# 2020

NATIONAL ASSET MANAGEMENT AGENCY

# Annual Report & Financial Statements

National Asset
Management Agency

# €4.25 billion

NAMA continues the transfer of its €4.25 billion lifetime surplus to the State. €2 billion was transferred in 2020 and a total of €1 billion will be delivered to the State during 2021.

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# Contents

Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

17 May 2021

Mr Paschal Donohoe 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 2020.

Yours sincerely,

**Aidan Williams**
Chairman

**Brendan McDonagh**
Chief Executive Officer

# Introduction

# Strategic Objectives set by the NAMA Board

## Delivering on our mandate through our key objectives

| | |
|---|---|
| **Strategic Objective 1**<br>**Generate the largest possible surplus** | 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 its future commitments out of its own resources. |
| **Strategic Objective 2**<br>**Manage and invest in assets** | 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. |
| **Strategic Objective 3**<br>**Facilitate the delivery of office accommodation** | 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. |
| **Strategic Objective 4**<br>**Intensive asset management of residential sites** | NAMA aims to facilitate the completion of 20,000 new residential units, subject to commercial viability, 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. |
| **Strategic Objective 5**<br>**Make a positive social and economic contribution** | 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. |

# Financial Highlights

NAMA's continued strong performance has enabled the Board to **revise the projected lifetime surplus upward to €4.25 billion**, €2.2 billion of which has already been transferred to the State.

### Cash Generation

**€920 million**
Total cash generated during 2020

**€46.2 billion**
Cumulative cash generated from inception to end-2020

### Disposal Receipts

**€851 million**
Total receipts from the sale of assets during 2020

**€39.8 billion**
Cumulative disposal receipts from inception to end-2020

### Profit

**€192 million**
2020 profit after tax

**€265 million**
2019 profit after tax

### Loan Portfolio

**€850 million**
Value of debtor loans at end-2020

**€1.23 billion**
Value of debtor loans at end-2019

### Bond Redemptions

**€30.2 billion**
Senior bonds issued and redeemed

**€1.6 billion**
Subordinated debt issued and repurchased

### Investor Equity

**€56.1 million**
Redemption of 51% private investor shareholding in NAMAI in May 2020

### Surplus Transfers

**€2 billion**
transferred to the Exchequer in 2020

**€200 million**
transferred to the Exchequer in March 2021

**Further €2.05 billion**
to be transferred by the time NAMA completes its work

### Tax Payments

**€400 million**
in corporation tax paid to date

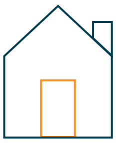
# Business Highlights

NAMA continues to drive and facilitate the delivery of new residential and commercial developments in Ireland, in line with its strategic objectives.

## **Residential Delivery** Progress to end-March 2021

**19,500** =

new residential units have been facilitated by NAMA since 2014



**12,700** +

have been delivered through NAMA funding

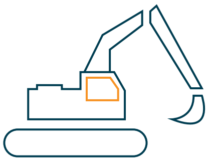
**6,800**

have been delivered on sites formerly secured to NAMA

## Unit Delivery Pipeline

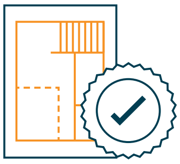
**1,400** units

are under construction or have funding approved for construction



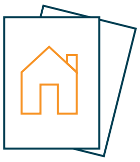
**4,900** units

have been granted planning permission



**7,600** units

are in the planning system either with planning applications lodged or being prepared



## Dublin Docklands SDZ
Progress to end-March 2021

### 14%

**Construction Commenced**

Construction is underway on 588,000 sq. ft. of commercial space and 214 residential units

### 6%

**Construction Complete**

Construction is complete on 270,000 sq. ft. of commercial space

### 42%

**Construction Complete and Sold**

Projects comprising 1.74m sq. ft. of commercial space and 392 residential units have been completed and sold

### 38%

**Sites Sold**

Sites with planning permission for 1.57m sq. ft. of commercial space and 1,427 residential units have been sold

## Poolbeg West SDZ

### 80%

Project Pembroke, which offered an 80% shareholding in a key development site in the Poolbeg West SDZ, contracted in December 2020

### €200m

The 80% shareholding achieved €200m following a comprehensive international open market process

### 20%

NAMA will retain a 20% shareholding in the project

## Social Housing

### 2,614

2,614 homes have been delivered by NAMA for social housing, excluding those delivered under Part V arrangements on NAMA-funded residential developments

### 7,093

Since 2012, NAMA has identified 7,093 properties from its secured portfolio and offered these to local authorities for social housing. Many of these units were not required at the time, deemed unsuitable or subsequently became unavailable

### €350m

Overall, NAMA has committed €350m to fund the remediation and purchase of properties for social housing

# Chairman's Statement

**Aidan Williams**
Chairman

> Looking back on 2020, I am pleased to say that it was a year of significant milestones for NAMA, despite the unprecedented economic disruption that took place. These milestones were only achievable because of the considerable progress made by NAMA since its establishment.

Firstly, in March 2020, we redeemed the remaining €1.06 billion of our subordinated debt, and in April we repaid €56m to our private investors. The sub-debt redemption marked the full and final repayment of all €32 billion in debt (€30.2 billion government-guaranteed senior debt and €1.6 billion sub-debt) originally issued by NAMA to acquire loans.

Secondly, and in my opinion of even greater significance for the State and the taxpayers we serve, we transferred the first €2 billion from our surplus to the Exchequer in June 2020. We subsequently transferred an additional €200 million to the State in March 2021, representing the first payment from a total of €1 billion that we expect to be transferred during 2021. I am pleased to confirm that our continued profitability will enable us to revise our projected lifetime surplus upward by a further €250m to €4.25 billion. Our surplus coupled with the circa €400m paid by NAMA in corporation tax on its profits since 2016 means our final return to the Exchequer will be in the region of €4.65 billion. In this way, NAMA is providing the Exchequer with valuable resources at a time of immense financial pressure on our society and our economy.

NAMA is, and was designed to be, a commercial entity – this is the core of our statutory mandate which ultimately drives every decision we make. However, the Agency has identified ways throughout its lifetime to successfully marry its commercial objectives with the social requirements of the State. This is particularly evident in the area of social housing where, over the years, NAMA has delivered over 2,600 homes for social housing. This delivery is in addition to social housing provided under Part V planning regulations on NAMA-funded residential sites. Our secured portfolio is now just 3% of its original size, accordingly there is little scope to identify further units for social housing, apart from the expected future delivery of circa 875 social and affordable units through Project Pembroke.

**Dublin Docklands**
86% complete or sold

**Residential Units Delivered**
19,500

**Social Housing Delivered**
2,614

In total, we identified over 7,000 vacant residential units in our secured portfolio, which had the potential to be used for social housing if local authorities felt they were suitable for this purpose. While there is a common misconception that all 7,000 units remained vacant and available for social housing indefinitely, this is not the case; if they could not be used for social housing, the owners of these units – NAMA debtors – rented them or sold them in the private market and used the proceeds to repay their debt.

Whether provided to local authorities for social housing or released to the market for purchase by private buyers, these houses and apartments became homes and have played a part in alleviating Ireland's housing shortage.

We are acutely aware of the continued undersupply of housing in Ireland and we remain committed to facilitating and funding much-needed housing delivery in areas of high demand, as long as it is commercially viable to do so.

Since 2014, we have facilitated the delivery of 19,500 new homes in Ireland. Approximately two-thirds of these homes were directly funded by NAMA, with the remainder being delivered on sites which were readied by NAMA for housing delivery before being sold on the open market for private development. This enabled the use of private sector funding for residential development, thus providing the upside of adding to Ireland's housing supply without the potential downside requirement for NAMA to put taxpayer capital at risk.

Thankfully, the impact of Covid-19 on supply of new residential units industry-wide during 2020 was not as negative as originally anticipated. Although NAMA revised its 2020 housing delivery target downwards at the onset of the pandemic as construction was halted for over 2 months, our revised target was exceeded, with in excess of 750 units delivered by NAMA during the year.

The pandemic has not impacted demand for housing which remains high – we have, as yet, seen no slowdown in sales of new residential units in our portfolio. This is reflective of the first-time-buyer price point of many NAMA-funded housing units and also due to the level of pent-up demand for housing.

That is not to say that the sector was immune. Necessary site closures in spring last year and again since January this year (totalling 20 weeks overall) have caused significant delays to delivery of housing across the entire country and the sites funded by NAMA are no exception. Other issues affecting house builders include disruption to supply chains and a requirement to invest in enhanced health and safety practices on site.

Even before the pandemic, NAMA had concerns about a trend of construction costs increasing and putting pressure on the commercial viability of individual housing developments. The additional costs arising from Covid-19, such as delays in construction and supply chains and higher investment in health and safety, will add to this pressure.

While these issues will have a knock-on effect on housing supply during 2021, the outlook for residential development should improve with resumption in construction activity from mid-April and grants of new planning permissions remaining robust.

At this stage in NAMA's lifecycle, our approach has evolved to become two-pronged. On one hand, we continue to focus on achieving the optimal return from our assets which have a longer term social and economic benefit – such as residential development sites. On the other hand, we are nearing the efficient resolution of our loan portfolio and planning an orderly conclusion to related tasks – notwithstanding the challenges of profitably managing assets in our portfolio that are compromised, particularly those that are relatively low in value but which require complex resolution strategies to maximise their value.

It is critical that we manage this stage carefully. While our remaining loan portfolio is now valued at less than €1 billion, 70% of it is secured by land and development assets. These are important sites that have the potential to deliver 25,000 residential units in Ireland. It is true that many of these sites are of longer term potential and will not be viable for development prior to the Agency's conclusion in 2025. However, we are working to ensure that as many sites as possible are developed or shovel-ready for development in the coming years. Accordingly, we will have to carefully balance our resourcing requirements, ensuring that we retain the right skillset to enable us to optimise the value from our remaining assets, while recognising that our timeline is finite and that some assets will only be viable to develop after 2025. To that end, we will be submitting a strategic plan for NAMA's remaining lifespan to the Minister for Finance by the end of this year.

Fulfilling our objectives in an uncertain economic environment will be challenging but I am confident that NAMA has the experience and specialist skills to successfully complete its mandate. I will conclude by expressing my sincere thanks to the Board, the Chief Executive, the management, and particularly the staff of NAMA. I know that the pandemic has brought many challenges, both personal and professional, to everyone working in the Agency but I have been greatly impressed by the dedication, professionalism and flexibility that my colleagues in NAMA have shown every day. The Agency's success in 2020 and so far in 2021 would not be possible without the contribution they make and I, along with the Board, appreciate it very much.

**Aidan Williams**
Chairman

# Chief Executive's Statement

**Brendan McDonagh**
Chief Executive Officer

**Lifetime Surplus**
€4.25bn

**2020 Profit**
€192m
**2019:** €265m

**2020 Cash Generated**
€920m
Cumulative Cash: €46.2bn

> I would like to echo the comments in the Chairman's statement on the significance of the milestones achieved by NAMA in 2020. The transfer of €2 billion to the Exchequer during the year was a key point in NAMA's history and is especially remarkable in the context of NAMA's establishment and its specific legislative mandate.

When the Agency was set up in 2009, there was much public debate around the price that NAMA would pay for loans. If the price was too low, there was a risk that the Participating Institutions would have required much larger recapitalisations by the State. But if the price was too high, the taxpayer and the State would have been exposed to a much greater risk of losses.

In any event, the price and amount of State Aid paid by NAMA for the loans was determined by reference to a valuation methodology approved by the European Commission. The discount from the loans' par value of €74 billion averaged 57% and the reality of NAMA now returning a significant surplus may be misinterpreted by some as evidence that the discount was too big and that NAMA underpaid for its loans. This view is very much mistaken.

At the time of acquisition, NAMA paid €31.8 billion for the loans, representing €5.6 billion more than their market value at the time; i.e., any other private buyer would have paid the banks only €26.2 billion. This was done deliberately, as the State Aid element of the NAMA scheme. Within four years, persistent declines in Irish asset values meant that the value of NAMA's underlying collateral reduced further, by an estimated €4.5 billion. When both of these factors are taken into account, the loans were at one stage worth approximately €22 billion, or some €10 billion less than the €32 billion paid by NAMA to acquire them.

NAMA's continued focus on maximising the value of its assets for the benefit of the State and the taxpayer have turned a potential €10 billion loss into a projected €4.25 billion surplus – a €14.25 billion turnaround. In this context, the delivery by NAMA of a substantial surplus is a clear reflection of the Agency's strategic focus and active management.

While some of NAMA's activities have been disrupted by the pandemic, NAMA has remained fully operational throughout and I am pleased to report that we achieved a net profit of €192m for 2020. We continue to generate strong cashflows from our loan portfolio, with cash generation from sales and non-disposal income totalling €920m during the year.

The significant disruption caused by Covid-19 has certainly created a more challenging economic environment in Ireland.

This is particularly evident in terms of NAMA's residential delivery activity, where lengthy site closures have had a negative impact on output. Additionally, the delivery timelines for some of our Dublin Docklands projects have been pushed back and heightened uncertainty has resulted in delays to scheduled debtor exits and asset disposals. However, the pandemic has had a limited impact on the value of NAMA's core assets and our significantly deleveraged position means that NAMA is far less vulnerable to potential falls in asset values than it would have been just a few years ago. Accordingly, we are confident that we can deliver on our projected cashflows, albeit over a slightly longer timeframe than previously envisaged, but with 2025 still a realistic target to complete our work.

A key objective, which is now close to completion, relates to the delivery of new commercial and residential space in the Dublin Docklands Strategic Development Zone (SDZ). Since the approval of the SDZ planning scheme in May 2014, the Docklands area has been impressively transformed with much of the regeneration driven and facilitated by NAMA. Many previously derelict sites and dilapidated buildings are now either under construction or home to grade A offices and new residential accommodation.

Currently, just 14% (588,000 square feet) of NAMA's original interests in the Dublin Docklands remain under construction, with the other 86% completed and/or sold.

Covid-19 has resulted in widespread behavioural changes with the majority of office workers currently working remotely. On the face of it, this would appear to reduce demand for office space, at least in the short term. However, the current need for social distancing and the changing views on collaboration and social spaces has resulted in increased space requirements for those workers who continue to remain in offices. These two factors may offset each other to some extent. In the long term, we may see a return to more traditional working practices but, in the short to medium term, the emergence of a hybrid model of both office and remote working, for which high quality office space will still be a requirement, is likely.

Another factor to consider is the impact of the pandemic on Foreign Direct Investment (FDI). FDI and, in particular, the tech sector have been critical components of the successful regeneration of the Docklands area. Prime office leasing activity is down on previous years with occupiers seeking more flexibility in their terms. Nevertheless, the strong price achieved on the recent sale of 76 Sir John Rogerson's Quay (a development in which NAMA had a minority shareholding), with lettings agreed to Rabobank and Algebris, shows that there are many major multinationals operating in the market who see Dublin as the right base for their European operations.

The outlook for leasing NAMA's residual office portfolio is robust given the advanced stage of construction and the superior quality of our developments. Furthermore, we have been proactive in de-risking our projects via forward sales and investment ventures; therefore our exposure in the event of significant deterioration in the office market is limited.

One of our more significant transactions during 2020 was the completion of Project Pembroke, currently subject to the necessary competition approvals. Since the designation of Poolbeg West as an SDZ in May 2016, NAMA has worked closely with a range of stakeholders to consolidate its sizable interests in the SDZ area and to get the site ready for development. The site has enormous potential to transform the area with capacity to deliver 3,500 residential units, one million square feet of commercial space and various community and social amenities.

In July 2019, NAMA launched a comprehensive open-market process in order to source an investment partner with the requisite capital, skills and experience to expediently and commercially develop the site. This process contracted in December 2020 with NAMA achieving €200m - significantly in excess of the guide price of €125m - for an 80% share of the development. The transaction is subject to Competition Authority approval which is anticipated in Q2 of this year. NAMA will retain a 20% minority shareholding thereby enabling us to benefit from future development profits while limiting taxpayer exposure to development risk. It is expected that a planning application for the first phase of residential accommodation will be lodged over the coming months, a step only enabled because of the extensive pre-development exercises progressed by NAMA in recent years. Importantly, under the approved planning scheme, 25% of the total residential space will be reserved for social and affordable housing.

Project Pembroke is a perfect case study showing how NAMA's statutory commercial objectives can operate in tandem with the wider social and economic benefit that will be derived from the future development of this important site.

NAMA's progress to date has been considerable, we have deleveraged significantly, we are actively funding new residential developments, and we are involved in the delivery of a large amount of commercial space focused in the Dublin Docklands. This progress is largely down to the experience, dedication and resolve of our Board and our staff. In light of the significant disruption that has been a feature of all our personal and professional lives since March 2020, I would like to particularly acknowledge the hard work of all our staff, Board and Committees, including external members, in such difficult circumstances with most people working remotely. I am acutely conscious that they have never wavered in their commitment to ensuring the Agency meets its objectives. I would also like to thank our colleagues in the NTMA who provide services to NAMA. Our 2020 financial results provide strong proof of this commitment and I am delighted that we are in a position to increase our expected lifetime contribution to the State to €4.65 billion.

As we move into the final phase of our activities and as our staff numbers reduce further through annual redundancy programmes, the Agency is as focused as ever on generating the best possible return for the taxpayer, albeit from a greatly reduced portfolio. I am confident that our staff will continue to contribute in a meaningful way to NAMA's ongoing success and to concluding our important work; that is to deliver the maximum surplus possible to the taxpayer while continuing to make a significant socio-economic contribution.

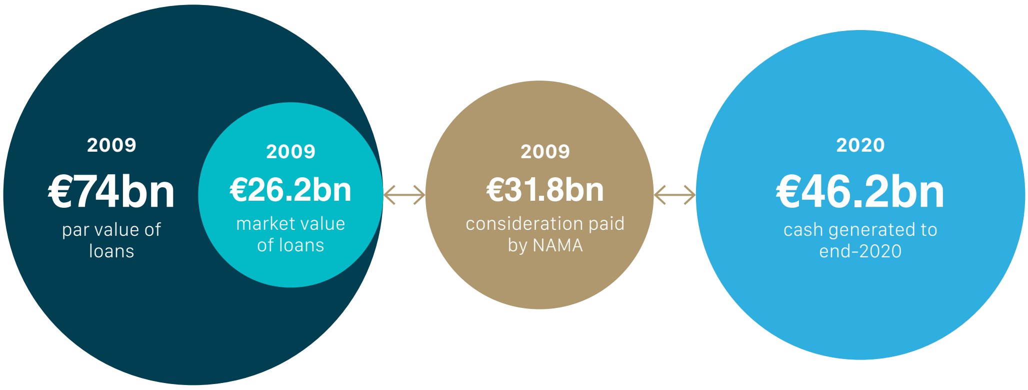
**Brendan McDonagh**
Chief Executive Officer

# Business Review

## NAMA's statutory mandate is to deal expeditiously with and obtain the best achievable financial return from its acquired assets.

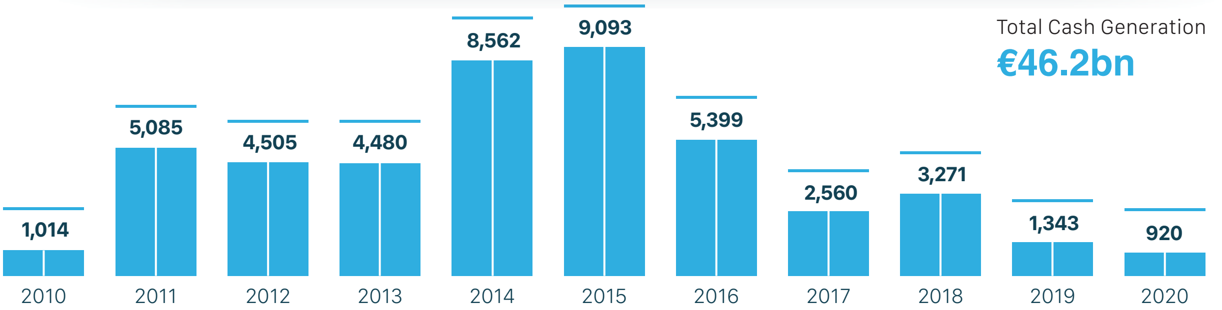
The severely distressed nature of the acquired loans and the depleted value of the underlying security meant that it would not be possible for NAMA to fully recoup the €74 billion owed by debtors. At acquisition, the current market value of the loans was just €26.2 billion, by reference to a collateral valuation date of 30 November 2009. It was intended that NAMA would, at a minimum, recover the €31.8 billion paid to acquire the loans and the Agency's own costs.

By end-2020, through a rigorous programme of intensive management, strategic investment and phased disposal, NAMA's acquired portfolio was 97% deleveraged with total cash generated of €46.2 billion[1].



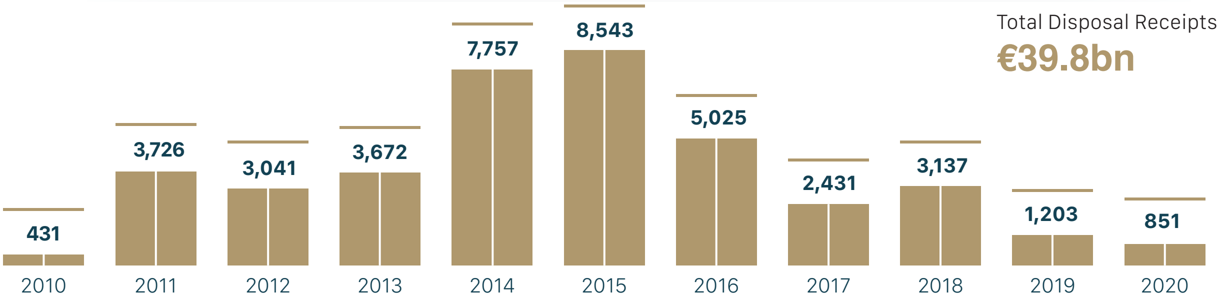
The significant cash generated has enabled NAMA to accelerate the repayment of all €31.8 billion debt issued to acquire loans (including €30.2 billion in Government-guaranteed debt). Additionally, in June 2020, NAMA transferred €2 billion in surplus cash to the Irish Exchequer.

### Cash Generation €m



Cash is primarily generated through asset and loan disposals. The cumulative value of loans and assets sold to end-2020 was €39.8 billion. A further €6.4 billion has been generated from non-disposal income, mainly comprising rental income from secured properties.

### Disposal Receipts €m



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1 *From inception to 31 December 2020, the total expended by NAMA to fund income generation amounted to €1,258m, representing* **2.7% of total cash generation**. *This compares favourably to other AMCs whereby operating costs as a percentage of cash generation equate to 5.5% for IBRA, Indonesia and 3.6% for Danaharta, Malaysia.*
Source: World Bank Study, 2016 "Public Asset Management Companies"

# Deleveraging Activity

NAMA's deleveraging activity is guided by the objective of maximising recovery from property-backed loans. NAMA's approach to delivering on this objective has been twofold:

1. Strategic asset management and investment in order to improve the income generating potential of assets and enhance their future disposal value; and
2. Phased and orderly release of assets for sale in a manner consistent with the level of demand, the availability of credit and the absorption capacity of each relevant market.

## 2009 – 2013: a challenging environment

During the three years after acquisition, conditions in the Irish market continued to deteriorate with general illiquidity and real estate values falling by 30%. The geographic profile of NAMA's acquired loan portfolio was diverse with secured assets located across the globe and UK based assets comprising over a third of the total. In order to generate cash and meet NAMA's ambitious debt repayment targets, NAMA initially focussed on disposals of assets located in Britain, mainly London where the market was buoyant. Accordingly, sales of British assets accounted for 75% of NAMA asset disposals during this period while sales of Irish assets accounted for just 16%. The strategy for Irish assets was intensive management in order to enhance their disposal value once economic and market conditions became more favourable.

## 2013 – 2017: improving market conditions

From mid-2013, improving conditions in the Irish market enabled NAMA's debtors and receivers to accelerate the sale of Irish assets. NAMA took advantage of the increasing investor interest in Irish real estate assets by creating specific portfolios of properties and loans for sale. This activity was phased in order to ensure a regular flow of disposals which could help sustain the positive momentum in the Irish market while maximising the return to NAMA.

NAMA successfully exploited the improved market conditions and completed some of its most profitable transactions during the period from 2013 to end-2017, with total cash of €30 billion generated. As a result, NAMA was in a position to complete its final repayment of senior debt in October 2017, eliminating a significant contingent liability of the Irish State.

**Figure 1: Disposals by location since inception**

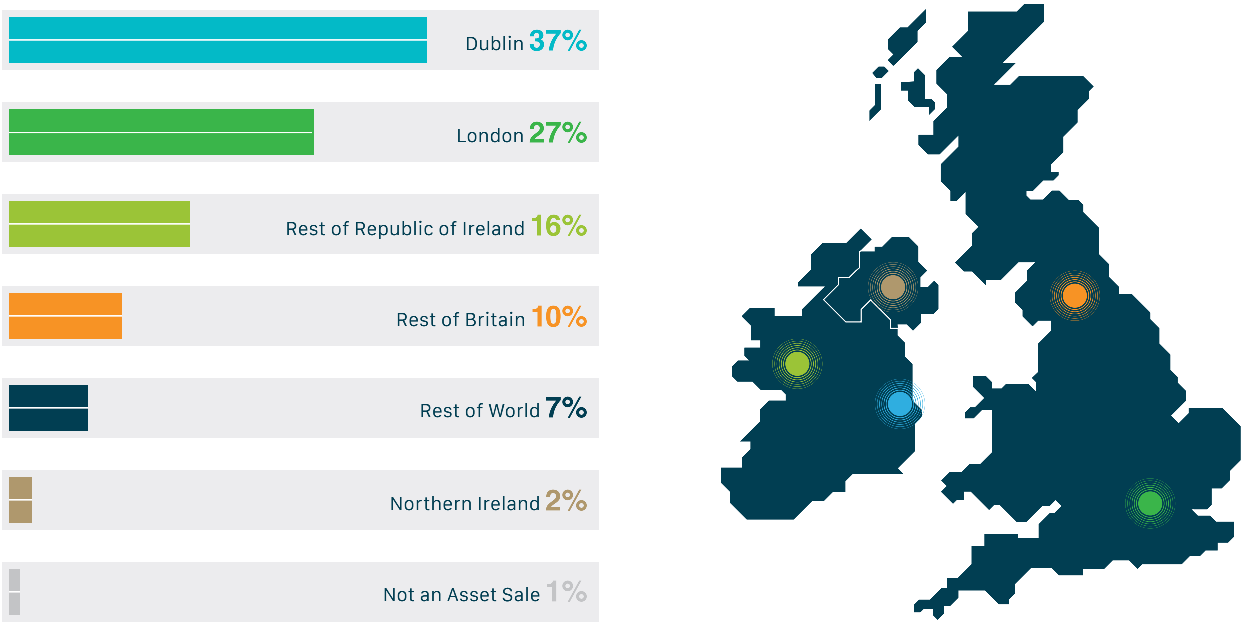
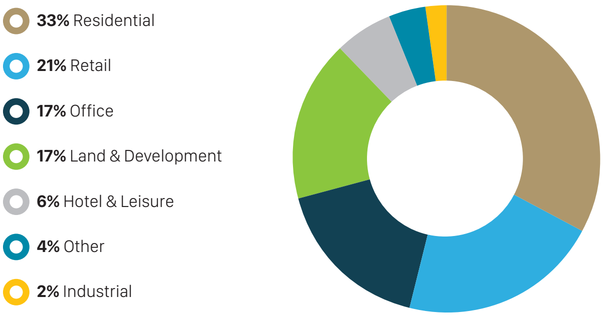


**Figure 2: Disposals by sector since inception**

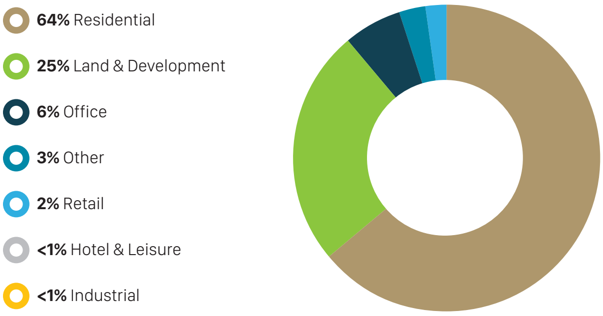


## 2018 – 2020: maximising value

By 2018, the bulk of NAMA's acquired portfolio had been deleveraged and the remaining loans were primarily secured by assets which formed part of NAMA's residential and commercial delivery programmes, as well as low value or compromised assets. These assets required intensive management in order to maximise their value prior to disposal.

During 2020, sales of residential properties, land and development sites accounted for 89% of disposal activity (figure 3), reflecting the sectoral profile of the remaining assets.

**Figure 3: Disposals by sector - 2020**



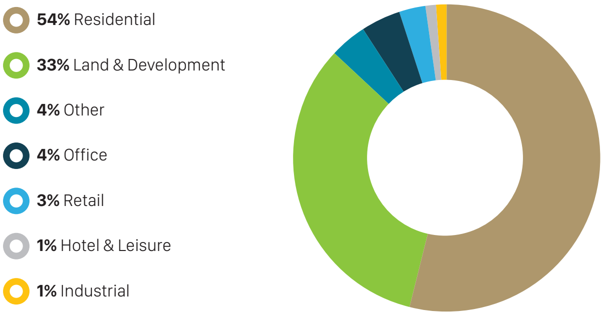
## Development Funding: protecting and enhancing value

NAMA advances capital 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. This includes investing in existing properties in order to improve their income producing potential and increase their appeal to potential purchasers, as well as providing funding for the planning, design and construction of new residential and commercial projects. NAMA also funds infrastructure works, as necessary, to facilitate these developments.

Capital funding is also required to protect the value of assets. This includes essential expenditure such as fire safety works to ensure that properties are compliant with health and safety requirements, and remediation works so as to enable unfinished or defective housing to be brought to a habitable standard.

Figure 4 shows the breakdown of capital expenditure funding by sector since inception. Approximately €3.9 billion has been advanced to date in capital expenditure for new and existing projects. Capital expenditure relating to the land and development sector includes amounts advanced as part of NAMA's residential and commercial delivery programmes. All of this funding is procured from within NAMA's own resources without any reliance on the Exchequer.

**Figure 4: Capital expenditure funding by sector since inception**



## Debtor Engagement

NAMA initially acquired the loans of some 5,000 borrowers which were consolidated into approximately 800 debtor connections.

As at end-March 2021, the loans of some 173 debtors remained under the management of NAMA. NAMA's preferred approach is to work consensually with debtors however, in certain circumstances, this is not feasible and enforcement action is necessary in order to protect the value of the assets.

Of NAMA's remaining debtors, 125 are active which includes 55 in support strategies and 70 subject to enforcement. The remaining 48 debtors are being monitored under forbearance strategies or exit agreements.

Business Review

# Residential Delivery

In 2015, the NAMA Board agreed the objective of facilitating the delivery of 20,000 residential units on NAMA-secured sites and maximising the number of sites that are ready for development. This objective is consistent with NAMA's statutory obligation to obtain the best achievable financial return and otherwise enhance the value of its assets.

## Residential Delivery Progress

As of the end of March 2021, NAMA's remaining loans were secured by an estimated 577 hectares of residential zoned development land in Ireland which is under the control of NAMA's debtors and receivers.

Subject to no further Covid-related restrictions on residential construction activity post April 2021, NAMA aims to achieve its target of funding or facilitating the delivery of 20,000 units by the end of 2021.

### Progress to end-March 2021

Progress

**12,700**
**Directly delivered**

+

**6,800**
**Indirectly delivered**

=

**19,500**
**Total delivered**

12,700 units have been directly delivered by NAMA to date, either though provision of funding to debtors and receivers or via licence agreement or joint venture. A further 6,800 residential units have been built on sites which benefitted from NAMA funding but which were subsequently sold by NAMA's debtors and receivers. NAMA facilitated the future delivery of housing on these sites by funding planning permissions, legal costs, holding costs or site enabling works.

NAMA has always sought to ensure that there is an adequate supply of development land available to private developers in the market. Since 2011, NAMA's debtors and receivers have sold sites with the potential to deliver some 81,000 residential units, on which the aforementioned 6,800 homes have been delivered to date.

It may be noted that the development of some sites, including those still 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.

## Residential Delivery Pipeline at end-March 2021

In addition to the 1,400 units under construction or with funding approved, NAMA has identified that a further 21,200 units are potentially deliverable on sites owned by its debtors and receivers. These figures exclude sites that are sold, contracted for sale, on the market for sale or not yet zoned for residential development. There is potential for an additional 2,000 units on unzoned land.

Pipeline

**800 units**
**Under Construction**[2]
New residential units currently under construction on sites secured to NAMA.

**600 units**
**Funding approved**
Residential units with funding approved for construction.

---

[2] *In line with Government restrictions associated with Covid-19, construction was temporarily suspended on NAMA-secured residential sites from January to April 2021.*

## Enhancing value through planning

A key part of NAMA's residential delivery programme is the preparation of secured sites for future housing development. NAMA aims to add value to existing sites through the funding of planning applications and pre-planning feasibility assessments.

From 2016 to 2020, NAMA debtors and receivers submitted planning applications for over 15,750 residential units and were successfully granted planning permission for 15,505 units. Through careful management, strategic assessment and selective funding, the overall success rate of NAMA-funded planning applications has been very high.

**Planning**

**4,900 units**

**Planning granted**

The number of units with planning permission but not yet under construction.

**7,600 units**

**In planning process**

The number of units in the planning system either with planning applications lodged or being prepared, or for which a submission for consultation has been lodged with An Bord Pleanála.

**8,700 units**

**Pre-planning and feasibility**

The number of potential units under consideration for future planning applications. This includes units which may have infrastructural requirements (e.g. roads,water or sewerage) that will need to be addressed by local authorities.

### Covid-19 Impact on Residential Delivery

In accordance with government guidelines, all residential construction sites were closed for a period of seven weeks from March 2020 until May 2020 and for a further 13 weeks from the beginning of January 2021 to mid-April 2021. The site closures have had a significant impact on all aspects of the residential development market in Ireland. In addition, Covid-19 related operating restrictions on sites have created a challenging environment for residential output. The stock of newly built units currently available to sell throughout the residential sector is particularly low as a result.

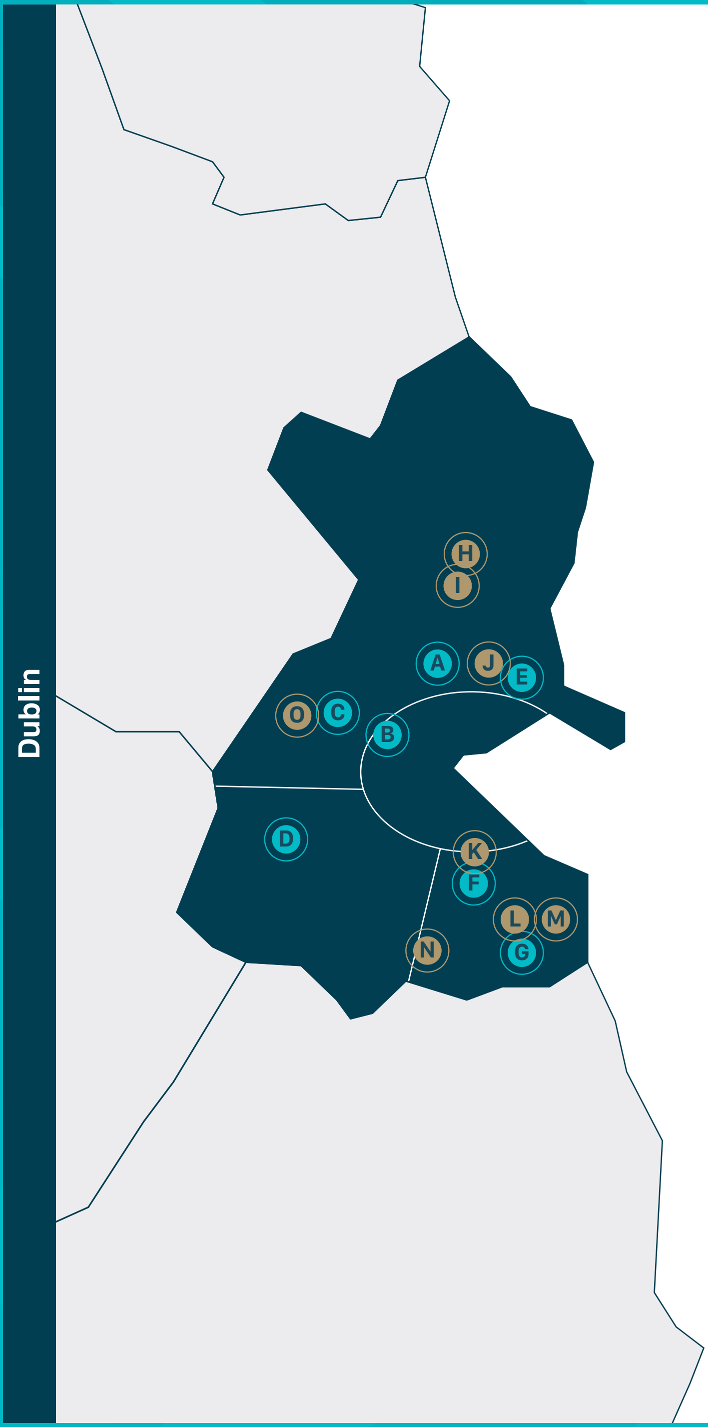
### Nearly Zero Energy Buildings

In accordance with planning requirements, the majority of NAMA-funded residential developments are A-rated with some aiming to achieve nearly Zero Energy Buildings (nZEB) standards. This means the houses have minimal to zero energy requirements, with any energy required primarily coming from renewable sources. Examples of sustainable measures increasingly included with new homes funded by NAMA in recent years include:

- High levels of insulation and airtightness
- Heat recovery ventilation systems
- Solar panels
- Electric vehicle charging points
- Heat pump systems

# Examples of Residential Projects

Since 2014, NAMA has directly facilitated the delivery of in excess of 12,700 new residential units across Ireland. NAMA seeks to deliver housing in areas of most demand such as Dublin, the commuter counties and other urban areas. A sample of units delivered during 2020 is shown here, broken down by geographic area.



