Comptroller and Auditor General
Special Report

National Asset Management Agency

Progress on achievement of objectives as at end 2018

Report no. 111 June 2020

Report of the Comptroller and Auditor General

National Asset Management Agency

Progress on achievement of objectives as at end 2018

In compliance with Section 226 of the National Asset Management Agency Act 2009, I have assessed the extent to which the National Asset Management Agency (NAMA) has made progress toward achieving its overall objectives. This is the third in a series of progress reports.

This report was prepared on the basis of work undertaken by staff of my Office, drawing on information, documentation and explanations obtained from NAMA. The Department of Finance and NAMA were asked to review and comment on the draft report. Where appropriate, the comments received were incorporated in the final version of the report.

I hereby submit my report for presentation to the Houses of the Oireachtas in accordance with Section 226 of the Act.

Seamus McCarthy
Comptroller and Auditor General

30 June 2020

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Summary

Summary

The National Asset Management Agency (NAMA) was established in December 2009 as part of the State's response to the 2008 banking crisis.

The core idea was for NAMA to acquire property-related loans from the commercial banks, to hold and manage the loans and related collateral — mainly property — and ultimately to dispose of all these assets in a manner that protected the State's interests. NAMA would then cease to exist.

Section 226 of the NAMA Act requires the Comptroller and Auditor General every three years to assess the extent to which NAMA has made progress toward achieving its overall objectives. This is the third progress report. It considers NAMA's progress in relation to achievement of its key objectives and targets up to the end of 2018. Where relevant and available, additional information relating to later periods is provided.

Loans and related NAMA debt

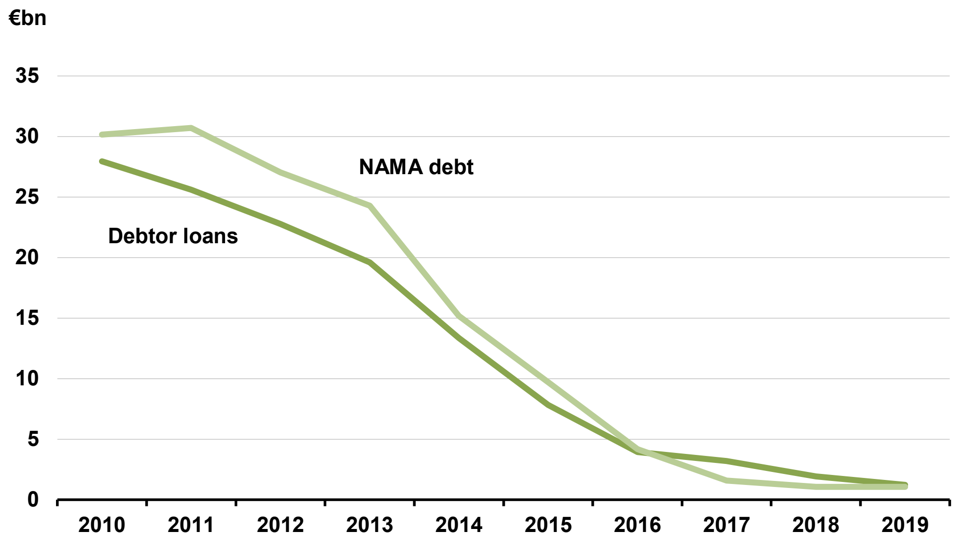
NAMA paid €31.8 billion to the banks for the loans it acquired in 2010 and 2011. This represented a 57% discount on the loans' par value of €74.4 billion. The acquisition was financed through debt — €30.2 billion in government guaranteed (senior) bonds and €1.6 billion in subordinated debt.

The value of debtor's loans decreased from €28 billion at the end of 2010 to €1.2 billion at the end of 2019. The balance at the end of 2019 included additional lending by NAMA to allow debtors and/or receivers over debtor companies to progress development of certain sites and projects. The residual loans were secured mainly by assets located in Ireland.

A key objective set by NAMA was to redeem the debt issued for the loans by 2020. It achieved this target, and from 2014 on, was significantly ahead of the repayment profile implied by the interim repayment targets it set.

- All €30.2 billion of senior debt was repaid by the end of October 2017.
- One third of the subordinated debt had been repurchased by the end of 2018.
- The balance of the subordinated debt was repurchased on the first call date, in March 2020.

Debtor loans and NAMA debt 2010 – 2019



Source: NAMA

Cost recovery

A strategic objective set by the Board in 2012 was the recovery of all costs without recourse to further borrowing. This objective was met. NAMA has covered its costs and additional borrowing was not required. At the end of 2018, NAMA reported total retained earnings of €4.2 billion. As at the end of 2019, the NAMA Board expects to return a surplus of €4 billion upon completion of its work.

Rate of return

NAMA has a statutory objective to obtain the best achievable financial return for the State.

The internal rate of return (IRR) is a standard performance metric for commercial property-related (and other) investments. However, it has not set targets for the IRR on its overall investments.

When NAMA was acquiring the loans in 2010 and 2011, it projected cash flows over the lives of the loans that were then discounted at an average rate of around 5% to yield the acquisition value of the loans. If the cash flows had occurred as projected at that time, NAMA would have generated an IRR of 5%.

At the end of 2012, primarily as a result of the decline in Irish property values that occurred after NAMA acquired the loans, the projected IRR on the NAMA investment was around 3.8%. Given the subsequent strong recovery in the property market and NAMA's investment performance, the projected IRR at the end of 2016 was around 6.2%; the projected IRR at the end of 2018 was around 6.6%.

NAMA's initial outlay to acquire the loans of €31.8 billion included €5.6 billion of State aid to the banks, which received EU Commission approval. NAMA considers that it is more appropriate to compute the IRR by reference to the market value of the loans at acquisition (i.e. €26.2 billion) and not the €31.8 billion it paid to acquire the loans. On this basis, at the end of 2018, NAMA reported a projected IRR of 12.8%. However, this is not comparable with the original discount rate of 5%.

Commercial development

In 2014, NAMA adopted a secondary objective of the facilitation of the development of office accommodation in Dublin. NAMA had an interest in a substantial proportion of the undeveloped land in the Dublin Docklands strategic development zone (SDZ). The NAMA Board approved a strategic business plan for the sites in September 2014.

The business plan did not include formal targets in respect of the stated objectives. While it was envisaged that construction on the sites could potentially commence in 2016, no time scale was set for the completion of development.

At the end of 2018, construction was underway or had been completed on 70% of the land in which NAMA had an interest. By May 2020, construction was underway or had been completed on sites accounting for 86% of the land in which NAMA had an interest.

Residential development

NAMA's statutory functions do not explicitly require it to engage in the development or delivery of residential units. However, the Board adopted the facilitation of the delivery of housing, subject to commercial viability, as a secondary objective. It has sought to deliver residential units for both the social housing and commercial housing markets.

Social housing

NAMA acquired an interest in a number of residential property developments when it acquired its loans from the participating institutions. These developments included residential units in diverse locations and in a range of stages of completion. While some of the developments were located in areas where there was little demand for social housing, others were considered to have potential to meet such demand. Ultimately, the responsibility for determining suitability rests with the local authorities and the Housing Agency.

Up to the end of March 2019, NAMA had identified a total of 7,050 residential properties as potentially being suitable for social housing, but the demand from housing bodies was significantly lower.

NAMA set a target of delivering 2,000 social housing units by the end of 2015, and this target was met. By the end of 2018, NAMA had provided a total of 2,445 units for social housing. In addition, 36 units were at contract stage. Demand for a further 248 units had been confirmed to NAMA as at March 2019. This includes 1,352 units of social housing leased to 14 approved housing bodies through a NAMA subsidiary, which had acquired the units from NAMA debtors or receivers. The remaining units were provided through direct sales or direct leasing.

Commercial residential delivery

In November 2015, NAMA set itself a challenging target to deliver 20,000 residential units over the five-year period 2016 to 2020, on sites in which it had a financial interest. It was envisaged that the development would be funded wholly or partly by NAMA, in co-operation with debtors or receivers, and potentially with third-party involvement. This approach was adopted on the basis that it would yield a higher return for NAMA, and that it would result in speedier delivery of residential units for the housing market.

NAMA is not expected to achieve the residential output target that it adopted in 2015. As of the end of 2018, it was projecting that around 13,000 units would be delivered on sites in which it has an interest by the end of 2021. This would represent delivery of 65% of the target, albeit a year later than originally projected.

NAMA considers that, in monitoring the achievement of its residential delivery target of 20,000 units, it is appropriate to also take account of 8,025 units it projects will be constructed on sites sold by NAMA debtors/receivers. However, this is not a 'like for like' comparison, because such units were not included when the original target was set.

Where sites have been sold, NAMA has no control over when they are developed and does not provide loans for construction. NAMA has estimated that sites sold by NAMA debtors/receivers between 2011 and the end of 2018 had the potential for delivery of 63,300 residential units. NAMA's projection that a total of 8,025 residential units would be delivered on such sites by the end of 2021 would represent 13% of their estimated overall capacity.

National Asset Management Agency

Progress on achievement of objectives as at end 2018

1 Introduction

1.1 The National Asset Management Agency (NAMA) was established in December 2009 as part of the State's response to the banking crisis that had emerged in 2008.

