I consciously make these comments against a background of some recent inaccurate, misleading and potentially damaging reports relating to the Agency.

There are different types of debtors.

There are those who may have the will, but who are simply incapable for whatever reason of contributing meaningfully to the workout of their loans.

There are those who want to co-operate and have something to contribute - thankfully these are in the majority and are the ones who will work with us into the future to help achieve the objectives set for NAMA.

There are also those who pretend to want to co-operate but who are unwilling do so, whether in terms of reducing overheads, mandating rent, reversing asset transfers or providing charges over unencumbered assets. Invariably it is from among this category of debtor that we hear the most noise either directly or indirectly, particularly when we have no option but to take enforcement proceedings. We have put on the record recently our concern that the number of baseless, critical stories about the Agency has increased as the level of enforcement activity by the Agency has increased, and as NAMA applies pressure on some debtors. NAMA did not lend the money that created the problem. NAMA is part of the clean up necessitated by the property market collapse - some people don't like what this means for them and they use whatever source they can to try to damage the Agency. We are not influenced by this commentary but we are sometimes surprised at the readiness of some commentators to accept baseless and sceptical stories about NAMA without themselves showing any semblance of scepticism about the vested interests peddling the stories in the first place.

Progress – facts

You know the context in which NAMA was established and the fact that in just two years, we have built up an entire infrastructure from scratch and have completed the enormous task of carrying out legal due diligence on, valuing, purchasing and transferring 11,500 loans from over 800 individuals with a face value of €74billion (c.Stg£61 billion). In the process, NAMA has successfully injected €31.6 billion or Stg£26 billion into the banking system. NAMA cannot control what the banks are doing with that liquidity nor can NAMA be held accountable for the fact that the banks needed a multiple of this amount to replace their lost funding since 2008. NAMA was and is only ever to be part of the overall solution.

NAMA is now in the next logical stage in its development, which is focused on maximising value by working closely with debtors and, through the implementation of broader strategies, managing our portfolio of loans and underlying securities. Our objective is to achieve the best financial return we can over our lifespan – that's what the legislation requires us to do.

We have already assessed the business plans covering 97% of the loans on our balance sheets and over 700 of our debtors. While some of these 700 debtors may not like what they are hearing at least they all know where they stand with us. Indeed, in the majority of cases we are working with debtors to maximise the value that can be realised from their loans and associated assets. So they see the path ahead – however difficult that may be. And it is difficult because for many it means, in practice, the sale of properties to support phased debt repayments; the granting to us of charges over unencumbered assets; and the reversal of asset transfers to relatives and others. We have, to date, been granted charges over assets with an aggregate value of €221 million (Stg£186 million) and have succeeded in reversing asset transfers totalling €160 million (Stg£135 million). When completed the aggregate value of these unpledged assets may prove to be in the region of €500 million (Stg£420 million).

I have one final point to make about debtors, and that is to say that the enforcement approach is adopted only after all other options have been considered and that principle applies regardless of where the debtor is located. In relation to Northern Ireland, 15 cases have been subject to enforcement, one of which relates to a Republic of Ireland debtor. This is proportionate to the scale of the NAMA loan portfolio in Northern Ireland. Enforcement is always a last resort and some of you may have seen the headline in the Belfast Telegraph last week, referring to our monthly update of enforced properties, *'No Ulster properties seized by NAMA in latest tranche'* – ironically, generally our good media coverage comes from taking enforcement action against debtors even though for NAMA, the objective is the opposite to enforcement.

Decision Making

One of the regular unfounded criticisms thrown at NAMA is that we are slow in making decisions on credit applications and offers to purchase assets. When we ask people to back up these statements with factual instances we invariably get no response. So let's put some facts on the table.

We have made over 6,000 individual credit decisions since the end of March 2010. The average turnaround time for credit decisions is **6** days and we operate to a target decision turnaround time of 7 days.

Those decisions are the ones that underpin close to €1 billion (Stg£840 million) approved in advances of working and development capital to debtors and asset sales valued in excess of €7 billion (Stg£5.88 billion).

This process is not slow but I think what some people have difficulty with is the fact that NAMA is applying good practice - rigorous examination of credit proposals and realistic assessment of purchase offers - in dealing with applications for credit and offers to purchase. This, quite frankly, is not what many were used to in the banking and property development practices that got us to where we are today and led to the establishment of NAMA. We are, out of necessity, rigorous in our dealings with all parties. We are not, as these figures illustrate, either slow or lumbering.

Northern Ireland

Guiding principles

NAMA's mandate is to recover maximum amounts from all loans irrespective of where the underlying loans are located. Towards this objective, NAMA adopts a traditional commercial approach in each of the jurisdictions in which we operate, whilst recognising the distinctive differentials applying in these areas. We are particularly cognisant of the challenges specific to Northern Ireland and, as I pointed out at the outset, our approach here is informed by extensive engagement and local knowledge and expertise.

NAMA carries out its work with reference to a set of guiding principles, including taking a longer-term approach and avoiding fire sales, and our record over the last two years in Northern Ireland testifies to this.

Scale of loan portfolio/description of underlying assets

In Northern Ireland, NAMA initially planned to acquire loans that had a nominal or par value of €4 billion or Stg€3.35 billion, spread across 180 individual borrowers, some in common borrower groups. In the intervening period, reductions have been achieved via disposals, repayments and some loans which were not ultimately acquired. NAMA's remit was to acquire land and property and associated loans. In some circumstances it made sense not to acquire associated loans, particularly where trading businesses featured, and, reinforcing this approach, in September 2011 the NAMA Board decided not to acquire a further three eligible Northern Ireland debtors for this reason.

In summary, therefore, I now am in a position to advise the Committee today that the likely final figure for loans in Northern Ireland is of the order of €3.5 billion or Stg£3 billion nominal and an acquisition value (LAV) of €1.5 billion or Stg£1.26 billion. This represents less than 5% of our portfolio in terms of the par and loan acquisition value of loans acquired – somewhat less than originally envisaged.

We have provided the Committee with two slides showing the breakdown of NAMA's Northern Ireland loan portfolio by asset class. This breakdown is extremely relevant in terms of the types of strategies that will be applied over the life of NAMA to maximise value and support the Northern Ireland economy. This is a tailored strategy based on our portfolio mix.

With reference to the par (nominal) value of loans, **60% of the portfolio is secured by land not under development and a further 10% is secured by land under development.**

29% of the portfolio is secured by commercial investments.

Just 1% relates to residential investment. We don't have high concentrations of large unoccupied residential developments in the Northern Ireland portfolio. The same also applies to hotels with just three assets identified to date.

However when measured with reference to book or LAV value of the loan portfolio, rather than PAR, the breakdown of the portfolio changes, reflecting the respective quality of the asset classes underlying the loans rather than the loans themselves.

With reference to LAV, **22% of the portfolio is secured by land not under development and a further 5% is secured by land under development.**

62% of the portfolio is secured by commercial investments.

Just 11% relates to residential investment.

In reality then, much of the portfolio is good quality investment grade. The big problem was over leveraging – debtors paid too much for the assets in the first instance, even for the good quality assets. In this regard, in Northern Ireland and the other jurisdictions in which we operate, resolution is a matter of time.

We have already advanced €35 million or Stg£29 million in new working and development capital for projects in Northern Ireland. But this is not the full picture. We have also advanced significant additional advances to Northern Ireland debtors in relation to projects elsewhere, mainly in Britain, which also helps to support operations in Northern Ireland and by extension employment. When you account for all working and development capital advanced to Northern Debtors, the figure is €90 million or Stg£75 million. It is important to note that the high proportion of land not under development, or 'dry land' as it sometimes referred to, limits the opportunity to advance new working and development capital at this point in the cycle but again opportunities will come around in respect to much of this class.

The splits outlined are subject to change as, in some respects, this is a moving portfolio.

In a moment, I'll refer to NAMA initiatives aimed at facilitating greater participation in both the residential and commercial markets in Northern Ireland. In this respect, I believe that NAMA can be a force for good in Northern Ireland and the Republic in helping to support a normal functioning property market. We know that the property markets in both jurisdictions outgrew economic fundamentals to a significant degree but there are signs that perhaps the markets may now be overshooting in the opposite direction.

Plans and actions

NAMA's actions in Northern Ireland are informed by an understanding of the workings of the Northern Irish economy and cognisance of the ongoing plans and strategies of (1) the Northern Ireland Assembly, which has signalled a sizeable asset disposal programme over coming years and (2) the management by major non-NAMA financial institutions of substantial property portfolios in Northern Ireland, some larger than NAMA.

NAMA's strategy will see the realisation of its portfolio on a phased basis linked to where there is liquidity. We don't accept low ball offers. We do not nor do we intend to resort to fire sales or dumping of assets. We have the time and the capacity to take a longer-term view. NAMA's workings in Northern Ireland to date are confirmation of this approach.

