



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

For the quarter ended 31 December 2011

National Asset Management Agency

Contents

Board and other information	2
General information	3-5
National Asset Management Agency	6
Income statement	7
Balance sheet	7
Notes to the accounts	8-10
National Asset Management Agency Investment Limited	11
Income statement	12
Balance sheet	13
Notes to the accounts	14-16
National Asset Management Limited	17
Consolidated income statement	18
Consolidated balance sheet	19
Consolidated statement of cash flows	20
Notes to the accounts	21-33
Income statement by NAMA group entity	34-35
Balance sheet by NAMA group entity	36-37

National Asset Management Agency

Board and other information

Board

Frank Daly (Chairman)
Michael Connolly (resigned 25 November 2011)
Eilish Finan
Brian McEnery
Steven Seelig
Willie Soffe
Peter Stewart (resigned 10 October 2011)
John Mulcahy (appointed 7 March 2012)
Brendan McDonagh, Chief Executive NAMA
John Corrigan, Chief Executive NTMA

Registered Office

Treasury Building
Grand Canal Street
Dublin 2

Bankers

Central Bank of Ireland
Dame Street
Dublin 2

Citibank
IFSC
Dublin 1

Auditor

Comptroller & Auditor General
Dublin Castle
Dublin 2

National Asset Management Agency

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, and operates in accordance with the NAMA Act 2009 ('the Act').

The main purpose of NAMA is to acquire assets in the form of property related loans from credit institutions which have been designated by the Minister for Finance as Participating Institutions under Section 67 of the Act. The Participating Institutions are: Allied Irish Banks, p.l.c. (AIB), Irish Bank Resolution Corporation (IBRC) (formerly Anglo Irish Bank Corporation Limited (Anglo) and Irish Nationwide Building Society (INBS)), Bank of Ireland (BOI) and EBS Building Society (EBS). On 1 July 2011 AIB completed the acquisition of EBS.

Group structure

In accordance with the Act and to achieve its objectives, the Agency has set up certain special purpose vehicles ('SPV'). These are known as NAMA Group Entities. The relationship between the NAMA Group entities is summarised in Chart 1 on page 4. The SPVs established are as follows;

National Asset Management Agency Investment Limited (NAMAIL)

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

NAMA has invested €49m in NAMAIL, receiving 4,900 A ordinary shares. The remaining €51m was invested in NAMAIL by private investors, each receiving an equal share of 5,100 B ordinary shares. Under the terms of a shareholders' agreement between NAMA, the private investors and NAMAIL, NAMA can exercise a veto over decisions taken by NAMAIL. As a result of this veto, the private investors' ability to control the financial and operating policies of the entity is restricted and NAMA has effective control of the company.

National Asset Management Limited (NAML)

NAML is responsible for issuing the Government guaranteed debt instruments, and the subordinated debt, which are used as consideration in acquiring loan assets from the Participating Institutions. The Government guaranteed debt securities issued by NAML are listed on the Irish Stock Exchange (ISE). Both the Government guaranteed debt instruments and the subordinated debt instruments are transferred to National Asset Management Group Services Limited (NAMGS Ltd) and by it to National Asset Loan Management Limited (NALM Ltd). The latter uses these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

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

National Asset Management Group Services Limited (NAMGS Ltd)

NAMGS Ltd acts as the holding company for its three subsidiaries, National Asset Loan Management Limited, National Asset Property Management Limited and National Asset Management Services Limited.

NAMGS Ltd acquires the debt instruments issued by NAML Ltd under a profit participating loan (PPL) agreement, and in turn, makes these debt instruments available to NALM on similar terms.

NAMGS Ltd is wholly owned by NAML.

National Asset Loan Management Limited (NALM Ltd)

The purpose of NALM Ltd is to acquire, hold, and manage the loan assets acquired from the Participating Institutions.

National Asset Property Management Limited (NAPM Ltd)

The purpose of NAPM Ltd is to take direct ownership of real property assets if and when required. During the year, certain land and development sites were acquired as consideration for guarantees held by NALM Ltd. At the reporting date these properties are held in NALM Ltd.

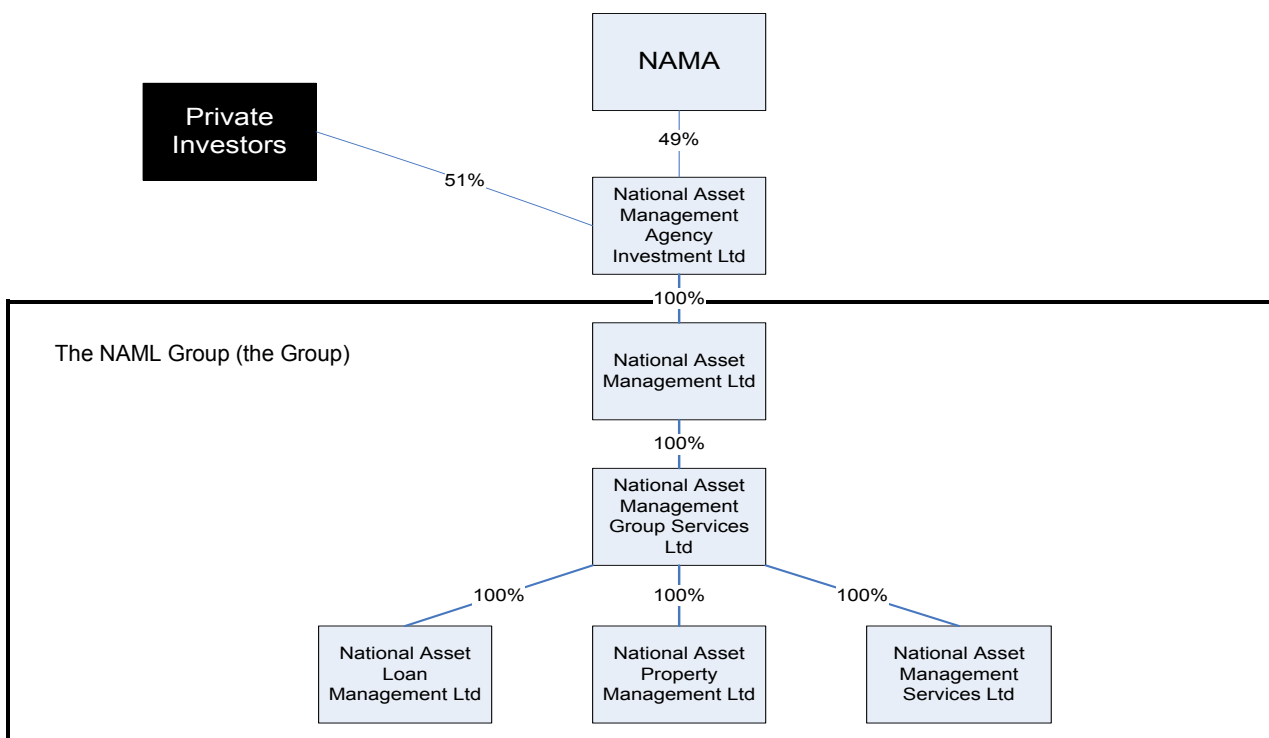
National Asset Management Services Limited (NAMS Ltd)

NAMS Ltd is a non-trading entity and has no activity at present. During 2011 all accounts of NAMS were transferred to their beneficial owner, NALM Ltd.