1.2 The Agency was given extensive powers in order to achieve specified statutory purposes. It is required to comply with written directions of the Minister for Finance (the Minister) concerning the achievement of the purposes of the NAMA Act 2009.

1.3 NAMA is a statutory body, with its own Board and Chief Executive Officer appointed by the Minister. In accordance with section 18 of the NAMA Act, one of the functions of the Board is to set NAMA's strategic objectives and targets. The key objectives and targets set in legislation and/or by the NAMA Board are summarised in Figure 1.1 (over).

Focus and scope of this report

1.4 Section 226 of the NAMA Act requires the Comptroller and Auditor General every three years to assess the extent to which NAMA has made progress toward achieving its overall objectives. This (third) review assesses NAMA's progress in relation to achievement of its objectives up to the end of 2018.[1]

1.5 This report examines and reports on

- the organisational development of NAMA since inception (chapter 2)
- NAMA's financial performance (chapter 3)
- the arrangements put in place by NAMA to manage debtors and the disposal by NAMA of underlying collateral (asset sales) and loans (chapter 4)
- NAMA's achievements in relation to its secondary objectives relating to commercial property (chapter 5) and residential delivery (chapters 6).

Developments in 2019

1.6 At the outset, it was envisaged that NAMA would have a life of around ten years. However, the 2009 Act did not specify a termination date.

1.7 Section 227 of the Act requires the Department of Finance (the Department) also to assess NAMA's progress periodically and to decide whether continuation of NAMA is necessary. The Department conducted its Section 227 review for the period 2014 – 2018 and published its report in July 2019.[2] The report recommended that NAMA continue to work out its residual loans for a limited period beyond 2021. It further recommended that, before the end of 2021, NAMA would submit a report to the Minister in relation to its proposals and plan for the ultimate dissolution of NAMA.

1 Two Section 226 reports have already been published. Report number 81, NAMA Progress Report 2010 – 2012 and report number 102, NAMA Progress Report 2013 – 2016 are available at www.audit.gov.ie.

2 NAMA Section 227 Review (2014 – 2018) is available at www.gov.ie.

1.8 In July 2019, in a State aid ruling, the European Commission approved the limited extension of NAMA's lifespan up to 2025. The Commission noted that the extension was mainly to allow NAMA to resolve residual loans subject to on-going litigation and to continue to manage a small number of residual loans that have the potential to deliver significant value uplift beyond 2021. NAMA and the Department of Finance made a number of commitments in relation to NAMA's powers and activities in the period beyond 2021. These are to ensure that NAMA can wind down its residual loans in an orderly manner to achieve the objective of the best possible financial return to the State.

Figure 1.1 Key NAMA objectives and targets

2009 National Asset Management Agency Act 2009 specified the following statutory purposes

- acquire impaired assets from the credit institutions participating in the NAMA scheme
- deal expeditiously with the assets
- protect, or otherwise enhance their value in the interests of the State and
- insofar as possible and consistent with those purposes, obtain the best achievable financial return for the State.

2010 Initial strategic plan stated that a guiding principle of the Board is to

- pursue all debts owed to the greatest extent feasible and
- set targets for the redemption of bonds from 2013 on with full repayment by the end of 2019.

2012 Revised strategic plan defined NAMA's primary commercial objectives as being to

- redeem all NAMA debt by 2020, but even in an adverse situation, at minimum, redeem the senior bonds issued as consideration for loans
- recover all costs over the projected ten-year life of NAMA without recourse to further borrowing, meeting all of its future commitments out of its own resources, over the shortest possible time span
- optimise the realised value of the assets acquired.

In addition, the plan stated that, where consistent with the objective of recovering all costs, NAMA's objective is to contribute to

- a sustainable level of activity in the Irish property market
- the social and economic development of the State.

2014 Following an external review of NAMA's strategic options, the Board decided to pursue a programme of accelerated disposal and early redemption of senior debt.

The Board also set the aim of generating a surplus by the time its work has been completed.

The NAMA Board adopted two additional, secondary objectives

- facilitation of the delivery of Grade A office accommodation in the Dublin Docklands Strategic Development Zone (SDZ), and
- facilitation of the delivery of residential units.

Source: NAMA Act, NAMA annual reports, and NAMA strategic plans

2 Organisational development

2.1 NAMA has established a complex group company structure for its operations. The group of companies is co-ordinated by a holding company, National Asset Management Agency Investment DAC (NAMAI).[1] At the end of 2018, NAMA had a total of thirteen subsidiary companies through which it was conducting its business. Figure 2.1 and Figure 2.2 set out the corporate structure and the stated function of each entity.

Changes in corporate structure

2.2 In 2015, as a result of the acquisition of the freehold interest in undeveloped lands at North Wall Quay in Dublin 1, National Asset North Quays DAC acquired a 26.5% shareholding in a company called North Wall Plaza Management Company DAC (NWPMC), which deals with the management of commercial buildings on the land. NWPMC was designated as a NAMA group entity in June 2017. On completion of the commercial buildings being developed on the land, the ownership of the management company transferred to the owners of the developed buildings. NWPMC ceased to be a subsidiary and NAMA group entity in May 2018.

Taxation status

2.3 Under section 214 of the NAMA Act, income and gains accruing to NAMA (the statutory agency), as a State body, are exempt from income tax, corporation tax and capital gains tax. The exemption does not extend to the NAMA subsidiaries.

2.4 Up to July 2017, four NAMA subsidiaries were established as 'Section 110' companies.[2] NAMA has stated that following consultation with its external advisors, it had decided that the establishment of Section 110 companies was the most efficient structure to ensure that the agency's returns were maximised.

2.5 A number of profit participation loan agreements were put in place between the Section 110 companies and other NAMA companies. Section 110 companies that earn profits pay interest on the profit participation loan that varies based on the company's profitability, thereby reducing substantially their tax exposure.

2.6 The Finance Acts 2016 and 2017 made a number of changes to Section 110 of the Taxes Consolidation Act 1997. The amendments restricted the entitlement to a tax deduction for profit participation loan interest payable to a parent company.

2.7 NAMA has stated that it restructured National Asset Loan Management DAC (NALM) from operating as a Section 110 company to a regular trading company for tax purposes in July 2017. As a consequence, NALM's net trading profits became chargeable to corporation tax at a rate of 12.5%.

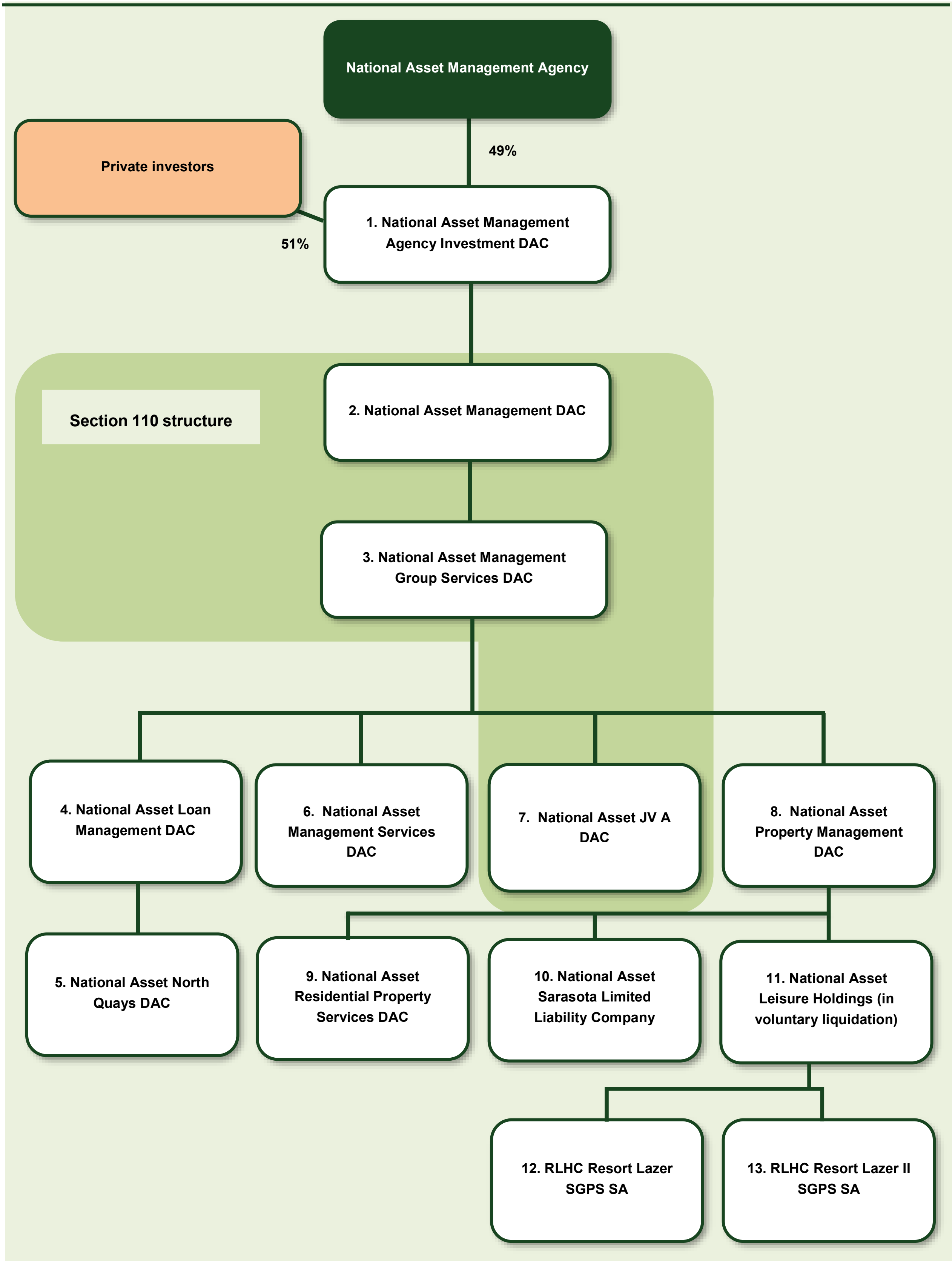
2.8 At the end of 2018, three of the NAMA subsidiaries remained designated Section 110 companies.[3]

1 When NAMAI was established it was 49% owned by NAMA and 51% owned by private investors. On 26 May 2020, NAMA exercised its option to purchase the private investors' shareholding in NAMAI. NAMA now has 100% ownership.

