

**Opening Statement by
Mr. Brendan McDonagh, Chief Executive of NAMA,
to the Committee of Public Accounts
Thursday, 30th September 2021**

Good morning Chairman and Deputies,

You have invited us to discuss NAMA's 2020 Financial Statements, and the C&AG's Special Report on the progress of NAMA. I am joined today by the NAMA Chairman, Aidan Williams, Chief Financial Officer, Noelle Condon, Chief Commercial Officer, John Collison and Head of Strategy and Communications, Jamie Bourke.

NAMA last appeared before this Committee in October 2020 and since then, despite the various challenges brought about by the Covid-19 pandemic, we have continued to build on the progress outlined in the C&AG's report. I will briefly discuss some of this progress shortly; but first I wish to update the Committee on NAMA's cash transfers to the Exchequer.

As you will be aware, we made our first surplus payment of €2 billion in June 2020 and, during the first half of 2021, we transferred a further €500 million. I am pleased to announce that, just this morning, we made a payment of €250 million to the Exchequer. Another €250m will be paid in December. Along with almost €400 million paid in corporation tax, this brings our total cash contribution to the State to €3.4 billion by end-2021 – an important financial support at this critical time.

2020 Financial Statements

As regards our financial results, 2020 was a difficult year in many respects. While NAMA remained fully operational, planned asset disposals and debtor exits were necessarily delayed by the widespread economic disruption. Additionally, the pandemic had a

pronounced effect on our residential delivery programme, which experienced severe delays due to necessary and enduring site closures, impacts to supply chains, and enhanced health and safety requirements on site.

Nonetheless, the considerable asset enhancement and preparatory work undertaken by NAMA in previous years meant the Agency was in a strong position to weather the storm; while some transactions were behind schedule, their values remained robust. As a result, we reported a profit of €192 million and cash generation of €920 million for 2020.

Our half year accounts for 2021 will be submitted to the Minister shortly and they show continued profitability from our operations, bolstered by the very strong return achieved on the disposal of 80% equity in the Poolbeg West SDZ SPVs.

Crucially, our strong cash position and profitability has enabled us to increase our lifetime surplus projection by €250 million to €4.25 billion. This surplus coupled with corporation tax paid of €400 million brings NAMA's total expected lifetime contribution to the State to €4.65 billion. The Board will review this again in the first half of 2022 when our 2021 results are known.

C&AG's Special Report no. 111

Turning briefly to the C&AG's Special Report, which is the third progress report on NAMA prepared under section 226 of the NAMA Act. The report deals with the period from establishment to end-2018 and it is clear that significant progress was made by NAMA during this period. Our most notable achievement was the early full repayment of our €30.2 billion Government-guaranteed senior debt. As the senior debt was guaranteed by the Irish Government, it created a significant contingent liability for the State. When market conditions began to improve in 2014, the NAMA Board resolved to pursue a programme of accelerated deleveraging and early redemption of senior debt which, in turn, helped reduce the funding cost of Ireland's debt. This recovery is of particular benefit now when one considers the significant costs to the State arising from Covid-19 and subsequently, the increase in the requirement for State borrowing.

Much progress has also been made on other objectives mentioned in the C&AG's report. Our work in the Dublin Docklands SDZ, which has had a major transformational impact on the area, is nearing conclusion with 86% of our original interests in the area now completed or sold. In addition, we continue to identify opportunities to provide social housing from our portfolio. Updated figures on both of these objectives are available in the briefing material provided to the Committee.

Residential Delivery Programme

Of course, housing delivery continues to be a major focus of our attention. Since 2014, NAMA has been involved in the delivery of some 20,000 homes; almost 13,000 of these were directly funded and facilitated by the Agency. A further 7,600 homes were delivered on sites which were under the control of the Agency at a point in time and which benefitted from NAMA funding to secure planning permission or for other asset management works.

There has been some uninformed commentary on the amount of residential units that NAMA can and has delivered. It is important in that context to set out the factual situation regarding the restrictions under which we operate.

- Firstly, NAMA does not own the development sites in its portfolio; rather these are owned by private entities (debtors). NAMA cannot force them to act in a manner which may hinder or reduce their repayment capacity.
- Secondly, NAMA must act in a market conform way; meaning the Agency cannot provide preferential funding terms to its debtors.
- Thirdly, many of the sites in NAMA's portfolio are simply not suitable for residential development at present owing to a lack of appropriate planning, zoning, or essential infrastructure and services (roads, water, sewerage, utilities).
- Fourthly, the growth in property values has allowed a number of NAMA debtors to refinance their debt and exit NAMA with their landbanks. These sites will be developed with funding from their new lenders.

- Finally, the issue of commercial viability is key; under our legislation, this is the most important and relevant criterion for NAMA-funded residential development. This basically means that NAMA can only finance developments that we expect will yield a profit – this is an important demonstration that we are in compliance with EU State Aid rules.

Commercial viability is becoming more challenging across the sector; even sites that have planning permissions in place are currently not viable to build on, especially apartments. Soaring construction costs coupled with pandemic-related delays and labour shortages are all putting upward pressure on the cost of delivering housing in Ireland.

The Government’s recent **“Housing for All”** plan will seek to address some of the issues currently hindering supply and affordability; however, NAMA must continue to operate under the constraints I just outlined. Figure 1 illustrates NAMA’s delivery potential based on the viability and profile of the remaining sites with planning permission in our portfolio. Delivery of the 2,400 units in the first 2 rows, (a) and (b), where it is indicated that funding is approved or under consideration, will be extremely challenging. Our objective is to make the sites under (d) and (e) as shovel ready as possible by achieving planning before disposal. The sites under (f) will only likely become available post-2025, but it is important to asset manage them between now and then by trying to resolve infrastructure and zoning, and ultimately planning.

Figure 1: NAMA Residential Delivery Pipeline

NAMA delivery potential	(a) Under construction (700 units) or with funding approved (600 units)	1,300 units
	(b) Planning permission granted and funding under consideration	1,100 units
Future delivery by private developers	(c) Planning permission granted but will be sold or refinanced by debtors	3,500 units
	(d) Planning applications lodged and under consideration by the planning authorities	1,100 units
	(e) Planning applications being prepared	3,200 units
Long term (post-2025)	(f) Longer term potential subject to viability, planning, various infrastructural requirements and zoning	11,700 units
Total		21,900 units

Residential Sales

There has also been some commentary to the effect that NAMA should not permit the sale of residential developments to funds and that, instead, any sales should be restricted to individual buyers. The reality is, we have to operate to the clear and unequivocal mandate set for us by the Oireachtas. Under our legislation, we are obliged to get the best price; we could not have limited the field of potential buyers or refused to sell to funds if the effect of doing so was to reduce the return. Furthermore, the absence of such funds committing capital to purchase developments would simply mean certain residential projects would not be viable and otherwise never built.

In any event, the vast majority of NAMA-funded newly built residential units are sold to individual purchasers, many of them first time buyers.

From our perspective, the key takeaway from NAMA's residential delivery programme is that it has resulted in the supply of more than 20,000 new residential units in Ireland; whether owner-occupied, rented or used for social housing, these are homes that primarily exist because of NAMA's contribution at various stages of the delivery process. I can assure the Committee that NAMA will do its utmost to effectively add to this supply as much as possible before the Agency concludes its work in 2025.

Thank you.