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.

National Asset Management Agency

Chart 1 NAMA Group Entities



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.

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. This financial information is unaudited and so may be subject to some further change to arrive at the final 31 December 2011 audited position.

The financial information for all entities is presented showing items of income and expenditure for the quarter from 1 October 2011 to 31 December 2011 and also the cumulative results from 1 January 2011 to 31 December 2011.

The balance sheets are presented as at 31 December 2011 and 30 September 2011. The cash flow statements for the NAML Group only are presented for all cash movements for the quarter from 1 October 2011 to 31 December 2011 and also the cash movements to date from 1 January 2011 to 31 December 2011.

The financial information provided in this report includes details of all NAMA Group Entities and includes accounts for:

1. The National Asset Management Agency (non-consolidated)
2. National Asset Management Agency Investment Limited (non-consolidated)
3. Consolidated accounts of National Asset Management Limited

National Asset Management Agency

Annual Financial Report

In accordance with Section 57 of the Act, NAMA and each NAMA group entity shall submit its accounts to the Comptroller and Auditor General (C&AG) for audit within two months after the end of the financial year to which they relate. On 29 February 2012, NAMA submitted for audit draft NAMA accounts and draft IFRS accounts for the year ended 31 December 2011 for all NAMA Group entities to the C&AG for audit. The audit of these accounts is ongoing at the date of completion of these quarterly accounts.

Actual audited results of the full year accounts will differ from quarterly management accounts, in particular regarding the following areas;

- **Impairment**

An estimated impairment charge of €810m has been included as part of the quarterly accounts (total charge 2010: €1.48bn). A detailed impairment assessment is currently ongoing with NAMA management. The results of the impairment assessment will be considered by the C&AG, NAMA's external auditor, and the NAMA Board. A final impairment provision will be included in the full year consolidated accounts of NAMA, NAMAIL and NAML on finalisation of the audit of the annual financial report.

- **Income**

Certain amendments may be made to income on loans and receivables as a result of the final impairment assessment, in accordance with the related accounting policy.

The National Asset Management Agency (the Agency)

The Agency (non-consolidated) reported a loss for the quarter of €0.4m (quarter 3: €0.3m).

The Agency incurs all administrative costs on behalf of the NAML Group for personnel and services such as Finance, ICT, HR and Risk, which are charged to it by the NTMA. These costs are reimbursed to the Agency by the NAML Group. The total charge to the Agency by the NTMA in the quarter was €8.3m (quarter 3: €6.5m), of which €6.1m related to salary costs (quarter 3: €5.3m). Board and Advisory Committee fees of the Group are incurred directly by the Agency and are not reimbursed by the NAML Group. Board fees for the quarter were €0.124m (quarter 3: €0.139m).

NAMA has a €49m investment in NAMAIL, representing a 49% ownership in NAMAIL and the NAML Group. The Agency initially funded this investment with a loan of €49m from the Exchequer. The loan together with accrued interest was repaid to the Exchequer on 25 February 2011. On the same day, NALM Ltd provided a loan of €52m to the Agency at an interest rate set at six month Euribor.

National Asset Management Agency Investment Limited (NAMAIL)

NAMAIL made a profit after tax of €2.6m in the quarter (quarter 3: €2.8m). The company provided an inter company loan of €99.9m to the NAML Group on 1 April 2010. The interest rate on the loan for the quarter was 12.5%.

The company paid a dividend of €0.09987 per share amounting to €5.093m on 31 March 2011, from its retained earnings.

Consolidated accounts of National Asset Management Limited (NAML Group)

The NAML Group made an operating profit (pre-impairment) of €325.8m in the quarter (quarter 3: €317.4m). The operating profit is primarily generated by NALM Ltd as the entity that acquires the loans and associated derivatives.

Further details of the income statements and balance sheets by NAMA Group Entity are provided on pages 34-37.

Unaudited Quarterly Accounts of the National Asset Management Agency

For the quarter ended 31 December 2011

National Asset Management Agency

Income Statement

	Note	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Income			
Interest income		3	16
Other income	3	8,601	27,524
Total income		8,604	27,540
Expenses			
Agency costs	4	8,725	28,082
Interest expense	5	267	813
Total expenses		8,992	28,895
Reported loss		(388)	(1,355)

Balance Sheet

	Note	31 Dec 2011 €'000	30 Sep 2011 €'000
Assets			
Investment in subsidiary	6	49,000	49,000
Cash		1,623	1,741
Other receivables	7	2,320	6,514
Property, plant and equipment	8	904	859
Total assets		53,847	58,114
Liabilities			
Intergroup payables	9	54,065	53,312
Other liabilities	10	1,571	6,203
Total liabilities		55,636	59,515
Net liabilities		(1,789)	(1,401)

The accompanying notes 1 to 10 form an integral part of these accounts.

National Asset Management Agency

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 private investors.

2. Summary of significant accounting policies

2.1 Basis of preparation

The Agency's accounts for the period to 31 December 2011 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of S55 of the Act.

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

2.2 Basis of measurement

The accounts have been prepared under the historical cost convention.

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

2.3 Investment in subsidiary

Investments in subsidiary is accounted for at cost less impairment.

2.4 Cash and cash equivalents

Cash comprises cash on hand.

2.5 Property, plant and equipment

Fixtures and fittings are stated at historical cost less any impairment losses and depreciation calculated to write-off the assets over their estimated useful life. Fixtures and fittings are depreciated over a useful life of 10 years on a straight-line basis.

