



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

30 September 2013

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# Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní National Asset Management Agency

23<sup>rd</sup> December 2013

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

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

Dear Minister,

Please find attached the Quarterly Report and Accounts for the third quarter of 2013 which is submitted to you pursuant to Section 55 of the NAMA Act 2009.

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

To assist in your review of the Quarterly Report and Accounts, we would draw your attention to the following matters in respect of NAMA's financial performance, together with some details of other milestones and achievements during the period:

### **1. Financial performance**

#### **Senior debt reduction**

NAMA has **achieved its senior bond redemption target of €7.5 billion** in respect of its existing bonds by the end of 2013:

- €6.25 billion has been redeemed to the end of Quarter 3 (83% of the end-of-2013 target of €7.5 billion).
- A further €1.25 billion has been redeemed in Quarter 4 2013.

NAMA has also **redeemed €1 billion** of the €12.9 billion of senior bonds issued in connection with the acquisition of the IBRC facility deed and floating charge following the receipt of cash from the IBRC Special Liquidators.

#### **Cash generation**

NAMA continues to generate significant cash through disposal activity and non-disposal income:

- NAMA generated **€3.3 billion in cash in the 9 month period to 30 September 2013**, bringing the total cash generated since inception to €13.9 billion as at 30 September 2013 and **in excess of €15 billion** at the date of this letter.



- At 30 September 2013 NAMA held **cash and cash equivalent balances of €4.1 billion**, after making NAMA senior bond redemptions totalling over €6.25 billion since inception to 30 September 2013.

An analysis of cash generated since inception is included in *Appendix 1*.

### **Financial results**

For the nine month period to 30 September 2013 **NAMA remains profitable** despite a prudent impairment policy. Financial highlights for the nine month period include:

- **Operating profit before impairment for the period of €686 million.**
- **Profit for the period of €273m.**

### **Loan portfolio**

The carrying value of NAMA's acquired loan portfolio as at 30 September 2013 was €20.7 billion (net of cumulative impairment provision of €3.6 billion). The carrying value of the loan portfolio has reduced by €2.1 billion from €22.8 billion at 31 December 2012 to €20.7 billion at 30 September 2013.

## **2. NAMA market activities**

### **NAMA sales**

Since inception, NAMA has overseen the sale of €10 billion worth of loans and assets, including the sale of over 7,000 individual properties mainly across Ireland and Britain.

In Ireland currently, there is over €2 billion of commercial and residential property on the market together with other properties being actively prepared for market through NAMA debtors and receivers. This includes a number of very significant sales in Dublin, including prime Dublin hotels and office properties, reflecting both the improvement in asset values and investor interest in Irish property and the fact that many of institutional investors, including REITs, in the Irish market right now are looking to transact at attractive yields.

NAMA is also engaged in an active loan sales process in Ireland. In the first half of 2013, NAMA completed the sale of its first major Irish loan portfolio: the sale of an €800 million par debt portfolio (Aspen) secured entirely on Irish commercial property to a major US investment group. There are currently three medium-sized portfolios on the Irish market and planning is well advanced in respect of a number of loan portfolios. Across the entire NAMA portfolio, the Agency has completed loan sales with a nominal value in excess of €3.8 billion to date.

### **Market initiatives**

In addition to NAMA's vendor finance initiative, which is outlined below, the Agency is implementing a number of measures to support transactional activity in the Irish market. This includes initiatives such as joint ventures, which NAMA sees as important way of attracting additional international investment into the Irish market. Examples include NAMA's joint venture transactions with Starwood in respect of the Aspen portfolio and with Oaktree in respect of a 50,000 square metre development site in Dublin's south docks.





### **NAMA's work with IDA**

NAMA is also working actively with the IDA to identify suitable commercial properties to meet the requirements of foreign direct investment. The recent announcement by Facebook that it is moving into a new 120,000 square foot Grade A office space in Grand Canal Square, giving it the potential to double its workforce in Ireland, is a direct result of NAMA's work with the IDA. NAMA advanced funding to complete this building and worked closely with the IDA to meet Facebook's requirements. Other recent examples include the letting of a number of office blocks at Elm Park to the Swiss Pharmaceutical firm, Novartis; the purchase by Scottish and Southern Energy of its new corporate headquarters at Leopardstown and the investment of over €100 million by the Kerry Group at Millennium Park in Naas. In all of these examples, NAMA acted to facilitate the transactions by offering structured engagement between its debtors and receivers and the potential new investors and by providing funding to complete buildings where this was necessary.

### **3. NAMA investment**

#### **€2 billion development funding**

NAMA is delivering and is committed to delivering additional significant investment in the Irish economy. It has approved close to €1 billion in development funding for the completion of construction projects currently in progress in Ireland and to develop new projects to meet prospective supply shortages in certain sectors. €550 million of this has already been drawn down and is currently being spent across a range of Irish residential, commercial, retail and leisure projects. Funding includes over €14 million to address problems on unfinished housing estates and to complete houses and apartments to help meet the demand for social housing.

NAMA is prepared to invest another €1 billion in funding for Irish projects over the next three years. This will include the construction of 4,500 new houses and apartments in Dublin, in addition to much-needed office accommodation in the city centre and investment in commercially viable retail projects. It will include significant development in the Dublin Docklands and in the other main urban centres in response to the emerging growth needs of the economy. An important feature of NAMA development funding is its ability to be recycled from completed to new developments – the impact of the investment will, as a result, be far greater than the initial €2 billion. The timing of actual drawdowns of NAMA funding is, for a number of critical projects, dependent on the resolution of planning and infrastructural issues and NAMA is working closely with all relevant stakeholders in this regard, including, in particular, the Department of Finance, the Department of Taoiseach, Department of the Environment, Community and Local Government and local authorities.

#### **Vendor finance**

NAMA has also said that it is willing to make available, if required, up to €2 billion in vendor capital to purchasers of commercial properties in Ireland. It has already lent €375 million of this across six major transactions, including the Project Aspen sale referenced above. This is contributing to the substantial increase in overseas interest in Irish property and is helping to overcome the continuing lack of liquidity for property investment. The benefits of initiatives such as this can now be seen in the various property market indices, which point to improvements across a number of sectors of the Irish property market.

Through these two measures, NAMA is willing to invest at least €4 billion in the Irish economy in the period out to 2016 and is making a substantial contribution to the achievement of Government's overriding objective, economic and employment recovery.



#### 4. Social and economic contribution - NAMA's wider impact

In addition to the measures outlined above, NAMA continues to make a significant wider contribution through, for instance, the provision of rent abatements and other measures to support struggling small and medium businesses in the retail sector; through the identification of houses and apartments to help meet demand for social housing; and through our work with other public bodies, in areas such as education and health, to make properties available to support delivery of public policy.

##### **Rent abatements supporting viable Irish businesses and protecting jobs**

NAMA is supporting employment in small and medium business in the retail sector through rent abatements and longer-term rent reliefs. To date, NAMA has approved rent abatements with an annual aggregate value in excess of €17 million and long-term rent reliefs, including agreeing, in a number of examinership cases, rent reductions worth over €40 million over the life-time of the related leases.

##### **Working with public bodies to identify sites**

In addition to NAMA's on-going work with the IDA, the Agency is working with a number of public bodies, including Government departments, local authorities and State agencies, in relation to the identification and sale or lease of property suitable for their purposes. This includes the identification of 70 sites as being available and potentially suitable for primary and secondary school buildings. NAMA is committed to giving first option (at NAMA's minimum reserve price) to State bodies on the purchase of property which may be suitable for their purposes.

##### **Provision of social housing**

NAMA is working very closely with the Minister for the Environment, Community and Local Government and the Minister of State for Housing and Planning to ensure the maximum possible delivery of properties controlled by its debtors and receivers for social housing. Whilst the pace at which properties are accepted by the various Approved Housing Bodies and Local Authorities is not controlled by NAMA, **NAMA has to date identified 4,374 residential properties as being available and potentially suitable for social housing.** Of these, demand has been confirmed for 2,055 properties and a further 13 are currently being evaluated, **bringing the total that may potentially be deemed suitable under this initiative to 2,068. NAMA is on the cusp of having delivered 600 properties for social housing.**

A summary of the social housing made available by NAMA is included in the graph in Appendix 2.

#### 5. IBRC liquidation - absorption and management of IBRC portfolio a major challenge

On 7 February 2013, Special Liquidators were appointed to IBRC and a number of Directions have been issued to NAMA under the IBRC Act 2013. Amongst the Directions was the requirement for NAMA to:

- Acquire the floating charge over the IBRC assets for €12.9 billion.





- Acquire the underlying assets from the IBRC Special Liquidators in the event that the Special Liquidators are unable to sell the assets to the market (i.e. NAMA is the reserve buyer). NAMA has no control over the bid price or valuation and sales process.

On 11 February 2013, NAMA incorporated National Asset Resolution Limited (“NARL”) which acquired the floating charge from the Central Bank on 28 March 2013 for €12.9 billion. Consideration was in the form of the issuance of €12.9 billion of Government guaranteed debt securities and €0.3 million in cash.

At the end of March 2013, NAMA appointed Capita Asset Services (“Capita”) to replace IBRC (in liquidation) as Primary and Special Loan Servicer. Following significant integration planning work over a number of months, Capita assumed responsibility as Primary Servicer and Special Loan Servicer on the existing NAMA IBRC loans from the Special Liquidators on 12 August 2013.

NAMA is the reserve buyer for the remaining IBRC portfolio (approx. €22 billion par debt), which comprises a commercial (approx. €20 billion) and a residential loan portfolio (approx. €1.8 billion). NAMA currently has no control over the day-to-day management of the remaining IBRC portfolio or the valuation and sales process – this is the responsibility of the Special Liquidators. It is currently anticipated that the valuation and sales process will be completed in the first half of 2014. NAMA expects to acquire unsold assets at the price set by the Special Liquidators in a number of tranches during Quarters 1 and 2, 2014. NAMA will then manage these assets on a similar basis as its current portfolio.

Although NAMA cannot anticipate what, if any, assets it will acquire, NAMA has been planning on the basis that it will acquire a significant portion of the portfolio. Significant NAMA resources have been dedicated to this integration effort during the year, which will continue into 2014. NAMA has appointed Certus as Primary and Special Servicer for the commercial portfolio, and has announced that it intends to appoint Pepper as service provider to the residential portfolio.

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

Yours sincerely,

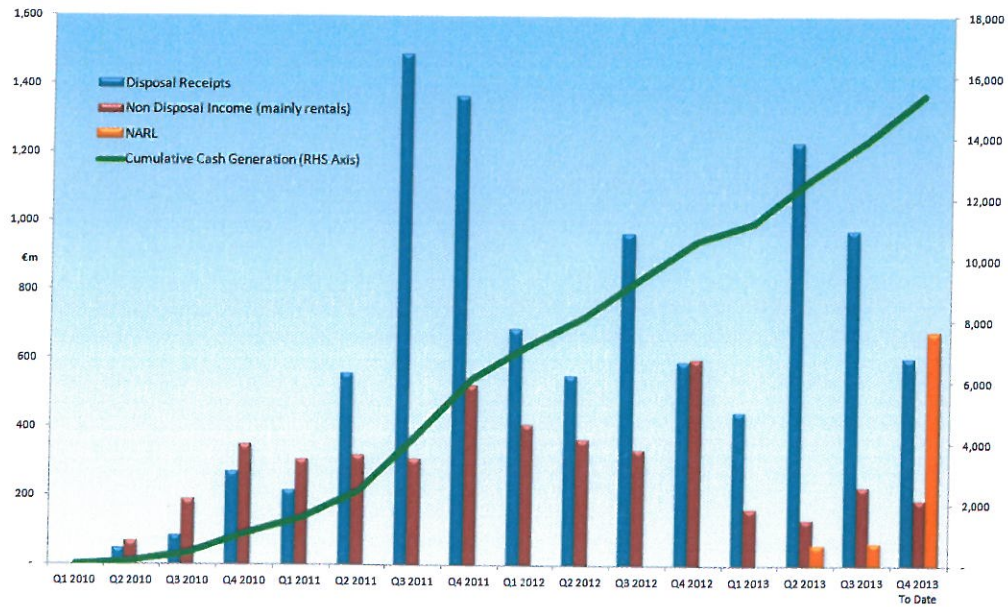
**Frank Daly**  
Chairman

**Brendan McDonagh**  
Chief Executive Officer



## Appendix 1

Table 1: Cash generation

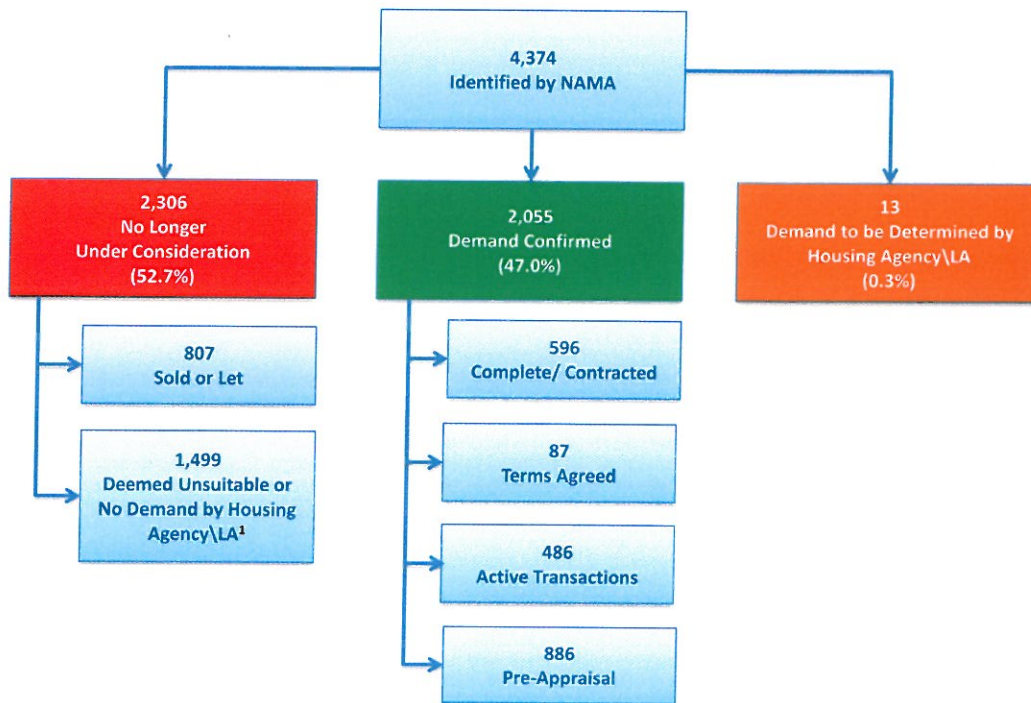






## Appendix 2

Table 2: Social housing summary



**Note 1** Local authorities have confirmed that the properties are located in areas with no demand for social housing or are considered unsuitable by reference to housing policy, including the avoidance of undue segregation within developments and areas.



