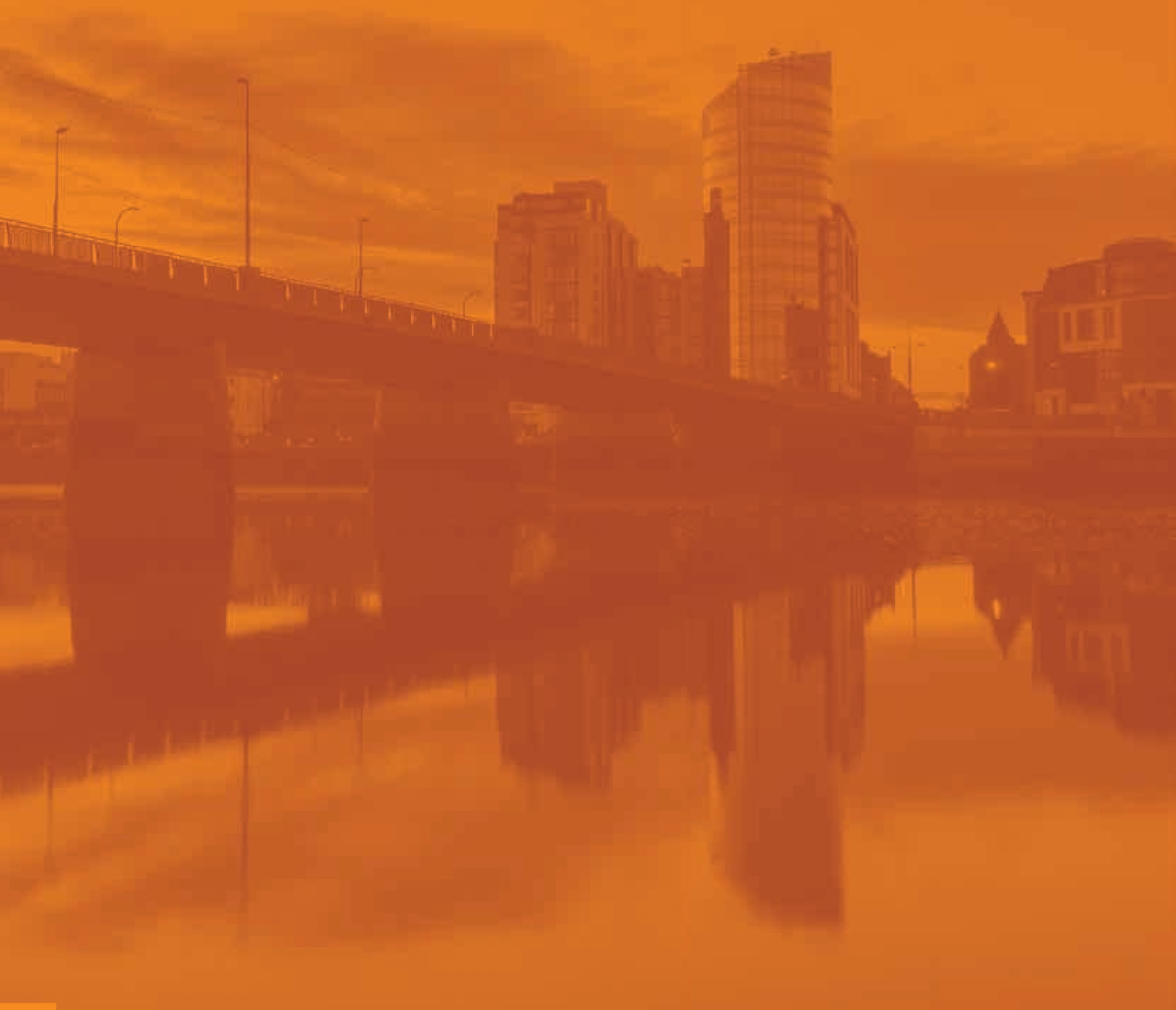
COMPLETED

1. Site at Belarmine, Stepaside, Dublin 18 – primary school
2. Site at Mungret, Co Limerick – 200-acre site which will accommodate two primary schools and significant other social infrastructure
3. Site at Tyrrelstown, Dublin 15 – building licence agreed in October 2015 for road adjacent to site owned by local authority to facilitate delivery of a post-primary school. Construction underway
4. Site at Claregalway, Co Galway – post-primary school
5. Site at Millenium Park, Naas, Co Kildare – post-primary school

CONTRACTED

6. Site at Midleton, Co Cork – primary school
7. Site at Mallow, Co Cork – primary school
8. Site at Kilbride, Arklow, Co Wicklow – primary and post-primary schools
9. Site at Loughrea, Co Galway – primary school

Financial Review Highlights



Summary 2015 Financial Highlights

Financial Highlights	2015 €m	2014 €m	From Inception €m
Cash Generation			
Total cash generated	9,093	8,562	32,739
Disposal receipts	8,543	7,757	27,170
Non disposal income	591	809	5,007
Senior Bond Repayments			
Senior bonds redeemed	5,500	9,100	22,100
Profitability			
Operating profit before impairment	1,769	680	
Impairment credit / (charge)	86	(170)	
Profit for the financial year	1,826	458	
Financial Position as at 31 December 2015			
Cash and cash equivalents	3,402	1,849	
Total loans and receivables (net of impairment)	7,816	13,360	

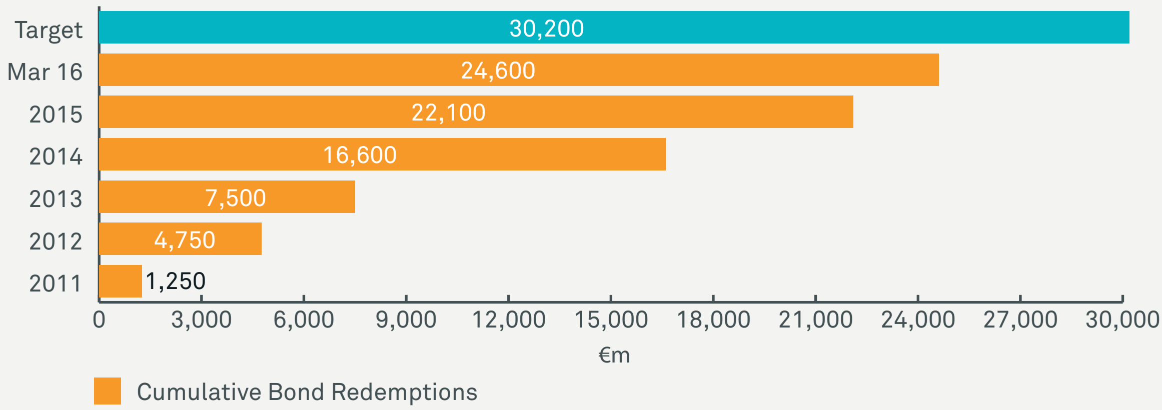
Financial Review (continued)

Senior bond redemptions

NAMA had redeemed €22.1 billion of Senior Bonds by end-2015 representing 73% of the €30.2 billion of Senior Bonds originally issued in 2010 and 2011 to acquire bank loans.

An additional €2.5 billion of Senior Bonds were redeemed in March 2016. This brings to €24.6 billion the amount of Senior Bonds redeemed to end-March 2016 (81% of senior debt issued). As a consequence NAMA has met its end-2016 target of redeeming at least 80% of its Senior Bonds and is firmly on course to meet its ultimate target of redeeming all of its Senior Bonds by 2018.

Target bond redemption versus cumulative actual redemption



Profitability

Income statement NAMA Group

	2015 €m	2014 €m
Interest and fee income	614	955
Interest expense	(221)	(313)
Net interest income	**393**	**642**
Net profit on disposal of loans, property assets; and surplus income	1,587	317
Foreign exchange loss	(14)	(22)
Derivatives loss	(134)	(159)
Administration and other expenses	(63)	(99)
Operating profit before impairment	**1,769**	**680**
Impairment credit / (charge)	86	(170)
Profit for the year before tax	**1,854**	**510**
Tax charge	(28)	(52)
Profit for the year	**1,826**	**458**

A significant part of NAMA's 2015 profit arose due to once-off factors which are unlikely to be repeated.

Net interest income

Net interest margin - NAMA Group	2015 €m	2014 €m
Interest and fee income	614	955
Interest expense	(221)	(313)
Net interest income	**393**	**642**
Cash generated from non-disposal income	**591**	**809**
NAMA average loans and receivables (net of impairment)	**10,588**	**16,479**
Net interest margin	3.7%	3.9%

The decrease in net interest income from €642m in 2014 to €393m in 2015 is primarily attributable to interest being earned on lower loans and receivables balances in the year.

Interest income is recognised at a fixed rate of interest, which was set by reference to an estimation of cash flows carried out as part of NAMA's due diligence in respect of its original loan portfolio. Interest income is not recognised on any impaired portion of a loan.

Net profit on disposal of loans, property assets; and surplus income

Net profit on disposal of loans, property assets; and surplus income	2015 €m	2014 €m	From Inception
Surplus income on loan repayments in excess of debt	738	572	2,486
Net profit / (loss) on disposal of loan and property assets	849	(255)	654
Total profit	**1,587**	**317**	**3,140**

Net profit on disposal of loans, property assets; and surplus income of €1,587m in 2015 (2014: €317m), comprises profit on disposal of loans and property assets of €849m (2014: loss of €255m) and surplus income of €738m (2014: €572m).

NAMA paid €31.8 billion to the banks for its loans. This acquisition value is the amount NAMA recognised on its balance sheet. Debtors are still required to repay the loan par value, which was originated with the Participating Institutions. Therefore NAMA has the potential to generate surplus cash if the debtor's total repayments exceed the NAMA acquisition debt. Where this occurs any surplus is recognised in the income statement as profit (or surplus income). The corresponding amount recognised in 2015 was €738m (2014: €572m) of which €605m (2014: €243m) related to debtors who had made debt repayments in excess of their NAMA debt.

As part of its semi-annual impairment exercise, NAMA estimates the expected future cash flows to be generated from each debtor connection. Where the net present value of the expected future cash flows is less than the total outstanding debt in a debtor connection, an impairment provision is recognised. Where the net present value of the expected future cash flows exceeds their carrying value, following the application of stringent stress conditions, the excess may be recognised as profit (or surplus income) in the current reporting period. Following the results of its 2015 impairment exercise, the net present value of total expected cash flows exceeds the debtor connection carrying value by over €1.4 billion, of which €133m was recognised in 2015. The remaining amount of approximately €1.3 billion, if maintained, will be recognised as profit (or surplus income) over the remaining life of NAMA.

Financial Review (continued)

Summary of NAMA's overall profit/ (loss) recognised on the transactions relating to the disposal of underlying collateral and loans

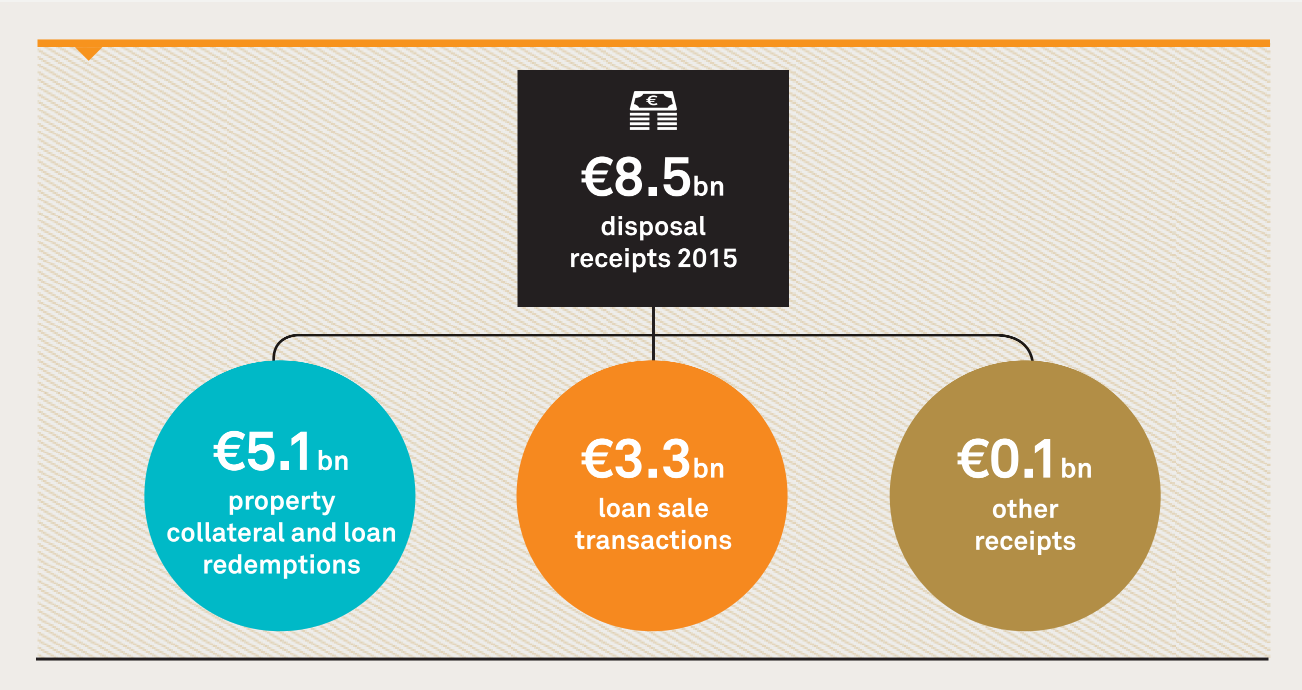
	2015			2014			Inception to end 2015		
	Disposals of underlying collateral €m	Disposals of loans €m	Total €m	Disposals of underlying collateral €m	Disposals of loans €m	Total €m	Disposals of underlying collateral €m	Disposals of loans €m	Total €m
Proceeds *	5,754	3,339	**9,093**	5,138	3,424	**8,562**	24,291	8,448	**32,739**
Profit/(loss) recognised in Income Statement	738	849	**1,587**	572	(257)	**315**	2,486	656	**3,142**
Crystallisation of existing impairment provision	(24)	(935)	**(959)**	(1)	(609)	**(610)**	(55)	(1,567)	**(1,622)**
Total	**714**	**(86)**	**628**	**571**	**(866)**	**(295)**	**2,431**	**(911)**	**1,520**

**includes non-disposal income generated from underlying assets.*

From inception to end-2015, NAMA has recognised profits of €1.5 billion from the disposal of loans and collateral held as security against loans acquired.

The crystallisation of existing impairment provision represents the amount of the previously recognised impairment provision that is attributed to the disposal of the underlying collateral and loans. It does not represent an income statement charge in the period of crystallisation. Instead, the income statement recognition occurred when the impairment provision was previously recorded. Combined with the 'Profit / (loss) recognised in the income statement', it presents an overall profit / (loss) in respect of the disposal of underlying collateral and loans for the period.

Disposal Receipts



Disposal receipts during 2015 totaled €8.5 billion (2014: €7.8 billion), comprising property collateral disposals of €5.1 billion (2014: €4.2 billion), loan sale transactions of €3.3 billion (2014: €3.4 billion) and other disposal transactions of €0.1 billion (2014: €0.1 billion).

Administration expenses

Administration expenses amounted to €112m for 2015. The level of costs represents 1.2% (2014: 1.6%) of cash generated during the period which compares favourably with comparable international institutions.

Impairment

Following completion of its 2015 impairment review, NAMA has recognised an impairment credit of €86m and a cumulative impairment provision of €2.5 billion against its loans and receivables portfolio.

Loans and receivables assessed for impairment

	Carrying value at 31/12/2015 €m	2015 Impairment provision €m	2014 Impairment provision €m	Movement €m	Impairment coverage %
Impaired portfolio	7,032	2,476	3,446	(970)	
Unimpaired portfolio	3,340	-	-		
Individually assessed portfolio	**10,372**	**2,476**	**3,446**	**(970)**	**24%**
Collectively assessed portfolio	**-**	**-**	**75**	**(75)**	
Total loans and receivables assessed for impairment	**10,372**	**2,476**	**3,521**	**(1,045)**	**24%**

Impairment is a key area of judgement in NAMA's financial statements. NAMA acquired a portfolio of loans where the vast majority were already impaired as of the November 2009 valuation date.

The year-end impairment review was based on:

- A detailed assessment of expected future cash flows for all debtor connections which are considered individually significant. These comprised 329 debtor connections with loans and related derivatives with a carrying value of €10.4 billion (2014: €16.6 billion).
- The expected future cash flows represent NAMA's best estimate of expected future cash flows for each individually significant debtor. They include estimated cash flows arising from the disposal of property collateral, loan sales and non-disposal income (such as rental income).
- During 2015 all debtor connections were individually assessed for impairment. In 2014, a small number of connections managed by the Participating Institutions or by a third-party service provider, representing €0.08 billion of the portfolio, was grouped together and collectively assessed for impairment. As a consequence the collectively assessed portfolio is €nil at the end of 2015.

The total movement in the impairment provision in 2015 was a reduction of €1,045m from €3,521m to €2,476m. Of this, €86m was recognised in the income statement as a credit for 2015 and €959m was recognised against loans and receivables arising predominantly from the crystallisation of impairment previously recognised against loans sold.

Loan portfolio

NAMA acquired loans from the Participating Institutions for a consideration of €31.8 billion. The NAMA carrying value of the loans at end-2015 is €7.8 billion, net of the cumulative €2.5 billion impairment provision (2014: €13.4 billion, net of the cumulative €3.5 billion impairment provision).

Financial Review (continued)

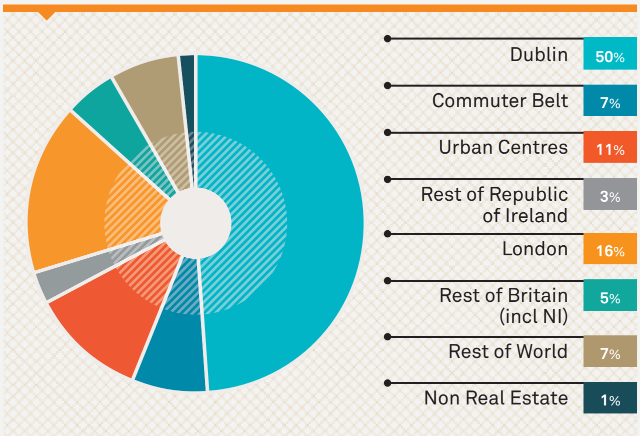
A summary of the movement in loans and receivables is provided below:

Financial Review	NAMA Debt 2015 €m	NAMA Debt 2014 €m	PAR Debt 2015 €m	PAR Debt 2014 €m
Loans and receivables - opening balance	13,360	19,598	55,591	67,140
Cash received from loans and receivables	(9,004)	(8,430)	(9,004)	(8,430)
Interest income	576	844	1,624	1,729
Loan acquisitions / valuation adjustments	139	247	153	265
Working capital advances	856	645	856	645
Profit on loan sales and surplus income	1,606	294	-	-
Par loan sale movement[1]	-	-	(7,922)	(6,063)
Debt compromise/write off	-	(132)	(762)	(307)
Foreign exchange and other movements	198	300	533	612
Impairment crystallisations	(959)	(610)	-	-
Loans and receivables before impairment	**6,772**	**12,756**	**41,069**	**55,591**
Impairment provision - incremental credit	1,045	604	-	-
Loans and receivables - closing balance	**7,817**	**13,360**	**41,069**	**55,591**

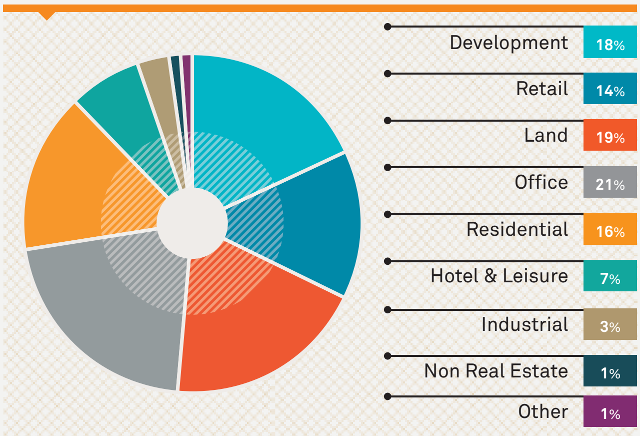
1. *Par loan sale movement principally relates to the par value of loans sold net of disposal cash received. There is no equivalent NAMA debt value. The movement in the NAMA debt balance as a result of loan sales is reflected in cash receipts and profit or loss on loan sales.*

The concentration of NAMA's remaining acquired loan portfolio by geography and sector based on the underlying security is outlined below:

Remaining Portfolio Distribution by Geography as at end-2015



Remaining Portfolio Distribution by Sector as at end-2015



Rate of return benchmark

In 2014, the Board approved an Entity Return on Investment ('EROI') target benchmark of 20%. The projected return as at end-2015 was 30%.

The EROI benchmark is calculated based on the comparison of NAMA's projected terminal surplus position, as per the latest forecasted cashflows, with NAMA's initial investment, as adjusted to exclude the €5.6 billion in State Aid which NAMA was required to pay to the Participating Institutions as part of the loan acquisition price.

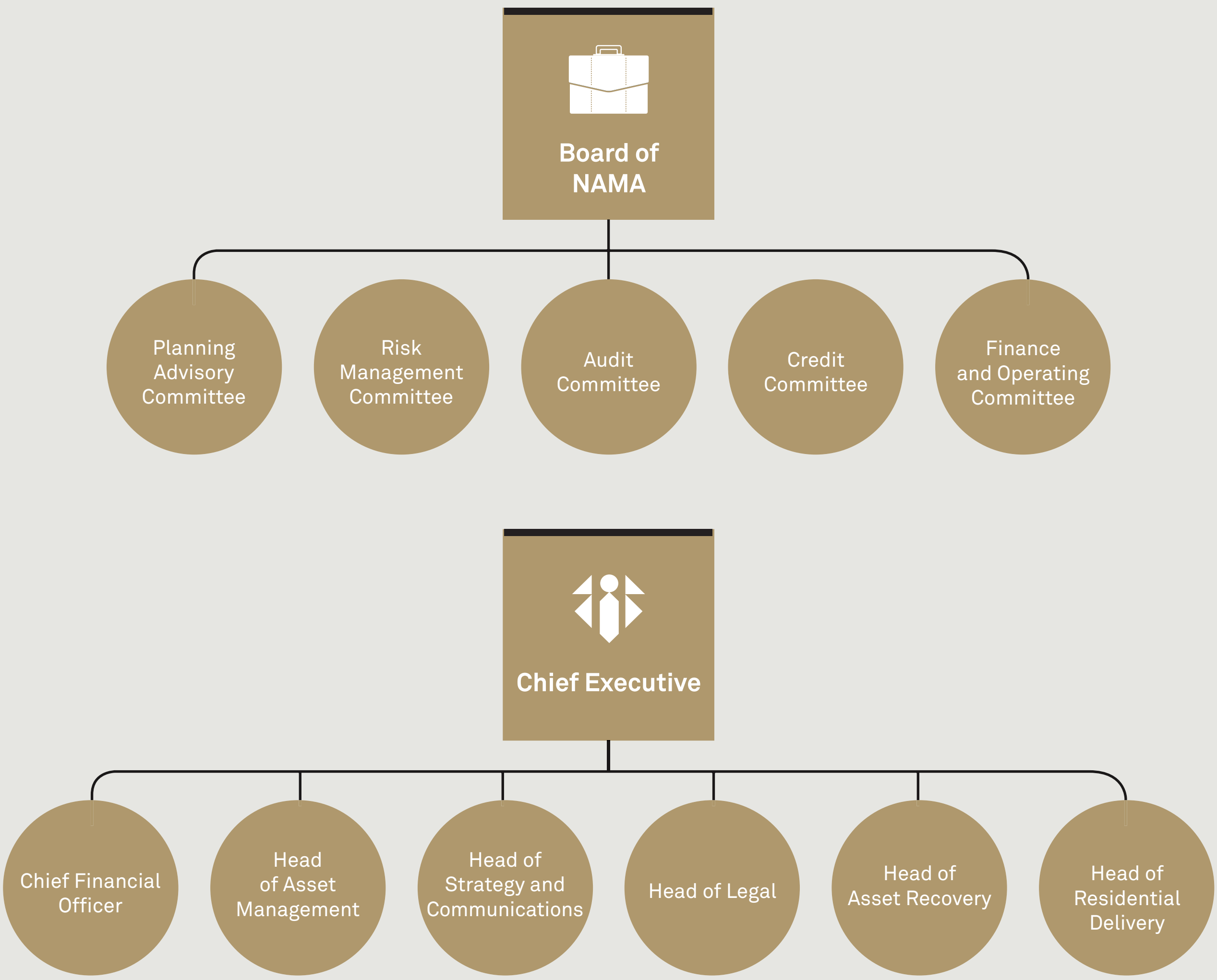
NAMA Organisation & Governance

NAMA, through the NTMA, has recruited staff with a diverse range of skills and experience from the disciplines of banking, finance, law, property (quantity surveyors, engineers), insolvency and planning, among others. NAMA is organised across six divisions.

Staff resources

The number of NTMA staff assigned to NAMA was 341 at end-2015. This includes 50 employees who exited the Agency as part of the Voluntary Redundancy Programme.

ORGANISATIONAL STRUCTURE



Governance

Board Members

1

1 Mr. Frank Daly | Chairman

(appointed 22nd December 2009 for a 5-year term and re-appointed 22nd December 2014 for a further 5-year term)

- Chairperson of the Northern Ireland Advisory Committee (until its dissolution on 8th September 2014)

Frank Daly was appointed as a Public Interest Director of Anglo Irish Bank in December 2008. He resigned from this post on 22nd December 2009 when appointed Chairman of NAMA.

Mr Daly retired as Chairman of the Revenue Commissioners in March 2008 having been Chairman since 2002 and a Commissioner since 1996. He had joined Revenue in 1963.

In March 2008, Mr Daly was appointed Chairman of the Commission on Taxation which was set up to review the structure and efficiency of the Irish taxation system.

2

2 Mr. Brendan McDonagh | Chief Executive

- Board member *(ex-officio)*
- Member of the Finance and Operating Committee
- Member of the Risk Management Committee
- Member of the Credit Committee
- Member of the Planning Advisory Committee

Brendan McDonagh was appointed Chief Executive of NAMA by the Minister for Finance in December 2009. Prior to that, he was the Director of Finance, Technology and Risk at the NTMA from 2002 until 2009 and held the post of NTMA Financial Controller from 1998 to 2002.

Mr. McDonagh joined the NTMA in 1994 from the ESB, Ireland's largest power utility, where he worked in a number of areas including accounting, internal audit and treasury.

3

3 Mr. Conor O'Kelly | Board member (ex-officio)

(Mr O'Kelly's role as an ex-officio Board member commenced on 5th January 2015 following his appointment as NTMA Chief Executive Officer)

- Member of the Risk Management Committee (appointed 15th January 2015)
- Member of the Planning Advisory Committee (appointed 15th January 2015)

Conor O'Kelly is the former Deputy Chairman of Investec Holdings (Ireland) Ltd. Prior to that he was Chief Executive Officer of NCB Group and in 2003 successfully negotiated and led a management buyout of the firm which was subsequently acquired by Investec PLC. Before joining NCB as Head of Fixed Income, he had spent 11 years with Barclays Capital where he held senior management positions and worked in London, Tokyo and New York. He is a former director of the Irish Stock Exchange and a former member of the Trinity College Foundation Board. He is a graduate of Trinity College Dublin and holds a master's degree from Senshu University in Japan.

4

4 Mr. Oliver Ellingham | Board member

(appointed 10th April 2013 for a 5-year term)

- Chairperson of the Risk Management Committee
- Member of the Audit Committee

Oliver Ellingham is a chartered accountant and a former Head of Corporate Finance (Europe) at BNP Paribas and a senior executive within BNP Paribas UK. He currently holds non-executive directorships in a number of companies and is Chairman and owner of Ellingham Limited. He previously also held senior management roles within Charterhouse Bank (now part of the HSBC Group) and Robert Fleming (now J P Morgan) and served as a member of the Board of IBRC from October 2011 to February 2013.

5

5 Ms. Mari Hurley | Board member

(appointed 8th April 2014 for a 5-year term)

- Chairperson of the Finance and Operating Committee
- Member of the Planning Advisory Committee
- Member of the Risk Management Committee (until 14th May 2015)
- Member of the Credit Committee

Mari Hurley is the Chief Financial Officer of Hostelworld Group. She was previously Finance Director of Sherry FitzGerald Group and also worked at Bear Stearns Bank PLC. She is a Fellow of the Institute of Chartered Accountants in Ireland having trained and qualified with Arthur Andersen. Ms. Hurley has a Bachelor of Commerce degree from University College Cork. She is a Director of Ervia.

6

6 Mr. Brian McEnery | Board member

(initially appointed 22nd December 2009 for a 4-year term and re-appointed for a 5-year term on 22nd December 2013)

- Chairperson of the Audit Committee
- Member of the Credit Committee (until 1st January 2015)
- Member of the Northern Ireland Advisory Committee (until its dissolution on 8th September 2014)
- Member of the Risk Management Committee (from 14th May 2015)

Brian McEnery (FCCA) specialises in corporate rescue and insolvency and is a partner in a leading firm of accountants and business advisors and practices in Limerick and Dublin. He is a Fellow of the Association of Chartered Certified Accountants ('ACCA') and a council member of ACCA. In 2010 he was the President of ACCA Ireland. He is a director of the Consultative Committee of Accounting Bodies and serves on its insolvency committee in Ireland.

7

7 Mr. Willie Soffe | Board member

(initially appointed 22nd December 2009 for a 4-year term and re-appointed for a 5-year term on 22nd December 2013)

- Chairperson of the Credit Committee
- Chairperson of the Planning Advisory Committee
- Member of the Finance and Operating Committee
- Member of the Northern Ireland Advisory Committee (until its dissolution on 8th September 2014)

Willie Soffe has over 45 years' service in Local Government in the Dublin area, during which time he has held the positions of Assistant City Manager, Dublin Corporation (now Dublin City Council) and County Manager, Fingal County Council.

Since retiring in 2004, Mr. Soffe has carried out a number of public service assignments including Chairman of the Dublin Transport Office, a member of the Commission on Taxation and a member of the Steering Group on the Review of Area-Based Tax Incentive Renewal Schemes.

Governance (continued)

Board and Committees of the Board

Under Section 19 of the Act, the Board comprises a Chairman and up to eight members. The Chairman and six members are appointed by the Minister for Finance while the Chief Executive of NAMA and Chief Executive Officer of the NTMA are *ex-officio* members of the Board. The Board's principal functions are provided for under Section 18 of the Act:

- To ensure that NAMA's functions are performed effectively and efficiently.
- To set strategic objectives and targets for NAMA.
- To ensure that appropriate systems and procedures are in place to achieve the strategic objectives and targets.
- To take all reasonable steps available to it to achieve these targets and objectives.

The Board has a schedule of matters reserved for its approval and deals with credit matters within its delegated authority level.

Three current members of the Board were appointed by the Minister on 22nd December 2009: Frank Daly (Chairman) (5 years), Brian McEnery (4 years), and Willie Soffe (4 years). These Board members were subsequently re-appointed for five year terms: Frank Daly was re-appointed as Chairman from 22nd December 2014 and Brian McEnery and Willie Soffe were re-appointed from 22nd December 2013. Oliver Ellingham and Mari Hurley were appointed by the Minster on 10th April 2013 and 8th April 2014 respectively. The two ex-officio members of the Board are Conor O'Kelly, Chief Executive Officer of NTMA (with effect from 5th January 2015, following John Corrigan's retirement from the position) and Brendan McDonagh (Chief Executive, NAMA). There are currently two vacancies on the Board.

The terms of office of Board members range between three and five years and no appointed member is eligible to serve more than two consecutive terms. The Minister determines the level of remuneration of appointed members and their entitlement to reimbursement for expenses. The ex-officio members do not receive any additional remuneration for their membership of the Board.

During 2015 the Board met on 19 occasions while the five committees of the Board met on 58 occasions. The attendance details for Board and committee meetings are outlined on the next page.

The Board established four statutory committees under Section 32 of the Act and a further two advisory committees under Section 33 (one of which, the Northern Ireland Advisory Committee was subsequently dissolved on 8th September 2014 following sale of the loans of Northern Ireland debtors), as follows: Audit Committee, Credit Committee, Risk Management Committee, Finance and Operating Committee and Planning Advisory Committee.

The Board has adopted the Code of Practice for the Governance of State Bodies (2009) ('the Code'), as adapted to NAMA's particular governance structure and the statutory requirements of the Act. Where necessary it has put in place arrangements to ensure compliance with the Code, and it reviews its policies and procedures on a periodic basis to ensure compliance with the Code as well as with best practice in corporate governance.

The Board is supported in its functions by the Secretary to the Board who also co-ordinates the operation of the various Board committees; each of the committees is supported by a NAMA Officer with relevant expertise who acts as secretary to the committee.

Attendance at Board and Board Committee Meetings in 2015

	Board	Audit	Credit	Finance & Operating	Risk Management	Planning Advisory
Frank Daly	18					
Brendan McDonagh	19		30	5	7	6
Conor O'Kelly	19				6**	5**
Mari Hurley	16*		27	5	3***	5
Brian McEnery	17	10			2****	
Oliver Ellingham	19	10			7	
Willie Soffe	19		30	5		6
External members:						
Jim Kelly		10				
Michael Wall						6
Alice Charles						6

* Two meetings were held on one day which Mari Hurley was unable to attend

** Conor O'Kelly was appointed to the Risk Management Committee and the Planning Advisory Committee on 15th January 2015 (after the first scheduled Committee meetings in January 2015 in both cases).

*** Mari Hurley stepped down as a member of the Risk Management Committee on 14th May 2015

**** Brian McEnery was appointed to the Risk Management Committee on 14th May 2015

Governance (continued)

Reports from Chairpersons of NAMA Committees

AUDIT COMMITTEE

Section 32 of the Act required the Board to establish an Audit Committee. The Audit Committee operates to Board-approved Terms of Reference as required under Section 32(6) of the Act.

The Audit Committee currently comprises two non-executive Board members and one external member.

- The Audit Committee is comprised of Brian McEnery (Chairperson, Board member), Oliver Ellingham (Board member) and Jim Kelly (External member).

In accordance with Section 32(2) of the Act, the Audit Committee is to comprise six members, two of which are external to NAMA and appointed by the Minister. The remaining four members are appointed by the Board from among the members of the Board. It is expected that the vacancies in the Audit Committee will be filled after new appointments are made to the Board.

Mr. Kelly is a former senior official with the Revenue Commissioners. He has been a Board member of the Irish Auditing and Accounting Supervisory Authority (IAASA) and was Secretary to the Commission on Taxation 2008-2009.