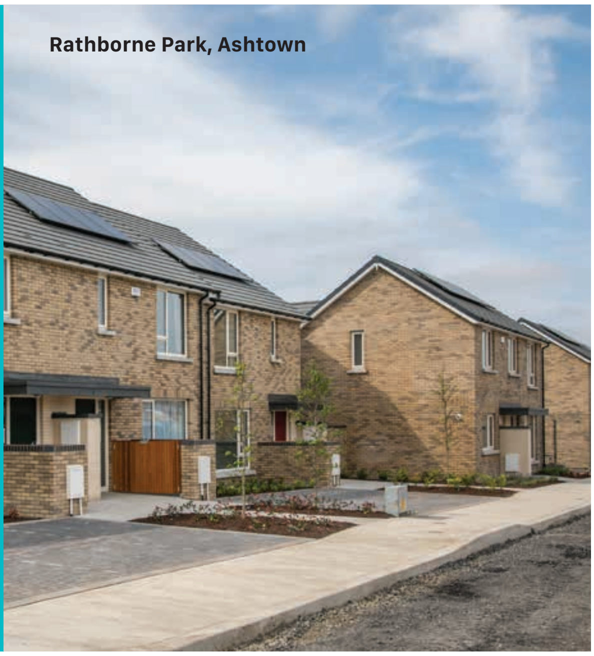
### NAMA-funded new homes schemes completed in 2020

- Ⓐ Northwood, Santry
- Ⓑ Rathborne Park, Ashtown
- Ⓒ Riverwood Square, Porterstown
- Ⓓ Cuil Duin, Citywest
- Ⓔ Belltree Green, Clongriffin
- Ⓕ Hazelbrook Square, Churchtown
- Ⓖ Carrickmines Manor, Carrickmines

### NAMA-funded new homes schemes under construction[3]

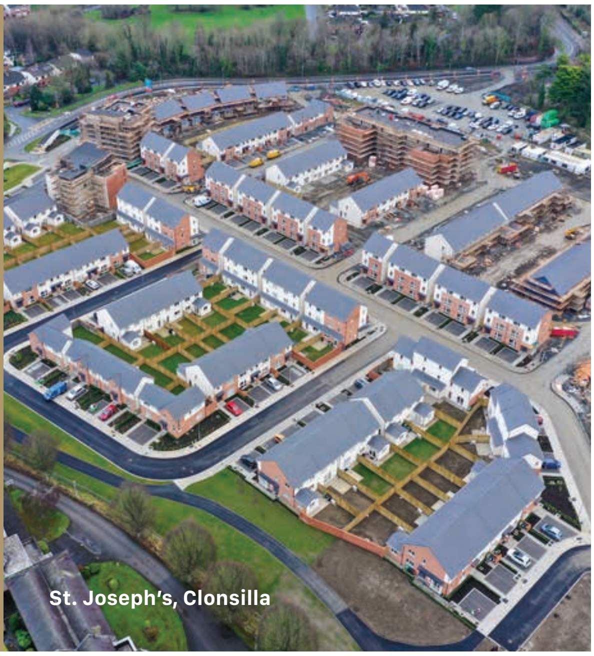
- Ⓗ Meadowbank, Swords
- Ⓘ Miller's Glen, Swords
- Ⓙ Belcamp, Malahide Road
- Ⓚ Ardilea Crescent, Knockrabo
- Ⓛ Brighton Wood, Foxrock
- Ⓜ Egremont, Killiney
- Ⓝ Dun Gaoithe, Aikens Village, Sandyford
- Ⓞ St. Joseph's, Clonsilla

**Completed**



Rathborne Park, Ashtown

**Under Construction**

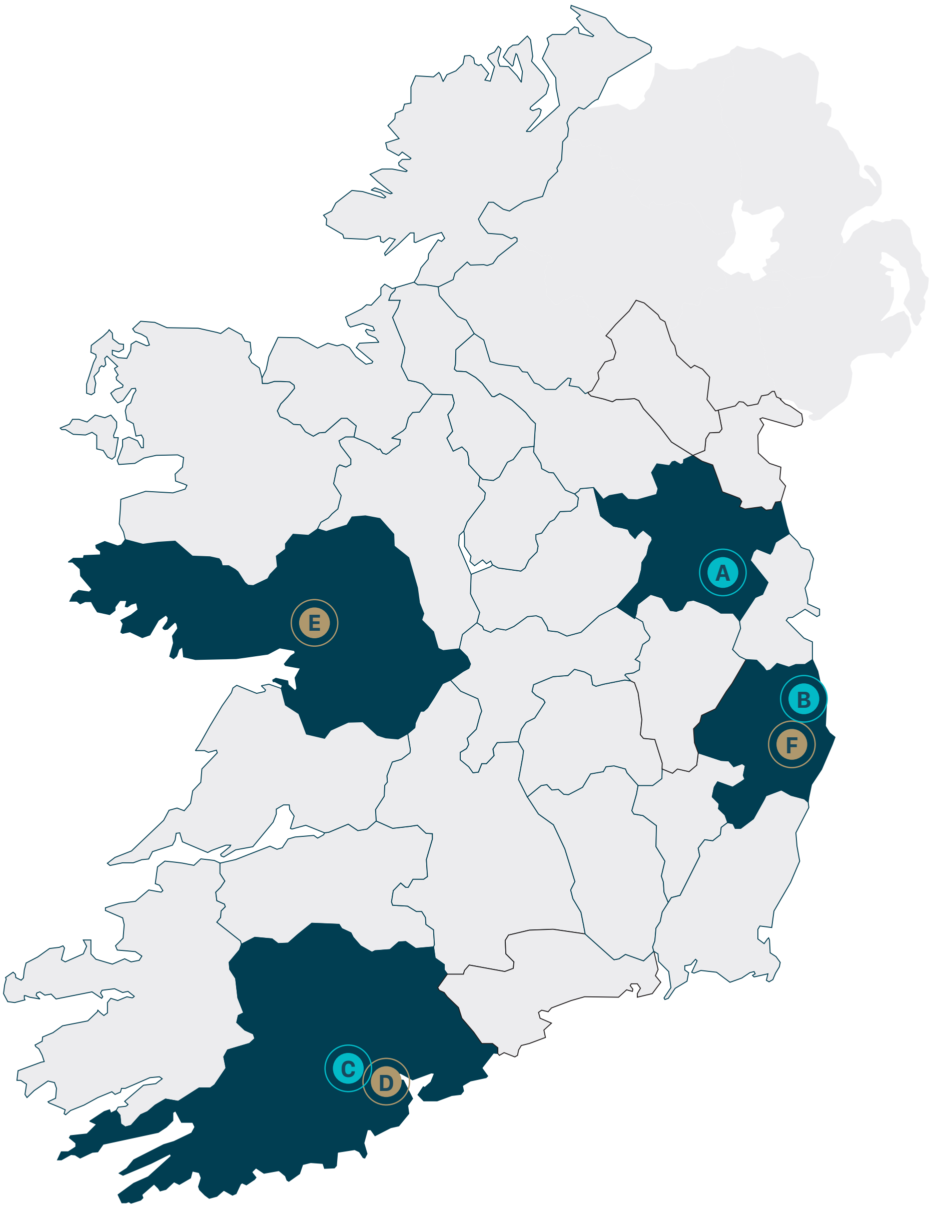


St. Joseph's, Clonsilla

Miller's Glen, Swords

# **Examples of Residential Projects** Continued

## Commuter Counties & Urban Centres



### NAMA-funded new homes schemes completed in 2020

Ⓐ Dun Rioga, Dunshaughlin, Co. Meath
Ⓑ Waverly, Greystones, Co. Wicklow
Ⓒ Janeville, Carrigaline, Co. Cork

### NAMA-funded new homes schemes under construction[3]

Ⓓ Phases 4 and 5, Castleheights, Carrigaline, Co. Cork
Ⓔ Cúirt Bhoirne, Roscam, Co. Galway
Ⓕ Wicklow Hills, Newtownmountkennedy, Co. Wicklow

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[3] *In line with Government restrictions associated with Covid-19, construction was temporarily suspended on all NAMA-secured residential sites from January to April 2021.*

## Completed

Dun Rioga, Dunshaughlin, Co. Meath

## Under Construction

Castleheights, Carrigaline, Co. Cork

# Dublin Docklands SDZ

The Dublin Docklands SDZ Planning Scheme was approved by An Bord Pleanála in May 2014. Through its debtors and receivers, NAMA had an interest in 75% of the 22 hectares of developable land in the SDZ at the time.

Consistent with NAMA's strategic objective to drive and facilitate development in the area, a dedicated Docklands SDZ team in NAMA, together with NAMA's receivers and investment partners, worked closely with Dublin City Council as the Development Agency to deliver on the objectives of the Planning Scheme.

## NAMA-related sites in the Dublin Docklands

There is capacity for **4.2 million sq. ft. of commercial space and 2,183 residential units** to be delivered in the Dublin Docklands when all sites in which NAMA originally held an interest are fully developed. This regeneration will accommodate 20,000 office workers and homes for 5,000 people.

The extent and nature of NAMA's involvement varies from site to site.

**38%**
**Sites sold with planning**

**Block 3**
**City Block 3**
- 390k sq. ft. commercial space & 360 residential units
- Site sold in 2018

**Block 5**
**Point Campus**
- 14k sq. ft. commercial space & 285 residential units
- Site sold in 2016

**Block 2&7**
**Spencer Dock**
- 630k sq. ft. commercial space & 240 residential units
- Site sold in 2016

**Block 9**
**Project Waterfront**
- 400k sq. ft. commercial space & 420 residential units
- Site sold in 2018

**42%**
**Projects complete & sold**

**Block 8**
**Dublin Landings**
- 720k sq. ft. commercial space & 202 residential units
- Occupants: NTMA, WeWork, Central Bank

**Block 14b**
**76 Sir John Rogerson's Quay**
- 137k sq. ft. commercial space
- Occupants: Rabobank, Algebris

**Block 17**
**Bolands Quay**
- 45k sq. ft. commercial space
- Occupant: Google

**Block 14c**
**5 Hanover Quay**
- 205k sq. ft. commercial space
- Occupants: Docusign, Aptiv

**20%**
**Active projects[4]**

**Block 8**
**Dublin Landings Residential**
- Ballymore/Oxley leasehold
- 96 residential units
- Construction due for completion in 2021
- Sale contracted

**Block 14b**
**The Benson Building**
- NAMA 16.5% equity stake
- 72 residential units
- Construction due for completion in 2021
- Forward sale

**Block 17**
**Bolands Quay**
- Receiver-managed
- 285k sq. ft. commercial space & 46 residential units
- Construction due for completion in 2022
- Forward sale to Google

**Block 10a**
**North Dock**
- NAMA 40% equity stake
- 270k sq. ft. commercial space
- Construction complete
- Lettings underway

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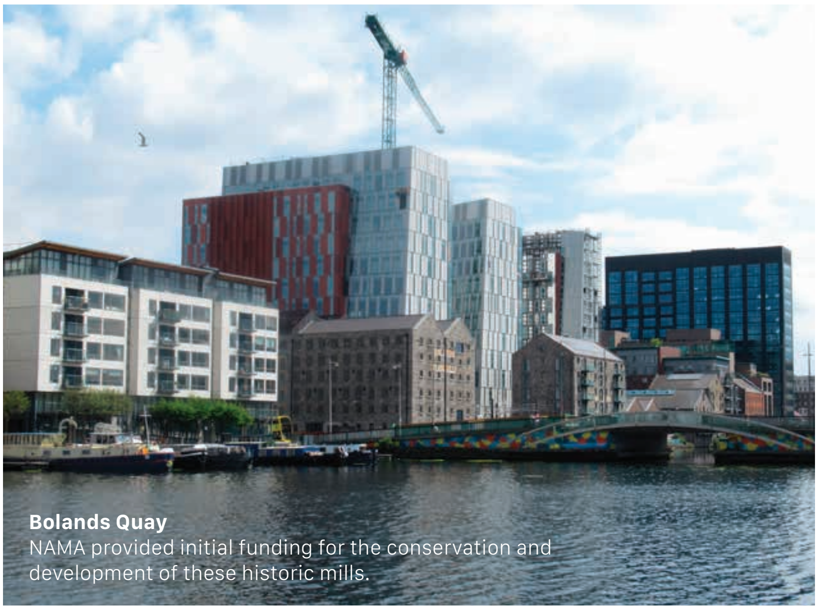
[4] *In line with Government restrictions associated with Covid-19, construction was temporarily suspended on NAMA-related sites from January 2021. Residential and commercial construction recommenced in April and May respectively.*

| **38%** Sites sold with planning | **42%** Projects complete & sold | **20%** Active projects[4] |
|---|---|---|
| **Block 10a**<br>**Hotel Site**<br>• 130k sq. ft. aparthotel<br>• Site sold in 2018 | **Block 15a&b**<br>**Capital Dock**<br>• 440k sq. ft. commercial space & 190 residential units<br>• Occupants: Indeed, JP Morgan | **Block 10b**<br>**Exo**<br>• Receiver-managed<br>• 215k sq. ft. commercial space<br>• Construction due for completion in 2021<br>• Forward sale to Tristan/SW3<br>• Lettings underway |
| **Block 14c**<br>**6 Hanover Quay**<br>• 122 residential units<br>• Site sold in 2016 | **Block 15c**<br>**8 Hanover Quay**<br>• 47.5k sq. ft. commercial space<br>• Occupant: AirBnB | **Block 15e**<br>**10-12 Hanover Quay**<br>• NAMA 40% equity stake<br>• 87k sq. ft. commercial space<br>• Construction due for completion in 2021 |
|  | **City Quay***<br>• 140k sq. ft. commercial space<br>• Occupant: Grant Thornton | **Block 19**<br>**Waterways Ireland**<br>• NAMA leasehold interest<br>• 56k sq. ft. commercial space & 150 residential units<br>• Disposal strategy agreed |

**outside SDZ area*

## Leadership in Energy and Environmental Design

All NAMA-related commercial developments in the Dublin Docklands SDZ have opted to conform to Leadership in Energy and Environmental Design (LEED) standards. LEED certification is a globally recognised green building rating system which assesses buildings on eco-friendly criteria such as water and energy efficiency, green transport links and the sustainability of materials used in construction. All completed NAMA-related commercial buildings in the docklands have received gold or platinum certification.



**Bolands Quay**
NAMA provided initial funding for the conservation and development of these historic mills.

Photographer Enda Cavanagh and Building Design by BKD Architects.

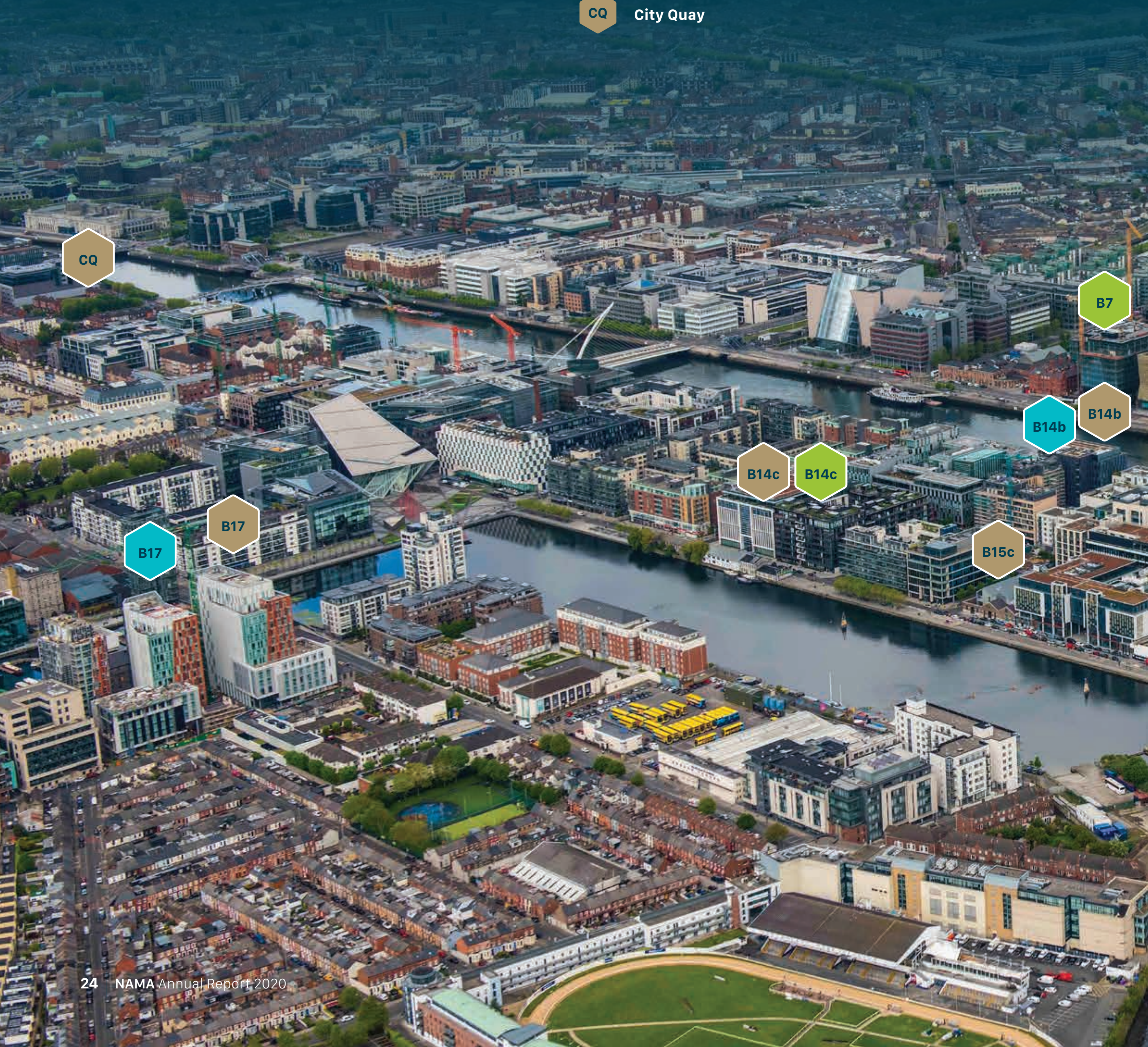
# Dublin Docklands SDZ

## Sites Sold with Planning

| | |
|---|---|
| B3 | **Block 3** City Block 3 |
| B5 | **Block 5** Point Campus |
| B7 | **Block 2&7** Spencer Dock |
| B9 | **Block 9** Project Waterfront |
| B10a | **Block 10a** Hotel Site |
| B14c | **Block 14c** 6 Hanover Quay |

## Projects Complete & Sold

| | |
|---|---|
| B8 | **Block 8** Dublin Landings |
| B14b | **Block 14b** 76 Sir John Rogerson's Quay |
| B17 | **Block 17** Bolands Quay |
| B14c | **Block 14c** 5 Hanover Quay |
| 15ab | **Block 15a&b** Capital Dock |
| 15c | **Block 15c** 8 Hanover Quay |
| CQ | **City Quay** |



## Active Projects

| | |
|---|---|
| B8 | **Block 8** Dublin Landings Residential |
| B14b | **Block 14b** The Benson Building |
| B17 | **Block 17** Bolands Quay |
| B10a | **Block 10a** North Dock |
| B10b | **Block 10b** Exo |
| B15e | **Block 15e** 10-12 Hanover Quay |
| B19 | **Block 19** Waterways Ireland |

# 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.

## Social Housing

While it is not expressly part of NAMA's statutory remit to supply social housing, NAMA recognised that there was an opportunity to facilitate the delivery of residential units for social housing through its debtors and receivers. NAMA established a dedicated social housing team and a coordinated process of engagement commenced between NAMA, the Department of Housing and the Housing Agency in early 2012. This initiative focussed on delivering additional residential properties for social housing purposes, beyond statutory Part V delivery on NAMA funded developments.

### NAMA's Commitment to Social Housing Delivery

**2,000 homes** Target delivery announced by Minister for Housing in December 2011

**7,093** Identified by NAMA

NAMA comprehensively reviewed the portfolio of properties owned by its debtors in order to identify suitable and vacant properties. NAMA's exposure to completed residential property was limited with many houses in its secured portfolio already occupied.

**4,479**
No Longer Under Consideration

There are a number of reasons for which an identified property is no longer under consideration for social housing purposes. Examples include:

- Insufficient demand in the relevant area, as confirmed by local authority.
- Deemed to be not suitable by local authority based on tenure mix/sustainable community considerations.
- Property type deemed unsuitable.
- No longer available – properties identified are part of a live portfolio and may have been sold or let by the NAMA debtor or receiver.

**2,024**
Sold or Let

**2,455**
Deemed Unsuitable or No Demand

**2,614**
Delivered

Methods of delivery include

**Direct sale:**
NAMA facilitated the sale of properties, through its debtors and receivers, to local authorities or approved housing bodies (AHBs).

**NARPS:**
Properties were leased to local authorities or AHBs through NAMA's social housing vehicle, NARPS.

**Direct lease:**
NAMA debtors or appointed receivers agreed a lease directly with local authorities or AHBs.

**2,604**
Complete

**10**
Contracted

**0**
Demand to be Determined

NAMA has no role in determining demand. Local authorities reviewed the units identified by NAMA and confirmed demand through the Housing Agency.

This was based on local housing considerations including the requirement to provide mixed housing tenure. All identified properties have now been considered and no decisions are outstanding.

**c.€350 million** Funding committed for the purchase and remediation of properties

## NARPS

NAMA's special purpose vehicle, National Asset Residential Property Services (NARPS), was established in 2012 in order to expedite the delivery of social housing from NAMA's secured portfolio. NARPS is seen as a model of good practice and has acted as a precedent for further leasing initiatives which have since been rolled out across the sector.

| Units delivered through NARPS | Percentage of total NAMA social housing | Unit Type | Unit Type |
|---|---|---|---|
| **1,366**<br>Homes | **52%**<br>of total delivery | **835**<br>Apartments | **531**<br>Houses |

### The NARPS Model:

- NAMA funds necessary remediation and completion works, through its debtors or receivers, prior to the purchase of units by NARPS.
- NARPS purchases the completed property, suitable for immediate occupation, from NAMA debtors and receivers at full market value.
- NARPS directly leases the properties to AHBs or local authorities for immediate social housing use for a lease term of 20 years and 9 months.
- The lease is standardised for use in all leasing arrangements between NARPS and AHBs/local authorities.
- The rent paid under the lease reflects a prescribed discount to market rent and is agreed through consultation between NAMA, the Housing Agency and the local authority before formal approval by the Department of Housing.

### Minister Direction

In recognition of the important role of NARPS in terms of social housing provision, the Minister for Finance issued a Direction in September 2019, under Section 14(2) of the NAMA Act, directing that NAMA retains ownership of NARPS until it is in a position to be transferred to another State entity as part of NAMA's terminal surplus.

**Lough na Glack, Co. Monaghan – 38 properties remediated and sold to NARPS for social housing**


Before


After

## Wider Social & Economic Contribution

### Resolving Unfinished Housing Estates

The existence of unfinished housing estates (UFHEs) across Ireland was one consequence of the economic crash and recession in Ireland. NAMA has, since 2010, sought to resolve **over 300 unfinished housing estates** within its secured portfolio. NAMA has advanced funding to its debtors and receivers for remedial works in line with site resolution plans agreed with local authorities. NAMA-funded works include:

- Remediation of unfinished units;
- Completion works to unfinished housing developments in their entirety;
- Completion of units for the provision of social housing, some of which have subsequently been purchased by NARPS.

### Providing Remediation Funding

In addition to the funding provided to complete unfinished or defective housing, NAMA provides funding for necessary works to ensure that the properties securing its loans are structurally sound and compliant with current health and safety requirements. NAMA identified a number of existing properties in its secured portfolio that did not meet relevant fire regulations and building standards.

**€125m**

To date, NAMA has provided funding of approximately €125m for remediation works to existing residential and commercial properties securing its loans, with a further €50m potentially required. Works include essential fire safety remediation, health and safety works, and the fixing of structural defects.

### Facilitating Sales to Public Bodies

An important part of NAMA's work is to facilitate the sale of properties for social purposes. NAMA works closely with Government departments, state agencies and local authorities to identify properties that may have a community, economic or social benefit.

The success of this aspect of NAMA's work is evident from the number of properties delivered to state bodies across Ireland, for a variety of purposes.

**77 properties | 28 public bodies | 15 counties**

| | |
|---|---|
| 25 | Sites for schools and other education facilities |
| 18 | Sites for public amenities such as parks, sports clubs, community centres, and historic sites |
| 15 | Sites for essential transport and infrastructure projects such as roads, flood defences and water treatment |
| 10 | Sites for urban regeneration and housing projects |
| 3 | Sites for civic offices or garda stations |
| 3 | Sites for healthcare facilities |
| 3 | Sites for IDA projects |

NAMA continues to engage with various public bodies in relation to the identification of assets that may be suitable for their use. Currently, three school sites are under negotiation with the Department of Education and a further three sites are being considered by local authorities for civic infrastructure such as roads, housing and burial grounds.

NAMA facilitates negotiations between its debtors and receivers and the public body, often providing them with right of first refusal in respect of the subject property. Properties are transacted at full market value as NAMA cannot compel a debtor to sell their property at a discount. The live nature of NAMA's portfolio means that identified properties cannot be retained for public bodies indefinitely and in certain cases are sold on by debtors and receivers in order to repay debt.

## Supporting Foreign Direct Investment

NAMA has facilitated many property transactions to support multi-national companies locating in or expanding across Ireland. Such companies include: LinkedIn, Lidl, Google, Intel, Novartis, BSkyB, Airbnb and Amazon.

## Encouraging Residential Transactions

The 80:20 Deferred Payment Initiative was a residential mortgage scheme launched by NAMA in 2012. It facilitated home-buyers by offering price protection of up to 20% on NAMA-secured properties for a period of five years, thus encouraging activity in the housing market.

## Promoting the use of Environmental and Social Considerations in Public Procurement

NAMA, in procuring its specialist advisory services, includes appropriate environmental award criteria when awarding its publicly procured contracts and where such environmental measures can have an environmental impact in the context of the performance of those services. Examples of such are NAMA's legal panels which span across a number of legal disciplines and NAMA's contract for internal audit services.

NAMA is mindful not to unduly exclude SMEs and incorporates criteria such as: prevention or minimisation of waste; use of recycled products and recycling facilities; energy conservation in buildings and use of equipment; minimising storage requirements and use of paperless office solutions; and, providing alternatives to one-use disposable products. NAMA fully supports the Environmental and Social Consideration initiative and will continue to incorporate such provisions where the opportunity arises.

# Poolbeg West SDZ

Located to the east of Dublin's South Docks, the Poolbeg West Strategic Development Zone (SDZ) provides one of the largest mixed-use development opportunities in Dublin City.

Over recent years, NAMA has worked with a range of stakeholders to progress necessary pre-development exercises, including the procurement of an investment partner, to enable timely development of the lands.

| | |
|---|---|
| **May 2016** | Poolbeg West was designated a Strategic Development Zone. |
| **April 2019** | The Poolbeg West SDZ Planning Scheme was approved by An Bord Pleanála. This provides capacity for:<br>• 3,500 residential units (10% Part V and 15% social and affordable)<br>• 1m sq. ft. of commercial and retail space<br>• School site<br>• Cultural, community and public open space. |
| **June 2019** | The Public Realm masterplan and planning application was lodged for phase 1 enabling infrastructure. |
| **July 2019** | NAMA launched an extensive open market process – Project Pembroke – offering an 80% shareholding in a 37.2 acre development site located within the SDZ. |
| **Jan 2020** | A ten year planning permission for phase 1 enabling infrastructure was granted by Dublin City Council (DCC). |
| **July 2020** | The Project Pembroke open market process concluded and NAMA selected a preferred bidder. |
| **Dec 2020** | A consortium comprising RGRE and Oaktree/Lioncor contracted to acquire the 80% shareholding for €200.1m. Completion is expected by end-Q2 2021, subject to Competition Authority approval.<br>**NAMA will retain a 20% minority shareholding in the development.** |

# 3

# Financial Review

# Financial Review

| Financial Highlights 2020 | 2020<br>€m | 2019<br>€m | From inception to end-2020<br>€m |
|---|---|---|---|
| **Cash generation** | | | |
| **Total cash generated** | **920** | **1,343** | **46,232** |
| Disposal receipts | 851 | 1,204 | 39,818 |
| Non-disposal income | 69 | 139 | 6,414 |
| **Bond and equity redemptions** | | | |
| Senior bonds redeemed | - | - | 30,190 |
| Subordinated debt redeemed | 1,064 | - | 1,593 |
| NAMAI private investor equity redeemed | 56 | - | 56 |
| **Profitability (key income statement items)** | | | |
| Net gains on debtor loans measured at FVTPL* | 149 | 230 | |
| Net profit on disposal and refinancing of loans | 87 | 5 | |
| Profit for the year before tax | 211 | 295 | |
| Tax charge | (19) | (30) | |
| **Profit for the year after tax** | **192** | **265** | |
| **Financial position at year-end** | | | |
| Cash, cash equivalents, Exchequer Notes and other liquid assets | 1,296 | 3,879 | |
| Debtor loans carrying value | 850 | 1,227 | |
| Investment properties | 292 | 288 | |
| Inventories - trading properties | 162 | 171 | |

** Fair Value Through Profit or Loss.*

## Debt Redemption

As part of its original acquisition of loans from the participating institutions, NAMA issued €30.2 billion of government-guaranteed senior debt and €1.6 billion of floating rate perpetual subordinated debt.

The senior bonds represented a contingent liability to the Irish State as they were guaranteed by the Government prior to being fully redeemed in October 2017. The outstanding subordinated debt of €1.064 billion was redeemed in full in March 2020. Following this redemption **NAMA has now fully repaid all €31.8 billion debt issued to acquire loans from the participating institutions**.

## Exit of Private Investors

In 2010 at the inception of NAMA, private investors invested €51m in the parent company of the NAMA Group (National Asset Management Agency Investment DAC ('NAMAI')) with NAMA investing a further €49m. Under the Shareholders' agreement executed in 2010, the maximum annual return to be paid to the private investors by way of dividend was restricted to the 10 year Government Bond Yield applying at the date of the declaration of the dividend. To allow for the exit of the private investors, the shareholders agreement also included an option for NAMA to purchase the shareholding of the private investors in 2020 and the consideration for the exercise of the option was fixed at 110% of the Private Investor's share capital.

On 26 May 2020, NAMA exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1m. This payment eliminated NAMA's final outstanding external obligation to its investors other than the State and increased the State's stake in the NAMA Group entities from 49% to 100%. This facilitated the commencement of the transfer of NAMA's terminal surplus to the Exchequer.

## Transfer of Terminal Surplus

In June 2020, NAMA transferred €2 billion to the Exchequer. This was the first transfer from NAMA's lifetime surplus. A further €0.2 billion was transferred to the Exchequer on 31 March 2021. It is projected that NAMA's total contribution to the Exchequer will be €4.65 billion, comprised of the projected lifetime surplus of €4.25 billion (an increase of €250m since our 2019 financial results) as well as total corporation tax payments of €400m. Subject to market conditions, further transfers to the Exchequer are expected to follow later in 2021 and in the following years.

## Key components of NAMA's 2020 performance

| Income Statement NAMA Group | 2020 €m | 2019 €m |
|---|---|---|
| Net gains on debtor loans measured at FVTPL | 149 | 230 |
| Net gains on investment properties | 5 | 74 |
| Interest, fees & other income | 9 | 29 |
| Net profit on disposal and refinancing of loans | 87 | 5 |
| Net profit on disposal of property assets | 34 | 39 |
| Other expenses (interest expense, other expenses, FX & derivative financial instruments) | (10) | (15) |
| Administration expenses | (63) | (67) |
| **Profit for the year before tax** | **211** | **295** |
| Tax charge | (19) | (30) |
| **Profit for the year after tax** | **192** | **265** |

## Impact of Covid-19 on NAMA

The Covid-19 pandemic and associated restrictions have had a material effect on economic activity world-wide. From NAMA's perspective, the restrictions have impacted demand for certain classes of collateral assets as well as progress in relation to NAMA's residential and commercial delivery programmes. Site closures, impacts to supply chains and physical distancing measures have resulted in unavoidable delays to construction projects across both the residential and commercial sectors. Accordingly, NAMA's 2020 residential delivery target was revised downwards.

Notwithstanding this, NAMA's 2020 financial performance and net cash generation remained strong with NAMA continuing to make progress toward the achievement of its key strategic objectives and the revised residential delivery target was exceeded for the year. Additionally, NAMA's key milestones for 2020 were achieved as NAMA redeemed its remaining subordinated debt and purchased the private investors shareholding enabling the transfer of €2 billion of the projected lifetime surplus to the Exchequer.

There remains significant uncertainty as to the full economic impact of the pandemic and NAMA continues to make every effort to mitigate the financial and other impacts using measures under our control. NAMA's approach to the valuation of its financial assets in the context of Covid-19 has been comprehensive and conservative with prudent assumptions applied to key inputs.

NAMA staff have predominately been working remotely since March 2020 and have demonstrated ongoing commitment to NAMA's goals and flexibility with changes to the working environment.

## Net fair value gains on debtor loans measured at FVTPL

| | 2020 €m | 2019 €m |
|---|---|---|
| Net fair value gains on debtor loans measured at FVTPL | 149 | 230 |

Fair value is a key area of judgment in NAMA's financial statements and the judgment process is conducted as part of Fair Value Reviews. These reviews use a present value methodology to assess the fair value of debtor loans. During the year, NAMA has recognised a fair value gain of €149m (2019: €230m). This outcome reflects a number of factors such as progress towards monetisation timelines and the appreciation of collateral securing debtor loans.

The Fair Value Reviews were based on a detailed individual assessment of expected future cash flows for all debtor connections with loans and related derivatives. These assessments represent NAMA's best estimate of expected future cash flows for each debtor connection. They include estimated cash flows arising from the disposal of property collateral, loan sales and non-disposal income (such as rental income).

## Net gains on investment properties

| | 2020<br>€m | 2019<br>€m |
|---|---|---|
| Net gains on investment properties | 5 | 74 |

Investment properties are valued at fair value. The difference between the fair value and the carrying amount of the properties resulted in a net gain of €5m to the income statement in 2020.

## Net profits generated from disposal and refinancing of loans and property assets

| | 2020<br>€m | 2019<br>€m |
|---|---|---|
| Net profit on disposal and refinancing of loans | 87 | 5 |
| Net profit on disposal of property assets | 34 | 39 |
| **Total profit** | **121** | **44** |

Profit or loss on disposal and refinancing of loans is measured as the difference between the consideration received (after sales costs) and the NAMA carrying value of the relevant loans. During the period, NAMA also sold certain trading property assets. Profits on disposal of property assets are measured as the difference between the sales proceeds and the property's carrying value. This positive result is reflective of NAMA value adding activities in recent years.

**Interest, fee & other income** amounted to €9m. This is mainly comprised of fee income.

**Administration expenses** amounted to €63m for 2020 (2019: €67m). For 2020, the level of costs represents 7% of cash received. From inception to 31 December 2020, NAMA's total expenses paid to fund income generation amount to €1,258m representing 2.7% of total cash generation.