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

**For the quarter ended 30 September 2013**

# **National Asset Management Agency Group**

## **Quarter to 30 September 2013**

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# **NAMA Group**

## **Board and other information**

### **Board**

Frank Daly (Chairman)  
Brendan McDonagh, Chief Executive Officer NAMA  
John Corrigan, Chief Executive Officer NTMA  
Oliver Ellingham (non-executive) (appointed 10 April 2013)  
Eilish Finan (non-executive)  
Brian McEnery (non-executive)  
John Mulcahy, Head of Asset Management NAMA  
Steven Seelig (non-executive) (term ended 25 May 2013)  
Willie Soffe (non-executive)

### **Registered Office**

Treasury Building  
Grand Canal Street  
Dublin 2

### **Principal Bankers**

Central Bank of Ireland  
Dame Street  
Dublin 2

Citibank  
IFSC  
Dublin 1

## NAMA Group

### 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 National Asset Management Agency Act 2009 (the Act).

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

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

The original Participating Institutions were: Allied Irish Banks, p.l.c. ('AIB'), Anglo Irish Bank Corporation Limited ('Anglo'), Bank of Ireland ('BOI'), Irish Nationwide Building Society ('INBS') and EBS Building Society ('EBS').

On 1 July 2011 AIB merged with EBS. On 1 July 2011 the business of INBS transferred to Anglo and on 14 October 2011 the latter's name was changed to Irish Bank Resolution Corporation ('IBRC'). IBRC was subsequently liquidated on 6 February 2013, and with effect from 12 August 2013, the role of the primary servicer of NAMA loans in IBRC is being fulfilled by Capita Asset Services.

### 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.

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 49m A ordinary shares. The remaining €51m was invested in NAMAIL by private investors, each receiving an equal share of 51m B ordinary shares. Under the terms of a shareholders' agreement between NAMA, 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 Resolution Limited (NARL)*

On 11 February 2013, NAMA established a new NAMA Group Entity, National Asset Resolution Limited (NARL). The entity was formed in response to a Direction issued by the Minister for Finance under the Irish Bank Resolution Corporation Act 2013 to NAMA to acquire a floating charge over certain IBRC assets which are currently used as collateral by IBRC as part of its repo arrangements with the Central Bank. As consideration for the floating charge, NARL issued Senior Bonds (guaranteed by the Minister for Finance) to the Central Bank. NARL is a 100% subsidiary of NAMAIL.

#### *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. Both the government guaranteed debt instruments and the subordinated debt instruments are transferred to National Asset Management Group Services Limited (NAMGSL) and by it to National Asset Loan Management Limited (NALML). The latter uses these debt instruments as consideration for the loan assets acquired from the Participating Institutions.

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

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

NAMGSL acts as the holding company for its four subsidiaries, National Asset Loan Management Limited, National Asset Property Management Limited, National Asset Management Services Limited and National Asset JV A Limited. During the quarter, NAMGSL acquired the entire share capital of a new NAMA subsidiary, National Asset JV A Limited. The acquisition was funded by way of a new PPL facility between NAMGSL and NAJVAL.

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

NAMGSL is wholly owned by NAML.

## **NAMA Group**

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

On 4 July 2013 NAMA established a new subsidiary, National Asset JV A Limited (NAJVAL). NAJVAL is a wholly owned subsidiary of NAMGSL. NAMA entered a joint venture arrangement with a consortium whereby a 20% interest in a limited partnership was acquired, and NAJVAL was established to facilitate this transaction.

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

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

### *National Asset Property Management Limited (NAPML)*

The purpose of NAPML is to take direct ownership of property assets if and when required. During 2011, certain land and development sites were acquired as consideration for the settlement of a guarantee held by NALML. In addition minor non-real estate assets were also acquired during 2012. At the reporting date ownership of the majority of property interests have been transferred from NALML to NAPML. The remaining property will be transferred during the current year.

### *National Asset Residential Property Services Limited (NARPSL)*

On 16 July 2012 NAMA established a new subsidiary National Asset Residential Property Services Limited (NARPSL). The Company is a wholly owned subsidiary of NAPML, and is established to acquire residential properties and to lease these properties to approved housing bodies for social housing purposes.

### *National Asset Sarasota LLC (NASLLC)*

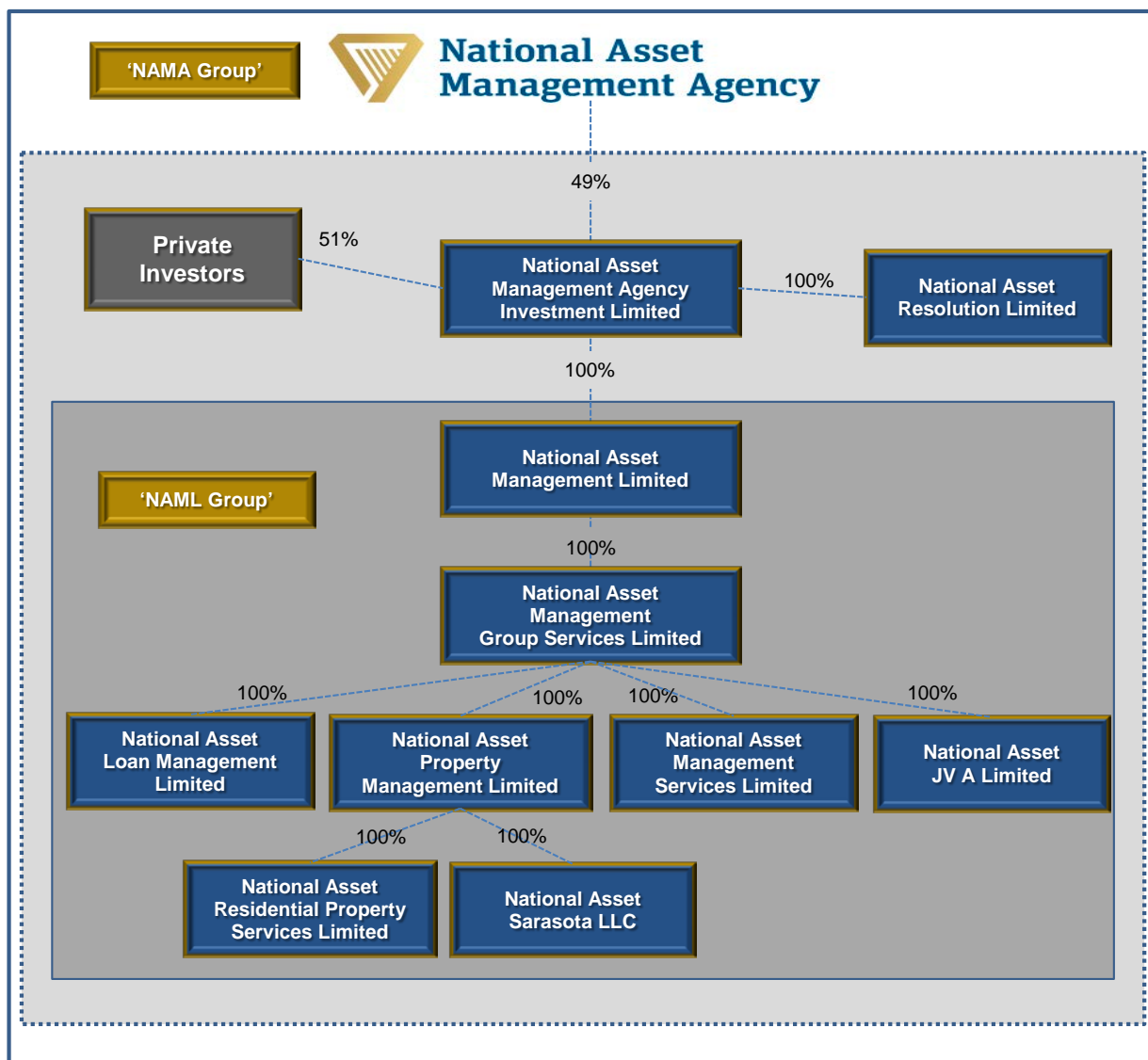
On 1 August 2013 NAMA established a new US subsidiary, National Asset Sarasota Limited Liability Company (NASLLC). The Company is a wholly owned subsidiary of NAPML, and was established to acquire property assets located in the US, in settlement of debt, owed to NAMA.

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

Previously a non-trading entity, NAMSL acquired a 20% shareholding in a general partnership in Q3 2013.

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.

Chart 1 NAMA Group Entities (as at 30 September 2013)



## Quarterly financial information

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

The financial statements present the consolidated results of NAMA Group for the quarter ended 30 September 2013. For the purposes of these accounts, the 'NAMA Group' comprises the result of all entities presented in Chart 1 on page 14. The results of NARL are consolidated into the overall NAMA Group results but are separately presented. The Group and the relationship between NAMA Group entities is summarised in Chart 1.

The financial information for all entities is presented showing items of income and expenditure for the quarter from 1 July 2013 to 30 September 2013 and for the year to 30 September 2013.

The balance sheets are presented as at 30 September 2013 and 30 June 2013. The cash flow statement for the NAMA Group is presented for all cash movements for the quarter from 1 July 2013 to 30 September 2013.

The income statements and statement of financial position for each NAMA Group Entity are provided on pages 38 to 41.



Consolidated Income Statement

For the period from 1 July 2013 to 30 September 2013

		For the period from 1 July 2013 to 30 Sept 2013			For the period from 1 Jan 2013 to 30 Sept 2013
	Note	NARL €000	NAMA Group (excl. NARL) €000	Consolidated NAMA Group €000	Consolidated NAMA Group €000
Interest and fee income	3	66,213	275,817	342,030	1,000,438
Interest expense	4	-	(95,991)	(95,991)	(284,274)
<b>Net interest income</b>		<b>66,213</b>	<b>179,826</b>	<b>246,039</b>	<b>716,164</b>
Net profit/(loss) on disposal of loans, property, and surplus income	5	-	(9,108)	(9,108)	177,511
Gains/(losses) on derivative financial instruments	6	-	619	619	(45,413)
<b>Total operating income</b>		<b>66,213</b>	<b>171,337</b>	<b>237,550</b>	<b>848,262</b>
Administration expenses	7	(962)	(31,240)	(32,202)	(87,299)
Foreign exchange losses	8	-	(20,748)	(20,748)	(75,431)
<b>Operating profit before impairment</b>		<b>65,251</b>	<b>119,349</b>	<b>184,600</b>	<b>685,532</b>
Impairment charges on loans and receivables	15	-	-	-	(385,353)
<b>Operating profit after impairment</b>		<b>65,251</b>	<b>119,349</b>	<b>184,600</b>	<b>300,179</b>
Tax credit/(charge)	9	-	35,930	35,930	(24,959)
<b>Profit for the period before dividend</b>		<b>65,251</b>	<b>155,279</b>	<b>220,530</b>	<b>275,220</b>
Dividend paid	10	-	-	-	(2,162)
<b>Profit for the period</b>		<b>65,251</b>	<b>155,279</b>	<b>220,530</b>	<b>273,058</b>

The accompanying notes 1 to 25 form an integral part of these accounts.

