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

31 December 2013

Gníomhaireacht Náisiúnta um Bhainistíocht Sócmhainní
National Asset Management Agency

31 March 2014

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 fourth 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. Furthermore NAMA has, already in 2014, redeemed an additional €3 billion of its existing book senior bonds. This brings the cumulative existing book senior bond redemption to €10.5 billion, 35% of the original NAMA senior bond balance (€30.6 billion). NAMA expects to make further significant senior bond redemptions in 2014.

NAMA has also **redeemed a cumulative total of €4.2 billion** (2013: €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.

### Subordinated debt

The NAMA Board made a decision to pay the coupon on its subordinated debt of €84 million in March 2014. This reflects the improved financial performance of NAMA in 2013.

### Cash generation

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

- NAMA generated **€5.9 billion in cash during 2013** (existing book: €4.5 billion). Combined with NAMA's very strong start to 2014 in terms of cash generation – NAMA has generated €4.7 billion in 2014 to date (existing book: €1.6 billion) – **NAMA has generated in excess of €21 billion since inception.**

- At 31 December 2013 NAMA held **cash and cash equivalent balances of €4.4 billion**, after making NAMA senior bond redemptions totalling over €8.5 billion since inception to 31 December 2013.

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

**Financial results**

**NAMA remains profitable** despite a prudent impairment policy. Financial highlights include:

- **Operating profit before impairment for the year of €1.2 billion (2012: 0.83 billion), representing an increase of 45%.**

- NAMA has recorded an incremental impairment charge of €914 million in 2013, following a very robust year-end impairment exercise comprising a line by line review of 83% of NAMA's loan assets. NAMA expects that impairment will be much less of a feature in NAMA's results from 2014 onwards.

- **Profit after impairment and tax for 2013[1] was €211 million.**

**Loan portfolio**

The carrying value of NAMA's acquired loan portfolio (excluding IBRC floating charge), net of cumulative impairment provision of €4.1 billion, as at 31 December 2013 was €19.6 billion (2012: €22.8 billion).

## 2. Market activities and investment

**NAMA asset sales**

NAMA is making a very substantial contribution to activity in the Irish property market at present. Right now, in addition to the assets that are for sale through NAMA debtors and receivers, there are two large loan portfolios on active sale in Ireland with an aggregate value in excess of € 2 billion. Moreover, the Agency has committed that, each quarter in 2014, packaged portfolios of property with a minimum value of €250 million will be offered for sale. This is designed to provide certainty to potential investors, including international investors and REITs, about regular asset flows and to help to sustain the positive momentum in the market. This momentum is evident in the very strong start to the year for NAMA, which has included the sale of the Platinum Portfolio, comprising four office buildings in Dublin (Grand Mill Quay on Barrow Street, Hume House in Ballsbridge, the Bloodstone Building and Block B, Riverside 4 on Sir John Rogerson's Quay), which is at a very advanced stage, and the sale of Central Park, a portfolio of office and residential assets in Dublin.

[1] Subject to final audit signoff by C&AG

**NAMA investment**

NAMA is delivering and is committed to delivering additional significant investment in the Irish economy. NAMA has made €2.5 billion of funds available for investment in Ireland, of which €0.6 billion has been drawn down to date. In addition to supporting activity and employment in the construction sector, this funding is playing a part in addressing emerging infrastructure deficits in certain sectors of the economy, such as housing and office accommodation in Dublin and the other major urban centres.

NAMA is also making vendor finance available, where required, to purchasers of commercial properties in Ireland. To date, €375m in vendor finance has been lent across six major transactions.

In addition, through the deployment of working capital, NAMA is also directly supporting 15,000 jobs in Ireland in trading business linked to our loans. These include jobs in property, hotel and leisure, retail, healthcare, manufacturing and agriculture.

## 3. Social and economic contribution – NAMA's wider impact

In addition to the measures outlined above, NAMA continues to make a significant wider contribution to the economy through such measures as:

- The Agency's work with the IDA to identify suitable commercial properties to meet the requirements of foreign direct investment, which has produced a number of major lettings to date, including the recent decision by Facebook to move into a new 120,000 square foot Grade A office space in Grand Canal Square in Dublin.
- The granting of rent abatements and longer-term rent reliefs to support small and medium businesses in the retail sector. *To date, NAMA has approved rent abatements with an annual aggregate value of €18 million and long-term rent reliefs worth in excess of €40 million over the life-time of the related leases.*

The Agency is also committed to supporting initiatives that are for the common good, such as social housing, working with public bodies to identify sites and properties for schools and health care provision, and addressing the problems of unfinished housing estates. NAMA has to date identified over 4,600 houses and apartments as being available and potentially suitable for social housing and is working with all relevant stakeholders to deliver these properties for social housing where demand has been confirmed by the local authorities (see Appendix 2).

## 4. IBRC liquidation - absorption and management of IBRC portfolio

As part of the Government's decision in February 2013 to appoint Special Liquidators to IBRC, it was decided that NAMA would acquire any commercial and residential loans which were unsold after the Special Liquidators had completed a loan valuation and sales process. The loan sale process is currently underway and following its completion, NAMA expects to acquire any unsold commercial and residential loans during the first half of 2014.

Based on the sales carried out to date by the Special Liquidators and on the level of investor interest in the other IBRC portfolios currently for sale, NAMA has been advised by the Special Liquidators that the volume of loans transferring to NAMA is now likely to be significantly lower than initially envisaged. It is expected that a large proportion of the commercial property loans which will transfer will be those of debtors with smaller par debt exposures.

NAMA has selected Pepper to act as service provider in respect of the residential portfolio which it may acquire. Given the fundamental changes to the size and characteristics of the commercial property loan portfolio now likely to be acquired by NAMA, NAMA decided to launch a new tender process for the provision of primary and special services on this portfolio and has selected Capita[2] after a tender process to act as its service provider.

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,

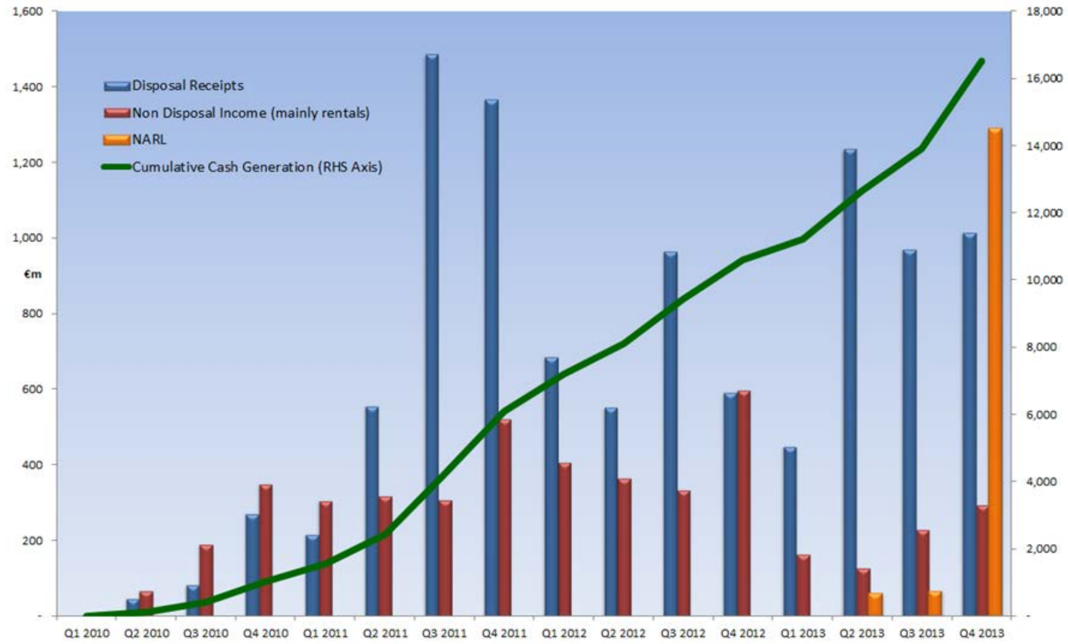
**Frank Daly**
**Chairman**

**Brendan McDonagh**
**Chief Executive Officer**

[2] Subject to contract

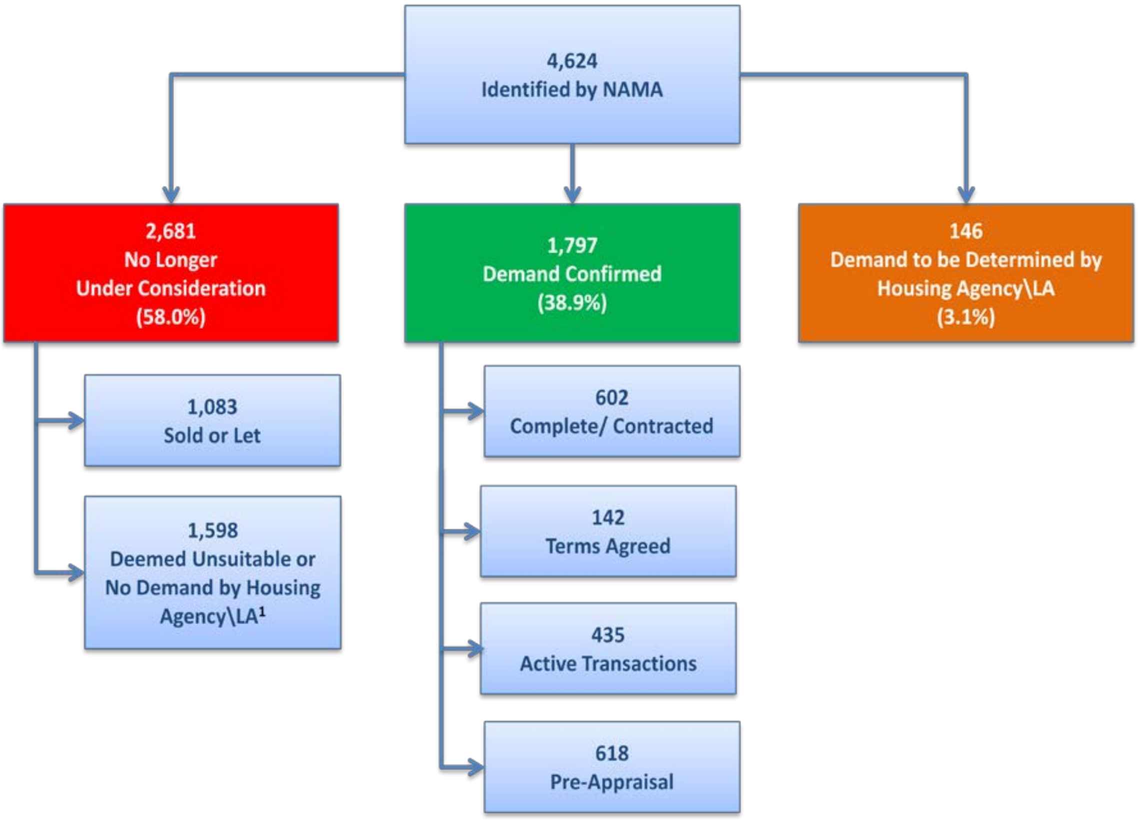
# Appendix 1

## 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.

National Asset Management Agency

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

**For the quarter ended 31 December 2013**

**National Asset Management Agency Group**

**Quarter to 31 December 2013**

**Contents of Unaudited Consolidated Accounts**

## Board and other information

### Board

Frank Daly (Chairman)
Brendan McDonagh, Chief Executive Officer NAMA
John Corrigan, Chief Executive Officer NTMA
Oliver Ellingham (non-executive)
Eilish Finan (non-executive) (term ended 21 December 2013)
Brian McEnery (non-executive)
John Mulcahy, Head of Asset Management NAMA (retired and resigned 17 January 2014)
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

**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, at which point the Special Liquidators assumed the role of the primary servicer, 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 designated as NAMA Group entities within the meaning of Section 4 of the Act. 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 loan facility deed and floating charge over certain IBRC assets which are currently used as collateral by IBRC as part of its repo arrangements with the Central Bank of Ireland (CBI). Consideration was in the form of the issuance of government guaranteed senior debt securities and cash. The debt securities were issued by NAML and transferred to NARL via a profit participating loan facility (PPL). NARL is a 100% subsidiary of NAMAIL.

