National Asset Management Agency

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

31 March 2019

27 June 2019

Mr. Paschal Donohoe 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 first quarter of 2019 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 also present for your information Financial Highlights and Key Performance Indicators for the period with full year 2018 information as comparatives.

Financial Highlights	Year to 31 Mar 2019 €m	Full year 2018 €m	Inception to 31 Mar 2019 €m
Total cash generated	**320**	**3,271**	**44,290**
Cash proceeds from property collateral and loan sales	288	3,137	38,051
Non-disposal cash receipts from borrowers	32	134	6,239
Senior bond redemptions*	-	-	30,190
Subordinated Bond repurchases	-	529	529
Operating profit before tax	48	904	
Profit for the period after tax	**41**	**795**	
Cash and cash equivalents and liquid assets balance at period end	3,330	3,186	
Debtor loans measured at fair value through profit or loss	1,782	1,925	

***All of the original Senior debt issued of €30.2bn was fully redeemed by October 2017.**

Key Performance Indicators

Cash generation

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

- NAMA generated €0.3bn in cash in the three month period to 31 March 2019.

- NAMA generated a further €0.2bn in cash in the period from 31 March to 21 June 2019, bringing cumulative cash generated to €44.5bn since inception.

- Cash, cash equivalent, collateral and liquid asset balances held at 31 March 2019 were €3.3bn.

Profitability

NAMA recorded a profit after tax of €41m for the period ended 31 March 2019 (Q1 2018: €59m).

NAMA Strategic Objectives

1. Subordinated Bonds

NAMA issued subordinated debt of €1.593bn to Participating Institutions to acquire bank assets. NAMA repurchased €529m (nominal) of this debt in 2018 and the total outstanding subordinated debt at period end is €1.064bn.

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 originally held an interest in approximately 75% of the developable land area of 22 hectares in the Dublin Docklands SDZ. Delivery strategies have been approved for all of NAMA's Docklands sites and planning permission has now been obtained for all of the NAMA Docklands sites to be developed. This represents significant progress in the period since the SDZ was approved in May 2014. These sites are expected to contribute over 4.2m sq.ft of commercial space and 2,183 residential units when fully developed.

3. Residential Delivery

In total, NAMA has facilitated the delivery of over 14,000 residential units between the start of 2014 and April 2019: some 10,024 units were delivered directly through NAMA funding and it is estimated that another 4,005 units have been delivered or are under construction on sites which have been sold by NAMA debtors and receivers or where the associated loans have been sold or refinanced.

Another 7,182 units are either currently under construction or have secured planning permission. In addition, sites with a delivery capacity of over 12,500 units are either in the planning system or are expected to be within twelve months. NAMA is also funding pre-planning and feasibility work on other sites under the control of NAMA debtors and receivers which are estimated to have a delivery capacity of almost 11,200 units.

4. Poolbeg West SDZ

The Poolbeg West SDZ Planning Scheme was approved by Dublin City Council in October 2017 and the Scheme was formally adopted by An Bord Pleanála in April 2019.

The sites secured to NAMA within the SDZ area have the potential to deliver up to 3,500 residential units (including 10% Part V social housing and 15% social and affordable housing) and up to 1m sq. ft. of commercial development as well as school sites and community space. Prior to the adoption of the SDZ Planning Scheme, NAMA along with the appointed receiver and the design team worked intensively on the preparation of a commercial delivery strategy for the site and consulted extensively with stakeholders.

NAMA is currently assessing how best to implement the delivery strategy with a view to ensuring housing delivery as soon as practicable.

5. Social housing

NAMA has exceeded its social housing delivery target of 2,000 units. Up to end-March 2019, NAMA had identified 7,050 residential units as potentially suitable for social housing. Demand has been confirmed by local authorities for 2,729 of the units, of which 2,544 (93%) had been delivered or committed by end-March 2019.

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

National Asset Management Agency

Unaudited Consolidated Accounts of the National Asset Management Agency

For the quarter ended 31 March 2019

National Asset Management Agency Group

Quarter to 31 March 2019

Contents of Unaudited Consolidated Accounts

Board and other information

Board

Frank Daly (Chairman)
Brendan McDonagh, Chief Executive Officer NAMA[1]
Conor O'Kelly, Chief Executive Officer NTMA[1]
Oliver Ellingham (non-executive)
Mari Hurley (non-executive)
Eileen Maher (non-executive)
Michael Wall (non-executive)
Aidan Williams (non-executive) (appointed 2 April 2019)

Registered Office

Treasury Building
Grand Canal Street
Dublin 2
D02 XN96

Principal Bankers

Central Bank of Ireland
North Wall Quay
Dublin 1
D01 F7X3

Citibank
North Wall Quay
Dublin 1
D01 T8Y1

Allied Irish Banks, p.l.c.
Baggot Street Lower
Dublin 2
D02 X342

[1] The Chief Executive of the NTMA and NAMA are ex-officio Board members 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, National Asset Leisure Holdings Limited (in Voluntary Liquidation) (NALHL) was placed into liquidation by its members. As the liquidator has assumed the rights of the shareholder and now controls NALHL and it's 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 D.A.C. (NAMAI)

NAMAI was incorporated on 27 January 2010. NAMAI 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 NAMAI, receiving 49m A ordinary shares. The remaining €51m was invested in NAMAI 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 NAMAI. 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 NAMAI and its subsidiaries and the 51% external investment in NAMAI is reported as a non-controlling interest in these financial statements.

National Asset Management D.A.C. (NAM)

NAM was incorporated on 27 January 2010. NAM 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 NAM were listed on the Irish Stock Exchange prior to their full redemption.

The government guaranteed debt instruments and the subordinated debt instruments, issued in respect of the original loan portfolio, were transferred to National Asset Management Group Services D.A.C. (NAMGS) and by NAMGS to National Asset Loan Management D.A.C. (NALM). The latter used these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

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

NAMGS

NAMGS acts as the holding company for its ten subsidiaries: NALM, National Asset Management Services D.A.C. (NAMS), National Asset JVA D.A.C. (NAJVA), National Asset Property Management D.A.C. (NAPM), National Asset North Quays D.A.C. (NANQ), National Asset Residential Property Services D.A.C. (NARPS), National Asset Sarasota Limited Liability Company (NASLLC), NALHL (in Voluntary Liquidation), RLHC and RLHC II.

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

NALM

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

NALM has one subsidiary, NANQ.

NANQ

On 8 April 2015, NANQ was established. NANQ is a 100% wholly owned subsidiary of NALM 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.

NANQ previously had one subsidiary, North Wall Plaza Management Company (NWPMC). NWPMC ceased to be a NAMA Group Entity with effect from 24 May 2018 following the transfer of NANQ's controlling share to a third party.

NAMS

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

NAJVA

On 4 July 2013, NAJVA was established. NAJVA is a wholly owned subsidiary of NAMGS. NAMA entered an arrangement with a consortium whereby a 20% interest in a limited partnership was acquired, and NAJVA was established to facilitate this transaction. Since its incorporation, NAJVA has invested in other arrangements with third parties where it has taken a minority non-controlling interest in an investee to facilitate the delivery of commercial and residential real estate property.

NAPM

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

NAPM has five subsidiaries; NARPS, NASLLC, NALHL (in Voluntary Liquidation), RLHC and RLHC II.

NARPS

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

2,493 residential properties were delivered to the social housing sector by NAMA debtors from inception to 31 March 2019. This includes the direct sale of 1,034 properties by NAMA debtors and receivers to various approved housing bodies, the direct leasing of 89 properties by NAMA debtors and receivers and the acquisition by NARPS of 1,370 properties for lease to approved housing bodies and/or local authorities. In addition, contracts were exchanged on a further 45 properties (for both direct sale and through NARPS) at the reporting date.

