



**National Asset  
Management Agency**

**NAMA QUARTERLY REPORT  
and ACCOUNTS  
(Section 55 NAMA Act 2009)**

**30 June 2016**

	Page
1 Letter from the Chairman and Chief Executive Officer	1-3
2 NAMA Group Accounts	4-34
3 Supplementary information required under Section 54 and Section 55 (6) (k) of the Act	
(i) Section 54 (2) Administration Fees and Expenses incurred by NAMA and each NAMA Group Entity	39
(ii) Section 54 (3) (a) Debt Securities Issued for the Purposes of the Act	40
(iii) Section 54 (3) (b) Debt Securities Issued to\Redeemed by Financial Institutions	40
(iv) Section 54 (3) (c) Advances made to NAMA from the Central Fund	40
(v) Section 54 (3) (d) Advances made by NAMA and each NAMA Group Entity	40
(vi) Section 54 (3) (e) Asset Portfolios held by NAMA and each NAMA Group Entity	40-42
(vii) Section 54 (3) (f) Government Support Measures received by NAMA and each NAMA Group Entity	42
4 Supplementary information required under Section 55 of the Act	
(i) Section 55 (5) Guidelines & Directions issued by the Minister of Finance	43
(ii) Section 55 (6) (a) Number and Condition of Outstanding Loans	44
(iii) Section 55 (6) (b) Categorisation of Non-Performing as to the Degree of Default	45-46
(iv) Section 55 (6) (c) Number of loans being foreclosed or otherwise enforced	47
(v) Section 55 (6) (d) Number of cases where liquidators and receivers have been appointed	47
(vi) Section 55 (6) (e) Legal proceedings commenced by NAMA and each NAMA Group Entity in the quarter	47
(vii) Section 55 (6) (f) Schedule of finance raised by NAMA and each NAMA Group Entity in the quarter	48
(viii) Section 55 (6) (g) Sums recovered from property sales in the quarter	48
(ix) Section 55 (6) (h) Other income from interest-bearing loans owned by NAMA and each NAMA Group Entity in the quarter	48
(x) Section 55 (6) (i) Abridged Balance Sheet of NAMA and each NAMA Group Entity	37-38
(xi) Section 55 (6) (j) Schedule of Income and Expenditure of NAMA and each NAMA Group Entity	35-36
5 National Asset Management Agency Investment Limited - Company only Accounts	49-54



# Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní National Asset Management Agency

30 September 2016

Mr. Michael Noonan T.D.,  
Minister for Finance,  
Department of Finance,  
Upper Merrion Street,  
Dublin 2.

## Section 55 Quarterly Report and Accounts - NAMA Act 2009

Dear Minister,

Please find attached the Quarterly Report and Accounts for the second quarter of 2016 which is submitted to you pursuant to Section 55 of the NAMA Act 2009.

In accordance with the Act, the Report deals with the National Asset Management Agency (NAMA) and the entities within the NAMA Group.

To assist in your review of the Quarterly Report and Accounts, we present for your information 2016 Financial Highlights and Key Performance Indicators.

Financial Highlights	H1 2016 €m	Full year 2015 €m	Inception to 30 June 2016 €m
<b>Total cash generated</b>	<b>2,456</b>	<b>9,093</b>	<b>35,196</b>
<b>Cash proceeds from property collateral and loan sales</b>	<b>2,313</b>	<b>8,543</b>	<b>29,483</b>
<b>Non-disposal cash receipts from borrowers</b>	<b>140</b>	<b>591</b>	<b>5,147</b>
<b>Senior bond redemptions</b>	<b>3,500</b>	<b>5,500</b>	<b>25,600</b>
<b>Operating profit before impairment</b>	<b>434</b>	<b>1,769</b>	
<b>Impairment credit</b>	<b>247</b>	<b>86</b>	
<b>Profit for the period after tax</b>	<b>647</b>	<b>1,826</b>	
<b>Loans and receivables balance (net of impairment)</b>	<b>6,351</b>	<b>7,816</b>	

## **Key Performance Indicators**

### **Cash generation**

NAMA continues to generate significant cash through disposals of assets and loans and non-disposal income:

- NAMA generated €2.5 billion in disposal and non-disposal proceeds in the six month period to 30th June 2016.
- NAMA generated a further €1.8 billion in cash in the period from 30<sup>th</sup> June to 23<sup>rd</sup> September, bringing cumulative cash generated YTD to €4.3 billion and €37 billion since inception.
- Cash and cash equivalent balances held at 30 June 2016 were €1.9 billion.

### **Profitability**

NAMA recorded a profit of €647 million for the the six month period to 30 June 2016 (H1 2015: €473m).

The H1 2016 results include the results of the semi-annual impairment review. The impairment release for H1 2016 is €247 million (FY 2015: credit of €86 million).

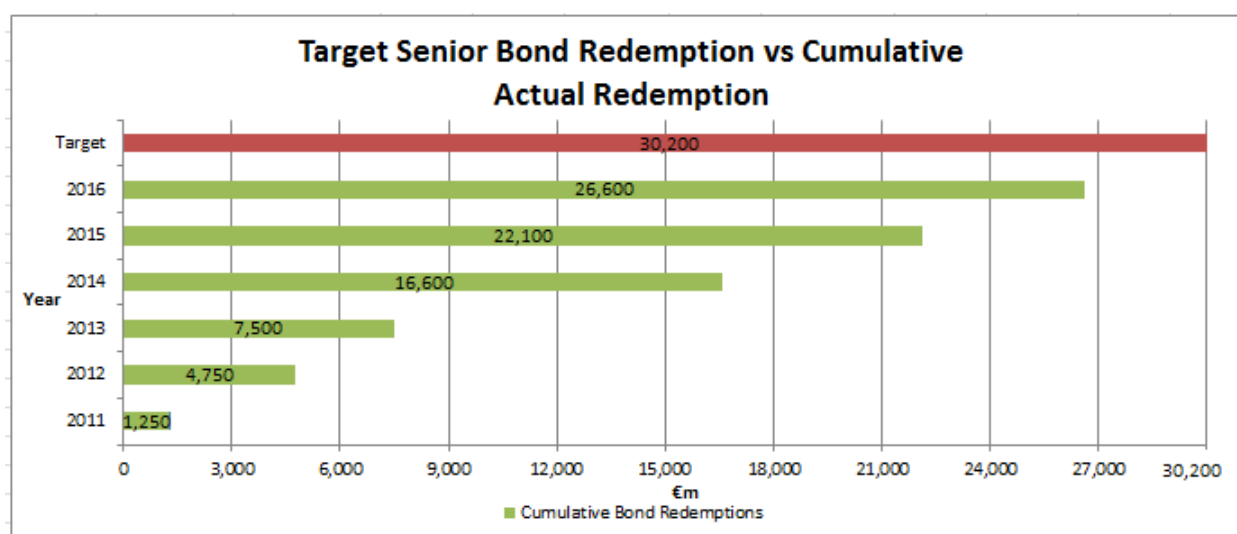
### **Loan portfolio**

The carrying value of NAMA's loan portfolio at 30 June 2016, net of cumulative impairment provision of €2.2 billion, was €6.4 billion (31 December 2015: €7.8 billion).

## **NAMA Strategic Objectives**

### **1. Senior debt redemption**

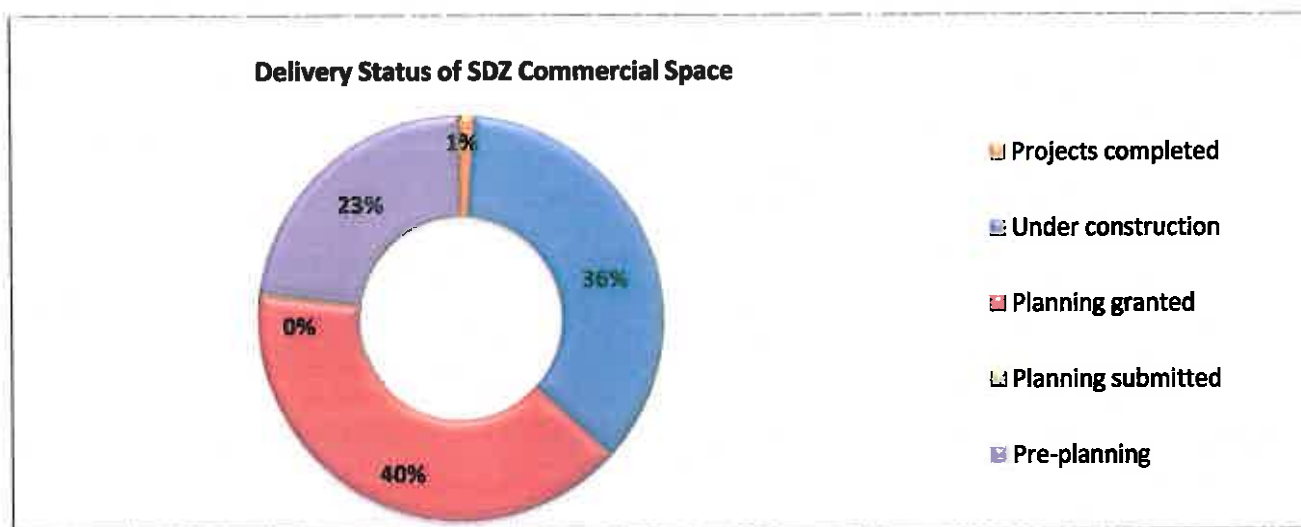
NAMA redeemed €1 billion of its senior bonds in Q2 2016 and a further €1 billion in Q3 2016, as set out in the table below. This redemption brings the total cumulative amount redeemed to €26.6 billion – 88% of NAMA's original senior bonds in issue.





## 2. Dublin Docklands SDZ

One of the objectives set by the NAMA Board is to facilitate the delivery of grade A office accommodation in the Dublin Docklands SDZ. The Agency holds an interest in approximately 75% of the developable land area of 22 hectares in the Dublin Docklands. Approximately two thirds of the Docklands SDZ area is either under construction or has a successful planning permission granted, as represented in the graphs below:



## 3. Residential Delivery

An additional strategic objective set by the NAMA Board is to facilitate the delivery of, subject to commercial viability, of 20,000 new residential properties in Dublin, the surrounding counties of Wicklow, Kildare and Meath and large urban centres such as Cork, Limerick and Galway to end 2020. Since the start of 2014 NAMA has funded the construction of over 2,735 new homes in the Dublin area. In addition, NAMA is working through a substantial pipeline of new projects in the context of the financing of construction activity and the progression of the planning pipeline.

We trust the Quarterly Report and Accounts meet the requirements of Section 55 of the Act and any specific direction or guidelines issued by you as Minister for Finance. If you have any queries in this regard please do not hesitate to contact us.

Yours sincerely,

  
**Frank Daly**  
Chairman

  
**Brendan McDonagh**  
Chief Executive Officer



**Unaudited Consolidated Accounts of the National Asset Management Agency**

**For the quarter ended 30 June 2016**

## **National Asset Management Agency Group**

**Quarter to 30 June 2016**

### **Contents of Unaudited Consolidated Accounts**

Board and other information	6
General information	7-10
Consolidated income statement	11
Consolidated statement of financial position	12
Consolidated statement of cash flows	13
Notes to the accounts	14-34
Income statement by NAMA group entity	35-36
Statement of financial position by NAMA group entity	37-38

## **Board and other information**

### **Board**

Frank Daly (Chairman)  
Brendan McDonagh, Chief Executive Officer NAMA  
Conor O'Kelly, Chief Executive Officer NTMA<sup>1</sup>  
Oliver Ellingham (non-executive)  
Mari Hurley (non-executive)  
Brian McEnery (non-executive)  
Willie Soffe (non-executive)

### **Registered Office**

Treasury Building  
Grand Canal Street  
Dublin 2

### **Principal Bankers**

Central Bank of Ireland  
Dame Street  
Dublin 2

Citibank  
I.F.S.C.  
Dublin 1

<sup>1</sup> The Chief Executive of the NTMA is an ex-officio Board member of NAMA.



## General information

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

Under Section 10 of the Act, NAMA's purposes are to contribute to the achievement of the purposes of the Act by:

- (a) acquiring bank assets from the Participating Institutions;
- (b) dealing expeditiously with the acquired assets;
- (c) protecting and enhancing the value of assets acquired by it in the interests of the State.

## Group structure

In accordance with the Act and to achieve its objectives, the Agency has set up certain special purpose vehicles (SPVs). These are designated as NAMA Group entities within the meaning of Section 4 of the Act. The relationship between the NAMA Group entities is summarised in Chart 1.

On 18 December 2014, NALHL (in Voluntary Liquidation) was placed into liquidation by its members. As the liquidator has assumed the rights of the shareholder and now controls NALHL and its subsidiaries, NALHL (in Voluntary Liquidation) and its subsidiaries, RLHC and RLHC II, are not consolidated into the results of the NAMA Group.

The SPVs established are as follows:

### *National Asset Management Agency Investment Limited (NAMAIL)*

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

NAMA has invested €49m in NAMAIL, receiving 49m A ordinary shares. The remaining €51m was invested in NAMAIL by private investors, each receiving an equal share of 51m B ordinary shares. Under the terms of a shareholders' agreement between NAMA and the private investors, NAMA may exercise a veto over decisions taken by NAMAIL. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity is restricted and NAMA has effective control of the company. By virtue of this control, NAMA has consolidated NAMAIL and its subsidiaries and the 51% external investment in NAMAIL is reported as a non-controlling interest in these financial statements.

#### *National Asset Management Limited (NAML)*

NAML was incorporated on 27 January 2010. NAML is responsible for issuing the government guaranteed debt instruments and the subordinated debt, which were used as consideration in acquiring loan assets. The government guaranteed debt securities issued by NAML are listed on the Irish Stock Exchange.