2.6 Financial liabilities

The Agency carries all financial liabilities at amortised cost.

3 Other income

	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Costs reimbursed from NAML Group	<u>8,601</u>	<u>27,524</u>

These relate to salary costs, overheads and rent expense which are incurred by NAMA (see note 4), and reimbursed to NAMA by its Group entities. Board fees paid by NAMA are not reimbursed.

4 Agency costs

	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Costs reimbursable to the NTMA	8,393	26,668
NAMA Board and Advisory Committee Fees	124	558
Depreciation charge	86	86
Rent expense	122	770
	<u>8,725</u>	<u>28,082</u>

National Asset Management Agency

Under Section 42 (4) of the National Asset Management Agency Act, 2009, 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 4.1 below for further breakdown of such costs.

NAMA Board and Advisory Committee fees are paid to Board members other than Brendan McDonagh (Chief Executive) and John Corrigan (NTMA Chief Executive), who serve as ex officio members of the Board and receive no payment for this role. John Mulcahy was appointed to the Board on 7 March 2012, he receives no payment for this role.

	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
4.1 Costs reimbursable to NTMA	
Staff costs	20,961
Overheads	5,707
Total	26,668

	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
5 Interest expense		
Interest paid on advances from the Central Fund	-	93
Interest payable on inter-group loan	267	720
	267	813

On 26 March 2010 the Central Fund provided a loan of €49m to the Agency. The loan and all accrued interest was repaid to the Central Fund on 25 February 2011. On the same day, a loan of €52m was advanced from a Group company (NALM Ltd). Interest is payable on this loan at the six month Euribor rate.

	31 Dec 2011 €'000	30 Sep 2011 €'000
6 Investment in subsidiary		
49,000,000 ordinary A shares in National Asset Management Agency Investment Limited	49,000	49,000

	31 Dec 2011 €'000	30 Sep 2011 €'000
7 Other receivables		
Costs reimbursable from NAML	1,000	6,514
Receivable from Group entity for rent paid	954	-
Prepayment for rent for Q 1 2012	245	-
Other receivables	121	-
Total	2,320	6,514

	31 Dec 2011 €'000	30 Sep 2011 €'000
8 Property, plant and equipment		
Lease fit out costs	904	859

The fixed assets relates to lease fit out costs incurred to date, including retention payment due in early 2012. The asset is depreciated on a straight line basis at rate of 10% per annum.

National Asset Management Agency

9 Intergroup payables	31 Dec 2011	30 Sep 2011
	€'000	€'000
Inter-group loan	52,000	52,000
Interest payable on inter-group loan	720	453
Costs payable to NAML	1,345	859
Total	54,065	53,312

€49m was advanced by the Exchequer to the Agency on 29 March 2010 to fund its investment in NAMA IL. The loan of €49m plus accrued interest of €0.473m was repaid to the Exchequer on 25 February 2011. On the same day €52m was advanced from NALM Ltd to the Agency. The interest rate is set at the six month euribor.

10 Other liabilities	31 Dec 2011	30 Sep 2011
	€'000	€'000
Costs payable to the NTMA	1,000	6,203
Other liabilities	571	-
Total	1,571	6,203

Included in other liabilities is a rent free provision and retention costs payable on the completion of the fit out costs.

**Unaudited Quarterly Accounts for National Asset Management Agency
Investment Limited**

For the quarter ended 31 December 2011

National Asset Management Agency Investment Limited

Income Statement

		For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
	Note		
Interest income	3	3,018	12,487
Interest expense		-	-
Net interest income		<u>3,018</u>	<u>12,487</u>
Administration expenses		-	-
Operating profit before income tax		<u>3,018</u>	<u>12,487</u>
Tax expense	4	<u>(377)</u>	<u>(1,561)</u>
Profit after income tax		<u>2,641</u>	<u>10,926</u>
Dividend paid	5	-	(5,093)
Retained profit for the period		<u>2,641</u>	<u>5,833</u>

The accompanying notes 1 to 10 form an integral part of these accounts.

National Asset Management Agency Investment Limited

Balance Sheet

		31 Dec 2011	30 Sep 2011
	Note	€'000	€'000
Assets			
Investment in subsidiary	6	-	-
Intra-group receivables	7	115,390	112,372
Total assets		115,390	112,372
Liabilities			
Intra-group payables	8	6,775	5,559
Current tax liability		155	994
Total liabilities		6,930	6,553
Equity			
Share capital	9	10,000	10,000
Share premium	9	90,000	90,000
Retained earnings	10	8,460	5,819
Total equity and liabilities		115,390	112,372

The accompanying notes 1 to 10 form an integral part of these accounts.

National Asset Management Agency Investment Limited

1 General Information

National Asset Management Agency Investment Limited was incorporated 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 period to 31 December 2011 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of S55 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 accounts 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 Intergroup receivables

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

Loans and receivables are subsequently held at amortised cost.

2.4 Inter-group payables

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

2.5 De-recognition of financial assets and financial liabilities

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

2.6 Taxation

Current income tax

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

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

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

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

National Asset Management Agency Investment Limited

2.7 Share capital

(a) Dividends on ordinary shares

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

3 Interest income	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Interest income earned on inter-group loan	<u>3,018</u>	<u>12,487</u>

On 1 April 2010, the Company provided a loan of €99.9m to National Asset Management Limited. From 1 January 2011 the interest rate on the loan was set at 12.5% for the year.

4 Tax expense	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Profit before tax	3,018	12,487
Tax at 12.5%	<u>377</u>	<u>1,561</u>

5 Dividend declared and paid	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Dividend paid	<u>-</u>	<u>5,093</u>

On 31 March 2011 the Board declared and approved a dividend payment of €0.09987 per share, amounting to €5.093m. The amount of dividend per share was based on the ten year Irish government bond yield as at 31 March 2011. The dividend was paid to the holders of B ordinary shares only, the private investors, who have an ownership of 51% in the Company. No dividend was paid to the A ordinary shareholders (NAMA the Agency, who has a 49% ownership in the Company).

6 Investment in subsidiary

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

7 Intra-group receivables	31 Dec 2011 €'000	30 Sep 2011 €'000
Loan receivable from NAML	99,900	99,900
Accrued interest on inter-group loan	15,490	12,472
	<u>115,390</u>	<u>112,372</u>

8 Intra-group payables	31 Dec 2011 €'000	30 Sep 2011 €'000
Amounts due from NALM Ltd	(100)	(100)
Amounts due to NALM Ltd	6,875	5,659
	<u>6,775</u>	<u>5,559</u>

The amounts due to NALM Ltd primarily relate to the dividend payment of €5.093m made by NALM Ltd on behalf of NAMAIL. The balance relates to preliminary tax paid by NALM Ltd on behalf of NAMAIL.