NASLLC

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

NALHL (in Voluntary Liquidation)

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

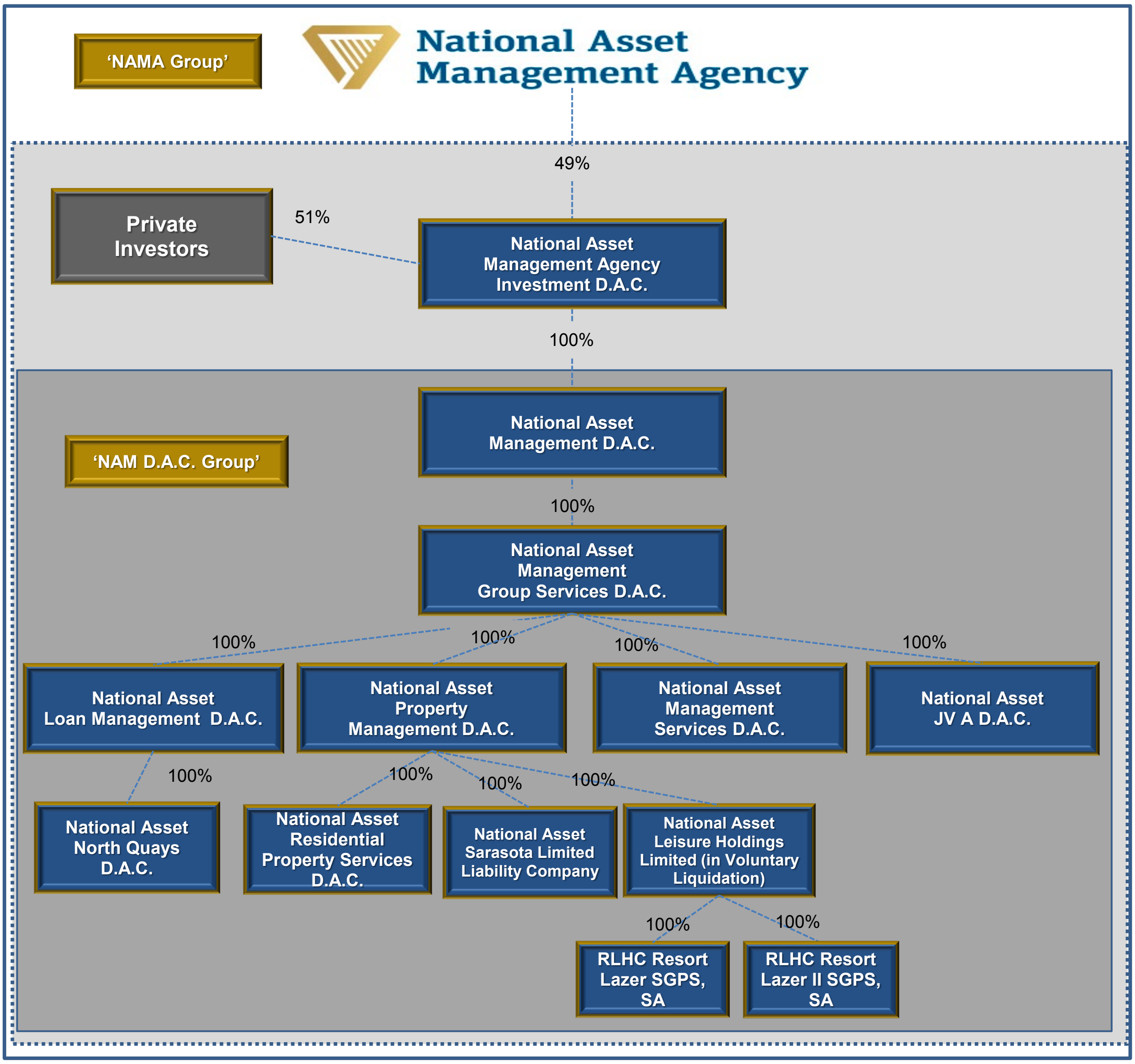
The establishment of these entities was required to facilitate the legal restructure of a number of entities with Portuguese property assets. Following the completion of the legal restructure, NALHL (in Voluntary Liquidation) was placed into voluntary liquidation on 18 December 2014. The control of NALHL (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 31 March 2019*



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 31 March 2019. For the purposes of these accounts, the 'NAMA Group' comprises the results 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 January 2019 to 31 March 2019 and for the year to date.

The statement of financial position is presented as at 31 March 2019 and 31 December 2018. The cash flow statement for the NAMA Group is presented for all cash movements for the quarter from 1 January 2019 to 31 March 2019.

The income statement and statement of financial position for each NAMA Group Entity are provided on pages 31 to 33.

* On 5 April 2019, two new NAMA Group entities were incorporated. The new entities are Pembroke Beach D.A.C and Pembroke West Homes D.A.C. Both entities are 100% subsidaries of NAMGS.

Consolidated Income Statement
For the quarter from 1 January 2019 to 31 March 2019

	Note	For the quarter from 1 Jan 2019 to 31 Mar 2019 €'000
Net gains on debtor loans measured at FVTPL	4	52,051
Interest Income	5	4
Fee Income	6	169
Interest and similar expense	7	(3,011)
Other income	8	15,492
Profit on disposal and refinancing of loans	9	407
Profit on disposal of property assets	10	37
Losses on derivative financial instruments	11	(235)
Total operating income		**64,914**
Administration expenses	12	(16,914)
Foreign exchange losses	13	(446)
Operating profit		**47,554**
Tax charge	14	(6,406)
Profit for the period		**41,148**

The accompanying notes 1 to 29 form an integral part of these accounts.

Consolidated Statement of Financial Position
As at 31 March 2019

	Note	31 Mar 2019 €'000	31 Dec 2018 €'000
Assets			
Cash and cash equivalents	15	2,834,196	2,689,891
Cash placed as collateral with the NTMA	15	25,000	25,000
Government bonds	16	470,492	470,746
Derivative financial instruments	17	8,034	7,726
Debtor loans measured at FVTPL	18	1,781,663	1,925,462
Other assets	19	11,852	20,752
Inventories - trading properties	20	229,722	229,747
Investments in equity instruments	21	46,191	54,539
Right of Use Assets	25	15,042	-
Total assets		**5,422,192**	**5,423,863**
Liabilities			
Derivative financial instruments	17	3,725	3,253
Other liabilities	23	22,733	30,543
Tax payable	24	9,632	6,119
Deferred tax	22	21,184	20,588
Lease Liabilities	26	17,533	-
Total liabilities		**74,807**	**60,503**
Equity			
Other equity	27	1,064,000	1,064,000
Retained earnings	29	4,231,302	4,246,435
Other reserves	28	1,083	1,925
Equity and reserves attributable to owners of the Group		**5,296,385**	**5,312,360**
Non-controlling interests		51,000	51,000
Total equity and reserves		**5,347,385**	**5,363,360**
Total equity, reserves and liabilities		**5,422,192**	**5,423,863**

The accompanying notes 1 to 29 form an integral part of these accounts.

Consolidated Statement of Cash Flows
For the quarter from 1 January 2019 to 31 March 2019

	For the quarter from 1 Jan 2019 to 31 Mar 2019 €'000
Cash flow from operating activities	
Debtor Loans	
Receipts from loans	284,429
Receipts from derivatives acquired	1
Fee income	169
Funds advanced to borrowers	(86,001)
Movement in funds in course of collection	2,176
Net cash provided by debtor loans	**200,774**
Derivatives	
Cash inflow on foreign currency derivatives	55,241
Cash outflow on foreign currency derivatives	(57,468)
Net cash outflow on other derivatives	(27)
Net cash used in derivatives	**(2,254)**
Other operating cashflows	
Payments to suppliers of services	(22,420)
Tax paid	(3,000)
Interest paid on cash and cash equivalents	(1,241)
Dividend paid on B ordinary shares	(272)
Coupon paid on subordinated debt issued	(55,967)
Funds paid to acquire trading properties	(4,062)
Rental income received	2,689
Net cash used in other operating activities	**(84,273)**
Net cash provided by operating activities	**114,247**
Cash flow from investing activities	
Disposal of investments in equity instruments	21,021
Distributions received from equity instruments	8,824
Net cash provided by investing activities	**29,845**
Cash and cash equivalents at the beginning of the period	**2,689,891**
Net cash provided by operating activities	114,247
Net cash provided by investing activities	29,845
Effects of exchange-rate changes on cash and cash equivalents	213
Cash and cash equivalents at 31 March 2019	**2,834,196**
Financial assets and cash collateral	
Amounts pledged as collateral with NTMA	25,000
Government Bonds	470,492
Total cash, cash equivalents and collateral held at 31 March 2019	**3,329,688**

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 NAMAI and the remaining 51% of the shares are held by private investors.