In both Northern Ireland and the Republic of Ireland, the residential assets underlying the loan portfolios managed by NAMA tend to be located in strong rental markets. The challenge in both markets is to try to move potential clients from rental to purchase. There is evidence to suggest that there is pent up demand in key growth areas in the Republic of Ireland and Northern Ireland and the challenge is to move clients, from 'purchase consideration' over the line to 'purchasing'. NAMA is, in this context, very close to launching a pilot mortgage initiative in the Republic, which, in simple terms, will provide potential purchasers with a level of protection against housing values falling from current levels over the next five years. We have received approval from both the Department of Finance and Central Bank and are awaiting final approval from the European Commission, which we expect imminently. If this mortgage initiative works on the basis of the pilot scheme in the Republic we are very open to seeing if we can introduce a similar initiative in Northern Ireland with our partner banks.

Lack of finance and unfavourable terms are also issues in the commercial property markets. NAMA has made and will continue to make vendor finance available in this market. Vendor finance will help bring international capital into both the Republic of Ireland and Northern Ireland market and add price tension. NAMA is not a bank and sees vendor finance as an aid to market participation but applied to the right product and right client, it can be a significant positive for investment and employment in Northern Ireland.

The Agency is also examining a number of other options, including establishing a Qualifying Investment Fund (QIF). The point in this regard is that any initiative available in the Republic of Ireland market will, where possible, be made available and tailored to suit the economic circumstances in Northern Ireland.

Conclusions

I have tried to give an overview in the time allotted to me of NAMA's general progress and our activities in Northern Ireland and to emphasise impacts relative to the wider economy.

It is important to stress than NAMA is part of the solution, not the problem. NAMA is dealing with the decisions of banks and borrowings of debtors that were at the root of the property market's problems.

Further bad decisions now would only exacerbate the problem.

NAMA is not a debt collection agency but let's not be naïve enough to think that we don't have debts to collect on behalf of our people. But we are working constructively with debtors in every case that we can because that is the only way to deliver a successful outcome.

I've outlined our initiatives in terms of residential and commercial property markets. A stable, normally functioning property market will be positive not just for NAMA but for the wider Northern Ireland economy. NAMA wants to see transactions, buyer confidence and liquidity restored and employment and economic activity growing.

Chairman, again I would like to thank you for the invitation to address the Committee and to thank you all for affording me the opportunity to outline the key points relating to NAMA's work and contribution in Northern Ireland.

As Chairman of NAMA I am always available to engage with Public Representatives, North and South, in whatever manner you consider useful.

Thank you.

Appendix 9

- Transcript of NAMA's appearance before the Joint Committee on the Implementation of the Good Friday Agreement, 8 March 2012.

The Joint Committee met at 11.30 a.m.

MEMBERS PRESENT:

Deputy Seán Conlan,	Senator Martin McAleese,
Deputy Seán Crowe,	Senator Mary Moran,
Deputy Frank Feighan,	Senator Mary M. White.
Deputy Martin Ferris,	
Deputy Joe O'Reilly,	
Deputy Brendan Smith,	

In attendance: Mr. Pat Doherty, MP, MLA.

DEPUTY JOANNA TUFFY IN THE CHAIR.

Chairman: Apologies have been received from Ms Margaret Ritchie, MP, and Mr. Mark Durkan, MP, Senator Jim D'Arcy, Deputy Michael Kitt and Deputy Joe McHugh.

I remind Members, guests and those in the Public Gallery to please ensure that all mobile phones and other electronic devices are switched off completely for the duration of the meeting as they cause interference even when in silent mode.

I welcome Ms Sineád Quinn, our new clerk to the committee. She is replacing Ms Bridget Doody who, after a very short time with this committee, has moved to the Interparliamentary Union unit. On behalf of members I wish Bridget well in her new post. I look forward to working with Sineád over the coming months.

Deputy Martin Ferris: I have to leave early so I wish to raise the issue of the Taoiseach's committee on the national commemorations. To my knowledge, no elected representative from the Six Counties is a member of that committee. I propose that such a person should be appointed to that committee. I would like to see a person such as Pat Doherty who has been involved in national politics for a long time appointed to that committee.

Chairman: It might also be appropriate to have a Unionist representation on that committee to allow for a balanced representation. I presume the committee could put this proposal to the Taoiseach if the members are in agreement. Is that agreed? Agreed.

The minutes of the previous meeting of 16 February 2012 have been circulated. Are any matters arising? No. Are the minutes agreed? Agreed.

Chairman: The main item of business is the potential impact of NAMA on the economy of Northern Ireland. I am pleased to welcome Mr. Frank Daly, chairman of NAMA, Mr. Ronnie Hanna, head of asset recovery, and Mr. Jonathan Milligan, senior credit manager.

It is now almost two years since the first loan transfers to NAMA occurred. All the loans for which NAMA has responsibility have now transferred to the agency. It is timely, therefore, to examine NAMA's footprint in Northern Ireland and the specific provisions being made to manage its Northern Ireland portfolio. This issue was raised at the North-South Ministerial Council plenary meeting on 18 November 2011, in light of the then ongoing concern across the political spectrum in Northern Ireland regarding the possible negative impact of the disposal of NAMA's sizeable property portfolio in Northern Ireland. This committee also wrote to the Minister for Finance to ask that he consider appointing a Northern Ireland representative to the board of NAMA. There is a NAMA Northern Ireland advisory committee and in inviting Mr. Daly and his colleagues to address the committee, I ask that they might speak about that committee's remit and its work to date, as well as speaking on the more general question of the potential impact of NAMA on the Northern Ireland economy.

By virtue of section 17(2)(*l*) of the Defamation Act 2009, witnesses are protected by absolute privilege in respect of the evidence they are to give this committee. If a witness is directed by the committee to cease giving evidence in relation to a particular matter and the witness continues to so do, the witness is entitled thereafter only to a qualified privilege in respect of his or her evidence. Witnesses are directed that only evidence connected with the subject matter of these proceedings is to be given and witnesses are asked to respect the parliamentary practice to the effect that, where possible, they should not criticise nor make charges against any person or persons or entity by name or in such a way as to make him, her or it identifiable.

Members are reminded of the long-standing parliamentary practice that they should not comment on, criticise or make charges against a person outside the House or an official by name in such a way as to make him or her identifiable.

Mr. Daly has another appointment at 1 p.m. and I ask members to bear this in mind regarding the discussion.

Mr. Frank Daly: I thank the Chairman. On behalf of NAMA I thank the joint committee for this invitation to attend this morning and to give evidence to the committee. We welcome the opportunity to engage with members on our work. I am joined by Mr. Ronnie Hanna and Mr. Jonathan Milligan whom the Chairman has introduced but I will add that both of them have considerable financial experience and both are very familiar with Northern Ireland. Mr. Hanna is a member of NAMA's Northern Ireland advisory committee and Mr. Milligan also works with that committee.

I will focus primarily on NAMA's work in Northern Ireland and its contribution to the economy there but I will also deal briefly with our wider operations.

We believe NAMA has established in Northern Ireland a very good working relationship with the Northern Ireland Executive and Assembly. Meetings take place at regular intervals to allow for an open exchange of views. We have met with various Ministers, namely, the Minister for Finance and Personnel and with the First and Deputy First Ministers. I note in a speech to the Leinster Society of Chartered Accountants on 2 November 2011, First Minister, Peter Robinson, characterised the NAMA relationship as positive to date and this has been underpinned by similar comments from the Minister, Sammy Wilson. We also have established very constructive communications with the Northern Ireland Chamber of Commerce, the Northern Ireland Assembly and the Northern Ireland Assembly Business Trust. We are also increasingly engaged with councils in Northern Ireland. Our approach in

Northern Ireland is also informed by the expertise of local professional advisers.

One extremely valuable structure within NAMA and on which the Chairman asked me to comment is the NAMA Northern Ireland advisory committee. The committee's contribution to our understanding of the issues and the market is very important and I refer in particular to the contribution of two external members of that committee from Northern Ireland, Frank Cushnahan and Brian Rowntree, two highly respected business leaders in Northern Ireland and they are very generous with their time and with their advice to us.

As part of its objective for working for solutions in Northern Ireland, this committee is leveraging local input and experience through its members and in partnership with public sector bodies. We are also encouraging research initiatives which will help us with future solutions. A good example is the work with the University of Ulster on very innovative research initiatives to enable us to better understand the dynamics of Northern Ireland housing, such as housing affordability and the demand and supply of land throughout Northern Ireland. We are providing ongoing support for the University of Ulster land development model and we are facilitating exchanges between the Department of the Environment, Community and Local Government and the university, for an all-island land development model.

Before dealing specifically with Northern Ireland, I hope the committee will indulge me if I make a few brief comments to help put into context the size, the challenge and the importance of the agency's work and the significant number of milestones which have been reached already since NAMA was established. I deliberately make these comments against a background of some recent inaccurate, misleading and potentially damaging reports relating to the agency. There are three different types of debtors which NAMA deals with. I refer to those who may have the will but who are simply incapable, for whatever reason, of contributing meaningfully to the working out of their loans. There are those who want to co-operate and have something to contribute and thankfully these are in the majority and are the ones who will work with us in the future to help achieve the objectives set for NAMA.