National Asset Management Agency Investment Limited

9 Share capital and share premium	Number	€'000
At 31 December 2011		
<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
<hr/>		
<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
	100,000,000	100,000
<hr/>		

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

10 Retained earnings	31 Dec 2011	30 Sep 2011
	€'000	€'000
At the beginning of the quarter	5,819	3,026
Profit for the quarter	2,641	2,793
At the end of the quarter	8,460	5,819
	<hr/>	<hr/>

National Asset Management Limited

Unaudited Consolidated Quarterly Accounts of National Asset Management Limited

For the quarter ended 31 December 2011

National Asset Management Limited

Consolidated Income Statement

	Note	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Interest and similar income	3	412,991	1,282,724
Interest and similar expenses	4	(143,623)	(524,844)
Net interest income		269,368	757,880
Realised gains on loans and receivables	5	173,288	306,116
Gains / (losses) on derivative financial instruments	6	32,165	24,312
Total operating income		474,821	1,088,308
Administration expenses	7	(32,158)	(121,363)
Foreign exchange gains / (losses)	8	41,494	43,536
Operating profit before unrealised impairment charges on loans and receivables		484,157	1,010,481
Unrealised impairment charges on loans and receivables	12	(810,000)	(810,000)
(Loss) / profit before income tax		(325,843)	200,481
Tax expense		-	-
(Loss) / profit for the period		(325,843)	200,481

The accompanying notes 1 to 21 form an integral part of these accounts.

National Asset Management Limited

Consolidated Balance Sheet

	Note	31 Dec 2011 €'000	30 Sep 2011 €'000
Assets			
Cash and cash equivalents	9	3,330,370	1,896,270
Financial assets available for sale	10	499,747	226,441
Receivable from Participating Institutions	11	288,484	249,481
Derivative financial instruments	15	448,539	489,616
Loans and receivables	12	25,906,462	26,424,035
Other assets	13	100,288	83,995
Trading properties	14	6,020	6,020
Total assets		30,579,910	29,375,858
Liabilities			
Payable to Participating Institutions	11	28,653	77,610
Derivative financial instruments	15	728,725	400,073
Debt securities in issue	16	29,106,000	27,886,000
Other liabilities	17	358,256	239,449
Total liabilities		30,221,634	28,603,132
Equity			
Share capital	19	-	-
Other equity instrument	20	1,601,000	1,536,000
Retained earnings	21	(981,699)	(655,856)
Other reserves	18	(261,025)	(107,418)
Total equity		358,276	772,726
Total equity and liabilities		30,579,910	29,375,858

The accompanying notes 1 to 21 form an integral part of these accounts.

National Asset Management Limited

Consolidated Statement of Cash Flows for the period ended 31 December 2011

	Period from 1 Oct 2011 to 31 Dec 2011 €'000	Period from 1 Jan 2011 to 31 Dec 2011 €'000
Cash flow from operating activities		
Receipts from borrowers	1,853,769	5,061,036
Advances to borrowers	(66,840)	(303,981)
Arrangement fee income	2,342	8,476
Derivative cash settlements	(28,031)	(5,655)
Payments to suppliers of services	(60,753)	(143,146)
Interest expense on debt securities in issue	-	(322,687)
Interest received on cash and cash equivalents	7,126	9,648
Interest earned on commercial paper and treasury bills	3,570	5,170
Net cash generated from operating activities	<u>1,711,183</u>	<u>4,308,861</u>
Net cash used in investing activities		
Purchase and sale of exchequer notes	(2,300,000)	(2,300,000)
Net purchases of investment assets	(278,799)	(504,821)
Net cash used in investing activities	<u>(2,578,799)</u>	<u>(2,804,821)</u>
Cash flow from financing activities		
Loan issued to NAMA	-	(52,000)
Redemption of bonds issued	-	(1,250,000)
Dividend paid on behalf of group company	-	(5,093)
Net cash used in financing activities	<u>-</u>	<u>(1,307,093)</u>
Cash at the beginning of the period	1,896,270	836,644
Net cash provided by operating activities	1,711,183	4,308,861
Net cash used in investing activities	(2,578,799)	(2,804,821)
Net cash used in financing activities	-	(1,307,093)
Effects of exchange-rate changes on cash and cash equivalents	1,716	(3,221)
Cash at end of the period	<u>1,030,370</u>	<u>1,030,370</u>
Exchequer notes held at the end of the period	2,300,000	2,300,000
Total cash and cash equivalents held at the end of the period	<u>3,330,370</u>	<u>3,330,370</u>

1 General Information

The Company's immediate parent company is NAMAIL. The Agency owns 49% of NAMIL 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 its registered office is Treasury Building, Grand Canal Street, Dublin 2.

2 Summary of significant accounting policies

2.1 Basis of preparation

The Group's consolidated accounts for the period to 31 December 2011 are presented in accordance with its accounting policies for the purposes of complying with the requirements of S55 of the Act.

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

2.2 Basis of measurement

The consolidated accounts have been prepared under the historical cost convention, except for loans and receivables which are carried at amortised cost, 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 presentational currency. The figures shown in the consolidated accounts are stated in (€) thousands.

2.3 Consolidation

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. 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.

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 transaction.

National Asset Management Limited

Monetary items denominated in foreign currency are translated using the closing rate as at the reporting date. Non-monetary items measured at historical cost denominated in a foreign currency are translated using the exchange rate as at the date of initial recognition. Foreign exchange gains and losses resulting from the settlement of foreign currency transactions and from the translation at quarter end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

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

2.5 Financial assets – Loans and receivables

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

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

a) Financial assets at fair value through profit or loss

This category of assets comprises derivatives other than derivatives that are designated and are effective as hedging instruments (see note 2.10). These assets are recognised initially at fair value and transaction costs are taken directly to the consolidated income statement. Gains and losses arising from changes in fair value are included directly in the consolidated income statement. Interest income and expense arising on these assets are included in interest income and interest expense. Fair value gains and losses on these financial assets are included in gains and losses on derivative financial instruments in the consolidated income statement or as part of foreign exchange gains and losses where they relate to currency derivatives.

