

## Section 53 Annual Statement 2023

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Section 53 of the National Asset Management Agency Act 2009 (“the Act”) requires NAMA to prepare and submit an Annual Statement to the Minister for Finance three months before the commencement of the financial year to which it relates. The Statement must specify:

- a) the proposed objectives of each NAMA group entity for the financial year concerned,
- b) the proposed nature and scope of activities to be undertaken,
- c) the proposed strategies and policies to be implemented, and
- d) the proposed application of resources.

The Act confers various powers and functions on NAMA in order to achieve its objectives. The Board has various statutory functions including ensuring that NAMA functions are performed effectively and efficiently, setting strategic objectives and targets, and ensuring that appropriate systems and procedures are in place to achieve these objectives and targets.

The following statement specifies the objectives, activities, strategies and resource allocation that the Agency proposes for 2023.

For the purpose of this Statement, NAMA and its group entities are considered as one.

## Objectives

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Section 10 (1) of the Act sets out NAMA's purposes, summarised as:

- a) acquiring eligible assets from participating institutions;
- b) dealing expeditiously with acquired assets; and
- c) protecting and enhancing the value of assets, in the interests of the State.

NAMA's statutory commercial mandate, based on Section 10 (2) of the Act, is to obtain the best achievable financial return for the State, having regard to the cost of acquiring and dealing with bank assets and its own cost of capital and other costs. In the context of this overarching statutory commercial mandate, the NAMA Board has adopted the following five key objectives:

- 1. The Board's primary commercial objective is to generate the largest surplus that can feasibly be achieved, subject to prevailing market conditions, by the time NAMA completes its work. To meet this objective, NAMA will manage assets intensively and invest in them so as to optimise their income-producing potential and disposal value.**

*Progress:* NAMA completed the repayment of all its debt and equity obligations by 2020<sup>1</sup>. It is currently projected that NAMA's total contribution to the Exchequer will be €4.9 billion, comprised of the forecast lifetime surplus of €4.5 billion and €0.4 billion of corporation tax payments. By end-June 2022, €3.25 billion from NAMA's surplus has been transferred to the State, with a further €250 million scheduled for transfer in H2 2022. The remaining €1 billion will be transferred in subsequent years, subject to market conditions.

- 2. NAMA aims to facilitate delivery of up to 1,800 new residential units from 1 January 2022 to end-2025, subject to commercial viability. Through intensive asset management of its remaining residential sites, NAMA also**

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<sup>1</sup> NAMA has redeemed all €31.8 billion of debt liabilities issued to acquire loans; €30.2 billion of this figure comprised Senior Debt which was redeemed in full by October 2017. By March 2020, NAMA had repaid €1.6 billion of subordinated debt and, in May 2020, NAMA purchased, for €56m, the 51% private investor shareholding in NAMAI, thus becoming 100% owned by the Minister for Finance.

**aims to optimise their realisable value and maximise the number of sites that are ready for future development.**

*Progress:* In order to help address emerging residential supply shortages in Ireland, NAMA initiated a residential delivery programme in 2014. Since then, NAMA funded or facilitated the delivery of 26,165 new homes. Of these, **13,479 were directly funded** by NAMA and **12,686 were delivered indirectly** on sites for which NAMA had funded planning permission, enabling works, legal costs or holding costs before they were disposed of. As regards the 1,800 target, 284 new homes have been delivered and a further 758 new homes are under construction. At this time commercial viability is a significant challenge and could have an impact on the number of units for which NAMA can provide funding. Further progress on this initiative is set out below on pages 5-6.

**3. NAMA will conclude the delivery of Grade A office accommodation in the Dublin Docklands SDZ; it will contribute, not only in terms of project funding, if required, but also in bringing coherence, direction, and drive to the delivery process.**

*Progress:* This objective was adopted by the Board in 2014 against the background of a shortage of prime office accommodation in central Dublin. As is detailed below on page 7, major progress has been made since mid-2014 on the development of the Docklands SDZ area with the result that approximately 99% of NAMA's original interests in the Docklands have been completed or sold.

**4. NAMA aims to conclude its work no later than December 2025 through a phased and orderly wind down, having regard to the primacy of its Section 10 commercial mandate. NAMA aims to continue to meet all future commitments out of its own resources.**

*Progress:* NAMA submitted a strategic plan to the Minister for Finance in November 2021 setting out how wind down will be achieved by end-2025. Progress on implementing this plan is set out on page 9.

**5. Subject to the primacy of its Section 10 commercial mandate but often complementing it, and within the context of a much-reduced secured**

**portfolio, NAMA will seek to make a positive social and economic contribution across its remaining activities.**

*Progress:* An important part of NAMA's work is to facilitate the sale of properties for social purposes. NAMA works closely with Government departments, state agencies and local authorities to identify properties that may have a community, or social benefit. As is detailed on pages 8-9, NAMA has delivered 2,687 homes for social housing.