The Board has determined that Brian McEnery is the Committee's financial expert and that Oliver Ellingham is the Committee's risk expert.

The Committee met on 10 occasions in 2015.

The Audit Committee assists the Board in fulfilling its oversight responsibilities in the following functions:

- The integrity of the financial reporting process
- The independence and integrity of the external and internal audit processes
- The effectiveness of NAMA's internal control system
- The processes in place for monitoring the compliance of the loan service providers with their contractual obligations to NAMA
- Compliance with relevant legal, regulatory and taxation requirements by NAMA
- Arrangements for reporting of relevant wrongdoing, for NAMA's employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters and ensuring that these arrangements allow proportionate and independent investigation and follow up action

The principal activities of the Committee in 2015 were as follows:

1. Financial reporting

The Committee reviewed the Annual Report and Financial Statements, as well as all other formal announcements relating to the Financial Statements, before submission to the Board. The review focused in particular on changes in accounting policy and practices, major judgement areas, and compliance with legal (including any requirements under the Act) and regulatory requirements.

2. External audit

The Comptroller and Auditor General ('C&AG') is the designated external auditor under the Act. No non-audit services were provided by him during 2015. The Committee reviewed the external audit plan in advance of the audit and met with the external auditor to review the findings from his audit of the financial statements.

3. Internal audit

The Committee received regular reports from the internal auditor. These included summaries of the key findings of each audit in the period and updates on the planned work programme. On an on-going basis, the Committee ensured that these activities are adequately resourced and have appropriate standing within NAMA. This included agreement of the annual internal audit plan. The Committee also ensured coordination between the internal and external auditors.

4. Internal controls

The Committee evaluated the system of internal controls, including procedures adopted by the NTMA in the performance of its compliance and control functions for NAMA. The Committee's findings were reported to the Board.

5. Monitoring of service providers

The Committee received regular updates from Management and the internal auditor on the performance of these service providers, benchmarked against agreed targets.

The Chief Financial Officer of NAMA, the Head of Audit and Risk, other senior NAMA executives and representatives of the internal and external auditors were invited as appropriate to attend all or part of any meeting. The Committee also met individually with the external auditor, the internal auditor, Chief Financial Officer, Head of Audit and Risk and NTMA Head of Compliance. Each of these has direct access, without restriction, to the Chairperson of the Audit Committee.

Brian McEnery
Chairperson

CREDIT COMMITTEE

Section 32 of the Act required the Board, which has ultimate responsibility for the credit risk of NAMA, to establish a Credit Committee operating under its delegated authority. The Credit Committee operates to Board-approved terms of reference as required under Section 32(6) of the Act.

- The Credit Committee is comprised of Willie Soffe (Chairperson, Board member), Mari Hurley (Board member), Brendan McDonagh (Chief Executive, NAMA and Board member), Aideen O'Reilly (Head of Legal), Michael Moriarty (Head of Asset Recovery), Dónal Rooney (Chief Financial Officer), Mary Birmingham (Head of Asset Management) and John Collison (Head of Residential Delivery). Jonathan Milligan (Deputy Head of Asset Recovery) resigned from the Committee with effect from 12th November 2015.

The Committee, which met on 30 occasions in 2015, normally meets on a weekly basis but meets more or less frequently as required. By its very nature, the Credit Committee has a critical role in advising the Board on the establishment of NAMA credit policy and in ensuring that decision making on debtor management is consistent with overall Board policy.

Commensurate with the Delegated Authority Credit Policy approved by the Board, and subject to agreed portfolio limits, the Credit Committee is the decision-making authority responsible for the approval or rejection of credit applications which are below the level required for Board approval but exceed the credit approval authority delegated to the NAMA Chief Executive and Head of Asset Recovery/ Head of Asset Management / Head of Residential Delivery by the Board. The Committee must operate in a considered and timely manner so as to support efficient credit-related decision making with respect to the acquired debts of its debtor connections.

A credit application is broadly defined to mean any event that materially changes the underlying risk profile of an exposure or debtor. It includes, inter alia, debtor strategy reviews, applications for additional credit including capital expenditure projects, the restructuring or compromise of loan obligations, approval for asset sales, applications for vendor finance or financing for joint venture projects, decisions with respect to personal guarantees and approval of enforcement action, including receivership, repossession and other such actions.

The Committee's principal responsibilities include:

1. Assessing credit applications which fall outside the delegated authority of the Chief Executive and the Head of Asset Recovery/Head of Asset Management/ Head of Residential Delivery. These can be approved/ declined/amended as appropriate. Where the level of risk exceeds the authority of the Committee, a credit application is referred, with a Credit Committee recommendation, to the Board for decision.
2. Assessing proposed credit and sectoral policies for Board consideration/approval.
3. Determining Key Performance Indicators (KPIs) and monitoring them, establishing policies and strategies upon which the performance of the overall portfolio can be assessed and re-defined as appropriate on a periodic basis, and reporting its findings to the Board.

The principal activities of the Committee in 2015 were as follows:

1. Ensuring that systems in place for processing credit applications presented to the Committee and the Board were effective, efficient and appropriate.
2. Review of NAMA approved debtor strategies and progress made to date. The Committee also conducts a bi-annual review of NAMA's top debtor strategies (top debtors are defined as debtors whose combined debt represents 50% of total NAMA debt).
3. Assessing, recommending and approving over 230 individual credit requests ranging from asset management decisions to complex matters related to debtor strategy actions such as continued funding of development assets or final resolution of connections. 50 papers were reviewed by the Committee for recommendation to the Board. Additionally, the Committee oversaw more than 844 individual credit decisions made within the CEO and Head of Asset Recovery's level of delegated authority.
4. Making decisions in relation to debtor agreements, impairments, enforcements and exit strategies, including loan sales.
5. Developing and enhancing both credit policies and sectoral policies; and assimilation of associated management information.
6. Review of Asset Management strategy and regular reviews of progress on their selected projects.

Governance (continued)

7. Regular review of progress on business plans of social and economic importance; in particular, those relating to Residential Delivery and the Docklands SDZ.

It is expected that 2016 will be another active year for the Credit Committee as NAMA endeavours to maximise value from the portfolio by supporting active management of NAMA debtors and receivers in relation to underlying security (obtaining planning approvals, remediating infrastructural deficits etc.). Specifically, the Credit Committee will ensure the Board's policy is adhered to in funding development on commercially viable residential sites and the Docklands SDZ while ensuring deleveraging continues in a timely manner. NAMA now operates in an improving economic environment and an improved property market in Ireland. As NAMA's international portfolio is expected to be largely monetised during 2016 and with increased national and international demand for property and distressed portfolios, NAMA will continue to monetise through loan sales, individual asset sales and to a lesser extent property portfolio sales.

In the context of its overarching commercial mandate (as set out in Section 10 of the Act), and while maintaining the highest standards of objectivity and integrity, the Credit Committee assesses all proposals rigorously, with the various commercial options being fully considered. The Committee recognises that its decisions may have a significant impact on the assets and the debtors concerned, and it is determined to support projects which add value with a view to stimulating activity and employment but at all times with a view to maximising the return for the Irish taxpayer.

Willie Soffe
Chairperson

FINANCE AND OPERATING COMMITTEE

The Finance and Operating Committee comprises two non-executive Board members and five senior NAMA executives (including the NAMA Chief Executive).

The Finance and Operating Committee is comprised of the following members:

- Mari Hurley (Chairperson, Board member)
- Willie Soffe (Board member)
- Brendan McDonagh (Chief Executive, NAMA and Board member)
- Aisling Synnott (Head of Treasury)
- Dónal Rooney (Chief Financial Officer)
- John Collison (Head of Residential Delivery)
- Seán Ó Faoláin (Head of Strategy and Communications)

The Committee met on five occasions in 2015.

The principal responsibility of the Finance and Operating Committee is to monitor the financial and operational management of NAMA and its budgetary and management reporting, including:

- All financial and management reporting, whether to the Minister for Finance, the Oireachtas or otherwise (except for NAMA's annual accounts which are the responsibility of the Audit Committee).
- The preparation of management accounts.
- The preparation of annual budgets and other forecasts.
- The review of performance and variance against budget and prior year performance.
- Approving major capital expenditure.
- The management of procurement.
- Oversight of service providers (other than those whose oversight is reserved specifically to other Board committees).

The Finance and Operating Committee oversees the Executive Team's responsibilities for developing, implementing and managing NAMA's financial, operational and budgetary policies and reporting in relation thereto. It makes recommendations to the Board concerning NAMA's expenditure and budgetary requirements. The Chairperson reports formally to the Board on the key aspects of the Committee's proceedings.

Continued progress was made in 2015 in terms of enhancing, where appropriate, NAMA's underlying finance, operations and systems infrastructure, whilst also being cognisant of where NAMA is in terms of its overall finite lifespan.

In 2016, as NAMA's business evolves from a core deleveraging focus to delivering on its residential delivery and Dublin Docklands SDZ strategic objectives, NAMA will continue to ensure that the necessary organisational infrastructure is developed and enhanced where required to ensure that NAMA's overall support infrastructure remains fit-for-purpose until a 2020 timeline.

Mari Hurley
Chairperson

Governance (continued)

RISK MANAGEMENT COMMITTEE

The Risk Management Committee is responsible for overseeing the assessment and management of risks that, if they were to occur, would result in financial losses and/or a failure by NAMA to achieve its objectives as set out in its Strategic Plan.

- The Risk Management Committee is comprised of Oliver Ellingham (Chairperson, Board member), Brendan McDonagh (Chief Executive, NAMA and Board member), Conor O'Kelly (Chief Executive Officer, NTMA and Board member), Brian McEnery (Board member), Dónal Rooney (Chief Financial Officer) and Mary Birmingham (Head of Asset Management).

Brian McEnery was appointed to the Committee on 14th May 2015 and Mari Hurley stepped down from the Risk Management Committee with effect from this date. Mary Birmingham was appointed to the Committee on 15th October 2015.

The Committee met on seven occasions in 2015.

The Committee's principal responsibilities include:

1. Reviewing and overseeing the Executive Team's plans for the identification, management, reporting and mitigation of the Principal Risks faced by NAMA.
2. Overseeing the implementation and review of an Enterprise Risk Management framework and satisfying itself that appropriate actions are taken in the event that any significant concerns are identified.
3. Ensuring that NAMA's risk management, governance and organisational model provide appropriate levels of independence and challenge.

Risk categories identified in the NAMA Enterprise Risk Policy cover a wide spectrum of risks to the achievement of NAMA's objectives.

The principal activities of the Committee in 2015 were as follows:

1. The NAMA Risk Management Committee continuously reviewed NAMA's five Principal Risks which form the basis for the Principal Risks and Uncertainties disclosure in the Annual Report. A Principal Risk is defined as a risk, or combination of risks, that can seriously affect the performance, future prospects or reputation of NAMA. These Principal Risks include risks that would threaten NAMA's business model, future performance, solvency or liquidity.

   The identification and assessment of Principal Risks is an on-going process which responds to changes in strategy, business objectives and the external environment. The Risk Management Committee was regularly briefed on a particular Principal Risk or specific elements of such risk by a subject matter expert to ensure all aspects of these risks were appropriately considered.
2. Integration of risk related data sources such as incident reporting, risk indicators and audit findings and the overarching Risk Appetite statements provide a clearer relationship between the organisation's appetite (or lack thereof) for certain risks in the achievement of its strategic objectives. This analysis complements and reinforces the existing well established framework of risk tolerances and limits around key risks which have been delegated by the Board to various levels of NAMA management.
3. The composition of the NAMA balance sheet (and associated risks) was monitored throughout 2015. The Committee regularly reviewed the various components of balance sheet risk, the methods by which those risks are measured and reported and considered alternative strategies to mitigate those risks. The Committee made recommendations to the Board where changes in policy, measurement, risk limits or risk management strategy were required to reduce risk to a tolerable level having regard to the expanded balance sheet and changes in the underlying NAMA loan portfolio, interest rate and foreign exchange markets. The Committee made recommendations to the Board on revisions to hedging strategies due to changes in the NAMA risk profile as a result of new processes, initiatives or as a response to external events which impact on NAMA and the achievement of its objectives.

4. Operational risks are inherent to the operation of NAMA and the Risk Management Committee focused on the regular review of the Functional Risk Registers which were continually updated during 2015. Each of the Functional Risk Registers is subject to annual review to identify new and emerging risks and redundancy or changes in existing risks. The Risk Management Committee continued to review on a regular basis the Risk Registers of the Service Providers and Participating Institutions to gain oversight of the impact and likelihood of risks managed by these entities that could influence the achievement of NAMA's objectives. The Committee requires a quarterly control attestation and risk awareness training for NAMA employees. The Committee was supported in this effort by Audit & Risk (CFO) which ensured that the material and emerging risks were reported and considered by the Committee.

Expectations for 2016

The focus on the Principal Risks will remain a priority for the Risk Management Committee in 2016, ensuring that they remain under constant review and any updates or changes in those risks are provided to the Board in a timely and thorough manner.

A Risk Appetite statement linked to the Principal Risks will be monitored and reported at regular intervals by Audit & Risk (CFO) function.

Oliver Ellingham
Chairperson

Governance (continued)

PLANNING ADVISORY COMMITTEE

The purpose of the Planning Advisory Committee is to advise the Board on planning, land and related matters that may have an impact on the valuation and realisation of NAMA assets and thereby affect the achievement of NAMA's purpose and functions as set down in sections 10 and 11 of the Act.

The Committee may make recommendations to the Board concerning NAMA's objectives with respect to approved strategies, guidelines and statutory plans, including SDZs and Local Area Plans and their impact on NAMA assets.

The Planning Advisory Committee is comprised of Willie Soffe (Chairperson, Board member), Conor O'Kelly (Chief Executive Officer, NTMA and Board member), Brendan McDonagh (Chief Executive, NAMA and Board member), Mary Birmingham (Head of Asset Management), Mari Hurley (Board member), Michael Wall (External member) and Alice Charles (External member)

Mr Michael Wall is an architect and barrister and a former Board member of An Bord Pleanála. Ms Alice Charles has considerable planning experience and is a member of the Royal Town Planning Institute and the Irish Planning Institute.

The Committee met on six occasions during 2015.

Conor O'Kelly and Mary Birmingham were appointed to the Committee on 15th January 2015.

The principal activities of the Committee in 2015 were as follows:

1. Assessing planning matters which are of interest to the Agency, and advising on such matters where appropriate, in particular focussing on the securing of planning permissions within the Dublin Docklands SDZ and securing planning permission on key identified residentially zoned sites.

2. Engaging in discussions with Government departments, local authorities and other statutory bodies to align the objectives of those parties and NAMA on matters such as the provision of social housing, schools and unfinished estates, identifying (and seeking to address) obstacles to development such as infrastructure constraints.

3. Advising and guiding NAMA's participation in a number of specialist projects and public matters, involving external stakeholders and including a review of new planning legislation and Ministerial Guidance, incorporating changes to Part V (social housing provision), statutory requirements for apartment design, introduction of a Vacant Land Levy.

Over the course of 2015, the Committee's focus was on those areas where NAMA has assets located close to key areas with future development potential, including the Dublin Docklands SDZ and the key viable residential development sites. The Committee advised on the value adding functions of NAMA in the SDZ, including co-ordination of matters such as road delivery, positioning of certain land uses across blocks and continued direct engagement with the SDZ Development Agency. During 2015 a significant amount of new commercial and residential development secured planning permission within the SDZ area. It is hoped that this contribution will assist in achieving tangible economic and social benefits in this areas and improve NAMA's ability to recoup its outlay.

The Committee has continued to advise on the Agency's engagement with State bodies and is committed to aligning their needs with NAMA linked properties. NAMA has worked with the Housing Agency, local authorities and Approved Housing Bodies to provide residential units for social and affordable purposes. Following the establishment of a NAMA SPV, NARPSL, to expedite this process, the Committee has had oversight of the development of a long-term leasing model which will assist in the provision of units. Since the inception of NAMA over 2,000 units have been delivered for social housing. These were delivered in direct sales or in long-term leasing through NARPSL. Other consultations have been on-going with various State bodies, to align their requirements with those of the Agency – the Committee continues to appraise and advise on such matters.

The Agency's participation in the National Coordination Committee tasked with ensuring a solution to problematic unfinished housing estates has continued. The Committee has overseen significant improvements made to those affected assets relating to NAMA's portfolio over the course of 2015. NAMA is funding the site resolution process being undertaken by debtors/receivers, with emphasis on health and safety compliance. Loan/asset sales have also led to a drop in the number of unfinished housing estates. Consequently, NAMA's exposure to these developments has been reduced to 45 Unfinished Housing Estates (as of February 2016). Progress on those sites with outstanding problems will continue to be reviewed.

The Committee also provided guidance in relation to the delivery of the targeted 20,000 residential units by end-2020 and monitored the significant progress which has been made in terms of units delivered and under construction and also in terms of the substantial volume of planning work which is underway. The intention is to ensure that the value of NAMA-charged assets is enhanced in order to maximise recovery for taxpayers while also ensuring that NAMA makes a major contribution to funding the supply of new homes. NAMA also sits on the Housing Supply Co-ordination Task Force for Dublin on an on-going basis and provides input as required.

In carrying out its functions, the Committee is greatly assisted by the knowledge and support of the NAMA Planning Team.

Willie Soffe
Chairperson

Governance (continued)

Disclosure and Accountability

Disclosure requirements on Board members

Sections 30 and 31 of the Act outline the requirements on members of the Board in terms of disclosure of interests.

Section 30 requires Board members to disclose to other members of the Board the nature of any pecuniary interest or other beneficial interest they may have in any matter that is under consideration by the Board. Members must absent themselves from a Board meeting while the matter is under consideration and they are precluded from any vote that may take place on the matter.

Section 31 of the Act imposes an obligation on each member of the Board of NAMA and each Director of a NAMA group entity to give notice to NAMA annually of all registrable interests within the meaning given by the Ethics in Public Office Act 1995.

The members of the Board, members of committees established under Sections 32 and 33 of the Act and Directors of the NAMA group entities are designated directors pursuant to the Ethics in Public Office Act 1995 as amended by the Standards in Public Office Act 2001 ('Ethics Acts') and are required to comply with the Ethics Acts in respect of the disclosure of interests.

Staff assigned to NAMA

Staff assigned to NAMA have obligations to make disclosures of interests pursuant to Section 13 (b) of the National Treasury Management Agency Act 1990 (as amended), Section 18 of the Ethics Acts and Section 42 of the Act.

In addition, staff assigned to NAMA are subject to a Code of Practice approved by the Minister under Section 35 of the Act, which sets out, inter alia, their obligations in respect of disclosure of interests, confidentiality, data protection, and insider dealing.

Staff assigned to NAMA are required to sign an undertaking that they will comply with the provisions of the Code of Practice and compliance training is mandatory for all such staff.

NAMA Accountability

In carrying out its functions the Board of NAMA must comply with its obligations under the Act and is subject to a high level of public accountability.

1. NAMA submits quarterly reports to the Minister on its activities, as set out in Section 55 of the Act. This includes information about its loans, its financing arrangements and its income and expenditure. Each quarterly report is laid before both Houses of the Oireachtas.
2. NAMA submits annual accounts, in a form directed by the Minister, under Section 54 of the Act. The accounts must include a list of all debt securities issued, a list of all advances made from the Central Fund or by NAMA and its group entities and a list of asset portfolios with their book valuation. NAMA's accounts are audited by the C&AG and the audited accounts are laid before both Houses of the Oireachtas.
3. In addition to its annual accounts, NAMA is also required to submit to the Minister, under Section 53, an Annual Statement setting out its proposed objectives for each year, the scope of activities to be undertaken, its strategies and policies and its proposed use of resources. Each annual statement is laid before both Houses of the Oireachtas.
4. The Chief Executive and the Chairman, whenever required by the Committee of Public Accounts, attend and give evidence. The Chief Executive and the Chairman also appear before other committees of the Oireachtas whenever required to do so.
5. The Minister may require NAMA to report to him at any time on any matter including performance of its functions or information or statistics relating to performance.
6. NAMA has prepared codes of practice to govern certain matters including, amongst others, the conduct of its officers, servicing standards for acquired bank assets, risk management, disposal of bank assets and the manner in which NAMA is to take account of the commercial interests of non-participating banks. The codes of practice have been approved by the Minister and are published on www.nama.ie/CodesOfPractice.
7. In accordance with Section 226 and 227 of the Act, after 31 December 2012, the Minister and the C&AG were required separately to assess the extent to which NAMA had made progress toward achieving its overall objectives. Thereafter, the Minister will review progress every five years and the C&AG every three years. The C&AG's Section 226 Progress Report on NAMA was published in May 2014 and the Minister's Section 227 Review was published in July 2014.

Risk Management

PRINCIPAL RISKS AND UNCERTAINTIES

NAMA is exposed to a wide variety of risks which have the potential to affect the financial and operational performance of the Agency. The NAMA Risk Management Policy that is approved by the Board has an integrated approach designed to ensure that all material classes of risk are identified so that business strategy and execution are aligned to minimise the risk to the achievement of NAMA's Strategic Plan. The Risk Management Framework establishes the processes to identify, assess, evaluate, measure, report and mitigate risk. NAMA has identified the following principal risks and uncertainties which may adversely affect the achievement of its objectives.

1. Macro-economic and property risk

Risk that a domestic or international financial or macroeconomic shock causes an inability to meet NAMA's Senior Bond obligations. If the economy and property market in Ireland fail to fully and sustainably recover or the market in other locations in which NAMA has an exposure, principally the UK, deteriorates from present levels, cash flows realised by NAMA assets could be lower than projected.

2. Strategic risk

If the pace of deleveraging/disposals activity is incorrectly calibrated (i.e. it is too fast or too slow), NAMA may not achieve the Section 10 NAMA Act ('the Act') statutory requirement to obtain the "best achievable financial return for the State". The risk represents the potential opportunity cost associated with sell versus hold decisions for NAMA assets.

3. Human capital risk

If there is a material loss of key people with specialist skills from NAMA it will not achieve its objectives. A failure to attract, motivate and retain key staff with requisite experience and expertise would result in institutional corporate knowledge loss, capacity constraints on the delivery of assets for sale or potential lower asset realisation values.

4. Reputation risk

This is the risk that negative public, political or industry opinion may adversely impact NAMA's core business activities and financial prospects and undermine the Agency's ability to achieve its objectives. Negative opinions can arise from how NAMA conducts its operations or is perceived to conduct its operations or from false or misleading claims arising externally to NAMA. NAMA's reputation could also be damaged if it were unsuccessful in a number of significant legal cases, incurred a material loss event or if it experienced a significant information security breach.

5. Dublin Docklands SDZ and Residential Development risks

This is the risk that NAMA fails to deliver on its target funding of 20,000 residential units in the Dublin area by end-2020 and on its plans for the Dublin Docklands SDZ. NAMA may fail to achieve its objectives if affected by delays in planning permission, delivery of supporting infrastructure and competing market supply.

The principal risks are routinely monitored by the Risk Management Committee and any changes in the risk profile or significant updates are contemporaneously reported to the Board. Subject matter experts are invited to present at the Risk Management Committee on a regular basis to ensure all aspects of these risks are appropriately considered.

NAMA has robust risk processes in place to manage risk related to its business so as to reduce the potential for significant unexpected losses, and to minimise the impact of losses experienced in the normal course of business. Risks identified by management are prioritised according to probability and impact and the risk status and management's response and control action plans are reviewed by the Risk Management Committee and the Board on a regular basis. Management is challenged to consider risks not already considered. NAMA's response strategies to each risk are designed to ensure that NAMA operates within a defined risk tolerance by avoiding the risk, transferring the risk where possible, reducing the likelihood and/or impact of the risk or accepting the risk subject to on-going review. The Risk Management Committee recommends to the Board the adoption of new policies or changes to existing policies, the adoption of hedging strategies to manage certain balance sheet risks and recommendations for the deleveraging of the balance sheet through bond redemptions in response to changing internal and external influences and circumstances.

The uncertainties surrounding the risks associated with the composition of the NAMA balance sheet and operational model continue to reduce as the strategy to monetise the NAMA loan portfolio is implemented. The risk profile of NAMA has been continually changing from the start-up phase into maturity as the core processes and systems have become established and embedded within the core organisational operational activities.

Consolidated Financial Statements

Contents

Board and Other Information

Board

Frank Daly *(Chairman)*
Brendan McDonagh *(Chief Executive Officer)*
John C. Corrigan[1] *(retired 4 January 2015)*
Oliver Ellingham
Mari Hurley
Brian McEnery
Conor O'Kelly[1] *(appointed 5 January 2015)*
Willie Soffe

Registered Office

Treasury Building
Grand Canal Street
Dublin 2

Principal Bankers

Central Bank of Ireland
Dame Street
Dublin 2

Citibank
I.F.S.C.
Dublin 1

Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1

1 *The Chief Executive of the NTMA is an ex-officio Board member of NAMA.*

Board Report

The Board of the National Asset Management Agency ('the Agency' or 'NAMA') presents its report and audited NAMA consolidated and Agency financial statements for the financial year ended 31 December 2015.

The financial statements are set out on pages 65 to 157.

Statement of Agency's Responsibilities for Financial Statements

The Agency has elected to apply IFRS as adopted by the European Union in preparation of the Group and Agency only financial statements. The Agency is required by the National Asset Management Agency Act 2009 ('the Act') to prepare financial statements in respect of its operations for each financial year.

In preparing those statements, the Agency:

- selects suitable accounting policies and then applies them consistently;
- makes judgements and estimates that are reasonable and prudent;
- states whether the financial statements have been prepared in accordance with applicable accounting standards, identifies those standards, and notes the effect and the reasons for any material departure from those standards; and
- prepares the financial statements on a going concern basis unless it is inappropriate to do so (see accounting policy 2.1).

The Agency is responsible for keeping in such form as may be approved by the Minister for Finance ('the Minister') all proper and usual accounts of all monies received or expended by it and for maintaining accounting records which disclose with reasonable accuracy at any time the financial position of the Agency and its related entities.

The Agency is also responsible for safeguarding assets under its control and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial risk management

The Group is exposed to credit risk, market risk (in the form of interest rate risk and foreign exchange risk) and liquidity risk in the normal course of business. Further details on how the Group manages these risks are given in Notes 20 to 22 of the financial statements.

Board Members' interests

The Members of the Board have no beneficial interest in NAMA or any NAMA group entity and have complied with Section 30 of the Act in relation to the disclosure of interests.

Auditor

The Comptroller and Auditor General is the Group's auditor by virtue of Section 57 of the Act.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Statement on Internal Financial Control

The consolidated and Agency financial statements of National Asset Management Agency ('NAMA') are prepared within a governance framework established by NAMA. The NAMA Board ('the Board') and committees established by the Board are responsible for the monitoring and governance oversight of NAMA and all NAMA Group entities.

The results presented are for the financial year ended 31 December 2015, with comparative results for the year ended 31 December 2014.

Responsibility for System of Internal Financial Control

The Board acknowledges its responsibilities for NAMA's system of internal financial control. This system can provide only reasonable and not absolute assurance that assets are safeguarded, transactions are authorised and properly recorded, and that material errors or irregularities are either prevented or would be detected in a timely period.

Control Environment

The National Asset Management Agency Act, 2009 (the 'Act') provides that the functions of the Board are:

a) to ensure that the functions of NAMA are performed effectively and efficiently;

b) to set the strategic objectives and targets for NAMA;

c) to ensure that appropriate systems and procedures are in place to achieve NAMA's strategic objectives and targets and to take all reasonable steps available to it to achieve those targets and objectives.

The Act provides that the Chief Executive Officer shall manage and control generally the administration and business of NAMA and the staff assigned to it and shall perform any other function conferred on him by the Board. The Chief Executive Officer is also the accountable person for the purposes of the Comptroller and Auditor General (Amendment) Act, 1993.

The Board has four statutory committees to oversee the operations of NAMA and its Senior Executive Team: an Audit Committee, a Risk Management Committee, a Credit Committee and a Finance and Operating Committee. The Board has agreed formal terms of reference for its statutory sub-committees which are subject to regular review. The Board has delegated certain credit decisions to the Credit Committee and Senior Executive Team through the Delegated Authority Policy, which is subject to regular review. The Board has also delegated the management of certain aspects of its balance sheet and treasury policies to the Risk Management Committee and Senior Executive Team.

The Board has adopted the Code of Practice for the Governance of State Bodies (2009) adapted in some instances to take account of NAMA's particular governance framework and the statutory requirements of the Act and has established a Governance framework, which is subject to annual review.

The Audit Committee operates in accordance with the principles outlined in the Code of Practice for the Governance of State Bodies. Its responsibilities include the overseeing of the financial reporting process, reviewing the system of internal control, reviewing the internal and external audit processes and adoption of the Anti–Fraud Policy.

NAMA has an Anti–Fraud Policy approved by the Board in September 2015 having previously adopted the National Treasury Management Agency's ('NTMA') Anti-Fraud policy. Under this policy the Audit Committee is to be advised of all reports of fraud or suspected fraud. NAMA has also a Reporting of "Relevant Wrongdoing" and Protected Disclosures Policy approved by the Board in May 2015. Previously NAMA adopted a NTMA Reporting of "Relevant Wrongdoing" and Protected Disclosures Policy. The policy promotes principles of good corporate governance by providing a procedure for reporting and addressing concerns about possible relevant wrongdoing within the meaning of the Protected Disclosures Act. The policy applies to all NAMA "workers" and makes provision for disclosure of relevant information either internally through a line manager or Head of Compliance or externally by means of a "Nominated Person". The Head of Compliance and the Nominated Person are then required to report to the Chairperson of the Audit Committee. The Audit Committee is responsible for the ownership of the Reporting of 'Relevant Wrongdoing' and Protected Disclosure Policy insofar as it relates to the functions of NAMA, oversight of its implementation with regard to these functions and oversight of investigations to include liaison with the Head of Compliance to ensure any reports received are properly evaluated and investigated. The policy is reviewed annually.

NAMA has a Senior Executive Team which in conjunction with the Chief Executive Officer, is responsible for the management of the business of NAMA. Management responsibility, authority and accountability has been formally defined and agreed with the Board.

Statement on Internal Financial Control (continued)

Codes of Practice have been agreed with the Minister for Finance in accordance with Section 35 of the Act, including, inter alia, a Code setting out standards expected of the officers of NAMA. The codes of Practice are reviewed annually by the Board and any amendments to the codes are submitted to the Minister for his approval.

NAMA depends to a significant degree on the controls operated by a number of third parties including the NTMA, Capita Asset Services ('Capita'), Bank of Ireland and Allied Irish Banks p.l.c. In this regard the following should be noted:

- The NTMA has a well-developed system of internal control and any shared services provided to NAMA are provided within this existing control framework.
- NAMA has established procedures with Capita, Bank of Ireland and Allied Irish Banks p.l.c. for the reporting of incidents, including control failures and escalation procedures.
- NAMA has sought and received assurances from the NTMA, Capita, Bank of Ireland and Allied Irish Banks p.l.c. that they have reviewed their systems of internal financial control in relation to NAMA loans.

On 7 February 2013, joint Special Liquidators were appointed to IBRC and four Directions were issued to NAMA by the Minister for Finance under the IBRC Act 2013. Amongst these Directions was the requirement for NAMA to acquire the underlying assets from the joint Special Liquidators in the event that the joint Special Liquidators were unable to sell the assets to the market. In 2014, the joint Special Liquidators completed the valuation and sales process and the Minister announced that no assets would transfer to NAMA. The joint Special Liquidators continued to act as a Participating Institution until June 2015.

Risk Assessment

The Risk Management Committee is responsible for overseeing the implementation of the Board approved risk policies and tolerance levels. The Risk Management Committee ensures that risk is managed effectively and efficiently to achieve an overall commercial outcome in accordance with the Act. The Risk Management Committee has established reporting mechanisms to monitor and review key risks and mitigation strategies and ensures that those risks operate within Board approved limits.

A risk register is maintained which identifies and categorises risks which may prevent NAMA from achieving its objectives and assesses the impact and likelihood of various risk events across the organisation and its operating environment. On the basis of risks identified, actions are agreed to manage and mitigate these risks. The risk register is reviewed by the Risk Management Committee on a quarterly basis, and by the Board on a semi-annual basis, and the Senior Executive Team is required to attest to the operation of controls on a quarterly basis that have been agreed to manage and mitigate risks.

The Risk Management Committee identified five Principal Risks which have the potential to have a significant impact on the achievement of NAMA's overall Strategic Objectives. These principal risks are:

- Domestic or international macroeconomic or financial shock
- Material loss of human capital
- Delivery of residential property or Dublin Docklands (SDZ) plans
- Timing and rate of deleveraging of the portfolio
- Reputational damage.

The Principal Risks remain under constant review by the Risk Management Committee and any changes are reported to the NAMA Board contemporaneously. In May 2015, the NAMA Board approved a Risk Appetite Statement for each of the Principal Risks which defines the propensity for NAMA to take certain risks in order to achieve its strategic objectives.

Capita, Bank of Ireland and Allied Irish Banks p.l.c. submit quarterly individual risk registers in line with standard templates agreed with NAMA. These risk registers are reviewed by the NAMA Audit and Risk (CFO) function and the Risk Management Committee.

Key Internal Financial Control Processes

NAMA has developed policies and procedures in respect of the key aspects of the administration and management of its business. These policies and procedures are regularly reviewed and updated to align with business processes.

NAMA has established a financial reporting framework to support its monthly, quarterly and annual financial reporting and for the preparation of consolidated and Agency financial statements which incorporates the processes and controls described in this statement. NAMA operates a fully automated consolidation process to mitigate the risks of error in the consolidated Financial Statements.

NAMA implements continuous improvements to its management information systems in order to facilitate enhanced reporting to the Board, Finance and Operating Committee and Senior Executive Team on its performance. NAMA continues to develop management information to support and monitor the achievement of NAMA's strategic objectives such as residential delivery and the delivery of development in the Dublin Docklands SDZ.

The Credit Committee is responsible for making credit decisions within its delegated authority from the Board. These include, inter alia, the approval of debtor asset management / debt reduction strategies, advancement of new money, approval of asset / loan disposals, the setting and approval of repayment terms, property management decisions, decisions to take enforcement action where necessary, and debt compromise. The Credit Committee also reviews and makes recommendations to the Board in relation to specific credit requests where authority rests with the Board. It is also responsible for evaluating asset recovery policies for ultimate Board approval and provides an oversight role in terms of substantial credit decisions made below the delegated authority level of the Credit Committee. Finally, the Credit Committee reviews management information prepared by the Asset Recovery, Asset Management and Residential Delivery functions in respect of NAMA's portfolio to support its decision making.

