National Asset
Management Agency

ANNUAL REPORT AND FINANCIAL STATEMENTS 2019

€2 BILLION

DELIVERING ON OUR PROMISE

"We will soon transfer €2 billion from our surplus to the Exchequer – the culmination of a decade of hard work and difficult decisions."

– AIDAN WILLIAMS, CHAIRMAN

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Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

15 May 2020

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 2019.

Yours sincerely,

Aidan Williams
Chairman

Brendan McDonagh
Chief Executive Officer

INTRODUCTION

KEY STRATEGIC OBJECTIVES SET BY THE NAMA BOARD[1]

DELIVERING ON OUR MANDATE THROUGH OUR KEY OBJECTIVES

1 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 of its future commitments out of its own resources.

2 MANAGE ASSETS INTENSIVELY

In order to meet its primary commercial objective (as at 1 above) and having regard to the achievement of an orderly wind down of the Agency, NAMA will manage assets intensively and invest in them so as to optimise their income-producing potential and disposal value.

3 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.

4 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.

5 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.

1 *The NAMA Board approved these strategic objectives in early 2020. The Board is currently monitoring the impact of the Covid-19 public health pandemic on the achievement of these objectives and will consider if they should be revised at the appropriate time.*

KEY FINANCIAL INDICATORS

NAMA continues to wind down its loan portfolio and, in March 2020, repaid the outstanding €1.064 billion of subordinated debt. **This redemption completed the repayment of all €31.8 billion of debt issued by NAMA to acquire loans in 2010 and 2011**.

NAMA remains profitable and is on course to return a substantial surplus to the Irish Exchequer. **NAMA expects to transfer the first €2 billion of the surplus in 2020**.

2019 PROFIT
€265 MILLION

2019 CASH GENERATION
€1.343 BILLION

2019 DISPOSAL RECEIPTS
€1.203 BILLION

2020 DEBT REDEMPTION
€1.064 BILLION

PROJECTED LIFETIME SURPLUS[2]
€4 BILLION

2 *Owing to a scarcity of market transactions and lack of visibility as to how long the market disruption will last, it has not been possible to quantify the impact of the Covid-19 measures on the valuation of NAMA's financial assets or property assets as at the date of signing the financial statements.*

KEY BUSINESS HIGHLIGHTS

DELIVERING ON OUR KEY OBJECTIVES

During March 2020, in line with Government restrictions associated with Covid-19, construction was suspended on all NAMA-related residential and commercial sites.

RESIDENTIAL DELIVERY PROGRESS TO END-MARCH 2020

17,000

Since 2014, the construction of 17,000 residential units has been facilitated by NAMA.

=

11,700

11,700 residential units directly funded or facilitated by NAMA.

+

5,300

5,300 units built on sites previously secured to NAMA for which NAMA funded planning permission, enabling works, legal or holding costs.

2,300

2,300 units are under construction or have funding approved for construction.

5,600

5,600 units have been granted planning permission.

8,600

8,600 units are in the planning system (applications lodged or being prepared).

DUBLIN DOCKLANDS SDZ PROGRESS TO END-MARCH 2020

1.6M SQ. FT.

Construction is complete on 1.6m sq. ft. of commercial space and 228 residential units in the Dublin Docklands SDZ area.

1.04M SQ. FT.

Construction is underway on 1.04m sq. ft. of commercial accommodation and 378 residential units.

1.57M SQ. FT.

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

POOLBEG WEST SDZ PROGRESS TO END-MARCH 2020

The Poolbeg West SDZ Planning Scheme was approved by An Bord Pleanála in April 2019.

An open market process to seek an investment partner commenced in July 2019.

A ten year planning permission for phase 1 infrastructure was granted in January 2020.

SOCIAL HOUSING PROGRESS TO END-MARCH 2020

2,614

NAMA has delivered 2,614 properties for social housing across Ireland (in 20 of the 26 counties) since 2012.

94%

Thus far, NAMA has delivered 94% of properties for which demand was confirmed by local authorities.

€350M

NAMA's total expenditure on social housing (including purchase and remediation) has been in the region of €350m.

CHAIRMAN'S STATEMENT

MAXIMISING THE VALUE OF OUR REMAINING ASSETS

€2 BILLION
TO BE TRANSFERRED TO EXCHEQUER

€1.23 BILLION
PORTFOLIO CARRYING VALUE

We are publishing our 2019 Annual Report during an unprecedented public health and economic crisis triggered by the worldwide Covid-19 pandemic. The extent of this crisis is clear in the way that it has simultaneously disrupted our lives, our industries and every aspect of our society and our economy, not just in Ireland but globally.

Everyone in NAMA recognises the extent of the challenge that lies before us and we will do everything we can to support Ireland's economic recovery in the months and years ahead. Although NAMA is an Agency that was created in response to the previous global financial crisis, we recognise that today's crisis has been more sudden, more severe and more shocking than anything we have seen before.

While it is incumbent on us to look to the future and concentrate on the challenges that lie ahead, the publication of NAMA's 2019 Annual Report is a time to assess the progress the Agency made during 2019 and since inception.

We will soon transfer €2 billion from our surplus to the Exchequer – the culmination of a decade of hard work and difficult decisions. The next transfer is due at end-2021 with the majority of the residual expected to transfer in 2022. This is all dependent on the realisation of our outstanding portfolio at or near price levels prevailing at end-2019.

At the beginning of March 2020, we repaid the last of the €31.8 billion in debt issued to acquire loans in 2010 and 2011. This final payment comprised €1.064 billion of subordinated debt and paves the way for commencing the delivery of our surplus to the Exchequer. A little over 10 years since NAMA commenced operations, I believe the timing of the transfer of the surplus could not be more crucial for the Irish State. I am pleased that NAMA is in a position to make this substantial contribution, particularly at this time of great need.

In July 2019, the Minister for Finance published the second five-year Section 227 review of NAMA which confirmed the considerable progress that has been made by the Agency in meeting its objectives. I am encouraged that the Minister recommended that NAMA should be extended for a limited period to 2025 in order to ensure that we can maximise the value of our residual loans.

I am pleased to report that, notwithstanding the economic challenges we face, we are now approaching the completion of our Dublin Docklands development programme and have continued to make substantial progress in the delivery of much needed new housing across Ireland.

Each of the above points represents a positive achievement, however, they are being reported against the backdrop of a global economy that has changed utterly in a matter of weeks. This economic uncertainty will result in many challenges, the severity of which cannot yet be predicted.

NAMA enters this economic crisis in a strong position. We exceeded our deleveraging targets for 2019 and our loan portfolio had a carrying value of €1.23 billion at the end of 2019. While our portfolio has significantly reduced from previous years, the realisation of value from our underlying assets has always been cited by NAMA as critical to the achievement of our surplus. As the portfolio carrying value is based on fair value reviews undertaken at 31 December 2019, it is likely that it has been negatively impacted since then, the extent of which we cannot yet quantify, nor if the decline is temporary or permanent.

We are now approaching the completion of our Dublin Docklands development programme and have continued to make substantial progress in the delivery of much needed new housing across Ireland.

NAMA's asset portfolio is currently under close review by the Board. We may need to revise some of our deleveraging strategies and targets as the full impact of the crisis becomes evident. It is expected that market conditions will be challenging in the short-term thus effective asset management will be essential to protect and enhance the value of our remaining assets. This strategy was particularly effective during NAMA's initial years when the Irish property market continued to contract. We remain committed to the achievement of our primary objective, which is to return the greatest possible surplus to the taxpayer, therefore any decisions we take in relation to our portfolio will be to ensure that we can maximise the value of those remaining assets.

Another key objective of the Board is the completion of commercial and residential development being facilitated by NAMA in the Dublin Docklands Strategic Development Zone (SDZ). Through working collaboratively with receivers, joint venture partners and other stakeholders, NAMA is driving and facilitating the delivery of 4.2m square feet of commercial space and 2,183 residential units in the SDZ area. Unfortunately, at the time of writing, construction has been suspended across all NAMA-funded residential and commercial developments in compliance with Government regulations. It may result in the temporary loss of jobs in the construction industry, which is deeply regrettable, and a delay in the delivery of much needed residential and commercial units. But it is important to highlight that it is a delay that is temporary; NAMA looks forward to the resumption of construction activity as soon as circumstances allow. We will judiciously provide funding to ensure the completion of our development projects in line with our commercial mandate; they will not become future ghost estates reminiscent of the last economic crisis. Facilitating the delivery of high quality residential and commercial buildings is important to the economy and to fulfilling NAMA's wider objectives.

It is our intention to replicate the success of the Docklands development programme in the Poolbeg West SDZ. This SDZ encompasses lands to the east of Dublin's south docks. NAMA owns a 37.2 acre site in the SDZ which has the potential to provide up to 3,500 residential units (25% of which will be social and affordable) and 1m square feet of commercial and retail space. The planning scheme, approved in April 2019, also provides for a school site as well as cultural, community and public open space. An open market process was launched in July 2019 to seek an investment partner to commercially develop the site. NAMA is currently evaluating bids received in response to this process.

It is important to add that we endeavour to ensure that development activity in which we are involved is undertaken in the context of its impact on the environment. In that regard, many NAMA-related commercial and residential developments conform to the highest standards of sustainable design and development. For example, all NAMA-related commercial developments in the Dublin Docklands SDZ have opted to conform to Leadership in Energy and Environmental Design (LEED) standards with one having received platinum certification – the highest level achievable. This has the added benefit of making these assets more marketable, consistent with our commercial mandate.

I wish to take this opportunity to note important inclusion and diversity initiatives that are being supported across NAMA and the NTMA. The promotion of equality of opportunity and diversity in our workplace is a priority for the NAMA Board. Initiatives include Disability Awareness, an LGBT+ strategy and the Gender Matters network. During 2019, unconscious bias training was delivered to all management and staff. The Board benefitted from an impactful presentation on the NTMA's LGBT+ strategy, which we wholly endorse. The Board also heard directly from a valued member of NAMA staff who was recruited through Specialisterne – an organisation which empowers people on the autism spectrum to gain and maintain employment – about his experience of working in NAMA. The Board and executive team will continue to endorse inclusion and diversity initiatives such as these as we aim to foster a supportive and positive work environment for all staff.

I will conclude by saying what an honour it is for me to present my first Annual Report as NAMA Chairman. I was appointed to the position in December 2019, having served as a Board member since the previous April. I would like to acknowledge the immense work of my predecessor, Frank Daly, who was instrumental in delivering the considerable progress made by the Agency to date. I would also like to acknowledge my Board colleagues, the Chief Executive and the NAMA executive and staff, both past and present. Their contribution to the achievements of the Agency has been invaluable. The ongoing dedication and professionalism of NAMA staff has been particularly evident during this crisis as they adapt with willingness, vigour and perseverance to an environment that has changed immeasurably.

Since its inception in 2009, the Agency has overcome many challenges and created a viable platform which helped the State emerge from the previous crisis. This current crisis is first and foremost a public health emergency. The loss of employment experienced by many people as a result of measures introduced to combat the virus is a devastating and unintended blow. However, it is essential that the health and safety of Irish citizens is put first and, when appropriate, Ireland can start to rebuild its economy and recover those lost jobs as quickly as possible. I can say with certainty that NAMA will play its part in achieving this.

Aidan Williams
Chairman

22 April 2020

CHIEF EXECUTIVE'S STATEMENT

WORKING IN THE INTERESTS OF THE IRISH TAXPAYER

€265 MILLION
2019 PROFIT

17,000
RESIDENTIAL UNITS DELIVERED

I share the thoughts and sentiments on the Covid-19 crisis expressed by the Chairman in his statement. As I write this in April 2020, it is a time of immense suffering both in Ireland and elsewhere. Our thoughts are with the families of all the people who have lost their lives; with the people who have contracted the virus; with the businesses which have been severely impacted; and with the people who have suffered financial difficulties as a result of losing their jobs or seeing their incomes reduced dramatically.

The extent of the economic challenge that we face is evident from the numbers seeking State unemployment benefits or income supplements, which currently exceed one million people – a record number that has occurred so quickly and one that is considerably higher than the worst days of the last economic crisis from 2008 onwards. The estimated cost to the State of this crisis will be very significant and it will be some time before the full extent of the cost becomes clear.

It is against this backdrop that NAMA is reporting a profit of €265m for 2019. This is lower than the annual profits reported in recent years but it is in line with our expectations from a much smaller portfolio as we continue our wind-down. In considering the potential impact of the current crisis on NAMA's anticipated profits, it is important to note that approximately 20% of our reported profit for 2019 comprises realised profit from sales of assets at prices exceeding their carrying value as well as interest and fee income. This aspect of our profit will not change, regardless of external factors. Our unrealised profit, which results from increases in the carrying values of our assets and investment gains, may be subject to revision as market conditions evolve in the coming months and years.

Cash generation during 2019 was strong in the context of the advanced stage of our programme of portfolio deleveraging. We generated cash of €1.343 billion in 2019. We expect that cash generation will become more challenging as the full effects of Covid-19 filter through the economy. As in previous years, the generation of cash is still our priority. We have already completed the full repayment of our senior and subordinated debt obligations of €31.8 billion – a milestone that we reached in March 2020 when we repaid the residual €1.064 billion of our subordinated debt. Our focus for the foreseeable future is to expedite our financial return to the State from our surplus while monitoring and mitigating risk in our residual portfolio.

It is worth highlighting that Ireland was in a strong position at the outbreak of the crisis, with economic indicators showing significant resilience in the Irish economy. A recent OECD analysis of sectoral output across 47 market economies indicated that Ireland's output is likely to be one of the least impacted by Covid-19. The strength of the multinational sector in Ireland, including IT, pharmaceutical and med-tech is amongst the reasons cited for this. However, there can be no doubt that certain sectors of the Irish economy will very badly damaged by this crisis and will have a longer road to recovery.

Making predictions at this stage is very difficult. It is expected that, as countries across the world emerge from the crisis, the short term economic impact will be extreme. However, a consensus is emerging amongst some that a global rebound is likely towards the end of 2020 and throughout 2021. Economies across the globe have reacted quickly with a range of supportive monetary and fiscal measures, including the very significant fiscal response by the Irish government in wage replacement, employment subsidy and SME supports.

As regards the impact on NAMA specifically, the bulk of our residual portfolio (64%) is concentrated in the Irish land and development sectors. While construction activity was suspended and transaction volumes have significantly reduced since March, it is anticipated that the fundamentals in the residential property market will remain and can rebound post this pandemic. The reality of site closures, social distancing measures and supply

Our focus for the foreseeable future is to expedite our financial return to the State from our surplus while monitoring and mitigating risk in our residual portfolio.

chain delays will mean that new real estate supply is certain to be impacted in 2020. The impact on demand is, as of yet, unclear. It is certain that higher levels of unemployment and lower job security will impact on consumer sentiment and access to mortgage finance. Notwithstanding this, demand for housing in key locations across Ireland is likely to remain.

We first launched our residential funding programme in 2014 when the NAMA Board approved a delivery target of 4,500 units by end-2016. Its initial success led to us expanding the programme in 2015, setting a more ambitious target of facilitating the delivery of 20,000 units, subject to commercial viability.

This programme has been very successful in improving the supply of new homes. NAMA's approach to facilitating delivery has been tailored to maximise the number of units delivered while taking advantage of evolving market conditions: by delivering units directly, when NAMA funds the bulk of construction and associated costs; and indirectly, when NAMA funds necessary early-stage work to get a development to a stage where its completion can be financed by private sector lenders.

Getting the balance right between direct and indirect delivery is important; it allows us to de-risk our portfolio by disposing of assets such as land when that makes commercial sense while ensuring that more homes can be delivered without putting taxpayer capital at risk.

Since 2016, we have advanced €1.7 billion in residential development funding to our debtors and receivers. In order to comply with EU State aid rules and our statutory mandate, NAMA can only provide funding on commercial terms and the projects we finance must return a profit.

To date, NAMA has directly facilitated the construction of in excess of 11,700 units. This figure includes units delivered from the provision of funding on a commercial basis to our debtors and receivers; units delivered on a joint venture basis with credible well-financed development partners and units delivered through licence agreements.

Turning to indirect delivery, a key part of our residential strategy has been to maximise the number of sites that are ready for development. In this regard, we fund planning permissions, enabling works and other legal or site holding costs on residential sites before they are sold to the open market for private development. We conservatively estimate that, in this way, over 5,300 units have been indirectly facilitated by NAMA – bringing the total delivered under NAMA's residential delivery programme to 17,000 so far.

There is current capacity in NAMA's secured portfolio for an additional 25,000 residential units, although it is unlikely that NAMA will be in a position to deliver all of these. This is due to issues that are outside of NAMA's control, including lack of commercial viability, unsuitable infrastructure and services or inappropriate planning and zoning. These are issues that would impede any developer, even in a strong economy, and in light of the emerging economic uncertainty it is likely that some of these issues will not be resolved within the remaining lifetime of NAMA. With all of these potential developments, however, NAMA will continue to work to maximise the number of homes that can be delivered on sites under its control. After assessing current market developments and potential risks to delivery, we have revised our estimated date for achieving the 20,000 unit target to end-2021, subject to market conditions.

Turning to NAMA's social contribution, I welcome the Minister's recommendation (as part of his Section 227 review in July 2019) that NAMA's social housing vehicle – NARPS – should ultimately be retained by the State. NARPS is a unique entity that was established in 2012 at a time when there was limited capital available to local authorities and housing bodies to acquire residential properties for social housing use. I am pleased to say that NARPS has made a significant contribution to this sector, expediting the delivery of almost 1,400 properties for social housing. NARPS delivery alone represented 10% of all social housing output in the State between 2013 and 2017. In total, NAMA and NARPS have delivered in excess of 2,600 units for social housing purposes. This is an aspect of NAMA's work that will provide a lasting social benefit well beyond the Agency's lifetime. Despite the current restrictions, our social housing work continues. One of our secured residential sites in Citywest has reopened, officially deemed an essential project, in order to complete 24 units designated for social housing. In addition, we are currently undertaking an in-depth assessment of commercial and residential units within NAMA's secured portfolio. The purpose of this exercise is to identity vacant properties that may be suitable for temporary use by government agencies, such as the HSE, in their efforts to combat Covid-19.

I will conclude by echoing the Chairman's comments recognising the exceptional efforts of the NAMA Board and staff. I take this opportunity to welcome our new Chairman; I look forward to his continued support and guidance in the years ahead and I know NAMA will benefit greatly from the experience he brings to the role. I wish to pay tribute to his predecessor, Frank Daly, who left NAMA at the end of 2019. His stalwart leadership and expertise have been critical to NAMA's progress since its establishment 10 years ago. I also wish to recognise the important contribution of another colleague who recently left NAMA; Seán Ó Faoláin, our former Head of Strategy and Communications, was instrumental in the formation and development of the Agency, serving as a valued member of the executive team from inception in 2009 until his retirement in 2019.

As the Chairman noted in his statement, the Agency's establishment in 2009 came at a time of significant economic challenges. As a result, NAMA has developed invaluable experience of operating in a difficult market. We have effective asset management, deleveraging and residential delivery platforms in place. Importantly, NAMA has staff with the requisite skills and experience to ensure we can successfully navigate our way through the anticipated downturn. NAMA is foremost a commercial state agency, working in the interests of the Irish taxpayer. As has been the case throughout NAMA's existence, the Agency is committed to doing everything in its power to support the State throughout the crisis that we are facing today.

Brendan McDonagh
Chief Executive Officer

22 April 2020

DELEVERAGING ACTIVITY

MAXIMISING RECOVERY FROM PROPERTY-BACKED LOANS

NAMA's deleveraging activity is guided by the objective of maximising recovery from property-backed loans through intensive management and phased disposal of the underlying assets and, where appropriate, of the loans.

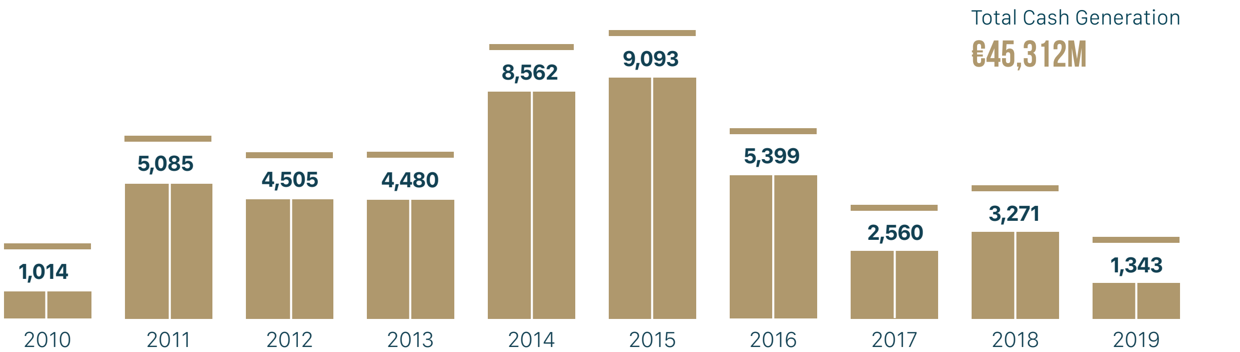
As at end-March 2020, the loans of some 198 debtors remained under the management of NAMA. Of these, 124 were in support or forbearance strategies and 74 were subject to enforcement.

CASH GENERATION

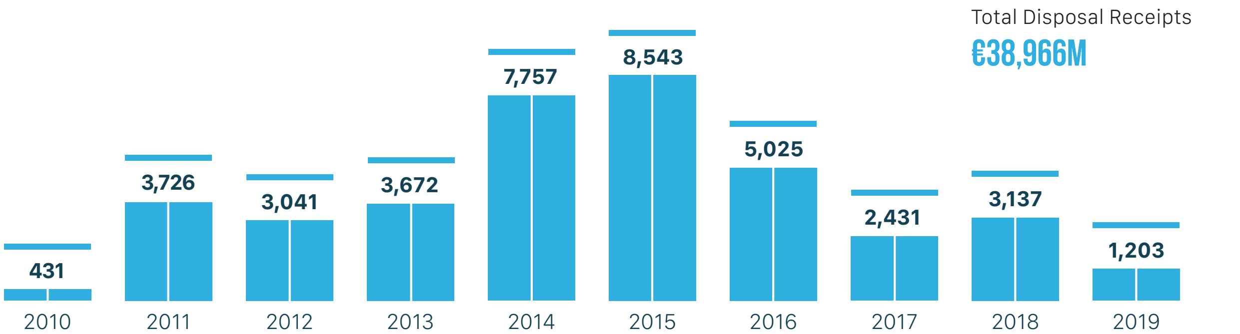
Cash generation is a critical measure of the progress being made by NAMA in meeting its stated objectives. During 2019, NAMA generated €1.3 billion in cash with €1.2 billion realised from the sale of loans, property and other assets. By end-2019, NAMA had generated a cumulative €45.3 billion in cash, principally through asset and loan sales.

The cash generated from NAMA's disposal programme enabled NAMA to accelerate the repayment of €30.2 billion in government-guaranteed debt, thus eliminating a significant contingent liability of the Irish State by October 2017.

Cash Generation €m



Disposal Receipts €m



ASSET AND LOAN SALES

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

By end-2019, NAMA's acquired portfolio was 96% deleveraged. The cumulative value of loans and assets sold to end-2019 was €38.97 billion. Figure 1 presents an analysis of disposals by location from 2010 to end-2019.