The government guaranteed debt instruments and the subordinated debt instruments, issued in respect of the original loan portfolio, were transferred to NAMGSL and by NAMGSL to NALML. The latter used these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

The government guaranteed debt instruments issued in respect of the IBRC loan facility deed were transferred to NARL (in Voluntary Liquidation). NARL (in Voluntary Liquidation) used these debt instruments as consideration for the loan facility deed acquired from the Central Bank of Ireland. The NARL senior bonds were fully redeemed in October 2014.

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

#### *National Asset Management Group Services Limited (NAMGSL)*

NAMGSL acts as the holding company for its ten subsidiaries: NALML, NAMSL, NAJVAL, NAPML, NANQL, NARPSL, NASLLC, NALHL (in Voluntary Liquidation), RLHC and RLHC II.

NAMGSL was incorporated on 27 January 2010. NAMGSL acquired certain debt instruments issued by NAML under a profit participating loan (PPL) agreement, and in turn, made these debt instruments available to NALML on similar terms. NAMGSL is wholly owned by NAML.

#### *National Asset Loan Management Limited (NALML)*

NALML was incorporated on 27 January 2010. The purpose of NALML is to acquire, hold, and manage the loan assets acquired from the Participating Institutions.

NALML has one subsidiary, NANQL.

#### *National Asset North Quays Limited (NANQL)*

On 8 April 2015, National Asset North Quays Limited (NANQL) was established. NANQL is a 100% wholly owned subsidiary of NALML and was established to hold the freehold lands acquired by NAMA at 72-80 North Wall Quay, Dublin 1 in February 2015 and to receive proceeds from a secure income stream from such lands in the form of a licence fee, a fixed percentage of rent or a percentage of sales proceeds of any completed development to be built on the lands.

#### *National Asset Management Services Limited (NAMSL)*

NAMSL was incorporated on 27 January 2010. Previously a non-trading entity, NAMSL acquired a 20% shareholding in a general partnership associated with the NAJVAL investment during 2013.

#### *National Asset JV A Limited (NAJVAL)*

On 4 July 2013, NAMA established a subsidiary, National Asset JV A Limited (NAJVAL). NAJVAL is a wholly owned subsidiary of NAMGSL. NAMA entered a joint venture arrangement with a consortium whereby a 20% interest in a limited partnership was acquired, and NAJVAL was established to facilitate this transaction. The Group is not able to exercise significant influence over the partnership as the other 80% interest is held by one shareholder who controls the decision making of the partnership.

*National Asset Property Management Limited (NAPML)*

NAPML was incorporated on 27 January 2010. The purpose of NAPML is to take direct ownership of property assets if and when required.

NAPML has five subsidiaries; NARPSL, NASLLC and NALHL (in Voluntary Liquidation), RLHC and RLHC II:

*National Asset Residential Property Services Limited (NARPSL)*

On 18 July 2012, NAMA established a subsidiary, National Asset Residential Property Services Limited (NARPSL). NARPSL is a wholly owned subsidiary of NAPML, and was established to acquire residential properties and to lease and ultimately sell these properties to approved housing bodies for social housing purposes.

2,136 residential properties were delivered to the social housing sector by NAMA debtors from inception to 30 June 2016. This includes the direct sale of 708 properties by NAMA debtors and receivers to various approved housing bodies, the direct leasing of 117 properties by NAMA debtors and receivers and the acquisition by NARPSL of 665 properties for lease to approved housing bodies. In addition, contracts were exchanged on a further 547 properties (for both direct sale and through NARPSL) at the reporting date.

*National Asset Sarasota LLC (NASLLC)*

On 1 August 2013, NAMA established a US subsidiary, National Asset Sarasota Limited Liability Company (NASLLC). NASLLC is a wholly owned subsidiary of NAPML, and was established to acquire any property assets located in the US, if and when required.

*National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL)*

On 10 January 2014, NAMA established a subsidiary National Asset Leisure Holdings Limited (NALHL). NALHL (in Voluntary Liquidation) is a wholly owned subsidiary of NAPML and was established to acquire 100% of the share capital of two Portuguese entities, RLHC and RLHC II.

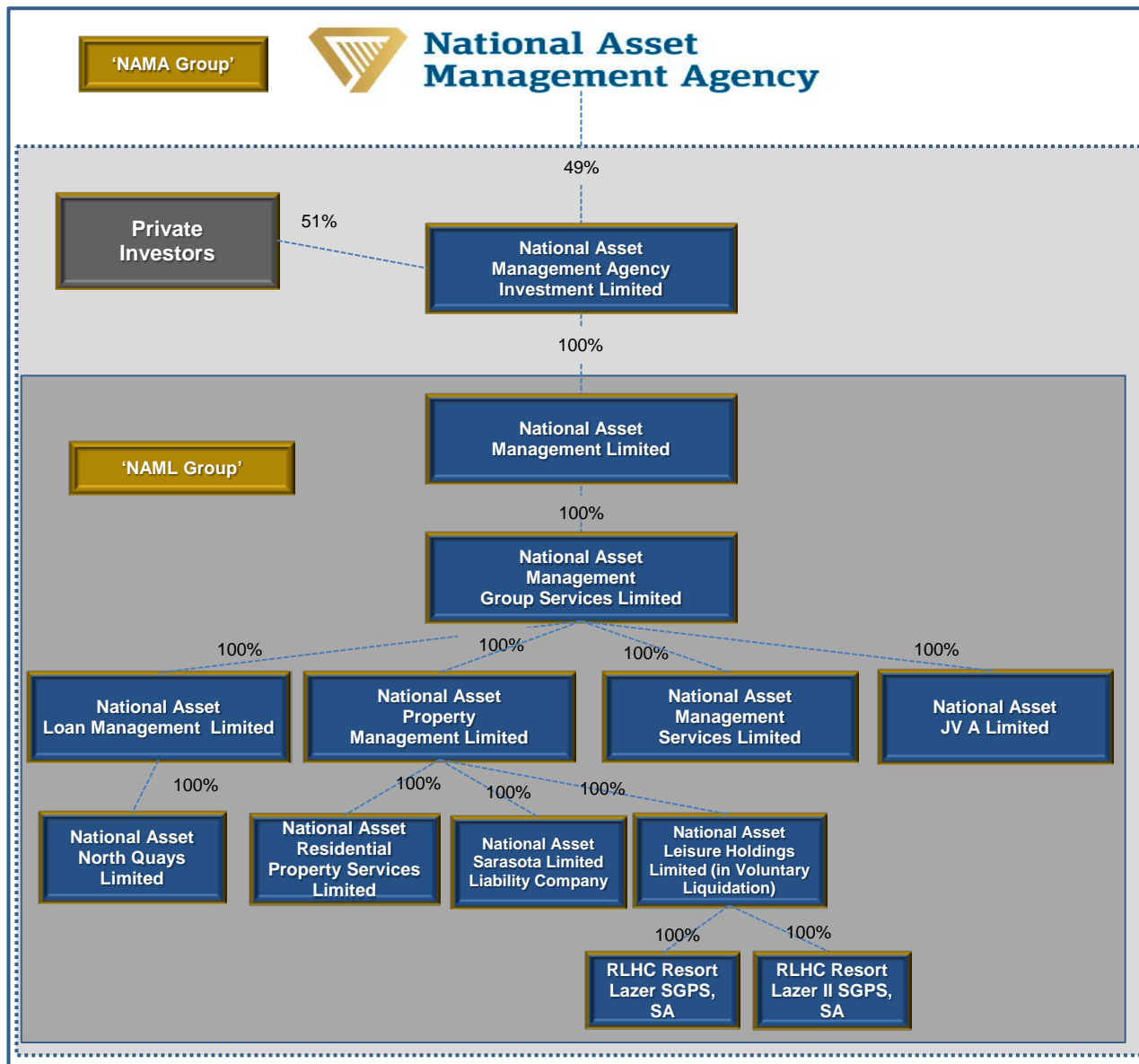
The establishment of these entities was required to facilitate the legal restructure of a number of entities with Portuguese property assets. Following the completion of the legal restructure, NALHL (in Voluntary Liquidation) was placed into voluntary liquidation on 18 December 2014. The control of NALHL (in Voluntary Liquidation) is with the liquidator who will realise the assets of NALHL (in Voluntary Liquidation).

*RLHC Resort Lazer SGPS, S.A. (RLHC), RLHC Resort Lazer II SGPS, S.A. (RLHC II)*

On 5 February 2014, NAMA established two subsidiaries, RLHC Resort Lazer SGPS, S.A. (RLHC) and RLHC Resort Lazer II SGPS, S.A. (RLHC II). RLHC and RLHC II are wholly owned subsidiaries of NALHL (in Voluntary Liquidation) and acquired 90% and 10% respectively of the share capital of a number of Portuguese entities, following the legal restructure of the debt owed by these entities.

With the exception of RLHC and RLHC II, the address of the registered office of each company is Treasury Building, Grand Canal Street, Dublin 2. Each Company is incorporated and domiciled in the Republic of Ireland, except for NASLLC which is incorporated and domiciled in the US, and RLHC and RLHC II which are incorporated and domiciled in Portugal. The address of the registered office of RLHC and RLHC II is Rua Garrett, no. 64, 1200-204 Lisbon, Portugal.

**Chart 1 NAMA Group entities at 30 June 2016**



### Quarterly financial information

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

The financial statements present the consolidated results of the NAMA Group for the quarter ended 30 June 2016. For the purposes of these accounts, the 'NAMA Group' comprises the result of all entities presented in Chart 1, excluding those in liquidation.

The financial information for all entities is presented showing items of income and expenditure for the quarter from 1 April 2016 to 30 June 2016 and for the year to date.

The statement of financial position is presented as at 30 June 2016 and 31 March 2016. The cash flow statement for the NAMA Group is presented for all cash movements for the quarter from 1 April 2016 to 30 June 2016 and for the year to date.

The income statements and statement of financial position for each NAMA Group Entity are provided on pages 35 to 38.

**Consolidated Income Statement**  
**For the quarter from 1 April 2016 to 30 June 2016**

		<b>For the quarter from 1 Apr 2016 to 30 Jun 2016</b>	<b>For the period from 1 Jan 2016 to 30 Jun 2016</b>
	<b>Note</b>	<b>€000</b>	<b>€000</b>
Interest and fee income	3	100,748	216,986
Interest expense	4	(29,558)	(59,035)
<b>Net interest income</b>		<b>71,190</b>	<b>157,951</b>
Other income / (expenses)	5	13,186	17,191
Profit on disposal of loans and property assets; and surplus income	6	293,344	296,165
Losses on derivative financial instruments	7	(2,231)	(3,113)
<b>Total operating income</b>		<b>375,489</b>	<b>468,194</b>
Administration expenses	8	(18,113)	(39,994)
Foreign exchange gains / (losses)	9	1,328	6,241
<b>Operating profit before impairment</b>		<b>358,704</b>	<b>434,441</b>
Impairment credit on loans and receivables	15	246,586	246,586
<b>Operating profit after impairment</b>		<b>605,290</b>	<b>681,027</b>
Tax charge	10	(17,712)	(34,297)
<b>Profit for the period</b>		<b>587,578</b>	<b>646,730</b>

The accompanying notes 1 to 26 form an integral part of these accounts.

**Consolidated Statement of Financial Position**  
**As at 30 June 2016**

	<b>Note</b>	<b>30 June 2016</b> <b>€000</b>	<b>31 Mar 2016</b> <b>€000</b>
<b>Assets</b>			
Cash and cash equivalents	11	1,188,814	1,623,628
Cash placed as collateral with the NTMA	11	176,000	178,000
Financial assets available for sale	12	533,181	206,438
Amounts due from Participating Institutions	13	22,108	76,455
Derivative financial instruments	14	37,564	51,926
Loans and receivables (net of impairment)	15	6,350,754	6,647,244
Other assets	16	44,296	28,984
Inventories - trading properties	17	180,351	119,495
Property, plant and equipment	18	1,680	1,680
Investments in equity instruments	19	52,416	46,964
Deferred tax	20	-	6,378
<b>Total assets</b>		<b>8,587,164</b>	<b>8,987,192</b>
<b>Liabilities</b>			
Amounts due to Participating Institutions	13	10,841	19,870
Derivative financial instruments	14	32,918	96,997
Other liabilities	21	111,396	80,367
Senior debt securities in issue	22	4,590,000	5,590,000
Tax payable	23	722	1,628
Deferred tax	20	21,775	-
<b>Total liabilities</b>		<b>4,767,652</b>	<b>5,788,862</b>
<b>Equity</b>			
Share capital		-	-
Other equity	24	1,593,000	1,593,000
Retained profits	26	2,178,444	1,590,857
Other reserves	25	(2,933)	(36,528)
Equity and reserves attributable to owners of the Group		<b>3,768,512</b>	<b>3,147,330</b>
Non-controlling interests		51,000	51,000
<b>Total equity and reserves</b>		<b>3,819,512</b>	<b>3,198,330</b>
<b>Total equity, reserves and liabilities</b>		<b>8,587,164</b>	<b>8,987,192</b>

0

The accompanying notes 1 to 26 form an integral part of these accounts.

