National Asset Management Agency

Opening Statement by

Mr. Frank Daly, Chairman of NAMA,

to the Joint Committee on Finance, Public Expenditure and Reform

Friday, 9th September 2011

Chairman, Deputies and Senators

Thank you for the opportunity you have given us to discuss with you NAMA's progress to date and its contribution to Ireland's economic recovery.

Many of you will be aware that NAMA reached a significant milestone in July when it published its first Annual Report. In that Report, we looked back on our first year in business and reviewed what had been achieved over a relatively short period. To summarise, we have acquired from the participating institutions 11,500 property-related loans involving 850 debtors, 16,000 properties and loan balances of €72.3 billion. We have paid €30.5 billion in Government-guaranteed securities for these loans and the objective that has been set for us by the legislature, under Section 10 of the NAMA Act, is to recover, at a minimum, that amount plus whatever additional funds we need to advance as working or development capital for projects. Our intention is to recover well in excess of this breakeven point and, in our Business Plan published last year, we projected a net present value gain of €1 billion in our central scenario.

NAMA is only part of the overall solution to fixing the banking system. Members of this Committee will know better then most that there is still some way to go on this yet but, through the State's collective efforts, good progress has been made. We have taken the initial key step of removing almost all of the land and development and associated loans off the books of the banks and paying them over €30 billion in redeemable securities. By so doing, we have enabled them to access liquidity, helped them to deleverage quickly and have removed a major obstacle inhibiting their return to normal banking business. The fact that

€30 billion of liquidity provided by NAMA proved insufficient due to withdrawals of liquidity from the banking system and due to the banks' other troubled loan portfolios is a point that is fully recognised but, without the €30 billion, the system would have been much more fragile.

In tackling the enormous challenge that has been set for us, we have been subject to comment from many quarters and perspectives, some constructive but some not well-informed or coherent. We don't mind fair comment but some commentary does not acknowledge the legislative provisions enacted by the Oireachtas to which NAMA is obliged to adhere. For example, it is regularly suggested that we are secretive and lacking transparency, notwithstanding the fact that the law, under Sections 99 and 202 of the NAMA Act, prohibits us from disclosing confidential information, including information relating to debtors.

We have, however, a clear policy of being as transparent as we can within these legal constraints and we try to be as accessible as possible to public representatives, the media, interest groups and representative organisations.

The legislature has handed us an ambitious commercial mandate which is to realise the best achievable financial return by reference to the value of acquired assets so that, at the very least, we are expected to break even over time. However, it is necessary to point out that this objective is in conflict with calls for greater transparency. Greater transparency means that we would have to reveal our hand to the very people who are in negotiation with us – potential purchasers of NAMA loans and underlying property. This would be commercially foolhardy – a bit like showing your hand to an opposing player in a card game.

It seems to me that NAMA can be a fully commercial operation focused on maximising the return to the taxpayer or it can be a fully transparent public body but it is difficult to see how we can be both. I wish to make it very clear however that NAMA is and will always be a fully accountable public body. We are subject to regular scrutiny by this Committee and by the Public Accounts Committee. We report on a quarterly basis to the Minister and to the Oireachtas. Our accounts are audited by the Comptroller and Auditor General who has full access to all our records and has a permanent presence at our offices.

A feature of the NAMA debate from an early stage has been the differing and, in some cases, unrealistic, expectations of commentators, market participants and others about what NAMA was expected to do or can do. It was apparently expected by some to have an instant galvanising impact on the property market whereas others had expected that it would work out its assets over a long time horizon. Some expected that it would offer a comprehensive solution to the banking crisis notwithstanding the fact that the depth and diversity of that crisis proved to be far greater than the property loan portfolios which fell within NAMA's remit. Some apparently expected that it would work out its assets without any co-operation at all from the 850 debtors whose loans it has acquired. All this in an economy which has a domestic banking system which is undergoing massive deleveraging and also dealing with the withdrawal of foreign-owned banking operators.

Still others expected NAMA to provide a strong commercial return to the taxpayer but somehow manage this without using the professional expertise and services necessary to operate the business in a commercial manner. NAMA exists because the legislature took the view that those responsible for the profligate property lending of the recent past were not best placed to deal with the aftermath. If you set up an agency with the exacting commercial remit of recovering in excess of €30 billion for the taxpayer from the realisation of loan and property assets, you have no choice but to recruit the requisite expertise in property, law, finance, credit, insolvency and banking to carry out the remit professionally for you. That is what we have done and we have recruited the expertise both within Ireland and abroad.

I make these points to emphasise that NAMA's choices have been dictated by the statutory remit given to it and that it could not possibly have hoped to satisfy the diversity of expectations placed upon it. We have, of course, been heavily guided in interpreting that remit by the current and previous governments. Shortly after taking office, the Minister for Finance made it clear to our Board that he expected us to give priority to generating asset sales over the coming three years. This is also very much the message we have been receiving from the Troika and it aligns also with the debt repayment targets set out in the Board's Business Plan which set a repayment target of 25% by end-2013 (equivalent to €7.5 billon).

We are now getting on with the job. To date, we have generated €3.5 billion in cash from our acquired loan assets. We have reduced our debt by over €1 billion by redeeming €750m in NAMA Bonds and repaying €299m of advances received from the Minister for Finance. We plan to make substantial additional NAMA debt redemptions before the end of the year.

I think it is important on an occasion such as this to point out that NAMA is fully aware, not only of its commercial remit, but also of its public and social policy objectives. We do not see these various objectives as being in conflict but, to be realistic, there will be occasions when there is a tension between them. We have no monopoly in terms of ideas as to how the property securing our loans might best be utilised. We intend to be creative and flexible, particularly when it comes to finding suitable alternative uses for property assets. With that in mind, we have engaged readily with various Ministers, Departments, State agencies, local authorities and civic bodies to explore ways in which we can help to advance public and social policy objectives. In particular, we have been endeavouring to identify the scope there may be for NAMA to dovetail its activities with State policy as regards housing and we are in active discussion with Minister Penrose and his officials on this.

Thank you for your attention.