NAMA has an established procurement policy which is reviewed and presented to the Board annually for approval. The procurement requirements of NAMA are carried out in accordance with the procurement policy which adopts relevant procurement legislation and best practice guidelines. NAMA is subject to EU Directive 2004/18/EC as implemented in Ireland by the European Communities (Award of Public Authorities' Contracts) Regulations 2006 (the 'Regulations'), in respect of the procurement of goods, works and services above certain value thresholds set by the EU. Where the Regulations do not apply – either because the value of the procurement is below the EU thresholds or falls outside of the Regulations – NAMA adopts a competitive process designed to obtain the best value for money that can be achieved. Save where the Regulations apply, any exceptions to NAMA's procurement policy are approved by the CEO or the NAMA Board depending on the value of the contract.

NAMA follows a structured approach for business system projects undertaken, which is governed by detailed procedure documents. During 2015 the core systems which are the NAMA Loans Warehouse, the Portfolio Management System, the Document Management System and the Management Information System underwent programmes of enhancements rather than significant change. A Corporate Change Steering Group is in place to oversee all projects (including systems development) for NAMA. NAMA has in place controls in respect of IT access following an employee's notification of resignation.

NAMA has put in place an appropriate framework to ensure that it complies with the Data Protection Acts. As part of this framework, NAMA has also implemented systems and controls to restrict the access to confidential data. Where NAMA has become aware of breaches or alleged breaches of confidential data, these have been fully investigated and where necessary reported to the appropriate authorities.

Information and Communication

The Finance and Operating Committee monitors the financial and operational management of NAMA and its management reporting and budgeting, including the preparation of annual budgets. NAMA provides regular assessments of its actual to budgeted income and expenditure to the Finance and Operating Committee. The Finance and Operating Committee also monitors the development and implementation of NAMA's systems.

NAMA presents monthly, quarterly and annual financial information to the Finance and Operating Committee and Board and presents quarterly and annual financial information to the Minister for Finance as required under the Act.

In addition, NAMA provides regular management information to the Senior Executive Team, the Finance and Operating Committee and the Board on the performance of debtors and the loan portfolio.

Statement on Internal Financial Control (continued)

Monitoring

PwC act as Internal Auditor for NAMA. NAMA's Internal Auditor has established an internal audit function, which operates in accordance with the Code of Practice for the Governance of State Bodies. An internal audit plan for 2015 was approved by the Audit Committee. In accordance with this plan, the internal auditor has carried out a number of audits of controls in operation in NAMA, Capita, Bank of Ireland, and Allied Irish Banks p.l.c. The Internal Auditor reports its findings directly to the Audit Committee. These reports highlight deficiencies or weaknesses, if any, in the systems of internal control and recommend corrective measures to be taken where deemed necessary. The Audit Committee receives updates, on a regular basis, on the status of the issues raised by the internal and external auditors and follows-up with NAMA management to ensure appropriate and timely action is being taken in respect of issues raised.

NAMA has established processes to monitor the performance of Bank of Ireland and Allied Irish Banks p.l.c., and Capita as Master Servicer and Primary Servicer, including monthly service reports, regular service reviews (including quality assurance of credit decisions taken under delegated authority) and the establishment of steering committees and credit review forums. Steering committees have been established for each of the Participating Institutions and Capita as Master Servicer and Primary Servicer, and meet on a regular basis to review performance and operational issues. The performance of the loan book managed by the Participating Institutions is reviewed by NAMA via periodic credit review forums and NAMA participation in the credit committees of Bank of Ireland and Allied Irish Banks p.l.c. A Quality Assurance Framework has also been implemented by NAMA to review the management of Participating Institution managed debtors on an ongoing basis in accordance with the authorities delegated to them by NAMA.

During 2015, in respect of Capita as Primary Servicer, all credit decisions were made by NAMA personnel with Capita holding no credit delegated authority from NAMA. A Quality Assurance Framework was implemented to review the credit decisions and case management of debtors managed by Capita.

At the end of 2015, all debtors are managed by NAMA.

In addition, the activities of Bank of Ireland, Allied Irish Banks p.l.c. and Capita were subject to audit by NAMA's internal and external auditors.

The Board's monitoring of the effectiveness of internal control includes the review and consideration of regular reporting to the Board by the Audit Committee (which oversees the work of the Internal Auditor), Risk Management Committee, Credit Committee, Finance and Operating Committee, the Head of Audit and Risk (CFO) and the Senior Executive Team.

Annual Review of Controls

We confirm that the Board has reviewed the effectiveness of NAMA's system of internal financial control for the financial year ended 31 December 2015. A detailed review was performed by the Audit Committee, which reported its findings to the Board. The review of the effectiveness of the system of internal financial control included:

- review and consideration of the work programme of the internal auditor and consideration of its reports and findings.
- review of internal financial control issues identified by the Office of the Comptroller and Auditor General in its work as external auditor.
- review of regular reporting from the internal auditor on the status of the internal financial control environment and the status of issues raised previously from their own reports and matters raised by the Office of the Comptroller and Auditor General. There is also follow-up by the Audit Committee with NAMA management to ensure appropriate and timely action is being taken in respect of issues raised.
- review of letters of assurance received from the NTMA, Capita, Bank of Ireland and Allied Irish Banks p.l.c. in respect of the operation of their systems of internal financial control during the financial year.
- review of control assurance statements completed by NAMA's Senior Executive Team and Senior Management in respect of the effectiveness of the system of internal financial control during the financial year.

Frank Daly
Chairman

Brian McEnery
Chairman, Audit Committee

28 April 2016

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

National Asset Management Agency

I have audited the Group and Agency financial statements of the National Asset Management Agency for the year ended 31 December 2015 under the National Asset Management Agency Act 2009. The financial statements comprise the consolidated income statement, the consolidated statement of comprehensive income, the Agency income statement, the consolidated and Agency statements of financial position, the consolidated and Agency statements of changes in equity, the consolidated and Agency statements of cash flows and the related notes. The financial reporting framework that has been applied in their preparation is the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the National Asset Management Agency Act 2009.

Responsibilities of the Board

The Board is responsible for the preparation of the financial statements, for ensuring that they give a true and fair view and for ensuring the regularity of transactions.

Responsibilities of the Comptroller and Auditor General

My responsibility is to audit the financial statements and report on them in accordance with applicable law.

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation.

My audit is carried out in accordance with the International Standards on Auditing (UK and Ireland) and in compliance with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of

- whether the accounting policies are appropriate to the Group's and Agency's circumstances, and have been consistently applied and adequately disclosed
- the reasonableness of significant accounting estimates made in the preparation of the financial statements, and the overall presentation of the financial statements, and
- the overall presentation of the financial statements.

I also seek to obtain evidence about the regularity of financial transactions in the course of audit.

In addition, I read the Agency's annual report to identify if there are any material inconsistencies with the audited financial statements or to identify if there is any information that is apparently materially incorrect or inconsistent based on the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies, I consider the implications for my report.

Opinion on the financial statements

In my opinion, the financial statements, which have been properly prepared in accordance with the IFRS as adopted by the European Union and with the provisions of the National Asset Management Agency Act 2009, give a true and fair view of the assets, liabilities and financial position of the Group and the Agency at 31 December 2015 and of the Group's profit for 2015.

In my opinion, the accounting records of the Agency were sufficient to permit the financial statements to be readily and properly audited. The financial statements are in agreement with the accounting records.

Comptroller and Auditor General

Report for presentation to the Houses of the Oireachtas

Going concern

Without qualifying my opinion, I draw attention to Note 2.1 to the financial statements which describes the position in regard to the main funding source for the Agency and sets out the basis upon which the Board is satisfied that it is appropriate to prepare the financial statements on a going concern basis.

Matters on which I report by exception

I report by exception if I have not received all the information and explanations I required for my audit, or if I find

- any material instance where public money has not been applied for the purposes intended or where the transactions did not conform to the authorities governing them, or
- the information in the Agency's annual report is not consistent with the related financial statements or with the knowledge acquired by me in the course of performing the audit, or
- the statement on internal financial control does not reflect the Agency's compliance with the Code of Practice for the Governance of State Bodies, or
- there are other material matters relating to the manner in which public business has been conducted.

I have nothing to report in regard to those matters upon which reporting is by exception.

Seamus McCarthy.

Seamus McCarthy
Comptroller and Auditor General

29 April 2016

Consolidated Income Statement

For the financial year ended 31 December 2015

	Note	Financial year ended 31 December 2015 Group €'000	Financial year ended 31 December 2014 Group €'000
Interest and fee income	5	613,736	955,289
Interest expense	6	(220,585)	(313,174)
Net interest income		**393,151**	**642,115**
Other income / (expenses)	7	48,275	36,245
(Losses) / gains on derivative financial instruments	8	(134,384)	(158,697)
Net profit on disposal of loans and property assets; and surplus income	9	1,586,965	317,407
Total operating income		**1,894,007**	**837,070**
Administration expenses	10	(111,576)	(135,116)
Foreign exchange losses	11	(13,795)	(21,634)
Total operating expenses		**(125,371)**	**(156,750)**
Operating profit before impairment		**1,768,636**	**680,320**
Impairment credit / (charge) on loans and receivables	12	85,620	(169,965)
Operating profit after impairment		**1,854,256**	**510,355**
Tax charge	13	(28,362)	(52,075)
Profit for the financial year		**1,825,894**	**458,280**
Profit attributable to:			
Owners of the Group		**1,774,894**	**458,280**
Non-controlling interests	35,36	**51,000**	**-**

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Consolidated Statement of Comprehensive Income

For the financial year ended 31 December 2015

	Note	Financial year ended 31 December 2015 Group €'000	Financial year ended 31 December 2014 Group €'000
Profit for the financial year		**1,825,894**	**458,280**
Items that are or may be reclassified subsequently to profit or loss:			
Net movement in cash flow hedge reserve before tax	*34*	300,601	71,941
Net movement in available for sale reserve before tax	*34*	-	1,720
Income tax relating to components of other comprehensive income	*14,26*	(75,149)	(17,950)
Other comprehensive income for the financial year net of tax		**225,452**	**55,711**
Total comprehensive income for the financial year		**2,051,346**	**513,991**
Total comprehensive income attributable to:			
Owners of the Group		**2,000,346**	**513,991**
Non-controlling interests	*35,36*	**51,000**	**-**

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Agency Income Statement

For the financial year ended 31 December 2015

	Note	Financial year ended 31 December 2015 Agency €'000	Financial year ended 31 December 2014 Agency €'000
Interest and fee income	*5*	1,657,170	165,718
Costs reimbursable from the NAML Group	*7,10*	55,846	56,110
Total income		**1,713,016**	**221,828**
Interest expense	*6*	(58)	(186)
Administration expenses	*10*	(56,288)	(56,529)
Total expenses		**(56,346)**	**(56,715)**
Profit for the financial year		**1,656,670**	**165,113**
Profit attributable to:			
Owners of the Group		**1,656,670**	**165,113**

The accompanying notes form an integral part of these financial statements.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Consolidated Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 Group €'000	31 December 2014 Group €'000
Assets			
Cash and cash equivalents	15	3,145,604	1,158,692
Cash placed as collateral with the NTMA	15	256,000	690,000
Amounts due from Participating Institutions	16	87,188	84,810
Derivative financial instruments	17	44,290	58,241
Loans and receivables (net of impairment)	18	7,815,945	13,360,034
Other assets	27	29,550	12,164
Inventories – trading properties	19	108,473	37,951
Property, plant and equipment	24	1,680	1,935
Investments in equity instruments	25	48,211	36,181
Deferred tax	26	28,870	132,364
Total assets		**11,565,811**	**15,572,372**
Liabilities			
Amounts due to Participating Institutions	16	20,799	20,428
Derivative financial instruments	17	179,256	595,528
Other liabilities	29	69,397	126,114
Senior debt securities in issue	28	8,090,000	13,590,000
Tax payable	30	722	1,769
Total liabilities		**8,360,174**	**14,333,839**
Equity and reserves			
Other equity	33	1,593,000	1,593,000
Retained earnings / (losses)	35	1,615,937	(74,715)
Other reserves	34	(54,300)	(279,752)
Equity and reserves attributable to owners of the Group		**3,154,637**	**1,238,533**
Non-controlling interests	35,36	51,000	-
Total equity and reserves		**3,205,637**	**1,238,533**
Total equity, reserves and liabilities		**11,565,811**	**15,572,372**

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Agency Statement of Financial Position

As at 31 December 2015

	Note	31 December 2015 Agency €'000	31 December 2014 Agency €'000
Assets			
Cash and cash equivalents	*15*	268	101
Other assets	*27*	1,828,531	168,161
Property, plant and equipment	*24*	1,680	1,935
Investment in subsidiaries	*36*	49,000	49,000
Total assets		**1,879,479**	**219,197**
Liabilities			
Interest bearing loans and borrowings	*32*	53,757	53,699
Other liabilities	*29*	7,446	3,892
Total liabilities		**61,203**	**57,591**
Equity			
Retained earnings	*35*	1,818,276	161,606
Total equity		**1,818,276**	**161,606**
Total equity and liabilities		**1,879,479**	**219,197**

The accompanying notes form an integral part of these financial statements.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Consolidated Statement of Changes in Equity

As at 31 December 2015

31 December 2015	Note	Other equity Group €'000	Retained earnings Group €'000	Other reserves Group €'000	Non-controlling interests Group €'000	Total equity Group €'000
Balance at the beginning of the financial year		**1,593,000**	**(74,715)**	**(279,752)**	**-**	**1,238,533**
Profit for the financial year	*35*	-	1,774,894	-	51,000	**1,825,894**
Dividend paid on B ordinary shares	*35*	-	(386)	-	-	**(386)**
Coupon paid on subordinated bonds	*35*	-	(83,856)	-	-	**(83,856)**
Other comprehensive income:						
Movement in cash flow hedge reserve	*34*	-	-	300,601	-	**300,601**
Income tax relating to components of other comprehensive income	*14*	-	-	(75,149)	-	**(75,149)**
Total comprehensive income / (expenditure)		**1,593,000**	**1,615,937**	**(54,300)**	**51,000**	**3,205,637**
Balance at 31 December 2015		**1,593,000**	**1,615,937**	**(54,300)**	**51,000**	**3,205,637**

31 December 2014	Note	Other equity Group €'000	Retained earnings Group €'000	Other reserves Group €'000	Non-controlling interests Group €'000	Total equity Group €'000
Balance at the beginning of the financial year		**1,593,000**	**(447,599)**	**(335,463)**	**-**	**809,938**
Profit for the financial year	*35*	-	458,280	-	-	**458,280**
Dividend paid on B ordinary shares	*35*	-	(1,540)	-	-	**(1,540)**
Coupon paid on subordinated bonds	*35*	-	(83,856)	-	-	**(83,856)**
Other comprehensive income:						
Movement in cash flow hedge reserve	*34*	-	-	71,941	-	**71,941**
Movement in available for sale reserve	*34*	-	-	1,720	-	**1,720**
Income tax relating to components of other comprehensive income	*14*	-	-	(17,950)	-	**(17,950)**
Total comprehensive income / (expenditure)		**1,593,000**	**(74,715)**	**(279,752)**	**-**	**1,238,533**
Balance at 31 December 2014		**1,593,000**	**(74,715)**	**(279,752)**	**-**	**1,238,533**

The accompanying notes form an integral part of these consolidated financial statements.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Agency Statement of Changes in Equity

As at 31 December 2015

	Note	31 December 2015 Agency €'000	31 December 2014 Agency €'000
Balance at the beginning of the financial year		**161,606**	**(3,507)**
Profit for the financial year	*35*	1,656,670	165,113
Total comprehensive income		**1,818,276**	**161,606**
Balance at 31 December attributable to the Agency		**1,818,276**	**161,606**

The accompanying notes form an integral part of these financial statements.

On behalf of the Board

28 April 2016

Brendan McDonagh
Chief Executive Officer

Frank Daly
Chairman

Consolidated Statement of Cash Flows

Financial year ended 31 December 2015

	Note	Financial year ended 31 December 2015 Group €'000	Financial year ended 31 December 2014 Group €'000
Cash flow from operating activities			
Loans and receivables			
Receipts from loans[2]	18	9,018,112	8,452,459
Receipts from derivatives acquired		17,269	96,401
Funds advanced to borrowers	18	(855,512)	(644,950)
New loans issued / acquired	18	(139,071)	(246,601)
Funds in the course of collection	18	1,363	(19,827)
Cash held on behalf of debtors		(125)	(2,046)
Fee income from loans and receivables	5	31,881	7,294
Repayment of loan facility deed by joint Special Liquidators	18	-	11,715,089
Cash balances held on behalf of NARL (dissolved)[3]		-	(259)
Interest received on loan facility deed from joint Special Liquidators		-	73,349
Net cash provided by loans and receivables		**8,073,917**	**19,430,909**
Derivatives			
Cash inflow on foreign currency derivatives	11	9,378,362	11,858,107
Cash outflow on foreign currency derivatives	11	(9,677,265)	(12,066,252)
Net cash outflow on derivatives where hedge accounting is applied		(5,062)	(210,662)
Net cash outflow on other derivatives		(391,968)	(187,529)
Net cash used in derivative activities		**(695,933)**	**(606,336)**

2 *Includes non-disposal cash receipts of €0.6bn (2014: €0.8bn), proceeds from the disposal of collateral secured against loans and receivables of €5.1bn (2014: €4.2bn) and proceeds from the sale of loans of €3.3bn (2014: €3.4bn).*

3 *Consists of cash balances held by the liquidator until finalisation of the liquidation of NARL.*

Consolidated Statement of Cash Flows (continued)

Financial year ended 31 December 2015

	Note	Financial year ended 31 December 2015 Group €'000	Financial year ended 31 December 2014 Group €'000
Other operating cashflows			
Payments to suppliers of services		(171,207)	(190,993)
Interest paid on senior debt securities in issue		(25,147)	(108,476)
Interest (paid)/received on cash and cash equivalents		(473)	11,892
Dividend paid by NAMAIL on B ordinary shares	35	(386)	(1,540)
Coupon paid by NAML on subordinated debt issued	35	(83,856)	(83,856)
Net inflows on amounts placed as collateral with NTMA	15	434,000	112,000
Funds paid to acquire trading properties		(79,941)	(1,696)
Rental income received from social housing units		3,481	636
Net cash provided by / (used in) other operating activities		**76,471**	**(262,033)**
Net cash provided by operating activities		**7,454,455**	**18,562,540**
Cash flow from investing activities			
Investments in equity instruments		(589)	(5,375)
Sale of available for sale assets		-	145,000
Dividends from equity instruments		553	-
Distributions received from equity instruments	7	24,138	30,429
Net cash provided by investing activities		**24,102**	**170,054**
Cash flow from financing activities			
Redemption of senior debt securities	28	(5,500,000)	(21,028,000)
Net cash used in financing activities		**(5,500,000)**	**(21,028,000)**

Consolidated Statement of Cash Flows

Financial year ended 31 December 2015

	Note	Financial year ended 31 December 2015 Group €'000	Financial year ended 31 December 2014 Group €'000
Cash and cash equivalents held at the beginning of the financial year	*15*	1,158,692	3,453,236
Net cash provided by operating activities		7,454,455	18,562,540
Net cash provided by investing activities		24,102	170,054
Net cash used in financing activities		(5,500,000)	(21,028,000)
Effects of exchange-rate changes on cash and cash equivalents	*11*	8,355	862
Total cash and cash equivalents held at the end of the financial year	*15*	**3,145,604**	**1,158,692**
Cash collateral			
Cash collateral placed with the NTMA	*15*	256,000	690,000
Total		**3,401,604**	**1,848,692**

Agency Statement of Cash Flows

Financial year ended 31 December 2015

	Note	Financial year ended 31 December 2015 Agency €'000	Financial year ended 31 December 2014 Agency €'000
Cash flow from operating activities			
Bank interest (paid) / received		(1)	1
Board fees paid		(438)	(590)
Rent paid		(2,136)	(1,980)
Net reimbursement from National Asset Loan Management Limited for expenses		2,742	1,518
Net cash provided by / (used in) operating activities		**167**	**(1,051)**
Cash held at the beginning of the financial year	*15*	101	1,152
Net cash provided by / (used in) operating activities		167	(1,051)
Cash held at the end of the financial year	*15*	**268**	**101**

Notes to the Financial Statements

1. GENERAL INFORMATION

The proposed creation of the National Asset Management Agency was announced in the Minister for Finance's Supplementary Budget on 7 April 2009 and the Act was passed in November 2009.

The Act established NAMA as a separate statutory body, with its own Board and Chief Executive Officer appointed by the Minister for Finance, in December 2009.

The main purpose of NAMA was to acquire assets in the form of property related loans from credit institutions which were designated by the Minister for Finance as Participating Institutions under Section 67 of the Act. The original Participating Institutions were: Allied Irish Banks, p.l.c. ('AIB'), Anglo Irish Bank Corporation Limited ('Anglo'), Bank of Ireland ('BOI'), Irish Nationwide Building Society ('INBS') and EBS Building Society ('EBS').

On 1 July 2011, AIB merged with EBS, and the business of INBS transferred to Anglo. On 14 October 2011 the latter's name was changed to Irish Bank Resolution Corporation ('IBRC'). IBRC was subsequently liquidated on 6 February 2013. On 7 February 2013, the joint Special Liquidators were appointed under the IBRC Act 2013 and assumed the role of primary servicer. With effect from 12 August 2013, the role of primary servicer of NAMA loans in IBRC is being fulfilled by Capita Asset Services ('Capita').

On 22 September 2014, the case management for BOI NAMA loans transitioned to Capita, and from 23 February 2015 a full transition (excluding residential loans) was made with Capita maintaining the system of records for loans originally acquired from BOI.

In late 2015, NAMA announced its commitment to funding, subject to commercial viability, the delivery of 20,000 residential units in the greater Dublin area in the period to end 2020.

1.1 National Asset Management Agency Group

For the purposes of these financial statements, the 'NAMA Group' comprises: the parent entity NAMA, National Asset Management Agency Investment Limited (NAMAIL), National Asset Resolution Limited (dissolved) (NARL), National Asset Management Limited (NAML), National Asset Management Group Services Limited (NAMGSL), National Asset Loan Management Limited (NALML), National Asset North Quays Limited (NANQL), National Asset Management Services Limited (NAMSL), National Asset JV A Limited (NAJVAL), National Asset Property Management Limited (NAPML), National Asset Residential Property Services Limited (NARPSL), National Asset Sarasota LLC (NASLLC), National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL), RLHC Resort Lazer SGPS, SA (RLHC I) and RLHC Resort Lazer II SGPS, SA (RLHC II).

On 18 December 2014, NARL (dissolved) and NALHL (in Voluntary Liquidation) were placed into liquidation by its members. NARL's results from 1 January 2014 up to the date of liquidation have been consolidated into the prior year results of the NAMA Group and are included in the 2014 consolidated income statement. As the liquidator has assumed the rights of the shareholder and now controls both of these entities, NARL (dissolved), NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC I and RLHC II, are not consolidated into the results of the NAMA Group at the reporting date. For further information see Note 36.4.

The Group and the relationship between NAMA Group entities is summarised in Chart 1.

National Asset Management Agency Investment Limited (NAMAIL)

NAMAIL was incorporated on 27 January 2010. NAMAIL is the company through which private investors have invested in the Group. NAMA holds 49% of the shares of the company. The remaining 51% of the shares of the company are held by private investors.

NAMA has invested €49m in NAMAIL, receiving 49 million A ordinary shares. The remaining €51m was invested in NAMAIL by private investors, each receiving an equal share of 51 million B ordinary shares. Under the terms of a shareholders' agreement between NAMA and the private investors, NAMA may exercise a veto over decisions taken by NAMAIL. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity is restricted and NAMA has effective control of the company. By virtue of this control, NAMA has consolidated NAMAIL and its subsidiaries and the 51% external investment in NAMAIL is reported as a non-controlling interest in these financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

1.1 National Asset Management Agency Group (continued)

National Asset Resolution Limited (dissolved) (NARL)

On 7 February 2013, joint Special Liquidators were appointed to IBRC under the Irish Bank Resolution Corporation Act 2013. On 11 February 2013, NAMA established a new NAMA Group Entity, National Asset Resolution Limited (dissolved) (NARL). The entity was formed in response to a Direction issued by the Minister for Finance under the Irish Bank Resolution Corporation Act 2013 to NAMA to acquire a loan facility deed and floating charge over certain IBRC assets. Consideration was in the form of Government Guaranteed debt securities and cash. The debt securities were issued by NAML and transferred to NARL (dissolved) via a profit participating loan facility. NARL (dissolved) is a 100% subsidiary of NAMAIL.

NARL (dissolved) was the senior creditor of IBRC (in liquidation), therefore funds received by the joint Special Liquidators were used to reduce the loan facility deed in the first instance. NAMA had no involvement in the liquidation process and the financial statements recognised funds received from the joint Special Liquidators and other transactions to facilitate the orderly wind up of IBRC arising from the Minister's directions under the Act. On 22 April 2014, the Minister announced that no assets would transfer to NAMA from IBRC (in liquidation). The loan facility deed was fully repaid on 21 October 2014 and NARL (dissolved) was placed into voluntary liquidation by its members on 18 December 2014. NARL was dissolved with effect from 23 March 2016.

National Asset Management Limited (NAML)

NAML was incorporated on 27 January 2010. NAML is responsible for issuing the government guaranteed debt instruments and the subordinated debt, which were used as consideration in acquiring loan assets. The Government guaranteed debt securities issued by NAML are listed on the Irish Stock Exchange.

The government guaranteed debt instruments and the subordinated debt instruments, issued in respect of the original loan portfolio, were transferred to NAMGSL and by NAMGSL to NALML. The latter used these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

NAML has eleven subsidiaries at the reporting date:

1) National Asset Management Group Services Limited (NAMGSL)

NAMGSL acts as the holding company for its ten subsidiaries: NALML, NAMSL, NAJVAL, NAPML, NANQL, NARPSL, NASLLC, NALHL (in Voluntary Liquidation), RLHC I and RLHC II.

NAMGSL was incorporated on 27 January 2010. NAMGSL acquired certain debt instruments issued by NAML under a profit participating loan (PPL) agreement, and in turn, made these debt instruments available to NALML on similar terms. NAMGSL is wholly owned by NAML.

2) National Asset Loan Management Limited (NALML)

NALML was incorporated on 27 January 2010. The purpose of NALML is to acquire, hold, and manage the loan assets acquired from the Participating Institutions. NALML has one new subsidiary, NANQL.

3) National Asset North Quays Limited (NANQL)

NANQL was incorporated on 8 April 2015. NANQL is a 100% wholly owned subsidiary of NALML and was established to hold the freehold lands acquired by NAMA at 72-80 North Wall Quay, Dublin 1 in February 2015 and to receive proceeds from a secure income stream from the lands in the form of a licence fee. The licence was granted to a third party for a period of six years to enable the development of the site for long-term commercial benefit. In addition to the secure income stream, a fixed percentage of rents and a percentage of sales proceeds of any completed development to be built on the lands are due to NANQL.

As a result of the acquisition of the lands, NANQL acquired a 26.5% shareholding in North Wall Plaza Management Company Limited, a management company responsible for the management of the public areas of the lands at North Wall Quay.

4) National Asset Management Services Limited (NAMSL)

NAMSL was incorporated on 27 January 2010. Previously a non-trading entity, NAMSL acquired a 20% shareholding in a general partnership associated with the NAJVAL investment during 2013.

5) National Asset JV A Limited (NAJVAL)

On 4 July 2013, NAMA established a new subsidiary, National Asset JV A Limited (NAJVAL). NAJVAL is a wholly owned subsidiary of NAMGSL. NAMA entered a joint venture arrangement with a consortium whereby a 20% interest in a limited partnership was acquired, and NAJVAL was established to facilitate this transaction. The Group is not able to exercise significant influence over the partnership as the other 80% interest is held by one shareholder who controls the decision making of the partnership. NAJVAL's 20% investment in the partnership is recognised as an equity investment.

6) National Asset Property Management Limited (NAPML)

NAPML was incorporated on 27 January 2010. The purpose of NAPML is to take direct ownership of property assets if and when required.

NAPML has five subsidiaries: NARPSL, NASLLC and NALHL (in Voluntary Liquidation), RLHC I and RLHC II:

7) National Asset Residential Property Services Limited (NARPSL)

On 18 July 2012 NAMA established a new subsidiary National Asset Residential Property Services Limited (NARPSL). NARPSL is a wholly owned subsidiary of NAPML, and was established to acquire residential properties and to lease and ultimately sell these properties to approved housing bodies for social housing purposes.

A total of 2,001 (2014: 1,068) residential properties were delivered to the social housing sector by NAMA debtors from inception to the reporting date, of which 1,427 (2014: 811) were completed and contracts on a further 574 (2014: 257) properties (for both direct sale and through NARPSL) exchanged at the reporting date. Completed deliveries since inception include the direct sale of 669 (2014: 443) properties by NAMA debtors and receivers to various approved housing bodies, the direct leasing of 116 (2014: 116) properties by NAMA debtors and receivers and the acquisition by NARPSL of 642 (2014: 252) properties for lease to approved housing bodies.

8) National Asset Sarasota LLC (NASLLC)

On 1 August 2013, NAMA established a new US subsidiary, National Asset Sarasota Limited Liability Company (NASLLC). NASLLC is a wholly owned subsidiary of NAPML, and was established to acquire any property assets located in the US, if and when acquired.

9) National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL)

On 10 January 2014, NAMA established a new subsidiary National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL). NALHL (in Voluntary Liquidation) is a wholly owned subsidiary of NAPML and was established to acquire 100% of the share capital of two Portuguese entities, RLHC I and RLHC II.

The establishment of these entities was required to facilitate the legal restructure of a number of entities with Portuguese property assets. Following the completion of the legal restructure, NALHL (in Voluntary Liquidation) was placed into liquidation on 18 December 2014. The control of NALHL (in Voluntary Liquidation) is with the liquidator who will realise the assets of NALHL (in Voluntary Liquidation).

10) and 11) RLHC Resort Lazer SGPS, S.A. (RLHC I), RLHC Resort Lazer II SGPS, S.A. (RLHC II)

On 5 February 2014, NAMA established two new subsidiaries, RLHC Resort Lazer SGPS, S.A. (RLHC I) and RLHC Resort Lazer II SGPS, S.A. (RLHC II). RLHC I and RLHC II are wholly owned subsidiaries of NALHL (in Voluntary Liquidation) and acquired 90% and 10% respectively of the share capital of a number of Portuguese entities, following the legal restructure of the debt owed by these entities.

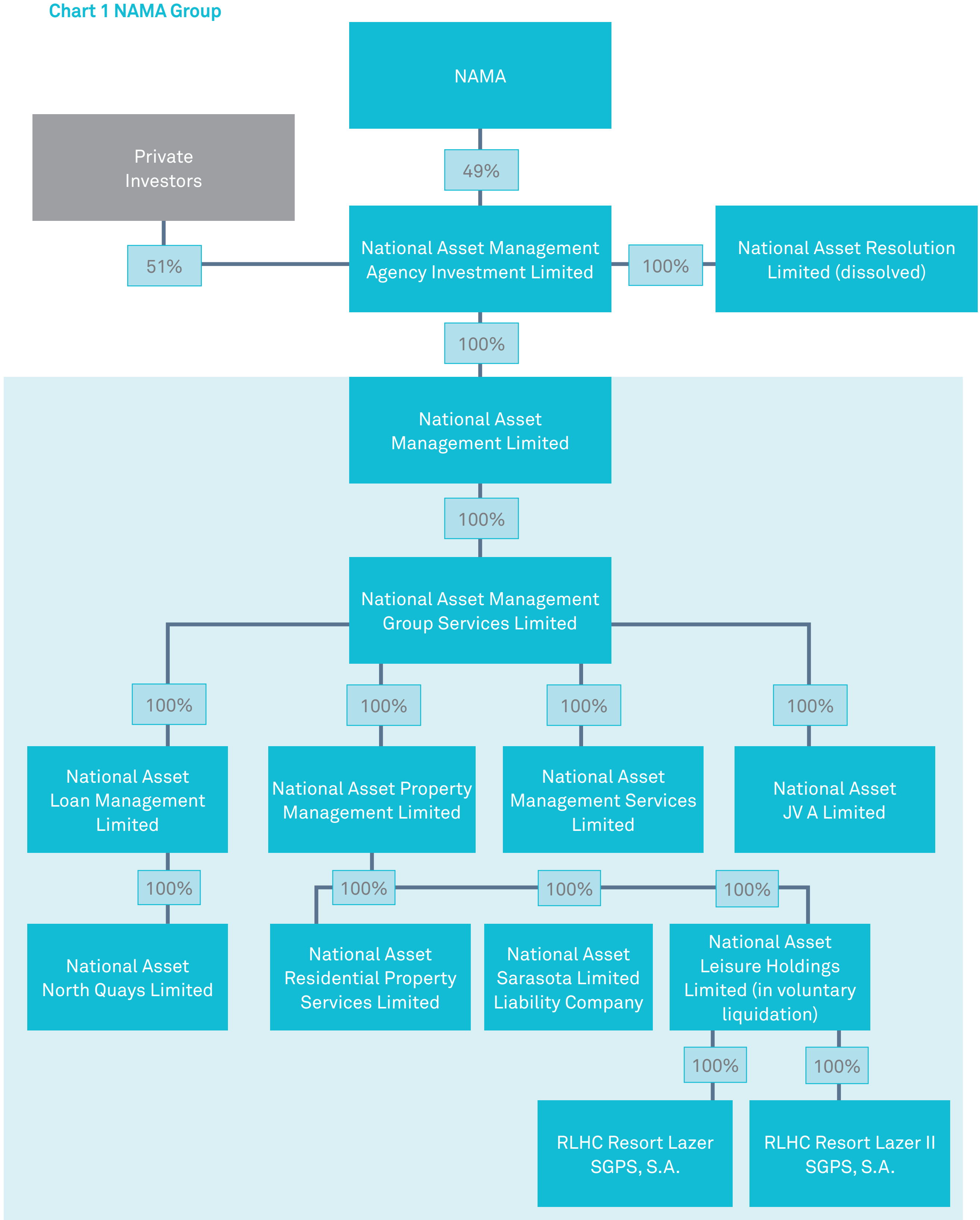
With the exception of RLHC I and RLHC II, the address of the registered office of each company at the reporting date is Treasury Building, Grand Canal Street, Dublin 2. Each Company is incorporated and domiciled in the Republic of Ireland, except for NASLLC, which is incorporated and domiciled in the US and RLHC I and RLHC II which are incorporated and domiciled in Portugal. The address of the registered office of RLHC I and RLHC II is Rua Garrett, Nº. 64, 1200-204 Lisbon, Portugal.