2010 to 2013

In the period between 2010 and 2013, assets located in the UK accounted for almost 75% of all NAMA disposals. Assets located in Ireland, by contrast, accounted for just 16% of disposals during the same period with the remaining 9% being outside of Ireland and the UK. After NAMA acquired its assets, the Irish market experienced severe price falls of over 30% and there was general illiquidity during the period. NAMA considered that it would have been in breach of its statutory commercial obligation to maximise return to the State if it had commenced a major programme of disposals in such difficult market conditions. Instead, the focus was on asset management to enhance the future disposal value of Irish assets, most notably, by working with debtors and receivers to complete unfinished projects, to fund viable commercial and residential developments and to enhance planning permissions and remove other obstacles to development.

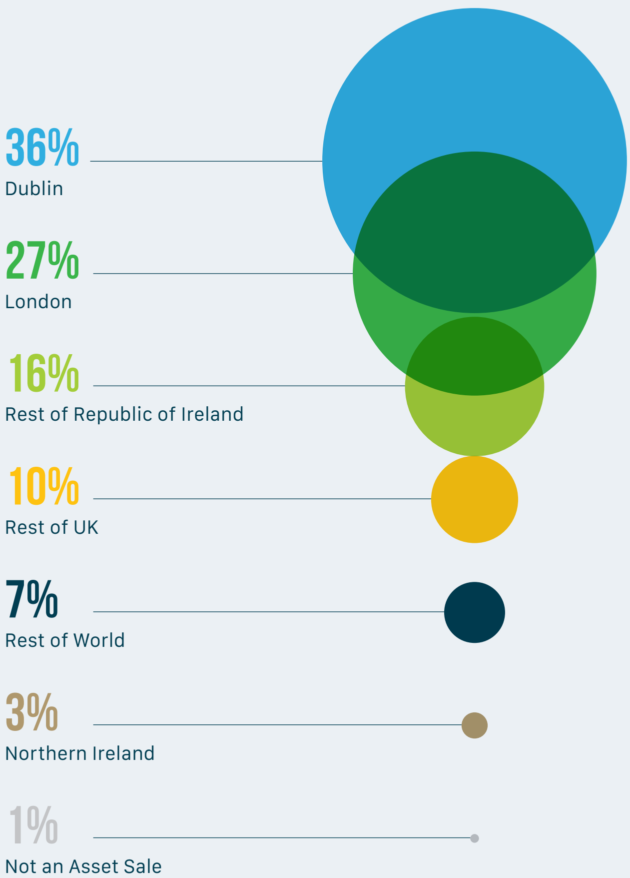
2013 to 2018

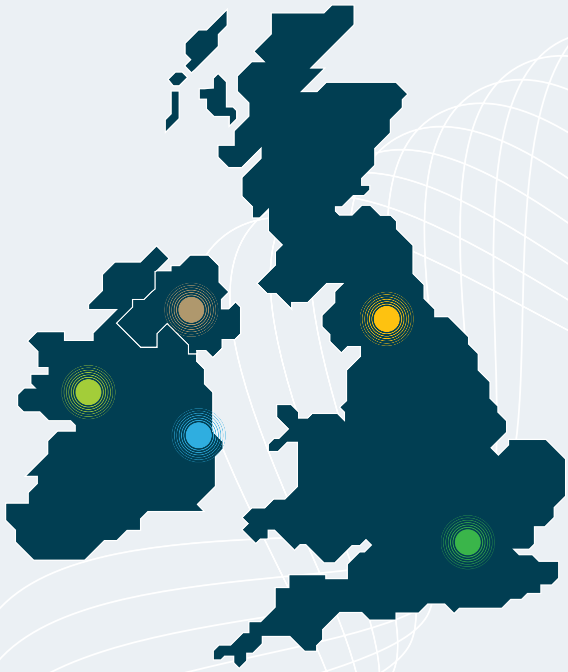
From mid-2013, improved Irish market conditions enabled NAMA debtors and receivers to sell assets into a market which saw rising prices and much improved liquidity.

NAMA took advantage of increased investor interest in Irish commercial assets by creating portfolios of loans and property assets for sale. This disposal activity was phased in order to ensure a regular flow which could help sustain the positive momentum in the Irish market and maximise the return to NAMA. During the period from 2013 to 2018, NAMA generated approximately €30 billion from asset and loan sales.

By end-2016, NAMA had largely deleveraged from the UK market and by end-2018, NAMA had completed almost all of its deleveraging of assets located outside of Ireland.

Figure 1: Disposals by location since inception



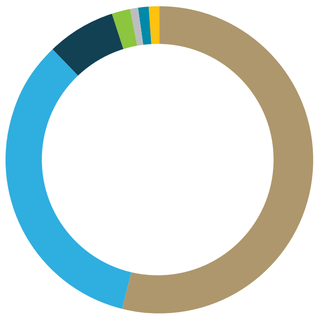


2019

Sales of residential properties, land and development sites accounted for 88% of disposal activity in 2019 (figure 2), reflecting the profile of the remaining assets. At this stage in NAMA's lifespan, the loan portfolio is primarily secured by assets which form part of NAMA's residential delivery programme. The remainder of NAMA's secured portfolio contains mainly low value or compromised assets, which require intensive management in order to maximise their value.

Figure 2: Disposals by sector - 2019

- **54%** Residential
- **34%** Land & Development
- **7%** Office
- **2%** Retail
- **1%** Other
- **1%** Hotel & Leisure
- **1%** Industrial



CAPITAL EXPENDITURE

In line with its strategic objectives, NAMA advances funding 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.

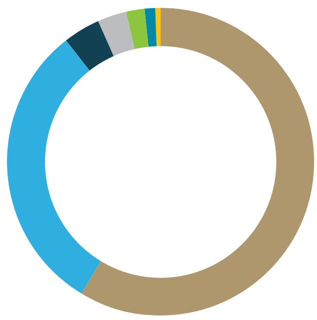
Currently, NAMA primarily provides capital expenditure for the planning, design and construction of new residential projects, subject to commercial viability. NAMA also funds infrastructure works, as necessary, to facilitate these developments. NAMA expects to approve additional funding for residential projects, on a commercial basis, over the period to end-2021.

NAMA has also invested in existing properties in order to improve their income producing potential and ultimately to make them more attractive to potential purchasers. This investment includes funding advanced for essential remediation such as fire safety works.

Figure 3 shows the breakdown of capital expenditure (capex) by sector since inception. Approximately €3.7 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 Exchequer funding.

Figure 3: Capex by sector since inception

- **59%** Residential
- **31%** Land & Development
- **4%** Office
- **3%** Other
- **2%** Retail
- **1%** Hotel & Leisure
- **<1%** Industrial



RESIDENTIAL DELIVERY

ENHANCING AND DEVELOPING RESIDENTIAL SITES

In 2015, the NAMA Board agreed the objective of funding or facilitating the delivery of 20,000 residential units, subject to commercial viability, across NAMA-secured residential sites. This objective is consistent with Section 10 of the NAMA Act which requires NAMA to obtain the best achievable financial return for the State, deal expeditiously with its acquired assets or otherwise enhance the value of those assets. In certain cases, the best financial return for NAMA can be achieved through the funding of site enhancement or development.

RESIDENTIAL DELIVERY PROGRESS

As of the end of March 2020, NAMA's remaining loans were secured by an estimated 747 hectares of residential zoned development land in Ireland which is under the control of NAMA's debtors and receivers.

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 2020

DIRECTLY DELIVERED	+	INDIRECTLY DELIVERED	=	TOTAL DELIVERED
11,700		5,300		17,000

11,700 units have been directly delivered by NAMA to date, either though provision of funding to debtors and receivers or via licence agreement. A further 5,300 residential units have been built on sites which benefitted from NAMA funding but which were subsequently sold by NAMA's debtors and receivers. This included the funding of planning permission, 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 74,000 residential units, on which the aforementioned 5,300 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 or suitable planning permission.

RESIDENTIAL DELIVERY PIPELINE[3]

There are 1,100 new residential units currently under construction on sites secured to NAMA.

NAMA has identified that a further 25,000 units are potentially deliverable on sites owned by its debtors and receivers. These figures exclude sites that have been sold, contracted for sale, or are on the market for sale.

Residential delivery pipeline at end-March 2020

6,900 UNITS

CONTRUCTION READY

The number of units with funding approved for construction (1,200) or with planning permission (5,700) but not yet under construction.

8,600 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.

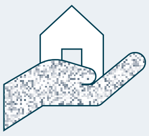
9,400 UNITS

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.

3 *During March 2020, in line with Government restrictions associated with Covid-19, construction was suspended on all NAMA-secured residential sites.*

METHODS OF DELIVERY



Direct Funding

Residential development funding is provided to debtors and receivers on a commercial basis and is entirely consistent with NAMA's commercial obligation under Section 10 of the NAMA Act to optimise the value of its assets.

NAMA works with existing debtors who are willing to co-operate with NAMA and who have a proven track record of competence which enables them to commit to credible delivery targets on commercially viable projects.

NAMA also provides funding to receivers seeking to maximise the return on assets under their control.

Licence Agreements

As an alternative to providing residential development funding to receivers, NAMA has, in certain cases, agreed to the sale of sites under licence by receivers.

Under the licence agreement, the successful bidder (licencee) enters into a licence agreement with the receiver. The licencee pays a deposit up-front for the site and is responsible for obtaining development finance. Sales proceeds from the newly built houses are split between the licencee and the NAMA-appointed receiver.

Such arrangements first delivered new units in 2015. To date, five schemes have been fully completed and three have been refinanced. Four schemes are currently under construction and two are in the planning system.

Investment Ventures

As part of negotiated arrangements with certain debtors, NAMA may enter into investment ventures with credible, well-capitalised platforms to develop sites.

An example of one such arrangement is an investment venture that NAMA entered into with Cairn Homes plc. The arrangement relates to the development of residential zoned land in Balgriffin, Dublin 13. The land has the potential to deliver 90 houses, 56 duplex units and 327 apartments on a phased basis and has received planning permission for Phase 1 consisting of 64 houses and 32 apartments.

EXAMPLES OF RESIDENTIAL PROJECTS

Since 2014, NAMA has directly facilitated the delivery of in excess of 11,700 new residential units across Ireland. A sample of units delivered during 2019 is shown here, broken down by geographic area.

NAMA-FUNDED NEW HOME SCHEMES COMPLETED IN 2019

DUBLIN

- A Ballycullen Green
- B Ballygossan Park, Skerries
- C Belarmine Woods, Stepaside
- D Belltree, Clongriffin
- E Bishops Gate, Kilternan
- F Cualanor, Dun Laoghaire
- G Miller’s Glen, Swords
- H Northwood, Santry
- I Riverwood Square, Porterstown

NORTHWOOD, SANTRY

BISHOPS GATE, KILTERNAN

COMMUTER COUNTIES

CO. MEATH
(A) Dun Rioga, Dunshaughlin

CO. KILDARE
(B) Fenton Green, Kilcock
(C) Stoneleigh/Longstone, Naas

CO. WICKLOW
(D) Waverly, Greystones
(E) Ternlee, Kilcoole

OTHER URBAN CENTRES

CO. GALWAY
(A) Tuairin, Roscam

CO. CORK
(B) Maryborough Ridge, Douglas
(C) Castleheights, Carrigaline


DÚN RÍOGA, DUNSHAUGHLIN, CO. MEATH


CASTLEHEIGHTS, CARRIGALINE, CO. CORK


FENTON GREEN, KILCOCK, CO. KILDARE


ROSCAM, GALWAY, CO. GALWAY

RESIDENTIAL SITES UNDER CONSTRUCTION

RIVERWOOD SQUARE

PORTERSTOWN, DUBLIN

RATHBORNE PARK

ASHTOWN, DUBLIN

STRATEGIC DEVELOPMENT ZONES

DRIVING THE DELIVERY OF PRIME COMMERCIAL SPACE

There is capacity for 4.2 million sq. ft. of commercial space and 2,183 residential units[4] to be delivered in the Dublin Docklands when all 15 sites in which NAMA originally held an interest are fully developed. The extent and nature of NAMA's involvement varies from site to site.

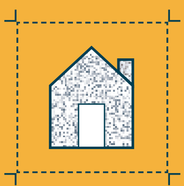
DUBLIN DOCKLANDS SDZ

The area of the Dublin Docklands incorporating the North Lotts and Grand Canal Dock was designated as a Strategic Development Zone (SDZ) in December 2012 with the SDZ Planning Scheme approved by An Bord Pleanála in May 2014. The SDZ plan divided the Docklands area into 20 development blocks encompassing 22 hectares of developable land and provided for two new pedestrian bridges linking both sides of the Liffey.

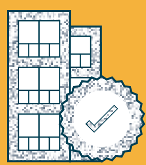
At the outset, NAMA held an interest in 15 of the 20 SDZ blocks, equating to 75% of the developable area. NAMA developed detailed strategies for each of the 15 blocks which are located over 16.74 hectares within the North and South Docks areas.

A dedicated Docklands SDZ team in NAMA, together with NAMA's receivers and investment partners, has worked closely with Dublin City Council as the Development Agency to deliver on the objectives of the SDZ Planning Scheme.

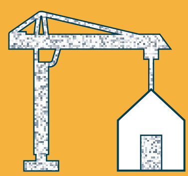
PROGRESS TO DATE Status as at end-March 2020



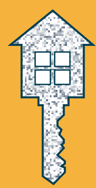
NAMA currently retains an interest in six sites capable of delivering 1.1m sq. ft. of commercial space and 528 residential units.



Construction has been completed on a total of 1.6m sq. ft. of commercial space and 228 residential units in the Docklands SDZ area.



Construction is underway on 1.04m sq. ft. of commercial accommodation and 378 residential units which are due for delivery in 2020 and 2021.



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

When complete, it is estimated that the Docklands SDZ area will accommodate in excess of 20,000 office workers and homes for over 5,000 people, regenerating and transforming this important part of Dublin City.

4 *These figures include Block 19 in which NAMA has a leasehold interest. This site has capacity for 150 residential units and 56,000 sq. ft. of commercial space.*

ACTIVE NAMA PROJECTS[5]

DUBLIN LANDINGS - OXLEY HOLDINGS LIMITED

Size

Commercial
719,000 sq. ft. of office and retail space

Residential
298 apartments

Construction Status

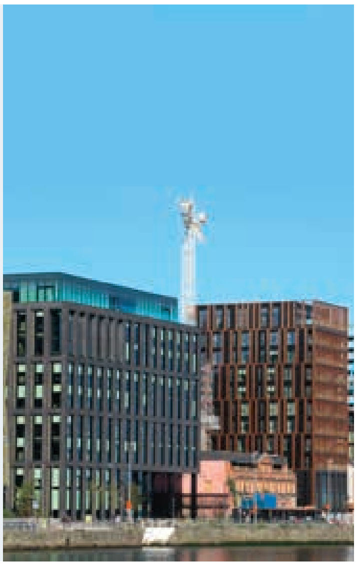
Construction is complete on all five office blocks and one residential block. Completion of the remaining residential blocks is expected in 2020.

Letting/Sale

The NTMA and WeWork each leased blocks in Dublin Landings. All five completed office blocks of 719,000 sq. ft. were subsequently sold to institutional investors and the Central Bank of Ireland. The sale of the residential blocks contracted to Greystar in 2019.

NAMA Involvement

Oxley Holdings Limited acquired a long leasehold interest from NAMA in 2014 with the right to develop, manage and realise the value of this site. NAMA retains the freehold interest and receives a secure income stream in addition to a percentage of any sales proceeds.



BOLANDS QUAY

Size

Commercial
330,500 sq. ft. of commercial space

Residential
46 apartments and ancillary space

Construction Status

Construction and significant conservation works are underway with the project due for completion in phases up to 2022.

Letting/Sale

The entire site was sold to Google through a forward sale and development agreement in 2018.

NAMA Involvement

This development is managed by a NAMA-appointed receiver.

76 SIR JOHN ROGERSON'S QUAY - SOUTH DOCKS FUND

Size

Commercial
137,000 sq. ft. of office space

Residential
72 apartments

Construction Status

Construction is underway with completion due for both the commercial space and the residential space in 2020.

Letting/Sale

Contracts have been exchanged with the purchaser of the residential space (The Benson Building) and the sale will close upon completion of construction.

Appointed agents are actively marketing the remainder of the commercial space.

NAMA Involvement

NAMA holds a minority shareholding in this fund, with Oaktree Capital Management as the majority shareholder. The fund is structured as an ICAV.

5 *During March 2020, in line with Government restrictions associated with Covid-19, construction was suspended on all NAMA-related residential and commercial sites. This may adversely impact on completion dates cited for active projects.*

BLOCK 10A - TIO NORTH DOCKS D.A.C.

Size

Commercial
270,000 sq. ft. of office space

Construction Status

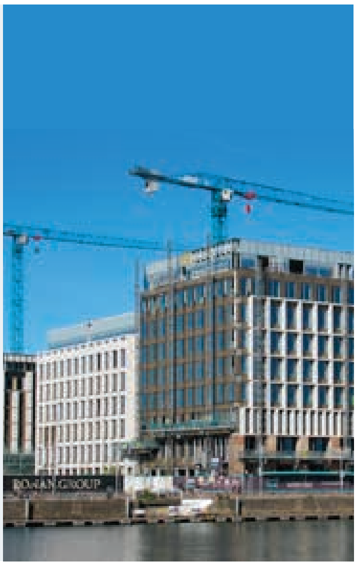
Construction commenced in January 2018 and is due for completion in 2020.

Letting/Sale

Agents have been appointed and are actively marketing the offices to potential occupiers.

NAMA Involvement

NAMA holds a minority interest in this entity with Oaktree Capital Management as majority shareholder of TIO North Docks D.A.C.



EXO BUILDING

Size

Commercial
215,000 sq. ft. of office space over 17 storeys

Construction Status

Construction commenced in January 2018 with completion expected by end-2020.

Letting/Sale

The building has been sold in a forward funding structure to CIO (Tristan Capital Partners/SW3).

NAMA Involvement

The development and letting strategy is controlled by a NAMA-appointed receiver.

10-12 HANOVER QUAY - KW IRISH REAL ESTATE FUND XIII

Size

Commercial
87,000 sq. ft. of office space

Construction Status

Construction commenced in 2019 with completion expected by 2021.

Letting/Sale

Occupier marketing is underway.

NAMA Involvement

NAMA has a minority shareholding in this fund with Kennedy Wilson as the majority shareholder.

PROJECTS COMPLETED AND SOLD DURING 2019

5 HANOVER QUAY - SOUTH DOCKS FUND

Size

205,000 sq. ft. of office space achieved practical completion in May 2018.

Letting/Sale

A 38% portion of the office building was let to Aptiv, with the remaining floors leased to Docusign. The building was sold to Union Investment during 2019.

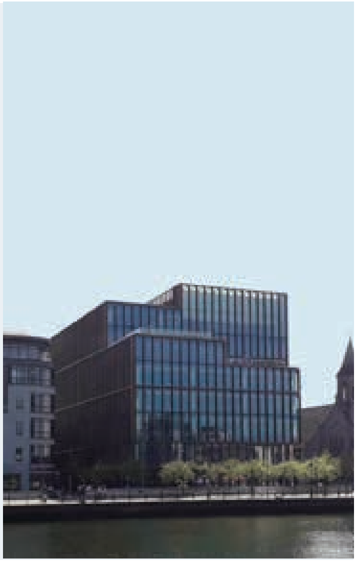
CITY QUAY - CITY DEVELOPMENT FUND

Size

130,000 sq. ft. of office space over eight-storeys, completed in September 2018.

Letting/Sale

In 2016, a pre-let was secured to Grant Thornton under a 25 year lease. The property was sold in a forward-funding structure to Irish Life Investment Managers. Completion of the sale occurred in 2019.



CAPITAL DOCK - KW IRISH REAL ESTATE FUND VIII

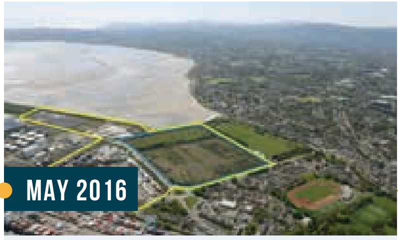
Size

409,000 sq. ft. of office and retail space and 190 apartments achieved practical completion by March 2019.

Letting/Sale

Kennedy Wilson/AXA Investment Managers acquired NAMA's minority interest in the fund during 2019.

POOLBEG WEST SDZ



MAY 2016

SDZ DESIGNATION

Poolbeg West, located to the east of Dublin's South Docks, was designated as a Strategic Development Zone (SDZ) by Government in 2016. NAMA currently owns 15 hectares (37 acres) of undeveloped land within the SDZ. These lands provide one of the largest mixed used development opportunities in Dublin City. NAMA has progressed preparatory planning and infrastructure tasks to expedite viable development as soon as practicable.

APRIL 2019

PLANNING SCHEME ADOPTED BY AN BORD PLEANÁLA

Following the SDZ designation, Dublin City Council (DCC) prepared the Poolbeg West SDZ Planning Scheme which was confirmed by An Bord Pleanála in April 2019. The Planning Scheme provides the key building blocks and structuring principles around which housing is to be developed, supported by community, education, retail, commercial and leisure facilities. It provides for up to 3,500 new homes (including 10% Part V and an additional 15% social and affordable housing), as well as some 1m sq. ft. of commercial space.

JUNE 2019

PUBLIC REALM MASTERPLAN LODGED

Within two months of the Scheme's confirmation, and following extensive consultation with relevant stakeholders, NAMA oversaw the preparation of a public realm masterplan for approval by DCC. This masterplan extends the urban fabric of the city towards the shore while protecting the special status and amenity of Dublin Bay, thus creating an urban quarter founded on sustainability.

JUNE 2019

PHASE 1 INFRASTRUCTURE PLANNING APPLICATION LODGED

In parallel with the preparation of the masterplan, a planning application for infrastructure and public realm works was submitted to DCC. These works are necessary to support the development of phase 1. The infrastructure works will facilitate the development of some 1,300 homes and associated retail and community facilities. Additionally, two hectares of public realm works will incorporate a village green, a coastal park, a neighbourhood square and a public boulevard accommodating sustainable modes of transport.

PEMBROKE
AT DUBLIN FOUR

JULY 2019

PEMBROKE AT DUBLIN 4 LAUNCHED

Following substantial due diligence into the appropriate strategy to maximise return to the State and to enable the early delivery of much needed housing, NAMA launched Pembroke at Dublin Four in July 2019. This open market process offers an 80% shareholding in the NAMA entity currently holding the lands. The process is ongoing.

JANUARY 2020

GRANT OF PLANNING PERMISSION AND APPROVAL OF MASTERPLAN

On 31 January 2020, DCC granted a ten year planning permission for the Phase 1 Infrastructure and approved the Public Realm Masterplan. These approvals ensure the site is ready for development once the Pembroke at Dublin Four process concludes.

SOCIAL AND ECONOMIC CONTRIBUTION

MAKING A POSITIVE 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

In December 2011, following engagement between NAMA, the Department of Housing, Planning and Local Government (DHPLG) and the Housing Agency, the Minister for Housing announced that a potential 2,000 residential properties would be made available by NAMA for social housing purposes.

Since then, NAMA has sought to match the suitable and available residential stock held by its debtors and receivers with the social housing requirements of local authorities. A total of 7,093 residential units were identified by NAMA as potentially suitable for social housing use. Demand was confirmed through the Housing Agency for 2,770 units, of which, over 94% have been delivered to date.