The Agency may exercise a veto power in respect of decisions of NAMAI 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, nº. 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 31 March 2019 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 judgment 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 judgments include determining the fair value of financial instruments, the carrying value of trading properties, the assessment of control and significant influence in investments and deferred tax.

2.2 Basis of measurement

The consolidated accounts were prepared under the historical cost convention, except for derivative financial instruments, equity instruments, government bonds and debtor loans which were 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.

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 which it controls. Control is considered to be achieved when the Group
• has power over the entity;
• is exposed to, or has rights, to variable returns from its involvement with the entity; and
• has the ability to use its power to affect its return.

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 that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. 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.

All foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at year 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

Recognition and initial measurement
The Group recognises financial assets in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial assets are measured initially at fair value. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit & loss (FVTPL) are recognised immediately in profit or loss. Other than financial assets and financial liabilities at FVTPL, transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets, as appropriate, on initial recognition.

Classification and Measurement
Subsequent to initial recognition, a financial asset is classified and subsequently measured at:
(a) Amortised cost
(b) Fair value through other comprehensive income (FVOCI)
(c) Fair value through profit & loss (FVTPL).

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

• The asset is held within a business model whose objective is to hold assets to collect contractual cash flows ; and
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A financial asset is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:
• The asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
• The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

At initial recognition, the Group may irrevocably designate an equity instrument as FVOCI. The election to designate an investment in equity instrument at FVOCI is made on an instrument-by instrument basis.

Any financial asset that does not qualify for amortised cost measurement or measurement at FVOCI is to be measured subsequent to initial recognition at FVTPL except if it is an investment in an equity instrument designated at FVOCI. The Group may irrevocably elect on initial recognition to designate a financial asset at FVTPL if the designation eliminates or significantly reduces an accounting mismatch that would have occurred if the financial asset had been measured at amortised cost or FVOCI.

Contractual cash flows are solely payments of principal and interest assessment

For the purpose of the solely payments of principal and interest "SPPI" assessment, principal is the fair value of the financial asset at initial recognition. However, that principal amount may change over the life of the financial asset. Interest consists of consideration for the time value of money, for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs, as well as profit margin.

Business Model Assessment

The Group determines the business models at a level that reflects how groups of financial assets are managed to achieve a particular business objective. The Group's business models determine whether cash flows will result from collecting contractual cash flows, selling financial assets or both. The Group considers the following information when making the business model assessment:

• how the performance of the business model and the financial assets held within that business model are evaluated and reported to the entity's key management personnel; and
• the risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way in which those risks are managed.

At initial recognition of a financial asset, the Group determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Group reassess its business models each reporting period to determine whether the business models have changed since the preceding period.

(a) Amortised Cost
The Group has classified and measured cash and cash equivalents, cash placed as collateral and other assets at amortised cost less any expected credit loss allowance.

(b) Fair value through other comprehensive income (FVOCI)
Due to their cash flow characteristics and the business model for managing the assets, the Group has classified and measured certain loans not held primarily to release collateral value and which do meet the SPPI test at FVOCI. Fair value is determined in the manner described in note 2.25.

The Group's portfolio of Irish government bonds is also classified and measured at FVOCI. Fair value is determined in the manner described in note 2.25. These bonds were acquired for liquidity purposes. They are intended to be held for an indefinite period of time and may be sold in response to needs for liquidity or changes in interest rates or exchange rates.

Changes in the fair value of financial assets at FVOCI are recognised in other comprehensive income within the other reserve. When a financial asset at FVOCI is derecognised, the cumulative gain/loss previously recognised in Other Comprehensive Income is reclassified from equity to profit or loss. Financial assets at FVOCI must be assessed for impairment with any expected credit losses being recognised in the income statement. Interest is recognised using the effective interest method.

(c) Fair value through profit & loss (FVTPL)
Due to their cash flow characteristics and the business model for managing the asset, the Group has classified and measured debtor loans at FVTPL. These assets are measured at fair value, with any gains/losses arising on re-measurement recognised in the income statement. Fair value is determined in the manner described in note 2.25.

Other financial instruments that are classified and measured at FVTPL include derivative and equity investments.

Derivatives
Interest income and expense arising on derivatives (other than on cross currency interest rate swaps) are included in gains and losses on derivative financial instruments in the consolidated income statement. Fair value gains and losses on derivatives are included in gains and losses on derivative financial instruments in the 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 measured at FVTPL. 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.

2.6 Financial liabilities

The Group recognises financial liabilities in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are measured initially at fair value. The Group classifies and subsequently measures its financial liabilities at amortised cost with the exception of derivatives classed as FVTPL, with any difference between the proceeds net of transaction costs and the redemption value recognised in the income statement using the effective interest method.

Where financial liabilities are classified as FVTPL, gains and losses arising from subsequent changes in fair value are recognised directly in the income statement.

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 Fair value gains/losses on debtor loans at fair value through profit and loss (FVTPL)

Fair value gains/ (losses) on debtor loans at FVTPL includes all gains and losses from changes in the fair value of debtor loans at FVTPL. The Group has elected to present the full fair value movement in this line, including the impact of net cash collections in the period.

2.9 Interest income and interest expense

Interest income and interest expense for all interest-bearing financial instruments other than debtor loans at FVTPL are recognised as interest income and interest expense in the income statement using the effective interest (EIR) method.

The EIR is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the gross carrying amount of a financial asset or the amortised cost of the financial liability.

When calculating the effective interest rate for financial instruments other than impaired assets, the Group estimates future cash flows considering all contractual terms of the financial instrument, but not expected credit losses. For purchased or originated impaired financial assets, a credit-adjusted effective interest rate is calculated using estimated future cash flows including expected credit losses.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the financial asset except for impaired financial assets or to the amortised cost of the financial liability. For financial assets that have become impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer impaired, then the calculation of interest income reverts to the gross basis. For financial assets that were impaired on initial recognition, interest income is calculated by applying the credit-adjusted effective interest rate to the amortised cost of the asset. The calculation of interest income does not revert to a gross basis, even if the credit risk of the asset improves.

2.10 Fee income

Fee income is income associated with debtor connections that is not considered as a reduction in the debt obligations of the debtor. Fee income is recognised in the income statement.

2.11 Profit / (loss) on the disposal of loans

Profits and losses on the disposal and refinancing of loans are calculated as the difference between the carrying value of the loans 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. Profits and losses on the disposal and refinancing of loans are recognised in the income statement when the transaction occurs. In a small number of instances, when an individual loan account is sold, the profit/loss on disposal is only recognised when the entire connection/loan pack related to that account is sold.

2.12 Impairment of financial assets

The Group assesses, on a regular basis, the impairment of financial assets measured at amortised cost and at FVOCI on an expected credit loss (ECL) basis. The measurement of ECL is based on a three-stage approach:

Stage 1 : where financial instruments have not had a significant increase in credit risk since initial recognition, a provision for 12-month ECL is recognised, being the ECL that result from default events that are possible within 12 months of the reporting date;

Stage 2 : where financial instruments have had a significant increase in credit risk since initial recognition but does not have objective evidence of impairment, a lifetime ECL is recognised, being the ECL that result from all possible default events possible over the lifetime of the financial asset;

Stage 3 : where financial assets show objective evidence of impairment, a lifetime ECL is recognised.

There are a variety of approaches that could be used to assess whether the credit risk on a financial instrument has increased significantly since initial recognition. In some cases, detailed quantitative information about the probability of default of a financial instrument or formal credit rating will be available which is used to compare changes in credit risk. The Group monitors financial assets that are subject to impairment requirements to assess whether there has been a significant increase in credit risk since initial recognition on a regular basis.

The measurement of the loss allowance is based on the present value of the applicable financial assets expected cash flows using the financial asset’s effective interest rate.

The general approach for recognising and measuring a loss allowance is the same for financial instruments measured at amortised cost and those instruments that are measured at FVOCI. However, unlike amortised cost, the loss allowance on instruments at FVOCI are recognised in other comprehensive income and do not reduce the carrying amount of the financial asset in the statement of financial position.

2.13 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 the income statement if the carrying amount exceeds its recoverable amount.

2.14 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.

2.15 Derivative financial instruments

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.

All derivatives are accounted for at fair value through profit or loss.

Borrower derivatives
Borrower derivatives comprise of interest rate 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.

