



Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

Daithí McKay MLA
Chairperson, Committee for Finance and Personnel
Room 144
Parliament Buildings
Belfast
BT4 3XX

11th March, 2016

**Re: Report on progress of the review of the sale of the National Asset Management Agency
property loan portfolio in Northern Ireland**

Dear Mr McKay,

I write in relation to your Committee's progress report into the sale of NAMA's Northern Ireland loans portfolio (Project Eagle).

It is regrettable that no attempt was made, before publication of the report, to verify with us the accuracy of statements relating to NAMA which appear in it. This demonstrates a concerning lack of fair procedure. We also note that, as of yet, we have not received a copy of the progress report from your Committee.

It is very clear from the substantial volume of documentation that NAMA has already provided – over 350 pages – that NAMA has dedicated considerable resources to assist the work of your Committee.

You will be aware that, in addition to some 105 questions submitted by your Committee to NAMA, to which we have already provided detailed responses, we invited the Committee to submit any additional questions that you may have had in relation to the sale of the portfolio.

You did not do so and therefore, we are surprised at the suggestion in the report that NAMA was 'unhelpful' and we do not accept that this was the case.

Your Committee also has had the benefit of NAMA's evidence before Oireachtas committees on this sale, all of which is in the public domain.

You have chosen not to reflect NAMA's evidence in your report, which at the very least undermines the report's balance and impartiality. Instead, your report gives weight to the views of other parties even where those views have been subsequently withdrawn or contradicted.

It is also clear to us that no evidence has been provided to the Committee which would substantiate the report's findings in respect of NAMA.

There are three statements, in particular, in your report on which we wish to comment.

1. **You express dissatisfaction at NAMA's decision not to accept your invitation to give oral evidence (paragraph 34 of the report)**

This finding is contradicted by the Committee earlier in its report. The Committee states: *"The reason cited by NAMA is that the appropriate forum to which it should account for its activities is the Oireachtas and to committees established by the Oireachtas...the Committee does not dispute this point..."*.

It has always been NAMA's position that we are accountable to the Oireachtas and to committees established by the Oireachtas.

The Project Eagle sale has been discussed extensively on at least three separate occasions over more than 15 hours at the Dáil Public Accounts Committee (PAC) and the Oireachtas Finance Committee (Finance Committee). Your Committee has been provided with the transcripts of NAMA's appearances before the PAC on 9 July and 1 October 2015 and the Finance Committee on 16 December 2015.

At no stage has the Committee indicated what information NAMA could have provided as oral evidence to the Committee that it has not provided in writing or that was not otherwise in the public domain.

NAMA provided detailed and prompt responses in writing to the 105 questions that the Committee put to it and, as mentioned above, invited the Committee to submit any further questions it had.

You are aware, for instance, that I advised the PAC on 1 October 2015 that NAMA *"will answer any question that the Committee wishes to put to us"*. You also addressed that meeting of the PAC and were present, as were other members of your Committee, whilst NAMA was giving its evidence.

2. You state that NAMA should have suspended the Project Eagle sales process.

As outlined to the PAC on 9 July 2015, there were numerous reasons why the NAMA Board, in accordance with its obligations under Section 10 of the NAMA Act, took the view that the sale of the portfolio represented the best commercial option for NAMA.

From 2010 to 2013, there had been relatively few sales of properties in our Northern Ireland portfolio and there had been little or no investor interest in acquiring either Northern Ireland assets or the associated loans.

The asset portfolio securing NAMA loans was very granular and had very few valuable assets - factors which meant that the assets had attracted little market interest and would likely continue to be difficult to sell on an asset-by-asset basis.

The NAMA Board took the view that a loan sale would eliminate the risks, uncertainties and costs associated with a protracted workout of the portfolio and would yield a superior commercial outcome for NAMA. That decision was conditional on NAMA achieving a price that matched its expectations as to what the portfolio should realise. The price ultimately realised did match NAMA's reserve price.

The issue of abandoning the sales process did not arise as long as NAMA believed its commercial objective could be achieved. Had the issue arisen, the NAMA Board would have taken into account a range of factors before taking a decision, including the impact on NAMA's current and future portfolio sales, reputational issues and litigation risk.

We find it surprising that the Committee has failed to make any attempt to contextualise such a decision by reference to the potential negative impact it could have had on NAMA, the Northern Ireland portfolio and the attractiveness of Northern Ireland and Ireland as investment locations.