## Activities

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During the period 2023 to 2025, NAMA will continue its deleveraging and asset management activities, consistent with its strategic objectives, in order to maximise the value of assets prior to their disposal. Subject to market conditions, NAMA expects to complete its deleveraging activity by end-2025. Where viable, residential development activity will continue in order to maximise the number of units that can be delivered within NAMA's remaining timeframe as well as the number of sites that are ready for future development. NAMA aims to ensure that commercial and residential development in which it is involved is consistent with the highest standards of sustainable design and development and undertaken in the context of its impact on the environment and on climate change. In the context of progressing the orderly and phased wind down of NAMA, the focus will be on continuing the reduction in the size and scale of NAMA's operational activity and the dissolution of subsidiary entities upon resolution of related assets. Detailed information on each of these activities is set out below.

The successful implementation of these activities over the coming years should ensure that the remaining €1 billion of the projected surplus of €4.5 billion is realised and delivered to the Exchequer, subject to market conditions. However, from NAMA's perspective, the volatile global economic environment may cause disruption to market and construction activity in 2023. Construction cost inflationary pressures and supply chain disruption pose a significant challenge to the commercial viability and planned delivery of new homes from NAMA secured sites. This potential market disruption may also delay debtor exits, and defer asset/loan sale transactions, all of which may impact the pace at which NAMA's portfolio reduces.

## **1. Engagement with debtors and receivers**

NAMA's deleveraging activity is guided by the objective of maximising recovery from property-backed loans through intensive management by working closely with debtors and receivers to enhance the value, and ultimately the disposal proceeds, of the underlying assets and, where appropriate, of the loans. The value of NAMA's residual portfolio (loan and property assets) at end-December 2021 was €1.1 billion. Subject to market conditions, the residual portfolio is expected to reduce further during 2023 with much of the planned deleveraging expected to be completed. This deleveraging activity excludes loans which are the subject of litigation or loans secured by assets with significant value uplift potential.

## **2. Residential delivery activities**

Under Section 10 of the Act, NAMA is required to obtain the best achievable financial return from its acquired assets. In many instances, funding the enhancement and development of commercially viable residential sites, as opposed to their sale as undeveloped land, represents the option which best fulfils this statutory obligation. In 2014, to help address emerging residential supply shortages in Ireland, NAMA initiated a residential delivery programme.

In summary, NAMA has funded or facilitated the delivery of **over 26,165 new homes** since 2014. Of these, **13,479 units** have been **delivered directly** by NAMA, either through the provision of funding directly to debtors and receivers or facilitating development via licence agreement or joint venture. A further **12,686** units have been **delivered indirectly** on sites for which NAMA had funded planning permission, legal costs, holding costs or enabling works but which were subsequently sold, or where the associated loans were subsequently sold or refinanced.

In the years 2022 to 2025, NAMA aims to facilitate the delivery of 1,800 residential units. So far in 2022, 284 residential units have been delivered. A further **758 units** are under construction and some 1,300 units have NAMA-funding committed subject to these developments being commercially viable. In accordance with planning requirements, new homes constructed on NAMA-funded residential developments achieve A3 Energy ratings as a minimum with some meeting Nearly Zero Energy Buildings (nZEB) standards.

NAMA will also asset manage key strategic residential development sites in preparation for future sale and development. NAMA's remaining secured landbank is estimated to have the

potential to deliver circa 18,800 new homes in the medium to long term as set out in **Table 1** below. Most of these new homes cannot be delivered within NAMA’s remaining lifetime, however, NAMA’s objective is to maximise the number of sites that are ready for future development and to asset manage sites with longer term development potential. In this regard, NAMA aims to add value to existing sites through the funding of planning applications and pre-planning feasibility assessments. The development of some of the sites secured to NAMA may be currently inhibited by one or more constraints relating to commercial viability, infrastructure (roads, water, utilities, waste, etc.) or suitable planning permission.

**TABLE 1: Residential development potential of NAMA’s remaining portfolio**

<b>Planning Permission Granted</b>	<b>Planning Applications Lodged</b>	<b>Planning Applications Being Prepared</b>	<b>Longer Term Sites (delivery beyond 2025)</b>
<b>1,800 units</b>	<b>5,900 units</b>	<b>900 units</b>	<b>10,200 units</b>
Number of units with planning permission granted and will be sold or refinanced by debtors/receivers	Number of units with planning applications lodged and under consideration by planning authorities	Potential number of units with planning applications being prepared or pre-planning consultations underway	Number of units with longer term potential subject to securing appropriate planning, delivery of infrastructure and commercial viability

### **Poolbeg West SDZ**

Pembroke Ventures DAC, of which NAMA is a 20% shareholder<sup>2</sup>, owns a development site located within the designated Poolbeg West SDZ which has the potential to provide up to 3,800 residential units (including 10% Part V and 15% social and affordable homes) and 1 million

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<sup>2</sup>A consortium comprising Ronan Group Real Estate, Oaktree Capital Management, L.P. and Lioncor Developments Limited acquired an 80% shareholding in Pembroke Ventures for €200m in June 2021.

sq. ft. of commercial development, as well as educational facilities, public open spaces, civic spaces, and other community amenities.