There are also those who pretend to want to co-operate but who are unwilling do so, whether in terms of reducing overheads, mandating rent, reversing asset transfers or providing charges over unencumbered assets. Invariably it is from among this category of debtor that we hear the most noise either directly or indirectly, particularly when we have no option but to take enforcement proceedings. We have put on record recently our concern that the number of baseless, critical stories about the agency has increased as the level of enforcement activity by it has increased and as it applies pressure on some debtors. NAMA did not lend the money that created the problem in which we find ourselves. NAMA is part of the clean up necessitated by the property market collapse - some people do not like what this means for them and they use whatever source they can to try to damage the agency. We are not influenced by this commentary but we are sometimes surprised at the readiness of some commentators to accept baseless and sceptical stories about NAMA without themselves showing any semblance of scepticism about the vested interests peddling the stories in the first place.

Members know the context in which NAMA was established and the fact that in just two years we have built up an entire infrastructure from scratch and completed the enormous task of carrying out legal due diligence on valuing, purchasing and transferring 11,500 loans from more than 800 individuals with a face value of €74 billion, or sterling £61 billion. In the process, NAMA has successfully injected €31.6 billion, or sterling £26 billion, into the banking system. NAMA cannot control what the banks are doing with that liquidity nor can it be held accountable for the fact that the banks needed a multiple of this amount to replace their lost funding since 2008. NAMA was and is only ever to be part of the overall solution.

We are now in the next logical stage in its development, which is focused on maximising value by working closely with debtors and, through the implementation of broader strategies, managing our portfolio of loans and underlying securities. Our objective is to achieve the best financial return we can over our lifespan - that is what the legislation requires us to do.

We have already assessed the business plans covering 97% of the loans on our balance sheet, representing more than 700 of our debtors. While some of these 700 debtors may not like what they are hearing, at least they all now know where they stand with us. In the majority of cases we are working with debtors to maximise the value that can be realised from their loans and associated assets. They see the path ahead, however difficult that may be, and it is difficult because for many it means, in practice, the sale of properties to support phased debt repayments, the granting to us of charges over unencumbered assets, and the reversal of asset transfers to relatives and others. To date, we have been granted charges over assets with an aggregate value of €221 million and have succeeded in reversing asset transfers totalling €160 million and when completed, we believe the aggregate value of these unpledged assets transferred back to us may prove to be in the region of €500 million.

I have one final point to make about debtors, namely, that the enforcement approach is adopted only after all other options have been considered and that principle applies regardless of where the debtor is located. In Northern Ireland, 15 cases have been subject to enforcement, one of which relates to a Republic of Ireland debtor. This is proportionate to the scale of the NAMA loan portfolio in Northern Ireland. Enforcement, as I have repeated, is always a last resort for NAMA.

One of the regular unfounded criticisms thrown at NAMA is that we are slow in making decisions on credit applications and offers to purchase assets but when we ask people to back up these statements with factual instances we invariably get no response. I would like to put some facts on the table. We have made more than 6,000 individual credit decisions since the end of March 2010. The average turnaround time for those credit decisions is six days and we operate to a target decision time of seven days. These decisions are the ones that underpin close to €1 billion approved in advances of working and development capital to debtors and asset sales valued in excess of €7 billion. Therefore, the process is not slow but what some people have difficulty with is the fact that NAMA is applying good practice - rigorous examination of credit proposals and realistic assessment of purchase offers - in dealing with applications for credit and offers to purchase. This is not what many were used to in the banking and property development practices that got us to where we are today and led to the establishment of NAMA. We are, of necessity, rigorous in our dealings with all parties. We are not, as these figures illustrate, slow or lumbering.

Specifically in regard to Northern Ireland, NAMA's mandate is to recover maximum amounts from all loans irrespective of where the underlying loans are located. Towards this objective, NAMA adopts a traditional commercial approach in each of the jurisdictions in which we operate, while recognising the distinctive differentials applying in these areas. We are particularly cognisant of the challenges specific to Northern Ireland and, as I pointed out, our approach here is informed by extensive engagement, local knowledge and expertise.

NAMA carries out its work with reference to a set of guiding principles, including taking a longer-term approach and avoiding firesales, and I ask people to recognise that our record over the past two years in Northern Ireland testifies to this approach.

In Northern Ireland we initially planned to acquire loans that had a nominal or par value of €4 billion, the equivalent of €3.35 billion, spread across 180 individual borrowers, some of them in common borrower groups. In the intervening period, reductions have been achieved via disposals, repayments and some loans which were not ultimately acquired. NAMA's remit was to acquire land and property, and associated loans. In some circumstances it made sense not to acquire associated loans, particularly where trading businesses featured and, reinforcing this approach, in September 2011 the NAMA board decided not to acquire a further three eligible Northern Ireland debtors for this business reason.

I am in a position to advise the Committee today that the likely final figure for loans in Northern Ireland is of the order of €3.5 billion, or sterling £3 billion, nominal and an acquisition value of €1.5 billion, or sterling £1.26 billion. This represents less than 5% of our portfolio in terms of the par and loan acquisition value of loans acquired and this is somewhat less than the original figure that was envisaged for Northern Ireland.

We have provided the committee with two slides showing the breakdown of NAMA's Northern Ireland loan portfolio by asset class. This breakdown is extremely relevant in terms of the types of strategies that will be applied over the life of NAMA to maximise value and support the Northern Ireland economy. This is a tailored strategy based on our portfolio mix. With reference to the par or nominal value of the loans, 60% of the portfolio is secured by land not under development, a further 10% is secured by land under development, 29% of the portfolio is secured by commercial investments and just 1% relates to residential investment. We do not have in Northern Ireland the high concentrations of large unoccupied residential developments. The same also applies to hotels with just three of these assets having been identified to date in Northern Ireland. However, if one looks beyond the par value and measures this by reference to book or LAV value, the acquisition value of the loan portfolio, the breakdown of the portfolio changes, reflecting the respective quality of the asset classes underlying the loans rather than the loans themselves, and one gets 22% of the portfolio secured by land not under development, a further 5% secured by land under development, 62% secured by commercial and 11% relates to residential investment. In reality then, much of the portfolio is good quality investment grade. The big problem was over leveraging - debtors paid too much for the assets in the first instance, even for the good quality assets. In this regard, in Northern Ireland and the other jurisdictions in which we operate, resolution is a matter of time.

We have already advanced €35 million, or sterling £29 million, in new working and development capital for projects in Northern Ireland but this is not the full picture. We have also advanced significant additional advances to Northern Ireland debtors in regard to projects elsewhere, mainly in Britain, which also helps to support operations in Northern Ireland and, by extension, employment. When one accounts for all working and development capital advanced to northern debtors, the figure is €90 million, or sterling £75 million. It is important to note that the high proportion of land not under development, or 'dry land' as it is sometimes referred to, limits the opportunities at this time to advance new working and development capital but again opportunities will come around in respect of much of this class. The splits outlined are subject to change because in many respects ours is a moving portfolio.

NAMA can be a force for good in Northern Ireland. NAMA's actions in Northern Ireland are informed by an understanding of the workings of the Northern Irish economy and cognisance of the ongoing plans and strategies of the Northern Ireland Assembly, which has signalled a sizeable asset disposal programme over coming years, and the management by major non-NAMA financial institutions of substantial property portfolios in Northern Ireland. Some of the latter are much larger than NAMA. NAMA's strategy will see the realisation of its portfolio on a phased basis linked to where there is liquidity. We do not accept low-ball offers. We do not, nor do we intend to, resort to fire sales or the dumping of assets. We have the time and the capacity to take a longer-term view. NAMA's workings in Northern Ireland to date confirm that this is the approach we have been taking.

In both Northern Ireland and the Republic of Ireland, the residential assets underlying the loan portfolios managed by NAMA tend to be located in strong rental markets. The challenge in both markets is to try to move potential clients from rental to purchase. There is evidence to suggest that there is pent up demand in key growth areas in the Republic and in Northern Ireland. The challenge is to move clients from what might be termed "purchase consideration" to the point of purchasing. In this context, NAMA is very close to launching a pilot mortgage initiative in the Republic, which, in simple terms, will provide potential purchasers with a level of protection against housing values falling from current levels during the next five years. We have received approval for this from both the Department of Finance and Central Bank and we are awaiting final approval from the European Commission. We expect that approval imminently. If this mortgage initiative works on the basis of the pilot scheme in the Republic, we are very open to seeing if we can introduce a similar initiative in Northern Ireland with our partner banks.

Lack of finance and unfavourable terms are also issues in the commercial property markets. NAMA will continue to make vendor finance available in this market. The latter will help bring international capital into both the Republic of Ireland and Northern Ireland marketplaces and will add price tension. NAMA is not a bank. We sees vendor finance as an aid to market participation. However, we perceive it as an aid which, applied to the right product and right client, can be a significant positive for investment and employment in Northern Ireland. The agency is also examining a number of other options, including establishing a qualifying investment fund. I mention all of these points in order to emphasise that any initiative available in the Republic of Ireland market will, where possible, be made available and tailored to suit the economic circumstances in Northern Ireland.