2 Section 110 of the Taxes Consolidation Act 1997 entitles qualifying companies to special tax treatment. In order to qualify, it must be a company whose business is to hold and manage qualifying assets, such as shares and collateralised loans, and which, apart from activities ancillary to that business, carries on no other activities.

3 National Asset JVA DAC (NAJVA), National Asset Management Group Services DAC (NAMGS), National Asset Management DAC (NAM).

Figure 2.1 NAMA group structure as at end 2018



Source: NAMA

Note: On 26 May 2020, NAMA exercised its option to purchase the private investor’s shareholding in NAMAI. NAMA now has 100% ownership. All NAMAI subsidiary companies are 100% owned.

Figure 2.2 Functions of NAMA group entities as at 31 December 2018

Entity	Function
1. National Asset Management Agency Investment DAC	Facilitates making a return by way of dividend to private investors.
2. National Asset Management DAC	Creates debt securities and subordinated debt that are transferred to the participating banks in return for the loans. The government guaranteed debt securities issued by NAM were listed on the Irish Stock Exchange until their redemption in full in 2017.
3. National Asset Management Group Services DAC	Holding company for subsidiaries.
4. National Asset Loan Management DAC	Acquired and manages the loan assets from the participating banks.
5. National Asset North Quays DAC	NANQ holds land acquired by NAMA in 72-80 North Wall Quay. It receives income from the land in the form of a licence fee, a fixed percentage of rent and a percentage of sales proceeds of any completed development to be built on the land. NANQ had one subsidiary, North Wall Plaza Management Company DAC, which ceased to be a subsidiary and a NAMA group entity on May 2018.
6. National Asset Management Services DAC	An administrative company through which expenses are paid.
7. National Asset JV A DAC	Established in July 2013 to facilitate the acquisition of a twenty per cent interest in a partnership, incidental to a joint venture arrangement entered into by NAMA with a consortium.
8. National Asset Property Management DAC	Holds property acquired after enforcement of security.
9. National Asset Residential Property Services DAC	Established in 2012, to acquire residential properties and to lease and ultimately sell these properties to approved housing bodies for social housing purposes.
10. National Asset Sarasota Limited Liability Company	Established in August 2013 in the US state of Florida to acquire certain property assets located in the US following insolvency processes, in settlement of debt owed to NAMA.
11. National Asset Leisure Holdings Limited[a]	Established in January 2014 in order to acquire 100% of the share capital in two Portuguese entities — RLHC Resort Lazer SGPS SA and RLHC Resort Lazer II SGPS SA.
12. RLHC Resort Lazer SGPS SA	Established to facilitate the legal restructure of a number of entities with Portuguese property assets.
13. RLHC Resort Lazer II SGPS SA	Established to facilitate the legal restructure of a number of entities with Portuguese property assets.

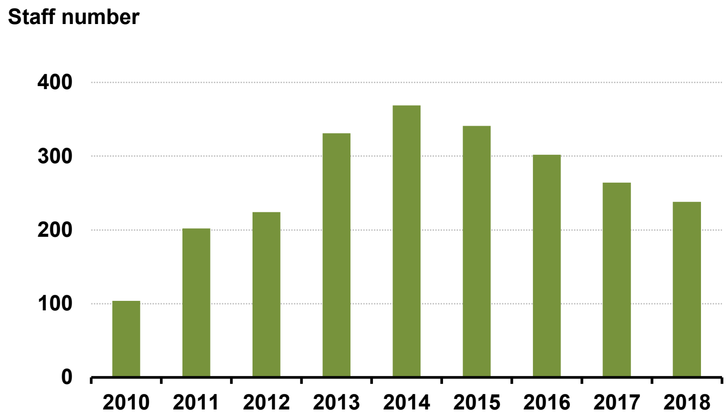
Source: NAMA

Note: a National Asset Leisure Holdings Limited is in voluntary liquidation. The liquidator has assumed the rights of the shareholder and now controls NALH and its subsidiaries RLHC Resort Lazer SGPS SA and RLHC Resort Lazer II SGPS SA. All decisions are taken by the liquidator. The results of NALH (including its subsidiaries) are not consolidated into the results of the NAMA group.

NAMA staffing

2.9 NAMA's staff numbers increased year on year from 2010 to 2014, when it employed 369 staff (Figure 2.3). Since then, staff numbers have decreased significantly. At the end of 2018, NAMA had 238 staff deployed across five divisions. Over half of the staff were involved in asset management and residential delivery activities (Figure 2.4). Most other staff were engaged in financial and legal support services.

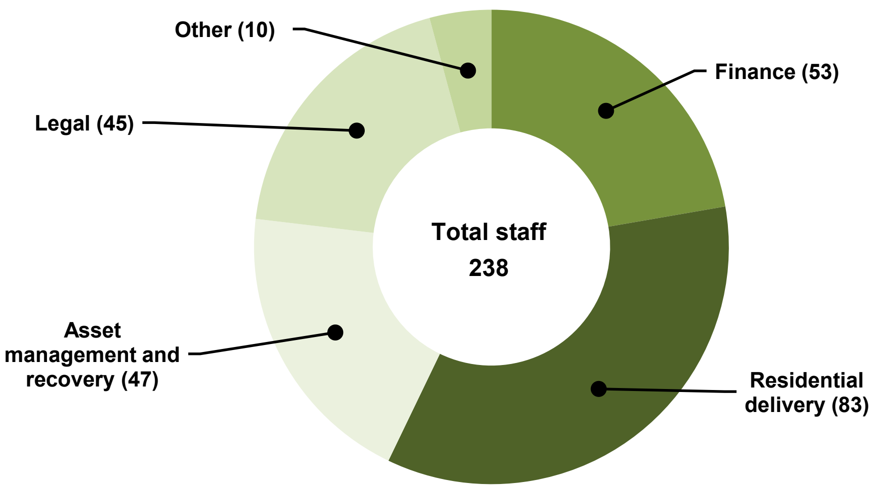
Figure 2.3 NAMA staff numbers, 2010 – 2018[a]



Source: NAMA and NAMA financial statements 2010 – 2018

Note: a Staff assigned to NAMA are employed by the National Treasury Management Agency.

Figure 2.4 Deployment of NAMA staff at 31 December 2018



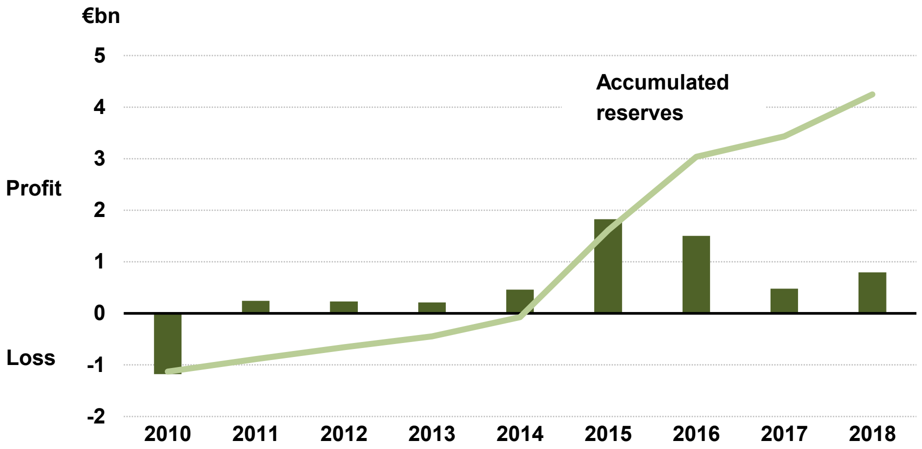
Source: NAMA

3 Financial performance

3.1 NAMA paid a total of €31.8 billion to acquire property related loans from five financial institutions (the ‘participating institutions’). The acquisition price included €5.6 billion that was approved by the EU as permissible State aid for the distressed banks. The acquisition was funded by the creation of senior debt (€30.2 billion) and subordinated debt (€1.6 billion).