*National Asset Management Limited (NAML)*
NAML issues senior and subordinated debt securities. All senior debt issued is government guaranteed and listed on the Irish Stock Exchange. The Company has issued two senior note programmes.

The first notes programme was issued as consideration for the acquisition of loans from Participating Institutions during 2010 and 2011. These securities were transferred to National Asset Management Group Services Limited (NAMGSL) and by it to National Asset Loan Management Limited (NALML).

The second notes programme was issued on 28 March 2013 following the liquidation of IBRC on 7 February 2013. NAMA was directed to acquire a loan facility deed and floating charge from the Central Bank. Consideration was in the form of the issuance of government guaranteed senior debt securities and cash. These securities were transferred to NARL.

NAML has eight 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 direct 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 securities issued by NAML under a profit participating loan facility, and in turn, makes these debt securities available to NALML on similar terms.

NAMGSL is wholly owned by NAML.

*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. NALML is a wholly owned subsidiary of NAMGSL.

*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 all property interests have been transferred from NALML to NAPML.

*National Asset Residential Property Services Limited (NARPSL)*

The purpose of NARPSL is to acquire residential properties and to lease these properties to approved housing bodies for social housing purposes. NARPSL is a wholly owned subsidiary of NAPML.

*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 a property asset located in the US, in settlement of debt, owed to NAMA.

*National Asset Management Services Limited (NAMSL)*

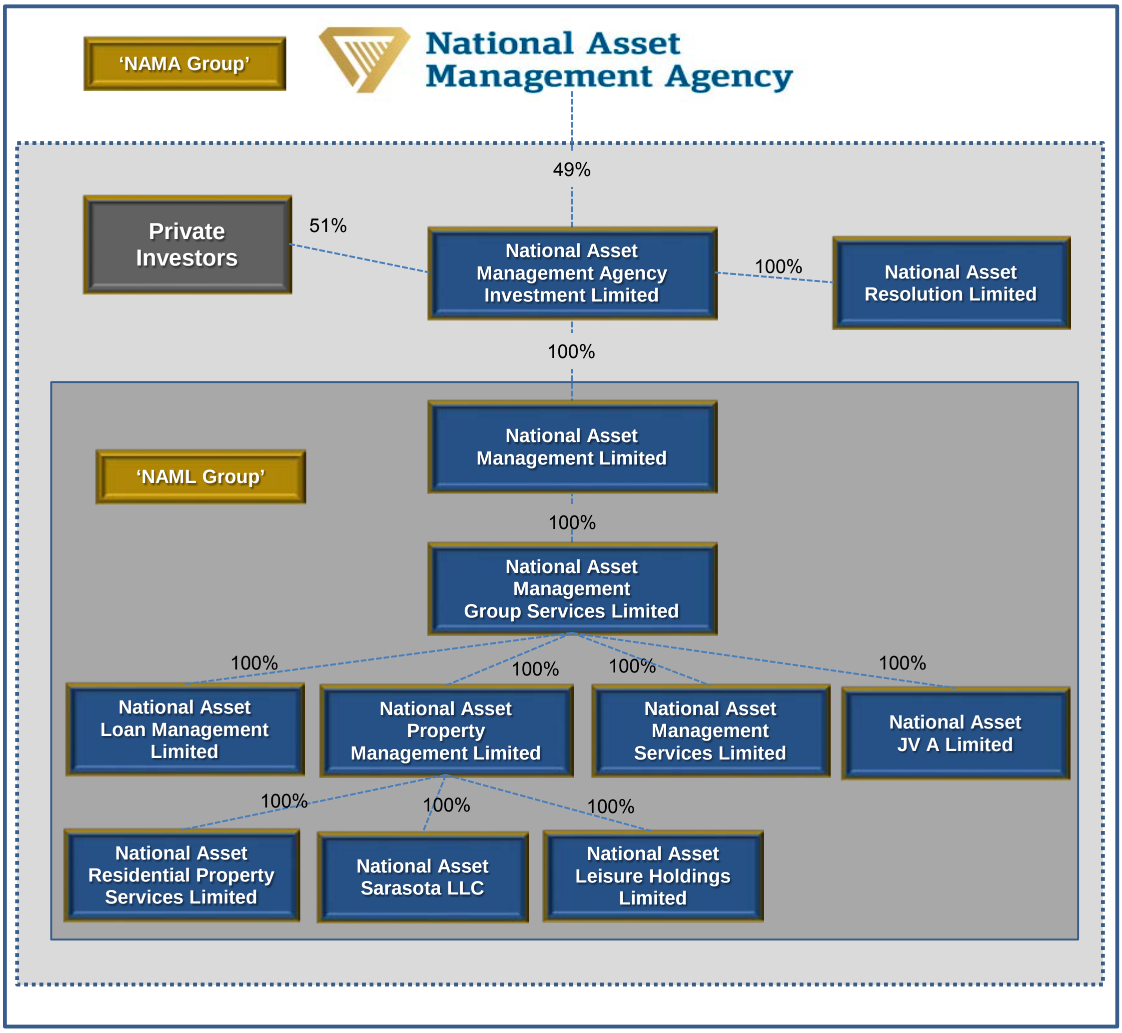
Previously a non-trading entity, NAMSL acquired a twenty per cent shareholding in a general partnership in Q3 2013.

*National Asset Leisure Holdings Limited (NALHL)*

On 10 January 2014, NAMA established a new subsidiary National Asset Leisure Holdings Limited (NALHL). NALHL is a wholly owned subsidiary of NAPML and was established to acquire 100% of the share capital of two Portuguese entities.

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




**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 31 December 2013. For the purposes of these accounts, the 'NAMA Group' comprises the result of all entitles presented in Chart 1 on page 12. 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 October 2013 to 31 December 2013 and for the full year to 31 December 2013.

The balance sheets are presented as at 31 December 2013 and 30 September 2013. The cash flow statement for the NAMA Group is presented for all cash movements for the quarter from 1 October 2013 to 31 December 2013 and for the full year to 31 December 2013.

The income statements and statement of financial position for each NAMA Group Entity are provided on pages 37 to 40.

**Consolidated Income Statement**
**For the period from 1 October 2013 to 31 December 2013**

| | | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|---|
| | Note | NARL €'000 | NAMA Group (excl. NARL) €'000 | Consolidated NAMA Group €'000 | Consolidated NAMA Group €'000 |
| Interest and fee income | *3* | 59,637 | 274,642 | 334,279 | 1,334,717 |
| Interest expense | *4* | (122,068) | 31,831 | (90,237) | (374,512) |
| **Net interest income** | | **(62,431)** | **306,473** | **244,042** | **960,205** |
| Other income/(expenses) | *5* | - | (2,860) | (2,860) | (2,860) |
| Net profit/(loss) on disposal of loans and property assets; and surplus income | *6* | - | 327,900 | 327,900 | 505,411 |
| Gains/(losses) on derivative financial instruments | *7* | (8,203) | (595) | (8,798) | (54,211) |
| **Total operating income** | | **(70,634)** | **630,918** | **560,284** | **1,408,545** |
| Administration expenses | *8* | (2,822) | (31,339) | (34,161) | (121,460) |
| Foreign exchange gains/(losses) | *9* | - | (13,905) | (13,905) | (89,336) |
| **Operating profit before impairment** | | **(73,456)** | **585,674** | **512,218** | **1,197,749** |
| Impairment charges on loans and receivables | *16* | - | (528,992) | (528,992) | (914,345) |
| **Operating profit after impairment** | | **(73,456)** | **56,682** | **(16,774)** | **283,404** |
| Tax credit/(charge) | *10* | 2, 051 | (46,895) | (44,844) | (69,802) |
| **Profit for the period before dividend** | | **(71,405)** | **9,787** | **(61,618)** | **213,602** |
| Dividend paid | *11* | - | - | - | (2,162) |
| **Profit for the period** | | **(71,405)** | **9,787** | **(61,618)** | **211,440** |

The accompanying notes 1 to 26 form an integral part of these accounts.

**Consolidated Statement of Financial Position**

| | Note | NARL €'000 | NAMA Group (excl. NARL) €'000 | 31 Dec 2013 Consolidated NAMA Group €'000 | 30 Sept 2013 Consolidated NAMA Group €'000 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Cash and cash equivalents | *12* | 332,440 | 3,120,796 | 3,453,236 | 3,370,907 |
| Cash placed as collateral with the NTMA | *12* | 63,000 | 739,000 | 802,000 | 761, 000 |
| Financial assets available for sale | *13* | - | 145,138 | 145,138 | 146,559 |
| Receivable from Participating Institutions | *14* | - | 78,447 | 78,447 | 78,911 |
| Derivative financial instruments | *15* | - | 160,369 | 160,369 | 144,364 |
| Loans and receivables | *16* | 11,715,589 | 19,598,110 | 31,313,699 | 33,644,102 |
| Other assets | *17* | 6 | 23,750 | 23,756 | 15,554 |
| Trading properties | *18* | - | 38,924 | 38,924 | 34,458 |
| Property, plant and equipment | *19* | - | 1,071 | 1,071 | 1,212 |
| Investments in equity instruments | *20* | - | 6,373 | 6,373 | 6, 470 |
| Deferred tax asset | *21* | 2,051 | 200,337 | 202,388 | 251,677 |
| **Total assets** | | **12,113,086** | **24,112,315** | **36,225,401** | **38,455,214** |
| **Liabilities** | | | | | |
| Payable to Participating Institutions | *14* | - | 24,676 | 24,676 | 27,796 |
| Derivative financial instruments | *15* | 8,203 | 591,581 | 599,784 | 616,030 |
| Debt securities in issue | *22* | - | 34,618,000 | 34,618,000 | 36,868,000 |
| Tax payable | *23* | - | 407 | 407 | 727 |
| Other liabilities | *24* | 12,111,035 | (11,938,440) | 172,595 | 82,699 |
| **Total liabilities** | | **12,119,238** | **23,296,224** | **35,415,462** | **37,595,252** |
| **Equity** | | | | | |
| Share capital | | - | - | - | - |
| Other equity instruments | *25* | - | 1,593,000 | 1,593,000 | 1,593,000 |
| Retained earnings | | (6,152) | (441,447) | (447,599) | (385,982) |
| Other reserves | *26* | - | (335,462) | (335,462) | (347,056) |
| **Total equity** | | **(6,152)** | **816,091** | **809,939** | **859,962** |
| **Total equity and liabilities** | | **12,113,086** | **24,112,315** | **36,225,401** | **38,455,214** |

The accompanying notes 1 to 26 form an integral part of these accounts.