(b) Loans and receivables

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

The Group has classified the loan assets it acquired from Participating Institutions as loans and receivables.

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

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

(c) Available for sale

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

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

2.6 Financial liabilities

The Group carries all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are measured at fair value. Further information on derivative liabilities is included in note 2.10.

2.7 De-recognition of financial assets and financial liabilities

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

2.8 Interest income and expense

Interest income and expense for all interest-bearing financial instruments is recognised in interest income and interest expense in the income statement using the effective interest rate ('EIR') method.

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

Where loan cash flows cannot be reliably estimated on initial recognition, interest income is recognised on a contractual interest receipts basis until the cash flows can be estimated, at which time interest income will be recognised using the EIR method.

Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the original rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commissions which are not an integral part of the EIR are recognised on an accrual basis when the service has been provided.

2.9 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.

2.10 Derivative financial instruments and hedge accounting

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

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

Derivatives are accounted for either at fair value through profit or loss or, where they are designated as hedging instruments, as derivatives designated in hedging relationships.

Derivatives at fair value through profit or loss

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

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

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

National Asset Management Limited

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

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

Derivatives designated in hedge relationships

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

Cash flow hedge

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

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

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

2.11 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 tax is the expected tax payable on the taxable income for the 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 each jurisdiction, is recognised as an expense in the period in which the profits arise.

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

The Group does not offset income tax assets and liabilities.

(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.

National Asset Management Limited

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

2.12 Provisions for liabilities and charges and contingent assets

Provisions

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

Contingent liabilities

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

Contingent assets

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

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

2.13 Amounts due to and from Participating Institutions

Amounts due to and from Participating Institutions are classified as follows:

- Due diligence valuation adjustments
- Value to transfer adjustments
- Section 88, Section 93, Section 98 adjustments

Due diligence valuation adjustments

Any adjustments arising on completion of due diligence on assets transferred, are initially recognised in the balance sheet as an adjustment to the carrying value of assets acquired and as amounts due to or from Participating Institutions. Settlement of due diligence adjustments is in the form of cash or through the issuance or redemption of government guaranteed debt securities.

Value to transfer adjustments

Value to transfer adjustments relate to net movements that occurred on borrower exposures between the loan assets valuation date and the date the loans were transferred to the Group. Any amount due to or from a Participating Institution is settled in cash or through the issuance or redemption of government guaranteed debt securities.

Section 88, Section 93 and Section 98 adjustments

Adjustments under Section 88 of the Act relate to obvious errors or omissions in an acquisition schedule.

Adjustments under Section 93 of the Act arise where the Group has overpaid for an asset. If a Participating Institution receives from the Group an amount in exchange for loan assets acquired that is more than is due to the Participating Institution under the Act, or receives any other amount from the Group to which it is not entitled, the Participating Institution is obliged to repay the Group any amount of overpayment plus accrued interest as determined by the Group.

Adjustments under Section 98 of the Act relate to obvious errors in relation to the valuation of assets acquired from Participating Institutions.

Any adjustments under Section 88, 93 or 98, that are unsettled at the reporting date, are recognised as amounts due to or from Participating Institutions until the amounts are settled.

2.14 Trading properties

Trading properties are held for resale and are stated at the lower of cost and net realisable value.

2.15 Debt and equity instruments

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

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

Debt securities in issue are initially measured at fair value and are subsequently measured at amortised cost using the effective interest rate method. The initial value of the senior bonds issued equates to 95% of the acquisition cost of the loans transferred from each Participating Institution. The initial value of subordinated bonds equates to 5% of the acquisition cost of loans transferred.

2.16 Share capital

(a) Dividends on ordinary shares

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

(b) Other equity instrument

This comprises the subordinated bonds that meet the definition of an equity instrument. Coupon payments on these instruments are reflected directly in equity when they are declared.

3 Interest and similar income

	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Interest on loans and receivables	364,883	1,151,818
Interest on derivative financial instruments	32,091	100,348
Interest on cash and cash equivalents	5,206	11,684
Interest on available for sale financial assets	9,364	16,109
Fee income	1,180	2,045
Interest on inter group loans	267	720
Total interest and similar income	<u>412,991</u>	<u>1,282,724</u>

Interest on loans and receivables - EIR income

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

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

In 2011, NAMA recognised interest income on loans acquired of €1.15bn under the EIR method. Of this amount, the actual cash received in 2011 was €837m. Following the detailed assessment of debtor cash flows at 31 December 2011, which assesses the recoverability of loan principal and interest, €102m of the €1.15bn of EIR interest income was subsequently separately provided for as part of the 2011 impairment provision.

Interest on loans and receivables - bulk transfer loans

Interest income on loans subject to 'bulk transfer' is recognised on a cash receipts basis, pending completion of the mandated due diligence process of those loans (including any value to transfer adjustments in accordance with accounting policy note 2.13). On completion of due diligence interest is recognised using the EIR method. During Q3 and Q4 2011, due diligence was completed on €4.9bn of loans and receivables. A further amount of €103m is recognised on a cash receipts basis pending completion of due diligence on the remaining bulk transfer loans.

The total adjustment recognised in Q4 for 2011 on those 'bulk transfer' loans which have since completed due diligence is an increase in interest income on loans and receivables of €112m, of which €72m relates to periods pre Q4 2011.

Interest income on derivative financial instruments relates to interest received on derivatives acquired from the Participating Institutions.

National Asset Management Limited

4 Interest and similar expenses	For the period from 1	For the period from 1
	Oct 2011 to 31 Dec	Jan 2011 to 31 Dec
	2011	2011
	€'000	€'000
Interest on debt securities in issue	128,700	423,279
Interest on other derivative financial instruments	6,817	30,797
Interest on interest bearing loans and borrowings	3,018	12,488
Interest on derivatives where hedge accounting is applied	5,088	58,280
Total interest expense	<u>143,623</u>	<u>524,844</u>

5 Realised gains on loans and receivables	For the period from 1	For the period from 1
	Oct 2011 to 31 Dec	Jan 2011 to 31 Dec
	2011	2011
	€'000	€'000
Realised gains on loans and receivables	<u>173,288</u>	<u>306,116</u>

In Q3 NAMA disposed of certain loan assets and realised a gain of €76m. The balance relates to excess recovery of cash over the carrying value of loans.