Consolidated Statement of Financial Position

	Note	NARL €000	NAMA Group (excl. NARL) €000	30 Sept 2013 Consolidated NAMA Group €000	30 June 2013 Consolidated NAMA Group €000
<b>Assets</b>					
Cash and cash equivalents	11	108,332	3,262,575	3,370,907	2,375,497
Cash placed as collateral with the NTMA	11	-	761,000	761,000	916,000
Financial assets available for sale	12	-	146,559	146,559	147,674
Receivable from Participating Institutions	13	-	78,911	78,911	83,612
Derivative financial instruments	14	-	144,364	144,364	304,369
Loans and receivables	15	12,944,334	20,699,768	33,644,102	34,404,573
Other assets	16	33	15,521	15,554	17,056
Trading properties	17	-	34,458	34,458	6,740
Property, plant and equipment	18	-	1,212	1,212	831
Investments in equity instruments	19	-	6,470	6,470	-
Deferred tax	20	-	251,677	251,677	217,823
<b>Total assets</b>		<b>13,052,699</b>	<b>25,402,515</b>	<b>38,455,214</b>	<b>38,474,175</b>
<b>Liabilities</b>					
Payable to Participating Institutions	13	-	27,796	27,796	27,543
Derivative financial instruments	14	-	616,030	616,030	642,711
Debt securities in issue	21	-	36,868,000	36,868,000	36,868,000
Tax payable	22	-	727	727	1,497
Other liabilities	23	12,987,446	(12,904,747)	82,699	301,165
<b>Total liabilities</b>		<b>12,987,446</b>	<b>24,607,806</b>	<b>37,595,252</b>	<b>37,840,916</b>
<b>Equity</b>					
Share capital		-	-	-	-
Other equity instruments	24	-	1,593,000	1,593,000	1,593,000
Retained earnings		65,253	(451,235)	(385,982)	(606,512)
Other reserves	25	-	(347,056)	(347,056)	(353,229)
<b>Total equity</b>		<b>65,253</b>	<b>794,709</b>	<b>859,962</b>	<b>633,259</b>
<b>Total equity and liabilities</b>		<b>13,052,699</b>	<b>25,402,515</b>	<b>38,455,214</b>	<b>38,474,175</b>

The accompanying notes 1 to 25 form an integral part of these accounts.

# NAMA Group

## Consolidated Statement of Cash Flows For the period ended 30 September 2013

	For the period from 1 July 2013 to 30 Sept 2013			For the period from 1 Jan 2013 to 30 Sept 2013
	NARL €000	NAMA Group (excl. NARL) €000	Consolidated NAMA Group €000	Consolidated NAMA Group €000
<b>Cash flow from operating activities</b>				
<b>Loans and receivables</b>				
Receipts from borrowers	-	1,199,010	1,199,010	3,166,850
Advances to borrowers	-	(190,660)	(190,660)	(532,508)
Repayment of loan issued to IBRC Special Liquidators	-	139,438	139,438	-
Fee income received on loans with borrowers	-	2,811	2,811	3,227
Interest received on floating charge from IBRC	65,430	-	65,430	125,834
<b>Net cash provided by loans and receivables</b>	<b>65,430</b>	<b>1,150,599</b>	<b>1,216,029</b>	<b>2,763,403</b>
<b>Derivatives</b>				
Cash inflow on foreign currency derivatives	-	6,192,457	6,192,457	15,939,838
Cash outflow on foreign currency derivatives	-	(6,208,276)	(6,208,276)	(16,003,927)
Net cash inflow on derivatives where hedge accounting is applied	-	(246,748)	(246,748)	(232,102)
Net cash outflow on other derivatives	-	(9,519)	(9,519)	(113,413)
<b>Net cash used in derivatives</b>	<b>-</b>	<b>(272,085)</b>	<b>(272,085)</b>	<b>(409,604)</b>
<b>Other operating cashflows</b>				
Interest expense on debt securities in issue	(17,548)	(41,560)	(59,108)	(128,880)
Payments to suppliers of services	-	(35,356)	(35,356)	(90,583)
Amounts pledged as collateral with NTMA	-	155,000	155,000	389,000
Interest received on cash and cash equivalents	46	1,144	1,191	8,967
Dividend paid on behalf of NAMAIL	-	-	-	(2,162)
Payments of corporation tax by NAMAIL	-	(54)	(54)	(54)
Interest received on loan to IBRC Special Liquidators	-	312	312	873
<b>Net cash used in other operating activities</b>	<b>(17,501)</b>	<b>79,486</b>	<b>61,984</b>	<b>177,161</b>
<b>Net cash provided by operating activities</b>	<b>47,929</b>	<b>958,000</b>	<b>1,005,928</b>	<b>2,530,960</b>
<b>Cash flow from investing activities</b>				
Equity investments	-	(13,450)	(13,450)	(13,450)
Purchase of available for sale assets	-	-	-	(149,719)
Maturity of available for sale assets	-	-	-	267,750
<b>Net cash used in investing activities</b>	<b>-</b>	<b>(13,450)</b>	<b>(13,450)</b>	<b>104,581</b>
<b>Cash flow from financing activities</b>				
Redemption of senior debt securities in issue	-	-	-	(1,500,000)
<b>Net cash used in financing activities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(1,500,000)</b>
<b>Cash and cash equivalents at the beginning of the period</b>	<b>60,403</b>	<b>2,315,093</b>	<b>2,375,497</b>	<b>2,235,823</b>
Net cash provided by operating activities	47,929	958,000	1,005,928	2,530,960
Net cash provided by investing activities	-	(13,450)	(13,450)	104,581
Net cash used in financing activities	-	0	0	(1,500,000)
Effects of exchange-rate changes on cash and cash equivalents	-	2,932	2,932	(457)
<b>Cash and cash equivalents at 30 September</b>	<b>108,332</b>	<b>3,262,575</b>	<b>3,370,907</b>	<b>3,370,907</b>
<b>Financial assets and cash collateral</b>				
Financial assets available for sale	-	146,559	146,559	146,559
Amounts pledged as collateral with NTMA	-	761,000	761,000	761,000
<b>Total cash, cash equivalents and collateral held at 30 September 2013</b>	<b>108,332</b>	<b>4,170,134</b>	<b>4,278,466</b>	<b>4,278,466</b>

## **1 General Information**

For the purposes of these accounts, the 'NAMA Group' comprises the parent entity NAMA (the Agency) and all entities shown in Chart 1 on page 14. The Agency owns 49% of the shares in NAMAIL and the remaining 51% of the shares are held by private investors.

The Agency may exercise a veto power in respect of decisions of 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 each company is Treasury Building, Grand Canal Street, Dublin 2. Each Company is incorporated and domiciled in the Republic of Ireland.

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

### **2.1 Basis of preparation**

The Group's consolidated accounts for the period to 30 September 2013 are presented in accordance with its accounting policies for the purposes of complying with the requirements of Section 55 of the Act.

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

### **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**

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

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

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

### **2.4 Foreign currency translation**

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

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

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

#### *(b) Transactions and balances*

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

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**

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 and equity instruments.

#### *Derivatives*

These assets are recognised initially at fair value and transaction costs are taken directly to the consolidated income statement. Interest income and expense arising on these 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.

#### *Equity instruments*

During the year NAMA acquired certain equity instruments in other entities.

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another. A financial asset is an equity instrument of another entity.

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

Equity instruments are initially measured at fair value. Equity investments are subsequently measured at fair value unless the fair value cannot be reliably measured, in which case the equity instrument is measured at cost. The fair value of equity investments in other entities is measured based on the net asset value of the entity at the reporting date. Changes in fair value are recognised in profit or loss.

Investments in equity instruments are separately disclosed on the Balance Sheet.

### *(b) Loans and receivables*

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

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

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

Loans and receivables are classified as follows:

- Land and development loans
- Investment property loans

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

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

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

Investment property loans are loans secured on any property purchased with the primary intention of retaining it and enjoying the total return, i.e. income and/or capital appreciation, over the life of the interest acquired. This would include loans secured on completed residential property developments that are classified as investment property loans.

*(c) Financial assets 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 other comprehensive income in the available for sale reserve. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the available for sale reserve is reclassified to profit or loss.

**Financial assets and liabilities at fair value**

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

*Borrower derivatives*

Borrower derivatives comprise derivatives acquired from PIs that were originally put in place to provide hedges to borrowers ('borrower derivatives'). These derivatives were acquired from each PI 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.

*Hedge accounting*

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

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

*Cash flow hedge*

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

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

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

## **2.6 Financial liabilities**

The Group carries all financial liabilities at amortised cost, with the exception of derivative financial instruments, which are measured at fair value. Further information on derivative liabilities is included in accounting policy 2.13.

## **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 estimated cash flows using the mandated LTEV methodology but did not consider future credit losses beyond any already recognised in the acquisition price of loans. The calculation includes transaction costs and all fees paid or received between parties to the contract that are an integral part of the EIR.

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

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

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

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 Fee income**

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

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

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

NAMA has disposed of certain loan/property assets to third parties during the period. Profits and losses on the disposal of loans/property is calculated as the difference between the carrying value of the loans/property and the contractual sales price at the date of sale. The contractual sales price includes any deferred consideration where NAMA has the contractual right to receive any deferred cash flow. Profits and losses on the disposal of loans/profits are recognised in the income statement when the transaction occurs. Profit on disposal of loans is not recognised when the overall debtor connection is impaired in accordance with latest available impairment assessment data.

## **Surplus income**

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

- a) to the extent that actual cashflows for a total debtor connection are in excess of the total debtor connection loan carrying values, i.e. to the extent that the debtor has repaid all of its NAMA debt; or
- b) when the estimated cashflows for the total debtor connection are greater than the total debtor connection loan carrying value. Such surplus income, to the extent that cash is realised from specific loan assets within the connection, is taken to the income statement at each annual reporting date only.

### **2.11 Impairment of financial assets**

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

#### **(a) Loans and receivables carried at amortised cost**

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

The vast majority of loans and receivables acquired had already incurred credit losses, which were reflected in the valuation of loans and receivables by NAMA.

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

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

#### *Individually Significant*

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

#### *Collective Assessment*

Loans which are not subject to individually significant assessment are grouped collectively for the purposes of performing an impairment assessment. This assessment is based on the experience of the detailed impairment assessment carried out in respect of individually significant loans.

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

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



## **2.12 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.

## **2.13 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.

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.

## **2.14 Trading Properties**

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

## **2.15 Taxation**

### *(a) 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 Group does not offset current income tax liabilities and current income tax assets.

### *(b) Deferred income tax*

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

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

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

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

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

The Group assesses, on an annual basis only, the movement in respect of the deferred tax asset relating to unutilised tax losses.

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

### *Provisions*

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

### *Contingent liabilities*

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

### *Contingent assets*

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

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

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

Amounts due to and from Participating Institutions are classified as unsettled overdraft positions.

### *Unsettled overdraft positions*

Adjustments for unsettled overdraft positions relate to overdraft accounts which were legally acquired by NAMA in 2010 and 2011. The Participating Institutions fund overdraft accounts and collect cash repayments on overdraft accounts on NAMA's behalf. The amounts funded by Participating Institutions are recognised in the balance sheet as amounts payable to Participating Institutions and the amounts collected are recognised as amounts receivable from Participating Institutions. The net amount due to/from Participating Institutions is applied against the outstanding loans and receivables balance.

## **2.18 Financial guarantee contracts acquired**

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

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

## **2.19 Debt and equity instruments**

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

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.

## **2.20 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.

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

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

The amount of collateral required depends on an assessment of the credit risk by the NTMA.

Cash placed as collateral is recorded in cash placed as collateral with the NTMA on the balance sheet. Any interest payable or receivable arising on the amount placed as collateral is recorded in interest expense or interest income respectively.

### ***2.22 Property, plant and equipment***

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

### ***2.23 Segmental reporting***

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

### 3 Interest and fee income

For the period from 1 July 2013 to 30  
Sept 2013

For the period  
from 1 Jan 2013  
to 30 Sept 2013

	NAMA Group			
	NARL	(excl. NARL)	Total	Total
	€000	€000	€000	€000
Interest on loans and receivables	66,149	264,507	330,656	942,300
Interest on derivative financial instruments	-	5,565	5,565	37,857
Interest on cash and cash equivalents	64	2,458	2,522	10,547
Interest on financial assets held as available for sale	-	293	293	5,635
Interest on loan to Special Liquidators of IBRC	-	148	148	872
Other fee income	-	2,846	2,846	3,227
<b>Total interest and fee income</b>	<b>66,213</b>	<b>275,817</b>	<b>342,030</b>	<b>1,000,438</b>

#### *Interest on loans and receivables*

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.

Of the €942m in interest income on loans and receivables recognised in the period 1 January 2013 to 30 September 2013, €626m was realised by way of non-disposal cash receipts. Any difference between the EIR income recognised and the element realised in cash in any particular period is factored into NAMA's impairment process.

There has been a reduction in the level of income realised in cash for the nine month period ended 30 September 2013. Excluding NARL, NAMA's non-disposal income, which peaked in 2012, was €0.6 billion for the nine month period ended 30 September 2013 (30 September 2012: €0.9 billion). This reflects the commercial reality that, as NAMA disposes of income producing assets, there is a natural corresponding fall-off in non-disposal (mainly rental) income.

### 4 Interest expense

For the period from 1 July 2013 to 30  
Sept 2013

For the period  
from 1 Jan 2013  
to 30 Sept 2013

	NAMA Group			
	NARL	(excl. NARL)	Total	Total
	€000	€000	€000	€000
Interest on debt securities in issue	-	31,877	31,877	94,715
Interest on other derivative financial instruments	-	3,771	3,771	14,264
Interest on derivatives where hedge accounting is applied	-	60,343	60,343	175,295
<b>Total interest expense</b>	<b>-</b>	<b>95,991</b>	<b>95,991</b>	<b>284,274</b>

On 28th March 2013, NAML issued bonds to the value of €12.9bn as consideration for the acquisition by NARL of a floating charge over the assets of IBRC from Central Bank of Ireland. The interest expense incurred by NAML on these bonds in the quarter was €11.2m. The first coupon of €17.5m was paid on 20 August 2013.



NARL has an intercompany profit participating facility agreement in operation with NAML, reflecting the consideration for the floating charge acquired from the Central Bank. NARL has earned cumulative income of €142m to date (Q1 €3m; Q2 €72m; Q3 €67m), of which €74m has been transferred to NAML by way of profit participating loan interest. Refer to Appendix 6 for the full set of NARL accounts.

