

## Section 53

# Annual Statement 2022

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Section 53 of the National Asset Management Agency Act 2009 (“the Act”) requires NAMA to prepare and submit an Annual Statement to the Minister for Finance three months before the commencement of the financial year to which it relates. The Statement must specify:

- a) the proposed objectives of each NAMA group entity for the financial year concerned,
- b) the proposed nature and scope of activities to be undertaken,
- c) the proposed strategies and policies to be implemented, and
- d) the proposed application of resources.

The Act confers various powers and functions on NAMA in order to achieve its objectives. The Board has various statutory functions including ensuring that NAMA functions are performed effectively and efficiently, setting strategic objectives/targets and ensuring that appropriate systems and procedures are in place to achieve objectives/targets.

The following statement specifies the objectives, activities, strategies and resource allocation that the Agency proposes for 2022.

For the purpose of this Statement, NAMA and its group entities are considered as one.

## Objectives

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Section 10 (1) of the Act sets out NAMA's purposes, summarised as:

- a) acquiring eligible assets from participating institutions;
- b) dealing expeditiously with acquired assets; and
- c) protecting and enhancing the value of assets, in the interests of the State.

NAMA's principal commercial objective, based on Section 10 (2) of the Act, is to obtain the best achievable financial return for the State, having regard to the cost of acquiring and dealing with bank assets and its own cost of capital and other costs. In the context of this overarching statutory objective, the NAMA Board has adopted the following key objectives that guide its strategy and policies:

- 1. The Board's primary commercial objective is to generate the largest possible surplus that can feasibly be achieved, subject to prevailing market conditions, by the time NAMA completes its work. It aims to continue to meet all of its future commitments out of its own resources.**
- 2. In order to meet its primary commercial objective (as at 1 above), and having regard to the achievement of an orderly wind down of the Agency, NAMA will manage assets intensively and invest in them so as to optimise their income-producing potential and disposal value.**
- 3. NAMA will facilitate the delivery of Grade A office accommodation in the Dublin Docklands Strategic Development Zone; it will contribute, not only in terms of project funding, if required, but also in bringing coherence, direction and drive to the delivery process.**
- 4. NAMA aims to facilitate the completion of 20,000 new residential units, subject to commerciality, principally in the Dublin area, in the period to the end of 2021 and, through intensive asset management of residential sites, aims also to maximise the number of sites that are ready for development.**

**5. Subject to the primacy of its Section 10 commercial mandate but often complementing it, and within the context of a much reduced secured portfolio, NAMA will seek to make a positive social and economic contribution across its remaining activities.**

In the context of NAMA having completed the repayment of all its debt and equity obligations<sup>1</sup>, the Board's primary commercial objective is to generate the largest surplus that can feasibly be achieved, subject to market conditions. It is currently projected that NAMA's total contribution to the Exchequer will be €4.65 billion, comprised of the forecast lifetime surplus of €4.25 billion as well as corporation tax payments totalling €400m. By end-June 2021, €2.5 billion from NAMA's surplus had already been transferred to the State, with a further €500 million scheduled for transfer in H2 2021. The remaining €1.25 billion will be transferred in subsequent years, subject to market conditions.

The third and fourth of the objectives set out above were adopted by the Board in 2014 and 2015 respectively against the background of a shortage of prime office accommodation in central Dublin and of residential accommodation in Dublin and a number of other Irish cities. As is detailed below (pages 7-8), major progress has been made since mid-2014 on the development of the Docklands SDZ with the result that all remaining sites in which NAMA has an interest are complete or under construction.

Since the start of 2014, NAMA funded or facilitated the delivery of 20,586 new homes. Of these, **12,951 were directly funded** by NAMA and **7,635 were delivered indirectly** on sites for which NAMA had funded planning permission, enabling works, legal costs or holding costs before they were disposed of. Progress in relation to this initiative is set out below (pages 5-6).

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<sup>1</sup> NAMA has redeemed all €31.8 billion of debt liabilities issued to acquire loans; €30.2 billion of this figure comprised Senior Debt which was redeemed in full by October 2017. By March 2020, NAMA had repaid €1.6 billion of subordinated debt and, in May 2020, NAMA purchased, for €56m, the 51% private investor shareholding in NAMAI, thus becoming 100% owned by the Minister for Finance.