## NAMA's cash generation from debtor loans

| | 2020<br>€m | 2019<br>€m | Inception to end-2020<br>€m |
|---|---|---|---|
| Disposals of underlying collateral | 920 | 1,330 | **35,325** |
| Disposals of loans | - | 13 | **10,907** |
| **Total Proceeds** | **920** | **1,343** | **46,232** |

Disposal and non-disposal receipts during 2020 totalled €0.9 billion (2019: €1.3 billion), comprising receipts from property collateral disposals and loan refinances of €0.9 billion (2019: €1.3 billion), there were no receipts from loan sale transactions in 2020 (2019: €0.01 billion).

The value of disposal receipts is projected to be lower in 2021 due to a combination of the reducing size of NAMA's balance sheet and the continuing impact of Covid-19 restrictions on NAMA's ability to monetise the portfolio.

## Loan portfolio

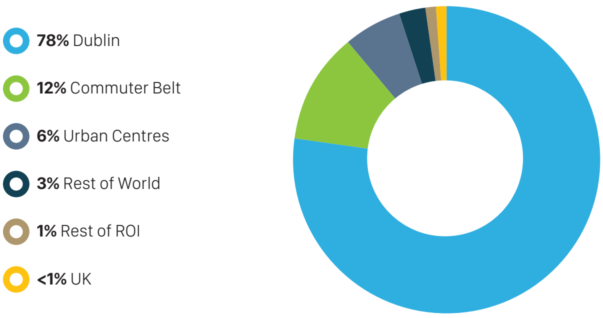
NAMA acquired loans from the participating institutions for a consideration of €31.8 billion. This acquisition value is the amount NAMA originally recognised on its statement of financial position as being the carrying value for those debtor loans. Debtors are legally obliged to repay the loan par value as per the original loan agreements with the participating institutions. NAMA's carrying value of loans at end-2020 was €0.9 billion (2019: €1.2 billion).

A summary of the movement in debtor loans for the reporting period is provided below:

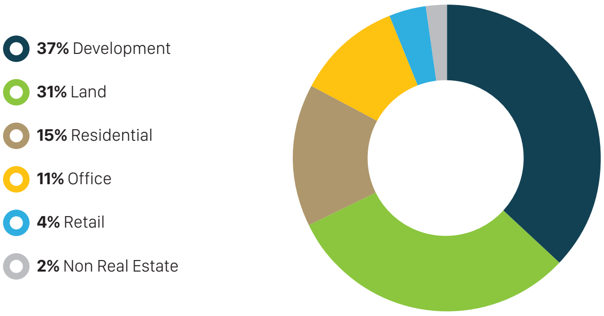
| **Movement in carrying value of debtor loans** | **2020<br>€m** | **2019<br>€m** |
|---|---|---|
| **Debtor loans at 1 January** | 1,227 | 1,925 |
| Receipts on debtor loans | (856) | (1,203) |
| Advances to borrowers | 247 | 411 |
| Transfer to trading properties | – | (151) |
| Other movements on debtor loans | (4) | 9 |
| Profit on disposal and refinancing of debtor loans | 87 | 6 |
| Net fair value gains on debtor loans | 149 | 230 |
| **Debtor loans as at 31 December** | **850** | **1,227** |

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

**Remaining portfolio by geography 31 December 2020**



**Remaining portfolio by sector 31 December 2020**



## Rate of return benchmark

In 2014, the NAMA Board approved an entity return on investment (EROI) target benchmark of 20%. The projected return as at end-2020 was 38%.

The EROI is calculated based on the comparison of NAMA's projected €4.25 billion terminal surplus position 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.

Following a successful asset management and deleveraging programme and subject to market conditions, the acquired portfolio (excluding state aid) forecast internal rate of return (IRR), excluding costs, to the end of NAMA's lifespan is circa 12.8% per annum as at end-2020.

The projected return based on the total cost to acquire the portfolio, including state aid of €5.6 billion, is 6% per annum. This compares favourably to the expected rate of return when NAMA was established of 5%.

# 4

# NAMA Organisation

# NAMA Organisation

## A committed team with a diverse range of skills and experience

### Organisational Structure

NAMA is organised across four main divisions, each of which is managed by a member of the Executive Team.

- **Chief Executive Officer**
  - Chief Commercial Officer
  - Chief Financial Officer
  - Chief Legal Officer
  - Head of Strategy & Communications

### Chief Commercial Officer

The Chief Commercial Officer oversees three business units in NAMA: Residential Delivery; Asset Recovery; and Asset Management.

These business units are responsible for the intensive management and phased deleveraging of assets securing NAMA's loans. They work closely with debtors, receivers and joint venture partners so as to identify, develop and manage secured assets and investments where value can be added and future cashflow enhanced, thus supporting the achievement of NAMA's wider strategic objectives. In this context, they facilitate new residential and commercial development where commercially viable.

### Chief Financial Officer

The CFO division has direct responsibility for managing the organisation's financial and operational requirements. The division provides financial leadership and acts as a specialist business partner to the wider NAMA organisation.

The CFO division incorporates a wide range of business functions with operational and strategic responsibilities including finance, audit & risk, systems, operations, tax and corporate change.

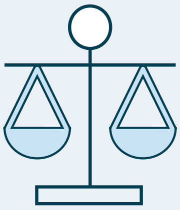
## Organisational Structure (Continued)

**Chief Executive Officer**
- Chief Commercial Officer
- Chief Financial Officer
- Chief Legal Officer
- Head of Strategy & Communications

### Chief Legal Officer

The Legal division provides independent advice to the Board, CEO and to the other NAMA business divisions on the wide spectrum of legal issues affecting the Agency and its operations. The division comprises a wealth of expertise spanning commercial property, banking, insolvency, litigation and other legal areas.

The Legal division supports NAMA's regulatory and compliance obligations, including responsibility for NAMA procurement, Freedom of Information and the General Data Protection Regulation (GDPR).



### Head of Strategy & Communications

The Strategy and Communications division is responsible for the ongoing monitoring and evaluation of NAMA's strategy to ensure that it remains appropriate in the context of NAMA's objectives.

The division has overall responsibility for the Agency's communications and public affairs activity. This involves co-ordination of NAMA's interaction with the media and engagement with Oireachtas members and committees. The division also manages NAMA's wider public engagement, including the preparation of NAMA publications.

## Staff Resources

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.

The number of NTMA staff assigned to NAMA at the end of 2020 was 174. This figure includes 20 employees leaving during 2021 as part of NAMA's voluntary redundancy scheme.

### Gender balance, diversity and inclusion

Equality of opportunity and diversity is a priority in NAMA to foster a supportive and positive work environment for all staff. In this context, NAMA adheres to the statutory obligation on public bodies, under Section 42 of the Irish Human Rights and Equality Commission Act 2014, to eliminate discrimination, promote equality of opportunity and protect human rights of staff and service users.

Gender balance at all levels of the Agency is an issue of particular importance to NAMA. The breakdown of NAMA staff by gender is relatively even with;

**52%** males and;

**48%** females at the end of 2020.

Of the seven ministerial appointees to the NAMA Board, four (57%) are female. Various initiatives have been introduced (via the NTMA) over recent years to encourage gender balance, including:

- **The Gender Matters programme**
- **NTMA Women's Network**
- **Membership of the 30% Club**
- **Compulsory unconscious bias training for all management and staff**

Other diversity and inclusion initiatives include; the Disability Awareness Team, the LGBT+ Network, and engagement with Specialisterne, an organisation which empowers people on the autism spectrum.

### Operational resilience during Covid-19

NAMA employees have predominantly been working remotely since March 2020. This has necessitated quickly embracing innovative methods of working as well as new technologies to support effective communication and engagement.

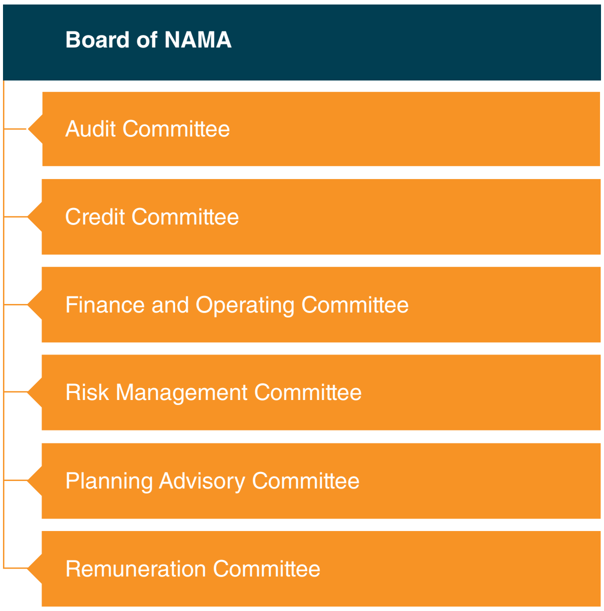
Staff have demonstrated flexibility with the new working environment and ongoing commitment to NAMA's goals. Accordingly, despite the impact of Covid-19 and remote working arrangements, NAMA has remained fully operational and progress towards the achievement of NAMA's objectives remains robust.

# 5

# Governance

# Governance

## Board and Committees of the Board



Pursuant to Section 19 of the National Asset Management Agency Act 2009 (the "Act"), the Board comprises a Chairperson and up to eight members. The Chairperson and six members are appointed by the Minister for Finance while the Chief Executive Officer of NAMA and Chief Executive of the NTMA are ex-officio members of the Board. The Board's principal functions are set out in 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.

As of December 2020, the Board comprised nine members. Details of Board members and appointments are set out on pages 43 to 45.

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 2020 the Board met on 21 occasions while the six committees of the Board met on 47 occasions. Details of Board and committee member attendance at meetings are outlined on page 42.

In accordance with Section 32 of the Act, the Board established four statutory committees: Audit Committee, Credit Committee, Finance and Operating Committee, and Risk Management Committee. The Board also established three committees under Section 33: the Planning Advisory Committee, the Remuneration Committee, and the Northern Ireland Advisory Committee, the latter of which was subsequently dissolved on 8 September 2014 following sale of the loans of Northern Ireland debtors.

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.

## Schedule of Reserved Matters

Under Section 18 of the Act, the Board is responsible for ensuring the functions of NAMA are performed effectively and efficiently. The Board may delegate performance of its functions to an officer of NAMA. The Board has approved a Schedule of Reserved and Delegated Matters as part of a comprehensive formal delegation of Board functions and powers to the Chief Executive Officer. This was most recently approved by Board in October 2020. The Chief Executive Officer may sub-delegate some functions to a member of the Senior Executive Team under his overall control and supervision. The Board has also approved delegations of functions in a Delegated Authority Credit Policy and Balance Sheet Policy.

## Board Delegated Authority Policy

The Board has delegated certain credit decisions to the Credit Committee and Senior Executive Team through its Delegated Authority Credit Policy, which is subject to regular review. Under this policy, the Board has set varying authority levels for approving proposals. These depend on the debtor's total financial exposure, the value of the transaction and on whether or not new funds have been requested. Under the Delegated Authority Credit Policy, lower level authorities may refer their decisions to higher level authorities if a second opinion is deemed desirable or where there is a conflict of opinion.

## Board and Committee Evaluation

The Board and each committee undertake a self-assessment evaluation annually in relation to the effectiveness and efficiency of its decision making. In accordance with Section 4.6 of the Code of Practice for the Governance of State Bodies 2016, the Board undertakes an external evaluation approximately every three years. An external evaluation, conducted by Governance Ireland, was conducted during 2020, for the period to end-2019. An internal evaluation was conducted during Q1 2021 for the period to end-2020.

## Board responsibility for Preparation of Annual Report & Financial Statements

The Board is responsible for preparing the 2020 Annual Report and Financial Statements and following detailed review and having regard to the recommendations of the Audit Committee[5], the Board considers that the Financial Statements represent a true and fair view of NAMA's financial performance and financial position at year-end 2020.

### Attendance at Board and Board Committee Meetings in 2020

| | Board | Audit | Credit | Finance and Operating | Risk Management | Planning Advisory | Remuneration |
|---|---|---|---|---|---|---|---|
| Aidan Williams | 21 | | 1(i) | | | 4(ii) | 3 |
| Brendan McDonagh | 21 | | 19 | 5 | 6 | 6 | |
| Conor O'Kelly | 17 | | | | 5 | 1 | 3 |
| Oliver Ellingham | 20 | 8 | 17 | | | | |
| Mari Hurley | 21 | | 17 | 5 | | | 3 |
| Eileen Maher | 21 | 8 | 1(i) | 5 | 6 | | |
| Michael Wall | 21 | 8 | 19 | | | 6 | 3 |

**External Members:**

| | Board | Audit | Credit | Finance and Operating | Risk Management | Planning Advisory | Remuneration |
|---|---|---|---|---|---|---|---|
| Liam Gallagher | | 7 | | | | | |
| Alice Charles | | | | | | 4(iii) | |
| Charlotte Sheridan | | | | | | 6 | |

(i) Aidan Williams and Eileen Maher are not members of the Credit Committee however were additional attendees for one meeting in 2020.

(ii) Aidan Williams is not a member of the Planning Advisory Committee however was an additional attendee for four meetings in 2020.

(iii) Alice Charles' term on the Planning Advisory Committee concluded on 26 October 2020.

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[5] *In addition to the Audit Committee, the Risk Management Committee also has a role in the review of the Statement of Internal Control*

# Board Members

## Mr Aidan Williams
Chairman

**LENGTH OF SERVICE**

Originally appointed as a Board Member on 2 April 2019 and appointed as NAMA Board Chairman on 20 December 2019 for a 5-year term.

**BIOGRAPHY**

Aidan Williams has had a long career in the financial services industry both in Ireland and the UK with experience in international capital markets, investment banking, fund management and stockbroking. He is the current Chairman of UniCredit Bank Ireland plc and sits on the boards of other financial services companies. Mr Williams holds a diploma in Company Direction from the Institute of Directors in London, is a Fellow of the Chartered Institute for Securities & Investment and is a former Registered Stockbroker of the Irish Stock Exchange. He is a member of the Institute of Directors in Ireland and the Irish Fund Directors Association.

**COMMITTEE MEMBERSHIP**

- Member of the Remuneration Committee

## Mr Brendan McDonagh
Chief Executive Officer

Mr McDonagh's role as an ex-officio Board member commenced on 22 December 2009 following his appointment as NAMA Chief Executive Officer.

Brendan McDonagh was appointed Chief Executive Officer 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.

- 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

## Mr Oliver Ellingham

Appointed 10 April 2013 for a 5-year term and re-appointed for a 5-year term on 10 April 2018.

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 owner of Ellingham Limited. He has served as a board member of Eurobank Cyprus since April 2014, chairing their Risk Committee until February 2020, when he became Chairperson of the Board.

- Chairperson of the Audit Committee
- Member of the Credit Committee

# **Board Members** Continued

## Ms Mari Hurley

**LENGTH OF SERVICE**

Appointed 8 April 2014 for a 5-year term and re-appointed for a 5-year term on 8 April 2019.

**BIOGRAPHY**

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

**COMMITTEE MEMBERSHIP**

- Chairperson of the Remuneration Committee
- Chairperson of the Credit Committee
- Member of the Finance and Operating Committee

## Ms Eileen Maher

Appointed 3 July 2018 for a 5-year term.

Eileen Maher is an experienced strategic advisor with commercial, transformation, regulatory and legal expertise. She holds a Bachelor of Commerce degree and MBS from University College Galway and is a member of the Institute of Directors in Ireland. She has a track record for developing and executing key strategic infrastructure projects as well as negotiating commercial joint ventures, partnerships and acquisitions. She worked in the telecoms industry for 30 years. Ms Maher is also a member of the Board of Eirgrid and the Compliance Committee of the Broadcasting Authority of Ireland. She was the Director of Strategy and External Affairs in Vodafone and a member of the Vodafone Ireland Executive Board.

- Chairperson of the Finance and Operating Committee
- Chairperson of the Risk Management Committee
- Member of the Audit Committee

## Mr Conor O'Kelly

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

Conor O'Kelly was appointed Chief Executive of the National Treasury Management Agency (NTMA) in January 2015. He is the former Deputy Chairman of Investec Holdings (Ireland) Ltd. Prior to that he was Chief Executive Officer of NCB Group and in 2003, he 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. Mr O'Kelly 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.

- Board member (ex-officio)
- Member of the Risk Management Committee
- Member of the Remuneration Committee

## Ms Davina Saint

**LENGTH OF SERVICE**

Appointed 22 December 2020 for a 5-year term, commencing 18 January 2021.

**BIOGRAPHY**

Davina Saint is a senior level banking executive and qualified solicitor, experienced in the structuring and execution of complex corporate finance transactions. Ms Saint has extensive legal experience with 19 years as the Head of Legal and General Counsel for BNP Paribas' operations in Ireland. Ms Saint is both a Chartered Director and a Certified Bank Director and has built corporate governance and risk management experience across multiple boards and executive committees. Ms Saint is a graduate of the London School of Economics and started her career in the City of London. She is currently the Independent Chair of Business to Arts, an organisation that builds creative partnerships between arts and business and also a director of the Dublin IFSC Inner City Trust.

**COMMITTEE MEMBERSHIP**

- Member of the Credit Committee
- Member of the Planning Advisory Committee
- Member of the Risk Management Committee

## Ms Charlotte Sheridan

Appointed 22 December 2020 for a 5-year term.

Charlotte Sheridan is a registered architect and town planner specialising in urban regeneration, housing, sustainable communities and collaborative planning in towns and cities in Ireland, with past experience in London and Berlin. Ms Sheridan is a member of the Royal Institute of Architects of Ireland (RIAI) and the Irish Planning Institute (IPI), with over 20 years' professional experience as a director of Sheridan Woods, an architecture and urban planning practice. She is a non-executive director and board member of the RIAI.

- Member of the Planning Advisory Committee
- Member of the Audit Committee
- Member of the Finance and Operating Committee

## Mr Michael Wall

Appointed 3 July 2018 for a 5-year term.

Michael Wall is a barrister specialising in planning, environmental and construction law. He is a former member of the board of An Bord Pleanála and has worked as an architect in private practice and in project management. He is a Fellow of the Royal Institute of Architects of Ireland. Mr Wall has an MBA from University College Dublin as well as degrees in architecture, planning and law. He is Chairman of the Irish Georgian Society, a board member of both the Abbey Theatre and Irish National Opera and is a director of the Sustainable Energy Authority of Ireland.

- Chairperson of the Planning Advisory Committee
- Member of the Credit Committee
- Member of the Remuneration Committee
- Member of the Audit Committee

Governance

# Reports from Chairpersons of NAMA Committees

## Audit Committee

**Oliver Ellingham |** Chairperson

Pursuant to Section 32 of the Act, the Board established an Audit Committee which operates to Board-approved Terms of Reference.

**The Audit Committee is comprised of the following members:**

- Oliver Ellingham (Chairperson, Board member)
- Eileen Maher (Board member)
- Michael Wall (Board member)
- Charlotte Sheridan (Board member, appointed January 2021)
- Liam Gallagher (External member)

Mr Gallagher is a former senior official with the Revenue Commissioners. Mr Gallagher held the role of Director of Internal Audit for the Office of the Revenue Commissioners from 2015 to 2018. Mr Gallagher is also a member of the Audit and Risk Committee for the Teaching Council of Ireland.

Under Section 32(2) of the Act, the Audit Committee shall comprise six members, two of whom are external to NAMA and are appointed by the Minister. The remaining four members are appointed by the Board from among its members.

The Committee met on eight occasions in 2020.

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

- The quality and 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" and "Protected Disclosures", 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 2020 were as follows:**

### 1. Financial reporting

The impact of the Covid-19 pandemic has been a key consideration of the Committee across all of its activities. 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 the areas of major judgements and disclosures in relation to Covid-19 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 the C&AG during 2020. Mazars continued as NAMA's Statutory Auditor. The Committee reviewed the external audit plans in advance of both statutory and external audits. The Committee also met with both the external and statutory auditors to review the findings from their audits of the financial statements.

### 3. Internal audit

Throughout the year, 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 ongoing basis, the Committee ensures 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, external and statutory auditors.

### 4. Internal controls

Another area of attention of the Committee is evaluating NAMA's 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 NAMA's Service Providers who are benchmarked against agreed targets.

### 6. Committee Interactions

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 auditors, 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.

### Expectations for 2021

The ongoing impact of Covid-19 on NAMA's control environment and on its financial reporting will remain a key focus for the Committee in 2021. The Committee will continue to provide a robust challenge to the key judgements included in the financial statements. The provision of the Internal Audit Services contract expires in Q2 2021 and a tender process commenced in February 2021 for the provision of this service.

**Oliver Ellingham**
Chairperson

## Credit Committee

**Mari Hurley |** Chairperson

Pursuant to Section 32 of the Act, notwithstanding that the Board retains ultimate responsibility for the credit risk of NAMA, the Board established a Credit Committee operating under its delegated authority. In accordance with Section 32(6) of the Act, the Credit Committee operates to Board-approved Terms of Reference.

**The Credit Committee is comprised of the following members:**

- Mari Hurley (Chairperson, Board member)
- Oliver Ellingham (Board member)
- Michael Wall (Board member)
- Davina Saint (Board member, appointed January 2021)
- Brendan McDonagh (Chief Executive, NAMA and ex-officio Board member)
- Alan Stewart (Chief Legal Officer)
- Noelle Condon (Chief Financial Officer)
- John Collison (Chief Commercial Officer)

**The following member resigned from the Committee:**

- Connor Owens (former Head of Asset Management and Recovery, NAMA) resigned from the Committee in October 2020, consequent on his departure from the Agency.

The Committee convened on nineteen occasions in 2020, typically meeting on a fortnightly basis or more or less frequently as required. The Credit Committee plays a critical role in advising the Board on NAMA credit policy and in ensuring that credit decision making in relation to debtors is consistent with Board policy.

The Credit Committee is responsible for the approval or rejection of credit applications within its delegated authority level (below Board level delegated authority but exceeding the credit approval authority delegated to the NAMA Chief Executive and Chief Commercial Officer by the Board). The Committee is required to operate in a considered and timely manner in order to support efficient credit-related decision making with respect to NAMA's 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 within the Committee's delegated authority, noting that it may approve/decline and/or amend same 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 2020 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 with a minimum NAMA debt level of €20m).
3. Assessing, recommending and approving 14 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. Six papers were reviewed by the Committee for recommendation to the Board (including the recommendation to award preferred bidder status to Ronan Group Real Estate and Oaktree Capital Management for Project Pembroke). Additionally, the Committee oversaw 273 individual credit decisions made within the CEO and Chief Commercial Officer'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.
7. Regular review of progress on business plans of social and economic importance; in particular, those relating to Residential Delivery and the Dublin Docklands SDZ.

2021 is expected to be another active year for the Credit Committee as NAMA endeavours to maximise value from the remaining portfolio by supporting active management of NAMA debtors and receivers in relation to underlying security (obtaining planning approvals, remediating infrastructural deficits etc.) and continues its deleveraging activity through the processing of a high volume of relatively lower value credit decisions required to meet cash generation targets.

The Credit Committee continues to ensure adherence to the Board's policy in funding development on commercially viable residential sites while ensuring that deleveraging activity continues in a timely manner.

The Credit Committee, taking cognisance of NAMA's commercial mandate and its Section 10 objective to maximise returns for the State, 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.

**Mari Hurley**
Chairperson

## Finance and Operating Committee

**Eileen Maher |** Chairperson

Pursuant to Section 32 of the Act, the Board established a Finance and Operating Committee which operates to a Board-approved Terms of Reference.

The Finance and Operating Committee comprises three non-executive Board members, one ex-officio Board member and three senior NAMA executives.

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

- Eileen Maher (Chairperson, Board member)
- Mari Hurley (Board member)
- Charlotte Sheridan (Board member, appointed to the Committee in January 2021)
- Brendan McDonagh (Chief Executive, NAMA and ex-officio Board member)
- Noelle Condon (Chief Financial Officer)
- John Collison (Chief Commercial Officer)
- Jamie Bourke (Head of Strategy & Communications)

The Committee met on five occasions in 2020.

**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:**

1. 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).
2. Oversight of the preparation of information for management to include management accounts, budgetary analysis and financial performance.
3. The review of performance and variance against budget and prior year performance.
4. Approving major capital expenditure and investment.
5. The management of procurement.
6. Oversight of service providers (other than those whose oversight is reserved specifically to other Board committees)

The 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.

A key consideration for the Committee during the year was Covid-19. The Committee assessed the potential impact of this on NAMA's financial position and was kept updated during the year on the impact of Covid-19 on cash flows as well as some new procedures put in place due to Covid-19. The Committee was also kept up to date on key operational and systems updates to support corporate knowledge management and document management activities.

In 2021, the Committee will continue to receive updates on key operational projects and NAMA's performance against budget.

**Eileen Maher**
Chairperson

## Risk Management Committee

**Eileen Maher |** Chairperson

Pursuant to Section 32 of the Act, the Board established a Risk Management Committee which operates to Board-approved Terms of Reference.

**The Risk Management Committee is comprised of the following members:**

- Eileen Maher (Chairperson, Board member)
- Brendan McDonagh (Chief Executive Officer, NAMA and ex-officio Board member)
- Conor O'Kelly (Chief Executive, NTMA and ex-officio Board member)
- Noelle Condon (Chief Financial Officer)
- John Collison (Chief Commercial Officer) appointed October 2020
- Davina Saint (Board member) appointed January 2021

**The following members resigned from the Committee:**

- Connor Owens (former Head of Asset Management and Recovery) resigned from the Committee in October 2020, consequent on his departure from the Agency.

The Committee met on six occasions in 2020.

**The overarching purpose of the Risk Management Committee is to embed and oversee the implementation of the Board approved risk policies and tolerances.**

The Committee is responsible for the ongoing review and oversight of the risk profile of NAMA within the context of the approved risk tolerance and its principal responsibilities include:

- Reviewing and overseeing the Executive Team's plans for the identification, management, reporting and mitigation of the Principal Risks faced by NAMA.
- 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.
- 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 2020 were as follows:**

1. The 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 could seriously impact NAMA's ability to achieve its objectives, including its solvency, liquidity, performance or reputation.

   The identification and assessment of Principal Risks is an ongoing process which responds to changes in strategy, business objectives and the external environment. The Committee was briefed on particular Principal Risks or specific elements of such risks by a subject matter expert, where appropriate, to ensure all aspects of the Principal Risks were considered.
2. A key focus for the Committee during the year was the oversight of NAMA's strategic transactions including: the redemption of NAMA's €1.064 billion remaining subordinated debt to leave NAMA debt-free in March; the acquisition of the shares in NAMAI that were held by the Private Investors to give the State 100% ownership of NAMA in May; and the transfer of €2 billion of NAMA's projected terminal surplus to the Exchequer in June. The acquisition of the shares held by the private investors and the transfer of the €2 billion to the Exchequer were achieved with staff working remotely.
3. Integration of risk related data sources such as incident reporting, key 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 pursuit 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.
4. The composition of the NAMA balance sheet (and associated risks) was monitored throughout 2020. 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 an acceptable level having regard to the balance sheet and changes in the underlying NAMA loan portfolio, interest rate and reducing foreign exchange exposures.
5. The Committee regularly reviewed Divisional Risk Registers, which were continually updated during 2020, and which include operational risks inherent to the business of NAMA. Each division presented at least one review of their risk register during the year to identify new and emerging risks, redundancy or changes in existing risks. The Committee continued to regularly review the risk registers of the Service Providers 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 ongoing risk awareness training for NAMA employees. The Committee was supported in this effort by Audit and Risk (CFO) which ensured that the material and emerging risks were reported and considered by the Committee.
6. The impact of Covid-19 and its potential impact on NAMA's objectives was a key area of focus for the Committee and NAMA Board during the year. There was increased reporting from the business to the Board around the impact of Covid-19 with weekly reports throughout the initial period of the pandemic, focusing on its impact across the business and the management actions and risk mitigants put in place.

### Expectations for 2021

The focus on the impact of Covid-19 and the continuing review of Principal Risks will remain a priority for the Committee in 2021, ensuring that risks remain under constant review and that the Board is advised of any updates or changes in those risks in a timely and thorough manner.

The Risk Appetite Statement, linked to the Principal Risks, is monitored and reported at regular intervals to the Committee.

**Eileen Maher**
Chairperson

## Planning Advisory Committee

**Michael Wall |** Chairperson

The purpose of the Planning Advisory Committee is to advise the Board on planning, land-use and related legislative and case law matters that may have an impact on the realisation of the value of NAMA assets and thereby affect the achievement of NAMA's purpose and functions as set out 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 the following members:**

- Michael Wall (Chairperson, Board member)
- Brendan McDonagh (Chief Executive Officer, NAMA and ex-officio Board member)
- John Collison (Chief Commercial Officer) appointed October 2020
- Charlotte Sheridan (Board Member)
- Davina Saint (Board member) appointed January 2021

**The following members resigned from the Committee:**

- Connor Owens (former Head of Asset Management and Recovery, NAMA) resigned from the Committee in October 2020, consequent on his departure from the Agency.
- Conor O' Kelly (Chief Executive, NTMA and ex-officio Board member) resigned from the Committee in January 2021.
- Alice Charles' (External member) term on the Planning Advisory Committee concluded in October 2020.

The Committee met on six occasions during 2020.

**The principal activities of the Committee in 2020 were as follows:**

During 2020, the Committee continued to focus on NAMA assets located within key development areas, such as Poolbeg West SDZ and Dublin Docklands SDZ and in key residential locations where NAMA holds security. The Committee advised on NAMA's external engagement strategy, primarily with planning authorities, the Office of the Planning Regulator, the Department of Housing, Local Government and Heritage and infrastructure providers such as Irish Water and the National Transport Authority.

**The Committee provided information to NAMA on:**

- the continued implementation of the Strategic Housing Delivery (SHD) legislation where residential applications for over 100 units are lodged directly to An Bord Pleanála;
- the planning status of the Poolbeg lands, including the grant of planning permission for phase 1 infrastructure and the approval plan by Dublin City Council of the Poolbeg West masterplan;
- where NAMA security entered (or was proposed to be entered) on the Vacant Sites Register;
- the adoption of the Co-Living Housing model and related legislative change in late 2020;
- outcomes of Judicial Reviews of planning decisions that are of relevance to NAMA assets;
- the content and relevance to NAMA of the Regional Spatial and Economic Strategies (RSES);
- the availability of the Urban Regeneration and Development Fund and its potential impact on NAMA projects;
- Urban Development and Building Heights Guidelines, in particular their application to SDZs;
- the housing policy manifestos of the main political parties;
- the annual report of the Department of Housing, Local Government and Heritage;
- the legislation introduced in response to the Covid-19 emergency;
- the relevant detail of the Programme for Government adopted in July 2020; and
- updates with regard to specific NAMA assets, in particular in the Docklands, Kilternan and Celbridge.

The Committee continues to advise and guide NAMA's participation in a number of social housing initiatives including its liaison with the Housing Agency, local authorities and approved housing bodies to provide residential units for social housing purposes. The Committee provides oversight of the development of the long-term leasing of residential properties via National Asset Residential Property Services D.A.C. (NARPS), a NAMA SPV established to expedite the delivery of social housing. Since the inception of NAMA, 2,614 units have been delivered for social housing, either through direct sales by NAMA debtors or receivers or long-term leasing through NARPS. This figure has considerably exceeded the initial targets set by Government in 2011.

Significant progress has been made in relation to resolving unfinished housing estates. NAMA continues to fund site resolution plans being undertaken by debtors/receivers, with a particular emphasis on health and safety compliance. As NAMA has deleveraged, its exposure in this area has reduced substantially and, as of January 2021, only two estates out of the original total of 335, remain to be resolved although resolution plans are in place and it is anticipated these will be realised in early course.

The Committee provides guidance in relation to facilitating the delivery of the targeted 20,000 new homes (assuming commercial viability). The Committee monitored the significant progress made in 2020, despite the government shut down of sites due to the Covid-19 pandemic. In carrying out its functions, the Committee is greatly assisted by the knowledge and support of the NAMA Planning, Residential Delivery and Social Housing teams.

**Michael Wall**
Chairperson

## Remuneration Committee

**Mari Hurley |** Chairperson

The Committee was established in June 2016, with formal Terms of Reference approved by the Board in September 2016. The Terms of Reference have been reviewed annually, most recently in March 2021.

**The Remuneration Committee is comprised of the following members:**

- Mari Hurley (Chairperson, Board member)
- Aidan Williams (Chairperson of the Board)
- Michael Wall (Board member)
- Conor O'Kelly (Chief Executive, NTMA and ex-officio Board member)

The Committee met on three occasions in 2020.

Without prejudice to the role of the NTMA as employer of the NAMA Officers, the NAMA Board is responsible for NAMA's overall Remuneration Policy and any performance related pay/ retention and redundancy schemes for NAMA officers and is guided in its responsibilities by the advice and recommendations of the NAMA Remuneration Committee.

**The principal responsibilities of the Remuneration Committee include to:**

1. Review and make recommendations to the NAMA Board on NAMA's overall remuneration policy.
2. Review and make recommendations to the NAMA Board on any redundancy, retention and/or performance related pay schemes for NAMA Officers and on the total annual payments to be made under any such schemes.
3. Make recommendations to the NAMA Board on the remuneration of the NAMA Chief Executive Officer and Executive Team and any changes thereto having regard, inter alia, to government policy and the requirements of the Code of Practice for the Governance of State Bodies 2016 in relation to such remuneration.
4. Obtain reliable, up-to-date information about remuneration in other bodies of comparable scale and complexity. To help it fulfil its obligations, the Committee may appoint remuneration consultants and commission or purchase reports, surveys or information it deems necessary at NAMA's expense but within budgetary constraints set by the Board.
5. Be exclusively responsible for establishing the selection criteria, selecting, appointing and setting the Terms of Reference for any remuneration consultants who advise the Committee.
6. Monitor succession planning of the NAMA Chief Executive Officer and Executive Team and the development of current and future leaders of the organisation.
7. Review the criteria and oversight arrangements relating to remuneration matters for NAMA Officers which are agreed from time to time between the NAMA Chief Executive Officer and the NTMA.

Responsibility for agreeing with the NTMA on behalf of NAMA the contract terms (including remuneration) which are to apply for any individual employee has been delegated by the Board to NAMA Chief Executive Officer who in this regard, must comply with the terms of the Remuneration Policy and any other relevant decisions of the NAMA Board/NAMA Remuneration Committee.

The Remuneration Committee reviewed and approved HR and remuneration matters during 2020.

The Chairperson reports to the Board on the key aspects of the Committee's proceedings.

**Mari Hurley**
Chairperson

# Code of Practice for the Governance of State Bodies 2016

## Governance

At its inception, NAMA adopted the 2009 Code of Practice for the Governance of State Bodies ("2009 Code") as adapted to its particular governance structure and the statutory requirements of the Act.

The revised Code (the "Code") was launched by the Minister for Public Expenditure and Reform in August 2016 with an effective date of 1 September 2016. The revised Code represents a substantial revision of the 2009 Code to take account of governance developments, public sector reform initiatives and stakeholder consultations. The existing State Code has been supplemented by a new Annex issued in September 2020 on "Gender Balance, Diversity and Inclusion".

The provisions of the Code do not override existing statutory requirements and obligations imposed by, inter alia, the Companies Acts, Ethics legislation, Standards in Public Office legislation, employment legislation or equality legislation or the statutory provisions of the NAMA Act 2009. The NAMA Act sets out a detailed and extensive statutory framework which provides a number of governance measures equivalent to the provisions of the Code, including, inter alia, the preparation of strategic plans, the framework for Department of Finance oversight, periodic reviews of NAMA, reporting and accounting obligations, arrangements relating to Board membership and appointment of the Chief Executive Officer and the system for providing staff to NAMA.