**5 Net profit/(loss) on disposal of loans and property assets, and surplus income**

**For the period from 1 July 2013 to 30 Sept 2013**

**For the period from 1 Jan 2013 to 30 Sept 2013**

	<b>NAMA Group</b>			
	<b>NARL</b>	<b>(excl. NARL)</b>	<b>Total</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Surplus income	-	(214)	(214)	202,128
Net loss on disposal of loans	-	(8,894)	(8,894)	(24,617)
	<b>-</b>	<b>(9,108)</b>	<b>(9,108)</b>	<b>177,511</b>

During the quarter, the Group sold certain loans and receivables acquired to third parties. Profit or loss on disposal is measured as the difference between proceeds of sale received and the carrying value of those loans and receivables. The Group realised net losses of €8.9m on the disposal of loans in the quarter. Profit on disposal of loans is not recognised where the overall debtor connection is impaired in accordance with the latest available information.

For certain assets acquired, the proceeds from the disposal of the underlying collateral in a debtor connection has exceeded the carrying value of those loans and receivables. This surplus is recognised in the income statement as realised profits on loans (surplus income). For the period 1 January 2013 to 30 June 2013 €202m of surplus income was recognised (see accounting policy 2.10).

**6 Gains/(losses) on derivative financial instruments**

**For the period from 1 July 2013 to 30 Sept 2013**

**For the period from 1 Jan 2013 to 30 Sept 2013**

	<b>NAMA Group</b>			
	<b>NARL</b>	<b>(excl. NARL)</b>	<b>Total</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Fair value losses on acquired derivatives	-	(5,022)	(5,022)	(77,370)
Fair value gains on other derivatives	-	3,414	3,414	25,090
Hedge ineffectiveness adjustment	-	2,227	2,227	6,867
<b>Total gains/(losses) on derivative financial instruments</b>	<b>-</b>	<b>619</b>	<b>619</b>	<b>(45,413)</b>

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

Gains/(losses) on derivatives acquired from borrowers comprise fair value movements on derivatives acquired from borrowers that were associated with the loans acquired. Other derivatives hedge NAMA's interest rate risk exposure arising from derivatives acquired from debtors. Hedge accounting has not been applied on these derivatives.

Included in the total losses on derivative financial instruments is an exceptional loss of €28m incurred relating to the termination of a derivative as a result of the sale of a loan in May 2013.

In 2010 a fair value loss of €30.4m in respect of derivatives that are now designated in hedge relationships was included in fair value losses on other derivatives. This loss is amortised to the cash flow hedge reserve as hedge ineffectiveness over the remaining life of the derivatives. At the reporting date cumulative hedge ineffectiveness of €30.4m is recognised in the cashflow hedge reserve, current year hedge ineffectiveness is €6.7m.

**7 Administration expenses**

**For the period from 1 July 2013 to 30 Sept 2013**

**For the period from 1 Jan 2013 to 30 Sept 2013**

	<b>NAMA Group</b>			
	<b>NARL</b>	<b>(excl. NARL)</b>	<b>Total</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Costs reimbursable to NTMA	782	9,359	10,141	29,450
Primary servicer fees	180	13,459	13,639	42,077
Legal fees	-	976	976	1,588
Portfolio management fees	-	1,655	1,655	4,064
Master servicer fees	-	724	724	2,215
IBRC integration costs	-	3,408	3,408	3,408
Finance, communication and technology costs	-	856	856	2,125
Rent and occupancy costs	-	320	320	893
Internal audit fees	-	220	220	725
NAMA Board and Committee Fees	-	150	150	415
External audit remuneration	-	112	112	338
<b>Total administration expenses</b>	<b>962</b>	<b>31,239</b>	<b>32,202</b>	<b>87,299</b>

Under Section 42 (4) of the Act, the Agency shall reimburse the NTMA for the costs incurred by the NTMA as a consequence of its assignment of staff to the NAMA Group Entities. See 7.1 below for further breakdown of such costs.

NAMA Board and Advisory Committee fees are paid to Board members and external members of Committees. Brendan McDonagh (CEO, NAMA), John Corrigan (CEO, NTMA) and John Mulcahy (Head of Asset Management, NAMA) receive no payment as members of the Board.

**7.1 Costs reimbursable to NTMA**

**For the period from 1 July 2013 to 30 Sept 2013**

**For the period from 1 Jan 2013 to 30 Sept 2013**

	<b>NAMA Group</b>			
	<b>NARL</b>	<b>(excl. NARL)</b>	<b>Total</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Staff costs	421	7,486	7,907	22,553
Overheads and shared service costs	361	1,873	2,234	6,897
<b>Total</b>	<b>782</b>	<b>9,359</b>	<b>10,141</b>	<b>29,450</b>

**8 Foreign exchange gains/(losses)**

**For the period from 1 July 2013 to 30 Sept 2013**

**For the period from 1 Jan 2013 to 30 Sept 2013**

	<b>NAMA Group</b>			
	<b>NARL</b>	<b>(excl. NARL)</b>	<b>Total</b>	<b>Total</b>
	<b>€000</b>	<b>€000</b>	<b>€000</b>	<b>€000</b>
Foreign exchange translation gain/loss on loans and receivables	-	134,287	134,287	(194,348)
Unrealised foreign exchange gain/(loss) on derivative financial instruments	-	(142,149)	(142,149)	183,463
Realised foreign exchange loss on derivative financial instruments	-	(15,818)	(15,818)	(64,089)
Foreign exchange gain/(loss) on cash	-	2,932	2,932	(457)
<b>Total foreign exchange losses</b>	<b>-</b>	<b>(20,748)</b>	<b>(20,748)</b>	<b>(75,431)</b>

Gains and losses on foreign exchange derivatives arise from market movements that affect the value of the derivatives at the reporting date. On a cumulative basis since 2010, NAMA has recorded a loss of €90m on currency derivatives. This cumulative net cost is akin to an “insurance” cost of protecting NAMA from the impact of foreign exchange rate fluctuations.

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

Following the transfer of assets from the Participating Institutions, the Group entered into currency derivative contracts to reduce its exposure to exchange rate fluctuations arising on foreign currency denominated loans and receivables acquired. Realised and unrealised gains are recognised in accordance with accounting policy 2.13. Currency derivatives are explained in more detail in note 14.

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

**9 Tax charge**

	For the period from 1 July 2013 to 30 Sept 2013			For the period from 1 Jan 2013 to 30 Sept 2013
	NARL €000	NAMA Group (excl. NARL) €000	Total €000	Total €000
<b>Current tax</b>				
Corporation Tax in NAMAIL	-	(8)	(8)	(24)
<b>Deferred Tax</b>				
On fair value gains and losses on derivatives (Note 20)	-	35,938	35,938	(24,935)
On utilised tax losses forward	-	-	-	-
<b>Total taxation charge</b>	-	<b>35,930</b>	<b>35,930</b>	<b>(24,959)</b>

**10 Dividend declared and paid**

	For the period from 1 July 2013 to 30 Sept 2013			For the period from 1 Jan 2013 to 30 Sept 2013
	NARL €000	NAMA Group (excl. NARL) €000	Total €000	Total €000
Dividend paid	-	-	-	(2,162)

On 28 March 2013, the Board of NAMAIL declared and approved a dividend payment of €0.0424 per share, amounting to €2.162m. The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2013. The dividend was paid to the holders of B ordinary shares of NAMAIL only, the private investors, who have ownership of 51% in the Company. No dividend was paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.

## 11 Cash and cash equivalents

			30 Sept 2013	30 June 2013
	NARL	NAMA Group	Total	Total
	€000	(excl. NARL)	€000	€000
		€000		
Balances with Central Bank	18,312	1,084,013	1,102,325	326,571
Balances with other banks	20	30,127	30,147	78,928
Exchequer notes	90,000	1,975,000	2,065,000	1,935,000
Term deposits	-	173,435	173,435	34,998
<b>Total cash and cash equivalents</b>	<b>108,332</b>	<b>3,262,575</b>	<b>3,370,907</b>	<b>2,375,497</b>
Cash placed as collateral with the NTMA	-	761,000	761,000	916,000
<b>Total cash, cash equivalents and collateral postings</b>	<b>108,332</b>	<b>4,023,575</b>	<b>4,131,907</b>	<b>3,291,497</b>

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

## 12 Financial assets available for sale

			30 Sept 2013	30 June 2013
	NARL	NAMA Group	Total	Total
	€000	(excl. NARL)	€000	€000
		€000		
Short term treasury bonds	-	146,559	146,559	147,674

Financial assets available for sale comprise Irish government treasury bonds acquired for liquidity management and with a maturity of less than 1 year.

## 13 Receivables from and payables to Participating Institutions

			30 Sept 2013	30 June 2013
	NARL	NAMA Group	Total	Total
	€000	(excl. NARL)	€000	€000
		€000		
Receivables from Participating Institutions	-	78,911	78,911	83,612
Payable to Participating Institutions	-	(27,796)	(27,796)	(27,543)

Receivables from and payables to Participating Institutions comprise unsettled overdraft positions. Amounts are settled when a terminating event occurs for overdrafts. NAMA legally acquired overdraft accounts attached to debtor loan accounts in 2010 and 2011. At 30 September 2013 the above amounts were receivable from and payable to the Participating Institutions for cash collected or paid out by the Participating Institutions in relation to NAMA debtors' overdraft accounts. Amounts due are generally only settled by NAMA and the Participating Institutions upon a terminating event such as account closure. Amounts settled may differ to the balances reported at quarter end.

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

			30 Sept 2013	30 June 2013
	NARL	NAMA Group	Total	Total
	€000	(excl. NARL)	€000	€000
<i>Derivative assets at fair value through profit or loss</i>				
Derivative financial instruments acquired	-	120,853	120,853	125,874
Other derivative financial instruments	-	13,597	13,597	86,690
Foreign currency derivatives	-	9,914	9,914	91,805
<b>Total derivative assets</b>	<b>-</b>	<b>144,364</b>	<b>144,364</b>	<b>304,369</b>
<i>Derivative liabilities at fair value through profit or loss</i>				
Other derivative financial instruments	-	(34,203)	(34,203)	(110,709)
Foreign currency derivatives	-	(120,660)	(120,660)	(60,403)
<b>Total</b>	<b>-</b>	<b>(154,863)</b>	<b>(154,863)</b>	<b>(171,112)</b>
Hedging derivative liabilities	-	(461,167)	(461,167)	(471,599)
<b>Total derivative liabilities</b>	<b>-</b>	<b>(616,030)</b>	<b>(616,030)</b>	<b>(642,711)</b>

*Derivative financial instruments at fair value through profit or loss*

Derivative financial instruments acquired from borrowers relate to the fair value of derivatives acquired from borrowers that were associated with loans acquired. The fair value of these derivatives at the quarter end was €121m (30 June 2013: €126m).

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

Following the transfer of assets from Participating Institutions and given that NAMA pays for these loans with Euro denominated bonds, NAMA entered into foreign currency derivatives to reduce its exposure to exchange rate fluctuation arising on foreign denominated loans and receivables acquired.

*Derivative financial instruments designated in hedge relationships*

At the reporting date, NAMA had entered into €23.6bn of interest rate swaps to hedge its exposure to interest rate risk arising from Euribor floating rates.

Some of these interest rate swaps were formally designated into hedge relationships during 2010, when the fair value of these derivatives was (negative) €30.4m. This amount was recognised as a fair value loss on other derivative financial instruments in the income statement in 2010. This fair value gain is amortised as hedge ineffectiveness over the remaining life of the derivatives. A cumulative amount of €30.4m has been recognised as income in the income statement and cash flow hedge reserve.

**15 Loans and receivables**

			30 Sept 2013	30 June 2013
	NARL	NAMA Group	Total	Total
	€000	(excl. NARL)	€000	€000
Loans and receivables	12,944,334	24,318,543	37,262,877	37,883,746
Less provision for impairment charges on loans and receivables	-	(3,618,775)	(3,618,775)	(3,618,775)
	12,944,334	20,699,768	33,644,102	34,264,971
Loan to IBRC Special Liquidators	-	-	-	139,602
	<b>12,944,334</b>	<b>20,699,768</b>	<b>33,644,102</b>	<b>34,404,573</b>

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

With the establishment of NARL, NAMA acquired a floating charge of €12.92bn over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank. As consideration for the loan facility and floating charge, NAMA issued Senior Bonds, via a profit participating loan agreement, worth €12.92bn (guaranteed by the Minister for Finance) to the Central Bank. In October 2013, NARL received a €300m repayment in respect of the floating charge, which was used to redeem Senior Bonds issued to the Central Bank of Ireland.

NAMA and the Special Liquidators of IBRC have entered into a loan facility, agreeing an external loan of €1bn between NAMA and the Special Liquidators of IBRC. The purpose of the facility is to provide the Special Liquidators with working capital and cash collateral required by the NTMA to post to derivative counterparties of IBRC. At the reporting date, the balance outstanding on this facility was €nil.

Impairment is assessed semi annually. NAMA carried out an impairment assessment at 30 June 2013 of its individually significant debtors, which are those managed directly by NAMA. Based on the assessment an additional impairment charge of €385m was recorded, primarily relating to specific debtors with a material adverse change in timing and amount of expected cashflows. This brought the total impairment coverage to 14.4% at 30 June 2013 (31 December 2012: 12.5%).

	<b>2013</b>
	<b>€000</b>
Balance at 1 January 2013	3,263,422
Increase in specific provision	378,227
Release of specific provision	(102,949)
Increase in collective provision	80,075
Total movement in provision (Note (i))	<b>355,353</b>
Balance at 30 September 2013	<b>3,618,775</b>
<b>Note (i)</b>	
Recognised in income statement	385,353
Recognised against loans and receivables	(30,000)
	<b>355,353</b>

The impairment review is subject to estimation and judgement in relation to the amount and timing of cash flows and the value of underlying collateral. Actual results may differ from expected results. A detailed impairment assessment will be carried out as at 31 December 2013.