**Consolidated Statement of Cash Flows**
**For the period ended 31 December 2013**

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Consolidated NAMA Group | Consolidated NAMA Group |
| | €'000 | €'000 | €'000 | €'000 |
| **Cash flow from operating activities** | | | | |
| **Loans and receivables** | | | | |
| Receipts from borrowers | - | 1,254,342 | 1,254,342 | 4,421,192 |
| Advances to borrowers | - | (139,766) | (139,766) | (672,272) |
| Funds paid to acquire properties for social housing | - | (6,708) | (6,708) | (6,708) |
| Funds in the course of collection | - | 51,377 | 51,377 | 51,377 |
| Cash held on behalf of debtors | - | 2,192 | 2,192 | 2,192 |
| Lease rental income received from social housing units | - | 47 | 47 | 47 |
| Fee income received on loans with borrowers | - | 2,973 | 2,973 | 6,196 |
| Repayment of facility deed by IBRC (in liquidation) | 1,225,000 | - | 1,225,000 | 1,225,000 |
| Interest received on loan facility deed from IBRC (in liquidation) | 63,214 | - | 63,214 | 189,047 |
| **Net cash provided by loans and receivables** | **1,288,214** | **1,164,457** | **2,452,671** | **5,216,071** |
| **Derivatives** | | | | |
| Cash inflow on foreign currency derivatives | - | 5,936,416 | 5,936,416 | 21,876,254 |
| Cash outflow on foreign currency derivatives | - | (5,976,950) | (5,976,950) | (21,980,877) |
| Net cash inflow on derivatives where hedge accounting is applied | - | - | - | (232,102) |
| Net cash outflow on other derivatives | - | - | - | (113,413) |
| **Net cash used in derivatives** | **-** | **(40,534)** | **(40,534)** | **(450,138)** |
| **Other operating cashflows** | | | | |
| Interest expense on debt securities in issue | (958) | (648) | (1,606) | (130,486) |
| Payments to suppliers of services | (344) | (41,565) | (41,909) | (132,490) |
| Amounts pledged as collateral with NTMA | (63,000) | 22,000 | (41,000) | 348,000 |
| Interest received on cash and cash equivalents | 196 | 3,797 | 3,993 | 12,961 |
| Dividend paid on behalf of NAMAIL | - | - | - | (2,162) |
| Payments of corporation tax by NAMAIL | - | (12) | (12) | (66) |
| Interest received on loan to IBRC Special Liquidators | - | - | - | 873 |
| **Net cash provided by/(used in) other operating activities** | **(64,106)** | **(16,428)** | **(80,534)** | **96,630** |
| **Net cash provided by operating activities** | **1,224,108** | **1,107,496** | **2,331,604** | **4,862,563** |
| **Cash flow from investing activities** | | | | |
| Equity investments | - | - | - | (13,450) |
| Purchase of available for sale assets | - | - | - | (149,719) |
| Maturity of available for sale assets | - | - | - | 267,750 |
| Distributions received from investments | - | 97 | 97 | 97 |
| **Net cash used in investing activities** | **-** | **97** | **97** | **104,678** |
| **Cash flow from financing activities** | | | | |
| Redemption of senior debt securities in issue | (1,000,000) | (1,250,000) | (2,250,000) | (3,750,000) |
| **Net cash used in financing activities** | **(1,000,000)** | **(1,250,000)** | **(2,250,000)** | **(3,750,000)** |
| **Cash and cash equivalents at the beginning of the period** | 108,332 | 3,262,575 | 3,370,907 | 2,235,823 |
| Net cash provided by operating activities | 1,224,108 | 1,107,496 | 2,331,604 | 4,862,563 |
| Net cash provided by investing activities | - | 97 | 97 | 104,678 |
| Net cash used in financing activities | (1,000,000) | (1,250,000) | (2,250,000) | (3,750,000) |
| Effects of exchange-rate changes on cash and cash equivalents | - | 629 | 629 | 172 |
| **Cash and cash equivalents at 31 December 2013** | **332,440** | **3,120,797** | **3,453,237** | **3,453,236** |
| **Financial assets and cash collateral** | | | | |
| Financial assets available for sale | - | 145,138 | 145,138 | 145,138 |
| Amounts pledged as collateral with NTMA | 63,000 | 739,000 | 802,000 | 802,000 |
| **Total cash, cash equivalents and collateral held at 31 December 2013** | **395,440** | **4,004,935** | **4,400,375** | **4,400,374** |

## 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 12. 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 31 December 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 Basis of 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 as a separate line item in the consolidated income statement.

***2.5 Financial assets***

The Group classifies its financial assets in to the following IAS 39 categories:
(a) Financial assets at fair value through profit or loss,
(b) Loans and receivables, and
(c) Available for sale financial assets

The Group determines the classification of its financial instruments at initial recognition.

*(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.

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 instruments 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 instruments 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 (EIR) method (see accounting policy 2.8).

Loans and receivables are classified as follows:

- Land and development loans
- Investment property loans

Land and development loans includes 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 earning 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) Available for sale financial assets*

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 EIR 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 2.14.

***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 interest expense***

Interest income and interest expense for all interest-bearing financial instruments is recognised in interest income and interest expense in the income statement using the 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 Long Term Economic Value (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. All loans and receivables acquired were recognised using the EIR method by the reporting date.

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 / loss on the disposal of loans, property assets and surplus income***

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

NAMA 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 in accordance with IAS 32. Profits and losses on the disposal of loans/property 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. Such income is recognised semi-annually; or
b) when the estimated discounted 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, at the end of each reporting period, whether there is objective evidence that a financial asset or group of financial assets, measured at amortised cost, is impaired.

*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.

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 Impairment of non-financial assets*

The carrying amount of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. The recoverable amount of an asset is the greater of its value in use and its fair value less costs to sell.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. An impairment loss is recognised in profit or loss if the carrying amount exceeds its recoverable amount.

### *2.13 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.

### *2.14 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, using the hedge accounting provisions of IAS 39.

*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.

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, other than currency 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 other comprehensive income 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.

***2.15 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.

***2.16 Taxation***

Income tax comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised in other comprehensive income, in which case it is recognised in other comprehensive income.

*(a) Current income tax*

Current 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.

Current 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.

### *2.17 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.

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

*Unsettled overdraft positions*

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 statement of financial position as amounts due to Participating Institutions and the amounts collected are recognised as amounts due from Participating Institutions. The net amount due to / from Participating Institutions is applied against the outstanding loans and receivables balance.

### *2.19 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.

### *2.20 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 less transaction costs and are subsequently measured at amortised cost using the EIR 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.

### 2.21 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 shareholders. 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) Coupon on 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.

### 2.22 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.

### 2.23 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 in accordance with IAS 16. 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.

### 2.24 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.

### 2.25 Operating leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership. The leased asset is recognised on the statement of financial position of the lessor. Properties acquired by NARPSL for the purposes of social housing are recognised as inventories in accordance with IAS 2. Rental income arising from operating leases on inventory property is accounted for on a straight line basis over the lease term.

### 2.26 Non-controlling interests in subsidiaries

Non-controlling interests in subsidiaries comprise ordinary share capital and/or other equity in subsidiaries not attributable directly or indirectly to the parent entity.

Profits which may arise in any period may be allocated to the non-controlling interest in accordance with maximum investment return which may be paid to the external investors. Losses arising in any period are allocated to the non-controlling interest only up to the value of the non-controlling interest in the Group, as NAMA takes substantially all the economic benefits and risks of the Group.

### 2.27 Determination of fair value

The fair value of a financial instrument is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal, or in its absence, the most advantageous market to which the Group has access at that date.

Financial instruments are initially recognised at fair value and, with the exception of financial assets at fair value through profit or loss, the initial carrying amount is adjusted for direct and incremental transaction costs. In the normal course of business, the fair value on initial recognition is the transaction price (fair value of consideration given or received).

If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is determined by a quoted price in an active market for the same financial instrument, or by a valuation technique which uses only observable market inputs, the difference between the fair value at initial recognition and the transaction price is recognised as a gain or loss.

If the fair value is calculated by a valuation technique that features significant market inputs that are not observable, the difference between the fair value at initial recognition and the transaction price is deferred. Subsequently, the difference is recognised in the income statement on an appropriate basis over the life of the financial instrument, but no later than when the valuation is supported by wholly observable inputs; the transaction matures; or is closed out.

Subsequent to initial recognition, fair values are determined using using valuation techniques. These valuation techniques maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The valuation techniques used incorporate the factors that market participants would take into account in pricing a transaction. Valuation techniques include the use of recent orderly transactions between market participants, reference to other similar instruments, option pricing models, discounted cash flow analysis and other valuation techniques commonly used by market participants.

*Valuation techniques*

In the absence of quoted market prices, and in the case of over-the-counter derivatives, fair value is calculated using valuation techniques. Fair value may be estimated using quoted market prices for similar instruments, adjusted for differences between the quoted instrument and the instrument being valued. Where the fair value is calculated using discounted cash flow analysis, the methodology is to use, to the extent possible, market data that is either directly observable or is implied from instrument prices, such as interest rate yield curves, equities and commodities prices, credit spreads, option volatilities and currency rates.

The valuation methodology is to calculate the expected cash flows under the terms of each specific contract and then discount these values back to a present value. 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 may be required when the ability of the counterparty to service the instrument in accordance with the contractual terms is in doubt. In addition, future cash flows may also be sensitive to the occurrence of future events, including changes in market rates; and

– selecting an appropriate discount rate for the instrument, based on the interest rate yield curves including the determination of an appropriate spread for the instrument over the risk-free rate. The spread is adjusted to take into account the specific credit risk profile of the exposure.

All adjustments in the calculation of the present value of future cash flows are based on factors market participants would take into account in pricing the financial instrument.

Certain financial instruments (both assets and liabilities) may be valued on the basis of valuation techniques that feature one or more significant market inputs that are not observable. When applying a valuation technique with unobservable data, estimates are made to reflect uncertainties in fair values resulting from a lack of market data. For these instruments, the fair value measurement is less reliable. Inputs into valuations based on non-observable data are inherently uncertain because there is little or no current market data available from which to determine the price at which an orderly transaction between market participants would occur under current market conditions.

The calculation of fair value for any financial instrument may require adjustment of the valuation technique output to reflect the cost of credit risk, if market participants would include one, where these are not embedded in underlying valuation techniques.

### 3 Interest and fee income

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Interest on loans and receivables | 59,467 | 257,510 | 316,977 | 1,259,277 |
| Interest on derivative financial instruments | - | 12,565 | 12,565 | 50,422 |
| Interest on cash and cash equivalents | 170 | 2,414 | 2,584 | 13,131 |
| Interest on financial assets held as available for sale | - | 293 | 293 | 5,928 |
| Interest on short-term loan to Special Liquidators of IBRC | - | - | - | 873 |
| Other fee income | - | 1,860 | 1,860 | 5,086 |
| **Total interest and fee income** | **59,637** | **274,642** | **334,279** | **1,334,717** |

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 €1.26 billion in interest income on loans and receivables recognised in the period 1 January 2013 to 31 December 2013, €0.9 billion 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.

NARL has an intercompany profit participating facility agreement in operation with NAML, reflecting the consideration for the loan facility deed and floating charge acquired from the Central Bank. NARL has earned cumulative interest income of €201m to date on the facility deed (Q1 €3m; Q2 €73m; Q3 €66m; Q4 €59m), of which €196m has been transferred to NAML by way of profit participating loan interest. Refer to Appendix 6 for the full set of NARL accounts.

Fee income from borrowers that is an integral part of calculating the EIR or originating a loan is recognised as part of EIR as described in accounting policy 2.9. Fees earned by the Group that are not part of EIR, such as other fee income, are recognised immediately in profit or loss as fee income. Other fee income recognised in the year includes arrangement fees and restructuring fees.

### 4 Interest expense

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Interest on debt securities in issue | - | 31,303 | 31,303 | 126,018 |
| Interest on other derivative financial instruments | - | 2,639 | 2,639 | 16,903 |
| Interest on derivatives where hedge accounting is applied | - | 56,295 | 56,295 | 231,591 |
| Interest on inter-group loans | 122,068 | (122,068) | - | - |
| **Total interest expense** | **122,068** | **(31,831)** | **90,237** | **374,512** |

On 28th March 2013, NAML issued bonds to the value of €12.9bn as consideration for the acquisition by NARL of a loan facility deed and 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 €11.0m. The first coupon of €17.5m was paid on 20 August 2013.

### 5 Other income/(expenses)

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Lease rental income | - | 54 | 54 | 54 |
| Write down of trading properties | - | (2,914) | (2,914) | (2,914) |
| | **-** | **(2,860)** | **(2,860)** | **(2,860)** |

Lease rental income is earned from the lease of residential properties to approved housing bodies for social housing purposes. It is accounted for on a straight line basis over the lease term.

As at 31 December 2013, trading properties (note 18) have been written down to net realisable value and the amount of the write down of €2.9m recognised as an expense, in accordance with accounting policy 2.15.

### 6 Net profit/(loss) on disposal of loans and property assets; and surplus income

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Surplus income | - | 328,710 | 328,710 | 530,838 |
| Net loss on disposal of loans and property assets | - | (810) | (810) | (25,427) |
| | **-** | **327,900** | **327,900** | **505,411** |

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. Of the total amount of €531m recognised, €306m was generated from debtors who have fully repaid all NAMA debt and any further cash received is recognised as profit. A further €225m of surplus income is recognised on specific loan assets within a debtor connection where the cash generated and received by NAMA has exceeded the loan carrying value; and the estimated cash flows for the total debtor connection are greater than the total loan carrying values.

During the period, 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. Profit on disposal of loans is not recognised where the overall debtor connection is impaired in accordance with the latest available information.

### 7 Gains/(losses) on derivative financial instruments

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Fair value losses on acquired derivatives | (8,203) | (5,349) | (13,552) | (90,922) |
| Fair value gains on other derivatives | - | 4,833 | 4,833 | 29,923 |
| Hedge ineffectiveness adjustment | - | (79) | (79) | 6,788 |
| **Total gains/(losses) on derivative financial instruments** | **(8,203)** | **(595)** | **(8,798)** | **(54,211)** |

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 15.