3.2 Apart from a net loss incurred in 2010, its first year of operation, NAMA has generated a net profit each year (Figure 3.1). The size of the profit has varied considerably.[1] At the end of 2018, NAMA reported total retained earnings of €4.2 billion. As at the end of 2019, the NAMA Board is projecting that it would have a terminal surplus of €4 billion when it is wound up.

Figure 3.1 Movement in NAMA revenue reserves, 2010 – 2018



Source: NAMA financial statements 2010 – 2018

3.3 NAMA has set targets in relation to two aspects of its financial performance: targets for reduction of its borrowing level; and target financial returns.

NAMA borrowing

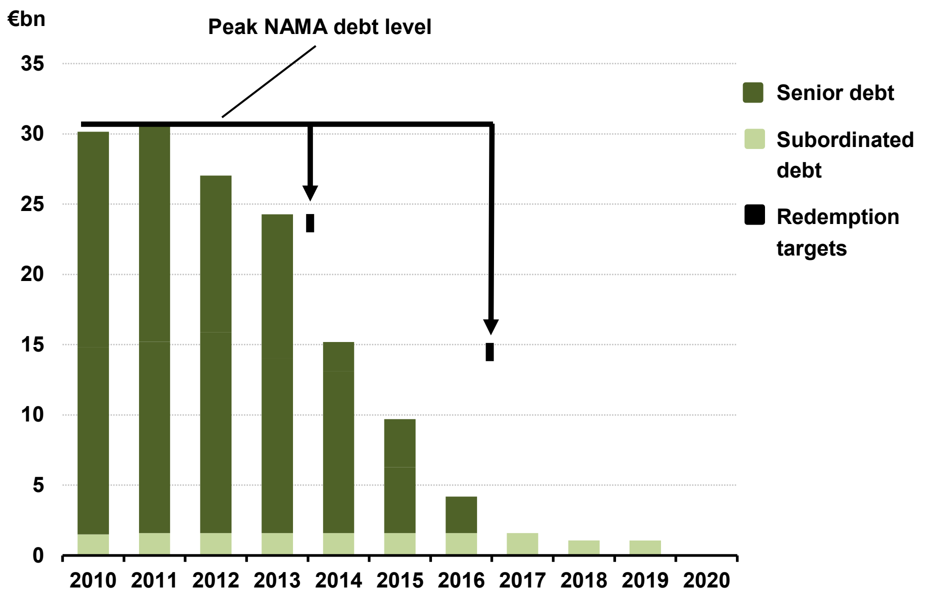
3.4 A key target adopted by NAMA in 2012 was to repay all its senior debt by 2020. It also set intermediate targets for debt redemption. NAMA’s debt reduction was facilitated by disposals of debtor loans and recoveries from the income and sale of underlying collateral property and other assets.

3.5 NAMA met the initial target of redeeming €7.5 billion of its debt by end 2013, and significantly exceeded the target of redeeming €15.5 billion of debt by end 2016. All the senior debt had been repaid by the end of October 2017 (Figure 3.2).

3.6 By the end of 2018, subordinated debt with a nominal value of €529 million had also been repurchased by NAMA. The remaining subordinated debt was redeemed on 2 March 2020.

1 NAMA’s income and expenditure over its lifetime are summarised in Appendix A.

Figure 3.2 NAMA's debt structure, 2010 – 2020 as at 31 December 2019



Source: NAMA financial statements 2010 – 2018 and NAMA Board papers

Financial return

3.7 NAMA has a statutory objective to obtain the best achievable financial return for the State. The Agency's performance in this regard should be considered under two key metrics

- NAMA's entity return on investment
- internal rate of return.

NAMA's entity return on investment

3.8 NAMA defined its target **entity return on investment** (EROI) as being "calculated based on the comparison of NAMA's projected terminal surplus position (€4 billion) with NAMA's initial investment, as adjusted to exclude the €5.6 billion in State aid which NAMA was required to pay to the participating institutions as part as the loan acquisition price".[1] In 2014, NAMA set an EROI target of 20%. This target has not been revised. At the end of 2018, NAMA projected that the EROI would be 37%.

3.9 The key shortcoming of EROI as a performance measure is that it does not take account of the 'time value of money'.[2]

1 NAMA's 2018 annual report (page 43).

2 The 'time value of money' is the concept that an amount of money received today is considered to have a higher value than an equivalent amount expected to be received at some point in the future.

Internal rate of return

3.10 The **internal rate of return (IRR)** is a standard performance metric for property related investments. It is defined as the discount rate which, when applied to the cash flows of a project or investment, produces a net present value of zero. NAMA has not set a target IRR for its operations.

3.11 When NAMA was acquiring the loans in 2010, it projected cash flows over the lives of the loans and discounted the cash flows at an average rate of around 5% to yield the acquisition value of the loans. If the cash flows had turned out as projected at that time, NAMA would have generated an IRR on its investment of 5%.

3.12 At the end of 2012, primarily as a result of the decline in Irish property values that occurred after NAMA acquired the loans, the projected IRR on the NAMA investment was around 3.8%.[1] Given the subsequent strong recovery in the property market and NAMA's investment performance, the projected IRR at the end of 2016 was around 6.2% and at the end of 2018 was calculated to be around 6.6%.[2]

3.13 NAMA considers that it is more appropriate to compute the IRR by reference to the market value of the loans at acquisition (i.e. €26.2 billion) and not the €31.8 billion paid by NAMA to acquire the loans, i.e. it excludes the State aid amount. In its 2018 annual report, NAMA reports a projected IRR for its activities of 12.8%. However, this is not comparable with the original discount rate of 5%.

1 C&AG special report number 81, *National Asset Management Agency Progress Report 2010 – 2012.*

2 The projected IRR calculated as at end 2018 is based on the €31.8 billion paid by NAMA, the actual and projected cash flows on all NAMA investments (including equity investments and planned future investments) and property assets as reported to the Board as part of the 2019 budget.

4 Debtor management

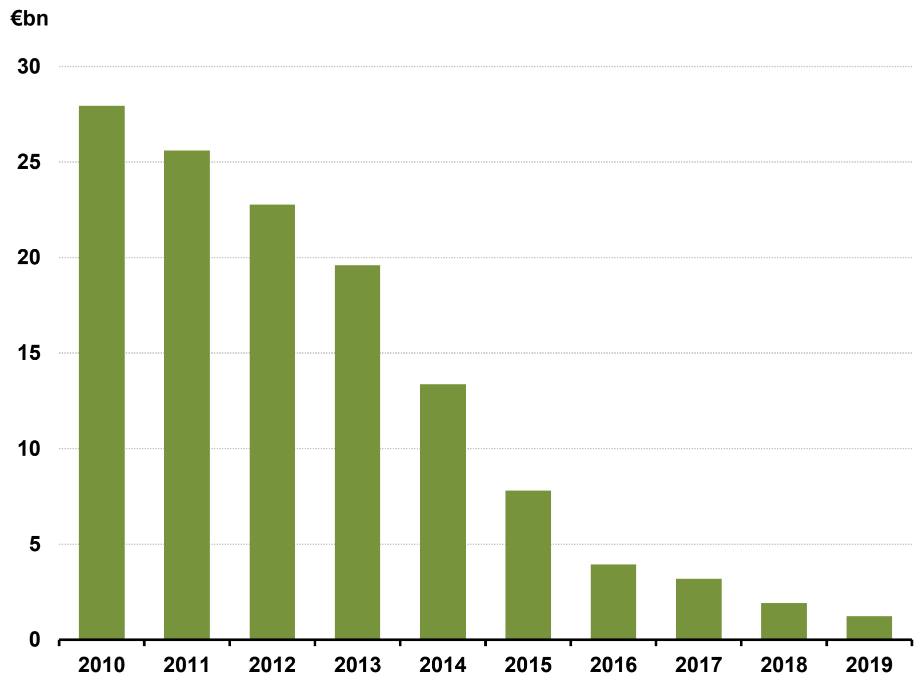
4.1 NAMA manages the debtor loans it holds under debtor connections. A debtor connection is a bundle of loans/assets that have been grouped together on the basis that they are connected or linked to a debtor or group of debtors through ownership, control, financial interdependence or strategic considerations.

4.2 Over 750 debtor connections were being managed in 2010. This number has fallen progressively since then, as a result of loan and asset sales, and, in some cases, loan repayments. A total of 221 debtor connections were still being managed by NAMA at the end of 2018.

4.3 Debtor loans were acquired at a total cost of €31.8 billion, representing a discount of 57% on the loans' par value at acquisition of €74.4 billion. NAMA subsequently advanced loans totalling a further €4.8 billion to its debtors. The loan balances were also subject to change related to interest charged by NAMA, repayments by the borrowers, and loan and asset sales.

4.4 Mainly as a result of loan/asset sales, NAMA's loan balances had reduced from €28 billion at the end of 2010 to around €1.9 billion by the end of 2018 and reduced further in 2019 to €1.2 billion (Figure 4.1).[1]

Figure 4.1 Loan balance outstanding at the year-end, 2010 – 2019



Source: NAMA

Note: 2013 loans and receivables balance excludes new loans issued for National Asset Resolution Limited.

1 All of the loans were not acquired by the end of 2010 and the loans that were acquired were subject to an impairment process.