The development has received planning permission from Dublin City Council (DCC) for the first 570 residential units with construction on site currently expected to commence in 2022. Additional planning applications have been lodged with DCC for a further 872 residential units.

### **3. Dublin Docklands SDZ activities**

NAMA expects to bring its asset management activities in the Dublin Docklands Strategic Development Zone (SDZ) to conclusion in 2023. NAMA originally held an interest in 75% of the 22 hectares of developable land in the SDZ and has been instrumental in driving and facilitating the development of the area. When fully developed, these sites will provide over 4.2 million sq. ft. of commercial space and some 2,183 residential units.

Approximately 99% of NAMA’s original interests in the Docklands SDZ have been completed or sold (**Table 2** below). NAMA retains a residual interest in five sites, four of which are construction complete. A site sale is planned for the other site where NAMA has a leasehold interest.

**TABLE 2: Progress on NAMA Docklands’ sites**

	<b>Commercial (sq. ft. million)</b>	<b>Residential (units)</b>
<b>Projects completed and sold</b>	<b>1.74</b>	<b>606</b>
<b>Sites sold with planning permission</b>	<b>1.57</b>	<b>1,427</b>
<b>Projects completed (NAMA interest)</b>	<b>0.862</b>	<b>0</b>
<b>Planned site sale</b>	<b>0.06</b>	<b>150</b>
<b>TOTAL</b>	<b>4.23</b>	<b>2,183</b>

The development work being carried out in the Docklands SDZ was funded primarily through private capital without taxpayers’ money being placed at risk. When fully complete, it is estimated that the Docklands SDZ area will accommodate in excess of 20,000 office workers and homes for over 5,000 people, regenerating and transforming this important part of Dublin City. All NAMA-related commercial developments in the Dublin Docklands conform to

Leadership in Energy and Environmental Design (LEED) standards, achieving either platinum or gold certification.

#### **4. Social contribution activities**

A major objective of the Board is to contribute to the social and economic development of the State and to conduct the Agency's commercial activities, in so far as possible, to co-ordinate with that objective. NAMA has worked closely with Government departments, state agencies and local authorities to identify properties that may have a community, economic or social benefit, most notably, the provision of social housing from housing stock within NAMA's control.

Up to June 2022, NAMA had identified **7,577** residential units as potentially suitable for social housing from its secured portfolio and offered these to local authorities and / or approved housing bodies. Many of these units were not required or deemed unsuitable at the time of offer, or subsequently became unavailable or are still under consideration. **2,687** social housing homes had been delivered or committed by NAMA as at the end of June 2022. This figure is in excess of NAMA's original social housing delivery target of 2,000 units and excludes units delivered by way of Part V of the Planning and Development Act on NAMA-secured development sites.

Furthermore, NAMA facilitates the sale of properties for other social purposes. The success of this aspect of NAMA's work is evident from the number of properties delivered to state bodies across Ireland, for a variety of other purposes. To date, NAMA has facilitated transactions for:

- 25 sites for schools and other education facilities
- 18 sites for public amenities such as parks, sports clubs, community centres, and historic sites
- 15 sites for essential transport and infrastructure projects such as roads, flood defences and water treatment
- 10 sites for urban regeneration and housing projects
- 6 sites for civic offices, garda stations or healthcare facilities
- sites for IDA projects

NAMA engages with its key stakeholders in an open and transparent manner and welcomes opportunities to provide updates on its progress and to facilitate a sharing of knowledge and



expertise for the benefit of the public sector. NAMA will continue to actively engage with Ministers, Departments, State agencies, local authorities and civic bodies to explore ways in it can advance public and social policy objectives.

### **5. Wind down activity**

In the context of progressing the phased and orderly wind down of the Agency, the NAMA Board submitted a Strategic Plan for the dissolution of NAMA by end-2025 (the “plan”) to the Minister in November 2021. In line with the experience of workout vehicles in other jurisdictions, the resolution of the NAMA entity may take several years after completion of the bulk of its deleveraging activity, in order to deal any unresolved litigation and remaining assets including those loans secured by assets which are considered to have significant potential value uplift.