In the time available I have tried to provide an overview of NAMA's general progress and of its activities in Northern Ireland. I also tried to emphasise impacts relative to the wider economy. It is important to stress that NAMA is part of the solution and is not part of the problem. We are dealing with the decisions of banks and with borrowings of debtors that were at the root of the property market's problems. Further bad decisions now on the part of NAMA would simply exacerbate the problem.

We are not a debt collection agency but let us not be naive enough to think that we do not have debts to collect on behalf of our people. We are obliged to collect such debts and we are working constructively with debtors in every case possible because that is the only way to deliver a successful outcome. I have outlined our initiatives in terms of residential and commercial property markets. A stable, normally functioning property market will be positive not just for NAMA, but for the wider Northern Ireland economy. We want to see transactions, buyer confidence and liquidity restored and employment and economic activity growing. I again thank the Chairman for the opportunity to address the committee.

Chairman: I thank Mr. Daly. I now propose to take questions from two members at a time. I first call Deputy Feighan.

Deputy Frank Feighan: I welcome our guests and I thank them for the work they have done to date. The past two years have been extremely difficult for everyone. I wish to ask a couple of questions. How does NAMA deal with those who pretend or who refuse to co-operate? What level of success has it enjoyed in this regard to date?

I am concerned about the fact that some commentators are accepting baseless and questionable stories regarding NAMA. This is also the case in respect of politics. Most commentators, local newspapers and, on occasion, local radio stations will accept any story. A large number of these stories are unfounded. There is a form of race to the bottom because media sources are accepting such stories from anyone who contacts them. For example, people contact Joe Duffy's "Liveline" programme to make complaints and what they say appears to be taken as gospel. Politicians are sometimes required to verify stories before they go on the record about them. How does Mr. Daly believe we can deal with behaviour such as that to which I refer, which is causing serious problems in the context of getting good stories out there? I am not suggesting that we might wish to hide anything but we must ensure that whatever is out there is verifiable and, put simply, the truth.

Mr. Pat Doherty, MP, MLA: I thank Mr. Daly for his presentation and I welcome him and his colleagues to the meeting. I particularly welcome Mr. Daly's commitment to the effect that there will not be a fire sale or dumping of assets in the North. While I am aware of NAMA's working relationships with the Department of Finance and Personnel and the Office of the First and Deputy First Minister, there are a number of areas of some concern which I would like Mr. Daly to address. The first of these relates to the fact that the North represents approximately 5% of NAMA's overall assets - if that is the correct word to use - but only 1% of its development money is invested in the North. We are informed that 13% of NAMA's foreclosure properties are in the North, while only 5% of loans go into the North.

In October of last year, Peter Stewart, a board member from the North, resigned from NAMA. It is only in recent weeks that an advertisement seeking his replacement appeared. Who has been doing the work for which Mr. Stewart was responsible in the period since his resignation? Is what has happened here an indication that the North is of relatively low priority in the context of NAMA's overall work?

Chairman: I will ask the Vice Chairman, who is due to leave the meeting in a few moments, to make his contribution now.

Deputy Joe O'Reilly: I thank the Chairman for indulging me by breaking the sequence of contributors. Unfortunately, I just received a note which indicates that some people have arrived to see me so I will be obliged to leave the meeting.

I welcome Mr. Daly and his colleagues. It is good that they are present for this important discussion. From meeting people at my clinics and elsewhere, I am aware that the biggest barrier to economic activity - I am sure the position in this regard in the North is no different

- is the difficulty in obtaining credit. I refer, in other words, to the absence of a flow of cash of the sort which people might use to invest in a NAMA property or to develop an existing property. In that context, perhaps Mr. Daly might elaborate on his comments in respect of NAMA's capacity to make finance available. I presume its first option is to make finance available to the actual owners of properties in order that they might develop them. This would ensure that such properties would become viable both in terms of the repayment of loans relating to them and in the context of future economic activity. If this is not the first option, then I presume it involves making capital available to those Mr. Daly referred to as "good clients" in order that they might buy these properties and take them over. How does NAMA access the money involved and will it be in a position to continue to access it? Would it be possible for the agency to access more such money? All the evidence and everything I hear said suggests there has been a pick up in the confidence factor and if credit became available it could have a snowball effect. I welcome the witnesses. I appreciate the Chairperson allowing me make these points as I have to leave the meeting early and I apologise for having to do that.

Chairman: Does Mr. Daly wish to reply to those questions?

Mr. Frank Daly: I will reply to them in the order they were asked. Deputy Feighan asked how we deal with people who pretend to co-operate. We have a process, as I believe everybody knows at this stage, that the first engagement is on the basis of a business plan and there is a pretty rigorous toing and froing and engagement with the debtor on that. Most debtors co-operate with us and it is important to emphasise that. There are some whose businesses are not viable and throwing good taxpayers' money after bad bank money is never an option for us. That becomes clear pretty early on in the process. A category with which we have difficulty are debtors whose businesses have a viable commercial prospect of continuing who spend a good deal of time promising to do this, that and the other but they never meet deadlines or live up to expectations and just when we think we might have an agreement made with them on the way forward, they start to throw in other conditions or refuse to agree to items to which they have already agreed.

There is, therefore, a rigorous process of engagement. It is one in which many of the people concerned have not been used to engaging in the past five, six or seven years when they got money from the banks and eventually we lose patience and reluctantly have to go the enforcement route. It does not necessarily mean there will never be a return from that business but from our point of view it means the business is probably better managed by somebody rather than by the existing debtor.

As to sceptical stories about NAMA, it is important to say that there are also many balanced stories about NAMA. Some stories that may criticise us may be valid and I have no difficulty with that because, as the Deputy said, we are not trying to hide anything and we would never wish to do that. However, I have a problem with a plethora of stories that emerged recently and what particularly caused us concern was a theme to them which implied that NAMA was not worried about job maintenance or job creation but nothing could be further from the truth. I could point to quite a few stories, two or three in particular in recent weeks, about a development in Profile Park in Dublin where it was implied that NAMA was putting jobs at risk by not concluding the bringing of a deal to the table, but the opposite was the case. It was only when NAMA got involved in that case that we were able to push issues such as planning, rights of way problems with adjoining landowners, and people who wanted to move and got a very successful result.

There have been recent stories about other individuals who have tried to buy sites from NAMA who said we would not co-operate - that we played hardball too much. We play hardball up to a point but we are dealing with taxpayers' money here. Another case, that of BSkyB jobs in Ireland, was given a good deal of prominence recently and NAMA was fully on top of that, fully cognisance of the jobs issue and totally facilitated a deal with BSkyB that had a good result. The Deputy asked what can we do about this, all we ask in NAMA is that people who make comments such as those would take the trouble to ask us about the facts. Once they have the facts I cannot control what they write but at least they should come and ask us about them. In neither case did they come and check with us as to what the reality was in those cases.

Mr. Doherty asked about our commitment not to engage in firesales. I thank him for his comment and that is an absolute commitment of ours. We have the time and the capacity to take a long-term view and that is what we intend to do. We have a good relationship with the Minister for Finance and his personnel, the First Minister and Deputy First Minister and other entities in Northern Ireland.

Mr. Doherty mentioned that the development capital being provided may be disproportionate in terms of Northern Ireland. In overall terms, the new approvals of development or working capital are approximately €1 billion, as I said in my opening speech, and that is divided between Ireland in terms of 41% and Northern Ireland in terms of 1%, which is small. However, one needs to look beyond what has been just advanced to debtors in Northern Ireland. There are Northern Ireland debtors who operate in the UK. They have their head offices in Northern Ireland. The advances might be made in respect of developments in Britain and they use "subbies" from Northern Ireland and operate the business from Northern Ireland. One must take that into account in the Northern Ireland total and when one does that, the total is of the order of €90 million. The other point to be made is that because of the predominance of landbanks in Northern Ireland, 60% on the basis of par, which is unusually high in terms of our geographies, that is probably the area that is least attractive for working capital at present because nobody is looking for capital for that type of development. The demands and requests for working capital in Northern Ireland are increasing and I see those being available.

Mr. Ronnie Hanna: One of the issues in Northern Ireland was that the business plans came later in the cycle because of the size of them. We started with the larger business plans first in terms of the quantum of debt. The Northern Ireland plans tended to come further down and we are still working our way through some of them. As those plans are worked through and agreed, we expect that working capital requests would come through and in terms of viable projects, we would support those. There is a timing issue also with regard to why working capital appears to be less in Northern Ireland than it actually is.

Mr. Frank Daly: Mr. Pat Doherty also asked about enforcement. We have made 15 insolvency appointments in Northern Ireland and made 214 appointments in total and proportionate to the portfolio, that is not unreasonable. One also needs to take into account that in regard to the enforced properties on our website, 1,119 properties or groups of properties are listed, 143 of those are in Northern Ireland but many of those are very small single assets rather than significant assets.

