

NAMA Business Plan Version Two

Introduction and Overview

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Introduction

- NAMA – Established under NAMA Act 2009
- Operational since December 2009
- €71.2billion, (nominal value), has been purchased by NAMA for c.€30.2bn
 - Approx. 11,000 loans
 - Approx. 850 borrowers
- Additional €16bn (nominal) yet to be purchased – AIB\BOI sub €20m – EU\IMF – directly managed by both banks under NAMA supervision
- Business Plan Template (Version 1) developed in advance of loan transfer
- 30 Business Plans (€27Bn) reviewed by December 2010
- Significant Lessons learned on dealings with first 30 debtor business plans
- New Business Plan Template (Version 2) designed for debtors with 20 loan facilities or less and a maximum of 300 assets

National Asset Management Agency



**National Asset
Management Agency**

Why NAMA?

- Massive growth in property related lending 2004 – 2007
- Imbalance between supply and demand
- Enormous scale of lending to individuals and companies solely on back of increase in value of property assets
- Poor quality credit appraisal
- Over reliance on wholesale money markets
- Regulatory failures

The Road to NAMA

September '08

- Government involvement in banking system – guarantee for bank liabilities (€440bn)

November '08

- Examination of loan books

December '08

- Banks require recapitalisation

January '09

- Nationalisation of Anglo Irish Bank

March '09

- BOI recapitalisation - €3.5bn

April '09

- NAMA announced in Supplementary Budget

May '09

- AIB recapitalisation - €3.5bn

September '09

- NAMA Bill introduced into Oireachtas

December '09

- NAMA formally established and Board Appointed

The Road to NAMA

February '10

- EU approval of NAMA

March '10

- First loans start transferring to NAMA

May '10

- Completion of the transfer of Tranche 1 into NAMA

August '10

- Completion of the transfer of Tranche 2 into NAMA

November '10

- IMF/EU bailout agreed - Additional €16bn to be transferred from Bank of Ireland and AIB under IMF/EU deal

December '10

- Balance of loans transferred to NAMA – total €71.2bn

Activity To Date

- €71.2 billion has been acquired, a further €16 billion yet to be purchased (IMF Requirement)
- Bond Value of €30.2 billion issued to the five institutions representing an aggregated discount of 58%
- Business Plan Reviews were concluded for the Top 30 debtors representing €27 billion of the loans acquired
- The sale of €1.6 billion in property assets was approved to pay down NAMA Debtors either to the Agency or other relevant banks, a portion of these funds was released to make payments to other Non-NAMA lenders
- Top 170 debtors €59bn to be managed directly by NAMA. Balance of Debtors (680) to be managed by PI's under NAMA supervision

| | AIB | BOI | EBS | INBS | Anglo | AVERAGE |
|----------------------------|-----|-----|-----|------|-------|---------|
| Discount up to end of 2010 | 54% | 42% | 60% | 64% | 62% | 58% |