#### 16 Other assets

			<b>30 Sept 2013</b>	<b>30 June 2013</b>
	<b>NARL</b>	<b>NAMA Group</b>		
	<b>€000</b>	<b>(excl. NARL)</b>	<b>Total</b>	<b>Total</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
Accrued swap interest receivable	-	5,754	5,754	6,710
Deferred consideration	-	2,678	2,678	6,083
VAT receivable	-	420	420	554
Interest receivable on financial assets available for sale	-	4,116	4,116	2,654
Interest receivable on cash and cash equivalents	33	1,696	1,729	409
Prepayments	-	616	616	646
Other receivables	-	241	241	-
<b>Total other assets</b>	<b>33</b>	<b>15,521</b>	<b>15,554</b>	<b>17,056</b>

#### 17 Trading properties

			<b>30 Sept 2013</b>	<b>30 June 2013</b>
	<b>NARL</b>	<b>NAMA Group</b>		
	<b>€000</b>	<b>(excl. NARL)</b>	<b>Total</b>	<b>Total</b>
		<b>€000</b>	<b>€000</b>	<b>€000</b>
Trading properties	-	34,458	34,458	6,740

During 2011 NAMA received certain property assets as settlement for an outstanding guarantee. NAMA also acquired other non real estate assets in settlement of debt during 2012. In August 2013, NAMA acquired property assets by way of foreclosure, valued at USD38.5m. Properties are carried at the lower of cost and net realisable value. Non euro denominated assets are translated to euro in accordance with accounting policy 2.4.

**18 Property, plant and equipment**

			30 Sept 2013	30 June 2013
	NARL	NAMA Group (excl. NARL)	Total	Total
	€000	€000	€000	€000
Lease fit out costs	-	1,212	1,212	831

The fixed assets relates to lease fit out costs incurred to date. The asset is depreciated on a straight line basis at rate of 10% per annum.

**19 Investments in equity instruments**

			30 Sept 2013	30 June 2013
	NARL	NAMA Group (excl. NARL)	Total	Total
	€000	€000	€000	€000
Financial assets at fair value through profit or loss	-	6,470	6,470	-
	-	6,470	6,470	-

Financial assets measured at fair value through profit or loss consists of:

- a 20% interest in a partnership of €1.34m, held by NAJVAL. The interest was acquired by the Group as consideration for the sale of certain loans. The Group is not able to exercise significant influence over the partnership, as the other 80% interest is held by one shareholder who controls the decision making of the partnership.
- units in a qualifying investment fund ("QIF"), valued at €5.13m. The units were acquired by the NAPM as consideration for the sale of certain property assets by NAMA to the fund.

**20 Deferred tax**

	Deferred tax on derivatives		Deferred tax on	Total
	Assets	(Liabilities)	tax losses	
	€000	€000	€000	€000
Balance at 1 July 2013	160,141	(75,711)	133,393	217,823
Movement in the period	(6,133)	39,987	-	33,854
Balance at 30 Sept 2013	154,008	(35,724)	133,393	251,677

	For the period from 1 July 2013 to 30 Sept 2013 €000
Current tax (Note 9)	(8)
Movement recognised in the income statement (Note 9)	35,938
Movement recognised in reserves (Note 25 (a))	(2,084)
<b>Net movement in deferred tax</b>	<b>33,854</b>

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



Deferred income tax assets are recognised in respect of tax losses carried forward only to the extent that realisation of the related tax benefit is probable. A deferred income tax asset of €133m (2012: €133m) in respect of unutilised tax losses has been recognised in these financial statements. Based on the current year results, NAMA believes that future taxable profits will be available to offset any deferred tax asset recognised.

The Group assesses, on an annual basis only, the movement in respect of the deferred tax asset relating to unutilised tax losses.

## 21 Debt securities in issue

	For the period from 1 July 2013 to 30 Sept 2013		
	NARL €000	NAMA Group (excl. NARL) €000	Total €000
In issue at beginning of quarter	-	36,868,000	36,868,000
Issued in the quarter	-	-	-
Redeemed during the quarter	-	-	-
<b>In issue at end of quarter</b>	<b>-</b>	<b>36,868,000</b>	<b>36,868,000</b>

### Terms of notes issued for the acquisition of loans by NALML

The total debt securities outstanding at 30 September 2013 issued in respect of the original acquisition of loans by NALML is €23.9m. These debt securities are all government guaranteed Floating Rate Notes, which were issued by NAML and transferred to NAMGSL under a profit participating loan arrangement and by it to NALML. 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.

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

All of the securities which matured on 1 March 2013 were physically settled by issuing new securities with a maturity of 1 March 2014.

### Terms of notes issued for the acquisition of floating charge by NARL

On 28th March 2013, NAML issued bonds to the value of €12.9bn as consideration for the acquisition by NARL of a floating charge over the assets of IBRC from Central Bank of Ireland. The debt securities issued in respect of the acquisition of the floating charge are all government guaranteed senior unsecured floating rate notes, which were issued at par and transferred to NARL under a profit participating loan arrangement, which were used as consideration for the loan facility and floating charge acquired from the Central Bank.

Interest accrues from the issue date of the Notes and is paid semi annually on 20 February and 20 August. The interest rate is 6 month Euribor reset on 20 February and 20 August in each year. Euro denominated notes only have been issued.

Senior debt securities were issued on 28 March 2013 and are due to mature on 20 February 2014. The securities issued permitted the issuer to settle all, or some only, of the securities at maturity by issuing a new security on the same terms as the existing security (other than as to maturity which may be up to 364 days from the date of issue notwithstanding that the existing security may have had a shorter maturity).

## 22 Tax payable

			30 Sept 2013	30 June 2013
	NARL	NAMA Group	Total	Total
	€000	(excl. NARL)	€000	€000
		€000		
Professional services withholding tax and other taxes payable	-	718	718	1,461
Current tax liability	-	9	9	36
<b>Total tax payable</b>	<b>-</b>	<b>727</b>	<b>727</b>	<b>1,497</b>

## 23 Other liabilities

			30 Sept 2013	30 June 2013
	NARL	NAMA Group	Total	Total
	€000	(excl. NARL)	€000	€000
		€000		
Intercompany - NAML / NARL	12,928,344	(12,928,344)	-	-
Accrued swap interest payable	-	28,335	28,335	220,488
Accrued interest on debt securities in issue - loans acquired by NALML	-	6,424	6,424	27,316
Accrued interest on debt securities in issue - floating charge acquired by NARL	-	5,158	5,158	11,497
Accrued expenses	2,873	39,681	42,554	41,606
Other liabilities	56,229	(56,001)	228	258
<b>Total other liabilities</b>	<b>12,987,446</b>	<b>(12,904,747)</b>	<b>82,699</b>	<b>301,165</b>

## 24 Other equity instruments

For the period  
from 1 July 2013  
to 30 Sept 2013  
€000

At beginning of quarter	1,593,000
Issued in the quarter	-
Redeemed during the quarter	-
<b>In issue at end of quarter</b>	<b>1,593,000</b>

### Terms of the instrument

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

The interest rate on the instruments is the 10 year Irish Government rate at the date of first issuance, plus 75 basis points. This rate has been set at a fixed return of 5.264%. Interest is paid annually, 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.

**25 Other reserves**

**For the period**      **For the period**  
**from 1 July 2013** **from 1 Jan 2013 to**  
**to 30 Sept 2013**      **30 Sept 2013**

**Other reserves are analysed as follows:**

	€000	€000
<b>Cashflow hedge reserve</b>		
At the beginning of the period	(352,088)	(524,019)
Net changes in fair value	10,431	246,578
Hedge ineffectiveness	(2,227)	(6,869)
Deferred tax recognised in other reserves (note a)	(2,071)	(61,645)
<b>At 30 September 2013</b>	<b>(345,955)</b>	<b>(345,955)</b>
<b>Available for sale reserve</b>		
At the beginning of the period	(1,141)	1,805
Net changes in fair value	53	(3,875)
Deferred tax recognised in other reserves (note a)	(13)	969
<b>At 30 September 2013</b>	<b>(1,101)</b>	<b>(1,101)</b>
<b>Total other reserves</b>	<b>(347,056)</b>	<b>(347,056)</b>

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 reserve comprises the fair value movement on available for sale assets in the quarter (see note 12). Total deferred tax recognised in reserves in the period is €2m (30 June 2013: €40m) (note 20).

**(a) Movement in deferred tax is recognised as follows:**

	€000	€000
Deferred tax on movement in cash flow hedge reserve from 1 Jan 2013 to 30 Jun 2013	(59,574)	
Deferred tax on movement in available for sale reserve from 1 Jan 2013 to 30 Jun 2013	982	
<b>Total deferred tax movement on reserves from 1 Jan 2013 to 30 Jun 2013</b>		<b>(58,592)</b>
Deferred tax on movement in cash flow hedge reserve from 1 Jul 2013 to 30 Sept 2013	(2,071)	
Deferred tax on movement in available for sale reserve from 1 Jul 2013 to 30 Sept 2013	(13)	
<b>Total deferred tax movement on reserves from 1 Jul 2013 to 30 Sept 2013</b>		<b>(2,084)</b>
<b>Total deferred tax movement on reserves from 1 Jan 2013 to 30 Sept 2013</b>		<b>(60,676)</b>
<u>Consists of:</u>		
Cashflow hedge reserve		(61,645)
Available for sale reserve		969
		<b>(60,676)</b>

NAMA Group															
Section 55 (6) (j): Income Statement by NAMA group entity															
For the period from 1 January 2013 to 30 September 2013															
	National Asset Loan Management Limited	National Asset JVA Limited	National Asset Property Management Limited	National Asset Sarasota LLC	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	NAML Group Consolidated Total	National Asset Resolution Limited	National Asset Management Agency Investment Limited €000	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest and fee income	858,439	16	-	-	-	-	-	73,776	(73,776)	858,455	141,903	189	873	(982)	1,000,438
Interest expense	(189,559)	-	-	-	-	-	-	(94,904)	-	(284,463)	(73,776)	-	(793)	74,758	(284,274)
<b>Net interest income / (expense)</b>	<b>668,880</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,128)</b>	<b>(73,776)</b>	<b>573,992</b>	<b>68,127</b>	<b>189</b>	<b>80</b>	<b>73,776</b>	<b>716,164</b>
Other income	2,694	-	-	-	-	-	-	-	-	2,694	-	-	30,123	(32,817)	-
Net Profit on disposal of loans, property and surplus income	173,319	-	4,192	-	-	-	-	-	-	177,511	-	-	-	-	177,511
Gains on derivative financial instruments	194,297	-	-	-	-	-	-	-	(239,710)	(45,413)	-	-	-	-	(45,413)
<b>Total operating income / (expense)</b>	<b>1,039,190</b>	<b>16</b>	<b>4,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(21,128)</b>	<b>(313,486)</b>	<b>708,784</b>	<b>68,127</b>	<b>189</b>	<b>30,203</b>	<b>40,959</b>	<b>848,262</b>
Administration expenses	(86,383)	-	(27)	(30)	(264)	-	-	-	-	(86,704)	(2,874)	-	(30,538)	32,817	(87,299)
Foreign exchange (losses)	(75,325)	-	(9)	(97)	-	-	-	-	-	(75,431)	-	-	-	-	(75,431)
<b>Operating profit / (loss) before impairment</b>	<b>877,482</b>	<b>16</b>	<b>4,156</b>	<b>(127)</b>	<b>(264)</b>	<b>-</b>	<b>-</b>	<b>(21,128)</b>	<b>(313,486)</b>	<b>546,649</b>	<b>65,253</b>	<b>189</b>	<b>(335)</b>	<b>73,776</b>	<b>685,532</b>
Impairment charges on loans and receivables	(385,353)	-	-	-	-	-	-	-	-	(385,353)	-	-	-	-	(385,353)
<b>Profit / (loss) for the period before income tax</b>	<b>492,129</b>	<b>16</b>	<b>4,156</b>	<b>(127)</b>	<b>(264)</b>	<b>-</b>	<b>-</b>	<b>(21,128)</b>	<b>(313,486)</b>	<b>161,296</b>	<b>65,253</b>	<b>189</b>	<b>(335)</b>	<b>73,776</b>	<b>300,179</b>
Tax credit/(expense)	(86,580)	-	-	-	-	-	-	-	61,645	(24,935)	-	(24)	-	-	(24,959)
<b>Profit for the year before dividend</b>	<b>405,549</b>	<b>16</b>	<b>4,156</b>	<b>(127)</b>	<b>(264)</b>	<b>-</b>	<b>-</b>	<b>(21,128)</b>	<b>(251,841)</b>	<b>136,361</b>	<b>65,253</b>	<b>165</b>	<b>(335)</b>	<b>73,776</b>	<b>275,220</b>
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	(2,162)	-	-	(2,162)
<b>Profit for the year</b>	<b>405,549</b>	<b>16</b>	<b>4,156</b>	<b>(127)</b>	<b>(264)</b>	<b>-</b>	<b>-</b>	<b>(21,128)</b>	<b>(251,841)</b>	<b>136,361</b>	<b>65,253</b>	<b>(1,997)</b>	<b>(335)</b>	<b>73,776</b>	<b>273,058</b>

