



**Quarterly Report of the National Asset Management Agency and its Group  
Entities**

**For the period ended 30 June 2010**

# National Asset Management Agency

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# National Asset Management Agency

## Board and other information

### Board

Frank Daly (Chairman)	appointed 22 December 2009
Michael Connolly	appointed 22 December 2009
Eilish Finan	appointed 22 December 2009
Brian McEnery	appointed 22 December 2009
Steven Seelig	appointed 26 May 2010
Willie Soffe	appointed 22 December 2009
Peter Stewart	appointed 22 December 2009
Brendan McDonagh	Chief Executive National Asset Management Agency
John Corrigan	Chief Executive National Treasury Management Agency

### Registered Office

Treasury Building  
Grand Canal Street  
Dublin 2

### Bankers

Central Bank of Ireland  
Dame Street  
Dublin 2

Citibank  
IFSC  
Dublin 1

### Auditors

Comptroller & Auditor General  
Dublin Castle  
Dublin 2

# National Asset Management Agency

## Introduction and general information

### 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.

The Act established NAMA as a separate statutory body, with its own Board and Chief Executive appointed by the Minister operating under the aegis of the National Treasury Management Agency (the "NTMA").

### Group structure

In accordance with the Act and to achieve its objectives, NAMA has set up certain special purpose vehicles ('SPV'). As at 30 June 2010, three SPV's were established as follows;

#### *National Asset Management Limited ('NAML' or 'Master SPV')*

The Master SPV is responsible for issuing the Government guaranteed debt instruments to be used for the purposes of acquiring eligible bank assets. It also issues the subordinated debt instruments which are used to provide up to 5% of the acquisition value of acquired bank assets.

#### *National Asset Management Agency Investment Limited ('NAMA IL')*

NAMA IL is the investment holding company for the Master SPV and was established to facilitate the participation of private investors in NAMA.

The Master SPV currently has three subsidiaries and one SPV.

#### *National Asset Management Group Services Limited*

Established as a limited company and acts as the holding company for the three subsidiaries. It is wholly owned by NAML.

#### *National Asset Loan Management Limited*

Established as a limited company and is responsible for the acquisition, holding and management of the eligible bank assets acquired from the participating institutions.

#### *National Asset Property Management Limited*

Established as a SPV, this is the vehicle that will take direct ownership of real property assets if and when required. There is no property held by the Group at present.

#### *National Asset Management Services Limited*

Established as a limited company and is responsible for tax administration and operating bank accounts for the Group. It also acts as the central invoice processor.

### National Treasury Management Agency ('NTMA')

The NTMA provides NAMA with business and support services, and will assign staff to NAMA as deemed necessary. NAMA reimburses the NTMA for the costs of staff and services provided.

# National Asset Management Agency

## 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'. Section 55 of the Act sets out certain financial and other information to be provided in each quarterly report.

The financial information provided in this report includes details of all NAMA group entities for the period to 30 June 2010, and includes accounts for:

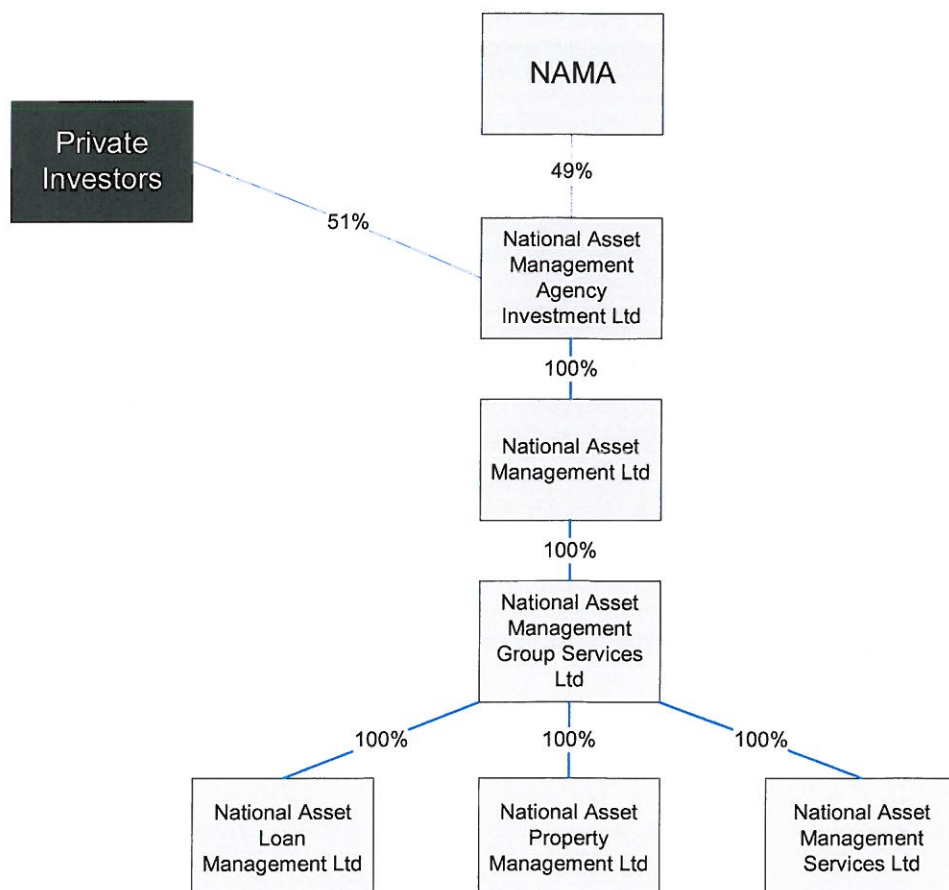
1. The National Asset Management Agency
2. National Asset Management Agency Investment Limited
3. Consolidated accounts of National Asset Management Limited