## Statement of Compliance

NAMA has implemented the Code subject to a limited number of explanations (as provided for in the 'comply or explain' approach to adopting the Code) all of which were notified and agreed in writing with the Department of Finance. In each case, these explanations achieve the objectives of the Code through alternative statutory or governance measures as summarised below:

- NAMA submits a Section 53 Annual Statement to the Minister under the NAMA Act, setting out its strategic plans.
- The Code requires the submission to the Minister of a confidential annual report conforming to specific reporting requirements in the Business and Reporting Requirements section of the Code. This is achieved through a slightly amended comprehensive report, as well as reference to points in the annual report.
- Following a public procurement process, NAMA's internal auditors undertake a periodic review of the effectiveness of the risk management framework, in lieu of the periodic external review.
- With regard to Audit and Risk Committee members, while NAMA will endeavour to comply with the Code, the provisions of the Act take precedence over the Code.
- NAMA's statutory oversight and reporting framework under the Act takes precedence over the corresponding provisions of the Code.
- In relation to Procurement, please see the Statement on Internal Control for details.
- Section 12 of the Act gives NAMA the power to acquire or dispose of property, taking precedence over the corresponding provisions of the Code on acquisition of land, buildings or other material assets.
- The Public Spending Code is not directly applicable to NAMA. In order to apply the best practice financial and economic appraisal principles contained in the Public Spending Code, NAMA utilises a range of market standard appraisal methods and techniques.
- NAMA has adopted policies with regard to business travel which comply with the economy and efficiency principles of the Code. NAMA does not provide subsistence claims to its officers but operates a vouched expense process for the re-imbursement of travel expenses and Department of Public Expenditure and Reform circulars and office notices regarding subsistence are therefore not applied. Revenue approved civil service mileage rates (reflecting Circular 07/2017) are applied.
- With respect to the diversification and establishment of subsidiaries and acquisitions by State Bodies, NAMA is governed by Sections 11 and 12 of the Act, which take precedence over corresponding provisions of the Code.
- NAMA does not operate its own pension scheme; therefore the relevant Code provisions thereon do not apply.
- NAMA applies its own internal Board-approved policies for tax compliance.
- Certain arrangements relating to Board membership and appointment of the Chief Executive Officer, and the system for providing staff to NAMA, have been implemented subject to the NAMA Act, the NTMA Act, and via Executive Committees.
- NAMA does not provide services to the general public; hence no customer charter is required.

Where necessary as part of its implementation of the Code, NAMA has put in place arrangements to ensure its compliance with the Code. NAMA reviews its policies and procedures on a periodic basis to ensure compliance with the Code and principles of good corporate governance. The Board's adoption of the Code will evolve in line with good corporate governance practices.

# Disclosure and Accountability

## Disclosure requirements

NAMA Board members are subject to a number of disclosure of interests requirements including Section 30 and 31 of the Act, Section 17 of the Ethics in Public Office Act 1995 and Section 5.8 of the Code of Practice for the Governance of State Bodies 2016.

Section 30 of the Act 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 Section 17 of the Ethics Acts in respect of the disclosure of interests.

NAMA Board and Committee members are also required to comply with Section 5.8 of the Code of Practice for the Governance of State Bodies 2016.

## 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 - Conduct of Officers of NAMA approved by the Minister for Finance under Section 35 of the Act, which sets out 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 regular compliance training is mandatory for all 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 for Finance 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 for Finance, 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 for Finance, under Section 53 of the Act, 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 Officer and the Chairman, whenever required by the Committee of Public Accounts, attend and give evidence. The Chief Executive Officer and the Chairman also appear before other committees of the Oireachtas whenever required to do so.
5. The Minister for Finance 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 in accordance with Section 35 of the Act to govern certain matters including 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 for Finance and are published on www.nama.ie/about-us/governance/codes-of-practice-and-conduct.
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 reviews progress every five years and the C&AG every three years. The C&AG's first, second and third Section 226 Progress Reports on NAMA were published in May 2014, June 2018 and July 2020 respectively. The Minister's first Section 227 Review was published in July 2014 and second was published in July 2019.

# Risk Management

## Principal risks and uncertainties

NAMA is exposed to a wide variety of risks which have the potential to impact the financial and operational performance of the Agency and its reputation. The NAMA Risk Management Policy 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 the Minister of Finance's expectation of NAMA's remaining projected surplus. If there were a downturn in the Irish economy and property market, cash flows realised by NAMA assets could be lower than projected.

### 2. Human capital risk

If there is a material loss of human capital, and in particular, key senior staff with specialist expertise and experience, it increases the risk of the Agency not achieving its objectives. A failure to attract, motivate and retain key staff with requisite experience and expertise could result in corporate knowledge loss, capacity constraints to maximise asset realisation values and potentially lower asset realisation values as a result.

### 3. Dublin Docklands SDZ and Poolbeg West SDZ risks

This is the risk that NAMA fails to deliver on either of its plans for the Dublin Docklands SDZ or the Poolbeg West SDZ. NAMA may not achieve its objectives, including the NAMA Act statutory requirement to obtain the best achievable financial return for the State, if certain risks materialise such as delays in the receipt of planning permission, delivery of supporting infrastructure, construction risk or contractor failure/poor workmanship.

### 4. Residential development risks

If NAMA fails to deliver on its target to facilitate the completion of 20,000 new residential units, subject to commercial viability, there may be a significant reputational and financial impact on NAMA's ability to achieve its objectives including the Section 10 NAMA Act statutory requirement to obtain the best achievable financial return for the State.

### 5. Reputation risk

If there is negative public, political or industry opinion, it may adversely impact NAMA's core business activities and financial prospects and undermine the Agency's ability to achieve its objectives.

The Principal Risks are routinely monitored by the Risk Management Committee and any changes in the risk profile or significant updates are reported to the Board on a timely basis. Subject matter experts are invited to present at the Risk Management Committee, where appropriate, to ensure that all aspects of these risks are considered.

NAMA has robust risk processes in place to manage risks related to its business so as to reduce the potential for, and the impact of, unexpected losses. Risks identified by management are prioritised according to probability and impact. Risk status and management assessment, including control action plans, are reviewed by the Risk Management Committee and the Board on a regular basis. Management is challenged to identify risks which have not already been 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 ongoing review. The Risk Management Committee makes recommendations to the Board where changes in policy, measurement, risk limits or risk management strategy are required to reduce risk to an acceptable level.

The level of uncertainty associated with the composition of the NAMA balance sheet has significantly reduced with the monetisation to date of the NAMA loan portfolio. The operational model and reliance on retaining key skillsets continue to be risks that require attention. NAMA's risk profile has evolved as the core processes and systems have become established and embedded within its operational activities.

The health and economic shock caused by the Covid-19 pandemic has emerged as a major threat to the Irish and wider global economy, human capital and supply chains. The situation continues to be monitored closely, in terms of its impact on the domestic economy and property market, and in turn, on NAMA's ability to continue to realise favourable cash flows from underlying NAMA assets, and the eventual timing and value of the future transfer of NAMA's remaining projected surplus. The onset of the Covid-19 pandemic in early 2020 resulted in some changes to the working and control environment with remote working becoming the norm in NAMA. As a result, NAMA introduced a number of procedural and control changes and carried out a review of the impact of Covid-19 on NAMA's control environment. The review was based on the guidance document issued by the Office of the Comptroller and Auditor General as part of their "Audit Insights" Programme. Notwithstanding that NAMA staff predominantly worked remotely following the onset of the pandemic, the control environment remained broadly in line with that which had been operating within Treasury Dock.

# Financial Statements

# Board and Other Information

## Board

Aidan Williams (Chairman)
Brendan McDonagh[6] (Chief Executive Officer)
Conor O'Kelly[6]
Oliver Ellingham
Mari Hurley
Eileen Maher
Davina Saint (appointed 22 December 2020, term commenced 18 January 2021)
Charlotte Sheridan (appointed 22 December 2020, term commenced 22 December 2020)
Michael Wall

## Office

Treasury Dock
North Wall Quay
Dublin 1
D01 A9T8

## Principal Bankers

Central Bank of Ireland
North Wall Quay
Dublin 1
D01 F7X3

Citibank
North Wall Quay
Dublin 1
D01 T8Y1

Allied Irish Banks, p.l.c.
Baggot Street Lower
Dublin 2
D02 X342

## Auditor

Comptroller and Auditor General
3A Mayor Street Upper
Dublin 1
D01 PF72

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[6] *The Chief Executives of NAMA and the NTMA are ex-officio Board members of NAMA.*

# Board Report

The Board of the National Asset Management Agency ('NAMA' or 'the Agency') presents its report and audited NAMA consolidated and Agency financial statements for the financial year ended 31 December 2020.

The financial statements are set out on pages 66 to 148.

## Statement of Board's Responsibilities for Financial Statements

The Board of NAMA is responsible for preparing the financial statements of the NAMA Group ('the Group') and the Agency in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and the Code of Practice for the Governance of State Bodies (2016). The Board is also required by the National Asset Management Agency Act 2009 ('the Act') to prepare financial statements in respect of its operations for each financial year.

The Board considers that the financial statements give a true and fair view of the assets, liabilities and financial position of the Group and Agency as at the financial year end date and of the profit of the Group and Agency for the financial year.

In preparing the financial statements, the Board:

- 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.

The Board 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 adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Agency and its related entities.

The Board 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.

## Risk management

The Group is exposed to principal risks which have the potential to have a significant impact on the achievement of the Group's overall strategic objectives:

- Domestic or international macroeconomic or financial shock
- Material loss of human capital
- A failure to deliver Dublin Docklands or Poolbeg SDZ plans
- A failure to deliver Residential Delivery plans
- Reputational damage.

The principal risks remain under constant review by NAMA's Risk Management Committee and any changes (including the impact of Covid-19) are reported to the NAMA Board. In April 2020, the Board approved a Risk Appetite Statement for each of the Principal Risks which defines the propensity for the NAMA Group to take certain risks in order to achieve its strategic objectives. The Board reviewed and approved the Principal Risks in October 2020 which included subrisks around the pandemic.

The Group is exposed to financial risks such as credit risk, market risk (in the form of interest rate risk, foreign exchange risk and other price risk) and liquidity risk in the normal course of business. Further details on how the Group manages these financial risks are given in Notes 23 to 25 of the financial statements.

## Board Members' interests

The Members of the Board have no beneficial interest (2019: nil) 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

21 April 2021

**Brendan McDonagh**
Chief Executive Officer

**Aidan Williams**
Chairman

# Statement on Internal 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 2020, with comparative results for the financial year ended 31 December 2019.

## Covid-19

The onset of the Covid-19 pandemic in early 2020 resulted in some changes to the working and control environment with remote working becoming the norm in NAMA. As a result, NAMA introduced a number of procedural and control changes and carried out a review of the impact of Covid-19 on NAMA's control environment. The review was based on the guidance document issued by the Office of the Comptroller and Auditor General ('OC&AG') as part of their "Audit Insights" Programme. Notwithstanding that NAMA staff predominantly worked remotely following the onset of the pandemic, the control environment remained broadly in line with that which had been operating within Treasury Dock.

There has been no material change required to the approved Risk Management Framework and there have been no significant changes required to business processes. The monitoring of controls remains appropriate in a remote working environment and the controls continue to be effective.

## Responsibility for the System of Internal Control

The Board acknowledges its responsibilities for NAMA's system of internal 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 (CEO) 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 them 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 Executive Team: an Audit Committee, a Risk Management Committee, a Credit Committee and a Finance and Operating Committee. In addition, the Board has two other committees: a Planning Advisory Committee and a Remuneration Committee. The Board has agreed formal terms of reference for its committees which are subject to regular review. The Board has delegated certain credit decisions to the Credit Committee and the 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 the Executive Team.

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 Remuneration Committee, the Head of Audit and Risk (CFO) and the Executive Team.

The Board adopted the 2009 Code of Practice for the Governance of State Bodies ("2009 Code") as adapted to its particular governance structure and the statutory requirements of the Act. A revision to the 2009 Code (the "Code") was launched by the Minister for Public Expenditure and Reform in August 2016 with an effective date of 1 September 2016. An Annex to the Code was published in September 2020 on Gender Balance, Diversity and Inclusion. The Board has implemented the Code from its effective date subject to a limited number of explanations (as provided for in the 'comply or explain' approach to adopting the Code) which, in each case, achieve the objectives of the Code through alternative statutory or governance measures. Where necessary, as part of its implementation of the Code, NAMA has put in place arrangements to ensure its compliance with the Code, and it reviews its policies and procedures on a periodic basis to ensure ongoing compliance with the Code as well as with best practice in corporate governance.

The Audit Committee operates in accordance with the principles outlined in the Code. 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's Anti-Fraud Policy is reviewed annually by the Board and Audit Committee and was most recently approved by the Board in November 2020. 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 which is reviewed by the Board annually and was most recently approved by the Board in November 2020. This 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 2014. The policy applies to all NAMA "workers"[7] and makes provision for disclosure of relevant information either internally through a line manager or the NTMA's Head of Compliance or externally by means of a "Nominated Person" (as defined in the Protected Disclosures Policy). The NTMA 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 NTMA Head of Compliance to ensure any reports received are properly evaluated and investigated.

In accordance with Section 22 of the Protected Disclosures Act 2014, NAMA publishes a report on its website by the end of June each year relating to the number of protected disclosures made in the preceding year and any actions taken in response to such disclosures.

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

Codes of Practice have been approved by the Minister for Finance ('the Minister') in accordance with Section 35 of the Act, including, inter alia, a Code of Conduct setting out the standards expected of the officers of NAMA. The codes of practice are reviewed annually by the Board and any proposed amendments to the codes are submitted to the Minister for his approval prior to publication on NAMA's website.

NAMA depends to a significant degree on the controls operated by a number of third parties including the NTMA and the Primary and Master Servicers. In this regard, the following should be noted:

- the NTMA has an appropriate system of internal control and any shared services provided to NAMA are provided within this existing control framework;
- NAMA has established procedures with the Primary Servicers and the Master Servicer for the reporting of incidents, including control failures and escalation procedures;
- NAMA has sought and received assurances from the NTMA, Link Asset Services and Allied Irish Banks p.l.c. that they have reviewed their systems of internal control in relation to their service provision to NAMA.

NAMA continued to ensure that an appropriate control environment exists within the NAMA group for compliance with all applicable tax laws during the financial year. The most recent meeting between NAMA and the Revenue Commissioners under the Co-operative Compliance Framework took place in December 2020. This framework underpins the co-operative engagement that currently exists between the Revenue Commissioners and NAMA.

The Board of NAMA remains committed to continued exemplary compliance with all applicable tax laws.

## 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 to ensure that those risks operate within Board approved limits.

A risk register is maintained by each NAMA division, 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. Divisional risk registers are reviewed on a quarterly basis by Divisional Heads and sign off attestations are submitted to the NAMA Audit and Risk function. These risk registers are reviewed by the NAMA Audit and Risk function. Each division presents a high level paper of its risk register to the Risk Management Committee once a year.

Divisional risk registers are consolidated into an overall entity-wide risk register which is reviewed by the Risk Management Committee on a quarterly basis, and by the Board at least annually. On a quarterly basis, Senior Management are required to attest to the operation of controls that have been agreed in their divisions to manage and mitigate risks.

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[7] *A "worker" is a person who comes within the definition of a worker in the Protected Disclosures Act. This includes, in each case, whether current or former, all persons employed by the NTMA under a contract of employment, whether permanent, part-time or fixed-term, and assigned to NAMA (NAMA Officers); and consultants, contractors, other persons engaged under a contract for services, interns, casual workers, agency workers, work experience students and suppliers.*

# Statement on Internal Control (continued)

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;
- A failure to deliver Dublin Docklands plans or Poolbeg plans;
- A failure to deliver Residential Delivery plans;
- 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 April 2020, 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.

Link Asset Services and Allied Irish Banks, p.l.c. also submit quarterly risk registers to NAMA Audit & Risk function in line with standard templates agreed with NAMA.

## Key Internal 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 by their business owners and updated to align with business processes.

NAMA has established a financial reporting framework to support its monthly, quarterly and annual financial reporting objectives and for the preparation of consolidated and Agency financial statements which incorporates the processes and controls described in this statement. NAMA operates an 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 Executive Team on its performance. NAMA continues to develop management information to support and monitor the achievement of NAMA's strategic objectives.

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 responsible for evaluating relevant 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 in relation to the Asset Management & Recovery and Residential Delivery functions in respect of NAMA's portfolio to support its decision making.

The Audit Committee, by fulfilling its responsibilities as set out in its Terms of Reference, contributes to the Internal Control process.

## Procurement

NAMA has an established Procurement Policy and a Procurement Guidance & Procedures Document (collectively "NAMA's Procurement Documents") which are reviewed and presented to the Board annually for approval. The procurement requirements of NAMA are carried out in accordance with the aforementioned documents which incorporate applicable laws.

NAMA is subject to EU Directive 2014/24/EU as implemented in Ireland by the European Union (Award of Public Authority Contracts) Regulations 2016 (the 'Regulations'), in respect of the procurement of goods, works and services above certain value thresholds set by the EU[8]. 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 process that is designed to achieve the best value for money pursuant to NAMA's Procurement Documents.

The Office of Government Procurement (OGP) has issued a series of procurement guidelines concerning the procurement of goods, works and services at values below the aforementioned EU thresholds. The requirement for public bodies to implement the OGP's procurement guidelines is contained in the Code.

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[8] *The EU procurement threshold that applied to the procurement of most goods and services during the financial year 2020 was €214,000. The EU procurement thresholds are subject to review every two years, with the next review due to take place in January 2022. The EU threshold to €214,000 is applicable to end 2021. A different regime applies to certain other services such as non-contentious legal services where a threshold of €750,000 applies – see Note 1 under Table 1.1.*

In a letter to the Department of Finance regarding the implementation of the Code, NAMA identified that it does not propose to comply with the full suite of the current procurement guidelines as set out by the OGP due to the reasons set out below:

- NAMA's Procurement Documents are consistent with the principles of the various guidelines set by the OGP save in respect of that part of the Department of Public Expenditure and Reform's Circular 10/2014 which requires all procurements over €25,000 to be advertised on the national procurement website www.eTenders.gov.ie. Given that NAMA operates in a commercial environment and must maintain its commercial competitiveness, NAMA has adopted alternative procurement processes which seek to provide optimum value for money while taking account of a number of other factors including, inter alia, efficiencies gained from the use of procured panels of suitable service providers/advisors, confidentiality, conflicts of interest and timelines for commencement of delivery of services. In certain instances, as provided for in NAMA's Procurement Documents, it is deemed appropriate to obtain duly authorised derogations from procurement (i.e. not run a competitive tender process). Derogations are only approved in limited circumstances underpinned by legitimate commercial and/or legal reasons.

The use of derogations under NAMA's Procurement Documents does not amount to non-compliant procurement. For contracts that are over the EU threshold, generally EU legislation applies.

Derogations to NAMA's Procurement Documents are approved by the CEO. All derogations are reported to the Finance and Operating Committee and then onto the Board where the derogation exceeds €100,000.

Details of the derogations are set out in tables 1.1 and 1.2 hereunder. During 2020 the CEO approved derogations to a total value of circa. €1.6m (circa. €1.3m being attributed to legal services – see notes under table 1.1). In 2019 total derogations amounted to circa. €5.1m of which circa. €3.9m was attributed to legal services. It should be noted that NAMA reports all derogations regardless of value and therefore includes derogations below €25,000 (which do not require reporting under the Code) to ensure complete spend transparency.

The amounts attributed to derogations are based on estimates at the time the derogation is sought and contract awarded. Some contracts may have a term that extends over the financial year end and will be reported in the year the contract was awarded. An exception to this is where an increase in the estimated value of a contract under derogation is sought, where it is NAMA's policy to then seek a further derogation noting the revised cumulative estimated value. The contract noting its revised cumulative value is then recorded as a derogation in that reporting period also. Therefore and given the foregoing, NAMA includes in its derogation reports contracts that have a revised estimated value notwithstanding the original contract/preceding increase had been reported in a previous financial year.

The reasons for the derogations noted in the tables below include: the highly sensitive/confidential nature of the matter; where there are conflicts of interest issues; where the service providers have prior existing knowledge of the matter such as the debtor/asset in question resulting in material cost savings; and/or, for urgent or sensitive legal reasons.

### Table 1.1 Derogations from Procurement for legal services – contentious and non contentious:

| Category | Number of Contracts 2020 | Estimated value of contracts awarded 2020 €'000 | Number of Contracts 2019 | Estimated value of contracts awarded 2019 €000 |
|---|---|---|---|---|
| (A) Contentious legal services/Litigation related legal services | 3 | 204 | 8 | 2,751 |
| (B) Non contentious legal services | 11 | 1,071 | 11 | 1,140 |
| **Total** | **14** | **1,275** | **19** | **3,891** |

**Note 1:** *Category (A) Contentious legal services/litigation related services are excluded services under the Procurement Regulations. (B) Non-contentious legal services are caught by a "light touch" regime under the Procurement Regulations where the value of any one contract exceeds €750,000.*

**Note 2:** *NAMA identifies as derogations, appointments made from NAMA's established legal panels which were subject to an initial procurement process securing competitive hourly rates but that were not subject to a second round of tendering (or mini-tender) when a specific scope of services has been identified. This second round of tendering is NAMA's general practice under its panels/frameworks as it facilitates fixed fee components where practicable to allow for controlled expenditure, ensuring best value for money is achieved. A large majority of the derogations noted in Table 1.1 come within this category.*

# Statement on Internal Control (continued)

**Table 1.2 Derogations from Procurement for NAMA Business Units (excl. Legal):**

| NAMA Department | Number of Contracts 2020 | Estimated value of contracts awarded 2020 €'000 | Number of Contracts 2019 | Estimated value of contracts awarded 2019 €'000 |
|---|---|---|---|---|
| IT | - | - | 2 | 129 |
| Asset Management & Recovery | 3 | 135 | 26 | 836 |
| Corporate | 2 | 171 | 2 | 125 |
| Residential Delivery | 1 | 10 | 2 | 104 |
| **Total** | **6** | **316** | **32** | **1,194** |

NAMA will continue to adhere to NAMA's Procurement Documents, which NAMA believes are sufficient to achieve the public expenditure objectives of the Code. NAMA incorporates a high level of oversight and transparency through its procurement processes and uses e-tenders and the Official Journal of the European Union (OJEU) where applicable.

## IT Systems and Infrastructure

NAMA follows a structured approach for business system projects undertaken, which is governed by detailed procedure documents. During 2020 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. NAMA has in place controls in respect of IT access for new hires, changes in access rights due to staff changes or following an employee's notification of resignation. A bi-annual review of access to systems and data is carried out by the Systems Support Team and reported to the Head of Systems.

NAMA has put in place an appropriate framework to ensure that it complies with the General Data Protection Regulation and the Data Protection Act, 2018. As part of this framework, NAMA has also implemented systems and controls to restrict the access to confidential information. Where NAMA has become aware of a potential data breach or unauthorised use of confidential information, these have been fully investigated and where necessary reported to the appropriate authorities.

## Financial and management reporting

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 and cash flow to the Finance and Operating Committee. The Finance and Operating Committee also monitors the development and implementation of NAMA's systems.

NAMA presents financial information to each meeting of the Finance and Operating Committee and Board and presents quarterly and annual financial information to the Minister as required under the Act.

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

## Internal Audit

PricewaterhouseCoopers Ireland act as Internal Auditor for NAMA. NAMA's Internal Auditor has established an internal audit function, which operates in accordance with the Code. An internal audit plan for 2020 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, Link Asset Services, 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.

## Monitoring of the performance of Service Providers

NAMA has established processes to monitor the performance of the Primary Servicers and the Master Servicer. These include monthly service reports, regular service reviews and regular steering committee meetings to review performance and operational issues.

The NTMA/NAMA Service Committee was established in 2014 and the Committee meets as and when required to oversee the delivery of shared services provided by the NTMA to NAMA.

## Public Reporting

NAMA has established a Communications function whose responsibility is to manage external communications with stakeholders and with the press to ensure that the Agency acts as transparently as possible, within the parameters of its legal obligations.

Processes for receiving, reviewing and responding to general public queries have been established as well as processes for handling and responding to Parliamentary Questions and Oireachtas queries. The NAMA Communications Team has overall responsibility for providing information to and responding to follow up queries from Oireachtas Committees.

Freedom of Information and GDPR requests are dealt with by a dedicated team within the Legal division. This team has established policies and procedures for handling such requests.

## Annual Review of Controls

We confirm that the Board has reviewed the effectiveness of NAMA's system of internal control for the financial year ended 31 December 2020. A detailed review of the effectiveness of the system of internal control was performed by the Audit Committee and the Risk Management Committee, which reported their findings to the Board in March 2021. This review of the effectiveness of the system of internal control included:

- review and consideration of changes since the last review in the significant risks facing NAMA and its ability to respond to changes in business and the external environment;
- review and consideration of regular reporting to the Board by the Audit Committee and the Risk Management Committee on the system of internal control;
- review and consideration of the effectiveness of NAMA's public reporting process;
- 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 and by the statutory auditors of NAMA Group's subsidiaries, in their work as external auditors;
- review of regular reporting from the Internal Auditor on the status of the internal 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, Link Asset Services and Allied Irish Banks p.l.c. in respect of the operation of their systems of internal control during the financial year;
- review of control assurance statements completed by NAMA's Executive Team and Senior Management in respect of the effectiveness of the system of internal control during the financial year.

No weaknesses in internal control were identified in relation to 2020 that require disclosure in the financial statements.

**Aidan Williams**
Chairman

21 April 2021

# Ard Reachtaire Cuntas agus Ciste
# Comptroller and Auditor General

## Report for presentation to the Houses of the Oireachtas

## National Asset Management Agency

## Opinion on the financial statements

I have audited the group and Agency financial statements of the National Asset Management Agency for the year ended 31 December 2020 as required under the provisions of section 57 of 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, including a summary of significant accounting policies.

In my opinion, the financial statements give a true and fair view of the assets, liabilities and financial position of the National Asset Management Agency at 31 December 2020 and of its income and expenditure for 2020 in accordance with the International Financial Reporting Standards (IFRS) as adopted by the European Union and the provisions of the National Asset Management Agency Act 2009.

## Basis of opinion

I conducted my audit of the financial statements in accordance with the International Standards on Auditing (ISAs) as promulgated by the International Organisation of Supreme Audit Institutions (INTOSAI). My responsibilities under those standards are described in the appendix to this report. I am independent of the National Asset Management Agency and have fulfilled my other ethical responsibilities in accordance with the standards.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

## Report on information other than the financial statements, and on other matters

The National Asset Management Agency has presented certain other information together with the financial statements. This comprises the annual report including the governance statement, and the statement on internal control. My responsibilities to report in relation to such information, and on certain other matters upon which I report by exception, are described in the appendix to this report.

I have nothing to report in that regard.

Seamus McCarthy.

**Seamus McCarthy**
Comptroller and Auditor General

27 April 2021

# Appendix to the Report of the Comptroller and Auditor General

## Responsibilities of Board members

As detailed in the Board report, Board members are responsible for

- the preparation of financial statements in the form prescribed under section 54 of the National Asset Management Agency Act 2009
- ensuring that the financial statements give a true and fair view in accordance with the International Financial Reporting Standards (IFRS)
- ensuring the regularity of transactions
- assessing whether the use of the going concern basis of accounting is appropriate, and
- such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## Responsibilities of the Comptroller and Auditor General

I am required under section 57 of the Act to audit the financial statements of the National Asset Management Agency and to report thereon to the Houses of the Oireachtas.

My objective in carrying out the audit is to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement due to fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with the ISAs, I exercise professional judgment and maintain professional scepticism throughout the audit. In doing so,

- I identify and assess the risks of material misstatement of the financial statements whether due to fraud or error; design and perform audit procedures responsive to those risks; and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- I obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal controls.
- I evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures.
- I conclude on the appropriateness of the use of the going concern basis of accounting and, based on the audit evidence obtained, on whether a material uncertainty exists related to events or conditions that may cast significant doubt on the National Asset Management Agency's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause the National Asset Management Agency to cease being a going concern.
- I evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

## Information other than the financial statements

My opinion on the financial statements does not cover the other information presented with those statements, and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, I am required under the ISAs to read the other information presented and, in doing so, consider whether the other information is materially inconsistent with the financial statements or with knowledge obtained during the audit, or if it otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact.

## Reporting on other matters

My audit is conducted by reference to the special considerations which attach to State bodies in relation to their management and operation. I report if I identify material matters relating to the manner in which public business has been conducted.

I seek to obtain evidence about the regularity of financial transactions in the course of audit. I report if I identify any material instance where public money has not been applied for the purposes intended or where transactions did not conform to the authorities governing them.

I also report by exception if, in my opinion,

- I have not received all the information and explanations I required for my audit, or
- the accounting records were not sufficient to permit the financial statements to be readily and properly audited, or
- the financial statements are not in agreement with the accounting records.

# Consolidated income statement

## For the financial year ended 31 December 2020

| | *Note* | **Financial year ended 31 December 2020 Group €'000** | **Financial year ended 31 December 2019 Group €'000** |
|---|---|---|---|
| Net gains on debtor loans measured at FVTPL | *4* | 149,005 | 229,539 |
| Net gains on investment properties | *5* | 5,171 | 74,320 |
| Interest income | *6* | 4 | 18 |
| Fee income | *8* | 8,606 | 249 |
| Other (expense)/income | *9* | (2,529) | 27,744 |
| Losses on derivative financial instruments | *10* | - | (733) |
| Net profit on disposal and refinancing of loans | *11* | 86,840 | 5,479 |
| Net profit on disposal of property assets | *12* | 34,480 | 39,367 |
| Interest and similar expense | *7* | (7,617) | (13,034) |
| **Net operating income** | | **273,960** | **362,949** |
| Administration expenses | *13* | (63,028) | (66,873) |
| Foreign exchange losses | *14* | (99) | (889) |
| **Operating profit before tax** | | **210,833** | **295,187** |
| Tax charge | *15* | (18,835) | (30,308) |
| **Profit for the financial year** | | **191,998** | **264,879** |
| | | | |
| Profit attributable to: | | | |
| Owners of the parent | | **191,998** | **264,879** |

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

All results are from continued operations.

On behalf of the Board

21 April 2021

**Brendan McDonagh**
Chief Executive Officer

**Aidan Williams**
Chairman

# Consolidated statement of comprehensive income

## For the financial year ended 31 December 2020

| | Note | Financial year ended 31 December 2020 Group €'000 | Financial year ended 31 December 2019 Group €'000 |
|---|---|---|---|
| **Profit for the financial year** | | **191,998** | **264,879** |
| Items that are or may be reclassified subsequently to profit or loss: | | | |
| Net movement in financial assets measured at FVOCI | *16,36* | (1,206) | (1,422) |
| Income tax relating to components of other comprehensive income | *16,29* | 685 | 18 |
| **Other comprehensive expenses for the financial year net of tax** | | **(521)** | **(1,404)** |
| **Total comprehensive income for the financial year** | | **191,477** | **263,475** |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | | **191,477** | **263,475** |

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

All results are from continued operations.

On behalf of the Board

21 April 2021

**Brendan McDonagh**
Chief Executive Officer

**Aidan Williams**
Chairman

# Agency income statement

## For the financial year ended 31 December 2020

| | Note | Financial year ended 31 December 2020 Agency €'000 | Financial year ended 31 December 2019 Agency €'000 |
|---|---|---|---|
| Interest income | *6* | 181 | 154 |
| Other income | *9* | 31,997 | 40,837 |
| Interest and similar expense | *7* | (2) | (42) |
| Administration expenses | *13* | (32,272) | (39,601) |
| **(Loss)/profit for the financial year** | | **(96)** | **1,348** |

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

All results are from continued operations.

On behalf of the Board

21 April 2021

**Brendan McDonagh**
Chief Executive Officer

**Aidan Williams**
Chairman

# Consolidated statement of financial position
## As at 31 December 2020

| | Note | 31 December 2020 Group €'000 | 31 December 2019 Group €'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *17* | 417,669 | 3,512,314 |
| Cash placed as collateral with the NTMA | *17* | 3,000 | 25,000 |
| Exchequer Notes | *17* | 875,000 | - |
| Government bonds | *18* | - | 342,052 |
| Derivative financial instruments | *19* | 254 | 208 |
| Debtor loans measured at FVTPL | *20* | 850,081 | 1,227,167 |
| Other assets | *30* | 9,374 | 28,053 |
| Investments in equity instruments | *28* | 13,381 | 18,902 |
| Inventories – trading properties | *21* | 162,298 | 170,556 |
| Investment properties | *22* | 292,001 | 287,565 |
| **Total assets** | | **2,623,058** | **5,611,817** |
| **Liabilities** | | | |
| Derivative financial instruments | *19* | 26 | - |
| Other liabilities | *31* | 29,920 | 25,508 |
| Tax payable | *32* | 722 | 1,147 |
| Deferred tax | *29* | 8,812 | 16,275 |
| **Total liabilities** | | **39,480** | **42,930** |
| **Equity and reserves** | | | |
| Other equity | *35* | - | 1,064,000 |
| Retained earnings | *37* | 2,583,578 | 4,453,366 |
| Other reserves | *36* | - | 521 |
| Equity and reserves attributable to: | | | |
| – Owners of the Group | | **2,583,578** | **5,517,887** |
| – Non-controlling interests | *37,38* | - | 51,000 |
| **Total equity and reserves** | | **2,583,578** | **5,568,887** |
| **Total equity, reserves and liabilities** | | **2,623,058** | **5,611,817** |

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

On behalf of the Board

21 April 2021

**Brendan McDonagh**
Chief Executive Officer

**Aidan Williams**
Chairman

# Agency statement of financial position

## As at 31 December 2020

| | Note | 31 December 2020 Agency €'000 | 31 December 2019 Agency €'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *17* | 181 | 176 |
| Intergroup loan measured at FVTPL | *20* | 1,479,893 | 3,536,554 |
| Other assets | *30* | 13,593 | 13,532 |
| Investment in subsidiary | *38* | 105,696 | 49,000 |
| **Total assets** | | **1,599,363** | **3,599,262** |
| **Liabilities** | | | |
| Interest bearing loans and borrowings | *34* | 53,336 | 53,272 |
| Other liabilities | *31* | 15,532 | 15,399 |
| **Total liabilities** | | **68,868** | **68,671** |
| **Equity** | | | |
| Retained earnings | *37* | 1,530,495 | 3,530,591 |
| **Total equity** | | **1,530,495** | **3,530,591** |
| **Total equity and liabilities** | | **1,599,363** | **3,599,262** |

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

On behalf of the Board

21 April 2021

**Brendan McDonagh**
Chief Executive Officer

**Aidan Williams**
Chairman

# Consolidated statement of changes in equity

## For the financial year ended 31 December 2020

| | *Note* | **Other equity Group €'000** | **Retained earnings Group €'000** | **Other reserves Group €'000** | **Non-controlling interests Group €'000** | **Total equity Group €'000** |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2019** | | **1,064,000** | **4,453,366** | **521** | **51,000** | **5,568,887** |
| Profit for the financial year | *37* | - | 191,998 | - | - | **191,998** |
| **Other comprehensive income:** | | | | | | |
| Movement in financial assets measured at FVOCI | *36* | - | - | (1,206) | - | **(1,206)** |
| Income tax relating to components of other comprehensive income | *16* | - | - | 685 | - | **685** |
| **Total comprehensive income** | | **-** | **191,998** | **(521)** | **-** | **191,477** |
| Dividend paid on B ordinary shares | *37* | - | (34) | - | - | **(34)** |
| Coupon paid on subordinated bonds | *37* | - | (56,009) | - | - | **(56,009)** |
| Redemption of subordinated bonds | *35* | (1,064,000) | - | - | - | **(1,064,000)** |
| Private Investor Share Purchase | *37* | - | (5,100) | - | (51,000) | **(56,100)** |
| Transaction costs | *37* | - | (643) | - | - | **(643)** |
| Transfer of surplus to the Exchequer | *37* | - | (2,000,000) | - | - | **(2,000,000)** |
| **Balance as at 31 December 2020** | | **-** | **2,583,578** | **-** | **-** | **2,583,578** |

| | *Note* | **Other equity Group €'000** | **Retained earnings Group €'000** | **Other reserves Group €'000** | **Non-controlling interests Group €'000** | **Total equity Group €'000** |
|---|---|---|---|---|---|---|
| **Balance as at 31 December 2018** | | **1,064,000** | **4,246,435** | **1,925** | **51,000** | **5,363,360** |
| Adjustment on initial application of IFRS 16, net of tax | *37* | - | (1,667) | - | - | **(1,667)** |
| **Restated balance as at 1 January 2019** | | **1,064,000** | **4,244,768** | **1,925** | **51,000** | **5,361,693** |
| Profit for the financial year | *37* | - | 264,879 | - | - | **264,879** |
| **Other comprehensive income:** | | | | | | |
| Movement in financial assets measured at FVOCI | *36* | - | - | (1,422) | - | **(1,422)** |
| Income tax relating to components of other comprehensive income | *16* | - | - | 18 | - | **18** |
| **Total comprehensive income** | | **-** | **264,879** | **(1,404)** | **-** | **263,475** |
| Dividend paid on B ordinary shares | *37* | - | (272) | - | - | **(272)** |
| Coupon paid on subordinated bonds | *37* | - | (56,009) | - | - | **(56,009)** |
| **Balance as at 31 December 2019** | | **1,064,000** | **4,453,366** | **521** | **51,000** | **5,568,887** |