A significant method of social housing delivery has been through NAMA's special purpose vehicle, NARPS, which has delivered 1,396 residential properties to date. Other delivery methods include direct sales and leases by debtors and receivers to local authorities, Approved Housing Bodies (AHBs), and the Housing Agency.

In 2018, the DHPLG and the Housing Agency prepared a report on NAMA's social housing delivery which recognised NAMA's contribution to social housing in exceeding the original target of 2,000 properties. In particular, the report noted that NAMA had delivered almost one fifth (19%) of the overall national social housing output in 2013 and over one quarter (27%) in 2014. The report also cited the creation of the NARPS lease as a model of good practice and noted that it was being used as a precedent for further leasing initiatives across the sector.

TARGET DELIVERY
2,000 HOMES

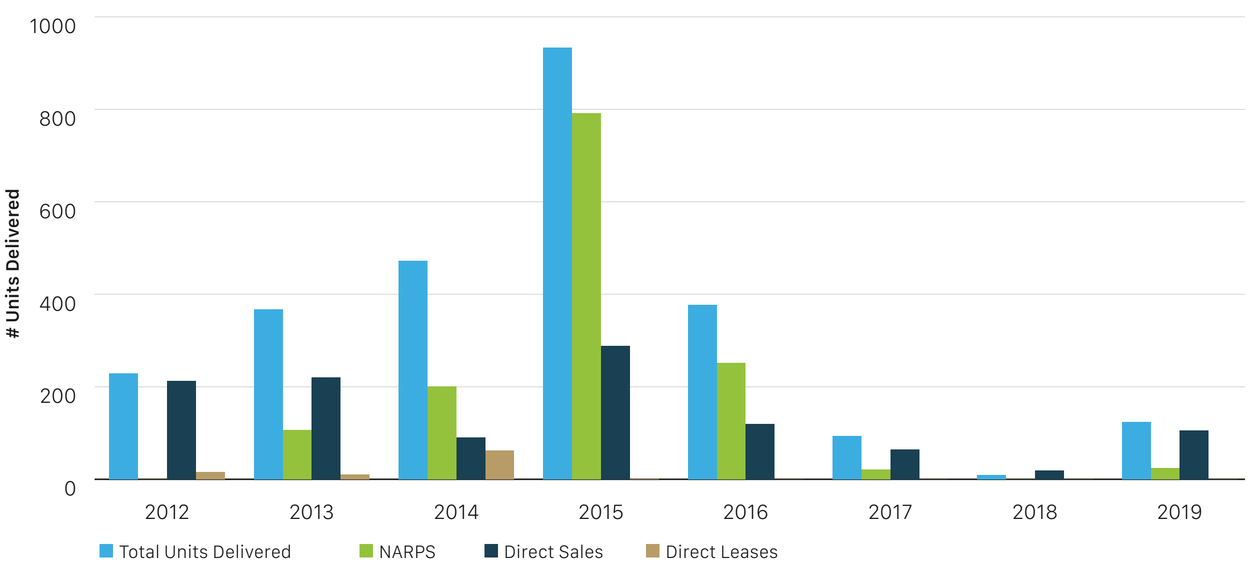
DELIVERY TO 31 MARCH 2020
2,614 HOMES

FUNDING COMMITTED
C.€350 MILLION*

IDENTIFYING SUITABLE UNITS
7,093 OFFERED
2,770 DEMAND CONFIRMED

**including costs incurred by NARPS in purchasing residential units and capital expenditure incurred for the remediation and completion of housing units and estates.*

NAMA Social Housing Delivery 2012 – 2019



ACTIVITY IN 2019

NAMA's social housing programme continues to move towards completion in line with the orderly wind-down of the Agency. A small number of projects remain in negotiation and further delivery of properties will continue, albeit on a smaller scale than in the past due a much reduced secured portfolio.

The focus of activity in 2019 was on concluding the remaining contracted projects that required remediation and completion works and other property management matters. Some 124 properties were completed during the year and handed over to AHBs for immediate occupancy.

This includes 95 units which were delivered on residential schemes being developed under licence.

32 HOMES AT MARYBOROUGH, DOUGLAS, CO CORK WERE DELIVERED FOR SOCIAL HOUSING

- The sale of 32 homes to Túath Housing completed in 2019.
- Developed by way of licence agreement with Glenveagh properties plc.

63 HOMES IN CHURCH STREET, KILCOCK, CO KILDARE WERE DELIVERED FOR SOCIAL HOUSING

- A new build scheme on the former Zed Candy site.
- Developed under licence and sold to Túath Housing on a phased basis during 2019.

NARPS

National Asset Residential Property Services D.A.C. (NARPS) was established in 2012 in order to expedite social housing delivery. NARPS helped overcome the many barriers to quick and efficient delivery that existed at that time across the sector, including a lack of capital funding.

Since 2012, NARPS has made considerable progress in delivering social housing units and has contributed to over 50% of NAMA's total social housing delivery. NAMA's recent activity relating to NARPS primarily involves asset management of the NARPS portfolio and engagement with the AHBs and local authorities in the ongoing leasing of units.

A step-by-step of how the NARPS model operates:

- 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 standard lease is designed to cover all potential leasing scenarios, i.e. developments comprising both houses and apartments/duplexes with service charge payments.
- The rent paid under the lease is agreed through consultation between NAMA, the Housing Agency and the local authority before formal approval by DHPLG, and reflects a prescribed discount to market rent.

NARPS PORTFOLIO OVERVIEW

TOTAL

1,396

residential properties have delivered by NAMA through NARPS since 2012, including 1,370 completed and 26 contracted for lease.

UNIT TYPE

841

60% APARTMENTS

UNIT TYPE

555

40% HOUSES

NARPS LESSEES (BY PROPERTIES UNDER MANAGEMENT)

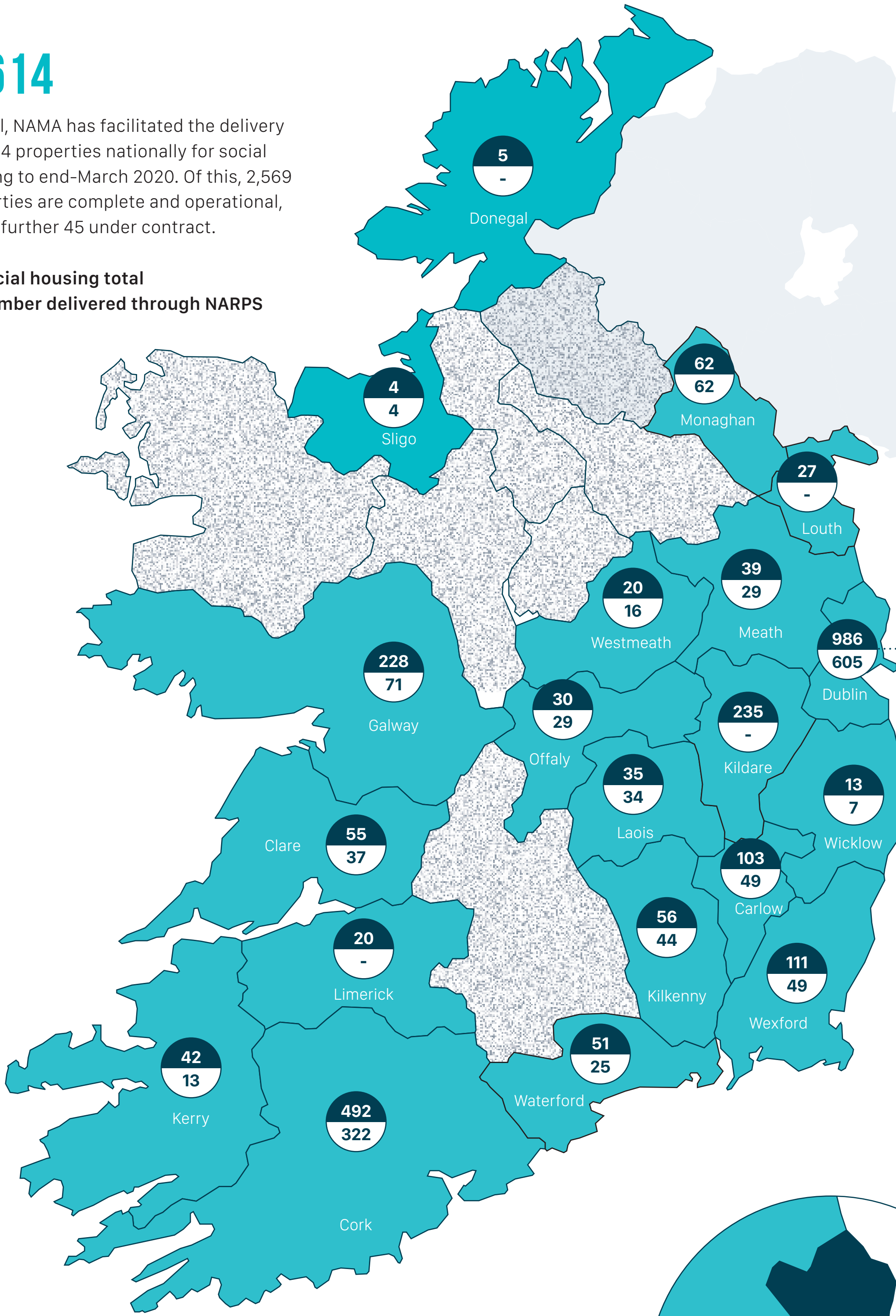
Túath Housing	539	38.61%
Co-Operative Housing Ireland	239	17.12%
Clúid Housing	202	14.47%
North and East Housing	136	9.74%
Circle VHA	78	5.59%
Oaklee Housing	53	3.80%
Respond! Housing	52	3.72%
Cork County Council	31	2.22%
Focus Ireland	21	1.50%
HAIL	19	1.36%
Clanmil Ireland	8	0.57%
Carlow VHA	8	0.57%
Clare County Council	6	0.43%
Steer Housing Association	4	0.29%
Total	**1,396**	**100%**

SOCIAL HOUSING DELIVERY

2,614

In total, NAMA has facilitated the delivery of 2,614 properties nationally for social housing to end-March 2020. Of this, 2,569 properties are complete and operational, with a further 45 under contract.

- Social housing total
- Number delivered through NARPS



Dublin: Breakdown by Local Authority

A	Dublin City Council	415	272
B	Dun Laoghaire-Rathdown County Council	282	162
C	Fingal County Council	143	83
D	South Dublin County Council	146	88
Total		986	605

RESOLUTION OF UNFINISHED HOUSING ESTATES

Since 2010, NAMA has sought to resolve unfinished housing estates in its secured portfolio. NAMA has advanced funding to debtors and receivers to undertake remedial and completion works to the unfinished developments, in some cases completing the estates in their entirety. In certain cases, unfinished housing estates have been provided for social housing use following remediation by NAMA, with many units subsequently purchased by NARPS for social housing purposes. Examples of NARPS housing on former unfinished housing estates are set out below:

THE TANNERY, BANDON, CO CORK

24 houses purchased by NARPS


Before: May 2013


After: October 2014

FRUITHILL MANOR, CARLOW TOWN, CO CARLOW

75 houses purchased by NARPS


Before: October 2014


After: December 2016

ASHMOUNT MEWS, SILVERSPRINGS, CORK

34 houses purchased by NARPS


Before: September 2016


After: February 2017

AISLING, ENNIS, CO CLARE

23 houses purchased by NARPS


Before: July 2015


After: June 2017

WIDER ECONOMIC CONTRIBUTION

FACILITATING TRANSACTIONS

An important part of NAMA's work has been to facilitate transactions in the Irish property market which have wider social and economic benefits. This includes identifying properties suitable for educational, community, and health purposes and giving public bodies first option on the purchase (at full market value) of such properties. NAMA has also worked closely with the IDA in order to encourage and sustain foreign direct investment (FDI) in Ireland.

Over the past 10 years, NAMA has facilitated many important transactions, examples of which are set out below:

Properties for Public Use	**School sites**: NAMA has identified several potential school sites in areas of high demand across Ireland and worked with the Department of Education and Skills to facilitate the sale of circa 20 sites for the development of new schools. • In 2019, NAMA facilitated the sale of a site at Terrysland, Carrigtwohill, Co. Cork (15 acres) for a new primary and post-primary school. **Civic transactions**: NAMA has engaged with local authorities, Government departments and State bodies across the country to facilitate a wide range of civic transactions. Examples include: • Sale of the Opera Centre in Limerick to Limerick Co. Co. (2011) • Sale of property to the HSE to accommodate the National Ambulance Service (2013) • Sale of 5,000 acres in Glenasmole, Co Wicklow to the Department of Arts, Heritage and Gaeltacht for a national park (2016) • Sale of lands for housing to Kildare Co. Co. (2017) • Construction and transfer of new road to Dublin City Council (2017) • Sale of 211 acres in Co Kildare to the IDA (2019) • Sale of 75 acres in Gorey to Wexford Co. Co. which will be used for affordable housing and community facilities (2019)
Facilitating Foreign Direct Investment	NAMA has worked closely with the IDA to identify suitable properties to facilitate and encourage FDI in Ireland. 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.
Residential Transactions	The 80:20 Deferred Payment Initiative was a residential mortgage scheme launched by NAMA in 2012. It facilitated first-time buyers and other owner-occupiers wishing to purchase a home and also encouraged activity in the housing market. The initiative offered price protection of up to 20% to buyers of NAMA-secured properties for a period of five years. The initiative was concluded in December 2019 with all deferred amounts received from the participating mortgage providers – EBS, Permanent TSB and Bank of Ireland.
Commercial Transactions	In 2011, in response to the lack of affordable finance for investors, NAMA introduced the Vendor Finance initiative in order to facilitate investment and encourage commercial property transactions. Through funding transactions at up to 75% loan-to-value, NAMA attracted investment into Ireland's commercial property market thus supporting employment at a crucial time. The first NAMA vendor finance transaction, involving the sale of an office building at No. 1 Warrington Place in Dublin, was completed in April 2012.

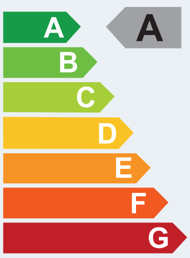
SUSTAINABLE DEVELOPMENT

NAMA is working to ensure that any development activity in which it is involved is undertaken in the context of its impact on the environment. Endorsing sustainable development has the wider benefit of making NAMA's assets more marketable, consistent with its commercial mandate.

NEARLY ZERO ENERGY BUILDINGS

The majority of NAMA-funded residential developments have an A-rated BER with some aiming to achieve nearly Zero Energy Buildings (nZEB) standards. This means the houses have a minimal to zero energy requirement, with any energy required primarily coming from renewable sources. Examples of sustainable measures include:

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



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.

FINANCIAL REVIEW

FINANCIAL REVIEW

Financial Highlights 2019	2019 €m	2018 €m	From inception to end-2019 €m
Cash generation			
Total cash generated	**1,343**	**3,271**	**45,312**
Disposal receipts	1,203	3,137	38,966
Non-disposal income	140	134	6,346
Senior bonds & subordinated debt			
Senior bonds redeemed	**-**	**-**	**30,190**
Subordinated debt repurchased*	**-**	**529**	**529**
Profitability			
Net gains on debtor loans measured at FVTPL**	230	605	
Net gains on investment properties	74	-	
Profit for the year before tax	295	904	
Tax charge	(30)	(109)	
Profit for the year after tax	**265**	**795**	
Financial position at year-end			
Cash and cash equivalents and liquid assets	3,879	3,186	
Debtor loans carrying value	1,227	1,925	

** The remaining outstanding subordinated debt of €1.064 billion was redeemed on 2 March 2020.*
*** 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 was redeemed in full on 2 March 2020. Following this redemption **NAMA has fully repaid all €31.8 billion debt issued to acquire loans from the participating institutions**.

KEY COMPONENTS OF NAMA'S 2019 PERFORMANCE

Income Statement NAMA Group	2019 €m	2018 €m
Net gains on debtor loans measured at FVTPL	230	605
Net gains on investment properties	74	-
Interest, fee & other income	29	76
Net profit on disposal and refinancing of loans	5	179
Net profit on disposal of property assets	39	134
Other expenses (interest expense, FX & derivative financial instruments)	(15)	(15)
Administration expenses	(67)	(75)
Profit for the year before tax	**295**	**904**
Tax charge	(30)	(109)
Profit for the year	**265**	**795**

COVID-19

In March 2020, the World Health Organisation declared a global pandemic related to the Covid-19 virus and many governments worldwide took measures to restrict its spread. Measures to prevent transmission of the virus included limiting the movement of people, restricting travel, temporarily closing businesses and schools as well as cancelling events. This has impacted supply chains and the production of goods throughout the world. The related dramatic fall in economic activity has resulted in reduced demand for many goods and services and, given the high level of uncertainty with regard to Covid-19, will also have a negative impact on medium and longer term economic activity.

It is unclear how long and how severe the impact will be and, while it is too early to assess the ultimate impact of the outbreak on NAMA's financial results, it is expected that it will have a material impact on NAMA's 2020 cash generation and, consequently, profitability. Notes 23 and 26 to the accompanying financial statements include a number of asset sensitivity disclosures. These disclosures provide context to estimate the impact that Covid-19 may have on NAMA's 2020 performance.

For example, as at end-2019, a three month delay to the realisation of proceeds from debtor loans was estimated to result in a €32m charge to NAMA's income statement. At date of publication of this report, cash receipts realised in the interim will have somewhat reduced the income statement exposure to timing delays.

Further, given NAMA accounts for debtor loans at fair value, any reduction in the value of collateral securing NAMA's debtor loans will also result in a direct charge to the income statement. At end-2019, debtor loans were valued at €1.2bn with this value directly derived primarily from underlying collateral values. For example, a 5% reduction in forecast collateral values was estimated to result in a €72m charge to NAMA's income statement at end-2019. Again, cash receipts realised in the interim will have somewhat reduced this exposure.

KEY ACCOUNTING CHANGES

In accordance with its financial reporting requirements, NAMA implemented IFRS 16 Leases with effect from 1 January 2019. This resulted in a change in accounting for leases. As part of the initial application of IFRS 16, NAMA has recognised a transition adjustment amounting to a decrease in retained earnings of €1.7m net of tax on 1 January 2019 and has recognised right of use assets and lease liabilities in the Statement of Financial Position.

NET FAIR VALUE GAINS ON DEBTOR LOANS MEASURED AT FVTPL

	2019 €m	2018 €m
Net fair value gains on debtor loans measured at FVTPL	230	605

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 €230m (2018: €605m). This positive 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

	2019 €m	2018 €m
Net gains on investment properties	74	-

On 28 September 2019, the Minister for Finance issued a direction to NAMA to retain ownership of the NARPS portfolio. NARPS will remain in state ownership and the value attributable to NARPS may form part of any potential transfer of assets that will occur as part of the transfer of the surplus to the Minister of Finance. On foot of this, the NARPS portfolio of residential properties transferred from inventories-trading properties to investment properties. 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 €74m to the income statement in 2019.

NET PROFITS GENERATED FROM DISPOSAL AND REFINANCING OF LOANS AND PROPERTY ASSETS

	2019 €m	2018 €m
Net profit on disposal and refinancing of loans	5	179
Net profit on disposal of property assets	39	134
Total profit	**44**	**313**

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 represents the coming to fruition of NAMA value adding activities in 2018 and 2019.

Interest, fee & other income amounted to €29m. This is mainly comprised of fair value gains on equity investments of €16m and lease rental income of €12m.

Administration expenses amounted to €67m for 2019 (2018: €75m). For 2019, the level of costs represents 5% of cash received.

NAMA'S CASH GENERATION FROM DEBTOR LOANS

	2019 €m	2018 €m	Inception to end-2019 €m
Disposals of underlying collateral	1,330	2,800	**34,405**
Disposals of loans	13	471	**10,907**
Total Proceeds	**1,343**	**3,271**	**45,312**

Disposal and non-disposal receipts during 2019 totalled €1.3 billion (2018: €3.3 billion), comprising receipts from property collateral disposals of €1.3 billion (2018: €2.8 billion) as well as from loan sale transactions of €0.01 billion (2018: €0.5 billion). The value of disposal receipts is projected to be lower in 2020 due to a combination of the reducing size of NAMA's balance sheet and the impact of Covid-19 on 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-2019 was €1.2 billion (2018: €1.9 billion).

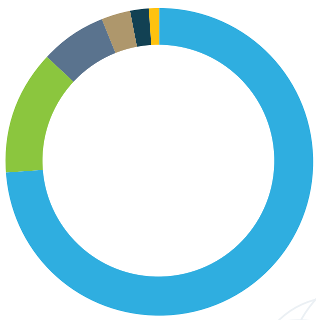
A summary of the movement in debtor loans for the reporting period is provided below:

Movement in carrying value of debtor loans	2019 €m	2018 €m
Debtor loans as at 1 January	1,925	3,163
Receipts on debtor loans	(1,203)	(2,561)
Advances to borrowers	411	500
Transfer to trading properties	(151)	-
Other movements on debtor loans	9	38
Profit on disposal and refinancing of debtor loans	6	180
Net fair value gains on debtor loans	230	605
Debtor loans as at 31 December	**1,227**	**1,925**

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

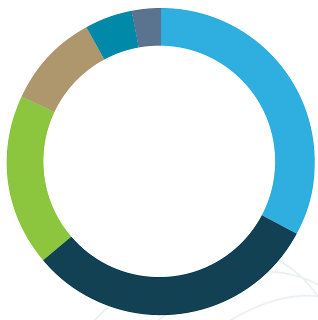
Remaining portfolio by geography 31 December 2019

74% Dublin
13% Commuter Belt
7% Urban Centres
3% Rest of ROI
2% Rest of World
1% UK



Remaining portfolio by sector 31 December 2019

33% Development
31% Land
18% Residential
10% Office
5% Retail
3% Non Real Estate



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-2019, prior to the enactment of emergency economic and social measures to contain the spread of Covid-19, was 37%.

The EROI is calculated based on the comparison of NAMA's projected 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 and without any adjustment for the impact of Covid-19) forecast internal rate of return (IRR), excluding costs, to the end of NAMA's lifespan is circa 12.8% as at end-2019.

The projected return based on the total cost to acquire the portfolio, including state aid of €5.6 billion but excluding any prospective impact of Covid-19, is 6%. This compares favourably to the expected rate of return when NAMA was established of 5%.