## Presentation of financial information

The financial information is presented in this quarterly report showing items of income and expenditure for the quarter from 1 April 2010 to 30 June 2010 and also the cumulative results to date from 27 January 2010 (date of incorporation) to 30 June 2010.

The Balance Sheets are presented as at 30 June 2010 and 31 March 2010. The Cash Flow Statement is presented for all cash movements from inception to 30 June 2010.

## Shareholding Structure



# **National Asset Management Agency**

## **Quarterly Accounts for the period to 30 June 2010 for the National Asset Management Agency**

# National Asset Management Agency

## Income statement

For the period to 30 June 2010

	Note	For the period 1 April 2010 to 30 June 2010 €'000	For the period from inception to 30 June 2010 €'000
<b>Income</b>			
Interest income		382	382
Other income	3	3,284	5,479
<b>Total income</b>		<b>3,666</b>	<b>5,861</b>
<b>Expenses</b>			
Agency costs	4	(3,435)	(5,748)
Interest and similar expenses	5	(378)	(386)
<b>Net income/(expense) for period</b>		<b>(147)</b>	<b>(273)</b>

## Balance Sheet as at 30 June 2010

	Note	30 June 2010 €'000	31 March 2010 €'000
<b>Assets</b>			
Investments	6	49,000	49,000
Cash		231	-
Loans and receivables	7	249,882	-
Other receivables	8	5,479	2,195
<b>Total assets</b>		<b>304,592</b>	<b>51,195</b>
<b>Liabilities</b>			
Loans	9	299,378	49,008
Accruals	10	5,361	2,313
<b>Total liabilities</b>		<b>304,739</b>	<b>51,321</b>
<b>Net liabilities</b>		<b>(147)</b>	<b>(126)</b>

The accompanying notes form an integral part of these accounts.

# National Asset Management Agency

## Notes to the Accounts

### 1 General information

The National Asset Management Agency owns 49% of the NAMA group entity National Asset Management Agency Investment Limited. The remaining 51% of the shares are held by institutional investors.

### 2 Summary of significant accounting policies

#### a) Basis of preparation

The Company's accounts for the period to 30 June 2010 have been prepared under international generally accepted accounting principles.

The accounts have been prepared on an accruals basis under the historical cost convention

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

3 Other income	For the period 1 April 2010 to 30 June 2010 €'000	For the period from inception to 30 June 2010 €'000
Costs receivable from National Asset Management Limited	3,284	5,479
4 Agency costs	For the period 1 April 2010 to 30 June 2010 €'000	For the period from inception to 30 June 2010 €'000
Costs reimburseable to the NTMA	3,284	5,479
NAMA Board Fees	151	269
	<b>3,435</b>	<b>5,748</b>

Under Section 42 (4) of the National Asset Management Agency Act, 2009, NAMA shall reimburse the NTMA for the costs incurred by the NTMA in consequence of its assigning staff to NAMA.

NAMA Board fees are paid to Board members other than CEO NTMA and CEO NAMA. During the period from inception to 30 June 2010 €269,000 was paid to NAMA Board members. All amounts due to Board members were fully paid at 30 June 2010.

5 Interest and similar expenses	For the period 1 April 2010 to 30 June 2010 €'000	For the period from inception to 30 June 2010 €'000
Interest payable on advances from the Central Fund	378	386

The Central Fund has been established by the Minister for Finance to provide funding to NAMA to perform its activities in accordance with the Act.



**National Asset Management Agency**  
Notes to the Accounts

<b>6 Investments</b>	<b>30 June 2010</b>	<b>31 March 2010</b>
	<b>€'000</b>	<b>€'000</b>
49,000,000 €0.10 A shares in National Asset Management Agency Investment Limited	<b>49,000</b>	<b>49,000</b>

<b>7 Loans and receivables</b>	<b>30 June 2010</b>	<b>31 March 2010</b>
	<b>€'000</b>	<b>€'000</b>
Loan receivable from National Asset Loan Management Limited	249,500	-
Accrued interest	382	-
	<b>249,882</b>	<b>-</b>

<b>8 Other receivables</b>	<b>30 June 2010</b>	<b>31 March 2010</b>
	<b>€'000</b>	<b>€'000</b>
National Asset Management Limited	<b>5,479</b>	<b>2,195</b>

<b>9 Loans</b>	<b>30 June 2010</b>	<b>31 March 2010</b>
	<b>€'000</b>	<b>€'000</b>
Advances to NAMA from the Central Fund	299,000	49,000
Interest accrued on advances from the Central Fund	378	8
	<b>299,378</b>	<b>49,008</b>

Under Section 46 (2) of the National Asset Management Agency Act 2009 the Minister for Finance may advance to NAMA or a NAMA group entity such sums of money as are necessary for the performance of its functions from the Central Fund.

