National Asset Management Agency

Unaudited Quarterly Accounts of the National Asset Management Agency and its Group Entities

For the quarter ended 31 December 2012

Contents

Board and other information

Board

Frank Daly (Chairman)
Brendan McDonagh, Chief Executive Officer NAMA
John Corrigan, Chief Executive Officer NTMA
Eilish Finan (non-executive)
Brian McEnery (non-executive)
John Mulcahy, Head of Asset Management NAMA, (appointed 7 March 2012)
Steven Seelig (non-executive)
Willie Soffe (non-executive)

Registered Office

Treasury Building
Grand Canal Street
Dublin 2

Bankers

Central Bank of Ireland
Dame Street
Dublin 2

Citibank
IFSC
Dublin 1

General information

The National Asset Management Agency (NAMA) was established by the Minister for Finance in November 2009. NAMA is a separate statutory body, with its own Board and Chief Executive, and operates in accordance with the National Asset Management Agency Act 2009 (the Act).

Under Section 10 of the Act, NAMA's purposes are to contribute to the achievement of the purposes of the Act by:
(a) acquiring bank assets from the Participating Institutions;
(b) dealing expeditiously with the acquired assets;
(c) protecting and enhancing the value of assets acquired by it in the interests of the State.

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').

On 1 July 2011 AIB merged with EBS. On 1 July 2011 the business of INBS transferred to Anglo and on 14 October 2011 the latter's name was changed to Irish Bank Resolution Corporation ('IBRC').

Group structure

In accordance with the Act and to achieve its objectives, the Agency has set up certain special purpose vehicles (SPV). These are known as NAMA Group Entities. The relationship between the NAMA Group entities is summarised in Chart 1. The SPVs established are as follows;

National Asset Management Agency Investment Limited (NAMAIL)
NAMAIL 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 NAMAIL, receiving 49m A ordinary shares. The remaining €51m was invested in NAMAIL by private investors, each receiving an equal share of 51m B ordinary shares. Under the terms of a shareholders' agreement between NAMA, the private investors and NAMAIL, NAMA can exercise a veto over decisions taken by NAMAIL. 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.

National Asset Management Limited (NAML)
NAML is responsible for issuing the Government guaranteed debt instruments, and the subordinated debt, which are used as consideration in acquiring loan assets from the Participating Institutions. The Government guaranteed debt securities issued by NAML are listed on the Irish Stock Exchange. Both the Government guaranteed debt instruments and the subordinated debt instruments are transferred to National Asset Management Group Services Limited (NAMGSL) and by it to National Asset Loan Management Limited (NALML). The latter uses these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

NAML has five subsidiaries. These are referred to as the NAML Group or the Group:

National Asset Management Group Services Limited (NAMGSL)
NAMGSL acts as the holding company for its three subsidiaries, National Asset Loan Management Limited, National Asset Property Management Limited and National Asset Management Services Limited.

NAMGSL acquires the debt instruments issued by NAML under a profit participating loan (PPL) agreement, and in turn, makes these debt instruments available to NALML on similar terms.

NAMGSL is wholly owned by NAML.

National Asset Loan Management Limited (NALML)
The purpose of NALML is to acquire, hold, and manage the loan assets acquired from the Participating Institutions.

National Asset Property Management Limited (NAPML)

The purpose of NAPML is to take direct ownership of property assets if and when required. During the year, certain land and development sites were acquired as consideration for the settlement of a guarantee held by NALML. At the reporting date ownership of the majority of property interests was transferred from NALML to NAPML, all remaining properties were transferred in quarter one 2013. In addition minor non-real estate assets were also acquired during the year.

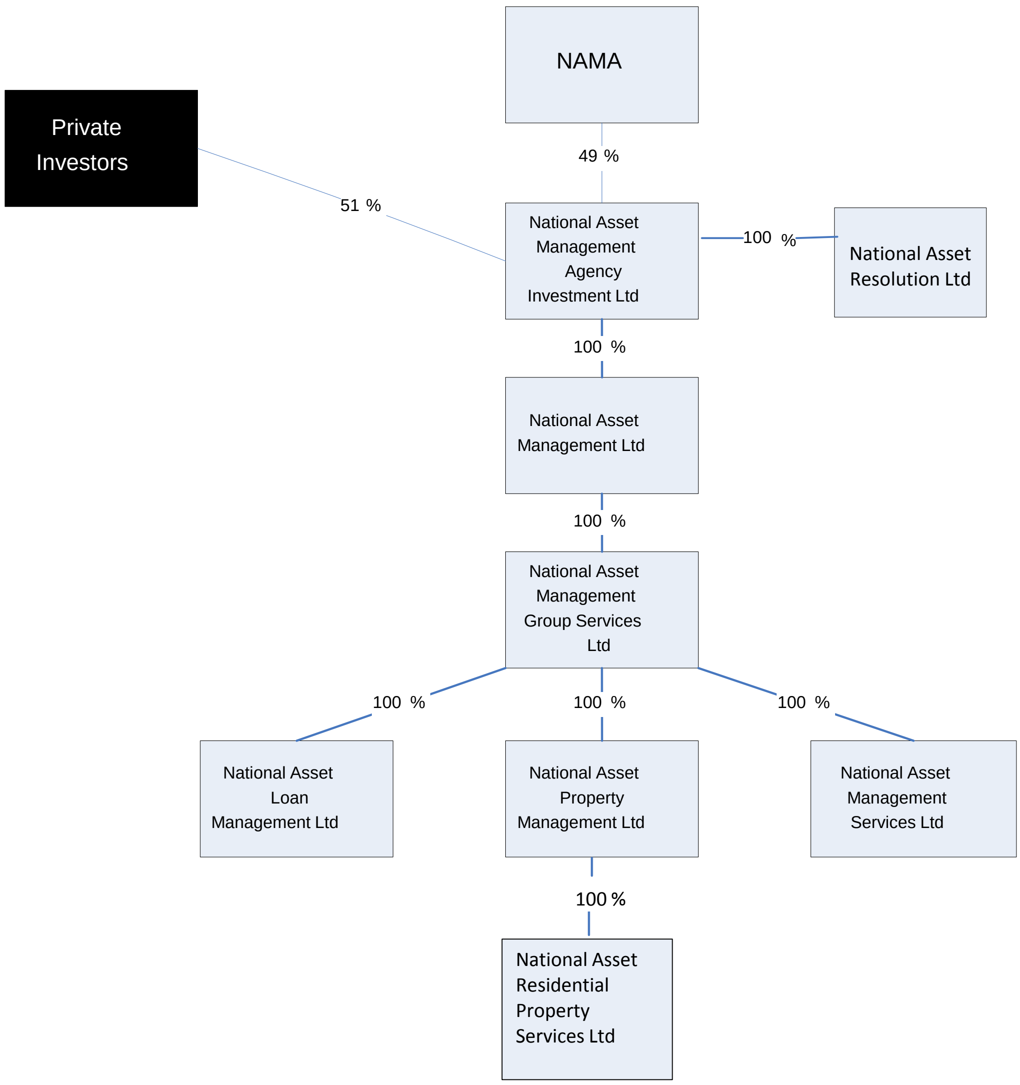
National Asset Residential Property Services Limited (NARPSL)
On 16 July 2012 NAMA established a new subsidiary National Asset Residential Property Services Limited (NARPSL). The Company is a wholly owned subsidiary of NAPML, and is established to acquire residential properties and to lease these properties to approved housing bodies for social housing purposes. At the reporting date no properties had yet been directly acquired by NARPSL, however a total of 192 residential units had been sold by NAMA debtors to housing agencies.

National Asset Resolution Limited (NARL)
On 11 February 2013, NAMA established a new NAMA Group Entity, National Asset Resolution Limited (NARL). The entity was formed in response to a Direction issued by the Minister for Finance under the Irish Bank Resolution Corporation Act 2013, to NAMA to acquire a floating charge over certain IBRC assets which are currently used as collateral by IBRC as part of its repo arrangements with the Central Bank**.** As consideration for the floating charge, NAML expects to issue Senior Bonds (guaranteed by the Minister for Finance) to the Central Bank. NARL is a 100% subsidiary of NAMAIL.

National Asset Management Services Limited (NAMSL)
NAMSL is a non-trading entity and has no activity at present.

The address of the registered office of each company is Treasury Building, Grand Canal Street, Dublin 2. Each company is incorporated and domiciled in the Republic of Ireland.