NAMA derivatives
NAMA derivatives comprise of derivatives entered into to hedge exposure to debtor loans acquired and debt securities in issue ('NAMA derivatives'). NAMA derivatives include interest rate and cross currency swaps.

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 judgment 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.

2.16 Inventories - trading properties

Trading properties include property assets and non-real estate assets which are held for resale in accordance with IAS 2 Inventories. They are recognised initially on the statement of financial position at the point at which the purchase contract has been signed with the vendor. Subsequent to initial recognition, trading properties 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 ('NRV') represents the estimated selling price for properties less all estimated costs of completion and costs necessary to make the sale. Revisions to the carrying value of trading properties are recognised as follows:

(i) in the case of contracted units recognised on the statement of financial position, revisions to NRV are offset against loans, and
(ii) in the case of completed trading properties, revisions to carrying value are recognised in the income statement.

Profits and losses on the disposal of trading properties are recognised in the income statement when the transaction occurs.

2.17 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.

(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 FVOCI reserves is recognised in equity 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.

2.18 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.

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.

2.19 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.

2.20 Share capital

(a) Dividends on ordinary shares

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

(b) Coupon on other equity

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

2.21 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 the Group 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.

2.22 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 property, plant and equipment. Following a review in 2016, the recognised asset is depreciated over remaining life of the asset remaining life of the asset in compliance with IAS 16.

2.23 Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains a lease if the contract conveys the right to control the use of an indentified asset for a period of time in exchange for consideration. if this arises, the Group recognises a right of use asset and a lease liability at the lease commencement date.

The right of use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right of use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right of use asset or the end of the lease. In addition, the right of use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the Group's incremental borrowing rate. Lease interest expense is recognised on the lease liability. The lease liability is remeasured when there is a change in future lease payments. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right of use asset.

Properties acquired by NARPS 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.

2.24 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.

2.25 Determination of fair value

The Group measures fair values in accordance with IFRS 13 which defines fair value as 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 market, or in its absence, the most advantageous market to which the Group has access at that date, regardless of whether that price is directly observable or estimated using another valuation technique.

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 seek to maximise the use of publically available relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that management believe market participants would take into account in pricing a transaction. Valuation techniques may 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 case of debtor loans measured at FVTPL, the fair value of these instruments is determined with input from management and using internally generated valuation models based on selected comparable market data points. The majority of the significant inputs into these models are not readily observable in the market and the inputs are therefore derived from market prices for similar assets or estimated based on certain assumptions. The determination of key inputs used such as the expected future cash flows on the financial asset, stratification of portfolio and the appropriate discount rates applicable require management judgement and estimation.

The valuation methodology for debtor loans at FVTPL is to estimate the expected cash flows to be generated by the financial asset and then discount these values back to a present value. The assumptions involved in these valuation techniques include:

– Determining suitable stratifications for the portfolio for assets with similar risk characteristics;

– The likelihood and expected timing of future cash flows; and

– selecting an appropriate discount rate for the financial asset or group of financial assets, based on management's assessment of the characteristics of the instrument and relevant market information.

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.

Adjustments to the calculation of the present value of future cash flows are based on factors that management believe market participants would take into account in pricing the financial instrument.

Certain other financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant inputs that are not observable in the market. 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. 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. Application of IFRS 16 Leases

The Group has initially applied IFRS 16 from 1 January 2019. These financial statements have been prepared using the modified retrospective approach as permitted by the standard. Under this approach, the cumulative effect of initial application (if any) is recognised in retained earnings at 1 January 2019 and the comparative information is not restated. Accordingly, the comparative information presented for 2018 does not reflect the requirements of IFRS 16 but rather those of IAS 17, the previous relevant accounting standard for leases.

Definition of a lease

Under IFRS 16 a lease is defined as a contract, or part of a contract, that conveys the right to use an asset for a period of time in exchange for consideration. At inception of a contract, the Group is required to assess whether the contract is, or contains, a lease. The Group's agreement to lease certain floors in Treasury Building meets this definition of a lease as does the Group's agreement to lease some of the space in Dublin Landings.

Accounting for leases

Under IAS 17, the Group classified its leases as operating leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under IFRS 16, the Group recognises a right of use asset and a lease liability for arrangements that meet the definition of a lease. Therefore right of use assets and lease liabilities are recognised for the Treasury Building lease and the portion of the Dublin Landings arrangement that qualifies as a lease.

Lease Liability at date of transition

At the date of transition, lease liabilities were measured at the present value of the remaining lease payments, discounted at the Group's incremental borrowing rates as at 1 January 2019. The lease liabilities recognised on 1 January 2019 totalled €18.1m. As at 31 December 2018, as all leases were classified as operating leases no lease liabilities were recognised.

Right of Use Assets at date of transition

The right of use assets are measured at an amount equal to the lease liability at the date of transition, adjusted by the amount of any prepaid or accrued lease payments. The right of use assets recongised on 1 January 2019 totalled €16.6m. As at 31 December 2018, the net of prepaid/accrued lease payments was €1.5m.

4. Net gains on debtor loans measured at FVTPL

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Fair value movements on debtor loans (note 18)	**52,051**

5 Interest income

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Interest on cash and cash equivalents	**4**

6 Fee income

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Fee Income from debtor loans	**169**

Fee income from debtor loans can include arrangement fees, restructuring fees, exit fees, performance fees and transaction fees from loan sales.

7 Interest and similar expense

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Negative interest expense on cash and cash equivalents	2,771
Interest on Irish government bonds (note 16)	164
Lease interest expense	76
Total interest and similar expense	**3,011**

Interest in government bonds comprises interest on government bonds held for liquidity purposes, recognised using the EIR method. As the bonds were purchased above par interest is negative.

8 Other income

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Distributions from equity investments measured at FVTPL	8,824
Fair value movements on equity instruments measured at FVTPL	3,615
Lease rental income	3,053
Total other income	**15,492**

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

The fair value of NAMA's equity instruments at FVTPL 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.

9 Profit on disposal and refinancing of loans

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Net profit on disposal and refinancing of loans	**407**

The Group disposes of loans to third parties. Profit or loss on disposal and refinancing 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 debtor loans. The Group realised a net profit of €0.4m on the disposal and refinancing of loans in Q1 2019. The net profit recognised in the period includes disposal costs of €24k.

10 Profit on disposal of property assets

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Profit on disposal of property assets	**37**

11 Losses on derivative financial instruments

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Gains on derivatives acquired from borrowers	187
Losses on other derivatives	(730)
Interest on acquired derivative financial instruments	429
Interest on other derivative financial instruments	(121)
Total losses on derivative financial instruments	**(235)**

The losses on derivative financial instruments includes the fair value movements on these instruments and any expenses payable. Fair value movements on derivatives are driven by market movements that occurred during the period. The fair value of derivatives is impacted by changes in Euribor rates and borrower derivative performance levels. Further information on derivative financial instruments is provided in Note 17.

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

12 Administration expenses

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Costs reimbursable to the NTMA	9,035
Primary servicer fees	1,767
Finance, communication and technology costs	1,349
Legal fees	1,149
Portfolio management fees	1,117
Rent and occupancy costs	1,649
Master servicer fees	369
Internal audit fees	175
External audit remuneration	195
Board and Committee fees and expenses	109
Total administration expenses	**16,914**

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 12.1 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.

12.1 Costs reimbursable to the NTMA	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Staff costs	7,071
Overheads and shared service costs	1,964
Total	**9,035**

13 Foreign exchange losses

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Foreign exchange gains on debtor loans at FVTPL (note 18)	1,194
Unrealised foreign exchange losses on derivative financial instruments	377
Realised foreign exchange losses on derivative financial instruments	(2,227)
Foreign exchange gains on cash	213
Other foreign exchange losses	(3)
Total foreign exchange losses	**(446)**

Foreign exchange translation gains and losses on debtor loans arise on the revaluation of foreign currency denominated debtor loans. 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 debtor loans. 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 2.15. Currency derivatives are explained in more detail in Note 17.