<b>10 Accruals</b>	<b>30 June 2010</b>	<b>31 March 2010</b>
	<b>€'000</b>	<b>€'000</b>
Costs payable to the NTMA	5,361	2,195
NAMA Board Fees payable	-	118
	<b>5,361</b>	<b>2,313</b>

# **National Asset Management Agency Investment Limited**

**Quarterly Accounts for the period to 30 June 2010 for the National Asset  
Management Agency Investment Limited**

# National Asset Management Agency Investment Limited

## National Asset Management Agency Investment Limited Income Statement

For the period to 30 June 2010

	Note	For the period from 1 April 2010 to 30 June 2010 €'000	For the period from inception to 30 June 2010 €'000
Interest and similar income	3	996	1,029
Interest and similar expenses		-	-
<b>Net interest income</b>		<b>996</b>	<b>1,029</b>
<b>Total operating income</b>		<b>996</b>	<b>1,029</b>
Administration expenses		-	-
<b>Operating profit before income tax</b>		<b>996</b>	<b>1,029</b>
Tax expense	4	(129)	(129)
<b>Profit for the period</b>		<b>867</b>	<b>900</b>

# National Asset Management Agency Investment Limited

## National Asset Management Agency Investment Limited Balance Sheet as at 30 June 2010

	Note	30 June 2010 €'000	31 March 2010 €'000
<b>Assets</b>			
Loans receivable from group entities	6	100,929	100,033
Current tax asset		41	-
<b>Total assets</b>		<b>100,970</b>	<b>100,033</b>
<b>Liabilities</b>			
Amounts due to group entities	7	70	-
<b>Total liabilities</b>		<b>70</b>	<b>-</b>
<b>Equity</b>			
Share capital	8	10,000	10,000
Share premium	8	90,000	90,000
Retained earnings		900	33
<b>Total equity and liabilities</b>		<b>100,970</b>	<b>100,033</b>

The accompanying notes form an integral part of these accounts.

# National Asset Management Agency Investment Limited

## Notes to the Accounts

### 1 General Information

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

The National Asset Management Agency, owns 49% of the Company and the remaining 51% of the shares in the Company are held by institutional investors.

The National Asset Management 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.

Its registered office is Treasury Building, Grand Canal Street, Dublin 2.

### 2 Summary of significant accounting policies

#### 2.1 Basis of preparation

The Company's accounts for the period to 30 June 2010 have been prepared under international generally accepted accounting principles.

The accounts have been prepared on an accruals basis under the historical cost convention.

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

#### 2.2 Income and expenses

Income and expenses are recognised on an accruals basis

3 Interest income	For the period from 1 April 2010 to 30 June 2010	For the period from inception to 30 June 2010
	€'000	€'000
Interest on loans from group entities	996	1,029

4 Tax expense	For the period from 1 April 2010 to 30 June 2010	For the period from inception to 30 June 2010
	€'000	€'000
Interest income on loans from group entities	996	1,029
Tax at 12.5%	(129)	(129)

No tax was accrued at 31 March 2010.

### 5 Investments

National Asset Management Agency Investment Limited holds 100 €1.00 ordinary shares in National Asset Management Limited representing 100% of the issued share capital.

# National Asset Management Agency Investment Limited

## Notes to the Accounts

### 6 Loans receivable from group entities

	30 June 2010 €'000	31 March 2010 €'000
Loan receivable from National Asset Management Limited	99,900	99,900
Loan receivable from National Asset Management Services Limited	-	100
Accrued Interest	1,029	33
	<b>100,929</b>	<b>100,033</b>

National Asset Management Agency Investment Limited issued a loan of €99.9m to National Asset Management Limited at an interest rate of 4% to be reviewed annually.

### 7 Amounts due to group entities

	30 June 2010 €'000	31 March 2010 €'000
Loan receivable from National Asset Management Services Limited	100	-
Loan issued to National Asset Management Services Limited	(170)	-
	<b>(70)</b>	<b>-</b>

The loan issued to National Asset Management Services Limited of €170,000 relates to preliminary tax paid by the National Asset Management Agency Investment Limited on behalf of National Asset Management Services Limited

### 8 Share capital

	Number	€'000
At 30 June 2010		
<u>Authorised:</u>		
A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100
<u>Issued and fully paid during the period:</u>		
A Ordinary shares of € 0.10 each	49,000,000	4,900
B Ordinary shares of € 0.10 each	51,000,000	5,100
Share premium A Ordinary Shares		44,100
Share premium B Ordinary Shares		45,900
	<b>100,000,000</b>	<b>100,000</b>