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

# Agency statement of changes in equity

## For the financial year ended 31 December 2020

| | Note | 31 December 2020 Agency €'000 | 31 December 2019 Agency €'000 |
|---|---|---|---|
| **Balance as at 31 December** | | **3,530,591** | **3,530,910** |
| Adjustment on initial application of IFRS 16, net of tax | *37* | - | (1,667) |
| **Restated balance as at 1 January** | | **3,530,591** | **3,529,243** |
| (Loss)/profit for the financial year | *37* | (96) | 1,348 |
| **Total comprehensive (expense)/income** | | **(96)** | **1,348** |
| Transfer of surplus to the Exchequer | 37 | (2,000,000) | - |
| **Balance as at 31 December attributable to the Agency** | | **1,530,495** | **3,530,591** |

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

# Consolidated statement of cash flows

## For the financial year ended 31 December 2020

| | Note | Financial year ended 31 December 2020 Group €'000 | Financial year ended 31 December 2019 Group €'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| | | | |
| **Debtor Loans** | | | |
| Receipts from loans | | 855,437 | 1,204,689 |
| Receipts from derivatives acquired | | - | 9,771 |
| Funds advanced to borrowers | | (247,482) | (408,412) |
| Movement in funds in the course of collection | | - | (8) |
| Fee income | | 8,606 | 249 |
| **Net cash provided by debtor loans** | | **616,561** | **806,289** |
| | | | |
| **Derivatives** | | | |
| Cash inflow on foreign currency derivatives | 14 | 91,047 | 172,612 |
| Cash outflow on foreign currency derivatives | 14 | (90,311) | (175,465) |
| Net cash outflow on other derivatives | | - | (5,000) |
| **Net cash provided by/(used in) derivative activities** | | **736** | **(7,853)** |
| | | | |
| **Other operating cashflows** | | | |
| Payments to suppliers of services | | (59,951) | (78,243) |
| Tax paid | | (11,452) | (60,630) |
| Interest paid on cash and cash equivalents | | (7,781) | (12,823) |
| Dividend paid on B ordinary shares | 37 | (34) | (272) |
| Coupon paid on subordinated debt issued | 37 | (56,009) | (56,009) |
| Funds paid to acquire properties | | (1,271) | (13,552) |
| Funds received on disposal of properties | | 42,932 | 46,976 |
| Rental income received | | 12,677 | 13,626 |
| Return of Collateral funds from NTMA | | 22,000 | - |
| Transfer of surplus to the Exchequer | 37 | (2,000,000) | - |
| **Net cash used in other operating activities** | | **(2,058,889)** | **(160,927)** |
| | | | |
| **Net cash (used in)/provided by operating activities** | | **(1,441,592)** | **637,509** |

# Consolidated statement of cash flows (continued)

For the financial year ended 31 December 2020

| | Note | Financial year ended 31 December 2020 Group €'000 | Financial year ended 31 December 2019 Group €'000 |
|---|---|---|---|
| **Cash flow from investing activities** | | | |
| Interest received on government bonds | | 15,775 | 21,970 |
| Disposal of investments in equity instruments | | 2,496 | 60,068 |
| Distributions received from equity instruments | 9 | 788 | 6,782 |
| Maturity of government bonds | 18 | 325,000 | 105,000 |
| Funds paid to acquire Exchequer Notes | | (2,935,000) | - |
| Funds received on maturity of Exchequer Notes | | 2,060,000 | - |
| **Net cash (used in)/provided by investing activities** | | **(530,941)** | **193,820** |
| | | | |
| **Cash flow from financing activities** | | | |
| Payment of lease liabilities | 31 | (1,893) | (9,163) |
| Redemption of subordinated bonds | 35 | (1,064,000) | - |
| Private Investor share purchase | | (56,100) | - |
| **Net cash used in financing activities** | | **(1,121,993)** | **(9,163)** |
| | | | |
| **Cash and cash equivalents held at the beginning of the financial year** | 17 | 3,512,314 | 2,689,891 |
| Net cash (used in)/provided by operating activities | | (1,441,592) | 637,509 |
| Net cash (used in)/provided by investing activities | | (530,941) | 193,820 |
| Net cash used in financing activities | | (1,121,993) | (9,163) |
| Effects of exchange-rate changes on cash and cash equivalents | 14 | (119) | 257 |
| **Total cash and cash equivalents held at the end of the financial year** | 17 | **417,669** | **3,512,314** |
| | | | |
| **Financial assets and cash collateral** | | | |
| Cash collateral placed with the NTMA | 17 | 3,000 | 25,000 |
| Exchequer Notes | 17 | 875,000 | - |
| Government bonds | 18 | - | 342,052 |
| **Total** | | **1,295,669** | **3,879,366** |

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

# Agency statement of cash flows

## For the financial year ended 31 December 2020

| | Note | Financial year ended 31 December 2020 Agency €'000 | Financial year ended 31 December 2019 Agency €'000 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Bank interest paid | | (2) | (6) |
| Board fees paid | | (172) | (275) |
| Net reimbursement from National Asset Loan Management D.A.C. | | 179 | 2,708 |
| **Net cash provided by operating activities** | | **5** | **2,427** |
| | | | |
| **Cash flow from financing activities** | | | |
| Payment of lease liabilities | *31* | – | (2,383) |
| **Net cash used in financing activities** | | **-** | **(2,383)** |
| | | | |
| **Cash held at the beginning of the financial year** | *17* | 176 | 132 |
| Net cash provided by operating activities | | 5 | 2,427 |
| Net cash used in financing activities | | – | (2,383) |
| **Cash held at the end of the financial year** | **17** | **181** | **176** |

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

# Notes to the Financial Statements

**Note reference**

# Notes to the Financial Statements

## 1. General Information

The proposed creation of the National Asset Management Agency (NAMA) was announced in the Minister for Finance's Supplementary Budget on 7 April 2009, and the National Asset Management Agency Act 2009 (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 NAMA Board and all committees established by the NAMA Board are also responsible for the oversight and governance of all NAMA Group entities.

NAMA is the ultimate and immediate parent of the NAMA Group. The group of which the Agency is a member and for which consolidated financial statements are prepared is NAMA.

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').

At the reporting date, the management of all loans acquired from Participating Institutions is being performed by NAMA and AIB. AIB and Link Asset Services provide loan administration services.

For internal management purposes and to align with the Board Strategy and NAMA's objectives, the original NAMA portfolio has been split into three business units: Deleverage, Dublin Docklands Strategic Development Zone (SDZ) and Residential Delivery.

## 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 Designated Activity Company ('D.A.C.'), National Asset Management D.A.C., National Asset Management Group Services D.A.C., National Asset Loan Management D.A.C., National Asset North Quays D.A.C., National Asset Management Services D.A.C., National Asset JV A D.A.C., National Asset Property Management D.A.C., National Asset Residential Property Services D.A.C., National Asset Sarasota LLC, Pembroke Ventures D.A.C., Pembroke Beach D.A.C., Pembroke West Homes D.A.C., National Asset Leisure Holdings Limited (in Voluntary Liquidation), RLHC Resort Lazer SGPS, SA and RLHC Resort Lazer II SGPS, SA.

On 18 December 2014, NALHL (in Voluntary Liquidation) was placed into liquidation by its members. As the liquidator has assumed the rights of the shareholder and now controls NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC and RLHC II, NALHL (in Voluntary Liquidation) is not consolidated into the results of the NAMA Group at the reporting date. For further information see Note 38.4.

The relationship between the NAMA Group entities at 31 December 2020 is summarised in Chart 1 (page 80).

### National Asset Management Agency Investment D.A.C. (NAMAI)

NAMAI was incorporated on 27 January 2010. NAMAI is the company through which private investors had invested in the Group.

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

On 26 May 2020, NAMA exercised an option to purchase the private investors' 51% shareholding in NAMAI. From this date, NAMA held a 100% shareholding in NAMAI.

### National Asset Management D.A.C. (NAM)

NAM was incorporated on 27 January 2010. NAM 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 NAM were listed on the Irish Stock Exchange until their redemption in full in 2017. In March 2020, the remaining subordinated debt was fully redeemed.

After NAM was incorporated, the government guaranteed debt instruments and the subordinated debt instruments were transferred to NAMGS and by NAMGS to NALM. The latter used these debt instruments as part consideration for the loan assets acquired from the Participating Institutions.

## Notes to the Financial Statements (continued)

## 1. General Information (continued)

### 1.1 National Asset Management Agency Group (continued)

NAM has fourteen subsidiaries, defined collectively as 'NAM Group', at the reporting date:

#### 1) National Asset Management Group Services D.A.C. (NAMGS)

NAMGS acts as the holding company for its thirteen subsidiaries: NALM, NANQ, NAMS, NAJV A, NAPM, NARPS, PV, PB, PWH, NASLLC, NALHL (in Voluntary Liquidation), RLHC and RLHC II.

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

#### 2) National Asset Loan Management D.A.C. (NALM)

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

#### 3) National Asset North Quays D.A.C. (NANQ)

NANQ was incorporated on 8 April 2015. NANQ is a 100% wholly owned subsidiary of NALM 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 NANQ.

#### 4) National Asset Management Services D.A.C. (NAMS)

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

#### 5) National Asset JV A D.A.C. (NAJV A)

On 4 July 2013, NAMA established a subsidiary, NAJV A. NAJV A is a wholly owned subsidiary of NAMGS. NAMA entered an arrangement with a consortium whereby a 20% interest in a limited partnership was acquired, and NAJV A was established to facilitate this transaction. Since its incorporation, NAJV A has invested in other arrangements with third parties where it has taken a minority, non-controlling equity interest in an investee to facilitate the delivery of commercial and residential real estate property.

#### 6) National Asset Property Management D.A.C. (NAPM)

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

NAPM has five subsidiaries: NARPS, NASLLC, NALHL (in Voluntary Liquidation), RLHC and RLHC II.

#### 7) National Asset Residential Property Services D.A.C. (NARPS)

On 18 July 2012 NAMA established a subsidiary NARPS. NARPS is a wholly owned subsidiary of NAPM, and was established to acquire residential properties and to lease and ultimately sell these properties to approved housing bodies and/or local authorities for social housing purposes. On 28 September 2019, the Minister for Finance issued a direction to NAMA to retain ownership of NARPS. NARPS is to remain in State ownership and the value attributable may form part of any potential transfer of assets as part of the surplus transfer.

A total of 2,614 (2019: 2,605) residential properties were delivered to the social housing sector by NAMA debtors from inception to the reporting date, of which 2,580 (2019: 2,569) were completed and contracts on a further 34 (2019: 36) properties (for both direct sale and through NARPS) were exchanged by the reporting date. Completed units delivered since inception include the direct sale of 1,119 (2019: 1,110) properties by NAMA debtors and receivers to various approved housing bodies and/or local authorities, the direct leasing of 89 (2019: 89) properties by NAMA debtors and receivers and the acquisition by NARPS of 1,372 (2019: 1,370) properties for lease to approved housing bodies.

#### 8) National Asset Sarasota LLC (NASLLC)

On 1 August 2013, NAMA established a US subsidiary, NASLLC. NASLLC is a wholly owned subsidiary of NAPM, and was established to acquire property assets located in the US following insolvency processes. Since its acquisition, NASLLC has acquired two assets located in the US and has subsequently sold these assets.

### 9) Pembroke Ventures D.A.C (PV)

On 19 July 2019, PV was acquired to hold NAMA's interest in Pembroke Beach D.A.C and Pembroke West Homes D.A.C. which became subsidiaries of PV on 26 July 2019. In July 2019, NAMA invited interested parties, through an open market process, to subscribe for a majority 80% shareholding in PV. This process completed in December 2020, with a consortium consisting of Ronan Group Real Estate, funds managed by Oaktree Capital Management, L.P. ("Oaktree") and Oaktree affiliate Lioncor Developments Limited, subscribing for the majority 80% shareholding in PV. Completion of this transaction is subject to competition approval.

### 10) Pembroke Beach D.A.C (PB)

On 5 April 2019, PB was established to hold land in Poolbeg West SDZ. PB was a 100% wholly owned subsidiary of NAMGS until 26 July 2019 when it became a 100% wholly owned subsidiary of PV.

### 11) Pembroke West Homes D.A.C (PWH)

On 5 April 2019, PWH was established to hold land in Poolbeg West SDZ. PWH was a 100% wholly owned subsidiary of NAMGS until 26 July 2019 when it became a 100% wholly owned subsidiary of PV.

### 12) National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL)

On 10 January 2014, NAMA established a subsidiary, NALHL (in Voluntary Liquidation). NALHL (in Voluntary Liquidation) is a wholly owned subsidiary of NAPM and was established to acquire 100% of the share capital of two Portuguese entities, RLHC 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).

### 13) and 14) RLHC Resort Lazer SGPS, S.A. (RLHC), RLHC Resort Lazer II SGPS, S.A. (RLHC II)

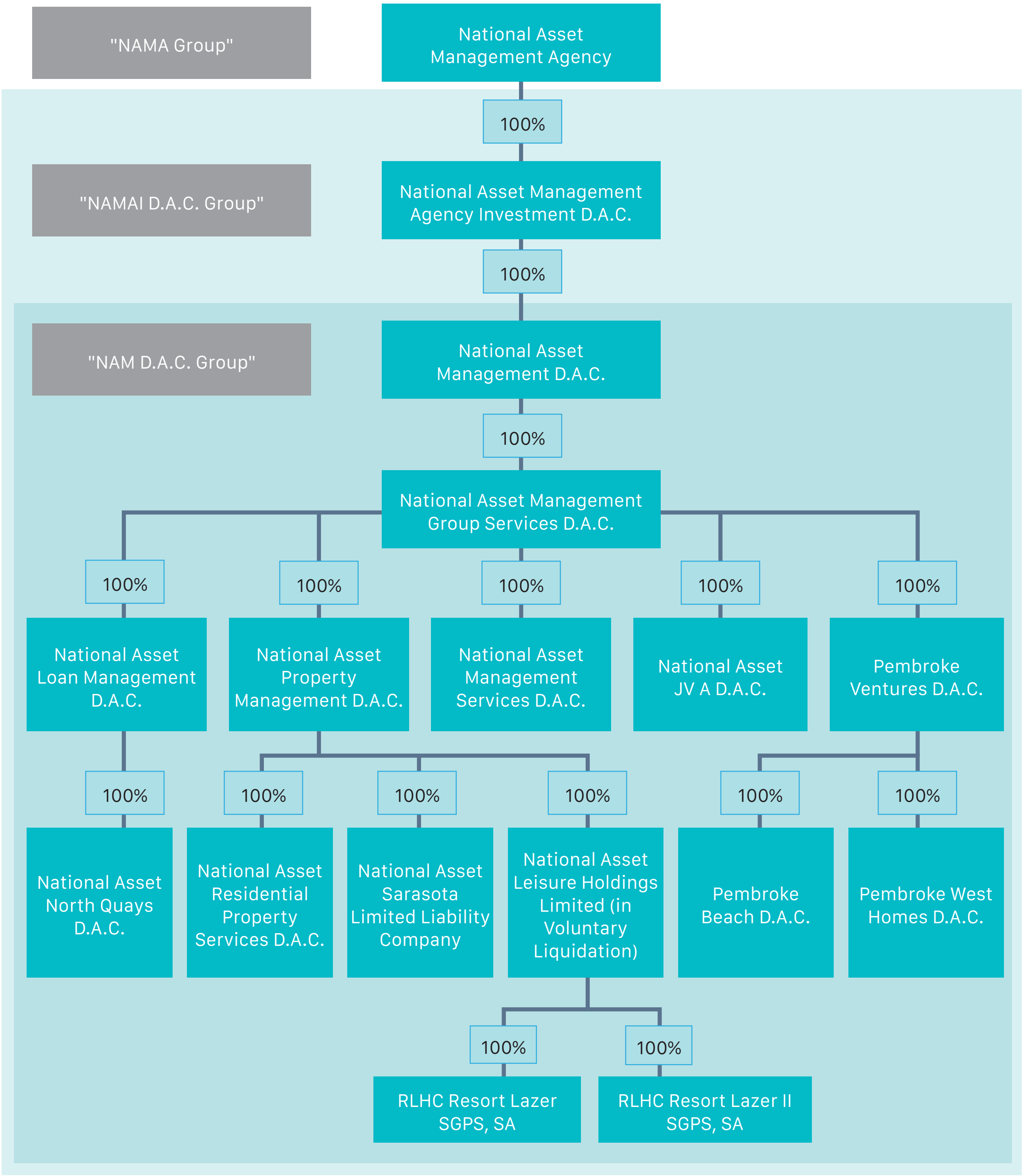
On 5 February 2014, NAMA established two new subsidiaries, RLHC and RLHC II, S.A.. RLHC and RLHC II are wholly owned subsidiaries of NALHL (in Voluntary Liquidation) and acquired 90% and 10% respectively of the share capital of a number of Portuguese entities following the legal restructure of the debt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

With the exception of RLHC and RLHC II, the address of the registered office of each company at the reporting date is Treasury Dock, North Wall Quay, Dublin 1. Each company is incorporated and domiciled in the Republic of Ireland, except for NASLLC, which is incorporated and domiciled in the US and RLHC and RLHC II which are incorporated and domiciled in Portugal. The address of the registered office of RLHC and RLHC II is Rua Garrett, N°. 64, 1200-204 Lisbon, Portugal.

## 1. General Information (continued)

### 1.1 National Asset Management Agency Group (continued)

Chart 1 “NAMA Group” as at 31 December 2020



## 2. Significant accounting policies

### 2.1 Basis of preparation

#### Going concern

The financial statements for the financial year ended 31 December 2020 have been prepared on a going concern basis as the Board is satisfied, having considered the principal risks and uncertainties impacting the Group and Agency, that it has the ability to continue in business for the period of assessment. The period of assessment used by the Board is twelve months from the reporting date of these annual financial statements.

At the reporting date, NAMA had equity and reserves of €2,584m (2019: €5,569m). The Group has available cash, cash equivalents and liquid assets at 31 December 2020 of €1,296m (2019: €3,879m) and liabilities of €31m (2019: €27m), 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 of the senior debt, subordinated debt, loans and borrowings from the Minister, and has no other external borrowings.

NAMA's activities are subject to risk factors including credit, liquidity, market and operational risk. In assessing NAMA's ability to continue as a going concern the Board has reviewed these risk factors and other relevant information including assessments of the impact of Covid-19 on the Group's business. Throughout the year the Board and its Committees review key aspects of the Agency's activities and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

Accordingly, the Board believes that it is appropriate to prepare the financial statements on a going concern basis having concluded that there are no material uncertainties related to events or conditions, including those related to Covid-19, that may cast significant doubt on the Agency's ability to continue as a going concern over the period of assessment.

### 2.2 Statement of compliance and basis of measurement

The Group's consolidated and Agency financial statements for the financial year ended 31 December 2020 have been prepared in accordance with International Financial Reporting Standards (IFRS), as adopted by the European Union, and the NAMA Act 2009.

The consolidated and Agency financial statements have been prepared under the historical cost convention, except for derivative financial instruments, equity instruments, debtor loans, intergroup loan, investment properties and government bonds which have been measured at fair value where applicable.

The consolidated and Agency financial statements are presented in euro (€), which is the Group's presentational currency and the Agency's functional and presentational currency. The figures shown in the consolidated financial statements are stated in € thousands (€'000s) unless otherwise stated.

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.

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

### 2.3 Changes in significant accounting policies

There have been no new standards, interpretations or changes in significant accounting policies that have had an effect on the Group's financial statements for the year ended 31 December 2020.

### 2.4 IFRS Standards, amendments and interpretations issued but not yet effective

A number of new standards, amendments and interpretations have been issued but are not yet effective. The Group has not early adopted them in preparing these financial statements. Of these standards that are not yet effective, none are expected to have a significant impact on the Group's financial statements in the period of initial application.

### 2.5 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 NALHL (in voluntary liquidation), RLHC and RLHC II. Refer to Note 1.1 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.

# Notes to the Financial Statements (continued)

## 2. Significant accounting policies (continued)

### 2.5 Basis of consolidation (continued)

The Group consolidates all entities which it controls. Control is considered to be achieved when the Group

- has power over the entity;
- is exposed to, or has rights, to variable returns from its involvement with the entity; and
- has the ability to use its power to affect its return.

Investments in subsidiaries are accounted for at cost less impairment in the Agency's separate financial statements. The accounting policies of the subsidiaries and the Agency are consistent with the Group's accounting policies.

Intergroup 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 1.1.

### 2.6 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 each entity operates ('the functional currency').

The consolidated financial statements are presented in €, which is the Group's presentational 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 that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. 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.

All 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 are presented as a separate line item in the consolidated income statement.

### 2.7 Financial assets

#### Recognition and initial measurement

The Group recognises financial assets in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are measured initially at fair value. Transaction costs directly attributable to the acquisition of financial assets at FVTPL are recognised immediately in profit or loss. For assets measured other than at FVTPL, transaction costs that are directly attributable to the acquisition or issue of financial assets are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

#### Classification and subsequent measurement

Subsequent to initial recognition, a financial asset is classified and subsequently measured at either

(a) Amortised cost

(b) Fair value through other comprehensive income (FVOCI) or

(c) Fair value through profit or loss (FVTPL)

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

## 2. Significant accounting policies (continued)

### 2.7 Financial assets (continued)

### Classification and subsequent measurement (continued)

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Group may irrevocably designate an equity instrument as FVOCI unless it is held for trading. The election to designate an investment in an equity instrument at FVOCI is made on an instrument-by-instrument basis.

Any financial asset that does not qualify for amortised cost measurement or measurement at FVOCI must be measured subsequent to initial recognition at FVTPL except if it is an investment in an equity instrument designated at FVOCI. The Group may irrevocably elect on initial recognition to designate a financial asset at FVTPL if the designation eliminates or significantly reduces an accounting mismatch that would have occurred if the financial asset had been measured at amortised cost or FVOCI.

### Contractual cash flows are solely payments of principal and interest assessment

For the purpose of the solely payments of principal and interest "SPPI" assessment, principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

### Business model assessment

The Group determines the business models at a level that reflects how groups of financial assets are managed together to achieve a particular business objective. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets, or both. The Group considers the following information when making the business model assessment:

- how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
- the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

*(a) Amortised Cost*

The Group has classified and measured cash and cash equivalents, cash placed as collateral with NTMA, Exchequer Notes and other assets at amortised cost less any expected credit loss allowance.

*(b) Fair value through other comprehensive income*

The Group's portfolio of Irish government bonds is classified and measured at FVOCI. Fair value is determined in the manner described in Note 2.29. These bonds were acquired for liquidity purposes. They are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Changes in the fair value of financial assets at FVOCI are recognised in other comprehensive income within the other reserve. When a financial asset at FVOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. Financial assets at FVOCI must be assessed for impairment with any expected credit losses being recognised in the income statement. Interest is recognised using the effective interest method. The changes in the carrying amount of the government bonds due to the amortisation of premium on purchase are recognised in other comprehensive income.

*(c) Fair value through profit or loss*

The Group has classified and measured debtor loans at FVTPL on the basis that they are held to realise associated collateral value through on going disposal of loans, property and collateral and where collecting contractual cashflows is incidental. These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in the income statement. Fair value is determined in the manner described in Note 2.29. The Agency has classified and measured the intergroup loan at FVTPL.

Other financial instruments that are classified and measured at FVTPL include derivative and equity investments.

# Notes to the Financial Statements (continued)

## 2. Significant accounting policies (continued)

### 2.7 Financial assets (continued)

#### Derivatives

Interest income and expense arising on derivatives (other than on currency derivatives) are included in gains and losses on derivative financial instruments in the consolidated income statement. Fair value gains and losses on derivatives are included in gains and losses on derivative financial instruments in the income statement or as part of foreign exchange gains and losses where they relate to currency derivatives. Interest on currency derivatives is recognised as part of fair value gains and losses on currency derivatives.

#### 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 measured at FVTPL. The fair value of these equity instruments is measured based on valuation techniques which consider the value of the Group's claim to the underlying assets of the entity. 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.

### 2.8 Financial liabilities

The Group recognises financial liabilities in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are measured initially at fair value. The Group classifies and subsequently measures its financial liabilities at amortised cost with the exception of derivatives classed as FVTPL, with any difference between the proceeds net of transaction costs and the redemption value recognised in the income statement using the effective interest method. Where financial liabilities are classified as FVTPL, gains and losses arising from subsequent changes in fair value are recognised directly in the income statement. Further information on derivative liabilities is included in accounting policy 2.18.

### 2.9 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.

### 2.10 Fair value gains/(losses) on debtor loans measured at fair value through profit or loss

Fair value gains/(losses) on debtor loans measured at FVTPL includes all gains and losses from changes in the fair value of debtor loans measured at FVTPL. The Group has elected to present the full fair value movement on this line, including the impact of net cash collections in the period.

### 2.11 Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments other than debtor loans measured at FVTPL are recognised as interest income and interest expense in the income statement using the effective interest rate ("EIR") method.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset except for impaired financial assets or to the amortised cost of the financial liability. For financial assets that have become impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

## 2. Significant accounting policies (continued)

### 2.12 Fee income

Fee income is income associated with debtor connections that is not considered as a reduction in the debt obligations of the debtor. Fee income is recognised in the income statement.

### 2.13 Profit/(loss) on the disposal and refinancing of loans

Profits and losses on the disposal and refinancing of loans are calculated as the difference between the carrying value of the loans 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. Profits and losses on the disposal and refinancing of loans are recognised in the income statement when the transaction occurs. In a small number of instances, when an individual loan account is sold, the profit/loss on disposal is only recognised when the entire connection/loan pack related to that account is sold.

### 2.14 Profit/(loss) on disposal of property assets

Profits and losses on the disposal of property are calculated as the difference between the carrying value of the property assets and the contractual sales price at the contractual date of sale less related transaction costs. The contractual sales price includes any deferred consideration where the Group has the contractual right to receive any deferred cash flow. Profits and losses on the disposal of property are recognised in the income statement when the transaction occurs.

### 2.15 Impairment of financial assets

The Group assesses, on a regular basis, the impairment of financial assets measured at amortised cost and at FVOCI on an expected credit loss (ECL) basis. The measurement of ECL is based on a three-stage approach:

- Stage 1: where financial instruments have not had a significant increase in credit risk since initial recognition, a provision for 12-month ECL is recognised, being the ECL that results from default events that are possible within 12 months of the reporting date;
- Stage 2: where financial instruments have had a significant increase in credit risk since initial recognition but does not have objective evidence of impairment, a lifetime ECL is recognised, being the ECL that results from all possible default events possible over the lifetime of the financial asset;
- Stage 3: where financial assets show objective evidence of impairment, a lifetime ECL is recognised.

There are a variety of approaches that could be used to assess whether the credit risk on a financial instrument has increased significantly since initial recognition. In some cases, detailed quantitative information about the probability of default of a financial instrument or formal credit rating will be available which is used to compare changes in credit risk. The Group monitors financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition on a regular basis.

The measurement of the loss allowance is based on the present value of the applicable financial assets expected cash flows using the financial asset's effective interest rate.

The general approach for recognising and measuring a loss allowance is the same for financial instruments measured at amortised cost and those instruments that are measured at FVOCI. However, unlike amortised cost, the loss allowance on instruments at FVOCI is recognised in other comprehensive income and does not reduce the carrying amount of the financial asset in the statement of financial position.

### 2.16 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 the income statement if the carrying amount exceeds its recoverable amount.

## 2. Significant accounting policies (continued)

### 2.17 Cash and cash equivalents

Cash comprises cash on hand and demand deposits. 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. Cash equivalents include Short-term Exchequer Notes held through the NTMA where time to maturity on the date of acquisition is three months or less.

### 2.18 Derivative financial instruments

Derivatives, such as cross-currency swaps and foreign exchange swaps are used for hedging purposes as part of the Group's risk management strategy. 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.

All derivatives are accounted for 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 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. Gains and losses on currency swaps are recognised in the income statement as part of foreign exchange gains and losses.

### 2.19 Inventories – trading properties

Trading properties include property assets which are held for resale in accordance with IAS 2 Inventories. They are recognised initially on the statement of financial position at the point at which the purchase contract has been signed with the vendor. Subsequent to initial recognition, trading properties 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 ('NRV') represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale. Revisions to the carrying value of trading properties are recognised in the income statement.

Profits and losses on the disposal of trading properties are recognised in the income statement when the transaction occurs. Further details are included in Note 2.14.

### 2.20 Investment properties

Investment properties are initially measured at cost at the point at which the contract has been signed and subsequently at fair value with any change recognised in the income statement. Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount) is recognised in the income statement when the transaction occurs. Rental income from investment properties is recognised in the income statement.

### 2.21 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.

# 2. Significant accounting policies (continued)

## 2.21 Taxation (continued)

### (a) Current income tax (continued)

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.

### (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 FVOCI 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.

## 2.22 Provisions, 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.

### 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.

## 2.23 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 Group's shareholders.

### (b) Coupon on other equity

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

## 2.24 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. The NTMA require cash to be placed with it as collateral to reduce the exposure it has to the Group 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 (continued)

## 2. Significant accounting policies (continued)

### 2.25 Exchequer Notes

Exchequer Notes are liquid, interest bearing notes held through the NTMA where time to maturity on date of acquisition is greater than three months. Exchequer Notes are recognised in the statement of financial position. Any interest payable or receivable on Exchequer Notes is recorded in interest expense or interest income respectively.

### 2.26 Property, plant and equipment

The Agency incurred costs for the fit-out of leased office space in Treasury Buildings. Costs incurred were capitalised in the statement of financial position as property, plant and equipment in accordance with IAS 16 Property, Plant and Equipment. The recognised asset was depreciated over the remaining life of the asset in compliance with IAS 16.

### 2.27 Leases

#### As lessee

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. If this arises, the Group recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease. The right of use asset is assessed for impairment if there are indicators of impairment. If it is assessed that the right of use asset is impaired the carrying value is reduced. The right of use asset is adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. The lease liability is measured at amortised cost using the effective interest rate method. Lease interest expense is recognised on the lease liability. The lease liability is remeasured when there is a change in future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

#### As lessor

Properties acquired by NARPS for the purposes of social housing were recognised as inventories in accordance with IAS 2 until 28 September 2019. On this date, the properties transferred to investment properties and subsequently are accounted for in line with IAS 40.

Rental income arising from operating leases is accounted for on a straight line basis over the lease term.

### 2.28 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.

On 26 May 2020, NAMA exercised an option to purchase the private investors' 51% shareholding in NAMAI. After this date, there were no non-controlling interests in any NAMA subsidiaries.

### 2.29 Determination of fair value

The Group measures fair values in accordance with IFRS 13 which defines fair value as 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 market, or in its absence, the most advantageous market to which the Group has access at that date, regardless of whether that price is directly observable or estimated using another valuation technique.

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).

## 2. Significant accounting policies (continued)

### 2.29 Determination of fair value (continued)

Subsequent to initial recognition, fair values are determined using valuation techniques. These valuation techniques seek to maximise the use of publicly available relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that management believe market participants would take into account in pricing a transaction. Valuation techniques may 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 case of debtor loans measured at FVTPL, the fair value of these instruments is determined with input from management and using internally generated valuation models based on selected comparable market data points. The majority of the significant inputs into these models are not readily observable in the market and the inputs are therefore derived from market prices for similar assets or estimated based on certain assumptions. The determination of key inputs used such as the expected future cash flows on the financial asset, stratification of portfolio and the appropriate discount rates applicable require management judgement and estimation.

The valuation methodology for debtor loans measured at FVTPL is to estimate the expected cash flows to be generated by the financial asset and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

- determining suitable stratifications for the portfolio to segment assets with similar risk characteristics;
- the likelihood and expected timing of future cash flows; and
- selecting an appropriate discount rate for the financial asset or group of financial assets, based on management's assessment of the characteristics of the collateral/cashflow and relevant market information.

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.

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.

Adjustments to the calculation of the present value of future cash flows are based on factors that management believe market participants would take into account in pricing the financial instrument.

Certain other financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant inputs that are not observable in the market. 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. 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.

### 2.30 Administration expenses

Administration expenses are recognised on an accruals basis.

## 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 financial statements are described as follows:

### 3.1 Fair value assessment of debtor loans at fair value through profit or loss

The fair value of debtor loans at fair value through profit or loss (‘FVTPL’) is assessed at the end of each reporting period. Key inputs to the assessment of fair value include cash flow forecasts, discount rates, timing assumptions and management judgement. The projection of cash flows involves the exercise of considerable judgement and estimation by management involving assumptions in respect of factors such as local economic conditions, the performance of the debtor, the value of the underlying property collateral and the latest agreed strategy for that debtor. The actual cash flows, and their timing, may differ from the projected cash flows for the purpose of estimating fair value for each debtor connection. Cash flow projections are generally based on the most recently agreed strategy for each debtor which is subject to change.

The assumptions used for projecting both the amount and timing of future cash flows for individual debtors, stratification of the collateral asset portfolio and appropriate discount rates for utilisation in discounted cash flow calculations are reviewed periodically by management. NAMA may apply management judgement to computed fair values or the inputs to the fair value computation where it believes this more accurately reflects the fair value of the asset. There continues to be significant market uncertainty related to Covid-19 and associated economic impact. At the reporting date, NAMA had considered the impact of Covid-19 and related national pandemic control measures during 2020 on inputs to the fair value calculation including the impact on discount factors and the timing and value of forecast cash flows from collateral assets.

For the purpose of recognition, debtor loans measured at FVTPL are grouped together on a connection level. A connection is a number of loans which have been grouped together which have been issued to the same borrower or group of economically connected borrowers.

Fair value is estimated for each connection by calculating the present value of the cash flow forecast to be generated by each connection. The cash flows represent NAMA’s best estimate of expected future cash flows for each connection and include the disposal of property collateral and other non-disposal related cash flows (such as rental income).

The Group’s policy on fair value measurement of financial assets is set out in accounting policy 2.29.

The significant estimates in relation to the fair value of the Group’s debtor loans include the timing, discount factors and value of the realisation of asset values as well as related outflows. The carrying value of the debtor loans measured at FVTPL as at 31 December 2020 is €850m (2019: €1,227m) with the change in fair value during the year being €149m (2019: €230m).

## 3. Critical accounting estimates and judgements (continued)

### 3.1 Fair value assessment of debtor loans at fair value through profit or loss (continued)

The following table shows an estimate of the impact of changes in collateral values on fair value of debtor loans.

| Sector | +/-1%<br>€m | +/-3%<br>€m | +/-5%<br>€m |
|---|---|---|---|
| Land and Development | +/- 6 | +/- 17 | +/- 28 |
| Investment Property[9] | +/- 3 | +/- 9 | +/- 15 |
| | **+/- 9** | **+/- 26** | **+/- 43** |

The following table shows an estimate of the impact of changes in discount factors on fair value of debtor loans.

| Sector | - 5%<br>€m | - 3%<br>€m | - 1%<br>€m | +1%<br>€m | +3%<br>€m | +5%<br>€m |
|---|---|---|---|---|---|---|
| Land and Development | 44 | 26 | 8 | (8) | (24) | (39) |
| Investment Property[9] | 20 | 12 | 4 | (4) | (11) | (18) |
| **Total** | **64** | **38** | **12** | **(12)** | **(35)** | **(57)** |

The following table shows an estimate of the impact of changes in timing of cash flows on fair value of debtor loans.

| Sector | +6 months<br>€m | +3 months<br>€m | - 3 months<br>€m |
|---|---|---|---|
| Land and Development | (26) | (13) | 13 |
| Investment Property[9] | (15) | (7) | 8 |
| **Total** | **(41)** | **(20)** | **21** |

### 3.2 Other management judgement and estimates

In the preparation of the financial statements, management has made judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year-end date. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

The most significant judgements made by the Group, other than those relating to the fair value of debtor loans, in the preparation of the financial statements are:

- inventories – trading properties,
- investments in equity instruments, and
- investment properties

#### Inventories – trading properties

*(a) Judgements made*

Inventories – trading properties are accounted for under IAS 2 Inventories, as opposed to IAS 40 Investment Property. Trading properties are property assets which are held for resale. They are recognised initially on the statement of financial position at the point at which the purchase contract has been signed with the vendor, in line with accounting policy 2.19. Subsequent to initial recognition, trading properties are stated at the lower of cost and net realisable value. Cost is determined on the basis of specific identification of individual costs relating to each asset.

*(b) Estimates used*

Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale. Revisions to the carrying value of trading properties are recognised in the income statement. The assessment of the net realisable valuation of trading properties is an estimate based on the percentage of completion of property/properties that are in the course of development or based on the assessment of market information for completed trading properties. This assessment, being an accounting estimate, is subject to uncertainty.

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[9] *Investment property relates to Deleveraging Residential, Deleveraging Commercial and Deleveraging NRE*

# Notes to the Financial Statements (continued)

## 3. Critical accounting estimates and judgements (continued)

### 3.2 Other management judgement and estimates (continued)

#### Investment properties

The fair value of investment properties are determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the categories of properties being valued. Outputs from valuers can be subject to management judgement. The valuer utilised the investment method of valuation using the discounted cash flow technique. The assumptions involved in this technique include:

- determining the likelihood of purchase options being exercised;
- selecting an appropriate exit yield rate based on factors including location and residential unit type; and
- determining expected rent cash flows based on expected growth rates for CPI sub-indices and gross to net percentages for operation costs.