14 Tax charge

	For the quarter from 1 Jan 2019 to 31 Mar 2019
Current tax charge	**€'000**
Corporation tax	(6,562)
Deferred tax credit	
On fair value gains on equity instruments (note 22)	(904)
On IFRS 9 transitional adjustments (note 22)	1,060
	156
Total taxation charge	**(6,406)**

15 Cash, cash equivalents and collateral

	31 Mar 2019 €'000	31 Dec 2018 €'000
Balances with the Central Bank of Ireland	348,297	2,670,453
Balances with other banks	35,899	19,438
Exchequer note investments	2,450,000	-
Total cash and cash equivalents	**2,834,196**	**2,689,891**
Cash placed as collateral with the NTMA	25,000	25,000
Total cash, cash equivalents and collateral	**2,859,196**	**2,714,891**

Balances with other banks comprise balances held with Citibank, AIB, BNP and BCP. Exchequer notes are short term interest bearing notes, which are held with the NTMA.

NAMA is required to post cash collateral with the NTMA under a collateral posting agreement (CPA) (as amended) entered into in 2012. 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 31 March 2019, NAMA's derivative liability exposure was €3.7m (Q4 2018: €3.3m) as set out in Note 17.

No expected credit loss has been recognised on cash and cash equivalents and collateral.

16 Government bonds

	31 Mar 2019 €'000	31 Dec 2018 €'000
Opening balance	470,746	488,601
Interest for the period (note 7)	(164)	(58)
Cash receipts	-	(17,695)
Net changes in fair value	(90)	(102)
Total government bonds	**470,492**	**470,746**

No expected credit loss has been on government bonds.

17 Derivative financial instruments

	31 Mar 2019 €'000	31 Dec 2018 €'000
Derivative assets at fair value through profit or loss		
Derivative financial instruments acquired from borrowers	7,883	7,695
Foreign currency derivatives	151	31
Total derivative assets	**8,034**	**7,726**
Derivative liabilities at fair value through profit or loss		
Other derivative financial instruments	(3,537)	(2,808)
Foreign currency derivatives	(188)	(445)
Total derivative liabilities	**(3,725)**	**(3,253)**

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 financial assets.

18 Debtor loans measured at FVTPL

	For the quarter from 1 Jan 2019 to 31 Mar 2019 €'000
At the beginning of the period	**1,925,462**
<u>Movements in period:</u>	
Receipts on debtor loans	(281,332)
Advanced to borrowers	86,001
FX gains on debtor loans (note 13)	1,194
Profit on disposal and refinancing of loans	431
Other movements	(2,144)
Fair value gains on debtor loans at FVTPL (note 4)	52,051
Total debtor loans measured at FVTPL	**1,781,663**

19 Other assets

	31 Mar 2019 €'000	31 Dec 2018 €'000
Accrued swap interest receivable	277	780
Other assets	11,575	19,972
Total other assets	**11,852**	**20,752**

20 Inventories - trading properties

	31 Mar 2019 €'000	31 Dec 2018 €'000
Inventories - trading properties	**229,722**	**229,747**

The Group acquires trading properties either in settlement of debt or where the asset is deemed to be of strategic importance to the Group objectives. Trading properties are recognised in accordance with accounting policy 2.16.

21 Investments in equity instruments

	31 Mar 2019 €'000	31 Dec 2018 €'000
Investments in equity instruments measured at fair value	**46,191**	**54,539**

The Group may invest in equity instruments to maximise value and to facilitate the effective delivery of commercial or residential developments. The movement in the value of investments in equity instruments is a combination of fair value movements, acquisitions and disposals.

22 Deferred tax

	Deferred tax on equity instruments & govt. bonds		Deferred tax on IFRS 9 transition adjustment	Total
	Assets €'000	(Liabilities) €'000	(Liabilities) €'000	€'000
Balance at 31 Dec 2018	1,349	(4,986)	(16,951)	**(20,588)**
Amortisation of transition adjustment	-	-	1,060	**1,060**
Movement in the period	-	(1,656)	-	**(1,656)**
Balance at 31 Mar 2019	**1,349**	**(6,642)**	**(15,891)**	**(21,184)**

	From the quarter from 1 Jan 2019 to 31 Mar 2019 €'000
Movement recognised in the income statement (note 14)	(904)
Movement recognised in reserves (note 28)	(752)
Movement recognised on IFRS 9 transitional adjustment:	
Amortisation through income statement (note 14)	1,060
Net movement in deferred tax	**(596)**

Deferred 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 taxes relate to the same fiscal authority.

A deferred tax liability has been recognised on the fair value adjustment to retained earnings following the Group's adoption of IFRS 9. This liability will be recognised as a charge to the income statement over a five year period following initial adoption.

23 Other liabilities

	31 Mar 2019 €'000	31 Dec 2018 €'000
Accrued swap interest payable on other derivatives	258	163
Interest payable on cash and cash equivalents	2,151	581
Accrued expenses	17,666	22,050
VAT payable	1,089	5,017
Other liabilities	1,569	2,732
Total other liabilities	**22,733**	**30,543**

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

24 Tax payable

	31 Mar 2019 €'000	31 Dec 2018 €'000
Professional services withholding tax and other taxes payable	798	885
Current tax liability	8,834	5,234
Total tax payable	**9,632**	**6,119**

25 Right of Use Assets

	31 Mar 2019 €'000	31 Dec 2018 €'000
Right of Use Assets	**15,042**	**-**

Right of Use Assets were recognised on the Group's leases on the adoption of IFRS 16.

26 Lease Liabilities

	31 Mar 2019	31 Dec 2018
	€'000	€'000
Lease Liabilities	17,533	-

Lease liabilities were recognised on the Group's leases on the adoption of IFRS 16.

27 Other equity

	31 Mar 2019	31 Dec 2018
	€'000	€'000
Other equity instruments in issue	1,064,000	1,064,000

The above are Callable Perpetual Subordinated Fixed Rate Bonds that were issued by NAM and the proceeds transferred to NALM 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. Hence, this rate has been set at a fixed return of 5.264%. Interest is paid annually if deemed appropriate to do so with the coupon declared at the option of the issuer. Coupons not declared in any year will not accumulate. In February 2019, NAMA declared a payment of a coupon of €56.01m on its subordinated bonds, which was paid on 1 March 2019.

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 29).

28 Other reserves

	From the quarter from 1 Jan 2019 to 31 Mar 2019
Other reserves are analysed as follows:	**€'000**
At the beginning of the period	1,925
Net changes in fair value	(90)
Deferred tax recognised in other reserves (note 22)	(752)
Total other reserves at end of period	**1,083**

Other reserves consists of fair value movements on financial assets measured at FVOCI. These include Irish government bonds.

29 Retained earnings

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
At the beginning of the period	4,246,435
Profit for the period	41,148
Dividend paid on B ordinary shares	(272)
Coupon paid on subordinated bonds	(56,009)
At the end of the period	**4,231,302**

On 19 March 2019, the Board of NAMAI declared and approved a dividend payment based on the ten year Irish government bond yield as at 29 March 2019. The dividend was paid to the holders of B ordinary shares of NAMAI 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. The dividend payment was €0.00534 per share amounting to €0.27m.

In February 2019, 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 €56.01m due on 1 March 2019 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 27 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 NAMAI.

NAMA has, along with the private investors, invested in NAMAI. NAMA holds 49% of the issued share capital of NAMAI 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 NAMAI.

Under the shareholders' 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 NAMAI.

NAMA's ability to veto decisions taken by NAMAI 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 NAMAI 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 NAMAI may incur losses and the full value of their investment may not be recovered, they are not required to contribute any further capital to NAMAI.