Chart 1 NAMA Group Entities



The NTMA provides NAMA with business and support services, and will assign staff to NAMA as deemed necessary. NAMA reimburses the NTMA for the costs of staff and services provided.

Quarterly financial information

In accordance with Section 55 of the Act, NAMA is required every three months to report to the Minister on its activities and the activities of each NAMA Group Entity, referred to in the Act as the 'quarterly report' or 'the accounts'. Section 55 of the Act sets out certain financial and other information to be provided in each quarterly report.

The financial information for all entities is presented showing items of income and expenditure for the quarter from 1 October 2012 to 31 December 2012 and also the cumulative results to date from 1 January 2012 to 31 December 2012.

The balance sheets are presented as at 31 December 2012 and 30 September 2012. The cash flow statements for the NAML Group only are presented for all cash movements for the quarter from 1 October 2012 to 31 December 2012 and also the cumulative results to date from 1 January 2012 to 31 December 2012.

The financial information provided in this report includes details of all NAMA Group Entities and includes accounts for:

1. The National Asset Management Agency (non-consolidated)

2. National Asset Management Agency Investment Limited (non-consolidated)

3. Consolidated accounts of National Asset Management Limited Group

Annual Financial Report

In accordance with Section 57 of the Act, NAMA and each NAMA group entity shall submit its accounts to the Comptroller and Auditor General (C&AG) for audit within two months after the end of the financial year to which they relate. On 28 February 2013, NAMA submitted its accounts for the year ended 31 December 2012. The audit of these accounts is ongoing at the date of completion of these quarterly accounts.

Actual audited results of the full year accounts may differ from quarterly management accounts.

The National Asset Management Agency (the Agency)

The Agency (non-consolidated) reported a loss for the quarter of €0.2m (quarter 3: €0.3m).

The Agency incurs all administrative costs on behalf of the NAML Group for personnel and services such as Finance, ICT, HR and Risk, which are charged to it by the NTMA. These costs are reimbursed to the Agency by the NAML Group. The total charge to the Agency by the NTMA in the quarter was €9.8m (quarter 3: €11.6m), of which €8.3m (quarter 3: €6.7m) related to salary costs. Board and Advisory Committee fees and expenses of the Group are incurred directly by the Agency and are not reimbursed by the NAML Group. Board fees and expenses for the quarter were €0.13m (quarter 3: €0.15m).

NAMA has a €49m investment in NAMAIL, representing a 49% ownership in NAMAIL and the NAML Group. The Agency initially funded this investment with a loan of €49m from the Exchequer. The loan together with accrued interest was repaid to the Exchequer on 25 February 2011. On the same day, NALML provided a loan of €52m to the Agency at an interest rate set at six month Euribor.

National Asset Management Agency Investment Limited (NAMAIL)

NAMAIL made a profit after tax and before dividend payment of €0.004m in the quarter (quarter 3: €0.056m). The Company provided an inter company loan of €99.9m to the NAML Group on 1 April 2010. The interest rate on the loan was reset to 0.25% on 1 July 2012 (1 Jan 2012: 7%, 2011: 12.5%).

The Company paid a dividend of €0.06778 per B ordinary share amounting to €3.457m on 30 March 2012, from its retained earnings. No dividend was paid to NAMA, the holder of A ordinary shares.

Consolidated accounts of National Asset Management Limited (NAML Group)

The NAML Group is the main commercial entity of the Group. It made an operating loss after impairment and tax of €133m in the quarter (quarter 3: operating profit of €141m). The operating profit result is primarily generated by NALML from its loans and receivables portfolio which was acquired from the Participating Institutions.

Further details of the income statements and balance sheets by NAMA Group Entity are provided on pages 35-38.

Unaudited Quarterly Accounts of the National Asset Management Agency

For the quarter ended 31 December 2012

Income statement

	Note	For the period from 1 Oct 2012 to 31 Dec 2012 €'000	For the period from 1 Jan 2012 to 31 Dec 2012 €'000
Income			
Interest income	*3*	-	2
Other income	*4*	10,443	38,067
Total income		**10,443**	**38,069**
Expenses			
Agency costs	*5*	(10,572)	(38,584)
Interest expense	*6*	(85)	(600)
Net expense for period		**(214)**	**(1,115)**

Balance Sheet

	Note	31 Dec 2012 €'000	30 Sep 2012 €'000
Assets			
Cash		1,268	1,631
Other receivables	*8*	9,285	12,038
Property, plant and equipment	*9*	831	814
Investments	*7*	49,000	49,000
Total assets		**60,384**	**63,483**
Liabilities			
Interest bearing loans	*10*	53,320	53,235
Other liabilities	*11*	10,029	12,999
Total liabilities		**63,349**	**66,234**
Equity			
Retained losses		(2,965)	(2,751)
Total equity and liabilities		**60,384**	**63,483**

The accompanying notes 1 to 11 form an integral part of these accounts.

1. General information

The National Asset Management Agency owns 49% of the NAMA group entity National Asset Management Agency Investment Limited. The remaining 51% of the shares are held by private investors.

2. Summary of significant accounting policies

Basis of preparation

The Agency's accounts for the period to 31 December 2012 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of S55 of the Act.

The accounts are for the Agency only, and they have been prepared on a non-consolidated basis.

2.2 Basis of measurement
The accounts have been prepared under the historical cost convention.

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

2.3 Investment in subsidiary
Investments in subsidiary is accounted for at cost less impairment.

2.4 Cash and cash equivalents
Cash comprises cash on hand.

2.5 Property, plant and equipment
The Agency incurred costs for the fit-out of leased office space. Costs incurred are capitalised in the balance sheet as property, plant and equipment. The recognised asset is depreciated on a straight line basis over 10 years. A full year's depreciation is recognised in the year the asset is capitalised.

2.6 Financial liabilities
The Agency carries all financial liabilities at amortised cost.

3 Interest income

Interest income is earned on the Agency's cash balances held with the Central Bank of Ireland.

4 Other income

	For the period from 1 Oct 2012 to 31 Dec 2012 €'000	For the period from 1 Jan 2012 to 31 Dec 2012 €'000
Costs reimbursed from NAML Group	9,844	36,890
Other income	599	1,177
Total other income	**10,443**	**38,067**

These relate to salary costs, overheads and rent expense which are incurred by NAMA (see note 5), and reimbursed to NAMA by its Group entities. Board and Advisory Committee fees and board expenses paid by NAMA are not reimbursed.

5 Agency costs

	For the period from 1 Oct 2012 to 31 Dec 2012 €'000	For the period from 1 Jan 2012 to 31 Dec 2012 €'000
Costs reimbursable to the NTMA	9,844	36,890
NAMA Board and Committee Fees	130	516
Rent expense	598	1,178
Total Agency costs	**10,572**	**38,584**

Under Section 42 (4) of the Act, the Agency shall reimburse the NTMA for the costs incurred by the NTMA as a consequence of its assignment of staff to the NAMA Group Entities. See 5.1 below for further breakdown of such costs.

NAMA Board and Advisory Committee fees are paid to Board members and external members of Committees. Brendan McDonagh (CEO, NAMA), John Corrigan (CEO, NTMA) and John Mulcahy (Head of Asset Management, NAMA) receive no payment as members of the Board.

5.1 Costs reimbursable to NTMA	**For the period from 1 Oct 2012 to 31 Dec 2012 €'000**	**For the period from 1 Jan 2012 to 31 Dec 2012 €'000**
Staff costs	8,326	27,793
Overheads & shared service costs	1,518	9,097
Total	**9,844**	**36,890**

6 Interest expense	**For the period from 1 Oct 2012 to 31 Dec 2012 €'000**	**For the period from 1 Jan 2012 to 31 Dec 2012 €'000**
Interest expense on inter-group loan	**85**	**600**

Interest on the inter-group loan is charged at the six month Euribor rate.

7 Investments	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
49,000,000 ordinary A shares in NAMAIL	**49,000**	**49,000**

8 Other receivables	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
Costs reimbursable from NAML	9,285	11,919
Other receivables	-	119
Total	**9,285**	**12,038**

9 Property, plant and equipment	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
Lease fit out costs	**831**	**814**

The fixed assets relates to lease fit out costs incurred to date. The asset is depreciated on a straight line basis at rate of 10% per annum.