Notes to the Financial Statements

1. GENERAL INFORMATION (CONTINUED)

1.1 National Asset Management Agency Group (continued)

Chart 1 NAMA Group



2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

Going concern

The financial statements are prepared on a going concern basis and the Board is satisfied that the Group will continue as a going concern for the foreseeable future.

Most of the Agency's funding is in the form of short term Government Guaranteed Floating Rate Notes ("the Notes"). The outstanding balance of these Notes at 31 December 2015 is €8,090m (2014: €13,590m).

The Notes in issue are redeemable at the option of the holder in cash or by the issuance of new notes. Consequently, a requirement to redeem some or all of the Notes for cash could leave the Agency in a position where it would have to call on the Government to fund such cash redemption, if sufficient own resources were not available.

The Agency was established under statute with a specific statutory mandate. In its consideration of whether accounting on a going concern basis is appropriate, the Board has had regard to the purposes of the Act as set out therein. These are, inter alia, to address a 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. The Board believes it is reasonable to assume that, given the purpose of the legislation, the State will take appropriate steps to ensure that the Agency is in a position to discharge its mandate.

During 2014, the Minister completed his review of NAMA in accordance with section 227 of the Act. The review was carried out to assess the extent to which NAMA has made progress toward achieving its overall objectives and whether continuation of NAMA is necessary having regard to the purposes of the Act.

The Minister concluded in his report that:

- NAMA has made significant progress in achieving its overall objectives; and
- based on its performance to date and financial projections in light of current investor interest in Ireland, NAMA is well positioned to achieve its overall objectives and so continues to be necessary.

The Agency's activities are subject to risk factors including credit, liquidity, market, and operational risk. The Board has reviewed these risk factors and all relevant information to assess the Agency's ability to continue as a going concern. The Board and its Committees review key aspects of the Agency's activities on an ongoing basis and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

At the reporting date, the Notes issued relating to the original loan acquisitions from Participating Institutions were €8,090m (2014: €13,590m). The note holders are primarily Credit Institutions covered by the Credit Institutions (Eligible Liabilities Guarantee) Scheme 2009 and are subject to direction from the Minister for Finance and the Notes are guaranteed by the Government. Given these circumstances, the Board believes that its assumption that, on the maturity of the Notes, NAMA will be able to settle its liability with new Notes, issued on similar terms, is a reasonable one. All notes in issue that matured on 1 March 2016 were settled by issuing new Notes with a maturity of 1 March 2017.

At the reporting date NAMA had equity and reserves of €3,206m (2014: €1,239m), of which €3,155m is attributable to the Group and €51m is attributable to non-controlling interests. The Group has available cash, cash equivalents and liquid assets at 31 December 2015 of €3.4bn (2014: €1.8bn) and current liabilities (other than senior debt) of €0.3bn (2014: €0.7bn), and therefore the Board is satisfied that it can meet its current liabilities as they fall due for the foreseeable future. The Group has repaid all loans and borrowings to the Minister and has no other external borrowings.

On this basis, the Board is satisfied that the Agency will have access to adequate resources to continue its operations for the foreseeable future and that it is appropriate to prepare the financial statements on a going concern basis.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Basis of compliance and measurement

The Group's consolidated and Agency financial statements for the financial year ended 31 December 2015 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, the International Financial Reporting Interpretations Committee (IFRIC) interpretations and the NAMA Act 2009.

The consolidated and Agency financial statements have been prepared under the historical cost convention, except for derivative financial instruments and equity instruments, which have been measured at fair value.

The consolidated and Agency financial statements are presented in euro (€), which is the Group's functional and presentational currency. The figures shown in the consolidated financial statements are stated in € thousands.

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the financial year from operating activities, investing activities and financing activities. The cash flows from operating activities are determined using the direct method, whereby major classes of gross cash receipts and gross payments are disclosed.

Cash flows from investing and financing activities are reported on a gross basis. The Group's assignment of the cash flows to operating, investing and financing categories depends on the Group's business model (management approach).

In accordance with IAS 1, assets and liabilities are presented in order of liquidity.

2.3 IFRS Standards, amendments and interpretations issued but not yet effective

The following standards and interpretations have been issued and are expected to be relevant to the Group.

Standards issued but not effective:

IFRS 9 Financial Instruments: This standard will be applicable for accounting periods beginning on or after 1 January 2018 subject to EU endorsement, with early adoption permitted.

IFRS 9 applies one classification approach for all types of financial assets. Two criteria are used to determine how financial assets should be classified and measured, namely the entity's business model for measuring the financial assets and the contractual cash flow characteristics of the financial assets. The standard identifies three categories of financial assets, i.e. amortised cost, fair value through other comprehensive income and fair value through profit and loss.

The Group is currently assessing the impact that IFRS 9 will have on its financial statements. The key change for the Group is in relation to its accounting for loans and receivables. It is not practicable to reasonably estimate the effects of the change at this point in time; however, it is expected that the assessment will be completed prior to the effective date.

IFRS 9 retains almost all of the existing requirements from IAS 39 on the classification of financial liabilities.

The updated IFRS 9 will impact associated IFRS 7 disclosures.

This standard will have an impact on the current disclosure requirements of the Group only when IFRS 9 is adopted. This amendment has not yet been EU endorsed and is not early adopted by the Group.

New standards in issue and adopted

Amendments to several standards and interpretations, resulting from improvements to IFRS, apply for the first time in 2015. However, they did not have any impact on the accounting policies, financial position or performance of the Group.

2.4 Basis of consolidation

The consolidated financial statements of the Group comprise the financial statements of the parent entity, NAMA and its subsidiaries, with the exception of NARL (dissolved), NALHL (in Voluntary Liquidation), RLHC I and RLHC II. Refer to note 36.4 for further detail. The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the same reporting date as that of the parent.

The Group consolidates all entities where it directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities.

Investments in subsidiaries are accounted for at cost less impairment. Accounting policies of the subsidiaries are consistent with the Group's accounting policies.

Inter-company transactions and balances and gains on transactions between group companies are eliminated. Intergroup losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.

Details of subsidiaries are provided in Note 36.

2.5 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

The consolidated financial statements are presented in euro, which is the Group's presentation and functional currency.

(b) Transactions and balances

Transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains and losses recognised in the income statement are presented as a separate line item in the consolidated income statement.

2.6 Financial assets

The Group classifies its financial assets into the following IAS 39 categories:

(a) Financial assets at fair value through profit or loss;

(b) Loans and receivables and;

(c) Available for sale financial assets.

The Group determines the classification of its financial instruments at initial recognition.

(a) Financial assets at fair value through profit or loss

This category of assets comprises derivatives other than derivatives that are designated and are effective as hedging instruments and equity instruments.

Derivatives

These assets are recognised initially at fair value and transaction costs are taken directly to the consolidated income statement. Interest income and expense arising on these derivatives (other than on cross currency interest rate swaps) are included in interest income and interest expense in the consolidated income statement. Fair value gains and losses on these financial assets are included in gains and losses on derivative financial instruments in the consolidated income statement or as part of foreign exchange gains and losses where they relate to currency derivatives. Interest on cross currency interest rate swaps is recognised as part of fair value gains and losses on currency derivatives.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Financial assets (continued)

Equity instruments

An equity instrument is any contract that results in a residual interest in the assets of an entity after deducting all of its liabilities. An equity instrument has no contractual obligation to deliver cash or another financial asset.

Equity instruments are initially measured at fair value. Equity instruments are subsequently measured at fair value unless the fair value cannot be reliably measured, in which case the equity instrument is measured at cost. The fair value of equity instruments is measured based on the net asset value of the entity at the reporting date. Changes in fair value are recognised in the income statement as part of other income/(expenses).

Equity instruments are separately disclosed in the statement of financial position.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans acquired by the Group are treated as loans and receivables because the original contracts provided for payments that were fixed or determinable. The Group has classified the loan assets it acquired from Participating Institutions as loans and receivables.

Loans and receivables are initially recognised at fair value plus transaction costs. Loan assets acquired by the Group from Participating Institutions, as provided for in the Act, are treated as having a fair value at initial recognition equal to the acquisition price paid for the asset, taking into account any cash flow movements in the loan balance between the valuation date and transfer date.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method (see accounting policy 2.9).

Loans and receivables are classified as follows:

- Land and development loans
- Investment property loans.

Land and development loans include loans secured on land which have been purchased for the purpose of development, and loans secured on partly developed land.

Investment property loans are loans secured on any property purchased with the primary intention of earning the total return, i.e. income and/or capital appreciation, over the life of the interest acquired.

(c) Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Available for sale financial assets are initially recognised at fair value plus transaction costs. They are subsequently held at fair value. Interest income calculated using the EIR method is recognised in profit or loss. Other changes in the carrying amount of available for sale financial assets are recognised in other comprehensive income in the available for sale reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available for sale reserve is reclassified to profit or loss.

Financial assets and liabilities at fair value

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair value gains or losses on derivatives are recognised in the income statement.

Borrower derivatives

Borrower derivatives comprise of derivatives acquired from Participating Institutions that were originally put in place to provide hedges to borrowers ('borrower derivatives'). These derivatives were acquired from each Participating Institution as part of a total borrower exposure.

Borrower derivatives are measured at fair value with fair value gains and losses being recognised in profit or loss. Borrower derivatives are classified as performing and non-performing. A performing derivative is one that is meeting all contractual cash flow payments up to the last repayment date before the end of the reporting period. The performing status of borrower derivatives is assessed at each reporting date.

Borrower derivatives comprise of interest rate derivatives. The fair value is determined using a valuation technique based on independent valuations obtained using observable market inputs such as Euribor and Libor yield curves, FX rates, open volatilities and par interest swap rates.

NAMA derivatives

NAMA derivatives comprise of derivatives entered into to hedge exposure to loans and receivables acquired and debt securities in issue ('NAMA derivatives'). NAMA derivatives include interest rate and cross currency swaps. The fair value of NAMA derivatives is determined using a mark to market valuation technique based on independent valuations obtained using observable market inputs such as Euribor and Libor yield curves, par interest and FX rates. Fair value movements arising on interest rate swaps are recognised in profit or loss. Gains and losses on currency swaps are recognised in profit or loss as part of foreign exchange gains and losses.

Hedge accounting

The Group designates certain derivatives as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedges). The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

The Group has entered into cash flow hedge relationships only.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement. Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which the associated related hedged item is reported. Amounts recycled to profit or loss from equity are included in net interest income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2.7 Financial liabilities

The Group carries all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are measured at fair value. Further information on derivative liabilities is included in accounting policy 2.15.

The Group does not offset financial assets and financial liabilities.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 De-recognition of financial assets and financial liabilities

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

2.9 Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments is recognised as interest income and interest expense in the income statement using the EIR method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability.

When calculating the EIR, the Group estimated cash flows using the mandated Long Term Economic Value (LTEV) methodology but did not consider future credit losses beyond any already recognised in the acquisition price of loans. The calculation includes transaction costs and all fees paid or received between parties to the contract that are an integral part of the EIR.

All loans and receivables acquired are recognised using the EIR method at the reporting date.

When a loan and receivable is impaired, the Group reduces the carrying amount to its estimated recoverable amount (being the estimated future cash flows discounted at the original EIR) and continues unwinding the remaining discount as interest income.

Once a financial asset (or a group of similar financial assets) has been written down as a result of an impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income on impaired loans is only recognised on the unimpaired amount of the loan balance using the original EIR rate.

2.10 Fee income

Fee income that is an integral part of calculating the EIR or in originating a loan is recognised as part of EIR as described in accounting policy 2.9. Fees earned by the Group that are not part of EIR are recognised immediately in profit or loss as fee income.

2.11 Profit / (loss) on the disposal of loans, property assets; and surplus income

(a) Profit and loss on the disposal of loans and property assets

Profits and losses on the disposal of loans/property assets are calculated as the difference between the carrying value of the loans/property assets and the contractual sales price at the date of sale, less related loan sale costs. The contractual sales price includes any deferred consideration where NAMA has the contractual right to receive any deferred cash flow in accordance with IAS 32. Profits and losses on the disposal of loans/property assets are recognised in the income statement when the transaction occurs. Profit on disposal of loans is not recognised when the overall debtor connection is impaired in accordance with latest available impairment assessment data, or if the recognition of profit on disposal of loans may result in future impairment in the connection.

(b) Surplus income

Surplus income is calculated as the excess cash recovered on a total debtor connection over the loan carrying value and is recognised in the income statement:

(i) to the extent that actual cash flows for a total debtor connection are in excess of the total debtor connection loan carrying values, i.e. to the extent that the debtor has repaid all of its NAMA debt. Such income is recognised semi-annually; or

(ii) when the estimated discounted cash flows for the total debtor connection are greater than the total debtor connection loan carrying value. Such surplus income, to the extent that cash is realised from specific loan assets within the connection, is assessed on a semi-annual basis.

2.12 Impairment of financial assets

The Group assesses, on a semi-annual basis, whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

(a) Loans and receivables carried at amortised cost

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The individually significant assessment is completed in respect of the total portfolio of borrowings of each individually significant debtor connection, rather than on an individual loan basis (i.e. the unit of account is the overall total debtor connection).

Objective evidence that an asset or portfolio of assets is impaired after acquisition by NAMA includes:

- International, national or local economic conditions that correlate with defaults on the assets in the group (e.g. a decrease in property prices in the relevant area or adverse changes in industry conditions that affect the debtor);
- Observable data indicating that there is a measurable decrease in the value of estimated future cash flows from a portfolio of assets since the initial recognition of those assets;
- Adverse changes in expectations about the amount likely to be realised from the disposal of collateral associated with the loan or loan portfolio;
- Adverse changes in expectations of the timing of future cash flows arising from disposals of collateral;
- Adverse changes in the payment status of the debtor (e.g. an increased number of delayed payments);
- Further significant financial difficulty of the debtor since acquisition;
- Additional breaches of contract, such as a default or delinquency in interest or principal payments;
- It becoming increasingly probable that the debtor will enter bankruptcy or other financial reorganisation.

Individually Significant

For the purpose of the individually significant assessment, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original EIR. This is assessed at a total debtor connection level, which is the unit of account applied by NAMA. The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is released by adjusting the allowance account. The amount released is recognised in the consolidated income statement.

Where there is no further prospect of recovery of the carrying value of a loan, or a portion thereof, the amount that is not recoverable is written off against the related allowance for debtor impairment as impairment crystallisation. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

NAMA may dispose of loans within a debtor connection or a portfolio of loans across multiple connections. The disposal of loans gives rise to a release or crystallisation of any impairment previously recognised relating directly to the loans sold.

When a loan or group of loans is sold the rights to the cash flows from the loans expire and the loan assets are de-recognised from the statement of financial position. On de-recognition, a gain or loss on the loans sold is calculated and is recognised in the consolidated income statement. The gain or loss is calculated as the difference between the consideration received net of transaction costs and the carrying value of the loans sold.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Impairment of financial assets (continued)

The assessment of the carrying value of the loans sold takes into account impairment previously recognised against these loans.

If impairment has previously been recognised on the loans

- a calculated profit on disposal results in the associated impairment provision for these assets being recognised under net profit on disposal on loans and property assets.
- a calculated loss on disposal will result in the associated impairment provision being crystallised, whereby both the provision held and the carrying value of the loans are reduced.

Collective Assessment

Debtor connections which are not subject to individually significant assessment are grouped collectively for the purposes of performing an impairment assessment. When collectively assessed loans are disposed of, the calculated profit or loss on disposal does not take into account any previously recognised collective provision as this provision is not directly attributed to the loans. The related impact on the overall collective provision is reassessed following disposal of the loans.

2.13 Impairment of non-financial assets

The carrying amount of the Group's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount exceeds its recoverable amount.

2.14 Cash and cash equivalents

Cash comprises cash on hand, demand deposits and exchequer notes.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.15 Derivative financial instruments and hedge accounting

Derivatives, such as interest rate swaps, cross-currency swaps and foreign exchange swaps are used for hedging purposes as part of the Group's risk management strategy. In addition, the Group acquired, at fair value, certain derivatives associated with the loans acquired from the Participating Institutions. The Group does not enter into derivatives for proprietary trading purposes.

The Group's policy is to hedge its foreign currency exposure through the use of currency derivatives. Interest rate risk on debt issued by the Group and some loans and derivatives acquired from the Participating Institutions are hedged using interest rate swaps.

Derivatives are accounted for either at fair value through profit or loss or, where they are designated as hedging instruments, using the hedge accounting provisions of IAS 39.

Derivatives at fair value through profit or loss

Derivatives at fair value through profit or loss are initially recognised at fair value on the date on which a derivative contract is entered into or acquired and are subsequently re-measured at fair value.

The fair value of derivatives is determined using a mark to market valuation technique based on independent valuations obtained using observable market inputs such as Euribor and Libor yield curves, par interest and foreign exchange rates.

The assumptions involved in these valuation techniques include the likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed by the terms of the instrument, although management judgement is required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt.

Derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative.

Fair value gains or losses on derivatives (other than currency derivatives) are recognised in the income statement. However where they are designated as hedging instruments, the treatment of the fair value gains and losses depends on the nature of the hedging relationship.

Gains and losses on currency swaps are recognised in profit or loss as part of foreign exchange gains and losses.

Derivatives designated in hedge relationships

The Group designates certain derivatives as hedges of highly probable future cash flows, attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedges).

At the inception of the hedge relationship, the Group documents the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income and included in the cash flow hedge reserve, which is included in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. Amounts reclassified to profit or loss from equity are included in net interest income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the income statement.

2.16 Inventories - trading properties

Trading properties include property assets and non real estate assets which are held for resale and are stated at the lower of cost and net realisable value. Costs are determined on the basis of specific identification of individual costs relating to each asset. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

2.17 Taxation

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

(a) Current income tax

Current income tax is the expected tax payable on the taxable income for the financial year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

Current income tax payable on profits, based on the applicable tax law in the relevant jurisdiction, is recognised as an expense in the period in which the profits arise.

The tax effects of current income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses are utilised.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Taxation

An entity shall offset current tax assets and current tax liabilities if, and only if, the entity:

- has a legally enforceable right to set off the recognised amounts; and
- intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The Group does not offset current income tax liabilities and current income tax assets.

(b) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

Deferred income tax related to cash flow hedges is recognised in equity and subsequently in the consolidated income statement together with the deferred gain or loss.

Deferred income tax related to available for sale reserves is recognised in other comprehensive income and subsequently in the consolidated income statement together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group assesses, on an annual basis only, the deferred tax relating to unutilised tax losses.

2.18 Provisions for liabilities and charges and contingent assets and liabilities

Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The Group recognises no provisions for future operating losses.

Contingent liabilities

Contingent liabilities are not recognised by the Group but are disclosed unless the probability of their occurrence is remote.

Contingent assets

Contingent assets are not recognised by the Group but are disclosed where an inflow of economic benefits is probable. If the realisation of income becomes virtually certain then the related asset is recognised.

Contingent assets and liabilities are assessed continually to ensure that they are appropriately reflected in the financial statements.

2.19 Amounts due to and from Participating Institutions

Unsettled overdraft positions

The Participating Institutions fund overdraft accounts and collect cash repayments on overdraft accounts on NAMA's behalf. The amounts funded by Participating Institutions are recognised in the statement of financial position as amounts due to Participating Institutions and the amounts collected are recognised as amounts due from Participating Institutions. The net amount due to / from Participating Institutions is applied against the outstanding loans and receivables balance.

2.20 Financial guarantee contracts acquired

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was acquired. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18 and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

2.21 Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual terms of the instruments. Instruments which do not carry a contractual obligation to deliver cash or another financial asset to another entity are classified as equity and are presented in equity. The coupon payments on these instruments are recognised directly in equity. The subordinated bonds issued by the Group contain a discretionary coupon and have no obligation to deliver cash, and are therefore classified as equity instruments.

Senior debt securities issued by the Group are classified as debt instruments as the securities carry a fixed coupon based on Euribor and the coupon payment is non-discretionary.

Debt securities in issue are initially measured at fair value less transaction costs and are subsequently measured at amortised cost using the EIR method.

2.22 Share capital

(a) Dividends on ordinary shares

Dividends on ordinary shares are recognised in equity in the year in which they are approved by the Company's shareholders. Dividends for the period that are declared after the date of the consolidated statement of financial position are dealt with in Note 39, Events after the reporting date.

(b) Coupon on other equity

Coupon payments on subordinated bonds that are classified as equity are reflected directly in equity when they are declared.

2.23 Cash placed as collateral with the NTMA

The Group is required to post cash collateral with the NTMA under a collateral posting agreement (CPA) agreed between the NTMA and NAMA. The NTMA is the counterparty to all NAMA derivatives (other than those acquired from borrowers). The NTMA require cash to be placed with it as collateral to reduce the exposure it has to NAMA with regard to its derivative positions. The amount of collateral required depends on an assessment of the credit risk by the NTMA.

Cash placed as collateral is recognised in the statement of financial position. Any interest payable or receivable arising on the amount placed as collateral is recorded in interest expense or interest income respectively.

Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Property, plant and equipment

The Agency incurred costs for the fit-out of leased office space. Costs incurred are capitalised in the statement of financial position as property, plant and equipment in accordance with IAS 16. The recognised asset is depreciated on a straight line basis over 10 years. A full year's depreciation is recognised in the financial year the asset is capitalised.

2.25 Segmental reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the NAMA CEO who allocates resources to and assesses the performance of the operating segments of NAMA.

2.26 Operating leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The leased asset is recognised on the statement of financial position of the lessor. Properties acquired by NARPSL for the purposes of social housing are recognised as inventories in accordance with IAS 2. Rental income arising from operating leases on inventory property is accounted for on a straight line basis over the lease term.

2.27 Non-controlling interests in subsidiaries

Non-controlling interests in subsidiaries comprise ordinary share capital and/or other equity in subsidiaries not attributable directly or indirectly to the parent entity.

Profits which may arise in any financial year may be allocated to the non-controlling interest in accordance with the maximum investment return which may be paid to the external investors. Losses arising in any period are allocated to the non-controlling interest only up to the value of the non-controlling interest in the Group, as NAMA takes substantially all the economic benefits and risks of the Group.

2.28 Determination of fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

Financial instruments are initially recognised at fair value and, with the exception of financial assets at fair value through profit or loss, the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received).

Subsequent to initial recognition, fair values are determined using valuation techniques. These valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow analysis and other valuation techniques commonly used by market participants.

Valuation techniques

In the absence of quoted market prices, and in the case of over-the-counter derivatives, fair value is calculated using valuation techniques. Fair value may be estimated using quoted market prices for similar instruments, adjusted for differences between the quoted instrument and the instrument being valued. Where the fair value is calculated using discounted cash flow analysis, the methodology is to use, to the extent possible, market data that is either directly observable or is implied from instrument prices, such as interest rate yield curves, equities and commodities prices, credit spreads, option volatilities and currency rates.

2.28 Determination of fair value (continued)

The valuation methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- the likelihood and expected timing of future cash flows of the instrument. These cash flows are generally governed by the terms of the instrument, although management judgement may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and
- selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument.

Certain financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. When applying a valuation technique with unobservable data, estimates are made to reflect uncertainties in fair values resulting from a lack of market data. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on non-observable data are inherently uncertain because there is little or no current market data available from which to determine the price at which an orderly transaction between market participants would occur under current market conditions.

The calculation of fair value for any financial instrument may require adjustment of the valuation technique output to reflect the cost of credit risk, if market participants would include one, where these are not embedded in underlying valuation techniques.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses as well as the disclosure of contingent assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. As management judgement involves an estimate of the likelihood of future events, actual results could differ from those estimates, which could affect the future reported amounts of assets and liabilities.

Management believes that the underlying assumptions used are appropriate and that the Group's financial statements therefore present the financial position and results fairly. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are described as follows:

3.1 Impairment of loans and receivables and related derivatives acquired

The Group's policy is to review its portfolio of loans and receivables for impairment semi-annually. In determining whether an impairment credit or loss should be recorded in the consolidated income statement at the reporting date, the Group makes judgements as to whether any observable data exists indicating evidence of impairment which would be likely to result in a measurable delay in timings or decrease in amounts of the estimated future cash flows. The Group's policy on impairment of financial assets is set out in accounting policy 2.12.

Loans and receivables are either individually assessed or grouped together and collectively assessed for impairment.

Following the divestment of the Participating Institutions/Service Providers ('PI/SP') managed portfolio principally through the Project Arrow transaction, all debtor connections are now "NAMA managed" and as such are classified as individually assessed.

During 2015 all debtor connections were individually assessed for impairment. This differs to 2014, whereby a small number of PI/SP managed connections, representing €0.08bn of the portfolio, were grouped together and collectively assessed for impairment.

Notes to the Financial Statements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 Impairment of loans and receivables and related derivatives acquired (continued)

The impairment credit for 2015 is €86m (2014: €170m charge). The total cumulative impairment provision is €2,476m (2014: €3,521m), representing a coverage of 24% of the total loans and receivables balance at 31 December 2015 (2014: 21%).

Individually assessed debtors

Loans and receivables and associated derivatives individually assessed for impairment at the reporting date were €10.2bn (2014: €16.2bn).

The impairment assessment of individually assessed debtors is based on cash flow projections which were prepared by individual case managers and reviewed by management for each individually assessed debtor connection.

The cash flows reflect NAMA's best estimate of expected future cash flows for each individually assessed debtor and include the future estimated cash flows from the disposal of property collateral and other non-disposal income (such as rental income).

The projection of cash flows involves the exercise of considerable judgement and estimation by management (taking into account the actual underlying cash flows) involving assumptions in respect of local economic conditions, the performance of the debtor and the value of the underlying property collateral. As a result the actual cash flows, and their timing, may differ from the projected cash flows prepared by management for the purposes of determining the amount of impairment provision for individually significant debtors. Cash flow projections are generally based on the most recently agreed strategy for each debtor. Cash flow estimates may change if there is a change in a strategy for example from an asset disposal strategy to a loan sale strategy.

The assumptions used for projecting both the amount and timing of future cash flows for individual debtors are reviewed regularly by management and cash flow projections are updated.

Following the completion of all individual debtor cash flows these are grouped together and the cash flows are subject to sensitivity analysis to assess the likely impact on the impairment provision of a change in the timing and amount of cash flows.

Sensitivity analysis

The 2015 impairment provision is determined after the following inputs are assessed:

- Estimated cash flows generated from underlying security as collateral to a loan
- Expected disposal value of the underlying security
- Expected timing of the realisation of cash flows including the timing of the expected future disposal of the security.

Following the completion of a detailed cash flow assessment of debtors with a combined outstanding loan value of €10.2bn (2014: €16.2bn) the consolidated results of this cash flow assessment allow NAMA to apply certain sensitivities to its portfolio and assess the impact of these sensitivities on the impairment provision.

Individual cash flows are projected for each individual property (collateral) asset. These are then consolidated into a single cash flow for each debtor connection for the purposes of the impairment assessment exercise.

NAMA performs its sensitivity analysis at a property (collateral) asset level. Property is categorised by geographical location and sectorial distribution, as outlined in the table below. In performing the sensitivity analysis, the projected disposal value for each individual property by asset location and sector is reduced by 1%. The debtor connection cashflows are then updated with the revised projected disposal values and a revised impairment provision is calculation for each debtor connection. The overall revised provision is then compared to the actual impairment provision to demonstrate the impact of a 1% reduction in projected disposal values.

3.1 Impairment of loans and receivables and related derivatives acquired (continued)

The table below sets out the impact (in €m) on the 2015 impairment provision of a 1% change in the amount of disposal cash flows over certain geographies and asset types.

	Ireland	UK (including Northern Ireland)	ROW	Total	Ireland	UK (including Northern Ireland)	ROW	Total
	2015				2014			
	€m	€m	€m	€m	€m	€m	€m	€m
Land and development	16	1	-	**17**	23	2	1	**26**
Residential	9	-	-	**9**	16	1	1	**18**
Commercial	6	2	2	**10**	10	3	2	**15**
Retail	8	-	1	**9**	12	1	-	**13**
Hotel and leisure	1	-	2	**3**	4	-	2	**6**
Total effect of 1% change	**40**	**3**	**5**	**48**	**65**	**7**	**6**	**78**

The net present value (NPV) of cash flows is also affected by the timing of their realisation arising from the sale of assets. Therefore sensitivity analysis was also undertaken on the timing of the realisation of projected cash flows to assess the potential maximum impact on the impairment charge. This exercise, which was conducted without taking account of whether the underlying collateral assets relate to impaired connections, indicates that for each €1 billion in projected disposal cash flows which are moved from 2016 to 2017, an additional impairment charge of the order of €17 million would arise. This amount was estimated without taking account of potential additional non-disposal income and without factoring in potential future upside to the cash flows.

Collectively assessed debtors

Debtors that are not individually assessed are considered collectively for the purposes of performing an impairment assessment ('collective assessment'). The total value of loans and receivables subject to collective assessment is €nil (2014: €78m). In 2014 this predominantly related to debtor connections where there were no assets remaining in the connection and therefore no cash flow forecasts were prepared. The collective portfolio impairment provision is €nil (2014: €75m). The coverage ratio in 2014 was 95% for the collectively assessed portfolio.

An independent review of the impairment process is carried out by NAMA's internal auditors annually. The scope of this review includes assessing the impairment review process and the accuracy and completeness of inputs to the individual and collective assessments.

3.2 Income recognition on loans and receivables

EIR income recognition

The accounting policy for the recognition of interest income for loans and receivables is set out in accounting policy 2.9. The original loan portfolio acquired by the Group was acquired at a significant discount to the Par value of the loans, reflecting loan losses already incurred on the loans pre acquisition by NAMA. The EIR of this portfolio is set as the discount rate that equates the present value of the cash flows assumed in the loan acquisition valuation model to the acquisition value. This rate is set at valuation date and becomes the original EIR of the loan.

Actual cash flows over the life of a debtor may differ positively or negatively from the expected cash flows assumed in the acquisition valuation model. The Group reviews expected cash flows semi-annually as part of its impairment review (see Note 3.1). Any changes to assumptions would have an impact on interest income on loans and receivables carried at amortised cost as disclosed in Note 5. Interest income will not be recognised on any impaired portion of an asset, thus reducing interest income where revised estimated cash flows are less than the original expected cash flows in the loan acquisition model.

Notes to the Financial Statements

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.3 Surplus income

The Group's policy is to review its portfolio of debtors for surplus income semi-annually. The Group recognises surplus income in two instances:

1) Debtors who have made debt repayments in excess of their NAMA debt. These repayments resulted in the recognition of €605m in 2015 (2014: €243m).

2) Debtors with positive net present values and who have passed stringent stressed conditions. The Group realised €133m (2014: €330m) from these debtors in 2015.

The NPV for each individually assessed debtor involves the projection of their future cash flows (including the future estimated cash flows from the disposal of property collateral and other non-disposal income). The estimated discounted future cash flows are then compared to their carrying value in order to calculate the NPV surplus for each debtor.

In the case of debtors that result in a NPV positive value, stringent stressed conditions are then applied which may result in the recognition of surplus income for a very limited number of debtors with significant positive NPVs. These stressed conditions which include an assessment of the level of workout of the debtor and the application of a NPV sensitivity buffer are assessed semi-annually.

The projection of cash flows involves the exercise of judgement and estimation by management, as a result the actual cash flows, and their timing, may differ from the projected cash flows. Assumptions used for the cash flow projections are reviewed and updated regularly by management.

4. SEGMENTAL ANALYSIS

Operating segments are reported in accordance with the internal reporting provided to the NAMA Chief Executive Officer (the chief operating decision-maker). The Act provides that the Chief Executive Officer shall manage and control generally the administration and business of NAMA and the staff assigned to it and shall perform any other function conferred on him by the Board. The Chief Executive Officer is also the accountable person for the purposes of the Comptroller and Auditor General (Amendment) Act, 1993.

The Group has determined it has only one operating segment on a worldwide basis, which is its acquired loan portfolio. The primary activity of the business is that of the acquisition from Participating Institutions of eligible loans, dealing expeditiously with the loans acquired and protecting or otherwise enhancing the value of those loans.

The information provided about the segment is based on monthly and quarterly financial reports and monthly management information, which is reviewed by the Chief Executive Officer.

NAMA reports monthly key performance indicators (KPIs) to the Senior Executive Team and the Board. The critical KPIs reported by NAMA are cash generation, disposal receipts and non-disposal income and debt redemption.

Segmental results of operations

The segmental information provided to the Chief Executive Officer for the reportable segment is the same information as the consolidated income statement and consolidated statement of financial position and is not re-presented in the Notes. The table below shows the geographical analysis of external revenue, assets and liabilities. The analysis is shown for assets and liabilities external to the Group and does not show inter-group assets or liabilities.

Geographical analysis

31 December 2015 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	Rest of World €'000	Loan impairment €'000	Total €'000
Gross external revenue	429,533	145,414	38,789	-	**613,736**
External assets					
Loans and receivables before impairment	7,202,923	2,438,475	650,453	-	**10,291,851**
Impairment of loans and receivables	-	-	-	(2,475,906)	**(2,475,906)**
Loans and receivables	**7,202,923**	**2,438,475**	**650,453**	**(2,475,906)**	**7,815,945**
Other external assets	3,709,553	-	11,443	-	**3,720,996**
Total external assets	**10,912,476**	**2,438,475**	**661,896**	**(2,475,906)**	**11,536,941**
External liabilities	8,360,174	-	-	-	**8,360,174**
Total liabilities	**8,360,174**	**-**	**-**	**-**	**8,360,174**

31 December 2014 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	Rest of World €'000	Loan impairment €'000	Total €'000
Gross external revenue	713,499	176,126	65,664	-	**955,289**
External assets					
Loans and receivables before impairment	12,608,163	3,112,302	1,160,344	-	**16,880,809**
Impairment of loans and receivables	-	-	-	(3,520,775)	**(3,520,775)**
Loans and receivables	**12,608,163**	**3,112,302**	**1,160,344**	**(3,520,775)**	**13,360,034**
Other external assets	2,044,999	24,275	10,700	-	**2,079,974**
Total external assets	**14,653,162**	**3,136,577**	**1,171,044**	**(3,520,775)**	**15,440,008**
External liabilities	14,333,839	-	-	-	**14,333,839**
Total liabilities	**14,333,839**	**-**	**-**	**-**	**14,333,839**

Revenue and assets are attributed to countries on the basis of the location of collateral.

Impairment of loans and receivables by geographic sector is not provided as the impairment assessment is carried out at a debtor level and individual debtors will have collateral located across the different geographic sectors.

The majority of external liabilities includes senior debt securities in issue, which are issued in euro on the Irish Stock Exchange and are therefore reported as part of Ireland's geographic segment.

No revenues were derived from transactions with a single external customer that amounted to 10% or more of the Group's revenues.