NAMA Group

Section 55 (6) (j): Income Statement by NAMA group entity

For the quarter from 1 January 2019 to 31 March 2019

	National Asset Loan Management	National Asset North Quays	National Asset JVA	National Asset Property Management	National Asset Sarasota LLC	National Asset Residential Property Services	National Asset Management Services	National Asset Management Group Services	National Asset Management	National Asset Management Agency Investment	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net gains on debtor loans measured at FVTPL	51,226	-	825	-	-	-	-	-	-	-	-	-	52,051
Interest Income	720	-	-	-	-	-	-	12,359	-	62	-	(13,137)	4
Other income	334	-	12,105	-	-	3,053	-	-	-	-	9,649	(9,649)	15,492
Profit on disposal and refinancing of loans	407	-	-	-	-	-	-	-	-	-	-	-	407
Profit on disposal of property assets	-	-	-	37	-	-	-	-	-	-	-	-	37
Losses on derivative financial instruments	(235)	-	-	-	-	-	-	-	-	-	-	-	(235)
Fee Income	169	-	-	-	-	-	-	-	-	-	-	-	169
Interest and similar expense	(15,250)	(42)	(700)	(109)	(16)	-	-	-	(62)	-	13	13,155	(3,011)
Total operating income	**37,371**	**(42)**	**12,230**	**(72)**	**(16)**	**3,053**	**-**	**12,359**	**(62)**	**62**	**9,662**	**(9,631)**	**64,914**
Administration expenses	(16,604)	(41)	(5)	(23)	(117)	(15)	-	-	-	-	(9,740)	9,631	(16,914)
Foreign exchange losses	(397)	-	-	-	(49)	-	-	-	-	-	-	-	(446)
Operating profit/(loss)	**20,370**	**(83)**	**12,225**	**(95)**	**(182)**	**3,038**	**-**	**12,359**	**(62)**	**62**	**(78)**	**-**	**47,554**
Tax charge	(3,451)	-	(2,939)	-	-	-	-	-	-	(16)	-	-	(6,406)
Profit/(loss) for the period	**16,919**	**(83)**	**9,286**	**(95)**	**(182)**	**3,038**	**-**	**12,359**	**(62)**	**46**	**(78)**	**-**	**41,148**

NAMA Group

Section 55 (6) (i): Statement of Financial Position by NAMA group entity as at 31 March 2019

	National Asset Loan Management	National Asset North Quays	National Asset JVA	National Asset Property Management	National Asset Sarasota LLC	National Asset Residential Property Services	National Asset Management Services	National Asset Management Group Services	National Asset Management	National Asset Management Agency Investment	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets													
Cash and cash equivalents	2,667,132	57,686	21,206	80,955	-	4,653	-	-	-	251	2,313	-	2,834,196
Cash placed as collateral with the NTMA	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Irish government bonds	470,492	-	-	-	-	-	-	-	-	-	-		470,492
Derivative financial instruments	8,034	-	-	-	-	-	-	-	-	-	-	-	8,034
Debtor loans measured at FVTPL	1,754,739	5,658	21,266	-	-	-	-	-	-	-	-	-	1,781,663
Other assets	493,073	-	-	98	-	1,422	-	4,420,597	4,408,231	103,873	3,550,530	(12,965,972)	11,852
Inventories - trading properties	1,266	15,563	-	100	1,314	211,479	-	-	-	-	-	-	229,722
Investments in equity instruments	10,432	-	35,759	-	-	-	-	-	-	-	49,000	(49,000)	46,191
Right of Use Assets	11,602	-	-			-	-	-	-		3,440	-	15,042
Total assets	**5,441,770**	**78,907**	**78,231**	**81,153**	**1,314**	**217,554**	**-**	**4,420,597**	**4,408,231**	**104,124**	**3,605,283**	**(13,014,972)**	**5,422,192**
Liabilities													
Derivative financial instruments	3,725	-	-	-	-	-	-	-	-	-	-	-	3,725
Other liabilities	4,418,211	82,771	61,016	87,238	2,645	217,934	-	4,408,232	3,640,424	-	71,416	(12,967,154)	22,733
Tax payable	11,501	6	-	52	-	(16)	-	-	(1,958)	47	-	-	9,632
Deferred tax	16,656	-	4,528	-	-	-	-	-	-	-	-	-	21,184
Lease Liabilities	14,495	-	-	-	-	-	-	-	-	-	3,038	-	17,533
Total liabilities	**4,464,588**	**82,777**	**65,544**	**87,290**	**2,645**	**217,918**	**-**	**4,408,232**	**3,638,466**	**47**	**74,454**	**(12,967,154)**	**74,807**
Equity													
Share capital	-	-	-	-	6,332	-	-	-	-	10,000	-	(16,332)	-
Share premium	-	-	-	-	-	-	-	-	-	90,000	-	(90,000)	-
Other equity instruments	-	-	-	-	-	-	-	-	1,064,000	-	-	-	1,064,000
Retained earnings	976,099	(3,870)	12,687	(6,137)	(7,663)	(364)	-	12,365	(294,235)	4,077	3,479,829	58,514	4,231,302
Other reserves	1,083	-	-	-	-	-	-	-	-	-	-	-	1,083
Equity and reserves attributable to owners of the Group	977,182	(3,870)	12,687	(6,137)	(1,331)	(364)	-	12,365	769,765	104,077	3,479,829	(47,818)	5,296,385
Non controlling interests	-	-	-	-	-	-	-	-	-	-	51,000	-	51,000
Total equity and reserves	**977,182**	**(3,870)**	**12,687**	**(6,137)**	**(1,331)**	**(364)**	**-**	**12,365**	**769,765**	**104,077**	**3,530,829**	**(47,818)**	**5,347,385**
Total equity & liabilities	**5,441,770**	**78,907**	**78,231**	**81,153**	**1,314**	**217,554**	**-**	**4,420,597**	**4,408,231**	**104,124**	**3,605,283**	**(13,014,972)**	**5,422,192**

NAMA Group

Section 55 (6) (i): Statement of Financial Position by NAMA group entity as at 31 December 2018

	National Asset Loan Management	National Asset North Quays	National Asset JVA	National Asset Property Management	National Asset Sarasota LLC	National Asset Residential Property Services	National Asset Management Services	National Asset Management Group Services	National Asset Management	National Asset Management Agency Investment	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets													
Cash and cash equivalents	2,569,748	35,880	349	81,364	-	2,167	-	-	-	251	132	-	2,689,891
Cash placed as collateral with the NTMA	25,000	-	-	-	-	-	-	-	-	-	-	-	25,000
Irish government bonds	470,746	-	-	-	-	-	-	-	-	-	-		470,746
Derivative financial instruments	7,726	-	-	-	-	-	-	-	-	-	-	-	7,726
Debtor loans measured at FVTPL	1,891,629	5,904	27,929	-	-	-	-	-	-	-	-	-	1,925,462
Other assets	587,206	3	-	98	-	989	-	4,467,342	4,469,313	104,111	3,548,815	(13,157,125)	20,752
Inventories - trading properties	1,266	15,423	-	100	1,314	211,644	-	-	-	-	-	-	229,747
Investments in equity instruments	18,572	-	35,967	-	-	-	-	-	-	-	49,000	(49,000)	54,539
Total assets	**5,571,894**	**57,210**	**64,245**	**81,562**	**1,314**	**214,800**	**-**	**4,467,342**	**4,469,313**	**104,362**	**3,597,947**	**(13,206,125)**	**5,423,863**
Liabilities													
Derivative financial instruments	3,253	-	-	-	-	-	-	-	-	-	-	-	3,253
Other liabilities	4,467,438	60,991	59,255	87,522	2,463	218,294	-	4,467,336	3,640,767	-	68,134	(13,041,657)	30,543
Tax payable	120,002	6	-	82	-	(92)	-	-	2,710	62	-	(116,651)	6,119
Deferred tax	18,999	-	1,589	-	-	-	-	-	-	-	-	-	20,588
Total liabilities	**4,609,693**	**60,997**	**60,844**	**87,604**	**2,463**	**218,202**	**-**	**4,467,336**	**3,643,477**	**62**	**68,134**	**(13,158,308)**	**60,503**
Equity													
Share capital	-	-	-	-	6,332	-	-	-	-	10,000	-	(16,332)	-
Share premium	-	-	-	-	-	-	-	-	-	90,000	-	(90,000)	-
Other equity instruments	-	-	-	-	-	-	-	-	1,064,000	-	-	-	1,064,000
Retained earnings	960,275	(3,787)	3,401	(6,042)	(7,481)	(3,402)	-	6	(238,164)	4,300	3,478,813	58,515	4,246,435
Other reserves	1,925	-	-	-	-	-	-	-	-	-	-	-	1,925
Equity and reserves attributable to owners of the Group	962,200	(3,787)	3,401	(6,042)	(1,149)	(3,402)	-	6	825,836	104,300	3,478,813	(47,817)	5,312,360
Non controlling interests	-	-	-	-	-	-	-	-	-	-	51,000	-	51,000
Total equity and reserves	**962,200**	**(3,787)**	**3,401**	**(6,042)**	**(1,149)**	**(3,402)**	**-**	**6**	**825,836**	**104,300**	**3,529,813**	**(47,817)**	**5,363,360**
Total equity & liabilities	**5,571,894**	**57,210**	**64,245**	**81,562**	**1,314**	**214,800**	**-**	**4,467,342**	**4,469,313**	**104,362**	**3,597,947**	**(13,206,125)**	**5,423,863**