10 Interest bearing loans and borrowings	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
Inter-group loan	52,000	52,000
Interest payable on inter-group loan	1,320	1,235
	53,320	**53,235**

On 25 February 2011 NAML issued a loan of €52m to the Agency. The interest rate on this loan is set at the six month Euribor. This loan was advanced to the Agency in order for it to repay its initial funding from the Exchequer.

11 Other liabilities	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
Costs payable to the NTMA and other NAMA group entities	9,606	12,719
Other liabilities	423	280
	10,029	**12,999**

Unaudited Quarterly Accounts for National Asset Management Agency Investment Limited

For the quarter ended 31 December 2012

Income Statement

	Note	For the period from 1 Oct 2012 to 31 Dec 2012 €'000	For the period from 1 Jan 2012 to 31 Dec 2012 €'000
Interest income	*3*	4	3,603
Interest expense		-	-
Net interest income		4	3,603
Administration expenses		-	-
Operating profit before tax and dividend payment		4	3,603
Tax expense	*4*	-	(450)
Profit before dividend payment		**4**	**3,153**
Reserves brought forward	*10*	8,152	8,460
Retained earnings before dividend payments		**8,156**	**11,613**
Dividend paid	*5*	-	(3,457)
Retained earnings at 31 December 2012		**8,156**	**8,156**

The accompanying notes 1 to 10 form an integral part of these accounts.

Balance Sheet

	Note	31 Dec 2012 €'000	30 Sep 2012 €'000
Assets			
Investment in subsidiary	*6*	-	-
Loans receivable from group entity	*7*	118,993	118,989
Total assets		**118,993**	**118,989**
Liabilities			
Amounts due to group entity	*8*	10,797	10,787
Current tax liability		40	50
Total liabilities		**10,837**	**10,837**
Equity			
Share capital	*9*	10,000	10,000
Share premium	*9*	90,000	90,000
Retained earnings	*10*	8,156	8,152
Total equity		**108,156**	**108,152**
Total equity and liabilities		**118,993**	**118,989**

The accompanying notes 1 to 10 form an integral part of these accounts.

1 General Information

National Asset Management Agency Investment Limited was established on 27 January 2010 to facilitate the participation of private investors in NAMA. It is the ultimate parent company for the NAMA group entities. On 29 March 2010, NAMA and private investors subscribed a total of €100 million for A and B shares in the Company.

The Agency owns 49% of the Company and the remaining 51% of the shares in the Company are held by private investors.

The Agency may exercise a veto power in respect of decisions of the Company relating to the interests or objectives of NAMA or the State or any action which may adversely affect the financial interests of NAMA or the State.

The address of the registered office of the Company is Treasury Building, Grand Canal Street, Dublin 2. The Company is incorporated and domiciled in the Republic of Ireland.

2 Summary of significant accounting policies

2.1 Basis of preparation

The Company's accounts for the period to 31 December 2012 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of S55 of the Act.

The accounts are for the Company only, and they have been prepared on a non-consolidated basis.

2.2 Basis of measurement

The financial statements have been prepared under the historical cost convention.

The accounts are presented in euro (or €), which is the Company's functional and presentational currency. The figures shown in the accounts are stated in € thousands.

2.3 Intergroup receivables

Loans and receivables are initially recognised at fair value. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Loans and receivables are subsequently held at amortised cost.

2.4 Inter-group payables

The Company carries all inter-group payables at amortised cost.

2.5 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.

2.6 Taxation

Current income tax
Current income tax is the expected tax payable on the taxable income for the year using tax rates enacted or substantively enacted at the reporting date and any adjustment to tax payable in respect of previous years.

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.

The Company does not offset current income tax liabilities and current income tax assets.

2.7 Share capital

(a) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved and paid by the Company's Board.

3 Interest income	**For the period from 1 Oct 2012 to 31 Dec 2012 €'000**	**For the period from 1 Jan 2012 to 31 Dec 2012 €'000**
Interest income earned on inter-group loan	**4**	**3,603**

On 1 April 2010, the Company provided a loan of €99.9m to National Asset Management Limited. The interest rate on the loan was reset to 0.25% on 1 July 2012 (1 Jan 2012: 7%).

4 Tax expense	**For the period from 1 Oct 2012 to 31 Dec 2012 €'000**	**For the period from 1 Jan 2012 to 31 Dec 2012 €'000**
Profit before tax	4	3,603
Tax expense for the period (12.5% of profit before tax)	**-**	**(450)**

5 Dividend declared and paid	**For the period from 1 Oct 2012 to 31 Dec 2012 €'000**	**For the period from 1 Jan 2012 to 31 Dec 2012 €'000**
Dividend paid	**-**	**(3,457)**

On 30 March 2012 the Board declared and approved a dividend payment of €0.06778 per share, amounting to €3.457m. The amount of dividend per share was based on the ten year Irish government bond yield as at 30 March 2012. The dividend was paid on 30 March 2012 to the holders of B ordinary shares only, the private investors, who have an ownership of 51% in the Company. No dividend was paid to the A ordinary shareholders (NAMA the Agency, who has a 49% ownership in the Company).

6 Investment in subsidiary

NAMAIL holds 100 €1.00 ordinary shares in NAML representing 100% of the issued share capital of NAML.

7 Loans receivable from group entity	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
Loan receivable from NAML	99,900	99,900
Accrued interest on inter-group loan	19,093	19,089
Loan receivable from group entity	**118,993**	**118,989**

NAMAIL issued a loan of €99.9m to NAML at an interest rate to be reviewed quarterly. This rate was set at 0.25% from 1 July 2012 (1 Jan 2012: 7%).

8 Amounts due to group entity	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
Amounts due from NALML	(100)	(100)
Loan due to NALML	10,897	10,887
Amounts due to group entity	**10,797**	**10,787**

The loan due to NALML primarily relates to dividend payments for 2010 and 2011 totalling €8.551m made by NALML on behalf of NAMAIL. The balance relates to taxes paid by NALML on behalf of NAMAIL.

9 Share capital and share premium	**Number**	**€'000**
At 31 December 2012		
Authorised:		
A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100
Issued and fully paid during the period:		
A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100
Share premium A Ordinary Shares		44,100
Share premium B Ordinary Shares		45,900
	100,000,000	**100,000**

A Ordinary shares are held by NAMA. B Ordinary shares are held by private investors.

10 Reconciliation of reserves	**31 Dec 2012 €'000**	**30 Sep 2012 €'000**
Retained earnings at beginning of period	8,152	8,096
Profit before dividend payment for the period	4	56
Total retained earnings at end of period	**8,156**	**8,152**
Dividend paid	**-**	**-**
Retained earnings at end of period	**8,156**	**8,152**

Unaudited Quarterly Consolidated Accounts for National Asset Management Limited

For the quarter ended 31 December 2012

Consolidated Income Statement

	Note	For the period from 1 Oct 2012 to 31 Dec 2012 €'000	For the period from 1 Jan 2012 to 31 Dec 2012 €'000
Interest and fee income	*3*	330,438	1,387,421
Interest expense	*4*	(128,481)	(496,107)
Net interest income		**201,957**	**891,314**
Net profit on disposal of loans, property and surplus income	*5*	56,437	188,227
Gains/(losses) on derivative financial instruments	*6*	18,188	(37,939)
Total operating income		**276,582**	**1,041,602**
Administration expenses	*7*	(34,569)	(118,601)
Foreign exchange gains / (losses)	*8*	(32,221)	(99,432)
Operating profit before impairment		**209,792**	**823,569**
Impairment charges on loans and receivables	*9*	(389,226)	(517,841)
(Loss)/profit for the period before tax		**(179,434)**	**305,728**
Tax (charge)/credit	*17*	46,835	(75,350)
(Loss)/profit for the period after tax		**(132,599)**	**230,378**

The accompanying notes 1 to 22 form an integral part of these accounts.