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

## **National Asset Management Limited (Master SPV)**

**Quarterly Group Accounts for the period to 30 June 2010 for National Asset Management Limited**

## National Asset Management Limited (Master SPV)

### National Asset Management Limited Consolidated Income Statement

For the period to 30 June 2010

		For the period from 1 April 2010 to 30 June 2010 €'000	For the period from inception to 30 June 2010 €'000
	Note		
Interest and similar income	3	91,194	91,252
Interest and similar expenses	4	(14,133)	(14,194)
<b>Net interest income</b>		<b>77,061</b>	<b>77,058</b>
Other operating income	5	2,644	11,615
<b>Total operating income</b>		<b>79,705</b>	<b>88,673</b>
Gains and losses on financial assets and liabilities carried at fair value through profit or loss	6	(60,335)	(61,688)
Administration expenses	7	(7,782)	(14,015)
Other operating expenses	8	(1,767)	(10,738)
Foreign exchange losses	9	(3,808)	(3,260)
<b>Operating profit/(loss) before impairment charges</b>		<b>6,013</b>	<b>(1,028)</b>
Impairment charges on loans and receivables		-	-
<b>Operating profit/(loss) before income tax</b>		<b>6,013</b>	<b>(1,028)</b>
Tax expense		-	-
<b>Profit/(loss) for the period</b>		<b>6,013</b>	<b>(1,028)</b>

The accompanying notes form an integral part of these accounts.



## National Asset Management Limited (Master SPV)

### National Asset Management Limited Consolidated Balance Sheet as at 30 June 2010

	Note	30 June 2010 €'000	31 March 2010 €'000
<b>Assets</b>			
Cash		480,450	100,437
Receivable from participating institutions	10	78,011	2,076
Financial assets at fair value through profit or loss	14	243,311	-
Loans and receivables	11	8,426,678	371,016
Other assets	12	860	14,374
<b>Total assets</b>		<b>9,229,310</b>	<b>487,903</b>
<b>Liabilities</b>			
Interest bearing loans and borrowings	13	249,500	-
Financial liabilities at fair value through profit or loss	14	333,169	1,353
Debt securities in issue	15	8,092,000	352,000
Current income tax liabilities		-	-
Other liabilities	16	130,269	122,591
<b>Total liabilities</b>		<b>8,804,938</b>	<b>475,944</b>
<b>Equity</b>			
Share capital	17	-	-
Subordinated equity instrument	18	425,400	19,000
Retained losses		(1,028)	(7,041)
<b>Total equity and liabilities</b>		<b>9,229,310</b>	<b>487,903</b>

The accompanying notes form an integral part of these accounts.

**National Asset Management Limited**  
**Consolidated statement of cash flows for the period ended 30 June 2010**

	<b>30 June 2010</b> <b>€'000</b>
<b>Cash flow from operating activities</b>	
Cash payments to suppliers of services	(14,317)
Funds advanced to borrowers	(46,612)
Receipts of outstanding loan amounts from borrowers	117,718
NAMA derivative cashflows	73,113
<b>Net cash from operating activities before income tax</b>	<b>129,902</b>
Income taxes paid	(170)
<b>Net cash generated from operating activities</b>	<b>129,732</b>
<b>Net cash used in investing activities</b>	<b>-</b>
<b>Cash flow from financing activities</b>	
Proceeds from issue of share capital	100,000
Loan received from the Central Fund	249,500
<b>Net cash used in financing activities</b>	<b>349,500</b>
<b>Cash and cash equivalents at the beginning of the period</b>	
Net cash provided by operating activities	129,732
Net cash used by investing activities	-
Net cash provided by financing activities	349,500
Effects of exchange-rate changes on cash and cash equivalents	1,218
<b>Cash and cash equivalents at the end of the period</b>	<b>480,450</b>

**National Asset Management Limited**  
**Income Statement by NAMA group entity**

For the period to 1 April 2010 to 30 June 2010

	National Asset Loan Management Limited €'000	National Asset Property Management Limited €'000	National Asset Management Services Limited €'000	National Asset Management Group Services Limited €'000	National Asset Management Limited €'000	Consolidation Adjustments €'000	Consolidated Total €'000
Interest and similar income	91,194	-	-	-	-	-	91,194
Interest and similar expenses	-	-	-	-	(14,133)	-	(14,133)
<b>Net interest income</b>	<b>91,194</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,133)</b>	<b>-</b>	<b>77,061</b>
Other operating income	2,644	-	-	-	-	-	2,644
<b>Total operating income</b>	<b>93,838</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,133)</b>	<b>-</b>	<b>79,705</b>
Gains / (losses) on financial assets and liabilities at fair value through profit or loss	(60,335)	-	-	-	-	-	(60,335)
Administration expenses	(7,782)	-	-	-	-	-	(7,782)
Other operating expenses	(1,767)	-	-	-	-	-	(1,767)
Foreign exchange losses	(3,808)	-	-	-	-	-	(3,808)
<b>Operating profit / (loss) before impairment charges</b>	<b>20,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,133)</b>	<b>-</b>	<b>6,013</b>
Impairment charges on loans and receivables	-	-	-	-	-	-	-
<b>Operating profit / (loss) before income tax</b>	<b>20,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,133)</b>	<b>-</b>	<b>6,013</b>
Tax expense	-	-	-	-	-	-	-
<b>Profit / (Loss) for the period</b>	<b>20,146</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(14,133)</b>	<b>-</b>	<b>6,013</b>