**Consolidated Statement of Cash Flows**  
**For the quarter from 1 April 2016 to 30 June 2016**

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	
<b>Cash flow from operating activities</b>		
Receipts from borrowers	1,099,253	2,432,100
Receipts from derivatives acquired	2,004	3,855
Funds advanced to borrowers	(144,287)	(293,177)
Funds in the course of collection	2,232	6,467
Fee income from loans and receivables	967	7,290
<b>Net cash provided by loans and receivables</b>	<b>960,169</b>	<b>2,156,535</b>
<b>Derivatives</b>		
Cash inflow on foreign currency derivatives	1,164,259	2,465,809
Cash outflow on foreign currency derivatives	(1,154,004)	(2,408,074)
Net cash inflow on derivatives where hedge accounting is applied	-	950
Net cash outflow on other derivatives	-	4
<b>Net cash used in derivatives</b>	<b>10,255</b>	<b>58,689</b>
<b>Other operating cashflows</b>		
Payments to suppliers of services	(35,928)	(72,719)
Interest paid on senior debt securities in issue	-	(1,595)
Interest paid on cash and cash equivalents	(1,950)	(3,809)
Dividend paid by NAMAIL on B ordinary shares	-	(367)
Coupon paid by NAML on subordinated debt issued	-	(83,171)
Net inflow on amounts placed as collateral with the NTMA	2,000	80,000
Funds paid to acquire trading properties	(50,627)	(54,828)
Rental income received from social housing units (NARPSL)	1,652	2,891
<b>Net cash used in other operating activities</b>	<b>(84,853)</b>	<b>(133,598)</b>
<b>Net cash provided by operating activities</b>	<b>885,571</b>	<b>2,081,626</b>
<b>Cash flow from investing activities</b>		
Purchase of available for sale assets	(319,037)	(530,247)
Dividends from equity investments	6,217	6,217
<b>Net cash used in investing activities</b>	<b>(312,820)</b>	<b>(524,030)</b>
<b>Cash flow from financing activities</b>		
Redemption of senior debt securities	(1,000,000)	(3,500,000)
<b>Net cash used in financing activities</b>	<b>(1,000,000)</b>	<b>(3,500,000)</b>
Cash and cash equivalents at the beginning of the period	1,623,628	3,145,606
Net cash provided by operating activities	885,571	2,081,626
Net cash used in investing activities	(312,820)	(524,030)
Net cash used in financing activities	(1,000,000)	(3,500,000)
Effects of exchange-rate changes on cash and cash equivalents	(7,565)	(14,388)
<b>Cash and cash equivalents at 30 June 2016</b>	<b>1,188,814</b>	<b>1,188,814</b>
<b>Financial assets and cash collateral</b>		
Amounts pledged as collateral with the NTMA	176,000	176,000
Financial assets available for sale	533,181	533,181
<b>Total cash, cash equivalents and collateral held at 30 June 2016</b>	<b>1,897,995</b>	<b>1,897,995</b>

## **1 General Information**

For the purposes of these accounts, the 'NAMA Group' comprises the parent entity NAMA (the Agency) and all entities shown in Chart 1 on page 10. The Agency owns 49% of the shares in NAMAIL and the remaining 51% of the shares are held by private investors.

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

With the exception of RLHC and RLHC II, the address of the registered office of each company is Treasury Building, Grand Canal Street, Dublin 2. Each Company is incorporated and domiciled in the Republic of Ireland, except for NASLLC which is incorporated and domiciled in the US, and RLHC and RLHC II which are incorporated and domiciled in Portugal. The address of the registered office of RLHC and RLHC II is Rua Garrett, n.º. 64, 1200-204 Lisbon, Portugal.

## **2 Summary of significant accounting policies**

### ***2.1 Basis of preparation***

The Group's consolidated accounts for the period to 30 June 2016 are presented in accordance with its accounting policies for the purposes of complying with the requirements of Section 55 of the Act.

The preparation of these accounts requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the accounts in the period the assumptions change. Management believes that the underlying assumptions are appropriate and that the Group's accounts therefore present the financial position and results fairly. The Group's principal critical estimates and judgements include impairment of loans and receivables and related derivatives acquired; income recognition on loans and receivables; surplus income; and deferred tax.

### ***2.2 Basis of measurement***

The consolidated accounts have been prepared under the historical cost convention, except for derivative financial instruments, equity instruments and available for sale assets, which have been measured at fair value.

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

The consolidated statement of cash flows shows the changes in cash and cash equivalents arising during the period from operating activities, investing activities and financing activities. The cash flows from operating activities are determined using the direct method, whereby major classes of gross cash receipts and gross payments are disclosed.

Cash flows from investing and financing activities are reported on a gross basis. The Group's assignment of the cash flows to operating, investing and financing categories depends on the Group's business model (management approach).

In accordance with IAS 1, assets and liabilities are presented in order of liquidity.

### ***2.3 Basis of consolidation***

The consolidated financial statements of the Group comprise the financial statements of the parent entity, NAMA and its subsidiaries, with the exception of NALHL (in voluntary liquidation), RLHC and RLHC II. The financial statements of the subsidiaries used to prepare the consolidated financial statements were prepared as of the same reporting date as that of the parent.

The Group consolidates all entities where it directly or indirectly holds the majority of the voting rights and where it determines their financial and business policies and is able to exercise control over them in order to benefit from their activities.

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

Inter-group transactions and balances and gains on transactions between Group companies are eliminated. Inter-group losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred.



## **2.4 Foreign currency translation**

### *(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency').

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

### *(b) Transactions and balances*

Transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition.

Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at quarter end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

## **2.5 Financial assets**

The Group classifies its financial assets in to the following IAS 39 categories:

- (a) Financial assets at fair value through profit or loss;*
- (b) Loans and receivables; and*
- (c) Available for sale financial assets*

The Group determines the classification of its financial instruments at initial recognition.

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

This category of assets comprises derivatives other than derivatives that are designated and are effective as hedging instruments and equity instruments.

#### *Derivatives*

These assets are recognised initially at fair value and transaction costs are taken directly to the consolidated income statement. Interest income and expense arising on these derivatives (other than on cross currency interest rate swaps) are included in interest income and interest expense in the consolidated income statement. Fair value gains and losses on these financial assets are included in gains and losses on derivative financial instruments in the consolidated income statement or as part of foreign exchange gains and losses where they relate to currency derivatives. Interest on cross currency interest rate swaps is recognised as part of fair value gains and losses on currency derivatives.

#### *Equity instruments*

An equity instrument is any contract that results in a residual interest in the assets of an entity after deducting all of its liabilities. An equity instrument has no contractual obligation to deliver cash or another financial asset.

Equity instruments are initially measured at fair value. Equity instruments are subsequently measured at fair value unless the fair value cannot be reliably measured, in which case the equity instrument is measured at cost. The fair value of equity instruments is measured based on the net asset value of the entity at the reporting date. Changes in fair value are recognised in the income statement as part of other income/(expenses).

Equity instruments are separately disclosed in the statement of financial position.

### *(b) Loans and receivables*

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

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

Loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method (see accounting policy 2.8).

Loans and receivables are classified as follows:

- Land and development loans
- Investment property loans

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

Investment property loans are loans secured on any property purchased with the primary intention of earning the total return, i.e. income and/or capital appreciation, over the life of the interest acquired.

### *(c) Available for sale financial assets*

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

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

### **Financial assets and liabilities at fair value**

Financial assets and liabilities at fair value through profit or loss comprise derivative financial instruments. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Fair value gains or losses on derivatives are recognised in the income statement.

#### *Borrower derivatives*

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

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

Borrower derivatives comprise of interest rate derivatives. The fair value is determined using a valuation technique based on independent valuations obtained using observable market inputs such as Euribor and Libor yield curves, FX rates, option volatilities and par interest swap rates.

### *NAMA derivatives*

NAMA derivatives comprise of derivatives entered into to hedge exposure to loans and receivables acquired and debt securities in issue ('NAMA derivatives'). NAMA derivatives include interest rate and cross currency swaps. The fair value of NAMA derivatives is determined using a mark to market valuation technique based on independent valuations obtained using observable market inputs such as Euribor and Libor yield curves, par interest and FX rates. Fair value movements arising on interest rate swaps are recognised in profit or loss. Gains and losses on currency swaps are recognised in profit or loss as part of foreign exchange gains and losses.

### *Hedge accounting*

The Group designates certain derivatives as hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedges).

The Group documents, at the inception of the transaction, the relationship between hedged items and hedging instruments, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges are recognised in other comprehensive income within equity. The gain or loss relating to the ineffective portion is recognised immediately in the consolidated income statement.

Amounts accumulated in equity are recycled to the income statement in the periods when the hedged item affects profit or loss. They are recorded in the revenue or expense lines in which the associated related hedged item is reported. Amounts recycled to profit or loss from equity are included in net interest income.

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

## **2.6 Financial liabilities**

The Group carries all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are measured at fair value. Further information on derivative liabilities is included in accounting policy 2.14. The Group does not offset financial assets and financial liabilities.

## **2.7 De-recognition of financial assets and financial liabilities**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

## **2.8 Interest income and interest expense**

Interest income and interest expense for all interest-bearing financial instruments is recognised as interest income and interest expense in the income statement using the EIR method.

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

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

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

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

## **2.9 Fee income**

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

## **2.10 Profit / (loss) on the disposal of loans, property assets; and surplus income**

### *a) Profit and loss on the disposal of loans and property assets*

Profits and losses on the disposal of loans/property assets is calculated as the difference between the carrying value of the loans/property assets and the contractual sales price at the date of sale, less related loan sale costs. The contractual sales price includes any deferred consideration where NAMA has the contractual right to receive any deferred cash flow in accordance with IAS 32. Profits and losses on the disposal of loans/property assets are recognised in the income statement when the transaction occurs. Profit on disposal of loans is not recognised when the overall debtor connection is impaired in accordance with latest available impairment assessment data, or if the recognition of profit on disposal of loans may result in future impairment in the connection.

### *b) Surplus income*

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

- a) to the extent that actual cashflows for a total debtor connection are in excess of the total debtor connection loan carrying values, i.e. to the extent that the debtor has repaid all of its NAMA debt. Such income is recognised semi-annually; or
- b) when the estimated discounted cashflows for the total debtor connection are greater than the total debtor connection loan carrying value. Such surplus income, to the extent that cash is realised from specific loan assets within the connection, is assessed on a semi-annual basis.

## **2.11 Impairment of financial assets**

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

### *Loans and receivables carried at amortised cost*

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. The individually significant assessment is completed in respect of the total portfolio of borrowings of each individually significant debtor connection, rather than on an individual loan basis (i.e. the unit of account is the overall total debtor connection).

Objective evidence that an asset or portfolio of assets is impaired after acquisition by NAMA includes:

- International, national or local economic conditions that correlate with defaults on the assets in the group (e.g. a decrease in property prices in the relevant area or adverse changes in industry conditions that affect the debtor);
- Observable data indicating that there is a measurable decrease in the value of estimated future cash flows from a portfolio of assets since the initial recognition of those assets;
- Adverse changes in expectations about the amount likely to be realised from the disposal of collateral associated with the loan or loan portfolio;
- Adverse changes in expectations of the timing of future cash flows arising from disposals of collateral;
- Adverse changes in the payment status of the debtor (e.g. an increased number of delayed payments);
- Further significant financial difficulty of the debtor since acquisition;
- Additional breaches of contract, such as a default or delinquency in interest or principal payments;
- It becoming increasingly probable that the debtor will enter bankruptcy or other financial reorganisation.

### *Individually Significant*

For the purpose of the individually significant assessment, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred), discounted at the financial asset's original EIR. This is assessed at a total debtor connection level, which is the unit of account applied by NAMA. The carrying amount of the asset is reduced through use of an allowance account. The amount of the impairment loss is recognised in the consolidated income statement.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is released by adjusting the allowance account. The amount released is recognised in the consolidated income statement.

Where there is no further prospect of recovery of the carrying value of a loan, or a portion thereof, the amount that is not recoverable is written off against the related allowance for debtor impairment as impairment crystallisation. Such financial assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

NAMA may dispose of loans within a debtor connection or a portfolio of loans across multiple connections. The disposal of loans gives rise to a release or crystallisation of any impairment previously recognised relating directly to the loans sold.

When a loan or group of loans is sold the rights to the cash flows from the loans expire and the loan assets are de-recognised from the statement of financial position. On de-recognition, a gain or loss on the loans sold is calculated and is recognised in the consolidated income statement. The gain or loss is calculated as the difference between the consideration received net of transaction costs and the carrying value of the loans sold.

The assessment of the carrying value of the loans sold takes into account impairment previously recognised against these loans.

If impairment has previously been recognised on the loans

- a calculated *profit* on disposal results in the associated impairment provision for these assets being recognised under net profit on disposal on loans and property assets.
- a calculated *loss* on disposal will result in the associated impairment provision being crystallised, whereby both the provision held and the carrying value of the loans are reduced.

### *Collective Assessment*

Debtor connections which are not subject to individually significant assessment are grouped collectively for the purposes of performing an impairment assessment. When collectively assessed loans are disposed of, the calculated profit or loss on disposal does not take into account any previously recognised collective provision as this provision is not directly attributed to the loans. The related impact on the overall collective provision is reassessed following disposal of the loans.

## **2.12 Impairment of non-financial assets**

The carrying amount of the Group's non-financial assets is reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount exceeds its recoverable amount.

## **2.13 Cash and cash equivalents**

Cash comprises cash on hand, demand deposits and exchequer notes.

Cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

## **2.14 Derivative financial instruments and hedge accounting**

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

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

Derivatives are accounted for either at fair value through profit or loss or, where they are designated as hedging instruments, using the hedge accounting provisions of IAS 39.

### *Derivatives at fair value through profit or loss*

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

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

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

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

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

Gains and losses on currency swaps are recognised in profit or loss as part of foreign exchange gains and losses.

### *Derivatives designated in hedge relationships*

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

### *Cash flow hedge*

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

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

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

## **2.15 Inventories - trading properties**

Trading properties include property assets and non real estate assets which are held for resale and are stated at the lower of cost and net realisable value. Costs are determined on the basis of specific identification of individual costs relating to each asset. Net realisable value represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale.

## **2.16 Taxation**

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

### *(a) Current income tax*

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

Current income tax payable on profits, based on the applicable tax law in the relevant jurisdiction, is recognised as an expense in the period in which the profits arise.

The tax effects of current income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses are utilised.

An Entity shall offset current tax assets and current tax liabilities if, and only if, the entity: has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

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

### *(b) Deferred income tax*

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of the statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised when it is probable that future taxable profit will be available against which these temporary differences can be utilised.

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

Deferred income tax related to available for sale reserves is recognised in other comprehensive income and subsequently in the consolidated income statement together with the deferred gain or loss.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

The Group assesses, on an annual basis only, the deferred tax relating to unutilised tax losses.

## **2.17 Provisions for liabilities and charges and contingent assets and liabilities**

### *Provisions*

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount can be reliably estimated. The Group recognises no provisions for future operating losses.