NAMA Business Plan Process

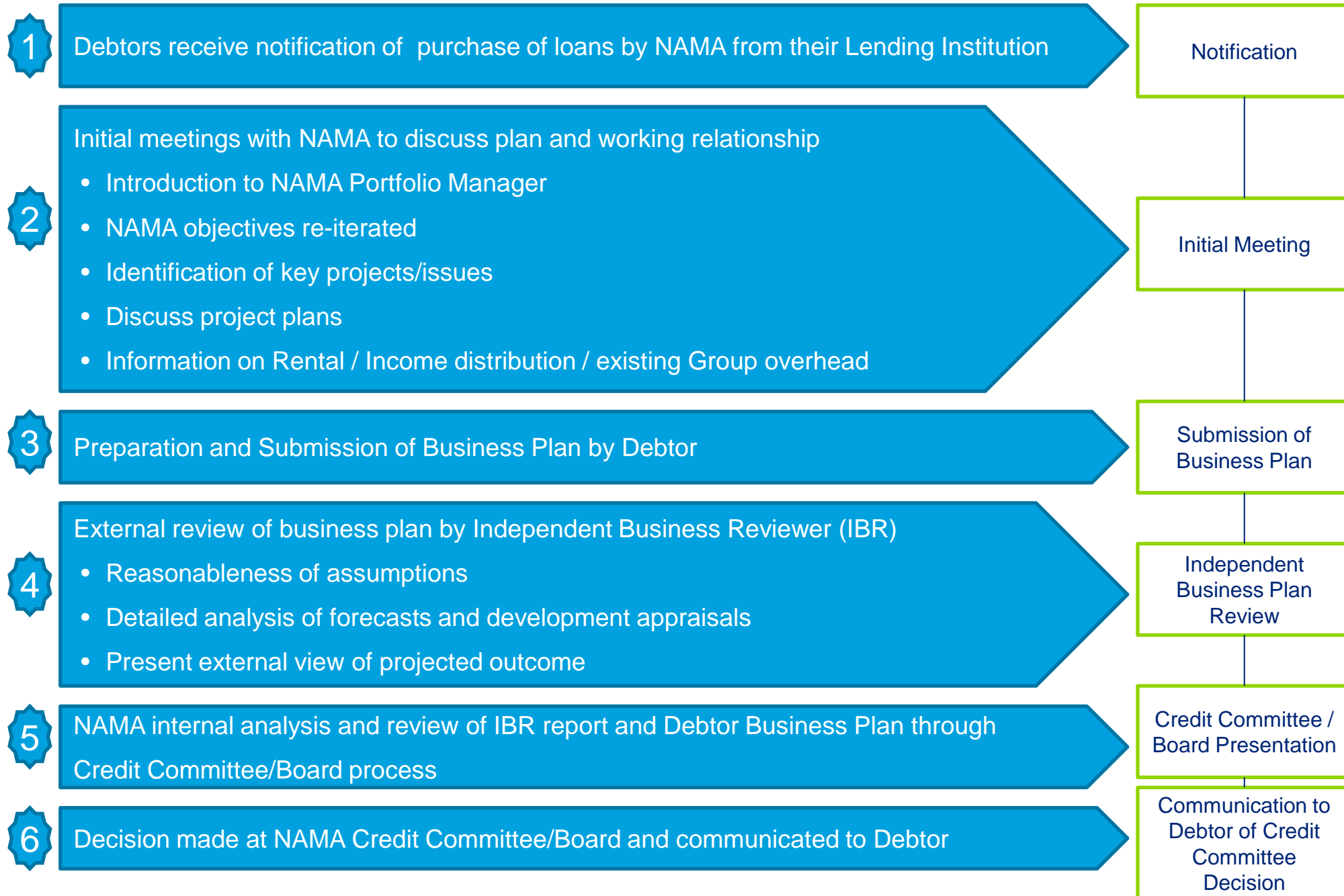
Purpose of the NAMA Business Plan Process

- Opportunity for NAMA to
 - **Interact with Debtors** in a structured format over a 8-10 week period of time
 - Gain a detailed **understanding of the Debtor** and their business in a short period of time
 - Interact and evaluate the key members of the **Debtors management team**
 - Gain an understanding of the **dedication and motivation** of the Debtor and their management team
 - Gain an understanding of the **debtors strategy for debt repayment** and for each piece of **security held** for the various loans it has purchased
 - Interact with the Debtor on the **daily issues** that they are having to deal with

Purpose of the NAMA Business Plan Process

- Requires the Debtor to present:
 - An Estimate of what they believe to be achievable and how to achieve it
 - Proposals in relation to group overhead for the implementation of their Business Plan
 - And highlight any issues that need critical attention (e.g. creditors, litigation etc)
- Allows a third Party Independent Business Reviewer (IBR) to evaluate the Debtors business plan and challenge the various assumptions and estimates included in it
- Provides NAMA with a third party evaluation on how to return the maximum amount of money to the state and a view on whether the Debtor is best placed to deliver this required outcome

Business Plan Process for Top 170 Debtors



Required Debtor Business Plan Objectives in line with NAMA Business Plan 30th June 2010