# National Asset Management Limited (Master SPV)

## National Asset Management Limited Income Statement by NAMA group entity

For the period from inception to 30 June 2010

	National Asset Loan Management Limited €'000	National Asset Property Management Limited €'000	National Asset Management Services Limited €'000	National Asset Management Group Services Limited €'000	National Asset Management Limited €'000	Consolidation Adjustments €'000	Consolidated Total €'000
Interest and similar income	91,252	-	-	-	-	-	91,252
Interest and similar expenses	-	-	-	-	(14,194)	-	(14,194)
<b>Net interest income</b>	91,252	-	-	-	(14,194)	-	<b>77,058</b>
Other operating income	11,615	-	-	-	-	-	11,615
<b>Total operating income</b>	<b>102,867</b>	-	-	-	(14,194)	-	<b>88,673</b>
Gains/(losses) on financial assets and liabilities at fair value through profit or loss	(61,688)	-	-	-	-	-	(61,688)
Administration expenses	(14,015)	-	-	-	-	-	(14,015)
Other operating expenses	(10,738)	-	-	-	-	-	(10,738)
Foreign exchange loss	(3,260)	-	-	-	-	-	(3,260)
<b>Operating profit/(loss) before impairment charges</b>	<b>13,166</b>	-	-	-	(14,194)	-	<b>(1,028)</b>
Impairment charges on loans and receivables	-	-	-	-	-	-	-
<b>Operating profit/(loss) before income tax</b>	<b>13,166</b>	-	-	-	(14,194)	-	<b>(1,028)</b>
Tax expense	-	-	-	-	-	-	-
<b>Profit/(Loss) for the period</b>	<b>13,166</b>	-	-	-	(14,194)	-	<b>(1,028)</b>

# National Asset Management Limited (Master SPV)

## National Asset Management Limited Balance Sheet by NAMA group entity as at 30 June 2010

Assets	National Asset Loan Management Limited €'000	National Asset Property Management Limited €'000	National Asset Management Services Limited €'000	National Asset Management Group Services Limited €'000	National Asset Management Limited €'000	Consolidation Adjustments €'000	Consolidated Total €'000
Cash	-	-	480,450	-	-	-	480,450
Receivable from participating institutions	78,011	-	-	-	-	-	78,011
Financial assets at fair value through profit or loss	243,311	-	-	-	-	-	243,311
Loans and receivables	8,426,678	-	-	-	-	-	8,426,678
Other assets	442,514	-	61,373	8,517,400	8,617,300	(17,637,727)	860
<b>Total assets</b>	<b>9,190,514</b>	<b>-</b>	<b>541,823</b>	<b>8,517,400</b>	<b>8,617,300</b>	<b>(17,637,727)</b>	<b>9,229,310</b>
<b>Liabilities</b>							
Interest bearing loans and borrowings	249,500	-	-	-	-	-	249,500
Financial liabilities at fair value through profit or loss	333,169	-	-	-	-	-	333,169
Debt securities in issue	-	-	-	-	8,092,000	-	8,092,000
Current income tax liabilities	-	-	-	-	-	-	-
Other liabilities	8,594,679	-	541,823	8,517,400	114,094	(17,637,727)	130,269
<b>Total liabilities</b>	<b>9,177,348</b>	<b>-</b>	<b>541,823</b>	<b>8,517,400</b>	<b>8,206,094</b>	<b>(17,637,727)</b>	<b>8,804,938</b>
<b>Equity</b>							
Share capital	-	-	-	-	-	-	-
Subordinated equity	-	-	-	-	425,400	-	425,400
Retained earnings	13,166	-	-	-	(14,194)	-	(1,028)
<b>Total equity and liabilities</b>	<b>9,190,514</b>	<b>0</b>	<b>541,823</b>	<b>8,517,400</b>	<b>8,617,300</b>	<b>(17,637,727)</b>	<b>9,229,310</b>

# National Asset Management Limited (Master SPV)

## National Asset Management Limited Balance Sheet by NAMA group entity at 31 March 2010

	National Asset Loan Management Limited €'000	National Asset Property Management Limited €'000	National Asset Management Services Limited €'000	National Asset Management Group Services Limited €'000	National Asset Management Limited €'000	Consolidation Adjustments €'000	Consolidated Total €'000
<b>Assets</b>							
Cash	-	-	100,437	-	-	-	100,437
Receivable from Participating Institutions	2,076	-	-	-	-	-	2,076
Loans and receivables	371,016	-	-	-	-	-	371,016
Other assets	14,818	0	7	371,000	470,900	(842,351)	14,374
<b>Total assets</b>	<b>387,910</b>	<b>0</b>	<b>100,444</b>	<b>371,000</b>	<b>470,900</b>	<b>(842,351)</b>	<b>487,903</b>
<b>Liabilities</b>							
Interest Bearing Loans and Borrowings	-	-	-	-	-	-	-
Financial liabilities at fair value through profit or loss	1,353	-	-	-	-	-	1,353
Debt Securities in Issue	-	-	-	-	352,000	-	352,000
Provisions	-	-	-	-	-	-	-
Current income tax liabilities	-	-	-	-	-	-	-
Deferred income tax liabilities	-	-	-	-	-	-	-
Other liabilities	393,537	-	100,444	371,000	99,961	(842,351)	122,591
<b>Total liabilities</b>	<b>394,890</b>	<b>-</b>	<b>100,444</b>	<b>371,000</b>	<b>451,961</b>	<b>(842,351)</b>	<b>475,944</b>
<b>Equity</b>							
Share Capital	-	-	-	-	19,000	0	19,000
Retained earnings	(6,980)	-	-	-	(61)	-	(7,041)
<b>Total equity and liabilities</b>	<b>387,910</b>	<b>0</b>	<b>100,444</b>	<b>371,000</b>	<b>470,900</b>	<b>(842,351)</b>	<b>487,903</b>