### *Contingent liabilities*

Contingent liabilities are not recognised by the Group but are disclosed unless the probability of their occurrence is remote.

### *Contingent assets*

Contingent assets are not recognised by the Group but are disclosed where an inflow of economic benefits is probable. If the realisation of income becomes virtually certain then the related asset is recognised.

Contingent assets and liabilities are assessed continually to ensure that they are appropriately reflected in the financial statements.

## **2.18 Amounts due to and from Participating Institutions**

### *Unsettled overdraft positions*

The Participating Institutions fund overdraft accounts and collect cash repayments on overdraft accounts on NAMA's behalf. The amounts funded by Participating Institutions are recognised in the statement of financial position as amounts due to Participating Institutions and the amounts collected are recognised as amounts due from Participating Institutions. The net amount due to / from Participating Institutions is applied against the outstanding loans and receivables balance.

## **2.19 Financial guarantee contracts acquired**

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was acquired. Subsequent to initial recognition, the Group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18 and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee income earned is recognised on a straight-line basis over the life of the guarantee. Any increase in the liability relating to guarantees is reported in the consolidated income statement within other operating expenses.

## **2.20 Debt and equity instruments**

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

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

Debt securities in issue are initially measured at fair value less transaction costs and are subsequently measured at amortised cost using the EIR method.

## **2.21 Share capital**

### *(a) Dividends on ordinary shares*

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

### *(b) Coupon on other equity*

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



## **2.22 Cash placed as collateral with the NTMA**

The Group is required to post cash collateral with the NTMA under a collateral posting agreement (CPA) agreed between the NTMA and NAMA. The NTMA is the counterparty to all NAMA derivatives (other than those acquired from borrowers). The NTMA require cash to be placed with it as collateral to reduce the exposure it has to NAMA with regard to its derivative positions. The amount of collateral required depends on an assessment of the credit risk by the NTMA.

Cash placed as collateral is recognised in the statement of financial position. Any interest payable or receivable arising on the amount placed as collateral is recorded in interest expense or interest income respectively.

## **2.23 Property, plant and equipment**

The Agency incurred costs for the fit-out of leased office space. Costs incurred are capitalised in the statement of financial position as property, plant and equipment in accordance with IAS 16. The recognised asset is depreciated on a straight line basis over 10 years. A full year's depreciation is recognised in the year the asset is capitalised.

## **2.24 Segmental reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the NAMA CEO who allocates resources to and assesses the performance of the operating segments of NAMA.

## **2.25 Operating leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The leased asset is recognised in the statement of financial position of the lessor. Properties acquired by NARPSL for the purposes of social housing are recognised as inventories in accordance with IAS 2. Rental income arising from operating leases on inventory property is accounted for on a straight line basis over the lease term.

## **2.26 Non-controlling interests in subsidiaries**

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

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

## **2.27 Determination of fair value**

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

Financial instruments are initially recognised at fair value and, with the exception of financial assets at fair value through profit or loss, the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received).

Subsequent to initial recognition, fair values are determined using valuation techniques. These valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow analysis and other valuation techniques commonly used by market participants.

### *Valuation techniques*

In the absence of quoted market prices, and in the case of over-the-counter derivatives, fair value is calculated using valuation techniques. Fair value may be estimated using quoted market prices for similar instruments, adjusted for differences between the quoted instrument and the instrument being valued. Where the fair value is calculated using discounted cash flow analysis, the methodology is to use, to the extent possible, market data that is either directly observable or is implied from instrument prices, such as interest rate yield curves, equities and commodities prices, credit spreads, option volatilities and currency rates.

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

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

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument.

Certain financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. When applying a valuation technique with unobservable data, estimates are made to reflect uncertainties in fair values resulting from a lack of market data. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on non-observable data are inherently uncertain because there is little or no current market data available from which to determine the price at which an orderly transaction between market participants would occur under current market conditions.

The calculation of fair value for any financial instrument may require adjustment of the valuation technique output to reflect the cost of credit risk, if market participants would include one, where these are not embedded in underlying valuation techniques.

### 3 Interest and fee income

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Interest on loans and receivables	96,416	205,018
Interest on acquired derivative financial instruments	2,526	3,839
Fee income from overdrafts	839	839
Fee income from loans and receivables	967	7,290
<b>Total interest and fee income</b>	<b>100,748</b>	<b>216,986</b>

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

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

Interest on acquired derivative financial instruments relates to interest received on derivatives acquired from Participating Institutions that were associated with the loans acquired.

Fee income on overdrafts relates to funding costs received from AIB on overdraft amounts payable to the Group, which were settled in June.

Fees earned by the Group that are not part of EIR, such as exit or performance fees, are recognised immediately in profit or loss as fee income. Fee income recognised in the period includes arrangement fees and restructuring fees.

### 4 Interest expense

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Interest on senior debt securities in issue	-	526
Interest on other derivative financial instruments	27,950	54,549
Interest on cash and cash equivalents	1,539	3,890
Interest on available for sale financial assets	69	70
<b>Total interest expense</b>	<b>29,558</b>	<b>59,035</b>

### 5 Other income/(expenses)

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Dividend income from equity instruments	6,217	8,860
Fair value gain on equity instruments (note 19)	5,452	5,452
Lease rental income	1,517	2,879
<b>Total other income/(expenses)</b>	<b>13,186</b>	<b>17,191</b>

Dividend income from equity instruments comprises distributions arising from Group shareholdings in funds predominantly holding real estate assets.

The fair value of NAMA's equity instruments is based on the net asset value of the investment entity at the reporting date, and changes in fair value are recognised in the income statement in accordance with accounting policy 2.5.

Lease rental income is earned from the lease of residential properties to approved housing bodies for social housing purposes and from the lease of certain trading properties. It is accounted for on a straight line basis over the lease term in accordance with accounting policy 2.25.

## 6 Profit on disposal of loans and property assets; and surplus income

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Surplus income on loan repayments (in excess of loan carrying values)	298,232	298,232
Net profit/(loss) on disposal of loans	(4,888)	(2,067)
<b>Profit on disposal of loans and property assets</b>	<b>293,344</b>	<b>296,165</b>

For certain assets acquired, the proceeds from the disposal of the underlying collateral in a debtor connection exceeded the carrying value of those loans and receivables. This surplus is recognised in the income statement as realised profits on loans. Of the total amount of €298m recognised in the period, €119m was generated from debtors who have fully repaid all NAMA debt and any further cash received is recognised as profit. A further €179m of surplus income is recognised on specific loan assets within a debtor connection where the cash generated and received by NAMA at the reporting date has exceeded the loan carrying value; and the estimated discounted cash flows for the total debtor connection are greater than the total loan carrying values.

The Group disposes of certain loans and receivables to third parties. Profit or loss on disposal of loans is measured as the difference between the cash received, including any deferred consideration, less related selling expenses less the net carrying value of those loans and receivables. The Group realised a net loss of €4.9m on the disposal of loans in Q2. The €4.9m loss recognised in the period consists of loss on disposal of €4.8m (see note 15), less disposal costs of €0.1m. Profit on disposal of loans is not recognised where the overall debtor connection is impaired in accordance with the latest available impairment assessment data.

The following table summarises NAMA's overall profit/(loss) recognised on the transactions relating to the disposal of underlying collateral and loans:

	For the period from 1 Jan 2016 to 30 June 2016			For the period from inception to 30 June 2016		
	Disposals of underlying collateral	Disposals of loans	Total	Disposals of underlying collateral	Disposals of loans	Total
	€m	€m	€m	€m	€m	€m
Proceeds	2,375	81	2,456	26,666	8,529	35,195
Profit / (loss) recognised in income statement (Note 6)	298	(2)	296	2,784	653	3,437
Crystallisation of existing impairment provision (Note 15)	-	(20)	(20)	(55)	(1,585)	(1,640)
<b>Total</b>	<b>298</b>	<b>(22)</b>	<b>276</b>	<b>2,729</b>	<b>(932)</b>	<b>1,797</b>

The crystallisation of existing impairment provision represents the amount of the previously recognised impairment provision that is attributed to the disposal of underlying collateral and loans to date. It does not represent an income statement charge in the period of crystallisation. Instead, the Income Statement recognition occurred when the impairment provision was previously historically recorded. Combined with the 'Profit/(loss) recognised in income statement', it presents an overall profit/(loss) in respect of the disposal of underlying collateral and loans for the period.

## 7 Losses on derivative financial instruments

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Fair value losses on derivatives acquired from borrowers	(1,663)	(1,124)
Fair value losses on other derivatives	(568)	(1,989)
<b>Total losses on derivative financial instruments</b>	<b>(2,231)</b>	<b>(3,113)</b>

Fair value movements on derivatives are driven by market movements that occurred during the year. The fair value of these swaps are impacted by changes in Euribor rates and borrower derivatives performance levels. Further information on derivative financial instruments is provided in Note 14.

Gains or losses arising on derivatives acquired from borrowers comprise fair value movements on these derivatives. Other derivatives hedge NAMA's interest rate risk exposure arising from derivatives acquired from the Pls. Hedge accounting has not been applied on these derivatives.

## 8 Administration expenses

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Costs reimbursable to the NTMA	11,227	22,322
Primary servicer fees	3,312	9,211
Master servicer fees	346	720
Portfolio management fees	776	1,813
Legal fees	336	1,583
Finance, communication and technology costs	1,004	2,161
Rent and occupancy costs	680	1,311
Internal audit fees	188	376
Board and Committee fees and expenses	107	222
External audit remuneration	137	275
<b>Total administration expenses</b>	<b>18,113</b>	<b>39,994</b>

Under Section 42 (4) of the Act, the Agency shall reimburse the NTMA for the costs incurred by the NTMA as a consequence of its assignment of staff to the NAMA Group Entities. See 8.1 below for further breakdown of such costs.

NAMA Board and Advisory Committee fees are paid to Board members and external members of Committees. Brendan McDonagh (CEO, NAMA) and Conor O'Kelly (CEO, NTMA) receive no payment as members of the NAMA Board.

### 8.1 Costs reimbursable to the NTMA

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Staff costs	8,511	16,785
Overheads and shared service costs	2,716	5,537
<b>Total</b>	<b>11,227</b>	<b>22,322</b>

## 9 Foreign exchange gains/(losses)

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
Foreign exchange translation losses on loans and receivables	(24,960)	(126,776)
Unrealised foreign exchange gains on derivative financial instruments	24,104	91,289
Realised foreign exchange gains on derivative financial instruments	10,255	57,735
Foreign exchange losses on cash	(7,565)	(14,388)
Other foreign exchange losses	(506)	(1,619)
<b>Total foreign exchange gains / (losses)</b>	<b>1,328</b>	<b>6,241</b>

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

Gains and losses on foreign exchange derivatives arise from market movements that affect the value of the derivatives at the reporting date.

Following the transfer of assets from the Participating Institutions, the Group entered into currency derivative contracts to reduce its exposure to exchange rate fluctuations arising on foreign currency denominated loans and receivables acquired. The gain or loss on derivative products comprises both realised and unrealised gains and losses. Realised and unrealised gains and losses are recognised in accordance with accounting policy 2.14. Currency derivatives are explained in more detail in Note 14.

Included within total foreign exchange gains/(losses) for the quarter from 1 April 2016 to 30 June 2016 is cross currency swap interest expense of €4m (Q1 2016: nil).

## 10 Tax charge

	For the quarter from 1 Apr 2016 to 30 Jun 2016	For the period from 1 Jan 2016 to 30 Jun 2016
	€000	€000
<b>Current tax charge</b>		
Corporation tax	(8)	(16)
<b>Deferred tax charge</b>		
On fair value gains and losses on derivatives and investments in equity instruments (note 20)	(17,704)	(34,281)
<b>Total taxation charge</b>	<b>(17,712)</b>	<b>(34,297)</b>

## 11 Cash, cash equivalents and collateral

	30 Jun 2016 €000	31 Mar 2016 €000
Balances with the Central Bank of Ireland	162,577	210,994
Balances with other banks	76,237	70,001
Term deposits	-	12,633
Exchequer note investments	950,000	1,330,000
<b>Total cash and cash equivalents</b>	<b>1,188,814</b>	<b>1,623,628</b>
Cash placed as collateral with the NTMA	176,000	178,000
<b>Total cash, cash equivalents and collateral</b>	<b>1,364,814</b>	<b>1,801,628</b>

Balances with other banks comprise balances held with Citibank, AIB and BNP. Exchequer notes are short term interest bearing notes, with maturities generally less than 30 days, which are held with the NTMA.

In accordance with an agreement entered into between NAMA and the NTMA in 2012, NAMA is required to post cash collateral with the NTMA under a collateral posting agreement (CPA). The NTMA is the counterparty to all NAMA derivatives (other than those acquired from borrowers). The NTMA require cash to be placed with it as collateral to reduce the exposure it has to NAMA with regard to its derivative positions. At 30 June 2016, NAMA's derivative liability exposure was €33m as set out in Note 14.

## 12 Financial assets available for sale

	30 Jun 2016 €000	31 Mar 2016 €000
Irish Government bonds	533,181	206,438

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

## 13 Amounts due from/(to) Participating Institutions

NAMA legally acquired overdraft accounts attached to debtor loan accounts in 2010 and 2011. At 30 June 2016 the following amounts were receivable from and payable to the Participating Institutions for cash collected or paid out by the Participating Institutions in relation to NAMA debtors' overdraft accounts. Amounts due are generally only settled by NAMA and the Participating Institutions upon a terminating event such as account closure. Amounts settled may differ to the balances reported at year end. All amounts are classified as current.