NAMA Group															
Section 55 (6) (j): Income Statement by NAMA group entity															
For the period from 1 July 2013 to 30 September 2013															
	National Asset Loan Management Limited	National Asset JVA Limited	National Asset Property Management Limited	National Asset Sarasota LLC	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	NAML Group Consolidated Total	National Asset Resolution Limited	National Asset Management Agency Investment Limited €000	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Interest and fee income	275,809	16	-	-	-	-	-	-	-	275,825	66,213	63	148	(219)	342,030
Interest expense	(64,114)	-	-	-	-	-	-	(31,940)	-	(96,054)	-	-	(156)	219	(95,991)
<b>Net interest income / (expense)</b>	<b>211,695</b>	<b>16</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,940)</b>	<b>-</b>	<b>179,771</b>	<b>66,213</b>	<b>63</b>	<b>(8)</b>	<b>-</b>	<b>246,039</b>
Other income	782	-	-	-	-	-	-	-	-	782.00	-	-	10,388	(11,170)	-
Net Profit on disposal of loans, property and surplus income	(13,300)	-	4,192	-	-	-	-	-	-	(9,108)	-	-	-	-	(9,108)
Gains on derivative financial instruments	8,823	-	-	-	-	-	-	-	(8,204)	619	-	-	-	-	619
<b>Total operating income / (expense)</b>	<b>208,000</b>	<b>16</b>	<b>4,192</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(31,940)</b>	<b>(8,204)</b>	<b>172,064</b>	<b>66,213</b>	<b>63</b>	<b>10,380</b>	<b>(11,170)</b>	<b>237,550</b>
Administration expenses	(31,719)	-	(9)	(30)	(114)	-	-	-	-	(31,872)	(962)	-	(10,538)	11,170	(32,202)
Foreign exchange (losses)	(20,660)	-	9	(97)	-	-	-	-	-	(20,748)	-	-	-	-	(20,748)
<b>Operating profit / (loss) before impairment</b>	<b>155,621</b>	<b>16</b>	<b>4,192</b>	<b>(127)</b>	<b>(114)</b>	<b>-</b>	<b>-</b>	<b>(31,940)</b>	<b>(8,204)</b>	<b>119,444</b>	<b>65,251</b>	<b>63</b>	<b>(158)</b>	<b>0</b>	<b>184,600</b>
Impairment charges on loans and receivables	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit / (loss) for the period before income tax</b>	<b>155,621</b>	<b>16</b>	<b>4,192</b>	<b>(127)</b>	<b>(114)</b>	<b>-</b>	<b>-</b>	<b>(31,940)</b>	<b>(8,204)</b>	<b>119,444</b>	<b>65,251</b>	<b>63</b>	<b>(158)</b>	<b>-</b>	<b>184,600</b>
Tax credit/(expense)	33,867	-	-	-	-	-	-	-	2,071	35,938	-	(8)	-	-	35,930
<b>Profit for the year before dividend</b>	<b>189,488</b>	<b>16</b>	<b>4,192</b>	<b>(127)</b>	<b>(114)</b>	<b>-</b>	<b>-</b>	<b>(31,940)</b>	<b>(6,133)</b>	<b>155,382</b>	<b>65,251</b>	<b>55</b>	<b>(158)</b>	<b>-</b>	<b>220,530</b>
Dividend paid	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>Profit for the year</b>	<b>189,488</b>	<b>16</b>	<b>4,192</b>	<b>(127)</b>	<b>(114)</b>	<b>-</b>	<b>-</b>	<b>(31,940)</b>	<b>(6,133)</b>	<b>155,382</b>	<b>65,251</b>	<b>55</b>	<b>(158)</b>	<b>-</b>	<b>220,530</b>

NAMA Group

Section 55 (6) (i): Statement of Financial Position by NAMA group entity as at 30 September 2013

	National Asset Loan Management Limited	National Asset JVA Limited	National Asset Property Management Limited	National Asset Sarasota LLC	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	NAML Group Consolidated Total	National Asset Resolution Limited	National Asset Management Agency Investment Limited	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>Assets</b>															
Investments	-	1,345	10,923	-	-	-	-	-	(5,798)	6,470	-	-	49,000	(49,000)	6,470
Cash	3,261,864	-	-	-	-	-	-	-	-	3,261,864	108,332	-	711	-	3,370,907
Cash placed as collateral with the NTMA	761,000	-	-	-	-	-	-	-	-	761,000	-	-	-	-	761,000
Financial assets available for sale	146,559	-	-	-	-	-	-	-	-	146,559	-	-	-	-	146,559
Receivables from Participating Institutions	78,911	-	-	-	-	-	-	-	-	78,911	-	-	-	-	78,911
Derivative financial instruments	144,364	-	-	-	-	-	-	-	-	144,364	-	-	-	-	144,364
Loans and receivables	20,687,647	12,121	-	-	-	-	-	-	-	20,699,768	12,944,334	-	-	-	33,644,102
Other assets	735,018	-	-	-	-	-	26,144,864	38,617,473	(52,426,275)	13,071,080	33	119,182	9,211	(13,183,952)	15,554
Trading properties	200	-	6,265	28,509	-	-	-	-	(516)	34,458	-	-	-	-	34,458
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	-	-	1,212	-	1,212
Deferred tax asset	118,283	-	-	-	-	-	-	137,981	187	256,451	-	-	-	(4,774)	251,677
<b>Total assets</b>	<b>25,933,846</b>	<b>13,466</b>	<b>17,188</b>	<b>28,509</b>	<b>-</b>	<b>-</b>	<b>26,144,864</b>	<b>38,755,454</b>	<b>(52,432,402)</b>	<b>38,460,925</b>	<b>13,052,699</b>	<b>119,182</b>	<b>60,134</b>	<b>(13,237,726)</b>	<b>38,455,214</b>
<b>Liabilities</b>															
Payable to Participating Institutions	27,796	-	-	-	-	-	-	-	-	27,796	-	-	-	-	27,796
Derivative financial instruments	616,030	-	-	-	-	-	-	-	-	616,030	-	-	-	-	616,030
Debt securities in issue	-	-	-	-	-	-	-	36,868,000	-	36,868,000	-	-	-	-	36,868,000
Tax payable	718	-	-	-	-	-	-	-	-	718	-	9	-	-	727
Other liabilities	25,704,848	13,450	13,079	22,838	453	-	26,144,863	729,523	(52,426,275)	202,779	12,987,446	13,014	63,412	(13,183,952)	82,699
<b>Total liabilities</b>	<b>26,349,392</b>	<b>13,450</b>	<b>13,079</b>	<b>22,838</b>	<b>453</b>	<b>-</b>	<b>26,144,863</b>	<b>37,597,523</b>	<b>(52,426,275)</b>	<b>37,715,323</b>	<b>12,987,446</b>	<b>13,023</b>	<b>63,412</b>	<b>(13,183,952)</b>	<b>37,595,252</b>
<b>Equity</b>															
Share capital	-	-	-	5,798	-	-	-	-	(5,798)	-	-	100,000	-	(100,000)	-
Other equity instruments	-	-	-	-	-	-	-	1,593,000	-	1,593,000	-	-	-	-	1,593,000
Retained earnings	(414,445)	16	4,109	(127)	(453)	-	1	(435,069)	345,626	(500,342)	65,253	6,159	(3,278)	46,226	(385,982)
Other reserves	(1,101)	-	-	-	-	-	-	-	(345,955)	(347,056)	-	-	-	-	(347,056)
<b>Total equity</b>	<b>(415,546)</b>	<b>16</b>	<b>4,109</b>	<b>5,671</b>	<b>(453)</b>	<b>-</b>	<b>1</b>	<b>1,157,931</b>	<b>(6,127)</b>	<b>745,602</b>	<b>65,253</b>	<b>106,159</b>	<b>(3,278)</b>	<b>(53,774)</b>	<b>859,962</b>
<b>Total equity &amp; liabilities</b>	<b>25,933,846</b>	<b>13,466</b>	<b>17,188</b>	<b>28,509</b>	<b>-</b>	<b>-</b>	<b>26,144,864</b>	<b>38,755,454</b>	<b>(52,432,402)</b>	<b>38,460,925</b>	<b>13,052,699</b>	<b>119,182</b>	<b>60,134</b>	<b>(13,237,726)</b>	<b>38,455,214</b>

NAMA Group

Section 55 (6) (i): Statement of Financial Position by NAMA group entity as at 30 June 2013

	National Asset Loan Management Limited	National Asset Property Management Limited	National Asset Residential Property Services Limited	National Asset Management Services Limited	National Asset Management Group Services Limited	National Asset Management Limited	Consolidation Adjustments	NAML Group Consolidated Total	National Asset Resolution Limited	National Asset Management Agency Investment Limited	NAMA	Consolidation Adjustments	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
<b>Assets</b>													
Investments	-	-	-	-	-	-	-	-	-	-	49,000	(49,000)	-
Cash	2,314,325	-	-	-	-	-	-	2,314,325	60,403	-	769	-	2,375,497
Cash placed as collateral with the NTMA	916,000	-	-	-	-	-	-	916,000	-	-	-	-	916,000
Financial assets available for sale	147,674	-	-	-	-	-	-	147,674	-	-	-	-	147,674
Receivables from Participating Institutions	83,612	-	-	-	-	-	-	83,612	-	-	-	-	83,612
Derivative financial instruments	304,369	-	-	-	-	-	-	304,369	-	-	-	-	304,369
Loans and receivables	21,321,356	-	-	-	-	-	-	21,321,356	12,943,615	-	139,602	-	34,404,573
Other assets	790,625	-	-	-	26,089,854	38,635,020	(52,287,394)	13,228,105	15	119,118	14,649	(13,344,831)	17,056
Trading properties	200	7,056	-	-	-	-	(516)	6,740	-	-	-	-	6,740
Property, plant and equipment	-	-	-	-	-	-	-	-	-	-	831	-	831
Deferred tax asset	84,429	-	-	-	-	137,981	187	222,597	-	-	-	(4,774)	217,823
<b>Total assets</b>	<b>25,962,590</b>	<b>7,056</b>	<b>-</b>	<b>-</b>	<b>26,089,854</b>	<b>38,773,001</b>	<b>(52,287,723)</b>	<b>38,544,778</b>	<b>13,004,033</b>	<b>119,118</b>	<b>204,851</b>	<b>(13,398,605)</b>	<b>38,474,175</b>
<b>Liabilities</b>													
Payable to Participating Institutions	27,543	-	-	-	-	-	-	27,543	-	-	-	-	27,543
Derivative financial instruments	642,711	-	-	-	-	-	-	642,711	-	-	-	-	642,711
Debt securities in issue	-	-	-	-	-	36,868,000	-	36,868,000	-	-	-	-	36,868,000
Tax payable	1,461	-	-	-	-	-	-	1,461	-	36	-	-	1,497
Other liabilities	25,895,949	7,139	339	-	26,089,853	715,130	(52,287,394)	421,016	13,004,031	12,978	207,971	(13,344,831)	301,165
<b>Total liabilities</b>	<b>26,567,664</b>	<b>7,139</b>	<b>339</b>	<b>-</b>	<b>26,089,853</b>	<b>37,583,130</b>	<b>(52,287,394)</b>	<b>37,960,731</b>	<b>13,004,031</b>	<b>13,014</b>	<b>207,971</b>	<b>(13,344,831)</b>	<b>37,840,916</b>
<b>Equity</b>													
Share capital	-	-	-	-	-	-	-	-	-	100,000	-	(100,000)	-
Other equity instruments	-	-	-	-	-	1,593,000	-	1,593,000	-	-	-	-	1,593,000
Retained earnings	(603,933)	(83)	(339)	-	1	(403,129)	351,759	(655,724)	2	6,104	(3,120)	46,226	(606,512)
Other reserves	(1,141)	-	-	-	-	-	(352,088)	(353,229)	-	-	-	-	(353,229)
<b>Total equity</b>	<b>(605,074)</b>	<b>(83)</b>	<b>(339)</b>	<b>-</b>	<b>1</b>	<b>1,189,871</b>	<b>(329)</b>	<b>584,047</b>	<b>2</b>	<b>106,104</b>	<b>(3,120)</b>	<b>(53,774)</b>	<b>633,259</b>
<b>Total equity &amp; liabilities</b>	<b>25,962,590</b>	<b>7,056</b>	<b>-</b>	<b>-</b>	<b>26,089,854</b>	<b>38,773,001</b>	<b>(52,287,723)</b>	<b>38,544,778</b>	<b>13,004,033</b>	<b>119,118</b>	<b>204,851</b>	<b>(13,398,605)</b>	<b>38,474,175</b>



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

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

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

Administration Expenses by NAMA group entity							
For the period from 1 July 2013 to 30 September 2013							
	NALML	NAPML	NASLLC	NARPSL	NARL	NAMA	NAMA Group Consolidated Total
	€000	€000	€000	€000	€000	€000	€000
Costs reimbursable to NTMA	9,359	-	-	-	782	-	10,141
Primary servicer fees	13,459	-	-	-	180	-	13,639
Legal fees	893	-	-	82	-	-	975
Master servicer fees	724	-	-	-	-	-	724
Finance, communication and technology costs	841	-	-	15	-	-	856
Portfolio management fees	1,598	9	30	17	-	-	1,654
IBRC integration costs	3,408	-	-	-	-	-	3,408
Internal audit fees	332	-	-	-	-	-	332
Rent and occupancy costs	73	-	-	-	-	247	320
NAMA Board and Committee Fees	-	-	-	-	-	150	150
Other administrative expenses	3	-	-	-	-	-	3
	<b>30,690</b>	<b>9</b>	<b>30</b>	<b>114</b>	<b>962</b>	<b>397</b>	<b>32,202</b>

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

	NARL	NAMA Group (excl. NARL)	30 September 2013
Senior notes issued by NAML	-	36,868,000	36,868,000
Subordinated debt issued by NAML	-	1,593,000	1,593,000
<b>Total</b>	-	<b>38,461,000</b>	<b>38,461,000</b>

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

Financial Institution	Outstanding at 1 July 2013 €'000	Issued €'000	Redeemed €'000	Outstanding at 30 September 2013 €'000
AIB	16,848,000	-	-	16,848,000
BOI	4,492,000	-	-	4,492,000
EBS	314,000	-	-	314,000
IL&P	2,289,000	-	-	2,289,000
CBI	749,000	-	-	749,000
IBRC/SL	841,000	-	-	841,000
<b>Total</b>	<b>25,533,000</b>	-	-	<b>25,533,000</b>

There were no debt securities issued to or redeemed by NARL during the quarter.