# National Asset Management Limited (Master SPV)

## 1 General Information

The Company's immediate parent company is National Asset Management Agency Investment Limited. The Group is ultimately controlled through the existence of a public interest veto exercisable by the National Asset Management Agency, which owns 49% of the Group's immediate parent. The remaining 51% of the shares in the Group's parent company are held by institutional investors.

The address of its registered office is Treasury Building, Grand Canal Street, Dublin 2.

## 2 Summary of significant accounting policies

### (a) *Basis of preparation*

The Group's consolidated accounts for the period to 30 June 2010 are presented under international generally accepted accounting principles.

The consolidated accounts have been prepared under the historical cost convention, except for loans and receivables which are carried at amortised cost, financial assets and financial liabilities at fair value through profit or loss and all derivative contracts which have been measured at fair value.

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

The preparation of these accounts requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Changes in assumptions may have a significant impact on the accounts in the period the assumptions change. Management believes that the underlying assumptions are appropriate and that the Group's accounts therefore present the financial position and results fairly.

### (b) *Consolidation*

The consolidated accounts of the Group comprise the accounts of the parent entity and all consolidated subsidiaries, including certain special purpose entities as of the period end date.

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

Unless otherwise stated, the Group has a 100% holding in all subsidiaries.

### (c) *Financial assets – Loans and receivables*

The Group allocates financial assets to the following categories: financial assets at fair value through profit or loss and loans and receivables. The Group determines the classification of financial assets at initial recognition.

#### *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- (a) those that the Group intends to sell immediately or in the short term, which are classified as held for trading, and those that the entity upon initial recognition designates as at fair value through profit or loss;
- (b) those that the Group upon initial recognition designates as available for sale; or
- (c) those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration.

## National Asset Management Limited (Master SPV)

Loans and receivables are initially recognised at fair value. The fair value of loans and receivables acquired from participating institutions has been calculated based on a single valuation methodology performed by a panel of independent loan asset valuers with oversight provided by an independent audit coordinator.

The valuation methodology uses the concept of long term economic value of the loan/underlying security and this is reflected in the acquisition price paid by NAMA. Consideration paid for the acquisition value is in the form of senior and subordinated bonds issued to participating institutions equal to the acquisition value (to the nearest €1,000,000) of purchased loans and receivables.

The acquired value of the loan and receivable is adjusted to reflect the change in the loan balance between the valuation date and the acquisition date. Any amount due from or to the Participating Institution for this period is settled by cash.

Loans and receivables acquired are subsequently measured at amortised cost using the effective interest rate method.

### **(d) Financial assets and liabilities at fair value through profit or loss**

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

#### *Borrower derivatives*

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

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

Borrower derivatives comprise interest rate, inflation and currency derivatives. Fair value is determined using a valuation technique, comprising a mark to market and a counterparty valuation adjustment. The fair value is derived from observable market data for similar financial instruments, using inputs such as Euribor and Libor yield curves, par interest and inflation swap rates FX rate, volatilities and counterparty credit spreads that existed at the reporting date. The fair value is adjusted for by taking account of counterparty credit risk as a measure of borrower credit rating.

#### *NAMA derivatives*

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

### **(e) Financial liabilities**

The Group has two categories of financial liabilities – those that are carried at amortised cost and those that are carried at fair value through profit or loss (see 2d). The Group has categorised all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are classified as held for trading and are carried at fair value through profit



## National Asset Management Limited (Master SPV)

or loss.

### **(f) Derecognition**

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

### **(g) Interest income and expense**

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in the income statement using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

### **(h) Cash and cash equivalents**

Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks with original maturities of three months or less.

### **(i) Debt and equity instruments**

Debt and equity instruments are classified as either liabilities or as equity in accordance with the requirements of IAS 32. The classification of instruments as a financial liability or an equity instrument is dependent upon the nature of the contractual arrangement. 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 within equity. The coupon payments on these instruments are recognised directly in equity.

### **(j) Share capital**

#### **(i) Share issue costs**

Incremental costs directly attributable to the issue of new shares or options or to the acquisition of a business are shown in equity as a deduction, net of tax, from the proceeds.

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

Dividends on ordinary shares are recognised in equity in the period in which they are approved by the Company's shareholders. Dividends for the year that are declared after the date of the consolidated Balance Sheet are dealt with in the subsequent events note.

#### **(iii) Subordinated equity instrument**

Equity includes perpetual subordinated bonds that meet the definition of an equity instrument. Coupon payments on these instruments are reflected directly in equity when they become due.