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 relating to the termination of a derivative as a result of the sale of a loan in May 2013.

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 loss has been fully 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. No further hedge ineffectiveness is expected.

| **8 Administration expenses** | **For the period from 1 Oct 2013 to 31 Dec 2013** | | | **For the period from 1 Jan 2013 to 31 Dec 2013** |
|---|---|---|---|---|
| | **NARL** | **NAMA Group (excl. NARL)** | **Total** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Costs reimbursable to NTMA | 782 | 10,536 | 11,318 | 40,768 |
| Primary servicer fees | 2,020 | 10,690 | 12,710 | 54,787 |
| Master servicer fees | - | 867 | 867 | 3,082 |
| IBRC integration costs | - | 3,961 | 3,961 | 7,369 |
| Portfolio management fees | - | 1,483 | 1,483 | 5,548 |
| Finance, communication and technology costs | - | 1,294 | 1,294 | 3,420 |
| Legal fees | - | 1,387 | 1,387 | 2,975 |
| Rent and occupancy costs | - | 589 | 589 | 1,482 |
| Internal audit fees | - | 186 | 186 | 911 |
| NAMA Board and Committee Fees | - | 188 | 188 | 603 |
| External audit remuneration | 20 | 158 | 178 | 515 |
| **Total administration expenses** | **2,822** | **31,339** | **34,161** | **121,460** |

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 8.1 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.

| **8.1 Costs reimbursable to NTMA** | **For the period from 1 Oct 2013 to 31 Dec 2013** | | | **For the period from 1 Jan 2013 to 31 Dec 2013** |
|---|---|---|---|---|
| | **NARL** | **NAMA Group (excl. NARL)** | **Total** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Staff costs | 421 | 8,160 | 8,581 | 31,134 |
| Overheads and shared service costs | 361 | 2,376 | 2,737 | 9,634 |
| **Total** | **782** | **10,536** | **11,318** | **40,768** |

## 9 Foreign exchange gains/(losses)

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Foreign exchange translation gain/(loss) on loans and receivables | - | 1,252 | 1,252 | (193,096) |
| Unrealised foreign exchange gain on derivative financial instruments | - | 24,748 | 24,748 | 208,210 |
| Realised foreign exchange loss on derivative financial instruments | - | (40,534) | (40,534) | (104,622) |
| Foreign exchange gain on cash | - | 629 | 629 | 172 |
| **Total foreign exchange gains/(losses)** | **-** | **(13,905)** | **(13,905)** | **(89,336)** |

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 €104m 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 2.14. Currency derivatives are explained in more detail in note 15.

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

## 10 Tax credit/(charge)

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| **Current tax** | | | | |
| Corporation tax in NAMAIL | - | (7) | (7) | (30) |
| Corporation tax in NAMGSL | - | (1) | (1) | (1) |
| Corporation tax in NAPM | - | (3) | (3) | (3) |
| | - | (11) | (11) | (34) |
| **Deferred tax** | | | | |
| On fair value gains and losses on derivatives (Note 21) | 2,051 | (6,058) | (4,007) | (28,942) |
| On utilised tax losses forward | - | (40,826) | (40,826) | (40,826) |
| **Total taxation credit/(charge)** | **2,051** | **(46,895)** | **(44,844)** | **(69,802)** |

## 11 Dividend paid

| | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Dividend paid | **-** | **-** | **-** | **(2,162)** |
| | | **24,783,486** | | |

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.

## 12 Cash and cash equivalents

| | | | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Balances with Central Bank | 332,420 | 1,405,763 | 1,738,183 | 1,102,325 |
| Balances with other banks | 20 | 83,793 | 83,813 | 30,147 |
| Exchequer notes | - | 1,600,000 | 1,600,000 | 2,065,000 |
| Term deposits | - | 31,240 | 31,240 | 173,435 |
| **Total cash and cash equivalents** | **332,440** | **3,120,796** | **3,453,236** | **3,370,907** |
| Cash placed as collateral with the NTMA | 63,000 | 739,000 | 802,000 | 761,000 |
| **Total cash, cash equivalents and collateral postings** | **395,440** | **3,859,796** | **4,255,236** | **4,131,907** |

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.

A similar agreement was entered into between NARL and the NTMA in November 2013, which requires NARL to place collateral on deposit with the NTMA to reduce the NTMA exposure to NARL derivatives. The amounts placed as collateral by NARL at 31 December 2013 was €63m.

## 13 Financial assets available for sale

| | | | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Short term treasury bonds | **-** | **145,138** | **145,138** | **146,559** |

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

## 14 Receivables from and payables to Participating Institutions

| | | | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Receivables from Participating Institutions | **-** | **78,447** | **78,447** | **78,911** |
| Payables to Participating Institutions | **-** | **(24,676)** | **(26,676)** | **(27,796)** |

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 31 December 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.

## 15 Derivative financial instruments

| | NARL | NAMA Group (excl. NARL) | 31 Dec 2013 Total | 30 Sept 2013 Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| *Derivative assets at fair value through profit or loss* | | | | |
| Derivative financial instruments acquired | - | 107,301 | 107,301 | 120,853 |
| Other derivative financial instruments | - | 13,334 | 13,334 | 13,597 |
| Foreign currency derivatives | - | 18,162 | 18,162 | 9,914 |
| Total | - | 138,797 | 138,797 | 144,364 |
| Hedging derivative assets | - | 21,572 | 21,572 | - |
| **Total derivative assets** | **-** | **160,369** | **160,369** | **144,364** |
| *Derivative liabilities at fair value through profit or loss* | | | | |
| Other derivative financial instruments | - | (29,105) | (29,105) | (34,203) |
| Foreign currency derivatives | - | (104,162) | (104,162) | (120,660) |
| Total | - | (133,267) | (133,267) | (154,863) |
| Hedging derivative liabilities | (8,203) | (458,314) | (466,517) | (461,167) |
| **Total derivative liabilities** | **(8,203)** | **(591,581)** | **(599,784)** | **(616,030)** |

*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.

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.

## 16 Loans and receivables

| | NARL | NAMA Group (excl. NARL) | 31 Dec 2013 Total | 30 Sept 2013 Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Loans and receivables gross | 11,715,589 | 23,723,370 | 35,438,959 | 37,262,877 |
| Less provision for impairment charges on loans and receivables | - | (4,125,260) | (4,125,260) | (3,618,775) |
| | **11,715,589** | **19,598,110** | **31,313,699** | **33,644,102** |

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 loan facility deed and floating charge over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank of Ireland (CBI). As consideration for the loan facility deed and floating charge, NAML issued government guaranteed senior debt securities worth €12.92bn to the CBI. As at 31 December 2013, NARL has received repayment of €1.23bn of the loan facility deed, which was used to redeem senior debt securities issued to the CBI.

Impairment is assessed semi annually. NAMA carried out an impairment assessment at 31 December 2013, based on the assessment an additional impairment charge of €914m was recorded for 2013. This brought the total impairment coverage to 17.5% at 31 December 2013 (30 June 2013: 14.4%).

| | **2013** |
|---|---|
| | **€'000** |
| Balance at 1 January 2013 | 3,263,422 |
| | |
| Increase in specific provision | 1,029,038 |
| Release of specific provision | (477,762) |
| Increase in collective provision | 310,562 |
| Total movement in provision (Note (i)) | **861,838** |
| | |
| Balance at 31 December 2013 | **4,125,260** |
| | |
| **Note (i)** | |
| Recognised in income statement | 914,345 |
| Recognised against loans and receivables | (52,507) |
| | **861,838** |

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.

### 17 Other assets

| | | | **31 Dec 2013** | **30 Sept 2013** |
|---|---|---|---|---|
| | **NARL** | **NAMA Group (excl. NARL)** | **Total** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Accrued swap interest receivable | - | 6,587 | 6,587 | 5,754 |
| Deferred consideration | - | 10,148 | 10,148 | 2,678 |
| VAT receivable | - | 299 | 299 | 420 |
| Interest receivable on financial assets available for sale | - | 5,578 | 5,578 | 4,116 |
| Interest receivable on cash and cash equivalents | 6 | 308 | 314 | 1,729 |
| Prepayments | - | 594 | 594 | 616 |
| Other receivables | - | 236 | 236 | 241 |
| **Total other assets** | **6** | **23,750** | **23,756** | **15,554** |

### 18 Trading properties

| | | | **31 Dec 2013** | **30 Sept 2013** |
|---|---|---|---|---|
| | **NARL** | **NAMA Group (excl. NARL)** | **Total** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Trading properties | **-** | **38,924** | **38,924** | **34,458** |

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.

### 19 Property, plant and equipment

| | | | **31 Dec 2013** | **30 Sept 2013** |
|---|---|---|---|---|
| | **NARL** | **NAMA Group (excl. NARL)** | **Total** | **Total** |
| | **€'000** | **€'000** | **€'000** | **€'000** |
| Lease fit out costs | **-** | **1,071** | **1,071** | **1,212** |

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

**20 Investments in equity instruments**

| | NARL | NAMA Group (excl. NARL) | 31 Dec 2013 Total | 30 Sept 2013 Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Financial assets at fair value through profit or loss | - | 6,373 | 6,373 | 6,470 |
| | **-** | **6,373** | **6,373** | **6,470** |

Financial assets measured at fair value through profit or loss comprise:
- a 20% interest in a partnership of €1.25m, 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, and transferred to NALM subsequent to it.

**21 Deferred tax**

| | Deferred tax on derivatives Assets | Deferred tax on derivatives (Liabilities) | Deferred tax on tax losses | Total |
|---|---|---|---|---|
| | €'000 | €'000 | €'000 | €'000 |
| Balance at 1 October 2013 | **154,008** | **(35,724)** | **133,393** | **251,677** |
| Movement in the period | (9,453) | 990 | (40,826) | (49,289) |
| Balance at 31 December 2013 | **144,555** | **(34,734)** | **92,567** | **202,388** |

| | For the period from 1 Oct 2013 to 31 Dec 2013 |
|---|---|
| | €'000 |
| Current tax (Note 10) | (11) |
| Movement recognised in the income statement (Note 10) | (44,833) |
| Movement recognised in reserves (Note 26 (a)) | (4,456) |
| **Net movement in deferred tax** | **(49,289)** |

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 €93m (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.

**22 Debt securities in issue**

| For the period from 1 Oct 2013 to 31 Dec 2013 | NARL | NAMA Group (excl. NARL) | Total |
|---|---|---|---|
| | €'000 | €'000 | €'000 |
| In issue at beginning of quarter | - | 36,868,000 | 36,868,000 |
| Redeemed during the quarter - NAMA | - | (1,250,000) | (1,250,000) |
| - NARL | - | (1,000,000) | (1,000,000) |
| **In issue at end of quarter** | **-** | **34,618,000** | **34,618,000** |

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

The total debt securities outstanding at 31 December 2013 issued in respect of the original acquisition of loans by NALML is €22.7bn. The debt securities are all government guaranteed Floating Rate Notes, which were issued by NAML and transferred to NAMGSL under a profit participating loan facility 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. The balance in issue as at 31 December 2013 was €22.7bn (2012: €25.4bn).

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 3 March 2014 were physically settled by issuing new securities with a maturity of 2 March 2015.

**Terms of notes issued for the acquisition of a loan facility deed and floating charge by NARL**

On 28 March 2013, NAML issued government guaranteed senior debt securities to the value of €12.9bn as consideration for the acquisition by NARL of a loan facility deed and floating charge over certain assets of IBRC as part of its funding arrangements with the Central Bank of Ireland (CBI). The debt securities issued in respect of the acquisition of the loan facility deed and 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. The balance in issue as at 31 December 2013 was €11.9bn (2012: €nil).

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 matured on 20 February 2014. 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 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). All of the securities which matured on 20 February 2014 were physically settled by issuing new securities with a maturity of 20 February 2015.