In regard to the trend in Northern Ireland in terms of the 143 enforced properties or assets, 67 of those were enforced between August 2011 and January 2012. There were 76 of them enforced prior to that. Therefore, there have been no enforcements against Northern Ireland assets since October 2011, if I am correct on that. I do not believe that is disproportionate to what we have there.

Mr. Doherty asked about the Northern Ireland advisory committee. Peter Stewart resigned from the board of NAMA and that had nothing to do with Northern Ireland as he resigned for personal reasons. I have taken over chairmanship of that committee since he resigned and that is a signal of the importance NAMA attaches to that committee. I have been involved with the committee since the start of NAMA and my belief is that it is an extremely effective committee in terms of advice to the board of the NAMA in regard to Northern Ireland. There is a wider issue, on which Mr. Doherty touched, about the board membership in regard to Northern Ireland. The matter of board membership of NAMA is one for the Minister and not for the board of NAMA or myself but the Northern Ireland Advisory Committee is a strong, effective committee.

I agree with Deputy O'Reilly that lack of credit or tight finance is a major barrier to the growth of economic activity in the State. I mentioned that NAMA has injected €31 billion or €32 billion into the banks. The expectation and hope was that much of that would find its way into small business and perhaps residential mortgages but that has not happened for the banks' own reasons.

On the availability of staple or vendor finance, it is available now for the right investments and opportunities. As to whether our first option is to give it to the owner, the Deputy must look at two aspects. If we are giving finance to the owner, the debtor, that €1 billion we have already approved comes more under the umbrella of working capital or development capital but, in other cases, if somebody is interested in purchasing an asset or a loan from us the vendor finance is available.

The Deputy asked if we have difficulty in accessing this money. The answer is "No". It is being provided solely from NAMA's own generated finances and we do not see any barrier in that regard in terms of the amount available. I do not see that for the future. I assure the Deputy it is not a question of ever going back to the Exchequer looking for money. This is what NAMA will generate. I am not sure of the actual figures in terms of what we have generated. Mr. Hanna or Mr. Milligan might indicate that.

Mr. Ronnie Hanna: We generated €6.6 billion as at the end of last month. We currently have €4.2 billion lying in cash with us for use and part of the use is to invest in completing projects with the debtors. There is available cash and we are liquid.

With regard to the staple finance, we are now providing staple finance across investment assets and development assets. There is an opportunity for people to come in and look to invest in those assets with our support. That is available in Northern Ireland and here also. We are finding that it is creating interest but it is a new market for people to come to with regard to staple finance but we believe it will help in the longer term.

Mr. Frank Daly: I stress that the finances must be for viable projects because the last thing we want to do is fall back into the mess we have been in for the past ten years or whatever.

Deputy Seán Conlan: The witnesses are welcome and I wish them well in their important work. I welcome the statement that NAMA will not accept low ball offers and that it is conscious not to get involved in fire sales. What is the average percentage fall-off in peak values in Northern Ireland across the range of the commercial investment portfolios and land under-development? I am aware the residential aspect is very small in Northern Ireland and is somewhat bigger here in the Republic but can the witnesses elaborate on the way they envisage the pilot mortgage initiative will pan out? Will it be specific to one geographical area or rolled out across the entire Republic and then into Northern Ireland?

Deputy Brendan Smith: I join with the other speakers in welcoming Mr. Daly and his colleagues. My question relates to Deputy Conlan's point regarding the pilot mortgage initiative, which I welcome and on which I hope NAMA can get the necessary clearance from the Commission as soon as possible. Have the witnesses considered extending such an initiative to commercial property? All of us know of the difficulties for small enterprises in acquiring work space. Over the years we have seen where different enterprises, particularly small enterprises, got access to work space in the traditional community enterprise centre developed through Enterprise Ireland county enterprise boards with local initiative. Thankfully, many of them were able to move on and acquire their own property. If there was an initiative to provide it at the best possible cost there would be a demand throughout the country for work space in appropriate commercial units.

I welcome Mr. Daly's clarification on the alleged obstacles we all read about in the newspapers and heard about in the broadcast media that NAMA was putting blockages in the way of the creation of much-needed and welcome jobs, particularly under foreign direct investment. That clarification was needed. We all understood from reading the newspapers that members of the Government had to intervene to get the blockages the witnesses' agency was responsible for removed. This is the first denial that I am aware of from the agency or from Government, and it is a necessary and welcome clarification.

Mr. Frank Daly: I welcome Deputy Conlan's confirmation regarding our no low ball offers and no fire sales. That is a statement we are making, and I will stand over it.

I might ask my colleague to discuss the fall in values in Northern Ireland with which he is much more familiar.

Regarding the pilot mortgage initiative, we intend to start that with approximately 175 units in the first phase because the clearance we get from the Commission, and I am assuming we will get it, would be on the basis of ensuring this works and does not do any damage before we go on at a bigger scale. We would be starting with approximately 175 units. I am not sure that we have finally decided on where the 175 units will be for the first phase but ultimately, we intend that they would be geographically spread and that this would be available in Northern Ireland, if it works, after the pilot phase.

Mr. Ronnie Hanna: The Deputy asked about the way the scheme would work. I will briefly outline that. The set-up would be that the purchaser would put a 10% deposit into the particular house being bought. We would leave in place 20% deferred consideration, which initially means the purchaser would need a 70% mortgage. For a house costing €200,000, therefore, the purchaser would require a 20% deposit. We would leave €40,000 in place as deferred consideration and they then would get a 70% mortgage of €140,000 initially but they would be pre-approved for a 90% mortgage, and that is very important. They must show the ability to pay the 90% even though they are only drawing 70% initially. One of the benefits for the purchaser would be that we would not charge interest on the deferred consideration. In setting up a 90% repayment on a 70% mortgage, therefore, they would have the opportunity to reduce the mortgage very quickly over the initial five year period. That is a significant benefit for them.

The other point is that we are providing a price protection by putting in place the deferred consideration of the 20%. In terms of what would happen, we value the property initially when it is purchased and then after five years we value it again. It is independently valued. Based on that valuation, if the price of the house remained as originally bought or is higher, the deferred consideration is drawn down from the top-up on the 90% mortgage originally approved. If it has fallen in value we require the deferred consideration to be only paid *pro rata*. In the example I gave, therefore, if it fell down to €160,000 the purchasers would not have to pay any of the deferred consideration after five years. If they had to pay on the deferred consideration, because they have been reducing their mortgage so quickly, our sums would indicate that even drawing the full 20% of the mortgage at that stage should not be much in excess of a 70% mortgage. That is a significant benefit for them.

Mr. Frank Daly: I thank Deputy Smith for the comments about the jobs. I reiterate that NAMA is committed to maintaining and creating jobs and anything we can do in that regard we will do. In that context, we have a very good working relationship with the other agencies of the State involved in the process, including the IDA. We are in contact with them regularly. It is very much a question of the agencies and institutions of the State working together.

I was asked whether we would consider the staple finance issue in regard to a different type of commercial property. We have not placed any barriers in regard to what staple finance is available for. When we are advancing staple finance, NAMA is effectively giving a loan for the investment or purchase of the property. It needs to be a good one.

With regard to traditional community enterprise, leaving aside the issue of staple finance altogether, right from the start NAMA has had a policy of offering first refusal, on reasonable terms, to any public body, be it a local authority or other body of the State, in regard to our facilities, properties or buildings that might be of use to it. We have good relationships and have been able to facilitate quite a few transactions in this regard around the country. I am always encouraging local authorities and other bodies, both voluntary and statutory, to keep in touch with us.

We have property but do not really know what any particular authority is looking for. However, it should feel absolutely free to tell us it would like a property or building of a certain size in a given area. If we have it, we will certainly engage with the body in question.

Deputy Seán Conlan: I referred to falls in value expressed in percentages.

Mr. Ronnie Hanna: The market in Northern Ireland is very thin, both for residential and commercial property. Any benchmarks that exist are based on very few transactions. Indications are that, in the residential market, the drop is of at least 50% and more in some areas. The figure for the commercial market is of a similar order. These estimates are based on very thin data and, therefore, it is difficult to rely on them. The market is illiquid and that is a key issue. That has already been mentioned.

Deputy Seán Crowe: The effect of a fire sale was one of people's major concerns. It is important that the slowness of making decisions was put on record by the delegation. Reference was made to 6,000 individual credit decisions and a turnaround time of six or seven days. Did the individual decisions pertain to small clients? How large were the portfolios?

The delegation stated that property portfolios in Northern Ireland are different from those in the South. We constantly hear about ghost estates in the South. Are there ghost estates in the North? Have any decisions been made in this regard? Is there talk of knocking some of the estates in question? Do the portfolios cover the North in its entirety? Is the majority of the property concerned in Belfast, Derry and the main towns?

Reference was made to those who pretend to co-operate but who are unwilling to do so in the effort to reduce overheads, etc. How many of these clients are there as a percentage of the overall body of clients? Do they comprise a minority? People have grave concerns about the lifestyles of some of the individuals concerned. We hear stories all the time that they do not seem to have changed although they are supposed to owe money.

A criticism of those who are working under the remit of NAMA concerned salaries. Are there many in the North earning salaries in excess of £200,000?