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 January 2019 to 31 March 2019								
	NALM	NANQ	NAJVA	NAPM	NASLLC	NARPS	NAMA	NAMA Group Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Costs reimbursable to the NTMA	9,035	-	-	-	-	-	-	9,035
Primary Servicer fees	1,767	-	-	-	-	-	-	1,767
Master servicer fees	369	-	-	-	-	-	-	369
Portfolio management fees	993	-	-	4	112	8	-	1,117
Finance, communication and technology costs	1,341	5	-	1	-	2	-	1,349
Legal fees	1,080	36	5	18	5	5	-	1,149
Rent and occupancy costs	1,649	-	-	-	-	-	-	1,649
Internal audit fees	175	-	-	-	-	-	-	175
Board and Committee fees and expenses	-	-	-	-	-	-	109	109
External audit remuneration	195	-	-	-	-	-	-	195
	16,604	**41**	**5**	**23**	**117**	**15**	**109**	**16,914**

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

	Outstanding at 31 Mar 2019 €'000
Subordinated debt issued by NAM	1,064,000

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

Government guaranteed senior debt securities

There were no Senior bonds issued or redeemed in the period. All Senior bonds were redeemed by the start of the period.

Subordinated debt securities held

Financial Institution	Outstanding at 31 Mar 2019 €'000	Outstanding at 31 Dec 2018 €'000
AIB	417,000	417,000
BOI	70,000	70,000
EBS Building Society	20,000	20,000
Other Noteholders	557,000	557,000
Total	**1,064,000**	**1,064,000**

There were no new issuances of NAMA senior or subordinated bonds during the quarter. The Group did not repurchase any subordinated debt during the quarter.

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 Jan 2019 to 31 Mar 2019 €'000
Link Asset Services	388
AIB	84,044
Total	**84,432**

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	31 Mar 2019 €'000
Investment in NAMAI	49,000
Cash and cash equivalents	2,313
Interest receivable on loan to NAM	3,536,554
Receivable from NALM	13,976
Right of Use Assets	3,440
Total	**3,605,283**

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

National Asset Management Agency Investment	31 Mar 2019 €'000
Receivable from NAM	99,900
Receivable from NAM - accrued interest	3,970
Cash and cash equivalents	251
Other assets	3
Total	**104,124**

National Asset Management	31 Mar 2019 €'000
PPL receivable from NAMGS	994,969
PPL interest receivable	3,413,262
Total	**4,408,231**

National Asset Management Group Services	31 Mar 2019 €'000
PPL receivable from NALM	1,002,455
PPL interest receivable from NALM	3,409,412
PPL receivable from NAJVA	8,730
Total	**4,420,597**

National Asset Loan Management	31 Mar 2019 €'000
Investments in equity instruments	10,432
Cash and cash equivalents	2,667,132
Cash placed as collateral with the NTMA	25,000
Government bonds	470,492
Derivative financial instruments	8,034
Debtor loans measured at FVTPL	1,754,739
Other assets	67,000
Inter-group receivable	426,073
Inventories - trading properties	1,266
Right of Use Assets	11,602
Total	**5,441,770**

National Asset North Quays	31 Mar 2019 €'000
Cash and cash equivalents	57,686
Debtor loans measured at fair value through profit or loss	5,658
Inventories - trading properties	15,563
Total	**78,907**

National Asset JV A	31 Mar 2019 €'000
Investments in equity instruments	35,759
Cash and cash equivalents	21,206
Debtor loans measured at fair value through profit or loss	21,266
Total	**78,231**

National Asset Sarasota LLC	31 Mar 2019 €'000
Inventories - trading properties	1,314
	1,314

National Asset Property Management	31 Mar 2019 €'000
Cash and cash equivalents	80,955
Inter-group receivable	98
Inventories - trading properties	100
Total	**81,153**

National Asset Residential Property Services	31 Mar 2019 €'000
Cash and cash equivalents	4,653
Other assets	1,422
Inventories - trading properties	211,479
Total	**217,554**

National Asset Leisure Holdings Limited (in Voluntary Liquidation)	31 Mar 2019 €'000
Investment in subsidiaries[1]	**4,136**

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

Entity	Description	Amount in issue at 31 Dec 2018 €'000
National Asset Management D.A.C.	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.	Nil

1 This amount represents the investment of NALHL in RHLC I and RHLC II. The amount is as per 31 December 2017 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 31 December 2018
No guidelines issued

Compliance with Directions Issued by the Minister under Section 14 (NAMA Act 2009) as at 31 December 2018	
(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 NAM D.A.C. 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.

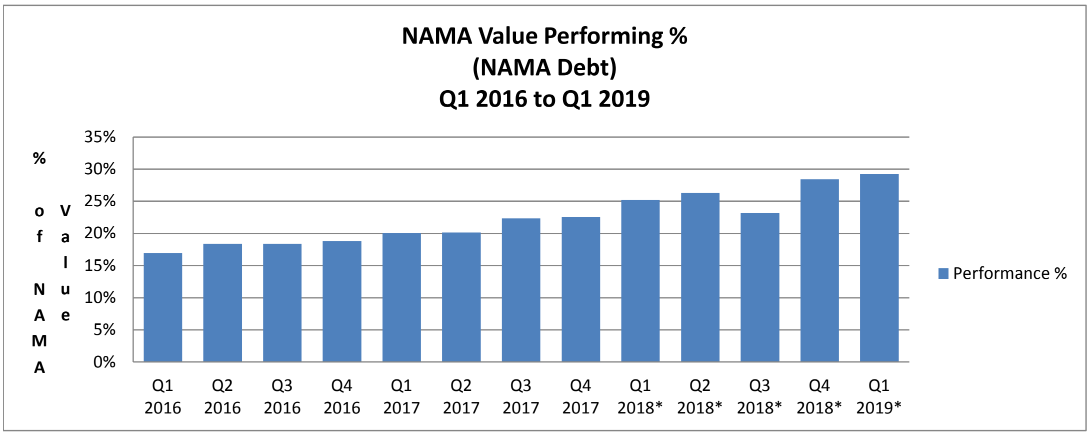
Compliance with Directions Issued by the Minister under Section 13 (IBRC Act 2013) as at 31 December 2018	
(1)	7th February 2013 - Irish Bank Resolution Corporation - Deed of Assignment and Transfer NAMA complied with this direction.
(2)	7th February 2013 - Irish Bank Resolution Corporation - Bid for 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

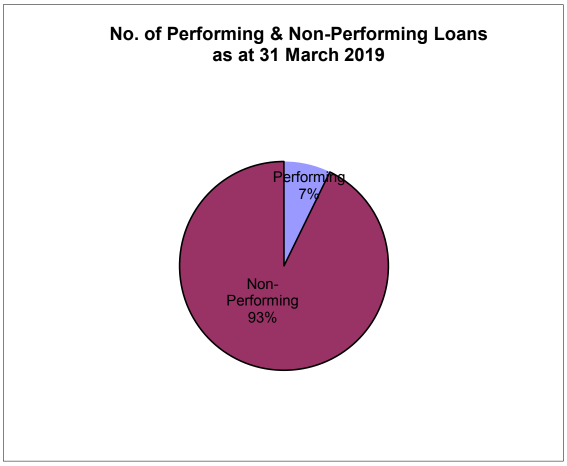
Legacy loan facility loan performance metric

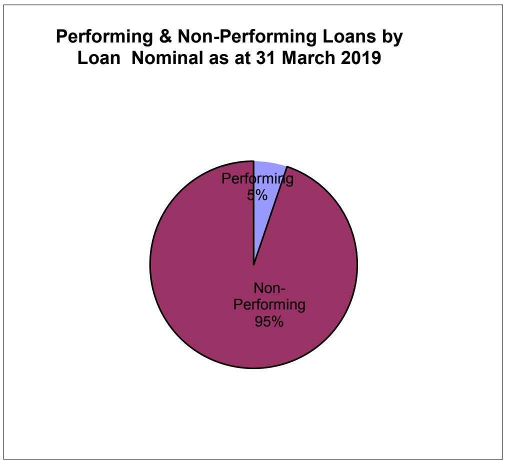
Classification	Number	Loan Nominal €m	NAMA Value (Fair value) €m
Performing	309	1,203	520
Non-Performing	3,958	21,884	1,262
Total	**4,267**	**23,087**	**1,782**