The carrying value of the investment properties as at 31 December 2020 is €292m (2019: €288m) with the change in fair value recognised in the income statement being €5m (2019: €74m).

#### Investments in equity instruments

In determining the appropriate accounting treatment of investments in equity instruments, the existence of significant influence is considered on a case-by-case basis, using the following indicators:

- representation on the board of directors or equivalent governing body;
- participation in the policy-making process;
- material transactions between the two parties;
- interchange of managerial personnel;
- provision of essential technical information; and
- potential voting rights.

At the reporting date, there were no investments in equity instruments in which control or significant influence by the Group existed.

## 4. Net gains on debtor loans measured at FVTPL

| **Group** | *Note* | **2020 €'000** | **2019 €'000** |
|---|---|---|---|
| Fair value movement on debtor loans measured at FVTPL | *20* | **149,005** | **229,539** |

The Group assesses the classification and measurement of each financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing that asset. Changes in fair value are recognised in the income statement in accordance with accounting policy 2.10. See Note 20 for further details on debtor loans measured at FVTPL held by the Group at the reporting date. Debtor loans measured at FVTPL include debtor loans acquired from the participating institutions, shareholder loans and a guaranteed income stream.

## 5. Net gains on investment properties

| **Group** | *Note* | **2020 €'000** | **2019 €'000** |
|---|---|---|---|
| Fair value movement on investment properties | *22* | **5,171** | **74,320** |

On 28 September 2019, the NARPS portfolio of residential properties was reclassified from inventories-trading properties to investment properties. Investment properties are valued at fair value. Changes in fair value are recognised in the income statement in accordance with accounting policy 2.20. See Note 22 for further details on investment properties held by the Group at the reporting date.

## 6. Interest income

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Interest on cash and cash equivalents | **4** | **18** |

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

| Agency | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Negative interest income on intergroup loans | **181** | **154** |

The negative interest income of €0.18m (2019: €0.15m) on the intergroup loan is due to negative interest rates on the intergroup loan from NALM. Refer to Note 34 for further detail.

## 7. Interest and similar expense

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Interest on government bonds | 71 | 302 |
| Negative interest expense on cash and cash equivalents | 7,478 | 12,559 |
| Lease interest expense | 68 | 173 |
| **Total interest and similar expense** | **7,617** | **13,034** |

Interest on government bonds comprises interest on short term government bonds held for liquidity purposes, recognised using the EIR method. The nominal value of government bonds at the reporting date was €Nil (2019: €325m).

During 2020, the Group incurred interest expense of €7m (2019: €13m) on cash and cash equivalents due to negative interest rates.

The Group has recognised a lease interest expense on the lease liabilities of €68k (2019: €173k).

| Agency | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Negative interest expense on cash and cash equivalents | 1 | 7 |
| Lease interest expense | 1 | 35 |
| **Total interest and similar expense** | **2** | **42** |

Due to negative interest rates, there is negative interest expense on cash and cash equivalents of €1k (2019: €7k).

The Agency has recognised a lease interest expense on the lease liabilities of €1k (2019: €35k).

## 8. Fee income

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Fee income from debtor loans | **8,606** | **249** |

Fee income from debtor loans is income associated with debtor connections that is not considered as a reduction in the debt obligations of the debtor. Fee income can include arrangement fees, restructuring fees, exit fees, performance fees and transaction fees from loan sales/refinances. The level of fee income is based on the nature of transactions during the year.

# Notes to the Financial Statements (continued)

## 9. Other (expense)/income

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Distributions from equity instruments (a) | 788 | 6,782 |
| Fair value (loss)/gain on equity instruments (b) | (9,797) | 15,720 |
| Lease rental income (c) | 12,783 | 12,381 |
| Revaluation of trading properties (d) | (85) | (507) |
| Other expenses (e) | (6,218) | (8,907) |
| Other income (f) | - | 2,275 |
| **Total other (expense)/income** | **(2,529)** | **27,744** |

(a) The Group received dividends totalling €0.8m (2019: €6.8m) on its equity instruments during the reporting period.

(b) The fair value of NAMA's equity instruments is based on valuation techniques which consider the value of the Group's claim to the underlying assets of the entity. Changes in fair value are recognised in the income statement in accordance with accounting policy 2.7. See Note 28 for further details on equity instruments held by the Group at the reporting date.

(c) Lease rental income is earned from the lease of residential properties to approved housing bodies and local authorities for social housing purposes. It is accounted for on a straight line basis over the lease term in accordance with accounting policy 2.27.

(d) In accordance with accounting policy 2.19, trading properties are measured at the lower of cost and net realisable value. During the year, the Group recognised a revaluation loss of €0.1m (2019: €0.5m) on these assets. See Note 21 for further details on trading property assets.

(e) Other expenses include €1.1m (2019: €3.8m) for the discharge of receivership property liabilities, €5.3m (2019: €Nil) for a provision for expected costs associated with the calculation of interest on certain debtor loans and €0.3m (2019: €5.1m) for contracted fees in the financial year following the reaching of a designated rate of return on equity investments offset by a release of €0.5m accrued in 2019 which subsequently was not payable.

(f) In 2019, NAMA reached an agreement with the IBRC special liquidator for a dividend in respect of unsecured claims of €2.3m.

| Agency | *Note* | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|---|
| Costs reimbursable from NALM | 13 | 31,997 | 40,828 |
| Profit on disposal of furniture | | - | 9 |
| **Total other income** | | **31,997** | **40,837** |

## 10. Losses on derivative financial instruments

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Losses on derivatives acquired from borrowers | - | (367) |
| Losses on other derivatives | - | (1,543) |
| Interest income on acquired derivative financial instruments | - | 1,662 |
| Interest expense on other derivative financial instruments | - | (485) |
| **Total losses on derivative financial instruments** | **-** | **(733)** |

## 10. Losses on derivative financial instruments (continued)

The losses on derivative financial instruments include the fair value movements on these instruments and any expenses payable. Fair value movements on derivatives were driven by market movements that occurred during the relevant financial year. The fair value of derivatives is impacted by changes in Euribor rates and borrower derivative performance levels. There were no derivatives acquired from borrowers or other derivatives held at 31 December 2019 or at any time during 2020. Further information on derivative financial instruments is provided in Note 19.

Interest income on acquired derivative financial instruments of €1.7m recognised in 2019 relates to interest receivable on derivatives acquired from Participating Institutions.

Interest expense on other derivative financial instruments of €0.5m recognised in 2019 relates to interest payable on derivatives entered into to hedge NAMA's exposure to interest rate risk.

There are no derivatives held by the Agency.

## 11. Net profit on disposal and refinancing of loans

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Net profit on disposal and refinancing of loans | **86,840** | **5,479** |

During the financial year, the Group disposed of a number of debtor loans to third parties and some other loans were refinanced. Profit or loss on disposal and refinancing of loans is measured as the difference between the proceeds received, including any deferred consideration, less related selling expenses and the net carrying value of loans. The Group realised a net profit of €86.8m (2019: €5.5m) on the disposal and refinancing of loans in the financial year. The Group earned gross profit of €86.9m (see Note 20) (2019: €5.6m), which when combined with disposal costs of €0.02m (2019: €0.1m), resulted in the net profit on disposal of loans of €86.8m (2019: €5.5m).

There were no disposals of loans by the Agency.

## 12. Net profit on disposal of property assets

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Gross proceeds from disposal of property assets | 43,931 | 46,505 |
| Related cost of property assets sold | (9,451) | (7,138) |
| **Total net profit on disposal of property assets** | **34,480** | **39,367** |

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 less related selling expenses. The Group realised a net profit of €34.5m (2019: €39.4m) on the disposal of trading property assets in the financial year.

There were no disposals of properties by the Agency as the Agency does not hold property assets.

# Notes to the Financial Statements (continued)

## 13. Administration expenses

| **Group** | *Note* | **2020 €'000** | **2019 €'000** |
|---|---|---|---|
| Costs reimbursable to the NTMA | *13.1* | 31,996 | 38,809 |
| Primary servicer fees | *13.2* | 6,942 | 7,022 |
| Master servicer fees | *13.3* | 1,475 | 1,525 |
| Portfolio management fees | *13.4* | 3,348 | 2,346 |
| Legal fees | *13.5* | 8,384 | 5,495 |
| Finance, communication and technology costs | *13.6* | 4,987 | 5,370 |
| Rent and occupancy costs | *13.7* | 4,174 | 4,333 |
| Internal audit fees | *13.8* | 614 | 667 |
| External audit remuneration | *13.9* | 832 | 832 |
| Board and Committee fees and expenses | *13.10* | 276 | 474 |
| **Total administration expenses** | | **63,028** | **66,873** |

| **Agency** | *Note* | **2020 €'000** | **2019 €'000** |
|---|---|---|---|
| Administration expenses | | | |
| Costs reimbursable to the NTMA | *13.1* | 31,996 | 38,809 |
| Rent and occupancy costs | *13.7* | - | 318 |
| Board and Committee fees and expenses | *13.10* | 276 | 474 |
| **Total administration expenses** | | **32,272** | **39,601** |

Costs reimbursable to the NTMA are recognised as an expense to NAMA the Agency. All costs, other than Board and Committee fees and expenses incurred by NAMA are reimbursed to it by NALM. Total costs of €32.0m (2019: €40.8m) were reimbursed by NALM to NAMA the Agency.

| **Agency** | *Note* | **2020 €'000** | **2019 €'000** |
|---|---|---|---|
| **Costs reimbursable by NALM** | | | |
| Costs reimbursable to the NTMA | *13.1* | 31,996 | 38,809 |
| Rent and occupancy costs | | 1 | 2,019 |
| **Total costs reimbursable by NALM** | *9* | **31,997** | **40,828** |

### 13.1 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. The costs included above may differ to the amounts disclosed in the NTMA financial statements due to the timing of the preparation of both sets of financial statements.

Costs comprise staff costs of €24.6m (2019: €28.9m) and overheads and shared service costs of €7.4m (2019: €9.9m). The NTMA incurs direct costs for NAMA such as salaries, IT, office and business services.

The NTMA also provides shared services to NAMA including IT, HR and Finance. The allocated salary cost of the NTMA employees (non NAMA Officers) providing these shared services to NAMA during 2020 was €3.2m (2019: €3.6m).

NAMA has agreed to reimburse the NTMA for its proportionate share of the external overhead costs incurred by the NTMA 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.

## 13. Administration expenses (continued)

### 13.1 Costs reimbursable to the NTMA (continued)

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

#### Staff costs

The Group has no employees. All personnel are employed by the NTMA and the remuneration cost of staff who are engaged full time in the NAMA business are recharged to the Group by the NTMA. The total remuneration cost including pension costs for the reporting period was €24.6m (2019: €28.9m). The following remuneration disclosures are required under The Code of Practice for the Governance of State Bodies (2016).

| **Aggregate Employee Benefits** | **2020 €m** | **2019 €m** |
|---|---|---|
| Basic Pay | 18.0 | 20.5 |
| Performance related pay | - | 0.5 |
| Allowances | 0.1 | 0.1 |
| *Staff short-term benefits* | 18.1 | 21.1 |
| Termination benefits | 2.0 | 2.8 |
| Pay related social insurance | 1.9 | 2.1 |
| Pension contributions | 2.6 | 2.9 |
| **Total aggregate employee benefits** | **24.6** | **28.9** |

The number of employees of the NTMA directly engaged in the Group ('NAMA Officers') at the reporting date was 174 (2019: 211). 20 employees will leave NAMA as part of the Voluntary Redundancy Scheme ("VRS") (2019: 32).

No performance related payments were made for 2020. The 2019 performance related payments of €0.5m were made to 56 staff members and relate to the period from 1 January 2019 to 31 December 2019.

Costs of €2.0m (2019: €2.8m) relating to termination benefits (including VRS and garden leave) have been recognised in 2020, of which €1.0m (2019: €1.4m) is attributable to statutory and other redundancy payments, €0.4m (2019: €0.6m) relates to the "retention scheme"[10], and €0.6m (2019: €0.8m) is 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. Under the VRS, 20 staff were entitled to garden leave of three months (2019: 32). In addition to those accepted for the VRS, 1 staff member (2019: 2) was placed on garden leave during 2020. The period of garden leave for the 1 staff member was 3 months (2019: average period one month). The decision on whether to place staff members on garden leave is 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. Further redundancies will take place on a phased basis each year over the remaining life of NAMA.

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 is recharged to NAMA. The cost of the pension contributions made by the Group is disclosed in Note 39.

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

| **Brendan McDonagh (Chief Executive Officer)** | **2020 €** | **2019 €** |
|---|---|---|
| Salary | 430,000 | 426,675 |
| Taxable benefits | 19,246 | 19,982 |
| | **449,246** | **446,657** |

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. Taxable benefits include benefits/allowances earned in the reporting period, and can include health insurance, company car and professional subscriptions. The Chief Executive Officer was entitled to be considered to be awarded performance payments for 2019 and 2020, but in view of the economic challenges facing the country, waived his entitlement to be considered for these payments.

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

## 13. Administration expenses (continued)

### 13.1 Costs reimbursable to the NTMA (continued)

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 officers. The FEMPI Act 2015 allowed for restoration of those pay reductions for all those affected by the 2013 legislation. In April 2017, the first restoration under the FEMPI Act 2015 was implemented, resulting in a one third restoration of the 2013 reduction to the Chief Executive Officer's salary. In April 2018 the second restoration was implemented. In April 2019, the final phase of the restoration was implemented.

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 NAMA Board, who in giving advice on remuneration, are informed by the views of the NAMA Remuneration Committee, having regard to the obligations of the Board to implement Government policy in relation to such remuneration.

### Key management personnel

Key management personnel is defined under the Code of Practice for the Governance of State Bodies 2016 (the 'Code'), as management who report directly to the Chief Executive Officer. The Chief Executive Officer had 5 (2019: 6) direct management personnel reports during 2020 and the total compensation paid to them in 2020 was €1.0m (2019: €1.1m).

### Total employee benefits

Total employee benefits, within pay bands of €25,000 from €50,000 upwards is set out in the following table as at 31 December 2020 and 2019.

| **Pay band** | **No. of employees 2020** | **No. of employees 2019** |
|---|---:|---:|
| up to €50,000 | 21 | 40 |
| €50,001 - €75,000 | 25 | 31 |
| €75,001 - €100,000 | 44 | 53 |
| €100,001 - €125,000 | 44 | 36 |
| €125,001 - €150,000 | 28 | 31 |
| €150,001 - €175,000 | 5 | 11 |
| €175,001 - €200,000 | 4 | 4 |
| €200,001 - €225,000 | 1 | 2 |
| €225,001 - €250,000 | - | 2 |
| €250,001 - €275,000 | 1 | - |
| €275,001 - €300,000 | - | - |
| €300,001 - €325,000 | - | - |
| €325,001 - €350,000 | - | - |
| €350,001 - €375,000 | - | - |
| €375,001 - €400,000 | - | - |
| €400,001 - €425,000 | - | - |
| €425,001 - €450,000 | 1 | 1 |
| **Total** | **174** | **211** |

Total remuneration includes base salary and any other taxable benefits paid to employees. It does not include employer pension contributions. The Additional Superannuation Contribution (ASC) is applied to NTMA employees.

## 13. Administration expenses (continued)

### 13.1 Costs reimbursable to the NTMA (continued)

### Hospitality expenditure

As required to be disclosed under the Code, hospitality expenditure incurred during the year is set out below:

| | 2020<br>€ | 2019<br>€ |
|---|---|---|
| Staff Wellbeing | 4,895 | 13,710 |
| Sports and Social Contributions | 278 | 13,236 |
| Staff events | 1,895 | 9,035 |
| | **7,068** | **35,981** |

In 2020, the majority of the staff wellbeing costs related to classes and lectures. In 2019, the majority of the staff wellbeing cost comprised the cost of staff health screenings €8k, flu vaccines €1k and lunchtime classes and lectures. These are organised by the NTMA as employer and NAMA officers are eligible to receive these benefits.

The NTMA has established a Sports and Social Committee for all staff, who can join on a voluntary basis and pay membership fees. NAMA has agreed to contribute to the costs of the activities organised by the Committee where NAMA staff benefit from the activities. NAMA incurred €0.3k in 2020 (2019: €13.2k) in relation to sports and social activities organised by the Committee.

Staff event costs include NAMA's share of staff events organised by the NTMA which NAMA officers are invited to attend.

### Travel costs

The total travel costs incurred during 2020 was €13.3k (2019: €39k), of which €0.2k (2019: €18k) related to international travel and €13.1k (2019: €21k) related to domestic travel.

### 13.2 Primary Servicer fees

Primary Servicer fees comprise fees paid to AIB and Link Asset Services who administer the loans that originated within each Participating Institution as well as the management of charged current accounts and mortgage accounts. The Primary Servicer fees are based on the relevant service agreement with the service provider (Link Asset Services) and cost recovery up to a maximum of 10 basis points of the par debt loan balances administered (for AIB).

The amounts payable to related parties (Participating Institutions) for Primary Servicer fees are set out in Note 39 related party disclosures. Total Primary servicer fees were €7m during the financial year (2019: €7m).

### 13.3 Master servicer fees

Master servicer fees comprise fees paid to the master servicer, Link Asset Services. Link Asset Services provides loan administration and data management services to the Group. Master servicer fees were €1.5m in the financial year (2019: €1.5m).

### 13.4 Portfolio management fees

Portfolio management fees relate to fees incurred in the on-going management and support of debtors. Costs include property valuation, asset search and asset registry fees, and insurance costs.

### 13.5 Legal fees

Legal fees comprise fees paid to professional service firms with respect to legal advice in the on-going management and support of debtors. The increase in legal fees is driven by increased legal activity. Included in the legal fees of €8.4m (2019: €5.5m) are total settlement costs of €395k (2019: €147k).

### 13.6 Finance, communication and technology costs

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

## 13. Administration expenses (continued)

### 13.7 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 had leased the third floor of Treasury Building from 2010 for a period of ten years, the first floor from 2014 for a period of 15 years and the first floor annexe for a period of 12 years and 4 months from 2013. The Agency moved premises in 2019. In February 2020, NAMA agreed and executed terms for the surrender of its leases and other interests in Treasury Building to Google Ireland. This surrender resulted in a reduction in the value of economic outflows from NAMA relative to the contractual position prior to the surrender.

Rent and occupancy costs include a depreciation charge on the right of use asset for the Treasury Building space of €Nil in 2020 (2019: €1.4m).

Included in the rent and occupancy costs is an amount of €Nil (2019: €0.8m) reimbursed to NAMA by the NTMA for the occupation for the first floor and first floor annexe in Treasury Building. The NTMA moved premises in 2019 and vacated this space.

In 2019, the Agency reversed a dilapidation related provision of €1.3m within occupancy costs with regard to Treasury Building.

With regard to Treasury Dock the Group has a Lease with the NTMA. The agreement is effective from May 2018 for a lease term of 4 years. The charge includes a depreciation charge on the right of use assets of €2.8m (2019: €2.8m) and shared facilities costs of €1m (2019: €1m).

Further information on leases is included in Note 30 Other assets, Note 31 Other liabilities and Note 33 Commitments and contingent liabilities.

The remaining balance relates to occupancy costs.

### 13.8 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.

### 13.9 External audit remuneration

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Audit of NAMA Group and subsidiaries by the OC&AG | 450 | 450 |
| Audit of NAMAI Company and subsidiaries by the Statutory Auditor | 382 | 382 |
| **Total external audit remuneration** | **832** | **832** |

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

The Comptroller and Auditor General is the auditor of the NAMA Group in accordance with Section 57 of the NAMA Act.

Pursuant to the requirements of the Irish Companies Act 2014, NAMA is required to separately appoint a statutory auditor in respect of companies within the NAMA Group which are deemed to be trading for gain. As NAMAI and its subsidiaries operate to return dividends to its shareholder it is deemed to be trading for gain. As such, Mazars, Chartered Accountants and Statutory Audit Firm, were appointed as statutory auditors of NAMAI Group's subsidiaries in June 2017. The audit fee is €315k (excluding VAT) for 2020 and 2019. On exit of NAMA's private investors in 2020, NAMAI is not required to prepare consolidated financial statements.

During the year Mazars provided insolvency services whereby they were appointed by NAMA to act on behalf of NAMA debtors with a duty of care to NAMA as prescribed in law. Fees incurred during the year of €0.2m (2019: €0.6m) are ultimately borne by the respective debtors of NAMA and do not represent an operational expense of NAMA, and accordingly are not reflected in the income statement of the Group.

## 13. Administration expenses (continued)

### 13.10 Board and Committee fees and expenses

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

| | 2020<br>€ | 2019<br>€ |
|---|---|---|
| Frank Daly (Chairman) (final term completed 21 December 2019) | - | 145,890 |
| Aidan Williams (Chairman) (term commenced 2 April 2019, term as Chairman commenced 20 December 2019) | 100,000 | 47,315 |
| Oliver Ellingham | 38,000 | 60,000 |
| Mari Hurley | 43,000 | 75,000 |
| Eileen Maher | 38,000 | 60,000 |
| Charlotte Sheridan (term commenced 22 December 2020) | 1,038 | - |
| Michael Wall | 38,000 | 60,000 |
| **Board fees** | **258,038** | **448,205** |
| Board expenses | 1,282 | 6,530 |
| **Total Board fees and expenses** | **259,320** | **454,735** |
| **Planning Advisory Committee** | | |
| Alice Charles (term completed 26 October 2020) | 4,000 | 5,000 |
| Charlotte Sheridan | 5,000 | 4,000 |
| **Audit Committee** | | |
| Jim Kelly (term completed 12 January 2020) | - | 10,000 |
| Liam Gallagher (term commenced 9 January 2020) | 8,000 | - |
| **Committee fees** | **17,000** | **19,000** |
| **Total Board and Committee fees and expenses** | **276,320** | **473,735** |

NAMA Board fees are set by the Minister for Finance. With effect from 1 January 2020 there has been a reduction in fees payable to Board Members. Conor O'Kelly (NTMA Chief Executive Officer) 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.

| **2020** | Travel Expenses<br>€ | Other<br>€ | 2020<br>Total<br>€ | 2019<br>Total<br>€ |
|---|---|---|---|---|
| Frank Daly (Chairman)[11] | - | - | **-** | **477** |
| Oliver Ellingham[11] | 673 | 100 | **773** | **3,771** |
| Brian McEnery[11] | - | - | **-** | **2,282** |
| Other | - | 509 | **509** | **-** |
| | **673** | **609** | **1,282** | **6,530** |

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[11] *Included in travel expenses and other is an amount of €Nil which represents NAMA's tax liability on benefit-in-kind in respect of board expenses paid in 2020 (2019: €2,582).*

# Notes to the Financial Statements (continued)

## 13. Administration expenses (continued)

### 13.11 Consultancy fees

Consultancy costs, as defined in the Code, include the cost of external advice to the business and exclude outsourced 'business-as-usual' functions. Included in the relevant headings in administration expenses are the following consultancy costs paid during the year:

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Legal fees | 1,659 | 794 |
| Finance, communication and technology costs | 15 | 92 |
| **Total consultancy fees** | **1,674** | **886** |

Included within the NTMA recharge is a cost of €0.1m (2019: €0.5m) for consulting fees incurred by the NTMA and recharged to NAMA.

## 14. Foreign exchange losses

| Group | *Note* | 2020 €'000 | 2019 €'000 |
|---|---|---|---|
| Foreign exchange (losses)/gains on debtor loans measured at FVTPL (a) | *20* | (715) | 1,067 |
| Unrealised foreign exchange gains on derivative financial instruments (b) | | 20 | 622 |
| Realised foreign exchange gains/(losses) on currency derivative financial instruments (b) | | 736 | (2,853) |
| Foreign exchange (losses)/gains on cash (c) | | (119) | 257 |
| Other foreign exchange gains/(losses) | | (21) | 18 |
| **Total foreign exchange losses** | | **(99)** | **(889)** |

(a) Foreign exchange translation gains and losses on debtor loans arise on the revaluation of foreign currency denominated loans. Foreign currency translation amounts are recognised in accordance with accounting policy 2.6.

Gains and losses on foreign currency derivatives arise from market movements that affect the value of the derivatives.

(b) 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 debtor loans acquired. The gain or loss on derivative financial instruments comprises realised and unrealised gains and losses. Realised and unrealised gains are recognised in accordance with accounting policy 2.18. Currency derivatives are explained in more detail in Note 19.

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

## 15. Tax charge

| Group | *Note* | 2020 €'000 | 2019 €'000 |
|---|---|---|---|
| **Current tax** | | | |
| Irish corporation tax | | (25,613) | (34,603) |
| | | | |
| **Deferred tax** | | | |
| On fair value gains on equity instruments and other adjustments | | 2,541 | 57 |
| On IFRS 9 transition adjustments | | 4,237 | 4,238 |
| **Total deferred tax recognised in income statement** | 29 | **6,778** | **4,295** |
| | | | |
| **Total tax charge** | | **(18,835)** | **(30,308)** |

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

**Reconciliation of tax on profits**

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Profit before tax | 210,833 | 295,187 |
| Tax calculated at a tax rate of 25% | 52,708 | 73,797 |
| | | |
| Effect of: | | |
| Non-taxable derivative movements | - | (3,320) |
| Deductible expenditure | (13,705) | (9,464) |
| Tax losses not utilised/(utilised) | 2,784 | (576) |
| Movement in deferred tax liability | (6,778) | (4,295) |
| Prior year adjustments | (525) | (161) |
| Withholding tax credit | (221) | (1,916) |
| Transitional adjustments | 4,189 | 4,189 |
| Income taxed at lower rate | (19,617) | (27,946) |
| **Taxation charge** | **18,835** | **30,308** |

The current Irish corporation tax charge of €26m (2019: €35m) arises on the profits earned by NAMAI and its subsidiaries. The Agency is exempt from Irish income tax, corporation tax and capital gains tax.

The profits of the majority of the companies within the Group are subject to tax at the rate of 25% with the exception of NALM, PB and PWH, where the applicable tax rate is 12.5%.

The Group and Agency have no income 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.

## 16. Income tax relating to components of other comprehensive income

| **Group** | *Note* | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|---|
| Movement in financial assets measured at FVOCI reserve before tax | 36 | (1,206) | (1,422) |
| Deferred tax credit | 29 | 685 | 18 |
| **Total income tax relating to components of other comprehensive income** | | **685** | **18** |

The movement in the reserves represents a temporary difference between the tax base of the financial assets and their fair value.

## 17. Cash and cash equivalents, collateral and Exchequer Notes

| **Group** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Balances with the Central Bank of Ireland | 384,916 | 3,493,147 |
| Balances with other banks | 32,753 | 19,167 |
| **Total cash and cash equivalents** | **417,669** | **3,512,314** |
| **Cash placed as collateral with the NTMA** | **3,000** | **25,000** |
| **Exchequer Notes** | **875,000** | **-** |
| **Total cash, cash equivalents, collateral and Exchequer Notes** | **1,295,669** | **3,537,314** |

| **Agency** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Balances with the Central Bank of Ireland | **181** | **176** |

Balances with other banks comprise balances held with Citibank, AIB and BCP.

The Group is required to post cash collateral with the NTMA under a collateral posting agreement (CPA) (as amended) entered into in 2012. The NTMA is the counterparty to all the Group's 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 the Group with regard to its derivative positions. At 31 December 2020, Group's derivative liability exposure was €26k (2019: €Nil) as set out in Note 19. During 2020, the amount of collateral held by the NTMA decreased driven by the reduction in the level of derivatives held by NAMA with the NTMA.

Exchequer Notes are interest bearing notes held with the NTMA with maturities on the date of acquisition ranging from five to eleven months.

No expected credit loss has been recognised on cash and cash equivalents, collateral and Exchequer Notes.

## 18. Government bonds

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Short term treasury bonds | - | **342,052** |

Government bonds comprised Irish government treasury bonds acquired for liquidity management. The nominal value of government bonds at 31 December 2020 was €Nil (2019: €325m). The government bonds held by NAMA at 31 December 2019 all matured during 2020.

The movement on the government bonds is analysed as follows:

| | *Note* | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|---|
| At beginning of year | | 342,052 | 470,746 |
| Amortisation of premium on purchase | | (15,846) | (22,272) |
| Maturity of government bonds | | (325,000) | (105,000) |
| Net changes in fair value | *36* | (1,206) | (1,422) |
| **Total government bonds** | | **-** | **342,052** |

No expected credit loss was recognised on government bonds.

## 19. Derivative financial instruments

The Group enters into derivative contracts to hedge its exposure to 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 23, 24 and 25.

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 foreign exchange rates relative to their contracted terms. The fair value of derivative financial assets and liabilities can fluctuate significantly over time.

Currency swaps are commitments to exchange one set of cash flows for another. Swaps result in an economic exchange of currencies. 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 on-going basis with reference to the current fair value.

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

| **Group**<br>**31 December 2020** | **Notional amount €'000** | **Fair values** | | **Net**<br>**€'000** |
|---|---|---|---|---|
| | | **Assets €'000** | **Liabilities €'000** | |
| *Derivatives at fair value through profit or loss* | | | | |
| Foreign currency derivatives | 4,631 | 254 | (26) | 228 |

| **Group**<br>**31 December 2019** | **Notional amount €'000** | **Fair values** | | **Net**<br>**€'000** |
|---|---|---|---|---|
| | | **Assets €'000** | **Liabilities €'000** | |
| *Derivatives at fair value through profit or loss* | | | | |
| Foreign currency derivatives | 18,430 | 208 | - | 208 |

## 19. Derivative financial instruments (continued)

### Movement recognised in the income statement

The following table shows the net fair value position on derivatives at 31 December 2020 and 2019. The movement is recognised in the consolidated income statement.

| | | Fair values | | Movement |
|---|---|---|---|---|
| **Group** | *Note* | **2020 €'000** | **2019 €'000** | **2020 €'000** |
| *Derivatives at fair value through profit or loss* | | | | |
| Foreign currency derivatives | *14* | 228 | 208 | 20 |

### Derivative financial instruments at fair value through profit or loss

The Group 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 acquired.

The Agency held no derivatives at the reporting date. There is no cash flow hedging applied in the Agency.

## 20. Debtor loans/intergroup loan measured at FVTPL

| **Group** | **2020 €'000** | **2019 €'000** |
|---|---|---|
| Debtor loans measured at fair value through profit or loss | **850,081** | **1,227,167** |

The above reflects the carrying value of the debtor loans at the reporting date which have been classified and measured at FVTPL. The Group assesses the classification and measurement of each financial asset based on the contractual cash flow characteristics of the asset and the Group's business model for managing that asset. Included within this balance are debtor loans acquired from the participating institutions, shareholder loans and a guaranteed income stream.

The following table summarises the movement in debtor loans measured at FVTPL for the reporting period.

| **Group** | *Note* | **2020 €'000** | **2019 €'000** |
|---|---|---|---|
| **Balance at 1 January** | | **1,227,167** | **1,925,462** |
| **Movement in year** | | | |
| Receipts on debtor loans measured at FVTPL | | (855,642) | (1,203,151) |
| Advances to borrowers | | 247,482 | 410,713 |
| Foreign exchange (losses)/gains on debtor loans measured at FVTPL | *14* | (715) | 1,067 |
| Other movements on debtor loans measured at FVTPL | | (4,077) | 8,656 |
| Transfer to trading properties | | - | (150,740) |
| Profit on disposal and refinancing of debtor loans measured at FVTPL | *11* | 86,861 | 5,621 |
| Fair value gains on debtor loans measured at FVTPL | *4* | 149,005 | 229,539 |
| **Total debtor loans measured at FVTPL** | | **850,081** | **1,227,167** |

## 20. Debtor loans/intergroup loan measured at FVTPL (continued)

| Agency | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Intergroup loan measured at FVTPL | **1,479,893** | **3,536,554** |

The above reflects the carrying value of the profit participating loan to NAM at the reporting date which has been classified and measured at fair value through profit or loss. The following table summarises the movement in debtor loans measured at FVTPL for the reporting period.

| Agency | 2020 €'000 | 2019 €'000 |
|---|---|---|
| **Balance at 1 January** | **3,536,654** | **3,536,654** |
| | | |
| **Movement in year** | | |
| Repayment of intergroup loan | (2,056,761) | - |
| **Total intergroup loan measured at FVTPL** | **1,479,893** | **3,536,554** |

As this intergroup loan is on demand there is no fair value gain or loss.

## 21. Inventories – trading properties

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Trading properties | **162,298** | **170,556** |

Trading properties are recognised in accordance with accounting policy 2.19.

The movement in carrying values in 2020 relates to the acquisition of a property asset, disposal of property assets previously acquired and the revaluation of property assets to the lower of cost or net realisable value.

## 22. Investment properties

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Investment properties | **292,001** | **287,565** |

On 28 September 2019, the Minister for Finance issued a direction to NAMA to retain ownership of NARPS. NARPS is to remain in State ownership and the value attributable may form part of any potential transfer of assets as part of NAMA's terminal surplus. As of the date of this direction, the NARPS portfolio of residential properties transferred from inventories-trading properties to investment properties. Investment properties are carried at fair value. Rental income on investment properties is included in Note 9 as Lease Rental Income. Insurance costs borne by NARPS on the investment properties are included within portfolio management fees in Note 13.

## 22. Investment properties (continued)

The following table summarises the movement in investment properties for the reporting period.

| **Investment properties** | *Note* | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|---|
| **Balance at 1 January** | | 287,565 | - |
| Transfer from trading properties | | - | 211,629 |
| Acquisition of/costs incurred on investment properties | | 2,335 | 1,616 |
| Derecognition of investment properties | | (3,070) | - |
| Fair value movements | *5* | 5,171 | 74,320 |
| **Balance as at 31 December** | | **292,001** | **287,565** |

NARPS had a signed agreement with an approved housing body to lease certain investment properties once they completed. The approved housing body in 2020 confirmed their intention to complete the direct purchase of these properties. These properties were therefore derecognised during 2020.

## 23. 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, price 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.

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. NAMA is also exposed to interest rate risk on acquired loans. The current and expected performance of a loan 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 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 and compliance with relevant legal, regulatory and taxation requirements by NAMA.

## 23. Risk management (continued)

### Risk Oversight and Governance (continued)

#### 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 Management and Recovery, 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, the Primary Servicer and Master Servicer and it monitors and reports to the Audit Committee and Board the progress in addressing actions highlighted in audit findings. The unit also supports the business in assessing their compliance with policies and procedures and provides advice where opportunities for enhanced control are identified.

#### 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.

## 23.1 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 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 has made use of foreign currency derivatives to manage the currency profile of its assets and liabilities.

## 23.2 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 NTMA'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.

## 23. Risk management (continued)

### 23.2 Market risk management (continued)

### 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 reporting to the Risk Management Committee with detailed analysis of all significant risk positions and compliance with risk limits.

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 Audit and Risk unit and the NTMA Risk unit meets as required to review the market risk profile following changes in the risk position or market influences and to ensure compliance with the decisions of the Board and the Risk Management Committee. The reporting produced by the NTMA Risk unit includes analysis of all significant risk positions and compliance with risk limits.