There was talk of NAMA allocating a proportion of its housing stock for social housing in this State. Have similar discussions taken place in the North?

The delegates referred to the pilot mortgage scheme. What is the timescale in that regard? There is talk of rolling it out and of what will occur if it is successful. Will the pilot period cover 12 months, after which the introduction of the scheme in the North will be considered?

Senator Martin McAleese: I welcome the chairman of NAMA and his team. They have a very difficult and unenviable job, and we wish them well in it.

The chairman said 60% of the NAMA loan portfolio in Northern Ireland relates to undeveloped lands, presumably purchased at a very inflated price. According to the website of the Northern Ireland Housing Executive, there is a housing shortage in Northern Ireland. It states in excess of 40,000 names are on the housing waiting list. I do not know the distribution in respect of undeveloped lands. Do any properties merit being developed into low-cost housing units by NAMA, or with the approval of NAMA? This would be to reduce the housing waiting list and maximise the value that can be taken out of those undeveloped lands in order to reduce the difference between the market value of undeveloped lands and the attached loans.

Chairman: I wish to ask Mr. Daly a couple of questions on this subject. Deputy Crowe referred to lifestyle. One reads in the newspapers, perhaps in the gossip columns, about certain developers who appear to have very extravagant lifestyles. Is NAMA monitoring this?

Both Deputy Crowe and Senator McAleese referred to social housing. Mr. Daly referred to the social good in his contribution. Does the social dividend pertain only to housing or does it include parks or other facilities in the North?

Mr. Daly implied undeveloped land might become valuable in time. I question this. In my constituency, it would be unsustainable to develop much of the land that was speculated on. Doing so would get rid of green belts, for example. I presume the same issues arise in the North. What will NAMA do to protect the environment, including green belts?

Mr. Frank Daly: Deputy Crowe reiterated his support for our no-fire-sale policy. With regard to the 6,000 individual credit decisions and the six-day turnaround, there is a mixture of cases. Across our portfolio, there are some debtors we call “megadebtors” and there are relatively small debtors. The six-day period encompasses some straightforward decisions and other more complex decisions. I would never say a big proposal for a new development by a major developer could be considered in six days. It would be a mistake to rush such a decision in six days. There is a mixture and I do not really have a breakdown of figures on categorising decisions as small, big or medium.

We do not have in Northern Ireland what are called “ghost estates”. The involvement of NAMA with ghost estates in the South is overstated from time to time. My understanding is that the local authorities and the Department of the Environment, Community and Local Government have identified 243 estates in the South that are most problematic in terms of public safety. While it often is assumed the majority of these are under NAMA control, they are not, as only 29 such estates are controlled by NAMA debtors or receivers, which comprises less than 12%. We have been funding the cost of the urgent remedial work on those estates, which is estimated to be approximately €3 million. Moreover, very good progress is being made in this regard. The board of NAMA receives regular reports with regard to the progress being made in this respect.

I might ask Mr. Jonathan Milligan to talk about the spread of the portfolio in Northern Ireland, as he is quite familiar with it.

Mr. Jonathan Milligan: As for the spread of the Northern Ireland portfolio, the breakdown is that approximately two thirds of it is in counties Antrim, Down and Armagh, while the remaining one third of the portfolio is located in counties Fermanagh, Tyrone and Londonderry. Obviously, we have carried out an analysis in this regard and I certainly can revert to the Deputy with the details. This links to the importance of the aforementioned research from the University of Ulster because there are other lenders in Northern Ireland. Consequently, it is important to get the overall picture regarding where both the NAMA-participating institutions and the other lenders have assets. Typically, they have tended to fall in around where demographics have supported the likelihood of development, because obviously the purchases were made with this in mind. However, this may change, which underlines the importance of the aforementioned research.

Mr. Frank Daly: Deputy Crowe and the Chair asked questions regarding those who pretend to co-operate and the issue of their lifestyle and I might take them together. Contrary to a recent newspaper report, I do not personally read the gossip columns. However, as we have stated from the outset in respect of NAMA, it seems completely inappropriate for people who owe the taxpayers huge amounts of money to live ostentatious lifestyles that fly in the face of any sense of responsibility. We have made that clear to debtors as we engage with them right through the process. While I do not suggest they are no longer appearing in the gossip columns, it would be fair to state the incidence of such appearances certainly has reduced. In addition, many of our debtors also are in debt to other banks outside NAMA and in some cases, members might find the lifestyle is being financed by the other banks rather than by NAMA.

It certainly is not being financed by NAMA, which leads me to the question Deputy Crowe asked about salaries, about which I already previously have given explanations both in this room and other committee rooms. When we find that a debtor is co-operative and has something to offer in terms of working with NAMA on the debtor's portfolio, we allow overheads for that company or operation. Out of those overheads, the debtor, if he or she is working as a manager or whatever, will be obliged to pay him or herself and other staff. I do not think anyone likes seeing people getting these payments but one must face the reality that if they are the people who are best placed ultimately to get the taxpayers a return because they know the business, have grown up with it, have built it and have a vested interest in getting the best they can out of it, then it is a commercial decision for NAMA, albeit sometimes a hard one, to let them draw a salary from such a business. I acknowledge some people assert they should work for nothing because of the damage they have done to the country and can understand how people make this point. Other people suggest they should simply be thrown out and receivers put in place in their stead. However, I note that one puts in place receivers at a cost of approximately €180 per hour. Ultimately, one must ask oneself what is the best result one will get and NAMA must take the hard decision - we have done so and probably will be obliged to so do in the future - that such people will draw a salary out of the overheads.

NAMA has put on record that two people, who in both cases are managing multi-billion portfolios for the agency, are drawing salaries of €200,000. The Deputy asked whether there were many such cases in Northern Ireland and I note no one in Northern Ireland is drawing a salary of €200,000. I hope this also deals with the Chairman's point. When engaging with debtors, we state continuously that they owe us money and their priority must be to repay their debts to NAMA. One cannot claim to be making an honest effort to so do if at the same time one is spending a fortune on one's lifestyle. While I will not get much thanks for saying "in fairness to some debtors", in fairness to many of them, they are working responsibly with us. As I noted in my opening statement, I believe the majority of them in future will work responsibly with us.

Deputy Crowe asked about the timescale for the pilot scheme. I understand we hope to do the 150 or 170 very quickly. It is a question of months and certainly not longer than months.

Mr. Ronnie Hanna: We await final approval to get it under way from the European Commission. Once that has been secured, we will move into it. We envisage the pilot lasting for a few months and we will assess it as quickly as possible and will extend it as quickly as possible beyond that. The overall intention was to get to approximately 750 units as part of the overall roll-out of the scheme and obviously to extend it to Northern Ireland as well.

Mr. Frank Daly: Senator McAleese asked about the undeveloped lands in Northern Ireland, which do comprise approximately 60% of our portfolio on a par basis. As members are aware, one of the members of the Northern Ireland committee is the chairman of the Northern Ireland Housing Executive and that issue of whether there is something NAMA can do in Northern Ireland to deal with the housing shortage figures quite prominently in the work of that committee. I have nothing very concrete to say, other than it is something that comes up. Indeed, we have a meeting next Monday and it will be dealt with on the agenda as well. If there is land there, certainly we will do it and I believe there is one example.

Mr. Ronnie Hanna: We have sold land in Northern Ireland for social housing. We also are engaged in discussions in another scheme that hopefully will come to fruition soon. As part of that, for the Chair's interest, we have considered putting in some social amenity within that. This is something we will not rule out and if it fits within the overall scheme dynamics, we definitely would consider and support it. As for identifying land for social housing in Northern Ireland, NAMA is aware of the need for 40,000 units of social housing and we have been actively engaged with, for example, the Northern Ireland Housing Executive, to ascertain where it needs to target housing. We are trying to come to a way forward with regard to making available sites, at the right price obviously, to facilitate social housing and meet that need.

Mr. Jonathan Milligan: We recently had a specific approach on low-cost eco-friendly housing and while it is at an early stage, we are working our way through it to ascertain whether there is potential for this as well.

Mr. Frank Daly: I refer to the final two points made by the Chairman. She asked whether the social housing aspect was the only social dividend and Mr. Hanna has just referred to the fact that it is not when he cited the example of social amenities and so on. However, as for our main area of activity in respect of the social dividend, I believe the best social and economic dividend NAMA could deliver over its lifetime would be to recoup all of the €32 billion we have paid out for the loans, as well as whatever we could get on top of that. That said, as members are aware NAMA has identified 2,000 properties that are being examined by the local authorities at present to ascertain whether they are suitable for social housing. I understand the examination of this list is at an advanced stage and that NAMA and the Department of the Environment, Community and Local Government are working through it. However, social housing is not the only dividend and NAMA has engaged in this regard. We have been able to provide sites for health centres, primary care centres and, in some cases, clubs in local communities. A fair amount has been done which sometimes goes under the radar, but it is being done. We do not regard the social dividend as solely comprising housing.