Specifically, we would have thought the Committee would have considered the risk that investors might, in the future, have been reluctant to invest substantial amounts of time and money (often multi-million) in carrying out due diligence prior to submitting bids for Irish loan or asset portfolios.

In retrospect, given the progress that has been made by NAMA and by other UK and Irish financial institutions in deleveraging their Irish loan exposures in 2014 (€22 billion) and 2015 (€24 billion), abandonment of the Project Eagle transaction could have been very costly in its consequences not just for NAMA but for the Irish market and its recovery in general. However, for the avoidance of doubt, if the Project Eagle portfolio had not achieved NAMA's required reserve price, NAMA would not have proceeded with the sale.

We make these points simply to emphasise that terminating this sales process would have been a very significant move with potentially serious consequences for NAMA, for the NI economy and for the wider Irish economy.

Therefore it goes without saying that it could only be justified where there was clear evidence that the process was fundamentally flawed and no such evidence existed. Indeed the opposite was the case: our international advisors confirmed to the Board that the process remained robust with the presence of at least two credible bidders (whose presence ensured competitive price tension through to the conclusion) and capable of recovering the reserve price for the assets set by the Board.

The loan sales process for Project Eagle was well-managed and generated competitive bidding. The sale was managed by Lazard (a major international investment house) and NAMA took care at all stages to ensure that the integrity of the process was fully protected. We do not accept the contention in paragraph 29 that there were shortcomings in the handling of the bidding process and related decisions.

It is regrettable, in the interests of balance, that NAMA's rationale for continuing the sale does not even receive a mention in your report. Indeed your report refers to "evidence to date" as

supporting your conclusion that the sale should have been abandoned but there is no indication of what this "evidence" is comprised of in the report.

You might also note, as clearly evidenced by NAMA's submissions to the Committee, that all decisions relating to the Eagle sale were the sole responsibility of the NAMA Board.

3. **You cite comments made by former NAMA Northern Ireland Advisory Committee (NIAC) member Brian Rowntree that external members of the NIAC had access to confidential information on Project Eagle (paragraph 33).**

I reiterate that no confidential information was provided to the external members of the NIAC. As regards Mr Rowntree's most recent comments, I would draw your attention to past comments made by him to a number of media outlets which flatly contradict the comments you cite. In particular, Mr Rowntree is on the public record as stating the following in July 2015:

"I and members of the advisory committee were never updated around the operation or strategic issues surrounding the sale of the Northern Ireland portfolio"

"There was a complete wall of silence in, and around, this whole dealing, and around the sale of the Northern Ireland loan book"

"At the time I felt excluded but if there were commercial sensitivities I wasn't going to breach these."

"I did raise my concerns with the chair and it was said that it was commercially sensitive."

Mr Rowntree's comments are available at <http://www.irishnews.com/news/2015/07/04/news/nama-adviser-had-concerns-over-property-sale-wall-of-silence--162165/>.

Mr Rowntree also told another newspaper that that **"I had no knowledge of the business deal, I was kept in the dark entirely"** (<http://www.belfasttelegraph.co.uk/sunday-life/news/nama-scandal-former-adviser-calls-for-crossborder-probe-31358497.html>).

As Chairman of the NIAC, I was vigilant in ensuring that the committee was not provided with any confidential information and I am satisfied, despite Mr Rowntree's most recent comments, that the NIAC did not have access to NAMA confidential information.

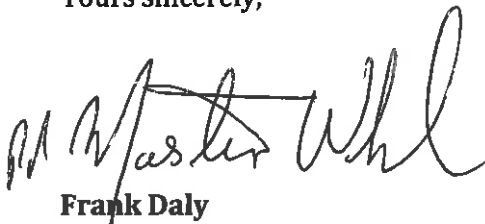
Conclusion

To conclude, NAMA shares the Committee's concerns about alleged events which may have occurred on the margins of the purchase end of the Project Eagle sale. However it remains the position that no allegations of wrongdoing have been substantiated against NAMA and NAMA is not under investigation by any criminal investigative body.

We reiterate that NAMA is accountable to the Oireachtas and we have fully accounted for our actions in respect of this sale to the Oireachtas through the PAC and Finance Committee.

Even though we have no obligations to account for our actions in any jurisdiction other than the Republic of Ireland, we have sought to be as helpful to your committee as possible and are therefore surprised at the unsubstantiated and unfounded suggestions to the contrary that have been included in your report. We request that you correct the record.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Frank Daly', with a stylized flourish at the end.

Frank Daly
Chairman