## Activities

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NAMA's activities in 2022 will be primarily focused on the intensive management of its remaining loans and secured assets and on maximising their disposal proceeds. In particular, NAMA will focus on progressing the residential funding initiative and completion of the Dublin Docklands SDZ programme. The secured portfolio also contains a large number of low value assets, many of which require intensive management and remediation in order to maximise their value. The successful implementation of these activities over the coming years should ensure that the remaining €1.75 billion of the projected surplus of €4.25 billion is realised and delivered to the Exchequer, subject to market conditions.

The Covid-19 pandemic created significant disruption to economic activity. From NAMA's perspective, the disruption to market and construction activity in 2020 and 2021 created a more challenging environment for some of NAMA's core activity. The ongoing market disruption has held up NAMA-funded construction projects, delayed debtor exits, and deferred asset/loan sale transactions, all of which have impacted the pace at which NAMA's portfolio has reduced. In addition, Covid-related closures within the Irish and foreign court system have delayed progress of litigation impacting the deleveraging of certain assets.

On the assumption that market conditions allow, NAMA expects to complete much of its deleveraging activity by end 2023. In line with the experience of workout vehicles in other jurisdictions, the resolution of the NAMA entity may take a number of years after completion of the bulk of its deleveraging activity, in order to deal any unresolved litigation and remaining assets including those loans secured by assets which are considered to have significant potential value uplift. The NAMA Board is conscious of its obligations to wind down the organisation in an orderly manner by end-2025, subject to market conditions and resolving all outstanding litigation. Before end 2021, NAMA will report to the Minister for Finance setting out in detail how it intends to successfully and transparently complete its mandate in line with NAMA's statutory objectives and achieve its dissolution by end-2025.

## **1. Residential Housing Initiative**

Under Section 10 of the Act, NAMA is required to obtain the best achievable financial return from its acquired assets. In many instances, the funding by NAMA of the development of commercially viable residential sites, as opposed to their sale as undeveloped land, represents the option which best fulfils this statutory obligation. In late 2015, at the request of the Minister for Finance, NAMA reviewed the portfolio of residential sites within the control of its debtors and receivers. The review concluded that sites capable of delivering **13,200** residential units were commercially viable to develop at that stage. In addition, it was envisaged that intensive asset management work on other sites, including enhanced planning and the provision of strategic infrastructure, would ensure that another **6,800** units could be delivered by end-2020 if commercially viable, thereby creating an overall target of **20,000** units for the period from Q4 2015 to 2020. After assessing market developments due to the Covid-19 pandemic in early 2020 and potential risks to delivery, the estimated date for achieving the 20,000 residential unit target was revised to end-2021, subject to market conditions.

In summary, NAMA has funded or facilitated the delivery of **over 20,500<sup>2</sup> new homes** since 2014. Of these, **12,951 units** have been **delivered directly** by NAMA either through the provision of funding directly to debtors and receivers or facilitating development via licence agreement or joint venture. A further **7,635** units have been **delivered indirectly** on sites for which NAMA had funded planning permission, legal costs, holding costs or enabling works but which were subsequently sold, or where the associated loans were subsequently sold or refinanced. NAMA's residential delivery programme aims to strike an appropriate balance between direct and indirect delivery, de-risking a portion of the programme and delivering significant numbers of new units without putting taxpayer capital at risk.

**Table 1** below summarises the number of housing units that are potentially deliverable on sites owned by NAMA debtors and receivers. **1,300 units** are under construction or with funding approved, a further **1,100 units** have secured planning permission and funding is under

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<sup>2</sup> Between 2014 and Q3 2015, NAMA funded the delivery of 2,146 under its initial residential delivery objective adopted in 2014. This objective was superseded by the residential delivery programme targeting 20,000 new homes which commenced in Q4 2015.

consideration. **3,500** units have secured planning permission but are expected to be sold or refinanced by debtors. In addition, sites with a delivery capacity of around **4,300 units** are either in the planning system or will be within twelve months. Pre-planning and feasibility work is underway on other sites under the control of NAMA debtors and receivers which are estimated to have a delivery potential capacity of over **11,700 units**.

It should be noted that the development of some of the sites secured to NAMA may be currently inhibited by one or more constraints relating to commercial viability, infrastructure (roads, water, utilities, waste, etc.) or suitable planning permission. Accordingly much of the delivery potential of the remaining portfolio can only occur over the medium to long term. Recognising this, NAMA aims to advance sites through the planning system to maximise the number of sites that are ready for future development.