	30 Jun 2016 €000	31 Mar 2016 €000
Amounts due from Participating Institutions	22,108	76,455
Amounts due to Participating Institutions	(10,841)	(19,870)

## 14 Derivative financial instruments

	30 Jun 2016 €000	31 Mar 2016 €000
<i>(a) Derivative assets at fair value through profit or loss</i>		
Derivative financial instruments acquired from borrowers	21,868	23,531
Foreign currency derivatives	15,696	28,395
<b>Total derivative assets</b>	<b>37,564</b>	<b>51,926</b>
<i>(a) Derivative liabilities at fair value through profit or loss</i>		
Other derivative financial instruments	(4,344)	(3,776)
Foreign currency derivatives	(9,625)	(46,427)
<i>(b) Interest rate swaps</i>	<i>(18,949)</i>	<i>(46,794)</i>
<b>Total derivative liabilities</b>	<b>(32,918)</b>	<b>(96,997)</b>

### *(a) Derivative financial instruments at fair value through profit or loss*

Derivative financial instruments acquired from borrowers relate to the fair value of derivatives acquired from borrowers that were associated with loans acquired.

Other derivative financial instruments relate to the fair value of derivatives entered into by the Group to hedge derivative financial instruments acquired from borrowers. These derivatives have not been designated into hedge relationships.

NAMA uses currency derivatives to hedge the foreign exchange exposure which arose on the transfer of foreign currency loans from Participating Institutions in exchange for Euro denominated NAMA bonds. The foreign currency derivatives are used to reduce its exposure to exchange rate fluctuation arising on foreign denominated loans and receivables acquired.

*(b) Interest rate swaps*

Interest rate swaps relate to fair value derivatives entered into by the group to hedge its interest rate risk arising from Euribor floating rates on its senior debt securities. These derivatives were originally designated into hedge relationships but pursuant to a direction issued by the Minister on 31 July 2015, on 28 January 2016 the Group executed documentation to floor the coupon rate on the senior notes in issue at zero if the 6 month Euribor rate is negative. This resulted in €4.7bn of cashflow hedge relationships being derecognised on this date, with future MTM movements being recognised in profit or loss.

**15 Loans and receivables (net of impairment)**

	<b>30 Jun 2016</b> <b>€000</b>	<b>31 Mar 2016</b> <b>€000</b>
Loans and receivables carrying value before impairment	8,560,593	9,118,165
Less: provision for impairment charges on loans and receivables	(2,209,839)	(2,470,921)
<b>Total loans and receivables (net of impairment)</b>	<b>6,350,754</b>	<b>6,647,244</b>

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

The following table summarises the movement in loans and receivables.

	<b>For the quarter from 1 Apr 2016 to 30 Jun 2016</b> <b>€000</b>	<b>For the period from 1 Jan 2016 to 30 Jun 2016</b> <b>€000</b>
<b><u>Reconciliation of movement in loans and receivables</u></b>		
Opening balance	9,118,165	10,291,851
<b>Receipts from and payments to borrowers</b>		
Non-disposal income	(66,213)	(140,073)
Proceeds from the sale of collateral as security against loans and receivables and other loan repayments	(921,706)	(2,146,007)
Proceeds from the sale of loans	(57,318)	(80,906)
Settlement proceeds received by NAJVAL	-	(12,105)
Deferred income	(100)	(200)
Funds advanced to borrowers	144,287	293,177
Funds in the course of collection	(2,232)	(6,467)
Costs recoverable from borrowers	1,917	3,749
<b>Total receipts from and payments to borrowers</b>	<b>(901,365)</b>	<b>(2,088,832)</b>
<b>Other loan movements</b>		
Loan interest income earned	96,416	205,018
Movement in overdraft accounts	(690)	8,466
Profit / (loss) recognised on sale of loans (excluding loan sale costs)	(4,824)	(1,968)
Surplus income	298,232	298,232
Foreign exchange (loss) / gain on loans and receivables	(24,960)	(126,776)
Impairment crystallised from disposals	(14,496)	(19,481)
Other	(5,884)	(5,918)
<b>Total other loan movements</b>	<b>343,794</b>	<b>357,574</b>
<b>Total loan movements</b>	<b>(557,572)</b>	<b>(1,731,258)</b>
<b>Loans and receivables pre impairment</b>	<b>8,560,593</b>	<b>8,560,593</b>
Provision for impairment of loans and receivables	(2,209,839)	(2,209,839)
<b>Net loans and receivables after impairment</b>	<b>6,350,754</b>	<b>6,350,754</b>



	For the period from 1 Jan 2016 to 30 Jun 2016 €000
<b>Impairment provision</b>	
Balance at the beginning of the year	2,475,906
Release of specific provision	(266,067)
Total movement in provision (Note (i))	(266,067)
Balance at 30 June 2016	2,209,839
<b>Note (i)</b>	
Recognised in income statement	(246,586)
Recognised against loans and receivables	(19,481)
	(266,067)

Impairment is assessed semi-annually. The movement in the provision represents the amount of the previously recognised impairment provision that is attributed to the disposal of loans.

#### 16 Other assets

	30 Jun 2016 €000	31 Mar 2016 €000
Accrued swap interest receivable	878	356
Interest receivable on available for sale assets	13,290	4,867
Deferred consideration receivable from loan sales	4,549	5,344
Tax recoverable	20,429	15,544
Other assets	5,150	2,873
<b>Total other assets</b>	<b>44,296</b>	<b>28,984</b>

#### 17 Inventories - trading properties

	30 Jun 2016 €000	31 Mar 2016 €000
Social housing	100,043	82,384
Other	80,308	37,111
<b>Total trading properties</b>	<b>180,351</b>	<b>119,495</b>

Trading properties are recognised in accordance with accounting policy 2.15.

Other comprises property assets directly acquired by the Group, either in settlement of debt or where the asset is deemed to be of strategic importance to the Group objectives.

#### 18 Property, plant and equipment

	30 Jun 2016 €000	31 Mar 2016 €000
Lease fit out costs	1,680	1,680

Property, plant and equipment relates to lease fit out costs incurred to date. The assets are depreciated annually at 31 December on a straight line basis over 10 years in accordance with accounting policy 2.23. A full year's depreciation is charged in the year the lease fit out costs are incurred and capitalised.

#### 19 Investments in equity instruments

	30 Jun 2016 €000	31 Mar 2016 €000
Investments in equity instruments measured at fair value	52,416	46,964

The Group may invest in equity instruments to maximise value or gain control of an asset. Equity instruments at the reporting date comprise:

- a 16.5% ownership in qualifying investor alternative investment fund ("QIAIF 1"), a 47.75% ownership in a second QIAIF ("QIAIF 2"), and a 15% in a third QIAIF ("QIAIF 3") with a combined value of €43m. The units in QIAIF 1 and QIAIF 3 were acquired as consideration for the sale of certain property assets to QIAIF 1 and QIAIF 3, in 2013 and 2014 respectively. The units in QIAIF 2 were acquired by the Group in 2014 to facilitate the fund's purchase of property assets. The objective of the three funds is to enhance the development potential of combined sites in the Dublin Docklands, thereby generating capital growth over the longer term. NAMA has invested in these funds in line with its strategy to facilitate the delivery of commercial and residential development in the Dublin Docklands.

- following restructure of one of the NAMA managed debtors, the Group acquired a 98% ownership of one fund and 54% ownership of a second fund with a combined value of €9.5m. These funds hold real-estate in Portugal. All decision making is controlled by the funds' management company, therefore NAMA is not able to exercise control over the funds.

## 20 Deferred tax

	Deferred tax on derivatives		Deferred tax on other timing differences	Total
	Assets €000	(Liabilities) €000	(Liabilities) €000	€000
Balance at 1 April 2016	24,249	(17,817)	(54)	6,378
Movement in the period	(15,922)	(12,231)	-	(28,153)
Balance at 30 June 2016	<b>8,327</b>	<b>(30,048)</b>	<b>(54)</b>	<b>(21,775)</b>
Balance at 1 January 2016	44,813	(15,889)	(54)	28,870
Movement in the period	(36,486)	(14,159)	-	(50,645)
Balance at 30 June 2016	<b>8,327</b>	<b>(30,048)</b>	<b>(54)</b>	<b>(21,775)</b>

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
Movement recognised in the income statement (Note 10)	(17,704)	(34,281)
Movement recognised in reserves (Note 25)	(10,449)	(16,365)
<b>Net movement in deferred tax</b>	<b>(28,154)</b>	<b>(50,645)</b>

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

## 21 Other liabilities

	30 Jun 2016 €000	31 Mar 2016 €000
Accrued swap interest payable on other derivatives	89,790	61,840
Interest payable on cash and cash equivalents	291	692
Accrued expenses	16,089	15,833
VAT payable	79	1,072
Other liabilities	5,147	930
<b>Total other liabilities</b>	<b>111,396</b>	<b>80,367</b>

(a) Interest is payable on cash and cash equivalents as a result of negative Euribor interest rates.

## 22 Senior debt securities in issue

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
In issue at beginning of period	5,590,000	8,090,000
Redeemed during the period	(1,000,000)	(3,500,000)
<b>In issue at end of period</b>	<b>4,590,000</b>	<b>4,590,000</b>

### Terms of notes issued for the acquisition of loans by National Asset Loan Management Ltd.

The total debt securities outstanding at 30 June 2016 issued in respect of the original acquisition of loans by National Asset Loan Management Ltd. is €4.6bn (Q1: €5.6bn). The debt securities are all government guaranteed floating rate notes, which were issued by National Asset Management Ltd. and transferred to National Asset Management Group Services Ltd. under a profit participating loan facility and by it to National Asset Loan Management Ltd. The latter company used these securities as consideration (95%) for the loan portfolio acquired from each of the Participating Institutions.

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

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

All of the securities which matured on 1 March 2016 were physically settled by issuing new securities with a maturity of 1 March 2017.

## 23 Tax payable

	30 Jun 2016 €000	31 Mar 2016 €000
Professional services withholding tax and other taxes payable	646	876
Current tax liability	76	752
<b>Total tax payable</b>	<b>722</b>	<b>1,628</b>

## 24 Other equity instruments

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
In issue at beginning and the end of quarter	1,593,000	1,593,000

### Terms of the instrument

The above are Callable Perpetual Subordinated Fixed Rate Bonds that were issued and transferred to NALML under a profit participating loan arrangement. The latter company used these securities as consideration (5%) for the loan portfolio acquired from each of the Participating Institutions.

The interest rate on the instruments is the 10 year Irish Government rate at the date of first issuance, plus 75 basis points. This rate has been set at a fixed return of 5.264%. Interest is paid annually if deemed appropriate to do so, however the coupon is declared at the option of the issuer. Coupons not declared in any year will not accumulate. In February 2016, NAMA declared a payment of a coupon of €83.86m on its subordinated debt, which was paid on 1 March 2016.

Although the bonds are perpetual in nature, the issuer may "call" (i.e. redeem) the bonds on the first call date (which is 10 years from the date of issuance), and every Interest Payment date thereafter (regardless of whether interest is to be paid or not).

Under IAS 32, 'Financial Instruments: Presentation', it is the substance of the contractual arrangement of a financial instrument, rather than its legal form, that governs its classification. As the subordinated notes contain no contractual obligation to make any payments (either interest or principal) should the Group not wish to make any payments, in accordance with IAS 32 the subordinated debt has been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments (Note 26).

## 25 Other reserves

Other reserves are analysed as follows:

### Cashflow hedge reserve

At the beginning of the period

Net changes in fair value

Deferred tax recognised in other reserves (note 20)

**At 30 June 2016**

### Available for sale reserve

At the beginning of the period

Net changes in fair value

Deferred tax recognised in other reserves (note 20)

**At 30 June 2016**

**Total other reserves**

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
At the beginning of the period	(36,606)	(54,300)
Net changes in fair value	27,846	51,437
Deferred tax recognised in other reserves (note 20)	(6,962)	(12,859)
<b>At 30 June 2016</b>	<b>(15,722)</b>	<b>(15,722)</b>
At the beginning of the period	78	-
Net changes in fair value	16,198	16,295
Deferred tax recognised in other reserves (note 20)	(3,487)	(3,506)
<b>At 30 June 2016</b>	<b>12,789</b>	<b>12,789</b>
<b>Total other reserves</b>	<b>(2,933)</b>	<b>(2,933)</b>

Other reserves comprise the cash flow hedge reserve and the available for sale reserve.

The cash flow hedge reserve comprises the mark to market movement on interest rate swaps that were previously designated into hedge relationships. Any fair value gains or losses arising on these derivatives were recognised in the reserve up until the hedge relationships were derecognised, effective from January 28th 2016.

The available for sale reserve comprises fair value movements on Irish government bonds, classified as available for sale assets. All fair value gains and losses on these bonds are recognised in the reserve.

## 26 Retained earnings

At the beginning of the period

Profit for the period

Dividend paid on B ordinary shares

Coupon paid on subordinated bonds

**At the end of the period**

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
At the beginning of the period	1,590,866	1,615,937
Profit for the period	587,578	646,730
Dividend paid on B ordinary shares	-	(367)
Coupon paid on subordinated bonds	-	(83,856)
<b>At the end of the period</b>	<b>2,178,444</b>	<b>2,178,444</b>

On 31 March 2016, the Board of NAMAIL declared and approved a dividend payment of €0.00757 per share, amounting to €0.37m. The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2016. The dividend was paid to the holders of B ordinary shares of NAMAIL only, the private investors, who have ownership of 51% in the Company. No dividends were paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.

In February 2016, the Board of NAMA resolved that it was appropriate, in the context of NAMA's overall aggregate financial performance and objectives, that the annual coupon on the subordinated bonds of €83.86m due on 1 March 2016 be paid. The subordinated bonds are classified as equity in the statement of financial position, and related payments thereon are classified as coupon payments. Refer to Note 24 for further details in this regard.