**Debt securities in issue by purpose**

| | **€'000** |
|---|---|
| **Notes issued for the acquisition of loans by NALML** | |
| In issue at beginning of quarter | 23,940,000 |
| Redeemed during the quarter | (1,250,000) |
| In issue at end of quarter | **22,690,000** |
| | |
| **Notes issued for the acquisition of a loan facility deed and floating charge by NARL** | |
| In issue at beginning of quarter | 12,928,000 |
| Redeemed during the quarter | (1,000,000) |
| In issue at end of quarter | **11,928,000** |
| | |
| **Total in issue at the end of the quarter** | **34,618,000** |

**23 Tax payable**

| | | | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Professional services withholding tax and other taxes payable | - | 401 | 401 | 718 |
| Current tax liability | - | 6 | 6 | 9 |
| **Total tax payable** | **-** | **407** | **407** | **727** |

**24 Other liabilities**

| | | | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | Total |
| | €'000 | €'000 | €'000 | €'000 |
| Intercompany - NAML / NARL | 11,928,000 | (11,928,000) | - | - |
| Accrued swap interest payable | - | 87,270 | 87,270 | 28,335 |
| Accrued interest on debt securities in issue - loans acquired by NALML | - | 26,093 | 26,093 | 6,424 |
| Accrued interest on debt securities in issue - loan facility deed acquired by NARL | - | 15,184 | 15,184 | 5,158 |
| Accrued expenses | 5,697 | 35,491 | 41,188 | 42,554 |
| Other liabilities | 177,338 | (174,478) | 2,860 | 228 |
| **Total other liabilities** | **12,111,035** | **(11,938,440)** | **172,595** | **82,699** |

**25 Other equity instruments**

| | For the period from 1 Oct 2013 to 31 Dec 2013 |
|---|---|
| | €'000 |
| At beginning of quarter | 1,593,000 |
| Issued in the quarter | - |
| Redeemed during the quarter | - |
| **In issue at end of quarter** | **1,593,000** |

**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.

## 26 Other reserves

| Other reserves are analysed as follows: | For the period from 1 Oct 2013 to 31 Dec 2013 | | | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|---|---|
| | NARL | NAMA Group (excl. NARL) | Total | |
| | €'000 | €'000 | €'000 | €'000 |
| **Cashflow hedge reserve** | | | | |
| At the beginning of the period | - | (345,955) | (345,955) | (524,019) |
| Net changes in fair value | - | 16,224 | 16,224 | 262,802 |
| Hedge ineffectiveness | - | 79 | 79 | (6,790) |
| Deferred tax recognised in other reserves (note a) | - | (4,056) | (4,056) | (65,701) |
| **At 31 December 2013** | **-** | **(333,708)** | **(333,708)** | **(333,708)** |
| | | | | |
| **Available for sale reserve** | | | | |
| At the beginning of the period | - | (1,101) | (1,101) | 1,805 |
| Net changes in fair value | - | (253) | (253) | (4,129) |
| Deferred tax recognised in other reserves (note a) | - | (400) | (400) | 570 |
| **At 31 December 2013** | **-** | **(1,754)** | **(1,754)** | **(1,754)** |
| | | | | |
| **Total other reserves** | **-** | **(335,462)** | **(335,462)** | **(335,462)** |

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 13). Total deferred tax recognised in reserves in the period is €4.4m (30 September 2013: €2m) (note 21).

**(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 Sept 2013 | (61,644) | |
| Deferred tax on movement in available for sale reserve from 1 Jan 2013 to 30 Sept 2013 | 969 | |
| Total deferred tax movement on reserves from 1 Jan 2013 to 30 Sept 2013 | | (60,675) |
| Deferred tax on movement in cash flow hedge reserve from 1 Oct 2013 to 31 Dec 2013 | (4,056) | |
| Deferred tax on movement in available for sale reserve from 1 Oct 2013 to 31 Dec 2013 | (400) | |
| Total deferred tax movement on reserves from 1 Jul 2013 to 31 Dec 2013 | | (4,456) |
| Total deferred tax movement on reserves from 1 Jan 2013 to 31 Dec 2013 | | (65,131) |
| Consists of: | | |
| Cashflow hedge reserve | | (65,701) |
| Available for sale reserve | | 570 |
| | | (65,131) |

**NAMA Group**

**Section 55 (6) (j): Income Statement by NAMA group entity**

**For the year from 1 January 2013 to 31 December 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 |
| Interest and fee income | 1,137,078 | 47 | - | - | - | - | 112,074 | 307,917 | (228,133) | 1,328,983 | 201,541 | 250 | 874 | (196,931) | 1,334,717 |
| Interest expense | (360,521) | (46) | (3,956) | (31) | - | - | (112,073) | (126,268) | 228,133 | (374,762) | (195,845) | - | (836) | 196,931 | (374,512) |
| **Net interest income / (expense)** | **776,557** | **1** | **(3,956)** | **(31)** | **-** | **-** | **1** | **181,649** | **0** | **954,221** | **5,696** | **250** | **38** | **-** | **960,205** |
| Other income/(expenses) | 3,562 | - | (26) | (2,888) | 54 | - | - | - | (86) | 616 | - | - | 41,938 | (45,414) | (2,860) |
| Net Profit on disposal of loans, property and surplus income | 501,263 | - | 4,148 | - | - | - | - | - | - | 505,411 | - | - | - | - | 505,411 |
| Gains/(losses) on derivative financial instruments | 210,004 | - | - | - | - | - | - | - | (264,215) | (54,211) | (8,203) | - | - | 8,203 | (54,211) |
| **Total operating income / (expense)** | **1,491,386** | **1** | **166** | **(2,919)** | **54** | **-** | **1** | **181,649** | **(264,301)** | **1,406,037** | **(2,507)** | **250** | **41,976** | **(37,211)** | **1,408,545** |
| Administration expenses | (118,098) | - | (155) | (71) | (399) | - | - | - | 86 | (118,637) | (5,696) | - | (42,541) | 45,414 | (121,460) |
| Foreign exchange (losses) | (90,196) | - | - | 860 | - | - | - | - | - | (89,336) | - | - | - | - | (89,336) |
| **Operating profit / (loss) before impairment** | **1,283,092** | **1** | **11** | **(2,130)** | **(345)** | **-** | **1** | **181,649** | **(264,215)** | **1,198,064** | **(8,203)** | **250** | **(565)** | **8,203** | **1,197,749** |
| Impairment charges on loans and receivables | (914,345) | - | - | - | - | - | - | - | - | (914,345) | - | - | - | - | (914,345) |
| **Profit / (loss) for the year before income tax** | **368,747** | **1** | **11** | **(2,130)** | **(345)** | **-** | **1** | **181,649** | **(264,215)** | **283,719** | **(8,203)** | **250** | **(565)** | **8,203** | **283,404** |
| Tax credit/(expense) | (96,694) | - | (3) | - | - | - | - | (45,412) | 67,564 | (74,545) | 2,051 | (31) | - | 2,723 | (69,802) |
| **Profit/(loss) for the year before dividend** | **272,053** | **1** | **8** | **(2,130)** | **(345)** | **-** | **1** | **136,237** | **(196,651)** | **209,174** | **(6,152)** | **219** | **(565)** | **10,926** | **213,602** |
| Dividend paid | - | - | - | - | - | - | - | - | - | - | - | (2,162) | - | - | (2,162) |
| **Profit/(loss) for the year** | **272,053** | **1** | **8** | **(2,130)** | **(345)** | **-** | **1** | **136,237** | **(196,651)** | **209,174** | **(6,152)** | **(1,943)** | **(565)** | **10,926** | **211,440** |

**NAMA Group**

**Section 55 (6) (j): Income Statement by NAMA group entity**

**For the period from 1 October 2013 to 31 December 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 |
| Interest and fee income | 278,640 | 31 | - | - | - | - | 112,074 | 234,141 | (228,134) | 396,752 | 59,637 | 61 | 1 | (122,172) | 334,279 |
| Interest expense | (170,962) | (46) | (3,956) | (31) | - | - | (112,073) | (31,364) | 228,134 | (90,298) | (122,068) | - | (43) | 122,172 | (90,237) |
| **Net interest income / (expense)** | **107,678** | **(15)** | **(3,956)** | **(31)** | **-** | **-** | **1** | **202,777** | **-** | **306,454** | **(62,431)** | **61** | **(42)** | **-** | **244,042** |
| Other income/(expenses) | 868 | - | (26) | (2,888) | 54 | - | - | - | - | (1,992) | - | - | 11,815 | (12,683) | (2,860) |
| Net Profit on disposal of loans, property and surplus income | 327,944 | - | (44) | - | - | - | - | - | - | 327,900 | - | - | - | - | 327,900 |
| Gains/(losses) on derivative financial instruments | 15,707 | - | - | - | - | - | - | - | (24,505) | (8,798) | (8,203) | - | - | 8,203 | (8,798) |
| **Total operating income / (expense)** | **452,197** | **(15)** | **(4,026)** | **(2,919)** | **54** | **-** | **1** | **202,777** | **(24,505)** | **623,564** | **(70,634)** | **61** | **11,773** | **(4,480)** | **560,284** |
| Administration expenses | (31,715) | - | (128) | (41) | (135) | - | - | - | - | (32,019) | (2,822) | - | (12,003) | 12,683 | (34,161) |
| Foreign exchange (losses) | (14,871) | - | 9 | 957 | - | - | - | - | - | (13,905) | - | - | - | - | (13,905) |
| **Operating profit / (loss) before impairment** | **405,611** | **(15)** | **(4,145)** | **(2,003)** | **(81)** | **-** | **1** | **202,777** | **(24,505)** | **577,640** | **(73,456)** | **61** | **(230)** | **8,203** | **512,218** |
| Impairment charges on loans and receivables | (528,992) | - | - | - | - | - | - | - | - | (528,992) | - | - | - | - | (528,992) |
| **Profit / (loss) for the period before income tax** | **(123,381)** | **(15)** | **(4,145)** | **(2,003)** | **(81)** | **-** | **1** | **202,777** | **(24,505)** | **48,648** | **(73,456)** | **61** | **(230)** | **8,203** | **(16,774)** |
| Tax credit/(expense) | (10,115) | - | (3) | - | - | - | (1) | (45,412) | 5,920 | (49,611) | 2,051 | (7) | - | 2,723 | (44,844) |
| **Profit/(loss) for the period before dividend** | **(133,496)** | **(15)** | **(4,148)** | **(2,003)** | **(81)** | **-** | **-** | **157,365** | **(18,585)** | **(963)** | **(71,405)** | **54** | **(230)** | **10,926** | **(61,618)** |
| Dividend paid | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - |
| **Profit/(loss) for the period** | **(133,496)** | **(15)** | **(4,148)** | **(2,003)** | **(81)** | **-** | **-** | **157,365** | **(18,585)** | **(963)** | **(71,405)** | **54** | **(230)** | **10,926** | **(61,618)** |