## National Asset Management Limited (Master SPV)

<b>3 Interest and similar income</b>	<b>For the period from 1 April 2010 to 30 June 2010 €'000</b>	<b>For the period from inception to 30 June 2010 €'000</b>
Income and gains - Loans and advances to customers	91,163	91,221
Bank interest	31	31
<b>Total interest income</b>	<b>91,194</b>	<b>91,252</b>

<b>4 Interest and similar expenses</b>	<b>For the period from 1 April 2010 to 30 June 2010 €'000</b>	<b>For the period from inception to 30 June 2010 €'000</b>
Debt securities in issue	13,137	13,165
Interest bearing loans and borrowings	996	1,029
	<b>14,133</b>	<b>14,194</b>

<b>5 Other operating income</b>	<b>For the period from 1 April 2010 to 30 June 2010 €'000</b>	<b>For the period from inception to 30 June 2010 €'000</b>
Release of prepaid acquisition costs	2,644	11,615

Prepaid acquisition costs relate to costs incurred in relation to valuation, legal, audit and other property related costs that are reimbursed from participating institutions following the transfer of assets to NAMA.

<b>6 Gains and losses on financial assets and liabilities at fair value through profit or loss</b>	<b>For the period from 1 April 2010 to 30 June 2010 €'000</b>	<b>For the period from inception to 30 June 2010 €'000</b>
Borrower derivatives	62,513	62,513
NAMA derivatives	(122,848)	(124,201)
	<b>(60,335)</b>	<b>(61,688)</b>

Gains and losses on borrower derivatives represents the fair value movement on borrower derivatives from acquisition date to reporting date net of a credit adjustment to reflect the credit risk exposure to borrowers. Losses on NAMA derivatives represents the fair value movement on NAMA derivatives that are in place to hedge NAMA's exposure to interest rate and currency risk from bank assets acquired and debt securities issued.

## National Asset Management Limited (Master SPV)

<b>7 Administration expenses</b>	<b>For the period from 1 April 2010 to 30 June 2010 €'000</b>	<b>For the period from inception to 30 June 2010 €'000</b>
Costs reimbursable to NTMA	3,284	5,479
Master and primary servicer fees	2,056	3,097
Legal and tax fees	471	777
Financial adviser and secondment fees	1,971	4,663
	<b>7,782</b>	<b>14,015</b>
<b>8 Other operating expenses</b>	<b>For the period from 1 April 2010 to 30 June 2010 €'000</b>	<b>For the period from inception to 30 June 2010 €'000</b>
Due diligence costs for loan acquisitions	1,767	10,738
<b>9 Foreign exchange gains and losses</b>	<b>For the period from 1 April 2010 to 30 June 2010 €'000</b>	<b>For the period from inception to 30 June 2010 €'000</b>
FX gains/(losses) on loans and receivables	132,045	132,593
FX gains/(losses) on NAMA currency derivatives	(135,853)	(135,853)
	<b>(3,808)</b>	<b>(3,260)</b>

Following the transfer of assets from participating institutions, NAMA entered into currency transactions to reduce its exposure to exchange rate fluctuations arising on foreign denominated loans and receivables acquired.

<b>10 Amounts due from participating institutions</b>	<b>30 June 2010 €'000</b>	<b>31 March 2010 €'000</b>
Amounts due from participating institutions	<b>78,011</b>	<b>2,076</b>

Amounts due from participating institutions relates to net movements that occurred on borrower exposures between bank assets' valuation date and acquisition date. Any amount due to or from the participating institution for this period is settled in cash.

## National Asset Management Limited (Master SPV)

### 11 Loans and advances to customers

	30 June 2010 €'000 Nominal	30 June 2010 €'000 NAMA	31 March 2010 €'000 Nominal	31 March 2010 €'000 NAMA
Anglo – Loans acquired	9,979,323	4,586,244	-	-
AIB – Loans acquired	3,288,150	1,905,548	-	-
BOI – Loans acquired	2,259,957	1,542,049	-	-
INBS – Loans acquired	706,364	288,656	670,293	280,222
EBS – Loans acquired	159,500	104,241	144,064	90,794
	<b>16,393,294</b>	<b>8,426,678</b>	<b>814,357</b>	<b>371,016</b>

### 12 Other assets

	30 June 2010 €'000	31 March 2010 €'000
Due diligence costs receivable	-	14,374
VAT receivable	673	-
Other assets	187	-
<b>Total other receivables</b>	<b>860</b>	<b>14,374</b>

Other assets includes inter-group receivables and items in the course of collection.

### 13 Interest bearing loans and borrowings

	30 June 2010 €'000	31 March 2010 €'000
Loan payable to the National Asset Management Agency	249,500	-
	<b>249,500</b>	<b>-</b>

### 14 Financial assets and liabilities at fair value through profit or loss

	30 June 2010 €'000	31 March 2010 €'000
Derivative assets – interest rate and inflation linked swaps	243,311	-
Derivative liabilities – interest rate swaps	(180,390)	(1,353)
Derivative liabilities – cross currency swaps	(152,778)	-
	<b>(333,168)</b>	<b>(1,353)</b>

Financial assets and liabilities at fair value through profit or loss comprise derivative financial assets and liabilities. The Group has entered certain foreign currency swaps and interest rate swaps to hedge its exposure to foreign currency risk and interest rate risk arising from assets acquired from participating institutions. Derivatives are measured at fair value through profit or loss, with all gains and losses being accounted for immediately in profit or loss.