Debtor receipts

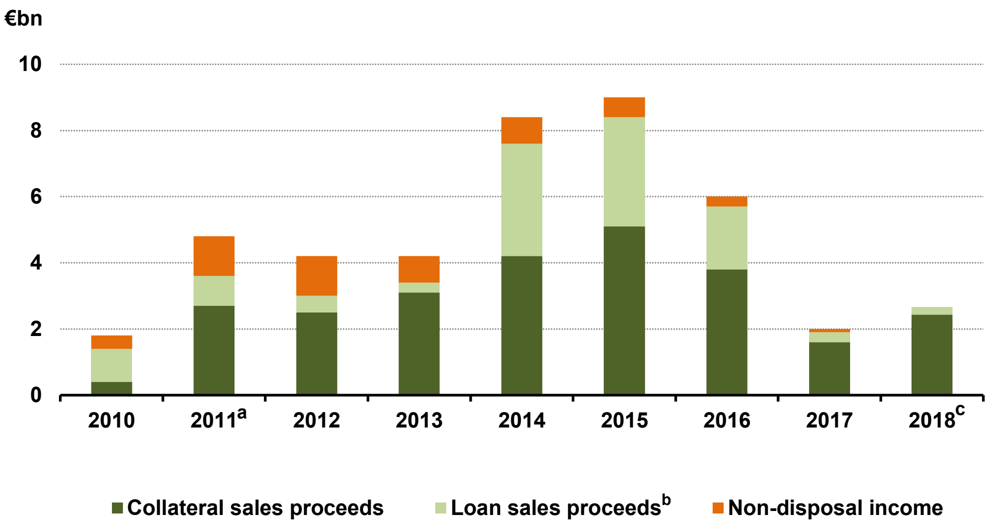
4.5 NAMA's receipts from debtors fall into two main categories

- disposal receipts arising from the sale of property collateral and the sale of loans
- non-disposal income, which is primarily rental income from assets held as collateral.

4.6 Between 2010 and 2018, NAMA received cash totalling €42.3 billion (Figure 4.2). The total received in relation to loan and asset sales was €36.8 billion and the balance related to non-disposal income. As assets were sold, the level of non-disposal income declined.

4.7 Over half of all debtor receipts were generated in the period 2014 to 2016, when NAMA accelerated the level of loan sales. From 2017 onwards, NAMA has focused on asset sales. NAMA completed its last expected major loan sale, with a par value of €300 million, in 2018.

Figure 4.2 Receipts from debtors, 2010 – 2018



Source: NAMA and NAMA financial statements 2010 – 2017

Notes: a Figures for 2011 include principal cash repayments.

b Figures include deferred consideration on loan sales proceeds.

c Following the application of IFRS 9 in 2018, the split of proceeds from asset sales, loan sales and non-disposal income is not disclosed in the NAMA annual financial statements. NAMA provided the figures separately.

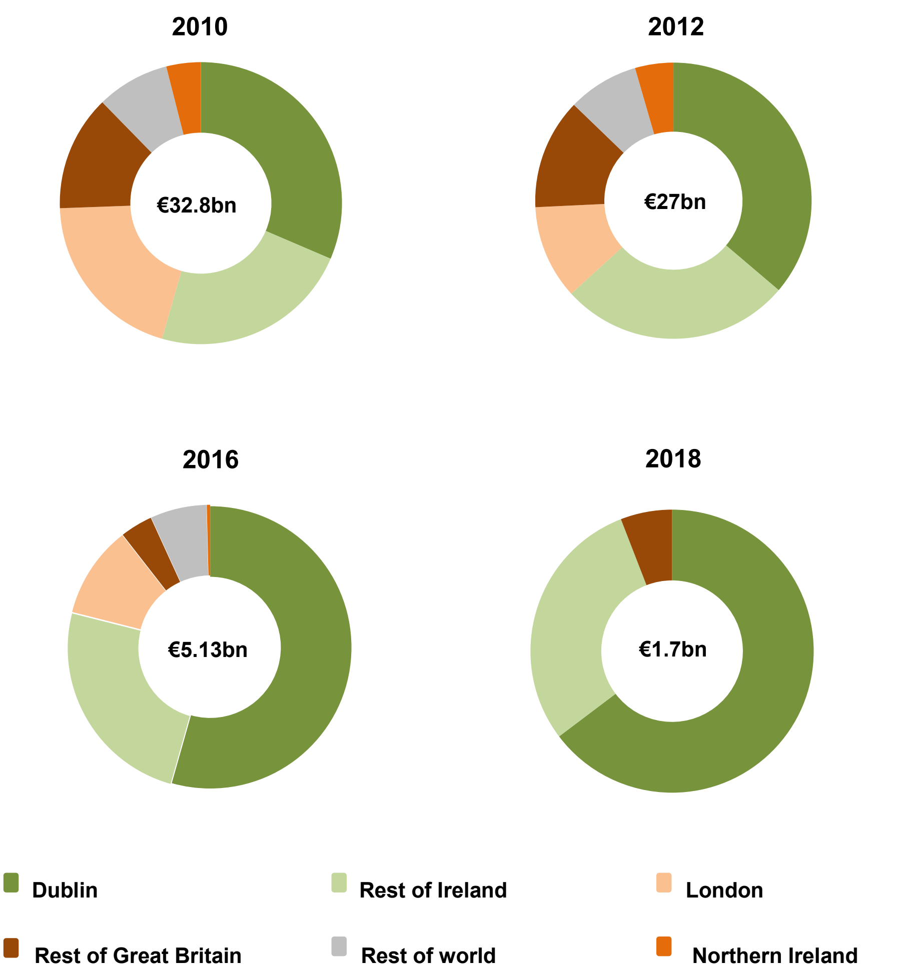
Residual assets

4.8 NAMA acquired security over approximately 10,700 properties as underlying collateral for NAMA loans. Over half (by acquisition value) of the secured properties were located in Ireland (54%) and over one third in the UK (37%). The remaining secured properties were mainly located in Europe.

4.9 Initial disposals, in the period 2010 – 2012, related mainly to secured property assets located in the UK, particularly in London. Disposals in the period 2013 – 2016 were spread throughout all geographical locations. Disposals in 2017 – 2018 related mainly to secured property assets located in Dublin. As a result, around 94% (by acquisition value) of the residual collateral held at the end of 2018 was located in Ireland (Figure 4.3).

4.10 Some of the residual assets have the potential to contribute to new housing and office supply in Ireland and also to increase the amount that NAMA can recover. However, NAMA considers that the residual portfolio also contains a number of low value assets, many of which it considers will require intensive management in order to realise their value.

Figure 4.3 Collateral held by NAMA by acquisition value 2010 – 2018



Source: NAMA. Analysis by the Office of the Comptroller and Auditor General.

5 Commercial property

5.1 The 2009 Act provided that while pursuing its primary objective of the stabilisation of the financial system, NAMA would also contribute to the social and economic development of the State.

Commercial supports

5.2 In 2011 and 2012, NAMA implemented two initiatives.[1]

- In December 2011, NAMA introduced a rent abatement initiative to support the short-term viability of small and medium businesses. Under this initiative, rents due were reduced in respect of commercial tenants of NAMA debtors where tenants could demonstrate that the rents payable under their current leases were in excess of market levels and, as a result, the viability of their businesses was threatened. Up to the end of 2018, NAMA had approved rent abatements to the value of €13.6 million relating to contracted rent of €38 million.
- In 2012, NAMA announced that it would provide finance up to a maximum term of four years to purchasers of commercial properties held by its debtors and receivers in both Ireland and the United Kingdom (UK). The initiative was a response to a lack of liquidity in debt markets in Ireland and the UK. NAMA envisaged that up to €2 billion would be made available between 2012 and 2016. In practice, the take-up was limited. From 2012 to 2016, NAMA provided finance to eight purchasers of commercial property to the value of €384 million — 20% of the funding envisaged. All vendor finance had been repaid as required by the end of 2018.

Dublin Docklands strategic development zone

5.3 In 2012, the Minister for Housing, Planning and Local Government announced the designation of some 66 hectares in the North Lotts and Grand Canal Dock areas as a Strategic Development Zone (SDZ) to facilitate development of the area on the basis that it is of social and economic importance to the State. The SDZ scheme was approved by An Bord Pleanála in May 2014.