Consolidated Balance Sheet

	Note	31 Dec 2012 €'000	30 Sep 2012 €'000
Assets			
Cash and cash equivalents	*10*	2,234,554	2,722,449
Cash placed as collateral with the NTMA	*10*	1,150,000	1,150,000
Financial assets available for sale	*11*	257,932	259,972
Receivable from Participating Institutions	*12*	78,953	136,760
Derivative financial instruments	*13*	350,706	359,885
Loans and receivables	*14*	22,776,261	24,009,593
Other assets	*15*	98,583	105,842
Trading properties	*16*	6,758	7,232
Deferred tax asset	*17*	341,625	287,937
Total assets		**27,295,372**	**29,039,670**
Liabilities			
Payable to Participating Institutions	*12*	36,423	38,042
Derivative financial instruments	*13*	1,168,688	1,333,305
Debt securities in issue	*18*	25,440,000	26,957,000
Other liabilities	*19*	290,373	194,833
Total liabilities		**26,935,484**	**28,523,180**
Equity			
Share capital	*20*	-	-
Other equity instruments	*21*	1,593,000	1,594,000
Retained earnings		(710,897)	(578,298)
Other reserves	*22*	(522,215)	(499,212)
Total equity		**359,888**	**516,490**
Total equity and liabilities		**27,295,372**	**29,039,670**

The accompanying notes 1 to 22 form an integral part of these accounts.

Consolidated Statement of Cash Flows
for the period ended 31 December 2012

	Note	For the period from 1 Oct 2012 to 31 Dec 2012 €'000	For the period from 1 Jan 2012 to 31 Dec 2012 €'000
Cash flow from operating activities			
Loans and receivables			
Receipts from borrowers		1,190,144	4,475,725
Advances to borrowers		(101,399)	(308,409)
AIB Tranche 9 partial settlement received		-	511
Fee income received on loans with borrowers		5,286	29,650
Net cash provided by loans and receivables		**1,094,031**	**4,197,477**
Derivatives			
Cash inflow on foreign currency derivatives		2,501,464	17,551,528
Cash outflow on foreign currency derivatives		(2,528,170)	(17,806,902)
Net cash inflow on derivatives where hedge accounting is applied		-	(51,741)
Net cash outflow on other derivatives		(28,582)	(55,440)
Net cash used in derivatives		**(55,288)**	**(362,555)**
Other operating cashflows			
Interest expense on debt securities in issue		(2,403)	(443,557)
Payments to suppliers of services		(37,965)	(154,832)
Amounts pledged as collateral with NTMA		-	(1,150,000)
Interest expense on redemption of debt securities		-	-
Interest received on cash and cash equivalents		16,744	26,433
Dividend paid on behalf of NAMA IL		-	(3,457)
Fee income earned on IBRC repurchase agreement		-	14,628
Net cash used in other operating activities		**(23,624)**	**(1,710,785)**
Net cash provided by operating activities		**1,015,119**	**2,124,137**
Cash flow from investing activities			
Purchase of available for sale assets		-	(563,414)
Sale / settlement of available for sale assets		-	827,001
Net cash provided by investing activities		**-**	**263,587**
Cash flow from financing activities			
Redemption of senior debt securities		(1,500,000)	(3,500,000)
Net cash used in financing activities		**(1,500,000)**	**(3,500,000)**
Cash and cash equivalents at the beginning of the period		2,722,449	3,345,363
Net cash provided by operating activities		1,015,119	2,124,137
Net cash provided by investing activities		-	263,587
Net cash used in financing activities		(1,500,000)	(3,500,000)
Effects of exchange-rate changes on cash and cash equivalents		(3,014)	1,467
Cash and cash equivalents at 31 December 2012	10	**2,234,554**	**2,234,554**
Liquid assets held			
Financial assets available for sale	11	257,932	257,932
Amounts pledged as collateral with NTMA	10	1,150,000	1,150,000

1 General Information

The Company's immediate parent company is NAMAIL. The Agency owns 49% of the Company and the remaining 51% of the shares in the Company are held by private investors.

The Agency may exercise a veto power in respect of decisions of the Company relating to the interests or objectives of NAMA or the State or any action which may adversely affect the financial interests of NAMA or the State.

The address of its registered office is Treasury Building, Grand Canal Street, Dublin 2.

2 Summary of significant accounting policies

2.1 Basis of preparation

The Group's consolidated accounts for the period to 31 December 2012 are presented in accordance with its accounting policies for the purposes of complying with the requirements of S55 of the Act.

The preparation of these accounts requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the accounts in the period the assumptions change. Management believes that the underlying assumptions are appropriate and that the Group's accounts therefore present the financial position and results fairly.

2.2 Basis of measurement

The consolidated accounts have been prepared under the historical cost convention, except for loans and receivables which are carried at amortised cost, and all derivative contracts which have been measured at fair value.

The consolidated accounts are presented in euro (or €), which is the Group's functional and presentational currency. The figures shown in the consolidated accounts are stated in (€) thousands.

2.3 Consolidation

Investments in subsidiaries are accounted for at cost less impairment. Accounting policies of the subsidiaries are consistent with the Group's accounting policies.

Inter-group 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.

Unless otherwise stated, the Group has a 100% holding in all subsidiaries.

2.4 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 the entity operates ('the functional currency').

The consolidated financial statements are presented in euro, which is the Group's presentation and functional 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 transaction.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. 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. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at quarter end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

All foreign exchange gains and losses recognised in the income statement are presented in foreign exchange gains and losses as a separate line item in the consolidated income statement.

2.5 Financial assets – Loans and receivables

The Group classifies its financial assets in to the following categories:
(a) Financial assets at fair value through profit or loss,
(b) Loans and receivables,
(c) Financial assets available for sale

(a) Financial assets at fair value through profit or loss

This category of assets comprises derivatives other than derivatives that are designated and are effective as hedging instruments. These assets are recognised initially at fair value and transaction costs are taken directly to the consolidated income statement. Interest income and expense arising on these assets are included in interest income and interest expense. Fair value gains and losses on these financial assets are included in gains and losses on derivative financial instruments in the consolidated income statement or as part of foreign exchange gains and losses where they relate to currency derivatives.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans acquired by the Group are treated as loans and receivables because the original contracts provided for payments that were fixed or determinable. The Group has classified the loan assets it acquired from Participating Institutions as loans and receivables.

Loans and receivables are initially recognised at fair value plus transaction costs. Loan assets acquired by the Group from Participating Institutions, as provided for in the Act, are treated as having a fair value at initial recognition equal to the acquisition price paid for the asset, taking into account any cash flow movements in the loan balance between the valuation date and transfer date.

Loans and receivables are subsequently measured at amortised cost using the effective interest rate method.

Loans and receivables are classified as follows;

- Land and development loans
- Investment property loans

Land and development loans include loans on land which have been purchased for the purpose of development, and loans secured on partly developed land.

Investment property loans are loans secured on any property purchased with the primary intention of retaining it and enjoying the total return, i.e. income and/or capital appreciation, over the life of the interest acquired. This would include loans secured on completed residential property developments that are classified as investment property loans.

(c) Available for sale

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss. Available for sale financial assets are those intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Available for sale financial assets are initially recognised at fair value plus transaction costs. They are subsequently held at fair value. Interest income calculated using the effective interest method is recognised in profit or loss. Other changes in the carrying amount of available for sale financial assets are recognised in other comprehensive income in the available for sale reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available for sale reserve is reclassified to profit or loss.

2.6 Financial liabilities

The Group carries all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are measured at fair value. Further information on derivative liabilities is included in accounting policy 2.13.

2.7 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.

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments is recognised in interest income and interest expense in the income statement using the effective interest rate ('EIR') method.

The EIR method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments or receipts over the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the EIR, the Group estimated cash flows using the mandated LTEV methodology but did not consider future credit losses beyond any already recognised in the acquisition price of loans. The calculation includes transaction costs and all fees paid or received between parties to the contract that are an integral part of the EIR.

Where loan cash flows cannot be reliably estimated on initial recognition (generally when the due diligence process has not yet completed), interest income is recognised on a contractual interest receipts basis until the cash flows can be estimated, at which time interest income will be recognised using the EIR method.

When a loan and receivable is impaired, the Group reduces the carrying amount to its estimated recoverable amount (being the estimated future cash flows discounted at the original EIR) and continues unwinding the remaining discount as interest income.

Once a financial asset (or a group of similar financial assets) has been written down as a result of an impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Interest income on impaired loans is only recognised on the unimpaired amount of the loan balance using the original EIR rate.

Fees and commissions which are not an integral part of the EIR are recognised on an accrual basis when the service has been provided.

2.9 Fee income

Fee income that is an integral part of calculating the EIR or originating a loan is recognised as part of EIR as described in accounting policy 2.8. Fees earned by the Group that are not part of EIR are recognised immediately in profit or loss as fee income.

2.10 Profit and losses on the disposal of loans, property and surplus income

Profit and loss on the disposal of loans and property assets
NAMA has disposed of certain loan/property assets to third parties during the period. Profits and losses on the disposal of loans/property is calculated as the difference between the carrying value of the loans/property and the contractual sales price at the date of sale. 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 of loans/profits are recognised in the income statement when the transaction occurs.