***TABLE 1: Potential of NAMA’s remaining portfolio for residential development***

Status	Total
Under construction (700 units) or with funding approved (600 units)	1,300
With planning permission and funding under consideration	1,100
<b>A. Sub-total – completed, under construction or ready to go</b>	<b>2,400</b>
Planning permission granted but will be sold or refinanced by debtors	3,500
Planning applications lodged	1,100
Planning applications being prepared	3,200
<b>B. Sub-total – future delivery by private developers</b>	<b>7,800</b>
Feasibility and pre-planning on long-term sites	11,700
<b>C. Sub-total – medium to longer term sites</b>	<b>11,700</b>
<b>TOTAL (A+B+C)</b>	<b>21,900</b>

## **Poolbeg West SDZ**

In April 2019, the Planning Scheme for the Poolbeg West SDZ was formally adopted by An Bord Pleanála and facilitates a mechanism for the fast-tracking of planning applications for development. Pembroke Ventures DAC (“PV”) owns a development site located within the

designated Poolbeg West SDZ which has the potential to provide up to 3,800 residential units (including 10% Part V and 15% social and affordable homes) and approximately 1 million sq. ft. of commercial development, as well as educational facilities, public open spaces, civic spaces and other community amenities.

In June 2021, a consortium consisting of Ronan Group Real Estate, Oaktree Capital Management, L.P. and Lioncor Developments Limited acquired an 80% shareholding in PV for €200 million. NAMA retains a minority 20% shareholding in PV. A planning application for the first 600 residential units was lodged in July with construction of these units expected to commence in 2022.

## **2. Dublin Docklands SDZ activities**

NAMA's asset management activities in 2022 will look to bring to conclusion the major progress made in advancing the delivery of office and residential accommodation in the Dublin Docklands SDZ.

In 2014, NAMA held an interest in about 75% of the developable land in the SDZ; this area has the capacity to deliver 4.2m square feet of commercial space and some 2,183 residential units. Site-by-site strategies were developed in conjunction with receivers, joint venture partners and QIAIF/ICAV<sup>3</sup> partners and following engagement with relevant stakeholders, notably Dublin City Council, the development agency and planning authority for the area.

The development of the Docklands SDZ has started to reach completion over recent years. NAMA retains an interest in 6 sites that are capable of delivering 0.9 million square feet of commercial space and 268 residential units. Up to August 2021, NAMA had facilitated the construction of 2 million square feet of commercial accommodation and 488 apartments in the Docklands SDZ. Construction is in progress on 0.59 million square feet of commercial accommodation and 118 residential units, with completion of these projects scheduled for 2021

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<sup>3</sup> Qualifying Investor Alternative Investment Funds/ Irish Collective Asset-management Vehicles

and 2022. NAMA has sold sites with planning permission for 1.57 million square feet of commercial space and 1,427 residential units.

The development work being carried out in the Docklands SDZ is being funded largely through private capital without taxpayers' money being placed at risk. When complete, it is estimated that the Docklands SDZ area will accommodate in excess of 20,000 office workers and homes for over 5,000 people, regenerating and transforming this important part of Dublin City.

**Table 2** below summarises current progress in respect of NAMA's Docklands interests.

**TABLE 2: Progress on NAMA Docklands' sites**

	Commercial (sq. ft. million)	Residential (units)
Projects completed/sold/ sale agreed	3.64	2,065
Construction commenced	0.59	118
<b>TOTAL</b>	<b>4.23</b>	<b>2,183</b>

### **3. Engagement with debtors and receivers**

NAMA's deleveraging activity is guided by the objective of maximising recovery from property-backed loans through intensive management by working closely with debtors and receivers to enhance the value, and ultimately the disposal proceeds, of the underlying assets and, where appropriate, of the loans. The value of NAMA's residual portfolio at end-December 2020 was €1.3 billion, down from €1.7 billion at the end of 2019. Subject to market conditions, the residual portfolio is expected to reduce further in 2021 and 2022 with much of the planned deleveraging expected to be completed by 2023, other than loans which are the subject of litigation or loans which are secured by assets which have significant potential value uplift, which will not have been sold by end-2023.