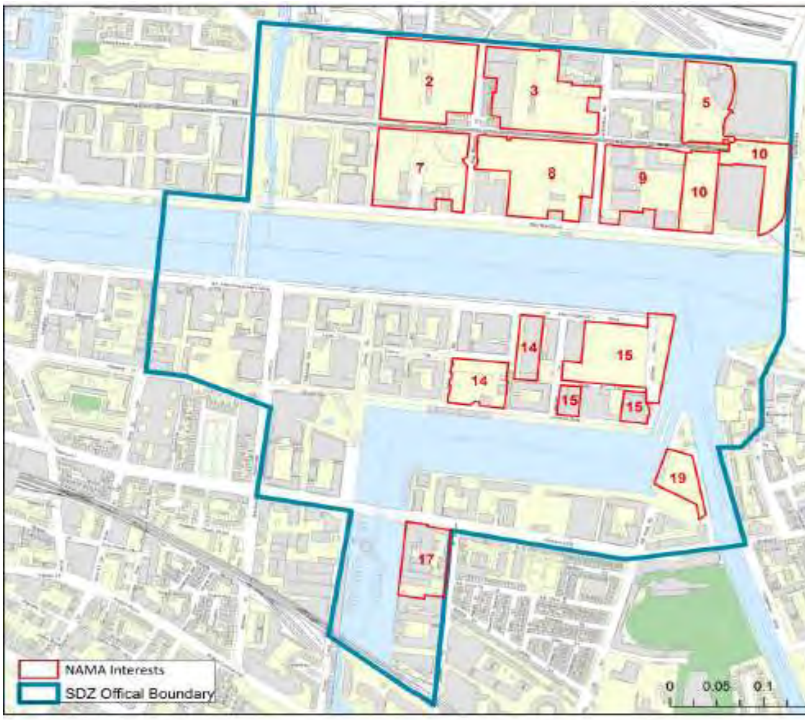
5.4 At the time the scheme was approved, there was a total of 22 hectares of undeveloped land in the designated SDZ area. NAMA had an interest in 16.74 hectares or 75% of that land (see Figure 5.1). Most of this was under the control of NAMA-appointed receivers.

5.5 The NAMA Board approved a strategic business plan for all its SDZ related interests in September 2014. The overall objectives expressed in the strategy were that it would

- contribute to meeting the existing and future demand for new office accommodation in Dublin's central business district
- add and exploit maximum commercial value to NAMA controlled sites through debtors/joint ventures obtaining planning permission and pursuing viable development strategies or disposal of sites
- contribute to meeting the demand for residential accommodation in Dublin city centre, subject to the commercial viability of individual projects or of the SDZ as a whole.

1 Special report 102 NAMA second progress report provides more details and is available at www.audit.gov.ie.

Figure 5.1 Map of the Docklands Strategic Development Zone, indicating blocks in which NAMA had an interest, November 2015



Block 2 — Spencer Dock
Block 3 — Mayor St/Castleforbes St
Block 5 — Mayor St/Sherriff St
Block 7 — Spencer Dock
Block 8 — North Wall Quay 'Project Wave'
Block 9 — North Wall Quay (formerly known as the Tile Style and Crosbie's Yard Sites)
Block 10 — Wintertide and Point Village
Block 14 — Hanover Quay and Sir John Rogerson's Quay
Block 15 — 10-12 Hanover Quay
Block 17 — Bolands Mill
Block 19 — Waterways Ireland

Source: NAMA Business plan, September 2014

5.6 The 2014 business plan did not include formal targets in respect of the stated objectives. However, based on its initial assessment of the sites within the SDZ, NAMA estimated that, based on current industry norms and planning provisions, they could potentially accommodate around 315,000 square metres of commercial space, and 1,848 residential units. NAMA projected gross development costs for the sites of €1.9 billion. It was not envisaged that NAMA would incur all of this cost, and it was projected NAMA would obtain an indicative return of €365 million.

5.7 While it was envisaged that construction of the sites could potentially commence in 2016, no time scale was set for the completion of each site development. It was acknowledged in the Board paper that given the relatively recent approval of the SDZ Scheme (mid May 2014) many sites were at the feasibility/master planning stage and that individual site strategies would therefore require regular review and re-evaluation to ensure the optimum financial outcome for NAMA. It also assumed that development risk would be reduced though phasing and other mechanisms such as pre-lets/pre-sales and forward funding.

5.8 The business plan outlined a number of available delivery options (see Figure 5.2). The development model involved settlement on a site concept (nature and mix of development), followed by securing of planning permission, clearance of the site and construction of buildings and services. NAMA could dispose of its interest at any stage in the process, and the level of funding NAMA needed to provide could vary significantly. The business plan proposed that a preferred delivery option would be presented to the NAMA Board on a case-by-case basis, depending on the circumstances of each site.

Figure 5.2 Delivery strategies included in SDZ development plan 2014

Delivery option	Description
Site sale	Sale of the site by the NAMA appointed receiver, with or without planning permission.
Forward sale/forward funding	NAMA funds the receiver to procure planning and the sale of the building occurs in advance of commencing construction.
Joint venture	Agreement between NAMA and third party implemented through qualifying investor funds (QIFs). An agreed business plan is put in place with an investment manager responsible for the day to day decisions with certain key matters requiring the approval of shareholders.
Receiver development	NAMA funds the receiver to procure and put in place design teams and procure planning in advance of constructing and selling the completed building.
Long lease	NAMA, as freeholder, grants a lease/licence to build to a selected third party. NAMA retains the freehold interest and receives lease rental income.

Source: NAMA Business plan, September 2014

5.9 NAMA was already involved as a minority partner in joint ventures for four of the sites in the SDZ. These joint ventures involved NAMA investing in qualifying investor funds (QIFs) as a passive partner to facilitate the merging of NAMA sites with neighbouring sites of other investors to create bigger and more regularly shaped sites that offered prospects for more coherent construction and significantly better returns. In one case, the joint venture included provision for development of sites at Hanover Quay, within the SDZ and at City Quay, outside the SDZ.

Delivery of development

5.10 By the end of 2018, the NAMA Board had approved an individual strategy for each of the sites comprehended in the 2014 business plan, across 14 developments (Figure 5.3). As at May 2020, development of most of the sites — accounting for 86% of the NAMA area — has been significantly progressed, but two sites remain at pre-construction stage. One of these sites (accounting for 1.84 hectares) had been disposed of through receiver site sale and thus is no longer secured to NAMA.

5.11 As at May 2020, construction is either in progress or partially completed on six sites in which NAMA still has an interest.

5.12 Proposals submitted to the NAMA Board in respect of individual site strategies set out market based analysis supporting the preferred option. They did not include target or expected rates of return on NAMA's investments.

Figure 5.3 Progress in site delivery, December 2018 and May 2020

SDZ block	Development/site	NAMA site size (ha)	NAMA Board approved strategy	Status Dec 2018	Status May 2020
2&7	Spencer Dock	2.22	Site sale (Sept 2016)	Sold, construction commenced	Sold, in construction
3	Mayor St/Castleforbes Rd	2.36	Site sale (Oct 2018)	Sold, pre-construction	Sold, in construction
5	Mayor Street/Sherriff Street	0.94	Site sale (Oct 2016)	Sold, partially completed	Sold, completed
8	Dublin Landings (North Wall Quay)	2.15	Long lease/sale of buildings	In construction	Partially completed
9	North Wall Quay	1.84	Site sale (Oct 2018)	Sold, pre-construction	Sold, pre-construction
10	Wintertide/Point Village (North Wall Quay) (10a)	0.89	Joint venture	In construction	In construction
10	The Exo Building (10b)	1.1	Forward sale/forward funding	In construction	In construction
14	76 Sir John Rogersons Quay	0.49	Joint venture	In construction	In construction
14	5 Hanover Quay	0.82	Joint venture	Completed	Sold, completed
15	Capital Dock	1.9	Joint venture	In construction	Sold, completed
15	6-8 Hanover Quay	0.2	Joint venture	Completed	Sold, completed
15	10-12 Hanover Quay	0.25	Joint venture	Pre-construction	In construction
17	Bolands Mills	1.01	Forward sale/forward funding	In construction	In construction
19	Waterways Ireland	0.57	Joint venture	Pre-construction	Pre-construction

Source: NAMA

Poolbeg West strategic development zone

5.13 The Poolbeg West SDZ was approved by Dublin City Council in October 2017. An Bord Pleanála adopted the planning scheme in April 2019. This SDZ consists mainly of two large sites secured to NAMA. NAMA estimates that the combined sites have the potential to deliver up to 3,500 residential units and 93,000 square metres of commercial development.

5.14 NAMA launched a competitive process in July 2019, to identify joint venture partners for the SDZ. Bids for the joint venture were being evaluated in May 2020.

6 Residential delivery

6.1 NAMA's statutory functions do not explicitly require it to engage in the development or delivery of residential units. However, the Board adopted the facilitation of the delivery of housing, subject to commercial viability, as a secondary objective. It has sought to deliver residential units for both the social housing and commercial housing markets.

Social housing provision

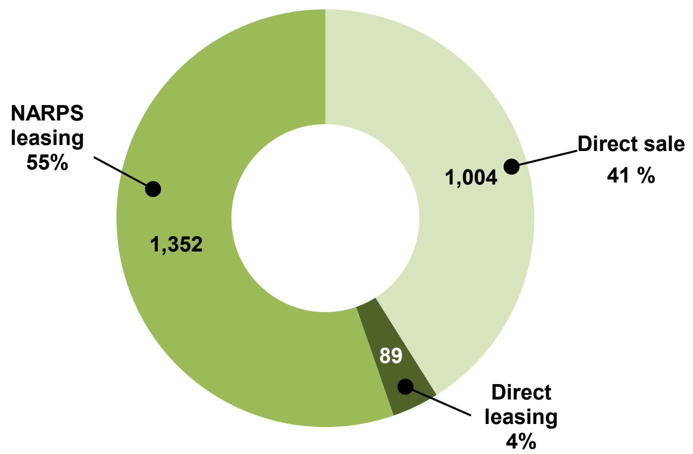
6.2 NAMA acquired an interest in a number of residential property developments when it acquired its loans from the participating institutions. These developments included residential units in diverse locations and in a range of stages of completion. While some of the developments were located in areas where there was little demand for social housing, others were considered to have potential to meet such demand.