NAMA ORGANISATION AND GOVERNANCE

A COMMITTED TEAM WITH A DIVERSE RANGE OF SKILLS AND EXPERIENCE

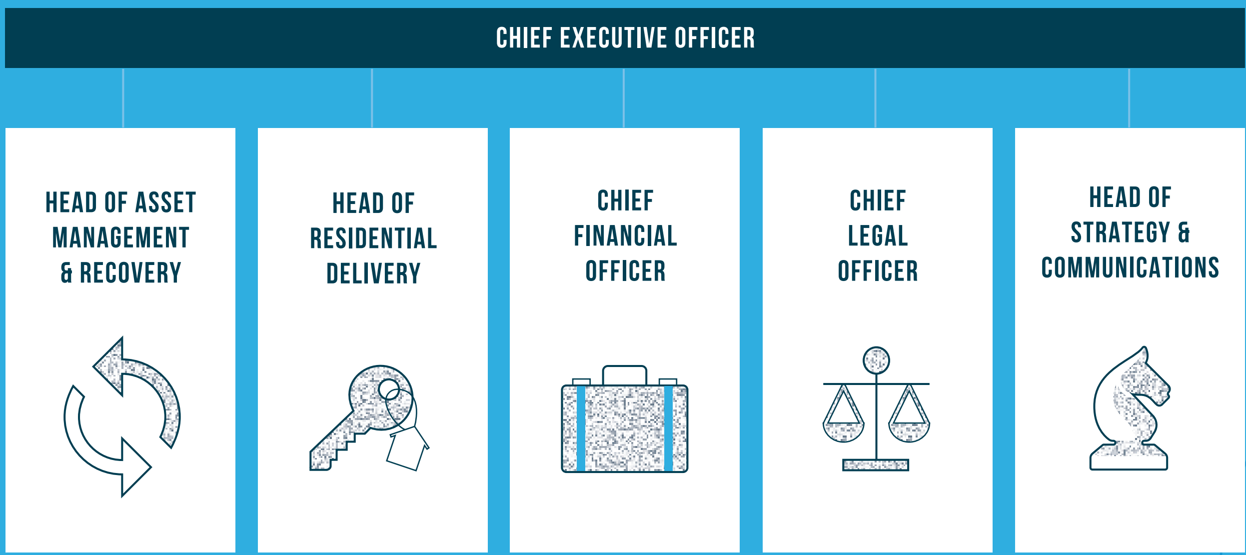
Staff Resources

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 2019 was 211. This figure includes 31 employees leaving during 2020 as part of NAMA's voluntary redundancy scheme. At end-2019, the breakdown of staff by gender was 53% male and 47% female.

NAMA is organised across five divisions.

ORGANISATIONAL STRUCTURE



ASSET MANAGEMENT AND RECOVERY

The Asset Management and Recovery division is responsible for maximising recovery from loans through intensive management and phased deleveraging. It works with debtors, receivers and joint venture partners so as to identify, develop and manage secured assets where value can be added and future cashflow enhanced, thus supporting the achievement of NAMA's wider strategic objectives. This includes the oversight and management of development sites in which NAMA has an interest in the Dublin Docklands and Poolbeg West SDZs as well as the delivery of social housing from NAMA-secured properties.

LEGAL

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).

RESIDENTIAL DELIVERY

The Residential Delivery division manages NAMA's residential funding programme which has, as its ultimate objective, the maximisation of financial return from NAMA-secured residential sites.

The division works closely with debtors and receivers, across approximately 70 debtor connections, in relation to all aspects of the residential delivery process, from the planning stages to the assessment of the commercial viability of residential development projects and the funding of the construction of housing and apartment units.

STRATEGY AND 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 obtaining the best achievable financial return for NAMA and for taxpayers.

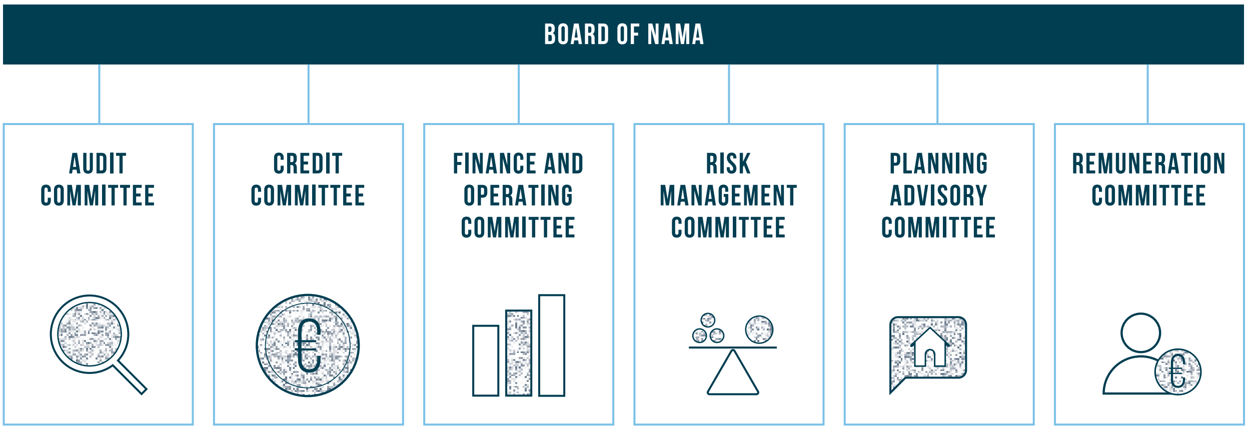
The division also has overall responsibility for the Agency's communications activity and public affairs engagement. This involves co-ordination of NAMA's interaction with the media and engagement with Oireachtas members and committees. The division also manages NAMA's wider public engagement, including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

CFO

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.

In addition, 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.

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 2019, the Board comprised seven members. Details of Board members and appointments are set out on pages 46 to 47.

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 2019 the Board met on 19 occasions while the six committees of the Board met on 46 occasions. Details of Board and committee member attendance at meetings are outlined on page 45.

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 2019. 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, will be conducted during 2020, for the period to end-2019.

BOARD RESPONSIBILITY FOR PREPARATION OF ANNUAL REPORT & FINANCIAL STATEMENTS

The Board is responsible for preparing the 2019 Annual Report and Financial Statements and following detailed review and having regard to the recommendations of the Audit Committee[6], the Board considers that the Financial Statements represent a true and fair view of NAMA's financial performance and financial position at year-end 2019.

Attendance at Board and Board Committee Meetings in 2019

	Board	Audit	Credit	Finance and Operating	Risk Management	Planning Advisory	Remuneration
Frank Daly	19						3
Brendan McDonagh	18		16	5	6	6	
Oliver Ellingham	19	10	14		3(iii)		
Mari Hurley	16		16	3			3
Eileen Maher	18	10		5	6		
Conor O'Kelly	14				5		2
Michael Wall	19		14			6	3
Aidan Williams	15(i)	6(ii)			4(ii)	4(ii)	
External Members:							
Alice Charles						5	
Jim Kelly		10					
Charlotte Sheridan						4(iv)	

Notes

(i) Appointed to the NAMA Board on 2 April 2019
(ii) Appointed to Audit Committee, Risk Management Committee and Planning Advisory Committee on 11 April 2019
(iii) Resigned from Risk Management Committee on 9 May 2019
(iv) Appointed as an external member of the Planning Advisory Committee on 11 April 2019

6 *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 both UniCredit Bank Ireland plc and Macquarie Capital Ireland D.A.C. Mr Williams holds a diploma in Company Direction from the Institute of Directors in London, is a Chartered 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 FRANK DALY
Former Chairman

LENGTH OF SERVICE

Appointed 22 December 2009 for a 5-year term and re-appointed 22 December 2014 for a further 5-year term.

Mr Daly's term as Chairman and Board member concluded in December 2019.

BIOGRAPHY

Frank Daly was appointed Chairman of the NAMA Board on 22 December 2009 on establishment of the Agency. Prior to this, he had been a public interest director of Anglo Irish Bank since December 2008. He resigned from this post when appointed Chairman of NAMA. Mr Daly retired as Chairman of the Revenue Commissioners in March 2008 having been Chairman since 2002 and a commissioner since 1996. He originally joined Revenue in 1963. In March 2008, Mr Daly was appointed Chairman of the Commission on Taxation which was set up to review the structure and efficiency of the Irish taxation system.

Mr Daly holds a Bachelor of Commerce degree and a diploma in the History of European Art from UCD and a diploma in European Community Law from DIT. In 2010, Mr Daly was conferred with the honorary degree of Doctor of Laws by the University of Limerick.

COMMITTEE MEMBERSHIP

Formerly:
- NAMA Board Chairman
- Member of the Remuneration Committee

MR BRENDAN McDONAGH
Chief Executive Officer

LENGTH OF SERVICE

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

BIOGRAPHY

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.

COMMITTEE MEMBERSHIP

- 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

LENGTH OF SERVICE

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

BIOGRAPHY

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

COMMITTEE MEMBERSHIP

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

KEY TO COMMITTEE MEMBERSHIP

Audit Committee

Credit Committee

Finance and Operating Committee

Risk Management Committee

Planning Advisory Committee

Remuneration Committee

MS MARI HURLEY

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

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.

- 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 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
- Member of the Planning Advisory 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

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 a 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, appointed January 2020)
- Liam Gallagher (External member, appointed January 2020)

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.

The following members resigned from the Committee:

- Aidan Williams (Chairperson, Board member) was appointed to the Committee in April 2019 and resigned in January 2020 following his appointment as NAMA Board Chairman.
- Jim Kelly (External member) term completed January 2020.

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

- Under Section 32(2) of the Act, the Audit Committee may 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. Vacancies on the Audit Committee may be filled after new appointments are made to the Board.

The Committee met on 10 occasions in 2019.

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 2019 were as follows:

1. Financial reporting

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

2. External audit

The Comptroller and Auditor General (C&AG) is the designated external auditor under the Act. No non-audit services were provided by the C&AG during 2019. 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.

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.

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)
- Brendan McDonagh (Chief Executive, NAMA and Board member)
- Alan Stewart (Chief Legal Officer)
- Connor Owens (Head of Asset Management & Recovery)
- Noelle Condon (Chief Financial Officer)
- John Collison (Head of Residential Delivery)

The Committee convened on 16 occasions in 2019, 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 Head of Asset Management & Recovery/Head of Residential Delivery 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 2019 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 1. debtors whose combined debt represents 50% of total NAMA debt and 2. debtors with a minimum NAMA debt level of €30m).
3. Assessing, recommending and approving 7 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. 10 papers were reviewed by the Committee for recommendation to the Board. Additionally, the Committee oversaw 387 individual credit decisions made within the CEO and Head of Asset Management & Recovery/Residential Delivery'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.

2020 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. At this point in the deleveraging programme, with large-scale loan sale and portfolio sale activity having tapered off, there will be 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

The Finance and Operating Committee comprises two 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)
- Brendan McDonagh (Chief Executive, NAMA and ex-officio Board member)
- Noelle Condon (Chief Financial Officer)
- John Collison (Head of Residential Delivery)
- Jamie Bourke (Head of Strategy & Communications) appointed 24 June 2019

The following member resigned from the Committee:

- Seán Ó Faoláin (former Head of Strategy & Communications) resigned 21 June 2019.

The Committee met on five occasions in 2019.

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. The preparation of management accounts.
3. The preparation of annual budgets and other forecasts.
4. The review of performance and variance against budget and prior year performance.
5. Approving major capital expenditure.
6. The management of procurement.
7. 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.

The Committee was updated throughout the year on all stages of NAMA's premises move to Treasury Dock. The financial reporting implications of the introduction of IFRS 16 were also a regular topic at Committee meetings throughout the year.

The Committee was also kept up to date on key operational projects such as the Document Management System (DMS) upgrade.

In 2020 the Committee will continue to receive updates on key operational projects.

Eileen Maher
Chairperson

RISK MANAGEMENT COMMITTEE

Eileen Maher | Chairperson

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

The Risk Management Committee is comprised of the following members:

- Eileen Maher (Chairperson, Board member) appointed as Chairperson in January 2020
- 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)
- Connor Owens (Head of Asset Management and Recovery)

The following members resigned from the Committee:

- Oliver Ellingham (Chairperson, Board member) resigned May 2019
- Aidan Williams (Chairperson, Board member), appointed April 2019 and resigned in January 2020 following his appointment as NAMA Board Chairman

The Committee met on six occasions in 2019.

The Committee's principal responsibilities include:

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

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

The principal activities of the Committee in 2019 were as follows:

1. The NAMA Risk Management Committee continuously reviewed NAMA's five Principal Risks which form the basis for the Principal Risks and Uncertainties disclosure in the Annual Report. A Principal Risk is defined as a risk, or combination of risks, that could seriously impact NAMA's ability to achieve its objectives, including its solvency or 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 Risk Management 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. 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.
3. The composition of the NAMA balance sheet (and associated risks) was monitored throughout 2019. 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.
4. The Risk Management Committee regularly reviewed Divisional Risk Registers, which were continually updated during 2019, 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 Risk Management 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.

Expectations for 2020

The focus on the Principal Risks will remain a priority for the Risk Management Committee in 2020, ensuring that these 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, are monitored and reported at regular intervals by Audit and Risk (CFO).

Eileen Maher
Chairperson

PLANNING ADVISORY COMMITTEE

Michael Wall | Chairperson

The purpose of the Planning Advisory Committee is to advise the Board on planning, land and related legislative matters that may have an impact on the valuation and realisation of NAMA assets and thereby affect the achievement of NAMA's purpose and functions as set 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)
- Conor O'Kelly (Chief Executive, NTMA and ex-offico Board member) appointed January 2020.
- Brendan McDonagh (Chief Executive Officer, NAMA and ex-officio Board member)
- Connor Owens (Head of Asset Management and Recovery)
- Alice Charles (External member)
- Charlotte Sheridan (External member)

Alice Charles has considerable planning experience and is a member of the Royal Town Planning Institute and the Irish Planning Institute. Charlotte Sheridan, who was appointed to the Committee in April 2019, is a qualified and registered architect and town planner with over 27 years' experience in the planning field.

The following member resigned from the Committee:

- Aidan Williams (Chairperson, NAMA) appointed April 2019 and resigned in January 2020 following his appointment as NAMA Board Chairman.

The Committee met on six occasions during 2019.

The principal activities of the Committee in 2019 were as follows:

During 2019, the Committee continued to focus on NAMA assets located within key development areas, with a key focus on Poolbeg West SDZ, Dublin Docklands SDZ and key viable residential development sites including Clongriffin, Dublin. The Committee advised on NAMA's external engagement strategy, primarily with planning authorities, the Department of Housing, Planning and Local Government, and infrastructure providers such as Irish Water and the National Transport Authority. The Committee also provided advice to NAMA on legislative changes including a review of the Strategic Housing Delivery (SHD) legislation whereby strategic residential applications are lodged directly to An Bord Pleanála; the adoption of the Regional Spatial and Economic Strategies (RSES); the Design Standards for New Apartments issued in March 2018; the Urban Development and Building Heights Guidelines for Planning Authorities adopted in December 2018 and the impact these policies have had on the development market in 2019.

The Committee continues to advise and guide NAMA's participation in a number of policy 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, exceeding the targets set by the Government.

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 been reduced substantially and, as of January 2020, only three estates out of an initial total of 335, had not been fully resolved, although all have resolution plans in place.

The Committee also provides guidance in relation to facilitating the delivery of the targeted 20,000 residential units (assuming commercial viability). It monitored the significant progress which was made in 2019 in terms of units delivered and under construction and in terms of planning applications made and permissions received. The intention is to ensure that the value of NAMA-charged assets is enhanced in order to maximise recovery for taxpayers while also contributing to the supply of new homes.

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

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 2020.

The Remuneration Committee is comprised of the following members:

- Mari Hurley (Chairperson, Board member)
- Aidan Williams (Chairperson of the Board) appointed 16 January 2020
- Michael Wall (Board member)
- Conor O'Kelly (Chief Executive, NTMA and ex-officio Board member)

The following member resigned from the Committee:

- Frank Daly (former Board member) resigned December 2019, on his retirement as Chairman of the Board.

The Committee met on three occasions in 2019.

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 2019.

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 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 and second Section 226 Progress Report on NAMA were published in May 2014 and June 2018 respectively and the third Section 226 Progress Report is currently underway. The Minister's first Section 227 Review was published in July 2014 and the 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 mitigates risk. NAMA has identified the following principal risks and uncertainties which may adversely affect the achievement of its objectives.

1. Macro-economic and property risk

Risk that a domestic or international financial or macroeconomic shock causes an inability to meet NAMA's equity obligations and the Minister of Finance's expectation of a NAMA 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 of facilitating and funding the delivery of up to 20,000 residential units, 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 regarding the expanded balance sheet, changes in the underlying NAMA loan portfolio, interest rate and foreign exchange markets, for example.

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 recent 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 is being 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 terminal surplus. In response to this pandemic, NAMA has invoked its Business Continuity Plan and has enacted a number of contingency arrangements to ensure that staff can continue to work safely in conjunction with our debtors, third parties and stakeholders in these challenging and uncertain times.

FINANCIAL STATEMENTS

BOARD AND OTHER INFORMATION

BOARD

Frank Daly (Chairman) (final term completed 21 December 2019)

Aidan Williams (Chairman) (appointed 2 April 2019, appointed as Chairman 20 December 2019)

Brendan McDonagh[7] (Chief Executive Officer)

Conor O'Kelly[7]

Oliver Ellingham

Mari Hurley

Eileen Maher

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

7 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 2019.

The financial statements are set out on pages 68 to 155.

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 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 are reported to the NAMA Board contemporaneously. In April 2019, 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 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 (2018: 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
22 April 2020

Brendan McDonagh	**Aidan Williams**
Chief Executive Officer	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 2019, with comparative results for the financial year ended 31 December 2018.

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 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 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. 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 2019. 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 was approved by the Board in November 2019. 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 employees of the NTMA who have been assigned to NAMA and persons appointed to the Board or as External Committee Members under the Act. This Policy also applies to NTMA employees assigned to NAMA on a temporary basis and staff seconded to NAMA to supplement or augment its capacity who have access to systems and data. The policy 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". 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 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 first meeting between NAMA and the Revenue Commissioners under the Co-operative Compliance Framework took place in March 2019. This framework will continue to foster 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 Risk Management Committee once a year.

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

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

- Domestic or international macroeconomic or financial shock;
- Material loss of human capital;
- 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 2019, 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 in line with standard templates agreed with NAMA.

STATEMENT ON INTERNAL CONTROL (CONTINUED)

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 its 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.

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 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 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. The 2016 EU Procurement Regulations permit derogations from a competitive EU tender process in very restricted circumstances. NAMA did not approve any derogations from a competitive EU tender process during the reporting period.

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.

8 *The EU procurement threshold that applied to the procurement of most goods and services during the financial year 2019 was €221,000. The EU procurement thresholds are subject to review every two years, with the next review due to take place in January 2022. An EU threshold to €214,000 is applicable for the years 2020 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 below.*

Details of the derogations are set out in tables 1.1 and 1.2 hereunder. During 2019, the CEO approved derogations to a total value of circa. €5.1m (circa. €3.9m being attributed to legal services - see notes under table 1.1). In 2018 total derogations amounted to circa. €8.6m of which circa. €7.4m 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 2019	Estimated value of contracts awarded 2019 €'000	Number of Contracts 2018	Estimated value of contracts awarded 2018 €000
(A) Contentious legal services/Litigation related legal services	8	2,751	10	6,655
(B) Non contentious legal services	11	1,140	12	734
Total	**19**	**3,891**	**22**	**7,389**

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.*

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

NAMA Department	Number of Contracts 2019	Estimated value of contracts awarded 2019 €'000	Number of Contracts 2018	Estimated value of contracts awarded 2018 €'000
IT	2	129	3	400
Asset Management & Recovery[9]	26	836	6	578
Corporate	2	125	4	132
Residential Delivery	2	104	1	52
Total	**32**	**1,194**	**14**	**1,162**

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

9 *The increase in contract numbers is mainly attributable to a large asset management project that became active during 2019.*

STATEMENT ON INTERNAL CONTROL (CONTINUED)

IT SYSTEMS AND INFRASTRUCTURE

NAMA follows a structured approach for business system projects undertaken, which is governed by detailed procedure documents. During 2019 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 Senior Management and reported to NAMA Business Systems Support Team.

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 2019 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 2019. A detailed review of the effectiveness of the system of internal control was performed by the Audit Committee and Risk Management Committee, which reported their findings to the Board in March 2020. 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 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.

Aidan Williams
Chairman

22 April 2020

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 2019 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 2019 and of its income and expenditure for 2019 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 2020

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 2019

	Note	Financial year ended 31 December 2019 Group €'000	Financial year ended 31 December 2018 Group €'000
Net gains on debtor loans measured at FVTPL	*4*	229,539	605,204
Net gains on investment properties	*5*	74,320	-
Interest income	*6*	18	8,524
Fee income	*8*	249	27,137
Other income	*9*	27,744	40,034
Losses on derivative financial instruments	*10*	(733)	(7,251)
Net profit on disposal and refinancing of loans	*11*	5,479	179,390
Net profit on disposal of property assets	*12*	39,367	133,827
Interest and similar expense	*7*	(13,034)	(6,076)
Net operating income		**362,949**	**980,789**
Administration expenses	*13*	(66,873)	(75,490)
Foreign exchange losses	*14*	(889)	(1,776)
Operating profit before tax		**295,187**	**903,523**
Tax charge	*15*	(30,308)	(108,931)
Profit for the financial year		**264,879**	**794,592**
Profit attributable to:			
Owners of the parent		**264,879**	**794,592**

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

All results are from continued operations.

On behalf of the Board

22 April 2020

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Financial year ended 31 December 2019 Group €'000	Financial year ended 31 December 2018 Group €'000
Profit for the financial year		**264,879**	**794,592**
Items that are or may be reclassified subsequently to profit or loss:			
Net movement in financial assets measured at FVOCI	*16,36*	(1,422)	(2,149)
Income tax relating to components of other comprehensive income	*16,29*	18	(91)
Other comprehensive expenses for the financial year net of tax		**(1,404)**	**(2,240)**
Total comprehensive income for the financial year		**263,475**	**792,352**
Total comprehensive income attributable to:			
Owners of the parent		**263,475**	**792,352**

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

All results are from continued operations.

On behalf of the Board

22 April 2020

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

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AGENCY INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Financial year ended 31 December 2019 Agency €'000	Financial year ended 31 December 2018 Agency €'000
Net gains on intergroup loan measured at FVTPL	4	-	1,258
Interest income	6	154	142
Other income	9	40,837	43,496
Interest and similar expense	7	(42)	(4)
Administration expenses	13	(39,601)	(43,981)
Profit for the financial year		**1,348**	**911**

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

All results are from continued operations.