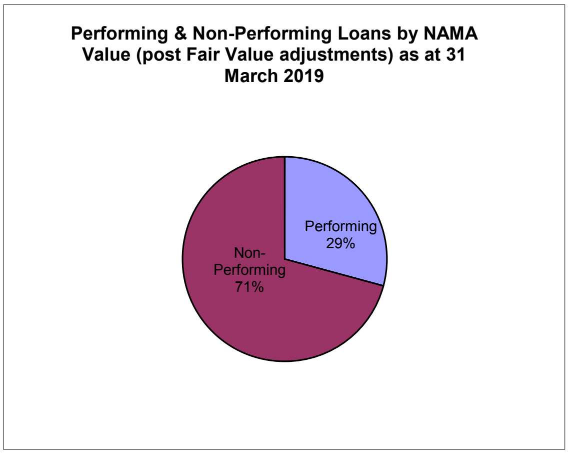
A measure of loan performance is the Loan Payment Status. The Loan Payment Status is a measurement of loan performance based on cash receipts with regard to the contractual obligations of the legacy loan facility. With effect from January 1 2018, all loans have moved from being measured at amortised cost to fair value models. The degree of default measurement is based on the default of the original PAR debt acquired by NAMA from the participating institutions.



** 2018 and 2019 analysis prepared based on fair value as opposed to amortised cost following adoption of IFRS 9.*





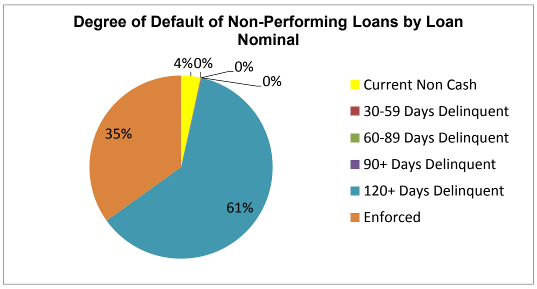


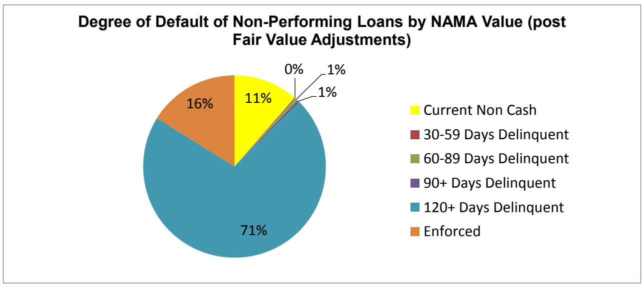
4 (iii) SECTION 55 (6) (B) - CATEGORISATION OF NON-PERFORMING AS TO THE DEGREE OF DEFAULT

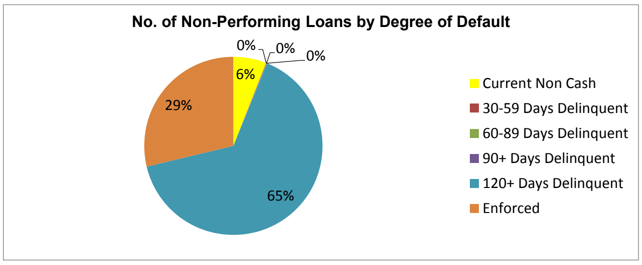
Categorisation of non performing loans in accordance with the Loan Payment Status as at 31 March 2019

Loan Payment Status	Degree of Default	Number	Loan Nominal €m	NAMA Value (post Fair Value Adjustments) €m
9	Current Non Cash	237	751	145
1	30-59 Days Delinquent	3	7	2
2	60-89 Days Delinquent	2	18	7
3	90+ Days Delinquent	3	27	(5)
4	120+ Days Delinquent	2,575	13,440	908
7 & 8	Enforced	1,138	7,641	205
	Total	**3,958**	**21,884**	**1,267**

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. The degree of default measurement is based on the default of the original PAR debt acquired by NAMA from the participating institutions. NAMA value is provided for information purposes and is not measured for degree of default under the same terms as the PAR debt.







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 31 March 2019

Classification	Number	Loan Nominal €m	NAMA Value €m
Enforced	22	119	11

Note: Section 55 6 (B) contains a category of default called 'Enforced' where 1,138 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 31 March 2019

Classification	Number	Loan Nominal €m	NAMA Value €m
Liquidators	0	0	0
Receivers	22	119	11
Total	**22**	**119**	**11**

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 2019/137S	National Asset Loan Management DAC v Donovan	Summary Judgment

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 31 December 2018

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 31 March 2019

Description	€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 31 March 2019

Description	Date	€m
NALM (fee income)	1 Jan 2019- 31 Mar 2019	0.2

National Asset
Management Agency

5 - National Asset Management Agency Investment D.A.C. Company only accounts

For the quarter ended 31 March 2019

NAMAI D.A.C. (company only)
Income Statement
For the quarter from 1 January 2019 to 31 March 2019

	Note	For the quarter from 1 Jan 2019 to 31 Mar 2019 €'000
Net interest income	3	62
Operating profit before tax		**62**
Tax charge	4	(16)
Profit for the period		**46**

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

NAMAI D.A.C. (company only)
Statement of Financial Position
As at 31 March 2019

	Note	31 Mar 2019 €'000	31 Dec 2018 €'000
Assets			
Cash and Cash Equivalents	6	251	251
Other Assets	7	103,873	104,114
Total assets		**104,124**	**104,365**
Liabilities			
Amounts due to group entity	8	-	31
Current tax liability	9	47	31
Total liabilities		**47**	**62**
Equity			
Share capital	10	10,000	10,000
Share premium	10	90,000	90,000
Retained earnings	11	4,077	4,303
Total equity		**104,077**	**104,303**
Total equity and liabilities		**104,124**	**104,365**

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 D.A.C. (NAMAI) 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 31 March 2019 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

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

Inter-group 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.

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 Jan 2019 to 31 Mar 2019
	€'000
Interest receivable on inter-group loan	62

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

4 Tax charge

	For the quarter from 1 Jan 2019 to 31 Mar 2019
	€'000
Profit before tax	62
Tax charge for the period	(16)

5 Investment in subsidiaries

NAMAI holds 100 €1.00 ordinary shares in NAM representing 100% of the issued share capital.

6 Cash and cash equivalents

	31 Mar 2019	31 Dec 2018
	€'000	€'000
Balance at bank	**251**	**251**

7 Other Assets

	31 Mar 2019	31 Dec 2018
	€'000	€'000
Loan receivable from NAM	99,900	99,900
Accrued interest on receivable from NAM	3,970	4,211
Other assets	3	3
Total other assets	**103,873**	**104,114**

NAMAI issued a loan of €99.9m to NAM 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

	31 Mar 2019	31 Dec 2018
	€'000	€'000
Amounts due to NALM	**-**	**31**

9 Current tax liability	31 Mar 2019	31 Dec 2018
	€'000	€'000
Tax payable	**47**	**31**

10 Share capital and share premium

At 31 Mar 2019	Number	€'000
Authorised:		
A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100
Issued and fully paid during the period:		
A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100
Share premium A Ordinary Shares	-	44,100
Share premium B Ordinary Shares	-	45,900
	100,000,000	**100,000**

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

11 Retained earnings	**For the quarter from 1 Jan 2019 to 31 Mar 2019 €'000**	**For the year from 1 Jan 2018 to 31 Dec 2018 €'000**
Retained earnings at beginning of period	4,303	4,569
Profit for the period	46	188
Dividend paid	(272)	(454)
Retained earnings at end of period	**4,077**	**4,303**

On 19 March 2019, the Board of NAMAI declared and approved a dividend payment based on the ten year Irish government bond yield as at 29 March 2019. The dividend was paid to the holders of B ordinary shares of NAMAI 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. The dividend payment was €0.00534 per share amounting to €0.27m.