Surplus income
Surplus income is calculated as the excess cash recovered on a total debtor connection over the loan carrying value and is recognised:

a) to the extent that actual cashflows for a total debtor connection are in excess of the total debtor connection loan carrying values; or

b) when the estimated cashflows for a debtor connection are greater than the total debtor connection loan carrying value.
Such surplus income, to the extent that cash is realised, is taken to the income statement at each annual reporting date only.

2.11 Impairment of financial assets

The Group assesses on a semi-annual basis, whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

2.12 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.

2.13 Derivative financial instruments and hedge accounting

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 swaps acquired from the Participating Institutions are hedged by means of equal and opposite interest rate swaps.

Derivatives are accounted for either at fair value through profit or loss or, where they are designated as hedging instruments, as derivatives designated in hedging relationships.

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.

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

Fair value gains or losses on these 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 profit or loss as part of foreign exchange gains and losses.

Derivatives designated in hedge relationships
The Group designates certain derivatives as hedges of highly probable future cash flows, attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedges). At the inception of the hedge relationship, the Group documents the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in and included in the cash flow hedge reserve, which is included in equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are reclassified to the income statement in the periods when the hedged item affects profit or loss. Amounts reclassified to profit or loss from equity are included in net interest income.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the income statement when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to the income statement.

2.14 Trading Properties

Trading properties are held for resale and 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 represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

2.15 Taxation

(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 cash flow hedges is recognised in equity and subsequently in the consolidated income statement together with the deferred gain or loss.

Deferred income tax related to available for sale 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.

2.16 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. The Group recognises no provisions for future operating losses.

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 accounts.

2.17 Amounts due to and from Participating Institutions

Amounts due to and from Participating Institutions are classified as follows:
- Due diligence valuation adjustments
- Value to transfer adjustments
- Section 88, Section 93, Section 98 adjustments
- Unsettled overdraft positions

Due diligence valuation adjustments
Any adjustments arising on completion of due diligence on assets transferred, are initially recognised in the balance sheet as an adjustment to the carrying value of assets acquired and as amounts due to or from Participating Institutions. Settlement of due diligence adjustments is in the form of cash or through the issuance or redemption of government guaranteed debt securities.

Value to transfer adjustments
Value to transfer adjustments relate to net movements that occurred on borrower exposures between the loan assets valuation date and the date the loans were transferred to the Group. Any amount due to or from a Participating Institution is settled in cash or through the issuance or redemption of government guaranteed debt securities.

Section 88, Section 93 and Section 98 adjustments
Adjustments under Section 88 of the Act relate to obvious errors or omissions in an acquisition schedule.

Adjustments under Section 93 of the Act arise where the Group has overpaid for an asset. If a Participating Institution receives from the Group an amount in exchange for loan assets acquired that is more than is due to the Participating Institution under the Act, or receives any other amount from the Group to which it is not entitled, the Participating Institution is obliged to repay the Group any amount of overpayment plus accrued interest as determined by the Group.

Adjustments under Section 98 of the Act relate to obvious errors in relation to the valuation of assets acquired from Participating Institutions.

Any adjustments under Section 88, 93 or 98, that are unsettled at the reporting date, are recognised as amounts due to or from Participating Institutions until the amounts are settled.

Unsettled overdraft positions
Adjustments for unsettled overdraft positions relate to overdraft accounts which were legally acquired by NAMA in 2010 and 2011. The Participating Institutions fund overdraft accounts and collect cash repayments on overdraft accounts on NAMA's behalf. The amounts funded by Participating Institutions are recognised in the balance sheet as amounts payable to Participating Institutions and the amounts collected are recognised as amounts receivable from Participating Institutions. The net amount due to/from Participating Institutions is applied against the outstanding loans and receivables balance.

2.18 Debt and equity instruments

Debt and equity instruments are classified as either liabilities or as equity in accordance with the substance of the contractual terms of the instruments. Instruments which do not carry a contractual obligation to deliver cash or another financial asset to another entity are classified as equity and are presented in equity. The coupon payments on these instruments are recognised directly in equity. The subordinated bonds issued by the Group contain a discretionary coupon and have no obligation to deliver cash and are therefore classified as equity instruments.

Senior debt securities, issued by the Group are classified as debt instruments as the securities carry a fixed coupon based on Euribor and the coupon payment is non-discretionary.

Debt securities in issue are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. The initial value of the senior bonds issued equates to 95% of the acquisition cost of the loans transferred from each Participating Institution. The initial value of subordinated bonds equates to 5% of the acquisition cost of loans transferred.

2.19 Share capital

(a) Dividends on ordinary shares
Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company’s Board. Dividends for the period that are declared after the date of the consolidated statement of financial position are dealt with in the Events after the Reporting Date note.

(b) Other equity instrument
This comprises the subordinated bonds that meet the definition of an equity instrument. Coupon payments on these instruments are reflected directly in equity when they are declared.

2.20 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 NAMA 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 recorded in cash placed as collateral with the NTMA on the balance sheet. Any interest payable or receivable arising on the amount placed as collateral is recorded in interest expense or interest income respectively.

3 Interest income

	For the period from 1 Oct 2012 to 31 Dec 2012	For the period from 1 Jan 2012 to 31 Dec 2012
	€'000	€'000
Interest on loans and receivables	293,275	1,221,862
Interest on derivative financial instruments	21,811	84,526
Interest on cash and cash equivalents	7,582	23,790
Interest on financial assets held as available for sale	2,756	12,365
Interest on inter group loans	85	600
Fee income on IBRC repurchase agreement	-	14,628
Other fee income	4,929	29,650
Total Interest and other income	**330,438**	**1,387,421**

Interest on loans and receivables
Interest income on loans and receivables is recognised in accordance with accounting policy note 2.8.

Interest income is calculated using the EIR method of accounting. This method seeks to recognise interest income at a constant rate over the life of the loan and will differ from actual cash received. This implies that in any given reporting period the amount of interest recognised will differ from the cash received. However, over the life of the loan, the total cash received in excess of the acquisition value of the loan will, following adjustment for any impairment losses, equal the interest income recognised. No interest income is recognised on the element of any loan balance which is considered to be impaired.

100% of the €1.2bn interest income on loans and receivables recognised in the period 1 January 2012 to 31 December 2012 was realised in cash.

Interest on derivative financial instruments
Interest income on derivative financial instruments relates to interest received on derivatives acquired from the Participating Institutions.

Other fee income
Other fee income is earned by NAMA on disposal of assets, refinancing of debt and restructuring of loans. Fee income is recognised in accordance with accouning policy 2.9.

Fee income on IBRC repurchase agreement
On receipt of a Ministerial direction issued on 29 March 2012, the NAMA Board approved a short-term facility with IBRC. This facility was collateralised by an Irish Government bond. The €3.06bn facility was drawn on 3 April 2012 with a maximum maturity under the Ministerial direction of 90 days. The facility was provided at a margin of 135 basis points over the European Central Bank refinancing rate, resulting in an all-in rate of 2.35% for the duration of the facility. The short-term facility matured on 20 June 2012 with the Group being repaid in full.

4 Interest expense

	For the period from 1 Oct 2012 to 31 Dec 2012	For the period from 1 Jan 2012 to 31 Dec 2012
	€'000	€'000
Interest on debt securities in issue	37,155	320,007
Interest on other derivative financial instruments	32,683	53,772
Interest on interest bearing loans and borrowings	2,034	5,637
Interest on derivatives where hedge accounting is applied	56,025	116,079
Interest expense on borrower overdraft accounts	584	612
Total interest expense	**128,481**	**496,107**

5 Net profit on disposal of loans, property and surplus income	**For the period from 1 Oct 2012 to 31 Dec 2012**	**For the period from 1 Jan 2012 to 31 Dec 2012**
	€'000	**€'000**
Net profit / (loss) on disposal of loans	(29,987)	15,139
Net profit / (loss) on disposal of property	714	714
Surplus income on loan repayments (in excess of loan carrying values)	85,710	172,374
Total net profit on disposal of loans and surplus income	**56,437**	**188,227**

During the quarter, the Group sold certain loans and receivables acquired to third parties. Profit or loss on disposal is measured as the difference between proceeds of sale received and the carrying value of those loans and receivables. The Group realised net losses of €30m (Q3: €45m profits) on the disposal of loans in the quarter.