### 23.3 Market risk measurement

### 23.3.1 Interest rate risk

The Group is exposed to interest rate risk on certain financial assets and liabilities. 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. 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.

| **Interest rate risk Group 2020** | **0-12 months €'000** | **Non-interest bearing €'000** | **Total €'000** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 417,669 | - | 417,669 |
| Cash placed as collateral with the NTMA | 3,000 | - | 3,000 |
| Exchequer Notes | 875,000 | - | 875,000 |
| Debtor loans measured at FVTPL | 850,081 | - | 850,081 |
| Investments in equity instruments | - | 13,381 | 13,381 |
| Other assets | - | 1,303 | 1,303 |
| **Total financial assets exposed to interest rate re-set** | **2,145,750** | **14,684** | **2,160,434** |
| | | | |
| **Financial liabilities** | | | |
| Other liabilities | - | 29,920 | 29,920 |
| **Total financial liabilities exposed to interest rate re-set** | **-** | **29,920** | **29,920** |

## 23. Risk management (continued)

### 23.3 Market risk measurement (continued)

### 23.3.1 Interest rate risk (continued)

| **Interest rate risk Group 2019** | **0-12 months €'000** | **Non-interest bearing €'000** | **Total €'000** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 3,512,314 | - | 3,512,314 |
| Cash placed as collateral with the NTMA | 25,000 | - | 25,000 |
| Government bonds | 325,000 | - | 325,000 |
| Debtor loans measured at FVTPL | 1,227,167 | - | 1,227,167 |
| Investments in equity instruments | - | 18,902 | 18,902 |
| Other assets | - | 2,740 | 2,740 |
| **Total financial assets exposed to interest rate re-set** | **5,089,481** | **21,642** | **5,111,123** |
| | | | |
| **Financial liabilities** | | | |
| Other liabilities | - | 25,508 | 25,508 |
| **Total financial liabilities exposed to interest rate re-set** | **-** | **25,508** | **25,508** |

| **Interest rate risk Agency 2020** | **0-12 months €'000** | **Non-interest bearing €'000** | **Total €'000** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 181 | - | 181 |
| Intergroup loan measured at FVTPL | 1,479,893 | - | 1,479,893 |
| Investment in subsidiary | - | 105,696 | 105,696 |
| Other assets | - | 13,593 | 13,593 |
| **Total financial assets exposed to interest rate re-set** | **1,480,074** | **119,289** | **1,599,363** |
| | | | |
| **Financial liabilities** | | | |
| Interest bearing loans and borrowings | 53,336 | - | 53,336 |
| Other liabilities | - | 15,532 | 15,532 |
| **Total financial liabilities exposed to interest rate re-set** | **53,336** | **15,532** | **68,868** |

## 23. Risk management (continued)

## 23.3 Market risk measurement (continued)

### 23.3.1 Interest rate risk (continued)

| **Interest rate risk Agency 2019** | **0-12 months €'000** | **Non-interest bearing €'000** | **Total €'000** |
|---|---|---|---|
| **Financial assets** | | | |
| Cash and cash equivalents | 176 | - | 176 |
| Intergroup loan measured at FVTPL | 3,536,554 | - | 3,536,554 |
| Investment in subsidiary | - | 49,000 | 49,000 |
| Other assets | - | 13,532 | 13,532 |
| **Total financial assets exposed to interest rate re-set** | **3,536,730** | **62,532** | **3,599,262** |
| | | | |
| **Financial liabilities** | | | |
| Interest bearing loans and borrowings | 53,272 | - | 53,272 |
| Other liabilities | - | 15,399 | 15,399 |
| **Total financial liabilities exposed to interest rate re-set** | **53,272** | **15,399** | **68,671** |

### 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 2020. The figures take account of the effect of hedging instruments and debtor loans.

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

| | **2020** | | **2019** | |
|---|---|---|---|---|
| **Group** | **+50bp €'000** | **-50bp €'000** | **+50bp €'000** | **-50bp €'000** |
| EUR | (3,100) | 3,113 | (1,257) | 1,257 |
| GBP | (2) | 2 | (15) | 15 |
| USD | (5) | 5 | (5) | 5 |

The Agency's financial assets and financial liabilities are interest rate insensitive.

### 23.3.2 Foreign exchange risk

As part of the acquisition of loans and derivatives from the Participating Institutions, the Group acquired a number of loans 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 2020. 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.

# 23. Risk management (continued)

## 23.3 Market risk measurement (continued)

### 23.3.2 Foreign exchange risk (continued)

| **Group<br>2020** | **USD<br>€'000** | **GBP<br>€'000** | **Total<br>€'000** |
|---|---:|---:|---:|
| **Assets** | | | |
| Cash and cash equivalents | 82 | 953 | **1,035** |
| Debtor loans measured at FVTPL | 4,904 | 1,694 | **6,598** |
| Derivative financial instruments | (4,075) | (556) | **(4,631)** |
| **Net exposure to foreign currency risk** | **911** | **2,091** | **3,002** |

| **Group<br>2019** | **USD<br>€'000** | **GBP<br>€'000** | **Total<br>€'000** |
|---|---:|---:|---:|
| **Assets** | | | |
| Cash and cash equivalents | 366 | 2,298 | **2,664** |
| Debtor loans measured at FVTPL | 5,488 | 14,283 | **19,771** |
| Derivative financial instruments | (6,676) | (11,754) | **(18,430)** |
| **Net exposure to foreign currency risk** | **(822)** | **4,827** | **4,005** |

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 2020 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** | **2020<br>€'000** | **2019<br>€'000** |
|---|---:|---:|
| GBP | (190) | (439) |
| USD | (83) | 75 |

### 23.3.3 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 risk is monitored through the review of net asset valuations, which are provided by the fund managers.

### 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 the fair values of the equity investments held had been 10% higher/lower, profit before taxation for the financial year ended 31 December 2020 would increase/decrease by €1.3m (2019: €1.9m) 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 2.7.

The Agency is not exposed to other price risk.

## 24. 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.

NAMA is also exposed to concentration risk arising from exposures across its loan book. Concentrations in particular portfolio sectors, such as property, can impact the overall level of credit risk.

The Group's debtor-related exposures arose 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. The portfolio at 31 December 2020 is predominantly secured on property in Ireland. Credit risk also arises in relation to the Group's lending activities, which are undertaken in order to preserve or enhance value (including funding of residential units) with the aim of achieving the maximum financial return for the State subject to acceptable risk. Undrawn loan commitments, guarantees and other financial assets also create credit risk.

Credit risk is the most significant risk to the Group's business. The Group therefore 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 two divisions of the Group being Asset Management and Recovery and Residential Delivery.

### NAMA Asset Management and Recovery

The Asset Management and Recovery Division drives financial return and fulfils NAMA's wider strategic objectives through working with debtors, receivers and institutional investment venture partners to identify, develop and manage assets where value can be added through judicious development and asset management strategies.

In order to implement these strategies NAMA holds minority shareholdings in certain investment vehicles in the Dublin Docklands, which include investments in certain Qualifying Investor Alternative Investment Funds (QIAIF) and Irish Collective Asset-Management Vehicles (ICAVs) (refer to Note 28).

The division is also responsible for implementing a commercial delivery strategy for NAMA owned land within the Poolbeg West SDZ.

This division continues to be responsible for maximising recovery from real estate backed loans, through intensive management and phased deleveraging. In order to maximise recovery there is significant interaction with debtors/insolvency practitioners through 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, service provider 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 and ultimately implementing an appropriate monetisation strategy such as loan sales, asset and portfolio sales. Regular assessment of asset sale versus asset hold options are carried out using, inter alia 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 is operated within the current Group 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. This is achieved through ongoing monitoring of development projects against approved budgets/cashflows. A key control within this area requires 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 continues to manage the orderly deleveraging of debtors' existing borrowings through the ongoing sale of their non-development assets, and development assets where relevant.

## 24. Credit risk (continued)

### Policy and Procedures Framework

The overall objective of the Group's Policy and Procedures Governance Framework is to assist in implementing and maintaining an efficient and effective control environment.

Ultimate responsibility for the management of credit risk in the Group rests with the Board. Credit risk management and control is implemented by the two 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.

The Group is required to make various credit decisions, which may involve new lending, the restructuring of loans 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, including the funding of residential developments 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 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 or enforcement action;
- An asset management proposal for secured assets, e.g. approving new leases; and
- An action by a third party concerning a common debtor e.g. a non-participating institution/insolvency practitioner.

A number of debtors' NAMA-approved work-out strategies 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. Improvement in property market conditions since the end of 2013 has triggered payments or actions in a number of cases. Where appropriate, payment of development management fees is considered on a case-by-case basis as part of commercially viable residential development funding.

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.

## 24.1 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 €21.5bn (2019: €22.2bn).
- NAMA debt exposure – the acquisition amount paid by the Group (plus any new money lent by the Group, fair value changes and interest charge added, less cash payments received). The total consideration paid for loans and related derivatives acquired was €31.8bn. Total NAMA Debt outstanding at the reporting date is €0.9bn (2019: €1.2bn).

In accordance with Section 10 of the Act, NAMA is required to expeditiously 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. NAMA monitors Par and NAMA debt exposure in parallel and uses them in support of all credit decisions.

### Concentration risk

Concentration risk arises where any single exposure or group of exposures, based on common risk characteristics, has the potential to produce losses large enough relative to the Group's capital, total assets, earnings or overall risk level to threaten its ability to deliver its core objectives.

The Group manages its exposure to risk through the Group's risk appetite statement and monitors exposures to prevent excess concentration of risk. Concentration risk to divisions and sectors, and movements in such concentrations are monitored regularly to prevent excessive concentration of risk, and to provide early warning for potential excesses. These measures facilitate the measurement of concentrations within the Group and in turn facilitate appropriate management action and decision making.

## 24. Credit risk (continued)

### 24.2 Credit risk assessment

Credit risk assessment focuses on debtor and counter party 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 assessment of value of any additional forms of security or recourse are included in any debtor's new credit proposal. An updated assessment of existing security value may also be 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 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.

### 24.3 Credit risk control

The Group has a defined Policy and Procedures Framework which sets out authority levels for permitted credit decisions and credit limits, as well as credit risk monitoring and reporting.

The Policy and Procedures Framework sets out the permitted decision making and credit limits, for example relating to:

- The approval of Debtor and Insolvency Practitioner work-out strategies 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; and
- Debtor and third party costs required to implement approved work-out strategies.

The level of approval required for each of these credit decisions is determined by reference to the total amount of the debtor's outstanding debt 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 Delegated Authority Policy holders;
- Panel B Delegated Authority Policy holders;
- Senior Divisional Manager;
- Divisional Head (or Deputy Head);
- CEO and Head of Division (or Deputy Head);
- Credit Committee;
- Board.

Oversight of the compliance with the Delegated Authority Policy is performed by the Business Management 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 and asset sales income including income derived from completed NAMA funded residential units is also required.

## 24. Credit risk (continued)

### (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.

The principal collateral types acceptable for credit risk mitigation of loans 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 including sales receipts accounts for Debtors who avail of approved residential development funding.

### (c) Derivatives

The Group transacts derivatives with the NTMA to hedge foreign currency exposures.

## 24.4 Maximum exposure to credit risk – before collateral held or other credit enhancements

The following table sets out the maximum exposure to credit risk for financial assets with credit risk at 31 December 2020, 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 2020 €'000** | **Maximum exposure 2019 €'000** |
|---|---|---:|---:|
| Cash and cash equivalents | | 417,669 | 3,512,314 |
| Cash placed as collateral with the NTMA | | 3,000 | 25,000 |
| Exchequer Notes | | 875,000 | - |
| Government bonds | | - | 342,052 |
| Derivative financial instruments | | 254 | 208 |
| Debtor loans measured at FVTPL | | 850,081 | 1,227,167 |
| Other assets | | 1,303 | 2,740 |
| Investments in equity instruments | | 13,381 | 18,902 |
| **Total assets** | | **2,160,688** | **5,128,383** |
| Loan commitments | *25.4* | 159,043 | 255,390 |
| **Total maximum exposure** | | **2,319,731** | **5,383,773** |

| **Agency** | **Maximum exposure 2020 €'000** | **Maximum exposure 2019 €'000** |
|---|---:|---:|
| Cash and cash equivalents | 181 | 176 |
| Intergroup loan at FVTPL | 1,479,893 | 3,536,554 |
| Investments in subsidiaries | 105,696 | 49,000 |
| Other assets | 13,593 | 13,532 |
| **Total maximum exposure** | **1,599,363** | **3,599,262** |

## 24. Credit risk (continued)

### 24.5 Information regarding the credit quality of debtor loans and other financial instruments

### (a) Debtor loans

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.
- 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 possible grade outcomes can be summarised into the following categories:

- Satisfactory: Connection deemed to be co-operating with NAMA with agreed milestones being achieved
- Watch: Connection requires closer monitoring with evidence of actual/potential milestone slippage
- Other: Connection has had milestone slippage and/or has an insolvency practitioner appointed

The following table sets out the distribution of debtor loans measured at FVTPL based on the 3 possible grade outcomes at year end.

| | **2020 €'000** | **2019 €'000** |
|---|---:|---:|
| Satisfactory | 82,508 | 264,927 |
| Watch | 439,508 | 515,268 |
| Other | 328,065 | 446,972 |
| **Debtor loans** | **850,081** | **1,227,167** |

The change in fair value of debtor loans is attributable to changes in credit risk associated with the underlying debtors and secured collateral. The change in portfolio value is due to monetisation of debtor loans during the period.

All the assets of the Agency are inter-group assets and are current.

### (b) Other financial instruments amounts

The credit quality of the following financial instrument amounts at the reporting date have been graded satisfactory.

- Cash and cash equivalents
- Collateral
- Exchequer Notes
- Derivatives
- Investments in equity instruments
- Other assets

Default occurs when a counterparty does not meet its obligations.

Cash and cash equivalents are held with central banks and other banks/counterparties which have a very low risk of default and a low credit risk profile. All banks/counterparties are rated investment grade by credit rating agencies at 31 December 2020 (2019: investment grade).

Collateral is held with the NTMA. There is a very low credit risk of default or other material reduction in value.

Exchequer Notes are liquid, interest bearing notes held through the NTMA where time to maturity on date of acquisition is greater than three months. There is a very low credit risk of these defaulting or otherwise materially reducing in value.

Government bonds comprised Irish treasury bonds which were held for liquidity management purposes. The bonds were traded in an active market and were readily convertible to cash. The bonds at 31 December 2019 had a credit rating of AA-/A2. There was a very low credit risk of these bonds defaulting or otherwise materially reducing in value. No government bonds were held as at 31 December 2020 following the maturity of the remaining bonds during 2020.

## 24. Credit risk (continued)

### 24.6 Geographical reporting

The following table analyses the Group's main credit exposures at their carrying amounts, with debtor loans and investments in equity instruments based on the location of collateral securing them and all other assets based on the location of the asset.

| Geographical reporting 2020 Group | Ireland excluding Northern Ireland €'000 | UK including Northern Ireland €'000 | Rest of World €'000 | Total €'000 |
|---|---|---|---|---|
| Debtor loans measured at FVTPL | | | | |
| – Land and development | 576,446 | - | - | 576,446 |
| – Investment property | 249,764 | 252 | 23,619 | 273,635 |
| **Total debtor loans** | **826,210** | **252** | **23,619** | **850,081** |
| Cash and cash equivalents | 417,669 | - | - | 417,669 |
| Cash placed as collateral with the NTMA | 3,000 | - | - | 3,000 |
| Exchequer Notes | 875,000 | - | - | 875,000 |
| Derivative financial instruments | 254 | - | - | 254 |
| Other assets | 1,303 | - | - | 1,303 |
| Investments in equity instruments | 13,381 | - | - | 13,381 |
| **Total assets** | **2,136,817** | **252** | **23,619** | **2,160,688** |

| Geographical reporting 2019 Group | Ireland excluding Northern Ireland €'000 | UK including Northern Ireland €'000 | Rest of World €'000 | Total €'000 |
|---|---|---|---|---|
| Debtor loans measured at FVTPL | | | | |
| – Land and development | 758,881 | 11,658 | 245 | 770,784 |
| – Investment property | 411,469 | 491 | 44,423 | 456,383 |
| **Total debtor loans** | **1,170,350** | **12,149** | **44,668** | **1,227,167** |
| Cash and cash equivalents | 3,512,314 | - | - | 3,512,314 |
| Cash placed as collateral with the NTMA | 25,000 | - | - | 25,000 |
| Government bonds | 342,052 | - | - | 342,052 |
| Derivative financial instruments | 208 | - | - | 208 |
| Other assets | 2,740 | - | - | 2,740 |
| Investments in equity instruments | 18,902 | - | - | 18,902 |
| **Total assets** | **5,071,566** | **12,149** | **44,668** | **5,128,383** |

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.

## 25. 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.

### 25.1 Liquidity risk management process

The Group's liquidity risk management process as carried out within the Group 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, lease 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 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.

In 2020 and 2019, the key liquidity risk for the Group is the settlement of other liabilities and lease liabilities.

### 25.2 Non-derivative cash flows

The following table presents the cash flows payable by the Group and the Agency on foot of 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 2020** | **0-6 months €'000** | **Greater than 6 months €'000** | **Total €'000** |
|---|---|---|---|
| **Liabilities** | | | |
| Other liabilities | 29,920 | - | 29,920 |
| **Total liabilities** | **29,920** | **-** | **29,920** |
| **Assets held for managing liquidity risk** | **1,295,669** | **-** | **1,295,669** |

| **Non-derivative cash flows Group 31 December 2019** | **0-6 months €'000** | **Greater than 6 months €'000** | **Total €'000** |
|---|---|---|---|
| **Liabilities** | | | |
| Other liabilities | 20,710 | 4,798 | 25,508 |
| **Total liabilities** | **20,710** | **4,798** | **25,508** |
| **Assets held for managing liquidity risk** | **3,879,366** | **-** | **3,879,366** |

| **Non-derivative cash flows Agency 31 December 2020** | **0-6 months €'000** | **Greater than 6 months €'000** | **Total €'000** |
|---|---|---|---|
| **Liabilities** | | | |
| Interest bearing loans and borrowings | 53,336 | - | 53,336 |
| Other liabilities | 15,532 | - | 15,532 |
| **Total liabilities** | **68,868** | **-** | **68,868** |
| **Assets held for managing liquidity risk** | **181** | **-** | **181** |

## 25. Liquidity risk (continued)

### 25.2 Non-derivative cash flows (continued)

| **Non-derivative cash flows**<br>**Agency**<br>**31 December 2019** | **0-6 months**<br>**€'000** | **Greater than 6 months**<br>**€'000** | **Total**<br>**€'000** |
|---|---|---|---|
| **Liabilities** | | | |
| Interest bearing loans and borrowings | 53,272 | - | 53,272 |
| Other liabilities | 15,054 | 345 | 15,399 |
| **Total liabilities** | **68,326** | **345** | **68,671** |
| **Assets held for managing liquidity risk** | **176** | **-** | **176** |

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and cash equivalents, collateral, Exchequer Notes and government bonds. Assets held for managing liquidity risk do not take into account debtor loan balances which are on-demand.

### 25.3 Derivative cash flows

#### 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.

| **Group**<br>**31 December 2020** | **0-6 months**<br>**€'000** | **Total**<br>**€'000** |
|---|---|---|
| Foreign exchange derivatives: | | |
| – Outflow | (4,631) | (4,631) |
| – Inflow | 4,852 | 4,852 |
| **Total inflow** | **221** | **221** |

| **Group**<br>**31 December 2019** | **0-6 months**<br>**€'000** | **Total**<br>**€'000** |
|---|---|---|
| Foreign exchange derivatives: | | |
| – Outflow | (18,430) | (18,430) |
| – Inflow | 18,598 | 18,598 |
| **Total outflow** | **168** | **168** |

# Notes to the Financial Statements (continued)

## 25. Liquidity risk (continued)

### 25.4 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.

| **Group**<br>**Commitments to lend** | **No later than 1 year €'000** | **1-5 years €'000** | **Over 5 years €'000** | **Total €'000** |
|---|---|---|---|---|
| 31 December 2020 | 115,268 | 42,014 | 1,761 | 159,043 |
| 31 December 2019 | 176,437 | 75,996 | 2,957 | 255,390 |

The Agency has no commitments to extend credit.

## 26. Fair value of assets and liabilities

### (a) Comparison of carrying value to fair value

The following table summarises the carrying amounts and fair values of financial assets and liabilities presented in the Group and Agency's statement of financial position.

| **Group** | **2020 Carrying value €'000** | **2020 Fair value €'000** | **2019 Carrying value €'000** | **2019 Fair value €'000** |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 417,669 | 417,669 | 3,512,314 | 3,512,314 |
| Cash placed as collateral with the NTMA | 3,000 | 3,000 | 25,000 | 25,000 |
| Exchequer Notes | 875,000 | 875,000 | - | - |
| Government bonds | - | - | 342,052 | 342,052 |
| Derivative financial instruments | 254 | 254 | 208 | 208 |
| Debtor loans measured at FVTPL | 850,081 | 850,081 | 1,227,167 | 1,227,167 |
| Other assets | 1,303 | 1,303 | 2,740 | 2,740 |
| Investments in equity instruments | 13,381 | 13,381 | 18,902 | 18,902 |
| **Total assets** | **2,160,688** | **2,160,688** | **5,128,383** | **5,128,383** |

| | **2020 Carrying value €'000** | **2020 Fair value €'000** | **2019 Carrying value €'000** | **2019 Fair value €'000** |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Derivative financial instruments | 26 | 26 | - | - |
| Other liabilities | 29,920 | 29,920 | 25,508 | 25,508 |
| **Total liabilities** | **29,946** | **29,946** | **25,508** | **25,508** |

## 26. Fair value of assets and liabilities (continued)

### (a) Comparison of carrying value to fair value (continued)

| Agency | 2020 Carrying value €'000 | 2020 Fair value €'000 | 2019 Carrying value €'000 | 2019 Fair value €'000 |
|---|---|---|---|---|
| **Financial assets** | | | | |
| Cash and cash equivalents | 181 | 181 | 176 | 176 |
| Intergroup loan at FVTPL | 1,479,893 | 1,479,893 | 3,536,554 | 3,536,554 |
| Other assets | 13,593 | 13,593 | 13,532 | 13,532 |
| Investment in subsidiaries | 105,696 | 105,696 | 49,000 | 49,000 |
| **Total assets** | **1,599,363** | **1,599,363** | **3,599,262** | **3,599,262** |

| Agency | 2020 Carrying value €'000 | 2020 Fair value €'000 | 2019 Carrying value €'000 | 2019 Fair value €'000 |
|---|---|---|---|---|
| **Financial liabilities** | | | | |
| Interest bearing loans and borrowings | 53,336 | 53,336 | 53,272 | 53,272 |
| Other liabilities | 15,532 | 15,532 | 15,399 | 15,399 |
| **Total liabilities** | **68,868** | **68,868** | **68,671** | **68,671** |

### Financial assets and liabilities 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, their fair value is their carrying amount due to their short term nature.

### (b) Fair value hierarchy

IFRS 13 Fair Value Measurement 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 assumptions that are specific to the asset and are not necessarily based on observable market data. The fair value hierarchy comprises:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities. This level includes government bonds where quoted market prices are available.
- 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 with significant unobservable components. The fair value of equity investments is based on the asset value of the underlying companies. The asset values of the underlying companies are primarily derived from the fair value of the underlying properties. The fair value is calculated using a residual valuation approach and market evidence of comparable transactions. The significant unobservable component used for valuation is asset values. This level also includes debtor loans measured at FVTPL. The valuation methodology for debtor loans measured at FVTPL is to estimate the expected cash flows to be generated by the financial asset and then discount these values back to a present value. The assumptions involved in this technique include:
  - determining suitable stratifications for the portfolio to segment assets with similar risk characteristics (2020 and 2019: Deleveraging Land & Development, Deleveraging Residential, Deleveraging Commercial, Deleveraging NRE, L&D Core Active, L&D Core Not Active);
  - the likelihood and expected timing of future cash flows; and
  - selecting an appropriate discount rate for the financial asset or group of financial assets, based on management's assessment of the characteristics of the instrument and relevant market information. Discount rates range for 2020 from 8% to 12% (2019: 8% to 12%).

## 26. Fair value of assets and liabilities (continued)

### (b) Fair value hierarchy (continued)

This level also includes investment properties. The fair value of investment properties was determined by an external, independent property valuer, having appropriate recognised professional qualifications and recent experience in the categories of properties being valued. The valuer utilised the investment method of valuation using the discounted cash flow technique. The assumptions involved in this technique include:

- determining the likelihood of purchase options being exercised;
- selecting an appropriate exit yield rate based on factors including location and residential unit type. Yield rates range from 3.75% to 7.5% (2019: 3.75% to 8%); and
- determining expected rent cash flows based on expected growth rates for CPI sub-indices and gross to net percentages for operation costs.

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**<br>**31 December 2020** | **Level 1**<br>**€'000** | **Level 2**<br>**€'000** | **Level 3**<br>**€'000** | **Total**<br>**€'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Foreign currency derivatives | - | 254 | - | 254 |
| Debtor loans measured at FVTPL | - | - | 850,081 | 850,081 |
| Investments in equity instruments | - | - | 13,381 | 13,381 |
| Investment properties | - | - | 292,001 | 292,001 |
| **Total assets** | **-** | **254** | **1,155,463** | **1,155,717** |
| **Liabilities** | | | | |
| Foreign currency derivatives | - | 26 | - | 26 |
| **Total liabilities** | **-** | **26** | **-** | **26** |

| **Group**<br>**31 December 2019** | **Level 1**<br>**€'000** | **Level 2**<br>**€'000** | **Level 3**<br>**€'000** | **Total**<br>**€'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Foreign currency derivatives | - | 208 | - | 208 |
| Debtor loans measured at FVTPL | - | - | 1,227,167 | 1,227,167 |
| Government bonds | 342,052 | - | - | 342,052 |
| Investments in equity instruments | - | - | 18,902 | 18,902 |
| Investment properties | - | - | 287,565 | 287,565 |
| **Total assets** | **342,052** | **208** | **1,533,634** | **1,875,894** |

| **Agency**<br>**31 December 2020** | **Level 1**<br>**€'000** | **Level 2**<br>**€'000** | **Level 3**<br>**€'000** | **Total**<br>**€'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Intergroup loan measured at FVTPL | - | - | 1,479,893 | 1,479,893 |
| **Total assets** | **-** | **-** | **1,479,893** | **1,479,893** |

## 26. Fair value of assets and liabilities (continued)

### (b) Fair value hierarchy (continued)

| **Agency**<br>**31 December 2019** | **Level 1**<br>**€'000** | **Level 2**<br>**€'000** | **Level 3**<br>**€'000** | **Total**<br>**€'000** |
|---|---|---|---|---|
| **Assets** | | | | |
| Intergroup loan measured at FVTPL | - | - | 3,536,554 | 3,536,554 |
| **Total assets** | **-** | **-** | **3,536,554** | **3,536,554** |

For assets and liabilities that are recognised in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole at the end of each reporting period). The Group's policy is to recognise transfers into and out of the fair value hierarchy levels at the date of the event or change in circumstances that caused the transfer. There were no transfers between hierarchy levels during 2020 and 2019.

IFRS 13 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 1.

None of the assets and liabilities of the Agency are carried at fair value apart from the intergroup loan measured at fair value through profit or loss.

The following table shows a reconciliation of the opening and closing amounts of Level 3 financial assets which are recorded at fair value.

| **Group**<br>**Investments in equity instruments** | *Note* | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|---|
| **Balance as at 1 January** | | 18,902 | 54,539 |
| Additional investments | | 6,772 | 8,715 |
| Disposal of investments | | (2,496) | (60,072) |
| Fair value movements | *9* | (9,797) | 15,720 |
| **Balance as at 31 December** | | **13,381** | **18,902** |

Included in fair value movements in 2019 is a realised gain of €0.5m which arose during the financial year.

| **Group**<br>**Debtor loans measured at FVTPL** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| **Balance as at 1 January** | 1,227,167 | 1,925,462 |
| Receipts on debtor loans measured at FVTPL | (855,642) | (1,203,151) |
| Advances to borrowers | 247,482 | 410,713 |
| Foreign exchange (losses)/gains on debtor loans measured at FVTPL | (715) | 1,067 |
| Other movements on debtor loans measured at FVTPL | (4,077) | 8,656 |
| Profit on disposal and refinancing of debtor loans measured at FVTPL | 86,861 | 5,621 |
| Transfer to trading properties | - | (150,740) |
| Fair value gains on debtor loans measured at FVTPL | 149,005 | 229,539 |
| **Balance as at 31 December** | **850,081** | **1,227,167** |

# Notes to the Financial Statements (continued)

## 26. Fair value of assets and liabilities (continued)

### (b) Fair value hierarchy (continued)

| **Group**<br>**Investment properties** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Balance as at 1 January | 287,565 | - |
| Transfer from trading properties | - | 211,629 |
| Acquisition of/costs incurred on investment properties | 2,335 | 1,616 |
| Derecognition of investment property | (3,070) | - |
| Fair value movements | 5,171 | 74,320 |
| **Balance as at 31 December** | **292,001** | **287,565** |

| **Agency**<br>**Intergroup loan at FVTPL** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Balance as at 1 January | 3,536,554 | 3,536,554 |
| Repayment of intergroup loan | (2,056,661) | - |
| **Balance as at 31 December** | **1,479,893** | **3,536,554** |

### Quantitative information about fair value measurements (Level 3)

| | | | **Fair value** | |
|---|---|---|---|---|
| **Level 3 assets** | **Valuation technique** | **Unobservable input** | **31 December 2020 €'000** | **31 December 2019 €'000** |
| Investments in equity instruments | Residual valuation approach | 1) Asset value | 13,381 | 18,902 |
| Debtor loans | Discounted cashflow | 1) Portfolio Stratification<br>2) Timing of cashflows<br>3) Collateral values<br>4) Discount rates | 850,081 | 1,227,167 |
| Investment properties | Discounted cashflow | 1) Yield rates<br>2) Growth rates<br>3) Gross to net percentage for operating cost<br>4) Exercise of purchase options | 292,001 | 287,565 |

The intergroup loan on the Agency is repayable on demand so the par value is its fair value.

# 26. Fair value of assets and liabilities (continued)

## (b) Fair value hierarchy (continued)

### Sensitivity of Level 3 measurements

The implementation of valuation techniques involves a considerable degree of judgement. The sensitivity analysis has been determined based on the exposure to possible alternative assumptions in the valuation methodology at the end of the reporting period. The fair value of investment properties would change if any of the unobservable inputs were to change. It is considered that a 10% increase in the net asset value of equity investment would result in a 10% increase in fair value.

The sensitivity analysis for debtor loans measured at FVTPL is set out below.

The following table shows an estimate of the impact of changes in collateral values on fair value of debtor loans.

| **31 December 2020 Sector** | **+/-1% €m** | **+/-3% €m** | **+/-5% €m** |
|---|---|---|---|
| Land and Development | +/- 6 | +/- 17 | +/- 28 |
| Investment Property | +/- 3 | +/- 9 | +/- 15 |
| **Total** | **+/- 9** | **+/- 26** | **+/- 43** |

| **31 December 2019 Sector** | **+/-1% €m** | **+/-3% €m** | **+/-5% €m** |
|---|---|---|---|
| Land and Development | +/- 9 | +/- 26 | +/- 43 |
| Investment Property | +/- 6 | +/- 17 | +/- 29 |
| **Total** | **+/- 15** | **+/- 43** | **+/- 72** |

The following table shows an estimate of the impact of changes in discount factors on fair value of debtor loans.

| **31 December 2020 Sector** | **- 5% €m** | **- 3% €m** | **- 1% €m** | **+1% €m** | **+3% €m** | **+5% €m** |
|---|---|---|---|---|---|---|
| Land and Development | 44 | 26 | 8 | (8) | (24) | (39) |
| Investment Property | 20 | 12 | 4 | (4) | (11) | (18) |
| **Total** | **64** | **38** | **12** | **(12)** | **(35)** | **(57)** |

| **31 December 2019 Sector** | **- 5% €m** | **- 3% €m** | **- 1% €m** | **+1% €m** | **+3% €m** | **+5% €m** |
|---|---|---|---|---|---|---|
| Land and Development | 61 | 36 | 12 | (11) | (33) | (54) |
| Investment Property | 28 | 16 | 5 | (5) | (15) | (25) |
| **Total** | **89** | **52** | **17** | **(16)** | **(48)** | **(79)** |

The following table shows an estimate of the impact of changes in timing of cash flows on fair value of debtor loans.

| **31 December 2020 Sector** | **+6 months €m** | **+3 months €m** | **- 3 months €m** |
|---|---|---|---|
| Land and Development | (26) | (13) | 13 |
| Investment Property | (15) | (7) | 8 |
| **Total** | **(41)** | **(20)** | **21** |

# Notes to the Financial Statements (continued)

## 26. Fair value of assets and liabilities (continued)

### (b) Fair value hierarchy (continued)

### Sensitivity of Level 3 measurements (continued)

| 31 December 2019<br>Sector | +3 months €m | - 3 months €m |
|---|---|---|
| Land and Development | (12) | 12 |
| Investment Property | (20) | 21 |
| **Total** | **(32)** | **33** |

### Categories of financial assets and financial liabilities

Financial assets and liabilities are categorised in accordance with IFRS 9 as follows:

- Amortised cost
- Fair value through profit or loss (FVTPL)
- Fair value through other comprehensive income (FVOCI)

| Financial assets<br>Group<br>31 December 2020 | Amortised Cost €'000 | FVTPL €'000 |
|---|---|---|
| Cash and cash equivalents | 417,669 | - |
| Cash placed as collateral with the NTMA | 3,000 | - |
| Exchequer Notes | 875,000 | - |
| Derivative financial instruments | - | 254 |
| Debtor loans | - | 850,081 |
| Investments in equity instruments | - | 13,381 |
| Other assets | 1,303 | - |

| Financial liabilities<br>Group<br>31 December 2020 | Amortised Cost €'000 | FVTPL €'000 |
|---|---|---|
| Derivative financial instruments | - | 26 |
| Other liabilities | 29,920 | - |

| Financial assets<br>Group<br>31 December 2019 | Amortised Cost €'000 | FVTPL €'000 | FVOCI €'000 |
|---|---|---|---|
| Cash and cash equivalents | 3,512,314 | - | - |
| Cash placed as collateral with the NTMA | 25,000 | - | - |
| Government bonds | - | - | 342,052 |
| Derivative financial instruments | - | 208 | - |
| Debtor loans | - | 1,227,167 | - |
| Investments in equity instruments | - | 18,902 | - |
| Other assets | 2,740 | - | - |

## 26. Fair value of assets and liabilities (continued)

### (b) Fair value hierarchy (continued)

Categories of financial assets and financial liabilities (continued)

| **Financial liabilities**<br>**Group**<br>**31 December 2019** | **Amortised Cost €'000** | **FVTPL €'000** |
|---|---|---|
| Other liabilities | 25,508 | - |

| **Financial assets**<br>**Agency**<br>**31 December 2020** | **Amortised Cost €'000** | **FVTPL €'000** |
|---|---|---|
| Cash and cash equivalents | 181 | – |
| Intergroup loan | – | 1,479,893 |
| Other assets | 13,593 | - |

| **Financial liabilities**<br>**Agency**<br>**31 December 2020** | **Amortised Cost €'000** | **FVTPL €'000** |
|---|---|---|
| Interest bearing loans and borrowings | 53,336 | - |
| Other liabilities | 15,532 | - |

| **Financial assets**<br>**Agency**<br>**31 December 2019** | **Amortised Cost €'000** | **FVTPL €'000** |
|---|---|---|
| Cash and cash equivalents | 176 | - |
| Intergroup loan | - | 3,536,554 |
| Other assets | 13,532 | - |

| **Financial liabilities**<br>**Agency**<br>**31 December 2019** | **Amortised Cost €'000** | **FVTPL €'000** |
|---|---|---|
| Interest bearing loans and borrowings | 53,272 | - |
| Other liabilities | 15,399 | - |

## 27. Property, plant and equipment

| **Group and Agency** | **2020 €'000** | **2019 €'000** |
|---|---|---|
| **Cost** | | |
| Balance at 1 January | 2,546 | 2,546 |
| Surrender of leasehold fitout | (2,546) | - |
| **Balance at 31 December** | **-** | **2,546** |
| | | |
| **Depreciation** | | |
| Accumulated depreciation at 1 January | (2,546) | (2,546) |
| Surrender of leasehold fitout | 2,546 | - |
| **Balance at 31 December** | **-** | **(2,546)** |
| | | |
| **Carrying value at 31 December** | **-** | **-** |

## 27. Property, plant and equipment (continued)

Property, plant and equipment included leasehold fit out costs incurred on Treasury Building. Capitalised leasehold fit out costs were fully depreciated over the remaining life of the asset. As the Group entered into an agreement for a new premises in 2018, the leasehold fit out costs for Treasury Building were fully depreciated by the end of 2018. In February 2020, NAMA agreed and executed terms for the surrender of its leases and other interests in Treasury Building to Google Ireland. This surrender resulted in the leasehold fitout being surrendered to Google Ireland. Under the terms of the surrender, the Group did not have to incur a dilapidation cost for removing the leasehold fitout.

## 28. Investments in equity instruments

| **Group** | **2020 €'000** | **2019 €'000** |
|---|---|---|
| Financial assets at fair value through profit or loss | **13,381** | **18,902** |

The Group may invest in equity instruments to maximise value and to facilitate the effective delivery of commercial or residential developments.

The movement in investments is a combination of fair value movements, redemptions and acquisitions. Fair value movements are primarily driven by movements in the asset value of the underlying funds/companies which is impacted also by distributions made during the year.

The Agency held no investments in equity instruments.