Regarding undeveloped land, I agree with the Member who asked the question. Some of it will come around again, but some will not. It will revert to agricultural use or whatever other use is considered appropriate. If what is needed in a particular community is a green belt and the local authority decides that is appropriate, it will find we are willing to engage with it.

Mr. Pat Doherty, MP, MLA: Will NAMA be registering charges against land registry titles in Britain?

Mr. Frank Daly: I am sure we will. We are certainly doing so here. I do not see any reason we should not do so.

Mr. Ronnie Hanna: If it is a question of pursuing debtors' assets not charged to us, that is an option we will pursue where we believe it is right to do so.

Chairman: Does Mr. Daly wish to make any further comment before we conclude?

Mr. Frank Daly: No. I thank the Chairman and committee members. Apart from next week, we will be happy to come back and engage with the committee.

Chairman: On behalf of the joint committee, I thank Mr. Daly who gave a number of welcome commitments, including to maintain jobs and to try to progress the idea of a social dividend. He also confirmed that he was committed to avoiding fire sales on the island of Ireland and seeking local input and using local experience in Northern Ireland through the advisory committee. We greatly welcome these commitments. I thank him for attending and engaging in a useful discussion with us. I am aware that he is under a good deal of pressure today in that he has a board meeting to attend. I again thank him for taking the time to come here and hope we will have further discussions with him.

The joint committee went into private session at 12.55 p.m. and adjourned at 1.05 p.m. *sine die*.

Appendix 10

- Address by Mr Frank Daly, Chairman of the NAMA Northern Ireland Advisory Committee, to the Northern Ireland Chamber of Commerce, 24 October 2013.

Speech by Mr Frank Daly, Chairman of NAMA, to the Northern Ireland Chamber of Commerce, October 2013, Belfast

Introduction

I would like to thank the Northern Ireland Chamber of Commerce for your invitation to speak here today. Events such as this are important to NAMA. NAMA is a State sector agency but also very clearly a commercial organisation and as such we do not operate in a vacuum. We welcome every opportunity to explain what we are doing and to engage with all stakeholders. In Northern Ireland, those stakeholder interactions have included public representatives, government and state agencies, banks and other lenders, the property sector, business organisations, the universities, and social housing groups. We have sought to build clarity and understanding around the Agency's role in Northern Ireland through these interactions. I see today as yet another important opportunity to do this - to update you on NAMA's activities, initiatives and funding – particularly in the Northern Ireland property market.

NAMA in context in Northern Ireland

It may be useful, first of all, to put NAMA in its proper context as far as the Northern Ireland property market is concerned. We are far from being the largest player in this market and indeed in some sectors our exposure is very low. In the residential sector, for example, our debtors and receivers control only 900 residential properties in Northern Ireland, a miniscule exposure in the context of the total housing stock of over 750,000. Our exposure to the land and development sector is more substantial but I would point out that we are by no means the largest player in this sector either. So we are substantial and influential but by no means dominant.

NAMA's approach in the Northern Ireland property market

As an influential player our approach to the Northern Ireland market needs to be explained. That approach has been determined by our own strategic analysis and by listening to all our stakeholders here.

In the four years that we have been engaging with political and business interests in Northern Ireland, the single point most often made to us is that any attempt by NAMA to engage in asset 'fire sales' or to operate in an overly aggressive manner would be very damaging to the property market and to the economy here. This political and business feedback – almost a consensus, in fact - was, as it happens, aligned very well with our own analysis of our Northern Ireland portfolio and the market here. Out of both emerged our strategy of a very measured approach towards Northern Ireland which was, and is, to oversee a phased and orderly disposal of assets – this is the same measured approach we have adopted in the Republic. We gave a commitment to that effect and we have abided by that commitment.

That does not mean that we encourage debtors to stockpile assets. Since the Agency's establishment, NAMA debtors have sold €125m (stg£106m) of property in Northern Ireland - a significant contribution to market activity - and ultimately of course all assets are intended for sale. What it means in practice is that we seek to ensure that the volume of assets offered for sale is reasonably well aligned with the market's absorption capacity. We are, of course, primarily a commercial entity and therefore we must be, and will be, flexible and responsive to evolving market conditions. As the Northern Ireland economy recovers, we will make sure that our debtors and receivers are ready and prepared to sell assets for which there is real demand. We will also look to opportunities to assist market liquidity and to increase transactions where that is appropriate.

Sometimes people get impatient with measured approaches and I get the feeling that there is a minority view in Northern Ireland, as indeed there is in the Republic, that NAMA should administer some shock therapy to the market by flooding it with supply – the hope perhaps being that such radical treatment will somehow accelerate its recovery. A senior figure in the Republic's property business has recently expressed support for this approach, even if, as he acknowledged, it would mean that Irish taxpayers would have to accept 'sub-optimal' prices for NAMA assets. Our view is that Irish taxpayers have endured enough fiscal pain - €64bn (stg£54bn) to date - from the property speculation and misadventures of the last decade. I would suggest that they have no great appetite to be further exposed to some misconceived intervention in the property markets, not least because they would be left to pick up the bill if this experiment were to misfire.

Flooding the market, either in the Republic or Northern Ireland, makes no sense at a time when demand is still relatively weak and credit availability is limited. We know that banks are not lending or may not yet have the capacity to lend at normalised levels and this remains a challenge. The only beneficiaries of the 'market flooding' approach would be some cash-rich short-term investors who would like to buy assets at distressed prices, generate a quick return and then exit, leaving the rest of us, at best, back where we started. There can be no certainty that such an approach would stimulate a **sustained** recovery in the market but it would more than likely leave taxpayers at a further loss.

If we had decided four years ago that our strategy in relation to the Northern Ireland market was to try to recover as quickly as possible the €4bn (stg£3.4bn) lent into Northern Ireland by NAMA banks and if, in executing that strategy, we had contributed to a serious destabilisation of the market, I doubt very much if you would be welcoming me, or any other representative of NAMA, here today

Contrast the GB market

In contrast to the Republic and Northern Ireland, our approach in GB has been to encourage debtors to sell assets sooner rather than later. This is based particularly on the fact that the London market has been buoyant over recent years and has a safe haven reputation which attracts many cash buyers. Furthermore, our exposure to the GB market – about stg£10bn - is not large by reference to the overall size of that market which is of the order of stg£600bn. Reflecting this, 80% of NAMA's €9.4bn (stg£8bn) of completed asset sales has been in GB, mainly in London.

These divergent approaches to asset sales in GB and Northern Ireland/Republic make the point that in the heel of the hunt we are sensitive and responsive to the market, follow a commercial approach and take our opportunities. We are not in the business of selling assets at less than their intrinsic value in any geography. We have deliberately pursued a strategic approach of not doing anything which would impair the recovery of either the Republic's or the Northern Ireland property markets from the serious trauma which enveloped them six years ago – but it's not enough to simply do nothing to impair recovery. We also have to actively intervene to help recovery – to contribute at every opportunity to greater stability and increased transactional activity, at sustainable levels, in both markets. This works both ways for NAMA - the achievement of our objectives is closely connected with what happens in these property markets.

Active intervention - adding value to assets

We cannot therefore sit about twiddling our thumbs waiting for things to happen. In sectors where demand is rising, as is now the case with the Dublin office and residential sectors (and indeed there are some recent positive indicators in Belfast) we are moving quickly to address any supply shortages that can by met from our portfolio – evidenced by some very important transactions in recent weeks and a noticeable acceleration of such in recent months. As the economy picks up, North and South, our debtors will respond by releasing supply in response to emerging demand. In some cases that supply will be market ready – in others it will need investment in completion, in yet other cases it will mean brown field or green field development. NAMA is interested in all three.

Because of course we are more than simply a transaction vehicle – we do not exist simply to sell off assets as they are and as quickly as we can. We are an asset management company, which means we work to identify and deliver opportunities that add value across our portfolio. As part of this, we are delivering significant investment through a combination of completing existing work in progress and the construction of new developments to meet demand. In Northern Ireland, we have already invested €167m (stg£141m) in a number of commercially viable projects. This includes €18m (stg£15m) to finance the completion of two offices at Lanyon Place, in the centre of Belfast, and €10.5m (stg£9m) to fund a 95-unit housing development in Millmount, Dundonald.

Our rationale is very straight forward. We are willing to invest where we are confident we can get that investment back and more besides. In the case of Millmount, for example, we were faced with the prospect of selling the site to the highest bidder or funding the development to create a more valuable asset. We are confident that the choice we have made will deliver a better commercial return. This is consistent with our policy - in Northern Ireland and elsewhere - of managing our assets with a longer-term perspective and taking account of local market conditions. These projects are also generating substantial employment in local companies during the construction and fit-out phases, which is important at any time but not least in the current environment.

Investment opportunities encouraged

We are currently reviewing other opportunities for investment. I would have to say, however, that the response to date, in terms of Northern Ireland-based projects proposed by debtors, has been somewhat disappointing. This obviously reflects the current depressed market for property in Northern Ireland and the fact that, in most sectors, values remain below replacement costs. This will change as the economy here recovers and we are confident that we will be presented with opportunities for further significant investment in Northern Ireland. We certainly expect to invest in new Grade A office accommodation in Belfast, as we do in Dublin, and we certainly expect to invest in refurbishment of some existing but tired commercial properties. We are also conscious of the housing need in Northern Ireland and would welcome opportunities to invest in projects similar to that in Dundonald. Across all these sectors then we encourage our debtors in Northern Ireland to share their investment proposals with us – if they have projects that can deliver a strong commercial return then we are interested in funding them. That is a key message here today.