During the quarter, the Group sold certain trading property assets acquired to third parties. Profit or loss on disposal is measured as the difference between proceeds of sale received and the carrying value of those loans and receivables. The Group realised net profits of €0.7m (Q3: €nil) on the disposal of trading property assets in the quarter.

For certain assets acquired, the proceeds from the disposal of the underlying collateral in a debtor connection has exceeded the carrying value of those loans and receivables. This surplus is recognised in the income statement as realised profits on loans. Of the total amount recognised €22m (Q3: €nil) is generated from debtors who have fully repaid all NAMA debt and any further cash received is recognised as profit. A further €64m (Q3: €nil) of surplus cash is recognised on specific loan assets within a debtor connection where the cash generated since acquisition has exceeded the loan carrying value; and the estimated cash flows for the total debtor connection are greater than the total loan carrying values.

6 Gains / (losses) on derivative financial instruments	**For the period from 1 Oct 2012 to 31 Dec 2012**	**For the period from 1 Jan 2012 to 31 Dec 2012**
	€'000	**€'000**
Fair value losses on acquired derivatives	(14,971)	(52,525)
Due Diligence valuation adjustment	-	(1,671)
Fair value gains on other derivatives	30,720	8,538
Hedge ineffectiveness adjustment	2,439	7,719
Total losses on derivative financial instruments	**18,188**	**(37,939)**

Fair value gains/losses on acquired derivatives comprises fair value gains/losses on derivatives acquired from Participating Institutions that were associated with the loans acquired. Fair value losses on other derivatives comprise fair value losses on interest rate swaps entered into by the Group during the quarter.

7 Administration expenses	**For the period from 1 Oct 2012 to 31 Dec 2012**	**For the period from 1 Jan 2012 to 31 Dec 2012**
	€'000	**€'000**
Costs reimbursable to NAMA	9,844	36,890
Primary servicer fees to Participating Institutions	12,264	56,427
Master servicer fees	1,197	3,547
Legal fees	3,028	4,633
Portfolio management fees	3,131	4,670
Accounting, audit and tax	623	2,347
Rent & occupancy costs	658	1,375
Derivative valuation and rating agency fees	7	184
IT costs	898	1,972
Insurance costs	244	897
Due diligence costs	2,448	4,086
Asset registry costs	190	1,315
Other administrative expenses	37	258
Total administration expenses	**34,569**	**118,601**

8 Foreign exchange gains/ (losses)	**For the period from 1 Oct 2012 to 31 Dec 2012**	**For the period from 1 Jan 2012 to 31 Dec 2012**
	€'000	**€'000**
Foreign exchange translation gain/(losses) on loans and receivables	(167,835)	216,051
Unrealised foreign exchange losses on derivative financial instruments	165,527	(61,713)
Realised foreign exchange losses on derivative financial instruments	(26,706)	(255,374)
Foreign exchange gain on cash	(3,014)	1,467
Other foreign exchange gains	(193)	137
Total foreign exchange gains / (losses)	**(32,221)**	**(99,432)**

Foreign exchange gains and losses on loans and receivables arise on the revaluation of foreign currency denominated loans and receivables. Foreign currency translation amounts are recognised in accordance with accounting policy 2.4.

Following the transfer of assets from the Participating Institutions, the Group entered into currency derivative contracts to reduce its exposure to foreign exchange rate fluctuations arising on foreign currency denominated loans and receivables acquired, as it paid the consideration in euro. Gains and losses on foreign exchange derivatives arise on the fair value movement of currency derivatives during the reporting period. Currency derivatives are explained in more detail in note 13.

Other foreign exchange gains relate to the translation of foreign denominated cash and cash equivalent balances at the reporting date.

The net foreign exchange loss to the end of December 2012 relates to the movement in the basis spread between the euro and sterling currencies which arises on cross currency interest rate swaps entered into by the Group. Gains and losses arising from the basis spread are unrealised.

9 Impairment charges on loans and receivables	**For the period from 1 Oct 2012 to 31 Dec 2012**	**For the period from 1 Jan 2012 to 31 Dec 2012**
	€'000	**€'000**
Impaiment charge recognised in the income statement at beginning of the period	2,879,881	2,751,266
Movement in the provision in the period	389,226	517,841
Total impairment charge recognised in the income statement	**3,269,107**	**3,269,107**

NAMA has carried out a detailed impairment review at 31 December 2012 including a detailed assessment of expected future cash flows at 31 December 2012 for all NAMA managed debtors. Based on this review an incremental impairment charge of €389m has been recorded in the quarter, bringing the total impairment charge for the year to €518m. This amount is subject to audit by the C&AG which is ongoing at the date of this report.

Further information on the impairment of loans and receivables is included in Note 14, Loans and receivables.

10 Cash and cash equivalents

	31 Dec 2012 €'000	30 Sep 2012 €'000
Balances with Central Bank	2,141,654	345,091
Balances with other banks	62,266	43,698
Treasury Bills	-	39,803
Exchequer notes	-	2,250,000
Term deposits	30,634	43,857
Total cash and cash equivalents	**2,234,554**	**2,722,449**
Cash placed as collateral with the NTMA	**1,150,000**	**1,150,000**
Total cash, cash equivalents and collateral postings	**3,384,554**	**3,872,449**

NAMA 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 NAMA with regard to its derivative positions.

11 Financial assets available for sale

	31 Dec 2012 €'000	30 Sep 2012 €'000
Short term treasury bonds	**257,932**	**259,972**

Financial assets available for sale comprise Irish government treasury bonds acquired for liquidity management.

12 Receivables and payables from/to Participating Institutions

	31 Dec 2012 €'000	30 Sep 2012 €'000
Receivables from Participating Institutions	**78,953**	**136,760**
Payable to Participating Institutions	**(36,423)**	**(38,042)**

Receivables from and payables to Participating Institutions comprise due diligence valuation adjustments, value to transfer settlements due, unsettled overdraft positions and adjustments under Sections 88, 93 and 98 of the Act. Amounts are settled on completion of due diligence and when a terminating event occurs for overdrafts.

13 Financial assets and liabilities at fair value

	31 Dec 2012 €'000	30 Sep 2012 €'000
Derivative assets at fair value through profit or loss		
Derivative financial instruments acquired	321,842	336,813
Other derivative financial instruments	17,114	15,697
Foreign currency derivatives	11,750	7,375
Total derivative assets	**350,706**	**359,885**
Derivative liabilities at fair value through profit or loss		
Derivative financial instruments acquired		
Other derivative financial instruments	(154,985)	(184,288)
Foreign currency derivatives	(305,956)	(467,108)
Total	**(460,941)**	**(651,396)**
Hedging derivative liabilities	(707,747)	(681,909)
Total derivative liabilities	**(1,168,688)**	**(1,333,305)**

Derivative financial instruments at fair value through profit or loss

Derivative financial instruments acquired from borrowers relates to the fair value of derivatives acquired from borrowers that were associated with loans acquired. The fair value of these derivatives at 31 December 2012 was €322m (30 Sept 2012: €337m) and the fair value movement on these derivatives in the quarter was a loss of €15m (Q3: €22m loss).

Other derivative financial instruments relates to the fair value of derivatives entered into by the Group to hedge derivative financial instruments acquired from borrowers. These derivatives have not been designated into hedge relationships. The fair value movement on these derivatives in the quarter was a gain of €31m (Q3: €12m loss).

Following the transfer of assets from Participating Institutions and given that NAMA pays for these loans with Euro denominated bonds, NAMA entered into foreign currency derivatives to reduce its exposure to exchange rate fluctuation arising on foreign denominated loans and receivables acquired.

Derivative financial instruments designated in hedge relationships

The Group entered into interest rate swap contracts to hedge its exposure to cash flow variability arising from interest rate risk in its portfolio of debt securities. These swaps were formally designated into hedge relationships during 2010, when the fair value of these derivatives was (negative) €30.4m. This amount was recognised as a fair value loss on other derivative financial instruments in the income statement in 2010. This fair value gain is amortised as hedge ineffectiveness over the remaining life of the derivatives. An amount of €2.4m has been recognised in the income statement and cash flow hedge reserve for the quarter (Q3: €1.8m). The total loss for the quarter on cash flow hedges of €26m (Q3: €179m) is recognised in the cash flow hedge reserve in other comprehensive income (Note 22).