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

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

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

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

NAMA Group															
Section 55 (6) (j): Income Statement by NAMA group entity															
For the period from 1 January 2016 to 30 June 2016															
	National Asset Loan Management Limited	National Asset North Quays Limited	National Asset JVA Limited	National Asset Property Management Limited	National Asset Sarasota LLC	National Asset Residential Property Services Limited	National Asset Leisure Holdings Limited (in voluntary liquidation)	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	National Asset Resolution Limited (in voluntary liquidation)	National Asset Management Agency Investment Limited	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest and fee income	216,468	257	35	-	100	-	-	-	-	-	-	126	-	-	216,986
Interest expense	(58,388)	-	-	-	(8)	-	-	-	-	(652)	-	-	13	-	(59,035)
<b>Net interest income / (expense)</b>	<b>158,080</b>	<b>257</b>	<b>35</b>	<b>-</b>	<b>92</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(652)</b>	<b>-</b>	<b>126</b>	<b>13</b>	<b>-</b>	<b>157,951</b>
Other income/(expenses)	11,669	14	2,643	10	-	2,856	-	-	-	-	-	-	23,370	(23,371)	17,191
Net profit/(loss) on disposal of loans and property; and surplus income	296,165	-	-	-	-	-	-	-	-	-	-	-	-	-	296,165
Gains/(losses) on derivative financial instruments	48,324	-	-	-	-	-	-	-	-	-	-	-	-	(51,437)	(3,113)
<b>Total operating income / (expense)</b>	<b>514,238</b>	<b>271</b>	<b>2,678</b>	<b>10</b>	<b>92</b>	<b>2,856</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(652)</b>	<b>-</b>	<b>126</b>	<b>23,383</b>	<b>(74,808)</b>	<b>468,194</b>
Administration expenses	(38,646)	(6)	-	(246)	(15)	(865)	-	-	-	-	-	-	(23,586)	23,370	(39,994)
Foreign exchange gains and losses	6,254	-	-	-	(13)	-	-	-	-	-	-	-	-	-	6,241
<b>Operating profit / (loss) before impairment</b>	<b>481,846</b>	<b>265</b>	<b>2,678</b>	<b>(236)</b>	<b>64</b>	<b>1,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(652)</b>	<b>-</b>	<b>126</b>	<b>(203)</b>	<b>(51,438)</b>	<b>434,441</b>
Impairment charges on loans and receivables	246,586	-	-	-	-	-	-	-	-	-	-	-	-	-	246,586
<b>Profit / (loss) for the year before income tax</b>	<b>728,432</b>	<b>265</b>	<b>2,678</b>	<b>(236)</b>	<b>64</b>	<b>1,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(652)</b>	<b>-</b>	<b>126</b>	<b>(203)</b>	<b>(51,438)</b>	<b>681,027</b>
Tax credit/(charge)	(47,140)	-	-	-	-	-	-	-	-	-	-	(16)	-	12,859	(34,297)
<b>Profit/(loss) for the year</b>	<b>681,292</b>	<b>265</b>	<b>2,678</b>	<b>(236)</b>	<b>64</b>	<b>1,991</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(652)</b>	<b>-</b>	<b>110</b>	<b>(203)</b>	<b>(38,578)</b>	<b>646,730</b>

NAMA Group															
Section 55 (6) (j): Income Statement by NAMA group entity															
For the period from 1 April 2016 to 30 June 2016															
	National Asset Loan Management Limited	National Asset North Quays Limited	National Asset JVA Limited	National Asset Property Management Limited	National Asset Sarasota LLC	National Asset Residential Property Services Limited	National Asset Leisure Holdings Limited (in voluntary liquidation)	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	National Asset Resolution Limited (in voluntary liquidation)	National Asset Management Agency Investment Limited	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest and fee income	100,506	129	-	-	50	-	-	-	-	-	-	63	-	0	100,748
Interest expense	(29,499)	-	-	-	(4)	-	-	-	-	(63)	-	-	8	-	(29,558)
<b>Net interest income / (expense)</b>	<b>71,007</b>	<b>129</b>	<b>-</b>	<b>-</b>	<b>46</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(63)</b>	<b>-</b>	<b>63</b>	<b>8</b>	<b>-</b>	<b>71,190</b>
Other income/(expenses)	11,669	7	-	5	-	1,506	-	-	-	-	-	-	11,751	(11,752)	13,186
Net profit/(loss) on disposal of loans and property; and surplus income	293,344	-	-	-	-	-	-	-	-	-	-	-	-	-	293,344
Gains/(losses) on derivative financial instruments	25,615	-	-	-	-	-	-	-	-	-	-	-	-	(27,846)	(2,231)
<b>Total operating income / (expense)</b>	<b>401,635</b>	<b>136</b>	<b>-</b>	<b>5</b>	<b>46</b>	<b>1,506</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(63)</b>	<b>-</b>	<b>63</b>	<b>11,759</b>	<b>(39,598)</b>	<b>375,489</b>
Administration expenses	(17,786)	(3)	-	(70)	(2)	(149)	-	-	-	-	-	-	(11,854)	11,751	(18,113)
Foreign exchange gains and losses	1,311	-	-	-	17	-	-	-	-	-	-	-	-	-	1,328
<b>Operating profit / (loss) before impairment</b>	<b>385,160</b>	<b>133</b>	<b>-</b>	<b>(65)</b>	<b>61</b>	<b>1,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(63)</b>	<b>-</b>	<b>63</b>	<b>(95)</b>	<b>(27,847)</b>	<b>358,704</b>
Impairment credit on loans and receivables	246,586	-	-	-	-	-	-	-	-	-	-	-	-	-	246,586
<b>Profit / (loss) for the period before income tax</b>	<b>631,746</b>	<b>133</b>	<b>-</b>	<b>(65)</b>	<b>61</b>	<b>1,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(63)</b>	<b>-</b>	<b>63</b>	<b>(95)</b>	<b>(27,847)</b>	<b>605,290</b>
Tax credit/(charge)	(24,667)	-	-	-	-	-	-	-	-	-	-	(8)	-	6,963	(17,712)
<b>Profit/(loss) for the period</b>	<b>607,079</b>	<b>133</b>	<b>-</b>	<b>(65)</b>	<b>61</b>	<b>1,357</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(63)</b>	<b>-</b>	<b>55</b>	<b>(95)</b>	<b>(20,882)</b>	<b>587,578</b>

NAMA Group														
Section 55 (6) (i): Statement of Financial Position by NAMA group entity as at 30 June 2016														
	National Asset Loan Management Limited	National Asset North Quays Limited	National Asset JVA Limited	National Asset Property Management Limited	National Asset Sarasota LLC	National Asset Residential Property Services Limited	National Asset Leisure Holdings Limited (in voluntary liquidation)	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	National Asset Management Agency Investment Limited	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>Assets</b>														
Cash and cash equivalents	1,182,875	581	1,578	27	-	2,083	-	-	-	-	251	1,419	-	1,188,814
Cash placed as collateral with the NTMA	176,000	-	-	-	-	-	-	-	-	-	-	-	-	176,000
Financial Assets available for sale	533,181	-	-	-	-	-	-	-	-	-	-	-	-	533,181
Amounts due from Participating Institutions	22,108	-	-	-	-	-	-	-	-	-	-	-	-	22,108
Derivative financial instruments	37,564	-	-	-	-	-	-	-	-	-	-	-	-	37,564
Loans and receivables (net of impairment)	6,335,046	9,668	3,139	-	2,901	-	-	-	-	-	-	-	-	6,350,754
Other assets	494,272	-	-	114	-	888	-	-	8,135,233	8,215,680	104,949	1,824,974	(18,731,814)	44,296
Inventories - trading properties	1,300	21,750	-	57,559	-	100,043	-	-	-	-	-	-	(301)	180,351
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	1,680	-	1,680
Investments in equity instruments	41,690	-	10,726	533	-	-	-	-	-	-	-	49,000	(49,533)	52,416
<b>Total assets</b>	<b>8,824,036</b>	<b>31,999</b>	<b>15,443</b>	<b>58,233</b>	<b>2,901</b>	<b>103,014</b>	<b>-</b>	<b>-</b>	<b>8,135,233</b>	<b>8,215,680</b>	<b>105,200</b>	<b>1,877,073</b>	<b>(18,781,648)</b>	<b>8,587,164</b>
<b>Liabilities</b>														
Amounts due to Participating Institutions	10,841	-	-	-	-	-	-	-	-	-	-	-	-	10,841
Derivative financial instruments	32,918	-	-	-	-	-	-	-	-	-	-	-	-	32,918
Other liabilities	8,324,646	31,424	12,763	64,253	2,191	102,937	-	-	8,135,231	2,110,395	367	59,002	(18,731,813)	111,396
Senior debt securities in issue	-	-	-	-	-	-	-	-	-	4,590,000	-	-	-	4,590,000
Tax payable	646	3	-	12	-	3	-	-	-	-	57	-	1	722
Deferred tax	21,721	-	-	-	55	-	-	-	-	-	-	-	(1)	21,775
<b>Total liabilities</b>	<b>8,390,772</b>	<b>31,427</b>	<b>12,763</b>	<b>64,265</b>	<b>2,246</b>	<b>102,940</b>	<b>-</b>	<b>-</b>	<b>8,135,231</b>	<b>6,700,395</b>	<b>424</b>	<b>59,002</b>	<b>(18,731,812)</b>	<b>4,767,652</b>
<b>Equity</b>														
Share capital	-	-	-	-	6,332	-	-	-	-	-	10,000	-	(16,332)	-
Share premium	-	-	-	-	-	-	-	-	-	-	90,000	-	(90,000)	-
Other equity instruments	-	-	-	-	-	-	-	-	-	1,593,000	-	-	-	1,593,000
Retained earnings	420,475	572	2,680	(6,032)	(5,677)	74	-	-	2	(77,715)	4,776	1,767,071	72,218	2,178,444
Other reserves	12,789	-	-	-	-	-	-	-	-	-	-	-	(15,722)	(2,933)
Equity and reserves attributable to owners of the Group	433,264	572	2,680	(6,032)	655	74	-	-	2	1,515,285	104,776	1,767,071	(49,835)	3,768,512
Non controlling interests	-	-	-	-	-	-	-	-	-	-	-	51,000	-	51,000
<b>Total equity and reserves</b>	<b>433,264</b>	<b>572</b>	<b>2,680</b>	<b>(6,032)</b>	<b>655</b>	<b>74</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1,515,285</b>	<b>104,776</b>	<b>1,818,071</b>	<b>(49,835)</b>	<b>3,819,512</b>
<b>Total equity &amp; liabilities</b>	<b>8,824,036</b>	<b>31,999</b>	<b>15,443</b>	<b>58,233</b>	<b>2,901</b>	<b>103,014</b>	<b>-</b>	<b>-</b>	<b>8,135,233</b>	<b>8,215,680</b>	<b>105,200</b>	<b>1,877,073</b>	<b>(18,781,647)</b>	<b>8,587,164</b>

NAMA Group														
Section 55 (6) (i): Statement of Financial Position by NAMA group entity as at 31 March 2016														
	National Asset Loan Management Limited	National Asset North Quays Limited	National Asset JVA Limited	National Asset Property Management Limited	National Asset Sarasota LLC	National Asset Residential Property Services Limited	National Asset Leisure Holdings Limited (in voluntary liquidation)	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	National Asset Management Agency Investment Limited	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>Assets</b>														
Cash and cash equivalents	1,604,618	472	17,794	25	-	566	-	-	-	-	-	153	-	1,623,628
Cash placed as collateral with the NTMA	178,000	-	-	-	-	-	-	-	-	-	-	-	-	178,000
Financial Assets available for sale	206,438	-	-	-	-	-	-	-	-	-	-	-	-	206,438
Amounts due from Participating Institutions	76,455	-	-	-	-	-	-	-	-	-	-	-	-	76,455
Derivative financial instruments	51,926	-	-	-	-	-	-	-	-	-	-	-	-	51,926
Loans and receivables (net of impairment)	6,634,825	9,639	-	-	2,780	-	-	-	-	-	-	-	-	6,647,244
Other assets	419,468	-	1	112	-	902	-	-	9,135,233	9,216,365	105,141	1,826,236	(20,674,477)	28,984
Inventories - trading properties	1,300	21,750	-	14,362	-	82,384	-	-	-	-	-	-	(301)	119,495
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	1,680	-	1,680
Investments in equity instruments	46,964	-	-	533	-	-	-	-	-	-	-	49,000	(49,533)	46,964
Deferred tax	6,432	-	-	-	(55)	-	-	-	-	-	-	-	1	6,378
<b>Total assets</b>	<b>9,226,426</b>	<b>31,861</b>	<b>17,795</b>	<b>15,032</b>	<b>2,725</b>	<b>83,852</b>	<b>-</b>	<b>-</b>	<b>9,135,233</b>	<b>9,216,365</b>	<b>105,141</b>	<b>1,877,069</b>	<b>(20,724,310)</b>	<b>8,987,192</b>
<b>Liabilities</b>														
Amounts due to Participating Institutions	19,870	-	-	-	-	-	-	-	-	-	-	-	-	19,870
Derivative financial instruments	96,997	-	-	-	-	-	-	-	-	-	-	-	-	96,997
Other liabilities	9,295,209	31,419	15,115	20,987	2,131	85,132	-	-	9,135,231	2,110,332	367	58,903	(20,674,459)	80,367
Senior debt securities in issue	-	-	-	-	-	-	-	-	-	5,590,000	-	-	-	5,590,000
Tax payable	876	3	-	12	-	3	-	-	-	685	49	-	-	1,628
<b>Total liabilities</b>	<b>9,412,952</b>	<b>31,422</b>	<b>15,115</b>	<b>20,999</b>	<b>2,131</b>	<b>85,135</b>	<b>-</b>	<b>-</b>	<b>9,135,231</b>	<b>7,701,017</b>	<b>416</b>	<b>58,903</b>	<b>(20,674,465)</b>	<b>5,788,862</b>
<b>Equity</b>														
Share capital	-	-	-	-	6,332	-	-	-	-	-	10,000	-	(16,332)	-
Share premium	-	-	-	-	-	-	-	-	-	-	90,000	-	(90,000)	-
Other equity instruments	-	-	-	-	-	-	-	-	-	1,593,000	-	-	-	1,593,000
Retained earnings	(186,604)	439	2,680	(5,967)	(5,738)	(1,283)	-	-	2	(77,652)	4,725	1,767,166	93,086	1,590,857
Other reserves	78	-	-	-	-	-	-	-	-	-	-	-	(36,606)	(36,528)
Equity and reserves attributable to owners of the Group	(186,526)	439	2,680	(5,967)	594	(1,283)	-	-	2	1,515,348	104,725	1,767,166	(49,851)	3,147,330
Non controlling interests	-	-	-	-	-	-	-	-	-	-	-	51,000	-	51,000
<b>Total equity and reserves</b>	<b>(186,526)</b>	<b>439</b>	<b>2,680</b>	<b>(5,967)</b>	<b>594</b>	<b>(1,283)</b>	<b>-</b>	<b>-</b>	<b>2</b>	<b>1,515,348</b>	<b>104,725</b>	<b>1,818,166</b>	<b>(49,845)</b>	<b>3,198,330</b>
<b>Total equity &amp; liabilities</b>	<b>9,226,426</b>	<b>31,861</b>	<b>17,795</b>	<b>15,032</b>	<b>2,725</b>	<b>83,852</b>	<b>-</b>	<b>-</b>	<b>9,135,233</b>	<b>9,216,365</b>	<b>105,141</b>	<b>1,877,069</b>	<b>(20,724,310)</b>	<b>8,987,192</b>



**Supplementary information required under Section 54 of the Act**

In accordance with the requirements of Section 54 (2) and (3) and Section 55 (6) (k) of the NAMA Act 2009 the following additional information is provided, in respect of NAMA and each of its Group entities for the quarter.