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

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

### 3 (v) SECTION 54 (3) (D) - ADVANCES MADE BY NAMA TO DEBTORS VIA PARTICIPATING INSTITUTIONS AND VENDOR FINANCE IN THE QUARTER

Participating Institution	NARL €000	NAMA Group (exc NARL) €000	For the period from 1 July 2013 to 30 September 2013 €000
AIB	-	137,003	137,003
IBRC	-	40,239	40,239
BOI	-	13,418	13,418
<b>Total</b>	-	<b>190,660</b>	<b>190,660</b>

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

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

National Asset Management Agency (NAMA)	30 September 2013 €000
Investment in NAMA IL	49,000
Cash	711
Receivable from NALM	8,746
VAT receivable	23
Other receivables	442
Property, plant and equipment	1,212
<b>Total</b>	<b>60,134</b>

National Asset Management Agency Investment Limited	30 September 2013 €000
Loan to NAML	99,900
Intercompany loans and receivables - accrued interest	19,182
Inter-group receivable	100
<b>Total</b>	<b>119,182</b>

National Asset Resolution Limited	30 September 2013 €000
Loans and receivables	12,944,334
Cash and cash equivalents	108,332
Other assets	33
<b>Total</b>	<b>13,052,699</b>

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

National Asset Management Limited		30 September 2013 €000
PPL receivable from NAMGSL		25,589,229
PPL receivable from NARL		12,928,344
Intergroup assets		99,900
Deferred tax asset		137,981
<b>Total</b>		<b>38,755,454</b>

National Asset Management Group Services Limited		30 September 2013 €000
PPL receivable from NAML		25,589,229
Other assets		555,635
<b>Total</b>		<b>26,144,864</b>

National Asset Loan Management Limited		30 September 2013 €000
Cash		3,261,864
Cash placed as collateral with the NTMA		761,000
Financial assets available for sale		146,559
Receivable from Participating Institutions		78,911
Financial assets at fair value through profit or loss		144,364
Loans and receivables		20,687,647
Inventories		200
Other assets		735,017
Deferred tax asset		118,284
<b>Total</b>		<b>25,933,846</b>

National Asset JVA Limited		30 September 2013 €000
Investments in equity instruments		1,345
Loans and receivables		12,121
<b>Total</b>		<b>13,466</b>

National Asset Sarasota LLC		30 September 2013 €000
Inventories - trading properties		28,509

National Asset Property Management Limited		30 September 2013 €000
Investments in equity instruments		10,923
Inventories		6,265
<b>Total</b>		<b>17,188</b>

There are no assets held in NARPSL at the reporting date.

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

		Amount in issue at 30 September 2013
Entity	Description	€000
National Asset Management Limited	On 26 March 2010, the Minister for Finance guaranteed Senior Notes issued by NAMA as provided for under Section 48 of the NAMA Act 2010. The maximum aggregate principal amount of Senior Notes to be issued at any one time is €51,300,000,000.	36,868,000

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

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

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

#### Compliance with Guidelines Issued by the Minister under Section 13 (NAMA Act 2009) as at 30 September 2013

No guidelines issued

#### Compliance with Directions Issued by the Minister under Section 14 (NAMA Act 2009) as at 30 September 2013

- (1) 14th May 2010 - Direction (Ref 513/43/10) - Pricing of government guaranteed debt issued by NAMA.  
No such debt was issued by NAMA as at 30 September 2013.
- (2) 22nd October 2010 - Expeditious Transfer of Eligible Assets.  
All transfers completed since 22 October 2011 have complied with this Direction.
- (3) 11th May 2011 - Direction (Ref 513/43/10) - Amendment to Senior Notes Terms & Conditions  
All senior notes have been amended in accordance with this Direction.
- (4) 7th March 2012 - NAMA Advisory Group  
A NAMA Advisory Group has been set up in accordance with this Direction
- (5) 29th March 2012 - Irish Bank Resolution Corporation - Short Term Financing  
NAMA adopted all reasonable measures to facilitate the short-term financing of IBRC.

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

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

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

Loan Performance - 9 months to 30/09/2013		
Income statement	€bn	
EIR income	0.94	
EIR cash received*	0.63	
Cash flow		
	Cash received	Par Debt at 30/09/13
Non disposal income (excluding NARL)	€m	€m
Full performing loans	270	12,846
Partially and non-performing loans (including enforced loans)	275	55,094
Total non-disposal cash receipts	545	67,940
* Excludes debtor derivative cash receipts		

One of NAMA's key objectives is to manage its assets so as to optimise, and capture for debt servicing purposes, their income producing potential (e.g. rental income). The capturing of such income was not a common feature prior to NAMA's acquisition of the loans and NAMA has undertaken significant steps to design and implement new structures so as to achieve this objective.

NAMA measures its performance on the extent to which it captures such income on an on-going basis and not wholly on the extent to which a debtor is in compliance with the terms of its legacy loan facility arrangements which predated NAMA.

At 30 September 2013, NAMA has generated cash receipts of €13.9 billion since inception, of which €9.5 billion relates to disposal activity (properties and loan sales), €3.7 billion relates to non-disposal income and €0.7 billion to other income. This capturing of the €3.7 billion non-disposal income is an important measure of NAMA's performance.

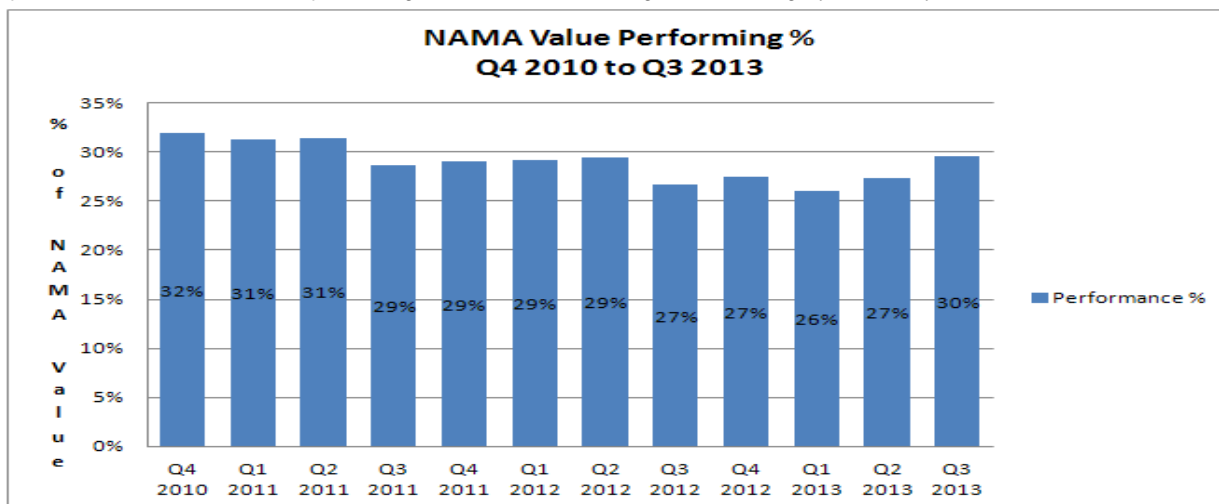
#### 4 (ii) SECTION 55 (6) (A) - CONTINUED

##### Legacy loan facility loan performance metric

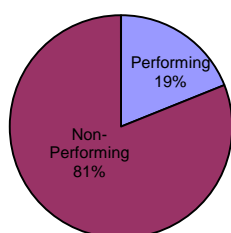
Classification	Number	Loan Nominal (Par Debt) €m	NAMA Value less Impairment* €m
Performing	2,552	12,846	6,108
Non-Performing	10,553	55,094	14,580
<b>Total</b>	<b>13,105</b>	<b>67,940</b>	<b>20,688</b>

\*The cumulative impairment recognised to 30 September 2013 was €3,619 million

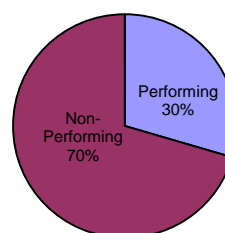
Another measure of loan performance is the Loan Payment Status. The Loan Payment Status is a measurement of loan performance based on cash receipts with regard to the contractual obligations of the legacy loan facility.



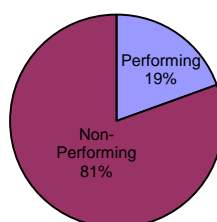
**Performing & Non-Performing Loans by Loan Nominal as at 30 Sep 2013**



**Performing & Non-Performing Loans by NAMA Value as at 30 Sep 2013**



**No. of Performing & Non-Performing Loans as at 30 Sep 2013**



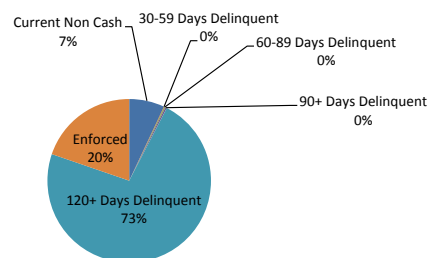
#### 4 (iii) SECTION 55 (6) (B) - CATEGORISATION OF NON-PERFORMING AS TO THE DEGREE OF DEFAULT

Categorisation of non performing loans in accordance with the Loan Payment Status as at 30 September 2013

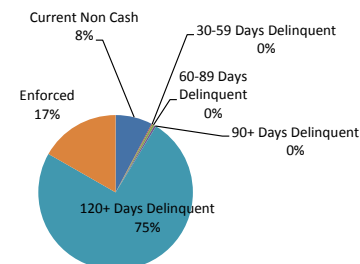
Loan Payment Status	Degree of Default	Number	Loan Nominal €n	NAMA Value less Impairment €n
9	Current Non Cash	938	3,843	1,125
1	30-59 Days Delinquent	88	55	28
2	60-89 Days Delinquent	59	125	68
3	90+ Days Delinquent	56	165	57
4	120+ Days Delinquent	7,385	40,029	10,864
7 & 8	Enforced	2,027	10,877	2,439
	<b>Total</b>	<b>10,553</b>	<b>55,094</b>	<b>14,580</b>

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

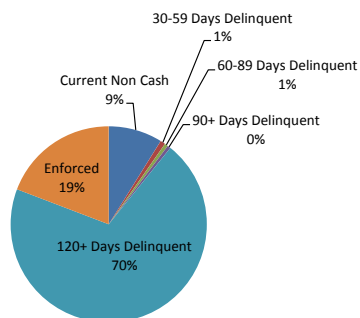
**Degree of Default of Non-Performing Loans by Loan Nominal**



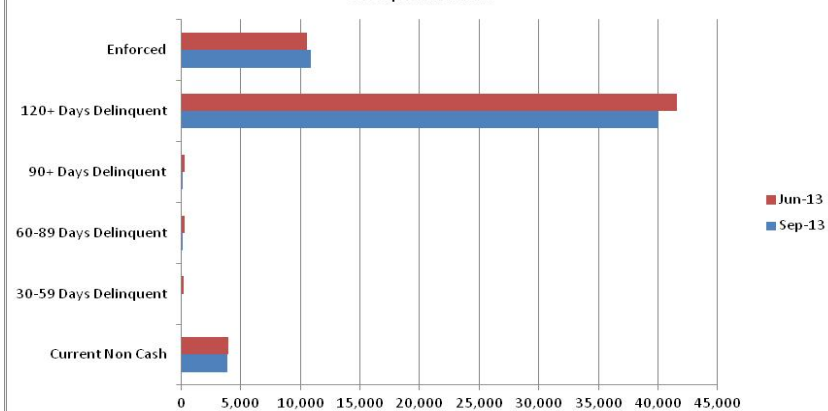
**Degree of Default of Non-Performing Loans by NAMA Value**



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



**Non-Performing Loans by Loan Nominal  
30 September 2013**



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

Definition of loan payment status

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



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

Number of loans foreclosed in the quarter to 30 September 2013

Classification	Number	Loan Nominal €m	NAMA Value €m
Enforced	398	1,225	346

Note: Section 55 6 (B) on page 47 contains a category of default called 'Enforced' where 2,027 loans have been classified. This includes enforcements that were instigated by the Participating Institutions prior to the transfer of the loans to NAMA. This section deals with the number of loans being enforced by NAMA.