14 Loans and receivables

	31 Dec 2012 €'000	30 Sep 2012 €'000
Loans and receivables	26,039,682	26,889,474
Less provision for impairment charges on loans and receivables (Note 9)	(3,263,421)	(2,879,881)
	22,776,261	**24,009,593**

The above table reflects the carrying value of the loans acquired from the Participating Institutions, taking into account the amount the Group acquired the loans for (which was at a discount to the contractual amounts owed under the loan agreements), and loan movements since acquisition, less any additional impairment deemed to have occurred subsequent to acquisition.

Reconciliation of provision for impairment:

	31 Dec 2012 €'000	30 Sep 2012 €'000
Balance at the beginning of the year	2,751,266	2,751,266
Increase in provision	1,048,429	128,615
Release of provision	(536,274)	-
Total movement in provision	512,155	-
Balance at the end of the year	3,263,421	2,879,881

The total movement in the provision in the year was €512m of which €518m was recognised in the income statement and €6m of the provision at 31 December 2011 was utilised against loans and receivables. This brings the total impairment provision to €3,263m representing a total impairment coverage of 12.4% (31 December 2011: 9.7%)

15 Other assets

	31 Dec 2012 €'000	30 Sep 2012 €'000
Receivables from NAMA the Agency	54,200	54,098
Accrued swap interest receivable	14,210	12,719
Receivable from NAMA IL	10,897	10,886
Deferred consideration	9,223	9,851
VAT receivable	668	2,463
Interest receivable on financial assets available for sale	9,012	5,799
Interest receivable on cash and cash equivalents	160	9,614
Prepayments	213	412
Total other assets	**98,583**	**105,842**

Included within receivables from the Agency is a loan for €52m receivable from the Agency. NALM provided this loan to the Agency on 25 February 2011 at an interest rate set at the six month Euribor rate.

16 Trading properties

	31 Dec 2012 €'000	30 Sep 2012 €'000
Trading properties	**6,758**	**7,232**

During 2011 NAMA received certain property assets as settlement for an outstanding guarantee. NAMA also acquired other non real estate assets in settlement of debt during the year. Properties are carried at the lower of cost and net realisable value. Non euro denominated assets are translated to euro in accordance with accounting policy 2.4.

17 Deferred tax

	Deferred tax on derivatives		Deferred tax on tax losses	Total
	Assets	(Liabilities)		
	€'000	€'000	€'000	€'000
Balance at 1 Jan 2012	**182,182**	**(112,162)**	**239,504**	**309,524**
Movement in the period	109,991	23,884	(101,774)	32,101
Balance at 31 Dec 2012	**292,173**	**(88,278)**	**137,730**	**341,625**

	For the period from 1 Jan 2012 to 31 Dec 2012 €'000
Movement recognised in the income statement	(75,350)
Movement recognised in reserves (Note 22 (a))	107,451
Net movement in deferred tax	**32,101**

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 are recognised in respect of tax losses carried forward only to the extent that realisation of the related tax benefit is probable. A deferred income tax asset of €239m in respect of unutilised tax losses was recognised in the 31 December 2011 year end financial statements.

During the year ended to 31 December 2012, NAMA has generated taxable profits and utilised available tax losses forward. When tax losses available are utilised, through the generation of taxable profits, the deferred tax asset is reduced by the amount of the losses utilised. The total movement recognised in the income statement in the period includes €101m of a tax charge in respect of tax losses utilised in the period, and a tax credit in respect of derivative movements of €26m.

18 Debt securities in issue	**For the period from 1 Oct 2012 to 31 Dec 2012**	**For the period from 1 Jan 2012 to 30 Sep 2012**
	€'000	**€'000**
In issue at beginning of quarter	26,957,000	29,106,000
Issued in the quarter	-	11,000
Redeemed during the quarter	(1,500,000)	(2,000,000)
Cancelled in the quarter	(17,000)	(160,000)
In issue at end of quarter	**25,440,000**	**26,957,000**

€17m of debt securities were cancelled in the quarter, as a result of a section 98 claim. Bonds of €1.5b were redeemed during the quarter. See accounting policy 2.18 for further details.

Terms of notes

The above debt securities are all Government Guaranteed Floating Rate Notes, which were issued and transferred to NAMGSL under a profit participating loan arrangement and by it to NALML. The latter company used these securities as consideration (95%) for the loan portfolio acquired from each of the Participating Institutions.

Interest accrues from the issue date of the Notes and is paid semi annually on 1 March and 1 September. The interest rate is 6 month Euribor reset on 1 March and 1 September in each year. To date only euro denominated notes have been issued.

Senior debt securities are issued on each asset acquisition date and all securities issued prior to 1 March 2012 matured on 1 March 2012. The securities issued permitted the issuer to settle all, or some only, of the securities at maturity by issuing a new security on the same terms as the existing security (other than as to maturity which may be up to 364 days from the date of issue notwithstanding that the existing security may have had a shorter maturity).

All the senior debt securities that matured on 1 March 2012 were settled by issuing new securities with a maturity of 1 March 2013, which could be extended for up to 364 days at the option of the issuer.

In May 2011, the Minister for Finance issued a direction to NAMA under Section 14 of the Act that the terms and conditions of the securities issued on 1 March 2011, and of any securities issued thereafter, should be amended to remove the extendible maturity option from the securities issued under Section 48 of the Act to provide 95% of the total acquisition value of eligible bank assets acquired from participating institutions.

The securities in issue permit the issuer (where the issuer has not received a Holder Physical Delivery Rejection Notice) to physically settle all, or some only, of the securities at maturity which may be up to 364 days from the date of issue, notwithstanding that the existing security may have had a shorter maturity.

All of the securities which matured on 1 March 2013 were physically settled by issuing new securities with a maturity of 1 March 2014.

19 Other liabilities	**31 Dec 2012**	**30 Sep 2012**
	€'000	**€'000**
Accrued swap interest payable	92,114	31,987
Accrued interest on debt securities in issue	45,746	10,999
Accrued expenses	31,274	32,034
Professional services withholding tax and other taxes	1,588	660
Other liabilities	119,651	119,153
Total other liabilities	**290,373**	**194,833**

Included within other liabilities is an inter-Group loan of €99.9m from NAMAIL and accrued interest on same. The balance relates to occupancy costs payable to NAMA the Agency.

20 Share capital

		31 Dec 2012
	Number	**€**
Authorised:		
Ordinary shares of € 1 each	1,000	1,000
Issued and fully paid during the period:		
Ordinary shares of € 1 each	100	100

21 Other equity instruments

	For the period from 1 Oct 2012 to 31 Dec 2012 €'000	For the period from 1 Jan 2012 to 30 Sep 2012 €'000
At beginning of quarter	1,594,000	1,601,000
Issued in the quarter	-	1,000
Redeemed during the quarter	-	-
Cancelled in the quarter	(1,000)	(8,000)
In issue at end of quarter	**1,593,000**	**1,594,000**

€1m of subordinated notes was cancelled in the quarter, following the completion of a Section 98 claim, See accounting policy 2.18 for further details.

Terms of the instrument

The above are Callable Perpetual Subordinated Fixed Rate Bonds that were issued and transferred to NALM Ltd under a profit participating loan arrangement. 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 10 year Irish Government 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, however the coupon is declared at the option of the issuer. Coupons not declared in any year will not accumulate. No coupon was declared at the reporting date.

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).

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, the subordinated debt has been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments.

22 Other reserves

	For the period from 1 Oct 2012 to 31 Dec 2012	For the period from 1 Jan 2012 to 31 Dec 2012
Other reserves are analysed as follows:		
	€'000	**€'000**
Cashflow hedge reserve		
At the beginning of the period	(502,199)	(192,221)
Net changes in fair value	(25,838)	(432,101)
Hedge ineffectiveness	(2,439)	(7,721)
Deferred tax recognised in other reserves (note a)	6,458	108,025
At 31 December 2012	**(524,018)**	**(524,018)**
Available for sale reserve		
At the beginning of the period	2,992	82
Net changes in fair value	(1,585)	2,295
Deferred tax recognised in other reserves (note a)	396	(574)
At 31 December 2012	**1,803**	**1,803**
Total other reserves	**(522,215)**	**(522,215)**

The cash flow hedge reserve comprises the mark to market movement on interest rate swaps that have been designated into hedge relationships. Any fair value gains or losses arising on these derivatives in hedge relationships is accounted for in reserves. The available for sale reserve comprises the fair value movement on available for sale assets in the quarter (see note 11). Total deferred tax recognised in reserves in the period is €107m (Q3: €44m) (note 17).