## National Asset Management Limited (Master SPV)

### 15 Debt Securities in issue

	INBS €'000	EBS €'000	BOI €'000	AIB €'000	Anglo €'000	Total €'000
In issue at the start of the period	-	-	-	-	-	-
€ Floating rate notes, due 2011						
– 6 months Euribor issued on 29 March 2010	266,000	86,000	-	-	-	352,000
€ Floating rate notes, due 2011						
– 6 months Euribor issued on 2 April 2010	-	-	1,199,000	-	-	1,199,000
€ Floating rate notes, due 2011						
– 6 months Euribor issued on 6 April 2010	-	-	-	1,810,000	-	1,810,000
€ Floating rate notes, due 2011						
– 6 months Euribor issued on 3 May 2010	-	-	-	-	1,246,000	1,246,000
€ Floating rate notes, due 2011						
– 6 months Euribor issued on 10 May 2010	-	7,000	-	-	2,703,000	2,710,000
€ Floating rate notes, due 2011						
– 6 months Euribor issued on 28 June 2010	-	-	273,000	-	502,000	775,000
In issue at the end of the period	<b>266,000</b>	<b>93,000</b>	<b>1,472,000</b>	<b>1,810,000</b>	<b>4,451,000</b>	<b>8,092,000</b>

The above are all Government Guaranteed Floating Rate Notes that were issued as part consideration (95%) of the acquired loan portfolio from the participating institutions. Interest resets to the prevailing market interest rate on the notes every 6 months.

Notes will be issued on each acquisition date and on each maturity date if the issuer elects to physically settle existing Notes with new Notes. Any new such Notes will be issued on the same terms as the existing Notes at prevailing market interest rates.

The Notes may be issued with an extendable maturity at the option of the Issuer, which extension may be exercised upon not less than 30 business days notice to holders. As the Notes maturity can only be extended at the prevailing market interest rate at the time of the extension, the option to extend is clearly and closely related to the host contract (the Floating Rate Notes), and as such is not separated and separately measured.

## National Asset Management Limited (Master SPV)

<b>16 Other liabilities</b>	<b>30 June 2010 €'000</b>	<b>31 March 2010 €'000</b>
Prepayment of acquisition costs	4,972	6,146
Accrued expenses	10,387	16,412
Professional services withholding tax	716	-
Accrued interest on debt securities in issue	13,165	-
Loans due to group entities	101,029	100,033
	<b>130,269</b>	<b>122,591</b>

The prepayment of acquisition costs above refer to due diligence costs (0.25% of the long-term economic value of the property) that the group has incurred upon acquiring the portfolio of loans from the participating institutions. The Group is entitled to recover these costs from the participating institutions as per the National Asset Management Agency Act 2009 and regulations published by the Minister for Finance on 5 March 2010. Although the Group has not compensated all various third parties for said costs, the participating institutions compensate the group upfront for these costs in the form of reduced consideration.

It is the policy of the group to match the prepayment from the participating institutions with the subsequent payment of the acquisition costs in the income statement when the payment of the acquisition costs occurs.

## 17 Share capital

<b>National Asset Management Limited (Group)</b>	<b>Number</b>	<b>€</b>
At 30 June 2010		
<u>Authorised:</u>		
Ordinary shares of € 1 each	1,000	1,000
<u>Issued and fully paid during the period:</u>		
Ordinary shares of € 1 each	100	100
Subordinated equity instrument (Note 16)	-	425,400,000
	<b>100</b>	<b>425,400,000</b>

## National Asset Management Limited (Master SPV)

### 18 Subordinated equity instrument

	INBS €'000	EBS €'000	BOI €'000	AIB €'000	Anglo €'000	Total €'000
In issue at the start of the period	-	-	-	-	-	-
€ Subordinated Bonds, Perpetual issued on 29 March 2010	14,000	5,000	-	-	-	19,000
€ Subordinated Bonds, Perpetual issued on 2 April 2010	-	-	63,000	-	-	63,000
€ Subordinated Bonds, Perpetual issued on 6 April 2010	-	-	-	95,000	-	95,000
€ Subordinated Bonds, Perpetual issued on 3 May 2010	-	-	-	-	66,000	66,000
€ Subordinated Bonds, Perpetual issued on 10 May 2010	-	400	-	-	142,000	142,400
€ Subordinated Bonds, Perpetual issued on 28 June 2010	-	-	14,000	-	26,000	40,000
In issue at the end of the period	14,000	5,400	77,000	95,000	234,000	425,400

The above are Callable Perpetual Subordinated Bonds that were issued as part compensation (5%) of the acquired loan portfolio from the participating institutions.

The interest rate on the instruments is the 10 year Irish Government yield at the first issue date of the Bonds, plus 75 basis points. Interest may be paid annually, however the coupon is declared at the option of the issuer. Coupons not declared in any year will not accumulate.

Although the Bonds are perpetual in nature, the Issuer may call the bonds on the first call date (which is 10 years from the first issue date), and every Interest Payment date thereafter (regardless of whether interest is to be paid or not). The Bonds will be redeemed in full at par without undeclared interest at the discretion of the Board based on the performance of the National Asset Management Agency.

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.