**NAMA Group**

**Section 55 (6) (i): Statement of Financial Position by NAMA group entity as at 31 December 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 |
| **Assets** | | | | | | | | | | | | | | | |
| Investments | 5,125 | 1,248 | 5,798 | - | - | - | - | - | (5,798) | 6,373 | - | - | 49,000 | (49,000) | 6,373 |
| Cash | 3,119,500 | 97 | - | - | 47 | - | - | - | - | 3,119,644 | 332,440 | - | 1,152 | - | 3,453,236 |
| Cash placed as collateral with the NTMA | 739,000 | - | | - | | | | | | 739,000 | 63,000 | - | - | - | 802,000 |
| Financial assets available for sale | 145,138 | - | - | - | - | - | - | - | - | 145,138 | - | - | - | - | 145,138 |
| Receivables from Participating Institutions | 78,447 | - | - | - | - | - | - | - | - | 78,447 | - | - | - | - | 78,447 |
| Derivative financial instruments | 160,369 | - | - | - | - | - | - | - | - | 160,369 | - | - | - | - | 160,369 |
| Loans and receivables | 19,585,959 | 12,151 | - | - | - | - | - | - | - | 19,598,110 | 11,715,589 | - | - | - | 31,313,699 |
| Other assets | 637,349 | - | 27 | - | 8 | - | 24,783,486 | 36,488,238 | (49,708,985) | 12,200,123 | 6 | 119,244 | 5,961 | (12,301,578) | 23,756 |
| Trading properties | - | - | 6,173 | 26,104 | 7,163 | - | - | - | (516) | 38,924 | - | - | - | - | 38,924 |
| Property, plant and equipment | - | - | - | - | - | - | - | - | - | - | - | - | 1,071 | - | 1,071 |
| Deferred tax asset | 107,769 | - | - | - | - | - | - | 92,568 | - | 200,337 | 2,051 | - | - | - | 202,388 |
| **Total assets** | **24,578,656** | **13,496** | **11,998** | **26,104** | **7,218** | **-** | **24,783,486** | **36,580,806** | **(49,715,299)** | **36,286,465** | **12,113,086** | **119,244** | **57,184** | **(12,350,578)** | **36,225,401** |
| **Liabilities** | | | | | | | | | | | | | | | |
| Payable to Participating Institutions | 24,676 | - | - | - | - | - | - | - | - | 24,676 | - | - | - | - | 24,676 |
| Derivative financial instruments | 591,581 | - | - | - | - | - | - | - | - | 591,581 | 8,203 | - | - | - | 599,784 |
| Debt securities in issue | - | - | - | - | - | - | - | 34,618,000 | - | 34,618,000 | - | - | - | - | 34,618,000 |
| Tax payable | 398 | - | 3 | - | - | - | - | - | - | 401 | - | 6 | - | - | 407 |
| Other liabilities | 24,511,696 | 13,495 | 12,034 | 22,436 | 7,752 | - | 24,783,484 | 647,510 | (49,708,985) | 289,422 | 12,111,035 | 13,025 | 60,691 | (12,301,578) | 172,595 |
| **Total liabilities** | **25,128,351** | **13,495** | **12,037** | **22,436** | **7,752** | **-** | **24,783,484** | **35,265,510** | **(49,708,985)** | **35,524,080** | **12,119,238** | **13,031** | **60,691** | **(12,301,578)** | **35,415,462** |
| **Equity** | | | | | | | | | | | | | | | |
| Share capital | - | - | - | 5,798 | - | - | - | - | (5,798) | - | - | 100,000 | - | (100,000) | - |
| Other equity instruments | - | - | - | - | - | - | - | 1,593,000 | - | 1,593,000 | - | - | - | - | 1,593,000 |
| Retained earnings | (547,941) | 1 | (39) | (2,130) | (534) | - | 2 | (277,704) | 327,040 | (501,305) | (6,152) | 6,213 | (3,507) | 57,152 | (447,599) |
| Other reserves | (1,754) | - | - | - | - | - | - | - | (327,556) | (329,310) | - | - | - | (6,152) | (335,462) |
| **Total equity** | **(549,695)** | **1** | **(39)** | **3,668** | **(534)** | **-** | **2** | **1,315,296** | **(6,314)** | **762,385** | **(6,152)** | **106,213** | **(3,507)** | **(49,000)** | **809,939** |
| **Total equity & liabilities** | **24,578,656** | **13,496** | **11,998** | **26,104** | **7,218** | **-** | **24,783,486** | **36,580,806** | **(49,715,299)** | **36,286,465** | **12,113,086** | **119,244** | **57,184** | **(12,350,578)** | **36,225,401** |

## 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 |
| **Assets** | | | | | | | | | | | | | | | |
| 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 |
| **Total assets** | **25,933,846** | **13,466** | **17,188** | **28,509** | **-** | **-** | **26,144,864** | **38,755,454** | **(52,432,402)** | **38,460,925** | **13,052,699** | **119,182** | **60,134** | **(13,237,726)** | **38,455,214** |
| **Liabilities** | | | | | | | | | | | | | | | |
| 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 |
| **Total liabilities** | **26,349,392** | **13,450** | **13,079** | **22,838** | **453** | **-** | **26,144,863** | **37,597,523** | **(52,426,275)** | **37,715,323** | **12,987,446** | **13,023** | **63,412** | **(13,183,952)** | **37,595,252** |
| **Equity** | | | | | | | | | | | | | | | |
| 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) |
| **Total equity** | **(415,546)** | **16** | **4,109** | **5,671** | **(453)** | **-** | **1** | **1,157,931** | **(6,127)** | **745,602** | **65,253** | **106,159** | **(3,278)** | **(53,774)** | **859,962** |
| **Total equity & liabilities** | **25,933,846** | **13,466** | **17,188** | **28,509** | **-** | **-** | **26,144,864** | **38,755,454** | **(52,432,402)** | **38,460,925** | **13,052,699** | **119,182** | **60,134** | **(13,237,726)** | **38,455,214** |

**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 October 2013 to 31 December 2013 | | | | | | | |
| | NALML | NAPML | NASLLC | NARPSL | NARL | NAMA | NAMA Group Consolidated Total |
| | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 | €'000 |
| Costs reimbursable to NTMA | 10,450 | 86 | - | - | 782 | - | 11,318 |
| Primary servicer fees | 10,690 | - | - | - | 2,020 | - | 12,710 |
| Master servicer fees | 867 | - | - | - | - | - | 867 |
| IBRC integration costs | 3,961 | - | - | - | - | - | 3,961 |
| Portfolio management fees | 1,369 | 21 | 31 | 62 | - | - | 1,483 |
| Finance, communication and technology costs | 1,273 | 21 | - | - | - | - | 1,294 |
| Legal fees | 1,304 | - | 10 | 73 | - | - | 1,387 |
| Rent and occupancy costs | 92 | - | - | - | - | 497 | 589 |
| Internal audit fees | 186 | - | - | - | - | - | 186 |
| NAMA Board and Committee Fees | - | - | - | - | - | 188 | 188 |
| External audit remuneration | 158 | - | - | - | 20 | - | 178 |
| | **30,350** | **128** | **41** | **135** | **2,822** | **685** | **34,161** |

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

| | NARL | NAMA Group (excl. NARL) | 31 December 2013 |
|---|---|---|---|
| Senior notes issued by NAML | - | 34,618,000 | 34,618,000 |
| Subordinated debt issued by NAML | - | 1,593,000 | 1,593,000 |
| **Total** | **-** | **36,211,000** | **36,211,000** |

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

**Government guaranteed senior debt securities**

| Financial Institution | Outstanding at 1 October 2013 € '000 | Issued € '000 | Redeemed € '000 | Transferred € '000 | Outstanding at 31 December 2013 € '000 |
|---|---|---|---|---|---|
| AIB | 16,397,000 | - | (862,000) | 285, 000 | 15,820,000 |
| BOI | 4,211,000 | - | (220,000) | - | 3,991,000 |
| EBS | 294,000 | - | (9,000) | (285,000) | - |
| IL&P | 2,289,000 | - | (120,000) | - | 2,169,000 |
| CBI | 13, 677,000 | - | (1,039,000) | - | 12,638,000 |
| **Total** | **36,868,000** | **-** | **(2,250,000)** | **-** | **34,618,000** |

**Subordinated debt securities**

| Financial Institution | Outstanding at 1 October 2013 € '000 | Issued € '000 | Redeemed € '000 | Transferred € '000 | Outstanding at 31 December 2013 € '000 |
|---|---|---|---|---|---|
| AIB | 451,000 | - | - | - | 451,000 |
| BOI | 281,000 | - | - | - | 281,000 |
| EBS | 20,000 | - | - | - | 20,000 |
| IBRC/SL | 841, 000 | - | - | - | 841,000 |
| **Total** | **1,593,000** | **-** | **-** | **-** | **1,593,000** |

#### 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 AND VENDOR FINANCE IN THE QUARTER

| Participating Institution | NARL €'000 | NAMA Group (exc NARL) €'000 | For the period from 1 October 2013 to 31 December 2013 €'000 |
|---|---|---|---|
| AIB | - | 34,807 | 34,807 |
| Capita | - | 78,403 | 78,403 |
| BOI | - | 19,236 | 19,236 |
| Loan acquisition | - | 7,320 | 7,320 |
| **Total** | **-** | **139,766** | **139,766** |

During the quarter, NAMA acquired a remaining loan balance from the sub participant in a debtor loan facility for a consideration of €7.32m.

#### 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 | 31 December 2013 €'000 |
|---|---|
| Investment in NAMAIL | 49,000 |
| Cash | 1,152 |
| Receivable from NALM | 5,468 |
| Other receivables | 493 |
| Property, plant and equipment | 1,071 |
| **Total** | **57,184** |

| National Asset Management Agency Investment Limited | 31 December 2013 €'000 |
|---|---|
| Loan to NAML | 99,900 |
| Intercompany loans and receivables - accrued interest | 19,244 |
| Inter-group receivable | 100 |
| **Total** | **119,244** |

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

| National Asset Resolution Limited | 31 December 2013<br>€'000 |
|---|---|
| Loans and receivables | 11,715,589 |
| Cash and cash equivalents | 332,440 |
| Cash placed as collateral with the NTMA | 63,000 |
| Deferred tax asset | 2,051 |
| Other assets | 6 |
| **Total** | **12,113,086** |

| National Asset Management Limited | 31 December 2013<br>€'000 |
|---|---|
| PPL receivable from NAMGSL | 24,283,000 |
| PPL receivable from NARL | 11,928,000 |
| PPL interest receivable from NARL | 177,338 |
| Intergroup assets | 99,900 |
| Deferred tax asset | 92,568 |
| **Total** | **36,580,806** |

| National Asset Management Group Services Limited | 31 December 2013<br>€'000 |
|---|---|
| PPL receivable from NALML | 24,283,000 |
| PPL receivable from NAJVAL | 13,496 |
| Other assets | 486,990 |
| **Total** | **24,783,486** |

| National Asset Loan Management Limited | 31 December 2013<br>€'000 |
|---|---|
| Investments in equity instruments | 5,125 |
| Cash | 3,119,500 |
| Cash placed as collateral with the NTMA | 739,000 |
| Financial assets available for sale | 145,138 |
| Receivable from Participating Institutions | 78,447 |
| Financial assets at fair value through profit or loss | 160,369 |
| Loans and receivables | 19,585,959 |
| Other assets | 637,348 |
| Deferred tax asset | 107,769 |
| **Total** | **24,578,655** |

| National Asset JVA Limited | 31 December 2013<br>€'000 |
|---|---|
| Investments in equity instruments | 1,248 |
| Cash | 97 |
| Loans and receivables | 12,151 |
| **Total** | **13,496** |

| National Asset Sarasota LLC | 31 December 2013<br>€'000 |
|---|---|
| Inventories - trading properties | **26,104** |

| National Asset Property Management Limited | 31 December 2013<br>€'000 |
|---|---|
| Investments in equity instruments | 5,798 |
| Other assets | 27 |
| Inventories - trading properties | 6,173 |
| **Total** | **11,998** |

| National Asset Residential Property Services Limited | 31 December 2013<br>€'000 |
|---|---|
| Cash | 47 |
| Other assets | 8 |
| Inventories - trading properties | 7,163 |
| **Total** | **7,218** |

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

| Entity | Description | Amount in issue at 31 December 2013<br>€'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. | 34,618,000 |

**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 31 December 2013 |
|---|
| No guidelines issued |

| Compliance with Directions Issued by the Minister under Section 14 (NAMA Act 2009) as at 31 December 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 31 December 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 31 December 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 - 12 months to 31/12/2013 | | |
|---|---|---|
| **Income statement (NAMA excluding NARL)** | **€bn** | |
| EIR income | 1.06 | |
| EIR cash received* | 0.73 | |
| | | |
| **Cash flow** | | |
| | **Cash received** | **Par Debt at 31/12/13** |
| **Non disposal income (NAMA excluding NARL)** | **€m** | **€m** |
| Full performing loans | 387 | 12,049 |
| Partially and non-performing loans (including enforced loans) | 405 | 55,091 |
| Total non-disposal cash receipts | 792 | 67,140 |
| | | |
| * 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 31 December 2013, NAMA has generated cash receipts of €16.5 billion since inception, of which €10.9 billion relates to disposal activity (properties and loan sales), €3.6 billion relates to non-disposal income, €0.6 billion to other income, and €1.4 billion through receipts from the IBRC Special Liquidators. This capturing of the €3.6 billion non-disposal income is an important measure of NAMA's performance.