On behalf of the Board

22 April 2020

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	31 December 2019 Group €'000	31 December 2018 Group €'000
Assets			
Cash and cash equivalents	*17*	3,512,314	2,689,891
Cash placed as collateral with the NTMA	*17*	25,000	25,000
Government bonds	*18*	342,052	470,746
Derivative financial instruments	*19*	208	7,726
Debtor loans measured at FVTPL	*20*	1,227,167	1,925,462
Other assets	*30*	28,053	20,752
Investments in equity instruments	*28*	18,902	54,539
Inventories – trading properties	*21*	170,556	229,747
Investment properties	*22*	287,565	-
Total assets		**5,611,817**	**5,423,863**
Liabilities			
Derivative financial instruments	*19*	-	3,253
Other liabilities	*31*	25,508	30,543
Tax payable	*32*	1,147	6,119
Deferred tax	*29*	16,275	20,588
Total liabilities		**42,930**	**60,503**
Equity and reserves			
Other equity	*35*	1,064,000	1,064,000
Retained earnings	*37*	4,453,366	4,246,435
Other reserves	*36*	521	1,925
Equity and reserves attributable to:		**5,517,887**	**5,312,360**
– Owners of the Group			
– Non-controlling interests	*37,38*	51,000	51,000
Total equity and reserves		**5,568,887**	**5,363,360**
Total equity, reserves and liabilities		**5,611,817**	**5,423,863**

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

On behalf of the Board

22 April 2020

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

AGENCY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	31 December 2019 Agency €'000	31 December 2018 Agency €'000
Assets			
Cash and cash equivalents	*17*	176	132
Intergroup loan measured at FVTPL	*20*	3,536,554	3,536,554
Other assets	*30*	13,532	13,116
Investment in subsidiary	*38*	49,000	49,000
Total assets		**3,599,262**	**3,598,802**
Liabilities			
Interest bearing loans and borrowings	*34*	53,272	53,426
Other liabilities	*31*	15,399	14,466
Total liabilities		**68,671**	**67,892**
Equity			
Retained earnings	*37*	3,530,591	3,530,910
Total equity		**3,530,591**	**3,530,910**
Total equity and liabilities		**3,599,262**	**3,598,802**

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

On behalf of the Board

22 April 2020

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	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**

	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 2017		**1,593,000**	**3,430,830**	**4,165**	**51,000**	**5,078,995**
Adjustment on initial application of IFRS 9, net of tax	*37*	-	147,697	-	-	**147,697**
Restated balance as at 1 January 2018		**1,593,000**	**3,578,527**	**4,165**	**51,000**	**5,226,692**
Profit for the financial year	*37*	-	794,592	-	-	**794,592**
Other comprehensive income:						
Movement in financial assets measured at FVOCI	*36*	-	-	(2,149)	-	**(2,149)**
Income tax relating to components of other comprehensive income	*16*	-	-	(91)	-	**(91)**
Total comprehensive income		**-**	**794,592**	**(2,240)**	**-**	**792,352**
Dividend paid on B ordinary shares	*37*	-	(454)	-	-	**(454)**
Coupon paid on subordinated bonds	*37*	-	(83,856)	-	-	**(83,856)**
Repurchase of subordinated bonds	*35, 37*	(529,000)	(42,374)	-	-	**(571,374)**
Balance as at 31 December 2018		**1,064,000**	**4,246,435**	**1,925**	**51,000**	**5,363,360**

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

On behalf of the Board

22 April 2020

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

AGENCY STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	31 December 2019 Agency €'000	31 December 2018 Agency €'000
Balance as at 31 December		**3,530,910**	**3,529,999**
Adjustment on initial application of IFRS 16, net of tax	*37*	(1,667)	-
Restated balance as at 1 January		**3,529,243**	**3,529,999**
Profit for the financial year	*37*	1,348	911
Total comprehensive income		**1,348**	**911**
Balance as at 31 December attributable to the Agency		**3,530,591**	**3,530,910**

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

On behalf of the Board

22 April 2020

Brendan McDonagh
Chief Executive Officer

Aidan Williams
Chairman

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Financial year ended 31 December 2019 Group €'000	Financial year ended 31 December 2018 Group €'000
Cash flow from operating activities			
Debtor Loans			
Receipts from loans		1,204,689	2,997,700
Receipts from derivatives acquired		9,771	2,698
Funds advanced to borrowers		(408,412)	(499,633)
Movement in funds in the course of collection		(8)	(1,665)
Fee income		249	27,137
Net cash provided by debtor loans		**806,289**	**2,526,237**
Derivatives			
Cash inflow on foreign currency derivatives	*14*	172,612	1,921,966
Cash outflow on foreign currency derivatives	*14*	(175,465)	(1,925,265)
Net cash outflow on other derivatives		(5,000)	(502)
Net cash used in derivative activities		**(7,853)**	**(3,801)**
Other operating cashflows			
Payments to suppliers of services		(78,243)	(71,473)
Tax paid		(60,630)	(94,891)
Interest paid on cash and cash equivalents		(12,823)	(5,676)
Dividend paid on B ordinary shares	37	(272)	(454)
Coupon paid on subordinated debt issued	37	(56,009)	(83,856)
Funds paid to acquire trading properties		(13,552)	(2,475)
Funds received on disposal of trading properties		46,976	202,050
Rental income received		13,626	13,653
Net cash used in other operating activities		**(160,927)**	**(43,122)**
Net cash provided by operating activities		**637,509**	**2,479,314**

CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Financial year ended 31 December 2019 Group €'000	Financial year ended 31 December 2018 Group €'000
Cash flow from investing activities			
Interest received on government bonds		21,970	21,970
Disposal of investments in equity instruments		60,068	13,247
Acquisition of investments in equity instruments		-	(2,496)
Distributions received from equity instruments	9	6,782	13,876
Maturity of government bonds		105,000	-
Net cash provided by investing activities		**193,820**	**46,597**
Cash flow from financing activities			
Payment of lease liabilities		(9,163)	-
Repurchase of subordinated bonds		-	(569,567)
Net cash used in financing activities		**(9,163)**	**(569,567)**
Cash and cash equivalents held at the beginning of the financial year	17	2,689,891	733,470
Net cash provided by operating activities		637,509	2,479,314
Net cash provided by investing activities		193,820	46,597
Net cash used in financing activities		(9,163)	(569,567)
Effects of exchange-rate changes on cash and cash equivalents	14	257	77
Total cash and cash equivalents held at the end of the financial year	17	**3,512,314**	**2,689,891**
Financial assets and cash collateral			
Cash collateral placed with the NTMA	17	25,000	25,000
Government bonds	18	342,052	470,746
Total		**3,879,366**	**3,185,637**

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

AGENCY STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Financial year ended 31 December 2019 Agency €'000	Financial year ended 31 December 2018 Agency €'000
Cash flow from operating activities			
Bank interest paid		(6)	(4)
Board fees paid		(275)	(283)
Rent paid		-	(2,436)
Net reimbursement from National Asset Loan Management D.A.C.		2,708	2,796
Net cash provided by operating activities		**2,427**	**73**
Cash flow from financing activities			
Payment of lease liabilities		(2,383)	-
Net cash used in financing activities		**(2,383)**	**-**
Cash held at the beginning of the financial year	*17*	132	59
Net cash provided by operating activities		2,427	73
Net cash used in financing activities		(2,383)	-
Cash held at the end of the financial year	*17*	**176**	**132**

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

NOTES TO THE FINANCIAL STATEMENTS

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 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 is summarised in Chart 1 (page 82).

NATIONAL ASSET MANAGEMENT AGENCY INVESTMENT D.A.C. (NAMAI)

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

NAMA has invested €49m in NAMAI, 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 may 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 is restricted and NAMA has effective control of the company. By virtue of this control, NAMA has consolidated NAMAI and its subsidiaries and the 51% external investment in NAMAI is reported as a non-controlling interest in these financial statements.

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.

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 2,605 (2018: 2,481) residential properties were delivered to the social housing sector by NAMA debtors from inception to the reporting date, of which 2,569 (2018: 2,445) were completed and contracts on a further 36 (2018: 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 1,110 (2018: 1,004) properties by NAMA debtors and receivers to various approved housing bodies and/or local authorities, the direct leasing of 89 (2018: 89) properties by NAMA debtors and receivers and the acquisition by NARPS of 1,370 (2018: 1,352) 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 subsequently sold one. It is the intention of NASLLC to dispose of the second asset.

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 (PB) and Pembroke West Homes D.A.C. (PWH) which became subsidiaries of PV on 26 July 2019.

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.

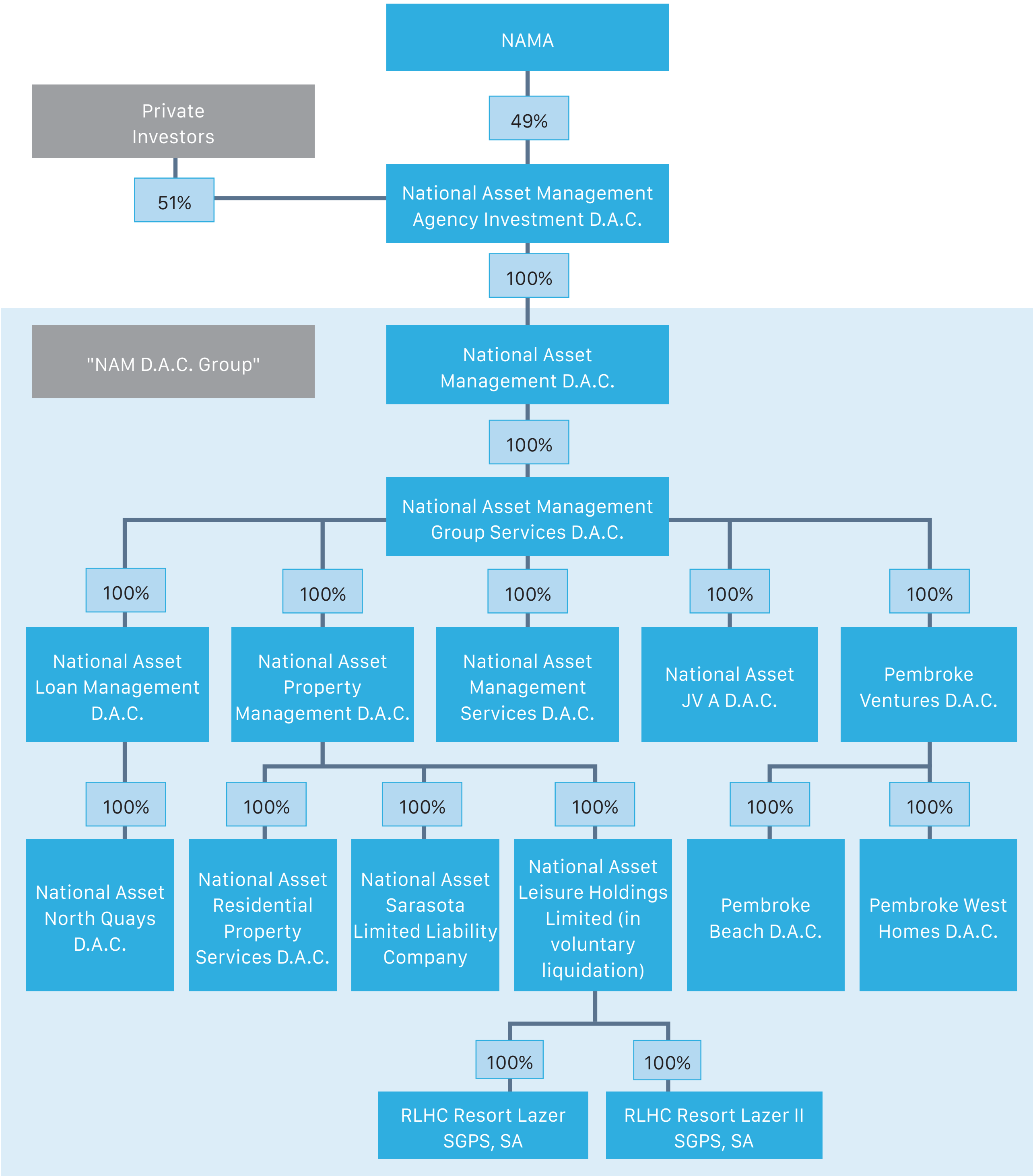
With the exception of RLHC and RLHC II, the address of the registered office of each company at the reporting date is Treasury Dock, North Wall Quay, Dublin 1. Each company is incorporated and domiciled in the Republic of Ireland, except for NASLLC, which is incorporated and domiciled in the US and RLHC 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

1. GENERAL INFORMATION (CONTINUED)

1.1 NATIONAL ASSET MANAGEMENT AGENCY GROUP (CONTINUED)

CHART 1 "NAMA GROUP"



2. SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

GOING CONCERN

The financial statements for the financial year ended 31 December 2019 have been prepared on a going concern basis as the Board are 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 €5,569m (2018: €5,363m). This included Subordinated debt of €1,064m which was subsequently redeemed on 2 March 2020. The Group has available cash, cash equivalents and liquid assets at 31 December 2019 of €3,879m (2018: €3,186m) and liabilities of €27m (2018: €40m), 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, loans and borrowings from the Minister, and has no other external borrowings.

The Agency's activities are subject to risk factors including credit, liquidity, market, and operational risk. The Board has reviewed these risk factors and all relevant information including an initial assessment of the impact of Covid-19 to assess the Agency's ability to continue as a going concern. The Board and its Committees review key aspects of the Agency's activities on an ongoing basis and review, whenever appropriate, the critical assumptions underpinning its long-term strategies.

Accordingly, the Board believe 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 2019 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.

Certain prior year disclosures have been reclassified to conform to the presentation in the 2019 financial statements, with no impact on the income statement and statement of financial position for prior periods presented.

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

The Group has initially applied IFRS 16 from 1 January 2019. A number of other new standards and interpretations are also effective from 1 January 2019 but they do not have a material effect on the Group's financial statements. These financial statements have been prepared using the modified retrospective approach as permitted by IFRS 16. Under this approach, the cumulative effect of initial application is recognised in retained earnings at 1 January 2019 and the comparative information is not restated. Accordingly, the comparative information presented for 2018 does not reflect the requirements of IFRS 16 but rather those of IAS 17, the previous relevant accounting standard for leases.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 CHANGES IN SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

AS A LESSEE

Definition of a lease

Under IFRS 16 a lease is defined as a contract, or part of a contract, that conveys the right to control the use of an asset for a period of time in exchange for consideration. At inception of a contract, the Group is required to assess whether the contract is, or contains, a lease. The Group's agreement to lease certain floors in Treasury Building meets this definition of a lease as does the Group's agreement to lease some of the space in Treasury Dock.

Accounting for leases

Under IAS 17, the Group classified its leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises a right of use asset and a lease liability for arrangements that meet the definition of a lease. Therefore right of use assets and lease liabilities are recognised for the Treasury Building lease and the portions of the Treasury Dock agreement that qualifies as a lease. The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as a lessor.

Impact on financial statements

(a) Lease liabilities

At the date of transition to IFRS 16, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rate as at 1 January 2019. The rate applied was 1.93%. The lease liabilities recognised on 1 January 2019 totalled €13.8m for the Group and €2.7m for the Agency. As at 31 December 2018, as all leases were classified as operating leases under IAS 17, no lease liabilities were recognised. These lease liabilities are disclosed within Other liabilities.

(b) Right of use assets

The right of use assets are measured at an amount equal to the lease liability at the date of transition, adjusted by the amount of any prepaid or accrued lease payments and impairment. The right of use assets recognised on 1 January 2019 total €10.6m for the Group and €1.4m for the Agency. As at 31 December 2018, the net of prepaid/accrued lease payments was €1.5m (liability) for the Group and €0.4m (asset) for the Agency. At the date of transition, the impairment on a right of use asset for Treasury Buildings was €1.7m for the Group and Agency which is recognised as a transition adjustment in retained earnings. These right of use assets are disclosed within Other assets. The transition adjustment represents the Present Value of the rental and other payments made between NAMA vacating Treasury Building and the surrender of the leases as referenced in note 42(d).

(c) Reconciliation of operating lease obligations

The following table reconciles the Group's and Agency's operating lease obligations at 31 December 2018, to the lease obligations recognised on initial application of IFRS 16 at 1 January 2019:

Group	**€'000**
Operating lease obligations at 31 December 2018	14,062
Discounting effect – using the incremental borrowing rate at 1 January 2019	(274)
Lease obligations recognised at 1 January 2019	**13,788**

Agency	**€'000**
Operating lease obligations at 31 December 2018	2,729
Discounting effect – using the incremental borrowing rate at 1 January 2019	(36)
Lease obligations recognised at 1 January 2019	**2,693**

AS A LESSOR

The Group is not required to make any adjustments on transition to IFRS 16 for leases in which it acts as lessor.

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.

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 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)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 FINANCIAL ASSETS (CONTINUED)

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.

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. 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 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 2.28. 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.

2.7 FINANCIAL ASSETS (CONTINUED)

(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 2.28.

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

DERIVATIVES

Interest income and expense arising on derivatives (other than on cross currency interest rate swaps) 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 cross currency interest rate swaps 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 INTEREST INCOME AND INTEREST EXPENSE (CONTINUED)

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.

2.12 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 result 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.

2.17 CASH AND CASH EQUIVALENTS

Cash comprises cash on hand, demand deposits and exchequer notes. Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.18 DERIVATIVE FINANCIAL INSTRUMENTS

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

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

All derivatives are accounted for at fair value through profit or loss.

BORROWER DERIVATIVES

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

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

NAMA DERIVATIVES

NAMA derivatives comprise of derivatives entered into to hedge exposure to loans acquired and debt securities in issue ('NAMA derivatives'). NAMA derivatives include interest rate and cross currency swaps.

DERIVATIVES AT FAIR VALUE THROUGH PROFIT OR LOSS

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 INVENTORIES - TRADING PROPERTIES

Trading properties include property assets and non-real estate 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 as follows:

(i) in the case of contracted units recognised on the statement of financial position, revisions to NRV are offset against loans, and

(ii) in the case of completed trading properties, revisions to carrying value 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 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.

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 FOR LIABILITIES AND CHARGES AND CONTINGENT ASSETS AND LIABILITIES

PROVISIONS

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated.

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. Dividends for the period that are declared after the date of the consolidated statement of financial position are dealt with in Note 42, Events after the reporting date.

(B) COUPON ON OTHER EQUITY

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

2.24 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 (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. 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.

2.25 PROPERTY, PLANT AND EQUIPMENT

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

2.26 LEASES

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 periodically assessed for impairment and if any 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 LEASES (CONTINUED)

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 are accounted for on a straight line basis over the lease term.

2.27 NON-CONTROLLING INTERESTS IN SUBSIDIARIES

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

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

2.28 DETERMINATION OF FAIR VALUE

The 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).

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.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 DETERMINATION OF FAIR VALUE (CONTINUED)

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

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

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.

2.29 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

3.1 FAIR VALUE ASSESSMENT OF DEBTOR LOANS AT FAIR VALUE THROUGH PROFIT OR LOSS (CONTINUED)

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 2.28.

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 2019 is €1,227m (2018: €1,925m) with the change in fair value during the year being €230m (2018: €605m).

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

Sector	+/-1% €m	+/-3% €m	+/-5% €m
Land and Development	+/- 9	+/- 26	+/- 43
Investment Property	+/- 6	+/- 17	+/- 29
Total	**+/- 15**	**+/- 43**	**+/- 72**

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

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

Sector	+3 months €m	- 3 months €m
Land and Development	- 12	12
Investment Property	- 20	21
Total	**- 32**	**33**

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.

3.2 OTHER MANAGEMENT JUDGEMENT AND ESTIMATES (CONTINUED)

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 include property assets and non-real estate 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 as follows; i) in the case of contracted units recognised on the statement of financial position, revisions to NRV are offset against loans, and ii) in the case of completed trading properties, revisions to carrying value 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.

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. In 2019, 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 2019 is €288m with the change in fair value recognised in the income statement being €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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

4. NET GAINS ON DEBTOR LOANS/INTERGROUP LOAN MEASURED AT FVTPL

Group	Note	2019 €'000	2018 €'000
Fair value movement on debtor loans measured at FVTPL	20	229,539	605,204

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.

Agency	Note	2019 €'000	2018 €'000
Interest income on intergroup loan measured at FVTPL	20	-	1,258

The Agency assesses the classification and measurement of each financial asset based on the contractual cash flow characteristics of the asset and the Agency's business model for managing that asset. The intergroup loan to NAM is classified as 'Intergroup loan measured at fair value through profit or loss' under IFRS 9. Changes in fair value are recognised in the income statement in accordance with accounting policy 2.10. See Note 20 for further details on intergroup loans measured at FVTPL held by the Agency at the reporting date.

NAMA Group subsidiaries generated profits, which are in the main payable to NAM as interest income under profit participating loan agreements in place. Subsequently, after utilisation of any available losses and the deduction of interest expenses on its subordinated debt securities, if NAM generate profit these profits are payable to NAMA the Agency, as interest income.

5. NET GAINS ON INVESTMENT PROPERTIES

Group	Note	2019 €'000	2018 €'000
Fair value movement on investment properties	22	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. At the date of transfer, the difference between the fair value and the carrying amount of the properties is recognised in the income statement. 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	2019 €'000	2018 €'000
Interest on loans and receivables	-	6,474
Interest on financial assets at FVOCI	-	2,020
Interest on cash and cash equivalents	18	30
Total interest income	**18**	**8,524**

In 2018, interest income on loans and receivables relates to finalisation of recognition of EIR associated with loans and receivables on clarification of final positions. Interest income on financial assets at FVOCI is calculated using the EIR method of accounting.

There was no interest on financial assets at FVOCI during 2019 as there were no loans classified at FVOCI.

6. INTEREST INCOME (CONTINUED)

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

Agency	2019 €'000	2018 €'000
Negative interest income on intergroup loans	**154**	**142**

The negative interest income of €0.15m (2018: €0.14m) 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	2019 €'000	2018 €'000
Interest on government bonds	302	231
Negative interest expense on cash and cash equivalents	12,559	5,845
Lease interest expense	173	-
Total interest and similar expense	**13,034**	**6,076**

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 €325m (2018: €430m).

During 2019, the Group incurred interest expense of €13m (2018: €6m) on cash and cash equivalents due to negative interest rates.

From 1 January 2019, the Group adopted IFRS 16 and has recognised a lease interest expense on the lease liabilities of €173k.

Agency	2019 €'000	2018 €'000
Negative interest expense on cash and cash equivalents	7	4
Lease interest expense	35	-
Total interest and similar expense	**42**	**4**

Due to negative interest rates, there is negative interest expense on cash and cash equivalents of €7k (2018: €4k).

From 1 January 2019, the Agency adopted IFRS 16 and has recognised a lease interest expense on the lease liabilities of €35k.

8. FEE INCOME

Group	2019 €'000	2018 €'000
Fee income from debtor loans	**249**	**27,137**

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. The level of fee income is based on the nature of transactions during the year.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. OTHER INCOME

Group	2019 €'000	2018 €'000
Distributions from equity instruments (a)	6,782	13,876
Fair value gain/(loss) on equity instruments (b)	15,720	(1,843)
Lease rental income (c)	12,381	11,666
Revaluation of trading properties (d)	(507)	(458)
Other expenses (e)	(8,907)	(10,554)
Other income (f)	2,275	27,347
Total other income	**27,744**	**40,034**

(a) The Group received dividends totalling €6.8m (2018: €13.9m) on its investments 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 2.26.

(d) In accordance with accounting policy 2.19, trading properties are measured at the lower of cost and net realisable value. At the reporting date, the Group recognised a revaluation loss of €0.5m (2018: €0.5m) on these assets. See Note 21 for further details on trading property assets.

(e) Other expenses include €5.1m (2018: €1.9m) for contracted fees in the financial year following the reaching of a designated rate of return on equity investments and €3.8m for the discharge of receivership property liabilities (2018: €8.7m).

(f) NAMA reached an agreement with the IBRC special liquidator for a dividend in respect of unsecured claims of €2.3m (2018: €13.9m). In 2018, there was also a complete settlement of all amounts receivable from the participating institutions in relation to overdrafts. This settlement gave rise to additional income of €13.4m.

Agency Note	*Note*	2019 €'000	2018 €'000
Costs reimbursable from the NAMAI Group	*13*	40,828	43,496
Profit on disposal of furniture		9	-
Total other income		**40,837**	**43,496**

10. LOSSES ON DERIVATIVE FINANCIAL INSTRUMENTS

Group	2019 €'000	2018 €'000
Losses on derivatives acquired from borrowers	(367)	(8,549)
Losses on other derivatives	(1,543)	(121)
Interest on acquired derivative financial instruments	1,662	1,920
Interest expense on other derivative financial instruments	(485)	(501)
Total losses on derivative financial instruments	**(733)**	**(7,251)**

The losses on derivative financial instruments include the fair value movements on these instruments and any expenses payable. Fair value movements on derivatives are driven by market movements that occurred during the financial year. The fair value of derivatives is impacted by changes in Euribor rates and borrower derivative performance levels. Further information on derivative financial instruments is provided in Note 19.