Notes to the Financial Statements

5. INTEREST AND FEE INCOME

Group		Note	2015 €'000	2014 €'000
Interest on loans and receivables -	NAMA	*18*	576,349	844,984
	NARL		-	72,849
			576,349	917,833
Interest on acquired derivative financial instruments			5,038	24,402
Interest on cash and cash equivalents			468	5,716
Interest on available for sale financial assets			-	44
Total interest income			**581,855**	**947,995**
Fee income from loans and receivables			31,881	7,294
Total interest and fee income			**613,736**	**955,289**

Interest income on loans and receivables is recognised in accordance with accounting policy 2.9.

Interest income on loans and receivables is calculated using the EIR method of accounting. This method seeks to recognise interest income at a constant rate over the life of the loan and will differ from actual cash received. This implies that in any given reporting period the amount of interest recognised will differ from the cash received. However, over the life of the loan, the total cash received in excess of the acquisition value of the loan will, following adjustment for any impairment loss recognised, equal the interest income recognised. No interest income is recognised on the element of any loan balance which is considered to be impaired.

Interest on loans and receivables recognised for the financial year was €0.58bn (2014: €0.92bn). Of this amount €0.57bn (98%) was realised in non-disposal cash receipts (2014: €0.72bn; 85%). Any difference between the EIR income recognised and the element realised in cash in any particular financial period is factored into NAMA's impairment process. The decrease in interest on loans and receivables is primarily attributable to interest being earned on a lower loans and receivables balance during the year.

Up to the date of the liquidation in 2014, NARL (dissolved) had generated €73m in interest income on the loan facility deed.

Interest income on acquired derivative financial instruments relates to interest receivable on derivatives acquired from Participating Institutions that were associated with loans acquired.

Interest on cash and cash equivalents comprises interest earned on cash, short-term deposits and exchequer notes held during the financial year.

Interest on available for sale assets comprises interest earned on short term government bonds held for liquidity purposes. The nominal value of available for sale financial assets throughout 2015 was €nil.

Fee income from loans and receivables includes fee income from borrowers that is an integral part of calculating the EIR or originating a loan and is recognised as part of EIR as described in accounting policy 2.9. Fees earned by the Group that are not part of EIR, such as exit or performance fees, are recognised immediately in profit or loss as fee income. Fee income recognised in the financial year includes arrangement fees and restructuring fees.

Agency	2015 €'000	2014 €'000
Interest on loan to NAML	1,657,170	165,717
Interest income on cash	-	1
Total interest income	**1,657,170**	**165,718**

During 2015, NAMA Group subsidiaries generated taxable profits, which are ultimately payable to NAML as interest income under profit participating loan agreements in place. Subsequently, after utilisation of any available losses and the deduction of interest expenses on its senior and subordinated debt securities, NAML generated taxable profits of €1,657m (2014: €166m) which are payable to NAMA the Agency, as interest income. The amount payable by NAML to NAMA the Agency is subordinated to senior creditors after all senior debt is repaid.

6. INTEREST EXPENSE

Group	Note	2015 €'000	2014 €'000
Interest on senior debt securities in issue		14,020	79,395
Interest on derivatives where hedge accounting is applied	34	203,606	228,503
Interest on other derivative financial instruments		1,955	5,276
Interest on cash and cash equivalents		1,004	-
Total interest expense		**220,585**	**313,174**

The reduction on the prior year interest expense on senior debt securities is as a result of bond redemptions.

Agency	2015 €'000	2014 €'000
Interest on intergroup loans	**58**	**186**

7. OTHER INCOME / (EXPENSES)

Group	2015 €'000	2014 €'000
Dividend income from equity instruments (a)	24,138	29,501
Dividend income from other investments (b)	251	-
Fair value gain on equity instruments (c)	11,441	7,826
Licence fee income (d)	9,411	-
Lease rental income (e)	3,664	777
Transfer from available for sale reserve (f)	-	(1,679)
Revaluation of trading properties (g)	(630)	(180)
Total other income / (expenses)	**48,275**	**36,245**

(a) As a result of the restructure of one of NAMA's debtor connections in 2011, the Group acquired an equity investment of £2 Stg in a debtor company. This equity investment provided NAMA with an entitlement to a share of any future profits generated by the debtor company. The Group received dividends totalling €24.1m (2014: €29.5m) on its investment during the reporting period.

(b) Dividend income from other investments reflects dividend income due to the Group at the reporting date associated with the liquidation of NARL.

(c) The fair value of NAMA's equity instruments is based on the net asset value of the investee entity at the reporting date, and changes in fair value are recognised in the income statement in accordance with accounting policy 2.6. See Note 25 for further details on equity instruments held by the Group at the reporting date.

(d) During 2015, NAMA acquired certain lands at North Wall Quay. Subsequently, NAMA entered an income sharing agreement to develop the site, which will provide a secure income stream from the lands in the form of a licence fee. The licence was granted to a third party for a period of six years to enable the development of the site for long-term commercial benefit. In addition to the secure income stream, a fixed percentage of rent and a percentage of sales proceeds of any completed development to be built on the lands are due to NANQL. The present value of any portion of the income stream that is secured is recognised as licence fee income in line with accounting policy 2.9.

Notes to the Financial Statements

7. OTHER INCOME / (EXPENSES) (CONTINUED)

(e) Lease rental income is earned from the lease of residential properties to approved housing bodies for social housing purposes and from the lease of certain trading properties. It is accounted for on a straight line basis over the lease term in accordance with accounting policy 2.26.

(f) During the financial year, the Group transferred €nil (2014: €1.7m) from the available for sale reserve to the income statement. The Group held no treasury bonds at the end of the financial year, therefore any net changes in fair value on treasury bonds recorded in the available for sale reserve in prior financial years were recycled to the income statement in 2014.

(g) As at 31 December 2015, trading properties are held at net realisable value and the reduction of €0.6m (2014: €0.2m) is recognised as an expense, in accordance with accounting policy 2.16. See Note 19 for further details on property assets.

Agency	2015 €'000	2014 €'000
Recharge income	**55,846**	**56,110**

8. (LOSSES) / GAINS ON DERIVATIVE FINANCIAL INSTRUMENTS

Group	2015 €'000	2014 €'000
Fair value losses on derivatives acquired from borrowers	(4,268)	(1,349)
Termination fees on derivatives that were in cash flow hedge relationships	(140,705)	(147,668)
Fair value gains / (losses) on other derivatives	1,699	(2,807)
Hedge ineffectiveness	8,890	(6,873)
Total (losses) / gains on derivative financial instruments	**(134,384)**	**(158,697)**

Gains / losses on derivatives acquired from borrowers comprise fair value movements on these derivatives. Other derivatives hedge NAMA's interest rate risk exposure arising from derivatives acquired from the PIs. Hedge accounting has not been applied on these derivatives.

Fair value movements on derivatives are driven by market movements that occurred during the financial year. The fair value of these swaps is impacted by changes in Euribor rates and borrower derivatives performance levels. Further information on derivative financial instruments is provided in Note 17.

During the financial year, NAMA recognised termination fees of €140.7m (2014: €147.7m (including NARL (dissolved): €32.7m)) on the early termination of certain interest rate swaps. These costs would have arisen as an interest expense over their remaining life, but due to the early termination of the swaps arising from NAMA's accelerated senior notes repayment, the accelerated loss is being recognised in the current year in the income statement. The swaps were in place to hedge NAMA's interest rate risk arising from the senior notes in issue. These swaps qualified for hedge accounting and gains/losses were previously recognised in the cashflow hedge reserve.

At the reporting date, NAMA had €4.7bn (2014: €12.75bn) of interest rate swaps remaining to hedge its exposure to interest rate risk arising from the senior notes in issue (see Note 17).

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income within equity (see Note 34). The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

An €8.9m gain was recognised as hedge ineffectiveness in 2015 (2014: €6.9m loss).

There are no derivatives in the Agency.

9. NET PROFIT ON DISPOSAL OF LOANS AND PROPERTY ASSETS; AND SURPLUS INCOME

Group	Note	2015 €'000	2014 – new classification €'000	2014 - reclassified €'000	2014 – previous classification €'000
Surplus income on loan repayments (in excess of loan carrying values)	18	738,073	572,517	-	572,517
Net profit / (loss) on disposal of loans	18	848,892	(257,111)	32,594	(289,705)
Net profit on disposal of property assets		-	2,001	-	2,001
Total net profit on disposal of loans and property assets; and surplus income		**1,586,965**	**317,407**	**32,594**	**284,813**

For certain loan assets acquired, the proceeds from the disposal of the underlying collateral in a debtor connection exceeded the carrying value of those loans and receivables. This surplus is recognised in the income statement as realised profits on loans. Of the total amount of €738m recognised in 2015, €605m (2014: €243m) was generated from debtor connections who have fully repaid all NAMA debt and any further cash received is recognised as profit. A further €133m (2014: €330m) of surplus income is recognised on specific loan assets within a debtor connection where the cash generated and received by NAMA at the reporting date has exceeded the loan carrying value; and the estimated discounted cash flows for the total debtor connection are greater than the total loan carrying values. Further information on the recognition of surplus income is included in Note 3, critical accounting estimates and judgements.

During the financial year, the Group disposed of certain loans and receivables to third parties. Profit or loss on disposal of loans is measured as the difference between the cash received, including any deferred consideration, less related selling expenses less the net carrying value of those loans and receivables. The Group realised a net profit of €849m (2014: net loss of €257m after reclassification) on the disposal of loans in the financial year. The €849m is net of gross profit on disposal of €868m (see note 18) and disposal costs of €19m. Profit on disposal of loans is not recognised where the overall debtor connection is impaired in accordance with the latest available impairment assessment data. In 2015, the components of "net profit/(loss) on disposal of loans" has been changed. As a consequence there was a reclassification to the 2014 comparatives of €32.6m between "net profit/(loss) on disposal of loans and "impairment credit/(charge) on loans and receivables". The impact of this on the 2014 comparatives is set out in the table above. Refer to Note 12 for the impact on impairment.

Profit or loss on disposal of properties is measured as the difference between proceeds of sale received and the carrying value of those property assets. The Group realised a net profit of €nil (2014: €2.0m) on the disposal of trading property assets in the financial year.

The following table summarises NAMA's overall profit / (loss) recognised on the transactions relating to the disposal of underlying collateral and loans for the years 2015 and 2014:

	For the year from 1 Jan 2015 to 31 December 2015			For the year from 1 Jan 2014 to 31 December 2014		
Group	Disposals of underlying collateral €m	Disposals of loans €m	Total €m	Disposals of underlying collateral €m	Disposals of loans €m	Total €m
Proceeds	**5,754**	**3,339**	**9,093**	5,138	3,424	**8,562**
Profit / (loss) recognised in income statement (Note 9)	738	849	1,587	572	(257)	**315**
Crystallisation of existing impairment provision (Note 18)	(24)	(935)	(959)	(1)	(609)	**(610)**
Total	**714**	**(86)**	**628**	**571**	**(866)**	**(295)**

Notes to the Financial Statements

9. NET PROFIT ON DISPOSAL OF LOANS AND PROPERTY ASSETS; AND SURPLUS INCOME (CONTINUED)

The crystallisation of existing impairment provision represents the amount of the previously recognised impairment provision that is attributed to the disposal of underlying collateral and loans. It does not represent an income statement charge in the period of crystallisation. Instead, the Income Statement recognition occurred when the impairment provision was previously recorded. Combined with the 'Profit / (loss) recognised in income statement', it presents an overall profit / (loss) in respect of the disposal of underlying collateral and loans for the year. The crystallisation in 2015 reflects increased activity around loan sales.

There were no disposals of loans or property assets by the Agency.

10. ADMINISTRATION EXPENSES

Group	Note	2015 €'000	2014 €'000
Costs reimbursable to the NTMA	10.1	53,495	53,894
Primary servicer fees	10.2	39,338	50,255
Master servicer fees	10.3	1,399	2,543
Portfolio management fees	10.4	4,604	10,787
Legal fees	10.5	5,658	8,574
Finance, communication and technology costs	10.6	2,455	4,387
Rent and occupancy costs	10.7	2,899	2,964
Internal audit fees	10.8	736	743
External audit remuneration	10.9	550	550
NAMA Board and Committee fees and expenses	10.10	442	419
Total administration expenses		**111,576**	**135,116**

Agency	Note	2015 €'000	2014 €'000
Administration expenses			
Costs reimbursable to the NTMA	10.1	53,495	53,894
NAMA Board and Committee fees and expenses	10.10	442	419
Rent and occupancy costs	10.7	2,351	2,216
Total administration expenses		**56,288**	**56,529**

Costs reimbursable to the NTMA are recognised as an expense to NAMA. All costs, other than Board and Committee fees and Board expenses incurred by NAMA are reimbursed to it by the NAML Group. Total costs of €55.8m (2014: €56.1m) were reimbursed by the NAML Group to NAMA.

Agency	Note	2015 €'000	2014 €'000
Costs reimbursable by the NAML Group			
Costs reimbursable to the NTMA	10.1	53,495	53,894
Rent and occupancy costs	10.7	2,351	2,216
Total costs reimbursable by the NAML Group		**55,846**	**56,110**

10.1 Costs reimbursable to the NTMA

Under Section 42 (4) of the Act, NAMA is required to reimburse the NTMA for the costs incurred by the NTMA in consequence of it assigning staff and providing services to NAMA.

Costs comprise staff costs of €43.1m (2014: €40.9m) and overheads and shared service costs of €10.4m (2014: €13.0m).

The NTMA incurs direct costs such as salaries, rent, IT, office and business services. NAMA has agreed to reimburse the NTMA for its proportionate share of external overhead costs on a centralised basis where NAMA benefits directly or indirectly from the provision of the related goods or services. These costs include central IT costs, office and business services, together with depreciation in respect of the use of NTMA fixed assets and other central overheads.

The costs incurred by the NTMA are charged to NAMA (the Agency) and the Agency is reimbursed by the NAML Group.

Staff costs

The Group has no employees. All personnel are employed by the NTMA and the salary cost of staff who are engaged full time in the NAMA business are recharged to the Group by the NTMA. The total salary cost including pension costs for the reporting period was €43.1m (2014: €40.9m).

The number of employees of the NTMA directly engaged in the Group ('NAMA Officers') at the reporting date was 341 (2014: 369), which includes 50 employees on garden leave as part of the Voluntary Redundancy Scheme ('VRS'). Costs of €3.6m relating to the VRS have been recognised in 2015, of which €1.3m was attributable to statutory and other redundancy payments, €1.0m related to the retention scheme[4], and €1.3m was for garden leave. Garden leave does not represent an incremental cost for NAMA but instead forms part of the overall NAMA salary cost that would have been incurred regardless of the decision to place the relevant staff on garden leave. The period of garden leave for the 50 staff, under the VRS, was three months. NAMA's original redundancy schedule to reduce staffing has now been modified to accommodate the staffing needs of the expanded residential delivery programme. Further redundancies will take place on a phased basis each year between 2016 and 2020 rather than 2018 as originally planned. In addition to those accepted for the VRS, 15 staff (2014: 17) were placed on garden leave during 2015 with an attributable 2015 cost of approximately €0.3m (2014: €0.4m). The average period of garden leave for the 15 staff was two months (2014: two months). The decision on whether to place these 15 staff members on garden leave was made on a case-by-case basis and included consideration, inter alia, of the person's role within NAMA and the person's new employer.

In December 2015, an event was held to recognise the important and valued contribution made by NAMA staff, both those staff departing under the 2015 voluntary redundancy scheme and remaining staff, to the successful achievement of NAMA's objectives in the period from the start of 2010 to end 2015. A total of 300 people attended at a cost of €11,592.

Additionally the NTMA provide shared services to NAMA including IT, HR and Finance. The salary cost of the NTMA employees (non NAMA Officers) providing these shared services to NAMA during 2015 was €3.7m (2014: €3.8m).

NAMA Officers are members of the NTMA Staff Pension Scheme and the NTMA contributes to the scheme on behalf of these employees. The cost of these pension contributions are recharged to NAMA.

Staff costs include the Chief Executive Officer's salary as detailed below:

Brendan McDonagh (Chief Executive Officer)	**2015 €**	**2014 €**
Salary	390,105	366,001
Taxable benefits	20,166	20,776
Performance related bonus	-	-
	410,271	**386,777**

4 *The retention scheme only applies in circumstances where staff members are made redundant, have met all required performances standards, and have remained with NAMA for the period required to fulfil the Agency's statutory mandate.*

Notes to the Financial Statements

10. ADMINISTRATION EXPENSES (CONTINUED)

10.1 Costs reimbursable to the NTMA (continued)

The remuneration of the Chief Executive Officer consists of basic salary, taxable benefits and a discretionary performance related payment of up to 60 per cent of annual salary. The Chief Executive Officer was entitled to be considered to be awarded a performance payment for 2014 and 2015, but in view of the economic challenges facing the country, waived his entitlement to be considered for this payment.

The Chief Executive Officer's contractual salary is €430,000 per annum. In 2012, the Chief Executive Officer agreed to gift 15 per cent of his salary following a request by the Minister for Finance. The pay reductions provided for in the Financial Emergency Measures in the Public Interest (FEMPI) Act 2013, which came into effect from 1 July 2013, apply to NAMA staff. Notwithstanding the reductions imposed by this Act, the Chief Executive Officer continued to waive such additional amount over the FEMPI reductions to equal 15% of the amount until end 2014. FEMPI reductions continue to apply to NAMA staff including the Chief Executive Officer. The 2015 salary is the Chief Executive Officer's contractual salary post FEMPI reduction.

The Chief Executive Officer's pension entitlements do not extend beyond the standard terms of the model public sector superannuation scheme.

The remuneration of the Chief Executive Officer is determined by the NTMA CEO after consultation with the NTMA Board, who in giving advice on remuneration, are informed by the views of the NTMA Remuneration Committee.

10.2 Primary Servicer fees

Primary Servicer fees comprise fees paid to each of AIB and BOI and the Primary Servicer (Capita) for the servicing of eligible bank assets, who administer the loans and receivables that originated within each Participating Institution. The amounts payable to related parties for Primary Servicer fees are set out in Note 37 related party disclosures. Primary servicer fees were €39.3m during the financial year (2014: €50.2m, of which €4.1m related to costs incurred by NARL). Of this, the fees paid and accrued by NAMA were €39.3m (2014: €46.1m), which equates to an average fee of 7 basis points (2014: 7 basis points) of the par debt loan balances administered.

10.3 Master servicer fees

Master servicer fees comprise fees paid to the master servicer, Capita. Capita provides loan administration and data management services to the Group. Master servicer fees were €1.4m in the financial year (2014: €2.5m).

10.4 Portfolio management fees

Portfolio management fees relate to fees incurred in the ongoing management and support of debtors. Costs included are property valuation, asset search and asset registry fees, and insurance costs. In addition, in 2014, it included portfolio transition costs of €7.0m, which comprised amounts paid to Capita for project and integration costs, fees to the joint Special Liquidators for services provided for the transition of the existing portfolio and other project costs which include the cost of secondees engaged to provide assistance and advisory services to the NAMA integration team.

10.5 Legal fees

Legal fees comprise fees paid to professional service firms with respect to legal advice.

10.6 Finance, communication and technology costs

Finance, communication and technology costs comprise costs incurred during the year in relation to IT, derivative valuation, tax advice and other administration costs.

10.7 Rent and occupancy costs

Rent and occupancy costs comprise costs incurred during the financial year in relation to the premises occupied by the Group.

The Agency has leased the third floor of its current office premises since 2010 for a period of ten years at an annual rent of €1.0m, and the first floor of its current offices premises since 2014 for a period of 15 years at an annual rent of €0.8m and the first floor annexe of its current offices premises for a period of 12 years and 4 months at an annual rent of €0.1m since 2013. Further information on leases is included in Note 31, commitments and contingent liabilities.

The remaining balance relates to occupancy costs.

10.8 Internal audit fees

The Group have engaged the services of an external professional services firm to perform the role of internal auditor for the Group. Fees incurred relate to the audit of business processes by the Internal Auditor and the reporting on the results of internal audits performed.

10.9 External audit remuneration

Group	2015 €'000	2014 €'000
Audit of NAMA Group and subsidiaries	550	550
Total external audit remuneration	**550**	**550**

The Comptroller and Auditor General (as external auditor) does not provide other assurance, tax advisory or other non-audit services to NAMA.

10.10 NAMA Board and Committee fees and expenses

Board fees are set out in the table below, and have been approved by the Minister for Finance.

	2015 €	2014 €
Frank Daly (Chairman)	150,000	150,000
Oliver Ellingham	60,000	60,000
Brian McEnery	60,000	60,000
Mari Hurley (appointed 8 April 2014)	60,000	43,033
Willie Soffe	75,000	75,000
Board fees	**405,000**	**388,033**
Board expenses	16,767	8,762
Total Board fees and expenses	**421,767**	**396,795**
Planning Advisory Committee		
Alice Charles	5,000	5,000
Michael Wall	5,000	5,000
Audit Committee		
Jim Kelly	10,000	10,000
Northern Ireland Advisory Committee (dissolved 8 September 2014)		
Brian Rowntree	-	2,025
Committee fees	**20,000**	**22,025**
Total Board and Committee fees and expenses	**441,767**	**418,820**

Notes to the Financial Statements

10. ADMINISTRATION EXPENSES (CONTINUED)

10.10 NAMA Board and Committee fees and expenses (continued)

John Corrigan (NTMA Chief Executive, retired 4 January 2015), Conor O'Kelly (NTMA Chief Executive, appointed 5 January 2015), and Brendan McDonagh (NAMA Chief Executive Officer), as ex-officio members, received no remuneration as members of the NAMA Board. Expenses payable in respect of Board and Committee members are set out below

2015	Travel Expenses €	Accommodation and Subsistence €	Other €	2015 Total €	2014 Total €
Frank Daly (Chairman)	220	94	369	**683**	**1,366**
Oliver Ellingham[5]	7,031	2,880	-	**9,911**	**9,471**
Brian McEnery[5]	5,041	1,132	-	**6,173**	**8,309**
Steven A. Seelig[6]	-	-	-	**-**	**(10,384)**
	12,292	**4,106**	**369**	**16,767**	**8,762**

10.11 NARL operating costs

NARL (dissolved) was established in 2013 to acquire a loan facility deed and floating charge over certain IBRC assets under a Direction issued by the Minister. At the time of IBRC's liquidation and prior to the commencement of the loan sales process by the joint Special Liquidators, it was expected that NAMA would acquire loan assets from IBRC.

To facilitate the potential acquisition of loan assets, NAMA put in place a project team to establish new systems and processes for this purpose. While the Minister subsequently announced in late April 2014 that no IBRC loan assets would transfer to NAMA, costs incurred by NARL (dissolved) relating to the acquisition of the IBRC assets totalled €11.6m (€5.9m in 2014 and €5.7m in 2013).

11. FOREIGN EXCHANGE GAINS AND LOSSES

Group	Note	2015 €'000	2014 €'000
Foreign exchange translation gains on loans and receivables	*18*	170,375	288,967
Unrealised foreign exchange gains / (losses) on derivative financial instruments		105,276	(104,494)
Realised foreign exchange losses on currency derivative financial instruments		(298,903)	(208,145)
Foreign exchange gains on cash		8,355	862
Other foreign exchange gains		1,102	1,176
Total foreign exchange gains and losses		**(13,795)**	**(21,634)**

Foreign exchange translation gains and losses on loans and receivables arise on the revaluation of foreign currency denominated loans and receivables. Foreign currency translation amounts are recognised in accordance with accounting policy 2.5.

5 *Included in travel expenses and accommodation and subsistence is an amount of €7,498 which represents NAMA's tax liability on benefit-in-kind in respect of board expenses paid in 2015 (2014: €9,855).*

6 *The 2014 credit relates to tax accrued in 2013 and was based on an initial estimate. An adjusted lower amount was paid to the Revenue Commissioners in 2014 on confirmation of the actual tax amount payable.*

11. FOREIGN EXCHANGE GAINS AND LOSSES (CONTINUED)

Gains and losses on foreign exchange derivatives arise from market movements that affect the value of the derivatives. On a cumulative basis since 2010, NAMA has recorded a loss on foreign exchange derivatives, which is offset by a foreign exchange translation gain on loans and receivables, resulting in a cumulative net loss of €140m (2014: €126m) on foreign exchange. This cumulative cost is akin to an "insurance" cost of protecting NAMA from the impact of foreign exchange rate fluctuations.

Following the acquisition of assets from Participating Institutions, the Group entered into currency derivatives to reduce its exposure to exchange rate fluctuations arising on foreign currency denominated loans and receivables acquired. The gain or loss on derivative products comprises realised and unrealised gains and losses. Realised and unrealised gains are recognised in accordance with accounting policy 2.15. Currency derivatives are explained in more detail in Note 17.

Foreign exchange gains on cash arise as a result of the fluctuation in foreign exchange rates on the various non-Euro cash balances.

12. IMPAIRMENT CREDIT / (CHARGE) ON LOANS AND RECEIVABLES

Group	**2015 €'000**	**2014 €'000**
Balance at the beginning of the financial year	3,520,775	4,125,260
Increase in specific provision	458,403	1,528,026
Release in specific provision	(1,428,547)	(1,384,749)
Release in collective provision	(74,725)	(747,762)
Total movement in provision	**(1,044,869)**	**(604,485)**
Balance at the end of the financial year	**2,475,906**	**3,520,775**
Recognised in the income statement against impairment	(85,620)	169,965
Reclassification of net profit/loss on disposal of loans and property assets (Note 9)	-	(32,594)
	(85,620)	137,371
Recognised against loans and receivables (Note 18)	(959,249)	(741,856)
Total movement in provision	**(1,044,869)**	**(604,485)**
Balance as at 31 December analysed as:		
Specific impairment	2,475,906	3,446,050
Collective impairment	-	74,725
Total impairment provision at the end of the financial year	**2,475,906**	**3,520,775**

The impairment provision for each specifically assessed debtor connection is calculated as the difference between the carrying value of each debtor connection's total loans and the present value of expected future cash flows for the connection.

Notes to the Financial Statements

12. IMPAIRMENT CREDIT / (CHARGE) ON LOANS AND RECEIVABLES (CONTINUED)

The movement in the specific provision in 2015 is a combination of an increase in specific provisions of €458m, a release in specific provisions of €1,428m and a release in collective impairments of €75m. The increase in specific provisions reflects principally the deterioration in the expected cash flows for debtor connections where there has been a reduction in the projected disposal value of the property collateral. The release in specific impairments is primarily due to the crystallisation of impairments previously recognised against loans and collateral sold. The total value of loans and receivables subject to collective assessment is €nil (2014: €78m). In 2014 this predominantly related to debtor connections where there were no assets remaining in the connection and therefore no cash flow forecasts were prepared. The collective portfolio impairment provision is €nil (2014: €75m) (see Note 3.1 for further details). The coverage ratio in 2014 was 95% for the collectively assessed portfolio.

Further information on the impairment of loans and receivables is included in Note 3, Critical accounting estimates and judgements, Note 18, Loans and receivables and Note 21, Credit Risk.

13. TAX CHARGE

Group	*Note*	2015 €'000	2014 €'000
Current tax			
Irish corporation tax		(18)	(2)
Deferred tax			
On fair value gains / (losses) on derivatives		(28,290)	40,495
On other timing differences		(54)	-
On unutilised tax losses forward	*26*	-	(92,568)
Total deferred tax recognised in income statement		**(28,344)**	**(52,073)**
Total tax charge		**(28,362)**	**(52,075)**

The reconciliation of tax on profit at the relevant Irish corporation rate to the Group's actual tax charge for the financial year is as follows:

Reconciliation of tax on profits

Group	**2015 €'000**	**2014 €'000**
Profit before tax	1,854,256	510,355
Tax calculated at a tax rate of 25%	463,564	127,589
Effect of:		
Deductible derivative movements	(28,406)	29,912
Tax on interest income	(63)	(31)
Non-deductible (income) / expenses	(414,311)	(64,218)
Utilised tax losses forward	2	(93,212)
Additional deductible expenditure / (taxable income)	(20,872)	-
Movement in deferred tax (liability) / asset recognised	28,344	(40,495)
Movement in deferred tax recognised on tax losses	-	92,568
Tax losses surrendered	104	-
Refund in respect of the prior year	-	(38)
Taxation charge	**28,362**	**52,075**

The current tax charge of €0.02m (2014: €0.002m) arises on the profits earned by NAMAIL. No other tax charges arose in other NAMA Group entities and the Agency is exempt from Irish income tax, corporation tax and capital gains tax.

The corporation tax rate applicable to the majority of the Group's income is 25% with the exception of NAMAIL, where the applicable tax rate is 12.5%.

The Group and Agency have no tax-related contingent liabilities and contingent assets in accordance with IAS 37, Provisions, Contingent Liabilities and Contingent Assets. No significant effects arise from changes in tax rates or tax laws after the reporting period.

14. INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

Group	*Note*	**2015 €'000**	**2014 €'000**
Movement in cash flow hedge reserve before tax	*34*	300,601	71,941
Movement in available for sale reserve before tax	*34*	-	1,720
Total movement		**300,601**	**73,661**
Deferred tax expense	*26*	(75,149)	(17,950)
Total income tax relating to components of other comprehensive income		**(75,149)**	**(17,950)**

The movement in the cash flow hedge reserve represents a temporary difference between the tax base of the derivatives where hedge accounting has been applied and their fair value. The movement in the available for sale reserve represents a temporary difference between the tax base of available for sale financial assets and their fair value. The Group has recognised a deferred tax asset on the temporary difference that arises on the cash flow hedge and available for sale reserve.

Notes to the Financial Statements

15. CASH AND CASH EQUIVALENTS AND COLLATERAL

Group	2015 €'000	2014 €'000
Balances with the Central Bank of Ireland	3,014,958	228,087
Balances with other banks	69,334	101,542
Term deposits	61,312	154,063
Exchequer note investments	-	675,000
Total cash and cash equivalents	**3,145,604**	**1,158,692**
Cash placed as collateral with the NTMA	256,000	690,000
Total cash, cash equivalents and collateral	**3,401,604**	**1,848,692**

Agency	2015 €'000	2014 €'000
Balances with the Central Bank of Ireland	268	101
Total cash and cash equivalents	**268**	**101**

Balances with other banks comprise balances held with Citibank, AIB and BNP. Exchequer notes are short term interest bearing notes, with maturities generally less than 30 days, which are held with the NTMA.

NAMA is required to post cash collateral with the NTMA under a collateral posting agreement (CPA) entered into in 2012. The NTMA is the counterparty to all NAMA derivatives (other than those acquired from borrowers). The NTMA require cash to be placed with it as collateral to reduce the exposure it has to NAMA with regard to its derivative positions. At 31 December 2015, NAMA's derivative liability exposure was €0.2bn (2014: €0.6bn) as set out in Note 17.

In 2011 an amount of $135,515 was placed on deposit in a segregated account. This amount was being held as security for costs for a case that has subsequently completed. The Group is awaiting release of funds. This amount has not been reported as part of the Group's cash balance and was still held in escrow at the reporting date.

In 2014 there was an amount of €14.6m held in an escrow account in the Group's name. The due diligence procedures on AIB Tranche 9 loans were completed in April 2014, and a settlement amount of €2.3m was transferred to NAMA during 2015. The remaining amount held in escrow was released back to AIB.

During 2015, an amount of €250,000 was placed on deposit in an account in the Group's name. This amount will be held in the deposit account to cover a potential legal claim in relation to a debtor. On settlement the amount will be refunded or retained by a third party. This amount has not been reported as part of the Group's cash balance and was still held on deposit at the reporting date.

16. AMOUNTS DUE (TO) / FROM PARTICIPATING INSTITUTIONS

NAMA legally acquired overdraft accounts attached to debtor loan accounts in 2010 and 2011. At 31 December 2015 the following amounts were receivable from and payable to the Participating Institutions for cash collected or paid out by the Participating Institutions in relation to NAMA debtors' overdraft accounts. Amounts due are generally only settled by NAMA and the Participating Institutions upon a terminating event such as account closure. Amounts settled may differ to the balances reported at financial year end. All amounts are classified as current.

Unsettled overdraft positions	Receivable €'000	Payable €'000
Balance at 31 December 2014	**84,810**	**(20,428)**
Movement in overdraft accounts during the financial year	2,378	(371)
Balance as at 31 December 2015	**87,188**	**(20,799)**

Of the total net movement of €2.0m in overdrafts accounts during the financial year, €2.4m was recognised against Loans and Receivables (see Note 18.9). The remaining movement of €0.4m included a settlement of €0.8m, offset by foreign exchange on overdrafts of €0.4m.

All BOI overdraft accounts have been closed and a number of them were converted to loans as at the reporting date. There are seven settlement amounts yet to be agreed and these have not been included in the closing overdraft positions above.

The overdraft accounts between the AIB and NAMA ceased operating during 2015 and any debit balance position on the NAMA account was crystallised.

17. DERIVATIVE FINANCIAL INSTRUMENTS

As part of the process of acquisition of loans from Participating Institutions, the Group acquired a number of derivatives that were related to the underlying loans.

In addition the Group enters into derivative contracts to hedge its exposure to interest rate and foreign exchange risk.

The Group has established policies to manage the risks that arise in connection with derivatives, including hedging policies, which are explained in Notes 20, 21 and 22.

The notional amounts of certain types of financial instruments do not necessarily represent the amounts of future cash flows involved or the current fair value of the instruments and, therefore, are not a good indication of the Group's exposure to credit or market risks. Derivative instruments become favourable (assets) or unfavourable (liabilities) as a result of fluctuations in market interest rates or foreign exchange rates relative to their contracted terms. The fair value of derivative financial assets and liabilities can fluctuate significantly over time.

Currency and interest rate swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate) or a combination of all these (e.g. cross-currency interest rate swaps). The Group's credit risk represents the potential cost of replacing the swap contract if a counterparty fails to fulfil its obligations under the contract. This risk is monitored on an ongoing basis with reference to the current fair value.

Notes to the Financial Statements

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The fair values, and notional amounts thereon, of derivative financial instruments held are set out below.

Group 31 December 2015	Notional amount €'000	Fair values Assets €'000	Fair values Liabilities €'000	Net €'000
(a) *Derivatives at fair value through profit or loss*				
Derivative financial instruments acquired from borrowers	47,802	22,992	-	22,992
Other derivative financial instruments	20,000	-	(2,355)	(2,355)
Foreign currency derivatives	1,733,871	21,298	(106,516)	(85,218)
(b) *Derivative financial instruments designated in hedge relationships*				
Interest rate swaps	4,700,000	-	(70,385)	(70,385)
Total derivative assets/(liabilities)	**6,501,673**	**44,290**	**(179,256)**	**(134,966)**

Group 31 December 2014	Notional amount €'000	Fair values Assets €'000	Fair values Liabilities €'000	Net €'000
(a) *Derivatives at fair value through profit or loss*				
Derivative financial instruments acquired from borrowers	149,118	39,123	-	39,123
Other derivative financial instruments	95,000	17,591	(23,630)	(6,039)
Foreign currency derivatives	2,991,116	1,527	(192,021)	(190,494)
(b) *Derivative financial instruments designated in hedge relationships*				
Interest rate swaps	12,750,000	-	(379,877)	(379,877)
Total derivative assets/(liabilities)	**15,985,234**	**58,241**	**(595,528)**	**(537,287)**

Movement recognised in the income statement and other comprehensive income

The table below shows the net fair value position on derivatives at 31 December 2015 and 2014. The movement is recognised either in the income statement on derivatives where hedge accounting is not applied, Note 8, in unrealised foreign exchange gains/(losses) on derivative financial instruments, Note 11, or in other comprehensive income where hedge accounting is applied, Note 34.