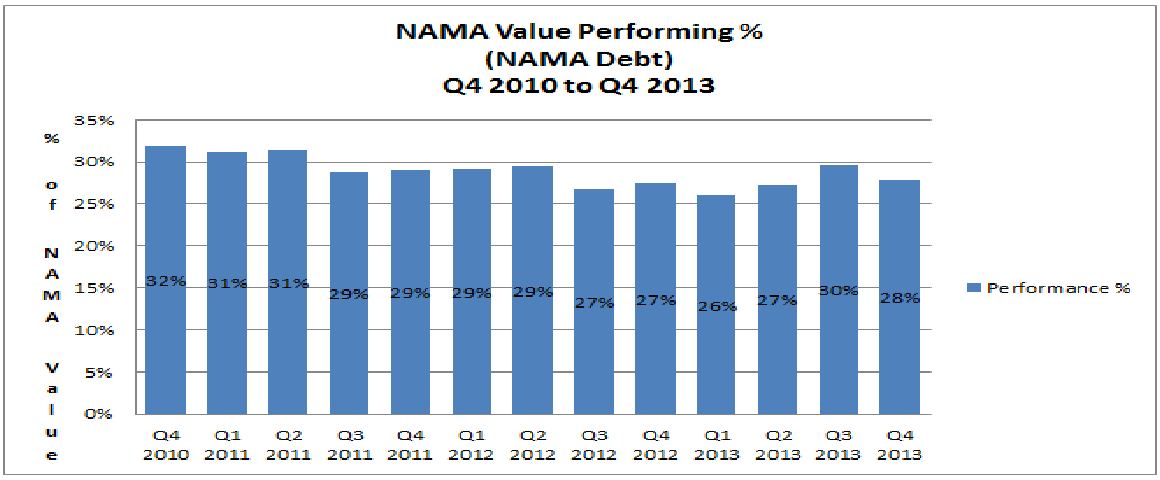
**4 (ii) SECTION 55 (6) (A) - CONTINUED**

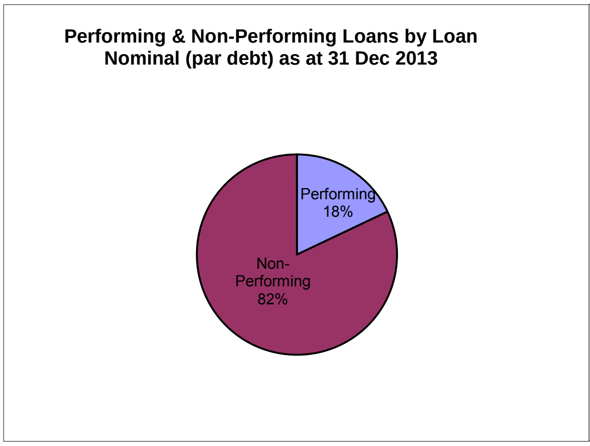
**Legacy loan facility loan performance metric**

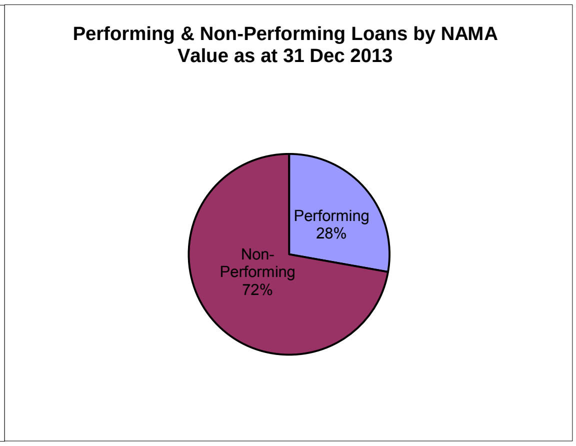
| Classification | Number | Loan Nominal (Par Debt) €m | NAMA Value less Impairment* €m |
|---|---|---|---|
| Performing | 2,621 | 12,049 | 5,450 |
| Non-Performing | 10,666 | 55,091 | 14,148 |
| **Total** | **13,287** | **67,140** | **19,598** |

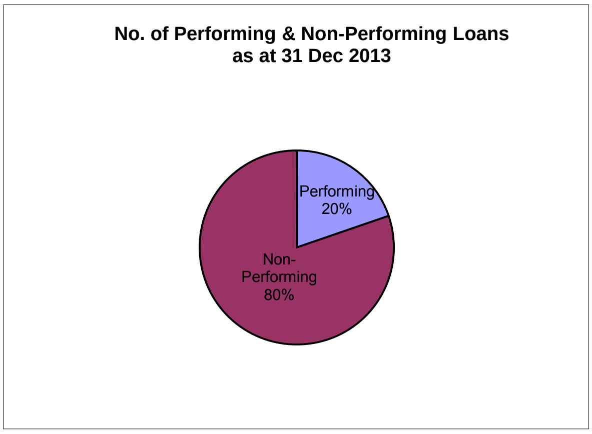
*The cumulative impairment recognised to 31 December 2013 was €4,125 million

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 original contractual obligations of the legacy loan facility.



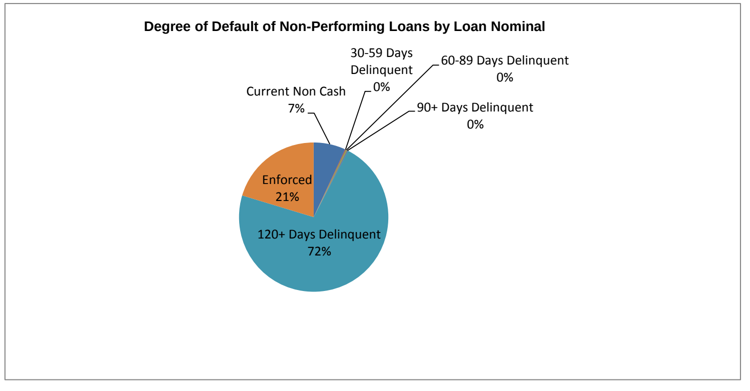
**4 (iii) SECTION 55 (6) (B) - CATEGORISATION OF NON-PERFORMING AS TO THE DEGREE OF DEFAULT**

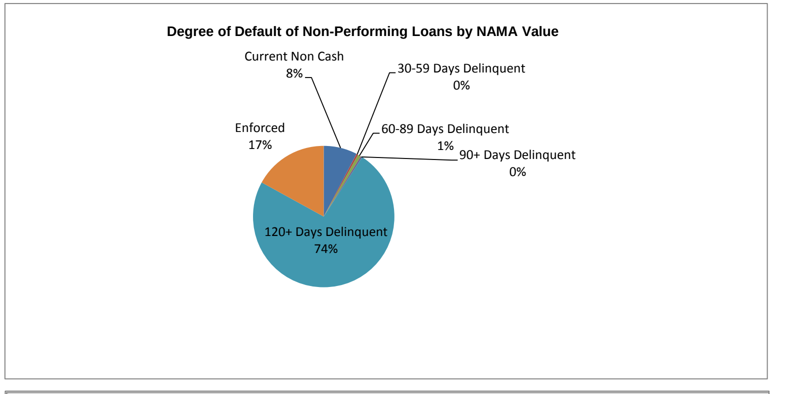
Categorisation of non performing loans in accordance with the Loan Payment Status as at 31 December 2013

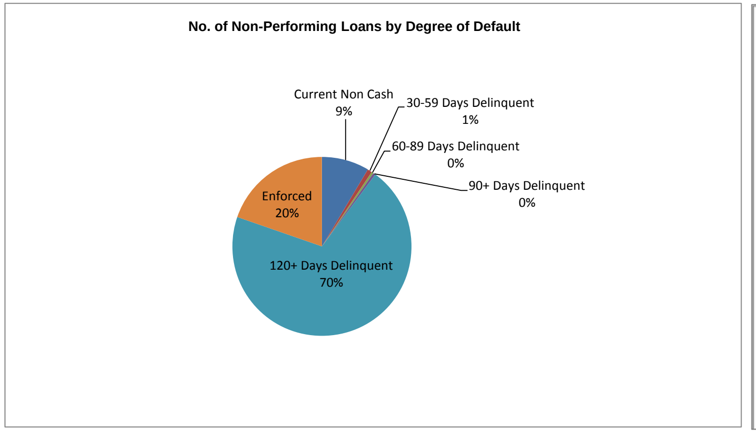
| Loan Payment Status | Degree of Default | Number | Loan Nominal €m | NAMA Value less Impairment €m |
|---|---|---|---|---|
| 9 | Current Non Cash | 913 | 3,818 | 1,087 |
| 1 | 30-59 Days Delinquent | 88 | 97 | 56 |
| 2 | 60-89 Days Delinquent | 38 | 159 | 102 |
| 3 | 90+ Days Delinquent | 45 | 102 | 48 |
| 4 | 120+ Days Delinquent | 7,484 | 39,723 | 10,453 |
| 7 & 8 | Enforced | 2,098 | 11,192 | 2,404 |
| | **Total** | **10,666** | **55,091** | **14,148** |

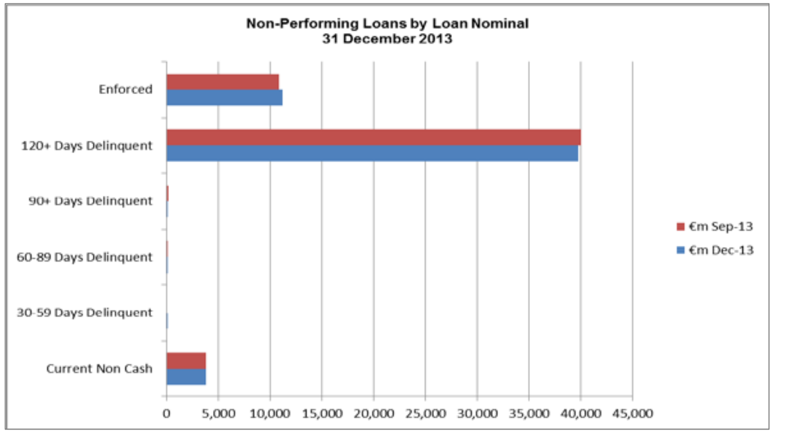
Loan payment status is defined on page 47.

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.



**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 capitalised 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 31 December 2013**

| Classification | Number | Loan Nominal €m | NAMA Value €m |
|---|---|---|---|
| Enforced | 318 | 1,223 | 504 |

Note: Section 55 6 (B) on page 46 contains a category of default called 'Enforced' where 2,098 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 31 December 2013

| Classification | Number | Loan Nominal €m | NAMA Value €m |
|---|---|---|---|
| Liquidators | - | - | - |
| Receivers | 318 | 1,223 | 504 |
| **Total** | **318** | **1,223** | **504** |

#### 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) | High Court Record No. 2013/5016 | NALM v Sean Kelly | Petition for Order of Bankruptcy of Sean Kelly |
| (ii) | High Court Record No2013 3539 S | NALM v Veronne Kelly | Order for Judgment |
| (iii) | High Court Record Number 2013 / 3236 S | NALM v Gerard Burke and Justin Burke | Order for Judgment |
| (iv) | High Court Chancery Division HL 13 FO4813 | NALM v Tower Bridge Road Developments Ltd, Aparthotels (Bermondsey) Ltd, Aparthotels (Tower Bridge) Ltd, Warwick Road Development Ltd, Warwick Road Developments Ltd, Think Apartments Ltd, Zucca Restaurant Ltd. | Order for possession and other reliefs |
| (v) | High Court Record No. 2013/4233S | NALM v Barry Harte | Order for Judgment |
| (vi) | High Court Record No. 2013/4233S | NALM v Conor Phelan | Order for Judgment |
| (vii) | High Court Record No. 2013/4233S | NALM v Noel Somers | Order for Judgment |
| (viii) | High Court Record No. 2013/4233S | NALM v Liam Murphy | Order for Judgment |
| (ix) | High Court Record No. 2013/4233S | NALM v Seamus Keating (Estate of) | Order for Judgment |
| (x) | High Court Record No. 2013/4233S | NALM v Niall O'Driscoll (Estate of) | Order for Judgment |
| (xi) | High Court Record No. 2013/4233S | NALM v Tadgh O'Brien | Order for Judgment |
| (xii) | High Court Record No. 2013/4233S | NALM v Richard Fitzgerald | Order for Judgment |
| (xiii) | High Court Record No. 2013/4233S | NALM v James Whelan | Order for Judgment |
| (xiv) | High Court Record Number 2013 / 4302 S | NALM v Desmond Rogers | Order for Judgment |
| (xv) | High Court Queen's Bench Division HQ13X56038 | NALM v Graham Harris | Order for Judgment |
| (xvi) | High Court Record Number 2013 4433 S | NALM -v- Patrick Wheelock | Order for Judgment |
| (xvii) | High Court Record Number 2013 4443 S | NALM -v- Des McSwiggan and Vivienne McSwiggan | Order for Judgment |

**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 31 December 2013**

| Description | Date | €bn |
|---|---|---|
| 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 31 December 2013**

| Description | Date | €m |
|---|---|---|
| Disposal of property assets | 21 November 2013 | 0.2 |
| **Total** | | **0.2** |

National Asset Property Management Limited disposed of four property assets with a carrying value of €0.27m in the quarter, for consideration of €0.23m on disposal.