6.3 NAMA worked with the Department for Housing, Planning and Local Government in relation to the delivery of social housing. In some cases, NAMA extended new lending to debtors or receivers to allow them to carry out additional work required to ensure that properties offered for social housing complied with the relevant building regulations.

6.4 Up to the end of March 2019, NAMA had identified a total of 7,050 residential properties as potentially being suitable for social housing. Ultimately, the responsibility for determining suitability rests with the local authorities and the Housing and Sustainable Communities Agency.

6.5 NAMA set an initial target of providing 2,000 units for social housing by the end of 2015. By that date, NAMA had delivered 2,001 units. NAMA did not set a further delivery target. By the end of 2018, NAMA had provided a total of 2,445 residential housing units to approved housing bodies (AHBs) or local authorities through a variety of methods (see Figure 6.1). In addition, 36 units were at contract stage. Demand for a further 248 units had been confirmed to NAMA as at March 2019.

Figure 6.1 Delivery by NAMA of social housing up to the end of 2018, by delivery mechanism



Source: NAMA. Analysis by the Office of the Comptroller and Auditor General.

6.6 NAMA noted that in addition to the properties delivered under its social housing programme, debtors/receivers had sold sites with planning permission for 159 residential properties to local authorities or to AHBs during 2018.

National Asset Residential Property Services DAC (NARPS)

6.7 In 2012, NAMA established a subsidiary company called National Asset Residential Property Services DAC (NARPS) to acquire units from some of its debtors and receivers, to make them available to AHBs by way of long term lease.

6.8 More than half (55%) of all social housing delivered by NAMA since inception was provided through the NARPS leasing mechanism. This was funded by borrowings within the NAMA group, with NARPS owing to NALM a total of €202 million at the end of 2018.

6.9 The NARPS rental income in 2018 amounted to €11.7 million and involved 14 lessees. The key features of the delivery model are

- leases to the AHBs are for terms of 20 years
- rental payments to NARPS are agreed between NAMA and the Department for Housing, Planning and Local Government at a discount to market rent to reflect the length of the lease term
- the AHBs have an option to buy the residential properties from NARPS after 13 years for the open market price less 10%.

Commercial residential development

6.10 In late 2013, NAMA set a target to deliver 4,500 residential units by the end of 2016. This target was achieved through the development of sites by NAMA debtors or receivers, supported by NAMA funding.

6.11 In October 2015, the Minister for Finance stated that in line with the NAMA Act, he had asked the NAMA Board to review the residential development sites under its control to estimate how many residential units it could deliver on a commercial basis.[1]

6.12 The Minister noted that NAMA was aiming to deliver 20,000 residential units before the end of 2020 and would deliver these units by working with developers. He also noted that achieving this would require NAMA to provide development funding and that this would not compromise NAMA's ability to meet its debt repayment commitments.

6.13 In November 2015, the NAMA Board formally adopted a residential delivery plan which set out its intention to "provide funding, co-ordinate and manage the delivery of 20,000 housing units by end-2020".[2]

6.14 In parallel with this programme, the plan envisaged that NAMA would "engage in asset management activity aimed at enhancing the planning status of [other] sites so as to ensure that they are capable of meeting residential supply needs after 2020". It was estimated that these sites could deliver over 30,000 units. NAMA anticipated that some of these sites were likely to be sold before 2020.

1 Minister for Finance's Budget Statement 2016.

2 NAMA Board minutes of meeting, 23 November 2015.

6.15 The residential delivery plan recognised that achieving the target of 20,000 residential units by the end of 2020 would be a formidable challenge, and that sites accounting for one third of the target units were (in November 2015) not yet commercially viable for development. NAMA expected that it would rely heavily on sites controlled by a small number of debtors, with whom it needed to agree "commercially sensible arrangements", and would need to work with external partners in joint venture arrangements to deliver the residential units.

6.16 NAMA also recognised in the plan that it needed to have flexibility around remuneration of its own staff in order to "retain and recruit the necessary expertise required to plan, fund and manage a programme of this scale".

6.17 The residential delivery plan ruled out the potential alternative approach of selling the sites identified for the residential delivery programme on two counts.

- First, it was expected that the sale of the sites would not generate the maximum achievable return for NAMA (as required under Section 10 of the NAMA Act).
- Second, it recognised the risk that the sale of sites in which NAMA had an interest would not result in any major increase in supply of residential units if the new site owners did not develop them at an early stage. The plan noted that, as of November 2015, residential development sites disposed of by NAMA since the start of 2014 had resulted in the delivery of only about 1,000 of a potential 11,000 residential units – around 9% of site capacity.

6.18 In December 2015, during NAMA's appearance before the Oireachtas Joint Committee on Finance, NAMA's Chief Executive Officer outlined how falling residential sale prices over a number of years together with relatively constant construction costs meant that residential development, by and large, became commercially unviable for a time because the expected proceeds from sale of the units would not cover expected development and construction costs.

6.19 He noted that NAMA had conducted a review and concluded that residential sales prices had begun to increase again and that this meant that residential development was now commercially viable at a number of sites controlled by NAMA. In relation to the target of 20,000 residential units, the CEO advised the Committee that

- NAMA was confident that sites capable of delivering 13,200 residential units were commercially viable to develop at current prices
- NAMA wold undertake intensive asset management work on other NAMA-controlled sites, including seeking enhanced planning permission and support for the provision of strategic infrastructure, to ensure that the residual 6,800 units (of the 20,000 residential unit target) would also be delivered.[1]

6.20 In the 2015 and 2016 annual report, NAMA set out its approach to selling loans that includes inter alia, NAMA reviewing the assets of debtors, before loan sales to establish if properties could be used for residential development.[2] The reports refer to two loan sales where NAMA had removed 16 debtor connections from the sales as it identified related properties that could be used to deliver 931 residential units, on a commercial basis, funded by NAMA. NAMA stated in the 2015 report that these sites would "contribute to the achievement of NAMA's stated commercial objective of funding the construction of 20,000 new homes in Ireland by 2020".

1 The CEO noted NAMA's intention to work with local authorities, Irish Water and with Transport Infrastructure Ireland to address any infrastructural issues which were impeding the development of sites.

2 NAMA's 2015 anual report (page 15) and NAMA's 2016 Annual Report (page 31).

NAMA's delivery mechanisms

6.21 NAMA has used three delivery mechanisms to progress residential developments, as set out in Figure 6.2. Over the period 2016 – 2018, the majority of residential units were delivered under arrangements involving direct funding from NAMA.

Figure 6.2 Delivery mechanisms for directly funded residential development

Investment venture (IV)	▪ NAMA enters into partnership agreements with Irish and/or international investment firms to facilitate the build−out of residential units. ▪ NAMA invests as a minority shareholder (no more that 49% shareholding) in a particular IV. ▪ The IV purchases a site, which can include sites over which NAMA holds security. ▪ The development funding is not financed for the most part by NAMA.
Licence	▪ NAMA debtor/receiver licences a site to a developer. ▪ The licensee pays a deposit for the site and is responsible for obtaining development finance. ▪ Sales proceeds from residential units are split between the licensee and the NAMA-appointed receiver. ▪ NAMA funding is, in the main, not required.
Direct funding by NAMA	▪ NAMA works with co-operative and competent debtors/receivers and provides funding to secure new or improved planning permission and to develop and construct residential units. ▪ NAMA monitors the level of construction progress monthly, and releases funding based on certified progress. ▪ The return to NAMA is in the form of enhanced value of NAMA's underlying security and involves the capture of all development profits via the delivery of residential units.

Source: NAMA

Maximising the return to the State

6.22 NAMA developed a commercial viability test for residential developments it proposed to fund. The objective of the test was to ensure that residential development schemes that it funded would result in the optimum return for NAMA and taxpayers in line with Section 10 of the NAMA Act.

6.23 The test requires the debtor/receiver to provide projections of sales revenue and of development costs (including site value). NAMA then applies a set percentage for notional interest rate costs, development management fees, house price inflation and construction cost inflation. The outcome is the net cash position for the proposed development.

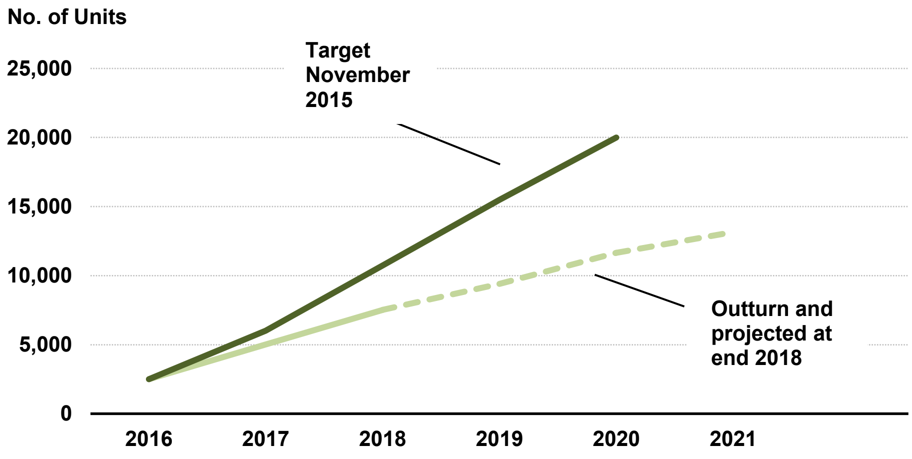
6.24 The decision to proceed (or not) with a proposed residential investment is made within NAMA's Board-approved delegated authority framework. Accordingly, if proposals are projected to result in a positive net cash position, they may be approved by the relevant delegated authority. Proposals that fail the commercial viability test may be progressed as an exception to policy if approved by the CEO and head of residential delivery.