Group	Note	Fair values 2015 €'000	Fair values 2014 €'000	Movement 2015 €'000
(a) Derivatives at fair value through profit or loss				
Derivative financial instruments acquired from borrowers	*8*	22,992	39,123	(16,131)
Other derivative financial instruments	*8*	(2,355)	(6,039)	3,684
Foreign currency derivatives	*11*	(85,218)	(190,494)	105,276
(b) Derivative financial instruments designated in hedge relationships				
Interest rate swaps	*34*	(70,385)	(379,877)	309,492
Net derivative fair value movement		**(134,966)**	**(537,287)**	**402,321**

(a) Derivative financial instruments at fair value through profit or loss

The fair value of derivatives acquired from borrowers (that were associated with loans acquired) at financial year end was €23m (2014: €39m). The fair value movement recognised in the income statement on these derivatives in the financial year was a net loss of €4m (2014: €1m) (see Note 8), comprising a loss of €16m (2014: €68m) and an amount received of €12m (2014: €67m) in respect of termination fees on acquired borrower derivatives, which have been recognised as a fair value gain in the income statement.

The fair value movement recognised in the income statement in the financial year on other derivative financial instruments was a net loss of €139m (2014: net loss of €150m) (see Note 8). This relates to fair value movements on derivatives entered into by the Group to hedge derivative financial instruments acquired from borrowers that were not designated into hedge relationships and termination fees incurred on the early termination of interest rate swaps that were previously designated into hedge relationships.

Of the net loss of €139m (2014: net loss of €150m), €141m (2014: €147m) relates to termination fees paid on interest rate swaps previously designated into hedge relationships. The remaining amount comprises a fair value gain of €4m (2014: €9.7m) on other derivatives and termination fees paid of €2m (2014: €12.5m) on borrower derivative hedges.

NAMA uses currency derivatives to hedge the foreign exchange exposure which arose on the transfer of foreign currency loans from Participating Institutions with Euro denominated NAMA Securities. The foreign currency derivatives are used to reduce its exposure to exchange rate fluctuation arising on foreign denominated loans and receivables acquired.

(b) Derivative financial instruments designated in hedge relationships

At the reporting date, NAMA had entered into €4.7bn (2014: €12.8bn) of interest rate swaps to hedge its exposure to interest rate risk arising from Euribor floating rates.

At the reporting date, NAMA has in issue debt securities of €8.1bn (2014: €13.6bn) with a floating rate coupon based on 6 month Euribor (see Note 28). Financial instruments, priced at floating rate, are sensitive to interest rate fluctuations in Euribor rates, which in turn impacts on the amount of interest expense payable on debt securities in issue. These swaps allow NAMA to exchange floating cash flows for fixed cash flows, i.e. it pays fixed interest to the swap counterparties and receives floating interest, which in turn NAMA uses to pay floating interest to the holders of its debt securities in issue.

As market interest rates fluctuate up or down, this impacts on the value of the interest rate swaps. For example if Euribor rates decrease, and the swap is paying fixed cash flows at a rate higher than Euribor, then the value of that derivative declines because it is cheaper to borrow in the open market.

Notes to the Financial Statements

17. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

The value of the derivatives will fluctuate over the life of the derivative but these fluctuations are unrealised gains and losses and will ultimately mature with a nil value. The derivatives are entered into for risk management purposes and under IFRS are allowed to be designated into hedge relationships. Any gains or losses on derivatives in hedge relationships are not immediately recognised through profit or loss as the intention is to reduce volatility in the income statement. Therefore the gains and losses are recognised in other comprehensive income.

The Agency held no derivatives at the reporting date.

The table below represents a) the periods in which the actual cash flows are expected to occur and b) the period in which the hedged cash flows are expected to impact the income statement, excluding any hedge accounting adjustments that may be applied. The cash flows in a) differ from b) by the amount of interest already accrued and not yet paid in the financial year.

Group 31 December 2015	0-6 months €'000	6 months - 1 year €'000	1-5 years €'000	More than 5 years €'000	2015 Total €'000
a) Expected to occur	927	(1,472)	-	-	**(545)**
b) Expected to accrue	(657)	(504)	-	-	**(1,161)**

Group 31 December 2014	0-6 months €'000	6 months - 1 year €'000	1-5 years €'000	More than 5 years €'000	2014 Total €'000
a) Expected to occur	15,438	9,167	23,849	-	**48,454**
b) Expected to accrue	11,179	7,180	19,825	-	**38,184**

There is no cash flow hedging applied in the Agency.

18. LOANS AND RECEIVABLES

Group	*Note*	2015 €'000	2014 €'000
Loans and receivables carrying value before impairment		10,291,851	16,880,809
Less: provision for impairment charges on loans and receivables	*12*	(2,475,906)	(3,520,775)
Total loans and receivables (net of impairment)		**7,815,945**	**13,360,034**

The above table reflects the carrying value of the loans at the reporting date acquired from the Participating Institutions, taking into account the amount the Group acquired the loans for (which was at a discount to the contractual amounts owed under the loan agreements), and loan movements since acquisition, less any additional impairment deemed to have occurred subsequent to acquisition.

The following table summarises the movement in loans and receivables for the reporting period.

Reconciliation of movement in loans and receivables

Group	Note	2015 €'000	2014 €'000
Loans acquired – opening balance			
– *NAMA*		16,880,809	23,723,370
– *NARL*	*18.1*	-	11,715,589
		16,880,809	35,438,959
New loans issued/acquired			
– *NAMA*	*18.2*	139,071	246,601
Receipts from and payments to borrowers			
Non-disposal income	*18.3*	(592,045)	(808,756)
Proceeds from the sale of collateral held as security against loans and receivables and other loan repayments	*18.4*	(5,073,202)	(4,221,417)
Proceeds from the sale of loans	*18.5*	(3,338,869)	(3,419,959)
Funds advanced to borrowers		855,512	644,950
Funds in the course of collection	*18.6*	(1,363)	19,827
Deferred income	*18.7*	9,150	-
Principal and interest payment on the NARL loan facility deed	*18.1*	-	(11,715,589)
Costs recoverable from borrowers	*18.8*	27,725	24,386
Total receipts from and payments to borrowers		**(8,113,092)**	**(19,476,558)**
Other loan movements			
Loan interest income earned - NAMA	*5*	576,349	844,984
Movement in overdraft accounts	*16, 18.9*	(2,392)	(10,019)
Profit/(loss) on disposal of loans	*9*	868,273	(278,377)
Surplus income	*9*	738,073	572,517
Foreign exchange gain/(loss) on loans and receivables	*11*	170,375	288,967
Impairment crystallised from disposals	*9, 12, 18.10*	(959,249)	(610,069)
Impairment crystallised from debt restructures	*12, 18.11*	-	(131,787)
Other		(6,366)	(4,409)
Total other loan movements		**1,385,063**	**671,807**
Total loan movements		**(6,728,029)**	**(18,804,751)**
Loans and receivables pre impairment			
Loans and receivables		10,291,851	16,880,809
Total loans and receivables pre impairment		**10,291,851**	**16,880,809**
Impairment of loans and receivables	*12*	(2,475,906)	(3,520,775)
Net loans and receivables after impairment		**7,815,945**	**13,360,034**

Notes to the Financial Statements

18. LOANS AND RECEIVABLES (CONTINUED)

The net movement in the loan balance after impairment in the financial year is a decrease of €5.5bn (2014: decrease of €17.9bn). The total cumulative impairment provision in respect of NAMA loans and receivables at 31 December 2015 is €2.5bn (2014: €3.5bn).

Pre-impairment loan movements occurring in the financial year are €6.7bn (2014: €18.8bn), which includes €8.4bn (2014: €7.6bn) of cash receipts from debtors, generated from the sale of loans and properties and non-disposal income of €0.6bn (2014: €0.8bn).

Funds advanced to debtors for working and development capital was €0.9bn (2014: €0.6bn). Loan interest income of €0.6bn (2014: €0.8bn) was earned in the financial year. Further information on certain loan movements are provided below.

18.1 Loan facility deed - NARL

With the establishment of NARL (dissolved) in 2013, NAMA acquired a loan facility deed and floating charge over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank of Ireland. In 2014, NARL (dissolved) received €11.7bn of principal and interest repayments from the joint Special Liquidators of the loan facility deed. The loan was fully repaid on 21 October 2014.

18.2 New loans issued/acquired - NAMA

New loans issued/acquired – NAMA – includes loans of €139m (2014: €234m) acquired from financial institutions in relation to existing NAMA debtors. The acquisition of the additional loans provides NAMA with control over the associated debts of the secured asset.

18.3 Non-disposal income

Non-disposal income receipts recorded against NAMA's loans and receivables in 2015 were €0.6bn (2014: €0.8bn). This amount comprises primarily rental income received during the financial year.

18.4 Proceeds from the sale of collateral held as security against loans and receivables and other loan repayments

Proceeds from the sale of collateral held as security against loans and receivables of €5.1bn (2014: €4.2bn) represent any receipts relating to the disposal of assets or as a reduction in the debt held by NAMA.

18.5 Proceeds from the sale of loans

Proceeds from the sale of loans of €3.3bn (2014: €3.4bn) represents any receipts relating to the disposal of loans and receivables by the Group.

18.6 Funds in the course of collection

Funds in the course of collection comprise transactions which clear bank accounts after the reporting date but which relate to transactions occurring within the reporting period.

18.7 Deferred income

Deferred income represents the financial asset in NANQL, which is carried at amortised cost and is assessed for changes in value at various stages of development. In accordance with IAS 39, the financial instrument is classified as loans and receivables. The company earns EIR interest on the financial asset each month which increases the value of the asset throughout the financial year.

18.8 Costs recoverable from borrowers

Costs recoverable from borrowers are costs incurred by NAMA which are recoverable from the debtor and are added to the carrying value of loans and receivables.

18.9 Overdraft accounts

Previously, Participating Institutions funded debtor overdraft accounts and collected cash repayments on these accounts on NAMA's behalf. During the financial year, the net amount due to NAMA in respect of unsettled overdrafts increased by €2.4m (2014: €10m). The movement is recognised as a decrease in loans and receivables.

18.10 Impairment crystallised from disposals

Impairment is crystallised on the sale of loans and collateral assets when an impairment provision had previously been recognised.

18.11 Impairment crystallised from debt restructures

Impairment crystallisations from debt restructures occur when, on the agreement of a debt restructure, impairment previously recognised on the loans affected are crystallised. There were no such crystallisations in 2015. The majority of the impairment crystallised from debt restructure in 2014 related to the court-approved restructure of a NAMA debtor.

19. INVENTORIES – TRADING PROPERTIES

Group	2015 €'000	2014 €'000
Social housing units	78,362	29,050
Other	30,111	8,901
Total trading properties	**108,473**	**37,951**

Trading properties are recognised in accordance with accounting policy 2.16.

The movement in carrying values relate to the following activity by the Group in 2015:

- acquisition of an additional 390 (2014: 192) social housing units as part of the social housing initiative;
- acquisition of lands in the Dublin Docklands in settlement of debt considered to be of strategic importance to the Group in terms of ongoing development strategies; and
- acquisition of six residential units from an existing debtor in settlement of debt.

20. RISK MANAGEMENT

The Group is subject to a variety of risks and uncertainties in the normal course of its business activities. The principal business risks and uncertainties include general macro-economic conditions. The precise impact or probability of these risks cannot be predicted with certainty and many of them lie outside the Group's control. The Board has ultimate responsibility for the governance of all risk taking activity and has established a framework to manage risk throughout the Group.

In addition to general risks mentioned above, specific risks arise from the use of financial instruments. The principal risk categories identified and managed by the Group in its day-to-day business are credit risk, liquidity and funding risk, market risk and operational risk.

Asset and liability management

The management of NAMA's assets and liabilities is achieved through the implementation of strategies which have been approved by the Board. Day-to-day management is carried out by the NAMA Treasury team with transactions executed on NAMA's behalf by the NTMA.

As a result of acquiring loans and derivatives, NAMA is exposed to currency and interest rate risks. Foreign currency risk arises at the point of loan acquisition when euro-denominated securities are issued as consideration for loan assets in GBP or other currencies, thereby creating an asset/liability currency mismatch for NAMA. NAMA also faces ongoing currency risks after loan acquisition as non-euro facilities are drawn, repaid or rescheduled and assets are disposed.

Notes to the Financial Statements

20. RISK MANAGEMENT (CONTINUED)

Asset and liability management (continued)

NAMA is also exposed to interest rate risk on acquired loans and derivatives. The current and expected performance of a loan or derivative is a key driver in the assessment of the interest rate risk to be managed.

The Risk Management Committee and the Board have adopted a prudential liquidity policy which incorporates ongoing liquidity stress-testing and the maintenance of a minimum liquidity buffer or cash reserve. This buffer is kept under review in line with overall asset and liability management strategy.

Risk Oversight and Governance

Risk Management Committee

The Risk Management Committee, a subcommittee of the Board, oversees risk management and compliance throughout the Group. It reviews, on behalf of the Board, the key risks inherent in the business and ensures that an adequate risk management framework is in place to manage the Group's risk profile and its material exposures.

Audit Committee

The Audit Committee seeks to ensure compliance with financial reporting requirements. It reports to the Board on the effectiveness of control processes operating throughout the Group. It reports on the independence and integrity of the external and internal audit processes, the effectiveness of NAMA's internal control system, the processes in place for monitoring the compliance of the loan service providers with their contractual obligations to NAMA and compliance with relevant legal, regulatory and taxation requirements by NAMA.

Credit Committee

The Credit Committee is responsible for making credit decisions within its delegated authority from the Board. These include inter alia the approval of debtor asset management / debt reduction strategies, advancement of new money, approval of asset / loan disposals, the setting and approval of repayment terms, property management decisions and decisions to take enforcement action where necessary. The Credit Committee also makes recommendations to the Board in relation to specific credit requests where authority rests with the Board and provides an oversight role in terms of key credit decisions made below the delegated authority level of the Credit Committee. It is also responsible for evaluating the overall credit framework and sectoral policies for ultimate Board approval. Finally, the Credit Committee reviews management information prepared by the Asset Recovery, Asset Management, Residential Delivery and CFO functions in respect of the NAMA portfolio.

Audit and Risk – Chief Financial Officer (CFO) Division

The Audit and Risk unit is part of the CFO division of NAMA and is responsible for the co-ordination and monitoring of internal and external audit. The unit supports the NAMA CFO to ensure that NAMA operates within the Board approved risk limits and tolerances. Audit and Risk is also responsible for the design and implementation of the NAMA Risk Management Framework. The unit provides an independent assessment and challenge of the adequacy of the control environment, it coordinates the internal and external audit activities across NAMA, Participating Institutions (Bank of Ireland and Allied Irish Banks p.l.c) and Primary and Master Servicer and monitors and reports to the Audit Committee and Board the progress in addressing actions highlighted in audit findings. The Quality Assurance team within the Audit & Risk unit reviews the portfolio of NAMA assets to assess whether they are being managed in compliance with all policies and procedures and that those connection strategies are implemented to maintain and enhance the value of assets under management.

Treasury – CFO Division

The Treasury unit has primary responsibility for managing market risk, liquidity and funding risk. Credit risk is dealt with in detail in Note 21.

NTMA Risk unit

The NTMA Risk unit provides market risk support to the Group. Furthermore the management of the Group's counterparty credit risk on market related transactions (derivatives and cash deposits), in line with the Board's policy, has also been delegated to the NTMA.

20.1 Market risk

Market risk is the risk of a potential loss in the income or net worth of the Group arising from changes in interest rates, exchange rates or other market prices.

Market risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements, and changes in the level of volatility of market rates or prices such as interest rates, credit spreads and foreign exchange rates. The Group is exposed to market risk on its loans and receivables, senior debt and derivative positions. While the Group has in place a comprehensive set of risk management procedures to mitigate and control the impact of movements in interest rates, foreign exchange rates and other market risks to which it is exposed, it is difficult to predict accurately changes in economic or market conditions or to anticipate the precise effects that such changes could have on the Group.

The Group's senior debt securities are denominated in euro, while certain of the Group's acquired assets are denominated in GBP. As a consequence, the Group has made use of foreign currency derivatives to manage the currency profile of its assets and liabilities. Similarly, interest rate swaps are used to manage mismatches in the Group's interest rate profile.

20.2 Market risk management

Objective

The Group has in place effective systems and methodologies for the identification and measurement of market risks in its statement of financial position. These risks are then managed within strict limits and in the context of a conservative risk appetite that is consistent with the NAMA legislation.

Policies

The management of market risk within the Group is governed by market risk policies approved by the Risk Management Committee and the Board. The Board approves overall market risk tolerance and delegates the lower level limit setting to the Risk Management Committee. The management of the Group's key market risks (such as interest rate and foreign exchange risk) is centralised within the Group's Treasury unit. NAMA's Audit and Risk unit provides oversight and is responsible for the monitoring of the limit framework within the context of limits approved by the Risk Management Committee and Board. Market risk support is provided by the NTMA Risk unit.

Risk mitigation

Risk mitigation involves the matching of asset and liability risk positions to the maximum extent practicable, and the use of derivatives to manage cash flow timing mismatch and interest rate sensitivity within the approved limit structure. The Group's Balance Sheet policies are designed to ensure a rigorous system of control is in place which includes prescribing a specific range of approved products and limits that cover all of the risk sensitivities associated with approved products.

The Group provides bi-monthly reporting to the Risk Management Committee with detailed analysis of all significant risk positions and compliance with risk limits. In addition to market risk position limits, stress testing is used to gauge the impact on the Group's position of a range of extreme market scenarios. Scenario based stress tests and long run historic simulations (going back to the 1990s) on current positions are used to assess and manage market risk.

The Risk Management Committee reviews, approves and makes recommendations concerning the market risk profile and limits across the Group. In addition, a Market Risk Management Group, comprising senior managers from the NAMA CFO Division and the NTMA Risk unit meets regularly to review the market risk position and ensure compliance with the decisions of the Board and the Risk Management Committee. The weekly report produced by the NTMA Risk unit includes analysis of all significant risk positions and compliance with risk limits.

Notes to the Financial Statements

20. RISK MANAGEMENT (CONTINUED)

20.3 Market risk measurement

20.3.1 Interest rate risk

The Group is exposed to interest rate risk through movements in interest rates to which it is exposed. Effective systems have been put in place to mitigate such exposure.

The Group acquired fixed and variable rate loans from the Participating Institutions, as well as derivatives that were used to convert (for debtors) variable rate loans to fixed rate loans. In addition, the Group has issued floating rate senior debt securities and has entered into derivative transactions to manage mismatches in its asset and liability profile. The Group employs risk sensitivities, risk factor stress testing and scenario analysis to monitor and manage interest rate risk. Risk sensitivities are calculated by measuring an upward parallel shift in the yield curve to assess the impact of interest rate movements.

Information provided by the sensitivity analysis does not necessarily represent the actual change in fair value that the Group would incur under normal market conditions because, due to practical limitations, all variables other than the specific market risk factors are held constant.

The following tables summarise the Group's and the Agency's time-bucketed (defined by the earlier of contractual re-pricing or maturity date) exposure to interest rate re-set risk. It sets out, by time bucket, the assets and liabilities which face interest rate re-setting.

Financial instruments are shown at nominal amounts. These tables take account of hedging instruments which have the effect of significantly reducing interest rate sensitivity.

Interest rate risk Group 2015	**0-6 months €'000**	**Greater than 6 months €'000**	**Non- interest bearing €'000**	**Total €'000**
Financial assets				
Cash and cash equivalents	3,145,604	-	-	3,145,604
Cash placed as collateral with the NTMA	256,000	-	-	256,000
Loans and receivables	7,815,945	-	-	7,815,945
Amounts due from Participating Institutions	-	-	87,188	87,188
Investments in equity instruments	-	-	48,211	48,211
Other assets	-	-	29,550	29,550
Total financial assets exposed to interest rate re-set	**11,217,549**	**-**	**164,949**	**11,382,498**
Liabilities				
Amounts due to Participating Institutions	-	-	20,799	**20,799**
Senior debt securities in issue	8,090,000	-	-	**8,090,000**
Derivative financial instruments	(4,700,000)	-	-	**(4,700,000)**
Other liabilities	-	-	69,397	**69,397**
Tax payable	-	-	722	**722**
Total financial liabilities exposed to interest rate re-set	**3,390,000**	**-**	**90,918**	**3,480,918**

Interest rate risk Group 2014	0-6 months €'000	Greater than 6 months €'000	Non- interest bearing €'000	Total €'000
Financial assets				
Cash and cash equivalents	1,158,692	-	-	**1,158,692**
Cash placed as collateral with the NTMA	690,000	-	-	**690,000**
Loans and receivables	13,360,034	-	-	**13,360,034**
Amounts due from Participating Institutions	-	-	84,810	**84,810**
Investments in equity instruments	-	-	36,181	**36,181**
Other assets	-	-	12,164	**12,164**
Total financial assets exposed to interest rate re-set	**15,208,726**	**-**	**133,155**	**15,341,881**
Liabilities				
Amounts due to Participating Institutions	-	-	20,428	**20,428**
Senior debt securities in issue	13,590,000	-	-	**13,590,000**
Derivative financial instruments	(11,500,000)	(1,250,000)	-	**(12,750,000)**
Other liabilities	-	-	126,114	**126,114**
Tax payable	-	-	1,769	**1,769**
Total financial liabilities exposed to interest rate re-set	**2,090,000**	**(1,250,000)**	**148,311**	**988,311**

Notes to the Financial Statements

20. RISK MANAGEMENT (CONTINUED)

20.3 Market risk measurement

20.3.1 Interest rate risk

Interest rate risk Agency 2015	0-6 months €'000	Non-interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	268	-	**268**
Other assets	-	1,828,531	**1,828,531**
Total financial assets exposed to interest rate re-set	**268**	**1,828,531**	**1,828,799**
Liabilities			
Interest bearing loans and borrowings	53,757	-	**53,757**
Other liabilities	-	7,446	**7,446**
Total financial liabilities exposed to interest rate re-set	**53,757**	**7,446**	**61,203**

Interest rate risk Agency 2014	0-6 months €'000	Non-interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	101	-	**101**
Other assets	-	168,161	**168,161**
Total financial assets exposed to interest rate re-set	**101**	**168,161**	**168,262**
Liabilities			
Interest bearing loans and borrowings	53,699	-	**53,699**
Other liabilities	-	3,892	**3,892**
Total financial liabilities exposed to interest rate re-set	**53,699**	**3,892**	**57,591**

Interest rate risk sensitivity

The following table represents the interest rate sensitivity arising from a 50 basis point (bp) increase or decrease in interest rates across the curve, subject to a minimum interest rate of 0%. This risk is measured as the net present value (NPV) impact, on the statement of financial position, of that change in interest rates. This analysis shifts all interest rates for each currency and each maturity simultaneously by the same amount.

The interest rates for each currency are set as at 31 December 2015. The figures take account of the effect of hedging instruments, loans and receivables and securities issued.

Interest rate sensitivity analysis – a 50bp move across the interest rate curve

	2015		2014	
Group	**+50bp €'000**	**-50bp €'000**	**+50bp €'000**	**-50bp €'000**
EUR	10,070	(10,171)	82,994	(84,382)
GBP	1,236	(1,243)	3,220	(3,236)
USD	(41)	41	(24)	24
Other	(23)	23	(102)	102

20.3.2 Foreign exchange risk

As part of the acquisition of loans and derivatives from the Participating Institutions, the Group acquired a number of loans and receivables denominated in foreign currency, principally in GBP. As a result, the Group is exposed to the effects of fluctuations in foreign currency exchange rates, on its financial position and cash flows. The Group monitors on a regular basis the level of exposure by currency and has entered into hedges to mitigate these risks.

The following table summarises the Group's exposure to foreign currency risk at 31 December 2015. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. These tables take account of hedging instruments which have the effect of significantly reducing currency risk.

Group 2015	USD €'000	GBP €'000	Other €'000	Total €'000
Assets				
Cash and cash equivalents	2,675	98,762	863	**102,300**
Loans and receivables	42,528	1,290,657	21,833	**1,355,018**
Derivative financial instruments	(41,334)	(1,683,607)	(21,116)	**(1,746,057)**
Total assets exposed to currency risk	**3,869**	**(294,188)**	**1,580**	**(288,739)**

Group 2014	USD €'000	GBP €'000	Other €'000	Total €'000
Assets				
Cash and cash equivalents	8,047	193,868	958	**202,873**
Loans and receivables	23,818	2,688,466	97,862	**2,810,146**
Derivative financial instruments	(30,887)	(2,906,103)	(96,217)	**(3,033,207)**
Total assets exposed to currency risk	**978**	**(23,769)**	**2,603**	**(20,188)**

All of the Agency's assets and liabilities are stated in euro. Therefore the Agency has no exposure to foreign currency risk.

Exposure to foreign exchange risk - sensitivity analysis

A 10% strengthening of the euro against the following currencies at 31 December 2015 would have increased equity and profit before taxation by the amounts set out below. This analysis assumes that all other variables, in particular interest rates, remain constant. A 10% weakening of the euro against the same currencies would have had the equal but opposite effect, on the basis that all other variables remain constant.

Group	2015 €'000	2014 €'000
GBP	26,744	2,161
USD	(352)	(89)
Other	(144)	(237)

20.3.3 Other price risk

The Group is exposed to equity price risk arising from equity instruments. The fair value of equity instruments is measured based on the net asset value of the investment entity at the reporting date.

Equity price sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to equity price risks at the end of the reporting period.

If equity prices had been 10% higher / lower, profit before taxation for the financial year ended 31 December 2015 would increase / decrease by €4.7m as a result of the changes in fair value of NAMA's equity instruments, which are classified as fair value through profit or loss, in accordance with accounting policy 2.6.

Notes to the Financial Statements

21. CREDIT RISK

Credit risk is the risk of incurring financial loss from the failure by debtors or market counterparties of the Group to fulfil contractual obligations to the Group taking account of the realisable value of collateral pledged as security for such obligations. NAMA's main credit risk arises from the repayment performance of its debtors and the ultimate value realisable from assets held as security.

The Group's debtor-related exposures arose in the first place from the acquisition of a substantial portfolio of loans secured mostly on property in the commercial and residential sector in Ireland and the UK, and to a lesser extent in Europe, the USA and the rest of the world. Credit risk also arises in relation to the Group's lending activities, which are undertaken in order to preserve or enhance value with the aim of achieving the maximum financial return for the State subject to acceptable risk. Undrawn loan commitment, guarantees and financial instruments such as fixed interest rate agreements also create credit risk.

Credit risk is the most significant risk to the Group's business. The Group therefore carefully manages its exposure to credit risk. The credit risk arising from the original acquisition of the loan portfolio was mitigated as far as possible by the completion of an intensive property and legal due diligence process. This was designed to ensure that loans were properly valued in accordance with the statutory scheme that provided for their acquisition by the Group, such valuations being independently verified to the satisfaction of the relevant authorities. The credit risk arising from the Group's ongoing lending and credit risk management activities is mitigated by the Group's Policy and Procedures Framework.

Credit risk arises and is managed principally in three divisions of the Group being Asset Recovery, Residential Delivery and Asset Management.

NAMA Asset Recovery

The Asset Recovery division has three primary functions: strategy delivery, management of debtors/insolvency practitioners and maximising cash flow while minimising loss.

Prior to the formation of the Residential Delivery division in the latter part of 2015, Asset Recovery was the principal interface with debtors/insolvency practitioners responsible for managing the majority of debtors both directly by NAMA and indirectly through the Participating Institutions / Primary Servicer. This responsibility requires intensive daily management, with an innovative and solutions based approach, employing a range of work-out methods including: setting and actively monitoring clear strategies, targets and milestones; minimising debtor and insolvency practitioner costs; securing and maximising income; optimising sales values through proactive asset management; providing additional capital expenditure where incremental value can be obtained or value protected; employing vendor finance and executing loan sales and portfolio sales, where appropriate; regularly reviewing asset sale versus asset hold options, employing inter alia a discounted cash flow analysis.

NAMA Residential Delivery

Following the decision in late 2015 to increase the funding of commercially viable residential development to maximise the return from secured development assets and to facilitate increased debt reduction, the Residential Delivery division was created. The Credit Approval process within Residential Delivery sits within the current Group's Policy and Procedure Framework. In addition, a separate and dedicated Credit and Risk Team has been created to provide additional oversight of the application of lending guidelines, attainment of viability hurdles and delivery on cashflow assumptions in relation to all additional funding advanced. A key control within this area will require the Residential Delivery division to modulate its funding of construction activity to ensure it is in line with actual sales volumes being achieved. Furthermore, the Residential Delivery division will continue to manage the orderly deleveraging of debtors' existing borrowings through the ongoing sale of their non-development assets, and development assets where relevant.

NAMA Asset Management

The Asset Management division is responsible for the oversight and management of the maximisation of the value of significant development land held by NAMA debtors and insolvency practitioners, including, inter alia, the extensive acreage of development in the Dublin Docklands SDZ held as collateral for the loans of various connections in receivership. Asset Management also manages credit exposure for significant residential developments in London and the entire credit exposure for a small number of significant debtors involved mainly in such UK development. The Asset Management team is also responsible for the management of NAMA's minority shareholdings in certain investment vehicles, primarily in the Dublin Docklands, which include investments in certain Qualifying Investor Alternative Investment Funds (QIAIF) and Irish Collective Asset-Management Vehicles (ICAVs).

Policy and Procedures Framework

The overall objective of the Group's Policy and Procedures Framework is to safeguard the NAMA Group by protecting and enhancing the value of loans acquired.

Ultimate responsibility for the management of credit risk in the Group rests with the Board. Credit risk management and control is implemented by the three relevant divisions as described above. Credit risk is reported to the Board and Credit Committee on a regular basis and the Framework is subject to a formal annual review.

The Group is responsible for managing loans, which have been acquired under the provisions of the NAMA Act. Loans acquired from Participating Institutions are grouped together and managed on a connection basis.

Debtors fall into two categories:

NAMA managed debtors: In this category key credit decisions, and relationship management, is undertaken by the Group. Loan administration is carried out by Bank of Ireland, Allied Irish Banks p.l.c and the Primary Servicer.

Participating Institution / Primary Servicer managed debtors: In this category debtor management and loan administration is carried out by the Participating Institutions and the Primary Servicer. Credit decisions are made by Participating Institutions and the Primary Servicer under a Delegated Authority and are subject to a Policy and Procedures Framework mandated by the Group, together with ongoing 'on the ground' involvement from the NAMA Participating Institutions/Primary Servicer Teams and oversight by the Group's Audit and Risk function.

Following the disposal through open marketing processes of two portfolios of loans in 2014 and 2015, the majority of loans in this category of debtors have been sold and the management of the residual portfolio has been transferred to NAMA such that this method of debtor management no longer applies from the start of 2016.

The Group is required to make various credit decisions, which may involve new lending, the restructuring of loans and receivables or the taking of enforcement action. Specifically, a credit decision can arise out of any event that could materially change the underlying risk profile of an exposure or debtor, including:

- An application for credit by a debtor/insolvency practitioner
- Approval of asset sales
- A proposal by a debtor which may involve pragmatic/commercial compromises or incentives in order to maximise NAMA's overall position (a)
- An application for finance
- A proposed debtor or insolvency practitioner strategy
- A proposed extension or amendment of terms for any or all of a debtor's exposures
- A proposal to initiate insolvency action
- An action by a third party concerning a common debtor e.g. non participating institution/ insolvency practitioner.

Notes to the Financial Statements

21. CREDIT RISK (CONTINUED)

Policy and Procedures Framework (continued)

(a) A small number of debtors' business plans include possible commercial arrangements which are triggered when ambitious or 'stretch' financial and operational targets are met. In certain cases, if debtors achieve these stretch targets, they may retain a proportion of any excess achieved above target levels. The objective of this is to ensure that debtors are motivated to extract maximum value from the workout and realisation of their assets. The continued strong improvement in property market conditions since the end of 2013 has triggered arrangement payments in a number of cases.

Credit risk is measured, assessed and controlled for all transactions or credit events that arise from the Group's acquisition of loans, and from the ongoing management of those loans.

21.1 Credit risk measurement

The Group applies the following measures of exposure:

Loan portfolio - credit exposure measurement

- Par debt exposure - the gross amount owed by the debtor, i.e. the total amounts due in accordance with the original contractual terms of acquired loans. The total Par debt acquired by the Group was €74bn. Total PAR Debt outstanding at the reporting date is €41.1bn (2014: €55.6bn).
- NAMA debt exposure - the acquisition amount paid by the Group (plus any new money lent by the Group and interest charge added, less cash payments received). The total consideration paid for loans and related derivatives acquired was €31.8bn. Total Gross NAMA Debt outstanding at the reporting date is €10.3bn (2014: €16.9bn).

In accordance with Section 10 of the Act, NAMA is required to obtain the best achievable financial return for the State having regard to Par debt, acquisition cost, any costs as a result of dealing with the assets, its cost of capital and other costs. These are the fundamental measures upon which credit and case strategy decisions will be made. They are also the basis for determining the appropriate Delegated Authority level for credit decisions made by the Group, Participating Institutions or the Primary Servicer. NAMA monitors Par and NAMA debt exposure in parallel and uses them in support of all credit decisions.

Derivative portfolio - credit exposure measurement

In addition to the loans that were acquired by the Group, a number of derivative financial instruments were acquired which were attached to debtors' loans acquired from the Participating Institutions.

At any time, the Group's credit risk exposure is limited to the positive fair value of these derivative instruments (i.e. assets with a positive mark-to-market value). This mark-to-market value is usually only a small fraction of the contract value (or notional value of the outstanding instruments).

21.2 Credit risk assessment

Credit risk assessment focuses on debtor repayment capacity and all credit enhancements available, including security. Loans and advances to debtors are collateralised principally by charges over real estate assets, other assets, liens on cash deposits, and are supplemented in many cases by personal and corporate guarantees.