#### **4. Social housing**

A major objective of the Board is to contribute to the social and economic development of the State and to conduct the Agency's commercial activities, in so far as possible, so as to co-ordinate with that objective. This objective is pursued through a range of initiatives including, most notably, the provision of social housing from housing stock within NAMA's control. Up to June 2021, NAMA had identified **7,108** residential units as potentially suitable for social housing from its secured portfolio and offered these to local authorities. Many of these units were not required at the time, deemed unsuitable or subsequently became unavailable. **2,629** social housing homes had been delivered or committed by NAMA, excluding those delivered under Part V arrangements on NAMA-funded residential developments, as at the end of June 2021. This is in excess of NAMA's original social housing delivery target of 2,000 units. NAMA's reporting on social housing excludes any units delivered by way of Part V of the Planning and Development Act.

NAMA engages with its key stakeholders in an open and transparent manner and welcomes opportunities to update on its progress and to facilitate a sharing of knowledge and expertise for the benefit of the public sector. NAMA will continue to actively engage with Ministers, Departments, State agencies, local authorities and civic bodies to explore ways in it can advance public and social policy objectives and to facilitate a sharing of knowledge and expertise.

## **Strategies**

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NAMA's principal strategies involve intensive asset management of the secured portfolio and working closely with debtors/receivers to maximise the cashflow generated by the portfolio. In line with its strategic objectives, NAMA advances development funding, on a commercial basis, to its debtors and receivers in cases where it can be shown that such funding will enhance the value of the assets securing NAMA's loan portfolio. While NAMA will not approve new development funding beyond the end of 2021, NAMA expects committed development funding for residential projects to continue to be drawn down between 2022 and 2025.

From inception to end-August 2021, NAMA had generated cumulative cash of **€46.8 billion** from its loan portfolio. This comprised **€40.3 billion** in asset disposal proceeds and **€6.5 billion** from other income, principally rental income from property assets controlled by debtors and receivers. The strong performance of the Irish and UK commercial property markets over recent years facilitated a managed process of phased asset disposals by debtors and receivers and enabled NAMA to make major progress in reducing its loan and asset portfolio: the residual portfolio, which stood at €22.8 billion at the end of 2012, had fallen to €1.3 billion by the end of 2020 and are projected to be around €1 billion by end 2021.

## Resource Allocation

**Table 3** below presents the main components of NAMA’s projected 2022 Budget:

***TABLE 3: Projected 2022 Budget***

	2021 Final Budget	2022 Draft Budget
<b>NAMA Direct Costs</b>	<b>(€m)</b>	<b>(€m)</b>
Primary Servicer/Master Servicer fees	8	6
Reimbursement to NTMA as service provider	34	27
Legal fees	4	2
Asset Recovery/Asset Management	4	3
Finance, communication, technology and other administration costs	16	9
<b>Total - Direct Operating Costs</b>	<b>66</b>	<b>47</b>

The principal element of NAMA’s projected 2022 Budget is the reimbursement to the NTMA for the cost – a projected €27m - of providing staff and for other services, including HR, IT, office and business services. The Budget provides for a staff headcount of 146 at the start of 2022. Staff numbers will reduce via scheduled redundancies over the course of 2022 as NAMA completes much of its remaining deleveraging activity.

Excluding the Executive team, the proposed headcount in early 2022 will be distributed across the five NAMA divisions as follows:

***TABLE 4: Projected staffing of NAMA business divisions as at January 2022***

<b>Division</b>	<b>Responsibilities</b>
<b>Asset Management and Recovery</b> (23 staff)	To implement business strategy, manage debtors, maximise income and minimise loss. To identify and develop property assets with debtors, receivers and joint venture partners so as to create and add value and enhance asset cash flow.
<b>Residential Delivery</b> (50 staff)	To maximise the return from existing assets by funding or otherwise facilitating, through debtors, receivers and joint venture partners, the development of commercially viable residential sites within NAMA's portfolio.
<b>Strategy and Communications</b> (4 staff)	To develop strategies that will deliver the best achievable return from acquired assets, and to coordinate engagement with the Oireachtas, media and other key stakeholders.
<b>Legal</b> (26 staff)	To provide legal advice on a range of issues relating to the operations of NAMA, including enforcement, procurement and the management of litigation.
<b>CFO</b> (38 staff)	To support the NAMA business by the provision of services across a number of key functions, including Finance, Operations, Systems, Corporate Change, Tax, Audit and Risk.