- **Debt Reduction**
 - Achieve significant debt reduction (to an appropriate level) within a period of 3-4 years. In line with NAMA Board policy
- **Cash Sweep**
 - Unless secured by non-NAMA banks, all available cash-flow (including full sales proceeds, net of costs approved by NAMA) should be remitted in full to NAMA by way of cash sweep in advance of overhead payments
- **Working Capital**
 - In the short term, overheads and agreed costs should be agreed in advance with NAMA and will be funded by way of agreed working capital facilities
- **Development Funding**
 - NAMA has limited resources to fund development expenditure
- **Income Generation**
 - In all cases, up to the point of asset disposal, cash generation from each asset should be maximised

Business Plan Version One

Business Plan Version One

- Template developed in advance of initial asset transfers
- Designed to facilitate complex Debtor portfolios - mostly Tranche 1 & 2
- Focus on financial rather than property information
- Datapack time consuming to complete for less complex Debtors
- No standardised financial model produced by Debtors which resulted in delays in IBR process
- Generated larger documents, requiring substantial time investment to complete & review by IBRs
- NAMA and other stakeholders recognised that a simplified and more property focused version would be required for less complex Debtors

Business Plan Version Two

Reasons for Business Plan Version 2

- Requirement for a simplified and more property focused *Business Plan* for less complex Debtors
- Increased focus on property and lending / Cashflow information
- Remove onus on Debtors to perform complex financial analysis - now automatically generated from inputs
- Key Reasons for developing Business Plan Version 2:
 - Increase the property focus
 - Ensure parties within NAMA are able to get the information they require
 - Make the Business Review process more efficient (including the IBR process)
 - Reduce professional fees incurred by Debtors
 - Provide NAMA with a base working file in the form of the NAMA Information Pack
 - Create a standardised financial model to be utilised by NAMA and its IBRs
 - Create a link between the NAMA Cash flow model and the text version of the Business Plan via the various summary tables produced

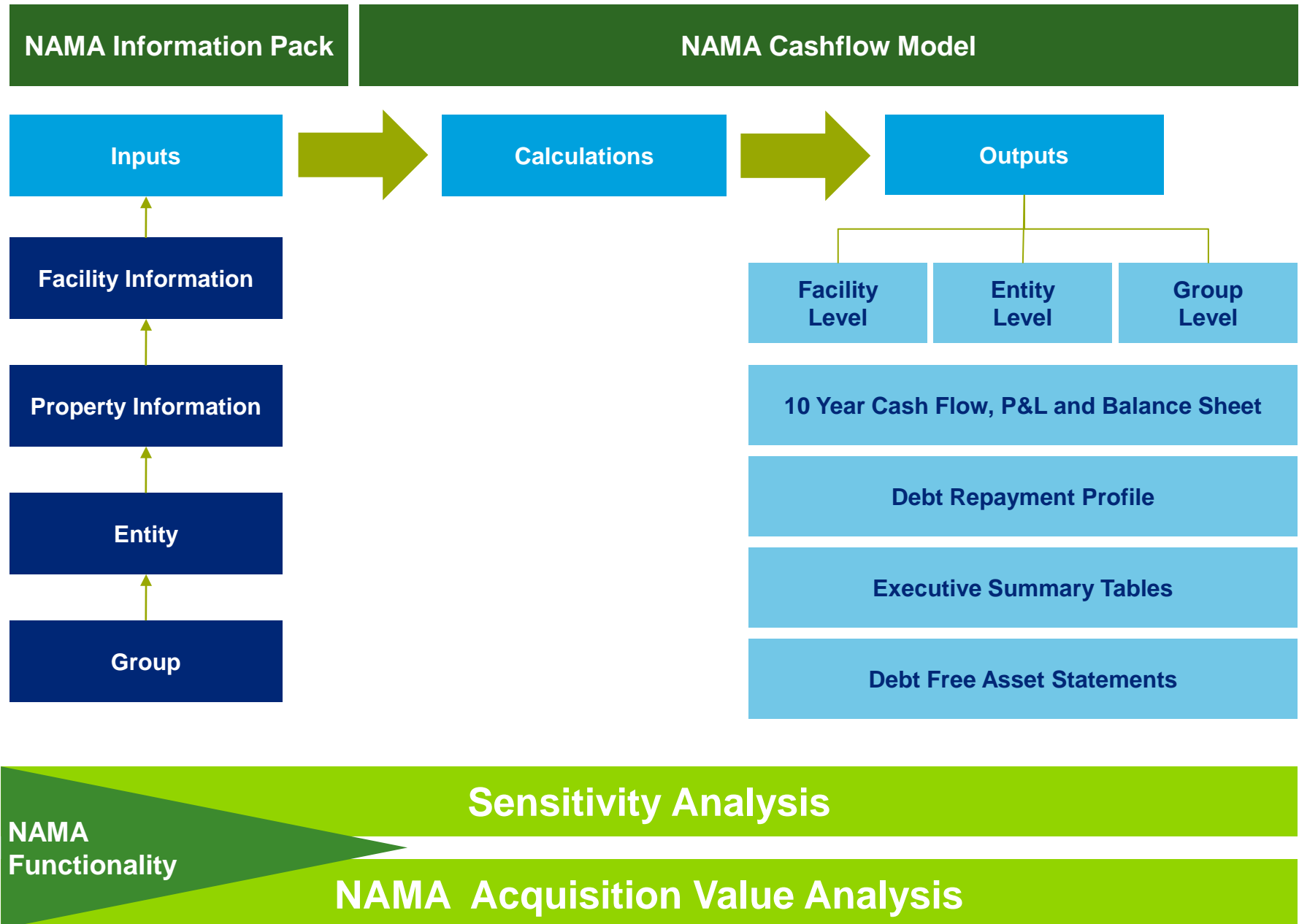
What's Different?