NAMA is currently taking a number of commercial and operational steps to implement the plan including:

<b>Commercial</b>	<b>Operational</b>
<ul style="list-style-type: none"> <li>- Deleveraging of secured assets, where commercially optimal.</li> <li>- Providing committed funding to debtors and receivers to complete commercially viable residential development.</li> <li>- Preparing and submitting planning applications for residential sites which will be sold and privately developed.</li> <li>- Resolving NAMA’s remaining interests in the Dublin Docklands SDZ;</li> <li>- Progressing the transfer of NARPS to the Land Development Agency (LDA).</li> </ul>	<ul style="list-style-type: none"> <li>- Establishing a Transformation unit to oversee the phased and orderly wind down of the business;</li> <li>- Consolidating business units within NAMA;</li> <li>- Planning for the management of data and records.</li> <li>- Progressing the dissolution / exit of group entities post disposal of related assets.</li> </ul>

## **Strategies**

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NAMA’s principal strategies involve intensive asset management of the secured portfolio and working closely with debtors/receivers to maximise cashflow. In line with its strategic

objectives, NAMA advances development funding, on a commercial basis, to its debtors and receivers in cases where it can be shown that such funding will enhance the value of the assets securing NAMA’s loan portfolio. NAMA expects committed development funding for residential projects to continue to be drawn down between 2023 and 2025.

From inception to end-September 2022, NAMA had generated cumulative cash of **€47.3 billion** from its loan portfolio. This comprised **€40.8 billion** in asset disposal proceeds and loan refinances and **€6.5 billion** from other income, principally rental income from property assets controlled by debtors and receivers.

NAMA has successfully exploited the strong performances of the markets in which it operates over the past decade. The Agency’s managed process of phased sale of loans and asset disposals by debtors and receivers enabled NAMA to make major progress in reducing its loan portfolio: the residual portfolio, which stood at €22.8 billion at the end of 2012, had fallen to €1.1 billion (loans and property assets) by the end of 2021 and is projected to be around €0.9 billion by end-2022.

## Resource Allocation

**Table 3** below presents the main components of NAMA’s projected 2023 Budget:

**TABLE 3: Projected 2023 Budget**

	Baseline Budget (2021) (€m)	2023 Draft Budget (€m)
<b>NAMA Direct Costs</b>		
Primary Servicer/Master Servicer fees	8	5
Reimbursement to NTMA as service provider	34	25
Legal fees	4	2
Asset Recovery/Asset Management	4	2
Finance, communication, technology and other administration costs	16	11
<b>Total - Direct Operating Costs</b>	<b>66</b>	<b>45</b>
Forecast reduction in baseline operating costs in 2023		<b>-32%</b>

The principal element of NAMA’s projected 2023 Budget is the reimbursement to the NTMA for the cost – a projected €25m – of providing staff and for other services, including HR, IT, office and business services. The Budget provides for a staff headcount of 110 at the start of 2023. Staff numbers will reduce via scheduled redundancies over the course of 2023 as NAMA progresses towards its wind down and completes its remaining activity. The retention of key staff is challenging as NAMA progresses toward dissolution and staff start to seek more secure employment elsewhere. It is crucial that NAMA retains sufficient staff with the requisite skillset to ensure the Agency can meet its strategic objectives and deliver the projected surplus.

As NAMA progresses towards its wind down the operating costs are projected to reduce annually. However, as with any organisation, there is also an element of the cost base that is unavoidable and variable once a decision has been made to wind down.

Excluding the Executive team, the proposed headcount in early 2023 will be distributed across the five NAMA divisions as follows:

**TABLE 4: Projected staffing of NAMA by business divisions as at January 2023**

<b>Division</b>	<b>Responsibilities</b>
<b>Chief Commercial Officer</b> (49 staff)	Responsible for the intensive management and phased deleveraging of assets securing NAMA’s loans. To manage debtors, receivers, and joint venture partners to identify, develop and manage secured assets and investments where value can be added and future cashflow enhanced. In this context, to facilitate new residential and commercial development where commercially viable.
<b>Transformation, Strategy &amp; Communications</b> (4 staff)	Responsible for the ongoing evaluation and development of NAMA’s strategy and to oversee the implementation of NAMA’s wind down strategy as the Agency progresses towards dissolution.  To coordinate all communications and public affairs activity including NAMA’s interaction with the media and engagement with Oireachtas members and committees as well as the preparation of NAMA publications.
<b>Legal</b> (19 staff)	Responsible for the provision of legal advice to the Board, CEO, and the NAMA business divisions on the wide spectrum of legal issues affecting the Agency and its operations including NAMA’s regulatory and compliance obligations enforcement, procurement and the management of litigation.

<b>Division</b>	<b>Responsibilities</b>
<b>CFO (32 staff)</b>	Responsible for managing the organisation's financial and operational requirements by the provision of services across a wide range of business functions with operational and strategic responsibilities including Finance, Operations, Systems, Tax, Audit and Risk.