The Group relied initially on the valuations placed on existing security and recourse attached to loans acquired as part of the acquisition process. However, the Group seeks to ensure that an appropriate, up-to-date, valuation of any additional forms of security or recourse are included in any debtor's new credit proposal. Existing security may also be revalued as part of that process.

A key consideration in advancing funding is whether or not the debtor's or insolvency practitioner's credit proposal is value enhancing in terms of its potential ability to maximise capacity to repay debt reduction ability rather than disposal of assets "as is".

In determining additional or alternative forms of security or recourse, the Group may commission personal asset assessments of a debtor to identify any security or recourse that may be available to protect the Group's interests.

21.3 Credit risk control

Credit risk policy, as determined by the Group, applies to both NAMA managed, and AIB, BOI and Primary Servicer managed loans. The Group has a defined Policy and Procedures Framework for the Group and for loans managed by Participating Institutions and the Primary Servicer up to their time of disposal. This sets out authority levels for permitted credit decisions and credit limits, as well as credit risk monitoring and reporting to be carried out by the Group, AIB, BOI and the Primary Servicer.

The Policy and Procedures Framework sets out the permitted decision making and credit limits, for example relating to:

- The approval of Debtor Business Plans and Strategic Credit Reviews;
- The approval of new lending;
- Loan restructuring or renegotiation where no additional debt is provided;
- Enforcement action being taken by the Group;
- Sales of assets / loans;
- Property and asset management requirements.

The level of approval required for each of these credit decisions is determined by reference to the total amount of the debtor's outstanding balance and the level of additional funding being sought.

Credit decisions are approved by one or more of the following within a cascading level of approved delegated authority:

- Panel A or Panel B Delegated Authority Policy holders;
- Senior Divisional Manager;
- Divisional Head (or Deputy Head);
- CEO and Head of Division;
- Credit Committee;
- Board.

All credit decisions relating to Participating Institution managed loans, within Group approved limits, were required to be approved by the Participating Institution Credit Committee and/or Head/Deputy Head/Senior Manager of Credit in the NAMA unit of the Participating Institution. All credit decisions relating to the Primary Servicer managed loans are required to be approved by the relevant delegated authority within the Group.

Oversight of the compliance with the Delegated Authority Policy is performed by the Quality Assurance Team, and by the internal audit function.

Specific control and mitigation measures adopted by the Group are outlined below:

(a) Cash Management

Management of cash within a debtor connection is a key control with the aim of ensuring that overheads, working capital or development capital expenditure payments are appropriate and verified so that potential cash leakage is eliminated. The full visibility of all rental/trading income is also required.

(b) Collateral

Loans and advances to debtors and insolvency practitioners are collateralised principally by charges over real estate assets, other assets, liens on cash deposits, and are supplemented in many cases by personal and corporate guarantees.

The Group employs a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of first fixed charge security for any working or development capital advanced.

Notes to the Financial Statements

21. CREDIT RISK (CONTINUED)

21.3 Credit risk control (continued)

The principal collateral types acceptable for credit risk mitigation of loans and receivables are:

- Mortgages over various land and properties;
- Floating charges over business assets such as premises, inventory and accounts receivable;
- Charges over financial instruments such as debt securities and equities;
- Charges over bank deposits.

(c) Derivatives

The security for derivatives acquired is from the collateral acquired with the loan, and is reflected in the loan acquisition price paid. The Group also transacts derivatives with the NTMA to hedge interest rate and foreign currency exposures.

The credit exposure of derivatives acquired, together with potential exposures arising from market movements, is managed as part of the overall debtor's exposure management.

With respect to derivatives entered into by the Group, the sole counterparty is the NTMA.

21.4 Maximum exposure to credit risk - before collateral held or other credit enhancements

The table below sets out the maximum exposure to credit risk for financial assets with credit risk (net of impairment) at 31 December 2015, taking no account of collateral or other credit enhancements held. Exposures are based on the net carrying amounts as reported in the Group's Statement of financial position.

Group	*Note*	Maximum exposure 2015 €'000	Maximum exposure 2014 €'000
Cash and cash equivalents		3,145,604	1,158,692
Cash placed as collateral with the NTMA		256,000	690,000
Amounts due from Participating Institutions		87,188	84,810
Derivative financial instruments		44,290	58,241
Loans and receivables			
Land and development		4,079,146	5,290,320
Investment property		6,212,705	11,590,489
Impairment		(2,475,906)	(3,520,775)
Loans and receivables (net of impairment)		7,815,945	13,360,034
Other assets		29,550	12,164
Investments in equity instruments		48,211	36,181
Total assets		**11,426,788**	**15,400,122**
Loan commitments	*22.4*	556,148	660,303
Total maximum exposure		**11,982,936**	**16,060,425**

Agency	Maximum exposure 2015 €'000	Maximum exposure 2014 €'000
Cash	268	101
Investments in equity instruments	49,000	49,000
Other assets	1,828,531	168,161
Total maximum exposure	**1,877,799**	**217,262**

21.5 Information regarding the credit quality of loans and receivables

(a) Loans and receivables neither past due nor impaired

The Group has implemented a grading policy to provide a risk profile of NAMA's portfolio which applies to all debtors. NAMA's credit grade scale seeks to assign a measure of the risk to the recovery of a financial asset and is based on two dimensions with nine possible grades expressed as a combination of a number and letter 1A, 3B etc.

- The first dimension (scale 1, 2, 3) measures the quality of the underlying assets acquired and the expectation for debt recovery relative to the NAMA debt. This first dimension ranges from instances where recovery is expected to exceed the NAMA debt to situations where a shortfall on NAMA debt is anticipated and an impairment provision has been marked against the exposure.
- The second dimension (scale A, B, C) rates the level of debtor performance and cooperation by measuring the achievement of financial and non-financial milestones that have been agreed through the debtor engagement process.

The 9 possible grade outcomes can be summarised into the following categories:-

- Satisfactory: Capacity to meet financial commitments and low likelihood of expected loss.
- Watch: Requires closer monitoring but demonstrates capacity to meet financial commitments.
- Impaired: Exposures require varying degrees of close attention and active portfolio management and loss expectation is a concern.

The distribution of grades for loans and receivables and debtors neither past due nor impaired

	2015 €'000	2014 €'000
Satisfactory	2,225,712	5,130,393
Watch	1,114,473	866,163
Loans and receivables neither past due nor impaired	**3,340,185**	**5,996,556**

All the assets of the Agency are inter-group assets and are current.

(b) Loans and receivables past due not impaired

The disclosure required by paragraph 37(a) of IFRS 7 regarding the aged analysis of loans and receivables that are 'past due but not impaired' is not being provided. Current ageing analysis is based on the original contractual terms of loans acquired from Participating Institutions, and is not reflective of loan performance compared to loan acquisition value.

All of the Agency's receivables are due from related entities and are current. None are past due or impaired.

(c) Loans and receivables individually assessed for impairment

Loans and associated derivatives which were determined to be impaired as a result of the individual impairment review had a carrying value of €7.0bn (2014: €10.6bn) at the reporting date (see following table) and generated interest income of €288m.

The Group has availed of the exemption under IFRS 7 not to disclose the fair value of collateral held as security against the loans, as it would be impractical to do so.

Loans and receivables individually assessed for impairment

	2015 €'000	2014 €'000
Gross loans and associated derivatives	10,372,475	16,220,078
Individually impaired loans and associated derivatives	(7,032,290)	(10,581,233)
Loans and associated derivatives not individually impaired	**3,340,185**	**5,638,845**

Notes to the Financial Statements

21. CREDIT RISK (CONTINUED)

21.5 Information regarding the credit quality of loans and receivables (continued)

Gross loans and associated derivatives excludes overdrafts of €75m.

Vendor finance arrangements were initiated subsequent to the initial transfer of loans and derivatives from Participating Institutions. These are assessed for indicators of impairment semi-annually in accordance with the impairment accounting policy 2.12. To date, no indicators of impairment for vendor finance connections have been identified. They are included in the individually assessed debtors category in 2015. Vendor finance debtors had an outstanding loans and receivables balance of €267m (2014: €358m) at the reporting date.

None of the assets exposed to credit risk in the Agency are individually impaired.

(d) Loans and advances renegotiated

Certain loans are in the course of being renegotiated and restructured through the debtor engagement process.

Restructuring activities may include extended payment arrangements, modification and/or deferral of payments. Restructuring polices are set out in the NAMA Pricing and Restructuring Policy included in the Group's Policy and Procedures Framework. Each loan is restructured based on the most appropriate strategy to achieve repayment of all outstanding debt obligations, taking into account structures, guarantees and sales strategies. The details of each proposed restructuring plan including any deviations from policy are reviewed and approved by the Delegated Authority/Credit Committee and, where relevant, the Board.

The restructuring of debtors in 2015 involved in the majority of cases the restructuring of loans into a reduced number of interest bearing facilities for easier engagement and debtor management. The total carrying value of loans subject to restructure of this nature in 2015 was €0.08bn (2014: €0.1bn).

None of the assets exposed to credit risk of the Agency were renegotiated in the period.

21.6 Geographical sectors

The following table analyses the Group's main credit exposures at their carrying amounts, based on the location of the collateral securing loans and receivables.

Geographical sector 2015 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	Rest of World €'000	Loan impairment €'000	Total €'000
Loans and receivables					
– Land and development	2,535,587	1,380,020	163,539	-	**4,079,146**
– Investment property	4,667,336	1,058,455	486,914	-	**6,212,705**
Impairment of loans and receivables	-	-	-	(2,475,906)	**(2,475,906)**
Total loans and receivables	**7,202,923**	**2,438,475**	**650,453**	**(2,475,906)**	**7,815,945**
Cash and cash equivalents	3,145,604	-	-	-	**3,145,604**
Cash placed as collateral with the NTMA	256,000	-	-	-	**256,000**
Derivative financial instruments	44,290	-	-	-	**44,290**
Amounts due from Participating Institutions	87,188	-	-	-	**87,188**
Deferred tax asset	28,870	-	-	-	**28,870**
Inventories – trading properties	106,543	-	1,930	-	**108,473**
Other assets	29,550	-	-	-	**29,550**
Investments in equity instruments	38,698	-	9,513	-	**48,211**
Property, plant and equipment	1,680	-	-	-	**1,680**
Total assets	**10,941,346**	**2,438,475**	**661,896**	**(2,475,906)**	**11,565,811**

Geographical sector 2014 Group	Ireland excluding Northern Ireland €'000	UK including Northern Ireland €'000	Rest of World €'000	Loan impairment €'000	Total €'000
Loans and receivables					
– NAMA Land and development	3,690,497	1,334,763	265,060	-	**5,290,320**
– Investment property	8,917,666	1,777,539	895,284	-	**11,590,489**
Impairment of loans and receivables	-	-	-	(3,520,775)	**(3,520,775)**
Total loans and receivables	**12,608,163**	**3,112,302**	**1,160,344**	**(3,520,775)**	**13,360,034**
Cash and cash equivalents	1,158,692	-	-	-	**1,158,692**
Cash placed as collateral with the NTMA	690,000	-	-	-	**690,000**
Derivative financial instruments	32,642	24,275	1,324	-	**58,241**
Amounts due from Participating Institutions	84,810	-	-	-	**84,810**
Deferred tax asset	132,364	-	-	-	**132,364**
Inventories – trading properties	36,021	-	1,930	-	**37,951**
Other assets	12,164	-	-	-	**12,164**
Investments in equity instruments	28,735	-	7,446	-	**36,181**
Property, plant and equipment	1,935	-	-	-	**1,935**
Total assets	**14,785,526**	**3,136,577**	**1,171,044**	**(3,520,775)**	**15,572,372**

The Agency statement of financial position, comprises inter-group assets in respect of the reimbursement of administration expenses from the Group, therefore all of the assets exposed to credit risk in the Agency are located in Ireland.

22. LIQUIDITY RISK

Liquidity risk is the risk that the Group is unable to meet all of its financial obligations as and when they fall due. Liquidity risk arises from differences in timing between cash inflows and outflows.

22.1 Liquidity risk management process

The Group's liquidity risk management process as carried out within the Group and monitored by a separate team in NAMA Treasury includes:

- Management of NAMA's day-to-day liquidity and funding requirements so as to ensure that it will meet all obligations as they fall due: these include future lending commitments, interest on liabilities, collateral posting, day-to-day operating costs, fees and expenses.
- Asset and Liability management; by monitoring the maturity profile within the Group's statement of financial position to ensure that sufficient cash resources are retained and or funding established where mismatches are likely to occur, thereby minimising the impact of liquidity outflows.

Monitoring and reporting takes the form of cash flow measurement and projections for periods of one week to one year with the planning process covering periods beyond one year. The NAMA Finance unit independently produces liquidity forecasts that are provided bi-monthly to the Risk Management Committee and Board. All projections include a 'stressed' forecast to cater for prolonged periods of uncertainty. The starting point for those projections is an analysis of the contractual maturity of the financial liabilities and the expected repayment date of the financial assets.

Notes to the Financial Statements

22. LIQUIDITY RISK (CONTINUED)

22.1 Liquidity risk management process (continued)

The key liquidity risk for the Group is the funding of the senior debt securities (securities) issued by NAMA as consideration for 95% of the value of acquired assets. The securities in issue permit the issuer (where the issuer has not received a Holder Physical Delivery Rejection Notice) to physically settle all, or some only, of the securities at maturity by issuing a new security on the same terms as the existing security (other than as to maturity which may be up to 364 days from the date of issue, notwithstanding that the existing security may have had a shorter maturity).

In May 2011, the Board, on receipt of a direction, issued under Section 14 of the Act, from the Minister, resolved to remove the extendible maturity option from the NAMA senior debt securities (see Note 28).

All of the securities which matured on 1 March 2016 were physically settled by issuing new securities with a maturity of 1 March 2017.

22.2 Non-derivative cash flows

The following table presents the cash flows payable by the Group and the Agency on foot of its non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative cash flows Group 31 December 2015	0-6 months €'000	6-12 months €'000	Total €'000
Liabilities			
Amounts due to Participating Institutions	20,799	-	**20,799**
Senior debt securities in issue (including interest)	8,091,069	-	**8,091,069**
Other liabilities	34,041	-	**34,041**
Total liabilities	**8,145,909**	**-**	**8,145,909**
Assets held for managing liquidity risk	**3,401,604**	**-**	**3,401,604**

Non-derivative cash flows Group 31 December 2014	0-6 months €'000	6-12 months €'000	Total €'000
Liabilities			
Amounts due to Participating Institutions	20,428	-	**20,428**
Senior debt securities in issue (including interest)	13,602,196	-	**13,602,196**
Other liabilities	30,851	-	**30,851**
Total liabilities	**13,653,475**	**-**	**13,653,475**
Assets held for managing liquidity risk	**1,848,692**	**-**	**1,848,692**

Non-derivative cash flows Agency 31 December 2015	0-6 months €'000	6-12 months €'000	Total €'000
Liabilities			
Interest bearing loans and borrowings	53,757	-	**53,757**
Other liabilities	7,446	-	**7,446**
Total liabilities	**61,203**	**-**	**61,203**

Non-derivative cash flows Agency 31 December 2014	0-6 months €'000	6-12 months €'000	Total €'000
Liabilities			
Interest bearing loans and borrowings	53,699	-	**53,699**
Other liabilities	3,892	-	**3,892**
Total liabilities	**57,591**	**-**	**57,591**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and cash equivalents, collateral and term deposits.

22.3 Derivative cash flows

(a) Derivatives settled on a net basis

The Group's derivatives that will be settled on a net basis include interest rate derivatives:

- interest rate swaps,
- forward rate agreements,
- other interest rate contracts.

The following table analyses the Group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group 31 December 2015	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Interest rate derivatives – where hedge accounting does not apply	1,067	585	5,223	4,371	11,246
Interest rate derivatives – where hedge accounting is applied	950	(105,444)	-	-	(104,494)
Total	**2,017**	**(104,859)**	**5,223**	**4,371**	**(93,248)**

Group 31 December 2014	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Interest rate derivatives – where hedge accounting does not apply	958	2,687	8,256	7,103	19,004
Interest rate derivatives – where hedge accounting is applied	3,013	(234,623)	(230,735)	-	(462,345)
Total	**3,971**	**(231,936)**	**(222,479)**	**7,103**	**(443,341)**

(b) Derivatives settled on a gross basis

The Group's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forwards, currency swaps; and
- Cross currency interest rate swaps.

The following table analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Notes to the Financial Statements

22. LIQUIDITY RISK (CONTINUED)

(b) Derivatives settled on a gross basis (continued)

Group 31 December 2015	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Total €'000
Foreign exchange derivatives:				
– Outflow	(907,194)	-	-	(907,194)
– Inflow	925,101	-	-	925,101
Cross-currency interest rate derivatives:				
– Outflow	(286,607)	(556,551)	-	(843,158)
– Inflow	248,401	483,029	-	731,430
Total outflow	**(20,299)**	**(73,522)**	**-**	**(93,821)**

Group 31 December 2014	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Total €'000
Foreign exchange derivatives:				
– Outflow	(448,070)	-	-	(448,070)
– Inflow	440,743	-	-	440,743
Cross-currency interest rate derivatives:				
– Outflow	(1,013,566)	(792,298)	(796,175)	(2,602,039)
– Inflow	936,276	730,587	732,788	2,399,651
Total outflow	**(84,617)**	**(61,711)**	**(63,387)**	**(209,715)**

22.4 Loan commitments

The dates of the contractual amounts of the Group's financial instruments that commit it to extend credit to customers and other credit facilities, are summarised in the following table. This amount includes commitments already in existence at acquisition of the loans and further commitments given since transfer of loan assets to the Group.

Group 31 December 2015	No later than 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Commitments to lend	190,780	360,968	4,400	556,148
Overdrafts	-	-	-	-
Total	**190,780**	**360,968**	**4,400**	**556,148**

Group 31 December 2014	No later than 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Commitments to lend	152,044	490,529	16,862	659,435
Overdrafts	868	-	-	868
Total	**152,912**	**490,529**	**16,862**	**660,303**

The Agency has no loan commitments.

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES

(a) Comparison of carrying value to fair value

The table below summarises the carrying amounts and fair values of financial assets and liabilities presented In the Group and Agency's statement of financial position.

Group	2015 Carrying value €'000	2015 Fair value €'000	2014 Carrying value €'000	2014 Fair value €'000
Financial assets				
Cash and cash equivalents	3,145,604	3,145,604	1,158,692	1,158,692
Cash placed as collateral with the NTMA	256,000	256,000	690,000	690,000
Available for sale financial assets	-	-	-	-
Amounts due from Participating Institutions	87,188	87,188	84,810	84,810
Derivative financial instruments	44,290	44,290	58,241	58,241
Loans and receivables	7,815,945	9,091,168	13,360,034	15,011,030
Other assets	29,550	29,550	12,164	12,164
Investments in equity instruments	48,211	48,211	36,181	36,181
Total assets	**11,426,788**	**12,702,011**	**15,400,122**	**17,051,118**
Financial liabilities				
Amounts due to Participating Institutions	20,799	20,799	20,428	20,428
Derivative financial instruments	179,256	179,256	595,528	595,528
Senior debt securities in issue	8,090,000	8,072,926	13,590,000	13,582,294
Other liabilities	69,397	69,397	126,114	126,114
Tax payable	722	722	1,769	1,769
Total liabilities	**8,360,174**	**8,343,100**	**14,333,839**	**14,326,133**

Agency	2015 Carrying value €'000	2015 Fair value €'000	2014 Carrying value €'000	2014 Fair value €'000
Financial assets				
Cash and cash equivalents	268	268	101	101
Other assets	1,828,531	1,828,531	168,161	168,161
Investment in subsidiaries	49,000	49,000	49,000	49,000
Total assets	**1,877,799**	**1,877,799**	**217,262**	**217,262**
Financial liabilities				
Interest bearing loans and borrowings	53,757	53,757	53,699	53,699
Other liabilities	7,446	7,446	3,892	3,892
Total liabilities	**61,203**	**61,203**	**57,591**	**57,591**

Notes to the Financial Statements

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets not subsequently measured at fair value

For financial assets and liabilities which are not subsequently measured at fair value in the statement of financial position, the methods and assumptions used to calculate the fair value of these assets and liabilities are set out below.

(i) Cash and balances with banks

The fair value of term deposits is their carrying amount. The estimated fair value of fixed interest bearing deposits is equal to their carrying value at the financial year end as deposits are short term and the effect of discounting is minimal.

(ii) Amounts due from Participating Institutions

The estimated fair value of amounts due from Participating Institutions is equal to their carrying value at the financial year end as receivables are current and will be settled in cash.

(iii) Loans and receivables

Loans and receivables are shown net of charges for impairment. The fair value of loans and receivables has been estimated using the expected future cash flows in the portfolio. Expected future cash flows for individually significant debtors were reviewed as part of the impairment cash flow assessment at the reporting date. Future cash flows are discounted at a rate ranging from 4.54% to 5.04%, which is a rate considered appropriate by management, taking into consideration the time value of money and the risks involved.

(iv) Debt securities in issue

The aggregate fair values are calculated based on a valuation model using similar quoted instruments and applying a current yield curve appropriate for the remaining term to maturity.

(b) Fair value hierarchy

IFRS 13 specifies a three level hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the Group's market assumptions. The fair value hierarchy comprises:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes listed equity securities and debt instruments on recognised exchanges.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices). This level includes OTC derivative contracts. The sources of input parameters use the standard LIBOR / EURIBOR yield curve.
- Level 3 – inputs for the asset or liability that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The Group considers relevant and observable market prices in its valuations where possible.

Fair value hierarchy for assets and liabilities measured at fair value

Group 31 December 2015	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Derivative financial instruments	-	22,992	-	**22,992**
Foreign currency derivatives	-	21,298	-	**21,298**
Investments in equity instruments	-	48,211	-	**48,211**
Total assets	**-**	**92,501**	**-**	**92,501**
Liabilities				
Derivative financial instruments	-	72,740	-	**72,740**
Foreign currency derivatives	-	106,516	-	**106,516**
Total liabilities	**-**	**179,256**	**-**	**179,256**

Group 31 December 2014	Level 1 €'000	Level 2 €'000	Level 3 €'000	Total €'000
Assets				
Derivative financial instruments	-	56,714	-	**56,714**
Foreign currency derivatives	-	1,527	-	**1,527**
Investments in equity instruments	-	36,181	-	**36,181**
Total assets	**-**	**94,422**	**-**	**94,422**
Liabilities				
Derivative financial instruments	-	403,507	-	**403,507**
Foreign currency derivatives	-	192,021	-	**192,021**
Total liabilities	**-**	**595,528**	**-**	**595,528**

IFRS requires that financial assets and liabilities not carried at fair value but for which fair value is disclosed are also classified within the fair value hierarchy. Financial assets and liabilities measured at amortised cost are classified under Level 3, except for cash and cash equivalents which are classified as Level 1.

None of the assets and liabilities of the Agency are carried at fair value.

Categories of financial assets and financial liabilities

Financial assets and liabilities are categorised in accordance with IAS 39 as follows:

- Loans and receivables
- Financial assets or liabilities at fair value through profit or loss – held for trading (FVTPL)
- Available for sale financial assets (AFS)
- Financial liabilities measured at amortised cost

Notes to the Financial Statements

23. FAIR VALUE OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

Financial assets Group 31 December 2015	Loans and receivables €'000	FVTPL €'000
Cash and cash equivalents	3,145,604	-
Cash placed as collateral with the NTMA	256,000	-
Amounts due from Participating Institutions	87,188	-
Derivative financial instruments	-	44,290
Loans and receivables	7,815,945	-
Investments in equity instruments	-	48,211
Other assets	29,550	-

Financial liabilities Group 31 December 2015	Financial liabilities measured at amortised cost €'000	FVTPL €'000
Amounts due to Participating Institutions	20,799	-
Derivative financial instruments	-	179,256
Senior debt securities in issue	8,090,000	-
Other liabilities	69,397	-

No held to maturity investments were held by the Group at the reporting date.

24. PROPERTY, PLANT AND EQUIPMENT

Group and Agency	2015 €'000	2014 €'000
Cost		
Balance at 1 January	2,546	1,403
Additions	-	1,143
Balance at 31 December	**2,546**	**2,546**
Depreciation		
Accumulated depreciation at 1 January	(611)	(332)
Depreciation charge for the year	(255)	(279)
Balance at 31 December	**(866)**	**(611)**
Net book value at 31 December	**1,680**	**1,935**

Property, plant and equipment includes lease fit out costs incurred to date. Capitalised lease fit out costs are depreciated on a straight line basis over 10 years in accordance with accounting policy 2.24. A full year's depreciation is charged in the financial year the lease fit out costs are incurred and capitalised.

25. INVESTMENTS IN EQUITY INSTRUMENTS

Group	2015 €'000	2014 €'000
Financial assets at fair value through profit or loss	**48,211**	**36,181**

The Group may invest in equity instruments to maximise value or gain control of an asset. Equity investments at the reporting date comprise:

- a 20% interest in a partnership of €1.2m (2014: €1.2m), held by NAJVAL. The interest was acquired by the Group in 2014 as consideration for the sale of certain loans. The Group is not able to exercise significant influence over the partnership, as the other 80% interest is held by one shareholder who controls the decision making of the partnership.
- a 16.5% ownership in a qualifying investor alternative investment fund ("QIAIF 1"), a 47.75% ownership in a second QIAIF ("QIAIF 2") and a 15% ownership in a third QIAIF ("QIAIF 3"), with a combined value of €37.5m, held by NALML.

	2015 €'000	2014 €'000
QIAIF 1	12,008	8,139
QIAIF 2	14,701	10,067
QIAIF 3	10,743	9,281
	37,452	**27,487**

The units in QIAIF 1 and QIAIF 3 were acquired as consideration for the sale of certain property assets held by NAMA to these funds in 2013 and 2014 respectively. The units in QIAIF 2 were acquired by the Group in 2014 to facilitate the fund's purchase of property assets. The objective of the three funds is to enhance the development potential of combined sites in the South Docks area of Dublin, thereby generating capital growth over the longer term. NAMA has invested in these funds in line with its strategy to facilitate the delivery of commercial and residential development in the Dublin Docklands.

- as a result of a restructure of one of the NAMA managed debtors in 2014, the Group acquired a 98% ownership of one fund and 54% ownership of a second fund with a combined value of €9.5m (2014: €7.4m). These funds hold real-estate assets in Portugal. All decision making is controlled by the funds' management company, therefore NAMA is not able to exercise control over the funds.

The movement in investments in equity instruments is a combination of fair value movements and acquisitions and disposals.

Notes to the Financial Statements

26. DEFERRED TAX

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

Deferred income tax assets and liabilities are attributable to the following items:

Group	Deferred tax on derivatives Assets €'000	Deferred tax on derivatives Liabilities €'000	Deferred tax on tax losses €'000	Deferred tax on other timing differences €'000	Total €'000
Balance at 1 January 2014	**144,553**	**(34,734)**	**92,568**	**-**	**202,387**
Movement in the financial year	4,328	18,217	(92,568)	-	**(70,023)**
Balance at 31 December 2014	**148,881**	**(16,517)**	**-**	**-**	**132,364**
Balance at 1 January 2015	**148,881**	**(16,517)**	**-**	**-**	**132,364**
Movement in the financial year	(104,068)	628	-	(54)	**(103,494)**
Balance at 31 December 2015	**44,813**	**(15,889)**	**-**	**(54)**	**28,870**

Reconciliation of movement in total deferred tax to tax charge in the income statement and other comprehensive income

Group	*Note*	2015 €'000	2014 €'000
Movement in deferred tax recognised in the income statement	*13*	(28,344)	(52,073)
Movement in deferred tax recognised in other comprehensive income	*14,34*	(75,149)	(17,950)
Total movement in deferred tax in the financial year		**(103,494)**	**(70,023)**

The Agency has no deferred tax assets or liabilities.

Deferred income tax assets are recognised in respect of tax losses carried forward only to the extent that realisation of the related tax benefit is probable.

Deferred tax on derivatives is recognised on the difference between the tax base of derivatives (nil) and the fair value of derivatives at the reporting date. A net deferred tax asset of €29m (2014: €132m) has been recognised in relation to derivatives. In accordance with accounting standards, deferred tax on the fair value movement on derivatives is recognised where the related fair value is accounted for, i.e. either in the income statement or in other comprehensive income. A deferred tax charge of €75.1m (2014: €17.9m) has been recognised in other comprehensive income relating to deferred tax on the fair value movement on derivatives where hedge accounting is applied and available for sale assets (see Note 34).

Deferred tax assets and liabilities recognised in respect of derivatives will be realised as derivatives mature or are terminated.

Deferred tax on other timing differences is recognised in respect of interest income and unrealised foreign exchange gains.

27. OTHER ASSETS

Group	2015 €'000	2014 €'000
Accrued swap interest receivable	894	1,417
Deferred consideration receivable from loan sales	6,404	9,732
Other assets	22,252	1,015
Total other assets	**29,550**	**12,164**
Current	**29,550**	**12,164**
Non-Current	**-**	**-**

Accrued swap interest relates to derivatives associated with loans acquired by the Group from Participating Institutions.

Included in other assets is an amount of €13m of preliminary tax paid under Section 96(3) of the Taxes Consolidation Act 1997, and €7m relating to an asset that was contractually due to close in January 2016 but for which the funds had not yet transferred.

Agency	2015 €'000	2014 €'000
Costs reimbursable from NALM	5,136	1,935
Interest receivable on profit participating loan to NAML	1,822,888	165,717
Other receivables	507	509
Total other assets	**1,828,531**	**168,161**
Current	**1,828,531**	**168,161**
Non-Current	**-**	**-**

28. SENIOR DEBT SECURITIES IN ISSUE

Group	2015 €'000	2014 €'000
In issue at the start of the financial year	13,590,000	34,618,000
Redeemed during the financial year	(5,500,000)	(21,028,000)
In issue at 31 December	**8,090,000**	**13,590,000**
Current	**8,090,000**	**13,590,000**
Non-current	**-**	**-**

Terms of notes issued for the acquisition of loans by NALML

The total debt securities outstanding at 31 December 2015 issued in respect of the original acquisition of loans by NALML is €8.1bn (2014: €13.6bn). The debt securities are all government guaranteed floating rate notes, which were issued by NAML and transferred to NAMGSL under a profit participating loan facility and by it to NALML. The latter company used these securities as consideration (95%) for the loan portfolio acquired from each of the Participating Institutions.

Notes to the Financial Statements

28. SENIOR DEBT SECURITIES IN ISSUE (CONTINUED)

Terms of notes issued for the acquisition of loans by NALML (continued)

Interest accrues from the issue date of the Notes and is paid semi-annually on 1 March and 1 September. The interest rate is 6 month Euribor reset on 1 March and 1 September in each year. Only euro denominated notes have been issued.

The securities in issue permit the issuer (where the issuer has not received a Holder Physical Delivery Option Rejection Notice) to physically settle all, or some only, of the securities at maturity which may be up to 364 days from the date of issue, notwithstanding that the existing security may have had a shorter maturity.

All of the securities which matured on 1 March 2016 were physically settled by issuing new securities with a maturity of 1 March 2017.

29. OTHER LIABILITIES

Group	2015 €'000	2014 €'000
Accrued interest on debt securities in issue	1,069	12,196
Accrued swap interest payable on derivatives where hedge accounting is applied	34,143	81,367
Accrued swap interest payable on other derivatives	144	1,700
Interest payable on cash and cash equivalents	193	-
Accrued expenses	24,535	24,805
VAT payable	2,605	2,581
Other liabilities	6,708	3,465
Total other liabilities	**69,397**	**126,114**
Current	**69,397**	**126,114**
Non-current	**-**	**-**

Agency	2015 €'000	2014 €'000
Amounts due to the NTMA	5,194	1,344
Amounts due to Group entities	1,680	1,934
Other liabilities	572	614
Total other liabilities	**7,446**	**3,892**
Current	**7,446**	**3,892**
Non-current	**-**	**-**

30. TAX PAYABLE

Group	2015 €'000	2014 €'000
Professional services withholding tax and other taxes payable	662	1,736
Current income tax liability	60	33
Total tax payable	**722**	**1,769**

31. COMMITMENTS AND CONTINGENT LIABILITIES

As part of the acquisition of loan assets, certain guarantees and letters of credit, previously provided by Participating Institutions, were acquired by the Group. The guarantees were acquired because they were connected to loan assets acquired by the Group. It is the general policy of the Group not to acquire guarantees. The Group has no guarantees or letters of credit at the reporting date.

As at the financial year end, NAMA is party to a number of on-going legal cases, as part of its ordinary course of business. The possible outflow of economic resources cannot be reliably estimated and therefore no legal provisions in respect of these cases are recognised by the Group at the reporting date.

The Group holds operating leases in respect of the third floor and first floor of its registered office, Treasury Building. At the reporting date the length of the lease until the first break clause is less than 1 year for the third floor, 2.5 years for the first floor annexe and 5 years for the first floor.

Operating lease amounts recognised in profit or loss for the financial year were €2.1m (2014: €1.9m).

The future minimum operating lease payments are set out in the following tables:

Group	**2015 €'000**	**2014 €'000**
Less than one year	1,992	1,992
Between one and five years	4,147	4,501
More than five years	-	830
Total future minimum operating lease payments	**6,139**	**7,323**

32. INTEREST BEARING LOANS AND BORROWINGS

Agency	**2015 €'000**	**2014 €'000**
Loan due to NALML and related interest	53,757	53,699
	53,757	**53,699**

On 25 February 2011, NALML, a Group entity, issued an interest bearing loan of €52m to NAMA. The purpose of the loan was to provide funding from the Group to NAMA to repay a loan of €49m and accrued interest to the Central Fund. Interest is based on the 6 month Euribor rate. The loan is extended annually on 25 February unless terminated as agreed between the parties. The Group has no external loans or borrowings.

33. OTHER EQUITY

Group	**2015 €'000**	**2014 €'000**
In issue at the beginning of the financial year	1,593,000	1,593,000
In issue at 31 December	**1,593,000**	**1,593,000**

The above are Callable Perpetual Subordinated Fixed Rate Bonds that were issued by NAML and transferred to NAMGSL under a profit participating loan arrangement and by NAMGSL to NALML. The latter company used these securities as consideration (5%) for the loan portfolio acquired from each of the Participating Institutions.

Notes to the Financial Statements

33. OTHER EQUITY (CONTINUED)

The interest rate on the instruments is the 10 year Irish Government Bond rate at the date of first issuance, plus 75 basis points. This rate has been set at a fixed return of 5.264%. Interest is paid annually if deemed appropriate to do so, however the coupon is declared at the option of the issuer. Coupons not declared in any financial year will not accumulate. NAMA paid the first coupon of €83.86m on its subordinated debt during 2014. NAMA paid a second coupon of €83.86m on its subordinated debt on 2 March 2015, of which €0.8m of withholding tax was paid to the Revenue Commissioners. NAMA paid a third coupon of €83.86m on its subordinated debt on 1 March 2016, of which €0.7m withholding tax is payable to the Revenue Commissioners.