**3 (i) SECTION 54 (2) - ADMINISTRATION FEES AND EXPENSES INCURRED BY NAMA AND EACH NAMA GROUP ENTITY**

Administration Expenses by NAMA group entity									
For the quarter from 1 April 2016 to 30 June 2016									
	NALML	NAJVAL	NAPML	NASLLC	NARPSL	NANQL	NAMAIL	NAMA	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000
Costs reimbursable to the NTMA	11,227	-	-	-	-	-	-	-	11,227
Primary Servicer fees	3,312	-	-	-	-	-	-	-	3,312
Master servicer fees	346	-	-	-	-	-	-	-	346
Portfolio management fees	730	-	21	-	26	-	-	-	776
Finance, communication and technology costs	968	-	31	2	3	-	-	-	1,004
Legal fees	198	-	18	-	120	-	-	-	336
Rent and occupancy costs	680	-	-	-	-	-	-	-	680
Internal audit fees	188	-	-	-	-	-	-	-	188
Board and Committee fees and expenses	-	-	-	-	-	3	-	104	107
External audit remuneration	137	-	-	-	-	-	-	-	137
	<b>17,786</b>	<b>-</b>	<b>70</b>	<b>2</b>	<b>149</b>	<b>3</b>	<b>-</b>	<b>104</b>	<b>18,113</b>

### 3 (ii) SECTION 54 (3) (A) - DEBT SECURITIES ISSUED FOR THE PURPOSES OF THE ACT

	Outstanding at 30 Jun 2016 €000
Senior notes issued by NAML	4,590,000
Subordinated debt issued by NAML	1,593,000
<b>Total</b>	<b>6,183,000</b>

### 3 (iii) SECTION 54 (3) (B) - DEBT SECURITIES ISSUED AND REDEEMED IN THE PERIOD

#### Government guaranteed senior debt securities

Financial Institution	Outstanding at 31 Mar 2016 €000	Redeemed €000	Outstanding at 30 Jun 2016 €000
AIB	3,899,000	(698,000)	3,201,000
BOI	982,000	(176,000)	806,000
IL&P	533,000	(95,000)	438,000
CBI	176,000	(31,000)	145,000
<b>Total</b>	<b>5,590,000</b>	<b>(1,000,000)</b>	<b>4,590,000</b>

#### Subordinated debt securities held

Financial Institution	Outstanding at 30 Jun 2016 €000	Outstanding at 31 Mar 2016 €000
AIB	451,000	451,000
BOI	281,000	281,000
EBS	20,000	20,000
Other Noteholders	841,000	841,000
<b>Total</b>	<b>1,593,000</b>	<b>1,593,000</b>

There were no new issuances or transfers of NAMA senior or subordinated bonds during the quarter. Senior bonds of €1bn were redeemed in the period.

### 3 (iv) SECTION 54 (3) (C) - ADVANCES TO NAMA FROM THE CENTRAL FUND

There were no advances to NAMA from the Central Fund in the quarter.

### 3 (v) SECTION 54 (3) (D) - ADVANCES MADE BY NAMA TO DEBTORS IN THE QUARTER

Participating Institutions and Primary Servicer	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000
Capita	79,623
AIB	64,664
<b>Total</b>	<b>144,287</b>

### 3 (vi) SECTION 54 (3) (E) - ASSET PORTFOLIOS HELD BY NAMA AND EACH NAMA GROUP ENTITY

The assets held by NAMA and each NAMA Group entity are set out below. The assets include intergroup assets and liabilities and intergroup profit participating loans between NAMA Group entities.

National Asset Management Agency	30 Jun 2016 €000
Investment in NAMAIL	49,000
Cash and cash equivalents	1,419
Interest receivable on loan to NAML	1,822,888
Receivable from NALML	1,540
Other assets	546
Property, plant and equipment	1,680
<b>Total</b>	<b>1,877,073</b>

### 3 (vi) SECTION 54 (3) (E) - ASSET PORTFOLIOS HELD BY NAMA AND EACH NAMA GROUP ENTITY - CONTINUED

	30 Jun 2016
<b>National Asset Management Agency Investment Limited</b>	<b>€000</b>
Receivable from NAML	99,900
Receivable from NAML - accrued interest	5,049
Cash and cash equivalents	251
<b>Total</b>	<b>105,200</b>

	30 Jun 2016
<b>National Asset Management Limited</b>	<b>€000</b>
PPL receivable from NAMGSL	6,183,000
Receivable from NALML	277,383
PPL interest receivable	1,755,297
<b>Total</b>	<b>8,215,680</b>

	30 Jun 2016
<b>National Asset Management Group Services Limited</b>	<b>€000</b>
PPL receivable from NALML	6,185,352
PPL interest receivable from NALML	1,756,225
PPL receivable from NAJVAL	11,098
Inter-group receivable	182,558
<b>Total</b>	<b>8,135,233</b>

	30 Jun 2016
<b>National Asset Loan Management Limited</b>	<b>€000</b>
Investments in equity instruments	41,690
Cash and cash equivalents	1,182,874
Cash placed as collateral with the NTMA	176,000
Amounts due from Participating Institutions	22,108
Derivative financial instruments	37,564
Loans and receivables (net of impairment)	6,335,046
Other assets	100,882
Inter-group receivable	393,391
Inventories - trading properties	1,300
<b>Total</b>	<b>8,824,036</b>

	30 Jun 2016
<b>National Asset North Quays Limited</b>	<b>€000</b>
Cash and cash equivalents	581
Loans and receivables (net of impairment)	9,668
Inventories - trading properties	21,750
<b>Total</b>	<b>31,999</b>

	30 Jun 2016
<b>National Asset JV A Limited</b>	<b>€000</b>
Investments in equity instruments	10,725
Cash and cash equivalents	1,579
Loans and receivables	3,139
<b>Total</b>	<b>15,443</b>

	30 Jun 2016
<b>National Asset Sarasota LLC</b>	<b>€000</b>
Loans and receivables	2,901
	<b>2,901</b>

	30 Jun 2016
<b>National Asset Property Management Limited</b>	<b>€000</b>
Cash and cash equivalents	27
Investments in equity instruments	533
Inter-group receivable	114
Inventories - trading properties	57,559
<b>Total</b>	<b>58,233</b>

National Asset Residential Property Services Limited		30 Jun 2016
		€000
Cash and cash equivalents		2,083
Other assets		888
Inventories - trading properties		100,043
<b>Total</b>		<b>103,014</b>

National Asset Leisure Holdings Limited (in Voluntary Liquidation)		30 Jun 2016
		€000
Investment in subsidiary <sup>1</sup>		4,947

**3 (vii) SECTION 54 (3) (F) - GOVERNMENT SUPPORT MEASURES INCLUDING GUARANTEES, RECEIVED BY NAMA AND EACH NAMA GROUP ENTITY**

		Amount in issue at 30 Jun 2016
Entity	Description	€000
National Asset Management Limited	On 26 March 2010, the Minister for Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act 2010. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51,300,000,000.	4,590,000

<sup>1</sup> This amount represents the investment of NALHL in RHLC I and RHLC II. The amount is estimated at 30 September 2015 pending final audited results.

## Supplementary information required under Section 55 of the NAMA Act 2009

In accordance with Section 55 of the Act, the following additional information is provided in respect of NAMA and each of its Group entities:

### 4 (i) SECTION 55 (5) - GUIDELINES & DIRECTIONS ISSUED BY THE MINISTER FOR FINANCE

#### Compliance with Guidelines Issued by the Minister under Section 13 (NAMA Act 2009) as at 30 June 2016

No guidelines issued

#### Compliance with Directions Issued by the Minister under Section 14 (NAMA Act 2009) as at 30 June 2016

- (1) 14th May 2010 - Direction (Ref 513/43/10) - Pricing of government guaranteed debt issued by NAMA.  
No such debt was issued by NAMA as at 31 March 2016.
- (2) 22nd October 2010 - Expeditious Transfer of Eligible Assets.  
All transfers completed since 22 October 2011 have complied with this Direction.
- (3) 11th May 2011 - Direction (Ref 513/43/10) - Amendment to Senior Notes Terms & Conditions  
All senior notes have been amended in accordance with this Direction.
- (4) 7th March 2012 - NAMA Advisory Group.  
A NAMA Advisory Group has been set up in accordance with this Direction.
- (5) 29th March 2012 - Irish Bank Resolution Corporation - Short Term Financing.  
NAMA adopted all reasonable measures to facilitate the short-term financing of IBRC.
- (6) 31st July 2015 - Direction (513/43/10) - Effect of a potential negative interest rates on the NAMA Senior Note Programme.  
Pursuant to a direction issued by the Minister on 31 July 2015, on 28 January 2016 NAML and Citibank executed documentation to floor the coupon rate on the senior notes in issue at zero if the 6 month Euribor rate is negative.  
This resulted in €4.7bn of cashflow hedge relationships being derecognised on this date.

#### Compliance with Directions Issued by the Minister under Section 13 (IBRC Act 2013) as at 30 June 2016

- (1) 7th February 2013 - Irish Bank Resolution Corporation - Deed of Assignment and Transfer  
NAMA complied with this direction.
- (2) 7th February 2013 - Irish Bank Resolution Corporation - Bid for Assets of IBRC  
NAMA adopted all reasonable measures to bid for the assets of IBRC.
- (3) 7th February 2013 - Irish Bank Resolution Corporation - Short-term facility to the Special Liquidators  
NAMA adopted all reasonable measures to provide short-term facility to the Special Liquidators of IBRC.
- (4) 20th February 2013 - Irish Bank Resolution Corporation - Deed of Assignment and Transfer  
NAMA complied with this direction.

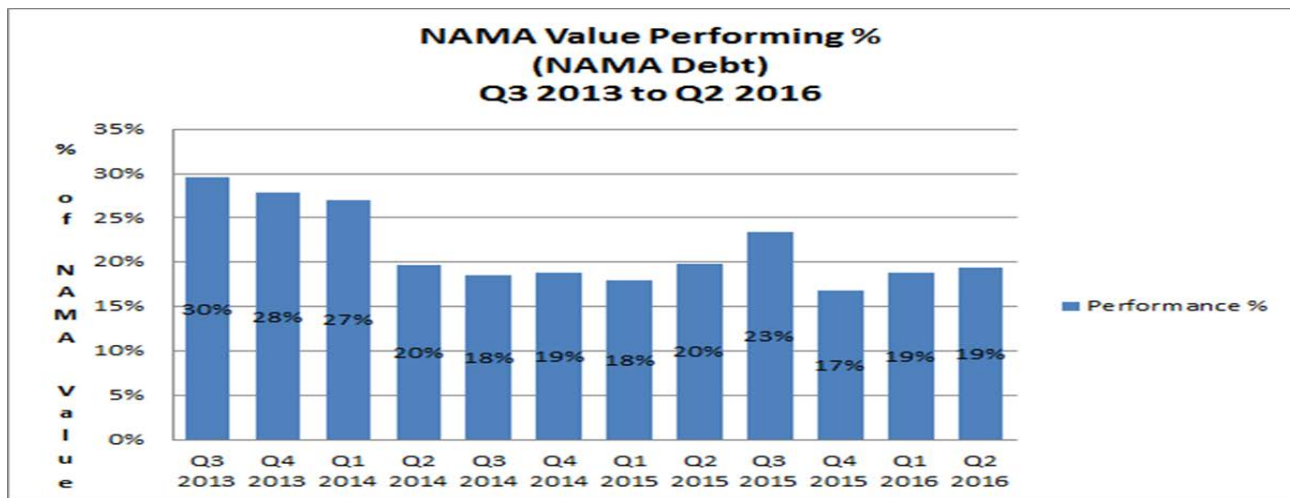
#### 4 (ii) SECTION 55 (6) (A) - NUMBER AND CONDITION OF OUTSTANDING LOANS

##### Legacy loan facility loan performance metric

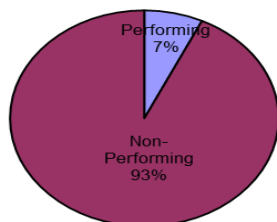
Classification	Number	Loan Nominal €m	NAMA Value (pre Impairment) €m	NAMA Value (less Impairment) €m
Performing	436	2,726	1,659	1,231
Non-Performing	7,214	35,860	6,902	5,120
<b>Total</b>	<b>7,650</b>	<b>38,586</b>	<b>8,561</b>	<b>6,351</b>

\*The cumulative impairment recognised to 30 June 2016 was €2,210 million

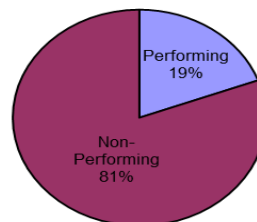
Another measure of loan performance is the Loan Payment Status. The Loan Payment Status is a measurement of loan performance based on cash receipts with regard to the contractual obligations of the legacy loan facility.