6 Gains and (losses) on derivative financial instruments	For the period from 1	For the period from 1
	Oct 2011 to 31 Dec	Jan 2011 to 31 Dec
	2011	2011
	€'000	€'000
Fair value gains on acquired derivatives	40,923	90,480
Fair value (losses) on other derivatives	(24,278)	(81,688)
Hedge ineffectiveness adjustment	15,908	15,908
Valuation adjustment on due diligence completion	(388)	(388)
Total fair value gain on derivatives	<u>32,165</u>	<u>24,312</u>

Fair value gains on acquired derivatives comprises fair value gains on derivatives acquired from Participating Institutions that were associated with the loans acquired. Fair value losses on other derivatives comprise fair value losses on interest rate swaps entered into by the Group during the period.

7 Administration expenses	For the period from 1	For the period from 1
	Oct 2011 to 31 Dec	Jan 2011 to 31 Dec
	2011	2011
	€'000	€'000
Costs reimbursable to NAMA	8,287	26,668
Primary servicer fees	10,294	56,782
Master servicer fees	768	3,098
Portfolio management fees	4,757	15,902
Due diligence costs	4,538	4,538
Legal fees	1,930	9,413
Accounting, audit and tax	879	2,142
IT costs	530	1,161
Rent and occupancy costs	167	979
Derivative valuation costs	8	680
Total administration expenses	<u>32,158</u>	<u>121,363</u>

8 Foreign exchange gains/(losses)	For the period from 1 Oct 2011 to 31 Dec 2011 €'000	For the period from 1 Jan 2011 to 31 Dec 2011 €'000
Foreign exchange gains on loans and receivables	314,474	227,296
Foreign exchange (losses) on derivative financial instruments	(270,726)	(180,540)
Other foreign exchange (losses)	<u>(2,254)</u>	<u>(3,220)</u>
Total foreign exchange gains	<u>41,494</u>	<u>43,536</u>

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

Following the transfer of assets from the Participating Institutions, the Group entered into currency derivative contracts to reduce its exposure to foreign exchange rate fluctuations arising on foreign currency denominated loans and receivables acquired, as it paid the consideration in euro. Gains and losses on foreign exchange derivatives arise on the fair value movement of currency derivatives during the reporting period. Currency derivatives are explained in more detail in note 15.

Other foreign exchange gains relate to the translation of foreign denominated cash and cash equivalent balances at the reporting date.

National Asset Management Limited

9 Cash and cash equivalents	31 Dec 2011	30 Sep 2011
	€'000	€'000
Balances with Central Bank	972,943	1,829,350
Balances with other banks	39,469	66,920
Term deposits	17,958	-
Exchequer notes	2,300,000	-
Total cash and cash equivalents	<u>3,330,370</u>	<u>1,896,270</u>

10 Financial assets available for sale	31 Dec 2011	30 Sep 2011
	€'000	€'000
Short term treasury bonds	<u>499,747</u>	<u>226,441</u>

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

11 Receivables and payables from/to Participating Institutions	31 Dec 2011	30 Sep 2011
	€'000	€'000
Receivables from Participating Institutions	<u>288,484</u>	<u>249,481</u>
Payable to Participating Institutions	<u>28,653</u>	<u>77,610</u>

Receivables from and payables to Participating Institutions comprise due diligence valuation adjustments, value to transfer settlements due and other adjustments under Sections 88, 93 and 98 of the Act. These amounts will be settled on completion of due diligence of all assets transferred.

12 Loans and receivables	31 Dec 2011	30 Sep 2011
	€'000	€'000
Carrying value pre-impairment	26,716,462	26,424,035
Unrealised impairment provision	(810,000)	-
Carrying value after impairment	<u>25,906,462</u>	<u>26,424,035</u>

The carrying value of loans and receivables at each period end is stated after the following unrealised adjustments;

Unrealised impairment provision		
Balance at the start of the period	(1,484,523)	(1,484,523)
Net change in the period	(810,000)	-
Balance at the end of the period	<u>(2,294,523)</u>	<u>(1,484,523)</u>

NAMA has completed a detailed assessment of expected future cash flows at 31 December 2011 for all NAMA managed debtors, as these loans are considered to be individually significant. This represents 85% of the total loan book by NAMA carrying value pre-impairment at the end of 2011.

All of these debtor cash flows were discounted at the relevant EIR, to ensure that any interest recognised under the EIR method continues to be appropriate and recoverable in full, based on the best available observable evidence. To the extent any accrued but unpaid EIR income is not considered recoverable, this is provided for in full as part of the impairment charge in that period.

In the case of debtor cash flows with a net discounted deficit (comparing the discounted cash flows to the NAMA carrying value of the loans, including any accrued interest income under the EIR method) any deficits are provided for in full as loan impairments. A collective loss assessment has also been performed on the unassessed element of the loan book, taking into account the loss levels evident in the assessed cash flows. The total impairment provision recognised based on the cash flow assessment at 31 December 2011, for both the individually significant and the collectively assessed loans, was €2.3bn. This results in a net charge to the Q4 2011 income statement of €810m, as a related provision of €1.48bn had already been recognised in 2010.

National Asset Management Limited

Debtor cash flows with a net discounted surplus (comparing the discounted cash flows to the NAMA carrying value of the loans, including any accrued interest income under the EIR method) are ignored in the assessment of the impairment provision. The total estimated unrealised surpluses on these debtors at 31 December 2011 was c.€1.9bn. These debtors are expected to generate greater cash flows from the underlying loans and collateral assets than the discounted cash flows originally estimated as part of the LTEV methodology when the loans were acquired. The discounted surpluses reflect actual market transactions and other observable evidence, notably in sectors and geographies which continue to see a return to more normal levels of transactional activity and more positive sentiment generally. The surplus discounted cash flows have not been recognised at this stage.

The 2011 impairment assessment discussed above is currently being finalised by NAMA management as part of the year-end reporting process. The results of the impairment assessment will be considered by the C&AG, NAMA's external auditor, and the NAMA Board. A final impairment provision will be included in the full year audited consolidated financial statements of NAML on finalisation of the annual report.

13 Other assets	31 Dec 2011	30 Sep 2011
	€'000	€'000
Receivables from NAMA the Agency	54,065	53,312
Accrued swap interest receivable	12,649	13,253
Receivable from NAMA IL	6,875	5,659
Interest receivable on financial assets available for sale	16,122	6,884
Deferred consideration	7,687	-
Interest receivable on cash and cash equivalents	2,755	4,674
Prepayments	135	213
Total other assets	<u>100,288</u>	<u>83,995</u>

Included within receivables from the Agency is a loan for €52m receivable from the Agency. National Asset Management Services Ltd provided this loan to the Agency on 25 February 2011 at an interest rate set at the six month Euribor rate.