6.25 NAMA carried out 119 tests between February 2016 and October 2019. Of these, 111 proposals had positive projected net cash positions. Two projects that failed the viability test had been progressed on an exception basis. NAMA has stated that in both those cases, the related debtor exited NAMA by redeeming all par debt.

Residential delivery outturn

6.26 There has been a significant shortfall relative to the target for delivery of 20,000 residential units by the end of 2020 (see Figure 6.3). By the end of 2018, 7,521 residential units had been delivered on sites where NAMA had a direct involvement. Around 70% of these were delivered in Dublin. NAMA forecasts that a further 5,750 units will be delivered through such developments by 2021.

Figure 6.3 NAMA's residential unit output — delivery to end 2018 and projected to 2021



Source: NAMA. Analysis by the Office of the Comptroller and Auditor General.
Note: 2016 includes 385 units delivered in Q4 2015.

Delivery of residential units on sites sold

6.27 NAMA's 2018 annual report notes that from 2011 to the end of 2018, NAMA's debtors and receivers had sold sites with the potential to deliver 63,300 residential units. NAMA has stated that for many of these sites, it had provided funding for asset management purposes (e.g. achieving planning, resolving title or boundary issues) to progress the sites towards being ready for development but that development of some sites may be currently inhibited by constraints relating to commercial viability, infrastructure or suitable planning permissions.

6.28 Where it has sold sites, NAMA has no control over when they are developed and does not provide loans for construction. Nevertheless, NAMA considers residential units completed on these sites as being 'indirect' NAMA deliveries and monitors progress in that regard through public sources.

6.29 NAMA reports that by the end of 2018, 3,525 residential units had been constructed on such sites, and expects a further 4,500 units are to be delivered from this source by 2021 i.e. a total of 8,025 units. This represents 13% of the estimated overall capacity of the residential development sites it has sold.

NAMA's views

Strategy for residential delivery

6.30 NAMA's role is to facilitate the delivery of 20,000 new residential units, subject to commercial viability and to maximise the number of sites that are ready for development. In setting the target, the Board did not specify the direct delivery of 20,000 units.

6.31 Section 10 of the NAMA Act requires NAMA to obtain the best achievable financial return for the State, deal expeditiously with its acquired assets and protect or otherwise enhance the value of those assets. In cases where sites are commercially viable to develop, the best financial return for NAMA may be achieved by funding site development. However, in other cases, the best financial return is achieved through a disposal of the site rather than funding residential development.

6.32 Sites vary significantly in their readiness for development with regard to planning and infrastructure. Sites that were ready to go and commercially viable attracted particularly high demand from site buyers and NAMA consented to the sale by debtors/receivers of many such sites where valuations indicated this as the best means of maximising financial returns. The sites that were not sold were often not as advanced in relation to planning infrastructure or commercial viability to replace those sold and will therefore require further time to become commercially viable to develop.

Progress on delivery of residential units

6.33 In November 2017, the Board acknowledged that an estimated one third of the 20,000 target may come from sites invested in by NAMA but ultimately sold by or refinanced out of NAMA.

6.34 NAMA considers that in monitoring achievement of the 20,000 target, it is appropriate to take account of the 13,000 residential units projected to be constructed by 2021 on sites in which NAMA retains an interest and the 8,025 units projected to be constructed by 2021 on sites sold by NAMA debtors/receivers. On this basis, NAMA concludes that it is on track to achieve the target 20,000 units by end 2021. The extended timeframe is attributed to

- delays and refusals at the planning stage
- commercial viability challenges
- delays to funding approvals for certain joint investment projects
- refinancing by debtors of their NAMA loans
- disposals of development sites where a greater return was achieved as a result.

Conclusions on commercial residential development

6.35 In compliance with Section 10 of the NAMA Act, NAMA’s primary objective is to obtain the best achievable financial return for the State. Targets in relation to delivery of residential housing units were secondary to that objective.

6.36 NAMA set itself a challenging target to deliver 20,000 residential units over the five-year period 2016 to 2020, on sites in which it had a financial interest. NAMA's November 2015 residential delivery plan envisaged that the development would be funded wholly or partly by NAMA, in co-operation with debtors or receivers, and potentially with third-party involvement. This approach was adopted on the basis that it would yield a higher return for NAMA, and that it would result in speedier delivery of residential units for the housing market.

6.37 NAMA is not expected to achieve the residential output target that it adopted in 2015. As of the end of 2018, it was projecting that around 13,000 units would be delivered on sites in which it has an interest by the end of 2021. This would represent delivery of 65% of the target albeit a year later than originally projected.

6.38 NAMA considers that, in monitoring the achievement of its residential delivery target of 20,000 units, it is appropriate to also take account of 8,025 units it projects will be constructed on sites sold by NAMA debtors/receivers. However, this is not a 'like for like' comparison, because such units were not included when the original target was set.

6.39 Where sites have been sold, NAMA has no control over when they are developed and does not provide loans for construction. NAMA has estimated that sites sold by NAMA debtors/receivers between 2011 and the end of 2018 had the potential for delivery of 63,300 residential units. NAMA's projection that a total of 8,025 residential units would be delivered on such sites by the end of 2021 would represent 13% of their estimated overall capacity.

Appendix

Appendix A NAMA Income and expenditure

Figure A.1 NAMA income and expenditure to end 2018

	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Income recognised										
Interest & fee income	525	1,283	1,387	1,335	955	614	398	250	36	6,783
Net gains on debtor loans measured at FVTPL	-	-	-	-	-	-	-	-	605	605
Net profit on debtor assets and surplus income	-	549	188	505	285	1,587	1,110	335	313	4,872
Gains on derivative financial instruments	-	24	-	-	-	-	-	-	-	24
Foreign exchange gains	22	62	-	-	-	-	9	-	-	93
Impairment credit	-	-	-	-	-	86	282	13	-	381
Tax credit	-	235	-	-	-	-	-	-	-	235
Other income	-	-	-	-	36	48	35	22	40	181
	547	**2,153**	**1,575**	**1,840**	**1,276**	**2,335**	**1,834**	**620**	**994**	**13,174**
Expense incurred										
Interest and similar expense	(179)	(512)	(493)	(375)	(313)	(221)	(82)	(3)	(6)	(2,184)
Losses on derivative financial instruments	(17)	-	(38)	(55)	(159)	(134)	(4)	(1)	(7)	(415)
Foreign exchange losses	-	-	(99)	(89)	(22)	(14)	-	(6)	(2)	(232)
Administration expenses	(46)	(128)	(119)	(121)	(135)	(112)	(80)	(67)	(75)	(883)
Impairment charge	(1,485)	(1,267)	(518)	(914)	(137)	-	-	-	-	(4,321)
Tax expense	-	-	(76)	(70)	(52)	(28)	(165)	(62)	(109)	(562)
Dividend paid	-	(5)	(4)	(2)	-	-	-	-	-	(11)
Other expenses	-	-	-	(3)	-	-	-	-	-	(3)
	(1,727)	**(1,912)**	**(1,347)**	**(1,629)**	**(818)**	**(509)**	**(331)**	**(139)**	**(199)**	**(8,611)**
Profit/(loss) in the period	**(1,180)**	**241**	**228**	**211**	**458**	**1,826**	**1,503**	**481**	**795**	**4,563**

Source: NAMA financial statements 2010 – 2018

Note: The 2013 figures are shown net of interest expense and interest income from NARL.

Figure A.2 NAMA administrative expenses 2010 – 2018

Cost	2010	2011	2012	2013	2014	2015	2016	2017	2018	Total
	€m	€m	€m	€m	€m	€m	€m	€m	€m	€m
Costs reimbursable to NTMA	15	28	37	41	54	54	48	37	39	353
Primary servicer fees	13	57	56	55	50	39	15	9	8	302
Master servicer fees	2	3	4	3	3	1	2	2	2	22
Portfolio management fees	5	16	7	6	4	5	3	2	3	51
Legal fees	3	9	5	3	8	6	3	7	9	53
Finance, communication and technology costs	6	2	3	3	4	2	4	5	6	35
Rent and occupancy costs	-	1	1	1	3	3	3	3	6	21
Other [a]	2	12	6	9	9	2	2	2	2	46
Total	**46**	**128**	**119**	**121**	**135**	**112**	**80**	**67**	**75**	**883**

Source: NAMA financial statements 2010 – 2018

Notes: a Other costs include audit, Board and Committee fees as well as due diligence and portfolio transition costs.