Although the bonds are perpetual in nature, the issuer may "call" (i.e. redeem) the bonds on the first call date (which is 10 years from the date of issuance), and every interest payment date thereafter (regardless of whether interest is to be paid or not).

Under IAS 32, 'Financial Instruments: Presentation', it is the substance of the contractual arrangement of a financial instrument, rather than its legal form, that governs its classification. As the subordinated notes contain no contractual obligation to make any payments (either interest or principal) should the Group not wish to make any payments, in accordance with IAS 32 the subordinated debt has been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments (Note 35).

34. OTHER RESERVES

Group	*Note*	2015 €'000	2014 €'000
Cash flow hedge reserve			
At the beginning of the financial year		(279,752)	(333,708)
Changes in clean fair value		300,601	71,941
Hedge interest settled during the financial year		250,831	229,922
Movement in interest accrual		(47,225)	(1,419)
Transferred to the income statement	*6*	(203,606)	(228,503)
Net movement in cash flow hedge reserve before tax	*14*	300,601	71,941
Deferred tax recognised in other comprehensive income	*14,26*	(75,149)	(17,985)
At 31 December		**(54,300)**	**(279,752)**
Available for sale reserve			
At the beginning of the financial year		-	(1,755)
Transferred to the income statement		-	1,720
Net movement in available for sale reserve before tax	*14*	-	1,720
Deferred tax recognised in other comprehensive income	*14,26*	-	35
At 31 December		**-**	**-**
Total other reserves		**(54,300)**	**(279,752)**

Other reserves comprise the cash flow hedge reserve and the available for sale reserve.

NAMA applies hedge accounting to a portion of its senior notes in issue. Changes in fair value for derivatives designated in hedge relationships, and that are effective, are recognised in reserves.

NAMA acquires government bonds for the purposes of liquidity management and to maximise its return on cash balances. Government bonds are classified as available for sale assets in accordance with IAS 39. Changes in fair value are recognised in reserves. No such bonds were acquired in 2015.

The net movement in the cash flow hedge reserve for 2015 was an increase of €301m (2014: €72m) before tax, which was the fair value movement in derivatives where hedge accounting is applied of €309.5m (2014: €65.1m) plus an adjustment relating to hedge ineffectiveness of €8.9m (2014: €6.8m).

There was no movement in the available for sale reserve in 2015 (2014: decrease of €1.7m) due to the maturity in 2014 of available for sale assets held.

35. RECONCILIATION OF RESERVES AND NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Group	2015 €'000	2014 €'000
Retained earnings / (losses)		
At the beginning of the financial year	(74,715)	(447,599)
Profit for the financial year	1,774,894	458,280
Dividend paid on B ordinary shares	(386)	(1,540)
Coupon paid on subordinated bonds	(83,856)	(83,856)
At 31 December	**1,615,937**	**(74,715)**
Non controlling interests		
Profit for the financial year	51,000	-

Agency	2015 €'000	2014 €'000
Retained earnings / (losses)		
At the beginning of the financial year	161,606	(3,507)
Profit for the financial year	1,656,670	165,113
At 31 December	**1,818,276**	**161,606**

On 31 March 2015, the Board of NAMAIL declared and approved a dividend payment of €0.00757 per share (2014: €0.0302 per share). The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2015, and amounted to €0.39m (2014: €1.54m). The dividend was paid to the holders of B ordinary shares of NAMAIL only, the private investors, who have ownership of 51% in the Company. No dividend was paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.

In February 2015, the Board of NAML resolved that it was appropriate, in the context of NAMA's overall aggregate financial performance and objectives, that the annual coupon on the subordinated bonds of €83.86m due on 2 March 2015 be paid. The subordinated bonds are classified as equity in the statement of financial position, and related payments thereon are classified as coupon payments and recognised in equity. Refer to Note 33 for further details.

Non-controlling interests in subsidiaries comprise ordinary share capital in subsidiaries not attributable directly or indirectly to the parent entity. In respect of the Group this represents the investment by private investors in the ordinary share capital of NAMAIL.

NAMA has, along with the private investors, invested in NAMAIL. NAMA holds 49% of the issued share capital of NAMAIL and the remaining 51% of the share capital is held by private investors. Under the terms of the shareholders' agreement between NAMA and the private investors, NAMA can exercise a veto over decisions taken by NAMAIL.

Notes to the Financial Statements

35. RECONCILIATION OF RESERVES AND NON-CONTROLLING INTERESTS IN SUBSIDIARIES (CONTINUED)

Under the shareholder's agreement, the maximum return which will be paid to the private investors by way of dividend is restricted to the 10 year Irish Government Bond Yield applying at the date of the declaration of the dividend. In addition the maximum investment return to the private investors is capped under the Articles of Association of NAMAIL.

NAMA's ability to veto decisions taken by NAMAIL restricts the ability of the private investors to control the financial and operating policies of the Group, and as a result NAMA has effective control over NAMAIL and the subsidiaries in the Group, as well as substantially all the economic benefits and risks of the Group. While the private investors are subject to the risk that NAMAIL may incur losses and the full value of their investment may not be recovered, they are not required to contribute any further capital to NAMAIL.

By virtue of the control NAMA can exercise over NAMAIL, NAMA has consolidated NAMAIL and its subsidiaries. NAMA is now in a net profitable position, and for the purposes of recognising the non-controlling interests in the subsidiaries, the losses of €51m recognised in 2010 have been reversed, and the profits have been attributed to the non-controlling interests up to its equity interest of €51 million.

36. SHARES AND INVESTMENTS IN GROUP UNDERTAKINGS

NAMA has invested €49m in NAMAIL, receiving 49 million A ordinary shares. The remaining €51m was invested in NAMAIL by private investors, each receiving an equal share of 51 million B ordinary shares. Under the terms of a shareholders' agreement between NAMA and the private investors, NAMA may exercise a veto over decisions taken by NAMAIL. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity is restricted and NAMA has effective control of the company. By virtue of this control NAMA has consolidated NAMAIL and its subsidiaries and the 51% external investment in NAMAIL is reported as a non-controlling interest in these financial statements.

36.1 Subsidiaries

The NAMA Group structure is set out in Note 1 to the Financial Statements. The subsidiary undertakings and percentage ownership of NAMA in those subsidiaries are as follows:

Group Subsidiary	Percentage ownership	Percentage voting rights	Principal Activity	Country of incorporation
National Asset Management Agency Investment Limited	49%	100%	Holding company and lending	Ireland
National Asset Resolution Limited (dissolved)	49%	100%	Securitisation and asset management	Ireland
National Asset Management Limited	49%	100%	Debt issuance	Ireland
National Asset Management Group Services Limited	49%	100%	Holding company, securitisation and asset management	Ireland
National Asset Loan Management Limited	49%	100%	Securitisation and asset management	Ireland
National Asset North Quay Limited	49%	100%	Acquisition of certain property assets in settlement of debt owed to NAMA	Ireland
National Asset Property Management Limited	49%	100%	Real estate	Ireland
National Asset Management Services Limited	49%	100%	Holding company for shareholding in a general partnership	Ireland
National Asset JV A Limited	49%	100%	Investment in a partnership as a limited partner	Ireland
National Asset Residential Property Services Limited	49%	100%	Provision of residential properties for the purposes of social housing	Ireland
National Asset Sarasota Limited Liability Company	49%	100%	Acquisition of property assets located in the US in settlement of debt owed to NAMA	US
National Asset Leisure Holdings Limited (in Voluntary Liquidation)	49%	100%	Holding Company	Ireland
RLHC Resort Lazer SGPS, S.A.	49%	100%	Facilitate legal restructure	Portugal
RLHC Resort Lazer II SGPS, S.A.	49%	100%	Facilitate legal restructure	Portugal

36.2 Investment in subsidiaries

Agency	2015 €'000	2014 €'000
49,000,000 shares in NAMAIL	**49,000**	**49,000**

In 2010 the Agency made an investment of €49m in NAMAIL.

At the reporting date, all subsidiaries have their registered offices in Treasury Building, Grand Canal Street, Dublin 2, with the exception of RLHC I and RLHC II. The registered office of RLHC I and RLHC II is Rua Garrett, N.º 64, 1200-204 Lisbon, Portugal.

Notes to the Financial Statements

36. SHARES AND INVESTMENTS IN GROUP UNDERTAKINGS (CONTINUED)

36.3 Details of non-wholly owned subsidiaries where NAMA has a material non-controlling interest

The remaining 51% of the subsidiaries listed in 36.1 is owned by the private investors, by virtue of their 51% ownership in NAMAIL.

A dividend was paid to the private investors during the year of €0.4m (2014: €1.5m). The private investors have no further interest in the group activities or cashflows. Profit of €51m was allocated to the non controlling interest during the year (2014: €nil). Accumulated non controlling interest at the end of the reporting period was €51m (2014: €nil).

Profits or losses which may arise are allocated to the non controlling interest in accordance with accounting policy 2.27.

36.4 Details of non-consolidated subsidiaries

National Asset Resolution Limited (dissolved)

On 7 February 2013, joint Special Liquidators were appointed to IBRC under the Irish Bank Resolution Corporation Act 2013. On 11 February 2013, NAMA established a new NAMA Group Entity, National Asset Resolution Limited (dissolved) (NARL). The entity was formed in response to a Direction issued by the Minister for Finance under the Irish Bank Resolution Corporation Act 2013 to NAMA to acquire a loan facility deed and floating charge over certain IBRC assets. Consideration was in the form of Government Guaranteed debt securities and cash. The debt securities were issued by NAML and transferred to NARL (dissolved) via a profit participating loan facility. NARL (dissolved) is a 100% subsidiary of NAMAIL.

NARL (dissolved) is the senior creditor of IBRC (in liquidation), therefore funds received by the joint Special Liquidators were used to reduce the loan facility deed in the first instance. NAMA had no involvement in the liquidation process and the financial statements recognise funds received from the joint Special Liquidators and other transactions to facilitate the orderly wind up of IBRC arising from the Minister's directions under the Act. On 22 April 2014, the Minister announced that no assets would transfer to NAMA from IBRC (in liquidation). The loan facility deed was fully repaid on 22 October 2014, and the Company was placed into voluntary liquidation by its members on 18 December 2014. There was no change during 2015 in the status of NARL (dissolved). NARL was dissolved with effect from 23 March 2016 (refer to Note 39).

National Asset Leisure Holdings Limited (in Voluntary Liquidation)

On 10 January 2014, NAMA established a new subsidiary National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL). NALHL (in Voluntary Liquidation) is a wholly owned subsidiary of NAPML and was established to acquire 100% of the share capital of two Portuguese entities, RLHC I and RLHC II.

The establishment of these entities was required to facilitate the legal restructure of a number of entities with Portuguese property assets. Following the completion of the legal restructure, NALHL (in Voluntary Liquidation) was placed into liquidation on 18 December 2014. The control of NALHL (in Voluntary Liquidation) is with the liquidator who will realise the assets of the Company. There was no change during 2015 in the status of NALHL (in Voluntary Liquidation).

As the liquidator has assumed the rights of the shareholder and now controls both NARL (dissolved) and NALHL (in Voluntary Liquidation), NARL (dissolved), NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC I and RLHC II, are not consolidated into the results of the NAMA Group.

See Note 38.6 for details of the assets held by these companies.

37. RELATED PARTY DISCLOSURES

The related parties of the Group comprise the following:

Subsidiaries

Details of the interests held in NAMA's subsidiaries are given in Note 36.1 and Note 1 to the financial statements.

NTMA

The NTMA provides staff, finance, communication, technology, risk and human resources services to NAMA. The costs incurred by the NTMA are charged to NAMA (the Agency) and the Agency is reimbursed by the Group. Details of the costs charged to the Group are given in Note 10. The NTMA is the counterparty for NAMA's derivative positions in its management of foreign exchange and interest rate exposure. NAMA is required to post cash collateral with the NTMA under a Collateral Posting Agreement (CPA) to reduce the NTMA's exposure to NAMA derivatives. At the reporting date NAMA held no exchequer notes issued by the NTMA (2014: €0.7bn) (see Note 15).

NTMA Defined Benefit Pension Scheme

All staff are employed by the NTMA and the NTMA contributes to the NTMA Defined Benefit Pension Scheme on behalf of its employees. The pension scheme is controlled and managed by independent trustees as appointed by the NTMA. As part of the consideration for the provision of staff, the Group has made a payment of €4.6m (2014: €4.8m), representing the refund of the NTMA's contribution to the pension scheme in respect of these NAMA Officers.

Minister for Finance

The Minister established NAMA under the NAMA Act 2009. Sections 13 and 14 of the Act grant certain powers to the Minister in relation to NAMA. Section 13 provides that the Minister may issue guidelines to NAMA for the purposes of the Act and, in particular, in relation to the purpose of contributing to the social and economic development of the State. NAMA is required to have regard to any such guidelines in performing its functions. Section 14 provides that the Minister may issue directions to NAMA concerning the achievement of the purposes of the Act and, in particular, in relation to the purpose of contributing to the social and economic development of the State. NAMA is obliged to comply with any such direction.

The effect of these statutory provisions is that the Minister has the ability to exercise significant influence over NAMA.

Participating Institutions

During 2010, a number of legislative measures were enacted that gave the Minister rights and powers over certain financial institutions in respect of various matters of ownership, board composition, acquisition or sale of subsidiaries, business activity, restructuring and banking activity. The Participating Institutions also agreed to consult with the Minister prior to taking any material action which may have a public interest dimension.

Participating Institutions are credit institutions that were designated by the Minister, under Section 67 of the Act, as a Participating Institution. The Participating Institutions that have transferred loan assets to NAMA as at the reporting date are Allied Irish Banks, p.l.c (incorporating EBS), and Bank of Ireland.

The Group issued senior and subordinated securities and transferred them to the Participating Institutions in return for loan assets. Transactions with Participating Institutions are disclosed in the financial statements primarily under Note 18, Loans and Receivables, Note 16, Amounts due to and from Participating Institutions and the related Income Statement notes.

During the year, the Group sold a loan, and also collateral secured against debtor loans as part of a portfolio sale, to Allied Irish Banks p.l.c. for a total of €97m.

The Group has operating accounts with Allied Irish Banks, p.l.c that have a balance of €12.3m (2014: €7.1m) at the reporting date. The average closing daily balance throughout the year was €8.6m (2014: €5.2m).

Notes to the Financial Statements

37. RELATED PARTY DISCLOSURES (CONTINUED)

During the year the Group placed deposits with Allied Irish Banks, p.l.c (incorporating EBS) and Bank of Ireland. The average amount deposited with each bank was €48m (2014: €44m) and €68m (2014: €17m) respectively.

Fees payable to the Participating Institutions with respect to loan servicing costs incurred during the year are as follows:

Loan servicing costs	2015 €'000	2014 €'000
Allied Irish Banks, p.l.c	13,456	15,955
Bank of Ireland	406	5,040
IBRC (in liquidation)	595	2,483
	14,457	**23,478**

New Ireland Assurance Co p.l.c.

New Ireland Assurance Co p.l.c, a subsidiary of Bank of Ireland holds a 17% share of the share capital of NAMAIL, a subsidiary of NAMA (corresponding to 17 million of the 51 million B ordinary shares issued by NAMAIL to private investors). Dividend payments made to private investors are disclosed in Note 35.

Key management personnel

The Agency is controlled by the NAMA Chief Executive Officer and the Board. The Chief Executive Officer of the NTMA is an ex-officio member of the Board. The Chief Executive Officer and Board have the authority and responsibility for planning, directing and controlling the activities of NAMA and its subsidiaries and therefore are key management personnel of NAMA. Fees paid to Board members are disclosed in Note 10. The Group has no employees.

Transactions with Group entities

The following are the amounts owed to and from related parties at the reporting date. All transactions with related parties are carried out on an arm's length basis.

Loan due to NALML

An interest bearing loan of €52m was advanced from NALML to the Agency in 2011. Interest is earned on this loan at the six month EURIBOR rate. Interest earned on this loan for the year was €0.1m (2014: €0.2m).

Intergroup loan agreements

In 2010, NAML entered into a profit participating loan agreement with NAMGSL, and in turn NAMGSL entered into a further profit participating loan agreement with NALML on similar terms.

During 2013, NAMGSL entered into a profit participating loan agreement with NAJVAL and NAML entered into a profit participating loan agreement with NARL (dissolved). The profit participating loan agreement between NAML and NARL (dissolved) was settled in 2014 on full redemption of the NARL bonds.

In 2010, NAMAIL entered into an intergroup loan agreement with NAML. NALML entered into intergroup loan agreements with NARPSL and NAPML in 2012, with NASLLC in 2013 and with NANQL in 2015. During 2014, NAPML entered into an intergroup loan agreement with NALHL (in Voluntary Liquidation).

Refer to Note 38 for balances outstanding in respect of intergroup loan agreements at the reporting date.

NTMA recharge

The NTMA incurs overhead costs for providing staff, finance, communication, technology risk and human resource services to the Group. These overhead costs are charged to NAMA (the Agency) on an actual cost basis. The total of these costs for the year was €53.5m (2014: €53.9m). Further details in respect of these costs are disclosed in Note 10.1.

38. SUPPLEMENTARY INFORMATION PROVIDED IN ACCORDANCE WITH SECTION 54 OF THE ACT

In order to achieve its objectives NAMA has established special purpose vehicles as outlined in Note 1. These entities prepare and present separate financial statements. In accordance with the requirements of Section 54 of the Act the following additional information is provided, in respect of NAMA and each of its Group entities.

38.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity

The administration fees incurred by NAMA are set out in Note 10.

The expenses of each NAMA Group entity are shown in the tables below. The expenses of NALML includes a recharge of €53.5m (2014: €53.9m) in respect of NTMA costs incurred by the Agency. These costs are also included in the consolidated accounts.

National Asset Loan Management Limited (NALML) **Expense type**	*Note*	**2015** **€'000**	**2014** **€'000**
Costs reimbursable to the NTMA	*10.1*	53,495	53,894
Primary servicer fees	*10.2*	39,338	46,129
Master servicer fees	*10.3*	1,399	2,543
Portfolio management fees	*10.4*	4,255	10,211
Legal fees	*10.5*	4,845	8,046
Finance, communication and technology costs	*10.6*	2,420	3,762
Rent and occupancy costs	*10.7*	2,899	2,964
Internal audit fees	*10.8*	736	743
External audit remuneration	*10.9*	550	550
Total NALML administration expenses		**109,937**	**128,842**

National Asset Property Management Limited (NAPML) **Expense type**	**2015** **€'000**	**2014** **€'000**
Costs reimbursable to NALML	168	106
Portfolio management fees	14	58
Legal fees	48	20
Finance, communication and technology costs	35	-
Total NAPML administration expenses	**265**	**184**

National Asset Sarasota LLC (NASLLC) **Expense type**	**2015** **€'000**	**2014** **€'000**
Portfolio management fees	-	312
Legal fees	-	32
Total NASLLC administration expenses	**-**	**344**

National Asset Residential Property Services Limited (NARPSL) **Expense type**	**2015** **€'000**	**2014** **€'000**
Portfolio management fees	167	206
Legal fees	765	348
Finance, communication and technology costs	-	(3)
Total NARPSL administration expenses	**932**	**551**

Notes to the Financial Statements

38. SUPPLEMENTARY INFORMATION PROVIDED IN ACCORDANCE WITH SECTION 54 OF THE ACT (CONTINUED)

National Asset Resolution Limited (NARL) (dissolved) Expense type	2015 €'000	2014 €'000
Costs reimbursable to NALML	-	988
Primary servicer fees	-	4,126
Finance, communication and technology costs	-	628
Legal fees	-	129
Total NARL administration expenses	**-**	**5,871**

RLHC Resort Lazer SGPS, S.A. (RLHC I) Expense type	2015 €'000	2014 €'000
Finance, communication and technology costs	-	11
External audit remuneration	4	5
Legal fees	-	1
Total RLHC I administration expenses[7]	**4**	**17**

RLHC Resort Lazer II SGPS, S.A. (RLHC II) Expense type	2015 €'000	2014 €'000
Finance, communication and technology costs	-	9
External audit remuneration	4	4
Legal fees	-	1
Total RLHC II administration expenses[7]	**4**	**14**

38.2 Debt securities issued for the purposes of the Act

Group	2015 €'000	2014 €'000
Senior notes issued by NAML	8,090,000	13,590,000
Subordinated debt issued by NAML	1,593,000	1,593,000
Total	**9,683,000**	**15,183,000**

7 *These amounts are estimated based on 30 September 2015 unaudited accounts, pending final year-end audited accounts*

38.3 Debt securities issued, transferred and redeemed in the financial period to the Financial Institutions

38.3.1 Government guaranteed senior debt securities

Financial Institution	Outstanding at 1 Jan 15 €'000	Issued €'000	Transferred €'000	Redeemed €'000	Outstanding at 31 Dec 15 €'000
AIB[8]	9,477,000	-	-	(3,834,000)	5,643,000
BOI	2,389,000	-	-	(968,000)	1,421,000
Permanent TSB (formerly IL&P)	1,298,000	-	-	(526,000)	772,000
Central Bank of Ireland	426,000	-	-	(172,000)	254,000
Total	**13,590,000**	**-**	**-**	**(5,500,000)**	**8,090,000**

Financial Institution	Outstanding at 1 Jan 14 €'000	Issued €'000	Transferred €'000	Redeemed €'000	Outstanding at 31 Dec 14 €'000
AIB[8]	15,820,000	-	-	(6,343,000)	9,477,000
BOI	3,991,000	-	-	(1,602,000)	2,389,000
Permanent TSB (formerly IL&P)	2,169,000	-	-	(871,000)	1,298,000
Central Bank of Ireland	12,638,000	-	-	(12,212,000)	426,000
Total	**34,618,000**	**-**	**-**	**(21,028,000)**	**13,590,000**

38.3.2 Subordinated debt securities held

Financial Institution	Outstanding at 1 Jan 15 €'000	Issued €'000	Redeemed €'000	Cancelled €'000	Outstanding at 31 Dec 15 €'000
AIB	451,000	-	-	-	451,000
BOI	281,000	-	-	-	281,000
Other Noteholders	841,000	-	-	-	841,000
EBS	20,000	-	-	-	20,000
Total	**1,593,000**	**-**	**-**	**-**	**1,593,000**

Financial Institution	Outstanding at 1 Jan 14 €'000	Issued €'000	Redeemed €'000	Cancelled €'000	Outstanding at 31 Dec 14 €'000
AIB	451,000	-	-	-	451,000
BOI	281,000	-	-	-	281,000
Other Noteholders	841,000	-	-	-	841,000
EBS	20,000	-	-	-	20,000
Total	**1,593,000**	**-**	**-**	**-**	**1,593,000**

38.4 Advances to NAMA from the Central Fund in the financial year

There were no advances to NAMA from the Central Fund in the financial year.

8 *2 On 1 July 2011, the High Court approved a Transfer Order under Part 5 of the Credit Institutions Stabilisations Act 2010 (CISA) that the assets and liabilities of INBS be transferred to Anglo Irish Bank. The transfer order extinguished INBS. On 14 October 2011 the name was changed to IBRC. As part of the reorganisation and restructuring of the Irish banking system, €285m of NAMA senior debt securities in issue and held by EBS were transferred to AIB in 2013.*

Notes to the Financial Statements

38. SUPPLEMENTARY INFORMATION PROVIDED IN ACCORDANCE WITH SECTION 54 OF THE ACT (CONTINUED)

38.5 Advances made by NAMA to debtors via Participating Institutions in the financial year

Participating Institution	Amount advanced 2015 €'000	Amount advanced 2014 €'000
AIB	175,754	156,174
Capita	676,373	429,891
BOI	2,420	35,485
Vendor finance	965	23,400
Total	**855,512**	**644,950**

38.6 Asset portfolios held by NAMA and each NAMA Group entity

The assets held by NAMA and each NAMA Group entity are set out below. The assets include intergroup assets and liabilities and intergroup profit participating loans between NAMA Group entities.

National Asset Management Agency (NAMA)	2015 €'000	2014 €'000
Investment in NAMAIL	49,000	49,000
Cash	268	101
Interest receivable on loan to NAML	1,822,888	165,717
Intergroup receivable	5,136	1,935
Other receivables	507	509
Property, plant and equipment	1,680	1,935
Total	**1,879,479**	**219,197**

National Asset Management Agency Investment Limited (NAMAIL)	2015 €'000	2014 €'000
Intergroup loan to NAML	99,900	99,900
Interest on intergroup loan	4,923	5,028
Intergroup receivable	3	33
Other receivables	251	-
Total	**105,077**	**104,961**

National Asset Management Limited (NAML)	2015 €'000	2014 €'000
Profit participating loan with NAMGSL	9,683,000	15,183,000
Interest on profit participating loan	1,755,298	674,477
Intergroup assets	278,068	278,068
Total	**11,716,366**	**16,135,545**

38.6 Asset portfolios held by NAMA and each NAMA Group entity (continued)

National Asset Resolution Limited (dissolved) (NARL)	2015 €'000	2014 €'000
Other assets	3	3
Total	**3**	**3**

National Asset Management Group Services Limited (NAMGSL)	2015 €'000	2014 €'000
Profit participating loan with NALML	9,683,000	15,183,000
Profit participating loan with NAJVAL	13,450	13,450
Interest on profit participating loans	1,756,225	674,523
Intergroup receivable	97,792	662,911
Total	**11,550,467**	**16,533,884**

National Asset Loan Management Limited (NALML)	2015 €'000	2014 €'000
Cash	3,139,604	1,156,893
Cash placed as collateral with the NTMA	256,000	690,000
Receivable from Participating Institutions	87,188	84,810
Financial assets at fair value through profit or loss	44,290	58,241
Loans and receivables	7,791,373	13,347,929
Intergroup assets	306,515	774,870
Accrued interest receivable	894	1,417
Investments in equity instruments	46,964	34,933
Inventories – trading properties	1,300	1,930
Other assets	19,944	9,983
Deferred tax asset	28,924	132,364
Total	**11,722,996**	**16,293,370**

National Asset North Quays Limited (NANQL)	2015 €'000	2014 €'000
Cash	343	-
Loans and receivables	9,611	-
Inventories – trading properties	21,750	-
Total	**31,704**	**-**

National Asset Property Management Limited (NAPML)	2015 €'000	2014 €'000
Cash	20	-
Investments in subsidiaries	533	-
Inventories – trading properties	7,362	7,271
Intergroup assets	7,100	100
Other assets	12	8
Total	**15,027**	**7,379**

Notes to the Financial Statements

38. SUPPLEMENTARY INFORMATION PROVIDED IN ACCORDANCE WITH SECTION 54 OF THE ACT (CONTINUED)

38.6 Asset portfolios held by NAMA and each NAMA Group entity (continued)

National Asset Residential Property Services Limited (NARPSL)	2015 €'000	2014 €'000
Cash	3,791	673
Inventories – trading properties	78,362	29,050
Other assets	656	149
Total	**82,809**	**29,872**

National Asset JV A Limited (NAJVAL)	2015 €'000	2014 €'000
Cash	1,579	1,025
Investments in equity instruments	1,248	1,248
Loan receivable	12,105	12,105
Other assets	186	-
Total	**15,118**	**14,378**

National Asset Sarasota LLC (NASLLC)	2015 €'000	2014 €'000
Loans and receivables	**2,857**	**-**

National Asset Leisure Holdings (in Voluntary Liquidation) (NALHL)	2015 €'000	2014 €'000
Investment in subsidiaries[9]	**13,181**	**7,211**

RLHC Resort Lazer SGPS, S.A. (RLHC I)	2015 €'000	2014 €'000
Investment in subsidiaries[9]	**11,840**	**6,463**

RLHC Resort Lazer II SGPS, S.A. (RLHC II)	2015 €'000	2014 €'000
Investment in subsidiaries[9]	**1,341**	**748**

9 *These amounts are estimated based on 30 September 2015 unaudited accounts, pending final year-end audited accounts and are stated at fair value. As set out in Note 36.4, these investments are not consolidated into the NAMA Group financial statements.*

38.7 Government support measures, including guarantees, received by NAMA and each NAMA Group entity

Entity	Description	Amount in issue at 31 December 2015 €'000	Amount in issue at 31 December 2014 €'000
National Asset Management Limited	On 26 March 2010, the Minister for Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act 2010. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51.3bn.	8,090,000	13,590,000
		8,090,000	**13,590,000**

Refer to Note 28 for further detail.

39. EVENTS AFTER THE REPORTING DATE

a) Dividend

On 31 March 2016 the Board of NAMAIL declared and approved a dividend payment of €0.00719 per share, amounting to €367,000. This was paid to the owners of B ordinary shares only.

b) Coupon on Subordinated Debt

On 1 March 2016 NAMA made a coupon payment of €83.86m on the servicing of interest on the subordinated debt. For more information on subordinated debt, see Note 33, Other equity.

c) Floor on interest rate

On 28 January 2016, NAML and Citibank executed documentation to floor the coupon rate on the senior notes in issue at zero pursuant to a direction issued by the Minister on 31 July 2015 whereby the Minister directed that NAMA take appropriate steps that in the event the 6 month Euribor turned negative, a negative rate would not apply to the senior notes in issue. This resulted in €4.7bn of cashflow hedge relationships being derecognised on this date. The direction issued had no impact in 2015.

d) Dissolution of NARL

NARL was dissolved with effect from 23 March 2016.

40. APPROVAL OF FINANCIAL STATEMENTS

The Board approved the financial statements on 28 April 2016.

Glossary

Collateral A borrower's pledge of specific property to a lender, to be forfeited in the event of default.

Counterparty The party with whom a contract or financial transaction is effected.

Cross Currency Swap An agreement to swap cash flows on loans of the same size and terms but denominated in different currencies. These agreements are used by the Group to fix the Euro cost of transactions denominated in foreign currency.

Current Market Value The estimated amount for which a property would exchange between a willing buyer and seller in an arm's-length transaction.

Debtor A borrower, whose loans were deemed eligible and those loans have transferred to the Group. The borrower is referred to by the Group as a debtor. A debtor connection is a group of loans that are connected to a debtor.

Debtor business plans Business plans produced by each debtor setting out how they intend to pay back debt and the plan for achieving debt repayment. Debtor business plans are independently reviewed and approved between NAMA and the debtor.

Derivative A derivative is a financial instrument that derives its value from an underlying item e.g. interest rates or currency, and can be used to manage risks associated with changes in the value of the underlying item.

Discount Rate The rate used to discount future cash flows to their present values.

Due Diligence A comprehensive appraisal of a business especially to establish the value of its assets and liabilities. There are two types of due diligence carried out by the Group, Legal and Property due diligence.

Enforcement Proceedings Proceedings to compel compliance with legal contracts.

Equity Instrument Any contract that results in a residual interest in the assets of an entity after deducting all of its liabilities.

Euribor The Euro Interbank Offered Rate is the rate at which euro interbank deposits are offered by one prime bank to another within the Eurozone.

Floating Charge from CBI Under the IBRC Act 2013, NAMA acquired a loan facility deed and floating charge over certain IBRC assets from the Central Bank of Ireland.

Floating Rate An interest rate that changes periodically as contractually agreed.

Foreign Exchange Derivative / Cross Currency Swap A financial contract where the buyer and seller agree to swap floating cash flows between two different currencies, during a defined period of time.

FX Swap An FX Swap is a simultaneous purchase and sale of identical amounts of one currency for another with two different value dates (normally spot to forward).

Garden Leave A period of time, typically the notice period, where an employee leaving NAMA may be relieved from duty as an officer of NAMA until the expiry of their notice period. During any period of garden leave the NTMA continues to pay remuneration until the expiry date of the notice period.

Hedge Entering into an agreement to manage the risks of adverse changes in the price of an asset or liability.

Impaired Loan A loan is impaired when it is unlikely the lender will collect the full value of the loan.

Interest Rate Swap A derivative in which one party exchanges a stream of cash flows for another party's stream of cash flows based on a specified principal amount. Typically this comprises a swap of the cash flows equivalent to variable interest payments for cash flows equivalent to fixed interest payments on the same principal amount.

Inventories Properties acquired by NAMA and held on its statement of financial position.

Irish Collective Asset Management Vehicles (ICAV's) This is a fund vehicle which can be used to establish both UCITS and alternative investment funds.

Land and Development Loan Land and development loans include loans on land which have been purchased for the purpose of development, and loans secured on partly developed land.

Loan commitments Balance of credit NALML has committed to extend to customers.

Long-Term Economic Value (LTEV) The value as determined by NAMA in accordance with the NAMA Act, that an asset can be reasonably expected to attain in a stable financial system when the crisis conditions prevailing at the time of the passing of the Act are ameliorated and, in the case of property, in which a future price or yield of the property is consistent with reasonable expectations having regard to the long-term historical average.

Mark-to-Market Value The price or value of a security, portfolio or account that reflects its current market value rather than its book value.

OTC Over the Counter, refers to derivatives that are not traded on a recognised exchange.

Participating Institution A Credit Institution that has been designated by the Minister under Section 67 of the Act as a Participating Institution, including any of its subsidiaries that has not been excluded under that section.

Present Value A value on a given date of a future payment or series of future payments, discounted to reflect the time value of money and other factors such as investment risk.

Primary Servicer A Participating Institution managing debtors on NAMA's behalf within authority limits approved by the NAMA Board.

Profit Participating Loan A loan that provides the lender with a return that depends, at least in part, on the profitability of the borrower.

QIAIF - Qualifying Investor Alternative Investment Fund This is a regulated, specialist investment fund targeted at professional and institutional investors, who must meet minimum subscription and eligibility requirements.

Qualifying Advance An advance made by a Participating Institution to a borrower (whose loans are eligible assets) following the announcement of NAMA by the Minister for Finance on 7 April 2009. The advance is only qualifying if it was made as part of normal commercial banking arrangements. No discount applied to these advances.

Security Includes *(a)* a Charge, *(b)* a guarantee, indemnity or surety, *(c)* a right of set-off, *(d)* a debenture, *(e)* a bill of exchange, *(f)* a promissory note, *(g)* collateral, *(h)* any other means of securing – (i) the payment of a debt, or (ii) the discharge or performance of an obligation or liability, and *(i)* any other agreement or arrangement having a similar effect.

Short term treasury bonds Irish government treasury bonds acquired for liquidity management.

Special Purpose Vehicle A legal entity created to fulfill a narrow, specific or temporary well defined objective.

Subordinated Debt Debt which is repayable only after other debts have been repaid. NAMA pays 5% of the purchase price of the loans it acquires in the form of subordinated bonds.

Tranche A group of loans of different debtors, which transfer to NAMA at a specific point in time. The transfer of assets from Participating Institutions to the Group occurs in tranches.

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