14 Trading properties	31 Dec 2011	30 Sep 2011
	€'000	€'000
Trading properties	<u>6,020</u>	<u>6,020</u>

During the period NAMA received certain property assets as settlement for outstanding guarantees.

15 Derivative financial instruments	31 Dec 2011	30 Sep 2011
	€'000	€'000
<i>Derivative assets at fair value through profit or loss</i>		
Derivative financial instruments acquired	374,367	333,444
Other derivative financial instruments	9,382	7,845
Foreign currency derivatives	57,332	136,292
Total	<u>441,081</u>	<u>477,581</u>
<i>Derivative financial instruments designated in hedge relationships</i>		
Interest rate swaps	7,458	12,035
Total derivative assets	<u>448,539</u>	<u>489,616</u>
<i>Derivative liabilities at fair value through profit or loss</i>		
Other derivative financial instruments	(155,791)	(129,976)
Foreign currency derivatives	(289,830)	(118,067)
Total	<u>(445,621)</u>	<u>(248,043)</u>
<i>Derivative financial instruments designated in hedge relationships</i>		
Interest rate swaps	(283,104)	(152,030)
Total derivative liabilities	<u>(728,725)</u>	<u>(400,073)</u>

National Asset Management Limited

Financial assets and liabilities at fair value comprises 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 the acquisition of assets and certain interest rate swaps from Participating Institutions. Derivatives with a positive fair value at the reporting date are stated as assets. Derivatives with a negative fair value at the reporting date are stated as liabilities.

16 Debt Securities in issue	For the period from 1 Oct 2011 to 31 Dec 2011 €'000
In issue at 1 October 2011	27,886,000
Issued during the quarter	1,294,000
Redeemed during the quarter	-
Non cash redemption	(74,000)
In issue at 31 December 2011	<u>29,106,000</u>

The Group issued €1,294m of senior bonds during the period bringing the total issuances for the year to date to €2,044m. €755m was issued to Participating Institutions in respect of loans acquired during the period and €539m as additional consideration following the completion of due diligence of loans acquired as part of the “bulk transfer” in Q4 2010.

The Group redeemed no additional notes in the period. The total cash redemptions for the year to date is €1.25bn.

There were non cash redemptions of bonds in the period of €74m, bringing the total non cash redemption for the year to date to €338m. These non cash redemptions resulted from a reduction in consideration due to Participating Institutions following the completion of due diligence in respect of loans acquired as part of the “bulk transfer” in Q4 2010.

Terms of notes

The above debt securities are all Government Guaranteed Floating Rate Notes, which were issued and transferred to NALM Ltd under a profit participating loan arrangement. The latter company used these securities as consideration (95%) for the loan portfolio acquired from each of the Participating Institutions.

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

Notes are issued on each acquisition date and all Notes issued prior to 1 March 2011 matured on 1 March 2011. The Notes issued in 2010 permitted the issuer to settle all, or some only, of the Notes at maturity by issuing a new Note on the same terms as the existing Note (other than as to maturity which may be up to 364 days from the date of issue notwithstanding that the existing Note may have had a shorter maturity).

All the Notes that matured on 1 March 2011 were settled by issuing new Notes with a maturity of 1 March 2012.

The Minister for Finance issued a direction to NAMA under Section 14 of the Act that the terms and conditions of the Notes issued on 1 March 2011, and of any Notes issued thereafter, should be amended to remove the issuer’s option to settle maturing Notes by the issue of new Notes on similar terms unless prior consent is received from the note holder, and to remove the issuer’s option to extend the maturity of the Notes. This direction was implemented on 22 June 2011.

National Asset Management Limited

17 Other liabilities	31 Dec 2011 €'000	30 Sep 2011 €'000
Accrued swap interest payable	(29,443)	(20,077)
Accrued interest on debt securities in issue	(169,298)	(40,598)
Provision for due diligence costs	-	(10,852)
Accrued expenses	(41,050)	(54,053)
Professional services withholding tax and other taxes payable	(2,021)	(1,148)
Other liabilities	(116,444)	(112,721)
Total other liabilities	(358,256)	(239,449)

The provision for due diligence costs is for those loans for which due diligence had not been completed by 31 December 2011. Due diligence costs are costs that the Group has incurred upon acquiring the portfolio of loans from the Participating Institutions. The loan valuation model used by the Group to acquire the loans makes an allowance for due diligence costs as a reduction to the acquisition value of the loans. Due diligence costs incurred by the Group are considered to be transaction costs and are included in the acquisition cost of the loans and receivables. During the quarter, the provision for due diligence costs was fully utilised and additional costs of €4.5m were recognised in the income statement.

18 Other reserves

Other reserves are analysed as follows:

	Cashflow hedge reserve €'000	Available for sale reserve €'000	Total €'000
At the beginning of the quarter	(109,576)	2,158	(107,418)
Net changes in fair value	(151,559)	(2,048)	(153,607)
At 31 December 2011	(261,135)	110	(261,025)

The cash flow hedge reserve comprises the mark to market movement on interest rate swaps that have been designated into hedge relationships. Any fair value gains or losses arising on these derivatives in hedge relationships is accounted for in reserves. The available for sale (AFS) reserve comprises the fair value movement on AFS assets in the quarter (see note 10).

19 Share capital

	Number	31 Dec 2011 €
<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

20 Other equity instrument

	For the period from 1 Oct 2011 to 31 December 2011 €'000
In issue at 1 October 2011	1,536,000
Issued during the quarter	68,000
Non cash redemption	(3,000)
In issue at 31 December 2011	1,601,000

The Group issued €68m of subordinated notes during the period bringing the total issuances for the year to date to €2,044m. €40m was issued to Participating Institutions in respect of loans acquired during the period and €28m as additional consideration following the completion of due diligence of loans acquired as part of the "bulk transfer" in quarter 4, 2010.

National Asset Management Limited

There were non cash redemptions of bonds in the period of €3m, bringing the total non cash redemption for the year to date to €16m. These non cash redemptions resulted from a reduction in consideration due to Participating Institutions following the completion of due diligence in respect of loans acquired as part of the “bulk transfer” in quarter 4, 2010.