Interest income on acquired derivative financial instruments relates to interest receivable on derivatives acquired from Participating Institutions that were associated with loans acquired. Interest expense on other derivative financial instruments relates to interest payable on derivatives entered into to hedge exposure to interest rate risk.

There are no derivatives held in the Agency.

11. NET PROFIT ON DISPOSAL AND REFINANCING OF LOANS

Group	2019 €'000	2018 €'000
Net profit on disposal and refinancing of loans	**5,479**	**179,390**

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 their net carrying value. The Group realised a net profit of €5.5m (2018: €179m) on the disposal and refinancing of loans in the financial year. The Group earned gross profit of €5.6m (see Note 20) (2018: €181m), which when combined with disposal costs of €0.1m (2018: €1.4m), resulted in the net profit on disposal of loans of €5.5m (2018: €179m).

There were no disposals of loans by the Agency.

12. NET PROFIT ON DISPOSAL OF PROPERTY ASSETS

Group	2019 €'000	2018 €'000
Gross proceeds from disposal of property assets	46,505	192,039
Related cost of property assets sold	(7,138)	(58,212)
Total net profit on disposal of property assets	**39,367**	**133,827**

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 €39.4m (2018: €133.8m) on the disposal of trading property assets in the financial year.

There were no disposals of properties by the Agency as the Agency does no hold property assets.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. ADMINISTRATION EXPENSES

Group	Note	2019 €'000	2018 €'000
Costs reimbursable to the NTMA	*13.1*	38,809	39,128
Primary servicer fees	*13.2*	7,022	8,258
Master servicer fees	*13.3*	1,525	1,727
Portfolio management fees	*13.4*	2,346	2,822
Legal fees	*13.5*	5,495	9,118
Finance, communication and technology costs	*13.6*	5,370	6,005
Rent and occupancy costs	*13.7*	4,333	6,326
Internal audit fees	*13.8*	667	717
External audit remuneration	*13.9*	832	904
Board and Committee fees and expenses	*13.10*	474	485
Total administration expenses		**66,873**	**75,490**

Agency	Note	2019 €'000	2018 €'000
Administration expenses			
Costs reimbursable to the NTMA	*13.1*	38,809	39,128
Rent and occupancy costs	*13.7*	318	4,368
Board and Committee fees and expenses	*13.10*	474	485
Total administration expenses		**39,601**	**43,981**

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 the NAMAI Group. Total costs of €40.8m (2018: €43.5m) were reimbursed by the NAMAI Group to NAMA the Agency.

Agency	Note	2019 €'000	2018 €'000
Costs reimbursable by the NAMAI Group			
Costs reimbursable to the NTMA	*13.1*	38,809	39,128
Rent and occupancy costs		2,019	4,368
Total costs reimbursable by the NAMAI Group		**40,828**	**43,496**

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 €28.9m (2018: €30.9m) and overheads and shared service costs of €9.9m (2018: €8.2m).

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 2019 was €3.6m (2018: €3.2m).

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.

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

13.1 COSTS REIMBURSABLE TO THE NTMA (CONTINUED)

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 €28.9m (2018: €30.9m). The following remuneration disclosures are required under The Code of Practice for the Governance of State Bodies (2016).

Aggregate Employee Benefits	2019 €m	2018 €m
Basic Pay	20.5	22.0
Performance related pay	0.5	1.0
Allowances	0.1	0.2
Staff short-term benefits	21.1	23.2
Termination benefits	2.8	1.9
Pay related social insurance	2.1	2.5
Pension contributions	2.9	3.3
Total aggregate employee benefits	**28.9**	**30.9**

The number of employees of the NTMA directly engaged in the Group ('NAMA Officers') at the reporting date was 211 (2018: 238). 32 employees will leave NAMA as part of the Voluntary Redundancy Scheme ("VRS") (2018: 18).

The 2019 performance related payments of €0.5m (2018: €1.0m) were made to 56 (2018:107) staff members and relate to the period from 1 January 2019 to 31 December 2019.

Costs of €2.8m (2018: €1.9m) relating to termination benefits (including VRS and garden leave) have been recognised in 2019, of which €1.4m (2018: €0.9m) is attributable to statutory and other redundancy payments, €0.6m (2018: €0.4m) relates to the "retention scheme"[10], and €0.8m (2018: €0.6m) 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, 32 staff were entitled to garden leave of three months (2018: 18). In addition to those accepted for the VRS, 2 staff (2018: 4) were placed on garden leave during 2019. The average period of garden leave for the 2 staff was one month (2018: two months). The decision on whether to place these 2 staff members on garden leave was made on a case-by-case basis and included consideration, inter alia, of the person's role within NAMA and the person's new employer. 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)	2019 €	2018 €
Salary	426,675	413,377
Taxable benefits	19,982	21,638
	446,657	**435,015**

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 2018 and 2019, but in view of the economic challenges facing the country, waived his entitlement to be considered for these payments.

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.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. ADMINISTRATION EXPENSES (CONTINUED)

13.1 COSTS REIMBURSABLE TO THE NTMA (CONTINUED)

STAFF COSTS (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 6 (2018: 7) direct management personnel reports during 2019 and the total compensation paid to them in 2019 was €1.1m (2018: €1.7m), comprising salaries and performance related pay totalling €1.1m and benefits of €0.01m. Benefits include benefits/allowances earned in the reporting period, and can include health insurance, car allowances and professional subscriptions.

TOTAL EMPLOYEE BENEFITS

Total employee benefits, within pay bands of €25,000 from €50,000 upwards is set out in the table below as at 31 December 2019 and 2018.

Pay band	No. of employees 2019	No. of employees 2018
up to €50,000	40	42
€50,001 - €75,000	31	45
€75,001 - €100,000	53	53
€100,001 - €125,000	36	43
€125,001 - €150,000	31	33
€150,001 - €175,000	11	13
€175,001 - €200,000	4	3
€200,001 - €225,000	2	-
€225,001 - €250,000	2	4
€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	**211**	**238**

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.

13.1 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:

	2019 €	2018 €
Staff Wellbeing	13,710	10,830
Sports and Social Contributions	13,236	11,441
Staff events	9,035	10,127
Flowers	-	70
	35,981	**32,468**

The majority of the staff wellbeing cost comprises the cost of staff health screenings (2019: €8k; 2018: €9k), flu vaccines (2019: €1k; 2018: €2k) 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 €13k in 2019 (2018: €11k) in relation to sports and social activities organised by the Committee.

An event was held during the year to recognise the important and valued contribution made by NAMA staff, both those staff departing under the 2019 voluntary redundancy scheme and remaining staff and to the successful achievement of NAMA's objectives in the year. An estimated 150 (2018: 250) people attended at a cost of €7k (2018: €8k). Other 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 2019 was €39k (2018: €58k), of which €18k (2018: €13k) related to international travel and €21k (2018: €45k) 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 for Primary Servicer fees are set out in Note 39 related party disclosures. Primary servicer fees were €7m during the financial year (2018: €8.3m).

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 (2018: €1.7m).

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 decrease in legal fees is driven by decreased legal activity. Included in the legal fees of €5.5m (2018: €9.1m) are total settlement costs of €147k (2018: €909k).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. ADMINISTRATION EXPENSES (CONTINUED)

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.

13.7 RENT AND OCCUPANCY COSTS

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

The Agency has leased the third floor of Treasury Building since 2010 for a period of ten years, the first floor since 2014 for a period of 15 years and the first floor annexe for a period of 12 years and 4 months since 2013. The Agency moved premises in 2019. As at the reporting date the remaining lease term on the third floor is 10 months. The length of the lease remaining until break clause is 6 months for the first floor annexe and 10 months for the first floor. The Agency has exercised these break clauses. 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.

The table below outlines the annual rent cost as at 31 December:

Annual rent (including VAT) **Agency**	**2019** **€m**	**2018** **€m**
Third floor	1.3	1.3
First floor	1.0	1.0
First floor annexe	0.1	0.1

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

Included in the rent and occupancy costs is an amount of €0.8m (2018: €1.2m) reimbursed/reimbursable to NAMA by the NTMA for the occupation for the first floor and first floor annexe. The NTMA moved premises in 2019 and vacated this space.

The Agency has reversed a dilapidation related provision of €1.3m within occupancy costs with regard to Treasury Buildings.

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 charge includes a depreciation charge on the right of use assets of €2.8m and shared facilities costs of €1m. The charge for Treasury Dock in 2018 was €2.6m.

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

Rent and occupancy costs included a depreciation charge on the capitalised lease fit out costs of €Nil (2018: €1,008k). 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	**2019** **€'000**	**2018** **€'000**
Audit of NAMA Group and subsidiaries by the OC&AG	450	424
Audit of NAMAI Group and subsidiaries by the Statutory Auditor	382	480
Total external audit remuneration	**832**	**904**

13.9 EXTERNAL AUDIT REMUNERATION (CONTINUED)

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 the NAMAI Group is 51% privately owned and operates 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 NAMA Group's subsidiaries in June 2017. The agreed audit fee was €315k (excluding VAT) for 2019 and €390k for 2018.

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 €0.6m (2018: €1.0m) 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.

13.10 BOARD AND COMMITTEE FEES AND EXPENSES

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

	2019 €	2018 €
Frank Daly (Chairman) (final term completed 21 December 2019)	145,890	150,000
Aidan Williams (Chairman) (appointed 2 April 2019, appointed Chairman 20 December 2019)	47,315	-
Oliver Ellingham	60,000	60,000
Brian McEnery (term completed 21 December 2018)	-	58,370
Mari Hurley	75,000	60,408
Willie Soffe (term completed 21 December 2018)	-	72,962
Eileen Maher (appointed 3 July 2018)	60,000	27,609
Michael Wall (appointed 3 July 2018)	60,000	27,609
Board fees	**448,205**	**456,958**
Board expenses	6,530	10,040
Total Board fees and expenses	**454,735**	**466,998**
Planning Advisory Committee		
Alice Charles	5,000	5,000
Charlotte Sheridan (appointed 4 April 2019)	4,000	-
Michael Wall (appointed to Board 3 July 2018)	-	3,000
Audit Committee		
Jim Kelly (term completed 12 January 2020)[11]	10,000	10,000
Committee fees	**19,000**	**18,000**
Total Board and Committee fees and expenses	**473,735**	**484,998**

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.

11 Jim Kelly completed his term on 12 January 2020 and Liam Gallagher was appointed on 9 January 2020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. ADMINISTRATION EXPENSES (CONTINUED)

13.10 BOARD AND COMMITTEE FEES AND EXPENSES

2019	Travel Expenses €	Accommodation and Subsistence €	Other €	2019 Total €	2018 Total €
Frank Daly (Chairman)[12]	22	155	300	**477**	**1,151**
Oliver Ellingham[12]	2,747	1,024	-	**3,771**	**4,669**
Brian McEnery[12]	1,872	410	-	**2,282**	**4,220**
	4,641	**1,589**	**300**	**6,530**	**10,040**

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	2019 €'000	2018 €'000
Legal fees	794	1,731
Finance, communication and technology costs	92	138
Total consultancy fees	**886**	**1,869**

Included within the NTMA recharge is a cost of €0.5m (2018: €0.5m) for consulting fees incurred by the NTMA and recharged to NAMA.

14. FOREIGN EXCHANGE LOSSES

Group	*Note*	2019 €'000	2018 €'000
Foreign exchange gains on debtor loans measured at FVTPL (a)	*20*	1,067	767
Foreign exchange gains on debtor loans measured at FVOCI (a)		-	688
Unrealised foreign exchange gains/(losses) on derivative financial instruments (b)		622	(191)
Realised foreign exchange losses on currency derivative financial instruments (b)		(2,853)	(3,299)
Foreign exchange gains on cash (c)		257	77
Other foreign exchange gains		18	182
Total foreign exchange losses		**(889)**	**(1,776)**

(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. On a cumulative basis since 2010, NAMA has recorded a loss on foreign currency derivatives, which is offset by a foreign exchange translation gain on debtor loans, resulting in a cumulative net loss of €141m (2018: €139m) on foreign exchange. This cumulative cost is akin to an "insurance" cost of protecting NAMA from the impact of foreign exchange rate fluctuations.

12 Included in travel expenses, accommodation and subsistence and other is an amount of €2,582 which represents NAMA's tax liability on benefit-in-kind in respect of board expenses paid in 2019 (2018: €2,059).

14. FOREIGN EXCHANGE LOSSES (CONTINUED)

(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*	**2019 €'000**	**2018 €'000**
Current tax			
Irish corporation tax		(34,603)	(113,077)
Deferred tax			
On fair value gains on equity instruments		57	(93)
On IFRS 9 transition adjustments		4,238	4,239
Total deferred tax recognised in income statement	*29*	**4,295**	**4,146**
Total tax charge		**(30,308)**	**(108,931)**

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	**2019 €'000**	**2018 €'000**
Profit before tax	295,187	903,523
Tax calculated at a tax rate of 25%	73,797	225,881
Effect of:		
Non-taxable derivative movements	(3,320)	(724)
Deductible expenditure	(9,464)	(18,767)
Tax losses (utilised)/not utilised	(576)	4,390
Movement in deferred tax liability	(4,295)	(4,146)
Prior year adjustments	(161)	974
Withholding tax (credit)/charge	(1,916)	1,844
Transitional adjustments	4,189	4,189
Tax suffered in foreign jurisdiction	-	2
Income taxed at lower rate	(27,946)	(104,712)
Taxation charge	**30,308**	**108,931**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. TAX CHARGE (CONTINUED)

The current Irish corporation tax charge of €35m (2018: €113m) 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 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*	2019 €'000	2018 €'000
Movement in financial assets measured at FVOCI reserve before tax	*36*	(1,422)	(2,149)
Deferred tax charge (net)	*29*	18	(91)
Total income tax relating to components of other comprehensive income		**18**	**(91)**

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 AND COLLATERAL

Group	2019 €'000	2018 €'000
Balances with the Central Bank of Ireland	3,493,147	2,670,453
Balances with other banks	19,167	19,438
Total cash and cash equivalents	**3,512,314**	**2,689,891**
Cash placed as collateral with the NTMA	25,000	25,000
Total cash, cash equivalents and collateral	**3,537,314**	**2,714,891**

Agency	2019 €'000	2018 €'000
Balances with the Central Bank of Ireland	**176**	**132**

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

NAMA 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 NAMA derivatives (other than those acquired from borrowers). The NTMA require cash to be placed with it as collateral to reduce the exposure it has to NAMA with regard to its derivative positions. At 31 December 2019, NAMA's derivative liability exposure was €Nil (2018: €3.3m) as set out in Note 19.

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

18. GOVERNMENT BONDS

Group	2019 €'000	2018 €'000
Short term treasury bonds	**342,052**	**470,746**

Government bonds comprise Irish government treasury bonds acquired for liquidity management. The nominal value of government bonds at 31 December 2019 was €325m (2018: €430m).

The movement on the government bonds is analysed as follows:

	Note	2019 €'000	2018 €'000
At beginning of year		470,746	495,097
Amortisation of premium on purchase		(22,272)	(22,202)
Maturity of government bonds		(105,000)	-
Net changes in fair value	*36*	(1,422)	(2,149)
Total government bonds		**342,052**	**470,746**

No expected credit loss has been recognised on government bonds.

19. DERIVATIVE FINANCIAL INSTRUMENTS

As part of the process of acquisition of loans from Participating Institutions, the Group acquired a number of derivatives that were related to the underlying loans. In addition, the Group enters into derivative contracts to hedge its exposure to interest rate and foreign exchange risk.

The Group has established policies to manage the risks that arise in connection with derivatives, including hedging policies, which are explained in Notes 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 market interest rates or foreign exchange rates relative to their contracted terms. The fair value of derivative financial assets and liabilities can fluctuate significantly over time.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

Group 31 December 2018	Notional amount €'000	Fair values Assets €'000	Fair values Liabilities €'000	Net €'000
Derivatives at fair value through profit or loss				
Derivative financial instruments acquired from borrowers	38,868	7,695	-	7,695
Other derivative financial instruments	20,000	-	(2,808)	(2,808)
Foreign currency derivatives	44,996	31	(445)	(414)
Total derivative assets/(liabilities)	**103,864**	**7,726**	**(3,253)**	**4,473**

MOVEMENT RECOGNISED IN THE INCOME STATEMENT

The table below shows the net fair value position on derivatives at 31 December 2019 and 2018. The movement is recognised in the consolidated income statement.

Group	Note	Fair values 2019 €'000	Fair values 2018 €'000	Movement 2019 €'000
Derivatives at fair value through profit or loss				
Derivative financial instruments acquired from borrowers		-	7,695	(7,695)
Other derivative financial instruments		-	(2,808)	2,808
Foreign currency derivatives	*14*	208	(414)	622
Net derivative fair value movement		**208**	**4,473**	**(4,265)**

DERIVATIVE FINANCIAL INSTRUMENTS AT FAIR VALUE THROUGH PROFIT OR LOSS

The fair value of derivatives acquired from borrowers (that were associated with loans acquired) at the reporting date was €Nil (2018: €7.7m) as all these positions were terminated during 2019. The fair value movement recognised in the income statement on these derivatives in the financial year was a net loss of €7.7m (2018: €9.3m).

The fair value movement recognised in the income statement in the financial year on other derivative financial instruments was a net gain of €2.8m (2018: net loss of €0.1m). This relates to fair value movements on derivatives entered into by the Group to hedge derivative financial instruments acquired from borrowers that were not designated into hedge relationships. These derivatives were terminated during 2019 when the derivatives acquired from borrowers were terminated.

NAMA uses currency derivatives to hedge the foreign exchange exposure which arose on the transfer of foreign currency loans from Participating Institutions with euro denominated NAMA Securities. The foreign currency derivatives are used to reduce its exposure to exchange rate fluctuation arising on foreign denominated loans 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	2019 €'000	2018 €'000
Debtor loans measured at fair value through profit or loss	1,227,167	1,925,462

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	2019 €'000	2018 €'000
Balance at 1 January		**1,925,462**	**3,162,602**
Movement in year			
Receipts on debtor loans measured at FVTPL		(1,203,151)	(2,560,702)
Advances to borrowers		410,713	499,633
Foreign exchange gains on debtor loans measured at FVTPL	*14*	1,067	767
Other movements on debtor loans measured at FVTPL		8,656	38,135
Transfer to trading properties		(150,740)	-
Profit on disposal and refinancing of debtor loans measured at FVTPL	*11*	5,621	179,823
Fair value gains on debtor loans measured at FVTPL	*4*	229,539	605,204
Total debtor loans measured at FVTPL		**1,227,167**	**1,925,462**

Agency	2019 €'000	2018 €'000
Intergroup loan measured at FVTPL	3,536,554	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	Note	2019 €'000	2018 €'000
Balance at 1 January 2019		**3,536,554**	**3,535,296**
Movement in year			
Interest income on intergroup loan measured at FVTPL	*4*	-	1,258
Total intergroup loan measured at FVTPL		**3,536,554**	**3,536,554**

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. INVENTORIES – TRADING PROPERTIES

Group	2019 €'000	2018 €'000
Trading properties	**170,556**	**229,747**

Trading properties are recognised in accordance with accounting policy 2.19.

The movement in carrying values in 2019 relates to the acquisition of trading properties in Poolbeg West SDZ, transfer of the NARPs properties to investment properties (see Note 22 Investment Properties), 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	2019 €'000	2018 €'000
Investment properties	**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 NAMAs 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.

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

Investment properties	2019 €'000
Transfer from trading properties	211,629
Acquisition of investment properties	1,616
Fair value movements	74,320
Balance as at 31 December	**287,565**

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

ASSET AND LIABILITY MANAGEMENT (CONTINUED)

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.

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 Quality Assurance team 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. Similarly, interest rate swaps are used to manage mismatches in the Group's interest rate profile.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. RISK MANAGEMENT (CONTINUED)

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.

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 CFO Division 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.

23.3 MARKET RISK MEASUREMENT (CONTINUED)

23.3.1 INTEREST RATE RISK (CONTINUED)

Interest rate risk Group 2019	0-6 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 Group 2018	0-6 months €'000	Non-interest bearing €'000	Total €'000
Financial assets			
Cash and cash equivalents	2,689,891	-	2,689,891
Cash placed as collateral with the NTMA	25,000	-	25,000
Government bonds	430,000	-	430,000
Debtor loans measured at FVTPL	1,925,462	-	1,925,462
Investments in equity instruments	-	54,539	54,539
Other assets	-	20,752	20,752
Total financial assets exposed to interest rate re-set	**5,070,353**	**75,291**	**5,145,644**
Financial liabilities			
Other liabilities	-	30,543	**30,543**
Total financial liabilities exposed to interest rate re-set	**-**	**30,543**	**30,543**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. RISK MANAGEMENT (CONTINUED)

23.3 MARKET RISK MEASUREMENT (CONTINUED)

23.3.1 INTEREST RATE RISK (CONTINUED)

Interest rate risk **Agency** **2019**	**0-6 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 **Agency** **2018**	**0-6 months** **€'000**	**Non-interest bearing** **€'000**	**Total** **€'000**
Financial assets			
Cash and cash equivalents	132	-	132
Intergroup loan measured at FVTPL	3,536,554	-	3,536,554
Investment in subsidiary		49,000	49,000
Other assets	-	13,116	13,116
Total financial assets exposed to interest rate re-set	**3,536,686**	**62,116**	**3,598,802**
Financial liabilities			
Interest bearing loans and borrowings	53,426	-	53,426
Other liabilities	-	14,466	14,466
Total financial liabilities exposed to interest rate re-set	**53,426**	**14,466**	**67,892**

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 2019. The figures take account of the effect of hedging instruments and debtor loans.

23.3 MARKET RISK MEASUREMENT (CONTINUED)

23.3.1 INTEREST RATE RISK (CONTINUED)

INTEREST RATE SENSITIVITY ANALYSIS – A 50BP MOVE ACROSS THE INTEREST RATE CURVE

	2019		2018	
Group	**+50bp €'000**	**-50bp €'000**	**+50bp €'000**	**-50bp €'000**
EUR	(1,257)	1,257	(1,937)	1,907
GBP	(15)	15	(28)	28
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 2019. Included in the table are the Group's assets and liabilities at carrying amounts, categorised by currency. These tables take account of hedging instruments which have the effect of significantly reducing currency risk.

Group 2019	**USD €'000**	**GBP €'000**	**Total €'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**

Group 2018	**USD €'000**	**GBP €'000**	**Total €'000**
Assets			
Cash and cash equivalents	274	2,074	2,348
Debtor loans measured at FVTPL	6,222	27,013	33,235
Derivative financial instruments	(6,987)	(38,009)	(44,996)
Net exposure to foreign currency risk	**(491)**	**(8,922)**	**(9,413)**

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 2019 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	**2019 €'000**	**2018 €'000**
GBP	(439)	811
USD	75	45

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. RISK MANAGEMENT (CONTINUED)

23.3 MARKET RISK MEASUREMENT (CONTINUED)

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 investment held had been 10% higher/lower, profit before taxation for the financial year ended 31 December 2019 would increase/decrease by €1.9m (2018: €5.5m) 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. 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 devising and 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.