## 29. 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:

| | **Deferred tax** | | **Deferred tax on IFRS 9 transition adjustment** | |
|---|---|---|---|---|
| **Group** | **Assets €'000** | **Liabilities €'000** | **€'000** | **Total €'000** |
| **Balance at 1 January 2020** | **1,276** | **(4,838)** | **(12,713)** | **(16,275)** |
| Movement in the financial year | 62 | 3,164 | 4,237 | 7,463 |
| **Balance at 31 December 2020** | **1,338** | **(1,674)** | **(8,476)** | **(8,812)** |
| | | | | |
| **Balance at 1 January 2019** | **1,349** | **(4,986)** | **(16,951)** | **(20,588)** |
| Movement in the financial year | (73) | 148 | 4,238 | 4,313 |
| **Balance at 31 December 2019** | **1,276** | **(4,838)** | **(12,713)** | **(16,275)** |

### Movement in deferred tax recognised

| **Group** | *Note* | **2020 €'000** | **2019 €'000** |
|---|---|---|---|
| Movement in deferred tax recognised in the income statement (excluding IFRS 9 transitional adjustment) | *15* | 2,541 | 57 |
| Movement in deferred tax recognised in other comprehensive income | *16,36* | 685 | 18 |
| Movement in deferred tax recognised in the income statement for IFRS 9 transitional adjustment | *15* | 4,237 | 4,238 |
| **Total movement in deferred tax in the financial year** | | **7,463** | **4,313** |

The Agency has no deferred tax assets or liabilities.

## 29. Deferred tax (continued)

A net deferred tax liability of €8.8m (2019: €16.3m) has been recognised in relation to equity investments, transitional adjustments as well as financial assets measured at FVOCI. In accordance with accounting standards, deferred tax is recognised where the corresponding entry is accounted for i.e. either in the income statement or in other comprehensive income. With effect from 1 July 2017, any unrealised fair value movements in the derivatives and equity investments held on trading account will no longer be subject to deferred tax as the tax treatment will follow the accounting treatment. Transitional adjustments relating to previous unrealised fair value movements will be brought into the charge to tax over a period of 5 years (or earlier where appropriate) beginning in the prior year. A transitional adjustment has also been recognised on the fair value adjustment to retained earnings following the Group's adoption of IFRS 9. These transitional adjustments are recognised as a charge to the income statement over a five year period following the initial adoption of IFRS 9. A deferred tax credit of €685k (2019: €18k) has been recognised in other comprehensive income relating to deferred tax on the financial assets measured at FVOCI.

## 30. Other assets

| **Group** | **2020<br>€'000** | **2019<br>€'000** |
|---|---:|---:|
| Tax prepaid | 1,738 | 17,008 |
| Prepayments | 1,567 | 1,289 |
| Right of use asset | 3,668 | 6,442 |
| Deferred costs | 1,098 | 574 |
| Other assets | 1,303 | 2,740 |
| **Total other assets** | **9,374** | **28,053** |

All other assets apart from the Right of Use asset in the Group are current assets.

The Group has recognised a right of use asset for the lease of certain assets in Treasury Dock and the lease of certain space in Treasury Building. Following the temporary change in VAT rates which was effective for the period from 1 September 2020 to 28 February 2021 an adjustment of €15k was recognised against the right of use asset for the associated lease cashflow changes. As the Agency vacated Treasury Building in 2019, the right of use asset has been fully depreciated by 31 December 2019. This right of use asset was derecognised on the surrender of the leases to Google Ireland in February 2020.

|  | **Office Space** |  |
|---|---:|---:|
| **Group** | **2020<br>€'000** | **2019<br>€'000** |
| **Cost** |  |  |
| **Balance at 1 January** | 10,614 | - |
| Assets recognised on application of IFRS 16 | - | 10,614 |
| Adjustment for lease cashflow change | (15) | - |
| Surrender of Treasury Building asset | (1,412) | - |
| **Balance at 31 December** | **9,187** | **10,614** |
|  |  |  |
| **Depreciation** |  |  |
| Balance at 1 January | (4,172) | - |
| Depreciation charge for the year | (2,759) | (4,172) |
| Surrender of Treasury Building asset | 1,412 | - |
| **Balance at 31 December** | **(5,519)** | **(4,172)** |
|  |  |  |
| **Carrying value at 31 December** | **3,668** | **6,442** |

# Notes to the Financial Statements (continued)

## 30. Other assets (continued)

| Agency | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Costs reimbursable from NALM | 13,593 | 13,520 |
| Other assets | – | 12 |
| **Total other assets** | **13,593** | **13,532** |

The Agency recognised a right of use asset for the lease of certain space in Treasury Building. As the Agency vacated Treasury Building in 2019, the right of use asset has been fully depreciated by 31 December 2019. This right of use asset was derecognised on the surrender of the lease to Google Ireland in February 2020.

| | Office Space | |
|---|---|---|
| **Agency** | **2020 €'000** | **2019 €'000** |
| **Cost** | | |
| **Balance at 1 January** | 1,412 | - |
| Assets recognised on application of IFRS 16 | – | 1,412 |
| Surrender of Treasury Building asset | (1,412) | - |
| **Balance at 31 December** | **-** | **1,412** |
| | | |
| **Depreciation** | | |
| Balance at 1 January | (1,412) | - |
| Depreciation charge for the year | – | (1,412) |
| Surrender of Treasury Building asset | 1,412 | - |
| **Balance at 31 December** | **-** | **(1,412)** |
| | | |
| **Carrying value at 31 December** | **-** | **-** |

All other assets of the Agency are current assets.

## 31. Other liabilities

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Interest payable on cash and cash equivalents | 148 | 455 |
| Accrued expenses | 20,501 | 17,982 |
| VAT payable | 1,121 | 1,074 |
| Other liabilities | 5,538 | 1,199 |
| Lease liabilities | 2,612 | 4,798 |
| **Total other liabilities** | **29,920** | **25,508** |

All other liabilities apart from lease liabilities of the Group are current liabilities. Other liabilities include €5.3m (2019: €Nil) for a provision for the expected costs associated with the calculation of interest on certain debtor loans.

The Group holds leases in respect of space in Treasury Dock. The Group held leases in respect of space in Treasury Building until the surrender of the leasehold and related interests to Google Ireland in February 2020.

## 31. Other liabilities (continued)

### Changes in liabilities arising from financing activities

| Group | Lease liabilities<br>2020<br>€'000 | <br>2019<br>€'000 |
|---|---|---|
| As at 1 January | 4,798 | 13,788 |
| Cash flows | | |
| – Payment of lease liabilities | (1,893) | (9,163) |
| Non-cash changes | (293) | 173 |
| **At the end of the year** | **2,612** | **4,798** |

| Agency | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Interest payable on cash and cash equivalents | - | 1 |
| Amounts due to the NTMA | 6,046 | 5,629 |
| Amounts due to Group entities | 9,448 | 9,360 |
| Other liabilities | 38 | 64 |
| Lease liabilities | - | 345 |
| **Total other liabilities** | **15,532** | **15,399** |

All other liabilities in the Agency are current liabilities. The Agency held leases in respect of space in Treasury Building until the surrender to Google Ireland in February 2020.

| Agency | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| As at 1 January | 345 | 2,693 |
| Cash flows | | |
| – Payment of lease liabilities | - | (2,383) |
| Non-cash changes | (345) | 35 |
| **At the end of the year** | **-** | **345** |

## 32. Tax payable

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Professional services withholding tax and other taxes payable | 722 | 1,147 |
| **Total tax payable** | **722** | **1,147** |

## 33. Commitments and contingent liabilities

### (a) Contingent liabilities

At the reporting date, 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 further disclosure is being made.

The Group has issued guarantees and letters of comfort at the reporting date but as the possible outflow of economic resources cannot be reliably estimated no further disclosure is being made.

At the reporting date, NAMA is working with the Revenue Commissioners to finalise a 2017 unprompted voluntary disclosure with regard to the treatment of Professional Services Withholding Tax on payments to professional service providers that were not engaged by NAMA. The review was initiated by NAMA and conducted with external specialist tax assistance. The potential for further future payments remains under review with Revenue. The possible outflow of future economic resources is the subject of ongoing discussions and cannot be reliably estimated and therefore no further disclosure is being made.

### (b) Commitments

The undrawn loan commitments of the Group at the reporting date are set out in Note 25.4.

The Group held leases in respect of the third floor and first floor of Treasury Building. In February 2020, NAMA agreed and executed terms for the surrender of its leases and other interests in Treasury Building to Google Ireland.

The future minimum lease payments are set out in the following tables:

| **Group and Agency** | **2020 €'000** | **2019 €'000** |
|---|---:|---:|
| Less than one year | - | 346 |
| **Total future minimum lease payments** | **-** | **346** |

The Group holds leases with the NTMA for occupancy of Treasury Dock with a 4 year term which commenced in May 2018. These leases can be terminated with 12 months advance notice during the lease term. After the initial 4 year term, a 12 month rolling extension is possible by mutual agreement between the NTMA and NAMA. The future minimum lease payments are set out in the following tables:

| **Group** | **2020 €'000** | **2019 €'000** |
|---|---:|---:|
| Less than one year | 1,893 | 1,900 |
| Between one and five years | 753 | 2,654 |
| **Total future minimum lease payments** | **2,646** | **4,554** |

### Other operating leases

Future minimum operating lease rental receipts relating to the investment properties owned by the Group are set out in the following table:

| **Group** | **2020 €'000** | **2019 €'000** |
|---|---:|---:|
| Less than one year | 13,343 | 12,504 |
| Between one and five years | 53,373 | 50,017 |
| More than five years | 148,677 | 155,895 |
| **Total future minimum operating lease receipts** | **215,393** | **218,416** |

Operating lease receivables comprise leases held by NARPS.

Operating leases in NARPS relate to the investment properties owned by the Company with lease terms of 20 years and 9 months at origination. Lessees have an option to purchase the units of property at the open market value of the property, discounted by 10%, for a period of 6 months commencing on the fourteenth year of the lease term. NARPS is responsible for the structural repair of any damage to the investment properties which has not been caused by the lessee or sub-lessee.

The Agency has no future minimum operating lease rental receipts.

## 34. Interest bearing loans and borrowings

| Agency | 2020 €'000 | 2019 €'000 |
|---|---|---|
| Loan due to NALM and related interest | **53,336** | **53,272** |

On 25 February 2011, NALM, 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 term is extended annually on 25 February unless terminated as agreed between the parties. The Group has no external loans or borrowings.

Due to the Euribor rate being negative during the year, negative interest income of €0.18m (2019: €0.15m) was recognised on the loan (refer to Note 6).

During the year ended 31 December 2020, there were no changes in the Agency on liabilities arising from financing activities (2019: €Nil).

## 35. Other equity

| Group | 2020 €'000 | 2019 €'000 |
|---|---|---|
| In issue at 1 January | 1,064,000 | 1,064,000 |
| Redeemed during the year | (1,064,000) | - |
| **In issue at 31 December** | **-** | **1,064,000** |

The above were Callable Perpetual Subordinated Fixed Rate Bonds that were issued by NAM and the proceeds transferred to NAMGS under a profit participating loan arrangement and by NAMGS to NALM. The latter company used these securities as consideration (5%) for the loan portfolio acquired from each of the Participating Institutions.

The interest rate on the instruments was the ten 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 was 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 do not accumulate. NAMA paid an annual coupon of €56.01m (2019: €56.01m) on its subordinated debt in March 2020. Withholding tax of €42k (2019: €42k) was paid to the Revenue Commissioners in respect of the coupon payments in 2020.

Under IAS 32, it is the substance of the contractual arrangement of a financial instrument, rather than its legal form, that governs its classification. As the subordinated bonds contained 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 had been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments (Note 37).

Although the bonds were perpetual in nature, the issuer held an option to "call" (i.e. redeem) the bonds on the first call date (10 years from the date of issuance), and every interest payment date thereafter (regardless of whether interest is to be paid or not). The issuer called the bonds on the first call date being 1 March 2020 and the remaining bonds of €1.064bn were fully redeemed.

# Notes to the Financial Statements (continued)

## 36. Other reserves

| Group | Note | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|---|
| **Financial assets measured at FVOCI reserve** | | | |
| At 1 January | | 521 | 1,925 |
| Changes in fair value | *18* | (1,206) | (1,422) |
| Net movement in reserve before tax | *16* | (1,206) | (1,422) |
| Deferred tax recognised in other comprehensive income | *16,29* | 685 | 18 |
| **At 31 December** | | **-** | **521** |
| **Total other reserves** | | **-** | **521** |

Other reserves comprise the financial assets measured at fair value through other comprehensive income reserve.

Government bonds were classified as financial assets measured at fair value through other comprehensive income. Changes in fair value were recognised in reserves. No additional government bonds were acquired during the financial year. All bonds were fully matured by the reporting date.

The net movement in other reserves before tax for the year was a decrease of €1.2m (2019: €1.4m) which reflects the movement in fair value of the government bonds.

## 37. Reconciliation of reserves and non-controlling interests in subsidiaries

| Group | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| **Retained earnings** | | |
| At 1 January | 4,453,366 | 4,246,435 |
| Adjustment on initial application of IFRS 16 | - | (1,667) |
| At 1 January (restated on initial application of IFRS 16) | 4,453,366 | 4,244,768 |
| Profit for the financial year | 191,998 | 264,879 |
| Dividend paid on B ordinary shares | (34) | (272) |
| Coupon paid on subordinated bonds | (56,009) | (56,009) |
| Transfer of surplus to the Exchequer | (2,000,000) | - |
| Capped return paid to private investors | (5,100) | - |
| Transaction costs | (643) | - |
| **At 31 December** | **2,583,578** | **4,453,366** |
| | | |
| **Non controlling interests** | | |
| Profit for the financial year | - | - |

| Agency | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| **Retained earnings** | | |
| At 1 January | 3,530,591 | 3,530,910 |
| Adjustment on initial application of IFRS 16 (net of tax) | - | (1,667) |
| At 1 January (restated on initial application of IFRS 16) | 3,530,591 | 3,529,243 |
| (Loss)/profit for the financial year | (96) | 1,348 |
| Transfer of surplus to the Exchequer | (2,000,000) | - |
| **At 31 December** | **1,530,495** | **3,530,591** |

## 37. Reconciliation of reserves and non-controlling interests in subsidiaries (continued)

On 27 March 2020, the Board of NAMAI declared and approved a dividend payment based on the ten year Irish government bond yield as at 31 March 2020. The dividend was paid to the holders of B ordinary shares of NAMAI only, the private investors, who held a 51% ownership in the Company at that date. No dividend was paid to the A ordinary shareholders, NAMA the Agency, which had a 49% ownership in the Company. The dividend payment was €0.00067 per share (2019: €0.00534 per share) amounting to €0.034m (2019: €0.27m).

In February 2020, the Board of NAM 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 €56.01m (2019: €56.01m) due on 1 March 2020 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 35 for further details. On 1 March 2020, NAMA called the subordinated bonds on their first call date and all the remaining bonds of €1.064bn were fully redeemed on 2 March 2020.

On 26 May 2020, NAMA exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1m. The consideration for the exercise of the option was fixed at 110% of the Private Investor's share capital. The amount of consideration paid included a capped return of €5.1m.

Transaction costs of €643k were incurred on the purchase of the private investors' shareholding (primarily stamp duty) (€596k) and the redemption of the subordinated bonds (€47k). In line with IAS 32, these costs are deducted from equity as they are incremental costs directly attributable to the transactions.

On 30 June 2020, NAMA completed the payment of €2bn to the Exchequer representing the first transfer of NAMA's projected lifetime surplus.

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 represented the investment by private investors in the ordinary share capital of NAMAI. Following NAMA exercising its option to purchase the private investors' 51% shareholding on 26 May 2020, there are no non-controlling interests in subsidiaries at 31 December.

Effective from 1 January 2019, the Group has adopted IFRS 16, the standard replacing IAS 17. The Group recognised on 1 January 2019 a transition adjustment in retained earnings of €1.7m.

## 38. Shares and investments in group undertakings

NAMAI has €100m in share capital. On incorporation in 2010, NAMA invested €49m, receiving 49 million A ordinary shares. The remaining €51m was invested in NAMAI 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 could exercise a veto over decisions taken by NAMAI. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity was restricted and NAMA had effective control of NAMAI. On 26 May 2020, NAMA exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1m being €51m of their investment plus a capped return of 10%. This payment increased NAMA's interest in the NAMA Group entities from 49% to 100%.

## 38. Shares and investments in group undertakings (continued)

### 38.1 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 D.A.C. | 100% | 100% | Holding company and lending | Ireland |
| National Asset Management D.A.C. | 100% | 100% | Debt issuance | Ireland |
| National Asset Management Group Services D.A.C. | 100% | 100% | Holding company, securitisation and asset management | Ireland |
| National Asset Loan Management D.A.C. | 100% | 100% | Securitisation and asset management | Ireland |
| National Asset North Quay D.A.C. | 100% | 100% | Acquisition of certain property assets in settlement of debt owed to NAMA | Ireland |
| National Asset Property Management D.A.C. | 100% | 100% | Real estate | Ireland |
| National Asset Management Services D.A.C. | 100% | 100% | Holding company for shareholding in a general partnership | Ireland |
| National Asset JV A D.A.C. | 100% | 100% | Investments | Ireland |
| National Asset Residential Property Services D.A.C. | 100% | 100% | Provision of residential properties for the purposes of social housing | Ireland |
| National Asset Sarasota Limited Liability Company | 100% | 100% | Acquisition of property assets located in the US in settlement of debt owed to NAMA | US |
| Pembroke Ventures D.A.C. | 100% | 100% | Holding company | Ireland |
| Pembroke Beach D.A.C. | 100% | 100% | Acquisition of property assets located in Poolbeg West SDZ | Ireland |
| Pembroke West Homes D.A.C. | 100% | 100% | Acquisition of property assets located in Poolbeg West SDZ | Ireland |
| National Asset Leisure Holdings Limited (in Voluntary Liquidation) | 100% | 100% | Holding company | Ireland |
| RLHC Resort Lazer SGPS, S.A. | 100% | 100% | Facilitate legal restructure | Portugal |
| RLHC Resort Lazer II SGPS, S.A. | 100% | 100% | Facilitate legal restructure | Portugal |

At the reporting date, all subsidiaries have their registered offices in Treasury Dock, North Wall Quay, Dublin 1, with the exception of RLHC and RLHC II. The registered office of RLHC and RLHC II is Rua Garrett, n.° 64, 1200-204 Lisbon, Portugal.

### 38.2 Investment in subsidiaries

| Agency | 2020 €'000 | 2019 €'000 |
|---|---|---|
| 100,000,000 (2019:49,000,000) shares in NAMAI | **105,696** | **49,000** |

In 2010, the Agency made an investment of €49m in NAMAI. On 26 May 2020, the Agency exercised its option to purchase the private investors' 51% shareholding in NAMAI for €56.1m being €51m of their investment plus a capped return of 10%.

The Agency has considered whether there is evidence of the existence of impairment of its investment in NAMAI under IAS 36 *Impairment of Assets*. The Agency is satisfied that there are no indicators of impairment.

# 38. Shares and investments in group undertakings (continued)

## 38.3 Details of non-wholly owned subsidiaries where NAMA had a non-controlling interest

51% of the share capital of the subsidiaries listed in note 38.1 was owned by the private investors until 26 May 2020, by virtue of their 51% ownership of NAMAI.

A dividend was paid to the private investors during the year of €0.034m (2019: €0.27m). The private investors had no further interest in the group activities or cashflows. Accumulated non-controlling interest at the end of the reporting period was €Nil (2019: €51m) as the Agency exercised its option to purchase the private investors' 51% shareholding in NAMAI on 26 May 2020.

Under the terms of the shareholders' agreement between NAMAI, NAMA and the private investors, the maximum return which was 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 payable to the private investors if NAMA exercised its option to purchase the private investors shares was capped at 10% of the equity interest.

Profits or losses which may arise are allocated to the non-controlling interest in accordance with accounting policy 2.28.

## 38.4 Details of non-consolidated subsidiaries

### 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 NAPM and was established to acquire 100% of the share capital of two Portuguese entities, RLHC 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 2020 in the status of NALHL (in Voluntary Liquidation).

As the liquidator has assumed the rights of the shareholder and now controls NALHL (in Voluntary Liquidation), NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC and RLHC II, are not consolidated into the results of the NAMA Group.

See Note 40.6 for details of the assets held by these companies.

# 39. 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 38.1 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) on an actual cost basis and the Agency is reimbursed by the Group. The total of these costs for the year was €32.0m (2019: €38.8m), with a closing payable balance to the NTMA of €6.0m at end-2020 (2019: €5.6m). Further details in respect of these costs are disclosed in Note 13. The NTMA is the counterparty for NAMA's derivative positions in its management of foreign exchange. 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. NAMA acquires Exchequer Note investments that are held with the NTMA. NAMA held €875m Exchequer Notes (2019: €nil) with the NTMA at the reporting date (see Note 17).

During the year, NAMA incurred costs of €100 (2019: €Nil), payable to the State Claims Agency. The closing payable balance to the State Claims Agency at end-2020 was €39 (2019: €Nil).

The Group has agreed terms with the NTMA with regard to the lease of Treasury Dock. The agreement is effective from May 2018 for a lease term of 4 years. The rent and occupancy as disclosed in Note 13 includes a depreciation charge on the right of use assets with regard to these leases of €2.8m (2019: €2.8m) and shared facilities costs of €1m (2019: €1m). The amount included in the lease liabilities in Note 31 with regard to this lease is €2.6m (2019: €4.5m). The amount included in the right of use assets in Note 30 with regard to this lease is €3.7m (2019: €6.4m).

## 39. Related party disclosures (continued)

### 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 €2.6m (2019: €3.0m), representing the refund of the NTMA's contribution to the pension scheme in respect of these NAMA Officers.

### Minister for Finance

The 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 20, Debtor loans measured at FVTPL and the related Income Statement notes. No loans were sold to participating institutions during 2020 or 2019.

The Group has operating accounts with Allied Irish Banks p.l.c. that have a balance of €8.7m (2019: €17m) at the reporting date. The average closing daily balance throughout the year was €11.5m (2019: €14m).

Fees payable to the Participating Institutions with respect to loan servicing costs incurred during the year are as follows:

| **Loan servicing costs** | **2020 €'000** | **2019 €'000** |
|---|---|---|
| Allied Irish Banks p.l.c. | 2,304 | 2,408 |
| Bank of Ireland | 242 | 265 |
| | **2,546** | **2,673** |

### New Ireland Assurance Co p.l.c.

New Ireland Assurance Co p.l.c., a subsidiary of Bank of Ireland owned 17% of the share capital of NAMAI, a subsidiary of NAMA (corresponding to 17 million of the 51 million B ordinary shares issued by NAMAI to private investors) until 26 May 2020. Dividend payments made to private investors are disclosed in Note 37.

### 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 13. The Group has no employees.

Under the revised Code of Practice for the Governance of State Bodies (2016), Key Management Personnel is defined as management who report directly to the Chief Executive Officer. At the reporting date, NAMA has four (2019: five) key management staff who report to the Chief Executive Officer. During 2020, NAMA had five key management staff who reported to the Chief Executive (2019: six). The aggregate remuneration of the key management personnel is disclosed in Note 13.

## 39. Related party disclosures (continued)

### 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.

| | 2020<br>€'000 | 2019<br>€'000 |
|---|---:|---:|
| **Other income:** | | |
| *Agency* | | |
| Costs reimbursable from NALM | 31,997 | 40,828 |
| **Intergroup loan measured at FVTPL:** | | |
| Profit participating loan to NAM | 1,479,893 | 3,536,554 |
| **Other assets:** | | |
| *Agency* | | |
| Costs reimbursable from NALM | 13,593 | 13,520 |
| **Other liabilities:** | | |
| *Agency* | | |
| Amounts due to Group entities | 9,448 | 9,360 |

### Loan due to NALM

An interest bearing loan of €52m was advanced from NALM to the Agency in 2011. Interest is earned on this loan at the six month Euribor rate. During the year, Euribor rates were negative. Negative interest earned on this loan for the year was €0.18m (2019: €0.15m). The balance payable at end-2020 was €53m (2019: €53m).

### Intergroup loan agreements

The Group has entered into a number of profit participating loan agreements and intergroup agreements which are set out in the tables below:

| **Profit participating loan agreements** | 2020<br>€'000 | 2019<br>€'000 |
|---|---:|---:|
| NAM to NAMGS | 1,347,560 | 4,470,397 |
| NAMGS to NAJV A | 22,621 | 20,917 |

| **Intergroup loan agreements** | 2020<br>€'000 | 2019<br>€'000 |
|---|---:|---:|
| NAMAI to NAM | 104,178 | 104,056 |
| NAMGS to NALM | 1,324,018 | 4,449,488 |
| NALM to NARPS | 290,013 | 290,666 |
| NALM to NAPM | 6,532 | 6,532 |
| NALM to NASLLC | 1,352 | 2,299 |
| NALM to NANQ | 38,805 | 54,125 |
| NALM to NAJV A | 6,498 | 6,565 |
| NAPM to NALHL (in Voluntary Liquidation) | 100 | 100 |
| NALM to PB | 159,971 | 148,011 |
| NALM to PWH | 20,044 | 18,546 |

# Notes to the Financial Statements (continued)

## 40. 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.

### 40.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity

The administration fees incurred by NAMA are set out in Note 13. The expenses of each NAMA Group entity that incurs administrative expenses are shown in the tables below. The expenses of NALM include a recharge of €32.0m (2019: €38.8m) in respect of NTMA costs incurred by the Agency. These costs are also included in the consolidated accounts.

| **NALM**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Costs reimbursable to the NTMA | 31,996 | 38,809 |
| Primary servicer fees | 6,942 | 7,022 |
| Master servicer fees | 1,475 | 1,525 |
| Portfolio management fees | 2,785 | 1,970 |
| Legal fees | 8,259 | 5,305 |
| Finance, communication and technology costs | 4,954 | 5,406 |
| Rent and occupancy costs | 4,175 | 6,035 |
| Internal audit fees | 614 | 667 |
| External audit remuneration | 806 | 806 |
| **Total NALM administration expenses** | **62,006** | **67,545** |

| **NAPM**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Portfolio management fees | 3 | 25 |
| Legal fees | - | (30) |
| Finance, communication and technology costs | 4 | 16 |
| **Total NAPM administration expenses** | **7** | **11** |

| **NASLLC**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Portfolio management fees | (3) | 80 |
| Legal fees | 95 | 35 |
| Finance, communication and technology costs | 10 | 16 |
| **Total NASLLC administration expenses** | **102** | **131** |

| **NAJV A**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Portfolio management fees | 32 | 45 |
| Legal fees | 1 | 160 |
| Finance, communication and technology costs | 2 | 28 |
| **Total NAJV A administration expenses** | **35** | **233** |

## 40. Supplementary Information provided in accordance with Section 54 of the Act (continued)

### 40.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity (continued)

| **NARPS**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Portfolio management fees | 339 | 65 |
| Legal fees | 13 | 47 |
| Finance, communication and technology costs | 16 | 9 |
| **Total NARPS administration expenses** | **368** | **121** |

| **NANQ**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Portfolio management fees | 75 | 6 |
| Legal fees | 16 | (21) |
| Finance, communication and technology costs | - | (108) |
| **Total NANQ administration expenses** | **91** | **(123)** |

| **PV**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| External audit remuneration | 6 | 6 |
| **Total PV administration expenses** | **6** | **6** |

| **PB**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Portfolio management fees | 115 | 58 |
| External audit remuneration | 10 | 10 |
| **Total PB administration expenses** | **125** | **68** |

| **PWH**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Costs reimbursable to PB | 8 | 4 |
| External audit remuneration | 10 | 10 |
| **Total PWH administration expenses** | **18** | **14** |

## 40. Supplementary Information provided in accordance with Section 54 of the Act (continued)

### 40.1 Administration fees and expenses incurred by NAMA and each NAMA Group entity (continued)

| **RLHC Resort Lazer SGPS, S.A. (RLHC)**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Professional services | 34 | 1,146 |
| **Total RLHC administration expenses**[12] | **34** | **1,146** |

| **RLHC Resort Lazer II SGPS, S.A. (RLHC II)**<br>**Expense type** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Professional services | 7 | 134 |
| **Total RLHC II administration expenses**[12] | **7** | **134** |

### 40.2 Debt securities issued for the purposes of the Act

| **Group** | **2020**<br>**€'000** | **2019**<br>**€'000** |
|---|---|---|
| Subordinated debt issued by NAM | - | 1,064,000 |
| **Total** | **-** | **1,064,000** |

### 40.3 Debt securities redeemed in the financial period to the Financial Institutions

#### 40.3.1 Government guaranteed senior debt securities

All government guaranteed senior debt securities were fully redeemed in 2017.

#### 40.3.2 Subordinated debt securities held

| **Financial Institution** | **Outstanding at 31 Dec 2020 €'000** | **Outstanding at 31 Dec 2019 € '000** |
|---|---|---|
| AIB | - | 417,000 |
| BOI | - | 70,000 |
| Other Noteholders | - | 557,000 |
| EBS | - | 20,000 |
| **Total** | **-** | **1,064,000** |

All outstanding subordinated debt securities were fully redeemed in 2020.

### 40.4 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.

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[12] *These amounts are estimated based on 31 December 2019 audited accounts, pending final 2020 year-end audited accounts being provided. The 2019 comparatives were based on 31 December 2018 audited accounts. As set out in Note 38.4, these investments are not consolidated into the NAMA Group financial statements.*

## 40. Supplementary Information provided in accordance with Section 54 of the Act (continued)

### 40.5 Advances made by NAMA in the financial year

The following are advances made by NAMA group entities to debtors via Participating Institutions in the financial year.

| Participating Institution | Amount advanced 2020 €'000 | Amount advanced 2019 €'000 |
|---|---:|---:|
| AIB | 241,018 | 397,014 |
| Link Asset Services | 3,724 | 7,865 |
| **Total** | **244,742** | **404,879** |

In addition to the above, cash advances of €2,740k were made by NAMA group entities by way of shareholder loans in 2020 (2019: €3,533k).

### 40.6 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.

| NAMA | 2020 €'000 | 2019 €'000 |
|---|---:|---:|
| Investment in NAMAI | 105,696 | 49,000 |
| Cash and cash equivalents | 181 | 176 |
| Interest receivable on loan to NAM | 1,479,893 | 3,536,554 |
| Intergroup receivable | 13,593 | 13,520 |
| Other receivables | - | 12 |
| **Total** | **1,599,363** | **3,599,262** |

| NAMAI | 2020 €'000 | 2019 €'000 |
|---|---:|---:|
| Intergroup loan to NAM | 99,900 | 99,900 |
| Interest on intergroup loan | 4,278 | 4,156 |
| Cash and cash equivalents | 188 | 251 |
| Other assets | 6 | 6 |
| **Total** | **104,372** | **104,313** |

| NAM | 2020 €'000 | 2019 €'000 |
|---|---:|---:|
| Profit participating loan with NAMGS | 994,969 | 994,969 |
| Interest on profit participating loan | 352,591 | 3,475,428 |
| Tax prepayments | - | 1,972 |
| **Total** | **1,347,560** | **4,472,369** |

# Notes to the Financial Statements (continued)

## 40. Supplementary Information provided in accordance with Section 54 of the Act (continued)

### 40.6 Asset portfolios held by NAMA and each NAMA Group entity (continued)

| NAMGS | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Cash and cash equivalents | 210 | - |
| Intergroup loan with NALM | 1,002,321 | 1,002,455 |
| Profit participating loan with NAJV A | 22,621 | 20,917 |
| Interest receivable on loans | 321,697 | 3,447,033 |
| Intergroup receivable | – | 2 |
| Other assets | 1,098 | 574 |
| **Total** | **1,347,947** | **4,470,981** |

| NALM | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Cash and cash equivalents | 386,329 | 3,472,375 |
| Cash placed as collateral with the NTMA | 3,000 | 25,000 |
| Exchequer Notes | 875,000 | - |
| Government bonds | – | 342,052 |
| Derivative financial instruments | 254 | 208 |
| Debtor loans | 830,227 | 1,205,587 |
| Intergroup assets | 580,229 | 589,307 |
| Investments in equity instruments | 4,846 | 5,381 |
| Inventories – trading properties | – | 55 |
| Other assets | 6,852 | 24,471 |
| **Total** | **2,686,737** | **5,664,436** |

| NANQ | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Cash and cash equivalents | 28,164 | 36,065 |
| Debtor loans | 14 | 135 |
| Inventories – trading properties | 2,317 | 9,661 |
| Other assets | – | 26 |
| Tax prepaid | 6 | – |
| **Total** | **30,501** | **45,887** |

| NAPM | 2020<br>€'000 | 2019<br>€'000 |
|---|---|---|
| Cash and cash equivalents | 124 | 176 |
| Inventories – trading properties | 100 | 100 |
| Intergroup receivable | 8 | - |
| Other assets | 100 | 166 |
| **Total** | **332** | **442** |

## 40. Supplementary Information provided in accordance with Section 54 of the Act (continued)

### 40.6 Asset portfolios held by NAMA and each NAMA Group entity (continued)

| **NARPS** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Cash and cash equivalents | 2,205 | 1,990 |
| Investment properties | 292,001 | 287,565 |
| Other assets | 1,284 | 1,227 |
| Total | **295,490** | **290,782** |

| **NAJV A** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Cash and cash equivalents | 268 | 1,281 |
| Investments in equity instruments | 8,535 | 13,521 |
| Debtor loans | 19,840 | 21,445 |
| Deferred tax | 109 | - |
| Total | **28,752** | **36,247** |

| **NASLLC** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Inventories – trading properties | **-** | **881** |

| **PV** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Investment in subsidiaries | - | - |

| **PB** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Inventories – trading properties | 142,088 | 142,066 |
| Other assets | 48 | 89 |
| Intergroup receivable | 20 | 6 |
| | **142,156** | **142,161** |

| **PWH** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Inventories – trading properties | **17,793** | **17,792** |

| **NALHL (in Voluntary Liquidation)** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Investment in subsidiaries[13] | **1,763** | **1,392** |

| **RLHC Resort Lazer SGPS, S.A. (RLHC)** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Investment in subsidiaries[13] | **1,601** | **1,224** |

| **RLHC Resort Lazer II SGPS, S.A. (RLHC II)** | **2020<br>€'000** | **2019<br>€'000** |
|---|---|---|
| Investment in subsidiaries[13] | **162** | **168** |

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[13] *These amounts are estimated based on 31 December 2019 audited accounts, pending final 2020 year-end audited accounts being provided. The 2019 comparatives were based on 31 December 2018 audited accounts. As set out in Note 38.4, these investments are not consolidated into the NAMA Group financial statements.*

# Notes to the Financial Statements (continued)

## 40. Supplementary Information provided in accordance with Section 54 of the Act (continued)

### 40.7 Government support measures, including guarantees, received by NAMA and each NAMA Group entity

| Entity | Description | Amount in issue at 31 December 2020 €'000 | Amount in issue at 31 December 2019 €'000 |
|---|---|---|---|
| **National Asset Management** | On 26 March 2010, the Minister for Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51.3bn. | - | - |
| | | - | - |

## 41. Capital management

The Group manages its capital structure and makes adjustments to it according to changes in economic conditions and the risk characteristics of its activities. The Group's objectives when managing capital in its statement of financial position are:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders;
- To maintain a strong capital base to support the development of its business;
- To distribute any surplus to the Exchequer from time to time.

The Group's capital base comprises Share Capital (Note 38) and Other Equity (Note 35). The Group is not subject to any externally imposed capital requirements.

## 42. Events after the reporting date

### a) Transfer of Lifetime Surplus

NAMA completed a payment of €200m to the Exchequer on 31 March 2021, representing the second transfer of NAMA's projected lifetime surplus.

### b) Covid-19 Restrictions

On 6 January 2021, the Irish Government announced a further set of restrictions in response to Covid-19 which required all non-essential construction to stop on 8 January 2021 with the exception of private housing that was to be completed by 31 January 2021 and social housing to be completed by 28 February 2021. While the Irish Government has announced that construction work can begin again on residential units, schools and childcare facilities from 12 April 2021, there continues to be some uncertainty as to the extent of the impact of the Covid-19 pandemic will have on the markets that NAMA operates in. NAMA continues to take steps to limit the negative operational and financial impacts of the pandemic. The set of restrictions announced on 6 January 2021 is a non-adjusting event after the reporting date.

## 43. Approval of the financial statements

The financial statements were approved by the Board and authorised for issue on 21 April 2021.

# Glossary of Terms

**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.

**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.

**Deferred payment initiative** The residential mortgages 80:20 Deferred payment initiative was launched in 2012 to facilitate first-time buyers and other owner-occupiers who wish to purchase a home and encourage activity in the housing market. The initiative offered limited price protection to buyers for a period of five years. NAMA does not own the properties or issue the mortgages. Three of the Irish banks participated in the scheme.

**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 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.

**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.

**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 Undertakings for Collective Investment in Transferable Securities (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 NALM has committed to extend to customers.

**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.

# Glossary of Terms (continued)

**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 – *(h)*(i) the payment of a debt, or *(h)*(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 fulfil 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.

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