Terms of the instrument

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

The interest rate on the instruments is the 10 year Irish Government rate at the date of first issuance, plus 75 basis points. This rate has been set at a fixed return of 5.264%. Interest is paid annually, however the coupon is declared at the option of the issuer. Coupons not declared in any year will not accumulate. No coupon was declared at the reporting date.

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).

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, the subordinated debt has been classified as equity in the statement of financial position, with any coupon payments classified as dividend payments.

21 Retained Earnings	31 Dec 2011	30 Sep 2011
	€'000	€'000
Retained loss at the beginning of the quarter	(655,856)	(973,329)
Profit for the quarter	(325,843)	317,473
Retained loss at the end of the quarter	<u>(981,699)</u>	<u>(655,856)</u>

National Asset Management Limited
Unaudited Income Statement by NAMA group entity
For the period from 1 October 2011 to 31 December 2011

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Interest and similar income	412,991	-	-	-	-	-	412,991
Interest and similar expenses	(11,905)	-	-	-	(131,718)	-	(143,623)
Net interest income	401,086	-	-	-	(131,718)	-	269,368
Realised gains on loans and receivables	173,288	-	-	-	-	-	173,288
Gains/(losses) on derivative financial instruments	32,165	-	-	-	-	-	32,165
Total operating income	606,539	-	-	-	(131,718)	-	474,821
Administration expenses	(32,158)	-	-	-	-	-	(32,158)
Foreign exchange gains/(losses)	41,494	-	-	-	-	-	41,494
Operating profit before unrealised impairment charges on loans and receivables	615,875	-	-	-	(131,718)	-	484,157
Unrealised impairment charges on loans and receivables	(810,000)	-	-	-	-	-	(810,000)
Loss before income tax	(194,125)	-	-	-	(131,718)	-	(325,843)
Tax expense	-	-	-	-	-	-	-
Loss for the period	(194,125)	-	-	-	(131,718)	-	(325,843)

National Asset Management Limited
Unaudited Income Statement by NAMA group entity
For the period from 1 January 2011 to 31 December 2011

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Interest and similar income	1,282,724	-	-	-	-	-	1,282,724
Interest and similar expenses	(89,077)	-	-	-	(435,767)	-	(524,844)
Net interest income	1,193,647	-	-	-	(435,767)	-	757,880
Realised gains on loans and receivables	306,116	-	-	-	-	-	306,116
Gains/(losses) on derivative financial instruments	24,312	-	-	-	-	-	24,312
Total operating income	1,524,075	-	-	-	(435,767)	-	1,088,308
Administration expenses	(121,363)	-	-	-	-	-	(121,363)
Foreign exchange gains/(losses)	43,536	-	-	-	-	-	43,536
Operating profit before unrealised impairment charges on loans and receivables	1,446,248	-	-	-	(435,767)	-	1,010,481
Unrealised impairment charges on loans and receivables	(810,000)	-	-	-	-	-	(810,000)
Profit/(loss) before income tax	636,248	-	-	-	(435,767)	-	200,481
Tax expense	-	-	-	-	-	-	-
Profit/(loss) for the year	636,248	-	-	-	(435,767)	-	200,481

National Asset Management Limited

Unaudited Balance Sheet by NAMA group entity as at 31 December 2011

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets							
Cash and cash equivalents	3,330,370	-	-	-	-	-	3,330,370
Financial assets available for sale	499,747	-	-	-	-	-	499,747
Receivable from Participating Institutions	288,484	-	-	-	-	-	288,484
Derivative financial instruments	448,539	-	-	-	-	-	448,539
Loans and receivables	25,906,462	-	-	-	-	-	25,906,462
Other assets	453,102	-	-	30,707,000	30,806,900	(61,866,714)	100,288
Trading properties	6,020	-	-	-	-	-	6,020
Total assets	30,932,724	-	-	30,707,000	30,806,900	(61,866,714)	30,579,910
Liabilities							
Amounts due to Participating Institutions	(28,653)	-	-	-	-	-	(28,653)
Derivative financial instruments	(728,725)	-	-	-	-	-	(728,725)
Debt securities in issue	-	-	-	-	(29,106,000)	-	(29,106,000)
Other liabilities	(30,880,468)	-	-	(30,707,000)	(637,502)	61,866,714	(358,256)
Total liabilities	(31,637,846)	-	-	(30,707,000)	(29,743,502)	61,866,714	(30,221,634)
Equity							
Share capital	-	-	-	-	-	-	-
Subordinated equity	-	-	-	-	1,601,000	-	1,601,000
Retained earnings	(444,097)	-	-	-	(537,602)	-	(981,699)
Other reserves	(261,025)	-	-	-	-	-	(261,025)
Total equity & liabilities	(30,932,724)	-	-	(30,707,000)	(30,806,900)	61,866,714	(30,579,910)

National Asset Management Limited

Unaudited Balance Sheet by NAMA group entity as at 30 September 2011

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	Consolidated Total
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Assets							
Cash and cash equivalents	1,896,270	-	-	-	-	-	1,896,270
Financial assets available for sale	226,441	-	-	-	-	-	226,441
Receivable from Participating Institutions	249,481	-	-	-	-	-	249,481
Derivative financial instruments	489,616	-	-	-	-	-	489,616
Loans and receivables	26,424,035	-	-	-	-	-	26,424,035
Other assets	1,686,809	-	-	30,672,000	30,771,900	(63,046,714)	83,995
Trading properties	6,020	-	-	-	-	-	6,020
Total assets	30,978,672	-	-	30,672,000	30,771,900	(63,046,714)	29,375,858
Liabilities							
Amounts due to Participating Institutions	(77,610)	-	-	-	-	-	(77,610)
Derivative financial instruments	(400,073)	-	-	-	-	-	(400,073)
Debt securities in issue	-	-	-	-	(27,886,000)	-	(27,886,000)
Other liabilities	(30,858,379)	-	-	(30,672,000)	(1,755,784)	63,046,714	(239,449)
Total liabilities	(31,336,062)	-	-	(30,672,000)	(29,641,784)	63,046,714	(28,603,132)
Equity							
Share capital	-	-	-	-	-	-	-
Subordinated equity	-	-	-	-	1,536,000	-	1,536,000
Retained earnings	(249,972)	-	-	-	(405,884)	-	(655,856)
Other reserves	(107,418)	-	-	-	-	-	(107,418)
Total equity & liabilities	(30,978,672)	-	-	(30,672,000)	(30,771,900)	63,046,714	(29,375,858)