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. 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 €22.2bn (2018: €23.1bn).
- 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 Gross NAMA Debt outstanding at the reporting date is €1.2bn (2018: €1.9bn).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. CREDIT RISK (CONTINUED)

24.1 CREDIT RISK MEASUREMENT (CONTINUED)

LOAN PORTFOLIO - CREDIT EXPOSURE MEASUREMENT (CONTINUED)

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.

DERIVATIVE PORTFOLIO - CREDIT EXPOSURE MEASUREMENT

In addition to the loans that were acquired by the Group, a number of derivative financial instruments were acquired which were attached to debtors' loans acquired from the Participating Institutions.

At any time, the Group's credit risk exposure is limited to the positive fair value of these derivative instruments (i.e. assets with a positive mark-to-market value). This mark-to-market value is usually only a small fraction of the contract value (or notional value of the outstanding instruments). At the reporting date, none of these derivative instruments remained (2018: €7.7m).

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.

24.2 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.

(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 security for derivatives acquired is from the collateral acquired with the loan, and is reflected in the loan acquisition price paid. The Group also transacts derivatives with the NTMA to hedge interest rate and foreign currency exposures.

The credit exposure of derivatives acquired, together with potential exposures arising from market movements, is managed as part of the overall debtor's exposure management.

With respect to derivatives entered into by the Group, the sole counterparty is the NTMA.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. CREDIT RISK (CONTINUED)

24.4 MAXIMUM EXPOSURE TO CREDIT RISK - BEFORE COLLATERAL HELD OR OTHER CREDIT ENHANCEMENTS

The table below sets out the maximum exposure to credit risk for financial assets with credit risk at 31 December 2019, 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 2019 €'000	Maximum exposure 2018 €'000
Cash and cash equivalents		3,512,314	2,689,891
Cash placed as collateral with the NTMA		25,000	25,000
Government bonds		342,052	470,746
Derivative financial instruments		208	7,726
Debtor loans measured at FVTPL		1,227,167	1,925,462
Other assets		2,740	20,752
Investments in equity instruments		18,902	54,539
Total assets		**5,128,383**	**5,194,116**
Loan commitments	*25.4*	255,390	462,304
Total maximum exposure		**5,383,773**	**5,656,420**

Agency	Maximum exposure 2019 €'000	Maximum exposure 2018 €'000
Cash and cash equivalents	176	132
Intergroup loan at FVTPL	3,536,554	3,536,554
Investments in subsidiaries	49,000	49,000
Other assets	13,532	13,116
Total maximum exposure	**3,599,262**	**3,598,802**

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

24.5 INFORMATION REGARDING THE CREDIT QUALITY OF DEBTOR LOANS AND OTHER FINANCIAL INSTRUMENTS (CONTINUED)

(A) DEBTOR LOANS (CONTINUED)

The table below sets out the distribution of debtor loans measured at FVTPL based on the 3 possible grade outcomes at year end.

	2019 €'000	2018 €'000
Satisfactory	264,927	732,327
Watch	515,268	309,170
Other	446,972	883,965
Debtor loans	**1,227,167**	**1,925,462**

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
- Government bonds
- Other derivatives
- Investments in equity instruments
- Other assets

The credit quality of derivatives acquired in 2018 was linked to the credit quality of the related debtor loans in Note 24.5(a). There were no derivatives acquired remaining as at 31 December 2019.

Default occurs when a counterparty does not meet its obligations.

Government bonds comprise Irish treasury bonds which are held for liquidity management purposes. The bonds are traded in an active market and are readily convertible to cash. The bonds at 31 December 2019 have a credit rating of AA-/A2 (2018: A+/A2). There is a very low credit risk of these bonds defaulting or otherwise materially reducing in value.

Cash and cash equivalents and collateral 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 2019 (2018: investment grade).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 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**

Geographical reporting 2018 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	1,255,208	11,938	2,118	**1,269,264**
– Investment property	612,875	14,826	28,497	**656,198**
Total debtor loans	**1,868,083**	**26,764**	**30,615**	**1,925,462**
Cash and cash equivalents	2,689,891	-	-	**2,689,891**
Cash placed as collateral with the NTMA	25,000	-	-	**25,000**
Government bonds	470,746	-	-	**470,746**
Derivative financial instruments	7,726	-	-	**7,726**
Other assets	20,752	-	-	**20,752**
Investments in equity instruments	54,539	-	-	**54,539**
Total assets	**5,136,737**	**26,764**	**30,615**	**5,194,116**

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 2019 and 2018, 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 its non-derivative financial liabilities by remaining contractual maturities at the reporting date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Non-derivative cash flows Group 31 December 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 Group 31 December 2018	**0-6 months €'000**	**Total €'000**
Liabilities		
Other liabilities	30,380	**30,380**
Total liabilities	**30,380**	**30,380**
Assets held for managing liquidity risk	**3,185,637**	**3,185,637**

Non-derivative cash flows Agency 31 December 2019	**0-6 months €'000**	**Greater than 6 months €'000**	**Total €'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**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. LIQUIDITY RISK (CONTINUED)

25.2 NON-DERIVATIVE CASH FLOWS (CONTINUED)

Non-derivative cash flows Agency 31 December 2018	0-6 months €'000	Total €'000
Liabilities		
Interest bearing loans and borrowings	53,426	**53,426**
Other liabilities	14,466	**14,466**
Total liabilities	**67,892**	**67,892**
Assets held for managing liquidity risk	**132**	**132**

Assets available to meet all of the liabilities and to cover outstanding loan commitments include cash and cash equivalents, collateral 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

(A) DERIVATIVES SETTLED ON A NET BASIS

The Group's derivatives that would be settled on a net basis include interest rate derivatives.

The following table analyses the Group's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group 31 December 2019	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Interest rate derivatives	-	-	-	-	-

Group 31 December 2018	0-6 months €'000	6 -12 months €'000	1-5 years €'000	Over 5 years €'000	Total €'000
Interest rate derivatives	905	398	3,286	915	5,504

(B) DERIVATIVES SETTLED ON A GROSS BASIS

The Group's derivatives that will be settled on a gross basis include:

- Foreign exchange derivatives: currency forwards, currency swaps; and
- Cross currency interest rate swaps.

The following table analyses the Group's derivative financial instruments that will be settled on a gross basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Group 31 December 2019	0-6 months €'000	Total €'000
Foreign exchange derivatives:		
– Outflow	(18,430)	(18,430)
– Inflow	18,598	18,598
Total inflow	**168**	**168**

25.3 DERIVATIVE CASH FLOWS (CONTINUED)

(B) DERIVATIVES SETTLED ON A GROSS BASIS (CONTINUED)

Group 31 December 2018	0-6 months €'000	Total €'000
Foreign exchange derivatives:		
– Outflow	(44,996)	(44,996)
– Inflow	44,463	44,463
Total outflow	**(533)**	**(533)**

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 Commitments to lend	No later than 1 year €'000	1-5 years €'000	Over 5 years €'000	Total €'000
31 December 2019	176,437	75,996	2,957	**255,390**
31 December 2018	297,215	160,362	4,727	**462,304**

The Agency has no loan commitments.

26. FAIR VALUE OF ASSETS AND LIABILITIES

(A) COMPARISON OF CARRYING VALUE TO FAIR VALUE

The table below summarises the carrying amounts and fair values of financial assets and liabilities presented in the Group and Agency's statement of financial position.

Group	2019 Carrying value €'000	2019 Fair value €'000	2018 Carrying value €'000	2018 Fair value €'000
Financial assets				
Cash and cash equivalents	3,512,314	3,512,314	2,689,891	2,689,891
Cash placed as collateral with the NTMA	25,000	25,000	25,000	25,000
Government bonds	342,052	342,052	470,746	470,746
Derivative financial instruments	208	208	7,726	7,726
Debtor loans measured at FVTPL	1,227,167	1,227,167	1,925,462	1,925,462
Other assets	2,740	2,740	20,752	20,752
Investments in equity instruments	18,902	18,902	54,539	54,539
Total assets	**5,128,383**	**5,128,383**	**5,194,116**	**5,194,116**
Financial liabilities				
Derivative financial instruments	-	-	3,253	3,253
Other liabilities	25,508	25,508	30,543	30,543
Total liabilities	**25,508**	**25,508**	**33,796**	**33,796**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(A) COMPARISON OF CARRYING VALUE TO FAIR VALUE (CONTINUED)

Agency	2019 Carrying value €'000	2019 Fair value €'000	2018 Carrying value €'000	2018 Fair value €'000
Financial assets				
Cash and cash equivalents	176	176	132	132
Intergroup loan at FVTPL	3,536,554	3,536,554	3,536,554	3,536,554
Other assets	13,532	13,532	13,116	13,116
Investment in subsidiaries	49,000	49,000	49,000	49,000
Total assets	**3,599,262**	**3,599,262**	**3,598,802**	**3,598,802**
Financial liabilities				
Interest bearing loans and borrowings	53,272	53,272	53,426	53,426
Other liabilities	15,399	15,399	14,466	14,466
Total liabilities	**68,671**	**68,671**	**67,892**	**67,892**

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 are 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 were 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 (2019: Deleveraging Land & Development, Deleveraging Residential, Deleveraging Commercial, Deleveraging NRE, L&D Core Active, L&D Core Not Active) (2018: Deleveraging Retail, 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 2019 from 8% to 12% (2018: 7% to 12%).

(B) FAIR VALUE HIERARCHY (CONTINUED)

This level also includes investment properties. The fair value of investment properties were 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 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 **31 December 2019**	**Level 1** **€'000**	**Level 2** **€'000**	**Level 3** **€'000**	**Total** **€'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**

Group **31 December 2018**	**Level 1** **€'000**	**Level 2** **€'000**	**Level 3** **€'000**	**Total** **€'000**
Derivative financial instruments	-	7,695	-	**7,695**
Foreign currency derivatives	-	31	-	**31**
Debtor loans measured at FVTPL	-	-	1,925,462	**1,925,462**
Government bonds	470,746	-	-	**470,746**
Investments in equity instruments	-	-	54,539	**54,539**
Total assets	**470,746**	**7,726**	**1,980,001**	**2,458,473**
Liabilities				
Derivative financial instruments	-	2,808	-	2,808
Foreign currency derivatives	-	445	-	445
Total liabilities	**-**	**3,253**	**-**	**3,253**

Agency **31 December 2019**	**Level 1** **€'000**	**Level 2** **€'000**	**Level 3** **€'000**	**Total** **€'000**
Assets				
Intergroup loan measured at FVTPL	-	-	3,536,554	3,536,554
Total assets	**-**	**-**	**3,536,554**	**3,536,554**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(B) FAIR VALUE HIERARCHY (CONTINUED)

Agency **31 December 2018**	**Level 1** **€'000**	**Level 2** **€'000**	**Level 3** **€'000**	**Total** **€'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 2019 and 2018.

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 **Investments in equity instruments**	*Note*	**2019** **€'000**	**2018** **€'000**
Balance as at 1 January		54,539	65,709
Additional investments		8,715	3,215
Disposal of investments		(60,072)	(12,542)
Fair value movements	9	15,720	(1,843)
Balance as at 31 December		**18,902**	**54,539**

Included in fair value movements is a realised gain of €0.5m which was incurred during the financial year (2018: realised loss of €1.9m).

Group **Debtor loans measured at FVTPL**	**2019** **€'000**	**2018** **€'000**
Balance as at 1 January	1,925,462	3,162,602
Receipts on debtor loans measured at FVTPL	(1,203,151)	(2,560,702)
Advances to borrowers	410,713	499,633
Foreign exchange gains on debtor loans measured at FVTPL	1,067	767
Other movements on debtor loans measured at FVTPL	8,656	38,135
Profit on disposal and refinancing of debtor loans measured at FVTPL	5,621	179,823
Transfer to trading properties	(150,740)	-
Fair value gains on debtor loans measured at FVTPL	229,539	605,204
Balance as at 31 December	**1,227,167**	**1,925,462**

(B) FAIR VALUE HIERARCHY (CONTINUED)

Group Investment properties	2019 €'000
Transfer from trading properties	211,629
Acquisition of investment properties	1,616
Fair value movements	74,320
Balance as at 31 December	**287,565**

Agency Intergroup loan at FVTPL	2019 €'000	2018 €'000
Balance as at 1 January	3,536,554	3,535,296
Interest earned	-	1,258
Balance as at 31 December	**3,536,554**	**3,536,554**

QUANTITATIVE INFORMATION ABOUT FAIR VALUE MEASUREMENTS (LEVEL 3)

			Fair value	
Level 3 assets	**Valuation technique**	**Unobservable input**	**31 December 2019 €'000**	**31 December 2018 €'000**
Investments in equity instruments	Residual valuation approach	1) Asset value	18,902	54,539
Debtor loans	Discounted cashflow	1) Portfolio Stratification 2) Timing of cashflows 3) Collateral values 4) Discount rates	1,227,167	1,925,462
Investment properties	Discounted cashflow	1) Yield rates 2) Growth rates 3) Gross to net percentage for operating cost 4) Purchase option	287,565	-

The intergroup loan on the Agency is repayable on demand so the par value is its fair value.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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

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**

31 December 2018 Sector	+/-1% €m	+/-3% €m	+/-5% €m
Land and Development	+/- 13	+/- 40	+/- 67
Investment Property	+/- 7	+/- 21	+/- 35
Total	**+/- 20**	**+/- 61**	**+/- 102**

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

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**

31 December 2018 Sector	- 5% €m	- 3% €m	- 1% €m	+1% €m	+3% €m	+5% €m
Land and Development	94	55	18	- 17	- 51	- 83
Investment Property	43	25	8	- 8	- 24	- 38
Total	**137**	**80**	**26**	**- 25**	**- 75**	**- 121**

(B) FAIR VALUE HIERARCHY (CONTINUED)

SENSITIVITY OF LEVEL 3 MEASUREMENTS (CONTINUED)

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

31 December 2019 Sector	+3 months €m	- 3 months €m
Land and Development	- 12	12
Investment Property	- 20	21
Total	**- 32**	**33**

31 December 2018 Sector	+3 months €m	- 3 months €m
Land and Development	- 32	33
Investment Property	- 14	14
Total	**- 46**	**47**

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 Group 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	-	-

Financial liabilities Group 31 December 2019	Amortised cost €'000	FVTPL €'000
Other liabilities	25,508	-

Financial assets Group 31 December 2018	Amortised Cost €'000	FVTPL €'000	FVOCI €'000
Cash and cash equivalents	2,689,891	-	-
Cash placed as collateral with the NTMA	25,000	-	-
Government bonds	-	-	470,746
Derivative financial instruments	-	7,726	-
Debtor loans	-	1,925,462	-
Investments in equity instruments	-	54,539	-
Other assets	20,752	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(B) FAIR VALUE HIERARCHY (CONTINUED)

CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (CONTINUED)

Financial liabilities **Group** **31 December 2018**	**Amortised cost** **€'000**	**FVTPL** **€'000**
Derivative financial instruments	-	3,253
Other liabilities	30,543	-

Financial assets **Agency** **31 December 2019**	**Amortised Cost** **€'000**	**FVTPL** **€'000**
Cash and cash equivalents	176	-
Intergroup loan	-	3,536,554
Other assets	13,532	-

Financial liabilities **Agency** **31 December 2019**	**Amortised cost** **€'000**	**FVTPL** **€'000**
Interest bearing loans and borrowings	53,272	-
Other liabilities	15,399	-

Financial assets **Agency** **31 December 2018**	**Amortised Cost** **€'000**	**FVTPL** **€'000**
Cash and cash equivalents	132	-
Intergroup loan	-	3,536,554
Other assets	13,116	-

Financial liabilities **Agency** **31 December 2018**	**Amortised cost** **€'000**	**FVTPL** **€'000**
Interest bearing loans and borrowings	53,426	-
Other liabilities	14,466	-

27. PROPERTY, PLANT AND EQUIPMENT

Group and Agency	2019 €'000	2018 €'000
Cost		
Balance at 1 January	**2,546**	**2,546**
Depreciation		
Accumulated depreciation at 1 January	(2,546)	(1,538)
Depreciation charge for the year	–	(1,008)
Balance at 31 December	**(2,546)**	**(2,546)**
Net book value at 31 December	**-**	**-**

Property, plant and equipment includes lease fit out costs incurred to date. Capitalised lease fit out costs are depreciated over the remaining life of the asset in accordance with accounting policy 2.25. As the Group entered into an agreement for a new premises in 2018, the lease fit out costs for Treasury Buildings were fully depreciated by the end of 2018.

28. INVESTMENTS IN EQUITY INSTRUMENTS

Group	2019 €'000	2018 €'000
Financial assets at fair value through profit or loss	**18,902**	**54,539**

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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:

Group	Deferred tax Assets €'000	Deferred tax Liabilities €'000	Deferred tax on IFRS 9 transition adjustment €'000	Total €'000
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)**
Balance at 1 January 2018	**1,967**	**(5,420)**	**-**	**(3,453)**
Movement in the financial year	(618)	434	(16,951)	(17,135)
Balance at 31 December 2018	**1,349**	**(4,986)**	**(16,951)**	**(20,588)**

MOVEMENT IN DEFERRED TAX RECOGNISED

Group	*Note*	2019 €'000	2018 €'000
Movement in deferred tax recognised in the income statement (excluding IFRS 9 transitional adjustment)	*15*	57	(93)
Movement in deferred tax recognised in other comprehensive income	*16,36*	18	(91)
Movement in deferred tax recognised in retained earnings for IFRS 9 transitional adjustment	*37*	-	(21,190)
Movement in deferred tax recognised in the income statement for IFRS 9 transitional adjustment	*15*	4,238	4,239
Total movement in deferred tax in the financial year		**4,313**	**(17,135)**

The Agency has no deferred tax assets or liabilities.

A net deferred tax liability of €16.3m (2018: €20.6m) has been recognised in relation to equity investments, transitional adjustments and 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 will be 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 €18k (2018: charge of €91k) has been recognised in other comprehensive income relating to deferred tax on the financial assets measured at FVOCI.

30. OTHER ASSETS

Group	2019 €'000	2018 €'000
Accrued swap interest receivable	-	780
Tax prepaid	17,008	-
Prepayments	1,289	-
Right of use asset	6,442	-
Deferred costs	574	-
Other assets	2,740	19,972
Total other assets	**28,053**	**20,752**

Accrued swap interest relates to derivatives associated with loans acquired by the Group from Participating Institutions. As at 31 December 2019, the Group held no derivatives associated with loans acquired by the Group from Participating Institutions.

All other assets apart from the Right of Use asset in the Group are current assets.

At 1 January 2019, the Group applied IFRS 16 resulting in the recognition of right of use assets for the lease of certain assets in Treasury Buildings and Treasury Dock.

Group	Office Space €'000
Cost	
Balance at 31 December 2018	**-**
Assets recognised on application of IFRS 16 on 1 January 2019	10,614
Balance at 31 December 2019	**10,614**
Depreciation	
Depreciation charge for the year	(4,172)
Balance at 31 December 2019	**(4,172)**
Net carrying value at 31 December 2019	**6,442**

Agency	2019 €'000	2018 €'000
Costs reimbursable from NALM	13,520	12,507
Other assets	12	609
Total other assets	**13,532**	**13,116**

At 1 January 2019, the Agency applied IFRS 16 resulting in the recognition of a right of use asset for the lease of certain space in Treasury Buildings. As the Agency vacated Treasury Buildings in 2019, the right of use asset has been fully depreciated by 31 December 2019.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. OTHER ASSETS (CONTINUED)

Agency	Office Space €'000
Cost	
Balance at 31 December 2018	-
Assets recognised on application of IFRS 16 on 1 January 2019	1,412
Balance at 31 December 2019	**1,412**
Depreciation	
Depreciation charge for the year	(1,412)
Balance at 31 December 2019	**(1,412)**
Net carrying value at 31 December 2019	**-**

All other assets in the Agency are current assets.

31. OTHER LIABILITIES

Group	2019 €'000	2018 €'000
Accrued swap interest payable on other derivatives	-	163
Interest payable on cash and cash equivalents	455	581
Accrued expenses	17,982	22,050
VAT payable	1,074	5,017
Other liabilities	1,199	2,732
Lease liabilities	4,798	-
Total other liabilities	**25,508**	**30,543**

All other liabilities apart from lease liabilities in the Group are current liabilities. The Group holds leases in respect of space in Treasury Buildings and Treasury Dock.

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Lease liabilities 2019 €'000
As at the implementation of IFRS 16	13,788
Cash flows	
– Payment of lease liabilities	(9,163)
Non-cash changes	173
At the end of the year	**4,798**

CHANGES IN LIABILITIES ARISING FROM FINANCING ACTIVITIES (CONTINUED)

Agency	2019 €'000	2018 €'000
Interest payable on cash and cash equivalents	1	-
Amounts due to the NTMA	5,629	6,634
Amounts due to Group entities	9,360	6,449
Other liabilities	64	1,383
Lease liabilities	345	-
Total other liabilities	**15,399**	**14,466**

All other liabilities apart from lease liabilities in the Agency are current liabilities. The Agency holds leases in respect of space in Treasury Buildings.

Agency	2019 €'000
As at the implementation of IFRS 16	2,693
Cash flows	
– Payment of lease liabilities	(2,383)
Non-cash changes	35
At the end of the year	**345**

32. TAX PAYABLE

Group	2019 €'000	2018 €'000
Professional services withholding tax and other taxes payable	1,147	885
Corporation tax payable	-	5,234
Total tax payable	**1,147**	**6,119**

33. COMMITMENTS AND CONTINGENT LIABILITIES

(A) CONTINGENT LIABILITIES

At the reporting date, NAMA was assessing the potential implications of a High Court judgement involving a Financial Institution in relation to the calculation of interest on debtor loans. The possible outflow of economic resources cannot be reliably estimated and therefore no further disclosure is being made.

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.

(B) COMMITMENTS

The undrawn loan commitments of the Group at the reporting date are set out in Note 25.4.

The Group holds leases in respect of the third floor and first floor of Treasury Building. At the reporting date the remaining lease term on the third floor is 10 months. The length of the lease remaining until the first break clause is 6 months for the first floor annexe and 10 months for the first floor. 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:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

33. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

(B) COMMITMENTS (CONTINUED)

Group and Agency	2019 €'000	2018 €'000
Gross (before reimbursement)		
Less than one year	346	2,383
Between one and five years	-	346
Total future minimum lease payments	**346**	**2,729**
Reimbursement		
Less than one year	-	467
Total future reimbursements	**-**	**467**
Net (after reimbursement)		
Less than one year	346	1,916
Between one and five years	-	346
Total net future minimum lease payments	**346**	**2,262**

The Group holds leases with the NTMA for occupancy of Treasury Dock with a 4 year term. 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 agreements between the NTMA and NAMA. The future minimum lease payments (which includes rent and fitout) are set out in the following tables:

Group	2019 €'000	2018 €'000
Less than one year	1,900	6,779
Between one and five years	2,654	4,554
Total future minimum lease payments	**4,554**	**11,333**

OTHER OPERATING LEASES

Future minimum operating lease rental receipts relating to the trading properties owned by the Group are set out in the following table:

Group	2019 €'000	2018 €'000
Less than one year	12,504	12,140
Between one and five years	50,017	48,561
More than five years	155,895	160,175
Total future minimum operating lease receipts	**218,416**	**220,876**

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 for 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	2019 €'000	2018 €'000
Loan due to NALM and related interest	53,272	53,426

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 €0.15m (2018: €0.14m) was recognised on the loan (Refer to Note 6).