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

Number of cases where receivers and liquidators have been appointed in the quarter to 30 September 2013

Classification	Number	Loan Nominal €m	NAMA Value €m
Liquidators	-	-	-
Receivers	398	1,225	346
<b>Total</b>	<b>398</b>	<b>1,225</b>	<b>346</b>

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

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

Proceeding	Title	Parties to the proceeding	Relief sought by NAMA or the NAMA group entity
(i)	Bankruptcy Court Connecticut. Case No. 12-50484 (AHWS)	NALM v Sean Dunne	Complaint re Bankruptcy
(ii)	High Court Record No 2013/2866 S	NALM v Nina Lynn Kessler	Judgment for €8,034,951.78
(iii)	High Court Record No 2013/3065 S	NALM v Thomas Gilligan	Judgement for €3,897,453.90

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

Schedule of finances raised by NAMA and each NAMA group entity in the quarter to 30 September 2013

Description	Date	€m
N/A		

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

Amount of money recovered by sale of property up to 30 September 2013

Description	Date	€m
Disposal of property asset	18 July 2013	5.1
<b>Total</b>		<b>5.1</b>

National Asset Property Management Limited disposed of one property asset with a carrying value of €0.8m in the quarter, for consideration of units in a qualifying investment fund, valued at €5.1m on disposal.

At 30 September 2013, NAMA had received amounts in the order of €7.6 billion relating to the disposal of Debtor owned properties.

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

Other income from interest bearing loans in the quarter to 30 September 2013

Description	Date	€m
National Asset Loan Management Limited (fee income)	1 July - 30 September 2013	2.8

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



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

**For the quarter ended 30 September 2013**

# National Asset Management Agency Investment Limited

## Income Statement

For the period from 1 July 2013 to 30 September 2013

		For the period from 1 July 2013 to 30 Sept 2013 €000	For the period from 1 Jan 2013 to 30 Sept 2013 €000
	Note		
Interest income	3	63	189
Interest expense		-	-
<b>Net interest income</b>		<b>63</b>	<b>189</b>
Administration expenses		-	-
<b>Operating profit before tax and dividend</b>		<b>63</b>	<b>189</b>
Tax expense	4	(8)	(24)
<b>Profit before dividend payment</b>		<b>55</b>	<b>165</b>
Reserves brought forward		6,104	8,156
<b>Retained earnings before dividend</b>		<b>6,159</b>	<b>8,321</b>
Dividend paid	5	-	(2,162)
<b>Retained earnings at 30 September 2013</b>		<b>6,159</b>	<b>6,159</b>

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

# National Asset Management Agency Investment Limited

## Balance Sheet

	Note	30 Sept 2013 €000	30 June 2013 €000
<b>Assets</b>			
Investment in subsidiaries	6	-	-
Loans receivable from group entity	7	119,182	119,118
<b>Total assets</b>		<b>119,182</b>	<b>119,118</b>
<b>Liabilities</b>			
Amounts due to group entity	8	13,014	12,978
Current tax liability		9	36
<b>Total liabilities</b>		<b>13,023</b>	<b>13,014</b>
<b>Equity</b>			
Share capital	9	10,000	10,000
Share premium	9	90,000	90,000
Retained earnings	10	6,159	6,104
<b>Total equity</b>		<b>106,159</b>	<b>106,104</b>
<b>Total equity and liabilities</b>		<b>119,182</b>	<b>119,118</b>

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

## **1 General Information**

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

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

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

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

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

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

### **2.1 Basis of preparation**

The Company's accounts for the period to 30 September 2013 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of Section 55 of the Act.

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

### **2.2 Basis of measurement**

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

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

### **2.3 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*

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

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

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

## 2.7 Share capital

### Dividends on ordinary shares

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

<b>3 Interest income</b>	<b>For the period from 1 July 2013 to 30 Sept 2013</b>	<b>For the period from 1 Jan 2013 to 30 Sept 2013</b>
	<b>€000</b>	<b>€000</b>
Interest income earned on inter-group loan	63	189

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

<b>4 Tax expense</b>	<b>For the period from 1 July 2013 to 30 Sept 2013</b>	<b>For the period from 1 Jan 2013 to 30 Sept 2013</b>
	<b>€000</b>	<b>€000</b>
Profit before tax	63	189
Tax expense for the period (12.5% of profit before tax)	(8)	(24)

<b>5 Dividend declared and paid</b>	<b>For the period from 1 July 2013 to 30 Sept 2013</b>	<b>For the period from 1 Jan 2013 to 30 Sept 2013</b>
	<b>€000</b>	<b>€000</b>
Dividend paid	-	(2,162)

On 28 March 2013, the Board of NAMAIL declared and approved a dividend payment of €0.0424 per share, amounting to €2.162m. The amount of the dividend per share was based on the ten year Irish government bond yield as at 31 March 2013. The dividend was paid to the holders of B ordinary shares of NAMAIL only, the private investors, who have ownership of 51% in the Company. No dividend was paid to the A ordinary shareholders, NAMA the Agency, which has a 49% ownership in the Company.

## 6 Investment in subsidiaries

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

<b>7 Loans receivable from group entity</b>	<b>30 Sept 2013</b>	<b>30 June 2013</b>
	<b>€000</b>	<b>€000</b>
Loan receivable from NAML	99,900	99,900
Accrued interest on inter-group loan	19,282	19,218
<b>Loan receivable from group entity</b>	<b>119,182</b>	<b>119,118</b>

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

<b>8 Amounts due to group entity</b>	<b>30 Sept 2013</b>	<b>30 June 2013</b>
	<b>€000</b>	<b>€000</b>
Amounts due from NALML	(100)	(100)
Loan due to NALML	13,114	13,078
<b>Amounts due to group entity</b>	<b>13,014</b>	<b>12,978</b>

The loan due to NALML primarily relates to dividend payments for 2010, 2011 and 2012 totalling €10.6m made by NALML on behalf of NAMAIL. The balance relates to taxes paid by NALML on behalf of NAMAIL.

**9 Share capital and share premium**

**Number**

**€000**

At 30 September 2013

Authorised:

A Ordinary shares of €0.10 each

49,000,000

4,900

B Ordinary shares of €0.10 each

51,000,000

5,100

Issued and fully paid during the period:

A Ordinary shares of €0.10 each

49,000,000

4,900

B Ordinary shares of €0.10 each

51,000,000

5,100

Share premium A Ordinary Shares

-

44,100

Share premium B Ordinary Shares

-

45,900

**100,000,000**

**100,000**

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

**10 Reconciliation of reserves**

**30 Sept 2013**

**30 June 2013**

**€000**

**€000**

Retained earnings at beginning of period

6,104

6,048

Profit before dividend payment for the period

55

56

Total retained earnings at end of period

**6,159**

**6,104**

Dividend paid (Note 5)

-

-

**Retained earnings at end of period**

**6,159**

**6,104**





## **6 - National Asset Resolution Limited Company only accounts**

**For the quarter ended 30 September 2013**

# National Asset Resolution Limited

## Income Statement

For the period from 1 July 2013 to 30 September 2013

		For the period from 1 July 2013 to 30 Sept 2013 €000	For the period from 1 Jan 2013 to 30 Sept 2013 €000
	Note		
Interest income	3	66,213	141,903
Interest expense	4	-	(73,776)
<b>Net interest income</b>		<b>66,213</b>	<b>68,127</b>
Administration expenses	5	(962)	(2,874)
<b>Operating profit for the period</b>		<b>65,251</b>	<b>65,253</b>
Reserves brought forward		2	-
<b>Retained earnings at 30 June 2013</b>		<b>65,253</b>	<b>65,253</b>

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

# National Asset Resolution Limited

## Balance Sheet

	Note	30 Sept 2013 €000	30 June 2013 €000
<b>Assets</b>			
Cash and cash equivalents	6	108,332	60,403
Loans and receivables	7	12,944,334	12,943,615
Other assets	8	33	15
<b>Total assets</b>		<b>13,052,699</b>	<b>13,004,033</b>
<b>Liabilities</b>			
Amounts due to group entity	9	12,984,572	13,002,119
Accrued expenses	9	2,874	1,912
<b>Total liabilities</b>		<b>12,987,446</b>	<b>13,004,031</b>
<b>Equity</b>			
Share capital	10	-	-
Share premium	10	-	-
Retained earnings	11	65,253	2
<b>Total equity</b>		<b>65,253</b>	<b>2</b>
<b>Total equity and liabilities</b>		<b>13,052,699</b>	<b>13,004,033</b>

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

## **1 General Information**

On 11 February 2013, NAMA established a new NAMA Group Entity, National Asset Resolution Limited (NARL). The entity was formed in response to a Direction issued by the Minister for Finance under the Irish Bank Resolution Corporation Act 2013 to NAMA to acquire a floating charge over certain IBRC assets which are currently used as collateral by IBRC as part of its repo arrangements with the Central Bank. As consideration for the floating charge, NARL issued Senior Bonds (guaranteed by the Minister for Finance) to the Central Bank.

NARL is a wholly owned subsidiary of NAMAIL. The Agency owns 49% of NAMAIL and the remaining 51% of the shares in the Company are held by private investors.

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 30 September 2013 have been prepared in accordance with its accounting policies, for the purposes of complying with the requirements of Section 55 of the Act.

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

### **2.2 Basis of measurement**

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

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

### **2.3 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 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.

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

## **2.7 Taxation**

### *Current income tax*

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

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

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

<b>3 Interest income</b>	<b>For the period from 1 July 2013 to 30 Sept 2013 €000</b>	<b>For the period from 1 Jan 2013 to 30 Sept 2013 €000</b>
Interest on IBRC floating charge	66,149	141,824
Interest on cash and cash equivalents	64	79
<b>Total interest income</b>	<b>66,213</b>	<b>141,903</b>

Interest income on loans and receivables is recognised in accordance with accounting policy note 2.6.

<b>4 Interest expense</b>	<b>For the period from 1 July 2013 to 30 Sept 2013 €000</b>	<b>For the period from 1 Jan 2013 to 30 Sept 2013 €000</b>
Interest on inter-group loans	-	73,776

NARL has an intercompany profit participating facility agreement in operation with NAML, reflecting the consideration for the floating charge acquired from the Central Bank. NARL has earned cumulative income of €142m to date (Q1 €3m; Q2 €72m; Q3 €67m), of which €74m has been transferred to NAML by way of profit participating loan interest.

<b>5 Administration expenses</b>	<b>For the period from 1 July 2013 to 30 Sept 2013 €000</b>	<b>For the period from 1 Jan 2013 to 30 Sept 2013 €000</b>
Costs reimbursable to NTMA	782	2,694
Primary servicer fees	180	180
	<b>962</b>	<b>2,874</b>

<b>6 Cash and cash equivalents</b>	<b>30 Sept 2013 €000</b>	<b>30 June 2013 €000</b>
Balances with Central Bank	18,312	383
Balances with other banks	20	20
Exchequer notes	90,000	60,000
<b>Total cash and cash equivalents</b>	<b>108,332</b>	<b>60,403</b>

<b>7 Loans and receivables</b>	<b>30 Sept 2013 €000</b>	<b>30 June 2013 €000</b>
Floating charge from Central Bank of Ireland	12,928,344	12,928,344
Accrued interest on floating charge	15,990	15,271
Floating charge from Central Bank of Ireland	<b>12,944,334</b>	<b>12,943,615</b>

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

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**Notes to the Accounts**

With the establishment of NARL, NAMA acquired a floating charge of €12.92bn over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank. Interest receivable on the floating charge is €15.3m. As consideration for the loan facility and floating charge, NAML issued Senior Bonds, via a profit participating loan agreement, worth €12.92bn (guaranteed by the Minister for Finance) to the Central Bank.

<b>8 Other assets</b>	<b>30 Sept 2013</b>	<b>30 June 2013</b>
	<b>€000</b>	<b>€000</b>
Interest receivable on cash and cash equivalents	33	15
Receivable from NAMAIL	-	-
	<b>33</b>	<b>15</b>

**Terms of notes issued for the acquisition of floating charge by NARL**

The above debt securities are all Government Guaranteed senior unsecured Floating Rate Notes, which were issued at par and transferred to NARL under a profit participating loan arrangement, which were used as consideration for the loan facility and floating charge acquired from the Central Bank.

Interest accrues from the issue date of the Notes and is paid semi annually on 20 February and 20 August. 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.

Senior debt securities were issued on 20 February 2013 and all securities issued prior to 20 February 2014 are due to mature on 20 February 2014. The securities issued permitted the issuer to settle all, or some only, of the securities at maturity by issuing a new security on the same terms as the existing security (other than as to maturity which may be up to 364 days from the date of issue notwithstanding that the existing security may have had a shorter maturity).

<b>9 Other liabilities</b>	<b>30 Sept 2013</b>	<b>30 June 2013</b>
	<b>€000</b>	<b>€000</b>
PPL loan due to NAML	12,928,343	12,928,343
PPL interest due to NAML	56,229	73,776
Accrued expenses	2,874	1,912
<b>Amounts due to group entity</b>	<b>12,987,446</b>	<b>13,004,031</b>

With the establishment of NARL, NAMA acquired a floating charge of €12.92bn over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank. As consideration for the loan facility and floating charge, NAML issued Senior Bonds, via a profit participating loan agreement, worth €12.92bn (guaranteed by the Minister for Finance) to the Central Bank.

<b>10 Share capital and share premium</b>	<b>Number</b>	<b>€000</b>
<u>Authorised:</u>		
Ordinary shares of €1 each	1,000	1
<u>Issued and fully paid during the period:</u>		
Ordinary shares of €1 each	100	-
At 30 September 2013	<b>100</b>	<b>-</b>

100% of the ordinary shares are held by NAMAIL.

<b>11 Reconciliation of reserves</b>	<b>30 Sept 2013</b>	<b>30 June 2013</b>
	<b>€000</b>	<b>€000</b>
Retained earnings at beginning of period	2	3,210
Profit/(loss) for the period	65,251	(3,208)
<b>Retained earnings at end of period</b>	<b>65,253</b>	<b>2</b>