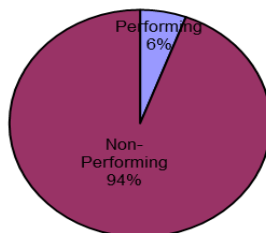
**Performing & Non-Performing Loans by Loan  
Nominal as at 30 June 2016**



**Performing & Non-Performing Loans by  
NAMA Value (pre Impairment) as at 30 June  
2016**



**No. of Performing & Non-Performing Loans  
as at 30 June 2016**



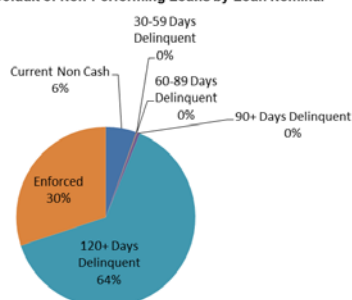
#### 4 (iii) SECTION 55 (6) (B) - CATEGORISATION OF NON-PERFORMING AS TO THE DEGREE OF DEFAULT

Categorisation of non performing loans in accordance with the Loan Payment Status as at 30 June 2016

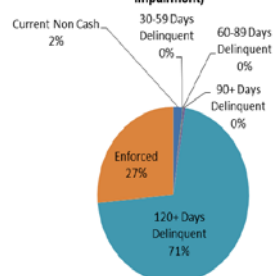
Loan Payment Status	Degree of Default	Number	Loan Nominal €m	NAMA Value (pre Impairment) €m	NAMA Value (less Impairment) €m
9	Current Non Cash	426	1,980	138	102
1	30-59 Days Delinquent	41	38	0	0
2	60-89 Days Delinquent	11	28	10	7
3	90+ Days Delinquent	33	185	27	20
4	120+ Days Delinquent	4,808	22,844	4,904	3,638
7 & 8	Enforced	1,895	10,784	1,823	1,352
	<b>Total</b>	<b>7,214</b>	<b>35,860</b>	<b>6,902</b>	<b>5,120</b>

An analysis of the non-performing profile of the loan book indicates significant volume in the '120+ Days Delinquent' classifications. NAMA is addressing this issue in part by insisting, as part of any ongoing consensual support provided by NAMA to the debtor, that all income produced by the underlying secured assets is paid to NAMA. The extent to which debtors do not comply with this, and other key milestones set by NAMA, will determine whether these delinquent loans will be enforced. In some cases, the delinquent loans may be re-financed on new terms set by NAMA. The sole driver of NAMA's decisions in this regard is the maximisation of the return to the taxpayer.

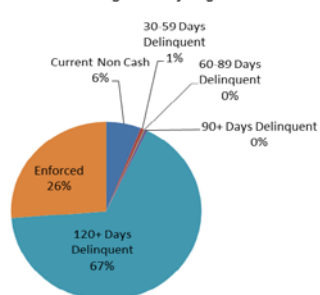
**Degree of Default of Non-Performing Loans by Loan Nominal**



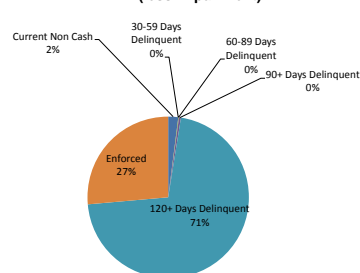
**Degree of Default of Non-Performing Loans by NAMA Value (pre Impairment)**



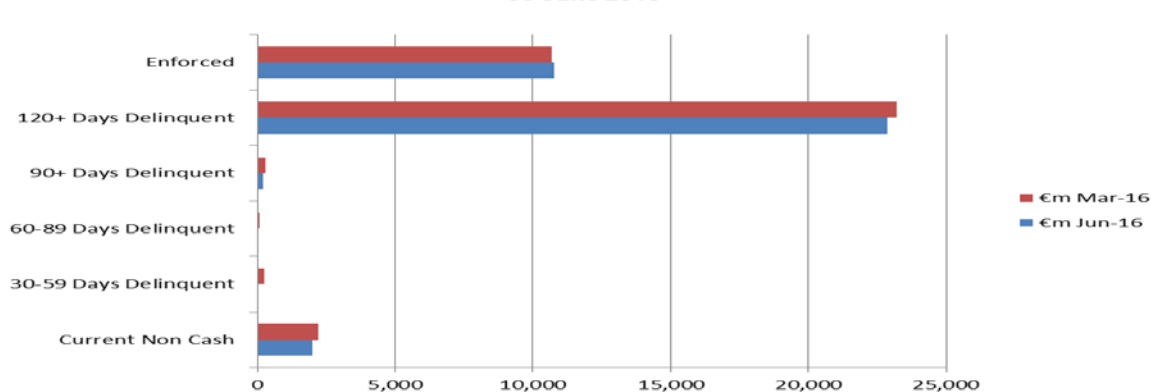
**No. of Non-Performing Loans by Degree of Default**



**Degree of Default of Non-Performing Loans by NAMA Value (less Impairment)**



**Non-Performing Loans by Loan Nominal  
30 June 2016**



#### 4 (iii) SECTION 55 (6) (B) - CONTINUED

Definition of loan payment status

CodeID	CultureValue	Description	Comment
0	Current Cash	Performing	Accounts not in arrears due to cash receipts or where the arrears are outstanding less than 30 days. It includes matured loans that are still producing cash in accordance with their contractual terms
9	Current Non Cash	Non Performing	Accounts not in arrears because arrears are capitalised or account has a zero interest rate applying
1	30-59 Days Delinquent	Non Performing	Accounts in arrears where the amounts due are between 30 and 59 days outstanding
2	60-89 Days Delinquent	Non Performing	Accounts in arrears where the amounts due are between 60 and 89 days outstanding
3	90+ Days Delinquent	Non Performing	Accounts in arrears where the amounts due are between 90 and 119 days outstanding
4	120+ Days Delinquent	Non Performing	Accounts in arrears where the amounts due are 120 days or more outstanding
7 & 8	Enforced	Non Performing	Accounts subject to enforcement



#### 4 (iv) SECTION 55 (6) (C) - NUMBER OF LOANS BEING FORECLOSED OR OTHERWISE ENFORCED

Number of loans foreclosed in the quarter to 30 June 2016

Classification	Number	Loan Nominal €m	NAMA Value €m
Enforced	13	62	25

Note: Section 55 (6) (B) on page 45 contains a category of default called 'Enforced' where 1,888 loans have been classified. This includes enforcements that were instigated by the Participating Institutions prior to transfer of the loans to NAMA. This section deals with the number of loans being enforced by NAMA only.

#### 4 (v) SECTION 55 (6) (D) - NUMBER OF CASES WHERE LIQUIDATORS AND RECEIVERS HAVE BEEN APPOINTED

Number of cases where receivers and liquidators have been appointed in the quarter to 30 June 2016

Classification	Number	Loan Nominal €m	NAMA Value €m
Liquidators	0	0	0
Receivers	13	62	25
<b>Total</b>	<b>13</b>	<b>62</b>	<b>25</b>

#### 4 (vi) SECTION 55 (6) (E) - LEGAL PROCEEDINGS COMMENCED BY NAMA AND EACH NAMA GROUP ENTITY IN THE QUARTER

List of all legal proceedings (except any proceeding in relation to which a rule of law prohibits publication)

Proceeding	Title	Parties to the proceeding	Relief sought by NAMA or the NAMA group entity
(i)	High Court 2016 204 MCA	NALM v THE BILLS OF SALE [IRELAND] ACT	Release of a chattel mortgage
(ii)	High Court 2016 924/S	NALM v Michael Emmet Bailey and Ciara Dowdall	Judgment in the sum of €653,321.61

**4 (vii) SECTION 55 (6) (F) - SCHEDULE OF FINANCE RAISED BY NAMA AND EACH NAMA GROUP ENTITY IN THE QUARTER**

Schedule of finances raised by NAMA and each NAMA group entity in the quarter to 30 June 2016

Description	Date	€bn
N/A		

**4 (viii) SECTION 55 (6) (G) - SUMS RECOVERED FROM PROPERTY SALES IN THE QUARTER**

Amount of money recovered by sale of property in the quarter to 30 June 2016

Description	Date	€m
N/A		

**4 (ix) SECTION 55 (6) (H) - OTHER INCOME FROM INTEREST-BEARING LOANS OWNED BY NAMA AND EACH NAMA GROUP ENTITY IN THE QUARTER**

Other income from interest bearing loans in the quarter to 30 June 2016

Description	Date	€000
National Asset Loan Management Limited (fee income)	1 April - 30 June 2016	967

No other income was earned in any other NAMA Group entity in the quarter.



**5 - National Asset Management Agency Investment Limited Company only accounts**

**For the quarter ended 30 June 2016**

**NAMAIL (company only)**  
**Income Statement**  
**For the quarter from 1 April 2016 to 30 June 2016**

		<b>For the quarter from 1 Apr 2016 to 30 Jun 2016</b>	<b>For the period from 1 Jan 201 to 30 Jun 2016</b>
			<b>€000</b>
	<b>Note</b>		
Interest income	3	63	126
<b>Net interest income</b>		<b>63</b>	<b>126</b>
Administration expenses		-	-
<b>Operating profit before tax</b>		<b>63</b>	<b>126</b>
Tax charge	4	(8)	(16)
<b>Profit for the period</b>		<b>55</b>	<b>110</b>

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

**NAMAIL (company only)**  
**Statement of Financial Position**  
**As at 30 June 2016**

		<b>30 June 2016</b>	<b>31 Mar 2016</b>
	<b>Note</b>	<b>€000</b>	<b>€000</b>
<b>Assets</b>			
Investment in subsidiaries	5	-	-
Loan receivable from group entity	7	104,949	104,888
Other assets	6	251	251
<b>Total assets</b>		<b>105,200</b>	<b>105,139</b>
<b>Liabilities</b>			
Amounts due to group entity	8	367	367
Current tax liability	9	57	49
<b>Total liabilities</b>		<b>424</b>	<b>416</b>
<b>Equity</b>			
Share capital	10	10,000	10,000
Share premium	10	90,000	90,000
Retained earnings	11	4,776	4,723
<b>Total equity</b>		<b>104,776</b>	<b>104,723</b>
<b>Total equity and liabilities</b>		<b>105,200</b>	<b>105,139</b>

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

## **1 General Information**

The proposed creation of the National Asset Management Agency ('NAMA') was announced in the Minister for Finance's Supplementary Budget on 7 April 2009 and the National Asset Management Agency Act 2009, (the 'Act') was passed in November 2009.

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

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

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

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

## **2 Summary of significant accounting policies**

### **2.1 Basis of preparation**

The Company's accounts for the quarter to 30 June 2016 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of Section 55 of the Act.

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

### **2.2 Basis of measurement**

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

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

### **2.3 Inter-group receivables**

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

Loans and receivables are subsequently held at amortised cost.

### **2.4 Inter-group payables**

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

### **2.5 De-recognition of financial assets and financial liabilities**

Financial assets are derecognised when the contractual rights to receive the cash flows from these assets have ceased to exist or the assets have been transferred and substantially all the risks and rewards of ownership of the assets have also been transferred. Financial liabilities are derecognised when they have been redeemed or otherwise extinguished.

### **2.6 Taxation**

#### *Current income tax*

Income tax payable on profits, based on the applicable tax law in the relevant jurisdiction, is recognised as an expense in the period in which the profits arise.

The tax effects of current income tax losses available for carry forward are recognised as an asset when it is probable that future taxable profits will be available against which these losses are utilised.

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

## 2.7 Share capital

### Dividends on ordinary shares

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

### 3 Interest income

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
Interest receivable on inter-group loan	63	126

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

### 4 Tax charge

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
Profit before tax	63	126
Tax charge for the period (12.5% of profit before tax)	(8)	(16)

### 5 Investment in subsidiaries

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

### 6 Other assets

	30 Jun 2016 €000	31 Mar 2016 €000
NARL distribution	251	251
	<b>251</b>	<b>251</b>

### 7 Loan receivable from group entity

	30 Jun 2016 €000	31 Mar 2016 €000
Loan receivable from NAML	99,900	99,900
Accrued interest on receivable from NAML	5,049	4,988
<b>Loan receivable from group entity</b>	<b>104,949</b>	<b>104,888</b>

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

### 8 Amounts due to group entity

	30 Jun 2016 €000	31 Mar 2016 €000
Amounts due to NALML	367	367
<b>Amounts due to group entity</b>	<b>367</b>	<b>367</b>

### 9 Tax payable

	30 Jun 2016 €000	31 Mar 2016 €000
Tax payable	57	49

## 10 Share capital and share premium

	Number	€000
At 30 June 2016		
<u>Authorised:</u>		
A Ordinary shares of €0.10 each	49,000,000	4,900
B Ordinary shares of €0.10 each	51,000,000	5,100
<u>Issued and fully paid during the period:</u>		
A Ordinary shares of €0.10 each	49,000,000	4,900
B Ordinary shares of €0.10 each	51,000,000	5,100
Share premium A Ordinary Shares	-	44,100
Share premium B Ordinary Shares	-	45,900
	<b>100,000,000</b>	<b>100,000</b>

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

## 11 Retained earnings

	For the quarter from 1 Apr 2016 to 30 Jun 2016 €000	For the period from 1 Jan 2016 to 30 Jun 2016 €000
Retained earnings at beginning of period	4,721	5,033
Profit for the period	55	110
Dividend paid	-	(367)
<b>Retained earnings at end of period</b>	<b>4,776</b>	<b>4,776</b>

On 31 March 2016, the Board of NAMAIL declared and approved a dividend payment of €0.00757 per share, amounting to €0.37m. The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2016. The dividend was paid to the holders of B ordinary shares of NAMAIL only, the private investors, who have ownership of 51% in the Company. No dividends were paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.