During the year ended 31 December 2019, the non-cash changes in the Agency on liabilities arising from financing activities due to interest bearing loans and borrowings amounted to €0.15m (2018: €0.14m).

35. OTHER EQUITY

Group	2019 €'000	2018 €'000
In issue at 1 January	1,064,000	1,593,000
Repurchased during the year	-	(529,000)
In issue at 31 December	**1,064,000**	**1,064,000**

The above are Callable Perpetual Subordinated Fixed Rate Bonds that were issued by NAM and 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 is 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 is paid annually if deemed appropriate to do so, however the coupon is declared at the option of the issuer. Coupons not declared in any financial year will not accumulate. NAMA paid an annual coupon of €56.01m (2018: €83.86m) on its subordinated debt in March 2019. Withholding tax of €42k (2018: €0.3m) was paid to the Revenue Commissioners in respect of the coupon payments in 2019.

Although the bonds are perpetual in nature, the issuer may "call" (i.e. redeem) the bonds on the first call date (which is 10 years from the date of issuance), and every interest payment date thereafter (regardless of whether interest is to be paid or not). The issuer called the bonds on the first call date being 1 March 2020 and the remaining bonds of €1,064m were fully redeemed.

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 notes contain no contractual obligation to make any payments (either interest or principal) should the Group not wish to make any payments, in accordance with IAS 32 the subordinated debt has been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments (Note 37).

In 2018, bonds with a nominal value of €529m were repurchased for a total consideration of €571m (2019: €Nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

36. OTHER RESERVES

Group	Note	2019 €'000	2018 €'000
Financial assets measured at FVOCI reserve			
At 1 January		1,925	4,165
Changes in fair value	*18*	(1,422)	(2,149)
Net movement in reserve before tax	*16*	(1,422)	(2,149)
Deferred tax recognised in other comprehensive income	*16,29*	18	(91)
At 31 December		**521**	**1,925**
Total other reserves		**521**	**1,925**

Other reserves comprise the financial assets measured at fair value through other comprehensive income reserve.

Government bonds are classified as financial assets measured at fair value through other comprehensive income. Changes in fair value are recognised in reserves. No additional government bonds were acquired during the financial year.

The net movement in other reserves before tax for the year was a decrease of €1m (2018: €2m) which reflects the movement in fair value of the government bonds.

37. RECONCILIATION OF RESERVES AND NON-CONTROLLING INTERESTS IN SUBSIDIARIES

Group	2019 €'000	2018 €'000
Retained earnings		
At 1 January	4,246,435	3,430,830
Adjustment on initial application of IFRS 16 (net of tax)	(1,667)	-
Adjustment on initial application of IFRS 9 (net of tax)	-	147,697
At 1 January (restated on initial application of IFRS 16/9)	4,244,768	3,578,527
Profit for the financial year	264,879	794,592
Dividend paid on B ordinary shares	(272)	(454)
Coupon paid on subordinated bonds	(56,009)	(83,856)
Premium on repurchase of subordinated bonds	-	(42,374)
At 31 December	**4,453,366**	**4,246,435**
Non controlling interests		
Profit for the financial year	-	-

Agency	2019 €'000	2018 €'000
Retained earnings		
At 1 January	3,530,910	3,529,999
Adjustment on initial application of IFRS 16 (net of tax)	(1,667)	-
At 1 January (restated on initial application of IFRS 16)	3,529,243	3,529,999
Profit for the financial year	1,348	911
At 31 December	**3,530,591**	**3,530,910**

In March 2019, the Board of NAMAI declared and approved a dividend payment based on the ten year Irish government bond yield as at 31 March 2019. The dividend was paid to the holders of B ordinary shares of NAMAI only, the private investors, who have ownership of 51% in the Company. No dividend was paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company. The dividend payment was €0.00534 per share (2018: €0.00891 per share) amounting to €0.27m (2018: €0.45m).

In February 2019, 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 (2018: €83.86m) due on 1 March 2019 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.

Effective from 1 January 2018, the Group has adopted IFRS 9 which is the standard replacing IAS 39. The Group has assessed the classification and measurement of each of its financial assets based on the contractual cash flow characteristics of the asset and the Group's business model for managing the asset. As a result of this assessment and the transition to fair value accounting for debtor loans, the Group has recognised on 1 January 2018 an adoption adjustment in retained earnings of €169m, before tax of €21m (see Note 29).

Effective from 1 January 2019, the Group has adopted IFRS 16, the standard replacing IAS 17. The Group has recognised a transition adjustment in retained earnings of €1.7m (see note 2.3).

Subordinated bonds with a nominal value of €529m were repurchased for a total consideration of €571m in 2018. The consideration for these transactions along with any incremental transaction costs have been accounted for in equity.

Non-controlling interests in subsidiaries comprise ordinary share capital in subsidiaries not attributable directly or indirectly to the parent entity. In respect of the Group this represents the investment by private investors in the ordinary share capital of NAMAI.

NAMA has, along with the private investors, invested in NAMAI. NAMA holds 49% of the issued share capital of NAMAI and the remaining 51% of the share capital is held by private investors. Under the terms of the shareholders' agreement between NAMA and the private investors, NAMA can exercise a veto over decisions taken by NAMAI.

Under the shareholders' agreement, the maximum return which will be paid to the private investors by way of dividend is restricted to the 10 year Irish Government Bond Yield applying at the date of the declaration of the dividend. In addition the maximum investment return to the private investors is capped under the Articles of Association of NAMAI.

NAMA's ability to veto decisions taken by NAMAI restricts the ability of the private investors to control the financial and operating policies of the Group, and as a result NAMA has effective control over NAMAI and the subsidiaries in the Group, as well as substantially all the economic benefits and risks of the Group. While the private investors are subject to the risk that NAMAI may incur losses and the full value of their investment may not be recovered, they are not required to contribute any further capital to NAMAI.

By virtue of the control NAMA can exercise over NAMAI, NAMA has consolidated NAMAI and its subsidiaries.

38. SHARES AND INVESTMENTS IN GROUP UNDERTAKINGS

NAMAI has €100m in share capital, of which NAMA has invested €49m, receiving 49 million A ordinary shares, and 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 may 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 is restricted and NAMA has effective control of the company. By virtue of this control NAMA has consolidated NAMAI and its subsidiaries and the 51% external investment in NAMAI is reported as a non-controlling interest in these financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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.	49%	100%	Holding company and lending	Ireland
National Asset Management D.A.C.	49%	100%	Debt issuance	Ireland
National Asset Management Group Services D.A.C.	49%	100%	Holding company, securitisation and asset management	Ireland
National Asset Loan Management D.A.C.	49%	100%	Securitisation and asset management	Ireland
National Asset North Quay D.A.C.	49%	100%	Acquisition of certain property assets in settlement of debt owed to NAMA	Ireland
National Asset Property Management D.A.C.	49%	100%	Real estate	Ireland
National Asset Management Services D.A.C.	49%	100%	Holding company for shareholding in a general partnership	Ireland
National Asset JV A D.A.C.	49%	100%	Investments	Ireland
National Asset Residential Property Services D.A.C.	49%	100%	Provision of residential properties for the purposes of social housing	Ireland
National Asset Sarasota Limited Liability Company	49%	100%	Acquisition of property assets located in the US in settlement of debt owed to NAMA	US
Pembroke Ventures D.A.C.	49%	100%	Holding company	Ireland
Pembroke Beach D.A.C.	49%	100%	Acquisition of property assets located in Poolbeg West SDZ	Ireland
Pembroke West Homes D.A.C.	49%	100%	Acquisition of property assets located in Poolbeg West SDZ	Ireland
National Asset Leisure Holdings Limited (in Voluntary Liquidation)	49%	100%	Holding company	Ireland
RLHC Resort Lazer SGPS, S.A.	49%	100%	Facilitate legal restructure	Portugal
RLHC Resort Lazer II SGPS, S.A.	49%	100%	Facilitate legal restructure	Portugal

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.º 64, 1200-204 Lisbon, Portugal.

38.2 INVESTMENT IN SUBSIDIARIES

Agency	2019 €'000	2018 €'000
49,000,000 shares in NAMAI	**49,000**	**49,000**

In 2010, the Agency made an investment of €49m in NAMAI. 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.

38.3 DETAILS OF NON-WHOLLY OWNED SUBSIDIARIES WHERE NAMA HAS A NON-CONTROLLING INTEREST

The remaining 51% of the subsidiaries listed in 38.1 is owned by the private investors, by virtue of their 51% ownership in NAMAI.

A dividend was paid to the private investors during the year of €0.27m (2018: €0.45m). The private investors have no further interest in the group activities or cashflows. Accumulated non-controlling interest at the end of the reporting period was €51m (2018: €51m).

Under the shareholders' agreement, the maximum return which will be paid to the private investors by way of dividend is restricted to the 10 year Irish Government Bond Yield applying at the date of the declaration of the dividend. In addition the maximum investment return to the private investors is capped at 10% of the equity interest under the Articles of Association of NAMAI.

Profits or losses which may arise are allocated to the non-controlling interest in accordance with accounting policy 2.27.

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 2019 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 €38.8m (2018: €39.1m), with a closing payable balance to the NTMA of €5.6m at end-2019 (2018: €6.6m). 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 and interest rate exposure. NAMA is required to post cash collateral with the NTMA under a Collateral Posting Agreement (CPA) to reduce the NTMA's exposure to NAMA derivatives. NAMA acquires Exchequer note investments that were issued by the NTMA. NAMA held no Exchequer notes (2018: €nil) issued by the NTMA at the reporting date which were treated as cash and cash equivalents (see Note 17).

During the year, NAMA incurred costs of €Nil (2018: €1.5k) for insurance costs, payable to the State Claims Agency. The closing payable balance to the State Claims Agency at end-2019 was €Nil (2018: €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 and shared facilities costs of €1m. The charge for Treasury Dock in 2018 was €2.6m. The amount included in the lease liabilities in Note 31 with regard to this lease is €4.5m. The amount included in the right of use assets in Note 30 with regard to this lease is €6.4m.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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 €3.0m (2018: €3.3m), representing the refund of the NTMA's contribution to the pension scheme in respect of these NAMA Officers.

MINISTER FOR FINANCE

The Minister established NAMA under the NAMA Act 2009. Sections 13 and 14 of the Act grant certain powers to the Minister in relation to NAMA. Section 13 provides that the Minister may issue guidelines to NAMA for the purposes of the Act and, in particular, in relation to the purpose of contributing to the social and economic development of the State. NAMA is required to have regard to any such guidelines in performing its functions. Section 14 provides that the Minister may issue directions to NAMA concerning the achievement of the purposes of the Act and, in particular, in relation to the purpose of contributing to the social and economic development of the State. NAMA is obliged to comply with any such direction.

The effect of these statutory provisions is that the Minister has the ability to exercise significant influence over NAMA.

PARTICIPATING INSTITUTIONS

During 2010, a number of legislative measures were enacted that gave the Minister rights and powers over certain financial institutions in respect of various matters of ownership, board composition, acquisition or sale of subsidiaries, business activity, restructuring and banking activity. The Participating Institutions also agreed to consult with the Minister prior to taking any material action which may have a public interest dimension.

Participating Institutions are credit institutions that were designated by the Minister, under Section 67 of the Act, as a Participating Institution. The Participating Institutions that have transferred loan assets to NAMA as at the reporting date are Allied Irish Banks p.l.c (incorporating EBS) and Bank of Ireland.

The Group issued senior and subordinated securities and transferred them to the Participating Institutions in return for loan assets. Transactions with Participating Institutions are disclosed in the financial statements primarily under Note 20, Debtor loans measured at FVTPL and the related Income Statement notes. No loans were sold to participating institutions during 2019 or 2018.

The Group has operating accounts with Allied Irish Banks p.l.c that have a balance of €17m (2018: €16m) at the reporting date. The average closing daily balance throughout the year was €14m (2018: €19m).

Fees payable to the Participating Institutions with respect to loan servicing costs incurred during the year are as follows:

Loan servicing costs	2019 €'000	2018 €'000
Allied Irish Banks p.l.c	2,408	2,516
Bank of Ireland	265	271
	2,673	**2,787**

NEW IRELAND ASSURANCE CO P.L.C.

New Ireland Assurance Co p.l.c, a subsidiary of Bank of Ireland owns 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). 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. NAMA made a payment of €Nil (2018: €18k) relating to the pension levy on the Board fees. 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 five management staff who report to the Chief Executive Officer. During 2019, NAMA had six management staff who reported to the Chief Executive. The aggregate remuneration of the key management personnel is disclosed in Note 13.

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.

	2019 €'000	2018 €'000
Gains on intergroup loan measured at FVTPL:		
Interest on loan to NAM	-	1,258
Other income:		
Agency		
Costs reimbursable from the NAMAI Group	40,828	43,496
Intergroup loan measured at FVTPL:		
Profit participating loan to NAM	3,536,554	3,536,554
Other assets:		
Agency		
Costs reimbursable from NALM	13,520	12,507
Other liabilities:		
Agency		
Amounts due to Group entities	9,360	6,449

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 €0.15m (2018: €0.14m). The balance payable at end-2019 was €53m (2018: €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	2019 €'000	2018 €'000
NAM to NAMGS	4,470,397	4,467,313
NAMGS to NAJV A	20,917	27,709

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

39. RELATED PARTY DISCLOSURES (CONTINUED)

INTERGROUP LOAN AGREEMENTS (CONTINUED)

Intergroup loan agreements	2019 €'000	2018 €'000
NAMAI to NAM	104,056	104,110
NAMGS to NALM	4,449,488	4,439,612
NALM to NARPS	290,666	218,155
NALM to NAPM	6,532	85,293
NALM to NASLLC	2,299	2,198
NALM to NANQ	54,125	81,732
NALM to NAJV A	6,565	31,482
NAPM to NALHL (in Voluntary Liquidation)	100	100
NALM to PB	148,011	-
NALM to PWH	18,546	-

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 and NAPM (combined) include a recharge of €38.8m (2018: €39.1m) in respect of NTMA costs incurred by the Agency. These costs are also included in the consolidated accounts.

NALM Expense type	2019 €'000	2018 €'000
Costs reimbursable to the NTMA	38,809	38,879
Primary servicer fees	7,022	8,258
Master servicer fees	1,525	1,727
Portfolio management fees	1,970	2,363
Legal fees	5,305	8,737
Finance, communication and technology costs	5,406	5,942
Rent and occupancy costs	6,035	6,326
Internal audit fees	667	717
External audit remuneration	806	904
Total NALM administration expenses	**67,545**	**73,853**

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)

NAPM **Expense type**	**2019** **€'000**	**2018** **€'000**
Costs reimbursable to NTMA	–	249
Portfolio management fees	25	77
Legal fees	(30)	(24)
Finance, communication and technology costs	16	39
Total NAPM administration expenses	**11**	**341**

NASLLC **Expense type**	**2019** **€'000**	**2018** **€'000**
Portfolio management fees	80	147
Legal fees	35	11
Finance, communication and technology costs	16	15
Total NASLLC administration expenses	**131**	**173**

NAJV A **Expense type**	**2019** **€'000**	**2018** **€'000**
Portfolio management fees	45	47
Legal fees	160	55
Finance, communication and technology costs	28	2
Total NAJV A administration expenses	**233**	**104**

NARPS **Expense type**	**2019** **€'000**	**2018** **€'000**
Portfolio management fees	65	123
Legal fees	47	24
Finance, communication and technology costs	9	3
Total NARPS administration expenses	**121**	**150**

NANQ **Expense type**	**2019** **€'000**	**2018** **€'000**
Portfolio management fees	6	65
Legal fees	(21)	315
Finance, communication and technology costs	(108)	4
Total NANQ administration expenses	**(123)**	**384**

PV **Expense type**	**2019** **€'000**
External audit remuneration	6
Total PV administration expenses	**6**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

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)

PB **Expense type**	**2019** **€'000**
Portfolio management fees	58
External audit remuneration	10
Total PB administration expenses	**68**

PWH **Expense type**	**2019** **€'000**
Costs reimbursable to PB	4
External audit remuneration	10
Total PWH administration expenses	**14**

RLHC Resort Lazer SGPS, S.A. (RLHC) **Expense type**	**2019** **€'000**	**2018** **€'000**
Professional services	1,146	721
Total RLHC administration expenses[13]	**1,146**	**721**

RLHC Resort Lazer II SGPS, S.A. (RLHC II) **Expense type**	**2019** **€'000**	**2018** **€'000**
Professional services	134	87
Total RLHC II administration expenses[13]	**134**	**87**

40.2 DEBT SECURITIES ISSUED FOR THE PURPOSES OF THE ACT

Group	**2019** **€'000**	**2018** **€'000**
Subordinated debt issued by NAM	1,064,000	1,064,000
Total	**1,064,000**	**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 2019 € '000**	**Outstanding at 31 Dec 2018 € '000**
AIB	417,000	417,000
BOI	70,000	70,000
Other Noteholders	557,000	557,000
EBS	20,000	20,000
Total	**1,064,000**	**1,064,000**

13 *These amounts are estimated based on 31 December 2018 audited accounts, pending final 2019 year-end audited accounts being provided. The 2018 comparatives were based on 31 December 2017 audited accounts. As set out in Note 38.4, these investments are not consolidated into the NAMA Group financial statements.*

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.

40.5 ADVANCES MADE BY NAMA TO DEBTORS VIA PARTICIPATING INSTITUTIONS IN THE FINANCIAL YEAR

Participating Institution	Amount advanced 2019 €'000	Amount advanced 2018 €'000
AIB	397,014	460,026
Link Asset Services	7,865	33,091
Total	**404,879**	**493,117**

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	2019 €'000	2018 €'000
Investment in NAMAI	49,000	49,000
Cash and cash equivalents	176	132
Interest receivable on loan to NAM	3,536,554	3,536,554
Intergroup receivable	13,520	12,507
Other receivables	12	609
Total	**3,599,262**	**3,598,802**

NAMAI	2019 €'000	2018 €'000
Intergroup loan to NAM	99,900	99,900
Interest on intergroup loan	4,156	4,210
Cash and cash equivalents	251	251
Other assets	6	-
Total	**104,313**	**104,361**

NAM	2019 €'000	2018 €'000
Profit participating loan with NAMGS	994,969	997,678
Interest on profit participating loan	3,475,428	3,469,635
Tax prepayments	1,972	2,000
Total	**4,472,369**	**4,469,313**

NAMGS	2019 €'000	2018 €'000
Intergroup loan with NALM	1,002,455	1,005,271
Profit participating loan with NAJV A	20,917	8,624
Interest receivable on loans	3,447,033	3,453,425
Intergroup receivable	2	22
Other assets	574	-
Total	**4,470,981**	**4,467,342**

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)

NALM	2019 €'000	2018 €'000
Cash and cash equivalents	3,472,375	2,569,748
Cash placed as collateral with the NTMA	25,000	25,000
Government bonds	342,052	470,746
Derivative financial instruments	208	7,726
Debtor loans	1,205,587	1,891,630
Intergroup assets	589,307	478,129
Accrued interest receivable	-	780
Investments in equity instruments	5,381	18,573
Inventories – trading properties	55	1,266
Other assets	24,471	18,276
Total	**5,664,436**	**5,481,874**

NANQ	2019 €'000	2018 €'000
Cash and cash equivalents	36,065	35,880
Debtor loans	135	5,903
Inventories – trading properties	9,661	15,423
Intergroup assets	-	24,627
Other assets	26	3
Total	**45,887**	**81,836**

NAPM	2019 €'000	2018 €'000
Cash and cash equivalents	176	81,364
Inventories – trading properties	100	100
Intergroup receivable	-	98
Other assets	166	-
Total	**442**	**81,562**

NARPS	2019 €'000	2018 €'000
Cash and cash equivalents	1,990	2,167
Inventories – trading properties	-	211,644
Investment properties	287,565	-
Other assets	1,227	989
Total	**290,782**	**214,800**

40.6 ASSET PORTFOLIOS HELD BY NAMA AND EACH NAMA GROUP ENTITY (CONTINUED)

NAJV A	2019 €'000	2018 €'000
Cash and cash equivalents	1,281	349
Investments in equity instruments	13,521	35,967
Debtor loans	21,445	27,929
Total	**36,247**	**64,245**

NASLLC	2019 €'000	2018 €'000
Inventories – trading properties	**881**	**1,314**

PV	2019 €'000
Investment in subsidiaries	**-**

PB	2019 €'000
Inventories – trading properties	142,066
Other assets	89
Intergroup receivable	6
	142,161

PWH	2019 €'000
Inventories – trading properties	**17,792**

NALHL (in Voluntary Liquidation)	2019 €'000	2018 €'000
Investment in subsidiaries[14]	**1,392**	**4,137**

RLHC Resort Lazer SGPS, S.A. (RLHC)	2019 €'000	2018 €'000
Investment in subsidiaries[14]	**1,224**	**3,705**

RLHC Resort Lazer II SGPS, S.A. (RLHC II)	2019 €'000	2018 €'000
Investment in subsidiaries[14]	**168**	**432**

14 These amounts are estimated based on 31 December 2018 audited accounts, pending final 2019 year-end audited accounts being provided. The 2018 comparatives were based on 31 December 2017 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 2019 €'000	Amount in issue at 31 December 2018 €'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 2010. 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) DIVIDEND

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 dividend payment was €0.00067 per share amounting to €0.034m in total.

B) COUPON ON SUBORDINATED DEBT

On 2 March 2020, NAMA made a coupon payment of €56.01m on the servicing of interest on the subordinated debt. For more information on subordinated debt, see Note 35, Other equity.

C) REPAYMENT OF SUBORDINATED DEBT

On 1 March 2020, NAMA called the subordinated debt on the first call date and all the remaining subordinated debt of €1.064bn was repaid in full on 2 March 2020. For more information on subordinated debt, see Note 35, Other equity.

D) SURRENDER OF TREASURY BUILDING LEASES

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.

E) COVID-19

In March 2020, the World Health Organisation declared a global pandemic related to Covid-19 and many governments worldwide took measures to restrict the spread of the Covid-19 virus. Measures to prevent transmission of the virus include limiting the movement of people, restricting travel, temporarily closing businesses and schools and cancelling events. This has impacted supply chains and the production of goods throughout the world. The related dramatic fall in economic activity has resulted in reduced demand for many goods and services and, given the high level of uncertainty with regard to Covid-19, will also have a negative impact on medium and longer term economic activity.

E) COVID-19 (CONTINUED)

These measures and the consequent impact on NAMA's debtors and market participants may result in a reduction in demand for the collateral underlying NAMA's debtor loans, equity investments and property assets with consequent reductions in market activity, asset valuations and future cash generation. NAMA continues to assess the risks associated with Covid-19 and is taking steps to protect its staff and other stakeholders and to limit the negative operational and financial impact. NAMA is operating in line with governmental advice within a framework established by a Crisis Management Committee.

Owing to a scarcity of market transactions and lack of visibility as to how long the market disruption will last, it has not been possible to quantify the impact of the Covid-19 measures on the valuation of NAMA's financial assets or property assets as at the date of signing the financial statements.

43. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved by the Board and authorised for issue on 22 April 2020.

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.

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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Printed on environmentally friendly paper

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