At 31 December 2013, NAMA had received amounts in the order of €10.9 billion relating to disposals, of which €7.8 billion was attributable 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 31 December 2013**

| Description | Date | €m |
|---|---|---|
| National Asset Loan Management Limited (fee income) | 1 October - 31 December 2013 | 1,829.7 |
| National Asset JVA Limited | 1 October - 31 December 2013 | 0.0 |
| | | **1,829.7** |

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 31 December 2013**

**Income Statement**
**For the period from 1 October 2013 to 31 December 2013**

| | Note | For the period from 1 Oct 2013 to 31 Dec 2013 €'000 | For the period from 1 Jan 2013 to 31 Dec 2013 €'000 |
|---|---|---|---|
| Interest income | *3* | 61 | 250 |
| **Net interest income** | | **61** | **250** |
| Administration expenses | | - | - |
| **Operating profit before tax and dividend payment** | | **61** | **250** |
| Tax expense | *4* | (7) | (31) |
| **Profit before dividend payment** | | **54** | **219** |
| Reserves brought forward | | 6,159 | 8,156 |
| **Retained earnings before dividend** | | **6,213** | **8,375** |
| Dividend paid | *5* | - | (2,162) |
| **Retained earnings at 31 December 2013** | | **6,213** | **6,213** |

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

**Balance Sheet**

| | Note | 31 Dec 2013 €'000 | 30 Sept 2013 €'000 |
|---|---|---|---|
| **Assets** | | | |
| Investment in subsidiaries | *6* | - | - |
| Loans receivable from group entity | *7* | 119,244 | 119,182 |
| **Total assets** | | **119,244** | **119,182** |
| | | | |
| **Liabilities** | | | |
| Amounts due to group entity | *8* | 13,025 | 13,014 |
| Current tax liability | | 6 | 9 |
| **Total liabilities** | | **13,031** | **13,023** |
| | | | |
| **Equity** | | | |
| Share capital | *9* | 10,000 | 10,000 |
| Share premium | *9* | 90,000 | 90,000 |
| Retained earnings | *10* | 6,213 | 6,159 |
| **Total equity** | | **106,213** | **106,159** |
| | | | |
| **Total equity and liabilities** | | **119,244** | **119,182** |

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 31 December 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 Inter-group 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.

| 3 Interest income | For the period from 1 Oct 2013 to 31 Dec 2013 | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|
| | €'000 | €'000 |
| Interest income earned on inter-group loan | **61** | **250** |

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.

| 4 Tax expense | For the period from 1 Oct 2013 to 31 Dec 2013 | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|
| | €'000 | €'000 |
| Profit before tax | 61 | 250 |
| Tax expense for the period (12.5% of profit before tax) | **(7)** | **(31)** |

| 5 Dividend declared and paid | For the period from 1 Oct 2013 to 31 Dec 2013 | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|
| | €'000 | €'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.

**6 Investment in subsidiaries**

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

| 7 Loans receivable from group entity | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|
| | €'000 | €'000 |
| Loan receivable from NAML | 99,900 | 99,900 |
| Accrued interest on inter-group loan | 19,344 | 19,282 |
| **Loan receivable from group entity** | **119,244** | **119,182** |

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.

| 8 Amounts due to group entity | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|
| | €'000 | €'000 |
| Amounts due from NALML | (100) | (100) |
| Loan due to NALML | 13,125 | 13,114 |
| **Amounts due to group entity** | **13,025** | **13,014** |

The loan due to NALML primarily relates to dividend payments for 2010, 2011 and 2012 totalling €10.7m 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 31 December 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**

| | 31 Dec 2013 €'000 | 30 Sept 2013 €'000 |
|---|---|---|
| Retained earnings at beginning of period | 6,159 | 6,104 |
| Profit before dividend payment for the period | 54 | 55 |
| Total retained earnings at end of period | **6,213** | **6,159** |
| Dividend paid (Note 5) | - | - |
| **Retained earnings at end of period** | **6,213** | **6,159** |

## 6 - National Asset Resolution Limited Company only accounts

**For the quarter ended 31 December 2013**

**Income Statement**
**For the period from 1 October 2013 to 31 December 2013**

| | Note | For the period from 1 Oct 2013 to 31 Dec 2013 €'000 | For the period from 1 Jan 2013 to 31 Dec 2013 €'000 |
|---|---|---|---|
| Interest income | *3* | 59,637 | 201,541 |
| Interest expense | *4* | (122,068) | (195,845) |
| **Net interest income** | | **(62,431)** | **5,696** |
| Losses on derivative financial instruments | *5* | (8,203) | (8,203) |
| Administration expenses | *6* | (2,822) | (5,696) |
| **Operating loss before tax** | | **(73,456)** | **(8,203)** |
| Tax credit | *10* | 2,051 | 2,051 |
| **Operating loss for the period** | | **(71,405)** | **(6,152)** |
| Reserves brought forward | | 65,253 | - |
| **Retained earnings at 31 December 2013** | | **(6,152)** | **(6,152)** |

The accompanying notes 1 to 14 form an integral part of these accounts.

**Balance Sheet**

| | Note | 31 Dec 2013 €'000 | 30 Sept 2013 €'000 |
|---|---|---|---|
| **Assets** | | | |
| Cash and cash equivalents | *7* | 332,440 | 108,332 |
| Cash placed as collateral with the NTMA | *7* | 63,000 | - |
| Loans and receivables | *8* | 11,715,589 | 12,944,334 |
| Other assets | *9* | 6 | 33 |
| Deferred tax asset | *10* | 2,051 | - |
| **Total assets** | | **12,113,086** | **13,052,699** |
| **Liabilities** | | | |
| Derivative financial instruments | *11* | 8,203 | - |
| Amounts due to group entity | *12* | 12,105,338 | 12,984,572 |
| Accrued expenses | *12* | 5,697 | 2,874 |
| **Total liabilities** | | **12,119,238** | **12,987,446** |
| **Equity** | | | |
| Share capital | *13* | - | - |
| Retained earnings | *14* | (6,152) | 65,253 |
| **Total equity** | | **(6,152)** | **65,253** |
| **Total equity and liabilities** | | **12,113,086** | **13,052,699** |

The accompanying notes 1 to 14 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 loan facility deed and floating charge over certain IBRC assets which are currently used as collateral by IBRC as part of its repo arrangements with the Central Bank of Ireland (CBI). As consideration for the loan facility deed and floating charge, NAML issued government guaranteed senior debt securities to the CBI.

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 31 December 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 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. 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.

Where they are designated as hedging instruments, derivatives are accounted for using the hedge accounting provisions of IAS 39.

*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 other comprehensive income 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.

### *2.8 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.

## 3 Interest income

| | For the period from 1 Oct 2013 to 31 Dec 2013 €'000 | For the period from 1 Jan 2013 to 31 Dec 2013 €'000 |
|---|---|---|
| Interest on IBRC loan facility deed | 59,467 | 201,291 |
| Interest on cash and cash equivalents | 170 | 250 |
| **Total interest income** | **59,637** | **201,541** |

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

**4 Interest expense**

| | For the period from 1 Oct 2013 to 31 Dec 2013 | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|
| | €'000 | €'000 |
| Interest on inter-group loans | 122,068 | 195,845 |
| **Total interest expense** | **122,068** | **195,845** |

NARL has an intercompany profit participating facility agreement in operation with NAML, reflecting the consideration for the loan facility deed and floating charge acquired from the Central Bank. NARL has earned cumulative interest income of €201m to date on the facility deed (Q1 €3m; Q2 €72m; Q3 €66m; Q4 €59m), of which €196m has been transferred to NAML by way of profit participating loan interest.

**5 Losses on derivative financial instruments**

| | For the period from 1 Oct 2013 to 31 Dec 2013 | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|
| | €'000 | €'000 |
| Fair value losses on acquired derivatives | (8,203) | (8,203) |
| **Total losses on derivative financial instruments** | **(8,203)** | **(8,203)** |

**6 Administration expenses**

| | For the period from 1 Oct 2013 to 31 Dec 2013 | For the period from 1 Jan 2013 to 31 Dec 2013 |
|---|---|---|
| | €'000 | €'000 |
| Costs reimbursable to NTMA | 782 | 3,476 |
| Primary servicer fees | 2,020 | 2,200 |
| External audit remuneration | 20 | 20 |
| **Total administration expenses** | **2,822** | **5,696** |

**7 Cash, cash equivalents and collateral**

| | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|
| | €'000 | €'000 |
| Balances with Central Bank | 332,420 | 18,312 |
| Balances with other banks | 20 | 20 |
| Exchequer notes | - | 90,000 |
| **Total cash and cash equivalents** | **332,440** | **108,332** |
| Cash placed as collateral with the NTMA | 63,000 | - |
| **Total cash, cash equivalents and collateral** | **395,440** | **108,332** |

**8 Loans and receivables**

| | 31 Dec 2013 | 30 Sept 2013 |
|---|---|---|
| | €'000 | €'000 |
| Loan facility due from IBRC | 11,703,344 | 12,928,344 |
| Accrued interest on loan facility | 12,245 | 15,990 |
| **Total loans and receivables** | **11,715,589** | **12,944,334** |

With the establishment of NARL, NAMA acquired a loan facility deed and floating charge over certain IBRC assets which were used as collateral by IBRC as part of its funding arrangements with the Central Bank of Ireland (CBI). As consideration for the loan facility deed and floating charge, NAML issued government guaranteed senior debt securities worth €12.92bn to the CBI. As at 31 December 2013, NARL has received repayment of €1.23bn of the loan facility deed, which was used to redeem senior debt securities issued to the CBI.

**Terms of notes issued for the acquisition of a loan facility deed and 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 CBI.

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 28 March 2013 and matured on 20 February 2014. 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 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).

| **9 Other assets** | **31 Dec 2013** | **30 Sept 2013** |
|---|---|---|
| | **€'000** | **€'000** |
| Interest receivable on cash and cash equivalents | 6 | 33 |
| **Total other assets** | **6** | **33** |

**10 Deferred Tax Asset**

| | **For the period from 1 Oct 2013 to 31 Dec 2013** |
|---|---|
| | **€'000** |
| Current tax | - |
| Movement recognised in the income statement | 2,051 |
| Movement recognised in reserves | - |
| **Net movement in deferred tax** | **2,051** |

**11 Derivative Financial Instruments**

| | **31 Dec 2013** | **30 Sept 2013** |
|---|---|---|
| | **€'000** | **€'000** |
| Derivative liabilities at fair value through profit or loss | 8,203 | - |
| **Total derivative liabilities** | **8,203** | **-** |

| **12 Other liabilities** | **31 Dec 2013** | **30 Sept 2013** |
|---|---|---|
| | **€'000** | **€'000** |
| PPL loan due to NAML | 11,928,000 | 12,928,343 |
| PPL interest on loan due to NAML | 177,338 | 56,229 |
| Accrued expenses | 5,697 | 2,874 |
| **Amounts due to group entity** | **12,111,035** | **12,987,446** |

As consideration for the acquired 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.

| **13 Share capital** | **Number** | **€'000** |
|---|---|---|
| Authorised: | | |
| Ordinary shares of €1 each | 1,000 | 1 |
| Issued and fully paid during the period: | | |
| Ordinary shares of €1 each | 100 | - |
| **At 31 December 2013** | **100** | **-** |

100% of the ordinary shares are held by NAMAIL.

| **14 Reconciliation of reserves** | **31 Dec 2013** | **30 Sept 2013** |
|---|---|---|
| | **€'000** | **€'000** |
| Retained earnings at beginning of period | 65,253 | 2 |
| (Loss)/profit for the period | (71,405) | 65,251 |
| **Retained earnings at end of period** | **(6,152)** | **65,253** |