I would also reiterate here today the fact that we are willing to make vendor finance available to purchasers of our assets, including Northern Ireland assets. We have done one such deal here this year and expect to do more as the profile of investment in the market changes. Vendor finance has been an important stimulus in terms of generating a number of transactions in the Republic over the past year. Where it makes commercial sense, we are also happy to enter into joint venture (JV) arrangements with investors and indeed have already done so.

Supporting employment in debtor enterprises

As I'm talking about encouraging debtors to come to us with viable projects for funding, I'd better make a few comments about the state of our present engagement with debtors.

Over four years on, we are well into 'business as usual' mode. We have adopted a broadly supportive stance towards those debtors with whom we have been able to work consensually - debtors whose loans constitute about two-thirds of our portfolio. As with a bank, we work with debtors on the basis that they have given undertakings, and are willing to take tangible actions, to maximise the extent to which they can repay their debts.
We have to see evidence that debtors are willing and capable of meeting realistic asset management, disposal and debt repayment milestones; that statements of their interests and liabilities are accurate and complete; and that appropriate cash controls are in place to ensure that income from assets is directed towards debt repayment. Debtors working with us on this basis have received funding from us to secure their existing operations and to complete projects or initiate new projects where that has made commercial sense. The cumulative effect is that we are supporting debtor enterprises that directly employ over 2,000 people in Northern Ireland right now not including those jobs in construction projects that NAMA is funding. NAMA is also supporting employment directly through the Participating Institutions, service providers and across the professional services sectors in Northern Ireland. This is a very tangible contribution at a somewhat difficult time.

If it is not possible to work consensually with a debtor, which has happened for about a third of our portfolio, we will use whatever enforcement options are available to us. **A key point I wish to make is that our approach to debtors is the same, regardless of whether they are based in the Republic, GB, Northern Ireland or elsewhere.** They all ultimately borrowed from banks which had to be rescued by the Irish taxpayer. For many decades to come, taxpayers will be paying the cost of this reckless lending by these banks to debtors in the Republic, GB, Northern Ireland and elsewhere. Any suggestion that debtors in one jurisdiction should be treated more favourably than those in any other jurisdiction is not grounded in reality. That is why we need maximum co-operation from debtors. We only resort to enforcement where all other avenues have been exhausted.

Making a wider contribution

The bottom line – maximum financial return - is clearly important to NAMA but it's not the only consideration. We try to make a wider economic and social contribution as we go along. Through the stakeholder interactions that I talked about at the beginning, we are working with Invest NI to identify assets that might be suitable for indigenous and FDI clients in Northern Ireland. We are working with other agencies and professional and representative bodies to promote the availability of vendor finance as a means of attracting international investment into the Northern Ireland property market.

We are keen to contribute to the delivery of social housing, where commercially viable, and are working with the Northern Ireland Federation of Housing Associations (NIFHA) to assist their members in delivering on the Social Housing Development Programme. We have facilitated a number of acquisitions of land and homes for social housing and we are exploring opportunities with the NIFHA, the Department of Social Development and individual housing associations for future transactions that will contribute to meeting social housing need in Northern Ireland. I would point out again, however, that the Agency has a finite exposure to the type and location of sites and properties that may be suitable for social housing and, as in the Republic, that there is need for structured engagement between the social housing sector and other lenders.

Before concluding, I would like to briefly refer to NAMA's Northern Ireland Advisory Committee. This Committee is one of only two advisory committees which have been established by the Board and that reflects the importance that we attach to our work in Northern Ireland. The Committee, which I chair and which meets on a quarterly basis,

advises the Agency on all aspects of our strategy here. It includes NAMA directors and senior executives, as well as external members drawn from the Northern Ireland business community, and is an important mechanism in ensuring that there is strong mutual understanding between NAMA and its various stakeholders in Northern Ireland.
I regard this engagement today as another opportunity to foster that strong mutual understanding.

Thank you

Appendix 11

- NAMA correspondence with the Public Accounts Committee regarding Northern Ireland property price movements, 20 July 2015.

Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

Mr. Ted McEnery
Clerk to the Public Accounts Committee
Leinster House
Kildare Street
Dublin 2.

20 July 2015

Dear Mr McEnery

During NAMA's recent appearance before the Public Accounts Committee regarding the Project Eagle sales process and again as part of recent media coverage, there has been some discussion of price movements in Northern Ireland property since the completion of the Project Eagle sale in mid-2014.

In particular, there have been a number of inaccurate media reports which have suggested that the value of the Eagle portfolio has increased by 20% since the sale was concluded. We have analysed these claims and we believe that they are based on an incorrect interpretation of data, on inappropriate comparisons of portfolios which significantly differ from each other and on misquoted statements attributed to CBRE's Head of Research.

In an article which appeared in the *Irish Examiner* on 17 July 2015, it was claimed that commercial property prices across "a large chunk" of the Project Eagle loans in Belfast have soared by up to 20% since NAMA completed the transaction, according to CBRE and the MSCI. It was also claimed that CBRE stated that commercial prices have risen exceptionally strongly in Belfast in the past year, by up to 20%. It was also claimed that the leading MSCI Northern Ireland Investment Review shows that property values in the North's commercial property market grew by 10.9% in 2014.

The factual position is as follows:

- The *Examiner* article inaccurately reports the MSCI's findings. While the *Examiner* stated that prices had increased by 10.9%, page 4 of the report says explicitly: "Capital values in Northern Ireland fell by nearly 33% after peaking in 2006, but returned to growth in 2014, **rising by 2.3% y/y (year on year)".** http://www.ulster.ac.uk/__data/assets/pdf_file/0017/63071/MSCI_Ulster_NI_080715_Final.pdf. The 10.9% quoted by the Examiner is made up of an 8.4% income return and **2.3% capital growth**. The latter is the relevant figure for the purpose of measuring price movement.

- The CBRE Head of Research has stated that she was misquoted in the *Examiner* article and that she does not wish to be associated with the claim that prices have increased by 20% over the past year.

- CBRE's position is that the most recent market data that is available is that in the MSCI report, which indicates that capital values in Northern Ireland commercial property increased by 2.3% for the calendar year 2014. No figures are available for 2015.

NAMA has sought a correction from the *Examiner*. Another media outlet has already corrected an article which included the inaccuracies outlined above.

In addition to the factual position as outlined above, NAMA wishes to point out that the composition of the property portfolio securing Project Eagle is not directly comparable to the portfolio on which the MSCI report was based:

- The MSCI report relates to property in which institutions typically invest i.e. it is largely a commercial investment portfolio of prime retail, offices and industrial income-producing assets. By contrast, Project Eagle contained a significant proportion of lower quality land and development assets and other assets that would not fit institutions' investment criteria.

- The MSCI portfolio includes 66 properties with a total value of £877m and an average asset value of £13.3m. By contrast, the average asset value of NI assets in the Eagle portfolio was of the order of £830,000.

- 77% of the MSCI properties are located in Belfast, with the balance in the rest of NI.

- By contrast, only 50% of Eagle assets were located in Northern Ireland with 33% in UK regions, 7% in the Republic (including 1% in Dublin), 4% in London and 6% outside of Ireland and Britain.

- For the Eagle assets located within Northern Ireland, only 43% were located in Belfast (a regional breakdown is appended). Given that only 50% of Eagle assets were located in Northern Ireland, it follows, therefore, that only 22% of the total Eagle portfolio was located in Belfast, where the 2.3% capital growth measured by MSCI would most likely have taken place.

- 85% of MSCI properties (by value) are in the NI retail sector; by contrast, only 10% of total Eagle assets related to the NI retail sector.

It is clear that there are very significant differences between the respective compositions of the MSCI and the Eagle portfolios and that accordingly it is entirely unreasonable to use MSCI data as a guide to price movements for assets in the Eagle portfolio. As was pointed out by the NAMA CEO, Mr. Brendan McDonagh, during his testimony to the Committee, the asset portfolio securing NAMA loans was very granular and had few major assets which might have been of interest to purchasers if NAMA had decided to proceed to sell the assets on an asset-by-asset basis. Given the granularity of the Eagle portfolio and the fact that it had many secondary assets, it is reasonable to assume that price recovery would lag that of the assets in the MSCI portfolio.

Therefore, at best, Eagle assets may have increased in price by a maximum of 2%-3%, hardly the 20% erroneously claimed. When account is taken of funding and management costs, NAMA would have made little or no gain from retaining the portfolio.

Yours sincerely,

pp Martin Whelan

Head of Relationship Management

Cc: Mr. Seamus McCarthy, Comptroller & Auditor General

APPENDIX:

Regional breakdown of Project Eagle assets located within Northern Ireland