- Overall objectives are the same as with Business Plan Version One and the NAMA Board objectives
- Increased prominence is given to:
 - Sworn Statement of Affairs of the Debtor(s)
 - Non-NAMA Lenders, their security and the repayment of these facilities
 - Group cost requirements in the short term and what these relate to
 - Unencumbered assets and how the Debtor(s) intends to use these to support debt reduction / group overhead
- Decreased prominence is given to:
 - Historic financial information (note the 'Statement of Affairs' requires the disclosure of historic transfers)
 - Market Analysis section with the report, however this may still be of use for trading assets

What's Different? (contd.)

- Certain assumptions have been imposed on the Debtors by NAMA
- A separate Datapack is not required alongside the NAMA Cashflow Model
- Requires 10 year projections as a minimum unlike the 3 years previously required
- Model release by Debtor Advisors (Hold Harmless) issues no longer applicable
- Similar levels of information is required for Non-NAMA lending as NAMA

Business Plan Version Two Overall Structure



Features of Business Plan Version Two

- Link between Model and Business Plan document
- Standardised Template for Debtors to complete – single point of input
 - Tables for inclusion in the Executive Summary of the NAMA Business Plan text document are automatically generated by the NAMA Cashflow Model
- Full Connection View:
 - NAMA/Non NAMA Debt
 - Encumbered and Unencumbered Assets
 - Other Income/Assets/Liabilities
- 10 Year Model Projection
- Increased focus on cashflow as well as profit & loss
- Focus on debt reduction in line with NAMA guidance
- Standardised cashflow assumptions
- Result in quicker IBR turnaround by NAMA

Conclusion

Conclusion

Benefits of Business Plan Version Two

- For Borrowers:
 - Greater guidance from NAMA on information requirements and debt reduction;
 - Reduces both the financial and time burden in producing the Business Plan pack;
 - Consistent approach for the instance where more than one Business Plan is required;
 - Requests information in a format readily available and understandable to Debtor; and
 - Automatic production of output tables required for plan.
- For NAMA and Independent Business Reviewers:
 - Provides information in a common format making plans comparable;
 - Common format will make reviews more efficient as reviewers do not need to become accustomed with a new model each time (or build new models);
 - Allows the ability to perform extensive sensitivity analysis on the Business Plan
 - Information pack a working tool for NAMA; and
 - Streamlines the IBR process

Getting Debtors and NAMA working together towards debt reduction quicker and more cost effectively – understanding each others objectives.