(a) Movement in deferred tax is recognised as follows:

	€'000	€'000
Balance as at 1 January 2012		68,884
Deferred tax on movement in cash flow hedge reserve from 1 Jan 2012 to 30 Sep 2012	101,567	
Deferred tax on movement in availabe for sale reserve from 1 Jan 2012 to 30 Sep 2012	(970)	100,597
Deferred tax on movement in cash flow hedge reserve from 1 Oct 2012 to 31 Dec 2012	6,458	
Deferred tax on movement in available for sale reserve from 1 Oct 2012 to 31 Dec 2012	396	6,854
Total deferred tax movement on reserves from 1 Jan 2012 to 31 Dec 2012		107,451
Represented By		
Total deferred tax on cash flow hedge reserve		**108,025**
Total deferred tax on available for sale reserve		**(574)**
Total deferred tax recognised in reserves as at 31 December 2012		**107,451**

National Asset Management Limited
Income Statement by NAMA group entity
For the period from 1 October 2012 to 31 December 2012

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Interest income	330,438	-	-	-	(331,441)	(331,441)	662,882	330,438
Interest expense	240,115	-	-	-	331,441	(37,155)	(662,882)	(128,481)
Net interest income / (expense)	**570,553**	**-**	**-**	**-**	**-**	**(368,596)**	**-**	**201,957**
Profit on disposal of loans	56,953	**-**		**-**	**-**	**-**	(516)	56,437
(Losses) on derivative financial instruments	(10,091)	-	-	-	-	-	28,279	18,188
Total operating income / (expense)	**617,415**	**-**	**-**	**-**	**-**	**(368,596)**	**27,763**	**276,582**
Administration expenses	(34,517)	(43)	(9)	-	-	-	-	(34,569)
Foreign exchange (losses)	(32,217)	(4)	-	-	-	-	-	(32,221)
Operating profit / (loss) before impairment	**550,681**	**(47)**	**(9)**	**-**	**-**	**(368,596)**	**27,763**	**209,792**
Impairment charges on loans and receivables	(389,226)	-	-	-	-	-	-	(389,226)
Profit / (loss) for the period before income tax	**161,455**	**(47)**	**(9)**	**-**	**-**	**(368,596)**	**27,763**	**(179,434)**
Tax credit / (expense)	(38,854)	-	-	-	-	92,149	(6,460)	46,835
Profit / (loss) for the period	**122,601**	**(47)**	**(9)**	-	**-**	**(276,447)**	**21,303**	**(132,599)**

National Asset Management Limited
Income Statement by NAMA group entity
For the period from 1 January 2012 to 31 December 2012

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Interest and fee income	1,387,421	-	-	-	310,292	310,292	(620,584)	1,387,421
Interest expense	(482,789)	-	-	-	(310,292)	(323,610)	620,584	(496,107)
Net interest income / (expense)	**904,632**	**-**	**-**	**-**	**-**	**(13,318)**	**0**	**891,314**
Net Profit on disposal of loans, property and surplus income	188,743						(516)	188,227
(Losses) on derivative financial instruments	(477,760)	-	-	-	-	-	439,821	(37,939)
Total operating income / (expense)	**615,615**	**-**	**-**	**-**	**-**	**(13,318)**	**439,305**	**1,041,602**
Administration expenses	(118,369)	(43)	(189)	-	-	-	-	(118,601)
Foreign exchange (losses)	(99,428)	(4)	-	-	-	-	-	(99,432)
Operating profit / (loss) before impairment	**397,818**	**(47)**	**(189)**	**-**	**-**	**(13,318)**	**439,305**	**823,569**
Impairment charges on loans and receivables	(517,841)	**-**	-	**-**	**-**	**-**		(517,841)
Profit / (loss) for the period before income tax	**(120,023)**	**(47)**	**(189)**	**-**	**-**	**(13,318)**	**439,305**	**305,728**
Tax credit/(expense)	29,346	-	-	-	-	3,329	(108,025)	(75,350)
Profit / (loss) for the period	**(90,677)**	**(47)**	**(189)**	-	-	**(9,989)**	**331,280**	**230,378**

National Asset Management Limited
Balance Sheet by NAMA group entity as at 31 December 2012

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets								
Cash	2,234,554	-	-	-	-	-	-	2,234,554
Cash placed as collateral with the NTMA	1,150,000							1,150,000
Financial assets available for sale	257,932	-	-	-	-	-	-	257,932
Receivables from Participating Institutions	78,953	-	-	-	-	-	-	78,953
Derivative financial instruments	350,706	-	-	-	-	-	-	350,706
Loans and receivables	22,776,261	-	-	-	-	-	-	22,776,261
Other assets	591,854	599	-	-	27,519,080	27,132,899	(55,145,849)	98,583
Trading properties	200	7,074	-	-	-	-	(516)	6,758
Deferred tax asset	203,895	-	-	-	-	137,730		341,625
Total assets	**27,644,355**	**7,673**	**-**	**-**	**27,519,080**	**27,270,629**	**(55,146,365)**	**27,295,372**
Liabilities								
Payable to Participating Institutions	36,423	-	-	-	-	-	-	36,423
Derivative financial instruments	1,168,688	-	-	-	-	-	-	1,168,688
Debt securities in issue	-	-	-	-	-	25,440,000	-	25,440,000
Other liabilities	27,258,414	7,720	189	-	27,519,080	650,819	(55,145,849)	290,373
Total liabilities	**28,463,525**	**7,720**	**189**	**-**	**27,519,080**	**26,090,819**	**(55,145,849)**	**26,935,484**
Equity								
Share capital	-	-	-	-	-	-	-	-
Other equity instruments	-	-	-	-	-	1,593,000	-	1,593,000
Retained earnings	(628,751)	(47)	(189)	-	-	(413,190)	331,280	(710,897)
Other reserves	(190,419)	-	-	-	-	-	(331,796)	(522,215)
Total equity	**(819,170) -**	**47**	**(189)**	**-**	**-**	**1,179,810**	**(516)**	**359,888**
Total equity & liabilities	**27,644,355**	**7,673**	**-**	**-**	**27,519,080**	**27,270,629**	**(55,146,365)**	**27,295,372**

National Asset Management Limited

Balance Sheet by NAMA group entity as at 30 September 2012

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**	**€'000**
Assets								
Cash	2,722,449	-	-	-	-	-	-	2,722,449
Cash placed as collateral with the NTMA	1,150,000							1,150,000
Financial assets available for sale	259,972	-	-	-	-	-	-	259,972
Receivables from Participating Institutions	136,760	-	-	-	-	-	-	136,760
Derivative financial instruments	359,885	-	-	-	-	-	-	359,885
Loans and receivables	24,009,593	-	-	-	-	-	-	24,009,593
Other assets	258,078	-	-	-	28,703,235	28,650,900	(57,506,371)	105,842
Trading properties	7,232	-	-	-	-	-	-	7,232
Deferred tax asset	242,356	-	-	-	-	45,581		287,937
Total assets	**29,146,325**	**-**	**-**	**-**	**28,703,235**	**28,696,481**	**(57,506,371)**	**29,039,670**
Liabilities								
Payable to Participating	38,042	-	-	-	-	-	-	38,042
Derivative financial instruments	1,333,305	-	-	-	-	-	-	1,333,305
Debt securities in issue	-	-	-	-	-	26,957,000	-	26,957,000
Other liabilities	28,715,565	-	180	-	28,703,235	282,224	(57,506,371)	194,833
Total liabilities	**30,086,912**	**-**	**180**	**-**	**28,703,235**	**27,239,224**	**(57,506,371)**	**28,523,180**
Equity								
Share capital	-	-	-	-	-	-	-	-
Other equity instruments	-	-	-	-	-	1,594,000	-	1,594,000
Retained earnings	(751,352)	-	(180)	-	-	(136,743)	309,977	(578,298)
Other reserves	(189,235)	-	-	-	-	-	(309,977)	(499,212)
Total equity	**(940,587)**	**-**	**(180)**	**-**	**-**	**1,457,257**	**-**	**516,490**
Total equity & liabilities	**29,146,325**	**-**	**-**	**-**	**28,703,235**	**28,696,481**	**(57,506,371)**	**29,039,670**